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# VECTOR

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# Executive summary

## Business overview

Vector Inc. is a full-service public relations company that mainly provides strategic PR consulting and digital marketing services. In Japan's JPY147.9bn PR industry (as of FY2022), it is the top-ranked company in terms of revenue with a market share of over 25.4%, according to Shared Research estimate. Vector rose to the top from second in the PR industry in Asia in terms of revenue (after BlueFocus Communication Group [China; SHE: 300058]), and seventh globally (up from 14th in 2022; Edelman Holdings, Inc. [US; unlisted] is first) (source: Global PR Agency Rankings 2023 by PRovoke Media).

Previously, it was common for businesses to use press conferences and press releases, and ads placed on television, in newspapers, and in magazines to promote their products or services. With progressing digitalization, however, efficient methods of spreading information using digital advertising approaches centered on PR, such as influencers, social media, and videos have become mainstream. The company combines strategic PR with video advertising, allowing it to provide the services needed to expand products in a one-stop manner, at one-tenth the cost of traditional approaches. The company is developing a wide variety of businesses and services beyond the scope of PR market, and targeting the JPY7.0tn advertising market, which is undergoing a major transformation with the growth of internet advertising.

### \*Differences between advertising and public relations (PR)

Advertising involves disseminating information by paying a fee for media outlets' sales and advertising departments to run ads and TV commercials. In public relations, on the other hand, media outlets' production and editorial departments decide whether to cover a company's activities or products/services based on interest rather than the receipt of a fee, making coverage a more objective measure of the value of the information.

The Vector group consists of 45 companies (as of end-FY02/23): the parent (a holding—operating company), 44 consolidated subsidiaries, and four equity-method affiliates. The parent manages the entire group (corporate planning, finance, accounting, human resources, general affairs, and internal control and auditing), as well as the investment business, where it invests in startups.

In FY02/23, revenue was JPY55.2bn (+14.8% YoY), operating profit JPY6.3bn (+22.4% YoY), and OPM 11.4%. Over the past 10 years, revenue grew at a CAGR of 23.9% and operating profit at a CAGR of 21.3%. Vector emphasizes gross profit, EBITDA, operating profit, and net income as management indicators. The GPM has increased by about 8.7pp over the past 10 years (54.9% in FY02/14 to 63.6% in FY02/23), mainly due to the growth of consolidated subsidiary PR TIMES, Inc. (TSE Prime: 3922)—a press release distribution company. Meanwhile, the SG&A expense ratio increased by about 11.5pp (from 40.8% in FY02/14 to 52.3% in FY02/23) due to new business expansion and the July 2018 consolidation of Ashita-Team Co., Ltd. (unlisted), which develops a human resources business. This resulted in a decline in the OPM by 2.7pp (from 14.1% to 11.4%). In FY02/23, OPM was 11.4% (+0.7pp YoY) on the back of strong performance in the PR and Advertising segment and the Direct Marketing segment, among other factors.

In FY02/23, Vector's segments were as follows: PR and Advertising (52.5% of revenue, OPM of 10.1%), Press Release Distribution (10.1%, 20.9%), Video Release Distribution (2.5%, operating loss), Direct Marketing (26.1%, 6.7%), Media CMS (1.7%, 0.3%), Human Resources (4.2%, 14.8%), and Investment (2.8%, 48.4%).

The PR consulting business (PR and Advertising segment) is one of the company's core businesses. About 70–80% of its revenue is from direct transactions with clients and 20–30% from indirect transactions (through advertising agencies). PR companies enter into either spot or retainer contracts. A retainer contract is a business representation or consultancy contract with a fixed monthly payment for a fixed period of continuous work. Retainer contracts involve core corporate PR activities—creating a PR organization, planning PR strategies, and approaching media outlets. On the other hand, spot contracts include product PR, such as media coverage at press conferences and campaign launches. Retainer contracts account for 40–50% of revenue, and spot (one-time) PR activities for the remaining 50–60% of revenue.

In PR and Advertising, the company aims to receive around JPY10–30mn per year from each client for PR consulting services (JPY600,000–1.5mn per month; or some JPY10mn per year) and around JPY1.0mn per year for press release distribution services (JPY70,000 or more per month; or JPY30,000 per distribution). In the PR consulting business, most clients are large listed corporations, but around 10% are startups (including Vector's portfolio companies). The business is a labor-intensive business that relies on consultants. However, it generates stable earnings because the company receives fixed monthly retainer income rather than non-recurring service contract commissions. Meanwhile, Press Release Distribution

involves trying to generate as much publicity as possible. Most clients in this business are small- and medium-sized companies. This is a platform business, with mainly fixed costs (low variable costs, and high marginal profit). (See Shared Research's report on PR TIMES for details.)

Direct Marketing is a direct-to-consumer business. The company develops health and beauty products and services and sells them online. Direct Marketing has become a second core business. The company holds product inventory and sells them to end-users (mainly fixed-term subscriptions with flexible contract periods).

As mentioned above, Vector forecasts a transformation toward low-cost, medium-quality, swift services in the advertising industry, as has occurred in the apparel industry with the rise of fast fashion (e.g., Uniqlo and Zara), and sees itself as a pioneer in providing such services. The company aims to position itself as the advertising industry analog of fast fashion stores or fast-food chains vis-à-vis major advertising agencies, which correspond to tailor-made boutiques or three-star restaurants. The company believes that video advertising is the key to structural reforms and is focusing on bolstering its capabilities in this front. According to the 2022 Advertising Expenditures in Japan survey by Dentsu Inc. (subsidiary of Dentsu Group Inc. [TSE Prime: 4324]), internet advertising expenditures in Japan amounted to roughly 3.9tn (+14.3% YoY), and the video advertising market was valued at JPY592.0bn (+15.4% YoY) in 2022. When the company was established in 1993, it made its first foray into the video business through involvement in the joint production of TV programs. Over time, it accumulated expertise in video production and distribution, which provided the foundation for its growth into a pioneer and leader in the video release distribution business. Currently, the company is developing video services such as digital signage and IR support.

Vector enters PR/IR support contracts with startups based on the amount of funds it has invested in them. The company then works to enhance the corporate value of the investee, creating a virtuous cycle of capital gains. Further, Vector receives introductions to new investment targets through its portfolio companies. It creates diversified businesses in D2C, human resources, and new business areas based on information on growth areas identified in the fields of PR, press release distribution, video, and media. The company provides its expertise in business creation to its portfolio companies, which in turn provide knowhow relating to the new business under development.

The company has several new businesses (many of which are included in the PR and Advertising segment). However, the following deserve special mention: consolidated subsidiary Brand Control, which operates an online brand risk management business (acquired in December 2017; Vector holds a 70.0% stake); operating website Hilomel, an e-commerce site for the advertising industry (launched May 10, 2021); and JOBTv, a recruitment matching platform offering unlimited access to corporate informational videos (launched November 18, 2021).

## Earnings trends

In FY02/23 (consolidated), the company recorded revenue of JPY55.2bn (+14.8% YoY), operating profit of JPY6.3bn (+22.4% YoY), recurring profit of JPY6.6bn (+27.2% YoY), and net income of JPY3.2bn (+53.2% YoY). Revenue and all profit categories reached record highs, and ROE came to 25.1%. In the mainstay PR and Advertising business, domestic PR performed well and drove results. In Direct Marketing, revenue rose as the company recorded record high revenue from proactive and effective advertising investments. In terms of profit, the PR and Advertising business in Japan maintained strong performance and recorded record high operating profit. In addition, advertising investments made in 1H in Direct Marketing also contributed. In Press Release Distribution, while operating profit came in lower than forecasts due to proactive advertising investments, all segments were profitable besides Video Release Distribution.

At the Q2 results announcement, the company revised its full-year forecast again. The company's revised forecast for FY02/24 projects JPY63.0bn in revenue (+14.1% YoY), JPY7.3bn in operating profit (+15.7% YoY), JPY7.3bn in recurring profit (+9.6% YoY), and JPY4.6bn in net income (+44.1% YoY). Performance generated in 1H fell short of projections due primarily to the company's Q2 recording of a JPY755mn allowance for doubtful accounts. However, the company has expected 2H performance to be higher than that of 1H since it released its initial projections. Vector attributes this conclusion mainly to a strategy of maximizing earnings through advertising, which it has adopted through its Direct Marketing segment since the beginning of FY02/24, and to an anticipated gain on the sale of securities that the company expects to book through its Investment segment in 2H. The company has maintained its previous forecast for revenue, operating profit, and recurring profit in light of the current business conditions. Net income attributable to owners of the parent forecast was revised upward, as the company plans to post an extraordinary gain in Q3 due to sales of wholly owned subsidiary Signal Inc.'s shares. The forecast for annual dividend had been upwardly revised to JPY28.0 per share (an increase of JPY3.0 from its previous forecast).

On April 14, 2022, along with its FY02/22 results, the company announced its medium-term management plan covering the four years from FY02/23–FY02/26. It targets final-year EBITDA of JPY10.7bn and final-year operating profit of JPY10.0bn

(not including stock compensation expenses). As of the announcement of Q1 FY02/24 results, the company believes it will be able to achieve its mid-term profit plan through FY02/26, even including stock compensation expenses. The company targets ROE of 22% (changed to a "target of at least 25%" in response to the company's generation of an ROE of 25.1% in FY02/23), aiming for continuous improvement. In addition, the basic policy of dividend policy has changed. The company raised the target dividend payout ratio from 20% to 30% as it abolished the shareholder benefit program from the perspective of fair return of profits.

## Strengths and weaknesses

### Strengths:

- ▶ Vector's position as a pioneer and leader in strategic PR services has helped it to win clients among large listed companies across a wide range of industries.
- ▶ Expertise in video production and distribution has enabled the company to expand its low-cost, highly efficient PR support business.
- ▶ Group management emphasizes diversity and autonomy. This has enabled the company to strengthen existing businesses, achieve autonomous growth at subsidiaries, and develop multiple new businesses.

### Weaknesses:

- ▶ The PR and Advertising segment is labor-intensive, which has slowed topline growth.
- ▶ Over-diversification has outpaced the company's management capabilities.
- ▶ IPOs hinder coordination between the holding company and its operating companies, hampering group management efficiency.

# Key financial data

Income statement	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22	FY02/23	FY02/24
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.(retroactive adjustment)	Cons.	Est.
<b>Revenue</b>	<b>6,461</b>	<b>8,319</b>	<b>9,686</b>	<b>13,285</b>	<b>20,090</b>	<b>29,694</b>	<b>36,822</b>	<b>37,274</b>	<b>48,122</b>	<b>55,225</b>	<b>63,000</b>
YoY	26.5%	28.8%	16.4%	37.2%	51.2%	47.8%	24.0%	1.2%	29.1%	14.8%	14.1%
<b>Gross profit</b>	<b>3,547</b>	<b>4,653</b>	<b>5,876</b>	<b>7,852</b>	<b>12,637</b>	<b>18,534</b>	<b>23,208</b>	<b>24,449</b>	<b>29,549</b>	<b>35,147</b>	-
YoY	22.5%	31.2%	26.3%	33.6%	60.9%	46.7%	25.2%	5.3%	20.9%	18.9%	-
Gross profit margin	54.9%	55.9%	60.7%	59.1%	62.9%	62.4%	63.0%	65.6%	61.4%	63.6%	-
<b>Operating profit</b>	<b>909</b>	<b>1,254</b>	<b>1,618</b>	<b>2,207</b>	<b>3,027</b>	<b>2,575</b>	<b>2,891</b>	<b>2,315</b>	<b>5,128</b>	<b>6,276</b>	<b>7,260</b>
YoY	26.0%	38.0%	29.0%	36.3%	37.2%	-14.9%	12.3%	-19.9%	121.5%	22.4%	15.7%
Operating profit margin	14.1%	15.1%	16.7%	16.6%	15.1%	8.7%	7.9%	6.2%	10.7%	11.4%	11.5%
<b>Recurring profit</b>	<b>910</b>	<b>1,187</b>	<b>1,507</b>	<b>2,052</b>	<b>2,951</b>	<b>2,738</b>	<b>3,322</b>	<b>2,797</b>	<b>5,208</b>	<b>6,623</b>	<b>7,260</b>
YoY	28.7%	30.5%	26.9%	36.2%	43.8%	-7.2%	21.3%	-15.8%	86.2%	27.2%	9.6%
Recurring profit margin	14.1%	14.3%	15.6%	15.4%	14.7%	9.2%	9.0%	7.5%	10.8%	12.0%	11.5%
<b>Net income</b>	<b>511</b>	<b>659</b>	<b>842</b>	<b>1,266</b>	<b>1,425</b>	<b>-2,421</b>	<b>-199</b>	<b>487</b>	<b>2,071</b>	<b>3,172</b>	<b>4,570</b>
YoY	38.5%	29.1%	27.6%	50.4%	12.6%	-	-	-	325.3%	53.2%	44.1%
Net margin	7.9%	7.9%	8.7%	9.5%	7.1%	-	-	1.3%	4.3%	5.7%	7.3%
<b>Per-share data (split-adjusted; JPY)</b>											
Issued shares at end-period(000 shares)	13,318	14,836	44,628	45,527	46,306	46,808	47,936	47,936	47,936	47,936	-
Treasury shares ('000)	-	-	0	262	262	262	262	262	262	262	-
EPS (JPY)	13.1	16.0	18.9	28.2	31.3	-52.3	-4.2	10.2	43.5	66.5	95.6
EPS (fully diluted; JPY)	12.8	15.9	-	-	-	-	-	-	-	-	-
Dividend per share (JPY)	4.3	3.0	11.0	5.0	6.0	-	-	2.0	13.0	19.0	28.0
Book value per share (JPY)	63	125	140	189	227	168	160	248	259	271	-
<b>Balance sheet (JPYmn)</b>											
Cash and cash equivalents	1,281	3,616	2,846	4,057	4,321	6,063	7,890	10,860	13,522	13,372	-
<b>Total current assets</b>	<b>2,984</b>	<b>6,028</b>	<b>5,703</b>	<b>7,876</b>	<b>9,127</b>	<b>14,793</b>	<b>16,131</b>	<b>18,411</b>	<b>26,317</b>	<b>30,115</b>	-
Tangible fixed assets	124	178	327	363	398	399	839	720	972	837	-
Investments and other assets	270	725	2,119	3,656	5,570	6,983	5,407	9,624	3,207	3,126	-
Intangible assets	181	176	271	851	3,500	2,665	1,228	1,302	1,077	2,265	-
<b>Total assets</b>	<b>3,561</b>	<b>7,107</b>	<b>8,420</b>	<b>12,746</b>	<b>18,595</b>	<b>24,840</b>	<b>23,606</b>	<b>30,057</b>	<b>31,575</b>	<b>36,343</b>	-
Short-term debt	239	60	788	1,003	2,883	5,185	2,624	2,189	2,120	6,881	-
<b>Total current liabilities</b>	<b>1,004</b>	<b>1,453</b>	<b>2,039</b>	<b>3,373</b>	<b>6,700</b>	<b>10,237</b>	<b>9,713</b>	<b>8,931</b>	<b>10,820</b>	<b>16,623</b>	-
Long-term debt	27	24	30	29	40	4,006	3,634	4,577	3,643	2,881	-
<b>Total fixed liabilities</b>	<b>29</b>	<b>27</b>	<b>36</b>	<b>209</b>	<b>472</b>	<b>4,314</b>	<b>3,726</b>	<b>6,272</b>	<b>4,576</b>	<b>3,960</b>	-
<b>Total liabilities</b>	<b>1,033</b>	<b>1,480</b>	<b>2,075</b>	<b>3,581</b>	<b>7,172</b>	<b>14,551</b>	<b>13,439</b>	<b>15,203</b>	<b>15,396</b>	<b>20,583</b>	-
Shareholders' equity	2,500	5,507	6,233	8,016	9,589	7,276	7,533	8,017	10,179	10,795	-
<b>Total net assets</b>	<b>2,527</b>	<b>5,627</b>	<b>6,345</b>	<b>9,165</b>	<b>11,423</b>	<b>10,289</b>	<b>10,167</b>	<b>14,855</b>	<b>16,178</b>	<b>15,759</b>	-
<b>Total liabilities and net assets</b>	<b>3,561</b>	<b>7,107</b>	<b>8,420</b>	<b>12,746</b>	<b>18,595</b>	<b>24,840</b>	<b>23,606</b>	<b>30,057</b>	<b>31,574</b>	<b>36,342</b>	-
Total interest-bearing debt	267	84	818	1,032	2,923	9,191	6,257	6,766	5,763	9,762	-
<b>Cash flow statement(JPYmn)</b>											
Cash flows from operating activities	267	896	812	1,504	2,802	790	2,869	2,129	4,977	1,457	-
Cash flows from investing activities	-351	-780	-2,161	-1,206	-4,611	-4,915	2,260	644	-1,308	-1,288	-
Cash flows from financing activities	67	2,218	602	899	2,043	5,858	-3,274	210	-1,060	-358	-
<b>Financial ratios</b>											
ROA (RP-based)	28.0%	22.3%	19.4%	19.4%	18.8%	12.6%	13.7%	10.4%	16.9%	19.5%	-
ROE	22.7%	16.4%	14.3%	17.1%	15.0%	-	-	5.0%	17.1%	25.1%	-
Equity ratio	70.6%	78.1%	74.3%	67.0%	56.3%	31.6%	32.4%	39.4%	39.2%	35.6%	-
Total asset turnover	198.6%	156.0%	124.8%	125.5%	128.2%	136.7%	152.0%	138.9%	156.2%	162.6%	-
Net margin	7.9%	7.9%	8.7%	9.5%	7.1%	-8.2%	-0.5%	1.3%	4.3%	5.7%	-
EBITDA (JPYmn)	986	1,350	1,762	2,400	3,564	3,703	4,358	3,581	6,017	7,013	-

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

The company changed its accounting practices as a result of commercializing investment activities from FY02/23, and the company has disclosed a balance sheet for FY02/22 to retroactively reflect such changes. After such retroactive amendments, FY02/22 revenue was JPY48.1bn, operating profit was JPY5.2bn, and net income of JPY2.1bn.

Due to the change in accounting policy resulting from the commercialization of the investment, the FY02/23 forecast YoY comparisons are with actual results after retroactive application.

# Recent updates

## Revision to consolidated full-year earnings and dividend forecasts

2023-10-16

On October 13, 2023, Vector Inc. announced revisions to its full-year earnings and dividend forecasts.

### Revision to full-year earnings forecast

- Revenue: JPY63.0bn (+14.1% versus FY02/23; unchanged from initial forecast)
- Operating profit: JPY7.3bn (+15.7% YoY; unchanged from previous forecast)
- Recurring profit: JPY7.3bn (+9.6% YoY; unchanged from previous forecast)
- Net income attributable to owners of the parent: JPY4.6bn (+44.1% YoY; previous forecast: JPY4.1bn)
- Earnings per share: JPY95.56 (previous forecast: JPY85.11)

### Reason for revision to full-year earnings forecast

Although Vector recorded an allowance for doubtful accounts of JPY755mn for a specific customer in the digital marketing domain in Q2 FY02/24 (June–August 2023), the company maintained its previous forecast for revenue, operating profit, and recurring profit in light of the current business conditions. Net income attributable to owners of the parent forecast was revised upward, as the company plans to post an extraordinary gain in Q3 (September–November 2023).

### Revision to dividend forecast

Vector recognizes that the distribution of profits to shareholders is one of its most important management issues, and its basic policy is to pay dividends, taking into consideration cash flow and financial conditions, with a target consolidated payout ratio of 30%. Based on this policy, the company has revised its dividend forecast for FY02/24 to JPY28.0, representing an increase of JPY3.0 from the previous forecast, taking into consideration the revised consolidated full-year earnings forecast and the current business environment.

## Possible failure or delay in debt collection

On the same day, Vector announced the following regarding the risk of failure or delay in debt collection.

On September 25, 2023, Vector's client, Beauty Three Corporation (unlisted) filed a petition for commencement of bankruptcy proceedings with the Tokyo District Court, and the court issued an order of commencement of bankruptcy proceedings on the same day. Following this, Vector announced that it has incurred a risk of failure or delay in debt collection from Beauty Three.

On September 30, 2022, Vector acquired the digital advertising business from Terminal Corporation (unlisted). Terminal had been providing ad management services to Beauty Three prior to Vector's acquisition of the digital advertising business, and Vector had continued to provide these services after the acquisition.

The company recorded an allowance for doubtful accounts of JPY755mn for its debts to Beauty Three in Q2 FY02/24, which accounted for 4.8% of consolidated net assets in FY02/23.

In the business transfer agreement signed when Vector acquired the digital advertising business from Terminal, a standard operating profit for the transferred business was set for each fiscal year, and it was agreed that if the standard was not achieved, Terminal would refund the amount specified in the agreement to the company. If the FY02/24 figures are finalized and the operating profit is not achieved, Terminal will refund the company the amount short of the standard operating profit.

Based on the above agreement, Vector is currently negotiating with Terminal to have the latter reimburse the company on behalf of Beauty Three for the debts owed to the company, given that the company will be in the process of requesting refunds from Terminal in the future. The company has not revised its earnings forecast as a result of this transaction.

## Merger of a wholly owned subsidiary by absorption (simplified merger, short-form merger) and debt waiver

On October 13, 2023, Vector announced details of the merger with a wholly owned subsidiary (simplified, short-form, absorption-type merger) and debt waiver.

At a meeting held on October 13, 2023, the company's Board of Directors resolved to merge with Smartmedia Corporation, a wholly owned subsidiary of the company, in an absorption-type merger (simple absorption-type merger) and to waive a portion of debts to Smartmedia in connection with the merger. The merger agreement was signed on October 13, 2023, and the effective date is scheduled for December 1, 2023.

The merger will be an absorption-type merger, with the company being the surviving company and Smartmedia the merged company. Smartmedia is currently insolvent, but the merger will take place after the company has waived some of the debts to Smartmedia and eliminated the subsidiary's insolvency status. The company expects to waive JPY520mn in loans and accrued interest. The date of the debt waiver is scheduled for October 31, 2023.

As Vector will take over Smartmedia's net operating loss carry forwards of JPY653mn, income taxes will decrease by JPY200mn in Q2 FY02/24 (June–August 2023), resulting in an increase in net income attributable to owners of the parent. Since the above accounting treatment has already been accounted for in Q2 FY02/24, there will be no impact on business results from Q3 onward.

# Trends and outlook

## Quarterly trends and results

Quarterly earnings(Cumulative)		FY02/22				FY02/23				FY02/24		FY02/24			
(JPYmn)	Q1 retroactive adjustment	1-2Q retrospective	Q1-Q3 retrospective	Q1-Q4 retrospective	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Progress versus full-year forecast	1H Est.	Progress versus full-year forecast	FY Est.	
Revenue	11,144	22,021	34,892	48,122	13,132	26,672	41,163	55,225	14,758	28,565	96.0%	29,761	45.3%	63,000	
YoY	-	-	-	-	17.8%	21.1%	18.0%	14.8%	12.4%	7.1%		11.6%		14.1%	
Gross profit	7,050	13,865	21,986	29,549	8,726	17,712	26,948	35,146	9,008	17,940					
YoY	-	-	-	-	23.8%	27.7%	22.6%	18.9%	3.2%	1.3%					
Gross profit margin	63.3%	63.0%	63.0%	61.4%	66.4%	66.4%	65.5%	63.6%	61.0%	62.8%					
SG&A expenses	5,918	11,771	17,954	24,420	7,248	14,328	21,734	28,870	7,594	16,457					
YoY	-	-	-	-	22.5%	21.7%	21.1%	18.2%	4.8%	14.9%					
SG&A ratio	53.1%	53.5%	51.5%	50.7%	55.2%	53.7%	52.8%	52.3%	51.5%	57.6%					
Operating profit	1,131	2,093	4,032	5,128	1,477	3,383	5,213	6,276	1,414	1,483	68.2%	2,175	20.4%	7,280	
YoY	-	-	-	-	30.6%	61.6%	29.3%	22.4%	-4.3%	-56.2%		-35.7%		15.7%	
Operating profit margin	10.1%	9.5%	11.6%	10.7%	11.2%	12.7%	12.7%	11.4%	9.6%	5.2%		7.3%		11.5%	
Recurring profit	1,155	2,102	4,085	5,208	1,487	3,507	5,345	6,623	1,377	1,697	78.0%	2,175	23.4%	7,280	
YoY	-	-	-	-	28.7%	66.8%	30.8%	27.2%	-7.4%	-51.6%		-38.0%		9.6%	
Recurring profit margin	10.4%	9.5%	11.7%	10.8%	11.3%	13.1%	13.0%	12.0%	9.3%	5.9%		7.3%		11.5%	
Net income	443	622	1,614	2,071	836	1,918	2,868	3,172	722	823	76.8%	1,072	18.0%	4,570	
YoY	-	-	-	-	88.7%	208.4%	77.7%	53.2%	-13.6%	-57.1%		-44.1%		44.1%	
Net margin	4.0%	2.8%	4.6%	4.3%	6.4%	7.2%	7.0%	5.7%	4.9%	2.9%		3.6%		7.3%	

Earnings (quarterly)		FY02/22				FY02/23				FY02/24	
(JPYmn)	Q1 retroactive adjustment	2Q retrospective	Q3 retrospective	Q4 retrospective	Q1	Q2	Q3	Q4	Q1	Q2	
Revenue	11,144	10,877	12,871	13,230	13,132	13,540	14,491	14,062	14,758	13,807	
YoY	-	-	-	-	17.8%	24.5%	12.6%	6.3%	12.4%	2.0%	
Gross profit	7,050	6,815	8,121	7,563	8,726	8,986	9,236	8,198	9,008	8,932	
YoY	-	-	-	-	23.8%	31.9%	13.7%	8.4%	3.2%	-0.6%	
Gross profit margin	63.3%	62.7%	63.1%	57.2%	66.4%	66.4%	63.7%	58.3%	61.0%	64.7%	
SG&A expenses	5,918	5,853	6,183	6,466	7,248	7,080	7,406	7,136	7,594	8,863	
YoY	-	-	-	-	22.5%	21.0%	19.8%	10.4%	4.8%	25.2%	
SG&A ratio	53.1%	53.8%	48.0%	48.9%	55.2%	52.3%	51.1%	50.7%	51.5%	64.2%	
Operating profit	1,131	962	1,939	1,096	1,477	1,906	1,830	1,063	1,414	69	
YoY	-	-	-	-	30.6%	98.1%	-5.6%	-3.0%	-4.3%	-96.4%	
Operating profit margin	10.1%	8.8%	15.1%	8.3%	11.2%	14.1%	12.6%	7.6%	9.6%	0.5%	
Recurring profit	1,155	947	1,983	1,123	1,487	2,020	1,838	1,278	1,377	320	
YoY	-	-	-	-	28.7%	113.3%	-7.3%	13.8%	-7.4%	-84.2%	
Recurring profit margin	10.4%	8.7%	15.4%	8.5%	11.3%	14.9%	12.7%	9.1%	9.3%	2.3%	
Net income	443	179	992	457	836	1,082	950	304	722	101	
YoY	-	-	-	-	88.7%	504.5%	-4.2%	-33.5%	-13.6%	-90.7%	
Net margin	4.0%	1.6%	7.7%	3.5%	6.4%	8.0%	6.6%	2.2%	4.9%	0.7%	

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

The company changed its accounting practices as a result of commercializing investment activities from FY02/23, and the company has disclosed results for Q1 FY02/22 to retroactively reflect such changes.

Due to the change in accounting practices resulting from the commercialization of investment activities, the FY02/23 forecast YoY comparisons are with actual results after retroactive application.

## Results by segment

By segment (cumulative)	FY02/23				Segment change	FY02/23		FY02/24	
	Q1	Q1-Q2	Q1-Q3	Q1-Q4		Q1 retroactive adjustment	1-2Q retrospective	Q1	Q1-Q2
Revenue	13,132	26,672	41,163	55,225	Revenue	13,132	26,672	14,758	28,565
YoY	17.8%	21.1%	18.0%	14.8%	YoY	17.8%	21.1%	12.4%	7.1%
PR and Advertising	6,830	13,548	21,502	29,518	PR and Advertising	7,304	14,547	9,261	17,282
YoY	11.4%	14.6%	14.8%	13.7%	YoY	-	-	26.8%	18.8%
% of total	50.9%	49.8%	51.3%	52.5%	% of total	54.8%	53.7%	62.3%	60.0%
Press Release Distribution	1,383	2,814	4,313	5,706	Press Release Distribution	1,383	2,814	1,608	3,284
YoY	22.7%	22.6%	19.5%	17.6%	YoY	-	-	16.3%	16.7%
% of total	10.3%	10.3%	10.3%	10.1%	% of total	10.4%	10.4%	10.8%	11.4%
Video Release Distribution	350	658	1,048	1,385					
YoY	-8.4%	-11.2%	0.4%	1.8%					
% of total	2.6%	2.4%	2.5%	2.5%					
Direct Marketing	3,501	7,209	11,162	14,691	Direct Marketing	3,501	7,209	3,333	6,684
YoY	19.1%	24.0%	28.2%	19.2%	YoY	-	-	-4.8%	-7.3%
% of total	26.1%	26.5%	26.6%	26.1%	% of total	26.3%	26.6%	22.4%	23.2%
Media CMS	226	469	702	956					
YoY	-5.8%	3.3%	5.9%	5.4%					
% of total	1.7%	1.7%	1.7%	1.7%					
Human Resources	647	1,243	1,809	2,372	Human Resources	654	1,256	558	1,311
YoY	9.1%	1.6%	-2.8%	-5.6%	YoY	-	-	-14.7%	4.4%
% of total	4.8%	4.6%	4.3%	4.2%	% of total	4.9%	4.6%	3.8%	4.6%
Investment business	481	1,282	1,385	1,601	Investment business	481	1,282	109	240
YoY	-	564.2%	34.3%	29.3%	YoY	-	-	-77.3%	-81.3%
% of total	3.6%	4.7%	3.3%	2.8%	% of total	3.6%	4.7%	0.7%	0.8%
Company-wide, eliminations	-288	-553	-761	-1,006	Company-wide, eliminations	-193	-438	-113	-237
Operating profit	1,477	3,383	5,213	6,276	Operating profit	1,477	3,383	1,414	1,483
YoY	30.6%	61.6%	29.3%	22.4%	YoY	30.6%	61.6%	-4.3%	-56.2%
Operating profit margin	11.2%	12.7%	12.7%	11.4%	Operating profit margin	11.2%	12.7%	9.6%	5.2%
PR and Advertising	784	1,369	2,182	2,984	PR and Advertising	897	1,551	1,205	920
YoY	42.5%	69.4%	47.5%	40.4%	YoY	-	-	34.3%	-40.7%

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Operating profit margin	11.5%	10.1%	10.1%	10.1%	Operating profit margin	12.3%	10.7%	13.0%	5.3%
Press Release Distribution	428	916	1,098	1,190	Press Release Distribution	428	916	343	890
YoY	9.5%	2.1%	-27.8%	-35.1%	YoY	-	-	-19.9%	-2.8%
Operating profit margin	30.9%	32.6%	25.5%	20.9%	Operating profit margin	30.9%	32.6%	21.3%	27.1%
Video Release Distribution	-12	-46	-28	-34					
YoY	-	-	-	-					
Operating profit margin	-	-	-	-					
Direct Marketing	-177	-86	645	984	Direct Marketing	-177	-86	23	-237
YoY	-	-	49.3%	27.1%	YoY	-	-	-	-
Operating profit margin	-	-	5.8%	6.7%	Operating profit margin	-	-1.2%	0.7%	-3.5%
Media CMS	0	-8	-10	3					
YoY	-	-	-	-					
Operating profit margin	-	-	-0.7%	0.2%					
Human Resources	124	237	302	352	Human Resources	7	11	-76	-9
YoY	-	-	221.3%	49.2%	YoY	-	-	-	-
Operating profit margin	19.2%	19.1%	16.7%	14.8%	Operating profit margin	1.1%	0.9%	-	-0.7%
Investment business	323	990	1,007	775	Investment business	323	990	-81	-80
YoY	-	-	73.3%	203.9%	YoY	-	-	-	-
Operating profit margin	67.2%	77.2%	72.7%	48.4%	Operating profit margin	67.2%	77.2%	-	-33.3%
Company-wide, eliminations	7	11	17	19	Company-wide, eliminations	-	-	-	-

Source: Shared Research based on company data

Notes:

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- From FY02/23, segment names changed from the "Media business" to the "Media CMS business," and from the "Fund business" to the "Investment business."
- The company changed its accounting practices as a result of commercializing investment activities from FY02/23, and the company has disclosed results for Q1 FY02/22 to retroactively reflect such changes.
- From FY02/24, segment names changed from the "Video Release Distribution business" and the "Media CMS" business to the "PR and Advertising" segment, and "JOBTV" which was included in the "PR and Advertising" segment to "HR" segment.

