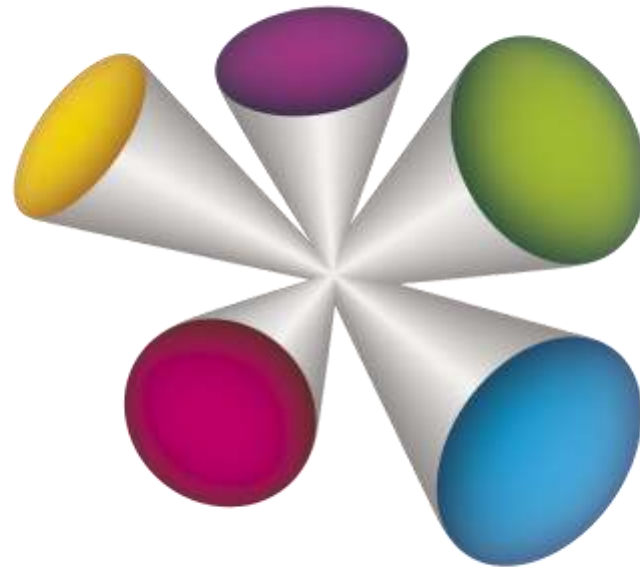


# Business Report

FY27 Apr. 2009-Mar. 2010

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



# FY27 Result Summary

The global economic recovery remained unstable. Wacom business performance declined against the previous fiscal year due to stronger JPY and slowness in component business impacted by weak corporate investment and sluggish consumer spending,

- **New products development and launch**

- Added “Intuos4 Wireless” to the professional product line

- Introduced multi-touch technology for “Bamboo” new series for consumers

- Launched a new model of “Cintiq21UX” in LCD tablets

- Enhanced a security product line with “STU-300” for digital signature

- Commercialized a professional DJ device “nextbeat”

- **Mass-production and shipment of multi-touch sensors for major PC manufacturers**

- Succeeded in commercializing multi touch technologies

- Established EMS structures, and started mass-production and shipment

- Mass produced multi-touch sensors to 10 note PC models in FY27

- **Improvement of global IT infrastructure**

- Global SCM system development in progress, planned to go live in April ‘10

- Global ERP project started, full scale activity expected in FY28

# FY27 Result Summary

|                          | YOY                |
|--------------------------|--------------------|
| • Sales:                 | <b>-5.2%</b>       |
| ESD Business:            | -4.3%              |
| ECS Business :           | -45.3%             |
| • Operating Profit:      | <b>-27.5%</b>      |
| ESD Business :           | -21.4%             |
| ECS Business :           | -0.15bn JPY (Loss) |
| • Recurring Profit:      | <b>-24.5%</b>      |
| • Net Profit (aft. Tax): | <b>-23.7%</b>      |

# Consolidated P/L

(m¥)

|                     | FY26        | FY27        | YoY Change |        |
|---------------------|-------------|-------------|------------|--------|
|                     | '08/4-'09/3 | '09/4-'10/3 | Amount     | Ratio  |
| Sales               | 33,809      | 32,045      | -1,765     | -5.2%  |
| Gross Profit        | 16,761      | 15,668      | -1,093     | -6.5%  |
| GPM                 | 49.6%       | 48.9%       |            |        |
| Operating Profit    | 4,311       | 3,128       | -1,184     | -27.5% |
| OPM                 | 12.8%       | 9.8%        |            |        |
| Recurring Profit    | 4,179       | 3,156       | -1,023     | -24.5% |
| Net Profit aft. Tax | 2,579       | 1,968       | -611       | -23.7% |

- Average FX rates: FY26 JPY 100.62 /USD JPY 144.43 /EUR  
FY27 JPY 93.04 /USD JPY 130.62 /EUR

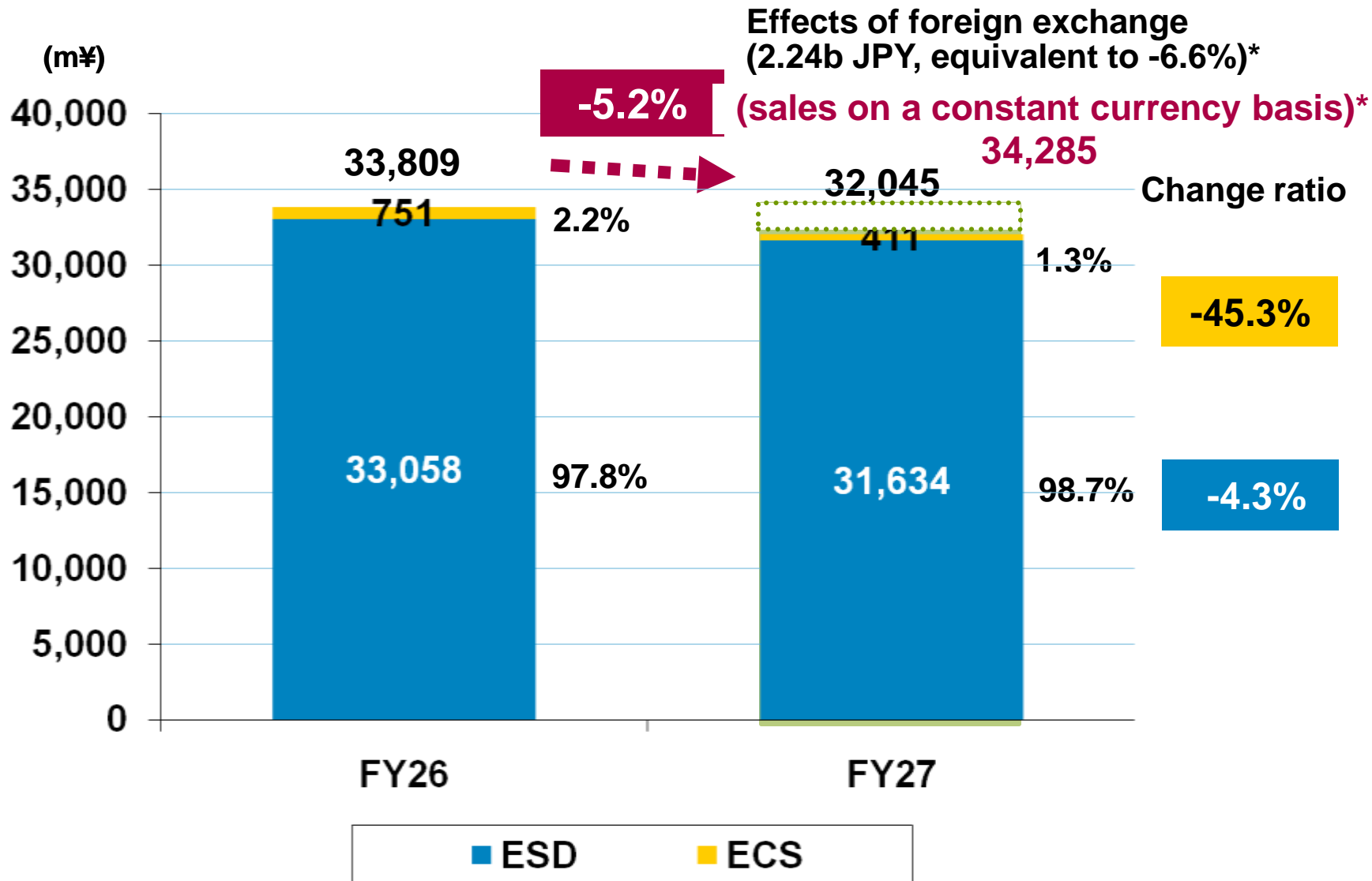
**Effects of foreign exchange : Sales -2.24bn  
(JPY appreciation) OP -0.95bn**

# Consol. P/L by Business Segment

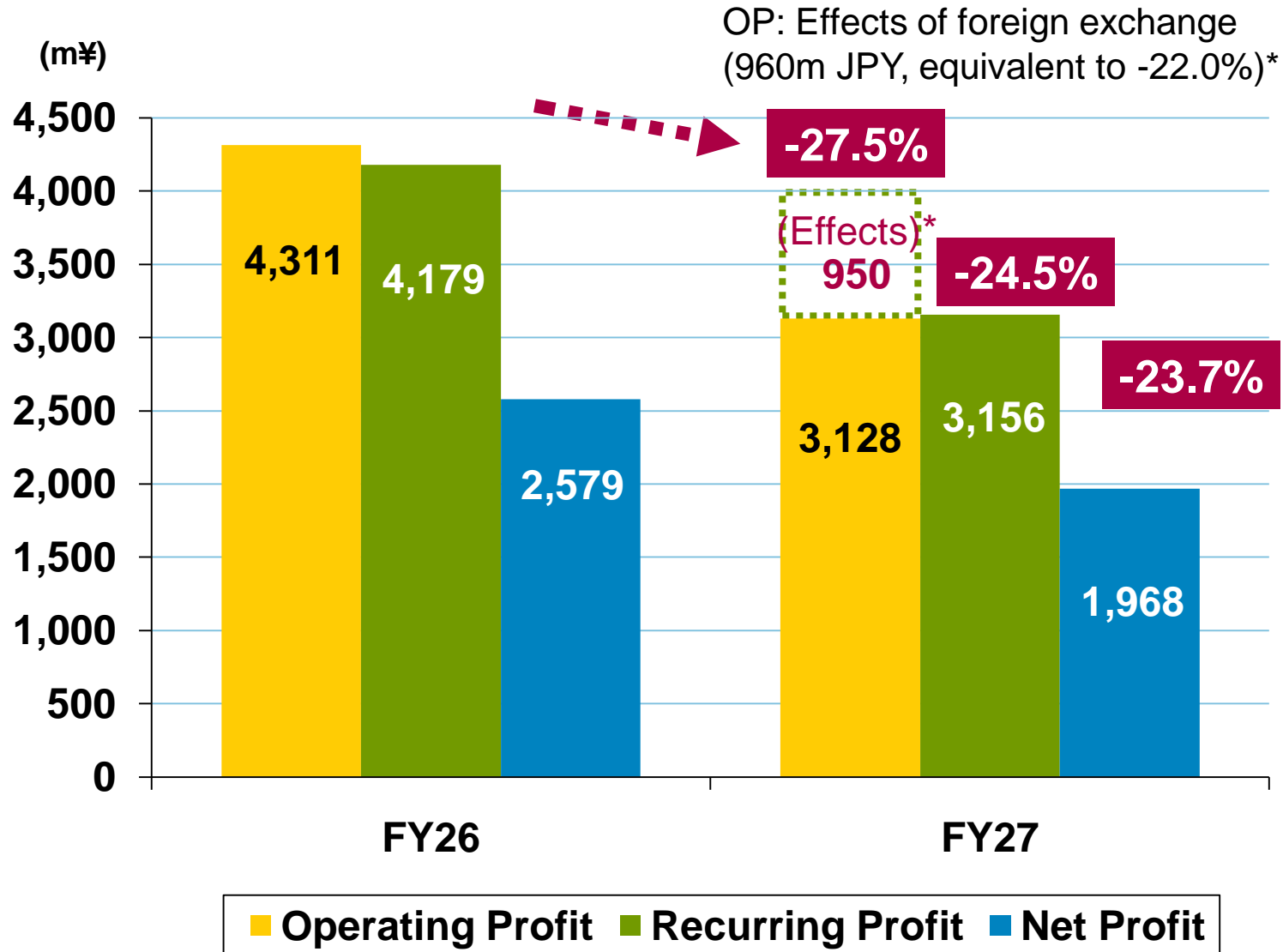
(m¥)

