

# Summary of Financial Statements for the Third Quarter of the Year Ending December 31, 2018 (J-GAAP) (Consolidated)

November 13, 2018

Company Name: Segue Group Co., Ltd.

Stock Exchange: Tokyo Stock Exchange

Code Number: 3968

URL: <http://segue-g.jp/>

Representative: Yasuyuki Aisu, President and CEO

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Scheduled date of filing quarterly securities report: November 13, 2018

Scheduled date of dividend payment: —

Explanatory documents supplement to the abridged quarterly financial statements: Yes

Briefing for summary of quarterly financial results: None

(All amounts are rounded down to the nearest million yen)

## 1. Consolidated Financial Results for the Third Quarter of the Year Ending December 31, 2018

(from January 1, 2018, to September 30, 2018)

### (1) Consolidated Results of Operations (for nine months)

(Percentages indicate year-over-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Q3 FY 2018	6,649	16.6	388	15.1	387	10.3	310	27.3
Q3 FY 2017	5,701	13.8	337	161.0	351	147.6	244	156.3

Note: Comprehensive income (million yen) Q3 FY 2018: 112 (-54.0%) Q3 FY 2017: 244 (— %)

	Net income per share	Diluted net income per share
	Yen	Yen
Q3 FY 2018	54.67	53.09
Q3 FY 2017	43.84	41.71

Note: Basic earnings per share and diluted earnings per share for the quarter have been calculated taking into account a common stock split executed at the ratio of two shares for one on April 1, 2017, and a common stock split executed at the ratio of two shares for one on October 1, 2017. For the purposes of the said calculations, all stock splits mentioned are assumed to have occurred at the beginning of the fiscal year ended December 31, 2017.

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
Q3 FY 2018	5,449	2,442	44.8
FY 2017	5,154	2,320	40.3

Reference: Shareholders' equity (million yen) Q3 FY 2018: 2,442 FY 2017: 2,320

## 2. Dividends

	Annual dividends				
	End of Q1	End of Q2	End of Q3	End of fiscal year	Total
	Yen	Yen	Yen	Yen	Yen
FY 2017	—	0.00	—	0.00	0.00
FY 2018	—	0.00	—		
FY 2018 (forecast)				0.00	0.00

Note: Revision of the latest published dividend forecast: None

## 3. Forecast for the Year Ending December 31, 2018 (from January 1, 2018, to December 31, 2018)

(Percentages indicate year-over-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Full year	8,436	8.3	458	19.9	459	4.9	362	13.5	63.90

Note: Revision of the latest published earnings forecast: None

\* Explanatory notes

(1) Changes in major subsidiaries during the fiscal quarter

(changes in specified subsidiaries in conjunction with change in the scope of consolidation): Yes

One new company (company name) Falcon System Consulting Co., Ltd.

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

(3) Change of accounting policies; change or restatement of accounting estimates

(i) Change of accounting policies caused by revision of accounting standards : None

(ii) Change of accounting policies other than stated in (i) : None

(iii) Change of accounting estimates : None

(iv) Restatement : None

(4) Issued shares (common stock)

(i) Number of issued shares at end of period

(including treasury shares)

(ii) Number of Treasury shares at end of period

(iii) Average number of shares outstanding during the period

(cumulative quarterly statistics)

Q3 FY 2018	5,702,000 shares	FY 2017	5,668,800 shares
Q3 FY 2018	41 shares	FY 2017	- shares
Q3 FY 2018	5,685,148 shares	Q3 FY 2017	5,568,400 shares

Note: The number of common shares issued and outstanding has been calculated taking into account a common stock split executed at the ratio of two shares for one on April 1, 2017, and a common stock split executed at the ratio of two shares for one on October 1, 2017. For the purposes of the said calculations, all stock splits mentioned are assumed to have occurred at the beginning of the fiscal year ended December 31, 2017.

\* Quarterly summary of financial statements is outside the scope of the quarterly review by certified public accountant or audit firm.

\* Explanation and other explanatory notes regarding the appropriate use of financial forecasts

- These materials contain forward-looking statements including forecasts of the Company's business performance, which are based on certain assumptions made in accordance with information currently available and judged to be reasonable and are not intended as a guarantee that the Company will achieve these targets. In addition, actual results may differ materially from these forecasts as a result of various factors, including actual business performance.

