

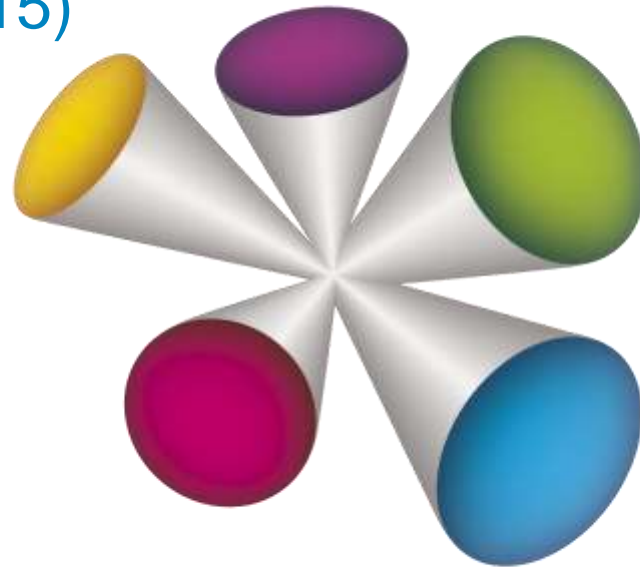
Business Report

April 1 to September 30, 2014

(2Q of FY ending March 31, 2015)

Wacom Co., Ltd.

(TSE Sec.1 6727)



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2Q FY03/15 Results Overview

Operating environment

- The global economy maintained a slow recovery led by economic expansion in the U.S. and improvements after a consumption tax rise in the Japanese market. On the other hand, concerns of a slowdown in the Eurozone grew due to the situation in Ukraine. The JPY was weaker than in the comparable period of previous fiscal year.
- As cloud computing, mobiles, and SNS rapidly expand, the IT industry faces intensified competition and structural change. The market trends surrounding the company are changing rapidly.

Performance overview

- In Brand Business, sales showed a steady growth and marked a record high for the 2Q period owing to sales expansion of our mobile products and winning large-volume orders in the Vertical Market Business, as well as release of new stylus products and the weaker JPY.
- In Component Business, sales for smartphones decreased due to the delay in mass production of customers' new models. Sales for tablet devices also decreased substantially due to declining orders in major customer models. As a result, overall sales decreased significantly YOY.

2Q FY03/15 Results Overview

Summary of financial result

(JPY)	2Q FY 03/15	YOY
Sales	32.01 bn	-7.1%
Operating Profit	1.83 bn	-40.3%
Recurring Profit	1.76 bn	-40.9%
NPBT	1.71 bn	-42.4%
Net Profit aft. Tax	1.15 bn	-41.4%
	2Q FY 03/15	2Q FY 03/14
EPS	6.89	11.64
BPS (Book value per share)	186	177
(Average FX rate)	1USD=103.51JPY	97.99JPY
	1EURO=139.07JPY	128.79JPY

Consolidated P/L

(Unit: Million JPY)

	2Q FY 03/14	2Q FY 03/15	YOY Change	
	04/13-09/13	04/14-09/14	Amount	Ratio
Sales	34,440	32,011	-2,429	-7.1%
Gross Profit	13,388	13,081	-307	-2.3%
GPM	38.9%	40.9%		
SG&A	10,329	11,254	926	9.0%
Operating Profit	3,059	1,826	-1,233	-40.3%
OPM	8.9%	5.7%		
Recurring Profit	2,982	1,761	-1,221	-40.9%
Net Profit aft. Tax	1,958	1,147	-811	-41.4%

- Effects of foreign exchange for FY :
 Stronger dollar (5.52Yen) Sales +1,230 mil, Operating Profit +50 mil
 Stronger Euro (10.28Yen) Sales +460 mil, Operating Profit +280 mil
- Extraordinary loss: Business structure improvement expenses 44 mil

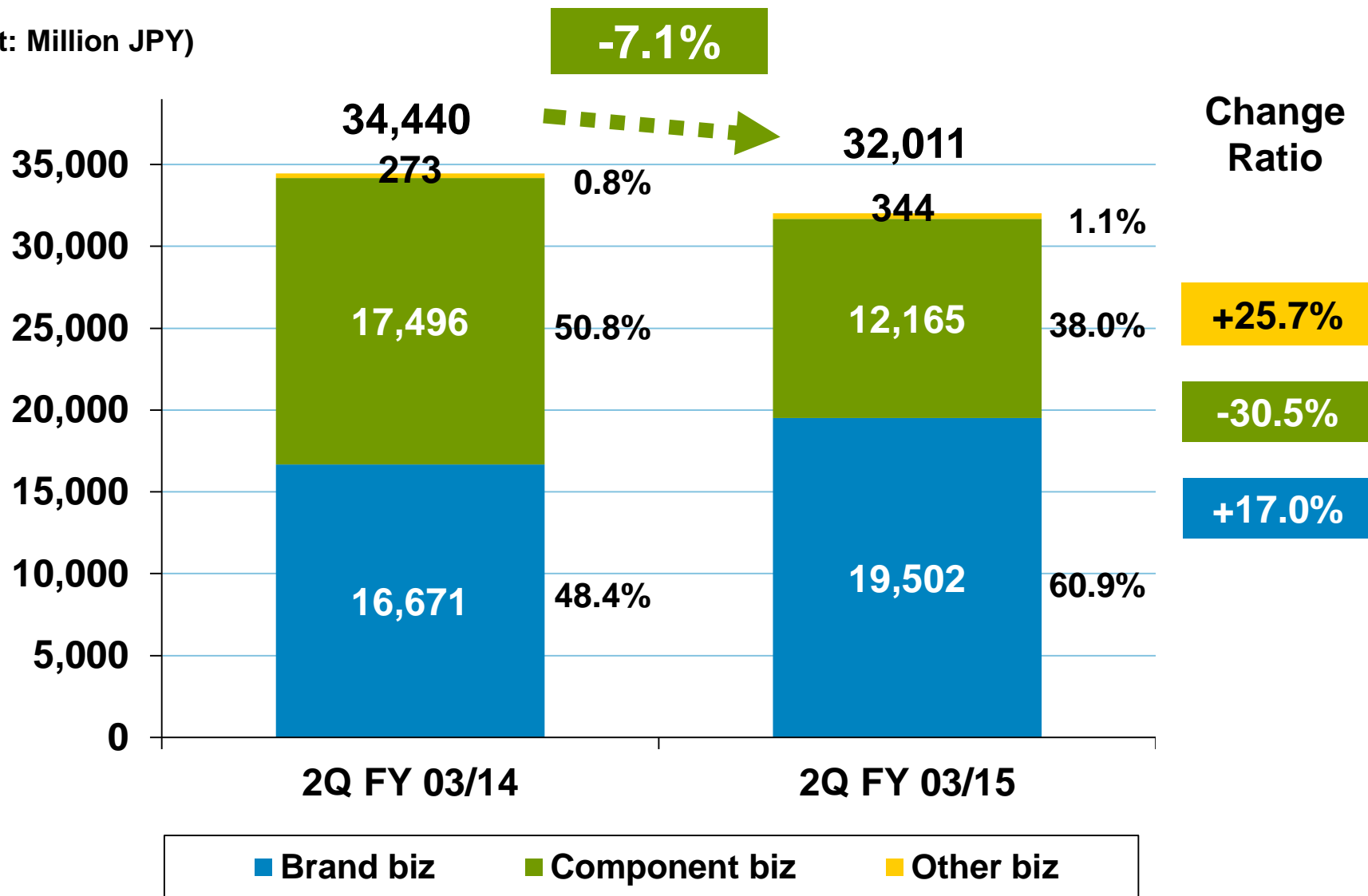
Consolidated P/L by Business Line

(Unit: Million JPY)

	2Q FY 03/14	2Q FY 03/15	YOY Change	
	04/13-09/13	04/14-09/14	Amount	Ratio
Sales	34,440	32,011	-2,429	-7.1%
Brand biz	16,671	19,502	2,831	17.0%
Component biz	17,496	12,165	-5,330	-30.5%
Other biz	273	344	70	25.7%
Operating Profit	3,059	1,826	-1,233	-40.3%
Brand Biz	1,886	2,505	620	32.9%
Component biz	2,922	1,250	-1,672	-57.2%
Other biz	14	69	55	408.4%
Corp. and others	-1,762	-1,998	-236	13.4%
OPM	8.9%	5.7%		

