

Q3 FY 3/2017 Summary of Consolidated Financial Results

February 8, 2016

Company Name **Wacom Co., Ltd.**

(Code Number: 6727 TSE1)

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

Representative: Masahiko Yamada, CEO

TEL: 03-5337-6502

Contact: Toru Ando, CFO

Preparation of Supplemental Explanatory Material for Financial Results: Yes

Holding of Large Meeting for Financial Results: No

1. Q3 FY 3/2017 Consolidated Financial Results (April 1, 2016 – December 31, 2016)

(1) Business Performance (Consolidated)

(Round off to mY)

	Sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	mY	%	mY	%	mY	%	mY	%
Q3 FY 3/2017	54,739	-10.1	626	-87.1	768	-84.3	-99	—
Q3 FY 3/2016	60,892	6.9	4,834	-15.0	4,893	-10.6	3,085	-3.6

(Note) Comprehensive income Q3 FY 3/2017 -244 mY (-%) Q3 FY 3/2016 2,960 mY (-29.4%)

	Net Profit per Share Outstanding		Net Profit per Diluted Share Outstanding	
	Yen	Sen	Yen	Sen
Q3 FY 3/2017		-0.61		—
Q3 FY 3/2016		18.68		18.67

(2) Financial Position (Consolidated)

	Total Assets	Net Assets	Capital Ratio	Net Assets per Share	
	mY	mY	%	Yen	Sen
Q3 FY 3/2017	58,116	27,156	46.5	166.38	
FY 3/2016	51,567	31,096	60.0	188.22	

(For Ref.) Capital: Q3 FY3/2017 27,016 mY FY 3/2016 30,959 mY

2. Dividend

Dividend Per Share					
	Q1	Q2	Q3	End of FY	FY Total
	Yen Sen	Yen Sen	Yen Sen	Yen Sen	Yen Sen
FY 3/2016	-	0.00	-	18.00	18.00
FY 3/2017	-	0.00	-		
FY 3/2017 (estimates)				6.00	6.00

Changes in dividend per share forecast of FY3/2017 : No

3. Consolidated Business Forecasts of FY 3/2017 (April 1, 2016 – March 31, 2017)

	Sales		Operating Income		Ordinary Income		Net Profit Attributable to owners of parent		Net Profit Per Share Outstanding
	mY	%	mY	%	mY	%	mY	%	Yen Sen
Full Year	71,500	-7.8	-500	--	-650	--	-1,500	--	-9.24

Changes in Consolidated Business Forecast of FY 3/2017 : Yes

※For details, please refer to P.8 “Forward looking information including forecast of consolidated financial results”.

4. Other

- 1) Reclassification of significant subsidiaries during the period (Reclassification due to the change in scope of consolidation) : No
- 2) Adoption of special 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 3/2017	166,546,400	FY 3/2016	169,046,400

Number of treasury stock outstanding at end of year:

	Shares		Shares
Q3 FY 3/2017	4,175,300	FY 3/2016	4,568,000

Number of average shares for the first three quarters of the fiscal year:

	Shares		Shares
Q3 FY 3/2017	163,363,534	Q3 FY 3/2016	165,155,040

*Regarding the implementation of review procedures

These financial results are not subject to review procedures. Thus, at the time of disclosure of these financial results, the financial statement review procedures based on “Financial Instruments and Exchange Law” have not been completed.

*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 Income Statement, Consolidated Cash Flow Statement, Notes to Financial Statements, and Complementary Information.

Qualitative Information and Financial Statements

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.

In the third quarter period of the fiscal year under review (the nine months from April 1, 2016 to December 31, 2016), unanticipated political developments such as the UK's withdrawal from the EU and the transition to the next presidential administration in the U.S. contributed to growing economic uncertainty. Toward the end of the period, however, expectations for a global economic recovery led by the U.S. were mounting. While the first half of the year saw the yen strengthen rapidly against the dollar and the euro, and even more so against emerging currencies such as the renminbi, this trend was reversed from November onward as the yen weakened against the major currencies including a strong dollar. In the IT industry, in addition to the penetration of mobile products, cloud computing and SNS (Social Networking Services), we have seen the emergence of IoT (Internet of Things) and VR (Virtual Reality) as new fields, which in turn has caused major changes in our business environment.

In the Creative Business area of our Brand Business segment, digital content creation for the movie, comic, and game application sectors has been expanding into emerging countries in Asia and South America, as well as into the creative education field. In developed countries, we are seeing wider adoption of digital pens for tablet devices, which gives creative users more options, and in turn drives changes in the competitive environment as well. In addition, there is a growing demand for high-end pen display products that can support the creative production process, driven by the spread of 3D applications for new fields such as 3D printing and VR, in addition to conventional 3D content. To ensure consistency in the workflow – from the process of turning ideas and concepts into digital content through to productization – close collaboration between each process is needed. As such, in the Consumer Business area, we have opened up a new digital stationery market featuring a product that can transform hand-written, analog ideas on paper into digital data on screen via cloud computing, ready for editing, sharing, and storing. In the Business Solution area, demand for paperless procedures and digital signature security is growing across a broad range of sectors, including banks, insurance companies, retailers, and public services.

