

Q3 FY 3/2024 Summary of Consolidated Financial Results

January 31, 2024

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 3/2024 Consolidated Financial Results (April 1, 2023 – December 31, 2023)

(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 3/2024	89,151	6.1	5,269	22.6	6,656	37.2	4,893	33.1
Q3 FY 3/2023	84,021	3.5	4,297	-65.2	4,851	-62.0	3,676	-61.8

(Note) Comprehensive income Q3 FY 3/2024 5,587mY (43.3%) Q3 FY 3/2023 3,900mY (-60.9%)

	Net Income per Share		Diluted Net income per Share	
	Yen	Sen	Yen	Sen
Q3 FY 3/2024	31.50		—	
Q3 FY 3/2023	23.20		—	

(2) Financial Position (Consolidated)

	Total Assets		Net Assets		Capital Ratio	Net Assets per Share	
	mY		mY		%	Yen	Sen
Q3 FY 3/2024	85,561		39,632		46.3	262.03	
FY 3/2023	75,279		40,490		53.8	259.15	

(For Ref.) Capital: Q3 FY3/2024 39,632mY FY 3/2023 40,490mY

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 3/2023	-	0.00	-	20.00	20.00
FY 3/2024	-	0.00	-		
FY 3/2024 (forecast)				20.00	20.00

(Note) Changes in dividend per share forecast of FY3/2024 : No

3. Consolidated Business Forecasts of FY 3/2024 (April 1, 2023 – March 31, 2024)

	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	117,000	3.8	5,300	163.3	6,700	133.6	4,900	173.4	31.75

(Note) Changes in Business Forecast of FY 3/2024: Yes

For details of "Consolidated Business Forecasts", please refer to "Revised consolidated performance forecasts and other forward-looking information" on page 7.

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 : No
 - 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 3/2024	158,000,000	FY 3/2023	158,000,000

Number of treasury stock outstanding at end of year:

	Shares		Shares
Q3 FY 3/2024	6,749,889	FY 3/2023	1,762,392

Average number of shares during the fiscal year:

	Shares		Shares
Q3 FY 3/2024	155,363,786	Q3 FY 3/2023	158,451,766

*These 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 quarterly consolidated 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, 2024 (April 1, 2023 to December 31, 2023), the global economy saw a deceleration of growth. This resulted from ongoing geopolitical tensions caused by the situation in Russia and Ukraine as well as the Middle East, and continued high interest rates due to monetary tightening by central banks in major countries, despite signs of inflation easing in energy and food prices. In this environment, the IT industry produced technological innovations and increased convenience in mobile, cloud, big data, and social networks. Relative to the average exchange rate during the same period of the previous fiscal year, the yen was modestly weaker against the US dollar, weaker against the euro, and also slightly 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 exchange rate fluctuations on consolidated financial results is to have boosted consolidated net sales by approximately ¥4.5 billion and consolidated operating profit by approximately ¥0.8 billion.

Wacom Group announced its Medium-Term Business Direction: “Wacom Chapter 3” on May 12, 2021, and announced “Wacom Chapter 3 Update Report” and associated strategic measures on May 11, 2023. 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, 2024, we promoted growth strategies for the future, collaborating with partner companies to further develop our business model in growing fields such as XR (Cross Reality), AI (Artificial Intelligence), data security, and education. We also implemented 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 declined due to decreased sales of display products and pen tablet products in the mainstay 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 three quarters of the current fiscal year, overall sales in the Technology Solution Business segment increased, due to increased sales of EMR technology solutions and Active-ES technology solutions.

The first half of Wacom Chapter 3 was characterized by significant changes in our business environment, and these changes have informed our determination to transform our business structure to enable the achievement of higher medium- to long-term corporate value. Accordingly, we have designated the second half of Wacom Chapter 3 as a period to implement this transformation and continue working on the following eight measures noted in the aforementioned “Update Report”.

