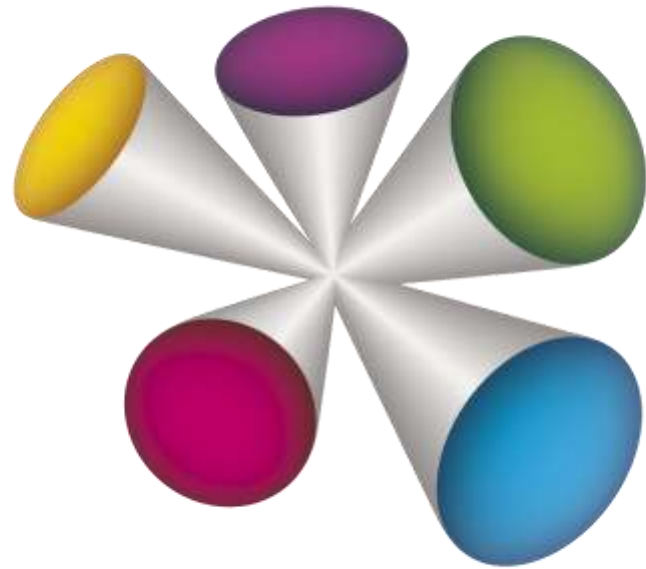


# Business Report

FY29 Apr. 2011-Sep. 2011

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



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# FY29-2Q Consolidated Result Summary

## Business Environment

- As economic uncertainty in US and credit risk in Europe increase, the pace of emerging market growth slowed down. Japanese yen accelerated appreciation against the US dollar and Euro.
- Supply chain disruptions caused by Great East Japan Earthquake settled during 1Q. The impact on domestic demand remained within the assumptions. Flood disaster in Thailand has become a new global supply chain risk and requires close attention.
- In IT field, smart phones and tablet devices grew rapidly as new platforms. PC manufacturers and handset makers expanded their product lines.
- Digital signature market expanded and the interest in ink input grew in smart phone and tablet platforms.

# FY29-2Q Consolidated Result Summary

## Business Overviews

- Positive revision of 2Q result thanks to favorable sales of professional LCD tablets, Bamboo Stylus for iPad and component growth.
- Component sales grew with the increased demand for Tablet PCs and gained momentum in e-Book and smart phone segments.
- Component business profitability returned. Other businesses (CAD software) also secured profit. Posted an extraordinary loss in 1Q due to the withdrawal from the pension fund.
- Started the repurchase of shares from August.  
(Up to 10,000 shares Up to JPY 1.0 bn)

# FY29-2Q Consolidated Result Summary

## Business Overviews

- For FY29 financial forecast the currency exchange rate was revised again reflecting the recent trends.

New assumptions: 1US dollar = ¥77.0, 1Euro = ¥105.0

- FY29 financial forecast remained the same as previously released on April 27th.

# FY29-2Q Consolidated Result Summary

## Summary of Financial Result

(JPY)	FY29 2Q	YOY	Constant Currency Basis
Sales	16.05bn	+0.8%	+6.6%
Operating Profit	0.89bn	-24.0%	-21.5%
Recurring Profit	0.89bn	-33.5%	
NPBT	0.74bn	-41.7%	
Net Profit aft. Tax	0.54mil	-37.6%	
	FY29 2Q	FY28 2Q	
EPS	1,351	2,162	
BPS (Book Value per Share)	42,199	46,020	

+6.6%

-21.5%

Extraordinary Loss allowance for the withdrawal from pension fund 131 mil JPY in1Q

Repurchase of Own Shares 5,000 shares (439mil) as of Sep. 2011

# Consolidated P/L

(mil JPY)

	FY28 2Q	FY29 2Q	YoY Change	
	'10/4-'10/9	'11/4-'11/9	Amount	Ratio
Sales	15,923	16,051	128	0.8%
Gross Profit	7,375	7,358	- 17	-0.2%
GPM	46.3%	45.8%		
Operating Profit	1,174	892	- 282	-24.0%
OPM	7.4%	5.6%		
Recurring Profit	1,339	890	- 449	-33.5%
Net Profit aft. Tax	869	542	- 327	-37.6%

- Average FX rates: FY28 2Q JPY 88.85/USD JPY 114.82/EUR  
FY29 2Q JPY 79.73/USD JPY 114.09/EUR

