



January 10, 2020

**Summary of Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending February 29, 2020
(Nine months Ended November 30, 2019)**

[Japanese GAAP]

Company name: Vector, Inc.	Listing: Tokyo Stock Exchange, First Section
Securities code: 6058	URL: https://www.vectorinc.co.jp/
Representative: Keiji Nishie, President & CEO	
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Scheduled date of filing of Quarterly Report:	January 10, 2020
Scheduled date of dividend payment:	-
Preparation of supplementary materials for quarterly financial results:	Yes
Holding of quarterly financial results meeting:	None

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

**1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending February 29, 2020
(March 1, 2019 – November 30, 2019)**

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Nov. 30, 2019	27,778	30.9	2,266	4.2	2,921	5.8	154	(86.9)
Nine months ended Nov. 30, 2018	21,222	46.7	2,176	(10.9)	2,761	7.7	1,182	(18.0)

Note: Comprehensive income
 Nine months ended Nov. 30, 2019: 70 million yen (down 93.5%)
 Nine months ended Nov. 30, 2018: 1,069 million yen (down 34.4%)

	Earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Nine months ended Nov. 30, 2019	3.28		3.26	
Nine months ended Nov. 30, 2018	25.59		24.98	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Nov. 30, 2019	25,388	13,056	41.1	218.99
As of Feb. 28, 2019	26,908	12,738	38.2	221.06

Reference: Shareholders' equity
 As of Nov. 30, 2019: 10,440 million yen
 As of Feb. 28, 2019: 10,289 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Feb. 28, 2019	-	0.00	-	0.00	0.00
Fiscal year ending Feb. 29, 2020	-	0.00	-	-	-
Fiscal year ending Feb. 29, 2020 (forecast)	-	-	-	-	-

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

The Articles of Incorporation provide for dividends with record dates at the end of each second quarter and fiscal year. Currently, the forecast for dividends with these record dates for the fiscal year ending February 29, 2020 has not been determined.

3. Consolidated Forecast for the Fiscal Year Ending February 29, 2020 (March 1, 2019 – February 29, 2020)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	37,410	24.1	3,230	13.0	3,360	11.2	0	-	0.00

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

*** Notes**

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

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

Note: Please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements” on page 9 for further information.

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

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|---|------|
| 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 Nov. 30, 2019:	47,936,100 shares	As of Feb. 28, 2019:	46,807,500 shares
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2) Number of treasury shares at the end of the period

As of Nov. 30, 2019:	261,946 shares	As of Feb. 28, 2019:	261,945 shares
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3) Average number of shares during the period

Nine months ended Nov. 30, 2019:	47,326,676 shares	Nine months ended Nov. 30, 2018:	46,221,030 shares
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* The quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Appropriate use of business forecast and other special items

Forecasts regarding future performance in this material are based on information currently available to Vector and incorporate a variety of uncertainties. Actual performance may differ from these forecasts for a number of reasons including changes in internal or external factors affecting business operations. Please refer to “(3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 4 of the attachments regarding the forecasts shown in this material.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

Forward-looking statements are based on the judgments of Vector as of the date of this report.

Starting in the first quarter of the fiscal year ending February 29, 2020, Vector is applying “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). Prior-year figures have been adjusted retroactively to conform with this accounting standard in order to facilitate comparisons and analysis.

(1) Explanation of Results of Operations

During the first nine months of the current fiscal year, the Japanese economy continued to recover slowly due to the continuation of improvements in corporate earnings, labor market and personal income. However, the outlook remains unclear because of the U.S.-China trade war, political risk in Europe and other sources of global instability.

The Vector Group continued to focus on operating as a “fast company” that is a one-stop source of comprehensive support for marketing strategies with the goal of making people aware of the outstanding products, services and other attributes of our clients. To accomplish this goal, we strengthened highly effective new services, chiefly digital services, and all group companies conducted extensive sales and other activities primarily involving our current clients.

In April 2019, we launched an IoT signage service that uses tablets placed inside taxi cabs. The volume of advertisements using this service has been strong. In December 2019, we used knowledge gained from this signage service to start a digital out-of-home (DOOH) media business for digital outdoor advertising. This business started with services for two outdoor digital billboards in Tokyo’s Shibuya district, a prime location for advertisements.

