# 2Q FY 3/2016 Summary of Consolidated Financial Results

October 30, 2015

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: Yes

## 1. 2Q FY 3/16 Consolidated Financial Results (April 1, 2015 – September 30, 2015)

### (1) Business Performance (Consolidated)

(rounded off to mY)

| | Sales | | Operating Income | | Ordinary Income | | Net Profit | |
|---|---|---|---|---|---|---|---|---|
| | mY | % | mY | % | mY | % | mY | % |
| 2Q FY 3/16 | 38,956 | 21.7 | 2,053 | 12.4 | 2,098 | 19.1 | 1,261 | 9.9 |
| 2Q FY 3/15 | 32,011 | -7.1 | 1,826 | -40.3 | 1,761 | -40.9 | 1,147 | -41.4 |

(Note) Comprehensive income 2Q FY 3/16 1,264 mY (10.9%) 2Q FY 3/15 1,140 mY (-54.3%)

| | Net Profit per Share Outstanding | | Net Profit per Diluted Share Outstanding | |
|---|---|---|---|---|
| | Yen | Sen | Yen | Sen |
| 2Q FY 3/16 | 7.62 | | 7.61 | |
| 2Q FY 3/15 | 6.89 | | 6.87 | |

### (2) Financial Position (Consolidated)

| | Total Assets | Net Assets | Capital Ratio | Net Assets per Share |
|---|---|---|---|---|
| | mY | mY | % | Yen Sen |
| 2Q FY 3/16 | 57,688 | 30,941 | 53.4 | 187.16 |
| FY 3/15 | 51,457 | 33,859 | 65.4 | 202.14 |

(For Ref.) Capital: 2Q FY3/16 30,781 mY FY 3/15 33,678 mY

## 2. Dividend

| | Dividend Per Share | | | | |
|---|---|---|---|---|---|
| (Record date) | 1Q | 2Q | 3Q | End of FY | FY Total |
| | Yen Sen | Yen Sen | Yen Sen | Yen Sen | Yen Sen |
| FY 3/15 | - | 0.00 | - | 18.00 | 18.00 |
| FY 3/16 | - | 0.00 | | | |
| FY 3/16 (estimates) | | | - | 18.00 | 18.00 |

Changes in dividend per share forecast of FY 3/16 : No

## 3. Consolidated Business Forecasts of FY 3/16 (April 1, 2015 – March 31, 2016)

| | Sales | | Operating Income | | Ordinary Income | | Net Profit | | Net Profit Per Share Outstanding |
|---|---|---|---|---|---|---|---|---|---|
| | mY | % | mY | % | mY | % | mY | % | Yen Sen |
| Full Year | 81,000 | 8.6 | 4,800 | -21.9 | 4,780 | -21.2 | 3,050 | -12.2 | 18.55 |

Changes in Consolidated Business Forecast of FY 3/16 : No

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 statements
   - 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 |
|---|---|---|---|
| 2Q FY 3/16 | 169,046,400 | FY 3/15 | 169,046,400 |

Number of treasury stock outstanding at end of year:

| | Shares | | Shares |
|---|---|---|---|
| 2Q FY 3/16 | 4,584,000 | FY 3/15 | 2,438,000 |

Number of average shares for fiscal period

| | Shares | | Shares |
|---|---|---|---|
| 2Q FY 3/16 | 165,503,252 | 2Q FY 3/15 | 166,470,422 |

* 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, Segment Information, 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 second quarter of the fiscal year under review (the six months April 1, 2015 to September 30, 2015), the global economy maintained a slow recovery, mainly in developed countries, while the economy in emerging countries stagnated, influenced by a slowdown in China. In foreign exchange, the yen remained weak against the US dollar, but strengthened against the euro. In the IT industry, the penetration of mobile products, cloud computing and SNS (Social Networking Services) drove structural changes in the competitive environment, which in turn caused drastic changes in our business environment.

In the Creative Business area in our Brand Business segment, digital content creation for the movie, comic and game application sectors has been expanding into emerging countries such as Asia and South America. In developed countries, we are seeing a shift in application usage from 2D to 3D following the spread of interest in 3D content, which is directing significant attention to digital pens as an input device. Furthermore, the design environment is expanding from conventional desktop computers to mobile devices based on cloud computing. Reflecting this change, in the Consumer Business area, the use of the stylus has been expanding as the digital stationery of choice, owing to the ease in which users can take notes and draw on tablets. In the Business Solution area, demand for cost-effective paperless procedures and improved digital signature security is growing across a broad range of sectors, including medical, educational and financial. Against this background, the adoption of digital signatures using LCD signature tablet products is growing as they are considered to be effective ways to improve information security while reducing document handling costs.

