

FY24-3Q (Apr.-Dec. 2006)

Business Report

Wacom Co., Ltd.

(TSE Sec.1 6727)

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Mid-Term Business Plan and Growth Strategy

Consolidated 3Q Result Summary

- **Sales:** **+17.5%**
 - ESD Business: **+18.0%**
 - ECS Business: **+3.9%**

- **Operating Profit:** **+48.4%**
 - ESD Business: **+44.5%**
 - ECS Business: **-0.3%**

- **Recurring Profit:** **+50.2%**

- **Net Profit (aft. Tax):** **+48.7%**

- **Recipient of TSE “Disclosure New Face Award”**

Consolidated P/L



(m¥)

	FY23-3Q	FY24-3Q	YoY Growth	
	'05/4-12	'06/4-12	Amount	Ratio
Sales	17,956	21,099	3,142	17.5%
Gross Profit	8,751	11,038	2,287	26.1%
GPM	48.7%	52.3%		
Operating Profit	2,456	3,645	1,189	48.4%
OPM	13.7%	17.3%		
Recurring Profit	2,463	3,699	1,236	50.2%
Net Profit aft. Tax	1,558	2,317	758	48.7%

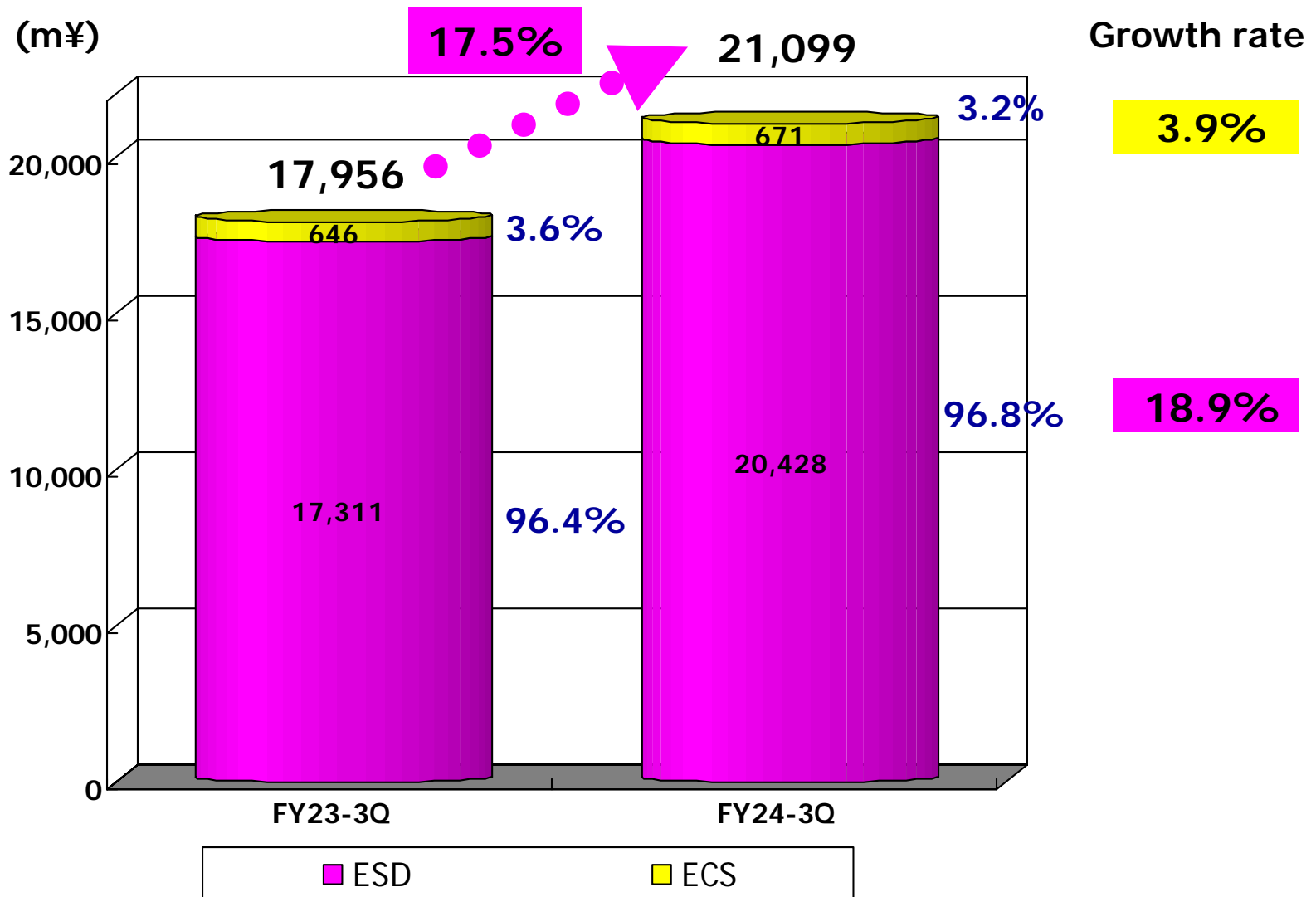
Consolidated Result by Business Segment



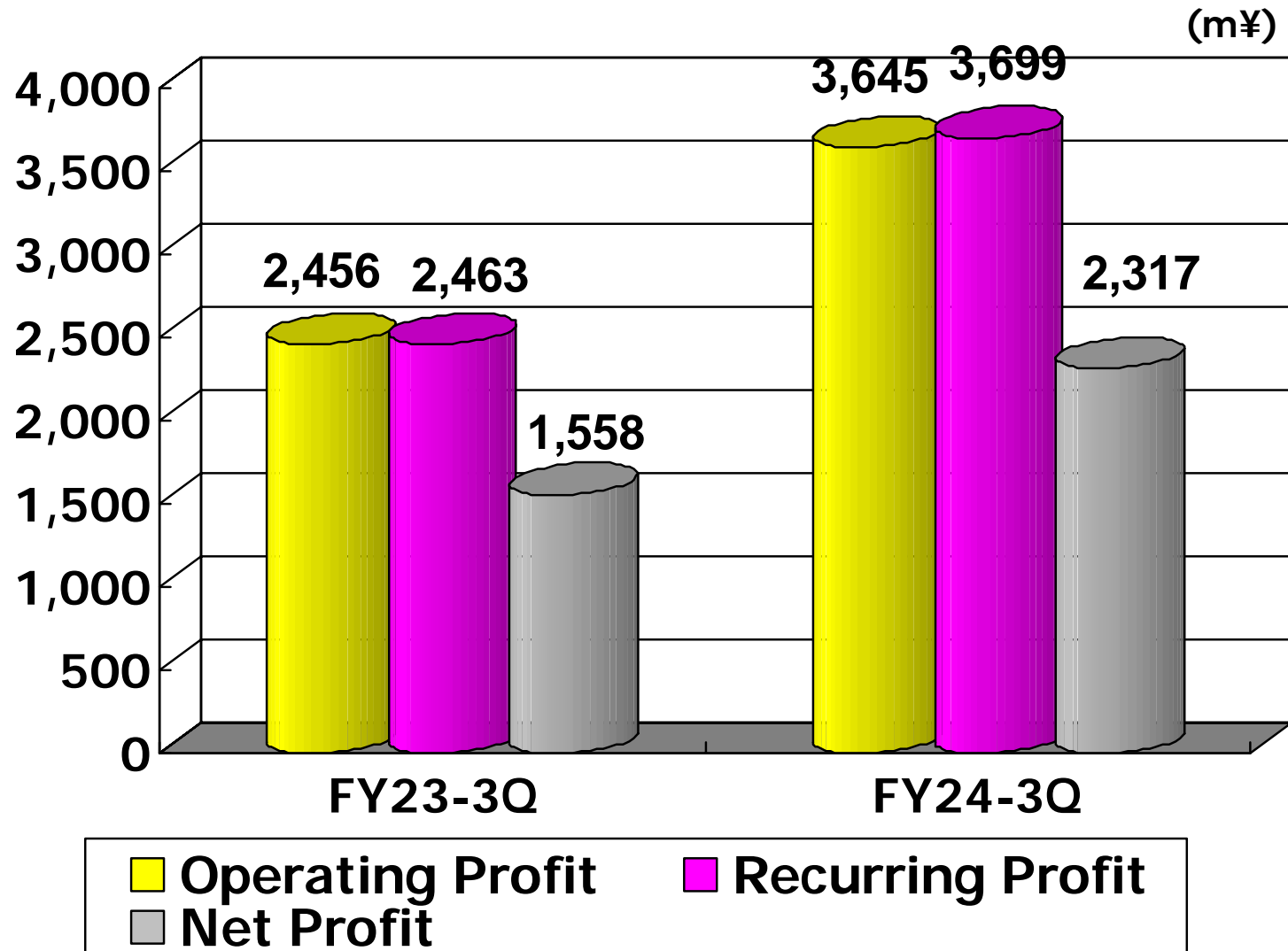
(m¥)

	FY23-3Q	FY24-3Q	YoY Growth	
	'05/4-12	'06/4-12	Amount	Ratio
Sales	17,956	21,099	3,142	17.5%
ESD	17,311	20,428	3,117	18.0%
ECS	646	671	25	3.9%
OP	2,456	3,645	1,189	48.4%
ESD	3,346	4,835	1,489	44.5%
ECS	86	86	-0	-0.3%
Corp. and Other	-976	-1,276	-299	30.6%
OPM	13.7%	17.3%		

Consolidated Sales Comparison



Consolidated Profit Comparison



Operating Expenses Comparison

(m¥)

	FY23-3Q	FY24-3Q	YoY Growth	
	'05/4-12	'06/4-12	Amount	Ratio
Personnel	2,552	2,998	446	17.5%
R&D	552	608	608	10.2%
Ad. & Promo.	1,379	1,461	82	5.9%
Other	1,812	2,316	514	28.4%
Total	6,295	7,393	1,098	17.4%

Main Increases

- Increase in employees and allowance for bonus payable