In the Technology Solution Business segment, the low- and mid-end smartphone market grew, particularly in emerging countries, while the high-end smartphone market saw a slowdown, leading to a rapid change in industry structure. Furthermore, uncertainty in the smartphone market has increased as a result of advancing high functionality of devices, which led to recent unforeseen and unexpected incidents such as the announcement of a recall by one of our major customers. The tablet market for the Windows OS expanded, but remained sluggish for the Android OS. The notebook PC market also saw weak sales as a result of factors such as a growing shift in demand toward '2-in-1' tablets. Nevertheless, there is a steadily growing demand for digital pen technology for business and educational purposes, mainly in the tablet market. We are also seeing an active movement toward digitization in the stationery area, where there is a diverse range of users.

Against this background, Wacom Group is taking the lead in the pen tablet market for creative users by pursuing investment strategies to provide more value-added products to customers, develop next generation digital pen technology, reinforce our product lineup, and enhance the Group's future business base.

In order to cater to the changing demands of creative professionals and to solidify our global market leadership, in the Brand Business segment we have leveraged our R&D activities to develop new products equipped with next-generation digital pen technology and the advanced functions of 3D

and color management. Consolidated cumulative third quarter sales fell below the previous fiscal year in all product lineups due to the strong yen, changes in the competitive environment, a decrease in demand during product life cycle transitions, and a partial delay of a new product launch.

Regarding our new products, we expanded our cloud-based digital stationery product lines and introduced *Bamboo Slate* and *Bamboo Folio* in September. Also, we introduced the new *Intuos 3D* as our first pen tablet product for general consumers without advanced skills to enjoy 3D modeling and 3D printing as much as high-end creative users. In October, we introduced our new powerful mobile tablet PC *Wacom MobileStudio Pro 13/16* for high-end creative users, enabling free creative expression in a mobile environment. In November, we introduced our new display *Wacom Cintiq Pro 13/16* by combining our latest technologies. In the fourth quarter, we are planning to introduce our new pen tablet product, the *Wacom Intuos Pro* series, which can smoothly and seamlessly integrate the analog process of writing on paper with digital finishing capabilities. By completing product life cycle transitions with launches of our major high-end creative product lineup within this fiscal year, we aim to re-strengthen the Group's business base for future growth from the next fiscal year onward.

In the Technology Solution Business segment, we are increasing the commercial production of our Active ES (Active Electrostatic) pen sensor system to expand our customer base from existing customers such as Samsung, Lenovo, and Huawei to include new customers. In addition, we have focused our R&D activities on developing a standardized digital pen for Microsoft Windows 10 tablet devices, as well as on downsizing and automating the production of digital pen ink cartridges. Overall sales for the first three quarters of the fiscal year fell below the previous fiscal year mainly due to the strong yen. Sales of smartphones in the second half of the year were also heavily impacted due to the recall of the Samsung Galaxy Note 7 in September and October, an event resulting from quality control issues.

In Corporate Functions, we have focused on restructuring the global supply chain and developing global IT infrastructures to improve long-term business efficiency in response to rapid globalization and e-commercialization in the customer base.

In order to accelerate the spread of digital pens, we continued to pursue the development and partner expansion of WILL (Wacom Ink Layer Language), which will establish a digital ink standard for exchanging and sharing ink data freely regardless of OS. In connection with WILL, we established and started operations of the Digital Stationery Consortium in October 2016 by holding digital ink promotion events called "Connected Ink" in the U.S., China, Germany, and Japan to promote understanding and adoption of WILL. In the digital pen technology field, we signed an agreement with Microsoft in March 2016 to license its Windows Pen Protocol. Under the open partnership policy, we aim to promote our digital pen and ink technology through collaboration with partner companies.

In April 2015, we announced our Medium-term Business Plan "Wacom Strategic Business Plan: SBP-2019" (from April 2015 to March 2019) in response to ongoing rapid changes in the business environment. However, we have proceeded to review and revise the plan as we encountered difficulties meeting the financial goals set by the plan for March 2019. We have no revision for the basic strategy set outlined in SBP-2019, including the objectives of "evolving business toward mobile products and cloud" and aiming for future business growth.

For the first three quarters of the fiscal year ending March 31, 2017, consolidated net sales decreased 10.1% to ¥54,739 million, operating income decreased 87.1% to ¥626 million, ordinary income decreased 84.3% to ¥768 million, and net loss attributable to owners of parent increased by ¥3,184 million to ¥99 million.

Segment results

1. Brand Business

<Creative Business>

Shipment of Creative Business products increased approximately 10% in unit base, owing to rapid growth in emerging countries. However, overall sales fell below the previous fiscal year due to the strong yen, the change in product mix, and the negative impact on demand from the transition to new models.

