

# **FY25-1Q (Apr.-Jun. 2007) Business Report**

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**Wacom Co., Ltd.**

(TSE Sec.1 6727)

July 31, 2007



- **FY07-1Q Consolidated Summary**
- **Consolidated P/L**
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- **Growth strategy**

# FY07 Consolidated Result Summary



- **Sales:** **+27.9%**
  - ESD Business: **+28.9%**
  - ECS Business: **-0.4%**
  
- **Operating Profit:** **+2.7%**
  - ESD Business: **+20.0%**
  - ECS Business: **-11.7%**
  
- **Recurring Profit:** **+3.6%**
  
- **Net Profit (aft. Tax):** **+3.6%**

# Consolidated P/L



(m¥)

	FY24-1Q	FY25-1Q	YoY Growth	
	'06/4-6	'07/4-6	Amount	Ratio
<b>Sales</b>	6,126	7,832	1,706	27.9%
<b>Gross Profit</b>	3,123	3,980	857	27.4%
<b>GPM</b>	51.0%	50.8%		
<b>Operating Profit</b>	880	904	24	2.7%
<b>OPM</b>	14.4%	11.5%		
<b>Recurring Profit</b>	877	909	32	3.6%
<b>Net Profit aft. Tax</b>	516	535	19	3.6%

