

A decorative graphic on the left side of the slide, featuring a large green arrow pointing downwards and to the right, with a yellow arrow pointing upwards and to the right, creating a cross-like shape. Inside the green arrow, there are three diamond-shaped images: a person's hands holding a smartphone, a network of glowing nodes and lines, and a server room aisle.

FY2021 Q2

Financial Results

August 20, 2021

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.

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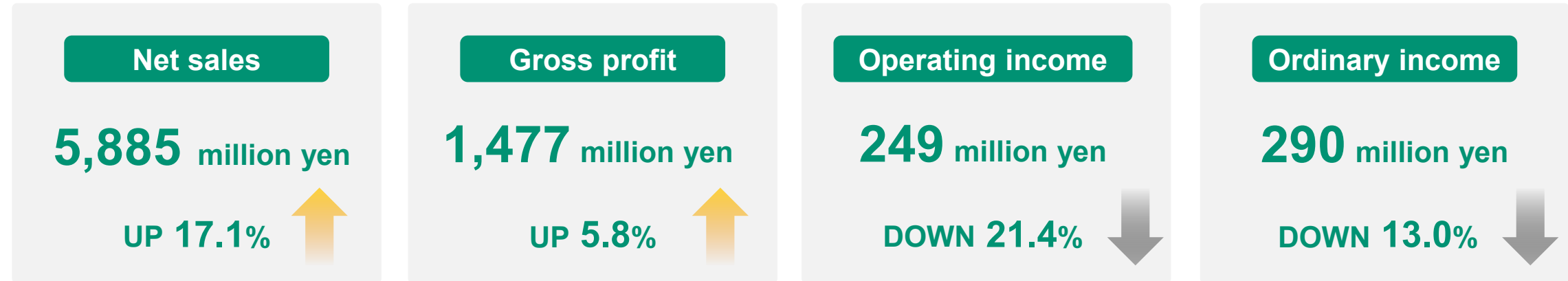
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FY2021 Q2 Highlights

Highlights : Performance

Net sales and gross profit for the first half of the fiscal year reached record highs

Due to investment in human resources to accelerate growth, SG&A expenses increased and operating and other income decreased



- Value Added Distributor : Telework-related products decreased compared to the same period of previous year when there was special demand
- System Integration : Strong performance remains from the first quarter
- In-house Development : Working on adding functions and improving quality. Major projects have been postponed to the second half
- SG&A expenses increased mainly due to investment in human resources, mostly in line with the plan

Highlights : 1H Business Topics

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

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

System Integration Business

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

Highlights : Growth Investment and Progress

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

Human resource investment Environmental improvement

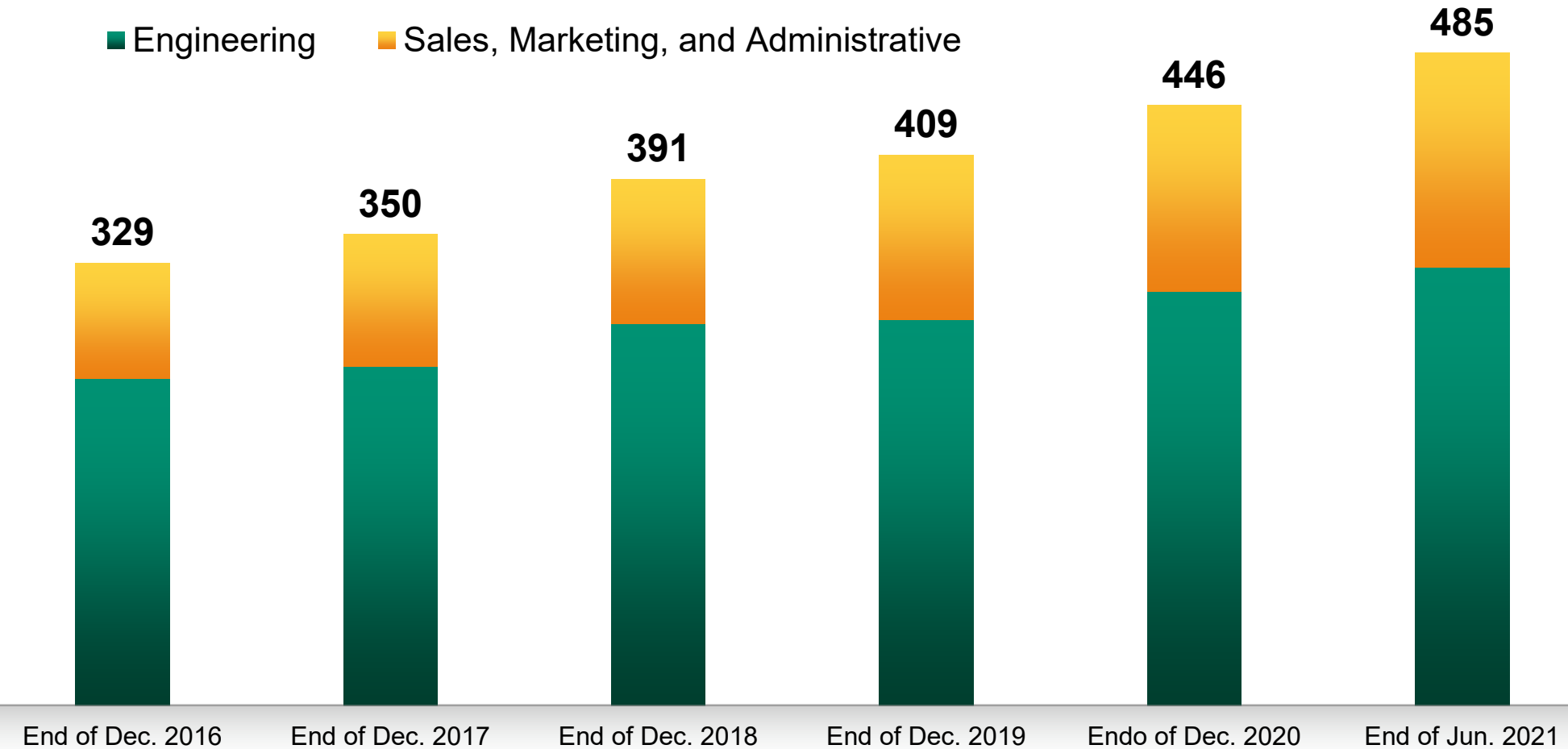
- Securing human resources
End of Dec. 2020: 446 employees → End of Jun. 2021: 485 employees
- Reviewing compensation system in line with growth
- Strengthening training, from new graduates to executive candidates
- Strengthening of inside sales
- Renewal of Osaka Office and Technical Center

Strengthening of promotion

- Promotion of digital marketing
Utilizing of marketing automation
Increasing in the number of webinars and enhancement of web pages

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 : New Products

Expanding the handling of new products that contribute to promoting the digital shift, improving business efficiency, and solving the issue of engineer shortages



May 2021

Concluded a sales agency agreement with Fixpoint, Inc.
Started sales of "Kompira," a system operation automation tool



June 2021

Developed In-house decision support system
Started sales of 2 products of **AI solution** "J-TREB series"



June 2021

Concluded a sales agency agreement with Neatframe Limited.
Announced the launch of the "Neat Series" video conferencing system, ideal for hybrid work environments

