

Medium-Term Business Direction: Wacom Chapter 3 Update Secondary Report

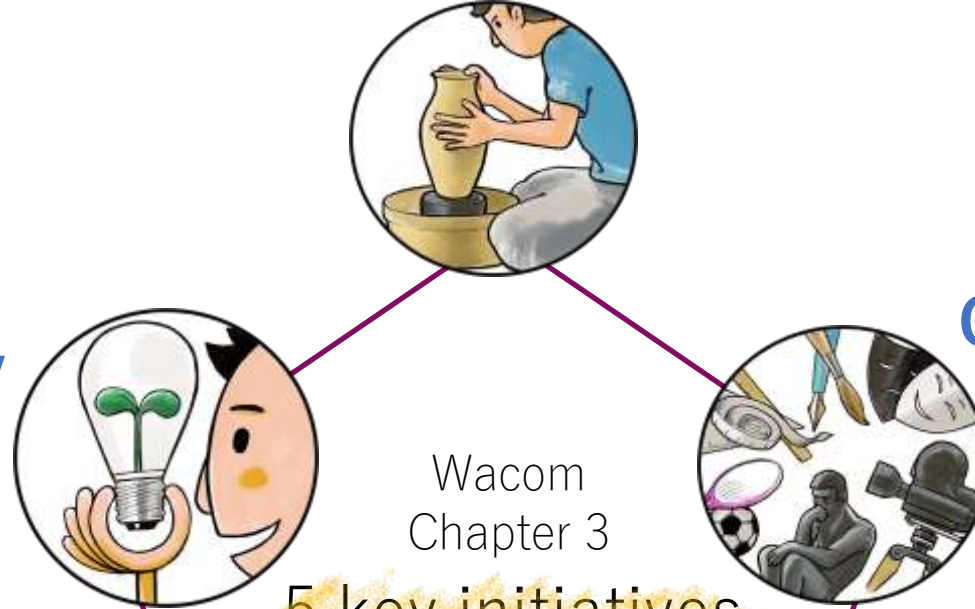
(The excerpt from Business Report announced on May 11, 2023)

Wacom Co., Ltd. (Prime Market, TSE Code: 6727)

Technology Leadership

Tech. Innovation for sustainable society

Community Engagement



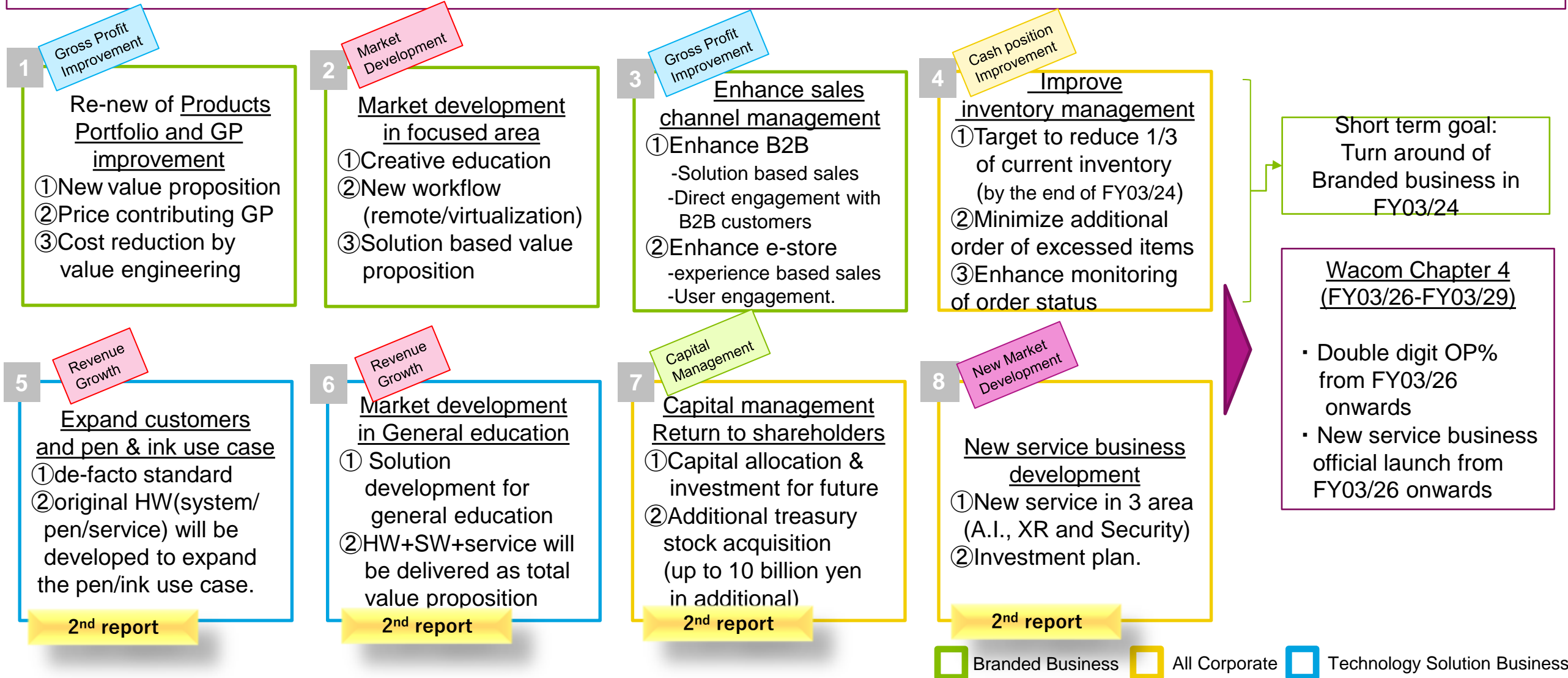
New core technology,
New core value proposition

Meaningful Growth



Summary of the 2nd Update Report of Wacom Chapter 3

- We set FY03/24-03/25 as **“the period for transformation of business structure”** and connect with further growth in Wacom Chapter 4 (FY03/26-03/29).
- During FY03/24-03/25 amid projection of severe economic environment forward, we focus on **“gross profit improvement”** towards Wacom Chapter 4.



1 Re-new of product portfolio and GP improvement

• Wacom Yuify service β started. (for IP protection)

① Enhance value proposition of products portfolio

- **Re-new all product portfolio** of Branded business in FY03/24-FY03/25.
- All line-up will be enhanced including entry models on top of “pro products” already re-new started.
- New category of hardware product and new service solution for user experience will be added newly.

• Effect of strategic pricing is implemented in FY03/24 business plan.