- I. Product portfolio renewal and gross profit improvement
- II. Business development of focus areas
- III. Enhancement of sales channel management
- IV. Improvement of inventory management
- V. Expansion of customer and application base
- VI. Market development in the general education sector
- VII. Capital allocation and shareholder returns
- VIII. New business investment and development

In addition to measures aimed at enhancing growth through proactive investment in the development of new core technologies and business models, in November 2023 we held a community event, "Connected Ink 2023", 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 a service for education making full use of the latest digital ink technology, a rights protection service for creators, a visualization of the value of creative processes through AI analysis, new technology that dramatically improves the quality of creation in a remote environment, and the current status of a Wacom VR Pen being developed to support creative potential in VR (virtual reality) space.

For the first three quarters of the current fiscal year ending March 31, 2024, consolidated net sales increased 6.1% to ¥89,151million. Operating profit increased 22.6% to ¥5,269million. Ordinary profit increased 37.2% to ¥6,656million, and net profit attributable to owners of parent increased 33.1% to ¥4,893million, after recording ¥1,438million of foreign exchange gains (increased by 177.4%) in non-operating income.

Business results by segment

Note: All comparisons are with the same period of the previous fiscal year, unless otherwise noted.

The classification of categories, names, and description for each segment have been partially changed, in order to explain our business performance more appropriately in accordance with changes in the business environment.

1. Branded Business

Creative Solution

In the Creative Solution category, overall sales decreased due to decreased sales of display products and pen tablet products amid changes in the business environment.

Display products

Sales of *Wacom Cintiq Pro* were lower due to a drop-off in demand for existing models, although we enhanced the product lineup with the launch of “*Wacom Cintiq Pro 17*” “*Wacom Cintiq Pro 22*” in October 2023. Sales of *Wacom Cintiq* were also lower due to decreased demand. Sales of *Wacom One* increased slightly due to product lineup enhancement with the announcement of a new LCD pen tablet model in August 2023.

Overall sales of display products showed a decrease.

Pen tablet products

Sales of the *Wacom Intuos Pro* series significantly decreased, due to declining demand influenced by factors such as the length of time since launch. Sales of mid-priced models decreased slightly due to weaker demand for *Wacom Intuos*, despite an enhanced product lineup that included the announcement of a new *Wacom One* pen tablet model in August 2023, in addition to the existing *Wacom Intuos* series. Sales of *One by Wacom* decreased significantly amid a fall in demand. As a result, overall sales of pen tablet products significantly declined.

Business Solution

Business Solution sales increased slightly, amid fluid market dynamics and 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, 2024 decreased 18.7% to ¥27,236million, and segment loss increased by ¥1,759million to ¥3,069million.

2. Technology Solution Business

AES technology solution

Sales in the AES technology solution category increased amid the impact of changes in the market environment.

EMR technology solution

Sales in the EMR technology solution category increased, due to increased demand by an OEM partner.

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, 2024, increased 22.5% to ¥61,916million, and segment profit increased 30.7% to ¥12,051million.

(2) Consolidated financial position

Status of assets, liabilities and net assets

Total assets as of December 31, 2023 increased by ¥10,282million to ¥85,561million compared to the end of the previous fiscal year. The main factors contributing to this were increases of ¥5,927million in accounts receivable - trade and ¥5,529million in cash and deposits.

Total liabilities as of December 31, 2023 increased by ¥11,140million to ¥45,929million compared to the end of the previous fiscal year. The main factors contributing to this were increases of ¥5,141million in accounts payable - trade and ¥5,000million in long-term borrowings.

Total net assets as of December 31, 2023 decreased by ¥858million to ¥39,632million compared to the end of the previous fiscal year. The main contributing factors were increases of ¥4,893million by net profit attributable to owners of parent and ¥643million by foreign currency translation adjustment, and decreases of ¥3,317million by an increase of treasury shares and ¥3,125million by the payment of shareholder's dividends. As a result, the capital ratio decreased by 7.5 points to 46.3% compared to the end of the previous fiscal year.

Cash flows

Consolidated cash and cash equivalents as of December 31, 2023 totaled ¥25,544million, a ¥5,565million increase from the end of the previous fiscal year (compared to a ¥8,562million decrease in the same period of the previous fiscal year).