In the Technology Solution Business segment, the low- and mid-end smartphone market grew rapidly, especially in emerging countries, while the high-end smartphone market saw a slowdown, leading to fierce competition and a drastic change in industry structure. The tablet market continued to stagnate even after the release of Windows 10 OS, due to weak sales of Android OS as well as Windows 10 OS installed products caused by continuing inventory adjustments of old model products. However, there is a steadily growing demand for digital pen technology that enables users to write on, as well as read from, screens for business and educational purposes. In the e-book market, we are also seeing a growing demand for further differentiation in digital pen technology.

Against this background, Wacom Group has further solidified its position as a global leader and pursued investment strategies not only to expand our product line-up in each business segment, but also to enhance the Group's future business base. In order to satisfy the wide range of our users' demands, from professionals to general consumers, we have leveraged our R&D activities to expand our cloud-based product line in the Brand Business segment. In the Technology Solution Business segment, we have initiated commercial production of our Active-ES (Active Electrostatic) pen sensor system in conjunction with expanding its 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.

Another of our focuses has been on restructuring the global supply chain and developing global IT infrastructures from a long-term perspective in response to rapid globalization and e-commercialization. Simultaneously, in order to pursue growth in our global business, we have shifted our previous region-based Global Business Unit structure into a customer segment-based global organization from April 2015.

In April 2015, we announced our Medium-term Business Plan "Wacom Strategic Business Plan: SBP-2019" (for the four-year period from April 2015 to March 2019) under our new global organization in response to ongoing rapid changes in the business environment. By March 2019 we aim to achieve consolidated net sales of ¥120 billion, consolidated operating profit on sales of 12%, and consolidated return on equity of over 20%. By working to realize these financial goals we aim to increase our corporate value. We also announced and submitted our Corporate Governance Report to the Tokyo Stock Exchange ("TSE") on September 29, in compliance with the TSE's newly established Corporate Governance Code.

For the six-month period of the year ended March 31, 2016, consolidated net sales increased 21.7% to ¥38,956 million, operating income increased 12.4% to ¥2,053 million, ordinary income increased 19.1% to ¥2,098 million, and net profit attributable to stockholders increase 9.9% to ¥1,261 million.

**Segment results**

**1. Brand Business**

Sales exceeded the previous fiscal year owing to favorable sales of new products introduced in both Creative and Consumer Business areas, the expanding Chinese market, and the weak yen against the US dollar.

< Creative Business>

○Pen Tablet products

Sales exceeded the previous fiscal year owing to a significant increase in sales of *Intuos* in the European and Chinese markets as well as favorable sales of new *Intuos* products released this September, which have been highly rated for being tailored to each customer segment.

○Mobile products

The second generation OS installed tablet *Cintiq Companion 2,* launched in the previous fiscal year, contributed to strong global sales growth thanks to its positive market reception and expanding sales network. The top-end model of *Cintiq Companion 2* launched in May also contributed to strong sales growth. As a result, total sales of Mobile products significantly exceeded the same period of the previous fiscal year.

○Display products

In February we launched our flagship models *Cintiq 27QHD* (27 inches) and *Cintiq 27 QHD touch*, which come with the largest workspace in this business line as well as superior color reproducibility. We also launched *Cintiq 13HD touch* (13 inches) in March, which has gained a strong following for its comfortable drawing workspace and compact screen. Helped by favorable sales of these newly launched products, total sales of products in the *Cintiq* series exceeded the previous fiscal year.

< Consumer Business>

Sales of Stylus pen products increased favorably in the Asian and Oceanian markets, but fell in other markets. In September, we launched a mobile accessory product *Bamboo Spark*, which digitalizes hand-written data on paper into digital ink data on screen, which can then be edited and shared via cloud-computing. Simultaneously, we launched *Bamboo Fineline 2,* the new extra-fine tip stylus for iPads. As a result of this new product line, total sales of Consumer products recorded a small increase compared with the previous fiscal year.

< Business Solutions>

Overall sales fell below the previous fiscal year, mainly due to a decrease in sales in Europe as a consequence of large-scale deals that boosted performance in the previous fiscal year.

