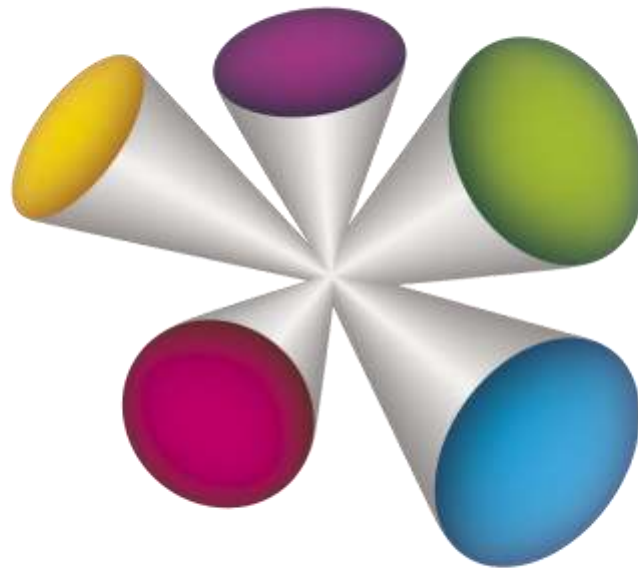


# Business Report

FY27 Apr. 2009-Jun. 2009

Wacom Co., Ltd.  
(TSE Sec.1 6727)



# FY27-1Q Consolidated Result Summary

While global economy shows a sign of bottoming out, still high level of uncertainty continues. Wacom's 1Q business performance declined due to weak corporate investments, sluggish consumer spending, and significant depreciation of USD and Euro against JPY compared to the previous fiscal year.

- Sales: -19.0% YoY
- Operating Profit: -54.7% YoY
- Recurring Profit: -47.1% YoY
- Net Profit (aft. Tax): -41.7% YoY

# Consolidated P/L

(m¥)

	FY26 1Q	FY27 1Q	YoY Change	
	'08/4-'08/6	'09/4-'09/6	Amount	Ratio
Sales	9,038	7,325	△ 1,713	△19.0%
Gross Profit	4,250	3,727	△ 523	△12.3%
GPM	47.0%	50.9%		
Operating Profit	1,056	479	△ 577	△54.7%
OPM	11.7%	6.5%		
Recurring Profit	992	524	△ 468	△47.1%
Net Profit aft. Tax	602	351	△ 251	△41.7%

- Average FX rates: FY26 1Q JPY 104.13 /USD JPY 163.13 /EUR  
FY27 1Q JPY 97.13 /USD JPY 132.55 /EUR

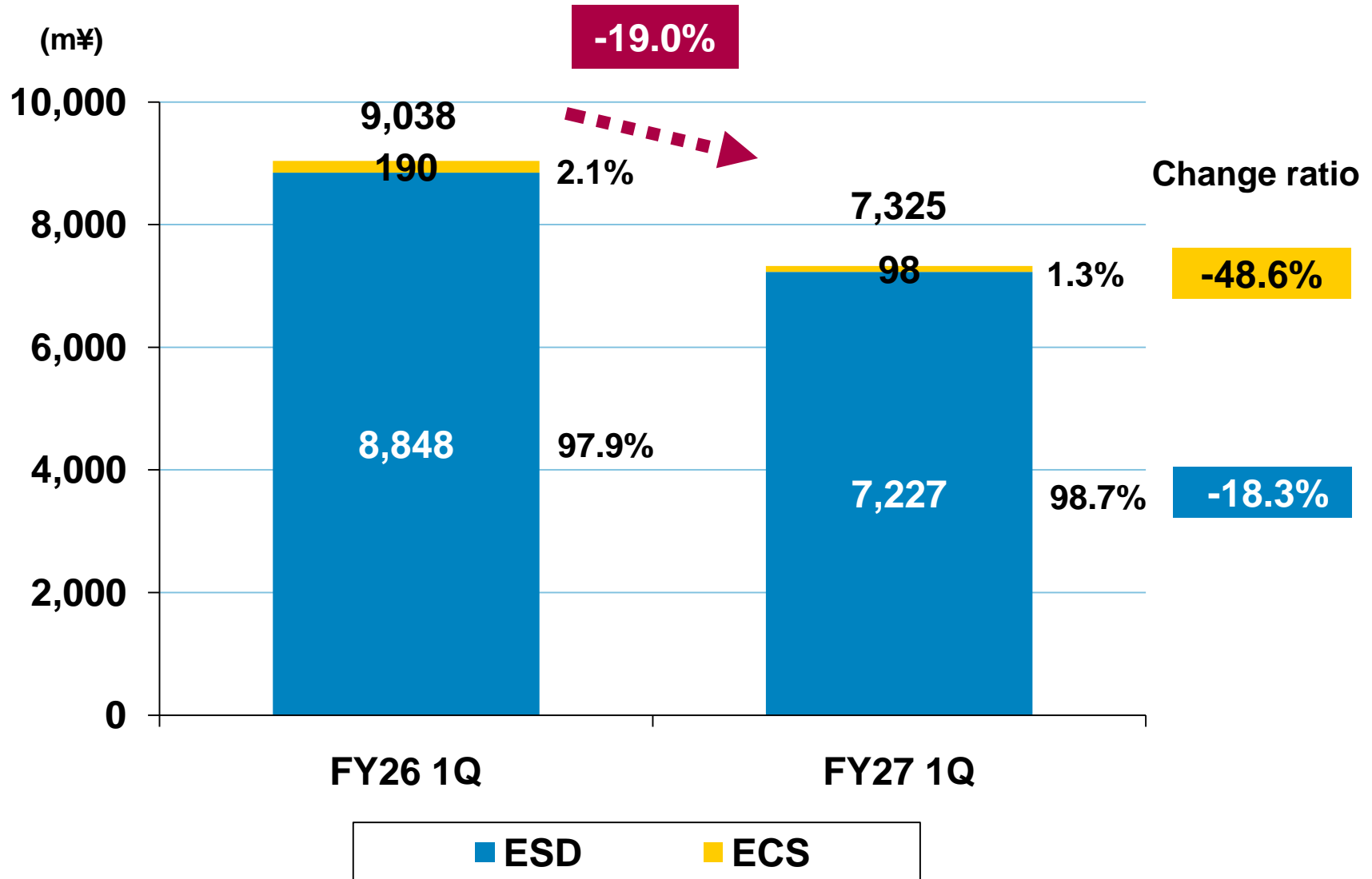
**Influence by foreign exchange : Sales -0.74bn (8.06bn → 7.32bn)  
(JPY appreciation) OP -0.38bn (0.86bn → 0.48bn)**

