

Summary of Business Results for the Year Ended December 31, 2020 (J-GAAP) (Consolidated)

February 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

Stock Exchange: Tokyo Stock Exchange

T E L: +81-3-6228-3822

Expected date of annual shareholders' meeting: March 25, 2021 Expected starting date of dividend payment: March 26, 2021

Expected date of filing of annual securities report: March 26, 2021

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 2020 (January 1, 2020 through December 31, 2020)

(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 2020	10,992	14.0	843	53.9	874	57.7	634	54.1
FY 2019	9,646	10.0	548	13.2	554	14.1	411	9.1

(Note) Comprehensive income:

FY 2020: 581 million yen (56.5%)

FY 2019: 371 million yen (223.0%)

	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 2020	55.62	54.40	21.5	13.1	7.7
FY 2019	35.90	35.11	15.7	9.6	5.7

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

FY 2020: -million yen

FY 2019: -million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2020	7,191	3,172	43.7	274.91
FY 2019	6,146	2,786	45.0	240.97

(Reference) Shareholders' equity:

FY 2020: 3,142 million yen

FY 2019: 2,768 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 2020	163	-401	-216	1,726
FY 2019	760	-179	-66	2,179

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 2019	-	0.00	-	10.00	10.00	114	27.9	4.4
FY 2020	-	0.00	-	16.00	16.00	184	29.2	6.2
FY 2021 (forecast)	-	0.00	-	16.00	16.00		27.1	

(Note) Breakdown of Year-End Dividends for the Fiscal Year Ended December 2019

Ordinary dividend: 5 yen, Commemorative dividend: 5 yen (commemorative dividend for the 25th anniversary of the Company's founding and the listing on the 1st Section of TSE)

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
Six months of FY2021	-	-	-	-	-	-	-	-	-
Full year	12,500	13.7	919	9.1	938	7.4	675	6.4	59.20

*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 2020 11,557,035 shares

FY 2019 11,487,200 shares

② Treasury stock at the end of period:

FY 2020 127,589 shares

FY 2019 236 shares

③ Average number of stock during period (cumulative period)

FY 2020 11,401,730 shares

FY 2019 11,464,467 shares

(Note) 1. The Company conducted a 2-for-1 stock split with an effective date of December 1, 2019. The number of shares is calculated assuming that the stock split was conducted at the beginning of the fiscal year ended December 2019.

2. 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.

***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.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheets

(Thousand yen)

	FY 2019 (December 31, 2019)	FY 2020 (December 31, 2020)
Assets		
Current assets		
Cash and deposits	2,180,682	1,727,426
Notes and accounts receivable	1,205,503	2,088,973
Electronically Recorded Monetary Claims	30,019	87,262
Inventories	640,109	821,751
Advance payments - trade	583,552	549,329
Accounts receivable - other	303,458	428,133
Other	101,808	104,756
Allowance for doubtful accounts	-863	-872
Total current assets	5,044,270	5,806,761
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	59,057	78,366
Accumulated depreciation	-31,519	-45,686
Buildings and structures, net	27,537	32,679
Automotive equipment	3,076	3,076
Accumulated depreciation	-2,390	-2,668
Vehicles, net	685	407
Tools, furniture and fixtures	873,837	949,448
Accumulated depreciation	-719,871	-788,270
Tools, furniture and fixtures, net	153,965	161,177
Land	639	639
Construction in progress	7,500	-
Total property, plant and equipment	190,328	194,904
Intangible assets		
Goodwill	116,783	92,213
Software	171,848	140,484
Software in progress	12,056	7,517
Other	1,209	1,209
Total intangible assets	301,897	241,424
Investments and other assets		
Investment securities	335,759	602,732
Long-term guarantee deposits	94,472	128,223
Deferred tax assets	83,964	109,306
Insurance funds	78,157	85,256
Claims in bankruptcy	2,241	1,447
Other	17,290	22,911
Allowance for doubtful accounts	-2,075	-1,339
Total investments and other assets	609,810	948,538
Total noncurrent assets	1,102,037	1,384,867
Total assets	6,146,308	7,191,628

