

## Q1 FY 3/2023 Summary of Consolidated Financial Results

July 29, 2022

Company Name Wacom Co., Ltd.

(Code Number: 6727 TSE Prime)

(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. Q1 FY 3/2023 Consolidated Financial Results (April 1, 2022 – June 30, 2022)

#### (1) Business Performance (Consolidated)

(Round off to mY)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
	mY	%	mY	%	mY	%	mY	%
Q1 FY 3/2023	28,473	17.8	1,846	-39.0	3,136	1.5	2,432	5.2
Q1 FY 3/2022	24,179	15.6	3,028	36.6	3,091	47.3	2,312	53.3

(Note) Comprehensive income Q1 FY 3/2023 2,971mY (26.6%) Q1 FY 3/2022 2,347mY (53.1%)

	Net Income per Share		Diluted Net income per Share	
	Yen	Sen	Yen	Sen
Q1 FY 3/2023	15.30		—	
Q1 FY 3/2022	14.23		—	

#### (2) Financial Position (Consolidated)

	Total Assets		Net Assets		Capital Ratio	Net Assets per Share	
	mY		mY		%	Yen	Sen
Q1 FY 3/2023	79,054		43,049		54.5	271.26	
FY 3/2022	73,332		43,503		59.3	273.65	

(For Ref.) Capital: Q1 FY3/2023 43,049 mY FY 3/2022 43,503 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 3/2022	-	0.00	-	20.00	20.00
FY 3/2023	-				
FY 3/2023 (forecast)		0.00	-	20.00	20.00

(Note) Changes in dividend per share forecast of FY3/2023 : No

### 3.Consolidated Business Forecast of FY 3/2023 (April 1, 2022 – March 31, 2023)

	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	133,000	22.3	13,700	5.2	15,000	4.5	11,200	2.2	70.54

(Note) Changes in Business Forecast of FY 3/2023: Yes

### 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
- 4) Numbers of shares outstanding (Common stock)

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

	Shares		Shares
Q1 FY 3/2023	166,546,400	FY 3/2022	166,546,400

Number of treasury stock outstanding at end of year:

	Shares		Shares
Q1 FY 3/2023	5,844,292	FY 3/2022	7,570,592

Average number of shares during the fiscal year:

	Shares		Shares
Q1 FY 3/2023	158,961,393	Q1 FY 3/2022	162,449,239

\*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 quarter of the fiscal year ending March 31, 2023 (April 1, 2022 to June 30, 2022), amid the Coronavirus (COVID-19) pandemic, the outlook for the global economy remains uncertain, with risks including a deceleration of growth resulting from a resurgence of COVID-19 cases and the emergence of new variants, lock down in some parts of China, disruption in the supply chain, and other factors such as increased geopolitical tensions caused by the situation in Russia and Ukraine, along with soaring energy and food prices. In this environment, the IT industry has witnessed mobile, cloud, big data, and social networks grow in importance, technological innovations, and an associated increase in convenience. Relative to the average exchange rate during the same period of the previous fiscal year, the yen was weaker against the US dollar and the renminbi, and slightly weaker against the euro, reflecting market sentiment with respect to the global economy and the monetary and trade policies of major economies. The estimated impact of exchange rate fluctuations on consolidated financial results is to have boosted consolidated net sales by approximately ¥3.7 billion and consolidated operating profit by approximately ¥0.3 billion.

In this business environment, Wacom Group 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, 2023, we promoted growth strategies for the future, collaborating 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. For the first quarter of the current fiscal year, overall sales in the Branded Business segment fell year on year due to decreased sales of mid-to-low priced display products and 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. For the first quarter of the current fiscal year, overall sales in the Technology Solution Business segment rose year on year, due to increased sales of Active-ES technology solutions, EMR technology solutions, and others.

