

ANNUAL REPORT 2005

2005



The harmonious development between man and technology

WACOM

Profile

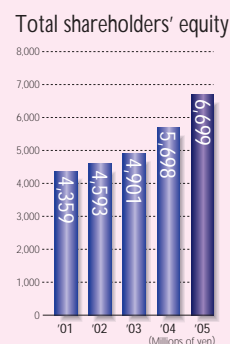
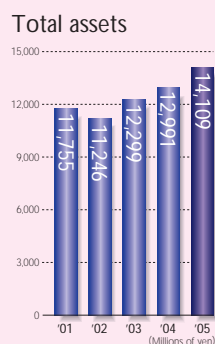
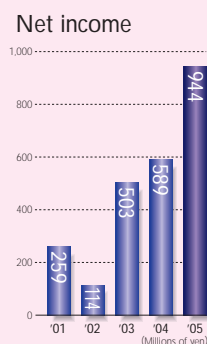
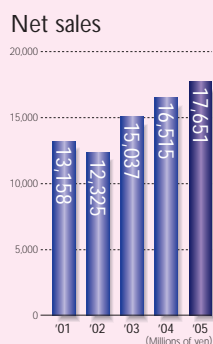
Adhering to our corporate philosophy of “the harmonious development between man and technology”, Wacom Co., Ltd. strives to offer technologically sophisticated products that people can use intuitively and effortlessly regardless of their background. In the 1980s, we pioneered the development of a pen tablet that made cordless, battery-free computer input possible for the first time. The pen tablet’s user-friendly interface and versatility were cherished by computer graphics creators around the world, and it has since become an indispensable tool in the field. Interactive pen displays that allow users to work directly on an LCD display, are now popular among a wide range of businesses, including medical firms, transportation/shipping companies, and a host of other enterprises for which entering information via keyboards is impractical. Furthermore, by incorporating pen-sensor components into Tablet PCs, we’ve made it possible for mobile users such as delivery truck drivers to enter information into a computer system. Our tablets are continuing to expand into new application areas and we plan to continue globally revolutionizing the workplace and the home with our proprietary user-interface technology.

Financial Highlights Wacom Co., Ltd. and Consolidated Subsidiaries Years ended March 31

	Thousands of yen		Thousands of U.S. dollars*
	2004	2005	2005
For the year:			
Net sales	¥16,514,894	¥17,650,932	\$164,363
Gross profit	8,585,086	8,926,708	83,124
Operating income	1,702,168	1,841,358	17,146
Net income	589,098	944,392	8,794
At year end:			
Total assets	12,990,943	14,109,303	131,384
Total shareholders’ equity	5,697,957	6,698,503	62,375
Per share (yen and U.S. dollars)**:			
Net income			
Basic	¥ 6,154.03	¥ 9,826.49	\$ 91.50
Diluted	5,837.32	9,386.80	87.41
Cash dividends applicable to the year	2,000.00	2,000.00	18.62

*Note 1: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥107.39=U.S.\$1, the approximate exchange rate prevailing on March 31, 2005.

**Note 2: Common shares were split on a five-for-one basis on November 20, 2003.



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Business Overview

Boasting a sophisticated design and enhanced functionality, Intuos3 was a major factor in boosting our revenues. Intuos3 has been widely acclaimed by creative professionals and demanding users, many of whom have experienced up to a 25% improvement in productivity.

Released in September 2004, Intuos3 became the latest model of our high-end Intuos pen tablet series and was the greatest contributor to an increase in our revenues for the fiscal year under review. Product planning and development for a new entry in this series drew upon an in-depth, three-year customer survey and a review of the needs and requests of professional graphic designers. Our response to these user demands is this world's leading pen tablet system. Intuos3 helps users realize up to a 25% boost in workflow efficiency compared with previous models through the introduction of an innovative ExpressPad, which facilitates the execution of main operations without requiring an on-screen menu or keyboard. Its sophisticated design and superior functionality are highly regarded among professionals around the world. Thanks to the release of Intuos3, our sales of professional pen tablets increased by 15% over the previous fiscal year.



intuos³

Give form to your intuition. Intuos3 is the world's number one professional pen tablet system. It dramatically enhances the expressive possibilities for users while boosting productivity with ease in customization.

The outstanding design of Wacom tablets is widely recognized among professionals around the world

During the fiscal year under review, Wacom tablets received 16 awards. Intuos3 alone won 14 awards for the quality of its design, including the Reddot Design Award in Europe, the Macworld Eddy Award in the United States, and the Good Design Award in Japan. The Reddot Design Award honors Intuos for being one of the best designed products in the media home electronics category out of a field of 1,857 products from 36 countries. The Cintiq 21UX, our large interactive pen display, won the Innovative Digital Product Award, which is presented to unique products featuring innovative technologies by DIMA, a U.S. trade association of online audio and video products. In addition, for the sixth consecutive year since 2000, Wacom won the top prize in the electronic tablet category of Japan's BCN Award 2005. This prize is presented to top ranking vendors on the basis of their annual sales volume of PC-related products.



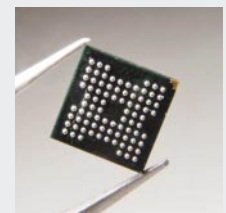
Cintiq 21UX: an indispensable tool for professionals

Since its launch in February 2005, the Cintiq 21UX, which incorporates a professional pen tablet into a large LCD display, has been well received by the market, with sales exceeding our expectations. This breakthrough tablet with a 21.3 inch, high-resolution display boasts the same outstanding performance as our high-end Intuos3 pen tablets. This top-level interactive pen display enables users to interact with images directly on the screen, making it an indispensable tool for professionals who demand superior performance. Cintiq is becoming even more popular in this market segment than Intuos.



W8002 delivers pen-based input for next-generation mobile phones and small information appliances

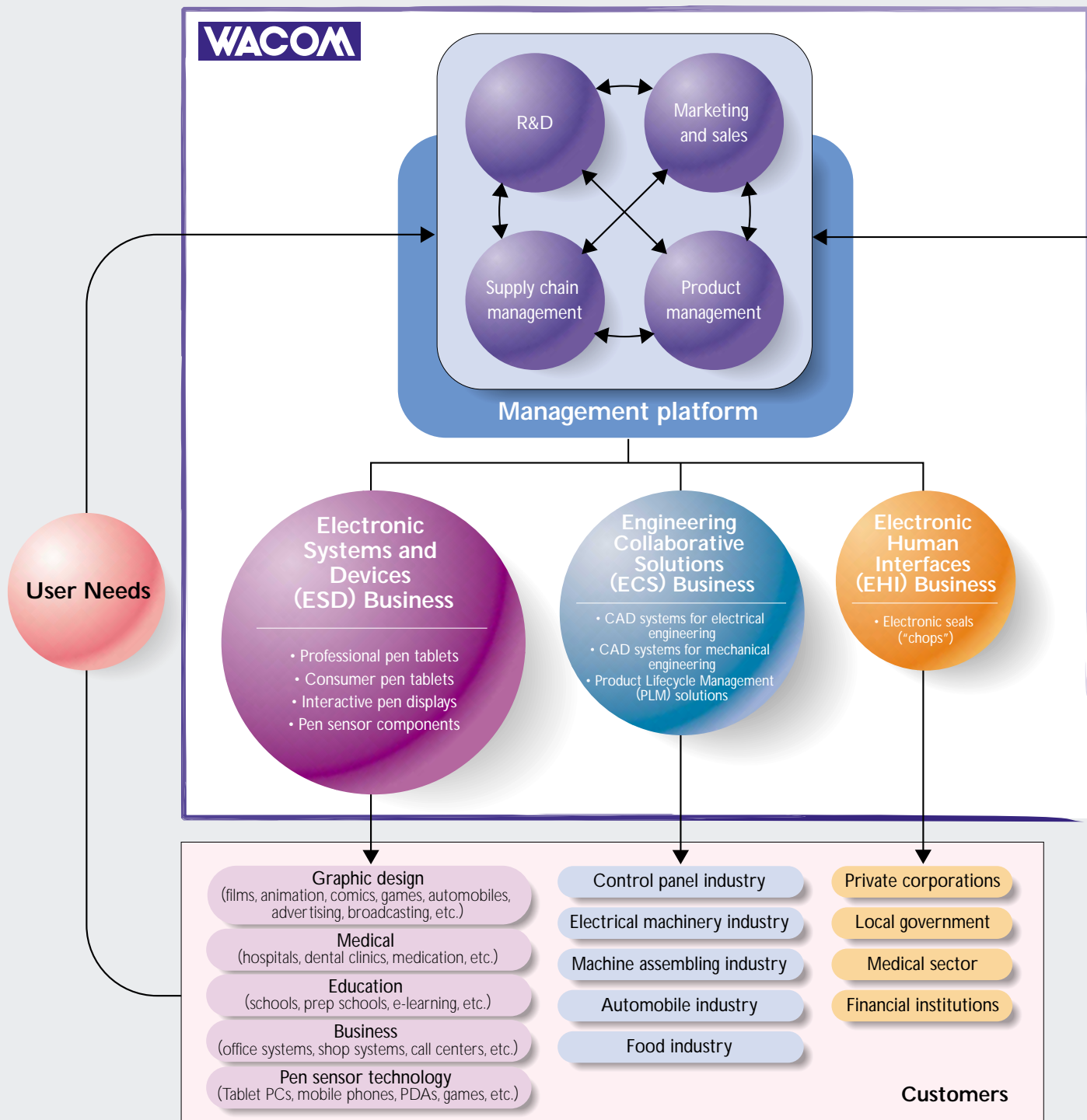
We developed and released an innovative pen sensor controller in September 2004 called W8002. We will continue to broaden the applications for our pen-sensing technology by applying this controller to small information appliances such as next-generation Smartphones, PDAs, and digital cameras. In addition to offering a lower price, smaller size (6X6mm), and reduced electric consumption compared with our existing controllers for Tablet PCs, W8002 supports serial interface expandability in communication for more flexible system design options. Incorporating W8002 into information devices such as mobile phones allows users to enter comments on photos, hand-draw images, and hand-write e-mail messages without deteriorating the image quality of the device. W8002 also supports such new functionality as more user-friendly menu windows, zooming, and signature authentication.



DISCLAIMER

Forward-looking statements regarding future events and performance contained in this annual report are based on currently available information and involve risks and uncertainties, including macroeconomic conditions, trends of the industry in which the company is engaged, and progress in technologies. Please note that actual results could materially differ from those expressed or implied by the forward-looking statements in this annual report due to these risks and uncertainties.

Business Model



Partnerships

- Operating Systems (OS) vendor
- Application vendor
- Display vendor
- Stationery vendor

HISTORY

- July 1983 • Wacom Co., Ltd. is established in Ageo City, Saitama, Japan, with common stock of 48 million yen
- Operation of Electronic Systems and Devices (ESD) and Engineering Collaborative Solutions (ECS) businesses begins
- June 1988 • Wacom Computer Systems GmbH (presently Wacom Europe GmbH, a consolidated subsidiary) is established in Neuss, West Germany, as a sales base in Europe
- Aug. 1991 • Wacom Technology Corporation (presently a consolidated subsidiary) is established in Vancouver, Washington, U.S.A., as a sales base in America
- Mar. 1998 • Marketing of SmartPDM, a Product Data Management (PDM) system, begins
- Sep. 1998 • Marketing of Intuos, a line of professional pen tablets, begins
- June 1999 • Marketing of ECAD/dio, a CAD system for electrical engineering, begins
- Nov. 1999 • Marketing of Graphire/FAVO, a line of consumer pen tablets, begins
- Mar. 2000 • Wacom China Corporation (presently a consolidated subsidiary) is established in Beijing, as a sales base in China
- Sep. 2001 • Marketing of Cintiq, a line of interactive pen displays, begins
- Oct. 2001 • Marketing of Intuos2 professional pen tablets begins
- Wacom Components Europe (presently a consolidated subsidiary) is established in Cambridge, U.K., as a marketing and R&D base for the pen sensor component business
- Apr. 2003 • The Company's stock is listed on the JASDAQ market
- Sep. 2003 • Marketing of Graphire3/FAVO F-430, and F-630 begins
- Apr. 2004 • Wacom Digital Solutions Co., Ltd. (presently a consolidated subsidiary) is established in Seoul, as a sales base in South Korea
- Sep. 2004 • Marketing of Intuos3 professional pen tablets begins
- Wacom launches a single-chip solution W8002 to improve mobile phone usability and speed new application adoption
- Feb. 2005 • Marketing of DTI-520 interactive pen displays begins
- Cintiq 21UX launched, setting a new standard for digital pen-based imaging
- Mar. 2005 • BizTablet, a new business-use pen tablet, is launched
- Marketing of WACOM FAVO Bluetooth Wireless begins
- Marketing of ECAD/dio Ver 5.5 begins
- Apr. 2005 • Super Slim Pen is developed as a one-gram, cartridge-style, ultra-compact, cordless and battery-free digital pen
- Entry of electronic design CAD software into South Korean market, ECAD/dio South Korean version is released
- Wacom Australia Pty Ltd. (presently a consolidated subsidiary) is established in April in North Ryde, NSW, Australia as a sales base for the Oceania market