Business segments(3 months) (JPYmn)	FY02/23				Segment change	FY02/23		FY02/24	
	Q1	Q2	Q3	Q4		Q1 retroactive adjustment	2Q retrospective	Q1	Q2
Revenue	13,132	13,540	14,491	14,062	Revenue	13,132	13,540	14,758	13,807
YoY	17.8%	24.5%	12.6%	6.3%	YoY	17.8%	24.5%	12.4%	2.0%
PR and Advertising	6,830	6,718	7,954	8,016	PR and Advertising	7,304	7,243	9,261	8,021
YoY	11.4%	18.1%	15.2%	10.7%	YoY	-	-	26.8%	10.7%
% of total	50.9%	48.7%	54.1%	56.0%	% of total	54.8%	52.5%	62.3%	57.6%
Press Release Distribution	1,383	1,431	1,499	1,393	Press Release Distribution	1,383	1,431	1,608	1,676
YoY	22.7%	22.4%	14.3%	11.8%	YoY	-	-	16.3%	17.1%
% of total	10.3%	10.4%	10.2%	9.7%	% of total	10.4%	10.4%	10.8%	12.0%
Video Release Distribution	350	308	390	337					
YoY	-8.4%	-14.2%	28.7%	6.3%					
% of total	2.6%	2.2%	2.7%	2.4%					
Direct Marketing	3,501	3,708	3,953	3,529	Direct Marketing	3,501	3,708	3,333	3,351
YoY	19.1%	29.0%	36.6%	-2.4%	YoY	-	-	-4.8%	-9.6%
% of total	26.1%	26.9%	26.9%	24.7%	% of total	26.3%	26.9%	22.4%	24.1%
Media CMS	226	243	233	254					
YoY	-5.8%	13.6%	11.5%	4.1%					
% of total	1.7%	1.8%	1.6%	1.8%					
Human Resources	647	596	566	563	Human Resources	654	602	558	753
YoY	9.1%	-5.5%	-11.3%	-13.5%	YoY	-	-	-14.7%	25.1%
% of total	4.8%	4.3%	3.9%	3.9%	% of total	4.9%	4.4%	3.8%	5.4%
Investment business	481	801	103	216	Investment business	481	801	109	131
YoY	2729.4%	355.1%	-87.7%	4.3%	YoY	-	-	-77.3%	-83.6%
% of total	3.6%	5.8%	0.7%	1.5%	% of total	3.6%	5.8%	0.7%	0.9%
Company-wide, eliminations	-288	-265	-208	-245	Company-wide, eliminations	-193	-245	-113	-124
Operating profit	1,477	1,906	1,830	1,063	Operating profit	1,477	1,906	1,414	69
YoY	30.6%	98.1%	-5.6%	-3.0%	YoY	-	-	-4.3%	-96.4%
Operating profit margin	11.2%	14.1%	12.6%	7.6%	Operating profit margin	11.2%	14.1%	9.6%	0.5%
PR and Advertising	784	585	813	802	PR and Advertising	897	654	1,205	-285
YoY	42.5%	126.7%	21.2%	24.1%	YoY	-	-	34.3%	-
Operating profit margin	11.5%	8.7%	10.2%	10.0%	Operating profit margin	12.3%	9.0%	13.0%	-3.6%
Press Release Distribution	428	488	182	92	Press Release Distribution	428	488	343	547
YoY	9.5%	-3.6%	-70.8%	-70.7%	YoY	-	-	-19.9%	12.1%
Operating profit margin	30.9%	34.1%	12.1%	6.6%	Operating profit margin	30.9%	34.1%	21.3%	32.6%
Video Release Distribution	-12	-34	18	-6					
YoY	-	-	-	-					
Operating profit margin	-	-	4.6%	-					
Direct Marketing	-177	91	731	339	Direct Marketing	-177	91	23	-260
YoY	-	-65.1%	-	-0.9%	YoY	-	-	-	-
Operating profit margin	-	2.5%	18.5%	9.6%	Operating profit margin	-	2.5%	0.7%	-7.8%
Media CMS	0	-8	-2	13					
YoY	-	-	-	18.2%					
Operating profit margin	-	-	-	5.1%					
Human Resources	124	113	65	50	Human Resources	7	4	-76	67
YoY	-	101.8%	-53.6%	-64.8%	YoY	-	-	-	1575.0%
Operating profit margin	19.2%	19.0%	11.5%	8.9%	Operating profit margin	1.1%	0.7%	-	8.9%
Investment business	323	667	17	-232	Investment business	323	667	-81	1
YoY	-	-	-97.6%	-	YoY	-	0.0%	-	-99.9%
Operating profit margin	67.2%	83.3%	16.5%	-	Operating profit margin	67.2%	83.3%	-	0.8%
Company-wide, eliminations	7	4	6	2	Company-wide, eliminations	-	-	-	-

Source: Shared Research based on company data

Notes:

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- From FY02/24, segment names changed from the "Video Release Distribution business" and the "Media CMS" business to the "PR and Advertising" segment, and "JOBTV" which was included in the "PR and Advertising" segment to "HR" segment.

# 1H FY02/24 results (out October 13, 2023)

## Summary:

### 1H FY02/24 (March–August 2023) results

- Revenue: JPY28.6bn (+7.1% YoY)
- Operating profit: JPY1.5bn (-56.2% YoY)
- Recurring profit: JPY1.7bn (-51.6% YoY)
- Net income attributable to owner of the parent: JPY823mn (-57.1% YoY)

At the close of 1H, the company had generated revenue equivalent to 96.0% of its corresponding 1H projection, while operating profit amounted to 68.2%, recurring profit 78.0%, and net income 76.8%. Performance fell short of projections in 1H primarily because the company booked a JPY755mn allowance for doubtful accounts in Q2 (June–August 2023). If not for this recording of allowance for doubtful accounts, 1H operating profit would have amounted to 102.9% of its corresponding projection, while recurring profit would have come to 112.8%, and net income would have reached 125.7%.

When releasing its results for Q2, the company again revised its full-year projections for FY02/24. In view of its current business environment, the company has left its projections for revenue, operating profit, and recurring profit unchanged. However, it has raised its projection for net income because it expects to record Q3 extraordinary income from its sale of shares in Signal. At the close of 1H, revenue was equivalent to 45.3% of its corresponding revised full-year FY02/24 projection, while operating profit amounted to 20.4%, recurring profit 23.4%, and net income 18.0%. The company has expected 2H performance to be higher than that of 1H since it released its initial projections for FY02/24. Vector attributes this conclusion mainly to a strategy of maximizing earnings through a substantial advertising budget, which, as in FY02/23, it has implemented through its Direct Marketing segment from the beginning of the fiscal year, and to an anticipated gain on sale of securities that it expects to record through its Investment segment in 2H.

### Factors affecting revenue increase and profit decrease

In Q2 FY02/24, domestic PR business revenue achieved a record high, however, 1H forecast of JPY29.8bn was not achieved, mainly because advertising spending in the Direct Marketing business was curbed in Q1, leading to a shortfall in revenue generated through this same business. According to the company, performance generated through other segments was broadly commensurate with expectations. The company's GPM fell 3.6pp compared to 1H FY02/23, when the company noted GPM contribution from its Investment segment.

The company recorded an allowance for doubtful accounts of JPY755mn in the mainstay PR and advertising business, and due primarily to this booking, all categories of profit fell short of corresponding 1H projections. In the direct marketing business, the company posted a loss due to investment in advertising expenses in order to acquire new clients. In the HR business, M&A of BUSICONET Inc. contributed and the loss of JOBTV narrowed. The investment business posted a loss due to write-downs on some portfolio companies.

SG&A expenses rose to JPY16.5bn (+14.9% YoY) primarily as a result of growth in personnel expenses (+15.1% YoY) and other SG&A expenses (+63.9% YoY; includes allowances for doubtful accounts). Meanwhile, the company's SG&A expense ratio climbed to 57.6% (+3.9pp YoY). The number of consolidated employees at the end-Q2 FY02/24 was 1,593 (up 239 YoY), due to an increase in each business. The company booked an allowance for doubtful accounts because it recorded JPY755mn in accounts receivable that it inherited when it assumed responsibility for its digital advertising business in September 2022. However, based on the conditions of the corresponding business transfer agreement, the company expects to recover these receivables in full.

## SG&A expenses

Cumulative (JPYmn)	FY02/22				FY02/23				FY02/24	
	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2
<b>SG&amp;A expenses</b>	<b>5,918</b>	<b>11,771</b>	<b>17,953</b>	<b>24,419</b>	<b>7,248</b>	<b>14,328</b>	<b>21,733</b>	<b>28,868</b>	<b>7,594</b>	<b>16,457</b>
YoY	-1.6%	5.4%	10.2%	10.3%	22.5%	21.7%	21.1%	18.2%	4.8%	14.9%
Personnel expenses	2,280	4,584	6,905	9,190	2,425	4,748	7,296	9,654	2,734	5,463
YoY	23.4%	21.4%	18.4%	17.1%	6.4%	3.6%	5.7%	5.0%	12.7%	15.1%
Rents	312	615	916	1,250	332	664	996	1,345	364	753
YoY	2.6%	1.2%	2.0%	4.5%	6.4%	8.0%	8.7%	7.6%	9.6%	13.4%
Ads and sales promotion expenses	1,543	2,938	4,580	6,114	2,162	3,968	5,825	7,878	2,158	4,477
YoY	-32.6%	-17.2%	-2.6%	-5.7%	40.1%	35.1%	27.2%	28.9%	-0.2%	12.8%
Recruiting and training expenses	99	190	270	354	90	201	317	399	117	221
YoY	5.3%	15.2%	17.4%	17.2%	-9.1%	5.8%	17.4%	12.7%	30.0%	10.0%
Commission expenses	863	1,775	2,739	3,809	1,300	2,731	4,051	5,254	1,158	2,422
YoY	34.4%	27.8%	25.9%	32.1%	50.6%	53.9%	47.9%	37.9%	-10.9%	-11.3%
Depreciation	61	142	227	332	64	135	208	280	59	120
YoY	15.1%	32.7%	35.9%	43.7%	4.9%	-4.9%	-8.4%	-15.7%	-7.8%	-11.1%
Other	687	1,371	2,070	3,037	788	1,718	2,787	3,746	939	2,815
YoY	-5.0%	-5.5%	-1.0%	3.8%	14.7%	25.3%	34.6%	23.3%	19.2%	63.9%
Goodwill amortization expenses	70	150	236	320	83	155	243	300	61	179
YoY	16.7%	28.2%	29.0%	28.5%	18.6%	3.3%	3.0%	-6.3%	-26.5%	15.5%
<b>3 months</b>	<b>FY02/22</b>				<b>FY02/23</b>				<b>FY02/23</b>	
<b>(JPYmn)</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>
<b>SG&amp;A expenses</b>	<b>5,918</b>	<b>5,853</b>	<b>6,182</b>	<b>6,466</b>	<b>7,248</b>	<b>7,080</b>	<b>7,405</b>	<b>7,135</b>	<b>7,594</b>	<b>8,863</b>
YoY	-1.6%	13.6%	20.7%	10.6%	22.5%	21.0%	19.8%	10.3%	4.8%	25.2%
Personnel expenses	2,280	2,304	2,321	2,285	2,425	2,323	2,548	2,358	2,734	2,729
YoY	23.4%	19.5%	12.8%	13.4%	6.4%	0.8%	9.8%	3.2%	12.7%	17.5%
Rents	312	303	301	334	332	332	332	349	364	389
YoY	2.6%	-0.3%	3.8%	12.1%	6.4%	9.6%	10.3%	4.5%	9.6%	17.2%
Ads and sales promotion expenses	1,543	1,395	1,642	1,534	2,162	1,806	1,857	2,053	2,158	2,319
YoY	-32.6%	10.6%	42.3%	-13.9%	40.1%	29.5%	13.1%	33.8%	-0.2%	28.4%
Recruiting and training expenses	99	91	80	84	90	111	116	82	117	104
YoY	5.3%	28.2%	23.1%	16.7%	-9.1%	22.0%	45.0%	-2.4%	30.0%	-6.3%
Commission expenses	863	912	964	1,070	1,300	1,431	1,320	1,203	1,158	1,264
YoY	34.4%	22.1%	22.6%	51.1%	50.6%	56.9%	36.9%	12.4%	-10.9%	-11.7%
Depreciation	61	81	85	105	64	71	73	72	59	61
YoY	15.1%	50.0%	41.7%	64.1%	4.9%	-12.3%	-14.1%	-31.4%	-7.8%	-14.1%
Other	687	684	699	967	788	930	1,069	959	939	1,876
YoY	-5.0%	-6.0%	9.2%	15.8%	14.7%	36.0%	52.9%	-0.8%	19.2%	101.7%
Goodwill amortization expenses	70	80	86	84	83	72	88	57	61	118
YoY	16.7%	40.4%	30.3%	27.3%	18.6%	-10.0%	2.3%	-32.1%	-26.5%	63.9%

Source: Shared Research based on company data

## Employees

Number of employees	FY02/22				FY02/23				FY02/24	
	Q1 retroactive adjustment	2Q retrospective	Q3 retrospective	Q4 retrospective	Q1 retroactive adjustment	2Q retrospective	Q3 retrospective	Q4 retrospective	Q1	Q2
PR and Advertising	1,002	1,029	1,020	995	1,051	1,020	993	1,059	1,166	1,173
Press Release Distribution	86	86	84	86	89	107	119	120	153	155
Direct Marketing	73	75	78	87	87	84	92	94	93	101
Human Resources	195	142	135	135	140	141	143	152	152	161
Investment business					2	2	2	2	3	3
<b>Total</b>	<b>1,356</b>	<b>1,332</b>	<b>1,317</b>	<b>1,303</b>	<b>1,369</b>	<b>1,354</b>	<b>1,349</b>	<b>1,427</b>	<b>1,567</b>	<b>1,593</b>

Source: Shared Research based on company data

Note: From FY02/24, segment names changed from the "Video Release Distribution business" and the "Media CMS" business to the "PR and Advertising" segment, and "JOBTV" which was included in the "PR and Advertising" segment to "HR" segment.

## Results by segment

From Q1 FY02/23, segment names changed from the Media business to the Media CMS business, and from the Fund business to the Investment business. As of the announcement of Q1 FY02/24 results, the Video Release Distribution and Media CMS businesses were integrated into the mainstay PR and Advertising segment. In addition, the recruitment matching platform JOBTV, which had been included in the PR and Advertising, was changed to the HR segment to accurately reflect its business.

### PR and Advertising:

- Revenue: JPY17.3bn (+18.8% YoY)
- Operating profit: JPY920mn (-40.7% YoY; 23.9% of corresponding full-year forecast)

In PR and Advertising, the company provides strategic PR services (mainly consulting) and conducts advertising sales through IoT signage services utilizing tablets installed inside taxis. Effective from Q1 FY02/24, the company integrated its video release distribution and media CMS businesses. In March 2023, the company converted Triyhatch Inc. into a consolidated subsidiary. Later, in July of the same year, the company added Owned Co., Ltd., which specializes in managing programmatic advertising that leverages search engine optimization (SEO), as a consolidated subsidiary.

Despite reporting a decline in revenue generated through domestic business operations targeting venture-type clients, the company also observed strong performance from operations targeting large companies and booked record-high revenue for Q2 (June–August 2023). However, the company incurred a Q2 operating loss of JPY285mn because it posted a JPY755mn allowance for doubtful accounts associated with certain digital marketing clients. The company indicates that its Q2 "earnings in real terms" (excludes impact from a JPY755mn allowance for doubtful accounts [a one-off expense], JPY130mn in M&A costs, and JPY62mn in forward investment associated with CLOUD BEAUTY Inc. and MasterVisions Inc., for which the company booked FY02/23 impairment losses) was JPY662mn, effectively up 1.2% YoY.

Retainer agreements (agreements that require monthly fees and have terms of at least three months) maintained through the company's three strategic PR subsidiaries reached 1,050 in number, rising steadily toward the company's end-FY02/24 target of 1,140 (versus 953 at end-FY02/23). Vector generated about 40% of its Q2 revenue through retainer agreements. The company indicates that it has observed a sharp increase in large projects (in the JPY100mn–300mn revenue range) thanks to synergy generated through M&A while also witnessing an approximate increase of 5% in average revenue generated per contract for non-recurring services.

Large digital taxi signage (50% larger than previous models) has been installed for rear seat passengers in approximately 11,500 vehicles since October 2022, delivering video advertisements and content to approximately 7.7mn individuals per month, or about 40% of all cab users in Tokyo. In Q2, the company observed a decline in ad placement due to a weakening financing environment for venture companies, a core client category. Accordingly, the company reported a YoY revenue decline of 8.2% in Q2. Of the company's 14 ad spaces, three were vacant at the close of Q2 due to contract expirations, and the company is working to strengthen ad placement for large companies.

Due to deteriorating performance observed primarily in China, revenue generated through overseas operations rose only slightly, and the company reported a corresponding loss. Through its video release distribution (absorbed effective from FY02/24), the company sought to increase its order count while continuing to develop sales personnel, and thanks in part to these efforts, the business remained profitable. In contrast, the media CMS business, which was also absorbed effective from FY02/24, generated a loss.

### Recording of allowance for doubtful accounts

In September 2023, Beauty Three Corporation (unlisted), one of Vector's clients, initiated bankruptcy protection proceedings, and Vector recorded a Q2 JPY755mn allowance for doubtful accounts in connection accounts receivable from Beauty Three.

In September 2022, the company acquired its digital advertising business from Terminal Corporation (unlisted), and since the acquisition, the company had continued to provide ad management services to Beauty Three. In accordance with the business transfer agreement concluded with Terminal, standard annual operating profit amounts have been established for acquired operations; if the acquired operations do not generate these amounts, Terminal is required to reimburse the company. Due to its recording of an allowance for doubtful accounts, the company anticipates that the operations it acquired will not generate the specified standard operating profit in FY02/24. Accordingly, the company is negotiating with Terminal to secure reimbursement for its claims against Beauty Three. Since many of the clients the company serves through its digital advertising business are small- and medium-sized companies, the company intends to maintain separation between credit control for its digital advertising business and for its PR and Advertising business while implementing appropriate risk response measures to prevent recurrence of similar issues.

## PR and Advertising revenue

Cumulative (JPYmn)	FY02/22				FY02/23				FY02/24	
	Q1 retroactive adjustment	1-2Q retrospective	Q1-Q3 retrospective	Q1-Q4 retrospective	Q1 retroactive adjustment	1-2Q retrospective	Q1-Q3 retrospective	Q1-Q4 retrospective	Q1	Q1-Q2
Revenue - PR and Advertising	6,576	12,698	19,998	27,704	7,304	14,547	23,029	31,552	9,261	17,281
YoY	-	-	-	-	11.1%	14.6%	15.2%	13.9%	26.8%	18.8%
Japan	5,853	11,498	17,929	24,428	6,414	12,612	19,958	27,081	8,194	15,334
YoY	-	-	-	-	9.6%	9.7%	11.3%	10.9%	27.8%	21.6%
% of total	89.0%	90.5%	89.7%	88.2%	87.8%	86.7%	86.7%	85.8%	88.5%	88.7%
Overseas	722	1,199	2,068	3,274	889	1,933	3,069	4,469	1,067	1,946
YoY	-	-	-	-	23.1%	61.2%	48.4%	36.5%	20.0%	0.7%
% of total	11.0%	9.4%	10.3%	11.8%	12.2%	13.3%	13.3%	14.2%	11.5%	11.3%
Gross profit - PR and Advertising	3,435	6,669	10,236	14,037	3,965	7,659	11,914	16,018	4,643	8,868
YoY	-	-	-	-	15.4%	14.8%	16.4%	14.1%	17.1%	15.8%
Gross profit margin	52.2%	52.5%	51.2%	50.7%	54.3%	52.7%	51.7%	50.8%	50.1%	51.3%
Japan	3,139	6,134	9,426	12,732	3,716	7,161	11,120	14,782	4,374	8,348
YoY	-	-	-	-	18.4%	16.7%	18.0%	16.1%	17.7%	16.6%
Gross profit margin	47.7%	48.3%	47.1%	46.0%	50.9%	49.2%	48.3%	46.8%	47.2%	48.3%
Overseas	295	533	808	1,303	248	497	792	1,233	269	520
YoY	-	-	-	-	-15.9%	-6.8%	-2.0%	-5.4%	8.5%	4.6%
Gross profit margin	4.5%	4.2%	4.0%	4.7%	3.4%	3.4%	3.4%	3.9%	2.9%	3.0%
OP - PR and Advertising	575	804	1,430	2,145	897	1,551	2,486	3,480	1,205	920
YoY	-	-	-	-	56.0%	92.9%	73.8%	62.2%	34.3%	-40.7%

Operating profit margin	8.7%	6.3%	7.2%	7.7%	12.3%	10.7%	10.8%	11.0%	13.0%	5.3%
Japan	615	980	1,653	2,237	991	1,776	2,752	3,642	1,267	1,072
YoY	-	-	-	-	61.1%	81.2%	66.5%	62.8%	27.9%	-39.6%
Operating profit margin	10.5%	8.5%	9.2%	9.2%	15.5%	14.1%	12.0%	11.5%	15.5%	7.0%
Overseas	-39	-175	-222	-91	-94	-225	-265	-162	-61	-150
YoY	-	-	-	-	-	-	-	-	-	-
Operating profit margin	-	-	-	-	-	-	-	-	-	-
<b>Quarterly(3 months)</b>	<b>FY02/22</b>				<b>FY02/23</b>				<b>FY02/24</b>	
<b>(JPYmn)</b>	<b>Q1 retroactive adjustment</b>	<b>2Q retrospective</b>	<b>Q3 retrospective</b>	<b>Q4 retrospective</b>	<b>Q1 retroactive adjustment</b>	<b>2Q retrospective</b>	<b>Q3 retrospective</b>	<b>Q4 retrospective</b>	<b>Q1</b>	<b>Q2</b>
Revenue - PR and Advertising	6,576	6,122	7,300	7,706	7,304	7,243	8,482	8,523	9,261	8,020
YoY	-	-	-	-	11.1%	18.3%	16.2%	10.6%	26.8%	10.7%
Japan	5,853	5,645	6,431	6,499	6,414	6,198	7,346	7,123	8,194	7,140
YoY	-	-	-	-	9.6%	9.8%	14.2%	9.6%	27.8%	15.2%
% of total	89.0%	92.2%	88.1%	84.3%	87.8%	85.6%	86.6%	83.6%	88.5%	89.0%
Overseas	722	477	869	1,206	889	1,044	1,136	1,400	1,067	879
YoY	69.1%	114.9%	446.5%	183.1%	23.1%	118.9%	30.7%	16.1%	20.0%	-15.8%
% of total	11.0%	7.8%	11.9%	15.7%	12.2%	14.4%	13.4%	16.4%	11.5%	11.0%
Gross profit - PR and Advertising	3,435	3,234	3,567	3,801	3,965	3,694	4,255	4,104	4,643	4,225
YoY	-	-	-	-	15.4%	14.2%	19.3%	8.0%	17.1%	14.4%
Gross profit margin	52.2%	52.8%	48.9%	49.3%	54.3%	51.0%	50.2%	48.2%	50.1%	52.7%
Japan	3,139	2,995	3,292	3,306	3,716	3,445	3,959	3,662	4,374	3,974
YoY	-	-	-	-	18.4%	15.0%	20.3%	10.8%	17.7%	15.4%
Gross profit margin	47.7%	48.9%	45.1%	42.9%	50.9%	47.6%	46.7%	43.0%	47.2%	49.6%
Overseas	295	238	275	495	248	249	295	441	269	251
YoY	-	-	-	-	-15.9%	4.6%	7.3%	-10.9%	8.5%	-
Gross profit margin	4.5%	3.9%	3.8%	6.4%	3.4%	3.4%	3.5%	5.2%	2.9%	-
OP - PR and Advertising	575	229	626	715	897	654	935	994	1,205	-285
YoY	-	-	-	-	56.0%	185.6%	49.4%	39.0%	34.3%	-
Operating profit margin	8.7%	3.7%	8.6%	9.3%	12.3%	9.0%	11.0%	11.7%	13.0%	-
Japan	615	365	673	584	991	785	976	890	1,267	-195
YoY	-	-	-	-	61.1%	115.1%	45.0%	52.4%	27.9%	-
Operating profit margin	10.5%	6.5%	10.5%	9.0%	15.5%	12.7%	11.5%	10.4%	15.5%	-
Overseas	-39	-136	-47	131	-94	-131	-40	103	-61	-89
YoY	-	-	-	-	-	-	-	-21.4%	-	-
Operating profit margin	-	-	-	10.9%	-	-	-	1.2%	-	-

Source: Shared Research based on company data

## Results in the taxi signage business

Cumulative (JPYmn)	FY02/22				FY02/23				FY02/23	
	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2
Revenue	581	1,272	2,189	3,097	975	1,926	2,935	3,789	1,005	1,768
YoY	23.9%	33.6%	45.3%	59.3%	67.8%	51.4%	34.1%	22.3%	3.1%	-8.2%
Gross profit	229	509	871	1,212	480	940	1,464	1,861	494	792
YoY	14.5%	29.2%	49.1%	64.0%	109.6%	84.7%	68.1%	53.5%	2.9%	-15.7%
Gross profit margin	39.4%	40.0%	39.8%	39.1%	49.2%	48.8%	49.9%	49.1%	49.2%	44.8%
<b>Quarterly(3 months)</b>	<b>FY02/22</b>				<b>FY02/23</b>				<b>FY02/23</b>	
<b>(JPYmn)</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>
Revenue	581	691	917	908	975	951	1,009	854	1,005	763
YoY	23.9%	43.1%	65.2%	107.8%	67.8%	37.6%	10.0%	-5.9%	3.1%	-19.8%
Gross profit	229	280	362	341	480	460	524	397	494	298
YoY	14.5%	44.3%	90.5%	120.0%	109.6%	64.3%	44.8%	16.4%	2.9%	-35.2%
Gross profit margin	39.4%	40.5%	39.5%	37.6%	49.2%	48.4%	51.9%	46.5%	49.2%	39.1%

Source: Shared Research based on company data

Note: The company adopted the Accounting Standard for Revenue Recognition starting FY02/23. Its impact on the year's taxi signage revenue was JPY142mn in Q1, JPY113mn in Q2, JPY87mn in Q3, and JPY26mn in Q4.

## Press Release Distribution:

- Revenue: JPY3.3bn (+16.7% YoY)
- Operating profit: JPY890mn (-2.8% YoY; 59.3% of corresponding full-year forecast)

In Press Release Distribution (PR TIMES), the company publishes press releases on the PR TIMES website and distributes them to numerous other sites. The company generated record-high revenue and operating profit through its Press Release Distribution segment. As a result of continued advertising and promotion of use to regional companies, the number of companies using the service reached 87,316 in August 2023 (+19.9% YoY; 55.6% domestic listed company use), and the company reported a press release distribution count of 93,431 (+14.3% YoY). Investments planned for 1H were postponed until 2H. Therefore, 1H operating profit exceeded the company's initial forecast by 40.4% and was equivalent to 59.3% of the company's corresponding full-year forecast.

## PR TIMES: Quarterly earnings and KPIs

	FY02/22				FY02/23				FY02/24	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue growth rate + OPM	72.3%	70.1%	75.1%	50.2%	53.6%	56.5%	26.4%	18.4%	37.7%	49.7%
Revenue growth rate	37.6%	26.8%	27.6%	25.0%	22.7%	22.4%	14.3%	11.8%	16.3%	17.1%
Operating profit margin	34.7%	43.2%	47.5%	25.2%	30.9%	34.1%	12.1%	6.6%	21.4%	32.6%
Cumulative user companies	54,426	58,436	62,415	65,660	69,257	72,851	76,499	79,759	83,548	87,316
YoY	36.3%	34.3%	31.9%	29.7%	27.2%	24.7%	22.6%	21.5%	20.6%	19.9%
New user companies	3,793	4,010	3,979	3,245	3,597	3,594	3,648	3,260	3,789	3,768
YoY	17.7%	12.1%	4.5%	-1.9%	-5.2%	-10.4%	-8.3%	0.5%	5.3%	4.8%
% of Japanese listed companies	46.3%	47.7%	49.3%	50.4%	50.9%	51.4%	52.2%	53.2%	54.5%	55.6%
No. of press releases	68,527	71,702	82,826	73,367	81,661	81,738	89,759	77,979	91,205	93,431
YoY	59.6%	34.1%	33.7%	25.8%	19.2%	14.0%	8.4%	6.3%	11.7%	14.3%
Number of images and videos(1,000)	348	363	424	366	428	432	485	412	488	499
YoY	76.1%	37.0%	34.9%	25.5%	23.1%	19.0%	14.4%	12.7%	14.0%	15.5%
No. of videos	6,121	6,144	6,687	6,189	7,799	7,395	8,276	6,418	7,990	8,235
YoY	58.7%	26.9%	24.9%	12.8%	27.4%	20.4%	23.8%	3.7%	2.4%	11.4%
No. of media partners	11,950	11,962	11,814	11,798	11,792	11,807	11,796	11,787	11,821	10,781
YoY	-3.6%	-2.5%	-2.7%	-2.3%	-1.3%	-1.3%	-0.2%	-0.1%	0.2%	-8.7%
No. of media partners	200	203	206	210	219	223	225	230	234	247
YoY	2.0%	2.5%	3.5%	5.0%	9.5%	9.9%	9.2%	9.5%	6.8%	10.8%
No. of media users	21,203	21,947	22,559	23,114	23,697	24,208	24,703	25,051	25,562	25,953
YoY	18.1%	17.0%	15.2%	13.8%	11.8%	10.3%	9.5%	8.4%	7.9%	7.2%
Facebook ('000 accounts)	128	128	128	128	128	127	127	127	129	129
YoY	0.9%	0.4%	1.7%	0.2%	0.2%	-0.9%	-0.6%	-0.6%	0.6%	1.9%
Twitter ('000 accounts)	282	290	298	350	374	400	423	450	457	458
YoY	130.9%	69.9%	67.2%	30.0%	32.4%	37.8%	42.1%	28.6%	22.3%	14.6%
Total no. of Jooto's paying users	1,547	1,647	1,727	1,765	1,835	1,844	1,908	1,910	1,860	1,853
YoY				22.1%	18.6%	12.0%	10.5%	8.2%	1.4%	0.5%
Jooto's average spend per user (JPY)	2,617	2,736	2,809	3,198	3,221	3,817	4,110	4,175	5,286	6,020
YoY					23.1%	39.5%	46.3%	30.6%	64.1%	57.7%
No. of Tayori's paying accounts	516	578	624	661	721	783	832	896	919	1,004
YoY				43.1%	39.7%	35.5%	33.3%	35.6%	27.5%	28.2%
Tayori's average usage price(JPY/Month)	5,842	5,860	5,938	5,967	5,998	6,129	6,015	6,162	6,512	6,551
YoY				5.8%	2.7%	4.6%	1.3%	3.3%	8.6%	6.9%

Source: Shared Research based on company data

Notes: Figures may differ from company materials due to differences in rounding methods.

Figures from FY02/22 are added to the scope of consolidation; blank cells indicate data that has not been disclosed.

### Direct Marketing:

- Revenue: JPY6.7bn (-7.3% YoY)
- Operating loss: JPY237mn (operating loss of JPY86mn in 1H FY02/23)

With regard to its Direct Marketing segment (operated primarily by Vitabrid Japan), the company temporarily reduced its advertising investment in Q1 (March–May 2023), but in Q2 (June–August 2023), it spent 31.4% more on advertising than in Q2 FY02/23. Consequently, despite a decline in revenue generated through beauty lotions and hair-growth agents, segment revenue rose slightly as the company maintained its recurring purchase retention rate and reported strong sales of Terminalia First, which is highly efficient in terms of attracting new customers. Terminalia First has performed well since its launch, with cumulative sales exceeding 6.4mn units. Vector has also been developing new products, and in September 2023, it launched Japan Premium DHA & EPA + GABA, Japan's first triple-action supplement, which contains DHA, EPA, and GABA and addresses eight health concerns including neutral fat levels in blood and sleep-related issues.

### Vitabrid's advertising expenses and number of units sold

Cumulative	FY02/22				FY02/23				FY02/24	
	Q1	Q1–Q2	Q1–Q3	Q1–Q4	Q1	Q1–Q2	Q1–Q3	Q1–Q4	Q1	Q1–Q2
Advertising expenses(JPYmn)	1,193	2,306	3,686	4,787	1,681	3,128	4,278	5,589	1,640	3,542
YoY	-39.8%	-21.8%	-1.8%	-4.3%	40.9%	35.6%	16.1%	16.8%	-2.4%	13.2%
Number of units sold('000 units)	625	1,279	1,973	2,757	869	1,829	2,834	3,682	828	1,680
YoY	-1.3%	2.7%	9.9%	16.9%	39.0%	43.0%	43.6%	33.6%	-4.7%	-8.1%
Quarterly(3 months)	FY02/22				FY02/23				FY02/24	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Advertising expenses(JPYmn)	1,193	1,113	1,380	1,101	1,681	1,447	1,150	1,311	1,640	1,902
YoY	-39.8%	15.2%	71.2%	-11.8%	40.9%	30.0%	-16.7%	19.1%	-2.4%	31.4%
Number of units sold('000 units)	625	654	694	784	869	960	1,005	848	828	852
YoY	-1.3%	6.9%	26.0%	39.3%	39.0%	46.8%	44.8%	8.2%	-4.7%	-11.3%

Source: Shared Research based on company data

### Human Resources:

- Revenue: JPY1.3bn (+4.4% YoY)
- Operating loss: JPY9mn (JPY11mn operating profit in 1H FY02/23)

Effective from Q1, the company moved its JOBTV recruitment matching platform to the HR segment in an effort to better reflect actual business conditions. Meanwhile, in an effort to expand earnings generated through JOBTV, the company

converted BUSiCONET Inc., which operates an online media business for job seekers, into a consolidated subsidiary during June 2023. Cumulatively speaking, the HR segment generated operating loss in 1H. However, in Q2 (June–August 2023), BUSiCONET contributed to both revenue and profit performance through the JOBTV business, significantly reducing loss generated through the JOBTV platform. Consequently, the HR segment was profitable on a quarterly Q2 basis.

With regard to Ashita-Team, the company spent on advertising and development to acquire new customers and enhance functionality, respectively, and focused on sales of SaaS-type products while also adjusting its sales strategy and strengthening its sales force. Despite a decline in user company count, which fell 16 companies YoY, Ashita-Team generated JPY136mn in operating profit thanks primarily to new client acquisition and an increase in average revenue secured per customer through operating consulting services. Orders increased in Q2, and the company anticipates performance recovery in Q3 because the company typically converts orders into revenue about two months after orders are booked.

In order to build a revenue base for JOBTV, the company invested in the ad spending in an effort to increase the number of registrants for both new graduates and new jobs, and development expenses to improve the functionality of the recruiting platform. Profit generated through BUSiCONET after accounting for amortization of goodwill was approximately JPY100mn. Consequently, Q2 operating loss (June–August 2023) shrank to JPY21mn, a QoQ improvement of JPY101mn, and the company reported a 1H operating loss of JPY145mn from JOBTV.

## Number of companies using Human Resources service, Annual Recurring Revenue

	FY02/22				FY02/23				FY02/24	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Cumulative number of companies using the service	1,216	1,224	1,284	1,315	1,335	1,345	1,345	1,349	1,333	1,329
YoY	15.6%	10.7%	12.5%	13.7%	9.8%	9.9%	4.8%	2.6%	-0.1%	-1.2%
ARR (JPYmn)	1,556	1,609	1,702	1,774	1,766	1,782	1,742	1,706	1,673	1,675
YoY	14.0%	12.9%	14.6%	19.6%	13.5%	10.8%	2.4%	-3.8%	-5.3%	-6.0%

Source: Shared Research based on company data

Notes: Number of companies using the cloud or management consulting services for a monthly fee

ARR: Monthly revenue at the end of each quarter (cloud + operation consulting) x 12

## Investment (formerly Fund)

- Revenue: JPY240mn (-81.3% YoY)
- Operating loss: JPY80mn (operating profit of JPY990mn in 1H FY02/23)

In Investment, the company sold some of its holdings and recorded valuation losses on some of its investments. Compared to the previous year, when gains were recorded in 1H, both revenue and profits declined. The company expects to sell some of its holdings and record a corresponding gain in 2H.