Highlights : Capital and Business Alliance

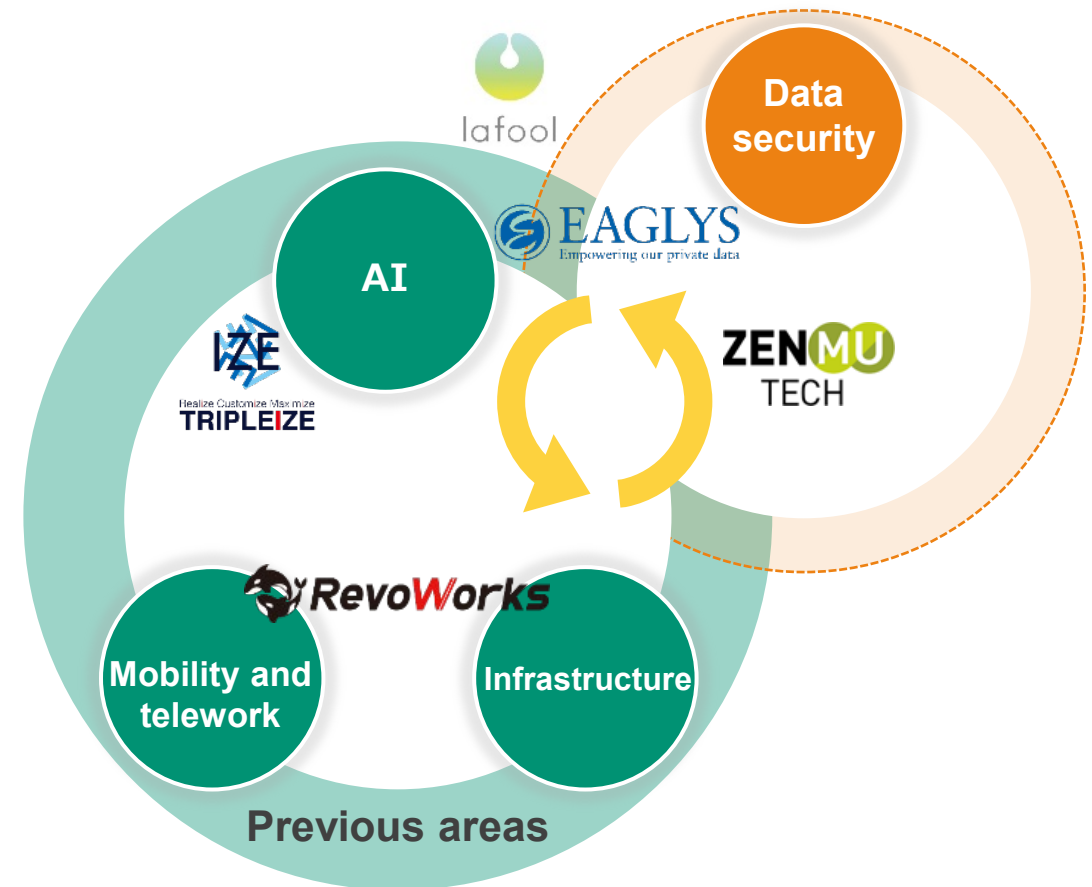
Capital and business alliance

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

Expansion into the field of data security

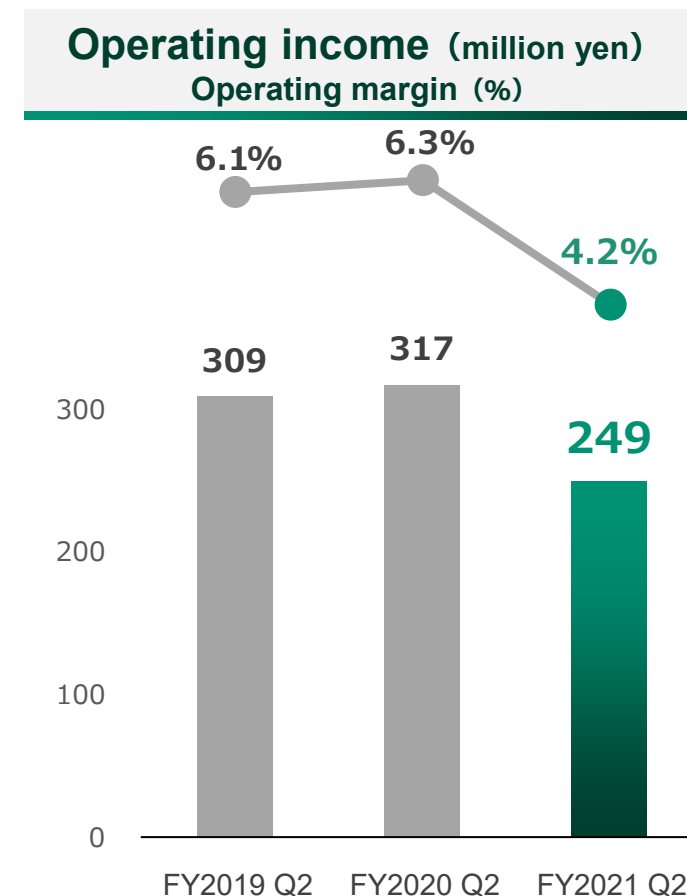
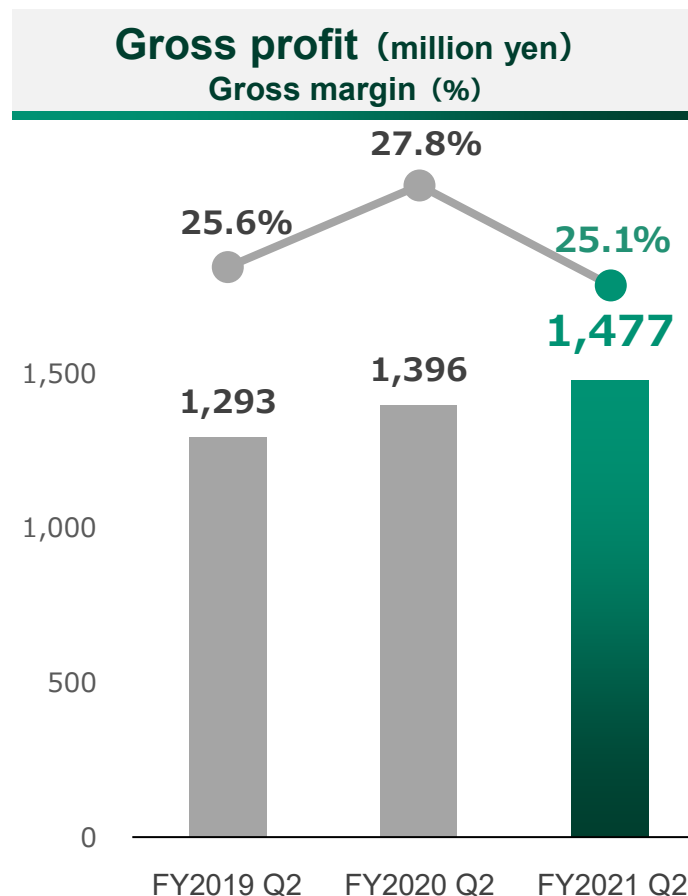
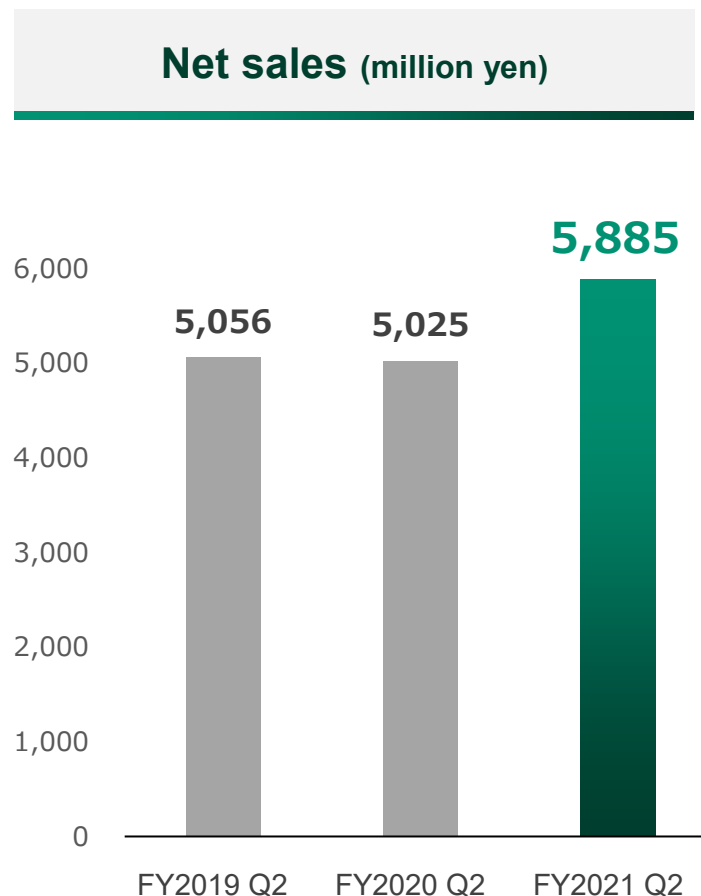
Capital alliance with ZenmuTech, Inc in December 2020 (additional shares acquired in April 2021), and EAGLYS Inc. in February 2021

Continue to invest in and expand the scope of advanced technology fields such as AI and data security



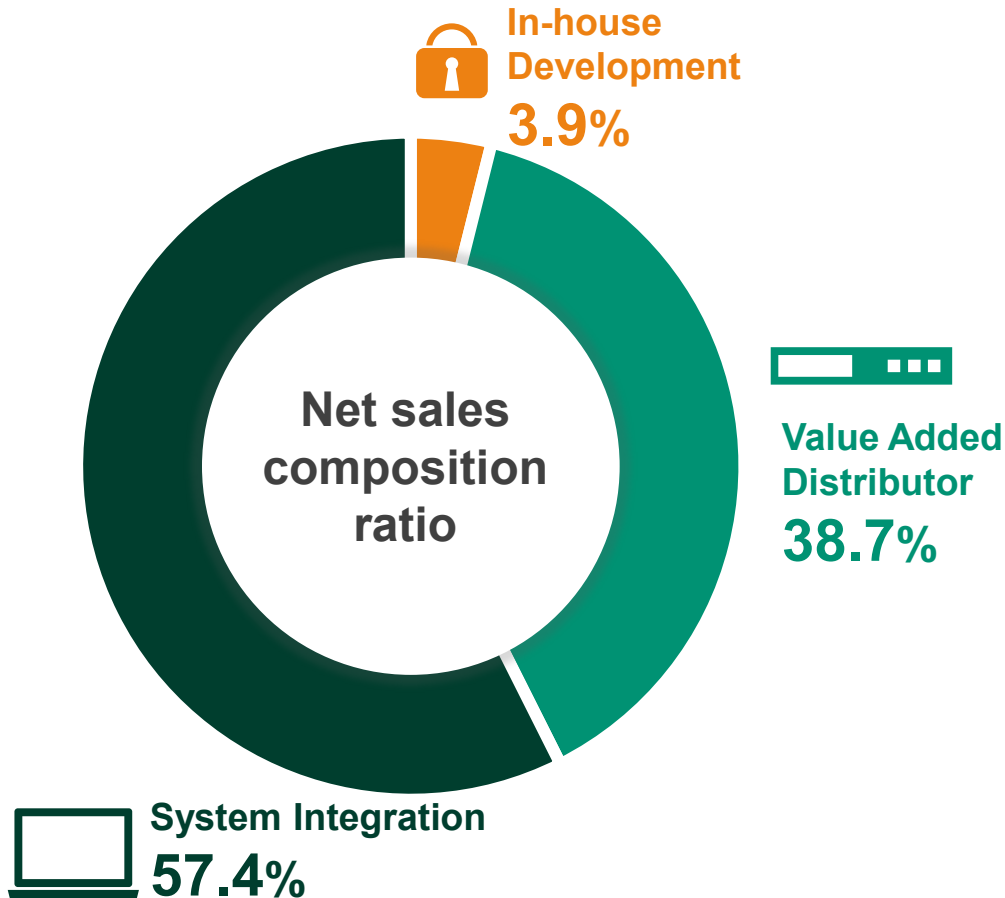
Highlights : Performance Trends

Due to the change in sales composition, gross profit increased in amount but decreased in rate



Highlights : Numerical Image of Each Business

Sales in the Value Added Distributor business decreased due to decline in sales of telework-related products and shortage of semiconductors, although System Integration business remained strong. Sales of In-house Development business increased from the same period of the previous fiscal year despite the postponement of major projects to the second half.



