

Summary of Consolidated Financial Results for the First Half of the Fiscal Year Ending February 28, 2025 (Six Months Ended August 31, 2024)

October 15, 2024

Company name: VECTOR INC.

Listing: Tokyo Stock Exchange

Securities code: 6058 URL: <https://vectorinc.co.jp/en>

Representative:

Keiji Nishie, Chairman and Representative Director Contact: Yosuke Goto, Director and CFO Tel: +81-3-5572-6080

Scheduled date of filing of Semi-annual Securities Report: October 15, 2024 Scheduled date of dividend payment: —

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: No

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

1. Consolidated Financial Results for the First Half of the Fiscal Year Ending February 28, 2025

(March 1, 2024–August 31, 2024)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Aug. 31, 2024	27,385	-4.1	2,069	39.5	2,000	17.9	1,019	23.8
Six months ended Aug. 31, 2023	28,565	7.1	1,483	-56.2	1,697	-51.6	823	-57.1

Note: Comprehensive income: Six months ended Aug. 31, 2024: 860 million yen (down 69.4%)

Six months ended Aug. 31, 2023: 2,811 million yen (up 7.4%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended Aug. 31, 2024	21.73		—	
Six months ended Aug. 31, 2023	17.25		—	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Aug. 31, 2024	43,245	19,327	35.5	327.49
As of Feb. 29, 2024	43,621	19,975	37.1	344.64

Reference: Shareholders' equity: As of Aug. 31, 2024: 15,360 million yen

As of Feb. 29, 2024: 16,168 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Feb. 29, 2024	—	0.00	—	29.00	29.00
Fiscal year ending Feb. 28, 2025	—	0.00	—	—	—
Fiscal year ending Feb. 28, 2025 (plan)	—	—	—	32.00	32.00

Note: Revision to the most recently announced dividend forecast: Yes

For details of the revision to the dividend forecast, please refer to the “Notice of Change in Dividend Policy and Revision of Dividend Forecast” released today (October 15, 2024).

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2025 (March 1, 2024–February 28, 2025)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	61,000	3.0	8,500	22.5	8,350	21.5	5,000	6.7	106.58

Note: Revision to the most recently announced consolidated forecast: Yes

Notes

(1) Significant changes in the scope of consolidation during the six months ended August 31, 2024: No

(2) Application of special accounting methods for presenting consolidated financial statements for the six months ended August 31, 2024: Yes

Note: Please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Notes on Special Accounting Methods for Presenting Consolidated Financial Statements for the Six Months Ended August 31, 2024” on page 11 for further information.

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

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

(4) Number of issued shares (common stock)

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

As of Aug. 31, 2024	46,914,039 shares	As of Feb. 29, 2024	48,176,100 shares
As of Aug. 31, 2024	9,600 shares	As of Feb. 29, 2024	1,262,061 shares
Six months ended Aug. 31, 2024	46,908,822 shares	Six months ended Aug. 31, 2023	47,732,735 shares

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

3) Average number of shares during the period

* The quarterly (six-month) financial report is not subject to review by certified public accountants or auditing firms.

* Appropriate use of business forecast and other special items

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

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1. Overview of Results of Operations

Forward-looking statements are based on judgments made by VECTOR as of October 15, 2024.

(1) Results of operations

During the first half of the fiscal year ending February 28, 2025, the Japanese economy continued its moderate recovery, supported by the resurgence of inbound tourism demand and improvements in the employment and income environments, despite impacts such as inflation due to yen depreciation. Nonetheless, the outlook remains cautious due to the ongoing impact of high interest rates in Europe and the United States, concerns about the future of the Chinese economy, and geopolitical tensions in the Middle East, which continue to pose downside risks to overseas economic conditions.

