

A large, abstract graphic on the left side of the page. It consists of several overlapping, semi-transparent images: a person's hands holding a smartphone, a person's hands typing on a laptop keyboard, a network of glowing nodes and lines, and a server room aisle. The graphic is framed by thick, diagonal stripes in green and yellow.

**FY2021**

# **Financial Results**

**February 24, 2022**

**Segue Group Co., Ltd.**

**Stock Code : 3968**

Opinions and forecasts contained in this material are based on our judgments at the time the materials were prepared, and we do not guarantee the accuracy of the information.

Actual results may differ materially from the forward-looking statement due to changes in various factors.

## **Table of Contents**

- 1. FY2021 Highlights**
- 2. Medium-Term Targets**
- 3. FY2022 Business Forecasts**
- 4. Reference Material**

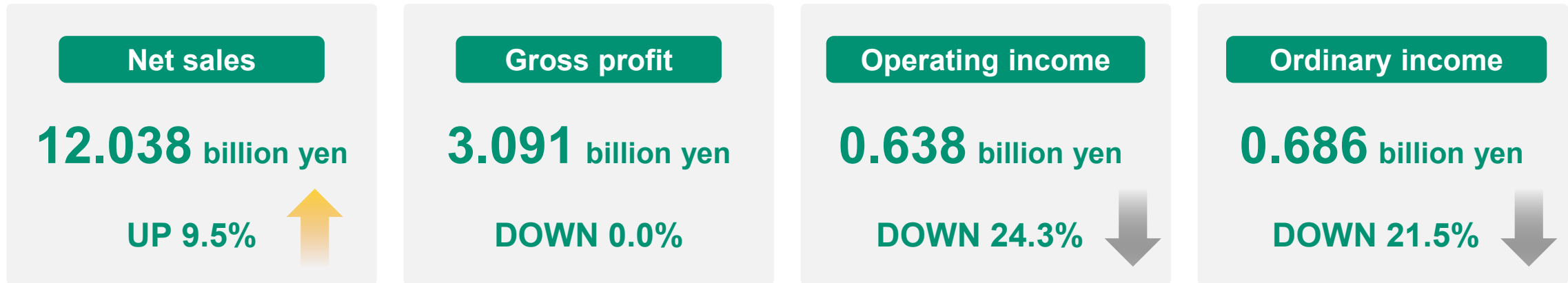


**1**

# **FY2021 Highlights**

# Highlights : Performance

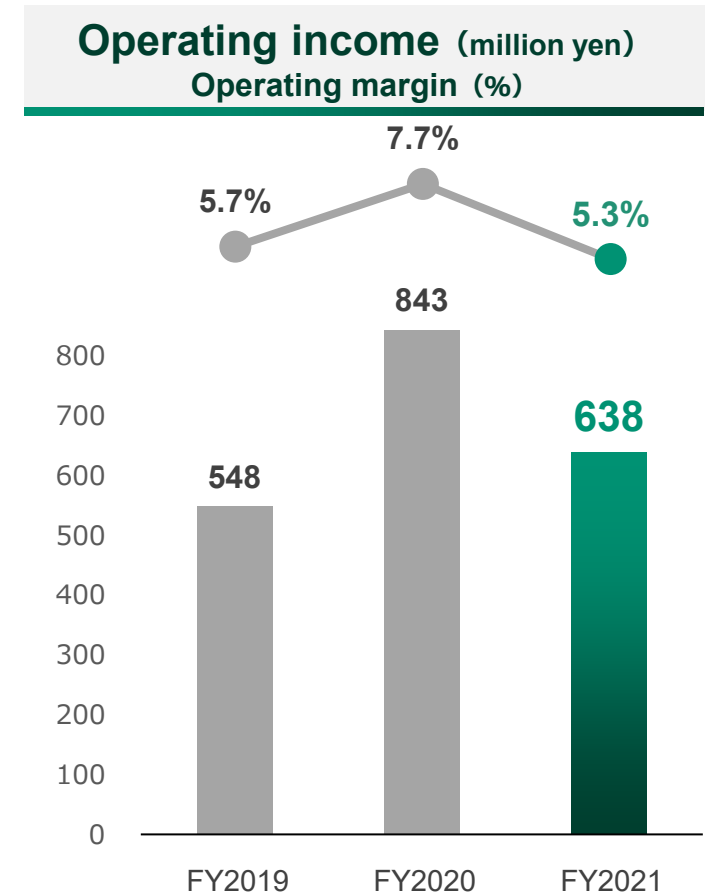
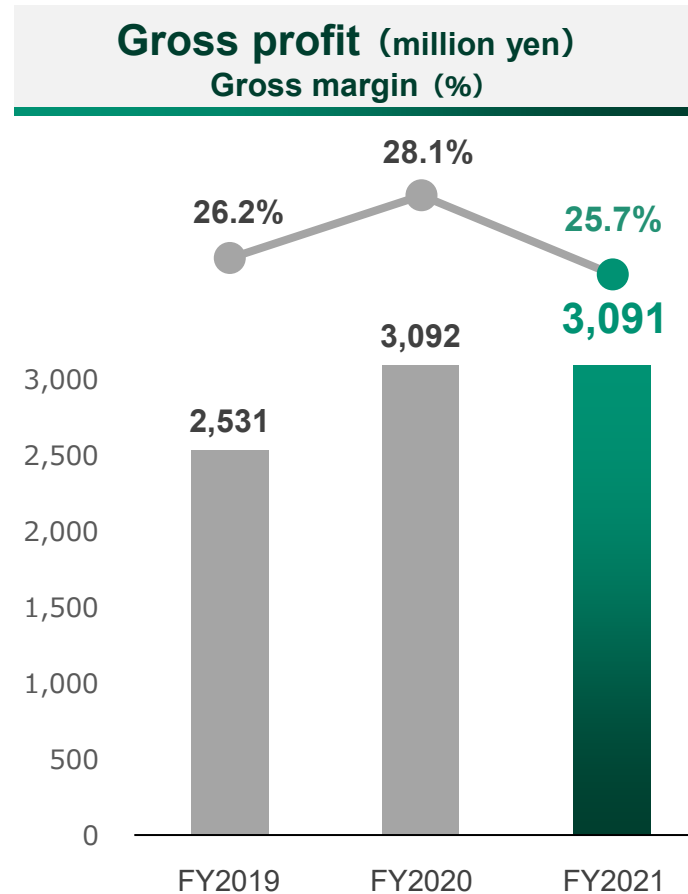
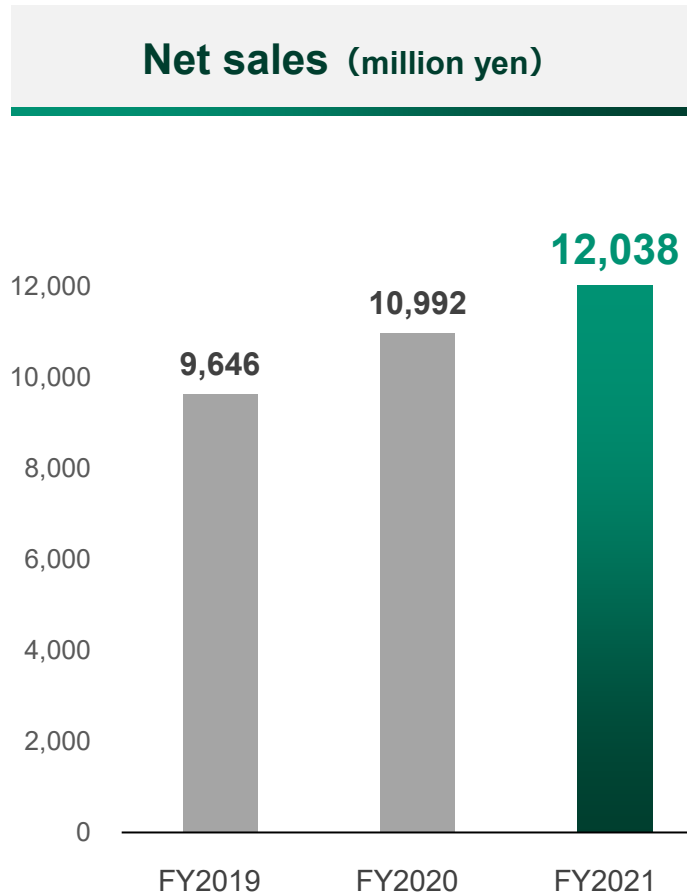
Net sales reached a record high, but gross profit remained flat from the previous year. Promote investment in human resources to accelerate growth as planned, SG&A expenses increased and operating and other income decreased.



- Value Added Distributor : Despite strong orders, delivery delays caused by global semiconductor shortages
- System Integration : Strong performance remains from the first quarter, service accumulation is progressing
- In-house Development : Working on adding functions and improving quality. Increasing number of potential projects, but it takes time to receive orders
- SG&A expenses increased mainly due to investment in human resources, mostly in line with the plan

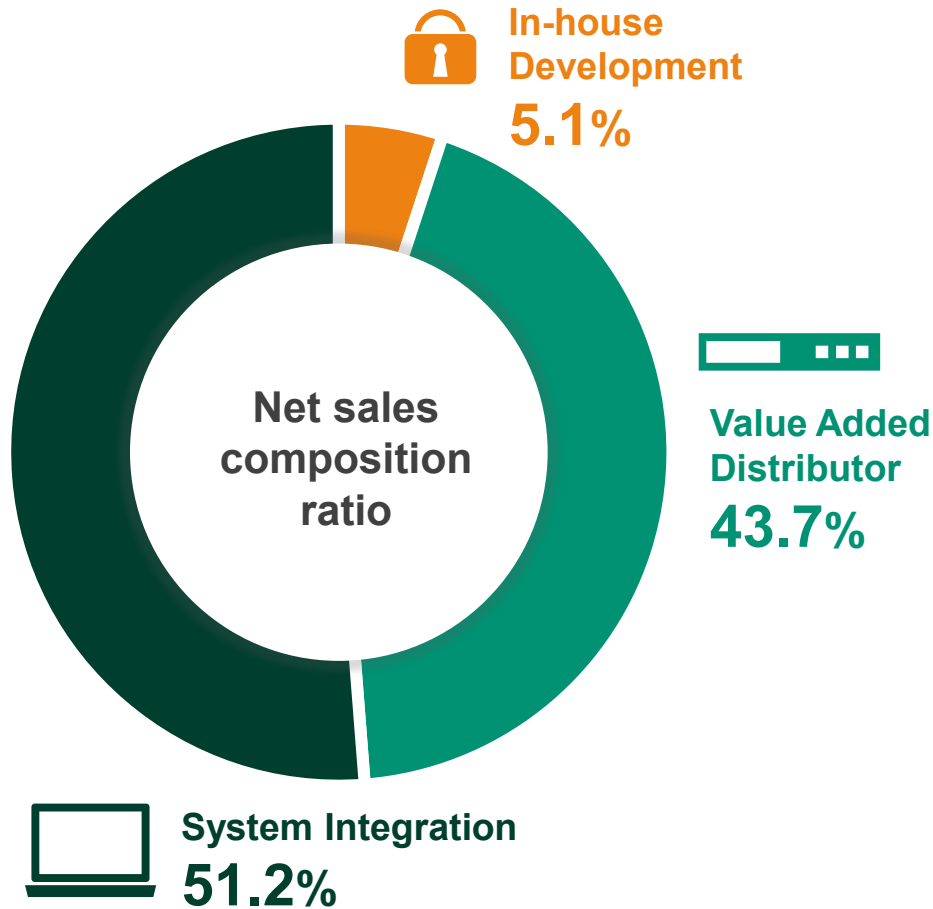
# Highlights : Performance Trends

Gross profit remained flat from the previous year due to the significant impact of delivery delays caused by the shortage of semiconductors



# Highlights : Number of Each Business

Sales in the Value Added Distributor business did not reach the previous year due to delivery delay caused by shortage of semiconductors, although System Integration business remained strong. Profits of In-house Development business declined due to investments in strengthening development and quality systems.



Business	Net sales	Change	Gross profit	Change
In-house Development Business	0.6 billion yen	+3.7%	0.33 billion yen	-18.7%
Value Added Distribution Business	5.26 billion yen	-0.3%	1.31 billion yen	-4.2%
System Integration Business	6.16 billion yen	+20.3%	1.44 billion yen	+10.1%

## In-house Development Business

- Improvement of pace and quality for development
- Expansion of sales partners and acceleration of collaboration
- Promoted winning of projects to strengthen local government information systems
- RevoWorks Browser : Release of new feature version

## Value Added Distribution Business

- Strengthening of relationships with manufactures and sales partners
- Expansion of new product lineups
- Delivery delays due to global shortage of semiconductors
- Orders strong, backlog increasing

## System Integration Business

- Strengthening of cooperation with sales partners
- Expansion of the scope of engineering services
- New challenges in AI, DX, cloud solutions, etc.

# New Feature Version of RevoWorks Browser

September 2021 : Launched “RevoWorks Browser” with new features. It was compatible with widely used Google Chrome and Microsoft Edge, and responded to the needs of using web conferencing systems in separate environments. Improved security was also achieved at the same time.



