

FY2024 Q2

Financial Results

August 28, 2024

Segue Group Co., Ltd.

Stock Code:3968

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Actual results may differ materially from the forward-looking statement due to changes in various factors.

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1 FY2024 Q2 Highlights

Highlights: Performance

Performance largely aligned with planed targets, however sales decreased compared to the previous year, when we made significant progress in resolving order backlogs due to resolution of delivery delays.

Net sales	Gross profit	Operating income	Ordinary income
8.41 billion yen	2.12 billion yen	0.34 billion yen	0.73 billion yen
▲7.1%	+2.0%	▲44.7%	+22.6%

Performance Summary

- Net Sales and Gross Profit: Although sales fell YoY, gross profit reached a record high.
- Operating Income: Sharply decreased due to an increase in SG&A expenses (M&A-related expenses, shareholder benefit expenses, personnel expenses, etc.) The M&A-related expenses were used for First One Systems Co., Ltd. and Techno Creation Inc.
- Ordinary Income: Increased due to a gain on cancellation of derivatives recorded in Q1.
- Orders: Backlogs for both products and services increased as a result of strong orders and the acquisition of large projects.

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Highlights: Consolidated Statements of Income

Our business continues to perform robustly and remains strong, despite a decrease in sales due to mid-long term investments and shareholder benefits.

Unit: million yen

	FY2022 Q2	FY2023 Q2	FY2024 Q2	YoY	
				Change	Change ratio
Net sales	**6,003**	**9,058**	**8,410**	**▲647**	**▲7.1%**
Gross profit	**1,636**	**2,083**	**2,126**	**+42**	**+2.0%**
(Profit margin)	27.3%	23.0%	25.3%	+2.3pt	
SG&A expenses	**1,306**	**1,456**	**1,779**	**+323**	**+22.2%**
Operating income	**330**	**627**	**346**	**▲280**	**▲44.7%**
(Profit margin)	5.5%	6.9%	4.1%	▲2.8pt	
Ordinary income	**458**	**603**	**739**	**+136**	**+22.6%**
(Profit margin)	7.6%	6.7%	8.8%	+2.1pt	
Net income*	**416**	**407**	**434**	**+26**	**+6.4%**

*Reference: Profits excluding M&A-related expenses and shareholder benefit expenses.

FY2024 Q2 (Reference value)	YoY	
	Change	Change ratio
8,410	**▲647**	**▲7.1%**
2,126	**+42**	**+2.0%**
25.3%	+2.3pt	
1,575	**+119**	**+8.2%**
551	**▲76**	**▲12.2%**
6.6%	▲0.4pt	
943	**+340**	**+56.5%**
11.2%	+4.6pt	

*Net income attributable to owners of parent
*In this fiscal year, a gain on valuation of derivatives (404 million yen) and a gain on sales of securities (13 million yen) were recorded in non-operating expenses and extraordinary profit, respectively.

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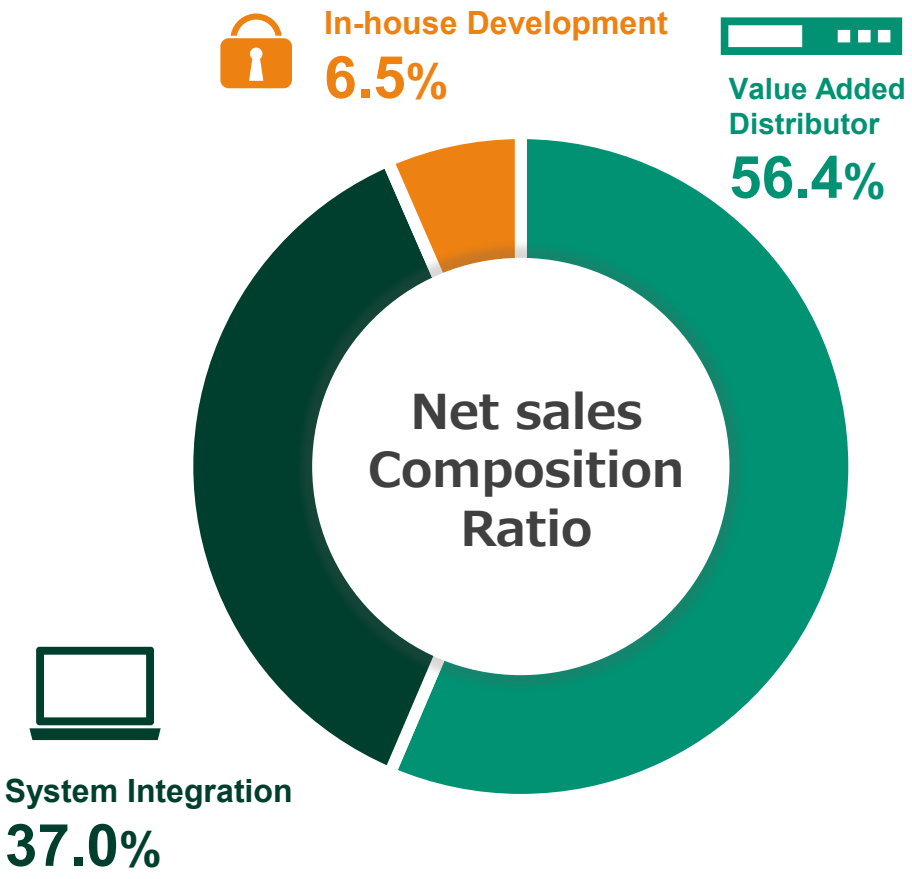
Highlights: Figures by Business

VAD (Value Added Distributor) Business: Performed well due to sales of security products and an increase in sales from peripheral services for these products.
System Integration Business: Compared to the previous fiscal year, which included a large-scale project, sales and profits declined, but it was almost in line with forecasts.
In-house Development Business: Steadily acquired RevoWorks projects. Sales of Segue Security also grew steadily.



	Sales		Gross profit	
Value Added Distribution Business	4.745 billion yen	+4.0%	1.029 billion yen	+6.5%
System Integration Business	3.115 billion yen	▲23.6%	760 million yen	▲5.0 %
In-house Development Business	549 million yen	+31.9%	337 million yen	+6.3%

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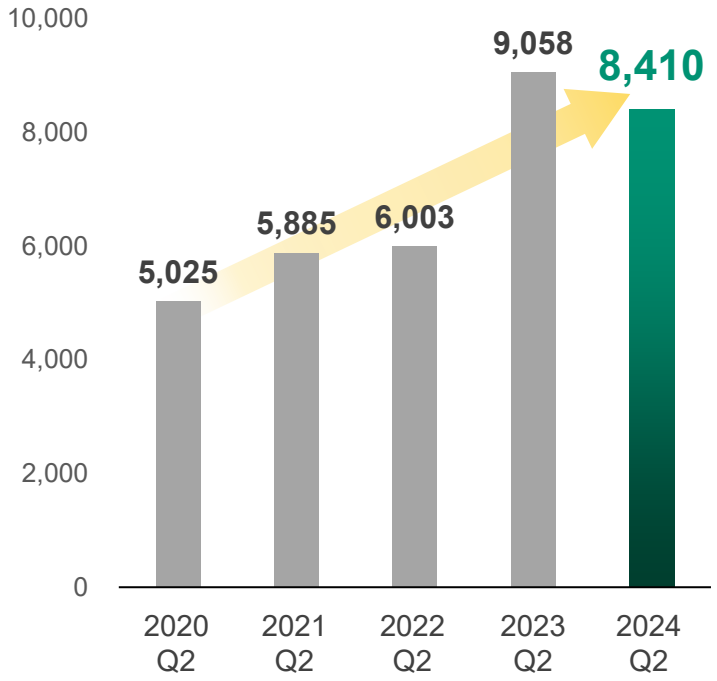
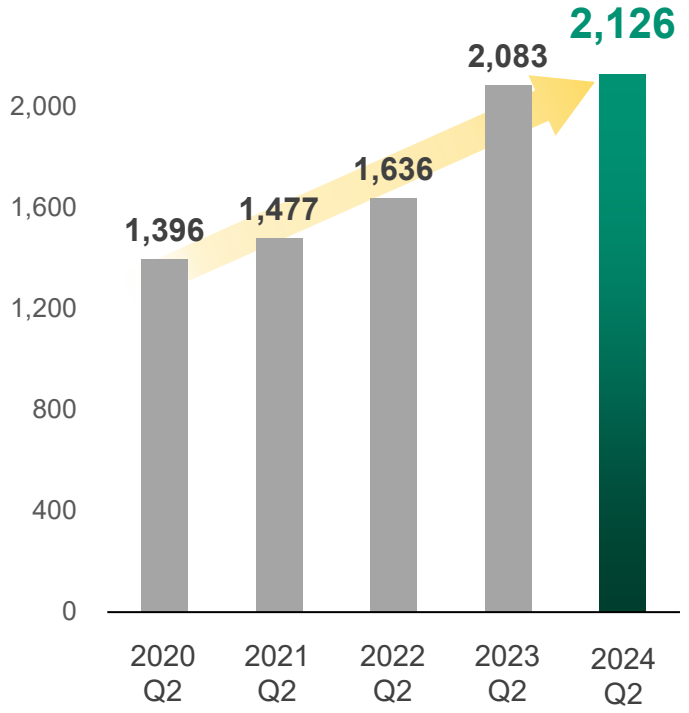
Highlights: Performance Trends (H1)

Achieving the highest sales level in the past five years, our performance continues to be strong despite a decrease compared to the previous year, which benefited from the extraordinary profit resulting from the resolution of delivery delays. Achieving a record high in gross profit for the cumulative Q2 2024, we continue to demonstrate strong performance, even as operating profit has been impacted by increased SG&A expenses.

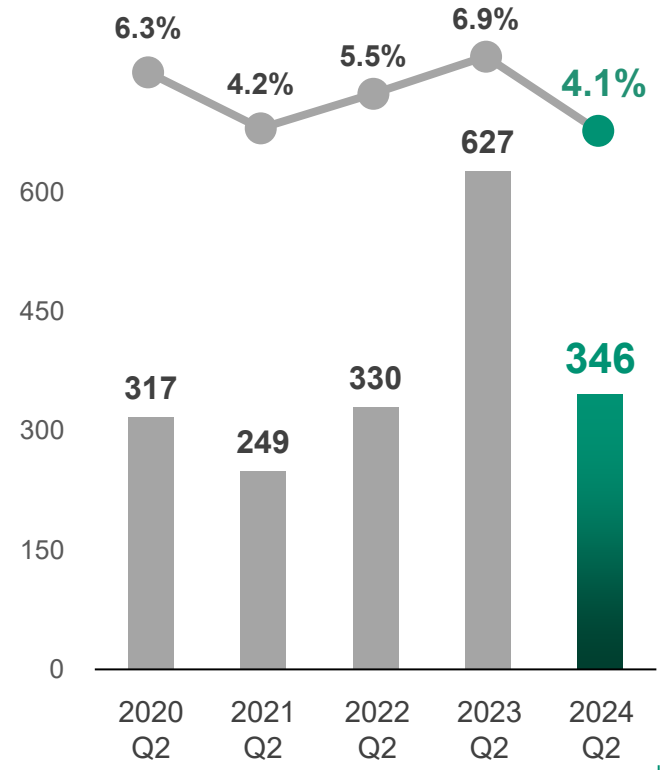
Net sales (million yen)



Gross profit (million yen)



Operating income (million yen)
Operating income margin(%)



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Highlights: Status of Orders

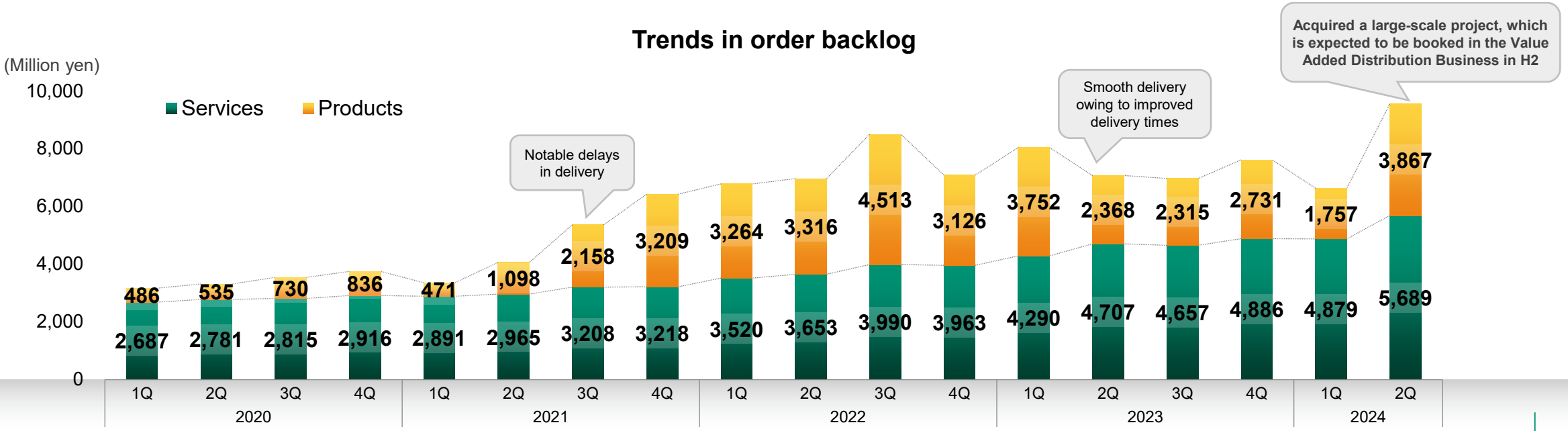
Orders received and order backlogs remained robust as we promoted our business to meet the growing societal demand for cybersecurity and IT infrastructure driven by digital transformation (DX).