|                  | FY26        | FY27        | YoY Change |        |
|------------------|-------------|-------------|------------|--------|
|                  | '08/4-'09/3 | '09/4-'10/3 | Amount     | Ratio  |
| Sales            | 33,809      | 32,045      | -1,765     | -5.2%  |
| ESD              | 33,058      | 31,634      | -1,425     | -4.3%  |
| ECS              | 751         | 411         | -340       | -45.3% |
| Operating Profit | 4,311       | 3,128       | -1,184     | -27.5% |
| ESD              | 6,211       | 4,880       | -1,331     | -21.4% |
| ECS              | 49          | -109        | -158       | -      |
| Corp. and Other  | -1,949      | -1,643      | 306        | -15.7% |
| OPM              | 12.8%       | 9.8%        |            |        |

# Consolidated Sales Comparison



# Consolidated Profit Comparison



# Operating Expenses Comparison

(m¥)

|                         | FY26          | FY27          | YoY Change  |              |
|-------------------------|---------------|---------------|-------------|--------------|
|                         | '08/4-'09/3   | '09/4-'10/3   | Amount      | Ratio        |
| <b>Personnel</b>        | <b>4,668</b>  | <b>4,733</b>  | <b>65</b>   | <b>1.4%</b>  |
| <b>R&amp;D</b>          | <b>1,442</b>  | <b>1,580</b>  | <b>138</b>  | <b>9.6%</b>  |
| <b>Ad. &amp; Promo.</b> | <b>1,935</b>  | <b>1,963</b>  | <b>29</b>   | <b>1.5%</b>  |
| <b>Other</b>            | <b>4,405</b>  | <b>4,263</b>  | <b>-142</b> | <b>-3.2%</b> |
| <b>Total</b>            | <b>12,450</b> | <b>12,540</b> | <b>91</b>   | <b>0.7%</b>  |
| <b>Opex/Sales ratio</b> | <b>36.8%</b>  | <b>39.1%</b>  |             |              |

## Key changes

- Increase : Increase in employee headcounts and R&D expense for multi-touch technology development, 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

+5.6%



intuos<sub>4</sub>

#### ▪ Professional tablet

- Sales steadily increased despite the influence of JPY appreciation
- intuos4, released in March '09, received high reputations
  - 3D filmmaking such as “AVATOR ” expanded the use of tablets
  - Global sales recorded double digit YoY growth (local currency base)
  - Asian market enjoyed more than 20% sales growth (ditto)
- Received numerous awards
  - red dot award, Plus X award, TIPA awards (Europe)
  - Good Design Award (Japan)
  - Editor’s Choice: PC Magazine (US, SG)
  - Macworld (UK), Digital Photo 2010 (US)



reddot design award  
winner 2009



PLUS X AWARD\*



GOOD DESIGN  
2009



# Business Highlight -2

## ▪ Consumer tablet

+5.4%

- Bamboo new series launched with multi-touch technology in Sep.
  - 2 finger touch gestures for intuitive PC operation
  - Pen enables contents creation in detail
  - New approach with web applications in EU



- 1H decreased due to the end of life of previous model, sluggish consumer spending, and the JPY appreciation
- New products contributed to strong Christmas sales, recording highest sales in 2H
  - US, Germany, and AP recorded significant sales growth
  - Domestic sales decreased due to weakness at some distributors

# Business Highlight -3

## ▪ LCD Tablet

**-11.9%**

- Decrease in sales due to reduction of corporate investment
- Steady sales recorded in EU and China (local currency base)
- New product “Cintiq21UX” showed favorable sales in 4Q
- Continuous growth of LCD tablet for “Paperless” solutions
  - Steady sales for medical, education, and paperless conference systems in Japan
  - OEM project increased for education in EU
  - Doubled the of “SignPad” in EU for digital signature



**DTF series  
for education**



**CECA in Spain  
Digital signature system**

# Business Highlight -4

## ▪ Component Business

**-24.5%**

- Sales decreased due to slowdown of corporate investment, production adjustment before Windows 7 in 1H, the appreciation of JPY, and changes in competitive environment
- Mass production of multi-touch sensor solutions for Windows 7, but the shipment volume less than initially expected
  - Adopted by multiple models of HP, Lenovo, Toshiba, Fujitsu, and other major PC manufacturers
  - HP adopted G6(IC controller) with higher sensitivity and low power
  - Preparing mass production capacity for next fiscal year assessing the demand of multi-touch function

### The number of PC models in mass production (scheduled in FY10 1H)

| Inch size of PC display | Smaller than 10" | 12" | 13" | More than 14" | Total |
|-------------------------|------------------|-----|-----|---------------|-------|
| Number of PC models     | 2                | 8   | 2   | 4             | 16    |

- Pen sensor component increased adoption for e-Books
- Introduced “Wacom Feel IT Technologies” as a UI technology brand

# Wacom Feel IT Technologies

Technologies that makes you feel different.

- **Wacom new brand of user interface solution**  
Integrates pen, multi-touch and display technologies;  
Provides advanced functions with natural and intuitive user experiences



feel™  
Good.

# Wacom Feel IT Technologies

## Adopted Projects

### Customer PC models for Windows 7



**lenovo**

**ThinkPad X200**



**TOSHIBA**

**Satellite M505**  
(US Consumer model)



**FUJITSU**

**FMV-8190/8290**



**FUJITSU**

**FMV-MT/E50**  
(Consumer model)



**hp**

**TouchSmart tm2**  
(Consumer model)



**Mini 5120**  
(Net book)

### e-Book customers



**Onyx**



**IREX**



**enTourage**

# Business Highlight -5



## ESD

- **Professional DJ system (nextbeat)**
  - Developed professional digital DJ system “nextbeat” that introduces totally new performance styles
  - Introduced in major music events in the world by pro-DJs
  - Focused on EU market, still with slow sales

## ECS

- Upgraded marketing for existing users, and promoted replacement of competitor products by “ECAD/dio” Ver.10.0 released in Sept.
- Enhanced user support by new user website leveraging top-brand leadership
- Business environment continues to be harsh due to late recovery of investment in manufacturing sector

## F&A (Corporate)

- Improvement of IT infrastructures for global SCM and global ERP

# Business Highlight -6

## New products developed or launched in FY 27

### ESD

Intuos4 Wireless

Bamboo series

Cintiq21UX

DTU Series (for vertical market)

DTU-300 (for digital signature)

multi-touch sensors (G5, G6)

nextbeat

intuos<sub>4</sub>



BAMBOO®



Cintiq<sub>21UX</sub>  
interactive pen display



DTU-2231



DTU-1631



DTU-300



multi-touch sensor  
system (G5, G6)