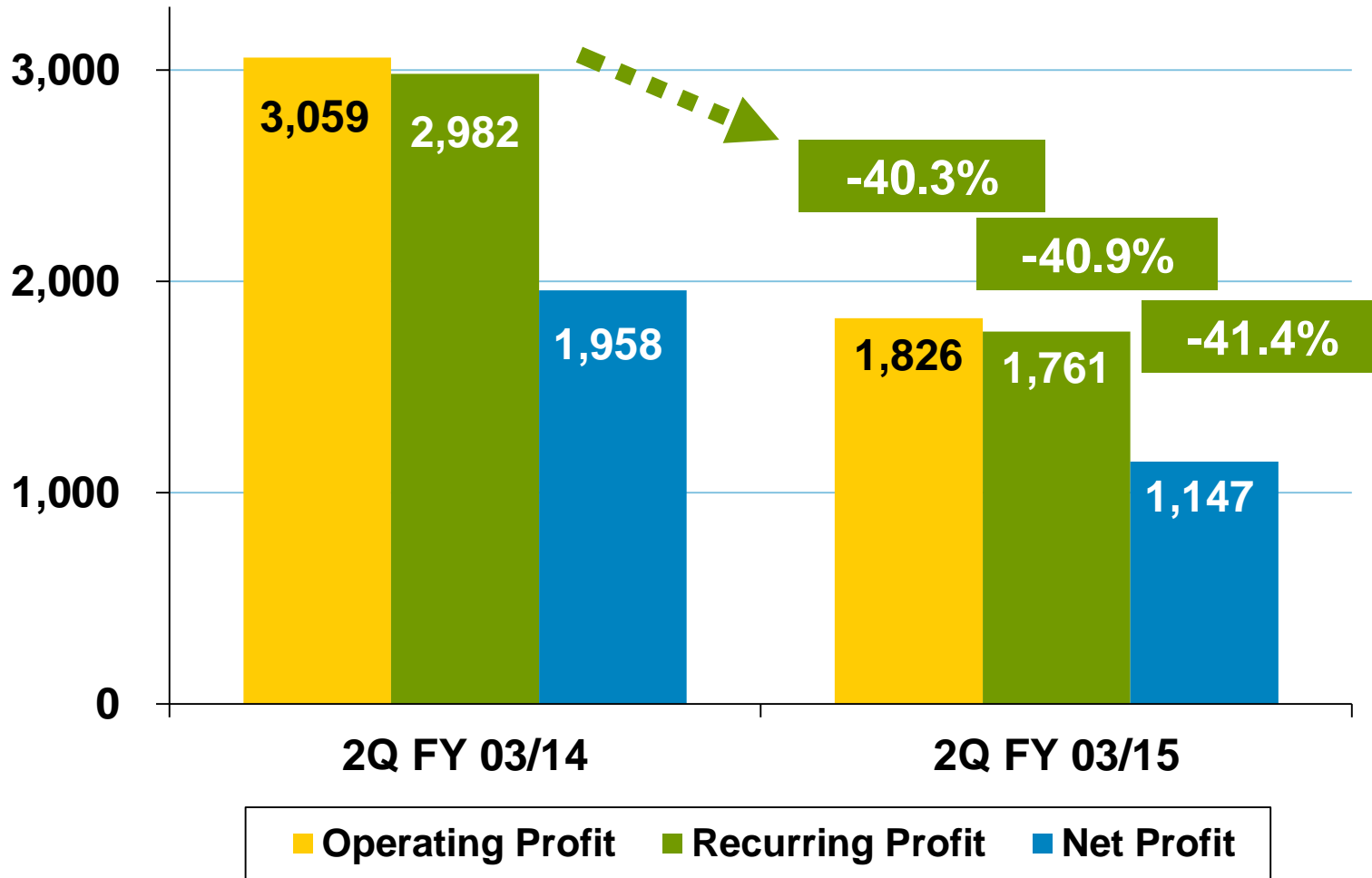
Consolidated Sales Comparison

(Unit: Million JPY)



Consolidated Profit Comparison

(Unit: Million JPY)



Operating Expenses Comparison

(Unit: Million JPY)

	2Q FY 03/14	2Q FY 03/15	YOY Change	
	04/13-09/13	04/14-09/14	Amount	Ratio
Personnel	3,473	4,110	637	18.4%
R&D	1,650	1,494	-156	-9.4%
Ad. & Promo.	1,623	1,464	-159	-9.8%
Others	3,583	4,186	603	16.8%
Total	10,329	11,254	926	9.0%
SG&A Ratio	30.0%	35.2%		

Key changes in increases

- Increase in the number of employees 2Q FY 03/14 1,013 → 2Q FY 03/15 1,038
- Expenses for next-generation global IT infrastructure
- Others including office relocation, travel expenses, etc.
- SG&A increased by 390 mil due to higher costs at subsidiaries from forex.

Operating Expenses Comparison

Expenses for major projects

(Unit: Million JPY)

	2Q FY 03/14	2Q FY 03/15	YOY Change
	04/13-09/13	04/14-09/14	Amount
Reconstruction of global SCM structure	112	483	371
Global HR project	29	107	78
WILL project	0	19	19
Total	141	609	468

- Reconstruction of global SCM (supply chain management) structure
 - Support of e-commerce and centralization of ordering system, production management, and logistics management for all Wacom groups
 - Promotion of rapid decision-making by real-time information sharing and global ERP system integration
- Global HR project
 - Transition to a global organization by business category and integration of human resource management system
- WILL (Wacom Ink Layer Language) project
 - Establishment of digital ink standard and expansion of the ink application

Brand Business: Categories

Reorganization based on user characteristics

Creative Business

- Serves the passion of professional and consumer creativity
- Provides high value products and solutions for creative needs
- Pen tablets (*Intuos*, etc.), Mobile (*Cintiq Companion*, etc.), Display (*Cintiq*)

Consumer Business

- Makes daily lives more creative and enjoyable
- Provides simple and intuitive UI solutions for general users
- *Bamboo Stylus*, *Bamboo Pad* etc.

Vertical Market Business

- Serves society by providing innovative solutions
- Provides faster, more efficient and secure ways to work
- *STU* (signature tablet), *DT* (display tablet) series, etc.

Software

Provides cross business, cross platform linkage with end-users

WILL,
Bamboo Paper,
Sign & Save

Business Highlights: (Unit: JPY)

<u>Brand Business</u>	19.50 bn	+17.0%
Creative Business	16.05 bn	+11.8%
Pen tablets	9.47 bn	+2.5%

- *Intuos Pro*, released last September, was well received for its high value-added features for professional use, and maintained stable sales especially in Europe, U.S., and Asia.
- The former *Bamboo* tablet brand was integrated into the *Intuos* brand, and released as new products last September. However, sales remained at a low level due to brand confusion and a shift to mobile devices by new users.
- Local initiatives saw the emerging market model expand from China to India.
- The situation in Ukraine had a negative impact on sales in both Russia and Ukraine.

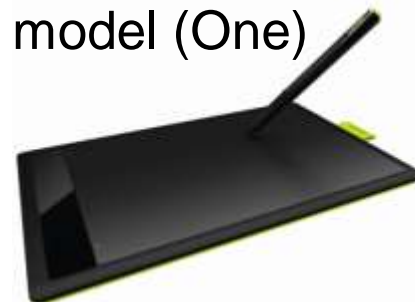
INTUOS[®]pro



INTUOS[®]comic



Emerging market
model (One)



Business Highlights: (Unit: JPY)

CINTIQ® companion

Brand Business

Creative Business

Mobile

1.77 bn +353.3%

- *Cintiq Companion* and *Cintiq Companion Hybrid*, Wacom's first mobile tablet product (launched last August) maintained steady sales but fell short of target.
- Launched *Intuos Creative Stylus 2* for iPads with pen pressure detection in September. Gained a positive reputation for its thinner tip, which allows for increased visibility and intricate detail for drawing. Contributed to a sales increase for 2Q.



CINTIQ® companion hybrid



INTUOS®
Creative Stylus 2



Business Highlights: (Unit: JPY)

Brand Business

Creative Business

Display

4.81 bn +1.7%

- *Cintiq 22HD* contributed steadily to sales expansion.
- *Cintiq 13HD* with thin compact body and high performance showed a slowdown due to high level demand in the previous fiscal year.
- Sales of *Cintiq 24HD*, a large-sized display model, decreased as it matured in the product cycle.

CINTIQ[®] 13HD



CINTIQ[®] 22HD



CINTIQ[®]

24HD touch



CINTIQ[®]

22HD touch



Business Highlights: (Unit: JPY)

Brand Business

Consumer Business **0.66 bn** **+5.0%**

- Launched *Bamboo Stylus fineline* for iPads with advanced 1.9mm thin tip in September, which contributed to sales. The pen recreates the natural writing experience of pen on paper.
- The 3rd generation of *Bamboo Stylus solo* & *Bamboo Stylus duo* were released, which contributed to sales increase thanks to its unique carbon fiber nib and premium design.
- Sales of existing stylus products were impacted by intensifying price-based competition. *Bamboo Pad*, a wireless touch pad for PCs (released last September) also showed a sales slowdown.

