

# Business Report

for Q3 FY ending March 31, 2020  
(April-December 2019)

## Wacom Chapter 2

*for a creative world™*

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




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Financial Results for Q3 FY ending March, 2020  
(April-December 2019)



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# Q3 FY 03/20 Results Overview

- Consolidated net sales: **JPY 71.0 bn** (YOY -4%)
- Operating profit: **JPY 5.7 bn** (YOY -6%)
- Net profit: **JPY 4.3 bn** (YOY -0%)

## Key Points

- Posted record high sales (JPY 38.7 bn) and segment profit (JPY 7.1 bn) in Technology Solution Business
- Experienced declines in sales (JPY 32.3 bn) and segment profit (JPY 1.5 bn) in Branded Business. Segment profit increased if impacts of yen appreciation and supplemental US tariffs on imports from China are excluded (total negative impact on segment profit: approx. JPY -1.2 bn)
- Record-low SG&A ratio (26%) on optimization of expenses (incl. administrative divisions)

# Consolidated P/L

- Operating profit slightly decreased on negative impact from yen appreciation (approx. JPY -0.7 bn) and supplemental US tariffs on imports from China (approx. JPY -0.6 bn) despite optimization of SG&A.

	Q3 FY 03/19	Q3 FY 03/20	YOY Change	
	04/18-12/18	04/19-12/19	Amount	Ratio
<b>Net Sales</b>	73,734	<b>70,999</b>	-2,735	-3.7%
<b>Gross Profit</b>	25,717	<b>24,112</b>	-1,605	-6.2%
profit margin %	34.9%	<b>34.0%</b>		
<b>SG&amp;A</b>	19,655	<b>18,400</b>	-1,255	-6.4%
SG&A ratio %	26.7%	<b>25.9%</b>		
<b>Operating Profit</b>	6,062	<b>5,713</b>	-349	-5.8%
profit margin %	8.2%	<b>8.0%</b>		
<b>Ordinary Profit</b>	6,046	<b>5,461</b>	-585	-9.7%
<b>Net Profit after Tax</b>	4,333	<b>4,323</b>	-10	-0.2%

(Unit: JPY million)

# (Ref.) Changes in Operating Profit

- **Reasons for change exclusive of exchange rate impact (year on year)**

- (1) Corporate function (administrative divisions): Control of SG&A expenses **JPY +0.50 bn**
- (2) Tech. Solution Business: Profit increase on sales expansion **JPY +0.26 bn**
- (3) Branded Business: Profit decline on lower sales and tariff impact despite SG&A control **JPY -0.45 bn**

- **Exchange rate impact (year on year, against JPY)**

Currencies	Changes of forex	Sales	OP
1 USD	JPY -1.72 (strong yen)	JPY -0.77 bn	JPY -0.01 bn
1 EUR	-7.92 (strong yen)	-0.54 bn	-0.30 bn
Asian currencies total	--	-0.52 bn	-0.35 bn
CNY (Included, lower column)	-0.85 (strong yen)	-0.28 bn	-0.20 bn
<b>Grand Total</b>		-1.83 bn	-0.66 bn

# SG&A Expenses

- Reduced SG&A by JPY 0.8 bn (excluding negative exchange rate impact of approx. JPY -0.5 bn) through optimization, and SG&A ratio reached a historical low in terms of Q3 (Apr.-Dec.)

	Q3 FY 03/19	Q3 FY 03/20	YOY Change		(Unit: JPY million)
	04/18-12/18	04/19-12/19	Amount	Ratio	
<b>Personnel</b>	7,008	<b>6,586</b>	-422	-6.0%	(1)
<b>R&amp;D</b>	2,890	<b>3,125</b>	235	8.1%	(2)
<b>Ad. &amp; Promo.</b>	2,247	<b>2,005</b>	-242	-10.8%	(3)
<b>Subcontractor</b>	1,504	<b>1,300</b>	-204	-13.5%	(3)
<b>Depreciation</b>	899	<b>731</b>	-168	-18.7%	
<b>Others</b>	5,108	<b>4,652</b>	-456	-8.9%	(3)
<b>Total</b>	19,655	<b>18,400</b>	-1,255	-6.4%	
<b>SG&amp;A ratio %</b>	26.7%	<b>25.9%</b>		-0.8%	

- (1) Decrease mainly due to attrition of executives and optimization of personnel composition  
 (2) Increase due to R&D investment to promote Technology Leadership  
 (3) Decrease mainly due to cost optimization in each expense

