

# Consolidated Financial Results for the Fiscal Year Ended December 31, 2016 [Japanese GAAP]



February 10, 2017

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 Scheduled date of Ordinary General Meeting of Shareholders: March 23, 2017  
 Scheduled date of filing annual securities report: March 24, 2017  
 Scheduled date of commencing dividend payments: March 24, 2017  
 Availability of supplementary briefing material on consolidated financial results: Available  
 Schedule of consolidated financial results briefing session: Scheduled (for institutional investors and analysts)

(Figures are rounded down to the nearest million yen)

## 1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2016 (From January 1, 2016 to December 31, 2016)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal year ended December 31, 2016	44,112	–	4,358	–	4,104	–	2,705	–
Fiscal year ended December 31, 2015	45,121	–	4,057	–	3,646	–	2,468	–

(Note) Comprehensive income: Fiscal year ended December 31, 2016: 1,926 million yen [–%]  
 Fiscal year ended December 31, 2015: 1,699 million yen [–%]

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen			
Fiscal year ended December 31, 2016	206.73	–	12.4	11.0	9.9
Fiscal year ended December 31, 2015	173.36	–	11.0	9.6	9.0

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal Year Ended December 31, 2016: - million yen  
 Fiscal Year Ended December 31, 2015: - million yen

The Company changed its fiscal year-end date from March 31 to December 31 starting from the fiscal year ended December 31, 2015. As a result, for the consolidated results for the fiscal year ended December 31, 2015, which serves as a transitional period, the period for consolidation is the nine-month period from April to December for the Company, and for consolidated subsidiaries with a fiscal year-end in December, the twelve-month period from January to December. Therefore, year-on-year rates of change are not on the list.

[Reference]

Percentages shown below are rates of change comparing the previous fiscal year's twelve-month results of the Company and consolidated subsidiaries with the financial results from January 1 to December 31, 2016.

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal year ended December 31, 2016	44,112	(6.2)	4,358	(18.8)	4,104	(17.2)	2,705	(19.4)
Fiscal year ended December 31, 2015 (Adjusted)	47,024	–	5,371	–	4,955	–	3,358	–

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of December 31, 2016	36,341	20,617	56.7	1,647.59
As of December 31, 2015	37,980	22,910	60.3	1,608.94

(Reference) Equity: As of December 31, 2016: 20,617 million yen  
As of December 31, 2015: 22,910 million yen

## (3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Fiscal year ended December 31, 2016	5,369	(1,427)	(3,879)	9,936
Fiscal year ended December 31, 2015	3,543	(1,282)	(2,270)	10,009

## 2. Dividends

	Annual dividends				
	1st quarter end	2nd quarter end	3rd quarter end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2015	–	30.00	–	30.00	60.00
Fiscal year ended December 31, 2016	–	30.00	–	30.00	60.00
Fiscal year ending December 31, 2017 (Forecast)	–	35.00	–	35.00	70.00

	Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	Millions of Yen	%	%
Fiscal year ended December 31, 2015	862	34.6	3.8
Fiscal year ended December 31, 2016	759	29.0	3.7
Fiscal year ending December 31, 2017 (Forecast)		29.2	

**3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2017 (From January 1 to December 31, 2017)** (% indicates changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
First half	22,500	98.8	2,000	75.0	2,000	83.9	1,400	89.6	111.88
Full year	45,600	103.4	4,600	105.5	4,400	107.2	3,000	110.9	239.74

**\* Notes**

(1) Significant changes of subsidiaries during the fiscal year ended December 31, 2016 (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes  
One company newly added: company name: InClix Corporation

(2) Changes in accounting policies, changes in accounting estimates and corrections of errors

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Any changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Corrections of errors: No

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

Fiscal year ended December 31, 2016	12,656,311 shares
Fiscal year ended December 31, 2015	14,385,511 shares

2) Total number of treasury shares at the end of the period:

Fiscal year ended December 31, 2016	142,595 shares
Fiscal year ended December 31, 2015	146,000 shares

3) Average number of shares during the period:

Fiscal year ended December 31, 2016	13,088,786 shares
Fiscal year ended December 31, 2015	14,239,511 shares

(Reference) Summary of Non-consolidated Financial Results

**1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2016 (From January 1, 2016 to December 31, 2016)**

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Profit	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal year ended December 31, 2016	31,055	—	3,069	—	3,371	—	2,384	—
Fiscal year ended December 31, 2015	26,742	—	4,104	—	4,425	—	3,069	—

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended December 31, 2016	182.21	—
Fiscal year ended December 31, 2015	215.59	—

The Company changed its fiscal year-end date from March 31 to December 31 starting from the fiscal year ended December 31, 2015. As a result, for the fiscal year ended December 31, 2015, which serves as a transitional period, the period is the nine-month period from April to December for the Company. Therefore, year-on-year rates of change are not on the list.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of December 31, 2016	30,526	18,626	61.0	1,488.49
As of December 31, 2015	32,480	20,462	63.0	1,436.99

(Reference) Equity: As of December 31, 2016: 18,626 million yen

As of December 31, 2015: 20,462 million yen

\* Presentation regarding the implementation status of the audit process

These Consolidated Financial Results are not subject to the audit process provided for by the Japanese Financial Instruments and Exchange Act. At the time of the disclosure of these Consolidated Financial Results, the audit process of the Consolidated Financial Statement based on the Law has not been completed.