As a company-wide initiative in line with the strategy underpinning our medium-term business direction, at a meeting of the Board of Directors held on April 11, 2022 we resolved to conclude a capital and business alliance with ArtSpark Holdings Inc. (“ArtSpark”) and to acquire new shares issued by ArtSpark through third-party allocation. ArtSpark and Wacom have collaborated for more than 20 years, in areas such as bundling our pen tablets with “CLIP STUDIO PAINT,” the illustration, manga and animation software by ArtSpark subsidiary CELSYS, Inc. Through the business alliance, we will co-develop creative work/experience through CLIP STUDIO PAINT for education and other specific purposes and implement technologies for the protection and management of rights and authorship of digital artwork, and will consider related service operations. (For details, please refer to the announcement “Notice Concerning Capital and Business Alliance with, and Subscription to Third-Party Share Allocation by, ArtSpark Holdings Inc.” disclosed on April 11, 2022.)

Note: For information on the impact of the COVID-19 pandemic on Wacom Group's business activities and the impact of the situation in Russia and Ukraine during the first quarter of the current fiscal year, along with our related initiatives with respect to both matters, please see page 6.

For the first quarter of the current fiscal year ending March 31, 2023, consolidated net sales increased 17.8% to ¥28,473 million. Operating profit decreased 39.0% to ¥1,846 million. Ordinary profit increased 1.5% to ¥3,136 million, and net profit attributable to owners of parent increased 5.2% to ¥2,432 million, after recording ¥1,281 million of foreign exchange gains (increased by ¥1,212 million) in non-operating income.

## 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 decreased due to decreased sales of mid-to-low priced models of display products and pen tablet products, despite higher sales of display products for professionals.

#### Display products

Sales of *Wacom Cintiq Pro* were slightly higher due to active sales initiatives. Sales of *Wacom Cintiq* were lower than the same period of the previous fiscal year due to an easing of demand. Sales of *Wacom One 13* were also lower. As a result, overall sales of display products showed a slight decrease.

#### Pen tablet products

Sales of the *Wacom Intuos Pro* series decreased, due to the impact of factors such as length of time since launch, despite active sales initiatives. 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* also significantly decreased. As a result, overall sales of pen tablet products significantly 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 significantly decreased. Sales of stylus pen products were lower. As a result, overall sales of mobile products and others decreased.

#### Business Solution

Business Solution sales decreased slightly, reflecting market dynamics and the impact of project progress.

As a result of the above, overall sales in the Branded Business segment for the first quarter of the current fiscal year ending March 31, 2023 decreased 21.6% to ¥ 10,164 million, and segment profit decreased by ¥3,184 million to ¥700 million.

### 2. Technology Solution Business

#### AES technology solution

Sales in the AES technology solution category significantly increased year on year as AES digital pen products continue to be well received by OEM partner manufacturers.

#### EMR technology solution, others

Sales of EMR technology solution, others significantly increased, due to a change in the product portfolio of an OEM partner manufacturer.

As a result of the above, overall sales in the Technology Solution Business segment for the first quarter of the current fiscal year ending March 31, 2023, increased 63.2% to ¥18,308 million, and segment profit increased 135.7% to ¥3,804 million.

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

In the Branded Business segment in the first quarter of the current fiscal year (April to June 2022), a decline in demand compared to the same period of the previous fiscal year had a negative impact on sales for mid-to-low priced models of display products and pen tablet products in the Creative Solution category. In addition, China's zero-COVID strategy and lock down in some parts of China had a negative impact on sales in China.

In the Technology Solution Business segment, activity in the first quarter was hampered somewhat by manufacturing and supply chain operational constraints and a global shortage of semiconductors, in addition to China's zero-COVID strategy and lock down in some parts of China, but the combined impact of these factors on our business was minor.

As part of 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 looking toward a new approach to working once the COVID-19 pandemic has stabilized.

**The impact of the situation with Russia and Ukraine on Wacom Group's business activities for the first quarter of the current fiscal year and our related initiatives are as follows:**

Wacom group has no business bases in Russia and Ukraine, and temporarily halted direct shipments to the region in the fourth quarter of the previous fiscal year (January to March 2022) in view of challenging financial and logistical circumstances. Although we resumed direct shipments to Ukraine in the first quarter of the current fiscal year, sales for the period in both Russia and Ukraine were significantly lower than in the same period of the previous fiscal year. (For reference, combined sales in both countries for the same period of the previous fiscal year was approximately 1% of total consolidated net sales.)

