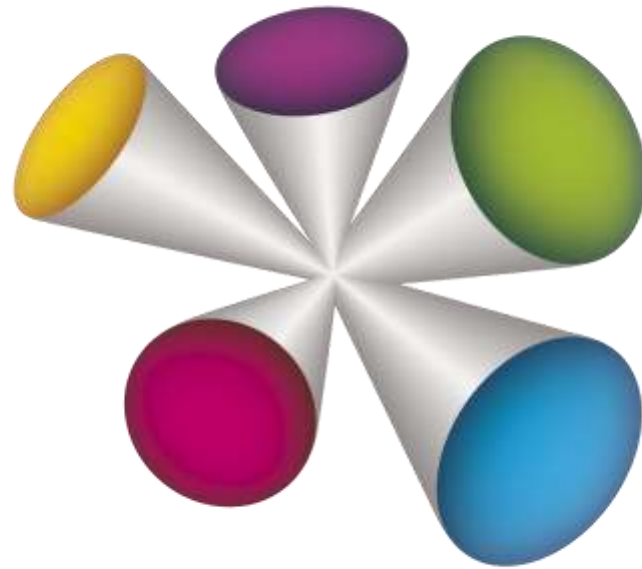


# Business Report

Apr. 2013 to Mar. 2014  
( FY 03/2014 )

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



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# FY 03/14 Results Overview

## Operating environment

- The global economy continued its steady expansion led by economic recovery in the U.S., stabilization in the Euro zone and improvement in the Japanese economy supported by a weaker yen. JP Yen was weaker than initial expectations.
- In the IT industry, a new market has formed for smartphones and tablets together with SNS and cloud computing. Borderless competition intensified including OS manufacturers.

## Performance overview

- Achieved the record high consolidated sales and profit.
- In Brand Business, a record number of new products were launched including our 1st mobile product, Cintiq Companion. Sales of display products and pen tablets expanded. Signature pen tablets contributed significantly to growth.
- In Component Business, the shipments for new smartphone model contributed to a rapid sales recovery from 2Q. Demand for tablets has been stagnant from 2Q.
- Increased dividend per share to JPY 17.50 for FY03/14 from JPY 11.25 for FY 03/13.

# FY 03/14 Result overview

## Summary of financial result

(JPY)	FY 3/14	YOY
<b>Sales</b>	<b>78.62 bn</b>	<b>+28.7%</b>
<b>Operating Profit</b>	<b>8.66 bn</b>	<b>+9.5%</b>
<b>Recurring Profit</b>	<b>8.28 bn</b>	<b>+9.6%</b>
<b>NPBT</b>	<b>8.27 bn</b>	<b>+9.6%</b>
<b>Net Profit aft. Tax</b>	<b>5.25 bn</b>	<b>+10.0%</b>
	<b>FY 3/14</b>	<b>FY 3/13*</b>
<b>EPS</b>	<b>31.31</b>	<b>29.81 *</b>
<b>BPS</b> (Book value per share)	<b>196</b>	<b>173 *</b>
(Average FX rate)	1USD=100.00JPY	83.23JPY
	1EURO=134.01 JPY	107.57JPY

\* EPS and BPS in FY 3/13 are calculated on the assumption of the share split.

# Consolidated P/L

(Unit: Million JPY)

	FY 3/13	FY 3/14	YOY Change	
	04/12-03/13	04/13-03/14	Amount	Ratio
Sales	61,068	78,615	17,547	28.7%
Gross Profit	24,235	29,931	5,696	23.5%
GPM	39.7%	38.1%		
Operating Profit	16,320	21,268	4,948	30.3%
SG&A	7,915	8,663	748	9.5%
OPM	13.0%	11.0%		
Recurring Profit	7,559	8,282	724	9.6%
Net Profit aft. Tax	4,770	5,249	478	10.0%

- Effect of foreign exchange for FY :  
 Stronger dollar(16.77Yen) Sales +9,780 mil, Operating Profit +990 mil  
 Stronger Euro (26.44Yen) Sales +2,500 mil, Operating Profit +1,610 mil
- Lower gross profit margin : Changes in product mix due to sales growth in lower margin products.

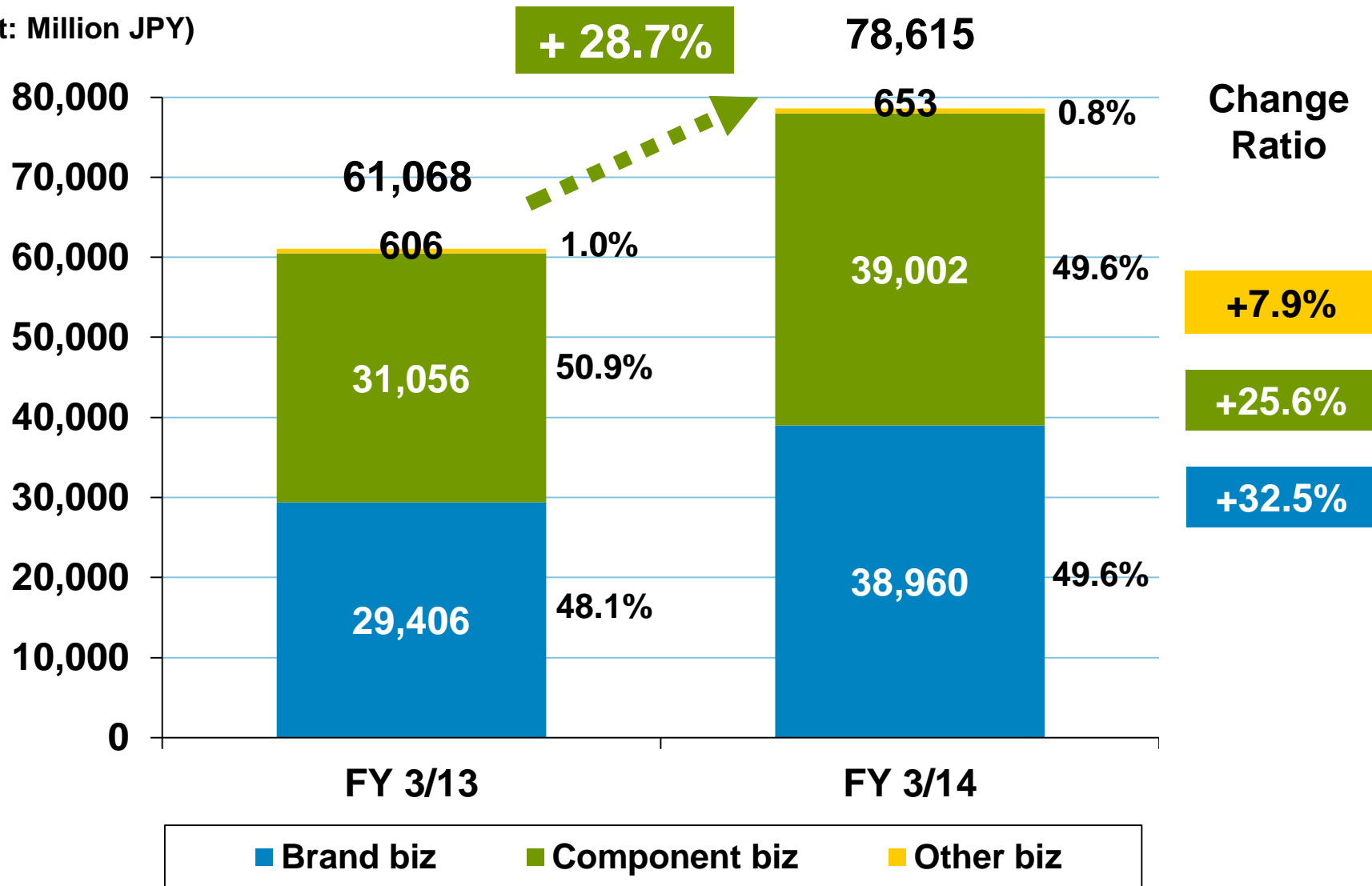
# Consolidated P/L by Business Line

(Unit: Million JPY)

	FY 3/13	FY 3/14	YOY Change	
	04/12-03/13	04/13-03/14	Amount	Ratio
Sales	61,068	78,615	17,547	28.7%
Brand biz	29,406	38,960	9,554	32.5%
Component biz	31,056	39,002	7,946	25.6%
Other biz	606	653	48	7.9%
Operating Profit	7,915	8,663	748	9.5%
Brand Biz	4,895	5,214	319	6.5%
Component biz	5,554	6,667	1,113	20.0%
Other biz	102	123	21	19.6%
Corp. and others	△2,637	△3,340	△704	26.7%
OPM	13.0%	11.0%		

