

FY08 2Q Summary of Financial Results (Consolidated)

Oct. 30, 2008

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

(Code Number: 6727 TSE1)

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1. FY08 2Q Consolidated Financial Results (April 1, 2008 – September 30, 2008)

(1) Business Performance (Consolidated)

(rounded off to mY)

	Sales		Operating Profit		Recurring Profit		Net Profit	
	mY	%	mY	%	mY	%	mY	%
FY08 2Q	18,595	(-)	2,555	(-)	2,531	(-)	1,573	(-)
FY07 2Q	17,018	(27.4)	1,887	(-3.6)	1,937	(-2.5)	1,171	(-3.9)

	Net Profit per Share Outstanding		Net Profit per Diluted Share Outstanding	
	Yen	Sen	Yen	Sen
FY08 2Q	3,734.60		3,722.89	
FY07 2Q	2,795.94		2,778.87	

2. Dividend

(Record date)	Dividend Per Share									
	1Q		2Q		3Q		End of FY		FY Total	
	Yen	Sen	Yen	Sen	Yen	Sen	Yen	Sen	Yen	Sen
FY07	-		-		-		2,500.00		2,500.00	
FY08	-		-		-		-		-	
FY08 (estimates)	-		-		-		3,000.00		3,000.00	

Changes in dividend per share of FY08 2Q : No

Dividend per share at the end of FY07 consists of an ordinary dividend ¥2,000 and a special dividend ¥500.

3. Consolidated Business Forecasts of FY08 (April 1, 2008 – March 31, 2009)

	Sales		Operating Profit		Recurring Profit		Net Profit		Net Profit per Share Outstanding	
	mY	%	mY	%	mY	%	mY	%	Yen	Sen
Full Year	38,000	(3.4)	4,800	(-13.3)	4,700	(-15.8)	2,900	(-17.2)	6,877.97	

Changes in Consolidated Business Forecasts of FY08 2Q : No

4. Other

- 1) Reclassification of significant subsidiaries during the period (Reclassification due to the change in scope of consolidation) : No
- 2) Acceptance of simple accounting method approach : Yes
- 3) Changes in accounting principles, procedures and methods of presentation in consolidated financial statements (Changes in significant items that form the basis for preparing consolidated financial statements)
 - Changes resulting from revisions in accounting standards : Yes
 - Changes other than those 1) above : No

4) Numbers of shares outstanding (Common stock)

Number of shares outstanding at end of year (including treasury stock): 9/08: 421,636

3/08: 420,156

Number of treasury stock outstanding at end of year: -

Number of average shares for fiscal period (total consolidated fiscal year): FY08 2Q: 421,152

FY07 2Q: 418,982

* 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)

Consolidated Balance Sheet (Summary), Consolidated Profit and Loss Statement (Summary), Consolidated Statement of Changes in Shareholder's Equity, Consolidated Cash Flow Statement (Summary), and Segment Information (Summary).

[Qualitative news and financial statements]

〈Qualitative news for consolidated business performance〉

Wacom Group's business environment for FY08 2Q (from April 1, 2008 to September 30, 2008) was quite severe due to soaring oil and raw material prices, the global economic slowdown caused by the financial crisis in the US, the long-term depreciation of the U.S. dollar, and the rapid drop of the Euro against the Japanese yen.

The Japanese economy was affected by the initial slowdown due to a decrease of corporate investment in plant and equipment, and sluggish consumer consumption, with low confidence of recovery. In the U.S., continuous adjustments in the housing market and the deepening financial crisis caused a slowdown of corporate investment and a further reduction in consumer spending. EU countries faced management crises resulting from the U.S. financial situation. As a result, the economy as a whole showed clear slowing due to the influence of the U.S. economic slowdown and high inflation, despite steady growth in Germany at the beginning of the period. The economy in Asia-Oceania countries experienced a slowdown of growth due to the Sichuan earthquake in China and the U.S. and EU economic slowdown.

Considering the above conditions, Wacom's performance in FY08 2Q was steady and the Company enjoyed growth in all major regions: Japan, U.S., EU, and Asia-Oceania. On the technology development side, the Company continued to improve the capacitive touch screen technology inherited from TouchKO Corporation, which Wacom acquired in FY07, with its own IC development technologies for digital processing. As a result, the Company announced an innovation in high-accuracy and low-power capacitive touch screen technology, and devoted itself to develop the multi-touch technology foreseen to increase in demand. The ESD business relocated its logistic base from Hong Kong to Singapore to meet the increasing demand in the ASEAN area, and to speed up product delivery, reduce costs, and improve inventory levels. Wacom enjoyed a smooth start for compliance with the Financial Instruments and Exchange Law (J-SOX) starting in April 2008, thanks to thorough preparations during the previous two fiscal years. For the purpose of intellectual property protection and strengthening, the Company filed patent infringement lawsuits against Hanwang Technology Corporation and entered into a comprehensive settlement agreement pertaining to the series of patent and utility model infringement lawsuits on April 9, 2008 in the U.S. and China. Thanks to this settlement, the Company could devote itself to expanding its business opportunities in China on a continuous basis.