\* Explanation of the proper use of financial results forecast and other notes

1. Financial results forecast was prepared based on available information at the time of the release of this document, and the Company does not in any way guarantee the achievement of the projections. Actual results may be different from the projections due to various factors. For the notes concerning the use of financial results forecast, please refer to page 10.
2. The Company plans to hold a briefing session for institutional investors and analysts on February 17, 2017 (Friday). Materials distributed at the session will be posted on the Company's website.

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## 1. Results of Operations

### (1) Analysis of Results of Operations

The Company changed its fiscal year-end date from March 31 to December 31 starting from the previous fiscal year. For the previous fiscal year, which served as a transitional period, the period for consolidation was the nine-month period from April to December for the Company, and for consolidated subsidiaries with a fiscal year-end in December, the twelve-month period from January to December. As a result, for comparisons with the corresponding period of the previous fiscal year, rates of increase and decrease are shown with figures of results from the corresponding period of the previous fiscal year adjusted to match the same period as the current period of consolidation.

During the fiscal year ended December 31, 2016, the world economy was on a moderate recovery trend overall in developed countries such as the United States, Europe and Japan. However, the outlook remains uncertain due to various factors causing a risk of economic decline, such as a deceleration in growth in emerging markets such as China, and stagnation of economies in resource-rich countries, in addition to high volatility in financial markets and heightened geopolitical risk.

Amid such conditions, the group formulated a five-year medium-term business plan beginning in FY 2016, and started implementation from the current term. The medium-term business plan emphasizes “GrowthOne: Sustainable growth through innovation” as the basic policy, and by working toward the three major issues of (1) accelerating new business developments in growing markets, (2) transforming to a solutions provider, and (3) transforming into an innovation-focused group, we aim to create a high value-added market and achieve sustainable growth.

During the fiscal year under review, in order to promote “accelerating new business developments in growing markets,” one of the major issues in the medium-term business plan, in addition to activities in the mainstay sign (advertising and sign production) market, we focused on new growth sectors such as proposing original product creation in retail markets and textile printing in textile markets, in addition to dental milling machines in the dental (dental medical) market.

As a result of the above, sales for the fiscal year ended December 31, 2016 decreased by 6.2% over the previous term to 44,112 million yen, due to such factors as lower sales of printers for the sign market and the negative effects of foreign exchange, despite steady achievement in expanding into new markets. In terms of expenses, cost of sales rose by 1.7% from the previous year due to the effects of factors such as lower per-unit prices and higher R&D expenses, while selling, general and administrative expenses decreased by 6.4% year on year due to efforts to reduce business expenses, although the ratio to sales was on par with the previous term.

As a result, operating income decreased by 18.8% compared with the previous term to 4,358 million yen. Ordinary income decreased by 17.2% compared with the previous term to 4,104 million yen. Profit attributable to owners of parent was down 19.4% compared with the previous term to 2,705 million yen.

The exchange rates for major currencies during the fiscal year ended December 31, 2016 (average rate during the period from January 2016 to December 2016) were 108.88 yen to the U.S. dollar (121.06 yen for the previous term) and 120.40 yen to the euro (134.36 yen for the previous term).

As the business of the Company and its consolidated subsidiaries is the manufacture and sale of computer peripheral device and there are no other segments, it is represented as a single segment. Sales by product are as follows.

Net sales by product

(Millions of Yen)

Product	Fiscal year ended December 31, 2015 (After adjustment)		Fiscal year ended December 31, 2016		Changes (After adjustment)	Changes in composition ratio (%) (After adjustment)	Year-on year change (%) (After adjustment)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Printers	20,175	42.9	18,027	40.9	(2,147)	(2.0)	89.4
Plotters	1,476	3.1	1,292	2.9	(184)	(0.2)	87.5
3D products	3,951	8.4	4,188	9.5	236	1.1	106.0
Supplies	14,978	31.9	13,623	30.9	(1,354)	(1.0)	91.0
Others	6,443	13.7	6,980	15.8	536	2.1	108.3
Total	47,024	100.0	44,112	100.0	(2,912)	—	93.8

[Printers]

In addition to activities in the mainstay sign (advertising and sign production) market, we are working on expanding into new markets.