**Effects of foreign exchange : Sales - 920mil  
(JPY appreciation) OP - 30mil**

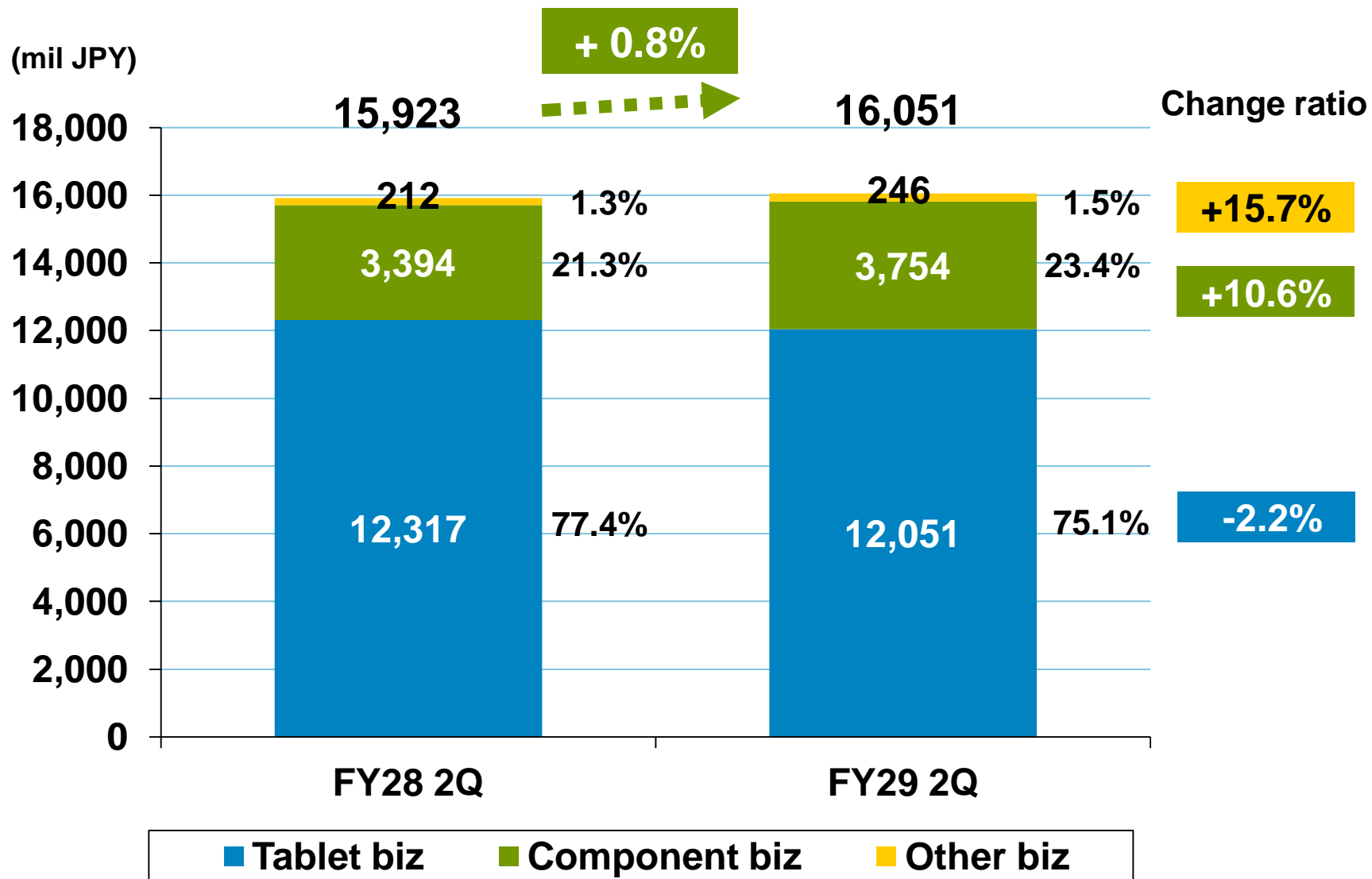
# Consol. P/L by Business Segment

(mil JPY)

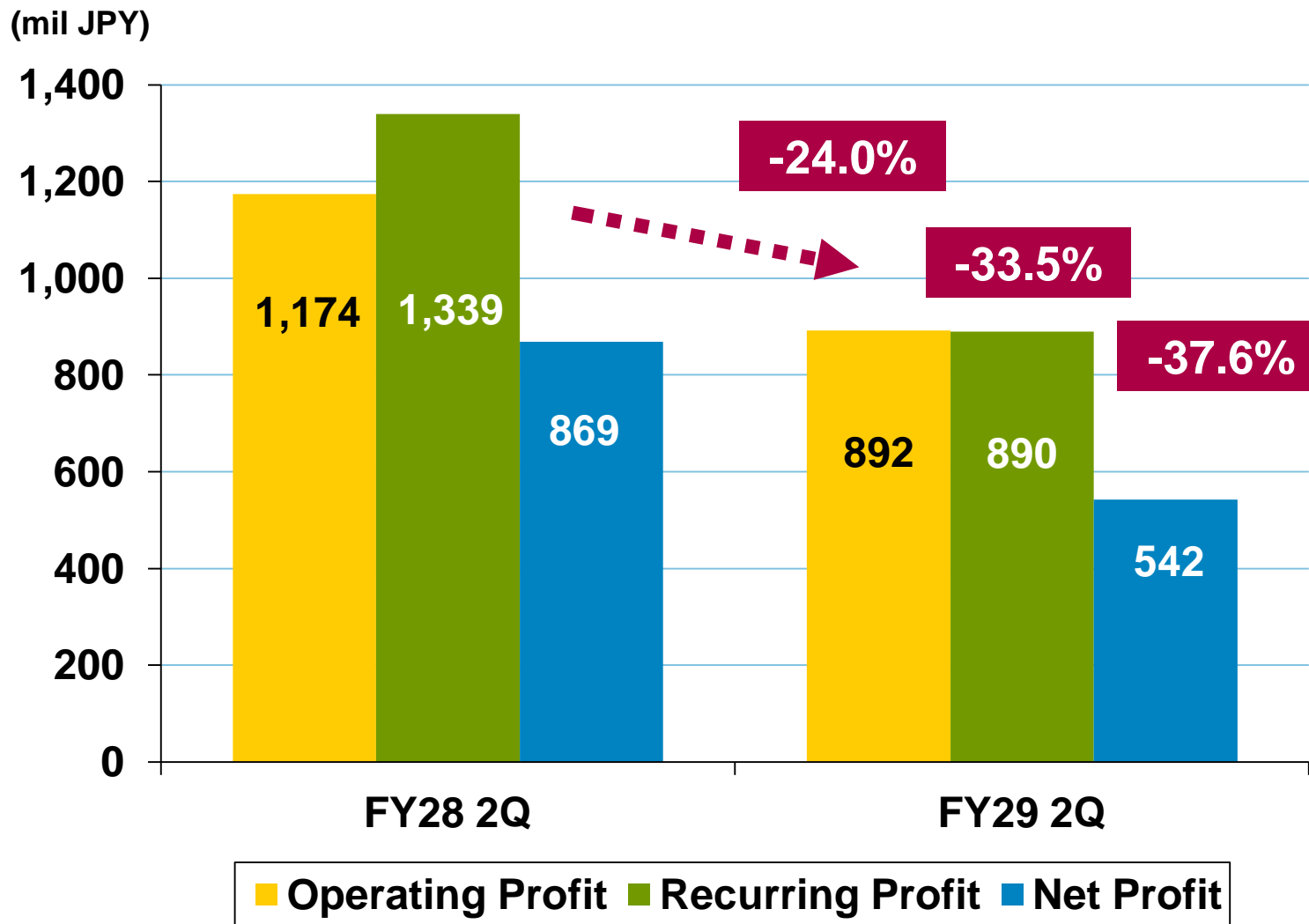
	FY28 2Q	FY29 2Q	YoY Change	
	'10/4-'10/9	'11/4-'11/9	Amount	Ratio
Sales	15,923	16,051	128	0.8%
Tablet biz	12,317	12,051	-266	-2.2%
Component biz	3,394	3,754	360	10.6%
Other biz	212	246	34	15.7%
Operating Profit	1,174	892	-282	-24.0%
Tablet biz	2,343	1,701	-641	-27.4%
Component biz	-102	200	302	-
Other biz	-73	60	133	-
Corp. and others	-993	-1,069	-76	7.6%
OPM	7.4%	5.6%		



# Consolidated Sales Comparison



# Consolidated Profit Comparison



# Operating Expenses Comparison

(mil JPY)

	FY28 2Q	FY29 2Q	YoY Change	
	'10/4-'10/9	'11/4-'11/9	Amount	Ratio
<b>Personnel</b>	2,332	2,521	189	8.1%
<b>R&amp;D</b>	602	848	246	40.8%
<b>Ad. &amp; Promo.</b>	994	921	-73	-7.3%
<b>Other</b>	2,272	2,175	-97	-4.3%
<b>Total</b>	6,200	6,466	265	4.3%
<b>Opex/Sales ratio</b>	38.9%	40.3%		

## Key changes

- Increase : R&D expense for new products. Personnel expenses due to the expansion in overseas operations.
- Decrease : Control of advertising expense before the new product introduction. Decrease of air freight cost compared to the previous year, etc.

