

# Wacom Chapter 2

Medium-Term Business Plan

FY36 ending March 2019 - FY39 ending March 2022

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Wacom opens “*Chapter 2*”

Taking a new step as

“**Technology Company**”

In addition to our Vision of

**“for a creative world”**

- A world alive with creativity -

We advocate the concept of

*“Life-long Ink”*

Embark on ever-lasting journeys of creativity  
with our customers

# Unlimited Possibilities of Digital Ink

Digital Ink captures “*track and context*” of human being’s handwriting/drawing

Including, but not limited to:  
Who wrote or drew it and when, where  
in what state of mind etc.

# Corporate Level Strategy and Direction

1. Technology Leadership
2. Island & Ocean
3. Extreme Focus

# Technology Leadership Company

Bring about “**Technology Innovation**”  
through dialogues with customers

Harness the power of handwriting/drawing  
with “Technology Innovation”

# Align/Drive “Island” & “Ocean” Businesses

“Island” = Branded Business

“Ocean” = Technology Business

**Aligning two businesses** with different missions  
for driving growth as a whole



# Extreme Focus

Carry out

**“extreme selection and concentration”**

Across Wacom’s entire  
Business & operation domains

# High-priority Issues

- “Technology Innovation” through **dialogues with customers**
- Organization/Operation **update**
- Solid financial structure securing **profitability**
- **Enhancement of management quality** through BOD\*  
update

\* BOD: Board of Directors

# Strategy: Brand Business

- Challenge to revive strength
  - **Improve process** of product planning / product development
  - Improve the satisfaction level of **customer service**
  - Raise the level of quality
- Technological innovation for future growth
  - Innovation of basic pen experience
  - Deliver completely **new ink experiences** (VR, MR)
  - Develop solution business around signature authentication

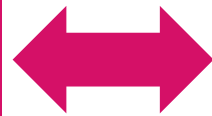
# Strategy: Technology Solution Business

- Maintain leading position in the existing market (smartphones/tablet/PC)
  - Create new innovative digital pen experience with IT industry customers
  - Establish collaborations with **platform partners**
  - Build up **digital “paper & pen”** eco-system
- Develop new market of digital pen
  - Penetrate digital pen solutions in the **education sector**
  - Develop **‘Digital Stationery Market’** with stationery manufacturer partners.
  - Develop modular digital ink solutions (**pen cartridge**)
  - Design digital ink data to work well with **AI**

# Challenge to revive fundamental strength by organization update

Focus on customer and change to a simplified organization structure

- Technological Innovation
- Development Scheme
- Customer Relations
- Quality Improvement



- Establish “Ink Division”
- Establish “CTO Office”
- Re-construct product development process
- Reorganize centralized customer support under each Business Unit
- Establish QA / Engineering dedicated to each Business Unit

# Optimization of SG&A cost

## **Toward the lowest SG&A ratio to sales in the past 10 years**

1. Intensive investment in R&D in order to enhance Technology Leadership
2. Further productivity improvement and cost reduction in Non-R&D areas.

# Improve management quality

## Update of Board of Directors (BOD)

1. **Intensive strategy discussions** living up to the definition as Technology Leadership Company
2. Comprehensive discussion in **optimized scale**
3. Ensure **fairness and transparency** by increasing the rate of outside directors to 50%

# Management Target by FY 03/2022

Profitability : Consolidated Operating Margin **10 %**

Business size : Consolidated Sales **100 billion yen**

Capital efficiency : Consolidated ROE **15~20%**



# Capital Policy and Shareholder returns

**Capital Structure:** Further enhance our financial soundness in order to respond actively to changes in the business environment (by measures such as expansion of investments)

**Capital Efficiency:** ROE as an indicator to determine capital efficiency measured by the difference between ROE and shareholders' cost of capital as focused on by investors (ROE > Shareholders' cost of capital)

**Policy of Profit Distribution:** Dividend policy is to increase dividend per share constantly. Dividend payout ratio is targeted around 30% as a supplementary guide to the policy. Special dividend and flexible acquisition of treasury stock are also within scope of means for the profit distribution.

# MTP: Consolidated P/L & Financial Indicator

(unit: JPY million)

	FY 03/18 (FY35)	FY 03/19 (FY36)	FY 03/22 (FY39)	CAGR
<b>Net Sales</b>	82,263	85,000	<b>100,000</b>	5%
Brand Business	48,173	50,300	<b>60,400</b>	6%
Technology Solution biz	33,648	34,700	<b>39,600</b>	4%
<b>Operating Profit</b>	3,527	4,000	<b>10,000</b>	
Operating Margin	4.3%	4.7%	<b>10.0%</b>	
<b>Net Profit</b>	2,362	2,980	<b>6,948</b>	
<b>ROE</b>	11%	13%	<b>15-20%</b>	
<b>Capital Ratio</b>	44%		<b>Approx. 60%</b>	

In light of the business nature of Technology Solution Business, the profit and loss forecast may fluctuate in the short term. Therefore, high uncertain revenue opportunities are not included in the forecasts, and the risk factors assumed as of today are preferentially reflected in the forecast.



