

Q3 FY 3/2023 Summary of Consolidated Financial Results

January 31, 2023

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: Yes

1. Q3 FY 3/2023 Consolidated Financial Results (April 1, 2022 – December 31, 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	%
Q3 FY 3/2023	84,021	3.5	4,297	-65.2	4,851	-62.0	3,676	-61.8
Q3 FY 3/2022	81,179	-4.7	12,340	-3.4	12,773	1.6	9,633	2.4

(Note) Comprehensive income Q3 FY 3/2023 3,900 mY (-60.9%) Q3 FY 3/2022 9,969 mY (3.8%)

	Net Income per Share		Diluted Net income per Share	
	Yen	Sen	Yen	Sen
Q3 FY 3/2023	23.20		—	
Q3 FY 3/2022	59.51		—	

(2) Financial Position (Consolidated)

	Total Assets		Net Assets		Capital Ratio	Net Assets per Share	
	mY		mY		%	Yen	Sen
Q3 FY 3/2023	77,504		43,088		55.6	273.60	
FY 3/2022	73,332		43,503		59.3	273.65	

(For Ref.) Capital: Q3 FY3/2023 43,088 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	-	0.00	-		
FY 3/2023 (forecast)				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	110,000	1.1	4,300	-67.0	4,850	-66.2	3,500	-68.1	22.12

(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
Q3 FY 3/2023	164,546,400	FY 3/2022	166,546,400

Number of treasury stock outstanding at end of year:

	Shares		Shares
Q3 FY 3/2023	7,062,692	FY 3/2022	7,570,592

Average number of shares during the fiscal year:

	Shares		Shares
Q3 FY 3/2023	158,451,766	Q3 FY 3/2022	161,857,845

*These quarterly financial results are not subject to review procedures by the certified public accountant or the audit firm.

*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, 2023 (April 1, 2022 to December 31, 2022), amid the Coronavirus (COVID-19) pandemic, the global economy saw a deceleration of growth resulting from a resurgence of COVID-19 cases and the emergence of new variants, soaring energy and food prices, rising interest rates due to monetary tightening by central banks in major countries and other factors such as increased geopolitical tensions caused by the situation in Russia and Ukraine. 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 ¥12.4 billion and consolidated operating profit by approximately ¥1.1 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 three quarters 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 VR (Virtual Reality) / MR (Mixed Reality), AI (Artificial Intelligence), data security, and education. 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 three quarters 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. During the period, we enhanced our product portfolio with the September launch of a new display product for professionals.

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 three quarters 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 and EMR technology solutions, 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 CELSYS, Inc. (“CELSYS”) (ArtSpark Holdings Inc. merged with its subsidiary CELSYS, Inc. on September 1, 2022, and its trade name was changed to CELSYS, Inc.) and to acquire new shares issued by CELSYS through third-party allocation. CELSYS and Wacom have collaborated for more than 20 years, in areas such as bundling our pen tablets with the illustration, manga and animation software created by CELSYS. Through the business alliance, we will co-develop creative work/experience 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.) In addition to measures aimed at enhancing growth through proactive investment in the development of new core technologies and business models, in November 2022 we held a community event, "Connected Ink 2022", with the theme of "Creative Chaos", co-created by partners across diverse fields such as art, education, and technology and focusing on the origin of human creativity. During the event, we announced numerous initiatives with a diverse range of partners, including an AI service for education making full use of the latest digital ink technology, a rights protection service for creators, and creative potential in the metaverse space. Also during the period, at a meeting of the Board of Directors held on September 28, 2022, we resolved to establish a wholly-owned subsidiary in Vietnam in order to secure stable production and support quality standards in anticipation of further production increases expected in that market.

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 three quarters of the current fiscal year, along with our related initiatives with respect to both matters, please see page 6.

For the first three quarters of the current fiscal year ending March 31, 2023, consolidated net sales increased 3.5% to ¥84,021 million. Operating profit decreased 65.2% to ¥4,297 million. Ordinary profit decreased 62.0% to ¥4,851 million, and net profit attributable to owners of parent decreased 61.8% to ¥3,676 million.

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 higher due to active sales initiatives. In September 2022, we launched a new large-display product for professionals “*Wacom Cintiq Pro 27*”. 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 *Wacom Mobile Studio Pro*, a Windows 10-based creative tablet decreased markedly. 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, amid fluid market dynamics and the impact of progress on various ongoing projects.