○Pen Tablet products

Shipment of *Intuos Pro* products exceeded the previous fiscal year in unit base, but the strong yen led to a decrease in overall sales over the previous fiscal year. We plan to release the next model of *Intuos Pro* in the fourth quarter as it has been four years since the launch of the existing model. Regarding *Intuos* products, we introduced a new product, *Intuos 3D*, in September to acquire a new constituency among beginners in 3D modeling. Sales, however, fell below the previous fiscal year due to the strong yen and the increase in the proportion of lower-end models in the existing lineup. Orders of our emerging market model, *One by Wacom*, increased approximately 60% compared with the previous fiscal year as a result of the rapid expansion of a new customer base.

○Mobile products

Sales of the highly-functional creative tablet, *Cintiq Companion 2*, declined in almost all regions due to changes in the competitive environment driven by an increase in digital pen-adopted tablet devices in addition to the impact of product life cycle transitions. In October, we introduced a new *Wacom MobileStudio Pro* model with enhanced features such as next-generation digital pen technology and advanced 3D. Initial sales of the new model in the single quarter from October to December were strong, resulting in a 40% increase compared to the sales of the previous model in the previous comparable fiscal period. However, overall sales fell below the previous fiscal year.

○Display products

In Asia and Europe, sales were strong not only for *Cintiq 13HD* (13 inch) and *Cintiq 13HD touch*, which provide a comfortable drawing workspace on a compact screen, but also for *Cintiq 22HD* and *Cintiq 22HD touch*. However, overall sales fell slightly below the previous fiscal year due to the strong yen and sluggish sales in the U.S. In November, we introduced a new *Wacom Cintiq Pro 13/16* model with next-generation digital pen technology.

<Consumer Business>

We introduced new digital stationery products *Bamboo Slate* and *Bamboo Folio* in September, which were favorably received for integrating the convenience of a paper notebook with digital technologies such as smartphones and cloud-computing. Meanwhile, sales of the previous *Bamboo Spark* model and stylus pen products for the iPad fell below the previous fiscal year. As a result, overall sales fell significantly below the previous fiscal year.

<Business Solution>

Sales of the *STU* series LCD signature tablets increased significantly in India and China alongside favorable sales in the U.S. and Japan as a result of a growing demand for digital signature and information security technologies. Overall sales of the *STU* series exceeded the previous fiscal year. Meanwhile, sales of *DTU* series LCD pen tablets largely decreased due to sluggish sales in Europe and as a result of prolonged investment projects, changes in the competitive environment, and the strong yen. As a result, overall sales fell below the previous fiscal year.

<By region>

Sales fell below the previous fiscal year in all regions due to the strong yen and the impact of product life cycle transitions. In the U.S., sales of Business Solution products exceeded the previous fiscal year, but sales of Consumer Business products fell significantly below the previous fiscal year.

In Europe and Japan, sales fell below the previous fiscal year in all product lines. In Asia and Oceania (excluding Japan), sales fell below the previous fiscal year due to the strong yen in all regions except

India, which showed favorable sales expansion.

Overall sales in the Brand Business segment for the first three quarters of the fiscal year under review decreased 12.2% to ¥33,004 million, and operating income decreased 28.7% to ¥5,172 million.

- ※ Creative Business: Pen Tablet *Intuos* series
(including rebranded *Bamboo* pen tablets)
Mobile..... *Wacom MobileStudio Pro*
Display..... *Cintiq* series
- Consumer Business: Stylus pen, Smart pad..... *Bamboo* series
Digital Stationery
- Business Solution: LCD signature tablet..... *STU* series
LCD pen tablet..... *DT* series

2. Technology Solution Business

<Pen sensor systems for smartphones>

Overall sales fell below the previous fiscal year largely due to the strong yen. The recall of the Samsung Galaxy Note 7 in October led to discontinuance of production for the Note 7.

<Pen sensor systems for tablets>

Sales of our Active ES pen sensor system increased significantly, with favorable demand from tablet PC manufacturers. Steady shipment for Lenovo, Hewlett Packard, Dell, and Huawei exceeded impacts from discontinuation of shipments of educational tablets for the government of Turkey in the previous fiscal year, a decrease in sales of EMR products, and the strong yen, resulting in a favorable sales increase. We have focused on developing a standardized digital pen for Microsoft and Windows 10 OS tablet devices as well as downsizing and automating the production of digital pen ink cartridges.

<Pen sensor systems for notebook PCs>

Overall sales decreased significantly due to a shift in demand for digital pens from notebook PCs to tablets as a result of market expansion of tablets with detachable keyboards.

As a result, overall sales in the Technology Solution Business segment for the first three quarters of the fiscal year under review decreased 7.0% to ¥21,254 million, and operating income decreased 19.8% to ¥2,500 million.

3. Other Business (formerly Software Business)

We introduced *ECAD DCX 2017* in September, which contributed favorably to sales. We revised the existing definition of product life cycle, leading to an increase in cost of sales in accounting.

As a result, overall sales in the Other Business segment for the first three quarters of the fiscal year under review increased 2.4% to ¥481 million, and the operating loss increased by ¥78 million to ¥37 million.

