Wacom Group Medium-Term Business Direction: Wacom Chapter 3 – Seeking Meaningful Growth for People and Society –

Under the Medium-Term Business Plan: “Wacom Chapter 2”, launched in fiscal 2018, the company has taken a variety of measures to deliver the optimal digital ink experience. Guided by the concept of “Life-long Ink,” these efforts have been designed to allow customers to experience the value created by digital ink throughout their lives. We are introducing Wacom Chapter 3 (covering FY2021 to FY2024) to further develop and evolve these efforts.

1. Review of Wacom Chapter 2

Under Wacom Chapter 2, three themes functioned as interrelated company-wide strategies – these were “Technology Leadership,” “Islandand & Ocean Strategy,” and “Extream Focus.” The main outcomes of these strategies are as follows:

- Transformation of the product portfolio
  By transforming our product portfolio to expand the base of entry-level users of Wacom brand products, we were able to provide many customers with an ink experience not only in the creative field, where collaboration with application partners has been deepened, but also in the education field. This has contributed to an expansion of the business foundation that will in the future lead to advanced utilization of core technologies related to digital ink currently under development.

- Expanded opportunities for pen and paper digital experiences
  The evolution of our technology solutions has enabled us to offer a more advanced digital pen and paper experience to a wide range of business partners, including not only widely used devices such as tablets and laptops, but also electronic paper and dedicated devices for educators, helping us to prepare for greater diversity in use cases – from work style to education.

- Built robust organizational structure and implemented efficiency-oriented organizational management
  Efforts that transcend the walls between business divisions have become more active in the areas of R&D, technology development, product planning, materials procurement, quality control, and inventory management, and an attitude on addressing issues and emphasizing profitability has permeated the entire organization. By improving company-wide profitability, we have been able to build a foundation capable of supporting aggressive and sustainable technological investment for the future.

- Created corporate culture that encourages individuals to demonstrate their abilities with an awareness of the diverse communities
  We have established several project teams with highly motivated individuals at the core of our engineering organization, and by creating value through the integration of the strengths of various community partners, we have fostered a sense of shared growth among all stakeholders.

As a result of these efforts, we were able to achieve the Wacom Chapter 2 management targets for the fiscal year ending March 31, 2022 (consolidated operating margin of 10%, consolidated net sales of 100 billion yen, and ROE of 15-20%) during the fiscal year ended March 31, 2021 – one year ahead of schedule*.

At a crossroads of the long journey known as “Life-long Ink,” we decided to make use of the lessons we had learned over the past three years and advance to the next stage of development and evolution from the fiscal year ending March 2022.

2. Outline of Wacom Chapter 3

- Vision and five key strategic initiatives
  Through Wacom's technology, we will continue to provide meaningful experiences for people and society over the long term, guided by five key strategic initiatives and the vision of “Life-long Ink” to contribute to making this world more humane.

  - Technology Leadership: Focus on technological innovation, the source of Wacom's value proposition
  - Community Engagement: Deepen engagement with the community to create valuable experiences
  - New Core Tech, New Core Value Proposition: Create new value based on new core technologies
  - Technology Innovation for Sustainable society: Contribute to the development of a sustainable society through technology
  - Meaningful Growth: Exploring muti-dimensional growth

  As a result of deeply considering some of the issues we all, including Wacom, face as a society, we decided to concentrate on these five key strategic initiatives. Wacom's mission is to use technology to create valuable experiences and then deliver these experiences to customers; to realize these experiences by complementing its know-how with knowledge and experience from its peers. Identifying the technological areas on which to focus, Wacom can link technological innovation to realizing a sustainable society. Wacom believes that such an approach will support the growth of customers who purchase and use our products and services, stakeholders who provide our capital, communities that share Wacom's vision, our colleagues, and the diverse society in which we participate.

- Technology roadmap supporting key strategic initiatives
  We believe it is critically important to dynamically develop a roadmap for technologies that supports this vision and key strategic initiatives. In addition to the current core technologies related to pen, paper and ink, we will seek to implement new core technologies by integrating ink technology with AI (Artificial Intelligence), XR (new reality experiences) and security technologies.

- Provide tangible experiences

  By the final year of Wacom Chapter 3, we will advance existing core technologies as a means for developing a new product portfolio and new customer base. Also, we will apply new core technologies related to AI, XR, and security to offer new services and devices in the areas of education, creative support, 3D drawing workflow, and digital rights management.

- Community and social engagement

  We aim to contribute to the realization of the “multi-dimensional growth” of the individual communities and people by incorporating new perspectives and ideas that sustainably support “art, technology, and learning” from a medium- to long-term and social perspective. As part of initiatives, we have been engaging in repect and support for activities of Connected Ink Village, an organization established as the General Incorporated Association on February 16.

- Wacom's vision for growth

  Along with pursuing solid financial growth, we also aim to achieve “Meaningful Growth” together with our customers and partners in various communities under the "Life-long Ink" philosophy. We believe that “growth” means not merely financial growth, but also the growth that customers experience through the product and service, the growth through the accumulation of new learning for society and individual communities , and the growth of each individual through self-fullfilment.

  In terms of financial growth, in addition to stable business expansion through the evolution of existing core technologies and business models, we will also invest in the development of new core technologies and business models, sowing the seeds of new businesses in the final two years of Chapter 3 and positioning ourselves for accelerating growth from fiscal 2025 onward.

  In addition to introducing return on invested capital (ROIC) as a management indicator to promote growth predicated on efficient investing, we also intend to enhance corporate value by enhancing the quality of management and encouraging essential discussions among board members with diverse and specialized perspectives.

(Reference) Financial Policy Guidelines

① Business efficiency (new KPI)

Maintain an ROIC of approximately 25 to 30% as a guide for conducting businesses

② Capital efficiency

Assume an ROE of approximately 20%

③ Shareholder return

With respect to dividend policy, we will strive to distribute profits by increasing dividend per share over the medium- to long-term, while maintaining adequate financial soundness by targeting a consolidated dividend payout ratio of approximately 30%. Our basic policy on treasury stock acquisition is to implement it as a capital policy to flexibly respond to changes in the business environment, considering investment opportunities and financial conditions.

(*) Actual management indices for fiscal year ending March 31, 2021 (results for fiscal year ended March 31, 2018, the year prior to the start of Wacom Chapter 2)

① Consolidated operating income ratio 12.4% (4.3%)

② Consolidated net sales 108.5 billion yen (82.3 billion yen)

③ ROE 31.3% (10.8%)

For details, please refer to “Medium-Term Business Direction: Wacom Chapter 3” (explanatory material)