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August 13, 2024

Consolidated Financial Results for the Six Months Ended June 30, 2024 (Under Japanese GAAP)

Company name: Segue Group Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 3968
 URL: <https://segue-g.jp/>
 Representative: Yasuyuki Aisu, President and CEO
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 Scheduled date to file semi-annual securities report: August 13, 2024
 Scheduled date to commence dividend payments: September 12, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended June 30, 2024 (from January 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|------------------|-------------|------|------------------|-------|-----------------|------|---|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Six months ended | | | | | | | | |
| June 30, 2024 | 8,410 | -7.1 | 346 | -44.7 | 739 | 22.6 | 434 | 6.4 |
| June 30, 2023 | 9,058 | 50.9 | 627 | 90.0 | 603 | 31.4 | 407 | -2.2 |

Note: Comprehensive income For the six months ended June 30, 2024: 505 million yen [19.7%]
 For the six months ended June 30, 2023: 422 million yen [104.3%]

| | Basic earnings per share | Diluted earnings per share |
|------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Six months ended | | |
| June 30, 2024 | 13.29 | 13.17 |
| June 30, 2023 | 12.12 | 12.01 |

Note: On March 1, 2024, the Company conducted a 3-for-1 stock split of common shares. "Basic earnings per share" and "Diluted earnings per share" have been calculated as if this stock split had been conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio |
|-------------------|--------------|-------------|-----------------------|
| | Million yen | Million yen | % |
| As of | | | |
| June 30, 2024 | 14,192 | 3,493 | 22.9 |
| December 31, 2023 | 11,831 | 4,014 | 33.3 |

Reference: Equity
 As of June 30, 2024: 3,249 million yen
 As of December 31, 2023: 3,939 million yen

2. Cash dividends

| | Annual dividends per share | | | | |
|---|----------------------------|--------------------|-------------------|-----------------|-------|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended December 31, 2023 | - | 15.00 | | 15.00 | 30.00 |
| Fiscal year ending December 31, 2024 | - | 5.00 | | | |
| Fiscal year ending December 31, 2024 (Forecast) | | | - | 6.00 | 11.00 |

Note: Revisions to the forecast of cash dividends most recently announced: None

Note: On March 1, 2024, the Company conducted a 3-for-1 stock split of common shares. Dividend per share for the fiscal year ended December 31, 2023 is the actual dividend amounts before conducting the stock split.

3. Forecast of consolidated financial results for the year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------|-------------|-----|------------------|-------|-----------------|------|---|------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 18,800 | 7.8 | 960 | -11.6 | 1,330 | 31.0 | 773 | 17.2 | 22.73 |

Note: Revisions to the forecast of financial results most recently announced: None

*** Notes**

- (1) Significant changes in the scope of consolidation during the period: Yes
Newly included: 2 companies (First One Systems Co., Ltd., Techno Creation Inc.)
- (2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

| | |
|-------------------------|-------------------|
| As of June 30, 2024 | 34,060,116 shares |
| As of December 31, 2023 | 35,162,373 shares |

(ii) Number of treasury shares at the end of the period

| | |
|-------------------------|------------------|
| As of June 30, 2024 | 2,084,830 shares |
| As of December 31, 2023 | 1,494,180 shares |

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

| | |
|--------------------------------|-------------------|
| Six months ended June 30, 2024 | 32,637,976 shares |
| Six months ended June 30, 2023 | 33,635,874 shares |

Note: On March 1, 2024, the Company conducted a 3-for-1 stock split of common shares. "Total number of issued shares at the end of the period," "Number of treasury shares at the end of the period" and "Average number of shares outstanding during the period" are calculated as if this stock split had been conducted at the beginning of the previous fiscal year.

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements 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. Therefore, the Company does not make promises about the achievements. Actual results may differ significantly from the forecasts due to various factors.

The Company plans to hold a financial results briefing for institutional investors and analysts on Wednesday, August 28, 2024. The materials distributed at this briefing will be posted on the Company's website.

2. Semi-annual Consolidated Financial Statements and Major Notes

(1) Semi-annual consolidated balance sheets

(Thousand yen)