<By region>

Although sales in the U.S. exceeded the previous fiscal year, supported by the weaker yen, local currency-based sales plateaued. Sales in Europe grew slightly owing to favorable sales of both Creative and Consumer Business products, which offset a sales decrease in the Business Solution area.
In Japan, overall sales increased favorably despite a sales decrease in the Consumer Business area. In Asia and Oceania (excluding Japan), sales increased favorably owing to strong sales mainly in China.

As a result, overall sales in the Brand Business segment for the six-month period of the fiscal year under review increased 17.2% to ¥22,853 million, and operating income increased 45.4% to ¥3,642 million.

※ Creative Business: Pen Tablet ……*Intuos* series
(including rebranded *Bamboo* pen tablets)
Mobile …… *Cintiq Companion, Intuos Creative Stylus*
Display ……*Cintiq* series

| | |
|---|---|
| Consumer Business: | Stylus pen, Touch pad, mobile accessory……*Bamboo* series |
| Business Solutions: | LCD signature tablet……*STU* series |
| | LCD pen tablet……*DT* series |

**2. Technology Solution Business**

Overall sales significantly exceeded the previous fiscal year due to a substantial increase of pen sensor system shipments for smartphones and tablets.

<Pen sensor systems for smartphones>
Overall sales significantly exceeded the previous fiscal year owing to earlier than expected commercial production and shipments for Samsung's new Galaxy Note 5, in response to Samsung bringing forward the release date.

<Pen sensor systems for tablets>
A large-scale order from the government of Turkey for an educational project contributed to sales expansion. We also began commercial production of the Active-ES pen sensor system, which is a new and original Wacom technology that has been highly appraised by tablet manufacturers. These factors supported an increase in overall sales compared to the same period of the previous fiscal year.

<Pen sensor systems for notebook PCs>
Sales decreased dramatically 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 well as large-scale inventory adjustments across the notebook PC market.

Overall sales in the Technology Solution Business segment for the six-month period of the fiscal year under review increased 29.8% to ¥15,788 million, and operating income increased 69.1% to ¥2,114 million.

**3. Other Business (formerly Software Business)**
During the period, new product *ECAD dio DCX R2* was launched and shipments began to a favorable market reception. However, overall sales fell slightly below the previous fiscal year due to a slowdown in the demand for replacements in response to the termination of Windows XP support.
Overall sales in the Other Business segment for the fiscal year under review decreased 8.4% to ¥315 million, and operating income decreased 50.4% to ¥34 million.

Note: In accordance with the Global Organization Reform, we have renamed our business segments as follows. Please note that intersegment sales and deletions of intersegment sales are not shown.

| Until March 31, 2015 (previous name) | From April 1, 2015 (new name) | Change of name |
|---|---|---|
| Brand Business | Brand Business | No |
| Creative Business | Creative Business | No |
| Consumer Business | Consumer Business | No |
| Vertical Market Business | Business Solutions | Yes |
| Component Business | Technology Solution Business | Yes |
| Software Business | Engineering Solution Business | Yes |

## Consolidated financial position

1. Assets, Liabilities, and Net Assets

Total assets as of September 30, 2015 increased by ¥6,231 million to ¥57,688 million compared to the end of the previous fiscal year. The main factors contributing to this were an increase of ¥3,895million in notes and accounts receivable, ¥1,314 in inventories and ¥2,308 million in other current assets such as accrued revenue, ¥1,342 million in intangible assets, and a decrease of ¥2,252 million in cash and cash equivalents due to the payment of shareholder's dividends.

Total liabilities as of September 30, 2015 increased by ¥9,149 million to ¥26,747 million compared to the end of the previous fiscal year. The main factors contributing to this were an increase of ¥3,607 million in accounts payable, ¥5,400 million in short-term loans payable.

Total net assets decreased by ¥2,918 million to ¥30,941 million compared to the end of the previous fiscal year. The main contributing factors were a decrease of ¥1,261 million in net profit attributable to stockholders, ¥1,738 million in retained earnings due to a payment of ¥2,999 in shareholder's dividends, and an increase of ¥1,130 in treasury stock.

As a result, the capital ratio decreased by 12.0 points to 53.4% compared to the end of the previous fiscal year.

2. Cash Flow

Consolidated cash and cash equivalents as of September 30, 2015 totaled ¥14,435 million, a ¥2,252 million decrease from the end of the previous fiscal year. (¥2,926 million decrease over the same previous fiscal period)

Cash Flow from Operating Activities

Cash flow from operating activities during the six-month period of the fiscal year under review was ¥1,014 million (compared to ¥791 million used in the previous comparable fiscal period). The main factors contributing to cash inflow were a ¥2,079 million increase in income before income taxes, a ¥968 million increase in depreciation, a ¥ 3,668 increase in notes and accounts payable-trade. The main factors contributing to cash outflow were a ¥6,012 million increase in notes and accounts receivable and a ¥1,329 million increase in inventories.

