Q2 FY 3/2017 Summary of Consolidated Financial Results

November 9, 2016

Company Name **Wacom Co., Ltd.** (Code Number: 6727 TSE1)

(URL http://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. Q2 FY 3/2017 Consolidated Financial Results (April 1, 2016 – September 30, 2016)

(1) Business Performance (Consolidated) (Round off to mY)

	Sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	mY	%	mY	%	mY	%	mY	%
Q2 FY 3/2017	33,797	-13.2	-898	—	-1,021	—	-1,226	—
Q2 FY 3/2016	38,956	21.7	2,053	12.4	2,098	19.1	1,261	9.9

(Note) Comprehensive income Q2 FY 3/2017 - 2,835 mY (—%) Q2 FY 3/2016 1,264 mY (10.9%)

	Net Profit per Share Outstanding	Net Profit per Diluted Share Outstanding
	Yen Sen	Yen Sen
Q2 FY 3/2017	-7.48	—
Q2 FY 3/2016	7.62	7.61

(2) Financial Position (Consolidated)

	Total Assets	Net Assets	Capital Ratio	Net Assets per Share
	mY	mY	%	Yen Sen
Q2 FY 3/2017	54,360	24,564	44.9	150.42
FY 3/2016	51,567	31,096	60.0	188.22

(For Ref.) Capital: Q2 FY3/2017 24,424 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 : Yes

※For details, please refer to the "Variance from the Forecast of Consolidated Financial Results for the First Half Ended September 30, 2016 and Revision of Forecasts of both Consolidated Financial Results and Dividend for the Full Fiscal Year Ending March 31, 2017 (FY2016)" announced today.

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	70,300	-9.4	-500	--	-650	--	-1,500	--	-9.24

Changes in dividend per share forecast of FY3/2017 : Yes

※For details, please refer to the "Variance from the Forecast of Consolidated Financial Results for the First Half Ended September 30, 2016 and Revision of Forecasts of both Consolidated Financial Results and Dividend for the Full Fiscal Year Ending March 31, 2017 (FY2016)" announced today.

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
Q2 FY 3/2017	166,546,400	FY 3/2016	169,046,400

Number of treasury stock outstanding at end of year:

	Shares		Shares
Q2 FY 3/2017	4,175,300	FY 3/2016	4,568,000

Number of average shares for fiscal period:

	Shares		Shares
Q2 FY 3/2017	163,862,462	FY 3/2016	165,503,252

*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 second quarter of the fiscal year under review (the six months April 1, 2016 to September 30, 2016), the slow recovery of the global economy plateaued while economic uncertainties grew, driven by economic slowdowns in China, a sluggish economic recovery in Japan, and the UK's withdrawal from the EU. The yen appreciated against the dollar and the euro from the end of last year, strengthening further during the first quarter of this fiscal year. In addition, yen appreciation accelerated against emerging currencies such as the renminbi comparatively more than against the 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 such as 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 towards '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 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. H1 sales fell below the previous fiscal year in all product lineups due to the strong yen, changes in the competitive environment, and a decrease in demand during product life

cycle transitions. We will introduce our new product lines gradually in H2 to reinforce our business base. Prior to our new product lines launches in H2, we expanded our cloud-based digital stationery product lines and introduced *Bamboo Slate* and *Bamboo Folio* in September. Also, we introduced 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 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 and Lenovo to new customers such as Huawei. 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 fell below the previous fiscal year mainly due to the strong yen. We estimate a heavy impact to sales for smartphones in H2 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 for improvement of business efficiency from a long-term perspective 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 made preparations for the establishment of the Digital Stationery Consortium by holding digital ink promotion events called “Connected Ink” in the U.S., China, and Germany 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 in SBP-2019, such as “evolving business toward mobile products and cloud” and aiming for future business growth.

For the second quarter of the fiscal year ending March 31, 2017, consolidated net sales decreased 13.2% to ¥33,797 million, operating loss increased by ¥2,951 million to ¥898 million, ordinary loss increased by ¥3,119 million to ¥1,021 million, and net loss attributable to owners of parent increased by ¥2,487 million to ¥1,226 million.

