

Business Report

April, 2015 to December, 2015

(3Q of FY ending March 31, 2016)

Wacom Co., Ltd.

(TSE Sec.1 6727)

for a creative world™



wacom®

Contents Index

3-4	3Q FY 03/16 (Apr. to Dec. 2015) Results Overview
5-6	Consolidated P/L, Operating Expenses Comparison
7-8	Consolidated Sales/Profit Comparison
9-10	Business Segment Sales/Profit Comparison
11-18	Business Highlights
19-21	Sales by Product Line
22-24	Sales by Region, Sales Changes for Local Currencies
25-26	Consolidated B/S, C/F
27-29	FY 03/16 Business Strategies
30-38	FY 03/16 Financial Forecast
39-40	Dividend Forecast for FY 03/16
41-43	Our Branding
44	Disclaimer

3Q FY 03/16 (Apr. to Dec. 2015) Results Overview

Operating environment

- The global economy maintained a slow recovery in the U.S., Europe, and Japan, while emerging economies decelerated, influenced by a slowdown in China. In currency markets, the euro depreciated against the yen despite the strong US dollar.
- As cloud computing, mobile products, and SNS rapidly expand, the IT industry faces intensified competition and structural changes. Market trends related to our business are changing rapidly.

Performance overview

- Consolidated net sales reached a historic high owing to the steady expansion of Creative Business products in Brand Business. Operating income and net profit decreased due to increasing SG&A such as IT infrastructure and R&D expenses.
- Sales in Brand Business reached a record high, driven by strong sales of Display and Pen Tablet products in Creative Business, particularly in China and other Asian markets.
- Sales in Technology Solution Business fell due to a decrease in sales of products for notebook PCs and a lower shipment level of Samsung's Galaxy Note 5 compared to the previous model, which offset the sales expansion of new Active ES pen solution and mass production of educational tablets.

3Q FY 03/16 (Apr. to Dec. 2015) Results Overview

Financial Summary

(JPY)

Business Performance	3Q FY 03/16	YOY
Net Sales	60.89 bn	6.9%
Operating Income	4.83 bn	-15.0%
Ordinary Income	4.89 bn	-10.6%
Net Profit aft. Tax	3.09 bn	-3.6%

Financial Indices	3Q FY 03/16	3Q FY 03/15
EPS	18.68 JPY	19.22 JPY
BPS (Book Value per Share)	197 JPY	204 JPY

(For reference)

Average Forex rate	3Q FY 03/16	YOY
1 USD	121.49 JPY	+13.3% (Weak JPY)
1 EUR	133.67 JPY	-4.9% (Strong JPY)

(Note) Net Profit of FY 03/16 is equivalent to net profit attributable to shareholders of Wacom Co., Ltd.

Consolidated P/L

(Unit: Million JPY)

	3Q FY 03/15	3Q FY 03/16	YOY Change	
	04/14-12/14	04/15-12/15	Amount	Ratio
Net Sales	56,965	60,892	3,927	6.9%
Gross Profit	23,327	24,383	1,056	4.5%
profit margin %	40.9%	40.0%		
SG&A	17,640	19,549	1,910	10.8
Operating Income	5,687	4,834	-853	-15.0%
profit margin %	10.0%	7.9%		
Ordinary Income	5,475	4,893	-582	-10.6%
Net Profit after Tax	3,199	3,085	-114	-3.6%

- Effects of forex fluctuations

The US dollar strengthened by JPY 14.22: Sales +4,670 mil JPY, OP +100 mil JPY

The euro weakened by JPY 6.83 JPY: Sales -590 mil JPY, OP -390 mil JPY

Operating Expenses Comparison

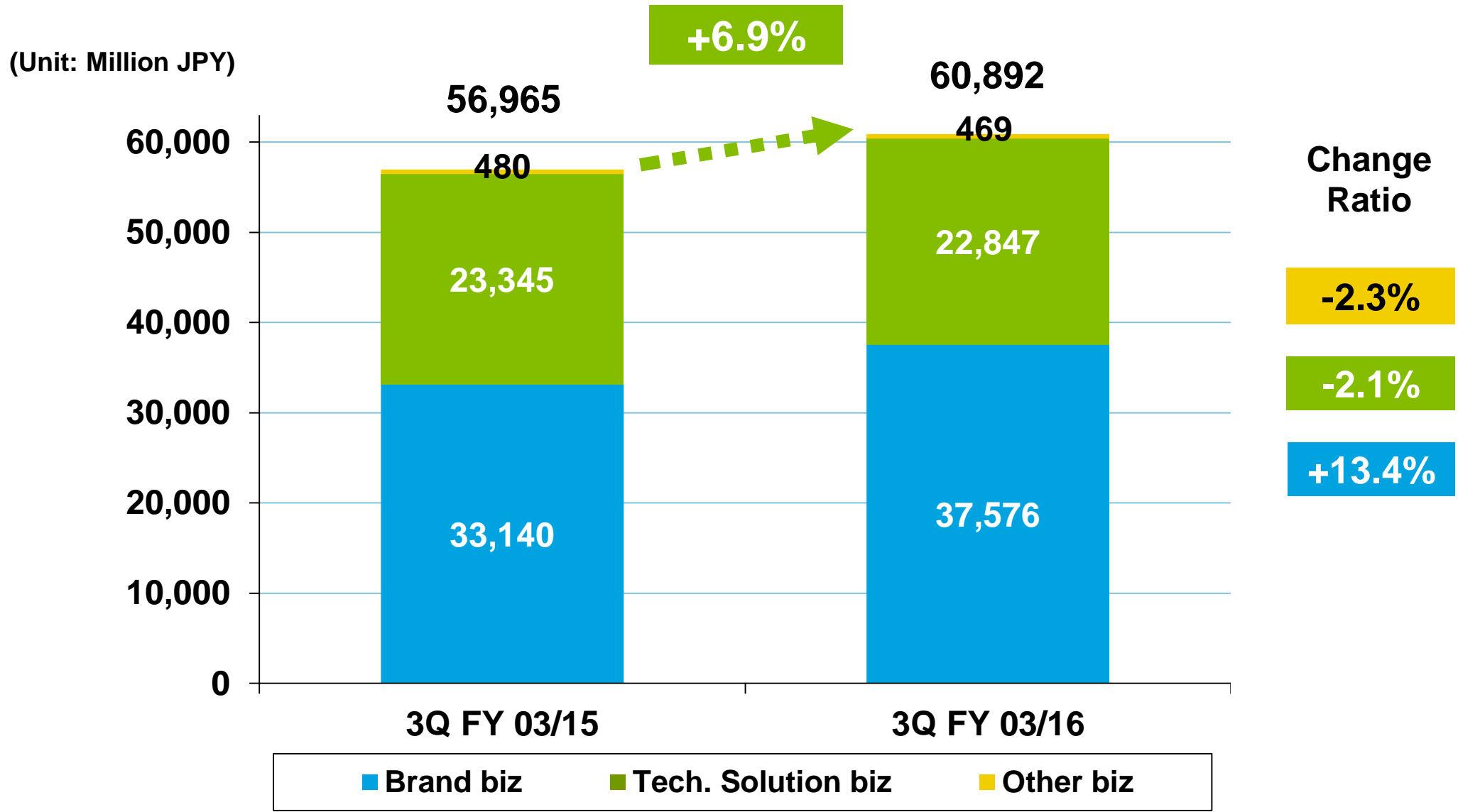
(Unit: Million JPY)

	3Q FY 03/15	3Q FY 03/16	YOY Change	
	04/14-12/14	04/15-12/15	Amount	Ratio
Personnel	6,286	7,113	827	13.2%
R&D	2,295	2,907	612	26.7%
Ad. & Promo.	2,539	2,487	-52	-2.0%
Others	6,520	7,043	523	8.0%
Total	17,640	19,549	1,910	10.8%
SG&A ratio %	31.0%	32.1%		