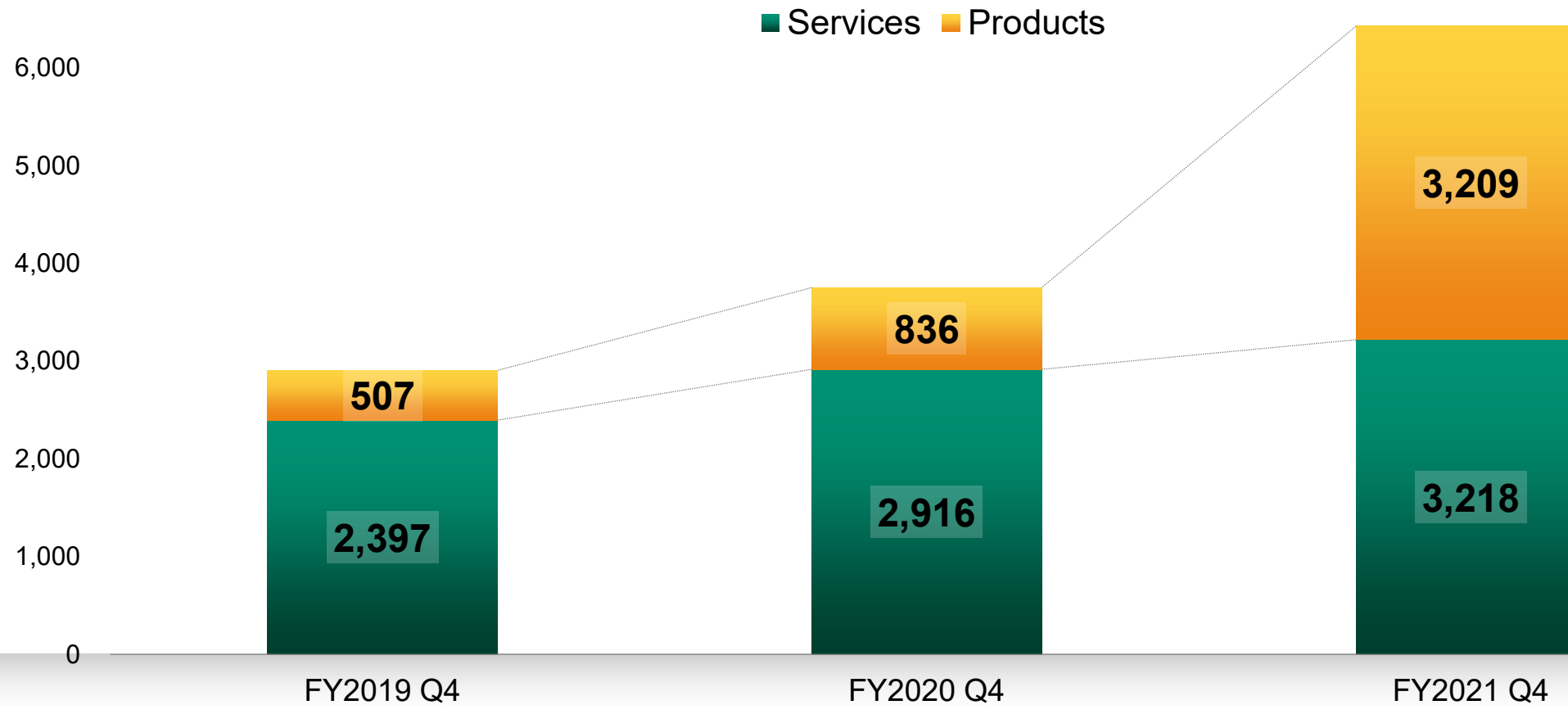
The number of RevoWorks sales partners also increased steadily, inquiries were more than five times higher than in the past, mainly for municipal information system resiliency replacement projects.



# Highlights : Backlog of Orders

Orders received remained steady. Large increase in order backlog due to delivery delays caused by shortage of semiconductors.

(Million yen)



# Highlights : Growth Investment and Progress

Progress in securing human resources, and the foundation for accelerating medium-to long-term growth is established

## Human resource investment Environmental improvement

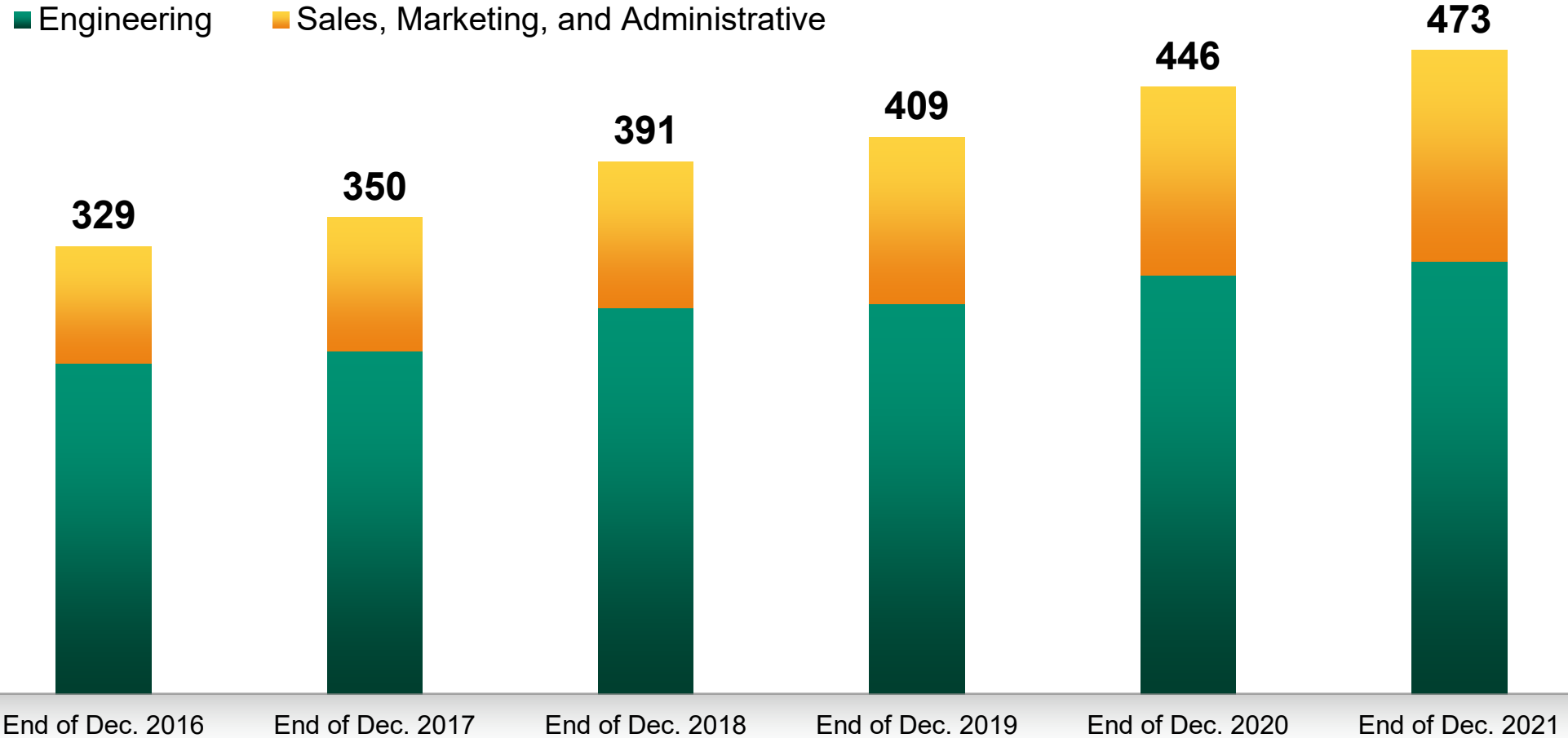
- Securing human resources
  - End of Dec. 2020: 446 employees → End of Dec. 2021: 473 employees
- Strengthening training, from new graduates to executive candidates
- Strengthening of inside sales
- Renewal of Osaka Office and Technical Center

## Strengthening of promotion

- Promotion of digital marketing
  - Utilizing of marketing automation
  - Utilized webinars and doubled the number of events held
  - Enhancement of web pages
- Significant increase in the number of leads (potential customers) acquired

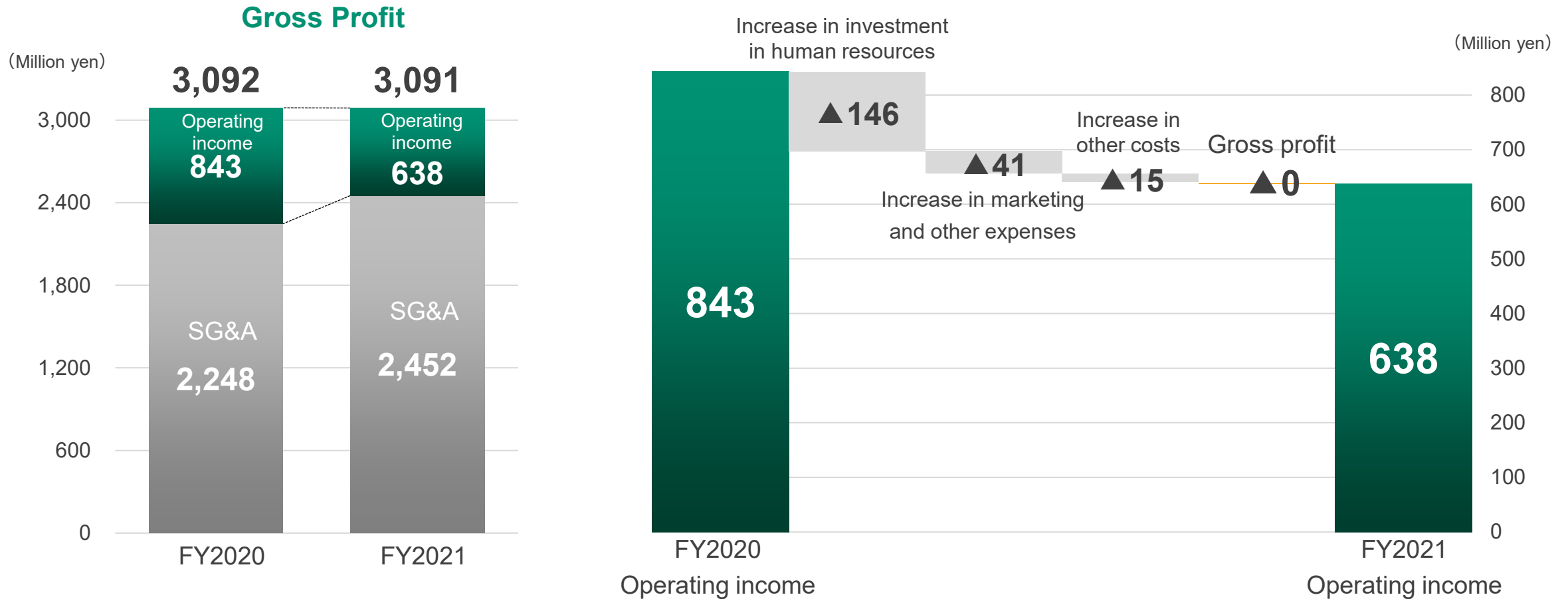
# Number of Employees

In addition to continuing to secure technical staff, we increased the number of sales and marketing staffs to strengthen sales capabilities



# Highlights : Breakdown of Changes in Operating Income

Gross profit remained flat and operating income declined, although SG&A expenses were largely in line with plan



# Highlights : Capital and Business Alliance

## Capital and business alliance

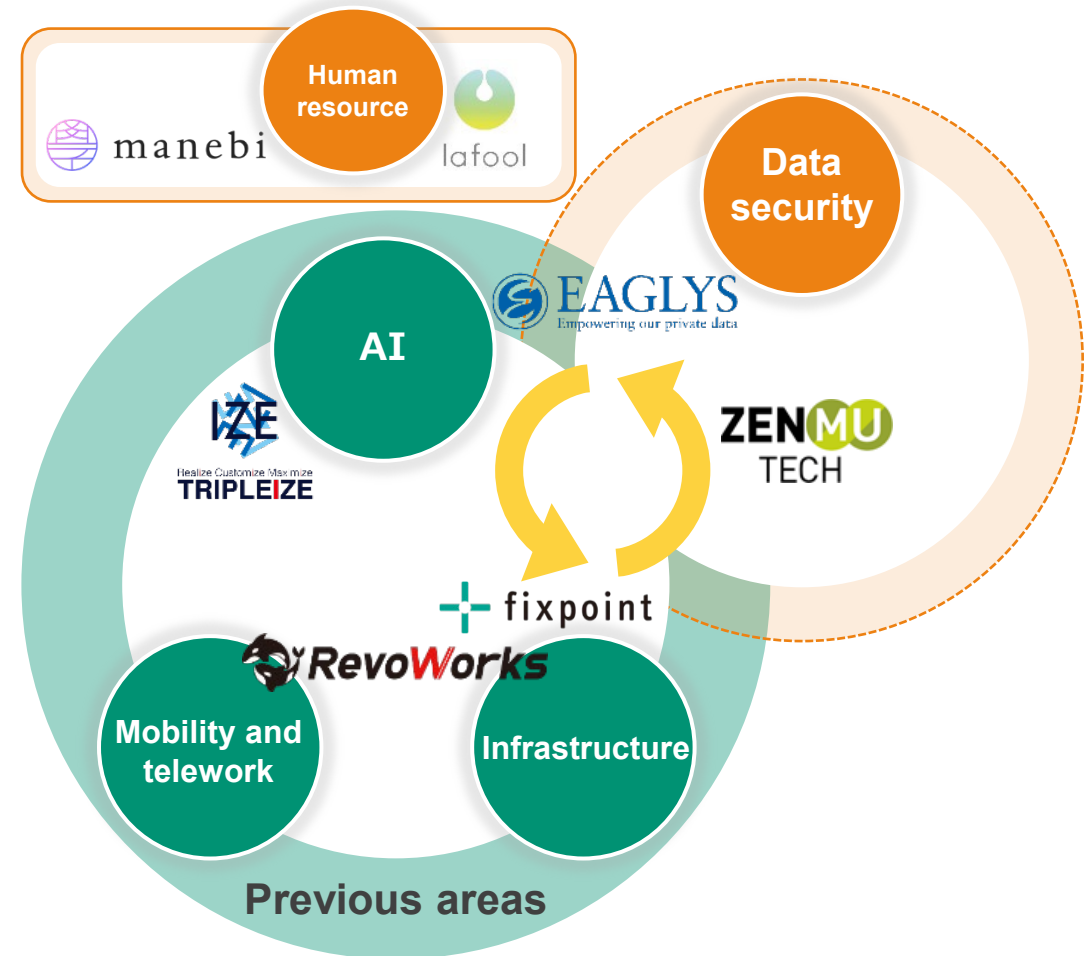
Collaboration with companies that have unique technologies and can accelerate business development