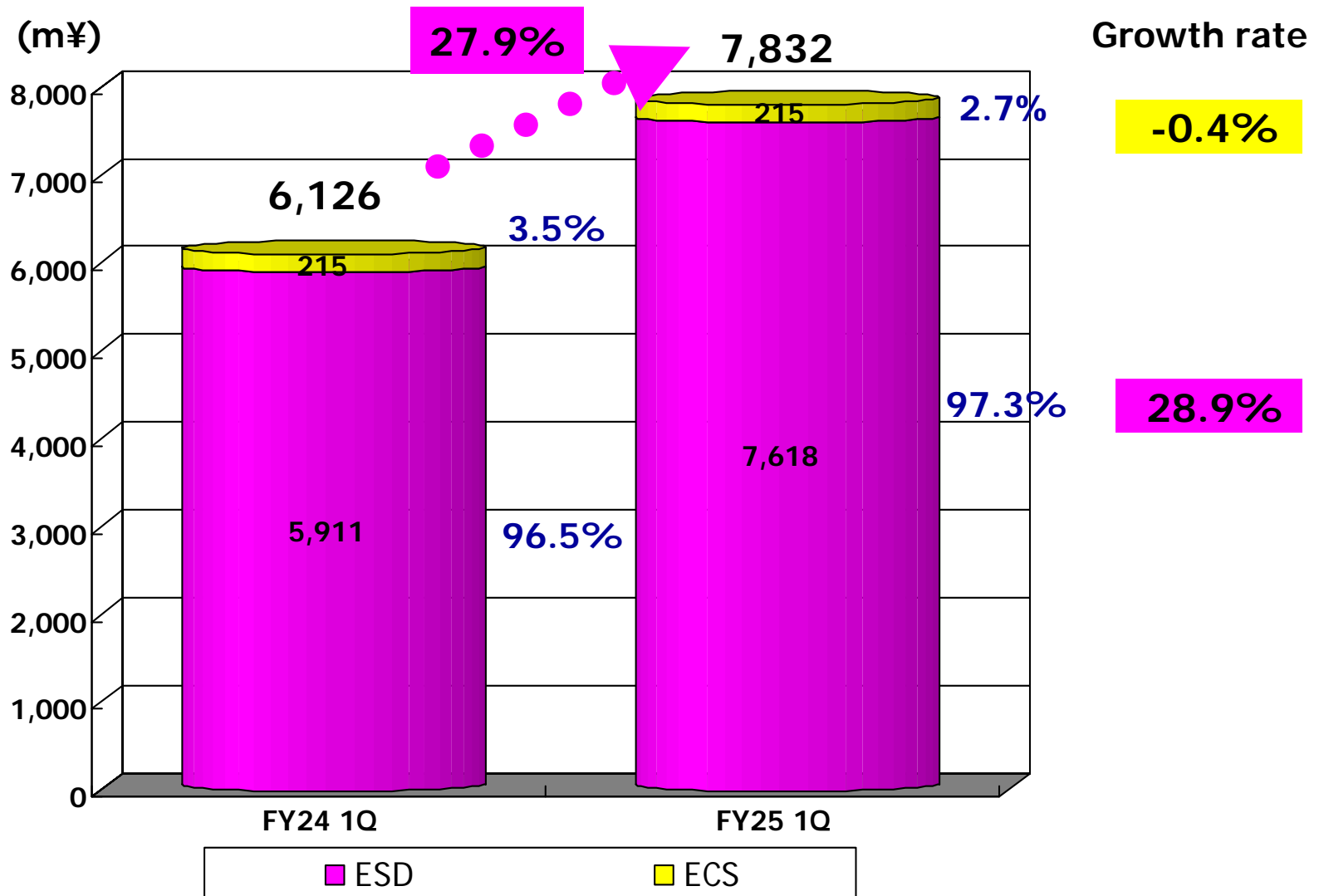
# Consol. P/L by Business Segment



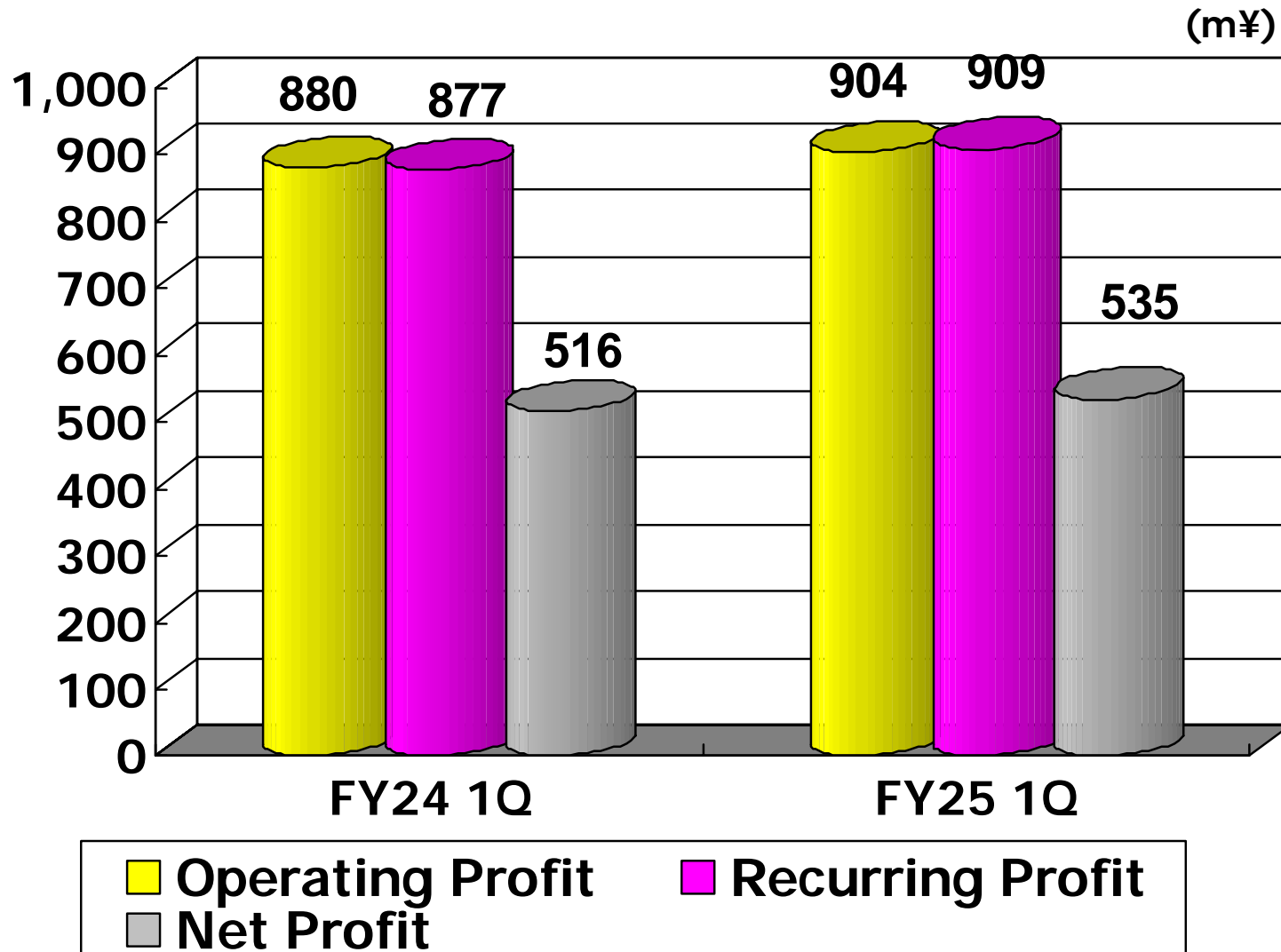
(m¥)

	FY24-1Q	FY25-1Q	YoY Growth	
	'06/4-6	'07/4-6	Amount	Ratio
<b>Sales</b>	6,126	7,832	1,706	27.9%
<b>ESD</b>	5,911	7,618	1,707	28.9%
<b>ECS</b>	215	215	Δ1	Δ0.4%
<b>OP</b>	880	904	24	2.7%
<b>ESD</b>	1,219	1,464	244	20.0%
<b>ECS</b>	30	26	Δ3	Δ11.7%
<b>Corp. and Other</b>	Δ370	Δ586	Δ217	58.6%
<b>OPM</b>	14.4%	11.5%		

# Consolidated Sales Comparison



# Consolidated Profit Comparison



# Operating Expenses Comparison



(m¥)

	FY24-1Q	FY25-1Q	YoY Growth	
	'06/4-6	'07/4-6	Amount	Ratio
Personnel	874	1,207	332	38.0%
R&D	181	300	119	66.0%
Ad. & Promo.	461	548	87	18.8%
Other	727	1,022	295	40.5%
<b>Total</b>	<b>2,244</b>	<b>3,077</b>	<b>833</b>	<b>37.1%</b>

## Main Increases

- Increase in employees headcount and allowance for bonus payable
- R&D expenses for new product developments and NBD projects
- Project expenses: Global branding, J-SOX project, M&A-related expenses

# Business Highlight -1



## ESD

In spite of high oil price and uncertainty in U.S. economy outlook, tablet business showed steady expansion in U.S. and Asia-Oceania. Component business resumed growth by Windows Vista introduction.

### ■ Tablet Business

#### ■ Professional graphics tablet

**+31.6%**

- Steady growth in U.S., Asia-Oceania
- Flat growth in Japan and EU
- Shipment doubled in China



#### ■ Consumer graphics tablet

**+43.3%**

- “Bamboo” launched for business and general PC users (May)
- Shipment doubled in U.S. and Asia-Oceania
- Strong “Bamboo” sales, and slow low-end and OEM sales in EU
- Slower mass merchant channel adoption in Japan



reddot design award  
winner 2007

#### ■ LCD Integrated Tablet

**- 0.4%**

- LCD panel supply shortage impacted the launch and sales of new product
- Strong demands in U.S. and Asia-Oceania resulted in backlog

## ■ Component Business

+43.9%



- Shipment for Tablet PC Windows Vista models increased
- Module solution shipment, combining LCD panel with pen and touch sensors, increased for Lenovo and Gateway
- With the acquisition TouchKO, added capacitive touch sensor technology to UI technology solutions (June)

## ■ Others

- Acquisition of TouchKO (Austin, Texas, U.S.A.) (June)
- Preparation for mass production of LCD tablet 'SignPad' (a signature verification terminal)