| | FY 2023 (As of December 31, 2023) | Q2 FY 2024 (As of June 30, 2024) |
|---|--------------------------------------|-------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 3,357,510 | 4,144,715 |
| Notes and accounts receivable - trade | 1,839,421 | 2,039,404 |
| Electronically recorded monetary claims | 179,083 | 78,737 |
| Investment securities | 94,291 | 102,665 |
| Inventories | 2,848,004 | 2,546,785 |
| Advance payments - trade | 1,244,474 | 1,317,589 |
| Accounts receivable - other | 303,555 | 626,619 |
| Other | 168,357 | 225,123 |
| Allowance for doubtful accounts | -5,296 | -9,374 |
| Total current assets | 10,029,402 | 11,072,267 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 138,349 | 152,231 |
| Accumulated depreciation | -39,473 | -44,983 |
| Buildings and structures, net | 98,875 | 107,247 |
| Automotive equipment | 7,111 | 8,059 |
| Accumulated depreciation | -3,416 | -4,137 |
| Vehicles, net | 3,695 | 3,922 |
| Tools, furniture and fixtures | 1,157,883 | 1,224,571 |
| Accumulated depreciation | -914,903 | -979,307 |
| Tools, furniture and fixtures, net | 242,980 | 245,263 |
| Leased assets | 52,776 | 72,992 |
| Accumulated depreciation | -21,952 | -40,315 |
| Leased assets, net | 30,823 | 32,677 |
| Land | 639 | 639 |
| Total property, plant and equipment | 377,014 | 389,751 |
| Intangible assets | | |
| Goodwill | 161,089 | 1,497,383 |
| Software | 12,428 | 85,658 |
| Software in progress | 88,585 | - |
| Other | 1,209 | 1,209 |
| Total intangible assets | 263,313 | 1,584,251 |
| Investments and other assets | | |
| Investment securities | 467,798 | 399,442 |
| Long-term guarantee deposits | 189,479 | 183,835 |
| Long-term deposits | 169,200 | - |
| Deferred tax assets | 185,622 | 269,572 |
| Insurance funds | 104,238 | 124,845 |
| Other | 45,361 | 168,295 |
| Total investments and other assets | 1,161,701 | 1,145,990 |
| Total noncurrent assets | 1,802,029 | 3,119,993 |
| Total assets | 11,831,431 | 14,192,260 |

(Thousand yen)

| | FY 2023 (As of December 31, 2023) | Q2 FY 2024 (As of June 30, 2024) |
|--|--------------------------------------|-------------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 1,512,510 | 2,128,537 |
| Short-term debt | - | 110,915 |
| Current portion of long-term loans payable | 273,598 | 450,000 |
| Lease liabilities | 13,035 | 19,143 |
| Accounts payable | 167,358 | 142,619 |
| Accrued expenses | 260,312 | 711,414 |
| Income taxes payable | 200,231 | 364,414 |
| Accrued consumption taxes | 276,355 | 162,741 |
| Provision for bonuses | 449 | 6,768 |
| Provision for bonuses for directors (and other officers) | 15,820 | - |
| Advances received | 4,018,084 | 4,591,334 |
| Other provisions | 1,807 | 1,914 |
| Other | 113,579 | 70,122 |
| Total current liabilities | 6,853,144 | 8,759,927 |
| Noncurrent liabilities | | |
| Long-term debt | 544,101 | 1,454,380 |
| Retirement benefit liability | 260,168 | 348,378 |
| Provision for share-based remuneration | 73,821 | 55,668 |
| Long-term accounts payable - other | 66,598 | 64,648 |
| Lease liabilities | 19,222 | 15,565 |
| Total noncurrent liabilities | 963,911 | 1,938,642 |
| Total liabilities | 7,817,056 | 10,698,569 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 525,563 | 533,369 |
| Capital surplus | 297,245 | 20,478 |
| Retained earnings | 3,520,077 | 3,785,782 |
| Treasury shares | -381,733 | -1,127,440 |
| Total shareholders' equity | 3,961,152 | 3,212,190 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | -26,157 | 10,348 |
| Deferred gains or losses on hedges | -866 | -204 |
| Foreign currency translation adjustment | 5,052 | 27,089 |
| Total accumulated other comprehensive income | -21,971 | 37,233 |
| Share subscription rights | 64,192 | 60,932 |
| Non-controlling interests | 11,000 | 183,334 |
| Total net assets | 4,014,375 | 3,493,691 |
| Total liabilities and net assets | 11,831,431 | 14,192,260 |

(2) Semi-annual Consolidated Statements of Income and Semi-annual Statements of Comprehensive Income

Semi-annual Consolidated Statement of Income

(Thousand yen)

| | Q2 FY 2023 (January 1, 2023- June 30, 2023) | Q2 FY 2024 (January 1, 2024- June 30, 2024) |
|---|---|---|
| Net sales | 9,058,162 | 8,410,685 |
| Cost of sales | 6,974,272 | 6,284,102 |
| Gross profit | 2,083,890 | 2,126,583 |
| Selling, general and administrative expenses | 1,456,372 | 1,779,712 |
| Operating profit | 627,518 | 346,870 |
| Non-operating income | | |
| Interest income and dividends | 81 | 247 |
| Foreign exchange gain | - | 11,427 |
| Surrender value of insurance | 5,742 | 9,181 |
| Subsidy income | 948 | 5,606 |
| Gain on cancellation of derivatives | - | 404,160 |
| Other | 1,663 | 1,577 |
| Total non-operating income | 8,436 | 432,200 |
| Non-operating expenses | | |
| Interest expenses | 8,327 | 6,815 |
| Guarantee commission | 196 | 194 |
| Foreign exchange loss | 24,053 | - |
| Loss on sale of securities | - | 29,330 |
| Stock issuance cost | 167 | - |
| Other | 97 | 3,218 |
| Total non-operating expenses | 32,842 | 39,559 |
| Ordinary profit | 603,111 | 739,511 |
| Extraordinary income | | |
| Gains on sales of investment securities | - | 13,289 |
| Total extraordinary income | - | 13,289 |
| Profit before income taxes | 603,111 | 752,800 |
| Income taxes | 237,076 | 345,739 |
| Income taxes-deferred | -25,398 | -35,207 |
| Total income tax | 211,678 | 310,531 |
| Profit | 391,433 | 442,269 |
| Profit (loss) attributable to non-controlling interests | -16,423 | 8,222 |
| Profit attributable to owners of parent | 407,857 | 434,046 |

