ANNUAL REPORT 2019

Year ended December 31, 2019

Imagine the moment your ideas take shape, brimming over with originality.
Art, science, business, lifestyle – developments in all these areas begin with imagination.
We at Roland DG understand the thrill of imagination,
and realize the satisfaction and enjoyment of turning images and ideas into realities.
The word “Imagine” and Roland DG go hand in hand.
By providing new solutions via cutting-edge digital technology,
we make it possible for our customers around the world to “transform imagination into reality.”

Mission

Bringing new opportunities to society through digital technology

Slogans

Inspire the Enjoyment of Creativity

Be the BEST rather than the BIGGEST

The Roland Family — Cooperative Enthusiasm

INDEX

ESG Initiatives

Governance

Increased number of external directors for greater management transparency
(out of 9 directors, 4 are external directors of which 3 are independent directors)

Foreigners and a female appointed as directors to boost diversity

see detail in page 27-29

Social

Enhance health and safety with dental and medical support systems

see detail in page 19

Promoting women's participation: received "Eruboshi" certification by Japan's Ministry of Health, Labour and Welfare

Environment

Shifted from ink cartridges to pouches, to reduce the amount of plastic waste

Products equipped with safe inks that are extremely safe for children to touch

see detail in page 32

Forward-looking information

All statements on this report that are not based on historical fact, including performance forecasts, plans, and strategies, constitute forward-looking statements regarding future performance. These statements were prepared by Roland DG management using information available at the time and based on certain assumptions, and as such, are subject to risk and uncertainties. As actual performance may differ widely from these forecasts, we ask that you do not base your investment decisions solely on these performance forecasts.

TOP MESSAGE

To our Shareholders

The Roland DG group positions the medium-term business plan, with FY2020 as its final year, as a transitional period toward a new growth stage, and is working on changing the business portfolio and enhancing operational effectiveness. During the fiscal year under review, the competitive environment for printers remained difficult despite ongoing growth in the digital businesses, causing both sales and profit to fall. There are still work to be done in the key issues laid down in the medium-term business plan of “expanding growing markets,” “stopping the down trend of sales of printers in the sign market,” and “improving profitability.” On the other hand, we continued measures to strengthen management based on a divisional organization system and enhance our technological development capability, and had some success in areas such as marketing a wealth of new products centered on printers in the year under review. We therefore believe that we have built a robust platform for our businesses for the new growth stage. Based on this platform, we have launched a new management structure to enable dramatic future growth with Hidenori Fujioka as Director, Chairman, and Kohei Tanabe as Representative Director, President, following approval of these appointments at the 39th Ordinary General Meeting of Shareholders held on March 19, 2020 and at the subsequent Board of Directors meeting. The new management team members will drive the formulation of the next medium-term business plan scheduled for launch in FY2021, to step up from a period of transition to growth.

In this endeavor, we look forward to the continued support of our shareholders.

April 2020

Director, Chairman
Hidenori Fujioka

Representative Director, President
Kohei Tanabe

Interview with the New President

Q What is the purpose of these major changes in the management structure?

Nine Directors were elected at the 39th Ordinary General Meeting of Shareholders. One was a new Director, and three were new Outside Directors. We have rejuvenated and diversified the management team, appointing relatively youthful people with a wide range of experience and expertise. In addition, one of the new Outside Directors is the CEO of our main shareholder Taiyo Pacific Partners L.P., and can be expected to incorporate a shareholder and investor perspective into management. At the same time, our aim is also to raise standards of governance. By boosting numbers of Outside Directors, we aim to step up the supervisory role and transparency of the Board of Directors. Also, we have increased diversity by welcoming aboard as Directors foreign nationals and women, enabling us to put in place a flexible management team more in sync with the changes that are sweeping society. Under the new system, we aim to enable a management structure that can act faster, and bring about a further boost in corporate value.

Q What were the major focuses of your career?

After joining the Company in 2000, I worked in overseas sales operations for about 10 years, and then became responsible for developing sales channels and distributor management in the Middle East/Africa and in Europe. In 2009, we began studying dental technologies after discovering the possibility of using our 3D milling machine for production of dental prosthesis. Subsequently, I oversaw the launch of the dental business which led to the current DGSHAPE business, and in 2017 served as representative director at DGSHAPE Corporation. I have been in charge of the DP Business Division of the Company as Director since 2018.

Q How did you feel when you were appointed President of Roland DG?

Initially, I was surprised and also a little bemused. However, then President Hidenori Fujioka told me we need a new president to lift the Company up to the next stage from the transition period and asked me to create and push forward an aggressive growth strategy in the next medium-term business plan. I am a relatively junior member of the management team, but I am now determined to live up to everybody’s expectations.

Q What are your aspirations for the future?

The Company has continued to grow by providing products and solutions that break new ground in the world market or in its sector. It is part of our Company’s DNA to stay close to the customer and identify markets where we can bring our strengths to full play and take on the challenge of niche markets. We will continue to pursue customer value going beyond conventional concepts such as manufacturing or hardware, and pursue sustainable growth.

Profile Kohei Tanabe Representative Director, President

Joined the Company in April 2000. Became General Manager of Medical Business Unit in November 2012, Division Vice President of Market Development HQ in January 2014, Executive Officer of the Company and Division Vice President of Easy Shape Business Development HQ in April 2015; became President, Representative Director of DGSHAPE Corporation and General Manager of its DG Shape Market Development Dept. in April 2017; and became a Director of the Company in March 2018.

New TrueVIS VG2 Series Printer/ Cutters Produce "Power to Excite"

Our new mainstay TrueVIS VG2 Series eco-solvent printer/cutters for sign and display printing have enjoyed high acclaim in the sign market since its launch, and has won a series of prestigious awards at overseas exhibitions.

Here are some of the features of the VG2 Series and what the developers channeled into the products.

Innovation Award

The ISA Innovation Awards recognize the most unique and outstanding product launches at ISA Sign Expo 2019. In all, there were nominees across four categories, representing the breadth of the sign, graphics and visual communications industry. The VG2-540 and VG2-640 impressed the judges – an outside panel of experts – with technological advancements, comprehensive color choices, improved machine efficiency and increased print-and-cut accuracy.

Andrew Oransky, President and CEO of Roland DGA, Roland DG's US-based sales and marketing subsidiary, was quick to point out the importance of winning this coveted award. "To have ISA recognize our new TrueVIS VG2 series as a standout product for 2019 is quite an honor, especially considering the stiff competition. The cutting-edge technologies and features of these next-generation printer/cutters put them in a class by themselves," Oransky noted. "An amazing amount of research and effort went into the design and development of these machines, ensuring that every VG2 is built to exceed the needs of the most demanding graphics professional."

EDP Awards

Winners of the EDP Awards are decided by an independent panel of judges from Europe's 21 leading trade publications, who evaluate the most exciting technical launches from the previous twelve months based on their "achievement, quality and cost efficiency." When judging the Roland DG TrueVIS VG2 series, the panel said, "Roland DG has not adhered to existing concepts, but has redefined product development." The judges were particularly impressed by the system's breadth of color gamut, optimized color accuracy and color reproduction capability, plus a host of technological advancements to deliver high-precision print and cut performance.

"We're absolutely thrilled to have won the EDP Award for 'Best Print & Cut Solution' with the new TrueVIS VG2 series," said Gillian Montanaro, Head of Marketing for Roland DG EMEA. "When we launched the VG2 series just a few months ago we were ready to show the industry something special, a solution that could genuinely change print professionals' working lives in terms of color quality, turnaround speeds, reliability, longevity of their output and much more. The EDP Awards are widely regarded as the most prestigious awards for the digital print business in Europe so the title of 'Best Print & Cut Solution' absolutely reflects how incredible this machine is."

Main Features of the VG2 Series

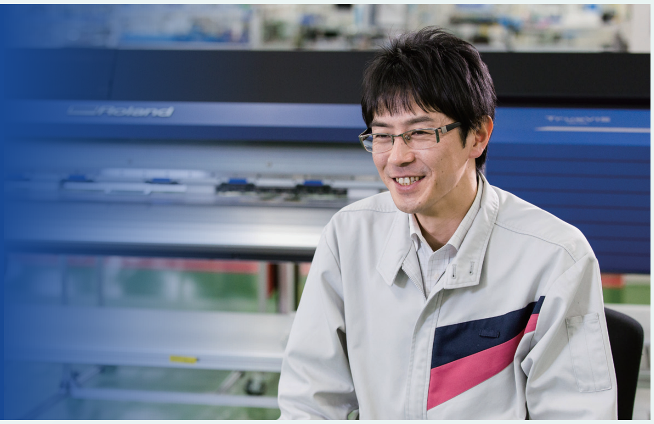
The TrueVIS VG2 Series, developed to enable unprecedented creative possibilities for a Roland DG product, draws on a host of technological advancements to enhance its color gamut and color reproduction capability. The new TR2 ink is adopted, adding orange to its palette. True Rich Color was developed as a new print setting to maximize the appeal of the TR2 ink, taking expressions to a whole new level through vivid, rich coloring and smooth gradation. The accuracy of printing and cutting has improved for a more stable output. We perfected the VG2 Series in every aspect including output quality, usability and reliability, so as to help improve customers' competitiveness in the sign market.

Interviews with the Developers

Aiming for the best printer in every way, i.e. resolution, usability and reliability, the team worked as one to take on the challenge of developing new ink and color management technologies, improve the precision of printing and cutting as well as media transfer, and develop state-of-the art RIP software and other technologies. Going forward, I am committed to creating products that enable customers to enjoy unleashing their creative possibilities and transforming their imaginations into reality.

TrueVIS VG2 Project Manager

Ryo Baba



Our job is "designing resolution." My challenge was striking the ultimate balance of natural expression in shades of gray and true-to-life details with vivid colors preferred in signage graphics by leveraging the broad ink color gamut including the new color orange.

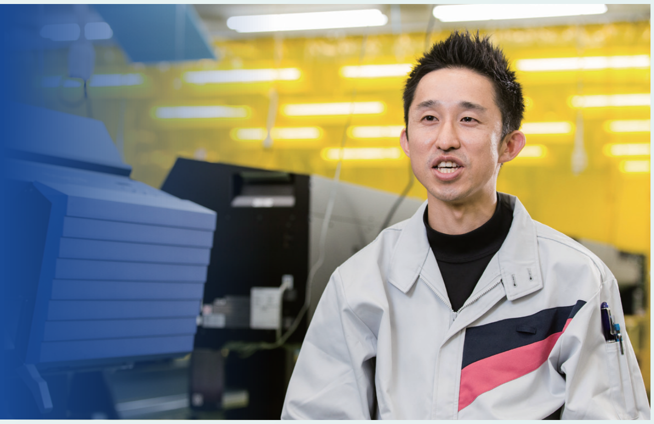
Color Management Technology Engineer

Takeshi Yagi

Our job is to design an appropriate control system to enable a stable discharge of ink from the printhead. We have fundamentally overhauled the specifications of the control system used to date, to maximize the inherent potential of printers and maintain peak performance. As an engineer, my aim is always to reach higher, not contenting myself with the status quo.

Maintenance Sequence Engineer

Teppei Sawada



TrueVIS SG2 Series

Released on October 22, 2019

Roland DG Corporation added the new SG2 64", 54", and 30" wide-format eco-solvent printer/cutters to its second generation TrueVIS series.

TrueVIS achieve the highest ever print quality available for durable graphic print businesses. The SG2 series of printer/cutters features a CMYK ink configuration to achieve an affordable price and low running cost designed for emerging as well as developed markets. The new series offers the power to excite with outstanding color and versatility in three different sizes to meet a variety of graphic business requirements. The new SG2 series will appeal to large numbers of digital print business owners. In addition to individuals just entering the sign and display graphics market, we designed it especially for those focused on diversifying their print businesses by expanding graphic product offerings while also maximizing profitability through efficient production.

SG2-640

SG2-540

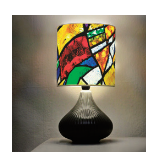
SG2-300

VersaUV LEF2-200 / LEF2-300

LEF2-200, Released on March 5, 2019 / LEF2-300, Released on September 2, 2019

The LEF series includes the popular desktop and benchtop versions of Roland DG's UV flatbed inkjet printers. The latest model LEF2 series inherits the series' renowned ability to print amazing graphics and lifelike textures, including premium finishes such as simulated embossing, onto a vast array of materials up to 100 mm (3.94 in.) thick. New functions make the LEF2 series even easier and more efficient to use.

As everyone's lifestyles and preferences become increasingly varied, the demand for making one-of-a-kind items or high-mix, small-batch runs continues to grow. The LEF2 series is designed to meet such demand as it is capable of on-demand printing quickly onto a diverse range of materials. We aim to develop more products that encourage customer creativity in order to boost business growth.



VersaUV LEC2-300

Released on November 29, 2019

LEC series printers are capable of creating unique special effects using UV ink and contour cutting printed images on demand. Since we introduced them in 2008, the LEC series has been used by a broad range of printing businesses for countless applications, including printing adhesive decals, labels and stickers, novelty merchandise, and design prototypes. The newly released LEC2-300 builds on the best feature of the series, making it both easy and economical to produce high-value added prints in quantities as few as one. As the newest model in the series it also comes packed with features, including a newly developed print head and LED lamps, and a host of updated functions for an even higher level of print quality in a compact and stylish design.

With this new printer, we hope to contribute to further growth and development of the printing industry.

VersaSTUDIO BT-12

Released on April 3, 2019

The BT-12 is an easy-to-use A4 size printer that allows printing directly on cotton substrates. You can print full color graphics including photos, logos and text on a variety of products, such as t-shirts, tote bags and interior decoration items. Its compact size and affordable pricing allow businesses to offer personalization services with a low initial investment and in locations where space is limited, including shopping malls, kiosks, apparel stores, hotel gift shops and tourist destinations, or even at events. These solutions not only help to add value to merchandise, but also provide customers with a rewarding new shopping experience, which can help build store traffic as well as become a popular topic of conversation on social media.

Laser Engraver LV-290 / LV-180

Released on September 2, 2019

LV-180

LV-290

The LV series uses a non-contact CO_2 laser to engrave complex shapes and text with crisp edges at high speed out of plastics, wood, leather, paper, cork and much more. Unlike conventional digital engravers, cut surfaces have a smooth, clean finish without burrs, thus eliminating the need for any final touch-up work. With no engraving cutters to break or wear out, the laser always maintains a beautiful finish with no degradation in quality. Operation of the LV series is very simple, allowing even beginners to start performing high-precision laser engraving immediately. With two models available featuring different laser power and work areas, users can select the model that best suits the thickness and size of the materials they wish to work with.

By combining the LV series' capabilities with our LEF/LEF2 series UV benchtop flatbed printers featuring exceptional print capabilities, it is possible to create premium value items which cannot be accomplished by each product alone. This unique fusion of different capabilities opens up profitable new business possibilities.

DE-3

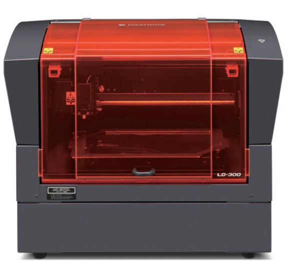
Released on February 21, 2019

The DE-3 builds on the legacy of Roland engraving solutions that is advanced today by DGSHAPE Corporation and affirms DGSHAPE's commitment to providing reliable, desktop solutions for the entrepreneur to build a business. The DE-3 can produce a variety of engraving applications including industrial nameplates, signage, awards, and gift personalization. This next generation engraver incorporates many new improvements including: Ethernet connectivity, updated nosecone technology for higher quality engraving on uneven material, data buffer for offline engraving, laser pointer for precise material alignment, and new bundled software: Dr. Engrave Plus.

Operation is as simple as pressing a button. DGSHAPE prides itself on the concept of the "Open System." This open architecture offers the flexibility of using design software and tooling that engraving professionals are already familiar with. The DE-3 can be connected via USB or LAN which allows for increased flexibility in any environment. Dr. Engraving Plus is a design software that can create new artwork or take existing files from popular design software packages to output to the DE-3 for a true out-of-the-box solution.

LD-300

Released on October 23, 2019



The LD-300 is the next generation of DGSHAPE's laser decorator technology. It's larger and more robust platform can produce all the previous applications of the revolutionary LD-80 laser decorator, while also adding the capability of foil decoration on large items.

The LD-300 Laser Decorator goes beyond foil decoration on soft plastics to include larger three-dimensional items and direct imprinting on natural leather. The unique design of LD-300 allows unique personalization of small or large objects without sacrificing quality. The LD-300 is a Class 1 laser product. The shielded front cover and completely enclosed frame are perfect for retail environments where safety is a primary concern. Unlike laser engraving technologies that tend to burn the surface of leather during processing, the LD-300 requires no ventilation and leaves no debris during the decorating process. Setup is simple and intuitive, with easy-to-use software features for complete control of the decoration workflow.

