

Draw Wacom's Future

Asset Value Investors Limited

7th May 2025

About AVI

Asset Value Investors Limited (AVI)

- London-based Investment management company established in 1985
- Managing client funds and investing in global equities for over 40 years
- Accepted the Principles for Responsible Institutional Investors (Japanese version of the Stewardship Code), and is committed to constructive “purposeful dialogue” (engagement) to enhance corporate value and sustainable growth

Experience in Japan

- Active in Japan for about 40 years with Y120bn¹ invested in Japanese equities
- Mostly private engagement with companies that are under-researched and undervalued
- Long-term investment horizon

Flagship Investment Vehicles

- AVI Global Trust plc (total assets: Y240bn¹)
- AVI Japan Opportunity Trust plc (total assets: Y50bn¹)
- Both are public companies listed on the London Stock Exchange’s main market. Closed-end investment trusts allowing for a long-term investment policy based on stable capital



Wacom Shareholder Register

AVI is currently the largest shareholder of Wacom.

#	Shareholders	Ownership (%)	Market value ¹ (JPY bn)	No. of shares (mm)
1	Asset Value Investors Ltd.	10.0%	7.6	14
2	Nikko Asset Management Co., Ltd.	6.5%	5.0	9
3	Samsung Electronics Co Ltd	6.0%	4.6	8
4	Baillie Gifford & Co.	4.7%	3.6	7
5	Invesco Asset Management (Japan) Ltd.	4.2%	3.2	6
6	Nomura Asset Management Co., Ltd.	3.8%	2.9	5
7	The Vanguard Group, Inc.	3.6%	2.7	5
8	Sumitomo Mitsui Trust Asset Management	3.0%	2.3	4
9	Masahiko Yamada	2.7%	2.1	4
10	Wilnau Co.	2.2%	1.7	3
11	Saudi Arabian Monetary Agency	1.8%	1.4	3
12	BlackRock Fund Advisors	1.4%	1.1	2
13	Daiwa Asset Management Co. Ltd.	1.4%	1.1	2
14	Norges Bank Investment Management	1.1%	0.8	2
15	SBI Asset Management	1.1%	0.8	2



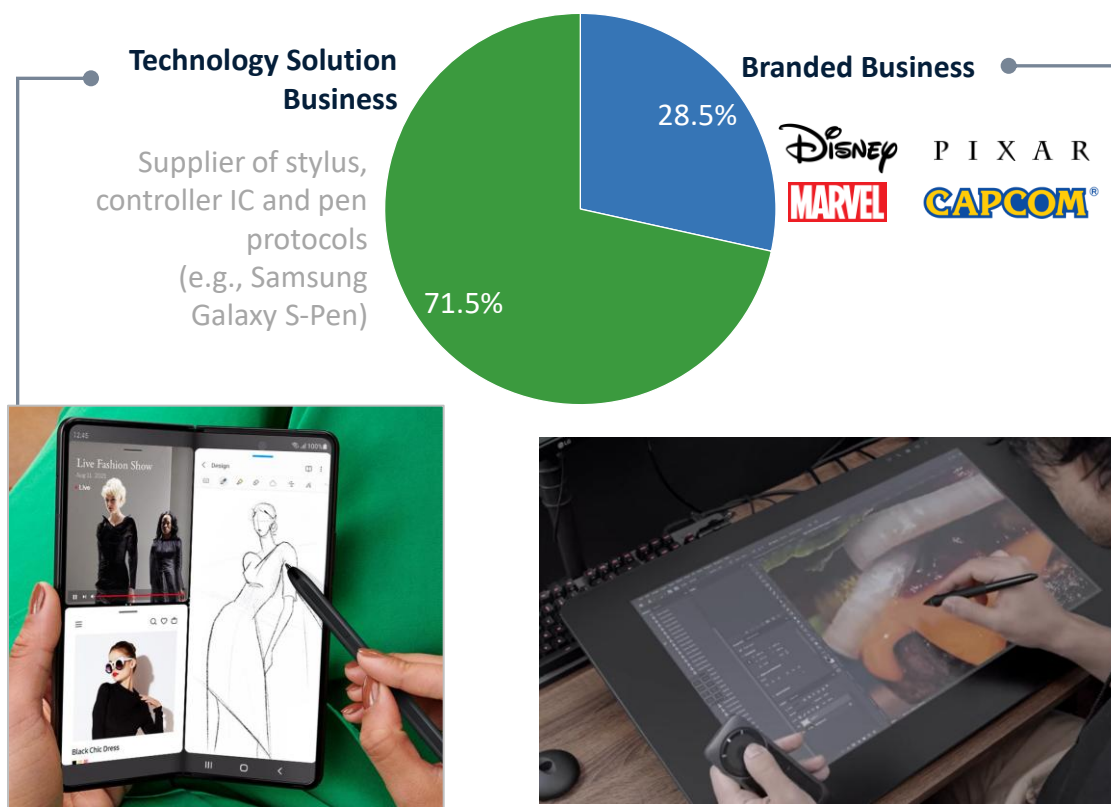
Note 1: As of 6th May 2025

Source: Wacom Co., Ltd. annual securities reports, large ownership reports, and other publicly available materials

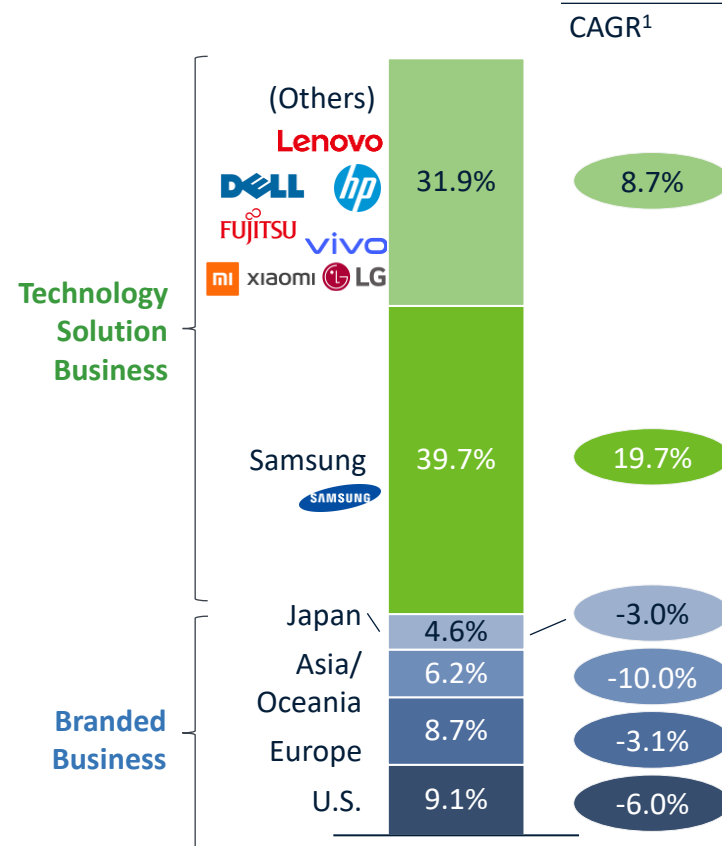
About Wacom: A Company Built on Two Business Pillars

Wacom has two main business pillars: the technology solutions business and the branded business, both of which are based around digital pen technology.

Revenue mix by segment, FY2024/3



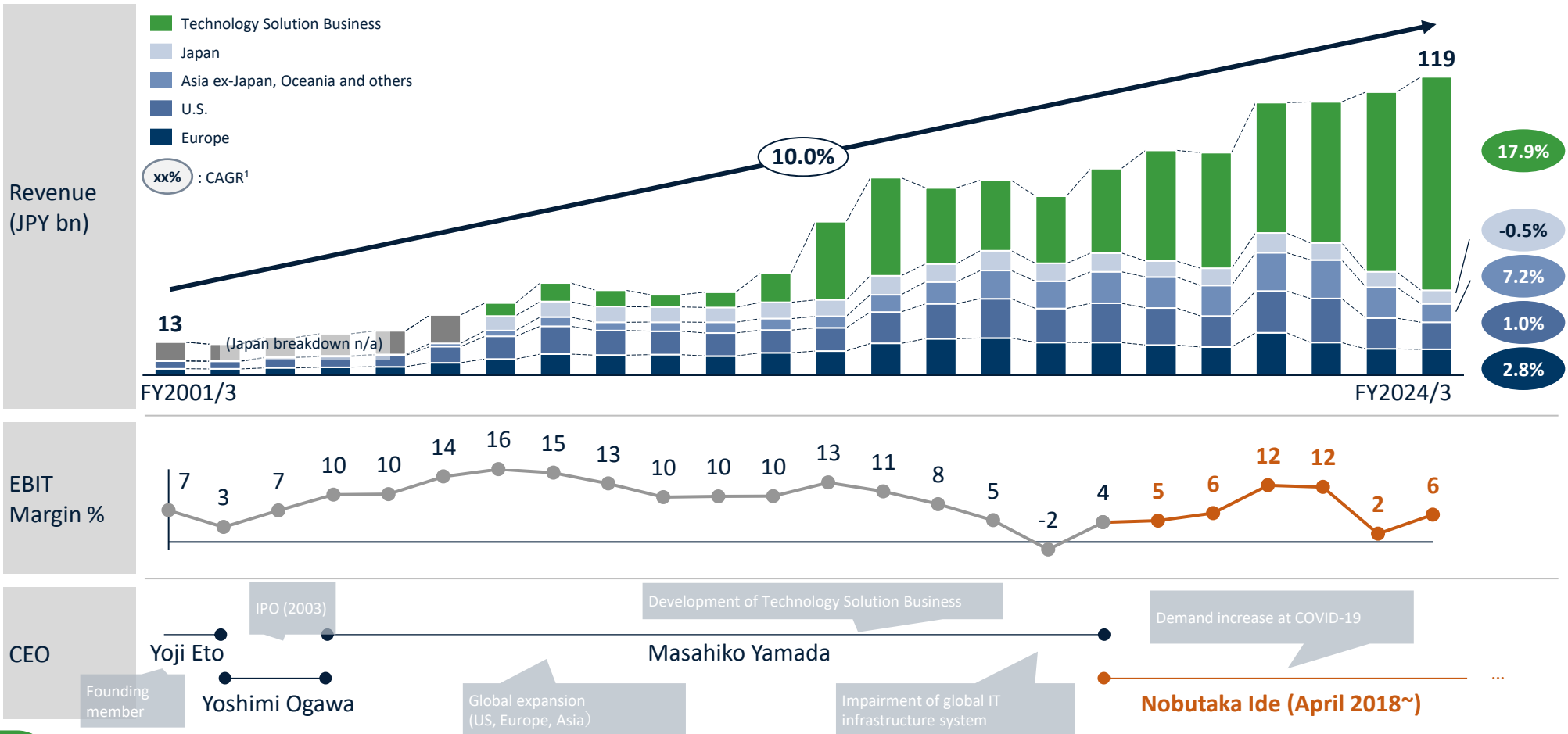
Revenue mix details and growth rate, FY2024/3



Note 1: Average annual growth rate from the fiscal year ending March 2019 to the fiscal year ending March 2024
Source: Wacom Annual Securities Report, Financial Statements, and other published materials

Wacom's Historic 10% Annual Growth Rate

Wacom has overcome various business challenges, achieving double-digit average annual growth.



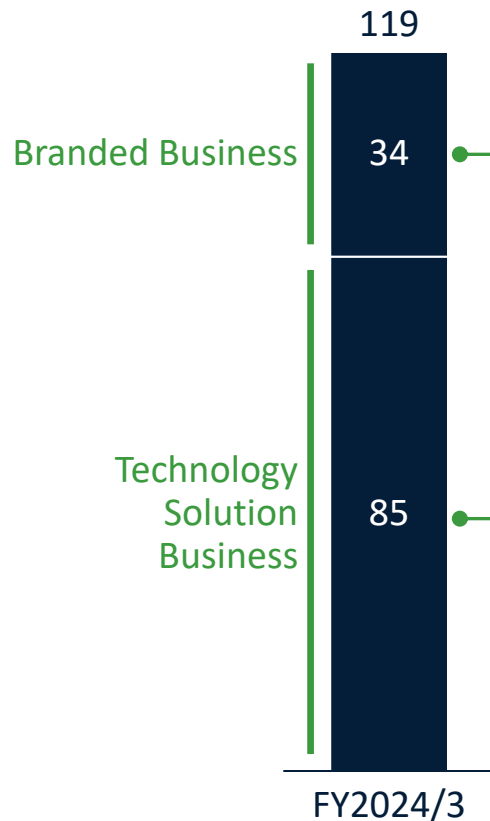
Note 1: Average annual growth rate from the fiscal year ending March 2007 to the fiscal year ending March 2024
Source: Wacom publicised materials, AVI research

Wacom Products Used Across the World

Wacom's products and solutions are appreciated by clients and end users around the world in diverse applications.

Revenue by segment, JPY bn

Major B2B clients, examples

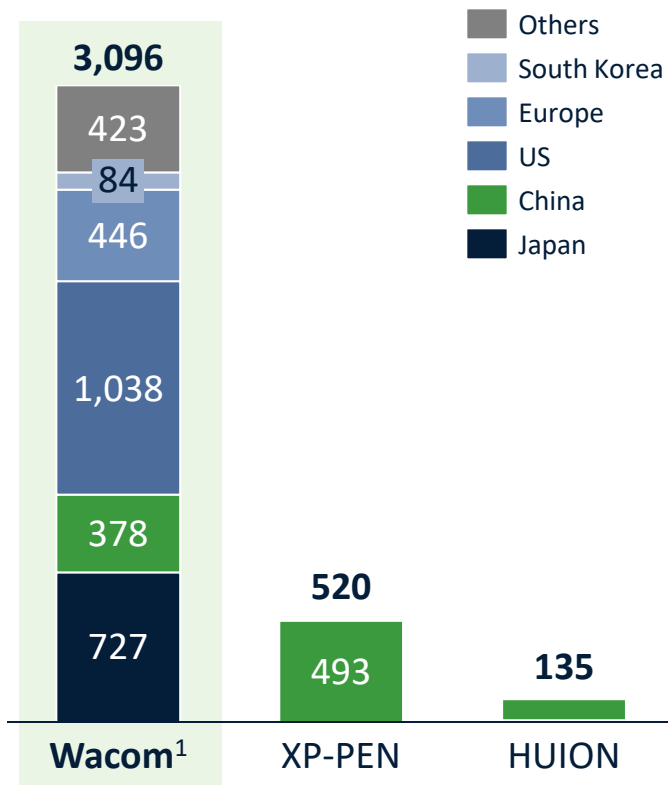


Note 1: According to Wacom's business introduction materials (January 2023), it is stated that "Disney created "Beauty and the Beast (1990)" using our pen tablets."
 Sources: Wacom financial results presentation materials, companies' product websites; Making Frozen 2 Official Trailer (<https://www.facebook.com/watch/?v=581030175944991>); Pixar 'Go Behind the Scenes of Kitbull (2019)' (<https://www.youtube.com/watch?v=l6AMdsH0-uo>); Wacom into the Spider-Verse (<https://www.youtube.com/watch?v=fol6jq2KOsc>), Wacom Case Studies and Product Reviews

Product Innovation Backed by Technological Excellence

Wacom's recent product innovations, driven by strong technological capabilities and a deep understanding of customer needs, have successfully captured the hearts and minds of end-users.

No. of patents, as of Aug 2024



Product development, “Wacom Movink 13” released in 2024



“This device is really blazing its own path: it’s insanely light, it’s really portable and you are still getting Wacom’s best feature which is their Pro Pen 3. To sum it all up, I really like this.”

“This to me feels like Wacom’s Goldilocks product. You can get Wacom’s pen experience at a lower price plus you’re getting the added features of portability. It feels like a fantastic direction for them to be heading in.”

- Product reviews by YouTuber with 890K subscribers²

Note 1: For applications where the applicant is 'Wacom Co Ltd'.

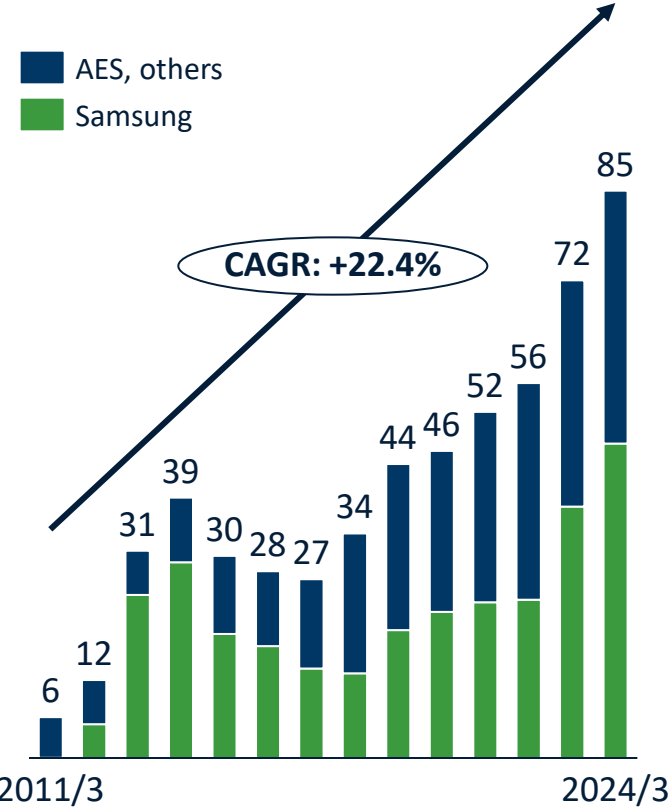
Note 2: As of April 2025.

Sources: World Intellectual Property Organization, Wacom e-store website, Brad Colbow 'Wacom Movink 13 Review' (<https://www.youtube.com/watch?v=Y3ASJNcFinI>).

Long-Term Trust from B2B Clients

In the Technology Solutions Business, clients are also leveraging Wacom's accumulated product technological expertise to drive market development.

TS¹ Business revenue, JPY bn²



TS¹ Business' client voices



Lenovo Japan
Operating Officer/
Senior Executive

When we launched the world's first foldable PC in 2020, we were able to realise pen support on a foldable display through joint development with Wacom from an early stage. We believe this was made possible thanks to Wacom's technological expertise.



Samsung Electric
Group Head of
Technological
Strategy

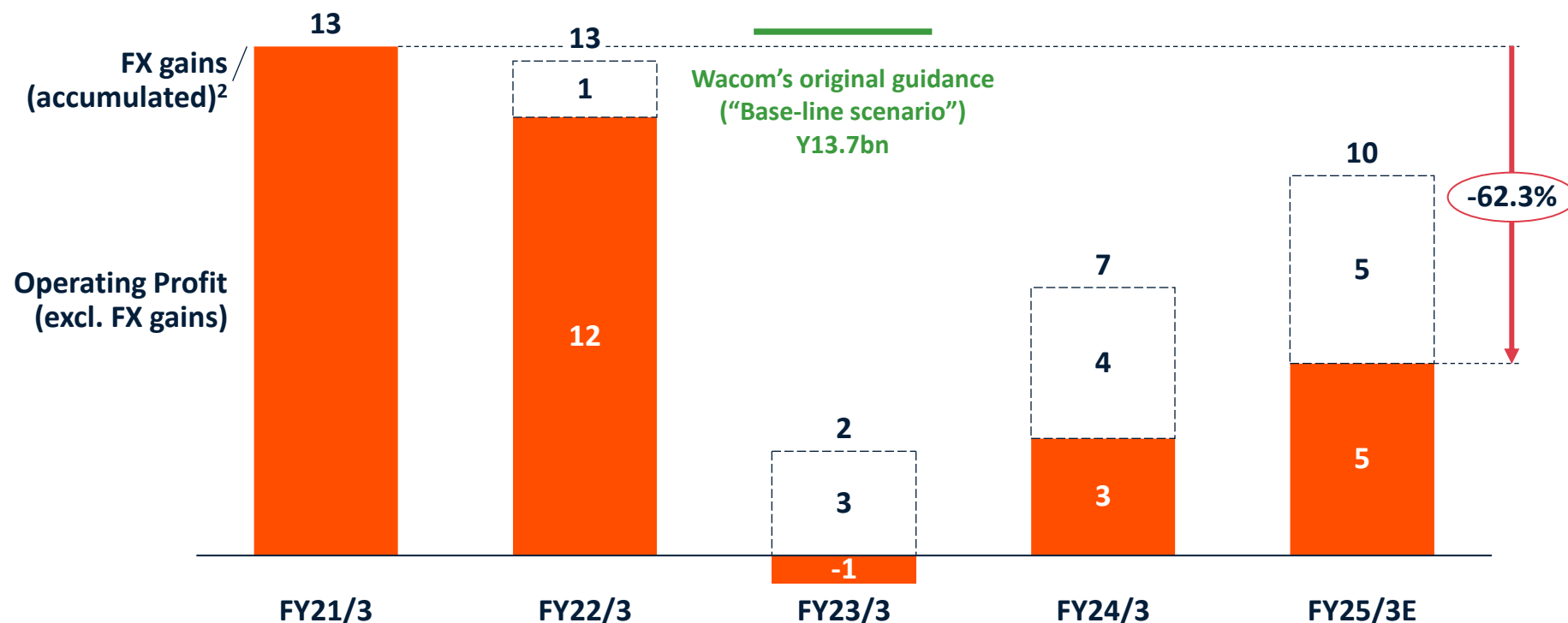
The Galaxy Note series marked the start of our 13-year partnership with Wacom. We searched far and wide for the best technology, and Wacom's innovative pen technology was unique in meeting our standards for uncompromising quality.

Note 1: Technology solutions business
Note 2: FY03/11 - FY03/14 refers to sales in the component business.
Source: Wacom disclosure documents, Connected Inc. Tokyo 2023

Sluggish Adjusted Business Performance Despite Employees' Efforts

On a normalised earnings basis, excluding the cumulative effect of JPY depreciation, operating profit is projected¹ to decline to roughly one-third of the FY21/3 level by FY25/3 (or decrease by c.25% even when accounting for FX gains)

EBIT, JPY bn



Avg. FX rate
(1USD =)

Y106.2

Y112.9

Y135.0

Y144.4

Y152.0

Note 1: Company disclosure "Revision of Consolidated Financial Forecasts, Posting of Extraordinary Loss and Revision of Dividend Forecast for FY2024 (FY Ended March 31, 2025)"

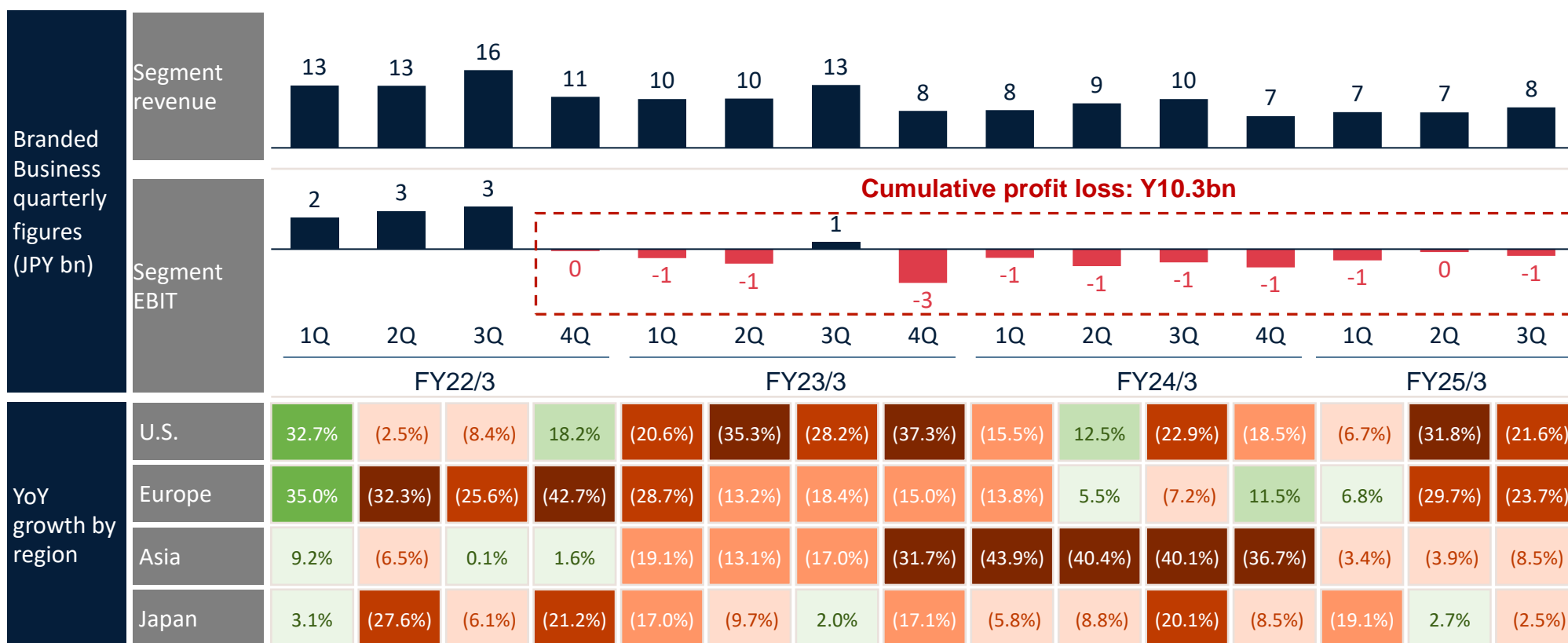
Note 2: Based on exchange rates for FY2021 and cumulative foreign exchange impact from FY2022 onwards.

Source: Wacom financial disclosure document, 'Main factors for changes in consolidated operating profit'.

Downturn in Branded Business is a Major Headwind

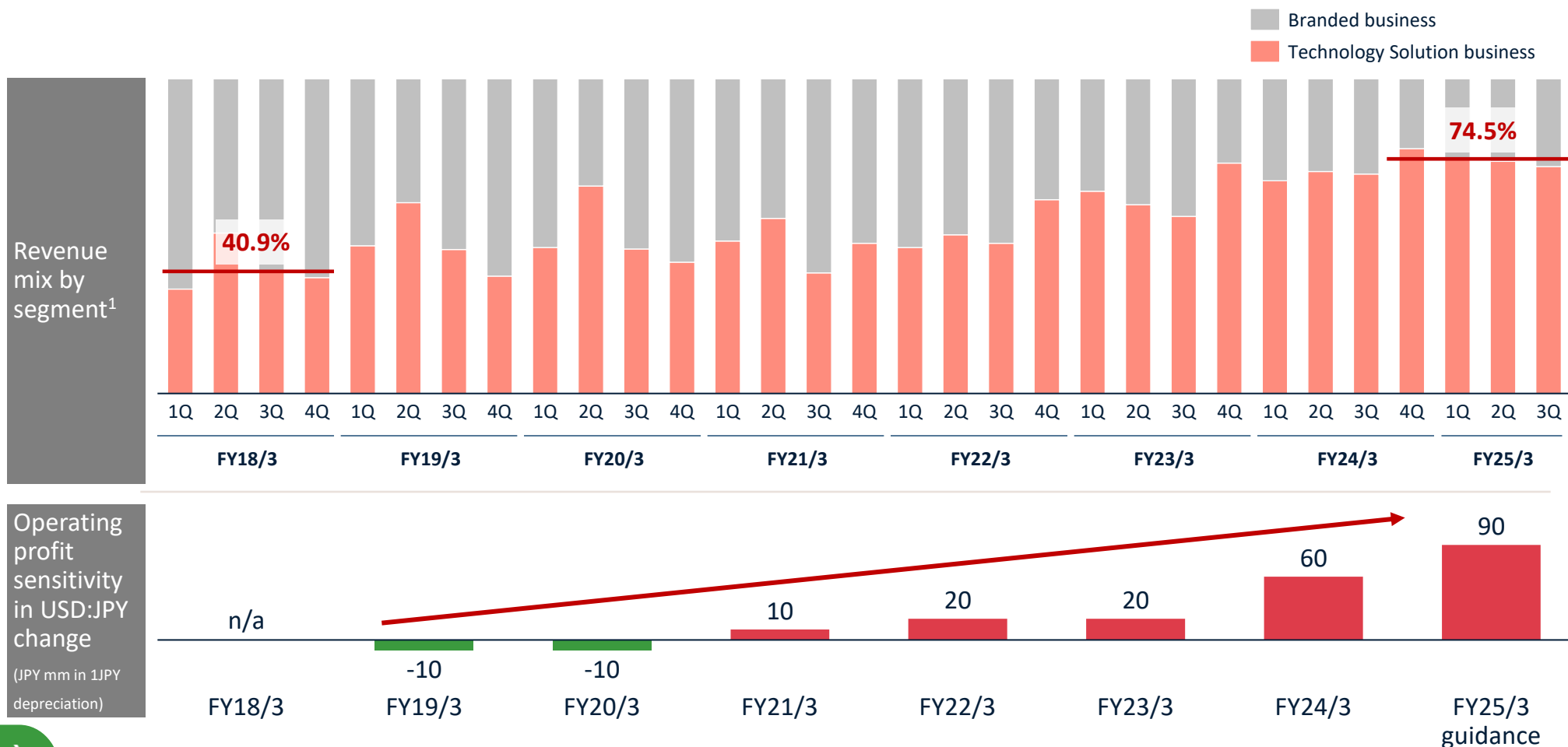
Since Q4 FY2022, the Branded Business has accumulated a losses totalling 10 billion yen, equivalent to c. 15%¹ of Wacom's market cap. This sharp downturn in the segment is the primary driver behind the company's profit decline.

Branded Business historical financial performance



Increased FX Sensitivity due to Contraction of Branded Business

Shifts in the business mix have increased foreign exchange sensitivity, increasing risks to overall business stability.