In investment activities targeting startups, the company provides PR and IR support to the companies targeted for investments. In March 2023, SYLA Technologies Co., Ltd. was listed on the US NASDAQ market, and W TOKYO Corporation (TSE GRT 9159) was listed on the Growth Market of the Tokyo Stock Exchange in June 2023.

## Full-year FY02/24 company forecast

(JPYmn)	FY02/22(retroactive adjustment)			FY02/23			FY03/24		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.	1H Act.	2H Est.	FY Est.
<b>Revenue</b>	<b>22,021</b>	<b>26,101</b>	<b>48,122</b>	<b>26,672</b>	<b>28,553</b>	<b>55,225</b>	<b>28,565</b>	<b>34,435</b>	<b>63,000</b>
YoY	-	2.7%	1.6%	21.1%	9.4%	14.8%	7.1%	20.6%	14.1%
<b>Cost of revenue</b>	<b>8,156</b>	<b>10,417</b>	<b>18,573</b>	<b>8,959</b>	<b>11,119</b>	<b>20,078</b>	<b>10,624</b>		
YoY	-	6.1%	5.0%	14.0%	6.7%	13.6%	30.3%		
<b>Gross profit</b>	<b>13,865</b>	<b>15,684</b>	<b>29,549</b>	<b>17,712</b>	<b>17,434</b>	<b>35,146</b>	<b>17,940</b>		
YoY	-	0.6%	-0.4%	27.7%	11.2%	18.9%	1.3%		
Gross profit margin	63.0%	60.1%	61.4%	66.4%	61.1%	63.6%	62.8%		
<b>SG&amp;A expenses</b>	<b>11,771</b>	<b>12,649</b>	<b>24,420</b>	<b>14,328</b>	<b>14,542</b>	<b>28,870</b>	<b>16,457</b>		
YoY	-	0.0%	0.0%	21.7%	15.0%	18.2%	14.9%		
SG&A ratio	53.5%	48.5%	50.7%	53.7%	50.9%	52.3%	57.6%		
<b>Operating profit</b>	<b>2,093</b>	<b>3,035</b>	<b>5,128</b>	<b>3,383</b>	<b>2,893</b>	<b>6,276</b>	<b>1,483</b>	<b>5,777</b>	<b>7,260</b>
YoY	-	2.9%	-2.3%	61.6%	-4.7%	22.4%	-56.2%	99.7%	15.7%
Operating profit margin	9.5%	11.6%	10.7%	12.7%	10.1%	11.4%	5.2%	16.8%	11.5%
<b>Recurring profit</b>	<b>2,102</b>	<b>3,106</b>	<b>5,208</b>	<b>3,507</b>	<b>3,116</b>	<b>6,623</b>	<b>1,697</b>	<b>5,563</b>	<b>7,260</b>
YoY	-	1.2%	0.1%	66.8%	0.3%	27.2%	-51.6%	78.5%	9.6%
Recurring profit margin	9.5%	11.9%	10.8%	13.1%	10.9%	12.0%	5.9%	16.2%	11.5%
<b>Net income</b>	<b>622</b>	<b>1,449</b>	<b>2,071</b>	<b>1,918</b>	<b>1,254</b>	<b>3,172</b>	<b>823</b>	<b>3,747</b>	<b>4,570</b>
YoY	-	0.0%	0.0%	208.4%	-13.5%	53.2%	-57.1%	198.8%	44.1%
Net margin	2.8%	5.6%	4.3%	7.2%	4.4%	5.7%	2.9%	10.9%	7.3%

Source: Shared Research based on company data

Notes: Figures may differ from company materials due to differences in rounding methods.

Accompanying the commercialization of investment activities, accounting practices were changed from FY02/23, and results for FY02/22 are disclosed retrospectively.

Due to the change in accounting practices resulting from the commercialization of investment activities, the FY02/23 forecast YoY comparisons are with actual results after retroactive application.

## Full-year FY02/24 company forecast (revised on October 13, 2023)

- Revenue: JPY63.0bn (+14.1% versus FY02/23; unchanged from initial forecast)
- Operating profit: JPY7.3bn (+15.7%; unchanged from previous forecast)
- Recurring profit: JPY7.3bn (+9.6%; unchanged from previous forecast)
- Net income attributable to owners of the parent: JPY4.6bn (+44.1%; previous forecast: JPY4.1bn)
- Earnings per share: JPY95.56 (previous forecast: JPY85.11)

Although Vector recorded an allowance for doubtful accounts of JPY755mn for a specific customer in the digital marketing domain in Q2 FY02/24 (June–August 2023), the company maintained its previous forecast for revenue, operating profit, and recurring profit in light of the current business conditions. Net income attributable to owners of the parent forecast was revised upward, as the company plans to post an extraordinary gain in Q3 (September–November 2023) due to sales of Signal Inc.'s share.

### Revision to dividend forecast

Vector recognizes that the distribution of profits to shareholders is one of its most important management issues, and its basic policy is to pay dividends, taking into consideration cash flow and financial conditions, with a target consolidated payout ratio of 30%. Based on this policy, the company has revised its dividend forecast for FY02/24 to JPY28.0, representing an increase of JPY3.0 from the previous forecast, taking into consideration the revised consolidated full-year earnings forecast and the current business environment.

### Transfer of shares in SIGNAL, Inc.

In October 2023, the company transferred all shares of wholly owned consolidated subsidiary SIGNAL, Inc. to Accenture Japan (Japanese entity of Accenture plc [NYSE ACN], unlisted) and removed the former from its lineup of consolidated subsidiaries. The company established SIGNAL in 2005 as a subsidiary responsible for the online category of strategic PR projects booked through its clients. Later, with the digitalization of society, SNS became the mainstream method of spreading information, and the company developed systems enabling SNS marketing and other more modern techniques at each of its subsidiaries. As a result, the company observed overlap between business sectors within its corporate group and decided to facilitate business reorganization by transferring all of its shares in SIGNAL to Accenture Japan. In connection with this transaction, the company plans to record as extraordinary income a Q3 FY02/24 gain of about JPY1.7bn on the sale of shares of subsidiaries and associates.

### Absorption of Smartmedia Corporation

In December 2023, the company will absorb wholly owned subsidiary Smartmedia Corporation. Smartmedia is currently insolvent, but the merger will take place after the company has waived some of the debts to Smartmedia and eliminated the subsidiary's insolvency status. The company expects to waive JPY520mn in loans and accrued interest. The date of the debt waiver is scheduled for October 31, 2023.

As Vector will take over Smartmedia's net operating loss carry forwards of JPY653mn, income taxes will decrease by JPY200mn in Q2 FY02/24 (June–April 2023), resulting in an increase in net income attributable to owners of the parent. Since the above accounting treatment has already been accounted for in Q2 FY02/24, there will be no impact on business results from Q3 onward.

## Outlook by segment and operating profit assumptions (revised on July 14, 2023)

In Q1, the PR and Advertising segment profit is expected to increase by JPY380mn due to the integration of the video release distribution and media CMS businesses into the PR and Advertising segment and the change of JOBTV to the HR segment. In the HR business, the company expects a decrease of JPY300mn due to the transfer of JOBTV to the HR business.

### PR and Advertising

The company projects that its PR and Advertising segment will continue to grow at a high rate, driven by strong performance from domestic operations. Profit fell in 1H due to the company's booking of an allowance for doubtful accounts, but the company is negotiating with Terminal, Inc. to recover the full amount of the allowance. Advertising demand tends to expand in Q3, and the company's productivity typically begins to pick up in autumn, when freshly recruited new graduates become more effective. Accordingly, the company has projected higher performance in 2H since it released its initial FY02/24 forecast. Vector continues to expect a performance increase in 2H and forecasts full-year operating profit of JPY3.8bn (+28.8% YoY). Vector's sale of shares in Signal Inc. is expected to have a negative revenue impact of about JPY1.0bn, but the

company believes that it can offset this impact through growth in profit generated through the PR and Advertising segment overall.

Through its strategic PR subsidiaries, the company is targeting 1,140 retainer contracts while aiming to strengthen customer engagement. With regard to taxi signage, the company projects that depreciation of new large screens will offset positive performance impact of price hikes. Accordingly, the company expects a GPM decline of several percentage points. On the subject of overseas operations, the company has reported sluggish performance in China, but it also anticipates improvement in results achieved through operations in Hawaii starting in fall. However, the fiscal year for overseas operations ends with December, so the company does not expect to begin observing recovery on paper until FY02/25.

In the video release distribution business, which has been integrated, Vector looks to turn a profit for the full year by increasing the number of orders while continuing to foster its sales staff. It will work to win orders from the leads it has secured thus far, and increase the number of video release distributions, setting 500 video releases as its target for the year. In FY02/24, the company will also focus on Sales Video Analytics, which generates recurring revenue, to build a structure that is less likely to post losses.

The company plans to increase the number of orders for owned media while investing in ads and spending on development to strengthen the functionality of Clipkit. By doing so, it will seek to make a turnaround to the black for the full year.

### **Press Release Distribution**

Segment profit generated during 1H profit fell 2.8% YoY in large part because the company is carrying out plans to spend on ads throughout the year to raise the number of companies that use PR TIMES while also investing toward making a foray into overseas markets. Some of Vector's investment plans for 1H have been postponed until 2H, but the company still plans to invest JPY1.5bn throughout FY02/24. The company aims to generate a rise in user companies through referral marketing while also increasing usage frequency among existing customers, thereby facilitating growth in press release distributions. For the entirety of FY02/24, the company projects increases in both revenue and profit and forecasts operating profit of JPY1.5bn (+26.1% YoY).

A large-scale renewal project for PR TIMES is currently underway, and the company plans to release the beta version of its PR Editor press release editor free of charge and without membership registration requirements in December 2023. PR Editor will include the latest features to be introduced into the new PR TIMES editor, including template and AI assistant functions. Additionally, PR Editor will include a function that allows users to comment on text in press releases and a file-sharing function that enables specific users to jointly edit releases, thereby empowering users to prepare releases even if they are included within the pool of user companies. Furthermore, users who have created press release data using PR Editor will be able to import them directly utilizing the PR TIMES control screen, enhancing convenience for user companies.

### **Direct Marketing**

As in FY02/23, the company will seek to maximize earnings throughout the fiscal year by spending large sums on advertising from the start of the term. The Direct Marketing segment temporarily fell into the red due to advertising expenses incurred during Q2. However, with regard to the entirety of FY02/24, the company aims to achieve its operating profit forecast by curtailing advertising investment. Furthermore, it expects performance in 2H to be higher than it was during 1H, as is typically the case. The company projects that full-year advertising expenses will exceed the JPY5.6bn reported for FY02/23 and forecasts JPY974mn in operating profit (-1.0% YoY). Terminalia First sales continue to be strong, and the company is concentrating on existing products while also planning to expand its product lineup with the launch of functional supplements containing healthful ingredients such as DHA and GABA.

### **Human Resources**

In this segment, Vector will continue to reassess its marketing structure as it did in FY02/23 and is working to increase its number of consulting projects while retaining its operational consulting business, which proportionally generates more revenue than SaaS. Meanwhile, Vector is targeting companies with larger numbers of employees than it has previously. In Q3, the company believes that it will begin to observe tangible effects from its revised sales strategy and also projects the emergence of recovery in both user company count and ARR. With regard to Ashita-Team, the company projects operating profit of JPY400mn as it aims to expand its subscription ratio and establish a stable revenue base by strengthening its sales of SaaS-type products and improving customer satisfaction and retention. As for JOBTV, the company plans to continue conducting a measurable degree of preliminary investment to strengthen its new graduate and job change support businesses. Accordingly, the company forecasts operating profit of JPY100mn (-71.6% YoY) for the HR segment as a whole.

## Investment

In FY02/23, the company booked gains on sales during 1H, but it does not expect to record such gains until 2H in FY02/24. Consequently, 1H revenue declined 81.3%, and operating loss amounted to JPY80mn. In 2H, the company plans to proactively sell some of its holdings in accordance with stock price trends and forecasts full-year operating profit of JPY842mn (+8.6% YoY). If operating profit falls short in other segments, the company will make adjustments as it aims to achieve JPY7.3bn in consolidated operating profit for full-year FY02/24.

## Historical performance versus initial company forecasts

Results vs. Initial Est.	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22	FY02/23
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Revenue (Initial Est.)	6,250	7,830	10,470	12,000	21,500	24,000	38,000	37,000	47,700	53,100
Revenue (Results)	6,461	8,319	9,686	13,285	20,090	29,694	36,822	37,274	48,122	55,225
<b>Results vs. Initial Est.</b>	<b>3.4%</b>	<b>6.2%</b>	<b>-7.5%</b>	<b>10.7%</b>	<b>-6.6%</b>	<b>23.7%</b>	<b>-3.1%</b>	<b>0.7%</b>	<b>0.9%</b>	<b>4.0%</b>
Operating profit (Initial Est.)	900	1,250	1,700	2,110	3,000	3,800	4,000	2,300	4,000	6,200
Operating profit (Results)	909	1,254	1,618	2,207	3,027	2,575	2,891	2,315	5,128	6,276
<b>Results vs. Initial Est.</b>	<b>1.0%</b>	<b>0.4%</b>	<b>-4.8%</b>	<b>4.6%</b>	<b>0.9%</b>	<b>-32.2%</b>	<b>-27.7%</b>	<b>0.6%</b>	<b>28.2%</b>	<b>1.2%</b>
Recurring profit (Initial Est.)	890	1,250	1,640	2,000	3,000	4,000	5,000	2,300	4,000	6,100
Recurring profit (Results)	910	1,187	1,507	2,052	2,951	2,738	3,322	2,797	5,208	6,623
<b>Results vs. Initial Est.</b>	<b>2.2%</b>	<b>-5.0%</b>	<b>-8.1%</b>	<b>2.6%</b>	<b>-1.6%</b>	<b>-31.5%</b>	<b>-33.6%</b>	<b>21.6%</b>	<b>30.2%</b>	<b>8.6%</b>
Net income (initial forecast)	460	650	900	1,100	1,800	1,900	2,400	630	1,000	3,000
Net income (Results)	511	659	842	1,266	1,425	-2,421	-199	487	2,071	3,172
<b>Results vs. Initial Est.</b>	<b>11.1%</b>	<b>1.5%</b>	<b>-6.5%</b>	<b>15.1%</b>	<b>-20.8%</b>	<b>-227.4%</b>	<b>-108.3%</b>	<b>-22.7%</b>	<b>107.1%</b>	<b>5.7%</b>

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

The company's operating profit/loss and extraordinary gains/losses are largely dependent on the uncertain factors of dividend income, gains/losses on sales of investment securities, gains/losses on valuation of investment securities, and impairment losses. This in turn has contributed to the decline in the achievement rate for recurring profit and net income.

In FY02/22, despite the negative impact of the pandemic, PR and Advertising recovered significantly, Press Release Distribution business performed well, and Human Resources completed structural reforms and returned to profitability for the full year. As a result, revenue was slightly above the initial forecast but profits were significantly above the full-year forecast at each profit level.

In FY02/23, revenue overshot the initial forecast, thanks to strong performance of the domestic PR business that drove results in the mainstay PR and Advertising segment, and the record-high revenue in the Direct Marketing segment that merited from ad investments. On the profit front, Press Release Distribution fell short of its full-year forecast, but all segments turned a profit except for Video Release Distribution. As a result, consolidated operating profit hit a record high. Although the company posted impairment of goodwill associated with acquisitions, among other items, net income also outperformed the initial projection.

## Medium-term profit plan

On April 14, 2022, the company announced its medium-term profit plan (FY02/23–FY02/26) at the time of announcement of its full-year FY02/22 results. The final year targets are EBITDA of JPY10.7bn and operating profit of JPY10.0bn. The company targets ROE of 22% (changed to a "target of at least 25%" in response to the company's generation of an ROE of 25.1% in FY02/23), aiming for continuous improvement. From the standpoint of fair profit sharing, the company also changed its basic dividend policy, abolishing its shareholder special benefit plan and raising its payout ratio target from 20% to 30%.

Medium-term profit plan	FY02/19	FY02/20	FY02/21	FY02/22	FY02/23	FY02/24	FY02/25	FY02/26	Change	4-year CAGR
(JPYmn)	Act.	Act.	Act.	Act.	Act.	Forecast	Est.	Est.		
Revenue	29,694	36,822	37,274	48,122	55,225					
YoY	47.8%	24.0%	1.2%	29.1%	14.8%					
EBITDA	3,591	3,766	3,003	6,137	7,020	7,920	9,160	10,660	4,523	14.8%
YoY	0.8%	4.9%	-20.3%	104.4%	14.4%	12.8%	15.7%	16.4%		
Operating profit	2,575	2,891	2,315	5,128	6,276	7,260	8,500	10,000	4,872	18.2%
YoY	-14.9%	12.3%	-19.9%	121.5%	22.4%	15.7%	17.1%	17.6%		
Operating profit margin	8.7%	7.9%	6.2%	10.7%	11.4%					

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

EBITDA and operating income are both planned figures that do not include stock compensation expenses.

Vector lists gross profit, EBITDA, operating profit, and net income as management indicators, but not revenue. The company recognizes that its core strategic PR services have a labor-intensive cost structure, which is the limiting factor in top-line growth. On the other hand, the Press Release Distribution and Direct Marketing businesses have established platforms and business models that enable top-line growth without relying on manpower. The company believes that it will better be able to

make companywide management decisions by using profit as a common management indicator, rather than revenue, since the latter differs according to the two different business models.

## Medium-term management plan of PR TIMES

Consolidated subsidiary PR TIMES is targeting operating profit of JPY3.5bn in FY02/26 (double the FY02/22 forecast of JPY1.8bn) and expects to pay no dividend. According to its Milestone 2025 medium-term management plan targets, the subsidiary also aims to have 150,000 corporate users by end-FY02/26 (slightly less than three times the 50,633 users at end-FY02/21) and 110mn monthly page views (more than twice the 52.21mn monthly page views in FY02/21). PR TIMES aims to be used by all types of media, and thus targets an increase in media utilization rate from 24.5% in FY02/21 to 70% in FY02/26. It also looks to become a valuable source of information for consumers and businesspeople, and targets a 10.0% service recognition among businesspeople in FY02/26, up from 2.0% in FY02/21, and a 50% company recognition among businesspeople in FY02/26, up from 10.7% in FY02/21.

## Initiatives toward achieving the medium-term management plan

### Acquisition of retainer agreements

The company aims to newly acquire retainer agreements as a foundation for stable income for the PR segment. It aims to expand the number of agreements from 769 in FY02/22 to 1,750 in FY02/26 (approximately 2.3x increase).

### Expand Video Release Distribution

The company aims to strengthen proposal capabilities to identify customer needs through sales staff training as well as expand the customer base and boost the average customer spend. In addition to the free video advertising distribution "Video Release," the company aims to expand Sales Video Analytics that the company started offering in January 2022 and achieve JPY500mn in operating profit in FY02/26.

### Achieve stable profits by increasing number of CMS contracts

The company booked an operating loss in FY02/22 as it made upfront investments in CMS to construct a stable profit foundation in the Media business. In addition to the sale of owned media, the company plans to further strengthen CMS sales and achieve profitability for the full-year FY02/23 by increasing recurring revenue and setting a target of 400 CMS contracts (+45.5% YoY) for that year and a total of 1,000 CMS contracts by FY02/26.

### Strengthen SaaS product sales and increase retention rate in the Human Resources segment

In the Human Resources segment, the company completed structural reforms, achieved profitability in 1H FY02/22, and was in the black for the first time for a full-year term. The company plans to expand the sale of SaaS-type products and make investments to strengthen functionality while projecting JPY350mn in operating profit (+48.3% YoY) for FY02/23.

### Targets by focus area

	FY02/22	FY02/23	FY02/24	FY02/25	FY02/26
	Act.	Est.	Est.	Est.	Est.
Number of PR retainer contracts obtained (cumulative)	210	350	500	1,500	1,750
YoY	-	66.7%	42.9%	200.0%	16.7%
Video Release operating profit (JPYmn)	-72	50	210	350	500
YoY	-	-	320.0%	66.7%	42.9%
Number of obtained CMS (cumulative)	275	400	550	750	1,000
YoY	-	45.5%	37.5%	36.4%	33.3%
Human Resources operating profit (JPYmn)	236	350	450	540	648
YoY	-	48.3%	28.6%	20.0%	20.0%

Source: Shared Research based on company data

## Three key points to strengthen foundation of "Fast PR Company" structure

The company is aiming to be a "Fast PR Company" that can speedily expand products without spending a lot in capital. In order to provide one-stop services needed to expand products and achieve marketing initiatives that fit the times at one-tenth the cost of traditional advertising expenses, the company plans to focus on the below three strategies to efficiently expand products using digital advertising centered around PR.

## DX: Digitalization of the advertising world

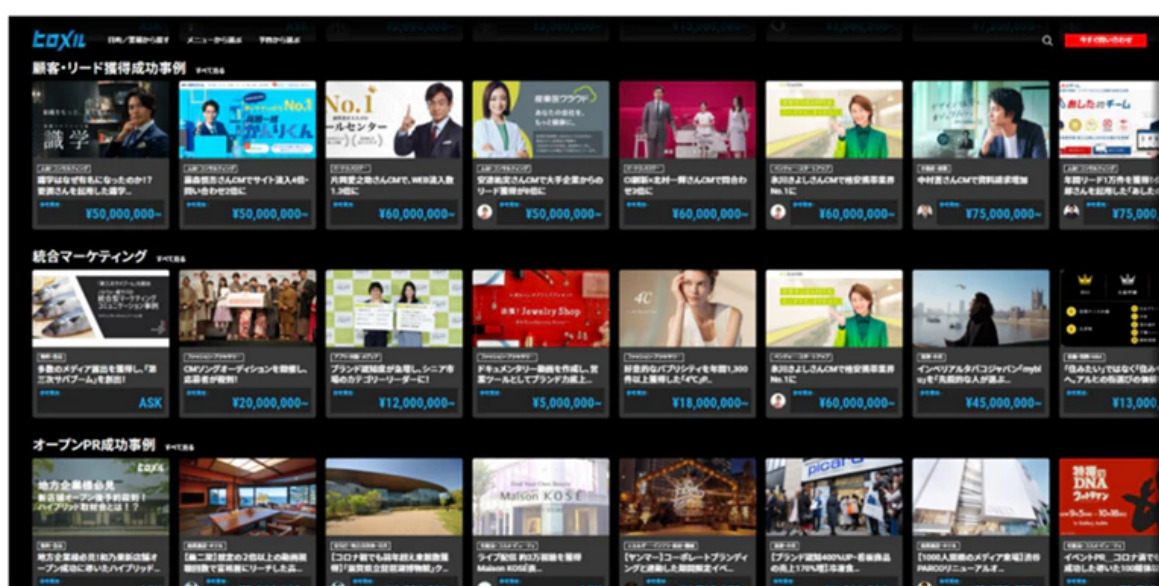
This strategy aims to improve customer spend while boosting productivity through Hilomel and PR BANK, which aim to improve operational efficiency and provide new value to customers. Hilomel is an e-commerce site for the advertising industry that sells various services of existing businesses (taxi advertising, social media strategy, etc.) online. The company uses this site and PR Bank, a cloud PR efficiency assessment/analysis service that utilizes digital data amassed in the group to promote operational efficiency improvements.

### Hilomel (e-commerce site for the advertising industry; launched May 10, 2021)

Hilomel is an e-commerce site for the advertising industry that solves the challenges corporate marketing and PR professionals face in outsourcing to agencies. The site displays dozens of case studies for visitors to view, and allows those visitors to place orders with the professionals who have conducted those cases. Hilomel is modeled on fiverr, an overseas (Israeli) online marketplace for freelance services.

Hilomel provides a rich menu of one-stop services that utilizes the services of the Vector group. It is able to find the best plan to fit the needs of customers based on real success stories. Staff in charge of leading projects to success share the keys to success by video. The company aims for 350 inquiry and 35 orders in the near term.

### Hilomel site



Source: Company data

### PR BANK (launched on March 1, 2022)

PR BANK automatically visualizes the effects of PR and aims to support data-driven PR activities.

#### Merits of PR BANK

- ▶ Visualize the reach of PR and analyze: New PR assessments are possible to create PR-specific indicators such as advertising conversions.
- ▶ Expand strategy proposal perspective through competition comparisons: Can make fixed-point observations about the media exposure of designated competitor services.
- ▶ Refinement of PR project review: Measure and compare the reach for each campaign and project.
- ▶ Improve efficiency of monitoring and reporting: Visualize exposed materials and media on a dashboard and designate a period.

## Talent communication

In order to establish service awareness, this strategy improves customer spend by creating keywords for “talent” and “comments.” Under this strategy, the company aims to hire well-known TV personalities, narrow in on the details to express, boost awareness, and maximize the appeal affect. It plans to expand the number of companies using this service from the

current 100 to 300 companies. Also, the company entered into the sharing service for talent with TALENT BANK. It costs JPY30mn to JPY50mn to cast a regular TV personality for one year. With TALENT BANK, companies can use the images of TV personalities (not video) for a monthly fee of JPY500,000 or yearly fee of JPY5.0mn to JPY6.0mn.

## Examples of talent communication



Source: Company data

## VC x PR: Venture capital capable of providing funds and PR support

This strategy aims to maximize the investment benefits by backing up company growth through PR/IR support instead of only providing financial support as in traditional venture capital. The company has supported 27 companies through IPO, including seven companies listed on the Tokyo Stock Exchange Growth Market, such as SecondXight Analytica Inc. (TSE Growth: 5028) and Mental Health Technologies Co., Ltd. (TSE Growth: 9218). During FY02/23, Mental Health Technologies Co., Ltd. (TSE Growth: 9218) listed on the Tokyo Stock Exchange Growth Market in March 2022, as did SecondXight Analytica Inc. (TSE Growth: 5028) in April, and PROGRIT Inc. (TSE Growth: 9560) in September of the same year. In March 2023, SYLA Technologies Co., Ltd. listed on NASDAQ in the US.

## New businesses

### LIVER BANK

From March 2022, the company began providing "Live-Kun," a one-stop live commerce service that supports companies from live streaming to analysis and improvement plan formulation. It has three features: simultaneous social media streaming functions, data analysis reports, and diverse design templates. From October 2021, the company also began providing the matching platform "Influencer Works," which connects various company needs and influencers. Influencers are important in acquiring leads, so this service automatically matches influencers and clients in the fields of beauty, cosmetics, lifestyle brands, entertainment services, restaurants/tourism, sales, and e-commerce.

### JOBTV (launched November 18, 2021)

JOBTV is a job matching platform where users watch company introduction videos. In order to solve issues facing both jobseekers and companies, JOBTV makes speedy matches by utilizing videos at the beginning of job searches. The platform's UI design makes it easy to search among over 350 company introduction videos and watch them like Netflix. Even if jobseekers do not attend presentation sessions hosted by hiring companies, they are able to research companies by searching for videos and make appeals through their own personal PR videos. Companies can easily inform jobseekers about themselves and hiring position through videos that might be lost in text alone. Companies can also use videos to gain an impression of the applicant that might not come over in applications and reduce the number of mismatches during interviews. According to the company, the number of participating companies reached over 1,000 in the first six months since the service launch and grew to over 2,000 by end-February 2023. In FY02/23, roughly 70,000 job-seeking students

have newly registered with the service, raising the cumulative total to over 150,000. The company expects JOBTV to turn to the black in FY02/25, posting a profit of about JPY200–300mn.

## JOBTV Site



Source: Company data

## Capital allocation

The company intends to allocate funds from operating cash flow to investment in (1) growth and shareholder returns, (2) develop a portfolio for sustainable growth, (3) ensure financial soundness (equity ratio of 30% or higher), (4) improve ROE (ROE of 25% or higher), and (5) achieve sustainable growth (operating profit of JPY10.0bn).

### Achieve sustainable growth in each business

- PR and Advertising: Profitable growth as core business
- Press Release: Profit growth through continued investment
- Direct Marketing: Profit growth through disciplined investment
- HR: Investment in JOBTV as a growth driver
- Investment: Profit generation through ability to find projects

### Effective use of capital and funds

- Investment in growth area: New business, start-up investments, M&A
- Shareholder return: Target consolidated dividend payout ratio of 30%.

## Medium-term profit plan by segment

Medium-term profit plan (JPYmn)	FY02/23	FY02/24	FY02/25	FY02/26	3 year CAGR
	Act.	Forecast	Est.	Est.	
Operating profit	6,276	7,260	8,500	10,000	16.8%
YoY	22.4%	15.7%	17.1%	17.6%	
PR and Advertising	2,984	3,844	4,430	5,120	19.7%
YoY	40.4%	28.8%	15.2%	15.6%	
Press Release	1,190	1,500	1,900	2,500	28.1%
YoY	-35.1%	26.1%	26.7%	31.6%	
Direct Marketing	984	974	1,070	1,180	6.2%
YoY	27.1%	-1.0%	9.9%	10.3%	
Human Resources	-156	100	500	600	-
YoY	-	-	400.0%	20.0%	
Investment business	775	842	600	600	-8.2%
YoY	203.9%	8.6%	-28.7%	0.0%	

Source: Shared Research based on company data

# Business

## Business overview

### Providing all the services needed to expand products in a one-stop manner

For a business to distribute products or services, it must first promote those products or services in order to make consumers aware of them. Means of promotion include advertising, sales promotions, PR, and advertisements; of these, the company specializes in PR. Previously, it was common for businesses to use press conferences and press releases, and advertisements placed on television, in newspapers, and in magazines to promote their products or services. With progressing digitalization, however, efficient methods of spreading information using digital advertising approaches centered on PR, such as influencers, social media, and videos have become mainstream.

At present, PR, influencers, owned media, social media, searches, advertising, YouTubers, and taxi signage are used as measures for acquiring leads. Vector's group companies provide marketing measures that fit the times at one-tenth the cost of traditional advertising expenses; the measures offered include press releases, PR consulting, video releases, influencers, digital marketing, risk management, and talent casting.

### Differences between advertising and public relations (PR)

Advertising is a method of informing the public more widely about the features, functions, or image of a given product or service. This takes the form of creating newspaper advertisements or television commercials and, paying a high fee for media outlets' sales and advertising departments to run them. In public relations (PR), on the other hand, it is frequently the media outlets' production and editorial departments that decide whether to cover or introduce a product, and so there is no high fee. Additionally, a business' own advertisements are able to convey the desired information to the desired target, while PR has a greater level of objectivity, because the media outlets determine the content and destination of their transmissions.

Strategic PR, the company's specialty, is a marketing method that involves identifying themes that will lead to interest relating to a product, creating an atmosphere (context) that interests society, and giving consumers reasons to buy that product. The key point is to connect themes and trends that are likely to interest society with the company's own products or services. The term "strategic PR" came to be used in order to distinguish this approach from "PR," which had come to be mistakenly confused with conventional publicity.

### History

The company was established in March 1999 to provide sales promotion (SP) services (formerly Debiasu, Inc.). When the company was first established, it used third-party PR firms to fulfill part of its client companies' sales promotion needs. However, it quickly developed its own PR function to operate as an independent company. The company also jointly produced TV programs, acquiring expertise in creative video content production. While continuing to provide conventional outsourced PR services, the company shifted its focus to proposal-based PR support, in which it proactively developed plans for clients. The company's unique PR approach, dubbed "marketing PR," in which it proposed carrying out PR activities within the budget of the client's advertising and marketing department, was the precursor to today's strategic PR\* (PR consulting). In April 2000, the company fully transitioned to a structure centered on the PR business.

## Core businesses

### Three earnings pillars

The company's three core businesses are (1) PR consulting (main consolidated subsidiaries: Platinum, Initial, Antil), (2) press release distribution (PR TIMES), and (3) direct marketing (Vitabrid Japan). Other businesses include digital marketing (Signal, News Technology, others), video distribution (News TV), media CMS (Smartmedia; became an independent segment in FY02/20), human resources (Ashita-Team), and investment\* (100 Capital the parent).

\*The company formed a main business segment dedicated for investment in startups starting FY02/23 and changed the segment name from Fund to Investment accordingly. Also, the name of the Media segment was changed to Media CMS.

## Business base in the PR Market (B2B)

The company's business is centered on the PR market and parts of the Internet and sales promotion markets. Its business base comprises (1) Strategic PR/PR consulting (PR companies Platinum, Initial, and Antil), (2) IT-PR/press release distribution (tech company PR TIMES), and (3) e-PR/digital marketing (adtech company News Technology). It has also been expanding and diversifying through investments in new businesses and startups with high relevancy to the PR market.

## Growth of the direct marketing (D2C\*) business

Direct Marketing is a direct-to-consumer business. The company develops health and beauty products and services and sells them online. The business has grown rapidly since its establishment as a joint venture in April 2014, growing at a 78.4% revenue CAGR for the five-year period from FY02/17 to FY02/22 to account for approximately 26% of the company's overall revenue in FY02/22. The media, human resources, and overseas (mainly PR) businesses still make little contribution to earnings. That said, the profitability of the human resources business is improving, mainly due to the shift to a recurring revenue model achieved by structural reforms.

\*Direct to consumer (D2C) refers to a form of direct sales that involves selling products directly to customers through the company's own e-commerce site, without using intermediary distributors.

## Client budgets, client attributes, and profitability (B2B)

The company aims to receive around JPY10–30mn per year from each client for strategic PR/PR consulting services (JPY600,000–1.5mn per month; or some JPY10mn per year) and around JPY1.0mn per year for IT-PR/press release distribution services (JPY70,000 or more per month; or JPY30,000 per distribution).

The strategic PR/PR consulting business has a client base of approximately 90% large listed corporations and 10% startups (including Vector's portfolio companies). Though a labor-intensive business that relies on PR consultants, strategic PR/PR consulting is a continuous and stable source of earnings because the company receives a fixed monthly consulting fee rather than non-recurring services contract commissions.

Until FY02/15, the company disclosed the percentage of orders by client industry. The breakdown was as follows in FY02/15: (1) manufacturing (food, food and beverage, electronics, automobiles, others): 23%; (2) information and communications: 15%; (3) wholesale and retail: 14%; (4) consulting: 11%; (5) general lifestyle and entertainment: 7%; (6) real estate: 4%; (7) finance and insurance: 3%; (8) accommodation and food services: 3%; (9) medical and welfare: 2%; (10) transportation: 2%; (11) others (including government agencies and local government bodies): 18%. It appears this breakdown will remain unchanged in FY02/23. Since the clientele spans nearly all industries, the strategic PR/PR consulting business is less susceptible to the ups and downs of specific industries caused by the COVID-19 pandemic and macroeconomic fluctuations. Further, in some cases the company's clients include multiple competitors within an industry because it can provide services to each with a different subsidiary (Platinum, Initial, and Antil).

