

FY24 Business Report

FY25 Key Focus

Wacom Co., Ltd.

(TSE Sec.1 6727)

May 9, 2007



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Mid-Term Business Plan and Growth Strategy

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FY06 Consolidated Result Summary



- **Sales:** **+ 20.0%**
 - ESD Business: **+20.9%**
 - ECS Business: **-2.2%**

- **Operating Profit:** **+ 33.3%**
 - ESD Business: **+39.0%**
 - ECS Business: **+1.3%**

- **Recurring Profit:** **+ 36.9%**

- **Net Profit (aft. Tax):** **+ 33.0%**

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FY06 Consolidated Result Summary



- **Record sales and profit**
 - Fifth consecutive year since FY02
 - U.S. and European business were drive factors

- **LCD integrated tablet showed strong growth**
 - Steady transition of pro-users from Intuos to Cintiq
 - Presentation and education market was strong in U.S. and Europe

- **Windows Vista supports pen input as a standard user interface**
 - Expansion from graphics users to general PC users
 - Wacom expanded technology base to 'Pen+Touch'

- **Received 'The 1st Annual Disclosure Freshman Award' from TSE**

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Consolidated P/L



(m¥)

	FY23	FY24	YoY Growth	
	FY05	FY06	Amount	Ratio
Sales	23,992	28,787	4,795	20.0%
Gross Profit	11,971	15,028	3,057	25.5%
GPM	49.9%	52.2%		
Operating Profit	3,424	4,565	1,140	33.3%
OPM	14.3%	15.9%		
Recurring Profit	3,387	4,638	1,251	36.9%
Net Profit aft. Tax	2,146	2,853	707	33.0%

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Consol. P/L by Business Segment



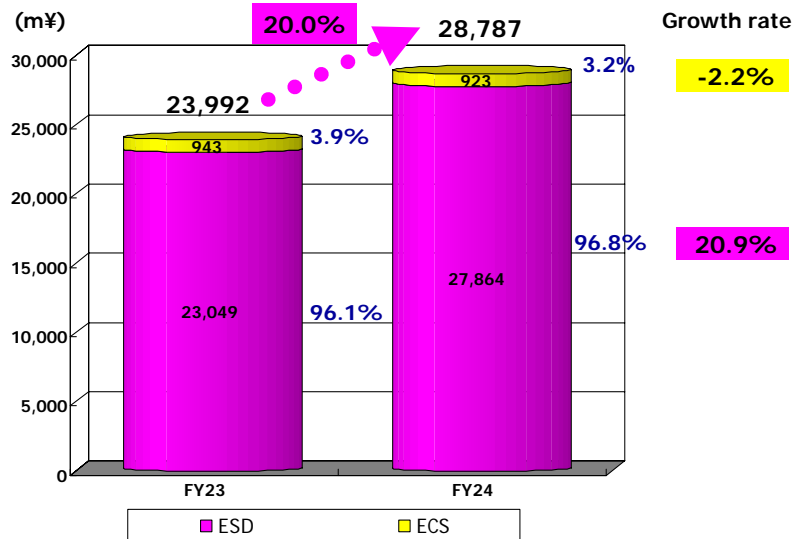
(m¥)

	FY23	FY24	YoY Growth	
	FY05	FY06	Amount	Ratio
Sales	23,992	28,787	4,795	20.0%
ESD	23,049	27,864	4,816	20.9%
ECS	943	923	-21	3.9%
OP	3,424	4,565	1,140	33.3%
ESD	4,575	6,361	1,786	39.0%
ECS	152	154	2	1.3%
Corp. and Other	-1,303	-1,951	-648	49.7%
OPM	14.3%	15.9%		

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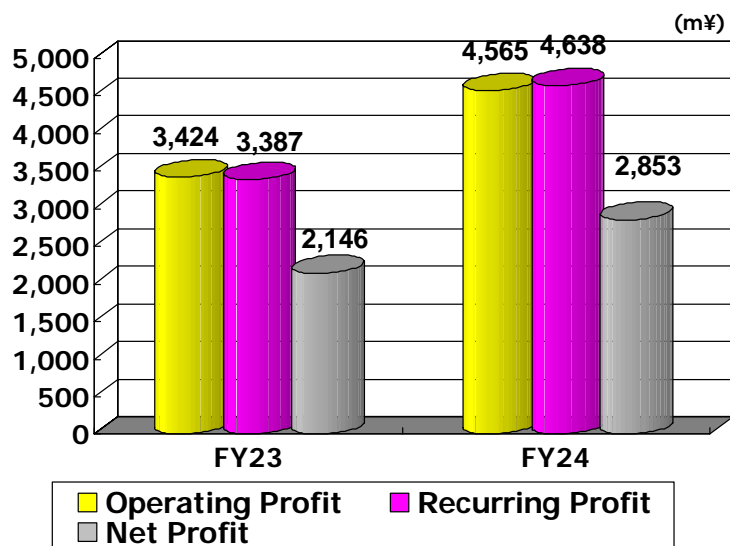
Consolidated Sales Comparison