nextbeat

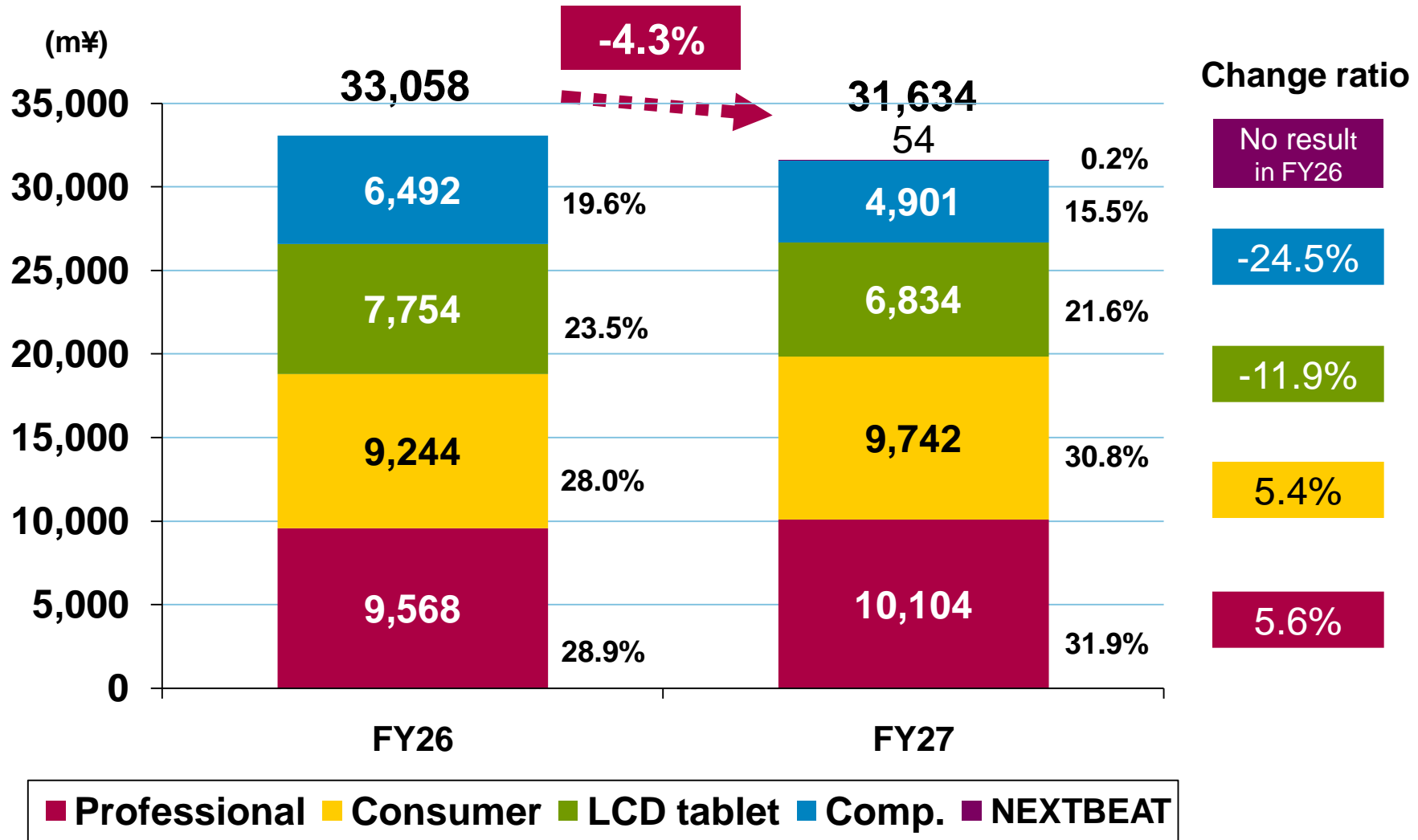


### ECS

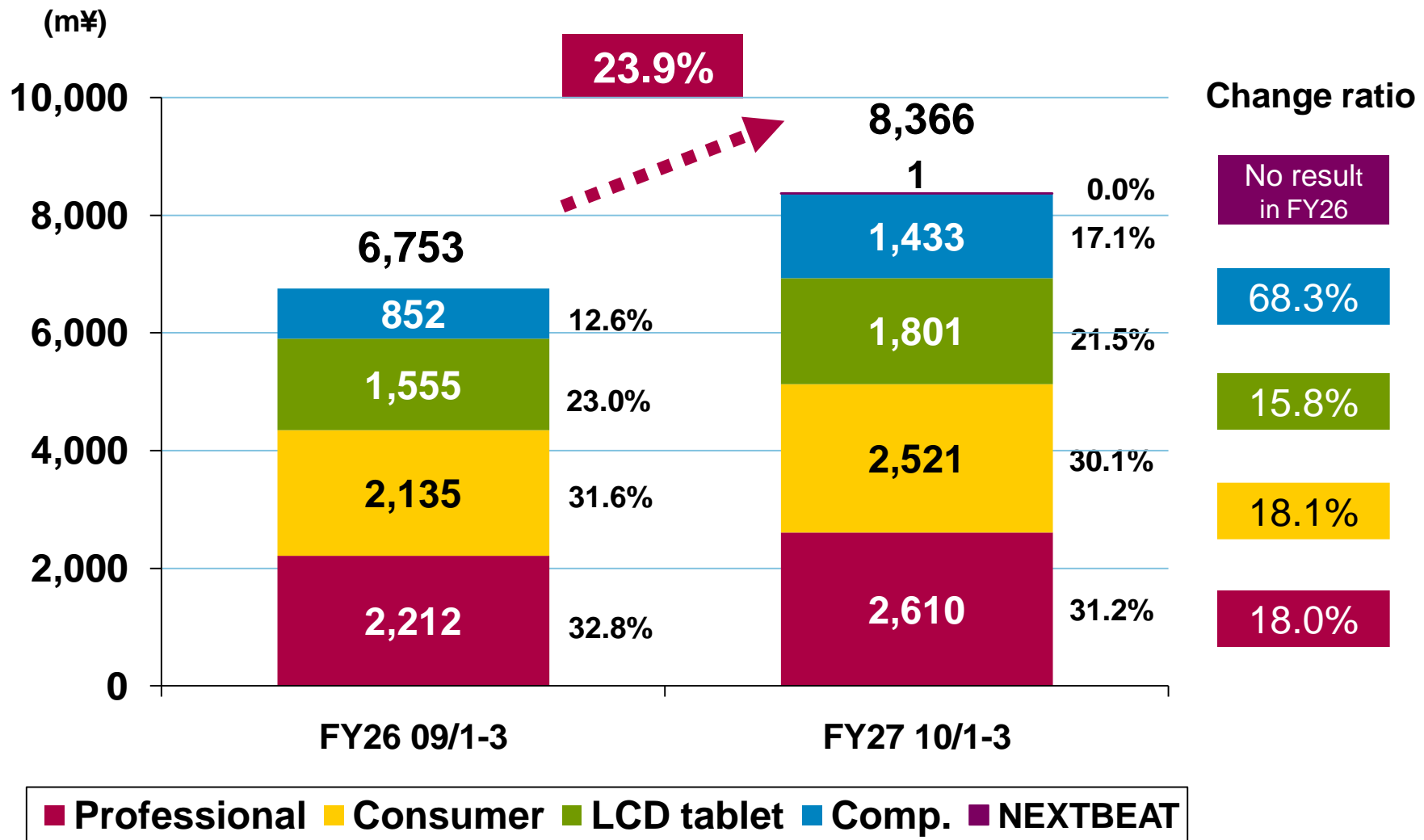
ECAD/dio Ver.10.0



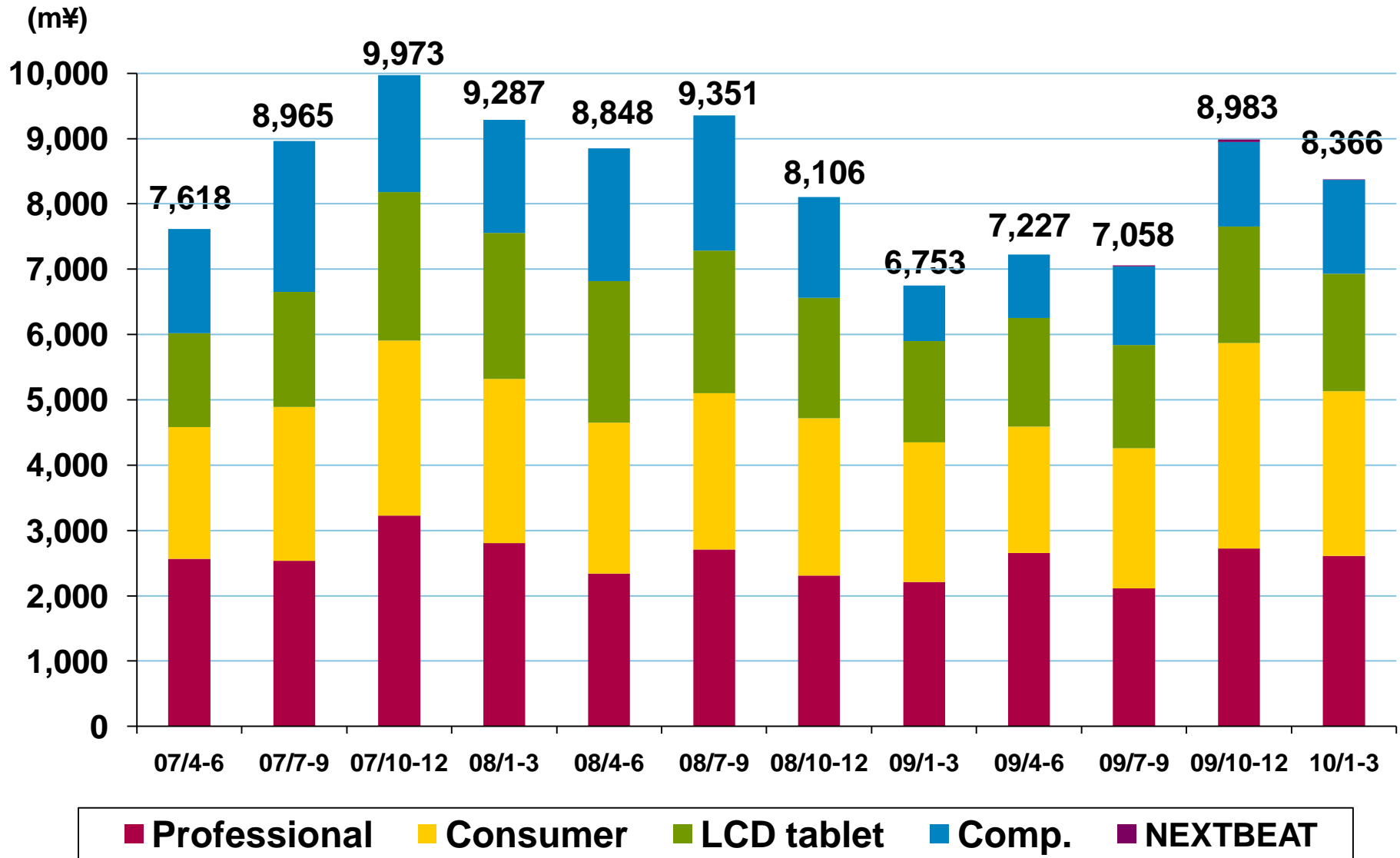
# ESD Sales by Product Line



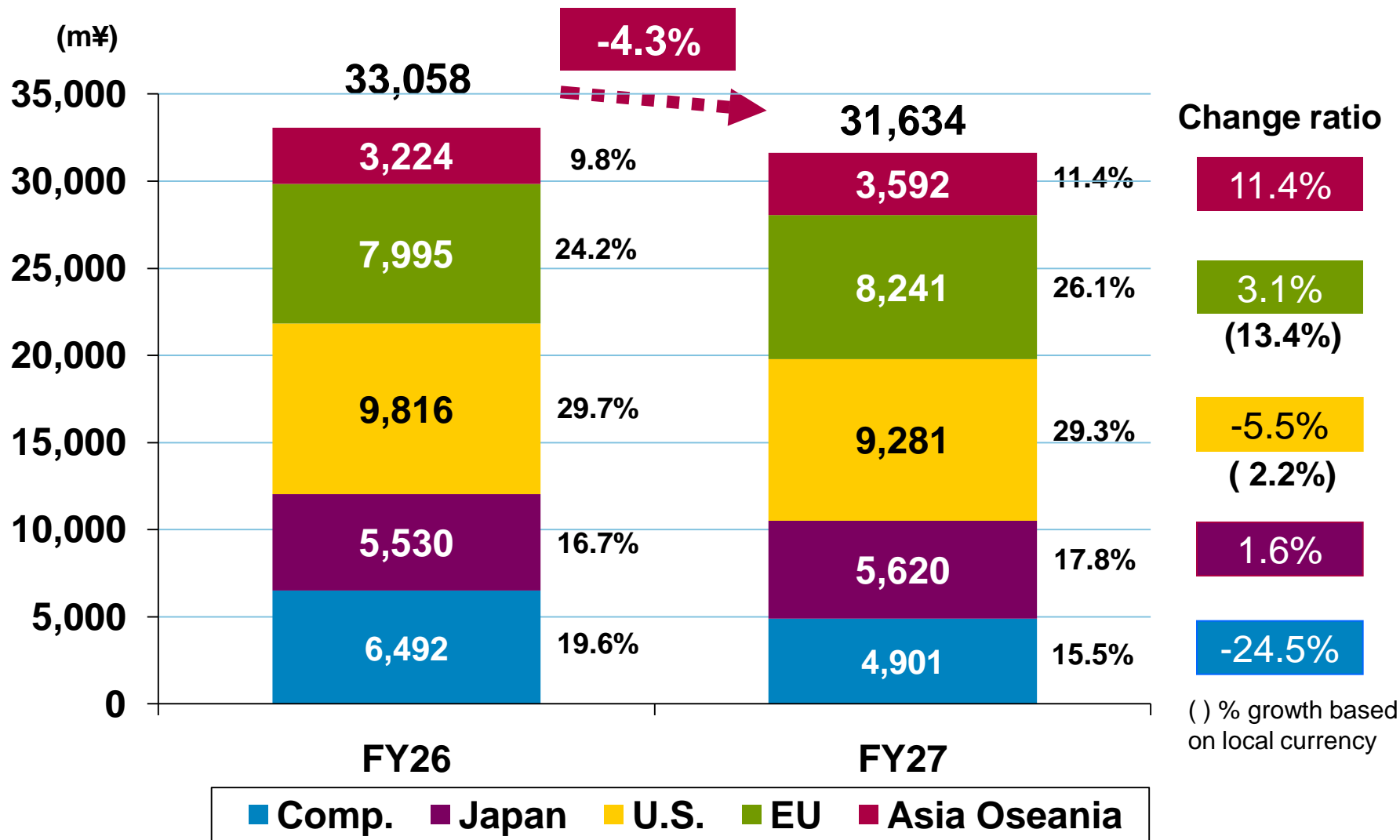