Semi-annual Consolidated Statement of Comprehensive Income

(Thousand yen)

| | Q2 FY 2023 (January 1, 2023- June 30, 2023) | Q2 FY 2024 (January 1, 2024- June 30, 2024) |
|--|---|---|
| Profit | 391,433 | 442,269 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 5,283 | 36,505 |
| Deferred gains or losses on hedges | 12,666 | 662 |
| Foreign currency translation adjustment | 13,121 | 26,206 |
| Total other comprehensive income | 31,072 | 63,373 |
| Comprehensive income | 422,505 | 505,643 |
| Breakdown | | |
| Comprehensive income attributable to owners of parent | 434,574 | 493,251 |
| Comprehensive income attributable to owners of non- controlling shareholders | -12,068 | 12,391 |

(3) Semi-annual Consolidated Statement of Cash Flows

(Thousand yen)

| | Q2 FY 2023 (January 1, 2023- June 30, 2023) | Q2 FY 2024 (January 1, 2024- June 30, 2024) |
|--|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 603,111 | 752,800 |
| Depreciation | 68,050 | 82,377 |
| Amortization of goodwill | 21,391 | 16,891 |
| Share-based compensation expenses | 14,889 | 12,328 |
| Increase (decrease) in provision for share awards | 6,557 | -18,152 |
| Increase (decrease) in allowance for doubtful accounts | -1,582 | -3,319 |
| Increase (decrease) in provision for bonuses for directors (and other officers) | -16,100 | -15,820 |
| Increase (decrease) in net defined benefit liability | 17,776 | 21,510 |
| Interest and dividend income | -81 | -247 |
| Interest expenses | 8,327 | 6,815 |
| Loss (gain) on sale of securities | - | 29,330 |
| Loss (gain) on sales of investment securities | - | -13,289 |
| Foreign exchange losses (gains) | -99,368 | -109,165 |
| Decrease (increase) in notes and accounts receivable - trade | -570,249 | 199,269 |
| Decrease (increase) in accounts receivable - other | 37,679 | -429,329 |
| Decrease (increase) in inventories | 161,871 | 369,679 |
| Decrease (increase) in advance payments | -389,350 | -69,055 |
| Increase (decrease) in notes and accounts payable-trade | -1,001,342 | 524,371 |
| Increase (decrease) in advances received | 801,889 | 499,308 |
| Other | 91,729 | 351,743 |
| Subtotal | -244,801 | 2,208,046 |
| Interest and dividend income received | 81 | 247 |
| Interest expenses paid | -8,652 | -6,518 |
| Income taxes paid | -325,032 | -123,719 |
| Cash flows from operating activities | -578,405 | 2,078,056 |
| Cash flows from investing activities | | |
| Purchase of investment securities | -103,678 | -178 |
| Proceeds from sales of investment securities | - | 190,282 |
| Purchase of property, plant and equipment | -69,110 | -60,734 |
| Purchase of intangible assets | -29,672 | -4,552 |
| Purchase of subsidiary share capital associated with a change in the scope of consolidation | - | -1,406,473 |
| Payments for lease and guarantee deposits | -54,494 | -1,523 |
| Proceeds from collection of lease and guarantee deposits | 263 | 10,880 |
| Cash flows from investing activities | -256,692 | -1,272,298 |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 500,000 | - |
| Proceeds from long-term borrowings | - | 1,219,571 |
| Repayment of long-term loans payable | -125,000 | -137,027 |
| Proceeds from issuance of shares | 1,422 | 23 |
| Purchase of treasury shares | -79 | -1,053,019 |
| Proceeds from sale of treasury shares | 1,606 | 13,223 |
| Repayments of finance lease obligations | -6,416 | -6,946 |
| Dividends paid | -201,359 | -168,340 |
| Cash flows from financing activities | 170,173 | -132,516 |
| Effect of exchange rate change on cash and cash equivalents | 115,686 | 122,338 |
| Net increase (decrease) in cash and cash equivalents | -549,238 | 795,579 |
| Cash and cash equivalents at the start of the period | 3,107,300 | 3,451,801 |
| Cash and cash equivalents at the end of the period | 2,558,061 | 4,247,381 |