- Project expenses : Global branding, APA preparation, and J-SOX
- Infrastructure investment: WSP establishment, HR/hiring expenses

ESD

■ Tablet business

- Although domestic PC shipments decreased, tablet business was strong with steady Christmas sales in U.S. and EU.
- Professional graphics tablet **+25.0%**
 - Favorable growth in U.S. and EU area
 - Growth continued to be strong in China, Asia and Oceania
 - High-amateur users segment expanded in China
- Consumer graphics tablet **+16.2%**
 - Favorable Christmas sales
 - Flat growth in Japan due to general weakness of PC market
 - EU, Asia and Oceania maintained high growth
- LCD Integrated tablet **+47.4%**
 - US: Graphics segment doubled, education segment expanded
 - Asia and Oceania showed substantial growth
 - EU: Cintiq21 received reddot design award (June)



reddot design award
winner 2006

■ Components

-10.7%



- Slowdown due to inventory adjustment for Tablet PCs and delay in “Windows Vista” launch
- Developed system solutions integrating EMR pen technology with touch panels
 - Lenovo adopted “**Penabled DualTouch**” technology for Tablet PCs, releasing “ThinkPad X60 Tablet” (December)
 - “**Penabled DualPad**” technology for notebook PCs, adopted by Fujitsu FMV-BIBLO NB series (April)
- Developed EMR pen tablet sensor system for large size displays

■ Others

- WAU (Australia subsidiary) began operation (April)
- WSP (Singapore subsidiary) established (May)
- Exhibit in MS WinHEC2006 (Seattle US in May, Tokyo in June)
- Started global marketing targeting Windows Vista

