

Summary of Financial Statements for the Second Quarter of the Year Ending December 31, 2021 (J-GAAP) (Consolidated)

August 12, 2021

Company **Segue Group Co., Ltd.**
 Stock Code 3968 URL: <https://segue-g.jp/>
 Representative Yasuyuki Aisu, President and CEO
 Contact Yasuhiro Fukuda, CFO
 Expected date of filing of quarterly report: August 12, 2021
 Expected starting date of dividend payment: -
 Preparation of quarterly supplementary financial document: Yes
 Quarterly results briefing: Yes (for institutional investors and analysts)

Stock Exchange: Tokyo Stock Exchange

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(Rounded down to million yen)

1. Consolidated business results for the six months ended June 2021 (January 1, 2021 through June 30, 2021)

(1) Consolidated results of operations

(Percentages indicate year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q2 FY 2021	5,885	17.1	249	-21.4	290	-13.0	181	-22.9
Q2 FY 2020	5,025	-0.6	317	2.8	334	9.6	235	17.8

(Note) Comprehensive income

Q2 FY 2021: 161 million yen (-23.7%)

Q2 FY 2020: 211 million yen (-7.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Q2 FY 2021	15.83	15.59
Q2 FY 2020	20.66	20.20

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
Q2 FY 2021	7,536	3,190	41.5
FY 2020	7,191	3,172	43.7

(Reference) Shareholders' equity:

Q2 FY 2021: 3,128 million yen

FY 2020: 3,142 million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2020	-	0.00	-	16.00	16.00
FY 2021	-	0.00	-	-	-
FY 2021 (forecast)	-	-	-	16.00	16.00

(Note) Revisions to dividend forecast for the current quarter: None

3. Forecast of consolidated business results for the fiscal year ending December 2021 (January 1, 2021 through December 31, 2021)

(Percentages indicate year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	12,500	13.7	919	9.1	938	7.4	675	6.4	59.20

(Note) Revisions to business forecast for the current quarter: None

***Notes**

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

(2) Application of accounting procedures specific to preparation of the consolidated quarterly financial statements: None

(3) Changes in accounting policies, accounting estimates and restatement

① Changes in accounting policies associated with revision of accounting standards: : None

② Changes in accounting policies other than ① : None

③ Changes in accounting estimates : None

④ Restatement : None

(4) Shares outstanding (common stock)

① Number of shares outstanding at the end of period (treasury stock included)

Q2 FY 2021 11,631,435 shares

FY 2020 11,557,035 shares

② Treasury stock at the end of period

Q2 FY 2021 127,589 shares

FY 2020 127,589 shares

③ Average number of stock during period (quarterly cumulative period)

Q2 FY 2021 11,479,112 shares

Q2 FY 2020 11,414,376 shares

(Note) The number of treasury shares to be deducted for the purpose of calculating the number of treasury shares at the end of period and the average number of shares during the period (quarterly cumulative period) includes the Company's shares held by the stock benefit trust as trust assets under the J-ESOP plan.

***Quarterly financial summary is not subject to auditing procedures by certified public accountants or auditing firms.**

***Explanation regarding appropriate use of business forecasts and other special instructions**

- Forecasts regarding future performance in this material are based on information currently available to the company and certain assumptions that the company deems to be reasonable at the time this report was prepared. The Company does not promises about the achievements. Actual results may differ significantly from the forecasts due to various factors.
- The Company plans to hold a briefing for institutional investors and analysts on Friday, August 20 ,2021. The materials of this briefing is scheduled to be posted on the Company's website promptly after the briefing.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

(Thousand yen)

	FY 2020 (December 31, 2020)	Q2 FY 2021 (June 30, 2021)
Assets		
Current assets		
Cash and deposits	1,727,426	3,084,384
Notes and accounts receivable	2,088,973	1,331,267
Electronically recorded monetary claims	87,262	155,977
Inventories	821,751	569,573
Advance payments - trade	549,329	607,214
Accounts receivable - other	428,133	193,958
Other	104,756	106,652
Allowance for doubtful accounts	-872	-707
Total current assets	5,806,761	6,048,320
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	78,366	70,662
Accumulated depreciation	-45,686	-35,212
Buildings and structures, net	32,679	35,449
Automotive equipment	3,076	3,076
Accumulated depreciation	-2,668	-2,734
Vehicles, net	407	342
Tools, furniture and fixtures	949,448	920,204
Accumulated depreciation	-788,270	-750,375
Tools, furniture and fixtures, net	161,177	169,829
Land	639	639
Construction in progress	-	2,287
Total property, plant and equipment	194,904	208,548
Intangible assets		
Goodwill	92,213	80,378
Software	140,484	133,075
Software in progress	7,517	-
Other	1,209	1,209
Total intangible assets	241,424	214,663
Investments and other assets		
Investment securities	602,732	693,803
Long-term guarantee deposits	128,223	120,953
Deferred tax assets	109,306	140,632
Insurance funds	85,256	86,711
Claims in bankruptcy	1,447	1,447
Other	22,911	22,405
Allowance for doubtful accounts	-1,339	-1,339
Total investments and other assets	948,538	1,064,612
Total noncurrent assets	1,384,867	1,487,825
Total assets	7,191,628	7,536,145

