

# Business Report

FY ended March 31, 2018

*for a creative world™*

Wacom Co., Ltd.  
(TSE 1st Sec. Code: 6727)



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# FY 03/18 Results Overview

- Consolidated net sales exceeded the previous FY by 15% to **JPY 82.3 bn.**
- Operating profit grew to **JPY 3.5 bn.**  
(previous FY: JPY -1.2 bn)
- Net profit also grew to **JPY 2.4 bn.**  
(previous FY: JPY -5.5 bn)
- The previous forecast announced on Nov. 1, 2017 was distinctly exceeded.

(Note) Net profit is equivalent to profit attributable to owns of parent

# FY 03/18 Results Overview

- Recovered **ROE 10% level** after 3 fiscal years (since FY 03/15)

Business Performance	FY 03/18	YOY Change
Net Sales	JPY 82.26 bn	+15.4%
Operating Profit	3.53 bn	-- (Prev. FY -1.17 bn)
Ordinary Profit	3.58 bn	-- (Prev. FY -0.87 bn)
Net Profit aft. Tax	2.36 bn	-- (Prev. FY -5.53 bn)

(Note) 'Net Profit' is equivalent to 'Profit attributable to owners of parent'.

Financial Indices	FY 03/18	YOY Change
EPS	JPY 14.55	+48.48
BPS	139.45	+8.70
ROE	<b>10.8%</b>	-- (Prev. FY -21.2%)

(for reference)

Average Forex rate	H1 FY 03/18	YOY Change
1 USD	JPY 110.81	+1.6% (weak yen)
1 EUR	129.45	+8.4% (weak yen)

# Consolidated P/L

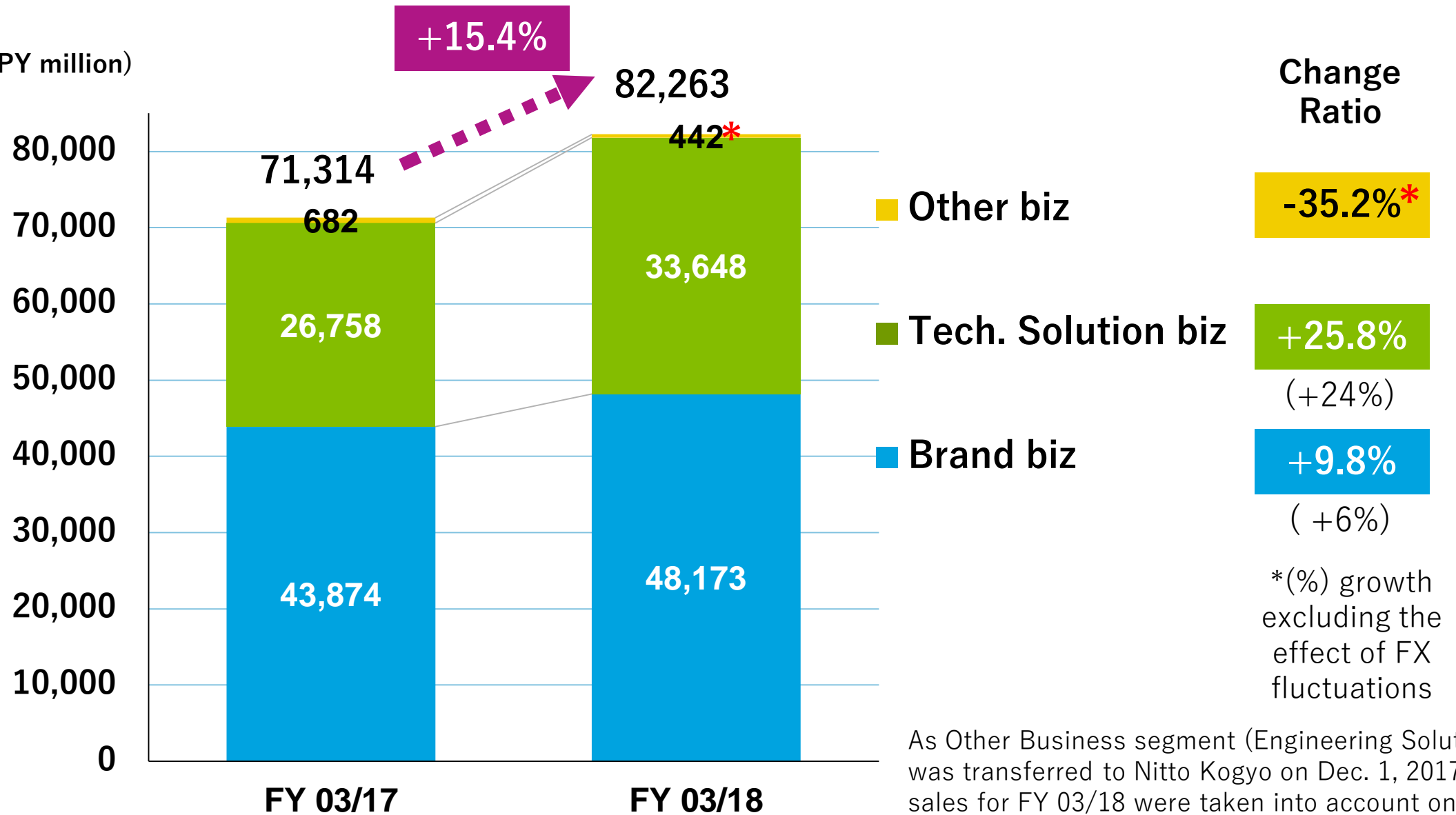
- Reduced SG&A expenses by approx. 1.5 bn yen excluding effects of currency translations and others (approx. 1.0 bn).