As a result, the consolidated FY08 2Q business results ended in sales of ¥18.60bn, OP ¥2.56bn, recurring profit ¥2.53bn, and net profit ¥1.57bn.

(Business segment performance)

1) ESD business

The tablet business, also known as the core electronic systems and devices (ESD) business, continued steady global sales as a whole in FY08 2Q. In the professional graphics segment, total sales were almost the same as 2Q of FY07 due to the main product being in its fourth year of life. On the consumer graphics side, the “Bamboo™” series, which was released last year, recorded steady sales growth despite the negative influence of the worldwide economic slowdown. As for LCD tablets, sales showed large growth thanks to the introduction of a new professional LCD tablet “Cintiq™ 12WX” released in FY07. A new 19 inch LCD tablet was released in August for general use in medical care and education, and is already enjoying a good reputation in the respective markets. With regards to the components business, whose major customers are Tablet PC manufacturers, the Company’s pen-sensor components experienced slight sales growth due to the depreciation of the U.S. dollar and the decrease in sales for corporate customers in the vertical markets, though the volume for Tablet PCs targeted to consumers increased.

As a result, the ESD business FY08 2Q sales ended at ¥18.20bn, and operating profit ¥3.56bn.

2) ECS business

The Engineering Collaborative Solutions (ECS) business provided incentives for existing users of the product “ECAD / dio™” Ver. 8.0 to upgrade, and for other CAD product users to replace their existing software with “ECAD / dio™” in the electronic design segment of the CAD market. In addition, the business pursued new users through various domestic exhibitions. The business released its latest product “ECAD / dio™” Ver. 9.0 in September.

For the PDM market, the Company proposed new solutions to existing users. However, many users have become cautious and have delayed their purchasing decisions due to the current economic conditions..

As a result, ECS business FY08 2Q sales ended at ¥396mn and OP ¥35mn.

(Business Overview by Area)

1) Japan

For the ESD business, sales of the professional pen tablet “Intuos™3” were favorable thanks to promotional activities at major sales channel sites and targeted advertisements. The consumer pen tablets “Bamboo™” series received favorable appraisal, and showed steady sales growth owing to the enhancement of store front decorations with corporate brand materials, and appreciation for the release of the mid-size “Bamboo™ Comic,” bundled with software for creating illustrations and comics. As for LCD tablets, the “Cintiq™” series contributed to growing sales. For the components business, refer to the "Business segment performance" section above.

With regards to the ECS business, refer to the "Business segment performance" section above.

As a result, sales in Japan ended at ¥7.16bn, and OP ¥3.02bn.

2) U.S.

The U.S. market was greatly influenced by the U.S. dollar depreciation and the economic slowdown caused by the expansion of the financial crisis. Sales of the professional pen tablet “Intuos™3” showed a temporary drop due to inventory adjustments at sales partners’ sites and the accelerated shift to LCD tablets. However, its sales remained almost the same as 2Q of FY07 on a local currency basis thanks to distribution channel policy enhancement. U.S. sales using a Japanese yen base decreased. The consumer pen tablets “Bamboo™” series showed favorable growth thanks to new channel development and efforts to strengthen the relationships with channel partners. As for LCD tablets, the graphics users expanded due to the release at the end of last year of the new product “Cintiq™ 12WX.” The transition from professional pen tablets also contributed to the strong sales growth of LCD tablets.

Consequently, sales in the U.S. ended at ¥5.73bn, and OP ¥0.44bn.

3) Europe

In Europe, sales of the professional pen tablet “Intuos™3,” now in its fourth year after release, showed steady growth thanks to promotion not only in the only graphics field, but also in digital photo retouching. Sales of the consumer pen tablets “Bamboo™” series showed the same level as 2Q of FY07, thanks to strong efforts in building “Bamboo brand” awareness and higher recognition to the new brand through exhibitions. The effects of the economic slowdown influenced sales performance differently depending on the region. As for LCD tablets, “Cintiq™” series became widespread in the graphics and digital photo retouching fields. A new product “Cintiq™ 12WX” also helped to spur sales of

LCD tablets. Geographically, the sales of East Europe and France increased, though the U.K. and Spain decreased due to the influence of the financial crisis in the U.S.