Consolidated financial position

1. Assets, Liabilities, and Net Assets

Total assets as of December 31, 2016 increased by ¥6,550 million to ¥58,116 million compared to the end of the previous fiscal year. The main factors contributing to this were an increase of ¥2,870 million in cash and deposits and an increase of ¥3,762 million in notes and accounts receivable.

Total liabilities as of December 31, 2016 increased by ¥10,491 million to ¥30,961 million compared to the end of the previous fiscal year. The main factors contributing to this were an increase of ¥2,688 in notes and accounts payable-trade, an increase of ¥8,000 million in long-term loans payable and a decrease of ¥1,000 million in short-term loans payable.

Total net assets decreased by ¥3,941 million to ¥27,156 million compared to the end of the previous fiscal year. The main contributing factors was a decrease of ¥2,961 million in the payment of shareholder dividends.

As a result, the capital ratio decreased by 13.5 points to 46.5% compared to the end of the previous fiscal year.

2. Cash Flow

Consolidated cash and cash equivalents as of December 31, 2016 totaled ¥17,235 million, a ¥2,870 million increase from the end of the previous fiscal year. (A ¥1,177 million decrease over the same previous fiscal period)

Cash Flow from Operating Activities

Cash flow from operating activities during the nine-month period under review was ¥1,598 million (compared to ¥1,302 million gained in the previous comparable fiscal period). The main factors contributing to cash inflow were an increase of ¥1,883 million in depreciation, an increase of ¥2,550 million in notes and accounts payable-trade, and ¥1,789 of others, net. The main factor contributing to cash outflow was an increase of ¥4,617 million in notes and accounts receivable-trade.

Cash Flow from Investing Activities

Cash flow from investing activities during the nine-month period under review was ¥2,241 million (compared to ¥3,553 million used in the previous comparable fiscal period). The main contributing factor was a ¥2,721 million purchase of non-current assets such as software items for the global IT infrastructure investment.

Cash Flow from Financing Activities

Cash flow from financing activities during the nine-month period under review was ¥3,300 million (compared to ¥1,208 million gained in the previous comparable fiscal period). The main contributing factors were an outflow of ¥1,000 million in short-term loans payable, an inflow of ¥8,000 in long-term loans payable, a ¥753 million payment for the purchase of treasury shares, and a ¥2,957 million payment for shareholder dividends.

Forward looking information including forecast of consolidated financial results

Based on a review of recent trends in performance, changes have been made to the full year forecast of consolidated financial results for the fiscal year ending March, 2017 as indicated below.

The previous forecast was announced and posted in Wacom's website on November 9, 2016.

Revision of consolidated financial forecast for full year of FY2016 (April 1, 2016 to March 31, 2017)

	Net sales (millions of yen)	Operating income (millions of yen)	Ordinary income (millions of yen)	Net profit (millions of yen)	Net profit per share (yen)
Previously announced forecast (A)	70,300	-500	-650	-1,500	-9.24
Updated forecast (B)	71,500	-500	-650	-1,500	-9.24
Amount of changes (B-A)	1,200	-	-	-	
Percentage change (%: B to A)	1.7	-	-	-	
(Reference) Results for the previous fiscal year (C)	77,568	3,664	3,777	2,310	14.00
Percentage change (%: B to C)	-7.8	-	-	-	

Exchange rate assumptions for the fiscal year ending March, 2017, effective from February, 2017

[Revised assumptions] 1 U.S. dollar = 110 yen, 1 Euro = 120 yen

[Previous assumptions] 1 U.S. dollar = 103 yen, 1 Euro = 114 yen

Principal Reasons for the Revisions

We revised consolidated sales forecast upward in consideration of sluggish sales in Brand Business, favorable sales in Technology Solution Business, and revision of exchange rate assumptions. We made no revisions to the previous forecasts for operating income, ordinary income and net profit attributable to owners of parent.

Note: The above forecasts are based on currently available information and assumptions of uncertainties which can influence future results as of the announcement date. Please note that actual results could materially differ from these forecasted results due to various factors.

(Accompanying data)

1. Summary of Consolidated Balance Sheet

(unit: '000 Yen)

