

Q&A summary of financial results briefing on earnings announcement for the first half of the fiscal year ending March 31, 2018 held by Wacom Co. Ltd. on November 7, 2017

Q: While market for creators has been expanding and is expected to continue so, are you shifting toward business model prioritizing collaboration with your business partners? How do you position the Brand Business in future?

A: Basic idea for the business model remains the same in the form of two pillars of the Brand Business and the Technology Solution Business. I dare say that the Brand Business is so-called 'Island Business' in which, focusing on particular customers and business domains, we provide best experiences achievable to those customers by our technologies. Whilst, the Technology Solution Business is so-called 'Oceanic Business' in which we expand market of digital pen and ink by standardizing technologies. From the next fiscal year onward, we will be further strengthening relativity between these two Island and Oceanic Businesses, and explore chances of sharing technologies and leveraging them each other.

Partnership is another significantly important factor. Solo expansion has limitations. By collaborating with enterprise players who have big eco-systems by their own such as Microsoft and Google, it is crucial to create new corporate values from even small but edgy technologies.

Q: Toward profitability oriented management style, how do you progress optimization of cost structure in future?

A: Optimization of cost structure we declared at the beginning of this fiscal year has been steadily on track so far. In the medium-term business plan to be executed from the next fiscal year onward, we do not unnecessarily cut costs but dare capitalize on expenditures leading to effective innovations bringing us technology leadership and bringing the fruit of it to our customers by establishing clear disciplines based on the framework I touched upon just now. Except those two thesis, we will aggressively optimize the cost structure.

Q: Concerning R&D expenses for the medium-term business plan renewal, do you think Wacom is going into harvesting stage or still continues burdening stage?

A: From the next fiscal year onward, we will take different approach in order to keep technology leadership. Not unnecessarily investing into expansion of product portfolio, we narrow down the portfolio by focusing more on relativity leverage between aforesaid Island and Oceanic Businesses. Furthermore, we continue capitalizing on necessary R&D

expenditures by, not just business model selling tablets and pens, but bringing added values generated from digital pen and ink

Q: Guide us direction of Wacom's dependence on sales to Samsung Electronics.

A: Although volatility of Technology Solution Business is high in its nature of business, dependence on sales to Samsung Electronics is clearly declining. In the past, it reached almost 70% of the Business, now it is below 50% reflecting well acceptance of our new technology (Active ES) as well as our development of sales to new product categories. Main IT players we are expanding business with, except Samsung Electronics includes, are HP, Lenovo, and Dell. Recently business for education field such as Chromebook by Google has been also growing and these trends have brought us with soundly balanced business portfolio.

Q: What's the reason of stagnancy in sales to Europe?

A: Europe has its own language and distribution channels by country, so that Wacom has built distribution channels tailored to each country. However, recently online channels have been gaining power rapidly, and we feel our way may have not fitted with the move sufficiently. It should be one of our main challenges to alter our business model through marketing activities with pulling demands by ourselves to get along with growing digitalization.

Q: In Technology Solution Business, how far do you see the equipped ratio of digital pen on IT devices in whole industry will grow, currently I guess it's below 5%?

A: It is difficult to clarify the ratio to reach what percentage until when, however we feel it rose rapidly from single digit percentage to double digit percentage, and expect its volume to grow by 20 to 30% per annum. We look forward to seeing the situation in future where, not only handled by Wacom only, but also leading IT players who have their own eco-systems such as Microsoft, Google and Apple recognize that it is 'must-have' as 'don't-miss-the -bus' rather than 'nice-to-have' as mere differentiating function.

Q: Do you notice current activation rate of digital pen under Technology Solution Business? How digital ink is connected to AI?

A: Though it is not possible to track activation rate of digital pens actually sold by us, we feel it is sure that it is getting higher by taking account of what I feel from usual contact with

our partners. It is changing from the stage as simple attachments to IT devices to how to maximize those usages. For example, Samsung Electronics has shifted its main course of marketing points to what type of new experiences their smartphone customers will have through digital pen usages.

As for AI, we believe characteristics embedded to tracking records generated from digital pen and ink better fit with direction of AI. Those tracking records of digital ink, representing uniqueness of Wacom's technologies, make it possible to track context and history from the view point of time, location, and attributes belonging to human beings, such as who, when, where, and why, in the form of meta data. As such, we believe tracking data of human beings' thinking and actions can be optimized to connect to AI through Wacom's technologies.