

## FY08 1Q Summary of Financial Results (Consolidated)

Jun. 29, 2008

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

(Code Number: 6727 TSE1)

(URL <http://www.wacom.co.jp>)

Representative: Masahiko Yamada, CEO

TEL: 03-5309-1500

Contact: Wataru Hasegawa, CFO

### 1. FY08 1Q Consolidated Financial Results (April 1, 2008 – June 30, 2008)

#### (1) Business Performance (Consolidated)

(rounded off to mY)

	Sales		Operating Profit		Recurring Profit		Net Profit	
	mY	%	mY	%	mY	%	mY	%
FY08 1Q	9,038	( - )	1,056	( - )	992	( - )	602	( - )
FY07 1Q	7,832	(27.9)	904	(2.7)	909	(3.6)	535	(3.6)

	Net Profit per Share Outstanding		Net Profit per Diluted Share Outstanding	
	Yen	Sen	Yen	Sen
FY08 1Q	1,430.07		1,424.58	
FY07 1Q	1,274.61		1,266.00	

### 2. Dividend

(Record date)	Dividend Per Share									
	1Q		2Q		3Q		End of FY		FY Total	
	Yen	Sen	Yen	Sen	Yen	Sen	Yen	Sen	Yen	Sen
FY07	-		-		-		2,500.00		2,500.00	
FY08	-		-		-		-		-	
FY08 (estimates)	-		-		-		3,000.00		3,000.00	

Changes in dividend per share of FY08 1Q : No

Dividend per share at the end of FY07 consists of an ordinary dividend ¥2,000 and a special dividend ¥500.

### 3. Consolidated Business Forecasts of FY08 (April 1, 2008 – March 31, 2009)

	Sales		Operating Profit		Recurring Profit		Net Profit		Net Profit per Share Outstanding	
	mY	%	mY	%	mY	%	mY	%	Yen	Sen
2Q (FY08 1H)	19,000	( 11.6)	2,150	( 13.9)	2,130	( 10.0)	1,350	(15.2)	3,213.09	
Full Year	44,500	( 21.1)	6,500	( 17.3)	6,450	( 15.6)	3,950	(12.8)	9,401.27	

Changes in Consolidated Business Forecasts of FY08 1Q : No

#### 4. Other

- 1) Reclassification of significant subsidiaries during the period (Reclassification due to the change in scope of consolidation) : No
- 2) Acceptance of simple accounting method approach : Yes
- 3) Changes in accounting principles, procedures and methods of presentation in consolidated financial statements (Changes in significant items that form the basis for preparing consolidated financial statements)
  - Changes resulting from revisions in accounting standards : Yes
  - Changes other than those 1) above : No

#### 4) Numbers of shares outstanding (Common stock)

Number of shares outstanding at end of year (including treasury stock): 6/08: 421,616

3/08: 420,156

Number of treasury stock outstanding at end of year: -

Number of average shares for fiscal period (total consolidated fiscal year): 08 1Q: 420,670

07 1Q: 419,683

\* 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 (Summary), Consolidated Profit and Loss Statement (Summary), Consolidated Statement of Changes in Shareholder's Equity, Consolidated Cash Flow Statement (Summary), and Segment Information (Summary).

## **[Qualitative news and financial statements]**

### **〈Qualitative news for consolidated business performance〉**

Wacom Group's business environment for FY08 1Q (from April 1, 2008 to June 30, 2008) was poor due to soaring oil and raw material prices, the global economic slowdown caused by the subprime loan problem in the U.S., and the long-term depreciation of the U.S. dollar.

Japanese economic recovery was moderate due to a slowdown of corporate investment in plant and equipment, and sluggish consumer consumption attributable to rising prices. In the U.S., economic uncertainty prevailed due to adjustments in the housing market and credit crunches, which caused a slowdown of corporate investment in plant and equipment, and a reduction in consumer spending. The EU economy began to feel the effects of the U.S. market slowdown, despite steady growth in Germany. The economy in Asian countries experienced a slowdown of growth due to the Sichuan earthquake in China, though other market performance was steady.