## **(2) Consolidated financial position]**

### **Status of assets, liabilities and net assets**

Total assets as of June 30, 2022 increased by ¥5,722 million to ¥79,054 million compared to the end of the previous fiscal year. The main factors contributing to this were increases of ¥5,380 million in merchandise and finished goods, ¥2,229 million in investments and other assets, and ¥2,065 million in raw materials and supplies, and a decrease of ¥5,941 million in cash and deposits.

Total liabilities as of June 30, 2022 increased by ¥6,176 million to ¥36,005 million compared to the end of the previous fiscal year. The main factors contributing to this were an increase of ¥6,433 million in notes and accounts payable-trade and a decrease of ¥1,037 million in provision for bonuses.

Total net assets as of June 30, 2022 decreased by ¥454 million to ¥43,049 million compared to the end of the previous fiscal year. The main contributing factors were an increase of ¥2,432 million by net profit attributable to owners of parent, a decrease of ¥1,035 million in treasury shares, an increase of ¥798 million in foreign currency translation adjustment, a decrease of ¥3,180 million by the payment of shareholder's dividends, a decrease of ¥1,281 million in capital surplus due to the cancellation of treasury stock, and a decrease of ¥259 million in valuation difference on available-for-sale securities.

As a result, the capital ratio decreased by 4.8 points to 54.5% compared to the end of the previous fiscal year.

### **Cash flow**

Consolidated cash and cash equivalents as of June 30, 2022 totaled ¥15,847 million, a ¥5,941 million decrease from the end of the previous fiscal year (compared to a ¥9,154 million decrease in the same period of the previous fiscal year).

#### Cash Flow from Operating Activities

Cash flow used from operating activities for the first quarter of the current fiscal year ending March 31, 2023, was ¥2,061 million (compared to ¥2,960 million used in the same period of the previous fiscal year). The main factors contributing to cash inflow were ¥5,577 million of increase in trade receivables and ¥3,136 million of profit before income taxes. The main factors contributing to cash outflow were ¥6,396 million of increase in inventories, ¥2,113 million of income taxes paid, ¥1,143 million of foreign exchange gains, and ¥1,076 million of decrease in provision for bonuses.

#### Cash Flow from Investing Activities

Cash flow used for investing activities for the first quarter of the current fiscal year ending June 30, 2022, was ¥1,929 million (compared to ¥303 million used in the same period of the previous fiscal year). The main contributing factors were ¥1,601 million of purchase of investment securities and ¥269 million of purchase of property, plant and equipment.

#### Cash Flow from Financing Activities

Cash flow used for financing activities for the first quarter of the current fiscal year ending June 30, 2022, was ¥3,463 million (compared to ¥6,018 million used in the same period of the previous fiscal year). The main contributing factors were ¥3,037 million of payment for shareholders' dividends and ¥247 million of purchase of treasury stock.

### (3) Revised 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, 2023, announced in the Summary of Consolidated Financial Results for the fiscal year ended March 31, 2022, on May 12, 2022, as described below.

#### Revised consolidated financial forecasts

For the full year of FY 3/2023 (period between April 1, 2022 and March 31, 2023)

	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)	128,000	13,700	13,700	10,200	64.16
Revised forecast (B)	133,000	13,700	15,000	11,200	70.54
Amount of changes (B)-(A)	5,000	-	1,300	1,000	
Percentage of changes (%: B to A)	3.9	-	9.5	9.8	
(Ref.) Results for the previous fiscal year	108,790	13,024	14,351	10,955	67.98

Revised assumptions of foreign exchange rate:

1 US Dollar = 130 Japanese yen (previous assumption: JPY120)

1 Euro = 138 Japanese yen (previous assumption: JPY132)

#### Principal reasons for revision

Net sales for the full year are expected to be higher than the previously announced forecast, reflecting business results for the first quarter and performance forecasts by business segment based on revised foreign exchange rate assumptions. The full year forecast for operating profit remain unchanged. Ordinary profit and net profit attributable to owners of parent are also expected to exceed the previous forecasts, mainly due to the positive impact of foreign exchange gains on non-operating income. As mentioned above, the assumed foreign exchange rates for the remainder of the current fiscal year have been revised.