(Unit: JPY million)

	FY 03/17	FY 03/18	YOY Change	
	04/16-03/17	04/17-03/18	Amount	Ratio
<b>Net Sales</b>	71,314	<b>82,263</b>	10,949	15.4%
<b>Gross Profit</b>	27,566	<b>31,760</b>	4,194	15.2%
profit margin %	38.7%	<b>38.6%</b>		
<b>SG&amp;A</b>	28,737	<b>28,233</b>	<b>-504</b>	<b>-1.8%</b>
<b>Operating Profit</b>	<b>-1,171</b>	<b>3,527</b>	4,698	--
profit margin %	<b>-1.6%</b>	<b>4.3%</b>		
<b>Ordinary Profit</b>	<b>-870</b>	<b>3,585</b>	4,455	--
<b>Net Profit after Tax</b>	<b>-5,534</b>	<b>2,362</b>	7,896	--

# Consolidated Sales

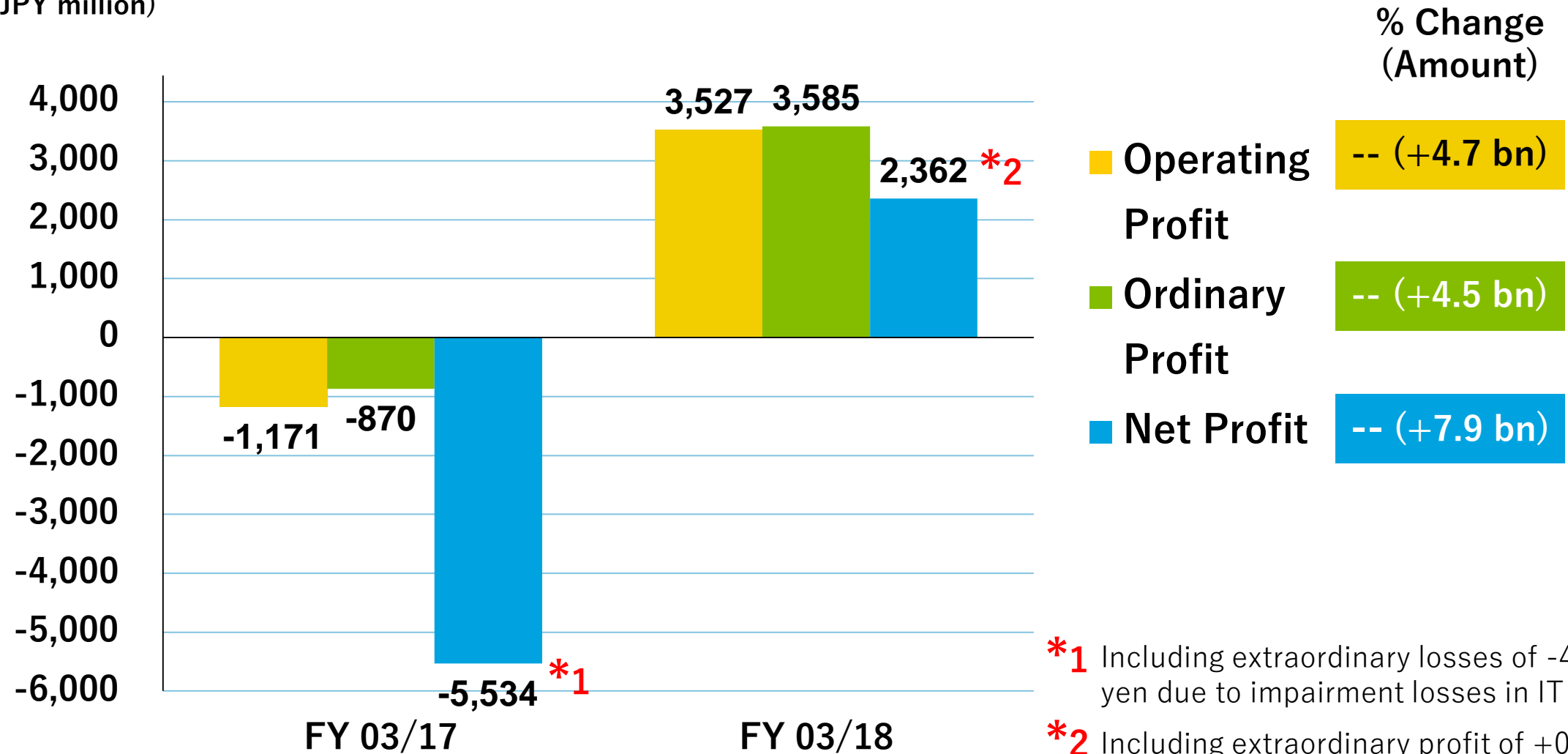
(Unit: JPY million)



As Other Business segment (Engineering Solution) was transferred to Nitto Kogyo on Dec. 1, 2017, its sales for FY 03/18 were taken into account only for 8 months from Apr. to Nov., 2017.

