Q3 FY 3/2018 Summary of Consolidated Financial Results

February 7, 2018

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

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Preparation of Supplemental Explanatory Material for Financial Results: Yes

Holding of Large Meeting for Financial Results: No

1. Q3 FY 3/2018 Consolidated Financial Results (April 1, 2017 – December 31, 2017)

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

	Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
	mY	%	mY	%	mY	%	mY	%
Q3 FY 3/2018	65,273	19.2	4,007	540.4	4,203	447.3	3,978	—
Q3 FY 3/2017	54,739	-10.1	626	-87.1	768	-84.3	-99	—

(Note) Comprehensive income Q3 FY 3/2018 4,595mY (—%) Q3 FY 3/2017 -244mY (—%)

	Net Profit per Share Outstanding	Net Profit per Diluted Share Outstanding
	Yen Sen	Yen Sen
Q3 FY 3/2018	24.50	24.50
Q3 FY 3/2017	-0.61	—

(2) Financial Position (Consolidated)

	Total Assets	Net Assets	Capital Ratio	Net Assets per Share
	mY	mY	%	Yen Sen
Q3 FY 3/2018	56,818	24,883	43.7	153.05
FY 3/2017	50,250	21,357	42.2	130.75

(For Ref.) Capital: Q 3 FY3/2018 24,851 mY FY 3/2017 21,230 mY

2. Cash Dividends

	Cash Dividends per Share				
Record date	Q1	H1	Q3	End of FY	FY Total
	Yen Sen	Yen Sen	Yen Sen	Yen Sen	Yen Sen
FY 3/2017	-	0.00	-	6.00	6.00
FY 3/2018	-	0.00	-		
FY 3/2018 (estimates)				6.00	6.00

Changes in dividend per share forecast of FY3/2018 : No

3. Consolidated Business Forecasts of FY 3/2018 (April 1, 2017 – March 31, 2018)

	Sales		Operating Profit		Ordinary Profit		Net Profit Attributable to Stockholders		Net Profit Per Share Outstanding
	mY	%	mY	%	mY	%	mY	%	Yen Sen
Full Year	80,900	13.4	2,900	—	3,100	—	1,930		11,89

Changes in Business Forecasts of FY 3/2018 : No

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4.Notes

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 3/2018	166,546,400	FY 3/2017	166,546,400

Number of treasury stock outstanding at end of year:

	Shares		Shares
Q3 FY 3/2018	4,175,300	FY 3/2017	4,175,300

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

	Shares		Shares
Q3 FY 3/2018	162,371,100	Q3 FY 3/2017	163,363,534

*Financial statements in this document are not subject to quarterly review procedures by auditing firm.

*Forward-looking statements regarding future events and performance contained in this presentation are based on currently available information and involve risks and uncertainties. Please note that actual results could materially differ from those expressed or implied by the forward-looking statements in this presentation due to these risks and uncertainties.

(Accompanying data)

Consolidated Balance Sheet, Consolidated Profit and Loss Statement, Consolidated Comprehensive Profit Statement, Consolidated Cash Flow Statement, Notes to Quarterly Consolidated Financial Statements (Segment Information, Business Divestitures), 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 first three quarters of the fiscal year (the nine months from April 1, 2017 to December 31, 2017), there were more prominent shifts towards the formation of a new industrial platform in the IT industry as mobile products, cloud computing, big data, and social media became even more established features of society. Compared with the same period of the previous fiscal year, the yen weakened against the dollar and the euro, in part reflecting differences in monetary policy among central banks in Japan, Europe, and the U.S. The yen also weakened against emerging currencies.

Against this background, Wacom Group has taken a commanding position in the global pen tablet market for creative users by leading the market for advanced digital pen and ink technology. In addition to this, we have developed more value-added products and expanded partnerships to address new growth fields including IoT (Internet of Things), VR (Virtual Reality), AR (Augmented Reality), 3D printing, AI (Artificial Intelligence), and data security. To reinforce the medium-term enhancement of our corporate value, we have also worked on groupwide management measures to strengthen product development, and to improve productivity and cost structure.