Cash Flow from Investing Activities

Cash flow from investing activities during the six-month period was ¥2,360 million (compared to ¥1,433 million used in the previous comparable fiscal period). The primary contributing factors were a ¥2,747 million purchase of tangible assets such as software items for the global IT infrastructure investment.

Cash Flow from Financing Activities

Cash flow from financing activities during the six-month period was ¥1,210 million (compared to ¥900 million used in the previous comparable fiscal period). The primary contributing factors were an increase of ¥5,400 million in short-term loans payable, a decrease of ¥1,245 million in the purchase of treasury stock, and a decrease ¥2,987 million in the payment for shareholders' dividends.

## Forward looking information including forecast of consolidated financial results

No changes have been made to the full year forecasts of consolidated financial results for the fiscal year ending March 2016, which were announced on October 23, 2015.

(Accompanying data)

1. Summary of Consolidated Balance Sheet

(Unit : '000 Yen)

| | FY 3/15 (as of Mar. 31,2015) | 2Q FY 3/16 (as of September 30,2015) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 16,686,619 | 14,434,842 |
| Notes and accounts receivable - trade | 9,875,726 | 13,771,160 |
| Merchandise and finished goods | 7,701,801 | 9,221,906 |
| Work in process | 400,084 | 296,357 |
| Raw materials and supplies | 2,114,966 | 2,012,153 |
| Other | 3,449,577 | 5,757,994 |
| Allowance for doubtful accounts | -41,268 | -81,117 |
| Total current assets | 40,187,505 | 45,413,295 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Other, net | 4,608,385 | 4,546,910 |
| Total property, plant and equipment | 4,608,385 | 4,546,910 |
| Intangible assets | | |
| Other | 5,441,836 | 6,784,230 |
| Total intangible assets | 5,441,836 | 6,784,230 |
| Investments and other assets | | |
| Other | 1,297,013 | 1,021,543 |
| Allowance for doubtful accounts | -77,882 | -78,118 |
| Total investments and other assets | 1,219,131 | 943,425 |
| Total non-current assets | 11,269,352 | 12,274,565 |
| Total assets | 51,456,857 | 57,687,860 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 9,203,455 | 12,810,720 |
| Short-term loans payable | 600,000 | 6,000,000 |
| Income taxes payable | 613,674 | 719,068 |
| Provision for bonuses | 545,810 | 724,801 |
| Provision for directors' bonuses | 59,270 | 1,367 |
| Other | 4,858,018 | 4,635,936 |
| Total current liabilities | 15,880,227 | 24,891,892 |
| Non-current liabilities | | |
| Net defined benefit liability | 813,059 | 840,599 |
| Asset retirement obligations | 152,845 | 153,377 |
| Other | 751,756 | 860,921 |
| Total non-current liabilities | 1,717,660 | 1,854,897 |
| Total liabilities | 17,597,887 | 26,746,789 |

（Unit：'000 Yen）

| | FY 3/15 (as of Mar. 31,2015) | 2Q FY 3/16 (as of September 30,2015) |
|---|---|---|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 4,203,469 | 4,203,469 |
| Capital surplus | 7,550,743 | 7,518,009 |
| Retained earnings | 22,318,906 | 20,581,052 |
| Treasury shares | -1,455,137 | -2,585,182 |
| Total shareholders' equity | 32,617,981 | 29,717,348 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 27,370 | 45,124 |
| Foreign currency translation adjustment | 1,068,558 | 1,048,536 |
| Remeasurements of defined benefit plans | -35,573 | -30,048 |
| Total accumulated other comprehensive income | 1,060,355 | 1,063,612 |
| Subscription rights to shares | 180,634 | 160,111 |
| Total net assets | 33,858,970 | 30,941,071 |
| Total liabilities and net assets | 51,456,857 | 57,687,860 |