As a result of the above, overall sales in the Branded Business segment for the first three quarters of the current fiscal year ending March 31, 2023 decreased 20.4% to ¥33,484 million, and segment loss was ¥1,310 million (¥8,871 million of profit in the same period of the previous fiscal year).

2. Technology Solution Business

AES technology solution

Sales in the AES technology solution category 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 three quarters of the current fiscal year ending March 31, 2023, increased 29.1% to ¥50,536 million, and segment profit increased 37.7% to ¥9,224 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 three quarters of the current fiscal year (April to December 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 three quarters was hampered somewhat by manufacturing and supply chain operational constraints due to China's zero-COVID strategy and lock down in some parts of China, etc., 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 three quarters 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 December 31, 2022 increased by ¥4,171 million to ¥77,504 million compared to the end of the previous fiscal year. The main factors contributing to this were increases of ¥5,257 million in merchandise and finished goods, ¥3,135 million in raw materials and supplies, and ¥3,060 million in investments and other assets, and a decrease of ¥8,562 million in cash and deposits.

Total liabilities as of December 31, 2022 increased by ¥4,586 million to ¥34,416 million compared to the end of the previous fiscal year. The main factors contributing to this were an increase of ¥7,000 million in short-term borrowings and a decrease of ¥1,512 million in income taxes payable.

Total net assets as of December 31, 2022 decreased by ¥415 million to ¥43,088 million compared to the end of the previous fiscal year. The main contributing factors were an increase of ¥3,676 million by net profit attributable to owners of parent, an increase of ¥490 million in foreign currency translation adjustment, a decrease of ¥139 million in treasury stock, a decrease of ¥3,180 million by the payment of shareholder's dividends, a decrease of ¥1,275 million in capital surplus due to the cancellation of treasury stock, and a decrease of ¥268 million in valuation difference on available-for-sale securities.

As a result, the capital ratio decreased by 3.7 points to 55.6% compared to the end of the previous fiscal year.

Cash flow

Consolidated cash and cash equivalents as of December 31, 2022 totaled ¥13,227 million, a ¥8,562 million decrease from the end of the previous fiscal year (compared to a ¥14,317 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 three quarters of the current fiscal year ending March 31, 2023, was ¥9,140 million (compared to ¥3,388 million used in the same period of the previous fiscal year). The main factor contributing to cash inflow was ¥4,639 million of profit before income taxes. The main factors contributing to cash outflow were an increase of ¥8,107 million in inventories and ¥4,030 million of income taxes paid.

Cash Flow from Investing Activities

Cash flow used for investing activities for the first three quarters of the current fiscal year ending March 31, 2023, was ¥2,737 million (compared to ¥1,246 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 ¥968 million of purchase of property, plant and equipment.

Cash Flow from Financing Activities

Cash flow gained for financing activities for the first three quarters of the current fiscal year ending March 31, 2023, was ¥2,094 million (compared to ¥10,402 million used in the same period of the previous fiscal year). The main contributing factors were ¥7,000 million of proceeds from short-term borrowings, ¥3,176 million of payment for shareholders' dividends, ¥1,168 million of purchase of treasury stock, and ¥562 million of repayments of lease liabilities.

(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 October 14, 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)	119,000	6,000	7,900	5,900	37.24
Revised forecast (B)	110,000	4,300	4,850	3,500	22.12
Amount of changes (B)-(A)	-9,000	-1,700	-3,050	-2,400	
Percentage of changes (%: B to A)	-7.6	-28.3	-38.6	-40.7	
(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 = 132 Japanese yen (previous assumption: JPY140)

1 Euro = 141 Japanese yen (previous assumption: JPY138)

Principal reasons for revision

The previous consolidated financial forecasts for FY 3/2023 have been revised downward for net sales, operating profit, ordinary profit, and net profit attributable to owners of parent, reflecting business results for the first three quarters, recent business performance trends by business segment, and revised foreign exchange rate assumptions.

Downward revisions for net sales and operating profit were mainly due to lower-than-expected sales during the year-end sales season for the Creative Solution category in Branded Business, and the downwardly revised sales forecast for the fourth quarter of the current fiscal year.