# Q3 FY 03/20 Results Overview by Segment - 1

## Branded Business

- Sales: **JPY 32.3 bn** (YOY -9%)
- Segment profit: **JPY 1.5 bn** (YOY -41%\*)
  - Lower sales due to declines for pen tablet and other product lines despite strong sales of entry-level display products
  - Significant decrease in segment profit on negative impact (approx. JPY -0.6 bn) of forex fluctuations (incl. yen appreciation) and direct negative impact (approx. JPY -0.6 bn) of supplemental US tariffs on imports from China despite optimization of SG&A against decreased sales



# Q3 FY 03/20 Results Overview by Segment - 2

## Technology Solution Business

- Sales: **JPY 38.7 bn** (YOY +1%)
- Segment profit: **JPY 7.1 bn** (YOY +2%\*)
- Increased sales of pen-sensor systems for new smartphone model from sole customer Samsung, but slightly decreased sales for tablets and note PCs despite increased sales to key customers
- Increased segment profit owing to increased sales

# (Ref.) Consolidated B/S

(Unit: JPY Million) **Key Changes**

	End of March 2019	End of December 2019	Change
Current Assets	42,158	46,663	4,505
Non-current Assets	9,393	10,330	937
Total Assets	51,551	56,993	5,442
Current Liabilities	14,653	18,799	4,146
Non-current Liabilities	11,470	9,744	-1,727
Total Liabilities	26,123	28,542	2,419
Minority Interest in Subsidiaries	0	0	0
Net Assets	25,428	28,450	3,022
Total Liabilities and Net Assets	51,551	56,993	5,442
Equity Ratio	49.3%	49.9%	+0.6pts

## Assets

(Unit : JPY bn)

- Increase in notes and accounts receivable-trade 4.1
- Increase in cash and deposits 2.4
- Increase in tangible fixed assets 0.9
- Decrease in inventories -2.4  
Mainly due to a decrease of inventories in Branded Business.

## Liabilities

- Increase in notes and accounts payable –trade 5.5
- Increase in income tax payable 1.0
- Decrease in short-term borrowings -2.5
- Decrease in long-term borrowings -2.0

## Net Assets

- Increase in shareholders' equity 3.3  
Mainly due to an increase of retained earnings

# (Ref.) Consolidated C/F

(Unit: JPY Million)

	Q3 FY 03/19	Q3 FY 03/20	YOY Change
	04/18-12/18	04/19-12/19	Amount
C/F from operating activities	2,454	10,080	7,626
C/F from investing activities	-2,205	-1,742	463
C/F from financing activities	-951	-5,736	-4,785
Effect of change in exchange rate	5	-179	-184
Increase-decrease of cash & cash equivalent	-697	2,424	3,121
Beginning balance of cash & cash equivalent	19,157	16,763	-2,394
Ending balance of cash and cash equivalent	18,460	19,187	727

## Major Activities in Q3 FY 03/20

### C/F from operating activities

- Increase in notes and accounts payable-trade 5.5
- Profit before income taxes 5.4
- Decrease in inventories 2.2
- Depreciation 2.0
- Increase in notes and accounts receivable-trade -4.8

### C/F from investing activities

- Purchase of non-current assets -1.7

### C/F from financing activities

- Repayments of borrowings -6.5
- Payment of cash dividends -1.0
- Proceeds from borrowings 2.0



# Financial Forecast for FY ending March 2020

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# Guidance for FY 03/20 Forecast

- Consolidated net sales: **JPY 91.5 bn** (YOY +2%)
  - Operating Profit: **JPY 5.2 bn** (YOY +25%)
  - Net Profit: **JPY 3.2 bn** (YOY -17%)
- Taking into account foreign exchange market trends and current business conditions for each business segment that can be factored in at present, no revision is being made to the full-year forecast for operating profit and net profit announced on Oct. 31, 2019. Full-year forecast for net sales is being revised downward

Net sales: (vs prev. JPY -2.5bn\*)

\*For details, please refer to the next pages(Forecast by business segment).

# Guidance for FY 03/20 Forecast by Segment -1

## Branded Business

- Sales: **JPY 44.5 bn** (YOY -2%)
  - Segment profit: **JPY 2.3 bn** (YOY +26%\*)
- Revised downward full-year forecast for sales despite strong sales of entry-level display products, mainly due to sluggish sales of other products (vs prev. sales forecast: JPY -2.0 bn)
- Revised downward full-year forecast for segment profit mainly due to downwardly revised sales despite optimization of SG&A (vs prev. segment profit forecast: JPY -0.5 bn)

# Guidance for FY 03/20 Forecast by Segment -2

## Technology Solution Business

- Sales: **JPY 47.0 bn** (YOY +7%)
- Segment profit: **JPY 7.0 bn** (YOY +5%\*)
- Revised full-year forecast to account for updated sales forecasts for smartphones and for tablets and note PCs, and optimization of SG&A (vs prev. sales forecast: JPY -0.5 bn, vs prev. segment profit forecast: JPY +0.3 bn)