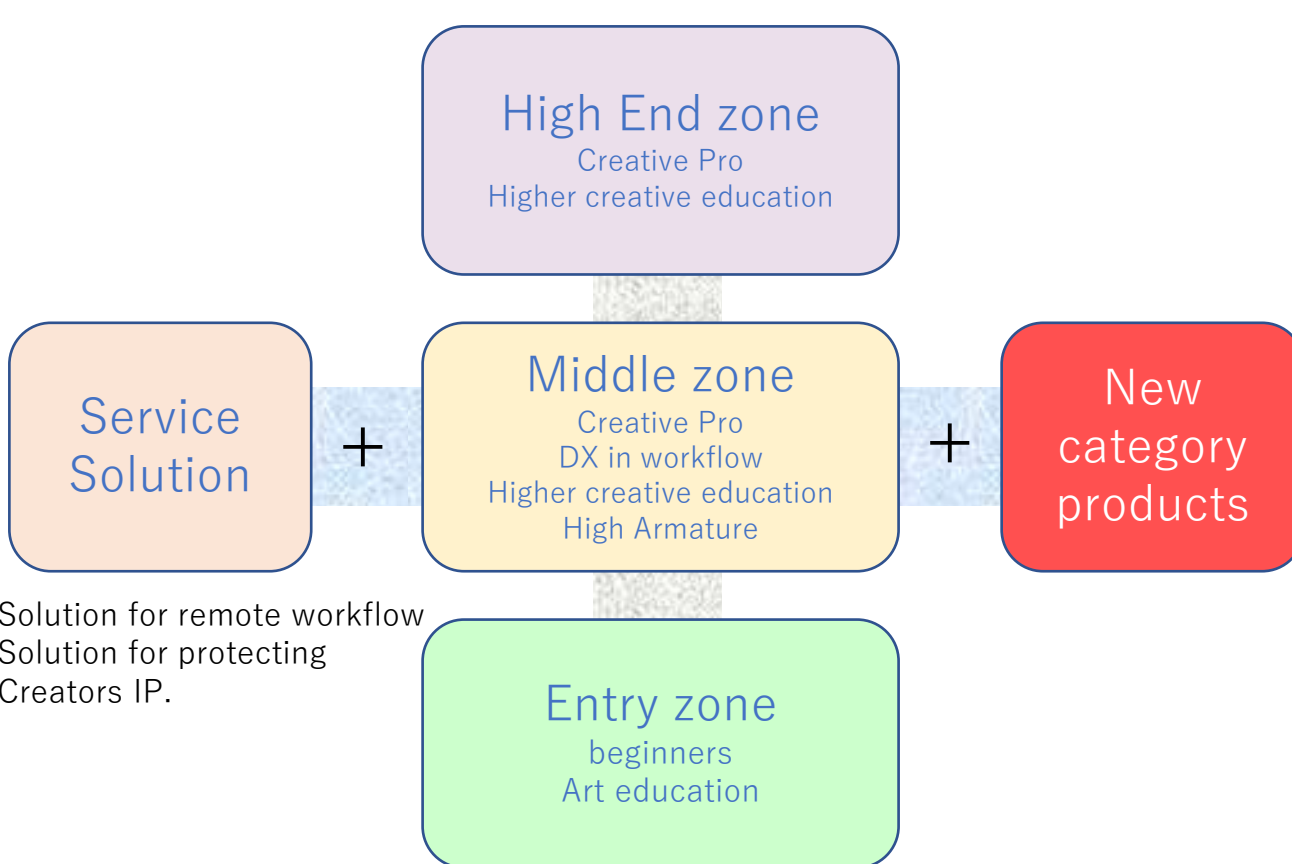
② Pricing policy contributing to GP improvement

- **Pricing** strategies to reflect cost increase (already started in each region with caring sales promotion period)
- Pricing of new products reflects value added to each product.

• Some components are revised. (some current model is reflecting this revision)

③ Improve cost structure by VE

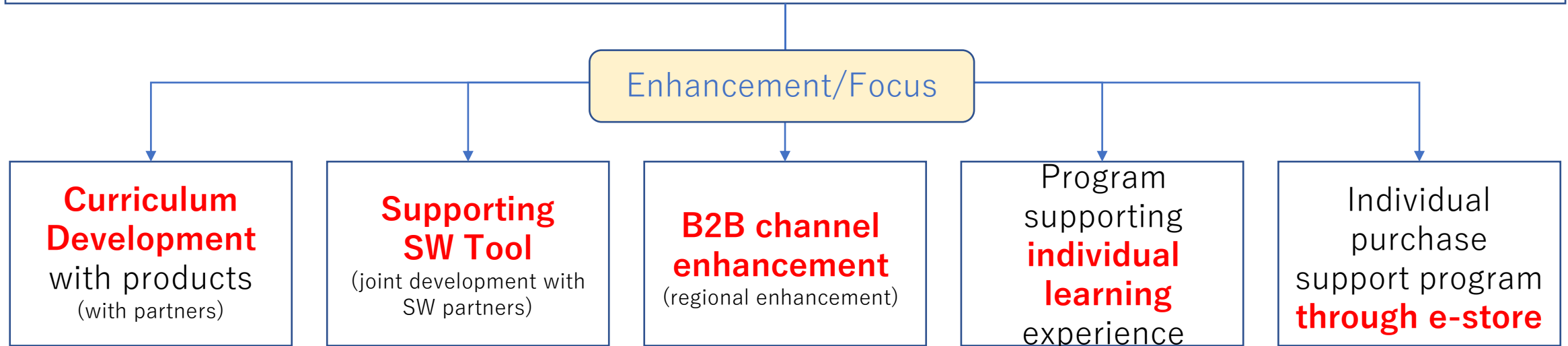
- **Task force approach** co-worked by engineering and supply chain teams.
- Improve the current model cost structure by running change (reviewing structure and components)



2 - ①Market development in focused area : Creative education

Regarding the access to education market by Branded Business, define “Creative Education” as the entrance of the market and the internal resource will be focused to this field.

- Deliver the solution for Higher education sectors for creators (Career Tech Education, University)
- Deliver the solution for K12 art education as the starting experience of creators and STEAM experience.



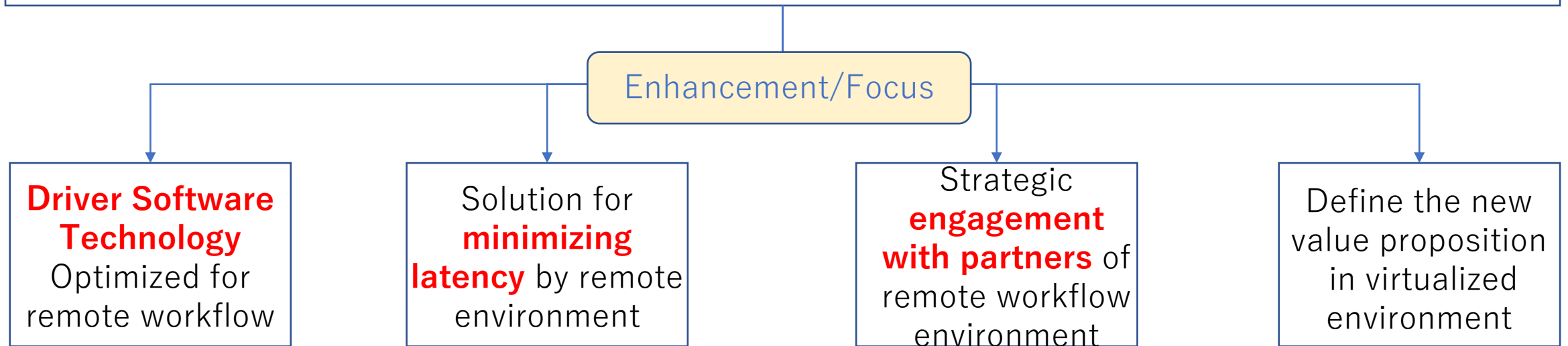
Creative Education Potential market
• **150M+ students** (global)
(High education & K12 art class)

Integration of Creative BU & Business Solution BU into ONE BU as B2B team enhancement.

