

Q3 FY 3/2022 Summary of Consolidated Financial Results

January 31, 2022

Company Name Wacom Co., Ltd.

(Code Number: 6727 TSE1)

(URL <https://www.wacom.com>)

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Preparation of Supplemental Explanatory Material for Financial Results: Yes

Holding of Large Meeting for Financial Results: No

1. Q3 FY 3/2022 Consolidated Financial Results (April 1, 2021 – December 31, 2021)

(1) Business Performance (Consolidated)

(Round off to mY)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
	mY	%	mY	%	mY	%	mY	%
Q3 FY 3/2022	81,179	-4.7	12,340	-3.4	12,773	1.6	9,633	2.4
Q3 FY 3/2021	85,194	20.0	12,773	123.6	12,574	130.2	9,404	117.6

(Note) Comprehensive income Q3 FY 3/2022 9,969 mY (3.8%) Q3 FY 3/2021 9,605mY (140.2%)

	Net Income per Share		Diluted Net income per Share	
	Yen	Sen	Yen	Sen
Q3 FY 3/2022	59.51		—	
Q3 FY 3/2021	57.89		—	

(2) Financial Position (Consolidated)

	Total Assets	Net Assets	Capital Ratio	Net Assets per Share	
	mY	mY	%	Yen	Sen
Q3 FY 3/2022	71,786	41,600	57.9	261.67	
FY 3/2021	71,181	37,689	52.9	232.00	

(For Ref.) Capital: Q3 FY3/2022 41,600 mY FY 3/2021 37,689 mY

2. Dividend

(Record date)	Dividend Per Share				
	Q1	H1	Q3	End of FY	FY Total
	Yen Sen	Yen Sen	Yen Sen	Yen Sen	Yen Sen
FY 3/2021	-	0.00	-	19.00	19.00
FY 3/2022	-	-	-		
FY 3/2022 (forecast)				15.00	15.00

(Note) Changes in dividend per share forecast of FY3/2022 : No

Dividend per share for FY 3/2021: Ordinary dividend of 13.50 yen and special dividend of 5.50 yen

3.Consolidated Business Forecast of FY 3/2022 (April 1, 2021 – March 31, 2022)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Net Profit per Share Outstanding
	mY	%	mY	%	mY	%	mY	%	Yen Sen
Full Year	103,000	-5.1	12,500	-6.8	13,000	-7.7	9,700	-5.1	60.20

Changes in Business Forecasts of FY 3/2022 : Yes

(Note) For details, please refer to page 8, “Consolidated performance forecast and other forward-looking information” of the attached materials.

4.Other

- 1) Reclassification of significant subsidiaries during the period (Reclassification due to the change in scope of consolidation) : No
- 2) Adoption of specific accounting policies for quarterly financial statements : Yes
- 3) Changes in accounting principles, procedures and methods of presentation in consolidated financial statement
 - Changes resulting from revisions in accounting standards : Yes
 - Changes other than those above : No
 - Changes resulting from accounting estimates : No
 - Changes resulting from restatements : No
- 3) Numbers of shares outstanding (Common stock)

Number of shares outstanding at end of the period (Including treasury stock):

	Shares		Shares
Q3 FY 3/2022	166,546,400	FY 3/2021	166,546,400

Number of treasury stock outstanding at end of the period:

	Shares		Shares
Q3 FY 3/2022	7,570,592	FY 3/2021	4,097,161

Average number of shares outstanding during the period:

	Shares		Shares
Q3 FY 3/2022	161,857,845	Q3 FY 3/2021	162,435,896

*These financial results are not subject to review procedures.

* Forward-looking statements regarding future events and performance contained in this presentation are based on currently available information and involve risks and uncertainties. Please note that actual results could materially differ from those expressed or implied by the forward-looking statements in this presentation due to these risks and uncertainties.

(Accompanying data)

Consolidated Balance Sheet, Consolidated Profit and Loss Statement, Consolidated Comprehensive Profit Statement, Consolidated Cash Flow Statement, Notes to Financial Statements, Segment Information and Other information, and Supplementary Information.

1. Qualitative Information and Financial Statements

(1) Consolidated business performance

Note: All comparisons are with the same period of the previous fiscal year unless otherwise stated. Amounts for financial results are rounded to the nearest million yen.