Cumulative Orders Received

Unit: million yen

	FY2021 Q2	FY2022 Q2	FY2023 Q2	FY2024 Q2	FY2024 vs. FY2023 Change ratio
Products	3,246	3,738	5,037	5,968	+18.5%
Services	2,950	2,806	4,006	4,382	+9.4%
Total	6,196	6,545	9,043	10,350	+14.5%

Trends in order backlog



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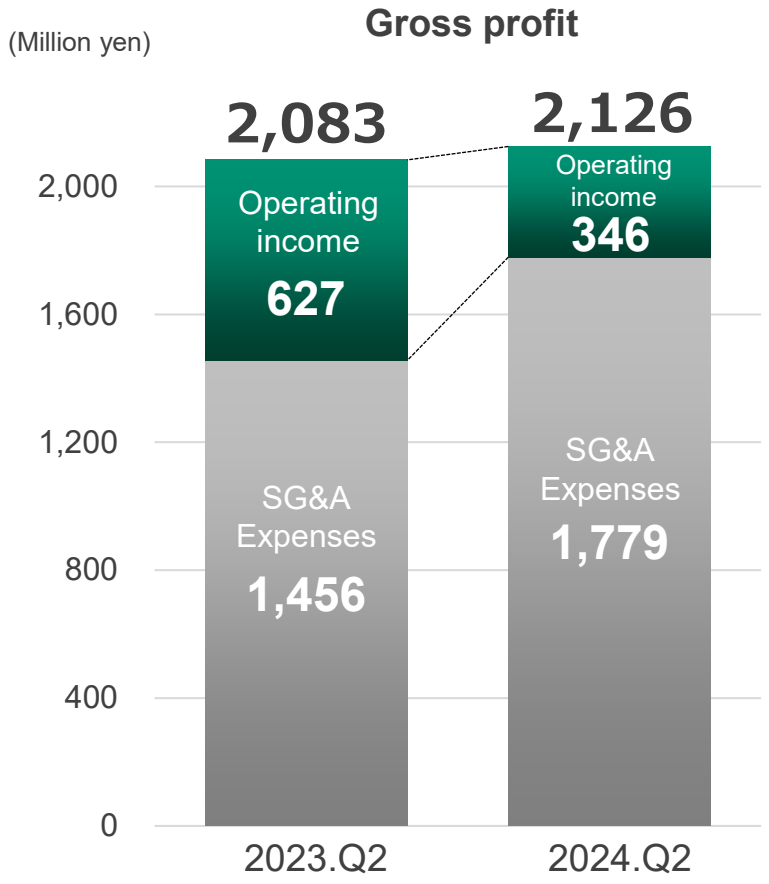
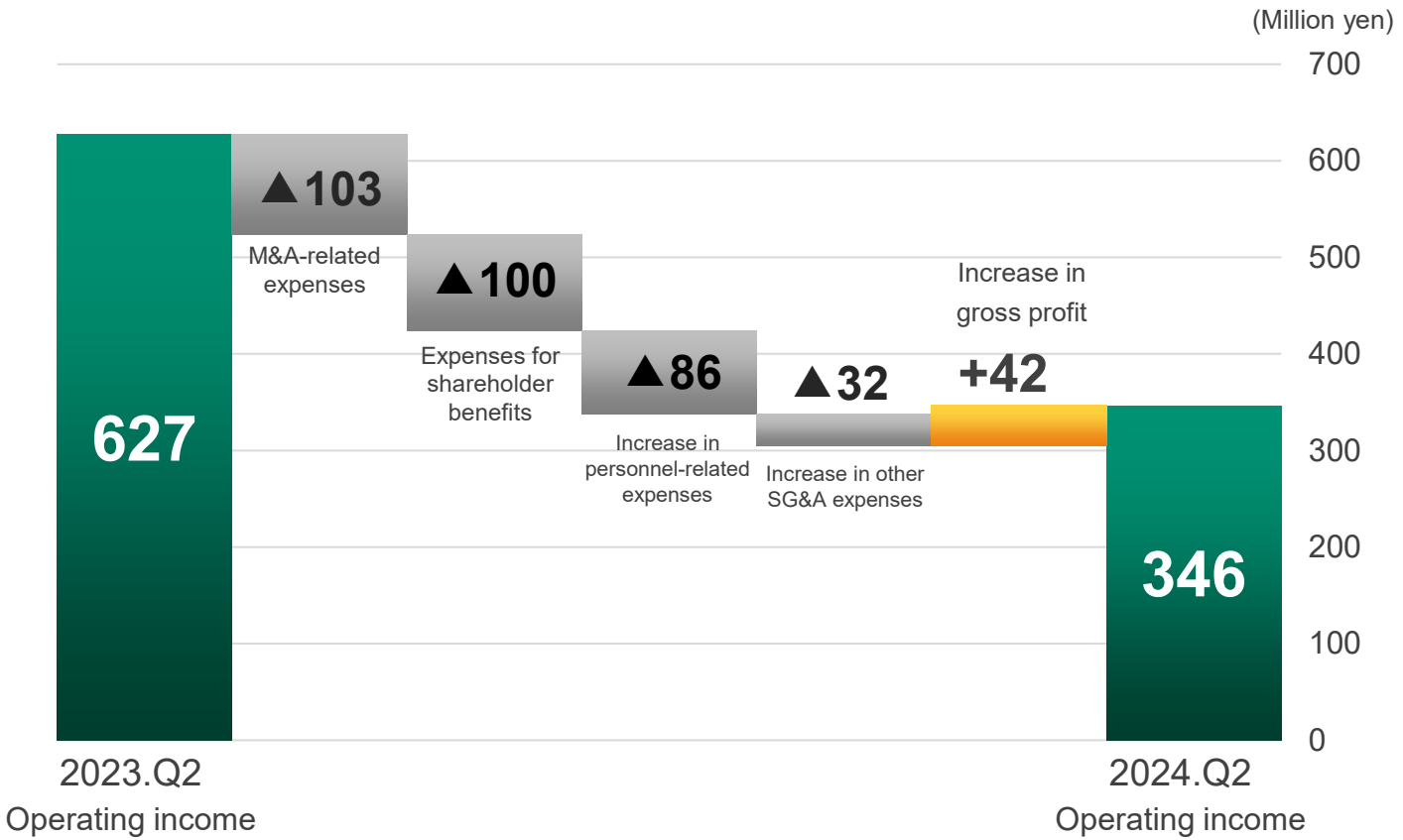
Highlights: Breakdown of Changes in Operating Income

Although gross profit reached a record high, operating income decreased by about 300 million yen YoY due to mid-long term investments and expenses for shareholder benefits.





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Highlights: Consolidated Statements of Income

Non-current assets (goodwill) increased due to the consolidation of two companies.
Advances received, which will become future sales, steadily increased due to the growth in recurring revenue services.

Unit: million yen

	FY2023 Q2	FY2023 Year-end	FY2024 Q2
Current assets	**10,221**	**10,029**	**11,072**
Cash and deposits	2,431	3,357	4,144
Notes and accounts receivable, and electronically recorded monetary claims	2,934	2,018	2,118
Inventory assets	2,942	2,848	2,546
Other	1,912	1,805	2,262
Non-current assets	**1,488**	**1,802**	**3,119**
Property, plant and equipment	278	377	389
Intangible assets	255	263	1,584
Investments and other assets	954	1,161	1,145
Total assets	**11,709**	**11,831**	**14,192**

	FY2023 Q2	FY2023 Year-end	FY2024 Q2
Current liabilities	**6,677**	**6,853**	**8,759**
Accounts payable-trade	885	1,512	2,128
Short-term debt	790	273	560
Advances received	3,941	4,018	4,591
Other	1,060	1,048	1,479
Non-current liabilities	**1,107**	**963**	**1,938**
Long-term borrowings	690	544	1,454
Others	417	419	484
Total liabilities	**7,785**	**7,817**	**10,698**
Total net assets	**3,924**	**4,014**	**3,493**
Total liabilities and net assets	**11,709**	**11,831**	**14,192**

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Highlights: Business Topics

- **Value Added Distributor Business**
  - ✓ Overall, we have experienced steady performance despite fluctuations in sales compared to the same period last year, with particularly strong results in the sales of security products such as Rapid7 and Darktrace.
  - ✓ Orders received were strong reflecting firm demand for cybersecurity and DX.
- **System Integration Business**
  - ✓ Improvement in gross profit margin, despite a reduction in sales compared to the same period last year due to the loss of large-scale projects.
  - ✓ Kaetec, support service for the information systems division, is performing exceptionally well, with a remarkable 82.6% increase compared to the previous year.
  - ✓ ISS Resolution Limited (Thailand) remained firm following Q1.
- **In-house Development Business**
  - ✓ RevoWorks steadily received orders for projects from local governments, medical institutions, and educational institutions.
  - ✓ For RevoWorks Cloud services, we acquired orders from financial institutions (sales are scheduled to be posted after Q3)
  - ✓ Segue Security saw sales growth as planned, driven by an increase in security consulting projects due to the heightened need for compliance with various security guidelines. It also developed a service scheme expected to contribute to sales in H2 of the year and beyond.

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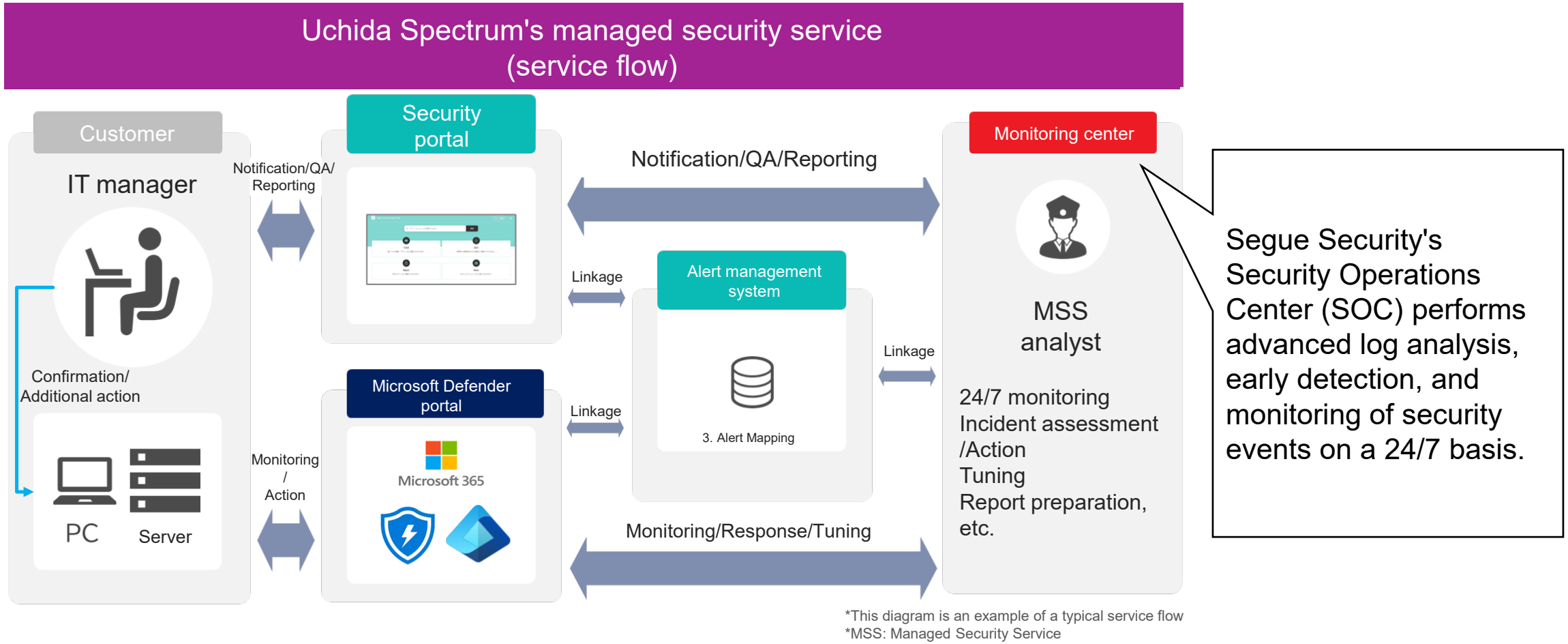
Highlights: Business Topics -In-house Development Business

Segue Security began offering 24/7 monitoring and analysis services as a managed security solution for Microsoft cloud environments, provided by Uchida Spectrum (announced on July 3, 2024).