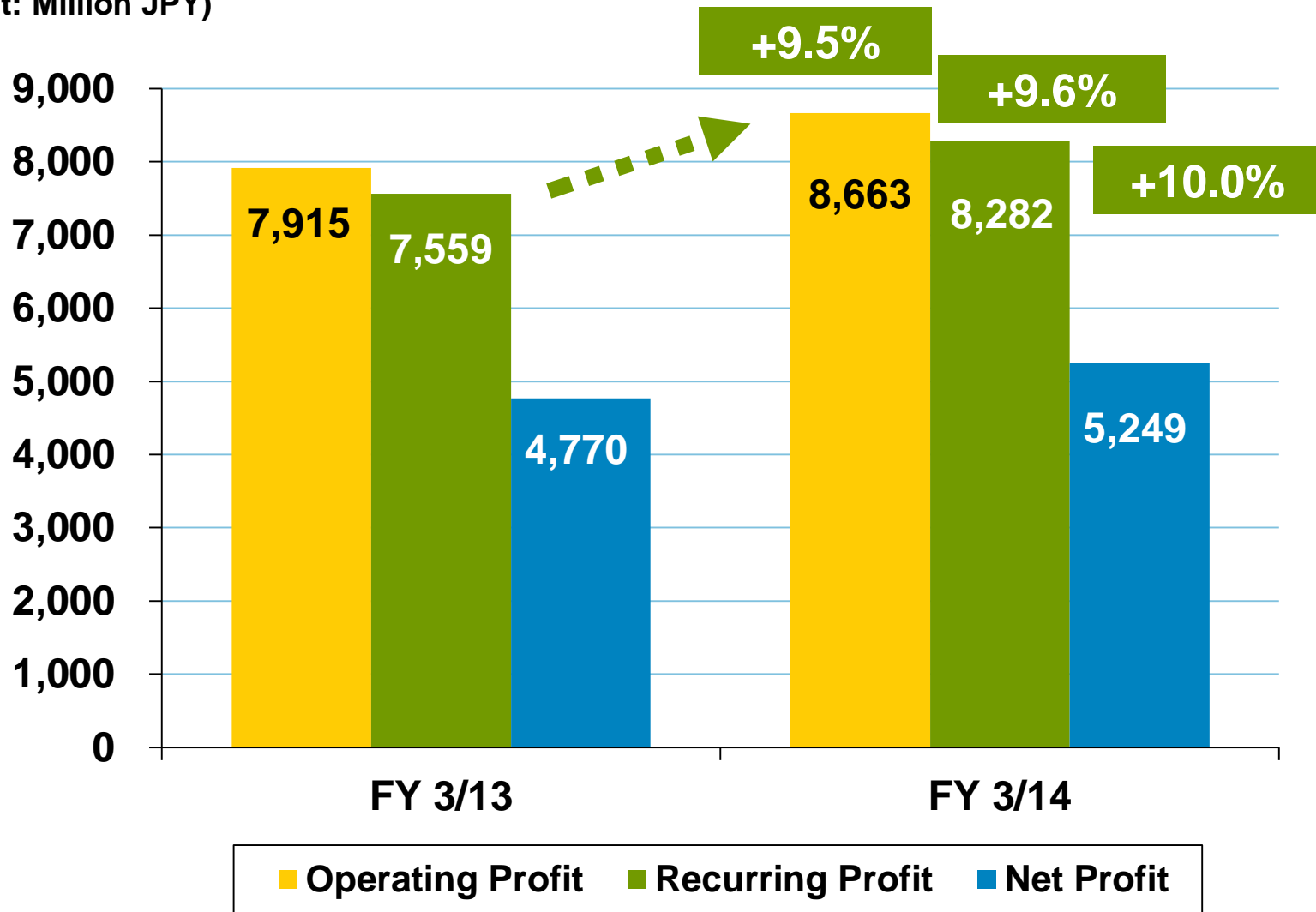
# Consolidated Sales Comparison

(Unit: Million JPY)



# Consolidated Profit Comparison

(Unit: Million JPY)





# Operating Expenses Comparison

(Unit: Million JPY)

	FY 3/13	FY 3/14	YOY Change	
	04/12-03/13	04/13-03/14	Amount	Ratio
<b>Personnel</b>	6,184	7,271	1,087	17.6%
<b>R&amp;D</b>	2,382	2,863	480	20.2%
<b>Ad. &amp; Promo.</b>	2,333	3,541	1,208	51.8%
<b>Others</b>	5,421	7,593	2,172	40.1%
<b>Total</b>	16,320	21,268	4,948	30.3%
<b>SG&amp;A Ratio</b>	26.7%	27.1%		

## Key changes in increases

- SG&A increased by ¥2.08 bn due to higher costs at subsidiaries from forex.
- Personnel cost (increase in the number of employees as of Mar.31  
FY 3/13 930 → FY 3/14 1,036)
- R&D and advertisement cost for new products.
- Others including charges for next-generation global IT infrastructure, IP, and freights owing to business expansion, etc.

# 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

*Bamboo Paper Sign&Save*

# Business Highlights: (Unit: JPY)

<b><u>Brand Business</u></b>	<b>38.96 bn</b>	<b>+32.5%</b>
<b>Creative Business</b>	<b>33.33 bn</b>	<b>+33.5%</b>
<b>Pen tablets</b>	<b>20.66 bn</b>	<b>+12.4%</b>

- *Intuos Pro*, the successor of *Intuos 5* was released in September. Well received by target users due to optimized features for professional use. Contributed to sales from 2Q, especially in Europe and Asia.
- Integrated former *Bamboo* tablet brand into *Intuos* brand, and released new generation products targeted for wide variety of creative consumer users in photo editing, comic and illustration, etc.
- The emerging market model in China showed steady growth. New models grew steadily, lead by local initiatives.

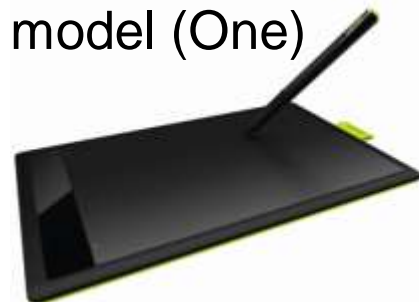
INTUOS<sup>®</sup>pro



INTUOS<sup>®</sup>comic



Emerging market  
model (One)



# Business Highlights: (Unit: JPY)

CINTIQ®companion

## Brand Business

## Creative Business

## Mobile

2.87 bn +437.2%

- Announced *Cintiq Companion*, Wacom's 1<sup>st</sup> mobile tablet product, in August to meet mobile workflow needs of professionals.
- Launched *Cintiq Companion* and *Cintiq Companion Hybrid* with Windows 8 and Android 4.0 OS exclusively on Wacom website in September. While well received by target users, sales were lower than expected due to challenges in building broader recognition.
- Responding to creative users' demand, launched *Intuos Creative Stylus* for iPad with pen pressure detection in August, contributed sales expansion.



CINTIQ®companion hybrid



INTUOS®  
Creative Stylus



# Business Highlights: (Unit: JPY)

## Brand Business

## Creative Business

**Display** **9.80 bn** **+62.0%**

- *Cintiq 13HD* launched in March, 2013 contributed to rapid category growth benefiting from its thin compact body and high performance.
- Robust sales growth of *Cintiq 22HD touch*, launched in April, 2013. Together with *Cintiq 22HD* and *Cintiq 24HD touch* launched in the previous FY, succeeded in expanding our display line category.

CINTIQ<sup>®</sup> 13HD



CINTIQ<sup>®</sup> 22HD



CINTIQ<sup>®</sup>

24HD touch



CINTIQ<sup>®</sup>

22HD touch



# Business Highlights: (Unit: JPY)

## Brand Business

**Consumer Business 1.69bn -7.3%**

- Continued with *Bamboo Stylus mini* launched in April, 2013, and stylus products for Samsung's Galaxy Note series. Expanded product lineup in the digitalization of stationery field.
- Bamboo Pad*, a consumer touch pad that enables both multi touch operation and digital writing was added to the *Bamboo* brand line in September. Acquired favorable reviews.
- Renewed stylus pens product line for iPad touch screen in September. Added new lower priced model *Bamboo Stylus alpha*. In spite of effort to recover from weak sales of old products in 1H, struggled due to intensifying price based competition.

