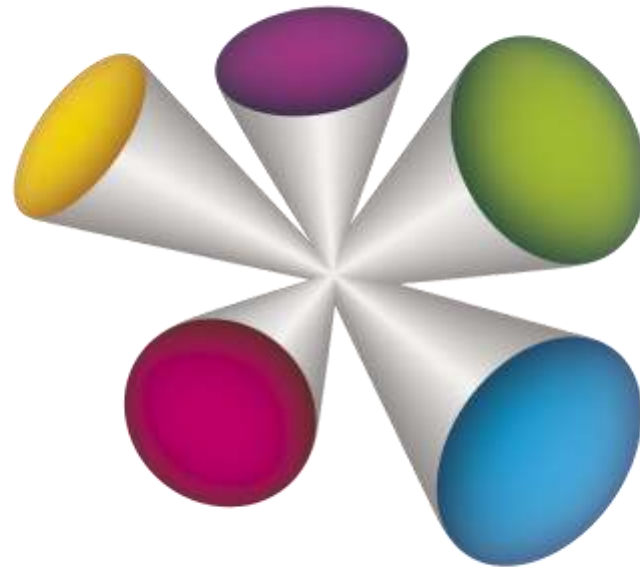


# Business Report

Apr. to Sep. 2012  
(2Q for FY 3/13)

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



# 2Q for FY 3/13 Results Overview

## Operating environment

- European credit crisis remained a major global risk while slowdown in US and Chinese economies have reached a plateau. Japanese yen, meanwhile, rapidly appreciated against the Euro.
- Smartphones and tablets grew rapidly while IT industry faced structural changes as OS makers developed their own product lines.

## Performance overview

- Achieved record consolidated sales for 2Q. LCD pen tablets and Bamboo Stylus from the Brand business contributed to growth while component sales for smartphones maintained strong momentum.
- Income, including one-off profit events, tripled YOY leading to record results and compensated for yen's strength against the Euro. Q2 net profit also reached a new high.
- Full year financial results forecasts revised for second time.

# 2Q for FY 3/13 Result overview

## Summary of financial result

(JPY)	2Q FY 3/13	YOY
<b>Sales</b>	<b>22.74 bn</b>	<b>+41.7%</b>
<b>Operating Profit</b>	<b>2.66 bn</b>	<b>+197.9%</b>
<b>Recurring Profit</b>	<b>2.67 bn</b>	<b>+200.0%</b>
<b>NPBT</b>	<b>2.67 bn</b>	<b>+261.6%</b>
<b>Net Profit aft. Tax</b>	<b>1.77 bn</b>	<b>+226.5%</b>
	2Q FY 3/13	2Q FY 3/12
<b>EPS</b>	<b>4,446</b>	<b>1,351</b>
<b>BPS</b> (Book value per share)	<b>47,689</b>	<b>42,051</b>
(Average FX rate)	1USD=79.43JPY	79.73JPY
	1EURO=101.12JPY	114.09JPY

# Consolidated P/L

(Unit: Million JPY)

	2Q FY 3/12	2Q FY 3/13	YOY Change	
	4/11-9/11	4/12-9/12	Amount	Ratio
Sales	16,051	22,742	6,692	41.7%
Gross Profit	7,424	9,892	2,468	33.2%
GPM	46.3%	43.5%		
Operating Profit	892	2,657	1,765	197.9%
OPM	5.6%	11.7%		
Recurring Profit	890	2,671	1,781	200.0%
Net Profit aft. Tax	542	1,769	1,227	226.5%

- Effect of foreign exchange by stronger yen: Sales -550 mil, OP -330 mil
- Change of depreciation method: COGS -71 mil, SG&A -25 mil
- Others: cost reduction in 1Q for an OEM project ended in previous FY

# Consolidated P/L by Business Line

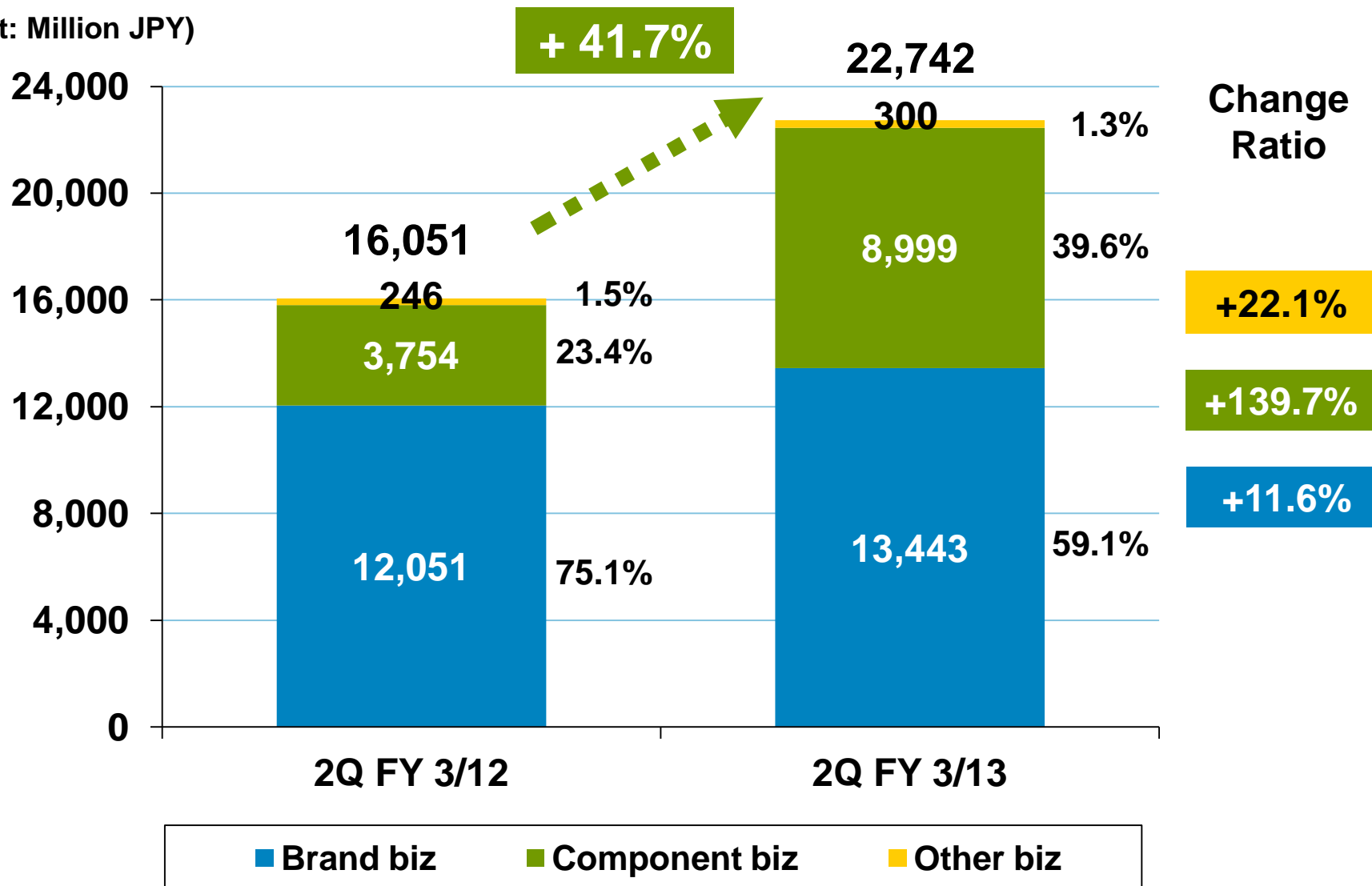
(Unit: Million JPY)