Clients of the IT-PR/press release distribution business, where the company's goal is to secure a high number of clients, mainly comprise small- and medium-sized companies. The business is primarily the operation of a platform, and as such, its cost structure is mainly fixed costs (low variable costs, and high marginal profit).

## Trial and error

The e-PR/digital marketing business specializes in web strategy services that range from several million yen to tens of millions of yen per year. It provides total production services for all aspects of digital marketing, from social media marketing to SEO, listing ads, content creation, and more. The company currently refers to its e-PR business as its digital marketing business. With numerous subsidiaries and operational sites, this is an area where the company is using trial and error to test various initiatives.

## Group management

### Holding–operating company structure

As of the end of February 2022, the company group consisted of 50 companies: the parent (holding–operating company), 45 consolidated subsidiaries, and four equity-method affiliates. The parent manages the entire group (corporate planning, finance, accounting, human resources, general affairs, and internal control and auditing) and the investment business. The

company's main sources of earnings are royalty income from its wholly owned domestic subsidiaries in the PR and Advertising segment (brand royalties, management consulting fees), dividend income from subsidiaries (non-operating income), and investment income (non-operating income and extraordinary gain/loss). The company began reporting consolidated results in FY02/10. At that time, the company had five consolidated companies: the parent, Antil, Platinum, WOMCOM (now Signal), and PR TIMES.

## Percentage of voting rights held by consolidated subsidiaries

The subsidiaries that the company holds 100% voting rights for are Platinum, Initial, Antil, Signal, News Technology, and Smartmedia. Other major consolidated subsidiaries are News TV (92.0% of voting rights), 100 Capital (71.4%), Ashita-Team (61.0%), PR TIMES (58.3%), and Vitabrid Japan (50.4%). The PR consulting companies (Platinum, Initial, and Antil) were spun off when the company's PR business was still small because it was necessary to contract through separate subsidiaries to maintain confidentiality while covering competing clients.

## Toward a holding company structure

We estimate that the company's transition to a de facto holding company began in FY02/18, when its non-consolidated revenue growth became erratic. Consolidated revenue for FY02/18 was JPY20.1bn (+JPY6.8bn YoY), while non-consolidated revenue was JPY3.9bn (JPY5.2bn YoY). When its subsidiaries were not well known and had weak brands, the company would take orders under its the Vector brand and outsource the work to the subsidiary. In FY02/18, as the number of subsidiaries increased and they scaled up, the company switched to have them transact directly with clients. In FY02/20, the company separated the media (currently Media CMS), human resources, and fund (currently investment) businesses from its other businesses and established them as new segments. In FY02/21, the company transferred the 190 employees to its consolidated subsidiaries (Platinum, Initial, and Antil) who had previously been employed by the parent and treated as seconded employees. This move made Vector a holding–operating company.

## Advantages and disadvantages of the holding company structure

The definition of a holding company in Japan is not found in the Companies Act, but in the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Antimonopoly Act). Article nine, paragraph four of the Antimonopoly Act defines a holding company as "a company whose total acquisition cost of the shares of its subsidiaries (or the value of the shares of its subsidiaries if there is a separate value attached to the final balance sheet) exceeds 50% of its total assets." Generally, a company that controls and supervises its subsidiaries while also operating its own business is called a holding–operating company, while a company established for the sole purpose of controlling and supervising its subsidiaries is called a pure holding company. Moreover, a company that brings together subsidiaries in a specific industry under a parent company, regardless of whether it is an actual holding company or not, is sometimes called an intermediate holding company.

### Advantages of the holding company structure

- ▶ More efficient group management (Reason: Optimal solutions for group management can be determined quickly because multiple companies are viewed from multiple angles and from a bird's eye view.)
- ▶ Ability to set working conditions tailored to each operating company (Reason: It is easier to set up separate personnel evaluation and salary systems because each business is an independent legal entity.)
- ▶ Smooth acquisitions, mergers, and takeover defenses (Reason: It is easier for holding companies to proceed with acquisitions because they are intended to hold shares. Also, the procedure for selling a subsidiary is easier than selling a business. Moreover, holding companies can avoid indirect takeovers of subsidiaries through acquisitions of the parent company.)

### Disadvantages of the holding company structure

- ▶ Difficulty in coordination between the holding company and the operating companies (Reason: Each subsidiary is unique and independent.)
- ▶ Higher cost of maintaining the corporation (Reason: Redundant divisions at each subsidiary.)

## Consolidated and non-consolidated financial results

The group's consolidated and non-consolidated performance trends (for the past 10 fiscal years) are shown below. Looking at the consolidated to non-consolidated ratio, revenue and recurring profit remained almost constant from FY02/13 to

FY02/17 at over 1.3 and around 2.0, respectively. Then from FY02/18 to FY02/21, revenue grew each quarter from 5.1 to 8.4, while recurring profit fell from 6.0 to 1.2. During this period, the consolidated to non-consolidated ratio for operating profit rose from 6.8 to 17.6. The decline in the ratio for recurring profit was due to the posting of impairment associated with Ashita-Team. In FY02/22, Human Resources was in the black for the full-year and the ratio for recurring profit increased 5.1x.

The company's non-consolidated earnings, after its transition to a holding company structure, include royalty income from its wholly owned domestic subsidiaries in the PR and Advertising segment (brand royalties, management guidance fees), dividends received from subsidiaries (non-operating profit), and investment income (non-operating profit, extraordinary income). Since FY02/18, the company's non-consolidated revenue and operating profit have remained in within JPY4.0–5.0bn and around several hundred million yen, respectively, while recurring profit has increased in conjunction with a 3x increase in dividends received in FY02/21.

Cons. PL (JPYmn)	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22	FY02/23
Revenue	6,461	8,319	9,686	13,285	20,090	29,694	36,822	37,274	48,122	55,225
Operating profit	909	1,254	1,618	2,207	3,027	2,575	2,891	2,315	5,128	6,276
Recurring profit	910	1,187	1,507	2,052	2,951	2,738	3,322	2,797	5,208	6,623
Net income	511	659	842	1,266	1,425	-2,421	-199	487	2,071	3,172
Number of employees	266	331	385	505	659	1,037	1,144	1,288	1,303	1,427
Average number of temp workers	62	95	112	158	233	142	229	304	309	405
Non-cons. PL (JPYmn)	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22	FY02/23
Revenue	4,827	6,219	7,340	9,118	3,937	4,325	5,137	4,446	5,927	7,588
Operating profit	412	666	464	332	442	411	265	131	232	1,338
Dividend income		302	312	876	302	766	422	1,508	1,100	796
Recurring profit	394	957	741	1,183	496	1,065	775	2,314	1,024	2,048
Net income	227	560	528	1,289	173	-3,814	-1,683	544	1,798	1,451
Number of employees	52	71	108	149	183	265	279	89	74	89
Average number of temp workers	23	32	47	46	35	24	5	31	22	32
Cons. to non-cons. ratio (x)	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22	FY02/23
Revenue	1.3	1.3	1.3	1.5	5.1	6.9	7.2	8.4	8.1	7.3
Operating profit	2.2	1.9	3.5	6.6	6.8	6.3	10.9	17.6	22.1	4.7
Recurring profit	2.3	1.2	2.0	1.7	6.0	2.6	4.3	1.2	5.1	3.2
Net income	2.2	1.2	1.6	1.0	8.2	0.6	0.1	0.9	1.2	2.2
Number of employees	5.1	4.7	3.6	3.4	3.6	3.9	4.1	14.5	17.6	16.0

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

## Vector group's expansion and growth

In its target business domain, the company has developed businesses, made them into subsidiaries, and brought in companies from other industries through M&A. The company has often changed the names of its subsidiaries from a PR perspective, believing that branding through name changes is an effective means of enhancing corporate value. While the subsidiaries in the target business domain share the identity of belonging under the Vector umbrella, they also emphasize originality. In fact, none of the company's subsidiaries bear the name Vector, each having its own original name. The company has also encouraged its subsidiaries to grow autonomously and have independence and freedom as they seek to go public. PR TIMES, a listed subsidiary, is a typical example, and the fast-growing Vitabrid Japan is expected to go public in the future.

On the other hand, one subsidiary that the company failed to properly manage by granting it too much independence was Ashita-Team, which was found to have improper accounting treatment after being acquired by Vector, resulting in the booking of a large impairment loss. The internal investigation report recognized the weakness of the administrative department (accounting) and the importance of internal audits, prompting Vector to bolster the governance system by increasing the number of outside directors. Shared Research believes that this was not a problem unique to the holding company, but simply reflected the fact that the management system was not able to keep pace with the rapid growth of the group.

## Business model

### Revenue structure

#### Strategic PR/PR consulting business

In the company's core strategic PR/PR consulting business, about 70–80% of its revenue is from direct clients and 20–30% from indirect clients (through advertising agencies). PR companies have spot and retainer contracts. Retainer contracts account for 40–50% of revenue. Retainer contracts involve core corporate PR activities—creating a PR organization, planning PR strategies, and approaching media outlets. The remaining 50–60% of revenue is from spot (one-time) PR activities. These include product PR, such as media coverage at press conferences and campaign launches. The retainer

contract model is also called a subscription model, and generates recurring revenue, while one-time services generate one-time revenue.

## B2B: Based on PR activities of JPY10–20mn per client per year

- Retainer contract: JPY7–12mn per year (labor cost for one employee)
- PR events: JPY3–6mn per year (for one to three orders)
- TV PR: JPY1–4mn per year (for one to three orders)

## D2C: Direct Marketing business

Direct Marketing is a direct-to-consumer business. The company develops health and beauty products and services and sells them online. The company holds product inventory and sells them to end-users (mainly fixed-term subscriptions with flexible contract periods).

- ▶ Annual revenue = average sales unit price x annual number of units sold = average annual spend per subscriber x number of subscribers

## KPIs

The company uses original management indicators and KPIs for both the parent and its subsidiaries. KPIs for its main businesses include the number of retainer contracts in the PR consulting business, the number of companies using PR TIMES, the number of press releases distributed, the number of video releases distributed by News TV, and the number of units sold by Vitabrid Japan. On a non-consolidated basis, the company uses EBITDA and operating profit as numerical target indicators in its medium-term management plan.

The number of PR consulting retainer contracts increased from 769 at end-February 2022 to 953 at end-February 2023. The company aims to bring this number up to 1,500 by FY02/26. The cumulative number of companies using PR TIMES increased from 21,399 at end-February 2018 to 79,759 at end-February 2023. Vitabrid Japan's revenue increased 4.4x from JPY2.9bn in FY02/18 to JPY12.5bn in FY02/23.

## Main businesses and KPIs

Core businesses and group companies	Main KPIs	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22	FY02/23
Vector (consolidated)	EBITDA (JPYmn)	986	1,350	1,762	2,400	3,564	3,703	4,358	3,581	6,017	7,013
	Operating profit (JPYmn)	909	1,254	1,618	2,207	3,027	2,575	2,891	2,315	5,128	6,276
	Net income (JPYmn)	511	659	842	1,266	1,425	-2,421	-199	487	2,071	3,172
PR Consulting	Number of retainer contracts(Companies)									769	953
PR TIMES	Revenue (JPYmn)	671	846	1,080	1,355	1,717	2,286	2,891	3,766	4,854	5,706
	Cumulative user companies	6,669	8,802	12,127	16,518	21,399	28,264	36,717	50,633	65,660	79,759
	New user companies	2,133	3,325	4,391	4,881	6,865	8,453	13,916	15,027	17,344	
	Number of press releases distributed	30,386	39,323	55,323	75,165	98,626	128,268	160,170	216,655	296,422	331,137
News TV	Sales per one press release(JPY)	22,083	21,504	19,523	18,027	17,410	17,823	18,052	17,382	16,375	17,232
	Number of video releases distributed		150	200	346	624	731	759	466	439	469
Vitabrid Japan	Revenue (JPYmn)		5.5	390	1,860	2,850	6,510	8,360	9,898	10,210	12,540
	Cumulative units sold (million units)								7.0	9.3	13.0

Source: Shared Research based on company data

Note: Blanks indicate non-disclosed figures

## Business areas

### Target markets

The company targets the following industries (PR and advertising).

- ▶ In Japan's JPY147.9bn PR industry (as of FY2022), Vector ranks the top in terms of revenue with a market share of 25.4%, according to Shared Research estimate. It also ranks top in Asia (second is BlueFocus [China]), and seventh in the world (up from 14th in 2022; first is Edelman [US]) (Source: Global PR Agency Rankings 2023 by PRovoke Media).
- ▶ According to the 2022 Advertising Expenditures in Japan survey by Dentsu, internet advertising expenditures in Japan amounted to roughly JPY3.9tn (+14.3% YoY), and the video advertising market was valued at JPY592.0bn (+15.4% YoY) in 2022. The company believes it will be able to further capture PR sales from advertisers accompanying growth of internet advertising, which has already surpassed the total advertising expenditures in traditional mass media (TV, radio, newspapers, and magazines).

## Business strategy

The company foresees structural changes in the advertising industry toward low cost, medium-quality, rapid services, as have occurred in the apparel industry with the rise of fast fashion (Uniqlo, Zara), and sees itself as a pioneer in providing such services. Vector believes it can accelerate its growth by combining strategic PR based on a subscription model (recurring revenue based on retainer contracts) with video advertising to become a “Fast PR Company”\* in the advertising industry. When the company was established in 1993, it made its first foray into the video business (formerly Double Up Office, now Vecks) through involvement in the joint production of TV programs. Over time, it accumulated expertise in video production and distribution, which provided the foundation for its growth into a pioneer and leader in the video release distribution business (News TV). Currently, the company is developing video services such as digital signage (News Technology), IR support (IR Robotics), and recruitment matching support (JOBTV).

\*Fast PR Company: The company refers to itself as a “fast company,” but we have determined to use “Fast PR Company” for this report to avoid confusion with US business magazine Fast Company.

## The “Fast PR Company” concept

### Modeled after SPAs

The company’s “Fast PR Company” concept is modeled on specialty store retailers of private label apparel (SPAs), which are fashion companies whose business model vertically integrates planning, production, and sales functions. Typical examples include Zara and Uniqlo. In many cases, SPAs do not own their own production facilities or logistics functions, but in most cases have practical control over them. Currently, SPAs are evolving into (1) the cross-industry type and (2) the fast fashion type. The cross-industry type is represented by Nitori, a furniture manufacturer and retailer, and Iris Oyama, a household goods retailer, which have expanded their businesses by bringing manufacturing, logistics, and sales functions in-house, thereby providing products of reasonable price and quality that have been well received by consumers. The fast fashion type is typified by Zara (Spain; Inditex.com [BME: ITX]) and Hennes & Mauritz (Sweden; H&M Group [STO: HM-B]), and is characterized by the introduction of affordable and fashionable products with short delivery times to stores.

### One-stop service

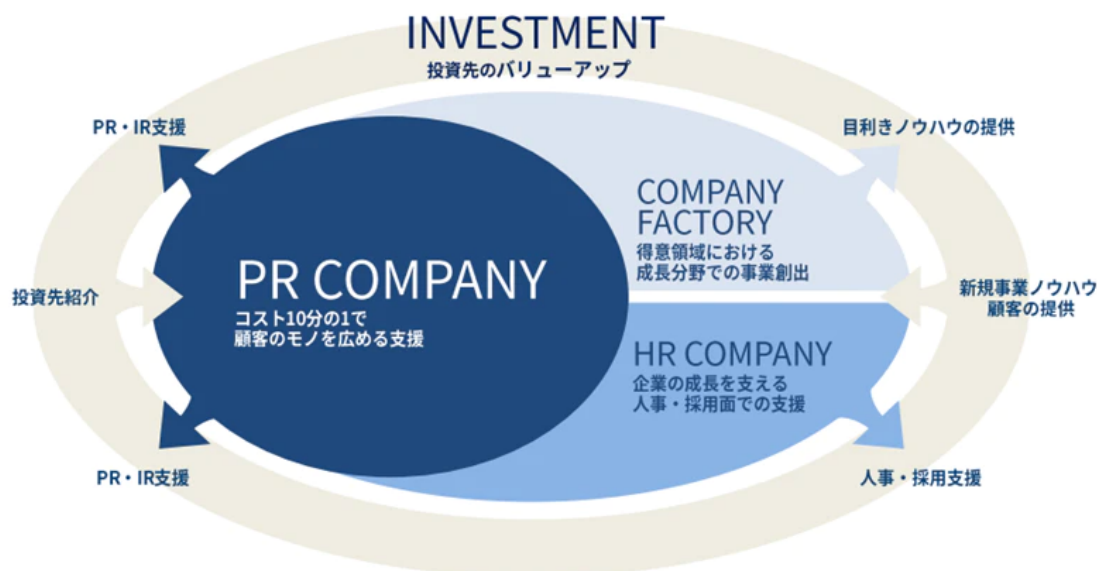
Aiming to become an “SPA” of the advertising industry, the company provides PR support services at more than one-tenth the cost (budgets ranging from JPY0–50mn) of traditional advertising budgets (JPY200–500mn) by offering one-stop services that cover planning, content production, distribution, and promotion. The main services offered by the company are as follows.

- ▶ PR consulting (main consolidated subsidiaries: Antil, Platinum, Initial): PR consultants with abundant experience in PR, from planning to execution, implement optimal communications.
- ▶ Talent casting (Starbank): Casting of celebrities to appear on websites, in videos, and at events.
- ▶ Press release (PR TIMES): Provides the top press release distribution service in Japan with a market share of over 60,000 clients. Nearly 50% of listed companies have adopted the service, which is characterized by its reliability and high media exposure.
- ▶ Video release (News TV): Provides a new communication tool based on the production and distribution of video releases from a PR perspective, delivered directly to the target audience.
- ▶ Influencer (Starbank): Supports branding related to the client’s products and services by utilizing social media influencers.
- ▶ Digital marketing (Signal, News Technology, Smartmedia, IR Robotics): Provides integrated support from website creation to system construction and digital promotion. Also builds and operates owned media and produces PR videos.
- ▶ Risk management (Brand Control): Provides consulting services related to corporate reputation management and brand security using proprietary technology based on theories and knowhow developed in the US.

## Four business areas

The company defines its business areas as (1) "PR Company" (aims to support expansion of customer products at one-tenth the cost), (2) "HR Company" (aims to support in HR and hiring), (3) "Company Factory" (creating new businesses), and (4) "Investment" (growing the investment business). The company aims to create synergies in these four areas, support growth of customer companies, and achieve continuous growth of the company group.

### Vector Group business structure concept



Source: Company data

## PR Company: Expanding the services of existing businesses

Through "Fast PR Company," a one-stop comprehensive support service for marketing strategies, Vector aims to help clients "spread good products to the world."

### PR, press release, video, media

- ▶ Major consolidated subsidiaries: Antil (PR), Platinum (PR), Initial (PR), Signal (digital marketing), News Technology (digital marketing), PR TIMES (press release), News TV (video), Smartmedia (media CMS), Brand Control (digital marketing), IR Robotics (digital marketing), Vecks (PR and advertising), Starbank (PR and advertising), Evech (PR and advertising)

## Company Factory: Creation of new businesses

### Direct to consumer (D2C)

Developing D2C businesses through integrated in-house operations from product planning and production to advertising, marketing, and purchasing.

- ▶ Major consolidated subsidiaries: Vitabrid Japan, Direct Tech

### Human resources

Develops HR-related businesses, focusing on consulting services to support the introduction and application of HR evaluation systems and cloud services.

- ▶ Major consolidated subsidiaries: Ashita-Team

By utilizing video at the beginning of the job search process, solve issues in hiring for both companies and jobseekers and realize speedy matching.

▶ Same: JOBTV

## New businesses

Expand service areas by leveraging business knowhow and develop new businesses by utilizing group synergies and the strengths of partners.

- ▶ Consolidated subsidiaries, affiliates, and operating businesses: Liver Bank (direct marketing), Performance Technologies (digital marketing), Medical Technologies (PR and advertising), Cyber Security Bank (human resources), Hilomel (PR/advertising platform), others

## Investment: Growth of the investment business

### Investment business

Providing value-added support to portfolio startups, including PR and IR support.

- ▶ Major consolidated companies: non-consolidated Vector, 100 Capital (fund management)

## Business segments

Vector is a general public relations firm that primarily provides strategic PR consulting and digital marketing services. It has been pursuing diversification, and its segments in FY02/23 were PR and Advertising\* (52.5% of revenue, OPM of 10.1%), Press Release Distribution (10.1%, 20.9%), Video Release Distribution (2.5%, operating loss), Direct Marketing (26.1%, 6.7%), Media CMS (1.7%, 0.2%), Human Resources (4.2%, 14.8%), and Investment (2.8%, 48.4%). The PR and Advertising segment includes the PR consulting business (which accounts for just under 60% of segment revenue) and the digital marketing business (just over 40% of segment revenue).

\*The company formed a main business segment dedicated to investment in startups starting FY02/23 and changed the segment name from Fund to Investment accordingly. From Q1 FY02/23, segment names changed from the Video Release Distribution and Media CMS businesses were integrated into the mainstay PR and Advertising segment. In addition, from FY02/24, segment names changed from the "Video Release Distribution business" and the "Media CMS" business to the "PR and Advertising" segment, and "JOBTV" which was included in the "PR and Advertising" segment to "HR" segment.

### Business segments

Business segments	Business description	FY02/23	
		% of revenue	Operating profit margin
PR and Advertising (PR consulting: Antil, Platinum, Initial) (Digital Marketing: Signal, News Technology)	In addition to conventional PR services, the PR and Advertising segment provides PR support through "strategic PR" consulting services to promote clients' products and services. The segment also engages in advertising sales through an IoT signage service using tablets installed inside of taxis. Most of these services are provided through group companies, each of which operates in its own specialized media domain, such as existing media, blogs, and social media, as well as in different regions, including Japan, China, and ASEAN countries.	53.0%	10.2%
Press Release Distribution (PR TIMES)	The Press Release Distribution segment distributes information on client products and services as press releases based on publicity orders from clients. It develops a platform business that connects companies and consumers through press releases.	10.1%	21.4%
Video Release Distribution (News TV)	The Video Release Distribution segment creates video content based on news about the client company, its products, and services, which it then uses to reach the target audience via the internet.	2.0%	Operating loss
Direct Marketing (Vitabrid Japan, others)	The Direct Marketing segment develops and sells health and beauty products and services direct to consumer via the internet.	26.3%	6.8%
Media CMS(Smartmedia)	The Media segment operates an in-house media business to generate advertising revenue and provide client support services for building and operating owned media.	1.4%	0.2%
Human Resources (Ashita-Team)	The Human Resources segment provides consulting services to support the introduction and operation of personnel evaluation systems, as well as human resources services centered on personnel evaluation cloud services.	4.3%	14.8%
Investment business	The Fund segment operates an investment business to support the growth of venture companies.	2.9%	48.5%
Company-wide		100.0%	11.4%

Source: Shared Research based on company data

Note: Main subsidiaries are in parentheses.

Business segments	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22	FY02/23
	(JPYmn)	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act. (retro. adjusted)	Act.
Revenue	6,461	8,319	9,686	13,285	20,090	29,694	36,822	37,274	48,122	55,225
YoY	26.5%	28.8%	16.4%	37.2%	51.2%	47.8%	24.0%	1.2%	29.1%	14.8%
PR and Advertising	5,790	7,573	8,712	10,866	14,920	17,876	19,592	17,752	25,965	29,518
YoY	25.2%	30.8%	15.0%	24.7%	37.3%	19.8%	9.6%	-9.4%	46.3%	13.7%
% of total	89.6%	89.8%	88.0%	76.9%	70.5%	59.0%	51.8%	46.4%	52.8%	52.5%
Japan								16,514	22,687	25,046
Overseas								1,238	3,278	4,472
Platinum						4,412	4,124	4,455	5,138	5,750

Press Release Distribution	671	846	1,080	1,355	1,717	2,286	2,891	3,766	4,854	5,706
YoY	38.7%	26.0%	27.7%	25.5%	26.7%	33.1%	26.5%	30.3%	28.9%	17.6%
% of total	10.4%	10.0%	10.9%	9.6%	8.1%	7.6%	7.6%	9.8%	9.9%	10.1%
PR TIMES	671	846	1,080	1,355	1,717	2,286	2,891	3,766	4,855	5,706
Video Release Distribution				719	1,095	1,646	1,873	1,339	1,361	1,385
YoY				-	52.4%	50.3%	13.8%	-28.5%	1.7%	1.8%
% of total				5.1%	5.2%	5.4%	4.9%	3.5%	2.8%	2.5%
Direct Marketing				683	2,850	6,519	8,538	11,390	12,326	14,691
YoY				-	317.5%	128.7%	31.0%	33.4%	8.2%	19.2%
% of total				4.8%	13.5%	21.5%	22.6%	29.8%	25.1%	26.1%
Vitabrid Japan				1,860	2,850	6,519	8,362	9,898	10,212	12,529
Other		17	105	501	-	1,951				
YoY		-	525.4%	375.1%	-	-				
% of total		0.2%	1.1%	3.5%	0.0%	6.4%				
Media CMS							935	863	907	956
YoY							-	-7.7%	5.0%	5.4%
% of total							2.5%	2.3%	1.8%	1.7%
Human Resources							3,685	2,679	2,513	2,372
YoY							-	-27.3%	-6.2%	-5.6%
% of total							9.7%	7.0%	5.1%	4.2%
Investment business						1,055	3,145	2,370	1,238	1,601
YoY							198.1%	-24.6%	-47.8%	29.3%
% of total							8.3%	6.2%	2.5%	2.8%
Adjustment			-116	-212	-838	-1,077	-585	-1,033	-995	-1,045
										-1,006
<b>Business segments</b>	<b>FY02/14</b>	<b>FY02/15</b>	<b>FY02/16</b>	<b>FY02/17</b>	<b>FY02/18</b>	<b>FY02/19</b>	<b>FY02/20</b>	<b>FY02/21</b>	<b>FY02/22</b>	<b>FY02/23</b>
(JPYmn)	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act. (retro. adjusted)	Act.
Operating profit	909	1,254	1,618	2,207	3,027	2,575	2,891	2,315	5,128	6,276
YoY	26.0%	38.0%	29.0%	36.3%	37.2%	-14.9%	12.3%	-19.9%	121.5%	22.4%
Operating profit margin	14.1%	15.1%	16.7%	16.6%	15.1%	8.7%	7.9%	6.2%	10.7%	11.4%
PR and Advertising	828	1,181	1,453	1,665	2,195	1,935	2,457	1,160	2,125	2,984
YoY	33.1%	42.6%	23.1%	14.6%	31.8%	-11.9%	27.0%	-52.8%	83.2%	40.4%
Operating profit margin	14.3%	15.6%	16.7%	15.3%	14.7%	10.8%	12.5%	6.5%	8.2%	10.1%
Japan								1,484	2,217	3,146
Overseas								-324	-92	-162
Platinum (recurring profit)						663	499	518	641	786
Press Release Distribution	81	90	180	251	376	518	560	1,301	1,834	1,190
YoY	-18.2%	10.7%	100.9%	39.3%	49.7%	38.0%	8.1%	132.2%	40.9%	-35.1%
Operating profit margin	12.1%	10.6%	16.7%	18.5%	21.9%	22.7%	19.4%	34.6%	37.8%	20.9%
PR TIMES	81	92	180	251	376	518	560	1,301	1,834	1,191
Video Release Distribution				170	241	320	326	-158	-72	-34
YoY				-	42.4%	32.5%	2.0%	-	-	-
Operating profit margin				23.6%	22.0%	19.4%	17.4%	-11.8%	-5.3%	-2.5%
Direct Marketing				51	215	458	557	717	774	984
YoY				-	323.2%	113.3%	21.6%	28.6%	8.0%	27.1%
Operating profit margin				7.4%	7.5%	7.0%	6.5%	6.3%	6.3%	6.7%
Vitabrid Japan						468	639	707	788	945
Other		-16	-13	74	-1	-656				
YoY		-	-	-	-	-				
Operating profit margin		-93.4%	-12.3%	14.7%	-	-33.6%				
Media CMS						-271	-224	103	-22	3
YoY							-	-	-	-
Operating profit margin							-	12.0%	-	0.3%
Human Resources						-544	-687	-905	236	352
YoY							-	-	-	49.2%
Operating profit margin							-18.6%	-33.8%	9.4%	14.8%
Investment business						-	647	680	255	775
YoY							-	5.1%	-62.5%	203.9%
Operating profit margin							20.6%	28.7%	20.6%	48.4%
Adjustment			-2	-3	0	-	-3,011	-6	-3	19

Source: Shared Research based on company data.

Notes: Figures may differ from company materials due to differences in rounding methods. Figures not disclosed by the company are left as blank.

From FY02/23, segment names were changed from the "Media business" to the "Media CMS business," and from the "Fund business" to the "Investment business."

The company changed its accounting practices as a result of commercializing investment activities from FY02/23. Accordingly, it disclosed retroactively adjusted results for Q1 FY02/22 onward that reflect this change.

In view of the change in accounting practices resulting from the commercialization of investment activities, YoY percentages under "FY02/23 Est" indicate comparisons with actual FY02/22 results that have been retroactively adjusted to reflect this change.

## Changes in segment disclosure

The company disclosed results as a single segment, PR business, through FY02/14. Starting in FY02/16, it introduced a new three-segment structure which it applied retroactively to FY02/15 results. The segments were PR (consolidated subsidiaries: Platinum, Initial, and Antil), News Release Distribution (PR TIMES), and Other. In FY02/17, Vector added Video Distribution and Direct Marketing (Vitabrid Japan), and in FY02/20, spun off Media (Smartmedia; currently the Media CMS segment), Human Resources (Ashita-Team), and Fund (100 Capital; currently the Investment segment) from the Other segment.

## Segment disclosure criteria

One of the criteria Vector gives for disclosing a business's results as a separate segment is the existence of subsidiaries that it expects will be listed in the future. However, Shared Research understands that the three main PR consulting subsidiaries are unlisted despite generating significant earnings.

## Parent–subsidiary listings

With regard to the parent –subsidiary listing of PR TIMES, the company respects PR TIMES' independent decision-making as a listed company, given the risk of conflict of interest between the company and the general shareholders of the listed group companies. Certain important management matters do not require prior reporting to or approval by the company, and PR TIMES manages its business with independence as a listed company.