Downward revisions for ordinary profit and net profit attributable to owners of parent were mainly due to a decrease in foreign exchange gains on non-operating income resulting from recent strengthening of the yen, in addition to the above-mentioned negative impacts.

As noted 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."

Although the business environment remains uncertain, we have not revised the full-year dividend forecast as of January 31, 2023. The Company's basic policy for shareholder return 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. With respect to dividend policy, we target a consolidated payout ratio of approximately 30%, while maintaining adequate financial soundness. Consequently, we expect the consolidated payout ratio for the current fiscal year ending March 31, 2023 to exceed our target.

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)	Q3 FY 3/2023 (as of Dec. 31, 2022)
Assets		
Current assets		
Cash and deposits	21,788,861	13,226,933
Accounts receivable - trade	14,020,339	14,195,624
Merchandise and finished goods	14,695,630	19,952,780
Work in process	542,522	708,037
Raw materials and supplies	5,529,876	8,665,211
Other	5,796,377	6,049,538
Allowance for doubtful accounts	-47,062	-40,859
Total current assets	62,326,543	62,757,264
Non-current assets		
Property, plant and equipment		
Other, net	5,402,863	6,086,920
Total property, plant and equipment	5,402,863	6,086,920
Intangible assets		
Other	1,449,714	1,446,061
Total intangible assets	1,449,714	1,446,061
Investments and other assets		
Other	4,153,354	7,213,289
Total investments and other assets	4,153,354	7,213,289
Total non-current assets	11,005,931	14,746,270
Total assets	73,332,474	77,503,534
Liabilities		
Current liabilities		
Accounts payable - trade	13,111,375	12,207,151
Short-term borrowings	—	7,000,000
Income taxes payable	2,462,412	949,996
Provision for bonuses	1,450,344	855,563
Provision for bonuses for directors (and other officers)	54,060	31,544
Provision for product warranties	410,438	283,012
Provision for information security measures	—	203,027
Asset retirement obligations	5,007	—
Other	8,212,116	8,196,759
Total current liabilities	25,705,752	29,727,052
Non-current liabilities		
Long-term borrowings	2,000,000	2,000,000
Retirement benefit liability	1,022,531	1,087,510
Asset retirement obligations	294,590	292,743
Other	806,549	1,308,589
Total non-current liabilities	4,123,670	4,688,842
Total liabilities	29,829,422	34,415,894

(Thousands of yen)

	FY 3/2022 (as of Mar. 31, 2022)	Q3 FY 3/2023 (as of Dec. 31, 2022)
Net assets		
Shareholders' equity		
Share capital	4,203,469	4,203,469
Capital surplus	6,113,437	4,838,860
Retained earnings	37,299,126	37,795,156
Treasury shares	-4,845,646	-4,706,652
Total shareholders' equity	42,770,386	42,130,833
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	—	-267,998
Foreign currency translation adjustment	752,614	1,242,833
Remeasurements of defined benefit plans	-19,948	-18,028
Total accumulated other comprehensive income	732,666	956,807
Total net assets	43,503,052	43,087,640
Total liabilities and net assets	73,332,474	77,503,534

(2) Consolidated Profit & Loss Statement

(Thousands of yen)

	Q3 FY 3/2022 (Apr.1,2021 to Dec.31, 2021)	Q3 FY 3/2023 (Apr.1,2022 to Dec.31, 2022)
Net sales	81,179,173	84,020,701
Cost of sales	49,926,925	57,535,259
Gross profit	31,252,248	26,485,442
Selling, general and administrative expenses	18,912,040	22,188,695
Operating profit	12,340,208	4,296,747
Non-operating income		
Interest income	20,142	16,588
Foreign exchange gains	417,232	518,485
Other	39,069	72,835
Total non-operating income	476,443	607,908
Non-operating expenses		
Interest expenses	24,316	36,516
Settlement payments	13,000	14,157
Other	6,004	2,713
Total non-operating expenses	43,320	53,386
Ordinary profit	12,773,331	4,851,269
Extraordinary income		
Gain on sale of non-current assets	1,882	1,581
Total extraordinary income	1,882	1,581
Extraordinary losses		
Loss on sale of non-current assets	6,369	1,376
Information security expenses	—	210,744
Other	16,440	1,773
Total extraordinary losses	22,809	213,893
Profit before income taxes	12,752,404	4,638,957
Income taxes	3,119,767	963,411
Profit	9,632,637	3,675,546
Profit attributable to owners of parent	9,632,637	3,675,546