In the Brand Business segment, under Creative Business, which forms Wacom's core business, we promoted our new Pen Tablet, Display and Mobile products that were sequentially launched from the previous fiscal year. In addition, we extended active sales promotions close to each customer community by strengthening regional marketing functions. In the Consumer Business, we launched a new stylus optimized for Windows OS tablet devices. In addition, we worked on sales expansion of smartpad products, enhancing our high-end product lineup in the digital stationery category. In the Business Solution area, we developed and launched a new product that captures securely in real-time handwritten data on normal paper into mobile devices and networks, improving efficiency in business workflow and strengthening data security. As a result of the above, new products contributed to overall sales in the Brand Business segment in the first three quarters and sales steadily exceeded those of the same period of the previous fiscal year.

In the Technology Solution Business segment, our effort to make digital pen technologies with EMR (Electro Magnetic Resonance) and Active-ES (Active Electrostatic) technology the de facto standard across OS platforms drove expansion in the adoption of digital pen technologies for tablet devices. We also worked on expanding business opportunities in the education market, as well as development of the digital stationery market through collaboration with various partner companies. In smartphones, total sales declined due to disappearance of demand for old models, although we proceeded with volume production and shipments and expanded sales for Galaxy Note8, the latest Samsung model. Overall sales of the Technology Solution Business segment f strongly exceeded the same period of the previous fiscal year, owing mainly to a significant increase in sales for tablets.

In Corporate Functions, we continued to promote WILL™ (Wacom Ink Layer Language) as a digital ink standard and we launched "Wacom Innovation Hub" in May as a new support program for startup companies to encourage new and innovative applications based on the WILL platform. In addition, as in the previous year, we held "Connected Ink" digital ink promotion events in Shanghai in June, in Berlin in August, and in Tokyo in November, expanding collaborations with partner companies. Regarding management, we proceeded with planning related to the execution of our new strategic initiative to optimize cost structure. In addition, to improve business decision-making,

we established a Nominating Committee consisting mainly of outside directors in April, and started criteria formulation for selecting executives of Wacom Group (representative director, directors, and key executive officers). In October, we announced the appointment of the next Representative Director and CEO, who will take office on April 1, 2018.

As for the Engineering Solution Business of which the Other Business segment is composed, we spun off the Engineering Solution Business to a new company established through a company split, and transferred all the shares of a new company to Nitto Kogyo Corporation on December 1, 2017, as stated in our corporate announcement “Company Split (Incorporation-Type Company Split) and Share Transfer” on September 13, 2017. For details, please refer to “Notes to Quarterly Consolidated Financial Statements (Business Combinations)”.

For the first three quarters of the fiscal year ending March 31, 2018, consolidated net sales increased 19.2% to ¥65,273 million, operating profit increased 540.4% to ¥4,007 million, ordinary profit increased 447.3% to ¥4,203 million, and net profit attributable to owners of parent increased by ¥4,077 million to ¥3,978 million.

Segment results

1. Brand Business

< Creative Business>

In Creative Business, sales performed well and exceeded the same period of the previous fiscal year, owing to expansion in sales mainly of new products released in the previous fiscal year. We also engaged in development of new products for growing markets such as VR/AR, as well as new next-generation digital pen technology to further strengthen our leading market position as an innovator.

○Pen Tablet products

Shipments of *Intuos Pro* series were sluggish due to weak demand for a new model launched in the previous fiscal year. However, sales of *Intuos* series steadily increased mainly in developed countries. *Intuos 3D*, which was launched in the previous fiscal year, also contributed to sales. Our emerging market model, *One by Wacom*, won new customers and unit shipments increased by approximately 30%. As a result, overall sales of pen tablet products slightly exceeded the same period of the previous fiscal year.

○Mobile products

We saw dramatic changes in the competitive environment as the market expanded especially for tablet devices equipped with digital pen technology. At the same time, continuing demand for our advanced models which support creative work flow for professional creators led to steady sales of *Wacom MobileStudio Pro* launched in the previous fiscal year. As a result, overall sales of mobile products exceeded the same period of the previous fiscal year.