BAMBOO® STYLUS



BAMBOO® PAD



# Business Highlights: (Unit: JPY)

## Brand Business

### Vertical Market Business 3.94bn +50.3%

- Adoption of signature pen tablets expanded in credit card transaction in the financial sector. Demand continues to grow globally based the needs for paperless workflow and improved security.
- *DTH-2242* launched in March,2013 boosted sales in large size LCD models for medical and educational use.
- *STU-530* & *STU-430*, the latest model of *STU* series with a thin and light body, launched in 3Q.



**STU series**



**DTH-1031**



**DTH-2242**

# Business Highlights: (Unit: JPY)

**Components Business 39.00 bn +25.6%**



**Smartphone models**

**Pen Sensor Systems for Smartphones 22.19bn +25.6%**

- Shipments for Galaxy Note 3 contributed to the growth and a rapid recovery from 2Q.
- Shipments for Galaxy Note 3 Neo also started in 4Q.



**Pen Sensor Systems for Tablets 11.10bn +33.4%**

- Pen adoption for Windows 8 Pro and Android tablets expanded. However, faced ongoing challenge from continued effect of declining sales of customer model as of 2Q.



**Tablet models**





# Business Highlights: (Unit: JPY)

## Components Business

### Sensor Systems

#### for Notebook PCs

5.37bn

+7.4%

- Shipments increased for business notebook PCs for corporate and B2B customer segments. However, demand slowed down from 2Q due to weakened sales in the notebook PC category.

### Touch Sensor Systems

#### for touch use

0.34bn

+371.5%

- Developed market for high-performance multi-touch technology such as casino machines and a 17-inch notebook PC, etc.
- Focused on winning new projects of tablets and PC manufactures for the developed original multi-touch controller.



Adoption examples

FUJITSU

Panasonic



lenovo



# Business Highlights: (Unit: JPY)

**Other Business**      **0.65 bn**      **+7.9%**

**CAD software and others**   **0.65bn**   **+7.9%**

- Launched *ECAD dio 2014* at the end of November. Leveraged upgrade demand and captured rush demand before consumption tax hike in 4Q.
- Launched *ECAD dio DCX R1*, flagship product with newly-designed engine in February. Received positive reviews from customers in machinery and robotics industries, and focused on expanding new customers.

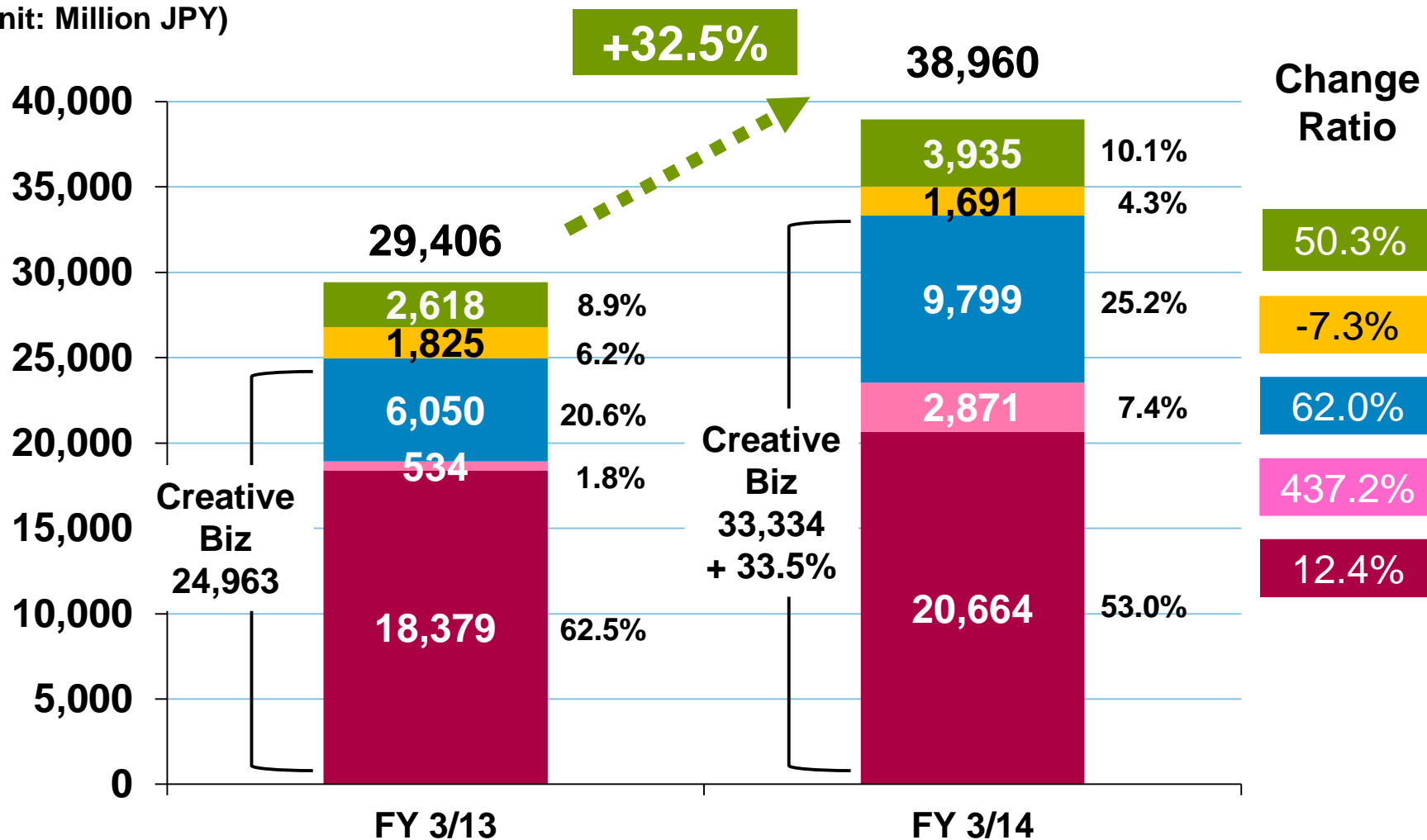


## **F&A (Corporate)**

- Expanded coverage of global ERP system to Asia-Oceania region.
- Started global HR system development for global organization.
- Building global SCM model and systems infrastructure for e-commerce.