To Our Shareholders

PROFILE

Masahiko Yamada (Born March 31, 1958)

March 1986 : Graduated from Tohoku University, Faculty of Engineering
March 1986 : Joined Wacom Co., Ltd. in Overseas Sales Dept.
April 1991 : General Manager, Overseas Sales Division
April 1992 : President, Wacom Technology Corporation (U.S.A.)
April 1996 : Division Manager, Electronic Systems and Devices (ESD) Division
June 1996 : Director
April 1999 : Executive Director
April 2000 : Company President of ESD Company
June 2003 : Executive Director, Senior Executive Officer, Company President of ESD Company
April 2004 : Executive Vice President, Chief Operating Officer
June 2004 : President, Chief Executive Officer



Masahiko Yamada
President & CEO

Wacom is committed to enhancing its global leadership in human-friendly interfaces

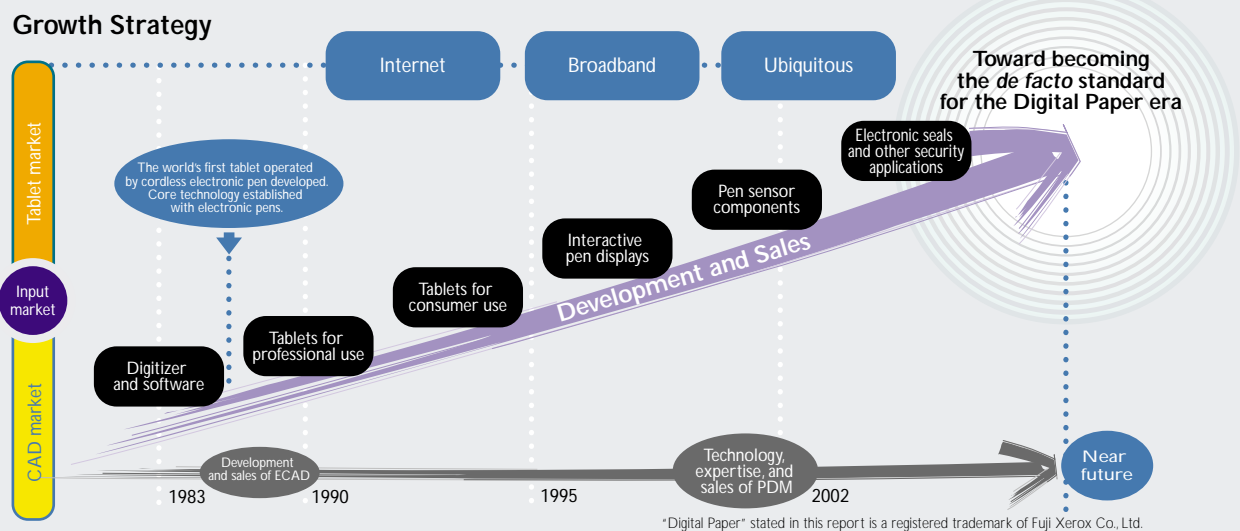
Dear Wacom shareholders,

On behalf of Wacom, I would like to extend my greetings to all shareholders and express our sincere appreciation of your unchanging support. We are pleased to present the Wacom Annual Report for the 22nd fiscal year from April 1, 2004 through March 31, 2005.

Since opening our doors in 1983, we have focused on researching and developing unique user interface solutions designed to enhance human creativity. Under the corporate philosophy of "harmonious development between man and technology," Wacom has served customers worldwide while growing into a global company with a presence in all major regions.

Today, Wacom is recognized as the leading provider of pen tablets—indispensable for professional designers and artists in film, animation, games and other graphics industries. Further, recent growth of broadband communication, digital photography and liquid crystal displays has led to a rapid increase in the number of recreational users, which coincided with our expansion into new application areas such as medical care and education fields. We also plan to position Wacom technology as the *de facto* standard of the digital paper era by extending our reach to new mobile platforms such as Tablet PC, a next-generation mobile phone, and info-appliances. To ensure long-term growth and generate higher corporate value, we will invest in development of new technologies and establish a global brand leadership.

At Wacom, we continue in our commitment to the expansion of human creativity by offering natural, intuitive, and human-friendly interface solutions.



Business developments and performance in the 22nd fiscal year

The global business environment and our business environment stayed relatively stable throughout the 22nd fiscal year despite growing concern over oil price increases and a slow down in the Japanese consumer PC segment, caused by loss of consumer confidence due to natural disasters.

In the first half of the 22nd fiscal year, we globally launched a new generation professional product line. In the second half of the fiscal year, we introduced new high-end interactive pen displays and new consumer products for business users.

In the component business, while sustaining a healthy growth in Tablet PC, we invested in developing new products for next-generation mobile phones, and took steps to enhance SCM systems for supporting mass production. Wacom Digital Solutions Co., Ltd., a Korean subsidiary founded at the beginning of the fiscal year under review, has also progressed very steadily.

As a consequence, our consolidated financial result showed net sales of 17,651 million yen (up 6.9%), operating income of 1,841 million yen (up 8.2%), and net income of 994 million yen (up 60.3%). All percentage comparisons are on a year-over-year basis.

Business outlook and mid-term business strategy

For the 23rd fiscal year (the fiscal year ending March 31, 2006), Wacom expects to see another period of relatively stable business, with steady growth in professional and consumer business segments. Interactive pen displays should continue to expand their reach in medical and other specialized fields. In the component business, we expect another year of strong

growth for Tablet PCs and hope to see the mobile phone segment start to benefit from Wacom's unique user interface technology. We will also invest in developing new technologies and new businesses, in addition to investing in the global SCM system and a new Australian subsidiary. And we are committed to make Wacom technology the *de facto* standard in the digital paper era.

Customer satisfaction, as epitomized by our corporate philosophy "harmonious development between man and technology," remains our first priority. To support our mid- and long-term visions, we will continue to improve operational efficiency and cash flow. Wacom will strive to achieve WP212—our mid-term business plan—with goals of reaching a 20% compound annual revenue growth rate during the period from FY2005 to FY2009, and a 12% operating profit margin by FY2009.

Dividend policy and message to our shareholders

As a reflection of the 22nd fiscal year's solid results and to express our appreciation for unchanging support, we decided to offer our shareholders the ordinary dividend of ¥2,000 per share as of March 31, 2005.

On a final comment, we are committed to enhancing our global leadership through the next decade and throughout the 21st century by continuing to invest in new technology and by establishing our business infrastructure on a global basis. Our executives and employees will work as one team to continuously improve Wacom's corporate value and enhance Wacom's status as a global leader with a vital role in enhancing the creativity of the human spirit. Thank you again for your unchanging support which is essential for Wacom's success.

Global Initiatives

Targeting maximum productivity through global expansion

Since its founding in 1983, Wacom has sought to expand into the global market, where we believe it is essential to maintain a competitive edge in order to remain a market leader for the long term. To that end, we chose the Hanover Messe in Germany in 1984 as the first opportunity for exhibiting our products in trade shows. In 1988, five years after the Company's founding, we established sales subsidiaries in the United States (subsequently reorganized in 1991) and Europe. At that time, there was no concept of a pen tablet for inputting handwritten images and characters. Devices for entering points and lines for applications such as electronic circuit design were called digitizers. We set out to apply our patented technology for sensing pen pressure to the field of graphics, and we have continued to lead the pen tablet industry. With the rapid growth of the computer graphics business in the 1990s, Wacom's pen tablets became widely used across the world as the standard tool for the creation of films, animations, games, and industrial design. As the number of people using the Internet and digital cameras expanded in the early years of the 21st century, graphics tablets, widely known as pen tablets, started to be used by general PC users and became a popular tool for people around the world. Currently approximately 70% of Wacom's products are used by customers outside of Japan.

Global business strategy

Wacom promotes its global business strategy by taking advantage of regional characteristics and makes full use of our strengths as a group. Consequently, we continually provide products and services that meet customer needs by combining the best technologies, products, quality, costs, and distribution channels available across the world. Since we first began our overseas operations based on an integrated global strategy, we have striven to localize the organization and staffing of our overseas subsidiaries and develop close ties with local people.

We apply this same approach in our marketing and product planning activities. In the United States which, including Hollywood, represents the most advanced computer graphics market, we concentrate on professional products such as Intuos. Consumer products such as Graphire/FAVO are the focus of our efforts in

Europe, the most competitive consumer market, and in Japan, where consumers demand products with a high level of sophistication. Corporate sector demand is strongest in Europe and Japan, as well as in Asia, which also leads in the demand for low-priced products for business use.

In product development, Japan is the focal point of hardware design due to the presence of many R&D centers, the wealth in accumulated product expertise, as well as proximity to China and Taiwan, our major manufacturing bases. The development of driver software for linking hardware and computers is concentrated in the United States, where major global operating systems (OS) manufacturers such as Apple Computer, Inc. and Microsoft Corporation are headquartered, allowing us to effectively respond to the development of OS standards. To support the marketing and development of pen-input products and technologies for the development of next-generation, multi-function devices, we recently established a subsidiary in Cambridge, United Kingdom, where the R&D centers of major global mobile phone manufacturers are located. In terms of manufacturing, except for production that requires key technologies, we transferred our manufacturing bases to Asian countries to reduce costs. As part of the transfer of our manufacturing operations, we ensure high product quality by providing technical guidance and support to electronics manufacturing services (EMS) production lines in China and Taiwan. We also moved our supply chain management (SCM) base to China to support the transference of our manufacturing, in line with the globalization of the group.

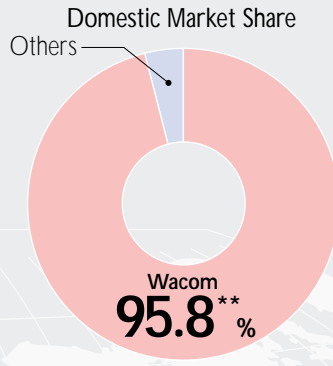
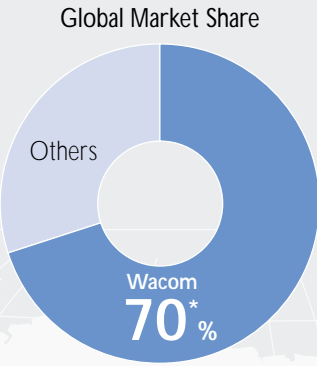
Share the vision and strategy

We have striven through these efforts to maximize operational efficiency by strategically allocating functions such as marketing, product planning, development, manufacturing, and SCM to optimum locations across the world. Regular international conferences provide opportunities for the management of the Company and its subsidiaries to share our corporate vision and business strategies and to bring together global and local perspectives while safeguarding our position as a world leader in the industry.





Head Office (WCL)



Wacom Technology Corporation (WTC)

WTC was established in 1991 in Vancouver, Washington, in the United States. The company is not only responsible for sales and customer support in the North and Latin American markets but also plays a central role in the global marketing and product planning for professional pen tablets, as well as the development of driver software.



WACOM Europe GmbH (WEG)

WEG was established in 1988 in Neuss, Germany and subsequently moved to Krefeld. The company is responsible for sales and customer support in the European, Middle Eastern and African markets and also plays a key role in global marketing and product planning for consumer pen tablets. WEG provides market support in six languages.



WACOM China Corporation (WCC)

WCC was established in 2000 in Beijing. The company established and implemented a unique sales strategy for low-price tablets in the Chinese market. WCC's Shanghai Office is responsible for sales in the southern region of China as well as the component business nationwide.



WACOM Components Europe Ltd. (WCE)

WCE was established in 2001 in Cambridge, United Kingdom, where most of the leading global mobile phone manufacturers have located their R&D operations. The company conducts marketing and R&D activities for applying our pen-sensing technology to next-generation multi-function handheld devices.



Wacom Digital Solutions Co., Ltd. (WDS)

WDS was established in 2004 in Seoul, South Korea, in order to enhance sales in the South Korean market. South Korea is the most advanced country in the world in Internet usage and the market is expected to grow further.



Wacom Australia Pty. Ltd. (WAU)

WAU was established in April 2005 in North Ryde, NSW, Australia as a sales base for the Oceania market.



WACOM Components Europe Ltd.

Wacom Russia

WACOM Europe GmbH

Wacom Tech. Corp.

Wacom Co., Ltd.

Wacom Digital Solutions Co., Ltd.

WACOM China Corp.

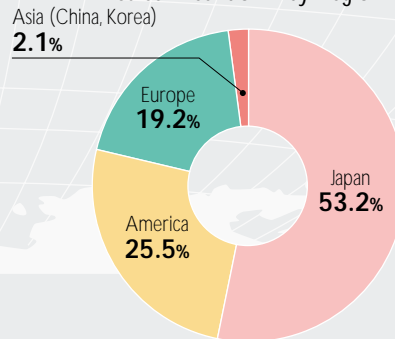
Shanghai Office

Taipei Office

Singapore Office

Wacom Australia Pty. Ltd.