Key changes in SG&A

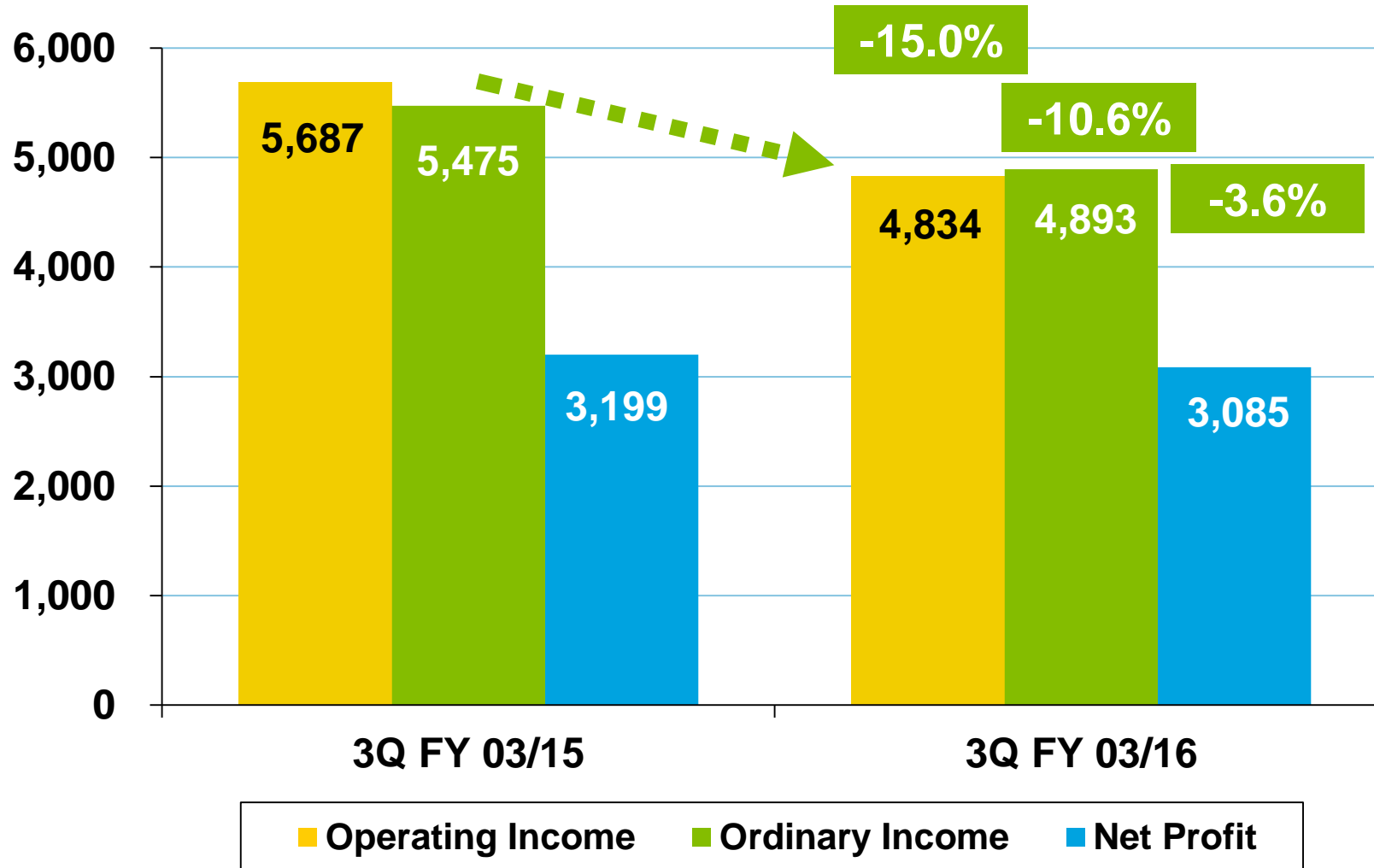
- SG&A increased by ¥640 million due to the weaker yen for SG&A incurred at subsidiaries.
- Headcount including temporary employees increased (1,200 in previous 3Q, 1,236 in current 3Q)
(Note) Headcount excluding temporary employees: 1,045 (previous 3Q), 1,058 (current 3Q)
- R&D expenses increased due to development of new products.
- Other expenses increased due to subcontract expenses for global IT infrastructure development.

Consolidated Sales Comparison



Consolidated Profit Comparison

(Unit: Million JPY)



Business Segment & Business Unit

Brand Business

Creative Business

- Serves the passion of professional and consumer creativity
- Product Lines: Pen Tablet, Mobile, Display

Consumer Business

- Makes daily lives more creative and enjoyable
- Product Lines: Stylus, Mobile Accessories, etc.

Business Solution

- Serves society by providing innovative solutions
- Product lines: Display, Signature Tablet, etc.

Technology Solution Business

- Pen sensor systems for Smartphones and Tablets
- EMR, AES pen components & modules (feel™)

Other Business Engineering Solution ▪ ECAD dio

Platform & applications

- Provides technology, apps and platforms
- Cloud Apps & Services
- WILL (digital Ink solution)

Consolidated P/L by Business Segment

(Unit: Million JPY)

	3Q FY 03/15	3Q FY 03/16	YOY Change	
	04/14-12/14	04/15-12/15	Amount	Ratio
Net Sales	56,965	60,892	3,927	6.9%
Brand biz	33,140	37,576	4,436	13.4%
Tech. Solution Biz	23,345	22,847	-497	-2.1%
Other biz	480	469	-11	-2.3%
Operating Income	5,687	4,834	-853	-15.0%
Brand biz	5,301	7,251	1,951	36.8%
Tech. Solution Biz	3,558	3,118	-440	-12.4%
Other biz	81	41	-41	-50.1%
Corp. and others	-3,253	-5,576	-2,323	71.4%
profit margin %	10.0%	7.9%		

(Note) Corp. and others Operating Income decrease includes approx. -1.9 bn JPY due to the reassignment of SG&A items from Brand Business to Corporate functions reflecting the new global organization started from April, 2015.

Business Highlights: (Unit: JPY)

<u>Brand Business</u>	37.58 bn	+13.4%
Creative Business	31.99 bn	+16.4%
Pen Tablet (subsection)	18.55 bn	+10.3%

- *Intuos Pro* was well received for its high value-added features for professional use and maintained stable sales globally.
- New generation *Intuos* products such as *Intuos Art*, *Intuos Draw*, *Intuos Comic* and *Intuos Photo* launched in September gained high recognition for their focus on user needs.
- The emerging market model grew sales mainly in China, and contributed to the expansion of new entry level users.



Emerging market model
(One by Wacom)



Business Highlights: (Unit: JPY)

Brand Business

Creative Business

Mobile (subsection)

3.63 bn +27.3%

- Wacom's mobile tablet, *Cintiq Companion 2*, was highly appraised for its QHD display, light body, and wide range of model lines. Its high-end model launched last May contributed to sales expansion.
- Sales channel expansion contributed to sales growth (previous sales channel was limited to online "Wacom Store"; now expanded to include certain wholesale retailers).
- *Inutos Creative Stylus 2* for iPads contributed to the acquisition of new users, although sales have started to decrease as a year has passed since its launch.

CINTIQ[®] companion 2



INTUOS[®]
Creative Stylus 2



Business Highlights: (Unit: JPY)

Brand Business

Creative Business

Display (subsection)

9.81 bn +25.4%

- *Cintiq 27 QHD*, gained a reputation as the flagship model for professional use, with its high-definition display and precision color management. This series is creating a new market of production tools for 3D works.
- *Cintiq 22HD* continued to contribute steadily to sales expansion.
- *Cintiq 13HD touch* with multi-touch function acquired new users in the portable 13 inch category.

CINTIQ[®] 27 QHD

CINTIQ[®] 27 QHD touch



CINTIQ[®] 13HD touch



CINTIQ[®] 13HD



CINTIQ[®] 22HD touch



Business Highlights: (Unit: JPY)



BAMBOO™ Spark



Brand Business

Consumer Business

1.85 bn

+58.6%

- *Bamboo Spark* was launched in September as a new generation digital stationery solution that transforms handwritten notes on paper into digital ink for editing and sharing. It was well-received and contributed to sales expansion.
- Launched *Wacom Cloud* services to share inspirations and ideas captured in digital ink through cloud computing.
- Next generation *Bamboo Fineline 2* for iPad and new *Bamboo Alpha* launched in September, contributed to sales owing to their premium design.