Business Highlight -3

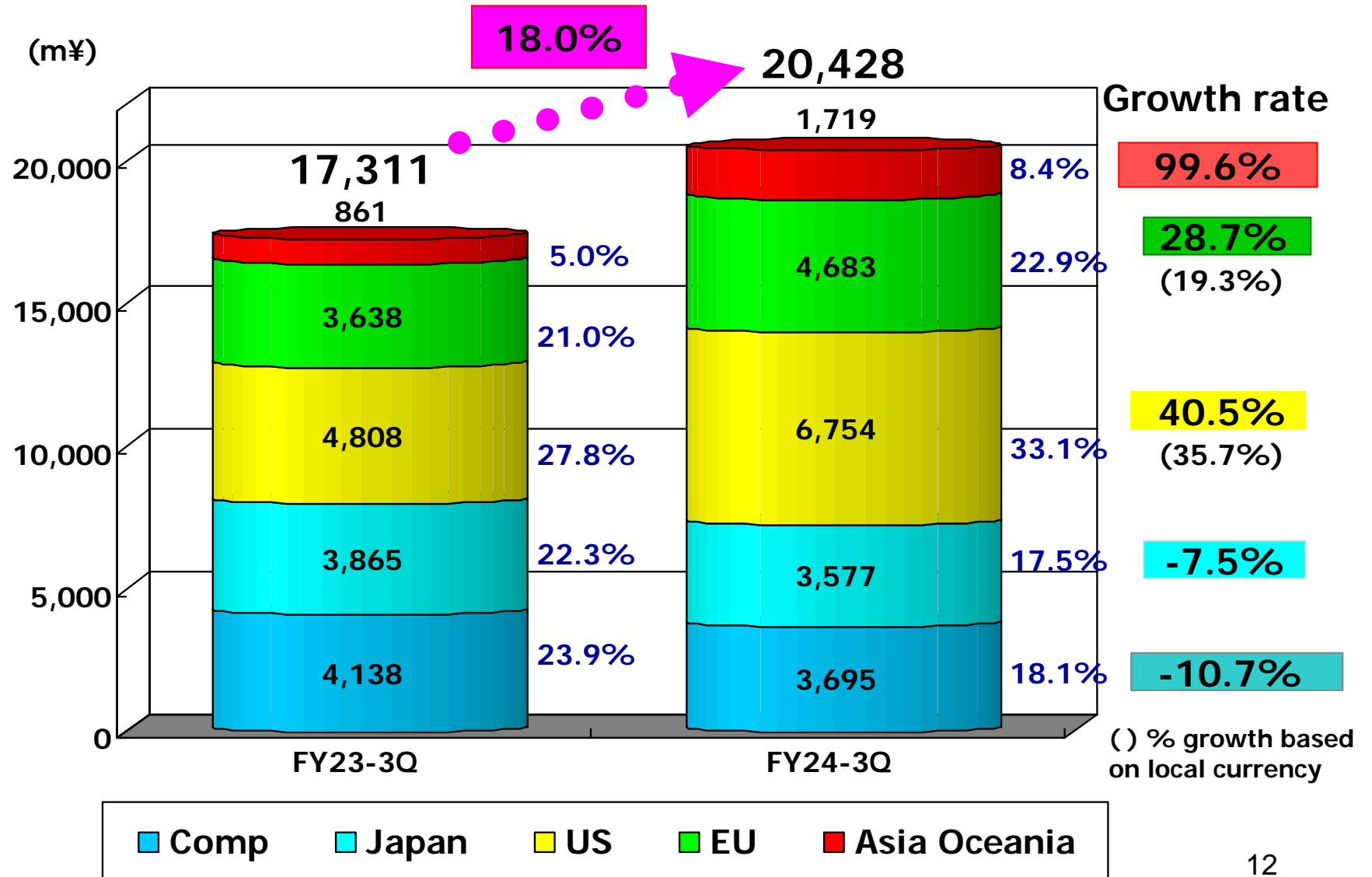
ECS

- ECAD/dio V7.0 steadily received as capital expenditure increases in Japan
- PDM business developed providing engineering services, technical support, and maintenance