The VECTOR Group is centered around the concept of distributing information in a simple and speedy manner through state-of-the-art communication tools, beginning with strategic public relations (PR) services. In addition to providing these services at more affordable rates than traditional advertising budgets, we offer retainer services based on ongoing transactions to a variety of industry sectors. This enables us to establish a revenue base that is less susceptible to the fluctuations of specific industries. As such, we anticipate minimal impact on our performance from deteriorating business conditions, and we expect this trend to continue into the future.

Against this market backdrop, we continue to focus on operating as a “fast company” that is a one-stop source of comprehensive support for marketing strategies with the goal of making people aware of the outstanding products, services, and other attributes of our clients. To accomplish this goal, we have been expanding our services, primarily aimed at the VECTOR Group’s existing clients. Considering the ongoing growth of internet advertising expenditure in Japan’s advertising industry driven by society’s digital transformation, we have strengthened the sales of services focused on the digital marketing domain, which we have been expanding through mergers and acquisitions up until the previous fiscal year.

Additionally, in the Global Top 250 PR Agency Ranking 2024 issued by PProvoke Media, a specialized media for the advertising industry in the United Kingdom, VECTOR achieved the 6th position globally based on corporate performance, maintaining its top spot in Asia.

Due to these activities, net sales decreased 4.1% year on year to 27,385 million yen, operating profit grew 39.5% to 2,069 million yen, ordinary income rose 17.9% to 2,000 million yen, and profit attributable to owners of parent increased 23.8% to 1,019 million yen.

Business segment performance is as follows.

As stated in the announcement titled “Notice of Merger of Between Wholly Owned Subsidiaries,” published on September 17, 2024, in line with an absorption-type merger, in which INITIAL Inc. will be the surviving company, and Starbank Inc. and INFLUENCER BANK, Inc. will be the dissolved companies, INFLUENCER BANK has been reclassified from the Direct Marketing segment to the PR and Advertising segment from the six months ended August 31, 2024. For the following year-on-year comparisons, we have adjusted the figures for the previous year’s corresponding period based on the revised segment classification.

PR and Advertising

In this business segment, we provide a one-stop communication strategy tailored to each client that includes strategic PR services centered on consulting and is driven by digital marketing using IoT signage via tablets placed in taxis and social networking services.

With the transition toward digitalization as the preferred method for distributing information, our strategic approach as a “fast company” has become even more relevant to the times. Further, our aggressive efforts to expand services through such means as mergers and acquisitions in the digital marketing domain conducted in the previous fiscal year has enabled us to establish a robust framework for providing even more comprehensive support to our clients’ communication strategies. In the six months ended August 31, 2024, while sales decreased primarily due to the impact of the transfer of shares in a subsidiary conducted in October 2023, this was offset by a significant increase in profit, mainly resulting from the reversal of one-off costs recorded in the previous fiscal year.

Segment sales decreased 6.6% to 16,150 million yen and operating profit surged 95.4% to 1,615 million yen year on year.

Press Release Distribution

PR TIMES, Inc. distributes and posts press releases by using its PR TIMES website as well as many other websites. Utilization of this service has been very high. In August 2024, the number of companies using PR TIMES surpassed 101,000. As a result, quarterly sales rose to an all-time high. Additionally, as initially planned at the beginning of the fiscal year, in the first half, efforts were made to promote the use of PR TIMES among local companies and investments were made to update its functionality.

Consequently, segment sales increased 18.5% to 3,892 million yen and operating profit grew 7.6% to 958 million yen year on year.

Direct Marketing

In Direct Marketing operated primarily by Vitabrid Japan Inc., during the first quarter ended May 31, 2024, we reduced advertising and promotional investments in response to changes in consumer sentiment regarding functional food products—sparked by issues related to health damage from red yeast rice supplements reported by other companies—while considering the efficiency of customer acquisition. However, from the mid-point of the second quarter, the situation improved. As a result of increased advertising and promotional investments, sales of Terminalia First have been progressing smoothly, with net sales remaining roughly on par with the previous fiscal year. Additionally, to establish a stable revenue base with multiple products, we have been focusing on the development of functional supplements containing gamma-aminobutyric acid (GABA), launched in September 2023, and sales have been performing well. On the other hand, the entire segment experienced a decrease in sales due to the impact of the transfer of shares in a subsidiary conducted in November 2023.