	FY 3/2016 (as of March 31, 2016)	Q3 FY 3/2017 (as of December 31, 2016)
Assets		
Current assets		
Cash and deposits	14,365,031	17,234,954
Notes and accounts receivable - trade	10,161,958	13,923,555
Merchandise and finished goods	8,229,212	7,972,270
Work in process	270,483	281,888
Raw materials and supplies	1,598,066	1,687,767
Other	3,353,566	3,721,242
Allowance for doubtful accounts	-104,672	-224,537
Total current assets	37,873,644	44,597,139
Non-current assets		
Property, plant and equipment		
Other, net	4,538,412	4,233,146
Total property, plant and equipment	4,538,412	4,233,146
Intangible assets		
Other	8,131,372	8,343,194
Total intangible assets	8,131,372	8,343,194
Investments and other assets		
Other	1,100,953	1,019,521
Allowance for doubtful accounts	-77,749	-76,510
Total investments and other assets	1,023,204	943,011
Total non-current assets	13,692,988	13,519,351
Total assets	51,566,632	58,116,490
Liabilities		
Current liabilities		
Accounts payable - trade	6,102,787	8,790,464
Short-term loans payable	4,000,000	3,000,000
Income taxes payable	271,839	233,924
Provision for bonuses	941,847	720,008
Provision for directors' bonuses	9,787	11,577
Other	5,152,372	6,732,006
Total current liabilities	16,478,632	19,487,979
Non-current liabilities		
Long-term loans payable	2,000,000	10,000,000
Net defined benefit liability	868,560	921,511
Provision for bonuses	7,484	5,328
Provision for directors' bonuses	—	745
Asset retirement obligations	153,996	154,882
Other	961,564	390,515
Total non-current liabilities	3,991,604	11,472,981
Total liabilities	20,470,236	30,960,960

(unit: '000 Yen)

	FY 3/2016 (as of March 31, 2016)	Q3 FY 3/2017 (as of December 31, 2016)
Net assets		
Shareholders' equity		
Capital stock	4,203,469	4,203,469
Capital surplus	7,513,373	6,098,918
Retained earnings	21,629,469	18,569,906
Treasury shares	-2,576,159	-1,900,416
Total shareholders' equity	30,770,152	26,971,877
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	40,431	—
Foreign currency translation adjustment	175,342	63,177
Remeasurements of defined benefit plans	-27,392	-19,347
Total accumulated other comprehensive income	188,381	43,830
Subscription rights to shares	137,863	139,823
Total net assets	31,096,396	27,155,530
Total liabilities and net assets	51,566,632	58,116,490

2. Consolidated Profit & Loss Statement

(unit: '000 Yen)

	Q3 FY 3/2016 (April 1, 2015 to December 31, 2015)	Q3 FY 3/2017 (April 1, 2016 to December 31, 2016)
Net sales	60,891,819	54,739,208
Cost of sales	36,508,749	32,796,318
Gross profit	24,383,070	21,942,890
Selling, general and administrative expenses	19,549,386	21,317,226
Operating income	4,833,684	625,664
Non-operating income		
Interest income	58,554	51,868
Dividend income	34,618	—
Foreign exchange gains	—	62,093
Other	84,192	57,523
Total non-operating income	177,364	171,484
Non-operating expenses		
Interest expenses	16,302	23,712
Foreign exchange losses	74,484	—
Commission fee	25,532	—
Other	1,911	5,476
Total non-operating expenses	118,229	29,188
Ordinary income	4,892,819	767,960
Extraordinary income		
Gain on sales of non-current assets	1,810	458
Gain on reversal of subscription rights to shares	22,418	5,626
Total extraordinary income	24,228	6,084
Extraordinary losses		
Loss on sales of non-current assets	26,252	34,117
Loss on retirement of non-current assets	12,137	269,015
Business structure improvement expenses	14,072	—
Other	—	61,872
Total extraordinary losses	52,461	365,004
Profit before income taxes	4,864,586	409,040
Income taxes	1,779,346	507,992
Profit (loss)	3,085,240	△98,952
Profit (loss) attributable to owners of parent	3,085,240	△98,952

Consolidated Comprehensive Income Statement

(unit: '000 Yen)

	Q3 FY 3/2016 (April 1, 2015 to December 31, 2015)	Q3 FY 3/2017 (April 1, 2016 to December 31, 2016)
Profit (loss)	3,085,240	-98,952
Other comprehensive income		
Valuation difference on available-for-sale securities	19,507	-40,431
Foreign currency translation adjustment	-153,125	-112,165
Remeasurements of defined benefit plans, net of tax	8,288	8,045
Total other comprehensive income	-125,330	-144,551
Comprehensive income	2,959,910	-243,503
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,959,910	-243,503
Comprehensive income attributable to non-controlling interests	—	—

3. Summary of Consolidated Cash Flow Statement

(unit: '000 Yen)

