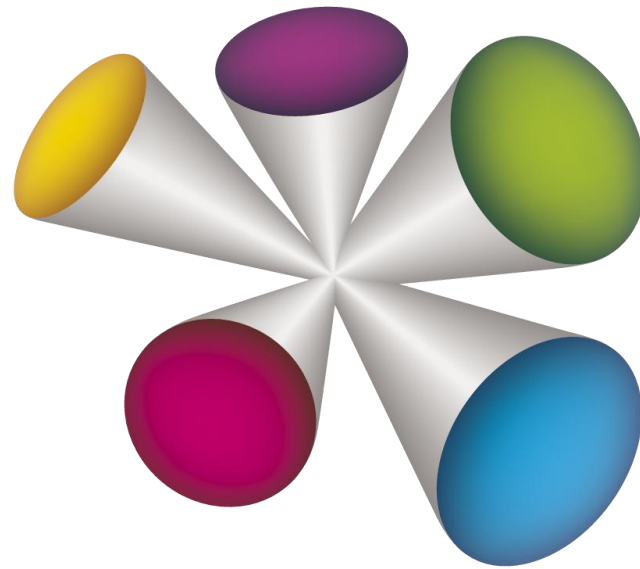


# Business Report

FY29 Apr. 2011-Dec. 2011

Wacom Co., Ltd.  
(TSE Sec.1 6727)



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# FY29-3Q Consolidated Result Summary

## Business Environment

- While US economy maintained a steady level, credit crisis increased due to debt problems in Europe and the pace of emerging market growth slowed down. The Japanese yen showed appreciation against the US dollar and Euro.
- Supply chain disruptions caused by the Great East Japan Earthquake settled during 1Q, the impact on domestic demand remained within the assumptions. Thailand Flood disaster also didn't influence Xmas sales owing to continuous business risk management.
- In IT field, smart phones and tablet devices grew rapidly as new platforms. PC manufacturers and handset makers rapidly expanded their product lines.
- Digital signature market expanded and the interest in digital pen input rapidly grew in smart phone and tablet platforms.

# FY29-3Q Consolidated Result Summary

## Business Overviews

- Achieved a new consolidated sales record in 3Q (Apr. – Dec.) thanks to favorable sales of professional LCD tablets, Bamboo Stylus for iPad, and rapid growth of pen component for smart phones. Operating profit showed a YOY increase.  
(Achieved each new sales record of Tablet business in Japan and Europe and the second historical record in operating profit of the quarter (Oct. – Dec.) since 2007.)
- Posted an extraordinary loss in 1Q due to the withdrawal from the pension fund.
- Revised the sales forecast for FY29 thanks to an upward trend of component business, and despite the rapid appreciation of Japanese yen.

# FY29-3Q Consolidated Result Summary

## Summary of Financial Result

(JPY)	FY29 3Q	YOY
Sales	27.79bn	+10.1%
Operating Profit	2.73bn	+4.3%
Recurring Profit	2.65bn	-5.4%
NPBT	2.49bn	-8.6%
Net Profit aft. Tax	1.64bn	-5.4%
	FY29 3Q	FY28 3Q
EPS	4,109	4,320
BPS (Book Value per Share)	44,710	44,573

**Sales**  
New records  
in 3Q (Apr. – Dec.),  
and Oct.-Dec.

**Extraordinary Loss**  
allowance for the  
withdrawal from  
pension fund  
131 mil JPY in1Q

**Repurchase of Own  
Shares**  
5,000 shares (439mil)

# Consolidated P/L

(mil JPY)

	FY28 3Q	FY29 3Q	YoY Change	
	'10/4-'10/12	'11/4-'11/12	Amount	Ratio
Sales	25,232	27,786	2,554	10.1%
Gross Profit	11,913	12,722	809	6.8%
GPM	47.2%	45.8%		
Operating Profit	2,616	2,729	112	4.3%
OPM	10.4%	9.8%		
Recurring Profit	2,797	2,646	-151	-5.4%
Net Profit aft. Tax	1,736	1,643	-93	-5.4%

- Average FX rates: FY28 3Q JPY 86.86/USD JPY 113.49/EUR  
FY29 3Q JPY 79.17/USD JPY 111.32/EUR

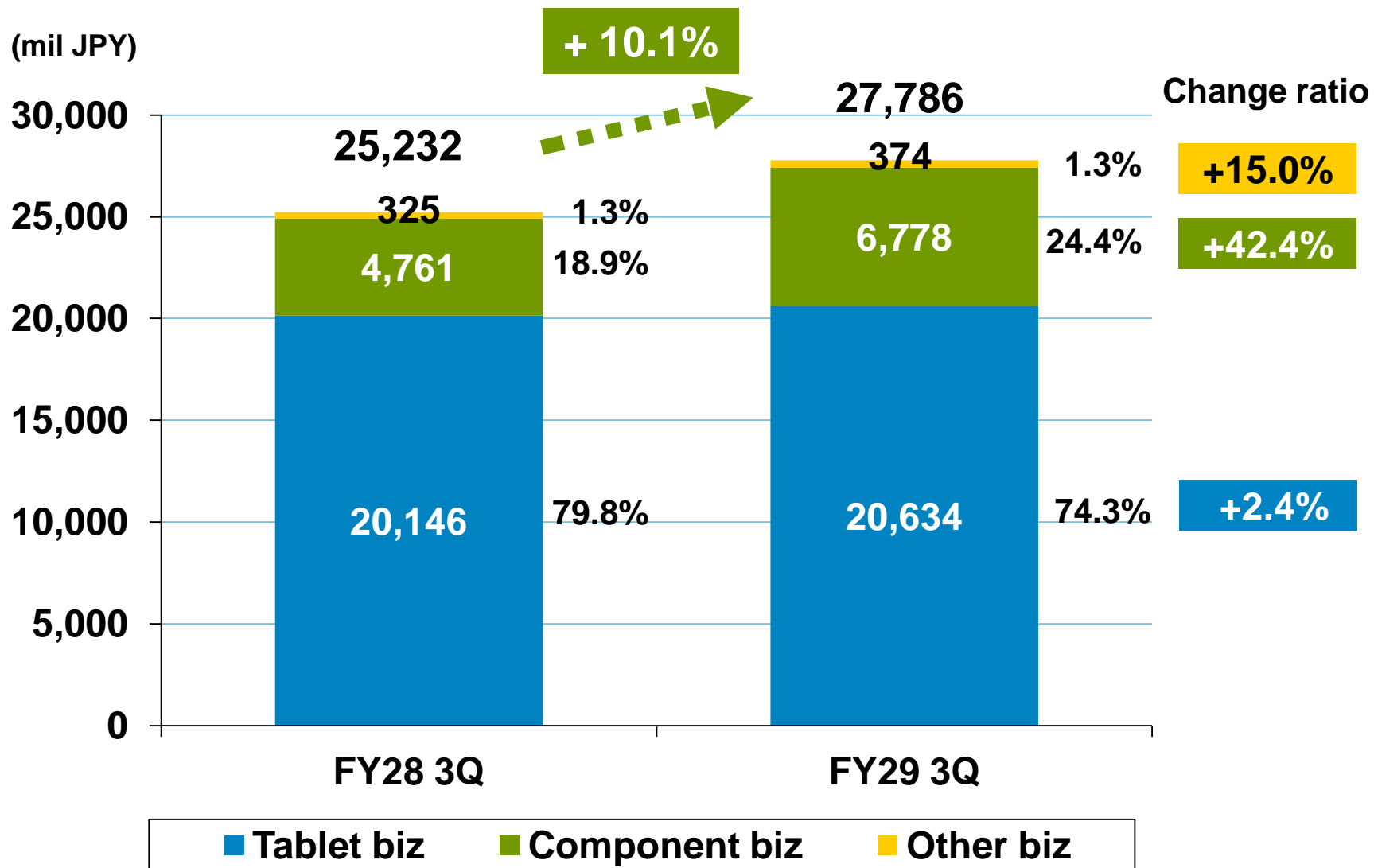
**Effects of foreign exchange : Sales -1.47bn  
(the JPY appreciation) OP -60mil**