BAMBOO™
Fineline 2



BAMBOO™ Alpha



 Wacom Cloud

WILL Wacom Ink Layer Language

 InkSpace



Bamboo Spark
Bamboo Paper

Business Highlights: (Unit: JPY)

Brand Business

Business Solution

3.74 bn

-16.6%

- Sales dropped in the Eurozone due to the absence of large-scale orders that boosted results in the previous FY and a weaker euro against the yen. Some projects were postponed to 4Q onward.
- The *STU* series was well received in credit card transaction and over-the-counter services in the financial industry. The latest models, *STU-530* and *STU-430*, contributed to sales growth.
- *DTU-1031* was widely adopted for financial over-the-counter use. *DTU-1141* with data encryption contributed to sales.



STU Series



DTU-1141



DTU-1031



DTH-2242

Business Highlights: (Unit: JPY)



Smartphone models



Galaxy Note5



MONTBLANC



Tablet models

Panasonic

FUJITSU



ASUS

Motion

E人E本



Tech. Solution Business 22.85 bn **-2.1%**

Pen Sensor System for Smartphones

13.99 bn **-2.3%**

- Sales decreased due to a lower shipment level of Samsung's Galaxy Note 5 compared to the previous model.

Pen Sensor System for Tablets

7.19 bn **+13.7%**

- Large-scale shipments of educational tablets for a Turkish government project contributed to sales expansion.
- Promoted Active ES pen solution and started commercial production of new models on Windows 10 OS.

General Mobile etab5



TOSHIBA



lenovo



Business Highlights: (Unit: JPY)



Notebook PC models

Tech. Solution Business

Pen Sensor System for Notebook PCs

1.66 bn -38.5%

- Continued shift in demand from notebook PCs to tablets with removable keyboards.
- Sales decreased due to prolonged upgrade cycle and inventory adjustments of PCs for enterprise use.



For reference: *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.
- 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 single chip controller enables high performance pen and touch functions.

Business Highlights: (Unit: JPY)

Other Business

0.47 bn

-2.3%



The Power
To Innovate™



CAD software and others

0.47 bn

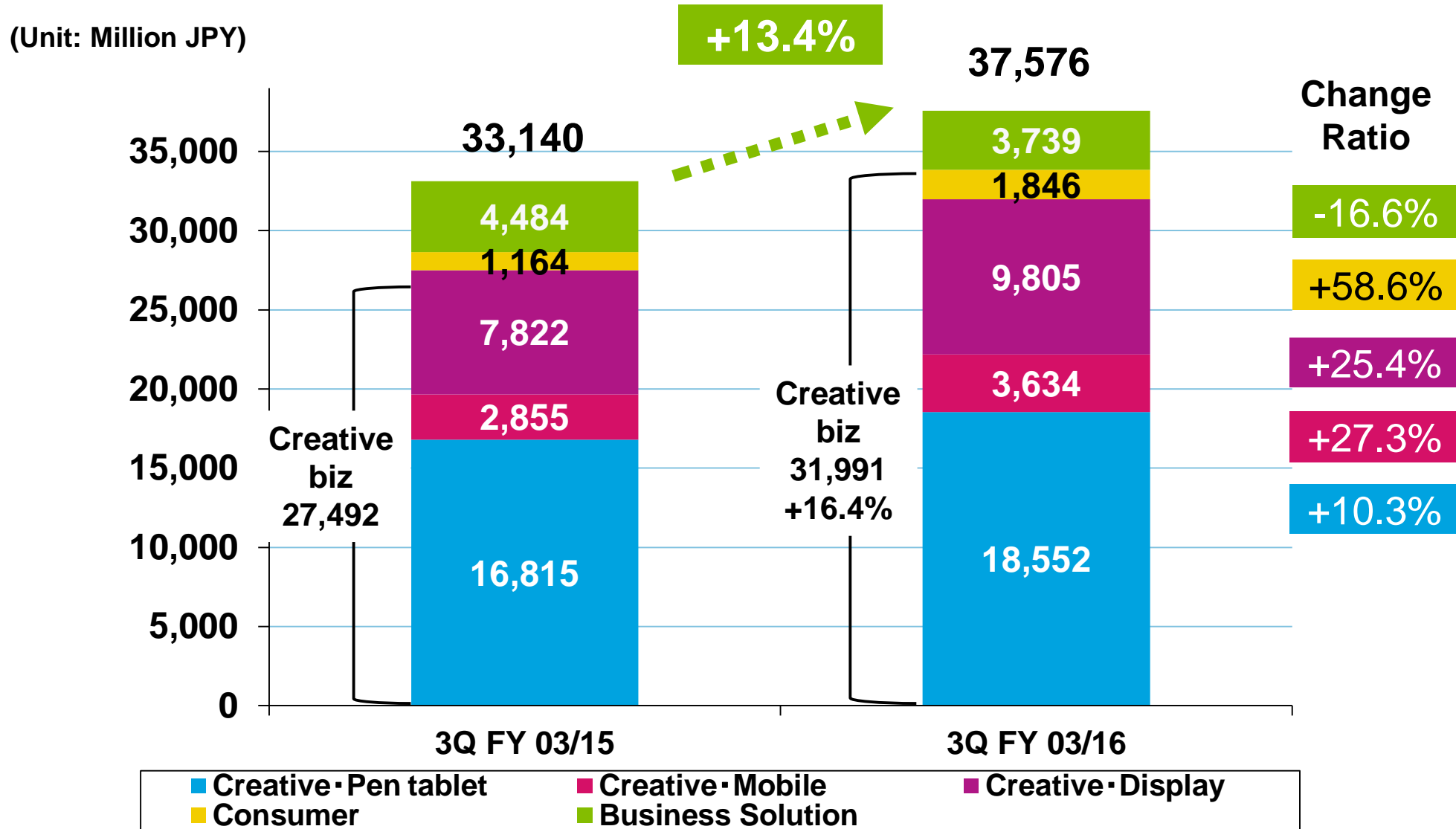
-2.3%

- Sales dropped due to a slowdown in PC replacement demand from the last FY.
- Launched *ECAD dio DCX R2* to the industrial equipment design market, in addition to promoting sales of *ECAD dio 2015*.

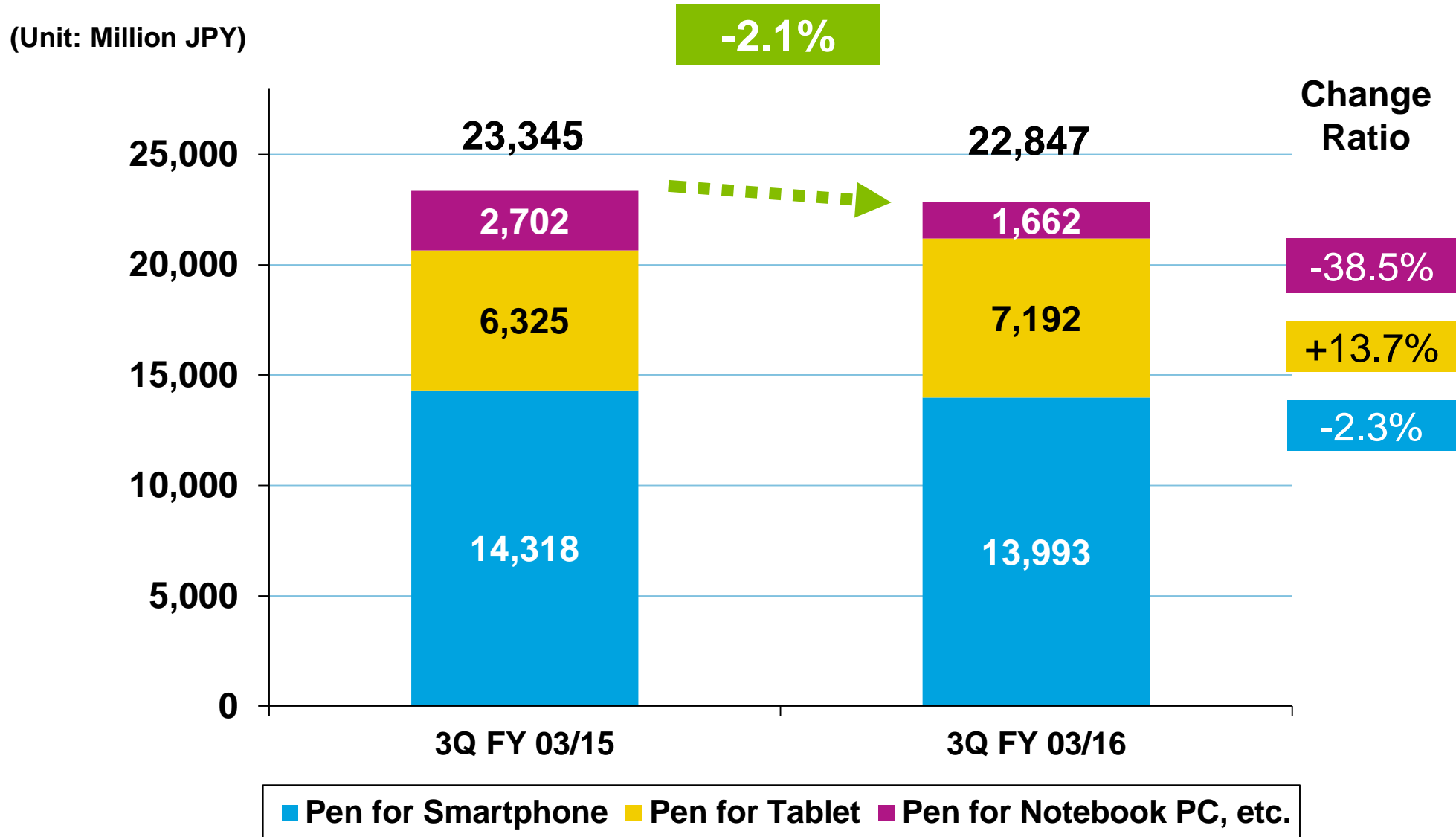
F&A (Corporate)