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Consolidated Profit Comparison



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Operating Expenses Comparison



(m¥)

	FY23	FY24	YoY Growth	
	FY05	FY06	Amount	Ratio
Personnel	3,517	4,118	601	17.1%
R&D	773	832	59	7.7%
Ad. & Promo.	1,775	1,943	168	9.5%
Other	2,481	3,569	1,088	43.9%
Total	8,546	10,463	1,917	22.4%

Main Increases

- Increase in employee count to support growth
- Project expenses : Global branding, APA preparation, and J-SOX
- Infrastructure investment: WSP establishment, IT investments, hiring expenses, M&A due diligence, etc.

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Business Highlight -1



ESD

■ Tablet Business

- Steady growth driven by U.S. and European market
 - All regions posted growth except for Japan where negative PC market growth impacted channel performance
 - BCN AWARD 2006 fro 'Tablet Segment' with 96.7% Japan share
- Professional Graphics Tablet **+24.7%**
 - Intuos3 showed steady growth in U.S. and Europe
 - China and Asia-Oceania continued rapid expansion
- Consumer Graphics Tablet **+20.6%**
 - Europe and Asia-Oceania showed steady growth
 - U.S. users moved toward larger sizes
 - Japanese channel sales was negative growth due to slow PC market
- LCD Integrated Tablet **+39.2%**
 - Doubled in U.S. graphics, and rapid adoption in educational and presentation segments worldwide
 - Japanese medical and industrial design segment expanded
 - Cintiq21UX received 'Red Dot Design Award' in June 2006



reddot design award
winner 2006

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Business Highlight -2



■ Component Business

+0.8%



- Flat growth due to the delay of 'Windows Vista'
 - Rescheduling of new models, inventory adjustment of old models
 - Negative growth up to Q3, strong recovery in Q4 after Vista launch
- Developed system solutions integrating EMR pen technology with touch panels
 - 'Penabled DualTouch' supplied to Lenovo ThinkPad X60
 - 'Penabled DualPad' supplied to Fujitsu FMV-BIBLO NB
 - Developed EMR sensor system for large size PC displays

■ Others

- Enhancement of QMS* system *QMS: Quality Management System
 - New QMS system supporting ISO14000 and ISO9001
 - New QA Division established in Jan. 2007
- WAU (Australia subsidiary) began operation (April)
- WSP (Singapore subsidiary) established (May)
- Exhibit in MS WinHEC2006 (Seattle US in May, Tokyo in June)
- Marketing partnership with Microsoft in Windows Vista launch



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Business Highlight -3



ECS

- Strong sales of new product 'ECAD/dio Ver7.0'
 - Revitalized IT investments triggered the transition to new products
 - PDM (Product Data management) business was slow in developing new accounts
 - Service business model needs enhanced strategy and effort

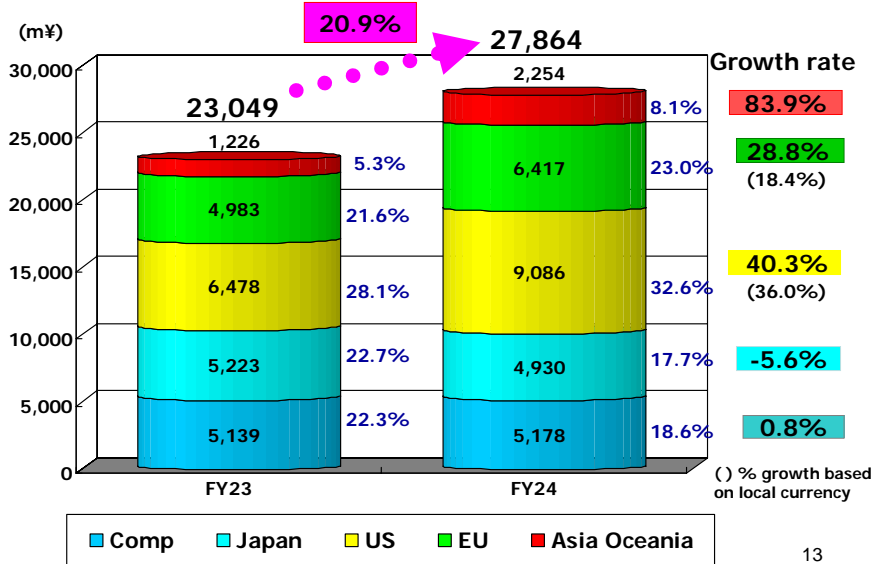
F&A (Corporate)