	2Q FY 3/12	2Q FY 3/13	YOY Change	
	4/11-9/11	4/12-9/12	Amount	Ratio
Sales	16,051	22,742	6,692	41.7%
Brand biz	12,050	13,443	1,393	11.6%
Component biz	3,754	8,999	5,244	139.7%
Other biz	246	300	54	22.1%
Operating Profit	892	2,657	1,765	197.9%
Brand Biz	1,701	2,505	804	47.2%
Component biz	200	1,240	1,040	520.0%
Other biz	60	52	-7	-12.3%
Corp. and others	-1,069	-1,140	-71	6.7%
OPM	5.6%	11.7%		

Note) “Tablet business” has been restarted as to “Brand business” from FY 3/13.

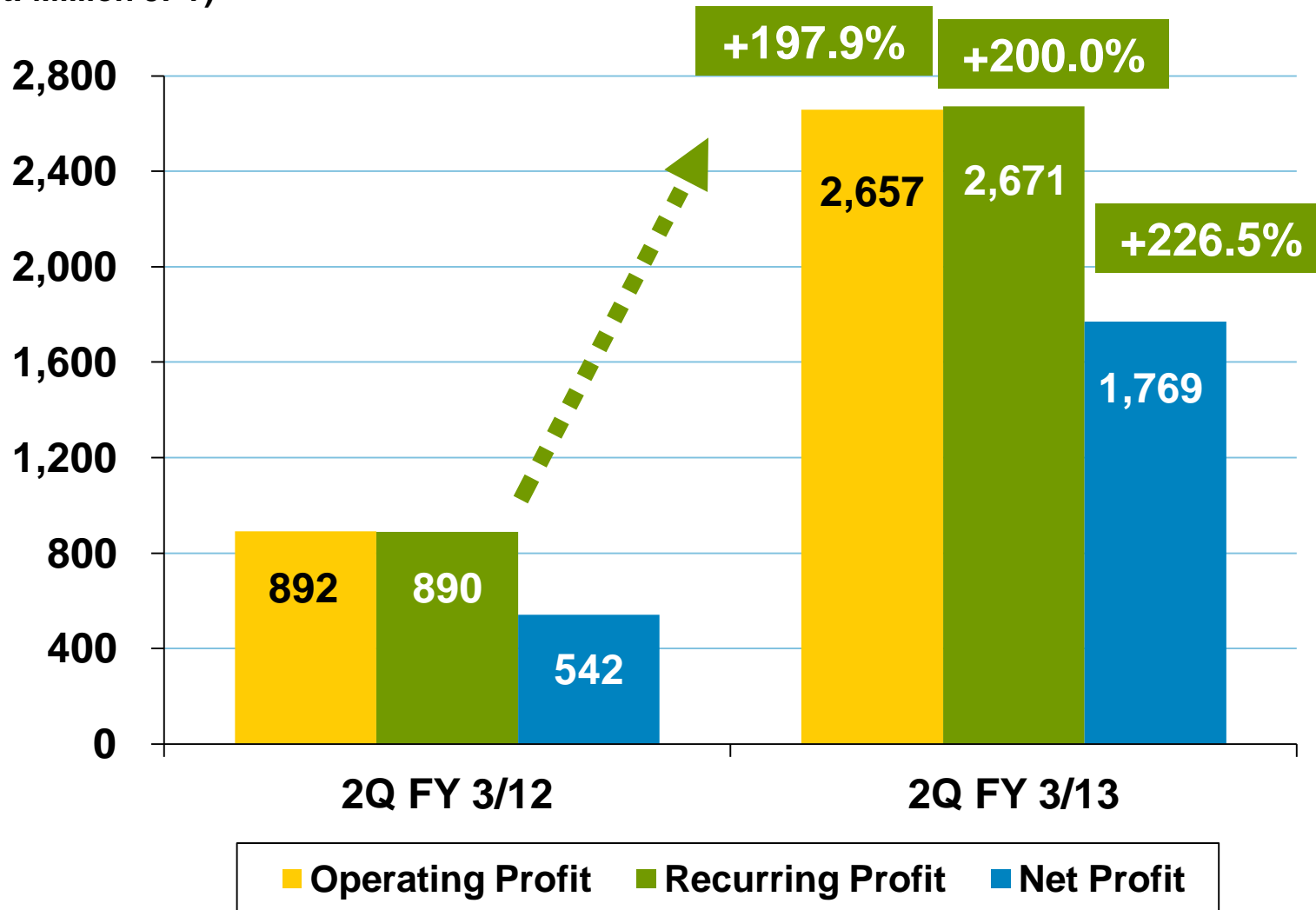
# Consolidated Sales Comparison

(Unit: Million JPY)



# Consolidated Profit Comparison

(Unit: Million JPY)



# Operating Expenses Comparison

(Unit: Million JPY)

	2Q FY 3/12	2Q FY 3/13	YOY Change	
	4/11-9/11	4/12-9/12	Amount	Ratio
<b>Personnel</b>	2,521	2,864	343	13.6%
<b>R&amp;D</b>	848	867	19	2.2%
<b>Ad. &amp; Promo.</b>	921	1,150	229	24.9%
<b>Others</b>	2,241	2,353	112	5.0%
<b>Total</b>	6,532	7,235	703	10.8%
<b>SG&amp;A Ratio</b>	40.7%	31.8%		

## Key changes

Increase: Increase of overseas personnel (No. of employees as of Sep. 30, FY 3/12 765 → FY 3/13 840), reserve for bonus, promotion cost for new products, and a one-off expense for Tokyo office relocation.



