

July 30, 2014
Wacom Co., Ltd.
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Revisions of business forecast for FY14

Wacom announces its revisions of consolidated FY14 business forecast based on recent business conditions. The former business forecast was disclosed on April 30, 2014.

Please refer to the details below.

1. Consolidated FY14 1st Half Forecast Revision (from April 1, 2014 to Sept. 30, 2014)

\	Sales mY	Operating Profit mY	Recurring Profit mY	Net Profit mY	Net Profit per Share Outstanding Yen Sen
Former Forecast (A)	38,800	3,360	3,340	2,230	13.40
Revised Forecast (B)	35,070	1,750	1,820	1,230	7.39
Change in Amount (B-A)	-3,730	-1,610	-1,520	-1,000	
Change in Ratio (%) (B to A)	-9.6	-47.9	-45.5	-44.8	
Former Results (FY13 1st Half) (C)	34,440	3,059	2,982	1,958	11.64
Change in Ratio (%) (B to C)	1.8	-42.8	-39.0	-37.2	

2. Consolidated FY14 Forecast Revision (from April 1, 2014 to March 31, 2015)

\	Sales mY	Operating Profit mY	Recurring Profit mY	Net Profit mY	Net Profit per Share Outstanding Yen Sen
Former Forecast (A)	92,000	10,500	10,450	6,970	41.87
Revised Forecast (B)	78,700	5,500	5,540	3,700	22.23
Change in Amount (B-A)	-13,300	-5,000	-4,910	-3,270	
Change in Ratio (%) (B to A)	-14.5	-47.6	-47.0	-46.9	
Former Results (FY13) (C)	78,615	8,663	8,282	5,249	31.31
Change in Ratio (%) (B to C)	0.1	-36.5	-33.1	-29.5	

3. Reasons

3-1. First-half business outlook

For the first half of FY2014, sales in both Brand Business and Component Business are expected to show less growth than forecast at the start of the fiscal year, and as a result, earnings are also expected to be lower than initially forecast.

In the Brand Business, we anticipate year-on-year sales growth owing to the effect of new products in the mobile product line and other product lines, and growing global demand in LCD pen tablet products, which support advanced paperless environments and improved security. However, total sales are not expected to increase as much as originally forecast.

In the Creative Business, delayed recovery from consumer confusion stemming from brand integration in pen tablets, the shift from PCs to tablets by new users, the delay of developing market for mobile products and slowing demand for large-sized display products are expected to have a significant impact. Additionally, in the Consumer Business, stylus product sales have stalled amid intense price wars, even though the stylus market itself has expanded.

In the Component Business, we do not expect an early recovery in pen sensor systems for smartphones, as the smartphone market has been rapidly shrinking and the mass production of new products has been delayed. With regard to pen sensor systems for tablets, we decided to revise the former forecast to take into consideration the decline in demand for major manufacturers.

3-2. Full-year business outlook

Consolidated sales and earnings for the full fiscal year are likely to fall below the former forecast, reflecting an expected continuation of the first-half stagnation into the second half of the year in both Brand Business and Component Business.

In Brand Business, forecast sales in the Vertical Market Business have been revised upward, owing to brisk business inquiries. In Creative Business, however, the expansion of new product lineups such as mobile products has not grown enough to create a strong demand. Total sales in the Consumer Business has been revised downward from the original forecast, with demand unlikely to recover rapidly despite forecast year-on-year growth in sales.

In the Component Business market, recovery of demand for smartphones and tablets is not expected within the current fiscal year. Demand for pen sensor systems for smartphones is forecasted to fall below the previous fiscal year, and demand for pen sensor systems for tablets is not expected to recover in the short term due to stagnation of high-end models in spite of strong demand in the vertical market, such as within the education field. Shipments of newly developed Active-ES pens, already building strong market support, are planned to commence during the current fiscal year; however, this is expected to make only a limited contribution to business performance for the full year.

In line with the basic policy of our Medium-term Business Plan, we have been adapting Wacom's business model to respond to changes in market structure, user demand, and supply chain dynamics. Amid sluggish sales in both Brand Business and Component Business, Wacom is endeavoring to manage SG&A expenses while also continuing with necessary initiatives to enhance future growth, competitiveness and efficiency by restructuring the global organization and supply chain and improving the global IT infrastructure. As a result, forecast operating income for FY14 has been significantly revised downward.

4. Others

Concomitant with revisions to Wacom's business forecast, of the figures used in our "New Medium-Term Business Plan: WAP1215" as notified in a press release of April 30, 2014 titled: "Re: Revision of Medium-term Business Plan", are no longer fully up to date. However, given the impracticality of producing a new plan in a short time frame amid a rapidly changing business environment, at this stage we have decided to defer making any additional revisions to the revised Medium-term Business Plan announced on April 30.

There is no change to the annual dividend forecast of ¥18.0 per share that was announced on April 30, 2014.

* The above forecasts are based on currently available information and assumptions of uncertainties which can influence future results as of the announcement date. Please note that actual results could materially differ from these forecasted results due to various factors.

Concluded