- Global branding project for FY25 launch
- International IR started, resulted in the growth of foreign institutional investors (3.2%→18.0%)
- Internal Control Office for J-SOX project
- Japan-U.S. APA application in June, 2006
- Assigned 'Arata Auditing Firm' (member of PWC) as a temporal external auditor

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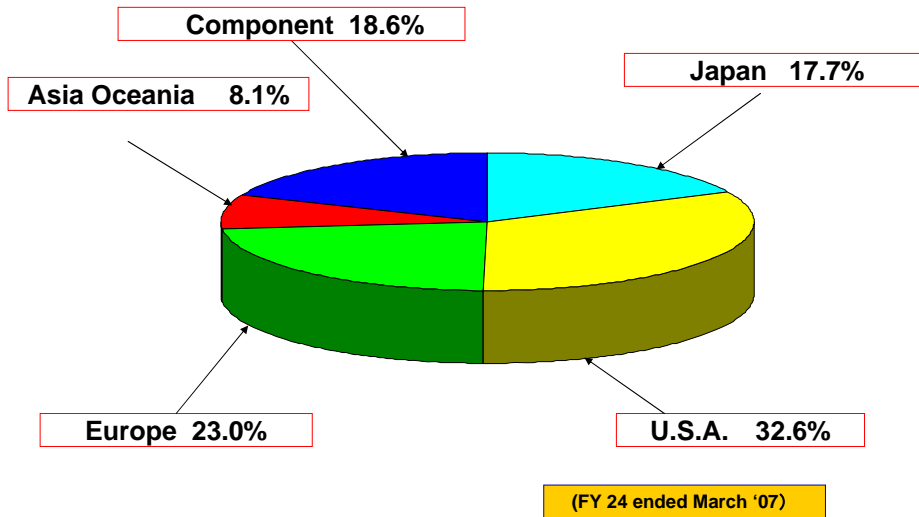
ESD Sales by Region



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Sales by Region

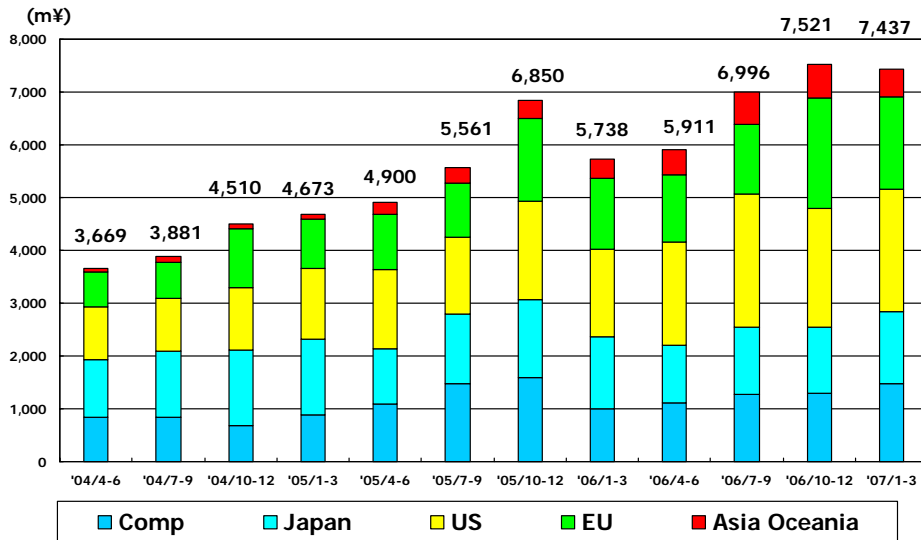


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ESD Quarterly Trend by Region