Considering the challenging conditions, Wacom's performance in FY08 1Q was favorable and the Company enjoyed growth in major regions. On the technology development side, the Company continued to improve the capacitive touchscreen technology inherited from TouchKO Corporation, a company acquired in FY07 with its own IC development technologies for digital processing. As a result, the Company announced an innovation in high-accuracy and low-power capacitive touchscreen technology, and laid the foundation for expanding the business in the field of user interface solutions. Wacom enjoyed a mostly smooth start for compliance with the Financial Instruments and Exchange Law (J-SOX) starting in April 2008, thanks to thorough preparations during the previous two fiscal year period. For the purpose of intellectual property protection and strengthening, the Company filed patent infringement lawsuits against Hanwang Technology Corporation and entered into a comprehensive settlement agreement regarding the series of patent and utility model infringement lawsuits on April 9, 2008 in U.S. and China. Due to this settlement, the Company could devote itself to expand its business opportunities in China continuously.

As a result, the consolidated FY08 1Q business results ended in sales of ¥9.04bn (+15.4% YoY), operating profit ¥1.06bn (+16.9% YoY), recurring profit ¥0.99bn (+9.2 YoY), and net profit ¥0.60bn (+12.5% YoY).

(Business segment performance)

#### 1) ESD business

The tablet business, also known as the core electric system and devices (ESD) business, continued to expand global sales as a whole through FY08 1Q. In the professional graphics segment, total sales dropped due to the US dollar depreciation, the slowdown of corporate investment, inventory adjustments through sales channel routes, and the shift to LCD tablets in the U.S., the Company's largest sales market. On the consumer graphics side, the "Bamboo™" series released in May, 2007 recorded favorable sales growth despite the negative influence of the worldwide economic slowdown. As for LCD tablets, sales showed large growth thanks to the introduction of a new professional LCD tablet. The new product "Cintiq™12WX" compact-sized high performance graphics tool, acquired new users in graphics market segments released in November. LCD tablets for general use in medical care and education became widespread in the respective markets. With regards to the component business, whose major customers are Tablet PC manufacturers, the Company's pen-sensor components showed large volume sales for Tablet PCs targeted to consumers, and maintained steady sales for corporate customers in the vertical markets.

As a result, ESD business FY08 1Q sales ended at ¥8.85bn (+16.1% YoY), and operating profit ¥1.60bn (+9.2% YoY).

#### 2) ECS business

The Engineering Collaborative Solutions (ECS) business provided incentives for existing users to upgrade to a new product "ECAD / dio™" Ver. 8.0, and for other CAD product users to replace their existing software with "ECAD / dio™" in the electric design field of the CAD market. In addition, the business pursued new users through various domestic exhibitions.

For the PDM market, the Company proposed new solutions to existing users. However, lengthy business negotiations became pronounced due to their cautious business forecasts.

As a result, ECS business FY08 1Q sales ended at ¥190mn (-11.4% YoY) and operating profit ¥4mn (-84.0% YoY).

## (Business Overview by Area)

### 1) Japan

For the ESD business, sales of the professional pen tablet “Intuos™3” were favorable thanks to promotional activities at major sales channel sites and targeted advertisements. Sales of the consumer pen tablets “Bamboo™” series received favorable appraisal, and enjoyed significant growth due to the enhancement of store front decorations with new corporate brand materials. As for LCD tablets, the “Cintiq™” series contributed to growing sales of LCD tablets. Regarding the components business, refer to the "Business segment performance," section, above.

With regards to the ECS business, refer to the "Business segment performance," section, above.

As a result, sales in Japan ended at ¥3.50bn (+23.4% YoY), and OP ¥1.44bn (+15.5% YoY).

### 2) U.S.

The U.S. market was greatly influenced by the US dollar depreciation and economic slowdown. Sales of the professional pen tablet “Intuos™3” showed a big drop due to inventory adjustments at sales channel sites, and the accelerated shift to LCD tablets. Sales of the consumer pen tablets “Bamboo™” series showed a slight increase despite favorable sales figures. As for LCD tablets, the transition from professional pen tablets and graphics users expansion by a new product “Cintiq™ 12WX” contributed to increased sales growth of LCD tablets.

Consequently, sales in U.S. ended at ¥2.76bn (+5.0% YoY), and OP ¥0.22bn (+76.7% YoY).

### 3) Europe

In Europe, thanks to the expansion of the professional graphics markets, sales of the professional pen tablet “Intuos™3” recorded favorable growth. The consumer pen tablets “Bamboo™” series also showed steady growth. As for LCD tablets, a new product “Cintiq™ 12WX” helped to spur sales of LCD tablets.

