

VECTOR INC.

## Interim Report – FY '23



October 14, 2022

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# Quarterly Results

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## Overview of Consolidated Results for Six-Month Period

Net Sales

26,670 million JPY  
(121.1% YoY)

Gross Profit

17,710 million JPY  
(127.7% YoY)

EBITDA\*

3,750 million JPY  
(150.2% YoY)

Operating Profit

3,380 million JPY  
(161.6% YoY)

Ordinary Income

3,500 million JPY  
(164.5% YoY)

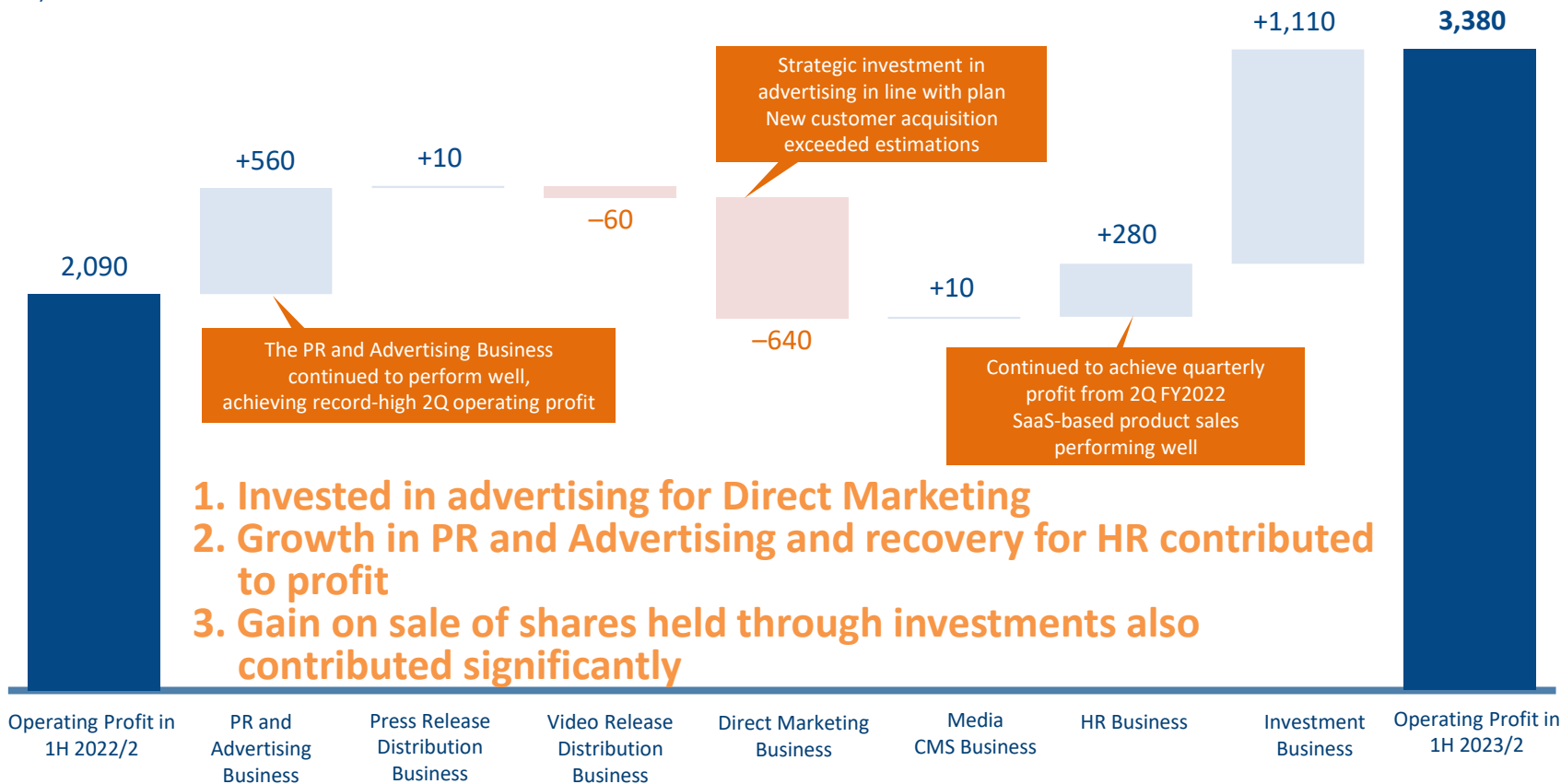
Profit Attributable to Owners of Parent

1,910 million JPY  
(308.3% YoY)

\*EBITDA = Operating profit + Depreciation + Amortization of goodwill

# Operating Profit (YoY Trend)

(million JPY)



1. Invested in advertising for Direct Marketing
2. Growth in PR and Advertising and recovery for HR contributed to profit
3. Gain on sale of shares held through investments also contributed significantly

## Progress Toward Full-Year Financial Forecasts

Full-Year Financial Forecast for FY '23 (million JPY)	FY '23 (Target)	FY '23 2Q-end	Progress	FY '23 1H Target	Achievement Rate
Net Sales	53,100	26,672	50.2%	24,890	107.2%
Operating Profit	6,200	3,383	54.6%	2,070	163.5%
Ordinary Income	6,100	3,507	57.5%	2,020	173.7%
Profit attributable to owners of parent	3,000	1,918	64.0%	900	213.2%
Reference: Net sales under the old revenue standard	56,500	28,896	51.1%	26,550	108.8%

The targets for operating and other profit from the plan for 1H were achieved owing to strong performance of the mainstay PR and Advertising Business and contribution from the sale of shares in the Investment Business. However, the full-year financial forecasts have not been changed because we do not plan to sell shares in the Investment Business in 2H, and we plan to accelerate investment in new businesses.

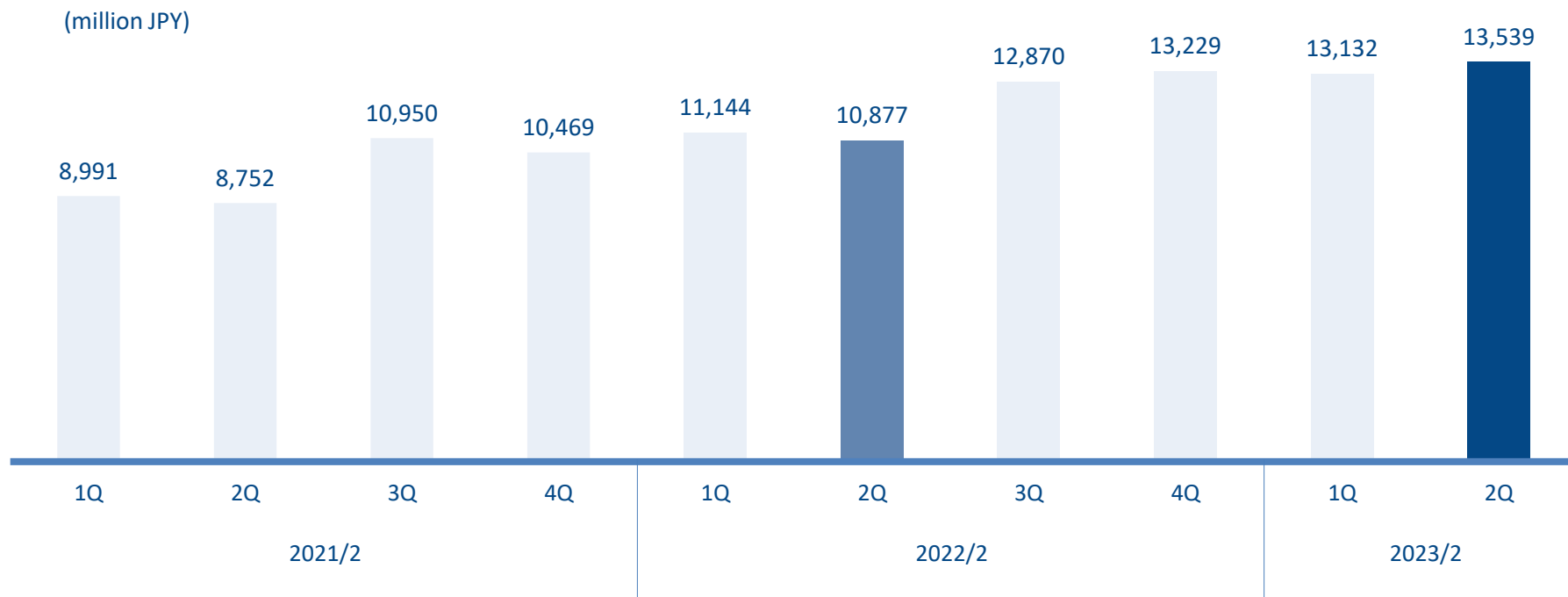
## Profit Plan by Segment

	Profit Plan by Segment (million JPY)	FY '23 (Target)	FY '23 2Q-end	Progress
Operating Profit	Consolidated	6,200	3,383	54.6%
	PR and Advertising	2,634	1,369	52.0%
	Press Releases	1,600	916	57.3%
	Video Releases	50	(46)	—
	Direct Marketing	835	(86)	—
	Media CMS	51	(8)	—
	HR	350	237	68.0%
	Investment	680	990	145.7%

There were negative results in the Video Release, Direct Marketing, and Media businesses, but these were accounted for in the plan, so we expect to achieve the targets from the plan in 2H. In the Investment Business, we do not anticipate any contribution from the sale of shares, and we are conservatively expecting write-downs, so we expect the results to be according to plan.

# Consolidated Net Sales (Quarterly Trend)

Consolidated net sales for 2Q FY2023 came in at **13,539** million JPY, the **highest ever** for 2Q (124.5% YoY).

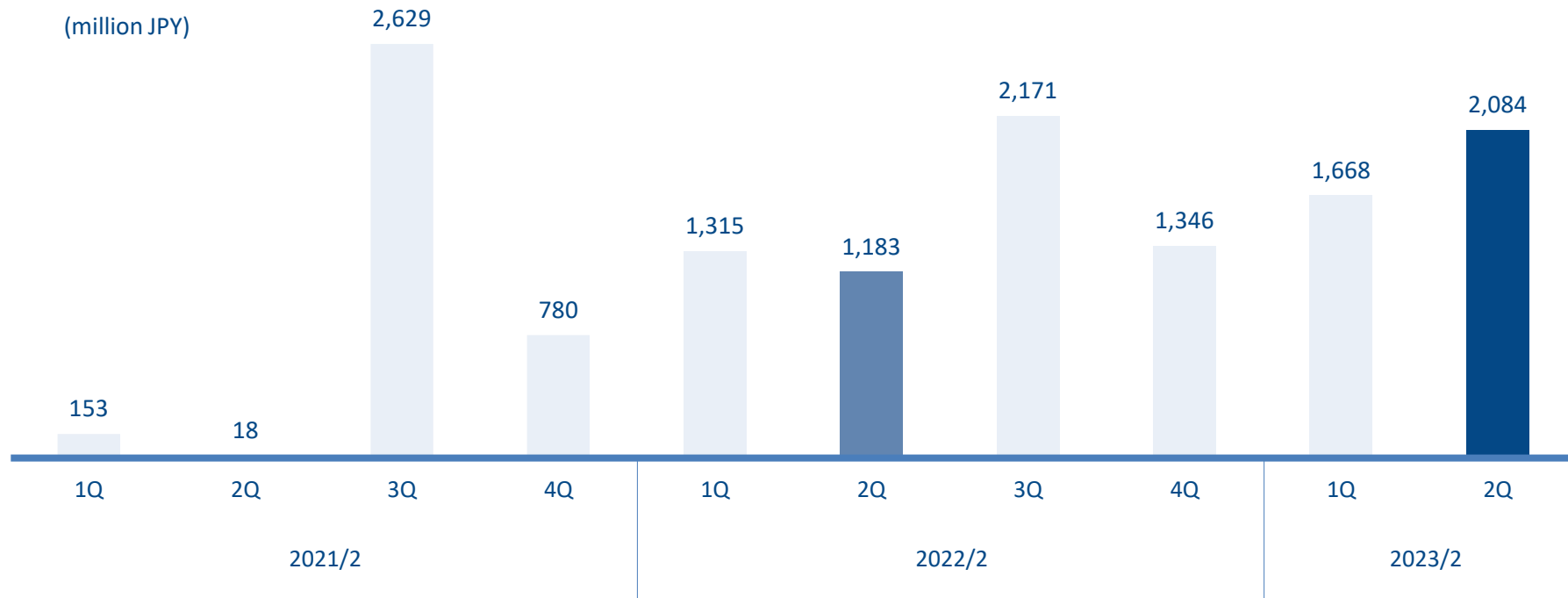


Note: Accounting Standard for Revenue Recognition applied as of beginning of FY2023  
Impacts were 1,288 million JPY and 935 million JPY in 1Q and 2Q, respectively.



