COMPANY RESEARCH AND ANALYSIS REPORT

# Wacom Co., Ltd.

## 6727

Tokyo Stock Exchange Prime Market

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# Contents

# Summary

## Achieved a higher profit in 1H FY3/26 as a result of successful business structural transformation initiatives in the Branded Business. Expects double-digit profit growth in FY3/26

Wacom Co., Ltd. <6727> (hereafter, also "the Company") is a global leading manufacturer aiming to create value for customers based on technologies in the field of digital pen and ink. Its two business segments are the Technology Solution Business, in which it conducts the OEM supply of proprietary digital pen technology as a component to manufacturers of finished products that include smartphones and tablet / notebook PCs, and the Branded Business, in which it rolls out a proprietary brand portfolio of products for creators worldwide that include designers and animators working in film production and design studios.

### 1. Overview of 1H FY3/26 results

In the 1H FY3/26 consolidated results, net sales decreased 10.3% year on year (YoY) to ¥51,394mn and operating profit increased 6.9% to ¥5,854mn, resulting in an increase in profit despite the decline in sales. The decrease in sales was mainly due to progression in the yen's appreciation coupled with the impact of US tariffs and changes in trends in demand from OEM customers in the Technology Solution Business. On the other hand, focusing solely on the Branded Business, for which business structural transformation efforts have been made thus far, the Company saw a turnaround to increased sales in 2Q FY3/26 (July–September 2025) owing to the effects of new product launches. In earnings, although the impact of the yen's appreciation and US tariffs weighed on results, the Company realized higher profit, having achieved a return to profitability in the Branded Business for the first time in four fiscal years due to fixed cost reductions and the effects of new product launches. In terms of activities, the Company achieved a certain level of results in areas that include technological and capital alliances aimed at exploring new use cases in line with the strategic pillars of its "Wacom Chapter 4" medium-term business plan.

### 2. FY3/26 results forecasts

Regarding the consolidated results forecasts for FY3/26, the Company has maintained its initial forecasts with the belief that it needs to carefully assess 2H sales trends and other factors in each business. The Company expects net sales to decrease 4.9% YoY to ¥110,000mn and operating profit to increase 12.6% to ¥11,500mn, forecasting lower sales but higher profit. While the Company's core business revenue is expected to expand, it envisions that external factors, including the yen's appreciation and US tariffs, will weigh on results, causing a decline in sales for the full year as well. Although the Company anticipates the yen's appreciation and US tariffs to impact its earnings as well, it will secure double-digit profit growth through the turnaround to profitability in the Branded Business and growth in business revenue.

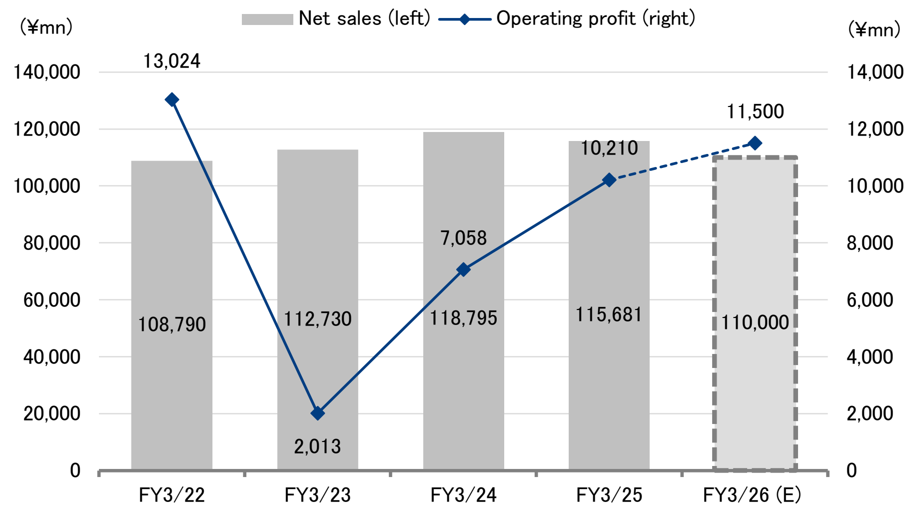
### 3. Outline of "Wacom Chapter 4," the medium-term business plan

"Wacom Chapter 4," the Company's four-year medium-term business plan that started in April 2025, is a strategy to expand the potential of digital pens and ink into use case areas with prospects for sustainable growth, such as education, daily operations, and digital transformation (DX) in the medical field, through technological innovation and co-creation with communities. Numerical targets for the final year (FY3/29) of this business plan are net sales of ¥150.0bn, operating profit of ¥15.0bn, ROE of 20% or higher, and ROIC of 18% or higher. It also includes capital policy that will further enhance corporate value by actively allocating funds to R&D and capital investment, as well as to technological capital alliances, while also aiming for shareholder return with a total return ratio of 50% or higher (through the introduction of a progressive dividend with a minimum annual dividend of ¥22.0 per share and the flexible acquisition of treasury stock).