TOPICS 1

Creativity on Display at Adobe MAX 2019

Roland DGA, Roland DG's U.S. sales and marketing subsidiary, partnered with Adobe at the Adobe MAX 2019 conference in Los Angeles, CA to show designers, artists, photographers and other creative attendees how to turn their designs and artwork into profitable products with Roland DG technology.

Held annually, Adobe MAX is the one of the world's largest design conferences, attracting thousands of creative minds for a week of inspirational talks, workshops and networking. Adobe MAX 2019 conference was held from November 4-6, and a preconfecence was held from November 2-3.

Attendees get hands-on with our digital imaging technologies

This year, Roland DGA and Adobe teamed up to give many of the 19,000 attendees an opportunity to interact with the latest digital technologies from both companies in the Adobe booth.

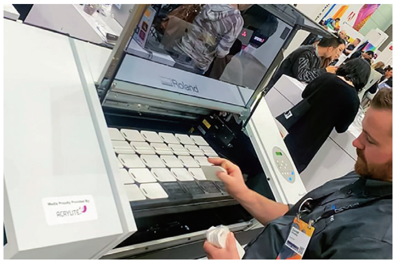
Attendees used our brand-new VersaUV LEF2-300 UV flatbed printer and Adobe Illustrator software to create customized acrylic luggage tags. One-of-a-kind luggage tags were printed for thousands of eager attendees who wanted a special custom souvenir to take home from the creatively energizing and inspiring Adobe MAX show.

Roland DGA representatives and Adobe staff worked non-stop for three-days, helping attendees create designs in various Adobe programs for output to our VersaWorks 6 RIP software and printing onto acrylic luggage tags with LEF2-300 UV flatbed printers. The custom luggage tags that came off our machines showed the diversity of personalities at the show — a wonderful mix of illustrations, designs, inspiring messages, business logos and favorite family snaps.

Judging by the long lines at the booth and response from creative professionals who created awesome custom luggage tags, it was clear that the activity was a big hit. Attendees shared how much they enjoyed the process of creating their designs and seeing them come to life on a luggage tag.

Pre-show workshop and interactive booth experiences inspire creativity

Roland DGA and Adobe conducted a November 2-3 pre-show workshop in which participants designed Día del los Muertos inspired artwork printed with the LEF2-300 UV flatbed printers. The completed projects were on display throughout the November 4-6 conference for all attendees to see.



Those attending Adobe MAX 2019 also had a chance to design their own custom stickers. Roland DGA partnered with ASUS to provide four Adobe Illustrator workstations, where attendees could design their own stickers and print them out using our powerful yet compact 20-inch VersaSTUDIO BN-20 desktop printer/cutter.

The entire Adobe MAX show was full of creative experiences and opportunities where attendees could experience new print, 3D, software and art solutions. Adobe MAX is increasingly becoming the playground for the creative industry and we are thrilled to be a part of it.

TOPICS 2

DGSHAPE at IDS 2019

DGSHAPE (formerly known as Roland EasyShape) exhibited its pioneering CAD/CAM technology solutions at IDS 2019, which takes place from March 12–16 in Cologne, Germany.

IDS, short for International Dental Show, is the world's largest dental specialty trade fair, said to be the most commercially influential in the dental industry.

With live demos of DGSHAPE's market-leading wet and dry milling devices, 11 seminars hosted by 7 internationally-renowned Key Opinion Leaders and a high-energy celebration event with hundreds of guests, the DGSHAPE booth was once again a must-visit destination. Visitors to the DGSHAPE booth were impressed with the ease of use, material compatibility and unattended production capability offered by DGSHAPE devices.

The DGSHAPE stand was divided into 2 client-specific areas. For in-office clinic labs, the Clinic Zone featured smaller format products designed to facilitate same-day dentistry applications. For dedicated dental laboratories, the Lab Zone featured larger products designed to facilitate high production capability for advanced applications.

TOPICS 3

Dental Milling Machine "DWX Series" Total Worldwide Shipments Exceed 10,000 Units

DGSHAPE Corporation announced that total worldwide shipments of DWX dental milling machines have exceeded 10,000 units.

Based on Roland DG's three-dimensional benchtop milling technology, cultivated over a quarter of a century to become a worldwide leader in multi-axis manufacturing products, the DWX series was launched in 2010. The four-axis "DWX-30", the first of its kind, was followed by the enormously successful DWX-50, a high-performance five-axis model in 2011. The DWX-30/50 has received high praise for its compact size, ease of use and installation, low maintenance, and a pioneer of the open system where there is no limitation to which scanner, CAD, CAM, or materials can be used to create a custom workflow in a dental laboratory. In 2013, the DWX-4 launched, pursuing a more compact size and easy operation, while maintaining the high processing accuracy of conventional models. In 2015, "DWX-51D" succeeded the popular DWX-50 with an award-winning new design. The popularity of glass ceramics grinding led to the launch of the DWX-4W, Roland's first wet milling machine. In contrast to hybrid machines that use both technologies in the same milling cavity, the Wet & Dry combo (the concept of using different processing machines according to processing methods) has been widely accepted in the market for ease of use, stability, and high processing accuracy.

Our DWX series contributes to the efficiency of prosthetic production at dental laboratories and in-clinic laboratories around the world, including the United States, Europe, and China. We believe that the ease and stability of operations that can be started from the day the product arrives, and the wide range of support network leveraging our parent company Roland DG are major factors in our success. Finally as a global company, we were successful in providing localized solutions based on the unique requirements of the market.

Financial Highlights

Partially due to a negative impact of the stronger yen, net sales for the fiscal year ended December 31, 2019 decreased by 4.6% compared with the previous term to 40,795 million yen. The ratio of cost of sales rose by 2.1 percentage points, and selling, general and administrative expenses decreased from the previous term, mainly due to lower personnel expenses and other costs, but its ratio against net sales rose by 0.9 percentage points from the previous term. As a result, operating profit decreased by 34.3% compared with the previous term to 2,794 million yen, and ordinary profit decreased by 33.4% compared with the previous term to 2,648 million yen. Due to a decrease of income taxes and the negative effect of recording extraordinary losses including the disposal of software assets and loss on sales and retirement of non-current assets in the previous term, profit attributable to owners of parent was 1,944 million yen, decreasing by 32.5% from the previous term.

In the DP Business, in our conventional mainstay sign market, to respond to the market environment which is matured and facing fierce competition and to stop the down trend of sales of printers in the sign market and maintain our market share, we introduced a new product that provided much higher expressiveness and higher reliability through the latest technologies. Also, we developed products that will lead to the development of adjacent markets for signs through co-creation with regional partners in order to cultivate new opportunities in the digital printing market.

In the COTO business, which focuses on personalization needs to optimize goods based on individual interests, concerns, and events, we placed emphasis on in-store creation of personalized goods and proposal activities on decorative services for retail businesses. By taking advantage of our desktop product lineup, which are compact in size and create products on demand, we proposed new businesses that provide great buying experiences, such as having customers experience the fun and joy of forming their own designs into shapes at retail stores and event sites.

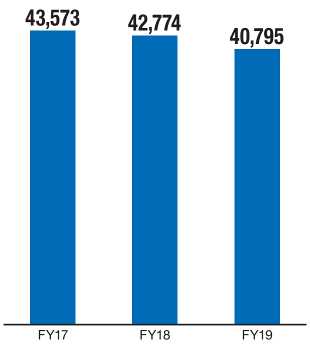
In the dental market, aiming to become the top global manufacturer as we target dental clinics in addition to dental labs, we engaged in activities toward accelerated regional expansion and share expansion, including enhancing distributors and solutions proposals in collaboration with CAD/CAM software vendors.

Net Sales

(Millions of Yen)

40,795

YoY changes 4.6%

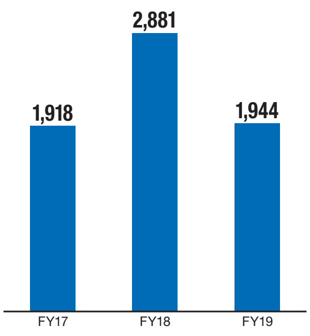


Profit attributable to owners of parent

(Millions of Yen)

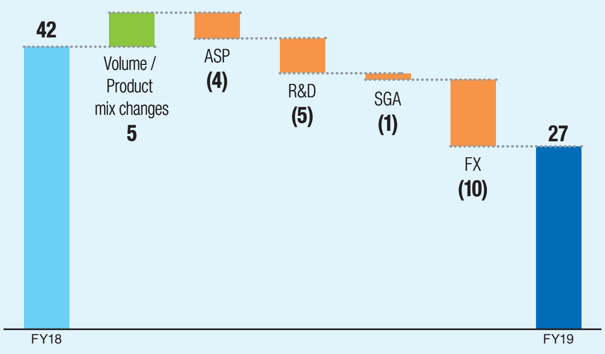
1,944

YoY changes 32.5%



Variance Analysis YoY (Operating Income)

(Millions of Yen)

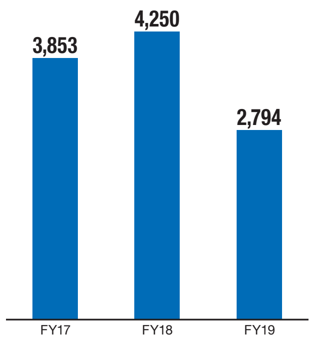


Operating Income

(Millions of Yen)

2,794

YoY changes 34.3% ↓

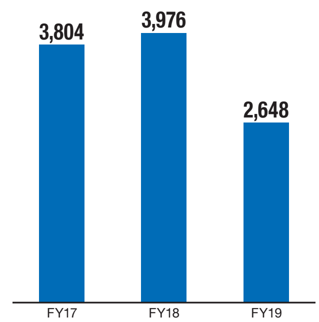


Ordinary Income

(Millions of Yen)

2,648

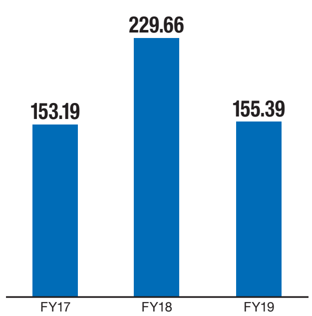
YoY changes 33.4% ↓



Earnings per share

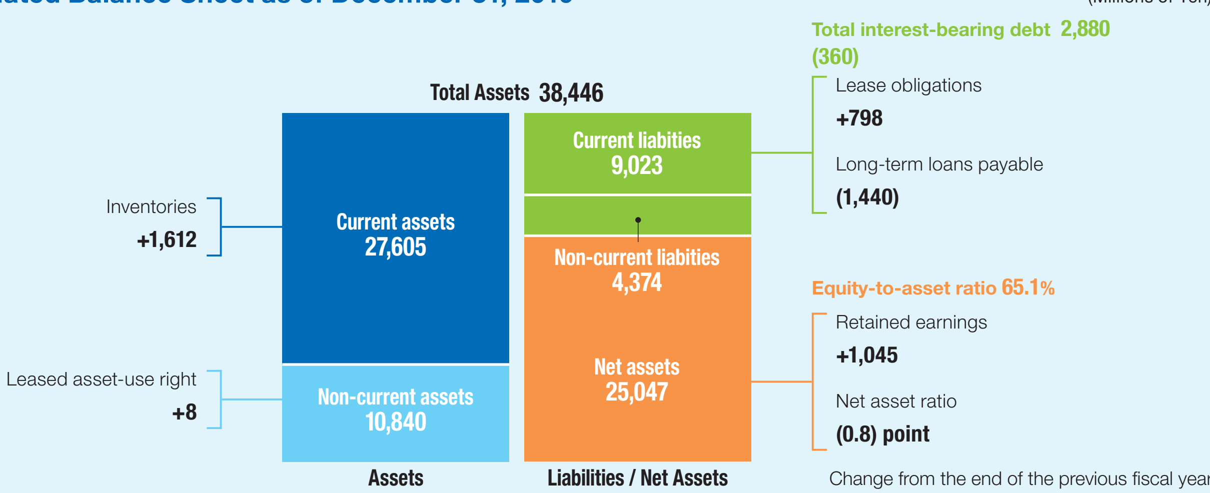
(Yen)

155.39

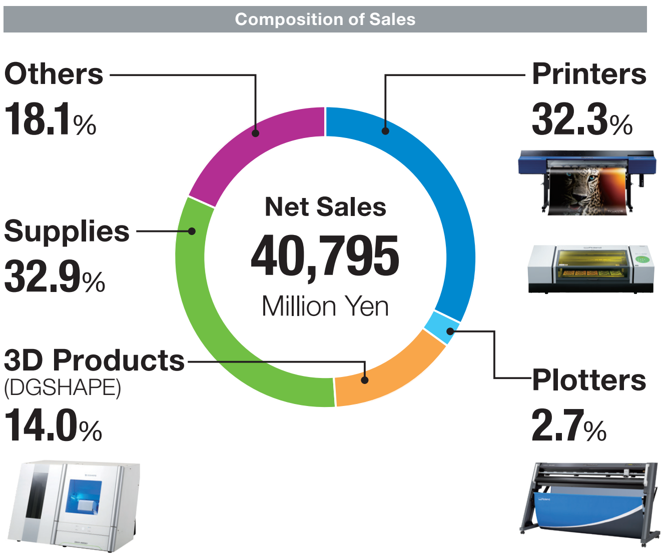


Consolidated Balance Sheet as of December 31, 2019

(Millions of Yen)



Net sales by product (FY2019)

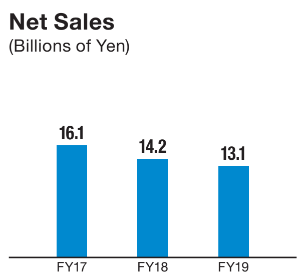


Printers

Net Sales

13,183 Million Yen

YoY changes 7.5%



Summary

In the sign market, to respond to the situation in which the market has matured and competition has become fierce with the entry of major manufacturers, we made efforts to maintain our customer base in this market by strengthening our products' competitiveness. On the other hand, we developed products which meet customer needs for specific applications through co-creation with regional partners, in order to open up new opportunities in the digital printing market. In the TrueVIS series, mainstay products, we released VG2-640/540 and SG2-640/540/300 to completely renew the product lineup of the series. We released the VersaUV LEC2-300 printer/cutter in November, a product equipped with UV ink that can be printed on various materials and a print & cut function that allows users to cut out printed graphics to any shape. We proposed using it for applications such as making stickers and labels on-demand and in low quantity and creating design prototypes. In retail markets, we released two new models, the VersaUV LEF2-200 desktop UV printer and VersaUV LEF2-300, a model with increased productivity. We proposed these products to small retailers engaging in decoration services for products such as smartphone cases and home appliances, in addition to small-scale plants engaging in creating original products.

In addition, we released the LV-290/180 desktop laser engravers. Together with desktop UV printers, they can produce full-color acrylic stands and accessories in various shapes. By providing these products as a solutions for customers to expand their printing businesses, we promoted sales of desktop UV printers.

In April, we released our first garment printer, the VersaSTUDIO BT-12. This A4 size desktop printer can print photos and other graphics directly onto T-shirts, polo shirts, tote bags, and other cotton fabrics to create original products. By connecting with our software "cotodesign," customers can easily start printing services for merchandise sold at shops. We proposed these as the solutions for small retailers who aim to offer new services.

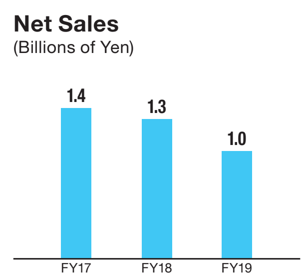
As a result of these factors, printer sales were 13,183 million yen in the fiscal year ended December 31, 2019, or 92.5% of the previous fiscal year. Despite printers for the sign market trending on the same level as the previous fiscal year thanks to the release of our mainstay TrueVIS series products, there was a drop in sales of UV printers for the sign market that are suitable for print on large boards such as acrylic and foam board signs and cardboard display fixtures, and a drop in sales of UV printers for the retail market.

Plotters

Net Sales

1,098 Million Yen

YoY changes 17.8%



Summary

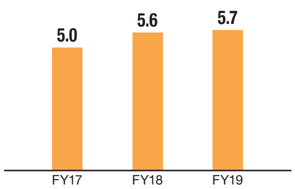
In September, we released the LV-290/180 desk-top laser engravers that can engrave and cut shapes out of acrylic and other resins, wood, and leather. Together with desktop UV printers, they can produce full-color acrylic stands and accessories in various shapes. We provided these products as solutions for customers to expand their businesses.