-②Market development in focused area : Remote/virtualization workflow

Focus the new trend of “ remote creative workflow and virtualized creative workflow” and establish Wacom products and technology positioning as expanding business.

- Deliver the solution enables seamless experience in creative remote workflow.
- Deliver the new value proposition in virtualized creative workflow.



Remote/virtualization market potential

- **approx.5-10%** of Creative workflow market.
- **High growth rate 40%+** as strategic market.

Beta version of remote solution has been **launched** with partners in 1st half of FY03/24. Targeting commercial version launch in 2nd half of FY03/24.

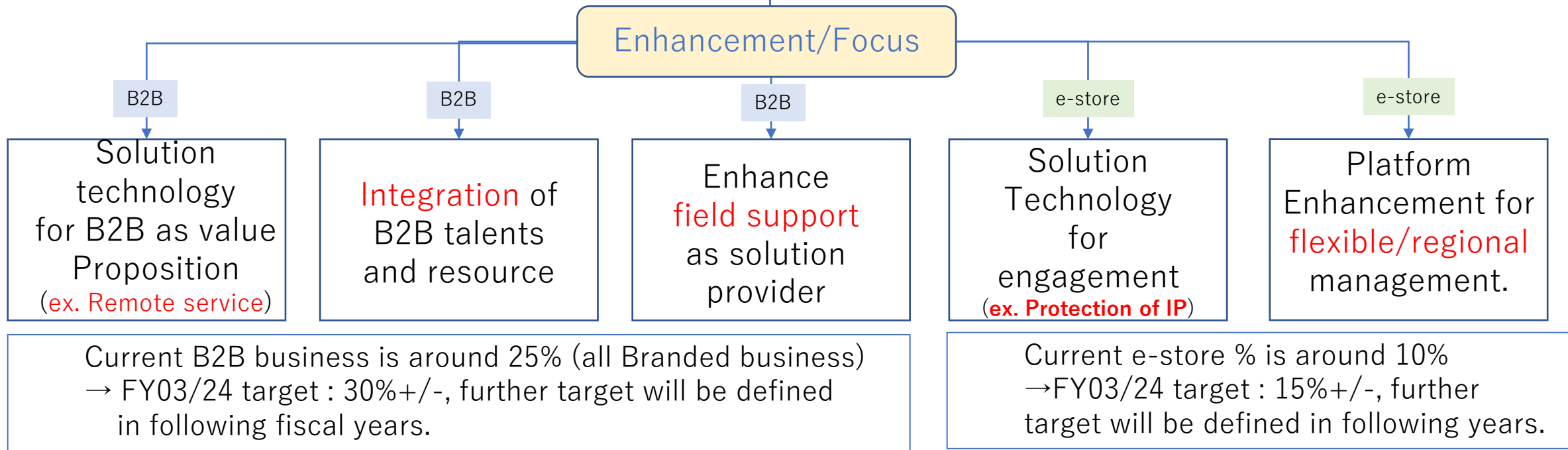
3

Enhance sales channel management : B2B/e-store

Enhancement of B2B and e-store channel will be required for **direct engagement with customers and users** which is mandatory for solution-based value proposition. Strategic pricing and optimizing channel margin will contribute the improvement of gross profit.

- Enhance B2B channel : Market development of creative education and new creative workflow.
- Enhance e-store channel : Maximize the touch points with users and regional customization and new service software implementation such as protection of creators' IP.

*B2B : direct business with registered corporate/enterprise/Agency.
e-store : Wacom own e-store (Wacom Store). Engaging directly with users.



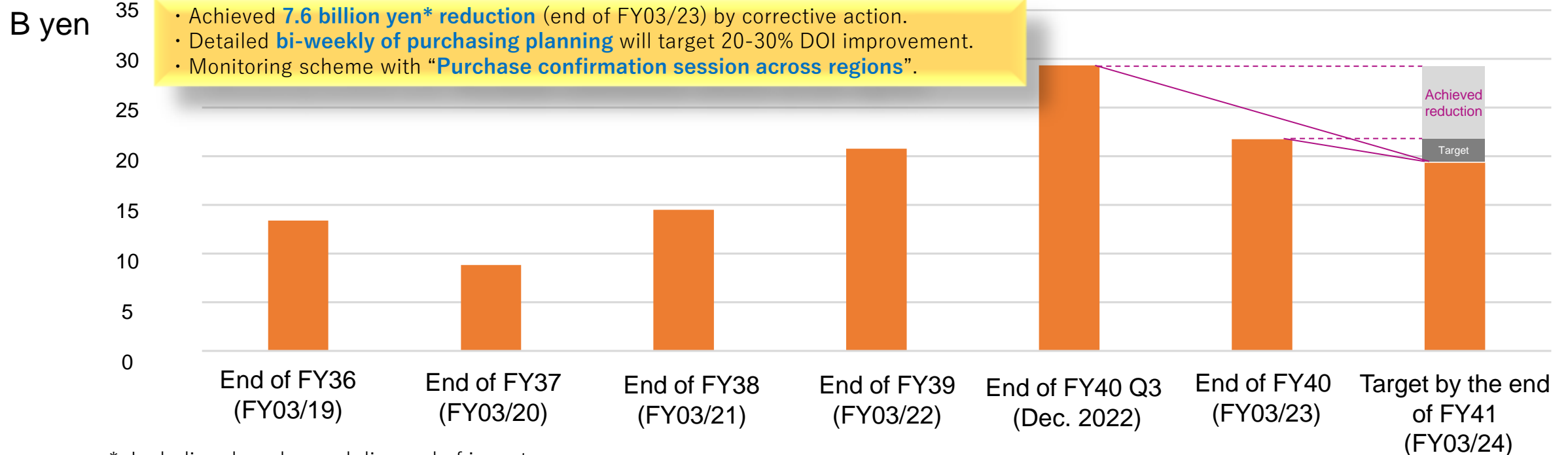
Integration of **Creative BU and Business Solution BU** into **ONE BU** as optimized and enhanced B2B team.