2. Consolidated Profit & Loss Statement

(Unit : '000 Yen)

| | 2Q FY 3/15 (April 1, 2014 to September 30, 2014) | 2Q FY 3/16 (April 1, 2015 to September 30, 2015) |
|---|---|---|
| Net sales | 32,010,976 | 38,956,409 |
| Cost of sales | 18,930,159 | 23,899,609 |
| Gross profit | 13,080,817 | 15,056,800 |
| Selling, general and administrative expenses | 11,254,362 | 13,003,386 |
| Operating income | 1,826,455 | 2,053,414 |
| Non-operating income | | |
| Interest income | 28,467 | 39,198 |
| Dividend income | — | 34,798 |
| Rent income | 2,082 | 30,574 |
| Other | 28,076 | 29,068 |
| Total non-operating income | 58,625 | 133,638 |
| Non-operating expenses | | |
| Interest expenses | 2,684 | 10,289 |
| Foreign exchange losses | 118,522 | 52,158 |
| Commission fee | — | 25,532 |
| Other | 2,873 | 1,048 |
| Total non-operating expenses | 124,079 | 89,027 |
| Ordinary income | 1,761,001 | 2,098,025 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 449 | 1,818 |
| Gain on reversal of subscription rights to shares | — | 17,784 |
| Total extraordinary income | 449 | 19,602 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 1,355 | 26,033 |
| Loss on retirement of non-current assets | 1,650 | 12,104 |
| Business structure improvement expenses | 44,041 | — |
| Total extraordinary losses | 47,046 | 38,137 |
| Income before income taxes and minority interests | 1,714,404 | 2,079,490 |
| Income taxes | 567,347 | 818,393 |
| Profit | 1,147,057 | 1,261,097 |
| Profit attributable to owners of parent | 1,147,057 | 1,261,097 |

3. Consolidated Comprehensive Income Statement

（Unit：'000 Yen）

| | 2Q FY 3/15 (April 1, 2014 to September 30, 2014) | 2Q FY 3/16 (April.1, 2015 to September 30, 2015) |
|---|---|---|
| Profit | 1,147,057 | 1,261,097 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | -371,527 | 17,754 |
| Foreign currency translation adjustment | 359,262 | -20,022 |
| Remeasurements of defined benefit plans, net of tax | 5,483 | 5,525 |
| Total other comprehensive income | -6,782 | 3,257 |
| Comprehensive income | 1,140,275 | 1,264,354 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,140,275 | 1,264,354 |
| Comprehensive income attributable to non-controlling interests | — | — |

4. Summary of Consolidated Cash Flow Statement

(Unit : '000 Yen)

| | 2Q FY 3/15 (April 1, 2014 to September 30, 2014) | 2Q FY 3/16 (April 1, 2015 to September 30, 2015) |
|---|---|---|
| Cash flows from operating activities | | |
| Income before income taxes and minority interests | 1,714,404 | 2,079,490 |
| Depreciation | 924,394 | 967,940 |
| Share-based compensation expenses | 43,953 | 11,006 |
| Increase (decrease) in provision | 22,308 | 164,334 |
| Increase (decrease) in net defined benefit liability | 43,796 | 35,752 |
| Interest and dividend income | -28,467 | -73,996 |
| Interest expenses | 2,684 | 10,289 |
| Decrease (increase) in notes and accounts receivable - trade | -2,034,699 | -6,011,764 |
| Decrease (increase) in inventories | -1,652,920 | -1,329,294 |
| Increase (decrease) in notes and accounts payable - trade | 1,658,799 | 3,667,852 |
| Other, net | 414,200 | 265,760 |
| Subtotal | 1,108,452 | -212,631 |
| Interest and dividend income received | 28,467 | 73,298 |
| Interest expenses paid | -1,383 | -10,015 |
| Income taxes paid | -1,926,991 | -865,140 |
| Net cash provided by (used in) operating activities | -791,455 | -1,014,488 |
| Cash flows from investing activities | | |
| Purchase of non-current assets | -1,437,622 | -2,746,778 |
| Proceeds from sales of non-current assets | 4,648 | 405,380 |
| Other, net | 384 | -18,108 |
| Net cash provided by (used in) investing activities | -1,432,590 | -2,359,506 |
| Cash flows from financing activities | | |
| Increase in short-term loans payable | 2,000,000 | 5,400,000 |
| Purchase of treasury shares | — | -1,244,532 |
| Proceeds from disposal of treasury shares | 396 | 42,221 |
| Cash dividends paid | -2,900,735 | -2,987,197 |
| Net cash provided by (used in) financing activities | -900,339 | 1,210,492 |
| Effect of exchange rate change on cash and cash equivalents | 198,496 | -88,275 |
| Net increase (decrease) in cash and cash equivalents | -2,925,888 | -2,251,777 |
| Cash and cash equivalents at beginning of period | 15,393,939 | 16,686,619 |
| Cash and cash equivalents at end of period | 12,468,051 | 14,434,842 |