# EBITDA (Quarterly Trend)

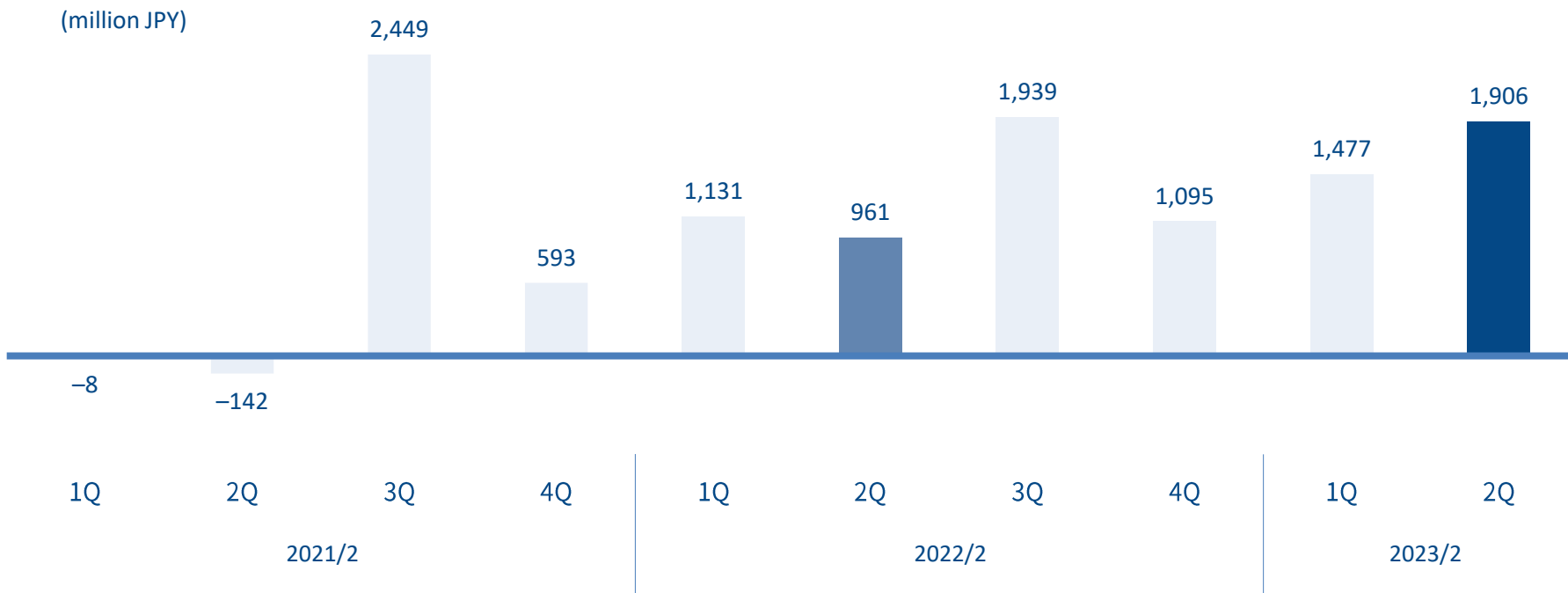
EBITDA for 2Q FY2023 came in at **2,084** million JPY, the highest ever for 2Q (176.2% YoY).



\* EBITDA = Operating profit + Depreciation + Amortization of goodwill

# Consolidated Operating Profit (Quarterly Trend)

Consolidated operating profit for 2Q FY2023 came in at **1,906** million JPY, the highest ever for 2Q (198.3% YoY).



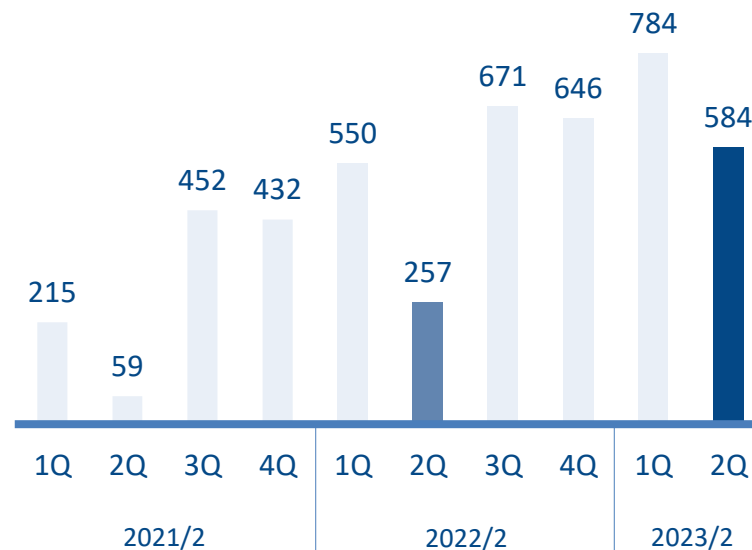
# PR and Advertising Business (Quarterly Trend)

In 2Q FY2023, **we achieved record-high 2Q operating profit** by meeting the marketing needs of customers.

We will continue aiming to increase unit prices through cross-selling while attempting to increase the number of retainer agreements in 3Q and beyond.

Net Sales: 6,717 million JPY (**118.1% YoY**)

Operating Profit: 584 million JPY (**227.4% YoY**)



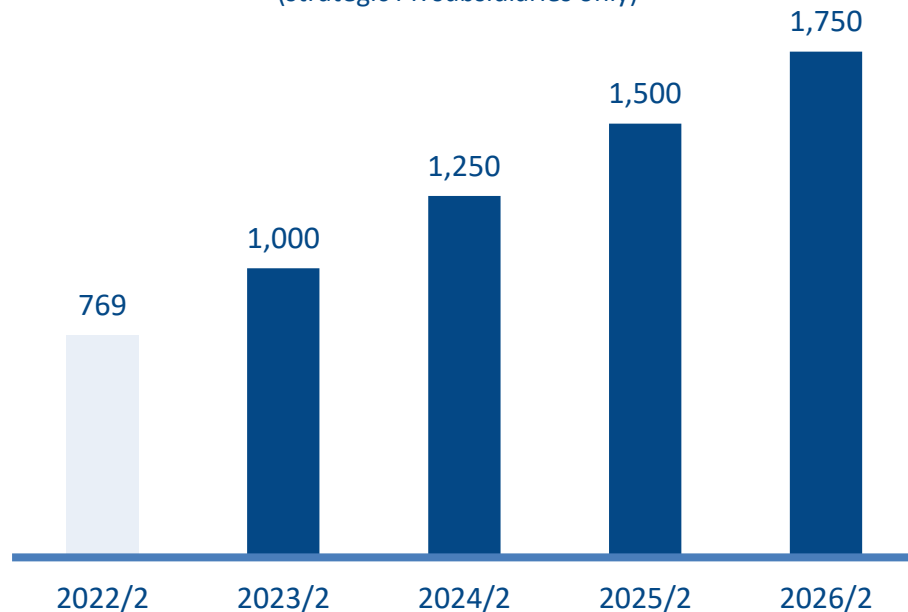
Note: Accounting Standard for Revenue Recognition applied as of beginning of FY2023  
Impacts were 1,140 million JPY and 814 million JPY in 1Q and 2Q, respectively.

# Retainer Agreement\* Targets

Retainer agreements form a stable earnings base for the PR business, and we aim to have entered contracts with 1,750 companies by FY2026. We have set the target of reaching 1,000 retainer agreements in FY2023 and will work to strengthen customer engagement.



Number of retainer agreements (strategic PR subsidiaries only)



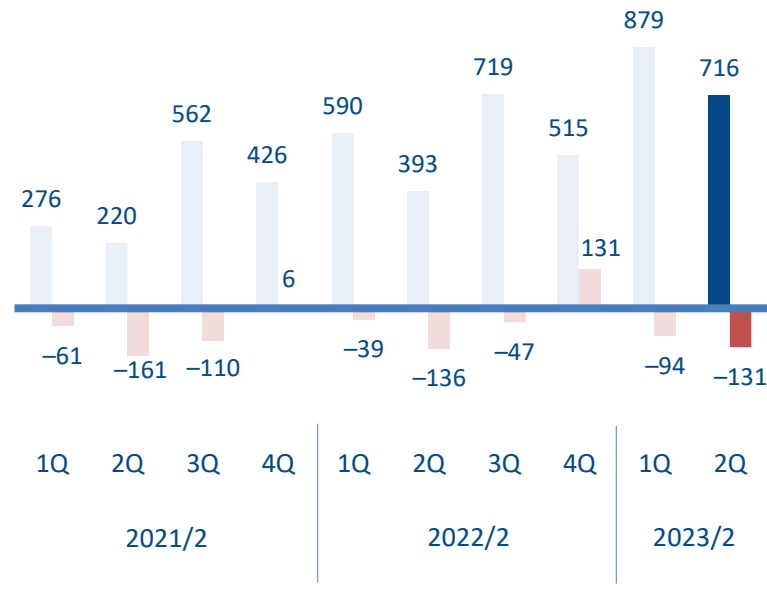
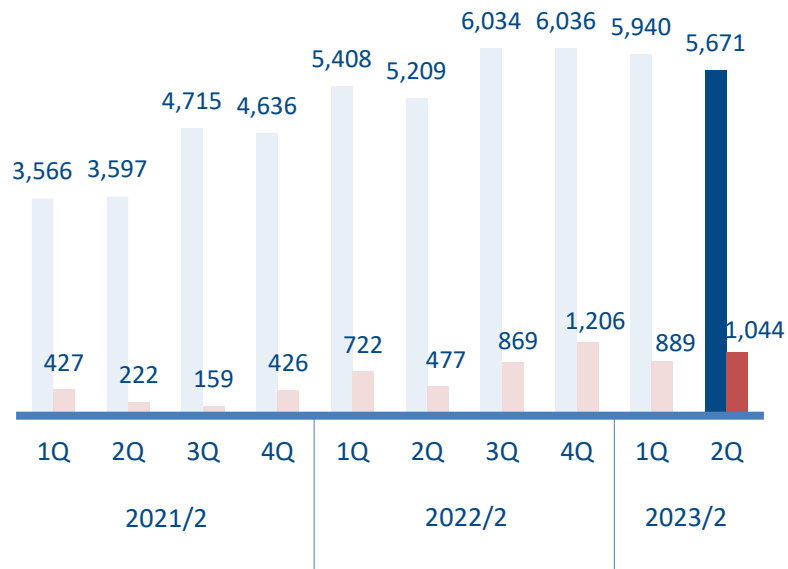
\* Retainer agreement: An agreement with a term of three or more months with monthly fees.

# PR and Advertising Business (By Region: Japan/Overseas)

In 2Q FY2023, although loss increased in the business overseas due to the impact of COVID-19, the business in Japan strongly drove performance. The business overseas is expected to recover starting in 3Q as the impact of COVID-19 wanes, and the business in Japan will continue to make up for it.

Net Sales: 5,671 million JPY (Japan) / 1,044 million JPY (overseas)

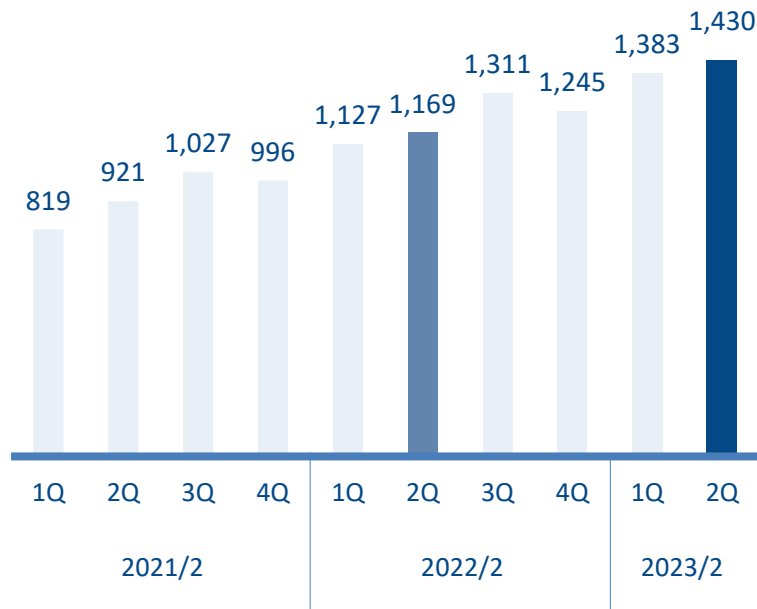
Operating Profit/Loss: 716 million JPY (Japan) / -131 million JPY (overseas)



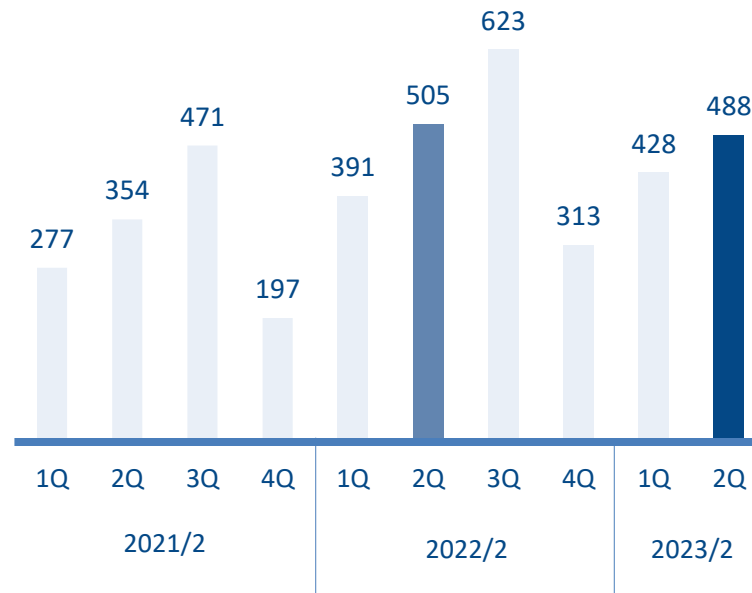
# Press Release Distribution Business (Quarterly Trend)

In 2Q FY2023, the number of user companies increased, pushing **net sales past 1.4 billion JPY to a record high**. Starting in 3Q FY2023, we plan to invest in advertising to increase the number of PR TIMES user companies.