Acquisitions and other investments during the past few years added new business sectors to the Vector Group. In the new human resources business, we are still at the stage of assembling the best possible structure for our business operations. Due to the steady progress with these activities, this business became profitable on a quarterly basis in the third quarter of the current fiscal year and is now positioned to make a contribution to the Vector Group’s performance.

Due to these activities, sales increased 30.9% to 27,778 million yen, operating profit increased 4.2% to 2,266 million yen, ordinary profit increased 5.8% to 2,921 million yen and profit attributable to owners of parent decreased 86.9% to 154 million yen.

There was progress in our venture capital business. We support companies where we make investments by supplying PR and IR services and in other ways. AI CROSS Inc., WILLs Inc. and BuySell Technologies Co., Ltd. listed their shares on the Mothers Market of the Tokyo Stock Exchange on October 8, December 17 and December 18, 2019, respectively.

Business segment performance was as follows.

The Vector Group started using revised reportable segments in the first quarter of the current fiscal year. Prior-year figures have been adjusted to conform to the revised segments in order to facilitate year-to-year comparisons. In the third quarter of the current fiscal year, the Japanese-language name of the Press Release Distribution segment was revised but remains unchanged in English.

Public Relations

Strategic PR services centered on consulting are the primary activity of this segment. In addition to providing consulting and other PR services, the Vector Group has started offering digital domain services. Many people have been recruited to increase the scale of public relations operations. Investments in new businesses and measures to strengthen the administrative framework caused selling, general and administrative expenses to increase. Furthermore, there was a decline in the profitability of some subsidiaries that have content production operations for PR services. As a result, operating profit in this segment decreased.

Segment sales increased 9.5% to 13,438 million yen and operating profit decreased 3.3% to 1,505 million yen.

Press Release Distribution

PR TIMES, Inc. distributes and posts press releases by using its “PR TIMES” website as well as many other websites. The number of companies that use its press release distribution service surpassed 34,000 in November 2019.

Segment sales increased 28.1% to 2,165 million yen and operating profit rose 28.0% to 525 million yen.

Video Release Distribution

The video release distribution business of NewsTV, Inc. has the vision of making video releases a widely used tool in the advertising and marketing industries. Sales increased in the first nine months because of aggressive sales activities both directly and through sales agents. During the first nine months, we upgraded the capabilities of the video release distribution system, recruited more people for this business, and conducted advertising and marketing activities. All these measures are aimed at building a stronger foundation for more growth. The expenses for these activities caused operating profit in this segment to decline.

Segment sales increased 12.7% to 1,440 million yen and operating profit fell 13.2% to 270 million yen.

Direct Marketing

The direct marketing business of Vitabrid Japan, Inc. continued to grow as sales of its line of Vitabrid C personal care products increased steadily. However, operating profit decreased because of substantial advertising expenditures for new products in order to aim for higher earnings.

Segment sales increased 43.0% to 6,306 million yen and operating profit decreased 6.8% to 304 million yen.

Media

The media business, which is operated by Smartmedia INC. and other companies, recovered from the negative impact of a change in the order that search engine results are displayed on performance in the previous fiscal year’s first half. This business focused on sectors where it has core strengths, such as tools for building owned media. However, sales and earnings in the first nine months were lower than one year earlier because of a decline in the earnings of some search engine optimization (SEO) media and up-front investments in new businesses in order to establish new sources of earnings.

Segment sales decreased 23.1% to 668 million yen and operating loss was 227 million yen compared with a 224 million yen loss one year earlier.

Human Resources

ASHITA-TEAM Co., Ltd., which operates a human resources cloud service that helps companies establish and operate employee evaluation systems, has been a subsidiary of Vector since July 2018. Prospects for the growth of this company’s human resources services are good in part because of ongoing measures of the Japanese government to promote working style reforms. However, in the first nine months, ASHITA-TEAM took several steps to revitalize the growth strategy used in prior years. This company is creating a framework for operating as a member of the Vector Group, closing unprofitable locations, cutting advertising and sales promotion expenses, and taking other actions for restructuring its operations. In the third quarter, the benefits of restructuring initiatives began to emerge. As a result, ASHITA-TEAM became profitable on a quarterly basis.

