

Summary of Financial Statements for the Year Ended December 31, 2019 (J-GAAP) (Consolidated)

February 13, 2020

Company **Segue Group Co., Ltd.**
 Stock Code 3968 URL: <https://segue-g.jp/>
 Representative Yasuyuki Aisu, President and CEO
 Contact Yasuhiro Fukuda, CFO
 Expected date of annual shareholders' meeting: March 24, 2020
 Expected date of filing of annual securities report: March 25, 2020
 Preparation of supplementary financial document: Yes
 Results briefing: Yes (for institutional investors and analysts)

Stock Exchange: Tokyo Stock Exchange

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

Expected starting date of dividend payment: March 25, 2020

(Rounded down to million yen)

1. Consolidated business results for the fiscal year ended December 2019 (January 1, 2019 through December 31, 2019)

(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 2019	9,646	10.0	548	13.2	554	14.1	411	9.1
FY 2018	8,767	12.5	484	26.7	485	11.0	377	18.3

(Note) Comprehensive income:

FY 2019: 371 million yen (223.0%)

FY 2018: 115 million yen (-84.5%)

	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 2019	35.90	35.11	15.7	9.6	5.7
FY 2018	33.15	32.21	15.8	9.3	5.5

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

FY 2019: -million yen

FY 2018: -million yen

(Note) The Company conducted a 2-for-1 stock split with an effective date of December 1, 2019. Therefore, net income per share and diluted net income per share are calculated assuming that the stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2019	6,146	2,786	45.0	242.58
FY 2018	5,350	2,450	45.8	213.88

(Reference) Shareholders' equity:

FY 2019: 2,768 million yen

FY 2018: 2,450 million yen

(Note) The Company conducted a 2-for-1 stock split with an effective date of December 1, 2019. Therefore, net assets per share are calculated assuming that the stock split was conducted at the beginning of the previous fiscal year.

(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 2019	760	-179	-66	2,179
FY 2018	434	-297	-43	1,663

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 2018	-	0.00	-	5.00	5.00	57	15.1	2.4
FY 2019	-	0.00	-	10.00	10.00	114	27.9	4.4
FY 2020 (forecast)	-	0.00	-	10.00	10.00		26.3	

(Note)

1. 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)

2. The Company conducted a 2-for-1 stock split with an effective date of December 1, 2019. The year-end dividend for the fiscal year ended December 2018 reflects the stock split.

3. Forecast of consolidated business results for the year ending December 2020

(January 1, 2020 through December 31, 2020)

(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	11,012	14.2	581	6.0	594	7.2	436	6.1	38.10

*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 : Yes
- ③ Changes in accounting estimates : None
- ④ Restatement : None

(3) Shares outstanding (common stock)

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

FY 2019 11,487,200 shares

FY 2018 11,458,200 shares

② Treasury stock at the end of period:

FY 2019 236 shares

FY 2018 82 shares

③ Average number of stock during period (cumulative period)

FY 2019 11,464,467 shares

FY 2018 11,383,035 shares

(Note) 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 2018.

***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 February 19, 2020. 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 2018 (As of December 31, 2018)	FY 2019 (As of December 31, 2019)
Assets		
Current assets		
Cash and deposits	1,663,362	2,180,682
Notes and accounts receivable	1,166,419	1,205,503
Electronically Recorded Monetary Claims	23,445	30,019
Inventories	686,196	640,109
Advance payments - trade	485,479	583,552
Accounts receivable - other	266,287	303,458
Other	69,027	101,808
Allowance for doubtful accounts	-1,083	-863
Total current assets	4,359,135	5,044,270
Fixed assets		
Property, plant and equipment		
Buildings and structures	42,974	59,057
Accumulated depreciation	-28,114	-31,519
Buildings and structures, net	14,860	27,537
Automotive equipment	-	3,076
Accumulated depreciation	-	-2,390
Vehicles, net	-	685
Tools, furniture and fixtures	800,792	873,837
Accumulated depreciation	-648,461	-719,871
Tools, furniture and fixtures, net	152,331	153,965
Land	639	639
Construction in progress	-	7,500
Total property, plant and equipment	167,831	190,328
Intangible assets		
Goodwill	62,759	116,783
Software	10,955	171,848
Software in progress	144,926	12,056
Other	839	1,209
Total intangible assets	219,481	301,897
Investments and other assets		
Investment securities	355,633	335,759
Long-term guarantee deposits	93,813	94,472
Deferred tax assets	67,824	83,964
Insurance funds	70,105	78,157
Claims in bankruptcy	2,241	2,241
Other	16,097	17,290
Allowance for doubtful accounts	-2,075	-2,075
Total investments and other assets	603,639	609,810
Total noncurrent assets	990,951	1,102,037
Total assets	5,350,087	6,146,308