4

Improvement of inventory management

Target around 10 billion yen reduction by the end of FY03/24 compared with the end of Q3 FY02/23 (Dec. 2022)

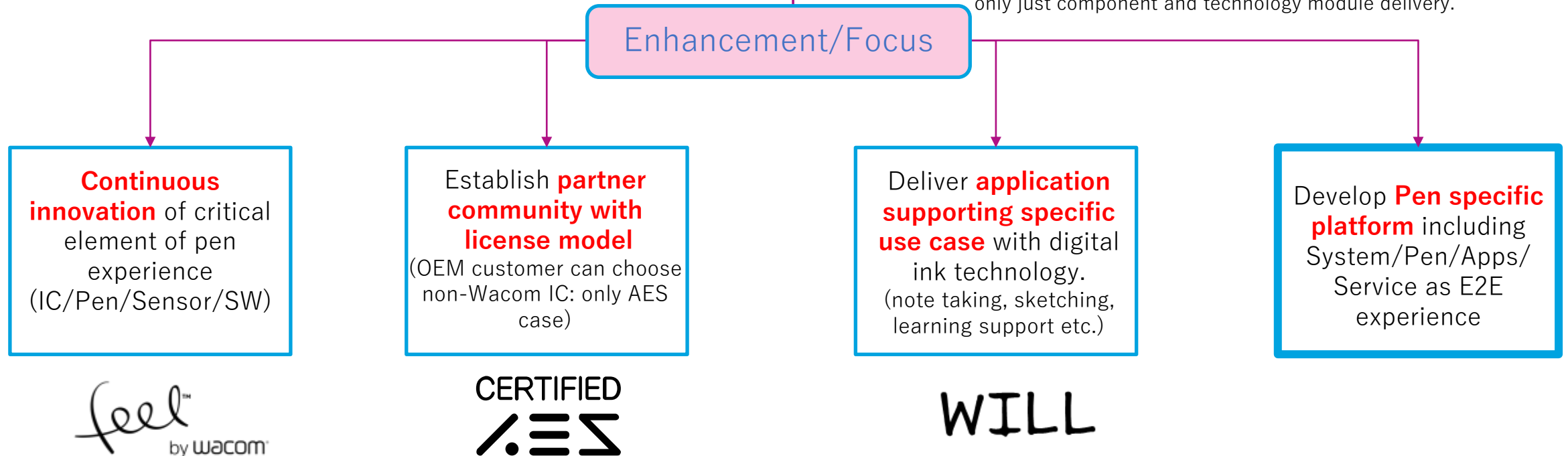
- Detail management of promotion for sell out and new product launch balance.
- Minimizing the additional order for excessed materials.
- Enhance the monitoring management of each gate for placing order.



Technology Solution: Expansion of customers portfolio and pen/ink use case

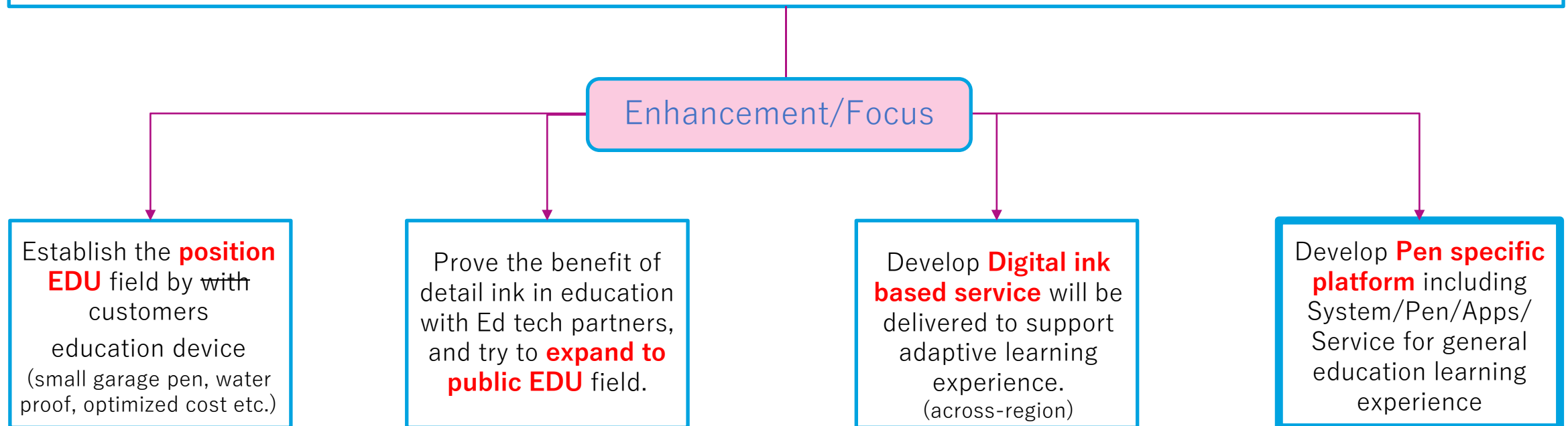
- Drive “**De-facto standardization** of Wacom technology” to maximize customers portfolio.
- **E2E* Platform business model** will be added which will deliver E2E pen experience with original hardware (system/pen) and application/service to expand the pen/ink use case.
 - On top of delivering technology module to OEM customers, E2E pen experience will open up new customer segment.

*E2E (End to End): Deliver the full pen experience to customers according as specific pen use case with semi-completed solution, not only just component and technology module delivery.



Technology Solution: Expansion of general education market

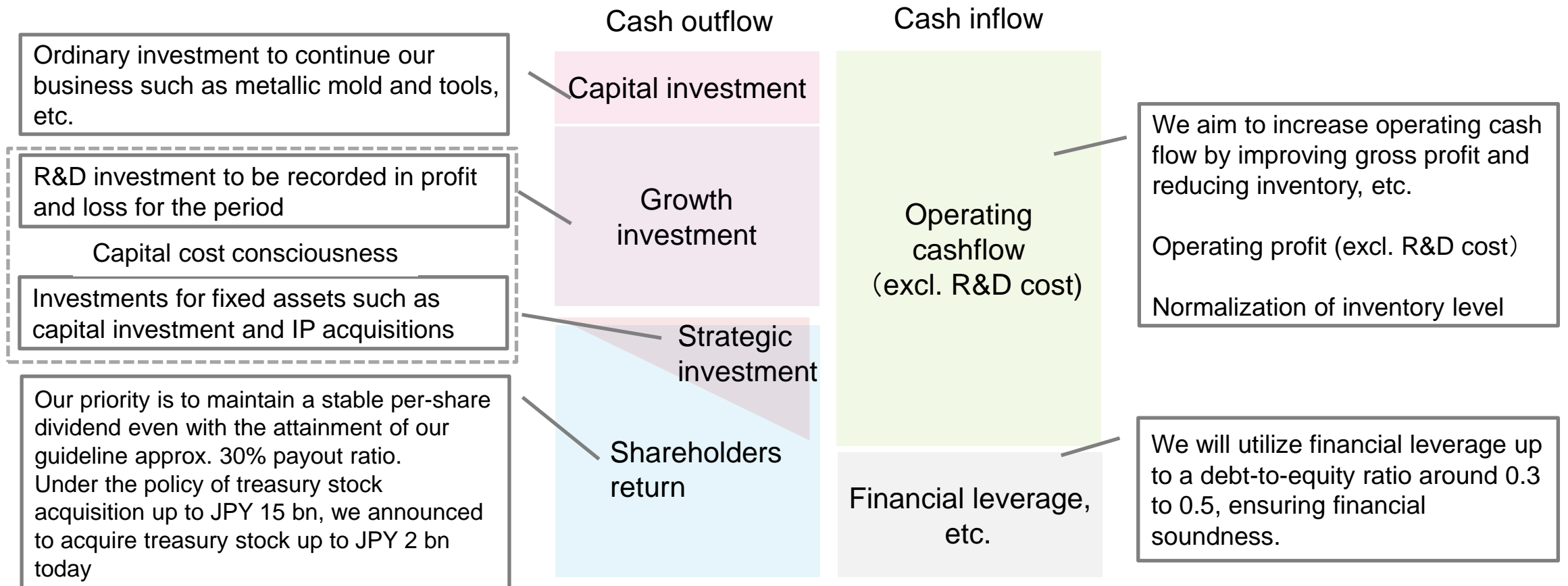
- Deliver educational **solution for general education** through OEM customers portfolio.
- Deliver the **experience supporting each students learning** with combination of hardware and service software.