### Key Points

- Achieved higher profit in 1H FY3/26, having turned the Branded Business profitable as a result of successful business structural transformation initiatives
- The Company maintains its full-year results forecast for FY3/26, expecting a decrease in sales but a double-digit increase in profit for the full year as well
- In its "Wacom Chapter 4" new medium-term business plan, the Company will aim to further enhance corporate value through technology innovation and community co-creation

Result trends




Source: Prepared by FISCO from the Company's financial results

# Business overview

## Global leader aiming to create value for customers in the field of digital pen and ink

The Company is a global leader aiming to create value for customers based on technologies in the field of digital pen and ink. As a Technology Leadership Company, the Company broadly supplies the latest digital pen technology to partner companies through smartphones, tablet / notebook PCs, digital stationery, and other products. Simultaneously, it also sells proprietary brand products in more than 150 countries and regions worldwide. These products, which have global market share, are widely used by creators, including designers and animators who work in studios for movie production or industrial design studios. Concurrently, the Company is also working to build new business domains, starting with co-creation with partners in the education industry.

The Company's business segments are twofold: the Technology Solution Business, in which it conducts the OEM supply of proprietary digital pen technology as a component to manufacturers of finished products that include smartphones and tablet / notebook PCs, and the Branded Business, in which it offers a product portfolio consisting of its proprietary Displays and Pen Tablets products plus the new category of Portable Creative products. However, during the period of the "Wacom Chapter 4" new medium-term business plan, the Company has indicated a direction in which three segments, including the newly established "Partner & Co-creation Unit," will be consolidated into the "Inking Experience Support Group."

In the last several years, the Company has been facing issues in the Branded Business that include a shift in demand to other categories (including iPads and other devices) in the entry-level zone and competition with Chinese manufacturers in mid- to low-priced models. At the same time, there have been significant changes in the market environment that include the evolution of user needs and work flow as well as the spread of online education and teleworking accompanying advances in new digital technologies (mobile, cloud, AI, block chain, and others). Amid these changes, the Company is striving to create new growth opportunities by rebuilding product line-ups and further evolving the business model.

Regarding the impact of exchange rate fluctuations on results (a negative impact in the case of the yen's appreciation and the dollar's depreciation*1), it should be noted that in the Technology Solution Business (where revenue is primarily recognized in Japan), transaction prices for sales mainly denominated in US dollars are fixed. Note that although the Branded Business also accounts for approximately 82%*2 of overseas net sales (revenue recognition by region), these sales are diversified across fluctuations in multiple exchange rates, starting with the US dollar and euro.

*1 Segment profit (loss) in the Technology Solution Business is impacted by the US dollar-yen rate, whereas segment profit (loss) in the Branded Business is impacted by multi-currency exchange rate fluctuations, primarily centered on the euro-yen rate.

*2 In 1H FY3/26, net sales in the Branded Business (based on revenue recognition standards) accounted for 29.3% in the US, 28.1% in Europe and the Middle East, 17.9% in Japan, and 10.9% in China.

While development sites are practically all concentrated in Japan, excluding developments of digital ink and security-related software (which are mainly in Europe), the Company consigns production to multiple overseas partners (which are mostly major electronics manufacturing service companies owned by either Japanese or Taiwanese with production sites in mainland China). However, from a perspective of mitigating the likes of regional concentration risk in the supply chain, the Company is proceeding to disperse its production sites into the surrounding Southeast Asia region, including Vietnam.

# Business and major product features

## Promoting the renewal of the product portfolio based on a grasp of environmental changes and the de facto standardization of proprietary technologies

### 1. Technology Solution Business

This business is divided into two segments, AES technology solution and EMR technology solution based on digital pen technologies*. It supplies pen sensor systems to smartphone and tablet / notebook PC manufacturers. In AES technology solution, the Company has formed business relationships with major PC manufacturers, including Lenovo <HKG:0992> and Fujitsu Client Computing Limited, which have adopted AES. In EMR technology solution, the business is primarily composed of transactions for key customers which have adopted EMR, notably Samsung Electronics <KRX:005930> (Galaxy series). Its adopted strategy is to expand business scale through promotion of its proprietary digital pen technology as a de facto standard while expanding the scope of users, and the Company has also consistently been quick to support devices that adopt foldable and electronic paper technologies. In its "Wacom Chapter 4" new medium-term business plan, the Company also plans to introduce new pen technologies to accommodate the expansion of use cases and changes in device trends in addition to EMR and AES.

* The Company's proprietary Active ES electrostatic capacitive pen coupling technology (batteries required) and EMR electromagnetic resonance technology (no batteries required)

### 2. Branded Business

The Company has a broad lineup for target customers and product types. It sorts products into four categories (1) Displays, (2) Pen Tablets, (3) Portable Creative, and (4) Other*.

* From FY3/26, a new category, "Portable Creative," has been added, and the previous Business Solution category has been consolidated into Other.

#### (1) Displays

This category covers products that use an LCD panel as the tablet* and allow the user to directly write on an LCD screen with a digital pen. Meanwhile, they are also known as PC peripherals, similar to Pen Tablets as an input device that does not have an OS or storage feature. Prices range widely from ¥100,000 to around ¥500,000 depending on inch size and performance differences. The Company's products in particular enjoy strong support from professionals and high-end amateurs. On the other hand, in recent years, the Company has visibly struggled with entry-level models due to aggressive pricing by competitors (including Chinese manufacturers) amid deteriorating consumer sentiment and the tendency of demand to shift to other categories. Still, the Company is working to strengthen its appeal in the creative professional domain, an example being the launch of the latest model of the mid-range "Wacom Cintiq" series in May 2025.