# Business Highlight -1

## Tablet Business

**-2.2%**

### Professional Products

**-1.7%**

### Pen Tablets **-9.3%**

- Sales of “Intuos4” decreased due to the slowdown of corporate investments in Japan.
- Other regions mostly kept steady business in local currencies despite strong JPY.

### LCD Tablets **+19.7%**

- “Cintiq 21UX” recovered from the shortage of high end LCD panels.
- Launched “Cintiq 24HD” as the flagship product in professional LCD tablet line. Started with strong demand and high reputation from the professional market.

**intuos<sup>4</sup>**



**Cintiq<sup>24HD</sup>**  
interactive pen display



**wacom**

# Business Highlight -2

## Consumer Products +11.6%

- Sales of “Bamboo” series increased globally even after 2 years from the initial release.
- Launched the 3rd generation products with improved multi-touch interface supporting 10 finger touch.
- Bamboo Stylus, a new pen product for iPad, recorded favorable sales and received high reputation from the global media.
- Bamboo Paper, a note-taking app for iPad added a new “pay-for” high function version and new free versions for Mac & PC

BAMBOO®



BAMBOO®  
STYLUS



BAMBOO®



# Business Highlight -3

## Business Products -29.2%

- Sales decreased due to the end of life of some OEM products in US market.
- Sales of digital signature products tripled as new projects in US and Japan took off following the leading EU markets.  
e.g. LaLaport (JPN), etc.
- Demand expanded in the medical segment in Japan despite the earthquake. Increasing demand in education and digital signature fields in Asian regions.

## Signature tablets, STU series



## DT / PL Series



# Business Highlight -4

## Component Business

+10.6%

- Sales of pen and multi-touch sensor systems expanded thanks to the strong demand for Tablet PCs in vertical markets.
- Samsung “Galaxy Note” adopted Wacom pen technologies, the first adoption of Feel IT Technologies in the smart phone market.
- Increased sales for e-Books with Android OS.
- Continued the development of IC controllers for smart phones and tablet-type markets.

## Customer models with Android OS



## Customer PC models with Windows OS



# Business Highlight -5

## Other Businesses

+15.7%

### **CAD software and others**

- ECAD DIO 2011 gained market momentum and showed stable sales growth in Japan.
- Enhancement in wire-harness design capability was well received by customers in the machinery industry and robots.

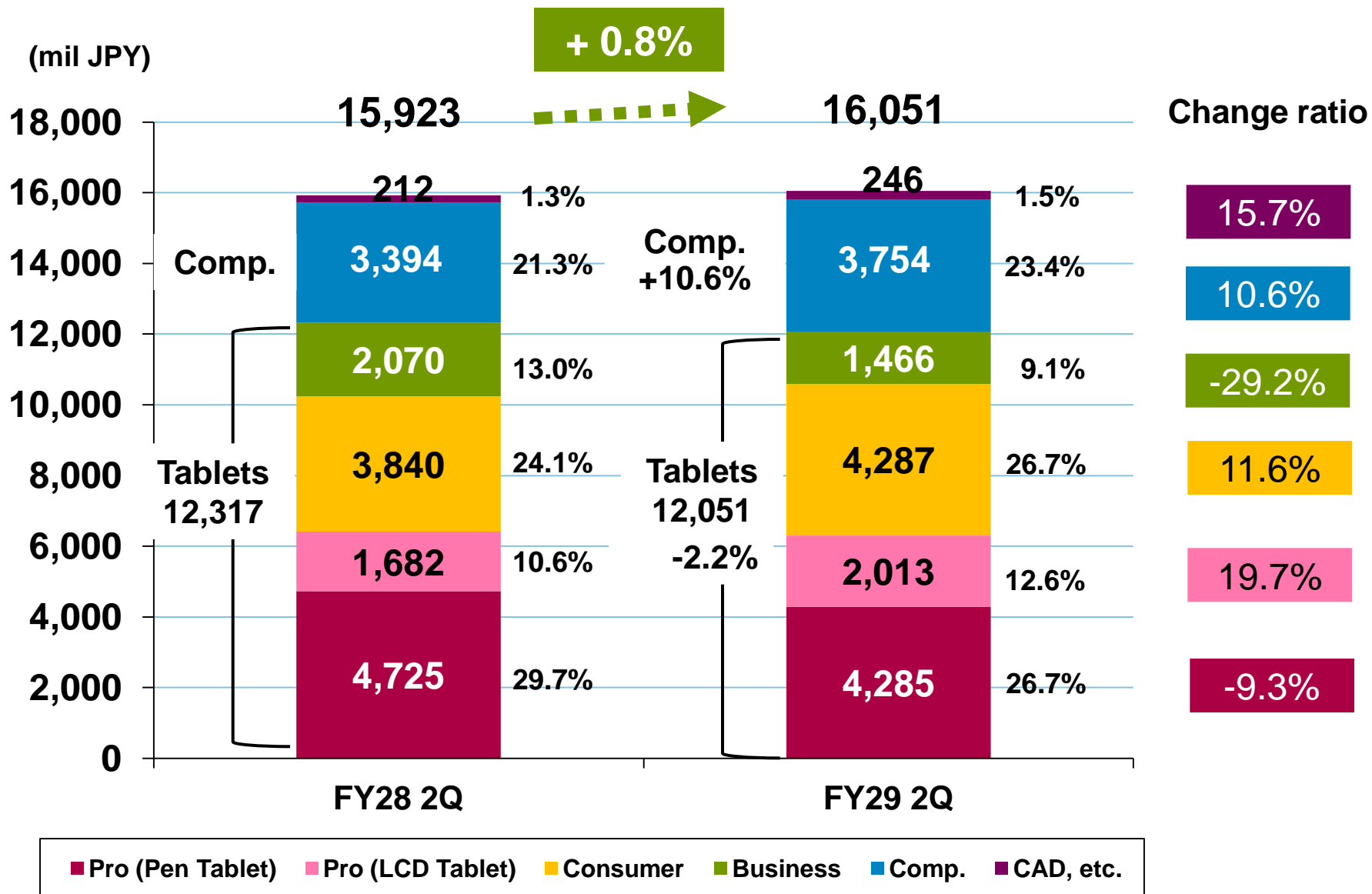


## F&A (Corporate)

- New ERP cut over in August with no major problem.
- Decided to withdraw from Saitama pref. industrial park employee's pension fund to reduce the financial risks. Reserved ¥131 mil. as the extraordinary loss associated with withdrawal in 1Q.
- Changed the accounting rule in revenue recognition from delivery base to customer acceptance basis according to IFRS.  
(Retroactive influence : FY10 2Q Sales ¥ -17.3 mil and OP ¥ -14.0 mil, etc.)