*This diagram is an example of a typical service flow
*MSS: Managed Security Service

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Highlights: Business Topics -Making First One Systems Co., Ltd. a Subsidiary

- **On May 28, we acquired a 60% stake in First One Systems Co., Ltd., based in Thailand, and made it a subsidiary.**
- **Following the acquisition of ISS Resolution Limited, we will accelerate our international expansion to create business synergies by leveraging the strengths of both companies, while aiming for further development in ASEAN markets.**

FIRST ONE SYSTEMS

Description of the company

Name	First One Systems Co., Ltd.
Address	719 KPN Tower 11th floor ,Rama 9 Road, Bangkapi, Huay Kwang, Bangkok 10310 Thailand
Representative	Terdsak Kijjatikankun CEO Founder
Business Domain	Network integration business, network security business, integration business for data centers
Capital	40,000,000 THB
Establishment	June 15, 2005
No. of Employees	40 (as of June 30, 2024) *Including 23 engineers
FY12/23 Net Sales	266,966 thousand THB (approx. 1.1 billion yen)

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Highlights: Business Topics -Making Techno Creation Inc. a Subsidiary

- On June 28, we acquired all the shares of Techno Creation Inc., a firm specializing in engineering services for information and telecommunications infrastructure, and made it a subsidiary.
- By securing a large number of engineers, we aim to further strengthen our system integration business and enhance our value in the cybersecurity field, which we plan to focus on more in the future.

Techno Creation

Description of the company

Name	Techno Creation Inc.
Address	Akihabara Shinko Dai-ichi Life Building, 3-1-2 Ueno, Taito-ku, Tokyo
Representative	Yasunori Iwanaga, President and Representative Director
Business Domain	Design, construction, operation, maintenance, and monitoring of networks, servers, cloud services, etc.
Capital	40,000 thousand yen
Establishment	February 15, 2001
No. of Employees	149 (as of June 30, 2024) *Including 141 engineers
FY2/24 Net Sales	887,855 thousand yen

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2 New Medium-term Management Plan

Announcement of New Medium-term Management Plan

Announced a new medium-term management plan ending in FY2026 on May 22



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Long-term Vision : Segue Vision 2030

Segue Group's Vision in 2030

The One & Only Provider for various functions in the security field

Net sales
50 billion yen
(319 million USD)

Operating income margin
10% or more

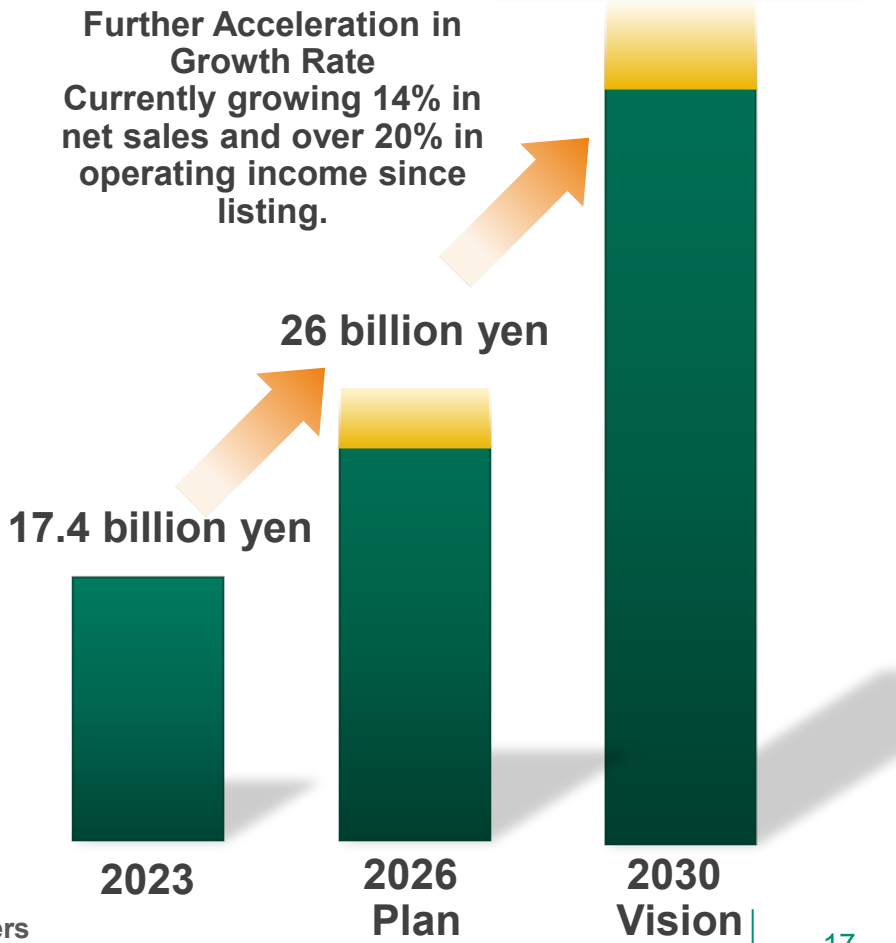
Total Security Solution

- **International Alliance** — Expansion of security products
- **Expansion of Products & Services** — RevoWorks Security Services (SOC, etc.)
- **Security × IT Infrastructure** — DX, development of generative AI, Enhancement of IT engineers
- **Enhancement of Security Technology** — Specialized Technicians (improvements in number and quality)

Acceleration of Business Growth with further improvement in number of highly skilled personnel and engineers, organizational strengths and capital.

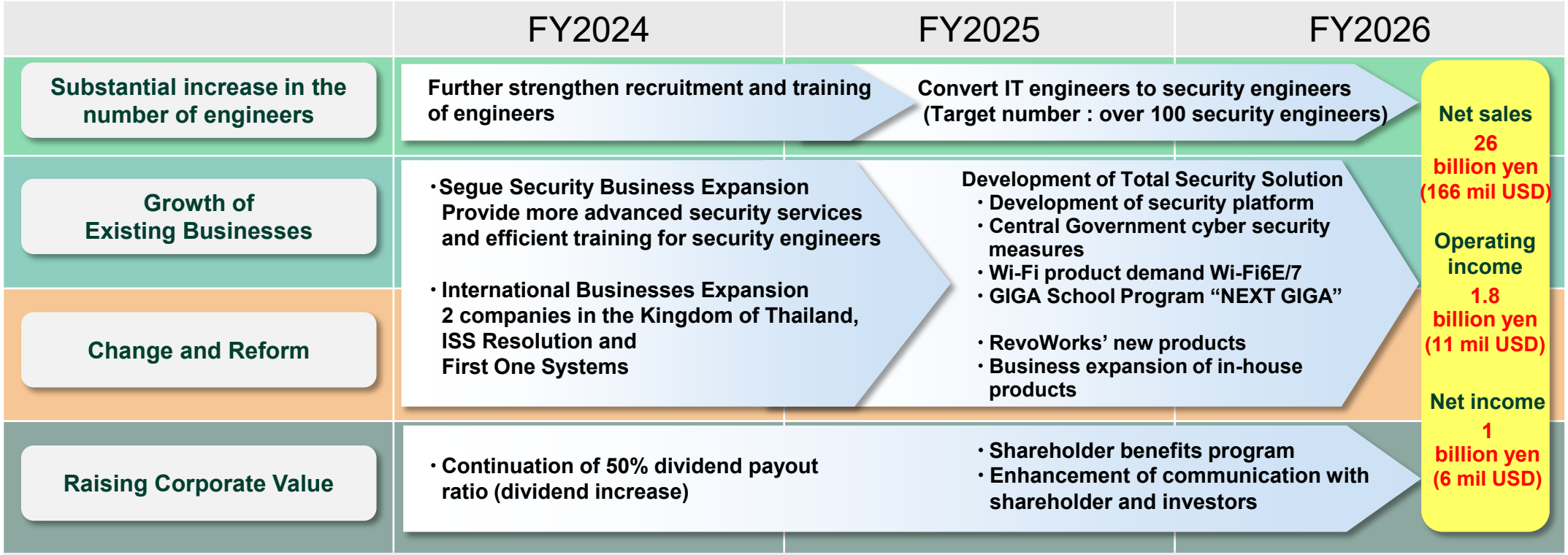
- Value Added Distribution business
- In-house development products & services
- System Integrator Business

Further Acceleration in Growth Rate
Currently growing 14% in net sales and over 20% in operating income since listing.



Operating Base
Capital 520 million yen | sales 17.4 billion yen | net assets 3.4 billion yen | recurring sales 4.5 billion yen
Customer and partner base, alliances with overseas manufacturers, nearly 400 IT engineers

Segue300 Initiatives



★Tips★

- Expansion of demand in Cyber Security
  - Number of cyber-attacks has been drastically increased
  - Budgets are increasing to comply with security guidelines (ministries and agencies)
  - Investments in security measures by small and medium-sized companies
- Establishment of international business
  ‘International Business’ has been added to our core business, starting with business expansion in the Kingdom of Thailand

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Core Businesses of Segue Group ➡ To 4 Businesses including Overseas

VAD
(Value Added Distribution)
Overseas products



In addition to selling IT products and licenses, we support sales activities and initiatives to improve proposal capabilities and technological capabilities together with system integrators and other system prime contractors. In line with user needs, we propose value-added services such as consulting, System Integration, customization, operation and maintenance.

In-house Development



Planning, development, sales, and support services for our original security products and services. The RevoWorks series has been delivered to nearly 300 municipalities (more than 15% of all municipalities) and has the top-class market share.

SI
(System Integration)



Developing IT solutions business with technological capabilities.
Develop system integration with the professional service as a core, and provide solutions tailored to customer needs, including IT infrastructure equipment, servers, and cloud computing infrastructure.

NEW !
Overseas



IT Solutions Business Development in Thailand
ISS Resolution (service-based) and First One Systems (product-based),
Business development in Thailand will be led by generating synergies between these 2 companies with in-house products from J's Communication.
Aiming to extend business across the ASEAN region in the future.

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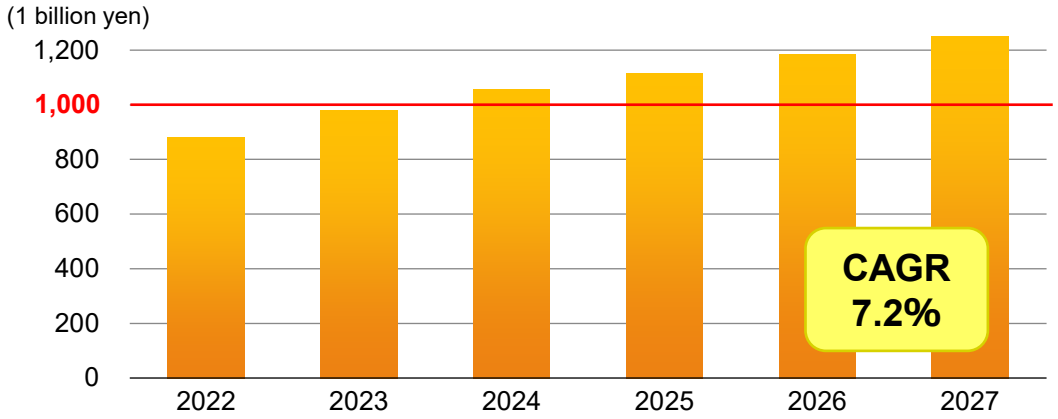
Business Environment : Security Market in Japan

Domestic Security Market Forecasts (2024)
Over 1 trillion yen
(6.3 billion USD)

According to the National Institution of Information and Communications Technology (NICT), cyberattack-related traffics observed in 2023 has been increased by 18% compared to 2022, which is about three times higher compared to 5 years ago.