Cash flow from operating activities

Cash flow gained from operating activities for the first three quarters of the current fiscal year ending March 31, 2024, was ¥7,961million (compared to ¥9,140million used in the same period of the previous fiscal year). The main factors contributing to cash inflow were ¥6,771million of profit before income taxes, ¥5,287million of decrease in inventories and ¥4,397million of increase in trade payables. The main factors contributing to cash outflow were ¥5,749million of increase in trade receivables and ¥2,194million 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, 2024, was ¥1,619million (compared to ¥2,737million used in the same period of the previous fiscal year). The main contributing factors were ¥1,339million of purchase of property, plant and equipment, and ¥320million of purchase of intangible assets.

Cash flow from financing activities

Cash flow gained for financing activities for the first three quarters of the current fiscal year ending March 31, 2024, was ¥2,064million (compared to ¥2,094million used in the same period of the previous fiscal year). The main contributing factors were ¥7,000million of proceeds from long-term borrowings, ¥3,358million of purchase of treasury shares, ¥3,121million of payment for shareholders' dividends, and ¥2,000million of repayments of short-term borrowings.

(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, 2024, announced in the Summary of Consolidated Financial Results for the first half of the fiscal year ending March 31, 2024, on October 31, 2023, as described below.

Revised consolidated financial forecasts

For the full year of FY 3/2024 (period between April 1, 2023 and March 31, 2024)

	Net sales (million yen)	Operating profit (million yen)	Ordinary profit (million yen)	Profit attributable to owners of parent (million yen)	Net profit per share (yen)
Previously announced forecast(A)	109,000	4,500	5,200	3,950	25.42
Revised forecast (B)	117,000	5,300	6,700	4,900	31.75
Amount of changes (B)-(A)	8,000	800	1,500	950	
Percentage of changes (%: B to A)	7.3	17.8	28.8	24.1	
(Ref.) Results for the previous fiscal year	112,730	2,013	2,868	1,792	11.34

Revised assumptions of foreign exchange rate:

1 US Dollar = 142 Japanese yen (previous assumption: JPY138)

1 Euro = 155 Japanese yen (previous assumption: JPY151)

Principal reasons for revision

Reflecting results for the first three quarters of the current fiscal year and the latest forecast by each segment incorporating revised foreign exchange rate assumptions, the previous consolidated financial forecasts for the fiscal year ending March 31, 2024 have been revised upward for net sales, operating profit, ordinary profit, and profit attributable to owners of parent.

The upward revision for net sales is due to an expected continuation of increased demand in the Technology Solution Business, despite lower sales during the year-end sales season than were assumed in the previously announced forecast and further decline in sales in the fourth quarter in the Branded Business.

The upward revision for operating profit is mainly due to profits resulting from the forecast sales increase noted above, despite a negative impact from valuation reserve for inventory purchase commitments recorded at the end of the third quarter of the current fiscal year.

The upward revisions for ordinary profit and net profit attributable to owners of parent are mainly due to a positive impact from an increase in foreign exchange gains in non-operating income resulting from a weakening of the yen, in addition to the above factors.

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."

As for the full-year dividend forecast, we have not revised our forecast as of October 31, 2023.

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 3/2023 (as of March 31, 2023)	Q3 FY 3/2024 (as of December 31, 2023)
Assets		
Current assets		
Cash and deposits	20,015,518	25,544,419
Accounts receivable-trade	12,084,369	18,011,346
Merchandise and finished goods	13,438,774	9,310,291
Work in process	607,548	459,599
Raw materials and supplies	7,679,862	7,679,557
Other	6,376,783	9,257,628
Allowance for doubtful accounts	-30,282	-55,857
Current assets	60,172,572	70,206,983
Non-current assets		
Property, plant and equipment		
Other, net	6,207,921	6,845,505
Property, plant and equipment	6,207,921	6,845,505
Intangible assets		
Other	1,496,616	1,571,613
Intangible assets	1,496,616	1,571,613
Investments and other assets		
Other	7,401,663	6,937,063
Investments and other assets	7,401,663	6,937,063
Non-current assets	15,106,200	15,354,181
Assets	75,278,772	85,561,164
Liabilities		
Current liabilities		
Accounts payable-trade	10,638,280	15,779,652
Short-term borrowings	7,000,000	5,000,000
Current portion of long-term borrowings	—	2,000,000
Income taxes payable	765,586	94,649
Provision for bonuses	1,205,652	1,316,205
Provision for bonuses for directors (and other officers)	18,404	45,585
Provision for product warranties	266,707	210,282
Provision for information security measures	104,497	—
Valuation reserve for inventory purchase commitments	2,047,696	1,432,210
Provision for business restructuring	186,756	957
Other	7,807,380	10,180,947
Current liabilities	30,040,958	36,060,487
Non-current liabilities		
Long-term borrowings	2,000,000	7,000,000
Retirement benefit liability	1,078,712	1,123,176
Asset retirement obligations	297,789	306,047
Other	1,371,649	1,439,751
Non-current liabilities	4,748,150	9,868,974
Liabilities	34,789,108	45,929,461