In retail markets, sales of the LEF series of small UV printers for use in creating original products in the retail sector showed solid performance. On the back of diversified and personalized consumer needs, business to create and sell products such as smartphone cases and novelty items by printing original designs such as pictures and illustrations is increasing at retail stores of various sizes and online shops. During the fiscal year under review, capturing these business opportunities, we introduced in January the LEF-300, a model with high productivity that showed a solid start, and launched activities by a dedicated team for retail markets. These efforts caused sales to increase mainly in developed countries. Going forward, we aim to further expand business in retail markets by adopting the successful cases to date among each region across the world.

Furthermore, in the textile market, there has been progress in the introduction of specialized textile printers including the XT-640 that went on sale in December 2015 and is primarily used in the production of sportswear and original wear.

Meanwhile, in the sign market, we introduced to the market the TrueVIS SG series, a new eco-solvent printer model, and four models of VG-640/540 and SG-540/300. The TrueVIS SG series features vivid colors and superb printing quality which are brought about by newly developed heads and ink, and there has been progress in its introduction mainly due to replacement demand by existing users. However, in the sign market as a whole, sales remained at low levels against a backdrop of shifting market needs to mid- and low-price models and fierce competition with competitors. In the sign market in developed countries, in response to maturing of the market, we will work to maintain and expand market share by providing high value-added products and high-quality services and support in order to improve customer satisfaction. For emerging economies, we will focus on market expansion through promotion of aggressive sales and marketing activities while implementing maintenance and enrichment of sales networks.

In this way, during the fiscal year ended December 31, 2016, our expansion into new printing markets made progress as seen in an increase in sales of small UV printers for manufacturing original products and growth in specialized textile printers for printing onto textiles. However, a decline in sales of printers for the sign market caused adverse effects. As a result, printer sales reached 18,027 million yen, or 89.4% of the previous fiscal year.

[Plotters]

Although sales of the GS-24 were favorable due to its attractive pricing, sales of some high-price models were sluggish, resulting in sales of 1,292 million yen, or 87.5% of the previous fiscal year.

[3D products]

We are strengthening measures in health care fields, with its increasing need for digitalization. In particular, the dental (dental medical) market has grown to a mainstay market in the 3D products category due to aggressive measures in each region across the world.

During the fiscal year ended December 31, 2016, with a view to accelerate our growth in the dental market, we developed ever more speedy and intensive sales and marketing activities, while reinforcing staff dedicated to the dental sector and enhancing other resources. Thanks to these efforts, discovery of new sales networks progressed steadily and sales grew in Asia in addition to developed countries such as North America, Europe, and Japan, partly due to the solid performance of the two new product models of the DWX series dental milling machines that were introduced in October 2015. In the dental market, through efficient sales activities using our networks in each region across the world and provision of high-quality services and support, we are steadily expanding business while differentiating ourselves from industry peers. Care and services tailored to each individual, including dental care, are required in the healthcare field, and it is a field in which we can exert our unique strengths in digital technologies and manufacturing know-how. Moving forward, we will position this field as a growth market and intensify our efforts.

On the other hand, sales of 3D milling machines for manufacturing businesses and the EGX series engraving machines for engraving businesses were sluggish, and decreased year on year.

In this way, during the fiscal year ended December 31, 2016, dental milling machines, in which we are concentrating our activities across the world, grew significantly. As a result, 3D sales reached 4,188 million yen, or 106.0% of the previous fiscal year.

[Supplies]

Although sales of printer ink for UV printers and textile printers grew, sales of printer ink for the sign market declined year on year. As a result, net sales of supplies were 13,623 million yen, or 91.0% of the previous fiscal year.

[Others]

Maintenance services, service parts, and other sales were 6,980 million yen, or 108.3% of the previous fiscal year, mainly due to factors such as an increase in the sales of service parts.



Sales by region are as follows.

Net sales by region

(Millions of Yen)

Region	Fiscal year ended December 31, 2015 (After adjustment)		Fiscal year ended December 31, 2016		Changes (After adjustment)	Changes in composition ratio (%) (After adjustment)	Year-on year change (%) (After adjustment)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Japan	5,058	10.8	5,305	12.0	247	1.2	104.9
North America	13,491	28.7	12,360	28.0	(1,131)	(0.7)	91.6
Europe	16,434	34.9	15,331	34.8	(1,103)	(0.1)	93.3
Asia	3,770	8.0	4,094	9.3	323	1.3	108.6
Others	8,269	17.6	7,021	15.9	(1,248)	(1.7)	84.9
Total	47,024	100.0	44,112	100.0	(2,912)	—	93.8

[Japan]

In printers, sales of small UV printers offered for manufacturing original products and printers for use in textiles grew. Meanwhile, sales of printers for the sign market were sluggish. In 3D products, although sales of the DWX series dental milling machines and the EGX series engraving machines were favorable, 3D milling machines that we propose for use in monozukuri, or the manufacturing market, were sluggish.