# Business Highlights: 1

## Brand Business

+11.6%

## Professional Products

+11.6%

## Pen Tablets

+1.0%

- Sales of *Intuos5* remained broadly in line with prev. 2Q due to stronger yen and overhang of *Intuos4*. Promoted new multi-touch features.
- *Inkling* garnered good reviews as a new digital stationery device.

## LCD Pen Tablets

+34.4%

- *Cintiq 24HD touch*, launched in July, was well received for unique UI integration of original pen and multi-touch technologies.
- *Cintiq 22HD*, released in July to replace *Cintiq 21UX*, garnered good reviews.

intuos<sub>5</sub>



Inkling™



Cintiq<sub>24HD touch</sub>



# Business Highlights: 2

## Brand Business

### Consumer Products **+18.4%**

- *Bamboo Stylus* sales benefited from introduction of new iPad and received favorable reviews for writing comfort. Also added *Bamboo Stylus pocket* to the lineup.
- *Bamboo Paper* hit 4.2 mil. downloads since launch, 10% follow-up purchase rate.
- Strong sales of pen tablets as *Bamboo series* expanded user base among graphics oriented consumers.

BAMBOO® STYLUS



BAMBOO® PAPER



BAMBOO®  
PEN & TOUCH



# Business Highlights: 3

## Brand Business

### Business Products

**-8.7%**

- Signature pen tablets increasingly adopted in financial sector in Europe and Japan. However, sales remained at the prev. 2Q level due to effect of a large sales event in FY 3/12.
- Decrease in non-signature categories due to end of US OEM supply and worsened sentiment
- Launched original digital annotation software *Wacom Allwrite* to support paperless workflow.

### Signature tablets, STU Series



### DT / PL Series



wacom®

# Business Highlights: 4

## Component Business +139.7%

- Digital pen supply for Samsung Galaxy Note series contributed to growth. Expanded global demand for pen input led to continued growth.
- Windows 8 and Android 4.0 support pen functions as standard features. New IC controllers developed for pen and multi-touch.
- Won Windows 8 based tablet projects, supplied components as of Q3

Smartphone, Tablet models on Android OS



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## PC models on Windows OS



# Business Highlights: 5

## Other Business

**+22.1%**

### **CAD software and others +22.1%**

- Strong growth of ECAD DIO software on reconstruction demand in Japan.
- Earned positive reviews from customers in machinery and robotics industries, gained new customers.

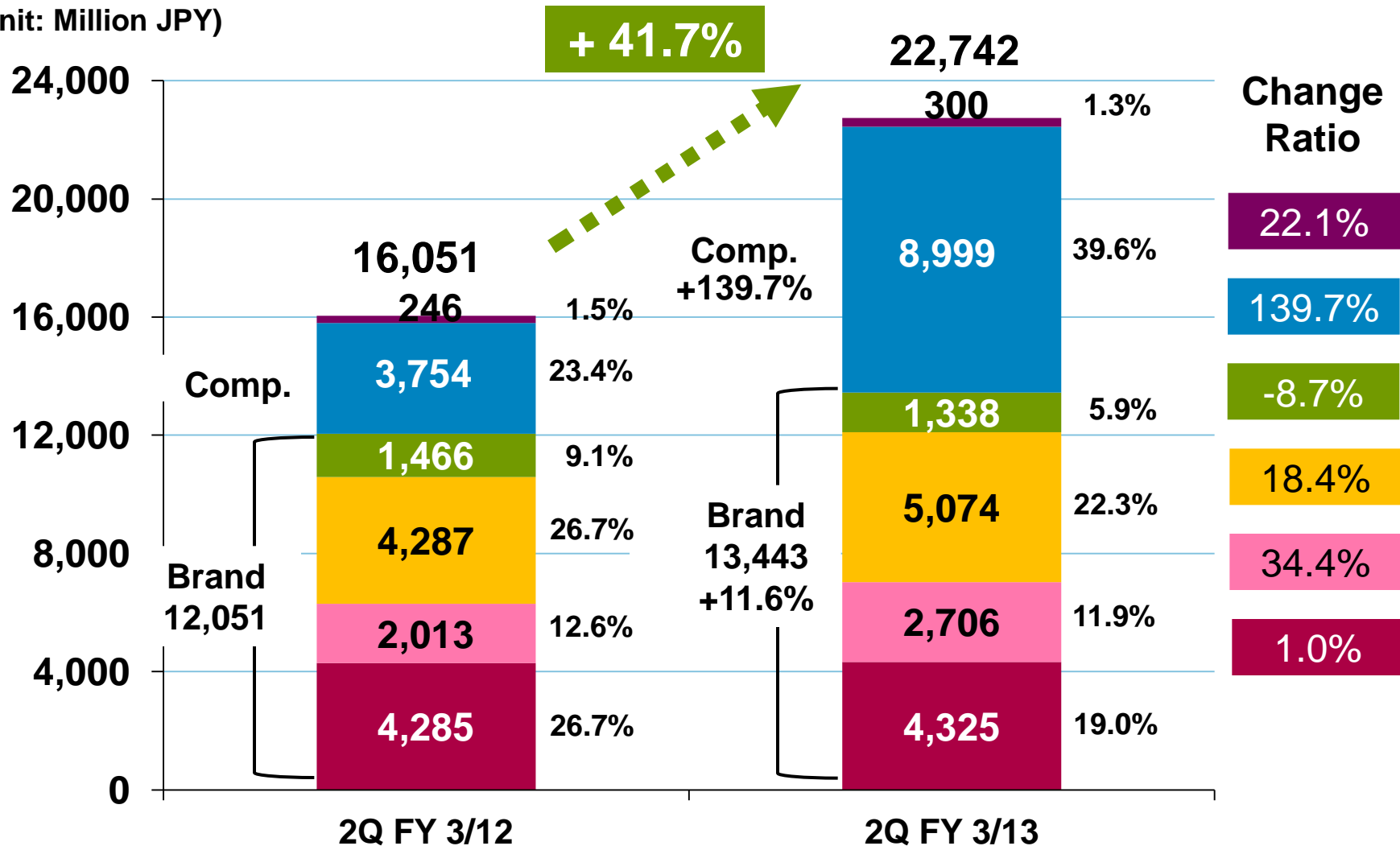


## F&A (Corporate)

- Developing global ERP system in Asia-Oceania region.
- Depreciation method of tangible fixed assets changed from declining-balance method to straight-line method in accordance with international accounting standards and as appropriate for the new economic environment.  
(Effect on 2Q operating profit: - ¥95.7 million)