# Consolidated Profit

(Unit: JPY million)



<sup>\*1</sup> Including extraordinary losses of -4.2 bn yen due to impairment losses in IT assets

<sup>\*2</sup> Including extraordinary profit of +0.7 bn yen due to the business transfer of Other segment

# Business Highlights:

(Unit: JPY)

## Brand Business

48.2 bn **+10%**

## Creative Business

40.4 bn +4%

Pen Tablet (subsection) 23.4 bn +5%

- Sales of *Intuos* series steadily increased. The new models launched in last March also contributed.
- Shipments of the emerging market model increased by 20% on a unit basis, reflecting an increase in new customers in China.
- Sales of *Intuos Pro* for professional users were sluggish due to weak demand for new models launched in the previous fiscal year.



Wacom®  
Intuos Pro

Emerging market model  
(One by Wacom)



Wacom®  
Intuos





# Business Highlights:

## Brand Business

### Creative Business

### Display (subsection)

(Unit: JPY)

**13.0 bn** **+7%**

- Sales of both new models *Wacom Cintiq Pro 13/16* grew on the strength.
- Sales of existing models decreased due to the transition to new models.
- Launch of the next-generation large size display *Wacom Cintiq Pro 24/32* was delayed. The 24-inch version only was launched at the end of March.



wacom®  
Cintiq Pro 13/16/24/32

# Business Highlights:

## Brand Business

### Creative Business Mobile

(Unit: JPY)

3.9 bn -8%

- Sales of *Wacom MobileStudio Pro 13/16*, launched in the previous fiscal year, decelerated as its product life cycle entered its later stage.
- Dramatic changes continued in the competitive environment driven by an increase in digital pen-adopted devices, which gives creative users more choices in the category.
- Demand continued to grow for Wacom's high-performance models for professional creators.



wacom®  
MobileStudio Pro



# Business Highlights:

## Brand Business

(Unit: JPY)

### Consumer Business

3.3 bn +151%

- Launched the *Bamboo Ink* stylus (jointly developed with Microsoft, optimized for Windows Ink) in June 2017. Sales growth was led by the U.S.



BAMBOO™ Ink

MAKING IDEAS



BAMBOO™ Slate



BAMBOO™ Folio

# Business Highlights:

## Brand Business

(Unit: JPY)

### Business Solution

4.5 bn +18%

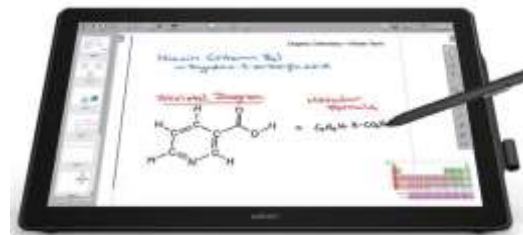
- Sales of the DT series grew owing to adoption by U.S. financial institutions.
- Launched and began marketing *Wacom Clipboard* in June 2017 – this B2B solution digitizes handwritten content on paper in real time.



DTH-1152



DTK-1651



DTK-2451



WACOM® PHU-111  
Clipboard

# Business Highlights:

(Unit: JPY)

Tech. Solution Business 33.6 bn **+26%**

Pen Sensor System  
for Smartphone

11.7 bn **-11%**

- Volume production and shipments for Samsung's Galaxy Note8 contributed to the sales recovery, but decreased overall due to demand decrease for the other models of Note series compared with the previous fiscal year.
- Focused on automation of a new cartridge-type digital pen.
- Continued efforts to develop new customers.

Smartphone models



Galaxy Note8





# Business Highlights:

## Tech. Solution Business

### Pen Sensor System for Tablets, others

(Unit: JPY)

21.9 bn +62%

Tablet · PC models

- Sales of Active-ES pen solution increased on greater adoption.
- Sales of EMR pen solution increased on growing demand for classroom-use PCs such as Google Chromebook.
- Developed with Microsoft a standardized digital pen for Windows10 OS tablets.
- Maintained efforts to expand the digital stationery business.