# (Ref.) FY 03/20 Forecast by Business Segment

(comparison to the previous forecast announced on Oct.31, 2019)

(unit: million yen)

	FY 03/20 (prev. fcst.)	FY 03/20 (revised fcst.)	change	
	04/19-03/20	04/19-03/20	Amount	Ratio
<b>Net Sales Total</b>	94,000	<b>91,500</b>	-2,500	-2.7%
<b>Branded Biz</b>	46,500	<b>44,500</b>	-2,000	-4.3%
<b>Tech. Solution Biz</b>	47,500	<b>47,000</b>	-500	-1.1%
<b>Operating Profit Total</b>	5,200	<b>5,200</b>	0	0.0%
<b>Branded Biz</b>	2,800	<b>2,300</b>	-500	-17.9%
<b>Tech. Solution Biz</b>	6,700	<b>7,000</b>	300	4.5%
<b>Adjustment</b>	-4,300	<b>-4,100</b>	200	-4.7%
<b>Profit Margin %</b>	5.5%	<b>5.7%</b>		



# Forecasts of R&D expense, Capex, and Depreciation for FY03/20

## R&D expense

**JPY 4.6 bn** (YOY +5%) **prev. forecast: JPY 5.1 bn**

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

## Capital expenditure

**JPY 2.2 bn** (YOY -8%) **prev. forecast: JPY 2.7 bn**

- Key items: Metallic mold for products in Branded Business and Tech. Solution Business

## Depreciation

**JPY 2.3 bn** (YOY -0%) **prev. forecast: JPY 2.5 bn**

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

# Shareholders Return Policy for FY 03/20


## Basic policy of profit distribution

- Aims to provide stable and sustainable dividends and to flexibly exercise treasury stock acquisition, while maintaining sufficient retained earnings to enhance future business development and financial quality.
- We will strive to distribute profits by increasing dividend per share over the medium- to long-term, while maintaining adequate financial soundness by targeting a consolidated dividend payout ratio of 30%.

## Dividend per share (forecast) **No revision**

- **Year-end dividend: JPY 6.50 for FY 03/20** (JPY 6.00 for FY 03/19)
- **Payout ratio: 33.0% for FY 03/20** (25.3% for FY 03/19)

(capital ratio at the end of FY: FY 03/19 49%, FY 03/18 45%, FY 03/17 42%)



Financial Results for Q3 FY ending March 2020  
(April-December 2019)  
Supplementary material



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# Q3 FY 03/20 Financial Summary

Business Performance	Q3 FY 03/20	YOY Change
Net Sales	JPY 70,999 mil.	-3.7%
Operating Profit	5,713 mil.	-5.8%
Ordinary Profit	5,461 mil.	-8.4%
Net Profit after Tax	4,323 mil.	-0.2%

Financial Indices	Q3 FY 03/20	YOY Change
EPS	JPY 26.61	JPY -0.07
BPS	175.16	+15.37

(Ref.)	Average Forex rate	Q3 FY 03/20	YOY Change
	1 USD	JPY 109.10	-1.6% (strong yen)
	1 EUR	121.46	-6.1% (strong yen)
	1 CNY	15.70	-5.1% (strong yen)

# (Ref.) Guidance for P/L by Business Segment

## Note

- Allocation policy of “Adjustment before operating profit (expense allocations related to administrative divisions)” was changed from FY 03/20. Appropriate portion of the related expenses was allocated to profit and loss in each business segment.
- This is to refine and increase accountability of segment-wise profitability management, and to respond to opinions from investors.
- In this material, each segment profit for Q3 FY 03/19 is hypothetical value supposing the change of the expense allocation policy for administrative divisions (“Adjustment” before operating profit), effective from FY 03/20, were applied to FY 03/19 (see **value after new allocation\*** in the following table)

Segment profit/loss classification	Q3 FY03/19 (value before new allocation)		Q3 FY03/19 (value after new allocation)*
Branded Business	JPY 4.5 bn	⇒	<u>JPY 2.5 bn</u>
Tech. Solution Business	JPY 7.6 bn	⇒	<u>JPY 7.0 bn</u>
<u>Adjustment</u>	<u>- JPY 6.0 bn</u>	⇒	<u>- JPY 3.4 bn</u>
Operating Profit	JPY 6.1 bn	(No change)	JPY 6.1 bn

# Consolidated P/L by Business Segment

(Unit: JPY Million)