# Sales by Product Line in Brand

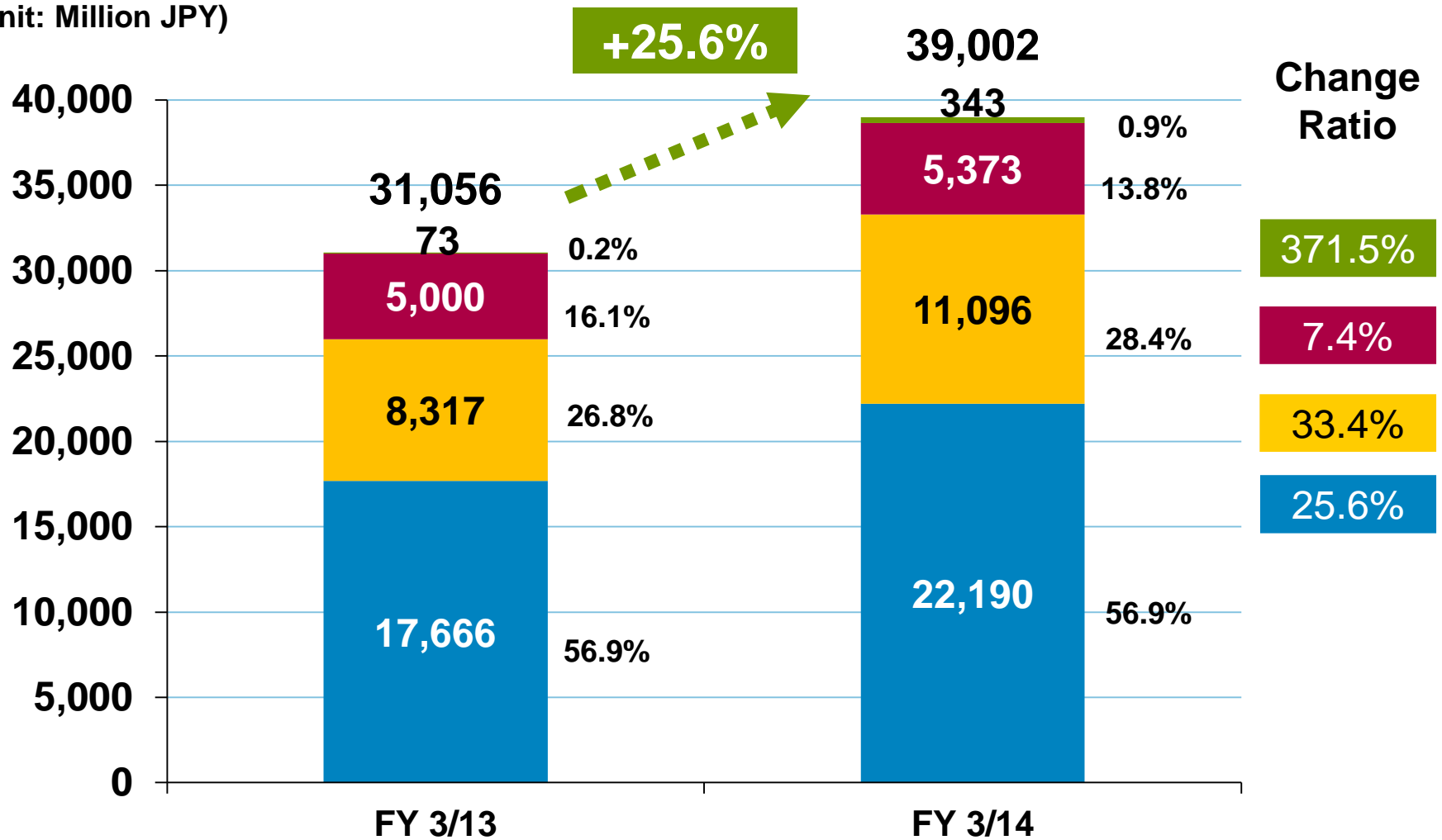
(Unit: Million JPY)



■ Creative Tablet ■ Creative Mobile ■ Creative Display ■ Consumer ■ VM

# Sales by Product Line in Component

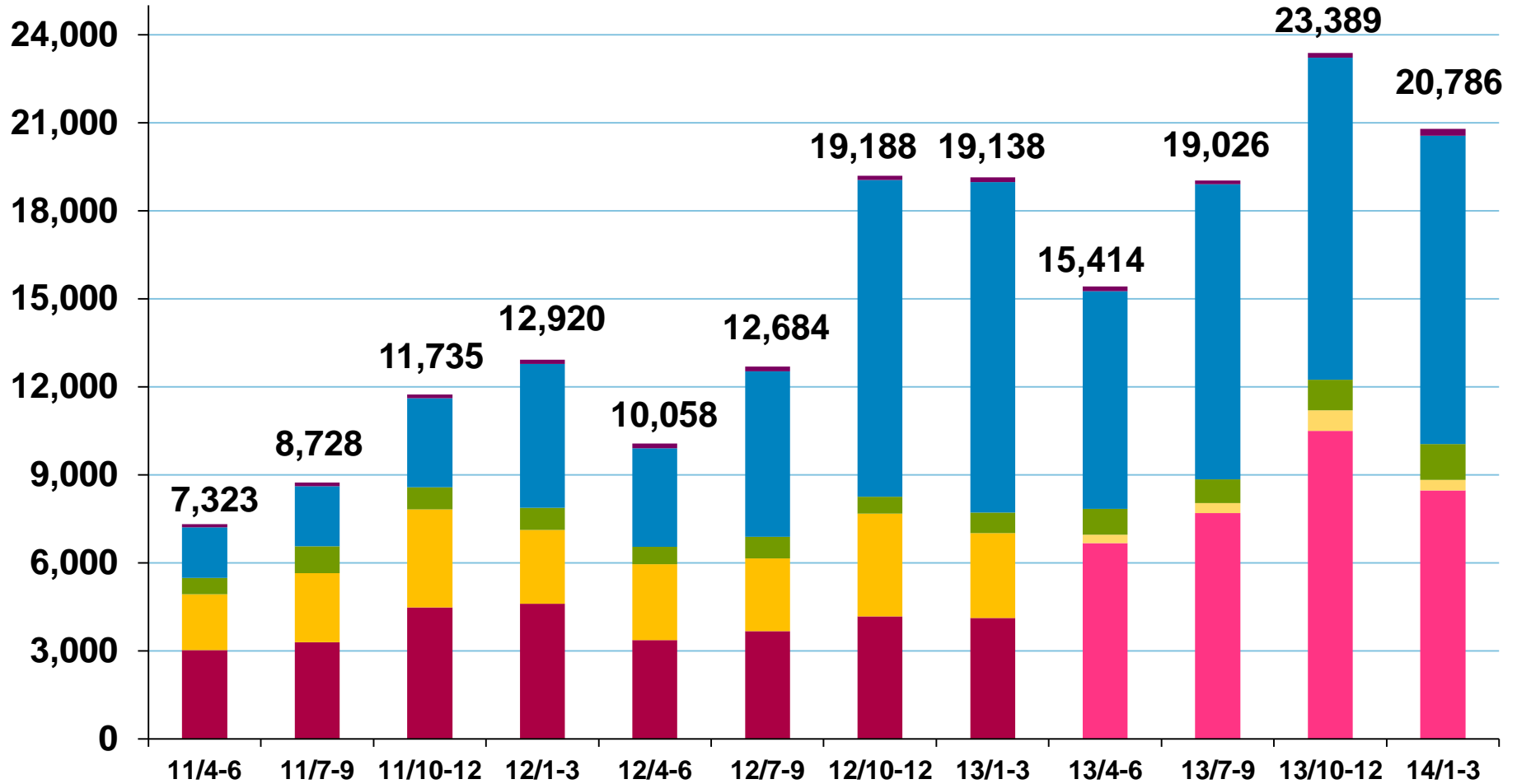
(Unit: Million JPY)



■ Pen for Smartphone ■ Pen for Tablet ■ Pen for Notebook PC ■ Touch

# Quarterly Trend by Product Line

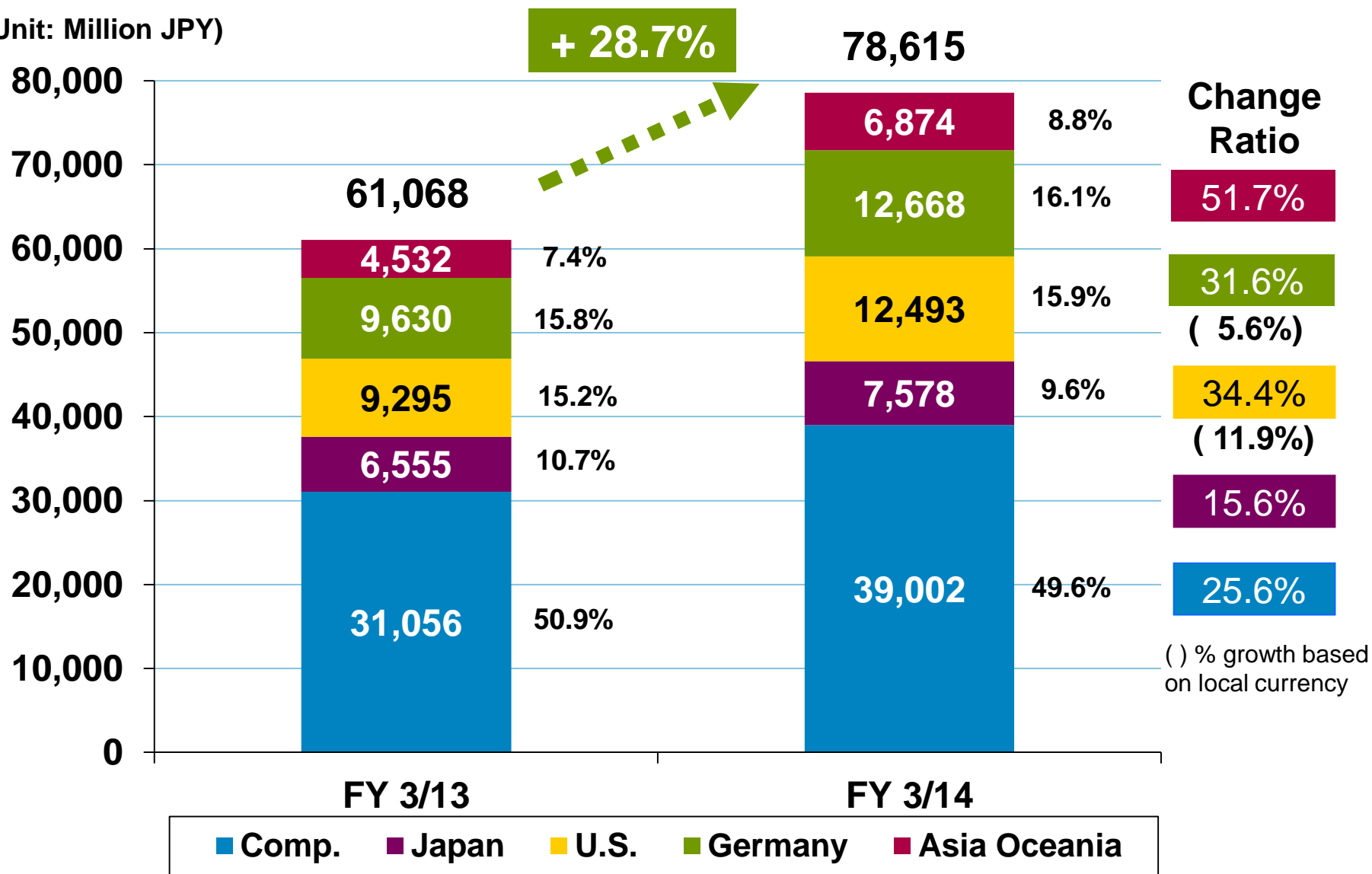
(Unit: Million JPY)