# Sales by Product Line

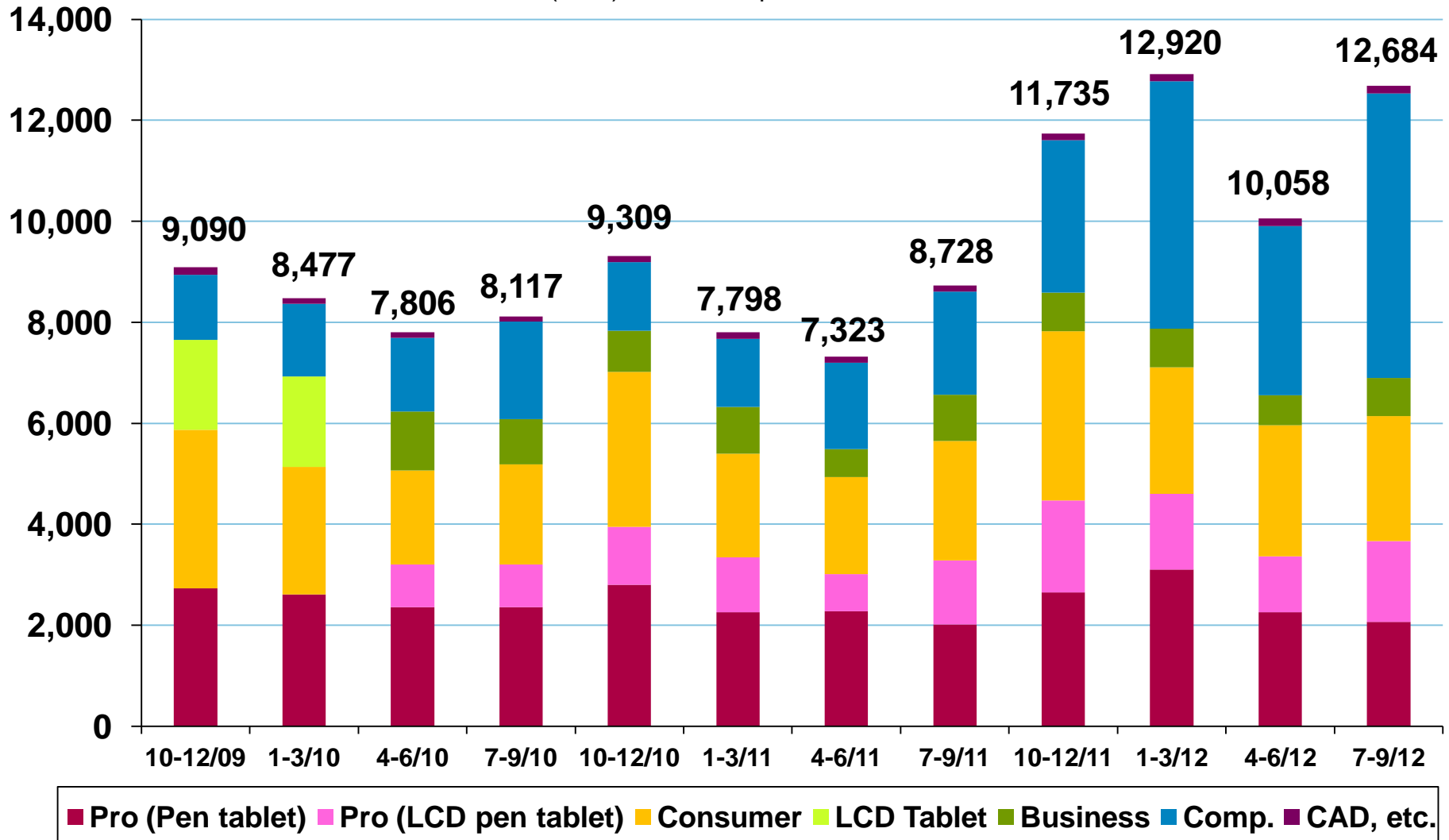
(Unit: Million JPY)



■ Pro (Pen tablet) ■ Pro (LCD pen tablet) ■ Consumer ■ Business ■ Comp. ■ CAD, etc.