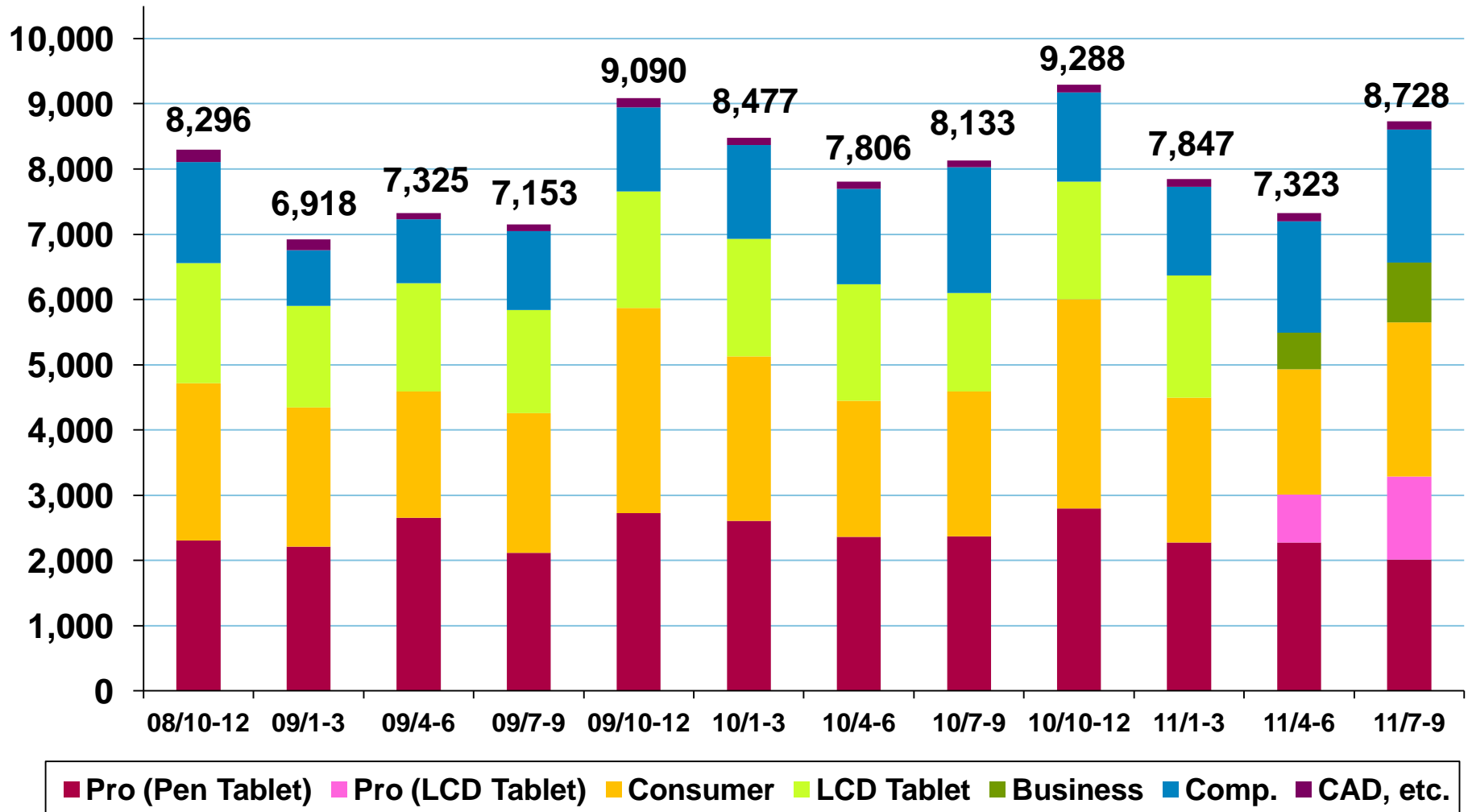
# Sales by Product Line



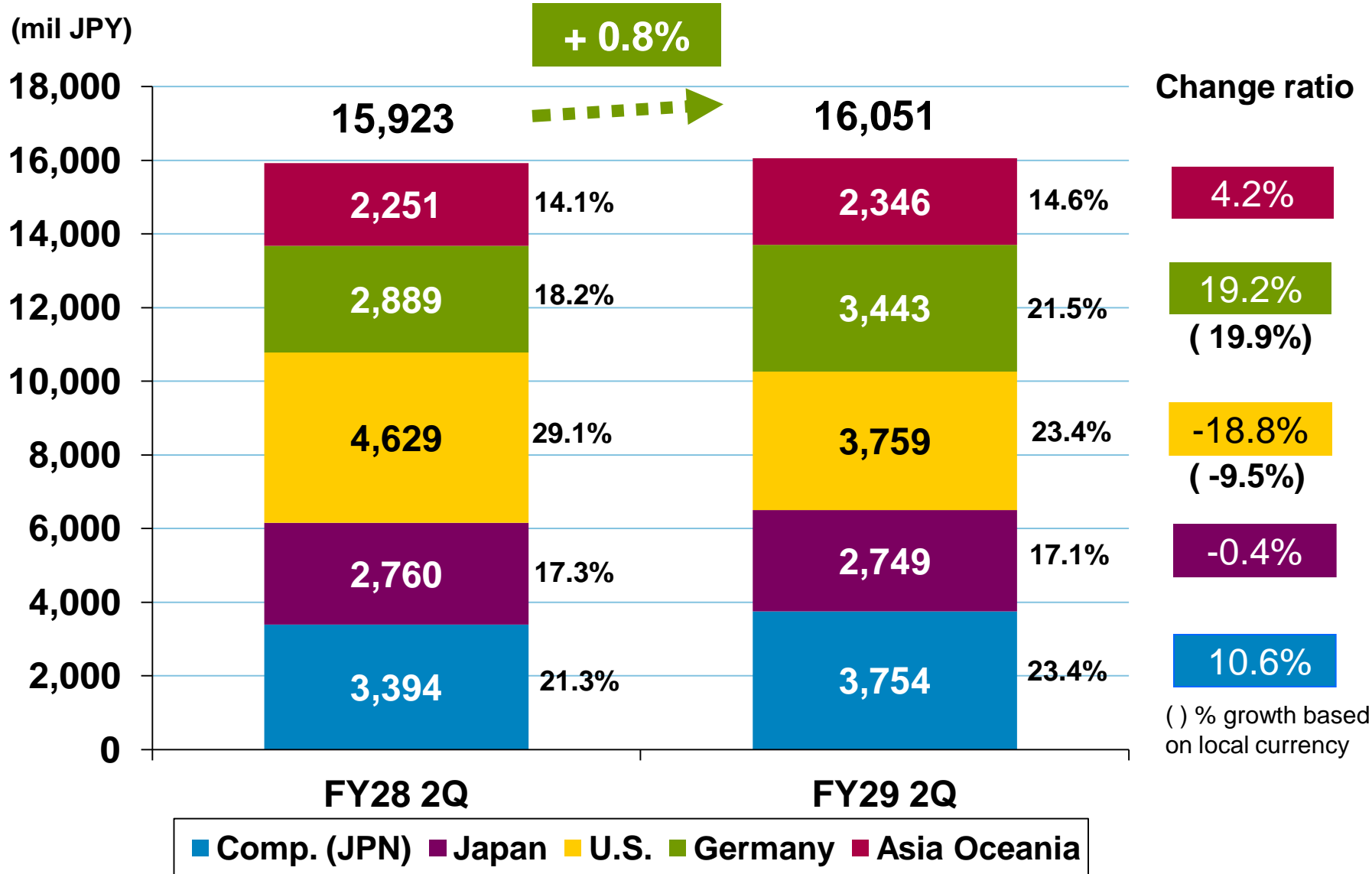
# Quarterly Trend by Product Line

The product lines are reorganized into new categories of “Pro (Pen)”, “Pro (LCD)”, “Consumer”, “Business”, “Comp.”, and “CAD, etc.” by use in FY11. As