BAMBOO® PAD



BAMBOO® STYLUS
fineline



BAMBOO® STYLUS
solo



Business Highlights: (Unit: JPY)

Brand Business

Vertical Market Business 2.79 bn +66.4%

- Demand for paperless workflow and improved data security continued to grow globally.
- Adoption of the *STU* series, signature pen tablets, expanded in credit card transaction and counter services in the financial sector. *STU-530* & *STU-430*, the latest models with a thin and light body, showed favorable sales.
- *DTU-1031*, a mid-sized display tablet for counter services, contributed to sales.



STU series



DTU-1031



DTH-2242

Business Highlights: (Unit: JPY)

Components Business 12.17 bn **-30.5%**



Smartphone models

Pen Sensor Systems for Smartphones 6.31 bn -17.7%



GALAXY Note 4
GALAXY Note Edge

- Sales decreased due to the delay in mass production of Samsung's Galaxy Note 4.



Pen Sensor Systems for Tablets 3.93 bn -41.0%

- Pen adoption for Windows 8 Pro tablets and for educational tablets have both expanded. However, sales decreased substantially due to declining shipments in major customer models.



Tablet models



Business Highlights: (Unit: JPY)



Components Business

Pen Sensor Systems for Notebook PCs, etc. 1.93bn -39.1%

- Along with the model shift from notebook PCs to tablets with removable keyboards, demand for pens also shifted to tablets. Due to the influence of manufacturer model transitions, our sales decreased.

Adoption examples

FUJITSU



Panasonic



lenovo



Development of *Active ES (Electrostatics) Pen Technology*

- To meet diversifying customer needs for pen technology solutions, we developed *Active ES Pen Technology* based on Wacom's original technology, and prepared mass production of customers' new models.
- By incorporating both multi-touch and pen input functions into the touch panel, we eliminated the need for a dedicated pen sensor board and achieved a low cost solution.
- Newly developed one chip controller enables high performance pen functions.

Business Highlights: (Unit: JPY)

Other Business **0.34 bn** **+25.7%**

CAD software and others **0.34 bn** **+25.7%**

- Demand for upgraded Windows XP versions contributed to steady sales.
- Along with *ECAD dio 2014*, the *ECAD dio DCX R1*, a new product with key functions targeted toward the machinery and robotics industry, contributed to sales increase.

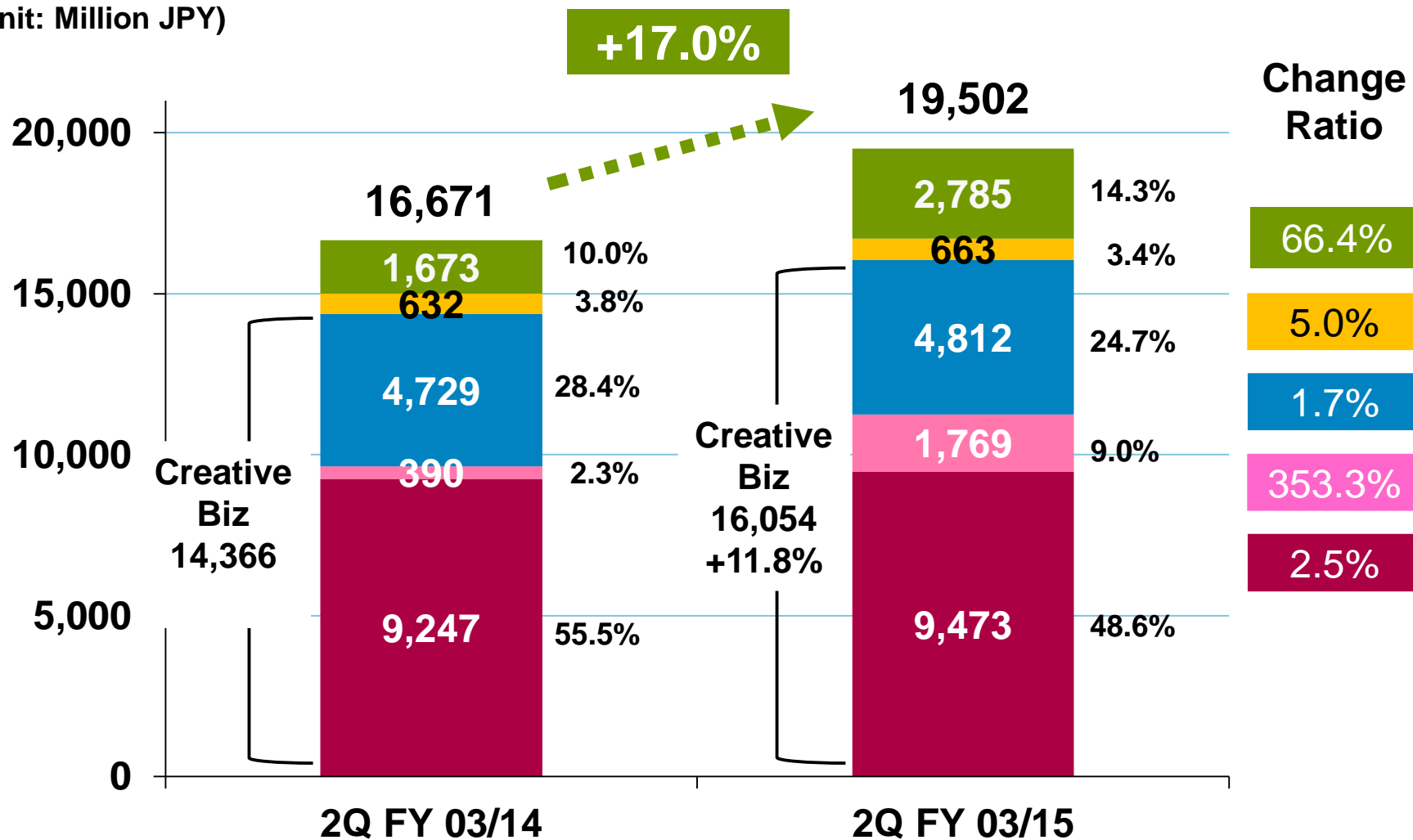


F&A (Corporate)

- Continued to invest in business infrastructure for growth and operational efficiency. Major projects include development of global SCM system infrastructure for e-commerce, Global HR system, and global ERP system in Asia-Oceania region, etc.
- Developed *WILL (Wacom Ink Layer Language)* as a new framework to standardize digital ink, and started partnership development activities.

Sales by Product Line in Brand

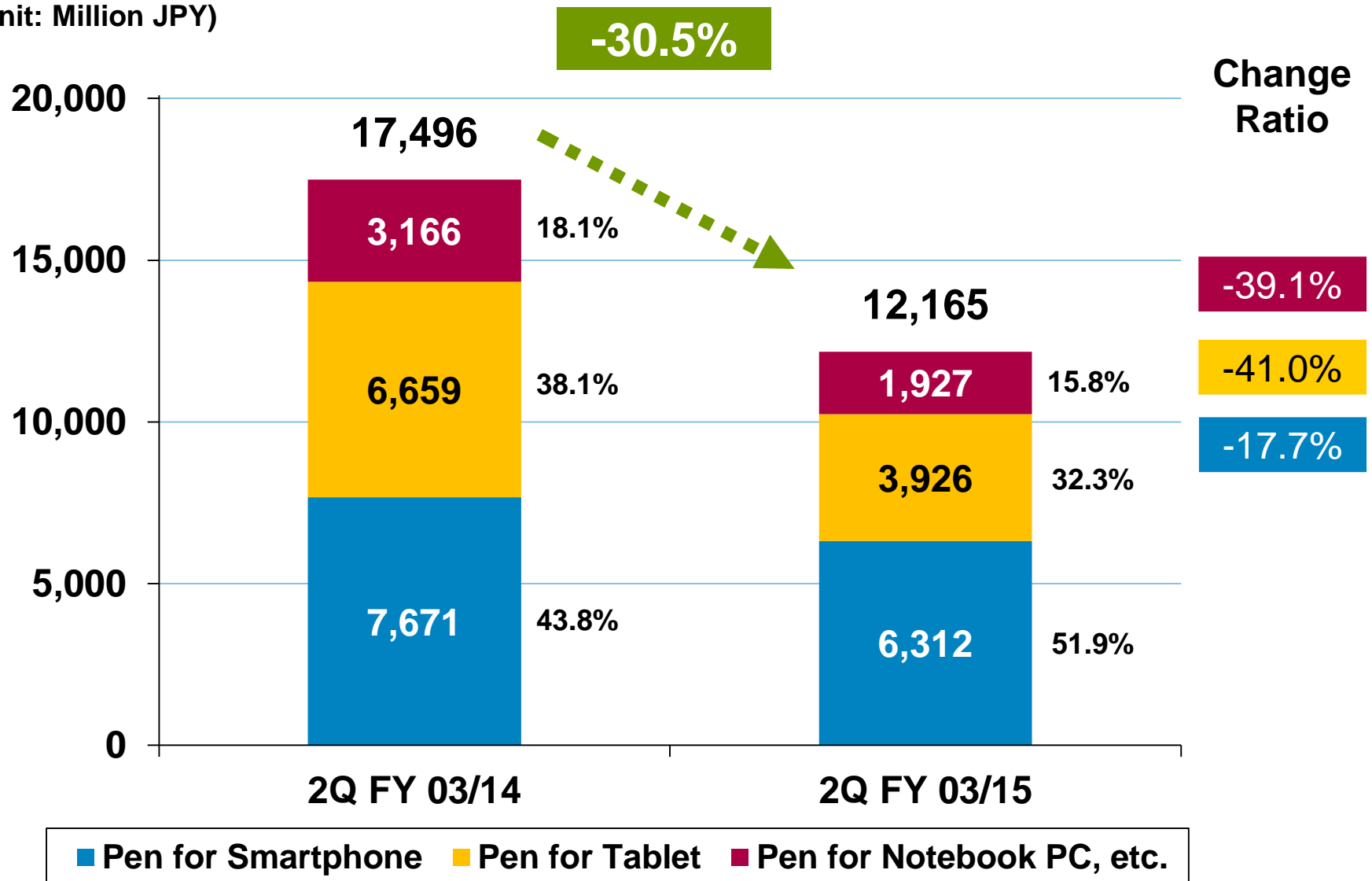
(Unit: Million JPY)