Accordingly, sales in Europe ended at ¥3.78bn and OP ¥0.02bn.

4) Asia & Oceania

In the Asia & Oceania markets, sales of the professional pen tablet “Intuos™3” did not achieve the performance figures of FY07 2Q due to unfavorable foreign exchange rates and the economic slowdown. On the other hand, sales of consumer pen tablets “Bamboo™” series remained almost the same as 2Q of FY07 thanks to the release of a localized product, which meets regional demands. The LCD tablet market enjoyed wide expansion, mainly owing to good sales of the “Cintiq™” series.

South Korea and Taiwan were adversely affected by economic slowdowns in each country. Meanwhile, India and ASEAN countries, which are newly emerging markets, enjoyed strong sales. In the China market, pen tablet sales were negatively influenced by the Sichuan earthquake and Beijing Olympics. As a whole, the Asia & Oceania markets are continuing to expand smoothly.

Therefore, Asia & Oceania sales ended at ¥1,93bn, and OP ¥0.14bn.

〈Qualitative news for consolidated financial position〉

Total assets increased by ¥0.16bn to ¥29.38bn in 2Q of FY08 compared with the end of FY07. The reasons that current assets decreased by ¥0.35bn to ¥23.96bn were a ¥0.63bn increase in notes and accounts receivable, a ¥0.50bn increase in securities, and a ¥1.62bn decrease in cash & cash equivalents, mainly due to corporate tax paid. On the other hand, the main reason for a ¥0.50bn increase to ¥5.42bn in fixed assets was a ¥0.50bn increase in tangible fixed assets by capital expenditure.

Total liabilities decreased by ¥0.52bn to ¥10.14bn in 2Q of FY08 compared with the end of FY07. The reasons for the decrease by ¥0.59bn to 9.12bn in current liabilities were mainly due to a ¥0.40bn decrease in accrued income tax and a ¥15bn decrease in notes and accounts payable. The reasons for an increase by ¥0.07bn to 1.02bn in fixed liabilities were mainly due to a ¥0.03bn increase in accrued retirement benefits and a ¥0.04bn increase in directors' retirement allowances.

Total net assets increased by ¥0.67bn to ¥19.23bn. The main reasons for the increase in total net assets were a ¥1.05bn decrease in retained earnings due to a payment of shareholders' dividends and ¥1.57bn of net profit in FY08 2Q.

Consolidated cash & cash equivalents for FY08 2Q decreased by ¥1.12bn to ¥12.45bn compared with the end of FY07.

(Cash Flow from Operating Activities)

Earned operating cash flow for FY08 2Q was ¥452mn. The main reasons were ¥2.54bn of NPBT, an increase of notes and accounts receivable of ¥0.84bn, and ¥1.35bn of corporate tax paid.

(Cash Flow from Investing Activities)

Investing cash flow for FY08 2Q was ¥810mn. The main reason was the purchase of fixed assets of ¥751mn.

(Cash Flow from Financing Activities)

Financing cash flow for FY08 2Q was ¥824mn. The main reason was a payment of shareholders' dividends of ¥1,05bn.

〈Qualitative news on the forecast of consolidated results〉

The business results in Q2 ending September 30, 2008 were steady. However, we revised the FY08 forecast ending March 31, 2009, taking into consideration the recent difficult business environment during this time. This includes distribution stagnation and the decreasing demand for our components business, a result of the economic slowdown catalyzed by the U.S. financial crisis, and unfavorably affected foreign exchanges.

We also lowered the assumed EUR/JPY exchange rate from 155 to 135, but kept the USD/JPY rate at 100, per our original forecast.

Consolidated FY08 Forecast Revision for the year ended March 31, 2009 (from April 1, 2008 to March 31, 2008) as of October 14, 2008

	Sales	Operating Profit	Recurring Profit	Net Profit	Net Profit per Share Outstanding
	mY	mY	mY	mY	Yen Sen
Original Forecast (A)	44,500	6,500	6,450	3,950	9,401.27
Revised Forecast (B)	38,000	4,800	4,700	2,900	6,877.97
Change in Amount (B-A)	-6,500	-1,700	-1,750	-1,050	
Change in Ratio (%) (B to A)	-14.6	-26.2	-27.1	-26.6	
Former Results (FY07) (C)	36,739	5,539	5,581	3,501	8,348.74
Change in Ratio (%) (B to C)	3.4	-13.3	-15.8	-17.2	

(Accompanying data)

1. Summary of Consolidated Balance Sheet

(Unit: '000 Yen, %)