## ECS

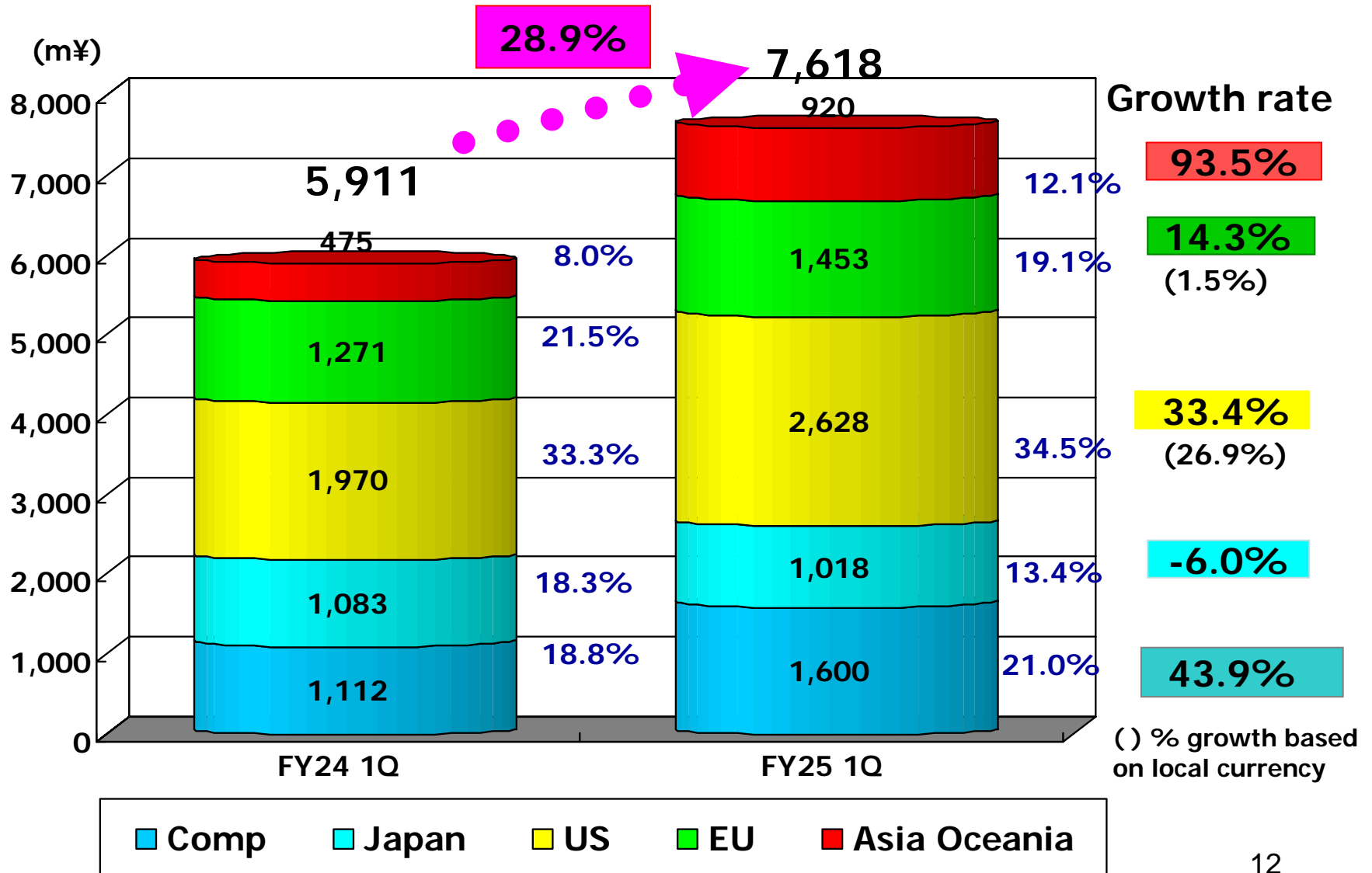
- Focused marketing for new user development and replacement of competitive products with "ECAD/dio Ver.7.0"
- Development of new product, "Project Management System" based on PDM for offering higher solution value to existing customers

## F&A (Corporate)

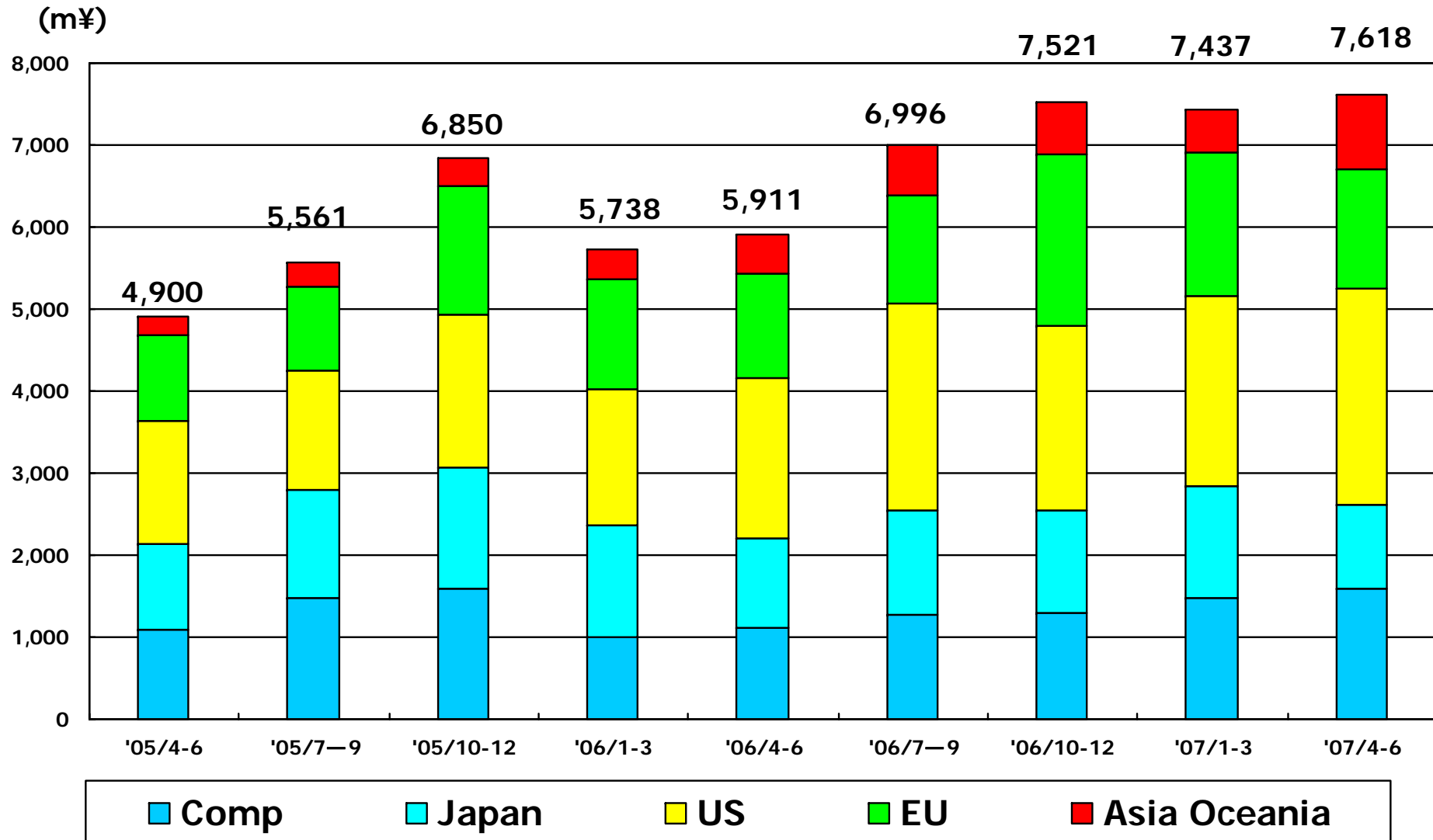
- Introduction of takeover defense plan with a change in Article of Incorporation (June)
- Added top executives of main oversea subsidiaries to Executive Officers at Wacom Co., Ltd. (June)
- Dissolution of WCE (within FY25) was determined (June)
  - Component R&D for mobile terminals moves back to Japan

\* WCE: Wacom Component Europe, a UK subsidiary
- Applied for Japan-Germany APA (Advance Pricing Agreement) in June