# Consol. P/L by Business Segment

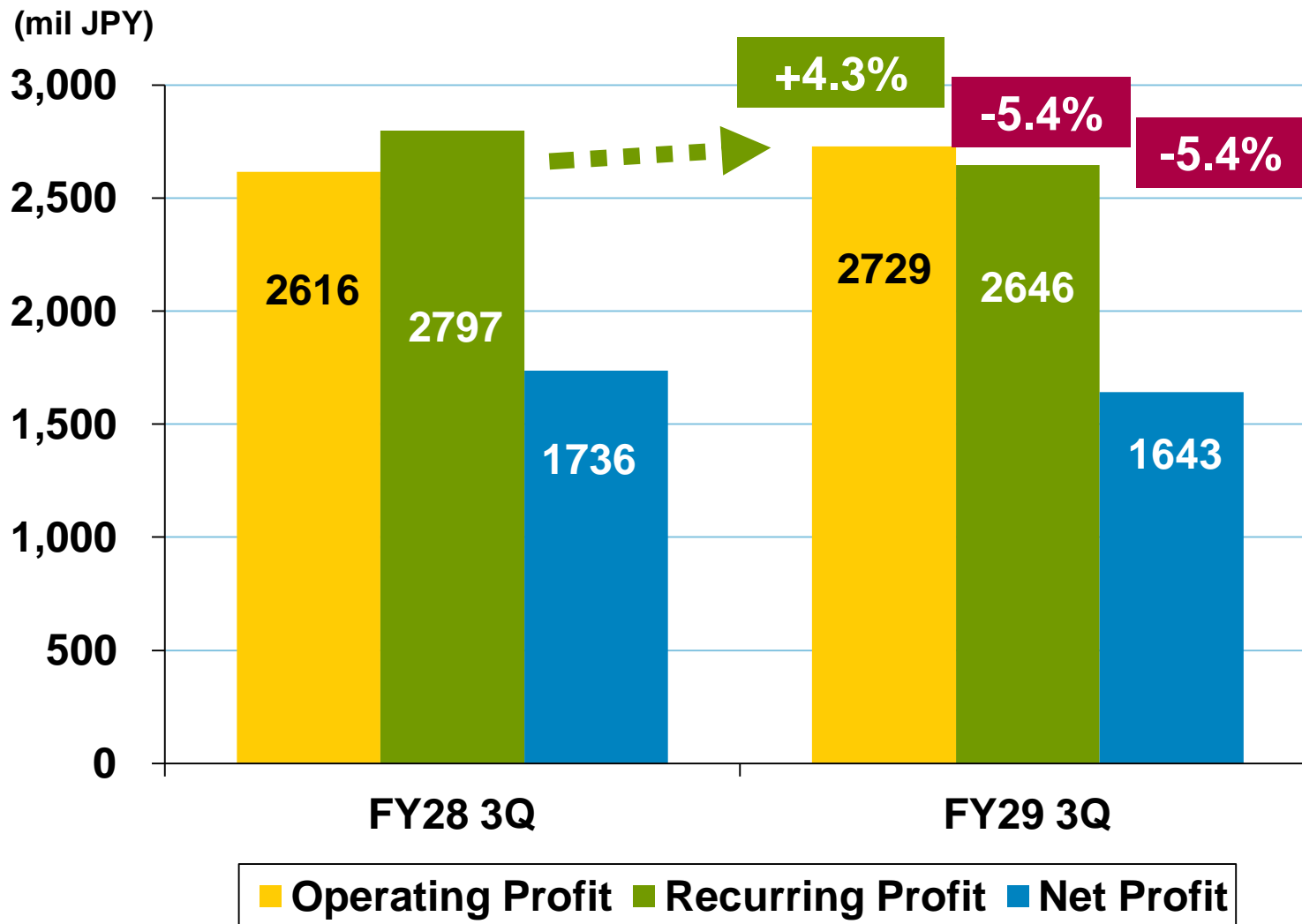
(mil JPY)

	FY28 3Q	FY29 3Q	YoY Change	
	'10/4-'10/12	'11/4-'11/12	Amount	Ratio
Sales	25,232	27,786	2,554	10.1%
Tablet biz	20,146	20,634	488	2.4%
Component biz	4,761	6,778	2,017	42.4%
Other biz	325	374	49	15.0%
Operating Profit	2,616	2,729	112	4.3%
Tablet biz	4,391	3,730	-661	-15.1%
Component biz	-136	559	695	-
Other biz	-159	68	227	-
Corp. and others	-1,479	-1,627	-148	10.0%
OPM	10.4%	9.8%		

# Consolidated Sales Comparison



# Consolidated Profit Comparison



# Operating Expenses Comparison

(mil JPY)

	FY28 3Q	FY29 3Q	YoY Change	
	'10/4-'10/12	'11/4-'11/12	Amount	Ratio
<b>Personnel</b>	<b>3,474</b>	<b>3,816</b>	<b>341</b>	<b>9.8%</b>
<b>R&amp;D</b>	<b>919</b>	<b>1,237</b>	<b>319</b>	<b>34.7%</b>
<b>Ad. &amp; Promo.</b>	<b>1,517</b>	<b>1,565</b>	<b>48</b>	<b>3.2%</b>
<b>Other</b>	<b>3,387</b>	<b>3,376</b>	<b>-11</b>	<b>-0.3%</b>
<b>Total</b>	<b>9,297</b>	<b>9,994</b>	<b>697</b>	<b>7.5%</b>
<b>Opex/Sales ratio</b>	<b>36.8%</b>	<b>36.0%</b>		

## Key changes

- Increase : Personnel expenses due to the expansion in overseas operations (Consolidated employees:747 as of Mar.→770 as of Dec.), increase of allowances in bonus, and R&D expense for new products etc.

# Business Highlight -1

intuos<sub>4</sub>

## Tablet Business

+2.4%

## Professional Products

+4.1%

## Pen Tablets -7.8%

- Sales of “Intuos4” decreased due to the 3<sup>rd</sup> year after release in addition to the strong JPY and a slowdown of corporate investments in Japan.
- Received high reputation for “Inkling” digital sketch pen that allows users to capture pen strokes written on real paper. Awarded “The 50 Best inventions” by Time Magazine.