# Consol. P/L by Business Segment

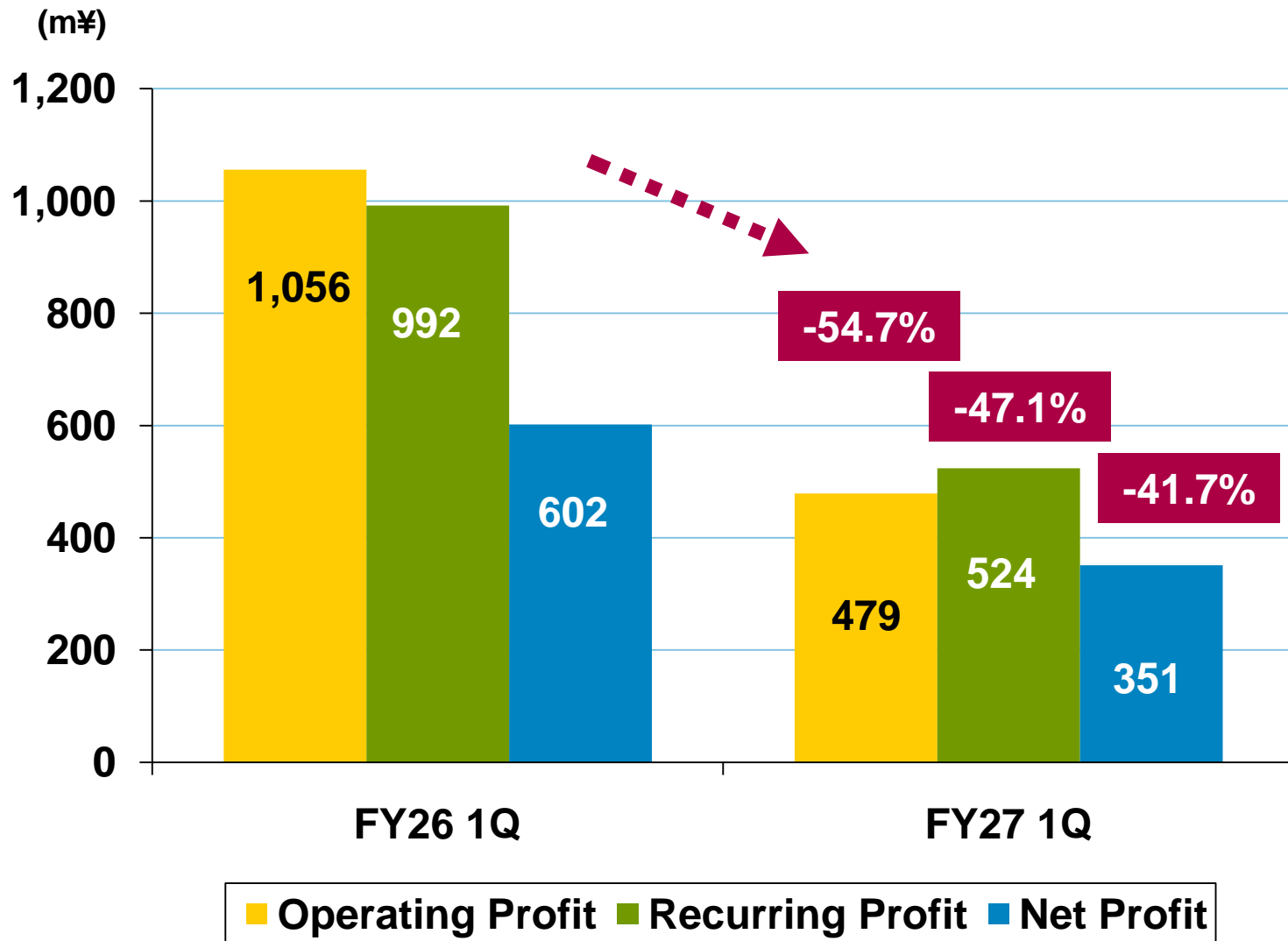
(m¥)

	FY26 1Q	FY27 1Q	YoY Change	
	'08/4-'08/6	'09/4-'09/6	Amount	Ratio
Sales	9,038	7,325	△1,713	△19.0%
ESD	8,848	7,227	△1,621	△18.3%
ECS	190	98	△92	△48.6%
Operating Profit	1,056	479	△577	△54.7%
ESD	1,599	978	△621	△38.8%
ECS	4	△34	△38	—
Corp. and Other	△547	△465	82	△15.0%
OPM	11.7%	6.5%		

# Consolidated Sales Comparison



# Consolidated Profit Comparison



# Operating Expenses Comparison

(m¥)

	FY26 1Q	FY27 1Q	YoY Change	
	'08/4-'08/6	'09/4-'09/6	Amount	Ratio
<b>Personnel</b>	1,222	1,456	234	19.2%
<b>R&amp;D</b>	324	346	21	6.6%
<b>Ad. &amp; Promo.</b>	478	470	△8	△1.7%
<b>Other</b>	1,169	976	△193	△16.5%
<b>Total</b>	3,194	3,248	54	1.7%
<b>Opex/Sales ratio</b>	35.3%	44.3%		

## Principal items of the change

- Increase : Increase in employee headcounts compared to FY26 1Q, allowances for bonus etc.
- Decrease : Expenses related to J-SOX project, expenses for the patent infringement lawsuit, and other general expenses, etc.