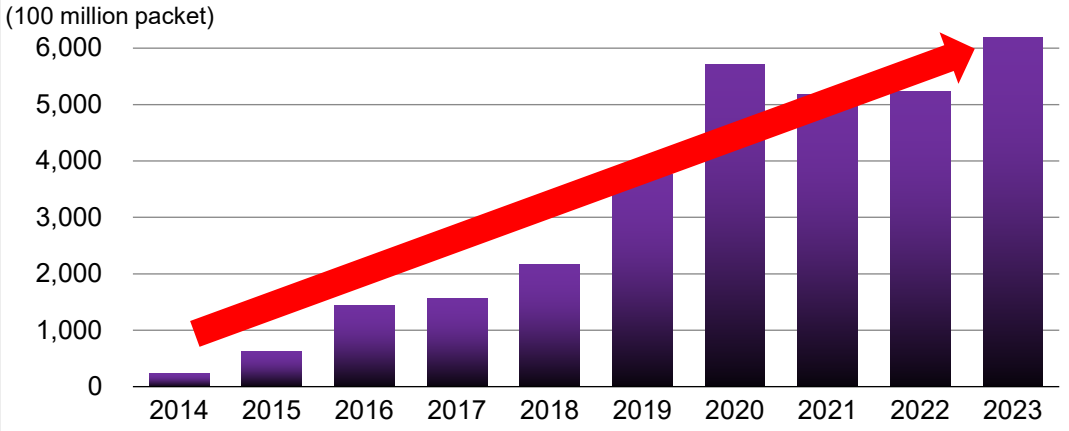
Due to increasing number of cyber-attacks, cybersecurity measures are being expanded.
Compound Annual Growth Rate (CAGR) in the domestic security market for 2022 - 2027 is expected to be 7.2%.

Security Market Forecasts in Japan (2022 – 2027)



Source : IDC Japan

Changes in Cyberattack-related Traffic



Source : According to the National Institution of Information and Communications Technology (NICT)

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Business Environment: Security Risks Faced by Companies

While cyber-attacks are becoming increasingly sophisticated, the security risks faced by companies continue to grow. This includes the rising security risks associated with the proliferation of cashless payment systems and the challenges in supply chain risk management due to the expansion of outsourcing.

Organized cyber attacks

State-sponsored hacker groups

Despite using closed networks that do not involve ordinary internet access to prevent external interception, large-scale information leaks have still occurred due to organized and sophisticated cyber-attacks.

Advancements in cashless payments

Sophistication of phishing

Spear phishing with more limited targets and the rise of AI have led to a surge in illegal Internet banking transfers and credit card fraud.

Supply chain risk

Higher difficulty of risk management

Security incidents due to still high supply chain attacks. Difficulty in management due to differences in "culture," "law," and "language" globally.

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Business Environment : Japanese Government Promotes Cybersecurity Measures

Situation Changes and State of Affairs regarding Cyberspace

(From the National center of Incident readiness and Strategy for Cybersecurity (NISC) : Cybersecurity 2023)

- Use of information system has been expanded in various fields and organizations. Supply chain became more multifaceted and complex. New technologies including generative AI are started to be used widly.
- In the meantime, greater risks of the information leakage and the system failure are becoming an issue, due to wider intrusion path and insufficient security measures.
- Moreover, in spite of stricter national security perspective, state-backed cyber attacks are becoming commonplace.

- **Government established measures based on the above background. Each ministries and agencies introduced cybersecurity-related budgets.**

- **Revised and tightened security standards including 'Defense Industrial Cybersecurity Standards' by the Ministry of Defense, and 'Guidelines for Safety Management of Medical Information' by the Ministry of Health, Labour and Welfare.**
  Institutions and client companies related to such ministries are required to respond in line with the new security standards.

Ministries and agencies	Item	Budget for FY2024 (100 million yen)
Ministry of Defense	Strengthen Capabilities in the Cyber Domain	2,115
Ministry of Economy, Trade and Industry	Industrial Cyber Security Resilience Project	23
	Cyber Security Economic Infrastructure Development Project	20
National Police Agency	Addressing Cyberspace Threats	49
Ministry of Internal Affairs	Improving ability to respond autonomously to cyber attacks (Strengthening human resource development, R&D, information gathering and analysis, etc.)	36

*Cyber security-related budgets are referred from each government agency's data.

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Segue300 Strengthening of M&A Strategies

Accelerate the growth of existing businesses through aggressive M&As. Strengthening the assurance of engineers and technological skills which is the basis of our business



- Development of regional strategy areas
- Achieve economies of scale
- Acquisition of excellent human resources and know-how
- Synergy effect
- Expansion of domains New business

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Segue300 Performance Targets

Unit: million yen

	FY2024	FY2025	FY2026	Reference FY2026 M&A Challenge
Net sales	**18,800**	**22,500**	**26,000**	**30,000**
Gross profit	**4,680**	**5,750**	**6,880**	**7,840**
(Profit margin)	24.9%	25.6%	26.5%	26.1%
SG&A expenses	**3,720**	**4,490**	**5,080**	**5,840**
Operating income	**960**	**1,260**	**1,800**	**2,000**
(Profit margin)	5.1%	5.6%	6.9%	6.7%
Ordinary income	**1,330**	**1,260**	**1,800**	**2,000**
Net income*	**773**	**701**	**1,050**	**1,178**
(Reference) EBITDA	1,150	1,600	2,160	2,610

*Net income attributable to owners of parent
* EBITDA = operating income + depreciation cost + amortization of goodwill

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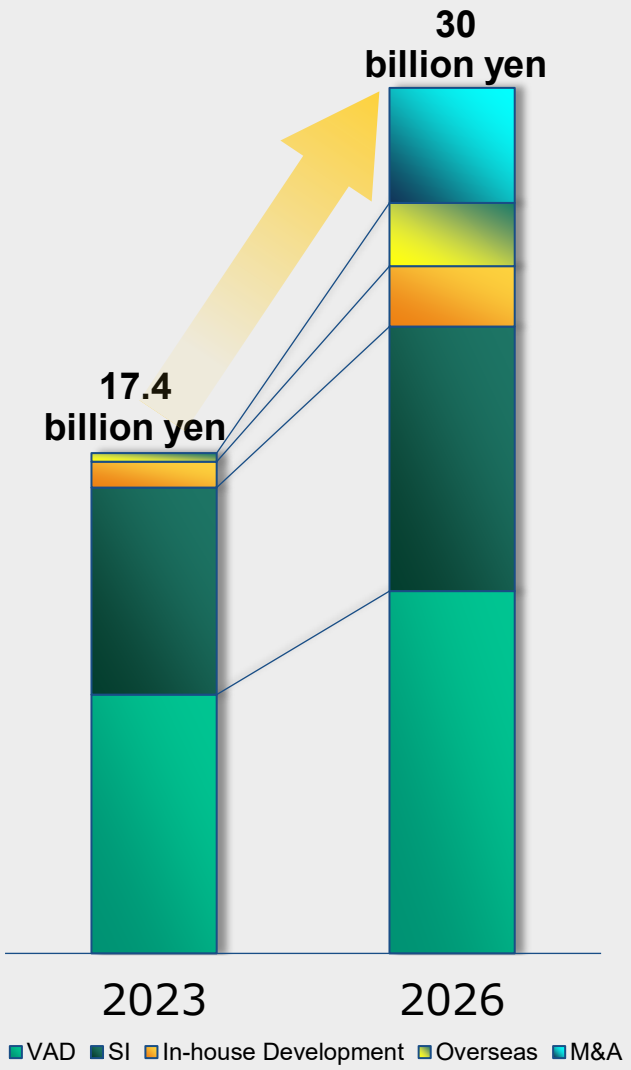
Segue300 Net Sales by Business Segment



Business Segment	Target	Policies and Measures, etc.
Value Added Distribution business	13 billion yen (83 mil USD)	-Focus on sales of U.S. security products for the central government -Sales of security products and IT infrastructure products for companies being required to take measures in line with the security guidelines -Focus on recurring revenue security services (SASE) -Special demand of IT infrastructure products such as; Wi-Fi6E/7, infrastructure products compatible with device authentication, inbound demand, GIGA School Program ”NEXT GIGA”, replacement for new standards, 14 industries of significant infrastructures, etc.
System Integration business	9 billion yen (57 mil USD)	J’s Technology : Promotion of digital transformation development, and Sales promotion of IT solutions and security solutions Western Japan : Sales promotion of security solutions for medium-sized companies, and Focus on solutions for universities
In-house Development business	1.8 billion yen (11 mil USD)	-Sales promotion of RevoWorks on-premises version and cloud version -Segue security : Sales promotion of security service SOC and MSS -Strengthening of sales of security products, IT infrastructure products, SOC and MSS services -Introduce new product with RevoWorks
Overseas Business	2.2 billion yen (14 mil USD)	-Thailand : Generate business synergies between ISS Resolution and First One Systems -Promotion of our group’s Japanese business model, security solutions sales and business support for Japanese-affiliated companies
M&A Challenge Target	4 billion yen (25 mil USD)	Generate business synergies by affiliating companies which develop Security Service business, IT Solutions business and SE Service business, mainly in Japan and ASEAN. Aiming for 6 companies in 3 years

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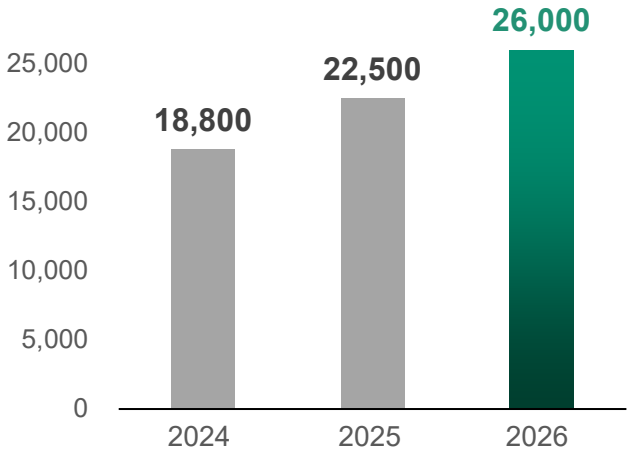
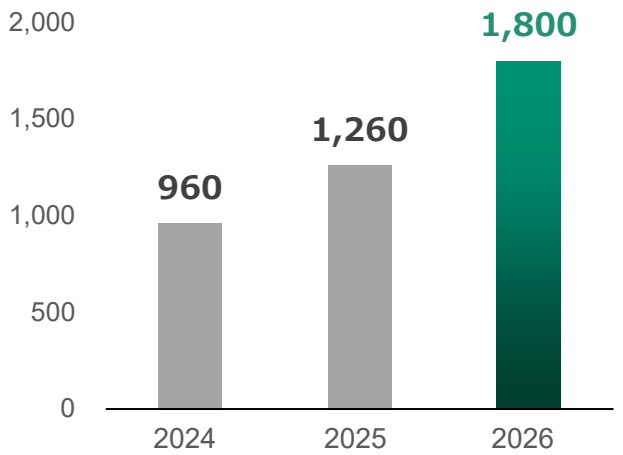
Segue300 Growth Targets for 3 Years

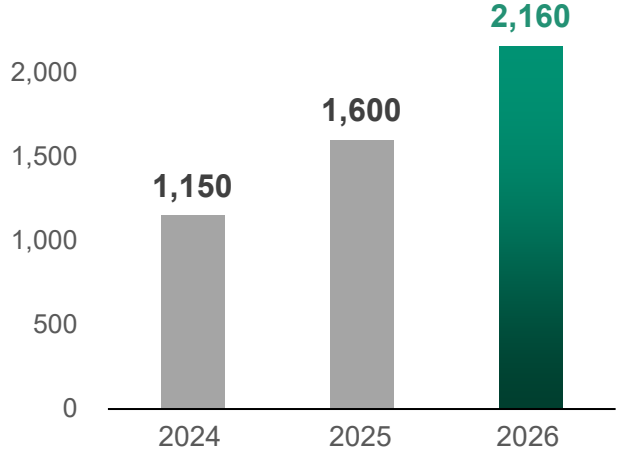
Net sales (Million yen)



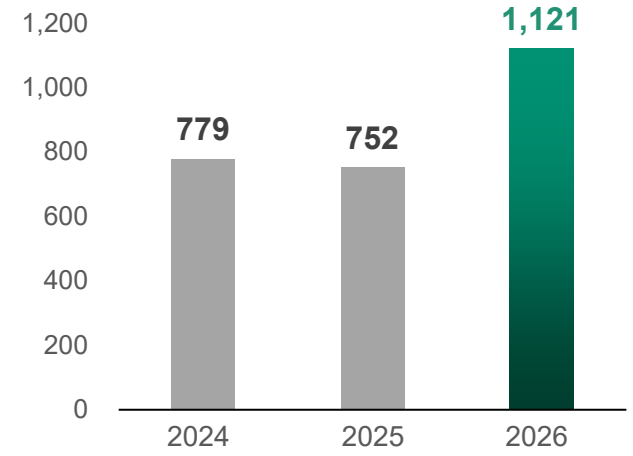
Operating income (Million yen)