Segment sales increased 165.2% to 3,032 million yen and operating loss was 586 million yen compared with a 263 million yen loss one year earlier.

(2) Explanation of Financial Position

Assets

Total assets at the end of the third quarter of the current fiscal year decreased 1,519 million yen from the end of the previous fiscal year to 25,388 million yen.

Current assets increased 356 million yen to 14,916 million yen. This was mainly due to an increase of 1,220 million yen in notes and accounts receivable-trade, while there were a decrease of 257 million yen in operational investment securities and an increase of 274 million yen in allowance for doubtful accounts.

Non-current assets decreased 1,876 million yen to 10,472 million yen. This was mainly due to decreases of 1,072 million yen in goodwill and 1,310 million yen in investment securities, while there was an increase of 430 million yen in leased assets.

Liabilities

Total liabilities at the end of the third quarter of the current fiscal year decreased 1,837 million yen from the end of the previous fiscal year to 12,332 million yen.

Current liabilities decreased 1,535 million yen to 8,375 million yen. This was mainly due to a decrease of 2,267 million yen in short-term loans payable, while there was an increase of 396 million yen in notes and accounts payable-trade.

Non-current liabilities decreased 301 million yen to 3,957 million yen. This was mainly due to a decrease of 978 million yen in long-term loans payable, while there was an increase of 604 million yen in bonds payable.

Net assets

Total net assets at the end of the third quarter of the current fiscal year increased 317 million yen from the end of the previous fiscal year to 13,056 million yen. This was mainly due to increases of 299 million yen in capital stock, 158 million yen in capital surplus, 154 million yen in retained earnings and 173 million yen in non-controlling interests, and a decrease of 422 million yen in valuation difference on available-for-sale securities.

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

Profit attributable to owners of parent of 154 million yen in the first nine months was higher than the forecast. Nevertheless, there are no revisions to the consolidated forecast that was announced on October 15, 2019 (press release in Japanese only titled “Notice of Non-operating Income and Expenses, Extraordinary Loss, Difference between First Half Results and Forecast, and Revision to Fiscal Year Forecast”) based on a conservative estimate that includes a loss on valuation of investment securities and a one-time extraordinary loss.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

	FY2/19 (As of Feb. 28, 2019)	Third quarter of FY2/20 (As of Nov. 30, 2019)
Assets		
Current assets		
Cash and deposits	6,063,288	6,019,271
Notes and accounts receivable-trade	5,028,115	6,248,600
Operational investment securities	874,410	617,388
Merchandise and finished goods	424,895	739,841
Costs on uncompleted services	112,562	281,598
Other	2,200,509	1,428,721
Allowance for doubtful accounts	(144,268)	(419,162)
Total current assets	14,559,514	14,916,259
Non-current assets		
Property, plant and equipment		
Buildings and structures	419,365	433,460
Machinery, equipment and vehicles	13,303	8,095
Tools, furniture and fixtures	535,556	600,462
Leased assets	160,934	591,750
Accumulated depreciation	(607,811)	(768,857)
Total property, plant and equipment	521,347	864,912
Intangible assets		
Goodwill	3,735,225	2,663,141
Software	494,763	537,334
Other	246,031	284,629
Total intangible assets	4,476,019	3,485,105
Investments and other assets		
Investment securities	6,174,380	4,864,053
Lease and guarantee deposits	722,981	869,925
Deferred tax assets	399,095	244,270
Other	75,772	144,461
Allowance for doubtful accounts	(20,628)	-
Total investments and other assets	7,351,601	6,122,709
Total non-current assets	12,348,968	10,472,727
Total assets	26,908,483	25,388,987