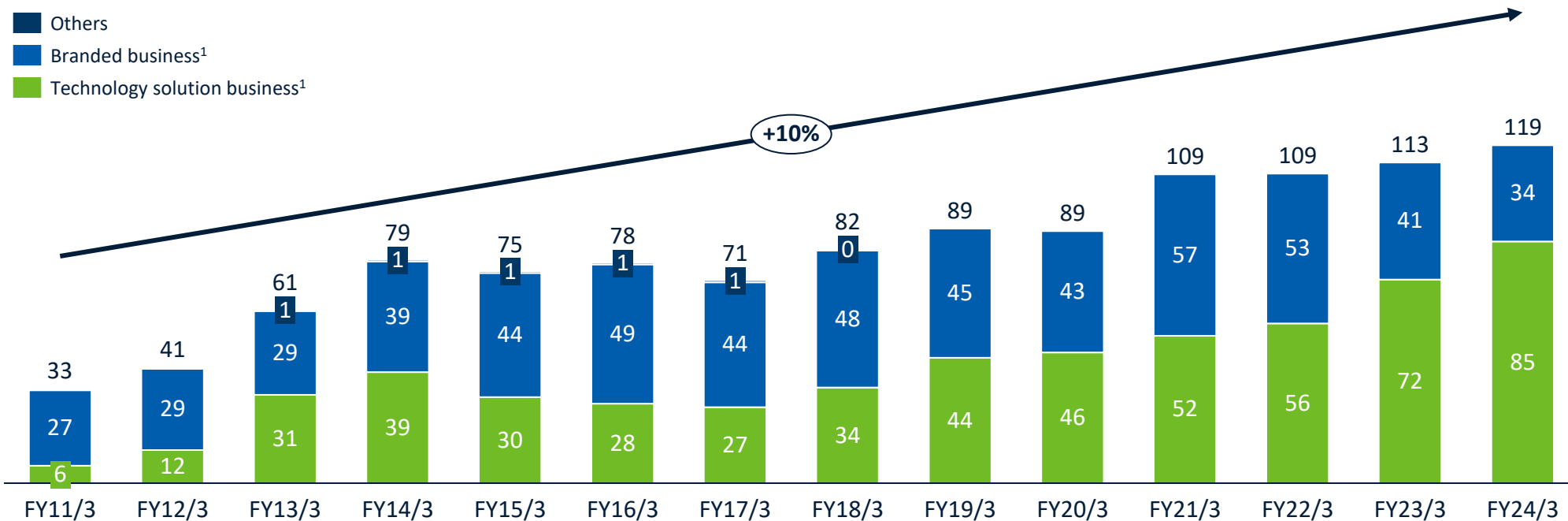


Note 1: Excluding the Engineering Solutions business for the first three quarters of the fiscal year ending March 2018
Source: Wacom financial disclosure materials

Inseparable Business Portfolio

The Branded Business is closely integrated with Technology Solutions, with synergies such as technology and brand equity. Rebuilding the Branded Business is essential for Wacom's growth revitalisation.

Revenue trajectory by segment, JPY bn



Each business has had its ups and downs at different times, but they have complemented each other to achieve consolidated annual growth by 10%

Note 1: In light of the nature of the business, the 'Tablet' segment for the period 2011/3-2012/3 is classified as the Branded Products business, and the 'Component' segment for the period 2011/3-2015/3 is classified as the Technology Solution business for the purposes of creating the graph.
Source: Wacom financial disclosure materials

Branded Business Stagnation is Impacting the Market Evaluation

Many believe that improvements in the Branded Business are necessary to shift market sentiment more positively toward Wacom.

Jefferies

Japan | Electronic Components

Wacom

Equity Research
July 26, 2024

Waiting for improvement of the brand business, maintain our Hold rating

We increase our price target from ¥660 to ¥820 but maintain our Hold rating. Wacom continues to display an upbeat technology solution (TS) business, though it is struggling in the brand business. We would wait for a bottoming-out of earnings in the brand business.

Investment Thesis: We expect the brand business to steadily reduce losses, thanks to earnings improvement measures implemented up to now. Wacom plans to realize additional reductions of fixed costs and operation costs in FY3/25. While it aims to achieve profitability heading toward FY3/26 via these actions, we think it is necessary to closely monitor whether income progresses as planned. Over the medium term, despite catalysts from continued healthy momentum in the TS business and the ramp-up of recurring business, we believe switching to a bullish view would require a turnaround in the brand business and improved earnings visibility.

NOMURA

Wacom

Global Markets Research
7 August 2023

6727.T 6727.JP / EQUITY: JAPAN CONSUMER ELECTRONICS & PRECISION INSTRUMENTS

Sales of branded products remain at low ebb

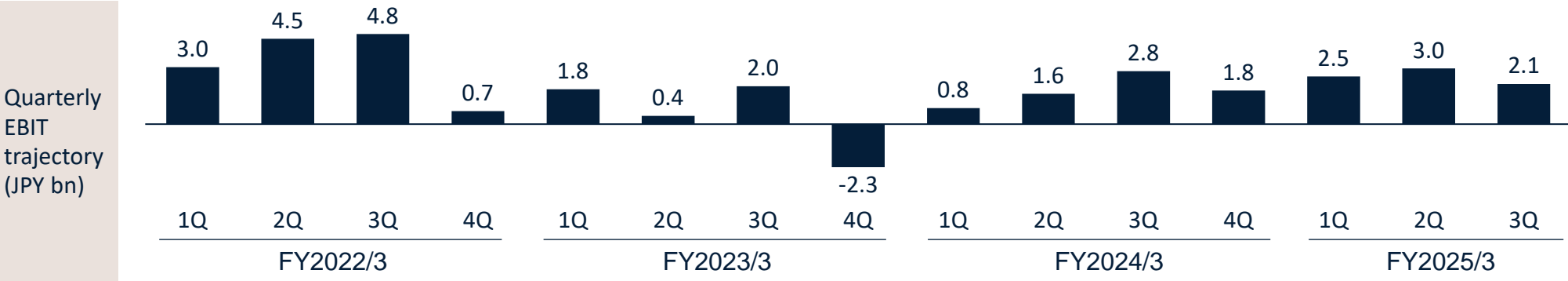
We still see good growth prospects for digital pens but cut target price in view of recent earnings deterioration

We reiterate Buy rating, see good growth prospects for handwriting interfaces

Sales at Wacom's branded segment have continued to decline following the boost to demand seen during the COVID pandemic, but we think earnings are over their worst in quarterly terms and expect them to recover gradually as distribution inventory levels return to normal. We expect profit growth to continue over the longer term via expansion of the market for digital pens in terms of both Wacom's branded products and OEM supply. We also highlight new business opportunities as the growing use of generative AI boosts activity among creators. We obtain our target price of ¥850 by multiplying our 25/3 EPS forecast by a P/E of 19–20x (as before, we apply a premium of 30% over the benchmark). We lower our target price to reflect likely declines in near-term earnings but reiterate our Buy rating as we still think that the potential boost to growth from uptake of handwriting interfaces has not been fully priced in.

Management Based on Reactive Decisions

Wacom's management team has limited understanding of realities on the ground, leading to predominantly reactive measures being taken. As a result, the company was ultimately compelled to implement personnel redundancies.



Management comments

“Compared to the pre-COVID period, our performance in the first half of the year has greatly outperformed.”
“In the medium to long term, we are on a growth trajectory.”

“The guidance for the fiscal year ending March 2023 (operating profit of 13.7 billion yen) is a rock-solid figure, to put it simply”

“The economic environment is deteriorating due to factors such as inflation, war and politics.”
“There are no changes to the strategic direction of the mid-term plan.”

“Purchasing priority is decreasing”
“The market is cooling down a little”
“We will completely renew our product portfolio in two years”

“The downward trend in the struggling Branded business remains unchanged, and we have made downward revisions.”
“We have to take additional measures.”

“The branded business has been in the red for two terms, and we had to write down our fixed assets.”
“Demand is decreasing despite our efforts. The purchase cycle is prolonging.”

“There are some areas where we have not quite achieved the improvements we had hoped for in the Brand business.”
“We will reduce the number of staff by 15-20% across Wacom.”

CEO Mr Ide



Source: Transcript of earnings result meetings

Falling Significantly Short of the Mid-term Plan

The management outlook for the future appears overly optimistic. Combined with the relatively lengthy four-year Mid-term Plan, this has led to significant divergence between the initial plan and actual results, rendering the plan effectively obsolete.

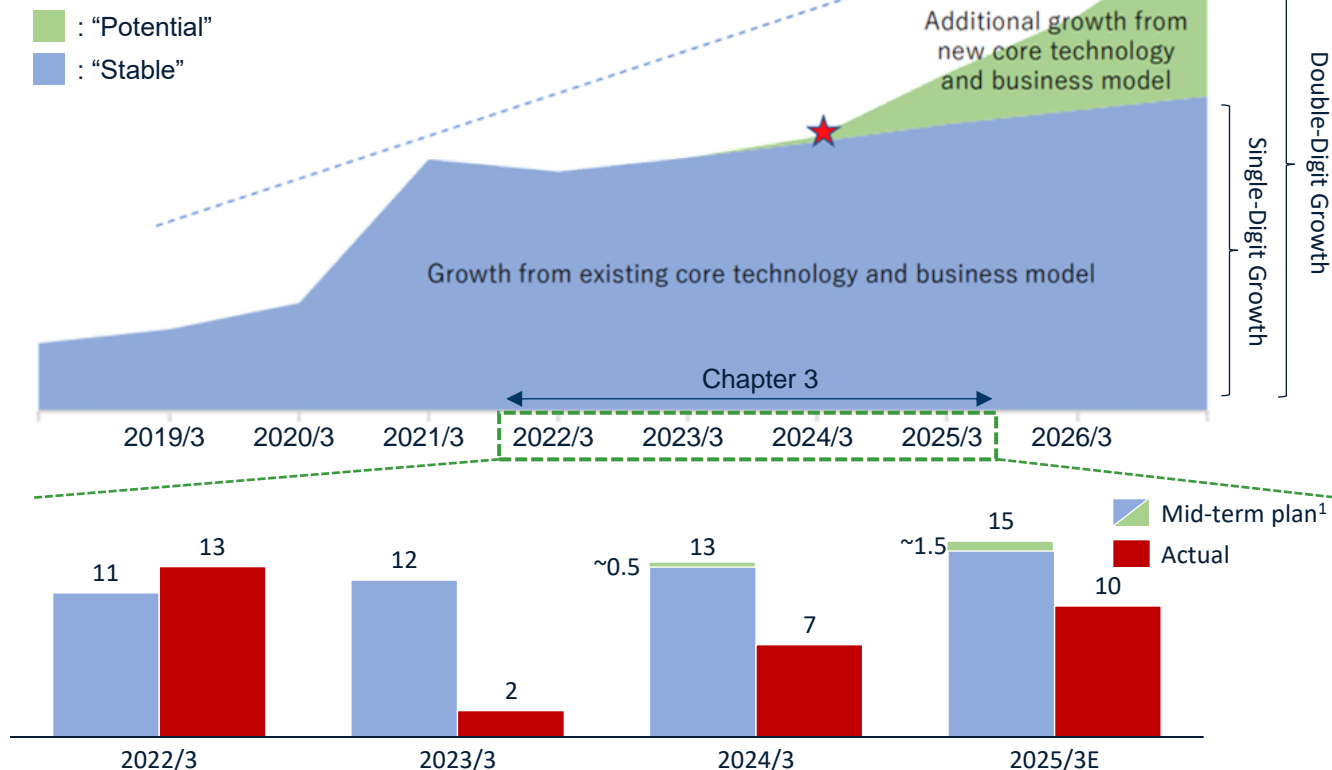
Corporate Governance Code Supplementary Principles 4.1.2

Recognizing that a mid-term business plan (chuuki keiei keikaku) is a commitment to shareholders, the board and the senior management should do their best to achieve the plan.



Mid-term plan “Wacom Chapter 3” budget and actual variance, JPY bn

- Sustainable growth as baseline of existing core technology and business model
- Target additional growth with new core technology and new business model
- ROIC 25-30 % as guideline for efficient investment and growth

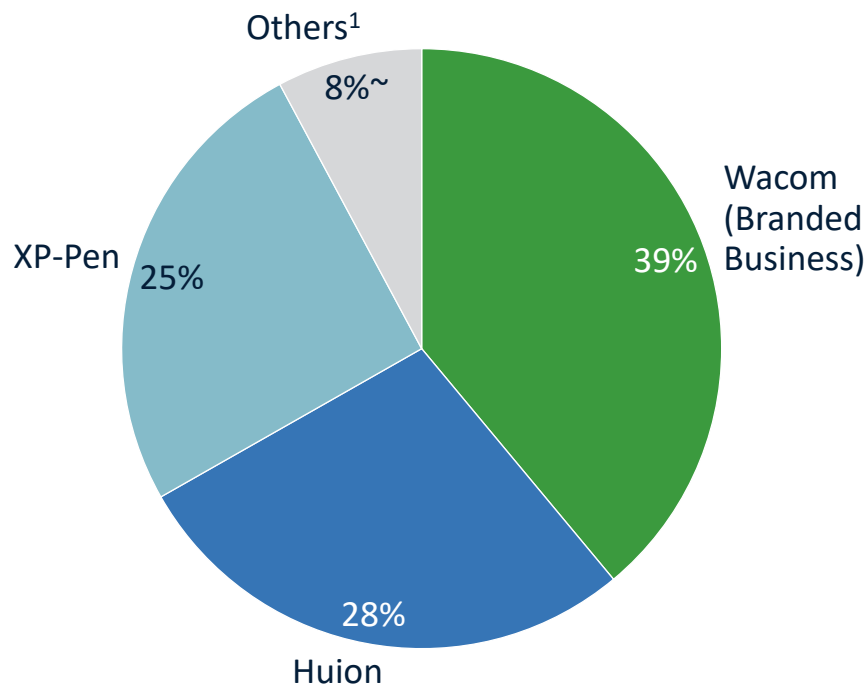


Note 1: Estimated values based on replacing “Stable” with single-digit growth of approximately 7% per annum and “Potential” with double-digit growth of approximately 10-12%.
Source: Tokyo Stock Exchange Corporate Governance Code, Wacom public disclosure materials, AVI

Management's Poor Understanding of Industry Standing

The management team has made no effort to understand the company's market share, which is a key factor contributing to its declining competitive position.

Graphic tablet global market share, AVI estimates



Stakeholders' comments about the market share



Former
Board of Director

I wonder how much sense it makes to spend money on market research. **To be honest, I don't feel that it is necessary at the moment. I think we have about 60% share of the market.**

CEO Ide himself is a dynamic thinker, and he believes that **we are creating the market. We know the size of the market that exists now, and I don't think there is much point in discussing market share.**



Sell-side
analysts

Despite being an industry leader, **it is a shame that Wacom can only say "we don't have the data" when it comes to market share and forecasts.** The CEO needs to explain the market himself.

Note 1: There are product categories such as the iPad Pro that creators are using as an alternative for graphic tablets, but the above market definition only includes display tablets and pen tablets.
Source: AVI survey, purposeful dialogue with Wacom

Employee Concerns Over Current Business Conditions

Amid an increasingly competitive environment, concerns persist that the organisation remains constrained by its siloed structure and that management has not adequately adapted to evolving market conditions.

Dramatically changing competitive landscape



“Niche market dominance is a thing of the past. China's competitiveness is growing rapidly and Wacom's market share is shrinking year by year.”

“The future is difficult without creating originality, as Apple's iPad and Chinese products are rivals.”

Interdivisional barriers



“The departments are so independent that it is hard to believe they are within the same company. They also have their own evaluation indicators.”

“As this is a company with no cross-departmental relationships, if you don't complete your own work yourself, no one will help you.”

Management slow to respond to change



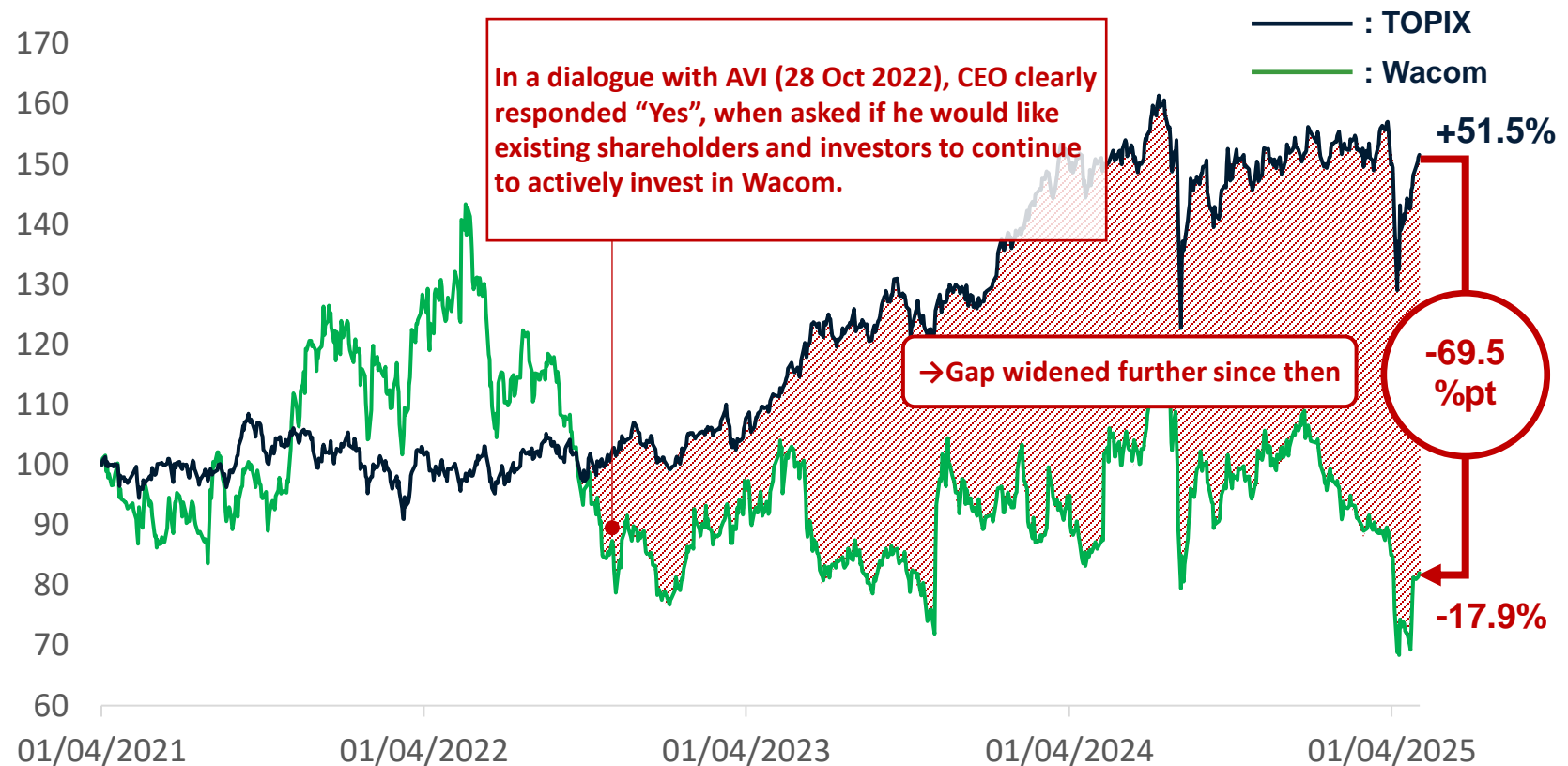
“We have not had any competitors for many years and have not been able to respond to changes in the market environment in recent years. The management team is very weak.”

“I think the current management team is making the company worse.”

Weak Price Performance Throughout the Mid-Term Plan Period

Management has significantly eroded shareholder value over the four-year medium-term management plan “Wacom Chapter 3.”

Total return trajectory, indexed as 1st April 2021 share price = 100¹

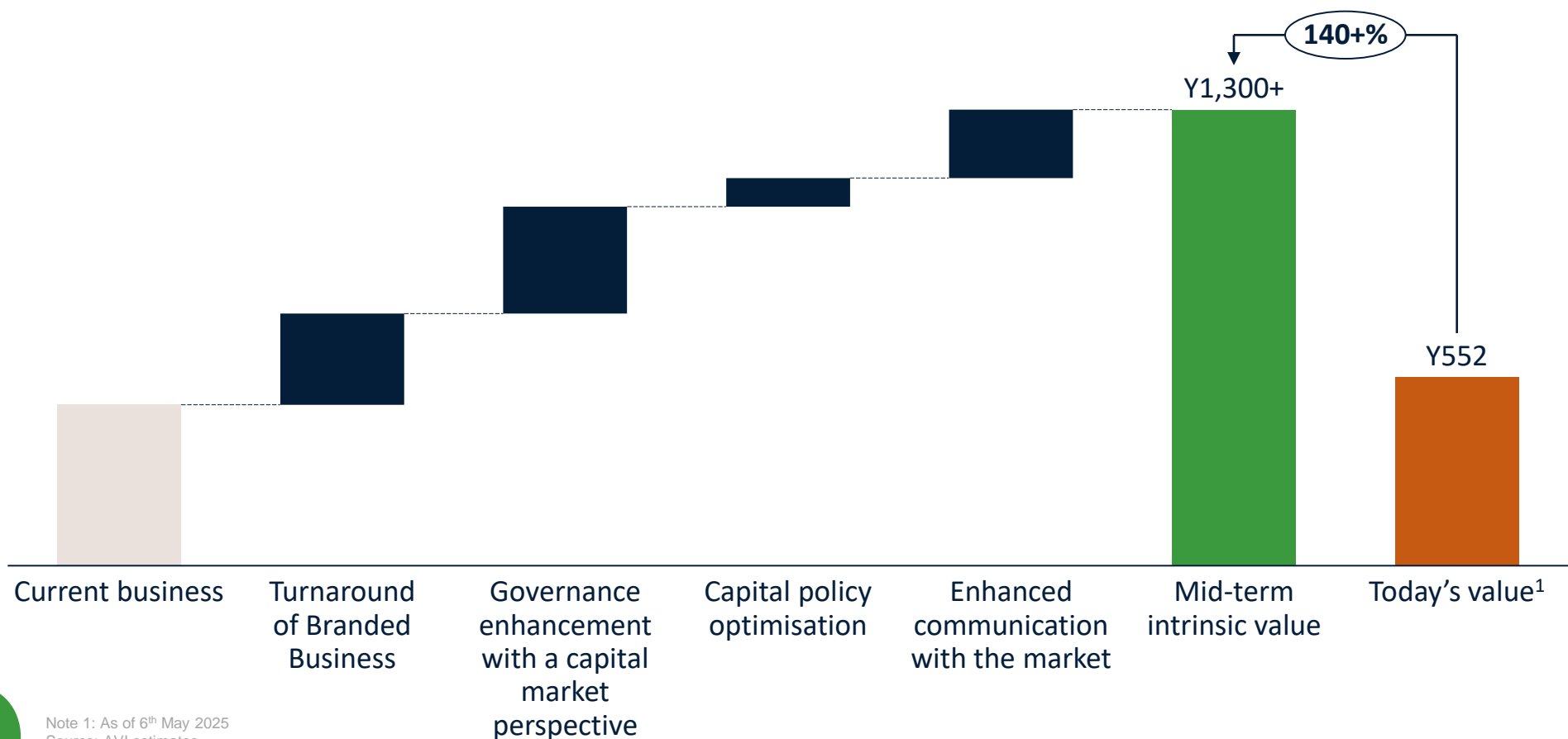


Note 1: Total return trajectory between 1st April 2021 and 6th May 2025
Source: Capital IQ, engagement dialogue with Wacom

Intrinsic Value More Than 2x Current Market Value

With appropriate implementation of initiatives focused on enhancing corporate value, Wacom's intrinsic value has the potential to reach at least 2 times its current share price.

Wacom's intrinsic value level, per share, JPY



Management's Commitment to Share Price Enhancement

Wacom's current management team has indicated its commitment to achieving a share price target of 1,000 yen as a milestone.

Engagement dialogue between AVI and CEO

From the perspective of management that is conscious of stock prices, could you please tell us how you view the current stock price in terms of whether it is undervalued or overvalued?



AVI



CEO

There is no doubt that we view the share price as an important factor, as it is an indicator of maximising corporate value.



CEO

Although we are not communicating the appropriate share price level, we would like to raise the share price to more than about 700 yen, as it is today (AVI note: as of Sep 2024), and I myself am aware of the target price in the market report (1,030 yen¹) and the 900-1,000 yen range that Wacom has achieved in the past as a “passing point” and would like to hit it.

The representative director's comment that he considers a share price of around 1,000 yen to be a “passing point” is consistent with AVI's calculation of the intrinsic value of the shares.

AVI's Recommendations

■ : AVI's shareholder proposals

Turnaround of Branded Business

- ① Acceleration of the product development cycle for entry-and mid-class products
- ② Rationalisation of overseas sites and strengthening the EC channel
- ③ Establishment of Transformation Plan Supervisory Committee

Governance enhancement with a capital market perspective

- ④ Appointment of director with capital market-oriented management abilities
- ⑤ Conduct a strategic review
- ⑥ Amendment of Articles of Incorporation regarding acquisition proposals

Capital policy optimisation

- ⑦ Enhanced disclosures with cost of capital-conscious management
- ⑧ Set appropriate leverage financial indicators: change indicator to net D/E ratio
- ⑨ Balance sheet improvements: 5 billion yen buy-back in FY2026/3
- ⑩ Amendment of the decision-making body for distribution of surplus
- ⑪ Introduction of evaluation KPI's for stock remuneration schemes

Enhanced communication with the market

- ⑫ Reshaping how the company communicates with the market
- ⑬ Enhancement of ESG disclosure: Disclose Integrated Report every year



AVI's Shareholder Proposal Overview

Shareholder Proposals		Proposal Contents		
1	Election of One Director (Excluding Directors Who are Audit and Supervisory Committee Members)	Elect one additional external director	p.62	Strengthening board functions for management focused on capital markets
2	Partial Amendment to the Articles of Incorporation (Transformation Plan Supervisory Committee)	Establish Transformation Plan Supervisory Committee	p.54	
3	Partial Amendment to the Articles of Incorporation (Treatment of Acquisition Proposals)	Establish provisions stipulating compliance with the Guidelines for Corporate Takeovers upon receipt of a takeover proposal	p.70	
4	Partial Amendment to the Articles of Incorporation (Decision Making Body of Dividends of Surplus, etc.)	Grant general meetings of shareholders the authority to determine dividends of surplus etc.	p.86	Realisation of capital-efficient management
5	Acquisition of Treasury Shares	Conduct 5-billion-yen share buy-back in FY2026/3	p.83	
6	Amendment of Restricted Stock Option Plan for Directors (Excluding Directors Who are Audit and Supervisory Committee Members and External Directors)	Define that total shareholder return (TSR) shall be used as an indicator for the stock-based compensation for internal directors	p.89	

1 Turnaround of Branded Business

2 Governance enhancement with a capital market perspective

3 Capital policy optimisation

4 Enhanced communication with the market

Agenda

AVI's Recommendations to Turnaround Branded Business

Turnaround of Branded Business

① Acceleration of the product development cycle for entry-and mid-class products

② Rationalisation of overseas sites and strengthening the EC channel

③ Establishment of Transformation Plan Supervisory Committee

Governance enhancement
with a capital market
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④ Appointment of director with capital market-oriented management abilities

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⑥ Amendment of Articles of Incorporation in relation to acquisition proposals

Capital policy optimisation

⑦ Enhanced disclosures with cost of capital-conscious management

⑧ Set appropriate financial leverage indicators: change indicator to net D/E ratio

⑨ Balance sheet improvements: 5 billion yen buy-back in FY2026/3

⑩ Amendment of the decision-making body for distribution of surplus

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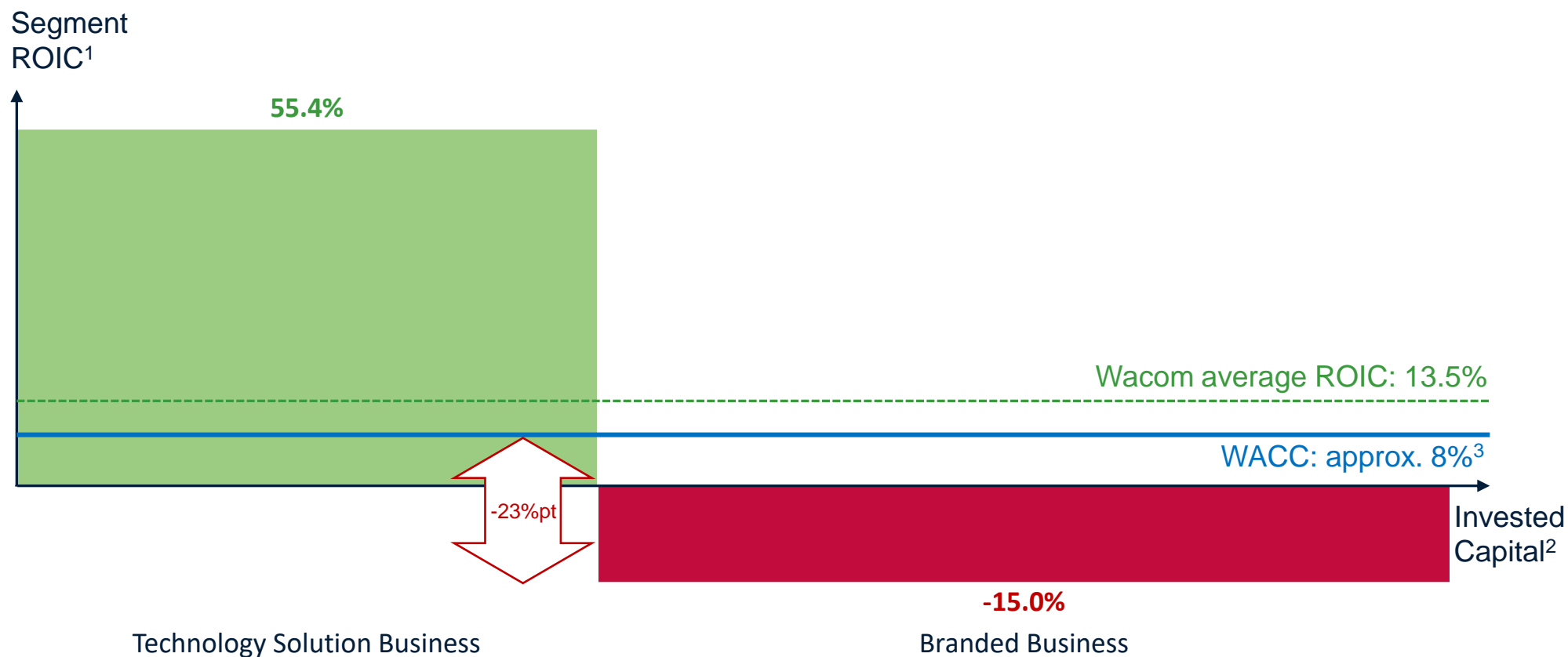
Enhanced communication
with the market

⑫ Reshaping how the company communicates with the market

⑬ Enhancement of ESG disclosure: Disclose Integrated Report every year

ROIC of Branded Business Significantly Below Hurdle Rate

The ROIC of the Branded Business is significantly below the hurdle rate, requiring urgent restructuring.