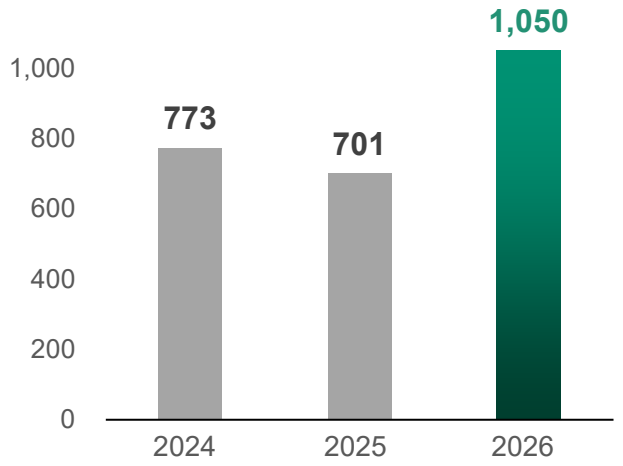
EBITDA (Million yen)



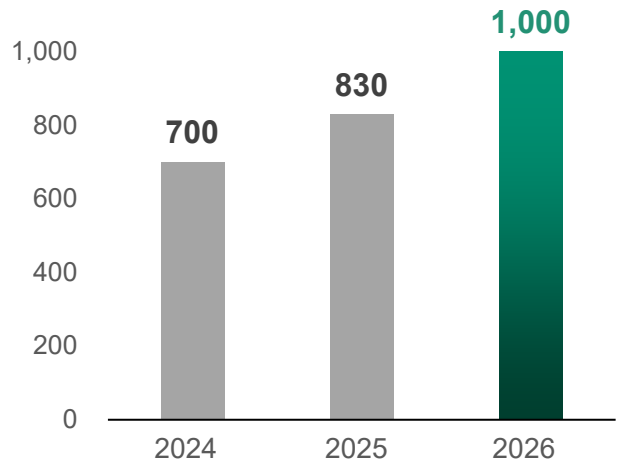
Net income (Million yen)



Net income attributable to owners of parent (Million yen)



Number of Employees (Person)



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3 Business Conditions

Business Conditions

Business Results

In the first half of FY2024, sales and profits decreased YoY, but the performance was almost in line with the plan.

Orders received

The order amount for the first half of the fiscal year ending December 2024 reached a record high of 10.35 billion yen. Additionally, the order backlog increased to 9.55 billion yen, exceeding the previous high of 8.5 billion yen recorded in the third quarter of 2022, when delays occurred due to semiconductor supply shortages.

Investments

This year, the first year of the new medium-term management plan, is designated as the year to invest in achieving the targets set for the final year of the plan, FY2026. During this period, we acquired First One Systems and Techno Creation.

Investments

In addition to the increase in personnel and development expenses, there was also a rise in costs related to M&As for two companies, as well as expenses for shareholder benefit, etc.

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Status of Efforts to Achieve the Goals of the New Medium-term Management Plan Ending FY2026

Substantial increase in the number of engineers	Increased the number of sales executives and general managers. Successful recruitment of engineers, with the addition of 141 technicians from Techno Creation, bringing the entire number of engineers for the Group to 557 (the number of employees for the Group as a whole is 776).
Growth of Existing Businesses	・Value Added Distribution Business Orders received remained strong due to demand for cybersecurity and DX. Enhanced sales and pre-sales acitivities, and expanded product portfolio. ・System Integration Business Promoted its business to acquire large-scale projects for infrastructure DX and cloud solutions. Growth in Kaetec services. ・In-house Development Business Segue Security aims to achieve early monthly profitability by driving the growth of recurring revenue from its security services.
Change and Reform	Strengthened development and quality control divisions in the In-house Development Business With hiring two general managers, we will improve development speed and quality. Promoted development of RevoWorks Cloud and RevoWorks Zero Trust Browser. Overseas, we added First One Systems in Thailand to the Group. To create synergies with ISS Resolution, we increased the number of sales employees. Overseas business by these two companies is expected to achieve sales of 1.1 billion yen for FY2024.

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Progress for the Current Fiscal Year

As mentioned earlier, SG&A expenses have increased due to the strengthening of sales and technology executives to achieve the target figures for FY2026. Consequently, sales for Q2 FY2024 have decreased compared to the previous year.
However, we saw record-high orders received and order backlogs, and both products and services performed well.

Unit: million yen

	FY2024 Q2	Full-year plan	Achievement rate
Net sales	**8,410**	**18,800**	**44.7%**
Gross profit	**2,126**		
(Profit margin)	25.3%		
SG&A expenses	**1,779**		
Operating income	**346**	**960**	**36.1%**
(Profit margin)	4.1%	5.1%	
Ordinary income	**739**	**1,330**	**55.6%**
(Profit margin)	8.8%	7.1%	
Net income*	**434**	**773**	**56.1%**
Number of Employees (Person)	**776**	**700**	**110.9%**

*Net income attributable to owners of parent
*In the current fiscal yearm, gain on revaluation of derivatives (404 million yen) were recorded in non-operating expenses, and gains on sales of securities (13 million yen) were recorded in extraordinary income.

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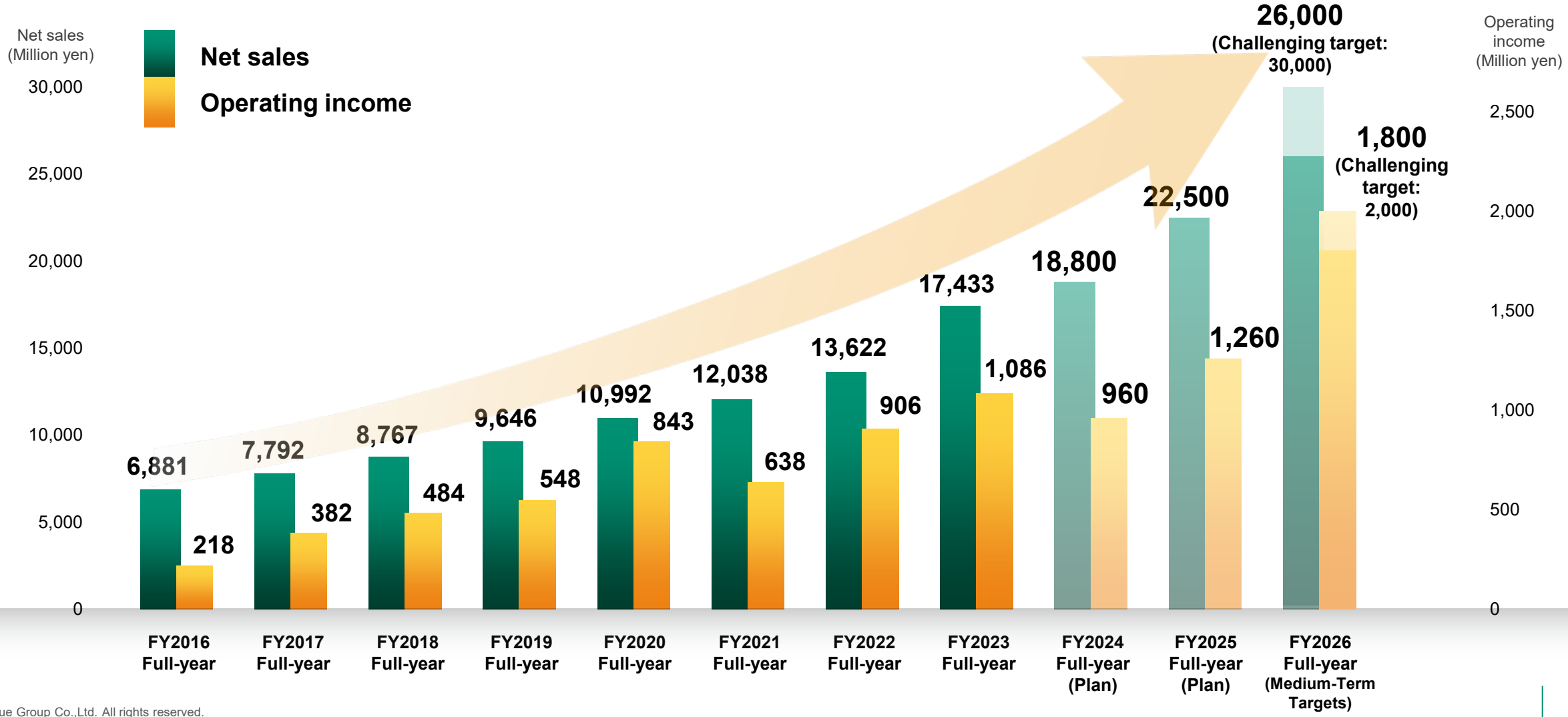
Performance Trends and Forecasts

This fiscal year, we will invest while working towards achieving and exceeding our medium-term targets, with the goal of making further advancements beyond them.



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We will continue to grow together with our customers by Leveraging IT to create value. We contribute to the realization of a prosperous society.



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4 Reference Material

Corporate Profile of Segue Group

Company name	Segue Group Co., Ltd.
Listed Market	Tokyo Stock Exchange Prime Market (Stock code: 3968)
Head office	Sumitomo R&D Kayabacho Building , 1-16-3 Shinkawa, Chuo-ku, Tokyo
Founded	April 14, 1995
Established	December 1, 2014
Capital	533.36 million yen
Representative	Yasuyuki Aisu, President and CEO
Business	Design, development, import sales, construction, operation and maintenance services related to security and IT infrastructure products and systems
Group companies	8 companies
Employees	776 employees (consolidated) *As of June 30, 2024

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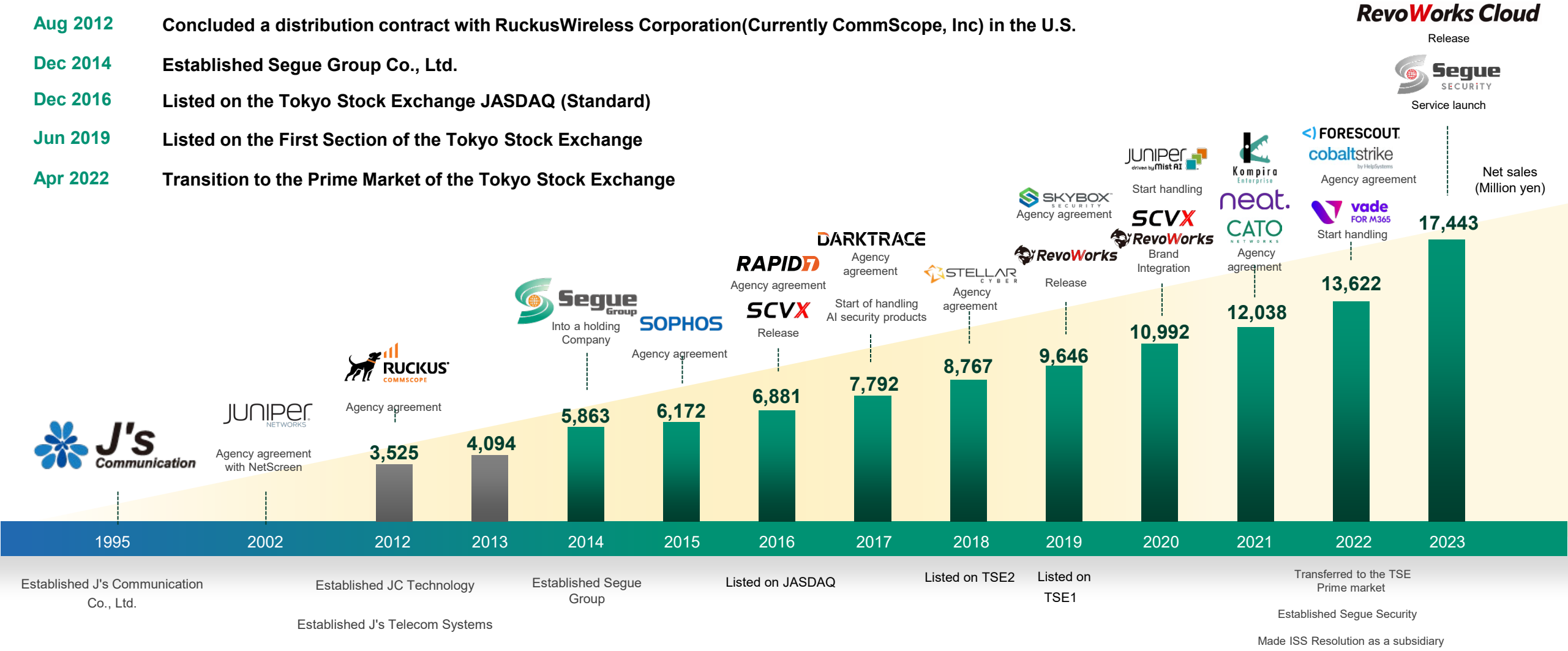
History of Segue Group

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)
Jun 2019	Listed on the First Section of the Tokyo Stock Exchange
Apr 2022	Transition to the Prime Market of the Tokyo Stock Exchange



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Business Overview: Business Domain

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 date center Service provider	Government agencies and local governments Academic institutions Medical institutions	Enterprise Manufacturing industry Financial institution etc..