Segment sales decreased 11.0% year on year to 5,927 million yen and operating loss amounted to 510 million yen compared with a loss of 143 million yen in the previous first half.

HR

ASHITA-TEAM Co., Ltd. reexamined its sales strategies, strengthened its sales team, and reinforced development aimed at improving functionality, resulting in operating profit of 67 million yen.

JOBTV, which operates a recruiting platform using video content, incurred advertising expenses aimed at increasing the number of registered users, both new graduates and job seekers, and development costs to upgrade functions for the recruitment platform, in order to establish a solid revenue base. In addition, in March 2024, we acquired FINDAWAY Co., Ltd., which operates recruitment support and recruitment advertising planning, with the aim of expanding revenue from JOBTV. This, along with other factors, reduced the operating loss by 124 million yen year on year to 21 million yen.

Segment sales increased 11.5% year on year to 1,462 million yen and operating profit of 46 million yen was posted, compared with an operating loss of 9 million yen in the previous first half.

Investment

Despite gains on sales of certain investments, there were valuation losses on certain holdings.

VECTOR also supports companies where we make investments by supplying public relations and investor relations services and in other ways. As a result, HATCH WORK CO., LTD. successfully listed on the Tokyo Stock Exchange's Growth Market on March 26, 2024, followed by ROXX, which successfully listed on the same market on September 25, 2024.

Segment sales decreased 66.9% year on year to 79 million yen while an operating loss of 39 million yen was recorded, an improvement from the operating loss of 80 million yen in the previous first half.

(2) Overview of financial position

Assets

Total assets at the end of the first half decreased 375 million yen from the end of the previous fiscal year to 43,245 million yen.

Current assets decreased 908 million yen to 32,338 million yen. This was mainly due to decreases of 548 million yen in notes and accounts receivable—trade, and contract assets, 750 million yen in operational investment securities, and 423 million yen in advance payments included in other under current assets, while there was an increase of 890 million yen in merchandise and finished goods.

Non-current assets increased 533 million yen to 10,906 million yen. This was primarily due to increases of 129 million yen in buildings and structures, 197 million yen in software, and 379 million yen in deferred tax assets, while there was a decrease of 203 million yen in goodwill.

Liabilities

Total liabilities at the end of the first half increased 272 million yen from the end of the previous fiscal year to 23,918 million yen.

Current liabilities increased 1,632 million yen to 15,306 million yen. This was mainly due to increases of 1,475 million yen in short-term borrowings and 992 million yen in accounts payable—other, while there were decreases of 530 million yen in income taxes payable and 265 million yen in accrued consumption taxes included in other under current liabilities.

Non-current liabilities decreased 1,359 million yen to 8,611 million yen. This was primarily due to decreases of 722 million yen in long-term borrowings, 115 million yen in lease liabilities, and 436 million yen in deferred tax liabilities.

Net assets

Total net assets at the end of the first half decreased 648 million yen from the end of the previous fiscal year to 19,327 million yen. This was primarily due to decreases of 1,645 million yen in retained earnings and 667 million yen in valuation difference on available-for-sale securities, while there was a decrease of 1,447 million yen in treasury shares and an increase of 187 million yen in foreign currency translation adjustment.

(3) Cash Flows

Cash and cash equivalents at the end of the first half increased 164 million yen from the end of the previous fiscal year to 15,984 million yen.

Cash flows in the first half and the main factors underlying the results are as follows.