* Sometimes referred to as "LCD pen tablets" as well

### (2) Pen Tablets

The most basic device* consists of a digital pen and tablet (blackboard type) and has contributed to the Company's results as a mainstay product since its commercialization. It is a PC peripheral used over a connection to a PC, similar to a mouse or keyboard. Given its simple structure, the Company offers a broad product portfolio for both professional and entry-level users. In the high-end market, the competitiveness of high-end models is being maintained due in part to visible use cases involving combined use with Displays. The latest model of "Wacom Intuos Pro," released in March 2025, has also been highly-received by professionals and high-end amateurs. Conversely, entry-level models, which are difficult to differentiate, are facing competition from other companies (including Chinese manufacturers). Though it continues to respond to customer needs for Pen Tablets, the Company is also in the process of strategically shifting management resources to Displays and the below-mentioned Portable Creative through a review of its product portfolio.

* Sometimes referred to as "opaque pen tablets" as well.

### (3) Portable Creative

This additional category was newly added as a third pillar. By offering features that include the ability to start drawing immediately after picking up the pen (OS-equipped model) and the ability to use it anywhere, the Company pursues the realization of a new drawing experience. Starting with the release of the "Wacom Movink 13" in May 2024, the Company has proceeded to enhance its lineup with the subsequent releases of the "Wacom MovinkPad 11" in July 2025 and "Wacom MovinkPad Pro14" in October 2025. The "Wacom MovinkPad" series equipped with Android OS is well-received in the market as a product focused on drawing. Examples of this focus are how it does not require connection to a PC or complicated initial setup, and how it is loaded with functions that include waking it up from sleep mode by lightly pressing and holding the pen on the screen. "Wacom MovinkPad 11" is experiencing steady growth in units sold among the entry-level segment that it targets. Meanwhile, "Wacom MovinkPad Pro14," which is positioned for users seeking higher performance from the display, CPU, and other areas, is designed for high-end use cases in mind, including use as a second device by professionals.

### (4) Other

In addition to the components of the former Business Solution, optional products that were previously allocated to each product line at a certain percentage are also included. The Company's main products include business-use products that are capable of direct character entry (signature) and drawing on an LCD screen. Examples of use span digital signature areas (hotel check-in, credit card payments, opening bank accounts, etc.) and medical areas (electronic medical records, informed consent, etc.) as well as the public field (government administration services that include application forms at service desks for My Number Card, various call centers, electronic voting support, etc.).

# Financial highlights

## Achieved a higher profit in 1H FY3/26 with the Branded Business having turned profitable

**1. Overview of 1H FY3/26 results**

In the 1H FY3/26 consolidated results, net sales decreased 10.3% YoY to ¥51,394mn, operating profit increased 6.9% to ¥5,854mn, ordinary profit rose 22.0% to ¥5,838mn, and profit attributable to owners of parent went up 19.2% to ¥4,137mn. The Company thereby achieved an increase in profit despite the decline in sales. Progress toward the full-year forecast was steady as well.

The decrease in sales was mainly due to the impact of the yen appreciating over the same period of the previous fiscal year and US tariffs (totaling approximately ¥2.57bn) coupled with changes in trends in demand from OEM customers in the Technology Solution Business. Meanwhile, the Branded Business, which has struggled in the last several years, returned to sales growth in 2Q due to the effects of new product launches.

In earnings as well, although the impact of the yen's appreciation and US tariffs (which contributed to a decline in profit totaling ¥520mn) weighed on results, the Company realized higher profit due to fixed cost reductions accompanying business structural transformation initiatives and the effects of new product launches in the Branded Business, which offset an increase in research and development expenses and other profit-declining factors. The operating profit margin also recovered to a level above 10%, at 11.4% (9.6% in the same period of the previous fiscal year).

Regarding financial position, excluding investments accompanying technological and capital alliances (totaling ¥400mn), there were no notable fluctuations, and total assets remained almost flat at ¥71,222mn, up 0.6% from the previous fiscal year-end*. Meanwhile, shareholders' equity increased 7.9% to ¥33,297mn due to a buildup of legal retained earnings, and the equity ratio improved to 46.8% (43.6% at the previous fiscal year-end).

* On May 16, 2025, the Company canceled 11,000,000 shares of treasury stock.

**1H FY3/26 financial results**

(¥mn)

| | 1H FY3/25 | | 1H FY3/26 | | YoY | |
|---|---|---|---|---|---|---|
| | Results | % of net sales | Results | % of net sales | Amount | % |
| Net sales | 57,315 | | 51,394 | | -5,921 | -10.3% |
| Technology Solution Business | 42,491 | 74.1% | 36,914 | 71.8% | -5,577 | -13.1% |
| Branded Business | 14,823 | 25.9% | 14,480 | 28.2% | -343 | -2.3% |
| Cost of sales | 37,213 | 64.9% | 32,331 | 62.9% | -4,882 | -13.1% |
| SG&A expenses | 14,626 | 25.5% | 13,208 | 25.7% | -1,418 | -9.7% |
| Operating profit | 5,475 | 9.6% | 5,854 | 11.4% | 379 | 6.9% |
| Technology Solution Business | 9,324 | 21.9% | 7,561 | 20.5% | -1,763 | -18.9% |
| Branded Business | -1,106 | -7.5% | 924 | 6.4% | 2,030 | - |
| Adjusted amount | -2,743 | - | -2,630 | - | 113 | - |
| Ordinary profit | 4,785 | 8.3% | 5,838 | 11.4% | 1,053 | 22.0% |
| Profit attributable to owners of parent | 3,469 | 6.1% | 4,137 | 8.0% | 668 | 19.3% |

| | End of FY3/25 Results | End of 1H FY3/26 Results | Change | |
|---|---|---|---|---|
| | | | Amount | % |
| Total assets | 70,771 | 71,222 | 451 | 0.6% |
| Shareholders' equity | 30,859 | 33,297 | 2,438 | 7.9% |
| Equity ratio | 43.6% | 46.8% | 3.2pp | - |