	Q3 FY 3/2016 (April 1, 2015 to December 31, 2015)	Q3 FY 3/2017 (April 1, 2016 to December 31, 2016)
Cash flows from operating activities		
Profit before income taxes	4,864,586	409,040
Depreciation	1,455,778	1,882,645
Share-based compensation expenses	16,509	10,744
Increase (decrease) in provision	134,331	-101,687
Increase (decrease) in net defined benefit liability	49,128	52,938
Interest and dividend income	-93,172	-51,868
Interest expenses	16,302	23,712
Decrease (increase) in notes and accounts receivable - trade	-3,445,861	-4,616,871
Decrease (increase) in inventories	-1,520,872	40,081
Increase (decrease) in notes and accounts payable - trade	494,469	2,549,696
Other, net	711,870	1,788,670
Subtotal	2,683,068	1,987,100
Interest and dividend income received	92,779	51,472
Interest expenses paid	-15,973	-21,499
Income taxes paid	-1,457,419	-418,671
Net cash provided by (used in) operating activities	1,302,455	1,598,402
Cash flows from investing activities		
Purchase of non-current assets	-3,874,683	-2,720,691
Proceeds from sales of non-current assets	405,251	529,743
Other, net	-83,880	-50,488
Net cash provided by (used in) investing activities	-3,553,312	-2,241,436
Cash flows from financing activities		
Increase in short-term loans payable	5,400,000	—
Decrease in short-term loans payable	—	-1,000,000
Proceeds from long-term loans payable	—	8,000,000
Purchase of treasury shares	-1,244,532	-753,330
Proceeds from disposal of treasury shares	42,220	10,284
Cash dividends paid	-2,989,899	-2,956,738
Net cash provided by (used in) financing activities	1,207,789	3,300,216
Effect of exchange rate change on cash and cash equivalents	-133,881	212,741
Net increase (decrease) in cash and cash equivalents	-1,176,949	2,869,923
Cash and cash equivalents at beginning of period	16,686,619	14,365,031
Cash and cash equivalents at end of period	15,509,670	17,234,954

4. Notes to Financial Statements

a. Significant Changes in Shareholders' Equity

The Company acquired its own shares based on the resolutions at meetings of its Board of Directors held on May 11, 2016 and August 5, 2016. As a result, treasury shares increased by ¥752 million (2,156,500 shares) in Q3 FY 3/2017.

The Company canceled treasury stock on May 25, 2016 based on the resolution at a meeting of its Board of Directors held on May 11, 2016. As a result, treasury shares decreased by ¥1,401 million (2,500,000 shares) and capital surplus decreased by ¥1,401 million in Q3 FY 3/2017.

The Company disposed treasury stock by ¥26 million (49,200 shares) in Q3 FY 3/2017 due to new shares-exercise of subscription rights to shares as stock options.

As a result, capital surplus was ¥6,099 million and treasury stock was ¥1,900 million (4,175,300 shares) as of December 31, 2016.

b. Segment Information

The Company consists of "Brand Business" and "Technology Solution Business" as reportable segments and "Other Business".

Q3 FY 3/2016 (April 1, 2015 – December 31, 2015)

(Unit: '000 Yen)

	Reportable Segments			Other Business (Note)1	Total	Adjustment (Note)2	Amount of Consolidated P/L (Note)3
	Brand Business	Technology Solution Business	Sub Total				
Sales							
Sales towards external customers	37,575,446	22,847,215	60,422,661	469,158	60,891,819	—	60,891,819
Sales between internal segments and internal transfer	—	—	—	—	—	—	—
Total	37,575,446	22,847,215	60,422,661	469,158	60,891,819	—	60,891,819
Segment Profit or Loss (-)	7,251,473	3,118,245	10,369,718	40,682	10,410,400	-5,576,716	4,833,684

(Note) 1. "Other Business" consist of Engineering Solution Business.

2. The above "Adjustment" in "Segment Profit", -5,576,716 ('000 Yen), is mainly the cost of administrative functions which are not included in the reportable segments.

3. "Segment Profit or Loss" is adjusted for consolidated operating income.

Q3 FY 3/2017(April 1, 2016 – December 31, 2016)

(Unit: '000 Yen)

	Reportable Segments			Other Business (Note)1	Total	Adjustment (Note)2	Amount of Consolidated P/L (Note)3
	Brand Business	Technology Solution Business	Sub Total				
Sales							
Sales towards external customers	33,004,265	21,254,372	54,258,637	480,571	54,739,208	—	54,739,208
Sales between internal segments and internal transfer	—	—	—	—	—	—	—
Total	33,004,265	21,254,372	54,258,637	480,571	54,739,208	—	54,739,208
Segment Profit or Loss (-)	5,172,438	2,500,490	7,672,928	-36,869	7,636,059	-7,010,395	625,664

(Note) 1. "Other Business" consist of Engineering Solution Business.

2. The above "Adjustment" in "Segment Profit", -7,010,395 ('000 Yen), is mainly the cost of administrative functions which are not included in the reportable segments.

3. "Segment Profit or Loss" is adjusted for consolidated operating income.

Q3 FY 3/2017 Summary of Consolidated Financial Results
from April 1, 2016 to December 31, 2016