Since the mid-2000s, there has been a rapid dissolution of parent–subsidiary listings. Prior to that time, there were many cases where subsidiaries were listed in anticipation of benefits in fundraising and subsequent sales and recruiting activities, but in the 2000s, the dissolution of parent-subsidiary listings gradually increased due to the risk of acquiring subsidiaries and the cost of maintaining the listing. However, the Japanese market is characterized by more cases of parent–subsidiary listings relative to overseas markets; as of the end of March 2020, there were still more than 200 listed subsidiaries with listed parent companies on Japanese exchanges. In recent years, the disadvantages of parent–subsidiary listings have been explicitly pointed out in discussions toward the revision of the Corporate Governance Code, and the trend toward the dissolution of parent–subsidiary listings is expected to continue. (Source: PwC, edited by Shared Research)

### Group companies: Subsidiaries accounting for at least 10% of revenue (FY02/23)

(JPYmn)	PR TIMES	Platinum	Vitabrid Japan
Revenue	5,706	5,750	12,529
Operating profit	1,191		
Operating profit margin	31.6%		
Recurring profit	1,189	786	945
Recurring profit margin	31.6%	17.6%	9.5%
Net income	778		
Net margin	20.7%	0.0%	0.0%
Net assets	4,467	1,056	807
Total assets	5,265	1,935	3,585
(JPYmn)	<b>Company with excessive debt (Ashita-Team)</b>		
Amount of excessive debt		1,938	

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

## Group companies (as of end-FY02/23)

Company name	Main business	% of voting rights held	Work category	consolidated	Previous name	M & A	Type of work involved
<b>Holding company</b>							
Vector				Mar. 1993	Debiasu		Corporate planning, finance, accounting, human resources, general affairs, and internal control and auditing for the entire group
<b>(Consolidated subsidiaries)</b>							
Antil	PR and Advertising	100.0	PR activities (subcontracted from Vector)	May 2004	Vector Standard		PR agency and consulting
Platinum	PR and Advertising	100.0	PR activities (subcontracted from Vector)	May 2004	Vector Communication		PR agency and consulting
Initial	PR and Advertising	100.0	PR activities (subcontracted from Vector)	Aug. 2012			PR agency and consulting
Signal	PR and Advertising	100.0	PR activities (subcontracted from Vector)	Dec. 2005	WOMCOM		WebPR, Social media marketing service
VECKS	PR and Advertising	100.0	PR activities (subcontracted from Vector)	Mar. 2011	Double Up Office		Planning and production services for TV programs, TV commercials, various promotional videos, web videos, etc.
Starbank	PR and Advertising	100.0	PR activities (subcontracted from Vector)	Aug. 2012	Social Scout		Casting
IR Robotics	PR and Advertising	82.5	PR activities (subcontracted from Vector)	Sept. 2013	IR Advisory	M & A	Investor relations, PR services
PacRim Marketing Group	PR and Advertising	100.0	PR activities (subcontracted from Vector)	Feb. 2017			PR agency and consulting
News Technology	PR and Advertising	100.0	PR activities (subcontracted from Vector)	Oct. 2014			Operation of taxi media signage media
Brand Cloud		70.0		Dec. 2017	Brand Control		Online brand risk management business
Brand Control	PR and Advertising	70.0	PR activities (subcontracted from Vector)	Dec. 2017		M & A	Online brand risk management business
Total	PR and Advertising	100.0	PR activities (subcontracted from Vector)	Apr. 2018	Election		PR agency and consulting
Evech	PR and Advertising	100.0	PR activities (subcontracted from Vector)	Mar. 2020			PR events and other promotion-related work
Public Affairs Japan	PR and Advertising	100.0	Subcontracting of management task	Sep. 2020			PR agency and consulting
Medical Technologies	PR and Advertising	60.0	Subcontracting of management task	Sep. 2020			Medical marketing business
PerformanceTechnologies		52.0		Mar. 2021			Performance Marketing
KRIK		85.0		Mar. 2022			Crisis management public relations services and consulting
Cloud beauty		55.0		July 2022	Geobeck		Provision of cloud-based salon system
Long-breath online studio		60.0		Sept. 2022			Media operation and distribution business
MasterVisions		59.5		Nov. 2022			Platform business for generating and distributing free viewpoint video using 360-degree cameras
Ami		87.2		Nov. 2022			Franchise Matching Platform
Priv Tech	PR and Advertising	51.0	Subcontracting of management task	Mar. 2020			Privacy tech business
Keyword Marketing		100.0		Dec. 2022			operation of programmatic ads
PR TIMES	Press Release Distribution	55.7	PR activities (subcontracted from Vector)	Dec. 2005	Kijineta.com		Press release distribution serviceOperation of PRTIMES, TIMES
THEBRIDGE		52.9		Mar. 2021			Operation of web media
Colorful Tails	PR and Advertising	90.0	Subcontracting of management task	Apr. 2020			Development and operation of application software
News TV	Video Release Distribution	92.0	PR activities (subcontracted from Vector)	Jun. 2015	Video Wire		Video production and distribution services
Vitabrid Japan	Direct Marketing	95.4	Subcontracting of management task	Apr. 2014			Direct marketing business in health and beauty products
Direct Tech	Direct Marketing	88.0	Subcontracting of management task	Nov. 2018			Digital advertising agency and PR business specializing in direct sales (including of Vector products)

Company name	Main business	% of voting rights held	Work category	(or consolidated)	Previous name	M & A	Type of work involved
<b>(Consolidated subsidiaries)</b>							
Premium Cosme		87.8		June 2022			Direct marketing business in health and beauty products
INFLUENCER BANK		100.0		Dec. 2020			Operation of influencer matching platform
Taku (Shanghai) Sales & Marketing Co., Ltd.	Direct Marketing	44.9		Jan. 2020			Digital advertising agency and PR business specializing in direct sales (including of Vector products) in Mainland China
Smartmedia	Media	100.0	PR activities (subcontracted from Vector)	Jul. 2017	OPENERS	M & A	Operation support of owned media
100Capital	Fund	71.4	Subcontracting of management task	Mar. 2016	Big Data Technologies		Investment business
100 Capital No. 1 LLP	Fund	18.1		Apr. 2018			Investment business
Vector Investment Advisory	Fund	100.0		Aug. 2020			Investment business
Ashita-Team	Human Resources	65.3	Loan guarantees	Jul. 2018		M & A	Consulting services and sales of cloud systems related to personnel evaluation systems
Vector Group International Limited	PR and Advertising	100.0	PR activities (subcontracted from Vector)	Jun. 2014			PR and marketing support services in Hong Kong and general management of the Group's overseas business
Vector China(Shanghai) Corporation	PR and Advertising	100.0	PR activities (subcontracted from Vector)	Jan. 2011			PR agency and consulting in Mainland China
PT. VECTOR	PR and Advertising	100.0	PR activities (subcontracted from Vector)	Jan. 2013			PR agency and consulting in Indonesia
Vector Group Ltd	PR and Advertising	49.0	PR activities (subcontracted from Vector)	Mar. 2014			PR agency and consulting in Thailand
VECTOR GROUP COMPANY LIMITED	PR and Advertising	98.9	PR activities (subcontracted from Vector)	May 2014			PR agency and consulting in Vietnam
VECTOR, INC.	PR and Advertising	100.0	Lending of funds	Apr. 2016	VECTOR GROUP, INC.		PR agency in Hawaii, import and sale of Popits flip flops
PacRim Marketing Group, Inc.	PR and Advertising	100.0	Lending of funds	Feb. 2017		M & A	PR agency and consulting in Hawaii
PRTech, LLC	PR and Advertising	100.0		Feb. 2017		M & A	Planning, development, and consulting for websites and information network systems
Vectorcom Inc.	PR and Advertising	100.0	PR activities (subcontracted from Vector)	Dec. 2020			PR agency and consulting in Korea
Vector Marketing PR Malaysia SND.BHD	PR and Advertising	49.0	PR activities (subcontracted from Vector)	Feb. 2018	MicroAd Malaysia SDN. BHD.	M & A	PR agency and consulting in Malaysia
Ashita-Team (Taiwan) Co., Ltd.	Human Resources	65.3					Consulting services and sales of cloud systems related to personnel evaluation systems in Taiwan
Knitt Communications Corp.	PR and Advertising	85.0					PR agency and consulting in Korea
WEMASTERS Inc.	PR and Advertising	85.0					PR agency and consulting in Korea
Zukshi Co., Ltd	PR and Advertising	85.0					PR agency and consulting in Korea
Tomorrow's Team Singapore Pte. Ltd	Human Resources	65.3					Consulting services and sales of cloud systems related to personnel evaluation systems in Singapore
Ashita-Team China(Shanghai) VSHC China	Human Resources	65.3					Consulting services and sales of cloud systems related to personnel evaluation systems in Mainland China

Source: Shared Research based on company data

## Notable new businesses

The company has several new businesses (many of which are included in the PR and Advertising segment). The following are promising consolidated subsidiaries and operating websites that deserve special mention.

### Consolidated subsidiaries

- ▶ Brand Cloud Inc. (internet-based brand risk management business; M&A in December 2017; 70.0% owned by the company; formerly Brand Control): Even after amortization of goodwill (JPY220mn), it contributes about JPY300mn to operating profit. The company is optimistic about its potential earnings contribution in FY02/23 and beyond after amortization of goodwill ends.

Brand Cloud provides comprehensive management consulting services to protect companies, products, and services with the latest technology and proprietary theories through reputation risk management and online reputation management. The company currently provides services in Japan and other countries around the world.

#### Brand security/online reputation management (ORM)

Counters reputational damage on the internet, mainly through a technical approach using artificial intelligence, incorporating the expertise of international lawyers and white hat hackers and online reputation management (ORM) technology developed in the US based on the needs of financial, political, and military entities.

#### Brand lift

A systematic approach created in the US using statistical methods. Its focus is on branding, reputational improvement, and awareness enhancement for companies, products, and services.

## Operating websites

- ▶ Hilomel (e-commerce site for the advertising industry; launched May 10, 2021)
- ▶ JOBTV (recruitment matching platform with unlimited access to corporate informational videos; launched November 18, 2021)

The company is proceeding with selection and concentration of its subsidiaries based on future prospects and business continuity. The subsidiaries to be liquidated are as follows. The company plans to decrease the number of its consolidated subsidiaries from 45 at end-FY03/22 to about 44 in FY02/23, and expects to decrease the number of equity method affiliates from four to zero.

## PR and Advertising (PR consulting, digital marketing, overseas business)

### PR consulting business

The core consolidated subsidiaries of the PR consulting business are Platinum, Initial, and Antil. They were spun off when the company's PR business was still small because it was necessary to contract through separate subsidiaries to maintain confidentiality while covering competing clients.

The main activities of the three companies are as follows. Comprehensive PR consulting and branding, which includes comprehensive communications using PESO (paid, earned, shared, owned) branding techniques. The company develops a context that connects companies and consumers, and develops and disseminates information content based on that context. In doing so, the company believes it is important to utilize the characteristics of the four PESO media to transform both quantity and quality to create more attractive and powerful brand communication. The PR consulting business also provides PR consulting and content development and dissemination, as well as PR services in specialized areas such as the digital domain, risk management, and CSR. The business also engages in promotion and event production, where it produces integrated planning, production, and management from a PR perspective, including PR events that focus on the quantity and quality of media exposure and promotions involving in-person experiences that often more emotional immediacy.

According to the company, total revenue of the three companies in FY02/22 was approximately JPY13.0bn (JPY5.1bn from Platinum and slightly less from Initial and Antil), and total recurring profit was approximately JPY1.4bn (JPY641mn from Platinum and slightly less from Initial and Antil). The profitability is higher than the disclosed figure because it is the profit after royalty payment. Platinum discloses on its website that it has 500 clients, 3,312 projects per year, and 220 PR personnel. The discrepancy in the project count from the 2,400 PR consulting business projects disclosed by Vector is due to Platinum's figure being arrived at through simple sum of monthly numbers that includes cumulative retainer contracts.

### Taxi signage business

The taxi signage business is a major contributor to earnings in PR and Advertising. It is one of the three businesses of News Technology, a core subsidiary in Digital Marketing (the three businesses are The Tokyo Taxi Vision Growth, a digital signage business, Union, a media account business, and Holonix, a content creation business). News Technology focuses on video marketing and handles everything from video production to ad management and distribution in an integrated manner.

The Tokyo Taxi Vision Growth was launched in April 2019 by News Technology and Minnano Taxi Corporation (a partnership of five Tokyo cab companies [Kokusai Jidosha, Daiwa Jidosha Kotsu, Green Cab, Checker Cab, Kotobuki Kotsu] and Sony Payment Services Inc.). It is the largest mobile advertising venture in metropolitan Tokyo. As of end-February 2023, signage was installed in the backseats of approximately 11,500 cabs of five major taxi companies and private taxis, covering approximately 40% of taxi users in Tokyo. The system delivers video ads to approximately 7.7mn people per month. With an average ride time of approximately 18 minutes, the company focuses on businesspeople and delivers video ads and media content appropriate to the setting.

Taxi signage business revenue surged from JPY550mn in FY02/19 to JPY2.3bn in FY02/20. Although there was a decline in revenue to JPY1.9bn in FY02/21 owing to the COVID-19 pandemic, revenue has begun to recover, reaching JPY3.1bn in FY02/22. In FY02/23, revenue was JPY3.8bn (+22.3% YoY) and gross profit was JPY1.9bn (+53.5% YoY).

In March 2021, the company launched a new business, The Tokyo Mobility Gallery Canvas, a car window mobility signage service. The first project was a collaboration with the One Piece manga series, in which 100 taxis projected a total of 100 famous scenes from volumes 1 to 99 on their windows.

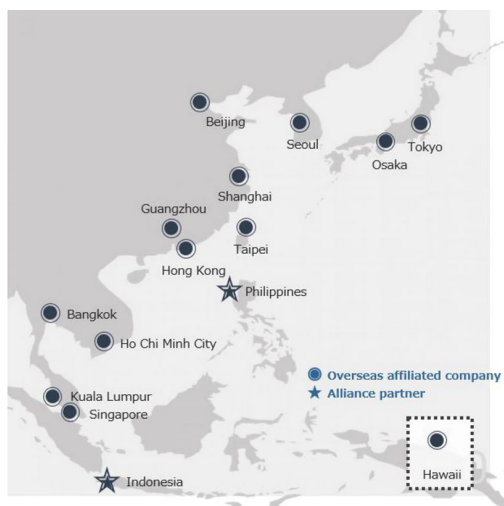
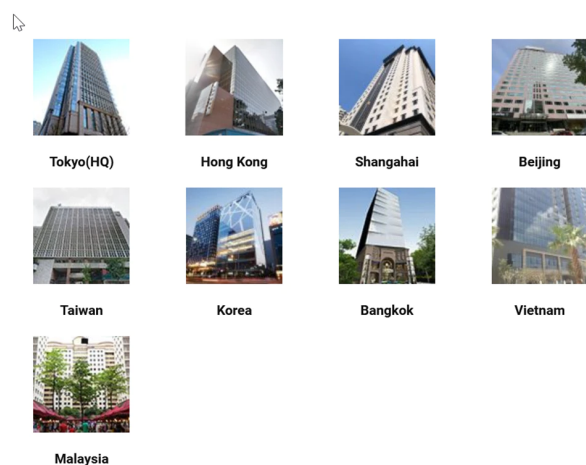
## Other digital marketing businesses

The digital marketing business specializes in web strategies ranging from several million yen to tens of millions of yen per year. It provides total production services for all aspects of digital marketing, from social media marketing to SEO, listing ads, content creation, and more. The digital marketing business has numerous subsidiaries and operating websites, and is an area in which Vector tests various initiatives through trial and error.

## Overseas business

Prior to the COVID-19 pandemic, an increasing number of Japanese companies were seeking growth in China and other overseas markets. The company designated Shanghai as its first overseas base in 2011, and has been expanding its PR business overseas ever since. Currently, the company operates PR and human resources businesses in 14 overseas locations (of which 11 are in Asia).

### Overseas subsidiaries



Source: Company website

## Press Release Distribution (PR TIMES)

### PR TIMES (TSE Prime: 3922)

The following is quoted with edits from the PR Times Shared Research report summary (see Shared Research report for details).

PR TIMES, Inc. operates an eponymous platform that distributes the press releases of corporate clients to reach the media and consumers. It distributes press releases to journalists and posts them on the PR TIMES website and the sites of various media partners. The company has a single segment, Press Release Distribution. However, it also provides peripheral services such as Jooto, a task and project management tool, Tayori, a cloud information organizer, and media management services.

In FY02/23, PR TIMES posted revenue of JPY5.7bn (+17.5% YoY), operating profit of JPY1.2bn (-35.1% YoY), recurring profit of JPY1.2bn (-35.2% YoY), and net income attributable to owners of the parent of JPY778mn (-39.3% YoY), with revenue reaching a record high. It distributed a total of 331,000 press releases (+11.7% YoY) during the year. Meanwhile, profits were down YoY for the first time in nine fiscal years, mainly due to a 2.2x YoY increase in advertising expenses and investments toward achievement of the medium-term management targets for FY02/26. PR TIMES positions FY02/24 as another investment period following FY02/23, and plans to spend over JPY1.0bn on advertising.

The main reason companies create press releases is to communicate information to the media in the hope that it is turned into an article or picked up as news. Before the advent of the internet, consumers mainly turned to TV, newspapers, and magazines for their news. This meant that when a company drafted a press release, it was reliant on a handful of the largest and most influential companies to deliver its content to the public. However, the spread of the internet and smartphones has laid the groundwork for services like PR TIMES, which have multiplied the ways in which companies can reach consumers with press releases, including through more direct means than were traditionally available. Specifically, companies can upload their press releases to the company's website, publish them on PR TIMES media or partner media, and post them on PR TIMES' Facebook and Twitter accounts.

As of end-February 2023, the number of companies using PR TIMES stood at 79,759 (+21.5% YoY), the number of new user companies came to 14,099 (-6.2% YoY), and Japanese listed corporations accounted for 53.2% of total user companies (versus 50.4% at end-FY02/22). PR TIMES distributed to 11,787 media outlets, 25,051 media users, and 230 media partners as of end-February 2023. 1,758,000 images were included in the releases (+17.1% YoY) as were 29,888 videos (+18.9% YoY), pointing to the fact that press releases have become increasingly rich in content. The highest number of monthly page views on PR TIMES during the period was 68.0mn (versus 58.8mn in FY02/22).

There are two basic PR TIMES service plans: a pay-as-you-go plan and a flat-rate plan (monthly, semi-annually, or annually). These come with optional add-ons. The pay-as-you-go plan is priced at JPY30,000 per order, while the flat-rate plan costs JPY70,000 per month (JPY840,000 per year). The company does not disclose the breakdown of orders by plan, nor has it taken measures to, for example, increase the ratio of flat-rate plans. The reason for this is based on management's belief that clients should be able to choose the most appropriate plan for themselves, given that the number of press releases to be distributed, timing, and other circumstances vary from client to client. Because revenue consists of both pay-as-you-go and flat-rate plans, the concept of churn rate does not apply to the company's business.

The company also offers PR TIMES peripheral services. These include PR TIMES STORY, a new type of public relations service that delivers a behind-the-scenes look into the projects a client is pursuing and the thoughts of its personnel (JPY30,000 per delivery); PR TIMES TV, a service for distributing press releases in video format (JPY50,000 per video when produced by the client and JPY400,000 per video when PR TIMES handles filming and editing); and PR TIMES LIVE, a service for live streaming events such as press conferences (JPY800,000 or more per delivery).

There are many competitors that distribute press releases, such as valuepress Co., Ltd. (unlisted) and Socialwire Co., Ltd. (TSE Growth: 3929). However, PR TIMES is the de facto industry leader, with 50.4% of listed companies in Japan using its services. Shared Research believes that the high traffic to the PR TIMES website (a Similarweb analysis found it was approximately 51 times that of valuepress and 21 times that of Socialwire) and extensive lineup of peripheral services are what sets PR TIMES apart.

The company is focusing on two new businesses: Jooto, a task and project management tool, and Tayori, a cloud information organizer. Jooto allows members of a project to manage task progress and communicate concerning specific tasks. It also enables lateral management of an entire project. There are three different pricing plans, but the most popular, the Standard Plan, costs JPY500/month per license (up to four licenses are free). Meanwhile, Tayori allows users to easily set up inquiry forms, FAQs, questionnaires, and other features. Like Jooto, the service is available in three pricing plans. The most popular, the Starter Plan, costs JPY3,400/month. Both businesses were in the red in FY02/22 (figures not disclosed).

As a platform, the PR TIMES business has low variable costs with fixed costs accounting for the greater part of expenses. This results in high marginal profits. The cost ratio fell from 23.1% in FY02/17 to 11.1% in FY02/23. Cost of revenue consists of labor, outsourcing, and expenses. Although the absolute amount of each item increased, the ratio of each to revenue decreased. The main components of SG&A expenses are labor costs, advertising expenses, commissions, and depreciation. The SG&A expense ratio rose from 58.4% to 68.1% over the same period, and OPM rose from 18.5% to 20.9%.

PR TIMES, a consolidated subsidiary of Vector, is positioned as Vector's Press Release Distribution segment. In FY02/23, PR TIMES revenue accounted for 10.1% of Vector's consolidated revenue, and as of February 2023, PR TIMES did not compete with other Vector Group companies. That said, PR TIMES and Vector Group companies are completely independent in terms of management and are free to develop their own businesses (including those that would compete with the businesses of the other) as they see fit.

## PR TIMES: Full-year earnings and KPIs

PR TIMES	Unit	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22	FY02/23
Revenue	JPYmn	671	846	1,080	1,355	1,717	2,286	2,891	3,766	4,855	5,706
Operating profit	JPYmn	81	92	180	251	376	518	560	1,301	1,834	1,191
Operating profit margin	%	12.1%	10.9%	16.7%	18.5%	21.9%	22.7%	19.4%	34.6%	37.8%	20.9%
Cumulative user companies	Companies	6,669	8,802	12,127	16,518	21,399	28,264	36,717	50,633	65,660	79,759
New user companies	Companies	-	2,133	3,325	4,391	4,881	6,865	8,453	13,916	15,027	14,099
% of listed companies that use PR TIMES	%	15.4%	18.6%	22.6%	26.8%	30.7%	35.2%	38.6%	44.7%	50.4%	53.2%
Number of press releases	Press releases	30,386	39,323	55,323	75,165	98,626	128,268	160,170	216,655	296,422	331,137
Number of images and videos	1000s images/videos	86	124	220	328	457	616	799	1,069	1,501	1,758
Number of videos	Videos			2,598	4,909	6,698	9,642	12,583	19,540	25,141	29,888
Highest monthly traffic	Million page views	2.0	3.0	6.0	7.4	11.2	16.7	27.4	52.2	58.8	67.9
Cumulative media partners	Partners	69	71	68	94	111	185	195	200	210	230

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

## Video Release Distribution (News TV)

### News TV

News TV is developing its business based on the slogan "video x technology." News TV's main business, Video Release, is a service that converts corporate news into video free of charge and distributes it directly to target consumers via social media. News TV uses a proprietary video distribution platform, which enables swift video production and direct distribution of "video releases" to the target audience. In the four and a half years since its launch, the company has produced and distributed a cumulative total of more than 2,500 to 3,000 video releases. The releases are videos of about one minute in length that are designed to be viewed on smartphones. The company analyzes and interprets the data gathered from its video releases (a cumulative total of 2,500 to 3,000) daily. It has a system in place to create and distribute video releases based on the results of this analysis.

Using a proprietary video delivery platform, the company automatically targets users to deliver video releases to base on data from approximately 400mn unique browsers (UBs: number of website accesses). While press conferences/PR events focus on information that the media wants to cover rather than information that the company wants to convey, video releases enable companies to deliver the content they want to convey to the target audience they want to reach. News TV provides one-stop service for all processes, including coverage, production, distribution, and distribution optimization. The company has developed its production and distribution technology through constant improvement based on the collection and analysis of an enormous log of viewer data and distribution results.

Video release distribution orders are determined by clients' advertising budgets. During the COVID-19 pandemic, where companies cut advertising budgets to a greater extent than PR budgets, the company successfully pivoted to consulting sales. In FY02/23, Video Release Distribution revenue was JPY1.4bn (+1.8% YoY), and the segment logged an operating loss of JPY34mn (versus an operating loss of JPY72mn in FY02/22).

## Direct Marketing (Vitabrid Japan, others)

### Vitabrid Japan

Vitabrid Japan operates a D2C e-commerce business that develops and sells health and beauty products and services, including skincare product Vitabrid C Powder, which diffuses vitamin C through the skin for up to 12 hours. Positioning itself as a non-pharmaceutical "life technology" provider, Vitabrid Japan plans, develops, and sells health and beauty products and services, including mainstay Vitabrid C. It has acquired patents worldwide for its technologies. The company mainly sells its products through mail-order channels that enable direct contact with end-users.

In April 2014, the company acquired the distribution rights for Vitabrid in Asia from Korean company Hyundai IBT and established a joint venture company, Vitabrid Japan. Vitabrid Japan has achieved rapid growth, with the top line growing at a CAGR of 34.5% over the five-year period since FY02/18 when revenue was JPY2.9bn. In FY02/23, Vitabrid Japan's revenue

reached JPY12.5bn (+22.8% YoY), accounting for about 85% of revenue in Direct Marketing and about 23% of Vector's consolidated revenue.

Vitabrid C is a hybrid powder created by combining vitamin C with a special structure of biocompatible essential minerals. The globally recognized advanced technology enables "long-lasting penetration of pure vitamin C into skin tissues for 12 hours while protecting the skin." According to the company, in addition to Vitabrid C, its product Terminaria First, which controls sugar and fat, has been well received, and sales are growing rapidly.

## Direct Tech

Direct Tech is a "branding production company" that uses unique methods to grow D2C brands. Based on expertise gained in developing brands in diverse areas, the company provides one-stop support for brand growth as an agent. In FY02/23, Direct Tech and other Direct Marketing revenue (that is, the segment excluding Vitabrid Japan) amounted to JPY2.2bn (+1.7% YoY).

## Media CMS (Smartmedia)

In the past, this segment mainly operated the owned media operations. However, since the company is providing customer owned media construction and operation services, as well as the CMS business, from FY02/23 the company changed the segment name to Media CMS to fit its actual operations.

## Smartmedia

Smartmedia mainly operates a media business that comprises brand media and content marketing. It handles web content marketing, including corporate owned media management, social media account management, video production, and influencer casting. Further, 700 companies across Japan have adopted its "clipkit," which provides content management system (CMS) functions, causing it to grow into the largest domestic CMS creation platforms.

The brand media business operates several genre-specific web media for various targets, and employs social media buzz marketing and SEO-based search engine marketing to attract customers. The content marketing business encompasses web content production, including owned media production, video production, and social media operation, and offers marketing proposals as well.

Media (Smartmedia) has generated steady revenue from owned media development services. While the company continued to implement upfront spending to expand the functions of its SaaS-type CMS, the business made a turnaround to the black in FY02/23.

## Human Resources (Ashita-Team)

### M&A of Ashita-Team

Vector invested in Ashita-Team in 2015 before making it a consolidated subsidiary in July 2018 (Vector acquired 61.0% of voting rights for JPY3.3bn).

Ashita-Team (established in September 2008) provides small and medium-sized companies and venture businesses in Japan and overseas with one-stop services ranging from the establishment of personnel evaluation systems and operational support for said systems to the provision of HR cloud services. It also operates an education and training business for businesspeople. In FY03/18, the year before the M&A, the company achieved rapid growth with revenue of JPY2.8bn (+79.0% YoY), operating profit of JPY234mn (+2.7% YoY), and 192 employees (as of April 2018). The revenue breakdown was 30% consulting, 35% operational support (BPO), 30% cloud services, and 5% recruitment/job advertisement and others; high-margin recurring revenue (BPO and cloud) accounting for 65%. The number of contracted companies reached 800, representing a tenfold increase in five years, and the number of accounts (number of managed employees) grew to 100,000. The company had established offices in all 47 prefectures, and had turned its attention to overseas expansion, mainly in Asia.

## Structural reforms at Ashita-Team

The company implemented structural reforms in FY02/19, immediately following the M&A. This included closing unprofitable locations and reducing sales promotion expenses based on business conditions at Ashita-Team. Inappropriate accounting practices were subsequently uncovered, prompting the company to significantly revise Ashita-Team's financial results while implementing structural reforms that included replacing the president and revising the subsidiary's sales structure and business model.

According to the internal investigation committee (chaired by Satoshi Yaginuma) report, Ashita-Team's inappropriate accounting treatment pointed to an error in accounting treatment in which revenue from cloud system perpetual usage rights included revenue related to services that had not yet been provided. In other words, revenue that should have been recorded over the period in which the services were provided was treated as a lump-sum sale, resulting in an overstatement of revenue for the period in which the revenue was recorded. While sales transactions for cloud system perpetual usage rights were intended for the sale of the usage rights alone, the company had recorded ancillary services related to the setup and operation of the system as part of the transactions. These services, such as operational consulting services to be initiated after the start of cloud usage, were clearly priced higher than the base cloud usage fees, and the company had simultaneously recorded them as free ancillary services and as revenue in a lump-sum.

## Ashita-Team earnings

Ashita-Team posted net losses for the three consecutive fiscal years from FY02/19 through FY02/21, resulting in excessive debt of JPY2.6bn at end-FY02/21. The company stopped accepting orders for perpetual usage rights at end-November 2020 and terminated sales of such products. Through restructuring, the company reduced SG&A expenses by JPY1.1bn, resulting in an operating profit of JPY236mn in FY02/22 (versus an operating loss of JPY905mn in FY02/21 and JPY687mn in FY02/20), achieving profitability for the first time in the full-year since the acquisition. The company worked to strengthen sales of SaaS products and build up recurring revenue to secure stable earnings, and at present, it has established a business structure that can generate profits. Ashita-Team had 180 employees at end-FY02/21, which made it the second largest business in terms of headcount (PR and Advertising is first with 845 employees, 200 of whom belong to Platinum). The headcount was reduced by 55 employees in end-FY02/22 to 125 employees.

### Establishment and operation of "Ashita-Team" personnel evaluation system

Provides one-stop services essential for organizational reform ("education, evaluation, talent management"), covering education, HR system construction and operation, and HR cloud computing. The service supports the construction and operation of HR evaluation systems to solve problems and improve business performance. The design includes support for employees who are working remotely or in positions with fixed roles.

### Ashita-Cloud HR personnel evaluation cloud software

Visualization and streamlining of personnel data. Centralized management of all HR evaluation operations on the cloud, from employee information to goal management, appraisal, and salary determination.

### One-on-one coaching

Provides practical training for one-on-one coaching to improve engagement, which is essential for the growth of people and organizations.

## Investment business

The company formed a main business segment dedicated for investment in startups starting FY02/23 and changed the segment name from Fund to Investment accordingly. This segment included investments toward startups made by Vector parent, Vector Group International Limited, Vector Investment Advisory, and 100 Capital. Investments corresponding with capital alliances in other operations are not included in this segment. In accordance with segment changes, the investment profit and loss, received dividends, and expenses from the Investment segment (Vector parent) that had been booked as non-operating profit and non-operating expenses are now booked as operating profit or loss. Also, shares are booked as operating investment securities (current assets).

During FY02/23, Mental Health Technologies Co., Ltd. (TSE Growth: 9218) listed on the Tokyo Stock Exchange Growth Market in March 2022, as did SecondXight Analytica Inc. (TSE Growth: 5028) in April, and PROGRIT Inc. (TSE Growth: 9560) in September of the same year. In March 2023, SYLA Technologies Co., Ltd. listed on NASDAQ in the US.

## 100 Capital

100 Capital is an investment company that aims to support the growth of startups. The fund was established with a new perspective: 100 professionals, including managers with experience in IPOs and IPO specialists, serve as advisors to support promising entrepreneurs. The size of the fund is JPY1.5bn. It has finished recruiting and making new investments, and is now concentrating on management and generating returns.

100 Capital No. 1 LLP

Established: April 18, 2018

Fund size: JPY1.5bn

# Market and value chain

## Advertising market

According to the survey "2022 Advertising Expenditures in Japan" by Dentsu, total advertising expenditures in Japan from January to December 2022 were approximately JPY7.1tn (+4.4% YoY), surpassing the pre-COVID level of roughly JPY6.9tn in 2019 and reaching a record high since Dentsu started releasing these estimates. Although the industry was affected by various factors in Japan and overseas, such as the resurgence of COVID-19, the war between Russia and Ukraine, and inflation, digitalization fueled the robust growth of internet advertising, which drove the overall advertising market. Internet advertising expenditures reached approximately JPY3.9tn (+14.3% YoY), and the video advertising market grew to JPY592.0bn (+15.4% YoY).

(JPYbn, %)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	CAGR(2012-2022)
Total advertising expenditures	5,891.3	5,976.2	6,152.2	6,171.0	6,288.0	6,390.7	6,530.0	6,938.1	6,159.4	6,799.8	7,102.1	
YoY	3.2%	1.4%	2.9%	0.3%	1.9%	1.6%	2.2%	6.2%	-11.2%	10.4%	4.4%	1.9%
Nominal GDP	500,475	508,701	518,811	538,032	544,365	553,073	556,630	557,911	539,082	549,379	556,387	
YoY	0.6%	1.6%	2.0%	3.7%	1.2%	1.6%	0.6%	0.2%	-3.4%	1.9%	1.3%	1.1%
Advertising expenditures/GDP	1.18%	1.17%	1.19%	1.15%	1.16%	1.16%	1.17%	1.24%	1.14%	1.24%	1.28%	
Internet advertising expenditures	868.0	938.1	1,051.9	1,159.4	1,310.0	1,509.4	1,758.9	2,104.8	2,229.0	2,705.2	3,091.2	
YoY	7.7%	8.1%	12.1%	10.2%	13.0%	15.2%	16.5%	19.7%	5.9%	21.4%	14.3%	13.5%
Internet advertising/total advertising expenditures	14.7%	15.7%	17.1%	18.8%	20.8%	23.6%	26.9%	30.3%	36.2%	39.8%	43.5%	

Source: Shared Research based on Dentsu's "2022 Advertising Expenditures in Japan" and National Accounts (GDP Statistics), Cabinet Office, Government of Japan.

Media (JPYbn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YoY	% of total
Total advertising expenditures	5,891.3	5,976.2	6,152.2	6,171.0	6,288.0	6,390.7	6,530.0	6,938.1	6,159.4	6,799.8	7,102.1	4.4%	100.0%
Advertising expenditures of four mass media	2,880.9	2,893.5	2,939.3	2,869.9	2,859.6	2,793.8	2,702.6	2,609.4	2,253.6	2,453.8	2,398.5	-2.3%	33.8%
Newspaper	624.2	617.0	605.7	567.9	543.1	514.7	478.4	454.7	368.8	381.5	369.7	-3.1%	5.2%
Magazine	255.1	249.9	250.0	244.3	222.3	202.3	184.1	167.5	122.3	122.4	114.0	-6.9%	1.6%
Radio	124.6	124.3	127.2	125.4	128.5	129.0	127.8	126.0	106.6	110.6	112.9	2.1%	1.6%
TV media	1,877.0	1,902.3	1,956.4	1,932.3	1,965.7	1,947.8	1,912.3	1,861.2	1,655.9	1,839.3	1,801.9	-2.0%	25.4%
Terrestrial digital broadcasting	1,775.7	1,791.3	1,834.7	1,808.8	1,837.4	1,817.8	1,784.8	1,734.5	1,538.6	1,718.4	1,678.8	-2.3%	23.6%
Satellite broadcasting	101.3	111.0	121.7	123.5	128.3	130.0	127.5	126.7	117.3	120.9	125.1	3.5%	1.8%
Internet advertising expenditures	868.0	938.1	1,051.9	1,159.4	1,310.0	1,509.4	1,758.9	2,104.8	2,229.0	2,705.2	3,091.2	14.3%	43.5%
% of total	14.7%	15.7%	17.1%	18.8%	20.8%	23.6%	26.9%	30.3%	36.2%	39.8%	43.5%		
YoY	7.7%	8.1%	12.1%	10.2%	13.0%	15.2%	16.5%	19.7%	5.9%	21.4%	14.3%		
Media expenditures	662.9	720.3	824.5	919.4	1,037.8	1,220.6	1,448.0	1,663.0	1,756.7	2,157.1	2,480.1	15.0%	34.9%
Ad production expenditures	205.1	217.8	227.4	240.0	272.2	288.8	310.9	335.4	340.2	385.0	420.3	9.2%	5.9%
E-commerce platform advertising expenditures								106.4	132.1	163.1	190.8	17.0%	2.7%
Promotional media advertising expenditures	2,142.4	2,144.6	2,161.0	2,141.7	2,118.4	2,087.5	2,068.5	2,223.9	1,676.8	1,640.8	1,612.4	-1.7%	22.7%

Source: Shared Research based on Dentsu's "2022 Advertising Expenditures in Japan"

Excluding internet ad production costs, internet ad media spending was roughly JPY2.5tn (+15.0% YoY). Subcategories are display ads, search ads, video ads, pay-for-performance ads, and other.

**Display ads:** Image, text, and other forms of advertising displayed in ad spaces on websites and apps, as well as tie-up ads.

**Listing ads:** Ads that appear on search results pages in response to specific keywords.

**Video ads:** Video ads that include audio.

**Affiliate ads:** Ads that reward the media host and viewer when the viewer performs a predetermined action.

**Other:** Ads in formats other than those listed above such as email and audio ads.

Ads are also categorized by transaction method into programmatic ads, guaranteed ads, and pay-for-performance ads. By device, mobile ads overtook desktop ads in 2015 and accounted for 75.9% of internet ad media expenditure in 2019.

**Programmatic ads:** Search ads and ads sold through bidding on digital platforms (tools) and ad networks.

**Reservation display ads:** Pure ads and tie-up ads sold through agencies, media reps, or directly to advertisers, as well as non-bidding (fixed price) ads sold through digital platforms (tools) and ad networks.