Source: Prepared by FISCO from the Company's financial results

## 2. Results overview by business

### (1) Technology Solution Business

Net sales declined 13.1% YoY to ¥36,914mn and segment profit declined 18.9% to ¥7,561mn. In addition to a decrease in sales volume, sales and profit declined due to the impact of the yen's appreciation and US tariffs. However, the segment profit margin remains at a high level of 20.5% (21.9% in the same period of the previous fiscal year), and there has been no change in the revenue structure itself. The change in trends in demand from OEM customers appears to be mainly due to specification changes in some models by Samsung Electronics, the Company's key customer. However, the positioning of the S Pen within the Galaxy series remains unchanged, and the Company intends to continue tying the joint development of new use cases and other endeavors into expanding the portfolio of pen-compatible devices and increasing usage scenarios.

**Earnings breakdown in the Technology Solution Business**

(¥mn)

| | 1H FY3/25 | 1H FY3/26 | YoY | |
|---|---|---|---|---|
| | | | Amount | % |
| AES technology solution | 12,511 | 12,800 | 289 | 2.3% |
| EMR technology solution | 29,980 | 24,114 | -5,866 | -19.6% |

Source: Prepared by FISCO from the Company's results briefing materials

### (2) Branded Business

Net sales declined 2.3% YoY to ¥14,480mn and segment profit came to ¥924mn. (compared to a loss of ¥1,106mn in the same period of the previous year). Despite the slight decline in sales, the significant improvement in profit resulted in a turnaround to profitability. Although sales growth resumed in 2Q due to the launch of new products*, net sales slightly decreased for 1H as a whole. In earnings, the Company achieved a significant improvement in profit (a return to profitability) through fixed cost reductions resulting from business structural transformation initiatives implemented to date and increased sales volume accompanying the launch of new products.

* The "Wacom Intuos Pro" high-end Pen Tablet, the "Wacom Cintiq" mid-range Display, and the new "Wacom MovinkPad 11" Portable Creative all performed steadily.

**Earnings breakdown in the Branded Business**

(¥mn)

| | 1H FY3/25 | 1H FY3/26 | YoY | |
|---|---|---|---|---|
| | | | Amount | % |
| Displays | 6,548 | 6,455 | -93 | -1.4% |
| Pen Tablets | 4,481 | 4,030 | -451 | -10.1% |
| Portable Creative | 499 | 857 | 358 | 71.7% |
| Other | 3,296 | 3,138 | -158 | -4.8% |

Source: Prepared by FISCO from the Company's results briefing materials

## 3. Key takeaways of 1H FY3/26 results

The most considerable takeaway from 1H FY3/26 is that despite significant negative impact from external factors, including exchange rates and tariffs, the Company achieved higher profit due to the successful business structural transformation in the Branded Business. In particular, the Company was able to confirm improvements in its earnings structure (a lower break-even point) and the smooth launch of new category products, which are expected to contribute to earnings going forward. Additionally, in terms of activities as well, the Company was able to show a glimpse of its concrete direction for the exploration of new use cases set forth in its "Wacom Chapter 4" medium-term business plan largely through technological and capital alliances.

# Topics

## Promoting technological and capital alliances to develop next-generation technologies and explore new use cases. New initiatives in sustainability disclosure and IR communications

### 1. Promoting technological and capital alliances

As part of initiatives aligned with the strategic pillars of its "Wacom Chapter 4" new medium-term business plan, the Company is actively promoting investments and partnerships aimed at developing technologies to serve as next-generation growth engines in order to implement in the market the technological value and various elements of the Group's Digital Pens as an "integrated pen and ink experience." In April 2025, it made an investment in capital of ¥300mn in SYNCORE TECHNOLOGY CO., LTD. In May 2025, it made another one of ¥100mn in Holoeyes Inc. to co-create an inking experience within medical work flows on the healthcare frontlines. Also, in August 2025, the Company raised its support for the Blender Development Fund program to the highest rank of Patron to further strengthen its strategic partnership with Blender Foundation, the non-profit organization that developed the "Blender" global open-source 3D production software. The Company's collaborative efforts with Blender Foundation also include joint development (the mobile version of Blender, the improvement of pen and touch experiences, etc.) and joint community activities (events, educational support, etc.). In addition, to highlight the progress of these initiatives, the Company held "Connected Ink 2025" in November 2025—a community event co-created with partners across multiple domains. The event showcased its efforts to broaden digital pen and ink use cases through strategic collaborations. Alongside the event, the Company enhanced IR communications by introducing a CEO-led IR guide tour for investors and shareholders and launching an IR radio program hosted by its IR team."

