

FY06 3Q Summary of Financial Results (Consolidated)

Jan. 30, 2007

Company Name **Wacom Co., Ltd.**

(Code Number: 6727 TSE1)

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1. Notes for 3Q results

- ① Acceptance of simple accounting method approach : Yes
(Contents) Annual forecast tax rate, based on designated effective tax rate, is employed to calculate tax expense.
- ② Change in accounting policy since latest consolidated fiscal period : No
- ③ Change in applicable scope of consolidated and equity method companies : Yes
(Contents) Consolidated (Newly) 2 companies

2. Summary of Financial Results (April 1, 2006 - December 31, 2006)

(1) Business Performance (Consolidated)

(rounded off to mY)

	Sales		Operating Profit		Recurring Profit		Net Profit	
	mY	%	mY	%	mY	%	mY	%
FY06 3Q	21,099	(17.5)	3,645	(48.4)	3,699	(50.2)	2,317	(48.7)
FY05 3Q	17,956	(41.4)	2,456	(97.5)	2,463	(91.8)	1,558	(128.6)
(Reference) FY05	23,992	(35.9)	3,424	(86.0)	3,387	(82.9)	2,146	(127.2)

	Net Profit per Shares Outstanding		Net Profit per Diluted Shares Outstanding	
	Yen	Sen	Yen	Sen
FY06 3Q	5,603.72		5,514.93	
FY05 3Q	4,054.19		3,946.14	
(Reference) FY05	5,420.51		5,283.96	

(Note) Percentage changes of sales, operating profit etc. are based on YoY basis.

[Qualitative news for consolidated business performance]

Wacom Group's business environment for FY06 3Q (from Apr. 1, 2006 to Dec. 31, 2006) was generally favorable. The overseas economy was firm. Concern for a consumer spending slowdown in the U.S. disappeared and domestic demand-led EU economy expansion continued. At the same time, domestic business income increased, but domestic consumer spending was weak. In addition, the PC industry was stagnant due to reluctance by buyers to purchase new PCs as they were waiting for the "Windows Vista" release.

Under these circumstances, Wacom was able to maintain sales growth of high-end professional products by expanding business locations and sales channels in Asia, and enhancing Intuos Pro Shops and demo corners. Wacom was also involved in new technology development focused on the upcoming "Windows Vista" operating system, a global branding initiative, J-SOX correspondence, integration of environment and quality management, and cost control management.

As a consequence, consolidated 3Q sales ended at ¥21.10bn (+17.5% YoY), operating profit 3.65bn (+48.4% YoY), recurring profit ¥3.70bn (+50.2% YoY), and net profit ¥2.32bn (+48.7% YoY).

The tablet business, also known as the core electric system and devices (ESD) business, was favorable thanks to stable Christmas sales in both Europe and the U.S. Sales of the professional graphics tablet "Intuos3" continued to grow even in its third year since its release. Consumer graphics tablet sales were stable in Europe, the U.S. and Asia. LCD tablet sales were also favorable, especially in the U.S. and Asia. In preparation for the Windows Vista launch on January 30, Wacom conducted global marketing activities to promote the benefits of pen tablets with Vista. The component business was weak due to the delay of the release of Windows Vista and an inventory adjustment for Tablet PCs. Lenovo was the first company to introduce Wacom's newly developed technology called, "Penabled DuelTouch," and thus the commercialization of both pen and touch solutions was adopted.

Therefore, EDS business sales ended at ¥20.43bn (+18.0% YoY), and operating profit ¥4.84bn (+44.5% YoY).

For the Engineering Collaborative Solutions (ECS) business, a new product named "ECAD/dio" Ver7.0 was introduced in Sep. 2006, and Wacom tried to increase CAD demand within existing customers. Using websites and exhibitions, Wacom expanded its new customer base. In the Product Data Management (PDM) business, Wacom continued to introduce, support, and educate its technology service sector based its technology and experience.

Sales for the ECS business ended at ¥671mn (+3.9% YoY) and operating profit ¥86mn (-0.3% YoY).

(2) Financial Position (Consolidated)

(rounded off to mY)

	Total Assets	Shareholders' Equity	Equity Ratio	Net Assets per Share	
	mY	mY	%	Yen	Sen
FY06 3Q	24,046	15,613	64.9	37,584.60	
FY05 3Q	20,628	11,988	58.1	29,547.16	
(Reference) FY05	21,033	13,288	63.2	32,137.43	

[Consolidated Cash Flow]

(rounded off to mY)

	Operating Cash Flow	Investing Cash Flow	Financing Cash Flow	Cash & Cash Equivalent
	mY	mY	mY	mY
FY06 3Q	2,177	-229	-1,197	11,256
FY05 3Q	1,409	-46	3,139	8,864
(Reference) FY05	2,270	-93	3,720	10,343

[Qualitative news for consolidated financial position]

Total assets increased by ¥3.01bn and liabilities increased by ¥688mn in 3Q compared with the end of FY05. The main reasons for the increase in assets were a ¥914mn increase in cash and cash equivalents, and a ¥1.65bn increase in notes and accounts receivable. The increase in liabilities was mainly due to a ¥696mn increase in notes and accounts payable.