Net Sales: 1,430 million JPY (122.4% YoY)



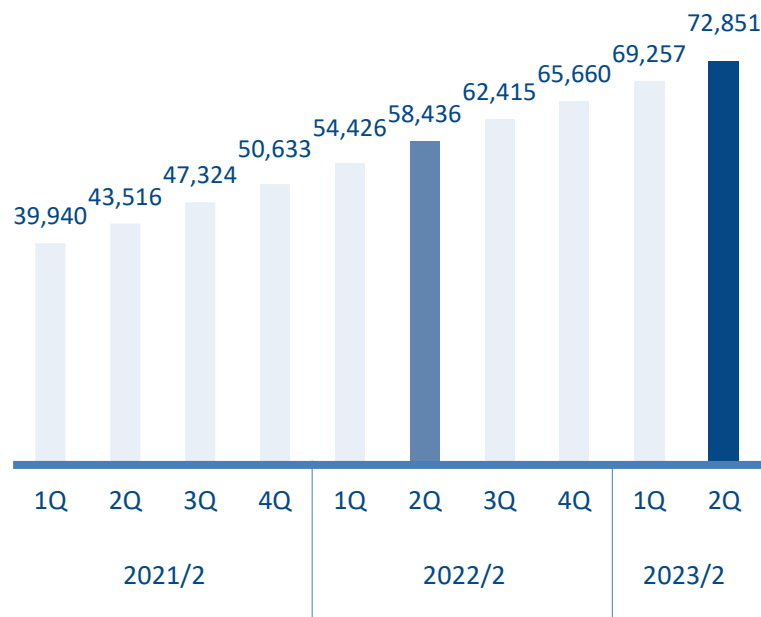
Operating Profit: 488 million JPY (96.6% YoY)



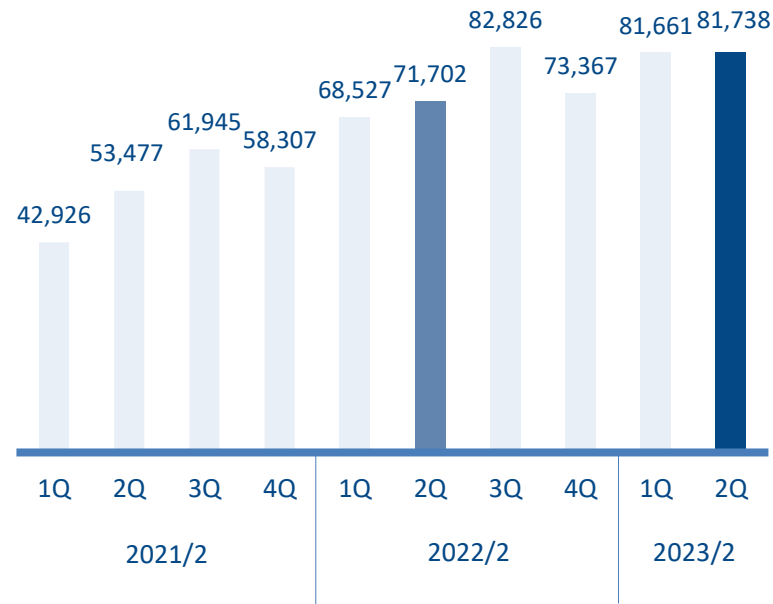
# Number of User Companies and Press Release Distributions

The number of user companies in 2Q FY2023 increased by 3,594 compared to 1Q FY2023, which led to an increase of 14,415 year on year and an accumulated total of 72,851 companies. The number of press release distributions was on par with that of 1Q, leading to a 10,036 increase year on year and an accumulated total of 81,738.

Number of user companies: 72,851 (124.7% YoY)



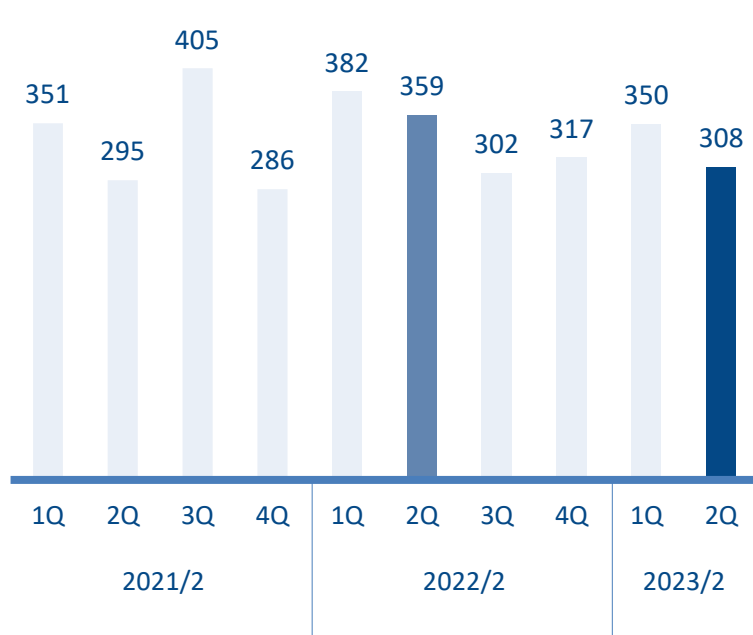
Number of press release distributions: 81,738 (114.0% YoY)



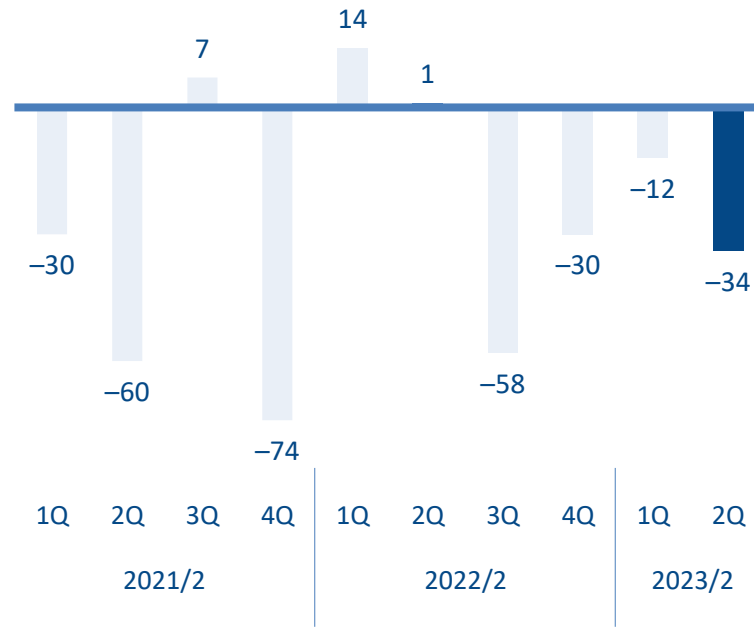
# Video Release Distribution Business (Quarterly Trend)

We recorded an operating loss in 2Q FY2023 due to focusing on lead acquisition to increase the number of projects from 3Q FY2023 and beyond. From 2Q FY2023, we will work to increase orders by pursuing leads, aiming to achieve full-year profitability.

Net Sales: 308 million JPY (85.7% YoY)



Operating Loss: 34 million JPY (Down 36 million JPY YoY)



Note: Accounting Standard for Revenue Recognition applied as of beginning of FY2023  
Impacts were 5 million JPY and 1 million JPY in 1Q and 2Q, respectively.

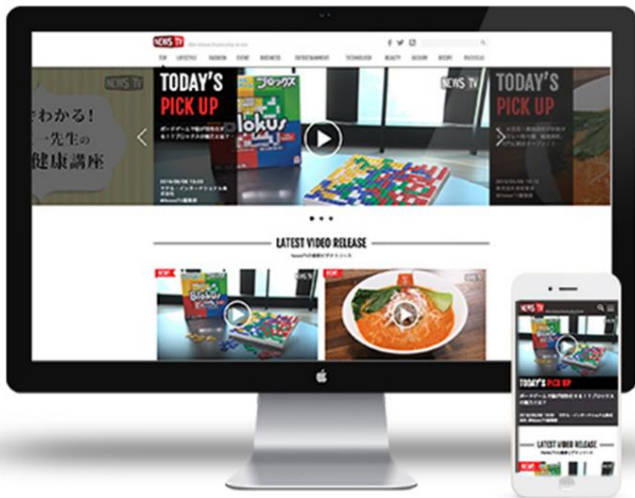


# Video Release Business Outlook

We will train sales personnel to strengthen proposal capabilities that tap into customer needs, expand the customer base, and increase the average price per distribution.

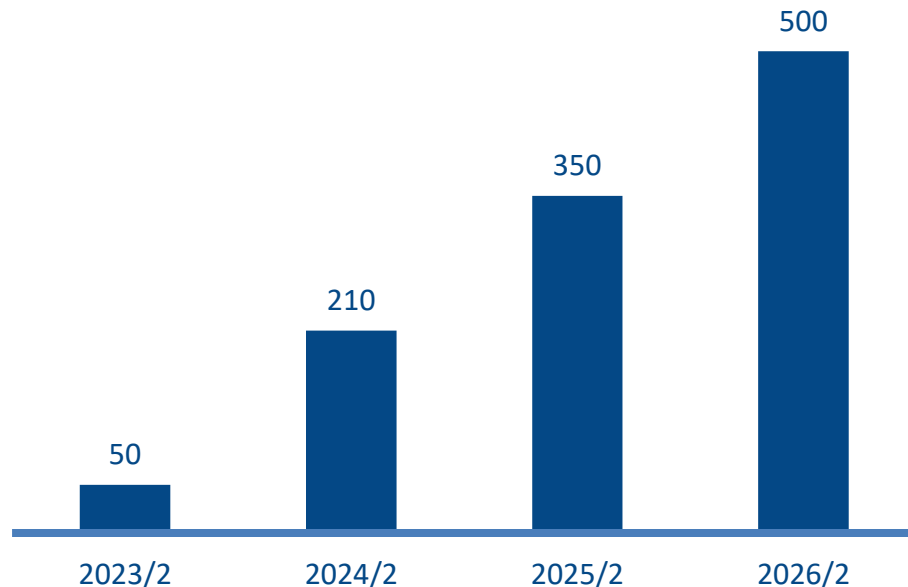
By expanding both Video Release and Sales Video Analytics, we aim to achieve an operating profit of 500 million JPY in FY2026.

Video advertising distribution, Video Release, allowing clients to produce them for free



Over 3,500 videos have been produced and distributed since the service was launched in 2015.

