

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

November 11, 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: November 11, 2021
 Expected starting date of dividend payment: -
 Preparation of quarterly supplementary financial document: Yes
 Quarterly results briefing: None

Stock Exchange: Tokyo Stock Exchange

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(Rounded down to million yen)

1. Consolidated business results for the nine months ended September 2021 (January 1, 2021 through September 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	%
Q3 FY 2021	8,393	11.2	283	-35.9	326	-29.7	221	-37.7
Q3 FY 2020	7,546	2.3	442	0.9	464	5.6	354	24.0

(Note) Comprehensive income

Q3 FY 2021: 185 million yen (-41.4%)

Q3 FY 2020: 317 million yen (-1.4%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Q3 FY 2021	19.26		18.98	
Q3 FY 2020	31.13		30.44	

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Million yen		Million yen		%	
Q3 FY 2021	7,450		3,214		42.3	
FY 2020	7,191		3,172		43.7	

(Reference) Shareholders' equity

Q3 FY 2021: 3,152 million yen

Q3 FY 2020: 3,142 million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	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 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	12,325	12.1	575	-31.8	625	-28.5	440	-30.6	38.32	

(Note) Revisions to business forecast for the current quarter: Yes

***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

- | | |
|---|--------|
| ①Changes in accounting policies associated with revision of accounting standards: | : None |
| ②Changes in accounting policies other than ① | : None |
| ③Changes in accounting estimates | : None |
| ④Restatement | : None |

(4) Shares outstanding (common stock)

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

Q3 FY 2021	11,633,035 shares
FY 2020	11,557,035 shares

②Treasury stock at the end of period

Q3 FY 2021	127,589 shares
FY 2020	127,589 shares

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

Q3 FY 2021	11,487,623 shares
Q3 FY 2020	11,401,105 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 promise about the achievements. Actual results may differ significantly from the forecasts due to various factors.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

(Thousand yen)

	FY 2020 (December 31, 2020)	Q3 FY 2021 (September 30, 2021)
Assets		
Current assets		
Cash and deposits	1,727,426	2,513,479
Notes and accounts receivable - trade	2,088,973	1,106,074
Electronically recorded monetary claims	87,262	189,899
Inventories	821,751	1,186,204
Advance payments - trade	549,329	588,653
Accounts receivable - other	428,133	293,084
Other	104,756	110,300
Allowance for doubtful accounts	-872	-686
Total current assets	5,806,761	5,987,009
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	78,366	72,295
Accumulated depreciation	-45,686	-29,231
Buildings and structures, net	32,679	43,063
Automotive equipment	3,076	3,076
Accumulated depreciation	-2,668	-2,767
Vehicles, net	407	309
Tools, furniture and fixtures	949,448	927,001
Accumulated depreciation	-788,270	-759,522
Tools, furniture and fixtures, net	161,177	167,478
Land	639	639
Total property, plant and equipment	194,904	211,491
Intangible assets		
Goodwill	92,213	74,460
Software	140,484	122,520
Software in progress	7,517	-
Other	1,209	1,209
Total intangible assets	241,424	198,190
Investments and other assets		
Investment securities	602,732	699,448
Long-term guarantee deposits	128,223	118,680
Deferred tax assets	109,306	125,256
Insurance funds	85,256	87,797
Claims in bankruptcy	1,447	1,447
Other	22,911	22,216
Allowance for doubtful accounts	-1,339	-1,339
Total investments and other assets	948,538	1,053,507
Total noncurrent assets	1,384,867	1,463,188
Total assets	7,191,628	7,450,198

(Thousand yen)