■ Creative-Pen tablet ■ Creative-Mobile ■ Creative-Display ■ Consumer ■ VM

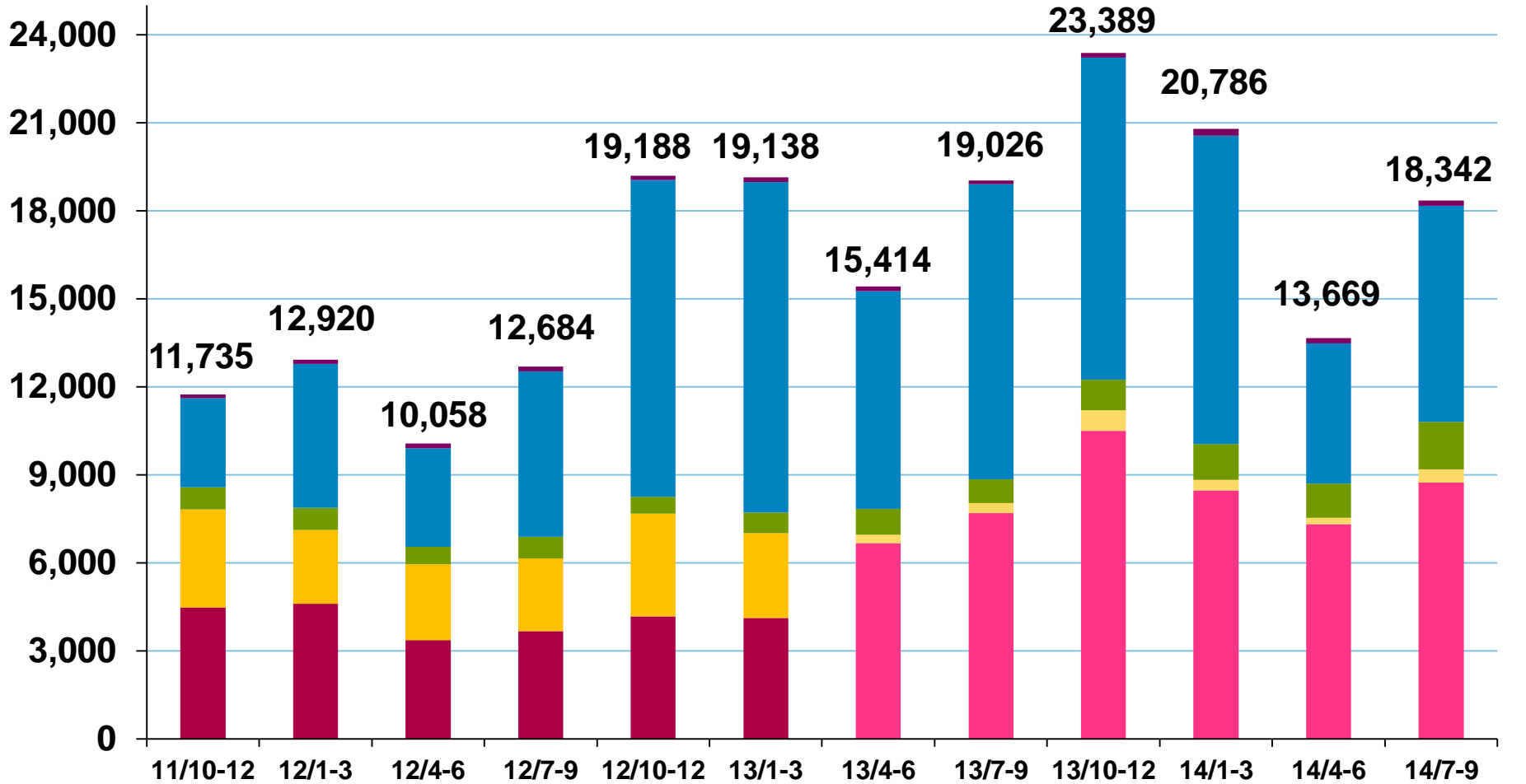
Sales by Product Line in Component

(Unit: Million JPY)



Quarterly Trend by Product Line

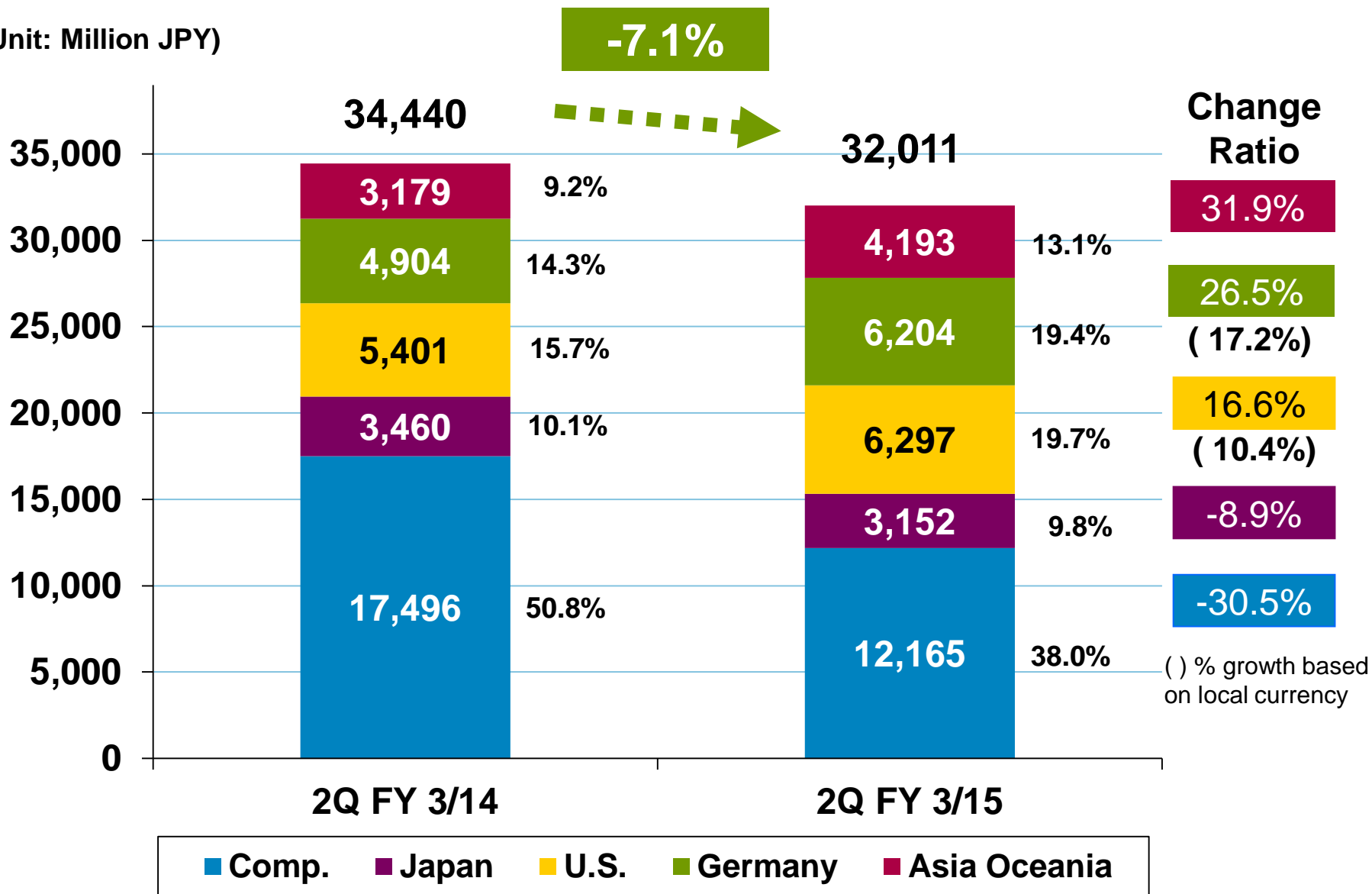
(Unit: Million JPY)



■ Professional ■ Creative ■ Consumer(Bamboo tablet, etc.) ■ Consumer(Stylus, etc.) ■ Business(VM) ■ Comp. ■ CAD, etc.