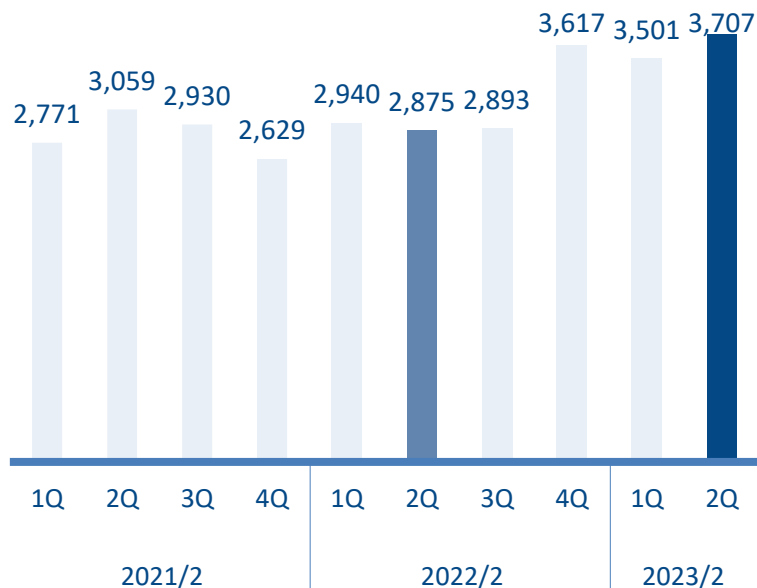
Operating Profit (million JPY)



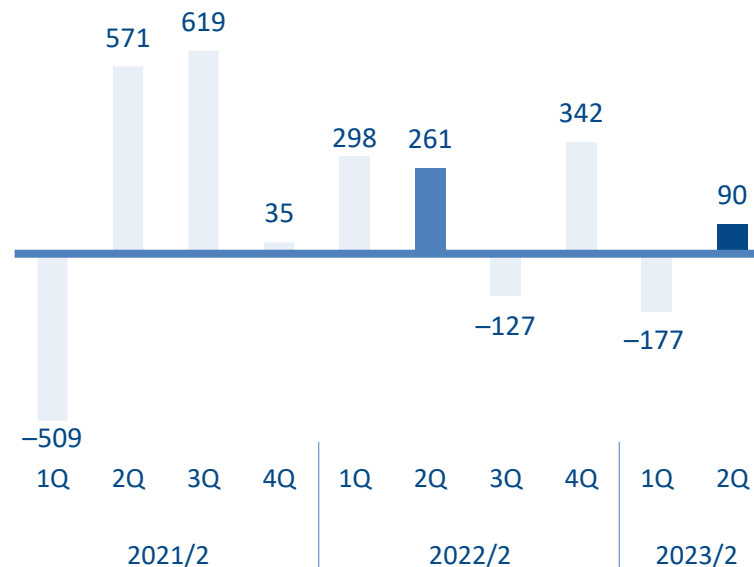
# Direct Marketing Business (Quarterly Trend)

In 2Q FY2023, continued strategic investment in advertising enabled us to **achieve record-high quarterly net sales**. Starting in 3Q FY2023, we **expect to secure operating income of 835 million JPY** while continuing to invest a certain amount in advertising.

Net Sales: 3,707 million JPY (129.0% YoY)



Operating Profit: 90 million JPY (34.8% YoY)



Note: Accounting Standard for Revenue Recognition as of beginning of FY2023  
Impacts were 109 million JPY and 90 million JPY in 1Q and 2Q, respectively.

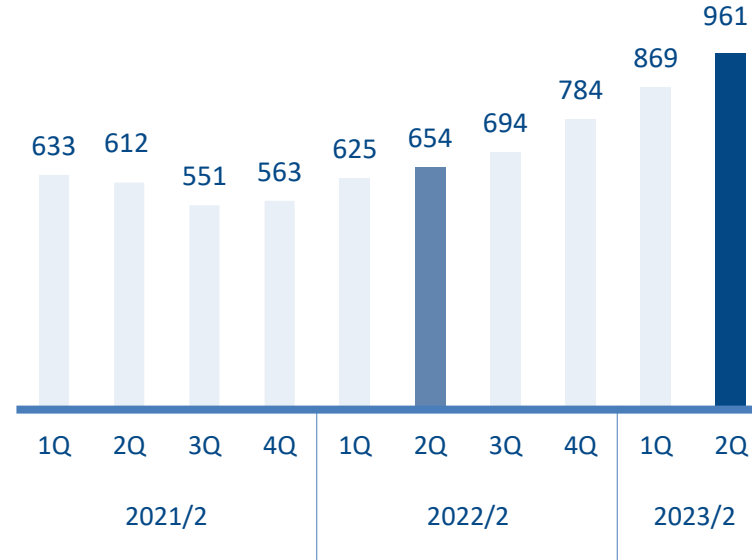
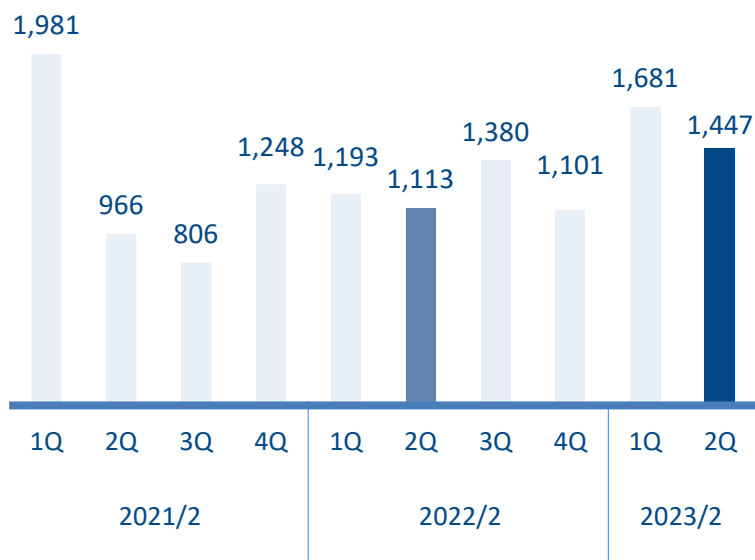
# Advertising Expenses and Units Sold

In 2Q, advertising expenses increased significantly year on year due to aggressive investment.

The number of units sold in 2Q reached 961,000 due to **strong sales of Terminalia First**.

Advertising Expenses: 1,447 million JPY (130.0% YoY)

Number of Units Sold: 961 thousand (146.7% YoY)

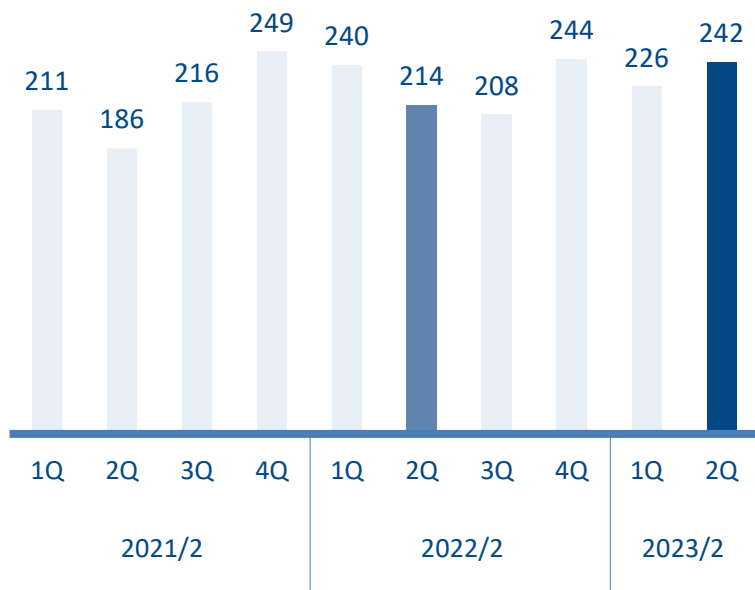


Note: Advertising expenses and units sold figures are for Vitabrid Japan only.

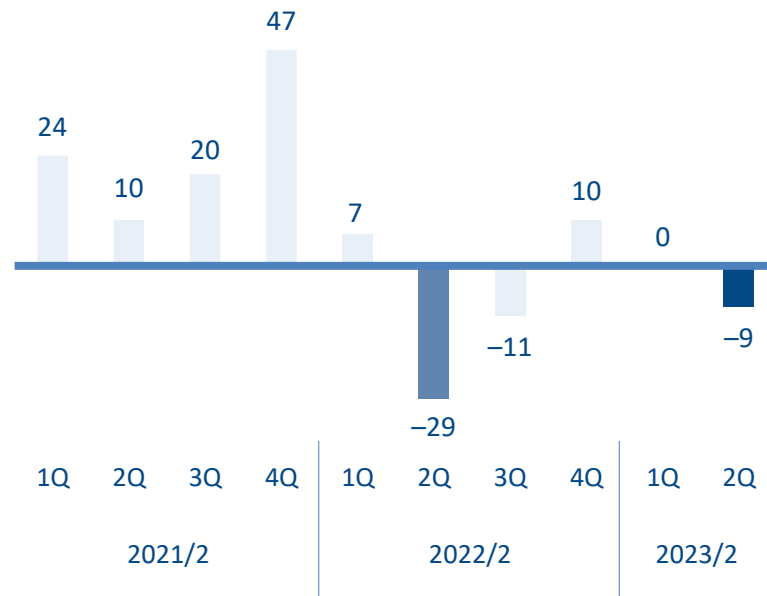
# Media CMS Business (Quarterly Trend)

In 2Q FY2023, we recorded a temporary operating loss due to aggressive investment in development to enhance CMS functionality. We will work to acquire owned media projects while continuing to enhance CMS functionality in 3Q FY2023 and beyond to achieve full-year profitability.

Net Sales: 242 million JPY (113.3% YoY)



Operating Loss: 9 million JPY (Up 20 million JPY YoY)

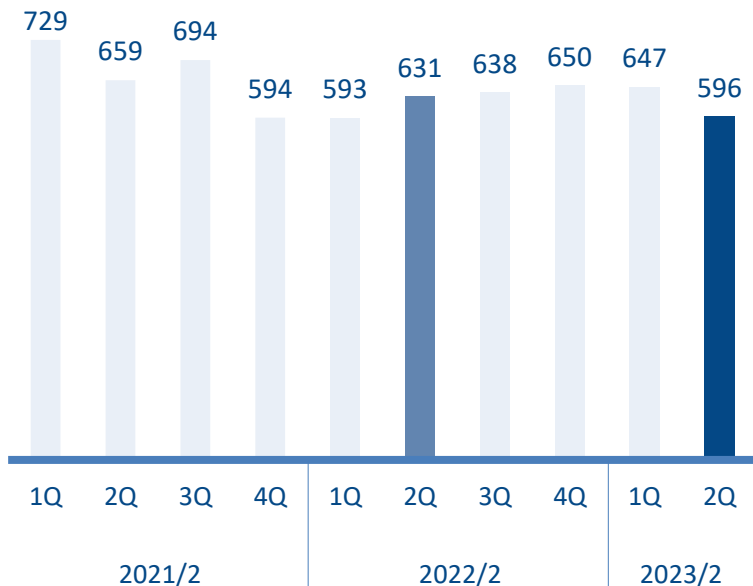


Note: As of 1Q FY2023, the Media segment has been renamed the Media CMS segment.

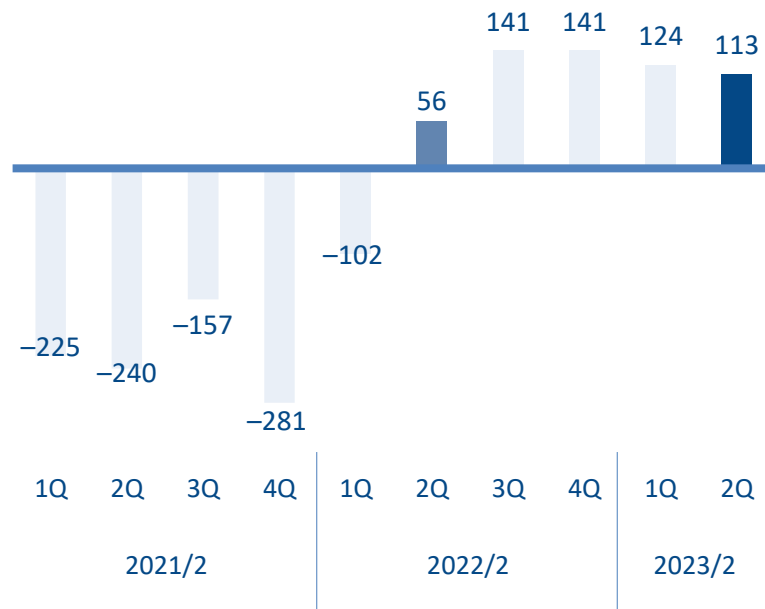
# HR Business (Quarterly Trend)

We will secure operating income in 2Q FY2023 despite lower sales due to a temporary lull in consulting projects arising from seasonal factors. From 3Q FY2023, we will aim for full-year operating profit of 350 million JPY while continuing to invest in areas such as advertising and development.

Net Sales: 596 million JPY (94.4% YoY)



Operating Profit: 113 million JPY (201.6% YoY)



Note: Accounting Standard for Revenue Recognition as of beginning of FY2023  
 Impacts were 33 million JPY and 28 million JPY in 1Q and 2Q, respectively.