For details of the forecast by business segment, please refer to the attached "Supplementary Information."

No change has been made to the full-year dividend forecast.

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 3/2022 (as of Mar. 31, 2022)	Q1 FY 3/2023 (as of Jun. 30, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	21,788,861	15,847,389
Accounts receivable-trade	14,020,339	14,227,582
Merchandise and finished goods	14,695,630	20,075,294
Work in process	542,522	519,498
Raw materials and supplies	5,529,876	7,594,859
Other	5,796,377	6,782,495
Allowance for doubtful accounts	-47,062	-62,788
Current assets	62,326,543	64,984,329
Non-current assets		
Property, plant and equipment		
Other, net	5,402,863	6,233,993
Property, plant and equipment	5,402,863	6,233,993
Intangible assets		
Other	1,449,714	1,453,490
Intangible assets	1,449,714	1,453,490
Investments and other assets		
Other	4,153,354	6,382,646
Investments and other assets	4,153,354	6,382,646
Non-current assets	11,005,931	14,070,129
Assets	73,332,474	79,054,458
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	13,111,375	19,544,586
Income taxes payable	2,462,412	1,768,679
Provision for bonuses	1,450,344	413,080
Provision for bonuses for directors (and other officers)	54,060	65,659
Provision for product warranties	410,438	361,070
Asset retirement obligations	5,007	5,429
Other	8,212,116	8,964,512
Current liabilities	25,705,752	31,123,015
Non-current liabilities		
Long-term borrowings	2,000,000	2,000,000
Retirement benefit liability	1,022,531	1,047,981
Asset retirement obligations	294,590	306,267
Other	806,549	1,528,296
Non-current liabilities	4,123,670	4,882,544
Liabilities	29,829,422	36,005,559

(Thousands of yen)

	FY 3/2022 (as of Mar. 31, 2022)	Q1 FY 3/2023 (as of Jun. 30, 2022)
<b>Net assets</b>		
Shareholders' equity		
Share capital	4,203,469	4,203,469
Capital surplus	6,113,437	4,832,223
Retained earnings	37,299,126	36,552,061
Treasury shares	-4,845,646	-3,810,493
Shareholders' equity	42,770,386	41,777,260
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	—	-259,190
Foreign currency translation adjustment	752,614	1,550,137
Remeasurements of defined benefit plans	-19,948	-19,308
Valuation and translation adjustments	732,666	1,271,639
Net assets	43,503,052	43,048,899
Liabilities and net assets	73,332,474	79,054,458

## (2) Consolidated Profit &amp; Loss Statement

(Thousands of yen)

	Q1 FY 3/2022 (Apr.1,2021 to Jun.30, 2021)	Q1 FY 3/2023 (Apr.1,2022 to Jun. 30,2022)
Net sales	24,179,173	28,472,592
Cost of sales	15,123,831	19,311,159
Gross profit (loss)	9,055,342	9,161,433
Selling, general and administrative expenses	6,026,849	7,315,415
Operating profit (loss)	3,028,493	1,846,018
Non-operating income		
Interest income	7,874	4,797
Foreign exchange gains	69,950	1,281,476
Other	8,524	9,208
Non-operating income	86,348	1,295,481
Non-operating expenses		
Interest expenses	11,307	5,038
Settlement payments	13,000	—
Other	0	635
Non-operating expenses	24,307	5,673
Ordinary profit (loss)	3,090,534	3,135,826
Extraordinary income		
Gain on sale of non-current assets	1,848	1,553
Extraordinary income	1,848	1,553
Extraordinary losses		
Loss on retirement of non-current assets	2,443	1,073
Extraordinary losses	2,443	1,073
Profit (loss) before income taxes	3,089,939	3,136,306
Income taxes	778,087	703,855
Profit (loss)	2,311,852	2,432,451
Profit (loss) attributable to owners of parent	2,311,852	2,432,451