As a result, sales in Japan were 5,305 million yen, or 104.9% of the previous fiscal year.

[North America]

In printers, although sales of large UV printers and high-price professional models were sluggish, UV printer models with attractive price ranges were solid, centered on the new VG series for the sign market. Meanwhile, in 3D products, sales of dental milling machines grew favorably, owing to factors such as progress in maintaining and expanding new sales networks and implementation of promotional campaigns.

However, under the effect of the stronger yen against the dollar, net sales in North America were 12,360 million yen, or 91.6% of the previous fiscal year.

[Europe]

In printers, sales were higher than the previous fiscal year, owing to installation of small UV printers at large-scale stores such as shopping centers and do-it-yourself shops. Furthermore, installations increased for textile printers, which were primarily used in sportswear printing. On the other hand, sales of printers for the sign market were at low levels. In 3D products, sales of dental milling machines grew significantly across the entire European region.

However, under the effect of the stronger yen against the euro, net sales in Europe were 15,331 million yen, or 93.3% of the previous fiscal year.

[Asia]

In China, in addition to favorable sales of printers for the sign market, in printers, sales of products such as dental milling machines grew due to steady progress in developing new sales networks. In South Korea, sales of small UV printers and dental milling machines increased significantly. Furthermore, in India and the ASEAN region, we advanced aggressive sales and marketing activities while aiming to strengthen cooperation with local distributors, and sales of printers for the sign market increased.

As a result, sales in Asia were 4,094 million yen, or 108.6% of the previous fiscal year.

[Other Regions]

In Australia, sales of printers for the sign market were sluggish. Meanwhile, primarily for printers, sales decreased and were significantly lower than the previous fiscal year in Brazil, where political chaos continues to cause long-term economic decline, and in the Middle East and certain South American countries that are being affected by lower resource prices.

Under the effects of these factors and the stronger yen against the Brazilian real, the resulting net sales in these regions were 7,021 million yen, or 84.9% of the previous fiscal year.

Forecast for the Fiscal year ending December 31, 2017

The forward-looking economic outlook calls for a moderate recovery trend to continue mainly in developed countries, but conditions are expected to remain unpredictable due to factors such as stagnation of growth in some emerging economies, the issue regarding U.K.'s exit from the European Union and concerns over the policy management of the new administration in the U.S.

Under these conditions, as for the next term's business performance, we predict increased sales and profit through our efforts to explore and deepen new growth markets, while working to strengthen profitability of our businesses.

(Millions of Yen)

	Fiscal year ended December 31, 2016	Fiscal year ending December 31, 2017	Rate of change (%)
Net sales	44,112	45,600	103.4%
Operating income	4,358	4,600	105.5%
Ordinary income	4,104	4,400	107.2%
Profit attributable to owners of parent	2,705	3,000	110.9%

Estimated exchange rates of major currencies for the fiscal year ending December 31, 2017

1USD=110yen, 1EUR=120yen

## (2) Analysis of Financial Position

### Summary of Consolidated Statement of Cash Flows

(Millions of Yen)

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016	Changes
Net cash provided by (used in) operating activities	3,543	5,369	1,826
Net cash provided by (used in) investing activities	(1,282)	(1,427)	(145)
Net cash provided by (used in) financing activities	(2,270)	(3,879)	(1,609)
Effect of exchange rate on cash and cash equivalents	(391)	(378)	12
Net increase (decrease) in cash and cash equivalents	(400)	(316)	84
Increase in cash and cash equivalents from newly consolidated subsidiary	—	243	243
Cash and cash equivalents at end of period	10,009	9,936	(72)

#### [Net cash provided by (used in) operating activities]

Net cash provided by operating activities for the fiscal year under review was 5,369 million yen, an increase of 1,826 million yen from the previous fiscal year. Main positive factors for the cash flows include higher profit before income taxes, a decrease in inventories and a decrease in income taxes paid. Main negative factors include an increase in notes and accounts receivable - trade and a decrease in notes and accounts payable – trade.

#### [Net cash provided by (used in) investing activities]

Net cash used in investing activities for the fiscal year under review was 1,427 million yen, an increase in outflow of 145 million yen from the previous fiscal year's outflow of 1,282 million yen. While the purchase of shares of subsidiaries and associates decreased, the purchase of property, plant and equipment increased, thus resulting in higher outflow.

#### [Net cash provided by (used in) financing activities]

Net cash used in financing activities for the fiscal year under review was 3,879 million yen, an increase of 1,609 million yen from an outflow of 2,270 million yen in the previous fiscal year. During the fiscal year under review, outflow increased as an outflow of 3,418 million yen due to the purchase of treasury shares was recorded and an outflow resulting from repayments of long-term loans payable increased from the previous fiscal year, while an inflow of 2,880 million yen due to proceeds from long-term loans payable for the purchase of treasury shares.