Note 1: Invested capital is calculated as interest-bearing liabilities plus shareholders' equity. The allocation of head office expenses is estimated based on AVI using employee numbers, etc. Operating income and head office expenses are for the most recent 12 months as of 31 December 2024.

Note 2: Since segment-specific invested capital and segment assets are not disclosed, they are allocated proportionally based on employee numbers. Invested capital is the average of the values as of the end of the third quarter of the fiscal year ending March 2025 and the end of the third quarter of the fiscal year ending March 2024.

Note 3: Based on discussions with Wacom Investor Relations.

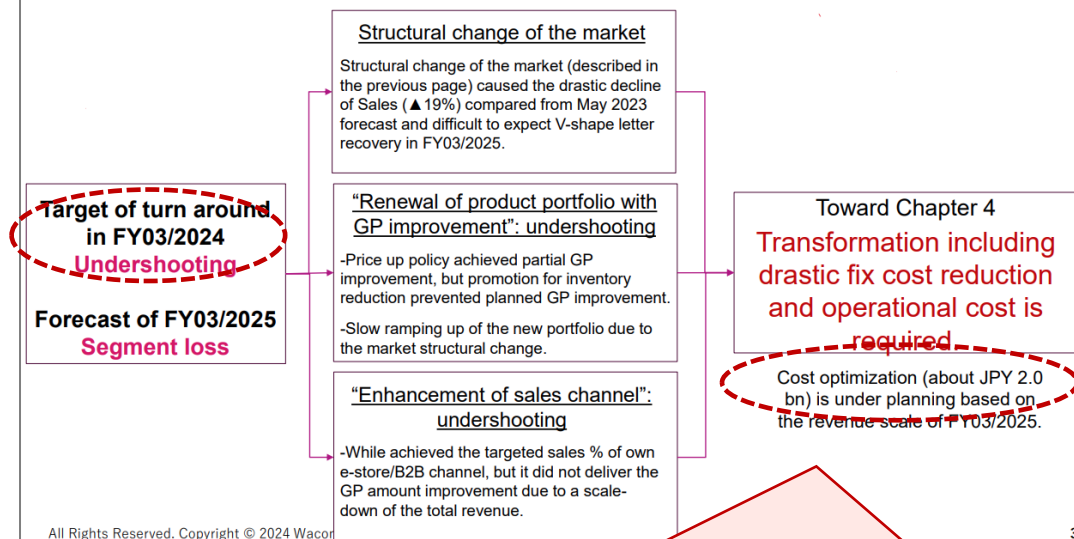
Source: Based on Wacom's financial statements and discussions with Investor Relations, with AVI estimates.

Current Optimistic Structural Reform Plan

Optimistic budgeting persists, with only JPY 2bn in cost optimisations expected by FY26/3, despite a segment loss of JPY 4.5bn in FY24/3 compared to the initial guidance of segment profit of JPY 0.2bn.

Company's transformation plan in Branded Business

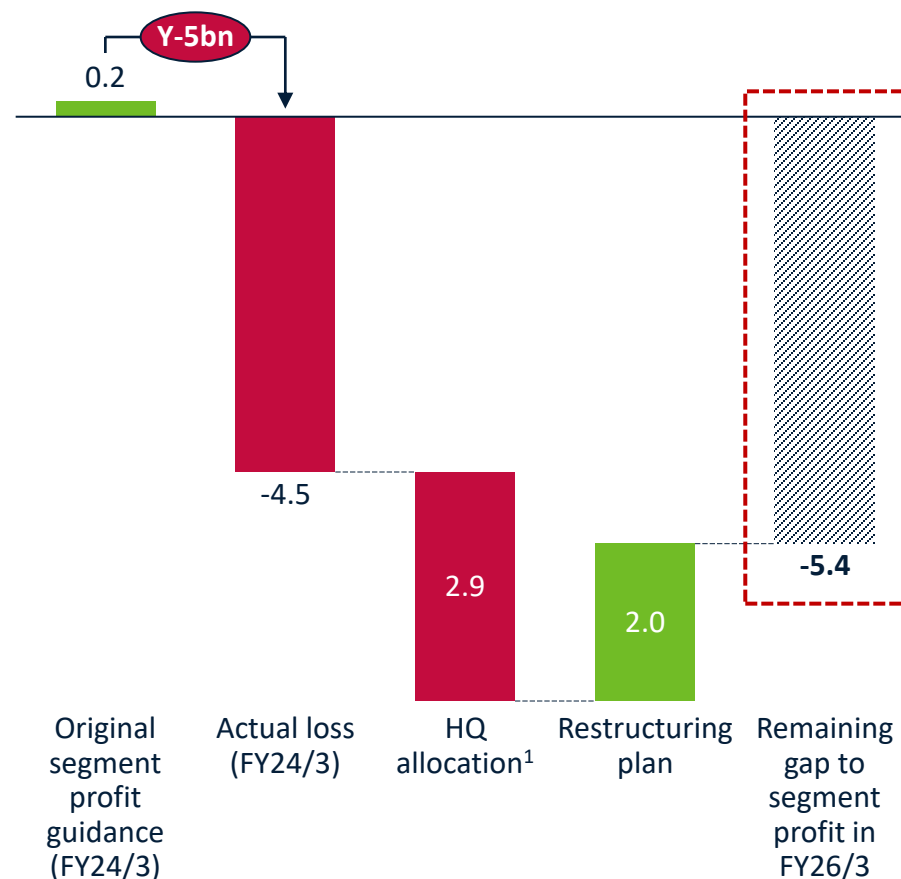
Issues and Transformation of Branded Business



Company statement at the beginning of FY2024/3:

"We will improve segment profits by introducing new products at the optimum time that will lead to improved profits, and by implementing a pricing policy that will enable us to generate solid gross margins through the renewal of our product portfolio. We intend to conduct business as usual in the current financial year, and we believe we can improve our performance without incurring losses as we did in the current financial year."

Profit loss estimates in Branded Business, JPY bn



Suggestions to Achieve Profitability in the Branded Business

To revitalise the branded business, it is recommended to review product development cycles, rationalise overseas sites, strengthen e-commerce channels, and establish a supervisory committee.

1

Acceleration of the product development cycle for entry- and mid-class products

Voices of
external
directors

“We were not able to focus enough on the low end of the market, other than for professionals, as the price point of the market was falling.”



Customers are flowing to iPad Pro, and Chinese competitors are aggressive in online market promotions. In addition to high-end models, Wacom needs to accelerate the introduction of 16-24' models in the entry and middle-class price range to maintain market share.

AVI's
suggestions

2

Rationalisation of overseas sites and strengthening the EC channel

“It's generally two divisions, so the head office has enough (overseas) control. In the past, the overseas offices were too luxurious.”

“We also need to increase the e-commerce rate from 13% to much, much more.”



Given the low profitability, further rationalisation of the Branded Business is inevitable, even if some market share is regained. There is an urgent need to continue to align the management structure more closely with the scale of the business.

3

Establishment of Transformation Plan Supervisory Committee

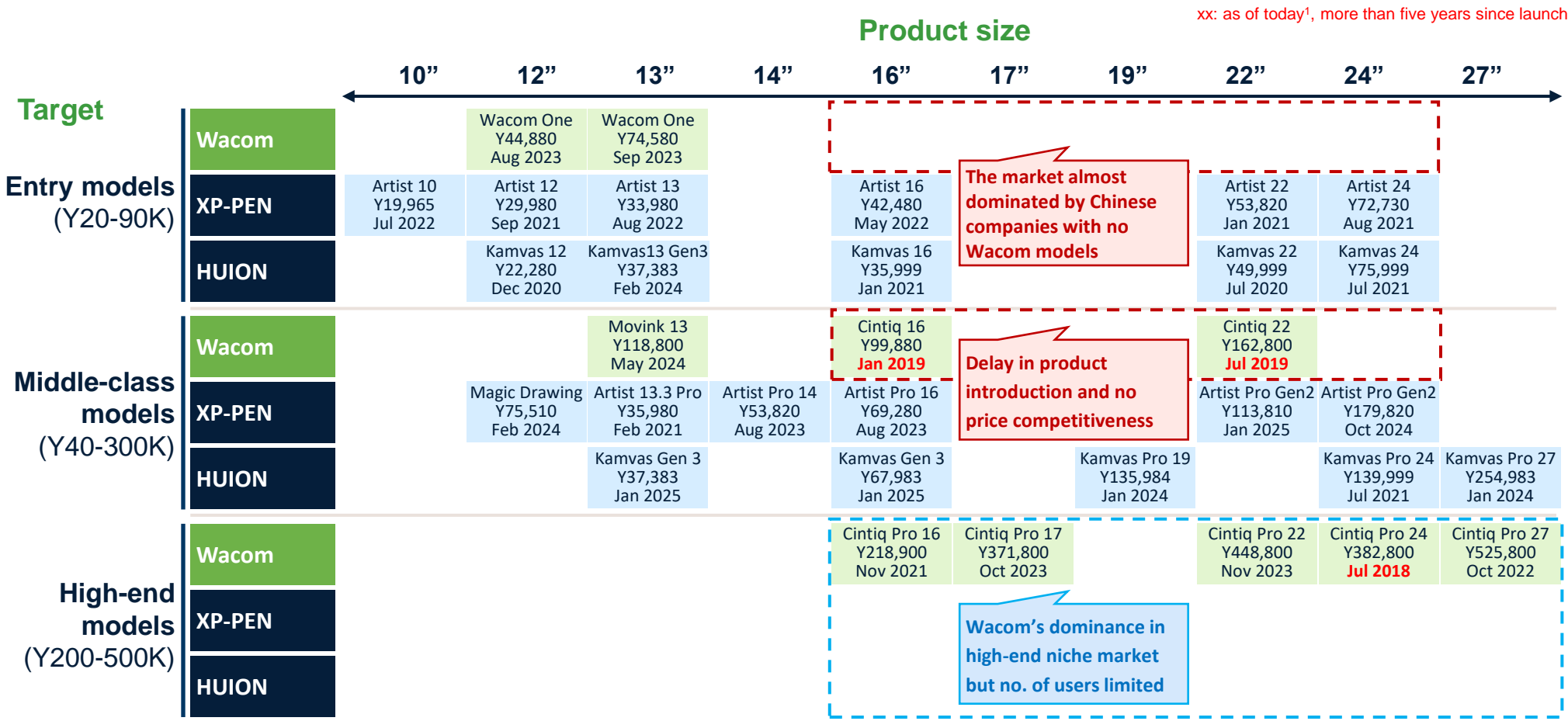
“We acknowledge that although structural reforms are steadily progressing, this has not been reflected in stock prices. We will strive to maximise shareholder value by communicating with stakeholders.”



The share price clearly reflects diminished investor confidence in the current management. To protect shareholders best interests, a supervisory committee comprised of independent directors should be established.

Loss of User Base Due to Inadequate Product Portfolio Strategy

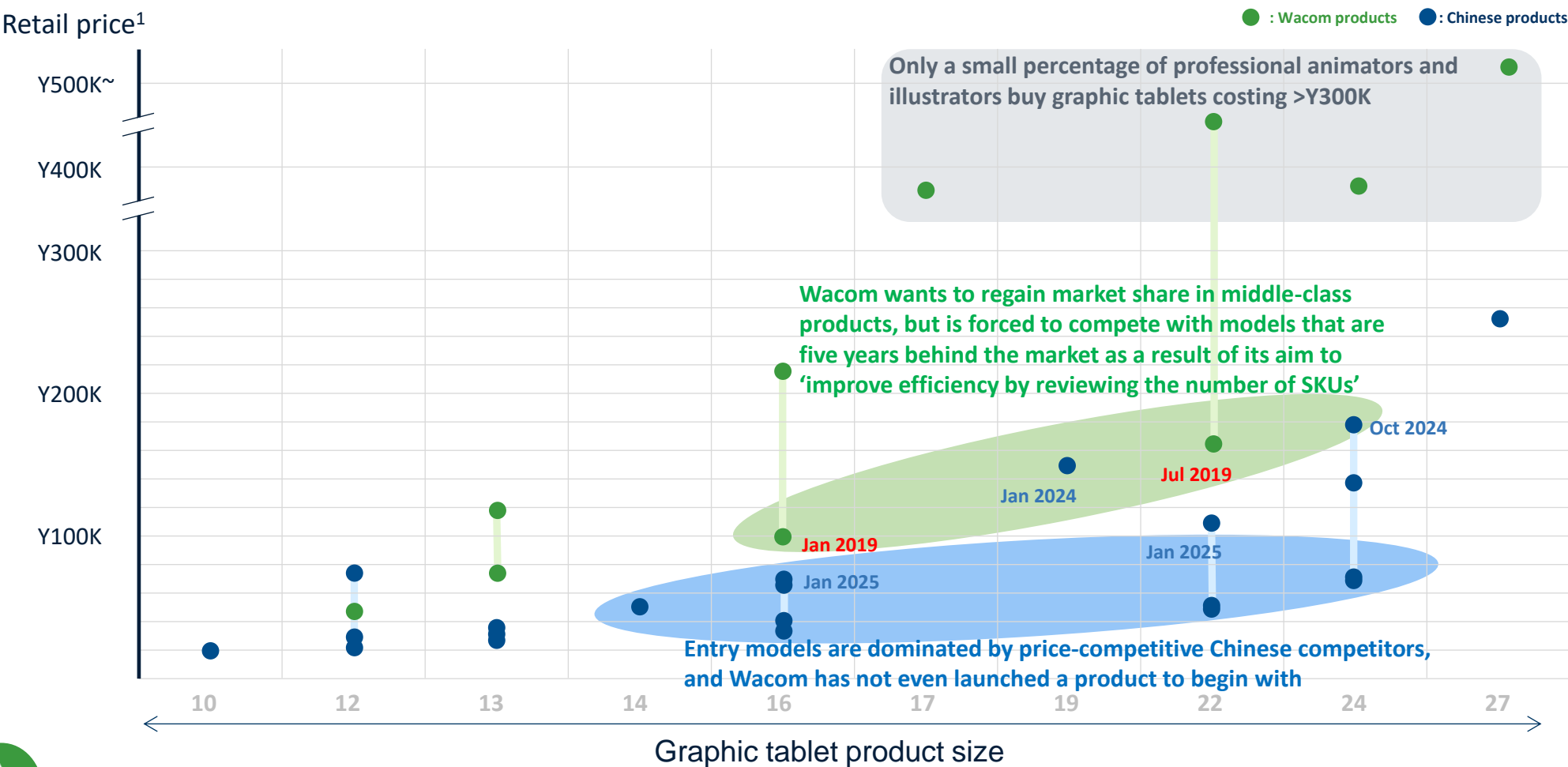
Wacom does not sell medium- to large-sized entry-level models. Even in the mid-class range, its most recent product launch was more than five years ago, resulting in Wacom missing out on a large user base.



Note 1: As of April 2025. Prices are retail prices listed on each company's website.
Source: AVI survey based on each company's website.

Delayed or Missing Product Launches in High-Demand Categories




Additionally, Wacom's product development cycle lags behind that of its competitors, and it has failed to launch competitive products.



Note 1: Retail prices on each company's website as of April 2025
Source: AVI survey based on each company's website




Comparison of Product Specifications (middle-class, 16 in.)

Delays in product launches have created a significant gap between Wacom's product specifications and those of its competitors. Immediate action is needed to halt the decline in market share.

				
		Wacom Cintiq 16	Artist Pro 16 (Gen2)	Kamvas 16 (Gen3)
Affordability	Price (US)	\$699.90	\$497.99	\$474.00
	Price (Japan)	¥99,880	¥68,880	¥67,983
Drawing Comfort	Pressure Levels	8192	16384	16384
	Response time	25ms	20ms	14ms
	Accuracy	n/a	± 0.4m(centre) / ± 0.8m(edge)	± 0.3m(centre) / ± 2.0m(edge)
	Viewing angle	176°	178°	178°
Colouring	Color gamut coverage	96% sRGB	99% sRGB	99% sRGB
	Resolution	1920 x 1080	2560 x 1600	2560 x 1440
	Brightness	210 cd/m2	250 cd/m2	220 cd/m2
	Contrast	1000:1	1200:1	1000:1
Ease of Work	Display area	344 x 193mm	345 x 215 mm	350 x 197mm
	Thickness	24.5mm	20.2mm	10.0mm
	Weight	1.9kg	~2.0kg	1.2kg

Comparison of Product Specifications (middle-class, 22-24 in.)

Even in large size models, the company competes directly not only on price but also on product technology.

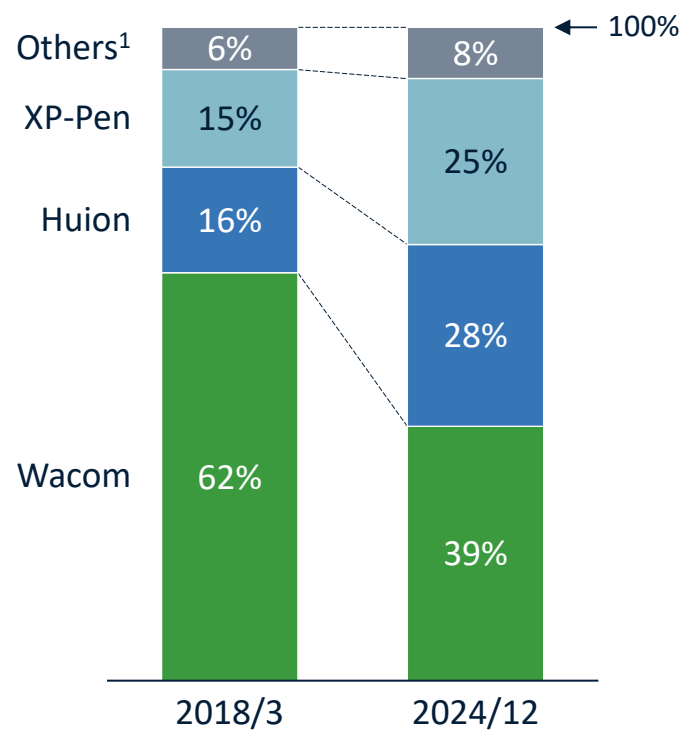
					
		Wacom Cintiq 22	Artist Pro 22 (Gen2)	Artist Pro 24 (Gen2)	Kamvas Pro 24 (4K)
Affordability	Price (US)	\$1,299.95	\$594.99	\$1,104.99	\$1,059.00
	Price (Japan)	¥162,800	¥113,810	¥179,820	¥139,999
Drawing Comfort	Pressure Levels	8192	16384	16384	8192
	Response time	22ms	14ms	11ms	10ms
	Accuracy	n/a	± 0.4m(centre)	± 0.4m(centre)	± 0.3m/ ± 2.0m(edge)
	Viewing angle	178°	178°	178°	178°
Colouring	Color gamut coverage	96% sRGB	99% sRGB	99% sRGB	98% sRGB
	Resolution	1920 x 1080	2560 x 1440	2560 x 1440	3840 × 2160
	Brightness	210 cd/m2	250 cd/m2	250 cd/m2	220 cd/m2
	Contrast	1000:1	1000:1	1000:1	1200:1
Ease of Work	Display area	476 x 268mm	476 x 267mm	526 x 296mm	527 x 296mm
	Thickness	40.0mm	33.4mm	44mm	22.7mm
	Weight	5.6kg	5.5kg	7.3kg	6.3kg



As a Result, Wacom Has Seen its Market Share Decline

Deficiencies in Wacom's management strategy for its branded business have allowed competitors to achieve substantial sales growth and operating profits.

Graphic tablet global market share
AVI estimates



Competitors' employee comments


XP-Pen
former employee

We expect to achieve an operating profit for the full year 2024. We believe that this will be due to the expansion of our product lineup and the release of the industry's first digital display with 16K pressure sensitivity.


Huion
former employee

As you can see from our performance growth, Huion is currently operating at a profit. Looking back over the past eight years, we have achieved dramatic growth every year and continue to develop new products and features annually. The same is likely to be true for XP-Pen.

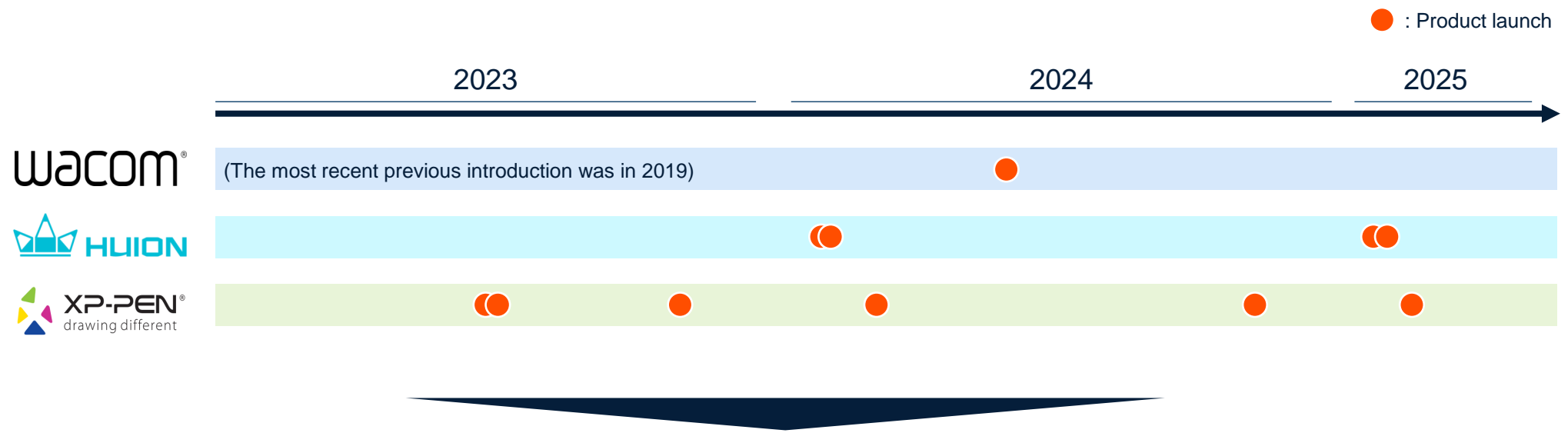


Note 1: There are product categories such as the iPad Pro that creators are using as an alternative for graphic tablets, but the above market definition only includes display tablets and pen tablets.
Source: AVI survey, purposeful dialogue with Wacom

Lengthy New Product Cycles

Wacom focuses on product innovation in its planning process, and its product cycle tends to be longer compared to its competitors.

Middle-class product launch timing, 2023~; all inch sizes



Wacom places emphasis on product innovation, typically introducing new products beginning with high-end models designed for professional use. **In particular, product cycles tend to be prolonged in the mid-price range, which is the volume zone.**

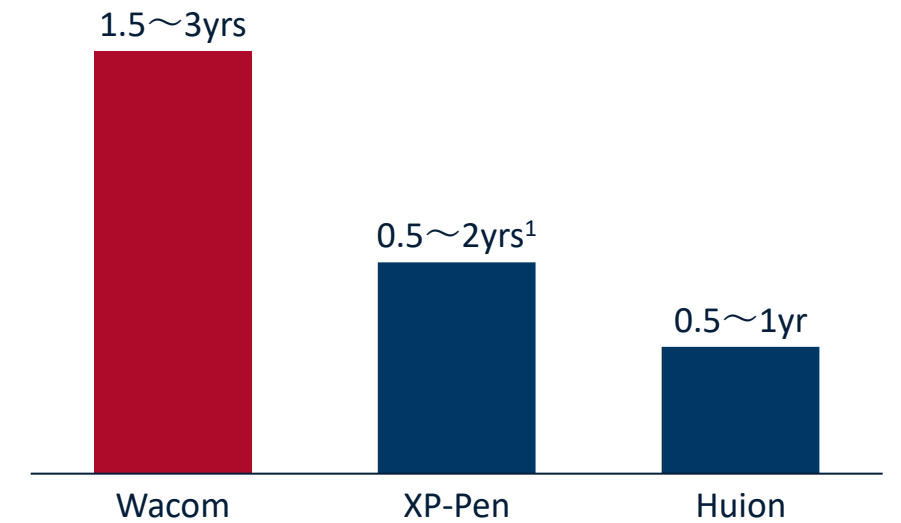


Source: Each company's product website, expert calls, AVI survey

The Side Effects of Sticking to Innovation

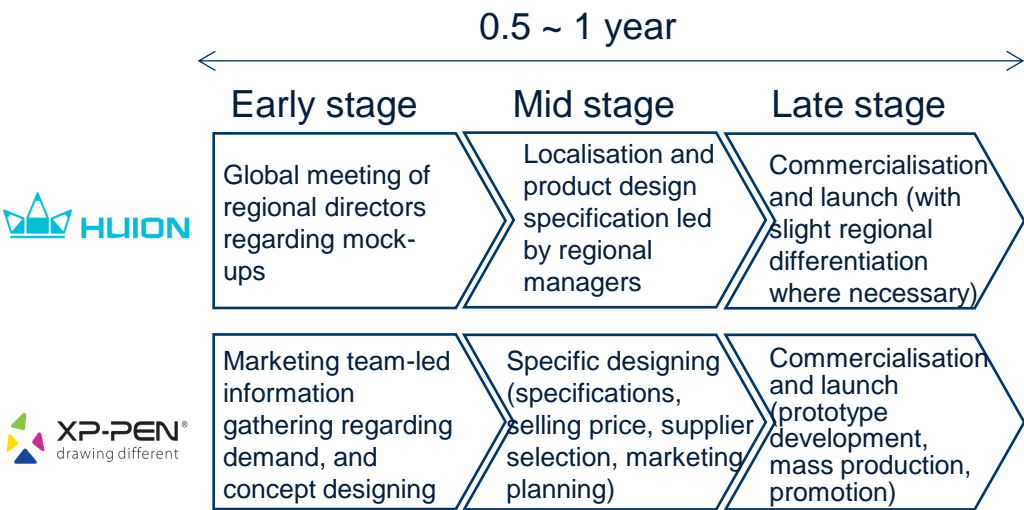
Wacom's strong commitment to product and technological innovation has had unintended negative impacts, with the company left to compete using 4-5 year old product specifications, while competitors frequently introduce new products.

Average duration between concept design till launch
AVI estimates



While other companies in the same industry expedite new products launches by changing only some specifications, such as form factors, Wacom delays release of new products until they are completely ready.

Product development process image of competitors



Competitors are utilising agile development practices, prioritizing short product cycles to keep pace with the rapid obsolescence of technology and electronic components.

Note 1: For relatively simple products such as entry-level models, it takes about 5 to 6 months, while for high-end products or those requiring technological innovation, it takes up to 2 to 3 years to launch them on the market.
Source: Expert Call, AVI Survey

Opportunity to Reassess Production Processes

Wacom has adopted a fabless manufacturing model supported by partner companies, however, there may be value in reassessing in-house manufacturing, particularly with regard to shortening manufacturing lead times, improving cost competitiveness, strengthening branding and reinforcing BCP.

Wacom production strategy

Wacom®



(Toyono-dai factory at the HQ)

- The company has a factory in Toyono-dai, located at the headquarters in Kazo City, Saitama Prefecture, but is essentially fabless. **Only seven employees work at the headquarters factory¹.**
- Production is mainly outsourced to overseas ODM/OEM companies. The company utilises electronic manufacturing services (EMS) providers.

- While Wacom has pursued lean operations through a fabless manufacturing model, in-house manufacturing may offer advantages in shortening processes and reducing costs.
- “Made in Japan” can be a source of differentiation.
- Given the recent increase in geopolitical risks, there is room for revisiting of in-house manufacturing.

Competitors production sites

HUIION



- **Owns Huion Technology Park in Bao'an District, Shenzhen**
- Serves as a manufacturing base with clean rooms, producing everything from core chips and core modules to finished products, except for LCD displays

XP-PEN®
drawing different



- **The company has a 12km² R&D and manufacturing centre in the Dalang area of Longhua District, Shenzhen, China, and manufactures its main display tablets in-house.**
- Accessories and parts are manufactured at four external contract factories in Guangdong Province.³⁵

Note 1: As of the end of March 2024, excluding temporary employees
Source: Company disclosures, Fisco, SOHU.com, Shenzhen Commercial Daily, Expert Call



Suggestion #1:

Acceleration of the product development cycle for entry- and middle-class products

To meet the expectations of Wacom loyal fan base, we recommend accelerating efforts to regain market share, particularly in the entry-level and middle-class product segments.

Comments from overseas creators about the Wacom brand



In terms of performance and general quality Wacom still remains the top. Wacom still remains to be the most consistent. It's like, sweet another tablet that's significantly cheaper than the Wacom equivalent, but then oh, it has line wobble... So yeah, **I think that Wacom is still "good"!**



Of the many I've tried I **end up coming back to Wacom.** They are, in my opinion, still premium vs other companies.



The quality is really good. Consistency is the best thing to me about Wacom, the pens are good and consistent across all the tablets.

The other thing is **many of these tablets are known to last a long time** as in people still use 10, 15 year old Cintiqs.