Segment results

1. Brand Business

< Creative Business>

Shipment of Creative Business products increased approximately 10% in unit base, owing to a 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 caused overall sales to fall below the previous fiscal year. We plan to release the next model of *Intuos Pro* in the fourth quarter as it has been three years since the launch of the existing model. Shipment of *Intuos* products released in August 2015 were comparable with the previous fiscal year in unit base, however, sales fell below the previous fiscal year due to the strong yen and increase in the proportion of lower-end models. Orders of our emerging market model, *One by Wacom,* increased approximately 80% compared with the previous fiscal year as a result of the rapid expansion of a new customer base in China, India, and South America. We introduced a new product, *Intuos 3D*, in September to acquire a new constituency among beginners in 3D modeling.

○Mobile products

Sales of the highly-functional creative tablet, *Cintiq Companion 2,* fell below the previous fiscal year in almost all regions due to changes in the competitive environment driven by an increase in digital pen-adopted tablet devices and the impact of product life cycle transitions. In response to the expansion of demand for high quality mobile products led by prevailing 3D application usage, we plan to launch new models in the third quarter with enhanced features such as next-generation digital pen technology, and advanced 3D and color management.

○Display products

Shipment of Display products increased steadily, approximately 20% compared to the previous fiscal year in unit base. However, overall sales fell slightly below the previous fiscal year due to the strong yen and sluggish sales in the U.S. In China and South Korea, strong sales were recorded not only for *Cintiq 13HD* (13 inch) and *Cintiq 13HD touch,* which provide comfortable drawing workspace on a compact screen, but also for *Cintiq 22HD* and *Cintiq 22HD touch*. Sales performance for these products was also favorable in Japan.

< Consumer Business>

To open up a new category of digital stationery, in September 2015 we launched *Bamboo Spark*, our new product that digitalizes handwritten notes on paper to enable data storing and sharing via cloud computing. This, along with *Bamboo Fineline 2*, contributed to sales. Meanwhile, shipment of stylus pen products for the iPad fell significantly as a result of intentional adjustments of shipments of the current model prior to launch of the new model. As a result, overall sales fell significantly below the previous fiscal year.

< Business Solution>

Sales of the *STU* series LCD signature tablets increased in India, South Korea, and Japan as a result of a growing demand for digital signature and information security. However, overall sales of the *STU* series fell below the previous fiscal year due to sluggish sales in Europe, with prolonged investment projects in the midst of economic uncertainties, changes in the competition environment, and the strong yen. Sales of LCD pen tablets, the *DTU* series, increased strongly in India, but decreased significantly in other regions. 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 fell significantly below the previous fiscal year mainly due to a steep decline in sales of Creative Business products. Similarly, sales in Europe fell largely below the

previous fiscal year in all product lineups. In Japan, sales fell below the previous fiscal year due to sluggish sales mainly in Creative Business products. In Asia and Oceania (excluding Japan), sales increased in India, Singapore, and South Korea, but this was offset by a decline in sales in China due to the strong yen.

Overall sales in the Brand Business segment for the second quarter of the fiscal year under review decreased 15.4% to ¥19,327 million, and operating income decreased 43.7% to ¥2,051 million.

※ Creative Business: Pen Tablet ……*Intuos* series
(including rebranded *Bamboo* pen tablets)
Mobile…… *Cintiq Companion*
Display……*Cintiq* series
Consumer Business: Stylus pen, Touch 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>
Shipments of new customer models started, however, overall sales fell below the previous fiscal year due to the strong yen and sluggish sales of existing models.

<Pen sensor systems for tablets>
Sales of our Active ES pen sensor system increased significantly, with favorable demand from tablet PC manufacturers, including steady shipment for Huawei and Lenovo. However, overall sales remained on par with the previous fiscal year as a result of the discontinuation of shipments of educational tablets for the government of Turkey and a decrease in sales of EMR products. 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 second quarter of the fiscal year under review decreased 10.4% to ¥14,142 million, and operating income decreased 15.4% to ¥1,788 million.

3. Other Business (formerly Software Business)
In addition to favorable shipments of *ECAD dio 2016* and *ECAD dio DCX R2*, we introduced our new product *ECAD DCX 2017* in September.

As a result, overall sales in the Other Business segment for the second quarter of the fiscal year under review increased 4.1% to ¥328 million, and the operating loss increased by ¥47 million to ¥13 million.

