

# Annual Report 2019

*for a creative world™*

wacom®

# To Our Shareholders

## Wacom to continue promoting “Technology Leadership”.

Thank you very much for your continued understanding and support of Wacom and its business. I am pleased to present Wacom’s Annual Report for the fiscal year ended March 31, 2019 – our 36th fiscal year.

Wacom is a “Technology Leadership Company” that provides customers with a unique and innovative digital pen experience – digital writing and drawing. We began a new chapter, known as “Wacom Chapter 2”, during our 36th fiscal year. For Wacom, listening to customers’ voices is extremely important, and we are committed to maintaining this dialogue as we pursue our mission to remain innovative and deliver the best digital drawing and writing experience while generating consistent growth in corporate value.

### Business results for the 36th fiscal year (ended March 31, 2019)

For the 36th fiscal year ended March 31, 2019, we made steady progress; consolidated net sales increased 8.8% to 89.5 billion yen, operating profit increased 17.7% to 4.2 billion yen, ordinary profit increased 15.7% to 4.2 billion yen, and net profit attributable to owners of parent increased 63.1% to 3.94 billion yen. The main contributing factors were a significant increase in sales and profit, optimization of SG&A expenses through cost control, and aggressive investment in R&D. As a result, consolidated net sales reached a record high and the ratio of SG&A expenses to net sales was 5 points lower than the previous year – falling below 30% for the first time in five years.

### Wacom Chapter 2: Medium-Term Business Plan (FY ended March 2019 - FY ending March 2022) and recap of the first year

In May 2018, Wacom announced “Wacom Chapter 2”, our Medium-Term Business Plan covering the four-year period from April 2018 through March 2022. Under “Wacom Chapter 2”, we will re-enforce our commitment as a “Technology Leadership Company” with the mission of delivering unique digital ink and pen experiences and shifting to a profit-focused management structure by strategically deploying our business resources. We will also strive to deliver the best digital pen experience, while promoting the “Life-long Ink” vision, through which customers can continue to enjoy the benefits of digital ink throughout their lives. To this end, we will strengthen governance by the Board of Directors and realize financial health that will enable us to undertake aggressive measures for growth.

In the 36th fiscal year ended March 2019, the first year of the Medium-Term Business Plan, we stepped up alliance (collaboration) activity with leaders in advanced technology in various fields such as VR (Virtual Reality) / MR (Mixed Reality), digital stationery, display (LCD), and 5G, to further our corporate mission of “Technology Leadership”. As one of the noteworthy developments in the Branded Business, we reorganized our product portfolio and launched a new entry-level model display product on schedule, which elicited a positive response from the market.

(For details of the Medium-Term Business Plan “Wacom Chapter 2”, please refer to feature pages 3-6.)

In our consolidated results forecast for the 37th fiscal year (ending March 2020), the second year of the Medium-Term Business Plan, we expect a 6.7% increase in consolidated net sales to 96 billion yen, a 25.2% increase in operating profit to 5.2 billion yen, a 24.6% increase in ordinary profit to 5.2 billion yen and a 10.7% decrease in net profit attributable to owners of parent to 3.4 billion yen. These forecasts are based on assumed average foreign exchange rates of 108 yen per U.S. dollar and 125 yen per euro.

For the Branded Business, we forecast an increase in sales and segment profit due to market penetration of new products and their improved profitability. In the Technology Solution Business, we forecast a slight increase in sales and a decrease in segment profit due to extensive investment in R&D for the future as well as this segment’s general volatility. However, we will continue to seek an upside against these targets while managing risks appropriately. Profit attributable to owners of parent is expected to decline due to an increase in the effective tax rate compared to the previous fiscal year, an outcome of the adoption of tax-effect accounting.

### Shareholder return policy

For the 36th fiscal year ended March 31, 2019, we paid a dividend of 6.0 yen per share on May 31, 2019.

For the 37th fiscal year ending March 31, 2020, we plan to pay a dividend of 6.5 yen per share. This plan is in accordance with our basic policy for profit distribution, established in the Medium-Term Business Plan, under which we set a consolidated dividend payout ratio of 30%.

### Message to our shareholders

We expect the true worth of digital pens to become even more prominent in this ever-evolving IT industry. Digital ink is not merely a digital variation of traditional ink; created by a digital pen, digital ink is essentially data that can be processed and utilized digitally. Each stroke of digital ink contains a great volume of information such as author, time stamp, location and situation. In that sense, digital ink is Big Data. By combining our long-standing expertise in digital pens (the best instrument for unleashing human creativity) with digital data capable of keeping track of human activity, while promoting collaboration with state-of-the-art technologies such as VR (Virtual Reality) and AI (Artificial Intelligence), we will continue to deliver valuable digital pen experiences to our customers. Your support and understanding remain a key factor in our success. On behalf of Wacom teams worldwide, I would like to thank you sincerely for your continued support.

Nobutaka Ide  
President & CEO



On May 11, 2018, Wacom announced “Wacom Chapter 2” – our new Medium-Term Business Plan covering the four-year period from April 2018 to March 2022.

Under our “Life-long Ink” visions, Wacom will strive to deliver the best possible digital pen experience to each customer.

We see infinite possibilities for Digital Ink created by the Digital Pen.

Digital Ink has the power to capture the “context and keep track of incidents” around human handwriting/drawing; it can tell us who drew something, when and where it was drawn, and what user’s state of mind was.

Under “Wacom Chapter 2”, we maintain the Wacom corporate vision “for a creative world” but complement it with the “Life-long Ink” concept, the goal of which is to deliver the best possible digital pen experience to our customers throughout their lives.

Wacom will be in a position to embark on endless journeys of creativity with our customers.

## Business Target by FY ending March 2022

Profitability: Consolidated Operating Margin of 10%

Business scale: Consolidated Sales of 100 billion yen

Capital efficiency: Consolidated ROE of 15 ~ 20%

## Corporate Level Strategy and Direction

### Technology Leadership

Our most important policy is “To maintain our leadership in the market through digital ink and pen technology”. We will increase investment in human and business resources to advance our core technology, centering on digital pens and related new technology. We will also enhance engagement with customers to more deeply understand their needs and deliver the best possible experience through superior technology.

### Island & Ocean Strategy

The idea of an island represents our “pursuit for excellence” in delivering the ultimate experience to specific customers by means of the best technology and highest quality. The idea of an ocean, meanwhile, represents our “wide penetration” strategy by which we will endeavor to establish our technologies as the de facto standard.

We will effectively deploy these two strategies and provide clear direction for our Brand Business and Technology Solutions Business in terms of market approach. By moving beyond the barriers of each business and working closely together, we will be able to accelerate technological innovation. Furthermore, we will also prepare a foundation for sustainable growth by adding new business segments – with the expectation that these segments will account for approximately 10% of total sales in the fiscal year ending March 2022.

### Extreme Focus

To make ensure that we use our management resources effectively and efficiently, we will carry out “extreme selection and concentration” within our focus areas. We will actively invest in engagement with customers and in technological innovation. We will also optimize other investment and pursue stable profitability.

## Business Strategy

### Strategy: Brand Business

- Overcoming management challenges
- Refine product planning/product development process
  - Raise customer service satisfaction levels
  - Enhance product quality

Technological innovation for future growth

- Improve the baseline “pen experience”
- Deliver innovative ink experiences (VR, MR\*)
- Develop a solutions business around signature authentication

\*VR = Virtual Reality. MR = Mixed Reality: the merging of real and virtual spaces.

### Strategy: Technology Solution Business

Maintain leading position in the existing market (smart-phones/tablet/PC)

- Work with IT industry clients to create in innovative digital pen experiences
- Establish collaborations with platform partners
- Promote digital “paper & pen” eco-system

Develop new digital pen market

- Bring digital pen solutions to the field of education
- Work with stationery manufacturer partners to unfold “Digital Stationery Market”
- Develop modular digital ink solutions (pen cartridges)
- Design digital ink data for collaboration with AI (artificial intelligence)




## High-priority Issues

- Realize customer-oriented technological innovation
- Pursue organizational/operational reform
- Secure profitability by means of a strong financial structure
- Enhance management quality by reorganization of Board of Directors (BOD)

## Overcome challenges through organizational reform

**Simplify the organizational structure to drive innovation and sharpen customer focus**

- |  |   |  |
|--|---|--|
| <ul style="list-style-type: none"> <li>• Technological innovation</li> <li>• Development schemes</li> <li>• Customer relations</li> <li>• Quality improvement</li> </ul> |  | <ul style="list-style-type: none"> <li>• Establish “Ink Division”</li> <li>• Establish “CTO Office”</li> <li>• Review product development process</li> <li>• Reorganize customer support under each Business Unit</li> <li>• Establish dedicated QA /Engineering teams for each Business Unit</li> </ul> |
|--|---|--|

## Optimize SG&A cost

**Hold down SG&A to sales ratio at the lowest level in the last 10 years**

- Intensive investment in R&D to enhance Technology Leadership
- Further productivity improvements and cost reductions in non-R&D areas.

## Improve management quality

**Reform Board of Directors (BOD) to promote intensive strategy discussions expected of a Technology Leadership Company**

- Hold comprehensive discussions about optimized scale of BOD
- Promote fairness and transparency by increasing the ratio of outside directors to 50%

## Capital Policy and Shareholder returns

**Capital Structure:** Further enhance our financial soundness to ensure we can actively respond to changes in the business environment such as increase in investment. (We will raise the capital ratio to about 60% on a consolidated basis by the end of the 39th fiscal year).

**Capital Efficiency:** Use ROE as an indicator to measure the relationship between ROE and the cost of shareholder’s equity (ROE should be more than cost of shareholder’s equity)

**Policy of Profit Distribution:** Dividend policy is to consistently and sustainably increase dividend per share. The supplementary guideline for this policy is to achieve a target dividend payout ratio of around 30%. Special dividends and acquisition of treasury stock will also be considered for profit distribution.