## (3) Basic Policy on Earnings Distributions and Dividend for Current and Next Fiscal Years

We believe in prioritizing profit returns for shareholders, and therefore we will work to maintain the stability of those returns in light of our performance. At the same time, from a mid-to-long term standpoint, since we must allocate funds for future investments in equipment, R&D and sales, we are working to bolster our internal reserves, prepare the required capital, and strengthen the constitution of our business.

In terms of actual policy, based on the profit returns in accordance with our performance, we keep our goal of maintaining dividends at 30% of consolidated profits, and incorporating that into the future of our business

development. As for dividends in the current term, we met our goal at the start of the term, and term end dividends will be 30 yen, which makes the annual payout 60 yen, the same as that of the previous term.

In terms of dividends in the following term, both interim and year-end payouts are set to be raised by 5 yen to 35 yen per share based on the above basic policy.

## 2. Management Policy

### (1) Basic Company Management Policy

We have focused our efforts on developing digital technologies and providing creative devices that make it possible for our customers around the world to “Transform Imagination into Reality,” based on our vision. With the rapid advances of digitalization, our customers’ needs are growing more advanced and diverse, and it is critical to proactively and rapidly develop new technologies to support these needs. We believe that we can gain the trust of our customers, developing together, not by simply aiming to achieve greater sales volume, but by supplying high quality products and services.

Led by this philosophy, we are working to create a unified operation system, consisting of our sales and development departments and affiliated companies, with the common mission of collecting customer information and developing new products. We are constantly launching development projects, which continually share information and generate awareness as they strive to develop products based on new research themes.

At the same time, the results of this high value development work must be commercialized using optimal production systems. We consider improving quality and production efficiency our greatest missions as a manufacturer, and are dedicated to develop our structures and systems. Our “Digital Yatai (digitally-controlled cell production system),” which fully leverages IT equipment, has reduced lead time and ensured reliability in quality.

We consider the effort we put into this manufacturing to be one of the joys of creation, and will continue to engage in proactive, unified company operations in the future.

### (2) Target Management Benchmarks

We are firm in our belief that customer and shareholder trust can be created through stable corporate growth.

We have set as our basic targets an annual net sales growth rate of 10% or more, and an operating income to net sales of 10% or more, focusing on our core group-wide business activities from the perspective of global management.

### (3) Medium to Long Term Business Strategy and Issues to be Addressed

Our group has continued to grow by creating high value-added markets globally based on color & 3D digital control technology. Currently, we are working on creating new markets in response to the maturing of mainstay markets. In addition, we will reform our solutions while responding to structural changes of the digital network society aggressively, and reform the business structure for sustainable growth.

#### 1) Response to Maturing of Mainstay Markets

The mainstay sign markets in developed countries are maturing in line with the widespread use of inkjet printers. Through creation of business opportunities with customers via development of various other usages and the strengthening of solution proposals, we will focus on maximizing customer value, while also leveraging our global sales network to create customer bases in emerging countries with the intent of creating profitable and continuous business models.

#### 2) Commercialization of Growth Fields

Aiming to achieve sustainable growth, we are promoting business diversification from the business structure centered on the sign market into creation and nurturing of new unique fields. Redefining the business areas as “Imaging & Healthcare,” we will further create high added values in growth fields such as digital printing, dental and 3D MONO-Zukuri fields that allow us to leverage our digital technology and aim at prompt commercialization.

#### 3) Response to Changes of Markets and Customer Needs

Considering value creation and market creation as the core of growth, flexibility to market changes including diversification of customer needs is critical. Based on our group-wide corporate structure “GlobalOne,” which enables speedy responses to changes, we will aggressively invest in our core technology innovation, and realize

sustainable growth by looking to ICT (Information Communication Technology) and addressing group-wide solution reform that positions everything that generates customer values as “services.”

#### 4) Strengthening R&D and Production Structure

In terms of the structure behind R&D and production, our company thinking is based in the “digital factory” concept, which ensures speedy and effective development and production by sharing 3D data company-wide as well as suppliers. Multiple products are realized by concurrent engineering, and assembled with cell production system which is optimized for low-volume, high-variety production work.

Furthermore, we are currently aggressively conducting research and development investment to strengthen our technological base in order to respond to rapid changes in the market environment and the diversification of needs. Through unique technological proposals taking advantage of our core technologies, we will advance the creation of additional customer value and added value markets.

In production and procurement, we aim to improve cost competitiveness and production lead times through our two bases at the domestic plant and the Thai plant, at the same time strengthen our capabilities to respond to changes in demand for the realization of further optimization.

#### 5) Improving Business Sustainability

As part of our natural disaster preparedness, we are striving to improve the continuity of our business activities through means such as multi-faceted review of BCP (business continuity planning) that includes supply chains, and decentralization of risk. We are implementing the latter by extending our production system across plants in Japan and Thailand, and by promoting overseas parts procurement.