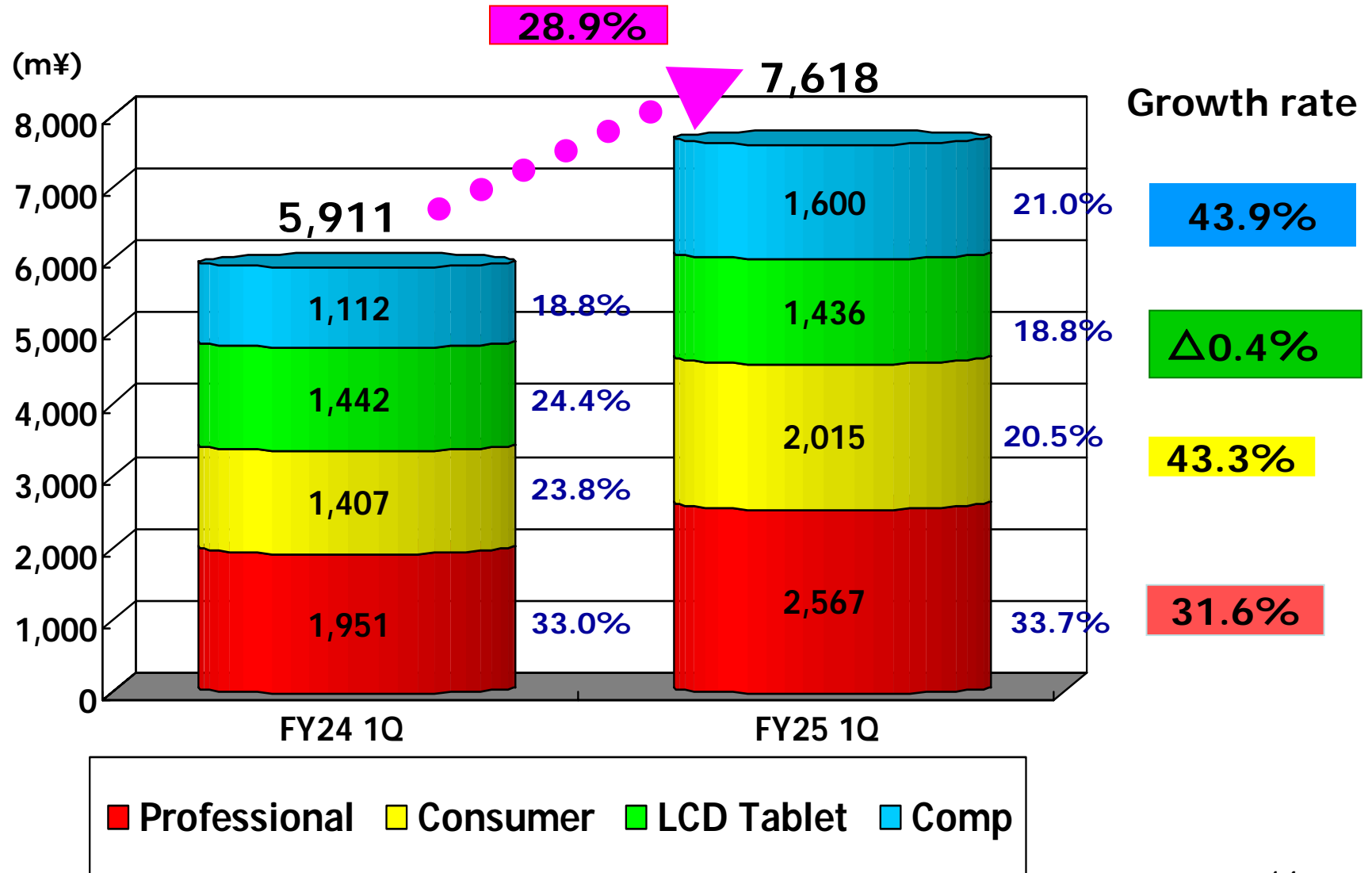
# ESD Sales by Region



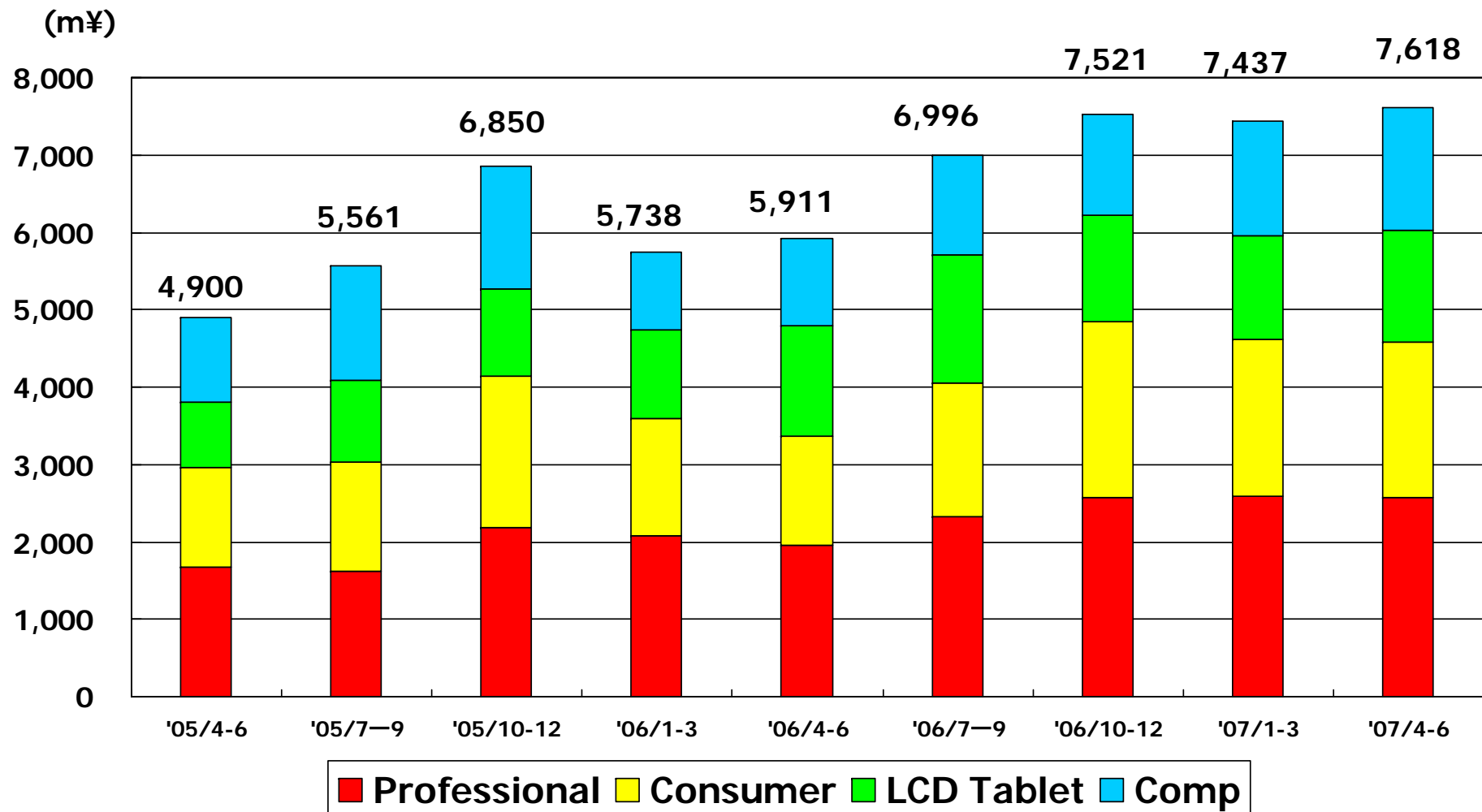
# ESD Quarterly Trend by Region



# ESD Sales by Product Line



# ESD Quarterly Trend by Product Line



# Consolidated B/S



(m¥)