### 2. Initiatives for sustainability disclosure

Regarding sustainability initiatives, to supplement the medium-term business plan "Wacom Chapter 4," the Company published "Wacom Story Book Issue 2 Usui Hon (Thin Book)" in June 2025. The "Wacom Story Book" series features diverse stories of people connected to the Company, and "Issue 2" consists of four themed booklets: "Chapter 4 Side Stories," "Living Together with Communities," "Our Sustainability," and "Our Governance," presented in an anthology format. In addition, to share information that cannot be fully conveyed through disclosure materials such as quarterly financial results, the Company has launched a dedicated IR YouTube channel, #WacomIR Bookmark, as part of its efforts to enhance IR communication.

# Outlook

## The Company maintains its full-year results forecast for FY3/26, expecting a decrease in sales but a double-digit increase in profit for the full year as well

### 1. FY3/26 results forecasts

For the FY3/26 consolidated results forecast, the Company has maintained its initial forecasts with the belief that it needs to carefully assess 2H sales trends and other factors in each business. It expects a decrease in sales and an increase in profit with net sales to decrease 4.9% YoY to ¥110,000mn, operating profit to increase 12.6% to ¥11,500mn, ordinary profit to increase 10.6% to ¥11,500mn, and profit attributable to owners of parent to increase by 62.7% to ¥8,500mn.

While the Company expects its core business revenue will expand, it envisions that external factors, including the yen's appreciation and US tariffs, will yield an impact, fueling expectations of a decline in sales for the full year. Although new category products in the Branded Business enjoyed a smooth launch, the Company maintained its initial forecast based on the belief that it needs to carefully assess elements that include the year-end shopping season in 2H and trends in demand from OEM customers.

In earnings, while the Company anticipates the impact of external factors, including the yen's appreciation and US tariffs, it will secure double-digit profit growth through the return to profitability in the Branded Business and growth in business revenue.

Forecasts for FY3/26

(¥mn)

| | FY3/25 | | FY3/26 | | Change | |
|---|---|---|---|---|---|---|
| | Results | % of net sales | Forecast | % of net sales | Amount | % |
| Net sales | 115,681 | - | 110,000 | - | -5,681 | -4.9% |
| Branded Business | 28,745 | 24.8% | 30,000 | 27.3% | 1,255 | 4.4% |
| Technology Solution Business | 86,936 | 75.2% | 80,000 | 72.7% | -6,936 | -8.0% |
| Operating profit | 10,210 | 8.8% | 11,500 | 10.5% | 1,290 | 12.6% |
| Branded Business | -2,879 | -10.0% | 300 | 1.0% | 3,179 | - |
| Technology Solution Business | 18,495 | 21.3% | 17,000 | 21.3% | -1,495 | -8.1% |
| Adjusted amount | -5,406 | - | -5,800 | - | -394 | - |
| Ordinary profit | 10,394 | 9.0% | 11,500 | 10.5% | 1,106 | 10.6% |
| Profit attributable to owners of parent | 5,225 | 4.5% | 8,500 | 7.7% | 3,275 | 62.7% |

Source: Prepared by FISCO from the Company's financial results and results briefing materials

#### 2. FISCO's view

In order to achieve the full-year earnings forecast, net sales of ¥58,606mn and operating profit of ¥5,646mn are required in the 2H. Although a sense of uncertainty continues to remains in its outlook, including exchange rate trends and the US tariff issue, FISCO thinks that when the anticipated improvements in its earnings structure under its 1H results and effects of additional new product launches in 2H, plus the year-end shopping season and other factors, are taken into comprehensive consideration, achieving its results forecasts is in the realm of possibility provided there is no deterioration in external conditions beyond expectations. Key points to note in the first year of the "Wacom Chapter 4" new medium-term business plan continue to be co-creation with partners (technological and capital alliance partners), progress toward new commercialization in each use case area, and market response to the new category (Portable Creative). Trends towards business expansion in FY3/27 and beyond will be the subject of attention.

# "Wacom Chapter 4," the medium-term business plan

## Aiming to further enhance corporate value through technological innovation and co-creation with communities

#### 1. Direction of "Wacom Chapter 4," the medium-term business plan

In the newly-started "Wacom Chapter 4" four-year medium-term business plan, the Company continues to carry forth its vision of "Life-long Ink," while simultaneously defining itself as "a true instrument craftsman for the ultimate inking experience." In addition to further enhancing and integrating the elemental technologies it has refined to date, the Company will strive to further increase corporate value through technological innovation and co-creation that realize new inking experiences*.

* "Inking" encompasses the Company's mission of realizing inking experiences in a broad sense, including exploring the ultimate in writing and drawing—and beyond (pioneering a broad concept of the inking experience).

To achieve this, it will work to establish a circular value flow comprising four processes: 1) Developing use-case domains with communities → 2) Integrating the elemental technologies it possesses, including introducing new pen input technology, and co-creating technological experiences with communities, including capital alliances → 3) Evolving the solution portfolio (finished products, technology modules, platforms, and ink services) → 4) Providing experience value through a new value delivery framework (three groups that make up the Inking Experience Support Group) predicated on the consolidation of business segments.