# Business Highlight -1

## ESD

### Tablet Business

#### Professional graphics tablet **+13.4%**

- Released new product “Intuos4” in March, received high reputations from professional users and media, and enjoyed favorable sales growth globally

red dot award, Plus X award,  
TIPA awards (Europe),  
PC Magazine Editor’s Choice (US, SG),  
Macworld Editor’s Choice (UK)



reddot design award  
winner 2009



PLUS X AWARD\*



#### Consumer graphics tablet **-16.2%**

- Decrease in sales due to weak consumer spending and JPY appreciation over key currencies
- Steady demand for Japanese comic version, some shifted to “Intuos4” in Japan
- Stable sales in EU, a slight drop in US, and decrease in Asia-Pacific on local currencies

BAMBOO COMIC





# Business Highlight -2

## LCD Tablet

- 23.2%

- Decrease in sales of “Cintiq12WX ” due to slow down and reduction of corporate investment
- Continued growth in medical use and paperless conference systems  
“DTU-1931” (19” display) received favorable appraisal
- Favorable growth of “SignPad” for digital signature in EU

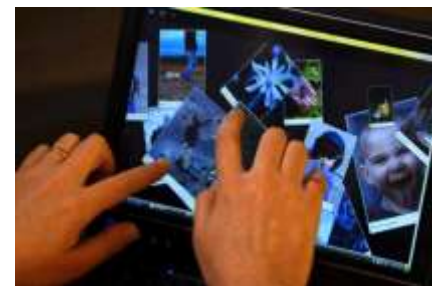
DTU-1931



## Component Business

- 52.1%

- Sales decreased due to slowdown of tablet PC shipment in vertical market, change in competitive environment for consumer model, and JPY appreciation
- Preparing for mass production of touch panel to notebook PCs certificated for MS Windows7
- Developed high speed, high performance multi-touch sensor technology
- Increasing pen-sensor applications, e-book etc.



# Business Highlight -3

## Professional DJ system (nextbeat)

- Developed professional digital DJ system “nextbeat” that introduces totally new performance styles
- Introduced in major music events across the world by pro-DJs
- Developed dealer channels for the product launch in summer