The Wacom brand continues to enjoy strong support from a loyal fan base. Whether the company can begin to regain market share will be a **tipping point in shaping Wacom's future.**

AVI's suggestions

#1: Acceleration of the product development cycle for entry- and middle-class products

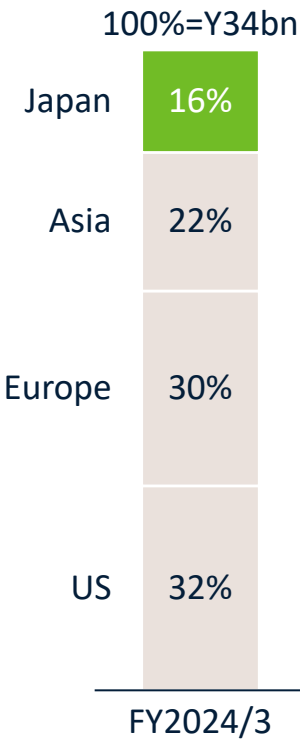
- Consider introducing medium- to large-sized models in the entry-level price range
- Accelerate product launches in the mid-range segment
- Formulate a product roadmap and shorten product cycles
- Restructure production operations at domestic factories and consider promoting the value of "Made in Japan"



Wacom Offline Sales Channels (Domestic)

In Japan, potential Wacom customers can visit retail locations featuring a Wacom counter, where they can try out products firsthand and receive explanations from staff prior to purchase.

Branded Business revenue regional mix



Product Dealer Locator on Wacom’s Website

ワコム製品お取扱店舗のご案内

ワコム製品は全国の家電量販店、ならびにお取扱店や各種オンラインストアで販売しています

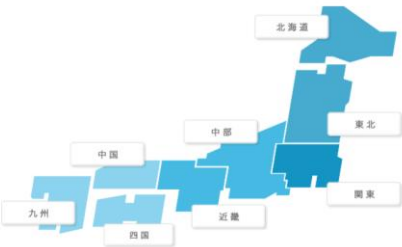
製品別設置店舗

- ① Wacom Cintiq Pro 27
- ② Wacom Cintiq Pro 22
- ③ Wacom Cintiq Pro 17
- ④ Wacom Cintiq Pro 24
- ⑤ Wacom Cintiq Pro 16
- ⑥ Wacom Cintiq 22
- ⑦ Wacom Cintiq 16
- ⑧ Wacom One 13 touch
- ⑨ Wacom One 12
- ⑩ Wacom Intuos Pro
- ⑪ Wacom Intuos
- ⑫ One by Wacom
- ⑬ Wacom One S & M
- ⑭ ワコム製品の説明員がいる店舗
- ⑮ Android端末お試し可能店舗
- ⑯ Chromebook とペンタブレットが

ワコム製品の説明員がいる店舗一覧

東京都	大阪府
※店名をクリックすると、イベント情報や各店舗の地図がご確認いただけます。 ※設置フロアや展示内容は、販売店の事情により変更されている場合がございます。あらかじめご了承ください。 ※お取り扱い製品については、販売店舗に直接お問い合わせください。	
店名	店舗情報
ヨドバシカメラ マルチメディア Akiba	東京都千代田区神田花岡町 1-1 TEL: 03-5209-1010
お試してできる/展示のある製品	
Wacom Cintiq Pro 27 Wacom Cintiq Pro 22	
Wacom Cintiq Pro 17 Wacom Cintiq Pro 24	
Wacom Cintiq Pro 16 Wacom Cintiq 22	
Wacom Cintiq 16 Wacom One 13 touch	
Wacom One 12 Wacom Intuos Pro	
Wacom Intuos One by Wacom	
Wacom One S & M	
ワコム製品の説明員がいる店舗	
ヨドバシカメラ マルチメディア Akiba 2Fワコムコーナーにてワコムスタッフがあなたの疑問にお答えします。	
毎週金曜・土曜・日曜・月曜・火曜の12時から18時まで	
※終日不在予定：8月12日～8月15日	
また上記の時間帯でも一時不在の場合がございますので予めご了承ください。	

地域から選ぶ



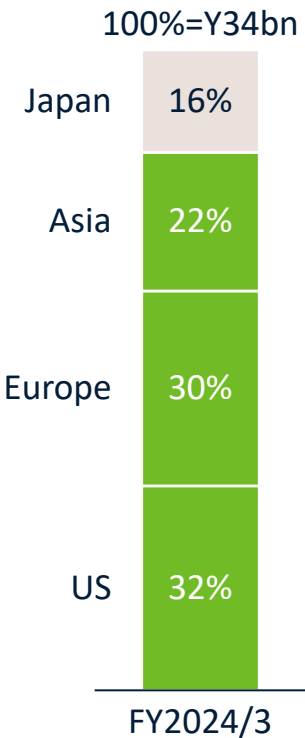
製品一覧から選ぶ



Wacom Offline Sales Channels (Overseas)

Although international users make up approximately 84% of Wacom’s customer base, it remains extremely difficult for them to physically try out the products.

Branded Business revenue regional mix



Product Dealer Locator on Wacom’s Website

Store Search

Find a store named...

Near my local

Distance

25 Kilometres

Demo Product

☐ Bamboo Folio/Slate

☐ Intuos

☐ Intuos Pro

☐ Wacom One

☐ Cintiq 16

☐ Cintiq Pro 16

☐ Cintiq 22

☐ Cintiq Pro 22

☐ Cintiq Pro 32

☐ Cintiq Pro 24 (touch)

☐ MobileStudio Pro 13

☐ MobileStudio Pro 16

Store Type

☒ Retail

☐ Photo Dealers

☒ Apple Dealers

☐ Software Specialists

☐ Online

☐ Other Reseller/VAR

Store Search

Find a store named...

Near my local

Distance

25 Kilometres

Store Type

☒ Retail

☐ Photo Dealers

☒ Apple Dealers

☐ Software Specialists

☐ Online

☐ Other Reseller/VAR

Apple

3301 VETERANS MEMORIAL BOULEVARD
METAIRIE, LA 70002
504-830-1400

890.6 Kilometres

Apple

5555 TAMiami TRAIL NORTH
NAPLES, FL 34108
239-254-4240

941.1 Kilometres

Apple

6401 BLUEBONNET BOULEVARD
BATON ROUGE, LA 70836
225-765-3500

941.5 Kilometres

Apple

23151 FASHION DRIVE
ESTERO, FL 33928
239-845-8860

950.6 Kilometres

Map

Satellite

Map of the United States and Mexico showing the locations of the Apple stores listed.

Unlike the domestic shop locator form, the shop locator system is not user-friendly.

While the new Cintiq Pro 17/27 is not mentioned in the demo products, many mobile products that are no longer available on the website, such as Bamboo/Mobile Studio, are lined up.

It has a search function for Apple Stores (selling competing products such as the iPad Pro).

Sources: financial disclosure documents, Wacom website (<https://www.wacom.com/en-us/dealer-search>), Wacom official user support page 'Where can I buy Wacom products in the EMEA region?' (<https://support.wacom.com/hc/en-us/articles/8808100957207-Where-can-I-buy-Wacom-products-in-the-EMEA-region>)

Suspected Supply Chains Issues in Overseas Sites

Wacom branded products are featured in eight retail shops in the Oxford Circus and Soho areas of central London; however, only one camera shop actually stocks their products.

Search results for shops in London (example)

Store Search

Root6 Limited

4 WARDOUR MEWS
LONDON, W1F 8AJ
4.40207E+12

Website

0.2 Kilometres

Currys.Digital Oxford Street (88)

88 OXFORD STREET 0
LONDON, W1D 1BX

0.3 Kilometres

Apple Europe Ltd.

ONE HANOVER STREET
LONDON, W1S 1YZ
4.42072E+11

Website

0.4 Kilometres

Park Cameras Ltd

53-54 RATHBONE PLACE
LONDON, W1T 1JR
4.41444E+11

Website

0.4 Kilometres

Actual availability of Wacom branded products

Store names	Branded products availability	TS ¹ products availability	Competitor products availability
1 Tekzone (Selfridges)	✗	✓	✗
2 Apple Europe Ltd.	✗	✗	✓ (Logitech Stylus etc.)
3 Currys (Oxford Street)	✗	✓	✗
4 Root6 Limited	Shop closed or occupied by a different tenant		
5 Park Cameras Ltd	✓	✗	✗
6 Xtfx Limited	Shop closed or occupied by a different tenant		
7 Teamwork Digital Limited	Shop closed or occupied by a different tenant		
8 Currys (Tottenham Court Road)	✗	✓	✓ (Logitech Stylus etc.)

Serious concerns exist that supply chain management at overseas locations is dysfunctional, not to mention critical to the customer experience

Note 1: Technology Solution
Source: Wacom website, Store Visits by AVI

1

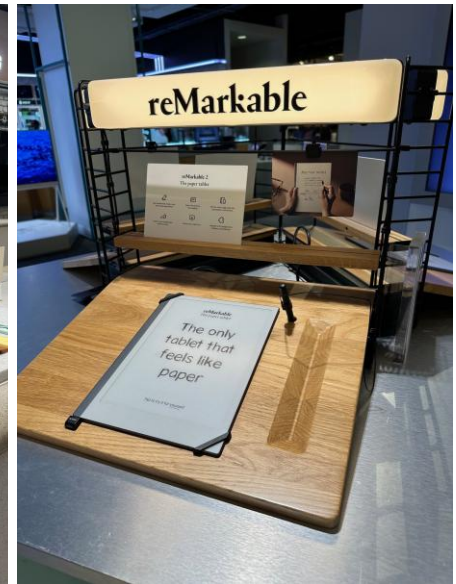
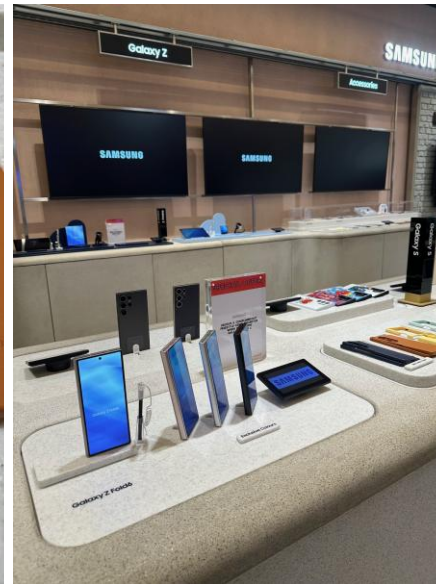
Tekzone (Selfridges)

Cross-business synergies appear limited, particularly regarding in-store space allocation.

Outside view of the shop



Inside the shop



Stylus solutions from the Technology Solutions business, including Samsung Electronics' S Pen, are seen, but branded products such as graphic tablets are not available. **Employee feedback points to a siloed organisational structure between business units, and actual stores exhibit little synergy between businesses.**



Apple Europe Ltd. (Apple Store)

Official Wacom website recommends competitor brands¹

Outside view of the shop



Inside the shop



Searching for shops that carry Wacom branded products, Apple Stores were found to **carry only competing brands** such as the iPad Pro and digital pens from Logitech.

Note 1: No non-competing products, such as board tablets, were also found in the shop, at least not in the same shop.
Source: store visit by AVI.

Three of the eight shops listed in the “store search” are not “stores” in the first place.

Outside view of the shop



Three of the eight shops identified are not appropriate for the Wacom customer experience; one had **shutters down** and a **cross on the signage**, another was a **blood testing clinic** that differs from the search results, and the third was an **office with no signage in a back alley**.

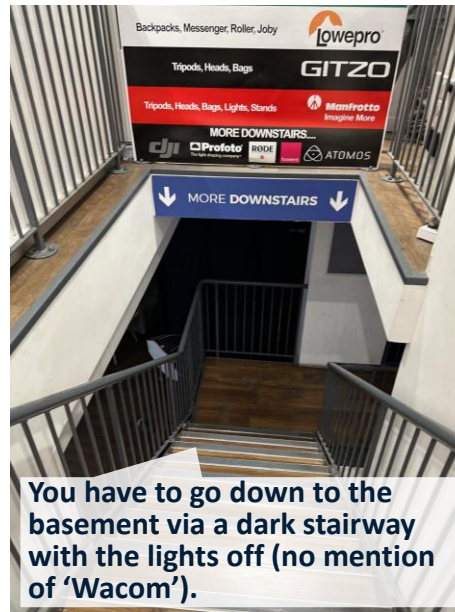
Park Cameras Ltd

The only shop selling Wacom branded products in central London is at the back of the basement of a camera shop.

Outside view of the shop



Inside the shop



Although it is the only one of the eight identified shops to carry Wacom products, customers are forced to walk past a busy ground floor camera shop and down to an empty basement absent of staff, where a switched-off Cintiq 16 is displayed alongside backpacks.

Currys (Oxford Street, Tottenham Court Road)

Two consumer electronics retailers are listed on the official website; however, neither of them carries Wacom branded products.

Outside view of the shop



Inside the shop



Samsung products are placed throughout the shop.



Directly behind the printers of TS business customer HP, there is dead space for sparse copy paper, but no space for Wacom branded products.



Four different Sanstrom stylus types are available

- Unfortunately, **Currys**, an electronics retailer known in the UK for its wide variety of products, **does not carry Wacom branded products**, making it questionable why they are listed in the shop search on the official Wacom website.
- Additionally, an alliance with Samsung Asia, a subsidiary of Samsung Electronics, was formed in January 2013 and it was stated that the two companies would “strengthen cooperation in a wide range of areas as strategic partners,” but **so far there has been little synergy with the sales strategy of Wacom’s branded products.**

Voice of Employees in Overseas Subsidiaries

Consistent comments from employees that the products and customers are great, but there are issues with the organisational structure and business management.

Positive voices



I loved working at Wacom Technology (US). It was a fast-paced environment and allowed me to rise to higher levels. I was able to stretch and take on additional work.

The business is good, sales are good and we are a reliable team. We have a lot of customers for life.

Outstanding products, Engaged Customers.

Concerns raised



Great products and fantastic customers. Too bad the company doesn't hire actual creatives and instead relies on poor management, poor resources and products that may or may never come out.

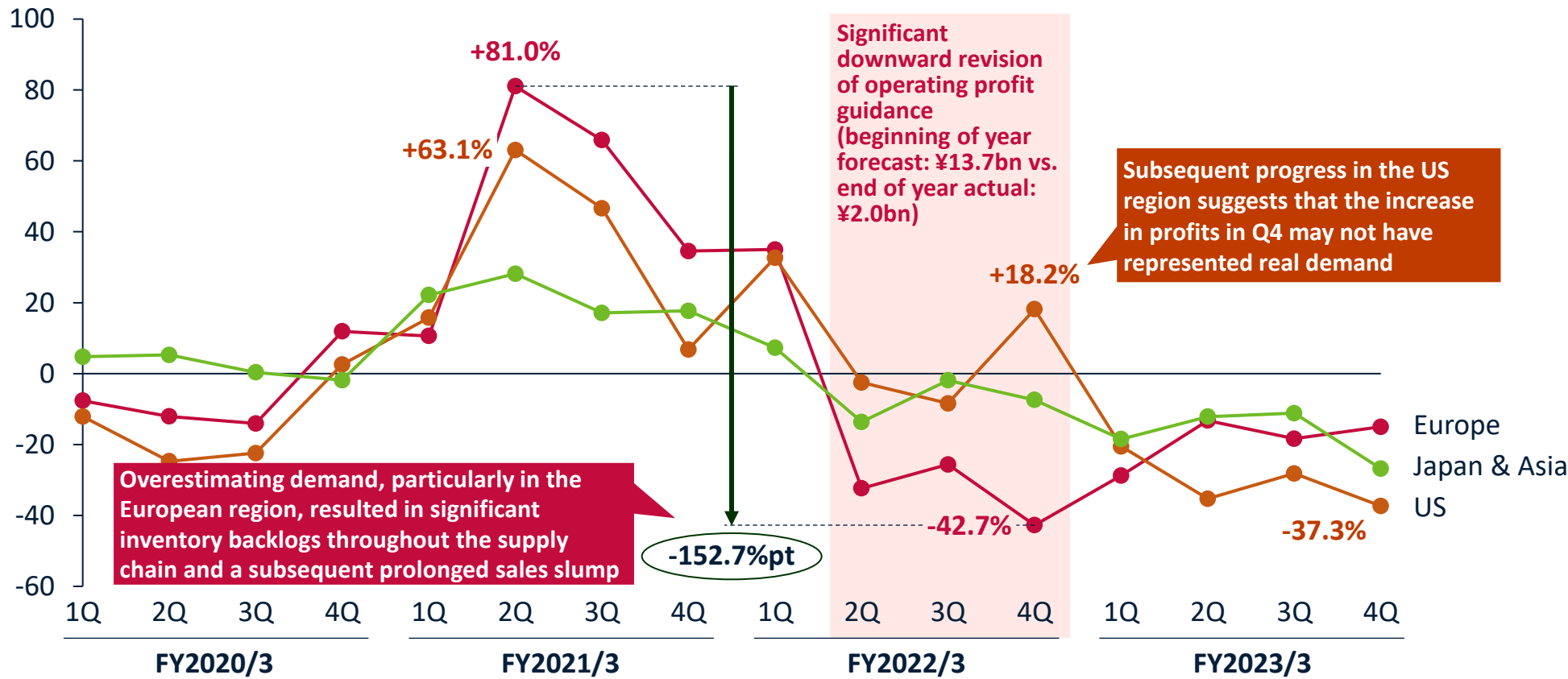
Building internal alignment can be challenging in this politically charged environment. Decisions owned by a few top executives. Global without all the best practices in place.

Good Products * Great Loyal customers *Average Leadership
*lacks transparency

Poor Forecasting of Overseas Supply and Demand

The inability to accurately forecast supply and demand in overseas regions led to a significant downward revision of guidance.

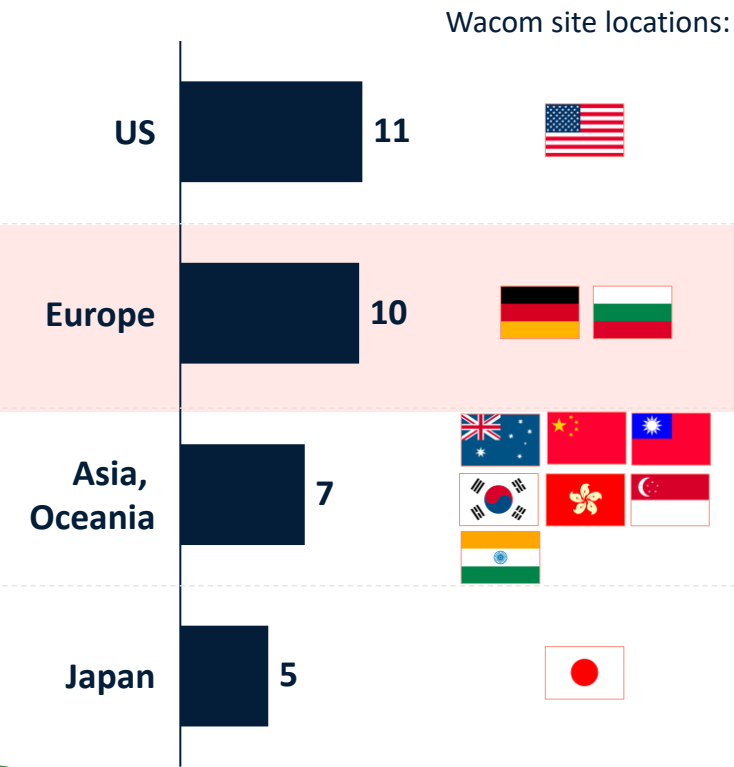
Branded Business revenue YoY growth rate



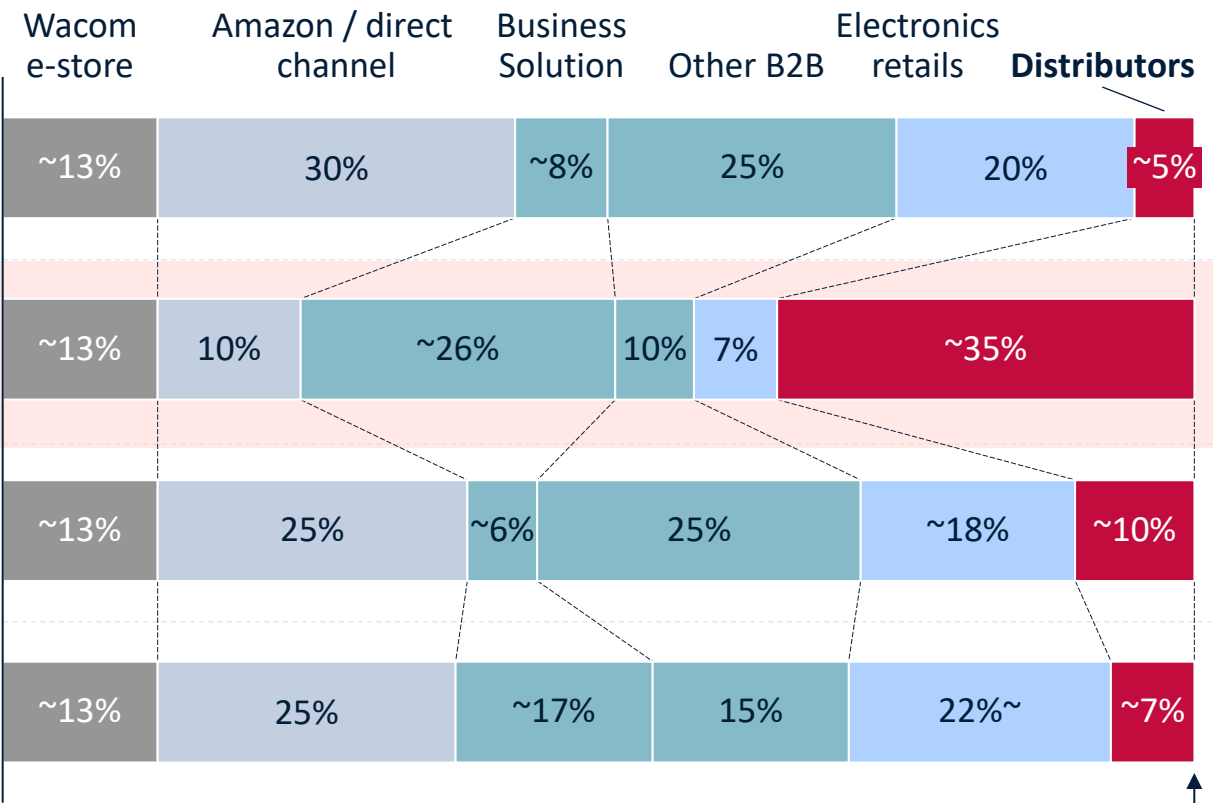
High Dependence on Distributors in the European Region

Particularly in the European region, a high reliance on distributors may hinder timely visibility into inventory levels across the supply chain.

Branded Business revenue by region
(LTM; JPY bn)






Channel mix
(AVI estimates¹)



Note 1: Business solutions are calculated based on the latest four-quarter totals, with the e-store ratio of around 13% and the B2B ratio of over 30% based on disclosures.
Source: Wacom financial results briefing materials; sales composition ratio by channel is estimated based on IR interviews with Wacom and various disclosure documents.

Trends in Online Sales Channels (Amazon example)

Wacom products are highly rated on EC channels, but promotion is limited, and the number of customer reviews is insufficient.

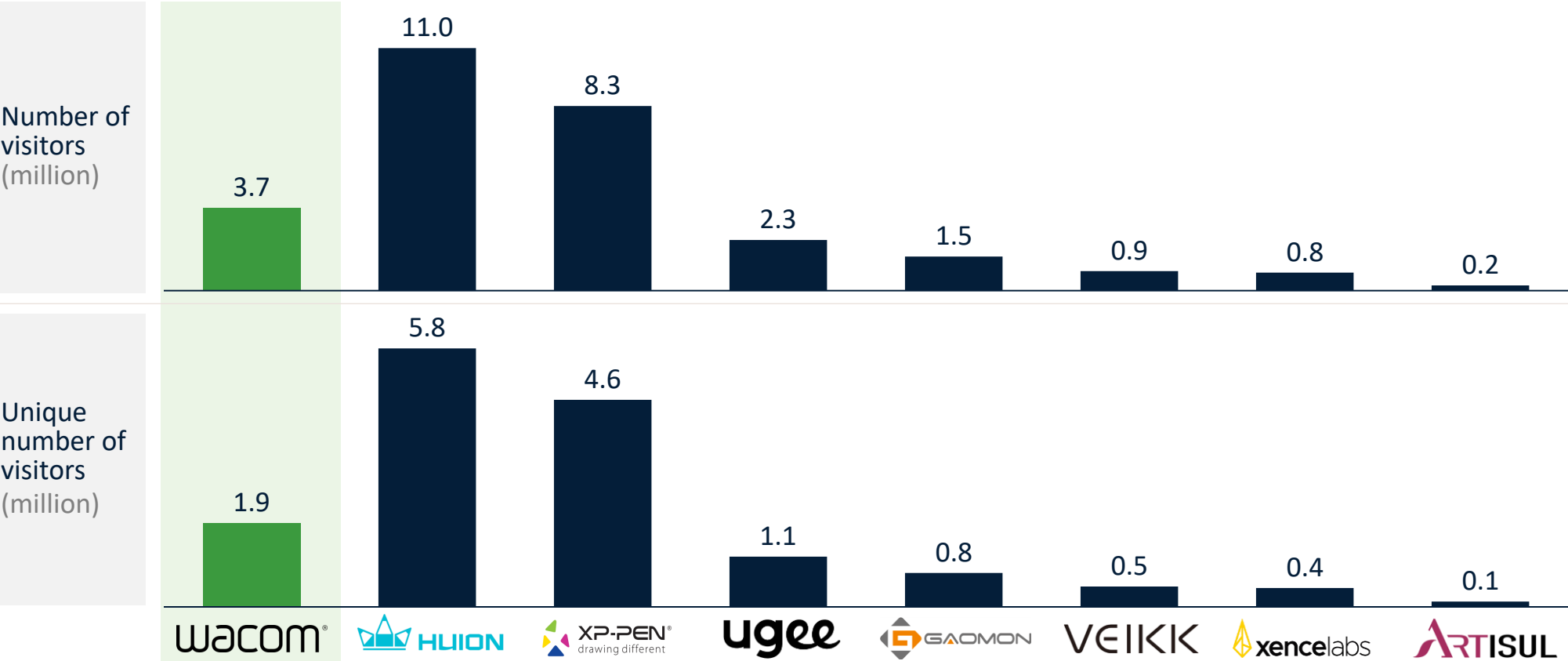
	# of online channel reviews	Rating	Reviewers' comments
	<div><div>Wacom Cintiq</div><div><div><div></div><div></div><div></div></div><div>7,887</div></div></div>	4.6	"Perfect size and superb drawing experience"
	<div><div>Wacom Cintiq pro</div><div><div></div><div>859</div></div></div>	4.4	"A Professional Tool for a Professional Price"
	<div><div>XPPen Artist Pro</div><div><div></div><div></div><div></div></div><div>17,459</div></div>	4.5	"Professional Artist-Love this."
	<div><div>XPPen Artist Pro (Gen2)</div><div><div></div><div>1,768</div></div></div>	4.4	"Fantastic design and performance."
	<div><div>Kamvas Pro</div><div><div></div><div></div><div></div></div><div>8,096</div></div>	4.5	"This tablet is excellent for anyone who wants to draw/animate digitally."
	<div><div>Kamvas 22 Plus</div><div><div></div><div>1,541</div></div></div>	4.4	"A truly incredible drawing tablet."

Source: prepared by AVI based on Amazon (data as of August 2024).

Trends in Online Sales Channels (Own EC Website)

The number of visitors to Wacom's e-commerce site is inferior to the other industry leaders Huion and XP-Pen.









Comparison of EC website visitor numbers, Jan – Mar 2025, monthly average



Issues with Average Visit Duration and Bounce Rate

When comparing the top three companies, Wacom's e-commerce site appears to have significant room for improvement, particularly in terms of average visit duration and bounce rate.

Comparison of EC website engagement performance, Jan – Mar 2025

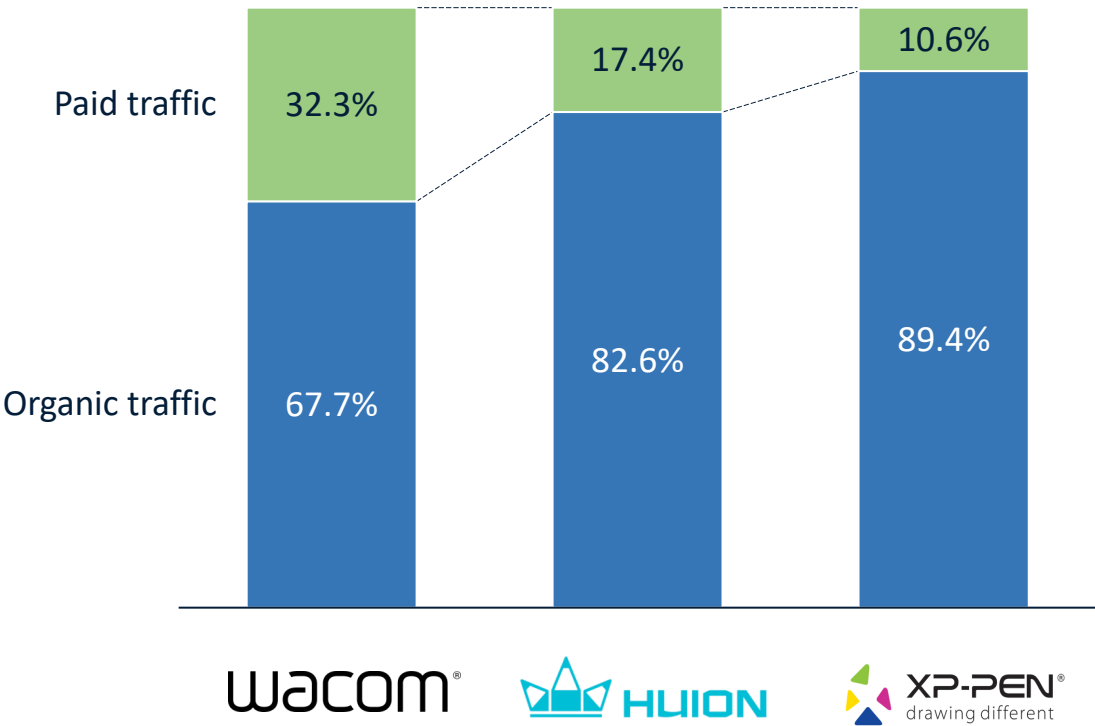
	 wacom®	 HUION	 XP-PEN® drawing different	 ugee	 GAOMON	 VEIKK	 xencelabs	 ARTISUL
Visits per unique visitors	2.00	1.90	1.80	2.04	2.04	1.94	1.93	1.99
Average duration of stay	1:45	2:39	2:34	1:16	1:21	1:26	1:08	0:48
Average page views per visit	3.0	3.2	3.0	2.8	2.7	2.9	2.1	2.4
Bounce rate	45.1%	40.6%	39.2%	41.3%	45.4%	42.1%	43.2%	47.3%



Low Proportion of Organic Traffic with Reliance on Paid Traffic

Wacom’s own EC site has a relatively low proportion of organic traffic and relies heavily on paid traffic, indicating a need to reassess Wacom’s current EC strategies.