- Shifted the region-based organization to a customer-centric global organization. New global HR system started from this FY.
- Continued to invest in business infrastructure for growth and operational efficiency. Major projects include new SCM system, IT infrastructure, e-commerce, etc. for global operations.
- Promoted WILL (Wacom Ink Layer Language) as a new framework to standardize digital ink, and engaged in activities for partnership development. Held the Wacom 'Inkathon' software developer challenge and began preparations for the establishment of 'Digital Stationery Consortium'.
- Submitted a Corporate Governance Report to the TSE on September 29 in compliance with newly introduced Corporate Governance Code in Japan.

Sales by Product Line in Brand Business

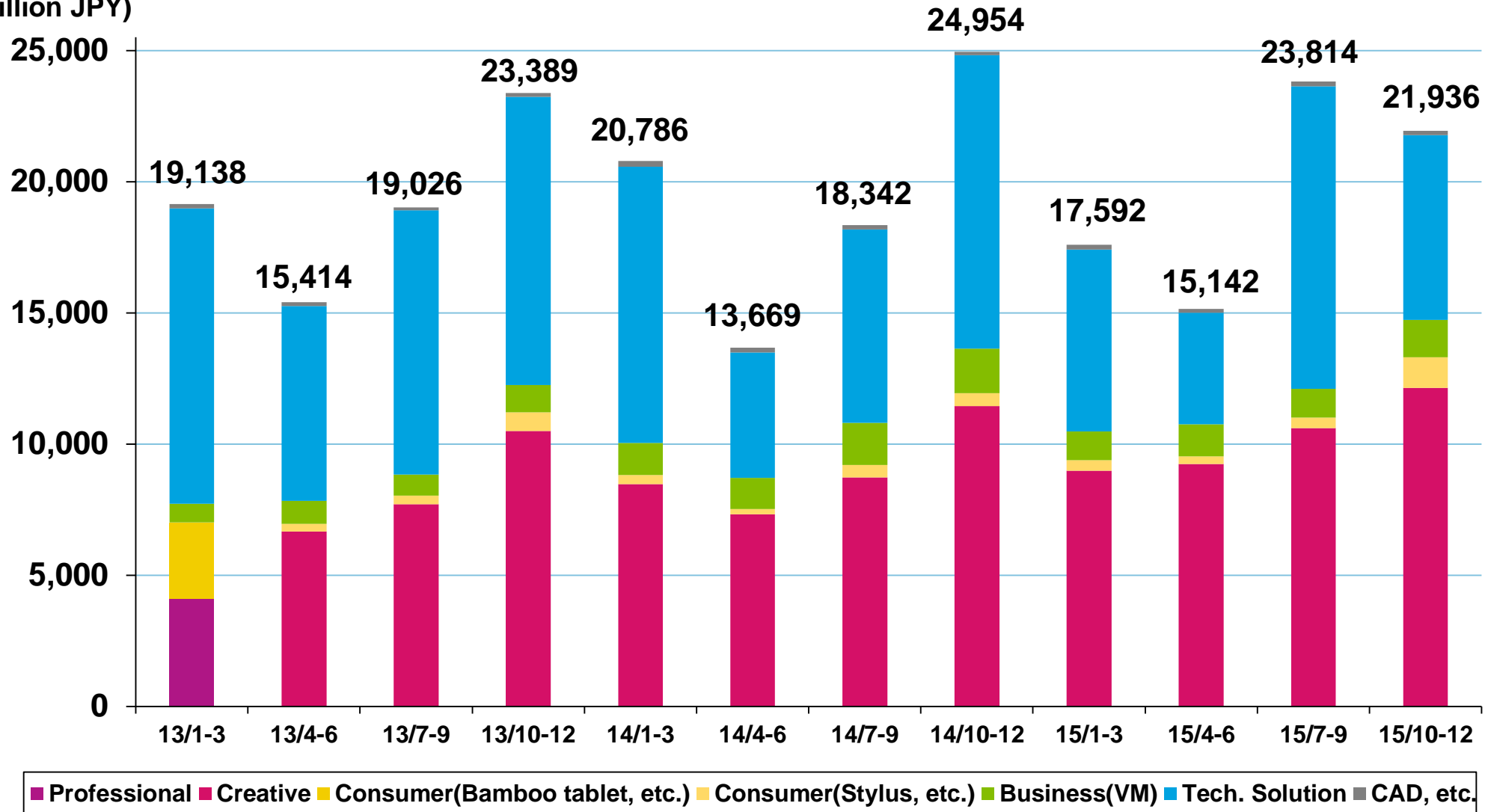


Sales by Product Line in Tech. Solution Business

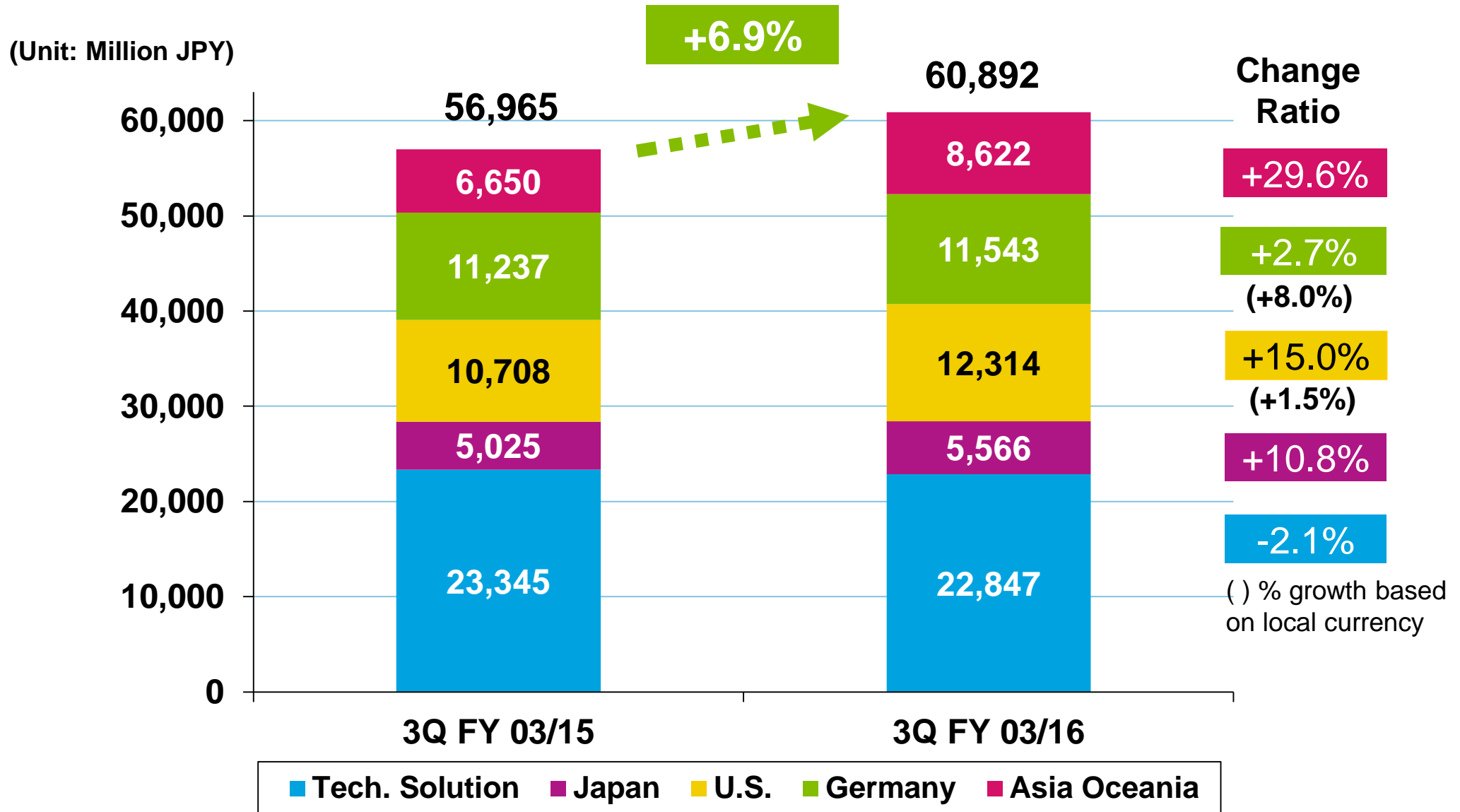


Quarterly Trend by Product Line

(Unit: Million JPY)



Sales by Region



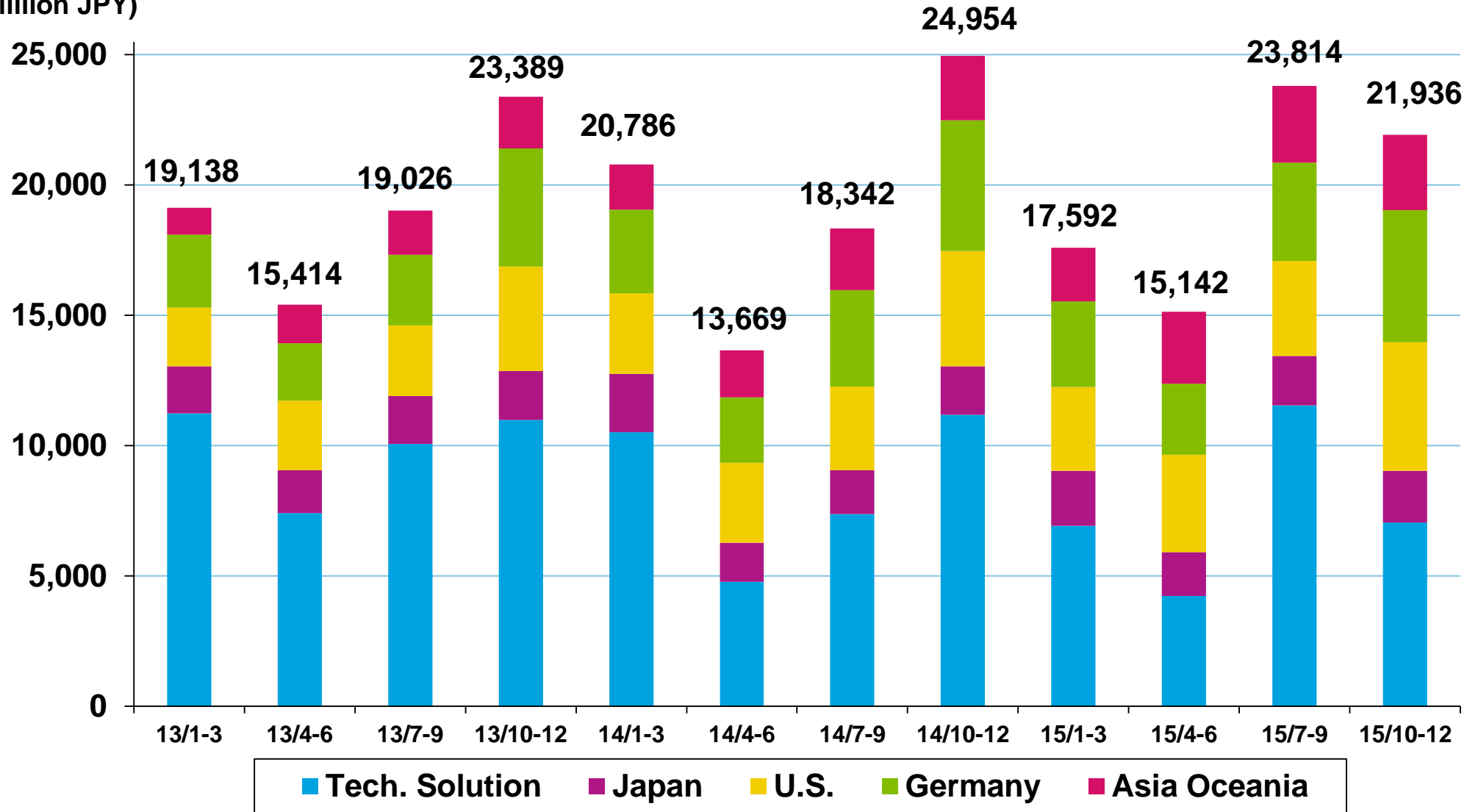
(For reference) Sales Changes in Local Currency Base

Region	Currency	YOY Change Ratio
Japan (excluding Component biz)	JPY	+10.8%
U.S.	USD	+1.5%
Europe	EUR	+8.0%
China	CNY	+31.8%
Korea	KRW	+16.0%
Australia	AUD	+19.3%
Singapore	USD	+3.2%
Hong Kong	USD	+16.3%
Taiwan	NTD	-3.8%

(Note) The figure of Singapore is including the sales of India.

Quarterly Trend by Region

(Unit: Million JPY)



(Note) There are no regional segments in the Tech. Solution Biz.

Consolidated B/S

(Unit: Million JPY)

	End of Mar. 2015	End of Dec. 2015	Change
Current Assets	40,188	43,553	3,365
Noncurrent Assets	11,269	13,049	1,780
Total Assets	51,457	56,602	5,145
Current Liabilities	15,880	21,979	6,099
Noncurrent Liabilities	1,718	1,986	268
Total Liabilities	17,598	23,965	6,367
Minority Interest in Subsidiaries	0	0	0
Net Assets	33,859	32,637	-1,221
Total Liabilities and Net Assets	51,457	56,602	5,145
Equity Ratio	65.4%	57.4%	-8.0%

Key Changes

Assets

- Increase in notes and accounts receivable 2,733
(sales increase in Brand business)
- Increase in intangible fixed assets 2,046
(increase in software suspense account for global IT infrastructure, etc.)
- Increase in inventories 1,463
(production increase in Tech. Solution biz)