## Recap on the 1st year (FY ended March 2019) of the Medium-Term Business Plan

We implemented the following groupwide measures.

### Corporate Strategy: Technology Leadership

#### 1. Alliance with partner companies

We enhanced alliance (collaboration) with partner companies that lead in each field with advanced technology such as VR (Virtual Reality) / MR (Mixed Reality), Digital stationery, Display, 5G related, etc.

Partner companies: NTT docomo, Magic Leap (U.S.), Gravity Sketch (U.K.), Montblanc (Germany), Lamy (Germany), Staedtler (Germany), E ink (Taiwan), etc.

#### 2. Proactive investment in technological innovation

We proactively invested in R&D to promote technological innovation and recruited engineers.

- R&D Investment JPY 4.3 bn (FY03/2019)
- Increased engineer recruitment 20+ engineers

### Corporate Strategy: Island & Ocean

#### 1. Island (Branded Business)

We worked on portfolio shift and optimization, innovation in business model and customer value proposition to address changes in business environment.

#### 2. Ocean (Technology Solution Business)

We accelerated to position our digital pen technologies as de facto standard in the IT industry.

#### 3. Collaboration in technology and organization between business units

We enhanced collaboration between each business unit in R&D, engineering, and operations such as sourcing, production management, etc. to improve management efficiency.

### Corporate Strategy: Extreme Focus

#### 1. Updated technology & product development roadmap

We reconstructed product portfolio in the Branded Business and launched entry level display model in January 2019, which gained good reputation from the market. Also, we worked on standardization of technology platforms (pen, display, etc.) and streamlined new product development.

#### 2. Optimization of SG&A

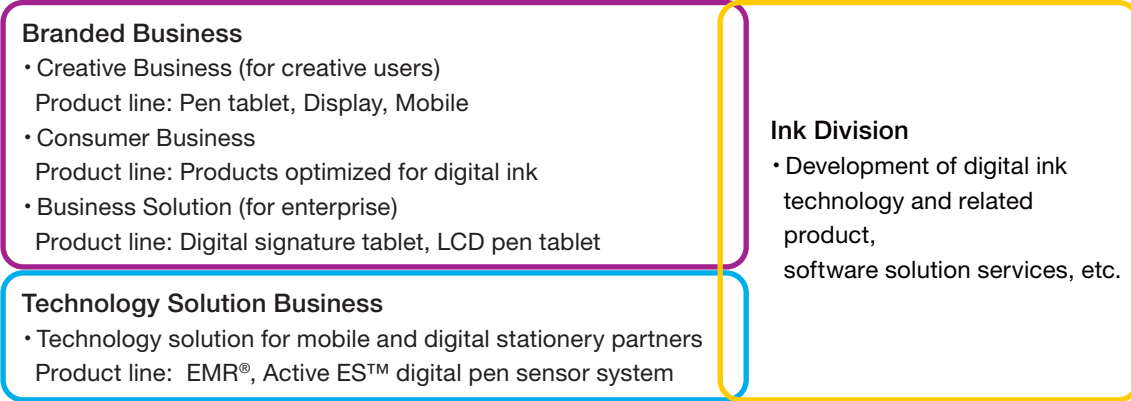
We worked on review and optimization of SG&A expenses. While R&D ratio to SG&A expenses steadily increased, the ratio of SG&A expenses to net sales fell below 30% level in the 5th fiscal period since FY ended March 2014, due to the reduction of the total SG&A expenses.

- R&D ratio to SG&A expenses for FY03/2019 : 17% (FY03/18: 16%, FY03/17: 15%)
- SG&A ratio for FY 03/2019 : 29% (FY03/18: 34%, FY03/17: 40%)

# Business Lines

Wacom has established the global organizational structure, to manage its two business segments, where business units and divisions operate according to characteristics of respective businesses.

We will aim for business growth globally by accelerating technological innovation, utilizing management resources in line with business goals.



# Hot Topics

## Addition of New Cintiq for Emerging Professionals, Students and Enthusiasts

The Wacom Cintiq 16 is a new creative pen display with an optimized feature set for a growing group of young art and design students. It is the perfect solution for existing creative pen tablet users looking to upgrade or students and emerging creatives who want a second device for their home office or studio. It comes with Wacom's Pro Pen 2 technology, offering professional grade pen performance. Coupled with its attractive pricing, the Cintiq 16 is ideal for manga, fine art and hobbies.



Wacom Cintiq 16

## Our technology supports digital pen and ink solutions and promotes broader adoption

Samsung continues to use our proprietary EMR® (Electro Magnetic Resonance) technology in the Galaxy Note9 (pictured). Also, iFLYTEK, the AI (Artificial Intelligence) and speech/language technology leader based in China, adopted this same technology for the "AI Note," its first intelligent tablet device. With digital pens, ink and AI becoming increasingly more integrated, Wacom and Microsoft have further advanced their collaboration by leveraging AI to unleash the power of digital pen and ink.

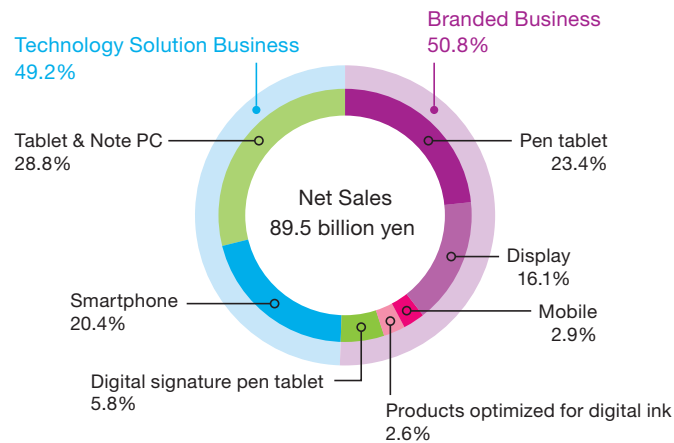


Samsung Galaxy Note9

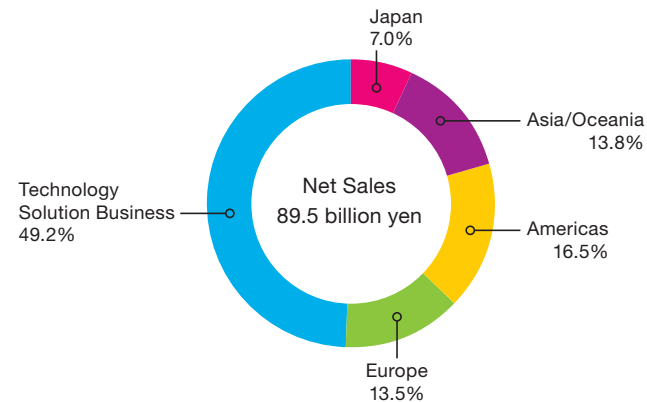


iFLYTEK "AI Note"

**Net Sales by Segment & Product line**  
for the fiscal year ended March 2019



**Net Sales by Subsidiaries**  
for the fiscal year ended March 2019



(Note) There are no regional segments in the Technology Solution Business due to the regional sales depending on OEM partners. (sales price is mainly determined in US dollars.)

## Wacom was chosen as one of 41 companies by GPIF's external asset managers for "Excellent Corporate Governance Reports".

Japan's Government Pension Investment Fund (GPIF) requested 17 external asset managers entrusted with domestic equity investment to each nominate up to excellent corporate governance reports which were disclosed by the end of December 2018 in accordance with the revision of Japan's Corporate Governance Code. The result of the survey was announced in February 2019, and we were chosen as one of 41 companies by GPIF's external asset managers for excellent corporate governance reports. Our latest corporate governance report is posted on "Corporate Governance" of our Investor Relations website.



# Technology Leadership

Since our founding in 1983, Wacom's growth has been predicated on delivering innovative digital pen and ink technologies to customers. We will continue to refine our technology assets to provide ever more valuable solutions to customers and re-define our position as a "Technology Leadership Company". This spirit is apparent in all aspects of our business.



Every day, creative users around the globe rely on Wacom technology to give life to an endless stream of content and products across a broad spectrum of categories. We will continue to meet the needs of these customers while committing ourselves to new fields such as VR (Virtual Reality) and MR (Mixed Reality).

Potential uses of digital pen and ink technology can be seen in a wide range of products and services related to every aspect of human activity.

Even traditional stationery manufacturers have woken up to the power of digital pen and ink solutions. As handwriting data analysis advances and develops, digital pen and ink applications in the field of education will also become feasible. We established the "Digital Stationery Consortium, Inc." and will continue to play a leading role in the promotion of digital pen and ink technologies with partners from a variety of industries.

①The Wacom Brand Store Shinjuku was opened ②Content creation in a VR (Virtual Reality) space ③Sponsored the Open Source Festival in Dusseldorf, Germany ④Automobile design in a VR space ⑤Collaboration experience in an MR (Mixed Reality) space ⑥President Ide made a speech at Magic Leap developers conference

⑦Promotion of digital stationery in ISOT, Japan's stationery event ⑧More than 500 people gathered to Connected Ink Tokyo, a partner event to lead proliferation of digital pen and ink (in picture: Sayatake Kominé, SVP of Technology Solution BU) ⑨Introduced Wacom's new digital ink technology at Samsung Developers Conference ⑩Heidi Wang, SVP in charge of Ink Division, made a speech at Microsoft Build ⑪Exhibited a new concept model "Hashira no Kioku (Height Marking in Wood)" at the Milan Design Week 2019 in collaboration with mui Lab, a start up in Kyoto, Japan

# Island & Ocean

We liken our two main business domains, Branded Business and Technology Solution Business, to an island and an ocean, respectively.

The former represents our commitment to continuously evolving our technology so that we can offer the ultimate creative experience to each customer.

The latter represents our drive to promote widespread adoption of digital ink and pen technology, offering Wacom's technologies as the de facto standard. We will accelerate innovation by fostering collaboration between the two domains, and endeavor to achieve the most efficient use of our expertise.