Earned operating cash flow was ¥2.18bn. The main reasons for the change were strong net profit

before taxes and other adjustments of ¥3.84bn and notes and accounts receivable increase of ¥1.97bn.
Spent investing cash flow was ¥229mn, mainly from fixed asset purchases of ¥220mn.
Spent financing cash flow was ¥1.20bn, mainly from payments for bonds redemption of ¥500mn and payments for dividends of ¥409mn.

(Accompanying data)

Consolidated Balance Sheet (Summary), Consolidated Profit and Loss Statement (Summary), Consolidated Cash Flow Statement (Summary), Segment Information (Summary).

[Reference]

Announced 3Q results is in line with our expectation, therefore we maintain our earnings forecast which was released on Oct. 31, 2006.

* Forward-looking statements regarding future events and performance contained in this presentation are based on currently available information and involve risks and uncertainties. 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.

(Accompanying data)

1. Summary of Consolidated Balance Sheet

(Unit: '000 Yen, %)

Subject	FY06 3Q	FY05 3Q	Change in Amount		(Reference) FY05
	Amount	Amount	Amount	%	Amount
(Assets)					
I Current Assets					
1. Cash and cash equivalents	11,256,146	8,864,090	2,392,056	27.0	10,342,643
2. Notes and accounts receivable	4,738,126	4,007,315	730,811	18.2	3,085,377
3. Inventories	2,360,985	2,395,202	-34,217	-1.4	2,555,966
4. Deferred tax assets	570,967	368,912	202,055	54.8	340,202
5. Accrued revenue	905,453	688,433	217,020	31.5	388,922
6. Advanced money	73,332	25,144	48,188	191.6	71,058
7. Others	151,212	129,546	21,666	16.7	173,593
Allowance for doubtful accounts	-31,286	-40,292	9,006	-22.4	-34,939
Total Current Assets	20,024,935	16,438,350	3,586,585	21.8	16,922,822
II Fixed Assets					
1. Tangible fixed assets					
(1) Buildings and facilities	1,561,031	1,631,607	-70,576	-4.3	1,610,421
(2) Machinery, equipment and vehicles	96,780	81,793	14,987	18.3	82,246
(3) Tools and furniture	345,825	295,757	50,068	16.9	304,101
(4) Land	1,474,685	1,473,580	1,105	0.1	1,472,943
Total tangible fixed assets	3,478,321	3,482,737	-4,416	-0.1	3,469,711
2. Intangible fixed assets					
(1) Software	328,884	359,106	-30,222	-8.4	363,419
(2) Software in progress	14,700	1,260	13,440	—	—
(3) Others	11,034	11,737	-703	-6.0	11,553
Total intangible fixed assets	354,618	372,103	-17,485	-4.7	374,972
3. Investment and other assets					
(1) Investment securities	56,360	78,803	-22,443	-28.5	55,804
(2) Deposit and guarantee money paid	115,745	92,903	22,842	24.6	100,427
(3) Long-term accrued revenue	9,690	39,972	-30,282	-75.8	37,935
(4) Membership	—	3,505	-3,505	—	—
(5) Deferred tax assets	—	113,479	-113,479	—	64,967
(6) Others	9,243	9,593	-350	-3.6	9,738
Allowance for doubtful accounts	-2,633	-3,513	880	-25.0	-3,513
Total investment and other assets	188,405	334,742	-146,337	-43.7	265,358
Total Fixed assets	4,021,344	4,189,582	-168,238	-4.0	4,110,041
Total Assets	24,046,279	20,627,932	3,418,347	16.6	21,032,863

(Unit: '000 Yen, %)