**Affiliate ads:** Ads that reward the media host and viewer when the viewer performs a predetermined action

(JPYbn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total advertising expenditures	5,891.3	5,976.2	6,152.2	6,171.0	6,288.0	6,390.7	6,530.0	6,938.1	6,159.4	6,799.8	7,102.1
Internet advertising expenditures	868.0	938.1	1,051.9	1,159.4	1,310.0	1,509.4	1,758.9	2,104.8	2,229.0	2,705.2	3,091.2
YoY	7.7%	8.1%	12.1%	10.2%	13.0%	15.2%	16.5%	19.7%	5.9%	53.8%	46.9%
% of total	14.7%	15.7%	17.1%	18.8%	20.8%	23.6%	26.9%	30.3%	36.2%	39.8%	43.5%
Internet advertising production expenditures	205.1	217.8	227.4	240.0	272.2	288.8	310.9	441.8	472.3	548.1	611.1
Internet advertising media expenditures	662.9	720.3	824.5	919.4	1,037.8	1,220.6	1,448.0	1,663.0	1,756.7	2,157.1	2,480.1
<b>By advertising type</b>											
Display ads						498.8	563.8	554.4	452.0	685.6	737.2
Listing ads						483.1	570.8	668.3	678.7	799.1	976.6
Video ads			29.0	51.6	86.9	115.5	202.7	318.4	320.6	512.8	592.0
Affiliate ads						104.9	99.0	104.9	98.5	94.0	96.5
Other						18.3	11.7	17.0	4.4	65.6	77.8
<b>By transaction type</b>											
Programmatic ads	339.1	412.2	510.6	622.6	738.3	940.0	1,151.8	1,326.7	1,455.8	1,838.2	2,118.9
Reservation display ads						153.8	175.8	197.1	231.4	224.9	264.7
Affiliate ads					145.7	104.8	99.1	104.9	98.5	94.0	96.5
<b>By device</b>											
Mobile ads	80.0	207.3	345.0	497.9	647.6	831.7	1,018.1	1,262.3			
Desktop ads	582.9	513.0	479.5	421.5	390.2	388.9	429.9	400.7			
% of mobile ads	12.1%	28.8%	41.8%	54.2%	62.4%	68.1%	70.3%	75.9%			

Source: Shared Research based on Dentsu's "2022 Advertising Expenditures in Japan"

## Japan's public relations market

According to the PR Industry Survey (conducted every other year) by the Public Relations Society of Japan (PRSJ), the PR market in Japan was estimated to have generated revenue of JPY111.1bn in FY2020 (-13.8% versus FY2018) and to have employed 6,834 people (+19.6%) through 194 companies specializing in PR (+3.7%). Of FY2020 revenue, the smallest companies (those with revenue of JPY50mn or less) accounted for 17% of the total, while the largest (those with revenue of JPY10.0bn or more) accounted for 1.0%. Companies with revenue of JPY51–100mn accounted for 28%, those with revenue of JPY101–JPY500mn for 49%, and those with revenue of JPY501mn–10.0bn for 22%. The average revenue per company, calculated by dividing total revenue by the number of companies specializing in PR, was JPY573mn in FY2020 (-17% versus FY2018). The average number of employees per company was 35 (+15.3%).

PR market (Japan)	FY2012	FY2014	FY2016	FY2018	FY2020	FY2018–2020
Revenue (JPYbn)	90.2	94.8	101.6	129.0	111.1	-13.9%
Employees (persons)	3,643	4,572	4,487	5,714	6,834	19.6%
Specialized companies (companies)	191	192	186	187	194	3.7%
Revenue per company (JPYmn)	472	494	546	690	573	-17.0%
Average employees per company (persons)	19	24	24	31	35	15.3%

Source: Shared Research based on Public Relations Society of Japan (PRSJ) data

## Competitor trends

### Overview

Shared Research estimates that Vector's PR-related revenue in FY02/22 (PR and Advertising + Press Release Distribution + Video Release Distribution + Media CMS = JPY37.6bn) accounted for 25.4% of Japan's JPY147.9bn PR market in FY2022 (noted in previous section). Globally, the company was ranked seventh (up from 14th in 2022) in terms of revenue, according to the Global PR Agency Rankings 2023 released by PRovoke Media (previously, Holmes Report). The second-largest Japanese PR firm is Sunny Side Up Group, Inc., which was ranked 30th (25th in 2022) globally. Notable Asian companies include China's BlueFocus, which was ranked 16th (11th). Edleman was the top-ranked company; other US firms occupied the top five positions, and represented seventh of the top ten. As of 2012, the US PR market was 15x the size of the Japanese market and had 50x the employees. According to PRovoke Media, the revenue size of the top 250 PR companies grew 9.1% from 2022.

In a comparison of Japan's major PR firms, Vector leads the pack in terms of capital even more than in terms of revenue. This may be due to the existence of the company's direct marketing (D2C, e-commerce) business. Major general advertising agencies such as Dentsu and Hakuhodo Inc. (group company of Hakuhodo DY Holdings Inc. [TSE Prime: 2433]) have also entered the PR business through subsidiaries, but on a smaller scale than Vector. The company receives PR orders through advertising agencies in addition to directly from clients, and at this point appears to be maintaining a mutually beneficial relationship with the major advertising agencies.

PR companies overseas, especially in the US, have strong political ties and are ready to work with lobbying firms in the event of a policy move. In the US, PR firms exercise substantial influence on society. Independent PR firm Edleman, in particular, has built a strong and stable position as the industry's top company worldwide with a headcount of approximately 6,400.

## Major PR companies in Japan and companies operating PR-related platforms

Ticker	Company (platform)	Overview				Characteristics
		Capital stock	Revenue	Operating profit margin	ROE	
		(JPYmn)	(JPYmn)	(%)	(%)	
6058	Vector	2,880	55,225	11.4%	25.1%	With news distribution platform PR TIMES under its umbrella, Vector provides one-stop services from comprehensive communications planning to output, supported by a business foundation covering a wide range of areas.
2180	Sunny Side Up Group	548	16,191	4.7%	23.4%	Sunny Side Up Group implements PR strategies that take advantage of its wide range of business domains. It also manages athletes and has strength in sports-related PR. The company has also accumulated many case studies in digital marketing utilizing social media.
2449	PRAP Japan	471	6,274	7.0%	3.5%	PRAP Japan has extensive experience working with IT companies and telecommunications equipment manufacturers. It offers comprehensive and professional support, with distinctive services such as "media training" and "crisis public relations."
2436	Kyodo Public Relations	543	5,265	13.7%	23.4%	A large, well-established, independent PR firm with many major Japanese companies as clients. It features PR strategies centered on media relations, and offers two types of contract plans: "long-term PR consulting contracts (retainer contracts)" and "short-term PR project strategy contracts."
7370	Enjin	903	3,066	39.2%	32.9%	Enjin's strength lies in PR for small and medium-sized companies and medical institutions. It features comprehensive services, including PR support for corporations/management, PR support for physicians/medical institutions, and platform services.
Unlisted	Dentsu Public Relations	40	8,690	-	-	Dentsu PR is the PR division of Dentsu, a major advertising agency. The company handles a wide range of PR work, characterized by its "public affairs (PA)" activities, which include approaches to government officials.
<b>Platform operation companies</b>						
3922	PR TIMES (PR TIMES)	421	5,706	20.9%	19.0%	A consolidated subsidiary of Vector. It is the top press release service in Japan in terms of market share, with nearly 50% of listed companies using the service. It has a distribution network of more than 12,000 outlets to distribute press releases.
7370	Enjin (Medichoku)	903	3,066	39.2%	32.9%	Medichoku is a platform that offers a wide variety of services in addition press release distribution, such as PR workshops, events attended by media representatives, and real-time delivery of information that media representatives are currently seeking.
Unlisted	Liddell (SPIRIT)	352	-	-	-	SPIRIT is a matching platform specializing in "influencer marketing" that connects influencers who are popular on social media with companies seeking to promote their products or services. Because SPIRIT gathers influencers through an open application process, it can be used for PR at a lower cost than other ways of hiring influencers.

Source: Shared Research based on company materials

Note: Enjin's capital prior to its IPO was JPY30mn.

## Global rankings of PR companies by revenue (top 25)

2023	2022	Company name	Head office	PR-related revenue		Number of employees (persons)	YoY (USD)
				2022 (\$mn)	2021 (\$mn)		
1	1	Edelman	US	1,079.7	984.9	6,433	9.6%
2	2	Weber Shandwick	US	920.0	860.0		7.0%
3	3	BCW	US	840.0	772.0		8.8%
4	4	FleishmanHillard	US	750.0	680.0		10.3%
5	5	Ketchum	US	600.0	550.0		9.1%
6	7	Real Chemistry	US	555.0	475.0	1,977	16.8%
7	14	Vector Inc.	Japan	494.1	292.4	1,421	69.0%
8	6	Brunswick	UK	471.9	490.2	1,250	0.6%
9	9	MSL	France	425.0	387.0	2,110	9.8%
10	8	Finsbury Glover Hering	UK	421.0	394.0	1,099	7.9%
11	10	Hill+Knowlton Strategies	US	410.0	370.0		10.8%
12	12	Ogilvy	US	405.0	366.0		10.7%
13	20	Evoke	US	368.0	181.0	1,430	16.5%
14	13	MC Group	Germany	350.2	297.7	1,999	17.7%
15	15	Golin	US	313.0	282.0		11.0%
16	11	BlueFocus	China	309.3	368.6	2,885	-16.1%
17	16	FTI Consulting	US	286.7	267.6	814	7.1%
18	18	Teneo Holdings	UK	220.0	200.0	1,000	10.0%
19	17	ICF Next	US	207.0	215.4	1,210	-3.9%
20	24	Finn Partners	US	196.8	162.2	1,407	21.3%
21	30	SEC Newgate spa	Italy	195.8	106.2	1,240	84.4%
22	22	APCO Worldwide	US	186.3	172.4	1,049	8.1%
23	21	WE Communications	US	182.0	172.6	1,477	5.4%
24	23	D&S Media	China	177.3	171.3	971	3.5%
25	39	Pomilio Blumm	Italy	174.5	69.6	294	150.7%

Source: Global PR Agency Rankings 2020, by PProvoke Media

# Strengths and weaknesses

## Strengths

**Vector's position as a pioneer and leader in strategic PR services has helped it to win clients among large listed companies across a wide range of industries.**

Vector was the original pioneer of Japan's strategic PR market. Vector currently has the highest revenue in Japan's PR industry, far ahead of industry peers ranked second or below in terms of revenue and capital, with a market share of over 20%. (The Sunny Side Up Group, which is second, has a market share of just over 10%.) Vector ranks second in the PR industry in Asia and 14th globally (source: Global PR Agency Rankings 2022).

Vector sees itself as spearheading an industry transformation toward low-cost, medium-quality, swift services, inspired by the "fast fashion" concept that has transformed the apparel industry (e.g., Uniqlo and Zara). Vector positions itself as the industry analog of fast fashion or fast-food chains, while major advertising agencies are more like tailored boutiques or three-star

restaurants. The company believes it can ultimately offer product PR (promoting products and services) at 10% the cost of conventional PR services by combining strategic PR with video advertising.

The Internet has prompted a transformation of the advertising industry. In addition to PR, Vector is developing businesses and services that target the JPY7.0tn advertising market. Vector's PR consulting clients are mostly large private-sector companies that wish to use strategic PR to optimize their advertising budgets. Because Vector has a wide base of clients that are market leaders, it can address overarching industry issues and attract broad-based demand. It is also able to do business with clients that are competitors in a given industry by allocating the business among the subsidiaries. Moreover, its clients span across a broad range of industries, and hence performance is insulated against industry-specific volatility due to the pandemic and macroeconomic factors.

### **Expertise in video production and distribution has enabled the company to expand its low-cost, highly efficient PR support business.**

The video advertising market in Japan has grown roughly 5.1x over the five-year period from 2017 to 2022, from JPY115.5bn to JPY592.0bn (source: Dentsu's 2022 Advertising Expenditures in Japan). Vector believes that video advertising is the key to restructuring its PR business in line with its "Fast PR Company" vision. It is therefore focusing on improving its video advertising. When Vector was established in 1993, it made its first foray into the video business through involvement in the joint production of TV programs. Over time, it accumulated expertise in video production and distribution, which provided the foundation for its growth into a pioneer and leader in the Video Release Distribution business. Currently, the company is developing video services such as digital signage and recruitment matching support.

In the taxi signage business, the company had installed signage in the seats of approximately 11,500 taxis of five major taxi companies and in private cabs as of end-February 2022, reaching approximately 40% of taxi users in Tokyo, and delivering video ads to approximately 7.7mn people per month. Taxi signage revenue jumped from JPY550mn in FY02/19 to JPY3.8bn in FY02/23. Also noteworthy is JOBTV, a recruitment matching platform the company launched in November 2021 that offers unlimited access to corporate informational videos. The service solves the problems faced by both student jobseekers and companies searching for personnel during the COVID-19 pandemic by using videos to enable more direct communication. It already has a cumulative total of 150,000 registered students and more than 3,000 participating companies.

### **Group management emphasizes diversity and autonomy. This has enabled the company to strengthen existing businesses, achieve autonomous growth at subsidiaries, and develop multiple new businesses.**

In the business areas of PR, HR, Company Factory, and Investment, Vector directs the growth strategy of its group companies to strengthen existing businesses, achieve autonomous growth at its subsidiaries, and develop new businesses. The company has expanded to encompass 50 group companies by developing businesses and turning them into subsidiaries, and by using M&A to consolidate companies from other industries.

While Vector's subsidiaries share the Vector identity to some extent, the company encourages them to develop an original identity. For example, each has an original name, none bearing the parent company name, Vector. The company also encourages subsidiaries that seek to go public to grow autonomously and exercise independence. PR TIMES, a listed subsidiary, is a prime example. Fast-growing Vitabrid Japan also falls under this category, as it is expected to pursue an IPO sometime in the future.

## Weaknesses

### **The PR and Advertising segment is labor-intensive, which has slowed top-line growth.**

The PR and Advertising, Video Release Distribution, Media, and Human Resources segments are labor-intensive, meaning revenue is closely tied to headcount. Revenue and operating profit per employee in these businesses are below the company average and have been flat or declined over the past six fiscal years. Vector's three PR consulting subsidiaries operate separately so that they can serve competing clients within a given industry. While this enables the company to cover a wider client base, Shared Research believes this arrangement duplicates fixed costs and functions, hampering productivity. Growth requires more employees, but the company's ability to recruit and train employees is limited, and securing human resources through M&A can be risky.

Vector's OPM has declined by more than 6.0pp over the past decade from FY02/12 (from 12.9% in FY02/12 to 6.2% in FY02/21). Despite an improvement in GPM due to the growth of platform businesses, the SG&A expense ratio rose by roughly 15.0pp (from 43.6% to 59.4%) during the same period due to higher personnel expenses in labor-intensive businesses and higher costs associated with the launch of new businesses. The acquisition of Ashita-Team, with its large headcount, had a particularly strong impact, causing the SG&A expense ratio in FY02/19 to jump 5.9pp YoY to 53.7% and the OPM to fall 6.4pp YoY to 8.7%.

### **Over-diversification has outpaced the company's management capabilities.**

As of end-FY02/22, the group consisted of 50 companies: the parent (a holding–operating company), 45 consolidated subsidiaries, and four equity-method affiliates. Vector is currently culling subsidiaries based on their business prospects. From end-FY02/23, the company expects to reduce the number of consolidated subsidiaries to around 40, and equity-method affiliates to one or two.

To give an example of the excessive freedom given to a consolidated subsidiary company and the inadequacy of the company's management, Ashita-Team was found to have improper accounting treatment after being acquired by Vector, resulting in the recording of a large impairment loss. The internal investigation report recognized the weakness of the administrative department (accounting) and the importance of internal audits, prompting Vector to bolster the governance system by increasing the number of outside directors. This problem was the result of the company's rush to diversify, and the inability of its management system to keep pace with the rapid growth of the group. Shared Research believes that Ashita-Team is not the only factor behind this problem, but rather that governance has been weakened by structural factors inherent in the management of overly diversified subsidiaries.

### **IPOs hinder coordination between the holding company and its operating companies, hampering group management efficiency.**

Vector specifically notes in its corporate governance report that the listing of subsidiary PR TIMES is a “special circumstance that could have a material impact.” The company encourages listings among group companies not involved in strategic PR. Parent–subsidiary listings go against the prevailing trend in Japan and the rest of the world, and Shared Research believes that they run the risk of undermining the interests of existing shareholders and minority shareholders of the target group company.

It is also stated in this report that, “Based on the risk of a conflict of interests between the company and general shareholders of a listed group company, and in order to preserve the independent decision-making of PR TIMES as a listed company, the company has agreed with PR TIMES that PR TIMES shall be exempt from the rule usually imposed on group companies that such group companies must obtain prior approval from the company with respect to certain important management matters; this agreement shall be effective for so long as PR TIMES remains listed (irrespective of the market on which it is listed).” Shared Research believes that the disadvantage of a parent and subsidiary both being listed, namely that this hinders cooperation between the holding company and the operating company, outweighs the advantage of allowing efficient group management for the company as a holding-operating company.

# Historical results and financial statements

## Income statement

Income statement	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22	FY03/23
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
<b>Revenue</b>	<b>6,461</b>	<b>8,319</b>	<b>9,686</b>	<b>13,285</b>	<b>20,090</b>	<b>29,694</b>	<b>36,822</b>	<b>37,274</b>	<b>48,122</b>	<b>55,225</b>
YoY	26.5%	28.8%	16.4%	37.2%	51.2%	47.8%	24.0%	1.2%	29.1%	14.8%
Cost of revenue	2,914	3,666	3,810	5,433	7,453	11,160	13,614	12,825	18,573	20,078
<b>Gross profit</b>	<b>3,547</b>	<b>4,653</b>	<b>5,876</b>	<b>7,852</b>	<b>12,637</b>	<b>18,534</b>	<b>23,208</b>	<b>24,449</b>	<b>29,549</b>	<b>35,147</b>
Gross profit margin	54.9%	55.9%	60.7%	59.1%	62.9%	62.4%	63.0%	65.6%	61.4%	63.6%
SG&A expenses	2,639	3,399	4,258	5,646	9,610	15,959	20,316	22,134	24,420	28,870
SG&A ratio	40.8%	40.9%	44.0%	42.5%	47.8%	53.7%	55.2%	59.4%	50.7%	52.3%
<b>Operating profit</b>	<b>909</b>	<b>1,254</b>	<b>1,618</b>	<b>2,207</b>	<b>3,027</b>	<b>2,575</b>	<b>2,891</b>	<b>2,315</b>	<b>5,128</b>	<b>6,276</b>
YoY	26.0%	38.0%	29.0%	36.3%	37.2%	-14.9%	12.3%	-19.9%	121.5%	22.4%
Operating profit margin	14.1%	15.1%	16.7%	16.6%	15.1%	8.7%	7.9%	6.2%	10.7%	11.4%
Non-operating income	5	48	27	70	370	1,248	2,183	1,946	225	442
Interest and dividend income	2	6	21	29	17	28	22	14	6	5
Subsidy income	3	1	4	2						
Forex profit (loss)	0	27								7
Equity in earnings of affiliates				15					38	2
Gain on sale of investment securities					190	830	2,021	1,675		
Gain on investments in partnership		12		8	99	326	41	54	5	366
Compensation income					37					
Other	0	2	2	14	27	64	99	204	174	61
Non-operating expenses	4	116	138	224	445	1,085	1,752	1,463	144	95
Interest expenses	3	6	3	4	11	42	58	51	49	40
Equity in losses of affiliates		52	72		61	88	232	202		
Foreign exchange losses			1	1	49	22	12	24	6	-
Stock listing expenses		46	4							
Loss on valuation of investment securities				140	293	731	1,279	1,054		
Loss on investment partnerships		3	8	17	10	63	99	87	29	41
Provision for doubtful accounts			42	41	8	20	14	13	20	1
Loss on sale of investment securities								20		
Amortization of business commencement expenses		5								
Loss on sale of receivables										
Guarantee commission										
Other	1	4	8	20	14	120	57	12	38	11
<b>Recurring profit</b>	<b>910</b>	<b>1,187</b>	<b>1,507</b>	<b>2,052</b>	<b>2,951</b>	<b>2,738</b>	<b>3,322</b>	<b>2,797</b>	<b>5,208</b>	<b>6,623</b>
YoY	28.7%	30.5%	26.9%	36.2%	43.8%	-7.2%	21.3%	-15.8%	86.2%	27.2%
Recurring profit margin	14.1%	14.3%	15.6%	15.4%	14.7%	9.2%	9.0%	7.5%	10.8%	12.0%
Extraordinary gains	2	13	16	43	37	143	164	153	125	141
Gain on sale of fixed assets		5		2	2	2	22	0	1	-
Gain on sale of investment securities			16							
Gains on negative goodwill					3	5		27		15
Reversal of provision for loss on business liquidation										2
Gains on change in equity	2	8			31	25	30			
Gain on sale of shares of subsidiaries and affiliates							111	47	41	87
Gain on liquidation of subsidiaries							1			
Gain on reversal of share acquisition rights								73	73	1
Gains on business transfer								6		
Marginal gain on step acquisitions				41	1	112				33
Reversal of provision for bonuses										
Reversal of allowance for doubtful accounts									9	
Gain on forgiveness of debts										
Gain on cancellation of leases										
Other	-	0	-	-	-1	0	0	0	1	3
Extraordinary losses	19	68	62	45	109	3,406	1,275	195	216	1,052
Loss on retirement of fixed assets			7	2	24	37	10	1	-	0
Loss on valuation of investment securities		20	51	140						
Impairment losses	18	41		37	20	3,359	1,031	84	52	793
Loss on sale of non-current assets								0	12	72
Loss on liquidation of businesses							197	69	93	31
Office relocation expenses							38			
Loss on valuation of goods								41		
Loss on cancellation of leases			4	4		10				
Loss on valuation of investments in capital					57					
Loss on sale of shares of subsidiaries and affiliates						0				
Provision for loss on business liquidation									13	8
Loss on valuation of investment securities									7	134
Loss on valuation of shares of subsidiaries and associates									3	
Loss on liquidation of subsidiaries and associates									30	10
Loss on cancellation of business outsourcing									3	-
Marginal gain on step acquisitions					1					
Other	2	7	0	-138	7	0	0	0	59	4
Income taxes	392	477	607	692	1,175	1,599	2,051	1,602	1,914	2,121
Implied tax rate	44.0%	42.1%	41.5%	33.7%	40.8%	-304.6%	92.8%	58.2%	37.4%	37.1%
Net income attributable to non-controlling interests	-11	-5	13	92	278	297	359	667	1,130	418
<b>Net income attributable to owners of the</b>										

parent	511	659	842	1,266	1,425	-2,421	-199	487	2,071	3,172
YoY	38.5%	29.1%	27.6%	50.4%	12.6%	-	-	-	325.3%	53.2%
Net margin	7.9%	7.9%	8.7%	9.5%	7.1%	-	-	1.3%	4.3%	5.7%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

SG&A expenses	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons. (retroactive adjustment)
SG&A expenses	2,639	3,399	4,258	5,646	9,610	15,959	20,316	22,134	24,420
Directors' compensations	265	281	265	330	465	579	679	921	1,185
Salaries and allowances	1,144	1,446	1,853	2,259	3,117	4,146	5,206	5,488	5,942
Advertising expenses				465	1,557	4,088	5,671	6,487	6,116
Commission expenses					946	1,671	2,236	2,898	3,845
Provision for bonuses	45	130	92	151	237	239	325	367	680
Provision for shareholder benefit program					29	69	76	97	103
Provision for doubtful accounts	0	3	2	11	31	55	199	5	-13
Retirement benefit expenses								29	58
R&D expenses								35	21
Other	1,183	1,539	2,046	2,430	3,228	5,111	5,924	5,809	6,483

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22	FY03/23
Interest-bearing debt	267	84	818	1,032	2,923	9,191	6,257	6,766	5,763	9,762
Interest expenses (JPYmn)	3	6	3	4	11	42	58	51	49	40
Interest rate on interest-bearing debt	1.3%	3.5%	0.6%	0.4%	0.6%	0.7%	0.8%	0.8%	0.8%	0.5%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Growth in platform businesses (Press Release Distribution and Direct Marketing) has helped the company's GPM to improve by about 9.0pp over nine years from FY02/13 (from 56.7% in FY02/13 to 65.6% in FY02/21). Meanwhile, the SG&A expense ratio increased by about 17.0pp (from 42.6% in FY02/13 to 59.4% in FY02/21), resulting in a decline in the OPM by around 8.0pp (from 14.1% in FY02/13 to 6.2% in FY02/21). The rise in SG&A expenses was due to higher labor costs in labor-intensive businesses and higher costs associated with the launch of new businesses. The acquisition of Ashita-Team had a particularly strong impact, causing the SG&A expense ratio in FY02/19 to jump 5.9pp YoY to 53.7% and the OPM to fall 6.4pp YoY to 8.7%.

The company's recurring profit and extraordinary income are largely attributable to the uncertain factors of dividend income, gains/losses on sales of investment securities, gains/losses on valuation of investment securities, and impairment losses. Net income swings have been accordingly large. While the holding company structure allows Vector to establish working conditions (personnel evaluation and salary systems) tailored to each of its operating companies, it also has disadvantages such as high corporate maintenance costs (redundant divisions at each subsidiary) and difficulties in coordination.

# Profitability analysis

Profitability	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22	FY03/23
<b>(JPYmn)</b>	<b>Cons.</b>	<b>Cons.</b>	<b>Cons.</b>	<b>Cons.</b>	<b>Cons.</b>	<b>Cons.</b>	<b>Cons.</b>	<b>Cons.</b>	<b>Cons.</b>	<b>Cons.</b>
Gross profit	3,547	4,653	5,876	7,852	12,637	18,534	23,208	24,449	29,549	35,147
Gross profit margin	54.9%	55.9%	60.7%	59.1%	62.9%	62.4%	63.0%	65.6%	61.4%	63.6%
Operating profit	909	1,254	1,618	2,207	3,027	2,575	2,891	2,315	5,128	6,276
Operating profit margin	14.1%	15.1%	16.7%	16.6%	15.1%	8.7%	7.9%	6.2%	10.7%	11.4%
EBITDA	983	1,346	1,750	2,361	3,218	2,819	3,253	2,753	5,694	6,711
EBITDA margin	15.2%	16.2%	18.1%	17.8%	16.0%	9.5%	8.8%	7.4%	11.8%	12.2%
Net margin	7.9%	7.9%	8.7%	9.5%	7.1%	-	-	1.3%	4.3%	5.7%
<b>Financial ratios</b>										
ROA (RP-based)	28.0%	22.3%	19.4%	19.4%	18.8%	12.6%	13.7%	10.4%	16.9%	19.5%
ROE	22.7%	16.4%	14.3%	17.1%	15.0%	-	-	5.0%	17.1%	25.1%
Total asset turnover	198.6%	156.0%	124.8%	125.5%	128.2%	136.7%	152.0%	138.9%	156.2%	162.6%
Working capital (JPYmn)	1,313	1,613	1,803	2,582	3,207	4,293	5,255	4,433	4,981	6,398
Current ratio	297.2%	415.0%	279.6%	233.5%	136.2%	144.5%	166.1%	206.2%	243.2%	181.2%
Quick ratio	280.5%	384.5%	239.7%	210.3%	120.9%	115.7%	144.0%	175.8%	219.9%	152.8%
OCF / Current liabilities	0.28	0.73	0.47	0.56	0.56	0.09	0.29	0.23	0.50	0.11
OCF / Total liabilities	0.26	0.61	0.39	0.42	0.39	0.05	0.21	0.14	0.32	0.07
Cash conversion cycle (days)	52.0	48.1	47.1	46.5	36.7	34.0	39.4	41.9	27.4	24.9
Change in working capital	315	301	189	779	625	1,086	962	-822	548	1,417
<b>Accounts receivable indicator</b>										
Accounts receivable turnover	4.8	4.7	4.8	5.2	5.9	6.8	7.0	7.3	8.9	8.1
Days sales outstanding	76.2	76.9	75.6	69.7	61.9	53.4	52.0	50.3	40.9	44.9
<b>Inventory indicator</b>										
Inventory turnover	-	-	115.6	63.6	47.6	35.3	24.1	17.3	24.9	18.7
Days sales of inventory	0	0	3.2	5.7	7.7	10.4	15.2	21.1	14.7	19.5
<b>Accounts payable indicator</b>										
Accounts payable turnover	15.1	12.7	11.6	12.6	11.1	12.2	13.2	12.4	13.0	9.3
Days payable outstanding	24.1	28.8	31.6	29.0	32.9	29.8	27.7	29.5	28.2	39.4
<b>Tangible fixed asset indicator</b>										
Tangible fixed asset turnover	59.9	55.1	38.4	38.5	52.8	74.5	59.5	47.8	56.9	61.1
Tangible fixed assets turnover days	6.1	6.6	9.5	9.5	6.9	4.9	6.1	7.6	6.4	6.0

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

The company's GPM has increased by 9.0pp from FY02/13 (from 56.6% in FY02/12 to 65.6% in FY02/21). Meanwhile, the SG&A expense ratio increased by about 15.0pp (from 43.6% in FY02/12 to 59.4% in FY02/21), resulting in a decline in the OPM by more than 6.0pp (from 12.9% in FY02/12 to 6.2% in FY02/21). This change was due to the impact of the company's moves toward diversification centered on M&A.

Ten years ago, the company's earnings structure consisted mainly of relatively high-margin strategic PR orders (retainer contracts), but upfront spending such as startup costs for new businesses to diversify and structural reform expenses has since increased. The acquisition of Ashita-Team had a particularly strong impact, causing the SG&A expense ratio in FY02/19 to jump 5.9pp YoY to 53.7% and the OPM to fall 6.4pp YoY to 8.7%. In FY02/22, the structural reforms ended and Human Resources booked the first profit since its acquisition. In part due to this turnaround, operating profit margin increased to 11.4% in FY02/23.

The decline in days sales outstanding (from around 75 days to 50 days) is linked to the surge in Direct Marketing revenue, owing to the business's fast-moving D2C products. On the other hand, inventories have trended up and days sales of inventories were 19.5 days in FY02/23. Days payable outstanding has remained constant at just under 30 days. As a result, the cash cycle shrank from around 40 days to 24.9 days.

The decline in ROE is mainly due to a lower net income margin and lower total asset turnover. Leverage has increased due to strong demand for funds for new business investments and M&A, which has had a positive multiplier effect on ROE. In FY02/22, Ashita Team was in the black and ROE rose to 17.1%. In FY02/23, ROE stood at 25.1%. Vector uses an EV/EBITDA multiple of 5.0x or below as a criterion when deciding whether to pursue M&A. However, the company has noted that recently there have been few prospects below 5.0x, and that it may decide to pursue an M&A even of a company with an EV/EBITDA of 10.0x if it can see synergies likely to improve earnings and bring the multiple below 5.0x in the future. Meanwhile, the company is in the process of liquidating or selling several subsidiaries and businesses that did not meet its criteria in terms of future prospects and business continuity.

## Impact of the change of revenue recognition standard

Segment	Main transactions affected by the changed standards	Percentage reduction from previous standard	Impact severity
PR and Advertising	Transactions related to digital advertising operations	10–15% reduction	High
Direct Marketing	Transactions related to the sale of other companies' products.	5–10% reduction	Medium
Human Resources	Transactions related to the sale of other companies' products. Transactions for the sale of personnel-related products by agencies	3–5% reduction	Low
Video Release Distribution	Transactions related to digital advertising operations	1–3% reduction	Minor
Press Release Distribution	N/A	N/A	None
Media CMS	N/A	N/A	None
Investment	N/A	N/A	None

Source: Shared Research based on company data

\*From February 2023, the company changed the method for booking revenue by applying a "revenue recognition standard." The impact of this on operating profit is not significant. Also, the company revised the transactions considering "transactions by a proxy" from gross booking to net booking. There is no impact to gross profit from this change.