Also invests in companies that support the growth of human capital

February 2021 : Capital alliance with EAGLYS Inc. for continued investment and domain expansion in advanced technology fields such as AI and data security

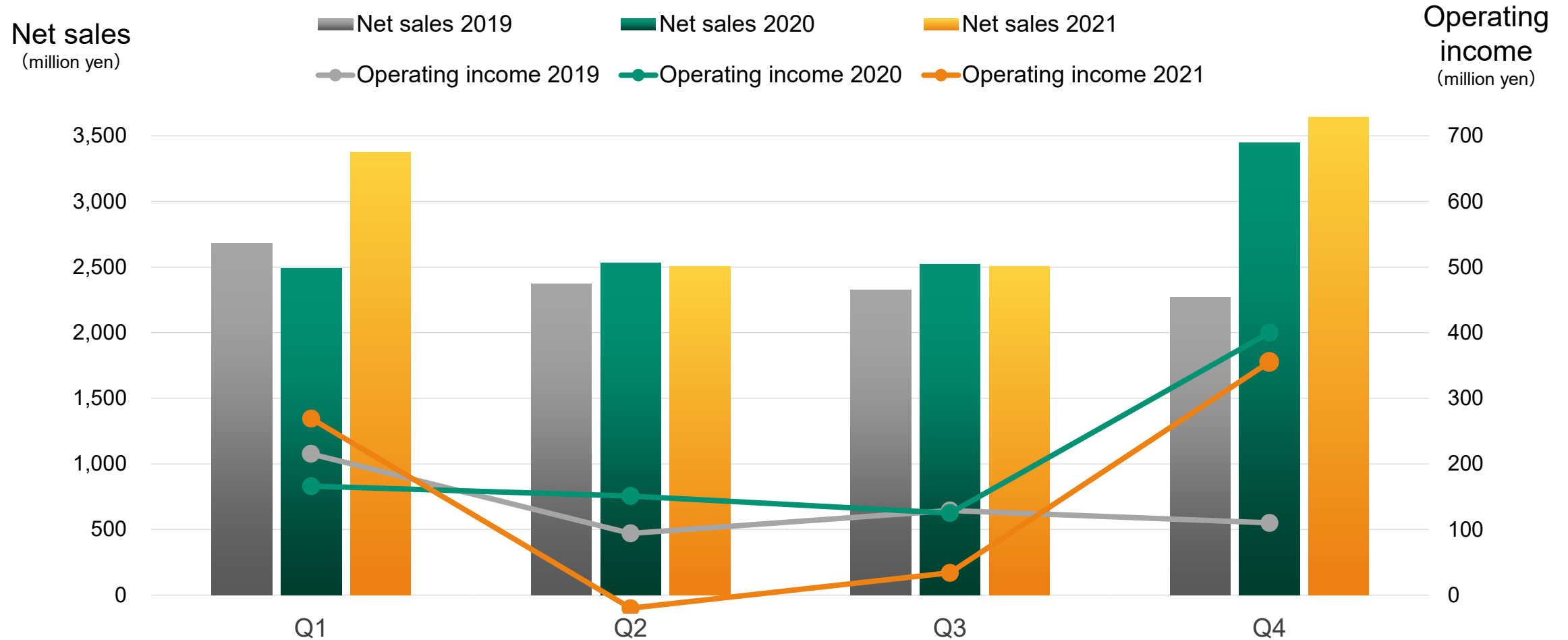
September 2021 : Capital alliance with Fixpoint, Inc. a provider of system operation automation tools that contribute to solving the problem of engineer shortages

November 2021 : Capital alliance with manebi Inc. to promote visualization of human resource development results in addition to online recruitment and education



# Highlights : Quarterly Performance Trends

## Quarterly Net sales and Operating income



# Highlights : Consolidated Statements of Income

Although delivery delays due to a shortage of semiconductors had a significant impact, efforts to improve profitability led to an improvement in operating and other income from the revised forecast

Unit: million yen

	FY2020	FY2021	YoY		Full-year plan (Revised on Nov. 11, 2021)	Change
			Change	Change ratio		
<b>Net sales</b>	<b>10,992</b>	<b>12,038</b>	<b>1,045</b>	<b>+ 9.5%</b>	<b>12,325</b>	<b>▲286</b>
<b>Gross profit</b>	<b>3,092</b>	<b>3,091</b>	<b>▲0</b>	<b>▲0.0%</b>		
(Profit margin)	28.1%	25.7%	▲2.4pt			
<b>SG&amp;A expenses</b>	<b>2,248</b>	<b>2,452</b>	<b>203</b>	<b>+ 9.1%</b>		
<b>Operating income</b>	<b>843</b>	<b>638</b>	<b>▲204</b>	<b>▲24.3%</b>	<b>575</b>	<b>63</b>
(Profit margin)	7.7%	5.3%	▲2.4pt		4.7%	
<b>Ordinary income</b>	<b>874</b>	<b>686</b>	<b>▲188</b>	<b>▲21.5%</b>	<b>625</b>	<b>61</b>
(Profit margin)	8.0%	5.7%	▲2.3pt		5.1%	
<b>Net income</b>	<b>634</b>	<b>454</b>	<b>▲179</b>	<b>▲28.3%</b>	<b>440</b>	<b>14</b>
<b>Interim dividend</b>	<b>—</b>	<b>—</b>				
<b>Year-end dividend</b>	<b>16 yen</b>	(Plan) <b>16 yen</b>				

# Highlights : Consolidated Balance Sheets

Although delivery delays continue, inventories increased significantly due to progress in securing goods in the fourth quarter

Unit: million yen

	FY2020	FY2021	Change
<b>Current assets</b>	<b>5,806</b>	<b>7,236</b>	<b>1,429</b>
Cash and deposits	1,727	1,351	▲375
Notes and accounts receivable, and Electronically Recorded Monetary Claims	2,176	2,078	▲97
Inventory assets	821	2,376	1,554
Other	1,081	1,429	348
<b>Non-current assets</b>	<b>1,384</b>	<b>1,388</b>	<b>3</b>
Property, plant and equipment	194	209	14
Intangible assets	241	166	▲75
Investments and other assets	948	1,013	64
<b>Total assets</b>	<b>7,191</b>	<b>8,625</b>	<b>1,433</b>

	FY2020	FY2021	Change
<b>Current liabilities</b>	<b>3,733</b>	<b>5,101</b>	<b>1,367</b>
Accounts payable-trade	804	1,605	801
Short-term debt	8	501	493
Advances received	2,183	2,472	289
Other	737	520	▲216
<b>Non-current liabilities</b>	<b>285</b>	<b>324</b>	<b>39</b>
<b>Total liabilities</b>	<b>4,018</b>	<b>5,426</b>	<b>1,407</b>
<b>Total net assets</b>	<b>3,172</b>	<b>3,199</b>	<b>26</b>
<b>Total liabilities and net assets</b>	<b>7,191</b>	<b>8,625</b>	<b>1,433</b>



# Acquisition of treasury stock (announced on November 11, 2021)

Acquisition of treasury stock to return profits to shareholders through improved capital efficiency and for use in M&A and equity compensation plans, etc.

	Announcement	Result
Acquisition Period	From November 15, 2021 to February 28, 2022	From November 15, 2021 to January 20, 2022 (End of acquisition)
Total number of shares to acquire	Maximum 375,000 shares (Ratio to total number of shares issued and outstanding (excluding treasury stock) : 3.22%)	375,000 shares
Total amount of acquisition cost of shares	Maximum 300,000,000 yen	285,172,200 yen



**2**

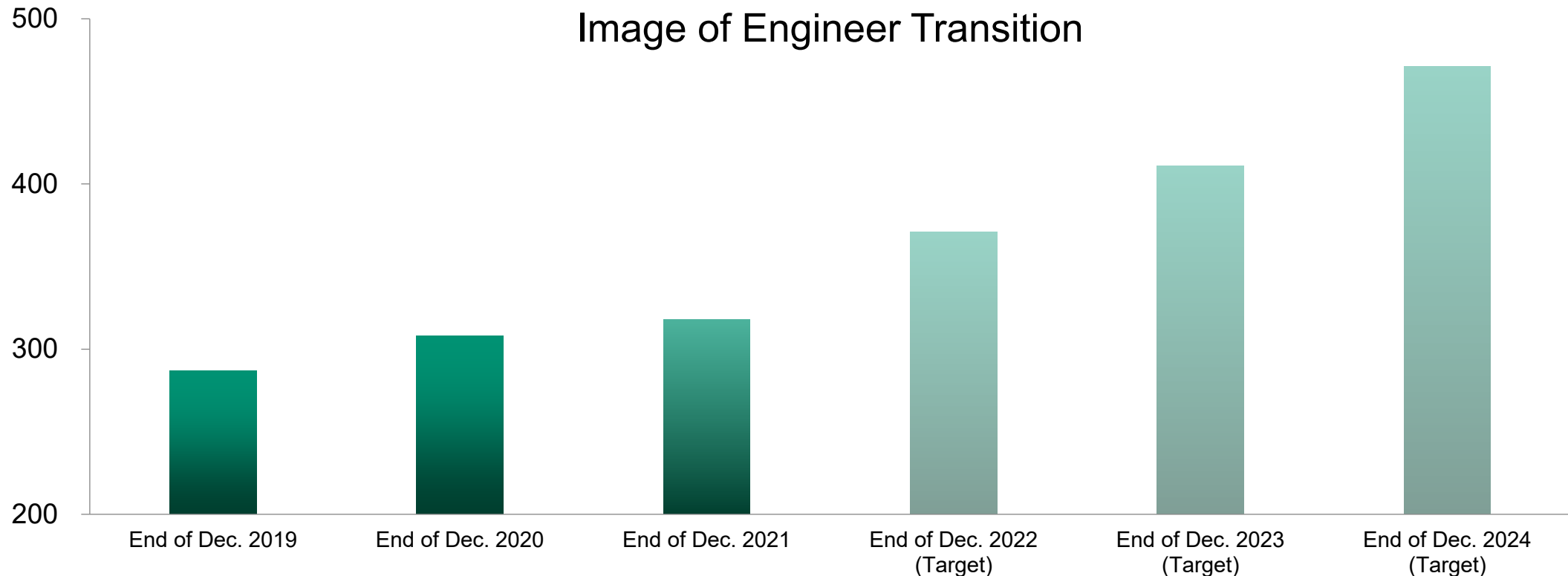
## **Medium-Term Targets**

# Initiatives to Achieve Medium-Term Targets : Recruitment of Engineers

## Substantial increase in the number of engineers as the foundation

Approximately 70% of our group's personnel are engineers, who are indispensable as the foundation of our business, such as examining new commercial materials, ensuring quality, developing our own products, and providing various services.

A new recruiting team will be formed to double the number of engineers hired over the next three years.