## Consolidated Comprehensive Income Statement

(Thousands of yen)

	Q1 FY 3/2022 (Apr.1,2021 to Jun.30, 2021)	Q1 FY 3/2023 (Apr.1,2022 to Jun.30, 2022)
Profit (loss)	2,311,852	2,432,451
Other comprehensive income		
Valuation difference on available-for-sale securities	240	-259,190
Foreign currency translation adjustment	35,542	797,523
Remeasurements of defined benefit plans	-339	640
Other comprehensive income	35,443	538,973
Comprehensive income	2,347,295	2,971,424
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,347,295	2,971,424
Comprehensive income attributable to non-controlling interests	—	—

## (3) Summary of Consolidated Cash Flow Statement

(Thousands of yen)

	Q1 FY 3/2022 (Apr.1,2021 to Jun.30, 2021)	Q1 FY 3/2023 (Apr.1,2022 to Jun.30, 2022)
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	3,089,939	3,136,306
Depreciation	483,414	534,786
Share-based payment expenses	3,759	7,867
Increase (decrease) in allowance for doubtful accounts	3,043	13,626
Increase (decrease) in provision for bonuses	-3,806,037	-1,076,051
Increase (decrease) in provision for bonuses for directors (and other officers)	11,599	11,599
Increase (decrease) in retirement benefit liability	25,696	25,964
Interest and dividend income	-7,874	-4,797
Interest expenses	11,307	11,879
Foreign exchange losses (gains)	-31,740	-1,143,464
Loss (gain) on sale of property, plant and equipment	-1,848	-1,553
Loss on retirement of property, plant and equipment	2,443	1,073
Decrease (increase) in trade receivables	-11,056	96,871
Decrease (increase) in inventories	-2,174,013	-6,395,957
Increase (decrease) in trade payables	1,943,706	5,576,685
Increase (decrease) in accrued consumption taxes	338,928	162,136
Other, net	633,965	-899,204
<b>Subtotal</b>	<b>515,231</b>	<b>57,766</b>
Interest and dividends received	16,768	4,870
Interest paid	-10,660	-11,164
Income taxes paid	-3,481,647	-2,113,317
<b>Net cash provided by (used in) operating activities</b>	<b>-2,960,308</b>	<b>-2,061,845</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-221,384	-268,502
Purchase of intangible assets	-67,349	-57,218
Purchase of investment securities	—	-1,601,321
Proceeds from sale of property, plant and equipment	1,848	1,554
Payments of leasehold and guarantee deposits	-19,274	-3,692
Proceeds from refund of leasehold and guarantee deposits	3,631	172
<b>Net cash provided by (used in) investing activities</b>	<b>-302,528</b>	<b>-1,929,007</b>
<b>Cash flows from financing activities</b>		
Repayments of long-term borrowings	-3,000,000	—
Purchase of treasury shares	—	-246,552
Repayments of lease liabilities	-111,079	-179,682
Dividends paid	-2,907,007	-3,037,248
<b>Net cash provided by (used in) financing activities</b>	<b>-6,018,086</b>	<b>-3,463,482</b>
Effect of exchange rate change on cash and cash equivalents	126,804	1,512,862
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-9,154,118</b>	<b>-5,941,472</b>
Cash and cash equivalents	32,042,603	21,788,861
Cash and cash equivalents	22,888,485	15,847,389

(4) Notes for quarterly consolidated financial statements

(Note for going concern assumption)

Not Applicable

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

The Company acquired treasury stock based on the resolution by the Board of Directors held on May 12, 2022, and treasury stock increased by ¥246 million (273,700 shares) during the first quarter of the current fiscal year. In addition, based on the resolution by the Board of Directors held on the same day, treasury stock was canceled on May 26, 2022, and treasury stock decreased by ¥1,281 million (2,000,000 shares) during the first quarter of the current fiscal year, at the same time, capital surplus decreased by the same amount.