○Display products

New models, *Wacom Cintiq Pro13* and *Wacom Cintiq Pro 16* equipped with next-generation digital pen technology sequentially launched from the previous fiscal year contributed to sales. The existing 13inch model acquired entry users level and recorded sales comparable to the same period of the previous fiscal year. As a result, overall sales of Display products exceeded the same period of the previous fiscal year.

< Consumer Business>

We jointly developed with Microsoft and launched in June the new stylus product *Bamboo Ink* which is optimized for Windows OS tablet devices, and expanded sales with a focus on the U.S. In addition, the advanced stylus product *Bamboo Sketch* for iPad was launched in June and also contributed to sales. Sales of digital stationery products *Bamboo Slate* and *Bamboo Folio* launched in the previous fiscal year, exceeded the sales of the previous models. As a result, overall sales in the Consumer Business significantly exceeded the same period of the previous fiscal year.

< Business Solution>

Although sales of *STU* series LCD signature tablets decreased due to changes in the competitive environment in Europe and in reaction to sales recorded from a large-scale project in the previous fiscal year, the *DT* series LCD pen tablets contributed to sales, owing to favorable sales to financial institutions in North America. Hence, overall sales in the Business Solution business strongly exceeded the same period of the previous fiscal year.

As a result, overall sales in the Brand Business segment for the first three quarters of the fiscal year increased 13.5% to ¥37,444 million, and operating profit increased 5.9% to ¥5,477 million.

2. Technology Solution Business

<Pen sensor systems for smartphones>

We started mass production and shipment of products for Galaxy Note8, the latest Samsung model and sales expanded, however, overall sales fell below the same period of the previous fiscal year due to disappearance of demand for the previous model, Galaxy Note7, the previous model, which was expected to continue selling in this fiscal year before the accident.

<Pen sensor systems for tablets and notebook PCs>

Adoption of our Active-ES pen sensor system expanded, as it gained a good reputation and enjoyed favorable demand from tablet PC manufacturers. Overall sales for tablets significantly exceeded the same period of the previous fiscal year, owing to strong shipments, in particular to Lenovo, HP, Fujitsu and Dell. We also expanded sales to the education market of EMR products such as pens tailored for use with the Google Chromebook.

As a result, overall sales in the Technology Solution Business segment for the first three quarters of the fiscal year increased 28.9% to ¥27,387 million, and operating profit increased 110.7% to ¥5,268 million.

3. Other Business

Sales fell below the same period of the previous fiscal year, due to business transfer of the Engineering Solution Business as of December 1, 2017.

As a result, overall sales in the Other Business for the first three quarters of the fiscal year decreased 8.0% to ¥442 million, and operating loss increased by ¥29 million to ¥66 million.

Consolidated financial position

1. Assets, Liabilities, and Net Assets

Total assets as of December 31, 2017 increased by ¥6,569 million to ¥56,818 million compared to the end of the previous fiscal year. The main factors contributing to this were an increase of ¥4,646 in cash and deposits and an increase of ¥2,742 in notes and accounts receivable-trade. Total liabilities as of December 31, 2017 increased by ¥3,043 million to ¥31,936 million compared to the end of the previous fiscal year. The main factors contributing to this were an increase of ¥2,013 in notes and accounts payable-trade, an increase of ¥1,555 million in income taxes payable.

Total net assets increased by ¥3,526 million to ¥24,883 million compared to the end of the previous fiscal year. The main contributing factors were an increase of ¥3,978 in net profit attributable to owners of parent, an increase of ¥609 million in foreign currency translation adjustment, and a decrease of ¥974 million in the payment of shareholder's dividends. As a result, the capital ratio increased by 1.5 points to 43.7% compared to the end of the previous fiscal year.

2. Cash Flow

Consolidated cash and cash equivalents as of December 31, 2017 totaled ¥18,851, a ¥4,646 million increase from the end of the previous fiscal year (compared to a ¥2,870 million increase in the previous comparable fiscal period).