## Branded Business

The Branded Business segment covers Wacom-branded hardware and software products and solutions.

### Creative Business

Formats and technologies used in the professional creative digital workspace are constantly evolving – from HD to 4K and from 2D to 3D on to VR (Virtual Reality) and MR (Mixed Reality). In line with this evolution, Wacom's Creative Business segment will continue to address user needs with an innovative product lineup in the pen tablet, display and mobile categories. Meanwhile, we offer "uniquely Wacom" products in the digital stationery segment so that everyone can enjoy the benefits of our digital pen and ink technologies.



### Business Solution

The accelerating shift toward document digitization and paperless operations opens the door to a wide range of applications for the Business Solution segment:

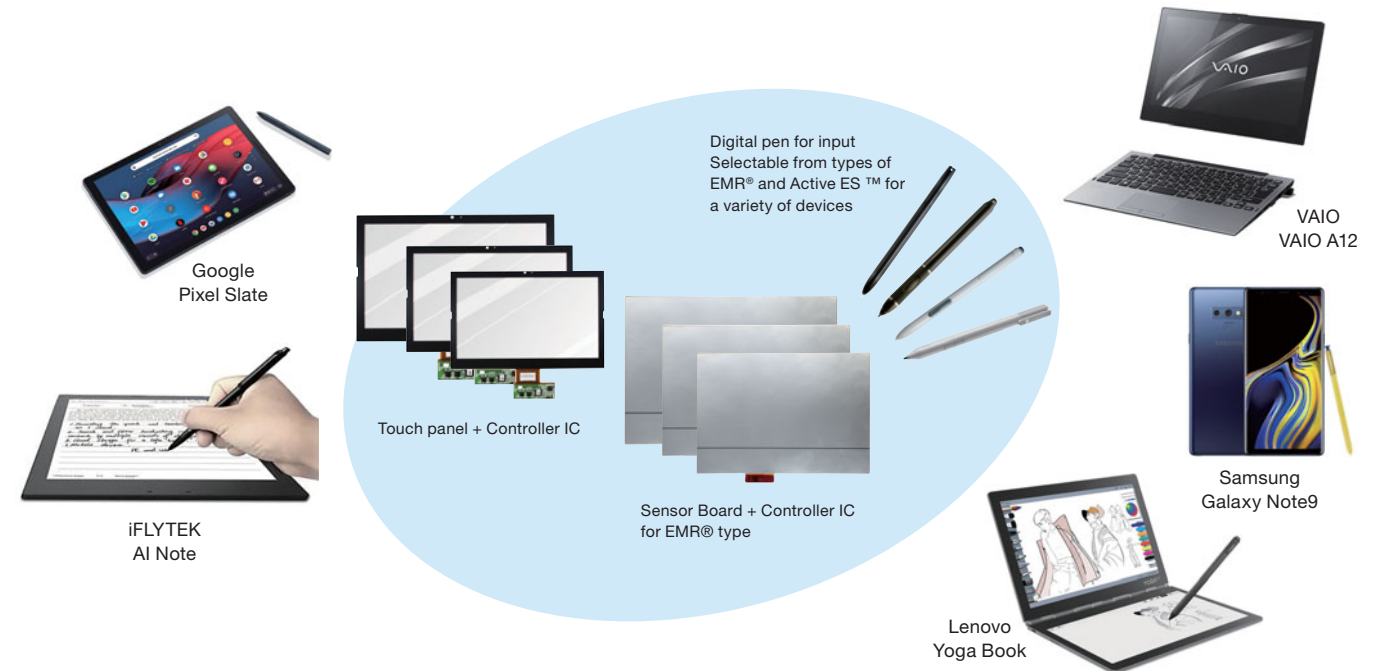
- Document management applications for the enterprise
- Retail stores (product demonstration and payment solutions)
- Financial institutions (contract presentation and signing)
- Hotels (check-in kiosks)
- Healthcare service providers (electronic medical records)



## Technology Solution Business

Our Technology Solution Business supplies digital pen (EMR® and Active ES™ technologies) and multi-touch solutions to OEM customers, powering their mobile products. Digital pens have evolved beyond their traditional role as tools to tap into apps: today they can be used to create and manipulate content. Wacom is taking the lead in collaborations with industry partners, providing its expertise for a growing number of pen and touch technology solutions. We established and lead the "Universal Pen Framework" initiative to promote digital pen interoperability and develop and supply pen cartridges to traditional stationery manufacturers enabling the swift implementation of digital pens. In collaboration with technology start-up mui Lab, we co-exhibited the Hashira no Kioku (Height Marking in Wood), a conceptual device that enables the user to "engrave memories" onto a house pillar using a digital pen. This device seeks to show a new side of digital ink technology through the use of a subtle display integrated into a part of everyday life.

Key customer products using Wacom's pen solutions include smartphones, tablets, PCs, eBooks, digital stationery and music score devices running on Android, Windows, and Chrome operating systems.



## Ink Division

Leveraging Wacom's well-established digital pen and ink technology, the Ink Division is responsible for developing and providing the WILL™ (Wacom Ink Layer Language) digital ink format and "Ink Space" apps. The Ink Division also develops digital stationery products and is in charge of the Digital Stationery Consortium for promoting development of the digital stationery market in collaboration with partner companies.

**WILL™**  
Wacom Ink Layer Language

**dsc** digital  
stationery  
consortium



# Our Team

## The Board of Directors and Executive Vice Presidents / Corporate Governance as of June 22, 2019

### Wacom Management Team



(From the left in the upper portraits)  
 Nobutaka Ide, President & CEO  
 Yoichi Machida, Director & EVP, CFO  
 Sadao Yamamoto, Director & SVP, CTO  
 Yukio Usuda, Director & EVP, Corporate Strategy



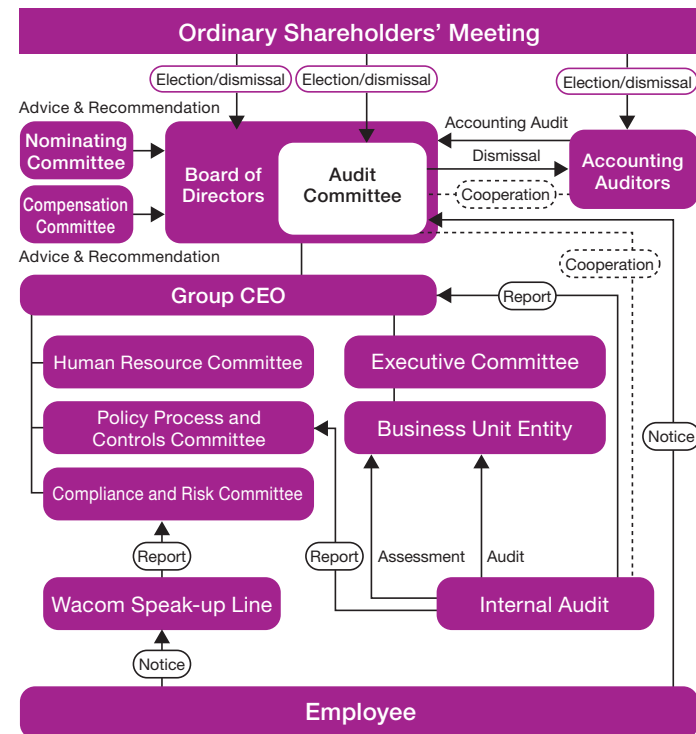
(From the left in the bottom portraits)  
 Ken Inazumi, Outside Director  
 Shigeki Higashiyama, Outside Director (Audit Committee) (full-time)  
 Takashi Kamura, Outside Director (Audit Committee)  
 Osamu Hosokubo, Outside Director (Audit Committee)

EVP: Executive Vice President  
 SVP: Senior Vice President

### Corporate Governance: Our commitment to fairness, transparency and quality management

Wacom made the transition to a “Company with an Audit Committee” in June 2015. The Board of Directors meetings are held once a month to make prompt, appropriate decisions regarding overall management, including reviewing management policies, examining the progress of business operations, and general business management and supervision. In addition to board meetings, Audit Committee members attend other important meetings to monitor the execution of business by directors. The Audit Committee also sets the audit plan and policy for the fiscal year, which is discussed with the group CEO. To ensure a highly transparent and fair management system, half of the membership of the Board of Directors consists of outside directors (all are independent directors as specified by the Tokyo Stock Exchange). Also, we have defined the term of office of non-Audit Committee directors as one year, and further clarified their management responsibilities to shareholders.