	Mar. 31, 2007	Jun. 30, 2007	YoY Growth
Current assets	20,958	20,600	△358
Fixed assets	4,194	4,633	438
Total assets	25,152	25,232	80
Current liabilities	8,170	7,916	△253
Fixed liabilities	662	721	58
Total liabilities	8,832	8,637	△195
Minority interest in consolidated subsidiaries	0	0	0
Net assets	16,320	16,595	275
Total liabilities and Net assets	25,152	25,232	80
Equity ratio	64.9%	65.8%	0.9%
Book value per share (¥)	38,978.35	39,609.01	630.66

¥ 414m of increase in fixed assets relates to TouchKO purchase

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# Consolidated B/S Highlight



- Retained earnings : **-¥93m**

¥7,982m (End of Mar. 2007) → ¥7,887m (End of Jun. 2007)  
(Net profit of ¥535m – Dividends payment of ¥628m)

- Equity ratio: **+0.9 Pts.**

64.9%(End of Mar. 2007) → 65.8%(End of Jun. 2007)

- Book value per share: **+¥631**

¥38,978 (End of Mar. 2007) → ¥39,609 (End of Jun. 2007)

# Consolidated C/F



	FY24-1Q	FY25-1Q	YoY Growth
	'06/4-6	'07/4-6	Amount
C/F from operating activities	Δ298	Δ162	136
C/F from investing activities	Δ63	Δ686	Δ622
C/F from financing activities	Δ210	Δ517	Δ308
Effect of change in exchange rate	Δ26	233	259
Increase of cash & cash equivalent	Δ597	Δ1,132	Δ535
Beginning balance of cash & cash equivalent	10,343	12,707	2,365
Ending balance of cash and cash equivalent	9,746	11,575	1,829

(m¥)

## C/F from operating activities (m¥)

- Net profit before taxes 906
- Increase in notes and accounts receivable -558
- Increase in notes and accounts payable, trade 413
- Payment for income tax -1,067

## C/F from investing activities

- Acquisition of fixed asset (IT infrastructure, air conditioning, die) -303
- Acquisition of subsidiary shares -372

## C/F from financing activities

- Dividends payment -541

- Launch of global brand initiative to strengthen global leadership
- Investment to support future growth
  - New technology and product development, IT infrastructure, SCM, QA global organization

## ESD

- Professional graphics tablet
  - Channel expansion and enhanced marketing in Europe and Asia
  - Focused on graphics and web designers, and fine artists
  - Promotion to high-end digital camera users
- Consumer graphics tablet
  - Launch of a new global consumer brand
  - Establishment of business and general PC user segment
  - Promotion of pen capability in Windows Vista and Office 2007
- LCD integrated tablet
  - Expansion of product line for growth acceleration
  - Transitioning Intuos users toward Cintiq products
  - Promotion of LCD integrated tablets in business

- Acceleration of component business growth
  - Enhancement of leadership in Tablet PC market
  - Promotion of Penabled 'Pen+Touch' solutions
  - LCD integrated sensor module for improved value for customers
  - Development of new segments such as game, PDA, info-appliances
- SCM system and process enhancement
  - SCM system investment and integration with supply chain partners
  - Enhancement of Asian SCM base
  - IT infrastructure investment
  - Cost reduction
- R&D investment
  - New product development and launch for FY25
  - Development of next generation products
  - Development of new generation technology
  - Enhancement in R&D organization
- New Business Development
  - Expansion of business line
  - Development and launch of new product lines



LCD tablet 'SignPad'

## ECS

- Focused marketing and promotion on ECAD/dio product line for top and bottom-line growth
- Value added integration support with PDM to E-CAD customer base
- Development of 'Windows Vista versions' for future growth

## F&A (Corporate)

- Global brand development and launch for higher consumer market recognition and global leadership
- Internal control and risk management
  - Establishment of J-SOX compliant internal control system
  - Compliance with transfer pricing (TP) policies in key regions
  - Installation of policies related to hostile take over
- Improvement of global IT infrastructure for higher efficiency
  - Managerial accounting, financial reporting, SCM, information security and risk management
- Enhancement and protection of IP assets
  - Patent application, patent purchase and M&A to expand IP asset base
  - Protection of IP against infringements

# Revision of FY07 Forecast



(mY)

Consolidated Forecast	Results	Initial Forecast	Revised Forecast	Revised – Initial Forecast	Growth rate (YoY)
	FY24 1H '06/4-9	FY25 1H '07/4-9	FY25 1H '07/4-9		
Sales	13,363	15,200	17,000	1,800	27.2%
OP	1,957	1,620	1,800	180	-8.0%
RP	1,987	1,600	1,830	230	-7.9%
NP	1,219	960	1,090	130	-10.5%

(mY)

Consolidated Forecast	Results	Initial Forecast	Revised Forecast	Revised – Initial Forecast	Growth rate (YoY)
	FY24 '06/4-'07/3	FY25 '07/4-'08/3	FY25 '07/4-'08/3		
Sales	28,787	35,000	37,000	2,000	28.5%
OP	4,565	5,050	5,400	350	18.3%
RP	4,638	5,000	5,450	450	17.5%
NP	2,853	3,000	3,280	280	15.0%

■ FX rates are assumed to be ¥115/U.S. \$ and ¥160/euro after July 2007.