During the first three quarters of the fiscal year ending March 31, 2022 (April 1, 2021 to December 31, 2021), amid the global Coronavirus (COVID-19) pandemic, it became apparent that the recovery trends for different economies were diverging – which can be attributed to differences in the progress of vaccination programs and the effectiveness of policy support in individual countries. Despite rapid economic recovery in developed countries such as the United States, the outlook nevertheless remains uncertain with the risk of economic growth decelerating due to increasing inflationary pressures, shrinking financial support and a resurgence of COVID-19 cases due to the emergence of new variants. In this environment, the IT industry has witnessed mobile, cloud, big data, and social networks grow in importance due to restrictions on the movement of people around the world, technological innovations, and an associated increase in convenience. In addition, new technologies have been evolving to distribute digital artwork; this utilizes the metaverse, in which real world activities can be carried out in the virtual space of the internet, and also blockchain technology, which is closely linked to the metaverse. Relative to the average exchange rate of the same period of the previous fiscal year, the yen was slightly weaker against the US dollar and the euro, and weaker against the renminbi, reflecting market sentiment with respect to the global economy and the monetary and trade policies of major economies. The estimated impact of currency fluctuations on financial results is for a positive impact of approximately ¥4.4 billion on consolidated net sales and a positive impact of approximately ¥1.3 billion on consolidated operating profit.

Under this business environment, Wacom Group formulated and announced its Medium-Term Business Direction: “Wacom Chapter 3” on May 12, 2021. Under this plan, the final year of which is the fiscal year ending March 2025, we aim to leverage our leadership in markets associated with digital pen and ink technologies to achieve “Meaningful Growth” – not only financial growth but also the growth that our customers experience as the result of using our products and services, growth through the accumulation of knowledge in society and its diverse communities, and growth through the self-realization of people. In the first quarter of the fiscal year ending March 31, 2022, we promoted growth strategies for the future, in collaboration with partner companies to further develop our business model in growing fields such as education, VR (Virtual Reality), MR (Mixed Reality), 3D printing, AI (Artificial Intelligence), and data security. We also implemented groupwide measures to improve productivity and cost structures through improved management decision-making.

In the Branded Business segment, we worked to enhance technological innovation and improve customer service to deliver the ultimate creative experience to each customer. In the first half of the current fiscal year, overall sales of the Branded Business segment fell below those of the same period of the previous fiscal year due to decreased sales of mid-to-low priced pen tablet products, despite increased sales of display products for professionals in the Creative Solution category.

In the Technology Solution Business segment, in addition to continuing efforts to position our digital pen technologies with Active-ES (electrostatic) and EMR (Electromagnetic Resonance) as the de facto standard, we undertook to expand the adoption of digital pen technologies for tablet and notebook PC devices and develop business opportunities in the educational market. In the first half of the current fiscal year, overall sales in the Technology Solution Business segment fell below those of the same period of the previous fiscal year due to decreased sales of EMR technology solution and others, mainly resulting from the change in product portfolio of an OEM partner manufacturer, despite increased sales of Active-ES technology solution.

As a company-wide initiative in line with the strategic direction of our medium-term business plan, we proactively invested in the development of new core technologies and business models to enhance growth with a view towards financial efficiency. In November 2021, we held a community event, "Connected Ink 2021", with the theme of “Creative Chaos” co-created by partners across diverse fields such as art, education, and technology, focusing on the origin of human creativity. During the event, we announced initiatives with diverse partners to make full use of the latest digital

transformation and ink technology. A new outside female director was appointed to the Board of Directors in June 2021, and efforts were made to further enhance the quality of management by stimulating substantive discussions among Board members with diverse and specialized viewpoints. Regarding our production system, we have transferred some main production lines in the Branded Business out of China since the fiscal year ended March 2020. In connection with these activities, CBP (U.S. Customs and Border Protection) approved changes meaning that supplementary tariffs imposed on Chinese goods by the U.S. would not be applied to some product models of the Branded Business exported to the U.S. Based on this approval, we reviewed overall tariffs and reduced their negative impact to cost of sales by approximately ¥0.9 billion.

Note: For the impact of the COVID-19 pandemic on Wacom Group's business activities during the current fiscal year and our COVID-19 related initiatives, please see page 6.

For the first three quarters of the current fiscal year ending March 31, 2022, consolidated net sales decreased 4.7% to ¥81,179 million and operating profit decreased 3.4% to ¥12,340 million. Ordinary profit increased 1.6% to ¥12,773 million and net profit attributable to owners of parent increased 2.4% to ¥9,633 million, due to ¥ 417 million of foreign exchange gains in non-operating income. (¥226 million of foreign exchange losses in non-operating expenses in the same period of the previous fiscal year).

Business results by segment

Business results by segment are described below. All comparisons are with the same period of the previous fiscal year, unless otherwise noted.

1. Branded Business

Creative Solution

In the Creative Solution category, overall sales slightly decreased due to decreased sales of pen tablet products, despite higher sales of display products for professionals. In addition, some products have been made compatible with Android OS and Chrome OS since the fiscal year ended March 31, 2021.

Display products

Sales of *Wacom Cintiq Pro* were significantly higher due to active sales initiatives. In October 2021, we announced the new *Wacom Cintiq Pro 16* designed to offer ease of use for creators. Sales of *Wacom Cintiq* were also slightly higher than the same period of the previous fiscal year. Sales of *Wacom One 13*, introduced in the fiscal year ended March 31, 2020, were lower. As a result, overall sales of display products showed a slight increase.