Sales Breakdown by Region



- Head Office
- Overseas Affiliated Company
- Overseas Sales Base

*Source: Wacom's estimate
 **Source: Business Computer News (BCN) 2005

ESD

Electronic Systems and Devices (ESD) Business



Frederic Soumagnas
CG artist, Animation film director
Born January 18, 1967 in Limoges, France

For over 10 years since starting my career in computer graphics, I've been using a Wacom tablet for my artwork. As a computer graphics artist, I've been involved in several Hollywood movies such as "The City of Lost Children," "Titanic," "Godzilla," "Hollow Man," and "X2: X-Men United" etc., and the results are what you've seen in the theaters. In Hollywood, Wacom pen tablets are more common than pencil and pen, and I can't imagine doing anything without them.

The ESD business segment is primarily dedicated to the development, manufacture and sales of pen tablets, pen sensor components and related software. Pen tablets are computer data entry devices consisting of an electronic pen and a tablet. Pen sensor components include products such as electronic pens, sensor boards and pen sensor controller ICs. Pen tablets are used in a variety of fields including illustration, photo image processing, printing, film production, medical care, education and presentations. As of March 31, 2005, we hold over 460 registered and pending patents worldwide. We are a leading company in the tablet market, commanding approximately 70% of the global market, by our own estimates, and 95.8% of the domestic market (source: Business Computer News 2005). We provide pen sensor components to nearly every Tablet PC manufacturer across the world.

By product line, pen tablets are broken into the following three categories: professional pen tablets, consumer pen tablets and interactive pen displays. Including pen sensor components, we maintain four product lines.

We sell products in four major regions: Japan, North and Latin America, Europe/Middle East/Africa, and Asia. With our head office in Japan, subsidiaries in the United States, Germany, the United Kingdom, China, Korea and Australia (established in April 2005) and sales offices in cities including Taipei, Singapore, Shanghai and Moscow, we are developing new markets across the world while expanding our sales channels. As a result of these efforts, the share of our overseas sales has continued to grow, reaching 62.7% (on a consolidated basis) for the fiscal year under review. We are also developing a supply chain management (SCM) system on a global basis (refer to pages 7–8 on our globalization). Our commitment to R&D and the enhancement of our mass production capabilities are strategic responses to Internet advances and the approaching era of ubiquitous computing.

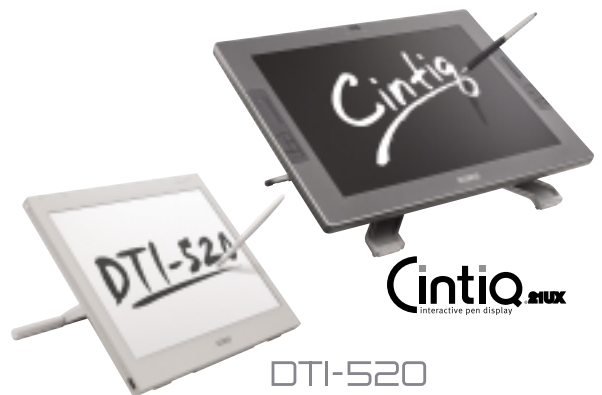
Professional Pen Tablet

Our Intuos line of professional pen tablets has been highly acclaimed by serious photographers, designers, and artists around the world. Intuos3, released in September 2004, has received a number of respected design awards in several countries. Professional pen tablets representing Wacom's unique technologies and expertise are unrivaled in performance and quality among pen tablets across the world.



Interactive Pen Display

Users operate interactive pen displays by simply touching the display with the pen. We have two product lines: the Cintiq series for photographers, designers, and artists and the DTX series for general users. Cintiq 21UX, released in February 2005, features the high-performance, expanded functionality of Intuos3 on a large 21.3-inch display. Interactive pen displays for general users are widely used in such areas as medical care services, including electronic medical charts, education, call centers, and household use.



Consumer Pen Tablet

The Graphire/FAVO series, designed for general PC users, is user-friendly and features many of the superior functions incorporated into high-end models. The series is suitable for such diverse applications as editing personal photos, creating fun artwork, annotating documents, and jotting notes. They are used by a broad range of customers of every age and gender. Biz Tablet, launched in February 2005, is a small tablet specifically developed for presentations, such as meetings with customers and for other business purposes.



Pen Sensor Component

Wacom's technologies are incorporated as pen sensor components not only in our own finished products but also those of other companies. We provide our patented sensor technology under the Penabled brand. Our pen sensor components are incorporated into almost every Tablet PC used across the world, with a steadily expanding field of applications encompassing handhelds, system devices, amusement equipment, and toys.

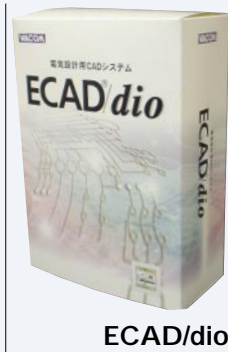


ECS

Engineering Collaborative Solutions (ECS) Business



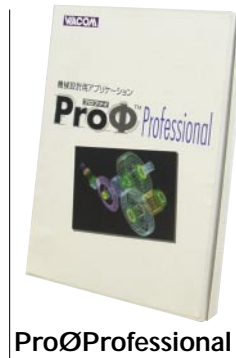
The main focus of our ECS business is to develop and market CAD-based software packages and to construct related systems for manufacturing industries. We develop CAD systems for electrical engineering firms, which specialize in the design of electrical appliances and control equipment, as well as mechanical engineering firms. This segment is also responsible for sales and the provision of customer support and maintenance services for product data management (PDM) systems that offer a consolidated means of managing product information.



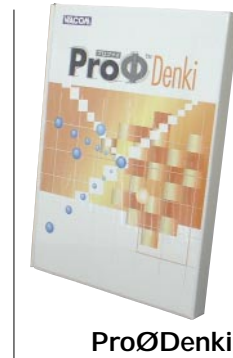
ECAD/dio



SMARTEAM



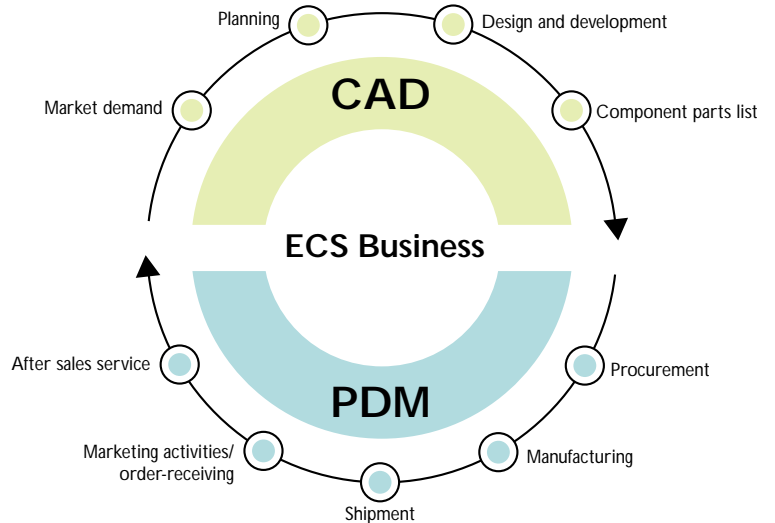
ProØProfessional



ProØDenki

ECAD/dio, a CAD system for electronic design with top market share in this field in Japan, streamlines overall operations by helping users create electrical design diagrams while synchronizing design data with peripheral devices. As a result, we are advancing our global operations based on the development prowess and expertise we have accumulated over decades with the objective of entering overseas markets.

Total Manufacturing Support



EHI

Electronic Human Interfaces (EHI) Business

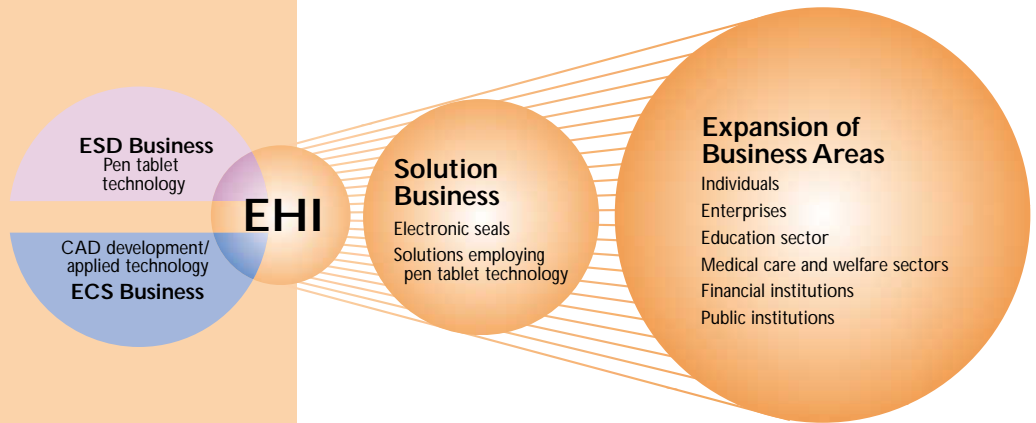


The EHI business is mainly engaged in R&D and sales of equipment and solutions to corporate customers, based on the Company's core technologies. Our EHI business has developed electronic seals ("chops") and security-related businesses in anticipation of the coming era of the digital paper society. We have concluded over 300 transactions for the introduction of electronic seal systems with local governments that are pursuing e-government initiatives and companies promoting the use of digital paper technologies. The EHI business will be integrated into the ESD business in the fiscal year ending March 31, 2006 to improve our operational efficiency.

Electronic Seal 'inppet' (technical cooperation)

This system enables business people to use the tablet to affix an official seal on electronic documents. By using the electronic ID in the seal, users can stamp computer-generated documents just as they would paper documents. We exhibited our electronic seal products at the Shachihata pavilion of the 2005 World Exposition in Aichi, Japan.

Electronic Seal 'inppet' is a product of Shachihata, Inc. Wacom applies and supplies the electronic pen technology to the inppet.



Board of Directors, Corporate Auditors, and Executive Officers/ Corporate Governance

Board of Directors



Masahiko Yamada: President



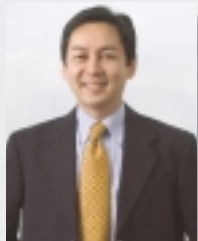
Sadao Yamamoto



Takeshi Oki



Shigeki Komiyama



Wataru Hasegawa



Yasuyuki Fujishima

Corporate Auditors

Haruo Mizuno: Full-time
Takeshi Ebitani
Takashi Kamura

Executive Officers

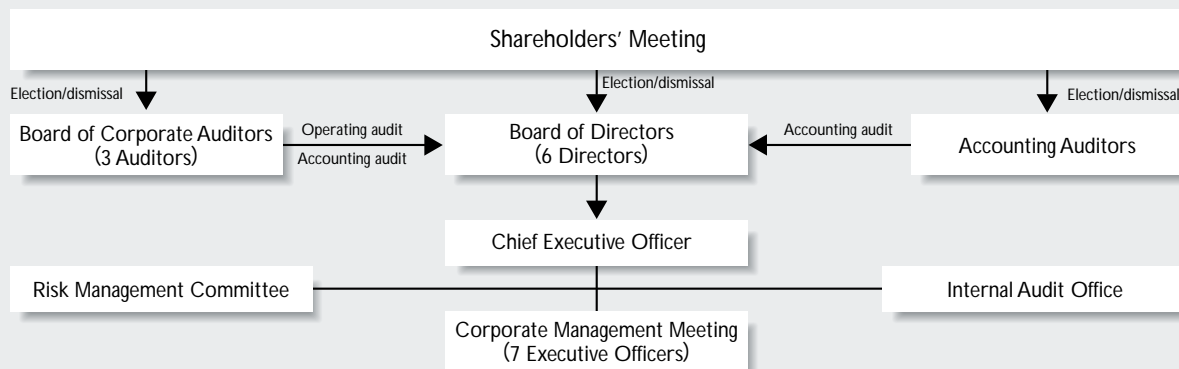
Masahiko Yamada:
CEO
Sadao Yamamoto:
Research & Development
Takeshi Oki:
General Affairs Division
Shigeki Komiyama:
Global Marketing and Sales Division
Wataru Hasegawa:
Chief Financial Officer
Hidetoshi Kamoto:
Component Business Division
Yuji Wakabayashi:
Engineering Collaborative Solutions Division
(As of July 1, 2005)

Corporate Governance

Wacom has strengthened its corporate governance and taken action to ensure compliance with laws, regulations, social values and corporate guidelines. The Company has adopted a corporate auditor system. One out of six directors is an outside director. All corporate auditors (currently three) are outside auditors and one is a full-time corporate auditor. We ensure the operation of checks and balances in our corporate management by nominating an outside director and outside auditors. In addition, the Company introduced a corporate executive officer system to expedite decision-making and oversee the execution of operations. Currently, there are seven executive officers including five directors. The Corporate Management

Meeting mainly consists of the executive officers and functions as an advisory organization for the Chief Executive Officer, who supervises the implementation of the business plan, controls the budget and reviews appropriate actions. In addition, we established an Internal Audit Office to ensure the execution of operations in accordance with laws, regulations, the Company's articles of incorporation and rules and to improve the Company's operational efficiency. Furthermore, by establishing a Risk Management Committee to reinforce compliance and risk management, we implement high-level risk management on an on-going basis.

