

Summary of Business Results for the Year Ended December 31, 2021 (J-GAAP) (Consolidated)

February 10, 2022

Company **Segue Group Co., Ltd.** Stock Exchange: Tokyo Stock Exchange
 Stock Code 3968 URL: <https://segue-g.jp/>
 Representative Yasuyuki Aisu, President and CEO
 Contact Yasuhiro Fukuda, CFO T E L: +81-3-6228-3822
 Expected date of annual shareholders' meeting: March 24, 2022 Expected starting date of dividend payment: March 25, 2022
 Expected date of filing of annual securities report: March 25, 2022
 Preparation of supplementary financial document: Yes
 Results briefing: Yes (for institutional investors and analysts)

(Rounded down to million yen)

1. Consolidated business results for the fiscal year ended December 2021 (January 1, 2021 through December 31, 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	%
FY 2021	12,038	9.5	638	-24.3	686	-21.5	454	-28.3
FY 2020	10,992	14.0	843	53.9	874	57.7	634	54.1

(Note) Comprehensive income:

FY 2021: 379 million yen (-34.8%)

FY 2020: 581 million yen (56.5%)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY 2021	39.62	39.07	14.5	8.7	5.3
FY 2020	55.62	54.40	21.5	13.1	7.7

(Reference) Investment earnings/loss on equity-method:

FY 2021: -million yen

FY 2020: -million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2021	8,625	3,199	36.5	279.50
FY 2020	7,191	3,172	43.7	274.91

(Reference) Shareholders' equity:

FY 2021: 3,144 million yen

FY 2020: 3,142 million yen

(3) Consolidated results of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
FY 2021	-151	-254	17	1,351
FY 2020	163	-401	-216	1,726

2. Dividends

	Annual dividend					Total dividends paid (total)	Payout ratio (consolidated)	Ratio of dividend paid to net assets (consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Yen	%	Yen
FY 2020	-	0.00	-	16.00	16.00	184	29.2	6.2
FY 2021	-	0.00	-	16.00	16.00	182	40.0	5.8
FY 2022 (forecast)	-	0.00	-	16.00	16.00		34.7	

3. Forecast of consolidated business results for the year ending December 2022

(January 1, 2022 through December 31, 2022)

(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	13,300	10.5	760	19.0	760	10.8	520	14.3	46.68

*Notes

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

(2) 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 | : Yes |
| ④ Restatement | : None |

(3) Shares outstanding (common stock)

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

FY 2021 11,640,235 shares

FY 2020 11,557,035 shares

② Treasury stock at the end of period:

FY 2021 389,889 shares

FY 2020 127,589 shares

③ Average number of stock during period (cumulative period)

FY 2021 11,475,283 shares

FY 2020 11,401,730 shares

***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 achievement. Actual results may differ significantly from the forecasts due to various factors.
- The Company plans to hold a results briefing for institutional investors and analysts on Thursday, February 24, 2022. The materials distributed at the results meeting are scheduled to be posted on the Company's website promptly after the meeting.

3. Consolidated Financial Statements and Major Notes
(1) Consolidated balance sheets

(Thousand yen)

	FY 2020 (December 31, 2020)	FY 2021 (December 31, 2021)
Assets		
Current assets		
Cash and deposits	1,727,426	1,351,896
Notes and accounts receivable	2,088,973	1,885,831
Electronically recorded monetary claims	87,262	192,585
Inventories	821,751	2,376,649
Advance payments - trade	549,329	568,623
Accounts receivable - other	428,133	650,197
Other	104,756	211,462
Allowance for doubtful accounts	-872	-672
Total current assets	5,806,761	7,236,574
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	78,366	72,295
Accumulated depreciation	-45,686	-30,226
Buildings and structures, net	32,679	42,068
Automotive equipment	3,076	3,076
Accumulated depreciation	-2,668	-2,799
Vehicles, net	407	276
Tools, furniture and fixtures	949,448	929,541
Accumulated depreciation	-788,270	-763,037
Tools, furniture and fixtures, net	161,177	166,503
Land	639	639
Total property, plant and equipment	194,904	209,488
Intangible assets		
Goodwill	92,213	68,543
Software	140,484	96,256
Software in progress	7,517	-
Other	1,209	1,209
Total intangible assets	241,424	166,009
Investments and other assets		
Investment securities	602,732	665,372
Long-term guarantee deposits	128,223	116,129
Deferred tax assets	109,306	119,841
Insurance funds	85,256	90,791
Claims in bankruptcy	1,447	-
Other	22,911	21,092
Allowance for doubtful accounts	-1,339	-
Total investments and other assets	948,538	1,013,227
Total noncurrent assets	1,384,867	1,388,725
Total assets	7,191,628	8,625,300