Pen tablet products

Sales of the *Wacom Intuos Pro* series slightly grew, as active sales initiatives mitigated the impact of factors such as length of time since launch. Sales of *Wacom Intuos* series were significantly lower, mainly due to the length of time since product launch and consequent drop off in demand. Sales of *One by Wacom* slightly decreased. As a result, overall sales of pen tablet products declined.

Mobile products and others

Amid the expanding market for digital pen-equipped tablets, the competitive environment has changed significantly, and sales of mobile products increased on the back of contribution from *Wacom Mobile Studio Pro*, a Windows 10-based creative tablet announced in the fiscal year ended March 31, 2020. Sales of stylus pen products were lower. As a result, overall sales of mobile products and others decreased slightly.

Business Solution

Business Solution sales increased as a result of active marketing that led to significantly higher sales of LCD pen tablets.

As a result of the above, overall sales in the Branded Business segment for the three quarters of the current fiscal year ending March 31, 2022 decreased 5.5% to ¥42,042 million, and segment profit increased 6.0% to ¥8,871 million.

2. Technology Solution Business

AES technology solution

Sales in the AES technology solution category increased year on year despite production and supply chain-related operational constraints. AES digital pen products continue to be well received by OEM partner manufacturers.

EMR technology solution, others

Overall sales of our EMR technology solution were lower, due to decreased sales to OEM partner manufacturers, resulting from a change in the product portfolio of an OEM partner manufacturer and supply chain-related operational constraints in the production process.

As a result of the above, overall sales in the Technology Solution Business segment for the first three quarters of the current fiscal year ending March 31, 2022, decreased 3.9% to ¥ 39,137 million, and segment profit decreased 15.2% to ¥6,700 million.

The impact of the COVID-19 pandemic on Wacom Group's business activities of the current fiscal year and our COVID-19 related initiatives are as follows:

In the Branded Business segment in the first three quarters of the current fiscal year (April 2021 to December 2021), economic activity had generally resumed in many markets and sales activities were robust. As a result, sales recovery was seen in the Creative Solution (mainly display and pen tablet products for professionals) and Business Solution categories. Sales of medium-priced pen tablet products in the Creative Solution category were negatively impacted by a drop in demand. In the Technology Solution Business segment, constraints on manufacturing and supply chain operations had a negative impact on sales of AES technology solutions in the first three quarters of the current fiscal year, reflecting resurgence of the COVID-19 pandemic in Southeast Asia, China's zero-COVID strategy, and global shortage of semiconductors.

In respect to company-wide initiatives to fulfill our responsibility as a corporate citizen to help prevent the spread of COVID-19, we have maintained a flexible work system (including remote working) across our global workforce to ensure the safety of all employees while seeking a new style of work system after COVID-19.

(2) Consolidated financial position

1.Assets, Liabilities, and Net assets

Total assets as of December 31, 2021, increased by ¥605 million to ¥71,786 million compared to the end of the previous fiscal year. The main factors contributing to this were increases of ¥5,362 million in accounts receivable – trade, ¥4,013 million in merchandise and finished goods, and ¥3,067 million in raw materials and supplies, and a decrease of ¥14,317 million in cash and deposits.

Total liabilities as of December 31, 2021, decreased by ¥3,306 million to ¥30,186 million compared to the end of the previous fiscal year. The main factors contributing to this were increases of ¥5,115 million in accounts payable – trade and ¥1,866 million in other of current liabilities, and decreases of ¥4,000 million in current portion of long-term borrowings, ¥3,315 million in provision for bonuses, and ¥3,075 million in income taxes payable.

Total net assets as of December 31, 2021, increased by ¥3,911 million to ¥41,600 million compared to the end of the previous fiscal year. The main contributing factors were an increase of ¥9,633 million due to recorded profit attributable to owners of parent, and decreases of ¥3,087 due to the payment of shareholder's dividends and ¥2,981 due to an increase in treasury shares. As a result, the capital ratio increased by 5.0 points to 57.9% compared to the end of the previous fiscal year.

2.Cash Flow

Consolidated cash and cash equivalents as of December 31, 2021 totaled ¥17,726 million, a ¥14,317 million decrease from the end of the previous fiscal year (compared to a ¥5,484 million increase in the same period of the previous fiscal year).

Cash Flow from Operating Activities

Cash flow used from operating activities for the first three quarters of the current fiscal year ending March 31, 2022, was ¥3,388 million (compared to ¥13,877 million gained in the same period of the previous fiscal year). The main factors contributing to cash outflow were an increase of ¥7,142 million in inventories, ¥7,111 million in income taxes paid, and an increase of ¥5,202 million in increase in trade receivables. The main factors contributing to cash inflow were ¥12,752 million of profit before income taxes and an increase of ¥4,887 million in trade payables.