As sales of large format cutters for the sign market decreased, plotter sales were 1,098 million yen in the fiscal year ended December 31, 2019, or 82.2% of the previous fiscal year.

3D Products (DGSHAPE)

Net Sales

(Billions of Yen)



Net Sales

5,705 Million Yen

YoY changes 1.5% ↑

Summary

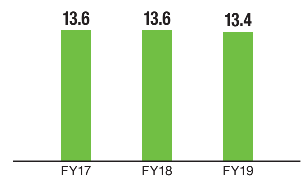
While securing a solid footing in the 3D digital fabrication market such as the manufacturing and engraving industries as well as educational institutions, DGSHAPE Corporation, which engages in the 3D business, strove to become the top global manufacturer through regional expansion for sales and share expansion in the growing dental market. In the dental market, we promoted sales promotion activities such as setting up exhibits at major tradeshows across the world including IDS 2019, the world's largest dental tradeshow held every two years, and presenting the latest dental solutions. In addition, we worked on solutions proposals in collaboration with CAD/CAM software vendors targeting dental clinics, focusing on developing new markets. Thanks to the success of these initiatives, we have steadily increased sales results in the dental market. In December, we shipped the 10,000th dental milling machine worldwide after we released our first dental milling machine in 2010. In the 3D digital fabrication market, we made progress in introducing the MDX-540 and SRM-20 3D milling machines for prototypes in the manufacturing industry and at educational institutions, boosting sales. With regard to new products, we released two new models, which are the DE-3, the first desktop engravers at DGSHAPE, and the LD-300 laser foil decorator, with a larger decorating area than the previous model.

As a result of these factors, sales of 3D products were 5,705 million yen, or 101.5% of the previous fiscal year.

Supplies

Net Sales

(Billions of Yen)



Net Sales

13,411 Million Yen

YoY changes 1.8% ↓

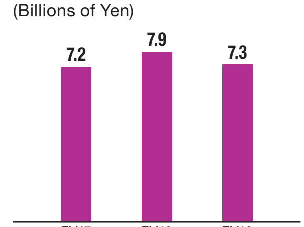
Summary

Although sales of TrueVIS INK have been strong in line with the increase in sales volume of the TrueVIS series, mainstay printer models for the sign market, lower sales of ink for other series led to a decline in sales of printer ink for the sign market as compared to the previous fiscal year. Sales of ink for UV printers and textile printers increased, but sales of supplies were lower than the previous fiscal year at 13,411 million yen, or 98.2% of the previous fiscal year, partly due to the stronger yen.

Others

Net Sales

(Billions of Yen)

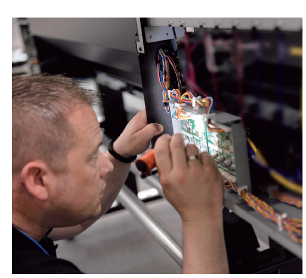


Net Sales

7,396 Million Yen

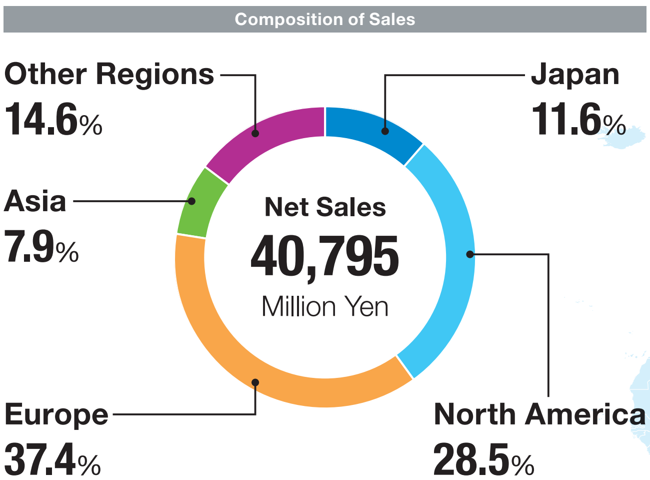
YoY changes 6.6% ↓

Summary



Sales of maintenance services, service parts, and other sales were lower than the previous fiscal year at 7,396 million yen, or 93.4% of the previous fiscal year.

Net sales by region (FY2019)



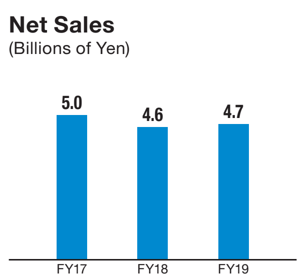
Through our global network, we provide products and services to more than 200 countries and regions.

Japan

Net Sales

4,745 Million Yen

YoY changes 2.4% ↑



Summary

In printers, sales of the TrueVIS VG2-540 released in March and the 30” VersaCAMM VS-300i model for creating original T-shirts increased, and sales of printers for the sign market were strong. In 3D products, sales of the DWX-52DCi, a dental milling machine that incorporates an automatic tool changer function for continuous milling, significantly increased in the dental market.

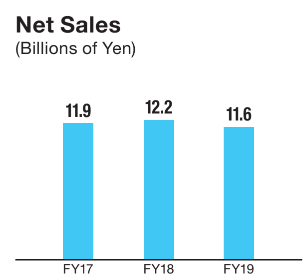
As a result, net sales in Japan were 4,745 million yen, or 102.4% of the previous fiscal year.

North America

Net Sales

11,627 Million Yen

YoY changes 5.2% ↓



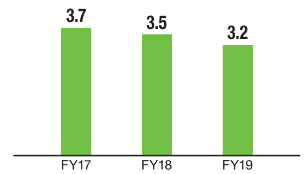
Summary

In printers, there was a drop in sales of UV printers for the sign market suitable for printing on large boards such as acrylic and foam board signs and cardboard display fixtures, as well as sales of UV printers for the retail market, despite strong sales of the mainstay TrueVIS product series printers for the sign market. Sales of 3D products were lower than the previous fiscal year, owing to sluggish sales of main models in the dental market, as well as the absence of the effect of the launch of new products in the previous fiscal year.

As a result, net sales in North America were 11,627 million yen, or 94.8% of the previous fiscal year.

Asia

Net Sales
(Billions of Yen)



Net Sales

3,220 Million Yen

YoY changes 8.4% ↓

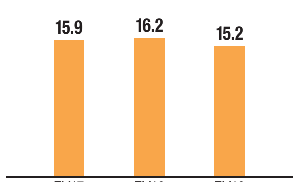
Summary

In China, while there was an increase in sales of 30” printers for the sign market that are used to create original T-shirts and goods, as well as dental milling machines, sales of service parts significantly decreased. While sales of printers for the sign market and dental milling machines increased in South Korea and the ASEAN region, sales of service parts decreased in India.

As a result, net sales in Asia were 3,220 million yen, or 91.6% of the previous fiscal year.

Europe

Net Sales
(Billions of Yen)



Net Sales

15,257 Million Yen

YoY changes 5.8% ↓

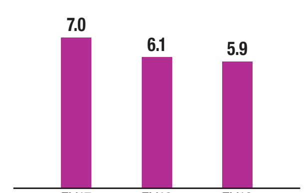
Summary

In 3D products, we carried out sales promotion activities for the dental market by setting up exhibits at tradeshows in multiple places. Sales increased due to strong sales of the DWX-52DCi, a dental milling machine with an automatic tool changer function, mainly in developed countries, and development of sales networks in Eastern Europe and Russia. In printers, although sales were strong for TrueVIS VG2-640/540 printers for the sign market that were released in March, sales of the existing models decreased. In addition, sales were sluggish for UV printers for the sign market suitable for printing on large boards such as acrylic and foam board signs and cardboard display fixtures.

As a result, along with the effects of the appreciated yen against the euro, net sales in Europe were 15,257 million yen, or 94.2% of the previous fiscal year.

Other Regions

Net Sales
(Billions of Yen)



Net Sales

5,944 Million Yen

YoY changes 3.4% ↓

Summary

In Australia, sales of printers for the sign market were solid, but sales of dental milling machines decreased. In Brazil, sales of dental milling machines increased. Sales of printers, primarily low-priced print-only models, decreased in the South America region excluding Brazil.

As a result, net sales in these regions were 5,944 million yen, or 96.6% of the previous fiscal year.

Roots

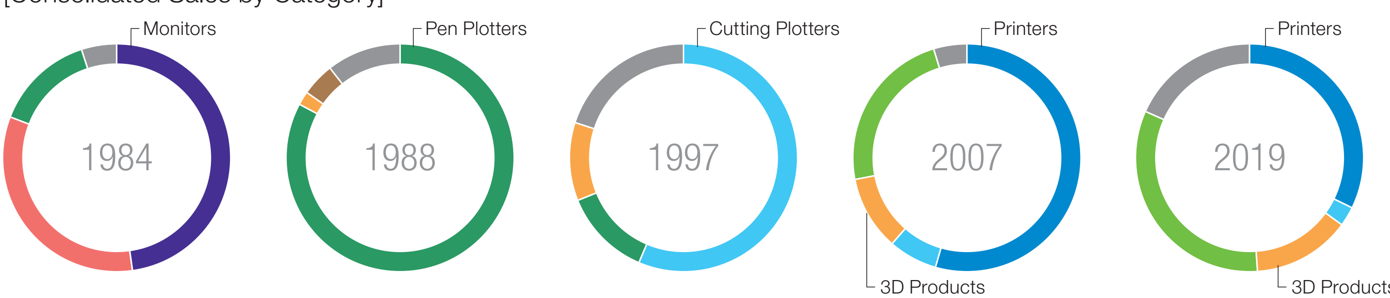
Roland DG was established in 1981, during the advent of personal computing, with the goal of cultivating new markets with a product lineup that could "Transform Imagination into Reality" through the combination of cutting-edge technology and the manufacture of precision devices. The first products to be developed were a computer music peripheral that used a personal computer to create, edit and perform music, along with the **pen plotters** that sat beside it and connected to the computer to print out sheet music. CAD was spreading as a way to use personal computers to draw diagrams and designs, while pen plotters were growing popular in the manufacturing and construction industries for outputting blueprints. In addition, we used our experience with vertical and horizontal XY-axis positioning control on pen plotters, added a Z-axis for height, swapped the pen for a drill bit, and brought the world's first **3D milling machines** to market. Then, we substituted the drill bit with a cutter and developed our **engraving machines**. We were able to cultivate new markets as these machines found use in prototyping for product development and design departments involved in manufacturing, as well as for applications in a variety of areas where engraving is necessary.

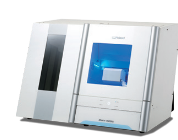
Then we took it one step further, and by swapping out a pen for a blade, we developed the **cutting machines** that could cut text and illustrations from vinyl sheets and rolls, which had applications in the creation of signage. Afterwards, as the image processing capability of computers continued to grow along with the proliferation of digital cameras, we developed the **wide-format inkjet printers** by replacing cutting blades with inkjet printing heads and sought to expand the Sign market with solutions to improve signage as a visual medium.

As we approached the 35th anniversary of our founding in 2016, we worked on new business development in growing markets as described in our Medium-Term Business Plan. And now, we reset our business targets to "Digital Printing", "COTO", and "DGSHAPE." By strategically allocating management assets and resources, we aim to accelerate new business developments in these growth markets.

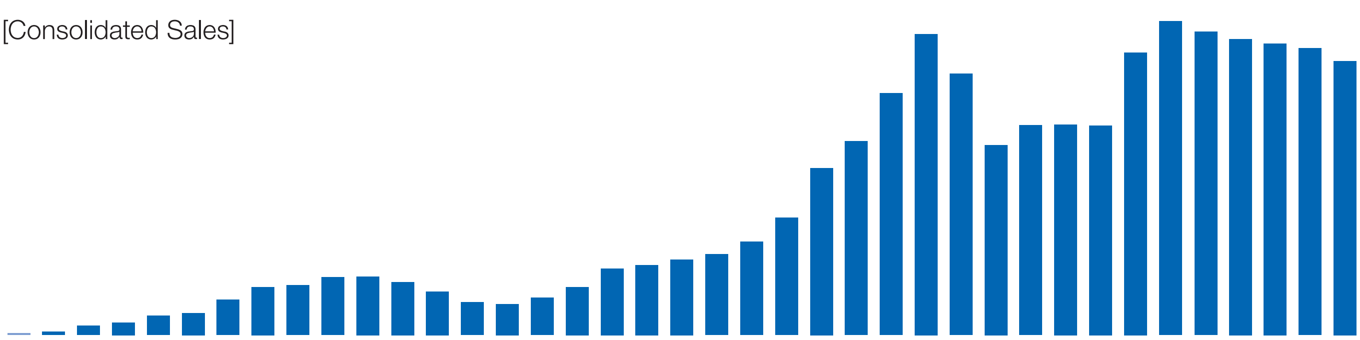
Paths to Sustainable Growth

[Consolidated Sales by Category]





[Consolidated Sales]



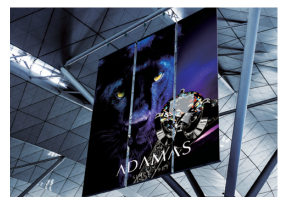
Business Summary

Digital Printing Business

Through solutions centered on wide-format inkjet printers, we are promoting process reform through digitalization in various printing markets, including the sign market which manufactures displays such as panels for advertising.

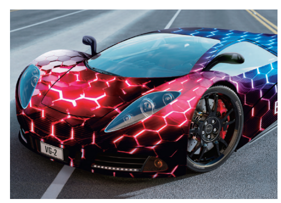
Our digital printing solutions cater to various customer needs and applications through quality-image, high-resolution printing leveraging a wide range of product lineups and color management technologies, including eco-solvent printers optimal for vinyl sheet printing, UV printers that enable printing on diverse materials such as plastics and leather, and dye sublimation textile printers for fabric printing.

Eco-Solvent Printers



Banners


Billboards


Car wrapping

Stickers

UV Printers

Glass signs

Photo frames

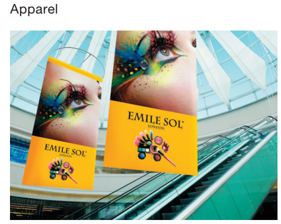

Smartphone cases


Prototyping

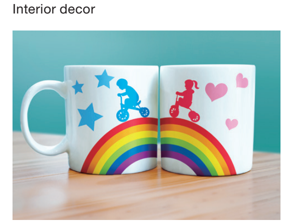
Textile Printers


Apparel


Interior decor



Soft signage


Personalized goods

COTO Business

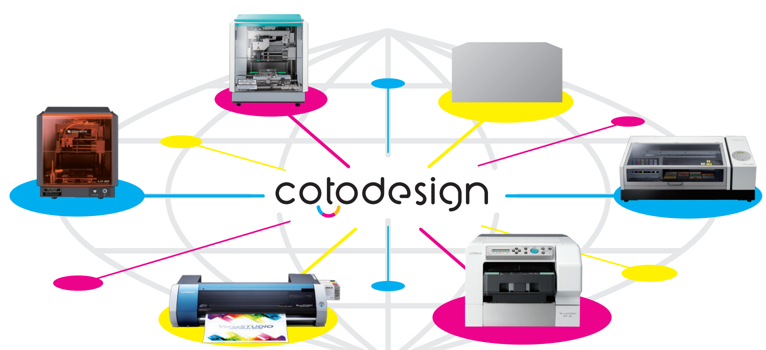
The COTO Business provides solutions for in-store fabrication of personalized goods in the retail and service sectors. With a focus on individual customers who wish to create memorabilia of their life events by customizing products, we manage production of diverse personalized goods through a wide-ranging product lineup and software that enable customers to create design data on in-store terminals.

cotodesign

cotodesign is a software that supports the business of retail stores creating personalized goods. It comprises software for customers to create design data on in-store terminals, and software that supports store operation such as ordering and outputting. The software is connected via network to our printers and various 3D products for integrated operation when store staff outputs original designs prepared by the customer that combine photographs, drawings, text and other data.

Meeting diverse customer needs with wide-ranging equipment

cotodesign is connectable to store-friendly desktop UV printers as well as garment and metal printers and laser foil decorators. Diverse products can be decorated depending on customer needs. The COTO Business provides added value to businesses engaged in the fabrication of personalized goods.



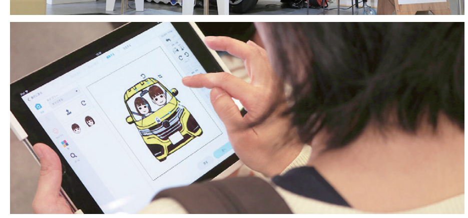
COTO-zukuri

In recent years, consumer needs have shifted from goods to experience with the maturing of consumer behavior. We are promoting COTO-zukuri by providing "experience-based" services where the customers create personalized goods themselves. This will crystallize rich experiences and moments to be remembered by giving shape to customers' ideas and feelings.