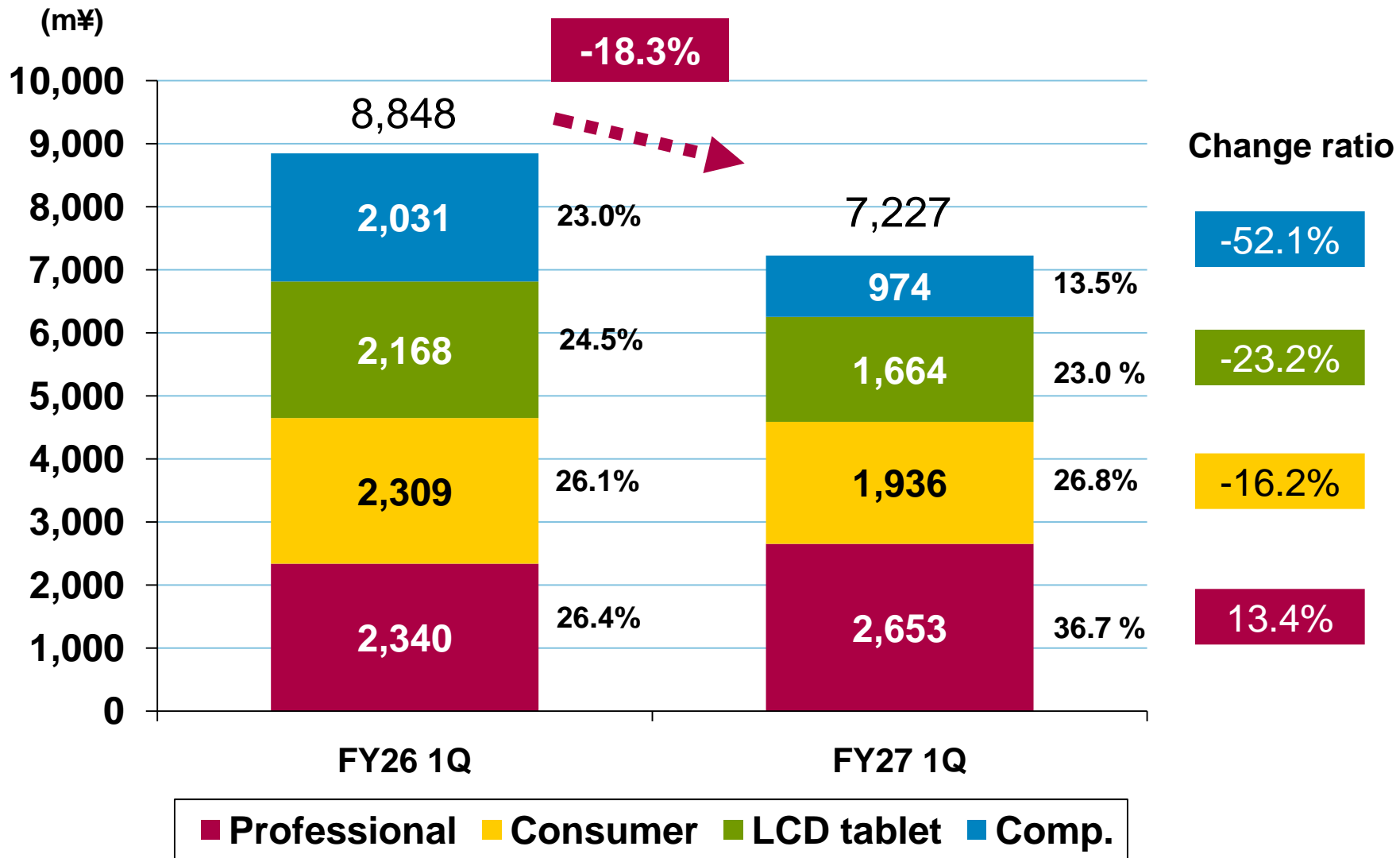
## ECS

- Upgrade promotion for existing users, and replacement campaign for competitor products by “ECAD/dio” Ver. 9.0
- Enhanced user supports by refreshing the user website for leveraging the market leadership during severe business environment

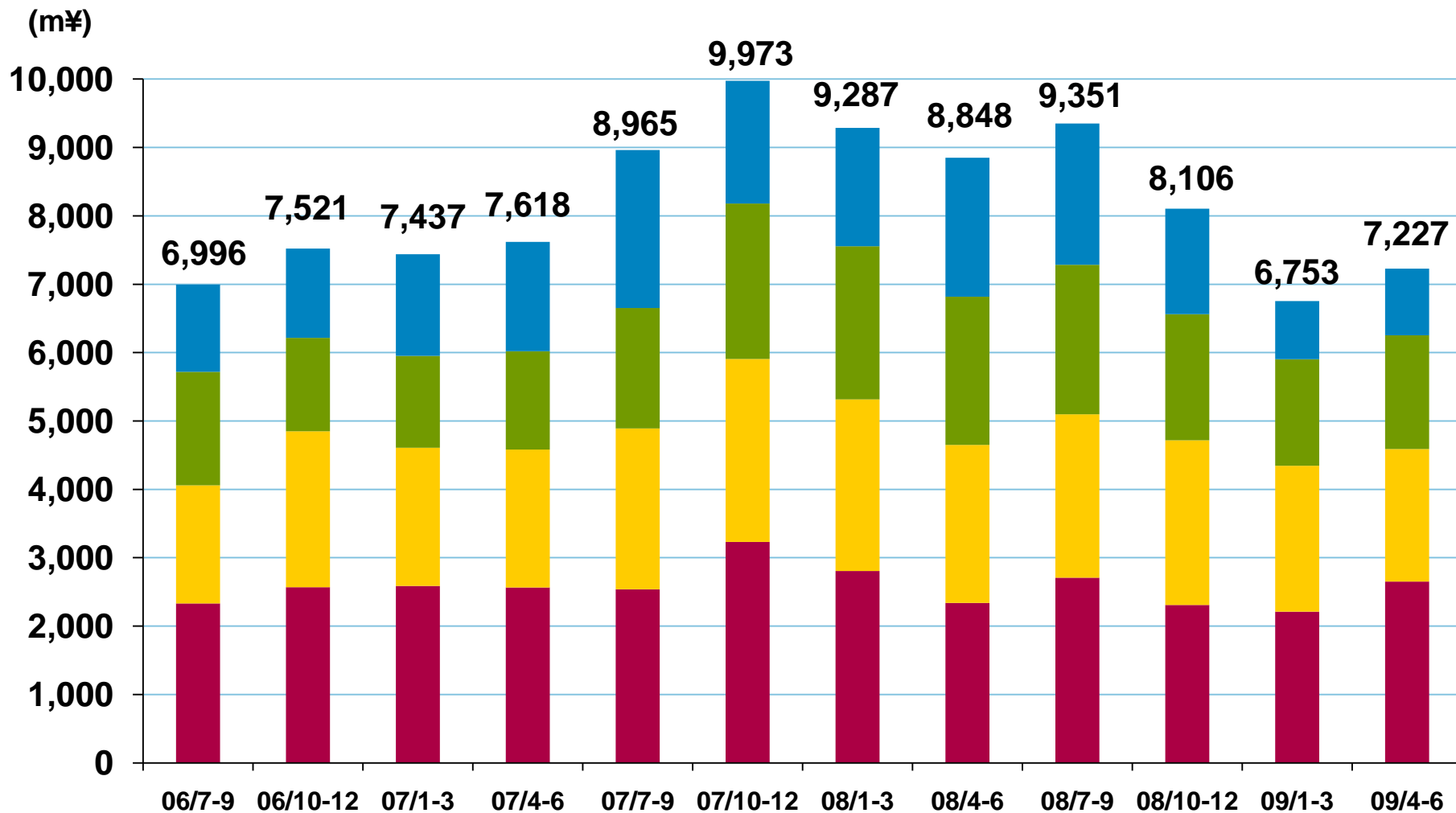
## F&A (Corporate)

- Improvement of global SCM, and global ERP
- Received “Unqualified opinion” for the compliance with J-SOX for FY26 by PwC as the independent auditor (as of Jun. 18)