(Thousands of yen)

	FY 3/2023 (as of March 31, 2023)	Q3 FY 3/2024 (as of December 31, 2023)
Net assets		
Shareholders' equity		
Share capital	4,203,469	4,203,469
Capital surplus	4,044,882	4,044,882
Retained earnings	32,341,161	34,106,631
Treasury shares	-1,176,497	-4,493,599
Shareholders' equity	39,413,015	37,861,383
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	-256,673	-206,345
Foreign currency translation adjustment	1,334,024	1,976,888
Remeasurements of defined benefit plans	-702	-223
Valuation and translation adjustments	1,076,649	1,770,320
Net assets	40,489,664	39,631,703
Liabilities and net assets	75,278,772	85,561,164

(2) Consolidated profit & loss statement

(Thousands of yen)

	Q3 FY 3/2023 (April 1, 2022 to Dec. 31, 2022)	Q3 FY 3/2024 (April 1, 2023 to Dec. 31, 2023)
Net sales	84,020,701	89,151,482
Cost of sales	57,535,259	61,315,599
Gross profit (loss)	26,485,442	27,835,883
Selling, general and administrative expenses	22,188,695	22,566,794
Operating profit (loss)	4,296,747	5,269,089
Non-operating income		
Interest income	16,588	12,758
Foreign exchange gains	518,485	1,438,496
Other	72,835	58,540
Non-operating income	607,908	1,509,794
Non-operating expenses		
Interest expenses	36,516	65,854
Loss on abandonment of inventories	—	47,111
Other	16,870	9,987
Non-operating expenses	53,386	122,952
Ordinary profit (loss)	4,851,269	6,655,931
Extraordinary income		
Gain on sale of non-current assets	1,581	4,097
Insurance claim income	—	50,000
Reversal of provision for information security measures	—	95,456
Extraordinary income	1,581	149,553
Extraordinary losses		
Loss on sale of non-current assets	1,376	2,303
Information security expenses	210,744	—
Business restructuring expenses	—	26,504
Other	1,773	5,849
Extraordinary losses	213,893	34,656
Profit (loss) before income taxes	4,638,957	6,770,828
Income taxes	963,411	1,877,447
Profit (loss)	3,675,546	4,893,381
Profit (loss) attributable to owners of parent	3,675,546	4,893,381

Consolidated Comprehensive Income Statement

(Thousands of yen)

	Q3 FY 3/2023 (April 1, 2022 to Dec. 31, 2022)	Q3 FY 3/2024 (April 1, 2023 to Dec. 31, 2023)
Profit (loss)	3,675,546	4,893,381
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	-267,998	50,328
Foreign currency translation adjustment, net of tax	490,219	642,864
Remeasurements of defined benefit plans, net of tax	1,920	479
Other comprehensive income	224,141	693,671
Comprehensive income	3,899,687	5,587,052
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,899,687	5,587,052
Comprehensive income attributable to non-controlling interests	—	—

(3) Summary of consolidated cash flow statement

(Thousands of yen)