Sales by Region

(Unit: Million JPY)

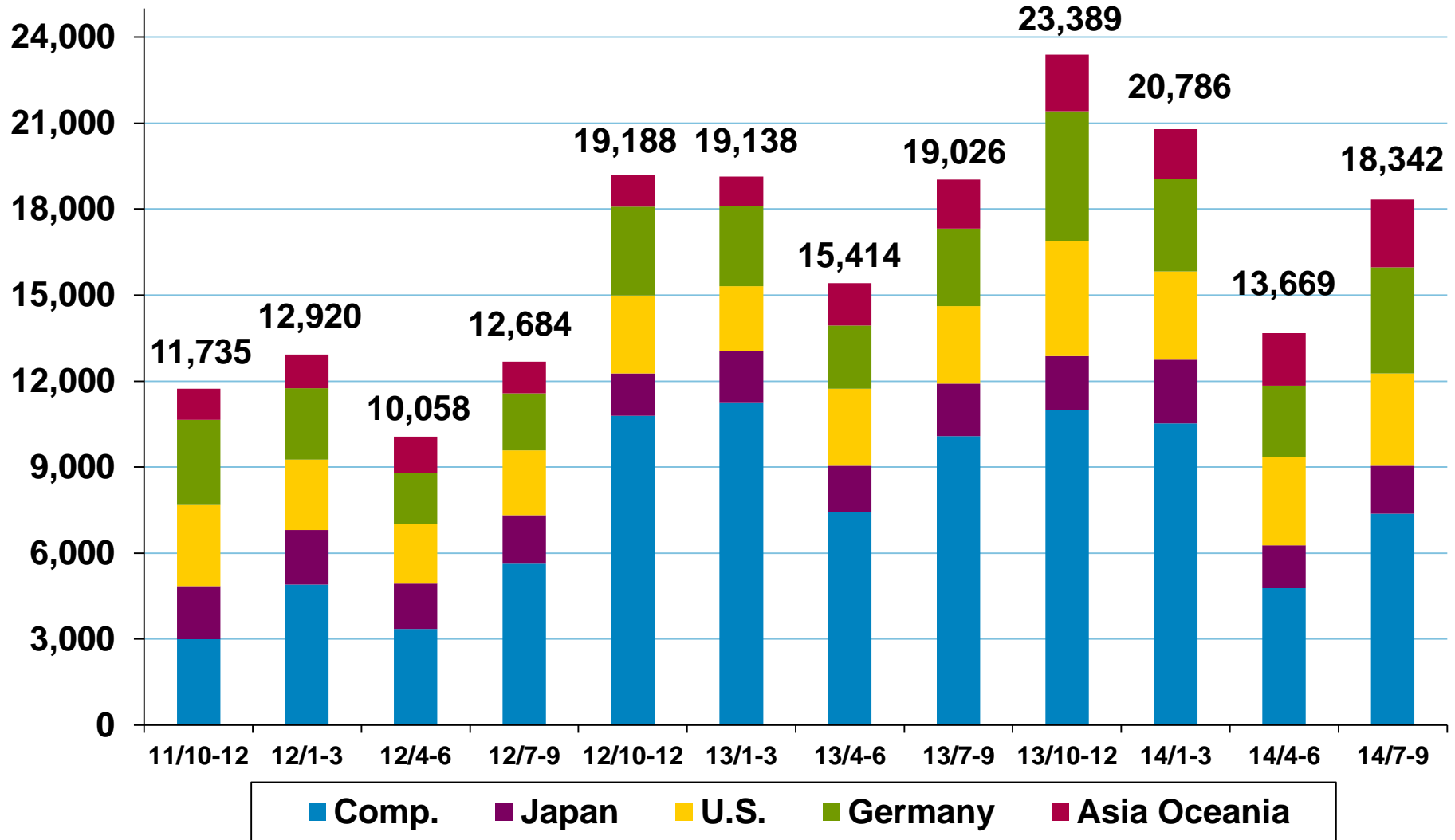


Sales Changes for Local Currencies

Region	Currency	YOY Change Ratio
Japan (excluding Comp. biz)	JPY	-8.9%
U.S.	USD	10.4%
Europe	EUR	17.2%
China	CNY	16.9%
Korea	KRW	28.5%
Australia	AUD	-13.1%
Singapore	USD	19.9%
Hong Kong	USD	-6.4%

Quarterly Trend by Region

(Unit: Million JPY)



Consolidated B/S

(Unit: Million JPY)

	End of Mar. 2014	End of Sep. 2014	Change
Current assets	40,073	41,413	1,340
Noncurrent assets	10,786	11,118	332
Total assets	50,859	52,531	1,672
Current liabilities	16,239	19,775	3,535
Noncurrent liabilities	1,820	1,638	-183
Total liabilities	18,060	21,412	3,353
Minority interest in subsidiaries	0	0	0
Net assets	32,799	31,119	-1,680
Total liabilities and Net assets	50,859	52,531	1,672
Equity ratio	64.2%	58.9%	-5.3%
Book value per share (JPY)	196	186	-10

Assets

- Increase in inventories 1,832
(new products for sales, etc.)
- Increase in notes and accounts receivable-trade (sales increase in Brand biz) 1,496
- Increase in intangible fixed assets 818
(Increase in software suspense account for IT infrastructure, etc.)
- Decrease in cash and cash equivalents -2,926
(payments of income tax, dividend, etc.)
- Decrease in investment and other assets -575
(Valuation difference on available-for-sale securities, etc.)

Liabilities

- Increase in short-term loans payable 2,000
- Decrease in accounts payable-trade 1,837
- Decrease in income tax payable -1,310

Net assets

- Decrease in shareholders' equity -1,717
(03/14 31,939 ⇒ 09/14 30,222)

Consolidated C/F

(Unit: Million JPY)

	2Q FY 03/14	2Q FY 03/15	YoY Change
	04/13 -09/13	04/14 -09/14	Amount
C/F from operating activities	-2,798	-791	2,007
C/F from investing activities	-2,166	-1,433	733
C/F from financing activities	-1,846	-900	946
Effect of change in exchange rate	295	198	-96
Increase-decrease of cash & cash equivalent	-6,515	-2,926	3,589
Beginning balance of cash & cash equivalent	21,596	15,394	-6,202
Ending balance of cash and cash equivalent	15,081	12,468	-2,613

C/F from operating activities

- Increase in notes and accounts receivable-trade -2,035
- Income tax paid -1,927
- Increase in inventories -1,653
- Net profit before taxes 1,714
- Increase in accounts payable-trade 1,659
- Increase in depreciation 924
- Increase in other current liabilities 526

C/F from investing activities

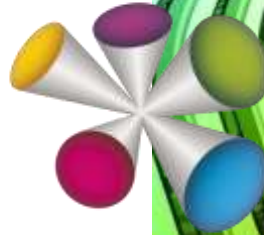
- Purchase of fixed assets -1,438
(Global IT infrastructure, etc.)

C/F from financing activities

- Cash dividends paid -2,901
- Increase in short-term loans payable 2,000

FY 03/15

Basic Policy and Business Focus



Business Environment for FY 03/15

- Global economy will continue to steadily expand, supported by monetary policies in developed countries. The weakness of economic growth in emerging countries will continue.
- Smartphones and tablets, cloud and community to establish new IT platforms. On-line and e-Commerce as primary channel for consumers.
- UI technology frontier to expand beyond multi-touch toward pen and ink, and others.
- Creative segment continues to grow with mobile use case extension and display products expansion.
- Mobile stationery and accessory market will continue to grow with broader application availability.
- e-Doc and secure workflow continue to gain momentum and expand to mobile platforms.