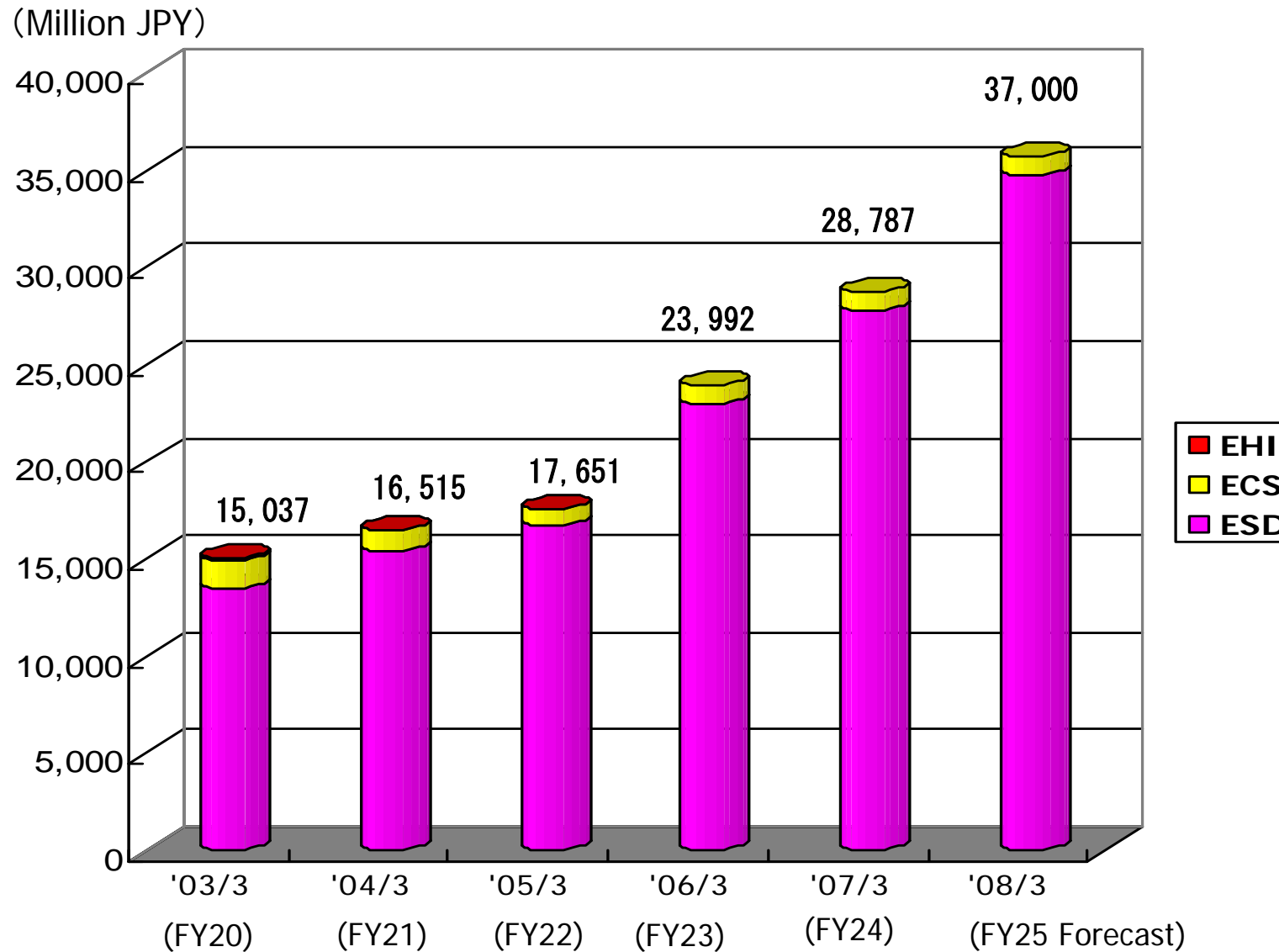
# Reasons for Forecast Revision

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- Change of assumed FX rate
  - EUR: ¥145/EUR → ¥160/EUR (from July 2007)
  - USD: ¥115/USD → no change
  
- A prospect of business except FX rate
  - Tablet products undergo steady with local variation
  - Pen sensor components is favorable through FY07 full year
  - Concern for supply shortage of liquid crystal panel

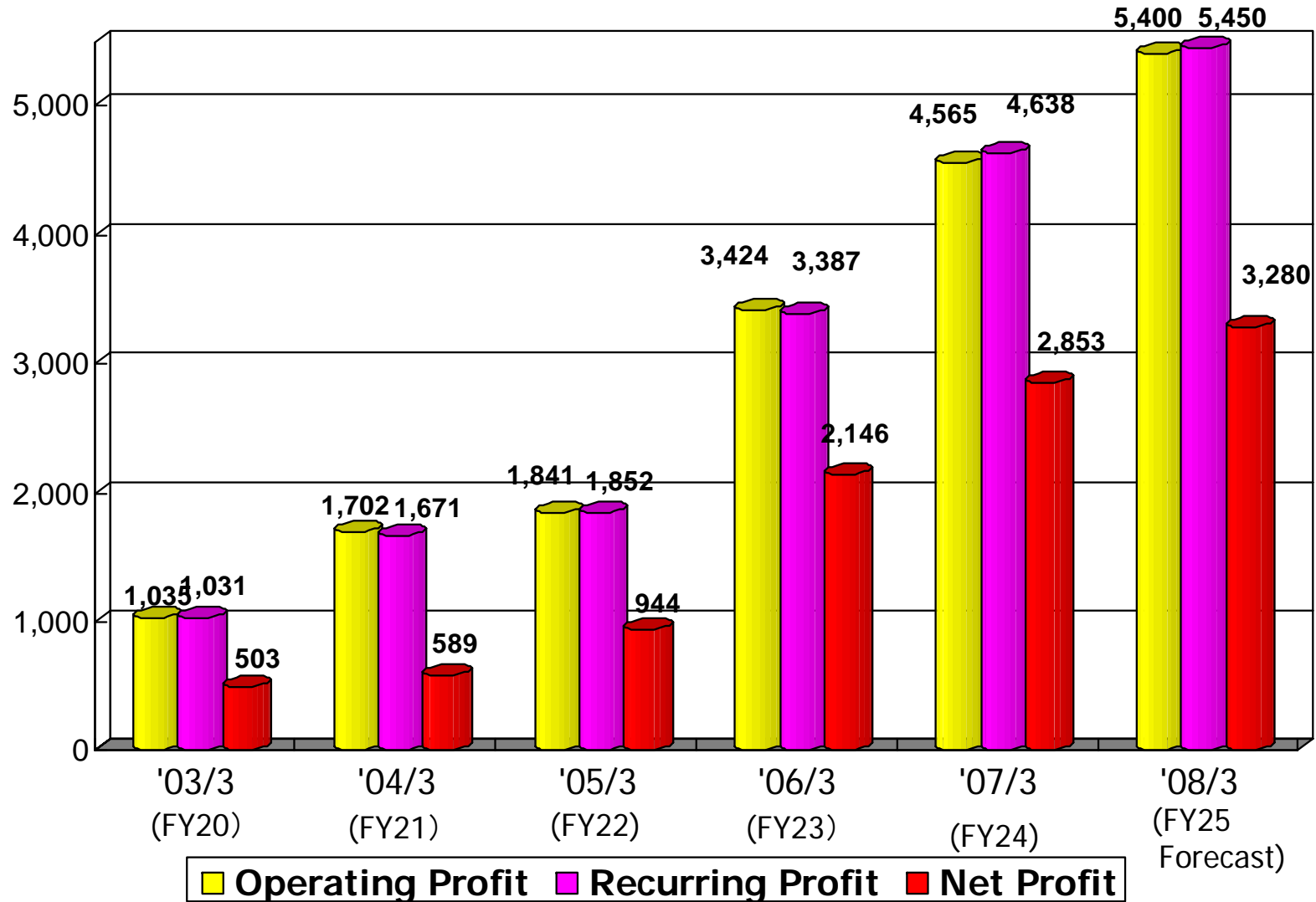
# Consolidated Sales



# Consolidated Profits



(Million JPY)