(Thousand yen)

	FY 2020 (December 31, 2020)	Q2 FY 2021 (June 30, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	804,759	825,946
Current portion of long-term loans payable	8,028	5,324
Accounts payable	105,145	98,125
Accrued expenses	186,495	278,376
Income taxes payable	247,765	153,546
Accrued consumption taxes	133,890	108,581
Provision for bonuses	2,000	9,110
Advances received	2,183,623	2,531,664
Other	61,829	27,549
Total current liabilities	3,733,537	4,038,226
Noncurrent liabilities		
Long-term debt	1,830	520
Retirement benefit liability	201,421	214,704
Provision for share-based remuneration	15,553	25,668
Long-term accounts payable - other	66,598	66,598
Total noncurrent liabilities	285,402	307,491
Total liabilities	4,018,940	4,345,717
Net assets		
Shareholders' equity		
Capital stock	510,772	514,326
Capital surplus	283,272	286,826
Retained earnings	2,393,965	2,392,913
Treasury shares	-100,252	-100,252
Total shareholders' equity	3,087,757	3,093,815
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	55,168	33,530
Deferred gains or losses on hedges	-805	747
Total accumulated other comprehensive income	54,362	34,277
Share subscription rights	30,567	62,335
Total net assets	3,172,688	3,190,428
Total liabilities and net assets	7,191,628	7,536,145

(2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income

Quarterly Consolidated Statement of Income

Second Quarter

(Thousand yen)

	Q2 FY 2020 (January 1, 2020- June 30, 2020)	Q2 FY 2021 (January 1, 2021- June 30, 2021)
Net sales	5,025,827	5,885,431
Cost of sales	3,629,378	4,408,183
Gross profit	1,396,449	1,477,247
Selling, general and administrative expenses	1,078,686	1,227,364
Operating income	317,762	249,883
Non-operating income		
Interest income and dividends	27	8
Foreign exchange gain	2,446	33,560
Surrender value of insurance	3,372	1,518
Subsidy income	8,244	1,983
Compensation income	-	9,595
Other	2,995	1,293
Total non-operating income	17,086	47,960
Non-operating expenses		
Interest expenses	69	108
Guarantee commission	120	120
Stock issuance cost	210	180
Customer compensation and other costs	-	6,436
Other	0	24
Total non-operating expenses	400	6,869
Ordinary income	334,449	290,974
Extraordinary income		
Gains on sales of investment securities	22,699	-
Total extraordinary income	22,699	-
Extraordinary loss		
Ceremony cancellation related costs	1,964	-
Total extraordinary loss	1,964	-
Profit before income taxes	355,184	290,974
Income taxes	153,562	138,620
Income taxes-deferred	-34,233	-29,465
Total income taxes	119,328	109,154
Net income	235,855	181,819
Net income attributable to owners of non-controlling shareholders	-	-
Net income attributable to owners of parent	235,855	181,819

Quarterly Consolidated Statement of Comprehensive Income
 Second Quarter

(Thousand yen)

	Q2 FY 2020 (January 1, 2020- June 30, 2020)	Q2 FY 2021 (January 1, 2021- June 30, 2021)
Net income	235,855	181,819
Other comprehensive income		
Valuation difference on available-for-sale securities	-23,744	-21,637
Deferred gains or losses on hedges	-223	1,552
Total other comprehensive income	-23,968	-20,085
Comprehensive income	211,887	161,734
Breakdown		
Comprehensive income attributable to owners of parent	211,887	161,734
Comprehensive income attributable to owners of non-controlling shareholders	-	-

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable

(Notes on significant changes in shareholders' equity)

Not applicable

(Segment Information)

Segment information is omitted because the Group's business segment is solely the IT Solutions business.

(Significant subsequent events)

Not applicable