	(Thousands of yen)	
	FY2/19 (As of Feb. 28, 2019)	Third quarter of FY2/20 (As of Nov. 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,038,389	1,434,425
Short-term loans payable	4,065,497	1,797,810
Current portion of long-term loans payable	1,078,317	747,474
Current portion of bonds	10,000	198,000
Lease obligations	30,739	179,596
Income taxes payable	1,001,668	889,938
Provision for bonuses	213,312	284,024
Provision for shareholder benefit program	68,700	-
Other	2,404,293	2,844,046
Total current liabilities	9,910,918	8,375,315
Non-current liabilities		
Long-term loans payable	3,885,405	2,906,545
Bonds payable	40,000	644,000
Lease obligations	80,719	319,798
Deferred tax liabilities	154,412	2,439
Other	98,168	84,484
Total non-current liabilities	4,258,705	3,957,266
Total liabilities	14,169,624	12,332,581
Net assets		
Shareholders' equity		
Capital stock	2,580,425	2,880,131
Capital surplus	2,611,437	2,770,253
Retained earnings	4,793,817	4,948,815
Treasury shares	(259,778)	(259,780)
Total shareholders' equity	9,725,901	10,339,420
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	540,333	117,768
Foreign currency translation adjustment	23,080	(17,073)
Total accumulated other comprehensive income	563,413	100,695
Share acquisition rights	198,811	191,608
Non-controlling interests	2,250,732	2,424,680
Total net assets	12,738,858	13,056,405
Total liabilities and net assets	26,908,483	25,388,987

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

(Thousands of yen)

	First nine months of FY2/19 (Mar. 1, 2018 – Nov. 30, 2018)	First nine months of FY2/20 (Mar. 1, 2019 – Nov. 30, 2019)
Net sales	21,222,146	27,778,150
Cost of sales	7,979,167	9,961,594
Gross profit	13,242,979	17,816,556
Selling, general and administrative expenses	11,066,690	15,549,651
Operating profit	2,176,288	2,266,904
Non-operating income		
Interest and dividend income	19,240	16,090
Gain on sales of investment securities	659,942	1,376,782
Gain on investments in partnership	321,670	45,146
Other	44,720	48,216
Total non-operating income	1,045,574	1,486,235
Non-operating expenses		
Interest expenses	30,803	41,501
Foreign exchange losses	7,610	9,964
Provision of allowance for doubtful accounts	14,236	15,622
Loss on investments in partnership	2,921	46,929
Loss on valuation of investment securities	240,665	513,582
Share of loss of entities accounted for using equity method	48,386	155,316
Other	115,512	48,401
Total non-operating expenses	460,136	831,318
Ordinary profit	2,761,726	2,921,821
Extraordinary income		
Gain on sales of non-current assets	-	21,694
Gain on bargain purchase	4,512	-
Gain on step acquisitions	111,687	-
Gain on change in equity	16,858	29,727
Gain on liquidation of subsidiaries	-	1,259
Gain on sales of shares of subsidiaries and associates	-	98,753
Total extraordinary income	133,058	151,435
Extraordinary losses		
Loss on retirement of non-current assets	20,617	10,134
Loss on sales of shares of subsidiaries and associates	344	-
Loss on cancellation of leases	9,942	-
Impairment loss	16,278	483,776
Loss on liquidation of business	-	197,892
Office transfer expenses	-	8,065
Total extraordinary losses	47,182	699,868
Profit before income taxes	2,847,602	2,373,387
Income taxes	1,392,571	1,841,102
Profit	1,455,031	532,285
Profit attributable to non-controlling interests	272,371	377,287
Profit attributable to owners of parent	1,182,659	154,998

Quarterly Consolidated Statement of Comprehensive Income
(For the Nine-month Period)

(Thousands of yen)

	First nine months of FY2/19 (Mar. 1, 2018 – Nov. 30, 2018)	First nine months of FY2/20 (Mar. 1, 2019 – Nov. 30, 2019)
Profit	1,455,031	532,285
Other comprehensive income		
Valuation difference on available-for-sale securities	(385,635)	(422,564)
Foreign currency translation adjustment	(319)	(25,818)
Share of other comprehensive income of entities accounted for using equity method	-	(13,890)
Total other comprehensive income	(385,955)	(462,273)
Comprehensive income	1,069,075	70,012
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	796,703	(307,719)
Comprehensive income attributable to non-controlling interests	272,371	377,732

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Capital stock and capital surplus increased 299,706 thousand yen each due to the exercise of share acquisition rights as stock options in the first nine months of FY2/20. As a result, capital stock was 2,880,131 thousand yen and capital surplus was 2,770,253 thousand yen at the end of the third quarter.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