Lenovo

SAMSUNG



STAEDTLER



MONTBLANC



chromebook Pixelbook



HUAWEI



TOSHIBA

FUJITSU

# Difference from the Previous Forecast as of Nov. 2017

(Unit: JPY million)

	Forecast (Nov. 17)		Actual		Change
	FY 03/18		FY 03/18		Amount
Net Sales	80,900		82,263		1,363
Operating Profit	2,900	3.6%	3,527	4.3%	627
Ordinary Profit	3,100	3.8%	3,585	4.4%	485
Net Profit aft. Tax	1,930	2.4%	2,362	2.9%	432

Difference factors

Net Sales

## Sales Expansion in Technology Solution Business: JPY +2.2 bn

Mainly the contribution from front-loading of some projects for tablets originally scheduled in the next FY 03/19 (**Contribution to sales JPY +1.5bn in FY 03/18**).

## Unachieved sales in Brand Business: JPY -0.8 bn

Mainly due to sales slow down in Q4 (Jan.-Mar./2018) for mobile and pen tablet products.

## Increase and decrease in Gross Profit: JPY +0.6 bn

Mainly the contribution from increase in gross profit due to sales expansion in Tech. Solution Business, and R&D optimization: JPY +1.8 bn

**(including JPY 0.5 bn due to the front-loaded projects from FY03/19)**

Decrease in gross profit due to unachieved sales and price cut for the existing models in Brand Business: JPY -1.2 bn

Operating Profit



FY 03/2018 Results  
Supplementary material



*for a creative world™*

wacom®



# SG&A Expenses

(Unit: JPY million)

	FY 03/17	FY 03/18	YOY Change	
	04/16-03/17	04/17-03/18	Amount	Ratio
<b>Personnel</b>	9,656	<b>9,795</b>	139	1.4%
<b>R&amp;D</b>	4,397	<b>4,385</b>	-12	-0.3%
<b>Ad. &amp; Promo.</b>	3,581	<b>3,261</b>	-319	-8.9%
<b>Subcontractor</b>	2,747	<b>2,353</b>	-394	-14.3%
<b>Depreciation</b>	1,558	<b>1,321</b>	-237	-15.2%
<b>Others</b>	6,799	<b>7,119</b>	320	4.7% (1)
<b>Total</b>	28,737	<b>28,233</b>	-504	-1.8% (2)
<b>SG&amp;A ratio %</b>	40.3%	<b>34.3%</b>		

(1) Including the effects of Chapter 7 bankruptcy filed by Wynit, a distributor in the U.S. (bad debt loss of 240 million yen)

(2) Including the effects of currency translation resulting from lower yen (increased SG&A expenses by 760 million yen.)

# Impact of Currency Fluctuations on Consolidated P/L

- Impact of currency fluctuations (year on year)

Currencies	Changes of forex	Sales	OP
1 USD	JPY +1.78 (weak yen)	JPY +0.8 bn	JPY -0.08 bn
1 EUR	+10.08 (weak yen)	+1.01 bn	+0.55 bn
Asian currencies total Including Renminbi	+0.54 (weak yen)	+0.47 bn +0.2 bn	+0.31 bn +0.13 bn
<b>Grand Total</b>		<b>+2.28 bn</b>	<b>+0.78 bn</b>

- Reason for changes in operating profit excluding the above currency impacts

- (1) Tech. Solution Business: Gross profit up due to increased sales for tablets: +3.1 bn yen
- (2) Corporate function: Control of SG&A expenses: +0.9 bn yen
- (3) Brand Business: Negative impacts from price cuts for existing models and bad debt loss despite of increase in gross profit due to sales growth of new products: -0.1 bn yen

# 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: Digital Stationery, etc.

### Business Solution

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

### Technology Solution Business

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

### Platform & Applications

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

(Note) **Other Business:** Engineering Solution Business (CAD software) was assigned to a new company by company split on December 1, 2017. On the same day, all shares in the new company were transferred to Nitto Kogyo Corporation.