- Decrease in cash and cash equivalents -1,177

Liabilities

- Increase in short-term loans 5,400

Net Assets

- Decrease in shareholders' equity -1,076
(decrease in treasury share with buy-back, etc.)

Consolidated C/F

(Unit: Million JPY)

	3Q FY 03/15	3Q FY 03/16	YoY Change
	04/14 -12/14	04/15 -12/15	Amount
C/F from operating activities	3,858	1,302	-2,556
C/F from investing activities	-2,322	-3,553	-1,231
C/F from financing activities	-902	1,208	2,110
Effect of change in exchange rate	812	-134	-946
Increase-decrease of cash & cash equivalent	1,445	-1,177	-2,622
Beginning balance of cash & cash equivalent	15,394	16,687	1,293
Ending balance of cash and cash equivalent	16,839	15,510	-1,330

Major Activities in 3Q FY 03/16

C/F from operating activities

- Net profit before tax 4,865
- Depreciation 1,456
- Increase in notes and accounts receivable-trade -3,446
- Increase in inventories -1,521

C/F from investing activities

- Purchase of fixed assets (global IT infrastructure, etc.) -3,875

C/F from financing activities

- Increase in short-term loans payable 5,400
- Cash dividends paid -2,990
- Purchase of treasury stock -1,245

FY 03/2016

Basic Strategies and Business Focus

for a creative world™



wacom®

Initial Assumptions of Business Environment for FY 03/16

- Despite some uncertainties, the global economy is expected to maintain a recovery trend, led by US economic expansion, financial policies in major countries and low oil price. While Asian countries are expected to maintain their growth rate, the LATAM region is expected to show no growth.
- The creative market is expected to continue to expand with acceleration in the mobile product category, 3D design and 3D printing evolution in advanced countries and digital design expansion in emerging markets.
- In the UI field, Pen & Ink is expected to gain momentum as the need for personal digital contents increases among mobile consumers.
- Integration of Consumer stylus, application and starts to offer new user values.
- Mobile workflow and security will become critical in enterprise markets, and digital signature is expected to expand to the mobile space.
- Wearables will start creating a new ecosystem for our products.