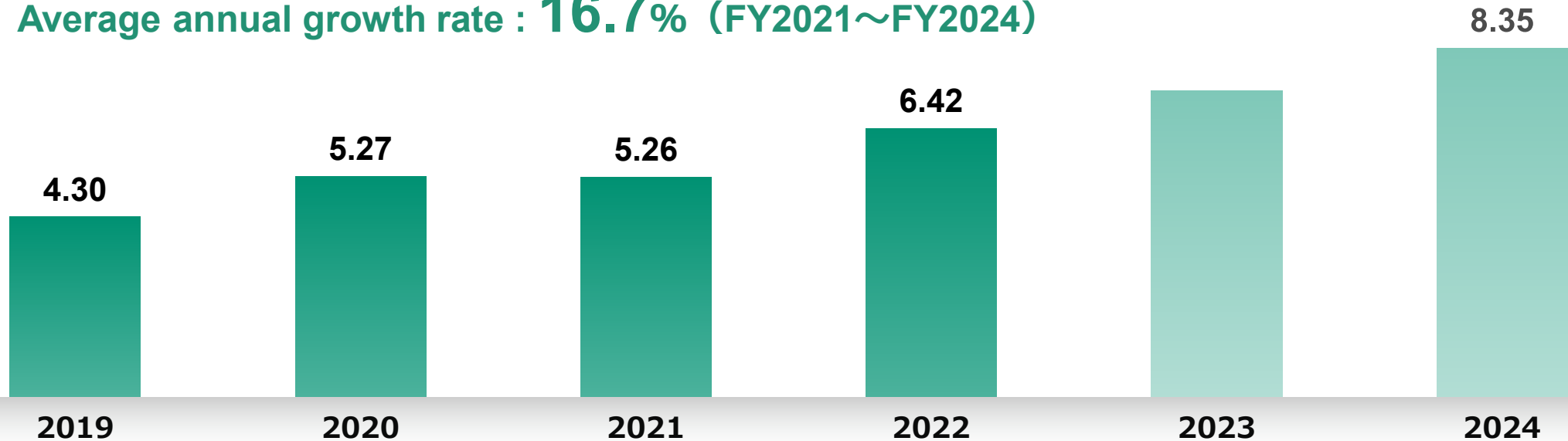
## Growth in Value Added Distribution Business

- Continuous handling of new security products
- Strengthening of efficient sales system
- Accumulation of steady support services (recurring revenue)

Image of sales targets

Unit: billion yen

Average annual growth rate : **16.7%** (FY2021~FY2024)



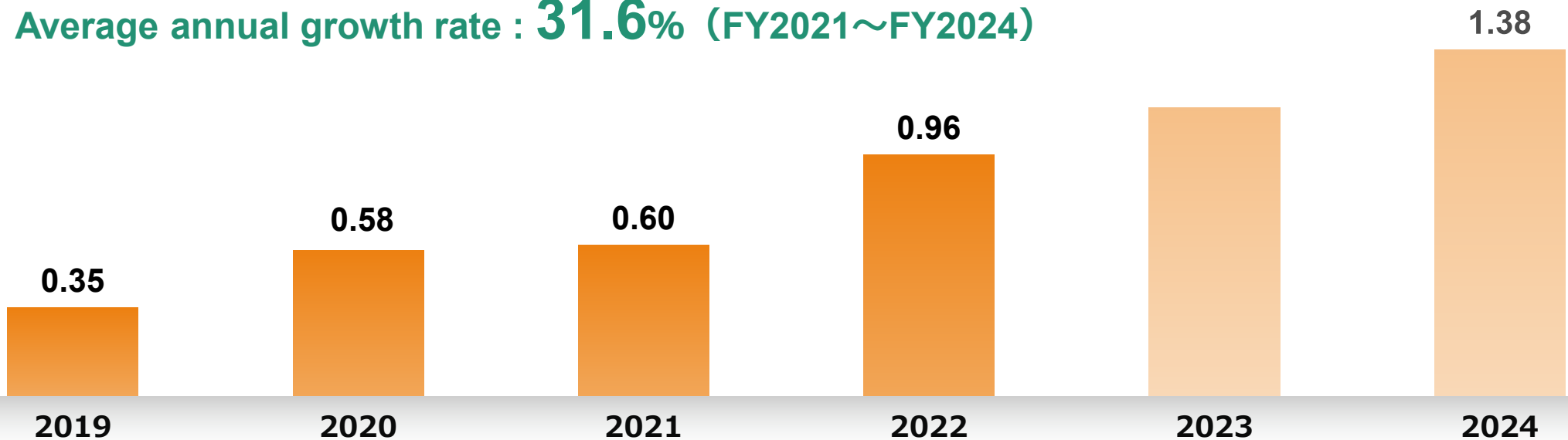
## Expansion of In-house Development Business

- Acquisition of local government resilience projects
- Private demand development of medical institutions, financial institutions, manufacturing companies, etc.
- Expansion of sales partners and acceleration of collaboration
- Development of new series and cloud versions
- Provision of cloud services
- Augment of development unit

Image of sales targets

Unit: billion yen

Average annual growth rate : **31.6%** (FY2021~FY2024)



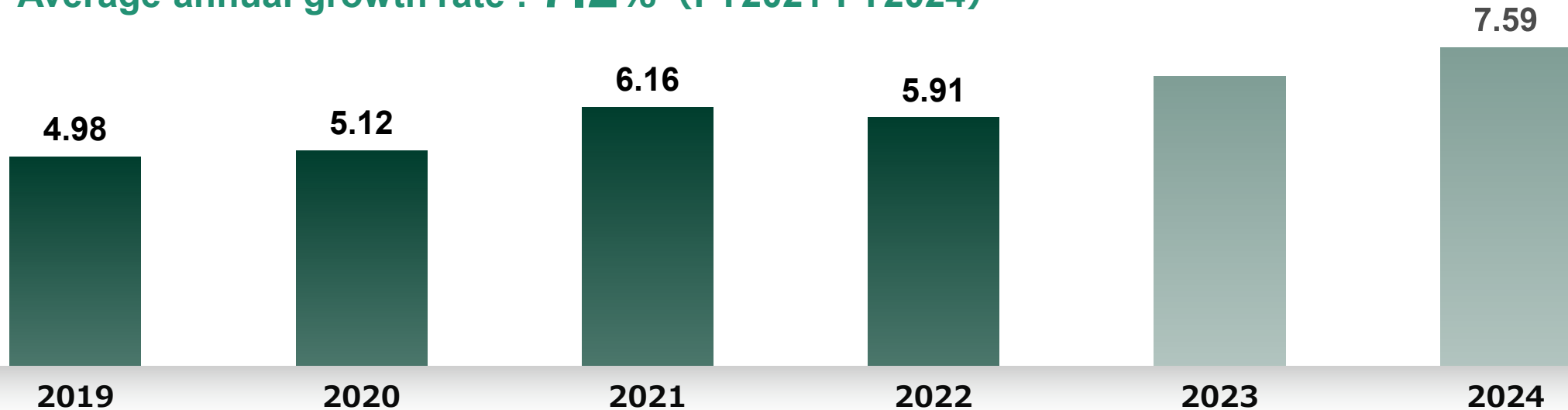
## Strengthening of System Integration

- Accelerate expansion of consultants, sales, and technical personnel
- Expanding areas such as cloud, DX, AI, etc.
- Developing Western Japan and other areas
- Increasing the size of projects

Image of sales targets

Unit: billion yen

Average annual growth rate : **7.2%** (FY2021-FY2024)

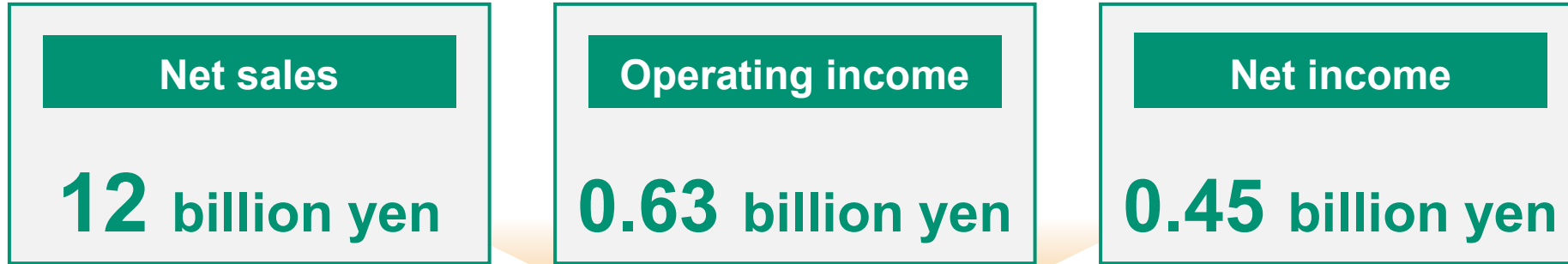


\* For the fiscal year ending December 31, 2022, we expect net sales to decrease by 0.56 billion yen due to the application of the "Accounting Standard for Revenue Recognition" and other regulations.

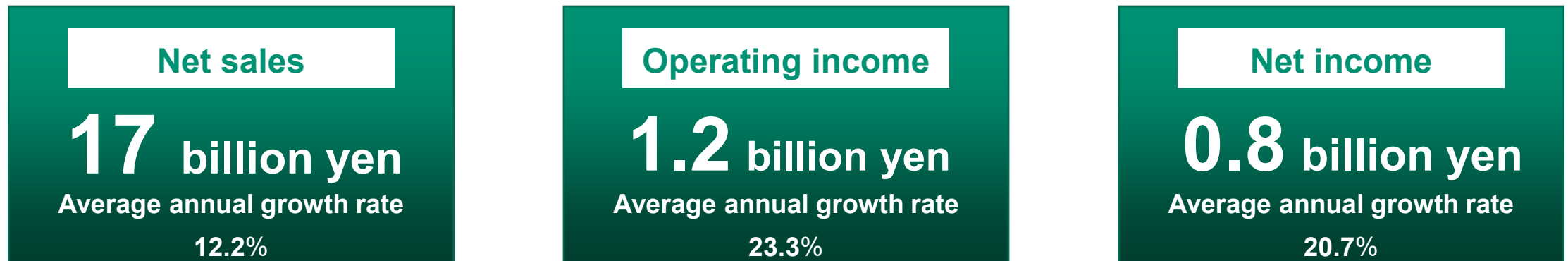
# Medium-term Numerical Targets

Selected "prime market" as of December 29, 2021 and set new medium-term numerical targets

**FY12/21**



**FY12/24 Target** (announced on December 29, 2021)



\* The target for the fiscal year ending December 31, 2024 is the figure after applying the "Accounting Standard for Revenue Recognition" and other standards.

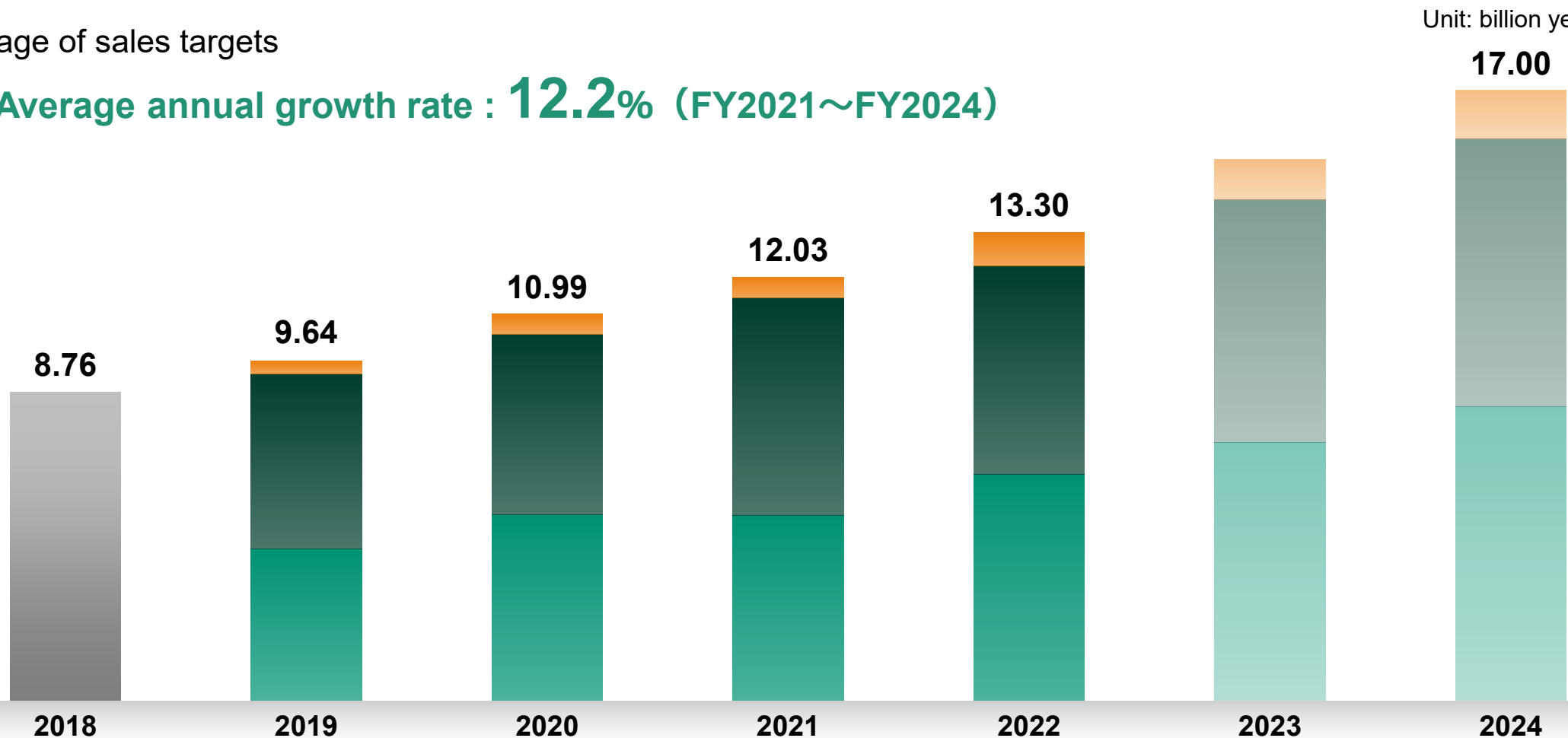
# Medium-term Numerical Targets : Net Sales by Business