For 1) in particular, the Company will actively invest in four use-case domains* that have significant potential, namely "Creation," "Learning & Teaching," "Work/Play & Beyond," and "Well-being." For (2), the Company will continue to integrate new core technologies (AI, security, and XR) into pen experiences while also pursuing products (applications) from technological development by co-creating with various partners.

* Domains include education, day-to-day operational work flows, and DX in the medical field.

### 2. Numerical targets

The numerical targets for the final year of the plan (FY3/29) are net sales of ¥150.0bn (up ¥34.32bn compared to FY3/25) and operating profit of ¥15.0bn (up ¥4.79bn). The plan also focuses on capital efficiency, aiming for ROE of 20% or higher and ROIC of 18% or higher, both of which significantly exceed the Company's estimates of cost of equity*.

* The Company estimates cost of equity to be around 8–10% and cost of capital (WACC) to be around 7–9% based on CAPM estimates and market expectations (level of return on equity).

The increase in net sales (¥34.32bn) is based on a scenario in which the negative impact of external factors, including the yen's appreciation and US tariffs (decrease of ¥11.5bn), is absorbed by business growth (increase of ¥45.8bn). Specifically, top line growth will be driven by a stronger product portfolio in the Branded Business following its business structural transformation (increase of ¥11.3bn) as well as the stable growth of existing businesses in the Technology Solution Business (increase of ¥19.5bn), and income contributions from new business areas that include education, healthcare, and DX support (increase of ¥15.0bn). The increase in operating profit (¥4.79bn) is also based on a scenario in which the negative impact of external factors (decrease of ¥3.0bn) is absorbed by the effects of business structural transformation (increase of ¥2.9bn) and business growth (increase of ¥5.3bn). A breakdown of this business growth consists of a stronger product portfolio in the Branded Business (increase of ¥1.2bn) as well as the growth of existing businesses in the Technology Solution Business (increase of ¥2.7bn) and contributions from new businesses (increase of ¥1.4bn).

### 3. Capital policy and growth investment details

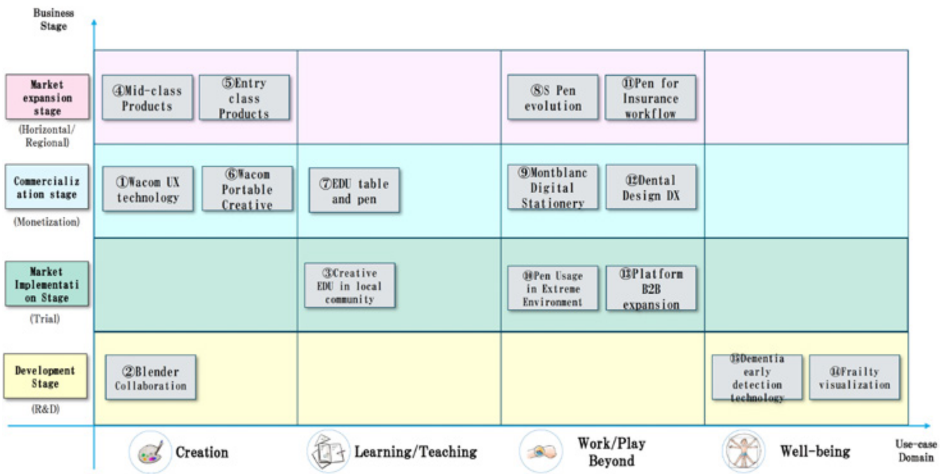
The anticipated cumulative operating cash flow (before R&D deduction) for the four-year period is ¥94.0bn. The Company plans to allocate these funds in a balanced manner between R&D and capital investment (total of ¥62.0bn), technological capital alliances that include M&A (¥12.0bn or more), and shareholder return (total return ratio of 50% or higher). It will also consider additional shareholder returns based on the progress made on technological capital alliances and stock price levels.

#### 4. Strategy evaluation by FISCO and key considerations

Although competition in the entry-level domain will persist alongside the expansion of the market, the Company is showing the expanding possibilities of digital pens and ink in various fields. We at FISCO see this as a turning point toward considerable growth. FISCO evaluates its strategy—using the integration of various technological elements and co-creation with partners to open up business domains that offer great potential—as having a high probability of growth. As these efforts involve the creation of innovative value, the timeframe until full commercialization involve numerous unknowns at present. As such, we at FISCO will be focusing the extent that the Company can shape specific solutions during the medium-term business plan period.

The Company discloses the positioning of its business progress for each of the four use case domains of Creation, Learning & Teaching, Work/Play & Beyond, and Well-being by stage (market expansion, commercialization, market implementation, development), which has clarified the direction of its businesses. It is necessary to follow up on how each business will progress going forward and how to engineer the further buildup of a pipeline. In particular, the Company is also directing its attention to the speed of market expansion for the likes of collaborative endeavors with partners that include collaborations with Benesse Corporation (Shinkenzemi, etc.) and digital stationery experiences with Montblanc, and DX in denture design, which are already at the commercialization stage, as well as to the prospects of the commercialization of solutions for the early detection of dementia, which are currently in the R&D stage. If each of these endeavors is launched during the medium-term business plan period, the Company may be able to secure a first-mover advantage, including the accumulation of technology and data. Also, what kind of partners it allies with in the future will likely be an important factor in assessing the Company in terms of technology and judging its business feasibility.