	FY 2020 (December 31, 2020)	FY 2021 (December 31, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	804,759	1,605,773
Short-term debt	-	500,000
Current portion of long-term loans payable	8,028	1,830
Accounts payable	105,145	89,648
Accrued expenses	186,495	196,954
Income taxes payable	247,765	107,196
Accrued consumption taxes	133,890	58,967
Provision for bonuses	2,000	2,897
Provision for bonuses for directors (and other officers)	-	2,775
Advances received	2,183,623	2,472,648
Other	61,829	62,434
Total current liabilities	3,733,537	5,101,125
Long-term liabilities		
Long-term debt	1,830	-
Retirement benefit liability	201,421	222,713
Provision for share-based remuneration	15,553	35,676
Long-term accounts payable - other	66,598	66,598
Total long-term liabilities	285,402	324,988
Total liabilities	4,018,940	5,426,113
Net assets		
Shareholders' equity		
Capital stock	510,772	514,766
Capital surplus	283,272	287,266
Retained earnings	2,393,965	2,665,851
Treasury shares	-100,252	-302,514
Total shareholders' equity	3,087,757	3,165,371
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	55,168	-22,551
Deferred gains or losses on hedges	-805	1,673
Total accumulated other comprehensive income	54,362	-20,877
Share subscription rights	30,567	54,693
Total net assets	3,172,688	3,199,186
Total liabilities and net assets	7,191,628	8,625,300

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

Consolidated Statement of Income

(Thousand yen)

	FY 2020 (January 1, 2020- December 31, 2020)	FY 2021 (January 1, 2021- December 31, 2021)
Net sales	10,992,813	12,038,775
Cost of sales	7,900,291	8,947,162
Gross profit	3,092,522	3,091,612
Selling, general and administrative expenses	2,248,904	2,452,900
Operating income	843,618	638,711
Non-operating income		
Interest income and dividends	2,934	2,077
Foreign exchange gain	-	29,529
Surrender value of insurance	5,029	5,246
Employment adjustment subsidy	6,240	-
Subsidy income	10,669	3,513
Compensation income	-	9,595
Other	7,159	4,713
Total non-operating income	32,033	54,675
Non-operating expenses		
Interest expenses	121	228
Guarantee commission	240	277
Foreign exchange loss	754	-
Stock issuance cost	360	270
Expenses for customer compensation, etc.	-	6,436
Other	13	84
Total non-operating expenses	1,490	7,297
Ordinary income	874,160	686,090
Extraordinary income		
Gains on sales of investment securities	65,850	56,447
Total extraordinary income	65,850	56,447
Extraordinary loss		
Investment securities	-	32,350
Ceremony cancellation related costs	1,964	-
Total extraordinary loss	1,964	32,350
Profit before income taxes	938,046	710,186
Income taxes	320,484	250,133
Income taxes-deferred	-16,604	5,295
Total income tax	303,880	255,429
Net income	634,165	454,757
Net income attributable to owners of non-controlling shareholders	-	-
Net income attributable to owners of parent	634,165	454,757

Consolidated Statement of Comprehensive Income

(Thousand yen)

	FY 2020 (January 1, 2020- December 31, 2020)	FY 2021 (January 1, 2021- December 31, 2021)
Net income	634,165	454,757
Other comprehensive income		
Valuation difference on available-for-sale securities	-51,517	-77,719
Deferred gains or losses on hedges	-733	2,478
Total other comprehensive income	-52,250	-75,240
Comprehensive income	581,914	379,516
Breakdown		
Comprehensive income attributable to owners of parent	581,914	379,516
Comprehensive income attributable to owners of non-controlling shareholders	-	-

(3) Consolidated statement of changes in equity

FY 2020 (January 1, 2020, to December 31, 2020)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	507,243	279,743	1,874,669	355,633	2,661,442
Changes during period					
Issuance of new shares	3,529	3,529			7,058
Dividends of surplus			-114,869		-114,869
Net income attributable to owners of parent			634,165		634,165
Purchase of treasury shares				-80	-80
Purchase of treasury shares by stock benefit trust				-99,958	-99,958
Net changes during period other than shareholders' equity					
Total changes during period	3,529	3,529	519,296	-100,038	426,315
Balance at end of current period	510,772	283,272	2,393,965	-100,252	3,087,757