As a result, capital surplus at the end of the first quarter of the current fiscal year was ¥4,832 million and treasury stock was ¥3,810 million (5,844,292 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 quarter, by applying tax-effect accounting. Then it calculated tax expenses for the current first quarter by multiplying the amount of loss before income taxes for the current first quarter by the estimated effective tax rate for the current fiscal year.

(Changes in accounting policies)

(Adoption of ASU 2016-02 "Lease")

The Company adopted ASU 2016-02 "Lease" to its overseas consolidated subsidiaries to which US-GAAP is applied from the first quarter of the current fiscal year. As a result, the lessee recognizes assets and liabilities for all leases as a general principle.

Regarding the adoption of ASU 2016-02, we have adopted a method of recognizing the cumulative impact on the date of the start of adoption at the beginning of the first quarter of the current fiscal year in accordance with the transitional treatment.

As a result of the adoption of this accounting standard, in the quarterly consolidated balance sheet at the end of the first quarter of the current fiscal year, "Other" in "Tangible fixed assets" increased by ¥965 million and "Other" in "Current liabilities" increased by ¥239 million, and "Other" in "Non-current liabilities" increased by ¥726 million, without any impact on profit and loss for the first quarter of the current fiscal year.

(Segment Information and Other information)

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

Q1 FY 3/2022(April 1, 2021 – June 30, 2021)

(Thousands of yen)

	Reportable Segments			Adjustment (Note)1	Amount of Consolidated P/L (Note)2
	Branded Business	Technology Solution Business	Sub Total		
<b>Sales</b>					
Sales towards external customers	12,960,278	11,218,895	24,179,173	—	24,179,173
Sales between internal segments and internal transfer	—	—	—	—	—
<b>Total</b>	<b>12,960,278</b>	<b>11,218,895</b>	<b>24,179,173</b>	<b>—</b>	<b>24,179,173</b>
<b>Segment profit or loss (-)</b>	<b>2,484,376</b>	<b>1,613,729</b>	<b>4,098,105</b>	<b>-1,069,612</b>	<b>3,028,493</b>

(Note) 1. The above “Adjustment” in “Segment Profit” 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”.

Q1 FY 3/2023(April 1, 2022 – June 30, 2022)

(Thousands of yen)

	Reportable Segments			Adjustment (Note)1	Amount of Consolidated P/L (Note)2
	Branded Business	Technology Solution Business	Sub Total		
<b>Sales</b>					
Sales towards external customers	10,164,312	18,308,281	28,472,593	—	28,472,592
Sales between internal segments and internal transfer	—	—	—	—	—
<b>Total</b>	<b>10,164,312</b>	<b>18,308,281</b>	<b>28,472,593</b>	<b>—</b>	<b>28,472,592</b>
<b>Segment profit or loss (-)</b>	<b>-700,006</b>	<b>3,804,247</b>	<b>3,104,241</b>	<b>-1,258,223</b>	<b>1,846,018</b>

(Note) 1. The above “Adjustment” in “Segment Profit” 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”.

(Significant subsequent events)

(Borrowing of significant funds)

The Company agreed with the correspondent financial institution as follows on July 29, 2022, and borrowed funds on the same day.

1. Use of funds  
Short-term working capital
2. Lender  
Mizuho Bank, Ltd.
3. Borrowing amount  
2,000 million yen
4. Interest rate  
Base rate + spread
5. Execution date  
July 29, 2022
6. Repayment date  
October 31, 2022
7. Assets pledged as collateral or loan guarantees  
None



**Q1 FY 3/2023 Summary of Consolidated Financial Results**  
**from April 1, 2022 to June 30, 2022**

**(1) Business Performance**

	FY 3/2022	FY 3/2023	YOY Change	
	Q1 Results	Q1 Results	Amount	Ratio
	mil JPY	mil JPY	mil JPY	
Net Sales	24,179	28,473	4,294	17.8%
Operating Profit	3,028	1,846	-1,182	-39.0%
(Profit Margin)	12.5%	6.5%		
Ordinary Profit	3,091	3,136	45	1.5%
(Profit Margin)	12.8%	11.0%		
Net Profit	2,312	2,432	120	5.2%
(Profit Margin)	9.6%	8.5%		
P/L FX Rate (Avg. in the Term)	JPY	JPY	JPY	
(US Dollar)	110.00	129.04	19.04	17.3%
(Euro)	131.78	138.24	6.46	4.9%