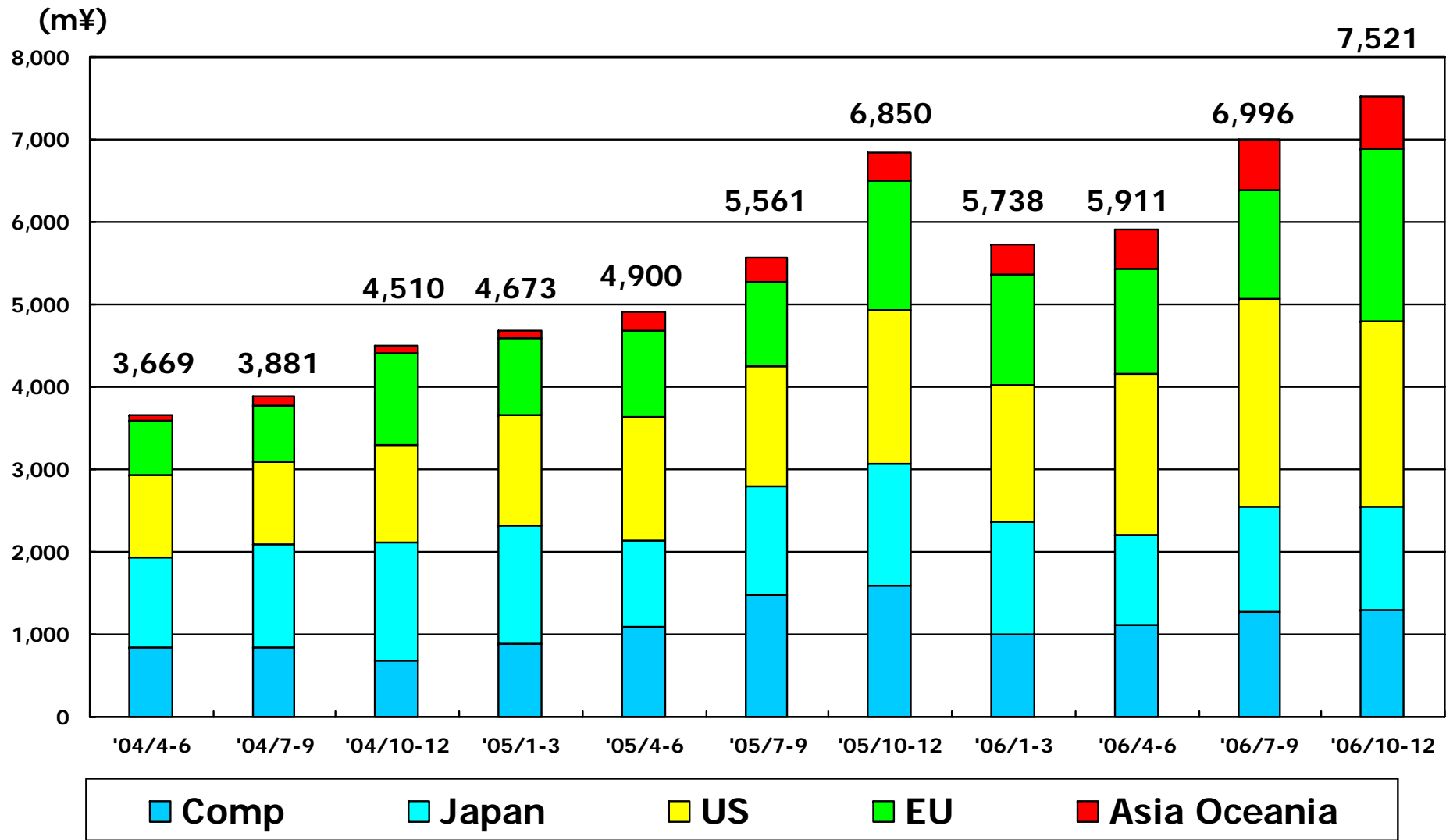
Administration

- Applied for Japan-U.S. APA (Advance Pricing Agreement) in June, changed transfer pricing to overseas subsidiaries and revised parent financial forecast
- Established Internal Control Office and started J-SOX project
- Appointed "PricewaterhouseCoopers Aarata" as a temporary independent auditor (July)
- Initiated Global Branding Project
- Integrated Environmental control and Quality control into New QMS (Quality Management System)