Cash flows from operating activities

Net cash provided by operating activities came to 1,803 million yen, compared with 1,150 million yen in the same period of the previous fiscal year. Main cash inflows include profit before income taxes of 1,964 million yen, depreciation of 309 million yen, amortization of goodwill of 245 million yen, increase in accounts payable—other of 936 million yen, decrease in trade receivables and contract assets of 595 million yen, and decrease in advance payments of 430 million yen. Main cash outflows include increase in inventories of 957 million yen and income taxes paid of 1,697 million yen.

Cash flows from investing activities

Net cash used in investing activities was 763 million yen, compared with 2,600 million yen in the same period of the previous fiscal year. Main cash outflows include purchase of intangible assets of 339 million yen, purchase of property, plant and equipment of 255 million yen, and purchase of shares of subsidiaries resulting in change in scope of consolidation of 135 million yen.

Cash flows from financing activities

Net cash used in financing activities was 889 million yen, compared with net cash provided of 3,671 million yen in the same period of the previous fiscal year. Main cash inflows include a net increase in short-term borrowings of 1,466 million yen. Main cash outflows include dividends paid of 1,358 million yen and repayments of long-term borrowings of 990 million yen.

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

Consolidated financial forecasts for the fiscal year ending February 28, 2025 have been revised slightly from the projected figures announced on April 12, 2024. Based on the performance in the six months ended August 31, 2024, which was affected by the loss of major client projects in some subsidiaries of the PR and Advertising segment, as well as issues related to red yeast rice reported by other companies in the Direct Marketing segment, we will be revising our sales forecast downward. For further details, please refer to the information below.

Revision to Consolidated Financial Forecasts for the Fiscal Year Ending February 28, 2025 (March 1, 2024–February 28, 2025)

	Net sales	Operating profit	Ordinary income	Profit attributable to owners of parent	Earnings per share
Previous forecast (A)	Millions of yen 63,000	Millions of yen 8,500	Millions of yen 8,350	Millions of yen 5,000	Yen 106.58
Revised forecast (B)	61,000	8,500	8,350	5,000	106.58
Difference (B – A)	–2,000	0	0	0	
Change (%)	–3.2%	0	0	0	
Reference: Previous year (ended February 29, 2024)	59,212	6,939	6,871	4,684	98.12

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY2/24 As of Feb. 29, 2024	First half of FY2/25 As of Aug. 31, 2024
Assets		
Current assets		
Cash and deposits	15,820	15,984
Notes and accounts receivable-trade, and contract assets	7,314	6,766
Operational investment securities	4,815	4,065
Merchandise and finished goods	1,655	2,546
Costs on service contracts in progress	492	615
Other	3,494	2,742
Allowance for doubtful accounts	(345)	(381)
Total current assets	33,247	32,338
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,074	1,203
Machinery, equipment and vehicles	28	32
Tools, furniture and fixtures	956	1,051
Leased assets	1,123	1,122
Construction in progress	66	30
Accumulated depreciation	(1,294)	(1,460)
Total property, plant and equipment	1,953	1,979
Intangible assets		
Goodwill	3,633	3,430
Software	480	677
Other	297	364
Total intangible assets	4,411	4,473
Investments and other assets		
Investment securities	1,175	1,235
Deferred tax assets	1,232	1,612
Leasehold and guarantee deposits	770	741
Other	1,848	1,895
Allowance for doubtful accounts	(1,019)	(1,030)
Total investments and other assets	4,008	4,453
Total non-current assets	10,373	10,906
Total assets	43,621	43,245

(Millions of yen)