Gifts


Stickers


Apparel


Customers can design their goods using a tablet to add their portraits or photos on a selected model.

DGSHAPE Business

The DGSHAPE Business markets 3D-milling machinery that cuts out shapes using blades, engravers for applications ranging from industrial equipment to gifts, dental milling machines for tooth-filling and covering materials, and metal printers that support the maintenance and management of medical equipment. With the product concepts “desktop”, “ease-of-use” and “affordable prices,” we will promote manufacturing that leverages digital data.

Dental

Our lineup of dental milling machines are attuned to the latest dental materials with strengths in milling technologies using 3D data in an open system setting. We contribute to the digitalization and streamlining of dental lab work. We also aim to further improve customer satisfaction by supplying operation management software that can efficiently manage the operation of our products and calculate their cost effectiveness.

Dental restorations

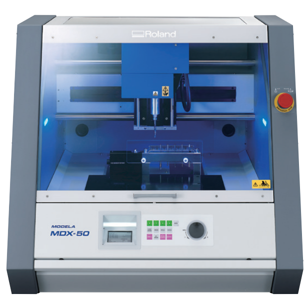
Dental Milling Machines

3D Fabrication

Amid the growing momentum of Science, Technology, Engineering and Mathematics (STEM) education worldwide, we will leverage our strengths in additive and substructive technologies to spread 3D digital fabrication. Cooperating with the COTO Business Division, we aim to acquire new customer segments in the retail and service sectors for the use of metal printers and laser foil decorators.

Prototyping

Production of jigs



3D Milling Machines

Personalizing pens, fountain pens and other stationery

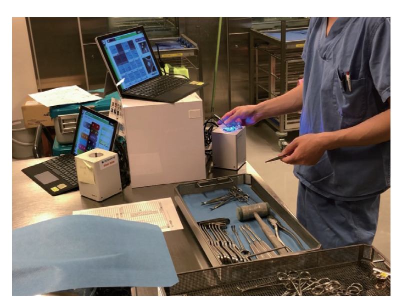
Decorating smartphone cases

Laser Foil Decorators

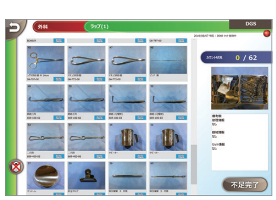
Medical

With the purpose of solving the problems faced by hospitals nationwide, such as managing the history of use of surgical instruments and improving the quality and efficiency of maintenance work, we have developed a solution for the management of surgical instruments by applying the technology and know-how of Digital Yatai (digital cell production system) utilized at the Company’s production sites. In addition to enhancing medical safety, we will help streamline hospital operations by looking at it from the standpoint of fabrication management.

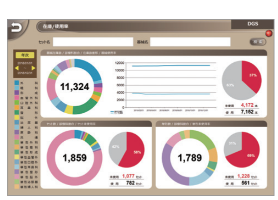
Eirthemis



Digitalizing work instructions



Supporting management of each instrument



Visualizing aggregated data

DG Value

Digital Cell Production System (D-Shop)

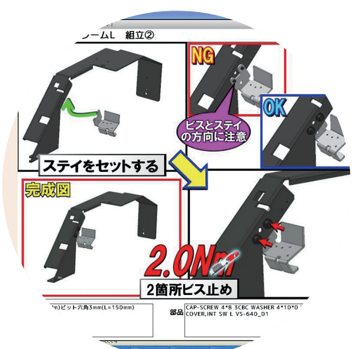
The Company's products are built using a unique cell production system called Digital Cell Production System, or D-Shop. With D-Shop, instead of an assembly line, where multiple workers each contribute parts, each worker builds a full unit, from start to finish, on their own. A computer display shows the worker a 3D graphic manual, and an apparatus automatically rotates and delivers the rack of parts needed for each stage of assembly. A virtual manual guides the worker step-by-step as they use the electric screwdrivers to assemble the product. The guide and apparatus are set up so that the worker never receives incorrect parts or tools for the job at hand. Also the entire process is monitored to ensure product quality. Digital technology is utilized to assist the worker's memory and attentiveness, to achieve the highest quality and productivity.

A single D-Shop can perform all the functions necessary for production, so its key strength lies in the flexibility in regards to any changes that may be required. D-Shop is also employed at the Thailand factory, which began operation in 2012, and has enabled them to achieve a level of quality equal to that of products made in Japan.

D-Shop

History

2000 Commenced production with Digital YATAI (digitized cell production system).
2005 Established a new Miyakoda factory.
2006 Adoption of D-Shop, the advanced version of the new Digital YATAI.
2007 Introduction of the automated line.
2008 Completion of the expanded Miyakoda factory.
2011 Established the first foreign manufacturing subsidiary in Thailand.
2014 Completion of the expanded Thailand Factory.



3D Graphic Manual

Automatic Rotating Parts Rack

Cordless Electric Screwdrivers

Worldwide Operations

Through a network of sales subsidiaries and dealers, the Company's products and services now reach 200 countries and regions around the world. Marketing and sales activity in each region is closely tailored to local culture and customs, and is headed up by a team of regional staff members to ensure a precise fit for the market and its customers.

At the same time, representatives from overseas sales subsidiaries regularly gather to create global marketing strategies and share best practices from their respective regions. This cooperation has built a corporate structure that produces the best solutions for delivering greater added value worldwide. Since 2012, GlobalOne corporate structural reform has formed the basis for a direct connection of sales and marketing with monozukuri. This has allowed product development to become united with the actions of the market.

In addition, having production, procurement, and product development handled by the Thailand factory allows for the further development of products to meet more diverse customer needs.

History

1985 Established a subsidiary in Belgium.
1988 Established a subsidiary in Australia.
1990 Established a subsidiary in the U.S.A.
2002 Established a subsidiary in the U.K.
2005 Established a subsidiary in Spain.
2006 Established a subsidiary in Italy.
2008 Established a subsidiary in Denmark.
2011 Established the first foreign manufacturing subsidiary in Thailand.
2012 Established a subsidiary in China.
Established a subsidiary in Korea.
Established a shared services subsidiary in Spain.
2013 Formed a subsidiary in Brazil.
2014 Established a subsidiary in the Netherlands, a holding company providing fund management for group companies in Europe.
Formed a subsidiary in Russia.
2017 Transferred the 3D business to a newly-established subsidiary, DGSHAPE Corporation.

Customer Support System

As the company handles many professional-use products, we provide service and support throughout the customer's business cycle to ensure the continued health of their business. This includes connecting people to their imaginations, unleashing new creative possibilities, and making sure issues like product failure never interrupt a customer's business activity.

History

1996 Roland DGA Corporation establishes Roland University (now Roland DG Academy)
2008 Roland DG Mid Europe S.r.l. creates the first Roland DG Creative Center.
2012 Held a Creative Awards contest recognizing the creativity of Roland DG users worldwide.
2013 Held the first-ever SE Awards of the World contest.

Creative Center

Roland DG Creative Center

Roland DG Creative Centers are the Company's communication space for delivering the latest information to our customers. Many application samples created by using our products are on display to spark users' imaginations and allow them to see and experience the possibilities these products offer.

Academy

Roland DG Academy

At Roland DG Academy, the Company provides the necessary training and workshops to help fully unlock the potential of our products and related software. These spaces serve as an environment where users, beginners and professionals alike, can realize the best performance from their machines.

Care

Roland DG Care

The Roland DG Care program is designed to ensure that the Company's products continue to operate as promised for as long as possible. With features such as post-installation maintenance and troubleshooting, as well as software and firmware updates and empty ink cartridge collection, Roland DG Care exists as a comprehensive service and support system that is finely-tuned to our customers' needs.

R&D

Roland DG began with XYZ-axis control technology and has continuously challenged itself to create new products from original ideas. At our essence is a corporate culture that values the curiosity of R&D. We begin with a simple desire to develop a new useful feature and build upon that using core technology to create "world's first" and "industry first" innovations again and again. At the heart of this development process is always our company vision to "transform imagination into reality."

History

1982 Released the computer music pen plotter.
Released the pen plotter.
1983 Released monochrome monitors.
1986 Released the first of the 3D milling machines.
1987 Released the first of the engraving machines.
1988 Released the first of the cutting plotters.
1995 Released the world's first thermal transfer technology color printer/cutter.
1997 Released the world's first wide-format inkjet printer/cutter, capable of printing water-based pigment ink
2000 Released the photo impact printer capable of transferring photographs and illustrations onto metal and acrylic.
2001 Released the 3D laser scanner.
2003 Released the inkjet printer/cutter designed to enhance on-demand production of small jobs.
2005 Released the wax modeling jewelry machine.
2008 Released the UV-LED inkjet printer/cutter, capable of multi-layered printing on a wide variety of substrates.
2009 Released the world's first inkjet printer/cutter capable of printing metallic silver ink.
2010 Released the first of the dental milling machines.
2011 Released the digital hobby mill.
2012 Released the aqueous inkjet printer, targeting emerging markets.
2014 Released the company's first 3D printer, and a new milling machine.
Released the dye sublimation transfer printer for exclusive use in textile printing.
2015 Released the company's first wet milling dental machine, and a new dry milling dental machine.
2018 DGSHAPE released a dental milling machine with performance visualization software to help dental labs run a more productive and efficient business.
DGSHAPE released the world's first laser foil decorator.
Released cotodesign design and print management software for customizing store merchandise on demand using customers' favorite designs and photos.

Corporate Governance

Summary of Corporate Governance Structure of the Submitting Company and Reason for Selection of the Structure

Our vision is that it is crucial to place emphasis on the health, transparency and efficiency of corporate management, as well as to establish a corporate structure that will allow us to respond expeditiously and appropriately to rapid changes in our business environments. Specifically, in addition to speeding up decision-making and implementing mutual supervision of Directors that are well-versed in the business, we have enhanced our ability to supervise our management from a third-party perspective by Outside Directors and Outside Audit & Supervisory Board Members. By introducing a division structure / business division, we work toward efficient business execution, while at a Division President Meeting composed of Division Presidents, Directors and Audit & Supervisory Board Members attend to confirm and provide recommendations to ensure that the company functions efficiently and effectively. We are also engaged in implementing and enhancing our structure to ensure more openness in our disclosure to shareholders and investors.

The Company Group will place the below corporate ideals at the root of its management, making it the starting point for all corporate activities. Additionally, the Company has also defined the following "Code of Conduct" to conduct business activities in line with the corporate ideals.

Code of Conduct

Creation of New Value

- We will maintain a spirit of creative inquiry to help make people's lives better by creating innovative value.
- We will strive harder towards making the company the best rather than the biggest and will work to improve corporate value through excellence, sustainable business development.
- We will continually challenge new fields with unrestricted imagination and originality.

Global Business Expansion

- We will constantly pursue new opportunities and engage in business activities with the goal of global expansion.
- We will respect the diversity in various regions around the globe, including their histories and cultures, and will remain conscious of the importance of harmonious coexistence as we conduct our business activities.
- We will do our part to conserve the global environment in order to ensure a pleasant society for the people of the world.

Clean and Open Corporate Culture

- Each one of us will remain conscious of social responsibility and will observe laws and social ethics when conducting ourselves.
- Each one of us will build trust by following our consciences to make fair decisions and by maintaining transparency and accountability.
- We will create a corporate culture in which everybody can work with enthusiasm and passion.

Reasons for Not Implementing the Principles of the Corporate Governance Code

Supplementary Principle 4-3-2 Procedures for Appointing the CEO

At this point, the Company has appointed the qualified President through timely procedures, deploying sufficient time and resources. Going forward, in order to ensure objectivity and transparency, we will consider formulating procedures for appointing a President at the Board of Directors.

Supplementary Principle 4-3-3 Procedures for Dismissing the CEO

At this point, the Company has not clarified the procedures for dismissing a President. Going forward, we will consider formulating procedures at the Board of Directors.

Principle 5-2 Establishing and Disclosing Business Strategies and Medium- to Long-term Business Plans

Upon announcing medium- to long-term business plans, we disclose our management policy revenue targets and dividend policy through timely disclosure quarterly financial results or the Securities Report. Concrete measures toward achieving the plans are provided on such occasions as general shareholder meetings, financial results briefings and company information sessions for investors, along with explanations on business strategies, investments and allocation of management resources to achieve the revenue targets. Going forward, we will consider establishing business plans and capital policies with emphasis on cost of capital, in order to further boost our capital efficiency.

*Titles of supplementary principles are provided for readers' convenience.

Disclosure Based on the Principles of the Corporate Governance Code

Principle 1-4 Cross-Shareholdings

As a general principle, the Company will not conduct cross-shareholding. However, in the event that showing the intention to maintain a strong relationship such as business partnerships or strengthening of transactional relationships is valid from a business perspective, the Company may hold shares at a minimum to the extent necessary. Exercise of voting rights for such shares will be determined based on whether or not the proposal serves to contribute to the objectives of the holding.

Principle 1-7 Related Party Transactions

When the Company engages in transactions with its officers or major shareholders (i.e., related party transactions), designated approval is required as defined by internal regulations such as the "Rules of the Board of Directors" and "Approval Rules." The Company deliberates and confirms that such transactions will not harm the interests of the Company or the common interests of its shareholders. Following disclosure standards, information on related party transactions is disclosed in the Business Report and the Securities Report.

Principle 3-1 Full Disclosure

Disclosure and dispatch status of the Company regarding the following items are as follows.

1. Business principles, business strategy and business plans: The Slogans, Mission, Vision, and Medium-Term Business Plan are disclosed on the Company's website and in its financial results briefing materials and disclosure materials, etc.
2. Basic views and guidelines on corporate governance: Basic views are disclosed on the Company's website, Corporate Governance Reports, and Securities Reports to TSE.
3. Policies and procedures in determining the remuneration of Directors: When determining the remuneration for Directors, remuneration is deliberated fairly and transparently by the Director Remuneration Committee consisting of three or more of the directors who were elected to the board of directors with a majority of Independent Outside Directors, and receiving appropriate participation and counsel. In addition, with regard to the amount of Directors' remuneration, etc., information is disclosed on the Company's website, Corporate Governance Reports to TSE, the convening notices for general shareholder meetings, and Securities Reports.
4. Policies and procedures for the nomination of candidates for Director and Audit & Supervisory Board Member: When nominating candidates for Director and Audit & Supervisory Board Member, the appropriateness of candidates is discussed in the Officer Appointment Committee, consisting of three or more of the directors who were elected to the board of board of directors with a majority of Independent Outside Directors, based on the appointment standards stipulated in the "Officer Appointment Committee Operational Regulations" and is reported to the President. The President submits this candidate appointment proposal to the Board of Directors and Audit & Supervisory Board "Board of Auditors," and upon their resolution, it is proposed to a general shareholders' meeting. Furthermore, the procedures for nomination are disclosed in Corporate Governance Reports to TSE, and with regard to independence, the Company's standard concerning independency is disclosed on the Company's website.
5. Explanations with respect to individual appointments of senior management and nomination of Directors and Audit & Supervisory Board Members: Reasons for appointment of all candidates are disclosed in the convening notices for general shareholder meetings.

Supplementary Principle 4-1-1 Clarification of Scope of Delegation to Management

The Company defines in its internal regulations such as the "Rules of the Board of Directors" with regard to items defined by laws and regulation, items for resolution by the Board of Directors as important items, and items for reporting concerning execution status. For instance, acquisition and disposal of shares and equity, and investment items, etc., such as acquisition and disposal of non-current assets, financing, and guarantees, standards of amounts are individually defined within the "Approval Rules," categorized by various risk types, and the range of decision-making delegation to management, etc., is clearly defined.

Principle 4-9 Independence Standards and Qualification for Independent Directors

The Company has defined the "Standards concerning independency of outside officers," and discloses them on its website. With regard to appointment of personnel, in addition to standards presented by the Tokyo Stock Exchange, candidates must fulfill the Company's proprietary standards, and while placing emphasis on diversity, the Company works to appoint individuals who can attend Board of Directors Meetings in person.

Supplementary Principle 4-11-1 Disclosure of Views Concerning the Composition, etc., of the Board of Directors

Concerning policies and procedures regarding the appointment of the Company's Directors, these in principle as shown in 3-1 4, and the Board of Directors of the Company shall be appointed within the framework of a maximum of 10 members, as defined in the Articles of Incorporation. While considering areas of expertise and experience, by creating a balanced composition, the Company increases the diversity of its Board of Directors.