# ESD Sales by Product Line

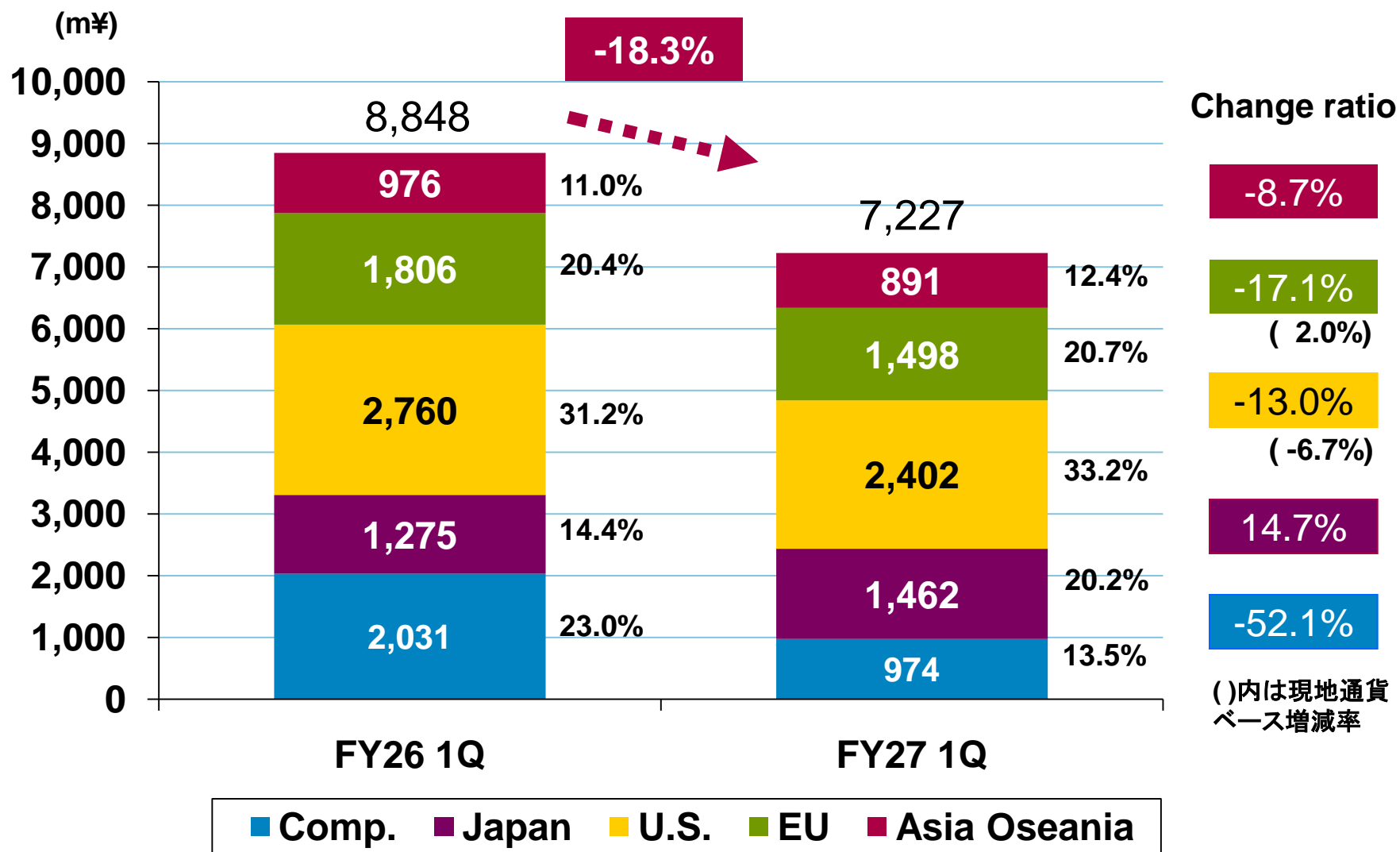


# ESD Quarterly Trend by Product Line



■ Professional
 ■ Consumer
 ■ LCD tablet
 ■ Comp.