Execution of Operations, Audit and Internal Control Systems as of July 1, 2005





Financial Section



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Five-Year Summary

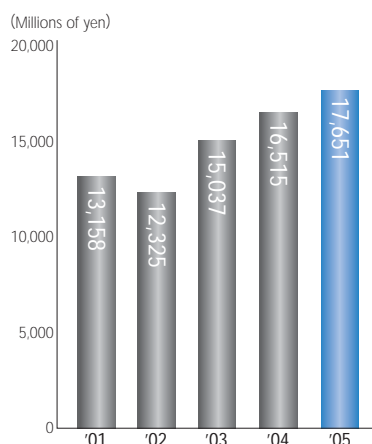
Wacom Co., Ltd. and Consolidated Subsidiaries

Five-Year Summary

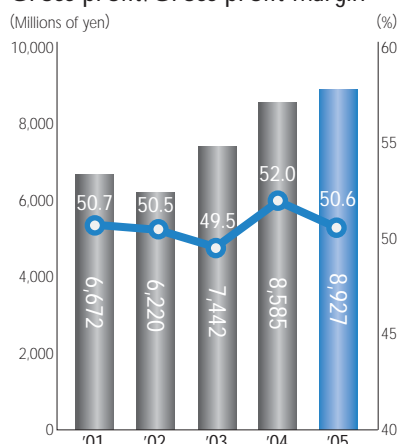
	Thousands of yen					Thousands of U.S. dollars*
	Year ended March 31					Year ended March 31
	2001	2002	2003	2004	2005	2005
For the year:						
Net sales:	¥13,157,803	¥12,325,451	¥15,036,968	¥16,514,894	¥17,650,932	\$164,363
Gross profit	6,671,845	6,220,321	7,441,678	8,585,086	8,926,708	83,124
Operating income	909,374	402,180	1,034,784	1,702,168	1,841,358	17,146
Income before income taxes	612,670	430,899	936,403	1,130,868	1,717,237	15,990
Net income	259,469	113,760	502,763	589,098	944,392	8,794
At year end:						
Cash and cash equivalents at end of year	2,637,007	2,583,354	3,070,700	3,681,204	4,233,187	39,419
Total shareholders' equity	4,358,589	4,593,542	4,901,184	5,697,957	6,698,503	62,375
Total assets	11,755,038	11,245,636	12,299,482	12,990,943	14,109,303	131,384
Net income per share (yen and U.S. dollars):**						
Basic	15,003.41	6,577.97	28,088.55	6,154.03	9,826.49	91.50
Diluted	-	-	-	5,837.32	9,386.80	87.41
Total shareholders' equity ratio (%)	37.0	40.9	39.8	43.9	47.5	
Return on equity (%)	6.1	2.5	10.6	11.1	15.2	
Number of employees	409	426	445	420	436	

*Note 1: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥107.39=U.S.\$1, the approximate exchange rate prevailing on March 31, 2005.
 **Note 2: Common shares were split on a five-for-one basis on November 20, 2003.

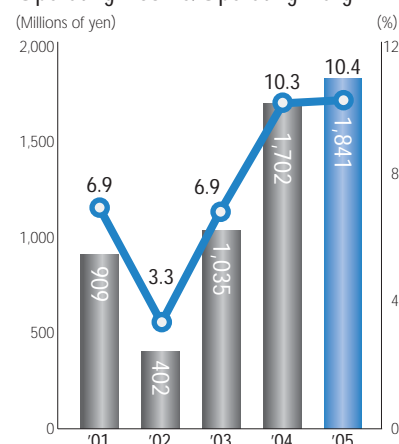
Net sales



Gross profit/Gross profit margin



Operating income/Operating margin



Overview of Business Performance

Wacom Co., Ltd. and Consolidated Subsidiaries

Market Environment and Business Results

In the fiscal year under review, the Group performed under a generally favorable business environment. However, the U.S. and European economies showed signs of slowing down due to such unfavorable factors as high international oil prices and rising U.S. interest rates. The Japanese economy faced several challenges, including stagnant sales of personal computers for consumers, although we observed positive factors such as special procurements of digital home electronics in the wake of the opening of the Olympic Games. We achieved stable growth in sales in China and other Asian countries.

As a result, the Group focused its efforts on launching new products for professionals and consumers and developing markets for interactive pen displays as well as increasing sales and reinforcing our development capabilities in the pen sensor component business. We also improved efficiency in our manufacturing operations.

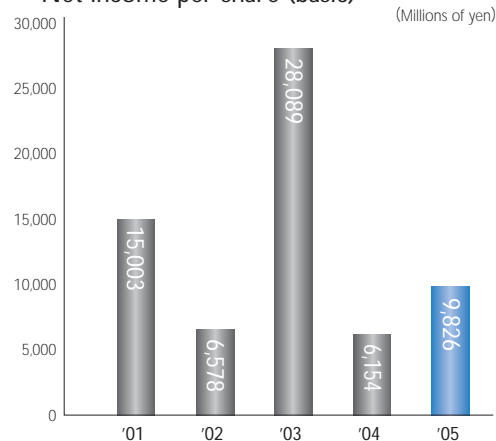
As a result of these efforts, the results of operations for the fiscal year under review achieved net sales of ¥17,651 million, or U.S. \$164 million (up 6.9% year-on-year); operating income of ¥1,841 million, or U.S. \$17 million (up 8.2% year-on-year); and net income of ¥944 million, or U.S. \$9 million (up 60.3% year-on-year).

Business Results by Segment

Electronic Systems and Devices (ESD) Business

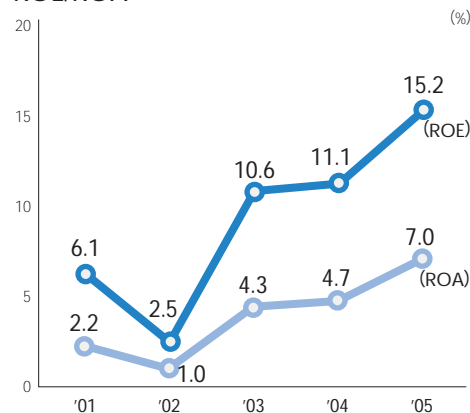
The ESD business achieved steady growth, due primarily to strong performance in the European and U.S. markets. Business in the Asian market also performed well, although part of our OEM business in the Chinese market leveled off due to a decline in demand in the handwritten character recognition market. The Japanese market slowed for a short period, partly attributable to a delay in major sales negotiations on interactive pen displays and the suspension of government subsidies for electronic medical charts. However, we achieved strong sales growth due mainly to the global launch in September 2004 of Intuos3, a completely redesigned model featuring upgraded functionality in the Intuos series, our flagship product line for professionals. In the second half of the fiscal year we released three new interactive pen display models, DTU710, DTI520 and Cintiq 21UX, and achieved remarkable sales growth. In addition to the existing market for graphics use, we explored new markets, including corporate users, by launching a new Biz Tablet for business use. We also released a new Bluetooth-enabled wireless tablet model in the Graphire/FAVO series, a leading product for consumers.

Net income per share (basic)



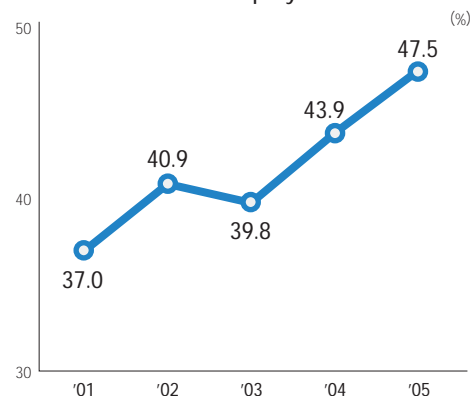
Note: Common shares were split on a five-for-one basis on November 20, 2003.

ROE/ROA



Note: ROA equals net income/average total assets.

Total shareholders' equity ratio



Overview of Business Performance

Wacom Co., Ltd. and Consolidated Subsidiaries

The pen sensor component business also performed well due to increased sales to existing customers and the acquisition of new customers in response to the expanding Tablet PC market. In the second half of this fiscal year, we released the W8002 pen sensor controller for small information appliances such as mobile phones and prepared for the mass production and product delivery of this unit.

As a result, sales grew to ¥16,733 million, or U.S. \$156 million (up 8.1% year-on-year), and operating income to ¥2,926 million, or U.S. \$27 million (up 6.0% year-on-year).

Engineering Collaborative Solutions (ECS) Business

In the ECS business, we launched Ver. 5.0 in September 2004, featuring an upgraded automatic drawing function for ECAD/dio, our leading product for electrical CAD, and in March 2005, we released Ver. 5.5, with an improved PLC* conversion. Having improved ease of use and maintenance in these models, we successfully stimulated replacement demand from our existing users, with sales exceeding comparable figures for the previous year in this field.

In the product data management (PDM) business, sales for this fiscal year fell short of the level for the previous fiscal year due partly to intensified competition in our diversified sales channels for SMARTEAM, a key product. We will strive to develop the service business in this area, taking advantage of our wealth of accumulated technologies and expertise.

As a result, sales stood at ¥886 million, or U.S. \$8 million (down 12.6% year-on-year), and operating income at ¥110 million, or U.S. \$1 million (down 6.9% year-on-year).

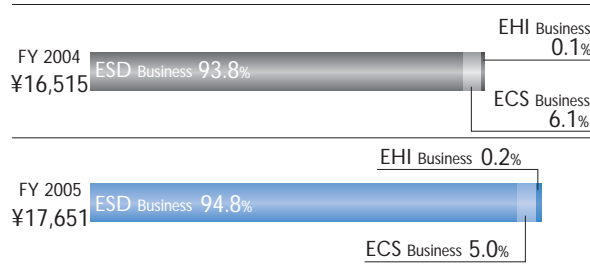
*Note: A PLC, or Programmable Logic Controller, enables users to control sequencing using keys without wiring.

Electronic Human Interfaces (EHI) Business

In the EHI business, we have developed a foundation for electronic seals ("chops") by improving the social acceptance of electronic seals through marketing activities, led by the Consortium for Electronic Seals, and by jointly developing technologies with our business partners specializing in software solutions. As a result of these efforts, we were able to successfully introduce the use of electronic seal systems by local governments and companies that were seeking paperless operations. We also promoted the development of workflow solutions in response to enforcement of the Law Concerning e-documents and the Law Concerning Protection of Personal Information. Starting with the fiscal year ending March 31, 2006, we plan to integrate the EHI business into the corporate sales department of the ESD business to improve

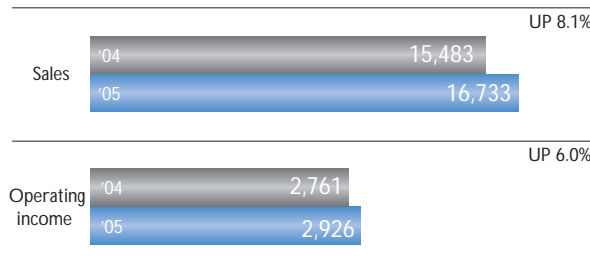
Sales breakdown by business

(Millions of yen)



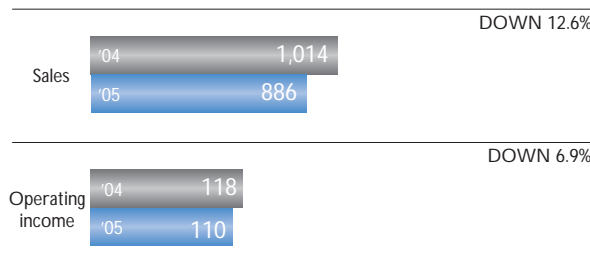
ESD Business

(Millions of yen)



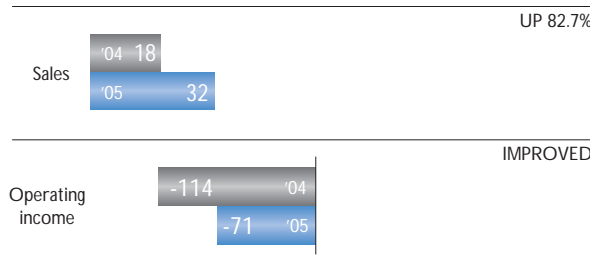
ECS Business

(Millions of yen)



EHI Business

(Millions of yen)



services for corporate clients and to promote greater operational efficiencies.

EHI sales grew to ¥32 million, or U.S. \$0.3 million (up 82.7% year-on-year), and operating loss decreased to ¥71 million, or U.S. \$0.7 million (from operating loss of ¥114 million for the previous fiscal year).

Financial Position

Financial conditions

At the end of the fiscal year under review, consolidated cash and cash equivalents increased by ¥552 million, or U.S. \$5 million, compared to an increase of ¥611 million, or U.S. \$6 million, for the previous year, to ¥4,233 million, or U.S. \$39 million (up 15.0% year-on-year), while income before taxes grew to ¥1,717 million, or U.S. \$16 million (up 51.9% year-on-year).

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥1,162 million, or U.S. \$11 million (up 8.8% year-on-year), due primarily to strong income before taxes of ¥1,717 million, or U.S. \$16 million, an increase of ¥850 million, or U.S. \$8 million, in notes and accounts payable, depreciation of ¥257 million, or U.S. \$2 million, and amortization of software amounting to ¥117 million, or U.S. \$1 million, despite a payment of ¥433 million, or U.S. \$4 million, for litigation settlement and a payment of ¥525 million, or U.S. \$5 million, for income taxes.