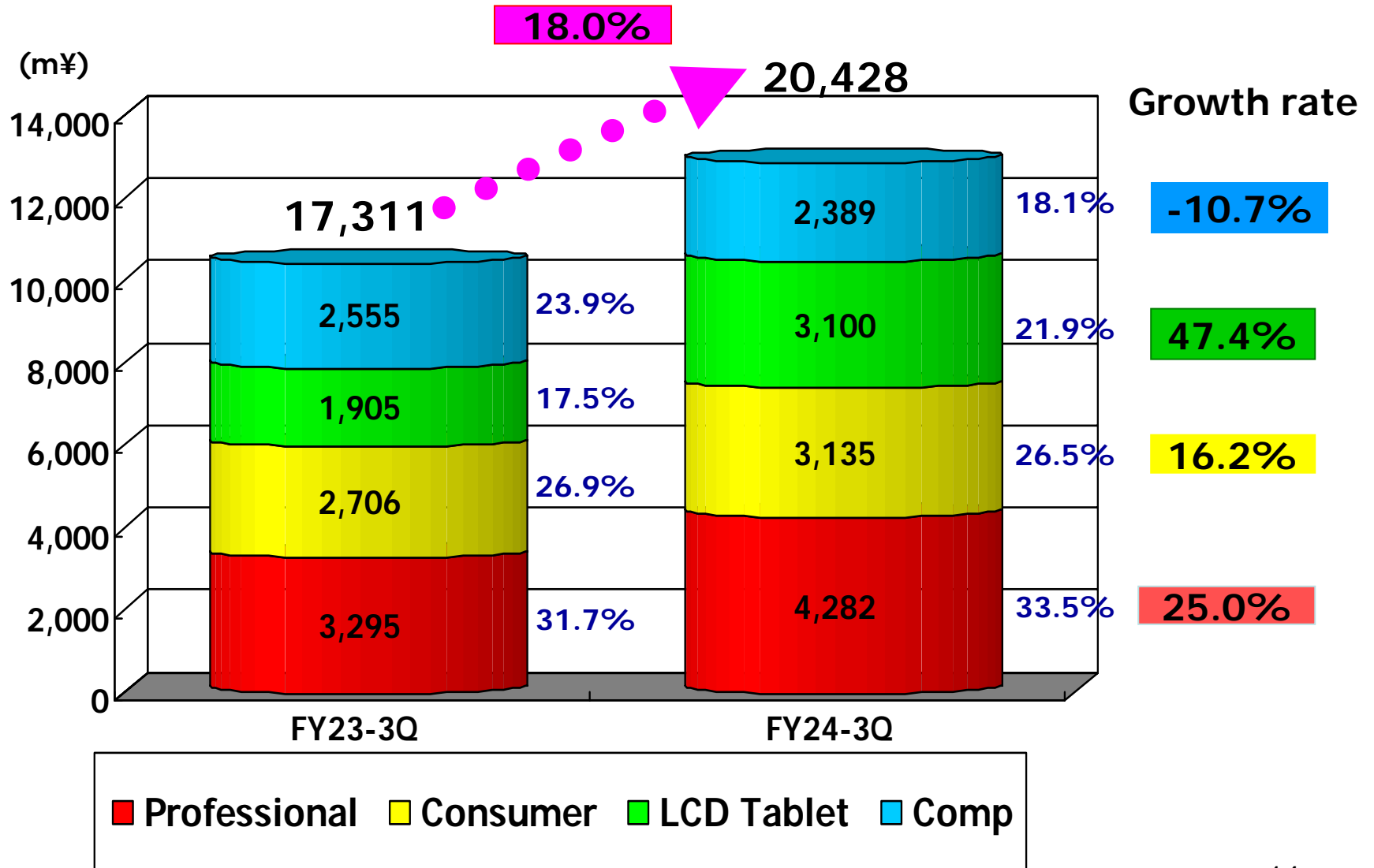
ESD Sales by Region



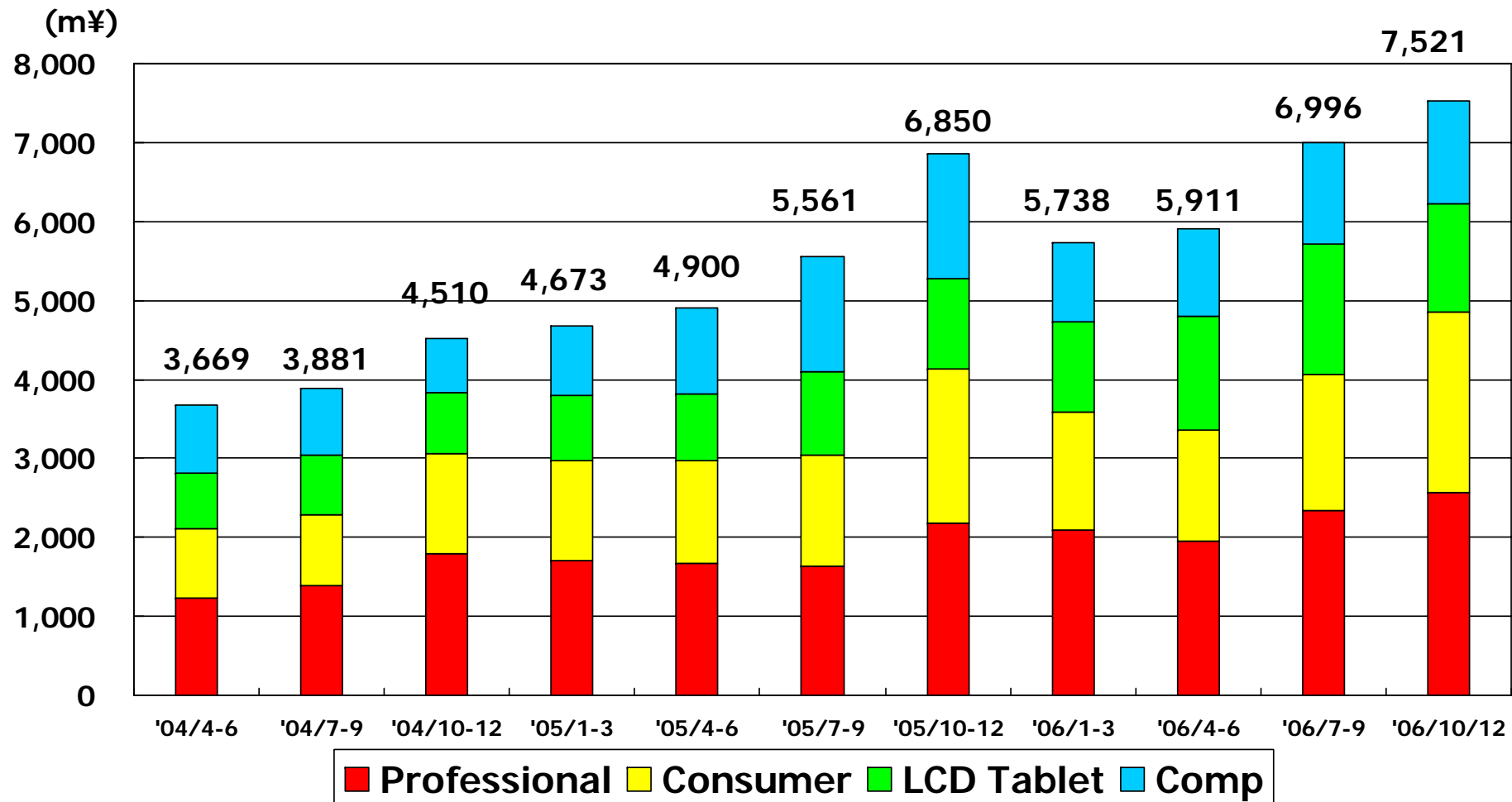
ESD Quarterly Trend by Region



ESD Sales by Product Line



ESD Quarterly Trend by Product Line



Consolidated B/S



(m¥)

	Mar. 31, 2006	Dec. 31, 2006	YoY Growth
Current assets	16,923	20,025	3,102
Fixed assets	4,110	4,021	△89
Total assets	21,033	24,046	3,013
Current liabilities	6,949	7,770	821
Fixed liabilities	796	663	△133
Total liabilities	7,745	8,433	688
Minority interest in consolidated subsidiaries	0	0	0
Total shareholders' equity (Net assets)	13,288	15,613	2,325
Total liabilities and shareholders' equity (Net assets)	21,033	24,046	3,013
Equity ratio	63.2%	64.9%	1.7%
Book value per share (¥)	32,137.43	37,584.60	5,447.17

Consolidated B/S Highlight



- Increase of paid-in capital : **¥188m**
- Equity ratio: **+1.7%**
63.2%(End of Mar. 2006) → 64.9%(End of Dec. 2006)
- Book value per share
(net assets): **+¥5,447 (+17.0%)**
¥32,137 (End of Mar. 2006)
→ ¥37,584 (End of Dec. 2006)