Positioning of business progress in each case study



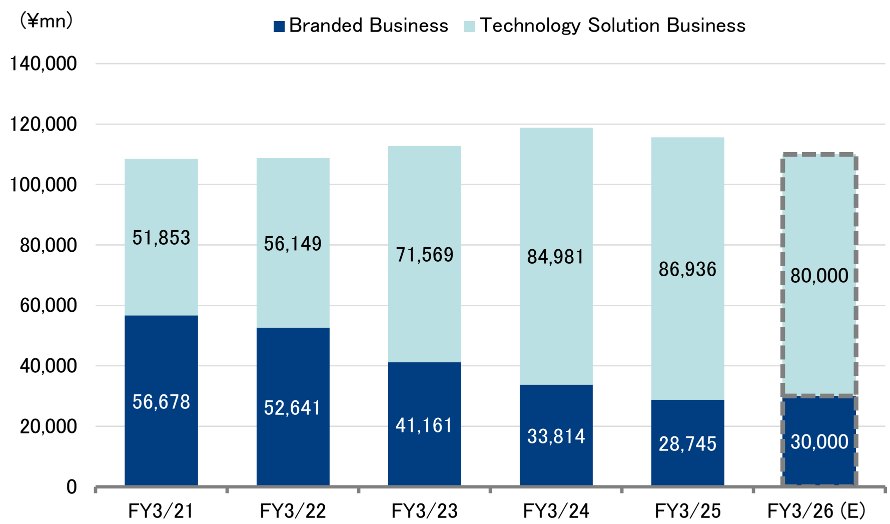

Source: Prepared by FISCO from the Company's results briefing materials

# Results trends in past years

## Technology Solution Business driving growth over the past several years

Looking at how net sales trended up to FY3/20, which is prior to the COVID-19 pandemic, the temporary, large slump in FY3/17 occurred because of the combined impacts of the yen's appreciation, excessive internal IT infrastructure investment, product cycle movement, and other factors. Since then, however, sales recovered with growth in the Technology Solution Business. Nevertheless, sales in the Branded Business have been trending lower with the structure of positive growth in the Technology Solution Business continuing to offset its decline. The Branded Business (especially low- to mid-priced models) experienced rapid growth in sales in FY3/21 mainly due to special stay-at-home demand that includes online education amid the COVID-19 pandemic, and in FY3/22, despite the end of a surge in that special demand, growth in Displays for professionals in the Branded Business and the Technology Solution Business resulted in new record high net sales for a second consecutive fiscal year. However, since entering FY3/23, the Branded Business (especially in entry-level areas) experienced a significant downturn due to a sharp drop in consumer sentiment caused by inflation and other global economic slump and a reactionary decline in special demand, but the growth of the Technology Solution Business secured an increase in sales.

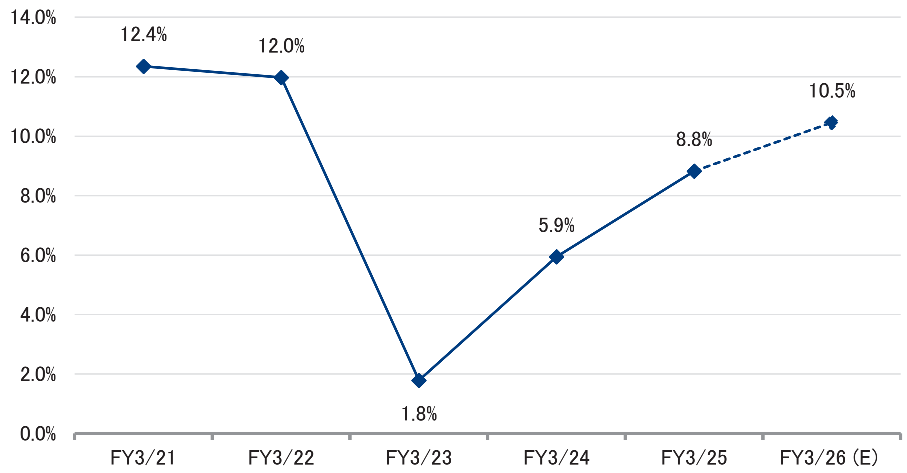
Trends in net sales by business




Source: Prepared by FISCO from the Company's financial results and results briefing materials

In earnings, since incurring an operating loss in FY3/17, the operating profit margin has improved gradually from the 4% level to the 6% level while the Company conducted aggressive R&D and new product development. In FY3/21 and FY3/22, the Company retained a high profit margin for two consecutive fiscal years due to factors that include higher profits atop an increase in sales, improvements in the product mix, and optimization of SG&A expenses. Since FY3/23, the Branded Business has recorded a segment loss for three consecutive years, and the overall profit margin has decreased significantly.