## Balance sheet

Balance sheet (JPYmn)	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22	FY03/23
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
<b>Assets</b>										
Cash and deposits	1,281	3,616	2,846	4,057	4,321	6,063	7,890	10,860	13,522	13,372
Operational investment securities						874	516	148	4,180	4,550
Notes and accounts receivable	1,535	1,969	2,041	3,035	3,783	4,906	5,579	4,696	6,090	7,484
Inventories	-	-	66	105	208	425	707	776	718	1,427
Costs on uncompleted services	26	38	70	93	127	113	138	156	401	547
Deferred tax assets	50	98	90	143	218	355				
Other	96	313	625	531	607	2,201	1,657	1,914	1,561	2,928
Allowance for doubtful accounts	-3	-5	-36	-88	-137	-144	-355	-139	-156	-195
<b>Total current assets</b>	<b>2,984</b>	<b>6,028</b>	<b>5,703</b>	<b>7,876</b>	<b>9,127</b>	<b>14,793</b>	<b>16,131</b>	<b>18,411</b>	<b>26,317</b>	<b>30,115</b>
Buildings and structures	77	111	223	275	332	361	430	475	812	834
Machinery, equipment, and vehicles	6	6	6	6	7	13			7	9
Vehicles, tools, furniture and fixtures	116	174	262	409	453	528	638	664	914	864
Lease assets	60	56	63	62	79	101	526	556	548	69
Construction in progress								35	0	0
Accumulated depreciation	-135	-168	-227	-389	-472	-605	-756	-1,010	-1,310	-947
Other	0	0	0	0	0	0	0	-0	1	8
<b>Total tangible fixed assets</b>	<b>124</b>	<b>178</b>	<b>327</b>	<b>363</b>	<b>398</b>	<b>399</b>	<b>839</b>	<b>720</b>	<b>972</b>	<b>837</b>
Goodwill	25	30	59	505	3,043	2,087	632	595	354	1,780
Software	117	142	161	254	275	340	310	421	586	417
Other	39	5	51	95	182	238	287	287	136	67
<b>Total intangible assets</b>	<b>181</b>	<b>176</b>	<b>271</b>	<b>851</b>	<b>3,500</b>	<b>2,665</b>	<b>1,228</b>	<b>1,302</b>	<b>1,077</b>	<b>2,265</b>
Investment securities	130	522	1,832	3,199	5,018	6,174	3,815	7,910	1,183	945
Shares of subsidiaries and affiliates										
Deferred tax assets	32	56	68	7	44	31	463	687	892	1,228
Lease and guarantee deposits	94	122	203	427	459	723	841	962	987	808
Other	15	25	28	32	54	76	389	351	374	455
Allowance for doubtful accounts			-12	-9	-5	-21	-101	-286	-230	-312
<b>Investments and other assets</b>	<b>270</b>	<b>725</b>	<b>2,119</b>	<b>3,656</b>	<b>5,570</b>	<b>6,983</b>	<b>5,407</b>	<b>9,624</b>	<b>3,207</b>	<b>3,126</b>
<b>Total fixed assets</b>	<b>576</b>	<b>1,079</b>	<b>2,717</b>	<b>4,870</b>	<b>9,468</b>	<b>10,047</b>	<b>7,475</b>	<b>11,647</b>	<b>5,257</b>	<b>6,228</b>
<b>Total assets</b>	<b>3,561</b>	<b>7,107</b>	<b>8,420</b>	<b>12,746</b>	<b>18,595</b>	<b>24,840</b>	<b>23,606</b>	<b>30,057</b>	<b>31,575</b>	<b>36,343</b>
<b>Liabilities</b>										
Notes and accounts payable	223	355	304	558	784	1,038	1,031	1,039	1,827	2,513
Short-term debt	239	60	788	1,003	2,883	5,185	2,624	2,189	2,120	6,881
Income taxes payable	204	318	341	447	852	1,002	1,382	912	1,265	940
Provision for bonuses	47	130	93	144	229	213	325	367	649	662
Provision for point card certificates							48	186	183	-
Provision for shareholder benefit program					29	69	77	98	110	26
Unearned revenue							1,942	1,887	2,422	-
Other	292	589	514	1,221	1,924	2,730	2,284	2,253	2,244	5,601
<b>Total current liabilities</b>	<b>1,004</b>	<b>1,453</b>	<b>2,039</b>	<b>3,373</b>	<b>6,700</b>	<b>10,237</b>	<b>9,713</b>	<b>8,931</b>	<b>10,820</b>	<b>16,623</b>
Long-term debt	27	24	30	29	40	4,006	3,634	4,577	3,643	2,881
Deferred tax liabilities				159	339	210	54	1,642	829	757
Provision for point card certificates	1									
Retirement benefit liability								27	54	36
Other	1	3	6	20	93	98	38	25	50	286
<b>Total fixed liabilities</b>	<b>29</b>	<b>27</b>	<b>36</b>	<b>209</b>	<b>472</b>	<b>4,314</b>	<b>3,726</b>	<b>6,272</b>	<b>4,576</b>	<b>3,960</b>
<b>Total liabilities</b>	<b>1,033</b>	<b>1,480</b>	<b>2,075</b>	<b>3,581</b>	<b>7,172</b>	<b>14,551</b>	<b>13,439</b>	<b>15,203</b>	<b>15,396</b>	<b>20,583</b>
<b>Net assets</b>										
Capital stock	536	1,739	1,748	1,958	2,165	2,580	2,880	2,880	2,880	2,880
Subscription deposit for new shares										
Capital surplus	496	1,699	1,708	2,436	2,643	2,611	2,776	2,806	480	-
Retained earnings	1,467	2,069	2,777	3,881	5,041	2,344	2,136	2,590	7,076	8,173
Treasury stock			-0	-259	-260	-260	-260	-260	-259	-259
<b>Total shareholders' equity</b>	<b>2,500</b>	<b>5,507</b>	<b>6,233</b>	<b>8,016</b>	<b>9,589</b>	<b>7,276</b>	<b>7,533</b>	<b>8,017</b>	<b>10,176</b>	<b>10,793</b>
Accumulated other comprehensive income	13	44	23	527	878	563	116	3,825	2,188	2,143
Share subscription rights		16	16	12	8	199	192	74	4	9
Non-controlling interests	14	60	73	610	947	2,251	2,326	2,939	3,807	2,812
<b>Total net assets</b>	<b>2,527</b>	<b>5,627</b>	<b>6,345</b>	<b>9,165</b>	<b>11,423</b>	<b>10,289</b>	<b>10,167</b>	<b>14,855</b>	<b>16,178</b>	<b>15,759</b>
<b>Total liabilities and net assets</b>	<b>3,561</b>	<b>7,107</b>	<b>8,420</b>	<b>12,746</b>	<b>18,595</b>	<b>24,840</b>	<b>23,606</b>	<b>30,057</b>	<b>31,575</b>	<b>36,343</b>
Working capital	1,313	1,613	1,803	2,582	3,207	4,293	5,255	4,433	4,981	6,398
Total interest-bearing debt	267	84	818	1,032	2,923	9,191	6,257	6,766	5,763	9,762
Net debt	-1,015	-3,532	-2,029	-3,025	-1,398	3,127	-1,632	-4,094	-7,759	-3,610

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

# Cash flow statement

Cash flow statement (JPYmn)	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22	FY03/23
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Cash flows from operating activities (1)	267	896	812	1,504	2,802	790	2,869	2,129	4,977	1,457
Pre-tax profit	892	1,132	1,461	2,050	2,878	-525	2,211	2,756	5,116	5,712
Depreciation	74	91	132	155	191	243	362	439	566	435
Impairment losses	18	41		37	27	3,359	1,031	84	52	793
Loss (gain) on sale and disposal of fixed assets		-5		-2	-2	-2	-22	0		
Change in working capital	-302	-311	-222	-695	-577	-572	-1,018	858	-685	-307
Change in trade receivables (- for increase)	-372	-433	-73	-688	-608	-517	-677	1,113	-1,301	-
Change in inventories (- for increase)	8	-12	-98	-40	-161	-201	-334	-120	-129	-948
Change in trade payables (- for decrease)	63	134	-51	33	192	145	-7	-135	745	641
Cash flows from investing activities (2)	-351	-780	-2,161	-1,206	-4,611	-4,915	2,260	644	-1,308	-1,288
Purchase of intangible/tangible fixed assets	-138	-131	-325	-281	-797	-490	-410	-543	-895	-345
Proceeds from sale of intangible/tangible fixed assets							24	0	4	-
Free cash flow (1+2)	-85	116	-1,349	297	-1,809	-4,125	5,129	2,773	3,669	169
Cash flows from financing activities	67	2,218	602	899	2,043	5,858	-3,274	210	-1,060	-358
Net change in short-term borrowings	57	-181	729	191	1,827	1,079	-2,565	-650	-645	4,711
Net change in long-term borrowings	-	-	-	-	-	3,446	-1,491	1,364	12	-759
Proceeds from long-term borrowings						3,871	100	2,191	860	901
Repayments of long-term borrowings						-425	-1,591	-827	-848	-1,660
Proceeds from issuance of, and redemption of, bonds	-	-	-	-	-	45	776	-198	-198	-186
Issuance of bonds						50	880			
Redemption of bonds						-5	-104	-198	-198	-186
Dividends paid	-42	-58	-133	-164	-203	-249	-3,274	-0	-95	-618
Depreciation and amortization (A)	74	91	132	155	191	243	362	439	566	435
Capital expenditures (B)	159	182	372	348	333	333	571	543	896	-
Change in working capital (C)	-302	-311	-222	-695	-577	-572	-1,018	858	-685	-307
Simple FCF (NI + A - B + C)	124	258	380	378	706	-3,083	-1,427	1,241	1,056	3,300

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Cash and cash equivalents at end-FY02/23 amounted to JPY13.4bn, down JPY149mn YoY. Factors affecting cash flows were as follows.

## Cash flows from operating activities

Operating activities provided inflow of JPY1.5bn (versus an inflow of JPY5.0bn in FY02/22). Main factors were pre-tax profit of JPY5.7bn, impairment losses of JPY793mn, an increase in trade payables of JPY641mn, an increase in accounts payable—other of JPY698mn, an increase in trade receivables and contract assets of JPY925mn, an increase in inventories of JPY948mn, an increase in operational investment securities of JPY545mn, an increase in deposits paid of JPY982mn, and corporate tax payments of JPY2.5bn.

## Cash flows from investing activities

Investing activities provided outflow of JPY1.3bn (outflow of JPY1.3bn in FY02/22). This was mainly due to proceeds from divestments of JPY515mn, proceeds from collection of loans receivable of JPY247mn, proceeds from refund of leasehold and guarantee deposits of JPY102mn, purchase of tangible fixed assets of JPY261mn, payments for acquisition of businesses of JPY550mn, and purchase of shares of subsidiaries resulting in change in scope of consolidation of JPY978mn.

## Cash flows from financing activities

Financing activities provided outflow of JPY358mn (outflow of JPY1.1bn in FY02/22). This was mainly due to a net increase in short-term borrowings of JPY4.7bn, proceeds from long-term borrowings of JPY901mn, repayment of long-term borrowings of JPY1.7bn, purchase of shares of subsidiaries not resulting in change in scope of consolidation of JPY1.0bn, purchase of treasury shares of subsidiaries of JPY2.0bn, and dividends paid of JPY618mn.

# Historical performance

# Q1 FY02/24 results (out July 14, 2023)

## Summary:

### Q1 FY02/24 (March–May 2023) results

- Revenue: JPY14.8bn (+12.4% YoY)
- Operating profit: JPY1.4bn (-4.3% YoY)
- Recurring profit: JPY1.4bn (-7.4% YoY)
- Net income attributable to owner of the parent: JPY722mn (-13.6% YoY)

Q1 FY02/24 results were favorable in terms of both revenue and operating profit. The progress rate toward the upwardly revised full-year FY02/24 forecast was 23.4% for revenue, 19.5% for operating profit, 19.0% for recurring profit, and 17.7% for net income.

PR Week, a UK-based media publication dedicated to the advertising industry, ranked Vector the top PR firm in Asia (up from second in 2021) and seventh globally (up from 14th in 2021) in its ranking of the world's PR firms in 2022.

### Factors affecting revenue increase and profit decrease

In Q1, revenue grew 12.4% YoY, driven by solid performance in the mainstay PR and advertising businesses, which posted record sales. In the press release distribution business, the number of companies using Vector's services exceeded 83,000, marking a new record in sales. The company creates corporate news and content starting from its strategic PR services and provides services to various industries at lower prices than traditional advertising budgets through advanced communication methods, which tend to be less affected by economic pressure. The company is strengthening its structure to provide comprehensive support for PR and advertising strategies

In terms of profit, the mainstay PR and advertising business continued to show strong performance and posted record operating profit, which drove overall earnings growth. In the direct marketing business, the company secured profit through managing advertising expenses based on the efficiency of acquiring new clients, while the HR business posted a loss due to prior investment in JOBTV. Nonetheless, it posted a record consolidated operating profit. Operating profit declined 4.3% YoY, mainly due to an operating loss of JPY81mn in Q1, compared to an operating profit of JPY323mn in the investment business in Q1 FY02/23.

GPM declined 5.4pp YoY to 61.0% from Q1 FY02/23 when the investment business contributed. SG&A expenses amounted to JPY7.6bn (+4.8% YoY), mainly due to an increase in personnel expenses. Despite the increase in SG&A expenses, the SG&A ratio declined 3.7% YoY to 51.5%. The number of consolidated employees at the end-Q1 FY02/24 was 1,567 (up 198 YoY), due to an increase in the PR and advertising business due to the hiring of new graduates.

## Results by segment

From Q1 FY02/24, segment names changed from the Video Release Distribution and Media CMS businesses were integrated into the mainstay PR and Advertising segment. In addition, the recruitment matching platform JOBTV, which had been included in the PR and Advertising, was changed to the HR segment to accurately reflect its business.

### PR and Advertising:

- Revenue: JPY9.3bn (+26.8% YoY)
- Operating profit: JPY1.2bn (+34.3% YoY)

In PR and Advertising, the company provides strategic PR services (mainly consulting) and conducts advertising sales through IoT signage services utilizing tablets installed inside taxis. In Q1 FY02/24, the company integrated its video release distribution and media CMS businesses. In March 2023, with the aim of creating synergy with the PR business, the company also made Triyhatch Inc. a consolidated subsidiary, which engages in the business of supporting customer attraction using SNS.

In Q1 FY02/24, Vector posted record revenue and operating profit, driven by stolid performance in the domestic PR business, thanks to the positive effects of service expansion in the digital domain. Although the recovery of the overseas business has been slow, especially in China, due in part to the weak yen, revenue increased 20.0% YoY and the deficit narrowed. The number of retainer contracts (contracts with a contract period of three months or longer and monthly fees) at

the three strategic PR subsidiaries exceeded 1,000, and the number remained steady toward the target of 1,140 contracts at the end of FY02/24 (953 contracts at the end of FY02/23). Unit prices continued to increase, with domestic sales up 27.8% YoY and operating profit up 27.9% YoY. According to the company, through M&A it has increased the number of clients and projects due to synergies with its consolidated subsidiary, which has strengths in digital areas such as listings and social media advertising and in industries including beauty and medical industries.

Taxi signage business has installed new large-screen (1.5x larger than the previous model) signage in the rear seats of approximately 11,500 cabs since October 2022, delivering video advertisements and content to approximately 7,700,000 people per month, or about 40% of all cab users in Tokyo. Q1 sales grew 3.1% YoY against a backdrop of strong demand for advertising, increased media space sales and ad production.

In FY02/24, the video release distribution business was integrated. In this business, the company posted profit as unit price rose 9.4% YoY in Q1 thanks to its effort to increase the number of orders received while continuing to train sales personnel. The media CMS business, which was also integrated in FY02/24, was in the red.

### Press Release Distribution:

- Revenue: JPY1.6bn (+16.3% YoY)
- Operating profit: JPY343mn (-19.9% YoY)

In Press Release Distribution (PR TIMES), the company publishes press releases on the PR TIMES website and distributes them to numerous other sites. It is used by many companies as part of the social infrastructure during COVID-19 pandemic, and in May 2023, the number of companies using the service exceeded 83,548 (+20.6% YoY), and the number of press release distribution amounted to 91,205 (+11.7% YoY) resulting in the highest quarterly sales in the company's history. Operating profit declined 19.9% YoY due to development costs incurred for a large-scale renewal. Further, as planned at the beginning of the period, the company invested in advertising in new business and promotion for the use of the service by local companies.

In March 2023, PR TIMES made software developer, glucose inc., a subsidiary. PR TIMES aims to promote in-house production of its own products and provide clients with comprehensive support from product development to PR. Glucose is included in PR TIMES's consolidated subsidiaries from Q1.

### Direct Marketing:

- Revenue: JPY3.3bn (-4.8% YoY)
- Operating profit: JPY23mn (operating loss of JPY177mn in Q1 FY02/23)

The direct marketing business, handled by Vitabrid Japan and other companies, posted lower revenue and profit as a result of curbing ad spending based on acquisition efficiency. In Q1 FY02/24, advertising and promotion expenses based on acquisition efficiency temporarily restrained the acquisition of new customers, resulting in a 4.7% YoY decline in sales. Nonetheless, revenue declined only slightly and operating profit rose sharply, thanks to steady sales of Terminaria First. Terminaria First has maintained strong sales since its launch, with cumulative sales exceeding 5,800,000 units as of February 2023, and cumulative sales of all VitaBrid offerings surpassing 13,830,000 units.

### Human Resources:

- Revenue: JPY2.4bn (-5.6% YoY)
- Operating profit: JPY352mn (+49.2% YoY)

On Ashita-Team, the company booked an operating profit of JPY47mn. While reviewing the sales strategy and strengthening the sales force, the company focused on sales of SaaS-type product by investing in ad spending to attract new customers and in development expenses to enhance functionality.

From Q1 FY02/24, the recruiting matching platform JOBTV was changed to the HR segment to match the accuracy of the business. In order to build a revenue base for JOBTV, the company recorded operating losses of JPY123mn, reflecting the ad spending in an effort to increase the number of registrants for both new graduates and new jobs, and development expenses to improve the functionality of the recruiting platform. Further, in June 2023, the company made BUSiCONET Inc., which operates a job change web media business, a consolidated subsidiary to expand JOBTV's earnings.

### Investment (formerly Fund)

Revenue: JPY109mn (-77.3% YoY)

- Operating loss: JPY81mn (operating loss of JPY323mn in Q1 FY02/22)

In Investment, the company sold some of its holdings and recorded valuation losses on some of its investments. Compared to Q1 FY02/23, when gains were recorded, both revenue and profits declined. The company expects to sell some of its holdings in 2H.

In investment activities targeting startups, the company provides PR and IR support to the companies targeted for investments. In March 2023, SYLA Technologies Co., Ltd. was listed on the US NASDAQ market, and W TOKYO Corporation (TSE GRT 9159) was listed on the Growth Market of the Tokyo Stock Exchange in June 2023.

## Full-year FY02/23 results (out April 14, 2023)

### Summary:

#### Full-year FY02/23 (March 2022–February 2023) results

- Revenue: JPY55.2bn (+14.8% YoY)
- Operating profit: JPY6.3bn (+22.4% YoY)
- Recurring profit: JPY6.6bn (+27.2% YoY)
- Net income attributable to owner of the parent: JPY3.2bn (+53.2% YoY)

FY02/23 revenue and operating profit showed strong performance. The company's progress against the FY02/23 full-year forecast was 104.0% for revenue, 101.2% for operating profit, 108.6% for recurring profit, and 105.7% for net income.

The company has disclosed FY02/22 results that have been retroactively adjusted to reflect the commercialization of its investment activities.

#### Factors affecting revenue and profit increase

In FY02/23, the mainstay PR and Advertising business performed well thanks to strong performance from domestic PR operations, driving results. In Direct Marketing, revenue reached an all-time high due to proactive and effective advertising investments.

On the profit front, GPM was up 2.2pp YoY to 63.6%, mainly due to higher profit margins in the PR and Advertising business and the Investment business that performed strongly. That said, the higher employee count owing to acquisitions raised personnel expenses by 5.0% YoY while advertising expenses were up 28.9% YoY, and M&A fees and other commission expenses rose 37.9% YoY. As a result, overall SG&A expenses increased 18.2% YoY, and the SG&A ratio was up 1.6% YoY to 52.3%.

The company reported record-high consolidated operating profit, noting that it maintained strong performance and achieved all-time high operating profit through its domestic PR and advertising operations. As an additional source of upward impact, the company pointed to advertising investment it conducted through its Direct Marketing segment in 1H. Also, all segments besides Video Release Distribution were profitable, despite operating profit falling below forecasts due to proactive advertising investments in the Press Release Distribution segment.

CLOUD BEAUTY and MasterVisions, made consolidated subsidiaries in FY02/23, are expected to contribute to Vector's earnings in the future. However, the company took a conservative stance and recorded JPY455mn in extraordinary losses for impairment of goodwill and other items. As a result, net income finished at a YoY increase of 53.2%.

## Results by segment

From Q2 FY02/23, segment names changed from the "Media business" to the "Media CMS business," and from the "Fund business" to the "Investment business." An overview of revenue (generated from external customers) and operating profit by segment is shown below.

### PR and Advertising:

- Revenue: JPY29.5bn (+13.7% YoY)
- Operating profit: JPY3.0bn (+40.4% YoY)

In PR and Advertising, the company provides strategic PR services (mainly consulting) and conducts advertising sales through IoT signage services utilizing tablets installed inside taxis.

The domestic PR business and taxi signage maintained strong performance, logging record high revenue and operating profit. The number of retainer contracts\* of the three subsidiaries offering strategic PR services totaled 953 (+184 YoY). The overseas business recorded a loss for the full year owing to the COVID-19 pandemic, but turned a profit in Q4 (December 2022-February 2023) as strong performance in South Korea contributed to results. The taxi signage business logged a 5.9% YoY revenue decline in Q4 (three months) on lower sales of media slots in part due to seasonality; however, full-year revenue was up 22.3% YoY. The application of the Accounting Standard for Revenue Recognition resulted in a downward revenue impact of JPY3.5bn.

The segment profit margin improved by 1.1pp YoY to 10.0%, as the use of videos and other tools in strategic PR services led to an increase in customer spend. The company also raised the pricing of taxi signage by about 10% accompanying the introduction of a new large-screen signage, which also contributed to margin growth. While the JOBTV business recorded a roughly JPY500mn loss due to higher advertising and other costs, the positive factors more than offset the JOBTV results, and segment operating profit reached a record high.

\*A retainer contract refers to a monthly fee-generating project that has a contract period of three or more months. Since retainer contracts form a stable foundation for the PR business, Vector intends to secure such contracts from 1,500 companies by FY02/26.

## Press Release Distribution:

- Revenue: JPY5.7bn (+17.6% YoY)
- Operating profit: JPY1.2bn (-35.1% YoY)

In Press Release Distribution (PR TIMES), the company publishes press releases on the PR TIMES website and distributes them to numerous other sites. The service is a part of Japan's social infrastructure and was used by many companies even during the pandemic. In February 2023, the number of user companies reached 79,759 (+21.5% YoY) and the number of press release distributions came to 77,979 (+6.3% YoY); segment revenue marked a new record as a result. In pursuit of further new customer acquisition, Vector invested proactively in television commercials and other forms of advertising. Consequently, operating profit undershot the company forecast at an achievement rate of 74.4% versus plan. Meanwhile, there was progress in the cultivation of regional customers whose numbers have increased thanks to referrals from financial institutions among other routes. The segment is not affected by the application of the Accounting Standard for Revenue Recognition.

## Video Release Distribution:

- Revenue: JPY1.4bn (+1.8% YoY)
- Operating loss: JPY34mn (operating loss of JPY72mn in FY02/22)

The company reduced the loss in its Video Release Distribution business (operated by NewsTV), attributing this result to sales force enhancement efforts through Q2 and a focus on capturing potential leads, which in part absorbed the increase in development expenses from impairment of fixed assets. Q4 saw an increase in repeat orders as the company's efforts to train its sales staff and enhance proposal capabilities bore fruit, and average customer spend per distribution grew 14.4% YoY to JPY3,242,000. The application of the Accounting Standard for Revenue Recognition had a downward revenue impact of JPY6mn.

## Direct Marketing:

- Revenue: JPY14.7bn (+19.2% YoY)
- Operating profit: JPY984mn (+27.1% YoY)

Vector acquired a greater number of new customers than it had expected through its Direct Marketing segment (operated primarily by Vitabrid Japan) thanks to ongoing and strategic advertising and promotional spending that it began from the beginning of FY02/23. As a result, the company generated record-high revenue and operating profit. The company noted particularly strong performance in this regard from Terminaria First. Revenue was reduced by JPY414mn due to the impact of the application of Accounting Standard for Revenue Recognition. As the number of units sold tends to increase in the quarter following an ad campaign, the company plans to continue spending a certain amount on advertising.

## Media CMS (formerly Media):

- Revenue: JPY956mn (+5.4% YoY)
- Operating profit: JPY3mn (operating loss of JPY22mn in FY02/22)

In an effort to establish a solid earnings base for its Media CMS segment (operated by Smartmedia) that is resistant to impact from external environments, Vector cut back on its acquisition of new tie-up projects that contribute to advertising revenue generated through its Webmedeliano operations. In addition, the company spent money on development aimed at enhancing CMS functionality while also aiming to strengthen the framework of its owned media business by reallocating personnel from the former Media segment. Despite this, the company posted an operating profit in the Media CMS segment. Although the operation of customers' owned media requires manpower for tasks such as creating articles, the company pursues efficiency through the use of ChatGPT. The application of the Accounting Standard for Revenue Recognition resulted in a JPY2mn decline in revenue.

## Human Resources:

- Revenue: JPY2.4bn (-5.6% YoY)
- Operating profit: JPY352mn (+49.2% YoY)

With regard to its Human Resources segment (operated by Ashita-Team), the company focused on sales of SaaS products, investing in advertising aimed at new customer acquisition and development targeting enhanced functionality. At the same time, the company adjusted its sales strategies and bolstered its sales force in pursuit of sustainable growth moving forward. In Q4 (December 2022–February 2023), user companies were up 2.6% YoY to 1,349. However, ARR fell 3.8% YoY because of an increase in customers that terminated their contracts for operational consulting once the HR system took root on site. The company plans to rebuild the sales strategy and accelerate investments for growth. The application of the Accounting Standard for Revenue Recognition resulted in a downward revenue impact of JPY109mn.

## Investment (formerly Fund)

- Revenue: JPY1.6bn (+29.7% YoY)
- Operating profit: JPY775mn (+203.9% YoY)

In Investment, although the company recorded a loss on the write-down of investment securities for some investments, it posted a gain on the sale of these securities, resulting in an increase in both revenue and profit. The company decided to sell some of the listed shares it owned, considering the balance between impairment and profits as well as the need to hedge the risk of lower YoY profit in the Press Release Distribution business. Note that the segment is not affected by the application of the Accounting Standard for Revenue Recognition.

In investment activities targeting startups, the company provides PR and IR support to the companies targeted for investments. During FY02/23, Mental Health Technologies Co., Ltd. (TSE Growth: 9218) listed on the Tokyo Stock Exchange Growth Market in March 2022, SecondXight Analytica Inc. (TSE Growth: 5028) listed on the Growth Market in April, and PROGRIT Inc. (TSE Growth: 9560) in September of the same year. In March 2023, SYLA Technologies Co., Ltd. listed on NASDAQ in the US.

In furtherance of its support for venture companies, Vector made the following three companies subsidiaries. Moving forward, the company will provide PR and IR support while also offering management assistance to accelerate growth and ensure comprehensive facilitation of future public listings.

- CLOUD BEAUTY Inc. (formerly Geobeck Co., Ltd.): Provides cloud-based storefront systems and other storefront digital transformation services focused specifically on the beauty industry (July 2022)
- MasterVisions Co., Ltd.: Operates a free-viewpoint video creation/streaming service with offering a 360-degree viewing experience (November 2022)
- Amy, Inc.: Provides a platform that connects franchisors and franchisees (November 2022)

CLOUD BEAUTY and MasterVisions, made consolidated subsidiaries in FY02/23, are expected to contribute to Vector's earnings in the future. However, the company took a conservative stance, and recorded JPY455mn in extraordinary losses for impairment of goodwill and other items. The company says that if the impairment had not been posted, net income would have finished at JPY3.6bn (+75.1% YoY).

# Q3 FY02/23 results (out January 13, 2023)

## Summary:

### Cumulative Q3 FY02/23 (March–November 2022) results

- Revenue: JP41.2bn (+18.0% YoY)
- Operating profit: JPY5.2bn (+29.3% YoY)
- Recurring profit: JPY5.3bn (+30.8% YoY)
- Net income attributable to owner of the parent: JPY2.9bn (+77.7% YoY)

1H FY02/23 revenue and operating profit showed strong performance. The company's progress against the FY02/23 full-year forecast was 77.5% for revenue, 84.1% for operating profit, 87.6% for recurring profit, and 95.6% for net income.

#### Factors affecting revenue increase

During Q3 (September–November 2022), in response to corporate marketing demand, sales generated through the PR and advertising business rose to a record high thanks to strong performance from domestic PR operations, while quarterly sales achieved through direct marketing also reached an all-time high, leading to consolidated revenue of JPY14.5bn (+12.6% YoY) for the quarter.

#### Factors affecting profit increase

The company reported record-high consolidated operating profit in cumulative Q3, noting that it maintained strong performance and achieved all-time high operating profit through its domestic PR and advertising operations. As an additional source of upward impact, the company pointed to advertising investment it conducted through its Direct Marketing segment in 1H.

GPM rose 2.5pp YoY to 65.5%, after retroactively applying changes to accounting practices as a result of commercializing investment activities. SG&A expenses were up 21.1% YoY as labor costs widened 5.7% YoY with increased employee numbers, and commission expenses associated with M&A and the like grew 47.9% YoY. The SG&A ratio was 52.8% (+1.3pp YoY). The consolidated employee count at end-Q3 FY02/23 (end-November 2022) was 1,349 (+32 employees YoY), five employees down from end-Q2 FY02/23 (end-August 2022), due to staff reductions at the PR and Advertising and Video Release businesses.

## Results by segment

From Q2 FY02/23, segment names changed from the "Media business" to the "Media CMS business," and from the "Fund business" to the "Investment business."

### PR and Advertising:

- Revenue: JPY21.5bn (+14.8% YoY)
- Operating profit: JPY2.2bn (+47.5% YoY), 82.8% of full-year company forecast

In PR and Advertising, the company provides strategic PR services (mainly consulting) and conducts advertising sales through IoT signage services utilizing tablets installed inside taxis.

While the overseas segment recorded a loss owing to the COVID-19 pandemic, the domestic PR segment and taxi signage performed well, resulting in record high revenue and operating profit in Q3.

The number of retainer contracts\* signed by the company's three strategic PR subsidiaries increased to just below 900, making steady progress toward the target of 1,000 contracts by end-FY03/23 (769 contracts at end-FY02/22). Cumulative Q3 FY02/23 taxi signage revenue reached a record high, due to increased tie-up advertising, as well as corporate advertising.

The application of the Accounting Standard for Revenue Recognition resulted in a JPY2.7bn decline in revenue.

\*A retainer contract is a contract for a project with a monthly fee over a duration of three months or longer.

## Press Release Distribution:

- Revenue: JPY4.3bn (+19.5% YoY)
- Operating profit: JPY1.1bn (-27.8% YoY), 68.6% of full-year company forecast

In Press Release Distribution (PR TIMES), the company publishes press releases on the PR TIMES website and distributes them to numerous other sites. The service is a part of Japan's social infrastructure and was used by many companies even during the pandemic, and in end-November 2022, the number of user companies surpassed 76,499 (+22.6% YoY), and the number of press releases distributed was 89,759 (+8.4% YoY), leading to a new quarterly record for revenue. Profit declined due to higher costs, as Vector invested proactively in television commercials and other forms of advertising, and established a local subsidiary to enter the US market, in pursuit of further new customer acquisition. The company plans to invest in advertising in eastern Japan in Q4, to develop local customers, but television commercials have not demonstrated as much effectiveness as expected in western Japan, so the Vector is set to review this strategy. There is no impact from the application of the Accounting Standard for Revenue Recognition.

## Video Release Distribution:

- Revenue: JPY1.0bn (+0.4% YoY)
- Operating loss: JPY28mn (operating loss of JPY42mn in cumulative Q3 FY02/22)

The company turned a profit through its Video Release Distribution business (operated by NewsTV) in Q3 (September–November 2022), attributing this result to sales force enhancement efforts that concluded through Q2 and a focus on capturing potential leads. The number of video releases distributed in Q3 FY02/23 rose to 130 (+47.7% YoY) due to the acquisition of new customers and enhanced proposal capabilities, but average customer spend dropped to JPY3.0mn (-13.0% YoY) as prices were lowered to acquire new customers. Sales Video Analytics, the company's first SaaS-type product for digitalizing sales activities through the use of videos (launched in January 2022), performed well. Focusing on future growth, the company is adjusting its organizational structure, continuing to train sales staff, and targeting full-year profitability. The application of the Accounting Standard for Revenue Recognition had a downward revenue impact of JPY6mn.

## Direct Marketing:

- Revenue: JPY11.2bn (+28.2% YoY)
- Operating profit: JPY645mn (+49.3% YoY), 77.3% of full-year company forecast

VECTOR acquired a greater number of new customers than it had expected through its Direct Marketing segment (operated primarily by Vitabrid Japan) thanks to ongoing and strategic advertising and promotional spending that it began from the beginning of FY02/23. Due in part to this showing, the company generated record-high quarterly revenue and operating profit through its Direct Marketing segment. Terminaria First performed particularly well.

Advertising and promotion expenses were down 16.7% YoY in Q3 FY02/23, but the company states that this is because it adjusted advertising expenses to focus on Q1 FY02/24 sales, having observed the prospect of achieving a profit in FY03/23. The number of units sold tends to increase in the quarter after advertising investment, and has continued to increase by about 40% YoY since Q4 FY02/22 (December 2021–February 2022), with a certain level of advertising investment maintained during that period. The number of Vitabrid users reached about 260,000, of which approximately 70% are Terminaria First users. The company believes that there is still room for growth, and plans to continue with advertising investment of about JPY1.2bn per quarter.

## Media CMS (formerly Media):

- Revenue: JPY702mn (+5.9% YoY)
- Operating loss: JPY10mn (operating loss of JPY33mn in cumulative Q3 FY02/22)

In an effort to establish a solid earnings base for its Media CMS segment (operated by Smartmedia) that is resistant to impact from external environments, VECTOR cut back on its acquisition of new tie-up projects that contribute to advertising revenue generated through its web media operations. In addition, the company aimed to strengthen the framework of its highly profitable owned media business by reallocating personnel from the former Media segment. On the profit front, it spent money on development aimed at enhancing CMS functionality. Consequently, the company posted an operating loss in the Media CMS segment. The application of the Accounting Standard for Revenue Recognition resulted in a JPY2mn decline in revenue.

## Human Resources:

- Revenue: JPY1.8bn (-2.8% YoY)
- Operating profit: JPY302mn (+221.3% YoY), 86.5% of full-year company forecast

With regard to its Human Resources segment (operated by Ashita-Team), the company focused on sales of SaaS (cloud) products, investing in advertising aimed at new customer acquisition and development targeting enhanced functionality. At the same time, the company adjusted its sales strategies and bolstered its sales force in pursuit of sustainable growth moving forward. The cumulative number of companies using the service reached 1,345, and ARR was JPY1.7bn, as the number of companies using the cloud increased, but there was a decrease in businesses using operational consulting. The application of the Accounting Standard for Revenue Recognition resulted in a downward revenue impact of JPY87mn.

## Investment (formerly Fund)

- Revenue: JPY1.4bn (+34.3% YoY)
- Operating profit: JPY1.0bn (+73.3% YoY), 148.1% of full-year company forecast

In Investment, although the company recorded a loss (of about JPY58mn) on the write-down of investment securities for some investments, it posted a gain on the sale of these securities, resulting in an increase in both revenue and profit. There was no impact from the application of the Accounting Standard for Revenue Recognition.

In investment activities targeting startups, the company provides PR and IR support to the companies targeted for investments. Mental Health Technologies Co., Ltd. (TSE Growth 9218) was listed on the Tokyo Stock Exchange Growth Market in March 2022, SecondXight Analytica Inc. (TSE Growth 5028) was listed on the Growth Market in April, and PROGRIT Inc. (TSE GRT 9560) in September of the same year.

In furtherance of its support for venture companies, VECTOR made the following three companies subsidiaries. Moving forward, the company plans to accelerate growth through the provision of wide-ranging support and to conduct early IPOs and secure a gain on their sale for investment purposes. It plans to continue pursuing M&A, particularly in the digital advertising business.

- CLOUD BEAUTY Inc. (formerly Geobeck Co., Ltd.): Provides cloud-based storefront systems and other storefront digital transformation services focused specifically on the beauty industry (July 2022)
- MasterVisions Co., Ltd.: Operates a free-viewpoint video creation/streaming service with offering a 360-degree viewing experience (November 2022)
- Amy, Inc.: Provides a platform that connects franchisors and franchisees (November 2022)

# 1H FY02/23 results (out October 14, 2023)

## Summary:

### 1H FY02/23 (March–August 2022) results

- Revenue: JP26.7bn (+21.1% YoY)
- Operating profit: JPY3.4bn (+61.6% YoY)
- Recurring profit: JPY3.5bn (+66.8% YoY)
- Quarterly net income attributable to owner of the parent: JPY1.9bn (+208.4% YoY)

1H FY02/23 revenue and operating profit showed strong performance. The company's progress against the FY02/23 full-year forecast was 50.2% for revenue, 54.6% for operating profit, 57.5% for recurring profit, and 63.9% for net income. Progress against the 1H forecast was 107.2% for revenue, 163.5% for operating profit, 173.7% for recurring profit, and 213.2% for net income.