Consolidated C/F

(m¥)

	FY23-3Q	FY24-3Q	YoY Growth
	FY05	FY06	Amount
C/F from operating activities	1,409	2,177	768
C/F from investing activities	△46	△229	△183
C/F from financing activities	3,139	△1,197	△4,336
Effect of change in exchange rate	129	163	33
Increase of cash & cash equivalent	4,631	914	△3,717
Beginning balance of Cash & cash equivalent	4,233	10,343	6,109
Ending balance of cash and cash equivalent	8,864	11,256	2,392

C/F from operating activities (m¥)

·Net profit before taxes	3,836
·Increase in notes and accounts receivable	-1,972

C/F from investing activities

·Acquisition of fixed asset	-220
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C/F from financing activities

·Redemption of bonds payment	-500
·Dividends payment	-409

ESD

- Continuous growth in tablet business
 - Enhancing Global marketing targeting Windows Vista release
 - Professional graphics
 - Worldwide sales and new market development for **Intuos3**
 - New channel expansion in China, Australia, Korea, and AP
 - Consumer graphics
 - Expanding market from Graphic use to Personal use
 - Branding investments and new channel development
 - Further expansion of wireless product
 - LCD integrated tablet
 - Expansion of **Cintiq21UX** sales in high-end graphics market
 - Penetration of medical (electronic medical chart) market
 - Widening to educational market and new markets
 - Spread to general distribution

ESD

- Continued investment in component business
 - Expansion in supply of “**Penabled DualTouch**” technology
 - New user exploration of desktop TabletPC
 - Development of new customers in Smart Phone, e-Paper, and PDA
 - Penabled application partnership expansion
 - Cultivate new customers in game and info-appliances
- SCM and QA enhancement
 - Global SCM process enhancement
 - QCD (quality, cost and delivery) improvements
 - Enhancement of overseas SCM offices
- R&D investments
 - “Windows Vista” related new products development
 - Next generation basic technology development and current technology/product improvement
- New Business Development



ECS

- Expansion of “ECAD/dioV7.0” customer base
- Establishment of PDM services business

Corporate and Other

- Global branding investment
- J-SOX compliance and enhancement in global corporate governance
- Global IT infrastructure investment
- ISO9001 & ISO14001 integration

FY06 Forecast



(m¥)

Consolidated Forecast	Actual	Initial Forecast	Revised Forecast (10/31)	Revised-Initial Forecast	Growth Rate (YoY)
	FY23 '05/4-'06/3	FY24 '06/4-'07/3	FY24 '06/4-'07/3		
Sales	23,992	28,000	28,300	300	18.0%
RP	3,387	3,900	4,350	450	28.4%
NP	2,146	2,450	2,600	150	21.2%

(m¥)

Parent Forecast	Actual	Initial Forecast	Revised Forecast (7/11)	Revised-Initial Forecast	Growth Rate (YoY)
	FY23 '05/4-'06/3	FY24 '06/4-'07/3	FY24 '06/4-'07/3		
Sales	18,303	21,400	23,000	1,600	25.7%
RP	1,044	1,100	2,800	1,700	168.3%
NP	685	700	1,760	1,060	156.8%