	FY2/24 As of Feb. 29, 2024	First half of FY2/25 As of Aug. 31, 2024
Liabilities		
Current liabilities		
Accounts payable-trade	2,505	2,583
Accounts payable-other	1,244	2,236
Short-term borrowings	2,038	3,513
Current portion of long-term borrowings	1,961	2,029
Current portion of bonds payable	88	10
Lease obligations	224	228
Income taxes payable	1,673	1,142
Provision for bonuses	553	315
Contract liabilities	1,879	1,733
Provision for point card certificates	—	30
Provision for shareholder benefit program	20	—
Other	1,484	1,482
Total current liabilities	13,673	15,306
Non-current liabilities		
Long-term borrowings	7,576	6,853
Bonds payable	36	31
Lease obligations	758	642
Deferred tax liabilities	1,178	741
Retirement benefit liability	45	56
Other	377	286
Total non-current liabilities	9,971	8,611
Total liabilities	23,645	23,918
Net assets		
Shareholders' equity		
Share capital	3,038	3,038
Capital surplus	130	—
Retained earnings	11,942	10,297
Treasury shares	(1,447)	—
Total shareholders' equity	13,664	13,336
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,274	1,606
Foreign currency translation adjustment	229	417
Total accumulated other comprehensive income	2,503	2,024
Share acquisition rights	8	19
Non-controlling interests	3,798	3,946
Total net assets	19,975	19,327
Total liabilities and net assets	43,621	43,245

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

(Millions of yen)

	First six months of FY2/24 Mar. 1, 2023–Aug. 31, 2023	First six months of FY2/25 Mar. 1, 2024–Aug. 31, 2024
Net sales	28,565	27,385
Cost of sales	10,624	9,491
Gross profit	17,940	17,894
Selling, general and administrative expenses	16,457	15,824
Operating profit	1,483	2,069
Non-operating income		
Interest and dividend income	4	4
Gain on investments in investment partnerships	261	81
Share of profit of entities accounted for using equity method	8	19
Other	27	37
Total non-operating income	302	142
Non-operating expenses		
Interest expenses	54	69
Foreign exchange losses	10	94
Loss on investments in investment partnerships	13	23
Other	11	25
Total non-operating expenses	88	212
Ordinary income	1,697	2,000
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	—	4
Gain on reversal of share acquisition rights	1	1
Total extraordinary income	1	5
Extraordinary losses		
Loss on sale of non-current assets	—	3
Loss on retirement of non-current assets	0	37
Total extraordinary losses	0	41
Profit before income taxes	1,698	1,964
Income taxes	506	628
Profit	1,191	1,336
Profit attributable to non-controlling interests	368	317
Profit attributable to owners of parent	823	1,019

Quarterly Consolidated Statement of Comprehensive Income
For the Six-month Period

(Millions of yen)

	First six months of FY2/24 Mar. 1, 2023–Aug. 31, 2023	First six months of FY2/25 Mar. 1, 2024–Aug. 31, 2024
Profit	1,191	1,336
Other comprehensive income		
Foreign currency translation adjustment	74	172
Valuation difference on available-for-sale securities	1,527	(668)
Share of other comprehensive income of entities accounted for using equity method	18	19
Total other comprehensive income	1,619	(476)
Comprehensive income	2,811	860
Comprehensive income attributable to:		
Owners of parent	2,359	539
Non-controlling interests	452	320

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY2/24 Mar. 1, 2023–Aug. 31, 2023	First six months of FY2/25 Mar. 1, 2024–Aug.31, 2024
Cash flows from operating activities		
Profit before income taxes	1,698	1,964
Depreciation	258	309
Amortization of goodwill	179	245
Amortization of long-term prepaid expenses	0	0
Depreciation and amortization on other	47	30
Loss (gain) on sale of non-current assets	—	3
Loss on retirement of non-current assets	0	37
Loss (gain) on investments in investment partnerships	(247)	(58)
Share of loss (profit) of entities accounted for using equity method	(8)	(19)
Loss (gain) on sale of shares of subsidiaries and associates	—	(4)
Gain on reversal of share acquisition rights	(1)	(1)
Increase (decrease) in allowance for doubtful accounts	812	42
Increase (decrease) in provision for bonuses	(342)	(238)
Increase (decrease) in provision for point card certificates	—	30
Increase (decrease) in provision for shareholder benefit program	(26)	(20)
Increase (decrease) in provision for loss on business liquidation	(8)	—
Increase (decrease) in retirement benefit liability	1	7
Interest and dividend income	(4)	(4)
Interest expenses	54	69
Decrease (increase) in trade receivables and contract assets	929	595
Decrease (increase) in inventories	(312)	(957)
Decrease (increase) in investment securities for sale	(226)	(197)
Increase (decrease) in trade payables	(55)	34
Decrease (increase) in deposits paid	966	237
Decrease (increase) in advance payments	(108)	430
Increase (decrease) in accounts payable-other	(438)	936
Increase (decrease) in contract liabilities	(226)	(153)
Decrease (increase) in distressed receivables	(754)	(10)
Other, net	(92)	251
Subtotal	2,091	3,564
Interest and dividends received	3	7
Interest paid	(52)	(71)
Income taxes paid	(891)	(1,697)
Net cash provided by (used in) operating activities	1,150	1,803