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

**(2) Business Performance by Business Segment**

	FY 3/2022	FY 3/2023	YOY Change	
	Q1 Results	Q1 Results	Amount	Ratio
	mil JPY	mil JPY	mil JPY	
Branded Business				
Sales	12,960	10,165	-2,795	-21.6%
Segment Profit	2,484	-700	-3,184	--
(Profit Margin)	19.2%	-6.9%		
Technology Solution Business				
Sales	11,219	18,308	7,089	63.2%
Segment Profit	1,614	3,804	2,190	135.7%
(Profit Margin)	14.4%	20.8%		

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

**(3) Sales by Product Line**

	FY 3/2022	FY 3/2023	YOY Change	
	Q1 Results	Q1 Results	Amount	Ratio
(by Subsidiaries)	mil JPY	mil JPY	mil JPY	
Branded Business	<b>12,960</b>	<b>10,165</b>	<b>-2,795</b>	<b>-21.6%</b>
Creative Solution	11,912	9,194	-2,718	-22.8%
Displays	5,640	5,169	-471	-8.3%
(Japan)	1,056	892	-164	-15.5%
(U.S.)	1,982	2,021	39	1.9%
(Germany)	1,263	961	-302	-24.0%
(Asia-Oceania)	1,339	1,295	-44	-3.2%
Pen tablets	5,781	3,680	-2,101	-36.4%
(Japan)	355	321	-34	-9.9%
(U.S.)	1,571	746	-825	-52.5%
(Germany)	1,196	645	-551	-46.0%
(Asia-Oceania)	2,659	1,968	-691	-26.0%
Mobiles, others	491	345	-146	-29.8%
(Japan)	188	95	-93	-49.5%
(U.S.)	168	145	-23	-13.7%
(Germany)	61	66	5	7.5%
(Asia-Oceania)	74	39	-35	-47.0%
Business Solution	1,048	971	-77	-7.4%
(Japan)	206	191	-15	-7.5%
(U.S.)	181	189	8	4.9%
(Germany)	590	544	-46	-7.9%
(Asia-Oceania)	71	47	-24	-34.0%
Technology Solution Business	<b>11,219</b>	<b>18,308</b>	<b>7,089</b>	<b>63.2%</b>
AES technology	4,958	6,707	1,749	35.3%
EMR technology, others	6,261	11,601	5,340	85.3%
Total	<b>24,179</b>	<b>28,473</b>	<b>4,294</b>	<b>17.8%</b>

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

**(4) Sales by Regional Subsidiary**

	FY 3/2022	FY 3/2023	YOY Change	
	Q1 Results	Q1 Results	Amount	Ratio
	mil JPY	mil JPY	mil JPY	
Japan	13,024	19,807	6,783	52.1%
(Japan excluding Tech. Solution biz.)	1,805	1,499	-306	-17.0%
U.S.	3,902	3,101	-801	-20.5%
Germany	3,110	2,215	-895	-28.8%
Asia-Oceania	4,143	3,350	-793	-19.2%
Total	24,179	28,473	4,294	17.8%

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

	FY 3/2022		FY 3/2023		YOY Change	
	Q1 Results	Q1 Results	Q1 Results	Q1 Results	Amount	Ratio
	mil JPY		mil JPY		mil JPY	
Capital Expenditure	335	211	335	211	-124	-37.2%
Depreciation	375	363	375	363	-12	-3.1%
R&D Expenditure	1,117	1,603	1,117	1,603	486	43.6%

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.