Basic Strategies and Initiatives

- Drive growth through the new user-centric global business unit.
- Integrate branding, marketing and sales for higher customer value.
- Extend mobile product offers and reach new users in 3D and emerging markets
- Create a new digital stationery category by integrating hardware, software and Cloud.
- Establish fully-integrated global business infrastructure.
- Establish AES and WILL as the global digital pen and ink standard.
- Build a new framework for future innovations in technology and products.
- Enhance corporate governance and processes for improving corporate value.

Assumptions for FY 03/16 Financial Forecast

- Market demand based on further review of trend in January, 2016.
- Reflected the customers demand forecast and market trends in Technology Solution Business. We recognize that risks and uncertainties in the business are still considerable and actual results may materially differ from our latest financial forecast in the short term.
- Forex rate assumptions for FY 03/16
 - 1 USD = 120 JPY
 - 1 EUR = 130 JPY
- Forex exchange sensitivity: 12-month forecast (assumption: Asian currencies are pegged to USD.)

Currency	USD	EUR
Unit of sensitivity	JPY 1	JPY 1
Net Sales	470	120
Operating Income	0	80

(Unit: Million JPY)

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

Summary for FY 03/16 Forecast as of October 23, 2015

(Unit: Million JPY)

Y on Y	FY 3/15 (actual)		FY 3/16 (forecast)		Change
	04/14-03/15		04/15-03/16		
Net Sales	74,557	sales ratio %	81,000	sales ratio %	8.6%
Operating Income	6,143	8.2%	4,800	5.9%	-21.9%
Ordinary Income	6,065	8.1%	4,780	5.9%	-21.2%
Net Profit	3,473	4.7%	3,050	3.8%	-12.2%
ROE	10.5%		9.2%		-1.3%
Progress	3Q FY 3/16 (actual)		FY 3/16 (forecast)		9-month/FY
	04/15-12/15 (9-month)		04/15-03/16 (full-year)		Progress rate
Net Sales	60,892	sales ratio %	81,000	sales ratio %	75.2%
Operating Income	4,834	7.9%	4,800	5.9%	100.7%
Ordinary Income	4,893	8.0%	4,780	5.9%	102.4%
Net Profit	3,085	5.1%	3,050	3.8%	101.2%

Forecast of Results by Business Segment as of Oct. 2015

(Note) Due to risks and uncertainties involved in the forecast of market and customer trends in Technology Solution Business, actual results may materially differ from forward-looking statements in the short term.

(Unit: Mil JPY)

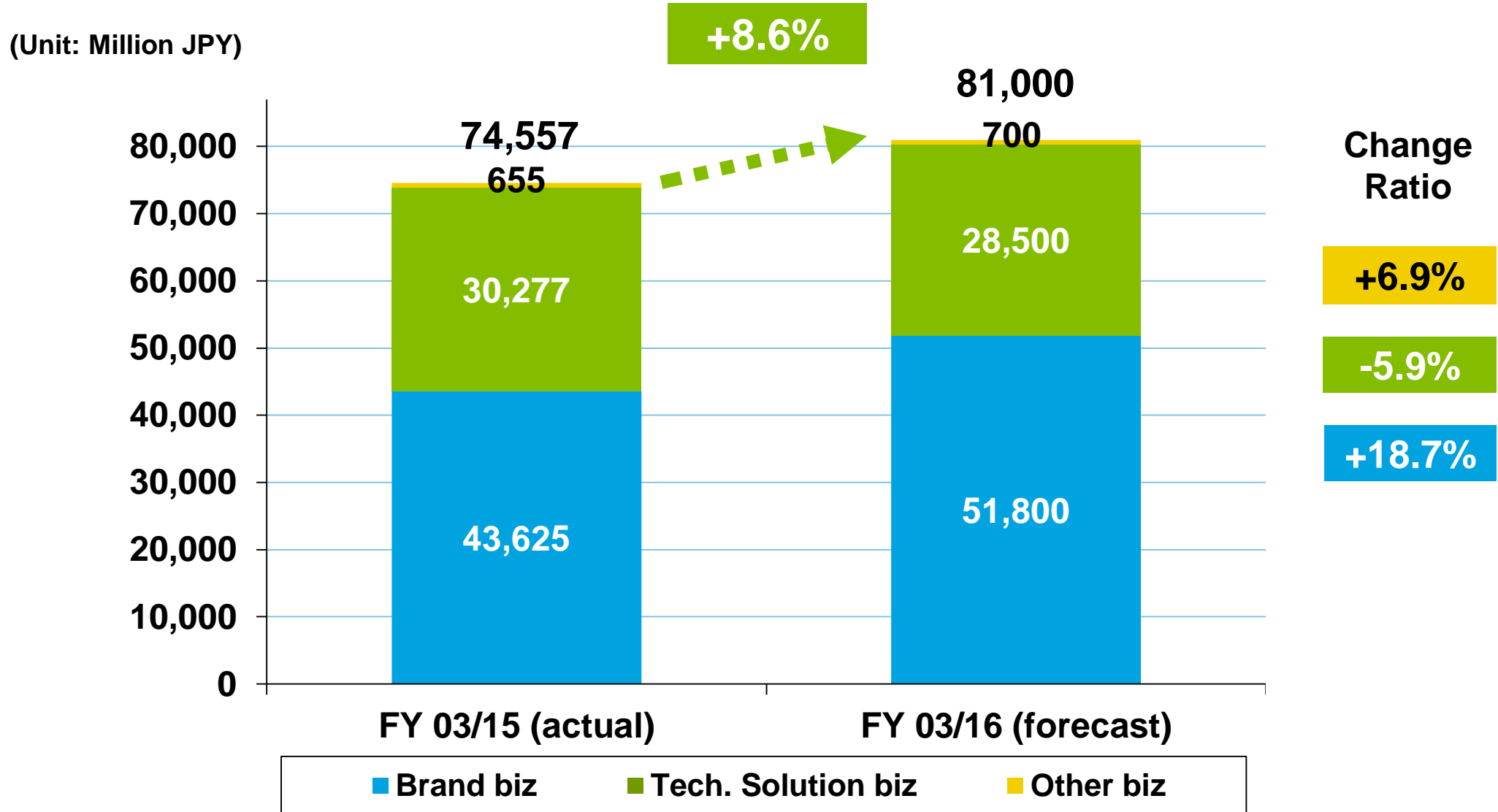
	FY 3/15(act.)	FY 3/16(fcst)	YOY Change	
	04/14-03/15	04/15-03/16	Amount	Ratio
Net Sales	74,557	81,000	6,443	8.6%
Brand biz	43,625	51,800	8,175	18.7%
Tech. Solution biz	30,277	28,500	-1,777	-5.9%
Other biz	655	700	45	6.9%
Operating Income	6,143	4,800	-1,343	-21.9%
Brand biz	5,965	9,040	3,075	51.6%
Tech. Solution biz	4,642	3,260	-1,382	-29.8%
Other biz	55	60	5	8.8%
Corp. and others	-4,519	-7,560	-3,041	67.3%
profit margin %	8.2%	5.9%		