(Millions of yen)

	First six months of FY2/24 Mar. 1, 2023–Aug. 31, 2023	First six months of FY2/25 Mar. 1, 2024–Aug.31, 2024
Cash flows from investing activities		
Purchase of property, plant and equipment	(146)	(255)
Proceeds from sale of property, plant and equipment	—	8
Purchase of intangible assets	(246)	(339)
Purchase of investment securities	(50)	(19)
Proceeds from sale of investment securities	1	—
Payments for investments in capital	(103)	(60)
Proceeds from divestments	301	101
Loan advances	—	(100)
Proceeds from collection of loans receivable	109	11
Payments for acquisition of businesses	(330)	—
Purchase of shares of subsidiaries and associates	(177)	—
Payments of leasehold and guarantee deposits	(96)	(40)
Proceeds from refund of leasehold and guarantee deposits	26	46
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,911)	(135)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	24	—
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	21
Net cash provided by (used in) investing activities	(2,600)	(763)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,081	1,466
Proceeds from long-term borrowings	3,045	315
Repayments of long-term borrowings	(1,231)	(990)
Redemption of bonds	(88)	(83)
Expenditure for redemption of convertible bonds with subscription rights to shares	(26)	—
Proceeds from issuance of share acquisition rights	1	—
Proceeds from share issuance to non-controlling shareholders	4	19
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(34)	—
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	6	—
Purchase of treasury shares of subsidiaries	(36)	(0)
Proceeds from disposal of treasury shares of subsidiaries	31	—
Repayments of lease obligations	(92)	(111)
Dividends paid	(904)	(1,358)
Amount of distribution paid to investment business members	(84)	(146)
Cash flows from financing activities	3,671	(889)
Effect of exchange rate change on cash and cash equivalents	43	14
Net increase (decrease) in cash and cash equivalents	2,265	164
Cash and cash equivalents at beginning of period	13,372	15,820
Cash and cash equivalents at end of period	15,638	15,984

(4) Notes to Quarterly Consolidated Financial Statements

Notes on Going Concern Assumption

Not applicable.

Notes on Significant Changes in Shareholders' Equity

As of March 29, 2024, pursuant to a resolution adopted at the Board of Directors meeting held on March 15, 2024, VECTOR cancelled 1,262,061 treasury shares. As a result, in the first half, capital surplus, retained earnings, and treasury shares decreased by 321 million yen, 1,126 million yen, and 1,447 million yen, respectively.

In addition, due to the cancellation of treasury shares, the balance of capital surplus has turned negative. Therefore, we have set capital surplus to zero and reduced the corresponding negative amount from retained earnings.

As a result, retained earnings amounted to 10,297 million yen, and treasury shares became 0 yen at the end of the first half.