Basic Strategies and Goals

- Expand the business model from PC to mobile and Cloud
- Achieve P&L plan as 2nd year of WAP1215 (revised as of July 30)
- Build new Brand business categories for growth
- Enhance Component business foundation and accelerate growth
- Accelerate business in U.S. and invest in emerging markets
- Build competitive SCM/SQM foundation
- Invest in new technologies and product development
- Build global organization for competitive leadership

Brand Business Basic Policies

- Transition to cluster-based business model
 - Reorganize Creative business line and reestablish brand framework
 - Establish Consumer business model in digitalization of stationery field
 - Expand digital signature and workflow solution business
- Accelerate growth and develop new customers by new products
 - Launch new mobile product line and expand consumer product line
 - Expand software products for improved customer experience
 - Invest in new dedicated team for emerging markets
- Enhance leadership by improving brand marketing
 - Establish user communities by Global Web, SNS
 - Enhance global marketing capabilities
- Achieve FY 03/15 growth target as 2nd Year of WAP1215 (revised)
 - Maximize the new product potential by global Web marketing
 - Expand online marketing and e-commerce

Component Business Key Focus

- Establish global leadership in mobile device categories
 - Enhance strategic smartphone partnership and maximize growth
 - Establish leadership in Windows 8 and Android tablet categories
 - Extend pen adoption to e-Book and e-Note categories
- Invest in new technology and new generation product line
 - Develop and launch Active ES pen technology
 - Establish leadership in Windows 8 and Android tablet categories
 - Extend pen adoption to educational market and e-Book categories
- Build business and expand market for touch controller
 - Develop and expand adoption of controller IC for tablets and other mobile devices
- Build component organization for growth
 - Establish SCM & SQM organization for higher customer satisfaction
 - Expand pen OEM partnership for market growth
 - Enhance touch panel SCM infrastructure

Corporate Function Basic Policy

- Build stronger global business support capabilities
 - Improve group finance and management accounting process
 - Accelerate global IT platform development
 - Enhance global legal and IP team
- Establish new global HR system
 - Build new leadership model for next generation global leadership
 - Implement global performance management frameworks and systems
 - Enhance HR support across all business
- Evolve IR activities and enhance corporate communication
 - Promote understanding of WAP1215
- Provide support for global projects

Assumptions for FY 03/15 Forecast

- **Market demand based on review (mid-October, 2014)**
- **FX rate assumptions for FY 03/15 since November**
(FX rates in October were TTM rates as of end-September.)
 - 1 USD = 100 JPY (no revision)
 - 1 EURO = 135 JPY (no revision)
- **Foreign exchange sensitivity: 12-month forecast (no revision)**

(Unit: Million JPY)

Currencies	USD	EURO
Unit of sensitivity	JPY 1	JPY 1
Sales	550	100
Operating profit	0	70

* A stronger yen has a negative effect while a weaker yen has a positive effect.

Assumptions for FY 03/15 Forecast

Estimates for major projects (no revision) (Unit: Million JPY)

	FY 03/14 (actual)	FY 03/15 (forecast)	YOY Change
	04/13-03/14	04/14-03/15	Amount
Reconstruction of global SCM structure	300	1,500	1,200
Global HR project	90	300	210
WILL project	0	80	80
Total	390	1,880	1,490

- Reconstruction of global SCM (supply chain management) structure
 - Support of e-commerce and centralization of ordering system, production management, and logistics management for all Wacom groups
 - Promotion of rapid decision-making by real-time information sharing and global ERP system integration
- Global HR project
 - Transition to a global organization by business category and integration of human resource management system
- WILL (Wacom Ink Layer Language) project
 - Establishment of digital ink standard and expansion of the ink application

Assumptions for FY 03/15 Forecast

- **Capital expenditure**

5.50 billion (+58.8% YOY) (no revision)

Key items: IT systems to form global organizations and molds, etc.

- **Depreciation**

2.30billion (+26.9% YOY) (no revision)

- **R&D expense**

3.10 billion (+8.3% YOY) (no revision)

Key items: Development of new products in Brand business, development of IC for Active ES Pen and others, and basic technology research, etc.

Forecast of Results for FY 03/15 (YOY)

(Unit: Million JPY)

	2H FY 03/14		2H FY 03/15		YoY
	10/13-03/14		10/14-03/15		Growth rate
Sales	44,175		46,689		5.7%
OP	5,604	12.7%	3,674	7.9%	-34.4%
RP	5,301	12.0%	3,779	8.1%	-28.7%
NP	3,291	7.4%	2,553	5.5%	-22.4%

	FY 03/14		FY 03/15		YoY
	04/13-03/14		04/14-03/15		Growth rate
Sales	78,615		78,700		0.1%
OP	8,663	11.0%	5,500	7.0%	-36.5%
RP	8,282	10.5%	5,540	7.0%	-33.1%
NP	5,249	6.7%	3,700	4.7%	-29.5%

- **No revisions to FY 03/15 forecast as of July 30**

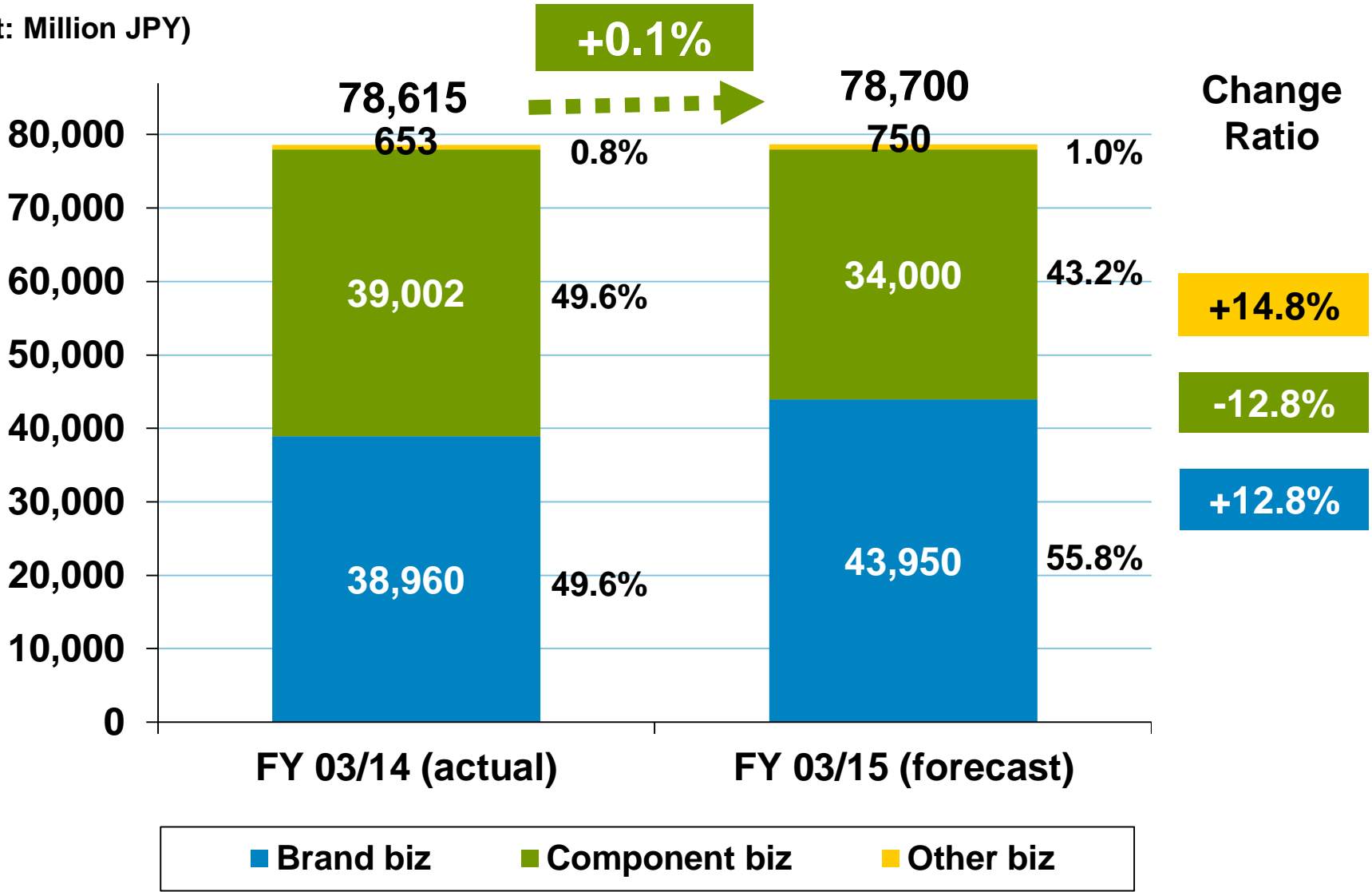
Forecast of Results by Business Line

(Unit: Million JPY)