Execution of Operations, Audit, and Internal Control Systems as of June 22, 2019



# The Board of Directors Biographies

Name / Date of birth / Number of Shares Owned as of March 31, 2019 / Brief of Biography			
Nobutaka Ide April 19, 1970 18,200	April, 1995 August, 2013	Joined Sharp Corporation Joined Wacom Co., Ltd. General Manager, Technology Marketing Department, Component Business Unit Vice President, Technology Solution Business Unit Senior Vice President, Technology Solution Business Unit	Shigeki Higashiyama February 15, 1958 10,000
Yoichi Machida September 8, 1962	April, 1986 January, 2001 December, 2004	Joined Sony Corporation General Manager, Sony Europe B.V. Senior Manager, Corporate Planning, Sony Corporation Diretor Financeiro, Sony Brasil Ltda.	Takashi Kamura November 16, 1950
Sadao Yamamoto April 13, 1961 752,000	May, 2013 October, 2015 April, 2016 January, 2018 April, 2018	Joined Fujicco Co., Ltd. Head of Corporate Planning Joined Wacom Co., Ltd. Senior Vice President, Finance Executive Vice President, Chief Financial Officer (current position)	April, 1975 April, 1977 May, 1983 April, 1985
Yukio Usuda December 8, 1968 12,000	June, 2017 April 2018	Executive Director President & Chief Executive Officer (current position)	April, 1985 April, 2000 June, 2002 June, 2015 March 2019
Ken Inazumi January 22, 1974	June, 2018	Executive Director (current position)	April, 2000 June, 2002 June, 2015 March 2019
	March, 1987 April, 1998 June, 1999 June, 2004 April 2010 April 2014 April, 2015	Joined Wacom Co., Ltd. General Manager of Basic Development of ESD Executive Director Executive Director, Chief R&D Officer Executive Director, General Manager of R&D Promotion Office Executive Director, General Manager of Technology Development Group Executive Director, Chief Technology Officer (current position)	April, 1975 April, 1977 May, 1983 April, 1985 April, 2000 June, 2002 June, 2015 March 2019
	April, 1991 July, 2004 January, 2005 April, 2009 April, 2015 April, 2017 June, 2017	Joined Toshiba Corporation Joined Matsushita Toshiba Picture Display Co., Ltd. Joined Wacom Co., Ltd. General Manager, Global Marketing and Sales Division, Business Administration Office Vice President, CEO Office Executive Vice President, Corporate Strategy (current position) Executive Director (current position)	April, 1983 July, 1989 April, 2005 June, 2007 June, 2008 September, 2009
	January, 2010 January, 2012 April, 2013 February, 2014 October, 2015 March, 2017 December, 2017 June, 2018	Director, AlixPartners Asia LLC Operating Officer and Management Planning Manager, NHN Japan Corp. (current LINE Corporation) Director and COO, NHN PlayArt Corp. (current NHN Japan Corp.) President and CEO President and CEO, NHN Techorus Corp. Corporate Executive Officer, transcosmos inc. Senior Executive Managing Officer (current position) Outside Director, Wacom Co., Ltd. (current position)	October, 2010 February, 2012 June, 2012 July, 2017 October, 2017 November, 2017 February, 2018 June, 2019

Note: Mr. Ken Inazumi, Mr. Shigeki Higashiyama, Mr. Takashi Kamura and Mr. Osamu Hosokubo are independent outside directors. The term of office of Audit Committee members is two years from the Ordinary Shareholders' Meeting on June 22, 2018 for Mr. Shigeki Higashiyama, from the Ordinary Shareholders' Meeting on June 21, 2019 for Mr. Takashi Kamura and Mr. Osamu Hosokubo.



# Business and Other Risks

Wacom Group has identified the following risks which may impact the operating results, share price, and overall financial condition of the Group. The following descriptions contain forward-looking statements based on currently available information as of June 24, 2019, the filing date of the Annual Securities Report (Japanese only).

These descriptions have been translated into English from Japanese solely for reference for non-Japanese readers.

## (1) Risks concerning the business environment

### Foreign currency exchange rate fluctuations

Wacom Group conducts sales of its products in Japan via Wacom Co., Ltd. and most of its sales outside Japan via foreign subsidiaries. Most manufacturing is outsourced to manufacturers in Taiwan and the People's Republic of China. As such, major settlement currencies for those transactions are the U.S. dollar, the euro, and the Japanese yen, of which the U.S. dollar represents the largest proportion. Our basic policy with regard to the U.S. dollar is to maintain a balance between product purchases from the People's Republic of China and product sales to the U.S., Asia, and Oceania. However, depending on trends in product lines and exchange rate fluctuations, it may not be possible to sufficiently avoid foreign exchange risk. For the euro and other currencies, the Group is endeavoring to avoid foreign exchange risk through flexible operations including the use of foreign exchange contracts, in consideration of the rates of fluctuations of currencies, and other factors. However, a sudden fluctuation in foreign exchange rates could still have an adverse effect on business results.

## (2) Risks concerning business activities

### Seasonal fluctuations in business results

Wacom Group tends to have larger sales in the second half of the fiscal year than in the first half due to the impact of the year-end sales season. In addition, quarterly business results may change depending on the timing of the launch of new products.

### Changes in the market environment

The Wacom Group conducts sales activities globally, and the main customers of its Creative Business and Technology Solution Business are professional creators working at design production sites and manufacturers of smartphones, tablet and note PCs, respectively. As a result, factors such as changes in the global economy, the graphics industry, and PC market could have an adverse effect on business results.

Wacom Group's main products are supported by the Windows, Mac, and other OSs. In terms of product portfolio, hardware is compatible across various OSs, but driver software is unique to each OS. In the event that the Group could not respond in a timely manner to technological updates to platforms using the prevailing OSs or CPUs, or to the emergence of new platforms, and, as a result, could not ensure compatibility adequately with them, this could have an adverse effect on business results.

### Global business activities

Because Wacom Group conducts production and sales activities globally, issues such as regional conflicts resulting from geopolitical risks and labor-management problems in local communities could have an adverse effect on production at outsourced manufacturing companies, and the logistics and sales operations of local subsidiaries through the supply chain network.

### Dependence on specific customers

While Wacom Group has a wide range of customers, sales to Samsung Group, the Group's main customer in the Technology Solution Business, represented 15.4% of consolidated net sales in the previous fiscal year ending March 31, 2018, and 21.4% in the current fiscal year ending March 31, 2019; still a relatively high proportion. Sales to Samsung Group may decline due to the indirect effects of changes in customer demand for Samsung Group products. In addition, changes in management strategies of Samsung Group could have an adverse effect on business results.

### Competition from other companies

Wacom Group engages in product development and marketing operations aimed at the global market as its basic strategy. Within the IT industry where relationships based on competition and alliances have been dynamically changing on a global scale, the Group's competitors, regardless of new entrants or existing players, may take advantage of changes in technology trends and customer preferences both globally and regionally and take extreme strategies to expand market share. Moreover, some competitors may gain a competitive advantage over Wacom Group by taking advantage of the benefits of protectionist policies, etc. These factors could have an adverse effect on business results.

In addition, Wacom Group considers it necessary to continue technological development while paying attention to technology trends and actively evaluating other companies' technologies, without limiting itself to current pen tablet technology. In the case the Group's technology becomes obsolete quickly or other types of input technology which are completely different from current pen tablet technology emerge and grow rapidly in popularity, this could have an adverse effect on business results.

### Dependence of manufacturing on external companies

As mentioned above with regard to Wacom Group's production system, most products are manufactured in the People's Republic of China by outsourced manufacturing companies. They have flexible supply capability for sudden changes in demand in addition to mass production capacity and cost competitiveness, and play a very important role in our business strategy.

However, in case they incur problems related to management issues, experience difficulties in continuous production due to unexpected accidents such as natural disasters, or require additional training time to raise technical proficiency due to changes to or expansion of production bases, these factors could have an adverse effect on our business results.

### Supply and price of key parts

In the case of general-purpose parts such as plastic cases, the inability to reduce risk and costs sufficiently through initiatives such as the early arrangement of procurement based on long-term demand forecasts may have an adverse effect on business results.

Wacom Group is engaged in securing secondary sources for key parts at the earliest stage and developing replacement parts. However, in the case that there are insufficient general-purpose key parts such as ICs, printed circuit boards, and LCDs, or the continuous supply of original key parts such as ceramic parts for pen switches or customized ICs from ceramic and IC manufacturers becomes difficult due to accidents such as natural disasters, this could have an adverse effect on business results.

As for the raw materials contained in these parts such as heavy metals and plastics procured by Wacom Group or outsourced manufacturing companies, prohibition or limitations according to the legislation of individual countries related to the supply chain of our products or procurement standards applied by enterprise customers could have an adverse effect on business results, such as further increases in the

manufacturing and administrative costs due to the replacement of parts used and additional changes in product design. In addition, changes in legislation or standards stated above occurring after the finished products containing the above parts have been sold could also have an adverse effect on business results in situations such as the Group being required to replace these products.

### **Defects or serious quality problems in products**

While Wacom Group makes every effort to maintain quality control, defects that lead to product liability compensation or large-scale recalls could have an adverse effect on business results. Results might include significant loss of the credibility and reputation of Wacom Group and its products and considerable cost burdens such as compensation payments.

## **(3) Risks concerning legislation and litigation**

### **Conflict and infringement of intellectual property rights**

When developing and launching new products, Wacom Group makes every effort to prevent potential conflicts and infringements of intellectual property rights such as patent rights and trademark rights held by other companies or individuals through means such as preliminary investigations employing local patent offices and so on. Wacom Group also takes preventive measures if the possibility of infringement is foreseeable.

However, we cannot completely exclude the possibility of cases, including but not limited to, unforeseeable infringement due to differences in the legal systems of countries and the limitations of database research, or if the Group should infringe on a patent right which was granted after the launch of a product. In such cases, the Group could receive a complaint or be sued by another company or an individual for its infringement of their intellectual property such as patent rights.

However, while the Group takes firm measures, including making complaints about or pursuing litigation against the intellectual property infringement by other companies, this could have an adverse effect on business results depending on the progress of such measures. In addition, expiration of intellectual property such as patent rights, or legal judgements such as changes in the scope or loss of validity of patent rights in response to actions such as litigation or requests for invalidation trials of patent rights could have an adverse effect on business results.

### **Legislation**

In countries where Wacom products are sold there is legislation in relation to electromagnetic waves, safety, and product liability (PL). Wacom Group makes every effort to pay attention to legislative trends to make its products and services meet these requirements in a timely manner. However, insufficient response to new legislation or changes to existing legislation could have an adverse effect on business results. In Japan or countries where outsourced manufacturing companies operate for export or Wacom products are imported and sold, changes in legislation or interpretations by regulatory authorities relating to export, import, or tariffs, could have an adverse effect on business results.

### **Application of antitrust laws**

Should the market share of Wacom pen tablet products grow further in major regions (for reference: market share in Japan in terms of sales volume was 99.6% from January 1 to December 31, 2018, according to BCN Inc.\*), a national government may judge this to be preventing the technological development and free competition in the industry of the country and, as a result, damaging to market development and against the customer's interests. Such a decision may result in the application of the antitrust laws of the country which could have an adverse effect on business results.

\* World market share is not described in this report because there is no third-party published data.