# Consolidated P/L by Business Segment

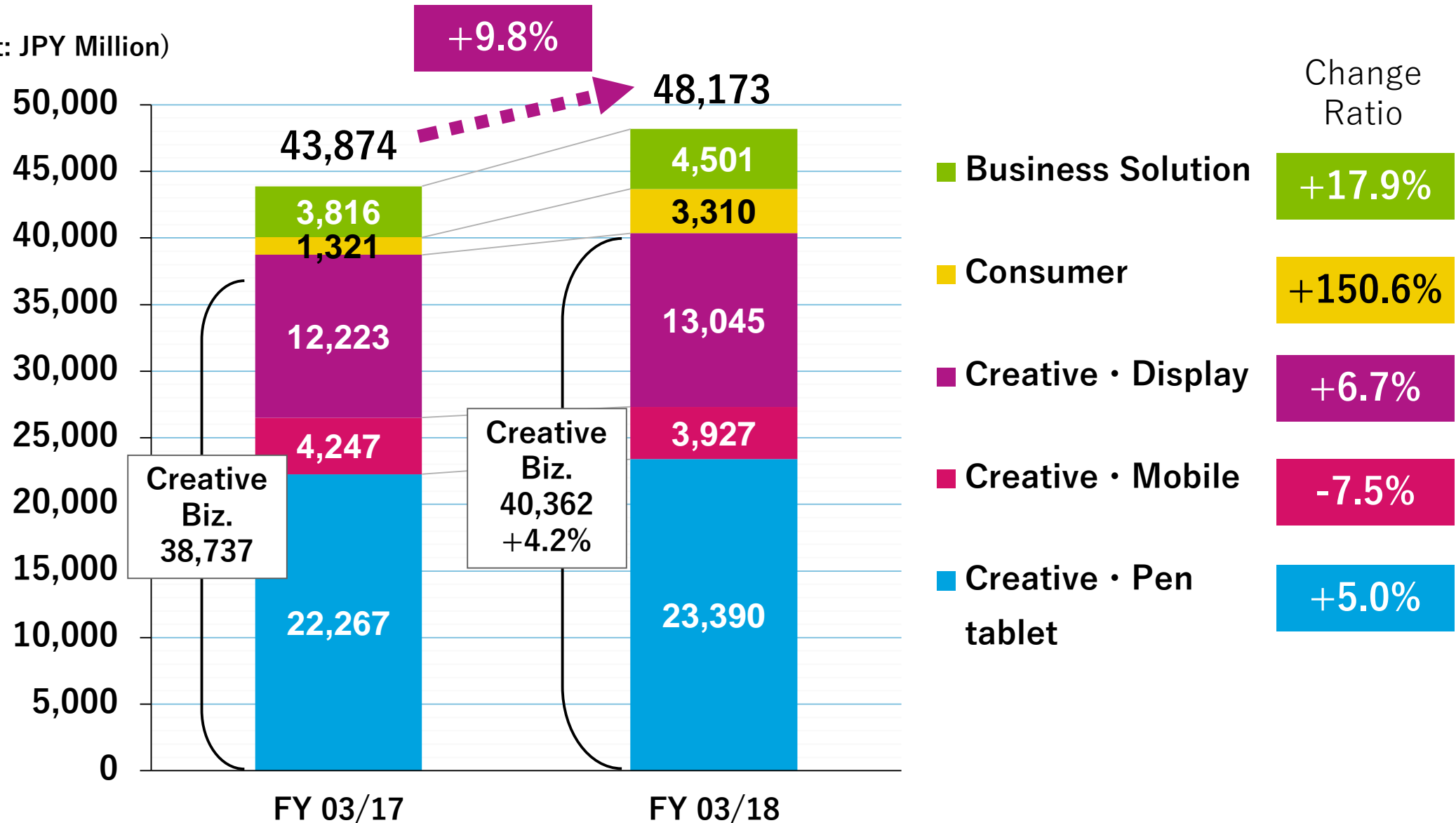
(Unit: JPY Million)

	FY 03/17	FY 03/18	YOY Change	
	04/16-03/17	04/17-03/18	Amount	Ratio
<b>Net Sales</b>	71,314	<b>82,263</b>	10,949	15.4%
Brand Business	43,874	<b>48,173</b>	4,299	9.8%
Tech. Solution Biz.	26,758	<b>33,648</b>	6,890	25.8%
Other Business	682	<b>442</b>	<b>-240</b>	<b>-35.2%</b> (1)
<b>Operating Profit</b>	<b>-1,171</b>	<b>3,527</b>	4,698	--
Brand Business	5,685	<b>6,470</b>	785	13.8%
Tech. Solution Biz	2,443	<b>5,678</b>	3,235	132.4%
Other Business	-32	<b>-65</b>	-33	--
Corp. and others	<b>-9,267</b>	<b>-8,555</b>	712	<b>-7.7%</b>
<b>profit margin %</b>	<b>-1.6%</b>	<b>4.3%</b>		

(1) Sales of Other Business segment (Engineering Solution) for FY 03/18 was taken into account only 8 months from Apr. to Nov. 2017.