Achieve medium-term targets through balanced growth of three businesses

Image of sales targets

Unit: billion yen

Average annual growth rate : **12.2%** (FY2021~FY2024)





## Expansion of stock-type service business

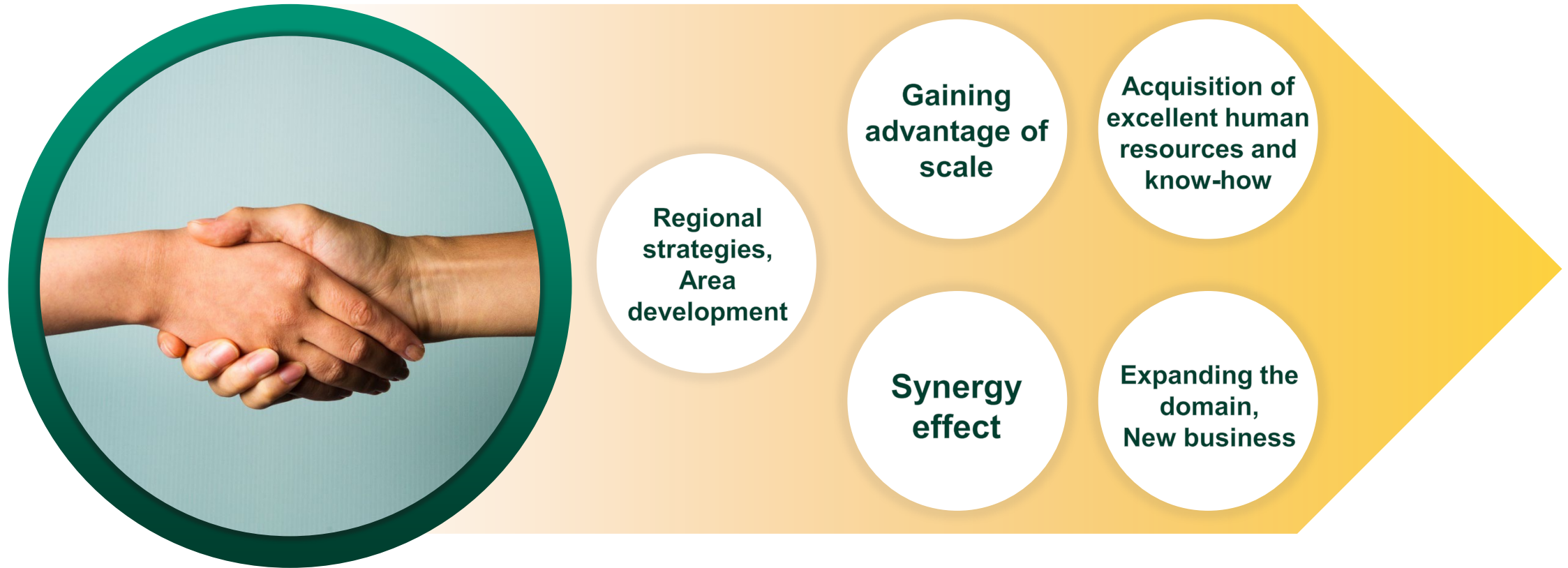
- Establishment of new service-specific division
- Strengthen cloud-based service delivery model
- Improve customer satisfaction
- Development of new services

## Business Transformation

- Recruitment and training of digital engineers
- Recruitment and training of advanced security engineers
- Promotion of DX
- Regional Expansion
  - Establishment of new domestic offices
  - Consideration of Overseas Expansion

## Capital and business alliances, M&A

Challenge to make a larger scale M&A that contributes to the advancement of existing business.  
Expansion of alliances with companies with cutting-edge and proprietary technologies.



## IR · Capital Policy

- Proactive information disclosure and easy-to-understand explanations
- Aiming for stable dividend growth

## Initiatives for the SDGs

- Training and producing IT & security personnel
- Provide engineering training to customers
- Develop human resources to achieve high value-added results
- Maintenance of a more rewarding work environment
- Continuous investment in companies with new and proprietary technologies such as AI





**3**

# **FY2022 Forecasts**

# FY2022 Full-year Business Forecasts

Aiming for steady growth centered on the Value Added Distributor business and In-house Development business despite concerns about continued delivery delays due to semiconductor shortages and yen depreciation

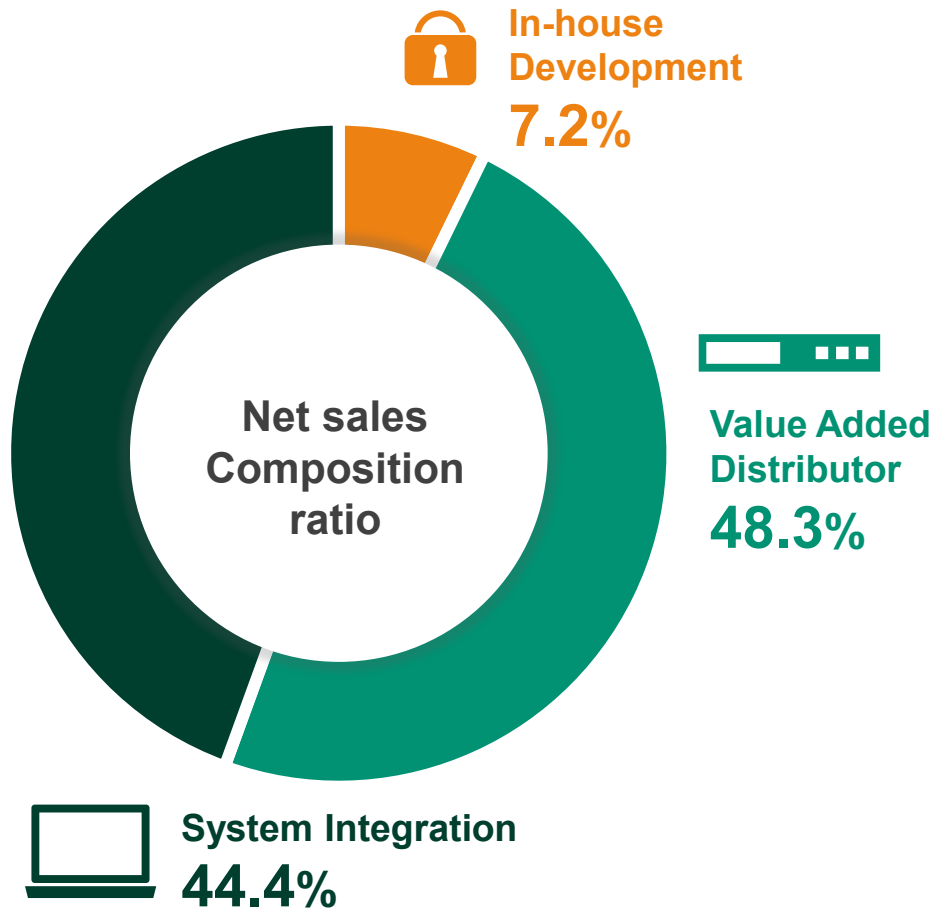
Unit: million yen

	FY2021	FY2022 (Forecast)	YoY	
			Change	Change ratio
<b>Net sales</b>	<b>12,038</b>	<b>13,300</b>	<b>1,261</b>	<b>10.5%</b>
<b>Operating income</b>	<b>638</b>	<b>760</b>	<b>121</b>	<b>19.0%</b>
(Profit margin)	5.3%	5.7%		
<b>Ordinary income</b>	<b>686</b>	<b>760</b>	<b>73</b>	<b>10.8%</b>
(profit margin)	5.7%	5.7%		
<b>Net income</b>	<b>454</b>	<b>520</b>	<b>65</b>	<b>14.3%</b>

\* The forecast for the fiscal year ending December 31, 2022 is after the application of the "Accounting Standard for Revenue Recognition" and other standards.

# FY2022 Plans by Business

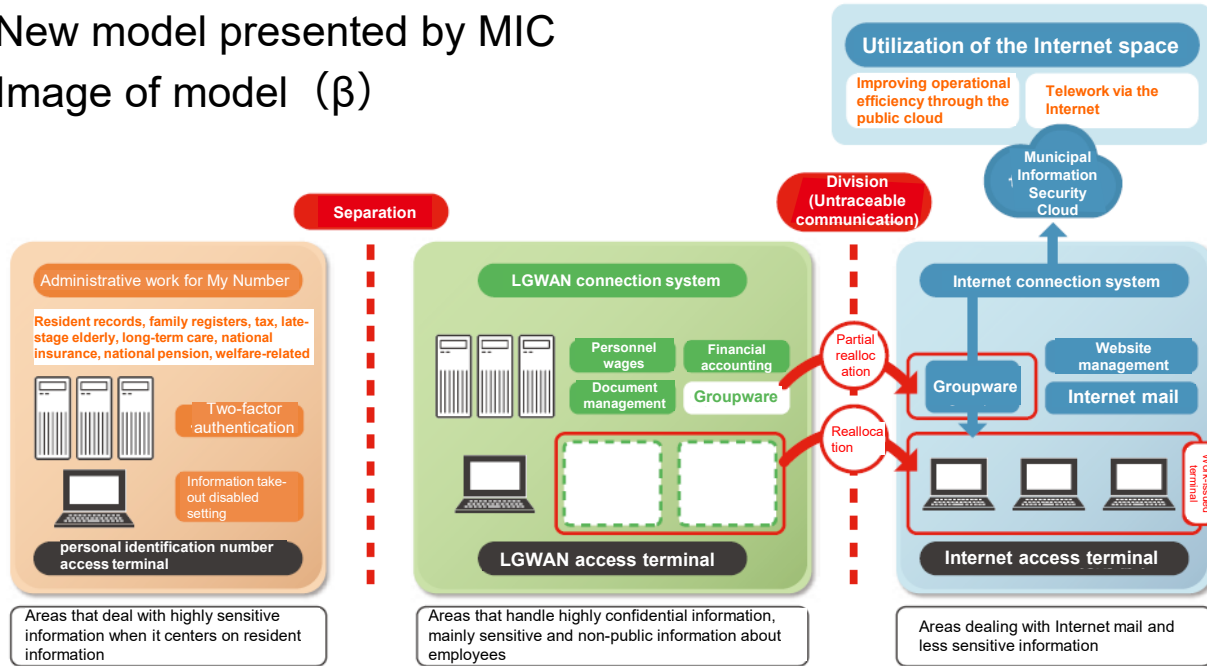
In-house Development business aims to expand sales and significantly increase profits by acquiring projects to strengthen municipal information systems. In Value Added Distributor business, there are concerns about continued delivery delays, but the backlog of orders accumulated in the previous fiscal year should lead to sales growth. System Integration business is expected to remain flat due to the impact of the application of accounting standards for revenue recognition.



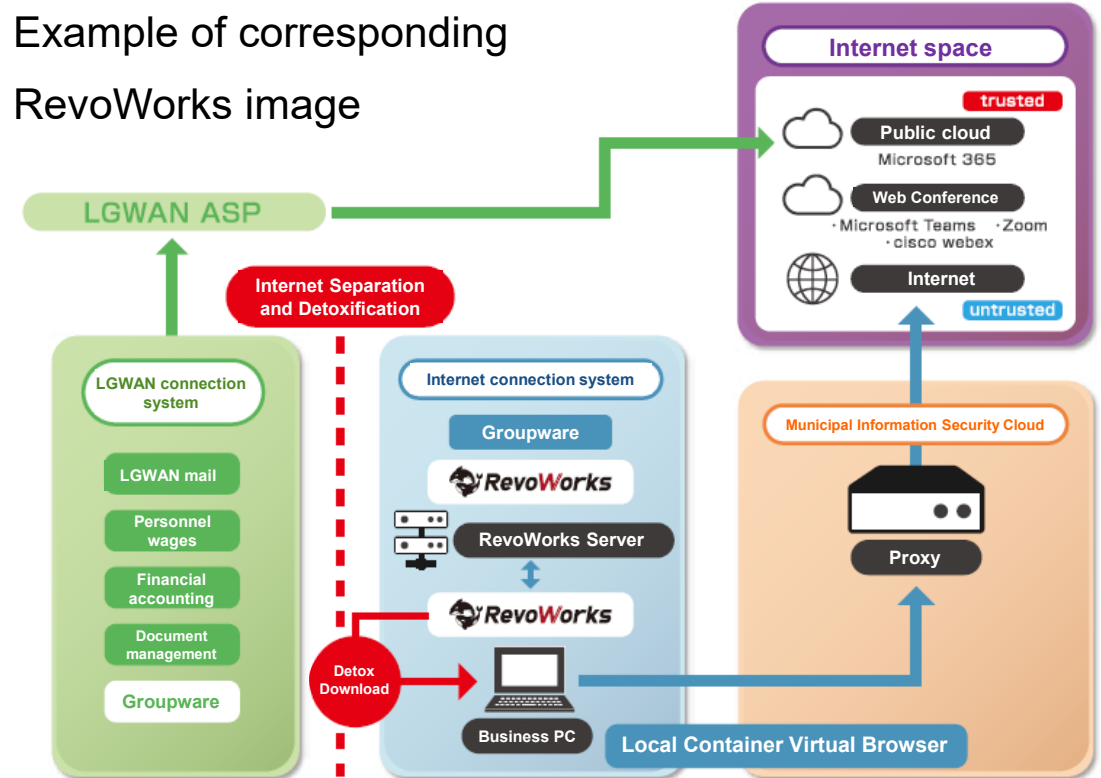
Business	Net sales	Gross profit
In-house Development Business	0.96 billion yen +58.1%	0.65 billion yen +97.8%
Value Added Distribution Business	6.42 billion yen +22.1%	1.49 billion yen +13.6%
System Integration Business	5.91 billion yen ▲4.2%	1.43 billion yen ▲0.5%

# Winning of Local Government Resilience Projects

New model presented by MIC  
Image of model (β)



Example of corresponding  
RevoWorks image



## Uki City, Kumamoto prefecture

- All staff can use the Internet from their own seats

セキュリティ  
熊本宇城市  
の取り組み

Uki City

Efforts by Uki City, Kumamoto

Network isolation through browser virtualization

**Virtual container system for web separation to enable all staff to “use the Internet at their own seats”**

Information and Statistics Division, Planning Department, Uki City Office

[Provided by] J's Communication Co., Ltd.