a result, “Cintiq series” included in “LCD” is reclassified in “Pro (LCD)” and some products included in “Consumer” is reclassified in “Business”.

(mil JPY)



# Sales by Region



# Sales by Region

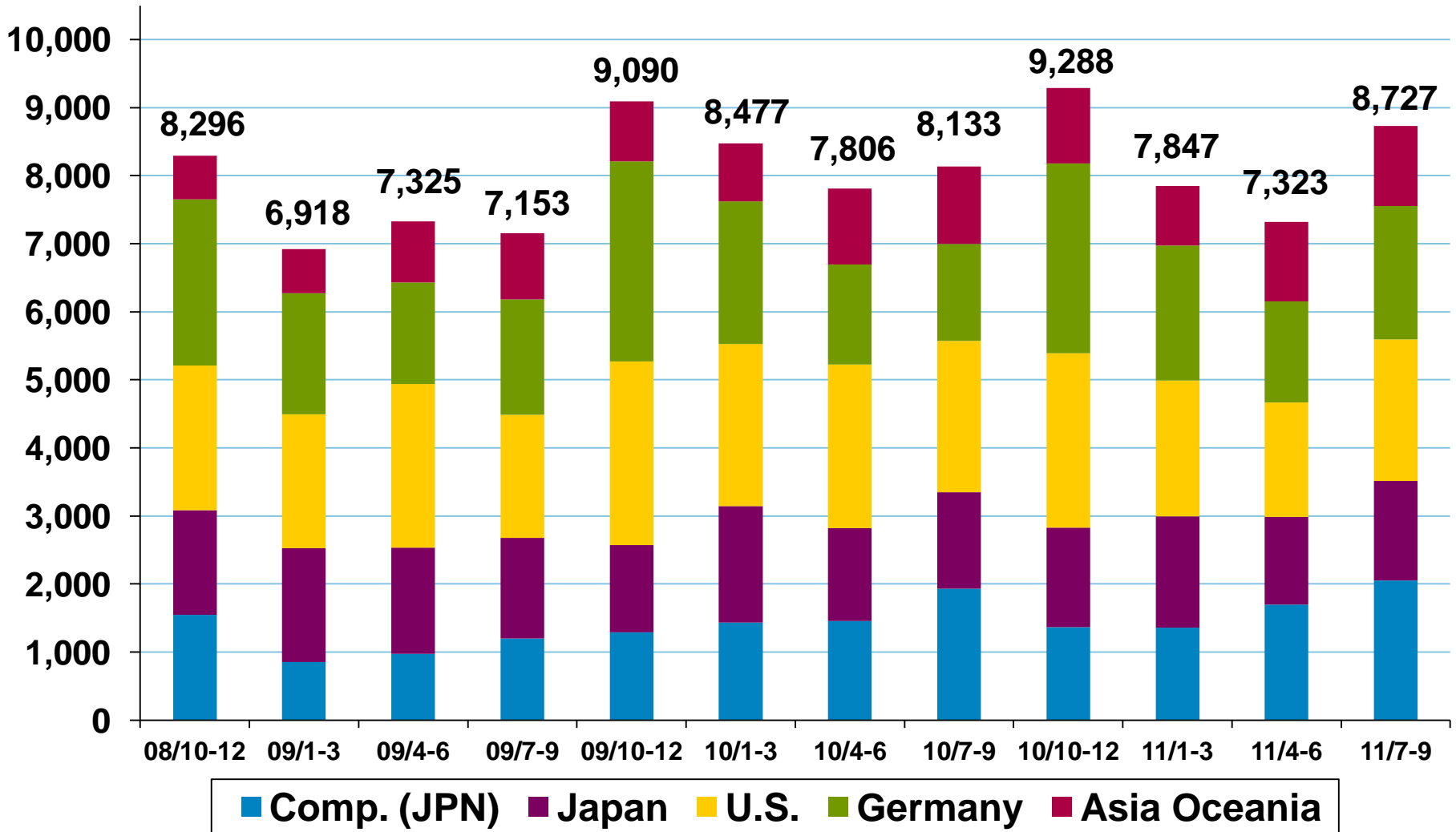
## YOY Sales growth based on local currencies