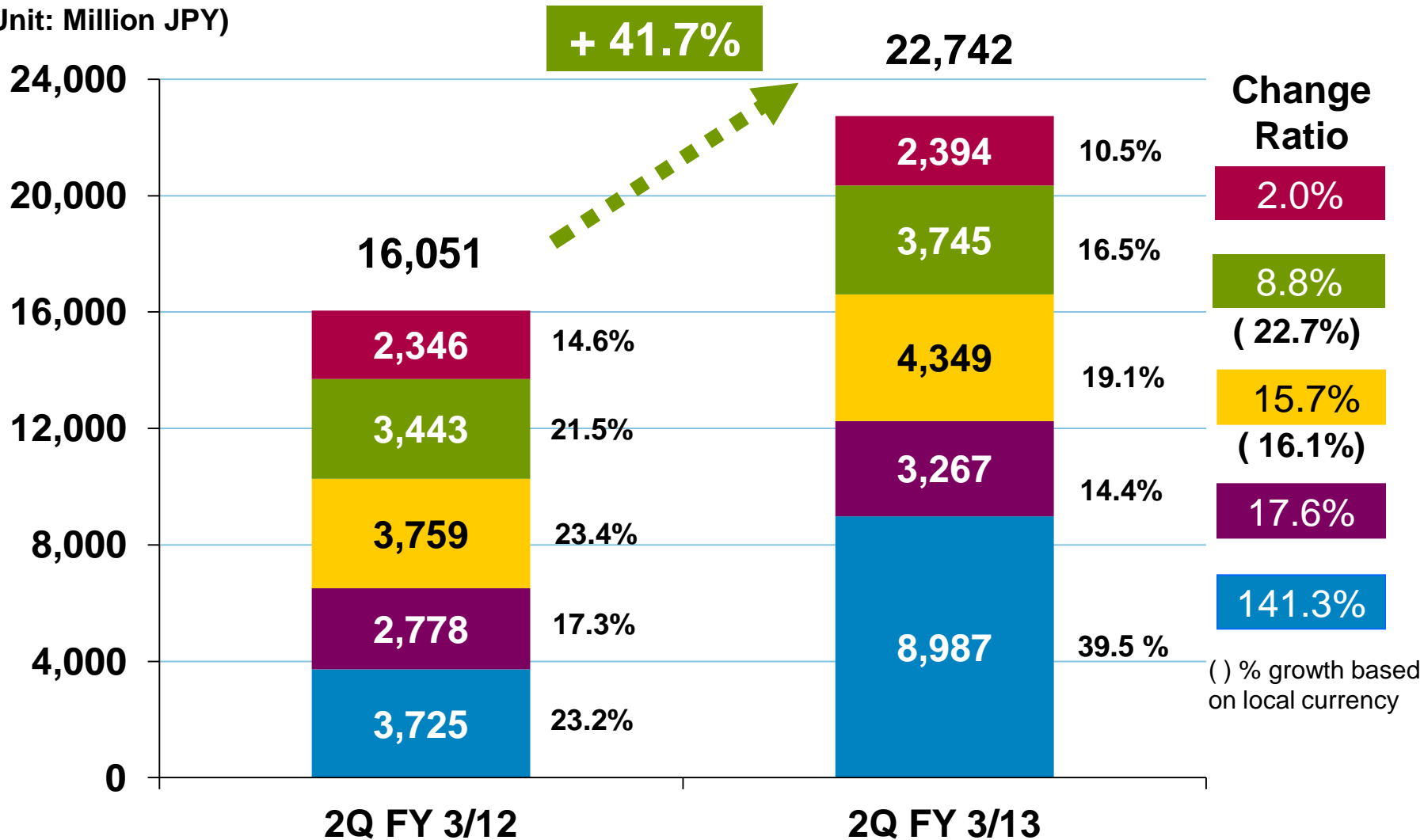
# Quarterly Trend by Product Line

(Unit: Million JPY) 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”.



# Sales by Region

(Unit: Million JPY)



■ Comp. (JPN) ■ Japan ■ U.S. ■ Germany ■ Asia Oceania



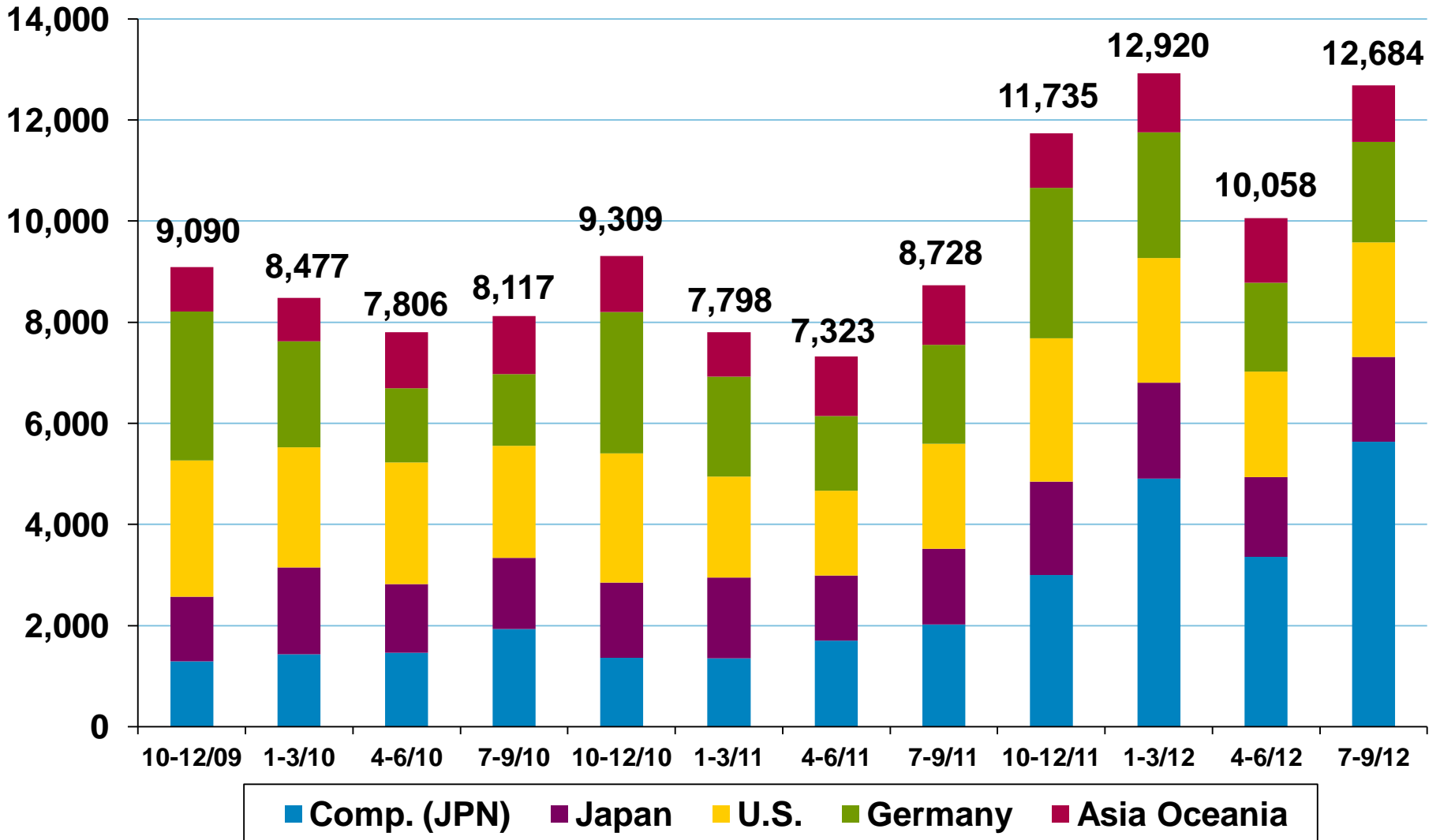
# Sales Changes for Local Currencies

- Sales expanded in Europe, US, and Asia-Oceania.