### Factors affecting revenue increase

In Q2, revenue rose, substantially exceeding the initial forecast, owing to strong domestic performance in the PR and Advertising business as the company successfully captured corporate marketing demand, and the recording of a gain on the sale of some shareholdings in the Investment business.

## Factors affecting profit increase

Profit increase YoY due to strong domestic performance in the PR and Advertising business; ongoing profitability in the Human Resources business since Q2 FY02/22 on the back of strong SaaS product sales; postponement of advertising expenditures to 2H in the Press Release Distribution business; and the recording of a gain on sales of shareholdings in the Investment business.

GPM rose 3.4pp YoY (after retroactively applying the Accounting Standard for Revenue Recognition to year-ago figures) to 66.4% owing to the commercialization of investment activities. SG&A expenses were up 21.7% YoY due to increases in advertising and personnel expenses as well as in commissions paid for mergers and acquisitions. The SG&A ratio was 53.7% (+0.2pp YoY).

## Results by segment

From Q2 FY02/23, segment names changed from the "Media business" to the "Media CMS business," and from the "Fund business" to the "Investment business."

### PR and Advertising:

- Revenue: JPY13.5bn (+14.6% YoY)
- Operating profit: JPY1.4bn (+69.4% YoY, achieved 52.0% of the full-year forecast)

In PR and Advertising, the company provides strategic PR services (mainly consulting) and conducts advertising sales through IoT signage services utilizing tablets installed inside taxis.

Overseas operations posted a loss due to delays in recovery in corporate activity in China, which accounts for the majority of overseas revenue. However, the downfall here was offset by strong performance of the domestic PR and taxi signage businesses, and the segment overall posted record high revenue and operating profit in 1H. The number of retainer contracts signed by the company's three strategic PR subsidiaries increased by more than 100 in 1H, making steady progress toward the target of 1,000 contracts by end-FY02/23 (769 contracts at end-February 2022). Revenue from taxi signage business increased 37.6% YoY to JPY951mn, owing to a change in the pricing structure to fixed-fee pricing and a rise in unit prices on the back of an increase in the number of digital signage devices installed. The application of the Accounting Standard for Revenue Recognition resulted in a JPY2.0bn decline in revenue.

### Press Release Distribution

- Revenue: JPY2.8bn (+22.6% YoY)
- Operating profit: JPY916mn (+2.1% YoY, achieved 57.3% of the full-year forecast)

In Press Release Distribution (PR TIMES), the company publishes press releases on the PR TIMES website and distributes them to numerous other sites. The service is a part of Japan's social infrastructure and was used by many companies even during the pandemic, and in FY08/22, the number of user companies reached 72,851 (+24.7% YoY), leading to new quarterly record revenue. Meanwhile, operating profit grew only 2.1% YoY, hurt by an increase in SG&A expenses, including personnel and hiring expenses as well as M&A costs, although a portion of advertising expenses the company had expected to book in 1H were pushed out to 2H. In Q2 (June–August 2022), the company published 81,738 (+14.0% YoY) press releases. It plans to work on regional expansion through forging partnerships with local companies. In addition, it is preparing to establish a local subsidiary to enter the US market. The segment was not affected by the application of the Accounting Standard for Revenue Recognition.

### Video Release Distribution

- Revenue: JPY658mn (-11.2% YoY)
- Operating loss: JPY46mn (operating profit of JPY16mn in FY02/22)

Video Release Distribution (NewsTV) streams video ads that were created free of charge, and has a track record of creating and distributing over 3,500 video ads and releases since the service was launched in 2015. Average customer spend, which had fallen to JPY2.6mn in Q1 (March–May 2022), recovered to JPY3.1mn (-4.7% YoY) in Q2 (June–August 2022) as a result of proposal-based sales activities based on cost-effectiveness data. Customer count increased by about 5% YoY, as the company focused on acquiring leads in a bid to increase the number of projects in Q3 and later, but the number of video releases distributed in Q2 fell 10.1% YoY to 98.

Meanwhile, Sales Video Analytics, a digitalization support service for sales activities utilizing videos, performed strong. The application of the Accounting Standard for Revenue Recognition resulted in a JPY6mn decline in revenue.

## Direct Marketing

- Revenue: JPY7.2bn (+24.0% YoY)
- Operating loss: JPY86mn (profit of JPY559mn in FY02/22)

In Direct Marketing (Vitabrid Japan and others), the company posted record quarterly revenue in Q2 (June–August 2022) as a result of continued strategic spending on advertising. In Q2, 961,000 units (+46.7% YoY) of Vitabrid's products were sold, with the cumulative number of units sold exceeding 11.2mn. Sales of Terminaria First, a health supplement that claims to reduce glucose absorption, in particular were robust, with more than 3.7mn units sold on a cumulative basis. The company expects to generate operating profit for the full year while continuing to make a certain amount of investment in advertising in 2H. The application of the Accounting Standard for Revenue Recognition resulted in a JPY199mn decline in revenue.

## Media CMS (formerly Media)

- Revenue: JPY469mn (+3.3% YoY)
- Operating loss: JPY8mn (operating loss of JPY22mn in FY08/22)

In Media (Smartmedia), the company strengthened its owned media business structure by reassigning staff from the media business to the owned media business. It acquired two to three new customers monthly, including regional municipalities and major trading companies, which contributed to brisk sales in the owned media business, which makes up about 70% of the segment revenue. The company incurred an operating loss in Q2 due to development expenses of around JPY15mn to enhance CMS functionality, but the company considers this to be a temporary factor and expects to return to profitability for the full year. The application of the Accounting Standard for Revenue Recognition resulted in a JPY1mn decline in revenue.

## Human Resources:

- Revenue: JPY1.2bn (+1.6% YoY)
- Operating profit: JPY237mn (operating loss of JPY46mn in FY02/22, achieved 68.0% of the full-year forecast)

Human Resources (Ashita-Team) has achieved steady sales of SaaS products and has remained in the black since Q2 FY02/22. In Q2 (June–August 2022), seasonal factors temporarily suppressed consulting projects, such as the introduction of personnel evaluation systems, resulting in a 5.6% YoY drop in revenue for the quarter. The number of cloud service users increased, with the cumulative number of user companies reaching 1,345 (+9.9% YoY). ARR also expanded 10.8% YoY to JPY1.8bn on the back of a sharp increase in the cloud user count. The application of the Accounting Standard for Revenue Recognition resulted in a JPY61mn decline in revenue.

## Investment (formerly Fund)

- Revenue: JPY1.3bn (JPY105mn in FY03/22)
- Operating profit: JPY990mn (operating loss of JPY119mn in FY03/22, achieved 145.7% of the full-year forecast)

In Investment, although the company recorded a loss on the write-down of investment securities for some investees, it sold some of its shareholdings and posted a gain on commercialization of investment activities. As a result, the segment reported higher revenue and profit. The Investment segment achieved its full-year operating profit target in 1H, with 1H operating profit at 145.7% of the full-year target, and hence the company does not intend to purchase or sell stocks in 2H. It expects the segment operating profit to finish the year in line with the plan, as it has made conservative valuation loss estimates. There was no impact from the application of the Accounting Standard for Revenue Recognition.

In investment activities targeting startups, the company provides PR and IR support to the companies targeted for investments. Mental Health Technologies Co., Ltd. (TSE Growth 9218) was listed on the Tokyo Stock Exchange Growth Market in March 2022, SecondXight Analytica Inc. (TSE Growth 5028) was listed on the Growth Market in April, and PROGRIT Inc. (TSE GRT 9560) in September of the same year.

As part of efforts to support startups, in July 2022, the company made Geobeck Co., Ltd., which provides digitalization services such as cloud-based salon systems specialized for the beauty industry, and its affiliate BeautySpaceGlobal subsidiaries. In addition to providing PR and IR support, the company intends to support the two companies in a range of areas including management to accelerate growth of the services they offer and to some day take them public.

## Strengthened digital marketing operations through M&A

Vector intends to expand its presence in the digital marketing sector to provide comprehensive, one-stop support for customers' marketing strategies. To this end, in September 2022, the company acquired the digital advertising business of Terminal, Inc. (unlisted). Terminal operates a digital advertising business centered on web solutions, and has strengths in strategy and promotion design. The company said that it is also in negotiations with a number of companies specializing in display ads, listing ads, and affiliate ads among others with a view to acquiring them. It intends to aggressively acquire companies with an EV/EBITDA of 5x–7x and with whom it can expect to generate synergies through its core business. The company plans to fund these acquisitions with cash in hand and bank borrowings.

# News and topics

## Acquisition of shares of Connect Inc., making it an equity method affiliate

2023-07-25

On July 24, 2023, Vector Inc., announced the acquisition of shares of Connect Inc., making it an equity method affiliate.

The company announced that it will acquire shares of Connect (unlisted) and make it an equity method affiliate. The agreement is scheduled to be signed on July 24, 2023, and the share transfer is scheduled to take place on July 31, 2023.

To support human resources-related and recruiting, Vector offers JOBTV, a recruiting platform that enables efficient matching by using video to complete the initial process of recruiting/job hunting.

Connect operates a career school specializing in side jobs and freelance work, providing biweekly training in digital marketing, website design, and other digital skills. Vector decided to make Connect an equity method affiliate because the combination of Connect's career school business and JOBTV service will enable students to use JOBTV for job seeking support after graduating from the career school.

The "Basic Policies for Economic and Fiscal Management and Reform 2023," approved by the Cabinet in June 2023, includes policies for labor market reform, such as support for skills improvement through honing new skills and facilitation of labor migration to growth fields. The company believes that the boost provided by these policies will increase demand for both Connect and JOBTV services and accelerate growth of both companies.

According to Vector, the impact of this transaction on its FY02/24 consolidated earnings is expected to be negligible.

Number of shares held before the change	None (number of voting rights: 0, voting rights ownership ratio: 0.0%)
Number of acquired shares	390,000 shares (number of voting rights : 390,000)
Acquisition price*	Total (approximate amount) JPY179mn, consisting of JPY168mn for common shares of Connect and advisory expense (approximate amount) of JPY11mn
Number of shares held after the change	390,000 shares (number of voting rights: 390,000, voting rights ownership ratio : 39.0%)

Source: Shared Research based on company data

\*In addition to the acquisition price, the company agreed to acquire additional shares of Connect and make it a consolidated subsidiary by paying an additional consideration determined at fair market value based on an appraisal by a third-party institution, depending on the degree of earnings achievement.

## Change in consolidated subsidiaries (transfer of shares) and extraordinary gain

Vector Inc. announced a change in consolidated subsidiaries (share transfer) and the posting of extraordinary gain.

At a meeting of its board of directors held on the same day, the company announced that it would transfer all shares of its wholly owned consolidated subsidiary Signal Inc. ("Signal") to Accenture Japan (Japanese entity of Accenture plc [NYSE ACN], unlisted) and remove it from the scope of consolidation. The agreement is scheduled to be signed on July 24, 2023, and the share transfer is expected to take place during FY02/24.

Vector's core business is strategic PR services, and in 2005, it established Signal Inc. as a subsidiary to be in charge of the web domain of strategic PR projects ordered by clients. At the time of its establishment, the company outsourced social networking service (SNS) marketing and web policies for its strategic PR projects to Signal. With the digitalization of society, SNS became the mainstream method for spreading information, and the company established a system that enables SNS marketing and other services at each subsidiary. As a result, the business areas of group companies overlapped, and as part of the review of the business, Vector decided to transfer the shares of Signal to Accenture.

The company plans to record an extraordinary gain of JPY1.7bn from the sale of shares in affiliated companies in its consolidated financial results for FY02/24 and an extraordinary gain of JPY1.9bn in its non-consolidated financial results.

According to the company, the final transfer price will be determined based on the terms and conditions of the transfer agreement, including Signal's financial figures, and may therefore be subject to change. The impact on the company's FY02/24 consolidated financial results is currently under review.

Number of shares held before the change	600 shares (voting rights ownership ratio: 100.0%)
Number of shares to be transferred	600 shares
Number of shares held after the change	None (voting rights ownership ratio: 0.0%)

Source: Shared Research based on company data

## Acquisition of shares of Owned Co., Ltd. (making it a consolidated subsidiary)

2023-07-12

On July 11, 2023, Vector Inc., announced the acquisition of shares of Owned Co., Ltd. and making it a consolidated subsidiary.

The company announced that it will acquire shares of Owned Co., Ltd. (unlisted, hereinafter "Owned") and make it a consolidated subsidiary. The agreement is scheduled to be signed on July 11, 2023, and the stock transfer is scheduled for execution on July 14, 2023.

In the advertising industry, growth in Internet advertising spending remains high as society adopts digitalization, and the market is expected to expand further. In order to respond to changes in the market environment, Vector is working to strengthen its group, including through M&A, to enhance its digital marketing services.

Owned is a digital marketing support business that provides one-stop support from strategic planning to operate under the mission of "bringing hope to people in their century-long life through the power of digital." Vector believes that by combining Owned's digital marketing expertise with its PR and client base, it can maximize marketing effectiveness and strengthen its foundation for contributing to the growth of clients' businesses.

The company expects this matter to have a negligible effect on its consolidated results for the fiscal year ending February 28, 2024.

Shares held before the change	0 shares (voting rights: 0, percentage ownership of voting rights: 0.0%)
Acquired shares	7,756 (voting rights: 7,756)
Acquisition price*	Purchase of common shares: JPY485mn, advisory expenses (approximation): JPY4mn, total of JPY489mn (approximation)
Shares held after the change	7,756 (voting rights: 7,756, percentage ownership of voting rights: 66.7%)

\*In addition to the acquisition price, if Owned's profit exceeds a certain amount, a conditional consideration (earnout) will be paid according to the degree of achievement of the business performance. This agreement reduces acquisition risk and provides an incentive to Owned.

## Issuance of new shares as restricted stock compensation

2023-06-30

On June 29, 2023, Vector Inc. announced the issuance of new shares as restricted stock compensation.

At a meeting of its Board of Directors held on the same day, the company's Board of Directors resolved to issue new shares as restricted stock compensation, in light of the company's business performance and other matters.

Vector has introduced a restricted stock compensation plan for its directors (excluding outside directors) to encourage them to share the benefits and risks of stock price fluctuations with shareholders and motivate them more than ever to contribute to enhancing corporate value over the long term. Through implementation of the plan, the company hopes to achieve the medium-term profit plan, which targets a consolidated operating profit of JPY10bn for FY02/26.

Summary of issuance	
Due date for bank transfer	July 18, 2023
Type and number of shares to be issued	240,000 shares of the company's common stock
Issue price	JPY1,322/share
Total issuance price	JPY317,280,000
Scheduled allottee	Four directors of the company (excl. outside directors), 144,000 shares Seven executive officers of group companies, 96,000 shares

## Acquisition of shares of BUSiCONET, (making it a consolidated subsidiary)

2023-06-16

On June 15, 2023, Vector Inc., announced the acquisition of shares of BUSiCONET Co., Ltd., making it a consolidated subsidiary.

Vector announced that it will acquire shares of BUSiCONET Co., Ltd. (unlisted) and make it a consolidated subsidiary. The agreement is scheduled to be signed on June 15, 2023, and the share transfer is scheduled to take place on June 28, 2023.

In order to support human resources and recruiting, Vector offers JOBTV, a recruiting platform that enables speedy matching by using video to complete the entry point for recruiting and job hunting. BUSiCONET, which operates a job hunting Web media business, continues to grow rapidly as the number of visitors to its multiple media outlets continues to increase. Vector decided to acquire shares of BUSiCONET because it believes that navigating jobseekers from BUSiCONET job hunting Web media to JOBTV will lead to increased earnings for JOBTV.

According to the company, the acquisition will have a negligible impact on FY02/24 consolidated results.

Number of shares held before the change	0 shares (Number of voting rights 0, Voting rights ownership ratio 0%)
Number of acquired shares	139 (Number of voting rights 139)
Acquisition price	BUSiCONET common stock: JPY1,685mn, Advisory expense (Approximate amount) : JPY110mn, Total (Approximate amount) : JPY1,795mn
Number of shares held after the change	139 (Number of voting rights: 139, Voting rights ownership ratio: 70.2%)

## Notice of dividend payment from a subsidiary

2023-05-19

Vector Inc., made an announcement regarding the dividend payment from a consolidated subsidiary.

The company announced that it will receive a dividend from its consolidated subsidiary, Platinum Inc., (unlisted). The dividend amount is JPY350mn, and the payment date is scheduled for May 26, 2023. According to the company, since this is a dividend from a consolidated subsidiary, there will be no impact on FY02/24 consolidated earnings results.

## Receipt of dividends from consolidated subsidiary

2023-01-23

VECTOR INC. has announced that it will receive dividends from a consolidated subsidiary.

The company announced that it will receive a dividend of JPY210mn from its unlisted consolidated subsidiary Brand Cloud Inc. on January 31, 2023. According to the company, this dividend will have no impact on consolidated results in FY02/23 because it will be issued by a consolidated subsidiary.

## Acquisition of shares in Keyword Marketing Inc.

2022-12-16

VECTOR INC. made an announcement regarding the acquisition of shares in Keyword Marketing Inc. to make it a consolidated subsidiary.

The company announced that it would acquire shares in Keyword Marketing Inc. (unlisted) to make it a consolidated subsidiary.

Keyword Marketing Inc. provides advertising services for all types of media, such as search-linked advertising, social-media advertising, and display advertising. Keyword Marketing Inc. not only helps clients temporarily increase the number of conversions\* and improve the cost per acquisition (cost per action)\*\* but also provides support for the implementation of medium- to long-term marketing strategies. Keyword Marketing Inc. has assisted more than 300 clients in a wide range of industries, with an annual retention rate of more than 90%. VECTOR believes that it will be able to maximize clients' marketing effectiveness by making Keyword Marketing Inc. a subsidiary. The acquisition will enable the company to offer PR services to help clients increase their name recognition, while providing digital marketing services to help them win new customers.

The share transfer date is December 26, 2022. The company says that the share acquisition will not have a material impact on its FY02/23 consolidated earnings.

\*The number of conversions is the number of actions taken by users who click on ads and visit a website. Such actions include the purchase of a product on the website, registration as a member, or the sending of an inquiry, i.e., actions that may have resulted from advertising.

\*\*Cost per acquisition or cost per action (CPA) is the advertising cost to obtain one conversion.

## Acquisition of shares in Amy, Inc.

2022-11-18

Vector, Inc. has announced the acquisition of shares in Amy, Inc., making it a consolidated subsidiary.

In addition to acquiring shares in Amy Inc. (unlisted, "Amy" below), the company announced it would convert the convertible bonds with share subscription rights it acquired from Amy in February 2022 to shares, making it a consolidated subsidiary. Amy Inc. offers a platform that connects franchisors and franchisees. Besides their matching service, they provide support for everything from franchise launch to operation.

The purpose of making it a subsidiary is to boost the value of the group. The company expects Amy's expertise with platform management and consulting to compliment the group's various services. By providing Amy with a wide range of marketing services, Vector will accelerate the growth of Amy's offerings while providing committed support, including in terms of management.

The company plans to acquire 112,607 shares from Amy shareholders, as well as 25,521 shares through the conversion of convertible bonds with share subscription rights, giving Vector 87.2% of voting rights in Amy. The scheduled date of the share transfer is November 21, 2022, and the scheduled date of conversion of convertible bonds with share subscription rights is November 30, 2022. According to the company, the impact of the transaction on consolidated FY02/23 results will be minimal.

## Announcement of plans to acquire majority stake in unlisted MasterVisions Co., Ltd.

2022-11-11

On November 10, 2022, VECTOR INC. announced plans to acquire a majority stake in unlisted MasterVisions Co., Ltd., as detailed below.

MasterVisions is an unlisted company that operates a free-viewpoint video creation/streaming service with capability of a 360-degree viewing experience available on smartphones and a range of other platforms. According to MasterVisions, its

service is highly competitive on many counts, including pricing and ease of use, and is currently finding use in fields such as entertainment and sports.

VECTOR sees an opportunity (1) to combine its own live commerce service with video creation/streaming service of MasterVision, (2) to provide its wide-ranging marketing services to MasterVisions to accelerate growth at MasterVisions' free-viewpoint video creation/streaming service; and (3) to increase its corporate value by providing management support to MasterVision to promote the next level of growth phase. For these reasons, the company entered into a capital alliance agreement with MasterVisions to underwrite a third-party allotment of new shares and make MasterVisions a consolidated subsidiary of the company.

The private placement is scheduled to be executed on November 18, 2022, and the company will hold 56.8% of the voting rights. According to the company, the impact on FY02/23 consolidated results is expected to be negligible.

# Other information

## History

Year	Month	Description
1993	Mar	Debiasu, Inc. established to engage in a sales promotion (SP) business
1993	Jun	Changed name to Vector, Inc.
2000	Apr	Transitioned to a structure centered on the PR business
2012	Mar	Listed on the Mothers section of the Tokyo Stock Exchange (TSE Mothers: 6058)
2014	Nov	Listing changed to the First Section of the Tokyo Stock Exchange
2016	Mar	PR TIMES listed on the Mothers section of the Tokyo Stock Exchange (TSE Mothers: 3922)
2018	Aug	PR TIMES listing changed to the First Section of the Tokyo Stock Exchange (TSE1: 3922)
2022	Apr	Listing switched from the First Section to the Prime Market of the Tokyo Stock Exchange accompanying restructuring of the exchange

Source: Shared Research based on company data

## Top management and corporate governance

### Top management

#### Keiji Nishie, President, Chairman, and Representative Director (born September 14, 1968)

Sep. 1993	Founded Vector Inc., President and CEO
Jan. 2011	Weiku Gonggong Guanxi Zixun (Shanghai) Co., Ltd., Chairman
Jun. 2012	Vector Group International Limited, Director (current)
Mar. 2014	Vector Group Ltd., Representative Director
May 2014	VECTOR GROUP COMPANY LIMITED, Representative Director (current)
Apr. 2016	VECTOR, INC., Representative Director (current)
May 2020	Vector Inc., Chairman
Mar. 2022	Vector Inc, President, Chairman, and Representative Director (current)

#### Hajime Hasegawa, Director and Vice President (born April 26, 1971)

Mar. 1993	Participated in the establishment of the company as a founding member
Apr. 1995	Joined Ministry of Posts and Telecommunications (now Japan Post Holdings Co., Ltd.)
Apr. 1997	Joined Vector Inc.
May 2001	Vector Inc., Director (current)
May 2004	Vector Standard Co., Ltd. (now Antil), Representative Director
Sep. 2015	Weiku Gonggong Guanxi Zixun (Shanghai) Co., Ltd., Chairman (current)
May 2017	PR TIMES, Inc., Director
Nov. 2018	Direct Tech Co., Ltd., Representative Director (current)
May 2020	Vector Inc., Representative Director
Mar. 2022	Vector Inc., Director and Executive Vice President (current)

#### Saori Kiryu, Director (June 15, 1975)

Apr. 1998	Joined Vector Inc.
Jun. 2003	Vector Inc., Director (current)
May 2004	Vector Communication Co., Ltd. (now Platinum), Representative Director (current)
Mar. 2022	Vector Inc., Director and Executive Vice President (current)

#### Yosuke Goto, Director (September 10, 1984)

Apr. 2007	Joined Softbrain Co., Ltd.
Jan. 2015	Joined VOYAGE GROUP Co., Ltd. (now CARTA HOLDINGS)
Jun. 2019	Joined Vector Inc.
Aug. 2019	Vector Inc., General Manager, Business Administration Division (current)
Mar. 2020	Ashita-Team, Director (current)
May 2020	Vector Inc., Director (current)
May 2021	100 Capital Co., Ltd., Representative Director (current)
Mar. 2022	Vector Inc., Director and CFO (current)

### Keiji Nishie, President, Chairman, and Representative Director

Born in Kurashiki, Okayama Prefecture in 1968. After attending Okayama Prefectural Kurashiki Amagi High School, he entered the Faculty of Sociology at Kwansei Gakuin University and became an entrepreneur while still a student, launching Vector Inc. in 1993. He was involved in several businesses, including an event business securing party venues for students, a tour business, and a magazine business, handling more than 100 tours and parties per year. After graduating from college, he planned to work for a foreign financial institution, but decided against it. He instead worked a wide range of jobs including promotion, TV program production, and a stint developing ramen shops at train terminals. Around the year 2000,

he took to developing a full-blown strategic PR business. It garnered attention as a new business in the PR industry, which mostly consisted of support for PR departments and outsourcing of PR tasks.

In 2000, Mr. Nishie took a leave of absence due to illness for about seven years, then made a return to hands-on oversight in 2010. He then established local subsidiaries in Beijing, Shanghai, Hong Kong, Singapore, Indonesia, Thailand, and Vietnam. Mr. Nishie is expanding the company's business in the growing markets of Asia and major ASEAN countries. According to PRWeek Top Consultancies, Vector was the top PR company in Asia in terms of revenue in 2020. Mr. Nishie gave up the post of representative director in May 2020, but was reinstated in March 2022.

## Outside directors

In May 2020, Mr. Nishie was named chairman and Mr. Hasegawa took over the position of president and representative director (in March 2022, Mr. Nishie once again became representative director as Mr. Hasegawa assumed the post of executive vice president) and the company appointed three new outside directors to strengthen governance, increasing the number of outside directors from two to five.

The two original outside directors were Kota Matsuda, founder of Tully's Coffee Japan, and Takashi Nishiki, who has held executive positions in real estate, finance, and investment companies. The three new outside directors are Ryuichi Tomimura, the president of Sigmxyz, Michimasa Naka, a venture capitalist who previously served as vice chairman of Citigroup, and Yasunobu Nose has a wealth of knowledge in finance, having served as vice chairman of FinTech Global.

## C-suite management consisting of three founders

Mr. Nishie is the founder and largest shareholder and serves as CEO with a bird's eye view of overall management, investments, and new and overseas businesses. Mr. Hasegawa is also a founding member and serves as Mr. Nishie's right-hand man, responsible for supporting overall management operations. Saori Kiryu, also a founding member, is responsible for overseeing the PR business.

## Skill matrix of directors and auditors

Name	Position	Advertising operations	Manag.	Investm	Internat	Account	Legal compliance	Role of internal directors; background of outside directors
Keiji Nishie	President, Chairman, Representative Director	○	○	○	○			Group management
Hajime Hasegawa	Director, Executive Vice President	○	○		○	○		Group management support, JOBTV
Saori Kiryu	Director, Executive Vice President	○	○					PR Company
Yosuke Goto	Director, CFO					○	○	General management
Takashi Nishiki	Outside Director		○	○	○	○		Real estate, finance, investing
Kota Matsuda	Outside Director		○	○	○	○		Company creation, former member of the House of Councilors
Ryuichi Tomimura	Outside Director		○	○	○	○		Management at a consultant company
Michimasa Naka	Outside Director		○	○	○	○		Finance
Yasunobu Nose	Outside Director		○	○	○	○		Finance
Kazutora Mori	Auditor	○				○	○	
Koonsun Hyun	Outside Auditor				○		○	
Satoshi Yaginuma	Outside Auditor					○	○	

Source: Shared Research based on company data

Note: The above chart denotes areas, based on the business environment in which the company operates, in which each director and auditor demonstrates particular expertise based on their experience. It is not a complete representation of the experience, knowledge, and abilities of each individual.

## Corporate governance

Form of organization and capital structure	
Form of organization	Company with Audit & Supervisory Board
Controlling shareholder	None
Directors and Audit & Supervisory Board members	
Number of directors under Articles of Incorporation	10
Number of directors	9
Directors' term of office under Articles of Incorporation	1 year
Chairperson of the Board of Directors	president
Number of outside directors	5
Number of independent outside directors	5
Number of Audit & Supervisory Board members under the Articles of Incorporation	3
Number of Audit & Supervisory Board members	3
Number of outside members of Audit & Supervisory Board	2
Number of independent outside members of Audit & Supervisory Board	2
Other	
Participation in electronic voting platform	In place
Providing convocation notice in English	In place
Implementation of measures regarding director incentives	Other
Eligible for stock option	None
Disclosure of directors' compensation	Compensation of individual directors not disclosed
Policy to determine amount and calculation method of remuneration	In place
Corporate takeover defenses	None

Source: Shared Research based on company data

## Dividends

Per-share data (split-adjusted; JPY)	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22	FY02/23
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Shares issued (year-end; '000)	13,318	14,836	44,628	45,527	46,306	46,808	47,936	47,936	47,936	47,936
Treasury shares ('000)	-	-	0	262	262	262	262	262	262	262
EPS	13.1	16.0	18.9	28.2	31.3	-52.3	-4.2	10.2	43.5	66.5
EPS (fully diluted)	12.8	15.9	-	-	-	-	-	-	-	-
Dividend per share	4.3	3.0	11.0	5.0	6.0	-	2.0	13.0	19.0	19.0
Payout ratio	33.0%	18.7%	58.2%	17.7%	19.2%	0.0%	0.0%	19.6%	29.9%	28.6%
Book value per share	63	125	140	189	227	168	160	248	259	271
DOE	7.5%	3.2%	8.3%	3.0%	2.9%	0.0%	0.0%	1.0%	5.1%	7.2%

Source: Shared Research based on company data

The company recognizes shareholder returns as an important management issue. It aims to return profits to shareholders by enhancing corporate value through medium- and long-term business growth and paying stable dividends. Vector changed the basic policy for dividends at the same time it announced the medium-term profit plan in April 2022. From a perspective of fair return of profit to shareholders, the company eliminated the shareholder incentive program and increased the payout ratio from 20% to 30%. PR TIMES, meanwhile, will not pay a dividend until FY02/26.

## Major shareholders

Major shareholders	Total shareholding ('000 shares)	Shareholding ratio
Keiji Nishie	18,780.6	39.39%
The Master Trust Bank of Japan, Ltd. (Trust account)	5,812.7	12.19%
Japan Trustee Services Bank, Ltd. (Trust account)	4,385.0	9.20%
Saori Kiryu	927.6	1.95%
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT (Standing Proxy: The Bank of Mitsubishi UFJ)	745.5	1.56%
STATE STREET BANK AND TRUST COMPANY 505,019 (Standing Proxy: HSBC Tokyo Custody Branch)	601.3	1.26%
Hajime Hasegawa	583.3	1.22%
The Nomura Trust and Banking Co., Ltd.(Investment trust account)	539.1	1.13%
MSCO CUSTOMER SECURITIES(Standing proxyMorgan Stanley MUFG Securities)	520.9	1.09%
GOLDMAN SACHSINTERNATIONAL(Standing proxyGoldman Sachs Securities)	398.3	0.84%
Total	33,294.2	69.84%

Source: Shared Research based on company data (as of February 28, 2022)

Notes: In addition to the above, Mr. Hajime Nishie has entrusted 1,265,000 shares (2.65%) to SMBC Trust Bank Ltd., a specified securities trustee, as trust assets, and reserves the right to give instructions regarding voting rights for these shares.

# Employees

Cons.	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22	FY02/23
<b>(persons)</b>										
Number of employees	266	331	385	505	659	1,037	1,144	1,288	1,303	1,427
PR and Advertising		331	349	457	554	727	759	845	876	965
Press Release Distribution			36	35	53	51	47	75	86	120
Video Release Distribution					29	46	64	80	82	74
Direct Marketing					0	4	29	64	87	94
Media							39	44	47	35
Human Resources							189	180	125	137
Investment business										2
Other	266	0	0	13	23	209	17	0	0	0
Number of average temp workers	62	95	112	158	233	142	229	304	309	405
PR and Advertising		94	83	118	162	83	137	174	184	264
Press Release Distribution			28	33	33	40	46	98	108	108
Video Release Distribution					1	4	7	5	3	3
Direct Marketing					13	8	0	1	5	11
Media							25	18	9	6
Human Resources							12	8	0	13
Investment business										0
Other	62	1	1	7	24	7	2	0	0	0
Number of employees (parent)	52	71	108	149	183	265	279	89	74	89
Number of average temp workers	23	32	47	46	35	24	5	31	22	32
Average age	29.2	29.0	28.6	28.3	29.2	29.4	29.3	37.3	32.8	31.7
Average years of service	2.1	2.5	2.3	2.4	2.5	2.8	2.7	3.6	2.7	2.6
Average annual salary (JPY'000)	4,786	4,647	4,680	5,217	5,714	4,708	5,009	7,650	7,779	6,577
Revenue per employee (JPYmn)	20.8	21.1	20.6	22.0	24.7	30.0	27.9	24.5	30.0	31.2
PR and Advertising			20.6	20.9	22.4	24.7	22.3	18.2	24.9	24.9
Press Release Distribution				19.8	22.3	24.8	30.4	23.7	25.8	27.0
Video Release Distribution						39.7	30.2	17.4	16.2	17.1
Direct Marketing					219.3	651.9	517.4	239.8	153.1	144.7
Media							14.5	16.6	20.3	
Human Resources							13.9	16.5	16.5	
Operating profit per employee (JPYmn)	2.9	3.2	3.4	3.7	3.7	2.6	2.2	1.5	3.2	3.5
PR and Advertising			3.4	3.2	3.3	2.7	2.8	1.2	2.0	2.5
Press Release Distribution				3.7	4.9	5.6	5.9	8.2	9.7	5.6
Video Release Distribution						7.7	5.3	-2.0	-0.9	-0.4
Direct Marketing					16.5	45.8	33.8	15.1	9.6	9.7
Media								1.7	-0.4	0.1
Human Resources								-4.7	1.5	2.4

Source: Shared Research based on company data

Note: Revenue and operating profit per employee were calculated by dividing revenue and operating profit by the sum of the average number of employees (average of headcounts at the start and end of the period) and the average number of temporary employees.

The company's PR and Advertising (965 employees as of end-FY02/23), Video Release Distribution (120), Media (35), and Human Resources (137) segments are labor intensive, with revenue dependent on manpower. Revenue and operating profit per employee in these segments are lower than the company's average and have been flat or declining for the past six fiscal years. On the other hand, the Press Release Distribution (120 employees) and Direct Marketing segments (94) have established business models based on platforms and that enable top-line growth without relying on manpower. Both have higher revenue and operating profit per employee than the other segments. In April 2023, the company welcomed 70 employees fresh out of school, assigning 60 of them to JOBTV, taxi signage, and other businesses within PR and Advertising.

# Profile

Company Name

**VECTOR INC.**

Phone

**03-5572-6080**

Established

**1993-03-30**

IR Contact

<https://vectorinc.co.jp/ir/inquiry>

Head Office

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Listed On

**Tokyo Stock Exchange, Prime Market**

Exchange Listing

**2012-03-27**

Fiscal Year-End

**Feb**

# About Shared Research Inc.

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at <https://sharedresearch.jp>.

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