

Q&A summary of the briefing on financial results for the fiscal year ended March 31, 2018, and the medium-term business plan held by Wacom Co. Ltd. on May 11, 2018

Q: Concerning precondition of the medium-term business plan, to what degree do you foresee market growth as a whole, considering recent tendencies of higher recognition on value coming from hand-writing by large manufacturers?

A: On our strategies, as for the Ocean Business, we think that it will further increase to have opportunities to install hand-writing function as major platform partners have recognized its importance. Total market size of smartphones, tablets and note PCs is expected to hover around slight increase or decrease, however, installation rate of digital pen and number of types of associated application are expected to increase. In addition, devices specialized for educational use may emerge, being different from PCs and smartphones for general use. Though it is difficult to estimate its market scale, we will address ourselves to it in earliest manner.

As for the Island Business, we estimate that volume of creators' workflow won't increase overwhelmingly, and rather it will require deeper technological innovations. For example, more creators will be engaged in designing not through 2D environment but directly in 3D environment by using VR (Virtual Reality) / MR (Mixed Reality) technologies. We will provide with production tools from the viewpoint of quality and depth, not of volume. In addition, it is expected to extend digital pens for signature authentications and paperless procedures such as for bank counters in enterprise business field.

Q: How do you secure market position and profitability as a technology company, facing extremely big companies as competitors and partners? How do you prevent from being swallowed by them?

A: We are confident that we are ahead by one round of athletic field track in terms of superiority in digital pen as we have been engaged in it for 35 years since its establishment of the company. It is important to keep position to provide with best experiences through our technologies all the time. We will achieve this, not solely by ourselves, but by collaborating with partners for creation of their eco-system. In other words, getting into each eco-system itself is a condition for us not to be swallowed by them. For example, Microsoft competes with us as they have their own digital pen technologies, however, they are our partner. We are addressing ourselves to cater for their customers to have more advanced digital pen experiences under their eco-system through setting up technological standards in digital pen field and materializing

concept of productization in earliest manner. It is important for us to nurture relationship with them to realize that we are indispensable. Under this context, it is one of outcomes for us to launch digital pen, Bamboo Ink, which has interoperability with other pens on Windows OS as a common platform including Microsoft's Surface series.

Q: Do you feel that expectations on Wacom from big IT companies are high, as you are directly involved in the Technology Solution Business?

A: Yes. When I have dialogues with companies providing with OS, especially platformers, they are not sticking to do everything by themselves. I rather feel that they strategically prefer collaborating with specialized players for applications functioning on their platform to increase the quality level of their eco-systems. Our technologies for digital pen and ink accumulated for years have been well accepted by them in terms of quality level and value on their platforms. However, technologies progress fast, so that we must be engaged in continuous technological innovations without being off our guard, and keep delivering what customers satisfy with.

Q: As for the Extreme Focus, it seems that sales of the Brand Business will increase in slow pace this fiscal year. Do you consider a certain restructuring of its business portfolio? What are criteria for the restructuring if any?

A: We have already started overall review on business portfolio, and newly setup Ink Division, which was created through constructive merger between Consumer BU (business unit) and Platform & Application BU at the end of prior fiscal year. The former BU was in charge of product portfolio centralized in digital pens for general consumers, whereas the latter BU was in charge of application and services through cloud server using core technologies of Wacom's ink data engine (WILL). After the merger, we proceed to business restructuring by relinquishing products and services which are expected to be inferior in profitability and technological developability, and more focusing on embodying digital stationary category.

Q: In the Technology Solution Business, it gets risky if dependency on specific partners is too high. How do you diversify such risks?

A: I acknowledge that dependence on specific partners and customers leads to higher risks. In the past, dependency rate on Samsung Electronics was around 70% of the Technology Solution Business in its highest, and has decreased to around 40% by increasing other partners and implementing alternative technological portfolio. As for

partnership strategy, we basically try to make Wacom's digital pen and ink usable at any eco-system, as it may attribute to a risk of being swallowed by the eco-system in case we depend on it solely.

Q: As for new technologies such as VR / MR, do you go with similar partnership strategy, or take into yourself by M&A?

A: We extend it by partnership approach. Though we have taken leadership of 2D world for creators, it is not clear whether we can take leadership in 3D world such as VR / MR. Our mission resides at creating solutions for smooth changeover between 2D and 3D world. We have been co-partnering with Gravity Sketch in the U.K., a startup specialized for 3D design space by delivering intuitive digital creation tools, which have fabulous technologies in space drawing.

Q: In the Medium-Term Plan, you intend to increase the rate of outside directors to 50%. Will you realize it at the General Shareholders' Meeting in June this year?

A: Yes. During the four-year period of the Plan, we intend to further strengthen its corporate governance in scope.

Q: As for capital policy, do you have any concrete precondition in the form of percentage for shareholders' cost of capital?

A: No comment on the percentage figure. We acknowledge 7-8% as an average for Japanese major listed companies (cited in the report by Professor Ito who has been in the center of discussion about codes for corporate governance and stewardship in Japan) and proceed to further examination on our own figure, and we intend to increase corporate value by exceeding ROE over shareholders' cost of capital.

Q: As for R&D expenses, it was 0.5 billion yen lower than 4.9 billion yen budgeted at the beginning of the fiscal year ended March 2018, and it is expected to be 5 billion yen for the fiscal year ending March 2019. Do you set it around 5 billion yen flat or increasing in the Medium-Term Business Plan?

A: The reason why R&D expenses lowered against initial forecast was because we always review portfolio for technology development in dynamic manner, and the gap reflected that activities. We did not intentionally decrease the level of R&D investment, and will rather increase the level in medium-term.

Q: Except R&D expenses, what domains will you control to decrease the SG&A expenses ratio to sales in medium-term?

A: Under the Medium-Term Business Plan, we do not intend to increase SG&A expenses in proportion to the rate of sales increase. As a technology company, we prioritize technologies and strengthen engineering resources. Other than that, we optimize from the viewpoint of efficiencies. Hence, we do not intend to drastically change the scale of current consolidated number of employees around 1,200.

Q: Concerning Technology Solution Business, market trend seems to have remarkably changed from years ago. How is the recent business?

A: No remarkable changes have been found from its trend seen in the fiscal year ended March 2018, and there are no indications to the change yet.