In-house Development Business	Net sales	↑ +32.9%	Gross profit	↑ +11.0%
	220 million yen		100 million yen	

Value Added Distribution Business	Net sales	↓ -10.2%	Gross profit	↓ -17.4%
	2,270 million yen		590 million yen	

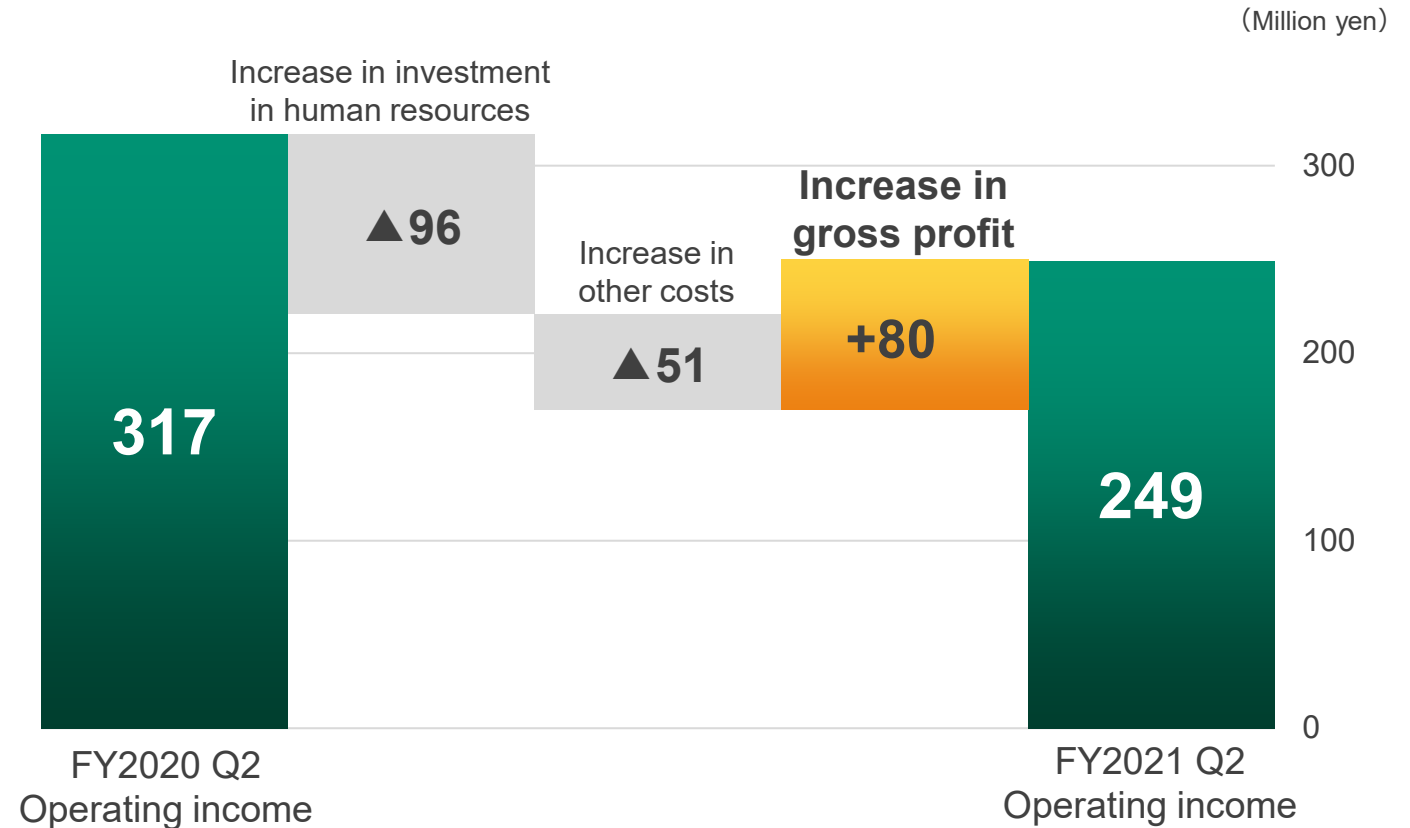
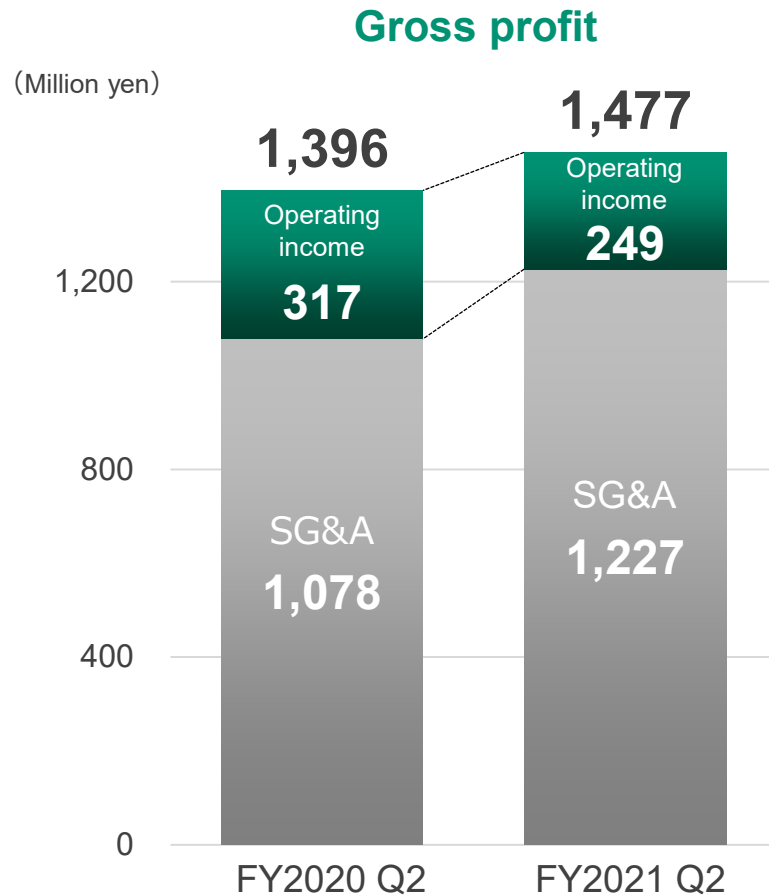
System Integration Business	Net sales	↑ +45.7%	Gross profit	↑ +34.2%
	3,370 million yen		770 million yen	

* Due to a miscalculation at the time of publishing the supplementary materials for FY2021 Q1, there was an error in the gross profit for the three business segments. The first quarter supplementary explanatory materials have already been revised.

Highlights : Breakdown of Changes in Operating Income

Progress in securing human resources to accelerate medium-to long-term growth.