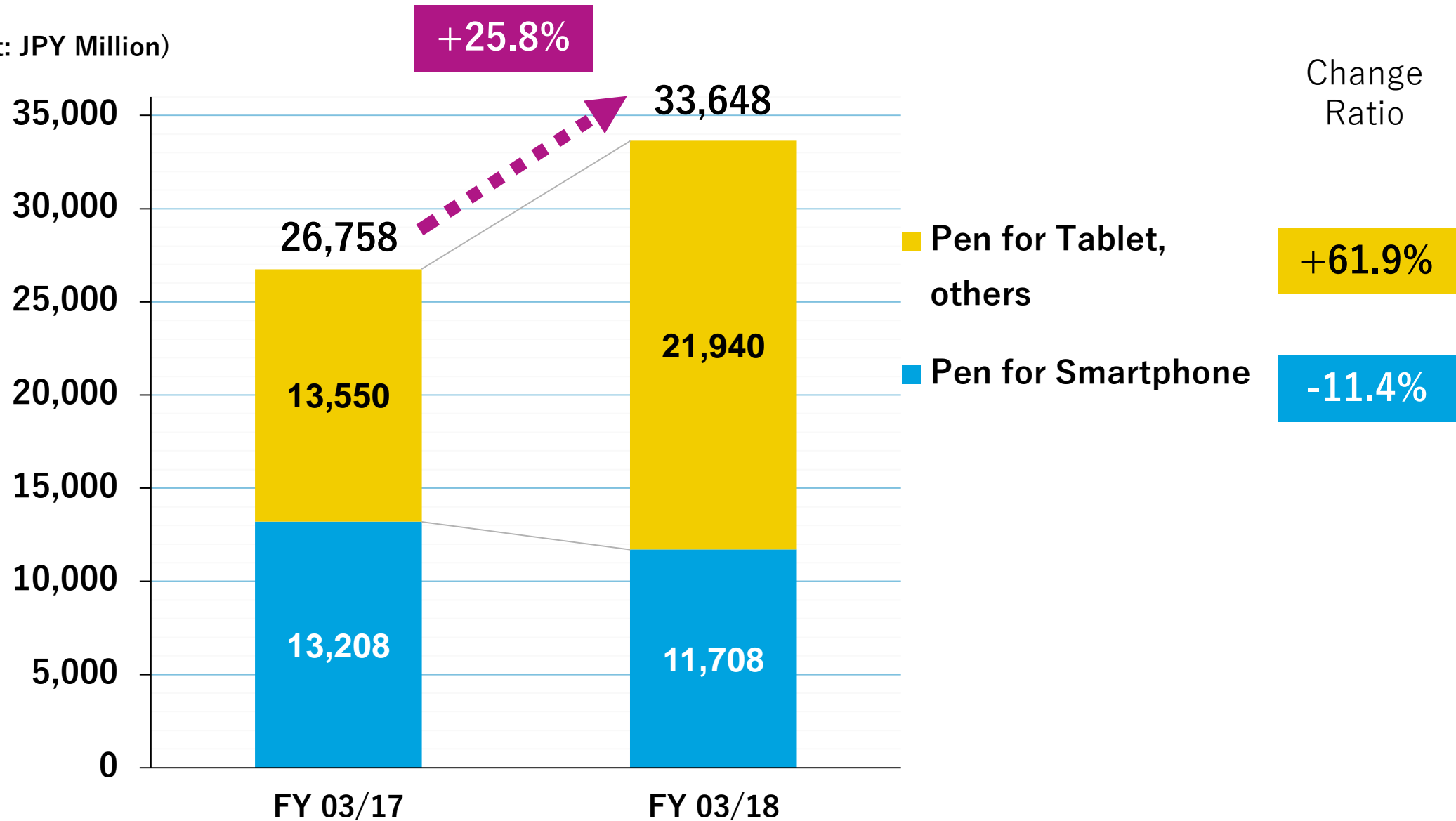
# Sales by Product Line in Brand Business

(Unit: JPY Million)



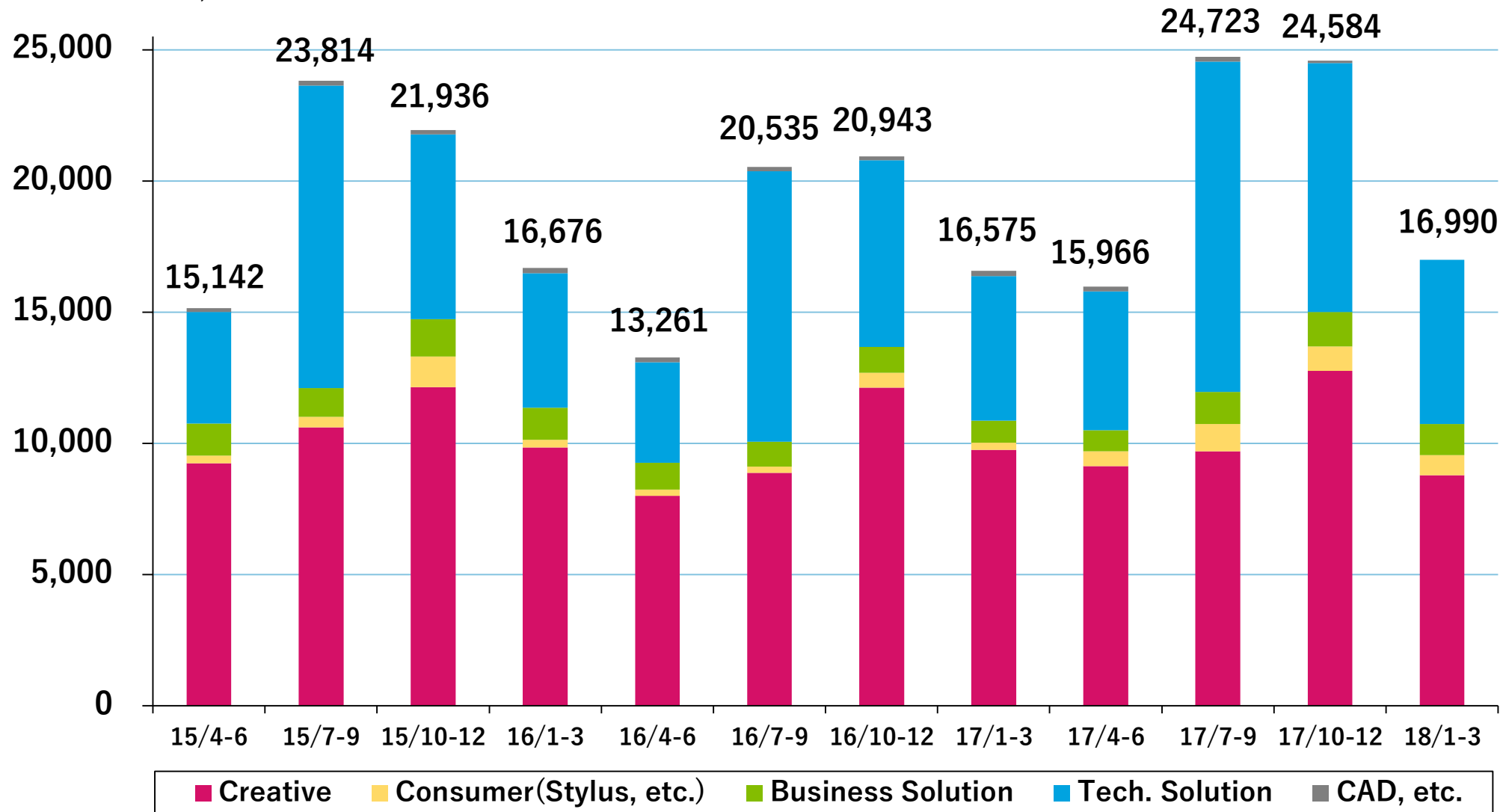
# Sales by Product Line in Tech. Solution Business