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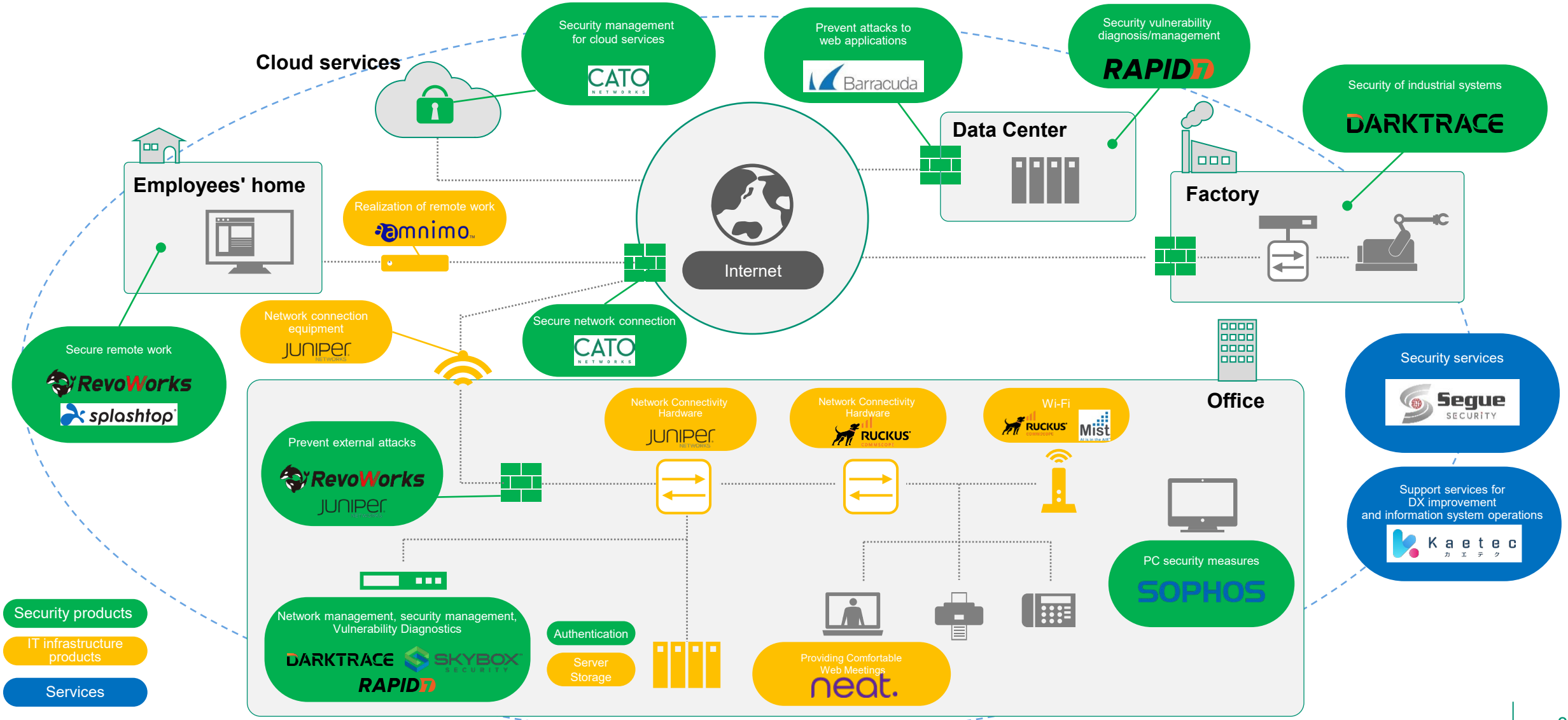
Business Overview: Business Domain

Contributing to the safe and secure utilization of networks by providing comprehensive support from the establishment of security and IT infrastructure to operational maintenance.



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Our Customers/System integrators

Manufacturer /Systems integrator

- Fujitsu
- Hitachi
- NEC
- Canon MJ
- Ricoh
- HP Japan

Systems integrator

- NTT Data
- NEC Networks & System Integration
- Sojitz Tech-Innovation
- Net One Systems
- HITACHI SOLUTIONS
- TIS INTEC
- OTSUKA CORPORATION
- FUJISOFT
- Nomura Research Institute
- SCSK
- Itochu Techno-Solutions

Telecommunications Carrier

- NTT Docomo
- SoftBank
- KDDI

Service provider

- Arteria Networks
- NIPPON TELEGRAPH AND TELEPHONE WEST
- Ehime CATV
- IIJ Global Solutions

Distributor

- DAIWABO INFORMATION SYSTEM
- SBC&S

End users

Government agencies, local governments, educational institutions, medical institutions, enterprise, manufacturing, and financial institution, etc.

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Core businesses of Segue Group

VAD
(Value Added Distribution)
Overseas products



In addition to selling IT products and licenses, it supports sales activities and initiatives to improve proposal capabilities and technological capabilities together with system integrators and other system prime contractors. In line with user needs, it proposes value-added services such as consulting, System Integration, customization, operation and maintenance.

In-house Development



Planning, development, sales, and support services for its original security products and services.
The RevoWorks series has been delivered to more than 300 municipalities (more than 15% of all municipalities) and has the top-tier market share.

SI
(System Integration)



Developing IT solutions business with technological capabilities. Develop system integration with a focus on professional services, and provide solutions tailored to customer needs, including IT infrastructure equipment, servers, and cloud computing platforms.

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Three Core Businesses

Providing a variety of added value in response to the needs of partners, system integrators, and customers.



	VAD (Value Added Distribution) Overseas focus	In-house Development	System Integration
	■ Sales of security/IT infrastructure products, and software license ■ Support services, help desk ■ On-site maintenance services	■ Security software license sales ■ Original security services ■ Support services, Help desk	■ Design, construction, and installation of IT infrastructure and security ■ Information system support services
	Products distributor Support services	In-house products Support services	Server, etc.(H/W,S/W) In-house products / Products distributor Professional services
Professional services Design and construction	●	●	
SE services Contracting and dispatching	●	●	●
Managed services Operation of monitoring, management, etc.	●	●	●

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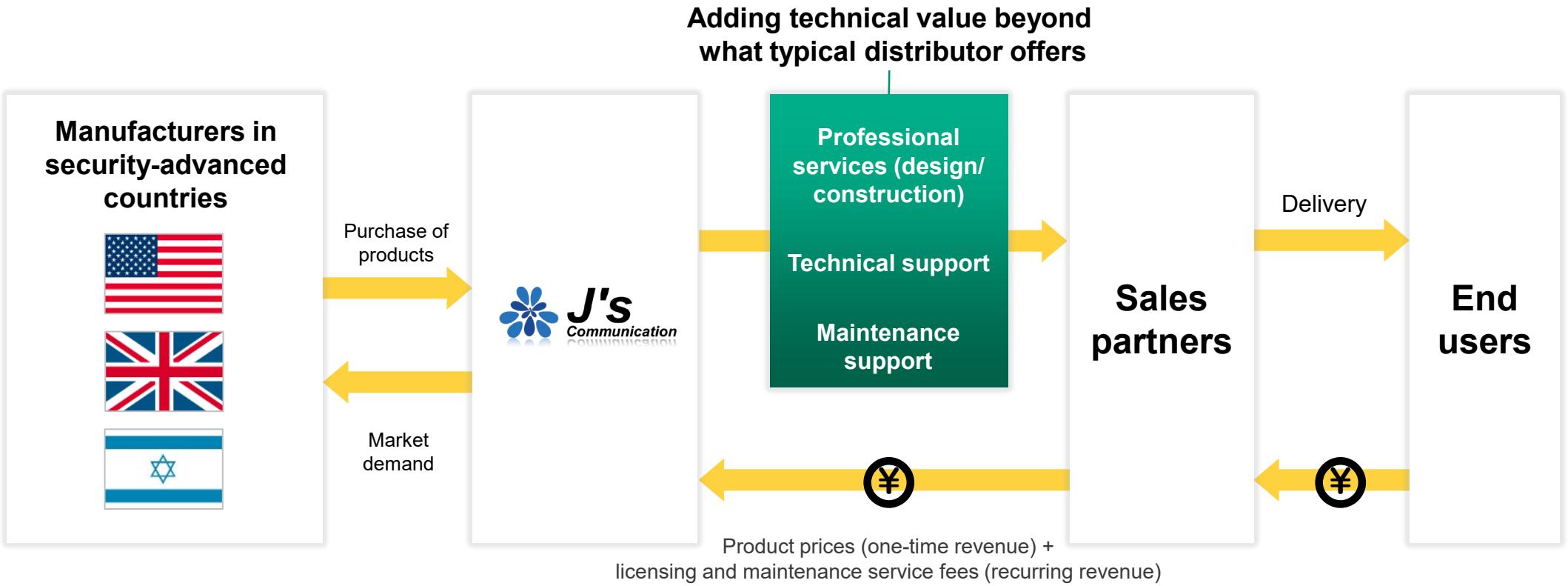
Business Contents: Value Added Distribution Business

VAD: Value Added Distributor

Import products and software from internationally recognized manufacturers and offer them to domestic customers with added technical value.



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Value Added Distributor Business:
Our Core Manufacturers with Import Agency Agreement

- ✓ **Juniper Networks (U.S.)**
  Network security equipment
  2nd largest market share*1 in Japan for high-end routers

- ✓ **Ruckus Wireless (U.S.)**
  Wireless LAN solution

- ✓ **Darktrace (UK)**
  Security product (NDR) is used by 8,800 companies worldwide

- ✓ **Rapid7 (U.S.)**
  9th market-share*2 in Japan for SOAR Vulnerability Risk Management market

Domestic top partnership strategy

Aiming to become a top distributor in Japan through building strong relationships/trusts with manufacturers

Examples of awards received from manufacturers

Juniper:
Japan Distributor of the Year 2023

Rapid7:
The Best Partner of the Year 2023

*1 Source: Fuji Chimera Research Institute, 2023 Communications-Related Marketing Survey
*2 Source: ITR"ITR Market View: Endpoint/Detoxification /Web Separation /CASB/CNAPP/SOAR/ZTNA Ichiba 2023

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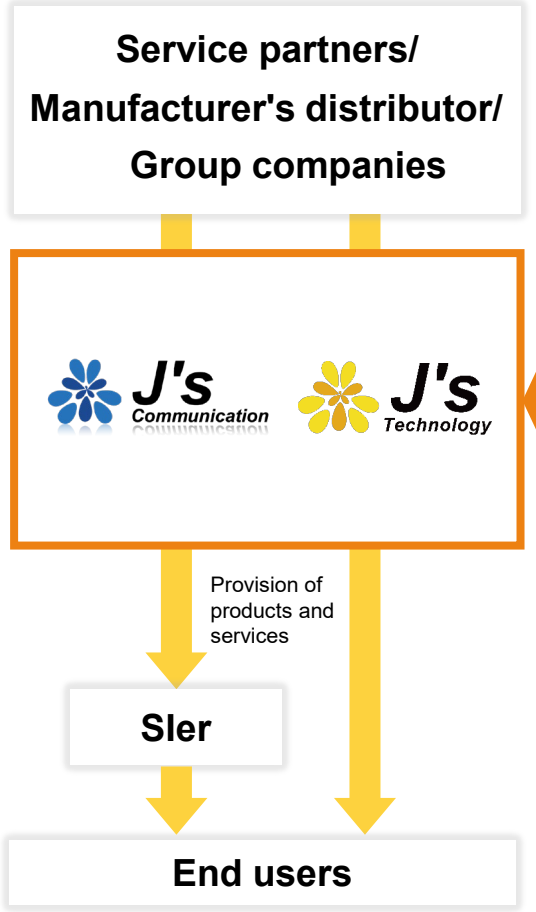
Business Contents: System Integration (SI) Business

Provide one-stop solutions for customers' issues in security and IT infrastructure, offering everything from optimal system proposals to implementation and ongoing support.



We design systems that combine software and equipment for security and IT infrastructure tailored to customers' environments and needs. Additionally, we provide value-added services such as after-sales support, monitoring, and operational assistance.