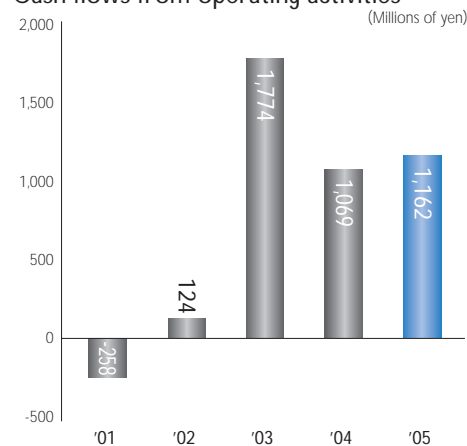
Cash flows from investing activities

Net cash used in investing activities amounted to ¥24 million, or U.S. \$0.2 million (down 80.7% year-on-year), due primarily to proceeds of ¥141 million, or U.S. \$1 million, from the refund of time deposits (down 18.7% year-on-year) in spite of payments of ¥198 million, or U.S. \$2 million (up 100.9% year-on-year), for purchases of fixed assets.

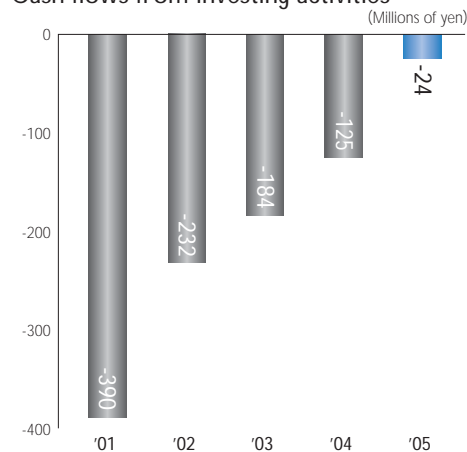
Cash flows from financing activities

Net cash used in financing activities amounted to ¥723 million, or U.S. \$7 million (up 457.7% year-on-year), mainly as the combined result of a net decrease of ¥200 million, or U.S. \$2 million, in short-term borrowings (as compared to a net increase of ¥140 million, or U.S. \$1 million, for the previous fiscal year), the expenditure of ¥188 million, or U.S. \$2 million (up 117.5% year-on-year), for payment of cash dividends and the expenditure of ¥324 million, or U.S. \$3 million (down 47.0% year-on-year), for payment of long-term debt.

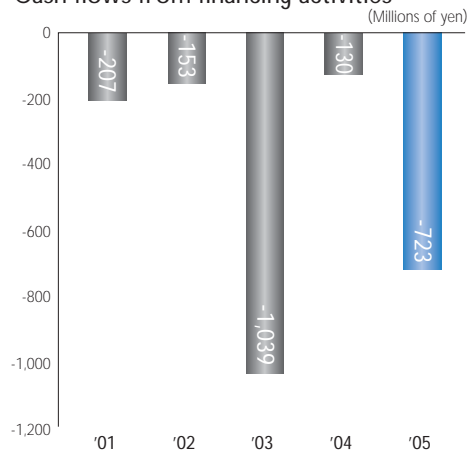
Cash flows from operating activities



Cash flows from investing activities



Cash flows from financing activities



Consolidated Balance Sheets

Wacom Co., Ltd. and Consolidated Subsidiaries

Assets	Thousands of yen		Thousands of U.S. dollars (Note 1)
	March 31		March 31
	2004	2005	2005
Current assets:			
Cash and cash equivalents (Notes 2 and 5)	¥3,681,204	¥4,233,187	\$39,419
Notes and accounts receivable, trade	2,509,989	2,930,391	27,287
Inventories (Notes 2 and 4)	1,404,951	1,672,650	15,575
Deferred tax assets (Notes 2 and 10)	342,991	233,779	2,177
Other current assets	396,362	657,144	6,119
Less: Allowance for doubtful accounts (Note 2)	(11,494)	(17,357)	(161)
Total current assets	8,324,003	9,709,794	90,416
Fixed assets:			
Property, plant and equipment (Notes 2 and 5) —			
Land	1,515,997	1,462,236	13,616
Buildings and facilities	3,342,061	3,182,694	29,637
Machinery, equipment and vehicles	104,619	131,765	1,227
Tools and furniture	1,249,159	1,383,712	12,885
	6,211,836	6,160,407	57,365
Less: Accumulated depreciation	(2,542,321)	(2,664,267)	(24,809)
Property, plant and equipment, net	3,669,515	3,496,140	32,556
Investment securities and other assets —			
Investment securities (Notes 2 and 3)	181,058	110,431	1,028
Software (Note 2)	448,405	423,120	3,940
Leasehold deposits	88,660	103,951	968
Deferred tax assets (Notes 2 and 10)	165,618	138,681	1,291
Other assets	117,370	130,763	1,218
Less: Allowance for doubtful accounts (Note 2)	(3,686)	(3,577)	(33)
Total investment securities and other assets	997,425	903,369	8,412
Total fixed assets	4,666,940	4,399,509	40,968
Total assets (Note 15)	¥12,990,943	¥14,109,303	\$131,384

The accompanying notes are an integral part of the financial statements.

Liabilities and Shareholders' Equity	Thousands of yen		Thousands of U.S. dollars (Note 1)
	March 31		March 31
	2004	2005	2005
Current liabilities:			
Short-term debt (Note 5)	¥1,024,200	¥739,400	\$6,885
Notes and accounts payable, trade	2,437,469	3,329,820	31,007
Accrued income taxes (Notes 2 and 10)	215,717	360,602	3,358
Accrued bonuses to employees	262,183	230,549	2,147
Other current liabilities	1,285,094	933,398	8,692
Total current liabilities	5,224,663	5,593,769	52,089
Long-term liabilities:			
Long-term debt (Note 5)	1,287,000	1,047,600	9,755
Accrued retirement benefits (Notes 2 and 6)	380,340	421,258	3,923
Other long-term liabilities	400,983	348,173	3,242
Total long-term liabilities	2,068,323	1,817,031	16,920
Commitment and contingent liabilities (Notes 11, 12 and 14)			
Shareholders' equity (Note 7):			
Common stock,			
Authorized: 345,000 shares			
Issued: 95,955 shares in 2005 and			
94,020 shares in 2004	1,533,050	1,600,478	14,903
Additional paid-in capital	1,374,290	1,441,855	13,426
Retained earnings	2,887,171	3,628,023	33,784
Net unrealized gains on other securities (Notes 2 and 3)	6,236	18,956	177
Foreign currency translation adjustments (Note 2)	(102,790)	9,191	85
Total shareholders' equity	5,697,957	6,698,503	62,375
Total liabilities and shareholders' equity	¥12,990,943	¥14,109,303	\$131,384

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Income

Wacom Co., Ltd. and Consolidated Subsidiaries

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	Year ended March 31		Year ended March 31
	2004	2005	2005
Net sales (Note 15)	¥16,514,894	¥17,650,932	\$164,363
Cost of sales (Note 15)	7,929,808	8,724,224	81,239
Gross profit	8,585,086	8,926,708	83,124
Selling, general and administrative expenses (Notes 8, 9 and 15)	6,882,918	7,085,350	65,978
Operating income	1,702,168	1,841,358	17,146
Other income:			
Interest and dividend income	15,428	23,040	215
Foreign exchange gain, net	–	26,236	244
Gain on sale of investment securities	4	–	–
Gain on refund of insurance fund	2,084	–	–
Gain on sale of fixed assets	38	2,144	20
Gain on reversal of allowance for doubtful accounts	12,028	–	–
Other income	44,684	17,187	160
	74,266	68,607	639
Other expenses:			
Interest expenses	50,961	35,746	333
Foreign exchange loss, net	25,057	–	–
Loss on sale of fixed assets	238	75,568	704
Loss on disposal of fixed assets	20,935	3,835	36
Loss on sale of subsidiaries' stock	9,564	–	–
Additional retirement benefit for directors	47,880	19,626	183
Loss on write-down of investment	–	1,200	11
Loss on sale of membership	–	1,753	16
Amortization of transition obligation (Notes 2 and 6)	27,644	27,644	257
Loss on refund of insurance fund	–	7,076	66
Litigation settlement	447,575	–	–
Other expenses	15,712	20,280	189
	645,566	192,728	1,795
Income before income taxes	1,130,868	1,717,237	15,990
Income taxes (Notes 2 and 10):			
Currently payable	648,279	642,539	5,983
Deferred benefits	(108,228)	130,306	1,213
	540,051	772,845	7,196
Minority interest in income of consolidated subsidiaries	1,719	–	–
Net income	¥589,098	¥944,392	\$8,794
Per share of common stock (Note 13):			
Net income			
Basic	¥6,154.03	¥9,826.49	\$91.50
Diluted	5,837.32	9,386.80	87.41
Cash dividends applicable to the year	¥2,000.00	¥2,000.00	\$18.62

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Shareholders' Equity

Wacom Co., Ltd. and Consolidated Subsidiaries

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	Year ended March 31		Year ended March 31
	2004	2005	2005
Common stock:			
Beginning of period	¥1,302,650	¥1,533,050	\$14,276
New stock issued in public offering	198,900	—	—
Exercise of warrants	31,500	67,428	627
End of period	¥1,533,050	¥1,600,478	\$14,903
Additional paid-in capital:			
Beginning of period	¥1,069,550	¥1,374,290	\$12,797
New stock issued in public offering	272,610	—	—
Exercise of warrants	32,130	67,565	629
End of period	¥1,374,290	¥1,441,855	\$13,426
Retained earnings:			
Beginning of period	¥2,406,006	¥2,887,171	\$26,885
Add —			
Net income	589,098	944,392	8,794
Deduct —			
Cash dividends paid	86,470	188,040	1,751
Bonuses to directors	17,000	15,500	144
Decrease resulting from exclusion of a consolidated subsidiary from the scope of consolidation	4,463	—	—
End of period	¥2,887,171	¥3,628,023	\$33,784
Net unrealized gains on other securities (Notes 2 and 3):			
Beginning of period	¥9,817	¥6,236	\$59
Add/(Deduct)	(3,581)	12,720	118
End of period	¥6,236	¥18,956	\$177
Foreign currency translation adjustments (Note 2):			
Beginning of period	¥113,161	(¥102,790)	(\$957)
Add/(Deduct)	(215,951)	111,981	1,042
End of period	(¥102,790)	¥9,191	\$85

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Cash Flows

Wacom Co., Ltd. and Consolidated Subsidiaries

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	Year ended March 31		Year ended March 31
	2004	2005	2005
Cash flows from operating activities:			
Income before income taxes	¥1,130,868	¥1,717,237	\$15,990
Adjustments to reconcile income before income taxes to net cash provided by operating activities —			
Depreciation and amortization	246,182	373,532	3,478
Gain on sale of investment securities	(4)	—	—
Gain on sale of fixed assets	(38)	(2,144)	(20)
Loss on sale of subsidiaries' stock	9,564	—	—
Loss on sale and disposal of fixed assets	21,173	79,403	739
Loss on write-down of investment	—	1,200	11
Loss on sale of membership	—	1,753	16
Litigation settlement	447,575	—	—
Other, net	67,869	31,522	294
Changes in assets and liabilities —			
Increase in notes and accounts receivable	(183,191)	(715,747)	(6,665)
Decrease (increase) in inventories	64,076	(233,160)	(2,171)
Increase in notes and accounts payable	56,876	850,248	7,917
Increase (decrease) in accrued retirement benefits	(42,208)	40,585	378
Other, net	60,462	(10,572)	(97)
Sub total	1,879,204	2,133,857	19,870
Litigation settlement paid	—	(433,039)	(4,032)
Interest and dividends received	15,262	23,256	217
Interest paid	(49,034)	(36,534)	(340)
Income taxes paid	(776,878)	(525,446)	(4,894)
Net cash provided by operating activities	1,068,554	1,162,094	10,821
Cash flows from investing activities:			
Payments for purchases of fixed assets	(98,740)	(198,370)	(1,847)
Proceeds from sale of fixed assets	530	74,626	695
Payments for purchases of investment securities	(97,473)	(5,751)	(54)
Proceeds from sale of investment securities	52	—	—
Payment for additional investment in consolidated subsidiaries	(6,300)	—	—
Decrease of net cash resulting from exclusion of a consolidated subsidiary from the scope of consolidation	(13,145)	—	—
Increase in time deposits	(145,364)	—	—
Decrease in time deposits	173,538	141,134	1,314
Increase in insurance funds	(38,250)	(32,315)	(301)
Proceeds from refund of insurance funds	114,890	36,149	337
Other, net	(14,390)	(39,516)	(368)
Net cash used in investing activities	(124,652)	(24,043)	(224)
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	140,000	(200,000)	(1,862)
Proceeds from long-term debt	200,000	—	—
Payments of long-term debt	(812,030)	(324,200)	(3,019)
Payments of other long-term liabilities	(93,502)	(145,010)	(1,350)
Dividends paid	(86,470)	(188,040)	(1,751)
Proceeds from issuance of stock	534,510	134,855	1,256
Other, net	(12,176)	(811)	(8)
Net cash used in financing activities	(129,668)	(723,206)	(6,734)
Effect of exchange rate changes on cash and cash equivalents	(203,730)	39,665	369
Net increase in cash and cash equivalents	610,504	454,510	4,232
Cash and cash equivalents at beginning of year	3,070,700	3,681,204	34,279
Increase resulting from inclusion of a consolidated subsidiary in the scope of consolidation	—	97,473	908
Cash and cash equivalents at end of year (Note 2)	¥3,681,204	¥4,233,187	\$39,419

The accompanying notes are an integral part of the financial statements.