# (Ref.) ESD Quarterly Sales by Product Line



# ESD Quarterly Trend by Product Line



# ESD Sales by Region



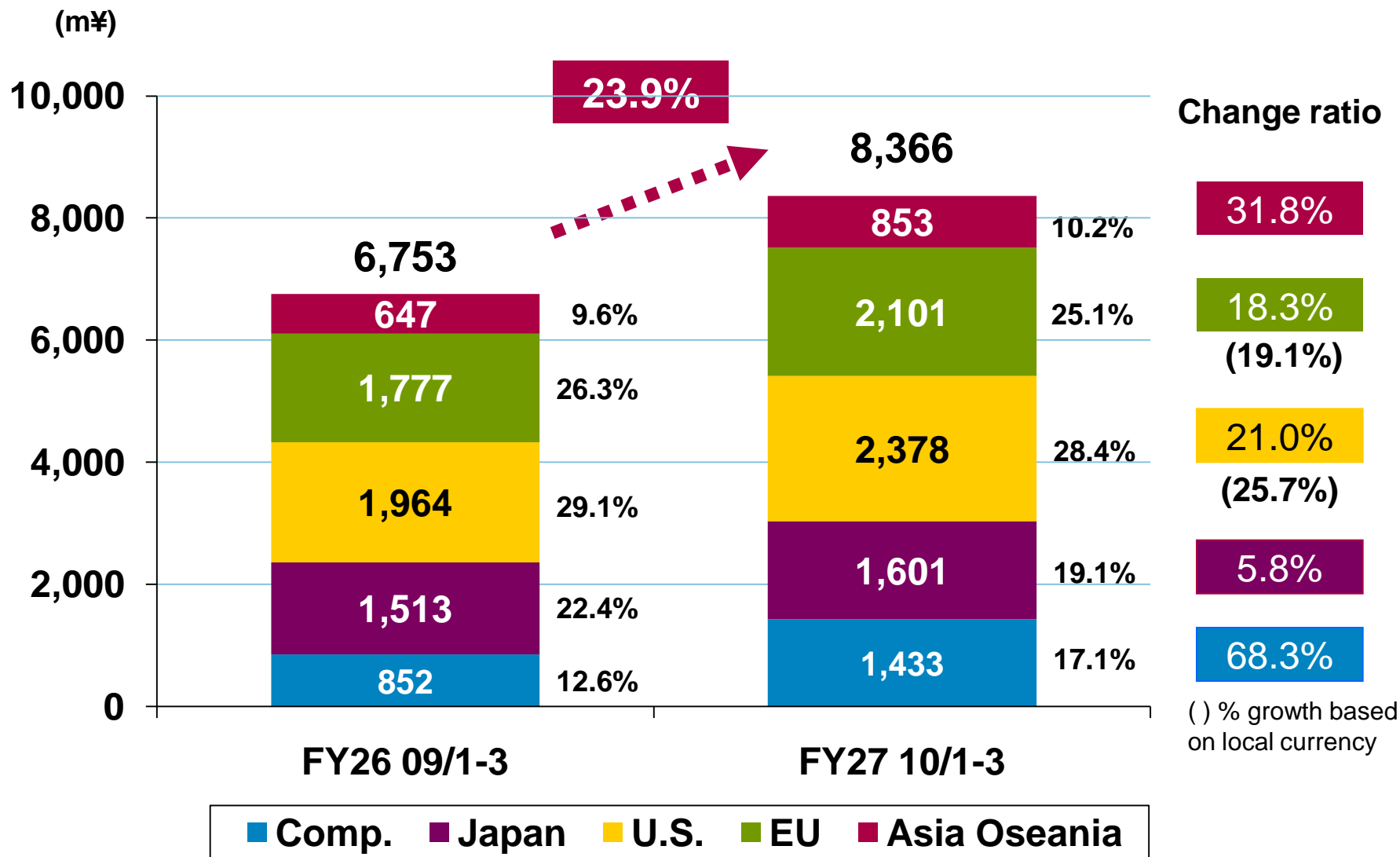
EU: German subsidiary is in charge of the market

# ESD Sales by Region

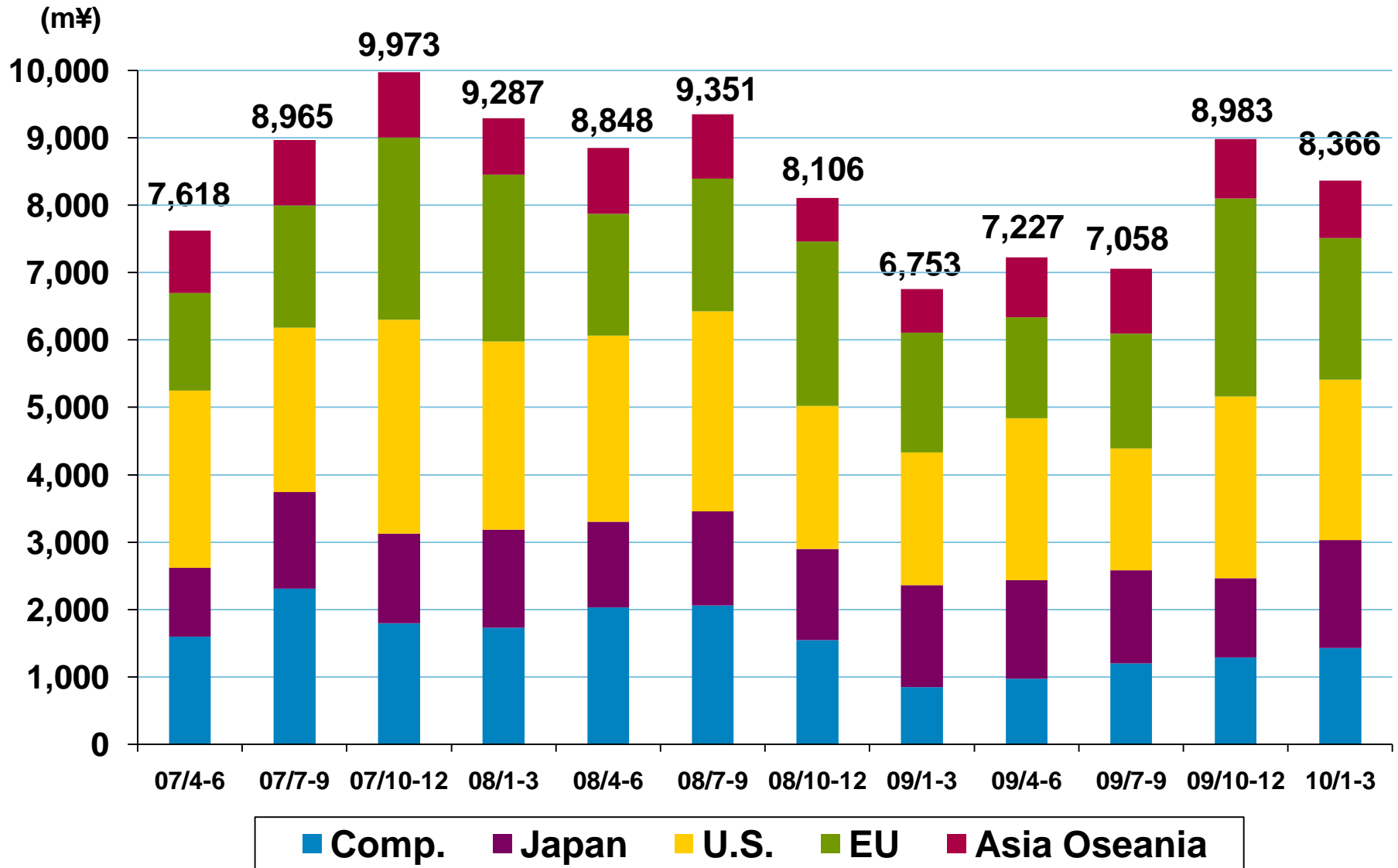
## YOY Sales growth based on local currencies