	FY 03/14 (actual)	FY 03/15 (forecast)	YOY Change	
	04/13-03/14	04/14-03/15	Amount	Ratio
Sales	78,615	78,700	85	0.1%
Brand biz	38,960	43,950	4,990	12.8%
Component biz	39,002	34,000	-5,002	-12.8%
Other biz	653	750	97	14.8%
Operating Profit	8,663	5,500	-3,163	-36.5%
Brand Biz	5,214	5,450	236	4.5%
Component biz	6,667	4,500	-2,167	-32.5%
Other biz	123	150	27	22.4%
Corp. and others	-3,341	-4,600	-1,259	37.7%
OPM	11.0%	7.0%		

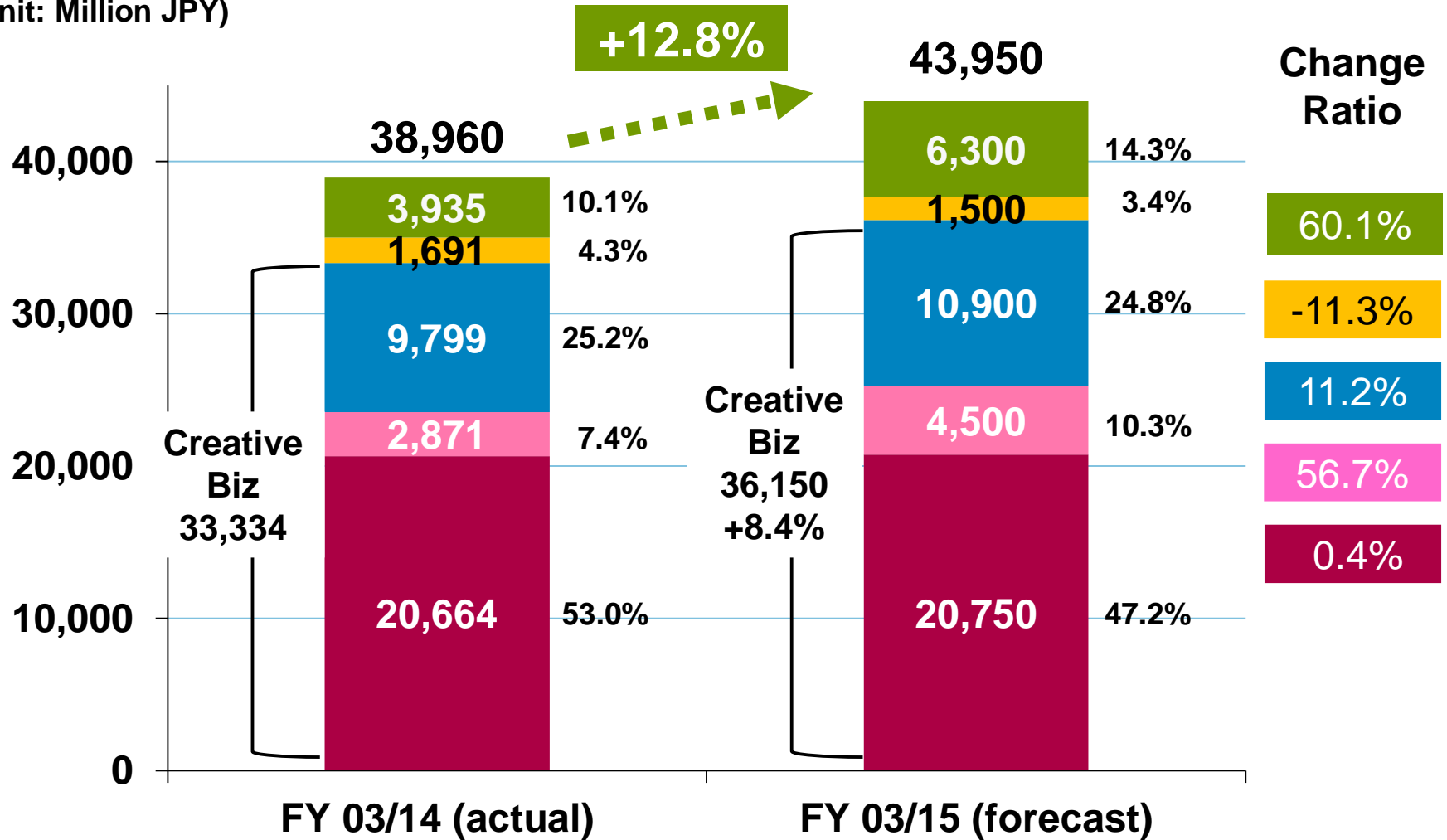
Sales Forecast by Segment

(Unit: Million JPY)



Sales Forecast by Product line in Brand

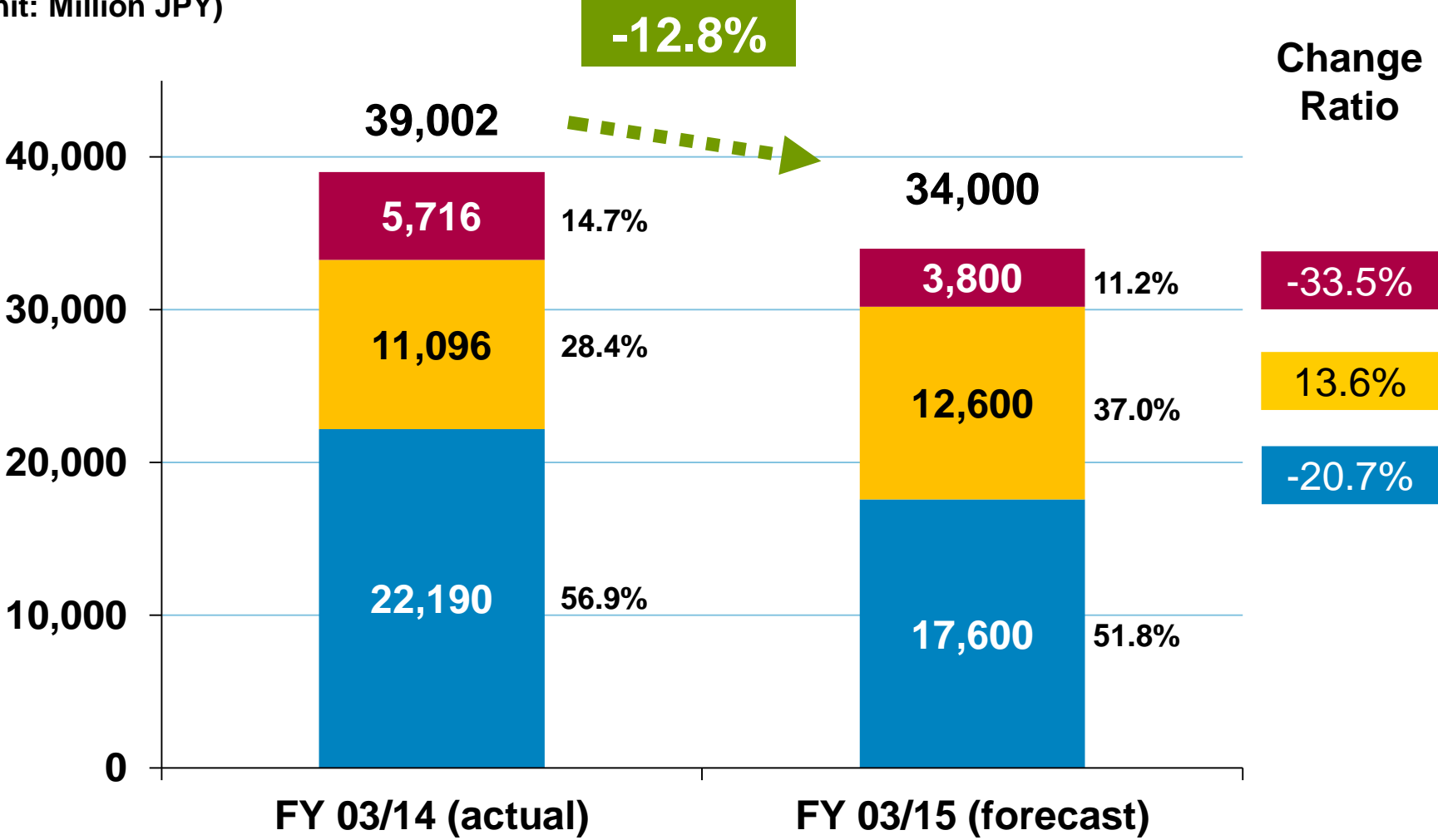
(Unit: Million JPY)



■ Creative·Pen tablet ■ Creative·Mobile ■ Creative·Display ■ Consumer ■ VM

Sales Forecast by Product line in Comp.