## Ota Ward, Tokyo

- Detoxify cumbersome files with a single click

セキュリティ  
東京都大田区  
の取り組み

Ota Ward

Efforts by Ota Ward, Tokyo

Implementing Web Isolation Solution

**How to use the system to detoxify cumbersome files with a single click [Example of an initiative by a municipality (Ota Ward, Tokyo)]**

Information System Office, Planning and Management Department, Ota Ward Office

Source: Local Government Communication Online

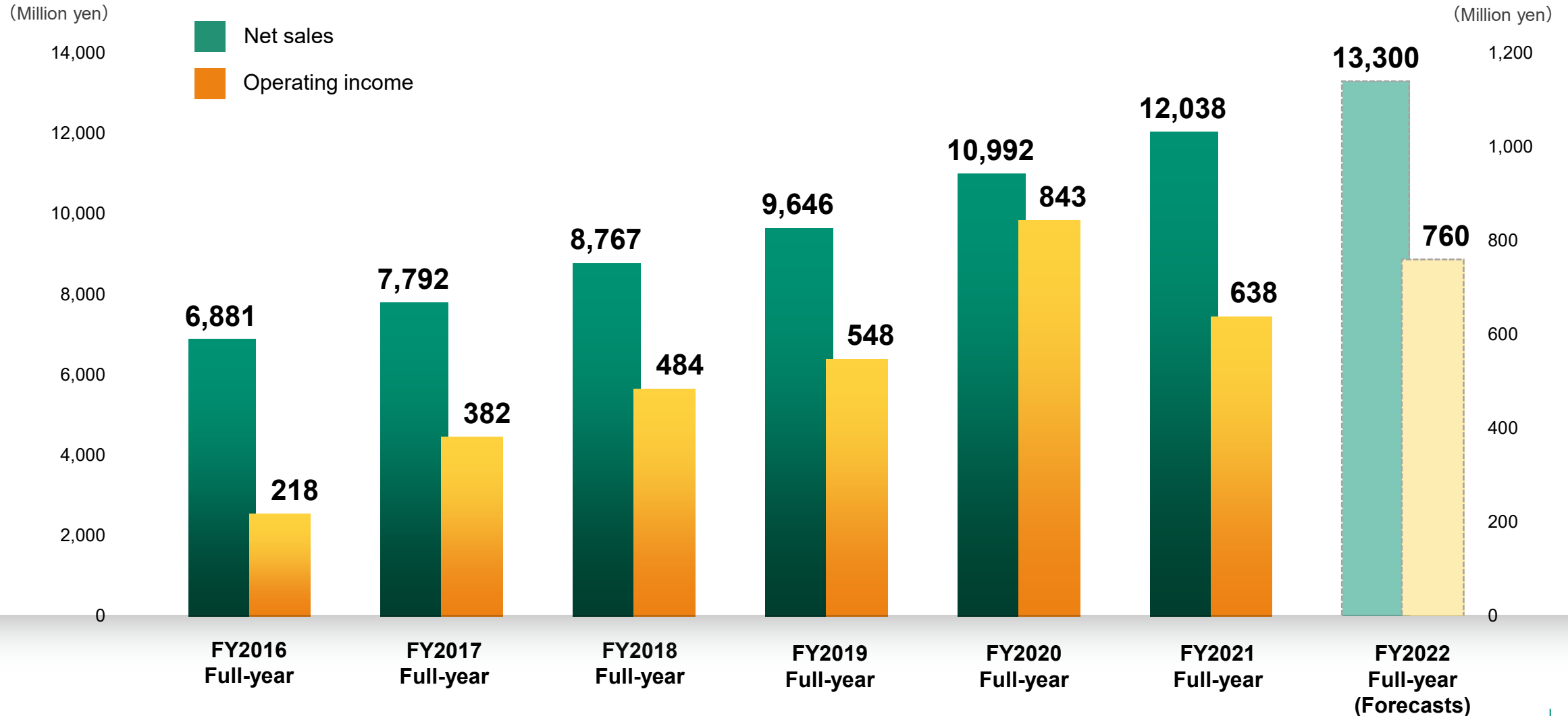


We aim for stable dividend increase,  
taking into consideration the past dividend trends

	FY12/18	FY12/19	FY12/20	FY12/21 (Plan)	FY12/22 (Forecast)
Dividend per share	<b>5 yen</b> (Commencement of dividends)	<b>10 yen</b> (Including 5 yen commemorative dividends)	<b>16 yen</b> (10 yen planned at the beginning of the term)	<b>16 yen</b>	<b>16 yen</b>
Dividend payout ratio	<b>15.1%</b>	<b>27.9%</b>	<b>29.2%</b>	<b>40.0%</b>	<b>34.7%</b>

# Performance Trends and Forecasts

We continued consecutive revenue growth since listing on TSE, and aiming to achieve the new plan



We will continue to grow together with our customers by leveraging IT to create value. We contribute to the realization of a prosperous society.



J's TelecomSystem Co., Ltd.



J's Communication Co., Ltd.



JC Technology Co., Ltd.



J's solution Co., Ltd.

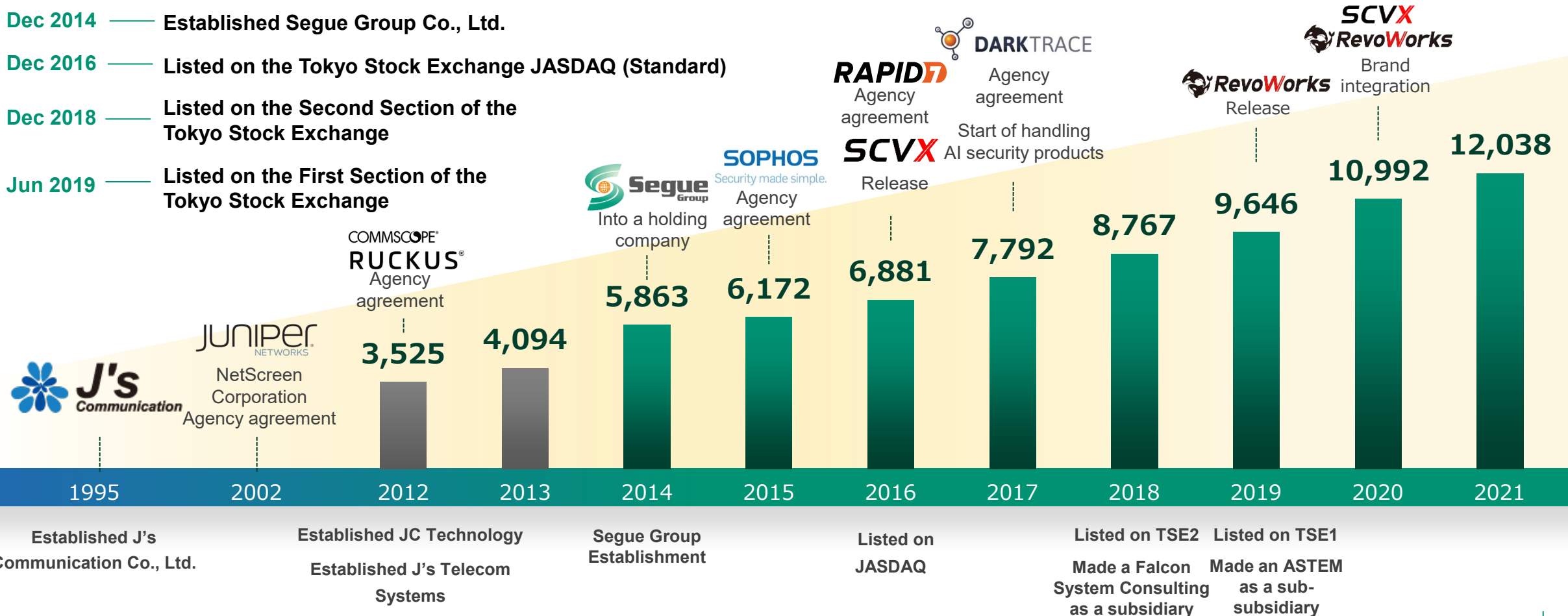


**4**

## **Reference Material**

# History of Segue Group

- Apr 1995** — Established (founded) J's Communication Co., Ltd.
- Oct 2002** — Concluded a distribution contract with NetScreenTechnologies (Currently JuniperNetworks, Inc) in the U.S. for the firewall products
- Aug 2012** — Concluded a distribution contract with RuckusWireless Corporation(Currently CommScope, Inc) in the U.S.
- Dec 2014** — Established Segue Group Co., Ltd.
- Dec 2016** — Listed on the Tokyo Stock Exchange JASDAQ (Standard)
- Dec 2018** — Listed on the Second Section of the Tokyo Stock Exchange
- Jun 2019** — Listed on the First Section of the Tokyo Stock Exchange



Supporting customers' business foundations  
by providing total solutions for security and IT infrastructure

## Security

Target attack countermeasures

Information leakage countermeasures

Vulnerability countermeasures

Telework security



## IT infrastructure

Network

Virtualization

Cloud

Wireless

**Carrier data center  
Service provider**

**Government agencies and local governments  
Academic institutions  
Medical institutions**

**Enterprise  
Manufacturing industry  
Financial institution etc..**

# Company Profile : Segue Group

Number of Group Employees : 473 employees  
(70% are Engineers)



## Solution products

### Network Security Products

[ In-house development  
Security software ]

### IT infrastructure Products

Providing Solutions Combining Security and  
IT Infrastructure Products  
System Integration

## Solution services

Design and  
construction Services

Maintenance  
Services

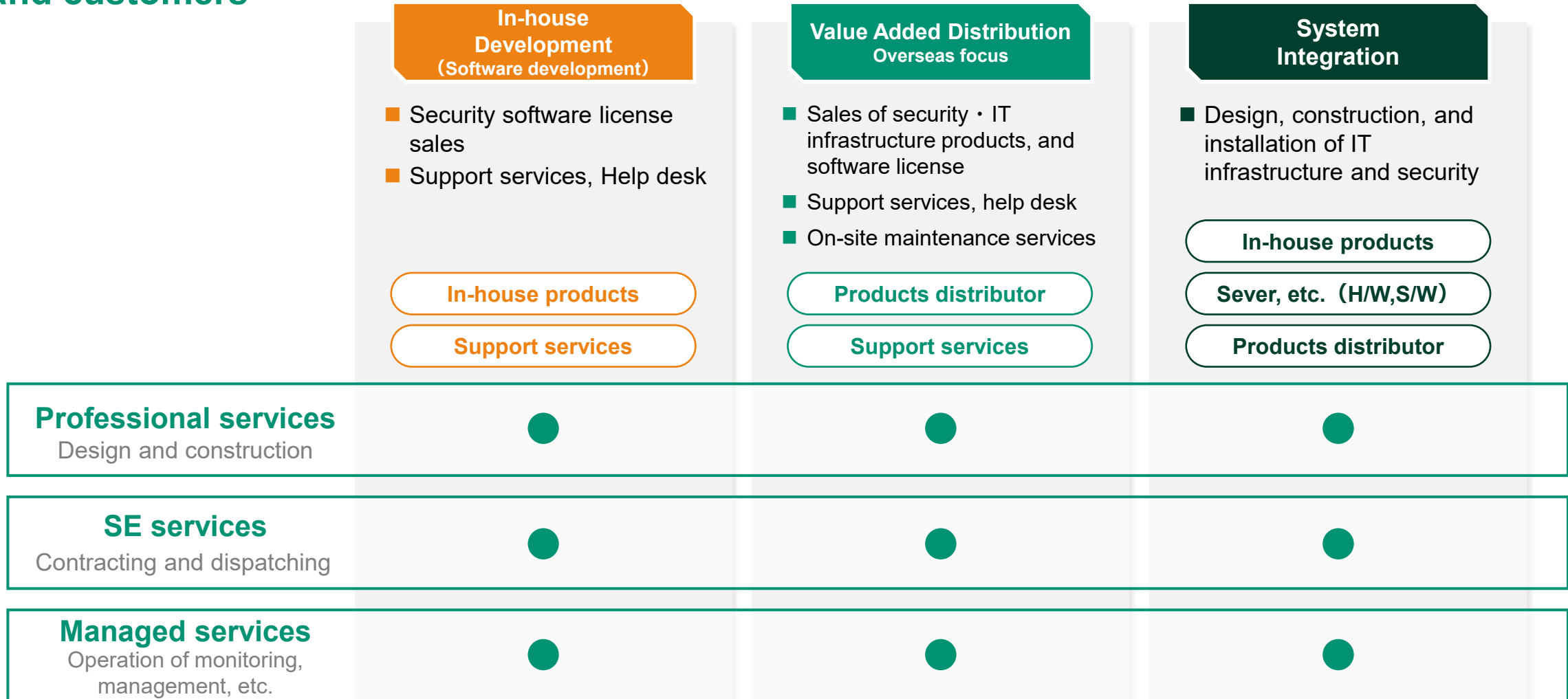
Help desk  
Services

Others  
(Monitoring, dispatch, etc.)