5. Segment Information

The Company consists of “Brand Business” and “Technology Solution Business” as reportable segments, and “Other Business”

2Q FY 3/15 (April 1, 2014 – September 30, 2014) (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 | 19,501,710 | 12,165,599 | 31,667,309 | 343,667 | 32,010,976 | — | 32,010,976 |
| Sales between internal segments and internal transfer | — | — | — | — | — | — | — |
| Total | 19,501,710 | 12,165,599 | 31,667,309 | 343,667 | 32,010,976 | — | 32,010,976 |
| Segment Profit or Loss (-) | 2,505,441 | 1,250,164 | 3,755,605 | 68,637 | 3,824,242 | -1,997,787 | 1,826,455 |

(Note) 1. “Other businesses” consist of Engineering Solution Business (formerly Software Business).
2. The above “Adjustment” in “Segment Profit”, -1,997,787 (‘000Yen) is mainly the cost of administrative function which are not included in the reportable segments.
3. “Segment Profit or Loss” is adjusted to consolidated operating income.

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2Q FY 3/16 (April 1, 2015 – September 30, 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 | 22,853,414 | 15,788,344 | 38,641,758 | 314,651 | 38,956,409 | — | 38,956,409 |
| Sales between internal segments and internal transfer | — | — | — | — | — | — | — |
| Total | 22,853,414 | 15,788,344 | 38,641,758 | 314,651 | 38,956,409 | — | 38,956,409 |
| Segment Profit or Loss (-) | 3,642,306 | 2,114,045 | 5,756,351 | 34,073 | 5,790,424 | -3,737,010 | 2,053,414 |

(Note) 1. “Other businesses” consist of Engineering Solution Business (formerly Software Business).
2. The above “Adjustment” in “Segment Profit”, -3,737,010 (‘000Yen) is mainly the cost of administrative function which are not included in the reportable segments.
3. “Segment Profit or Loss” is adjusted to consolidated operating income.
4. “Component Business” segment has been renamed to “Technology Solution Business” since FY 3 /2016 .

# 2Q FY 3/2016 Summary of Consolidated Financial Results
## from April 1, 2015 to September 30, 2015

### (1) Business Performance

| | FY 3/15 | FY 3/16 | YOY Change | | FY 3/15 | FY 3/16 | | YOY Change | |
|---|---|---|---|---|---|---|---|---|---|
| | 2Q Result | 2Q Result | Amount | Ratio | Full Year Result | Full Year Forecast (previous forecast as of April) | | Amount | Ratio |
| | mil JPY | mil JPY | mil JPY | | mil JPY | mil JPY | (mil JPY) | mil JPY | |
| Net Sales | 32,011 | 38,956 | 6,945 | 21.7% | 74,557 | 81,000 | (84,000) | 6,443 | 8.6% |
| Operating Income | 1,826 | 2,053 | 227 | 12.4% | 6,143 | 4,800 | (5,500) | -1,343 | -21.9% |
| *(Operation Income Margin)* | *5.7%* | *5.3%* | | | *8.2%* | *5.9%* | *6.5%* | | |
| Ordinary Income | 1,761 | 2,098 | 337 | 19.1% | 6,065 | 4,780 | (5,350) | -1,285 | -21.2% |
| *(Ordinary Income Margin)* | *5.5%* | *5.4%* | | | *8.1%* | *5.9%* | *6.4%* | | |
| Net Proift | 1,147 | 1,261 | 114 | 9.9% | 3,473 | 3,050 | (3,530) | -423 | -12.2% |
| *(Net Profit Margin)* | *3.6%* | *3.2%* | | | *4.7%* | *3.8%* | *4.2%* | | |
| P/L FX Rate (Average in the Term) | JPY | JPY | JPY | | JPY | JPY | JPY | JPY | |
| *(US Doller)* | 103.51 | 121.50 | 17.99 | 17.4% | 110.03 | 120.81 | (110.00) | 10.78 | 9.8% |
| *(Euro)* | 139.07 | 134.60 | -4.47 | -3.2% | 138.68 | 132.86 | (130.00) | -5.82 | -4.2% |

Note) Net Profit of FY 3/16 is equivalent to Profit Attributable to Owners of Parent.