	Q3 FY 03/19*	Q3 FY 03/20	YOY Change	
	04/18-12/18	04/19-12/19	Amount	Ratio
<b>Net Sales total</b>	73,734	<b>70,999</b>	-2,735	-3.7%
Branded Business	35,561	<b>32,296</b>	-3,265	-9.2%
Tech. Solution Biz.	38,173	<b>38,703</b>	530	1.4%
<b>Operating Profit total</b>	6,062	<b>5,713</b>	-349	-5.8%
Branded Business	2,509	<b>1,484</b>	-1,025	-40.8%
Tech. Solution Biz	7,000	<b>7,107</b>	107	1.5%
Adjustment (Corporate, etc.)	-3,447	<b>-2,878</b>	569	-16.5%
<b>profit margin %</b>	8.2%	<b>8.0%</b>		

\*Value after new allocation resulting from change in the expense allocation policy for administrative divisions (Adjustment Amount) were applied in FY03/19

# Business Segment for FY 03/20

## Branded Business

- **Creative Business for creative users**  
Product line: Pen tablet, Display, Mobile
- **Consumer Business**  
Product line: Products optimized for digital ink
- **Business Solution for enterprise**  
Product line: Digital signature pen tablet, Display pen tablet, etc.

## Technology Solution Business

- **Technology solution for partners of smartphone, tablet, note PC, etc.**  
Product line: Digital pen sensor system, etc.

## Ink Division

- **Development of digital ink technology and related product, software solution services, etc.**

# Business Highlights (trending topics in sales)

(Unit: JPY)

**Branded Business 32.3 bn YOY -9%**

• **Creative Business 28.3 bn YOY -5%**

(subsection)	Pen Tablet	14.1 bn	YOY -16%
	Display	13.3 bn	YOY +25%
	Mobile	0.9 bn	YOY -60%

- **Pen Tablet:** Sales of professional models, launched more than three years ago, have slowed while sales of low-to-mid price range models declined due to a changes in the competitive environment
- **Display:** Sales increased on favorable contributions of 16-inch entry-level model (launched Jan. 2019) and 22-inch entry-level model (launched Jul. 2019)
- **Mobile:** Sales declined significantly due to stagnation among existing models despite product line update during the latest quarter ended Dec. 2019





# Business Highlights (trending topics in sales)

## Branded Business

(Unit: JPY)

### • **Consumer Business**    **1.1 bn**    **YOY -41%**

- Launched new stylus products developed in collaboration with Microsoft optimized for Windows Ink in June 2019. But overall sales continued to stagnate



### • **Business Solution**    **2.9 bn**    **YOY -28%**

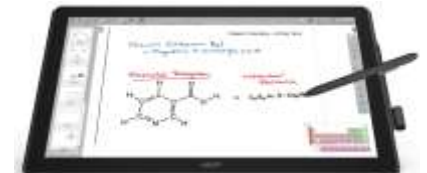
- Sales decreased on sales decline of LCD signature tablet products for financial institutions in the U.S. reflecting a change in market trends and competitive environment



**STU-540**



**DTU-1141**



**DTH-2452**

# Business Highlights (trending topics in sales)

(Unit: JPY)

## Technology Solution Business 38.7 bn YOY +1%

- **Pen Sensor System for Smartphones**

**18.2 bn YOY +6%**

- Sales increased slightly on increased sales for sole customer Samsung's new smartphone

- **Pen Sensor System for Tablets, Note PCs**

**20.5 bn YOY -2%**

- Overall sales decreased slightly while sales for key customers increased as the Active-ES (AES) pen sensor system built its reputation with manufacturers