	Q3 FY 3/2023 (April 1, 2022 to Dec. 31, 2022)	Q3 FY 3/2024 (April 1, 2023 to Dec. 31, 2023)
Cash flows from operating activities		
Profit (loss) before income taxes	4,638,957	6,770,828
Depreciation	1,613,437	1,865,926
Share-based payment expenses	21,502	22,070
Increase (decrease) in allowance for doubtful accounts	-7,319	25,427
Increase (decrease) in provision for bonuses	-638,799	70,109
Increase (decrease) in provision for bonuses for directors (and other officers)	-22,516	27,181
Increase (decrease) in retirement benefit liability	67,819	44,768
Differences between the asset retirement liability balance and the actual retirement	2,170	—
Interest and dividend income	-16,588	-12,758
Interest expenses	56,832	82,013
Foreign exchange losses (gains)	-957,866	-967,168
Loss (gain) on sale of property, plant and equipment	-205	-1,794
Loss on retirement of property, plant and equipment	1,773	5,849
Decrease (increase) in trade receivables	529	-5,749,472
Decrease (increase) in inventories	-8,106,902	5,287,119
Increase (decrease) in trade payables	-1,214,807	4,396,971
Increase (decrease) in accrued consumption taxes	175,084	-84,778
Other, net	-687,392	-1,602,924
Subtotal	-5,074,291	10,179,367
Interest and dividends received	16,405	27,207
Interest paid	-52,183	-51,551
Income taxes paid	-4,030,056	-2,194,290
Net cash provided by (used in) operating activities	-9,140,125	7,960,733
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	—	37,928
Purchase of property, plant and equipment	-968,102	-1,339,180
Purchase of intangible assets	-166,564	-320,157
Purchase of investment securities	-1,601,321	—
Proceeds from sale of property, plant and equipment	1,813	5,643
Payments of leasehold and guarantee deposits	-4,343	-6,374
Proceeds from refund of leasehold and guarantee deposits	9,547	2,671
Payments for asset retirement obligations	-7,531	—
Net cash provided by (used in) investing activities	-2,736,501	-1,619,469
Cash flows from financing activities		
Proceeds from short-term borrowings	7,000,000	—
Repayments of short-term borrowings	—	-2,000,000
Proceeds from long-term borrowings	—	7,000,000
Purchase of treasury shares	-1,167,911	-3,357,517
Repayments of lease liabilities	-561,637	-585,463
Dividends paid	-3,175,977	-3,120,520
Net cash provided by (used in) financing activities	2,094,475	-2,063,500
Effect of exchange rate change on cash and cash equivalents	1,220,223	1,286,751
Net increase (decrease) in cash and cash equivalents	-8,561,928	5,564,515
Cash and cash equivalents	21,788,861	19,979,904
Cash and cash equivalents	13,226,933	25,544,419

(4) Notes for quarterly consolidated financial statements

(Note for going concern assumption)

Not Applicable

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

The Company acquired treasury stock based on the resolution by the Board of Directors held on May 11, 2023, and treasury stock increased by ¥1,000million (1,635,000 shares) during the first three quarters of the current fiscal year. The Company also acquired treasury stock based on the resolution by the Board of Directors held on October 31, 2023, and treasury stock increased by ¥2,351million (3,403,000 shares) during 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 14, 2023, and treasury stock decreased by ¥34million (50,504 shares) during the first three quarters of the current fiscal year. As a result, treasury stock (including an increase due to purchase of fractional shares) at the end of the first three quarters of the current fiscal year was ¥4,494million (6,749,889 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 profit before income taxes for the current first three quarters by the estimated effective tax rate for the current fiscal year.

(Segment Information and Other information)

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

Q3 FY 3/2023 (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” (-3,616,699 thousand yen) in “Segment profit or loss” 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 3/2024 (April 1, 2023 – December 31, 2023)

(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	27,235,950	61,915,532	89,151,482	—	89,151,482
Sales between internal segments and internal transfer	—	—	—	—	—
Total	27,235,950	61,915,532	89,151,482	—	89,151,482
Segment profit or loss (-)	-3,069,179	12,051,277	8,982,098	-3,713,009	5,269,089

(Note) 1. The above “Adjustment” (-3,713,009 thousand yen) in “Segment profit or loss” 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 resolved at a meeting of its Board of Directors on January 31, 2024, to implement borrowings from correspondent financial institutions as follows. The portions to be executed on January 31, 2024 were executed on the same day.

Lender	Saitama Resona Bank, Limited	MUFG Bank, Ltd.
Use of funds	Short-term working capital	Short-term working capital
Borrowing amount	2,000 million yen	3,000 million yen
Interest rate	Base rate + spread	Base rate + spread
Execution date	January 31, 2024	February 29, 2024
Repayment date	April 30, 2024	May 31, 2024
Assets pledged as collateral or loan guarantees	None	None

(Cancellation of treasury stock)

The Company resolved at a meeting of its Board of Directors held on January 31, 2024, to cancel the Company's treasury stock pursuant to Article 178 of Japanese Companies Act.