Supplementary Principle 4-11-2 Disclosure of Status of Concurrent Positions

With regard to Outside Directors and Outside Audit & Supervisory Board Members of the Company, appointment is made, with the ability and will to attend various meetings in person, including general shareholder meetings and Board of Directors meetings, as appointment standards. Active discussions are made from various angles, and the Company works to strengthen the structure to allow for the Board of Directors to function effectively. Furthermore, concerning the concurrent holding of officer positions at other companies, these items are reported at the Board of Directors upon resolution by the Board of Directors for Directors, and the Audit & Supervisory Board for Audit & Supervisory Board Members. Furthermore, the Company believes that the current status of concurrently held positions and attendance is in a reasonable range, as the rate of attendance is extremely high. The current status of attendance is disclosed every year in the convening notice for the general shareholder meeting, and the status of concurrently held positions in the convening notice for the general shareholder meeting, the Securities Report, and TDnet.

Supplementary Principle 4-11-3 Disclosure of Effectiveness of the Board of Directors

The Company conducts questionnaires to Directors and Auditors on the effectiveness of the Board of Directors and reports the questionnaire results to the Board of Directors by the Board of Directors Secretariat. The Company then discusses improvement plans for the Board of Directors with more effectiveness, and makes improvements as necessary. Based on the questionnaire results, the Company considers that the effectiveness of the Board of Directors as a whole is ensured without any major problem.

Supplementary Principle 4-14-2 Disclosure of Training Policy

With regard to the Company's Directors and Audit & Supervisory Board Members, the Company's policy is to hold timely training sessions by outside instructors, etc., as necessary, based on the following framework with the objective of achieving the appropriate fulfillment of duties and responsibilities expected of a Director or Audit & Supervisory Board Member.

- Create opportunities for new officers to acquire necessary knowledge concerning business, finance, and organizations, etc.
- Create opportunities for outside officers to share and deepen understanding of business content and management issues
- Create opportunities to acquire other knowledge, etc., necessary to fulfill responsibilities

Principle 5-1 Policy for Constructive Dialogue with Shareholders

With regard to dialogue with institutional investors and individual investors, the Company positively responds to them to a reasonable extent.

*Titles of supplementary principles are provided for readers' convenience.

Information on our corporate institutions

The Company adopts an Audit & Supervisory Board Members system. Details of the main bodies of the Company including the Board Of Directors are as follows (the number of members shown below are as of March 30, 2020):

a. Board of Directors

The Board of Directors consists of nine Directors (including four Outside Directors) and meets at least once every month to make decisions on crucial operational matters and oversee the execution of Directors' duties.

b. Management Meeting

The Management meeting consists of Division Presidents, Audit & Supervisory Board Members and five Directors including the President and meets typically once every month to make decisions on crucial operational matters, hold advanced discussion on the agenda of the Board of Directors and oversee the execution of Division Presidents' duties by reporting and proposing business activity.

c. Audit & Supervisory Board

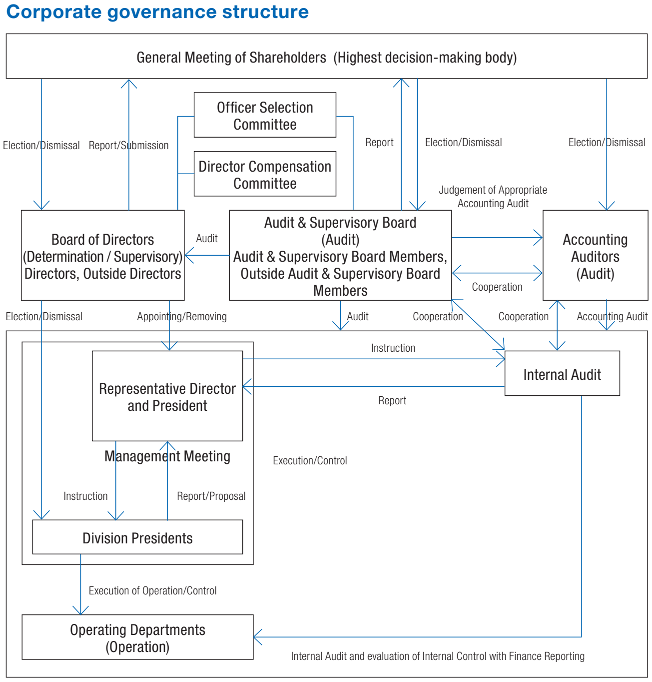
The Audit & Supervisory Board consists of four Audit & Supervisory Board Members (including two Outside Audit & Supervisory Board Members) and meets at least seven times a year to receive reports on important matters relating to audits, as well as carry out discussions and make resolutions on these matters. Additionally, a forum for sharing information and exchanging views, etc., among Audit & Supervisory Board Members will be installed as necessary, in order to contribute to the formulation of audit opinion and enhance the effectiveness of audits. In order to gain an understanding of important decision-making processes and the status of business execution, Audit & Supervisory Board Members also participate in Board of Directors meetings, Steering Committee meetings, Division President Meeting, and other important meetings within the company. Audit & Supervisory Board Members also conduct audits on various business locations and affiliate companies in addition to engaging in strengthening its function of monitoring the Directors.

The members of each governing body are as follows:
◎ Chairman for corporation institutions, ○ Member

Role	Name	Board of Directors	Management Meeting	Audit & Supervisory Board
Chairman	Hidenori Fujioka	○	○	
President	Kohei Tanabe	◎	◎	
Director	Koichi Hashimoto	○	○	
Director	Toshiharu Uwai	○	○	
Director	Eli Keersmaekers	○	○	
Outside Director	Takuo Hirose	○		
Outside Director	Osamu Hosokubo	○		
Outside Director	Naoko Okada	○		
Outside Director	Brian K. Heywood	○		
Audit & Supervisory Board Member	Masayasu Suzuki			◎
Audit & Supervisory Board Member	Naoki Nagano			○
Outside Audit & Supervisory Board Member	Shigeki Matsuda			○
Outside Audit & Supervisory Board Member	Mitsuhiro Honda			○

In addition to the above, the Management Meeting is made up of six Division Presidents.

Corporate governance structure



The Status of the internal control system and risk management system

The Company carries out activities based on the "Basic Policies for Establishing an Internal Control System" which is resolved at the Board of Directors meeting each fiscal year. We have placed the three slogans of "Inspire the Enjoyment of Creativity," "Be the BEST rather than the BIGGEST," and "The Roland Family – Cooperative Enthusiasm" at the foundation of our management, and use them as the starting point for all corporate activities.

To secure conformity with laws and regulations and the Articles of Incorporation for execution of business by Directors and employees, our compliance structure includes internal education activities on Codes of Conduct that can receive support from society, and an internal whistleblowing structure to promote compliance with laws and regulations within the Group.

The President assumes responsibility for the risk management structure, and a person responsible for risk management, designated by the person responsible for the risk management structure, conducts comprehensive management of company-wide risk management, periodically reporting to the Management Meeting and the Board of Directors. Additionally, a structure is established to receive periodic reports on risk management from subsidiaries, and matters related to the group-wide risk management are treated as risk management issues of the Company.

Furthermore, to secure the appropriateness of operations of the Group, we have defined regulations regarding management of affiliated companies, and while receiving reports on management status from subsidiaries, we supervise the management of key subsidiaries by seconding our Directors, etc., based on the business content and scope of subsidiaries. We secure appropriateness of operations by placing management advisory bodies at key subsidiaries to deliberate on significant management matters. With respect to the internal control reporting structure for financial reporting as required by the Financial Instruments and Exchange Acts, the management procedures and structure, etc. for development, operation and evaluation of the internal control system are defined, with the Financing and Accounting Department in charge. The evaluation of effectiveness is conducted through evaluation of the status of development and operation in each department and subsidiary, as well as independent evaluation by the audit section.

Apart from the above, the following procedures have been developed to realize appropriate internal control and risk management: a structure to secure efficient execution of duties by the Directors of the Group; a structure related to storage and management of information regarding the execution of duties by the Directors; a structure to make reports to the Audit & Supervisory Board members including a structure for the Directors and employees to make reports to Audit & Supervisory Board members; a structure regarding employees to assist the duties of Audit & Supervisory Board Members should they request assistance from such employees; and a structure to ensure that persons making reports to Audit & Supervisory Board Members do not receive detrimental treatment as a result of such reporting.

Furthermore, we have defined "Basic Views and Maintenance Status Toward Elimination of Anti-social Forces" with respect to anti-social forces, and under the basic principle of "taking a firm stance and having no relationships, and not conducting any transactions," we strive to infiltrate all employees with this principle while assigning the General Manager of the General Affairs Department in charge of preventing wrongful requests, and through cooperation with related internal departments, we work to terminate relationships with anti-social forces across the entire company.

In addition to the above, in order to respond to various legal contingencies, we have in place advisory contracts with multiple law firms with whom we consult and develop solutions to issues as needed.

The status of internal audits, audits by Audit & Supervisory Board Members, and accounting audits

Internal audits are performed by the audit section, which reports directly to the President and currently consists of five members. The audit section performs internal audits of different divisions based on the audit plan determined at the beginning of the year, and reports the results to the President.

The state of audits by Audit & Supervisory Board Members is described in "Information on our corporate institutions c. Audit & Supervisory Board." Audit & Supervisory Board Members receive explanations of the audit plan and reports of audit results from, and exchange views and information as necessary with, accounting auditors. The Audit & Supervisory Board Members and audit section liaise on various matters, such as the development of audit plans, to improve the effectiveness and efficiency of audits.

Full-time Audit & Supervisory Board Member, Mr. Masayasu Suzuki, has been involved in operations in financial institutions for many years as well as accounting operations in the Company, and Full-time Audit & Supervisory Board Member, Mr. Naoki Nagano, has been involved in operations in financial institutions for many years as well as accounting and corporate planning operations in the Company. Outside Audit & Supervisory Board Member, Mr. Shigeki Matsuda, is licensed as a certified public accountant and tax accountant, and Outside Audit & Supervisory Board Member, Mr.

Mitsuhiro Honda, has abundant experience in international tax affairs. All four individuals are well-versed in finance and accounting matters.

While the Company has no special vested interest with the accounting auditor, Deloitte Touche Tohmatsu LLC, or its engagement partners, the two parties maintain close contact with each other so that the Company is able to receive appropriate advice on an ongoing basis. As for consolidated subsidiaries, accounting audits are consigned to independent auditors in order to ensure the appropriateness of our consolidated accounting. Furthermore, the accounting audit for the fiscal year under review was conducted by Certified Public Accountants Messrs. Hirohisa Kato and Masanori Toyoizumi who are designated limited liability partners and engagement partners. (As the number of consecutive years conducting audits is within seven years, the number of years is omitted.) Assistance for audit operations is provided by five Certified Public Accountants and seven other persons.

Overview of Personal Relationships, Capital Relationships, or Transactional Relationships and other Interests between the Company and the Company's Outside Directors, or Outside Audit and Supervisory Board Members

Outside Director, Mr. Takuo Hirose, is a partner of Anderson Mori & Tomotsune, a law firm with which the Company has business transactions including the receiving of various services that are based on our legal advisory contract. However, the Company receives legal advisory services from different attorneys of the said law firm.

Outside Director, Mr. Brian K. Heywood, is the CEO of Taiyo Pacific Partners L.P., a major and leading shareholder of the Company. There is no business relationship between the Company and the corporation other than the capital relationship associated with holding the Company's shares.

Outside Audit and Supervisory, Mr. Mitsuhiro Honda, is an Outside Audit and Supervisory of YUASA TRADING CO., LTD with which the Company has business transactions including the sales of products. Additionally, there are no personal, capital or transactional relationships and other interests with companies, etc., at which other Outside Directors and Outside Audit & Supervisory Board Members serve or served as executives or employees either at present or in the past. (The "past" is defined as within the past 10 years, pursuant to the "range of confirmation of affiliation information" stipulated by stock exchanges.)

Views on the functions and roles of Outside Directors and Outside Audit & Supervisory Board Members in corporate governance of the Company, the independence standard or policy for selecting Outside Directors and Outside Audit & Supervisory Board Members and the state of their appointment, and collaboration between the Outside Directors, Outside Audit & Supervisory Board Members and internal control division and audits

We expect Mr. Takuo Hirose, Outside Director, to leverage his knowledge and experience as an attorney, and Mr. Osamu Hosokubo, Outside Director, to leverage his practical experience as a corporate investment consultant, and Ms. Naoko Okada, Outside Director, to leverage her knowledge and experience in corporate communications, in all aspects of our corporate management and provide independent oversight and counsel regarding our corporate operations as well as to contribute to enhancing the transparency of Board of Directors proceedings and our supervisory functions.

We expect Mr. Brian K. Heywood, Outside Director, to provide advice on corporate management as a shareholder and investor through his expertise and experience in corporate management and investment, and to contribute to the enhancement of corporate value.

Additionally, we can expect two Outside Audit & Supervisory Board Members to work with our Audit & Supervisory Board Members, drawing on their extensive knowledge of accounting and tax matters, and execute objective and neutral audits in their independent capacities regarding all aspects of our corporate management as described in "Information on our corporate institutions c. Audit & Supervisory Board" and the state of Audit & Supervisory Board Member audits in "The state of internal audits, audits by Audit & Supervisory Board Members, and accounting audits."

As such, we believe Outside Directors and Outside Audit & Supervisory Board Members in our current organization are able to fulfill the functions and roles that are required with regard to our corporate governance.

The Company has stipulated the "standard concerning independency of outside officers" which satisfies the requirements of independent officers stipulated by the Tokyo Stock Exchange, and posted it on the Company's website.

We have judged that the three Outside Directors Takuo Hirose, Osamu Hosokubo and Naoko Okada and two Outside Audit & Supervisory Board Members satisfy these standards and have secured adequate independence, and have reported them as independent officers.

Directors' compensation, etc.

Total amount of compensation and other remuneration for different officer categories, total amount of compensation and other remuneration by type, and the number of eligible officers

Director category	Total amount of compensation and other remuneration (Millions of yen)	Total amount of compensation and other remuneration by type (Millions of yen)			Number of eligible officers
		Basic compensation	Bonuses	Stock compensation	
Directors (excluding Outside Directors)	187	91	40	56	5
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	30	26	4	-	2
Outside Officers	28	28	-	-	4
Total	247	146	44	56	11

(Notes)
1. The number of paid officers includes one director who retired at the conclusion of the 38th general shareholder meeting held on March 20, 2019.
2. Aside from the amounts provided above, 56 million yen has been recorded as Officer Performance-linked Compensation for four Directors based on the Stock Benefit Regulations (for Officers).

The total amounts, etc. of consolidated compensation, etc. for each officer of the submitting company

This information is not included because there is no individual earning a consolidated compensation, etc. equal to or greater than 100 million yen.

Policy regarding the determination of the amount and the method for calculating the compensation for officers and the method of determination

With regards to the compensation, etc. for Directors, the determination of the amount for each Director is delegated to the President by resolution of the Board of Directors, within the limit for the compensation, etc. as resolved at the general shareholder meeting.

With regards to determination of the compensation standards for Directors, the Director Remuneration Committee, consisting of three or more and five or less directors who were elected to the board of directors with a majority of Independent Outside Directors deliberates on the compensation standards for Directors, and reports to the President. The President, based on the report of the Committee, drafts the compensation standards for Directors and refers it to the Board of Directors. The compensation standards for Directors are determined by the resolution of the Board of Directors. With regards to the bonuses for Directors, the determination of the amount of bonus for each Director is delegated to the President by resolution of the Board of Directors, and the President determines the amount taking into consideration the post and contribution to the business performance of each Director.

With regards to the compensation, etc. for Audit & Supervisory Board Members, determination is made by deliberation of the Audit & Supervisory Board Members within the maximum limit of compensation, etc. which is resolved by general shareholder meeting, taking into account whether the member is full-time or not, and specific audit responsibilities.

Policy for Constructive Dialogue with Shareholders

Principle 5-1 of the Corporate Governance Code

Listed companies should respond positively and reasonably to the requests from shareholders to engage in dialogue (management meetings) so as to contribute to the company's sustainable growth and mid- to long-term improvement of corporate value. The Board of Directors should study, approve and announce policies concerning organizational development and measures aimed at promoting constructive dialogue with shareholders.

Policy of the Company

1. Basic Policy

In order to achieve sustainable growth and the mid- to long-term improvement of corporate value, Roland DG Corporation (hereinafter the "Company") recognizes that it is important to grow hand in hand with shareholders and investors (hereinafter "shareholders, etc.") by always actively engaging in dialogue with shareholders and reflecting their opinions and requests in management. As part of its measures, the Company provides opportunities for dialogue with shareholders, etc. such as general shareholder meetings, financial results briefings, meetings with institutional investors, briefings for individual investors, and plant tours, for the purpose of developing a structure to promote dialogue with shareholders, etc. and thereby facilitate their understanding of the Company's business strategy and business plans.