Consolidated financial position

1. Assets, Liabilities, and Net Assets

Total assets as of September 30, 2016 increased by ¥2,793 million to ¥54,360 million compared to the end of the previous fiscal year. The main factors contributing to this were an increase of ¥313 million in cash and deposits, an increase of ¥2,465 million in notes and accounts receivable, an increase of ¥1,168 million in accounts receivable-other of current assets, and a decrease of ¥953 million in inventories.
Total liabilities as of September 30, 2016 increased by ¥9,326 million to ¥29,796 million compared to the end of the previous fiscal year. The main factors contributing to this were an increase of ¥2,946 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 ¥6,532 million to ¥24,564 million compared to the end of the previous fiscal year. The main contributing factors were a decrease of ¥1,226 million in net loss attributable to owners of parent, a decrease of ¥2,961 million in the payment of shareholder's dividends and a decrease of ¥1,602 million in foreign currency translation adjustment.
As a result, the capital ratio decreased by 15.1 points to 44.9% compared to the end of the previous fiscal year.

2. Cash Flow
Consolidated cash and cash equivalents as of September 30, 2016 totaled ¥14,678million, a ¥313 million increase from the end of the previous fiscal year. (A ¥2,252 million decrease over the same previous fiscal period)

Cash Flow from Operating Activities
Cash flow from operating activities during the six-month period under review was ¥756 million (compared to ¥1,014 million used in the previous comparable fiscal period). The main factors contributing to cash inflow were an increase ¥1,240 million in depreciation and an increase of ¥3,475 million in notes and accounts payable-trade. The main factors contributing to cash outflow were an increase of ¥1,074 million in loss before income taxes and an increase of ¥4,908 million in notes and accounts receivable-trade.

Cash Flow from Investing Activities
Cash flow from investing activities during the six-month period under review was ¥1,339 million (compared to ¥2,360 million used in the previous comparable fiscal period). The main contributing factors were a ¥1,828 million purchase of non-current assets such as software items for the global IT infrastructure investment, and ¥521 million in proceeds from sales of non-current assets.

Cash Flow from Financing Activities
Cash flow from financing activities during the six-month period under review was ¥3,304 million (compared to ¥1,210 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, and a ¥753 million payment for the purchase of treasury shares, and a ¥2,953 million payment for shareholders' dividends.

Forward looking information including forecast of consolidated financial results

Changes have been made to the full year forecast of consolidated financial results for the fiscal year ending March 2017, which we announced on August 5, 2016. For details, please refer to the "Variance from the Forecast of Consolidated Financial Results for the First Half Ended September 30, 2016 and Revision of Forecasts of both Consolidated Financial Results and Dividend for the Full Fiscal Year Ending March 31, 2017 (FY2016)" announced today.

(Accompanying data)

1. Summary of Consolidated Balance Sheet

(unit: '000 Yen)

	FY 3/2016 (as of March 31, 2016)	Q2 FY 3/2017 (as of September 30, 2016)
Assets		
Current assets		
Cash and deposits	14,365,031	14,678,000
Notes and accounts receivable - trade	10,161,958	12,626,524
Merchandise and finished goods	8,229,212	6,713,641
Work in process	270,483	226,316
Raw materials and supplies	1,598,066	2,204,483
Other	3,353,566	4,521,605
Allowance for doubtful accounts	-104,672	-148,071
Total current assets	37,873,644	40,822,498
Non-current assets		
Property, plant and equipment		
Other, net	4,538,412	4,281,997
Total property, plant and equipment	4,538,412	4,281,997
Intangible assets		
Other	8,131,372	8,201,159
Total intangible assets	8,131,372	8,201,159
Investments and other assets		
Other	1,100,953	1,131,337
Allowance for doubtful accounts	-77,749	-77,021
Total investments and other assets	1,023,204	1,054,316
Total non-current assets	13,692,988	13,537,472
Total assets	51,566,632	54,359,970
Liabilities		
Current liabilities		
Accounts payable - trade	6,102,787	9,049,177
Short-term loans payable	4,000,000	3,000,000
Income taxes payable	271,839	249,792
Provision for bonuses	941,847	717,350
Provision for directors' bonuses	9,787	8,217
Other	5,152,372	5,345,040
Total current liabilities	16,478,632	18,369,576
Non-current liabilities		
Long-term loans payable	2,000,000	10,000,000
Net defined benefit liability	868,560	894,828
Provision for bonuses	7,484	4,432
Provision for directors' bonuses	—	655
Asset retirement obligations	153,996	154,319
Other	961,564	371,693
Total non-current liabilities	3,991,604	11,425,927
Total liabilities	20,470,236	29,795,503