### (2) Sales by Business Segment

| | FY 3/15 | FY 3/16 | YOY Change | | FY 3/15 | FY 3/16 | | YOY Change | |
|---|---|---|---|---|---|---|---|---|---|
| | 2Q Result | 2Q Result | Amount | Ratio | Full Year Result | Full Year Forecast (previous forecast as of April) | | Amount | Ratio |
| | mil JPY | mil JPY | mil JPY | | mil JPY | mil JPY | (mil JPY) | mil JPY | |
| Branded Business | | | | | | | | | |
| Sales | 19,502 | 22,853 | 3,351 | 17.2% | 43,625 | 51,800 | (50,300) | 8,175 | 18.7% |
| Operating Income | 2,505 | 3,642 | 1,137 | 45.4% | 5,965 | 9,040 | (9,280) | 3,075 | 51.6% |
| *(Operation Income Margin)* | 12.8% | 15.9% | | | 13.7% | 17.5% | 18.4% | | |
| Technology Solution Business | | | | | | | | | |
| Sales | 12,165 | 15,788 | 3,623 | 29.8% | 30,277 | 28,500 | (33,000) | -1,777 | -5.9% |
| Operating Income | 1,250 | 2,114 | 864 | 69.1% | 4,642 | 3,260 | (4,570) | -1,382 | -29.8% |
| *(Operation Income Margin)* | 10.3% | 13.4% | | | 15.3% | 11.4% | 13.8% | | |
| Other Business | | | | | | | | | |
| Sales | 344 | 315 | -29 | -8.4% | 655 | 700 | (700) | 45 | 6.9% |
| Operating Income | 69 | 34 | -35 | -50.4% | 55 | 60 | (60) | 5 | 8.8% |
| *(Operation Income Margin)* | 20.0% | 10.8% | | | 8.4% | 8.6% | 8.6% | | |

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

### (3) Sales by Product Lines

| *(by Subsidiaries)* | FY 3/15 | FY 3/16 | YOY Change | | FY 3/15 | FY 3/16 | | YOY Change | |
|---|---|---|---|---|---|---|---|---|---|
| | 2Q Result | 2Q Result | Amount | Ratio | Full Year Result | Full Year Forecast (previous forecast as of April) | | Amount | Ratio |
| | mil JPY | mil JPY | mil JPY | | mil JPY | mil JPY | (mil JPY) | mil JPY | |
| **Brand Business** | **19,502** | **22,853** | **3,351** | **17.2%** | **43,625** | **51,800** | (50,300) | **8,175** | **18.7%** |
| Creative Business | 16,054 | 19,855 | 3,801 | 23.7% | 36,480 | 43,100 | (41,100) | 6,620 | 18.1% |
| Pen tablets | 9,473 | 11,172 | 1,699 | 17.9% | 21,981 | 24,500 | (23,300) | 2,519 | 11.5% |
| *(Japan)* | *1,196* | *1,249* | *53* | *4.5%* | *2,754* | | | | |
| *(U.S.)* | *2,999* | *3,177* | *178* | *5.9%* | *6,990* | | | | |
| *(Germany)* | *2,476* | *3,089* | *613* | *24.8%* | *6,500* | | | | |
| *(Asia-Oceania)* | *2,802* | *3,657* | *855* | *30.5%* | *5,737* | | | | |
| Mobiles | 1,769 | 2,571 | 802 | 45.3% | 3,909 | 5,400 | (5,400) | 1,491 | 38.1% |
| *(Japan)* | *235* | *527* | *292* | *123.6%* | *686* | | | | |
| *(U.S.)* | *754* | *858* | *104* | *13.7%* | *1,508* | | | | |
| *(Germany)* | *394* | *517* | *123* | *31.4%* | *969* | | | | |
| *(Asia-Oceania)* | *386* | *669* | *283* | *73.3%* | *746* | | | | |
| Displays | 4,812 | 6,112 | 1,300 | 27.0% | 10,590 | 13,200 | (12,400) | 2,610 | 24.6% |
| *(Japan)* | *855* | *973* | *118* | *13.8%* | *1,919* | | | | |
| *(U.S.)* | *2,071* | *2,838* | *767* | *37.0%* | *4,229* | | | | |
| *(Germany)* | *1,184* | *1,291* | *107* | *9.0%* | *2,964* | | | | |
| *(Asia-Oceania)* | *702* | *1,010* | *308* | *43.9%* | *1,478* | | | | |
| Consumer Business | 663 | 677 | 14 | 2.2% | 1,554 | 2,300 | (2,300) | 746 | 48.0% |
| *(Japan)* | *108* | *77* | *-31* | *-28.0%* | *244* | | | | |
| *(U.S.)* | *284* | *286* | *2* | *0.6%* | *669* | | | | |
| *(Germany)* | *207* | *247* | *40* | *19.2%* | *494* | | | | |
| *(Asia-Oceania)* | *64* | *67* | *3* | *5.2%* | *147* | | | | |
| Business Solution | 2,785 | 2,321 | -464 | -16.6% | 5,591 | 6,400 | (6,900) | 809 | 14.5% |
| *(Japan)* | *414* | *442* | *28* | *6.8%* | *874* | | | | |
| *(U.S.)* | *189* | *229* | *40* | *21.5%* | *517* | | | | |
| *(Germany)* | *1,943* | *1,330* | *-613* | *-31.5%* | *3,605* | | | | |
| *(Asia-Oceania)* | *239* | *320* | *81* | *33.9%* | *595* | | | | |
| **Technology Solution Business** | **12,165** | **15,788** | **3,623** | **29.8%** | **30,277** | **28,500** | (33,000) | **-1,777** | **-5.9%** |
| For smartphones | 6,312 | 9,419 | 3,107 | 49.2% | 18,331 | 17,200 | (18,500) | -1,131 | -6.2% |
| For tablets | 3,926 | 5,150 | 1,224 | 31.2% | 8,542 | 9,300 | (10,500) | 758 | 8.9% |
| For notebook PCs | 1,927 | 1,219 | -708 | -36.7% | 3,404 | 2,000 | (4,000) | -1,404 | -41.3% |
| **Other Business** | **344** | **315** | **-29** | **-8.4%** | **655** | **700** | (700) | **45** | **6.9%** |
| Engineering Solution | 344 | 315 | -29 | -8.4% | 655 | 700 | (700) | 45 | 6.9% |
| *(Japan)* | *344* | *315* | *-29* | *-8.4%* | *655* | | | | |
| **Total** | **32,011** | **38,956** | **6,945** | **21.7%** | **74,557** | **81,000** | (84,000) | **6,443** | **8.6%** |