Cash Flow from Operating Activities

Cash flow gained for operating activities during the nine-month period was ¥5,310 million (compared to ¥1,598 million gained in the previous comparable fiscal period). The main factors contributing to cash inflow were ¥4,958 million of profit before income taxes, ¥1,851 million of depreciation, a decrease of ¥1,726 million in inventories, and an increase of ¥1,646 million in notes and accounts payable-trade. The main factors contributing to cash outflow were ¥100 million of gain on reversal of subscription rights to shares, ¥698 million of gain on transfer of business, an increase of ¥3,072 million in notes and accounts receivable – trade, and ¥571 million of income tax paid.

Cash Flow from Investing Activities

Cash flow used for investing activities during the nine-month period was ¥311 million (compared to ¥2,241 million used in the previous comparable fiscal period). The main contributing factors were ¥890 million of purchase of non-current assets, and ¥572 million of proceeds from transfer of business.

Cash Flow from Financing Activities

Cash flow used from financing activities during the nine-month period was ¥972 million (compared to ¥3,300 million gained in the previous comparable fiscal period). The main contributing factor was ¥ 972 million of payment for shareholders' dividends. In short-term loans payable, there were an increase and a decrease of ¥3,000 million which offset each other.

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 2018, which were announced on November 1, 2017.

(Accompanying data)

1. Summary of Consolidated Balance Sheet

(unit: '000 Yen)

	FY 3/2017 (as of March 31, 2017)	Q3 FY 3/2018 (as of December 31, 2017)
Assets		
Current assets		
Cash and deposits	14,204,928	18,851,241
Notes and accounts receivable - trade	10,768,466	13,510,363
Merchandise and finished goods	9,650,738	7,830,652
Work in process	260,308	224,258
Raw materials and supplies	1,753,480	2,330,077
Other	2,977,645	4,724,709
Allowance for doubtful accounts	-115,726	-298,447
Total current assets	39,499,839	47,172,853
Non-current assets		
Property, plant and equipment		
Other, net	4,303,357	4,096,894
Total property, plant and equipment	4,303,357	4,096,894
Intangible assets		
Other	4,312,796	3,266,357
Total intangible assets	4,312,796	3,266,357
Investments and other assets		
Other	2,209,977	2,346,141
Allowance for doubtful accounts	-76,386	-64,089
Total investments and other assets	2,133,591	2,282,052
Total non-current assets	10,749,744	9,645,303
Total assets	50,249,583	56,818,156
Liabilities		
Current liabilities		
Accounts payable - trade	7,481,847	9,495,074
Short-term loans payable	3,000,000	3,000,000
Income taxes payable	145,196	1,699,831
Provision for bonuses	936,567	729,240
Provision for directors' bonuses	1,534	34,763
Other	5,818,681	5,469,001
Total current liabilities	17,383,825	20,427,909
Non-current liabilities		
Long-term loans payable	10,000,000	10,000,000
Net defined benefit liability	923,928	817,708
Provision for bonuses	4,222	—
Provision for directors' bonuses	1,195	—
Asset retirement obligations	230,669	234,567
Other	348,847	455,465
Total non-current liabilities	11,508,861	11,507,740
Total liabilities	28,892,686	31,935,649

((unit: '000 Yen)

	FY 3/2017 (as of March 31, 2017)	Q3 FY 3/2018 (as of December 31, 2017)
Net assets		
Shareholders' equity		
Capital stock	4,203,469	4,203,469
Capital surplus	6,098,918	6,098,918
Retained earnings	13,134,374	16,138,038
Treasury shares	-1,900,416	-1,900,416
Total shareholders' equity	21,536,345	24,540,009
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,907	3,856
Foreign currency translation adjustment	-294,554	314,571
Remeasurements of defined benefit plans	-13,554	-7,164
Total accumulated other comprehensive income	-306,201	311,263
Subscription rights to shares	126,753	31,235
Total net assets	21,356,897	24,882,507
Total liabilities and net assets	50,249,583	56,818,156

2. Consolidated Profit & Loss Statement

((unit: '000 Yen)