(Thousand yen)

	FY 2019 (December 31, 2019)	FY 2020 (December 31, 2020)
Liabilities		
Current liabilities		
Accounts payable-trade	508,448	804,759
Current portion of long-term loans payable	8,028	8,028
Accounts payable	104,963	105,145
Accrued expenses	161,415	186,495
Income taxes payable	113,435	247,765
Accrued consumption taxes	79,055	133,890
Provision for bonuses	1,850	2,000
Advances received	2,079,163	2,183,623
Other	50,559	61,829
Total current liabilities	3,106,919	3,733,537
Long-term liabilities		
Long-term debt	9,858	1,830
Obligations for retirement pay	176,413	201,421
Provision for share-based remuneration	-	15,553
Long-term accounts payable - other	66,598	66,598
Total long-term liabilities	252,869	285,402
Total liabilities	3,359,789	4,018,940
Net assets		
Shareholders' equity		
Capital stock	507,243	510,772
Capital surplus	279,743	283,272
Retained earnings	1,874,669	2,393,965
Treasury shares	355,633	-100,252
Total shareholders' equity	2,661,442	3,087,757
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	106,685	55,168
Deferred gains or losses on hedges	-71	-805
Total accumulated other comprehensive income	106,613	54,362
Share subscription rights	18,463	30,567
Total net assets	2,786,518	3,172,688
Total liabilities and net assets	6,146,308	7,191,628

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

Consolidated Statement of Income

(Thousand yen)

	FY 2019 (January 1, 2019 -December 31, 2019)	FY 2020 (January 1, 2020 -December 31, 2020)
Net sales	9,646,836	10,992,813
Cost of sales	7,115,166	7,900,291
Gross profit	2,531,670	3,092,522
Selling, general and administrative expenses	1,983,448	2,248,904
Operating income	548,221	843,618
Non-operating income		
Interest Income and Dividends	1,389	2,934
Surrender value of insurance	10,036	5,029
Subsidies for employment adjustment	-	6,240
Subsidy income	2,724	10,669
Other	2,853	7,159
Total non-operating income	17,004	32,033
Non-operating expenses		
Interest expenses	179	121
Guarantee commission	240	240
Foreign exchange loss	9,951	754
Stock issuance cost	300	360
Other	195	13
Total non-operating expenses	10,867	1,490
Ordinary income	554,359	874,160
Extraordinary income		
Gains on sales of investment securities	64,994	65,850
Gain on reversal of subscription rights to shares	209	-
Total extraordinary income	65,204	65,850
Extraordinary loss		
Loss on sales of investment securities	1,029	-
Ceremony cancellation related costs	-	1,964
Total extraordinary loss	1,029	1,964
Profit before income taxes	618,534	938,046
Income taxes	198,258	320,484
Income taxes-deferred	8,672	-16,604
Total income tax	206,930	303,880
Net income	411,603	634,165
Net income attributable to owners of non-controlling	-	-
Net income attributable to owners of parent	411,603	634,165

Consolidated Statement of Comprehensive Income

(Thousand yen)

	FY 2019 (January 1, 2019 -December 31, 2019)	FY 2020 (January 1, 2020 -December 31, 2020)
Net income	411,603	634,165
Other comprehensive income		
Valuation difference on available-for-sale securities	-40,317	-51,517
Deferred gains or losses on hedges	545	-733
Total other comprehensive income	-39,772	-52,250
Comprehensive income	371,831	581,914
Breakdown		
Comprehensive income attributable to owners of parent	371,831	581,914
Comprehensive income attributable to owners of non-controlling shareholders	-	-