Decrease in operating income due to increase in expenses

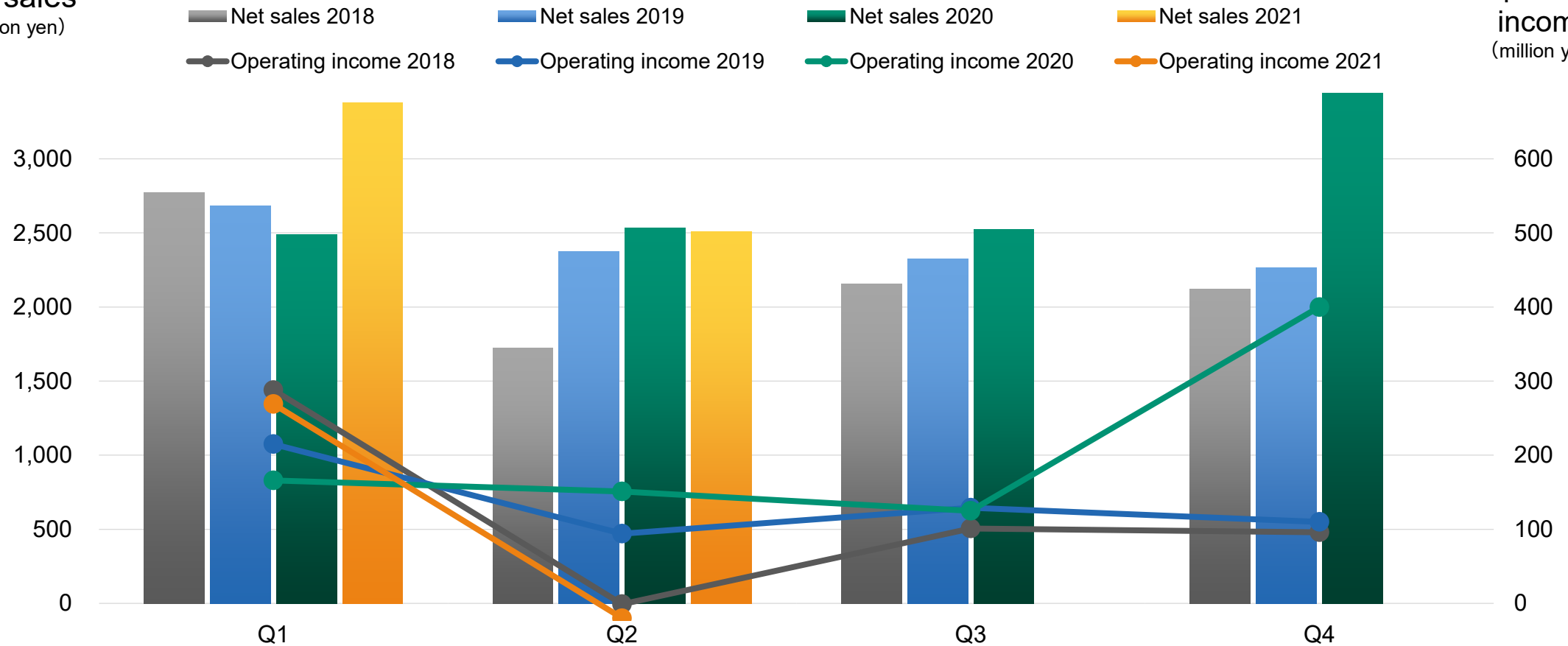


Highlights : Quarterly Performance Trends

Quarterly Net sales and Operating Income

Net sales
(million yen)

Operating
income
(million yen)



Highlights : Consolidated Statements of Income

(Million yen)

	FY2020 Q2 total	FY2021 Q2 total	YoY		Full-year Plan	Progress rate
			Change	Change ratio		
Net sales	5,025	5,885	859	+17.1%	12,500	47.1%
Gross profit	1,396	1,477	80	+5.8%		
(Profit margin)	27.8%	25.1%	▲2.7pt			
SG&A expenses	1,078	1,227	148	+13.8%		
Operating income	317	249	▲67	▲21.4%	919	27.2%
(Profit margin)	6.3%	4.2%	▲2.1pt		7.4%	
Ordinary income	334	290	▲43	▲13.0%	938	31.0%
(Profit margin)	6.7%	4.9%	▲1.7pt		7.5%	
Net income	235	181	▲54	▲22.9%	675	26.9%

Highlights : Consolidated Balance Sheets

Growth in sales of support services. Steady increase in advances received

(Million yen)

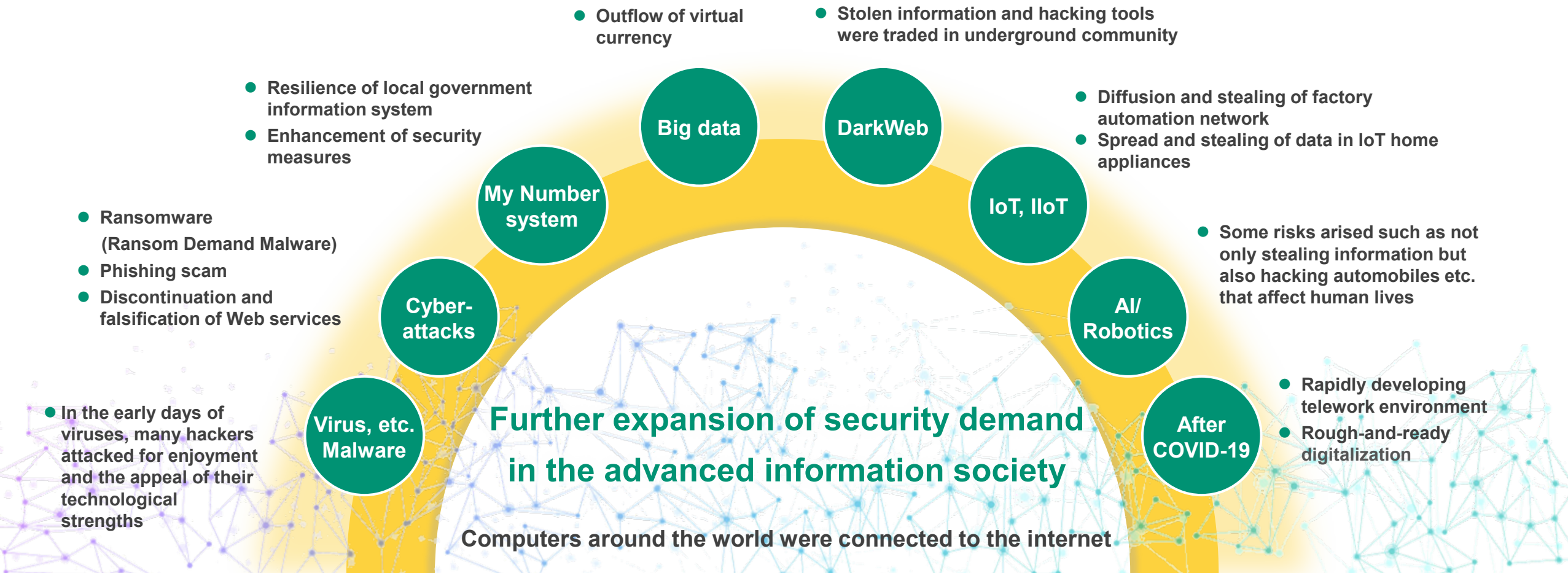
	FY2020 Q2	FY2020 Q4	FY2021 Q2
Current assets	5,276	5,806	6,048
Cash and deposits	2,400	1,727	3,084
Notes and accounts receivable, and Electronically Recorded Monetary Claims	1,262	2,176	1,487
Inventory assets	659	821	569
Other	953	1,081	907
Non-current assets	1,426	1,384	1,487
Property, plant and equipment	192	194	208
Intangible assets	269	241	214
Investments and other assets	964	948	1,064
Total assets	6,703	7,191	7,536

	FY2020 Q2	FY2020 Q4	FY2021 Q2
Current liabilities	3,635	3,733	4,038
Accounts payable-trade	820	804	825
Short-term debt	8	8	5
Advances received	2,190	2,183	2,531
Other	616	737	675
Non-current liabilities	271	285	307
Total liabilities	3,906	4,018	4,345
Total net assets	2,796	3,172	3,190
Total liabilities and net assets	6,703	7,191	7,536