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

# Sales by Region

(Unit: Million JPY)

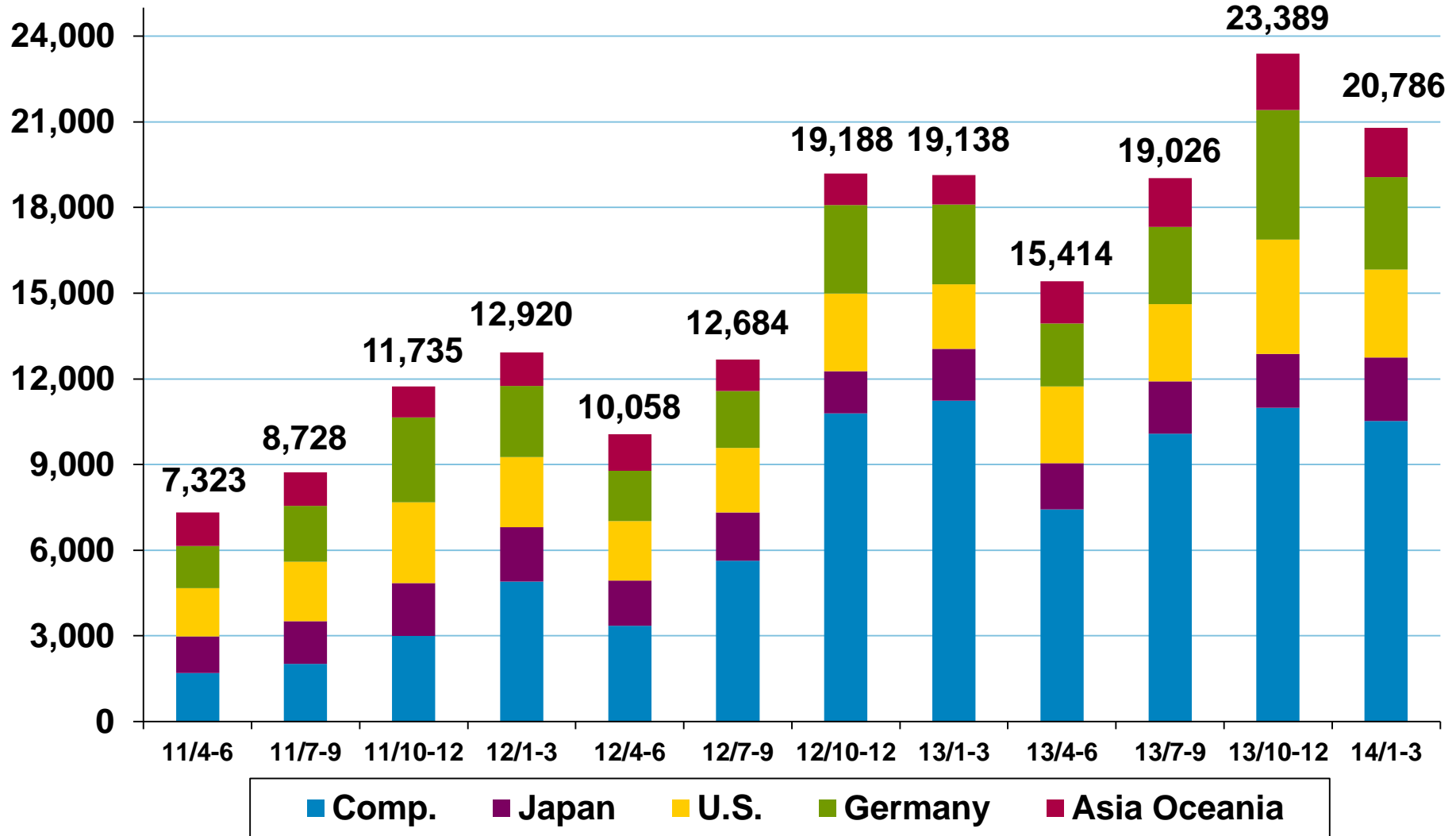


# Sales Changes for Local Currencies

Region	Currency	YOY Change Ratio
Japan	JPY	15.6%
U.S.	USD	11.9%
Europe	EUR	5.6%
China	CNY	27.0%
Korea	KRW	24.2%
Australia	AUD	46.5%
Singapore	USD	2.8%
Hong Kong	USD	35.8%

# Quarterly Trend by Region

(Unit: Million JPY)





# Consolidated B/S

(Unit: Million JPY)

	End of Mar. 2013	End of Mar. 2014	Change
Current assets	42,752	40,073	-2,678
Noncurrent assets	7,372	10,786	3,413
<b>Total assets</b>	<b>50,124</b>	<b>50,859</b>	<b>735</b>
Current liabilities	19,596	16,239	-3,357
Noncurrent liabilities	1,316	1,820	504
<b>Total liabilities</b>	<b>20,913</b>	<b>18,060</b>	<b>-2,853</b>
Minority interest in subsidiaries	0	0	0
<b>Net assets</b>	<b>29,212</b>	<b>32,799</b>	<b>3,588</b>
<b>Total liabilities and Net assets</b>	<b>50,124</b>	<b>50,859</b>	<b>735</b>
<b>Equity ratio</b>	<b>58.1%</b>	<b>64.2%</b>	<b>6.1%</b>
<b>Book value per share (JPY)</b>	<b>173</b>	<b>196</b>	<b>23</b>

## Assets

- Decrease in cash and cash equivalents -6,202  
(payments of income tax, year-end dividend, and inventories, etc.)
- Increase in inventories (new products for sales) 3,847
- Increase in investment and other assets 1,660  
(lease deposits and investment securities, etc.)
- Increase in tangible fixed assets 922  
(automated machines for pen comp. and tools, furniture, etc.)