WACOM

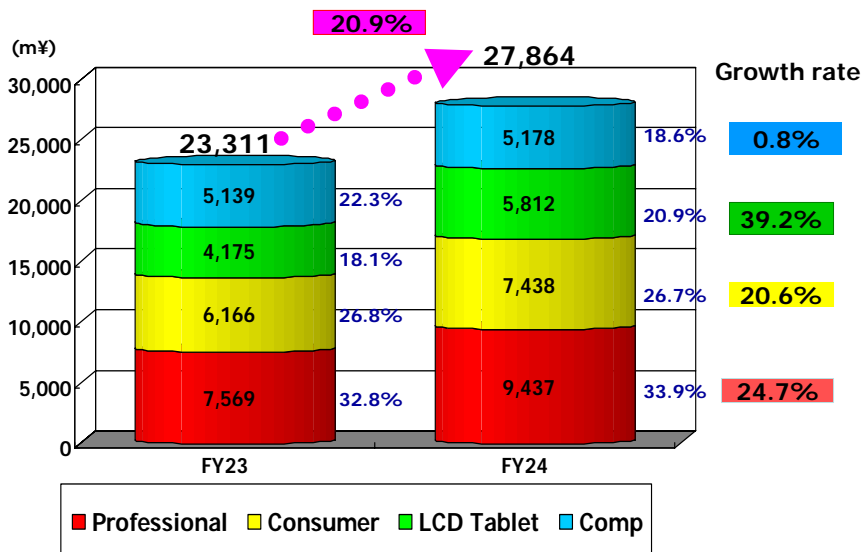


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ESD Sales by Product Line

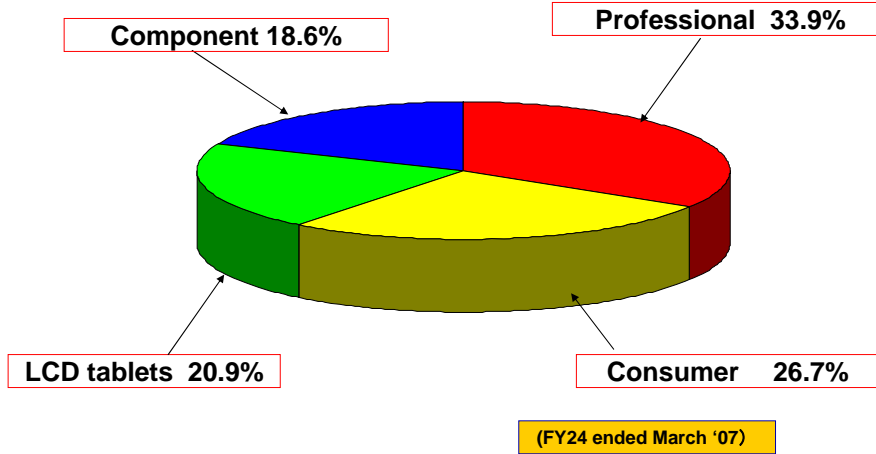
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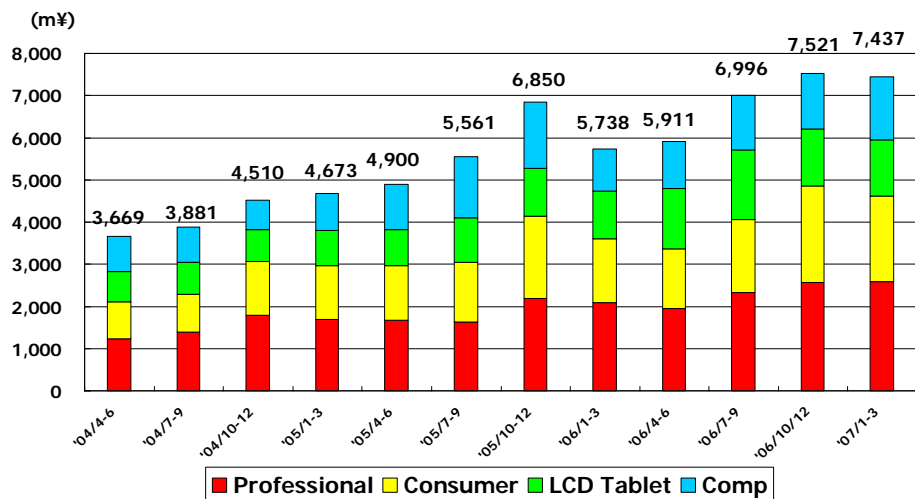
Sales by Product Line



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ESD Quarterly Trend by Product Line



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Consolidated B/S



	Mar. 31, 2006	Mar. 31, 2007	YoY Growth
			(m¥)
Current assets	16,923	20,958	4,035
Fixed assets	4,110	4,194	84
Total assets	21,033	25,152	4,119
Current liabilities	6,949	8,170	1,220
Fixed liabilities	796	662	Δ133
Total liabilities	7,745	8,832	1,087
Minority interest in consolidated subsidiaries	0	0	0
Total shareholders' equity (Net assets)	13,288	16,320	3,032
Total liabilities and shareholders' equity (Net assets)	21,033	25,152	4,119
Equity ratio	63.2%	64.9%	1.7%
Book value per share (¥)	32,137.43	38,978.35	6,840.92