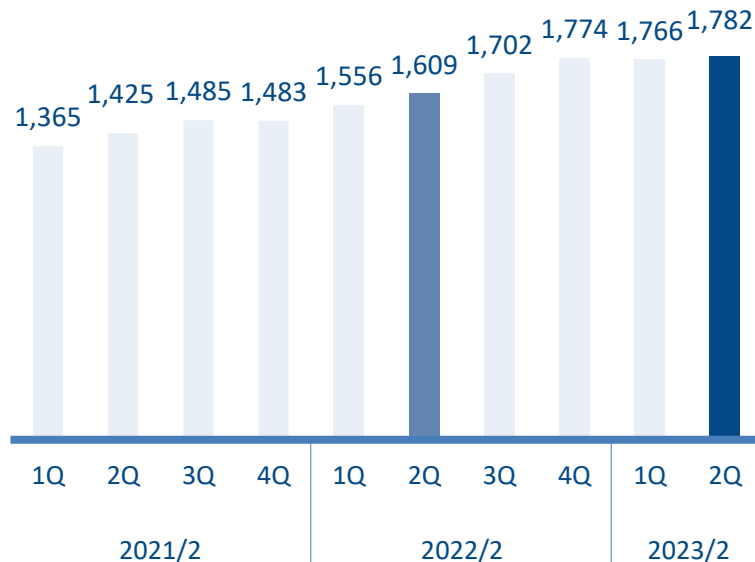
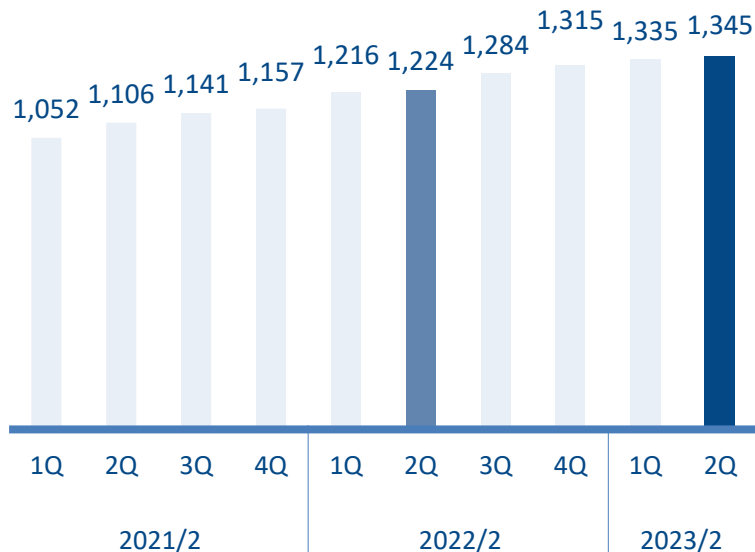
# Number of User Companies\*1 and ARR\*2

In 2Q FY2023, the number of user companies of cloud services increased to 1,345.

In 2Q FY2023, ARR increased to 1,782 million JPY as the number of cloud users increased significantly.

Number of user companies: 1,345 (109.8% YoY)

ARR: 1,782 million JPY (110.8% YoY)



\*1 Number of user companies refers to companies using cloud or operating consulting services on a monthly subscription basis.

\*2 ARR is the amount calculated by multiplying the monthly recurring revenue (MRR) from cloud and operating consulting services at the end of the quarter by 12.

# Human Resources Business Outlook

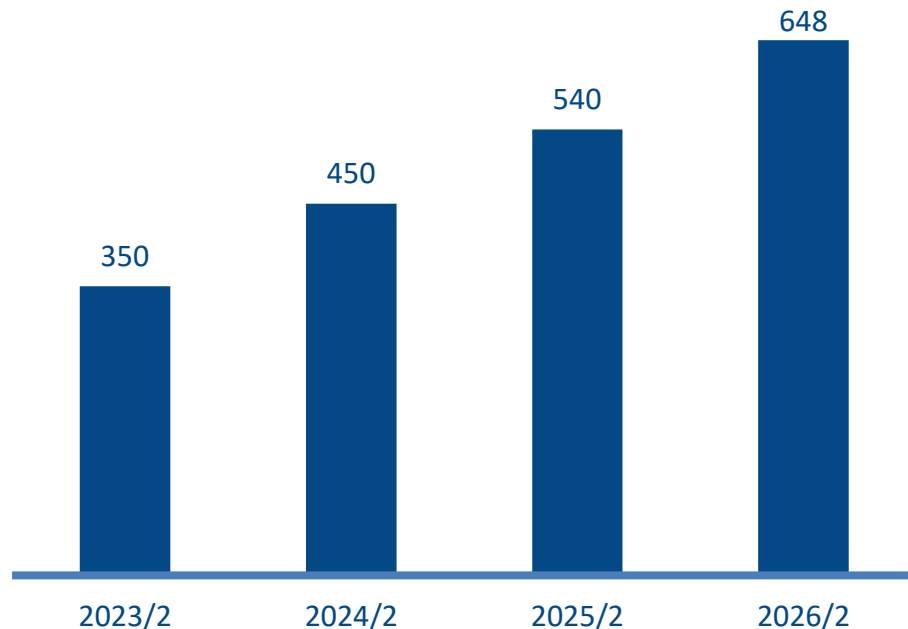
Through strengthening sales of SaaS-based products and increasing retention by improving customer satisfaction, we have expanded the subscription ratio and created a stable earnings foundation. Operating profit in FY2026 is projected to climb to 648 million JPY on the back of stable profits achieved by building up subscription earnings.

Personnel evaluation cloud “Ashita Cloud”



Build up subscription earnings by strengthening sales of SaaS-based products

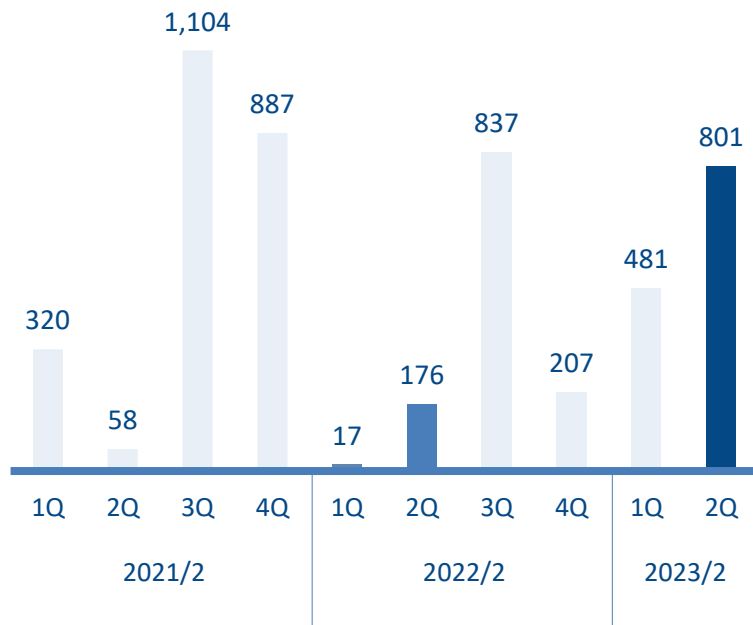
Operating Profit (million JPY)



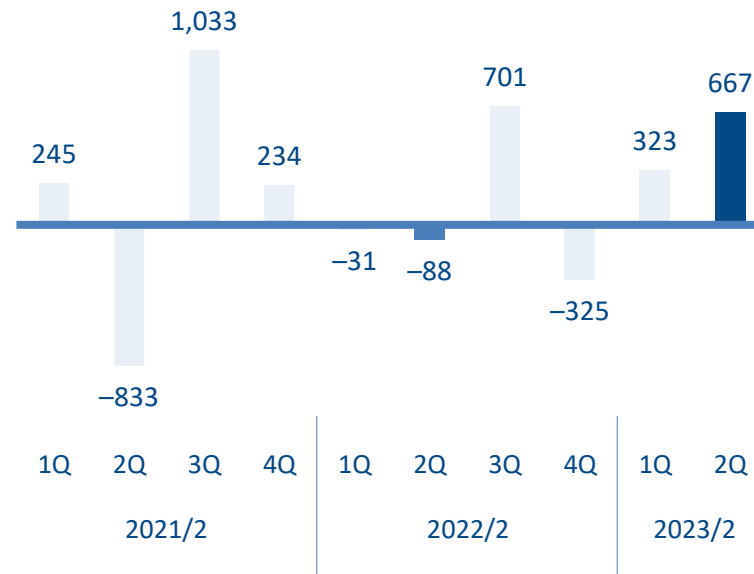
## Investment Business (Quarterly Trend)

In 2Q FY2023, sales and profit increased significantly due to the partial sale of shares held, exceeding loss on valuation of securities. We do not plan to sell shares from 3Q FY2023 onward, we expect results to come in according to the full-year forecast.

Net Sales: 801 million JPY (454.1% YoY)



Operating Profit: 667 million JPY (Up 755 million JPY YoY)



Note: As of 1Q FY2023, accounting treatment changed due to the commercialization of our investment activities, and the Fund business has been renamed as the Investment business.



## Most Recent IPOs Invested In

Supporting corporate growth through capital and PR/IR (total of 28 IPOs).

PROGRIT newly listed on Growth Market, bringing number of IPOs in FY2023 to 3.

Date of listing	Company name	Market
September 29, 2022	 PROGRIT Inc.	TSE Growth Market
April 4, 2022	 SecondXight Analytica, Inc.	TSE Growth Market
March 28, 2022	 Mental Health Technologies Co., Ltd.	TSE Growth Market

# Medium-term Profit Plan

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## Medium-term Profit Plan

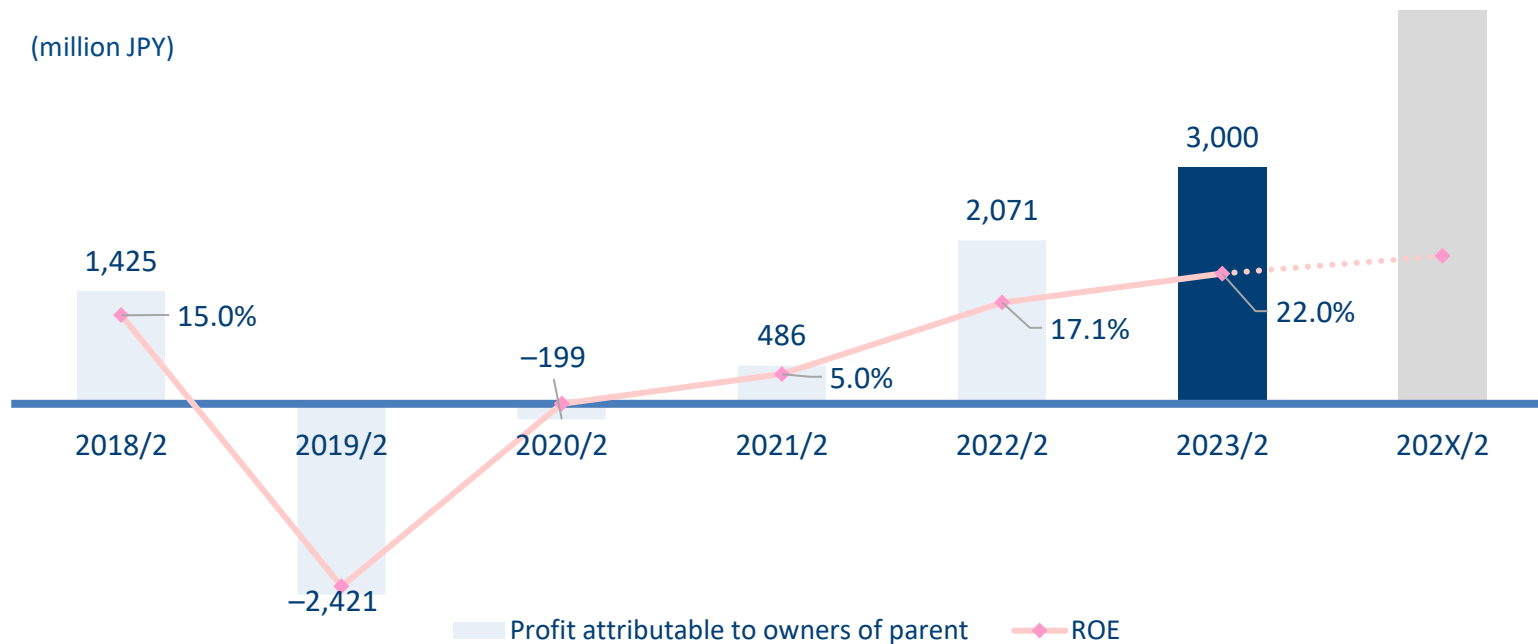
Medium-term Profit Plan (million JPY)	FY '23 (Targets)	FY '24 (Targets)	FY '25 (Targets)	FY '26 (Targets)
EBITDA*	7,020	7,920	9,160	10,660
Operating Profit	6,200	7,260	8,500	10,000

- **For FY2026, we expect EBITDA of 10,660 million JPY and operating profit of 10,000 million JPY.**
- Figures for both EBITDA and operating profit are target figures excluding stock-based compensation expenses.
- We will target a return on equity (ROE) of **22%**, aiming for continuous improvement.
- VECTOR's dividend policy is to ensure a **consolidated payout ratio** for shareholders aimed at **30%**.