## Liabilities

- Decrease in accounts payable -2,389
- Decrease in income tax payable -275

## Net assets

- Valuation difference on available-for-sale securities 392
- Increase in shareholders' equity 2,013  
(03/13 29,926 ⇒ 03/14 31,939)

# Consolidated C/F

(Unit: Million JPY)

	FY 3/14	FY 3/14	YoY Change
	04/12- 03/13	04/13- 03/14	Amount
C/F from operating activities	5,895	734	-5,161
C/F from investing activities	-1,611	-4,416	-2,805
C/F from financing activities	4,337	-3,255	-7,592
Effect of change in exchange rate	1,006	735	-271
Increase-decrease of cash & cash equivalent	9,627	-6,202	-15,829
Beginning balance of cash & cash equivalent	11,970	21,596	9,627
Ending balance of cash and cash equivalent	21,596	15,394	-6,202

(Unit: Million JPY)

## C/F from operating activities

- Net profit before taxes 8,269
- Income tax paid -3,776
- Increase in inventories -3,149

## C/F from investing activities

- Purchase of fixed assets -3,357  
(machinery, mold, and global ERP, etc.)
- Purchase of investment securities -785

## C/F from financing activities

- Cash dividends paid -1,887
- Repurchase of own shares -1,439

# Results of Share Repurchase Program

- **Repurchase of own shares**

- Total number of acquired shares : 2 million (upper limited)  
Equivalent of 1.19% of outstanding shares at end-Sep. 2013
- Total cost of acquisition: 1.44 bn JPY
- Period of acquisition: from Oct. 21, 2013 to Dec. 5, 2013

(Ref.) Total number of shares outstanding at end of 3Q/FY14: 169,046,400 shares

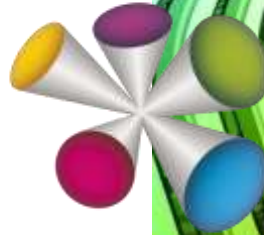
Total number of treasury stock at end of 3Q/FY14: 2,612,800 shares

- **Total payout to shareholders**

- Total payout ratio: 82.9% (FY 03/14 result)  
Forecasted dividends payout: 2.91 bn JPY (payout ratio 55.9%)  
Cost of share repurchase: 1.44 bn JPY

# 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
- 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
  - 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-April. 2014)**

- **FX rate assumptions**

1 USD = 100 JPY

1 EURO = 135 JPY

- **Foreign exchange sensitivity: 12-month forecast**

(Unit: Million JPY)

<b>Currencies</b>	<b>USD</b>	<b>EURO</b>
<b>Unit of sensitivity</b>	<b>JPY 1</b>	<b>JPY 1</b>
<b>Sales</b>	<b>660</b>	<b>120</b>
<b>Operation profit</b>	<b>20</b>	<b>80</b>

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

# Assumptions for FY 03/15 Forecast

- **Capital expenditure**

4.90 billion (+41.4% YOY)

Key items: IT systems to form global organizations(SCM, etc.), molds, etc.

- **Depreciation**

2.30billion (+26.9% YOY)

- **R&D expense**

3.10 billion (+8.3% YOY)

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

(Unit: Million JPY)

	1H FY 3/14		1H FY 3/15		YoY
	04/13-09/13		04/14-09/14		Growth rate
<b>Sales</b>	<b>34,440</b>		<b>38,800</b>		<b>12.7%</b>
<b>OP</b>	<b>3,059</b>	<b>8.9%</b>	<b>3,360</b>	<b>8.7%</b>	<b>9.8%</b>
<b>RP</b>	<b>2,982</b>	<b>8.7%</b>	<b>3,340</b>	<b>8.6%</b>	<b>12.0%</b>
<b>NP</b>	<b>1,958</b>	<b>5.7%</b>	<b>2,230</b>	<b>5.7%</b>	<b>13.9%</b>

	FY 3/14		FY 3/15		YoY
	04/13-03/14		04/14-03/15		Growth rate
<b>Sales</b>	<b>78,615</b>		<b>92,000</b>		<b>17.0%</b>
<b>OP</b>	<b>8,663</b>	<b>11.0%</b>	<b>10,500</b>	<b>11.4%</b>	<b>21.2%</b>
<b>RP</b>	<b>8,282</b>	<b>10.5%</b>	<b>10,450</b>	<b>11.4%</b>	<b>26.2%</b>
<b>NP</b>	<b>5,249</b>	<b>6.7%</b>	<b>6,970</b>	<b>7.6%</b>	<b>32.8%</b>

- Operating expenses will be incurred during 1H prior to product launch. Profit ratios for 1Q and 2Q (Apr. to Jun. and Jul. to Sep.) are expected to quadruple.

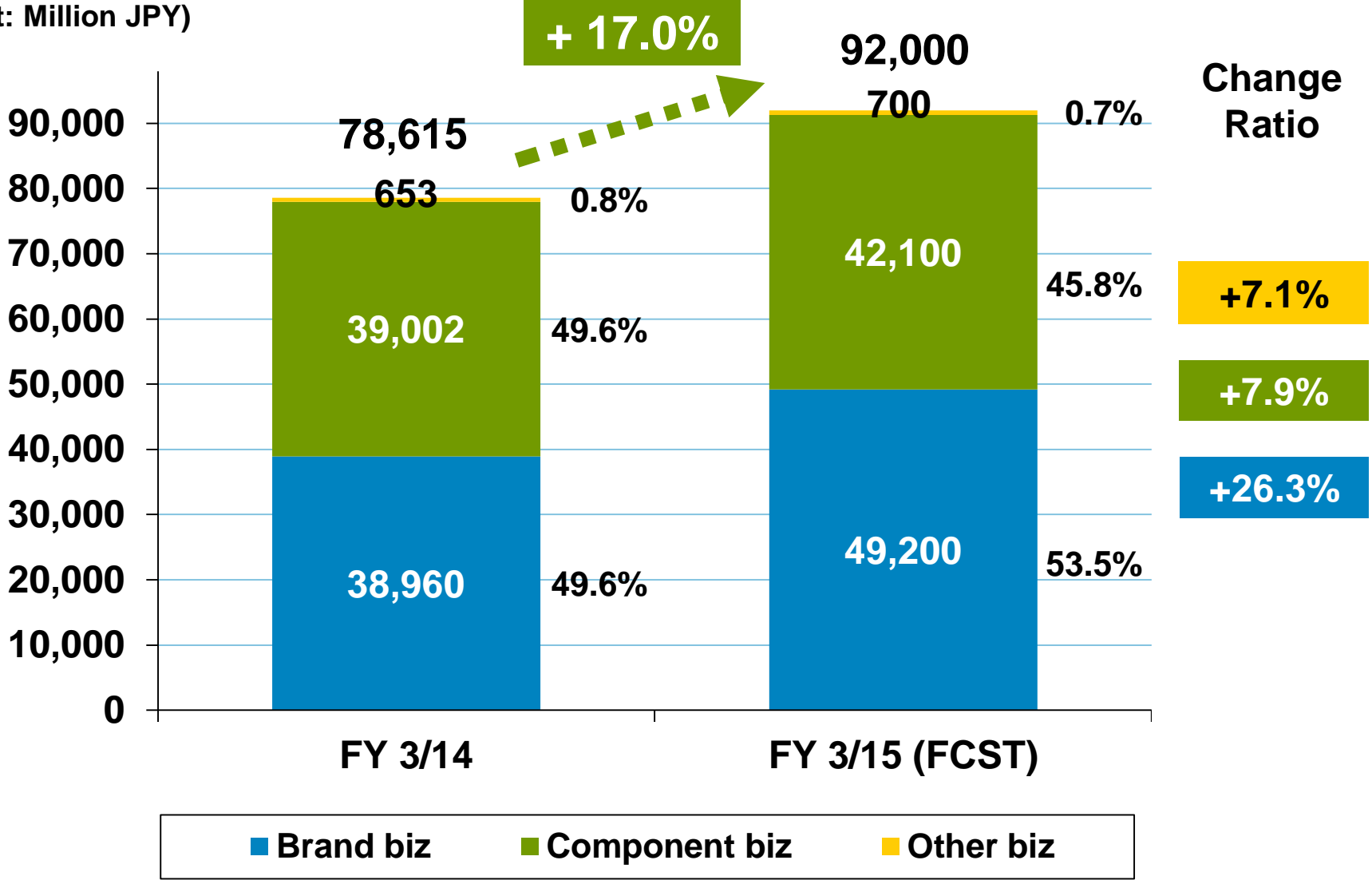
# Forecast of Results by Business Line

(Unit: Million JPY)

	FY 3/14 (actual)	FY 3/15 (forecast)	YOY Change	
	04/13-03/14	04/14-03/15	Amount	Ratio
<b>Sales</b>	<b>78,615</b>	<b>92,000</b>	<b>13,385</b>	<b>17.0%</b>
Brand biz	38,960	49,200	10,240	26.3%
Component biz	39,002	42,100	3,098	7.9%
Other biz	653	700	47	7.1%
<b>Operating Profit</b>	<b>8,663</b>	<b>10,500</b>	<b>1,837</b>	<b>21.2%</b>
Brand Biz	5,214	7,320	2,106	40.4%
Component biz	6,667	7,200	533	8.0%
Other biz	123	130	7	6.1%
Corp. and others	-3,341	-4,150	-809	24.2%
<b>OPM</b>	<b>11.0%</b>	<b>11.4%</b>		