(Thousand yen)

	FY 2018 (December 31, 2018)	FY 2019 (December 31, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	595,159	508,448
Current portion of long-term loans payable	-	8,028
Accounts payable	112,106	104,963
Accrued expenses	146,071	161,415
Income taxes payable	129,385	113,435
Accrued consumption taxes	33,017	79,055
Provision for bonuses	821	1,850
Advances received	1,620,429	2,079,163
Other	48,951	50,559
Total current liabilities	2,685,943	3,106,919
Long-term liabilities		
Long-term debt	-	9,858
Obligations for retirement pay	146,804	176,413
Long-term accounts payable - other	66,598	66,598
Total long-term liabilities	213,402	252,869
Total liabilities	2,899,346	3,359,789
Net assets		
Shareholders' equity		
Capital stock	505,788	507,243
Capital surplus	278,288	279,743
Retained earnings	1,520,357	1,874,669
Treasury shares	-79	-213
Total shareholders' equity	2,304,355	2,661,442
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	147,002	106,685
Deferred gains or losses on hedges	-617	-71
Total accumulated other comprehensive income	146,385	106,613
Share subscription rights	-	18,463
Total net assets	2,450,741	2,786,518
Total liabilities and net assets	5,350,087	6,146,308

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

Consolidated Statement of Income

(Thousand yen)

	FY 2018 (January 1, 2018- December 31, 2018)	FY 2019 (January 1, 2019- December 31, 2019)
Net sales	8,767,376	9,646,836
Cost of sales	6,598,408	7,115,166
Gross profit	2,168,967	2,531,670
Selling, general and administrative expenses	1,684,502	1,983,448
Operating income	484,465	548,221
Non-operating income		
Interest Income and Dividends	350	1,389
Surrender value of insurance	14,574	10,036
Subsidy income	2,182	2,724
Other	2,486	2,853
Total non-operating income	19,593	17,004
Non-operating expenses		
Interest expenses	152	179
Guarantee commission	239	240
Foreign exchange loss	17,349	9,951
Stock issuance cost	360	300
Other	14	195
Total non-operating expenses	18,116	10,867
Ordinary income	485,942	554,359
Extraordinary income		
Gains on sales of investment securities	69,583	64,994
Gain on reversal of subscription rights to shares	-	209
Total extraordinary income	69,583	65,204
Extraordinary loss		
Loss on sales of investment securities	-	1,029
Total extraordinary loss	-	1,029
Profit before income taxes	555,526	618,534
Income taxes	183,707	198,258
Income taxes-deferred	-5,556	8,672
Total income tax	178,151	206,930
Net income	377,375	411,603
Net income attributable to owners of non-controlling	-	-
Net income attributable to owners of parent	377,375	411,603

Consolidated Statement of Comprehensive Income

	(Thousand yen)	
	FY 2018 (January 1, 2018- December 31, 2018)	FY 2019 (January 1, 2019- December 31, 2019)
Net income	377,375	411,603
Other comprehensive income		
Valuation difference on available- for-sale securities	-274,290	-40,317
Deferred gains or losses on hedges	12,046	545
Total other comprehensive income	-262,243	-39,772
Comprehensive income	115,131	371,831
Breakdown		
Comprehensive income attributable to owners of parent	115,131	371,831
Comprehensive income attributable to owners of non-controlling shareholders	-	-