Policy for Capital & Shareholders Return (FY03/2024- FY03/2025)

Policy for Capital Allocation

We will strive to focus on growth investment and strategic investment to create future corporate value. In addition, we will aim to implement shareholders return from the perspective of capital efficiency through financial leverage, ensuring financial soundness.



7 Shareholders Return Policy for FY 03/24

Treasury stock acquisition and cancellation

- Based on “Wacom Chapter 3”, we recognize shareholder return as one of the most important management issues, and proposes to implement it upon comprehensive consideration of the current investment opportunities, capital efficiency, etc.

Formulated a policy regarding additional treasury stock acquisition to improve capital efficiency

In accordance with the resolution on January 31, 2023, we will accumulate treasury stock acquisition up to a total acquisition cost of JPY 20 billion during the period of “Wacom Chapter 3”, utilizing interest bearing liabilities while taking financial soundness into account.

- The resolution on May 12, 2021*
 - Formulated a policy for acquisition of treasury stock up to JPY 10 bn. from May 13, 2021 to March 31, 2025.
 - **Acquired treasury stock to a total amount of JPY 5.0 bn by March 31, 2023.***
- The resolution on January 31, 2023*
 - Formulated a policy for additional acquisition of treasury stock up to JPY 10 bn. by March 31, 2025.
- In case of implementation of specific acquisition of treasury stock, pursuant to Article 156 of Japanese Companies Act, of which application is defined by both paragraph 1, Article 459 of the Companies Act and provisions of the Company’s Articles of Incorporation, we will disclose after resolution at a meeting of Board of Directors.

7

Shareholders Return Policy for FY 03/24

Resolved Acquisition of Treasury Stock*

Total number of shares to be acquired : Up to 4 million shares equivalent of 2.56% of outstanding shares (excluding treasury stock)

Total acquisition cost: Up to JPY 2 billion

Acquisition period: From May 12 to September 29, 2023

- Refer to the timely disclosure materials for details

New service business development

R&D breakdown

Product Development

Product/Technology module development

approx. **50%**

Digital Ink/SW Development

New core technology, Digital ink technology (AI, XR, Security, Remote).