### **Compliance risk**

Wacom Group conducts business activities globally necessitating a wide range of legal and regulatory compliance including compliance in relation to corporate law, tax law, financial transactions-related law, antitrust law, international trade law, and environmental law in multiple countries. Wacom Group has established a framework to enhance compliance by operating the Compliance and Risk Committee and the Wacom Speak-up Line. In addition, Wacom Group strives to deepen the understanding and awareness of compliance of every director and employee by distributing the Wacom Compliance Guide and holding in-house seminars. However, it is difficult to completely eliminate compliance risks and compliance failure could have an adverse effect on business results.

## **(4) Other risks**

### **Issuance of stock acquisition rights (stock options)**

Wacom Group issues stock options based on the provisions of Articles 236, 238, and 239 of the Companies Act of Japan in order to improve business results by raising awareness of the need for directors and employees of Wacom Co., Ltd. and subsidiaries to be involved in the management of the Group. Although the number of stock options is currently limited\*, if there is an increase in the future, then exercising those stock options or issuing new shares could dilute the share value held by existing shareholders.

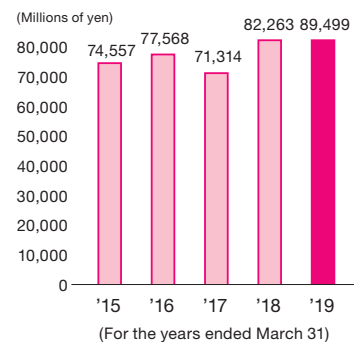
\* As of the end of March 2019, the number of potentially dilutive shares is 22,000, equivalent to 0.01% of the 166,546,400 issued shares.

	Thousands of yen					Thousands of U.S. dollars
	Years ended March 31					Year ended March 31
	2015	2016	2017	2018	2019	2019
<b>For the fiscal year:</b>						
Net sales	¥74,557,460	¥77,568,014	¥71,313,987	¥82,262,867	¥89,498,505	\$806,365
Gross profit	30,050,300	30,735,985	27,565,770	31,759,775	30,447,827	274,329
Operating profit	6,142,669	3,664,362	-1,171,194	3,526,717	4,151,959	37,408
Profit before profit taxes	5,106,695	3,597,489	-5,690,859	4,178,745	4,022,326	36,240
Net profit	3,473,144	2,309,514	-5,534,484	2,361,885	3,851,242	34,699
Comprehensive profit	3,821,345	1,437,540	-6,029,066	2,387,356	3,730,372	33,610
<b>At fiscal year-end:</b>						
Cash and deposits	¥16,686,619	¥14,365,031	¥14,204,928	¥19,157,127	¥16,762,726	\$151,029
Total assets	51,456,857	51,566,632	50,249,583	50,909,513	51,551,107	464,466
Total net assets	33,858,970	31,096,396	21,356,897	22,668,481	25,427,954	229,101
<b>Net profit per share:</b>						
Basic	¥20.86	¥14.00	-¥33.93	14.55	23.71	0.21
Diluted	20.82	13.99	-	14.54	23.71	0.21
<b>Equity ratio (%)</b>						
Return on equity (%)	10.5	7.1	-21.2	10.8	16.0	
The number of employee(person)	1,072	1,055	1,099	1,036	1,031	

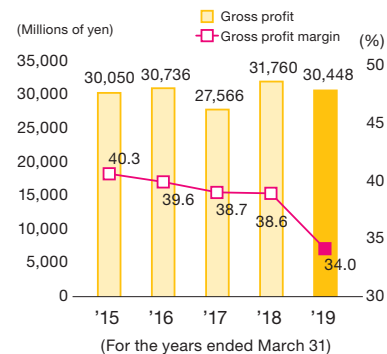
Note 1: The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of the readers outside Japan and has been calculated at the rate of JPY 110.99 = U.S. dollar 1.00, the approximate rate of exchange on March 31, 2019.

Note 2: Net profit from 2016. 3 F. Y. is equivalent to Net profit Attributable to Owners of Parent.

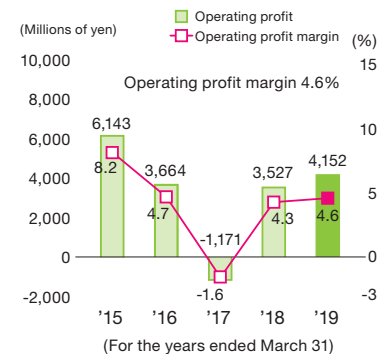
### Net sales



### Gross profit/Gross profit margin



### Operating profit/Operating profit margin



### Our Consolidated results for the fiscal year ended March 2018

For the fiscal year ended March 31, 2019, consolidated net sales increased 8.8% to ¥89,499 million, operating profit increased 17.7% to ¥4,152 million, ordinary profit increased 15.7% to ¥4.149 million, and net profit attributable to owners of parent increased 63.1% to ¥3,851 million.

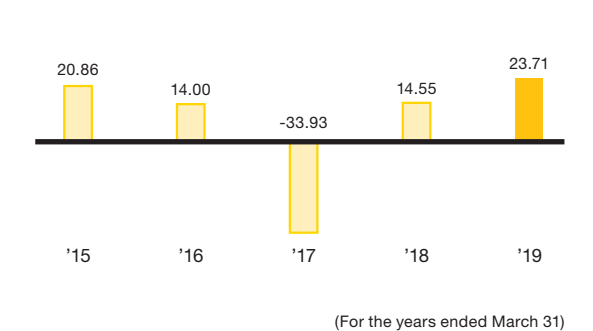
Wacom Group continued to promote growth strategies for the future in collaboration with our partner companies to further develop our business model in growing markets such as IoT, VR (Virtual Reality), MR (Mixed Reality), 3D printing, AI (Artificial Intelligence), and data security. Also, we implemented groupwide measures to improve productivity and cost structures through improved management decision-making.

In the Branded Business segment, we worked to enhance technological innovation and improve customer service to deliver the ultimate creative experience to each customer. In the Creative Business in the fiscal year, we launched new display products both for professionals and entry users to enhance and expand our product lineup. In the Technology Solution Business segment, our effort to position our digital pen technologies with EMR and Active ES as the de facto standard across OS platforms drove expansion in the adoption of digital pen technologies for tablet and notebook PC devices and business opportunities in the educational market.

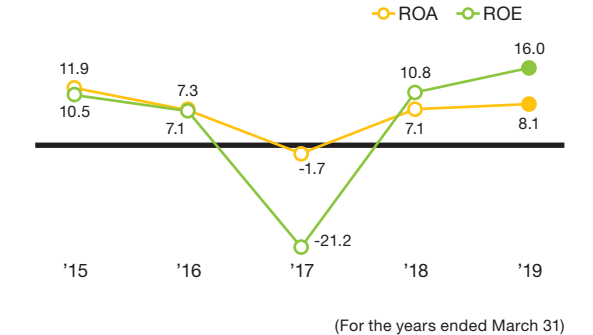
To overcome corporate challenges outlined in the new Medium-Term Business Plan, we worked to reform our organization and operations and improve cost structures with a focus on profitability. In the fiscal year, we continued to optimize SG&A expenses, by investing proactively in R&D to promote "Technology Leadership" which is one of the corporate strategies, while assessing the necessity of promotional expenses and reducing expenses related to global ERP systems. As a result, in the fiscal year ended March 31, 2019, the ratio of SG&A expenses to net sales was 29.4%, 4.9 points lower than the previous fiscal year.

Furthermore, net profit attributable to owners of parent of the fiscal year was significantly higher than that of the previous fiscal year, mainly due to a decrease in tax expenses, resulting from the revision of the recoverability of deferred tax assets (¥-773 million on income taxes - deferred was posted in the fiscal year ended March 31, 2019).

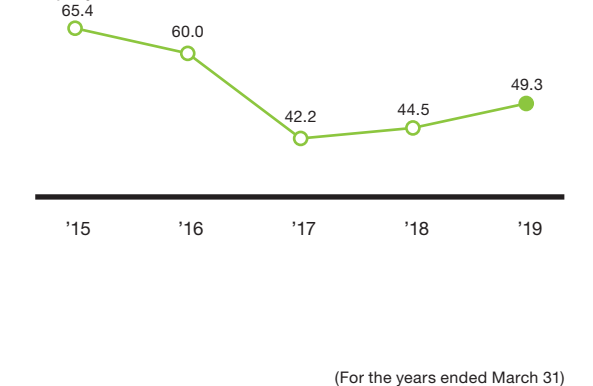
### Net profit per share (basic) (Yen)



### ROE/ROA (%)



### Equity ratio (%)





## Our results by business segment

### Branded Business

Overall sales in the Branded Business segment decreased 5.7% to ¥45,553 million, and segment profit decreased 31.3% to ¥4,445 million.

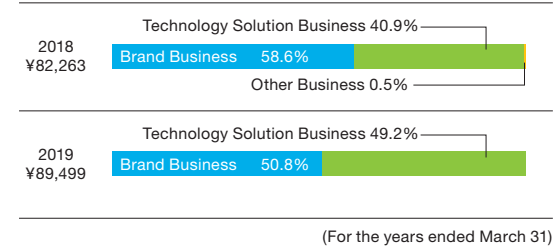
In this segment, we worked to enhance technological innovation and improve customer service to deliver the ultimate creative experience to each customer. By product line, in the core Creative Business, sales of display products exceeded the previous fiscal year, as we launched new display products both for professionals and entry users to enhance and expand our product lineup. However, sales of pen tablet products fell below the previous fiscal year, due to slower market penetration of mid- and low- priced products, reflecting a change in the competitive environment. Sales of mobile products significantly fell below as sales of our major product decelerated as it entered the later stage of its product life cycle. Sales of the Consumer Business fell below the previous fiscal year, due to decelerated sales of stylus product optimized for Windows ink. Sales of Business Solution exceed the previous fiscal year, owing to sales expansion for financial and educational institutions in the U.S.