\*EBITDA = Operating profit + Depreciation + Amortization of goodwill

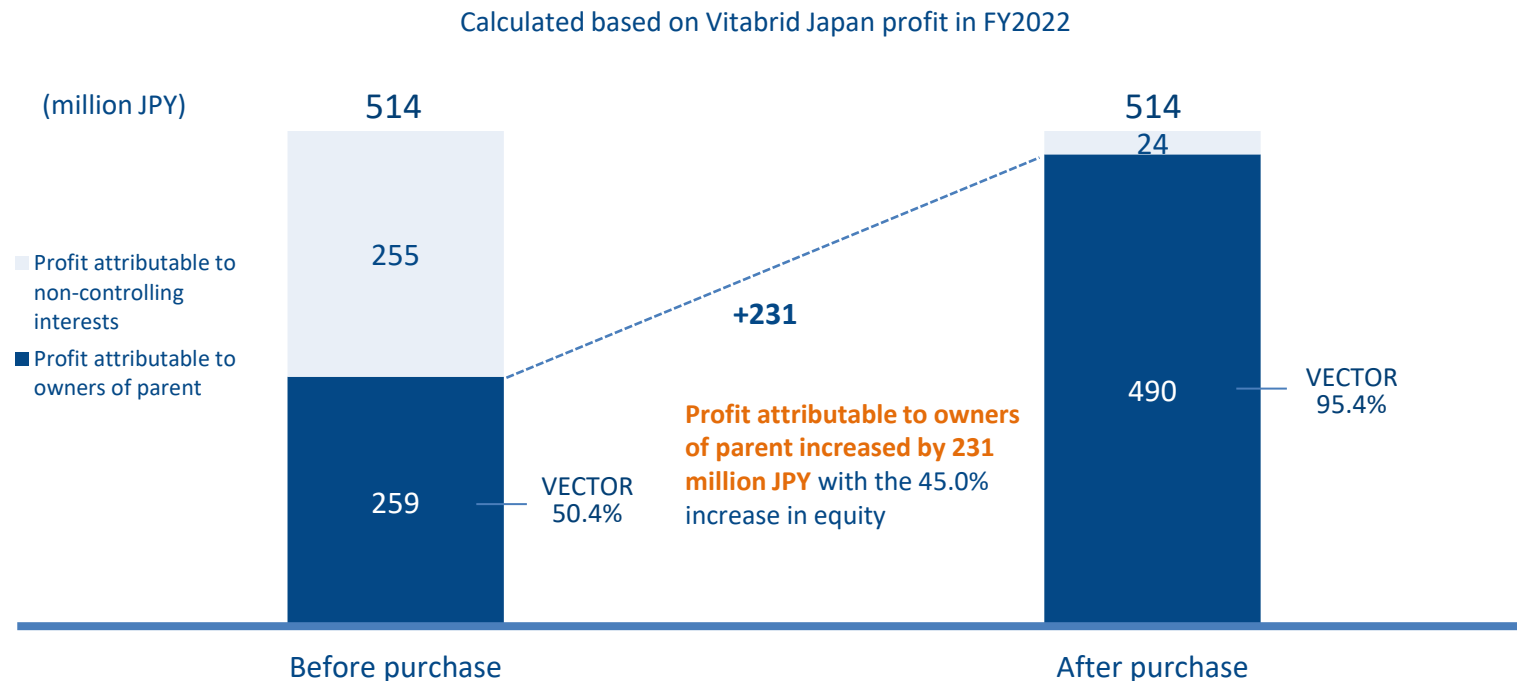
## ROE and Profit Attributable to Owners of Parent

Target for ROE, a new management indicator, will be **22%** with policy of continuous improvement



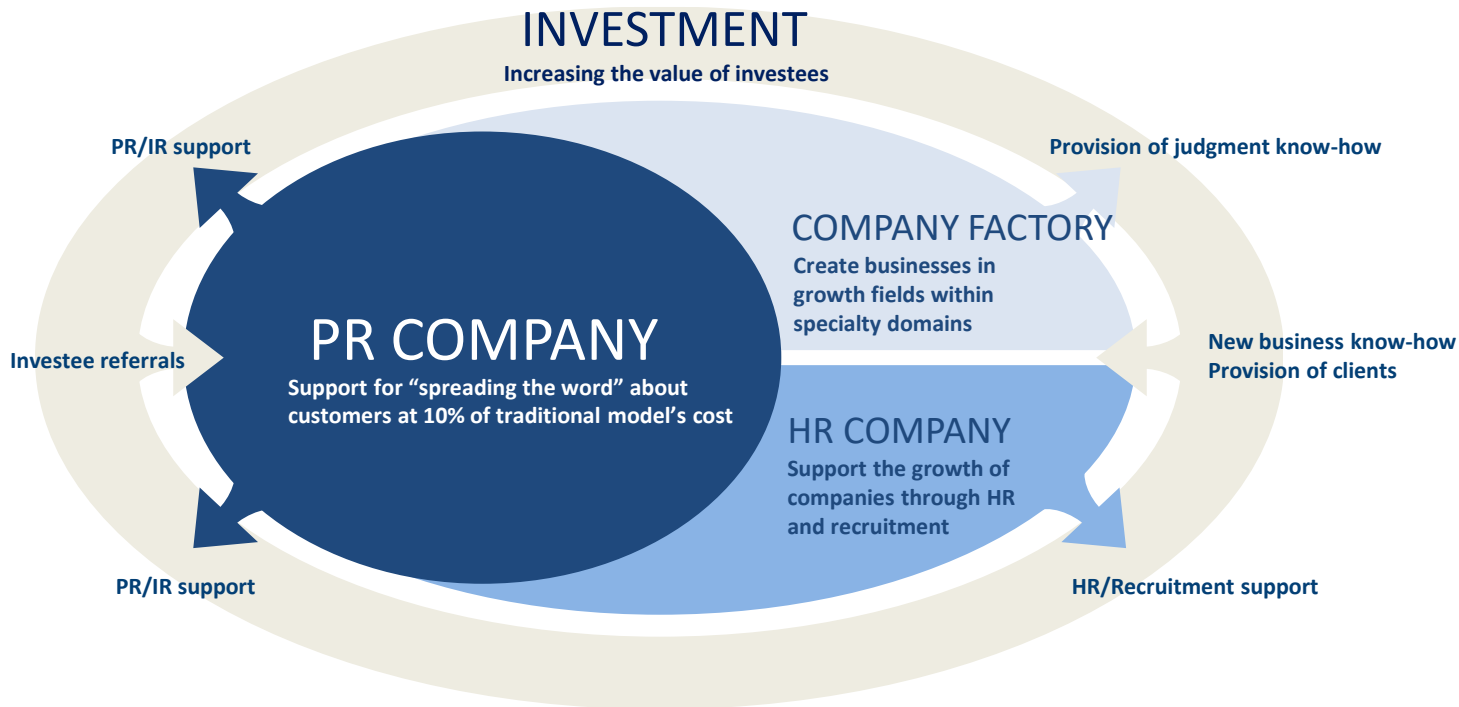
## Capital Policy (Purchase of Additional Shares of Subsidiaries)

As part of our capital policy, we acquired additional shares of subsidiary Vitabrid Japan in late August 2022. Profit attributable to owners of parent is expected to increase due to the increase in equity from 50.4% to 95.4%.



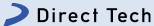












# VECTOR Group Business Concept

Aim for continuous Group expansion by supporting the growth of client companies in the four business domains of **PR COMPANY**, which seeks to help client companies spread the word, **HR COMPANY**, which seeks to support businesses through HR and recruitment, **COMPANY FACTORY**, which seeks to create new businesses, and **INVESTMENT**, which seeks to grow our investment business.



# Businesses Comprising VECTOR Group

PR COMPANY	COMPANY FACTORY	HR COMPANY	INVESTMENT
PR/Press Releases/Video/Digital Marketing	D2C	Personnel Evaluation	Investment
 <p>FAST COMPANY provides one-stop, comprehensive support for marketing strategies designed to deliver the excellent products, services and solutions of our customers to the world.</p>	 <p>We handle everything in-house, from product planning and production to advertising, marketing, and purchasing in a D2C business having direct contact with customers.</p> <hr/> <p><b>Vitabrid C<sup>12</sup></b> Vitabrid Japan</p> 	 <p>Our HR business primarily provides consulting and personnel evaluation cloud solutions to support the introduction and operation of personnel evaluation systems.</p> <hr/> 	 <p>In our venture company investing activities, we provide investees with support for increasing value along with PR and IR.</p> <hr/>
<p>vector <b>ANTIL</b> </p> <p>vector <b>Platinum</b> </p> <p>vector <b>INITIAL</b> </p> <p>vector <b>SIGNAL</b> </p> <p><b>PRTIMES</b></p> <p><b>Smartmedia</b></p> <p><b>NT</b></p> <p><b>NEWS TV</b></p>	<p><b>New Business</b></p>  <p>We grow service domains taking advantage of the business knowhow we have cultivated and start new businesses that leverage Group synergies and partner strengths.</p> <hr/> <p><b>MEDICAL TECHNOLOGIES</b>   <b>INFLUENCER BANK</b></p> <p><b>PERFORMANCE TECHNOLOGIES</b>   <b>CYBER SECURITY BANK</b></p>	<p><b>Recruitment Support</b></p>  <p>We provide a service that enables job seekers and companies to utilize video in the initial recruitment processes, solving issues that both parties face and achieving speedy matching.</p> <hr/> <p><b>JOBTV</b></p>	<p>vector </p> <p><b>100 capital</b></p>

# Company Strategy



# PRWeek Top Consultancies 2020: Asia-Pacific

Rank	Company	2019 revenue (US\$)	2018 revenue (US\$)	% change
1	Vector	212,000,000	180,500,000	17%
2	Ogilvy*	163,500,000	150,000,000	9%
3	Weber Shandwick*	132,011,250	125,725,000	5%
4	MSL*	128,100,000	122,000,000	5%
5	BCW*	108,416,000	96,800,000	12%
6	MC Group	107,490,000	70,870,479	52%
7	Edelman	105,626,000	104,230,000	1%
8	Fleishman Hillard*	62,400,000	60,000,000	4%
9	Brunswick	40,100,000	32,100,000	25%
10	Ruder Finn	38,991,500	37,626,000	4%
11	Havas PR	28,900,000	25,000,000	16%
12	WE Communications	27,600,000	24,900,000	11%

Ranked #1 for Asia  
in *PRWeek*

\*Source: PRWeek Top Consultancies 2020: Asia-Pacific

From #1 PR Firm in Asia...

...to #1 PR Firm Worldwide

Further expand domains  
PR market in Japan worth 100 billion JPY



...by becoming a Fast Company in  
Advertising Industry

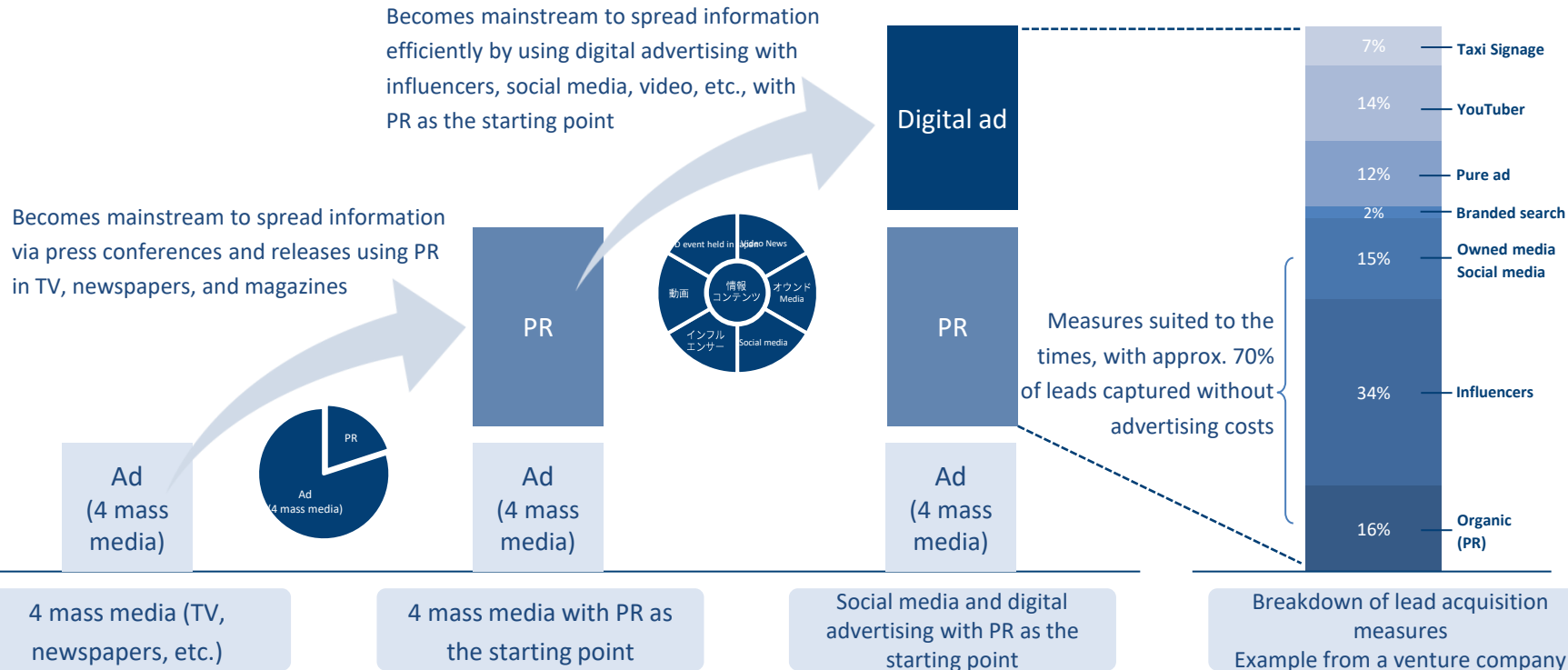
Target advertising market worth 6 trillion JPY