## 2. Consolidated financial statements and major explanatory notes

### (1) Consolidated balance sheets

(units: 1,000 yen)

	FY 2017 (as of December 31, 2017)	Q3 FY 2018 (as of September 30, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	1,469,381	1,895,650
Notes and accounts receivable - trade	1,102,032	1,003,837
Electronically recorded monetary claims - operating	14,416	22,790
Securities	99,990	—
Inventories	768,834	538,809
Advance payments - trade	317,612	438,944
Accounts receivable - other	225,939	426,688
Deferred tax assets	22,605	36,900
Other	58,286	82,433
Allowance for doubtful accounts	-143	-88
<b>Total current assets</b>	<b>4,078,956</b>	<b>4,445,965</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	39,244	42,974
Accumulated depreciation	-26,138	-27,599
Buildings and structures, net	13,105	15,375
Tools, furniture and fixtures	748,421	800,822
Accumulated depreciation	-596,381	-636,454
Tools, furniture and fixtures, net	152,040	164,367
Land	639	639
Leased assets	5,170	—
Accumulated depreciation	-5,117	—
Leased assets, net	52	—
<b>Total property, plant and equipment</b>	<b>165,838</b>	<b>180,382</b>
Intangible assets		
Goodwill	6,700	65,280
Software in progress	—	100,776
Other	27,917	14,708
<b>Total intangible assets</b>	<b>34,618</b>	<b>180,765</b>
Investments and other assets		
Investment securities	705,105	448,327
Long-term guarantee deposits	77,118	76,093
Deferred tax assets	10,429	38,297
Insurance funds	64,924	63,733
Other	17,031	17,737
Allowance for loan losses	—	-1,339
<b>Total investments and other assets</b>	<b>874,608</b>	<b>642,849</b>
<b>Total non-current assets</b>	<b>1,075,065</b>	<b>1,003,998</b>
<b>Total assets</b>	<b>5,154,021</b>	<b>5,449,964</b>

Segue Group Co. Ltd. (3968) Summary of Financial Statements  
for the Third Quarter of the Year Ending December 31, 2018

(units: 1,000 yen)

	FY 2017 (as of December 31, 2017)	Q3 FY 2018 (as of September 30, 2018)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	856,368	883,376
Current portion of bonds	20,000	—
Current portion of long-term loans payable	38,732	—
Lease obligations	55	—
Accounts payable - other	103,942	68,797
Accrued expenses	128,417	133,326
Income taxes payable	105,958	104,732
Accrued consumption taxes	64,249	40,062
Provision for bonuses	—	59,036
Advances received	1,110,251	1,444,574
Other	92,302	41,367
Total current liabilities	2,520,277	2,775,273
Non-current liabilities		
Deferred tax liabilities	114,549	22,557
Net defined benefit liability	131,873	142,714
Long-term accounts payable - other	66,598	66,598
Total non-current liabilities	313,020	231,870
Total liabilities	2,833,298	3,007,144
<b>Net assets</b>		
Shareholders' equity		
Capital stock	498,306	503,174
Capital surplus	270,806	275,674
Retained earnings	1,142,981	1,453,785
Treasury shares	—	-79
Total shareholders' equity	1,912,094	2,232,554
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	421,293	211,713
Deferred gains or losses on hedges	-12,663	-1,447
Accumulated other comprehensive income	408,629	210,265
Total net assets	2,320,723	2,442,820
<b>Total liabilities and net assets</b>	5,154,021	5,449,964

(2) Consolidated statements of income and comprehensive income

Consolidated statement of income  
Third quarter

(units: 1,000 yen)

	Q3 FY 2017 (from January 1, 2017, to September 30, 2017)	Q3 FY 2018 (from January 1, 2018, to September 30, 2018)
Net sales	5,701,122	6,649,633
Cost of sales	4,264,519	5,025,960
Gross margin on sales	1,436,603	1,623,672
Selling, general and administrative expenses	1,099,388	1,235,421
Operating income	337,214	388,251
Non-operating income		
Interest and dividend income	179	254
Foreign exchange gains	2,004	—
Surrender value of insurance	6,205	14,540
Other	7,558	2,517
Total non-operating income	15,947	17,311
Non-operating expenses		
Interest expenses	1,443	152
Foreign exchange losses	—	17,765
Other	641	463
Total non-operating expenses	2,084	18,381
Ordinary income	351,077	387,181
Extraordinary income		
Gain on sales of investment securities	—	69,583
Total extraordinary income	—	69,583
Profit before income taxes	351,077	456,765
Income taxes - current	112,200	164,116
Income taxes - deferred	-5,263	-18,154
Total income taxes	106,937	145,962
Profit	244,140	310,803
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	244,140	310,803

Consolidated statement of comprehensive income  
Third quarter

(units: 1,000 yen)

	Q3 FY 2017 (from January 1, 2017, to September 30, 2017)	Q3 FY 2018 (from January 1, 2018, to September 30, 2018)
Profit	244,140	310,803
Other comprehensive income		
Valuation difference on available-for-sale securities	969	-209,579
Deferred gains or losses on hedges	-554	11,215
Accumulated other comprehensive income	415	-198,363
Comprehensive income	244,555	112,439
(Breakdown)		
Comprehensive income attributable to owners of parent	244,555	112,439
Comprehensive income related to non-controlling interests	—	—