# ESD Sales by Region



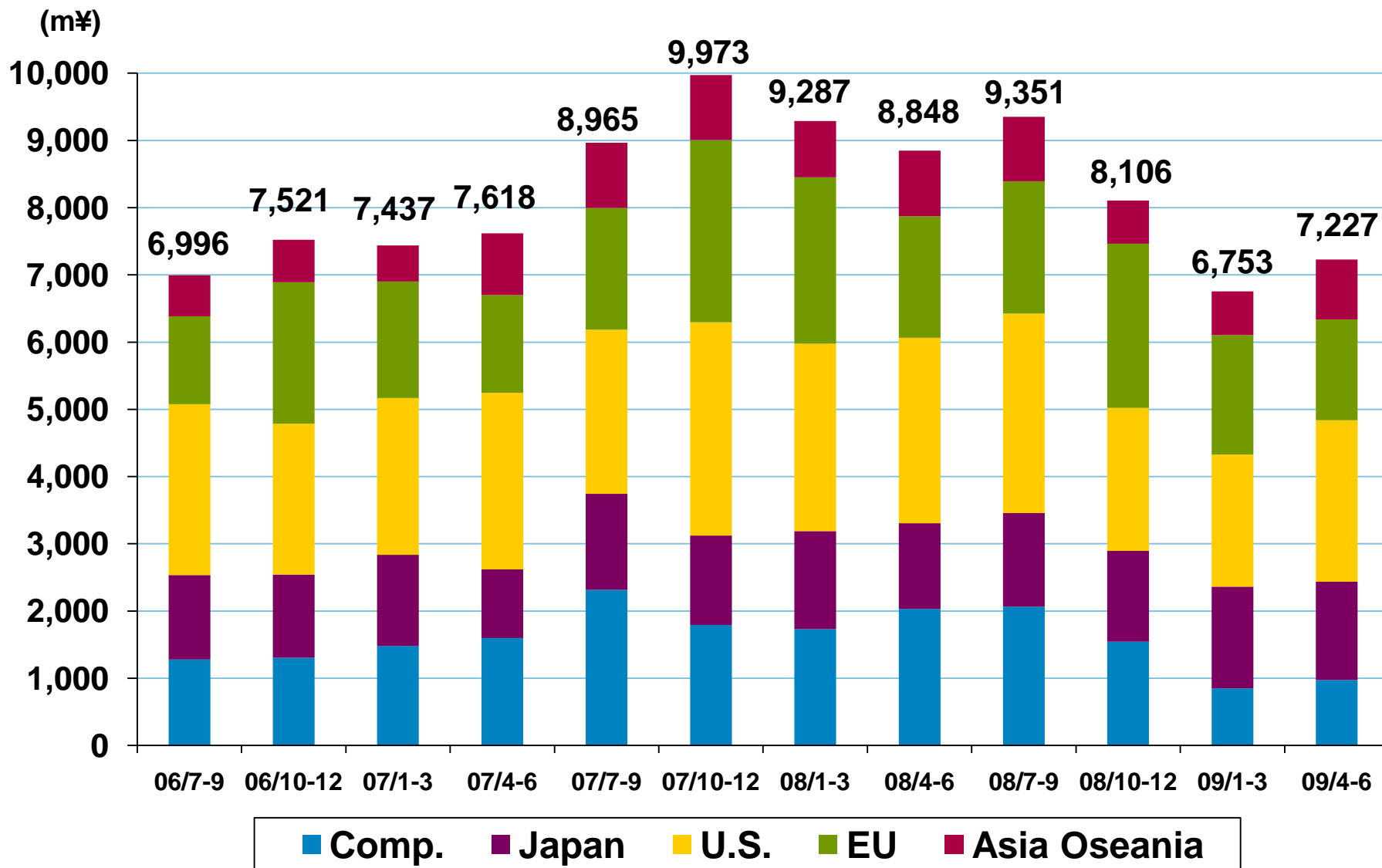
EU: German subsidiary is in charge of the market

# ESD Sales by Region (for reference)

## YOY Sales growth based on local currencies

- **US (USD)** - **6.7%**
- **EU (Euro)** + **2.0%**
- **China (CNY)** + **8.9%**
- **Korea (KRW)** + **4.3%**
- **Australia (AUD)** + **36.6%**
- **HK (USD)** + **3.6%**
- **Singapore and AP (USD)** - **29.2%**

# ESD Quarterly Trend by Region



# Consolidated B/S

	(m¥)		
	Mar. 31, 2009	Jun. 30, 2009	Change
Current assets	20,808	19,364	△1,444
Fixed assets	4,823	4,806	△17
Total assets	25,631	24,170	△1,461
Current liabilities	6,867	6,192	△675
Fixed liabilities	967	1,007	40
Total liabilities	7,835	7,199	△636
Minority interest in consolidated subsidiaries	0	0	0
Net assets	17,796	16,971	△825
Total liabilities and Net assets	25,631	24,170	△1,461
Equity ratio	69.4%	70.2%	0.8%
Book value per share (¥)	44,303.37	42,244.73	△ 2,058.64



# Consolidated B/S Highlight

- **Retained earnings:** **-JPY 854m**  
JPY12,297m (End of FY08) ⇒ JPY11,443m (End of FY09-1Q)
- **Equity ratio:** **+0.8Pts**  
69.4% (End of FY08) ⇒ 70.2% (End of FY09-1Q)
- **Book value per share:** **-JPY 2,058**  
JPY44,303 (End of FY08) ⇒ JPY42,245 (End of FY09-1Q)
- **Decrease in total asset:** **-JPY 1,461m**  
JPY 25,631m (End of FY08) ⇒ JPY 24,170m (End of FY09-1Q)
  - Cash & Cash equivalents: -JPY 669m  
JPY11,514m (End of FY08) ⇒ JPY 10,845m (End of FY09-1Q)  
including: dividends payment JPY 1,041m  
corporate tax payment JPY 405m etc.
  - Inventory : -JPY 475m
  - Other current assets : -JPY 288m

# Consolidated C/F

(m¥)

	FY26 1Q	FY27 1Q	YoY Change
	'08/4- '08/6	'09/4- '09/6	Amount
C/F from operating activities	△669	543	1,212
C/F from investing activities	△434	△188	246
C/F from financing activities	△687	△1,041	△353
Effect of change in exchange rate	274	17	△257
Increase of cash & cash equivalent	△1,517	△669	848
Beginning balance of cash & cash equivalent	13,577	11,014	△2,563
Ending balance of cash and cash equivalent	12,060	10,345	△1,715

C/F from operating activities (m¥)

- Net profit before taxes 524
- Decrease in inventories 503
- Payment for income tax -405

C/F from investing activities

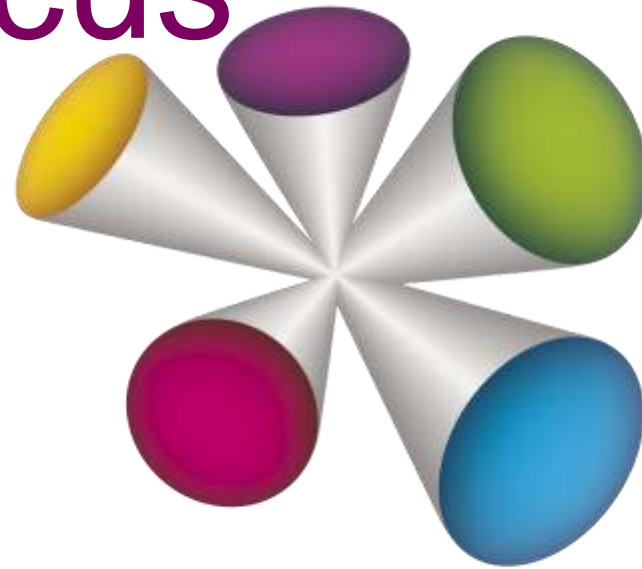
- Acquisition of fixed asset -190  
(Equipment at dealer, mold etc.)