Accordingly, sales in Europe ended at ¥1.81bn (+24.4% YoY), and operating loss ¥4mn (-43mn in FY07 1Q).

#### 4) Asia & Oceania

In the Asia & Oceania markets, sales of the professional pen tablet “Intuos™3” did not achieve the performance figures of FY07 1Q due to the influence of the economic slowdown in the South Korea and Taiwan regions. On the other hand, sales of consumer pen tablets grew thanks to the new “Bamboo™” brand launched last year. The LCD tablet market enjoyed wide expansion mainly owing to good sales of a new product “Cintiq™ 12WX”.

South Korea and Taiwan were adversely affected by economic slowdowns in each country. Meanwhile, India and ASEAN countries, which are newly emerging markets, enjoyed strong sales. In China, sales expansion in professional markets appeared weak due to the influence of the Sichuan earthquake. However, consumer pen tablet sales are increasing rapidly. As a whole, the Asia & Oceania markets are continuing to expand smoothly.

Therefore, Asia & Oceania sales ended at ¥976mn (+6.1% YoY), and OP ¥83mn (-28.7% YoY).

#### 〈Qualitative news for consolidated financial position〉

Total assets decreased by ¥0.15bn to ¥29.07bn in 1Q of FY08 compared with the end of FY07. The main reasons for a ¥0.50bn decrease in current assets were a ¥0.56bn increase in notes and accounts receivable, a ¥0.31bn increase in inventories, and a ¥1.52bn decrease in cash & cash equivalents. On the other hand, the main reason for a ¥0.35bn increase in fixed assets was a ¥0.32bn increase in tangible fixed assets by capital expenditure.

Total liabilities decreased by ¥0.42bn to ¥10.24bn in 1Q of FY08 compared with the end of FY07. The decrease by ¥0.47bn to 9.24bn in current liabilities was mainly due to a ¥0.69bn decrease in accrued income tax. The increase by ¥0.05bn to 1.00bn in fixed liabilities was mainly due to a ¥0.04bn increase in directors' retirement allowances.

Total net assets increased by ¥0.26bn to ¥18.83bn. The main reasons for the increase in total net assets were a ¥0.48bn decrease in retained earnings due to a payment of shareholders' dividends and ¥0.6bn of net profit in FY08 1Q, and a ¥0.52bn increase in foreign currency conversion adjustments in accordance with the change of foreign exchange rates.

Consolidated cash & cash equivalents for FY08 1Q decreased by ¥1.52bn to ¥12.06bn in FY08 1Q compared with the end of FY07 (¥1.13bn decrease in FY07 1Q).

(Cash Flow from Operating Activities)

Earned operating cash flow for FY08 1Q was ¥669mn (¥162mn expended in FY07 1Q). The main reasons were ¥1.00bn of NPBT and ¥1.11bn of corporate tax paid.

(Cash Flow from Investing Activities)

Investing cash flow for FY08 1Q was ¥434mn (¥656mn expended in FY07 1Q). The main reasons were the purchases of fixed assets of ¥381mn.

(Cash Flow from Financing Activities)

Financing cash flow for FY08 1Q was ¥687mn (¥517mn expended in FY07 1Q). The main reason was a payment of shareholders' dividends of ¥909mn.

**〈Qualitative news on the forecast of consolidated results〉**

The business results in Q1 of FY08 were steady. However, there is concern that growth in the professional graphics markets, especially in the U.S., will experience a slowdown due to the inflation of oil and raw material prices, as well as the global economic slowdown caused by bad debt problems in U.S. capital markets. On the other hand, consumer pen tablet sales are steady, owing to improved appeal by the development of a new corporate brand. The Company expects a high sales growth rate of LCD tablets, which are enjoying increased adoption in areas other than the graphics market. Therefore, we will maintain our earnings forecast that was released on July 31, 2007.