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Business Contents: In-house Development Business

Providing our original security products and software supporting the safety of our customers with our technologies

In-house developed software

■ " RevoWorks" series improve security and Business efficiency to enhance the quality of work

RevoWorks SCVX	Server-based Virtual Browser "RevoWorks SCVX"
RevoWorks Browser	Local Virtual Browser "RevoWorks Browser"
RevoWorks Cloud	Zero Trust Security "RevoWorks Cloud"

■ "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"

Original security services

Segue SECURITY

Provide integrated, one-stop solutions essential to cybersecurity: From assessment services for security risks that exist in the organization to monitoring and analysis measures, security diagnostics, employee training, and investigations and responses to incidents.

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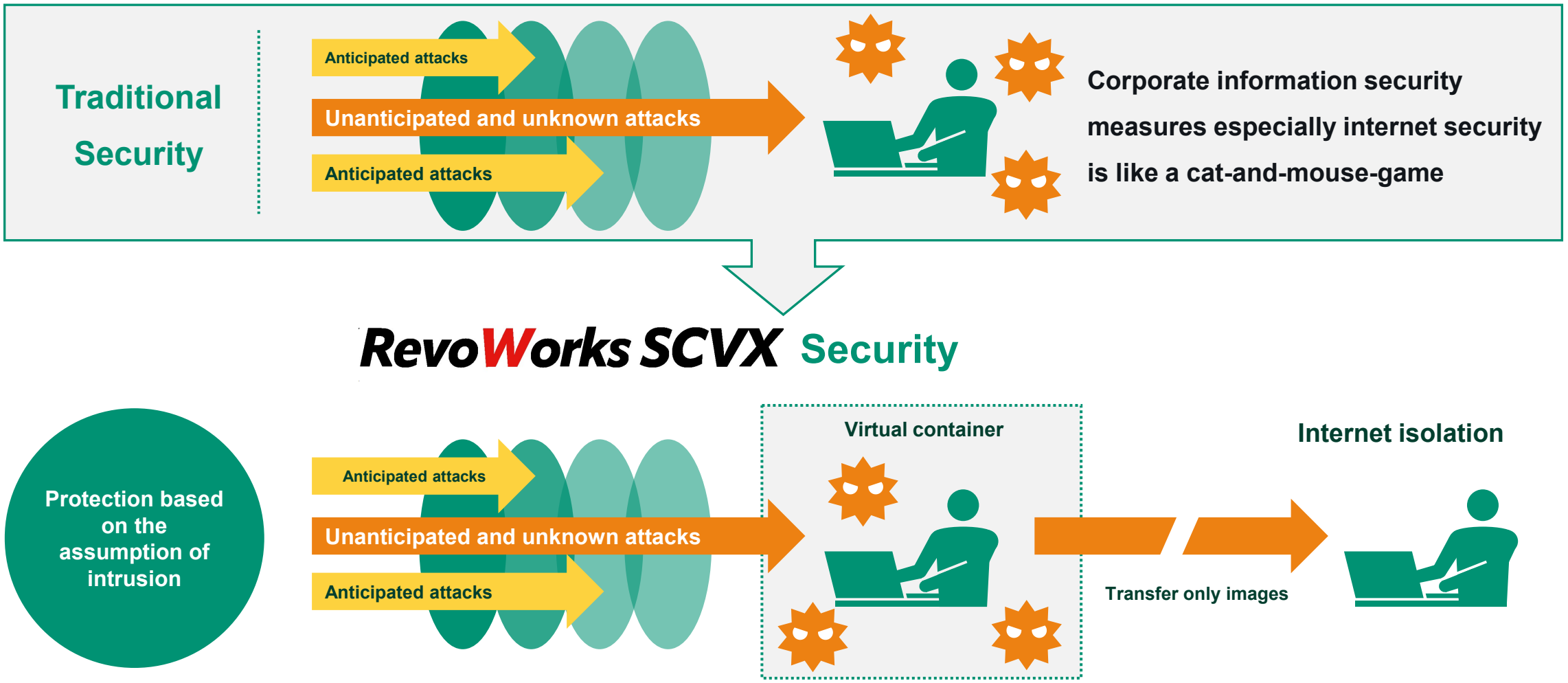
Structure of RevoWorks SCVX



1. Even if attacks occur, their impact is limited to virtual containers, and their PCs remain intact
2. By closing your PC browser, the virtual container disappears with malware

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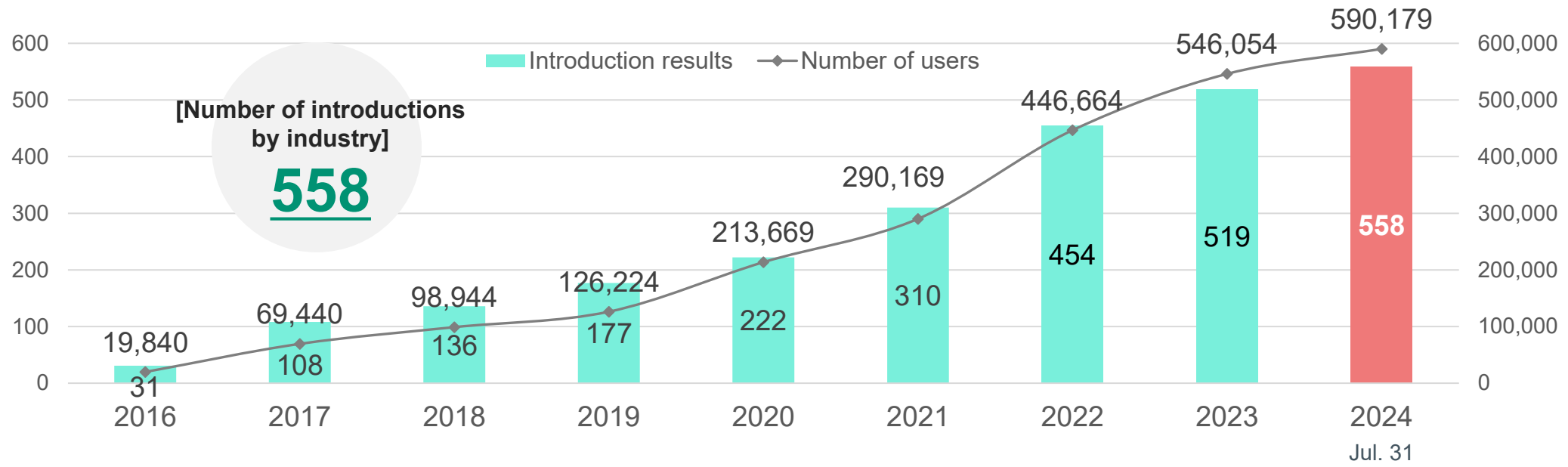
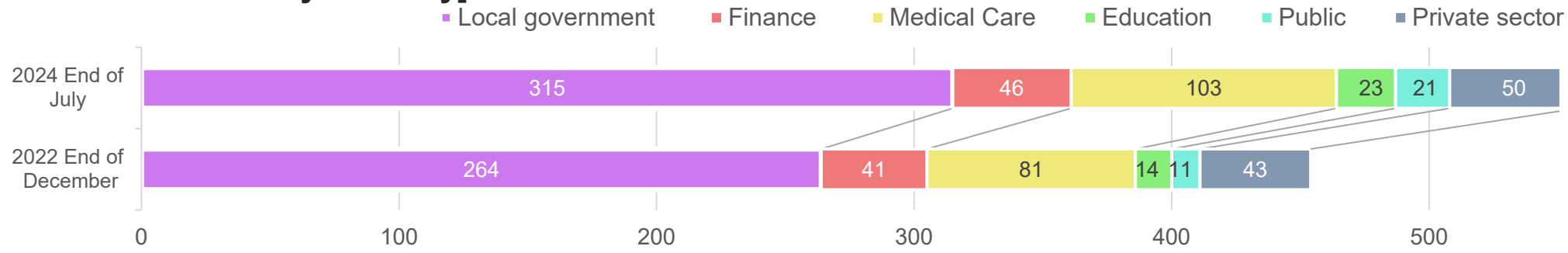
In-house Development Business：RevoWorks Introduction Results

In RevoWorks, despite the conclusion of special demand by local governments, sales remained steady, reflecting the acquisition of large-scale projects for prefectural governments, etc.

RevoWorks Introduction Results (As of July 31, 2024)



[Number of introductions by industry]



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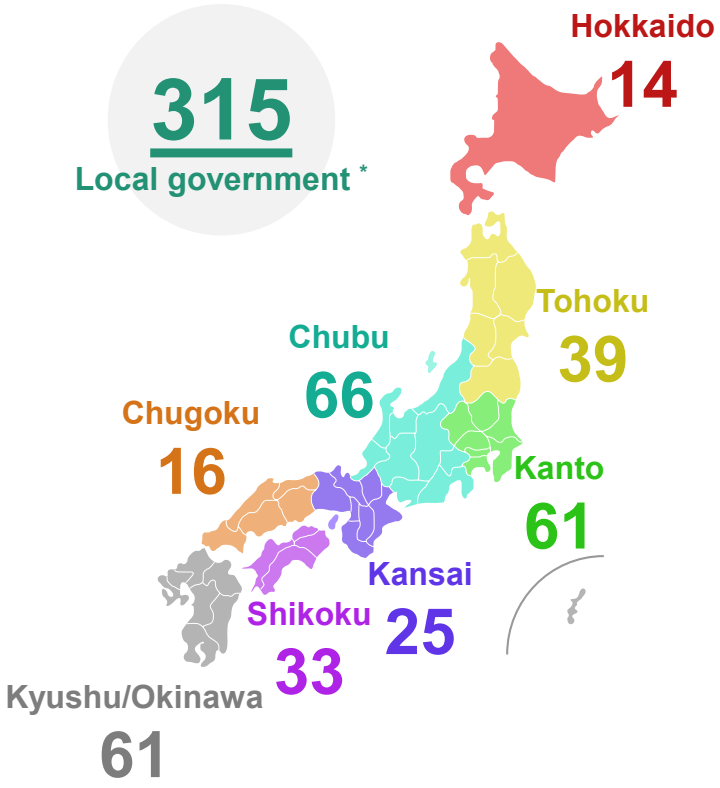
In-house Development Business：RevoWorks Introduction Results

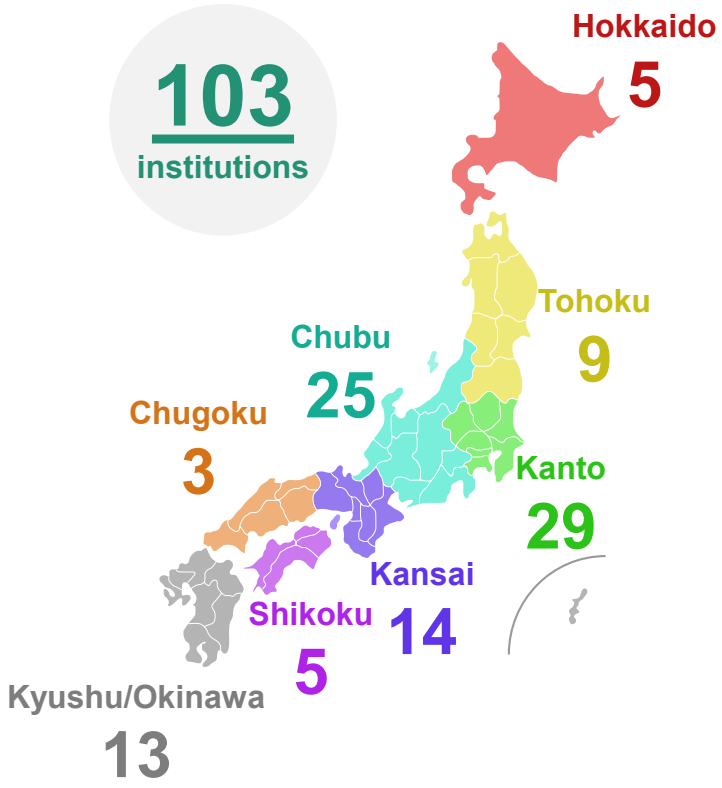
[Results of introduction to municipalities]

(As of Jul. 31, 2024)



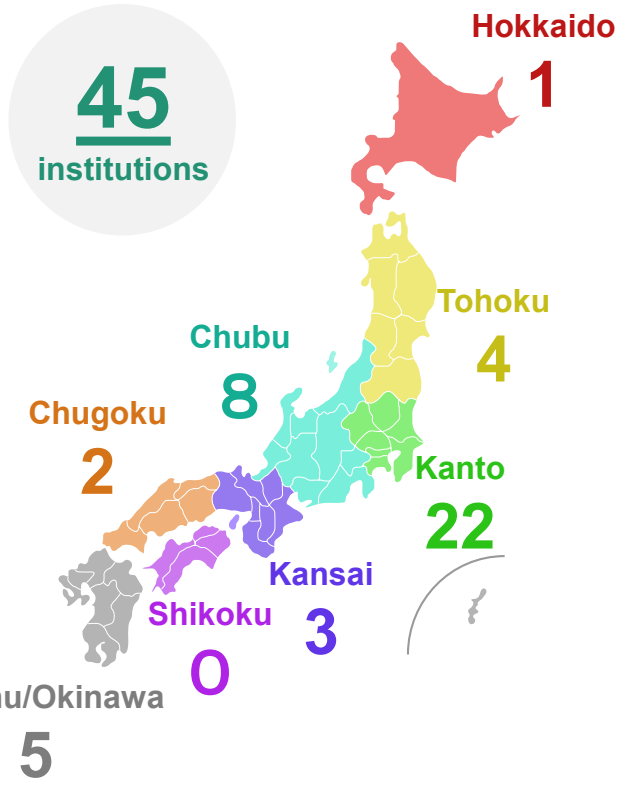
[Results of introduction to medical institutions]

(As of Jul. 31, 2024)



[Results of introduction to financial institutions]

(As of Jul. 31, 2024)



*Figures for municipalities are totals for prefectural and municipal governments.