C/F from financing activities

- Dividends payment -1,041

# FY27

# Basic Policy and Business Focus



# FY27 Basic Policy

- **Business Environment**

- Global economic crisis and recession continue and market condition will further deteriorate
- IT industry is undergoing fundamental change in its value proposition and human interface paradigm.

- **Wacom's business strategy**

- Wacom will continue to invest in new technology, products and new segments, and business infrastructure development for long term growth and leadership, while proactively addressing the short term needs for higher business sustainability.
- Wacom will continue to strengthen its leadership by global brand enhancements

# FY27 Business Focus -1

- **Proactive global cost control for ensuring profitability**  
Continuous and flexible cost management for changing environment
- **Investment to support future growth**  
New technology and new product development, IT infrastructure investment, development of global organizations
- **Enhancement of “Wacom” brand and product value**  
Global branding initiatives for stronger global leadership
- **Promote of thorough compliance**  
Improvement in internal control and J-SOX compliance process

## ESD business

- Professional graphics tablet  
“Inuos4” promotion for existing user base as well as for new users
- Consumer graphics tablet  
Enhancement of “Bamboo” brand communication, Windows7 transition and product value improvements for user base expansion

# FY27 Business Focus -2

- LCD tablet
  - “Cintiq” series promotion, LCD tablets product expansion
- Component business
  - Establishing the leadership in multi-touch sensor technology
  - Development of new business in vertical markets
  - Enhancing competitiveness with partnership expansion
- New Business Development, R&D
  - Launch of DJ equipment, nextbeat to EU and Japan market
  - Development of next generation products and technology
  - Development of new product lines

## **ECS business**

- Focus on CAD market and expansion of the market share with ECAD/dio

## **SCM-F&A (Corporate)**

- Improvement of global SCM, and global IT infrastructure
- Enhancement and protection of IP assets
- Improvement of global system and effective control with J-SOX

# Forecast of business results for FY27

(m¥)

	FY26		FY27		YoY
	2008/4-9		2009/4-9		Growth rate
<b>Sales</b>	<b>18,595</b>		<b>14,800</b>		<b>△20.4%</b>
<b>OP</b>	<b>2,555</b>	<b>13.7%</b>	<b>600</b>	<b>4.1%</b>	<b>△76.5%</b>
<b>RP</b>	<b>2,531</b>	<b>13.6%</b>	<b>600</b>	<b>4.1%</b>	<b>△76.3%</b>
<b>NP</b>	<b>1,573</b>	<b>8.5%</b>	<b>360</b>	<b>2.4%</b>	<b>△77.1%</b>

	FY26		FY27		YoY
	2008/4-2009/3		2009/4-2010/3		Growth rate
<b>Sales</b>	<b>33,809</b>		<b>35,500</b>		<b>5.0%</b>
<b>OP</b>	<b>4,311</b>	<b>12.8%</b>	<b>3,550</b>	<b>10.0%</b>	<b>△17.7%</b>
<b>RP</b>	<b>4,179</b>	<b>12.4%</b>	<b>3,500</b>	<b>9.9%</b>	<b>△16.2%</b>
<b>NP</b>	<b>2,579</b>	<b>7.6%</b>	<b>2,130</b>	<b>6.0%</b>	<b>△17.4%</b>

- Average FX rates are assumed to be JPY 95/USD, JPY120/EUR
- There are no changes in the forecast released on May 8, 2009.

# Progress vs. FY27 1H (for reference)

(m¥)

	Forecast	Result	1H forecast – 1Q result	Progress rate
	FY27 1H (Apr. - Sep.)	FY27 1Q (Apr. - Jun.)		
<b>Sales</b>	<b>14,800</b>	<b>7,325</b>	<b>7,475</b>	<b>49.5%</b>
<b>OP</b>	<b>600</b>	<b>479</b>	<b>121</b>	<b>79.8%</b>
<b>RP</b>	<b>600</b>	<b>524</b>	<b>76</b>	<b>87.3%</b>
<b>NP</b>	<b>360</b>	<b>351</b>	<b>9</b>	<b>97.5%</b>

- FY27 1Q results showed a high rate of progress relative to 1H forecast. However, there remains uncertainties in our business environment due to weak consumer spending, decrease of corporate investment and rapid exchange rate fluctuation. Therefore, the company maintains 1H and full year forecast for FY27 released on May 8, 2009.