Subject	FY06 3Q	FY05 3Q	Change in Amount		(Reference) FY05
	Amount	Amount	Amount	%	Amount
(Liabilities)					
I Current Liabilities					
1. Notes and accounts payable	4,086,335	4,429,800	-343,465	-7.8	3,389,839
2. Short-term debt	600,000	450,000	150,000	33.3	600,000
3. Current portion of bonds	200,000	500,000	-300,000	-60.0	700,000
4. Current installments of long-term debt	79,800	160,400	-80,600	-50.2	117,600
5. Accrued income taxes	1,204,379	486,512	717,867	147.6	567,273
6. Accrued liabilities	830,568	853,949	-23,381	-2.7	744,111
7. Advance received	165,832	112,803	53,029	47.0	132,416
8. Allowance for bonus payable	247,739	210,172	37,567	17.9	443,702
9. Allowance for board members' bonus payable	17,370	—	17,370	—	443,702
10. Others	338,335	265,683	72,652	27.3	254,346
Total Current Liabilities	7,770,358	7,469,319	301,039	4.0	6,949,287
II Fixed Liabilities					
1. Bond payable	—	200,000	-200,000	—	—
2. Long-term debt	17,500	227,300	-209,800	-92.3	70,000
3. Deferred tax liabilities	64,529	—	64,529	—	—
4. Accrued retirement benefits	325,388	291,821	33,567	11.5	293,046
5. Reserve for retirement benefits for directors and corporate auditors	247,215	203,868	43,347	21.3	219,125
6. Others	7,896	247,158	-239,262	-96.8	213,501
Total Fixed Liabilities	662,528	1,170,147	-507,619	-43.4	795,672
Total Liabilities	8,432,886	8,639,466	-206,580	-2.4	7,744,959
(Shareholders' Equity)					
I Capital	—	3,456,686	-3,456,686	—	3,803,231
II Additional paid-in capital	—	3,298,075	-3,298,075	—	3,644,654
III Retained earnings	—	4,980,565	-4,980,565	—	5,567,934
IV Net evaluation on other securities	—	9,952	-9,952	—	—
V Foreign currency translation adjustments	—	243,188	-243,188	—	272,085
Total Shareholders' Equity	—	11,988,466	-11,988,466	—	13,287,904
Total Liabilities & Shareholders' Equity	—	20,627,932	-20,627,932	—	21,032,863

(Unit: '000 Yen, %)

Subject	FY06 3Q	FY05 3Q	Change in Amount		(Reference) FY05
	Amount	Amount	Amount	%	Amount
(Net Assets)					
I Shareholders' Equity					
1. Capital	3,888,887	—	3,888,887	—	—
2. Additional paid-in capital	3,730,308	—	3,730,308	—	—
3. Retained earnings	7,443,975	—	7,443,975	—	—
Total Shareholders' Equity	15,063,170	—	15,063,170	—	—
II Evaluation & Exchange Conversion					
1. Foreign currency translation adjustments	550,223	—	550,223	—	—
Total Evaluation & Exchange Conversion	550,223	—	550,223	—	—
Total Net Assets	15,613,393	—	15,613,393	—	—
Total Liabilities & Net Assets	24,046,279	—	24,046,279	—	—

2. Summary of Consolidated Profit & Loss Statement

(Unit: '000 Yen, %)

Subject	FY06 3Q	FY05 3Q	Change in Amount		(Reference) FY05
	Amount	Amount	Amount	%	Amount
I Sales	21,098,611	17,956,351	3,142,260	17.5	23,992,206
II Cost of Goods Sold	10,060,378	9,205,325	855,053	9.3	12,021,444
Gross Profit	11,038,233	8,751,026	2,287,207	26.1	11,970,762
III Sales & General Administration Cost	7,393,298	6,295,178	1,098,120	17.4	8,546,397
Operating Profit	3,644,935	2,455,848	1,189,087	48.4	3,424,365
IV Nonoperating Revenue	126,924	77,622	49,302	63.5	70,709
V Nonoperating Expense	73,141	70,901	2,240	3.2	107,661
Recurring Profit	3,698,718	2,462,569	1,236,149	50.2	3,387,413
VI Extraordinary Gain	142,965	29,134	113,831	390.7	44,707
VII Extraordinary Loss	5,575	25,113	-19,538	-77.8	31,442
Net Profit before Taxes and Other Adjustments	3,836,108	2,466,590	1,369,518	55.5	3,400,678
Tax Expense	1,519,467	908,138	611,329	67.3	1,254,857
Net Profit	2,316,641	1,558,452	758,189	48.7	2,145,821

(Note) For 3Q, simple accounting method approach is adopted. Therefore, income tax, inhabitant tax and enterprise tax and tax adjustments are combined as tax expense.

3. Summary of Consolidated Cash Flow Statement

(Unit: '000 Yen)