(3) Consolidated statement of changes in equity
FY 2019 (January 1, 2019 - December 31, 2019)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	505,788	278,288	1,520,357	-79	2,304,355
Changes during period					
Issuance of new shares	1,454	1,454			2,908
Dividend of surplus			-57,291		-57,291
Net income attributable to owners of parent			411,603		411,603
Purchase of treasury shares				-134	-134
Net changes during period other than shareholders' equity					
Total changes during period	1,454	1,454	354,311	-134	357,086
Balance at end of current period	507,243	279,743	1,874,669	-213	2,661,442

	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	147,002	6,628	146,385	—	2,450,741
Changes during period					
Issuance of new shares					2,908
Dividend of surplus					-57,291
Net income attributable to owners of parent					411,603
Purchase of treasury shares					-134
Net changes during period other than shareholders' equity	-40,317	545	-39,772	18,463	-21,308
Total changes during period	-40,317	545	-39,772	18,463	335,777
Balance at end of current period	106,685	-71	106,613	18,463	2,786,518

FY 2020 (January 1, 2020 - 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	-213	2,661,442
Changes during period					
Issuance of new shares	3,529	3,529			7,058
Dividend of surplus			-114,869		-114,869
Net income attributable to owners of parent Net income			634,165		634,165
Purchase of treasury shares				-100,038	-100,038
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
Dividend of surplus					-114,869
Net income attributable to owners of parent					634,165
Purchase of treasury shares					-100,038
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

(4) Consolidated statement of cash flows

(Thousand yen)

	FY 2019 (January 1, 2019 -December 31, 2019)	FY 2020 (January 1, 2020 -December 31, 2020)
Cash flows from operating activities		
Profit before income taxes	618,534	938,046
Depreciation	111,710	134,300
Amortization of goodwill	22,905	24,569
Share-based compensation expenses	18,672	12,255
Provision for share-based remuneration	-	15,553
Gain on reversal of subscription rights to shares	-209	-
Increase (decrease) in allowance for doubtful accounts	-4,656	-726
Increase (decrease) in net defined benefit liability	15,655	25,007
Interest and dividend income	-1,389	-2,934
Interest expenses	179	121
Loss (gain) on sales of investment securities	-63,965	-65,850
Foreign exchange losses (gains)	-1,037	-815
Decrease (increase) in notes and accounts receivable - trade	52,819	-940,713
Decrease (increase) in accounts receivable – other	-34,679	-123,719
Decrease (increase) in inventories	51,501	-181,641
Decrease (increase) in advance payments	-98,072	34,223
Increase (decrease) in notes and accounts payable-trade	-141,066	296,311
Increase (decrease) in advances received	446,222	104,460
Other	-20,544	81,777
Subtotal	972,579	350,226
Interest and dividend income received	1,306	2,934
Interest expenses paid	-179	-121
Income taxes paid	-213,196	-189,419
Cash flows from operating activities	760,509	163,618
Cash flows from investing activities		
Purchase of investment securities	-35,445	-330,981
Proceeds from sales of investment securities	93,316	69,927
Purchase of property, plant and equipment	-82,891	-86,383
Purchase of intangible assets	-84,899	-11,307
Purchase of subsidiary share capital associated with a change in the scope of consolidation	-96,386	-
Payments of loans receivable	-200	-500
Collection of loans receivable	26,438	333
Payments for lease and guarantee deposits	Other	-42,803
Proceeds from collection of lease and guarantee deposits	1,078	54
Cash flows from investing activities	-179,058	-401,660
Cash flows from financing activities		
Repayment of long-term loans payable	-11,690	-8,028
Proceeds from issuance of shares	2,908	6,907
Purchase of treasury shares	-134	-100,038
Dividends paid	-57,291	-114,869
Cash flows from financing activities	-66,207	-216,029
Effect of exchange rate change on cash and cash equivalents	1,037	815
Net increase (decrease) in cash and cash equivalents	516,281	-453,255
Cash and cash equivalents at the start of the period	1,663,362	2,179,643
Cash and cash equivalents at the end of the period	2,179,643	1,726,388