Notes to Consolidated Financial Statements

Wacom Co., Ltd. and Consolidated Subsidiaries

1. Basis of presenting consolidated financial statements:

The accompanying consolidated financial statements have been prepared from the consolidated financial statements of Wacom Co., Ltd. (the "Company") filed with the Director of the Kanto Local Finance Bureau in accordance with the Securities and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. In addition, the consolidated statements of shareholders' equity, which are not required as part of the basic financial statements in Japan, are presented herein for additional information.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form more familiar to readers outside Japan. Some information, provided in the notes to the consolidated financial statements, is not required under accounting principles generally accepted in Japan, but is also presented for the convenience of the readers.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been calculated at the rate of ¥107.39 = U.S.\$1, the approximate rate of exchange on March 31, 2005. Such translations should not be construed as representations that the Japanese yen amounts could have been or could be converted into U.S. dollars at that or any other rate.

2. Summary of significant accounting policies:

(1) Consolidation

The consolidated financial statements include the accounts of the Company and all of its majority-owned subsidiaries.

Investments in all affiliated companies, where shareholdings are more than 20% and where the Company has significant influence over their operations, finance and management, are accounted for by the equity method.

The assets and liabilities of consolidated subsidiaries are incorporated into the financial statements at fair value, and the difference between the net assets at fair value and the investment amounts is accounted for as goodwill, which is amortized equally over 5 years.

All significant intercompany balances and transactions, and unrealized profit, included in assets, have been eliminated on consolidation.

Overseas-consolidated subsidiaries have adopted accounting principles generally accepted in their respective countries and no adjustments have been made to their financial statements on consolidation, as allowed under accounting principles and practices generally accepted in Japan.

(2) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less that are readily convertible to known amounts of cash and thus are near maturity so that they present insignificant risk of changes in value.

(3) Financial investment

(a) Derivatives:

All derivatives are stated at fair value, with changes in fair value being included in net profit or loss in the period in which they arise.

(b) Securities:

Securities held by the Company and its consolidated subsidiaries are classified into four categories:

Trading securities are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise.

Held-to-maturity debt securities are stated at cost after accounting for any premium or discount on acquisition, which is amortized over the period to maturity.

Investments of the Company in equity securities issued by affiliates are accounted for by the equity method.

Other securities for which market price or quotations are available are stated at fair value. Net unrealized gains and losses on these securities are reported as a separate component in shareholders' equity at a net-of-tax amount. Other securities for which market quotations are unavailable are stated at cost.

(4) Allowance for doubtful accounts

This allowance for doubtful accounts is provided for estimated future losses based on past experience, and the allowance is based on an evaluation of the collectability of individual receivables.

(5) Inventories

Inventories are stated at cost, which is determined by the average method for the Company.

Inventories are stated at the lower of cost or market value, which is determined by the FIFO method for foreign subsidiaries.

(6) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Depreciation, except for buildings, is computed by the declining-balance method at rates based on the estimated useful lives of the assets. Depreciation of buildings at overseas subsidiaries and those acquired by the Company on or after April 1, 1998 is computed primarily by the straight-line method.

Major useful lives are as follows:

Buildings and facilities	3 to 65 years
Machinery, equipment and vehicles	5 to 13 years
Tools and furniture	2 to 20 years

Ordinary maintenance and repair costs are charged to income as incurred. Major replacements and improvements are capitalized.

(7) Software

Software for internal use is amortized by the straight-line method over an estimated useful life (5 years). Software to be sold is amortized based on the estimated volume of sales with the minimum amortization amount calculated based on the useful life of 3 years.

(8) Accrued retirement benefits

Lump-sum severance indemnity regulations of the Company, which cover substantially all employees, provide for benefit payments determined by reference to the employee's current basic rate of pay, length of service, position in the Company and termination circumstances. The accrued retirement benefits represent the actuarially calculated present value of projected benefit obligation except for, as permitted under the standard, the unrecognized transition obligation and the unrecognized actuarial differences. The unrecognized transition obligation is amortized on a straight-line basis over 5 years, and the unrecognized actuarial differences are being amortized on a straight-line basis over 5 years from the year after the year in which they arise.

With respect to directors and statutory corporate auditors, provision is made for lump-sum severance indemnities based on internal regulations.

(9) Income taxes

Deferred income taxes are recognized, using the asset and liability method. This method is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(10) Leases

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases; Leases that do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases in accordance with accounting principles and practices generally accepted in Japan.

(11) Appropriations of retained earnings

Appropriations of retained earnings are reflected in the financial statements in the year they are approved at the general meeting of shareholders.

(12) Foreign currency translation

Foreign currency transactions are translated using foreign exchange rates prevailing at the transaction dates.

All monetary assets and liabilities denominated in foreign currencies, whether they are long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in the consolidated statement of income.

All assets and liabilities of foreign subsidiaries are translated at current rates at the respective balance sheet date and all the income and expense accounts are translated at average rates for respective periods. Foreign currency translation adjustments are presented as a component of "Shareholders' equity" in the consolidated financial statements.

(13) Recently issued new accounting standards

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets." The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount which is measured at the higher of net selling price or value in use.

The standard shall be effective for fiscal years beginning April 1, 2005. However, earlier adoption is permitted for fiscal years beginning April 1, 2004 and for fiscal years ending after March 31, 2004.

This standard has not been applied in the consolidated financial statements. Although this standard has not been applied in the consolidated financial statements, the adoption of this standard would not have significant impact on the consolidated financial statements.

(14) Reclassifications

Certain reclassifications of the financial statements and related footnote amounts in the year ended March 31, 2004 have been made to conform to the presentation in the year ended March 31, 2005.

3. Investment securities:

The following is certain information relating to the aggregate acquisition cost and market value of securities in fiscal year 2004.

(i) "Other securities" whose market price or quotations are available.

	Thousands of yen		
	March 31, 2004		
	Acquisition cost	Market value (= Book carrying amount)	Unrealized gains (losses)
Other securities whose market price or quotations exceed their acquisition cost			
(a) Share stocks	¥18,044	¥29,057	¥11,013
(b) Debt securities			
Government bonds, Municipal bonds, etc.	-	-	-
Corporate bonds	-	-	-
Others	-	-	-
(c) Others	-	-	-
	18,044	29,057	11,013
Other securities whose market price or quotations do not exceed their acquisition cost			
(a) Share stocks	5,200	4,528	(672)
(b) Debt securities			
Government bonds, Municipal bonds, etc.	-	-	-
Corporate bonds	-	-	-
Others	-	-	-
(c) Others	-	-	-
	5,200	4,528	(672)
Total	¥23,244	¥33,585	¥10,341

(ii) "Other securities" sold in the current fiscal year.

	Thousands of yen
	March 31, 2004
Proceeds from sales of "Other securities"	¥52
Gain on sales of "Other securities"	4
Loss on sales of "Other securities"	-

(iii) Securities whose market price or quotations are not available.

	Thousands of yen	
	March 31, 2004	
	Book carrying amount	
Held-to-maturity debt securities	¥-	
Share stocks invested in affiliates	-	
Other securities		
Share stocks not listed in the market (excluding over-the-counter stocks)		147,473
		¥147,473

The following is certain information relating to the aggregate acquisition cost and market value of securities in fiscal year 2005.

(i) "Other securities" whose market price or quotations are available.

	Thousands of yen		
	March 31, 2005		
	Acquisition cost	Market value (= Book carrying amount)	Unrealized gains (losses)
Other securities whose market price or quotations exceed their acquisition cost			
(a) Share stocks	¥23,244	¥54,679	¥31,435
(b) Debt securities			
Government bonds, Municipal bonds, etc.	-	-	-
Corporate bonds	-	-	-
Others	-	-	-
(c) Others	-	-	-
	23,244	54,679	31,435
Other securities whose market price or quotations do not exceed their acquisition cost			
(a) Share stocks	-	-	-
(b) Debt securities			
Government bonds, Municipal bonds, etc.	-	-	-
Corporate bonds	108	108	-
Others	-	-	-
(c) Others	-	-	-
	108	108	-
Total	¥23,352	¥54,787	¥31,435

	Thousands of U.S. dollars		
	March 31, 2005		
	Acquisition cost	Market value (= Book carrying amount)	Unrealized gains (losses)
Other securities whose market price or quotations exceed their acquisition cost			
(a) Share stocks	\$216	\$509	\$293
(b) Debt securities			
Government bonds, Municipal bonds, etc.	-	-	-
Corporate bonds	-	-	-
Others	-	-	-
(c) Others	-	-	-
	216	509	293
Other securities whose market price or quotations do not exceed their acquisition cost			
(a) Share stocks	-	-	-
(b) Debt securities			
Government bonds, Municipal bonds, etc.	-	-	-
Corporate bonds	1	1	-
Others	-	-	-
(c) Others	-	-	-
	1	1	-
Total	\$217	\$510	\$293

(ii) "Other securities" sold in the current fiscal year.

	Thousands of yen	Thousands of U.S. dollars
	March 31, 2005	
Proceeds from sales of "Other securities"	¥-	\$-
Gain on sales of "Other securities"	-	-
Loss on sales of "Other securities"	-	-

(iii) Securities whose market price or quotations are not available

	Thousands of yen	Thousands of U.S. dollars
	March 31, 2005	
	Book carrying amount	
Held-to-maturity debt securities	¥-	\$-
Share stocks invested in affiliates	-	-
Other securities		
Share stocks not listed in the market (excluding over-the-counter stocks)	55,643	518
	¥55,643	\$518

4. Inventories:

Inventories comprise the following:

	Thousands of yen		Thousands of U.S. dollars
	March 31		March 31
	2004	2005	2005
Finished goods	¥790,284	¥1,062,563	\$9,894
Work-in-process	160,949	144,776	1,348
Raw materials	453,718	465,311	4,333
	<u>¥1,404,951</u>	<u>¥1,672,650</u>	<u>\$15,575</u>

5. Short and long-term debt:

Short-term debt at March 31, 2004 and 2005 includes short-term bank loans of ¥700,000 thousand and ¥500,000 thousand (\$4,656 thousand) with an annual average interest rate of 1.377% and 1.060%, respectively. The current portion of long-term bank loans includes ¥324,200 thousand and ¥239,400 thousand (\$2,229 thousand) with an annual average interest rate of 2.344% and 2.427%, respectively.

Long-term debt at March 31, 2004 and 2005 comprises the following:

	Thousands of yen		Thousands of U.S. dollars
	March 31		March 31
	2004	2005	2005
Unsecured zero-coupon standard bond due 2005	¥ -	¥ -	\$ -
Unsecured standard bond due 2006 with interest rate of 1.100% per annum	500,000	500,000	4,656
Unsecured floating rate bond due 2007 (0.190% at March 31, 2005)	200,000	200,000	1,862
Secured bank loans due 2005 to 2010 with average interest rate of 2.427% per annum	883,200	583,000	5,429
Unsecured bank loans due 2005 with average interest rate of 2.427% per annum	28,000	40,000	37
Less: Portion due within one year	(324,200)	(239,400)	(2,229)
	<u>¥1,287,000</u>	<u>¥1,047,600</u>	<u>\$9,755</u>

The aggregate annual maturities of long-term debt during the next five years are as follows:

Year ending March 31	Thousands of yen	Thousands of U.S. dollars
2006	¥239,400	\$2,229
2007	857,600	7,986
2008	110,000	1,025
2009	40,000	372
2010	40,000	372
	<u>¥1,287,000</u>	<u>\$11,984</u>

The following assets are pledged as security for short-term borrowings and long-term debt at March 31, 2004 and 2005.

	Thousands of yen		Thousands of U.S. dollars
	March 31		March 31
	2004	2005	2005
Time deposits	¥144,280	¥-	\$-
Buildings	1,549,125	1,477,564	13,759
Land	1,348,168	1,348,168	12,554
	<u>¥3,041,573</u>	<u>¥2,825,732</u>	<u>\$26,313</u>

In addition, the following patents are pledged as security for borrowing of ¥28,000 thousand and ¥4,000 thousand from the Development Bank of Japan at March 31, 2004 and 2005, respectively.

Patent No.	Title of Invention
2131145	POSITION DETECTING APPARATUS
4,878,553	POSITION DETECTING APPARATUS
5,028,745	POSITION DETECTING APPARATUS
4,999,461	COORDINATES INPUT APPARATUS

6. Accrued retirement benefits:

The Company has an unfunded retirement allowance plan ("Plan") covering substantially all of its employees who meet eligibility requirements under the Plan. In addition, the Company is a member of the industrial park multiemployer pension plan, covering substantially all of its employees, which provides for benefits under the governmental welfare pension benefit plan, which would be otherwise provided by the Japanese government.