Consolidated Comprehensive Income Statement

(Thousands of yen)

	Q3 FY 3/2022 (Apr.1,2021 to Dec.31, 2021)	Q3 FY 3/2023 (Apr.1,2022 to Dec.31, 2022)
Profit	9,632,637	3,675,546
Other comprehensive income		
Valuation difference on available-for-sale securities	776	-267,998
Foreign currency translation adjustment	336,382	490,219
Remeasurements of defined benefit plans, net of tax	-1,020	1,920
Total other comprehensive income	336,138	224,141
Comprehensive income	9,968,775	3,899,687
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,968,775	3,899,687
Comprehensive income attributable to non-controlling interests	—	—

(3) Summary of Consolidated Cash Flow Statement

(Thousands of yen)

	Q3 FY 3/2022 (Apr.1,2021 to Dec.31, 2021)	Q3 FY 3/2023 (Apr.1,2022 to Dec.31, 2022)
Cash flows from operating activities		
Profit before income taxes	12,752,404	4,638,957
Depreciation	1,403,606	1,613,437
Share-based payment expenses	16,870	21,502
Increase (decrease) in allowance for doubtful accounts	-29,737	-7,319
Increase (decrease) in provision for bonuses	-3,349,439	-638,799
Increase (decrease) in provision for bonuses for directors (and other officers)	-76,129	-22,516
Increase (decrease) in retirement benefit liability	52,234	67,819
Differences between the asset retirement liability balance and the actual retirement	—	2,170
Interest and dividend income	-20,142	-16,588
Interest expenses	24,316	56,832
Foreign exchange losses (gains)	-460,821	-957,866
Loss (gain) on sale of property, plant and equipment	4,487	-205
Loss on retirement of property, plant and equipment	14,994	1,773
Loss on retirement of intangible assets	1,446	—
Decrease (increase) in trade receivables	-5,202,263	529
Decrease (increase) in inventories	-7,141,524	-8,106,902
Increase (decrease) in trade payables	4,887,381	-1,214,807
Increase (decrease) in accrued consumption taxes	-119,531	175,084
Other, net	958,513	-687,392
Subtotal	3,716,665	-5,074,291
Interest and dividends received	29,287	16,405
Interest paid	-22,808	-52,183
Income taxes paid	-7,110,884	-4,030,056
Net cash provided by (used in) operating activities	-3,387,740	-9,140,125
Cash flows from investing activities		
Purchase of property, plant and equipment	-969,771	-968,102
Purchase of intangible assets	-141,871	-166,564
Purchase of investment securities	-112,000	-1,601,321
Proceeds from sale of property, plant and equipment	2,542	1,813
Payments of leasehold and guarantee deposits	-28,091	-4,343
Proceeds from refund of leasehold and guarantee deposits	3,626	9,547
Payments for asset retirement obligations	—	-7,531
Net cash provided by (used in) investing activities	-1,245,565	-2,736,501
Cash flows from financing activities		
Proceeds from short-term borrowings	—	7,000,000
Repayments of long-term borrowings	-4,000,000	—
Purchase of treasury shares	-3,005,964	-1,167,911
Repayments of lease liabilities	-317,461	-561,637
Dividends paid	-3,078,638	-3,175,977
Net cash provided by (used in) financing activities	-10,402,063	2,094,475
Effect of exchange rate change on cash and cash equivalents	718,862	1,220,223
Net increase (decrease) in cash and cash equivalents	-14,316,506	-8,561,928
Cash and cash equivalents at beginning of period	32,042,603	21,788,861
Cash and cash equivalents at end of period	17,726,097	13,226,933

(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 ¥1,166 million (1,527,600 shares) during the first three quarters 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 three quarters of the current fiscal year, at the same time, capital surplus decreased by the same amount.

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 11, 2022, and treasury stock decreased by ¥23 million (35,500 shares). As a result, capital surplus at the end of the first three quarters of the current fiscal year was ¥4,839 million and treasury stock was ¥4,707 million (7,062,692 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)

(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 three quarters of the current fiscal year, "Other" in "Tangible fixed assets" increased by ¥822 million and "Other" in "Current liabilities" increased by ¥236 million, and "Other" in "Non-current liabilities" increased by ¥586 million, without any impact on profit and loss for the first three quarters of the current fiscal year.