SAMSUNG



Lenovo  
FUJITSU



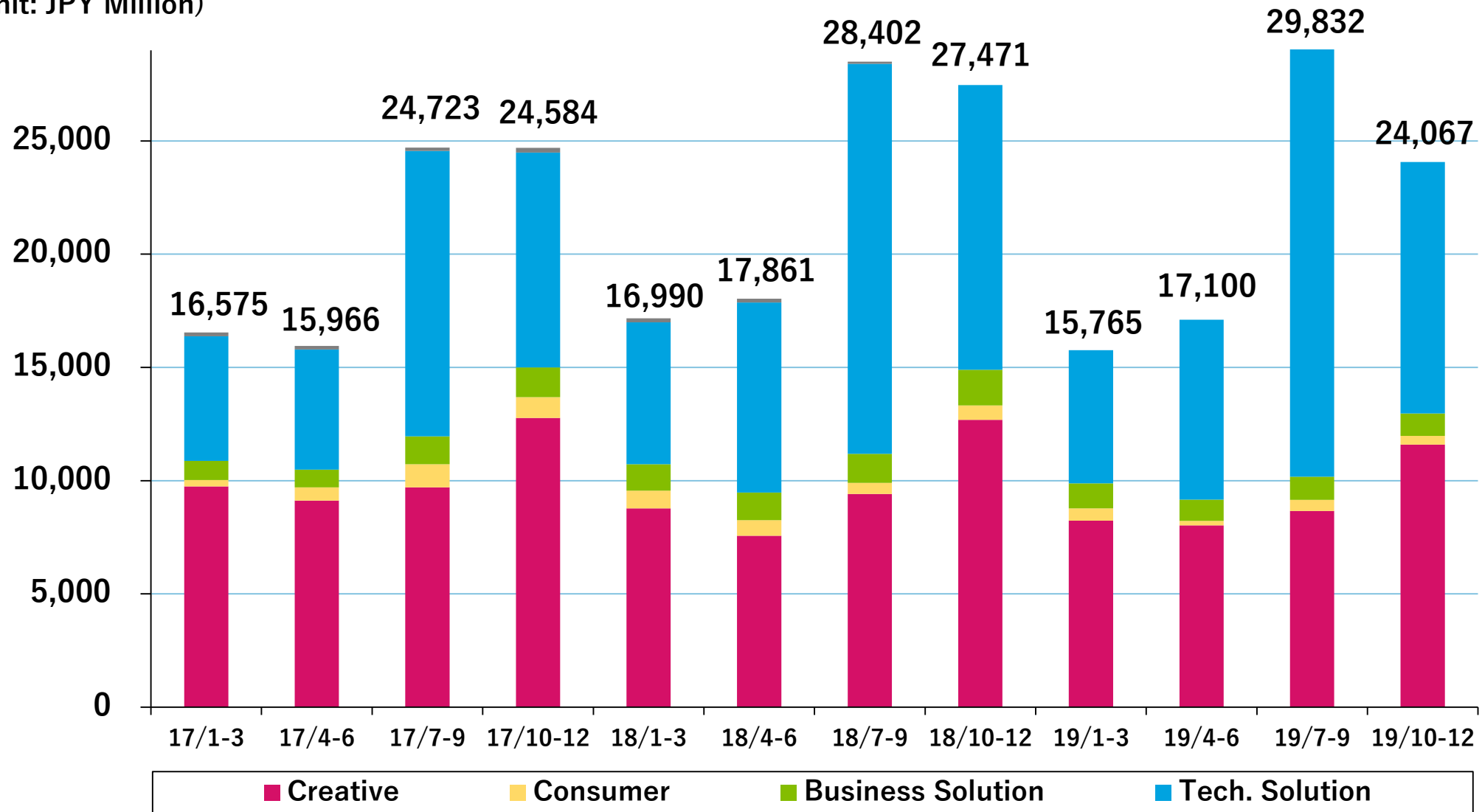
STAEDTLER



MONT  
BLANC

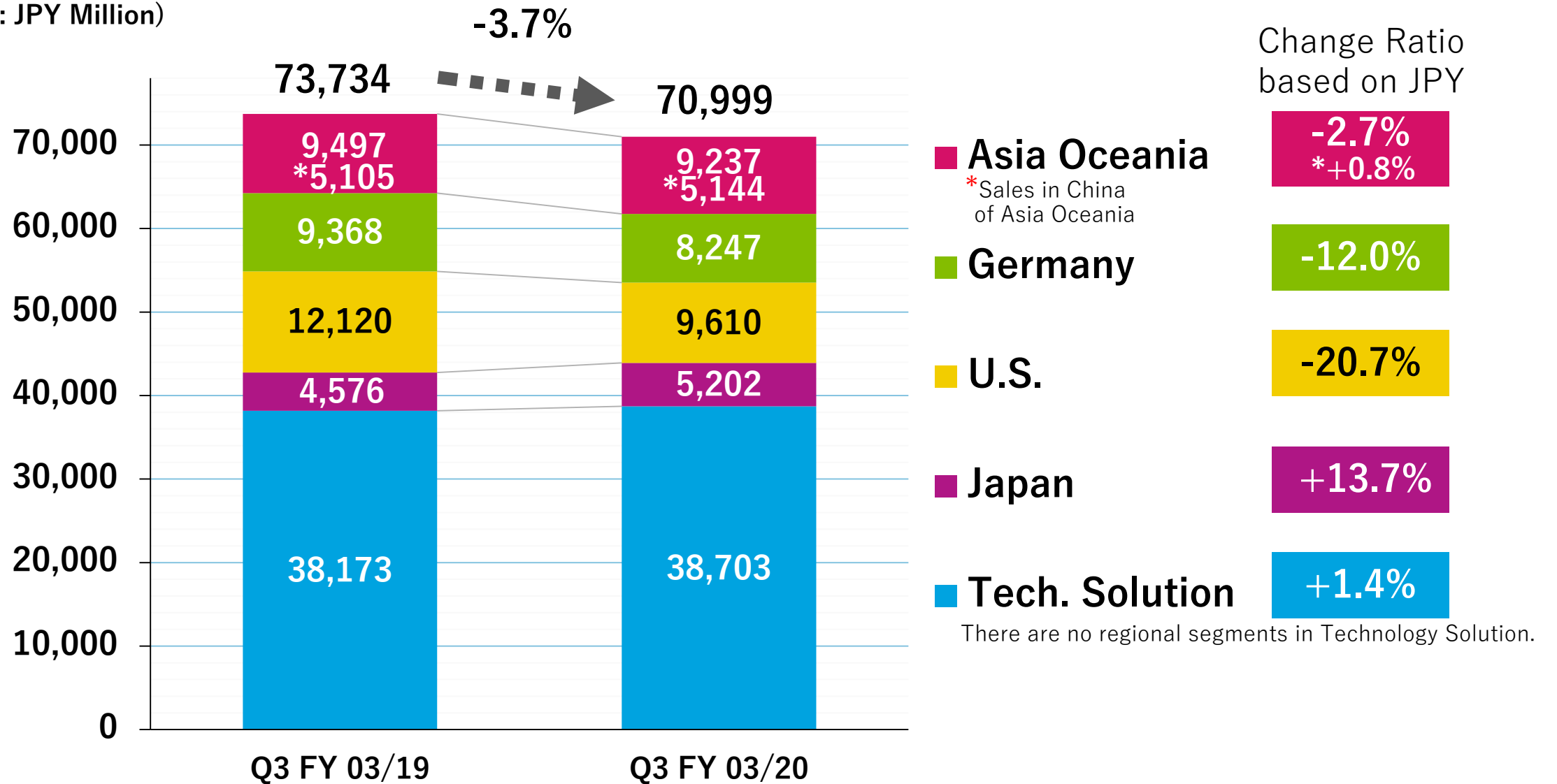
# (Ref.) Quarterly Sales Trend by Product Line

(Unit: JPY Million)



# (Ref.) Sales by Regional Subsidiary (Year on Year)

(Unit: JPY Million)



# (Ref.) Sales Changes on Local Currency Base in Branded Business

Region	Currency	YOY Change
Japan	JPY	+14%
U.S.	USD	-20%
Europe	EUR	-6%
China	CNY	+6%
Korea	KRW	-3%
Australia	AUD	-3%
Singapore	USD	-2%
Hong Kong	USD	-12%
Taiwan	NTD	-6%
India	INR	+22%



# Footprint for FY ending March 2020



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## Cintiq 22