Cash Flow from Investing Activities

Cash flow used for investing activities for the first three quarters of the current fiscal year ending March 31, 2022, was ¥1,246 million (compared to ¥4,221 million used in the same period of the previous fiscal year). The main contributing factors were ¥970 million of purchase of property, plant and equipment, and ¥142 million of purchase of intangible fixed assets.

Cash Flow from Financing Activities

Cash flow used for financing activities for the first three quarters of the current fiscal year ending March 31, 2022, was ¥10,402 million (compared to ¥3,945 million used in the same period of the previous fiscal year). The main contributing factors were ¥4,000 million of repayments of long-term borrowings, ¥3,079 million of payment for shareholders' dividends, and ¥3,006 of purchase of treasury shares.

(3) Consolidated performance forecasts and other forward-looking information

In light of recent performance trends and other factors, we have revised our consolidated financial forecast for the fiscal year ending March 31, 2022, announced in the Summary of Consolidated Financial Results for the second quarter ending March 31, 2022, on October 29, 2021, as described below.

Revised consolidated financial forecasts

For the full year of FY2021 (period between April 1, 2021 and March 31, 2022)

	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)	102,000	12,000	12,000	8,800	54.43
Revised forecasts (B)	103,000	12,500	13,000	9,700	60.20
Amount of changes (B-A)	1,000	500	1,000	900	
Percentage change (%: B to A)	1.0	4.2	8.3	10.2	
(Reference) Results for the previous fiscal year	108,531	13,407	14,091	10,226	62.95

Revised assumptions of foreign exchange rate:

1 US Dollar = 111 Japanese yen (previous assumption: JPY108)

1 Euro = 128 Japanese yen (previous assumption: JPY128)

Principal reasons for the revision:

Amid continuing uncertainty in the business environment surrounding our group, net sales for the full year are expected to be slightly higher than the previously announced forecast, reflecting the business results of the first three quarters of the current fiscal year and recent business performance trends. Operating profit, ordinary profit and net profit attributable to owners of parent are also expected to exceed previous forecasts. This is mainly due to the positive impact of foreign exchange gains on non-operating income, in addition to an increase in sales.

As mentioned above, the assumed foreign exchange rate for the second half of the current fiscal year has been revised in line with the revision of the forecast.

As for details of the forecasts by business segment, please refer to the attached "Supplementary Information."

Given the continued uncertainty in the business environment, the Company is not revising its dividend forecast at this time. The Company's basic policy for profit distribution is to maintain stable dividends and to buy back shares flexibly while securing the internal reserves necessary for future business development and to strengthen its financial position. After assessing the progress of business performance in the current fiscal year, we may publicly announce a revision of the dividend forecast if conditions warrant such a decision.

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.

2. Consolidated Financial Statements and Significant Notes

(1) Summary of Consolidated Balance Sheet

(Thousands of yen)

	FY 3/2021 (as of March 31, 2021)	Q3 FY 3/2022 (as of December 31, 2021)
Assets		
Current assets		
Cash and deposits	32,042,603	17,726,097
Accounts receivable-trade	10,807,775	16,169,906
Merchandise and finished goods	12,217,001	16,230,428
Work in process	192,564	546,066
Raw materials and supplies	2,095,489	5,162,249
Other	3,649,870	4,654,068
Allowance for doubtful accounts	-31,991	-61,491
Current assets	60,973,311	60,427,323
Non-current assets		
Property, plant and equipment		
Other	4,936,804	5,438,563
Property, plant and equipment	4,936,804	5,438,563
Intangible assets		
Other	1,531,827	1,447,331
Intangible assets	1,531,827	1,447,331
Investments and other assets		
Other	3,797,713	4,473,080
Allowance for doubtful accounts	-58,321	—
Investments and other assets	3,739,392	4,473,080
Non-current assets	10,208,023	11,358,974
Assets	71,181,334	71,786,297
Liabilities		
Current liabilities		
Accounts payable-trade	10,880,110	15,995,455
Current portion of long-term borrowings	4,000,000	—
Income taxes payable	3,984,039	909,498
Provision for bonuses	4,140,060	825,126
Provision for bonuses for directors (and other officers)	110,926	34,796
Provision for product warranties	443,863	393,816
Other	6,047,010	7,913,318
Current liabilities	29,606,008	26,072,009
Non-current liabilities		
Long-term borrowings	2,000,000	2,000,000
Retirement benefit liability	933,859	987,650
Asset retirement obligations	262,557	290,977
Other	690,093	835,722
Non-current liabilities	3,886,509	4,114,349
Liabilities	33,492,517	30,186,358

(Thousands of yen)