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Consolidated B/S Highlight



- Increase in total assets: **¥4.12b**
- Retained earnings : **¥2.41b**
- Equity ratio: **+1.7%**
63.2%(End of Mar. 2006) → 64.9%(End of Mar. 2007)
- Book value per share
(net assets): **+¥6,841 (+21.3%)**
¥32,137 (End of Mar. 2006)
→ ¥38,978 (End of Mar. 2007)

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Consolidated C/F



	(m¥)		
	FY23	FY24	YoY Growth
	FY05	FY06	Amount
C/F from operating activities	2,270	3,758	1,487
C/F from investing activities	△93	△323	△231
C/F from financing activities	3,720	△1,229	△4,949
Effect of change in exchange rate	211	159	△52
Increase of cash & cash equivalent	6,109	2,365	△3,745
Beginning balance of Cash & cash equivalent	4,233	10,343	6,109
Ending balance of cash and cash equivalent	10,343	12,707	2,365

C/F from operating activities (m¥)

•Net profit before taxes	4,738
•Increase in notes and accounts receivable	-1,746
•Net Decrease in inventories	528

C/F from investing activities

•Acquisition of fixed asset	-327
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C/F from financing activities

•Redemption of bonds payment	-700
•Dividends payment	-409

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Parent P/L



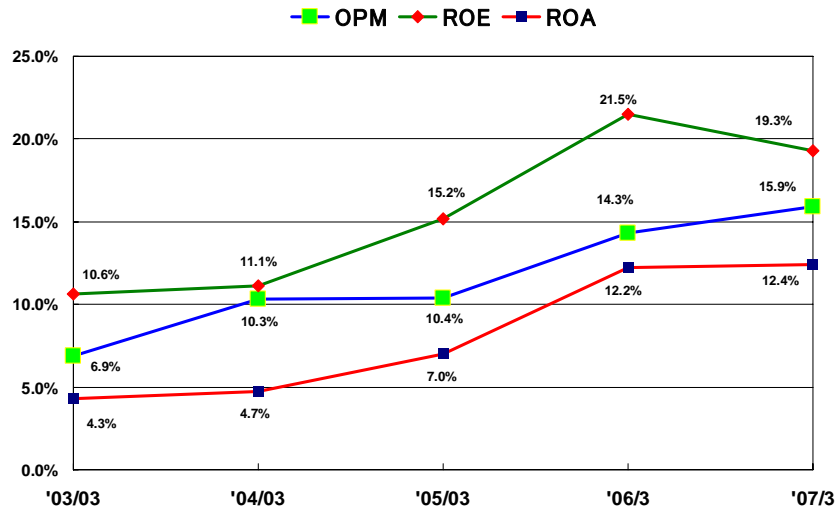
	(m¥)			
	FY23	FY24	YoY Growth	
	FY05	FY06	Amount	Ratio
Sales	18,303	22,681	4,378	23.9%
Gross Profit	6,649	9,468	2,819	42.4%
GPM	36.3%	41.7%		
Operating Profit	1,147	3,137	1,991	173.6%
OPM	6.3%	13.8%		
Recurring Profit	1,044	3,065	2,022	193.7%
Net Profit aft. Tax	685	1,811	1,125	164.2%

■ Parent revenue improved by the revision of shipment price to consolidated subsidiaries overseas from July 1, 2006.

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OPM, ROE&ROA (consolidated)



4.2 BJPY was financed by public and private allotment in FY06

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FY25 Business Focus -1



- Launch of global brand initiative to strengthen global leadership
- Investment to support future growth
 - New technology and product development, IT infrastructure, SCM, QA global organization

ESD

- Professional graphics tablet
 - Channel expansion and enhanced marketing in Europe and Asia
 - Focused on graphics and web designers, and fine artists
 - Promotion to high-end digital camera users
- Consumer graphics tablet
 - Launch of a new global consumer brand
 - Establishment of business and general PC user segment
 - Promotion of pen capability in Windows Vista and Office 2007
- LCD integrated tablet
 - Expansion of product line for growth acceleration
 - Transitioning Intuos users toward Cintiq products
 - Promotion of LCD integrated tablets in business