Comparison of EC website traffic, Jan – Mar 2025¹



Comments from former employee

“ We had been trying to focus on our own eStore, but we wouldn’t beat Amazon’s influence and name recognition, so we are currently **in a trial-and-error phase**. In recent years, we have also assigned talented personnel to specialise in the Wacom eStore. Efforts to increase organic traffic are inevitably a medium- to long-term endeavour, and **we may have prioritised other initiatives over this**. Wacom eStore was created by a US IT team that is not responsible for sales metrics, and their primary goal is to meet deadlines, which may have resulted in a rather simple website.”



Former employee

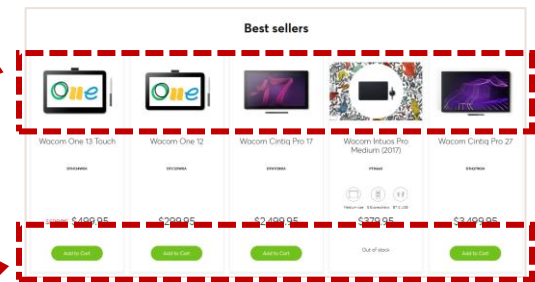
Note 1: Excludes traffic from direct, referral, display advertising, social media, and email.
Source: Expert interview, Similarweb

Optimisation of Customer Journey to Purchase

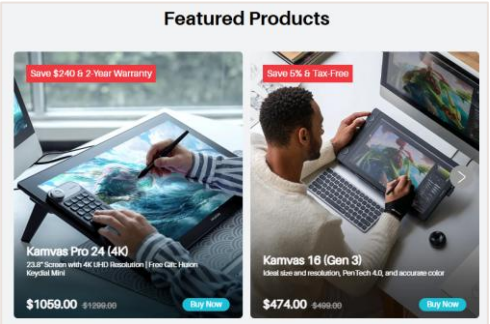
Wacom's EC site has issues related to interface design and user experience, which may be increasing customer churn. There is room to improve strategies aimed at increasing average revenue per potential customer, such as upselling initiatives.

Too simple product page does not stimulate customer's willingness to buy

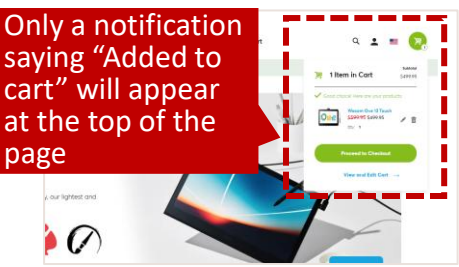
Landing page



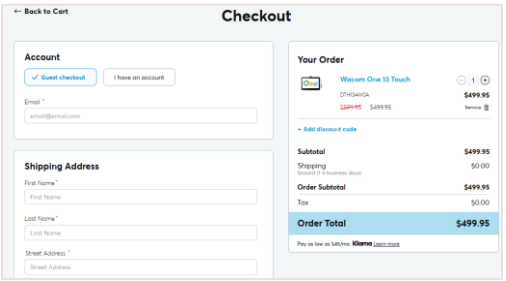
Only "Add to cart." Some of the "best selling" products are out of stock



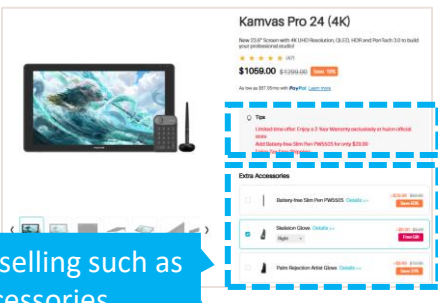
Transition page



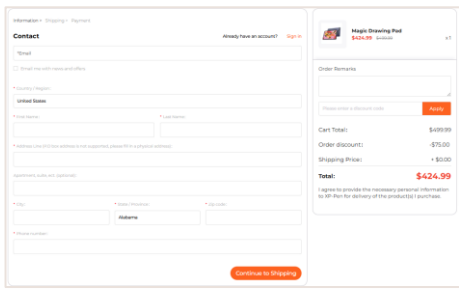
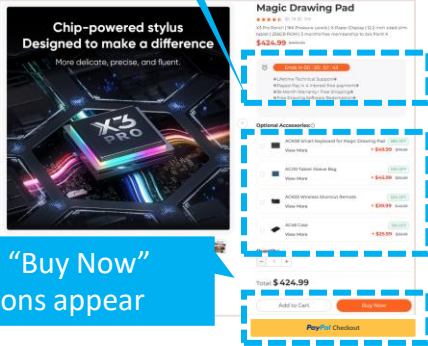
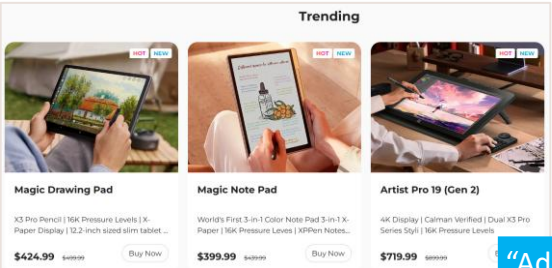
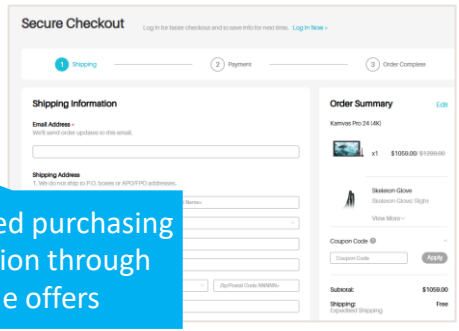
Payment page



Upselling such as accessories



Increased purchasing motivation through one-time offers

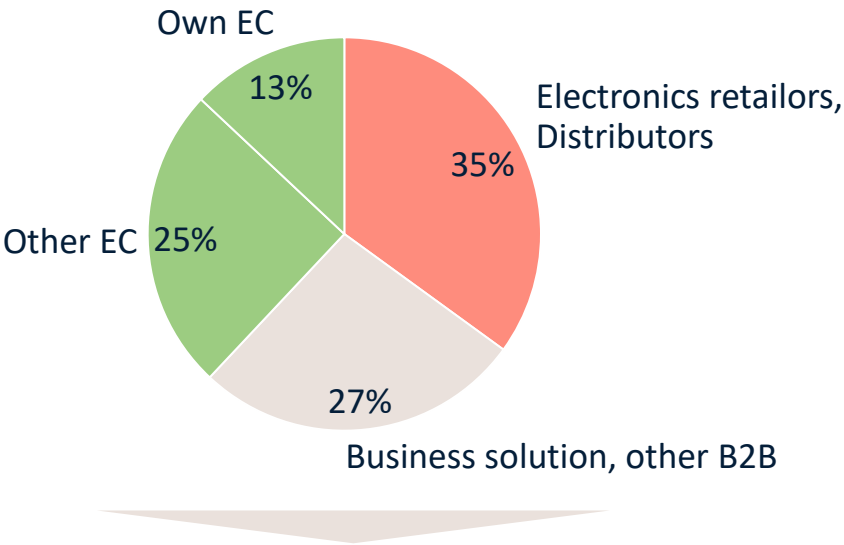


"Add to cart" "Buy Now" "PayPal" options appear

Suggestion #2: Rationalisation of overseas sites and strengthening the EC channel

Electronics retailers and distributor sales in North America and Europe are not cost-effective and even increase business risks. Moving forward, Wacom should streamline its lengthy supply chain and focus more on e-commerce.

Branded business channel mix, AVI estimates¹



In Europe and North America in particular, distributors and roadside sales channels have proven ineffective in expanding market share. These channels also present significant challenges, including limited visibility into inventory backlogs, lack of direct customer feedback, and complex sales operations.

AVI's suggestions

#2: Rationalisation of overseas sites and strengthening the EC channel

- While accelerating operations when necessary is acceptable, increasing inventory at product launch without full visibility of SC inventory levels poses excessive business risk.
- Strengthening the EC channel will enable more timely access to customer feedback and inventory status.
- In parallel, overseas sites should be rationalised to align operations with the appropriate scale, in accordance with future EC penetration targets.
- Additionally, the management structure for overseas operations should be reinforced, with a particular focus on ensuring that headquarters retains control over key business strategies.

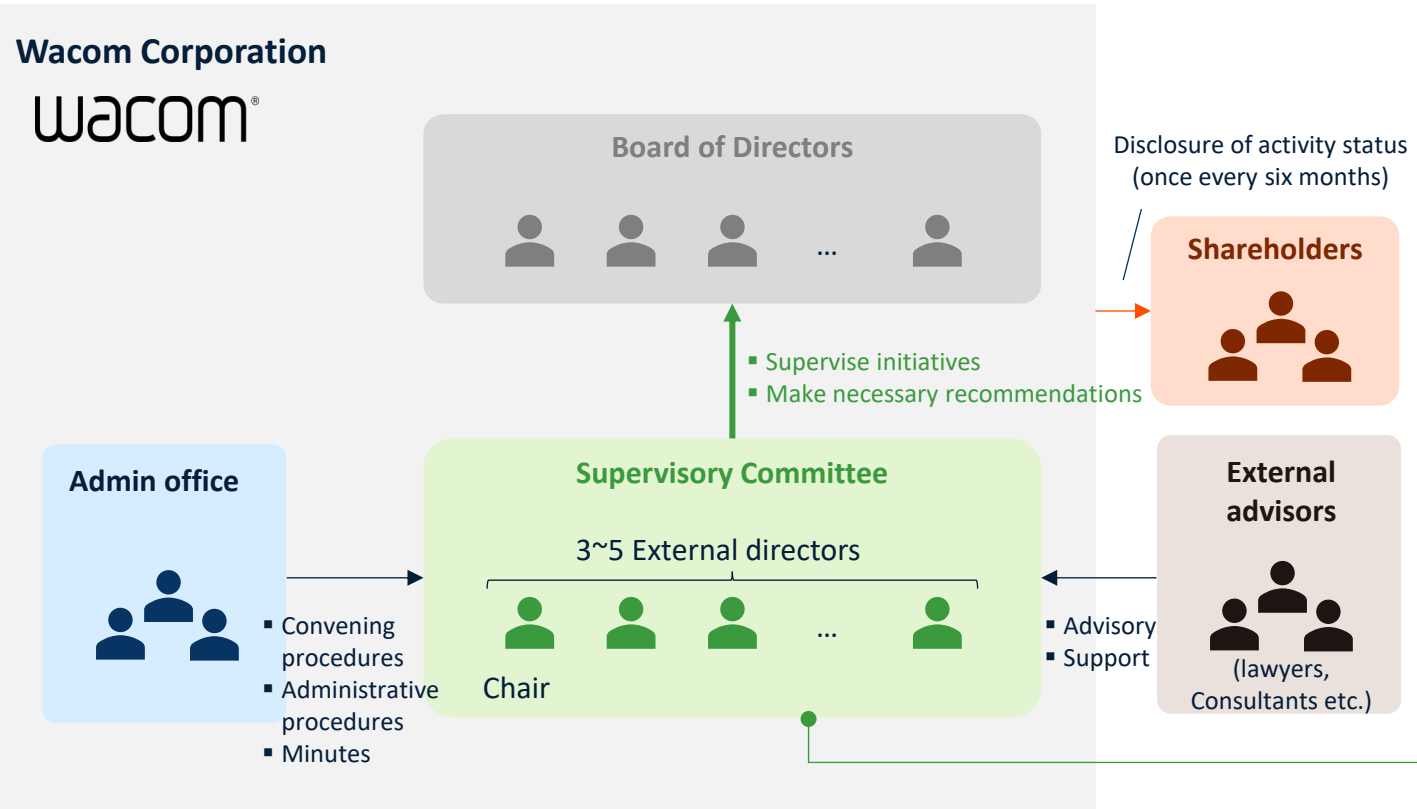


Note 1: Based on AVI estimates, referring to the disclosure that the company is currently working towards a ratio of 13%+ for its e-store and 30% for B2B.
Source: Wacom public documents, purposeful dialogue with Wacom, AVI survey

Suggestion #3: Transformation Plan Supervisory Committee

To successfully implement structural reforms in the branded products business, it is essential to establish functions that ensure appropriate oversight and reporting to shareholders.

Transformation Plan Supervisory Committee structure



System of the Committee

- Duration: until March 2027
- The chair should be appointed from among the external directors and should have extensive knowledge and experience in business restructuring from an investor's perspective
- Members shall be elected from the external directors
- Main duties:
 - Supervising the profitability of the branded business (after allocation of head office expenses)
 - Supervising the implementation of measures to address risks that may arise in the achievement of plans
 - Making necessary recommendations to the board
- Main authorities
 - Requesting cooperation from the board and employees in providing necessary materials and reports
 - Appointing external experts

Summary of AVI's Suggestions to Make Branded Business Profitable

Wacom should focus on three areas to maximise corporate value: (1) reviewing the product cycle for entry-level and mid-range products, (2) streamlining of overseas sites and strengthening the EC channel, and (3) establishing a supervisory committee, with the aim of quickly returning the branded business to profitable operation.

Wacom's current operations

AVI's suggestions

1

Acceleration of the product development cycle for entry- and middle-class products

The launch of entry-level and mid-range models has been significantly delayed, and with no price competitiveness, **market share is being lost to Chinese manufacturers.**

2

Rationalisation of overseas sites and strengthening the EC channel

Distributor management is disorganised, and the **HQ has little control over overseas sites. Inventory status and supply and demand forecasts** for the North American and European supply chains are unclear, and the company's own e-commerce channels are underutilised.

3

Establishment of Transformation Plan Supervisory Committee

The feasibility of structural reforms has **not been convincingly explained, and the stock market is sceptical.** In addition, **there is a lack of support from consultants and other external professional firms.**

#1: Accelerate the product development cycle for entry- and mid-class products to halt the loss of market share.

#2: Restructure overseas site management, promote rationalisation, and strengthen HQ management functions. **Reevaluate overseas sales channels, strengthen EC,** and accurately grasp inventory and supply/demand situations throughout the entire supply chain.

#3: Establish a Transformation Plan Supervisory Committee to disclose information on the status of structural reforms to shareholders from an independent committee, thereby restoring market confidence.



1 Turnaround of Branded Business

2 Governance enhancement with a capital market perspective

3 Capital policy optimisation

4 Enhanced communication with the market



Agenda

AVI's Recommendations for Governance Enhancement with Consciousness of Equity Market

Turnaround of Branded Business	<ul style="list-style-type: none">① Acceleration of the product development cycle for entry-and mid-class products② Rationalisation of overseas sites and strengthening the EC channel③ Establishment of Transformation Plan Supervisory Committee
Governance enhancement with a capital market perspective	<ul style="list-style-type: none">④ Appointment of director with capital market-oriented management abilities⑤ Implementation of strategic review⑥ Amendment of Articles of Incorporation in relation to acquisition proposals
Capital policy optimisation	<ul style="list-style-type: none">⑦ Enhanced disclosures with cost of capital-conscious management⑧ Set appropriate financial leverage indicators: change indicator to net D/E ratio⑨ Balance sheet improvements: 5 billion yen buy-back in FY2026/3⑩ Amendment of the decision-making body for distribution of surplus⑪ Introduction of evaluation KPI's for stock remuneration schemes
Enhanced communication with the market	<ul style="list-style-type: none">⑫ Reshaping how the company communicates with the market⑬ Enhancement of ESG disclosure: Disclose Integrated Report every year

Importance of Enhancing Alignment with Capital Markets

The CGS Guidelines issued by METI highlight the importance of enhancing alignment with capital markets for Japanese companies and recommend appointing board members with experience in capital market-conscious management as one effective approach.

Ministry of Economy, Trade and Industry
“Practical Guidelines on Corporate Governance Systems (CGS Guidelines)”



It is beneficial to appoint individuals with the knowledge, experience, and abilities required by the board of directors, taking into consideration the appropriate size of the company and the issues it faces.

For example, if capital market evaluation is an important issue, individuals with experience in capital market-conscious management (omitted) may be appointed as directors.

In particular, enhancing alignment with the capital markets and shifting management toward a focus on the efficient allocation of management resources are important issues for many Japanese companies. For this reason, in addition to enhancing the understanding of the capital markets by the CEO and CFO and ensuring that top management and outside directors engage in dialogue with investors, **appointing persons with knowledge, experience and expertise related to capital market-conscious management as directors may also be an option.**

When appointing directors for these purposes, specific candidates could include individuals who have experience in strategic CFO roles at other companies, asset managers or asset owners, analysts familiar with the company's industry, and IR professionals who are well versed in both investor dialogue and internal decision-making.

It has been noted that companies for which capital market evaluation is critical should consider individuals with experience, knowledge, and expertise in capital markets, such as asset managers and stock analysts, as specific candidates for their boards of directors

Appointment of Directors with Investment Backgrounds

METI highlights that directors on monitoring boards are often inadequately informed, under-resourced, and boundedly motivated, while also providing specific examples of companies that have appointed directors from outside the company.

Issues with monitoring board structures, METI



【Issues of the current monitoring board (Board 2.0)】

#1 “Thinly informed”

The board of directors meets infrequently, **resulting in insufficient information from management.**

#2 “Under-resourced”

Independent directors are **part-time and do not have their own analytical resources.**

#3 “Boundedly motivated”

Many independent directors **receive low and fixed remuneration.**

Cases that external director came from investors, METI

Companies	Investors	Appointed date
		June 2019
 JSR Corporation		June 2021
		June 2019
		June 2019
		June 2020
		June 2021

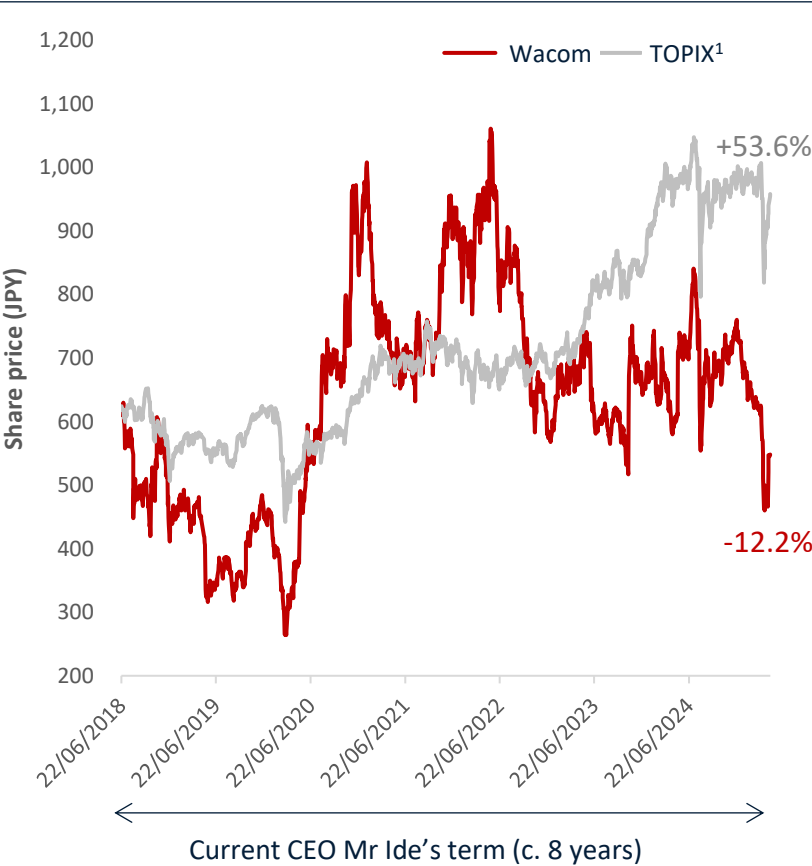
Results Not Reflective of Management that is Conscious of the Cost of Capital and Stock Price

Over the past 8 years, the company’s Board of Directors has failed to deliver business results that demonstrate an awareness of the stock price and cost of capital.

Wacom’s current board of directors

	Board members	Gender	Age	Tenure	Career background
Internal	1 Nobutaka Ide	Male	54	8	Sharp, Wacom (2013)
	2 Sadao Yamamoto	Male	64	26	Wacom (1987)
	3 Sayatake Komine	Male	53	1	PwC, Wacom (2011)
External	4 Ken Inadumi	Male	51	7	Alix Partners etc.
	5 Mikako Inamasu	Female	65	4	Fujitsu etc.
	6 Takafumi Nakajima	Male	40	1	Re-x Expansion etc.
	7 Shigeki Higashiyama	Male	67	7	Nomura Research Institute
	8 Osamu Hosokubo	Male	64	6	Mitsubishi UFJ Trust and Banking etc.
	9 Yuji Ono	Male	57	1	Mitsubishi UFJ Trust and Banking etc.

Share price trajectory



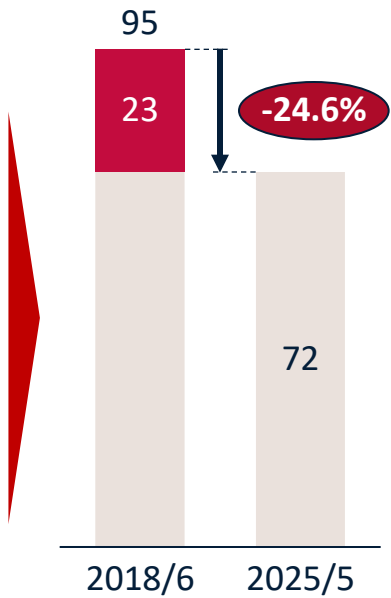
Note 1: Starting from 22nd June 2018 (date of the Ordinary General Meeting of Shareholders) until 1st May 2025. The Tokyo Stock Exchange Stock Price Index is based on Wacom’s stock price on that starting date.
Source: Wacom public documents, SPEEDA

Directors Skill Matrix and Damage to Corporate Value

The current Board, consisting of a majority of members with “management” backgrounds, has failed to prevent the Branded Business from incurring substantial ongoing losses, resulting in a decline in enterprise value exceeding 20 billion yen. What is truly required of the Board is a commitment to protecting shareholder interests, grounded in a clear understanding of capital markets.

Board members		Possessed skills (company disclosure)										
		Management	Overseas business	Finance/ accounting	HR, orgnani- sation	D&I	Environ- ment	Legal, compliance	Risk manage- ment	Proprietary technology	Community engagement	Digital services
1	Nobutaka Ide	✓	✓			✓				✓	✓	✓
2	Sadao Yamamoto									✓		✓
3	Sayatake Komine		✓	✓								✓
4	Ken Inadumi	✓									✓	✓
5	Mikako Inamasu	✓			✓	✓						
6	Takafumi Nakajima	✓					✓					
7	Shigeki Higashiyama		✓		✓							
8	Osamu Hosokubo	✓	✓	✓								
9	Yuji Ono							✓	✓			

Enterprise value, JPY bn¹



Past “management” experience does not necessarily contribute to the enhancement of corporate value and the common interests of shareholders. What is required of the Board is to a focus on maximising enterprise value, informed by the voice of the capital market.

Note 1: Comparison of the enterprise value between the appointment of the current CEO at the 2018 Ordinary General Meeting of Shareholders (22nd June 2018) and the present (as of 6th May 2025). Enterprise value is defined based on the Ministry of Economy, Trade and Industry's 'Guidelines for Corporate Takeovers.'
 Source: Wacom public documents, Ministry of Economy, Trade and Industry "Guidelines for Corporate Takeovers," SPEEDA

Suggestion #4:

Appointment of director with capital market-oriented management abilities

AVI recommends Mr. Nao Makino for election to the Board of Directors, citing his knowledge, experience and capabilities in capital market-oriented management.



Nao Makino

Name	Nao Makino	DOB: 21 st July 1989
		No. of Wacom Shares candidate currently owns: 0 shares
Brief background of positions, responsibilities, and important concurrent roles		
April 2012	Morgan Stanley MUFG Securities (Japan Tokyo Office)	
June 2014	Misaki Capital	
April 2016	Misaki Capital Engagement Investment Manager	
June 2022	Kaname Capital Associate Partner and Head of Research	
December 2024	Kaname Capital Partner and Head of Research (current position)	
	(Status of important concurrent roles)	
	Kaname Capital Partner and Head of Research	
	* Kaname Capital, where Nao Makino is a partner, holds 0.07% of Wacom’s shares on behalf of its clients.	

Mr. Makino is completely independent from AVI, the shareholder making this proposal. He brings extensive experience as a stock research analyst and buy-side investor, with a focus on long-term equity investments in listed companies. Currently a partner at Kaname Capital, which holds less than 1% of Wacom's shares, Mr. Makino is well-suited to effectively oversee the development and execution of management’s strategic plans, while representing the interests of all shareholders with a capital market perspective and a focus on the medium to long term¹

Note 1: Kaname Capital's shareholding ratio in Wacom was 0.07% at the time of AVI's shareholder proposal, which is below the general independence assessment standard of 10%.
Source: AVI shareholder proposal

Governance Issues of the Former Board Related to Fair Takeovers

Although best practices for fair acquisitions are outlined in the “Guidelines for Corporate Takeovers”, the former Board’s response demonstrated a clear disconnect from these guidelines.

“Guidelines for Corporate Takeovers” (31st August 2023)

“In principle, upon receipt of an acquisition proposal to acquire corporate control, management or directors should promptly submit or report such matter to the board of directors”

“..the potential opportunity for a desirable acquisition to materialize should not be lost by not submitting the matter to the board of directors. Even if an acquisition proposal is not submitted to the board of directors, it should be promptly reported so that the board of directors can exercise its supervisory function over management.”

“As an acquiring party, in order to proceed with the transaction on the basis of a friendly proposal, there may be circumstances where a dialogue is initiated without specifying the terms and conditions at the initial stage, or where a proposal does not take a written form. This section does not deny the submission or reporting of such proposals to the board of directors.”

Dialogue between AVI and internal directors in 2023

Naturally, board members must be familiar with the private equity (PE) fund business. Am I correct in understanding that you have established contacts with several PE funds, including having engaged in initial dialogue?



AVI



CEO Ide

XX-san, please correct me if I am wrong, but **there has never been a discussion with a specific PE fund**, including early-stage discussions, that has proposed the de-listing of Wacom.



Director

May I speak on that point? **I have spoken to PE funds**. From memory, about three funds.

Given that directors have a duty of care to act in the common interests of shareholders, it is concerning that information about initial meetings with financial buyers regarding friendly proposals has not been shared internally among directors, let alone externally.

Prior Engagement on Maximising Common Shareholder Interests

In subsequent discussions, Wacom's outside directors demonstrated a deep understanding of the importance of corporate governance and expressed a clear commitment to exploring all avenues to maximise shareholder value.

Corporate Governance Code

Principle 4.5

With due regard for their fiduciary duties to shareholders, directors, *kansayaku*, and management of companies should ensure appropriate cooperation with stakeholders and act in the best interests of the company and the common interests of its shareholders.

JPX “Common Interests of Shareholders as a Starting Point” (JPX Financial Instruments Law Study Group)

“It is the duty of directors to look after the common interests of shareholders”

“Directors have a duty to consider the common interests of shareholders as part of their duty of care”

“Practical guidelines on the role of outside directors” (METI)

“The role of outside directors is to enhance corporate value and protect the common interests of shareholders”

Dialogue between AVI and external directors in 2024

Am I correct in understanding that, from the perspective of maximising Wacom's corporate value, the board of directors is open to discussing options other than maintaining the public listing in the future?



AVI

At all times, outside directors are working to maximise corporate value for shareholders, not for internal power balance or self-interest. In this sense, it is important to consider all options, including MBO.



External director

(On the point that outside directors should work to maximise the common interests of shareholders and corporate value) I agree with that perception. As AVI understands precisely, since the synergies between the brand and TS businesses are significant, if doing something together with external players would increase value, it would be conducive to consideration. In that sense, we do not rule out all possibilities.