	FY 3/2021 (as of March 31, 2021)	Q3 FY 3/2022 (as of December 31, 2021)
Net assets		
Shareholders' equity		
Share capital	4,203,469	4,203,469
Capital surplus	6,103,758	6,113,437
Retained earnings	29,430,675	35,976,776
Treasury shares	-1,864,850	-4,845,646
Shareholders' equity	37,873,052	41,448,036
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	114	890
Foreign currency translation adjustment	-183,303	153,079
Remeasurements of defined benefit plans	-1,046	-2,066
Valuation and translation adjustments	-184,235	151,903
Net assets	37,688,817	41,599,939
Liabilities and net assets	71,181,334	71,786,297

(2) Consolidated Profit & Loss Statement

(Thousands of yen)

	Q3 FY 3/2021 (Apr.1, 2020 to Dec.31, 2020)	Q3 FY 3/2022 (Apr.1, 2021 to Dec.31, 2021)
Net sales	85,194,481	81,179,173
Cost of sales	52,063,414	49,926,925
Gross profit	33,131,067	31,252,248
Selling, general and administrative expenses	20,357,750	18,912,040
Operating profit	12,773,317	12,340,208
Non-operating income		
Interest income	46,329	20,142
Foreign exchange gains	—	417,232
Other	52,690	39,069
Non-operating income	99,019	476,443
Non-operating expenses		
Interest expenses	29,809	24,316
Foreign exchange losses	225,626	—
Settlement package	42,648	13,000
Other	412	6,004
Non-operating expenses	298,495	43,320
Ordinary profit	12,573,841	12,773,331
Extraordinary income		
Gain on sale of non-current assets	—	1,882
Extraordinary income	—	1,882
Extraordinary losses		
Loss on sale of non-current assets	1,608	6,369
Loss on retirement of non-current assets	2,654	16,440
Loss on valuation of investment securities	50,171	—
Extraordinary losses	54,433	22,809
Profit before income taxes	12,519,408	12,752,404
Income taxes	3,115,305	3,119,767
Profit	9,404,103	9,632,637
Profit attributable to owners of parent	9,404,103	9,632,637

Consolidated Comprehensive Income Statement

(Thousands of yen)

	Q3 FY 3/2021 (Apr.1, 2020 to Dec.31, 2020)	Q3 3/2022 (Apr.1, 2021 to Dec.31, 2021)
Profit	9,404,103	9,632,637
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	2,060	776
Foreign currency translation adjustment, net of tax	200,592	336,382
Remeasurements of defined benefit plans, net of tax	-2,239	-1,020
Other comprehensive income	200,413	336,138
Comprehensive income	9,604,516	9,968,775
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,604,516	9,968,775
Comprehensive income attributable to non-controlling interests	—	—

(3) Summary of Consolidated Cash Flow Statement

(Thousands of yen)

	Q3 FY 3/2021 (Apr.1, 2020 to Dec 31, 2020)	Q3 FY 3/2022 (Apr.1, 2021 to Dec 31, 2021)
Cash flows from operating activities		
Profit before income taxes	12,519,408	12,752,404
Depreciation	1,727,373	1,403,606
Share-based payment expenses	6,265	16,870
Increase (decrease) in allowance for doubtful accounts	36,626	-29,737
Increase (decrease) in provision for bonuses	2,066,996	-3,349,439
Increase (decrease) in provision for bonuses for directors (and other officers)	25,895	-76,129
Increase in retirement benefit liability	17,673	52,234
Interest and dividend income	-46,329	-20,142
Interest expenses	29,809	24,316
Foreign exchange losses (gains)	482,795	-460,821
Loss (gain) on sale of property, plant and equipment	1,608	4,487
Loss on retirement of property, plant and equipment	18	14,994
Loss on retirement of intangible assets	2,636	1,446
Loss (gain) on valuation of investment securities	50,171	—
Decrease (increase) in trade receivables	-4,988,561	-5,202,263
Decrease (increase) in inventories	-5,933,257	-7,141,524
Increase (decrease) in trade payables	8,123,680	4,887,381
Increase (decrease) in accrued consumption taxes	-215,923	-119,531
Other	1,047,334	958,513
Subtotal	14,954,217	3,716,665
Interest and dividends received	47,130	29,287
Interest paid	-27,867	-22,808
Income taxes paid	-1,096,047	-7,110,884
Net cash provided by (used in) operating activities	13,877,433	-3,387,740
Cash flows from investing activities		
Payments into time deposits	-3,138,000	—
Purchase of property, plant and equipment	-886,379	-969,771
Purchase of intangible assets	-159,772	-141,871
Purchase of investment securities	—	-112,000
Proceeds from sale of property, plant and equipment	148	2,542
Payments of leasehold and guarantee deposits	-38,039	-28,091
Proceeds from refund of leasehold and guarantee deposits	719	3,626
Net cash provided by (used in) investing activities	-4,221,323	-1,245,565
Cash flows from financing activities		
Repayments of short-term borrowings	-500,000	—
Repayments of long-term borrowings	-2,000,000	-4,000,000
Purchase of treasury shares	—	-3,005,964
Repayments of lease liabilities	-308,739	-317,461
Dividends paid	-1,136,291	-3,078,638
Net cash provided by (used in) financing activities	-3,945,030	-10,402,063
Effect of exchange rate change on cash and cash equivalents	-227,282	718,862