## LCD Tablets +35.8%

- Launched “Cintiq 24HD” as the flagship product in September. Started with high reputation from the professional market.
- “Cintiq 21UX” recovered from the LCD panel shortage in 1H, the strong demand continues in 2H.



Cintiq<sub>24HD</sub>  
interactive pen display



# Business Highlight -2

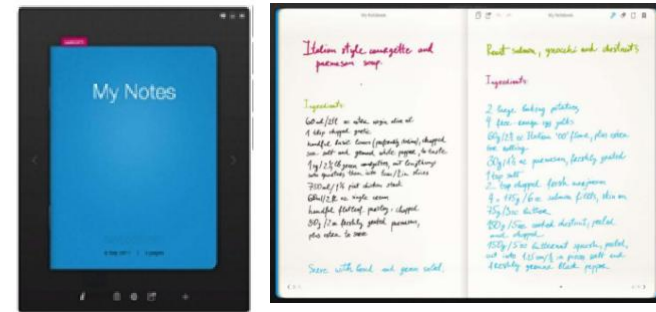
## Consumer Products +10.4%

- Bamboo Stylus, a new pen product for iPad, recorded favorable sales and received high reputation from the global media.
- Bamboo Paper, a note-taking app for iPad added a “pay-for” high function version and started versions for Mac & PC.
- Bamboo tablets, the 3rd generation consumer pen tablet products, were launched with advanced 10 finger multi-touch in September. Aimed to expand Wacom's global user base with 50+ configurations worldwide.

## BAMBOO® STYLUS



## BAMBOO® PAPER



## BAMBOO®

PEN & TOUCH



# Business Highlight -3

## Business Products **-22.7%**

- Sales decreased YoY due to the end of life of some OEM products in US market.
- Sales of digital signature products more than doubled as new projects in US and Japan took off following the leading EU markets.
  - e.g. H&R Block (US), LaLaport (JPN)
- Demand expanded in the medical segment in Japan despite the earthquake. Increasing demand in digital signature field in Asian regions.

## Signature tablets, STU Series



## DT / PL Series



# Business Highlight -4

## Component Business +42.4%

- Samsung “Galaxy Note” adopted pen technologies. Started the mass production in 2H and contributed to the sales growth with high demand.
- Steady demand for Tablet PCs and continued expansion of e-Books with Android OS.
- Continued the development of new IC controllers for tablet-type devices built for the next generation OS such as “Windows 8” and “Android”.
- Android 4.0 supports pen API as standard.

### Customer models with Android OS



### Customer Tablet PC models with Windows OS



# Business Highlight -5

## Other Businesses

+15.7%

### CAD software and others

- ECAD DIO showed stable sales growth in Japan. The wire-harness design capability was well received by customers in the Machinery and robotics industry.
- Released ECAD DIO 2012 with wire-harness design capability enhancement in September.



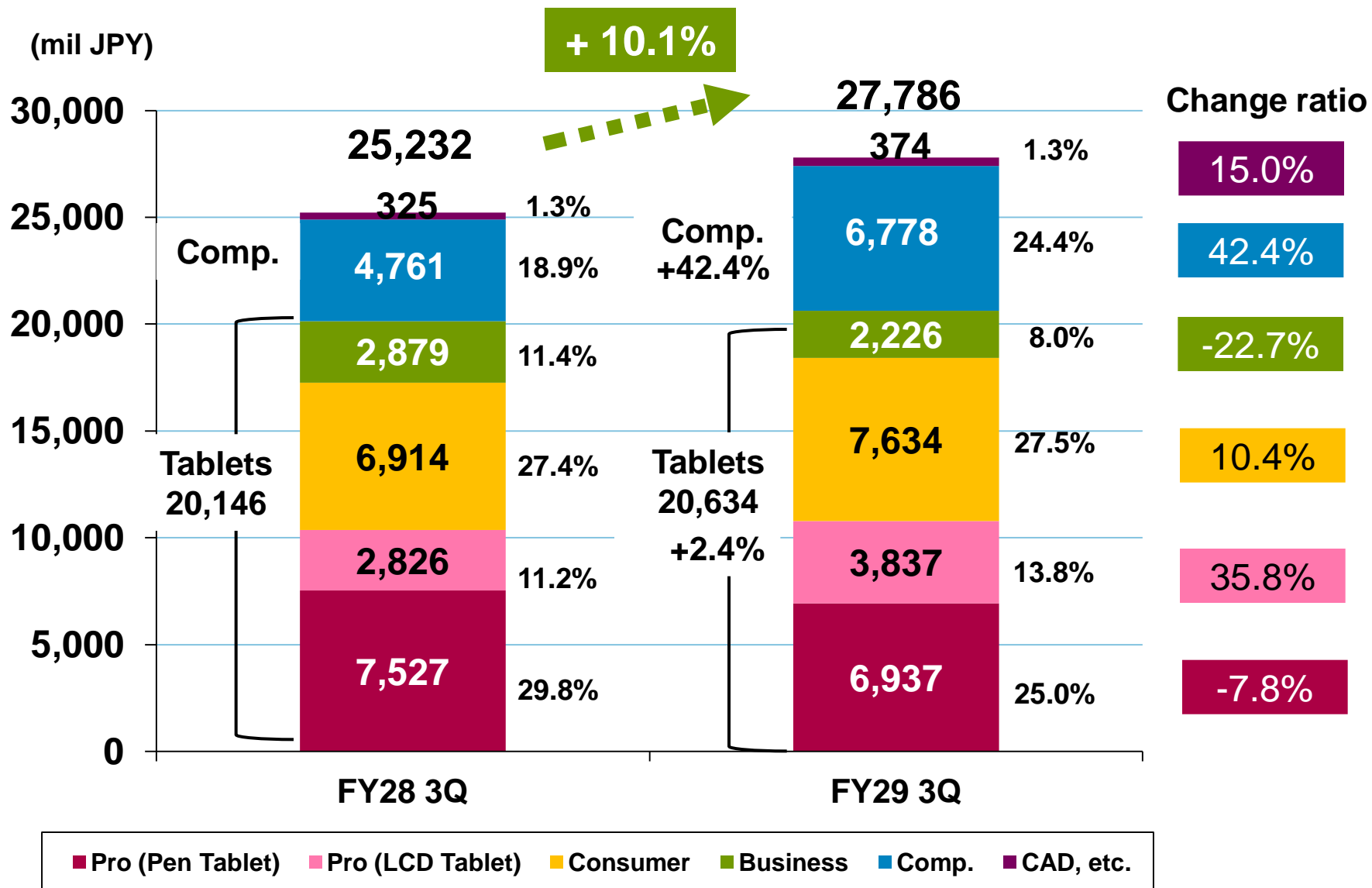
The Power  
To Innovate™



## F&A (Corporate)

- New ERP cut-over in August with no major problem.
- Decided to withdraw from Saitama pref. industrial park employee's pension fund to reduce the financial risks. Reserved ¥131 mil. as the extraordinary loss associated with withdrawal in 1Q.
- Changed the accounting rule in revenue recognition from delivery base to customer acceptance basis according to IFRS.  
(Retroactive influence : FY10 3Q Sales ¥ +4.1 mil and OP ¥ +2.4 mil, etc.)