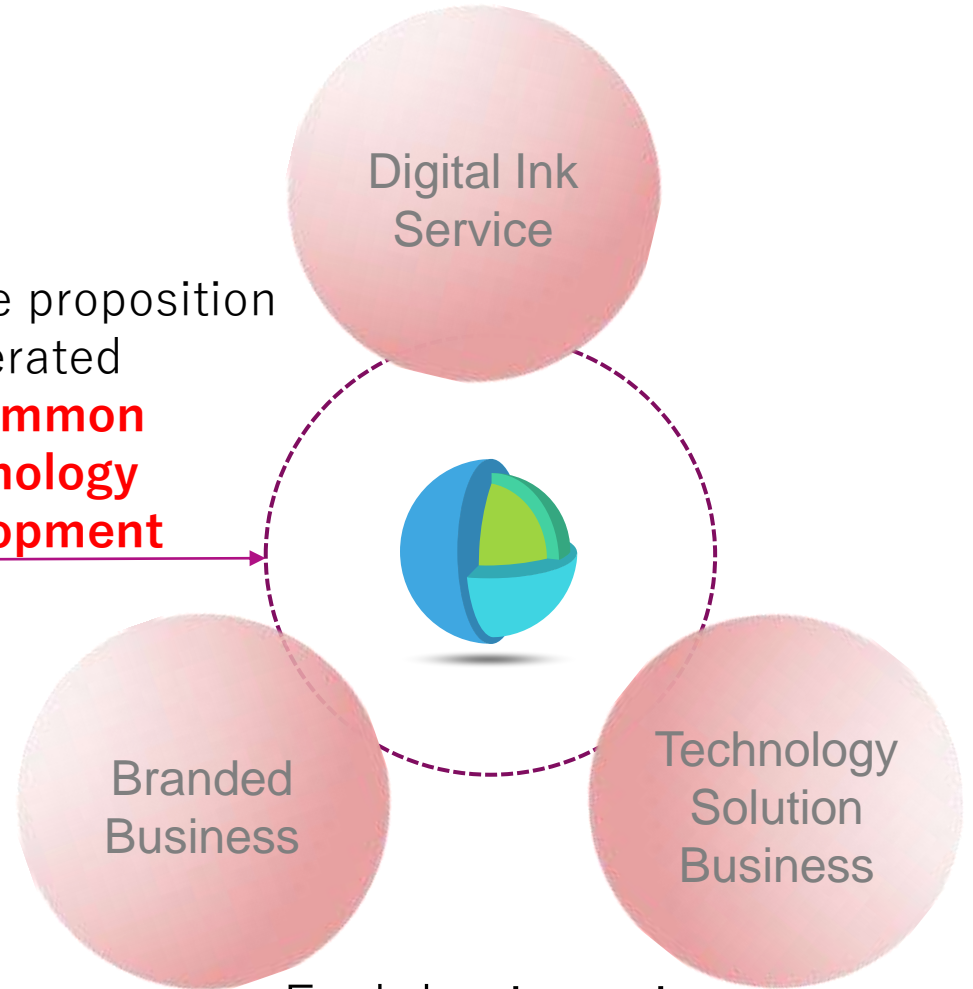
approx. **25%**

Platform Development

ASIC, Firmware, sensors

approx. **25%**

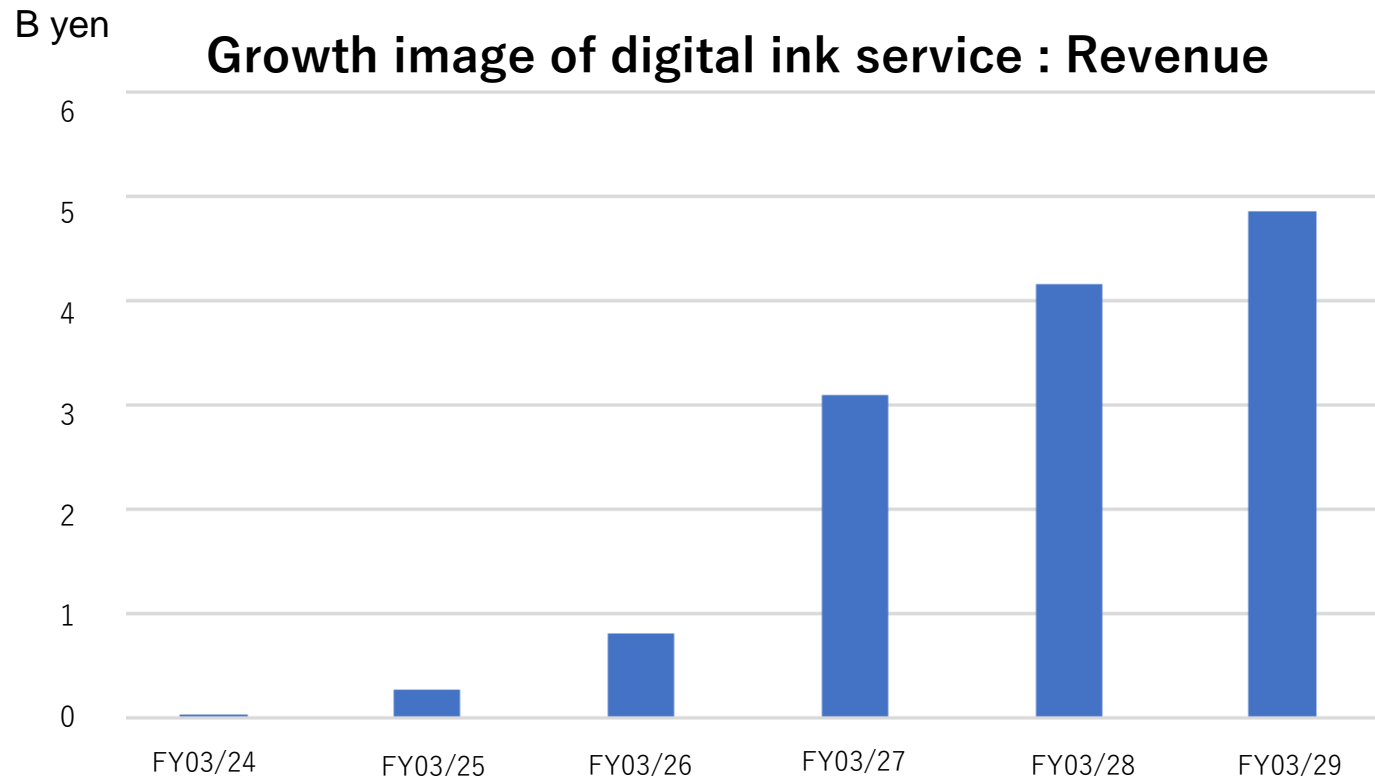
Three Value proposition generated
by **common technology development**



Each business is **leveraging each other**

Development digital ink service business

- Transformation of **“Hardware only business to Experience delivery business”**.
- **Hardware business will be also driven** by services experience as value addition.
- Target to reach **5 billion yen** scale with higher GP%.
- FY03/24 will deliver actual business for lessons learned even with small scale.
- Target to start booking ARR (Average Recuring Revenue) from FY03/26



- Core component of service
 - AI, XR, Security related service
 - Solution for remote environment
- Commercial service starts in FY03/24
 - Education service for Z-kai
 - Solution for remote environment
- Growth driver will be education service.
- In XR service, on top of branded product solution such as “Wacom VR pen”, technology module business will be also planned for OEM customers.

Wacom Chapter 3

Update of Financial Policy Guidelines

Financial Policy Guidelines

- Business efficiency
 - ROIC: recover to 10% or more in the fiscal year ending March 2025 as a guide for business management (Prior to update: approximately 25-30%)

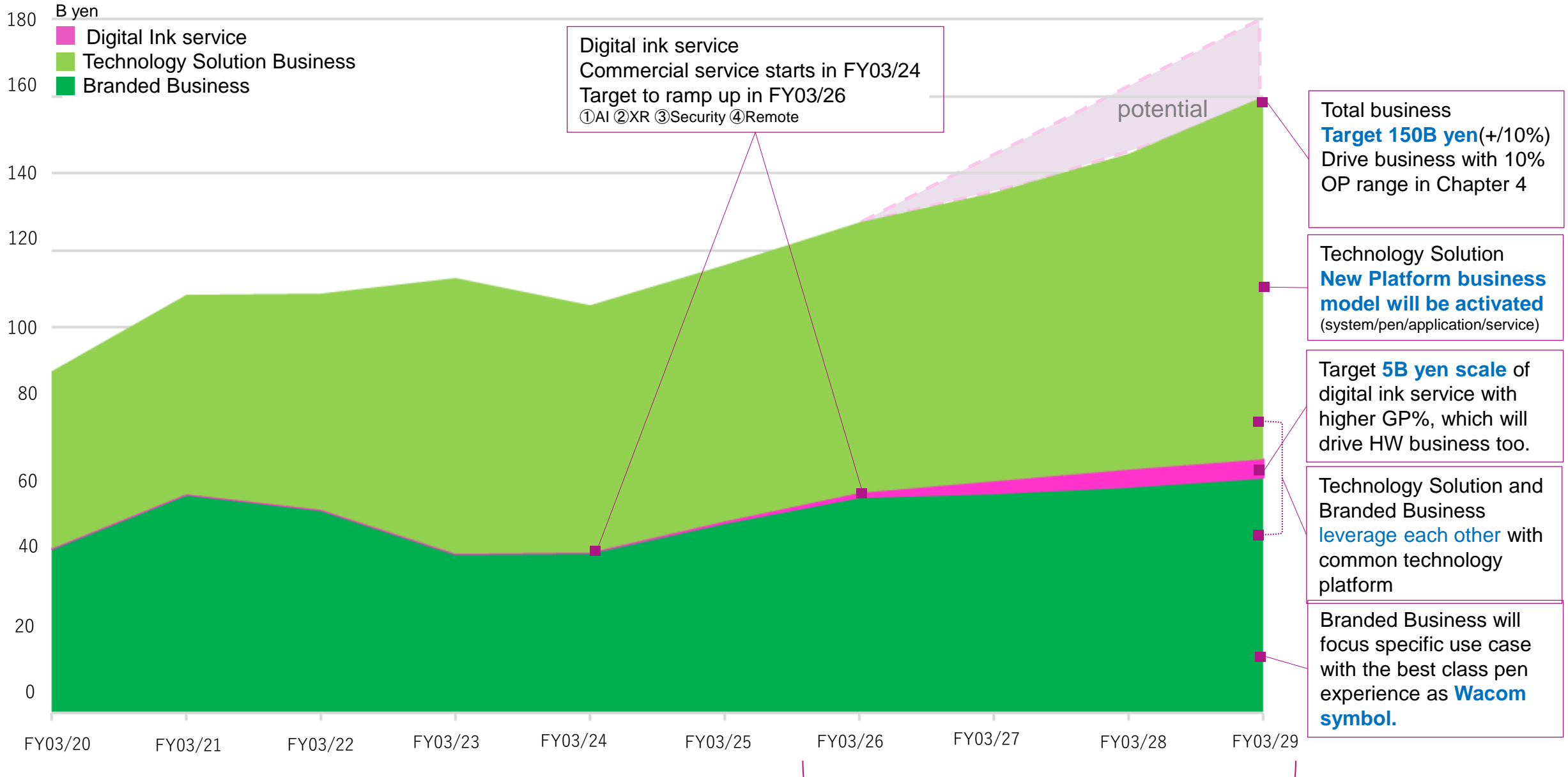
ROIC = Net operating profit after tax / Average of (Net working capital + Business assets*) at the beginning and end of the term