- **US (USD)** - 9.5%
- **EU (EUR)** 19.9%
- **China (CNY)** 15.5%
- **Korea (KRW)** - 0.5%
- **Australia (AUD)** - 2.5%
- **Hong Kong (USD)** - 3.4%
- **Singapore (USD)** 17.0%

**Main influence:  
the end of selling  
some OEM products**

# Quarterly Trend by Region

(mil JPY)



# Consolidated B/S

(mil JPY)

	Mar. 31, 2011	Sep. 30, 2011	Change
Current assets	20,950	20,994	44
Fixed assets	6,144	6,246	102
<b>Total assets</b>	<b>27,094</b>	<b>27,239</b>	<b>146</b>
Current liabilities	7,556	9,504	1,949
Fixed liabilities	1,056	978	-78
<b>Total liabilities</b>	<b>8,612</b>	<b>10,482</b>	<b>1,871</b>
Minority interest in subsidiaries	0	0	0
<b>Net assets</b>	<b>18,482</b>	<b>16,757</b>	<b>-1,725</b>
<b>Total liabilities and Net assets</b>	<b>27,094</b>	<b>27,239</b>	<b>146</b>
<b>Equity ratio</b>	<b>68.1%</b>	<b>61.8%</b>	<b>-6.3%</b>
<b>Book value per share (JPY)</b>	<b>45,996</b>	<b>42,199</b>	<b>- 3,797</b>

## Assets (mil JPY)

- Decrease in cash and cash equivalents. -1,336  
(Dividends payment, etc.)
- Increase in notes and accounts receivable 727
- Increase in other current assets 508
- Increase in inventories 83  
(For launch of new products, etc.)
- Increase in intangible fixed assets 172

## Liabilities

- Increase in notes and accounts payable 1,663
- Increase in allowance bonus payable 89

## Net assets

- Decrease of retained earnings -664  
(11/3 13,800 ⇒ 11/9 13,137)
- Repurchase of own shares -439

# Consolidated C/F

(mil JPY)

	FY28 2Q	FY29 2Q	YoY Change
	'10/4- '10/9	'11/4- '11/9	Amount
C/F from operating activities	-483	1,361	1,844
C/F from investing activities	-577	-699	-122
C/F from financing activities	-1,200	-1,634	-435
Effect of change in exchange rate	-279	-364	-86
Increase-decrease of cash & cash equivalent	-2,538	-1,336	1,202
Beginning balance of cash & cash equivalent	12,350	10,455	-1,895
Ending balance of cash and cash equivalent	9,812	9,118	-694

(mil JPY)

## C/F from operating activities

- Increase in notes and accounts payable 1,935
- Net profit before taxes 739
- Depreciation 453
- Increase in consumption tax payable 153
- Increase in notes and accounts receivable -1,438
- Increase in inventories -372
- Payment of corporate tax -242

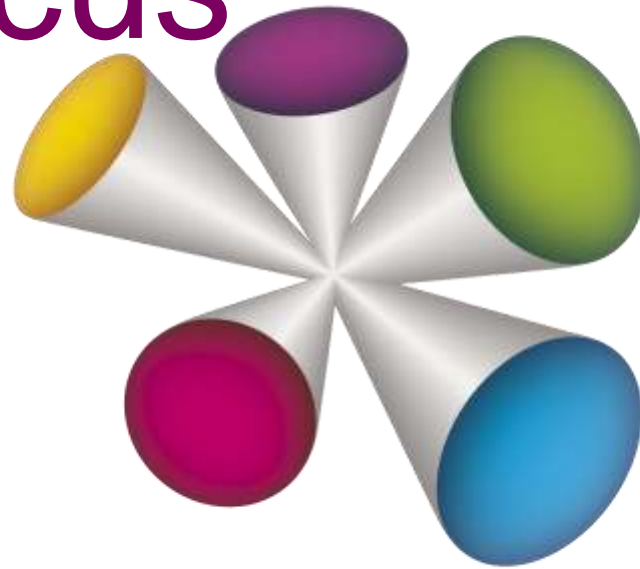
## C/F from investing activities

- Acquisition of internal software (Global ERP, etc.) -473
- Acquisition of fixed asset (Mold, etc.) -228

## C/F from financing activities

- Dividends payment -1,200
- Repurchase of own shares -440

# FY29 Basic Policy and Business Focus





# FY29 Basic Policy

## Business Environment -1

- Global economy recovering with growing uncertainties.  
Emerging regions continue to lead economic growth.  
While US economic recovery continues mildly, European financial uncertainties will continue in a seesaw status.  
Domestic economic slowdown by Earthquake disaster is temporary.
- Growth engine in global economy shifts from advanced countries to emerging countries.  
Slow growth in US and European market, Japanese economy slowdown by the Great East Japan Earthquake.  
High economic growth in China and India, higher weight in influence in the global market.

# FY29 Basic Policy

## Business Environment -2

- Smartphone, tablet and e-Books drive new IT market growth. iPad and Android-based tablets drive IT market growth and Windows based tablets will start gaining market share.  
Windows PC market growth will recover after Windows 8 OS releases.  
Quality of web applications improves and tablet devices will start gaining user base in corporate and business applications market.  
Multi-touch becomes the standard user interface.

# FY29 Basic Policy

## Wacom's business strategy

- Continue to respond to the earthquake impact and business risk management.

Restore and improve headquarters and manufacturing buildings.  
Secure manufacturing and SCM base and power saving measures.  
Secure product supply and SCM risk management with partnerships.

- Strengthen global leadership of Tablet business.

Launch new products in the professional and consumer markets.  
Expand emerging markets and reinforce brand.  
Expand pen products for tablet devices.  
Expand security solutions market.

- Grow component business.

Supply to smart phone and tablet device markets.  
Consistent business expansion in Windows PC market.  
Further innovation in pen and multi-touch technology and strengthen cost competitiveness.

# FY29 Basic Policy

## Wacom's business strategy

- Accelerate growth in emerging countries.  
Expand emerging markets including China and India.  
Reinforce organization, bring up human resources, and develop business foundation
- Reform business structure and strengthen competitiveness.  
Global headquarters for business administration.  
Enhance and promote global branding.  
Localization of SCM and QA functions and enforce ODM utilization.  
Reinforce basic technology development and improve application development capability.  
Global ERP in operation. (cut over in August)

# Assumptions for FY29 forecast

- Market demand for the latest forecast is based on the review in the middle of October.
- No major afterquake or disruption of manufacturing in Japan, and no major obstacles in manufacturing operation at partners by natural disasters overseas.
- No financial crisis by financial uneasiness in EU, and no major problem in the management of partners.