	Q3 FY 3/2017 (April 1,2016 to December 31,2016)	Q3 FY 3/2018 (April 1,2017 to December 31, 2017)
Net sales	54,739,208	65,272,936
Cost of sales	32,796,318	39,651,854
Gross profit	21,942,890	25,621,082
Selling, general and administrative expenses	21,317,226	21,614,246
Operating profit	625,664	4,006,836
Non-operating income		
Interest income	51,868	57,421
Foreign exchange gains	62,093	129,119
Other	57,523	41,469
Total non-operating income	171,484	228,009
Non-operating expenses		
Interest expenses	23,712	30,139
Other	5,476	1,774
Total non-operating expenses	29,188	31,913
Ordinary profit	767,960	4,202,932
Extraordinary income		
Gain on sales of non-current assets	458	1,047
Gain on transfer of business	—	697,926
Other	5,626	100,289
Total extraordinary income	6,084	799,262
Extraordinary losses		
Loss on sales of non-current assets	34,117	203
Loss on retirement of non-current assets	269,015	43,643
Other	61,872	—
Total extraordinary losses	365,004	43,846
Profit before income taxes	409,040	4,958,348
Income taxes	507,992	980,457
Profit (loss)	-98,952	3,977,891
Profit (loss) attributable to owners of parent	-98,952	3,977,891

Consolidated Comprehensive Income Statement

(unit: '000 Yen)

	Q3 FY 3/2017 (April 1, 2016 to December 31, 2016)	Q3 FY 3/2018 (April 1, 2017 to December 31, 2017)
Profit (loss)	-98,952	3,977,891
Other comprehensive income		
Valuation difference on available-for-sale securities	-40,431	1,949
Foreign currency translation adjustment	-112,165	609,125
Remeasurements of defined benefit plans, net of tax	8,045	6,390
Total other comprehensive income	-144,551	617,464
Comprehensive income	-243,503	4,595,355
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-243,503	4,595,355
Comprehensive income attributable to non-controlling interests	—	—

3. Summary of Consolidated Cash Flow Statement

((unit: '000 Yen)

	Q3 FY 3/2017 (April 1, 2016 to December 31, 2016)	Q3 FY 3/2018 (April 1, 2017 to December 31, 2017)
Cash flows from operating activities		
Profit before income taxes	409,040	4,958,348
Depreciation	1,882,645	1,850,776
Share-based compensation expenses	10,744	4,771
Gain on reversal of subscription rights to shares	-5,626	-100,289
Loss (gain) on transfer of business	—	-697,926
Increase (decrease) in provision	-101,687	10,018
Increase (decrease) in net defined benefit liability	52,938	12,753
Interest and dividend income	-51,868	-57,421
Interest expenses	23,712	30,139
Decrease (increase) in notes and accounts receivable - trade	-4,616,871	-3,071,873
Decrease (increase) in inventories	40,081	1,725,933
Increase (decrease) in notes and accounts payable - trade	2,549,696	1,646,232
Other, net	1,794,296	-459,764
Subtotal	1,987,100	5,851,697
Interest and dividend income received	51,472	57,939
Interest expenses paid	-21,499	-29,026
Income taxes paid	-418,671	-571,060
Net cash provided by (used in) operating activities	1,598,402	5,309,550
Cash flows from investing activities		
Purchase of non-current assets	-2,720,691	-890,430
Proceeds from sales of non-current assets	529,743	4,212
Proceeds from transfer of business	—	571,881
Other, net	-50,488	3,366
Net cash provided by (used in) investing activities	-2,241,436	-310,971
Cash flows from financing activities		
Increase in short-term loans payable	—	3,000,000
Decrease in short-term loans payable	-1,000,000	-3,000,000
Proceeds from long-term loans payable	8,000,000	—
Purchase of treasury shares	-753,330	—
Proceeds from disposal of treasury shares	10,284	—
Cash dividends paid	-2,956,738	-972,301
Net cash provided by (used in) financing activities	3,300,216	-972,301
Effect of exchange rate change on cash and cash equivalents	212,741	620,035
Net increase (decrease) in cash and cash equivalents	2,869,923	4,646,313
Cash and cash equivalents at beginning of period	14,365,031	14,204,928
Cash and cash equivalents at end of period	17,234,954	18,851,241

Notes to Quarterly Consolidated Financial Statements

Segment Information

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

Q3 FY3/2017(April1, 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 Businesses” 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 profit.