1.Reason for and cancellation of own shares

The Company decided to cancel its treasury stock, upon comprehensive consideration of the current investment opportunities, financial conditions.

2.Details of cancellation

(1) Type of shares to be acquired: Common stock of the Company

(2) Total number of shares to be cancelled: 6,000,000 shares

Equivalent of 3.80% of outstanding shares

(3) Scheduled date of cancellation: February 14, 2024

Q3 FY 3/2024 Summary of Consolidated Financial Results
from April 1, 2023 to December 31, 2023

(1) Business Performance

	FY 3/2023	FY 3/2024	YOY Change	
	YTD Q3 Results	YTD Q3 Results	Amount	Ratio
	mil JPY	mil JPY	mil JPY	
Net Sales	84,021	89,151	5,130	6.1%
Operating Profit	4,297	5,269	972	22.6%
(Profit Margin)	5.1%	5.9%		
Ordinary Profit	4,851	6,656	1,805	37.2%
(Profit Margin)	5.8%	7.5%		
Net Profit	3,676	4,893	1,217	33.1%
(Profit Margin)	4.4%	5.5%		
P/L FX Rate (Avg. in the Term)	JPY	JPY	JPY	
(US Dollar)	135.40	142.76	7.36	5.4%
(Euro)	140.42	155.19	14.77	10.5%

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

(2) Business Performance by Business Segment

	FY 3/2023	FY 3/2024	YOY Change	
	YTD Q3 Results	YTD Q3 Results	Amount	Ratio
	mil JPY	mil JPY	mil JPY	
Branded Business				
Sales	33,485	27,236	-6,249	-18.7%
Segment Profit	-1,310	-3,069	-1,759	--
(Profit Margin)	-3.9%	-11.3%		
Technology Solution Business				
Sales	50,536	61,915	11,379	22.5%
Segment Profit	9,224	12,051	2,827	30.7%
(Profit Margin)	18.3%	19.5%		

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

(3) Sales by Product Line

(by Subsidiaries)	FY 3/2023	FY 3/2024	YOY Change	
	YTD Q3 Results	YTD Q3 Results	Amount	Ratio
	mil JPY	mil JPY	mil JPY	
Branded Business	33,485	27,236	-6,249	-18.7%
Creative Solution	<u>30,131</u>	<u>23,769</u>	<u>-6,362</u>	<u>-21.1%</u>
Displays	<u>17,497</u>	<u>14,626</u>	<u>-2,871</u>	<u>-16.4%</u>
(Japan)	3,101	2,847	-254	-8.2%
(U.S.)	6,020	5,296	-724	-12.0%
(Germany)	3,930	3,639	-291	-7.4%
(Asia-Oceania)	4,446	2,844	-1,602	-36.0%
Pen tablets	<u>12,634</u>	<u>9,143</u>	<u>-3,491</u>	<u>-27.6%</u>
(Japan)	937	713	-224	-23.9%
(U.S.)	3,181	3,003	-178	-5.6%
(Germany)	3,079	2,725	-354	-11.5%
(Asia-Oceania)	5,437	2,702	-2,735	-50.3%
Business Solution	<u>3,354</u>	<u>3,467</u>	<u>113</u>	<u>3.4%</u>
(Japan)	687	588	-99	-14.5%
(U.S.)	905	771	-134	-14.8%
(Germany)	1,545	1,743	198	12.9%
(Asia-Oceania)	217	365	148	67.8%
Technology Solution Business	50,536	61,915	11,379	22.5%
AES technology	17,743	19,949	2,206	12.4%
EMR technology	32,793	41,966	9,173	28.0%
Total	84,021	89,151	5,130	6.1%

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

Note) According to the change in the category by product line since FY 3/2024, in the Branded Business, "Mobiles, others" has been integrated into "Displays" for the 'Mobiles' component and "Pen tablets" for the 'others' component. In the Technology Solution Business, "others" has been removed from "EMR technology, others".