(1) Business Performance

	FY 3/16		FY 3/17		YOY Change		FY 3/16		FY 3/17		YOY Change	
	Q3 Result	Q3 Result	Q3 Result	Q3 Result	Amount	Ratio	Full Year Result	Full Year Forecast	Full Year Forecast	Full Year Forecast	Amount	Ratio
	mil JPY	mil JPY	mil JPY	mil JPY	mil JPY	Ratio	mil JPY	mil JPY	(mil JPY)	mil JPY	Ratio	Ratio
Sales	60,892	54,739	60,892	54,739	-6,153	-10.1%	77,568	71,500	(70,300)	-6,068	-7.8%	-7.8%
Operating Profit	4,834	626	4,834	626	-4,208	-87.1%	3,664	-500	(-500)	-4,164	--	--
(Operation Profit Margin)	7.9%	1.1%	7.9%	1.1%			4.7%	-0.7%	(-0.7%)			
Recurring Profit	4,893	768	4,893	768	-4,125	-84.3%	3,777	-650	(-650)	-4,427	--	--
(Recurring Profit Margin)	8.0%	1.4%	8.0%	1.4%			4.9%	-0.9%	(-0.9%)			
Net Profit	3,085	-99	3,085	-99	-3,184	--	2,310	-1,500	(-1,500)	-3,810	--	--
(Net Profit Margin)	5.1%	-0.2%	5.1%	-0.2%			3.0%	-2.1%	(-2.1%)			
P/L FX Rate (Average in the Term)	JPY	JPY	JPY	JPY	JPY	Ratio	JPY	JPY	JPY	JPY	Ratio	Ratio
(US Dollar)	121.49	107.88	121.49	107.88	-13.61	-11.2%	120.16	108.87	(104.70)	-11.29	-9.4%	-9.4%
(Euro)	133.67	119.13	133.67	119.13	-14.54	-10.9%	132.36	119.54	(116.71)	-12.82	-9.7%	-9.7%

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

Note) Assumption of FX rate from February, 2017: 1USD=JPY 110, 1EUR=JPY 120. Each figure in () of FY 3/17 Full Year Forecast shows the previous announcement as of November 9, 2016.

(2) Sales by Business Segment

	FY 3/16		FY 3/17		YOY Change		FY 3/16		FY 3/17		YOY Change	
	Q3 Result	Q3 Result	Q3 Result	Q3 Result	Amount	Ratio	Full Year Result	Full Year Forecast	Full Year Forecast	Full Year Forecast	Amount	Ratio
	mil JPY	mil JPY	mil JPY	mil JPY	mil JPY	Ratio	mil JPY	mil JPY	(mil JPY)	mil JPY	Ratio	Ratio
Brand Business												
Sales	37,576	33,004	37,576	33,004	-4,572	-12.2%	48,931	45,700	(48,400)	-3,231	-6.6%	-6.6%
Operating Income	7,251	5,172	7,251	5,172	-2,079	-28.7%	8,036	6,500	(7,300)	-1,536	-19.1%	-19.1%
(Operation Profit Margin)	19.3%	15.7%	19.3%	15.7%			16.4%	14.2%	15.1%			
Technology Solution Business												
Sales	22,847	21,254	22,847	21,254	-1,593	-7.0%	27,974	25,100	(21,200)	-2,874	-10.3%	-10.3%
Operating Income	3,118	2,501	3,118	2,501	-617	-19.8%	3,130	2,000	(900)	-1,130	-36.1%	-36.1%
(Operation Profit Margin)	13.6%	11.8%	13.6%	11.8%			11.2%	8.0%	4.2%			
Other Business												
Sales	469	481	469	481	12	2.4%	663	700	(700)	37	5.6%	5.6%
Operating Income	41	-37	41	-37	-78	--	36	0	(100)	-36	-100.0%	-100.0%
(Operation Profit Margin)	8.7%	-7.7%	8.7%	-7.7%			5.4%	0.0%	14.3%			

Note) The above operating profit in each segment doesn't include the cost of corporate segment.