IT engineer SE services

# Company Profile : Business Structure

Providing a variety of added value in response to the needs of partners, system integrators, and customers





# Our Business : In-house Development Business

## About In-house Development business

Providing our in-house development security software supporting the safety of our customers with our technologies

”RevoWorks” series improve security and business efficiency to enhance the quality of work



”WisePoint” series use visually-friendly images and random number tables for passwords



Server-based Virtual Browser ”RevoWorks SCVX”



Local Virtual Browser ”RevoWorks Browser”



Local Virtual Desktop ”RevoWorks Desktop”

## WisePoint

Authentication & Telework Solution ”WisePoint Authenticator”

Authentication & Single Sign-on Solution ”WisePoint 8”

# In-house Developed Products : RevoWorks



Improve security and operational efficiency to enhance the quality of work !



**RevoWorks SCVX**

Virtual browser with server container



**RevoWorks Browser**

Virtual Browser with local container



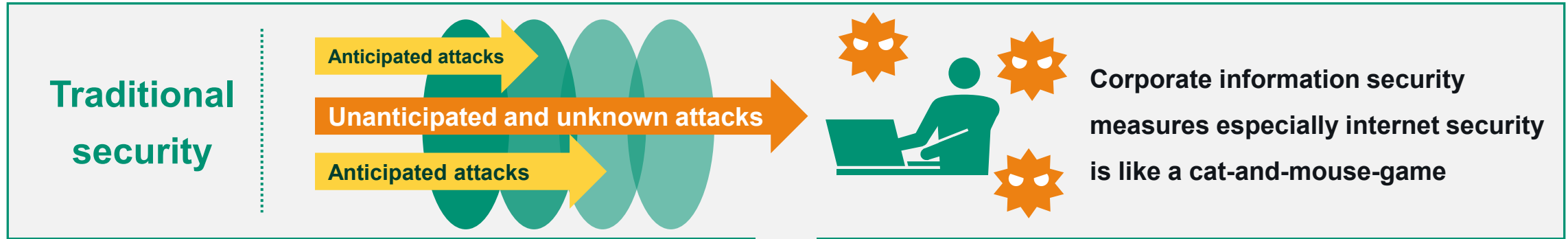
**RevoWorks Desktop**

Virtual Desktop with local container

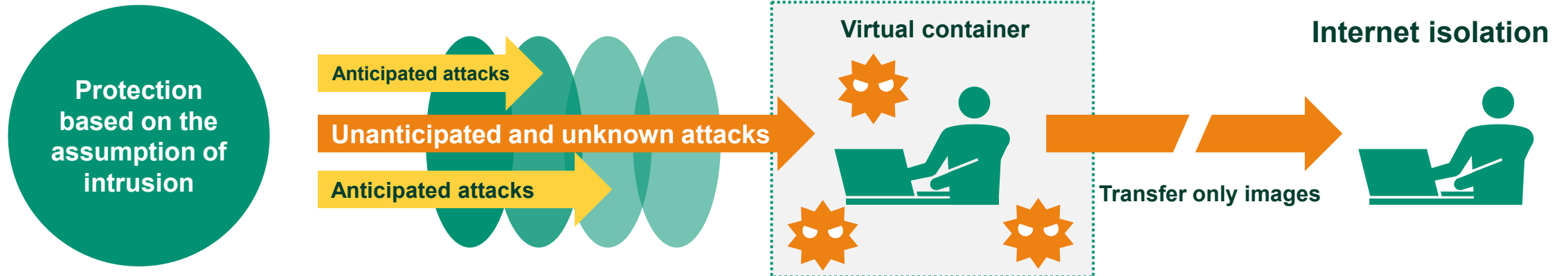
Internet isolation / Content Sanitizer

Information leakage countermeasures,  
Work style reforms / Telework

# Structure of RevoWorks SCVX



## RevoWorks SCVX Security



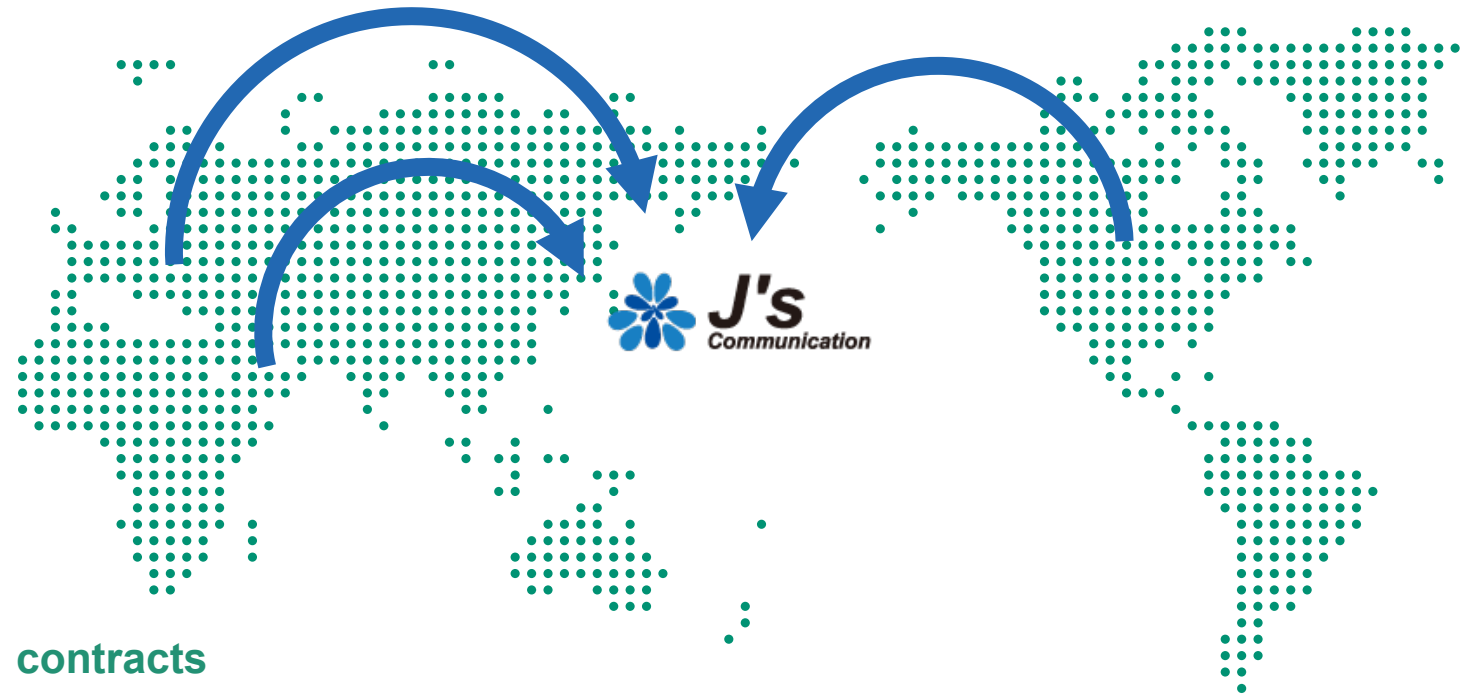
1. Even if attacks occur, their impact is limited to virtual containers, and their PCs remain intact
2. By closing your PC browser, the virtual container disappears with malware

## About Value Added Distribution Business

Importing of products with cutting-edge technologies, global technologies, niche technologies, etc. from United States and other developed security countries, and providing technical value-added services such as design, construction, and support in response to customer requests

### Line-up of Security products

- WAF
- Security vulnerability diagnosis and management
- IP address management
- Network management
- Firewall / VPN
- Nest-generation Firewall
- UTM
- Malware protective