(unit: '000 Yen)

	FY 3/2016 (as of March 31, 2016)	Q2 FY 3/2017 (as of September 30, 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	17,442,795
Treasury shares	-2,576,159	-1,900,416
Total shareholders' equity	30,770,152	25,844,766
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	40,431	28,302
Foreign currency translation adjustment	175,342	-1,427,112
Remeasurements of defined benefit plans	-27,392	-22,029
Total accumulated other comprehensive income	188,381	-1,420,839
Subscription rights to shares	137,863	140,540
Total net assets	31,096,396	24,564,467
Total liabilities and net assets	51,566,632	54,359,970

2. Consolidated Profit & Loss Statement

(unit: '000 Yen)

	Q2 FY 3/2016 (April 1, 2015 to September 30, 2015)	Q2 FY 3/2017 (April 1, 2016 to September 30, 2016
Net sales	38,956,409	33,796,510
Cost of sales	23,899,609	20,555,570
Gross profit	15,056,800	13,240,940
Selling, general and administrative expenses	13,003,386	14,138,784
Operating income (loss)	2,053,414	-897,844
Non-operating income		
Interest income	39,198	34,325
Dividend income	34,798	—
Other	59,642	49,569
Total non-operating income	133,638	83,894
Non-operating expenses		
Interest expenses	10,289	13,783
Foreign exchange losses	52,158	191,227
Commission fee	25,532	—
Other	1,048	2,080
Total non-operating expenses	89,027	207,090
Ordinary income (loss)	2,098,025	-1,021,040
Extraordinary income		
Gain on sales of non-current assets	1,818	458
Gain on reversal of subscription rights to shares	17,784	5,111
Total extraordinary income	19,602	5,569
Extraordinary losses		
Loss on sales of non-current assets	26,033	30,891
Loss on retirement of non-current assets	12,104	23,196
Other	—	4,436
Total extraordinary losses	38,137	58,523
Profit (loss) before income taxes	2,079,490	-1,073,994
Income taxes	818,393	152,068
Profit (loss)	1,261,097	-1,226,062
Profit (loss) attributable to owners of parent	1,261,097	-1,226,062

Consolidated Comprehensive Income Statement

(unit: '000 Yen)

	Q2 FY 3/2016 (April 1, 2015 to September 30, 2015)	Q2 FY 3/2017 (April 1, 2016 to September 30, 2016)
Profit (loss)	1,261,097	-1,226,062
Other comprehensive income		
Valuation difference on available-for-sale securities	17,754	-12,129
Foreign currency translation adjustment	-20,022	-1,602,454
Remeasurements of defined benefit plans, net of tax	5,525	5,363
Total other comprehensive income	3,257	-1,609,220
Comprehensive income	1,264,354	-2,835,282
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,264,354	-2,835,282
Comprehensive income attributable to non-controlling interests	—	—

3. Summary of Consolidated Cash Flow Statement

(unit: '000 Yen)

	Q2 FY 3/2016 (April 1, 2015 to September 30, 2015	Q2 FY 3/2017 (April 1, 2016 to September 30, 2016)
Cash flows from operating activities		
Profit (loss) before income taxes	2,079,490	-1,073,994
Depreciation	967,940	1,239,593
Share-based compensation expenses	11,006	10,945
Increase (decrease) in provision	164,334	-128,567
Increase (decrease) in net defined benefit liability	35,752	26,379
Interest and dividend income	-73,996	-34,325
Interest expenses	10,289	13,783
Decrease (increase) in notes and accounts receivable - trade	-6,011,764	-4,907,658
Decrease (increase) in inventories	-1,329,294	92,262
Increase (decrease) in notes and accounts payable - trade	3,667,852	3,474,971
Other, net	265,760	739,319
Subtotal	-212,631	-547,292
Interest and dividend income received	73,298	33,930
Interest expenses paid	-10,015	-11,596
Income taxes paid	-865,140	-230,820
Net cash provided by (used in) operating activities	-1,014,488	-755,778
Cash flows from investing activities		
Purchase of non-current assets	-2,746,778	-1,828,490
Proceeds from sales of non-current assets	405,380	521,458
Other, net	-18,108	-31,704
Net cash provided by (used in) investing activities	-2,359,506	-1,338,736
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	42,221	10,285
Cash dividends paid	-2,987,197	-2,952,964
Net cash provided by (used in) financing activities	1,210,492	3,303,991
Effect of exchange rate change on cash and cash equivalents	-88,275	-896,508
Net increase (decrease) in cash and cash equivalents	-2,251,777	312,969
Cash and cash equivalents at beginning of period	16,686,619	14,365,031
Cash and cash equivalents at end of period	14,434,842	14,678,000