Subject	FY08 2Q (as of Sep. 30, 2007)	FY07 (as of Mar. 31, 2008)
	Amount	Amount
(Assets)		
Current Assets		
1. Cash and cash equivalents	6,453,980	8,078,235
2. Notes and accounts receivable	5,172,707	4,537,959
3. Securities	6,000,000	5,500,000
4. Finished products	2,106,514	2,349,469
5. Raw materials	830,613	847,171
6. Work in process	321,447	177,043
7. Others	3,128,648	2,849,250
8. Allowance for doubtful accounts	-52,359	-31,094
Total Current Assets	23,961,550	24,308,033
Fixed Assets		
1. Tangible fixed assets		
(1) Buildings and facilities (net amount)	1,904,730	1,552,601
(2) Others (net amount)	2,095,844	1,950,845
Total tangible fixed assets	1 4,000,574	1 3,503,446
2. Intangible fixed assets		
(1) Goodwill	149,573	180,021
(2) Others	536,718	563,954
Total intangible fixed assets	686,291	743,975
3. Investment and other assets		
(1) Others	732,897	668,099
(2) Allowance for doubtful accounts	-2,253	△2,223
Total investment and other assets	730,644	665,876
Total Fixed assets	5,417,509	4,913,297
Total Assets	29,379,059	29,221,330

(Unit: '000 Yen, %)

Subject	FY08 2Q (as of Sep. 30, 2007)	FY07 (as of Mar. 31, 2008)
	Amount	Amount
(Liabilities)		
Current Liabilities		
1. Notes and accounts payable	5,568,626	5,717,425
2. Short-term debt	600,000	600,000
3. Accrued income taxes	763,534	1,163,242
4. Allowance for bonus payable	395,462	475,189
5. Allowance for board members' bonus payable	28,110	23,695
6. Others	1,767,762	1,731,738
Total Current Liabilities	9,123,494	9,711,289
Fixed Liabilities		
1. Accrued retirement benefits	397,221	370,605
2. Reserve for retirement benefits for directors and corporate auditors	415,207	379,343
3. Others	208,475	198,351
Total Fixed Liabilities	1,020,903	948,299
Total Liabilities	10,144,397	10,659,588
(Net Assets)		
Shareholders' Equity		
1. Capital	4,194,815	4,082,842
2. Additional paid-in capital	4,036,230	3,924,258
3. Retained earnings	11,347,026	10,853,924
Total Shareholders' Equity	19,578,071	18,861,024
Evaluation & Exchange Conversion		
1. Foreign currency translation adjustments	-343,409	△299,282
Total Evaluation & Exchange Conversion	-343,409	△299,282
Total Net Assets	19,234,662	18,561,742
Total Liabilities & Net Assets	29,379,059	29,221,330

2. Consolidated Profit & Loss Statement

(Unit: '000 Yen, %)

Subject	FY08 2Q (Apr. 1, 2008 to Sep. 30, 2008)	For reference (Summary) FY07 2Q (Apr. 1, 2007 to Sep. 30, 2007)
	Amount	Amount
Sales	18,595,402	17,017,856
Cost of Goods Sold	9,477,214	8,583,508
Gross Profit	9,118,188	8,434,348
Sales & General Administration Cost	6,562,792	6,547,533
Operating Profit	2,555,396	1,886,815
Non-operating Revenue	67,629	100,519
1. Interest and dividend income	56,692	78,262
2. Others	10,937	22,257
Non-operating Expense	92,090	50,477
1. Interest cost	6,252	5,946
2. Foreign exchange loss	73,887	39,233
3. Others	11,951	5,298
Recurring Profit	2,530,935	1,936,857
Extraordinary Gain	15,539	250
1. Gain on Sales of Property, Plant and Equipment	854	53
2. Reversal of allowance for doubtful accounts	468	197
3. Legal settlement received	14,217	-
Extraordinary Loss	3,131	24,907
1. Loss on sales of fixed assets	1,265	1,486
2. Loss on disposal of fixed assets	1,866	3,421
3. Loss on Write-down of Investment Securities	-	20,000
Net Profit before Taxes and Other Adjustments	2,543,343	1,912,200
Income Tax, Inhabitant Tax and Enterprise Tax	970,507	740,752
Net Profit	1,572,836	1,171,448

3. Summary of Consolidated Cash Flow Statement

(Unit: '000 Yen)