Trends in operating profit margin

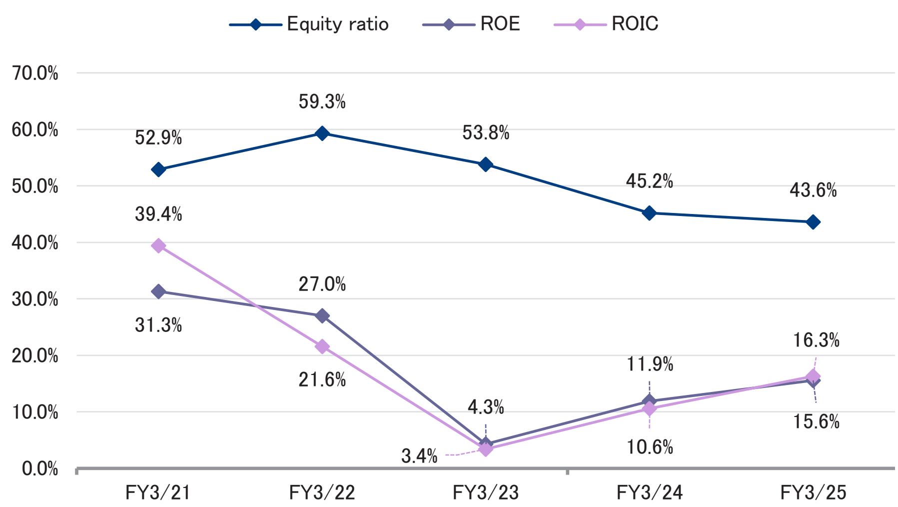



Source: Prepared by FISCO from the Company's financial results

In financial standing, while the equity ratio temporarily slipped in FY3/17 on a net loss due to recording impairment losses on IT assets, it has steadily improved since then with a buildup of retained earnings, rising to a level of 60%. On the other hand, the equity ratio has been on a downtrend since FY3/23 due to the acquisition of treasury stock and other factors, and at the end of FY3/25, it was 43.6%.

Additionally, ROE, which reflects capital efficiency, and ROIC, which reflects efficiency of business activities, have been at high levels. However, ROE and ROIC temporarily experienced significant declines in FY3/23 along with the drop in profits, but in FY3/24, they both started improving, and in FY3/25, ROE was at 15.6% compared to the Company's estimated cost of equity (8–10%), and ROIC was at 16.3% compared to the Company's estimated cost of capital (7–9%), both surpassing these estimates by a considerable amount.

Trends in equity ratio, ROE and ROIC




Source: Prepared by FISCO from the Company's financial results and results briefing materials

# Shareholder returns

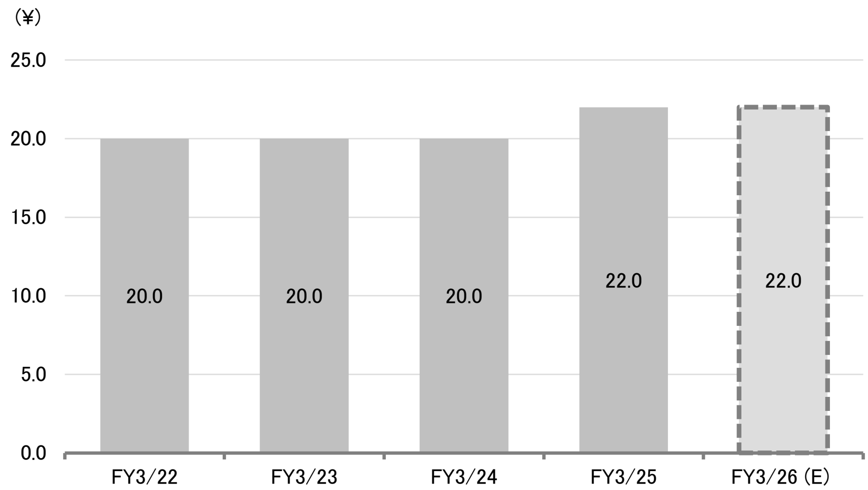
## Aiming for a total return ratio of 50% or higher based on a progressive dividend combined with share buybacks

The Company's basic policy is to continue paying steady dividends and flexibly acquire treasury stock while ensuring the retention of funds required for future business development and the strengthening of its financial base. Under its "Wacom Chapter 4" medium-term business plan, which started in FY3/25, it has announced a shareholder return policy in which it will aim for a total return ratio of 50% or higher based on a progressive dividend combined with share buybacks.

In FY3/26, the Company is currently forecasting a dividend of ¥22.0 per share (¥11.0 interim* and ¥11.0 year-end), the same as the previous fiscal year.

* Payment is scheduled to begin on December 5, 2025.

Dividend per share




Source: Prepared by FISCO from the Company's financial results

# Company profile

## Establishing the pen tablet market for creators

The Company was established in 1983 in Ageo City, Saitama Prefecture. Its name is derived from “world” and “computer.” “WA” includes the meaning of “harmony between people and computers,” and “COM” includes “communication” and recently “community.” In 1984, it announced the world’s first cordless pen tablet. In 1987, it launched the SD Series of graphic pen tablets for professionals, which were used by the Walt Disney Company <DIS> in the US for film production. Subsequently, it constantly enhanced its products, and in the pen tablet market for creators, it has reinforced its leading position on a global basis since the 2000s.

In 1991, it entered the pen sensor components field (currently the Technology Solution Business). The Company conducts the OEM supply of digital pens, control ICs, touch panels, and other parts and modules to finished product manufacturers. It has achieved rapid growth amid the expansion of the tablet / notebook PC and smartphone markets.

In the securities market, after being listed on the Japan Securities Dealers Association’s JASDAQ market in April 2003, the Company became listed on the Tokyo Stock Exchange’s First Section in December 2005, where it remains today. (From April 2022, the Company transitioned to the Tokyo Stock Exchange’s Prime Market.)

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