### Technology Solution Business

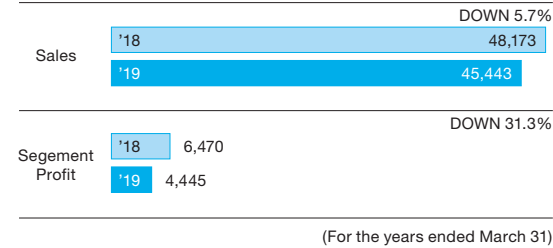
Overall sales of the Technology Solution Business increased 30.9% to ¥44,056 million, and segment profit increased 30.3% to ¥7,395 million.

In this segment, our effort to position our digital pen technologies with EMR (Electromagnetic Resonance) and Active-ES (electrostatic) as the de facto standard across OS platforms drove expansion in the adoption of digital pen technologies for tablet and notebook PC devices and business opportunities in the educational market. By product line, sales of pen sensor systems for smartphones significantly exceeded the previous fiscal year owing to increased sales of the latest models (equipped with enhanced functions), and continued demand for existing models. Sales of pen sensor systems for tablets and notebook PCs exceeded the previous fiscal year, owing to increased demand for our Active-ES pen sensor system as it gained a good reputation among tablet PC manufacturers.

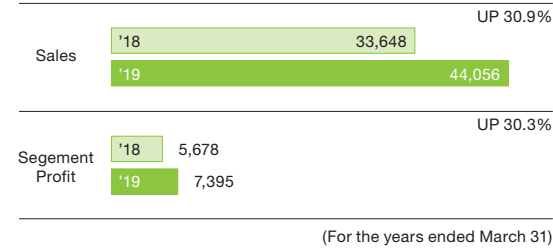
Net Sales by Business (Millions of yen)



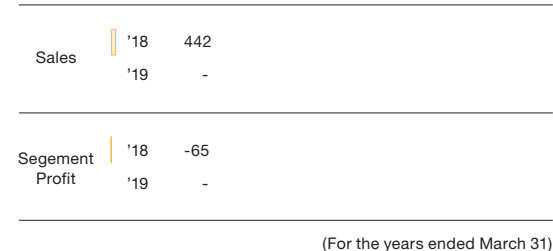
Branded Business (Millions of yen)



Technology Solution Business (Millions of yen)



Other Business (Millions of yen)



Note: The Engineering Solution Business of "Other Business" was transferred to Nitto Kogyo Corporation on December 1, 2017.

## Consolidated Financial Position

### Assets, Liabilities, and Net Assets

The capital ratio increased by 4.8 points to 49.3% compared to the end of the previous fiscal year.

Total assets as of March 31, 2019 increased by ¥642 million to ¥51,551 million compared to the end of the previous fiscal year. The main factors contributing to this were an increase in inventories and deferred tax assets, and a decrease in cash and deposits and notes and accounts receivable – trade. Total liabilities as of March 31, 2019 decreased by ¥2,118 million to ¥26,213 million compared to the end of the previous fiscal year. The main factor contributing to this was a decrease in notes and accounts payable-trade. Total net assets increased by ¥2,759 million to ¥25,428 million compared to the end of the previous fiscal year. The main contributing factor was an increase in shareholders' equity such as net profit attributable to owners of parent.

### Cash Flow

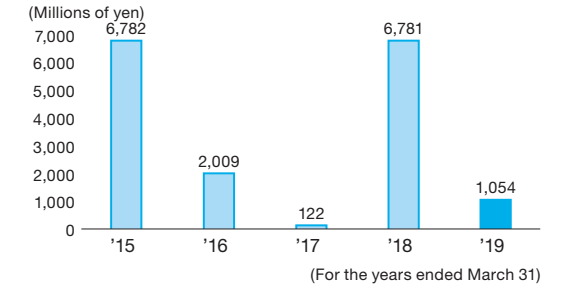
Consolidated cash and cash equivalents as of March 31, 2019 totaled ¥16,763 million, a ¥2,394 million decrease from the end of the previous fiscal year (compared to a ¥4,952 million increase in the previous fiscal year).

Cash flow gained from operating activities for the current fiscal year ended March 31, 2019, was ¥1,054 million (compared to ¥6,781 million gained in the previous fiscal year). The main factors contributing to cash inflow were ¥4,022 million of profit before income taxes, ¥2,324 million of depreciation, and a decrease of ¥1,369 million in notes and accounts receivable – trade. The main factors contributing to cash outflow were an increase of ¥3,736 million in inventories, a decrease of ¥1,702 million in notes and accounts payable-trade, and ¥985 million of income taxes paid.

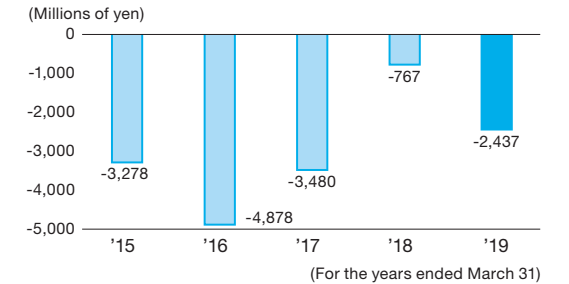
Cash flow used for investing activities for the current fiscal year ended March 31, 2019, was ¥2,437 million (compared to ¥767 million used in the previous fiscal year). The main contributing factors were ¥1,135 million of purchase of tangible fixed assets and ¥1,111 million of purchase of intangible fixed assets.

Cash flow used for financing activities for the current fiscal year ended March 31, 2019, was ¥951 million (compared to ¥974 million used in the previous fiscal year). The main contributing factors were ¥22 million of proceeds from disposal of treasury stock, and ¥973 million of payment for shareholders' dividends.

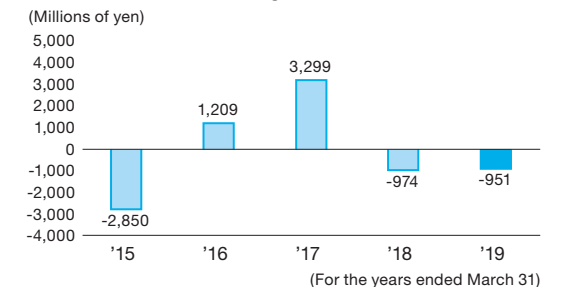
Cash flows from operating activities



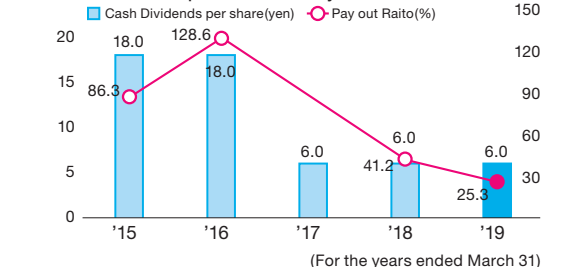
Cash flows from investing activities



Cash flows from financing activities



Cash Dividends per Share / Payout Ratio



# Consolidated Balance Sheet

Wacom Co., Ltd. and its subsidiaries

	Thousands of yen		Thousands of U.S. dollars
	March 31		March 31
	2018	2019	2019
<b>Assets:</b>			
Current assets -			
Cash and deposits	¥19,157,127	¥16,762,726	\$151,029
Notes and accounts receivable-trade	10,738,243	9,561,309	86,146
Merchandise and finished goods	7,621,300	10,815,675	97,447
Work in process	162,693	232,530	2,095
Raw materials and supplies	1,935,894	2,346,559	21,142
Others	2,612,008	2,461,429	22,177
Allowance for doubtful accounts	(32,147)	(22,216)	(200)
Total current assets	42,195,118	42,158,012	379,836
Non-current assets -			
Property, plant and equipment:			
Buildings and structures	3,044,913	3,134,341	28,240
Accumulated depreciation	(1,733,137)	(1,866,251)	(16,815)
Buildings and structures, net	1,311,776	1,268,090	11,425
Machinery, equipment and vehicles	749,528	803,614	7,240
Accumulated depreciation	(435,147)	(503,883)	(4,540)
Machinery, equipment and vehicles, net	314,381	299,731	2,701
Tools, furniture and fixtures	5,509,675	6,005,453	54,108
Accumulated depreciation	(3,897,530)	(4,460,764)	(40,191)
Tools, furniture and fixtures, net	1,612,145	1,544,689	13,917
Land	1,063,061	1,063,061	9,578
Total property, plant and equipment	4,301,363	4,175,571	37,621
Intangible assets:			
Software	2,557,699	1,577,955	14,217
Others	393,732	1,398,039	12,596
Total intangible assets	2,951,431	2,975,994	26,813
Investments and other assets:			
Investment securities	172,409	166,882	1,504
Deferred tax assets	614,525	1,390,470	12,528
Others	733,782	742,499	6,690
Allowance for doubtful accounts	(59,115)	(58,321)	(525)
Total investments and other assets	1,461,601	2,241,530	20,196
Total non-current assets	8,714,395	9,393,095	84,630
Total assets	¥50,909,513	¥51,551,107	\$464,466

	Thousands of yen		Thousands of U.S. dollars
	March 31		March 31
	2018	2019	2019
<b>Liabilities:</b>			
Current liabilities -			
Notes and accounts payable-trade	¥7,100,670	¥5,376,042	\$48,437
Short-term loans payable	3,000,000	3,000,000	27,029
Income taxes payable	322,577	434,783	3,917
Provision for bonuses	1,037,202	1,134,667	10,223
Provision for bonuses for directors (and other officers)	48,908	33,021	298
Others	5,242,731	4,674,244	42,114
Total current liabilities	16,752,088	14,652,757	132,019
Non-current liabilities -			
Long-term loans payable	10,000,000	10,000,000	90,098
Deferred tax liabilities	11	-	-
Net defined benefit liability	809,066	851,679	7,673
Asset retirement obligations	234,735	251,237	2,264
Others	445,132	367,480	3,311
Total non-current liabilities	11,488,944	11,470,396	103,346
Total liabilities	28,241,032	26,123,153	235,365
<b>Net Assets:</b>			
Shareholders' equity -			
Capital stock	4,203,469	4,203,469	37,873
Capital surplus	6,098,918	6,100,962	54,969
Retained earnings	14,522,032	17,399,047	156,762
Treasury stock	(1,900,416)	(1,875,838)	(16,901)
Total shareholders' equity	22,924,003	25,827,640	232,702
Accumulated other comprehensive income -			
Valuation difference on available-for-sale securities	86	(1,970)	(18)
Foreign currency translation adjustment	(284,565)	(406,058)	(3,659)
Remeasurements of defined benefit plans	3,749	6,428	58
Total accumulated other comprehensive income	(280,730)	(401,600)	(3,619)
Subscription rights to shares -	25,208	1,914	17
Total net assets	22,668,481	25,427,954	229,101
Total liabilities and net assets	¥50,909,513	¥51,551,107	\$464,466