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 Q2 FY 3/2017.
The Company canceled treasury stock on May 25, 2016 based on a 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 Q2 FY 3/2017.
The Company disposed treasury stock by ¥26 million (49,200 shares) in Q2 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 September 30, 2016.

b. Segment Information

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

Q2 FY 3/2016 (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.
2. The above "Adjustment" in "Segment Profit", -3,737,010 ('000 Yen), is mainly the cost of administrative functions which are not included in the reportable segments.
3. "Segment Profit or Loss" is adjusted to consolidated operating income.

Q2 FY 3/2017(April 1, 2016 – September 30, 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	19,326,915	14,141,935	33,468,850	327,660	33,796,510	—	33,796,510
Sales between internal segments and internal transfer	—	—	—	—	—	—	—
Total	19,326,915	14,141,935	33,468,850	327,660	33,796,510	—	33,796,510
Segment Profit or Loss (-)	2,051,404	1,788,251	3,839,655	-13,417	3,826,238	-4,724,082	-897,844

(Note) 1. "Other businesses" consist of Engineering Solution Business.
2. The above "Adjustment" in "Segment Profit", -4,724,082, 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.

c. Significant Subsequent Events

Discontinuance of the Acquisition of Own Shares

The Company resolved at a meeting of its Board of Directors held on November 9, 2016 to discontinue the acquisition of its own shares immediately by taking into consideration comprehensively the changes in business environment after the Company initially resolved to acquire its own shares at a meeting of its Board of Directors held on May 11, 2016, pursuant to Article 156 of Japanese Companies Act, of which application is defined by both paragraph 1, Article 459 of the Companies Act and provisions of the Company's Articles of Incorporation.

1. Resolution at the meeting of the Board of Directors held on May 11, 2016
   (1) Type of shares to be acquired: Common stock
   (2) Total number of shares to be acquired: Up to 5,000,000 shares (Equivalent to 3.04% of outstanding shares)
   (3) Total acquisition cost: Up to 2.0 billion Japanese yen
   (4) Acquisition period: From May 12, 2016 to March 31, 2017
   (Note) The Company resolved the extension of the period for acquisition of its own shares at a meeting of the Board of Directors held on August 5, 2016.

2. Total own shares acquired as of November 9, 2016 pursuant to the above resolution of the Board of Directors
   (1) Total number of shares acquired: 2,156,500 shares
   (2) Total acquisition cost: 752,201,300 Japanese yen

Complementary Information

Q2 FY 3/2017 Summary of Consolidated Financial Results
from April 1, 2016 to September 30, 2016

(1) Business Performance

	FY 3/16 Q2 Result	FY 3/17 Q2 Result	YOY Change Amount	YOY Change Ratio	FY 3/16 Full Year Result	FY 3/17 Full Year Forecast	(mil JPY)	YOY Change Amount	YOY Change Ratio	Forecast Change Amount	Forecast Change Ratio
	mil JPY	mil JPY	mil JPY		mil JPY	mil JPY		mil JPY		mil JPY	
Sales	38,956	33,797	-5,159	-13.2%	77,568	70,300	(77,900)	-7,268	-9.4%	-7,600	-9.8%
Operating Profit	2,053	-898	-2,951	--	3,664	-500	(2,400)	-4,164	--	-2,900	-120.8%
(Operation Profit Margin)	*5.3%*	*-2.7%*			*4.7%*	*-0.7%*	*3.1%*				
Recurring Profit	2,098	-1,021	-3,119	--	3,777	-650	(2,300)	-4,427	--	-2,950	-128.3%
(Recurring Profit Margin)	*5.4%*	*-3.0%*			*4.9%*	*-0.9%*	*3.0%*				
Net Proift	1,261	-1,226	-2,487	--	2,310	-1,500	(1,620)	-3,810	--	-3,120	-192.6%
(Net Profit Margin)	*3.2%*	*-3.6%*			*3.0%*	*-2.1%*	*2.1%*				
P/L FX Rate (Average in the Term)	JPY	JPY	JPY		JPY	JPY	JPY	JPY		JPY	
(US Doller)	121.50	106.43	-15.07	-12.4%	120.16	104.70	(104.86)	-15.46	-12.9%	-0.16	-0.2%
(Euro)	134.60	119.12	-15.48	-11.5%	132.36	116.71	(116.63)	-15.65	-11.8%	0.08	0.1%

Note) Net Profit is equivalent to Profit Attributable to Owners of Parent.
Note) Assumption of FX rate from November, 2016: 1USD=JPY 103, 1EUR=JPY 114. Each figure in () of FY 3/17 Full Year Forecast shows the previous announcement as of August 5, 2016.