(Segment Information and Other information)

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

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	15,570,924	-3,230,716	12,340,208

(Note) 1. The above “Adjustment” in “Segment Profit”, -3,230,716 thousand 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 3/2023(April 1, 2022 – December 31, 2022)

(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	33,484,374	50,536,327	84,020,701	—	84,020,701
Sales between internal segments and internal transfer	—	—	—	—	—
Total	33,484,374	50,536,327	84,020,701	—	84,020,701
Segment profit or loss (-)	-1,310,243	9,223,689	7,913,446	-3,616,699	4,296,747

(Note) 1. The above “Adjustment” in “Segment Profit”, -3,616,699 thousand 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”.

(Significant subsequent events)

(Cancellation of treasury stock)

The Company resolved at a meeting of its Board of Directors on January 31, 2023, to cancel its treasury stock pursuant to Article 178 of Japanese Companies Act. as follows.

1.Reason for cancellation of own shares

The Company decided to cancel its treasury stock, upon comprehensive consideration of the current uses of treasury stock and financial conditions, etc.

2.Details of cancellation

- (1) Type of shares to be canceled: Common stock of the Company
- (2) Total number of shares to be canceled: 6,546,400 shares
(Equivalent of 3.98% of outstanding shares prior to the cancellation)
- (3) Scheduled date of cancellation: February 14, 2023

Q3 FY 3/2023 Summary of Consolidated Financial Results
from April 1, 2022 to December 31, 2022

(1) Business Performance

	FY 3/2022	FY 3/2023	YOY Change	
	YTD Q3 Results	YTD Q3 Results	Amount	Ratio
	mil JPY	mil JPY	mil JPY	
Net Sales	81,179	84,021	2,842	3.5%
Operating Profit	12,340	4,297	-8,043	-65.2%
(Profit Margin)	15.2%	5.1%		
Ordinary Profit	12,773	4,851	-7,922	-62.0%
(Profit Margin)	15.7%	5.8%		
Net Profit	9,633	3,676	-5,957	-61.8%
(Profit Margin)	11.9%	4.4%		
P/L FX Rate (Avg. in the Term)	JPY	JPY	JPY	
(US Dollar)	111.38	135.40	24.02	21.6%
(Euro)	130.85	140.42	9.57	7.3%

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	
	YTD Q3 Results	YTD Q3 Results	Amount	Ratio
	mil JPY	mil JPY	mil JPY	
Branded Business				
Sales	42,042	33,485	-8,557	-20.4%
Segment Profit	8,871	-1,310	-10,181	--
(Profit Margin)	21.1%	-3.9%		
Technology Solution Business				
Sales	39,137	50,536	11,399	29.1%
Segment Profit	6,700	9,224	2,524	37.7%
(Profit Margin)	17.1%	18.3%		

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

(3) Sales by Product Line

(by Subsidiaries)	FY 3/2022	FY 3/2023	YOY Change	
	YTD Q3 Results	YTD Q3 Results	Amount	Ratio
	mil JPY	mil JPY	mil JPY	
Branded Business	42,042	33,485	-8,557	-20.4%
Creative Solution	38,590	30,131	-8,459	-21.9%
Displays	18,406	16,769	-1,637	-8.9%
(Japan)	2,998	2,923	-75	-2.5%
(U.S.)	7,023	5,769	-1,254	-17.9%
(Germany)	4,236	3,766	-470	-11.1%
(Asia-Oceania)	4,149	4,311	162	3.9%
Pen tablets	18,641	12,208	-6,433	-34.5%
(Japan)	1,081	918	-163	-15.1%
(U.S.)	5,481	2,880	-2,601	-47.5%
(Germany)	4,572	2,991	-1,581	-34.6%
(Asia-Oceania)	7,507	5,419	-2,088	-27.8%
Mobiles, others	1,543	1,154	-389	-25.2%
(Japan)	365	197	-168	-46.0%
(U.S.)	742	552	-190	-25.6%
(Germany)	244	252	8	3.2%
(Asia-Oceania)	192	153	-39	-20.4%
Business Solution	3,452	3,354	-98	-2.8%
(Japan)	702	687	-15	-2.1%
(U.S.)	863	905	42	4.9%
(Germany)	1,643	1,545	-98	-6.0%
(Asia-Oceania)	244	217	-27	-11.0%
Technology Solution Business	39,137	50,536	11,399	29.1%
AES technology	15,961	17,743	1,782	11.2%
EMR technology, others	23,176	32,793	9,617	41.5%
Total	81,179	84,021	2,842	3.5%