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FY25 Business Focus -2



- Acceleration of component business growth
 - Enhancement of leadership in Tablet PC market
 - Promotion of Penabled 'Pen+Touch' solutions
 - LCD integrated sensor module for improved value for customers
 - Development of new segments such as game, PDA, info-appliances
- SCM system and process enhancement
 - SCM system investment and integration with supply chain partners
 - Enhancement of Asian SCM base
 - IT infrastructure investment
 - Cost reduction
- R&D investment
 - New product development and launch for FY25
 - Development of next generation products
 - Development of new generation technology
 - Enhancement in R&D organization
- New Business Development
 - Expansion of business line
 - Development and launch of new product lines



LCD tablet 'SignPad'

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FY25 Business Focus -3



ECS

- Focused marketing and promotion on ECAD/dio product line for top and bottom-line growth
- Value added integration support with PDM to E-CAD customer base
- Development of 'Windows Vista versions' for future growth

F&A (Corporate)

- Global brand development and launch for higher consumer market recognition and global leadership
- Internal control and risk management
 - Establishment of J-SOX compliant internal control system
 - Compliance with transfer pricing (TP) policies in key regions
 - Installation of policies related to hostile take over
- Improvement of global IT infrastructure for higher efficiency
 - Managerial accounting, financial reporting, SCM, information security and risk management
- Enhancement and protection of IP assets
 - Patent application, patent purchase and M&A to expand IP asset base
 - Protection of IP against infringements

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Consol. Financial Forecast on FY07



(m¥)

Consolidated Forecast	FY24 1H	FY25 1H	YoY Growth ratio
	'06/4-9	'07/4-9	
Sales	13,362	15,200	13.8%
OP	1,957	1,620	Δ17.2%
RP	1,987	1,600	Δ19.5%
NP	1,219	960	Δ21.2%

(m¥)

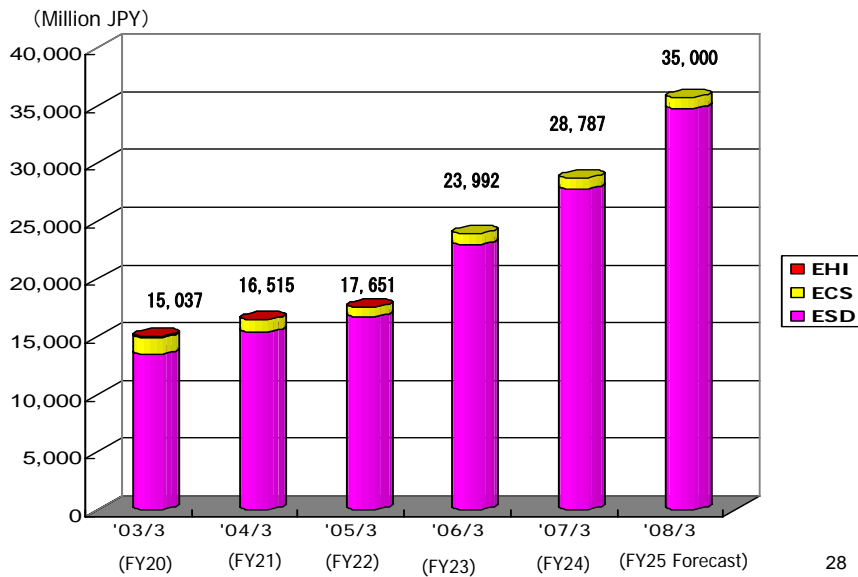
Consolidated Forecast	FY24	FY25	YoY Growth ratio
	FY06	FY07	
Sales	28,787	35,000	21.6%
OP	4,565	5,050	10.6%
RP	4,638	5,000	7.8%
NP	2,853	3,000	5.1%

■ Average FX rates are assumed to be ¥115/U.S. \$ and ¥145/euro.

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Consolidated Sales



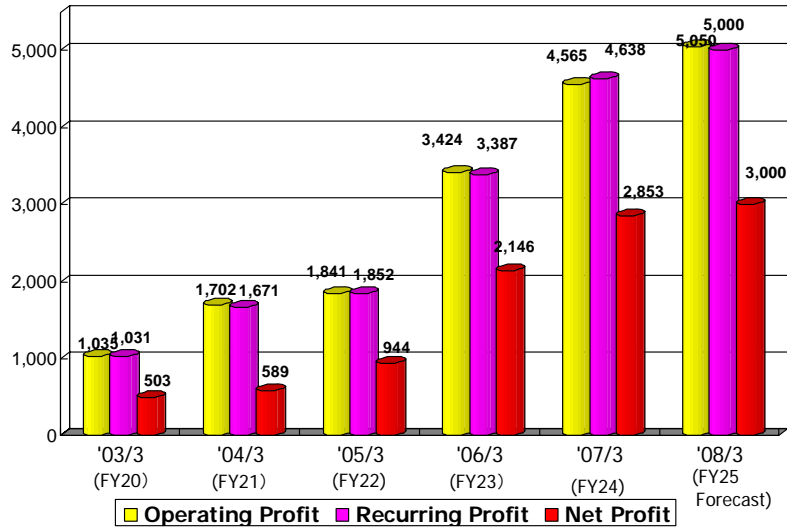
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Consolidated Profits