# Consolidated forecast for FY 03/19 (FY36)



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# Summary of Consolidated forecast for FY 03/19 (FY36)

- Sales: JPY 85 billion (YOY+3%)
- Operating Profit: JPY 4 billion (YOY+13%)
- Net Profit: JPY 3 billion (YOY +26%)

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

# Summary of Consolidated forecast for FY 03/19 (FY36)

## Brand Business

Sales: JPY 50.3 billion (YOY+4.4%) Operating Profit: JPY 9.7 billion (YOY+50%)

- Sales expansion in Creative Business
  - Increase in sales and gross profit, owing to new models announced in the previous FY and positive change in product mix.
  - Suppress temporary expenses (price cut of the existing models etc.) in this FY

## Technology Solution Business

Sales: JPY 34.7 billion (YOY+3.1%) Operating Profit JPY 2.6 billion (YOY-54%)

- Set the above baseline, considering uncertainties of business nature.
  - Aim to exceed the above baseline in actual results, acquiring increasing demand
  - Impact by proactively acquired front-loaded projects to FY 03/18 from FY03/2019.  
(Sales -1.5 billion yen, Operating profit -0.5billion yen)
  - Investment in technology development for the future

**In light of the business nature, the profit and loss forecast may fluctuate in the short term. Therefore, high uncertain revenue opportunities are not included in the forecasts, and the risk factors assumed as of today are preferentially reflected in the forecast.**

# Investment, depreciation and R&D for FY03/19 (FY36)

## R&D expense

JPY 5 billion (YOY +14.0%)

- Key items: New products development and next-generation technology research, etc. in order to promote Technology Leadership

## Capital expenditure

JPY 2.3 billion (YOY +52.0%)

- Key items: Metal mold for products in Brand Business and Technology Solution Business.

## Depreciation

JPY 2.6 billion (YOY +7.4%)

- Key items : Depreciation of metallic mold for products and global IT infrastructure

# Shareholders Return Policy for FY 03/19 (FY36)

## Basic policy of profit distribution

- Aims to provide stable and sustainable dividend payment and to exercise flexible treasury stock acquisition, while attaining sufficient retained earnings to enhance future business development and financial base.

## Dividend per share (forecast)

- Dividend: JPY 6.00 per share for FY 03/19 (JPY 6.00 for FY 03/18)
- Payout ratio: 32.7% (41.2% for FY 03/18)



Consolidated forecast for FY 03/19 (FY36)  
Supplementary material

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# Assumptions for FY 03/19 (FY36)

## Forex rate assumptions

USD 1 = JPY 105 (YOY +5.8 yen, +5.2% weaker yen)

EUR 1 = JPY 130 (YOY +0.6 yen, + 0.4% weaker yen)

## Sensitivity to currency fluctuations: 12-month forecast

Unit of sensitivity	In case of stronger JPY 1.00		In case of the weaker JPY, read the following signs of plus and minus the other way round.	
(unit: million JPY)	FY 03/19 (forecast)		(for ref.)FY 03/18 (results)	
Currency	USD*	EUR	USD*	EUR
<b>Sales</b>	-580 (-470)	-120	-710 (-450)	-100
<b>Operating Profit</b>	0 (+70)	-80	-130 (+40)	-50

(Note) Sensitivity to the Asian currencies is estimated by USD peg in the forecast, and is included in the influence of US dollar and divided by the fluctuation amount per USD in actual results.

Each figure in brackets above in USD shows sensitivity excluding exposure of Asian currencies, namely USD only.

# Consolidated forecast for FY 03/19 (FY36)

	H1 FY35(result)		H1 FY 36 (forecast)		YOY
	04/17-09/17		04/18-09/18		Growth rate
<b>Sales</b>	40,689		<b>41,330</b>		1.6%
Operating Profit	1,501	3.7%	<b>830</b>	<b>2.0%</b>	<b>-44.7%</b>
Ordinary Profit	1,642	4.0%	<b>670</b>	<b>1.6%</b>	<b>-59.2%</b>
Net Profit	1,674	4.1%	<b>660</b>	<b>1.6%</b>	<b>-60.6%</b>

(unit: million yen)

	FY35(result)		FY 36 (forecast)		YOY
	04/17-03/18		04/18-03/19		Growth rate
<b>Sales</b>	82,263		<b>85,000</b>		3.3%
Operating Profit	3,527	4.3%	<b>4,000</b>	<b>4.7%</b>	13.4%
Ordinary Profit	3,585	4.4%	<b>3,920</b>	<b>4.6%</b>	9.4%
Net Profit	2,362	2.9%	<b>2,980</b>	<b>3.5%</b>	26.2%
<b>ROE</b>	10.8%		<b>13.2%</b>		-- (1)

(1) The tax expense is expected to decrease from the previous FY.

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

# Forecast by Business Segment for FY 03/19 (FY36)

(unit: million yen)

	FY 35 (result)	FY 36 (forecast)	YOY	
	04/17-03/18	04/18-03/19	Amount	Ratio
<b>Sales</b>	82,263	<b>85,000</b>	2,737	3.3%
<b>Brand biz</b>	48,173	<b>50,300</b>	2,127	4.4%
<b>Tech. Solution biz</b>	33,648	<b>34,700</b>	1,052	3.1%
<b>Other biz</b>	442	<b>0</b>	<b>-442</b>	<b>-100.0%</b>
<b>Operating profit</b>	3,527	<b>4,000</b>	473	13.4%
<b>Brand biz</b>	6,470	<b>9,700</b>	3,230	49.9%
<b>Tech. Solution biz</b>	5,678	<b>2,590</b>	<b>-3,088</b>	<b>-54.4%</b>
<b>Other biz</b>	-65	<b>0</b>	<b>65</b>	<b>-100.0%</b>
<b>Corp. and others</b>	<b>-8,555</b>	<b>-8,290</b>	265	<b>-3.1%</b>
<b>profit margin %</b>	4.3%	<b>4.7%</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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