

Posting of Cost of Sales (Provision for Valuation Reserve for Inventory Purchase Commitments and Loss on Valuation of Inventories), Non-Operating Income (Foreign Exchange Gains), Extraordinary Loss (Settlement Payments and Business Restructuring Expenses), and Revision of Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2024 (FY2023)

Tokyo, March 29, 2024 ----- Today Wacom Co., Ltd. (the “Company”) announced that the Company expected to post cost of sales (provision for valuation reserve for inventory purchase commitments and loss on valuation of inventories), non-operating income (foreign exchange gains), extraordinary loss (settlement payments and business restructuring expenses) for the fourth quarter of the fiscal year ending March 31, 2024 (January 1, 2024 to March 31, 2024), as described below.

In light of the above factors and recent performance trends and others, we have revised our consolidated financial forecast for the fiscal year ending March 31, 2024, announced in “Q3 FY 3/2024 Summary of Consolidated Financial Results” on January 31, 2024, as indicated below.

1) Posting of cost of sales (provision for valuation reserve for inventory purchase commitments and loss on valuation of inventories)

We have reviewed parts purchased by our suppliers (hereinafter referred to “①”), and inventories purchased by the Company (hereinafter referred to “②”), based on forecasts of our product production, taking into account changes in sales and other trends in the Branded business segment. As a result, we expected to post a cost of sale (expense) of a total of 2,035 million Japanese yen which can be reasonably estimated with a high probability as ultimately excessive procurements. For more information as the breakdown of the above amount, we expected to post a provision for valuation reserve for inventory purchase commitments of 716 million Japanese yen regarding the former ① and a loss on valuation of inventories of 633 million Japanese yen regarding the latter ② in the Branded Business segment, and a loss on valuation of inventories of 686 million Japanese yen regarding the latter ② in the Technology Solution Business segment.

2) Posting of non-operating income (foreign exchange gains)

We expected to post a foreign exchange gain of 1,505 million Japanese yen due to exchange rate fluctuations. This factor mainly arises from the evaluation of foreign currency denominated receivables and payables held by the Company with the assumed exchange rates at the end of fiscal year.

3) Posting of extraordinary loss (settlement payments)

We have reviewed parts purchased by our suppliers based on forecasts of our product production, taking into account changes in sales and other trends in the Branded Business segment. As a result, we have held settlement discussions with some suppliers for treatment of their excessive procurements. Today the Company resolved at a meeting of its Board of Directors to pay a total of 2,553 million Japanese yen as settlement payments. We refrain from disclosing the details of the settlements in accordance with the obligations of confidentiality.

4) Posting of extraordinary loss (business restructuring expenses),

We expected to post extra retirement payments of 647 million Japanese yen due to the implementation of business restructuring.

Regarding the impacts from the factor 1), 2), 3), and 4) mentioned above on the financial forecasts, please refer to "5. Revised consolidated financial forecasts for the fiscal year of FY2023 (period from April 1, 2023 to March 31, 2024)" below.

5) Revised consolidated financial forecasts

For the fiscal year of FY2023 (period from April 1, 2023 to March 31, 2024)

	Net sales (million yen)	Operating profit (million yen)	Ordinary profit (million yen)	Profit attributable to owners of parent (million yen)	Net profit per share (yen)
Previously announced forecast (A)	117,000	5,300	6,700	4,900	31.75
Revised forecasts (B)	118,000	5,300	8,200	3,700	24.09
Amount of changes (B- A)	1,000	-	1,500	-1,200	
Percentage change (%: B to A)	0.9	-	22.4	-24.5	
(Reference) Results for the previous fiscal year	112,730	2,013	2,868	1,792	11.34

Revised assumptions of foreign exchange rate:

1 US Dollar = 150 Japanese yen (previous assumption: 142 Japanese yen)

1 Euro = 163 Japanese yen (previous assumption: 155 Japanese yen)

Principal reasons for the revisions

Reflecting the impacts from the factor 1), 2), 3), and 4) mentioned above and the latest forecast by each segment, the previous consolidated financial forecasts for the fiscal year ending March 31, 2024 have been revised upward for net sales, unchanged for operating profit, revised upward for ordinary profit, and downward for profit attributable to owners of parent. The upward revision for net sales was due to an expected continuation of increased demand

further than assumed in the Technology Solution Business, despite lower sales than assumed in the Branded Business in the previously announced forecast. Operating profit was unchanged by reflecting the impact from the factor 1) mentioned above in addition to the sales revision mentioned above and further reduction of SG&A expenses. The upward revision for ordinary profit is mainly due to the impact from the factor 2) mentioned above in addition. The downward revision for net profit attributable to owners of parent are mainly due to the impact from the factor 3) and 4) mentioned above.

As noted above, the assumed foreign exchange rates for the remainder of the current fiscal year have been revised.

According to "Wacom Group Medium-Term Business Direction: Wacom Chapter 3 Update Report" announced on May 11, 2023, we have designated the second half of Wacom Chapter 3 (FY 03/2023 to FY 03/2024) as a period of business structure transformation and will be focusing on restructuring measures.

Others

No revision was made to the dividend forecast for the full year ending March 2024 announced on January 31, 2024 at the present.

Note: The above forecasts are based on currently available information and assumptions as of the announcement date. Please note that actual results could materially differ from these forecasts due to various factors not counted initially.

(*) This is translated to English from a Japanese announcement solely for convenience of non-Japanese readers.

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