(Million JPY)



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Mid-Term Business Plan -WP515



■ Basic Strategy

Focus on “Human Interface Solutions” and
Establish “De-facto Standard”
in Digital Paper Era

■ WP515: Financial Goals

- By FY27 (ends March 2010)
 - Consolidated sales: 50 billion Japanese yen
 - Consolidated operating income ratio: 15%

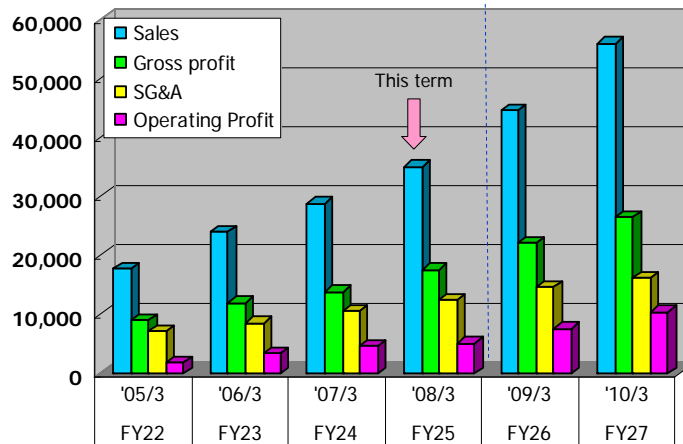
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Consolidated P/L Forecast



(Million JPY)



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Growth Strategy - 1



- Strengthen leadership in tablet industry for the growth
 - Strengthen leadership in product by global branding
 - Expand new segments and regional coverage to AP and BRICs
 - Guide professional users to LCD pen tablets
- Expand component business
 - Expand Tablet PC from mobile to desktop platform
 - Expand platforms from PC to mobile phone, game, and info-appliances
- Global branding and enhancing its value
 - Invest in global brand enhancements
 - Continue to improve customer values
- New technology and new business development
 - Develop new generation pen sensor technology
 - Develop and/or acquire new UI technologies
 - Merge display technology with pen sensor technology
 - Develop new business segments and M&A

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Growth Strategy -2



- Strengthen/integrate global SCM function
 - Optimal SCM solution in QCD (quality, cost, and delivery)
 - Utilize EMS and integrate QCD process
 - Black box production of key components
- Strengthen/integrate global QA function
 - Build global QA process including EMS
 - Enhance organization and human resources
- Global process integration and global IT support
 - Global business process reengineering
 - Pursue high productivity and efficiency by global IT support
 - SOX compliance
- Enhancing global partnerships
 - OS, application, display, and solutions
 - Promote PPP (Penabled Partnership Program)

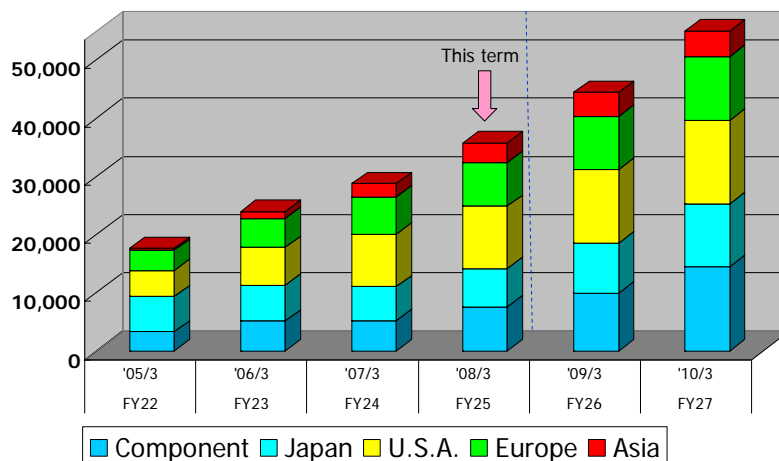
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Sales Forecast by Region