- **US (USD)** +2.2%
- **EU (Euro)** +13.4%
- **China (CNY)** +24.5%
- **Korea (KRW)** +16.5%
- **Australia (AUD)** +15.7%
- **HK (USD)** +14.9%
- **Singapore and AP (USD)** +21.4%

# (Ref.) ESD Quarterly Sales by Region



# ESD Quarterly Trend by Region



# Consolidated B/S

(m¥)

|  | Mar. 31, 2009 | Mar. 31, 2010 | Change       |
|--|---------------|---------------|--------------|
| Current assets                                 | 20,808        | 22,824        | 2,016        |
| Fixed assets                                   | 4,823         | 5,375         | 553          |
| <b>Total assets</b>                            | <b>25,631</b> | <b>28,199</b> | <b>2,568</b> |
| Current liabilities                            | 6,867         | 8,882         | 2,014        |
| Fixed liabilities                              | 967           | 1,048         | 81           |
| <b>Total liabilities</b>                       | <b>7,835</b>  | <b>9,930</b>  | <b>2,095</b> |
| Minority interest in consolidated subsidiaries | 0             | 0             | 0            |
| <b>Net assets</b>                              | <b>17,796</b> | <b>18,270</b> | <b>473</b>   |
| <b>Total liabilities and Net assets</b>        | <b>25,631</b> | <b>28,199</b> | <b>2,568</b> |
| Equity ratio                                   | 69.4%         | 64.8%         | -4.6%        |
| Book value per share (¥)                       | 44,303.37     | 45,467.55     | 1,164.18     |



# Consolidated B/S Highlight

- **Retained earnings:** **+JPY 763m**  
JPY12,298m (End of FY08) ⇒ JPY13,061 m (End of FY09)
- **Equity ratio:** **-4.6Pts**  
69.4% (End of FY08) ⇒ 64.8% (End of FY09)
- **Book value per share:** **+JPY 1,164**  
JPY44,303.37 (End of FY08) ⇒ JPY45,467.55 (End of FY09)
- **Total assets:** **+JPY 2,568m**  
JPY 25,631m (End of FY08) ⇒ JPY 28,199m (End of FY09)
  - Cash & Cash equivalents: +JPY 836m  
JPY11,514m (End of FY08) ⇒ JPY 12,350m (End of FY09)
  - Increase of notes and accounts receivable for YOY sales growth, other current assets for launching new products :+JPY 1,494m
  - Increase of intangible fixed assets for intellectual property and the next ERP systems: +JPY 812m

# Consolidated C/F

(m¥)

|   | FY26            | FY27            | YoY Change |
|---|-----------------|-----------------|------------|
|   | '08/4-<br>'09/3 | '09/4-<br>'10/3 | Amount     |
| C/F from operating activities               | 1,478           | 3,606           | 2,129      |
| C/F from investing activities               | -1,174          | -805            | 369        |
| C/F from financing activities               | -2,676          | -1,199          | 1,477      |
| Effect of change in exchange rate           | -191            | -266            | -75        |
| Increase-decrease of cash & cash equivalent | -2,563          | 1,336           | 3,899      |
| Beginning balance of cash & cash equivalent | 13,577          | 11,014          | -2,563     |
| Ending balance of cash and cash equivalent  | 11,014          | 12,350          | 1,336      |

C/F from operating activities (m¥)

- Net profit before taxes 3,121
- Increase in notes and accounts payable 1,132
- Depreciation 757
- Increase in notes and accounts receivable -1,493

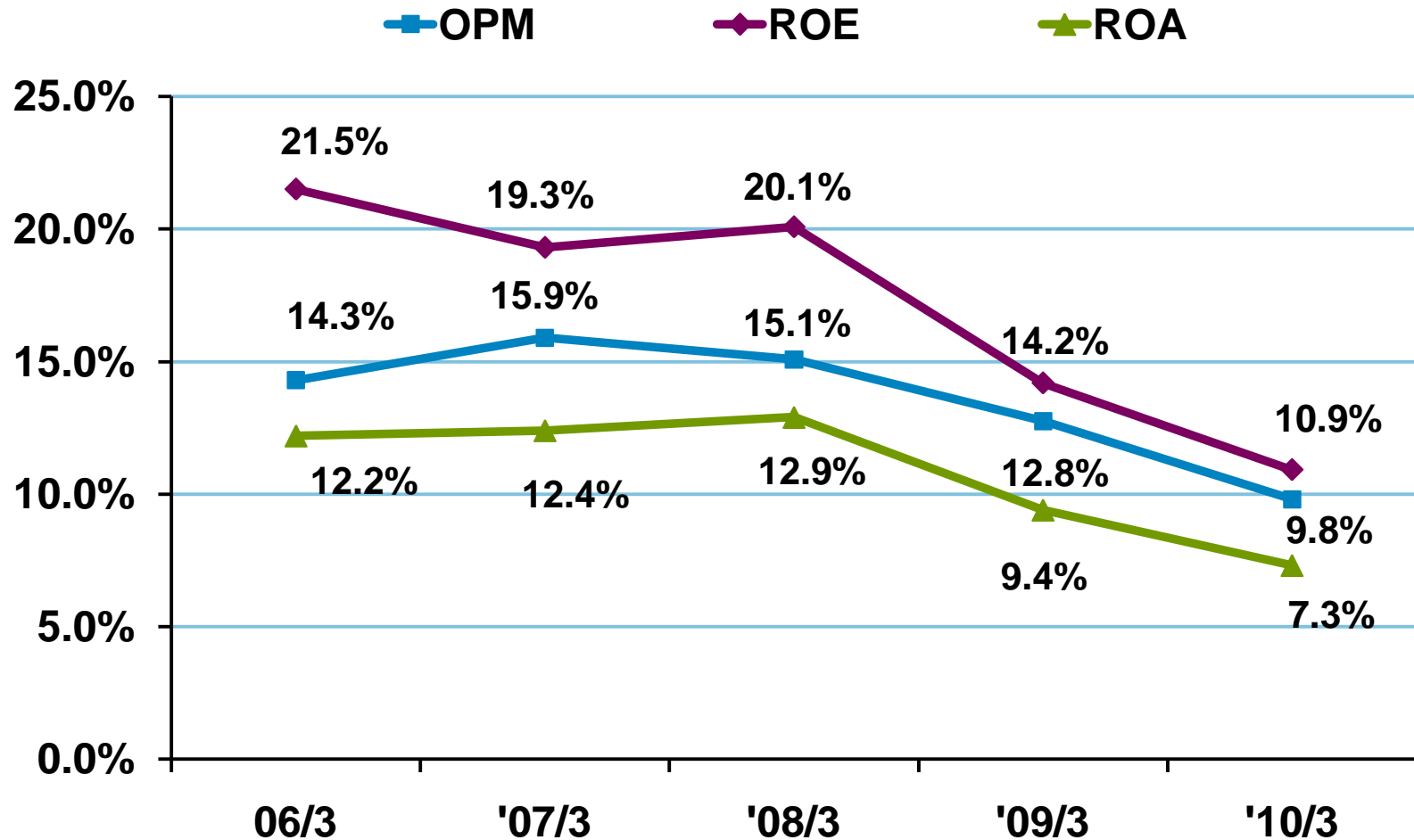
C/F from investing activities

- Acquisition of fixed asset (IT infrastructure, IP, mold etc.) -1,308
- Redemption of securities 500

C/F from financing activities

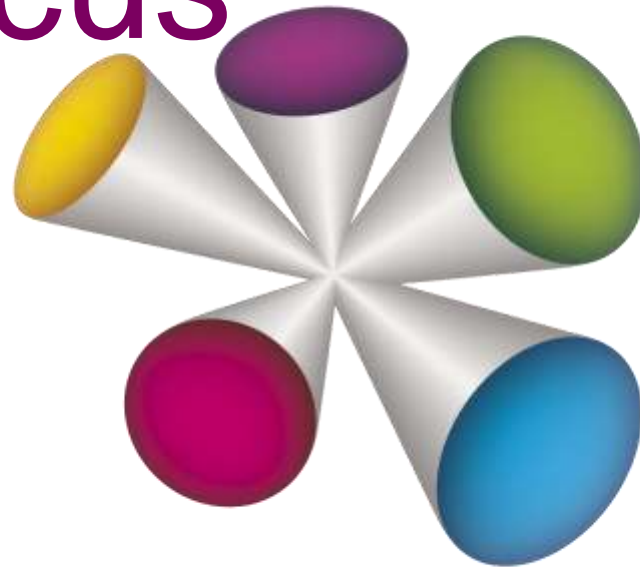
- Dividends payment -1,201

# OPM, ROE & ROA (consolidated)



4.2B JPY was financed by public and private allotment in FY06  
1.85B JPY was repurchased as own shares in FY08

# FY28 Basic Policy and Business Focus



# FY28 Basic Policy

- **Business Environment**

- The global economy improves its stability of recovery, and will accelerate the growth in 2H.
- On the other hand, the driving engine of economic growth and IT market expansion is shifting from developed regions to emerging regions.
- Structural change in IT market will accelerate by the emergence of new platforms such as iPad, Slate-type devices and e-Books. The change will create new business opportunities.
- In such transition, MFT technologies will impact broad range of IT market, and will be become key factor for competitive advantage.

# FY28 Basic Policy

- **Wacom's business strategy**
  - Continue to extend the leadership based on original user interface technologies in tablet market and build new product categories.
  - Enhance brand communication and expand the consumer market.
  - Invest in emerging regions such as China, India, and Latin America
  - Provide UI technology solutions in broad segments of IT industry
  - Build global business infrastructure and global integration to enhance competitiveness.