(Unit: Million JPY)

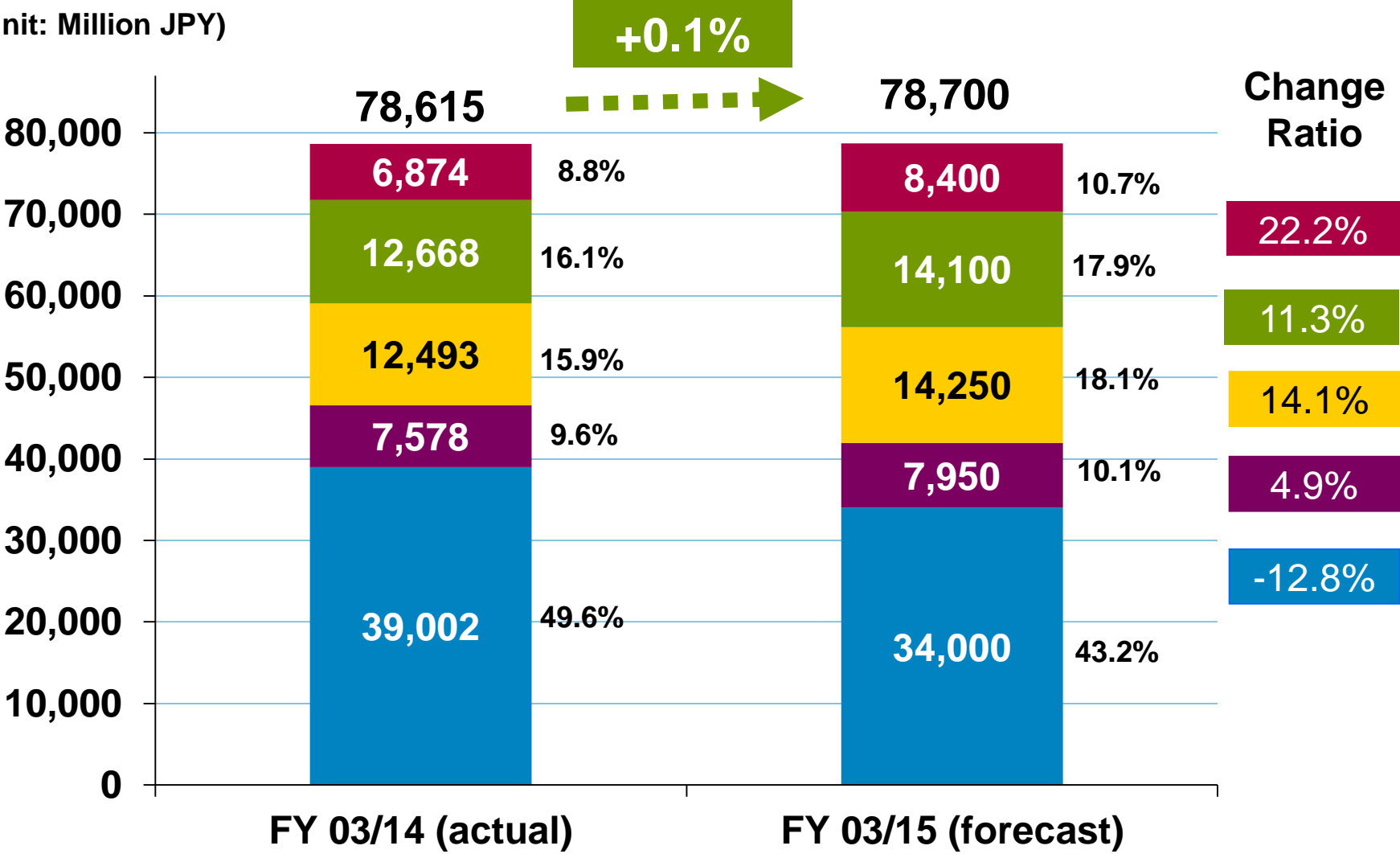


■ Pen for Smartphone ■ Pen for Tablet ■ Pen for Notebook PC, etc.

(Note) The Component business is reclassified by three categories. Sales of "For touch use" in FY3/14 is included in "For notebook PCs, etc."

Sales Forecast by Region

(Unit: Million JPY)



■ Comp. ■ Japan ■ U.S. ■ Germany ■ Asia Oceania

(Note) There are no regional segments in the Component business.



Dividend Forecast for FY 03/15

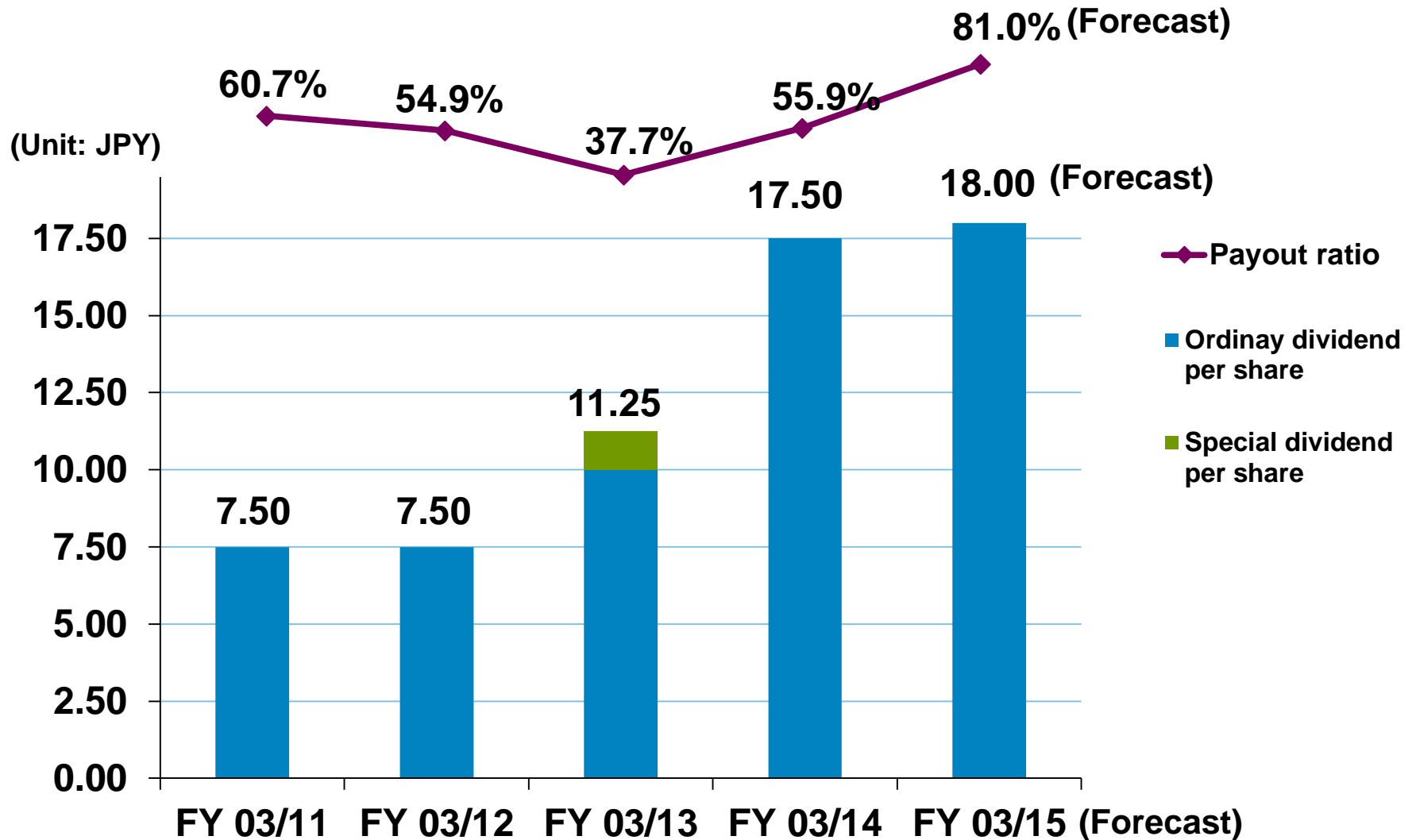
- **Dividend policy**

- Continue steady dividend payout to shareholders while maintaining a stable financial base necessary for future business development (no revision)
- Target payout ratio maintains approximately 40% or more to attract global investment. (no revision)

- **Dividend per share** (no revision)

- JPY 18.00 per share for FY 03/15
(JPY 17.50 per share for FY 03/14)
- Payout ratio 81.0%

Dividends per Share





A WORLD ALIVE WITH CREATIVITY.

Our Vision

wacom®



WE INSPIRE AND EQUIP PEOPLE
TO MAKE THE WORLD
A MORE CREATIVE PLACE.

Our Mission

wacom®

our brand

OPEN UP.
SENSE MORE.

for a creative world™



wacom®

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