Forecast of Results by Business Segment

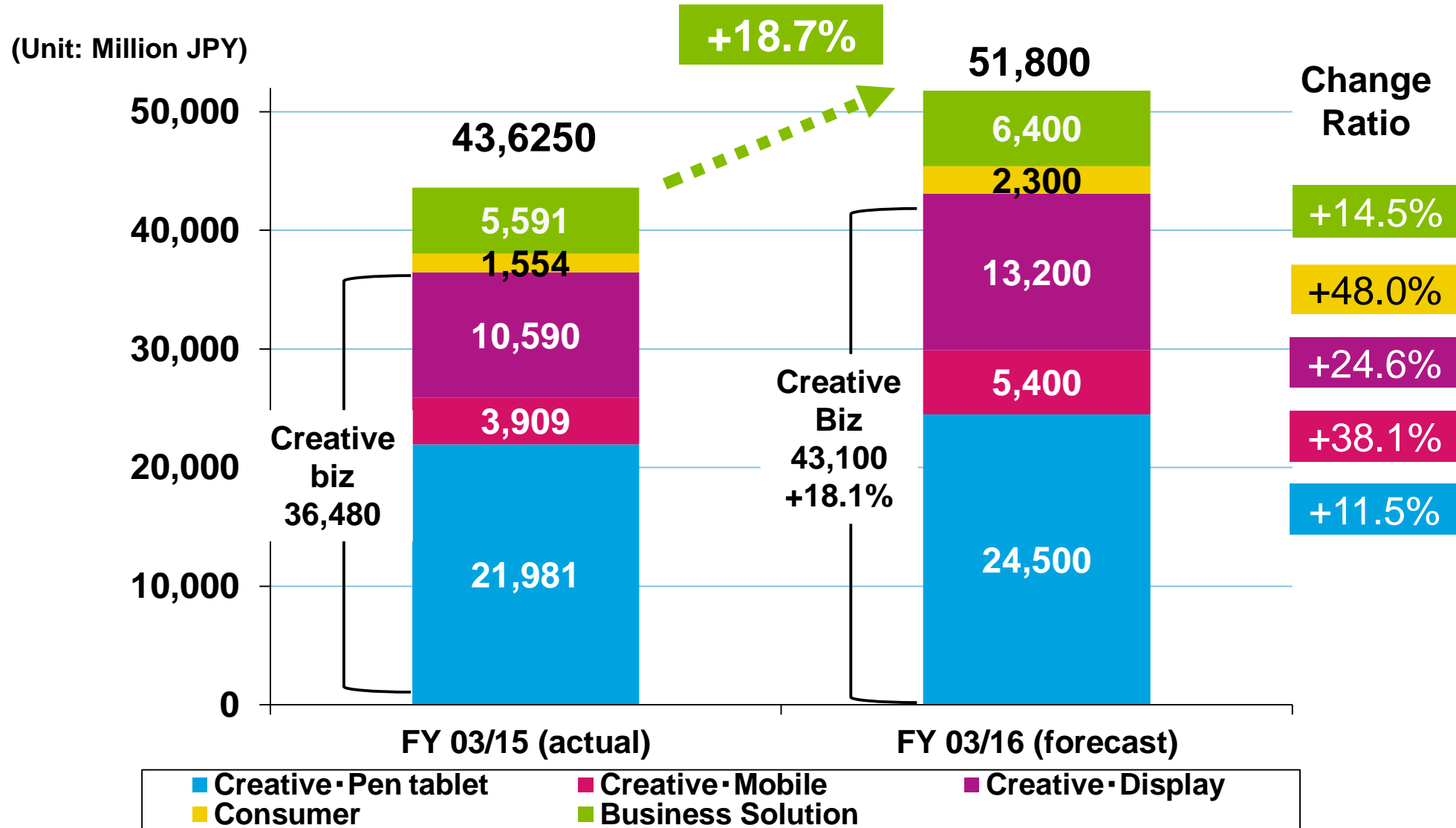
(All comparisons are with the same period of the previous fiscal year unless otherwise stated)

- Consolidated business forecasts for FY03/16 are kept unchanged in consideration of uncertainties of both customer demands and market trends in 4Q (January-March, 2016).
- Brand Business is expected to grow favorably to a record high for the fiscal year. OP is expected to increase owing to sales growth and the reclassification of expenses from Brand Product Business to Corporate which came into effect from this fiscal year.
- In Technology Solutions Business, sales for smartphones are expected to decrease in 2H due to having front-loaded shipment into 1H. While the adoption of Active ES pen technology is expected to expand, sales in the tablet and PC markets as a whole are expected to slow down. As a result, both sales and profits in Technology Solution Business are expected to decline on the full year basis.
- In Corporate and Other Business, we will proactively manage SG&A expenses to absorb the negative impact from foreign currency translation. Impact from the reclassification of expenses above the OP line from Branded Product Business to Corporate is expected to be ¥2.3 billion.