	FY 2020 (December 31, 2020)	Q3 FY 2021 (September 30, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	804,759	1,012,937
Current portion of long-term loans payable	8,028	3,677
Accounts payable	105,145	85,631
Accrued expenses	186,495	160,141
Income taxes payable	247,765	32,922
Accrued consumption taxes	133,890	60,093
Provision for bonuses	2,000	86,729
Advances received	2,183,623	2,457,874
Other	61,829	22,532
Total current liabilities	3,733,537	3,922,539
Noncurrent liabilities		
Long-term debt	1,830	160
Retirement benefit liability	201,421	220,510
Provision for share-based remuneration	15,553	25,668
Long-term accounts payable - other	66,598	66,598
Total noncurrent liabilities	285,402	312,937
Total liabilities	4,018,940	4,235,476
Net assets		
Shareholders' equity		
Capital stock	510,772	514,406
Capital surplus	283,272	286,906
Retained earnings	2,393,965	2,432,381
Treasury shares	-100,252	-100,252
Total shareholders' equity	3,087,757	3,133,442
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	55,168	16,902
Deferred gains or losses on hedges	-805	2,041
Total accumulated other comprehensive income	54,362	18,944
Share subscription rights	30,567	62,335
Total net assets	3,172,688	3,214,722
Total liabilities and net assets	7,191,628	7,450,198

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

Quarterly Consolidated Statement of Income

Third Quarter

(Thousand yen)

	Q3 FY 2020 (January 1, 2020- September 30, 2020)	Q3 FY 2021 (January 1, 2021- September 30, 2021)
Net sales	7,546,400	8,393,977
Cost of sales	5,474,876	6,266,723
Gross profit	2,071,524	2,127,253
Selling, general and administrative expenses	1,629,160	1,843,803
Operating income	442,363	283,449
Non-operating income		
Interest income and dividends	108	102
Foreign exchange gain	782	30,704
Surrender value of insurance	4,695	3,653
Employment adjustment subsidy	4,485	-
Subsidy income	8,244	3,456
Compensation income	-	9,595
Other	3,896	2,263
Total non-operating income	22,212	49,776
Non-operating expenses		
Interest expenses	97	118
Guarantee commission	180	180
Stock issuance cost	270	210
Customer compensation and other costs	-	6,436
Other	0	25
Total non-operating expenses	547	6,971
Ordinary income	464,028	326,255
Extraordinary income		
Gains on sales of investment securities	65,850	23,706
Total extraordinary income	65,850	23,706
Extraordinary loss		
Ceremony cancellation related costs	1,964	-
Total extraordinary loss	1,964	-
Profit before income taxes	527,913	349,961
Income taxes	191,114	138,213
Income taxes-deferred	-18,171	-9,538
Total income tax	172,943	128,674
Net income	354,970	221,286
Net income attributable to owners of non-controlling shareholders	-	-
Net income attributable to owners of parent	354,970	221,286

Quarterly Consolidated Statement of Comprehensive Income
Third Quarter

	(Thousand yen)	
	Q3 FY 2020 (January 1, 2020- September 30, 2020)	Q3 FY 2021 (January 1, 2021- September 30, 2021)
Net income	354,970	221,286
Other comprehensive income		
Valuation difference on available-for-sale securities	-37,955	-38,265
Deferred gains or losses on hedges	119	2,847
Total other comprehensive income	-37,835	-35,418
Comprehensive income	317,135	185,868
Breakdown		
Comprehensive income attributable to owners of parent	317,135	185,868
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 segments are solely the IT Solutions business.

(Significant subsequent events)

Purchase of treasury shares

At the meeting of the Board of Directors held on November 11, 2021, the Company resolved the following matters pertaining the purchase of treasury shares in accordance with the provisions of Article 156 of the Companies Act as applied by replacing certain terms pursuant to the provisions of Paragraph 3 of Article 165 of the same Act.

1. Reason for purchasing treasury shares

The Company has decided to acquire treasury shares to enable the execution of flexible capital policies in response to changes in the business environment, comprehensively taking into account the level of the Company's stock price and the market environment.

2. Details of matters pertaining to the acquisition

(1) Type of shares to be acquired	Common shares
(2) Total number of shares to be acquired	375,000 shares (maximum) (3.22% of the total number of issued shares (excluding treasury shares))
(3) Total amount of shares to be acquired	300,000,000 yen (maximum)
(4) Acquisition period	November 15, 2021-February 28, 2022
(5) Acquisition method	Market purchases on the Tokyo Stock Exchange

(Reference) Treasury shares held as of October 31, 2021

Total number of issued shares (excluding treasury shares)	11,632,746 shares
Treasury shares	289 shares