(3) Sales by Product Lines

(by Subsidiaries)	FY 3/16		FY 3/17		YOY Change		FY 3/16		FY 3/17		YOY Change	
	Q3 Result	Q3 Result	Q3 Result	Q3 Result	Amount	Ratio	Full Year Result	Full Year Forecast	Full Year Forecast	Full Year Forecast	Amount	Ratio
	mil JPY	mil JPY	mil JPY	mil JPY	mil JPY	Ratio	mil JPY	mil JPY	(mil JPY)	mil JPY	Ratio	Ratio
Brand Business	37,576	33,004	37,576	33,004	-4,572	-12.2%	48,931	45,700	(48,400)	-3,231	-6.6%	-6.6%
Creative Business	31,991	28,994	31,991	28,994	-2,997	-9.4%	41,824	40,100	(41,800)	-1,724	-4.1%	-4.1%
Pen tablets	18,552	17,074	18,552	17,074	-1,478	-8.0%	24,148	22,700	(23,100)	-1,448	-6.0%	-6.0%
(Japan)	2,027	1,648	2,027	1,648	-379	-18.7%	2,739					
(U.S.)	5,675	5,206	5,675	5,206	-469	-8.3%	7,277					
(Germany)	5,499	4,878	5,499	4,878	-621	-11.3%	7,059					
(Asia-Oceania)	5,351	5,342	5,351	5,342	-9	-0.2%	7,073					
Mobiles	3,634	2,646	3,634	2,646	-988	-27.2%	4,453	4,800	(5,400)	347	7.8%	7.8%
(Japan)	706	647	706	647	-59	-8.4%	937					
(U.S.)	1,219	879	1,219	879	-340	-27.9%	1,465					
(Germany)	790	652	790	652	-138	-17.4%	973					
(Asia-Oceania)	919	468	919	468	-451	-49.1%	1,078					
Displays	9,805	9,274	9,805	9,274	-531	-5.4%	13,223	12,600	(13,300)	-623	-4.7%	-4.7%
(Japan)	1,511	1,539	1,511	1,539	28	1.9%	2,298					
(U.S.)	4,419	3,287	4,419	3,287	-1,132	-25.6%	5,613					
(Germany)	2,223	2,549	2,223	2,549	326	14.6%	3,128					
(Asia-Oceania)	1,652	1,899	1,652	1,899	247	14.9%	2,184					
Consumer Business	1,846	1,034	1,846	1,034	-812	-44.0%	2,149	1,500	(1,600)	-649	-30.2%	-30.2%
(Japan)	159	122	159	122	-37	-22.9%	208					
(U.S.)	663	359	663	359	-304	-45.9%	815					
(Germany)	789	444	789	444	-345	-43.8%	813					
(Asia-Oceania)	235	109	235	109	-126	-53.7%	313					
Business Solution	3,739	2,976	3,739	2,976	-763	-20.4%	4,958	4,100	(5,000)	-858	-17.3%	-17.3%
(Japan)	695	683	695	683	-12	-1.6%	1,070					
(U.S.)	339	373	339	373	34	10.0%	461					
(Germany)	2,242	1,522	2,242	1,522	-720	-32.1%	2,872					
(Asia-Oceania)	463	398	463	398	-65	-14.1%	555					
Technology Solution Business	22,847	21,254	22,847	21,254	-1,593	-7.0%	27,974	25,100	(21,200)	-2,874	-10.3%	-10.3%
For smartphones	13,993	12,255	13,993	12,255	-1,738	-12.4%	16,353	12,900	(10,500)	-3,453	-21.1%	-21.1%
For tablets	7,192	8,268	7,192	8,268	1,076	15.0%	9,532	10,600	(9,300)	1,068	11.2%	11.2%
For notebook PCs	1,662	731	1,662	731	-931	-56.0%	2,089	1,600	(1,400)	-489	-23.4%	-23.4%
Other Business	469	481	469	481	12	2.4%	663	700	(700)	37	5.6%	5.6%
Engineering Solution	469	481	469	481	12	2.4%	663	700	(700)	37	5.6%	5.6%
(Japan)	469	481	469	481	12	2.4%	663					
Total	60,892	54,739	60,892	54,739	-6,153	-10.1%	77,568	71,500	(70,300)	-6,068	-7.8%	-7.8%

Note) "Vertical Market Business" is renamed "Business Solution" of Brand Business, "Component Business" is renamed "Technology Solution Business" and "CAD for electrical engineering" is renamed "Engineering Solution" of "Other Business" from FY 3/16.

(4) Sales by Subsidiaries

	FY 3/16		FY 3/17		YOY Change		FY 3/16		FY 3/17		YOY Change	
	Q3 Result	Q3 Result	Q3 Result	Q3 Result	Amount	Ratio	Full Year Result	Full Year Forecast	Full Year Forecast	Full Year Forecast	Amount	Ratio
	mil JPY	mil JPY	mil JPY	mil JPY	mil JPY		mil JPY	mil JPY	(mil JPY)	mil JPY		
Japan	28,413	26,374			-2,039	-7.2%	35,888	32,820	(29,680)		-3,068	-8.5%
(Japan excluding Tech Solution biz.)	5,566	5,120			-446	-8.0%	7,914	7,720	(8,480)		-194	-2.5%
U.S.	12,314	10,104			-2,210	-17.9%	15,631	14,210	(14,400)		-1,421	-9.1%
Germany	11,543	10,045			-1,498	-13.0%	14,845	13,800	(14,680)		-1,045	-7.0%
Asia-Oceania	8,622	8,216			-406	-4.7%	11,204	10,670	(11,540)		-534	-4.8%
Total	60,892	54,739			-6,153	-10.1%	77,568	71,500	(70,300)		-6,068	-7.8%

Note) The sales of Technology Solution Business is only in Japan.

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

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

	FY 3/16		FY 3/17		YOY Change		FY 3/16		FY 3/17		YOY Change	
	Q3 Result	Q3 Result	Q3 Result	Q3 Result	Amount	Ratio	Full Year Result	Full Year Forecast	Full Year Forecast	Full Year Forecast	Amount	Ratio
	mil JPY	mil JPY	mil JPY	mil JPY	mil JPY		mil JPY	mil JPY	(mil JPY)	mil JPY		
Capital Expenditure	3,534	2,580			-954	-27.0%	4,862	3,800	(3,800)		-1,062	-21.8%
Depreciation	1,456	1,883			427	29.3%	2,004	2,600	(2,600)		596	29.8%
R&D Expenditure	2,907	3,176			269	9.3%	4,342	4,600	(4,600)		258	5.9%

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