2. Promotional Framework

The Company has designated the Corporate Division as the point of contact for dialogue with shareholders, etc. which is managed comprehensively by the Director in charge of Corporate Planning (Director in charge of IR) and the Division President, Corporate. In addition, a department dedicated to IR is established to assist in the promotion of such dialogue.

3. Dialogue with Shareholders

i) Dialogue with shareholders, etc. is basically handled by the President, the Director in charge of IR, Division President, Corporate, or a manager of the department dedicated to IR, upon comprehensively considering the intent of the dialogue and within a reasonable extent.

ii) Related internal departments strive to engage in effective mutual cooperation in order to promote dialogue with shareholders, etc., as well as provide accurate and appropriate information. In addition, efforts are made including the sharing of records such as meeting summaries to enrich and improve the quality of such dialogue.

iii) As methods of engaging in dialogue besides individual meetings with shareholders, etc., the Company also holds briefings for individual investors, financial results briefings for institutional investors, and individual meetings with overseas investors as necessary. In addition, the Company is working to enhance the information provided through channels such as the Company's website, convening notices for general shareholder meetings, and shareholder newsletters.

iv) Information including opinions obtained from dialogue with shareholders, etc. is shared via reports from the Director in charge of IR (including participants of the dialogue) at opportunities such as the Board of Directors meetings as necessary.

v) The Company has internally formulated the "Regulations for Prevention of Insider Trading," and strives to prevent leakage of unpublished information as well as insider trading. Dialogue with shareholders, etc. is focused on topics that lead to the Company's sustainable growth as well as the mid- to long-term improvement of corporate value, and accurate and fair information is provided upon thorough management of insider information.

4. Monitoring Shareholder Composition

The Company endeavors to identify substantial shareholders by monitoring shareholder composition on the shareholder register at each midterm and term end, as well as by conducting surveys as necessary on shareholders who substantially hold the Company's shares. Information obtained from such surveys is put to use at opportunities such as dialogue with institutional investors.

5. Formulation and Announcement of Business Strategy and Mid- to Long-Term Business Plans

The Company discloses its revenue targets and dividend policy in the Medium-Term Business Plan, consolidated financial results (*"kessan tanshin"*), or the securities report.

Specific measures to materialize these goals are explained striving for clarity and simplicity at opportunities such as general shareholder meetings and financial results briefings.

Board of Directors (As of March 19, 2020)

Hidenori Fujioka

Chairman

November 1998	President, Representative Director of SII Data Service Corp.
September 2006	President, Representative Director of SII Printek Inc.
April 2008	Joined RISO KAGAKU CORPORATION
June 2008	Director of RISO KAGAKU CORPORATION
April 2014	Joined the Company Advisor of the Company
June 2014	Director of the Company In charge of R&D of the Company
April 2015	In charge of Corporate Planning of the Company and Digital Printing Market Development of the Company
June 2015	Vice President and Director of the Company
March 2016	President, Representative Director of the Company
January 2017	In charge of R&D of the Company and F-Lab of the Company
March 2017	In charge of Development of the Company
March 2020	Chairman of the Company (current position)

Kohei Tanabe

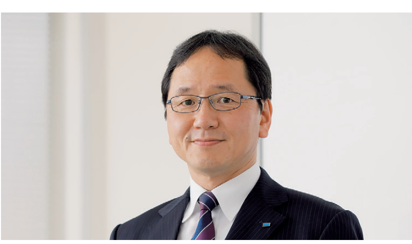
President, Representative Director of the Company

April 2000	Joined the Company
November 2012	General Manager of Medical Business Unit of the Company
January 2014	Division Vice President of Market Development HQ of the Company
April 2015	Executive Officer of the Company Division Vice President of Easy Shape Business Development HQ of the Company
April 2017	President, Representative Director of DGSHAPE Corporation General Manager of DGSHAPE Market Development Dept. of DGSHAPE Corporation
March 2018	Director of the Company In charge of 3D Business of the Company
September 2018	In charge of DP Business of the Company (current position) Division President of DP Business Division of the Company
March 2020	President, Representative Director of the Company (current positon) In charge of COTO business of the Company (current position) In charge of DGSHAPE business of the Company (current position)

Koichi Hashimoto

Director

April 2001	General Manager of S&A Development Center of RISO KAGAKU CORPORATION
April 2006	General Manager of Development and Technology Center of RISO KAGAKU CORPORATION
April 2007	Head of Development and Planning Office of RISO KAGAKU CORPORATION
October 2013	General Manager of Overseas Administration Department
November 2015	Joined the Company
March 2016	Executive Officer of the Company Division President of Corporate Planning Division of the Company and General Manager of Planning Department
January 2017	Division President of Corporate Division of the Company and General Manager of Corporate Planning Department
March 2017	Director of the Company In charge of Administration of the Company and Production of the Company
December 2017	Division President of Production Division of the Company
March 2018	Managing Director of the Company
March 2020	Director of the Company (current position) In Charge of Administration of the Company (current position)



Toshiharu Uwai

Director

March 2015	Business Director of Tokai Carbon Co., Ltd. General Manager of Tanoura Plant, Tokai Carbon Co., Ltd. General Manager of Tanoura Laboratory, Tokai Carbon Co., Ltd.
March 2016	Business Director of Tokai Carbon Co., Ltd. President and Representative Director of Oriental Sangyo Co., Ltd.
January 2017	Joined the Company
April 2017	General Manager of Corporate Planning Department of the Company
July 2017	Executive Officer of the Company Division President of Corporate Division of the Company
January 2018	General Manager of Information Service Department of the Company
October 2018	General Manager of Financial & Accounting Department of the Company
March 2019	Director of the Company (current positon)
March 2020	In Charge of Production of the Company (current positon) In Charge of Quality Assurance of the Company of the Company (current positon)

Eli Keersmaekers

Director

January 1996	Fiscal Advisor of Fiduciair Van Loey and Patteet
January 2001	Fiscal Advisor of Cuypers
July 2002	CFO of Roland Central Europe N.V. (current Roland Central Europe N.V.) CFO of Roland DG Benelux N.V.
January 2006	CEO of Roland DG Benelux N.V.
February 2010	CEO of Roland DG Deutschland GmbH
July 2013	Managing Director of Roland DG EMEA, S.L.
April 2014	Executive Officer of the Company Division President of European Sales HQ of the Company
April 2015	Division President of Global Sales HQ of the Company Vice president of Global Marketing HQ of the Company
January 2017	Division President of Global Sales & Marketing Division of the Company (current position) CEO of Roland DG Europe Holdings B.V.
March 2020	Director of the Company (current position) In charge of Sales of the Company (current positon)

Takuo Hirose

Director
(Outside) (Independent)

April 1997	Registered as Attorney-at-law Joined Tomotsune Kimura & Mitomi (current Anderson Mori & Tomotsune)
May 2004	Registered as Attorney-at-law in New York, USA
January 2005	Partner of Anderson Mori & Tomotsune (current position)
June 2007	Audit & Supervisory Board Member of the Company
June 2010	Director of the Company (current position)
June 2018	Outside Audit & Supervisory Board of Cyfuse Biomedical K.K. (current position)

Osamu Hosokubo

Director
(Outside) (Independent)

June 2007	Executive Director of Japan Asia Investment Co., Ltd.
June 2012	President & CEO of Japan Asia Investment Co., Ltd.
July 2017	Founder & CEO of Great Asia Capital & Consulting LLC (current position)
October 2017	Independent Director of Shikigaku Co., Ltd. (current position)
November 2017	Outside Director of Saisan Co., Ltd. (current position)
February 2018	Director of Kips Co., Ltd. (current position)
December 2018	Outside Auditor of Malignant Tumor Treatment Technologies, Inc. (current position)
June 2019	Director, Audit Committee of Wacom Co., Ltd. (current position)
March 2020	Director of the Company (current position)

Naoko Okada

Director
(Outside) (Independent)

April 2007	General Manager of Management Division, EC Navi Company (currently Voyage Group)
January 2009	General Manager of Public Relations Office, EC Navi Company (currently Voyage Group)
July 2009	Founder and CEO of Network Communications Corp. (current position)
March 2014	Producer, Executive Division, Every LLC (current position)
March 2020	Director of the Company (current position)

Brian K. Heywood

Director
(Outside)

September 1991	Joined J. D. Power and Associates
August 1997	Director of Belron International
August 1999	Vice President of Citibank, N.A.
January 2001	Managing Director and CEO of Taiyo Pacific Partners L.P. (current position)
December 2009	Outside Director of Ohizumi Mfg. Co., Ltd.
November 2011	Outside Director of SEIRYU Asset Management Ltd.
November 2014	Outside Director of Roland Corporation (current position)
March 2020	Director of the Company (current position)

Masayasu Suzuki

Audit & Supervisory Board Member

April 1980	Joined The Shizuoka Bank, Ltd.
October 2002	Dispatched to Shizuoka Bank (Europe) S.A. Managing Director and General Manager of Shizuoka Bank (Europe) S.A.
April 2007	General Manager, The Shizuoka Bank, Ltd. Osaka Office
January 2009	Dispatched to the Company
October 2009	Joined the Company Executive Officer of the Company General Manager, Accounting Dept. of the Company
October 2013	Division President, Corporate Finance & Accounting HQ of the Company
June 2014	Audit & Supervisory Board Member of the Company (current position)

Naoki Nagano

Audit & Supervisory Board Member

December 2003	General Manager of Sales Division I, Shinjuku-Shintoshin Branch, Resona Bank, Limited.
April 2010	Area Sales Manager of Tokyo Government & Public Institutions Business Office, Resona Bank, Limited.
August 2013	Joined the Company
October 2013	General Manager of Planning Department
June 2014	Executive Officer of the Company Division President of Corporate Planning Division Division President of Corporate Finance & Accounting
January 2018	Managing Director of Roland DG Europe Holdings B.V.
March 2020	Audit & Supervisory Board Member of the Company (current position)

Shigeki Matsuda

Audit & Supervisory Board Member
(Outside) (Independent)

October 1986	Joined Marunouchi & Co. (currently Deloitte Touche Tohmatsu LLC)
March 1990	Registered as Certified Public Accountant
December 1993	Registered as Certified Public Tax Accountant
January 1994	Established Matsuda Certified Public Accountant's Office Representative of Matsuda Certified Public Accountant's Office (current position)
January 2004	Established Aiki Tax Accountant's Corporation Representative partner of Aiki Tax Accountant's Corporation (current position)
April 2012	Auditor of Nagoya Institute of Technology
June 2013	Outside Audit & Supervisory Board Member of Fuji Machine Mfg. Co., Ltd. (currently FUJI CORPORATION) (current position)
June 2015	Audit & Supervisory Board Member of the Company (current positon)

Mitsuhiro Honda

Audit & Supervisory Board Member
(Outside) (Independent)

April 1984	Joined National Tax Administration Agency
July 2004	Director (International Examination), Large Enterprise Examination Division, Large Enterprise Examination and Criminal Investigation Department, National Tax Administration Agency
June 2006	Senior Advisor, Centre for Tax Policy and Administration, OECD
July 2008	Director, Third Large Enterprise Examination Department, Tokyo Regional Taxation Bureau
July 2009	Director, Second Large Enterprise Examination Department, Tokyo Regional Taxation Bureau
July 2010	Assistant Regional Commissioner, Takamatsu Regional Taxation Bureau
July 2012	Professor, Graduate School of University of Tsukuba (current position)
March 2013	Registered as Certified Public Tax Account
April 2013	Visiting Professor, Graduate School of Meiji University (current position)
May 2013	International Tax Adviser of the TOMA Tax Account's Corporation (current position)
April 2014	Part-time Lecturer, Graduate School of Waseda University (current position)
March 2016	Audit & Supervisory Board Member of the Company (current position)
April 2016	Concurrently Appointed Lecture of Professional Graduate School of Meiji University (current position)
April 2017	Member of the selecting committee for research grants, Public interest incorporated association, Institute of TAX Research and Literature (current position)
August 2017	Member of the Committee of Expert on International Cooperation in TAX Matters, United Nations (current position)
June 2018	Audit & Supervisory Board Member of YUASA TRADING., CO., LTD.(current position)
May 2019	Auditor of Public Interest Incorporated Association, Japan Tax Association (current position)

The Abilities of Management are as follows;

	Directors and Audit & Supervisory Board members		Senior Leadership	Manufacturing / Technology/R&D	Sales/ Marketing	Finance & Accounting	Legal	M&A	Global experience
Directors	Hidenori Fujioka		●	●	●			●	●
	Kohei Tanabe		●	●	●				●
	Koichi Hashimoto		●	●		●	●	●	●
	Toshiharu Uwai		●	●		●			●
	Eli Keersmaekers				●	●			●
	Takuo Hirose	Outside Independent					●		●
	Osamu Hosokubo	Outside Independent	●		●	●		●	●
	Naoko Okada	Outside Independent	●		●				●
	Brian K. Heywood	Outside	●			●		●	●
Audit & Supervisory Board members	Masayasu Suzuki					●			●
	Naoki Nagano					●			●
	Shigeki Matsuda	Outside Independent	●			●			
	Mitsuhiro Honda	Outside Independent	●			●			●

Newly Appointed Officers

At the 39th Ordinary General Meeting of Shareholders held on March 19, 2020, appointments were approved for five current Directors and four new Directors, as well as one current and one new Audit & Supervisory Board Member.

Below the new Directors and Audit & Supervisory Board Members introduce themselves via Q&A.

Q1 What are your strengths and specialties?

Q2 What makes Roland DG attractive and impressive?

Q3 What role do you intend to fulfil in your capacity as an officer (Director, Audit & Supervisory Board Member)?

Q4 What message do you have for shareholders?

Director
Eli Keersmaekers

A1 My strong point is that I am people oriented and a listener. It is my belief that is of good value in developing relationships with customers, partners and employees. This specialty helps me to evolve constantly and help to improve myself and my partners.

A2 The company slogans, be the best, creativity, cooperative enthusiasm, are in line with my personal values. It is great to be part of an organization that is constantly trying to improve the creativity and efficiency of society by developing digital solutions.

A3 My role is to develop sales and appropriate channels to create sustainable profitable growth for Roland DG. In this way we will implement a loyal customer base who are Roland DG believers. This will be the engine to grow our company in the future. Together with the other departments in our organization, I will be responsible to translate the customer needs in to innovative solutions that are fulfilling and/or exceeding the customer needs. All of that will result in successful and profitable businesses and exciting teamwork among our global company.

A4 I am honored to serve as a director for Roland DG, and am committed to generate sustainable value for all stakeholders. By constant evolvement of our global employees and partners, we will continue to satisfy our customers. This is the fundament to maximize sustainable value for our shareholders.

Outside Director
Osamu Hosokubo

A1 My principle is to be a good partner for management to solve issues together, and this is where I believe I come in handy. I have a background in the venture capital industry* where I learnt the long and short of risk-taking and management support. Through the years serving in Southeast Asia and China, I learnt to adapt to business across cultures. I have served as the president and outside director of listed companies to experience diverse management issues. The process of restructuring companies faced by crisis have enabled me to overcome some stress.

A2 I believe Roland DG is one of the relatively few blue-chip companies left in Japan that can compete globally under its own brand. This is a company that will be able to further build up brand value in years ahead with an appeal and potential that has my unreserved support.

A3 I would like to proactively make proposals to the executive Directors that help to boost corporate value. Because I spent many years in the venture capital industry, I am particularly concerned in improving corporate value through open innovation.

A4 I believe improvement of corporate value brings shared benefits to shareholders and all other stakeholders. I appreciate their support as I make all-out efforts to maximize corporate value as an independent Outside Director.

*Venture capital (company): A company that invests in unlisted companies

Outside Director

Naoko Okada

A1 I specialize in public relations (PR). I am committed to always being open-minded, and seeking solutions in a purpose-oriented way, which I believe are my strengths. I think it is important to create value out of tangible and intangible assets with full commitment while pursuing coexistence from an external perspective.

A2 The most appealing thing about the Company is its people. A great company is created by great people. When I did a factory tour, I was very impressed with the excitement people showed when explaining about digital cell production system and how the factory system was organized. I marvel at how the concepts of "creative," "BEST" and "Enthusiasm" have taken root in the workplace, and the pride everybody takes in their work. This is one of the few companies from Japan that flourishes on a global stage.

A3 I would like to maximize the corporate value of the Company from a PR perspective. I hope to contribute to the forming of a corporate culture and efforts to resolve social issues as well.