## Consolidated Profit & Loss Statement

Wacom Co., Ltd. and Its Subsidiaries

	Thousands of yen		Thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2018	2019	2019
Net Sales .....	¥82,262,867	¥89,498,505	\$806,365
Cost of sales .....	50,503,092	59,050,678	532,036
Gross profit .....	31,759,775	30,447,827	274,329
Selling, general and administrative expenses .....	28,233,058	26,295,868	236,921
Operating profit .....	3,526,717	4,151,959	37,408
Non-operating income:			
Interest income .....	79,415	52,794	476
Commission fee .....	14,563	945	9
Others .....	34,893	34,864	314
Total non-operating income .....	128,871	88,603	798
Non-operating expenses:			
Interest expenses .....	40,472	40,491	365
Foreign exchange losses .....	26,972	22,437	202
Others .....	3,446	28,567	257
Total non-operating expenses .....	70,890	91,495	824
Ordinary profit .....	3,584,698	4,149,067	37,382
Extraordinary income:			
Gain on sales of property, plant and equipment .....	1,307	3,906	35
Gain on sales of investment securities .....	-	898	8
Gain on reversal of subscription rights to shares .....	101,545	16,328	147
Gain on sales of businesses .....	697,926	-	-
Total extraordinary income .....	800,778	21,132	190
Extraordinary loss:			
Loss on sales of property, plant and equipment .....	205	336	3
Loss on retirement of property, plant and equipment .....	45,122	5,034	45
Loss on retirement of software .....	161,392	142,491	1,284
Others .....	12	12	0
Total extraordinary losses .....	206,731	147,873	1,332
Profit before income taxes .....	4,178,745	4,022,326	36,240
Income taxes-current .....	681,350	1,154,326	10,400
Refund of income taxes .....	-	(209,835)	(1,891)
Income taxes-deferred .....	1,135,510	(773,407)	(6,968)
Total income taxes .....	1,816,860	171,084	1,541
Profit .....	2,361,885	3,851,242	34,699
Profit attributable to owners of parent .....	¥2,361,885	¥3,851,242	\$34,699

## Consolidated Comprehensive Income Statement

Wacom Co., Ltd. and Its Subsidiaries

	Thousands of yen		Thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2018	2019	2019
Profit attributable to owners of parent .....	¥2,361,885	¥3,851,242	\$34,699
Other comprehensive income			
Valuation difference on available-for-sale securities .....	(1,821)	(2,056)	(19)
Foreign currency translation adjustment .....	9,989	(121,493)	(1,095)
Remeasurements of defined benefit plans, net of tax .....	17,303	2,679	24
Total other comprehensive income .....	25,471	(120,870)	(1,089)
Comprehensive income .....	2,387,356	¥3,730,372	\$33,610
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of parent .....	2,387,356	¥3,730,372	\$33,610
Comprehensive income attributable to minority interests .....	-	-	-



# Consolidated Statements of Changes in Net Assets

Wacom Co., Ltd. and Its Subsidiaries

Thousands of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31,2017	¥4,203,469	¥6,098,918	¥13,134,374	(¥1,900,416)	¥21,536,345
Dividends from surplus			(974,227)		(974,227)
Net loss			2,361,885		2,361,885
Purchase of treasury stock					
Disposal of treasury stock					
Retirement of treasury stock					
Net changes of items other than shareholders' equity					
Balance at March 31,2018	¥4,203,469	¥6,098,918	¥14,522,032	(¥1,900,416)	¥22,924,003
Dividends from surplus			(974,227)		(974,227)
Net income			3,851,242		3,851,242
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		2,044		24,578	26,622
Retirement of treasury stock					
Net changes of items other than shareholders' equity					
Balance at March 31,2019	¥4,203,469	¥6,100,962	¥17,399,047	(¥1,875,838)	¥25,827,640

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sales Securities	Foreign currency translation adjustment	Remaeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition right	
Balance at March 31,2017	¥1,907	(¥294,554)	(13,554)	(¥306,201)	¥126,753	¥21,356,897
Dividends from surplus						(974,227)
Net loss						2,361,885
Purchase of treasury stock						
Disposal of treasury stock						
Retirement of treasury stock						
Net changes of items other than shareholders' equity	(1,821)	9,989	17,303	25,471	(101,545)	(76,074)
Balance at March 31,2018	¥86	(¥284,565)	¥3,749	(¥280,730)	¥25,208	¥22,668,481
Dividends from surplus						(974,227)
Net income						3,851,242
Purchase of treasury stock						(0)
Disposal of treasury stock						26,622
Retirement of treasury stock						
Net changes of items other than shareholders' equity	(2,056)	(121,493)	2,679	(120,870)	(23,294)	(144,164)
Balance at March 31,2019	(¥1,970)	(¥406,058)	¥6,428	(¥401,600)	¥1,914	¥25,427,954

Thousands of U.S. dollars

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31,2018	\$37,873	\$54,950	\$130,841	(\$17,122)	\$206,542
Dividends from surplus			(8,778)		(8,778)
Net income			34,699		34,699
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		18		221	239
Retirement of treasury stock					
Net changes of items other than shareholders' equity					
Balance at March 31,2019	\$37,873	\$54,968	\$156,762	(\$16,901)	\$232,702

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sales Securities	Foreign currency translation adjustment	Remaeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition right	
Balance at March 31,2018	\$1	(\$2,564)	\$34	(\$2,529)	\$227	\$204,240
Dividends from surplus						(8,778)
Net income						34,699
Purchase of treasury stock						(0)
Disposal of treasury stock						239
Retirement of treasury stock						
Net changes of items other than shareholders' equity	(19)	(1,095)	24	(1,089)	(210)	(1,299)
Balance at March 31,2019	(\$18)	(\$3,659)	\$58	(\$3,618)	\$17	\$229,101

## Consolidated Statements of Cash Flows

Wacom Co., Ltd. and Its Subsidiaries

	Thousands of yen		Thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2018	2019	2019
<b>Net cash provided by (used in) operating activities:</b>			
Income before income taxes	¥4,178,745	¥4,022,326	\$36,240
Depreciation and amortization	2,421,316	2,323,514	20,934
Share-based compensation expenses	-	(2,268)	(20)
Gain on reversal of share acquisition rights	(101,545)	(16,328)	(147)
Loss (gain) on transfer of business	(697,926)	-	-
Increase (decrease) in allowance for doubtful accounts	(87,831)	(11,675)	(105)
Increase (decrease) in provision for bonuses	123,958	104,833	945
Increase (decrease) in provision for directors' bonuses	46,179	(15,887)	(143)
Increase (decrease) in net defined benefit liability	29,100	46,488	419
Interest and dividends income	(79,415)	(52,794)	(476)
Interest expenses	40,472	40,491	365
Foreign exchange losses (gains)	175,401	(1,031)	(9)
Loss on retirement of property, plant and equipment	45,122	5,034	45
Loss on retirement of software	161,392	142,491	1,284
Loss (gain) on sales of investment securities	-	(898)	(8)
Decrease (increase) in notes and accounts receivable-trade	264,103	1,369,379	12,338
Decrease (increase) in inventories	2,069,087	(3,735,822)	(33,659)
Increase (decrease) in notes and accounts payable-trade	(471,553)	(1,701,858)	(15,333)
Others, net	(661,870)	(486,835)	(4,386)
Sub total	7,454,735	2,029,160	18,282
Interest and dividends income received	79,933	47,887	431
Interest expenses paid	(39,157)	(37,881)	(341)
Income taxes paid	(714,239)	(984,868)	(8,873)
Net cash provided by (used in) operating activities	6,781,272	1,054,298	9,499
<b>Net cash provided by (used in) investing activities:</b>			
Purchase of property, plant and equipment	(1,042,818)	(1,134,926)	(10,225)
Purchase of intangible assets	-	(1,110,600)	(10,006)
Purchase of software	(251,457)	(183,604)	(1,654)
Purchase of investment securities	(56,455)	-	-
Proceeds from sales of property, plant and equipment	6,136	5,061	46
Proceeds from sales of investment securities	-	3,462	31
Proceeds from sales of businesses	571,881	-	-
Payments for lease and guarantee deposits	(17,009)	(23,417)	(211)
Proceeds from collection of lease and guarantee deposits	22,491	7,484	67
Net cash provided by (used in) investing activities	(767,231)	(2,436,540)	(21,953)
<b>Net cash provided by (used in) financing activities:</b>			
Increase in short-term loans payable	3,000,000	-	-
Decrease in short-term loans payable	(3,000,000)	-	-
Proceeds from disposal of treasury stock	-	21,840	197
Cash dividends paid	(974,290)	(973,321)	(8,769)
Net cash provided by (used in) financing activities	(974,290)	(951,481)	(8,573)
Effect of exchange rate change on cash and cash equivalents	(87,552)	(60,678)	(547)
Net increase (decrease) in cash and cash equivalents	4,952,199	(2,394,401)	(21,573)
Cash and cash equivalents at beginning of year	14,204,928	19,157,127	172,602
Cash and cash equivalents at end of year	¥19,157,127	¥16,762,726	\$151,029

