

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

August 13, 2019

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 filing of quarterly report : August 13, 2019
 Expected starting date of dividend payment : -
 Preparation of quarterly supplementary financial document : Yes
 Quarterly results briefing : Yes (for institutional investors and analysts)

Stock Exchange: Tokyo Stock Exchange

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

(Rounded down to million yen)

1. Consolidated business results for the six months ended June 2019 (January 1, 2019 through June 30, 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	%
Q2 FY 2019	5,056	12.5	309	7.2	305	3.7	200	-18.8
Q2 FY 2018	4,493	20.1	288	-1.9	294	-3.4	246	14.8

(Note) Comprehensive income

Q2 FY 2019: 229 million yen (40.5%)

Q2 FY 2018: 163 million yen (-20.8 %)

	Net income per share	Diluted net income per share
	Yen	Yen
Q2 FY 2019	34.95	34.19
Q2 FY 2018	43.46	42.15

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
Q2 FY 2019	6,187	2,641	42.4
FY 2018	5,350	2,450	45.8

(Reference) Shareholders' equity:

Q2 FY 2019: 2,623 million yen

FY 2018: 2,450 million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2018	-	0.00	-	10.00	10.00
FY 2019	-	0.00	-	10.00	10.00
FY 2019 (forecast)	-	-	-	10.00	10.00

(Note) Revisions to dividend forecast for the current quarter: None

3. Forecast of consolidated business results for the fiscal year ending December 2019

(January 1, 2019 through December 31, 2019)

(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	9,476	8.1	566	17.0	574	18.1	371	-1.4	64.92

(Note) Revisions to business forecast for the current quarter: None

***Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) Application of accounting procedures specific to preparation of the consolidated quarterly financial statements: None

(3) 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 |

(4) Shares outstanding (common stock)

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

Q2 FY 2019	5,732,400 shares
FY 2018	5,729,200 shares

② Treasury stock at the end of period

Q2 FY 2019	118 shares
FY 2018	41 shares

③ Average number of stock during period (quarterly cumulative period)

Q2 FY 2019	5,730,621 shares
Q2 FY 2018	5,679,359 shares

***Quarterly 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 achievements. Actual results may differ significantly from the forecasts due to various factors.
- The Company plans to hold a briefing for institutional investors and analysts on Wednesday, August 21, 2019. The materials of this briefing is scheduled to be posted on the Company's website promptly after the briefing.

2. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Thousand yen)

	FY 2018 (As of Dec. 31, 2018)	Q2 FY 2019 (As of June 30, 2019)
Assets		
Current assets		
Cash and deposits	1,663,362	2,020,293
Notes and accounts receivable	1,166,419	1,380,845
Electronically Recorded Monetary Claims	23,445	40,117
Inventory assets	686,196	471,794
Advance payments - trade	485,479	536,873
Accounts receivable - other	266,287	427,514
Other	69,027	83,515
Allowance for doubtful accounts	-1,083	-2,248
Total current assets	4,359,135	4,958,707
Non-current assets		
Property, plant and equipment		
Buildings and structures	42,974	56,738
Accumulated depreciation	-28,114	-29,842
Buildings and structures, net	14,860	26,895
Automotive equipment	-	8,316
Accumulated depreciation	-	-6,053
Vehicles, net	-	2,263
Tools, furniture and fixtures	800,792	827,681
Accumulated depreciation	-648,461	-677,381
Tools, furniture and fixtures, net	152,331	150,300
Land	639	639
Total property, plant and equipment	167,831	180,098
Intangible assets		
Goodwill	62,759	129,517
Software	10,955	151,747
Software in progress	144,926	27,371
Other	839	1,209
Total intangible assets	219,481	309,846
Investments and other assets		
Investment securities	355,633	455,151
Long-term rental deposit	93,813	96,573
Deferred tax assets	67,824	94,485
Insurance funds	70,105	73,943
Claims in bankruptcy	2,241	6,478
Other	16,097	18,055
Allowance for doubtful accounts	-2,075	-6,312
Total investments and other assets	603,639	738,375
Total non-current assets	990,951	1,228,321
Total assets	5,350,087	6,187,029

(Thousand yen)

	FY 2018 (As of Dec. 31, 2018)	Q2 FY 2019 (As of June 30, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	595,159	648,364
Current portion of long-term loans payable	-	11,028
Accounts payable	112,106	114,654
Accrued expenses	146,071	244,819
Income taxes payable	129,385	140,171
Accrued consumption taxes	33,017	67,923
Provision for bonuses	821	2,465
Advances received	1,620,429	2,018,230
Other	48,951	50,085
Total current liabilities	2,685,943	3,297,742
Non-current liabilities		
Long-term debt	-	13,872
Obligations for retirement pay	146,804	166,816
Long-term accounts payable - other	66,598	66,598
Total non-current liabilities	213,402	247,286
Total liabilities	2,899,346	3,545,029
Net assets		
Shareholders' equity		
Capital stock	505,788	506,166
Capital surplus	278,288	278,666
Retained earnings	1,520,357	1,663,357
Treasury stock	-79	-213
Total shareholders' equity	2,304,355	2,447,976
Other accumulated comprehensive income		
Valuation difference on securities	147,002	175,904
Deferred gains or losses on hedges	-617	-344
Total other accumulated comprehensive income	146,385	175,560
Share subscription rights	-	18,463
Total net assets	2,450,741	2,641,999
Total liabilities and net assets	5,350,087	6,187,029

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

Quarterly Consolidated Statement of Income

Second Quarter

(Thousand yen)

	Q2 FY 2018 (January 1, 2018 to June 30, 2018)	Q2 FY 2019 (January 1, 2019 to June 30, 2019)
Net sales	4,493,460	5,056,274
Cost of sales	3,389,891	3,762,973
Gross profit	1,103,568	1,293,301
Selling, general and administrative expenses	815,231	984,133
Operating income	288,336	309,168
Non-operating income		
Interest Income and Dividends	78	51
Surrender value of insurance	12,093	5,725
Subsidy income	880	2,286
Other	1,177	856
Total non-operating income	14,231	8,918
Non-operating expenses		
Interest expenses	152	83
Foreign exchange loss	7,605	12,342
Other	312	372
Total non-operating expenses	8,070	12,799
Ordinary income	294,497	305,288
Extraordinary income		
Gains on sales of investment securities	66,368	-
Gain on reversal of share subscription rights	-	209
Total extraordinary income	66,368	209
Profit before income taxes	360,866	305,497
Income taxes	139,132	127,542
Income taxes-deferred	-25,069	-22,336
Total income tax	114,062	105,206
Net income	246,804	200,291
Net income attributable to owners of non-controlling interests	-	-
Net income attributable to owners of parent	246,804	200,291

Quarterly Consolidated Statement of Comprehensive Income

Second Quarter

(Thousand yen)

	Q2 FY 2018 (January 1, 2018 to June 30, 2018)	Q2 FY 2019 (January 1, 2019 to June 30, 2019)
Net income	246,804	200,291
Other comprehensive income		
Valuation difference on securities	-89,853	28,901
Deferred gains or losses on hedges	6,339	272
Total other comprehensive income	-83,514	29,174
Comprehensive income	163,290	229,466
Breakdown		
Comprehensive income attributable to owners of parent	163,290	229,466
Comprehensive income attributable to owners of non-controlling	-	-