# FY28 Business Focus -1

- Establish the global leadership based on original user interface technologies and products
  - MFT leadership with the next generation multi-touch IC controller (G8)
  - Development of next generation product lines and new products
- Enhance global SCM capability and Improve the cost structure
  - Build the flexible and responsive global SCM operation
  - Expand of manufacturing partnerships and enhance SCM / SQM in China and Taiwan
- Invest in emerging markets and build infrastructure for growth
  - Investment in China and Asia Pacific market
  - Build the foundation in India and Latin America
  - Strengthening business bases in Latin America and India

# FY28 Business Focus -2

- Establish a new management model and global organization framework
  - Enhance the strategic focus, speed and coordination with a global matrix organization
  - Improve the business development and management capability by establishing the new JP-AP region division
- Enhance corporate functions and promote global integration
  - Invest in global IT infrastructure such as global ERP and global WAN



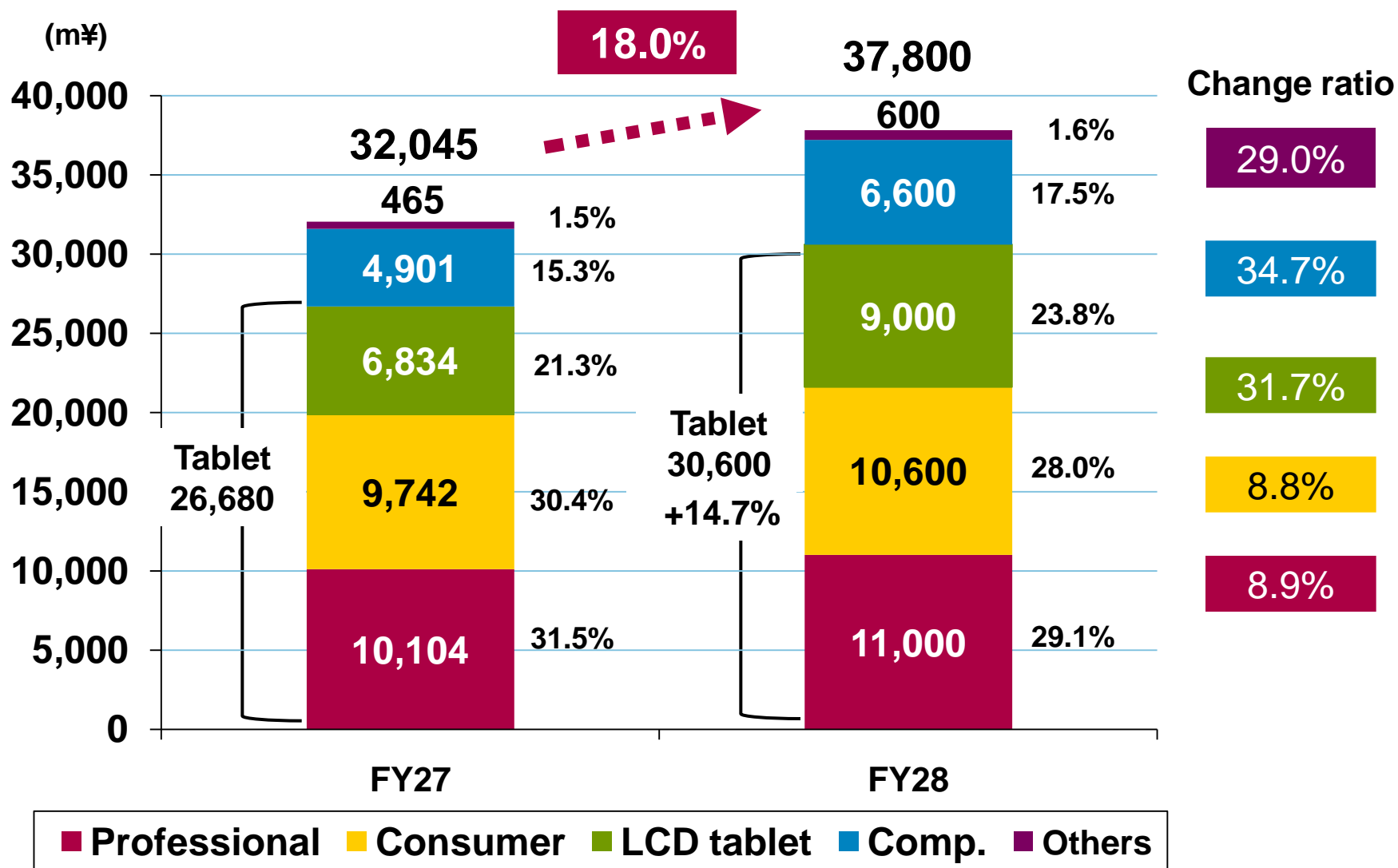
# Forecast of business results for FY28

(m¥)

|              | FY27          |             | FY28          |             | YoY           |
|--------------|---------------|-------------|---------------|-------------|---------------|
|              | 2009/4-9      |             | 2010/4-9      |             | Growth rate   |
| <b>Sales</b> | <b>14,478</b> |             | <b>17,500</b> |             | <b>20.9%</b>  |
| <b>OP</b>    | <b>1,149</b>  | <b>7.9%</b> | <b>1,160</b>  | <b>6.6%</b> | <b>1.0%</b>   |
| <b>RP</b>    | <b>1,238</b>  | <b>8.6%</b> | <b>1,140</b>  | <b>6.5%</b> | <b>△7.9%</b>  |
| <b>NP</b>    | <b>809</b>    | <b>5.6%</b> | <b>700</b>    | <b>4.0%</b> | <b>△13.5%</b> |

|              | FY27          |             | FY28          |              | YoY          |
|--------------|---------------|-------------|---------------|--------------|--------------|
|              | 2009/4-2010/3 |             | 2010/4-2011/3 |              | Growth rate  |
| <b>Sales</b> | <b>32,045</b> |             | <b>37,800</b> |              | <b>18.0%</b> |
| <b>OP</b>    | <b>3,128</b>  | <b>9.8%</b> | <b>3,820</b>  | <b>10.1%</b> | <b>22.1%</b> |
| <b>RP</b>    | <b>3,156</b>  | <b>9.8%</b> | <b>3,780</b>  | <b>10.0%</b> | <b>19.8%</b> |
| <b>NP</b>    | <b>1,968</b>  | <b>6.1%</b> | <b>2,370</b>  | <b>6.3%</b>  | <b>20.4%</b> |

# Sales forecast by BU segment



# Assumptions for FY28 forecast

- **Average FX rate**

USD:JPY 90 / USD

EUR:JPY 125 / EUR

- **Forecast of foreign exchange sensitivity**

(assumption : CNY, KRW, and AUD link to US dollar)

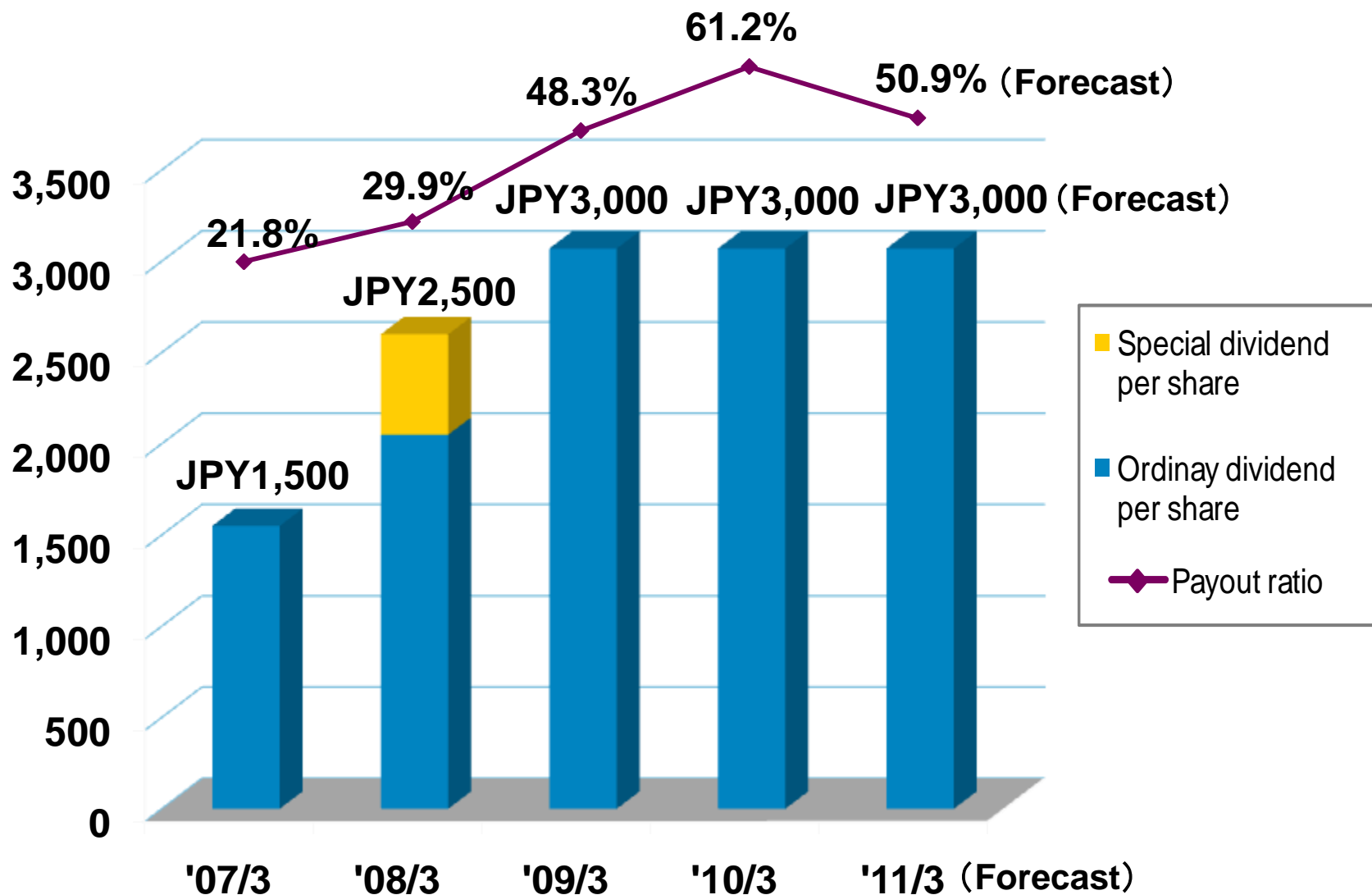
(m¥)

| Currencies          | US dollar | Euro  |
|---------------------|-----------|-------|
| Unit of sensitivity | JPY 1     | JPY 1 |
| Sales               | 240       | 70    |
| Operation profit    | 50        | 50    |