#### 6) Environmental Protection

We are taking a number of initiatives to ensure the protection of the environment. This includes considering environmental impact during product development, preparing our facilities to prevent contamination, efforts to reduce energy consumption, and company-wide education on efficient usage and recycling of materials. Going forward, we will continue to make sustainable environmental efforts that can contribute to development of a sustainable society

#### 7) Enhancing Corporate Governance and Strengthening Internal Control

As a listed company, corporate governance is our responsibility to society, and to realize this, we must strengthen the internal control of our company. We have set “Basic Policies on the Internal Control System” as sought by the Companies Act and maintain a risk management structure. Furthermore, regarding internal control for financial reports as instituted by the Financial Instruments and Exchange Act, we are planning structural and organizational measures to ensure the appropriateness of such reports in accordance with the above basic policy.

Furthermore, “Japan’s Corporate Governance Code” has been applied to companies listed on the Tokyo Stock Exchange from June 2015. While understanding the purpose and spirit of this code fully and enhancing corporate governance, we will strive for sustainable growth and the increase of corporate value over the medium to long term through active dialogue with shareholders and investors, etc., by establishing the “Policy for Constructive Dialogue with Shareholders”.

### 3. Basic Policy on Selection of Accounting Standards

The Group applies Japanese Accounting Standards.

Concerning the future adoption of International Financial Reporting Standards (IFRS), the Group will consider its application while taking into consideration factors such as global adoption and domestic trends.

#### 4. Consolidated Financial Statements

##### (1) Consolidated Balance Sheets

(Thousands of Yen)

	As of December 31, 2015	As of December 31, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	9,995,232	10,003,132
Notes and accounts receivable - trade	4,427,744	4,919,547
Merchandise and finished goods	6,600,707	5,900,492
Work in process	91,737	76,976
Raw materials and supplies	2,727,720	2,391,214
Deferred tax assets	1,631,226	1,080,446
Other	1,695,092	1,334,151
Allowance for doubtful accounts	(26,846)	(53,872)
Total current assets	27,142,613	25,652,088
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,937,776	6,928,375
Accumulated depreciation	(3,871,027)	(4,054,575)
Buildings and structures, net	3,066,749	2,873,800
Machinery, equipment and vehicles	1,010,189	1,053,186
Accumulated depreciation	(651,950)	(711,924)
Machinery, equipment and vehicles, net	358,238	341,262
Tools, furniture and fixtures	3,213,349	3,620,466
Accumulated depreciation	(2,615,611)	(2,906,050)
Tools, furniture and fixtures, net	597,737	714,416
Land	3,118,628	3,107,278
Construction in progress	98,735	21,061
Total property, plant and equipment	7,240,089	7,057,818
Intangible assets		
Goodwill	574,971	410,076
Software	1,185,715	1,376,535
Telephone subscription right	7,983	12,162
Total intangible assets	1,768,670	1,798,774
Investments and other assets		
Investment securities	267,173	33,784
Deferred tax assets	605,893	789,882
Other	1,112,437	1,032,222
Allowance for doubtful accounts	(156,715)	(23,224)
Total investments and other assets	1,828,789	1,832,664
Total non-current assets	10,837,549	10,689,258
Total assets	37,980,162	36,341,346



(Thousands of Yen)

	As of December 31, 2015	As of December 31, 2016
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	2,135,476	1,923,210
Current portion of long-term loans payable	1,440,000	1,440,000
Income taxes payable	633,476	246,996
Provision for bonuses	675,069	716,485
Provision for directors' bonuses	70,000	80,000
Provision for product warranties	541,736	552,306
Other	3,184,471	3,301,061
Total current liabilities	8,680,229	8,260,061
Non-current liabilities		
Long-term loans payable	4,320,000	4,680,000
Provision for employee stock ownership plan trust	62,635	91,256
Provision for management board incentive plan trust	151,583	223,132
Net defined benefit liability	487,406	960,630
Long-term accounts payable - other	119,093	117,622
Other	1,248,619	1,391,075
Total non-current liabilities	6,389,339	7,463,716
<b>Total liabilities</b>	<b>15,069,568</b>	<b>15,723,778</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,668,700	3,668,700
Capital surplus	3,867,377	3,700,608
Retained earnings	16,167,288	14,808,134
Treasury shares	(635,105)	(623,301)
Total shareholders' equity	23,068,260	21,554,142
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,513	3,056
Foreign currency translation adjustment	9,700	(466,234)
Remeasurements of defined benefit plans	(170,911)	(473,444)
Total accumulated other comprehensive income	(157,697)	(936,622)
Non-controlling interests	30	48
<b>Total net assets</b>	<b>22,910,593</b>	<b>20,617,567</b>
<b>Total liabilities and net assets</b>	<b>37,980,162</b>	<b>36,341,346</b>