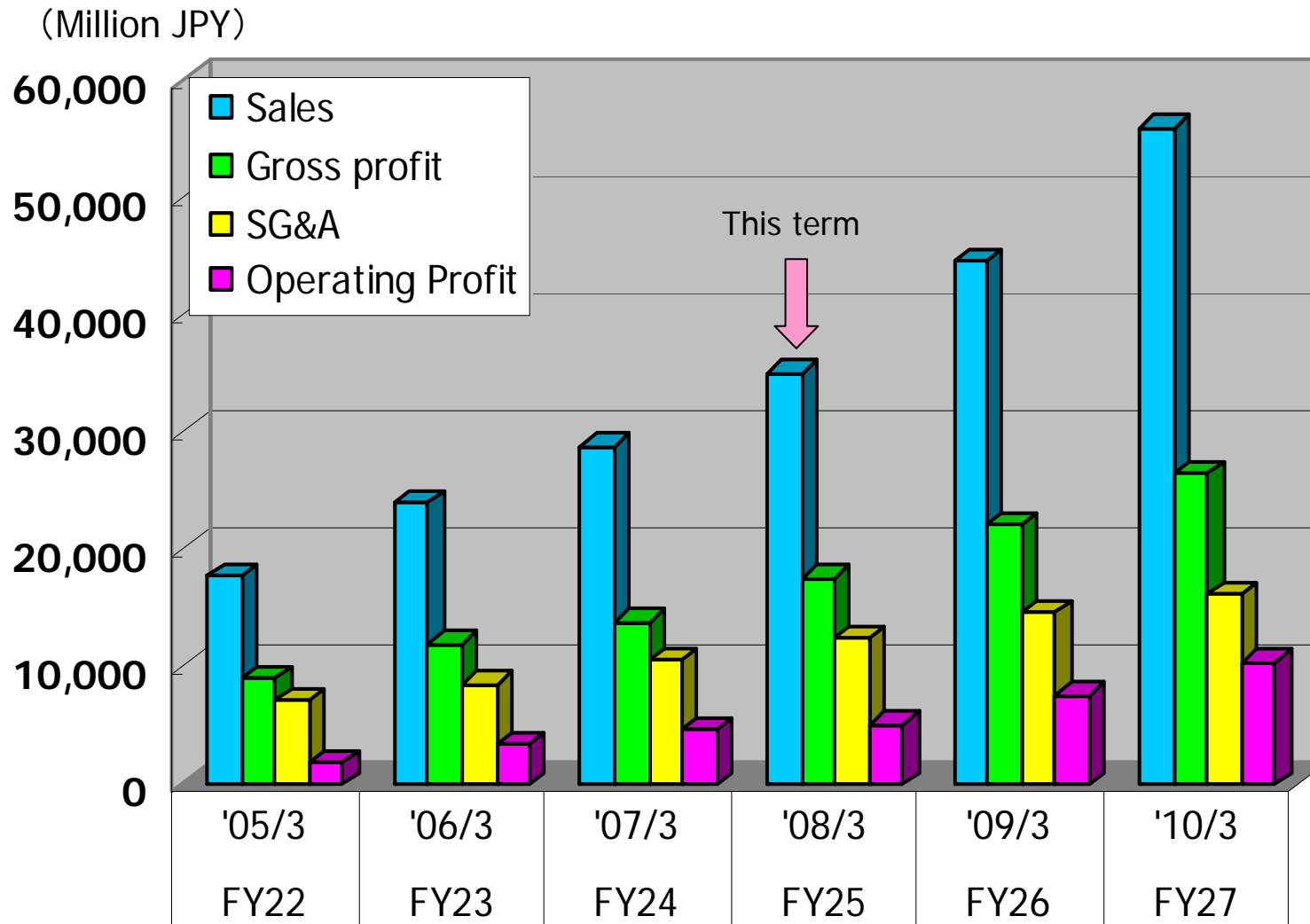
## ■ Basic Strategy

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

## ■ WP515: Financial Goals

- By FY27 (ends March 2010)
  - Consolidated sales: 50 billion Japanese yen
  - Consolidated operating income ratio: 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 technologies
  - Merge display technology with pen sensor technology
  - Develop new business segments and M&A