	FY06 3Q	FY05 3Q	(Reference) FY05
	Amount	Amount	Amount
I Operating Cash Flow			
Net profit before taxes and other adjustments	3,836,108	2,466,590	3,400,678
Depreciation	276,838	270,378	365,156
Increase in allowance for doubtful accounts (- represents decrease)	-143,596	70,510	307,547
Interest and dividend income	-110,883	-28,290	-48,617
Interest cost	11,701	20,706	36,768
Decrease in notes and accounts receivable (- represents increase)	-1,972,185	-1,223,647	13,138
Decrease in inventory (- represents increase)	295,927	-659,180	-813,204
Increase in notes and accounts payable (- represents decrease)	613,955	1,042,488	-4,393
Directors' bonus allowance	-28,000	-14,000	-14,000
Others	292,931	344,098	86,914
Subtotal	3,072,796	2,289,653	3,329,987
Interest and dividend received	110,883	28,290	48,617
Interest paid	-11,765	-16,745	-33,225
Income tax paid	-994,871	-892,493	-1,075,204
Operating Cash Flow	2,177,043	1,408,705	2,270,175
II Investing Cash Flow			
Payments for purchase of fixed assets	-220,242	-166,170	-232,142
Proceeds from sale of fixed assets	2,491	4,370	6,287
Proceeds from sale of investment securities	3,288	44,358	66,882
Proceeds from insurance surrender	—	70,117	70,117
Payments for insurance reserve funding	—	-5,873	-5,873
Others	-14,734	7,428	2,153
Investing Cash Flow	-229,197	-45,770	-92,576
III Financing Cash Flow			
Payments for redemption of bonds	-500,000	—	—
Payments for long-term debt	-90,300	-199,300	-399,400
Net increase in short-term debt (- represents net decrease)	—	-50,000	100,000
Payments for long-term accrued liability	-365,196	-108,635	-144,535
Proceeds from stock issuance	167,241	3,688,666	4,356,335
Payments for shareholders' dividends	-408,685	-191,910	-191,910
Financing Cash Flow	-1,196,940	3,138,821	3,720,490
IV Effect of Exchange Rate Changes on Cash and Cash Equivalents	162,597	129,147	211,367
V Net Increase in Cash and Cash Equivalents (- represents Decrease)	913,503	4,630,903	6,109,456
VI Cash and Cash Equivalents at beginning of term	10,342,643	4,233,187	4,233,187
VII Cash and Cash Equivalents at end of term	11,256,146	8,864,090	10,342,643

4. Segment Information

[By Division]

FY06 3Q (Apr. 1, 2006 to Dec.31, 2006)

(Unit: '000 Yen)

	ESD Business	ECS Business	Total	Internal Elimination	Consolidated
Sales					
(1) Sales towards external customers	20,427,557	671,054	21,098,611	—	21,098,611
(2) Sales between internal segments and internal transfer	—	—	—	—	—
Total	20,427,557	671,054	21,098,611	—	21,098,611
Operating Cost	15,592,669	585,436	16,178,105	1,275,571	17,453,676
Operating Profit	4,834,888	85,618	4,920,506	-1,275,571	3,644,935

FY05 3Q (Apr. 1, 2005 to Dec.31, 2005)

(Unit: '000 Yen)

	ESD Business	ECS Business	Total	Internal Elimination	Consolidated
Sales					
(1) Sales towards external customers	17,310,659	645,692	17,956,351	—	17,956,351
(2) Sales between internal segments and internal transfer	—	—	—	—	—
Total	17,310,659	645,692	17,956,351	—	17,956,351
Operating Cost	13,964,349	559,784	14,524,133	976,370	15,500,503
Operating Profit	3,346,310	85,908	3,432,218	-976,370	2,455,848

[By Division]

FY06 3Q (Apr. 1, 2006 to Dec.31, 2006)

(Unit: '000 Yen)

	Japan	US	Europe	Asia & Oceania	Total	Internal Elimination	Consolidated
Sales							
(1) Sales towards external customers	7,942,571	6,754,005	4,682,871	1,719,164	21,098,611	—	21,098,611
(2) Sales between internal segments and internal transfer	8,425,399	73,370	73,060	42,576	8,614,405	-8,614,405	—
Total	16,367,970	6,827,375	4,755,931	1,761,740	29,713,016	-8,614,405	21,098,611
Operating Cost	12,823,352	6,001,211	4,021,820	1,513,097	24,359,480	-6,905,804	17,453,676
Operating Profit	3,544,618	826,164	734,111	248,643	5,353,536	-1,708,601	3,644,935

FY05 3Q (Apr. 1, 2005 to Dec.31, 2005)

(Unit: '000 Yen)

	Japan	US	Europe	Asia & Oceania	Total	Internal Elimination	Consolidated
Sales							
(1) Sales towards external customers	8,648,419	4,808,388	3,638,275	861,269	17,956,351	—	17,956,351
(2) Sales between internal segments and internal transfer	5,321,031	121,963	123,471	54,885	5,621,350	-5,621,350	—
Total	13,969,450	4,930,351	3,761,746	916,154	23,577,701	-5,621,350	17,956,351
Operating Cost	12,163,228	3,976,963	3,085,372	794,408	20,019,971	-4,519,468	15,500,503
Operating Profit	1,806,222	953,389	676,374	121,745	3,557,730	-1,101,882	2,455,848