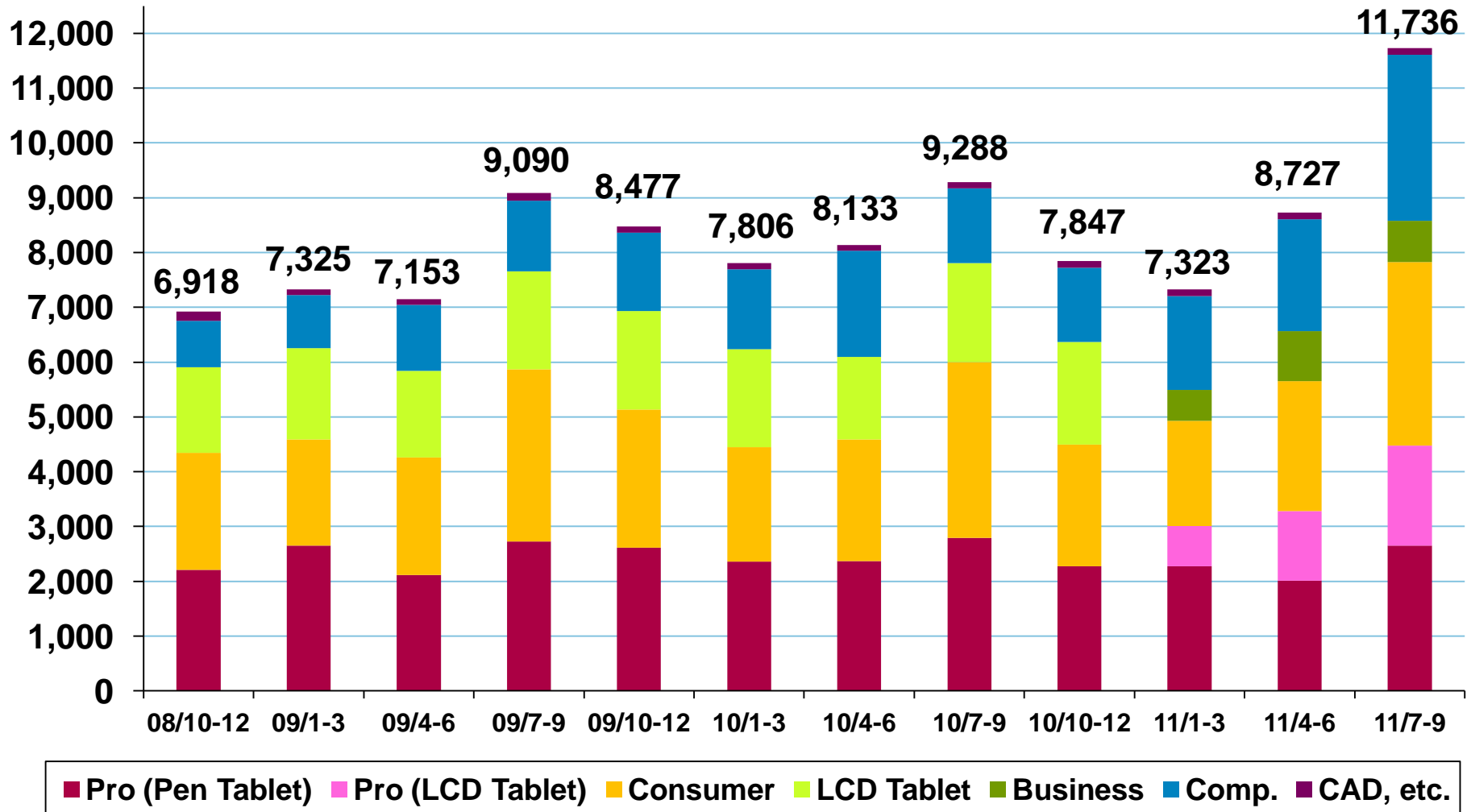
# Sales by Product Line



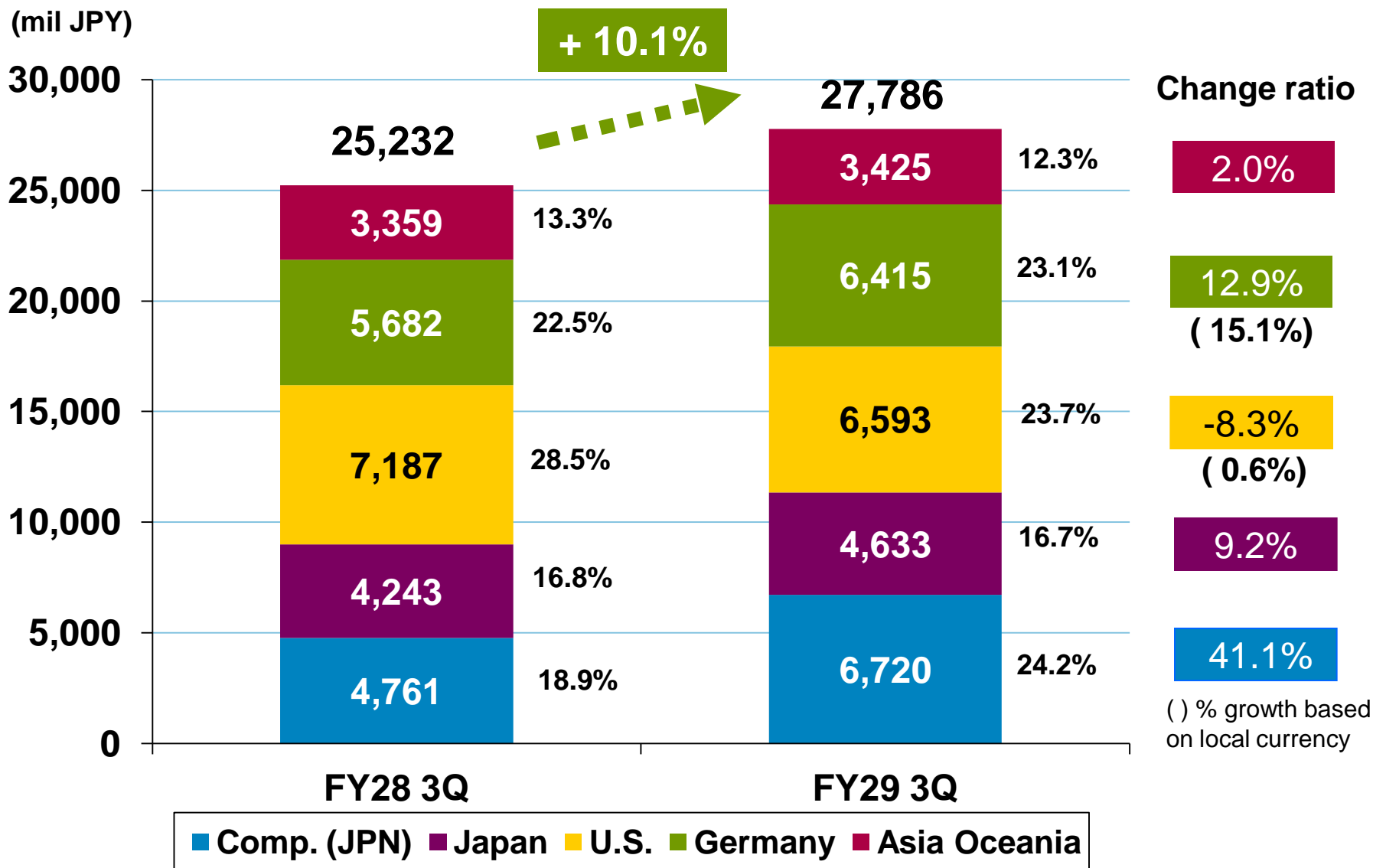
# Quarterly Trend by Product Line

The product lines are reorganized into new categories of “Pro (Pen)”, “Pro (LCD)”, “Consumer”, “Business”, “Comp.”, and “CAD, etc.” by use in FY11. As a result, “Cintiq series” included in “LCD” is reclassified in “Pro (LCD)” and some products included in “Consumer” is reclassified in “Business”.