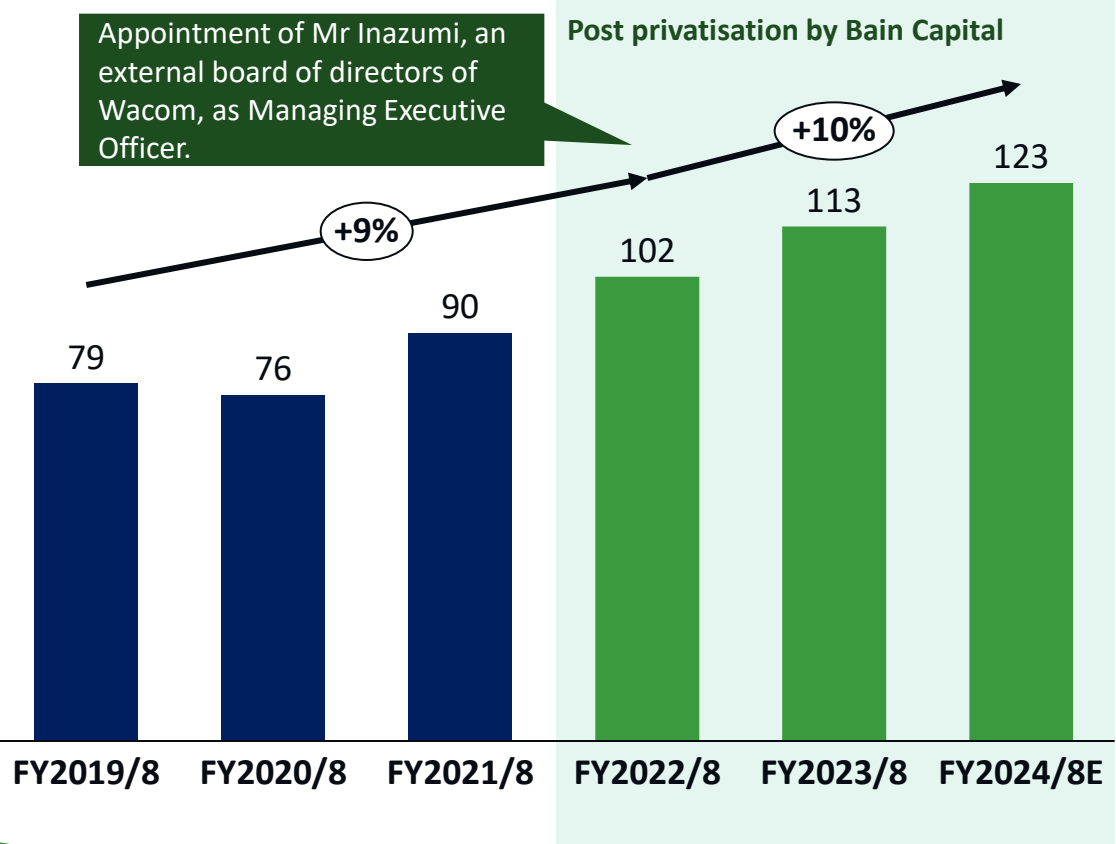


External director

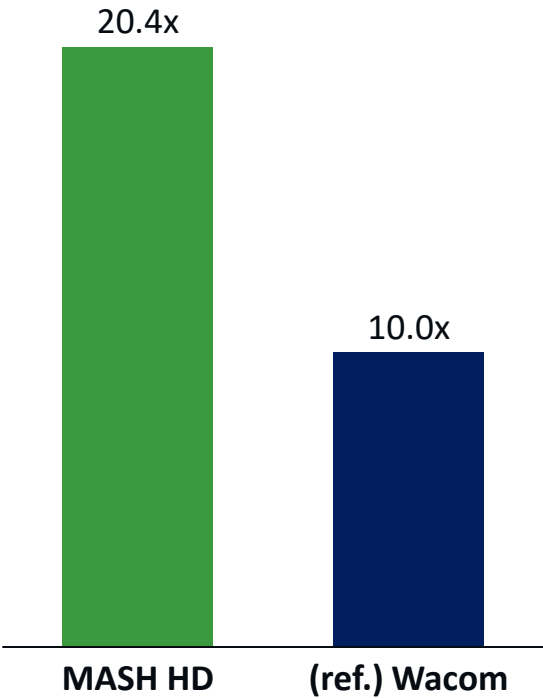
PE Fund Value-up Case Studies (1/2)

Financial buyers pay an appropriate premium and increase shareholder value and, post-acquisition, continue to add value by strengthening the business and appointing personnel by utilising their industry expertise.

Revenue trajectory of MASH Holdings, JPY bn



Acquisition multiple¹
LTM EV/EBIT

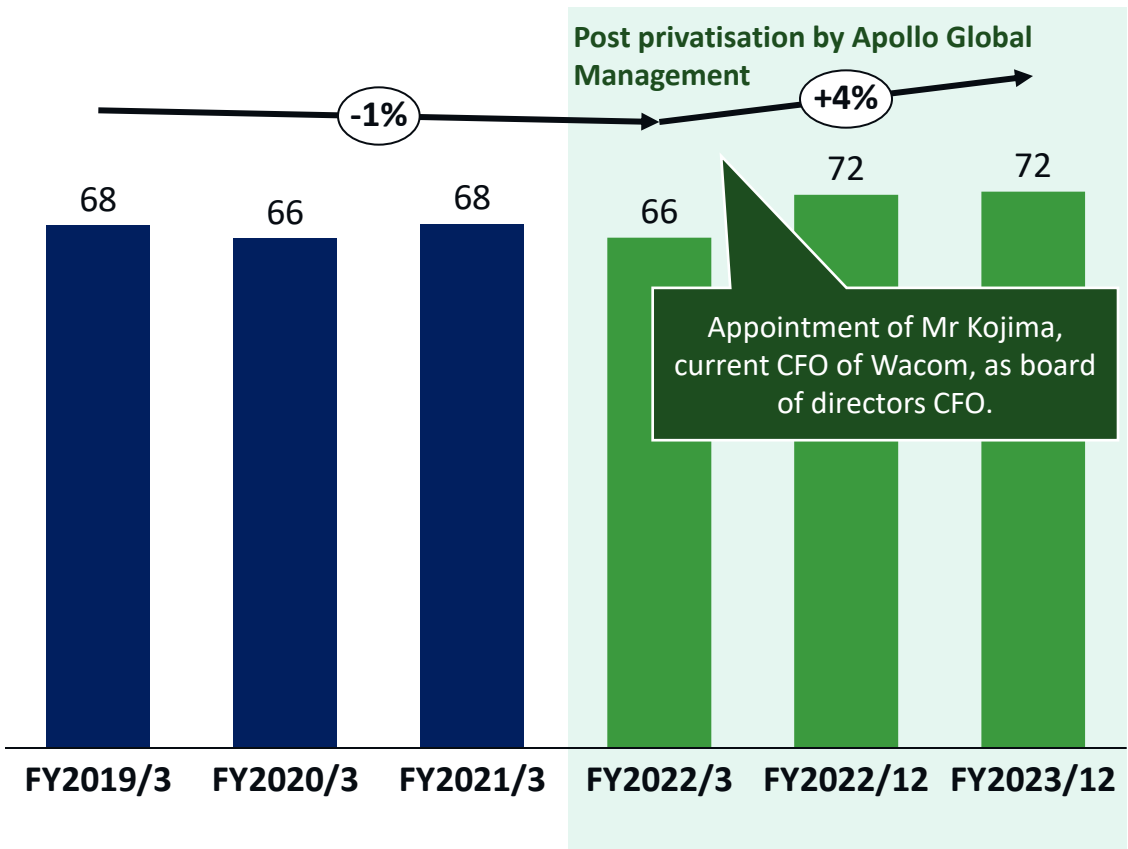


Note 1: The enterprise value of Mash HD is calculated as debt-free and cash-free. Wacom based on share price as at 23 August 2024.
Sources: WWD Japan, Mash Holdings press release, Bain Capital press release.

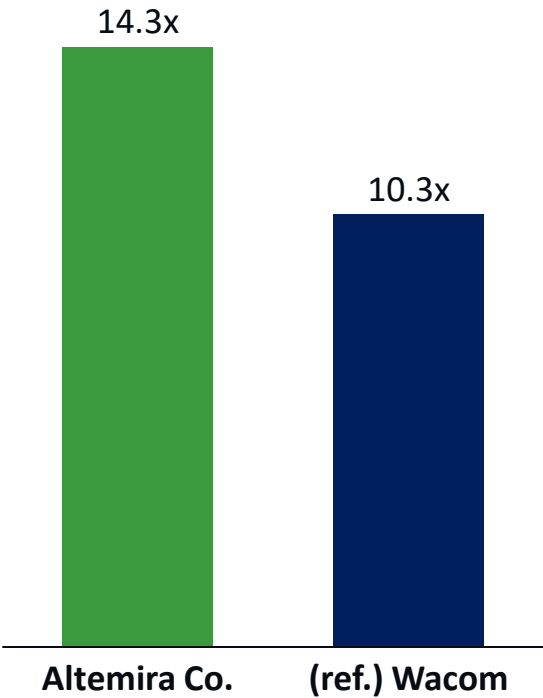
PE Fund Value-up Case Studies (2/2)

Financial buyers pay an appropriate premium and increase shareholder value and, post-acquisition, continue to add value by strengthening the business and appointing personnel by utilising their industry expertise.

Revenue trajectory of Altemira Corporation¹, JPY bn



Acquisition multiple²
1Y Fwd. EV/EBIT



Note 1: Based on the published accounts of Altemira Can Corporation, a group company of Altemira Corporation. Does not include the results of other subsidiaries such as Sakai Aluminium and MA Aluminium.
Note 2: Altemira's enterprise value is calculated as debt-free and cash-free. Based on an acquisition value of approximately JPY 50 billion and Resonac Holdings' (formerly Showa Denko) full-year operating profit forecast for the aluminium division in 2021. Wacom based on FY2025/3 operating profit forecast (company guidance) and share price as at 2 September 2024.
Note 3: Based on financial figures for FY2022/12 and FY2022/3, converted to annual results.
Sources: financial results announcements, company disclosure documents.

Opinions of External Board Members on Strategic Review

Acquisitions that serve the common interests of shareholders are viewed as supporting the development of superior corporate strategies, and outside directors have stated that all options should be thoroughly examined.

“Guidelines for Corporate Acquisitions” (METI)

“The development of a fair M&A market will ensure that the market functions soundly and that desirable acquisitions (acquisitions that both increase corporate value and secure the interests of shareholders) are actively conducted. This, in turn, will contribute to corporate growth through acquisitions, and also will lead to target companies’ opportunities to select superior corporate strategies and to improve external discipline on management.”

“‘Corporate value’ is a quantitative concept. The target company management should not make the concept of corporate value unclear by emphasizing qualitative value, which is difficult to measure, nor should the “corporate value” concept be used as a tool for management to defend themselves¹.”

“In principle, upon receipt of an acquisition proposal to acquire corporate control, management or directors should promptly submit or report such matter to the board of directors.”

“..in order to proceed with the transaction on the basis of a friendly proposal, there may be circumstances where a dialogue is initiated without specifying the terms and conditions at the initial stage, or where a proposal does not take a written form.”

“.. the potential opportunity for a desirable acquisition to materialize should not be lost by not submitting the matter to the board of directors.”

External directors’ opinions to AVI



At all times, outside directors are working to maximise corporate value for shareholders, not for internal power balance or self-interest. In this sense, it is important to consider all options, including MBO.

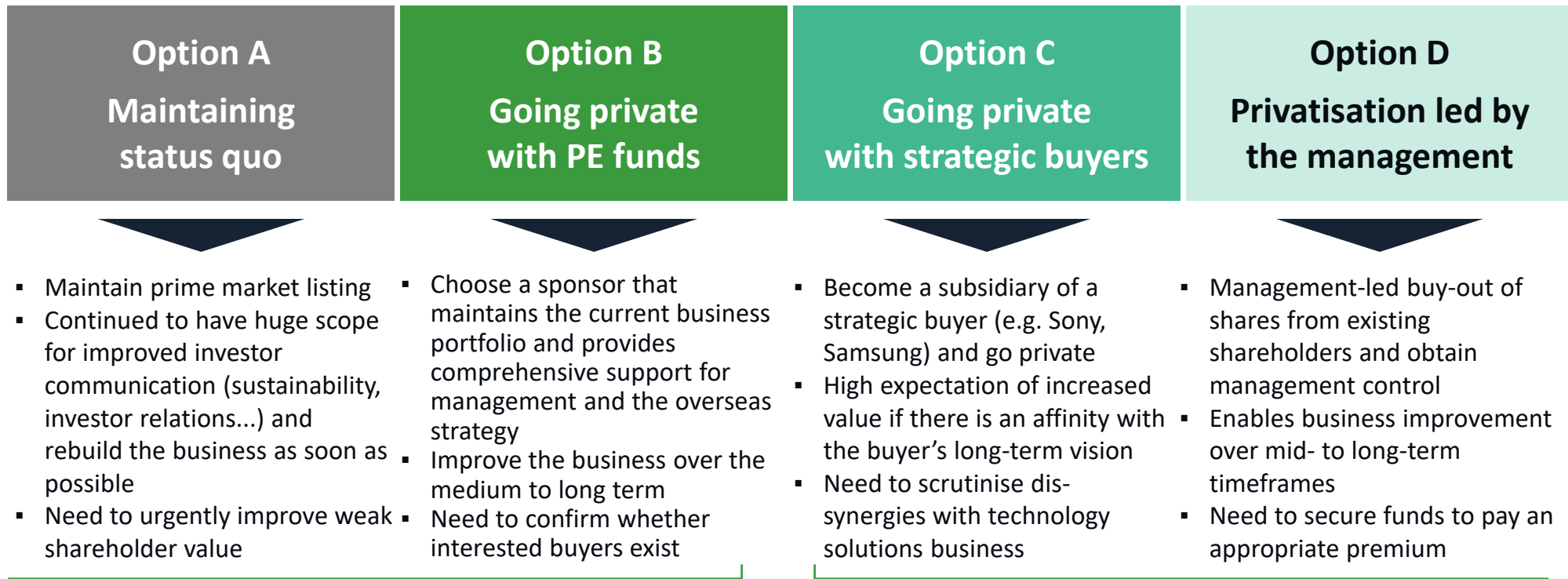
If doing something together with external players would increase value, it would be conducive to consideration. In that sense, we do not rule out all possibilities.

We are very aware that we should consider what we should be as an issuer, including the views of our shareholders, rather than defending our position.

Note 1: “(including management referring to retention of employees as an excuse to defend themselves)”
Source: Ministry of Economy, Trade and Industry, Guidelines for Corporate Takeovers - Towards Enhancing Corporate Value and Securing Shareholder Interests.

Suggestion #5: Implementation of strategic review

Given the view of Wacom's directors' that the Board's mission is to maximise corporate value and the common interests of shareholders, a strategic review should be carried out promptly.



All options should undergo strategic review, with the Board of Directors promptly engaging in discussions to determine which option best serves the common interests of shareholders.

METI “Guidelines for Corporate Takeovers”

According to the Guidelines for Corporate Takeovers, it is fundamental to give sincere consideration to bona fide offers. The guidelines also emphasise the importance of measures to ensure fairness, such as establishing a special committee and obtaining advice from external advisors.

“Guidelines for Corporate Takeovers” (31st August 2023)

In principle, **upon receipt of an acquisition proposal to acquire corporate control, management or directors should promptly submit or report such matter to the board of directors.** If an acquisition proposal has a certain degree of credibility in addition to its specifics, the potential opportunity for a desirable acquisition to materialize should not be lost by not submitting the matter to the board of directors. Even if an acquisition proposal is not submitted to the board of directors, it should be promptly reported so that the board of directors can exercise its supervisory function over management.

The board of directors to which the matter is submitted shall in **general give “sincere consideration” to a “bona fide offer.”**

In connection with a target company taking these actions (AVI note: To determine whether or not to accept the offer from the perspective of whether it will enhance the corporate value of the company, and to make reasonable efforts to ensure that the acquisition is conducted under terms and conditions that secure the interests that shareholders should enjoy), outside directors play an important role in addressing any conflict of interest issues at the management level and improving transaction terms. In addition, depending on the degree of conflicts of interest or information asymmetry issues, as well as circumstances relating to the target company or its transaction structure, **fair procedures (i.e. “Fairness Ensuring Measures”), such as establishing a special committee, or obtaining outside advisor’s advice, may be taken.**



- It is pointed out that “The development of a fair M&A market will ensure that the market functions soundly and that desirable acquisitions (acquisitions that both increase corporate value and secure the interests of shareholders) are actively conducted”
- In the event of an acquisition proposal, it is important, both for enhancing Wacom's corporate value and protecting shareholder interests, that the appropriate procedures recommended by the guidelines are systematically followed.

Suggestion #6:

Amendment of Articles of Incorporation in relation to acquisition proposals

Wacom should publicly disclose its compliance with the Guidelines for Corporate Takeovers.

Past procedures at the preliminary proposals

- When internal directors engaged in discussion with PE funds, **there appears to have been inadequate information sharing and limited discussion about the content of those conversations, not only with external directors, but even among internal directors.**
- To institutionally ensure that such governance flaws do not arise in the future, **the company should publicly disclose its compliance status with the Guidelines for Corporate Takeovers.**

AVI's suggestion

- Amend the Articles of Incorporation as follows:

(About Acquisition Proposal)

- 33 The directors, managers, and other employees of the Company shall promptly submit to or report to the Board of Directors any proposal to acquire management control of the Company through the acquisition of shares issued by the Company or any similar act (including proposals to delist the Company; hereinafter referred to as 'acquisition proposals' in this Article). However, this shall not apply if it is clear that the acquisition proposal is not made in good faith.
- 2 The board of directors of the Company shall immediately and seriously consider any acquisition proposal submitted for deliberation or reported pursuant to the provisions of the preceding paragraph.
- 3 In conducting the consideration set forth in the preceding paragraph, the Company shall establish a special committee composed solely of outside directors, hold a meeting composed solely of outside directors, or take other fair procedures.



Summary of AVI's Recommendations for Governance Enhancement with a Capital Market Perspective

To maximise corporate value, we recommend (4) appointing directors with an awareness of capital markets, (5) conducting strategic reviews, and (6) amending the Articles of Incorporation regarding the handling of acquisition proposals.

Wacom's current governance structure

Appointment of director with capital market-oriented management abilities

There are no members of the board of directors with knowledge, experience, or abilities related to capital market-oriented management, and the stock price is sluggish.

Implementation of Strategic Review

Management decisions remain influenced by past practices, hindering the smooth evaluation and execution of strategic points that consider analysis of both qualitative and quantitative aspects of strategic options.

Amendment of Articles of Incorporation in relation to acquisition proposals

There are concerns that the board of directors has previously failed to act in accordance with the Guidelines for Corporate Takeovers.

AVI's suggestions

#4: Appoint directors with knowledge, experience and abilities related to capital market-oriented management at the annual general meeting to be held in June 2025.

#5: Promptly initiate a comprehensive review of strategic options, and evaluate the quantitative impact of alternative options beyond the current capital policy on enhancing corporate value.

#6: Amend the Articles of Incorporation regarding the handling of acquisition proposals and publicly disclose the Company's commitment to comply with the Guidelines for Corporate Takeovers.



- 1 Turnaround of Branded Business
- 2 Governance enhancement with a capital market perspective
- 3 Capital policy optimisation
- 4 Enhanced communication with the market

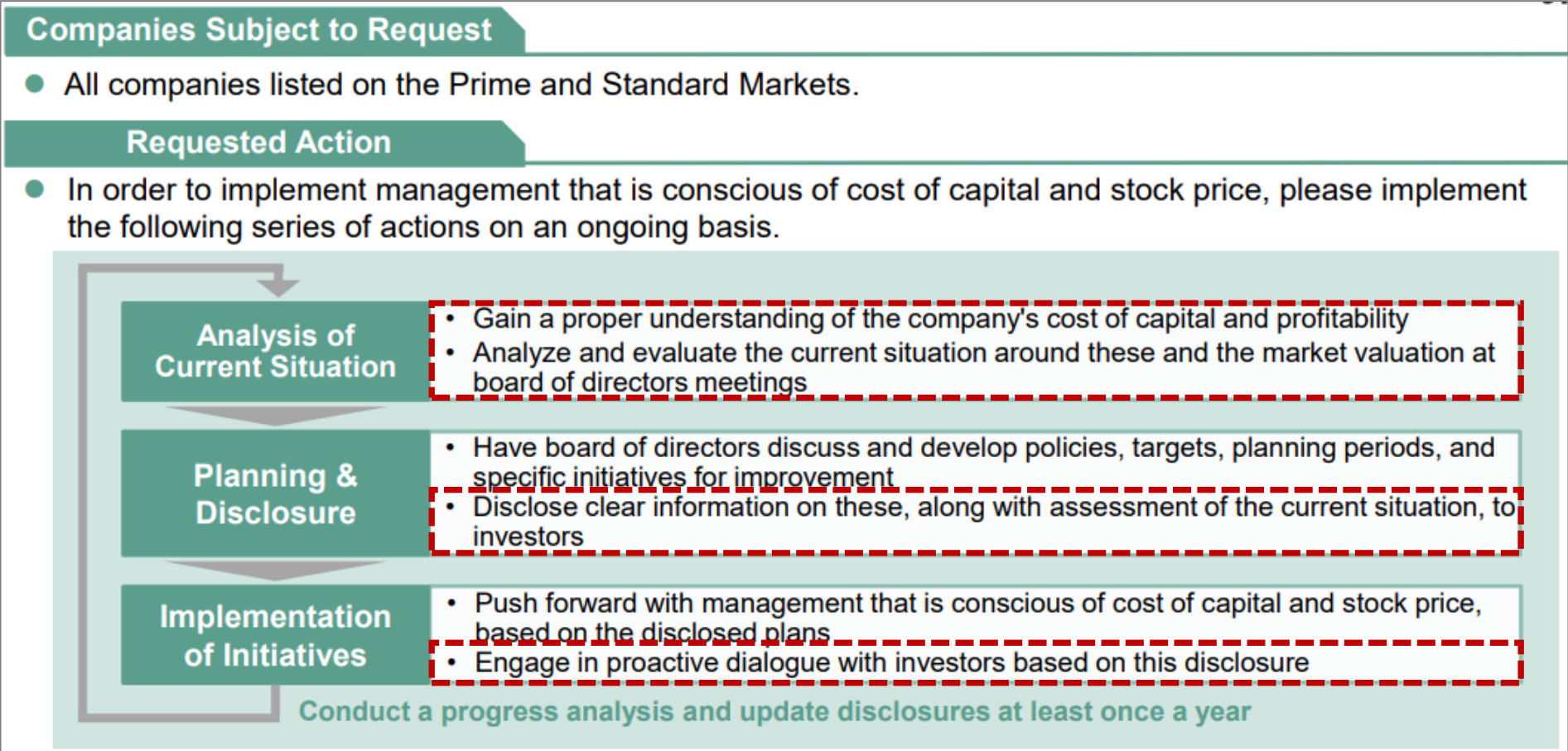
Agenda

AVI's Recommendations on capital policy optimisation

Turnaround of Branded Business	<ul style="list-style-type: none">① Acceleration of the product development cycle for entry-and mid-class products② Rationalisation of overseas sites and strengthening the EC channel③ Establishment of Transformation Plan Supervisory Committee
Governance enhancement with a capital market perspective	<ul style="list-style-type: none">④ Appointment of director with capital market-oriented management abilities⑤ Implementation of strategic review⑥ Amendment of Articles of Incorporation in relation to acquisition proposals
Capital policy optimisation	⑦ Enhanced disclosures with cost of capital-conscious management
	⑧ Set appropriate financial leverage indicators: change indicator to net D/E ratio
	⑨ Balance sheet improvements: 5 billion yen buy-back in FY2026/3
	⑩ Amendment of the decision-making body for distribution of surplus
	⑪ Introduction of evaluation KPI for stock remuneration schemes
Enhanced communication with the market	<ul style="list-style-type: none">⑫ Reshaping how the company communicates with the market⑬ Enhancement of ESG disclosure: Disclose Integrated Report every year

Details of Requests from the Tokyo Stock Exchange

Wacom is required to accurately assess its cost of capital, transparently disclose this information to investors, and engage in proactive dialogue with them based on the disclosure.

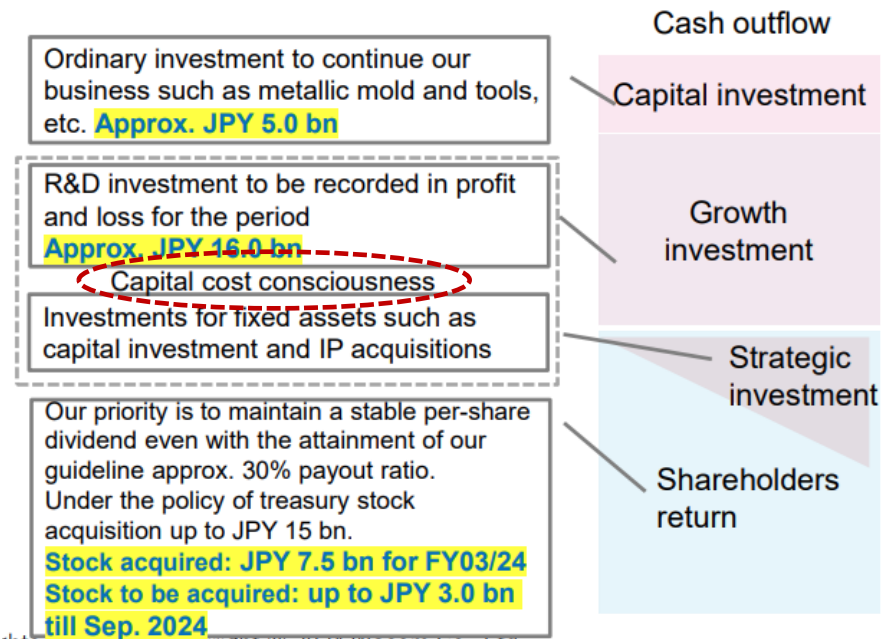


Source: TSE "Action to Implement Management that is Conscious of Cost of Capital and Stock Price"

Opaque Disclosures on Cost of Capital-Conscious Management

The only relevant disclosures in the CG report is that investments are made “with an awareness of the cost of capital” and that ROE is set “with an awareness of the assumed cost of equity”; no disclosure of WACC itself can be found.

Wacom’s capital allocation policy



Corporate Governance Report, 11th Nov 2024

The company sets return on equity (ROE) as an indicator of capital efficiency in the formulation of management strategies and plans, with an **awareness of the assumed cost** of shareholders' equity.

Tautological disclosures are conspicuous, for example, the company repeatedly states that it is “cost of capital conscious” in response to requests for cost of capital-conscious management, without explanation. As a result, a substantive, ‘disclosure-based dialogue’ on cost of capital remains unachievable.

Suggestion #7: Enhanced disclosures with cost of capital-conscious management: WACC disclosure

Simply disclosing that Wacom is “aware of capital costs” is not sufficient to meet the TSE’s requirements. The company should disclose the cost of capital in more concrete, quantitative terms.

Wacom CG report and TSE’s case examples

In the “Business Report Wacom Chapter 3” published in May 2024, on Page 32 under “Wacom Chapter 3 Summary of Update Plan,” in the section titled “7 Policy of Capital & Shareholder Return (FY03/2024-FY03/2025),” we outlined its approach to cash allocation, stating that it will prioritise growth investments and strategic investments aimed at enhancing future corporate value, while also seeking to optimise capital efficiency through the prudent use of leverage, all while maintaining financial soundness, as part of its efforts to enhance shareholder returns. For more details, please refer to the “Wacom Chapter 3 Summary of Update Plan” under the section titled “7 Policy of Capital & Shareholder Return (FY03/2024-FY03/2025)” at the following link: <https://contents.xj-storage.jp/xcontents/AS95168/22b7175b/c623/44ce/a45b/6e8673b63931/20240509150322291s.pdf>



The disclosure is limited to providing links to past medium term management plans, etc. Even if you look at the documents in the link, it is difficult to conclude that sufficient consideration has been given to cost of capital, and **it feels like the management team does not have a sense of urgency.**
(Tokyo Stock Exchange “Cases where companies are not aligned with investors’ perspectives”)



AVI’s suggestion

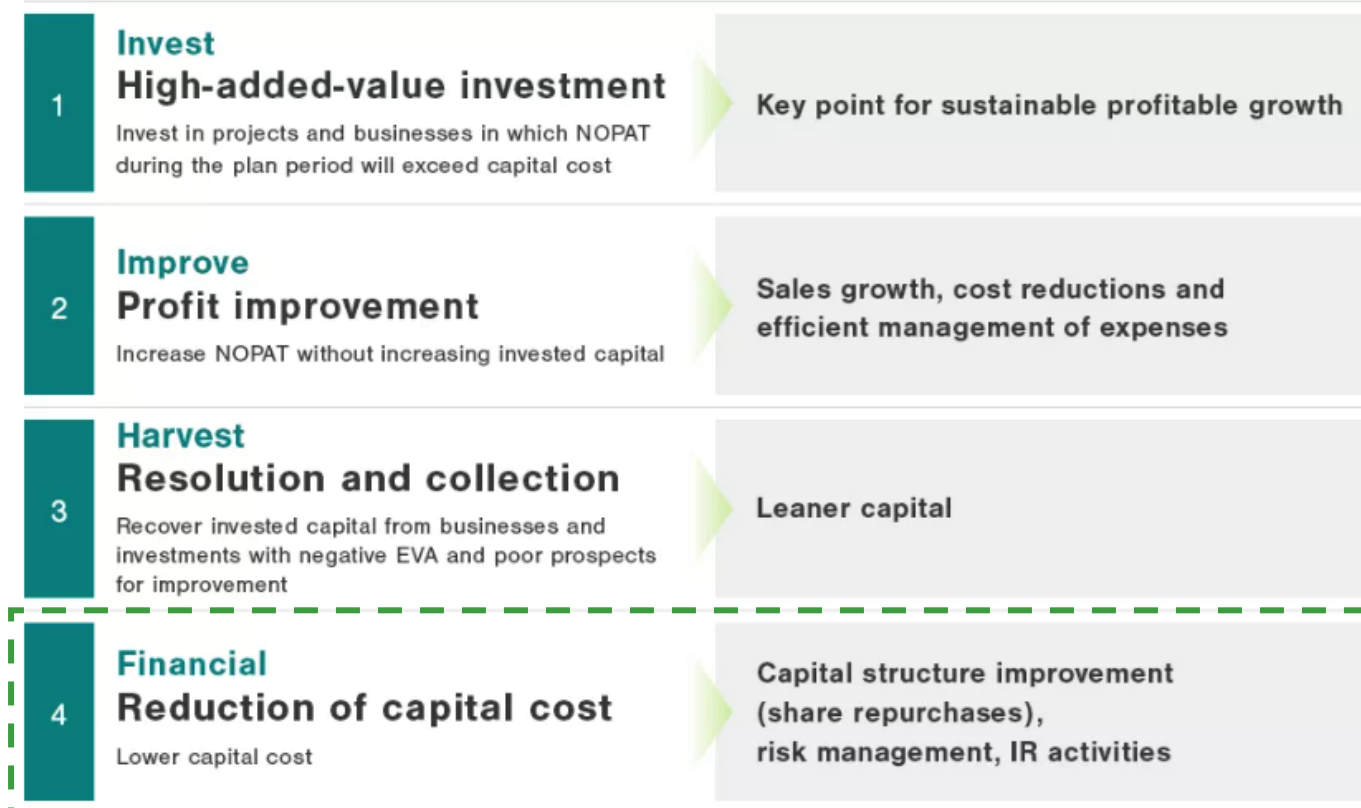
#7: As part of efforts to respond to the Tokyo Stock Exchange's request for management conscious of the cost of capital and stock prices, the company should disclose its WACC.