Make it on Wacom Cintiq



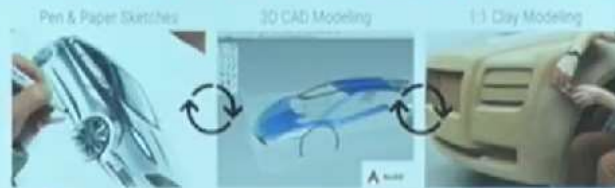
New entry-level display product **“Wacom Cintiq 22”**

- Launched in July 2019, targeting users who want to create using a large-screen LCD pen tablet.

## XR環境における3Dデザインがもたらすワークフロー革新例

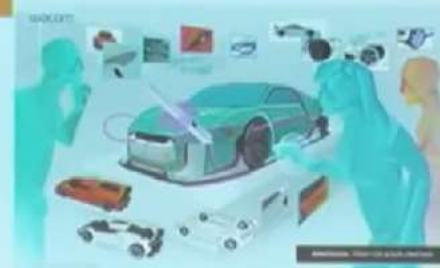


Before



After

gravity  
sketch



- 正確・直観的入力
- 2D-3Dシームレス
- 総合システム
- セキュリティー
- 遠隔地から参加

NTT  
docomo

NTT DOCOMO 5G Pre-service presentation, **“5G OPEN DAY”**

- Gave presentation as a member of “DOCOMO 5G Open Partner Program” in Sep. 2019.