(3) Consolidated statement of changes in equity
FY 2018 (January 1, 2018 - December 31, 2018)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	498,306	270,806	1,142,981	-	1,912,094
Changes during period					
Issuance of new shares	7,482	7,482			14,964
Dividend of surplus					
Net income attributable to owners of parent			377,375		377,375
Purchase of treasury shares				-79	-79
Net changes during period other than shareholders' equity					-
Total changes during period	7,482	7,482	377,375	-79	392,261
Balance at end of current period	505,788	278,288	1,520,357	-79	2,304,355

	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	421,293	-12,663	408,629	-	2,320,723
Changes during period					
Issuance of new shares					14,964
Dividend of surplus					
Net income attributable to owners of parent					377,375
Purchase of treasury shares					-79
Net changes during period other than shareholders' equity	-274,290	12,046	-262,243	-	-262,243
Total changes during period	-274,290	12,046	-262,243	-	130,017
Balance at end of current period	147,002	-617	146,385	-	2,450,741

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	-617	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 Net income					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

(4) Consolidated statement of cash flows

(Thousand yen)

	FY 2018 (January 1, 2018- December 31, 2018)	FY 2019 (January 1, 2019- December 31, 2019)
Cash flows from operating activities		
Profit before income taxes	555,526	618,534
Depreciation	98,067	111,710
Amortization of goodwill	10,213	22,905
Share-based compensation expenses	-	18,672
Gain on reversal of subscription rights to shares	-	-209
Increase (decrease) in allowance for doubtful accounts	3,015	-4,656
Increase (decrease) in net defined benefit liability	14,931	15,655
Interest and dividend income	-350	-1,389
Interest expenses	152	179
Loss (gain) on sales of investment securities	-69,583	-63,965
Foreign exchange losses (gains)	-515	-1,037
Decrease (increase) in notes and accounts receivable - trade	-73,414	52,819
Decrease (increase) in advance payments	-10,056	-34,679
Decrease (increase) in inventories	82,637	51,501
Decrease (increase) in advance payments	-167,665	-98,072
Increase (decrease) in notes and accounts payable - trade	-261,208	-141,066
Increase (decrease) in advances received	482,134	446,222
Other	-56,630	-20,544
Subtotal	607,254	972,579
Interest and dividend income received	350	1,306
Interest expenses paid	-202	-179
Income taxes paid	-172,577	-213,196
Cash flows from operating activities	434,824	760,509
Cash flows from investing activities		
Purchase of investment securities	-50,517	-35,445
Proceeds from sales of investment securities	79,692	93,316
Purchase of property, plant and equipment	-107,083	-82,891
Purchase of intangible assets	-128,983	-84,899
Purchase of subsidiary share capital associated with a change in the scope of consolidation	-72,000	-96,386
Payments of loans receivable	-300	-200
Collection of loans receivable	115	26,438
Payments for lease and guarantee deposits	-18,392	-69
Proceeds from collection of lease and guarantee deposits	20	1,078
Cash flows from investing activities	-297,448	-179,058
Cash flows from financing activities		
Repayment of long-term loans payable	-38,732	-11,690
Redemption of bonds	-20,000	-
Repayments of lease obligations	-55	-
Proceeds from issuance of shares	14,964	2,908
Purchase of treasury shares	-79	-134
Dividends paid	-	-57,291
Cash flows from financing activities	-43,901	-66,207
Effect of exchange rate change on cash and cash equivalents	515	1,037
Net increase (decrease) in cash and cash equivalents	93,990	516,281
Cash and cash equivalents at the start of the period	1,569,371	1,663,362
Cash and cash equivalents at the end of the period	1,663,362	2,179,643