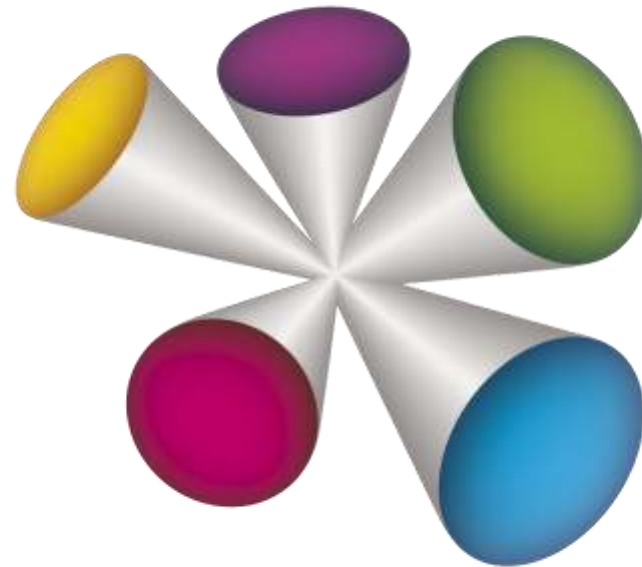
# Dividend Forecast for FY28

- **Dividend policy**
  - Continue to payout stable dividend while maintaining internal reserves necessary for future business development
  - Payout ratio over 30% and to be increased over time
- **Dividend per share**
  - JPY 3,000 per share
  - Payout ratio 50.9% (based on FY28 forecast)  
(After deducting repurchased stocks of 20,000 in FY26)

# Dividends per Share



# New Mid-Term Business Plan



# Background

- “Mid-Term Plan WP1018 (Wacom Plan 1018)” in March, 2008
  - Financial Goals are consolidated sales of 100 billion JPY and operating income ratio of 18% or higher by the fiscal year ending at March 2012.
- It became difficult to achieve WP1018 due to the global economic crisis and rapid appreciation of Japanese Yen, etc. Wacom has shifted its focus to the stability of business and continued to develop the foundation for future growth.
- Now, as the global economy shows the recovery, Wacom developed the new mid-term plan
  - Review of economic trend, market environment, and basic strategy
  - Development of product roadmap and business plan

# New Mid-Term Plan - WP1015

## Basic Strategy

Focus on “Natural and Intuitive User Interface Solutions”

Establish “Global De-facto Standard”

in “New Digital Paper Era”

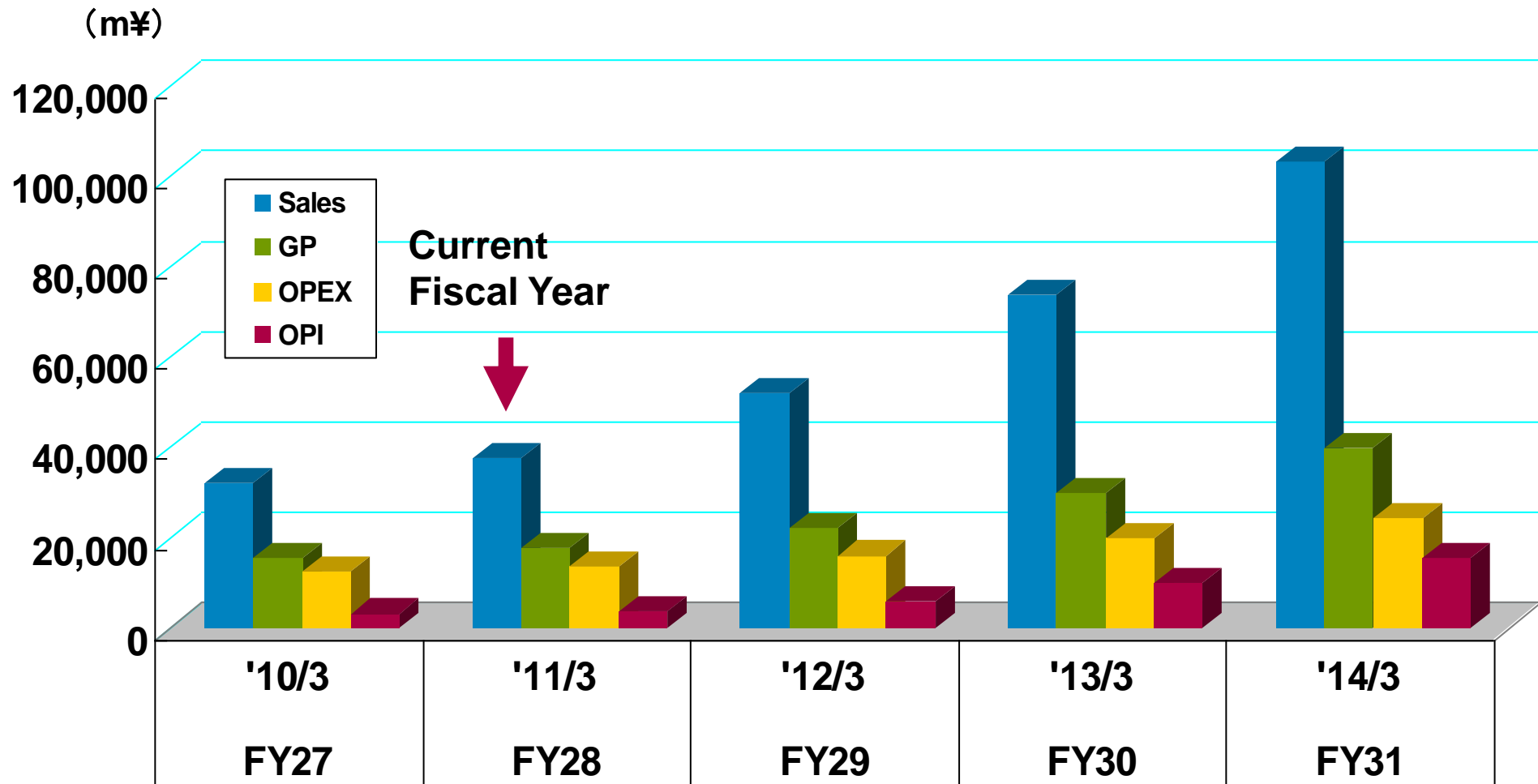
## WP1015:Financial Goals



- By FY31 (ends March 2014)
  - Consolidated sales: 100 billion JPY or more
  - Consolidated operating income ratio: 15% or higher



# Consolidated P&L Forecast



# General Assumptions

- The global economy will transition from recovery to growth, driven by high growth in emerging regions.
- Digital design process continue to expand globally
- Digital contents demand will continue to grow with high pace
- IT industry will go under structural changes centered on new user interface technologies and the cloud computing.
- New platforms such smart phone, e-Book, and slate-type device will emerge and expand.
- MFT technologies will spread across wide range of product categories.
- Average FX rate: JPY 90 / USD, JPY 125 / EUR

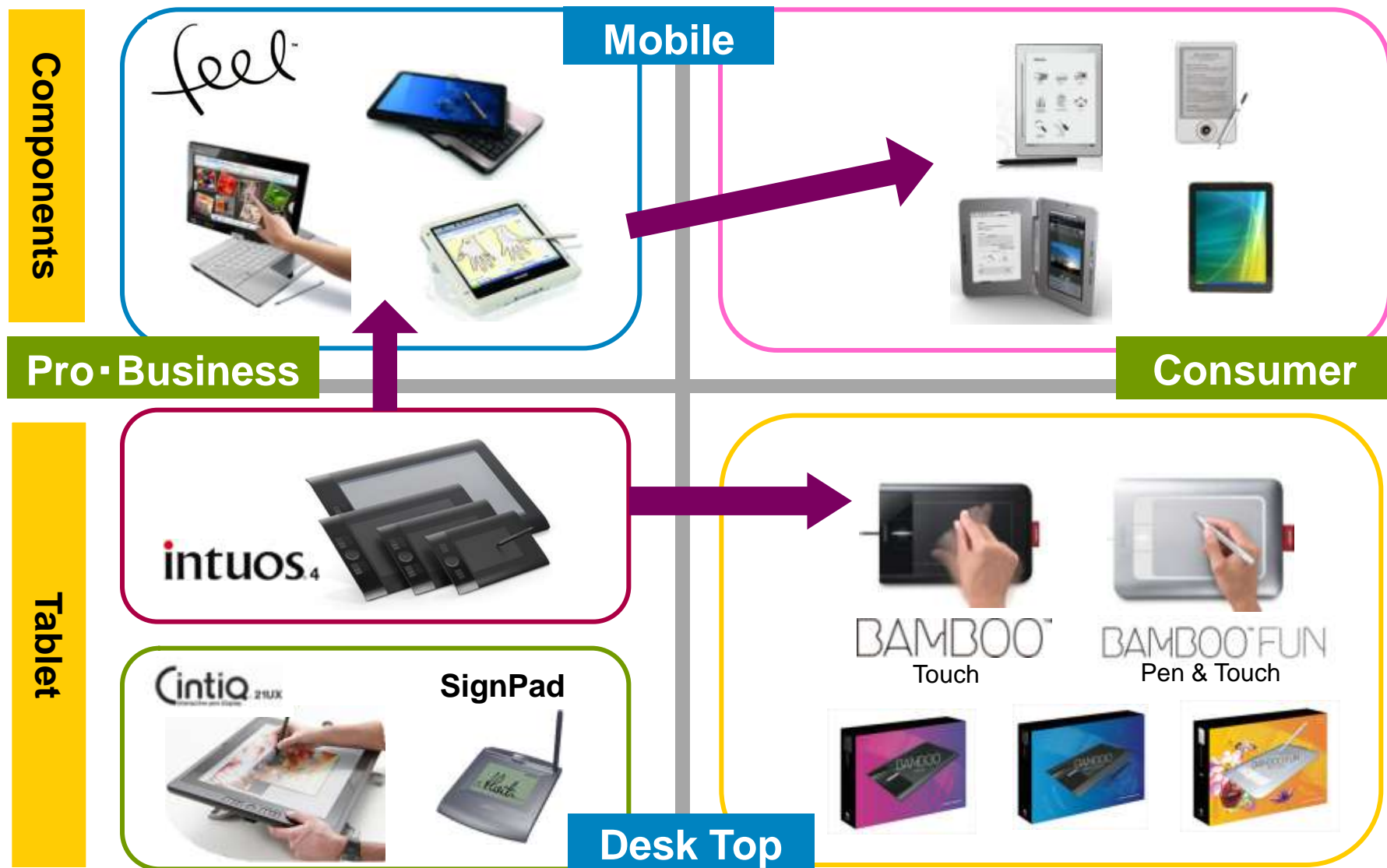
# Growth Strategies -1

- **Establish global leadership in UI technologies**
  - Establish the leadership in MFT technologies and enhance IP portfolio
  - Expand UI technology foundations thorough R&D, partnership, M&A, etc.
- **Strengthen global leadership in tablet business**
  - Expand tablet product lines and promotion of global strategy
  - Grow the business in Asia and Latin America market
  - Globalize product planning and development functions
  - Reinforce user communication with Web
  - Expand global partnerships in key industry segments
- **Expansion and growth of Component Business in new segments**
  - Promote UI technology solutions and extend PC customers
  - Expand to new segments including e-Book and Slate-type devices
  - Expand manufacturing partnership and improve cost competitiveness