A4 I have been appointed an Outside Director, a position of great responsibility. I reaffirm my commitment to this important role. With a focus on maximizing corporate value, I will fulfil my duties as an Outside Director, aiming to make Roland DG a company admired by shareholders, employees and their families, business partners and all other stakeholders.

Outside Director

Brian K. Heywood

A1 My strength is drawing out the best ideas from everybody, by taking a different perspective from other people. Drawing on that strength, I aim to support the management in making the best decisions.

A2 Technical capability to support the improvement of the customer's creativity, the Company's long history of innovation, and the potential for limitless growth.

A3 Foremost as a representative of shareholders, I see it as my responsibility to ensure that the shareholder perspective is reflected in management. I will support management decision-making with a view to improving corporate value.

A4 I would like my focus to be on the "Unlock, Unleash & Create" concept: unleashing and boosting the potential of Roland DG. Through improved shareholder value, we will be a cutting-edge company chosen by customers and it will enable us to better reward employees. I am determined to support Roland DG on its path to becoming an exemplary company.

Audit & Supervisory Board Member

Naoki Nagano

A1 I have been responsible for finance and accounting and corporate planning at Headquarters. I was blessed with opportunities to grasp the overall situation of the Company and its issues mainly from a financial perspective, as well as to engage directly with the expectations and concerns of shareholders. In addition, through my duties at a European subsidiary of the Company, I was involved in front-line sales operations, which is a valuable asset for my new duties.

A2 The Company stands out in its vitality to ceaselessly tackle new domains, unhindered by the fear of change, as well as its attitude to grow in unison with its overseas subsidiaries overcoming language and cultural barriers.

A3 Companies face increasingly high expectations and demands from shareholders and overall society at large. I am committed to building a better corporate governance system, for the Company to be able to ensure sound, sustainable growth and respond to social trust.

A4 I am determined to leverage my knowledge and experience to date as well as to obtain them anew to steadily fulfill my fiduciary duties to shareholders.

Guiding Principles and Policies

Guiding Principles

Under our environmental policy, Roland DG endeavors to develop a sustainable society worldwide. Roland DG has developed its own Management System processes, including an EMS (Environmental Management System) and a QMS (Quality Management System). To implement our environmental policy and achieve our objectives and goals, each and every department and employee is required to consider the relationship between their work and the environment, and to devise a plan to reduce their impact on the environment. QMS is aimed at reducing environmental impact through design concepts and the selection of part materials, and Roland DG will continue pursuing a level of quality based on the following quality policy so as to better satisfy customers that Roland DG is a company they can trust. Roland DG also coordinates and complies with safety and health activities when conducting its business.

Environmental Policy: We Keep Environmentally Friendly Manufacturing in Mind

Roland DG ensures compliance with legal and other requirements, and we are also continuously improving the effectiveness of our Management System in an effort to improve the quality of business operations. Roland DG endeavors to reduce waste and focus on recycling as well as to make effective use of resources and prevent environmental pollution caused by chemical substances.

Roland DG also develops and designs goods and products that are environmentally friendly by including resource-efficient and power-saving features.

Quality Policy: We Produce Reliable Products for Our Customers

Roland DG understands the importance of meeting customer requirements, and ensures compliance with legal and other requirements while providing reliable products. We are also continuously improving the effectiveness of our Management System in an effort to improve the quality of business operations.

Environmentally Friendly Manufacturing

Compliance with Environmental Laws and Regulations

Given the significant global impact of increasing pollution and environmental destruction, the requirements of environmental laws and regulations worldwide are becoming more demanding than ever. Roland DG, as a global corporation, has worked to comply with a variety of regulations including the RoHS directive enacted in Europe in 2006 and the REACH regulation, which was entered into force in 2007. The REACH regulation, in particular, is a set of stringent requirements for the control of chemicals. As it requires the management of information on the chemicals contained in parts and materials throughout the supply chain, we have worked to enhance the system of cooperation throughout our supply chain. Moreover, a system we built during fiscal 2009 for monitoring the latest trends in global laws and regulations and sharing the information obtained has facilitated the real-time exchange of information between Roland DG and its subsidiaries and distributors abroad. We are currently working to progressively meet the requirements of Globally Harmonized System of Classification and Labeling of Chemicals (GHS)*. We have already met the GHS requirements in China and Korea, not to mention in Japan, where the deadline for our GHS compliance was the earliest. We will endeavor to ensure compliance in Europe and other regions before their respective deadlines. We will continue to ensure compliance with environmental laws and regulations worldwide while building deeper relationships with the suppliers of parts and materials as well as our overseas subsidiaries and distributors, thereby enhancing the system of cooperation in our supply chain.

* Globally Harmonized System of Classification and Labeling of Chemicals (GHS): A system for classifying chemicals according to the types and degrees of hazards based on globally harmonized rules, and providing labels and Safety Data Sheets (SDS) based on those classifications.

Green Procurement

We are also promoting green procurement by progressively increasing the numbers of banned, restricted and controlled chemicals specified in our Green Procurement Guidelines while working to ensure compliance with the REACH regulation and other chemical laws and regulations of different countries. We created and provided the Guidelines (version 8) to our customers. As part of our effort to meet the REACH regulation, we joined the Joint Article Management Promotion Consortium (JAMP)* in fiscal 2006 and are now using the Article Information Sheet (AIS, a universal form recommended by the JAMP for use in the control of chemicals) so as to facilitate the efficient exchange of information on chemicals throughout the supply chain.

*JAMP (Join Article Management Promotion-consortium) : An association for the purpose of promoting suitable management of chemical substances in supply chain products, and smooth information disclosure and transmission , and for contributing to the international competitiveness of industry through reduction of the burden for responding to requests for chemical substance surveys.

Roland DG Corporation and Consolidated Subsidiaries

Years Ended December 31

Note: The Company has changed its fiscal year-end date from March 31 to December 31 starting from the fiscal year ended December 31, 2015.

Consolidated

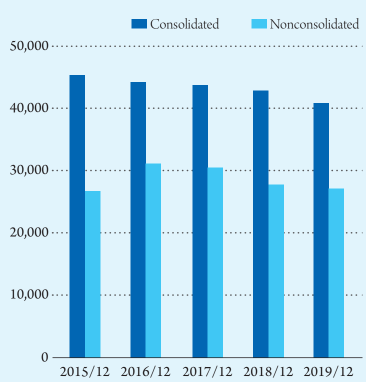
	Millions of Yen					Thousands of U.S. Dollars
	2019/12	2018/12	2017/12	2016/12	2015/12	2019/12
Operating Results						
Net sales	¥ 40,795	¥ 42,775	¥ 43,573	¥ 44,112	¥ 45,122	$ 370,868
Operating income	2,794	4,250	3,853	4,359	4,057	25,400
Net income attributable to owners of the parent	1,945	2,882	1,918	2,706	2,469	17,681
Net cash provided by (used in) operating activities	2,534	4,348	2,447	5,370	3,543	23,036
Financial Position						
Total equity	25,048	24,182	22,522	20,618	22,911	227,705
Total assets	38,446	36,711	36,571	36,341	37,980	349,513
	Yen					U.S. Dollars
Per Share Data						
Net income attributable to owners of the parent	¥ 155.39	¥ 229.66	¥ 153.19	¥ 206.73	¥ 173.36	$ 1.41
Equity		1,926.09	1,798.32	1,647.59	1,608.94	
Cash dividends applicable to the year	50.00	70.00	60.00	60.00	60.00	0.45

Nonconsolidated

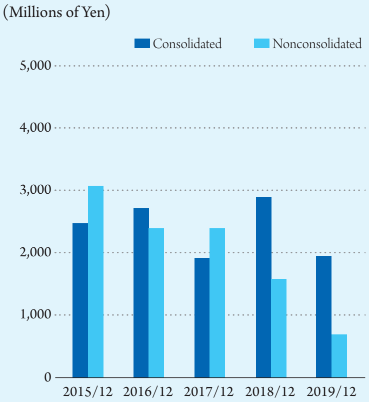
	Millions of Yen					Thousands of U.S. Dollars
	2019/12	2018/12	2017/12	2016/12	2015/12	2019/12
Operating Results						
Net sales	¥ 27,087	¥ 27,713	¥ 30,402	¥ 31,056	¥ 26,743	$ 246,243
Operating income	720	2,353	3,987	3,069	4,105	6,544
Net income	690	1,582	2,380	2,385	3,070	6,269
Financial Position						
Total equity	20,962	21,310	20,359	18,627	20,462	190,562
Total assets	29,749	30,269	30,723	30,526	32,480	270,442
	Yen					U.S. Dollars
Per Share Data						
Net income	¥ 55.10	¥ 126.09	¥ 190.12	¥ 182.21	¥ 215.59	$ 0.50
Equity	1,678.45	1,697.35	1,625.66	1,488.49	1,436.99	15.26

Note: The U.S. dollar amounts have been translated, for convenience only, at the rate of ¥110 to U.S.$1, the approximate rate of exchange at December 31, 2019.

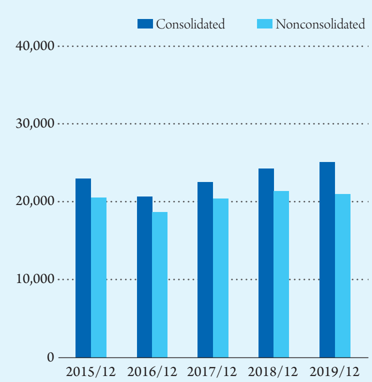
Net Sales
(Millions of Yen)



Net income attributable to owners of the parent
(Millions of Yen)



Total Equity
(Millions of Yen)



Consolidated Balance Sheet

Roland DG Corporation and Consolidated Subsidiaries
December 31, 2019

ASSETS

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2019	December 31, 2018	December 31, 2019
CURRENT ASSETS:			
Cash and time deposits (Notes 3 and 14)	¥ 11,215,142	¥ 11,170,004	$ 101,956
Notes and accounts receivable (Note 14):			
Trade notes	14,706	8,318	134
Trade accounts	4,932,642	4,990,627	44,842
Allowance for doubtful receivables	(74,350)	(87,943)	(676)
Inventories (Note 4)	9,654,191	8,041,709	87,765
Prepaid expenses and other	1,863,482	2,065,173	16,941
Total current assets	27,605,813	26,187,888	250,962
PROPERTY, PLANT, AND EQUIPMENT (Note 19)**:**			
Land	3,146,063	3,124,848	28,600
Buildings and structures	7,166,987	7,037,881	65,154
Machinery and equipment	939,962	947,285	8,545
Tools, furniture, and fixtures	3,714,896	3,789,006	33,772
Right-of-use assets	800,543	—	7,278
Construction in progress	18,150	27,196	165
Total property, plant, and equipment	15,786,601	14,926,216	143,514
Accumulated depreciation	(8,346,372)	(8,231,588)	(75,876)
Net property, plant, and equipment	7,440,229	6,694,628	67,638
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 14)	19,265	19,384	175
Goodwill (Note 5)	189,177	274,444	1,720
Software	757,335	973,252	6,885
Deferred tax assets (Note 10)	1,631,750	1,668,522	14,834
Deferred compensation assets	395,542	482,440	3,596
Other assets	407,349	410,010	3,703
Total investments and other assets	3,400,418	3,828,052	30,913
TOTAL	¥ 38,446,460	¥ 36,710,568	$ 349,513

See notes to consolidated financial statements.

LIABILITIES AND EQUITY

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2019	December 31, 2018	December 31, 2019
CURRENT LIABILITIES:			
Accounts payable (Note 14)			
Trade	¥ 2,014,844	¥ 1,994,581	$ 18,317
Other	1,156,606	1,050,027	10,514
Current portion of long-term debt (Notes 6 and 14)	1,440,000	360,000	13,091
Current portion of lease obligations (Note 12)	318,830	2,388	2,898
Income taxes payable (Notes 10 and 14)	385,444	224,969	3,504
Accrued expenses	709,945	647,617	6,454
Accrued bonuses	605,405	723,325	5,504
Accrued bonuses to directors and audit and supervisory board members	44,000	60,000	400
Accrued warranties	490,372	458,315	4,458
Other	1,858,525	1,616,737	16,896
Total current liabilities	9,023,971	7,137,959	82,036
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 14)	1,440,000	2,880,000	13,091
Lease obligations (Note 12)	488,906	6,549	4,445
Provision for employee stock ownership plan (Note 8)	153,265	113,374	1,393
Provision for management stock ownership plan (Note 8)	180,378	191,756	1,640
Provision for loss on plan termination of benefit obligation relating to employees' pension fund (Note 7)	4,308	4,671	39
Liability for retirement benefits (Note 7)	827,992	858,387	7,527
Long-term payables	43,513	39,881	396
Other	1,236,536	1,295,690	11,241
Total long-term liabilities	4,374,898	5,390,308	39,772
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 14, 15, and 16)			
EQUITY (Notes 9 and 18)**:**			
Common stock,			
authorized, 71,200,000 shares in 2019 and 2018;			
issued, 12,656,311 shares in 2019 and 2018	3,668,700	3,668,700	33,351
Capital surplus	3,700,609	3,700,609	33,642
Retained earnings	19,197,758	18,152,407	174,525
Treasury stock – at cost			
167,557 shares in 2019 and 101,195 shares in 2018 (Note 8)	(593,774)	(442,218)	(5,398)
Accumulated other comprehensive income:			
Unrealized losses on available-for-sale securities	(1,983)	(1,246)	(18)
Foreign currency translation adjustments	(705,788)	(612,127)	(6,416)
Defined retirement benefit plans	(218,039)	(283,904)	(1,982)
Total	25,047,483	24,182,221	227,704
Noncontrolling interests	108	80	1
Total equity	25,047,591	24,182,301	227,705
TOTAL	¥ 38,446,460	¥ 36,710,568	$ 349,513

Consolidated Statement of Income

Roland DG Corporation and Consolidated Subsidiaries
Year Ended December 31, 2019

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2019	December 31, 2018	December 31, 2019
NET SALES (Note 19)	¥ 40,795,451	¥ 42,774,908	$ 370,868
COST OF SALES (Note 11)	23,464,865	23,680,742	213,317
Gross profit	17,330,586	19,094,166	157,551
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	14,536,565	14,844,152	132,151
Operating income	2,794,021	4,250,014	25,400
OTHER INCOME (EXPENSES):			
Interest and dividend income	18,488	14,457	168
Interest expense	(39,464)	(15,911)	(359)
Gain on money held in trust	79,768	—	725
Loss on disposal or sales of property, plant, and equipment, software and intangible assets (Note 13)	(4,657)	(115,188)	(42)
Foreign exchange losses	(144,889)	(201,010)	(1,317)
Sales discount charges	(126,692)	(153,706)	(1,152)
Reversal of provision for loss on plan termination of benefit obligation relating to employees' pension fund	—	44,924	—
Other - net	67,600	38,161	615
Other expenses – net	(149,846)	(388,273)	(1,362)
INCOME BEFORE INCOME TAXES AND NONCONTROLLING INTERESTS	2,644,175	3,861,741	24,038
INCOME TAXES (Note 10)**:**			
Current	704,210	859,272	6,402
Deferred	(4,914)	120,761	(45)
Total income taxes	699,296	980,033	6,357
NET INCOME	1,944,879	2,881,708	17,681
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	18	14	0
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 1,944,861	¥ 2,881,694	$ 17,681

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2. v and 18)**:**			
Net income attributable to owners of the parent	¥ 155.39	¥ 229.66	$ 1.41
Cash dividends	50.00	70.00	0.45

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Roland DG Corporation and Consolidated Subsidiaries
Year Ended December 31, 2019

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2019	December 31, 2018	December 31, 2019
NET INCOME	¥ 1,944,879	¥ 2,881,708	$ 17,681
OTHER COMPREHENSIVE LOSS (Note 17)**:**			
Unrealized losses on available-for-sale securities	(737)	(9,033)	(7)
Foreign currency translation adjustments	(93,651)	(458,055)	(852)
Defined retirement benefit plans	65,865	(131,990)	599
Total other comprehensive loss	(28,523)	(599,078)	(260)
COMPREHENSIVE INCOME	¥ 1,916,356	¥ 2,282,630	$ 17,421
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 1,916,328	¥ 2,282,618	$ 17,421
Noncontrolling interests	28	12	0

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Roland DG Corporation and Consolidated Subsidiaries
Year Ended December 31, 2019