Increase Enterprise Value by Lowering Cost of Capital

It is widely accepted that lowering the WACC is one of the ways to increase the corporate value of a company, and the use of an appropriate level of leverage is one effective way to achieve this.

Four perspectives to improve EVA® (Kao Corporation)

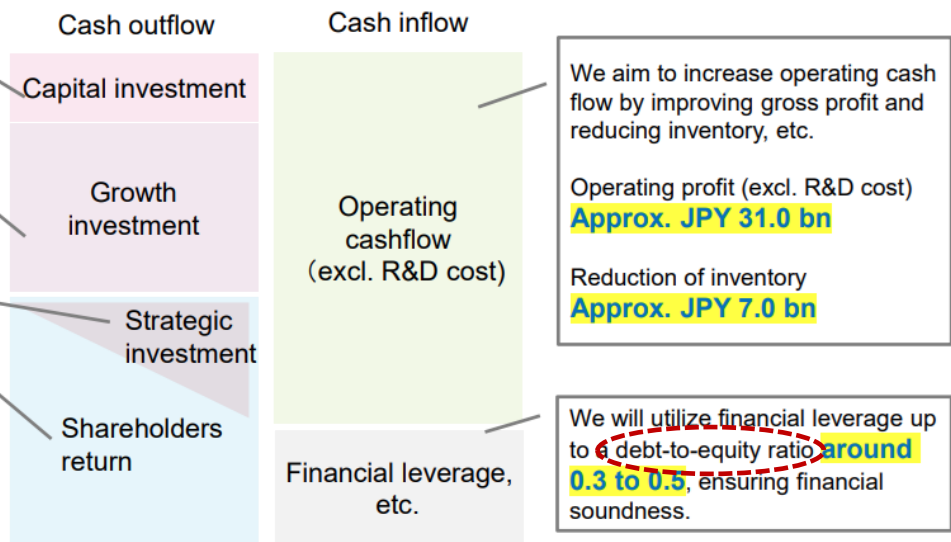


The cost of capital can be reduced and, in turn, corporate value can be increased by achieving an optimal capital structure (use of appropriate levels of leverage, share buy-backs).

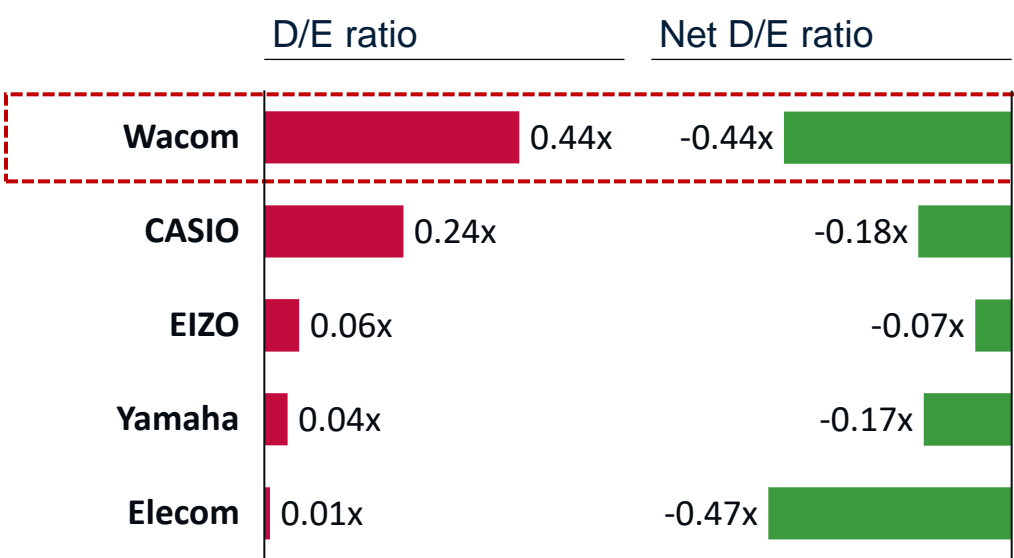
Inappropriate Leverage Indicators that could Mislead the Market

Wacom uses the D/E ratio as a leverage indicator, but given the high level of Wacom's cash and deposits, this disclosure is misleading to the market.

Wacom's capital allocation policy



Comparison of leverage with consumer electronics peers FY2024/3



Although the company has the highest level of net cash and deposits compared to similar companies, it is misleading to use indicators that do not take cash and deposits into account as leverage indicators. This should not be allowed, regardless of whether it is intentional or not.

Suggestion #8:

Set appropriate leverage financial indicators: change indicator to net D/E ratio

In order to accurately convey its positive capital policy stance to the market, Wacom should promptly revise its disclosure to state that Wacom will “utilise the *net* D/E ratio to a maximum of approximately 0.3 to 0.5x.”

Wacom Corporate Governance Report, 11th November 2024

【Measures to realise management conscious of cost of capital and stock price】

“As a capital allocation policy, we will strive to return profits to shareholders while ensuring financial soundness and leveraging capital efficiently.”



Wacom is implementing capital measures such as leveraged share buybacks, demonstrating its commitment to improving ROE. It is desirable to establish appropriate indicators to accurately convey this positive management policy to the market.

AVI's suggestion

#8: Set appropriate leverage financial indicators and change indicator to net D/E ratio (e.g., 0.3~0.5x)

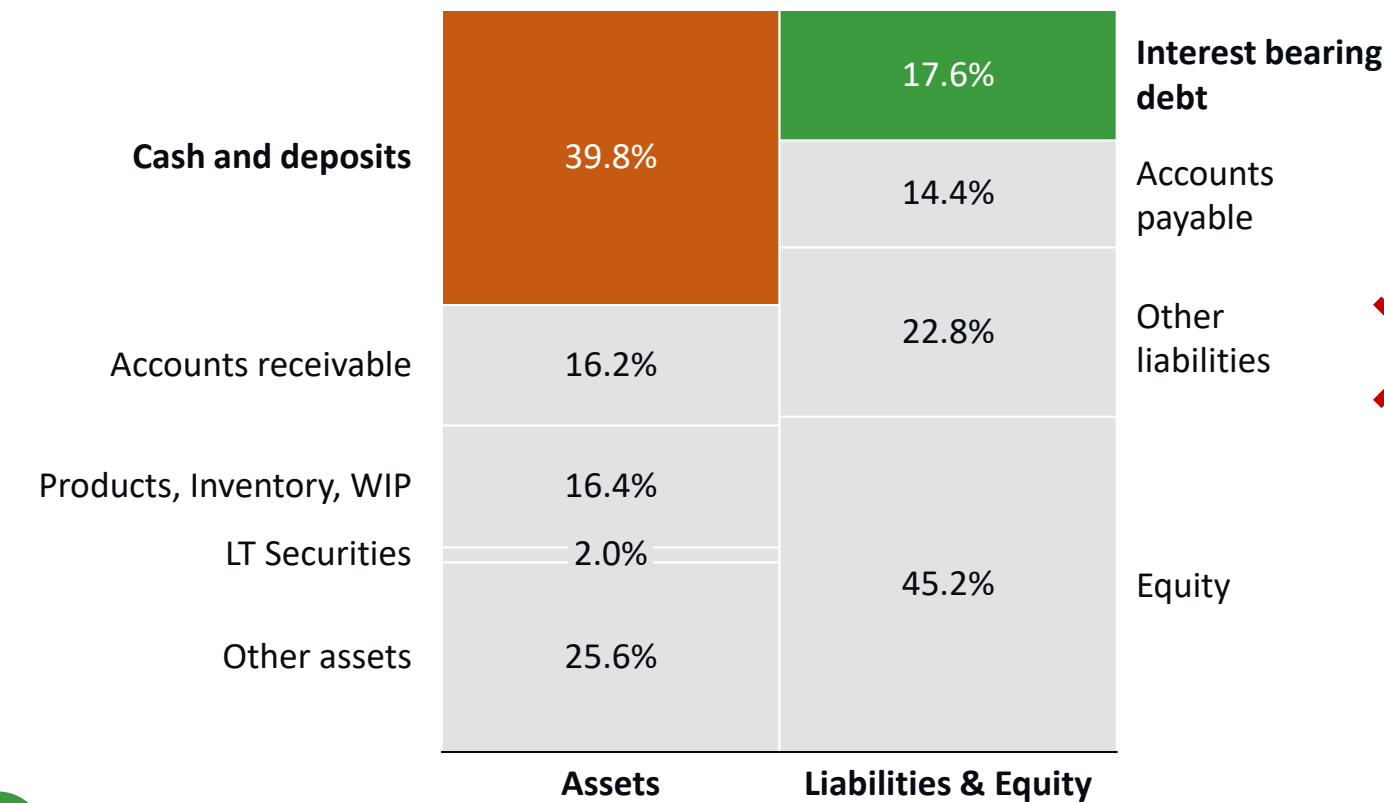
If you disclose a capital policy that takes into account financial soundness as well as KPIs as leverage ratios, it is sufficient to disclose the target D/E ratio separately in addition to the above.



Inefficient Balance Sheet

There is a concern that Wacom's inefficient financial strategy is undermining the common interests of shareholders.

Wacom’s balance sheet, as of March ending 2024



- Wacom's balance sheet is **net cash (effectively unleveraged), with cash and cash equivalents exceeding interest-bearing debt**
- As a result, Wacom's current weighted average cost of capital is equal to its cost of shareholders' equity, and **the lack of leverage is a detractor from the corporate value creation**
- There are **concerns that the inefficiency of this financial strategy is consistently damaging the common interests of shareholders, and urgent improvements are desirable**

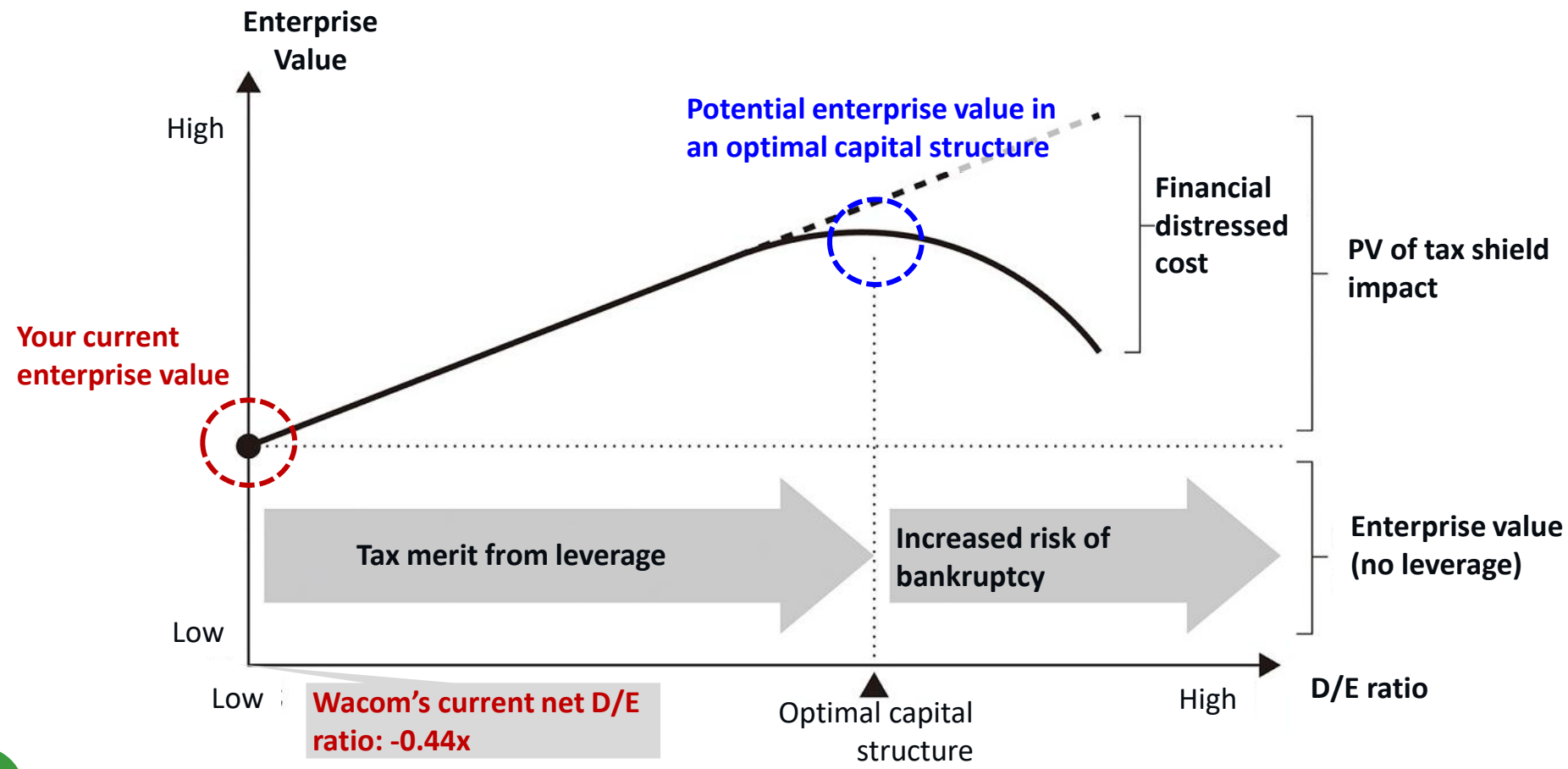


Source: Wacom financial results presentation materials.

About Optimal Capital Structure

Wacom can achieve an optimal capital structure (i.e. lower cost of raising equity through debt utilisation and share buy-backs), thereby reducing WACC and ultimately increasing enterprise value.

Relationship between optimal capital structure and enterprise value



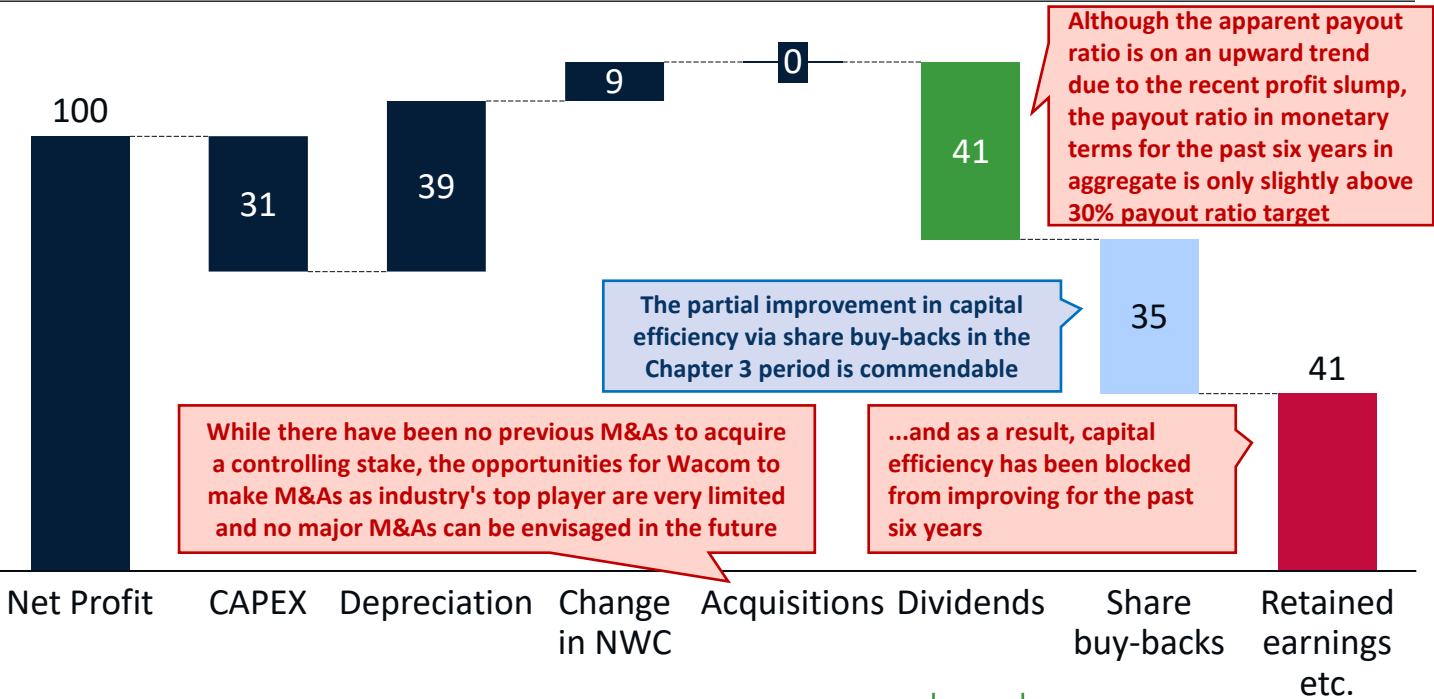
Source: Harvard Business Review ("Key points on corporate value").



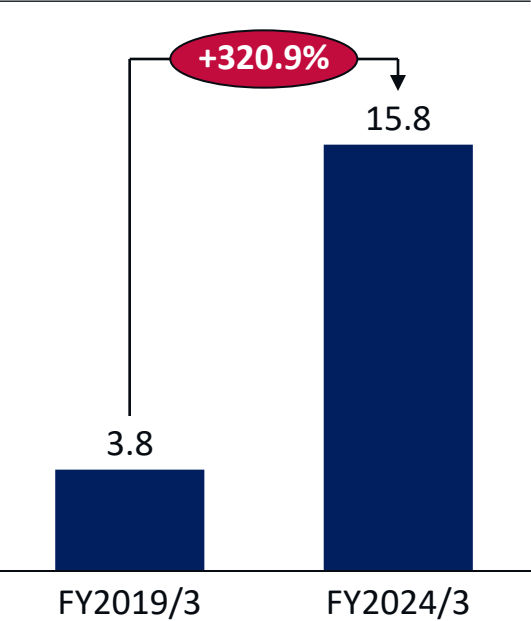
Capital Allocation Track Record

Under the current management, the distribution of net income for the current period to dividends was limited to 41%, while cash increased 3.2 times. To improve capital efficiency and rectify undervaluation, there is room for expansion of shareholder returns.

Wacom’s actual cash allocations under the current CEO
accumulating FY2019/3 – FY2024/3; % to net profit (100%=¥35.3bn)



Net cash trajectory
JPY in billions



In light of the continuing accumulation of net cash and in order to correct the decline in shareholder value, it is considered desirable to continue the acquisition of treasury stock

Suggestion #9:

Balance sheet improvements: 5 billion yen buy-back in FY2026/3

It is recommended to acquire 5 billion yen worth of treasury stock to improve capital efficiency.

Wacom Corporate Governance Report, 11th November 2024

【Measures to realise management conscious of cost of capital and stock price】

“As a capital allocation policy, we will strive to return profits to shareholders while ensuring financial soundness and leveraging capital efficiently.”



Wacom considers shareholder returns to be an important management priority and intends to implement shareholder returns, including the acquisition of treasury stock using interest-bearing debt, in order to improve capital efficiency. Furthermore, given the current situation in which stock prices are significantly depressed, investment opportunities that would yield capital efficiency improvements exceeding such buy-back would be limited.

AVI's suggestion

#9: The company should conduct share buy-back totalling 5 billion yen in the fiscal year ending March 2026 to improve its capital efficiency.



Source: Wacom corporate governance report (11th November 2024)

Decision-Making Body for Distribution of Surplus

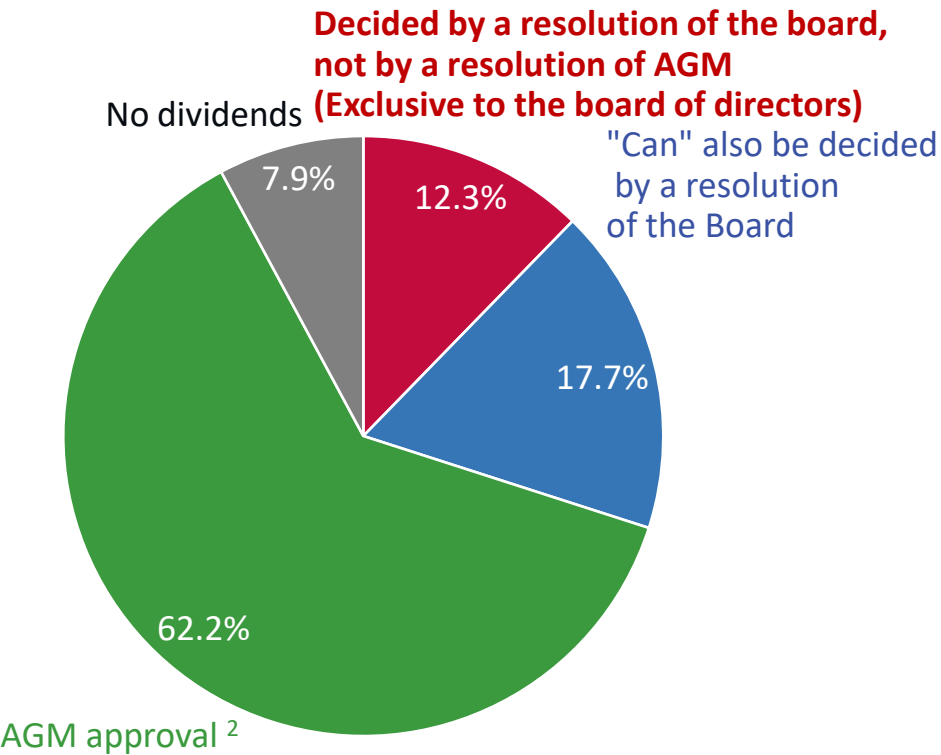
Under the Companies Act, the authority to decide on the distribution of surplus funds lies with the AGM in principle¹, and except for companies with no dividends, c.90% companies have a system whereby the AGM approves or decides on the distribution of dividends. Yet, Wacom determined that the distribution of surplus funds will be decided by a resolution of the board of directors.

Wacom's current decision-making body for the payment of dividends from retained earnings

Methods of deciding on the appropriation of retained earnings of listed companies in Japan, 2024

Articles of Incorporation of Wacom
(Decision-making body for the distribution of surpluses, etc.)






39. The Company shall determine the matters provided for in each item of Article 459(1) of the Companies Act, including the distribution of surplus, by a resolution of the board of directors instead of a resolution of the general meeting of shareholders, unless otherwise provided by law.



Note 1: Article 454, Paragraph 1 of the Companies Act
Note 2: Includes cases where the Articles of Incorporation stipulate that the disposal of surplus funds may be determined by resolution of the board of directors and such resolution has been approved by the general meeting of shareholders (18.2%)
Source: Commercial Law 2376, p. 42, Wacom public disclosure materials

System whereby Dividends can be Determined by both AGM and Board

By allowing dividends to be determined at either the general meeting of shareholders or by the board of directors, it is possible to create a system that reflects the intentions of shareholders and allows for flexible implementation of capital policy.

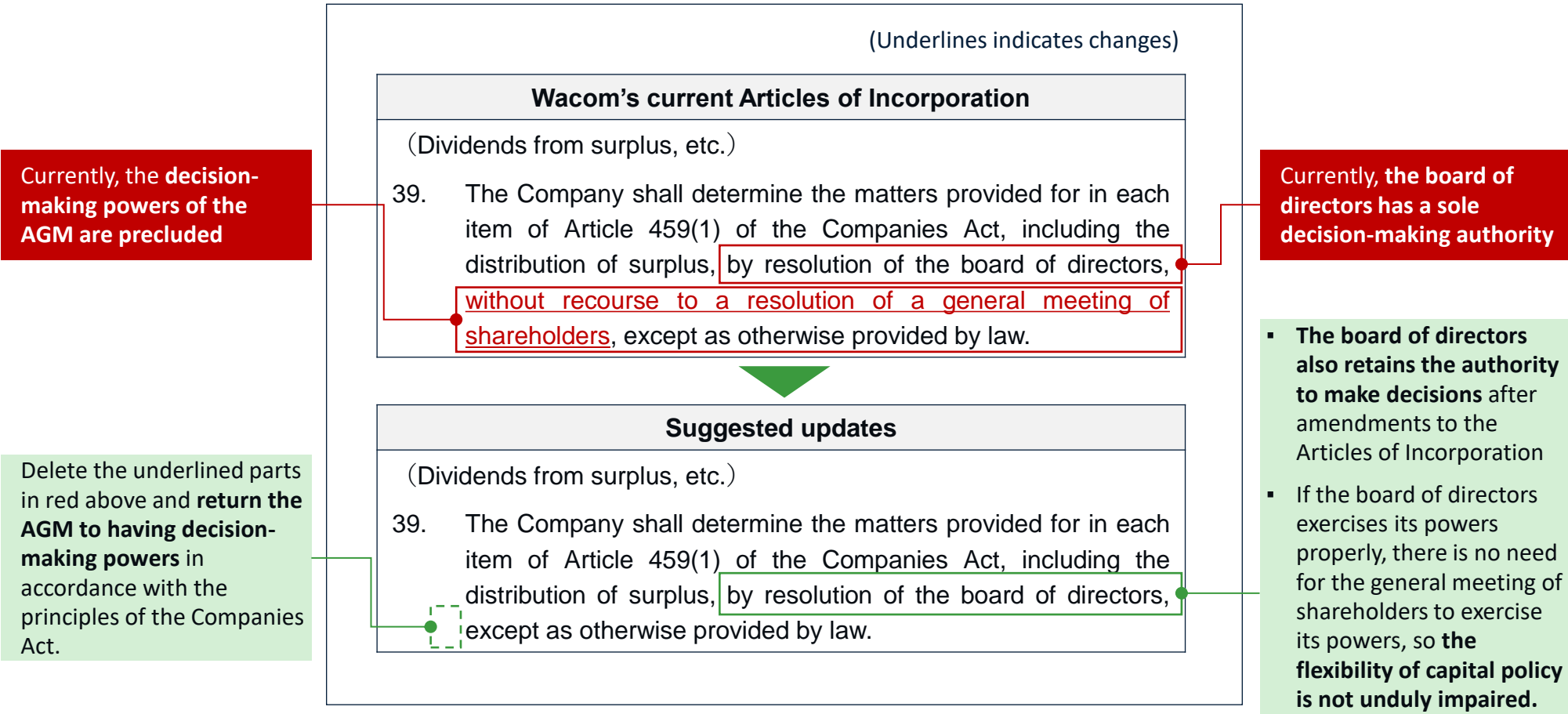
	Companies Act's Principle ¹	Current Wacom Articles of Incorporation	Suggested changes
AGM	<div> Exclusive</div>	<div> No decision rights</div>	<div> Authorise both bodies</div>
Board of Directors	<div> No decision rights</div>	<div> Exclusive</div>	<div> Authorise both bodies</div>
	<div><ul style="list-style-type: none">Under Companies Act principles, it is the AGM that has the power to decide on dividends¹This is in order to exert shareholder discipline on capital allocation</div>	<div><ul style="list-style-type: none">Wacom has <u>given the board of directors exclusively the authority</u> to make dividend decisionsThis denies the board of directors a valuable opportunity to properly understand the will of shareholders and reflect it in dividend policy</div>	<div><ul style="list-style-type: none">By <u>allowing both the AGM and the board of directors to decide on dividends</u>, both the shareholders' will and the flexibility of the capital policy are taken into account.</div>

Note 1: Article 454.1 of the same Act.
Source: Articles of Incorporation of Wacom Co.

Suggestion #10:

Amendment of the decision-making body for distribution of surplus

In order to establish both the general meeting of shareholders and the board of directors as the decision-making bodies for the distribution of surplus, the Articles of Incorporation shall be amended as follows.



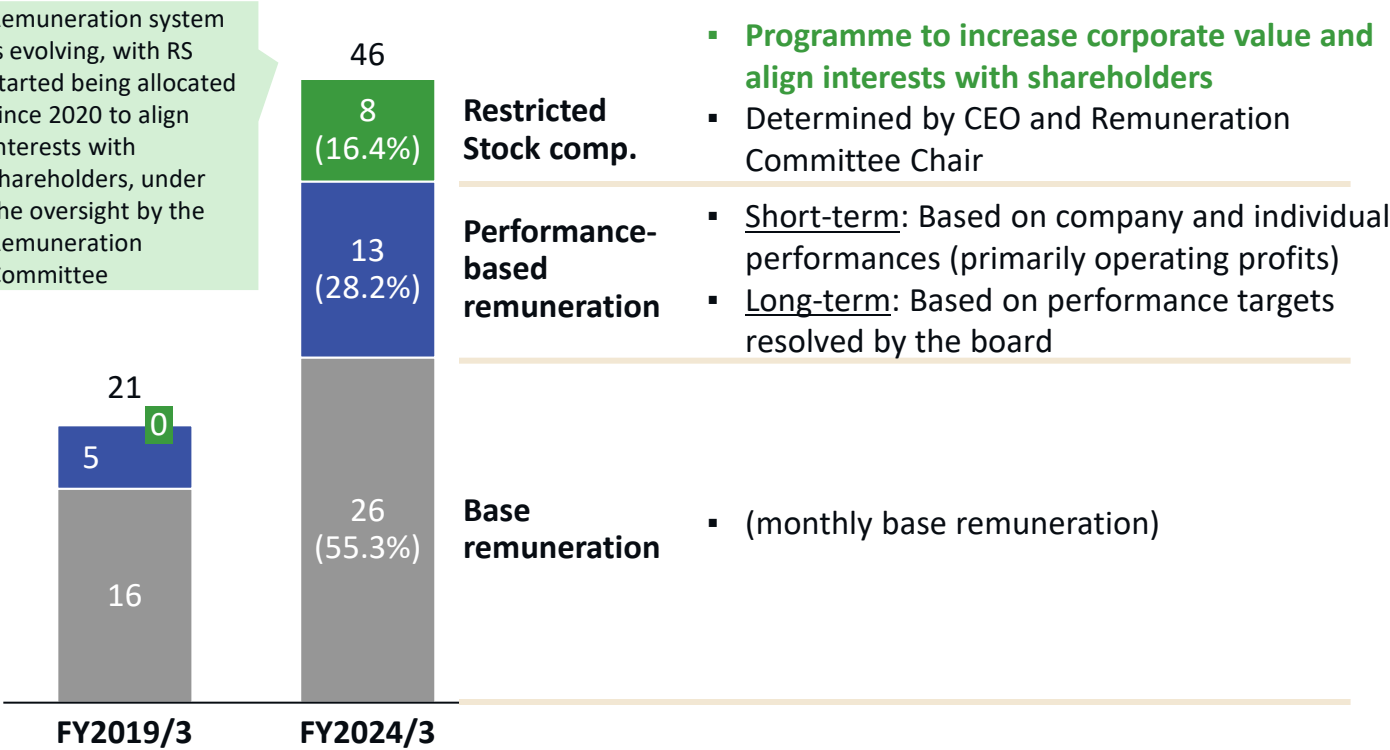
Wacom Sought to Implement Remuneration with Incentive Alignment

Wacom's remuneration system has been continuously improved. Going forward, we recommend using TSR as the KPI for the stock-based remuneration system.