*Business assets : Tangible fixed assets + Intangible fixed assets + Other assets (of which are defined as business use)

- Capital efficiency
 - ROE: assume approximately 10-15% in the fiscal year ending March 2025 (Prior to update: approximately 20%)
- Shareholder return
 - Strive to maintain a stable per-share dividend even with the attainment of our guideline approximate 30% consolidated payout ratio, subject to also maintaining appropriate financial soundness.
Flexibly consider treasury stock acquisition as a means of realizing capital efficiency with respect to portions not covered by dividend payments, taking into account investment opportunities and financial conditions.

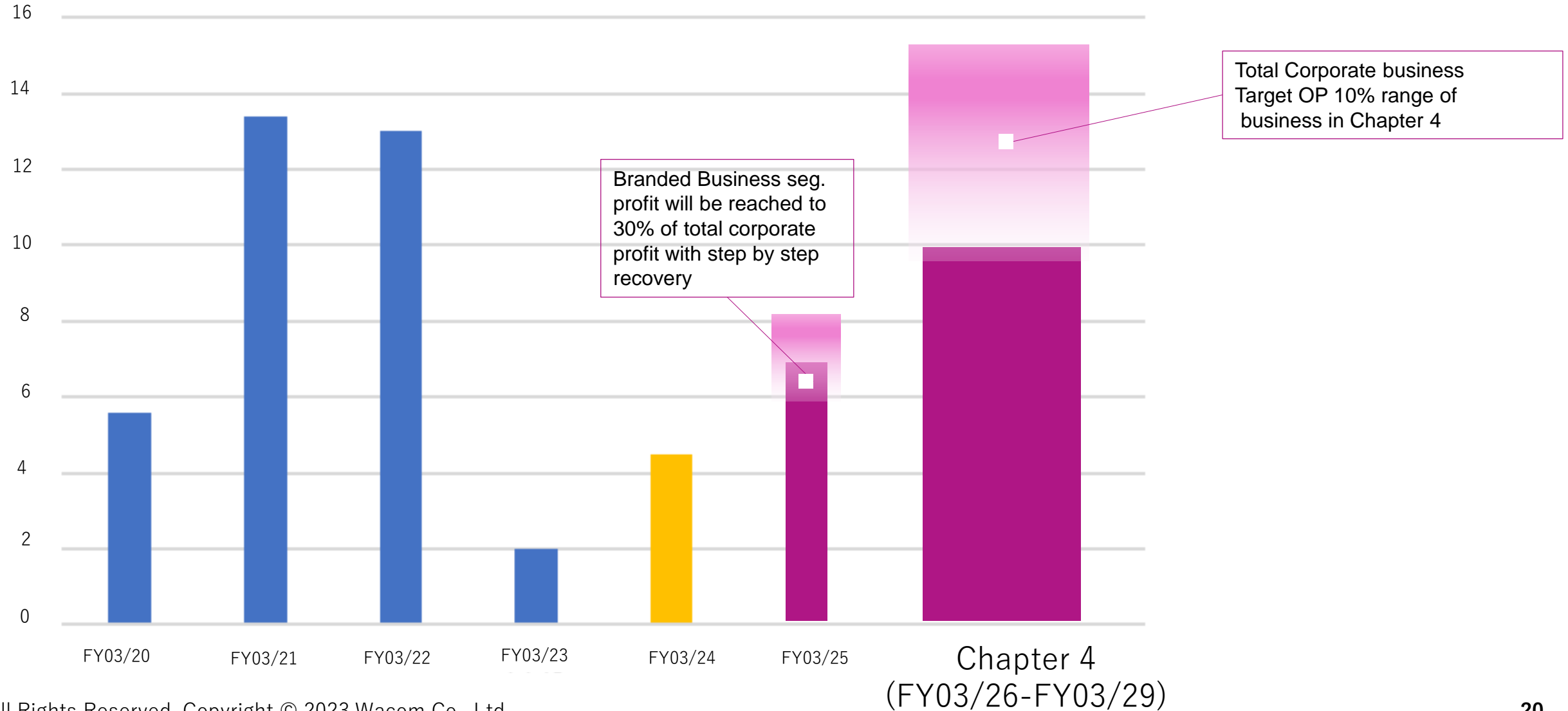
Wacom Chapter 4 direction

Chapter 4 growth image (revenue)



Chapter 3+Chapter 4 Operating profit image

B yen



Market Assessment

Sustainable market domain for digital pen (double digit growth)

**Digital
Contents
Creation
market**

CAGR **13.5%**
(2022-30)
25 billion US\$
2022

**Education DX
Edtech
market**

CAGR **13.6%**
(2022-30)
142 billion US\$
2022

**Workflow
DX
market**

CAGR **16.9%**
(2022-25)
200+ billion US\$
2022

Source : Grand View Research
Global Digital Content
Creation Market Size

Source : Grand View Research
Education Technology
(EdTech)

Source : IDC
FutureScape : Worldwide Digital Business
Strategies 2023 Predictions

