

**Q&A summary of the briefing on financial results for the six months ended September 30, 2018 held by Wacom Co. Ltd. on May 11, 2018**

Q: Concerning Brand Business, the first half results were negative compared to a year ago and the full year forecast was also revised down. What is a problem and how do you fix it?

A: Among product portfolio of the Creative Business which is comprised of Pen Tablets, Displays, and Mobiles, Pen Tablets slightly struggled in the first half. In the mid-to-low end category, competitions with Chinese manufacturers have intensified, and switch over to newly introduced models were in trouble. As for the competitions, we've implemented flexible pricing strategy which is not permanent discount, providing customers with both price value and added value through Wacom's 35<sup>th</sup> anniversary promotion under internet sales channel from September through this year-end sales season in all regions. At this point of time, we cannot touch in detail, however, during this second half and the next fiscal year, we have intentions to reform cost platform of entire company operations to respond to severer competitions expected in this mid-to-low end category. Although Pen Tablets are quite simple products, we, avoiding caught in price competition, pursue providing customers with best experiences in a way including high-level adjustment on bundled application software to get rid of easy imitations.

As for Displays which is a main category of Creative Business, though sales in the first half were lower than a year ago due to insufficient supply for the size of demand, now we are equipped with a full lineup ready for this second half, including new large models of both 24-inch type and 32-inch type. In addition, during this second half and the next fiscal year, we will strengthen our product portfolio by expanding our customer targets, from the current professional users, to include semi-professional users which are stepping toward professionals. As VR (virtual reality) and MR (mixed reality) which we've been newly engaging in are expected to add high value on products of Displays, we keep on developing to make them solutions to enrich customers' workflow.

As for Mobiles, we have not reached a clear direction. We are in the midst of discussion to clarify positioning of the products to function maximally in customers' workflow. Though product lineup in this second half remains the same, we pursue to establish the position toward the next fiscal year onwards.

Q: Concerning SG&A expenses, can I expect them to be reduced in the second half as well as I saw for the first half? What is the current outlook on impact from the trade dispute between the United States and China?

A: Reductions of SG&A expenses in the first half consist of actual reductions in the first half and shifts to this second half. In recent years, we did not have sufficient governance on cost control, as we saw unintentional increases in certain items although we saw decreases in other items at the same time. Now, we feel it is a big change to be able to intentionally manage to spend as its necessity.

As for the trade dispute in which additional tariff of 10% has been charged on import by the U.S. from China for this year, and a change to additional 25% tariff is scheduled from the beginning of the next year. Due to accounting logic, its impact on the cost is expected to arise in slight delay, and the size of the impact is estimated to be less than a billion yen for this fiscal year, supposing that counter reactions in pricing and volume impact are not included so that only cost increase for the imports is calculated.

Q: Is it rational to suppose that incremental cost increases are fully borne by a manufacturer, although the size image of the risk can be visible?

A: We've been examining countermeasures to this issue, including price path-through, taking account of market conditions. Since there are variances in terms of price sensitivities depending on products such as for professionals and for entry users, we proceed to actions to maximize profits.

Q: Concerning Brand Business, do you foresee any impact on Wacom's ecosystem from Adobe's support on Apple's iPad expected to begin in the next year?

A: We welcome it. Big picture behind is that Apple's launch of Apple Pencil for iPad and Adobe's support for iPad lead to spread of design workflow by handwriting and market expansion of digital pen & ink. The thing is how to associate with application makers. We have been developing and providing partner vendors with WILL, Wacom Ink Layer Language, in the form of SDK. WILL is based on digital ink technology and functions as an engine for handwriting solutions. As WILL does not function as an application itself, Wacom is in a position to provide with eco system for handwriting digital ink on the layer lower than the application layer. We are associating with many companies for partnering, including Adobe. We plan to make an announcement of launching WILL 3.0, new digital ink format solution in this week, aiming for establishing de-facto standard technology on the layer lower than the application layer for digital inking experiences.

Q: Are you willing to accept proposal by Apple if they want co-work for digital ink format?

A: Our basic stance is to expand partnership with various eco system owners including Apple, not taken into specific eco system.

Q: Concerning Technology Solution Business, the full year sales are expected to increase significantly in both for smartphones and for tablets from the initial forecast at the beginning of this fiscal year. For smartphones, guide us in terms of unit price as volume seems flat. For tablets, guide us in relation to increasing number of product model.

A: For smartphones, there is a difference in sales opportunities of prior generation model between prior year and this year. In the prior year, our shipment for Galaxy Note7 which was the prior generation model for that year was canceled due to quality problem of battery. In this year, our shipment for Galaxy Note8 which is the prior generation model for this year has been contributing to sales. In addition, value added portion for new functions in the Galaxy Note9 which is new model for this year has been contributing to upward revision in sales.

For tablets, we remain to foresee further increasing trend of digital pen penetration. You may have to care about competition with Microsoft's pen based on their own technologies which could be rather complex in the form of influence. The key is how to establish de-facto standard by our technologies amid increasing interest in digital pen.

Q: Since taking office as President, guide us what you have been engaged in internal issues?

A: I've been focusing mainly on organizational structures. Compared to global organization and operation scheme centered on global IT infrastructure implemented before launch of the current medium-term business plan, Wacom Chapter2, we've been partially modifying towards sales / marketing closer to our customers. We put customer support center function directly under each business unit in order to make marketing decision in each region rather than globally from the view point of agility and efficiency. As for our corporate theme, Technology Leadership Company, we have been strengthening technology investment and engineering resources thorough optimization of organization without expansion of consolidated organization.

Q: Concerning R&D expenses, what area are you going to make investment in Technology Solution Business?

A: We are focusing on investment into technology platform rather than specific product developments. Among several portfolios currently going on, we are proceeding to

investment from medium-term view point on basic digital pen technologies such as EMR, Electro-Magnetic Resonance, and AES, Active Electrostatic, touch panel technologies supporting them, WILL 3.0, and ASIC, Application Specific Integrated Circuit. We don't expect short-term results, but own timeframe by each technology platform. Technologies such as 3D, Three Dimensions, and AI, Artificial Intelligence, are getting important significantly, we will be actively engaged with collaborations with technology partners.