Compensation per internal director
JPY mm

Remuneration system is evolving, with RS started being allocated since 2020 to align interests with shareholders, under the oversight by the Remuneration Committee

Rationale and calculation methods



- Wacom has introduced a stock-based compensation to align interests with shareholders. there is also an increase in the ratio of performance-linked compensation and long-term incentives, on top of the increase in the amount of overall compensation. This is an indication of an improving compensation system and the appropriate supervisory function of the Compensation Committee.
- In the future, we recommend further improvements to KPIs , such as **using the Total Shareholder Return (TSR)** as a KPI, in order to further advance interest alignment with shareholders



Source: Wacom disclosure documents

Total Shareholder Return ("TSR")

FSA has pointed out that using TSR as an indicator and disclosing specific details is useful, and other companies in the industry have already introduced it.

Main disclosure points under "Remuneration of directors and officers" (FSA)

It is useful to set KPIs in terms of alignment with investors, such as TSR (total shareholder return) and EPS (earnings per share), and to disclose specific details of these KPIs

Disclosure by consumer electronics peers (Yamaha example)

The evaluation indicators in the Company's performance consist of "Financial Targets", "Non-Financial Targets" with a focus on sustainability, and "Corporate Value Targets". "Financial Targets" and "Non-Financial Targets" have been set for the indicators put forth by the medium-term management plan while a "Corporate Value Targets" has been established for total shareholder return (TSR).

The ratio of impact on compensation in the form of restricted stock is planned as follows.
Financial Targets: Non-Financial Targets: Corporate Value Targets = 50% : 30% : 20%

- Yamaha has introduced a stock-based remuneration to sustainably increase corporate value and share interests with shareholders
- Consists of financial, non-financial and corporate value targets, with total shareholder return (TSR) as an indicator for corporate value targets
- Claw-back clause in the event of a large loss, etc.

FSA also states that it is useful to set KPIs such as TSR from the perspective of aligning interests with investors as a key point of disclosure. Sector peers started incorporating such KPIs in the design of their stock-based compensation schemes

Suggestion #11:

Introduction of evaluation KPI for stock remuneration schemes: using TSR as KPI

Wacom should introduce TSR as an evaluation indicator for its stock compensation system.

Disclosure of Wacom's stock compensation plan

- “Introduced with the aim of providing incentives for the sustainable improvement of corporate value and promoting further value sharing between the target directors and shareholders.”
- “Decided by the CEO and the chair of the Compensation Committee, as delegated by the Board of Directors.”
- “in consideration of the purpose of the Plan, the business performance of the Company, the scope of responsibilities of each of the Eligible Directors, and other miscellaneous matters”



- Wacom's disclosure of its stock compensation system lacks disclosure of specific KPIs and weightings for the compensation system.
- CEO and two members of the Compensation Committee decide the specific timing and allocation of payments to each director.
- There is a lack of transparency in disclosure, as the stock compensation system is determined “in consideration of other miscellaneous matters.”

AVI's suggestion

#11: Wacom should introduce TSR as an evaluation indicator for its stock compensation system to further advance incentive alignment with shareholders and strengthen incentives for sustainable improvement in its corporate value.



Summary of AVI's Suggestions about Capital Policy (1/2)

To maximise corporate value, we recommend (7) prompt disclosure of WACC, (8) setting net D/E ratio as a KPI, and (9) realising an optimal capital structure through share buybacks and leveraged debt.

Wacom's current capital policy and disclosures

Improving disclosure on Cost of Capital-conscious management

"Cost of capital awareness" is merely repeated on disclosure documents, **with no disclosure of cost of capital or ROIC spread**

Setting appropriate leverage KPIs

D/E ratios are used as KPIs, which do not accurately represent the actual use of leverage, and **financial indicators based on net debt are not set utilised**

Improving balance sheet efficiency

Cash and deposits account for 40% of total assets and are well in excess of interest-bearing debt, **pushing up the cost of capital**

AVI's suggestions

#7: Disclose WACC and engage in active dialogue with investors on cost of capital and share price

#8: Set the net D/E ratio as a financial KPI and disclose the appropriate level of targets publicly, taking into account the perspective of maximising corporate value and balancing sustainable management

#9: Based on the set net debt-to-equity ratio level, promote share buybacks and the use of interest-bearing debt and achieve an optimal capital structure



Summary of AVI's Suggestions about Capital Policy (2/2)

To maximise corporate value, we recommend (10) amendment of articles of incorporation to allow both AGM and the BoD as dividend decision-making bodies and (11) introducing TSR as an indicator for stock-based compensation systems.

The decision-making body for distribution of surplus to be coextensive with AGM

Wacom's current capital policy and disclosures

The decision-making body on dividends is exclusively the responsibility of the board, which means that **the board loses a valuable opportunity to properly understand and reflect the will of shareholders in its dividend policy**

Introduce KPI for stock-based compensation

Wacom's remuneration system has improved significantly since the introduction of the stock remuneration scheme. **There is room for improvement in the introduction of evaluation KPIs.**

AVI's suggestions

#10: Allow both AGM and the board to decide dividends. This will establish a decision-making mechanism that takes into account both the reflection of shareholders' wish and the flexibility of management capital policy

#11: Introduction of the TSR as an indicator for restricted stock-based compensation and enhance interest alignment with shareholders

- 1 Turnaround of Branded Business
- 2 Governance enhancement with a capital market perspective
- 3 Capital policy optimisation
- 4 Enhanced communication with the market

Agenda

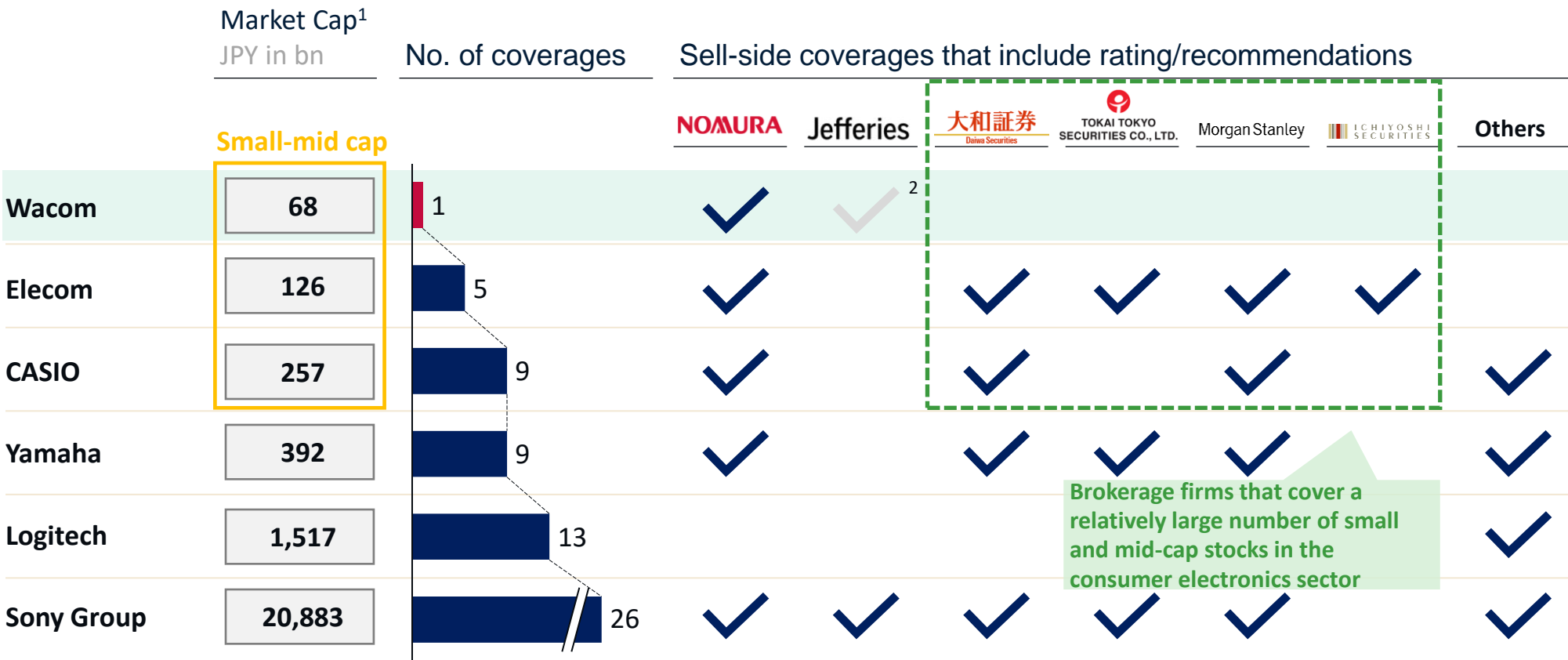
AVI's Recommendations about enhanced communication with the market

Turnaround of Branded Business	<ul style="list-style-type: none">① Acceleration of the product development cycle for entry-and mid-class products② Rationalisation of overseas sites and strengthening the EC channel③ Establishment of Transformation Plan Supervisory Committee
Governance enhancement with a capital market perspective	<ul style="list-style-type: none">④ Appointment of director with capital market-oriented management abilities⑤ Implementation of strategic review⑥ Amendment of Articles of Incorporation about an acquisition proposal
Capital policy optimisation	<ul style="list-style-type: none">⑦ Enhanced disclosures with cost of capital-conscious management⑧ Set appropriate financial leverage indicators: change indicator to net D/E ratio⑨ Balance sheet improvements: 5 billion yen buy-back in FY2026/3⑩ Amendment of the decision-making body for distribution of surplus⑪ Introduction of evaluation KPI for stock remuneration schemes
Enhanced communication with the market	<ul style="list-style-type: none">⑫ Reshaping how the company communicates with the market⑬ Enhancement of ESG disclosure: Disclose Integrated Report every year



Room for Improvement in Sell-side Coverage

Coverage is currently limited to only two, a level that is inferior to that of small/mid-cap stocks in the sector. It would be desirable to have sell-side coverage from securities firms that also cover small and mid-cap stocks



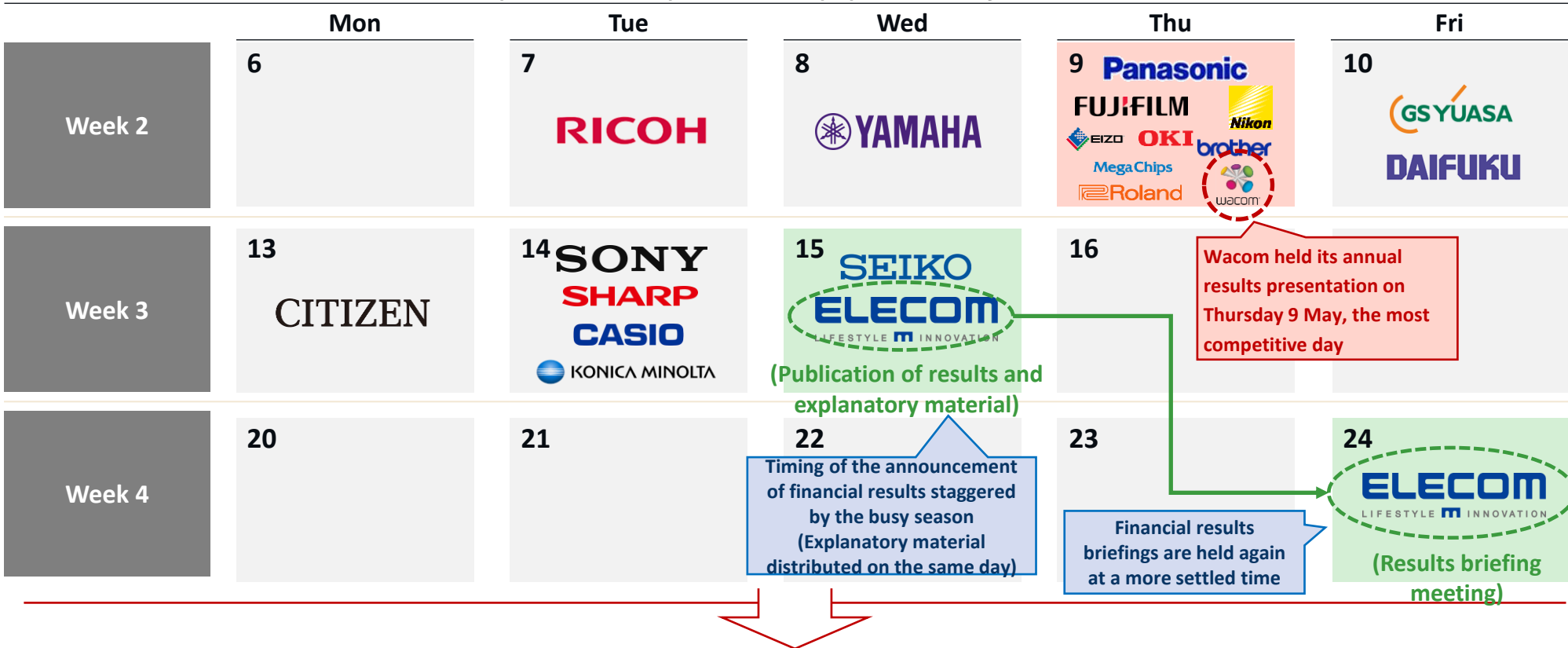
Note 1: As of 20 April 2025
Note 2: Coverage has commenced, but due to the departure of the analyst, there is currently no official coverage. The final report is dated 30 October 2024.
Source: SPEEDA, Capital IQ

Room for Improvement in Earnings Release Scheduel

Despite being a small&mid-cap stock, Wacom lacks consideration for investors and sell-side analysts, as evidenced by its decision to hold its earnings briefing during a highly competitive week. There is significant room for improvement in investor relations efforts, such as shifting the earnings announcement date away from the busy season or holding the earnings briefing on a separate day.

Financial results announcement schedules by major players

Consumer electronics, electronic components and precision equipment; May 2024



Wacom deliberately held its financial results briefing on a very busy schedule, demonstrating a lack of effort to ensure that the stock market fully understands the company.

Source: companies' financial statements.

“Amount of Adjustment” for Excessive Head Office Expenses

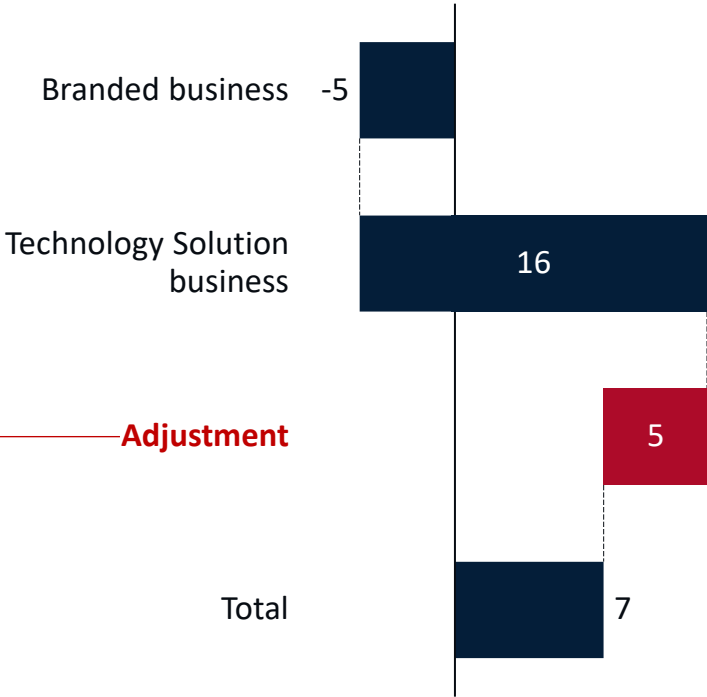
Wacom has large “amount of adjustment” for management expenses incurred by its head office that are not allocated to each segment, and the deficit of the branded business is underrated, resulting in a lack of transparent disclosure that would assist investors in their decision-making.

Segment disclosure for FY2024/3
Thousand yen

Segment profit waterfall in FY2024/3
JPY bn

FY 3/2024 (April 1, 2023 – March 31, 2024) (Thousands of yen)






	Reportable Segments			Amount of Adjustment (Note)1	Amount of Consolidated Financial Statements (Note)2
	Branded Business	Technology Solution Business	Sub Total		
Sales					
Sales towards external customers	33,814,208	84,980,529	118,794,737	—	118,794,737
Sales between internal segments and internal transfer	—	—	—	—	—
Total	33,814,208	84,980,529	118,794,737	—	118,794,737
Segment profit or loss (-)	-4,520,456	16,480,782	11,960,326	-4,902,313	7,058,013
Segment total assets	13,347,206	21,060,201	34,407,407	45,212,250	79,619,657
Other items					
Depreciation	511,337	882,909	1,394,246	1,172,751	2,566,997
Impairment loss	940,541	—	940,541	—	940,541
Increase in property, plant and equipment and intangible assets	580,192	1,282,752	1,862,944	1,012,873	2,875,817



(Note) 1. The above “Amount of Adjustment” in “Segment Profit” is mainly the cost of its administrative divisions which are not included in the reportable segments.

Unnecessarily Long Mid-Term Plan and Inferior Information Value

Wacom's current Mid-term Plan lacks quantitative commitments, and discloses a four-year plan that is highly inconsistent with changes in the market and environment. Rather than attempting to demonstrate originality where it is not necessary, the company should pursue easier-to-understand disclosure.

Domestic consumer electronics players	Ongoing mid-term plan	Term	Quantitative sales target	Quantitative profit target	Mid-term capital policy
	"Wacom Chapter 3" (FY2022/3-2025/3)	4yrs	N/A	Graphs only	N/A
	Mid-Term Plan (FY2025/3-2027/3)	3yrs	✓ (mid-long term)	✓ (growth rate)	N/A
	8th Mid-Term Plan (FY2025/3-2027/3)	3yrs	✓	✓	✓
	Mid-Term Plan (FY2024/3-2026/3)	3yrs	✓	✓	✓
	"Make Waves 2.0" (FY2023/3-2025/3)	3yrs	✓	✓	✓
	5th Mid-Term Plan (FY2025/3-2027/3)	3yrs	✓ (growth rate)	✓ (growth rate)	✓

Lack of quantitative commitment and too long a period of time to be of use as a reference point for investors, as the deviation from actual results is too large

Suggestion #12: Reshaping How the Company Communicates with the Market

Conduct an urgent investigation into the reasons why coverage from sell-side analysts is significantly lower than that of competitors and what is preventing the expansion of new investor bases, and take swift action to disclose transparent IR information, such as the allocation of head office expenses.

Current issues in Wacom's IR activities

Tendency to be less likely to be covered by securities companies:



"The biggest reason for not covering it is the schedule for the financial results briefing."



"The breakdown of sales is good, but the disclosure does not reveal differences in profitability or changes in composition ratios between entry-level and professional products, pen tablets and pen displays in the branded business, such as in a form of gross profit disclosure. There is also no official explanation of the market share."

Institutional investors also point out the lack of transparency:



"Of the approximately 30 billion yen in SG&A, 8.5 billion yen is related to salaries and bonuses, and 7.7 billion yen is related to R&D expenses. The amount of other SG&A is significant, and the breakdown and future forecasts are not disclosed."



"The actual segment profit margin and profitability of each product category are unclear."

AVI's suggestion

#12: As part of a reshaping of how information is communicated to the market, the Mid-term Plan should be shortened to three years, and HQ expenses should be allocated to each segment as much as possible so that the actual profitability of each segment can be more visible to shareholders in an easy-to-understand manner. In addition, Wacom should try to identify the major issues that have prevented sell-side analysts and new investors from getting interested in Wacom.



13 Enhancement of ESG disclosure

Sporadic ESG Disclosure

Wacom has only once disclosed information titled “WACOM STORY BOOK” and has suddenly stopped disclosing information related to ESG.

Wacom’s current disclosure about ESG

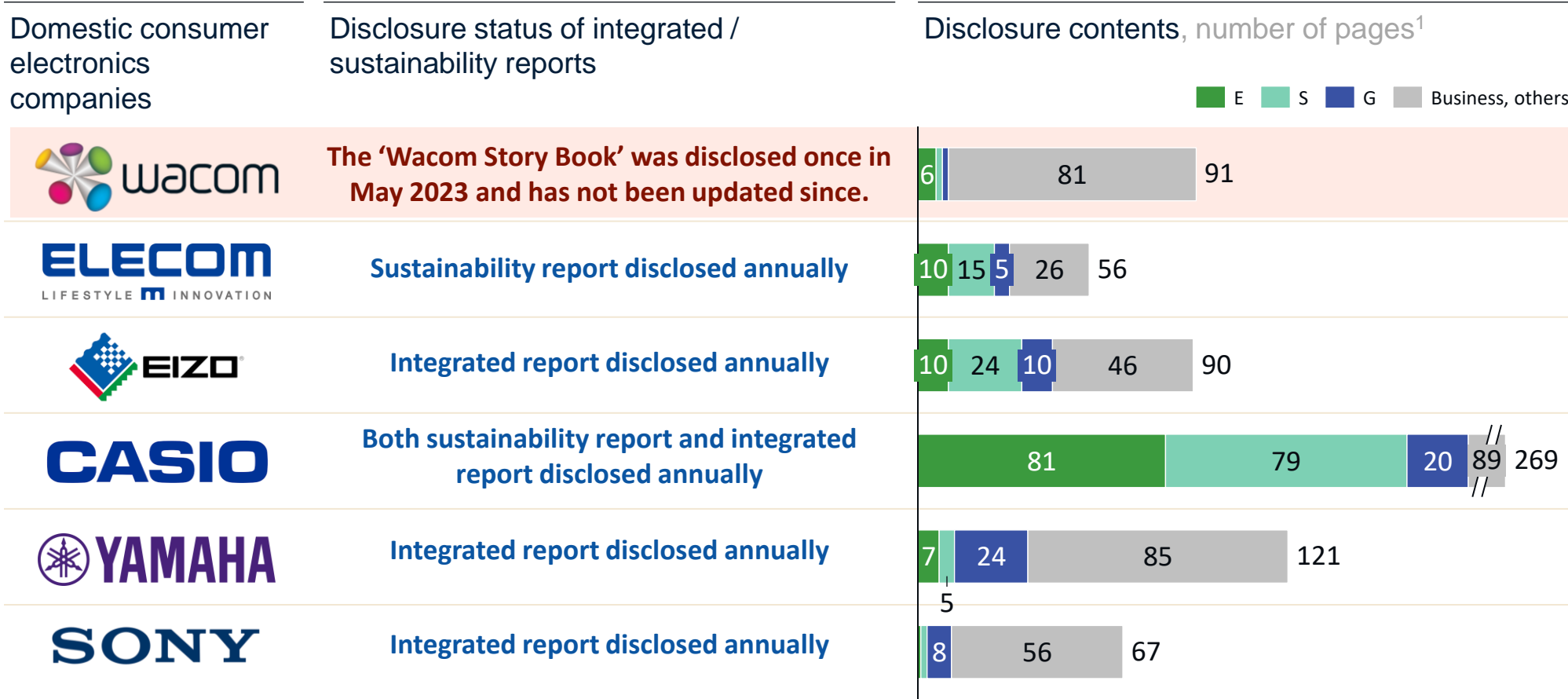


Since the release of the ‘Wacom Storybook’ in May 2023, which emphasised qualitative aspects, no reports have been disclosed regarding ESG initiatives.



Deprioritised ESG Disclosures

Investors are looking for trackable ESG disclosures that include both quantitative and qualitative aspects, and one-off disclosures that seek to be unique are not helpful.

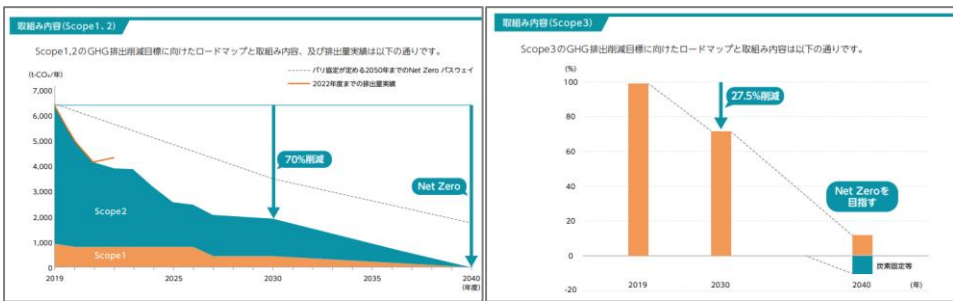


Note 1: For Casio Computer Co., Ltd., the data is based on its Sustainability Report.
Source: Each company's disclosure material.

Sustainability Disclosure Inferior to Competitors

Unfortunately, even when comparing the contents of the report, which was disclosed only once, with the sustainability disclosures of other companies in the same industry, it cannot be said that it meets the expectations of investors.

Climate change disclosures of consumer electronics peers



Scope 3 target and actual results are disclosed

Wacom's disclosure about climate change



温室効果ガス (GHG) 排出量スコープ3(2021年度)

カテゴリ	CO ₂ 排出量(t-CO ₂)
1. 購入した製品・サービス	764,349
2. 資本財	4,472
3. スコープ1-2に含まれない燃料及びエネルギー関連活動	191
4. 輸送・配送(上流)	2,115
5. 事業から出る廃棄物	6*
6. 出張	303
7. 雇用者の通勤	439
8. リース資産(上流)	-
9. 輸送・配送(下流)	-
10. 販売した製品の加工	-
11. 販売した製品の使用	25,476
12. 販売した製品の廃棄	240
13. リース資産(下流)	-
14. フランチャイズ	-
15. 投資	-

*5. 事業から出る廃棄物は、日本のみの数値で算定

5.指標と目標

気候変動への対応については、気候変動イニシアティブ (JCI) に参加するとともに、2050年のカーボンニュートラルの達成に向けて、中間目標として2030年度に達成すべきCO₂排出量目標を設定し公表しています。再生可能エネルギーの早期導入を検討するとともに、2014年度を基準年として2030年までに48%のCO₂を削減し、715 t-CO₂以下にすることを目指します。

CO₂排出量削減活動

2021年度は、本社の照明のLED化やテレワーク等を推進することにより、CO₂排出量が914 t-CO₂となり、目標値(1032 t-CO₂)/目標変更前の目標値は、1151 t-CO₂を超えて大きく削減することができました。エネルギー原単位の削減は目標として設定していませんが、実績の推移を公開していきます。2012年度～2021年度のCO₂排出量推移につきましては、環境パフォーマンスの項目をご覧ください。尚、2021年度から海外拠点の環境パフォーマンスデータの収集を開始いたしました。収集可能なデータがほぼ特定できましたので、把握できたものから順次公開いたします。今後は、CO₂排出量削減のために実行可能な施策を検討するとともにグローバルでの目標設定を検討していきます。

Discloses only actual results for the past (FY2021) single year for Scope 3. Targets are not disclosed for each scope, but only the reduction target in CO2 emissions in 2030 compared to 2014 level.



Suggestion #13:

Disclose an integrated report once a year to enhance ESG disclosure

As a Prime Listed Company, Wacom should immediately begin disclosing integrated reports once a year in order to meet the disclosure standards required by global investors.

Voices from external directors about current ESG initiatives



When looking at the Story Book, the information on sustainability is rather plain compared to other sections.



I understand that it is necessary from the perspective of investors to disclose information in a way that allows for comparison between companies, in accordance with a certain framework. The prerequisite is to make it easy to understand for external investors.



Outside directors also have demonstrated an understanding of the importance of regular ESG disclosure that is easy for investors to understand.

AVI's suggestion

#13: Start disclosing integrated reports once a year.



AVI's Recommendations about Enhanced Communication with the Market

To maximise corporate value, we recommend (12) shortening the medium-term plan period, allocating management expenses, and (13) enhancing ESG disclosure by publishing an integrated report once a year.

Reshaping how the company communicates with the market

Wacom's current stance toward engaged communication with investors

The number of coverage by sell-side analysts is among the lowest in the industry, segment disclosures are unclear to investors, and the medium-term plan period is unnecessarily long.

There is considerable room for improvement in IR initiatives.

Enhancement of ESG disclosure

Since publishing the "Wacom Storybook" in 2023, there have been no updates regarding ESG.

AVI's suggestions

#12: Change the Mid-term Plan period to three years and appropriately allocate head office administrative expenses in segment reporting to each segment.

#13: Immediately begin disclosure of integrated reports once every three years and provide sufficient ESG disclosure for global investors to make investment decisions.



Summary

AVI's Recommendations Summary

Turnaround of Branded Business	<ul style="list-style-type: none">① Acceleration of the product development cycle for entry-and mid-class products② Rationalisation of overseas sites and strengthening the EC channel③ Establishment of Transformation Plan Supervisory Committee
Governance enhancement with a capital market perspective	<ul style="list-style-type: none">④ Appointment of director with capital market-oriented management abilities⑤ Implementation of strategic review⑥ Amendment of Articles of Incorporation about an acquisition proposal
Capital policy optimisation	<ul style="list-style-type: none">⑦ Enhanced disclosures with cost of capital-conscious management⑧ Set appropriate leverage financial indicators: change indicator to net D/E ratio⑨ Balance sheet improvements: 5 billion yen buy-back in FY2026/3⑩ Amendment of the decision-making body for distribution of surplus⑪ Introduction of evaluation KPI for stock remuneration schemes
Enhanced communication with the market	<ul style="list-style-type: none">⑫ Reshaping how the company communicates with the market⑬ Enhancement of ESG disclosure: Disclose Integrated Report every year



Disclaimer

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