# Growth Strategies -2

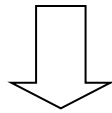
- **Enhance global SCM capability and improve cost structure**
  - Establish highly responsive SCM operation with global IT support
  - Enhance coordination with manufacturing partners, and improve cost structure
  - Enhance SCM capabilities in China and Taiwan
- **Establish a new management model and global organization framework**
  - Matrix (BU x Region) organization to improved strategic focus, speed and coordination
  - Enhance corporate functions and support global integration
  - Invest in global IT infrastructure to support global collaboration
- **Promote global branding activities**
  - Develop a corporate culture that re-create itself and leads the change
  - Enhance brand communication and promote consumer branding activities

# Product Portfolio

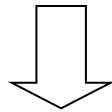


# Product line strategies

- Advanced design tools for higher productivity for professionals
- Natural and intuitive UI products for general consumers
- Promotion of IT and paperless solution with LCD tablets
- High-performance technology solutions for mobile devices



**Technology Standard**



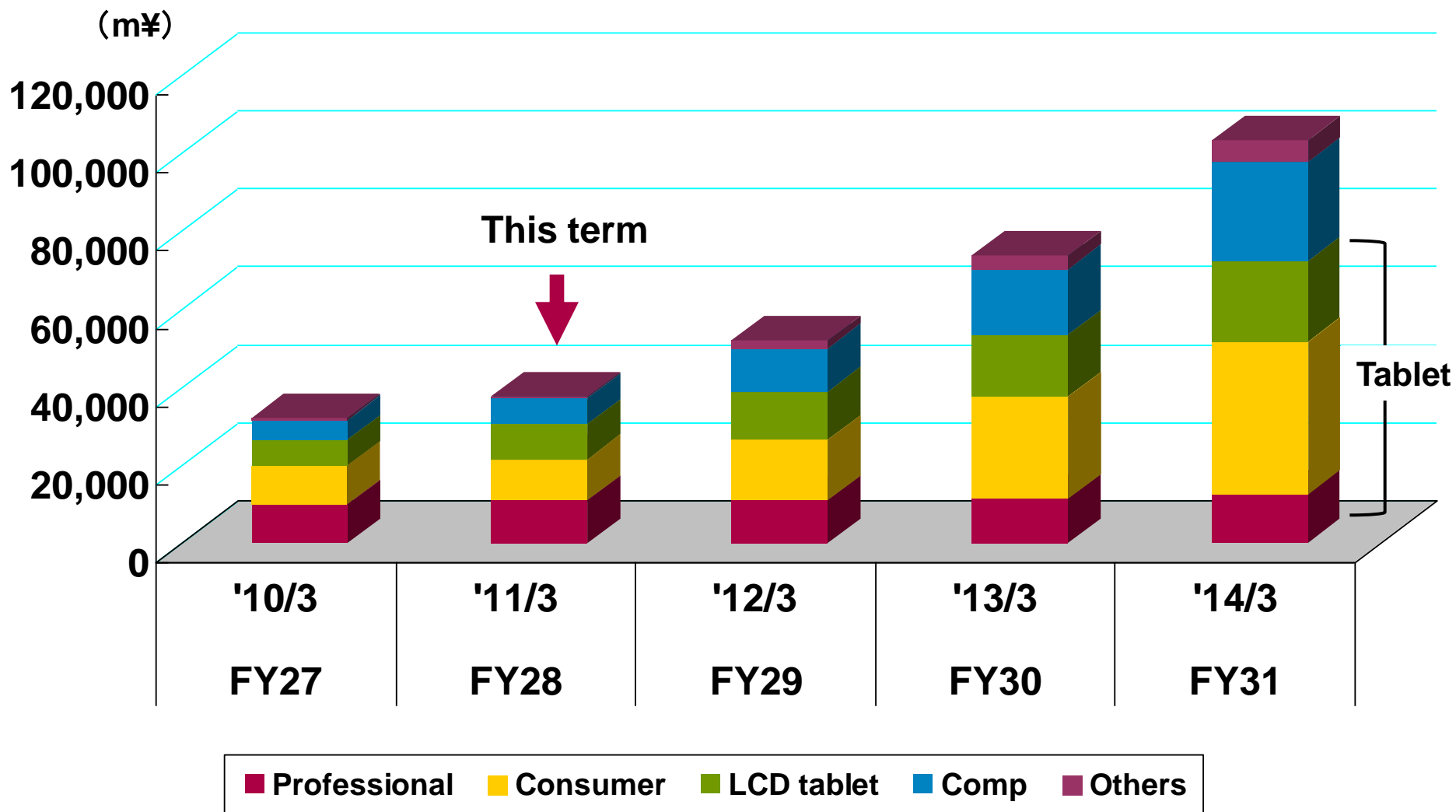
**Global De-facto Standard  
in New Digital Paper Era**

- **Pen**
- **Multi-touch**
- **Display**
- **New UI technologies**

- **Integrated UI Solutions**

*feel*

# Revenue by Product Line

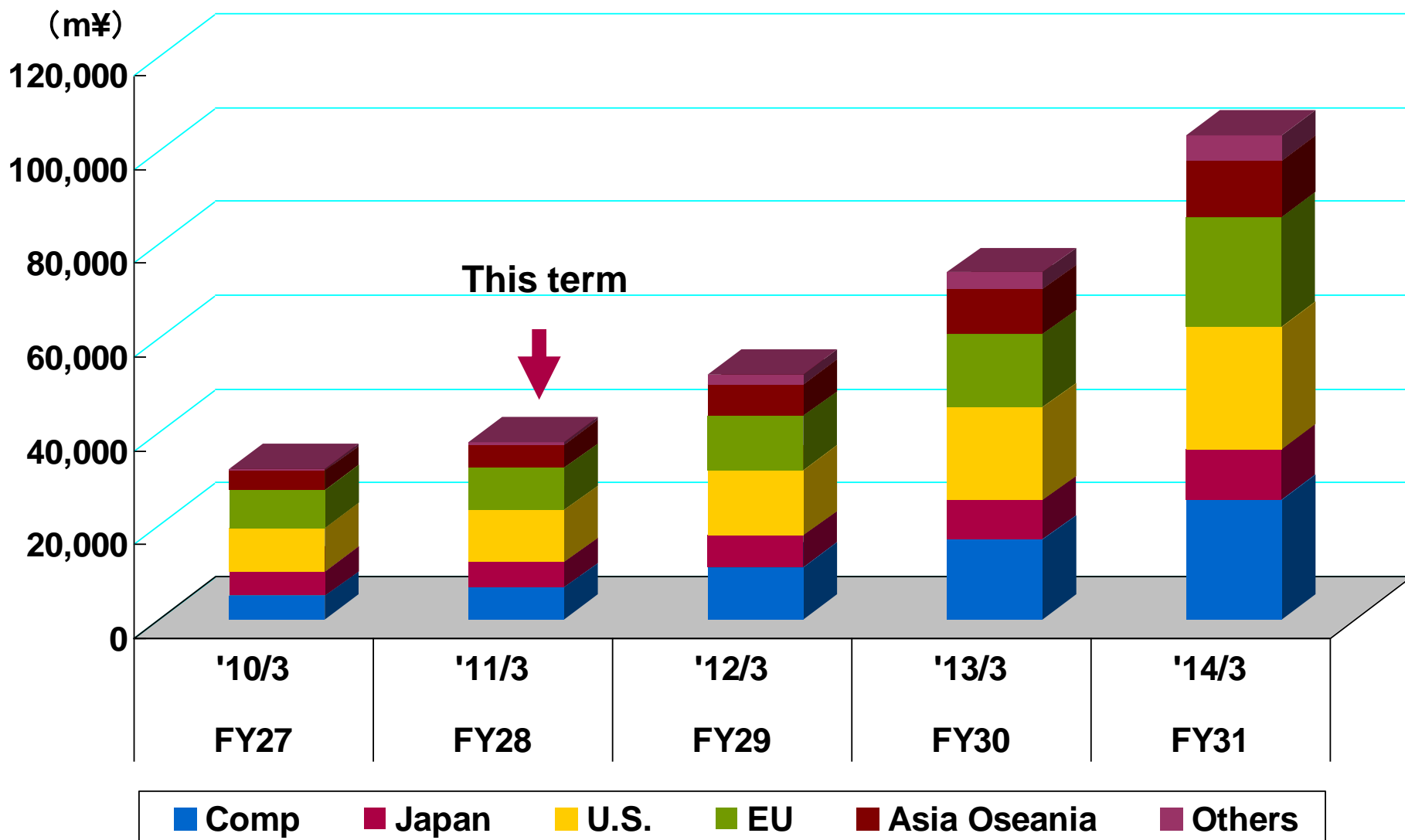


# Global Strategies

- **Enhancement of the leadership in key advanced regions**
  - Expansion of partnerships in professional market
  - Enhanced brand communication and expansion of consumer market
  - Expansion of business solution segments such as medical, education, and paperless office
- **Growth and brand establishment in emerging regions**
  - Acceleration of the growth in China and Asia Pacific
  - Development of business infrastructure in India and South
  - Establishment of brand awareness in emerging regions
- **Build globally optimized manufacturing operation**
  - Enhancement of SCM operations in China and Taiwan
  - Enhanced collaborating with manufacturing partnerships
  - Global SCM operation supported by global IT system
- **Build global R&D organization**
  - Enhancement of R&D organizations and personnel



# Revenue by Region



# UI Paradigm Shift



for everyone in the world  
anywhere in the world  
simple, natural, and easy  
for interaction and sharing  
fun and always connected

# Simple, Natural, Intuitive.

## Fun & Connected



Open up.  
Sense more.



# 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.

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