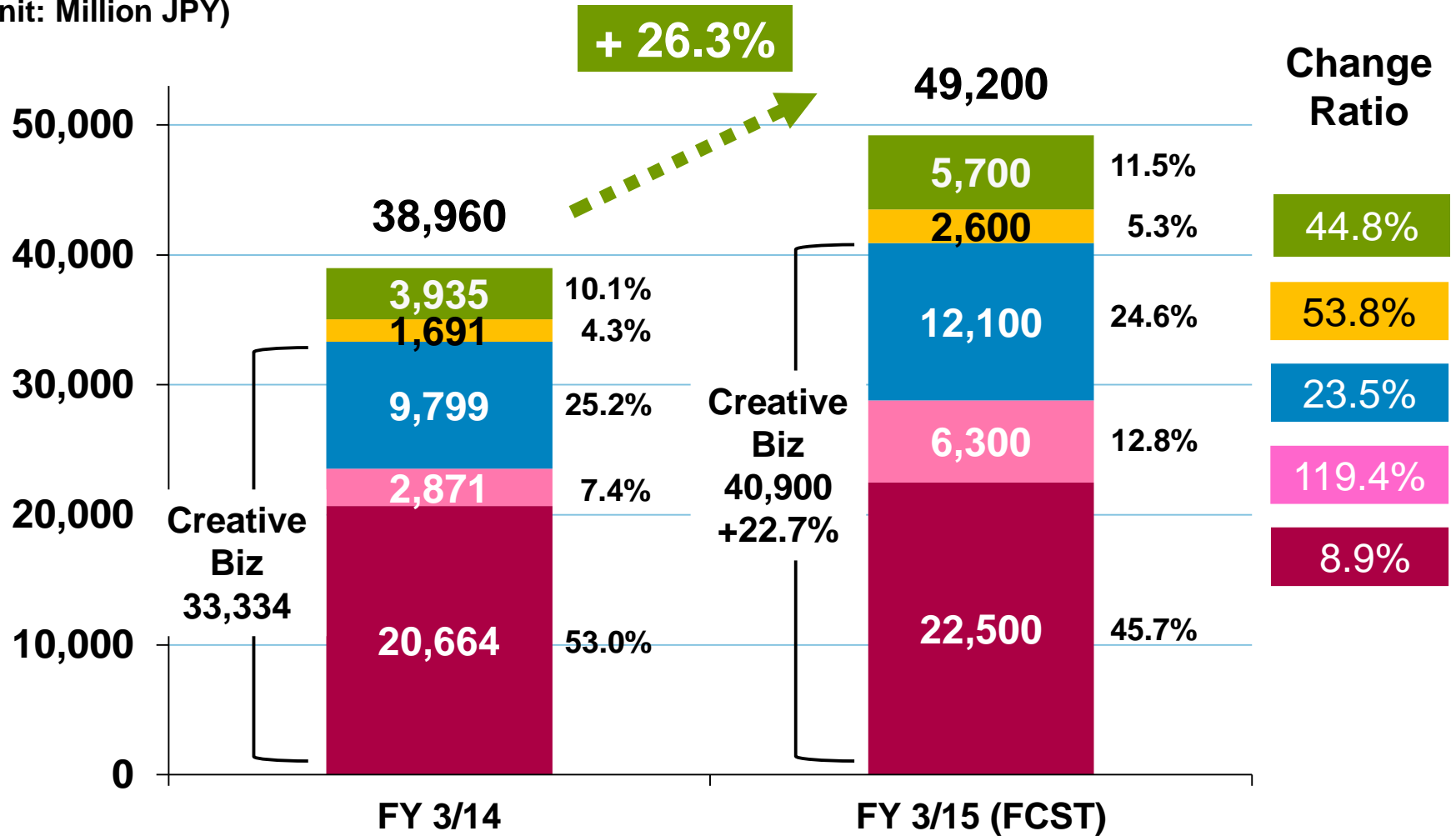
# Sales Forecast by Segment

(Unit: Million JPY)



# Sales Forecast by Product line in Brand

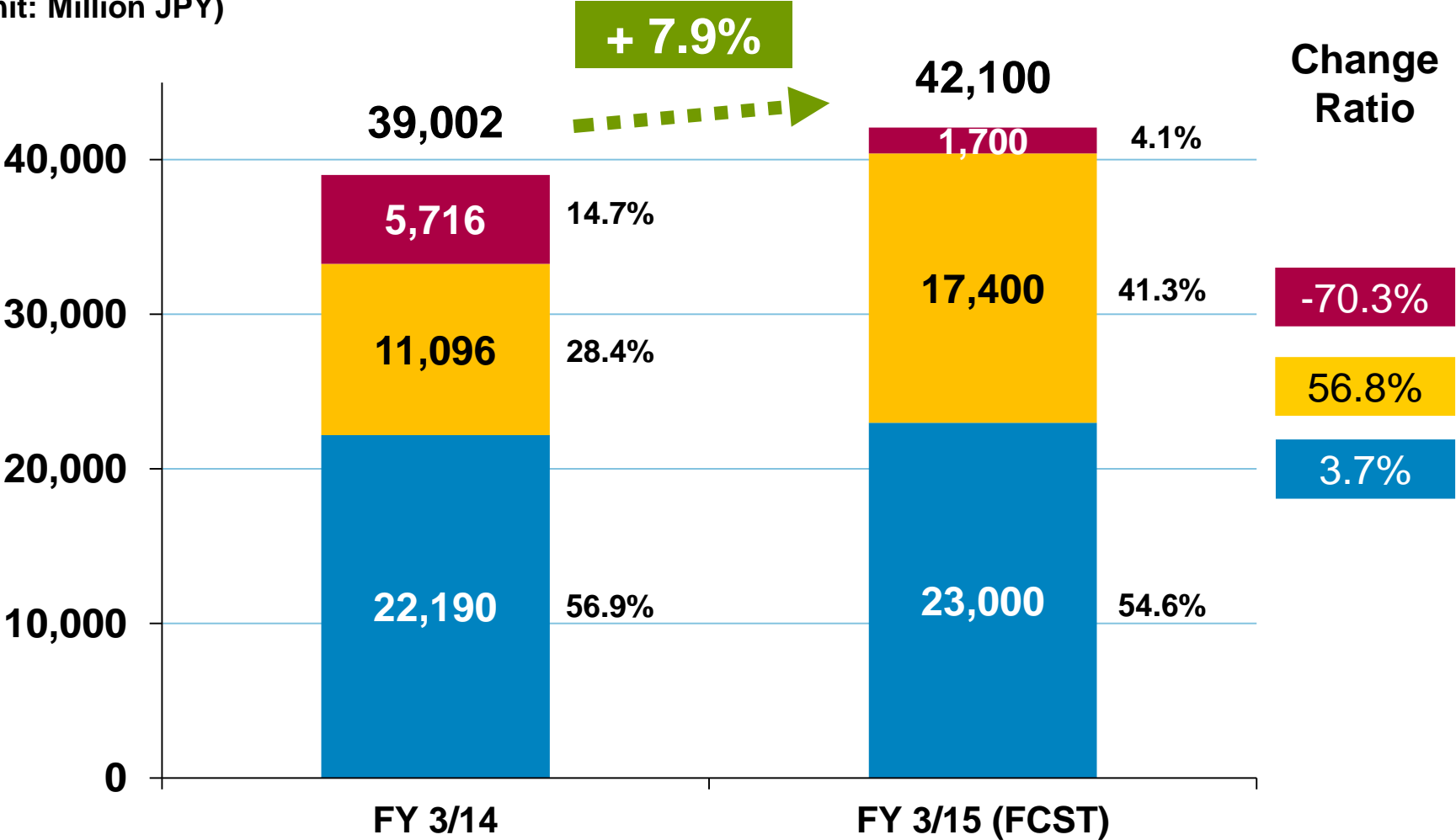
(Unit: Million JPY)



■ Creative-Tablet ■ Creative-Mobile ■ Creative-Display ■ Consumer ■ VM

# Sales Forecast by Product line in Comp.

(Unit: Million JPY)