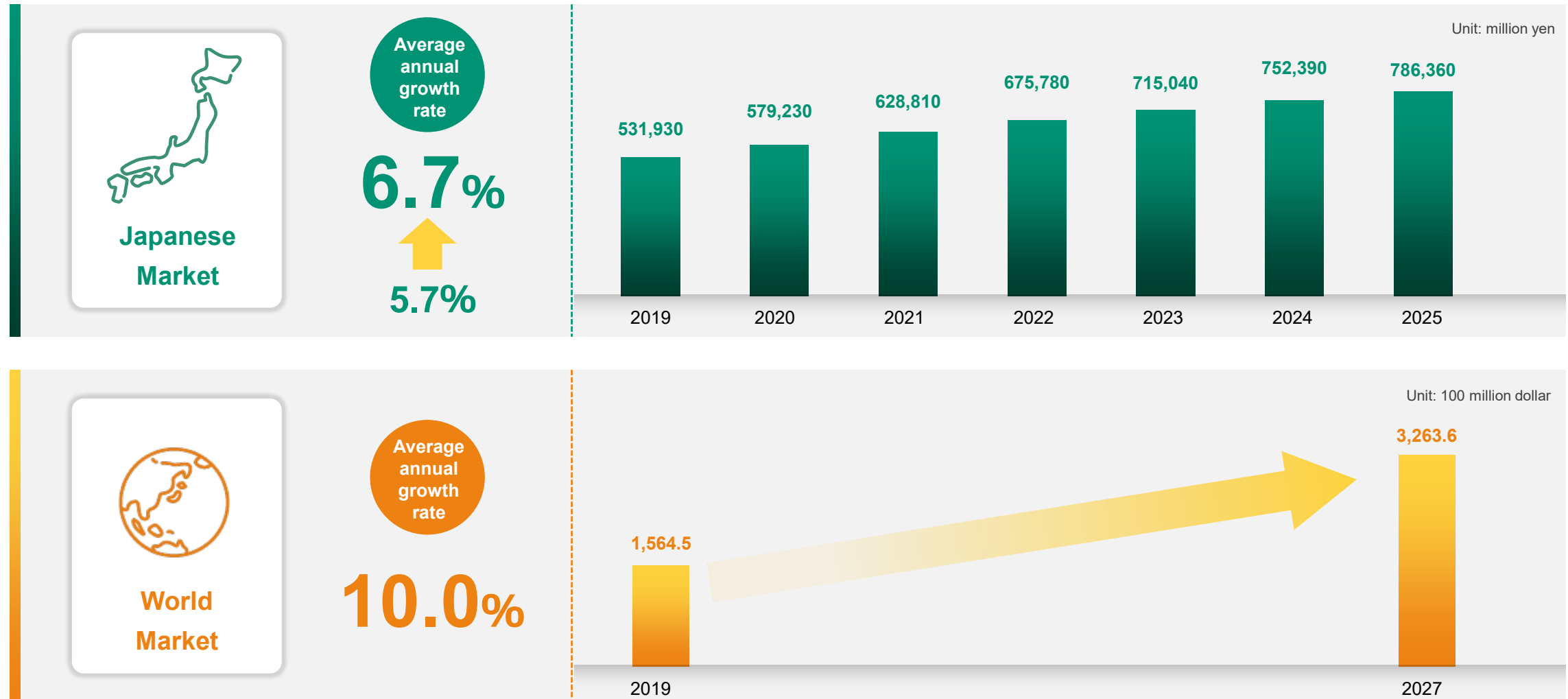


2

Business Environment



Business Environment : Security (Products and Services) Market



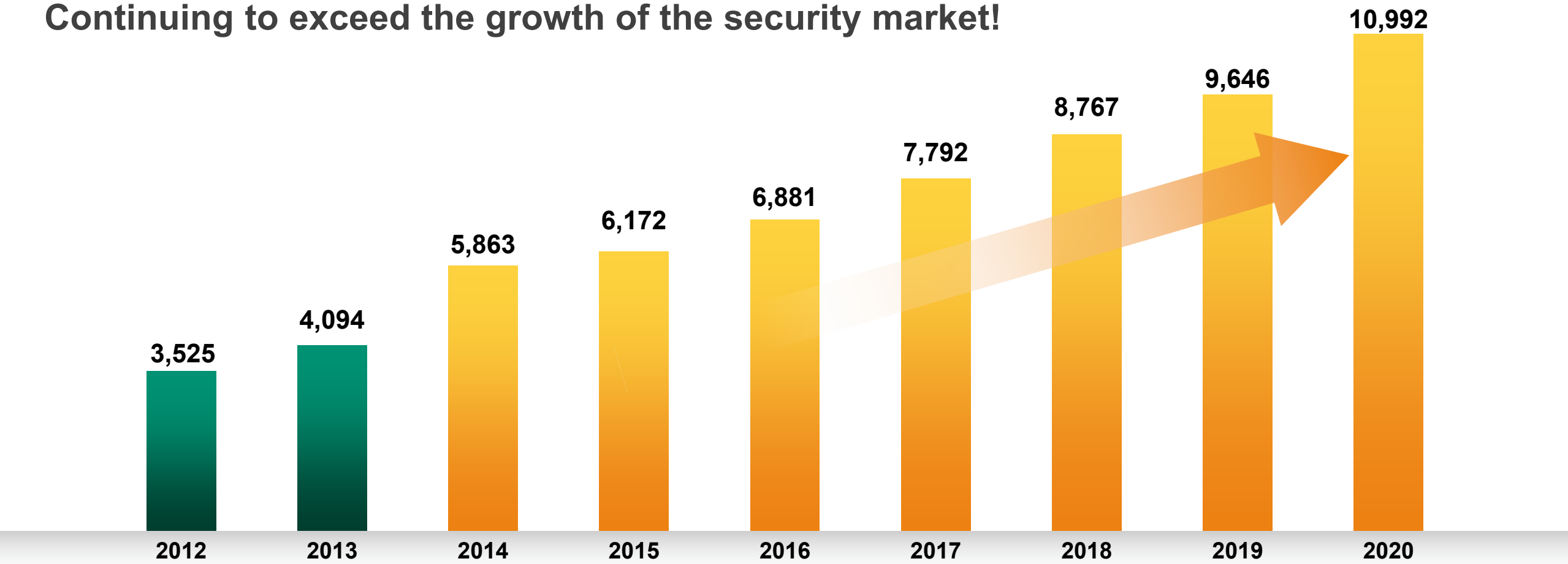
Source: Fuji Chimera Research Institute, "2019 Network Security Business Survey", "2020 Network Security Business Survey"
Grand View Research 「Cyber Security Market Size & Share Report, 2020-2027」

Our Sales Trends

CAGR of Sales: **15.3 %** (2012-2020)

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.



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2H Measures and Business Forecasts

2H Measures : Each Business

In-house Development Business

- Improvement of development speed and quality⇒ Release of new features and security enhancements
- Expansion of sales partners and acceleration of collaboration
- Accumulation of local government resilience projects

Value Added Distribution Business

- Strengthening of relationships with manufacturers and sales partners
- Winning of large-scale projects
- Expansion of new product lineups

System Integration Business

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

Strengthening promotion

- Continuing to strengthen digital marketing, strengthening of coordination and coupling with sales activities
- Strengthening exposure and raise awareness of products, especially self-developed products
- Increasing in the number of webinars and enhancement of web pages

Human resource investment

- Recruiting engineers
- Continuing to strengthen and enhance employee training

Winning of Local Government Resilience Projects

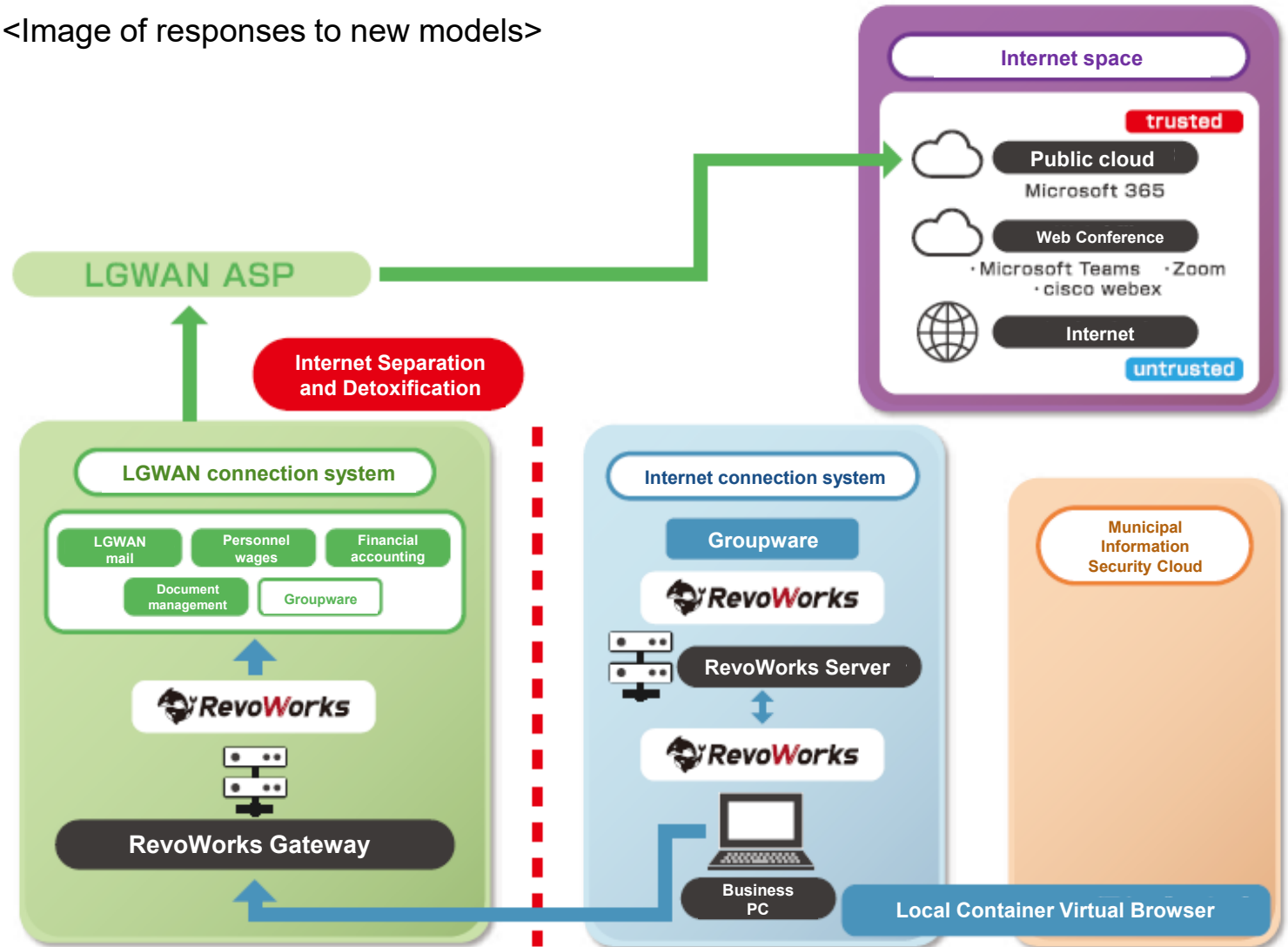
The Ministry of Internal Affairs and Communications revised “Guidelines for Information Security Policies in Local Governments” in December 2020.

New measures are needed to improve efficiency and convenience.

RevoWorks supports both existing and new models and can be reviewed to meet the needs of each local government.

Aiming for a significant increase in the number of projects introduced, including multiple prefectural projects.