“THU (Trojan Horse was a Unicorn)” in Malta  
(The largest event for digital art in Europe) Sep. 2019



Comic Con New York 2019. 10



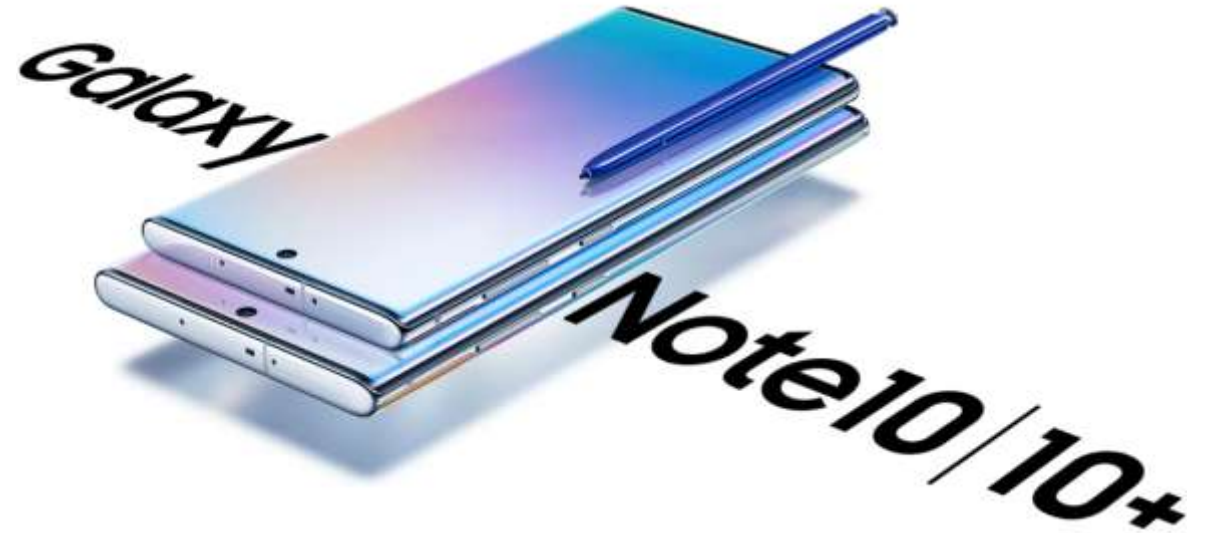
Unhide Sep. 2019  
(The largest event for digital art in Brazil)



Participated in the largest creative events in Europe and the U.S.

- Marketing activities for year-end sales season in Sep. & Oct. 2019

# Pen Sensor System for the Latest Smartphone **Galaxy Note10, 10+**



Samsung's latest high-end smartphone,  
**“Galaxy Note10, 10+”** unpacked in Aug. 2019

- **New S Pen** featured with seamless design and gesture control function, etc.

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# INKATHON



Revolutionize EdTech with Digital Ink

Virtual Development Phase 2 Sept. - 15 Oct. Online  
Physical Demo Day 4 Nov. in Tokyo, Japan

REGISTER

in partnership with  Microsoft 

## Prizes

1st  
PLACE  
12K \$



2nd  
PLACE  
8K \$

3rd  
PLACE  
5K \$

Top 5 to 10 teams will each be awarded a Finalist package including:

- Travel compensation to Tokyo
- Pass for the EDVS summit
- Showcase top Apps on the main stage at EDVS
- Business opportunities
- 1 year of WILL™ SDK license

## WACOM Partner Challenge



BIC partnership special prize: \$5,000

### Challenge:

A stroke allows us to gather drawings, hand-writing, annotations, and more, which all are performed with a stylus. What digital solutions you can imagine that could enhance a stylus' stroke?

REGISTER FOR THE INKATHON

**“Inkathon”** - developer contest for educational apps

- In Tokyo on Nov. 4, 2019 under the theme “Revolutionize EdTech with Digital Ink”.

Inkathon Website: <https://inkathon.bemyapp.com/>

# Connected Ink 2019

27-Nov-19

10:00-17:10 (Registration starts at 9:30-)

ANA InterContinental-Tokyo

Connected Ink 2019 will be held in November this year.

Connected Ink is a global event through which participants expand and deepen "ink and stationery" related business and share the advanced technologies and up-to-date "ink and stationery" recognition with the goal of spreading "ink and stationery" related business more widely.

Open event for  
「Digital Ink & Digital Stationery」  
<http://connectedink.wacom.com>



## “Connected Ink”

- Open event for creating a new “Digital Ink & Digital Stationery” market with partners and customers.

## Lifelong Ink will continue to be a part of people's everyday lives

We offer technology to continue depicting the varying shades of people's lives, from joy to sadness, as they age from children to adults. Wacom faces society in our own unique way while further exploring the potential of Lifelong Ink.

President & CEO  
Nobutaka Ide

[Read More](#) 



Launched Wacom **“Social Initiatives”** web pages

- In response to disclosure requirements related to ESG. Dec. 2019



# Financial Forecast for FY ending March 2020

## Supplementary material

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# Assumptions of FY 03/20 Forecast

## Forex rate assumptions from January 2020

USD 1 = JPY 108.0 **No revision**

EUR 1 = JPY 121.0 **No revision**

CNY 1 = JPY 15.5 **No revision**

## Sensitivity to currency fluctuations: 12-month forecast (unit: million yen)

Unit of sensitivity	In case of stronger JPY 1.0 (*JPY 0.1 for CNY)					
	FY 03/20 (forecast)			(for ref.) FY 03/19 (results)		
Currency	USD	EUR	*CNY	USD	EUR	*CNY
Sales	-550	-100	*-60	-540	-90	*-40
Operating Profit	20	-60	*-40	10	-50	*-30

In case of the weaker JPY, read the following signs of plus and minus the other way round.