Net increase (decrease) in cash and cash equivalents	5,483,798	-14,316,506
Cash and cash equivalents	21,541,467	32,042,603
Cash and cash equivalents	27,025,265	17,726,097

(4) Notes for quarterly consolidated financial statements

(Notes relating to the assumptions of the going concern)

Not applicable

(Notes on significant changes in the amount of shareholders' equity)

The Company acquired treasury stock based on the resolution at a meeting of its Board of Directors held on July 30, 2021, and treasury stock increased by 1,000 million yen (1,346,700 shares) in the first three quarters of the current fiscal year. The Company also acquired treasury stock based on the resolution at a meeting of its Board of Directors held on October 29, 2021, and treasury stock increased by 2,000 million yen (2,168,800 shares) in the first three quarters of the current fiscal year. In addition, the Company disposed treasury stock used for restricted stock compensation based on the resolution at a meeting of its Board of Directors held on July 12, 2021, and treasury stock decreased by 19 million yen (42,110 shares) in the first three quarters of the current fiscal year. As a result, treasury stock at the end of the first three quarters of the current fiscal year is 4,846 million yen (7,570,592 shares), including the increase by repurchase of fractional shares.

(Adoption of specific accounting policies for quarterly financial statements)

Concerning tax expenses, the Company reasonably estimated effective tax rate for profit before income taxes for the current fiscal year, which includes the current first three quarters, by applying tax-effect accounting. Then it calculated tax expenses for the current first three quarters by multiplying the amount of loss before income taxes for the current first three quarters by the estimated effective tax rate for the current fiscal year.

(Changes in accounting policies)

(Adoptions of the accounting standard regarding revenue recognition)

The Company adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) from the beginning of the first quarter of the current fiscal year, and decided to recognize its revenue by the amount expected to be received in exchange for service, at the timing when it transfers a promised good or service to the customer. Hence, regarding charged supply transactions with repurchase obligation, the Company recognizes inventories for the year-end inventories of supplies remaining at charged supply destinations as financial transactions, and also recognizes liabilities related to charged supply transactions.

In addition, regarding some rebates, the Company changed and adopted a new method to recognize as liabilities related to rebates, from the previous method to deduce from accounts receivable - trade.

Adoption of the accounting standard regarding revenue recognition follows transitional provisions defined in the proviso of paragraph 84 of "Accounting Standard for Revenue Recognition", and the Company adopted new accounting standard from the balance at the beginning of the first quarter of the current fiscal year, and adjusted the amount of retained earnings at the beginning of the current period, calculating cumulative impact when the new standard is applied retroactively before the beginning of the first quarter of the current fiscal year. However, the new standard wasn't applied retroactively to the contracts which of almost all revenue was recognized according to the hitherto treatments, applying the method defined in the paragraph 86 of "Accounting Standard for Revenue Recognition".

As a result, in the consolidated balance sheet of the first three quarters of the current fiscal year, "Accounts receivable – trade" of "Current assets" increased by ¥352 million, "Work in process" increased by ¥81 million, "Raw materials and supplies" increased by ¥918 million, "Other" of "Current liabilities" increased by ¥1,350 million, without any impact on profit and loss for the first three quarters of the current fiscal year.

The Company made no reclassification for the previous fiscal year by a new method, in accordance with transitional provisions defined in the paragraph 89-2 of "Accounting Standard for Revenue Recognition".

(Adoption of the accounting standard for fair value measurement)

The Company adopted "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) from the beginning of the first quarter of the current fiscal year, and decided to adopt a new company's policies defined in "Accounting Standard for Fair Value Measurement" in accordance with transitional provisions defined in the paragraph 19 of "Accounting Standard for Fair Value Measurement" and the paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019). This adoption has no impact on the quarterly consolidated financial statements.

(Segment Information and Other information)

The Company consists of “Branded Business” and “Technology Solution Business” as reportable segments.

Q3 FY 3/2021(April 1, 2020 – December 31, 2020)

(Thousands of yen)

	Reportable Segments			Adjustment (Note)1	Amount of Consolidated P/L (Note)2
	Branded Business	Technology Solution Business	Sub Total		
Sales					
Sales towards external customers	44,478,702	40,715,779	85,194,481	—	85,194,481
Sales between internal segments and internal transfer	—	—	—	—	—
Total	44,478,702	40,715,779	85,194,481	—	85,194,481
Segment profit or loss (-)	8,366,097	7,897,004	16,263,101	-3,489,784	12,773,317

(Note) 1. The above “Adjustment” in “Segment Profit” -3,489,784 (‘000 Yen) is mainly the cost of its administrative divisions which are not included in the reportable segments.