(mil JPY)



# Sales by Region



# Sales by Region

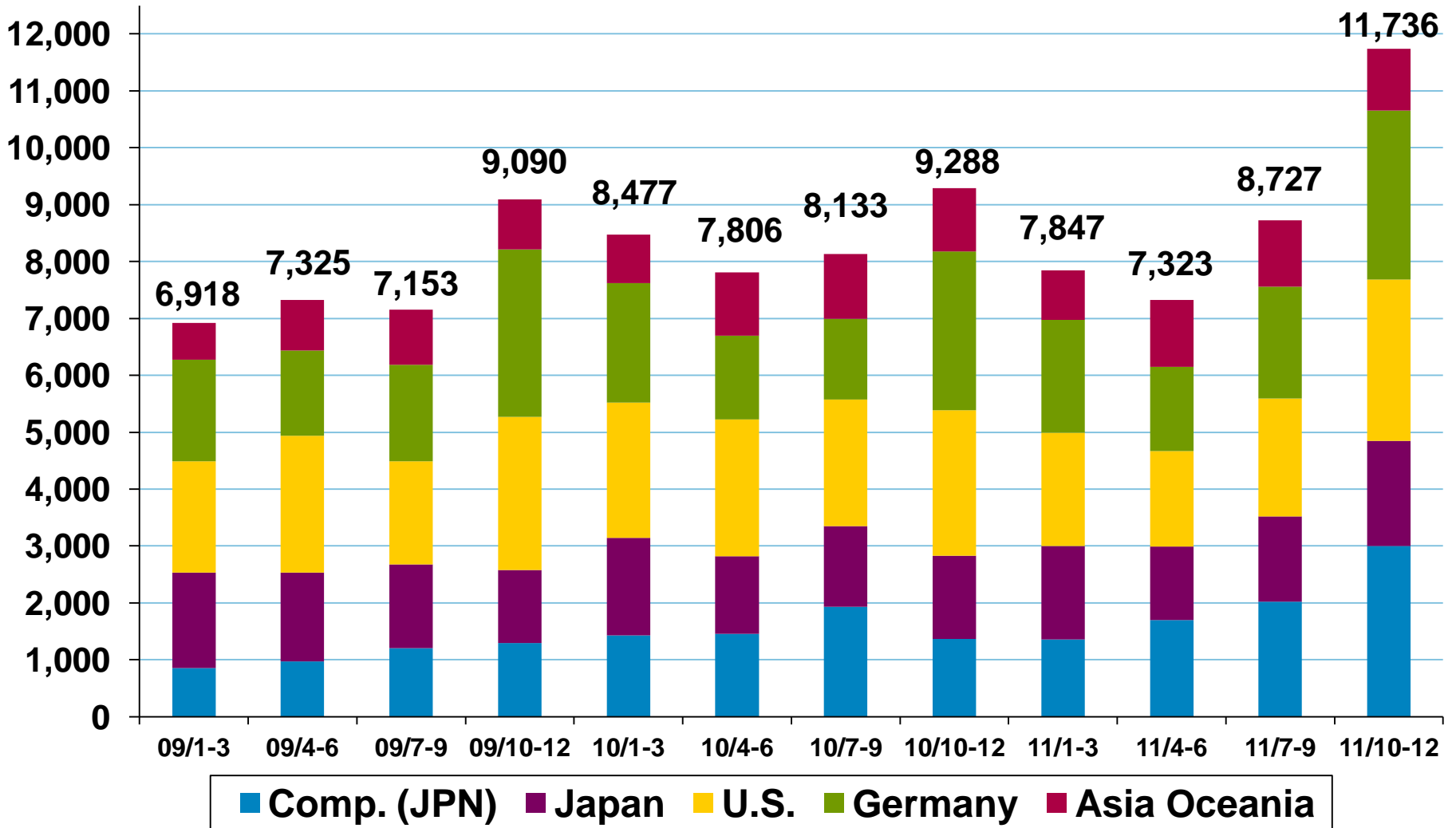
## YOY Sales growth based on local currencies

- **US (USD)** **0.6%**
- **EU (EUR)** **15.1%**
- **China (CNY)** **5.2%**
- **Korea (KRW)** **1.6%**
- **Australia (AUD)** **3.9%**
- **Singapore (USD)** **22.0%**
- **Hong Kong (USD)** **- 0.8%**

**Main influence:**  
the end of some OEM products  
(excluded growth: about +20%)

# Quarterly Trend by Region

(mil JPY)



# Consolidated B/S

(mil JPY)

	(mil JPY)		
	Mar. 31, 2011	Dec. 31, 2011	Change
<b>Current assets</b>	<b>20,950</b>	<b>23,233</b>	<b>2,284</b>
<b>Fixed assets</b>	<b>6,144</b>	<b>6,439</b>	<b>295</b>
<b>Total assets</b>	<b>27,094</b>	<b>29,672</b>	<b>2,578</b>
<b>Current liabilities</b>	<b>7,556</b>	<b>10,778</b>	<b>3,222</b>
<b>Fixed liabilities</b>	<b>1,056</b>	<b>1,042</b>	<b>-14</b>
<b>Total liabilities</b>	<b>8,612</b>	<b>11,820</b>	<b>3,208</b>
<b>Minority interest in subsidiaries</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net assets</b>	<b>18,482</b>	<b>17,852</b>	<b>-630</b>
<b>Total liabilities and Net assets</b>	<b>27,094</b>	<b>29,672</b>	<b>2,578</b>
<b>Equity ratio</b>	<b>68.1%</b>	<b>59.9%</b>	<b>-8.2%</b>
<b>Book value per share (JPY)</b>	<b>45,917</b>	<b>44,710</b>	<b>-1,207</b>

## Assets

- Increase in notes and accounts receivable 1,843
- Increase in inventories 866
- Increase in other current assets 232  
(Due to launch of new products and Xmas sales, etc.)
- Increase in investment securities. 166  
(Investment to Twinwill)
- Decrease in cash and cash equivalents. -849  
(Dividends payment, etc.)