As the Company joins this multiemployer pension plan out of its retirement allowance plan, this multiemployer pension plan of which pension assets calculated by the ratio of the number of members were ¥472,708 thousand and ¥722,675 thousand (\$6,729 thousand) for 2004 and 2005 and contributions to this multiemployer pension plan were ¥44,893 thousand and ¥54,292 thousand (\$506 thousand) for 2004 and 2005, is excluded from the calculation of projected benefit obligation, pension assets and net periodic pension expense.

Some foreign subsidiaries have defined contribution pension plans.

The accrued retirement benefits for employees as of March 31, 2004 and 2005 can be analyzed as follows:

	Thousands of yen		Thousands of U.S. dollars
	2004	2005	2005
(1) Projected benefit obligation	(¥278,185)	(¥286,213)	(\$2,665)
(2) Unrecognized transition obligation	27,644	-	-
(3) Unrecognized actuarial loss (gain)	15,598	20,679	193
(4) Accrued retirement benefits for employees (1)+(2)+(3)	<u>(¥234,943)</u>	<u>(¥265,534)</u>	<u>(\$2,472)</u>

The components of the net periodic pension expense for the years ended March 31, 2004 and 2005 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2004	2005	2005
(1) Service cost	¥27,756	¥34,528	\$321
(2) Interest cost	5,914	5,564	52
(3) Recognized actuarial loss (gain)	(642)	2,525	24
(4) Amortization of transition obligation	27,644	27,644	257
(5) Net periodic pension expense	<u>¥60,672</u>	<u>¥70,261</u>	<u>\$654</u>

The assumptions used as of March 31, 2004 and 2005 were as follows:

	2004	2005
(1) Discount rate	2.0%	2.0%
(2) Method of attributing the projected benefits to periods of service	Straight-line basis	Straight-line basis
(3) Amortization of unrecognized transition obligation	Straight-line over 5 years	Straight-line over 5 years
(4) Amortization of unrecognized actuarial differences	Straight-line over 5 years	Straight-line over 5 years

The accrued retirement benefit as of March 31, 2004 and 2005 included accrued severance indemnities for directors and statutory corporate auditors, amounting to ¥145,397 thousand and ¥155,724 thousand (\$1,450 thousand), respectively.

7. Shareholders' equity:

The Japanese Commercial Code provides that:

- (1) Upon a resolution of the Board of Directors, appropriations of interim cash dividends and the related transfer to the legal earned reserve as described in (3) below, can be made from unappropriated retained earnings brought forward;
- (2) All other appropriations of retained earnings, including year end dividends and bonuses to directors and statutory corporate auditors, require approval by the shareholders at the General Meeting of Shareholders; and
- (3) An amount equal to at least 10% of cash dividends and other cash distributions paid by the Company from retained earnings must be appropriated from retained earnings as a legal earned reserve; no further appropriation is required when the combined amount of capital reserve and the legal earned reserve pursuant to the Japanese Commercial Code equals 25% of stated capital.
- (4) Legal earned reserve and unappropriated retained earnings are presented in the retained earnings accounts and legal capital reserve and other capital reserves are presented in "Additional paid-in capital" accounts.

In accordance with customary practice in Japan, appropriations of retained earnings are recorded in the accounting period in which shareholders' approval is obtained. The fiscal 2005 year-end appropriation of retained earnings of the Company, which was approved at the General Meeting of Shareholders held in June 2005, is presented below:

	Thousands of yen	Thousands of U.S. dollars
Appropriation for:		
Cash dividends, ¥2,000.00 (\$18.62) per share	¥191,910	\$1,787
Bonuses to directors	14,000	130
	<u>¥205,910</u>	<u>\$1,917</u>

8. Research and development expenditures:

Research and development expenditures, which are charged to income when incurred, and are included in selling, general and administrative expenses, amounted to ¥675,775 thousand and ¥735,476 thousand (\$6,849 thousand) for the years ended March 31, 2004 and 2005, respectively.

9. Selling, general and administrative expenses:

The major components of "Selling, general and administrative expenses" are as follows:

	Thousands of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31
	2004	2005	2005
Advertising expenses	¥989,634	¥912,798	\$8,500
Provision for allowance for doubtful accounts	3,375	6,536	61
Salaries	1,579,708	1,638,268	15,255
Pension expenses	40,877	55,507	517
Provisions for severance indemnities of directors and statutory corporate auditors	72,203	99,787	929
Provisions for bonuses to employees	267,967	248,104	2,310
Others	3,929,154	4,124,350	38,406
Total	<u>¥6,882,918</u>	<u>¥7,085,350</u>	<u>\$65,978</u>

10. Income taxes:

Income taxes applicable to the Company include (1) corporation tax, (2) enterprise tax and (3) inhabitants tax, which, in aggregate,

represent a statutory tax rate of approximately 39.7%, effective from April 1, 2004.

On March 31, 2003, the Japanese National Diet approved various changes to the calculation of the statutory local enterprise tax for companies with capital in excess of ¥100 million, effective April 1, 2004. Under the amended legislation, the enterprise tax is the sum of three tax components: a) an income based component, b) a value added component and c) a capital based component. Prior to the amendment there was only an "income based component." Concurrently, the basic tax rate for the "income based component" was reduced from 9.6% to 7.2%. As a result of this amendment, the tax rate to be applied to deferred tax assets and liabilities as at March 31, 2003 for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities, that are expected to reverse in the year beginning April 1, 2004 or later, decreased from 42.0% to 39.7%.

The significant components of deferred tax assets and liabilities for the years ended March 31, 2004 and 2005 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2004	2005	2005
Deferred tax assets:			
Foreign tax credit	¥230,439	¥233,099	\$2,171
Accrued expenses	141,875	19,164	179
Accrued retirement benefits	85,638	99,877	930
Accrued bonuses	82,674	66,729	621
Inventory-intercompany profit	69,110	97,190	905
Accrued severance indemnities for directors and statutory corporate auditors	57,722	67,062	625
Tax loss carryforwards	53,889	-	-
Write - down of investment securities	51,181	51,181	477
Enterprise tax	22,986	38,490	358
Software development costs	22,155	21,520	200
Write - down of membership	19,423	2,586	24
Lump - sum depreciation assets	13,902	14,560	136
Allowance for doubtful accounts	1,430	1,444	13
Equity in earnings of an affiliate	-	-	-
Others	38,939	16,773	156
Gross deferred tax assets	891,363	729,675	6,795
Less - Valuation allowance	(291,330)	(233,099)	(2,171)
Total deferred tax assets	<u>600,033</u>	<u>496,576</u>	<u>4,624</u>
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries	(87,319)	(111,636)	(1,040)
Unrealized gains on other securities	(4,105)	(12,480)	(116)
Others	(-)	(-)	(-)
Total deferred tax liabilities	<u>(91,424)</u>	<u>(124,116)</u>	<u>(1,156)</u>
Net deferred tax assets	<u>¥508,609</u>	<u>¥372,460</u>	<u>\$3,468</u>

The reconciliation between the statutory tax rate and the income tax rate in the consolidated statements of income for the years ended March 31, 2004 and 2005 are as follows:

	March 31,	March 31,
	2004	2005
Statutory effective tax rate	42.0%	39.7%
(Reconciliation)		
Non deductible expenses for tax purposes	1.5	1.4
Equalization tax	0.8	0.6
International tax rate differences	(3.6)	(1.7)
Foreign tax credit	10.1	7.9
Valuation allowance	1.9	2.1
Effect on changes of effective tax rate	1.0	-
Tax credit of corporation tax	(8.3)	(5.0)
Others	2.4	-
Effective income tax rate	<u>47.8%</u>	<u>45.0%</u>

11. Leases:

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases; Leases do not transfer ownership of the assets at the end of the lease term, are accounted for as operating leases in accordance with accounting principles and practices generally accepted in Japan. Certain information on such lease contracts of the Company and its consolidated subsidiaries, as a lessee, is shown below:

(1) Finance leases, other than those which do not transfer ownership of properties to lessees, are as follows:

a) Acquisition costs of leased assets under finance leases are as follows:

	Thousands of yen		Thousands of U.S. dollars
	March 31		March 31
	2004	2005	2005
Machinery, equipment and vehicles	¥3,714	¥8,021	\$75
Tools and furniture	23,529	27,825	259
Software	46,240	46,240	430
Accumulated depreciation	(32,388)	(37,384)	(348)
Total	¥41,095	¥44,702	\$416

b) Future lease payments under finance leases are as follows:

	Thousands of yen		Thousands of U.S. dollars
	March 31		March 31
	2004	2005	2005
Due within one year	¥12,986	¥15,264	\$142
Due after more than one year	30,386	32,432	302
	¥43,372	¥47,696	\$444

c) Lease payments and amounts representing depreciation and interest are as follows:

	Thousands of yen		Thousands of U.S. dollars
	March 31		March 31
	2004	2005	2005
Lease payments	¥17,480	¥15,665	\$146
Amount representing depreciation	¥13,862	¥14,430	\$134
Amount representing interest	¥1,426	¥821	\$8

(2) Minimum lease payments under non-cancelable operating leases are as follows:

	Thousands of yen		Thousands of U.S. dollars
	March 31		March 31
	2004	2005	2005
Due within one year	¥11,445	¥11,116	\$104
Due after one year	24,205	21,382	199
Total minimum lease payments	¥35,650	¥32,498	\$303

12. Derivatives:

Effective from fiscal year 2004, the Company enters into foreign exchange forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within the Company's business. Accordingly, the market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Company does not hold derivatives for trading or speculative purposes. Because the counterparties to these derivatives are limited to major international finance institutions, the Company does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Company have been come out in accordance with internal policies which regulate the authorization and credit limit amount.

Certain information on outstanding derivative contracts is shown below.

	Thousands of yen		
	March 31, 2005		
	Contract amount	Fair value	Unrealized gain/(loss)
Foreign exchange forward contracts: Buying U.S. dollars	¥295,596	¥298,457	¥2,861

	Thousands of U.S. dollars		
	March 31, 2005		
	Contract amount	Fair value	Unrealized gain/(loss)
Foreign exchange forward contracts: Buying U.S. dollars	\$2,753	\$2,779	\$27

13. Earnings per share information:

Basic net income per share for the year ended March 31, 2004 and 2005 amounts to ¥6,154.03 and ¥9,826.49, respectively. Diluted net income per share amounts to ¥5,837.32 and ¥9,386.80 for 2004 and 2005 respectively.

The computation of net income per share is based on the weighted-average number of common shares outstanding and net income attributable to the common shareholders during each fiscal year, as shown below.

	Thousands of yen		Thousands of U.S. dollars
	March 31		March 31
	2004	2005	2005
Basic net income per share:			
Net income	¥589,098	¥944,392	\$8,794
Amounts not attributable to the common shareholders	(15,500)	(14,000)	(130)
Net income attributable to the common shareholders that are director's bonuses appropriated by retained earnings	¥573,598	¥930,392	\$8,664
Weighted-average number of common shares outstanding during each fiscal year (unit: shares)	93,207	94,682	94,682
Diluted net income per share:			
Adjustments to net income	¥ -	¥ -	\$ -
Increase of number of common shares outstanding during each fiscal year that would result in exercising options to issue new shares (unit: shares)	5,057	4,435	4,435

The following are the stock options granted to directors and employees which would result in increasing the number of common shares with the following exercise prices.

	Date of ordinary shareholders' meeting	Number of common share granted (shares)	Exercise price per share (exact yen)	Exercise period
Stock option to purchase newly issued shares	November 8, 2002	4,750	¥71,000	From November 9, 2004 to October 31, 2011
	June 26, 2003	1,860	¥639,100	From June 27, 2005 to June 26, 2008
	June 24, 2004	300	¥1,230,900	From June 25, 2006 to June 24, 2009
		<u>6,910</u>		

On June 23, 2005, at the shareholders' meeting, it was decided to grant stock options limited to 200 common share to certain directors and employees.

14. Contingent liabilities:

Based upon information currently available, the Company and its consolidated subsidiaries have no significant pending lawsuits.