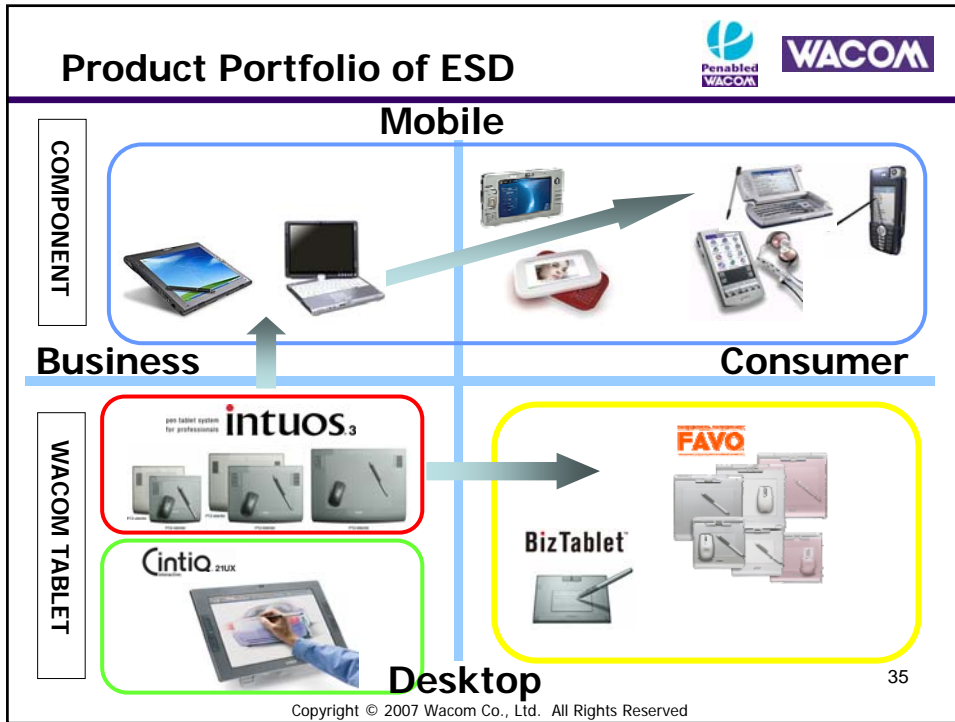


(Million JPY)

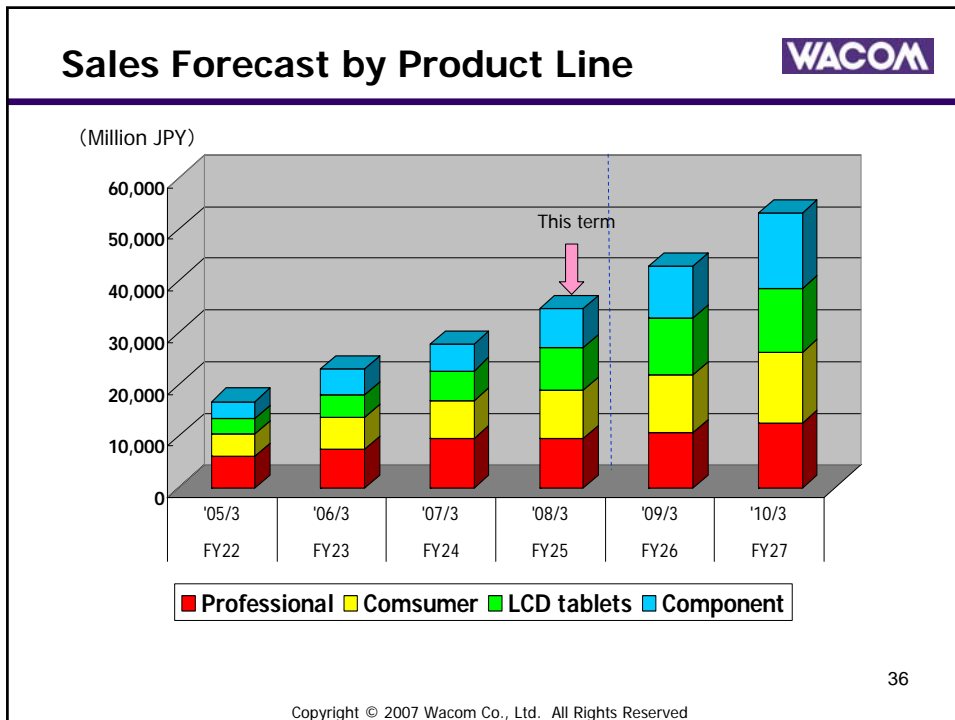


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Product Line Strategy



- Advanced design tools for professionals
- Natural and intuitive input device for consumers
- Intuitive UI solutions for vertical applications
- Low-cost, high-performance pen technology for mobile info-appliances



Technology Standard



**De-facto Standard
in Digital Paper Era**



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