# Advertising industry disrupter

“Low Cost” “Middle Quality” “Speedy”

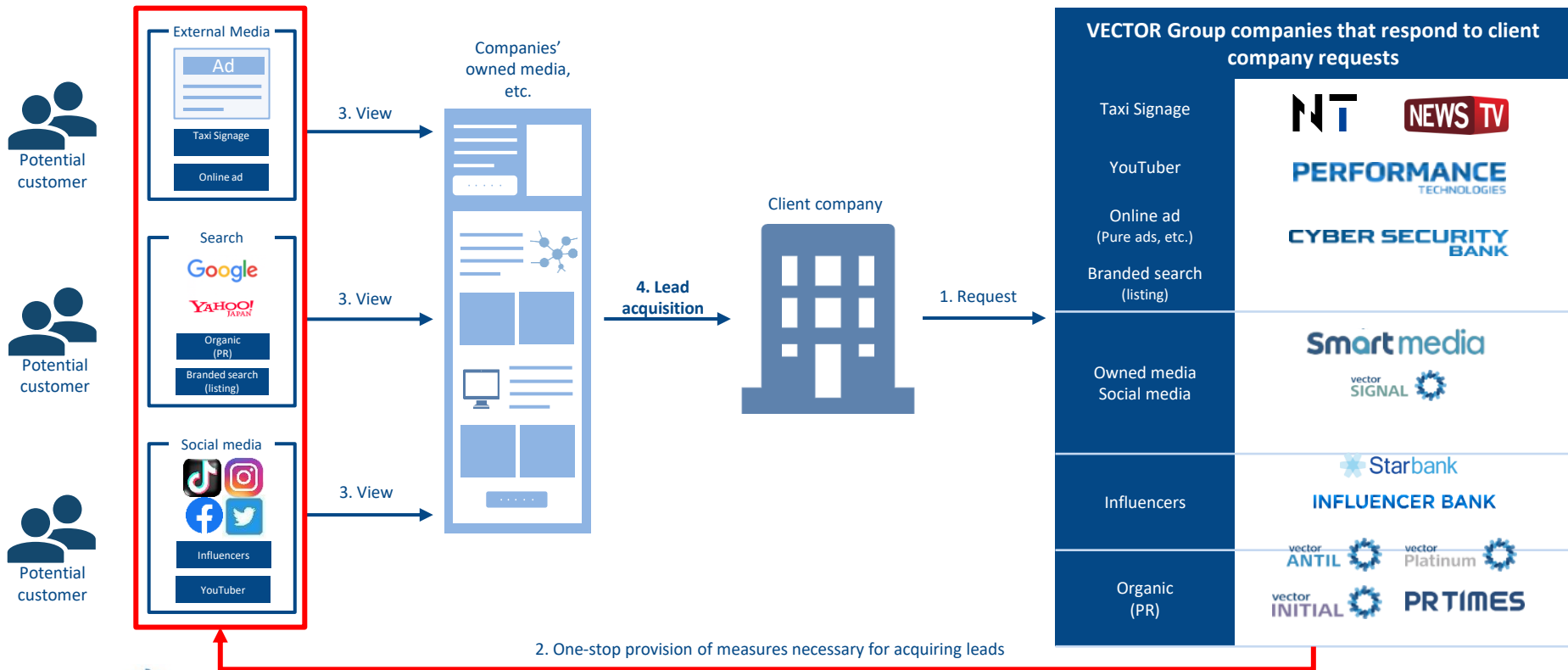
Revolutionize the advertising industry like fast fashion did  
in the apparel industry

We are now in an age where information is spread efficiently through using digital advertising with PR as the starting point.











## One-stop provision of measures necessary for acquiring leads



One-stop provision of services necessary for spreading the word.  
Marketing measures suited to the times delivered at 10% of traditional model’s costs.

Celebrity Casting					
Cast celebrities for content including websites, online videos and events.					Starbank
Press Releases	PR Consulting	Video Releases	Influencers	Digital Marketing	Risk Management
 <p>#1 press release service in Japan with over 70,000 clients. Used by 51% of publicly-listed corporations, our strong brand reputation and media reach are highly appreciated by our clients.</p> <p><b>PR TIMES</b></p>	 <p>From PR planning to execution, our experienced PR consultants apply the most effective communication strategies.</p> <p>vector <b>ANTIL</b></p> <p>vector <b>Platinum</b></p> <p>vector <b>INITIAL</b></p>	 <p>Next-generation communication based on the production and distribution of video news from a PR standpoint, delivering content direct to the target audience.</p> <p><b>NEWS TV</b></p>	 <p>Support corporate service/product branding through SNS influencers.</p> <p>Starbank <b>INFLUENCER BANK</b></p>	 <p>Integrated support from website production and system creation to digital promotion; Can also handle owned media creation and operation, and production of PR videos.</p> <p>vector <b>SIGNAL</b></p> <p><b>NT</b></p> <p><b>Smartmedia</b></p>	 <p>Provision of consulting services concerning corporate reputation management and brand security using unique technology based on theory and know-how built up in the United States.</p> <p><b>BRAND CLOUD</b></p>

JPY 0

JPY 50 Million/Year

## 2 key points for strengthening the Fast Company concept



Expand service areas offered through M&A to enhance marketing measures suited to the times



Expand the customer base by further strengthening venture capital (VC) capabilities based on numerous achievements in venture investment and PR/IR support







# 1 M&A

## M&A

Expand the increasingly important domain of digital marketing to provide comprehensive support for customer marketing strategies

# Strengthening the Fast Company Concept Using M&A

Accelerate M&A centered on the digital marketing domain to expand our capacity to handle online advertising projects, which are increasing every year, in the advertising market to strengthen the Fast Company Concept.

Celebrity Casting					
Cast celebrities for content including websites, online videos and events.					
Press Releases	PR Consulting	Video Releases	Influencers	Digital Marketing	Risk Management
 <p>#1 press release service in Japan with over 70,000 clients. Used by 51% of publicly-listed corporations, our strong brand reputation and media reach are highly appreciated by our clients.</p> <p><b>PR TIMES</b></p>	 <p>From PR planning to execution, our experienced PR consultants apply the most effective communication strategies.</p> <p>vector <b>ANTIL</b></p> <p>vector <b>Platinum</b></p> <p>vector <b>INITIAL</b></p>	 <p>Next-generation communication based on the production and distribution of video news from a PR standpoint, delivering content direct to the target audience.</p> <p><b>NEWS TV</b></p>	 <p>Support corporate service/product branding through SNS influencers.</p> <p>Starbank <b>INFLUENCER BANK</b></p>	 <p>Integrated support from website production and system creation to digital promotion; Can also handle owned media creation and operation, and production of PR videos.</p> <p>vector <b>SIGNAL</b></p> <p><b>NT</b></p> <p><b>Smart media</b></p>	 <p>Provision of consulting services concerning corporate reputation management and brand security using unique technology based on theory and know-how built up in the United States.</p> <p><b>BRAND CLOUD</b></p>

JPY 0


JPY 50 Million/Year

Acquired a digital advertising business specializing in strategic design from TERMINAL inc.

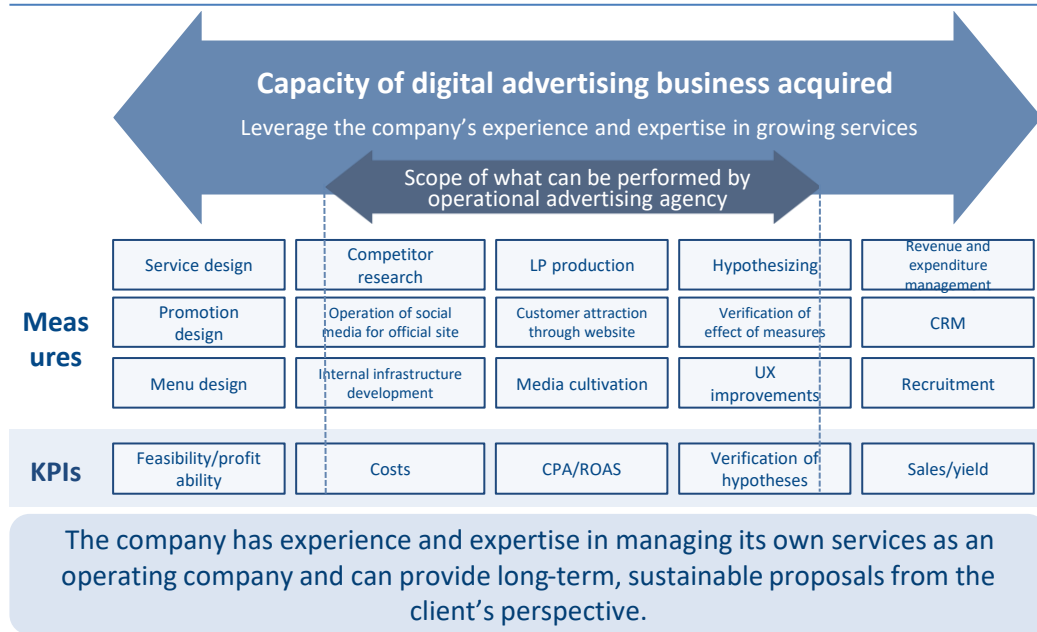
for 1.1 billion JPY on September 30, 2022.

Now able to provide PR services based on digital marketing on top of enhancement of digital advertising

Overview of acquired business

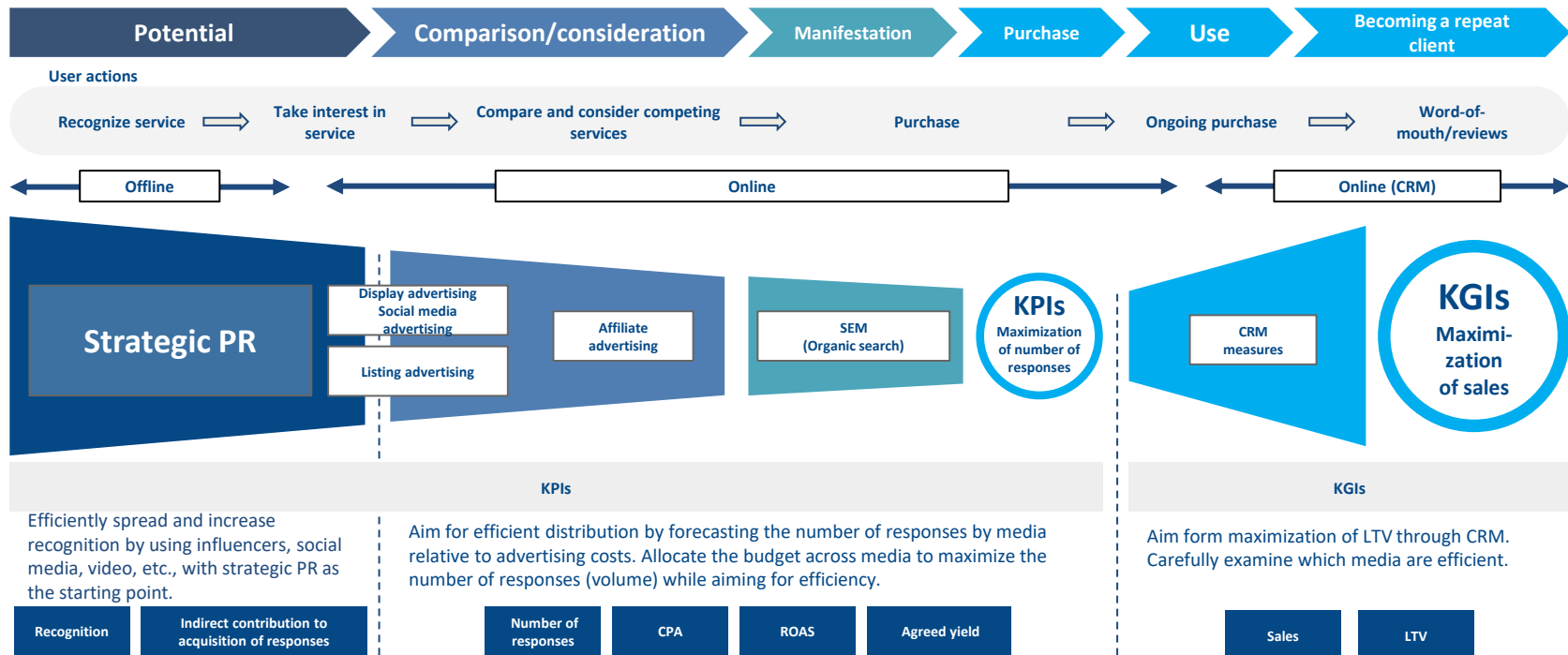
<b>Company name</b>	 <b>TERMINAL inc.</b> TERMINAL inc.
<b>Transferred business</b>	Digital advertising business
<b>Acquisition cost</b>	1.1 billion JPY
<b>Date of acquisition</b>	September 30, 2022

Digital advertising business



# Synergy from Purchase of Digital Advertising Business

The purchase of this digital advertising business specializing in strategic design has enabled us to provide digital measures aimed at maximizing sales based more on strategic PR than before.