Region	Currency	YOY Change Ratio
U.S.	USD	16.1%
Europe	EUR	22.7%
China	CNY	-19.1%
Korea	KRW	25.7%
Australia	AUD	19.9%
Singapore	USD	40.4%
Hong Kong	USD	36.7%

# Quarterly Trend by Region

(Unit: Million JPY)



# Consolidated B/S

(Unit: Million JPY)

	End of Mar. 2012	End of Sep. 2012	Change
<b>Current assets</b>	<b>27,490</b>	<b>26,350</b>	<b>-1,140</b>
<b>Fixed assets</b>	<b>6,639</b>	<b>6,849</b>	<b>209</b>
<b>Total assets</b>	<b>34,129</b>	<b>33,199</b>	<b>-931</b>
<b>Current liabilities</b>	<b>14,196</b>	<b>12,989</b>	<b>-1,206</b>
<b>Fixed liabilities</b>	<b>1,016</b>	<b>1,118</b>	<b>102</b>
<b>Total liabilities</b>	<b>15,212</b>	<b>14,107</b>	<b>-1,104</b>
<b>Minority interest in subsidiaries</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net assets</b>	<b>18,918</b>	<b>19,092</b>	<b>174</b>
<b>Total liabilities and Net assets</b>	<b>34,129</b>	<b>33,199</b>	<b>-931</b>
<b>Equity ratio</b>	<b>55.2%</b>	<b>57.2%</b>	<b>2.0%</b>
<b>Book value per share (JPY)</b>	<b>47,350</b>	<b>47,689</b>	<b>339</b>

## Assets

- Decrease in cash and cash equivalents -2,309  
(Payment of income tax and dividends, etc.)
- Increase in notes and accounts receivable 560  
(Increase from increase in sales in Component business, etc.)
- Increase in inventories 379  
(Increase in preparing for growth in 3Q sales)

## Liabilities

- Decrease in notes and accounts payable -474
- Decrease in accounts payable other -254  
(Restoration in Headoffice)

## Net assets

- Increase of retained earnings 576  
(12/3 14,776 ⇒ 12/6 15,352)  
(Increase of net profit, etc.)

# Consolidated C/F

(Unit: Million JPY)

	2Q FY 3/12	2Q FY 3/13	YoY Change
	4/11-9/11	4/12-9/12	Amount
C/F from operating activities	1,361	-86	-1,447
C/F from investing activities	-699	-799	-100
C/F from financing activities	-1,634	-1,100	534
Effect of change in exchange rate	-364	-325	39
Increase-decrease of cash & cash equivalent	-1,336	-2,309	-973
Beginning balance of cash & cash equivalent	10,455	11,970	1,515
Ending balance of cash and cash equivalent	9,118	9,661	542

## C/F from operating activities

- Payment of income tax -1,211
- Increase in notes and accounts receivable -1,029
- Increase of inventories -699
- Increase in notes and accounts payable -284
- Net profit before taxes 2,672
- Depreciation 518

## C/F from investing activities

- Purchase of fixed assets -416  
(Mold, etc.)
- Purchase of in-house software  
(Global ERP, etc.) -327

## C/F from financing activities

- Dividends payment -1,192

# FY 3/13

# Basic Policy and Business Focus

# FY 3/13 Basic Policy and Assumptions

## Business environment

- Global economy to modestly recover bearing various risks such as prolonged credit crisis in EU. In the foreign exchange market, the Japanese yen will continue to be strong due to monetary policies in U.S.
- As economic growth in U.S., Europe, and Japan decelerate, emerging countries such as China and India will drive the global economy and be IT market growth engines.
- Smartphones, tablets and e-Books devices will replace PC's as the main IT platform and lead growth.
- In UI category, multi-touch will become standard and use of pen input will grow.

# FY 3/13 Basic Policy

## Wacom's core strategies

- Strengthen global leadership of Pen Tablet business.
  - Accelerate growth by launching new products and maximizing impact.
  - Expand pen products for tablet devices and establish a business model.
  - Expand product lines and growth in business solutions.
  - Enhance SCM function in China and expand local production systems.
  - Change “Tablet business” to “Brand business” and increase investment in global branding.
- Innovate Component business and accelerate growth.
  - Strengthen leadership in Android smartphone and tablet market.
  - Establish leadership in tablet devices on Windows OS.
  - Establish highly responsive SCM system for smartphone business.

# FY 3/13 Basic Policy

## Wacom's core strategies

- Build foundation and accelerate growth in Japan and Asia Pacific markets.
  - Create new demand in domestic market and enhance marketing in Asia.
  - Re-engineer business processes and establish “Shared Service Center”.
- Strengthen development of new technologies and new products.
  - Accelerate development of next generation UI technologies.
  - Build software business strategies and strengthen application development capabilities.
- Enhance competitiveness by global integration.
  - Strengthen global marketing collaboration and brand promotion.
  - Promote globalization of corporate functions.



# Assumptions for FY 3/13 Forecast

- Market demand based on review (mid-September. 2012).
- Revised FX rate assumptions since November in FY 3/13 (FX rates in October were TTM rates as of September 30.)
  - 1USD = 75 JPY (No revision)
  - 1EURO = 95 JPY (Revised) → 100 JPY
- Foreign exchange sensitivity: 12-month forecast

(Unit: Million JPY)

Currencies	USD	EURO
Unit of sensitivity	JPY 1	JPY 1
Sales	400	100
Operation profit	20	70

(A stronger yen has a negative effect while a weaker yen has a positive effect.)

# Forecast of Results for FY 3/13

(Unit: Million JPY)