(Unit: JPY Million)



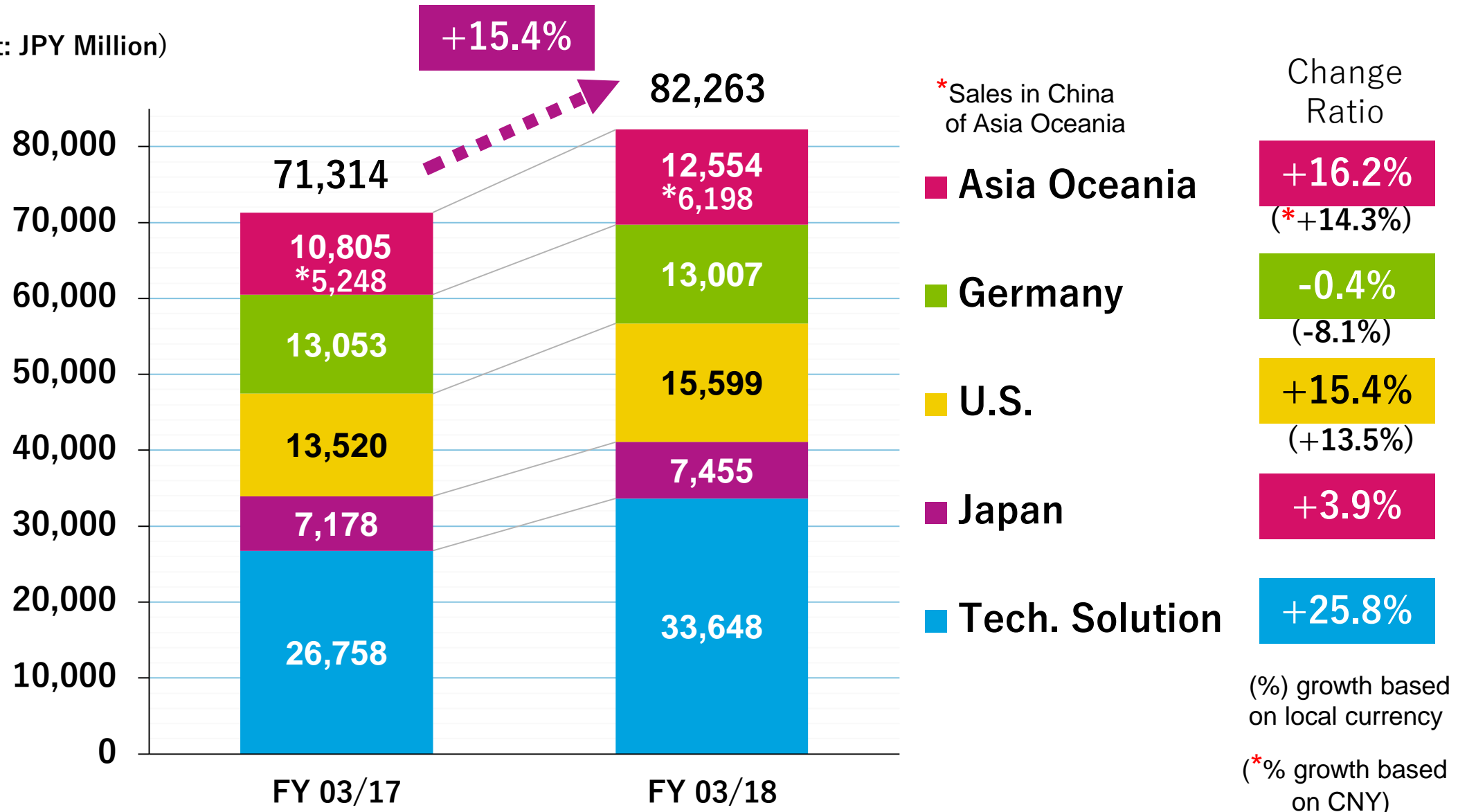
# Quarterly Trend by Product Line

(Unit: JPY Million)