2. “Segment Profit or Loss” is adjusted for “Operating Profit”.

Q3 FY 3/2022(April 1, 2021 – December 31, 2021)

(Thousands of yen)

	Reportable Segments			Adjustment (Note)1	Amount of Consolidated P/L (Note)2
	Branded Business	Technology Solution Business	Sub Total		
Sales					
Sales towards external customers	42,042,161	39,137,012	81,179,173	—	81,179,173
Sales between internal segments and internal transfer	—	—	—	—	—
Total	42,042,161	39,137,012	81,179,173	—	81,179,173
Segment profit or loss (-)	8,870,984	6,699,941	15,570,925	-3,230,717	12,340,208

(Note) 1. The above “Adjustment” in “Segment Profit” -3,230,717 (‘000 Yen) is mainly the cost of its administrative divisions which are not included in the reportable segments.

2. “Segment Profit or Loss” is adjusted for “Operating Profit”.

Q3 FY 3/2022 Summary of Consolidated Financial Results
from April 1, 2021 to December 31, 2021

(1) Business Performance

	<u>FY 3/2021</u>	<u>FY 3/2022</u>	<u>YOY Change</u>	
	YTD Q3 Results	YTD Q3 Results	Amount	Ratio
	mil JPY	mil JPY	mil JPY	
Net Sales	85,194	81,179	-4,015	-4.7%
Operating Profit	12,773	12,340	-433	-3.4%
(Profit Margin)	15.0%	15.2%		
Ordinary Profit	12,574	12,773	199	1.6%
(Profit Margin)	14.8%	15.7%		
Net Profit	9,404	9,633	229	2.4%
(Profit Margin)	11.0%	11.9%		
P/L FX Rate (Avg. in the Term)	JPY	JPY	JPY	
(US Dollar)	105.87	111.38	5.51	5.2%
(Euro)	122.30	130.85	8.55	7.0%

Note) Net Profit is equivalent to Profit Attributable to Owners of Parent.

(2) Business Performance by Business Segment

	<u>FY 3/2021</u>	<u>FY 3/2022</u>	<u>YOY Change</u>	
	YTD Q3 Results	YTD Q3 Results	Amount	Ratio
	mil JPY	mil JPY	mil JPY	
Branded Business				
Sales	44,478	42,042	-2,436	-5.5%
Segment Profit	8,366	8,871	505	6.0%
(Profit Margin)	18.8%	21.1%		
Technology Solution Business				
Sales	40,716	39,137	-1,579	-3.9%
Segment Profit	7,897	6,700	-1,197	-15.2%
(Profit Margin)	19.4%	17.1%		

Note) Segment profit doesn't include the amount of "Adjustment" such as expenses of corporate section.

(3) Sales by Product Line

	<u>FY 3/2021</u>	<u>FY 3/2022</u>	<u>YOY Change</u>	
	YTD Q3 Results	YTD Q3 Results	Amount	Ratio
(by Subsidiaries)	mil JPY	mil JPY	mil JPY	
Branded Business	44,478	42,042	-2,436	-5.5%
Creative Solution	41,796	38,590	-3,206	-7.7%
Displays	18,221	18,406	185	1.0%
(Japan)	3,462	2,998	-464	-13.4%
(U.S.)	5,791	7,023	1,232	21.3%
(Germany)	4,876	4,236	-640	-13.1%
(Asia-Oceania)	4,092	4,149	57	1.4%
Pen tablets	21,989	18,641	-3,348	-15.2%
(Japan)	1,290	1,081	-209	-16.2%
(U.S.)	6,654	5,481	-1,173	-17.6%
(Germany)	6,641	4,572	-2,069	-31.2%
(Asia-Oceania)	7,404	7,507	103	1.4%
Mobiles, others	1,586	1,543	-43	-2.7%
(Japan)	314	365	51	16.2%
(U.S.)	710	742	32	4.6%
(Germany)	357	244	-113	-31.7%
(Asia-Oceania)	205	192	-13	-6.6%
Business Solution	2,682	3,452	770	28.7%
(Japan)	735	702	-33	-4.5%
(U.S.)	628	863	235	37.3%
(Germany)	1,007	1,643	636	63.1%
(Asia-Oceania)	312	244	-68	-21.6%
Technology Solution Business	40,716	39,137	-1,579	-3.9%
AES technology	13,836	15,961	2,125	15.4%
EMR technology, others	26,880	23,176	-3,704	-13.8%
Total	85,194	81,179	-4,015	-4.7%

Note) Sales of Technology Solution Business are categorized into Japan.