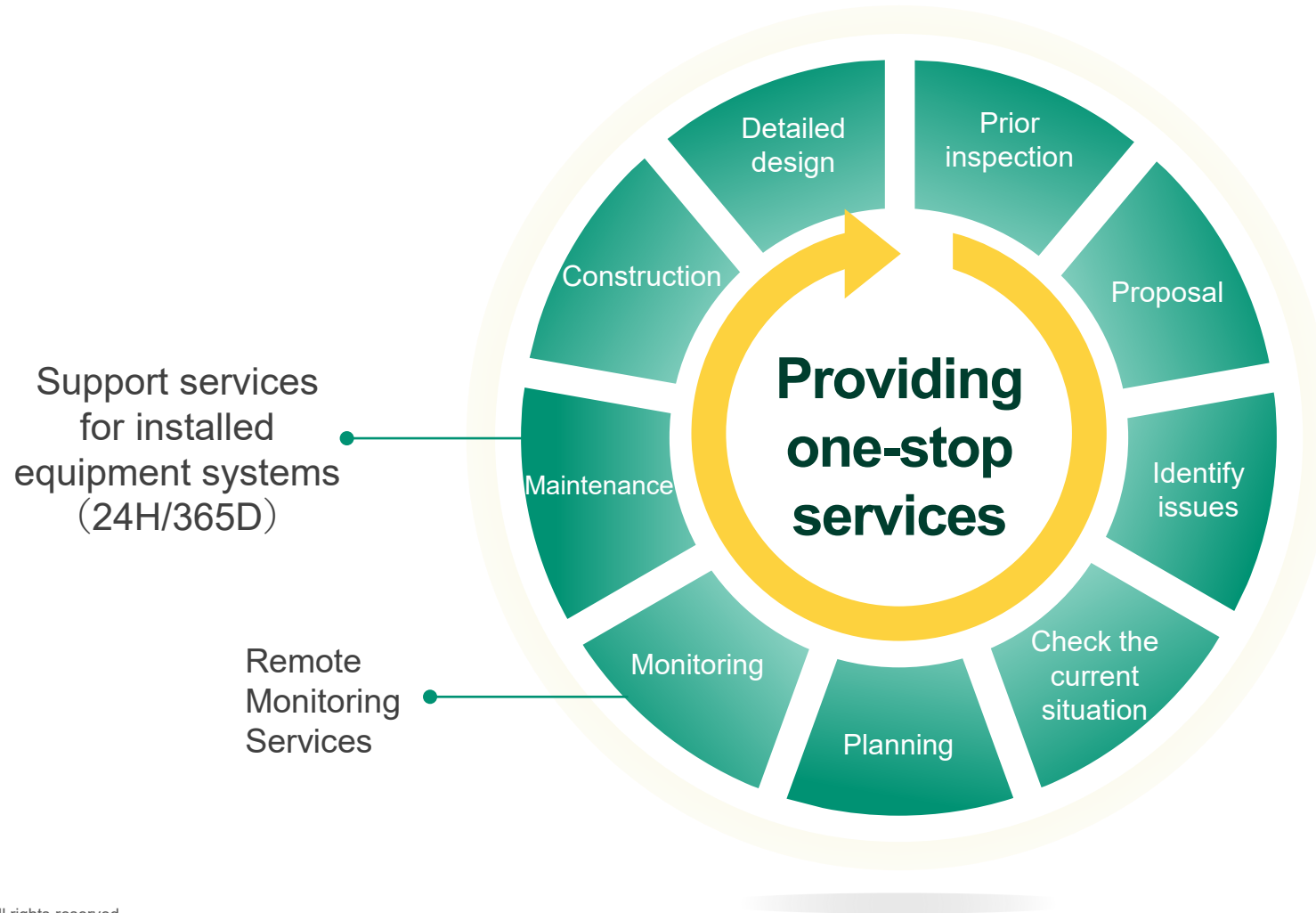


### Major manufactures with distribution contracts



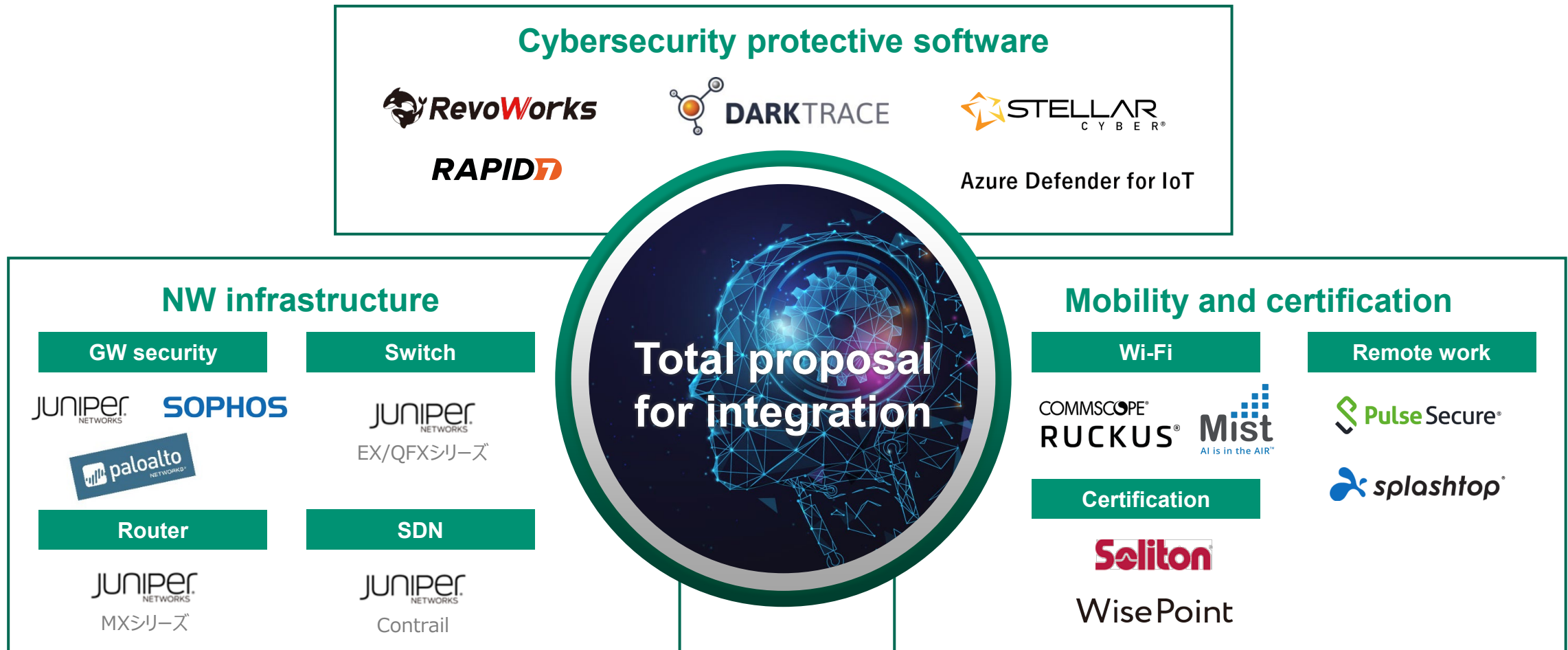
# Our Business : System Integration

Sales of software and appliances for security and IT infrastructure, etc., combined with the provision of services such as system, after-sales services, and monitoring services

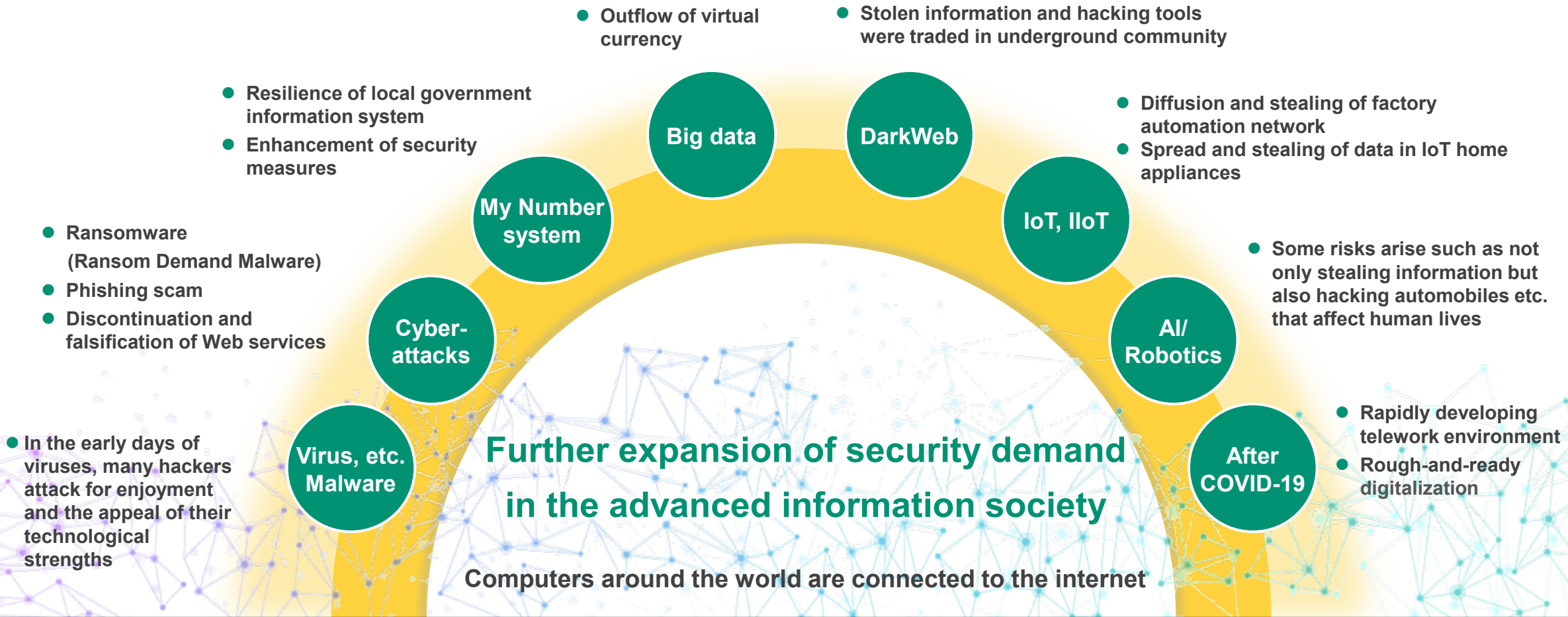


# Focus on Security Software

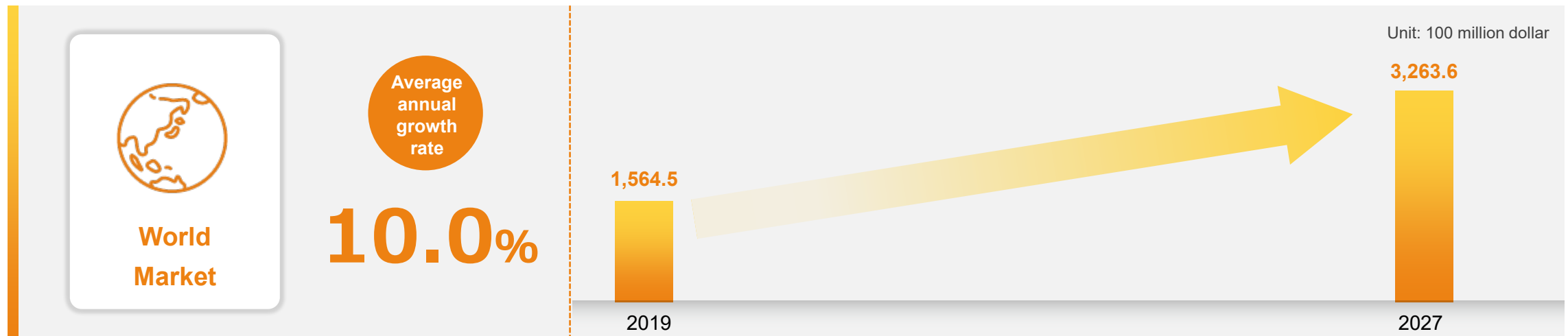
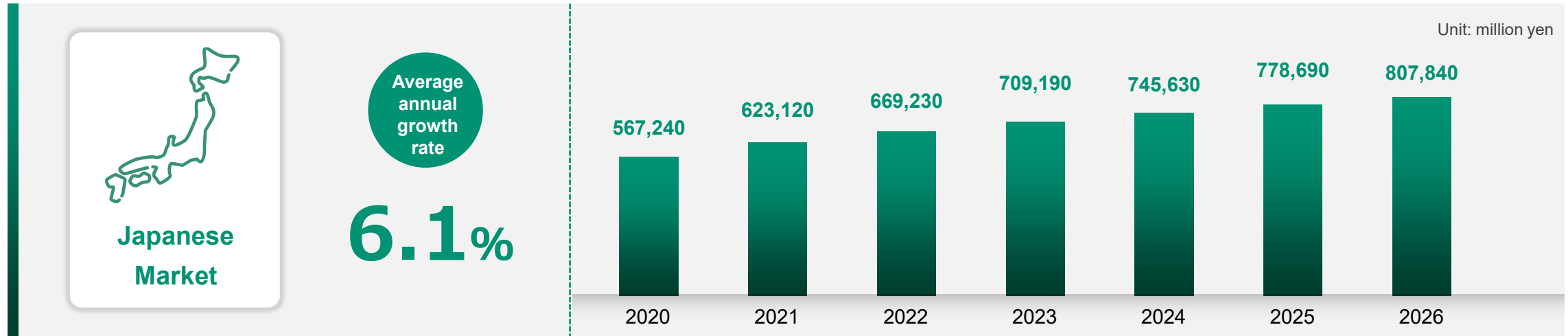
Providing safe and comfortable solutions by compensating for a shortage of security technicians with AI and automation software



# Business Environment : Security Market Environment



# Business Environment : Security (Products and Services) Market



Source: Fuji Chimera Research Institute, "2021 Network Security Business Survey"  
Grand View Research 「Cyber Security Market Size & Share Report, 2020-2027」

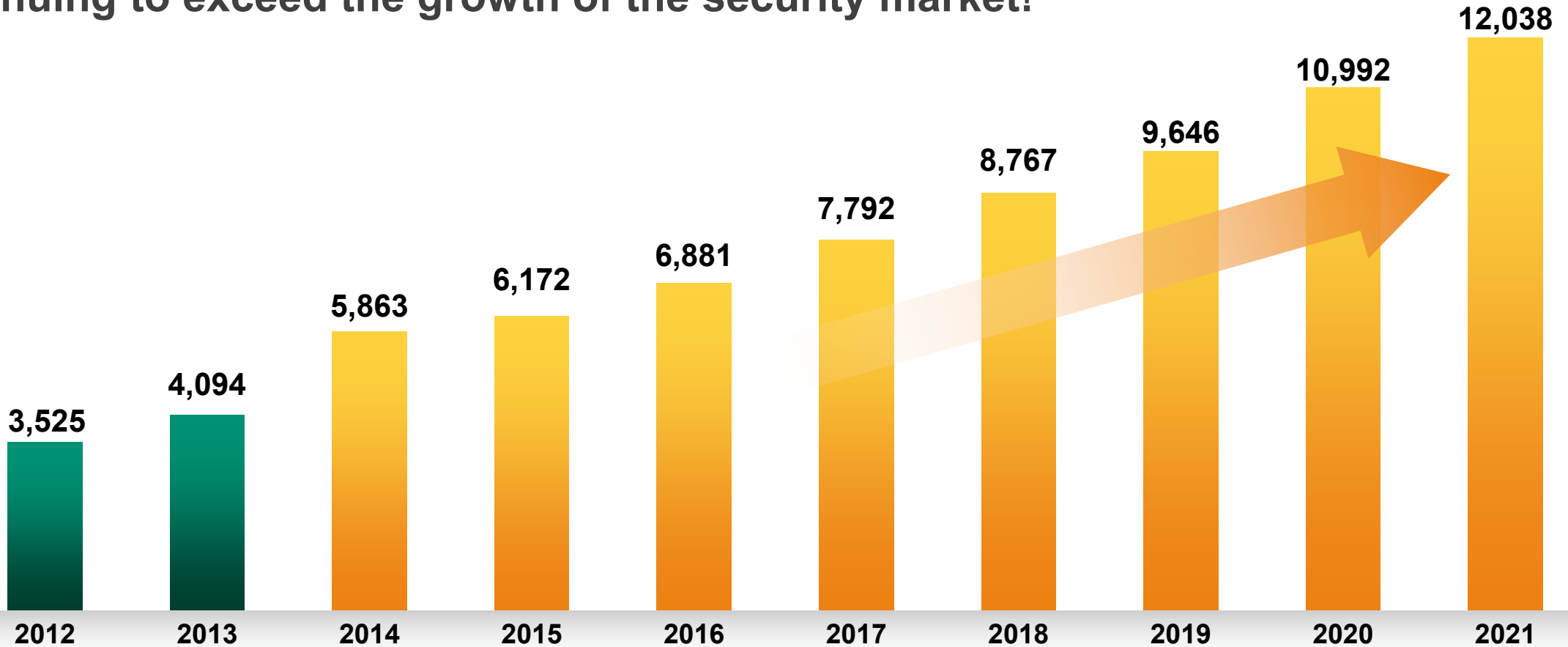


# Our Sales Trends

CAGR of Sales: **14.6 %** (2012-2021)

Unit: million yen

Continuing to exceed the growth of the security market!



\* Figures for 2012 and 2013 are based on results of J's Communication Co., Ltd.

The material is prepared solely for the purpose of providing information and is not intended for the purpose of offering, soliciting, or selling specific products, including our shares.

The information provided in this material is not required by or based on the Financial Instruments and Exchange Law, government ordinances and regulations, or the Tokyo Securities Exchange listing regulations.

The material contains certain forward-looking statements about our financial condition, results of operations, management plan, and plans and objectives. Please note that such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results or results of our performance to differ materially from those expressed or implied by such forward-looking statements. These forward-looking statements are based on our current and forecast management strategies and various assumptions regarding the political and economic environment surrounding our business.

The information provided in this material is subject to all possible risks and uncertainties, however, there is no assurance of the accuracy, certainty, appropriateness, and fairness of the information provided in this presentation. Please note that the content may be changed or eliminated without notice.

## **Inquiries about IR**

**Segue Group Co., Ltd. Investor Relations Office, Corporate Administration Department**

<https://segue-g.jp/ir/contact/>