#### (6) ROIC, ROE

	FY 3/2022		FY 3/2023		YOY Change	
	Q1 Results	Q1 Results	Q1 Results	Q1 Results	Amount	Ratio
	mil JPY		mil JPY		mil JPY	
ROIC	8.2%	3.4%	8.2%	3.4%		-4.8pts
Net Operating Profit After Tax	2,101	1,281	2,101	1,281	-820	-39.0%
Net Working Capital	17,017	25,842	17,017	25,842	8,825	51.9%
Business Assets	8,468	11,601	8,468	11,601	3,133	37.0%
ROE	6.2%	5.6%	6.2%	5.6%		-0.6pts

Note) ROIC = Net operating profit after tax / Average of (Net working capital + Business assets) at the beginning and end of the term

Note) Business assets: Tangible fixed assets + Intangible fixed assets + Other assets (of which are defined as business use)

### FY 3/2023 Summary of Financial Forecast (Consolidated) from April 1, 2022 to March 31, 2023

#### (1) Forecast of Business Performance

	FY 3/2022		FY 3/2023		YOY Change		FY 3/2023		Change	
	Results	Forecast	Results	Forecast	Amount	Ratio	Previous Forecast	Amount	Ratio	
	mil JPY		mil JPY		mil JPY		mil JPY		mil JPY	
Net Sales	108,790	133,000	108,790	133,000	24,210	22.3%	128,000	5,000	3.9%	
Operating Profit	13,024	13,700	13,024	13,700	676	5.2%	13,700	0	0.0%	
(Profit Margin)	12.0%	10.3%	12.0%	10.3%			10.7%			
Ordinary Profit	14,351	15,000	14,351	15,000	649	4.5%	13,700	1,300	9.5%	
(Profit Margin)	13.2%	11.3%	13.2%	11.3%			10.7%			
Net Profit	10,955	11,200	10,955	11,200	245	2.2%	10,200	1,000	9.8%	
(Profit Margin)	10.1%	8.4%	10.1%	8.4%			8.0%			
P/L FX Rate (Avg. in the Term)	JPY		JPY		JPY		JPY		JPY	
(US Daller)	112.86	130.00	112.86	130.00	17.14	15.2%	120.00	10.00	8.3%	
(Euro)	131.01	138.00	131.01	138.00	6.99	5.3%	132.00	6.00	4.5%	

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

Note) Previous Forecast of FY 3/2023 shows the announcement in "Summary of Consolidated Financial Results" as of May 12, 2022.

Note) Each FX rate in FY 3/2023 full year forecast shows the assumption from July, 2022.

#### (2) Forecast by Business Segment

	FY 3/2022		FY 3/2023		YOY Change		FY 3/2023		Change	
	Results	Forecast	Results	Forecast	Amount	Ratio	Previous Forecast	Amount	Ratio	
	mil JPY		mil JPY		mil JPY		mil JPY		mil JPY	
Branded Business										
Sales	52,641	63,000	52,641	63,000	10,359	19.7%	63,000	0	0.0%	
Segment Profit	8,712	8,000	8,712	8,000	-712	-8.2%	9,000	-1,000	-11.1%	
(Profit Margin)	16.6%	12.7%	16.6%	12.7%			14.3%			
Technology Solution Business										
Sales	56,149	70,000	56,149	70,000	13,851	24.7%	65,000	5,000	7.7%	
Segment Profit	8,888	10,900	8,888	10,900	2,012	22.6%	9,900	1,000	10.1%	
(Profit Margin)	15.8%	15.6%	15.8%	15.6%			15.2%			

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

	FY 3/2022		FY 3/2023		YOY Change		FY 3/2023		Change	
	Results	Forecast	Results	Forecast	Amount	Ratio	Previous Forecast	Amount	Ratio	
	mil JPY		mil JPY		mil JPY		mil JPY		mil JPY	
Capital Expenditure	1,652	3,500	1,652	3,500	1,848	111.9%	3,500	0	0.0%	
Depreciation	1,426	1,700	1,426	1,700	274	19.2%	1,700	0	0.0%	
R&D Expenditure	5,477	6,700	5,477	6,700	1,223	22.3%	6,700	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.