## Liabilities

- Increase in notes and accounts payable 2,313
- Increase in income tax payable 434

## Net assets

- Decrease of retained earnings 437  
(11/3 13,800 ⇒ 11/12 14,237)
- Repurchase of own shares -439

# Consolidated C/F

(mil JPY)

	FY28 3Q	FY29 3Q	YoY Change
	'10/4- '10/12	'11/4- '11/12	Amount
C/F from operating activities	-98	2,206	2,304
C/F from investing activities	-877	-1,083	-206
C/F from financing activities	-1,201	-1,627	-426
Effect of change in exchange rate	-530	-346	184
Increase-decrease of cash & cash equivalent	-2,706	-849	1,856
Beginning balance of cash & cash equivalent	12,350	10,455	-1,895
Ending balance of cash and cash equivalent	9,644	9,605	-39

## C/F from operating activities

- Increase in notes and accounts payable 2,610
- Net profit before taxes 2,489
- Depreciation 738
- Increase in other current liabilities 560
- Increase in notes and accounts receivable -2,234
- Increase in inventories -1,223
- Payment of corporate tax -541

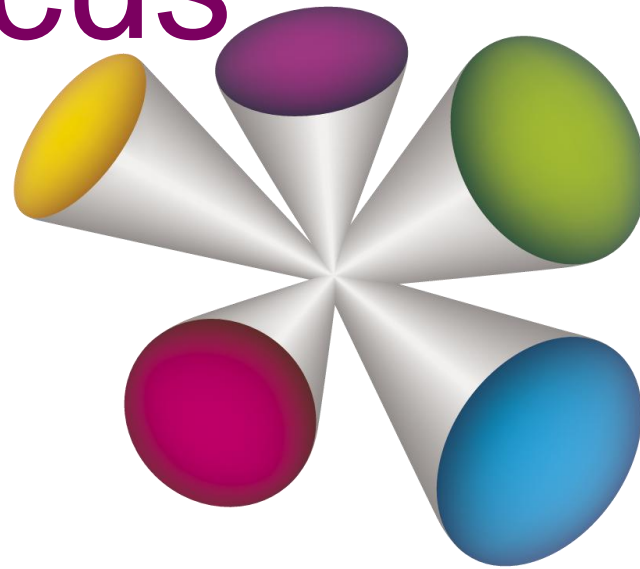
## C/F from investing activities

- Purchase of internal software (Global ERP, etc.) -630
- Purchase of fixed asset (Mold, etc.) -311
- Purchase of investment securities (Twinwill: an EMS partner of touch panel process) -168

## C/F from financing activities

- Dividends payment -1,201
- Repurchase of own shares -440

# FY29 Basic Policy and Business Focus



# FY29 Basic Policy

## Business Environment -1

- Global economy recovering with growing uncertainties.  
Emerging regions continue to lead economic growth.  
While US economic recovery continues mildly, European financial uncertainties will continue in a seesaw status.  
Domestic economic slowdown by Earthquake disaster is temporary.
- Growth engine in global economy shifts from advanced countries to emerging countries.  
Slow growth in US and European markets, Japanese economy slowdown by the Great East Japan Earthquake.  
High economic growth in China and India, having higher weight in influence in the global market.

# FY29 Basic Policy

## Business Environment -2

- Smartphone, tablet and e-Books drive new IT market growth. iPad and Android-based tablets drive IT market growth and Windows based tablets will start gaining market share.  
Windows PC market growth will recover after Windows 8 OS releases.  
Quality of web applications improves and tablet devices will start gaining user base in corporate and business applications market.  
Multi-touch becomes the standard user interface.

# FY29 Basic Policy

## Wacom's business strategy

- Continue to respond to the earthquake impact and business risk management.

Restore and improve headquarters and manufacturing buildings.  
Secure manufacturing and SCM base and power saving measures.  
Secure product supply and SCM risk management with partnerships.

- Strengthen global leadership of Tablet business.

Launch new products in the professional and consumer markets.  
Expand emerging markets and reinforce brand.  
Expand pen products for tablet devices.  
Expand security solutions market.

- Grow component business.

Supply to smart phone and tablet device markets.  
Consistent business expansion in Windows PC market.  
Further innovation in pen and multi-touch technology and strengthen cost competitiveness.

# FY29 Basic Policy

## Wacom's business strategy

- Accelerate growth in emerging countries.  
Expand emerging markets including China and India.  
Reinforce organization, bring up human resources, and develop business foundation
- Reform business structure and strengthen competitiveness.  
Global headquarters for business administration.  
Enhance and promote global branding.  
Localization of SCM and QA functions and enforce ODM utilization.  
Reinforce basic technology development and improve application development capability.  
Global ERP in operation. (cut over in August)

# Assumptions for FY29 forecast

- Market demand for the latest forecast is based on a review in the middle of January 2012.
- No major afterquake or disruption of manufacturing in Japan, and no major obstacles in manufacturing operation at partners by natural disasters overseas.
- No financial crisis by financial uneasiness in EU, and no major problem in the management of partners.

# Assumptions for FY29 forecast

- **Revised Average FX rate in 4Q (Jan.- Mar. of 2012)**

USD: (Initial) JPY 82.5/USD → (4Q) JPY77/USD → (Ave. in FY) JPY 78.67/USD

EUR: (Initial) JPY120/EUR → (4Q) JPY100/EUR → (Ave. in FY) JPY108.71/EUR

- **Forecast of foreign exchange sensitivity (12 months)**

(assumption : CNY, KRW, and AUD link to US dollar)

(mil JPY)

Currencies	US dollar	Euro
Unit of sensitivity	JPY 1	JPY 1
Sales	240	80
Operation profit	0	60

# Forecast of business results for FY29

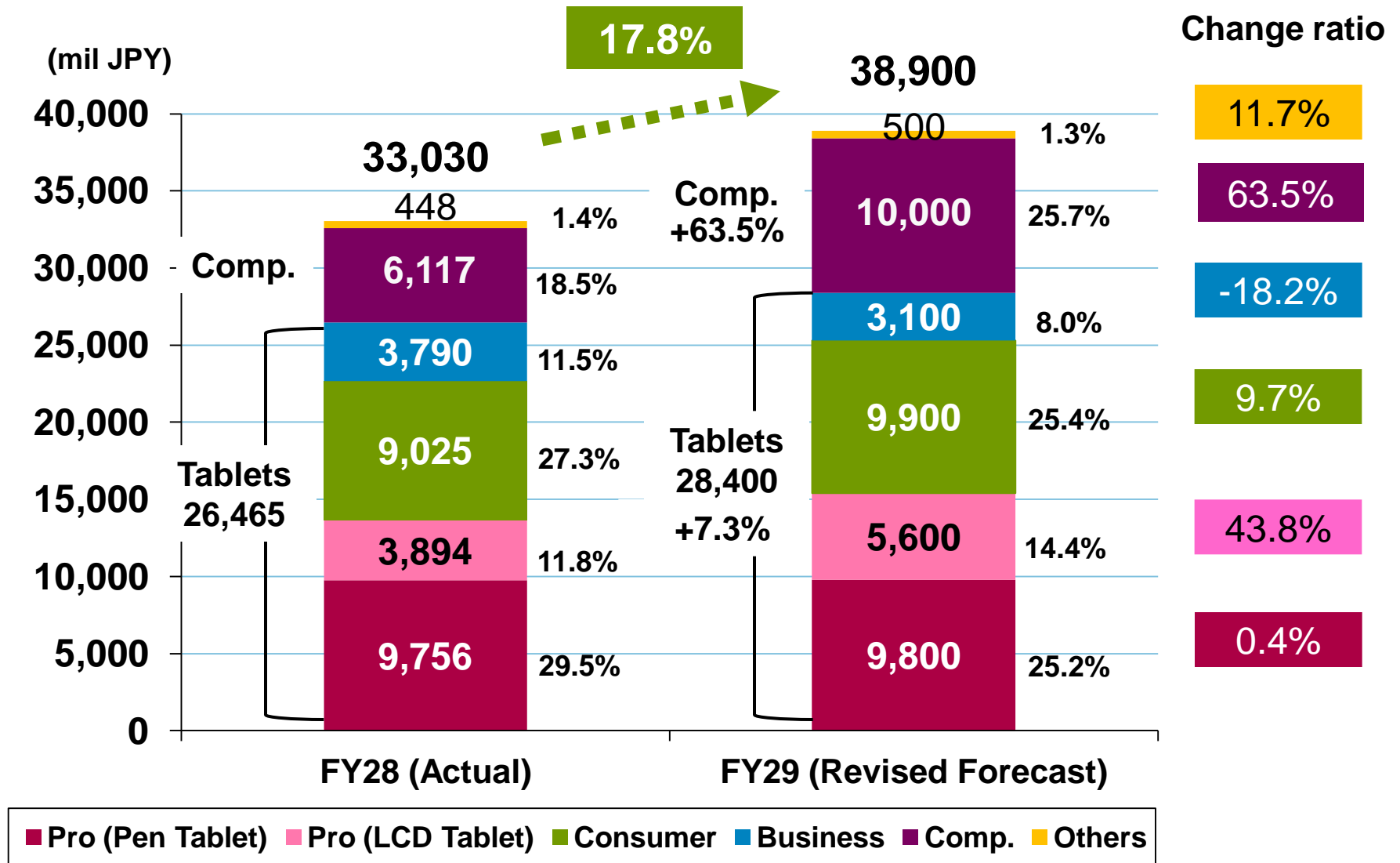
(m¥)