(Accompanying data)

## 1. Summary of Consolidated Balance Sheet

(Unit: '000 Yen, %)

Subject	FY08 1Q (as of Jun. 30, 2007)	FY07 (as of Mar. 31, 2008)
	Amount	Amount
(Assets)		
Current Assets		
1. Cash and cash equivalents	6,561,336	8,078,235
2. Notes and accounts receivable	5,099,278	4,537,959
3. Securities	5,500,000	5,500,000
4. Finished products	2,513,911	2,349,469
5. Raw materials	845,816	847,171
6. Work in process	323,970	177,043
7. Others	2,993,288	2,849,250
8. Allowance for doubtful accounts	△27,063	△31,094
Total Current Assets	23,810,536	24,308,033
Fixed Assets		
1. Tangible fixed assets		
(1) Buildings and facilities (net amount)	1,552,396	1,552,601
(2) Others (net amount)	2,272,033	1,950,845
Total tangible fixed assets	3,824,429	3,503,446
2. Intangible fixed assets		
(1) Goodwill	168,548	180,021
(2) Others	543,633	563,954
Total intangible fixed assets	712,181	743,975
3. Investment and other assets		
(1) Others	724,783	668,099
(2) Allowance for doubtful accounts	△2,315	△2,223
Total investment and other assets	722,468	665,876
Total Fixed assets	5,259,078	4,913,297
Total Assets	29,069,614	29,221,330



(Unit: '000 Yen, %)

Subject	FY08 1Q (as of Jun. 30, 2007)	FY07 (as of Mar. 31, 2008)
	Amount	Amount
(Liabilities)		
Current Liabilities		
1. Notes and accounts payable	5,987,930	5,717,425
2. Short-term debt	600,000	600,000
3. Accrued income taxes	477,489	1,163,242
4. Allowance for bonus payable	204,048	475,189
5. Allowance for board members' bonus payable	30,601	23,695
6. Others	1,941,063	1,731,738
Total Current Liabilities	9,241,131	9,711,289
Fixed Liabilities		
1. Accrued retirement benefits	390,578	370,605
2. Reserve for retirement benefits for directors and corporate auditors	415,068	379,343
3. Others	196,849	198,351
Total Fixed Liabilities	1,002,495	948,299
Total Liabilities	10,243,626	10,659,588
(Net Assets)		
Shareholders' Equity		
1. Capital	4,194,639	4,082,842
2. Additional paid-in capital	4,036,053	3,924,258
3. Retained earnings	10,375,778	10,853,924
Total Shareholders' Equity	18,606,470	18,861,024
Evaluation & Exchange Conversion		
1. Foreign currency translation adjustments	219,518	△299,282
Total Evaluation & Exchange Conversion	219,518	△299,282
Total Net Assets	18,825,988	18,561,742
Total Liabilities & Net Assets	29,069,614	29,221,330

## 2. Consolidated Profit &amp; Loss Statement

(Unit: '000 Yen, %)

Subject	FY08 1Q (Apr. 1, 2008 to Jun. 30, 2008)	For reference (Summary) FY07 1Q (Apr. 1, 2007 to Jun. 30, 2007)
	Amount	Amount
Sales	9,037,972	7,832,458
Cost of Goods Sold	4,788,129	3,852,044
Gross Profit	4,249,843	3,980,414
Sales & General Administration Cost	3,193,667	3,076,829
Operating Profit	1,056,176	903,585
Non-operating Revenue	27,445	43,936
1. Interest and dividend income	21,857	-
2. Others	5,588	-
Non-operating Expense	91,534	38,784
1. Interest cost	2,843	-
2. Foreign exchange loss	84,130	-
3. Others	4,561	-
Recurring Profit	992,087	908,737
Extraordinary Gain	11,684	901
1. Reversal of allowance for doubtful accounts	11,684	-
Extraordinary Loss	783	3,450
1. Loss on disposal of fixed assets	783	-
Net Profit before Taxes and Other Adjustments	1,002,988	906,188
Income Tax, Inhabitant Tax and Enterprise Tax	401,401	371,256
Net Profit	601,587	534,932

## 3. Summary of Consolidated Cash Flow Statement

(Unit: '000 Yen)