(4) Sales by Regional Subsidiary

	<u>FY 3/2021</u>	<u>FY 3/2022</u>	<u>YOY Change</u>	
	YTD Q3 Results	YTD Q3 Results	Amount	Ratio
	mil JPY	mil JPY	mil JPY	
Japan	46,518	44,284	-2,234	-4.8%
(Japan excluding Tech. Solution biz.)	5,802	5,147	-655	-11.3%
U.S.	13,783	14,109	326	2.4%
Germany	12,880	10,694	-2,186	-17.0%
Asia-Oceania	12,013	12,092	79	0.7%
Total	85,194	81,179	-4,015	-4.7%

Note) Sales of Technology Solution Business are categorized into Japan.

Note) Sales in Germany include shipment to EMEA countries. Sales in Asia-Oceania consist of sales by subsidiaries in China, Korea, Australia, Singapore, Taiwan, and India.

(5) Capital Expenditure, Depreciation, and R&D Expenditure

	<u>FY 3/2021</u>	<u>FY 3/2022</u>	<u>YOY Change</u>	
	YTD Q3 Results	YTD Q3 Results	Amount	Ratio
	mil JPY	mil JPY	mil JPY	
Capital Expenditure	1,040	1,343	303	29.1%
Depreciation	1,419	1,073	-346	-24.4%
R&D Expenditure	3,285	3,505	220	6.7%

Note) The amount of capital expenditure is a total of new purchases of tangible assets and intangible assets.

Note) As for lease assets, these capital expenditures and depreciation are not included in the above figures.

FY 3/2022 Summary of Financial Forecast (Consolidated) from April 1, 2021 to March 31, 2022

(1) Forecast of Business Performance

	<u>FY 3/2021</u>	<u>FY 3/2022</u>	<u>YOY Change</u>		<u>FY 3/2022</u>	<u>Change</u>	
	Results	Forecast	Amount	Ratio	Previous Forecast	Amount	Ratio
	mil JPY	mil JPY	mil JPY		mil JPY	mil JPY	
Net Sales	108,531	103,000	-5,531	-5.1%	102,000	1,000	1.0%
Operating Profit	13,407	12,500	-907	-6.8%	12,000	500	4.2%
(Profit Margin)	12.4%	12.1%			11.8%		
Ordinary Profit	14,091	13,000	-1,091	-7.7%	12,000	1,000	8.3%
(Profit Margin)	13.0%	12.6%			11.8%		
Net Profit	10,226	9,700	-526	-5.1%	8,800	900	10.2%
(Profit Margin)	9.4%	9.4%			8.6%		
P/L FX Rate (Avg. in the Term)	JPY	JPY	JPY				
(US Daller)	106.17	111.00	4.83	4.5%	108.00	3.00	2.8%
(Euro)	123.73	128.00	4.27	3.5%	128.00	0.00	0.0%

Note) Net Profit is equivalent to Profit Attributable to Owners of Parent.

Note) Previous Forecast of FY 3/2022 shows the announcement in "Summary of Consolidated Financial Results" as of October 29, 2021.

Note) Each FX rate in FY 3/2022 full year forecast shows the assumption from January, 2022.

(2) Forecast by Business Segment

	<u>FY 3/2021</u>	<u>FY 3/2022</u>	<u>YOY Change</u>		<u>FY 3/2022</u>	<u>Change</u>	
	Results	Forecast	Amount	Ratio	Previous Forecast	Amount	Ratio
	mil JPY	mil JPY	mil JPY		mil JPY	mil JPY	
Branded Business							
Sales	56,678	52,500	-4,178	-7.4%	51,500	1,000	1.9%
Segment Profit	9,096	9,000	-96	-1.1%	8,500	500	5.9%
(Profit Margin)	16.0%	17.1%			16.5%		
Technology Solution Business							
Sales	51,853	50,500	-1,353	-2.6%	50,500	0	0.0%
Segment Profit	9,260	8,200	-1,060	-11.5%	8,200	0	0.0%
(Profit Margin)	17.9%	16.2%			16.2%		

Note) Segment profit doesn't include the amount of "Adjustment" such as expenses of corporate section.

Note) Sales Forecasts by Product Line and Regional Subsidiary are not disclosed.

(3) Forecast of Capital Expenditure, Depreciation, and R&D Expenditure

	<u>FY 3/2021</u>	<u>FY 3/2022</u>	<u>YOY Change</u>		<u>FY 3/2022</u>	<u>Change</u>	
	Results	Forecast	Amount	Ratio	Previous Forecast	Amount	Ratio
	mil JPY	mil JPY	mil JPY		mil JPY	mil JPY	
Capital Expenditure	1,232	2,200	968	78.6%	2,400	-200	-8.3%
Depreciation	1,872	1,500	-372	-19.9%	1,650	-150	-9.1%
R&D Expenditure	4,663	6,000	1,337	28.7%	6,000	0	0.0%

Note) The amount of capital expenditure is a total of new purchases of tangible assets and intangible assets.

Note) As for lease assets, these capital expenditures and depreciation are not included in the above figures.