Q3 FY 3/2018 (April 1, 2017 – December 31, 2017) (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	37,444,446	27,386,542	64,830,988	441,948	65,272,936	—	65,272,936
Sales between internal segments internal transfer	—	—	—	—	—	—	—
Total	37,444,446	27,386,542	64,830,988	441,948	65,272,936	—	65,272,936
Segment Profit or Loss	5,477,117	5,268,017	10,745,134	-65,524	10,679,609	-6,672,774	4,006,836

(Note) 1. “Other Businesses” consist of Engineering Solution Business.
Engineering Solution Business was assigned to a new company established through a company split, and all shares of the new company were sold off on December 1, 2017.
2. The above “Adjustment” in “Segment Profit”, -6,672,774 (‘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 profit.

Business Combinations

Business Divestitures

The Company assigned its Engineering Solution Business ("the Business") to a new company established through a Company Split ("the Split"), and transferred all shares of the new company to Nitto Kogyo Corporation ("Nitto Kogyo") as of December 1, 2017.

1. Outline of the business divestiture

(1) Name of the company who succeeded the Business through the Split and name of the company to which the shares were transferred

① Name of the company who succeeded the Business through the Split
ECAD Solutions Co., Ltd.

② Name of the company to which the shares were transferred
Nitto Kogyo Corporation

(2) Outline and name of the Business

Name of the Business: Engineering Solution Business
Outline of the Business: Development and sales of CAD system for electronic and harness design, and construction of systems associated with these

(3) Major reasons for the business divestiture

Group of the Company positions the Business as one of the businesses to create stable cash flow, along with the Brand Business and Technology Solution Business. The ECAD series, which is the representative CAD solution brand of the Business, has been supporting and leading the industry for more than 30 years. Under these circumstances, the Company concluded that it is necessary to make investment which enables more aggressive business development for further growth in the Business, and also to prepare business environment which enables prompt and aggressive input of management resources such as management know-how and capital injection.

Through discussion with Nitto Kogyo, the Company recognizes that the more highly value-added services for customers resulting in the future growth of the Business will be feasible by utilizing Nitto Kogyo's proven practices and experiences in group management and fusing management resources and business know-how in design and manufacturing fields of switch boards and control panels retained in both companies. Also, the Company recognizes that concentrating management resources through these measures will lead to maximize shareholders' value of the Company in future. In review of these conditions, the Company concluded to execute the Split and share transfer of the new company.

(4) Effective date of the Split and share transfer

December 1, 2017

(5) Legal method and other items regarding outline of transactions

Legal method of the Split: Incorporation-type company split method (simple split), in which the Company will be the splitting company and New Company will be succeeding the rights and obligations relating to the Business.
Legal method of share transfer: Share transfer in which consideration is limited to cash or other properties
Transfer cost: 884,158 ('000 Yen)

2. Outline of the accounting method

(1) The amount of transfer income

697,926 ('000 Yen)

(2) Fair book values of assets and liabilities of the transferred business and their details

Current assets	298,916	('000 Yen)
Non-current assets	214,523	
Total assets	513,439	
Current liabilities	208,225	
Non-current liabilities	118,982	
Total liabilities	327,207	

(3) Accounting method

The difference between the amount received as a value of the transferred business and the amount of owner's equity regarding the transferred business is recognized as transfer income. This accounting method is assuming that the investment regarding transferred Engineering Solution Business is liquidated.

3. Business segment in which the Business was included

Other Business as non-reportable segment

4. Estimated amount of profit and loss of the Business recorded on the consolidated profit and loss statement for the nine months ended December 31, 2017

Total sales	441,948	('000 Yen)
Operating loss (-)	-65,524	

Q3 FY 3/2018 Summary of Consolidated Financial Results
from April 1, 2017 to December 31, 2017