15. Segment information:

(1) Segments by industry

	Thousands of yen					
	March 31, 2004					
	ESD business	ECS business	EHI business	Total	Elimination/ Corporate	Consolidated
I. Net sales:						
(1) Outside customers	¥15,483,391	¥1,013,996	¥17,507	¥16,514,894	¥ -	¥16,514,894
(2) Inter-segment	453	15,019	108	15,580	(15,580)	-
Total	15,483,844	1,029,015	17,615	16,530,474	(15,580)	16,514,894
Operating expenses	12,722,828	911,206	131,217	13,765,251	1,047,475	14,812,726
Operating income	¥2,761,016	¥117,809	(¥113,602)	¥2,765,223	(¥1,063,055)	¥1,702,168
II. Assets, depreciation and capital expenditure:						
Assets	¥9,379,942	¥461,246	¥50,350	¥9,891,538	¥3,099,405	¥12,990,943
Depreciation	182,658	30,347	3,780	216,785	29,326	246,111
Capital expenditure	143,914	11,264	2,656	157,834	373,683	531,517

	Thousands of yen					
	March 31, 2005					
	ESD business	ECS business	EHI business	Total	Elimination/ Corporate	Consolidated
I. Net sales:						
(1) Outside customers	¥16,733,150	¥885,798	¥31,984	¥17,650,932	¥ -	¥17,650,932
(2) Inter-segment	-	-	-	-	(-)	-
Total	16,733,150	885,798	31,984	17,650,932	(-)	17,650,932
Operating expenses	13,806,846	776,072	102,727	14,685,645	1,123,929	15,809,574
Operating income	¥2,926,304	¥109,726	(¥70,743)	¥2,965,287	(¥1,123,929)	¥1,841,358
II. Assets, depreciation and capital expenditure:						
Assets	¥8,915,363	¥485,265	¥41,868	¥9,442,496	¥4,666,807	¥14,109,303
Depreciation	219,638	23,961	3,348	246,947	126,585	373,532
Capital expenditure	213,192	3,326	76	216,594	100,175	316,769

	Thousands of U.S. dollars					
	March 31, 2005					
	ESD business	ECS business	EHI business	Total	Elimination/ Corporate	Consolidated
I. Net sales:						
(1) Outside customers	\$155,817	\$8,248	\$298	\$164,363	\$ -	\$164,363
(2) Inter-segment	-	-	-	-	(-)	-
Total	155,817	8,248	298	164,363	(-)	164,363
Operating expenses	128,567	7,227	957	136,751	10,466	147,217
Operating income	\$27,250	\$1,021	(\$659)	\$27,612	(\$10,466)	\$17,146
II. Assets, depreciation and capital expenditure:						
Assets	\$83,018	\$4,519	\$390	\$87,927	\$43,457	\$131,384
Depreciation	2,045	223	31	2,299	1,179	3,478
Capital expenditure	1,985	31	1	2,017	933	2,950

Notes:

- Segment information by business activity is determined by considering the product line, the product market, and the management control of the business.
- Main products of each business segment:
 - ESD business: Professional graphics tablet, Consumer graphics tablet, LCD tablet, Pen sensor component
 - ECS business: ECAD/duo, Pro&Denki, SMARTEAM
 - EHI business: Electronic Seal inplet
- Corporate expenses mainly include the administrative expenses of the Company.
- Corporate assets mainly include cash; investment securities and assets belong to the general and administrative departments of the Company.

(2) Geographic Areas

	Thousands of yen					
	March 31, 2004					
	Japan	U.S.A.	Europe	China	Total	Elimination/ Corporate Consolidated
I. Net sales:						
(1) Outside customers	¥8,796,527	¥4,271,528	¥3,174,604	¥272,235	¥16,514,894	¥ - ¥16,514,894
(2) Inter-segment	3,594,887	92,580	85,433	-	3,772,900	(3,772,900)
Total	12,391,414	4,364,108	3,260,037	272,235	20,287,794	(3,772,900) 16,514,894
Operating expenses	10,866,729	3,576,426	2,926,958	260,127	17,630,240	(2,817,514) 14,812,726
Operating income	¥1,524,685	¥787,682	¥333,079	¥12,108	¥2,657,554	(¥955,386) ¥1,702,168
II. Assets	¥7,847,461	¥2,332,792	¥1,406,278	¥130,093	¥11,716,624	¥1,274,319 ¥12,990,943

	Thousands of yen					
	March 31, 2005					
	Japan	U.S.A.	Europe	Asia	Total	Elimination/ Corporate Consolidated
I. Net sales:						
(1) Outside customers	¥9,385,582	¥4,509,266	¥3,385,636	¥370,448	¥17,650,932	¥ - ¥17,650,932
(2) Inter-segment	4,312,222	106,741	164,810	13,305	4,597,078	(4,597,078)
Total	13,697,804	4,616,007	3,550,446	383,753	22,248,010	(4,597,078) 17,650,932
Operating expenses	12,015,423	3,679,488	3,069,070	465,311	19,229,292	(3,419,718) 15,809,574
Operating income	¥1,682,381	¥936,519	¥481,376	(¥81,558)	¥3,018,718	(¥1,177,360) ¥1,841,358
II. Assets	¥7,629,019	¥2,226,531	¥1,360,898	¥235,422	¥11,451,870	¥2,657,433 ¥14,109,303

	Thousands of U.S. dollars					
	March 31, 2005					
	Japan	U.S.A.	Europe	Asia	Total	Elimination/ Corporate Consolidated
I. Net sales:						
(1) Outside customers	\$87,397	\$41,990	\$31,526	\$3,450	\$164,363	\$ - \$164,363
(2) Inter-segment	40,155	994	1,535	123	42,807	(42,807)
Total	127,552	42,984	33,061	3,573	207,170	(42,807) 164,363
Operating expenses	111,886	34,263	28,578	4,333	179,060	(31,843) 147,217
Operating income	\$15,666	\$8,721	\$4,483	(\$760)	\$28,110	(\$10,964) \$17,146
II. Assets	\$71,040	\$20,733	\$12,673	\$2,192	\$106,638	\$24,746 \$131,384

Notes:

- Corporate expenses mainly include the administrative expenses of the Company.
- Corporate assets mainly include cash; investment securities and assets belong to the general and administrative departments of the Company.
- "Europe" includes Germany and the United Kingdom.
- As Wacom Digital Solutions in Korea, a wholly owned subsidiary of the Company was established in April 2004, "Asia" includes China and Korea. The amounts of net sales, operating expenses, and operating income in China for the period ended March 31, 2005 are ¥342,371 thousand (\$3,188 thousand), ¥334,730 thousand (\$3,117 thousand), and ¥7,461 thousand (\$71 thousand), respectively.

(3) Overseas sales

	Thousands of yen			
	March 31, 2004			
	North America	Europe	Others	Total
I. Overseas sales	¥4,320,261	¥3,077,048	¥2,484,592	¥9,881,901
II. Consolidated sales	-	-	-	16,514,894
III. Percentage of overseas sales to consolidated sales	26.2%	18.6%	15.0%	59.8%

	Thousands of yen			
	March 31, 2005			
	North America	Europe	Others	Total
I. Overseas sales	¥4,700,391	¥3,169,746	¥3,202,576	¥11,072,713
II. Consolidated sales	-	-	-	¥17,650,932
III. Percentage of overseas sales to consolidated sales	26.6%	18.0%	18.1%	62.7%

	Thousands of U.S. dollars			
	March 31, 2005			
	North America	Europe	Others	Total
I. Overseas sales	\$43,769	\$29,516	\$29,822	\$103,107
II. Consolidated sales	-	-	-	164,363
III. Percentage of overseas sales to consolidated sales	26.6%	18.0%	18.1%	62.7%

Notes:

- a) Countries or regions are determined by geographical proximity.
- b) Principal countries or regions belonging to each segment.
 - i) North America: U.S.A., Canada
 - ii) Europe: United Kingdom, Germany, France, Netherlands
 - iii) Others: South Korea, Taiwan, Australia, China
- c) Overseas sales comprise sales of the Company and its consolidated subsidiaries outside Japan.

Report of Independent Auditors

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS 

Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, Japan

Report of Independent Auditors

June 23, 2005

To the Board of Directors
of WACOM Co., Ltd.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of WACOM Co., Ltd. and its consolidated subsidiaries at March 31, 2004 and 2005, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in Japan which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

ChuoAoyama PricewaterhouseCoopers

Corporate Data

(As of July 1, 2005)

Established	July 12, 1983	Head Office / Factory	2-510-1 Toyonodai Otonemachi, Kita Saitama-Gun, Saitama 349-1148, Japan TEL: +81-480-78-1211 (Main) FAX: +81-480-78-1220
Capital	¥1.6 billion (As of March 31, 2005)	Branch / Offices	Tokyo Branch Harmony Tower 18th Floor, 1-32-2 Hon-cho, Nakano-ku, Tokyo 164-0012, Japan Sapporo Office Nippo Kita Nijyo Bldg. 4th Floor, 1-2-10 Kita Nijyo Higashi, Chuo-ku, Sapporo-shi, Hokkaido 060-0032, Japan Nagoya Office Origin Nishiki Bldg. 8th Floor, 1-6-17 Nishiki Naka-ku, Nagoya-shi, Aichi 460-0003, Japan Osaka Office Shogyo 2nd Bldg. 6th Floor, 5-4-9 Toyosaki Kita-ku, Osaka-shi, Osaka 531-0072, Japan Fukuoka Office Sumitomo Hakata Ekimae Daini Bldg. 5th Floor, 2-6-23 Hakataeki Higashi, Hakata-ku Fukuoka-shi, Fukuoka 812-0013, Japan
Employees	Consolidated: 436 Non-consolidated: 285 (As of March 31, 2005)	Overseas Affiliates	Wacom Technology Corporation (U.S.A.) 1311 SE Cardinal Court, Vancouver, WA 98683, U.S.A. WACOM Europe GmbH (Germany) Europark Fichtenhain A9 D-47807, Krefeld, Germany WACOM China Corporation (China) 1108, Block One, Kuntai International Bldg., 12 Chao Wai Street, Chao Yang District, Beijing, China 100020 WACOM Components Europe Ltd. (UK) 322 Cambridge Science Park Milton Road, Cambridge CB4 OWG England Wacom Digital Solutions Co., Ltd. (Korea) Gangnam Telepia B/D 9th Floor, 662-18, Yeoksam-dong, Gangnam-gu, Seoul, 135-080, Korea Wacom Australia Pty. Ltd. (Australia) Level 9, 123 Epping Road, North Ryde NSW 2113, Australia
Business Segments	1. Electronic Systems and Devices (ESD) Business Development, manufacture, and sale of computer input devices <ul style="list-style-type: none">• Professional pen tablets• Consumer pen tablets• Interactive pen display• Pen sensor components 2. Engineering Collaborative Solutions (ECS) Business Development, manufacture, sale, support, and maintenance of industrial systems <ul style="list-style-type: none">• Electronic design CAD software• PDM/SMARTTEAM		
Bank	Mizuho Bank, Ltd. UFJ Bank Ltd. Saitama Resona Bank, Ltd. The Sumitomo Trust & Banking Co., Ltd. The Bank of Tokyo-Mitsubishi, Ltd. Development Bank of Japan, etc.		

Investor Information

(As of March 31, 2005)

Stock Exchange Listing

Jasdaq Securities Exchange (Trade code 6727)

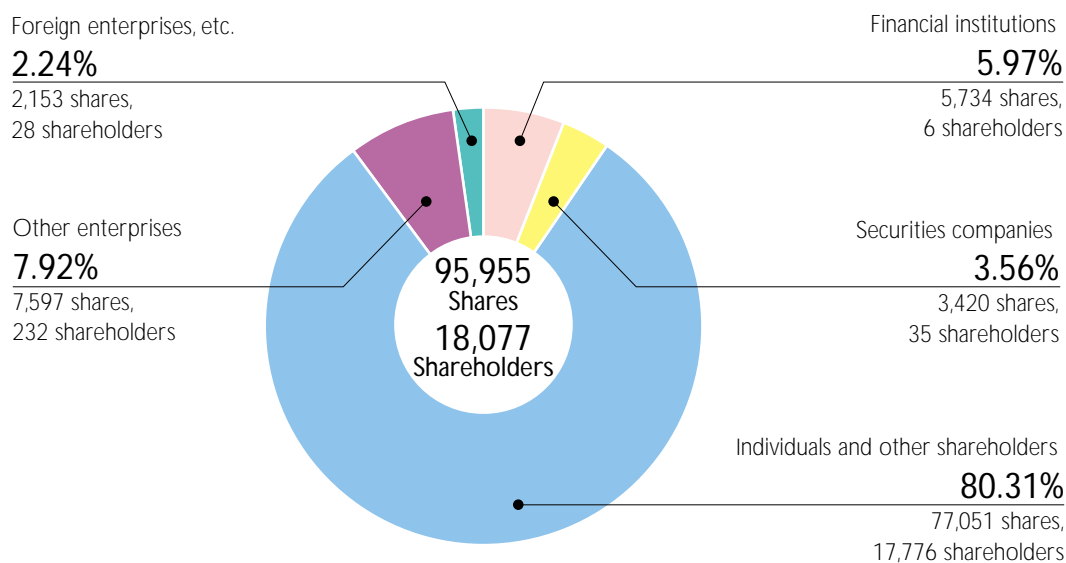
Share Data

Total number of shares to be issued 345,000 shares
 Total number of issued shares 95,955 shares
 Number of shareholders 18,077

Major Shareholders

Name of shareholder	Number of shares owned	Percentage of voting rights (%)
Yoji Eto	10,670	11.12
Japan Securities Finance Co., Ltd.	4,602	4.80
Wilnau Co.	3,025	3.15
Masahiko Yamada	1,855	1.93
Yoshimi Ogawa	1,800	1.88
Unitech Holdings International Co., Ltd.	1,600	1.67
OHJC Co., Ltd.	1,500	1.56
Koichi Noda	1,077	1.12
Japan Trustee Services Bank, Ltd. (Trust Account)	759	0.79
Yoshiaki Endo	600	0.63

Shareholder Distribution





Wacom Co., Ltd.

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