	FY28 (actual)		FY29 (revised forecast)		YoY
	2010/10-2011/3		2011/10-2012/3		Change rate
<b>Sales</b>	<b>33,030</b>		<b>38,900</b>		<b>17.8%</b>
<b>OP</b>	<b>3,252</b>	<b>9.8%</b>	<b>3,700</b>	<b>9.5%</b>	<b>13.8%</b>
<b>RP</b>	<b>3,363</b>	<b>10.2%</b>	<b>3,650</b>	<b>9.4%</b>	<b>8.5%</b>
<b>NP</b>	<b>1,967</b>	<b>6.0%</b>	<b>2,340</b>	<b>6.0%</b>	<b>19.0%</b>

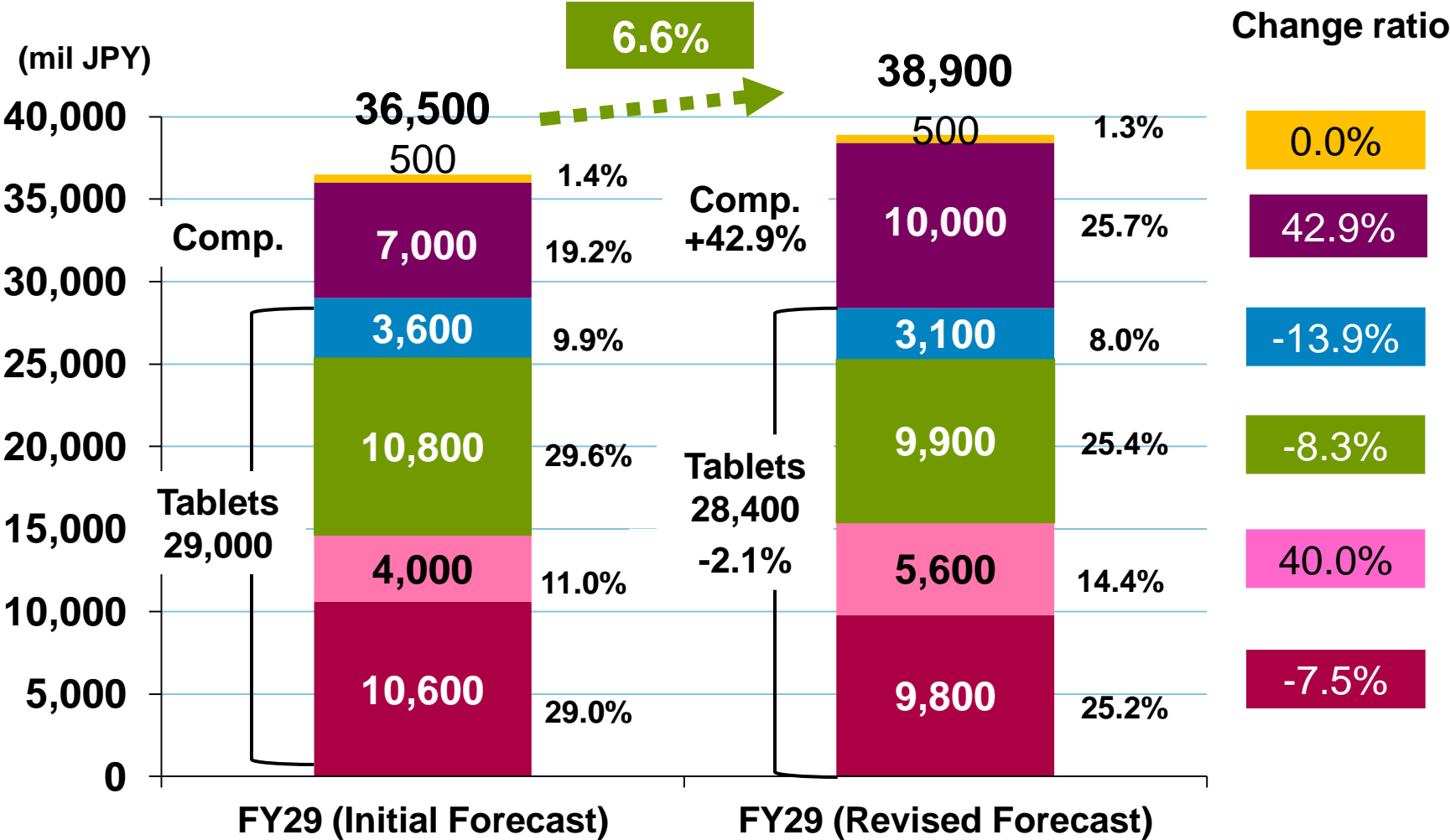
	FY29 (initial forecast)		FY29 (revised forecast)		vs. Initial Forecast
	2011/4-2012/3		2011/4-2012/3		Change rate
<b>Sales</b>	<b>36,500</b>		<b>38,900</b>		<b>6.6%</b>
<b>OP</b>	<b>3,700</b>	<b>10.1%</b>	<b>3,700</b>	<b>9.5%</b>	<b>0.0%</b>
<b>RP</b>	<b>3,650</b>	<b>10.0%</b>	<b>3,650</b>	<b>9.4%</b>	<b>0.0%</b>
<b>NP</b>	<b>2,340</b>	<b>6.4%</b>	<b>2,340</b>	<b>6.0%</b>	<b>0.0%</b>

Sales increased owing to the expansion of Component business and the review of each product sales of Tablet business. Profit stayed at the initial forecast level due to product mix and the strong JPY.