(2) Consolidated Statements of Operations and Comprehensive Income  
Consolidated Statements of Operations

(Thousands of Yen)

	For the fiscal year ended December 31, 2015 (From April 1, 2015 to December 31, 2015)	For the fiscal year ended December 31, 2016 (From January 1, 2016 to December 31, 2016)
Net sales	45,121,937	44,112,327
Cost of sales	25,912,540	24,070,932
Gross profit	19,209,396	20,041,394
Selling, general and administrative expenses		
Transportation and warehousing expenses	1,017,102	906,139
Advertising and promotion expenses	1,211,527	1,109,340
Provision of allowance for doubtful accounts	5,185	—
Provision for product warranties	109,439	118,739
Salaries and bonuses	7,140,891	7,776,714
Provision for bonuses	361,322	376,327
Provision for directors' bonuses	70,000	80,000
Provision for employee stock ownership plan trust	23,852	20,353
Provision for management board incentive plan trust	78,305	72,146
Retirement benefit expenses	305,224	318,695
Traveling and transportation expenses	729,686	717,818
Depreciation	731,774	815,942
Commission fee	1,365,543	1,284,235
Other	2,002,057	2,086,126
Total selling, general and administrative expenses	15,151,914	15,682,581
Operating income	4,057,482	4,358,812
Non-operating income		
Interest income	19,571	16,235
Dividend income of insurance	2,681	10,184
Gain on valuation of investments in money held in trust	—	34,120
Subsidy income	24,747	—
Other	29,511	36,822
Total non-operating income	76,512	97,361
Non-operating expenses		
Interest expenses	89,914	31,742
Sales discounts	184,809	174,787
Foreign exchange losses	185,419	130,243
Other	27,062	14,613
Total non-operating expenses	487,205	351,387
Ordinary income	3,646,789	4,104,787

(Thousands of Yen)

	For the fiscal year ended December 31, 2015 (From April 1, 2015 to December 31, 2015)	For the fiscal year ended December 31, 2016 (From January 1, 2016 to December 31, 2016)
Extraordinary income		
Gain on sales of non-current assets	7,438	10,398
Total extraordinary income	7,438	10,398
Extraordinary losses		
Loss on sales and retirement of non-current assets	164,279	31,990
Total extraordinary losses	164,279	31,990
Profit before income taxes	3,489,948	4,083,194
Income taxes - current	1,639,174	922,702
Income taxes - deferred	(617,725)	454,637
Total income taxes	1,021,448	1,377,340
Profit	2,468,499	2,705,854
Profit (loss) attributable to non-controlling interests	(9)	19
Profit attributable to owners of parent	2,468,509	2,705,835

## (Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	For the fiscal year ended December 31, 2015 (From April 1, 2015 to December 31, 2015)	For the fiscal year ended December 31, 2016 (From January 1, 2016 to December 31, 2016)
Profit	2,468,499	2,705,854
Other comprehensive income		
Valuation difference on available-for-sale securities	(967)	(457)
Foreign currency translation adjustment	(769,336)	(475,936)
Remeasurements of defined benefit plans, net of tax	1,386	(302,532)
Total other comprehensive income	(768,917)	(778,927)
Comprehensive income	1,699,581	1,926,927
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,699,591	1,926,910
Comprehensive income attributable to non-controlling interests	(9)	17

## (3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended December 31, 2015 (From April 1, 2015 to December 31, 2015)

(Thousands of Yen)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,668,700	3,867,372	14,561,729	(635,105)	21,462,696
Changes of items during period					
Dividends of surplus			(862,950)		(862,950)
Profit attributable to owners of parent			2,468,509		2,468,509
Changes in shareholders' interests due to transaction with non-controlling interests		5			5
Net changes of items other than shareholders' equity					
Total changes of items during period	—	5	1,605,558	—	1,605,564
Balance at end of current period	3,668,700	3,867,377	16,167,288	(635,105)	23,068,260

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	4,481	779,036	(172,297)	611,220	58	22,073,975
Changes of items during period						
Dividends of surplus						(862,950)
Profit attributable to owners of parent						2,468,509
Changes in shareholders' interests due to transaction with non-controlling interests						5
Net changes of items other than shareholders' equity	(967)	(769,336)	1,386	(768,917)	(27)	(768,945)
Total changes of items during period	(967)	(769,336)	1,386	(768,917)	(27)	836,618
Balance at end of current period	3,513	9,700	(170,911)	(157,697)	30	22,910,593

For the fiscal year ended December 31, 2016 (From January 1, 2016 to December 31, 2016)

(Thousands of Yen)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,668,700	3,867,377	16,167,288	(635,105)	23,068,260
Changes of items during period					
Dividends of surplus			(811,163)		(811,163)
Profit attributable to owners of parent			2,705,835		2,705,835
Purchase of treasury shares				(3,411,415)	(3,411,415)
Retirement of treasury shares		(166,768)	(3,253,826)	3,420,594	—
Treasury stock transfer of stock ownership plan trust				2,624	2,624
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(166,768)	(1,359,153)	11,803	(1,514,118)
Balance at end of current period	3,668,700	3,700,608	14,808,134	(623,301)	21,554,142