# Sales by Regional Subsidiary

(Unit: JPY Million)





# (Ref.) Sales Changes in Local Currency Base

Region	Currency	YOY Change Ratio
<b>Japan</b> (excluding Technology Solution)	JPY	+3.9%
<b>U.S.</b>	USD	+13.5%
<b>Europe</b>	EUR	-8.1%
<b>China</b>	CNY	+14.3%
<b>Korea</b>	KRW	+10.3%
<b>Australia</b>	AUD	+3.7%
<b>Singapore</b>	USD	+11.2%
<b>Hong Kong</b>	USD	+16.5%
<b>Taiwan</b>	NTD	+6.1%
<b>India</b>	INR	+12.0%

# Consolidated B/S

(Unit: JPY Million)

	End of March 2017	End of March 2018	Change
<b>Current Assets</b>	39,500	<b>42,589</b>	3,089
<b>Non-current Assets</b>	10,750	<b>8,321</b>	<b>-2,429</b>
<b>Total Assets</b>	50,250	<b>50,910</b>	660
<b>Current Liabilities</b>	17,384	<b>16,752</b>	<b>-632</b>
<b>Non-current Liabilities</b>	11,509	<b>11,489</b>	<b>-20</b>
<b>Total Liabilities</b>	28,893	<b>28,241</b>	<b>-652</b>
<b>Minority Interest in Subsidiaries</b>	0	<b>0</b>	0
<b>Net Assets</b>	21,357	<b>22,668</b>	1,312
<b>Total Liabilities and Net Assets</b>	50,250	<b>50,910</b>	660
<b>Equity Ratio</b>	42.2%	<b>44.5%</b>	2.3%

## Key Changes

### Assets

(Unit : bn yen)

- Increase in cash and deposits 5.0
- Decrease in Inventories **-1.9**
- Decrease in intangible assets **-1.4**  
amortization of software assets, etc.
- Decrease in deferred tax assets **-1.1**

### Liabilities

- Decrease in other current liabilities **-0.6**

### Net Assets

- Increase in shareholders' equity 1.4  
Net profit posted for FY 03/18

# Consolidated C/F

(Unit: JPY Million)

	FY 03/17	FY 03/18	YoY Change
	04/16-03/17	04/17-03/18	Amount
C/F from operating activities	122	<b>6,781</b>	6,659
C/F from investing activities	<b>-3,480</b>	<b>-767</b>	2,713
C/F from financing activities	3,299	<b>-974</b>	<b>-4,273</b>
Effect of change in exchange rate	<b>-101</b>	<b>-88</b>	13
Increase-decrease of cash & cash equivalent	<b>-160</b>	<b>4,952</b>	5,112
Beginning balance of cash & cash equivalent	14,365	<b>14,205</b>	<b>-160</b>
Ending balance of cash and cash equivalent	14,205	<b>19,157</b>	4,952

## Major Activities in FY 03/18 (Unit : JPY bn)

### C/F from operating activities

- Net profit before tax 4.2
- Depreciation 2.4
- Decrease in inventories 2.1
- Income tax paid **-0.7**
- Decrease in notes and accounts payable-trade **-0.5**

### C/F from investing activities

- Purchase of non-current assets **-1.3**  
mold, etc.
- Proceeds from transfer of business 0.6

### C/F from financing activities

- Cash dividends paid **-1.0**

# Differences from the previous forecast by Business Segment as of Nov. 2017

(Unit: JPY Million)

	Forecast (Nov. 2017)	Actual	Change	
	FY03/18	FY03/18	Amount	Ratio
<b>Net Sales</b>	80,900	<b>82,263</b>	1,363	1.7%
Brand Business	49,000	<b>48,173</b>	-827	-1.7%
Tech. Solution Biz.	31,450	<b>33,648</b>	2,198	7.0%
Other Business	450	<b>442</b>	-8	-1.8%
<b>Operating Profit</b>	2,900	<b>3,527</b>	627	21.6%
Brand Business	7,660	<b>6,470</b>	-1,190	-15.5%
Tech. Solution Biz	3,900	<b>5,678</b>	1,778	45.6%
Other Business	-50	<b>-65</b>	-15	--
Corp. and others	-8,610	<b>-8,555</b>	55	--
<b>profit margin %</b>	3.6%	<b>4.3%</b>		

# 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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