

November 9, 2016

Wacom Co., Ltd.

Q&A Summary of Earnings Briefing Session for the Second Quarter Ended on September 30, 2016

Q1: Concerning sales forecast of Brand Business, to what extent will changes in competitive environment and delay in product development affect downward revision? What's each countermeasure?

A: As for competitive environment, Wacom's creative mobile products have been affected by recent new entries named something "pro" such as "iPad pro" and "Surface pro". Our new product called "MobileStudio Pro" announced in this second half is fully capable for three dimensions(3D) work and equipped with higher level of pen technology, attracting glowing review from customers who used it and was quoted as saying "This product is on another level compared with other companies'!" We evaluate "Surface Studio", all-in-one product recently announced by other company, that it is positioned as a general PC which add a convenient function for drawing by pen. On the other hand, our product is specialized for professional user's workflow so that product concept is totally different. Through these customer's responses, overall we foresee no serious impact coming from "Surface Studio". As for delay in product development, meanwhile we have been struggling with new challenges put in LCD panel related manufacturing process, however we are optimistic to catch customer demand after launch as its stable nature because of pro-use, being apart from seasonal demand fluctuation by general consumers.

Q2: Concerning Technology Solution Business, what's your confidence on businesses other than for smartphones toward next fiscal year?

A: Currently pen system projects for tablets equipped with AES technology has been going well and is projected to reach almost 60% of sales this fiscal year for tablets, while EMR technology which was popular in the past has been shifting to be used for smartphones and digital stationery area. Toward next fiscal year, we will bring forward both Consumer Business with our own brand and provision of our pen system components for digital stationery players such as Montblanc.

Q3: As for pen systems for smartphones in Technology Solution Business, is it difficult to expand to players other than Samsung that Wacom only depends on?

A: Sales to Samsung composed about 40% out of consolidated sales at its peak. In the previous fiscal year they decreased to less than 25%, and they are projected to further decrease in this fiscal year. We've been engaged with other players for negotiation from the view point of risk diversification, it is too early to comment in terms of when and how large.

Q4: Any possibility of change in direction of R&D for future investment?

A: As for IT investment, major cycle will almost terminate in this fiscal year. R&D in Technology Solution Business will do ditto. As for Brand Business, R&D expenditures will decrease in the next fiscal year, however the size of expenditures depends on how deep we will go into deal with 3D functions. We will review and set direction concerning functionality mapping of 3D as well as traditional 2D.

Q5: Deficit in this fiscal year should be the first in history since listed. If it continued consecutively in the next fiscal year, it must be as serious as a matter of management responsibility to be questioned. Before reviewing the mid-term business plan, you must present how to secure profit in the next fiscal year. I have a sense of discomfort in your product marketing strategy in terms of approaching market on how to differentiate value-added models and mid-to-low-end models. You should review this issue fundamentally from the view point of characteristics of digitalization in business.

A: I agree. We continue to keep massive presence in high-end models, while we should take into our business the growth in developing regions such as China and South America in mid-to-low-end models. Concerning regime change to global organization from regional organization, I recognize that organic coordination within business unit has not worked as expected, so that I decided to take responsibility of managing Creative Business Unit concurrently with Global CEO in order to establish foundation of the Unit organization and manage directions consistently from product development through sales and marketing, as well as company-wide structural change in cost management.

Note: 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.

(*) This is translated to English from a Japanese description solely for convenience of non-Japanese readers.