(1) Business Performance

	FY 3/17 Q3 Result	FY 3/18 Q3 Result	YOY Change Amount	YOY Change Ratio	FY 3/17 Full Year Result	FY 3/18 Full Year Forecast	YOY Change Amount	YOY Change Ratio
	mil JPY	mil JPY	mil JPY		mil JPY	mil JPY	mil JPY	
Sales	54,739	65,273	10,534	19.2%	71,314	80,900	9,586	13.4%
Operating Profit	626	4,007	3,381	540.4%	-1,171	2,900	4,071	--
(Operation Profit Margin)	*1.1%*	*6.1%*			*-1.6%*	*3.6%*		
Recurring Profit	768	4,203	3,435	447.3%	-870	3,100	3,970	--
(Recurring Profit Margin)	*1.4%*	*6.4%*			*-1.2%*	*3.8%*		
Net Proift	-99	3,978	4,077	--	-5,534	1,930	7,464	--
(Net Profit Margin)	*-0.2%*	*6.1%*			*-7.8%*	*2.4%*		
P/L FX Rate (Average in the Term)	JPY	JPY	JPY		JPY	JPY	JPY	
(US Dollar)	107.88	111.82	3.94	3.7%	109.03	111.23	2.20	2.0%
(Euro)	119.13	128.59	9.46	7.9%	119.37	127.26	7.89	6.6%

Note) Net Profit is equivalent to Profit Attributable to Owners of Parent.
Note) FY 3/18 Full Year Forecast shows the announcement as of November 1, 2017. Assumption of FX rate from October, 2017: 1 USD=JPY 111, 1 EUR=JPY 128.

(2) Sales by Business Segment

	FY 3/17 Q3 Result	FY 3/18 Q3 Result	YOY Change Amount	YOY Change Ratio	FY 3/17 Full Year Result	FY 3/18 Full Year Forecast	YOY Change Amount	YOY Change Ratio
	mil JPY	mil JPY	mil JPY		mil JPY	mil JPY	mil JPY	
Brand Business								
Sales	33,004	37,444	4,440	13.5%	43,874	49,000	5,126	11.7%
Operating Profit	5,172	5,477	305	5.9%	5,685	7,660	1,975	34.8%
(Operation Profit Margin)	15.7%	14.6%			13.0%	15.6%		
Technology Solution Business								
Sales	21,254	27,387	6,133	28.9%	26,758	31,450	4,692	17.5%
Operating Profit	2,501	5,268	2,767	110.7%	2,443	3,900	1,457	59.6%
(Operation Profit Margin)	11.8%	19.2%			9.1%	12.4%		
Other Business								
Sales	481	442	-39	-8.0%	682	450	-232	-34.1%
Operating Profit	-37	-66	-29	--	-32	-50	-18	--
(Operation Profit Margin)	-7.7%	-14.8%			-4.8%	-11.1%		