Strengthen the Fast Company concept and aggressively pursue M&A that could produce synergy with core businesses  
Accelerate organic growth through effective M&A and aim for discontinuous growth

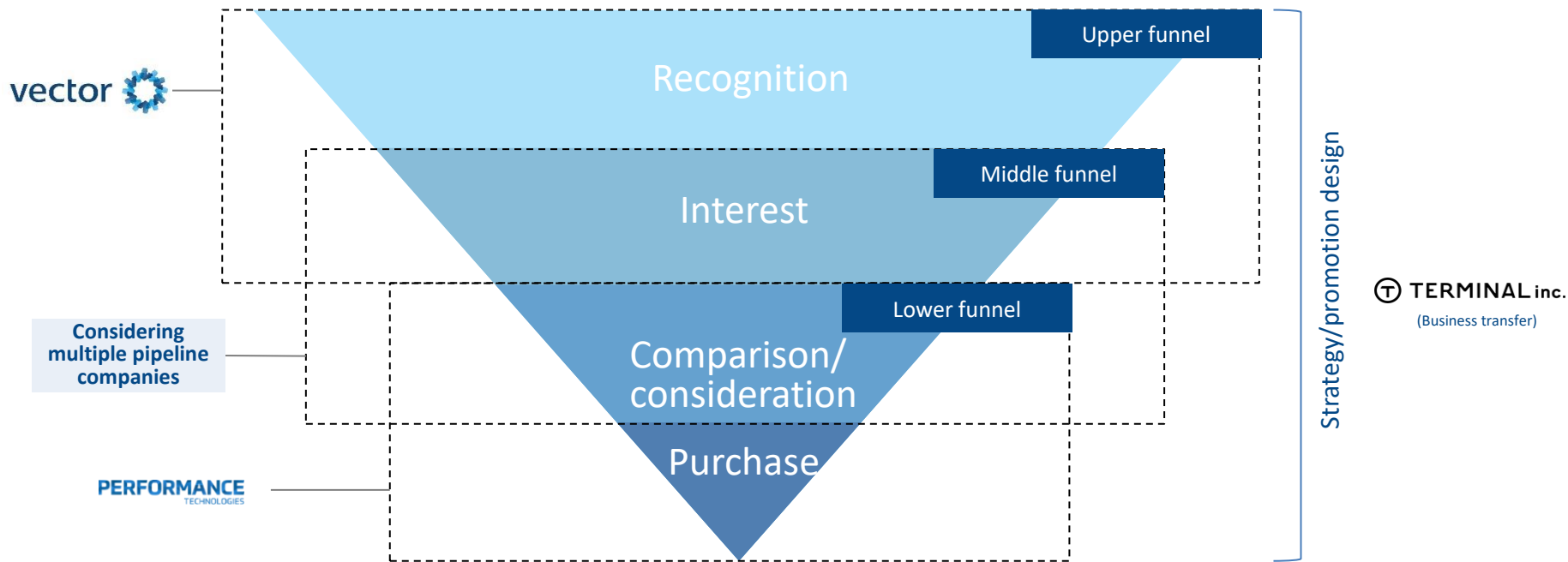
Acquisition target	Companies (small-scale projects) that can expand and enhance the Fast Company concept Strengthen digital marketing (digital advertising) domain in particular
Valuation	Execute M&A with a target EV/EBITDA multiple of 5x to 7x
Fund procurement	Acquisitions will basically be financed by cash on hand and bank loans.
Governance	Decisions made carefully by the Board of Directors, which is majority comprised of outside directors with extensive knowledge of M&A and finance
PMI	Regularly monitor objectives of acquisition from time of investment and their achievement Develop the internal controls required of a listed group company



# Expansion of Digital Marketing Domain

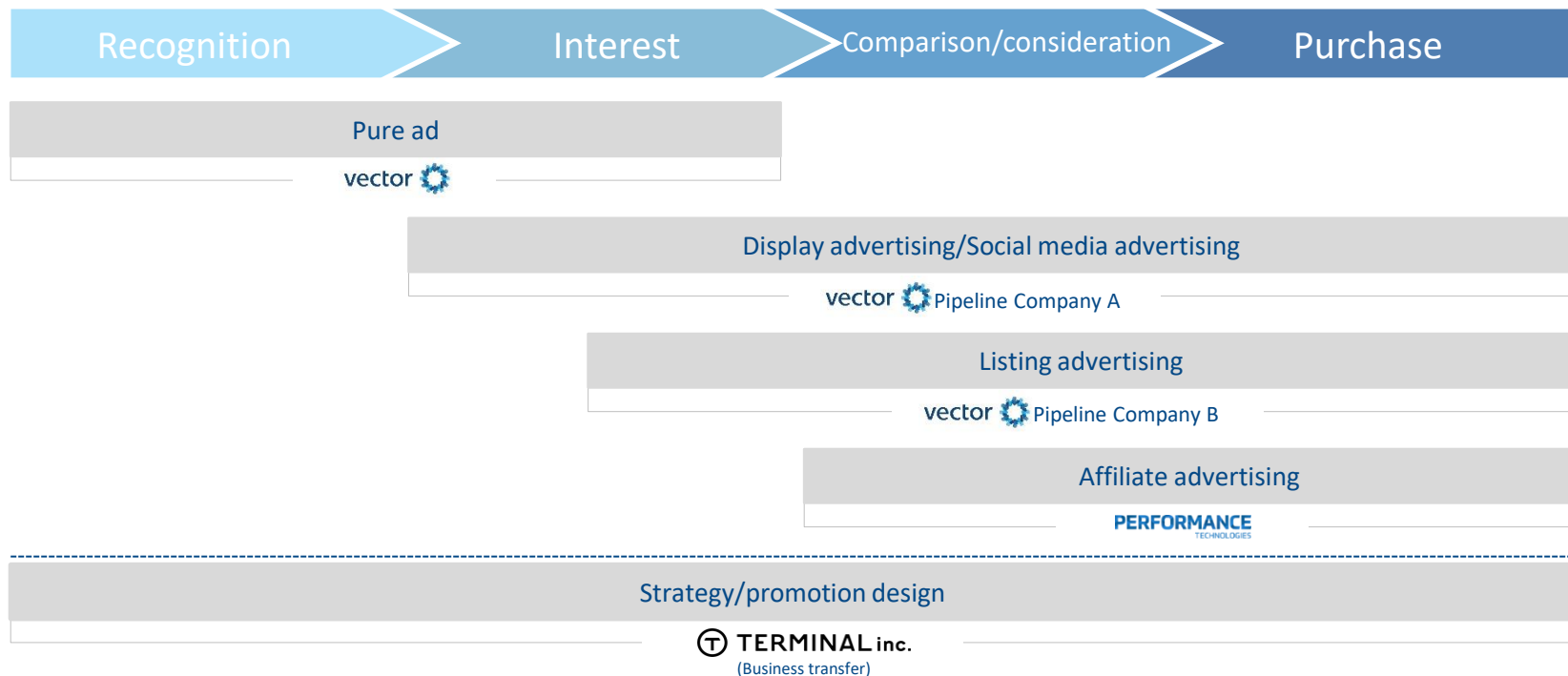
Develop businesses that can handle each funnel based on the purchasing process of consumers

Policy is to increase coverage through M&A to expand domains supported by each funnel



## Expansion of Digital Marketing Domain (by Ad)

Expand the digital marketing domain to further strengthen the system for providing a one-stop solution that includes strategy and promotion design covering everything from expanding recognition to purchases in digital advertising measures



## 2 VC + PR

### VC that offers both capital and PR support

We will maximize investment leverage by supporting clients not only through funding as in conventional VC but also through PR and IR support.

# Expanding the Customer Base through Venture Capital

Accelerate venture investment backed by investments in capital and PR/IR support based on the increasing number of venture companies

We will expand our customer base by covering not only the major companies that comprise our main clients, but also venture companies.



Increase awareness



Speedy support in spreading the word that is suited to the times



Coverage



Increase in project orders including from major companies



Major companies



Coverage of a wide range of customers, from major corporations to ventures



Total provision of services necessary for spreading the word for not only major companies but also ventures.

One-stop provision of capital and PR/IR support



Ventures



Increase in orders for capital and PR/IR support from venture companies



IPO achievement



IPO results



# JOBTV Progress Status

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JOBTV is a recruitment matching platform where users can view unlimited company information videos.



JOBTV is a service that solves issues of both job-seekers and companies.  
Speedy matching is achieved by leveraging video in the initial recruitment processes.

## Job seekers

1. **Netflix-like search** option makes browsing job post videos a breeze!
2. Show off your best to employers easier with a **self-introduction video**!
3. Learn more about companies through videos **without needing to go to information sessions!**



## Companies

1. **Highlight why candidates should join your company** with a **video** introducing your firm and the positions you are hiring for!
2. **Quick and easy applicant screening through video!**
3. **Reach out to job-seekers directly** with scout mails!

Shingo Fujimori has been appointed as the face for JOBTV







## Status of Registered Students

The number of registered students has surpassed 80,000 due to our promotion of JOBTV among students and coverage on TV and other media.



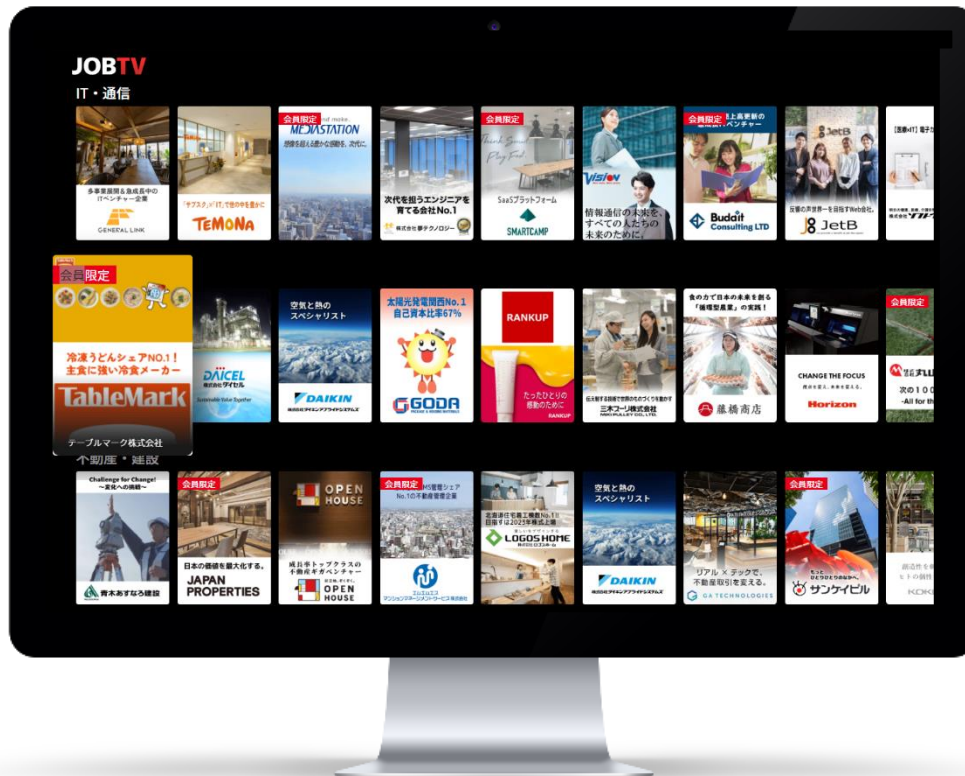
Expand coverage on TV and other media by leveraging our PR know-how



Workshop for job-seeking students on how to record and make effective video resumes

# JOBTV (Image of Screen for Job-Seekers)

Search for company information videos via a Netflix-like design.



# JOBTV (Image of Screen for Companies)

Reduce mismatching by getting a proper impression of applicants through videos, which is difficult to gain otherwise.



# JOBTV User Companies (Example/In Random Order)





The purpose of this document is to provide information on our financial results and does not constitute an offer to sell or solicitation of an offer to purchase any investment security issued by VECTOR. The information and outlook contained in this document have been compiled on the basis of the latest information available at the time of preparation and includes the opinion of management. VECTOR therefore provides no guarantee as to the accuracy of this information and advises that actual performance and results may differ from forward-looking statements due to various factors.