## Basis of Presenting Consolidated Financial Statements

Wacom Co., Ltd. and Its Subsidiaries

The accompanying consolidated financial statements have been prepared from the consolidated financial statements of Wacom Co., Ltd. (the "Company") and its subsidiaries filed with the Director of the Kanto Local Finance Bureau in accordance with the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

# Investor Information

## Stock Exchange Listing

Tokyo Stock Exchange First Section (Trade code 6727)

## Share Data (As of March 31, 2019)

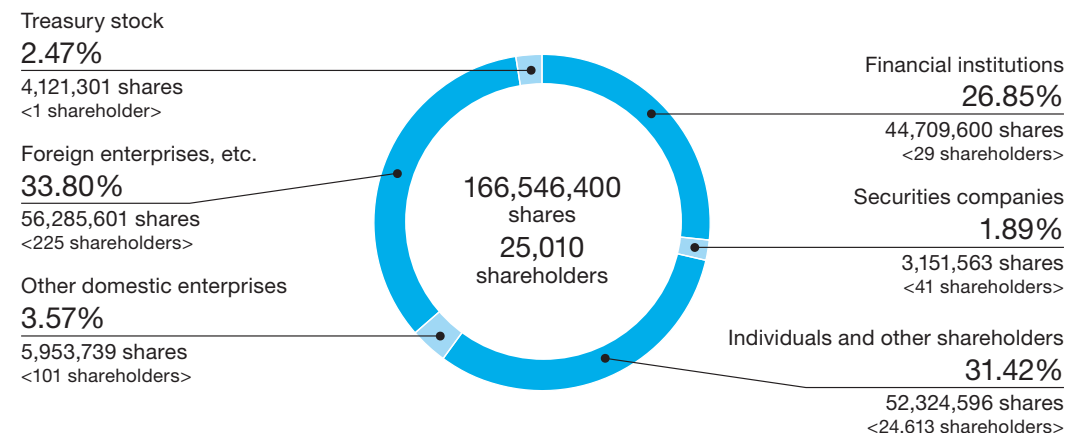
Total number of Authorized Shares	552,000,000
Total number of issued shares	166,546,400
Total number of shareholders	25,010

## Major Shareholders (As of March 31, 2019)

Name of shareholder	Number of shares	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,931,900	7.96
The Bank of New York Mellon 140051	11,363,300	6.99
Japan Trustee Services Bank, Ltd. (Trust Account)	11,085,300	6.82
SAMSUNG ASIA PTE. LTD.	8,398,400	5.17
Japan Trustee Services Bank, Ltd. (Trust Account 9)	6,476,500	3.98
Wilnau Co.	4,840,000	2.97
The Bank of New York Mellon (International) Limited 131800	4,611,000	2.83
Masahiko Yamada	3,768,000	2.31
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,848,700	1.75
Yoji Eto	2,750,000	1.69

\* Wacom has 4,121,301 shares of treasury stock at the end of the fiscal year, which isn't included in the above list.  
\* Shareholding ratio is calculated after deduction of treasury stock.

## Shareholder Distribution (As of March 31, 2019)



# Corporate Data

<b>Trade Name</b>	Wacom Co., Ltd.	<b>Branch/Offices</b>	<b>Tokyo Branch</b> Sumitomo Fudosan Shinjuku Grand Tower 31F, 35F, 8-17-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo 160-6131, Japan
<b>Established</b>	July 12, 1983	<b>Osaka Office</b>	Shogyo 2nd Bldg. 6th Floor, 5-4-9 Toyosaki, Kita-ku, Osaka-shi, Osaka 531-0072, Japan
<b>Capital</b>	¥4,203 million (As of Mach 31, 2019)	<b>Fukuoka Office</b>	Hakata Ekimae Daini Bldg. 8th Floor, 2-6-23 Hakataeki Higashi, Hakata-ku Fukuoka-shi, Fukuoka 812-0013, Japan
<b>Number of Shares Outstanding</b>	166,546,400 (As of Mach 31, 2019)	<b>International Affiliates</b>	<b>Wacom Europe GmbH (Germany)</b> Voelklinger Str. 1, 40219 Dusseldorf, Germany
<b>Employees</b>	Consolidated: 1031 Non-consolidated: 380 (As of Mach 31, 2019)	<b>Wacom Technology Corporation (U.S.A.)</b>	1455 NW Irving Street, Suite 800 Portland, OR 97209, U.S.A.
<b>Business Segments</b>	1. Branded Business Development, manufacture, sales of electronic devices and related software  • Creative Business • Consumer Business • Business Solution  2. Technology Solution Business Development, manufacture and sales of input components and sensor systems for manufacturers of smartphones, tablets, and e-books  • Pen sensor systems • Touch sensor systems	<b>Wacom China Corp. (China)</b>	518, West Wing Office, China World Trade Center, No.1 Jianguomenwai Avenue, Chaoyang District, Beijing 100004, China
<b>Banks</b>	Mizuho Bank, Ltd. MUFG Bank, Ltd. Saitama Resona Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited	<b>Wacom Korea Co., Ltd. (Korea)</b>	Rm #1211, 12F, KGIT Sangam Center, 402 Worldcup Bukro, Mapo-gu, Seoul 03925, Korea
<b>Head Office/Factory</b>	2-510-1 Toyonodai Kazo-shi, Saitama 349-1148, Japan TEL: +81-480-78-1211 (Main) FAX: +81-480-78-1220	<b>Wacom Australia Pty. Ltd. (Australia)</b>	Ground floor, Building1, 3 Richardson Place, North Ryde, NSW, 2113, Australia
		<b>Wacom Hong Kong Limited (Hong Kong)</b>	Unit 1610, 16/F., Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Hong Kong
		<b>Wacom Singapore Pte. Ltd. (Singapore)</b>	#12-09 Suntec Tower Five, 5 Temasek Boulevard, Singapore 038985
		<b>Wacom Taiwan Information Co., Ltd. (Taiwan)</b>	9F-1, No.237 Songjiang Rd., Zhongshan Dist. Taipei 104, Taiwan
		<b>Wacom India Private Limited (India)</b>	426, TowerB, DLF Building, Jasola District Centre, Mathura Road, New Delhi 110025, India

(As of June 22, 2019)



# Our Milestones

- Jan. 2019 ● Launched new entry model for display product “Wacom Cintiq 16”
- Nov. 2018 ● Opened “Wacom Brand Store” as a permanent experience store in Shinjuku
- Selected as “IR Keizoku Kigyo” as one of the good companies that have continued IR activities by Japan Investor Relations Association
- Oct. 2018 ● Launched the first 31.5 inch size display product “Wacom Cintiq Pro 32”
- Developed new system solutions for design and content creation in a MR (mixed reality) space in collaboration with Magic Leap (U.S.)
- Apr. 2018 ● Wacom opens “Chapter 2”
- Dec. 2017 ● Transferred Engineering Solution (ECAD) Business to Nitto Kogyo
- Jun. 2017 ● Launched new stylus product “Bamboo Ink” optimized for Microsoft Pen Protocol
- Sep. 2016 ● Established Digital Stationery Consortium, Inc.
- Jan. 2016 ● Held “Connected Ink” event for digital ink standardization
- Sep. 2015 ● Launched “Bamboo Spark (presently Bamboo Smartpad)” as digital stationery
- Apr. 2014 ● Achieved 100 million units of pen component production
- Mar. 2014 ● Announced digital pen technology “Active ES™”
- Feb. 2014 ● Announced digital ink technology “WILL™”
- Aug. 2013 ● Launched “Cintiq Companion (presently Wacom MobileStudio Pro)” as a new category of mobile products
- Dec. 2012 ● Received “Best IR Award for Small & Medium Cap. Companies” from Japan Investor Relations Association
- Oct. 2011 ● Samsung adopts Wacom feel IT technologies for its high-end smartphone Galaxy Note
- Feb. 2011 ● Received the 16th “Disclosure Award” from Tokyo Stock Exchange
- Oct. 2010 ● Established Wacom India Private Limited
- Oct. 2008 ● Announced multi-touch sensor system
- Sep. 2008 ● Established Wacom Taiwan Information Co., Ltd.
- Nov. 2007 ● Berliner Sparkasse The Saving Bank of Berlin adopts Wacom digital signature tablet
- May. 2007 ● Launched new brand “Bamboo” series for general consumers
- Feb. 2007 ● Received the first “Disclosure Newcomer Award” from Tokyo Stock Exchange
- May. 2006 ● Established Wacom Singapore Pte. Ltd.
- Dec. 2005 ● Listed on the First Section of Tokyo Stock Exchange
- Apr. 2005 ● Established Wacom Australia Pty. Ltd.
- Apr. 2004 ● Established Wacom Digital Solutions (presently Wacom Korea Co., Ltd.)
- Apr. 2003 ● Listed on the Tokyo Stock Exchange JASDAQ market
- Sep. 2001 ● Launched new display products “Cintiq (presently Wacom Cintiq Pro)”
- Mar. 2000 ● Established Wacom China Corp.
- Nov. 1999 ● Launched pen tablet products “FAVO/Graphire (presently Wacom Intuos)” for general consumers
- Sep. 1998 ● Launched pen tablet products “Intuos (presently Wacom Intuos Pro)” for professional users
- Jul. 1991 ● Established Wacom Technology Corporation
- Apr. 1988 ● Established Wacom Computer Systems (presently Wacom Europe GmbH)
- Jul. 1983 ● Started business of pen tablet products and CAD software for electrical design
- Established Wacom Co., Ltd. in Ageo City, Saitama, Japan (Capital stock of 48 million yen)

## Disclaimer

Forward-looking statements regarding future events and performance contained in this material are based on currently available information and involve risks and uncertainties, including macroeconomic conditions, trends of the industry in which Wacom Co., Ltd. (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 material due to these risks and uncertainties. The Company does not warrant or guarantee the adequacy, accuracy or completeness of any information contained in this material.



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Applied Offices : Head Office, Tokyo Branch  
ISO9001 Certification Number : 4073516  
ISO14001 Certification Number : 4073515



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