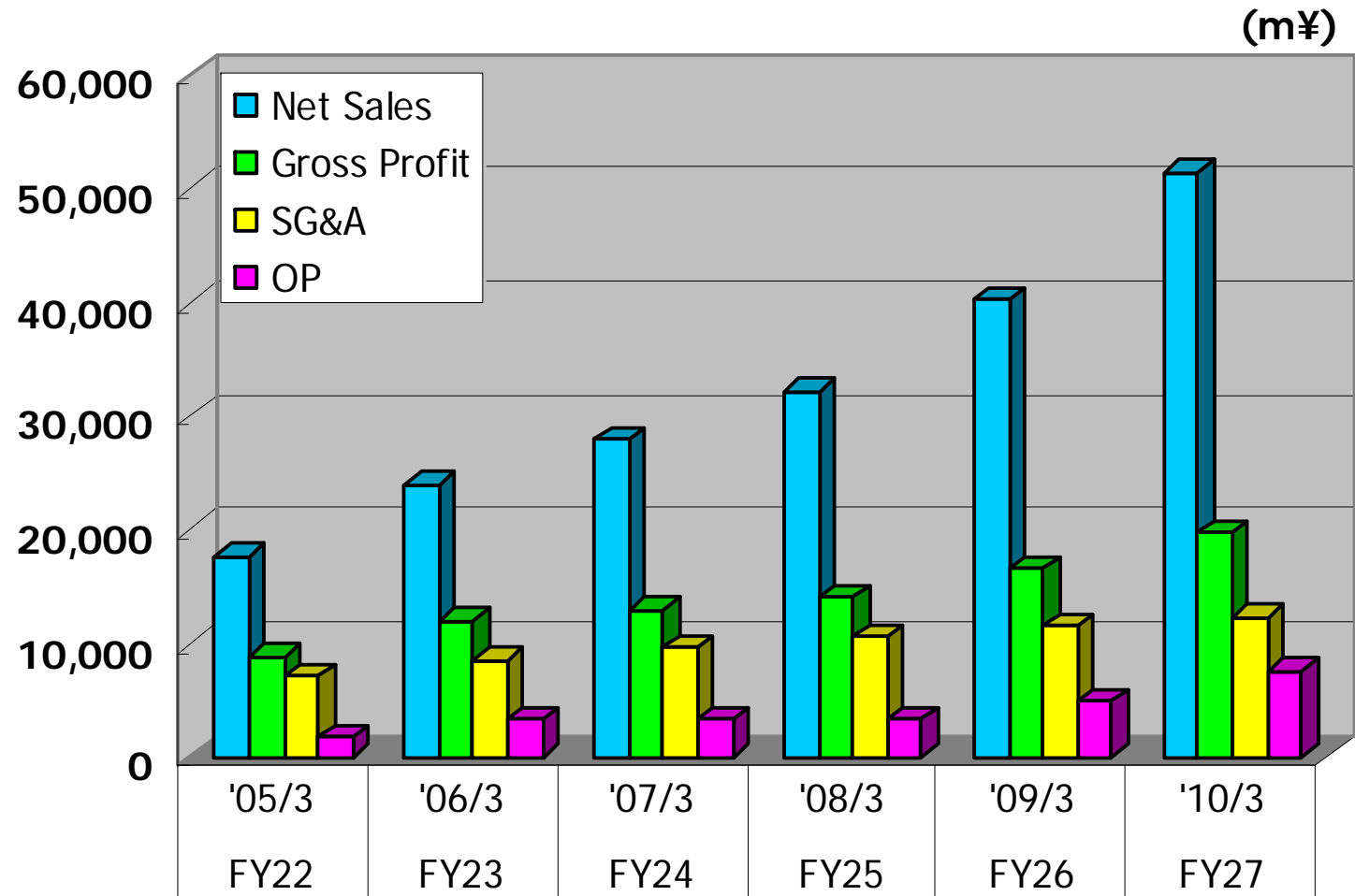
■ Basic Strategy

Focus on “Human Interface Solutions” and
Establish “De-facto Standard”
in Digital Paper Era

■ WP515: Financial Goals

- By FY27 (ends March 2010)
 - Consolidated revenue: 50 billion Japanese yen
 - Consolidated operating income margin: 15%

Consolidated P/L Forecast



Growth Strategy -1



- Strengthen leadership in tablet industry for the growth
 - Strengthen leadership in product by global branding
 - Expand new segments and regional coverage to AP and BRICs
 - Guide professional users to LCD pen tablets
- Expand component business
 - Expand Tablet PC from mobile to desktop platform
 - Expand platforms from PC to mobile phone, game, and info-appliances
- Global branding and enhancing its value
 - Invest in global brand enhancements
 - Continue to improve customer values
- New technology and new business development
 - Develop new generation pen sensor technology
 - Develop and/or acquire new UI technology
 - Merge display technology with pen sensor technology
 - Develop new business segments and M&A

Growth Strategy -2



- Strengthen/integrate global SCM function
 - Optimal SCM solution in QCD (quality, cost, and delivery)
 - Utilize EMS and integrate QCD process
 - Black box production of key components
- Strengthen/integrate global QA function
 - Build global QA process including EMS
 - Enhance organization and human resources
- Global process integration and global IT support
 - Global business process reengineering
 - Pursue high productivity and efficiency by global IT support
 - SOX compliance
- Enhancing global partnerships
 - OS, application, display, and solutions
 - Promote PPP (Penabled Partnership Program)

Global Operation



Wacom Component Europe



Wacom Digital Solutions

Wacom Tech. Corp.



Wacom China Corp.

Wacom Co., Ltd.