Notes on Special Accounting Methods for Presenting Consolidated Financial Statements for the Six Months Ended August 31, 2024

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

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

Segment and Other Information

Segment information

1. First six months of FY2/24 (Mar. 1, 2023–Aug. 31, 2023)

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

(Millions of yen)

	Reportable segment					Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	PR and Advertising	Press Release Distribution	Direct Marketing	HR	Investment			
Net sales								
Revenue from contracts with customers	17,167	3,219	6,631	1,306	—	28,324	—	28,324
Other revenue	—	—	—	—	240	240	—	240
External sales	17,167	3,219	6,631	1,306	240	28,565	—	28,565
Inter-segment sales and transfers	116	64	32	4	—	217	(217)	—
Total	17,283	3,284	6,663	1,311	240	28,783	(217)	28,565
Segment profit (loss)	826	890	(143)	(9)	(80)	1,483	(0)	1,483

Notes: 1. The minus 0 million yen adjustment to segment profit (loss) is the elimination of intersegment transactions.

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

(2) Information related to revisions for reportable segments

This is as described in 2. First six months of FY2/25 (Mar. 1, 2024 – Aug. 31, 2024) (2) Information related to revisions for reportable segments

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

Significant impairment losses involving non-current assets

Not applicable.

Significant change in goodwill

Starting from the first half of the fiscal year ending February 28, 2025, Tryhatch, Inc. and Owned, Company have been included in the scope of consolidation within the PR and Advertising segment. This acquisition resulted in goodwill of 696 million yen.

Moreover, starting from the first half of the fiscal year ending February 29, 2025, glucose Inc. has been included in the scope of consolidation within the Press Release Distribution segment. This acquisition resulted in goodwill of 154 million yen.

In addition, starting from the second quarter of the fiscal year ending February 28, 2025, BUSiCONET Inc. has been included in the scope of consolidation within the HR segment. This acquisition resulted in goodwill of 1,139 million yen.

Significant gain on bargain purchase

Not applicable.

2. First six months of FY2/25 (Mar. 1, 2024–Aug. 31, 2024)

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

(Millions of yen)

	Reportable segment					Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	PR and Advertising	Press Release Distribution	Direct Marketing	HR	Investment			
Net sales								
Revenue from contracts with customers	16,096	3,829	5,926	1,453	—	27,306	—	27,306
Other revenue	—	—	—	—	79	79	—	79
External sales	16,096	3,829	5,926	1,453	79	27,385	—	27,385
Inter-segment sales and transfers	53	62	0	9	—	125	(125)	—
Total	16,150	3,892	5,927	1,462	79	27,511	(125)	27,385
Segment profit (loss)	1,615	958	(510)	46	(39)	2,070	(0)	2,069

Notes: 1. The minus 0 million yen adjustment to segment profit (loss) is the elimination of intersegment transactions.

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

(2) Information related to revisions for reportable segments

As a “fast company” that is a one-stop source of comprehensive support for marketing strategies designed to spread the word about excellent products, services and solutions of our customers to the world, the VECTOR Group has worked to enhance capabilities in delivering end-to-end solutions, from raising awareness to driving purchases.

VECTOR has decided to proceed with an absorption-type merger, in which INITIAL Inc., a wholly owned subsidiary, will be the surviving company, and Starbank Inc. and INFLUENCER BANK, Inc., both of which are also wholly owned subsidiaries, will be the dissolved companies. The aims are to restructure the PR and Advertising segment and streamline management. As a result, starting from the six months ended August 31, 2024, the segment for INFLUENCER BANK has been changed from the previous Direct Marketing segment to the PR and Advertising segment.

Additionally, segment information for the six months ended August 31, 2023 has been disclosed based on the revised reporting segment classifications.

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

Significant impairment losses involving non-current assets

Not applicable.

Significant change in goodwill

Starting from the first half, FINDAWAY Co., Ltd. has been included in the scope of consolidation within the HR segment. This acquisition resulted in goodwill of 102 million yen.

Significant gain on bargain purchase
Not applicable.

Notes on Subsequent Events

Not applicable.