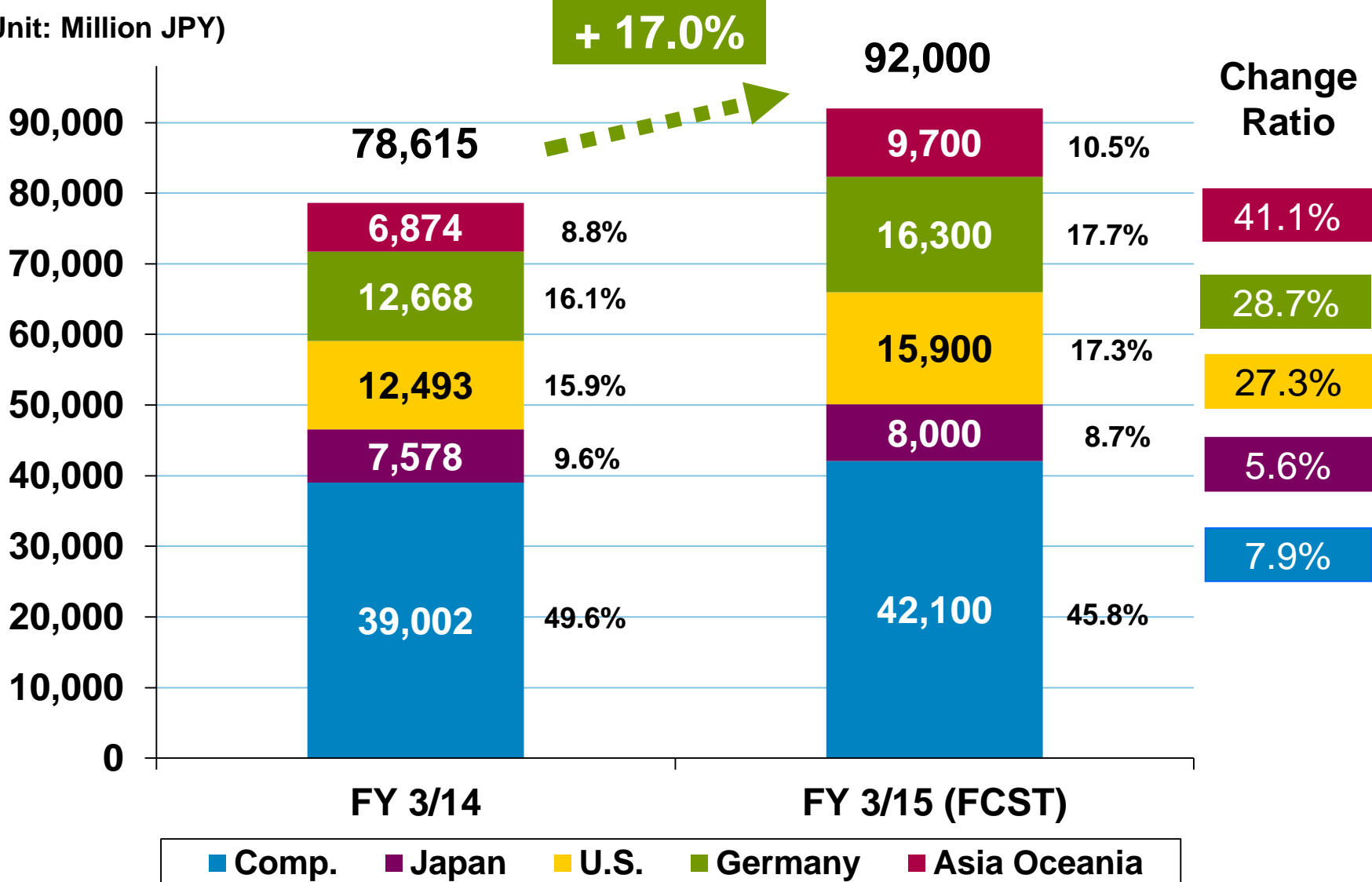
■ Pen for Smartphone   ■ Pen for Tablet   ■ Pen for Notebook PC, etc.

(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)



(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
- Target payout ratio maintains approximately 40% or more to attract global investment. (revised)

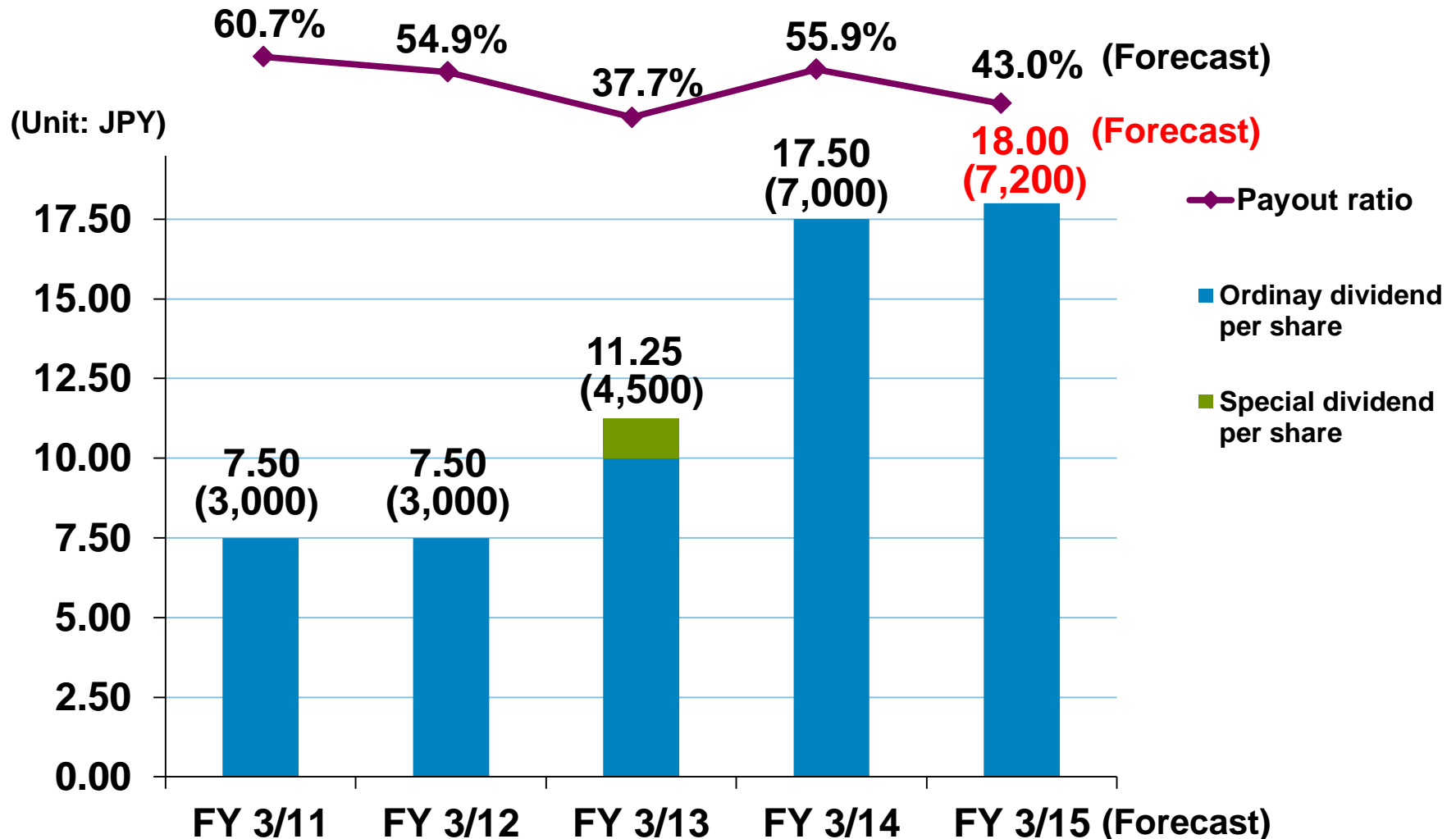
(original) Target payout ratio approximately 40% or more by FY 03/16 to attract global investment.

- **Dividend per share**

- JPY 18.00 per share for FY 03/15  
(JPY 17.50 per share for FY 03/14 )
  - ※ equal to JPY 7,200 per share before the share split on June 1, 2013
- Payout ratio 43.0%

# Dividends per Share

( ) figures show dividends per share before share split on June 1, 2013





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Our Vision

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TO MAKE THE WORLD  
A MORE CREATIVE PLACE.

Our Mission

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OPEN UP.  
SENSE MORE.

*for a creative world™*



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# 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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