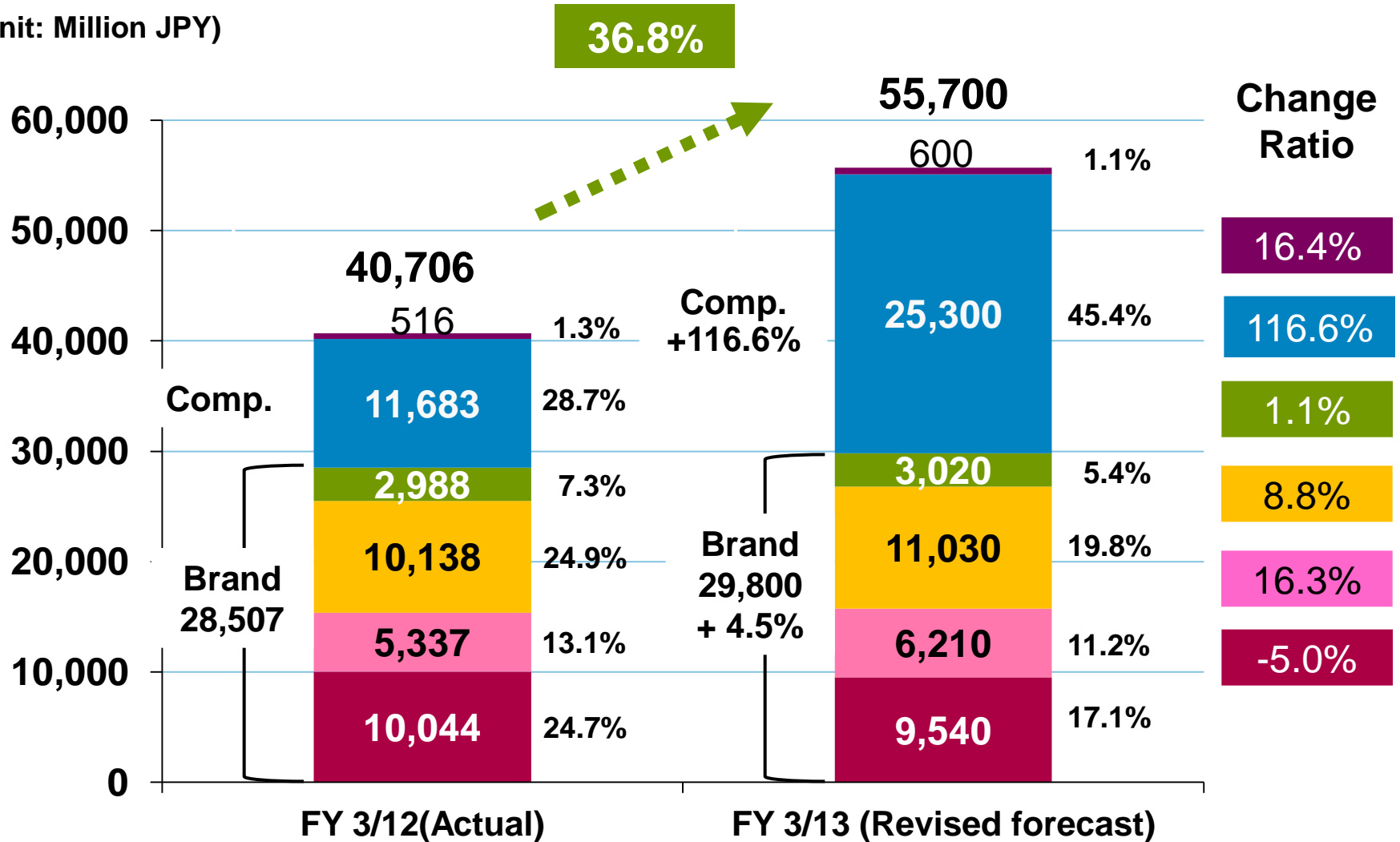
	FY 3/12 (Actual)		FY 3/13 (Revised)		YoY
	4/11-3/12		4/12-3/13		Growth rate
<b>Sales</b>	<b>40,706</b>		<b>55,700</b>		<b>36.8%</b>
<b>OP</b>	<b>4,067</b>	<b>10.0%</b>	<b>6,600</b>	<b>11.8%</b>	<b>62.3%</b>
<b>RP</b>	<b>3,892</b>	<b>9.6%</b>	<b>6,600</b>	<b>11.8%</b>	<b>69.6%</b>
<b>NP</b>	<b>2,181</b>	<b>5.4%</b>	<b>4,125</b>	<b>7.4%</b>	<b>89.1%</b>

	FY 3/13 (Prev. FCST as of July)		FY 3/13 (Revised)		YoY
	4/12-3/13		4/12-3/13		Growth rate
<b>Sales</b>	<b>52,400</b>		<b>55,700</b>		<b>6.3%</b>
<b>OP</b>	<b>6,000</b>	<b>11.5%</b>	<b>6,600</b>	<b>11.8%</b>	<b>10.0%</b>
<b>RP</b>	<b>5,870</b>	<b>11.2%</b>	<b>6,600</b>	<b>11.8%</b>	<b>12.4%</b>
<b>NP</b>	<b>3,820</b>	<b>7.3%</b>	<b>4,125</b>	<b>7.4%</b>	<b>8.0%</b>

- Compared with the previous forecast Component business will expand.

# Sales Forecast by Product Line (vs FY 3/12)

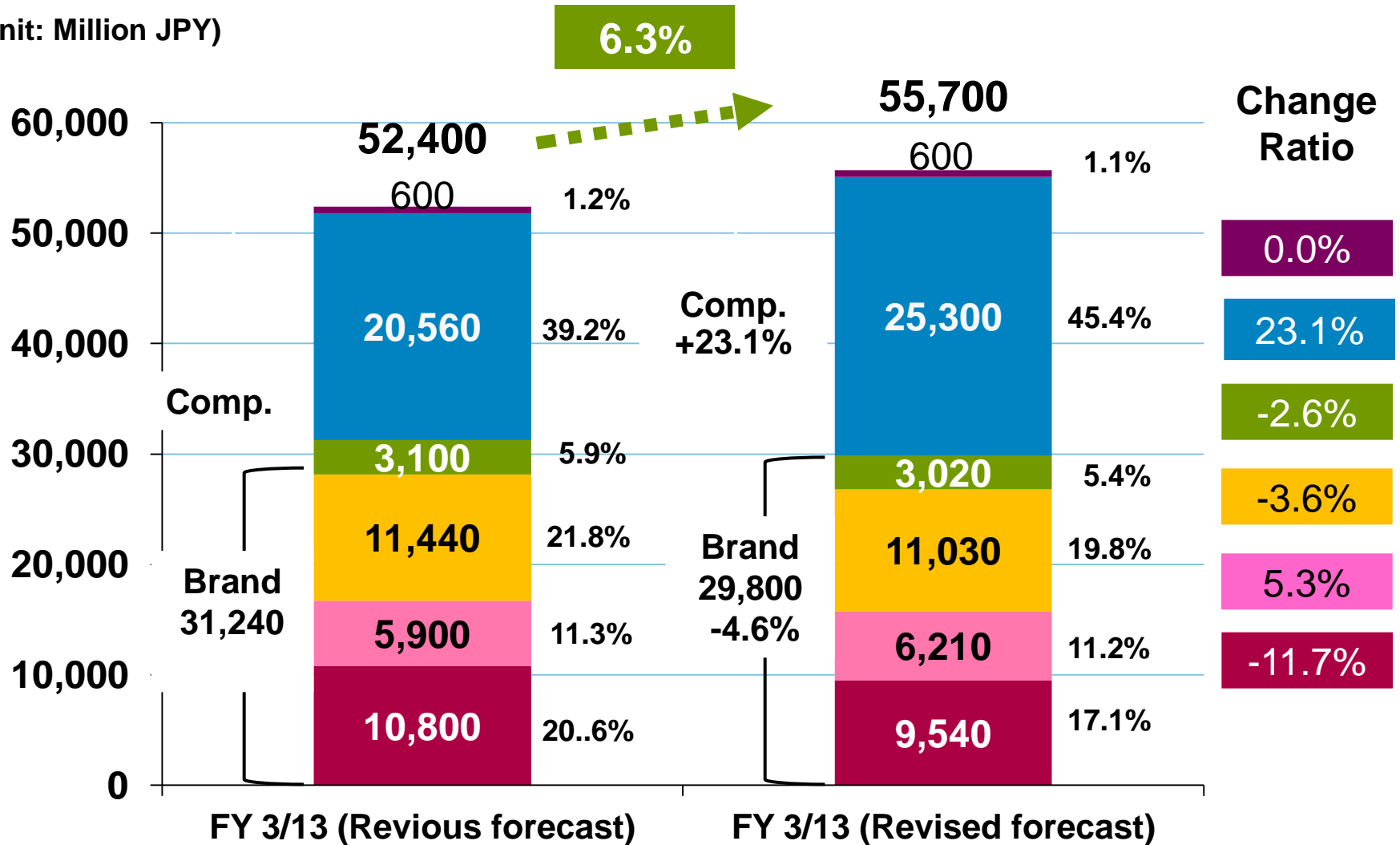
(Unit: Million JPY)