# Assumptions for FY29 forecast

- **Revised Average FX rate in FY29 2H as of Oct 1.**

USD: (Initial) JPY 82.5/USD → (1Q) JPY82.5/USD → **(Revised) JPY 77/USD**

EUR: (Initial) JPY120/EUR → (1Q) JPY110/EUR → **(Revised) JPY105/EUR**

- **Forecast of foreign exchange sensitivity (12 months)**

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

(mil JPY)

Currencies	US dollar	Euro
Unit of sensitivity	JPY 1	JPY 1
Sales	240	80
Operation profit	30	60

# Forecast of business results for FY29

(m¥)

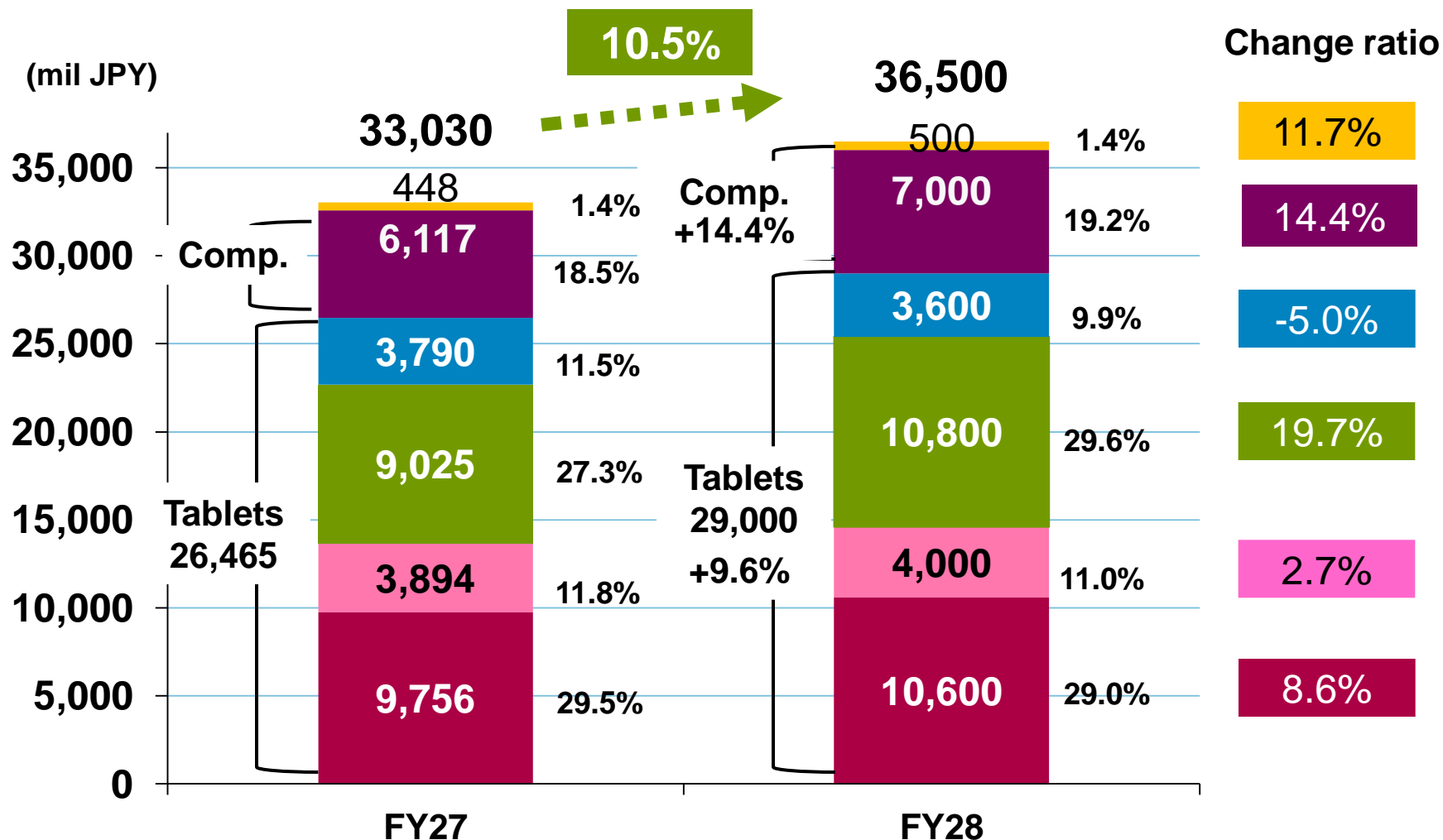
	FY28 2H		FY29 2H		YoY
	2010/10-2011/3		2011/10-2012/3		Growth rate
<b>Sales</b>	<b>17,107</b>		<b>20,449</b>		<b>19.5%</b>
<b>OP</b>	<b>2,078</b>	<b>12.1%</b>	<b>2,808</b>	<b>13.7%</b>	<b>35.1%</b>
<b>RP</b>	<b>2,024</b>	<b>11.8%</b>	<b>2,760</b>	<b>13.5%</b>	<b>36.4%</b>
<b>NP</b>	<b>1,098</b>	<b>6.4%</b>	<b>1,798</b>	<b>8.8%</b>	<b>63.8%</b>

	FY28		FY29		YoY
	2010/4-2011/3		2011/4-2012/3		Growth rate
<b>Sales</b>	<b>33,030</b>		<b>36,500</b>		<b>10.5%</b>
<b>OP</b>	<b>3,252</b>	<b>9.8%</b>	<b>3,700</b>	<b>10.1%</b>	<b>13.8%</b>
<b>RP</b>	<b>3,363</b>	<b>10.2%</b>	<b>3,650</b>	<b>10.0%</b>	<b>8.5%</b>
<b>NP</b>	<b>1,967</b>	<b>6.0%</b>	<b>2,340</b>	<b>6.4%</b>	<b>19.0%</b>

No change of the forecast from 27th April despite the revised assumption of FX rates.

# Sales forecast by BU segment



■ Pro (Pen Tablet) ■ Pro (LCD Tablet) ■ Consumer ■ Business ■ Comp. ■ Others



# Dividend Forecast for FY29

- **Dividend policy**

- Continue to payout stable dividends while maintaining internal reserves necessary for future business development.
- Payout ratio over 30% and to be increased over time.