<Image of responses to new models>



FY2021 Full-year Business Forecasts

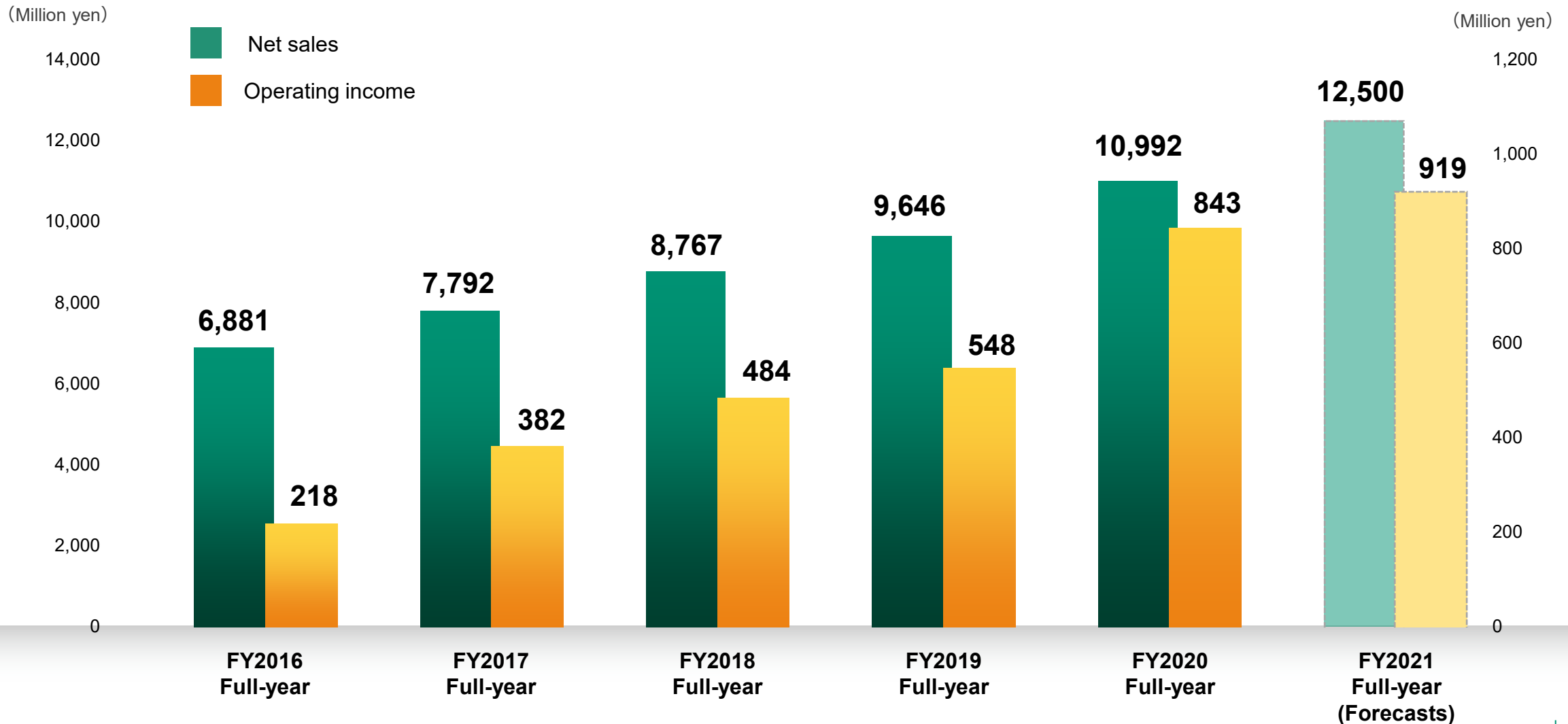
Aiming to achieve the full-year plan by increasing sales in the Value Added Distributor business and In-house Development business, including projects postponed to the second half

Unit: million yen

	FY2020	FY2021 (Forecast)	YoY	
			Change	Change ratio
Net sales	10,992	12,500	1,507	13.7%
Operating income	843	919	76	9.1%
(Profit margin)	7.7%	7.4%		
Ordinary income	874	938	64	7.4%
(Profit margin)	8.0%	7.5%		
Net income	634	675	40	6.4%
Interim dividend	—	—		
Year-end dividend	16 yen	16 yen		

Performance Trends and Forecasts

Sales and profits to increase for the fifth consecutive year since listing on TSE



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.



株式会社 アステム
ASTEM CO.,LTD.



J's solution Co.,Ltd.



FALCON SYSTEM CONSULTING INC.

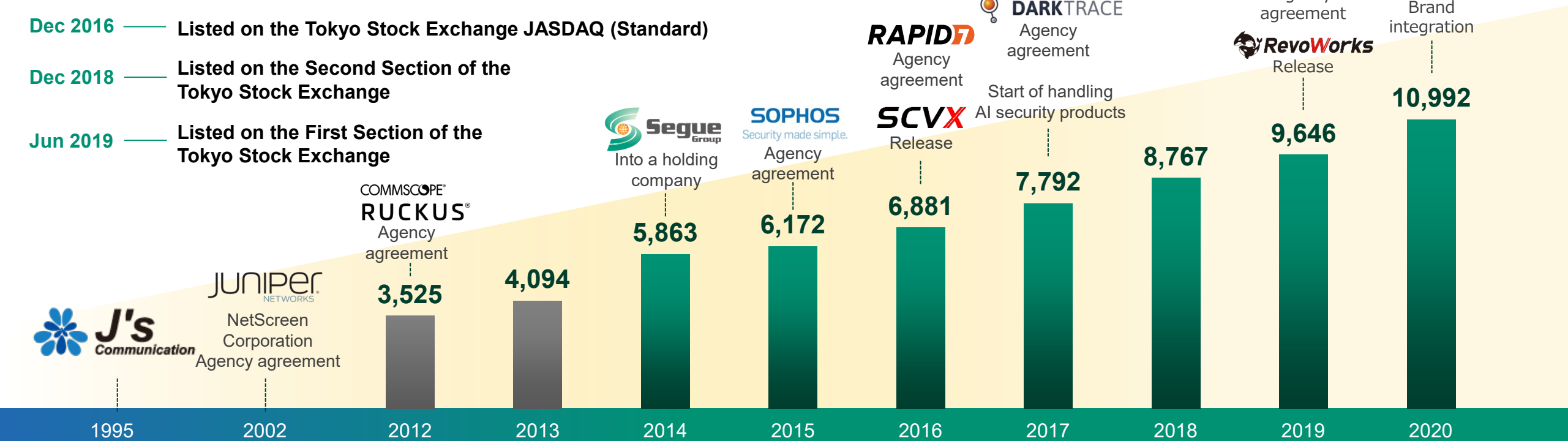


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Reference Material

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



Established J's Communication Co., Ltd.

Established JC Technology
Established J's Telecom Systems

Segue Group Establishment

Listed on JASDAQ

Listed on TSE2
Made a Falcon System Consulting as a subsidiary

Listed on TSE1
Made an ASTEM as a sub-subsidiary

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 : 485 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 service

Design and construction Service

Maintenance Service

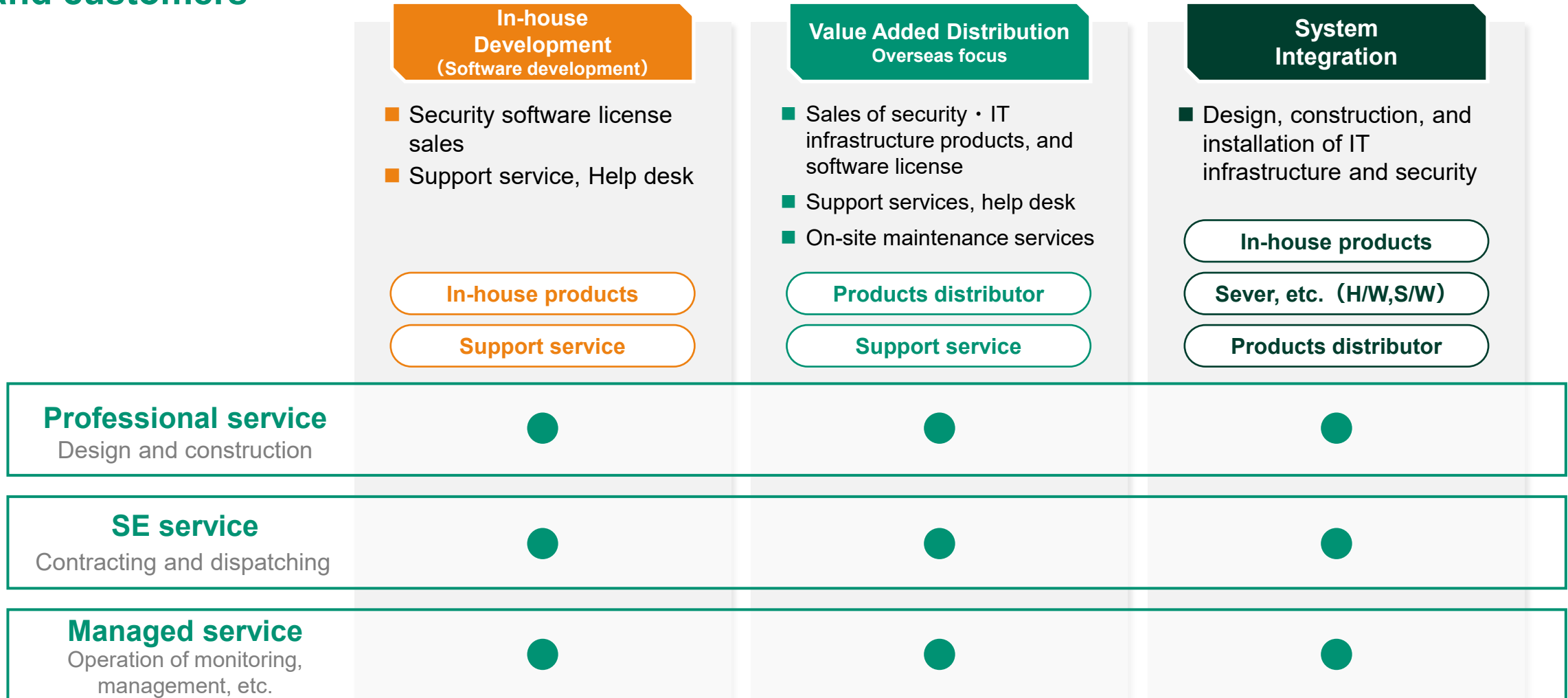
Help desk Service

Others
(Monitoring, dispatch, etc.)