■ Pro (Pen tablet) ■ Pro (LCD pen tablet) ■ Consumer ■ Business ■ Comp. ■ Others

# Sales Forecast by Product Line (vs Prev.)

(Unit: Million JPY)



■ Pro (Pen tablet) ■ Pro (LCD pen tablet) ■ Consumer ■ Business ■ Comp. ■ Others

# Dividend forecast for FY 3/13

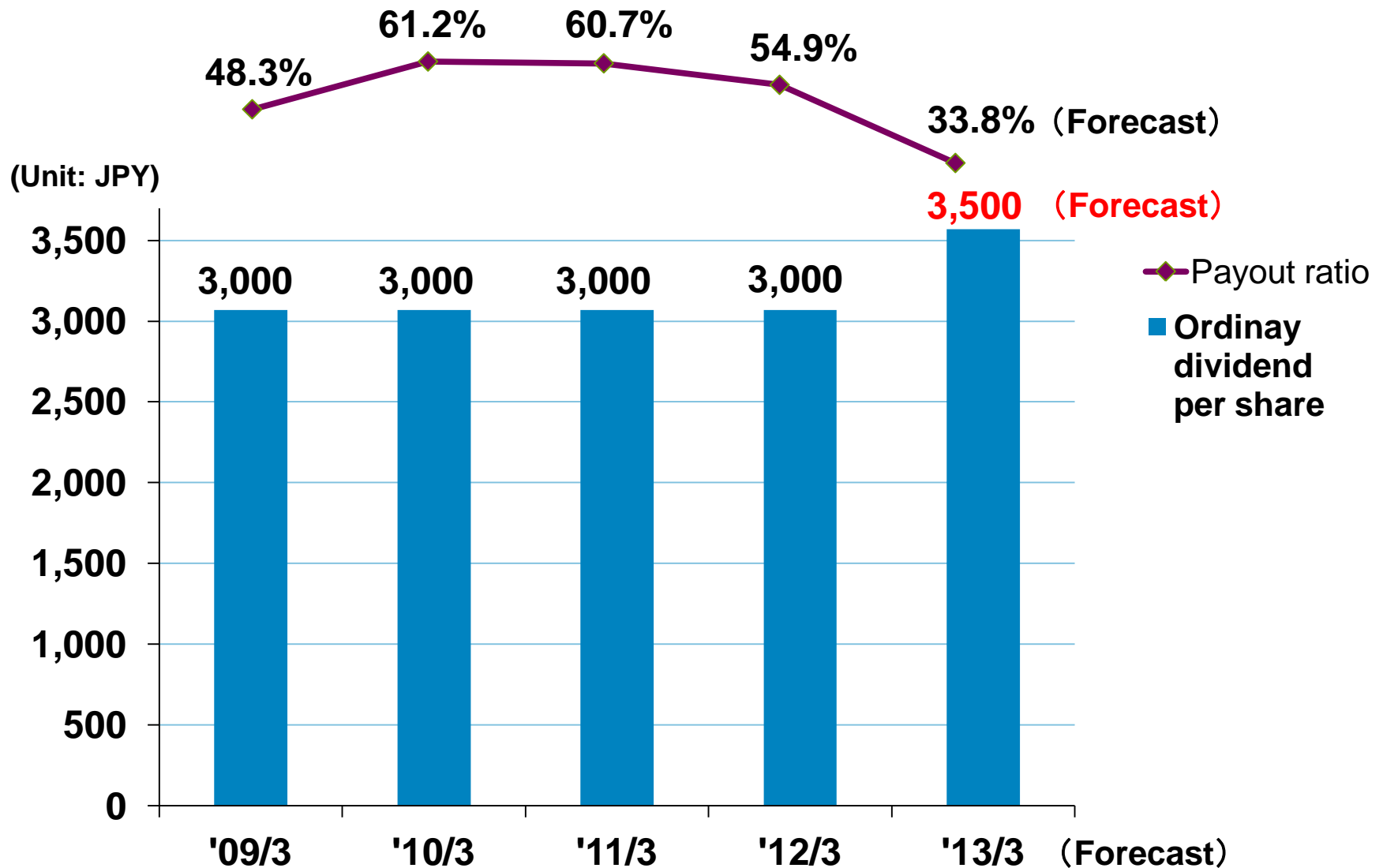
- **Dividend policy**

- Continue steady dividend payout to shareholders while maintaining a stable financial base necessary for future business development.
- Payout ratio 30% or more, to be increased over time.

- **Dividend per share**

- JPY 3,500 per share (JPY 3,000 for FY 3/12)
- Payout ratio 33.8%  
(After deducting 24,108 treasury shares)

# Dividends per Share



# 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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