	Accumulated other comprehensive income			Share subscription rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total accumulated other comprehensive income		
Balance at beginning of current period	106,685	-71	106,613	18,463	2,786,518
Changes during period					
Issuance of new shares					7,058
Dividends of surplus					-114,869
Net income attributable to owners of parent					634,165
Purchase of treasury shares					-80
Purchase of treasury shares by stock benefit trust					-99,958
Net changes during period other than shareholders' equity	-51,517	-733	-52,250	12,104	-40,146
Total changes during period	-51,517	-733	-52,250	12,104	386,169
Balance at end of current period	55,168	-805	54,362	30,567	3,172,688

FY 2021 (from January 1, 2021, to December 31, 2021)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	510,772	283,272	2,393,965	-100,252	3,087,757
Changes during period					
Issuance of new shares	3,994	3,994			7,988
Dividends of surplus			-182,871		-182,871
Net income attributable to owners of parent			454,757		454,757
Purchase of treasury shares				-202,261	-202,261
Net changes during period other than shareholders' equity					
Total changes during period	3,994	3,994	271,886	-202,261	77,613
Balance at end of current period	514,766	287,266	2,665,851	-302,514	3,165,371

	Accumulated other comprehensive income			Share subscription rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total accumulated other comprehensive income		
Balance at beginning of current period	55,168	-805	54,362	30,567	3,172,688
Changes during period					
Issuance of new shares					7,988
Dividends of surplus					-182,871
Net income attributable to owners of parent					454,757
Purchase of treasury shares					-202,261
Net changes during period other than shareholders' equity	-77,719	2,478	-75,240	24,125	-51,114
Total changes during period	-77,719	2,478	-75,240	24,125	26,498
Balance at end of current period	-22,551	1,673	-20,877	54,693	3,199,186

(4) Consolidated statement of cash flows

(Thousand yen)

	FY 2020 (January 1, 2020- December 31, 2020)	FY 2021 (January 1, 2021- December 31, 2021)
Cash flows from operating activities		
Profit before income taxes	938,046	710,186
Depreciation	134,300	143,472
Amortization of goodwill	24,569	23,669
Share-based payment expenses	12,255	24,125
Increase (decrease) in provision for share awards	15,553	20,123
Increase (decrease) in allowance for doubtful accounts	-726	-1,539
Increase (decrease) in provision for bonuses	-	2,775
Increase (decrease) in net defined benefit liability	25,007	21,292
Interest and dividend income	-2,934	-2,077
Interest expenses	121	228
Loss (gain) on sales of investment securities	-65,850	-56,447
Loss (gain) on valuation of investment securities	-	32,350
Foreign exchange losses (gains)	-815	-14,430
Decrease (increase) in notes and accounts receivable - trade	-940,713	97,818
Decrease (increase) in accounts receivable - other	-123,719	-149,072
Decrease (increase) in inventories	-181,641	-1,554,898
Decrease (increase) in advance payments	34,223	-19,294
Increase (decrease) in notes and accounts payable - trade	296,311	801,013
Increase (decrease) in advances received	104,460	289,024
Other	81,777	-42,120
Subtotal	350,226	326,201
Interest and dividend income received	2,934	2,077
Interest expenses paid	-121	-228
Income taxes paid	-189,419	-479,162
Cash flows from operating activities	163,618	-151,112
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	-	2,888
Purchase of investment securities	-330,981	-194,323
Proceeds from sales of investment securities	69,927	61,135
Purchase of property, plant and equipment	-86,383	-110,796
Purchase of intangible assets	-11,307	-13,613
Payments of loans receivable	-500	-150
Collection of loans receivable	333	367
Payments for lease and guarantee deposits	-42,803	-11,022
Proceeds from collection of lease and guarantee deposits	54	10,592
Cash flows from investing activities	-401,660	-254,921
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	500,000
Repayment of long-term loans payable	-8,028	-8,028
Proceeds from issuance of shares	6,907	7,988
Purchase of treasury shares	-100,038	-202,261
Payments for establishment of monetary trusts for the purpose of repurchase of treasury stock	-	-97,716
Dividends paid	-114,869	-182,871
Cash flows from financing activities	-216,029	17,111
Effect of exchange rate change on cash and cash equivalents	815	14,430
Net increase (decrease) in cash and cash equivalents	-453,255	-374,491
Cash and cash equivalents at the start of the period	2,179,643	1,726,388
Cash and cash equivalents at the end of the period	1,726,388	1,351,896