(2) Sales by Business Segment

	FY 3/16 Q2 Result	FY 3/17 Q2 Result	YOY Change Amount	YOY Change Ratio	FY 3/16 Full Year Result	FY 3/17 Full Year Forecast	(mil JPY)	YOY Change Amount	YOY Change Ratio	Forecast Change Amount	Forecast Change Ratio
	mil JPY	mil JPY	mil JPY		mil JPY	mil JPY		mil JPY		mil JPY	
Brand Business											
Sales	22,853	19,327	-3,526	-15.4%	48,931	48,400	(53,200)	-531	-1.1%	-4,800	-9.0%
Operating Income	3,642	2,051	-1,591	-43.7%	8,036	7,300	(9,660)	-736	-9.2%	-2,360	-24.4%
(Operation Profit Margin)	15.9%	10.6%			16.4%	15.1%	18.2%				
Technology Solution Business											
Sales	15,788	14,142	-1,646	-10.4%	27,974	21,200	(23,900)	-6,774	-24.2%	-2,700	-11.3%
Operating Income	2,114	1,788	-326	-15.4%	3,130	900	(1,390)	-2,230	-71.2%	-490	-35.3%
(Operation Profit Margin)	13.4%	12.6%			11.2%	4.2%	5.8%				
Other Business											
Sales	315	328	13	4.1%	663	700	(800)	37	5.6%	-100	-12.5%
Operating Income	34	-13	-47	--	36	100	(190)	64	--	-90	-47.4%
(Operation Profit Margin)	10.8%	-4.1%			5.4%	14.3%	23.8%				