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	3,513	9,700	(170,911)	(157,697)	30	22,910,593
Changes of items during period						
Dividends of surplus						(811,163)
Profit attributable to owners of parent						2,705,835
Purchase of treasury shares						(3,411,415)
Retirement of treasury shares						—
Treasury stock transfer of stock ownership plan trust						2,624
Net changes of items other than shareholders' equity	(457)	(475,934)	(302,532)	(778,925)	17	(778,907)
Total changes of items during period	(457)	(475,934)	(302,532)	(778,925)	17	(2,293,026)
Balance at end of current period	3,056	(466,234)	(473,444)	(936,622)	48	20,617,567

## (4) Consolidated Statements of Cash Flows

(Thousands of Yen)

	For the fiscal year ended December 31, 2015 (From April 1, 2015 to December 31, 2015)	For the fiscal year ended December 31, 2016 (From January 1, 2016 to December 31, 2016)
<b>Cash flows from operating activities</b>		
Profit before income taxes	3,489,948	4,083,194
Depreciation	929,201	1,253,831
Amortization of goodwill	209,805	126,498
Increase (decrease) in allowance for doubtful accounts	114,861	(106,069)
Increase (decrease) in provision for bonuses	14,778	44,546
Increase (decrease) in provision for directors' bonuses	(20,000)	10,000
Increase (decrease) in provision for product warranties	38,108	33,021
Increase (decrease) in provision for employee stock ownership plan trust	33,242	29,932
Increase (decrease) in provision for management board incentive plan trust	79,578	72,859
Increase (decrease) in net defined benefit liability	22,308	44,600
Interest and dividend income	(20,146)	(16,753)
Interest expenses	89,914	31,742
Loss (gain) on sales and retirement of intangible assets	155,226	13,209
Loss (gain) on sales of property, plant and equipment	1,614	8,382
Decrease (increase) in notes and accounts receivable - trade	165,265	(750,000)
Decrease (increase) in inventories	(862,800)	592,666
Decrease (increase) in other current assets	(91,223)	335,198
Decrease (increase) in other non-current assets	(333,651)	13,065
Increase (decrease) in notes and accounts payable - trade	1,306,571	479,317
Increase (decrease) in other current liabilities	319,557	174,986
Increase (decrease) in other non-current liabilities	128,642	164,386
Other, net	23,158	62,820
Subtotal	5,793,960	6,701,439
Interest and dividend income received	22,722	35,699
Interest expenses paid	(88,739)	(33,164)
Income taxes paid	(2,184,802)	(1,334,426)
Net cash provided by (used in) operating activities	3,543,140	5,369,548
<b>Cash flows from investing activities</b>		
Payments into time deposits	(636)	(47,163)
Purchase of property, plant and equipment	(489,321)	(757,894)
Proceeds from sales of property, plant and equipment	25,077	22,969
Purchase of intangible assets	(572,753)	(648,171)
Purchase of investment securities	(719)	(885)
Purchase of shares of subsidiaries and associates	(243,460)	(10,000)
Other, net	(450)	13,330
Net cash provided by (used in) investing activities	(1,282,264)	(1,427,814)

(Thousands of Yen)

	For the fiscal year ended December 31, 2015 (From April 1, 2015 to December 31, 2015)	For the fiscal year ended December 31, 2016 (From January 1, 2016 to December 31, 2016)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(329,220)	—
Proceeds from long-term loans payable	—	2,880,000
Repayments of long-term loans payable	(1,080,000)	(2,520,000)
Purchase of treasury shares	—	(3,418,598)
Cash dividends paid	(858,889)	(813,402)
Other, net	(2,183)	(7,405)
Net cash provided by (used in) financing activities	(2,270,292)	(3,879,406)
Effect of exchange rate change on cash and cash equivalents	(391,201)	(378,764)
Net increase (decrease) in cash and cash equivalents	(400,618)	(316,437)
Cash and cash equivalents at beginning of period	10,409,692	10,009,074
Increase in cash and cash equivalents from newly consolidated subsidiary	—	243,460
Cash and cash equivalents at end of period	10,009,074	9,936,096



## 7. Other

### Changes to Officers

(Scheduled on March 23, 2017)

#### (1) Change to Representative Director

Name: Masahiro Tomioka

New position: Chairman and Director (Currently Chairman and Representative Director)

#### (2) Changes to Other Officers

##### 1) New candidate for Director

Kouichi Hashimoto, Director (Currently Executive Officer of the Company)

##### 2) Director scheduled for retirement

Wataru Suzuki, Senior Executive Director