Note) "Vertical Market Business" is renamed "Business Solution" of the 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 3/15 2Q Result | FY 3/16 2Q Result | YOY Change Amount | YOY Change Ratio | FY 3/15 Full Year Result | FY 3/16 Full Year Forecast (previous forecast as of April) | | YOY Change Amount | YOY Change Ratio |
|---|---|---|---|---|---|---|---|---|---|
| | mil JPY | mil JPY | mil JPY | | mil JPY | mil JPY | (mil JPY) | mil JPY | |
| Japan | 15,317 | 19,372 | 4,055 | 26.5% | 37,409 | 36,700 | (40,960) | -709 | -1.9% |
| *( Japan excluding Tech Solution biz. )* | *3,152* | *3,584* | *432* | *13.7%* | *7,132* | *8,200* | (7,960) | *1,068* | *15.0%* |
| U.S. | 6,297 | 7,387 | 1,090 | 17.3% | 13,914 | 16,580 | (16,550) | 2,666 | 19.2% |
| Germany | 6,204 | 6,474 | 270 | 4.4% | 14,532 | 15,610 | (15,420) | 1,078 | 7.4% |
| Asia-Oceania | 4,193 | 5,723 | 1,530 | 36.5% | 8,702 | 12,110 | (11,070) | 3,408 | 39.2% |
| Total | 32,011 | 38,956 | 6,945 | 21.7% | 74,557 | 81,000 | (84,000) | 6,443 | 8.6% |

Note) The sales of the 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 (directly accounted sales in India until Aug. 2014), Taiwan, and India (from Sep. 2014),

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

| | FY 3/15 2Q Result | FY 3/16 2Q Result | YOY Change Amount | YOY Change Ratio | FY 3/15 Full Year Result | FY 3/16 Full Year Forecast (previous forecast as of April) | | YOY Change Amount | YOY Change Ratio |
|---|---|---|---|---|---|---|---|---|---|
| | mil JPY | mil JPY | mil JPY | | mil JPY | mil JPY | (mil JPY) | mil JPY | |
| Capital Expenditure | 1,790 | 2,314 | 524 | 29.3% | 4,082 | 5,000 | (5,200) | 918 | 22.5% |
| Depreciation | 924 | 968 | 44 | 4.7% | 1,970 | 2,200 | (2,500) | 230 | 11.7% |
| R&D Expenditure | 1,494 | 2,033 | 539 | 36.1% | 3,180 | 4,200 | (4,000) | 1,020 | 32.1% |

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