	FY08 2Q (Apr. 1, 2008 to Sep. 30, 2008)	For reference (Summary) FY07 2Q (Apr. 1, 2007 to Sep. 30, 2007)
	Amount	Amount
Operating Cash Flow		
Net profit before taxes and other adjustments	2,543,343	1,912,200
Depreciation	310,948	246,196
Increase in allowance (- represents decrease)	7,716	53,953
Interest and dividend income	-56,692	-78,262
Interest cost	6,252	5,946
Decrease in notes and accounts receivable (- represents increase)	-841,722	-1,590,263
Decrease in inventory (- represents increase)	72,788	-512,646
Increase in notes and accounts payable (- represents decrease)	-117,343	1,634,214
Others	-150,307	310,735
Subtotal	1,774,983	1,982,073
Interest and dividend received	33,263	78,262
Interest paid	△6,229	-5,803
Income tax paid	-1,350,115	-1,467,506
Operating Cash Flow	451,902	587,026
Investing Cash Flow		
Payments for purchase of Assets	-751,636	-416,372
Proceeds and Payments about Acquisition of Subsidiaries	-	-419,955
Others	-58,377	-4,149
Investing Cash Flow	-810,013	-84,046
Financing Cash Flow		
Payments for long-term debt		-35,000
Proceeds from stock issuance	221,233	64,316
Payments for shareholders' dividends	-1,044,851	-626,790
Financing Cash Flow	-823,618	-597,474
Effect of Exchange Rate Changes on Cash and Cash Equivalents	58,515	707
Net Increase in Cash and Cash Equivalents (- represents Decrease)	-1,123,214	-850,217
Cash and Cash Equivalents at beginning of term	13,577,194	12,707,153
Cash and Cash Equivalents at end of term	12,453,980	11,856,936

4. Segment Information

[By Division]

FY07 2Q (April 1, 2007 – September 30, 2007)

	ESD Business	ECS Business	Total	Internal Elimination	Consolidated
I Sales					
(1) Sales towards external customers	16,582,572	435,284	17,017,856	-	17,017,856
(2) Sales between internal segments and internal transfer	-	-	-	-	-
Total	16,582,572	435,284	17,017,856	-	17,017,856
Operating Profit	13,427,528	360,730	13,788,258	1,342,783	15,131,041

FY08 2Q (April 1, 2008 – September 30, 2008)

	ESD Business	ECS Business	Total	Internal Elimination	Consolidated
I Sales					
(1) Sales towards external customers	18,198,928	396,474	18,595,402	-	18,595,402
(2) Sales between internal segments and internal transfer	-	-	-	-	-
Total	18,198,928	396,474	18,595,402	-	18,595,402
Operating Profit	3,563,445	35,496	3,598,941	-1,043,545	2,555,396

[By Area]

FY07 2Q (April 1, 2007 – September 30, 2007)

	Japan	US	Europe	Asia & Oceania	Total	Internal Elimination	Consolidated
I Sales							
(1) Sales towards external customers	6,796,698	5,069,198	3,262,728	1,889,232	17,017,856	-	17,017,856
(2) Sales between internal segments and internal transfer	7,596,274	87,455	-	8,963	7,692,692	-7,692,692	-
Total	14,392,972	5,156,653	3,262,728	1,898,195	24,710,548	-7,692,692	17,017,856
Operating Profit	11,280,139	4,985,171	3,246,234	1,676,817	21,188,361	-6,057,320	15,131,041

FY08 2Q (April 1, 2008 – September 30, 2008)

	Japan	US	Europe	Asia & Oceania	Total	Internal Elimination	Consolidated
I Sales							
(1) Sales towards external customers	7,158,282	5,726,336	3,777,198	1,933,586	18,595,402	-	18,595,402
(2) Sales between internal segments and internal transfer	7,646,033	112,106	-	16,628	7,774,767	-7,774,767	-
Total	14,804,315	5,838,442	3,777,198	1,950,214	26,370,169	-7,774,767	18,595,402
Operating Profit	3,015,843	444,699	16,703	135,509	3,612,754	-1,057,358	2,555,396

[Overseas Sales]

FY07 2Q (April 1, 2007 – September 30, 2007)

	US	Europe	Asia & Oceania	Others	Total
I Overseas Sales	5,066,978	3,191,832	5,092,550	175,335	13,526,695
II Overseas Sales	-	-	-	-	17,017,856
Ratio (%)	29.8	18.8	29.9	1	79.5

FY08 2Q (April 1, 2008 – September 30, 2008)

	US	Europe	Asia & Oceania	Others	Total
I Overseas Sales	5,678,702	3,734,844	5,141,033	188,516	14,743,095
II Overseas Sales	-	-	-	-	18,595,402
Ratio (%)	30.5	20.1	27.7	1	79.3

U.S.: U.S. Canada

Europe: U.K. Germany, France, Netherland

Asia & Oceania: South Korea, Taiwan, Australia, P. R. of China

Others: Middle East, South America, Africa etc.