# Growth Strategy -2

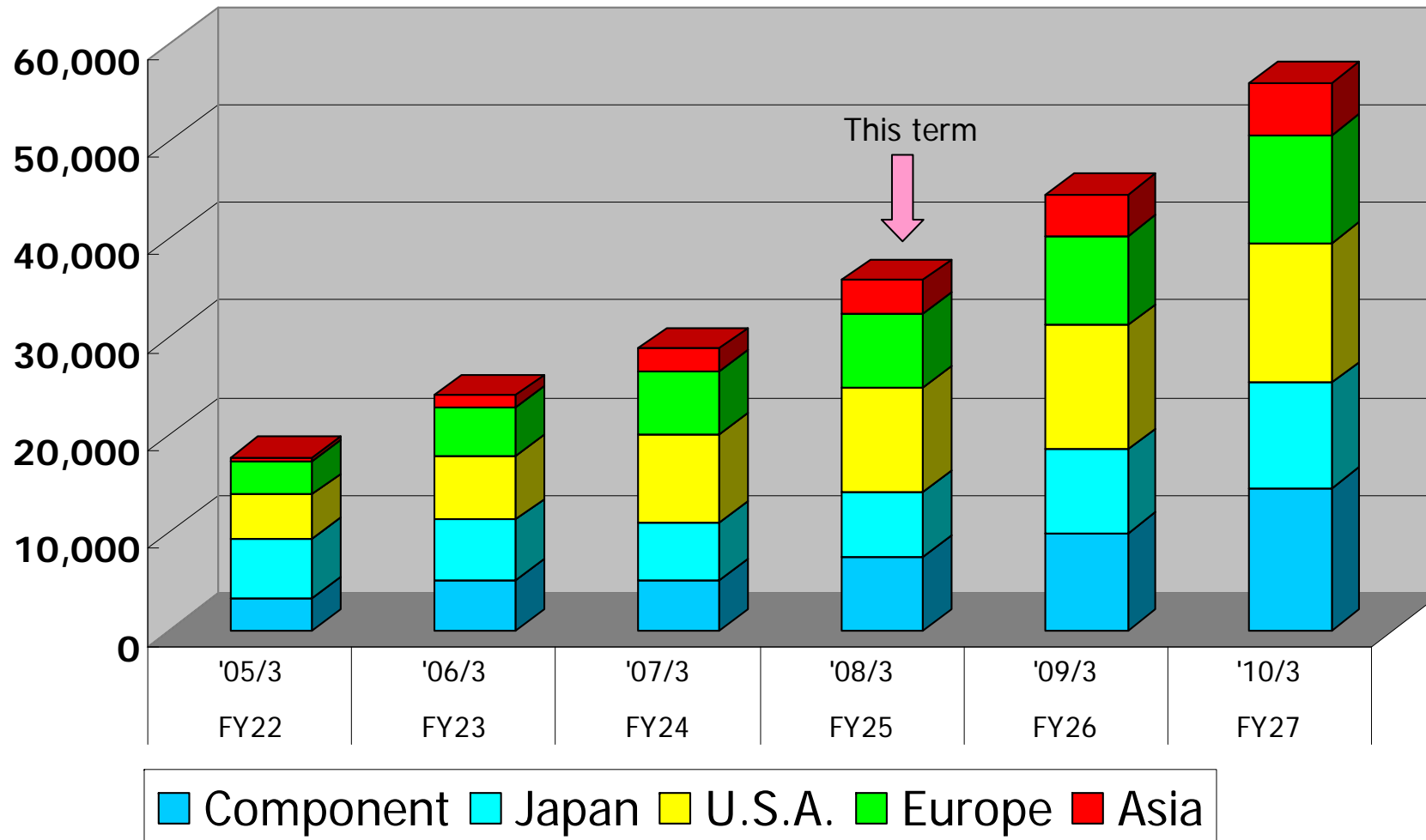


- Strengthen/integrate global SCM function
  - Optimal SCM solution in QCD (quality, cost, and delivery)
  - Utilize EMS and integrate QCD process
  - Black box production of key components
- Strengthen/integrate global QA function
  - Build global QA process including EMS
  - Enhance organization and 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)

# Sales Forecast by Region



(Million JPY)



# Product Portfolio of ESD



COMPONENT

## Mobile



## Business

## Consumer

WACOM TABLET

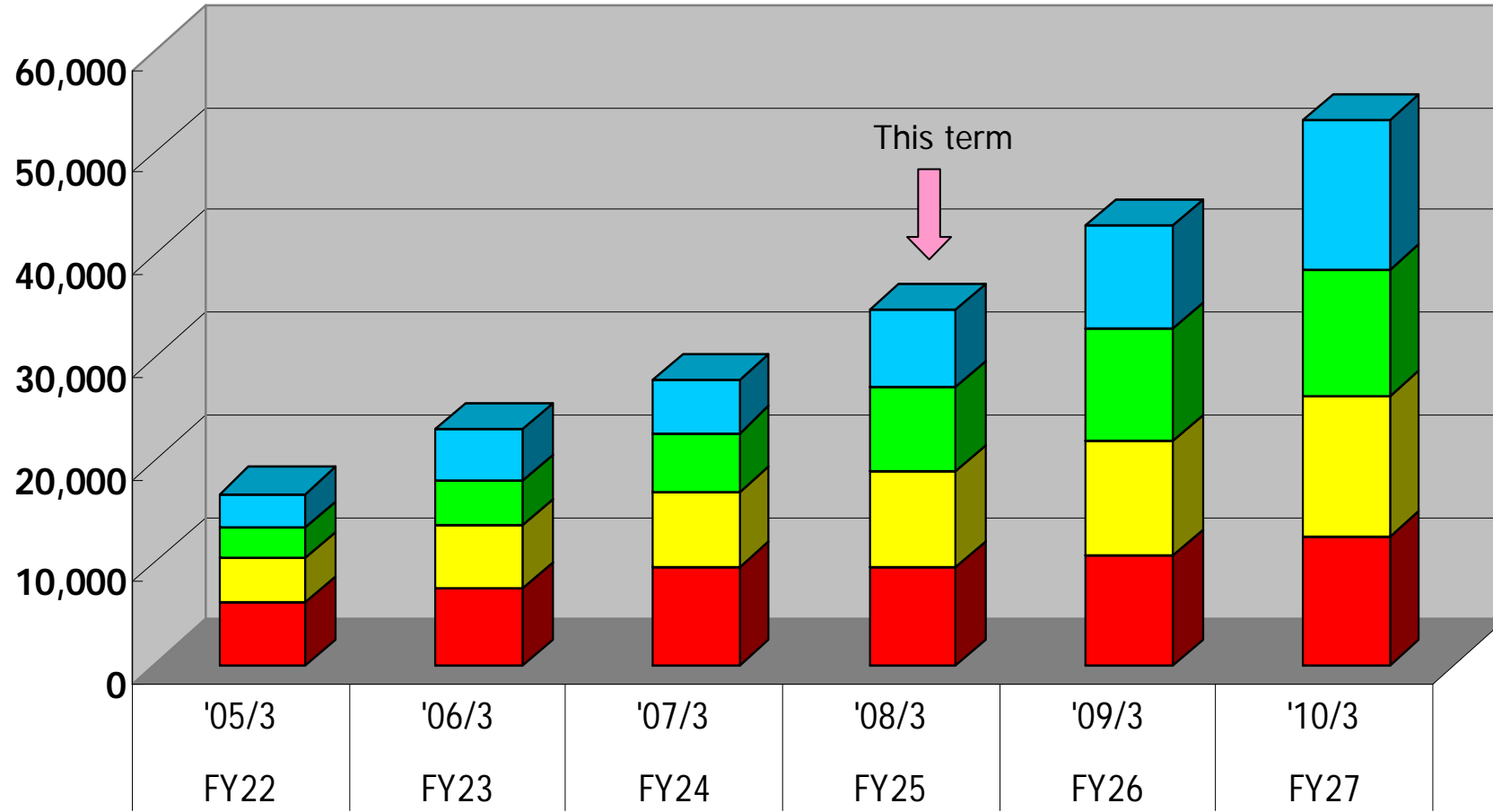


## Desktop

# Sales Forecast by Product Line



(Million JPY)

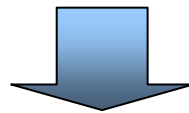


■ Professional 
 ■ Consumer 
 ■ LCD tablets 
 ■ Component

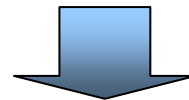
# Product Line Strategy



- 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**



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WACOM**



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

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