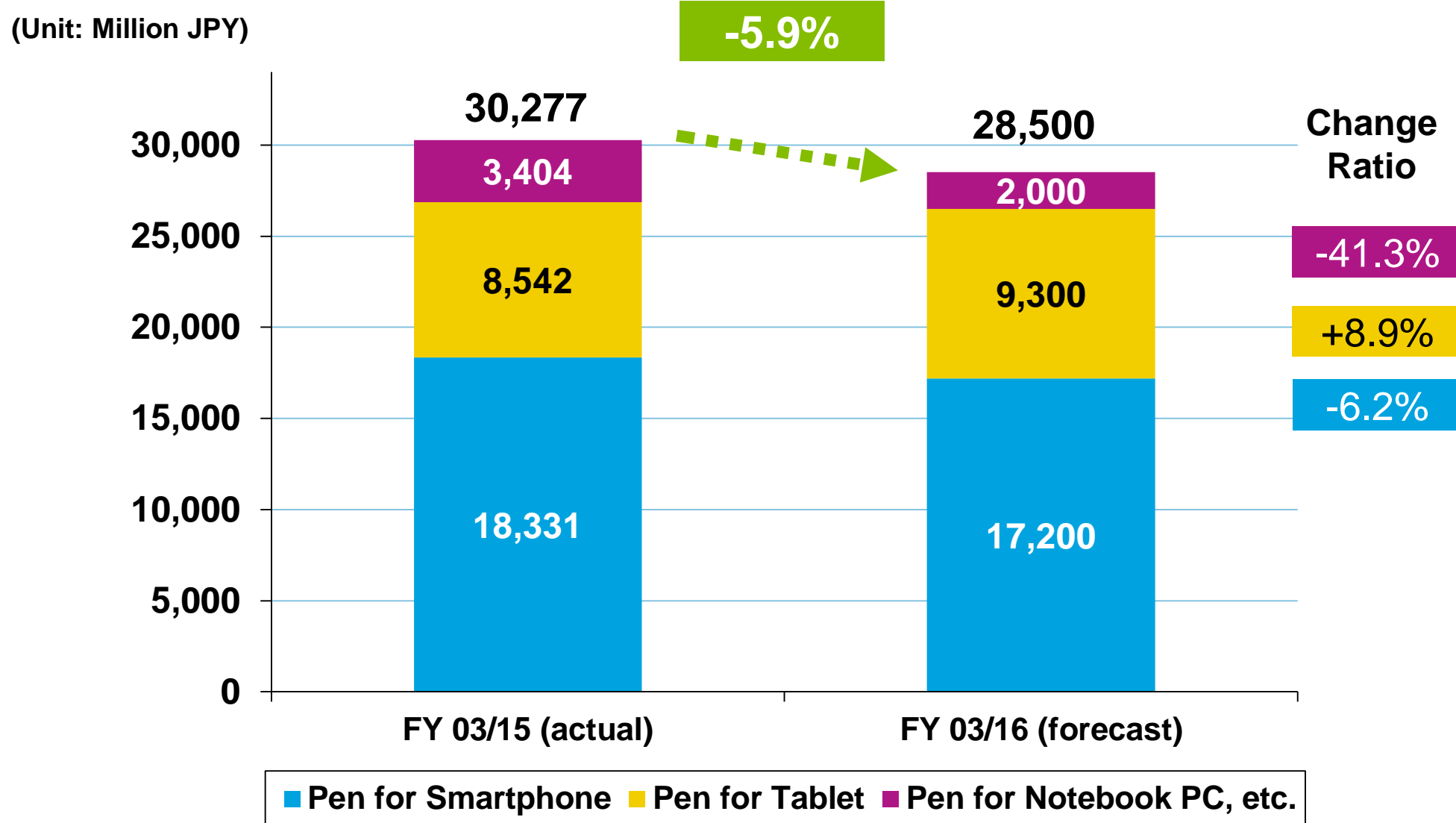
Sales Forecast by Business Segment



Sales Forecast by Product line in Brand Product

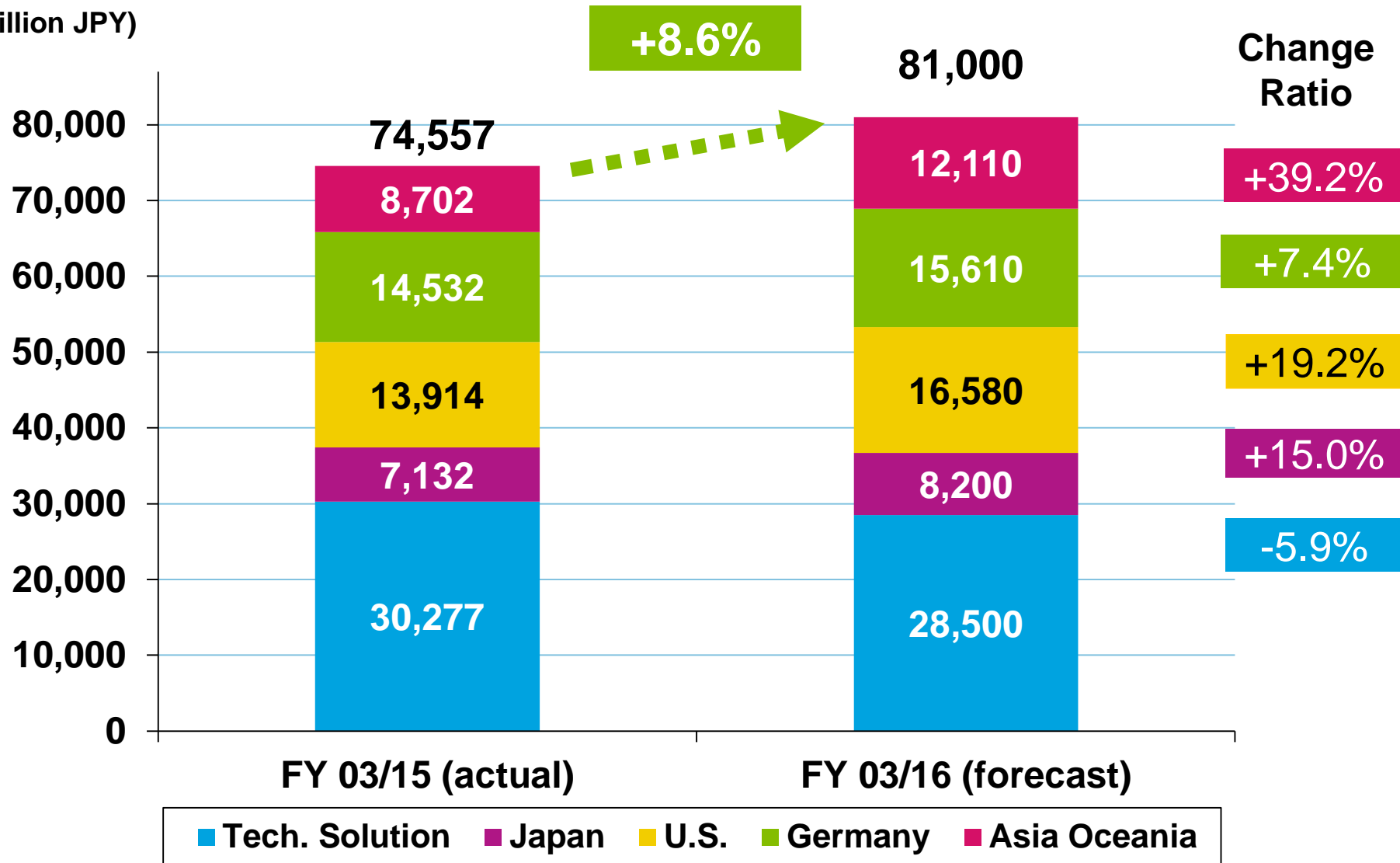


Sales Forecast by Product line in Tech. Solution



Sales Forecast by Region

(Unit: Million JPY)



Assumptions for FY 03/16 Forecast

Capital expenditure

5.00 bn JPY (YOY +22.5%)

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

Depreciation

2.20 bn JPY (YOY +11.7%)

R&D expense

4.20 bn JPY (YOY +32.1%)

- Key items: Development of new products in the Brand Product Business, next generation ICs and basic technology research, etc.

Dividend Forecast for FY 03/16

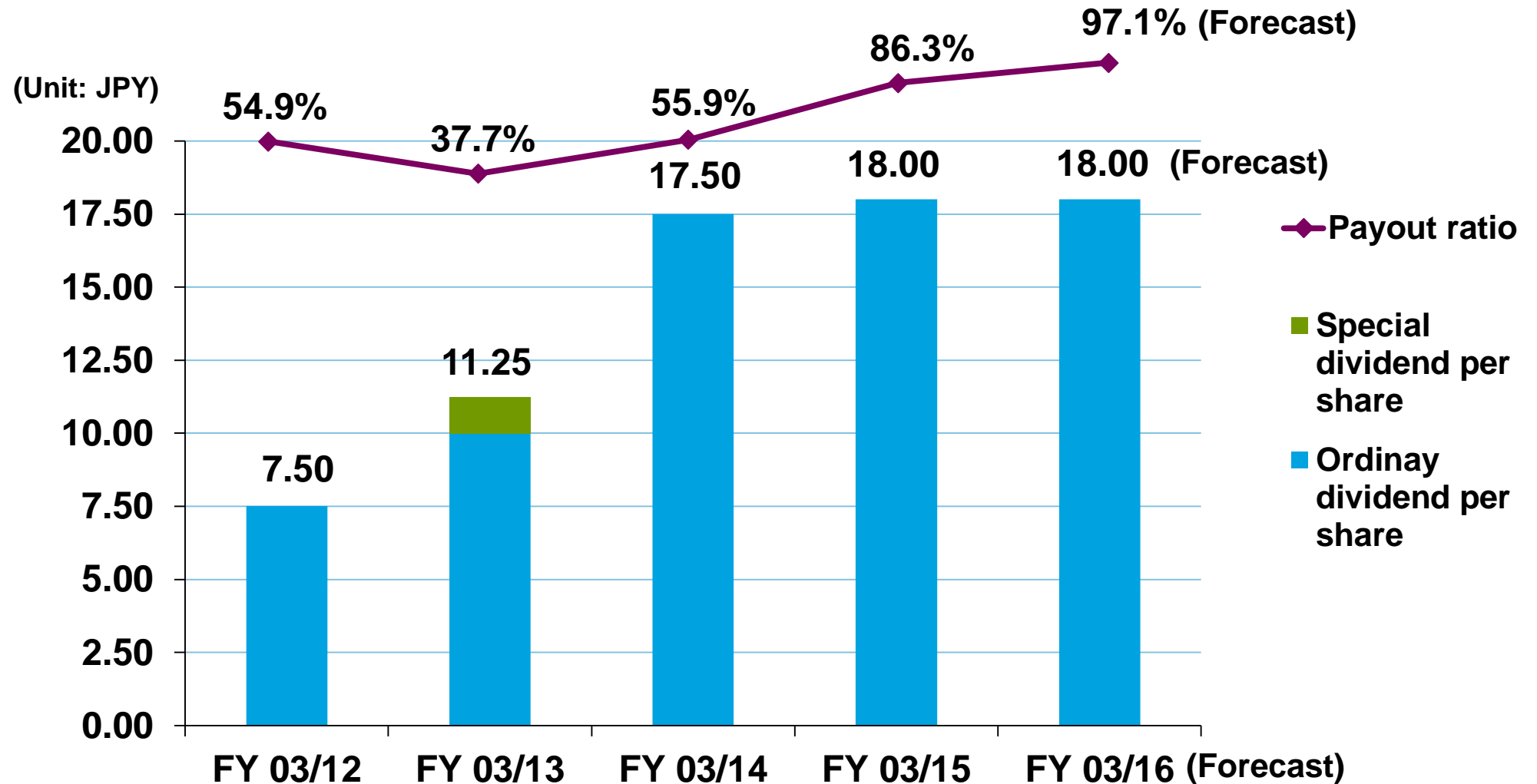
Dividend policy

- 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.

Dividend per share **(No revision from the initial forecast)**

- JPY 18.00 per share for FY 03/16 (JPY 18.00 for FY 03/15)
- Payout ratio 97.1% (86.3% for FY 03/15)

Dividends per Share



our vision



A WORLD ALIVE
WITH CREATIVITY.



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

our mission

wacom®

our brand

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.

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