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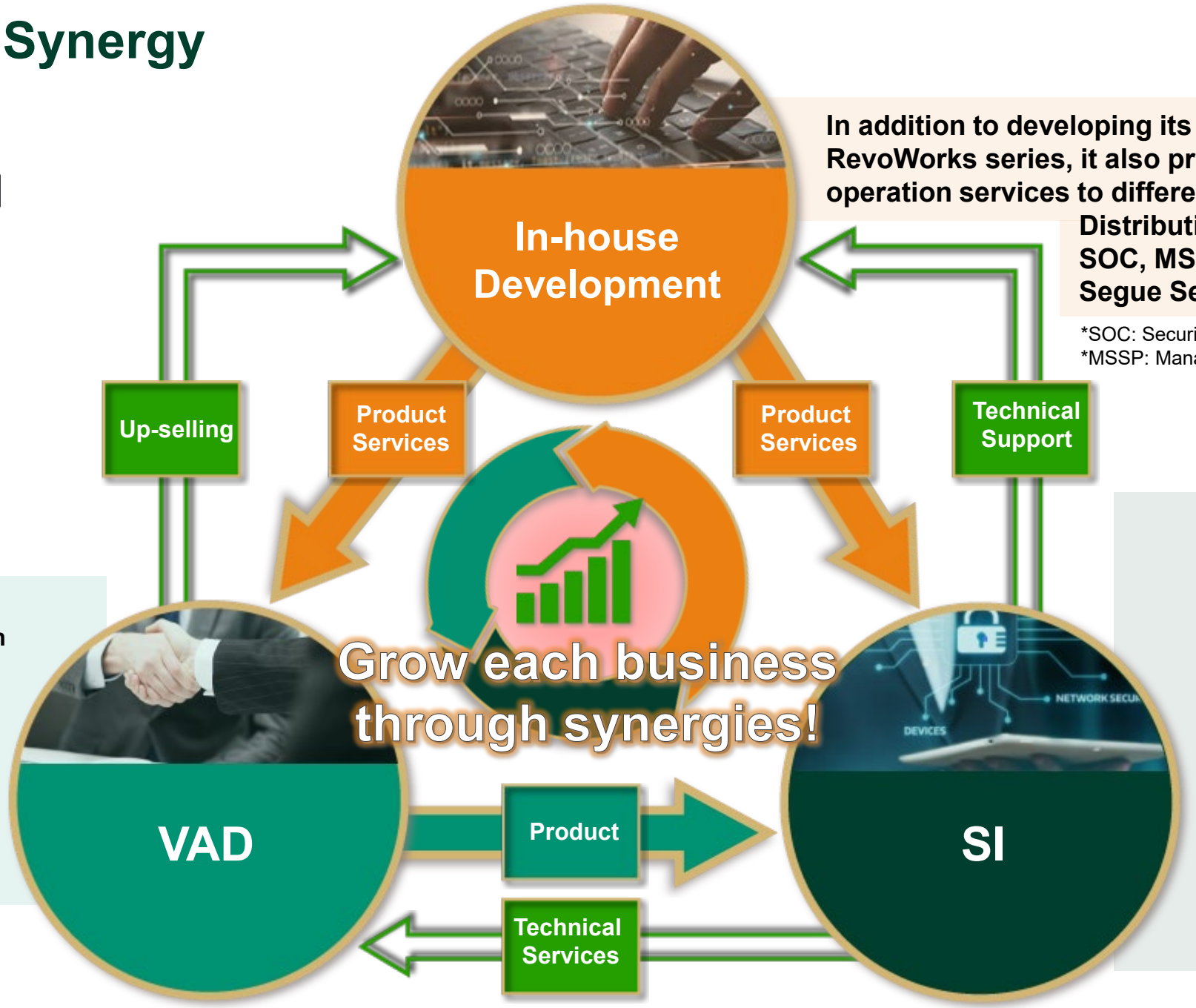
Business Synergy





In addition to developing its own product RevoWorks series, it also provides security operation services to differentiate its Value Added Distribution products through SOC, MSSP services based on Segue Security.

*SOC: Security Operations Center
*MSSP: Managed Security Service Provider

Import and sales support for products equipped with overseas advanced technologies. Differentiation by developing combined packaging sales of In-house Development and Value Added Distribution products.

Cultivate new customers by hooking on products of the In-house Development and the Value Added Distribution businesses and SES. We propose IT products that meet customer needs, not limited to products of the In-house Development and the Value Added Distribution businesses, and provide them along with various services. We will also develop DX projects.

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Strengths of Segue Group

1

Technology-oriented

In addition to highly specialized technologies for overseas security products and network and IT infrastructure products, open source, cloud, and AI technologies are also available. More than 70% of all employees are engineers.

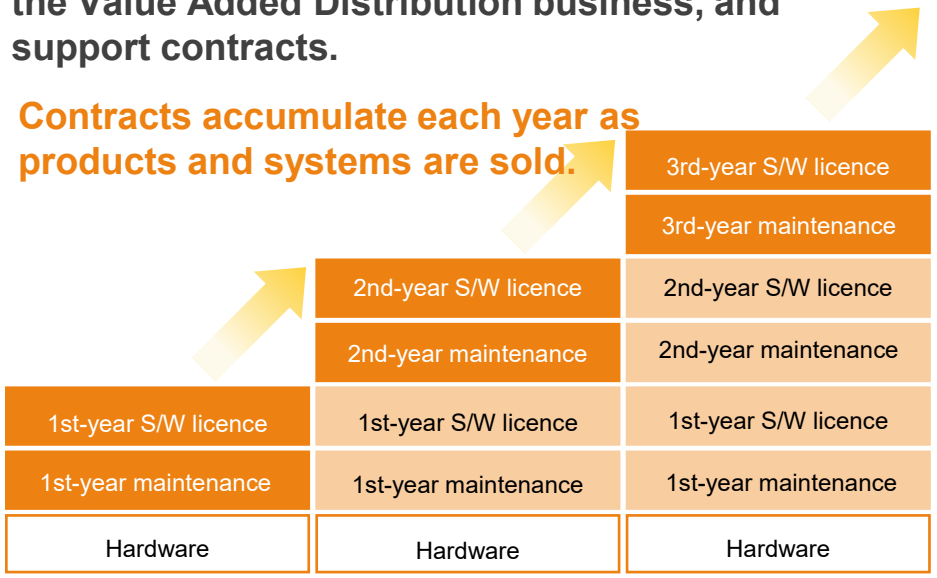
- **Security technology**
- **IT infrastructure technology**
- **Software**

2

Business model that can build a recurring revenue model

Stable revenue growth through relationships accumulated with partners/customers, mainly in the Value Added Distribution business, and support contracts.

Contracts accumulate each year as products and systems are sold.



3

Alliances with global manufacturers

- JUNIPER NETWORKS
- COMMSCOPE®
- RAPID7
- DARKTRACE
- SOPHOS
- cobaltstrike by HelpSystems
- FORESCOUT

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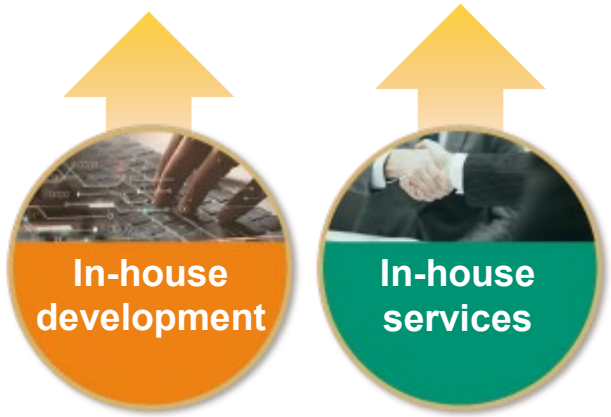
Growth Drivers of Segue Group

1

In-house Development

Focus on the development and sales of packaged software in the In-house Development business, including RevoWorks, an Internet separation solution, and WisePoint, an authentication solution. Top class market share among municipalities.



2

Security Value Added Distribution Business

Discover new security products and services in the Value Added Distribution Business, expand the portfolio by handling new products and services, upsell to existing industry-leading clients and partners, and develop new partner customers from new client manufacturers.

- Expansion of security product categories
- Combined sales of security products
- Addition of MSS, SOC and other services

3

White hat hacker



Provide countermeasure solutions ranging from security consulting by advanced security engineers to SOC, MSSP, forensics, etc. Recruit and train security engineers (white hat hackers).

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Reference: Investment and Other Results

Aiming to create various types of synergies, centered on IT companies

Invested in Feb. 2013:	Knowledge Suite, developing cloud-based CRM/SFA Businesses
➡ Dec. 2017:	Listed on the TSE Mothers market (currently the TSE Growth market)
Invested in Oct. 2017:	An unlisted company, planning, developing, and selling cloud services
➡	Transferred to a major IT company at a price significantly higher than when acquired
Invested in Sept. 2018:	TRIPLEIZE which develops AI engines independently and promote DX innovation
➡ May 2022:	Listed on TSE Growth market
Invested in Jan. 2019:	lafool, which provides mental data tech using AI
Invested in Dec. 2020:	ZenmuTech, proprietary secret distributed cryptography technology and concealed computing technology
Invested in Feb. 2021:	EAGLYS, which has data security technology centered on secure computing and AI design technology
Invested in Sept. 2021:	Fixpoint, which provides system operation automation tools
Invested in Nov. 2021:	manebi, which promotes on-line recruitment and training, and visualization of human resource development results
Invested in May 2023: (Additional Investment)	EAGLYS, which has data security technology centered on secure computing and AI design technology

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Reference: M&As and Other Results

Conduct M&As since 2010 to accelerate Group development

February 2010:	Acquired Shibatsu Osaka Office mainly for strengthening technological capabilities
November 2012:	Established JC Technology as a joint venture with a non-listed company engaged in system engineering and education and training
February 2013:	Established J's Telecom System in December 2012 and acquired the construction, operation, and maintenance Business of voice and IP network systems from unlisted companies
June 2013:	Made MY Workstation a subsidiary with the aim of increasing the number of sales partners
	(merged with J's Communication in January 2015)
April 2018:	Acquired Falcon System Consulting as a subsidiary to strengthen development capabilities
	(merged with J's Communication in January 2022)
March 2019:	Acquired Astem as a subsidiary to strengthen sales in the Kyushu and Chugoku regions
	(merged with J's Communication in January 2022)
November 2022:	Established Segue Security Co., Ltd. as a joint venture with Mr. Koji Morii, Representative of Leon Technology ,Inc., an ethical hacking company
December 2022:	First overseas expansion; Acquired ISS Resolution in Thailand to expand Business in ASEAN
May 2024:	Acquired First One Systems in Thailand as a subsidiary to further develop business in the ASEAN market
June 2024:	Acquired Techno Creation as a subsidiary to strengthen the System Integration Business

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Shareholder Returns

Dividends

FY2024	Interim dividend (forecast)	Year-end dividend (forecast)
Dividend per share	5 yen	6 yen
Payout ratio	50.0%	

Changes in dividends

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Dividend per share	5 yen (Commencement of dividends)	10 yen (Including 5 yen commemorative dividends)	16 yen (10 yen planned at the beginning of the term)	16 yen	18 yen (16 yen planned at the beginning of the term)	30 yen
Dividend payout ratio	15.1%	27.9%	29.2%	40.0%	27.4%	51.5%

Shareholder benefit plan

QUO cards valued at 15,000 yen will be rewarded to shareholders who hold 10 units (1,000 shares) or more of our stock as of the end of March and September, totaling 30,000 yen per year.

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Notes

The material is prepared solely for the purpose of providing information and is not intended for the purpose of offering, soliciting, or selling specific products, including our shares.

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. In charge of IR, Corporate Planning Department

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

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