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

(3) Sales by Product Line

(by Subsidiaries)	FY 3/17 Q3 Result	FY 3/18 Q3 Result	YOY Change Amount	YOY Change Ratio	FY 3/17 Full Year Result	FY 3/18 Full Year Forecast	YOY Change Amount	YOY Change Ratio
	mil JPY	mil JPY	mil JPY		mil JPY	mil JPY	mil JPY	
Brand Business	**33,004**	**37,444**	**4,440**	**13.5%**	**43,874**	**49,000**	**5,126**	**11.7%**
Creative Business	28,994	31,587	2,593	8.9%	38,737	41,150	2,413	6.2%
Pen tablets	17,074	18,322	1,248	7.3%	22,267	23,850	1,583	7.1%
(Japan)	*1,648*	*1,536*	*-112*	*-6.8%*	*2,245*			
(U.S.)	*5,206*	*5,442*	*236*	*4.5%*	*6,708*			
(Germany)	*4,878*	*5,314*	*436*	*8.9%*	*6,459*			
(Asia-Oceania)	*5,342*	*6,030*	*688*	*12.9%*	*6,855*			
Mobiles	2,646	3,103	457	17.2%	4,247	4,560	313	7.4%
(Japan)	*647*	*711*	*64*	*9.9%*	*995*			
(U.S.)	*879*	*925*	*46*	*5.2%*	*1,389*			
(Germany)	*652*	*588*	*-64*	*-9.9%*	*947*			
(Asia-Oceania)	*468*	*879*	*411*	*87.8%*	*916*			
Displays	9,274	10,162	888	9.6%	12,223	12,740	517	4.2%
(Japan)	*1,539*	*2,096*	*557*	*36.2%*	*2,122*			
(U.S.)	*3,287*	*3,443*	*156*	*4.7%*	*4,560*			
(Germany)	*2,549*	*2,220*	*-329*	*-12.9%*	*3,215*			
(Asia-Oceania)	*1,899*	*2,403*	*504*	*26.5%*	*2,326*			
Consumer Business	1,034	2,530	1,496	144.7%	1,321	3,470	2,149	162.7%
(Japan)	*122*	*149*	*27*	*21.8%*	*147*			
(U.S.)	*359*	*1,622*	*1,263*	*351.9%*	*422*			
(Germany)	*444*	*507*	*63*	*14.3%*	*580*			
(Asia-Oceania)	*109*	*252*	*143*	*131.5%*	*172*			
Business Solution	2,976	3,327	351	11.8%	3,816	4,380	564	14.8%
(Japan)	*683*	*809*	*126*	*18.4%*	*988*			
(U.S.)	*373*	*676*	*303*	*81.2%*	*440*			
(Germany)	*1,522*	*1,411*	*-111*	*-7.3%*	*1,852*			
(Asia-Oceania)	*398*	*431*	*33*	*8.4%*	*536*			
Technology Solution Business	**21,254**	**27,387**	**6,133**	**28.9%**	**26,758**	**31,450**	**4,692**	**17.5%**
For smartphones	12,255	10,871	-1,384	-11.3%	13,208	12,630	-578	-4.4%
For tablets, others	8,999	16,516	7,517	83.5%	13,550	18,820	5,270	38.9%
Other Business	**481**	**442**	**-39**	**-8.0%**	**682**	**450**	**-232**	**-34.1%**
Engineering Solution	481	442	-39	-8.0%	682	450	-232	-34.1%
(Japan)	*481*	*442*	*-39*	*-8.0%*	*682*			
Total	**54,739**	**65,273**	**10,534**	**19.2%**	**71,314**	**80,900**	**9,586**	**13.4%**

Note) "For notebook PCs" categorized as a product line of "Technology Solution Business" in the previous fiscal year is integrated into "For tablets, others".

(4) Sales by Regional Subsidiary

	FY 3/17 Q3 Result	FY 3/18 Q3 Result	YOY Change Amount	YOY Change Ratio	FY 3/17 Full Year Result	FY 3/18 Full Year Forecast	YOY Change Amount	YOY Change Ratio
	mil JPY	mil JPY	mil JPY		mil JPY	mil JPY	mil JPY	
Japan	26,374	33,129	6,755	25.6%	33,936	39,010	5,074	15.0%
(Japan excluding Tech Solution biz.)	*5,120*	*5,742*	*622*	*12.2%*	*7,178*	*7,560*	*382*	*5.3%*
U.S.	10,104	12,109	2,005	19.8%	13,520	15,570	2,050	15.2%
Germany	10,045	10,040	-5	0.0%	13,053	13,740	687	5.3%
Asia-Oceania	8,216	9,995	1,779	21.7%	10,805	12,580	1,775	16.4%
Total	54,739	65,273	10,534	19.2%	71,314	80,900	9,586	13.4%

Note) Sales in the Technology Solution Business are categorized into Japan.
Note) Sales in Germany include the shipment to EMEA countries. Sales in Asia-Oceania consist of sales by subsidiaries in China, Korea, Australia, Singapore, Taiwan, and India

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

	FY 3/17 Q3 Result	FY 3/18 Q3 Result	YOY Change Amount	YOY Change Ratio	FY 3/17 Full Year Result	FY 3/18 Full Year Forecast	YOY Change Amount	YOY Change Ratio
	mil JPY	mil JPY	mil JPY		mil JPY	mil JPY	mil JPY	
Capital Expenditure	2,580	833	-1,747	-67.7%	3,580	2,100	-1,480	-41.3%
Depreciation	1,883	1,851	-32	-1.7%	2,573	2,600	27	1.1%
R&D Expenditure	3,176	3,285	109	3.4%	4,397	4,900	503	11.4%

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