# Sales forecast by BU segment (vs. FY28)



# Sales forecast by BU segment (vs. Initial Forecast)



■ Pro (Pen Tablet) ■ Pro (LCD Tablet) ■ Consumer ■ Business ■ Comp. ■ Others

# Dividend Forecast for FY29

- **Dividend policy**

- Continue to payout stable dividends while maintaining internal reserves necessary for future business development.
- Payout ratio over 30% and to be increased over time.

- **Dividend per share**

- JPY 3,000 per share.
- Payout ratio 51.0% (based on FY29 forecast)  
( After deducting treasury stocks of 25,000 shares)

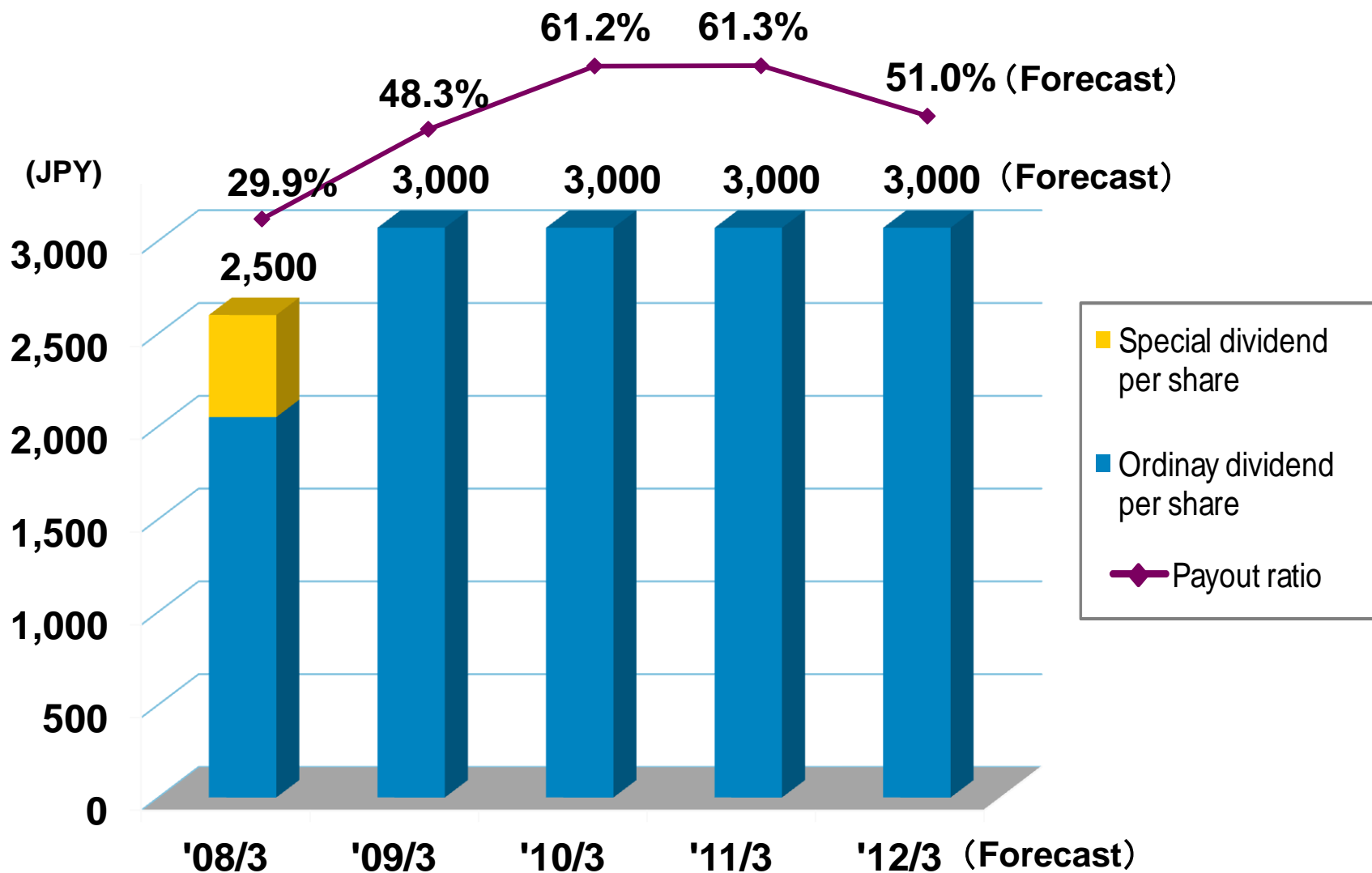
# Share repurchase program

- **Repurchase of own shares**
  - Total number of shares acquired: 5,000  
Equivalent of 1.18% of outstanding shares at Dec. 2011
  - Total cost of acquisition: 438.78 million JPY
  - Period of acquisition: Aug. – Sep., 2011
- **Total payout to shareholders**
  - Total payout ratio: 69.7% (based on forecasted results)  
Forecasted dividends payout: 1.19bn JPY  
Total cost of share repurchase: 0.44bn JPY

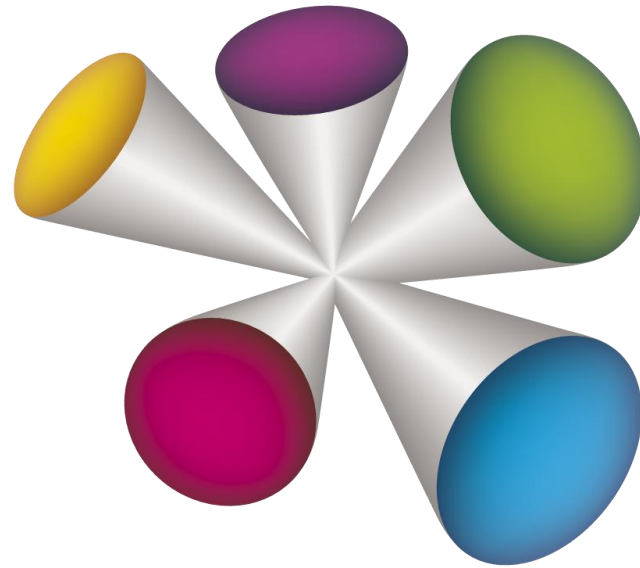
**Total payout ratio:**

**(forecasted dividends payout + total cost of share repurchase) / forecasted Net Profit**

# Dividends per Share



# Medium-Term Business Plan



# Medium-Term Plan - WP1015

## WP1015:Financial Goals

- Consolidated sales : 100 billion JPY or more.
- Consolidated operating income ratio : 15% or higher



Taking into account the rapidly changing business environment and results in FY28, plus the impact of the Great East Japan Earthquake, the original plan will not be achieved by FY31 and requires reconsideration.

In the meantime, while maintaining a priority for business risk management we aim for sales growth and improvement of operating margins, plus securing the achievement of annual plan.

# UI Paradigm Shift



For everyone in the world,  
anywhere in the world,  
simple, natural, and easy  
for interaction and sharing,  
fun and always connected.



Open up.  
Sense more.



# 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.

Wacom Co., Ltd.

<http://wacom.jp/en/company/outline/>

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