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

(4) Sales by Regional Subsidiary

	FY 3/2022	FY 3/2023	YOY Change	
	YTD Q3 Results	YTD Q3 Results	Amount	Ratio
	mil JPY	mil JPY	mil JPY	
Japan	44,284	55,262	10,978	24.8%
(Japan excluding Tech. Solution biz.)	5,147	4,726	-421	-8.2%
U.S.	14,109	10,105	-4,004	-28.4%
Germany	10,694	8,553	-2,141	-20.0%
Asia-Oceania	12,092	10,101	-1,991	-16.5%
Total	81,179	84,021	2,842	3.5%

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	
	YTD Q3 Results	YTD Q3 Results	Amount	Ratio	Amount	Ratio
	mil JPY	mil JPY	mil JPY		mil JPY	
Capital Expenditure	1,343	1,093	-250	-18.6%		
Depreciation	1,073	1,080	7	0.7%		
R&D Expenditure	3,505	4,969	1,464	41.8%		

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	
	YTD Q3 Results	YTD Q3 Results	Amount	Ratio	Amount	Ratio
	mil JPY	mil JPY	mil JPY		mil JPY	
ROIC	28.4%	7.2%				-21.2pts
Net Operating Profit After Tax	8,562	2,981	-5,581	-65.2%		
Net Working Capital	20,957	29,598	8,641	41.2%		
Business Assets	9,206	11,616	2,410	26.2%		
ROE	24.3%	8.5%				-15.8pts

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	Amount	Ratio	Previous Forecast	Amount	Ratio	Amount	Ratio	
	mil JPY	mil JPY	mil JPY		mil JPY	mil JPY		mil JPY		
Net Sales	108,790	110,000	1,210	1.1%	119,000	-9,000	-7.6%			
Operating Profit	13,024	4,300	-8,724	-67.0%	6,000	-1,700	-28.3%			
(Profit Margin)	12.0%	3.9%			5.0%					
Ordinary Profit	14,351	4,850	-9,501	-66.2%	7,900	-3,050	-38.6%			
(Profit Margin)	13.2%	4.4%			6.6%					
Net Profit	10,955	3,500	-7,455	-68.1%	5,900	-2,400	-40.7%			
(Profit Margin)	10.1%	3.2%			5.0%					
P/L FX Rate (Avg. in the Term)	JPY	JPY	JPY							
(US Daller)	112.86	132.00	19.14	17.0%	140.00	-8.00	-5.7%			
(Euro)	131.01	141.00	9.99	7.6%	138.00	3.00	2.2%			

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

Note) Previous Forecast of FY 3/2023 shows the announcement as of October 14, 2022.

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

(2) Forecast by Business Segment

	FY 3/2022		FY 3/2023		YOY Change		FY 3/2023		Change	
	Results	Forecast	Amount	Ratio	Previous Forecast	Amount	Ratio	Amount	Ratio	
	mil JPY	mil JPY	mil JPY		mil JPY	mil JPY		mil JPY		
Branded Business										
Sales	52,641	43,000	-9,641	-18.3%	52,000	-9,000	-17.3%			
Segment Profit	8,712	-1,200	-9,912	--	700	-1,900	0.0%			
(Profit Margin)	16.6%	-2.8%			1.3%					
Technology Solution Business										
Sales	56,149	67,000	10,851	19.3%	67,000	0	0.0%			
Segment Profit	8,888	10,500	1,612	18.1%	10,500	0	0.0%			
(Profit Margin)	15.8%	15.7%			15.7%					

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	Amount	Ratio	Previous Forecast	Amount	Ratio	Amount	Ratio	
	mil JPY	mil JPY	mil JPY		mil JPY	mil JPY		mil JPY		
Capital Expenditure	1,652	2,800	1,148	69.5%	3,300	-500	-15.2%			
Depreciation	1,426	1,550	124	8.7%	1,600	-50	-3.1%			
R&D Expenditure	5,477	7,000	1,523	27.8%	7,000	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.