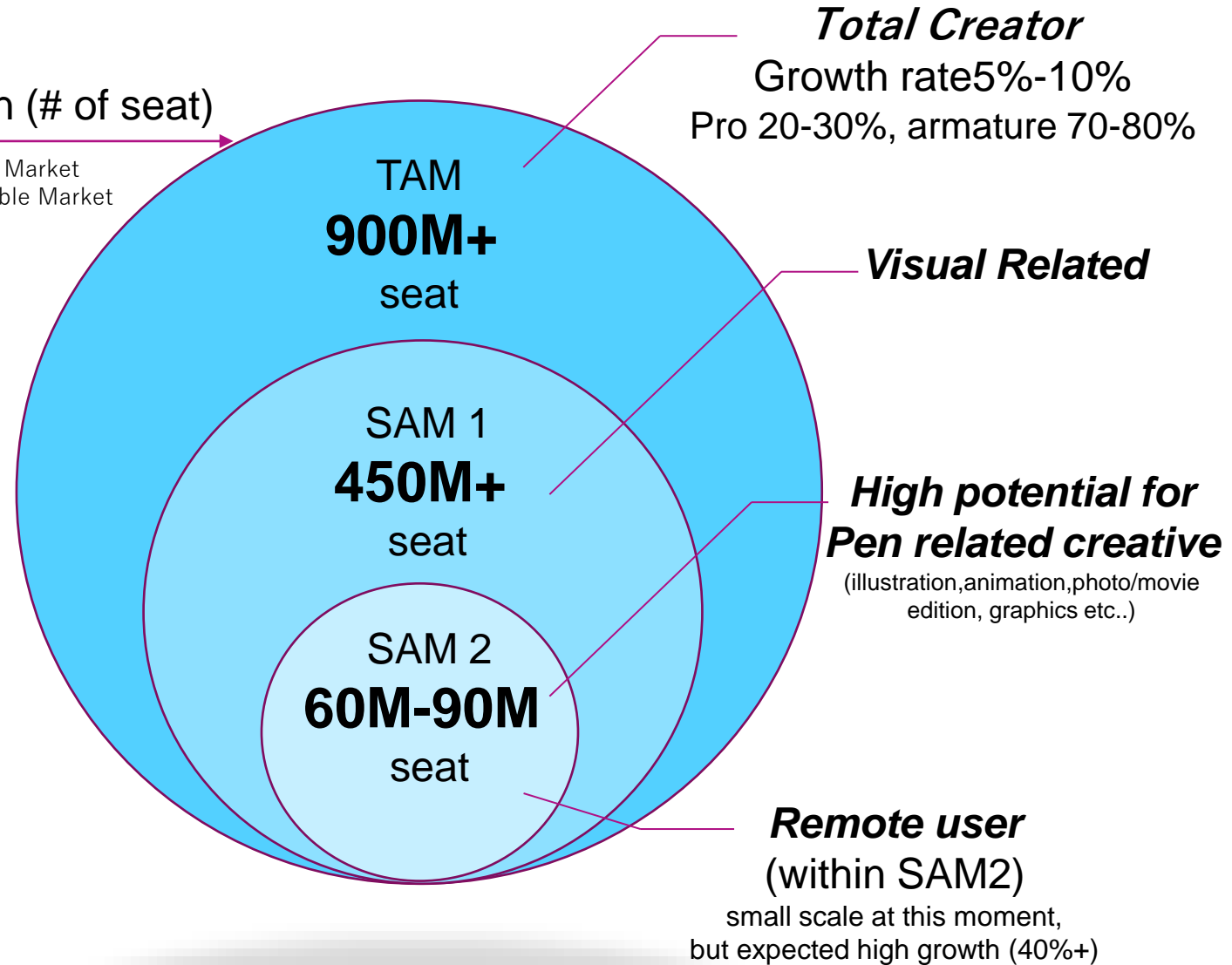
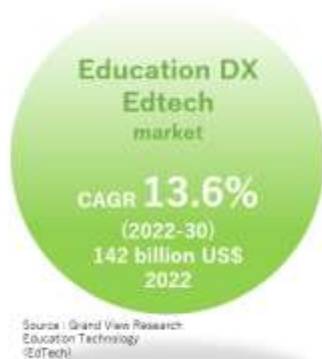
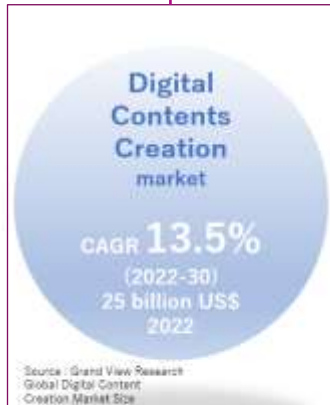
Market assessment : Creative Workflow

Creator Definition :
Creating the original contents and share them via on-line.

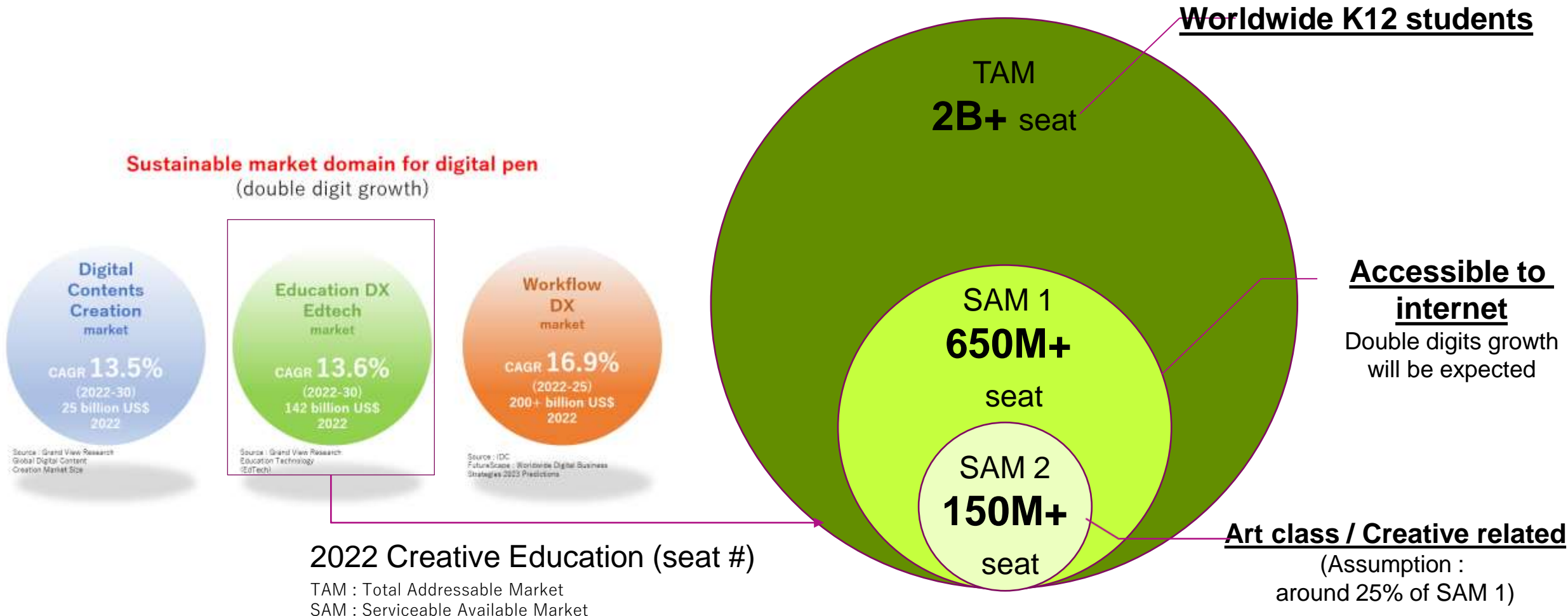
2022 Creative workflow market estimation (# of seat)

TAM : Total Addressable Market
SAM : Serviceable Available Market

Sustainable market domain for digital pen
(double digit growth)



Market assessment : Creative Education



Data source : Wacom estimation
UNICEF ITU report

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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