# Consolidated Forecast for FY 03/20

(unit: million yen)

	Jan.-Mar. FY 03/19 (act.)		Jan.-Mar. FY 03/20 (fcst.)		YOY
	01/19-03/19		01/20-03/20		Change
<b>Net Sales</b>	15,765		<b>20,501</b>		30.0%
Operating Profit	-1,910	-12.1%	<b>-513</b>	<b>-2.5%</b>	--
Ordinary Profit	-1,897	-12.0%	<b>-661</b>	<b>-3.2%</b>	--
<b>Net Profit</b>	-482	-3.1%	<b>-1,123</b>	<b>-5.5%</b>	--

(1) Expect increases in both sales and operating profit due to contribution by the launch of new display product in Branded Business.

	FY 03/19 (act.)		FY 03/20 (fcst.)		YOY
	04/18-03/19		04/19-03/20		Change
<b>Net Sales</b>	89,499		<b>91,500</b>		2.2%
Operating Profit	4,152	4.6%	<b>5,200</b>	<b>5.7%</b>	25.2%
Ordinary Profit	4,149	4.6%	<b>4,800</b>	<b>5.2%</b>	15.7%
<b>Net Profit</b>	3,851	4.3%	<b>3,200</b>	<b>3.5%</b>	-16.9%
<b>ROE</b>	16.0%		<b>12.1%</b>		-3.9pts

(2) Expect decrease in net profit compared to the level of net profit in prior FY lifted by a decrease of tax expenses



# FY 03/20 Forecast by Business Segment

(unit: million yen)

	FY 03/19 (actual)	FY 03/20 (forecast)	YOY	
	04/18-03/19	04/19-03/20	Amount	Ratio
<b>Net Sales Total</b>	89,499	<b>91,500</b>	2,001	2.2%
<b>Branded Biz</b>	45,443	<b>44,500</b>	-943	-2.1%
<b>Tech. Solution Biz</b>	44,056	<b>47,000</b>	2,944	6.7%
<b>Operating Profit Total</b>	4,152	<b>5,200</b>	1,048	25.2%
<b>Branded Biz</b>	1,822	<b>2,300</b>	478	26.2%
<b>Tech. Solution Biz</b>	6,659	<b>7,000</b>	341	5.1%
<b>Adjustment</b>	-4,329	<b>-4,100</b>	229	-5.3%
<b>Profit Margin %</b>	4.6%	<b>5.7%</b>		

\*Values in FY03/19 are hypothetical supposing the change of the expense allocation policy for administrative divisions (“Adjustment” before operating profit), effective from FY03/20, were applied to FY03/19. Refer to #45.

**Impact to FY03/19 segment profit: Branded business JPY -2,624 mil**  
**Tech. Solution business JPY -736 mil**

# (Ref.) Guidance for P/L by Business Segment

## Note

- Allocation policy of “Adjustment before operating profit (expense allocations related to administrative divisions)” was changed from FY 03/20. Appropriate portion of the related expenses was allocated to profit and loss in each business segment.
- In this material, each segment profit for FY 03/19 is hypothetical value supposing the change of the expense allocation policy for administrative divisions (“Adjustment” before operating profit), effective from FY 03/20, were applied to FY 03/19 (see **value after new allocation\*** in the following table).

Segment profit/loss classification	FY03/19 (value before new allocation)		FY03/19 (value after new allocation)*
Branded Business	JPY 4.4 bn	⇒	<u>JPY 1.8 bn</u>
Tech. Solution Business	JPY 7.4 bn	⇒	<u>JPY 6.7 bn</u>
<u>Adjustment</u>	<u>- JPY 7.6 bn</u>	⇒	<u>- JPY 4.3 bn</u>
Operating Profit	JPY 4.2 bn	(No change)	JPY 4.2 bn

# Wacom Chapter 2

Medium-Term Business Plan

FY ending March 2019 - FY ending March 2022

(An excerpt of presentation materials announced on May 11, 2018)

*for a creative world™*

wacom®

# Wacom opens “*Chapter 2*”

Taking a new step as

“**Technology Company**”

# Corporate Level Strategy and Direction

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

# 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

# MTP: Consolidated P/L & Financial Indicator

(unit: JPY million)

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