Wacom Europe GmbH



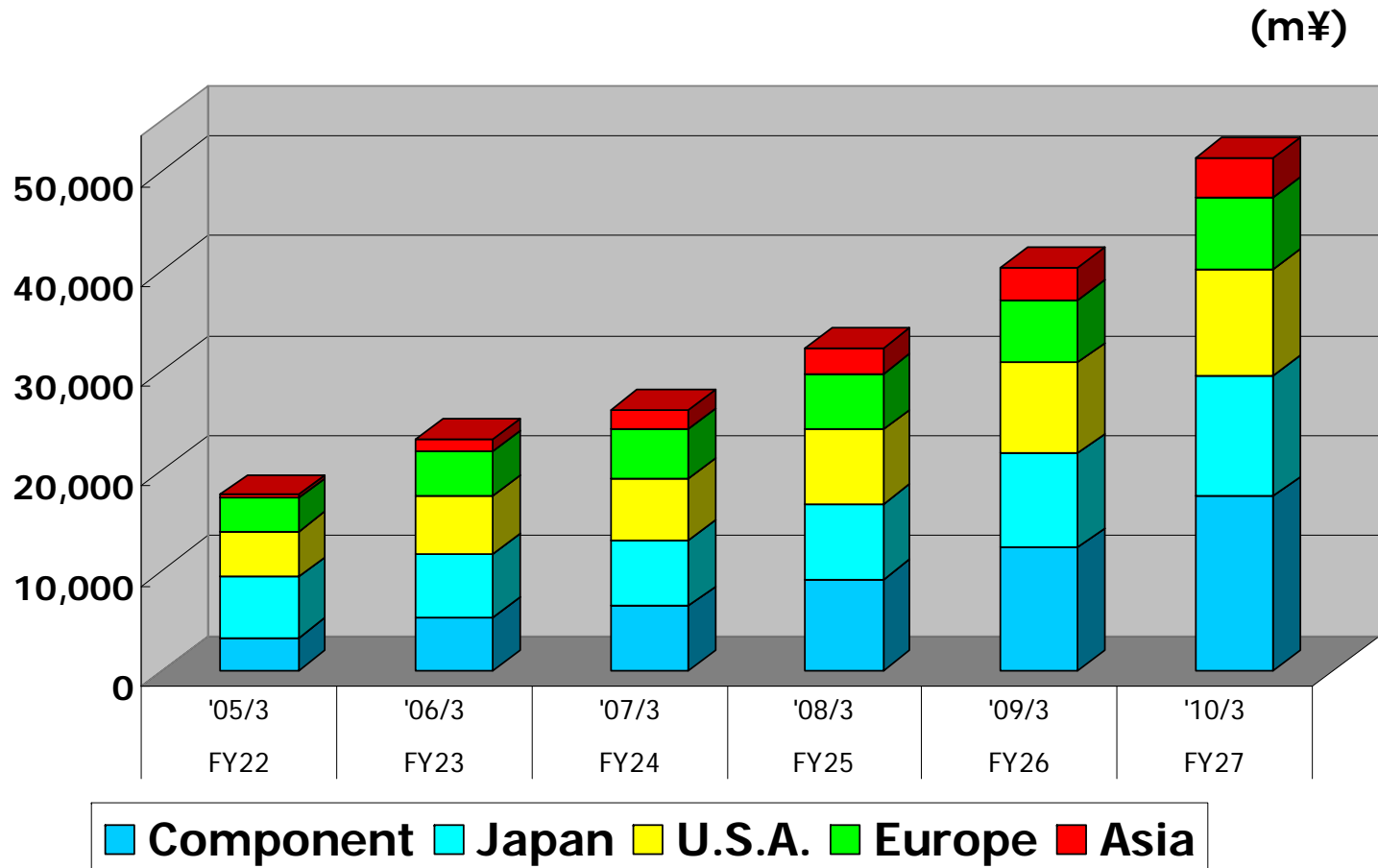
**Taipei
Moscow
Shanghai**

**Wacom Singapore
Pte Ltd.**



Wacom Australia Pty. Ltd.

Sales Forecast by Region



Product Portfolio of ESD



COMPONENT

Mobile



Business

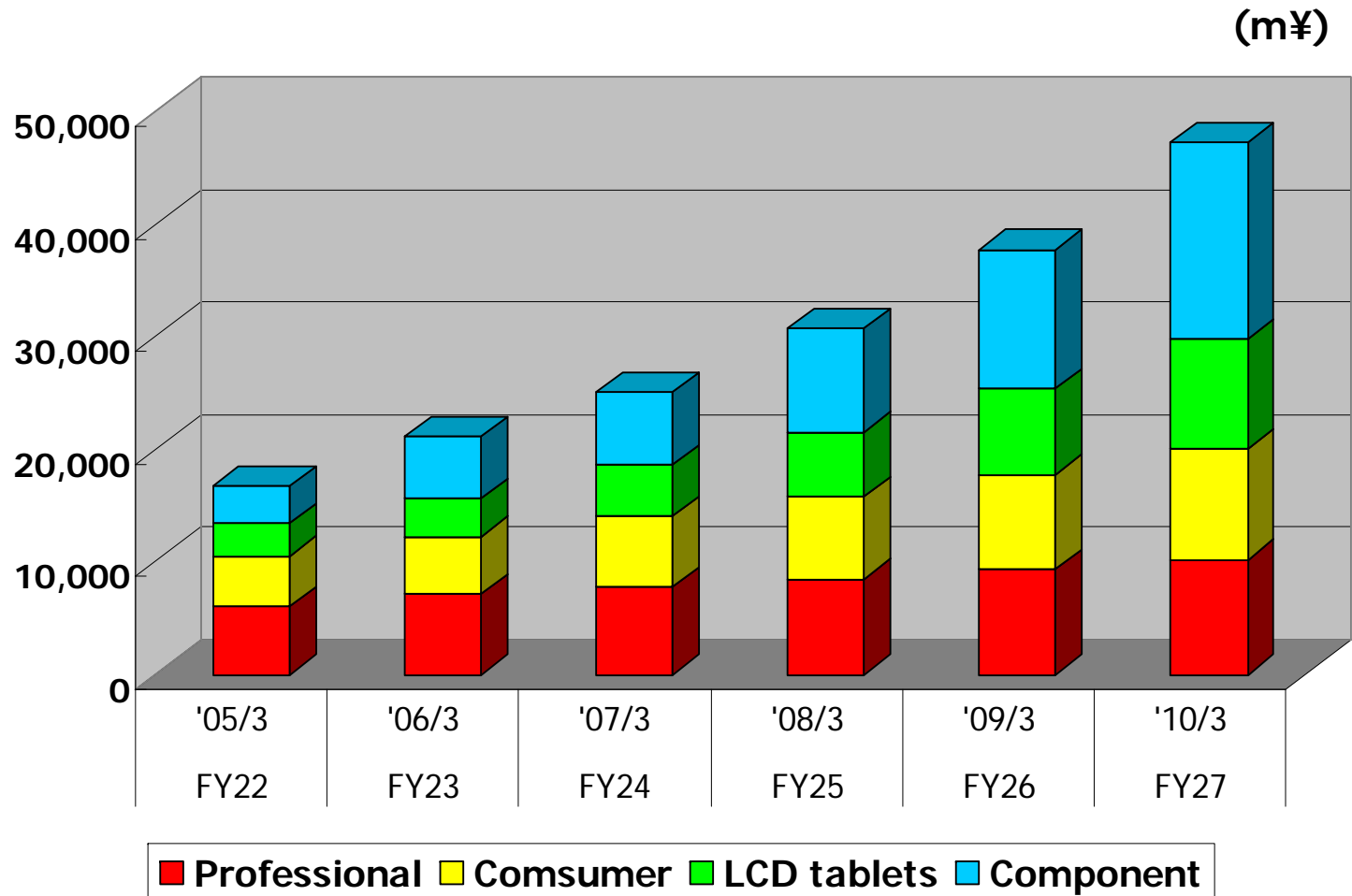
Consumer

WACOM TABLET



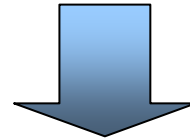
Desktop

Sales Forecast by Product Line

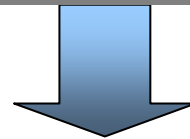


Product Line Strategy

- Advanced design tools for professionals
- Natural and intuitive input device for consumers
- Intuitive UI solutions for vertical applications
- Low-cost, high-performance pen technology for mobile info-appliances



Technology Standard



**De-facto Standard
in Digital Paper Era**





<http://www.wacom.co.jp/english/index.html>

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