IT engineer SE service

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



Server-based Virtual Browser "RevoWorks SCVX"



Local Virtual Browser "RevoWorks Browser"



Local Virtual Desktop "RevoWorks Desktop"



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

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**



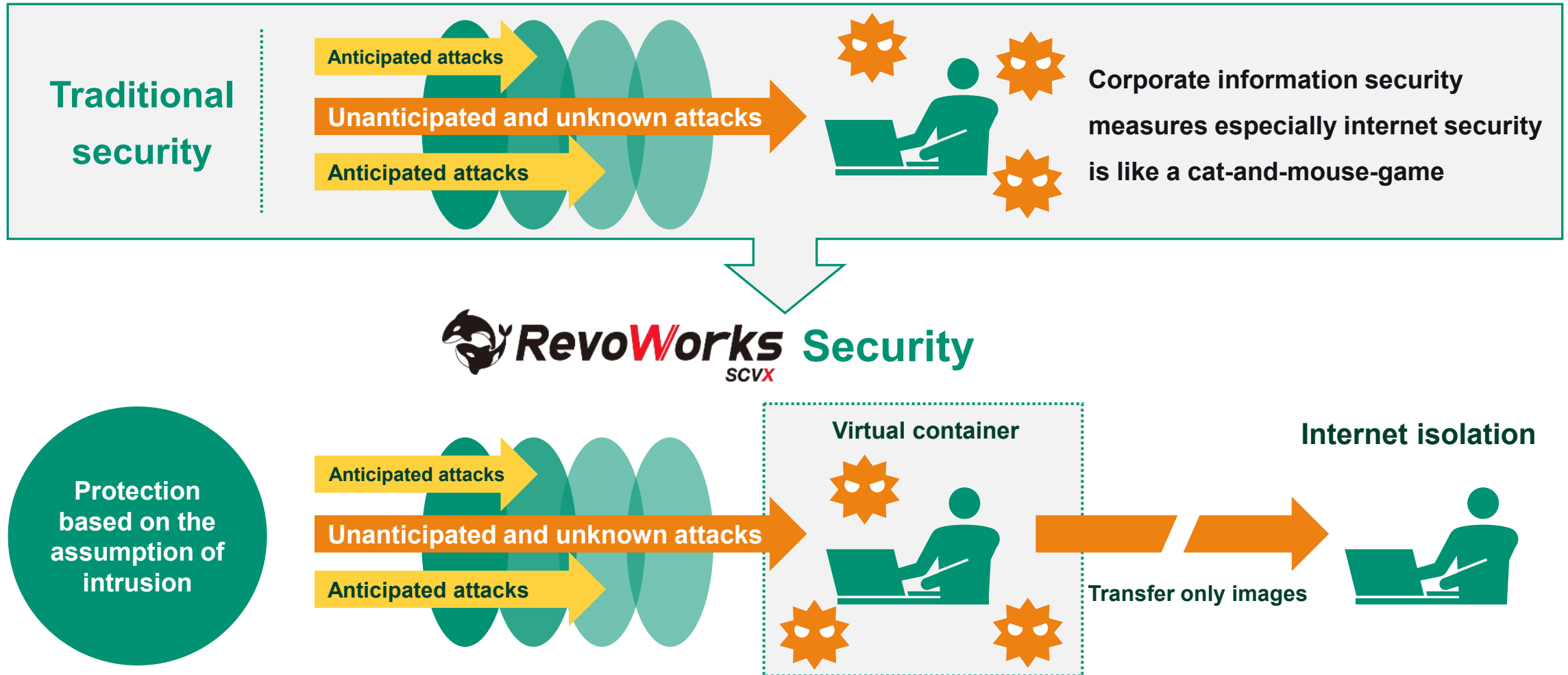
RevoWorks Desktop

Virtual Desktop with **local container**

Internet isolation / Content Sanitizer

**Information leakage countermeasures,
Work style reforms / Telework**

Structure of RevoWorks SCVX



1. Even if attacks occur, their impact is limited to virtual containers, and their PCs remain intact
2. When your PC browsers are closed, the virtual container disappear with malware

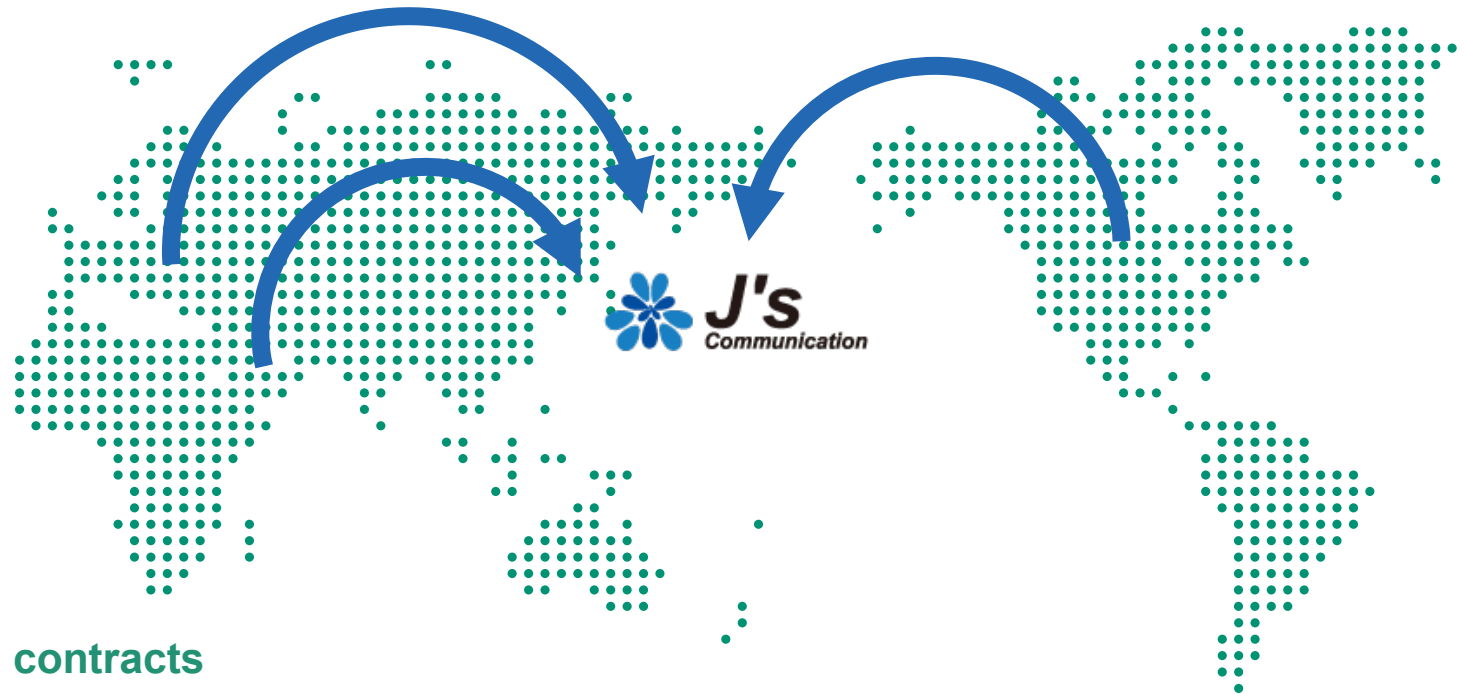
Our Business : Value Added Distribution Business