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 Q2 Result	FY 3/17 Q2 Result	YOY Change Amount	YOY Change Ratio	FY 3/16 Full Year Result	FY 3/17 Full Year Forecast	(mil JPY)	YOY Change Amount	YOY Change Ratio	Forecast Change Amount	Forecast Change Ratio
	mil JPY	mil JPY	mil JPY		mil JPY	mil JPY		mil JPY		mil JPY	
Brand Business	**22,853**	**19,327**	**-3,526**	**-15.4%**	**48,931**	**48,400**	(53,200)	**-531**	**-1.1%**	**-4,800**	**-9.0%**
Creative Business	19,855	16,876	-2,979	-15.0%	41,824	41,800	(44,200)	-24	-0.1%	-2,400	-5.4%
Pen tablets	11,172	9,794	-1,378	-12.3%	24,148	23,100	(23,800)	-1,048	-4.3%	-700	-2.9%
(Japan)	*1,249*	*1,050*	*-199*	*-15.9%*	*2,739*						
(U.S.)	*3,177*	*2,514*	*-663*	*-20.9%*	*7,277*						
(Germany)	*3,089*	*2,629*	*-460*	*-14.9%*	*7,059*						
(Asia-Oceania)	*3,657*	*3,601*	*-56*	*-1.5%*	*7,073*						
Mobiles	2,571	1,224	-1,347	-52.4%	4,453	5,400	(5,800)	947	21.3%	-400	-6.9%
(Japan)	*527*	*276*	*-251*	*-47.6%*	*937*						
(U.S.)	*858*	*367*	*-491*	*-57.2%*	*1,465*						
(Germany)	*517*	*296*	*-221*	*-42.7%*	*973*						
(Asia-Oceania)	*669*	*285*	*-384*	*-57.5%*	*1,078*						
Displays	6,112	5,858	-254	-4.2%	13,223	13,300	(14,600)	77	0.6%	-1,300	-8.9%
(Japan)	*973*	*1,098*	*125*	*12.8%*	*2,298*						
(U.S.)	*2,838*	*2,123*	*-715*	*-25.2%*	*5,613*						
(Germany)	*1,291*	*1,323*	*32*	*2.5%*	*3,128*						
(Asia-Oceania)	*1,010*	*1,314*	*304*	*30.1%*	*2,184*						
Consumer Business	677	465	-212	-31.4%	2,149	1,600	(2,500)	-549	-25.6%	-900	-36.0%
(Japan)	*77*	*76*	*-1*	*-2.6%*	*208*						
(U.S.)	*286*	*167*	*-119*	*-41.4%*	*815*						
(Germany)	*247*	*158*	*-89*	*-36.2%*	*813*						
(Asia-Oceania)	*67*	*64*	*-3*	*-3.9%*	*313*						
Business Solution	2,321	1,986	-335	-14.4%	4,958	5,000	(6,500)	42	0.9%	-1,500	-23.1%
(Japan)	*442*	*443*	*1*	*0.2%*	*1,070*						
(U.S.)	*229*	*251*	*22*	*9.6%*	*461*						
(Germany)	*1,330*	*962*	*-368*	*-27.7%*	*2,872*						
(Asia-Oceania)	*320*	*330*	*10*	*3.2%*	*555*						
Technology Solution Business	**15,788**	**14,142**	**-1,646**	**-10.4%**	**27,974**	**21,200**	(23,900)	**-6,774**	**-24.2%**	**-2,700**	**-11.3%**
For smartphones	9,419	8,435	-984	-10.5%	16,353	10,500	(13,000)	-5,853	-35.8%	-2,500	-19.2%
For tablets	5,150	5,162	12	0.2%	9,532	9,300	(8,600)	-232	-2.4%	700	8.1%
For notebook PCs	1,219	545	-674	-55.3%	2,089	1,400	(2,300)	-689	-33.0%	-900	-39.1%
Other Business	**315**	**328**	**13**	**4.1%**	**663**	**700**	(800)	**37**	**5.6%**	**-100**	**-12.5%**
Engineering Solution	315	328	13	4.1%	663	700	(800)	37	5.6%	-100	-12.5%
(Japan)	*315*	*328*	*13*	*4.1%*	*663*						
Total	**38,956**	**33,797**	**-5,159**	**-13.2%**	**77,568**	**70,300**	(77,900)	**-7,268**	**-9.4%**	**-7,600**	**-9.8%**

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 Q2 Result	FY 3/17 Q2 Result	YOY Change Amount	YOY Change Ratio	FY 3/16 Full Year Result	FY 3/17 Full Year Forecast		YOY Change Amount	YOY Change Ratio	Forecast Change Amount	Forecast Change Ratio
	mil JPY	mil JPY	mil JPY		mil JPY	mil JPY	(mil JPY)	mil JPY		mil JPY	
Japan	19,372	17,412	-1,960	-10.1%	35,888	29,680	(33,210)	-6,208	-17.3%	-3,530	-10.6%
(Japan excluding Tech Solution biz.)	*3,584*	*3,270*	*-314*	*-8.7%*	*7,914*	*8,480*	(9,310)	*566*	*7.2%*	*-830*	*-8.9%*
U.S.	7,387	5,422	-1,965	-26.6%	15,631	14,400	(16,010)	-1,231	-7.9%	-1,610	-10.1%
Germany	6,474	5,368	-1,106	-17.1%	14,845	14,680	(16,190)	-165	-1.1%	-1,510	-9.3%
Asia-Oceania	5,723	5,595	-128	-2.2%	11,204	11,540	(12,490)	336	3.0%	-950	-7.6%
Total	38,956	33,797	-5,159	-13.2%	77,568	70,300	(77,900)	-7,268	-9.4%	-7,600	-9.8%

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 Q2 Result	FY 3/17 Q2 Result	YOY Change Amount	YOY Change Ratio	FY 3/16 Full Year Result	FY 3/17 Full Year Forecast		YOY Change Amount	YOY Change Ratio	Forecast Change Amount	Forecast Change Ratio
	mil JPY	mil JPY	mil JPY		mil JPY	mil JPY	(mil JPY)	mil JPY		mil JPY	
Capital Expenditure	2,314	1,701	-613	-26.5%	4,862	3,800	(4,000)	-1,062	-21.8%	-200	-5.0%
Depreciation	968	1,240	272	28.1%	2,004	2,600	(2,800)	596	29.8%	-200	-7.1%
R&D Expenditure	2,033	2,265	232	11.4%	4,342	4,600	(4,600)	258	5.9%	0	0.0%

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