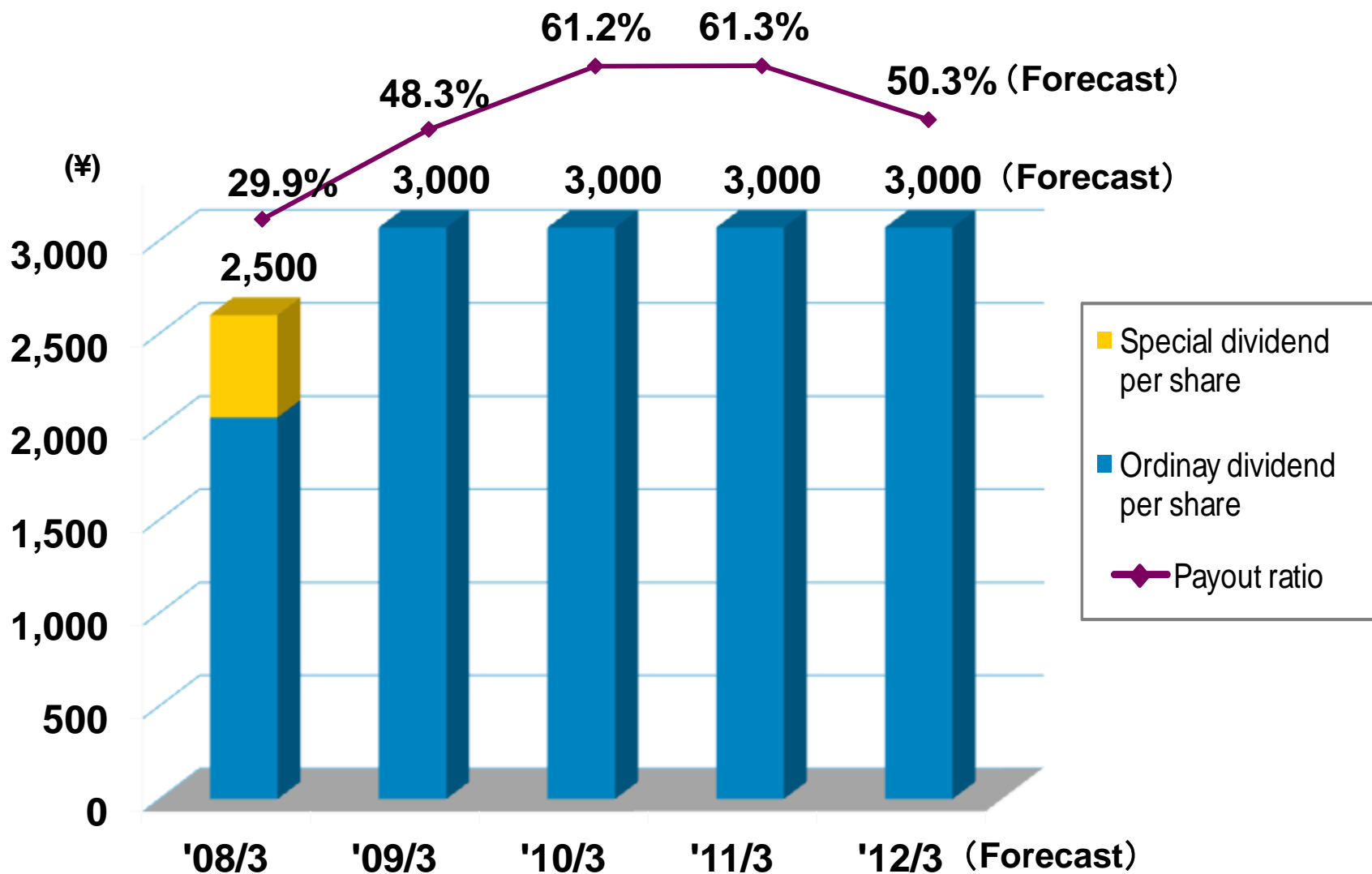
- **Dividend per share**

- JPY 3,000 per share.
- Payout ratio 50.3% (based on FY29 forecast)  
( After deducting repurchased stocks of 30,000 including the limit decided in August, 2011)

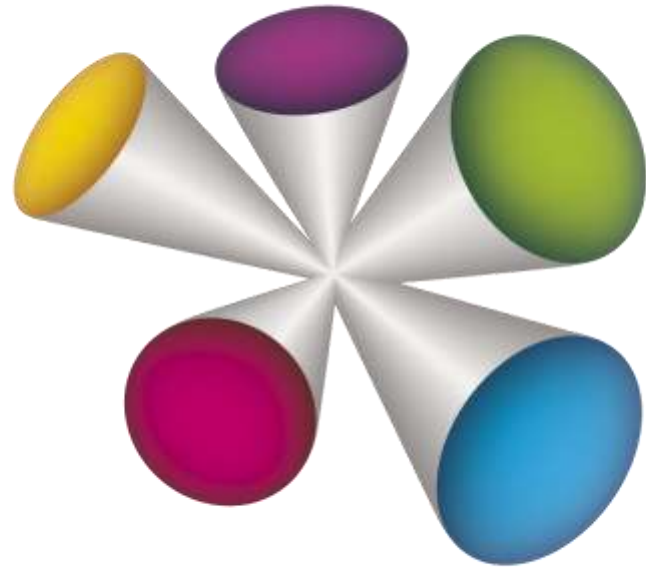
# Share repurchase program

- **Repurchase of own shares**
  - Total number of shares to be acquired: up to 10,000  
Equivalent of 2.37% of outstanding shares at Sep. 2011
  - Total cost of acquisition: up to 1.0bn JPY
  - Period of acquisition: From Aug. 12, 2011 - Dec. 30, 2011
- **Total payout to shareholders**
  - Total payout ratio: 93.0% (based on forecasted results)  
Forecasted dividends payout: 1.18bn JPY  
Max cost of share repurchase: 1.0bn JPY

# Dividends per Share



# Medium-Term Business Plan



# Medium-Term Plan - WP1015

## WP1015:Financial Goals

- Consolidated sales : 100 billion JPY or more.
- Consolidated operating income ratio : 15% or higher



Taking into account the rapidly changing business environment and results in FY28, plus the impact of the Great East Japan Earthquake, the original plan will not be achieved by FY31 and requires reconsideration.

In the meantime, while maintaining a priority for business risk management we aim for sales growth and improvement of operating margins, plus securing the achievement of annual plan.

# 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.

Wacom Co., Ltd.

<http://wacom.jp/en/company/outline/>

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