(4) Sales by Regional Subsidiary

	FY 3/2023	FY 3/2024	YOY Change	
	YTD Q3 Results	YTD Q3 Results	Amount	Ratio
	mil JPY	mil JPY	mil JPY	
Japan	55,262	66,063	10,801	19.5%
(Japan excluding Tech. Solution biz.)	4,726	4,148	-578	-12.2%
U.S.	10,105	9,071	-1,034	-10.2%
Germany	8,553	8,107	-446	-5.2%
Asia-Oceania	10,101	5,910	-4,191	-41.5%
Total	84,021	89,151	5,130	6.1%

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, India, and Vietnam.

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

	FY 3/2023	FY 3/2024	YOY Change	
	YTD Q3 Results	YTD Q3 Results	Amount	Ratio
	mil JPY	mil JPY	mil JPY	
Capital Expenditure	1,093	1,809	716	65.5%
Depreciation	1,080	1,302	222	20.5%
R&D Expenditure	4,969	5,632	663	13.3%

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 3/2023	FY 3/2024	YOY Change	
	YTD Q3 Results	YTD Q3 Results	Amount	Ratio
	mil JPY	mil JPY	mil JPY	
ROIC	7.2%	9.3%		2.1pts
Net Operating Profit After Tax	2,981	3,656	675	22.6%
Net Working Capital	29,598	25,410	-4,188	-14.1%
Business Assets	11,616	13,926	2,310	19.9%
ROE	8.5%	12.2%		3.7pts

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 3/2024 Summary of Financial Forecast (Consolidated)

from April 1, 2023 to March 31, 2024

(1) Forecast of Business Performance

	FY 3/2023	FY 3/2024	YOY Change		FY 3/2024	Change	
	Results	Forecast	Amount	Ratio	Previous Forecast	Amount	Ratio
	mil JPY	mil JPY	mil JPY		mil JPY	mil JPY	
Net Sales	112,730	117,000	4,270	3.8%	109,000	8,000	7.3%
Operating Profit	2,013	5,300	3,287	163.3%	4,500	800	17.8%
(Profit Margin)	1.8%	4.5%			4.1%		
Ordinary Profit	2,868	6,700	3,832	133.6%	5,200	1,500	28.8%
(Profit Margin)	2.5%	5.7%			4.8%		
Net Profit	1,792	4,900	3,108	173.4%	3,950	950	24.1%
(Profit Margin)	1.6%	4.2%			3.6%		
P/L FX Rate (Avg. in the Term)	JPY	JPY	JPY				
(US Daller)	134.95	142.00	7.05	5.2%	138.00	4.00	2.9%
(Euro)	141.24	155.00	13.76	9.7%	151.00	4.00	2.6%

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

Note) Previous Forecast of FY 3/2024 shows the announcement in "Summary of Consolidated Financial Results" as of October 31, 2023.

Note) Each FX rate in FY 3/2024 full year forecast shows the assumption from January, 2024 onward.

(2) Forecast by Business Segment

	FY 3/2023	FY 3/2024	YOY Change		FY 3/2024	Change	
	Results	Forecast	Amount	Ratio	Previous Forecast	Amount	Ratio
	mil JPY	mil JPY	mil JPY		mil JPY	mil JPY	
Branded Business							
Sales	41,161	35,000	-6,161	-15.0%	37,000	-2,000	-5.4%
Segment Profit	-3,981	-4,500	-519	--	-1,300	-3,200	0.0%
(Profit Margin)	-9.7%	-12.9%			-3.5%		
Technology Solution Business							
Sales	71,569	82,000	10,431	14.6%	72,000	10,000	13.9%
Segment Profit	10,756	15,000	4,244	39.5%	11,000	4,000	36.4%
(Profit Margin)	15.0%	18.3%			15.3%		

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 3/2023	FY 3/2024	YOY Change		FY 3/2024	Change	
	Results	Forecast	Amount	Ratio	Previous Forecast	Amount	Ratio
	mil JPY	mil JPY	mil JPY		mil JPY	mil JPY	
Capital Expenditure	1,579	2,400	821	52.0%	2,700	-300	-11.1%
Depreciation	1,480	1,800	320	21.6%	1,800	0	0.0%
R&D Expenditure	6,680	7,800	1,120	16.8%	8,000	-200	-2.5%

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.