# Assumptions for FY27 forecast

- **Business environment and outlook**

- Negative growth of global economy is expected for the first time in after WWII, and prolonged recession due to further decline of corporate investment and consumer spending
- No change in the assumptions of digital contents demand acceleration ,and proliferation of digital processes into emerging markets. Stable demand for Intuos4 in professional graphics, negative influence to high price products such as LCD tablet.
- Expect to stimulate consumer demand by branding and added value in product. However, the demand will be influenced by consumer spending and channel trends
- Microsoft 's next version OS, Windows7 will release on schedule, multi-touch will trigger new UI model for general adoption
- Success in containing the new influenza, and its limited impact on global economy

# Assumptions for FY27 forecast

- **Average FX rate**  
USD:JPY 95 / USD  
EUR:JPY 120 / EUR
- **Forecast of foreign exchange sensitivity  
(for reference only)**  
(assumption : CNY, KRW, AUD link to US dollar)

(m¥)

Currencies	US dollar	Euro
Unit of sensitivity	JPY 1	JPY 1
Sales	200	60
Operation profit	70	40

# Dividend Forecast for FY27

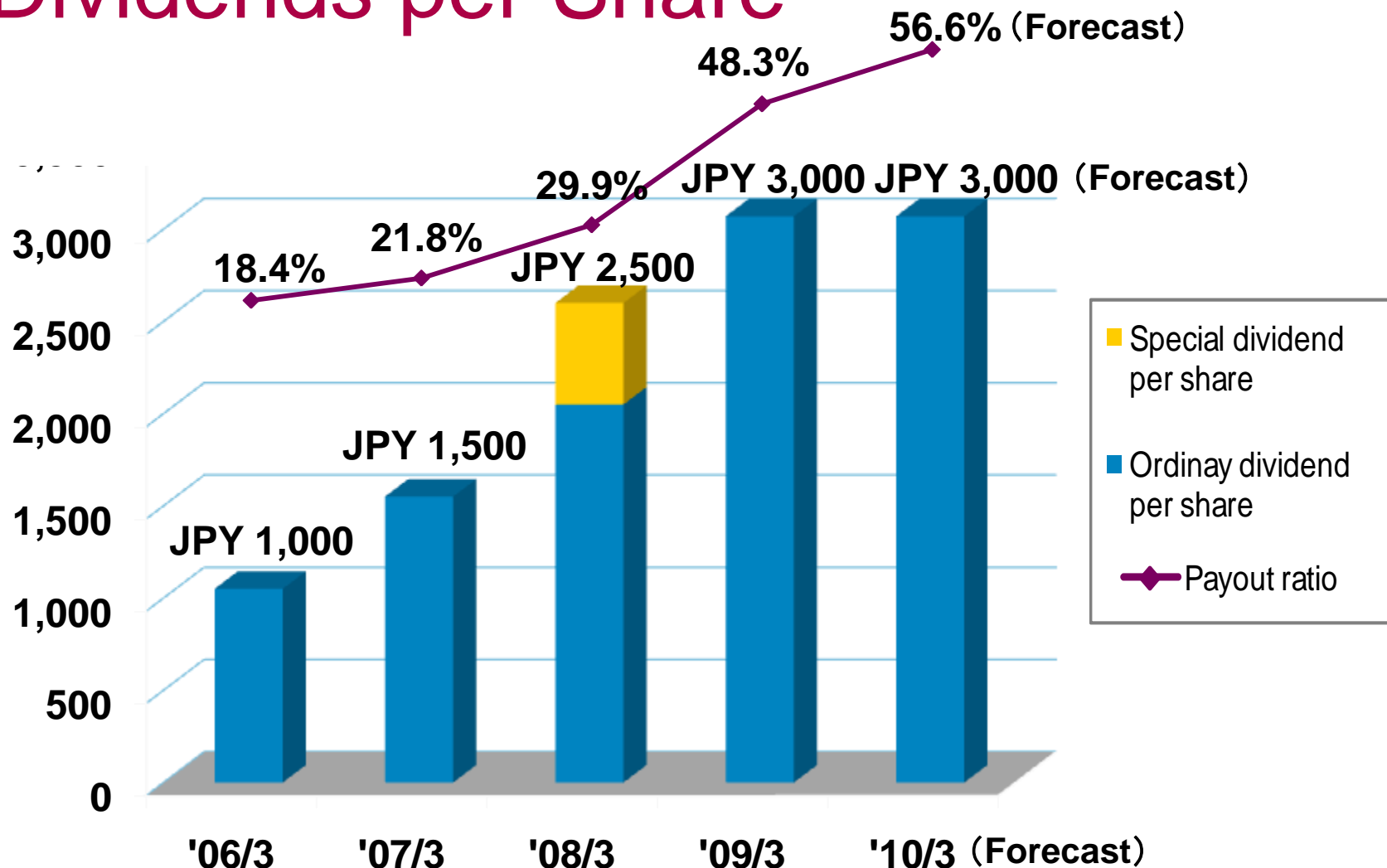
- **Dividend policy**

- Continue to maintain stable dividend with internal reserves necessary for future business development
- Payout ratio over 30% and to increase over time

- **Dividend per share**

- JPY 3,000/share
- Payout ratio 56.6% (based on FY27 forecast)

# Dividends per Share



Common Shares Split

Nov. 2003 Split 5-for 1 basis Nov. 2005 Split 4-for 1 basis

Dividends before 22<sup>nd</sup> term reflects the above share splits

# Status update of Mid-Term Plan

- No directional change in the strategy for mid- and long-term sustainable growth
  - Necessary to review the goal year for new mid-term plan, WP1018
  - Wait for global economy recovery and stabilization of market environment
  - Continue investment and improvement of infrastructure for growth
- No change in the basic business line strategy
  - Fundamental trend in IT and UI technologies continues
  - Continuous enhancement and growth for existing product lines
  - Transition product line compliant with multi-touch UI and Windows7
  - Brand communication and enhancement of distribution channel structure
  - Promote component solutions for business and vertical markets
  - Enhancement of IT infrastructure and development of business infrastructure in emerging markets
  - Continuous investment for new technologies and new business

# Disclaimer

Forward-looking statements regarding future events and performance contained in this presentation are based on currently available information and involve risks and uncertainties, including macroeconomic conditions, trends of the industry in which the company is engaged, and progress in new technologies. 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.

Wacom Co., Ltd.  
<http://www.wacom.com/index.html>

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