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

JUNIPER
NETWORKS

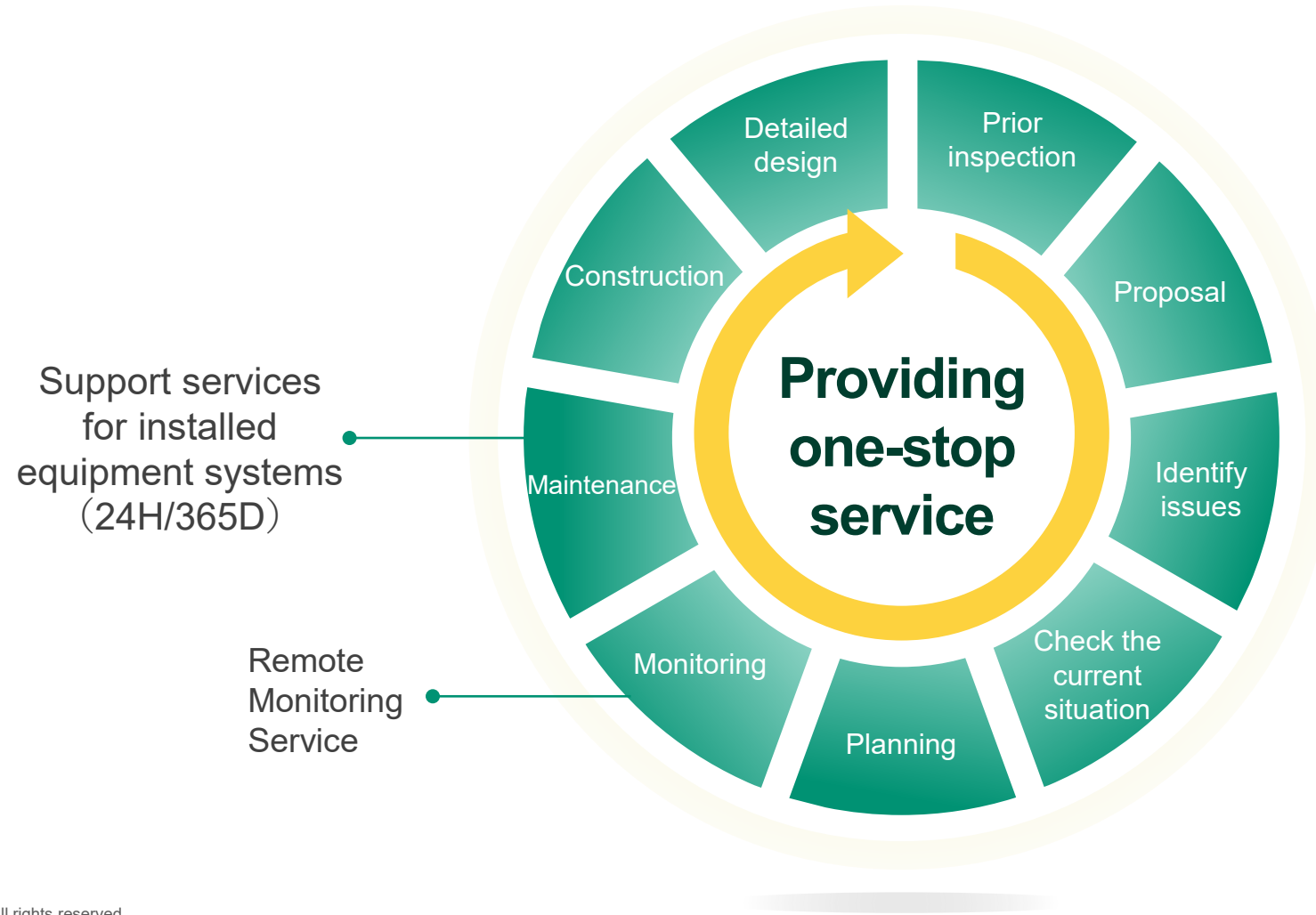
COMMScope™
RUCKUS®

SOPHOS

 **Pulse Secure**

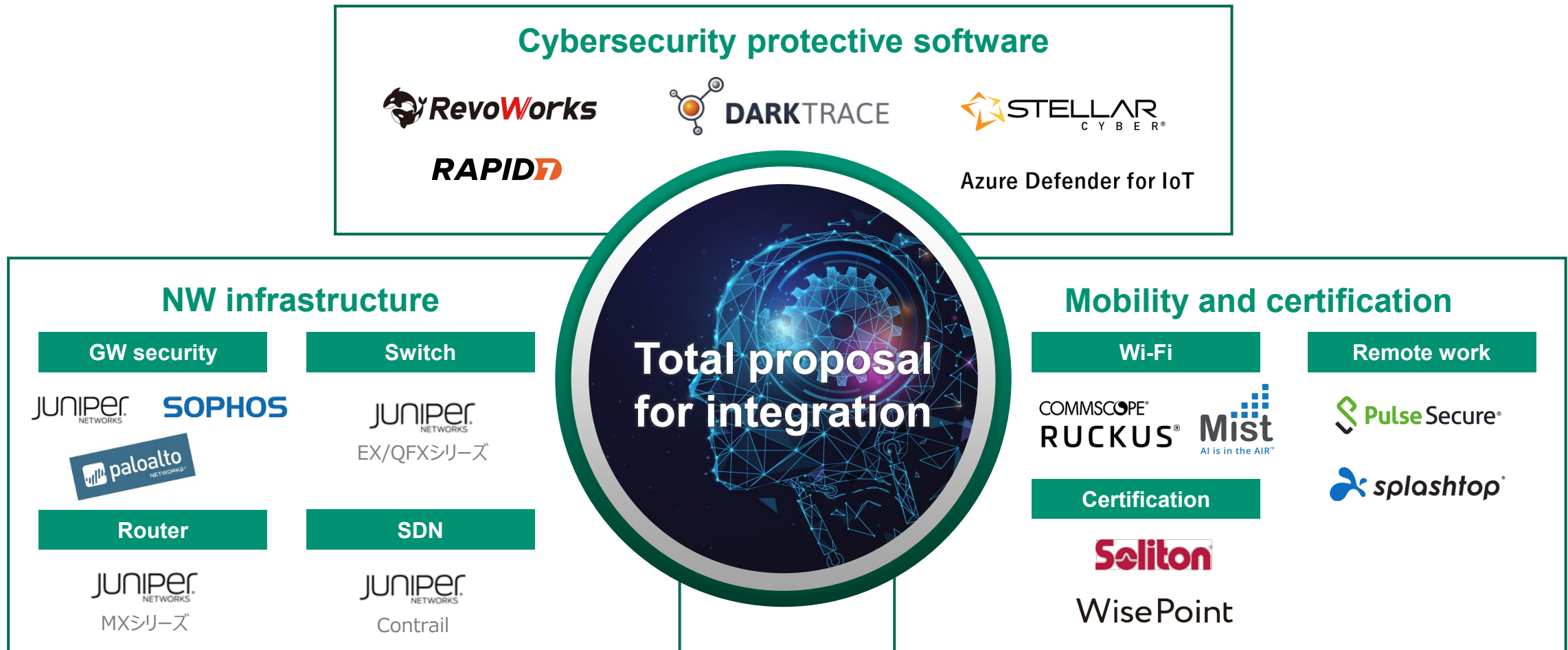
Our Business : System Integration

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



Focus on Security Software

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

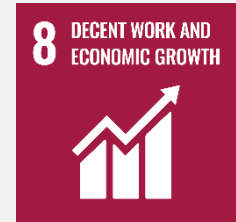


Initiatives for the SDGs

We work on the SDGs, focusing on the development and production of IT and security personnel

Main initiatives

- We aim to become a group of 1,000 professional engineers as soon as possible by creating a rewarding work environment, accelerating hiring, and utilizing our accumulated training know-how
- We provide our customers with hands-on engineering training using our products
- We are promoting the development of human resources who can produce high value-added results and creating an environment that allows for more rewarding work
- We continue to invest in companies with new and unique technologies such as AI



Long-term direction of the Segue Group

Becoming a new leading company in the network security industry

We aim to be a TOP company in the industry that we are proud of and is trusted by our customers and partners with a Security Solutions Provider Business by bringing together new technologies such as AI and IoT, and members with unique ideas

Changes in the market environment

- Technological Innovation, AI, Digital Transformation
- Society5.0
- Cyber attacks and terrorism becoming increasingly diverse and complex
- Geopolitical risk
- Declining birthrate, aging population, severe shortage of engineers

“Opportunities” and “threats”

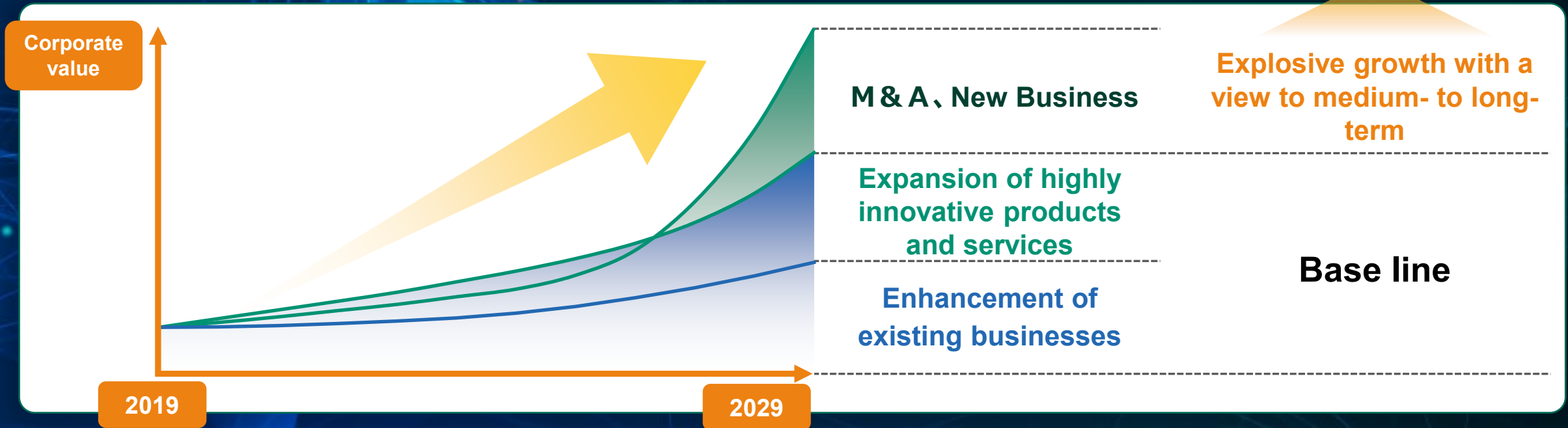
- New growth potential due to change
- Shift from Conventional IT to Advanced IT
- Shift from product to service

**Transforming
threats into
opportunities
for continuous
development**

Basic Management Strategy Policy

Further enhancing our corporate value

- Sustainable growth in existing businesses
- Concentrated investment and expansion in new products, services, in-house development products, and proprietary services
- Explosive growth through M&A strategies and the creation of new business models



Medium-term Numerical Targets (announced in February 2020)

FY12/19 Results

Net sales
9.6 billion yen

Operating income
550 million yen

Operating profit margin
5.7%

FY12/22 Target

Net sales
15 billion yen

Operating income
1 billion yen

Operating profit margin
6.7%

Medium-term Numerical Targets (announced in February 2020)

Points of growth

Strengthening System Integration and SE service business

- Rapid increase of sales and technical personnel
- Increasing the size of projects
- Developing Western Japan Area
- Expanding scope of cloud and AI, etc.

Growth in Value Added Distribution business

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

Sales promotion of products in-house developed

- Targeting annual growth of 40% or more
- Development in anticipation of future demand
- Expansion of sales partners

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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.

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Inquiries about IR

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

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