	FY08 1Q (Apr. 1, 2008 to Jun. 30, 2008)	For reference (Summary) FY07 1Q (Apr. 1, 2007 to Jun. 30, 2007)
	Amount	Amount
<b>Operating Cash Flow</b>		
Net profit before taxes and other adjustments	1,002,988	906,188
Depreciation	141,891	111,490
Increase in allowance (- represents decrease)	△230,124	△157,862
Interest and dividend income	△21,857	△34,798
Interest cost	2,843	2,907
Decrease in notes and accounts receivable (- represents increase)	△604,198	△557,921
Decrease in inventory (- represents increase)	△116,029	△66,323
Increase in notes and accounts payable (- represents decrease)	126,112	412,915
Others	136,223	256,465
Subtotal	437,849	873,061
Interest and dividend received	10,621	34,798
Interest paid	△2,848	△2,977
Income tax paid	△1,114,620	△1,067,108
Operating Cash Flow	△668,998	△162,226
<b>Investing Cash Flow</b>		
Payments for purchase of Assets	△381,806	△302,620
Proceeds and Payments about Acquisition of Subsidiaries	-	△372,100
Others	△52,501	△11,110
Investing Cash Flow	△434,307	△685,830
<b>Financing Cash Flow</b>		
Payments for long-term debt		△17,500
Proceeds from stock issuance	221,813	40,823
Payments for shareholders' dividends	△909,098	△540,795
Financing Cash Flow	△687,285	△517,472
Effect of Exchange Rate Changes on Cash and Cash Equivalents	273,570	233,475
Net Increase in Cash and Cash Equivalents (- represents Decrease)	△1,517,020	△1,132,053
Cash and Cash Equivalents at beginning of term	13,577,194	12,707,153
Cash and Cash Equivalents at end of term	12,060,174	11,575,10

#### 4. Segment Information

[By Division]

FY07 1Q (April 1, 2007 – June 30, 2007)

	ESD Business	ECS Business	Total	Internal Elimination	Consolidate d
I Sales					
(1) Sales towards external customers	7,617,937	214,521	7,832,458	—	7,832,458
(2) Sales between internal segments and internal transfer	—	—	—	—	—
Total	7,617,937	214,521	7,832,458	—	7,832,458
Operating Profit	1,463,743	26,221	1,489,964	(586,379)	903,585

FY08 1Q (April 1, 2008 – June 30, 2008)

	ESD Business	ECS Business	Total	Internal Elimination	Consolidate d
I Sales					
(1) Sales towards external customers	8,847,890	190,082	9,037,972	—	9,037,972
(2) Sales between internal segments and internal transfer	—	—	—	—	—
Total	8,847,890	190,082	9,037,972	—	9,037,972
Operating Profit	1,598,913	4,200	1,603,113	(546,937)	1,056,176

[By Area]

FY07 1Q (April 1, 2007 – June 30, 2007)

	Japan	US	Europe	Asia & Oceania	Total	Internal Elimination	Consolidated
I Sales							
(1) Sales towards external customers	2,832,303	2,627,952	1,452,508	919,695	7,832,458	—	7,832,458
(2) Sales between internal segments and internal transfer	3,237,928	36,528	—	3,317	3,277,773	(3,277,773)	—
Total	6,070,231	2,664,480	1,452,508	923,012	11,110,231	(3,277,773)	7,832,458
Operating Profit	1,244,473	126,682	△ 42,698	116,919	1,445,376	(541,791)	903,585

FY08 1Q (April 1, 2008 – June 30, 2008)

	Japan	US	Europe	Asia & Oceania	Total	Internal Elimination	Consolidated
I Sales							
(1) Sales towards external customers	3,495,692	2,759,713	1,806,339	976,228	9,037,972	—	9,037,972
(2) Sales between internal segments and internal transfer	3,807,604	54,232	—	7,623	3,869,459	(3,869,459)	—
Total	7,303,296	2,813,945	1,806,339	983,851	12,907,431	(3,869,459)	9,037,972
Operating Profit	1,438,621	223,813	△3,903	83,352	1,741,883	(685,707)	1,056,176

[Overseas Sales]

FY08 1Q (April 1, 2008 – June 30, 2008)

	US	Europe	Asia & Oceania	Others	Total
I Overseas Sales	2,744,073	1,756,403	2,494,869	115,337	7,110,682
II Overseas Sales	—	—	—	—	9,037,972
Ratio (%)	30.4	19.4	27.6	1.3	78.7

U.S.: U.S. Canada

Europe: U.K. Germany, France, Netherland

Asia & Oceania: South Korea, Taiwan, Australia, P. R. of China

Others: Middle east, South America, Africa etc.