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

Segment and Other Information**Segment information**

1. First nine months of FY2/19 (Mar. 1, 2018 – Nov. 30, 2018)

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

	Reportable segment						
	Public Relations	Press Release Distribution	Video Release Distribution	Direct Marketing	Media	Human Resources	Total
Net sales							
External sales	12,184,453	1,546,265	1,075,903	4,410,264	771,949	1,143,360	21,132,197
Inter-segment sales and transfers	93,440	144,300	202,695	-	97,375	105	537,916
Total	12,277,893	1,690,565	1,278,598	4,410,264	869,325	1,143,465	21,670,113
Segment profit (loss)	1,557,764	410,422	311,845	327,141	(224,047)	(263,456)	2,119,670

	Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
Net sales				
External sales	89,949	21,222,146	-	21,222,146
Inter-segment sales and transfers	272,532	810,448	(810,448)	-
Total	362,481	22,032,595	(810,448)	21,222,146
Segment profit (loss)	57,041	2,176,711	(423)	2,176,288

Notes: 1. "Other" represents the businesses which are not included in any of the reportable segments and mainly consists of taxi signage network business and investment business.

2. The minus 423 thousand yen adjustment to segment profit (loss) is the elimination of intersegment transactions.

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

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

Significant impairment losses involving non-current assets

In the Public Relations segment and the Video Release Distribution segment, there were impairment losses of 15,074 thousand yen and 1,204 thousand yen, respectively, in the first nine months of FY2/19.

Significant change in goodwill

In the second quarter of FY2/19, RAGRU, Inc. was newly consolidated and included in the Media segment and ASHITA-TEAM Co., Ltd. was newly consolidated and included in the Human Resources segment. In the first nine months of FY2/19, these new consolidations caused goodwill to increase by 2,667,913 thousand yen.

2. First nine months of FY2/20 (Mar. 1, 2019 – Nov. 30, 2019)

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

	Reportable segment						Total
	Public Relations	Press Release Distribution	Video Release Distribution	Direct Marketing	Media	Human Resources	
Net sales							
External sales	13,223,523	2,028,688	1,228,673	6,297,424	507,297	3,030,924	26,316,533
Inter-segment sales and transfers	215,337	136,734	211,870	8,776	160,899	1,340	734,958
Total	13,438,861	2,165,422	1,440,544	6,306,201	668,197	3,032,264	27,051,491
Segment profit (loss)	1,505,643	525,152	270,574	304,938	(227,743)	(586,817)	1,791,748

	Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
Net sales				
External sales	1,461,616	27,778,150	-	27,778,150
Inter-segment sales and transfers	415,205	1,150,163	(1,150,163)	-
Total	1,876,822	28,928,314	(1,150,163)	27,778,150
Segment profit (loss)	478,039	2,269,788	(2,883)	2,266,904

Notes: 1. "Other" represents the businesses which are not included in any of the reportable segments and mainly consists of taxi signage network business and investment business.

2. The minus 2,883 thousand yen adjustment to segment profit (loss) is the elimination of intersegment transactions.

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

4. In the third quarter of FY2/20, the Japanese-language name of the Press Release Distribution segment was revised but remains unchanged in English. This change is solely for the name of segment and does not influence the segment information. The segment information for the first nine months of FY2/19 is prepared and disclosed using the new segment name.

(2) Information related to revisions for reportable segments

In the first three months of FY2/20, Smartmedia INC. and RAGRU, Inc., which were included in the Public Relations segment in prior periods, were reclassified and included in the Media segment. News Technology.inc., which was included in the Public Relations segment in prior periods, was reclassified and included in the Other segment. In addition, ASHITA-TEAM Co., Ltd. and its four subsidiaries, which were included in the Other segment in prior periods, were reclassified and included in the Human Resources segment. Segment information for the first nine months of FY2/19 has been restated based on the revised 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

In the Video Release Distribution segment, an impairment loss of 30,416 thousand yen was recognized in the first nine months of FY2/20 because there are no prospects for use of the patent in the future.

Subsequent Events

Not applicable.

This summary report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.