		Thousands of Yen									
						Accumulated Other Comprehensive Income					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Losses on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, JANUARY 1, 2018	12,523,716	¥ 3,668,700	¥ 3,700,609	¥16,030,080	¥ (579,561)	¥ 7,786	¥ (154,073)	¥ (151,914)	¥22,521,627	¥ 68	¥22,521,695
Net income attributable to owners of the parent				2,881,694					2,881,694		2,881,694
Cash dividends, ¥60 per share				(759,367)					(759,367)		(759,367)
Treasury stock transfer of stock ownership trust	31,400				137,343				137,343		137,343
Net change in the year						(9,032)	(458,054)	(131,990)	(599,076)	12	(599,064)
BALANCE, DECEMBER 31, 2018	12,555,116	3,668,700	3,700,609	18,152,407	(442,218)	(1,246)	(612,127)	(283,904)	24,182,221	80	24,182,301
Cumulative effects of changes in accounting policies				(13,582)					(13,582)		(13,582)
RESTATED BALANCE, JANUARY 1, 2019	12,555,116	3,668,700	3,700,609	18,138,825	(442,218)	(1,246)	(612,127)	(283,904)	24,168,639	80	24,168,719
Net income attributable to owners of the parent				1,944,861					1,944,861		1,944,861
Cash dividends, ¥70 per share				(885,928)					(885,928)		(885,928)
Purchases of treasury stock	(62)				(135)				(135)		(135)
Treasury stock acquisition of stock ownership trust	(71,800)				(175,478)				(175,478)		(175,478)
Treasury stock transfer of stock ownership trust	5,500				24,057				24,057		24,057
Net change in the year						(737)	(93,661)	65,865	(28,533)	28	(28,505)
BALANCE, DECEMBER 31, 2019	12,488,754	¥ 3,668,700	¥ 3,700,609	¥19,197,758	¥ (593,774)	¥ (1,983)	¥ (705,788)	¥ (218,039)	¥25,047,483	¥ 108	¥25,047,591

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Losses on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, DECEMBER 31, 2018	$ 33,351	$ 33,642	$ 165,022	$ (4,020)	$ (11)	$ (5,565)	$ (2,581)	$ 219,838	$ 1	$ 219,839
Cumulative effects of changes in accounting policies			(124)					(124)		(124)
RESTATED BALANCE, JANUARY 1, 2019	33,351	33,642	164,898	(4,020)	(11)	(5,565)	(2,581)	219,714	1	219,715
Net income attributable to owners of the parent			17,681					17,681		17,681
Cash dividends, $0.64 per share			(8,054)					(8,054)		(8,054)
Purchases of treasury stock				(1)				(1)		(1)
Treasury stock acquisition of stock ownership trust				(1,595)				(1,595)		(1,595)
Treasury stock transfer of stock ownership trust				218				218		218
Net change in the year					(7)	(851)	599	(259)	0	(259)
BALANCE, DECEMBER 31, 2019	$ 33,351	$ 33,642	$ 174,525	$ (5,398)	$ (18)	$ (6,416)	$ (1,982)	$ 227,704	$ 1	$ 227,705

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Roland DG Corporation and Consolidated Subsidiaries
Year Ended December 31, 2019

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2019	December 31, 2018	December 31, 2019
OPERATING ACTIVITIES:			
Income before income taxes and noncontrolling interests	¥ 2,644,175	¥ 3,861,741	$ 24,038
Adjustments for:			
Income taxes paid	(510,943)	(508,616)	(4,645)
Depreciation and amortization	1,528,112	1,207,232	13,892
(Reversal of) provision for allowance for doubtful receivables	(11,374)	7,983	(104)
(Reversal of) provision for accrued bonuses	(116,753)	62,557	(1,061)
(Reversal of) provision for accrued bonuses to directors and audit and supervisory board members	(16,000)	60,000	(145)
Provision for (reversal of) accrued warranties	39,606	(65,464)	360
Increase (decrease) in liability for retirement benefits	63,508	29,023	577
(Reversal of) provision for employee stock ownership plan	53,013	21,870	(4)
(Reversal of) provision for management stock ownership plan	(443)	64,035	(3)
Increase (decrease) in provision for loss on plan termination of benefit obligation relating to employees' pension fund	(364)	(47,061)	482
Interest and dividend income	(18,488)	(14,457)	(168)
Interest expense	39,464	15,911	359
Loss (gain) on disposals or sales of property, plant, and equipment	4,657	29,440	42
Loss (gain) on disposals or sales of software and intangible assets	—	85,748	—
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable	(25,408)	(566,556)	(231)
(Increase) decrease in inventories	(1,742,840)	42,263	(15,844)
Decrease (increase) in prepaid expenses and other current assets	86,667	117,073	788
Decrease (increase) in other investments and assets	46,012	40,234	418
Increase (decrease) in accounts payable	1,395	118,997	13
Increase (decrease) in other current liabilities	534,120	(217,849)	4,856
(Decrease) increase in other long-term liabilities	(42,037)	(49,439)	(382)
Other – net	(22,204)	53,027	(202)
Total adjustments	(110,300)	485,951	(1,002)
Net cash provided by (used in) operating activities	2,533,875	4,347,692	23,036
INVESTING ACTIVITIES:			
Payments into time deposits	(14,180)	(265)	(129)
Purchases of property, plant, and equipment	(632,601)	(508,120)	(5,751)
Proceeds from sales of property, plant, and equipment	38,228	23,835	348
Purchases of software and other intangible assets	(265,695)	(270,764)	(2,416)
Purchases of investment securities	(932)	(914)	(8)
Other	95	299	1
Net cash (used in) provided by investing activities	(875,085)	(755,929)	(7,955)
FINANCING ACTIVITIES:			
(Decrease) increase in short-term bank loans – net	—	(136,800)	—
Repayments of long-term debt	(360,000)	(1,440,000)	(3,273)
Repayments of lease obligations	(327,864)	(2,429)	(2,980)
Dividends paid	(886,228)	(759,776)	(8,057)
Purchases of treasury stock	(175,964)	—	(1,600)
Net cash (used in) provided by financing activities	(1,750,056)	(2,339,005)	(15,910)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	121,374	127,397	1,103
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,108	(1,380,155)	274
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY	—	40,668	—
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,169,671	9,748,848	101,542
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)	¥ 11,199,779	¥ 11,169,671	$ 101,816

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Roland DG Corporation and Consolidated Subsidiaries
Year Ended December 31, 2019

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

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 that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the consolidated financial statements of the year ended December 31, 2018, to conform to the classifications used in the year ended December 31, 2019.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Roland DG Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110 to $1, the approximate rate of exchange at December 31, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation*** — The consolidated financial statements as of December 31, 2019, include the accounts of the Company and its 17 (17 in 2018) subsidiaries (together, the "Group"), except for subsidiaries which, if consolidated, would not have a material effect on the accompanying consolidated financial statements.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investment in one (one in 2018) unconsolidated company not accounted for by the equity method is stated at cost. If the equity method of accounting had been applied to the investment in this company, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary or a business at the date of acquisition is accounted for as goodwill and amortized over a period of 10 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Group are eliminated.

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*** — Under the Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" the accounting policies applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or the accounting principles generally accepted in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; 3) expensing capitalized development costs of research and development (R&D); and 4) cancellation of fair value model of accounting for property, plant, and equipment and investment properties and incorporation of cost model of accounting.

c. ***Business Combinations*** — Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

d. ***Cash Equivalents*** — Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposit, commercial paper, and bond funds, all of which mature or become due within three months of the date of acquisition.

e. ***Inventories*** — Inventories are stated at the lower of cost, determined by the average cost method, or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses.

f. ***Marketable and Investment Securities*** — Marketable and investment securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined by the moving average method.

Nonmarketable available-for-sale securities are stated at cost determined by the moving average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g. ***Property, Plant, and Equipment*** — Property, plant, and equipment are stated at cost. Depreciation of property, plant, and equipment of the Company is computed primarily by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired by the Company on or after April 1, 1998, facilities attached to buildings and structures acquired on or after April 1, 2016, and all property, plant, and equipment of consolidated foreign subsidiaries. The period of useful lives is principally 31 years for buildings and structures and from two to six years for tools, furniture, and fixtures. Depreciation of right-of-use assets is computed by the straight-line method over the lease term.

h. ***Intangible Assets*** — Software to be sold is amortized in proportion to the actual sales volume of the software during the current year to the estimated total sales volume over the estimated salable years of the software. Software for internal use is amortized by the straight-line method over its useful life of five years.

i. ***Leases*** — Finance lease transactions are capitalized by recognizing lease assets and lease obligation in the balance sheet. In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases that existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other lease transactions are accounted for as operating lease transactions.

Effective from January 1, 2019, certain foreign consolidated subsidiaries of the Company reporting under IFRS applied IFRS 16 "Leases." IFRS 16 "Leases" requires lessees, in principle, to recognize all leases as assets and liabilities. The cumulative effect of applying IFRS 16 was recognized at the time of commencing application, which was as of January 1, 2019, in accordance with the transitional treatment.

As a result, right-of-use assets, deferred tax assets, current portion of lease obligations and lease obligations under long-term liabilities increased by ¥466,645 thousand ($4,242 thousand), ¥2,054 thousand ($19 thousand), ¥199,604 thousand ($1,815 thousand) and ¥282,678 thousand ($2,570 thousand), respectively, and retained earnings decreased by ¥13,582 thousand ($124 thousand) as of January 1, 2019. The impact on profit and per share information for the year ended December 31, 2019 was immaterial.

j. ***Long-Lived Assets*** — The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Group reviewed its long-lived assets for impairment for the years ended December 31, 2019 and 2018. As a result, no impairment loss was recognized for the years ended December 31, 2019 and 2018.

k. ***Retirement and Pension Plans*** — The Company has a contributory funded pension plan together with Roland Corporation, the Company's former parent company, and domestic consolidated subsidiaries of Roland Corporation, covering substantially all of their employees.

The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period. Past service costs are amortized on a straight-line basis over 10 years within the average remaining service period.

In addition, the Company has a contributory trusted pension plan covering most employees, together with multiemployers, including Roland Corporation and its domestic subsidiaries. The Company funds and records contributions, which consist of normal costs and amortization of prior service costs over 20 years, as charges to income when paid.

Certain consolidated foreign subsidiaries have contributory defined contribution plans, which cover substantially all employees of the subsidiaries. The subsidiaries' contributions are charged to income when paid.

l. ***Provision for Loss on Plan Termination of Benefit Obligation Relating to Employees' Pension Fund*** — Provision for loss on plan termination of benefit obligation relating to employees' pension fund is recorded based on the estimated losses at the end of the year.

m. ***Asset Retirement Obligations*** — An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

n. ***R&D Costs*** — R&D costs are charged to income as incurred.

o. ***Accrued Warranties*** — A liability for estimated product warranty-related costs is established at the time revenue is recognized. The product liability is established using historical information, including the nature, frequency, and average cost of warranty claims.

p. ***Bonuses to Directors and Audit and Supervisory Board Members*** — Bonuses to directors and audit and supervisory board members are accrued at the end of the year to which such bonuses are attributable.

q. ***Employee and Management Stock Ownership Plans*** — In accordance with PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts," upon transfer of treasury stock to the employee stockownership trust (the "Trust") by the entity, any difference between the book value and fair value of the treasury stock shall be recorded in capital surplus. At year-end, the Company records 1) the entity stock held by the Trust as treasury stock in equity, 2) all other assets and liabilities of the Trust on a line-by-line basis, and 3) a liability/asset for the net of i) any gain or loss on delivery of the stock by the Trust to the employee shareholding association, ii) dividends received from the entity for the stock held by the Trust, and iii) any expenses relating to the Trust.

r. ***Income Taxes*** — The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting" (the "Partial Amendments"), which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively, and changes have been made to Note 10. The Company applied the Partial Amendments effective January 1, 2019.

As a result, deferred tax assets in current assets and other in current liabilities decreased by ¥997,819 thousand and ¥167 thousand, respectively, and deferred tax assets in investments and other assets increased by ¥997,652 thousand in the accompanying consolidated balance sheet as of December 31, 2018. Further, total assets decreased by ¥167 thousand due to offsetting deferred tax assets and deferred tax liabilities within one tax paying entity.

Addition has been made to Note 10 regarding the information in note 8 (excluding total valuation allowance) and note 9 of the interpretation of the "Accounting Standard for Tax Effect Accounting" as prescribed in Paragraphs 3 through 5 of the Partial Amendments. However, information for the year ended December 31, 2018 is not presented in accordance with the transitional treatment prescribed in Paragraph 7 of the Partial Amendments.

On February 16, 2018, the ASBJ issued the ASBJ Guidance No. 28 "Implementation Guidance on Tax Effect Accounting," which the Company applied effective January 1, 2019. Retrospective adjustment has not been made to the accompanying consolidated financial statements as the impact of applying the new Guidance was immaterial.

s. ***Foreign Currency Transactions*** — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

t. ***Foreign Currency Financial Statements*** — The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date, except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rates.

u. ***Derivatives*** — The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates, principally related to intercompany balances. The Group does not enter into derivatives for trading or speculative purposes.

All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on the derivative transactions are recognized in the consolidated statements of income.

v. ***Per Share Information*** — Basic net income per share is computed by dividing net income attributable to owners of the parent available to common stockholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not presented because there are no securities with dilutive effect upon exercise or conversion into common stock.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

w. ***Use of Estimates*** — The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates.

x. ***Accounting Changes and Error Corrections*** — ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections" accounting treatments are required as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

y. ***New Accounting Pronouncements***

Accounting Standard for Revenue Recognition — On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company and its domestic consolidated subsidiaries expect to apply the accounting standard and guidance for annual periods beginning on or after January 1, 2022, and are in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

Accounting Standards for Fair Value Measurement, etc. — On July 4, 2019, the ASBJ issued the following accounting standards and implementation guidance:

- ASBJ Statement No. 30 "Accounting Standard for Fair Value Measurement"
- ASBJ Guidance No. 31 "Implementation Guidance on Accounting Standard for Fair Value Measurement"
- ASBJ Statement No. 9 (revised 2019) "Accounting Standard for Measurement of Inventories"
- ASBJ Statement No. 10 (revised 2019) "Accounting Standard for Financial Instruments"

In order to enhance comparability of requirements under the Japanese accounting standards to those under international accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (the "Fair Value Measurement standards") have been developed and the guidance on the method of fair value measurement, etc. have been established. The Fair Value Measurement standards, etc. are applied to the following items:

- Financial instruments as prescribed in "Accounting Standard for Financial Instruments"
- Inventories held for trading purpose as prescribed in "Accounting Standard for Measurement of Inventories"

The Company expects to apply the accounting standards and guidance from January 1, 2022, and is in the process of measuring the effects of applying the accounting standards and guidance in future applicable periods.

Accounting Standard for Leases — On February 25, 2016, the FASB issued an Accounting Standards Update (ASU No. 2016-02) which requires lessees to recognize most leases on their balance sheets, but recognize expenses on their income statements in a manner similar to the current guidance. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases.

The Company expects to apply ASU No. 2016-02 from January 1, 2021, and is in the process of measuring the effects of applying the new standard in future applicable periods.

3. RECONCILIATION TO CASH AND CASH EQUIVALENTS

The reconciliation of cash and time deposits in the consolidated balance sheets to cash and cash equivalents in the consolidated statements of cash flows at December 31, 2019 and 2018 was as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2019	December 31, 2018	December 31, 2019
Cash and time deposits	¥ 11,215,142	¥ 11,170,004	$ 101,956
Time deposits with original maturities of more than three months	(15,363)	(333)	(140)
Cash and cash equivalents	¥ 11,199,779	¥ 11,169,671	$ 101,816

4. INVENTORIES

Inventories at December 31, 2019 and 2018 consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2019	December 31, 2018	December 31, 2019
Merchandise and finished products	¥ 6,990,972	¥ 5,766,572	$ 63,554
Work in process	106,324	64,026	966
Raw materials and supplies	2,556,895	2,211,111	23,245
Total	¥ 9,654,191	¥ 8,041,709	$ 87,765

5. GOODWILL

The component of goodwill at December 31, 2019 and 2018 was as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2019	December 31, 2018	December 31, 2019
Consolidation goodwill	¥ 189,177	¥ 274,444	$ 1,720

Consolidation goodwill is amortized over 10 years.

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

There was no outstanding balance of short-term bank loans at December 31, 2019 and 2018.

Long-term debt at December 31, 2019 and 2018 consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2019	December 31, 2018	December 31, 2019
Unsecured syndicate and other loans from banks, 0.3%, due 2021:			
Total	¥ 2,880,000	¥ 3,240,000	$ 26,182
Less current portion	(1,440,000)	(360,000)	(13,091)
Long-term debt, less current portion	¥ 1,440,000	¥ 2,880,000	$ 13,091

Annual maturities of long-term debt as of December 31, 2019, for the next five years and thereafter were as follows:

Year Ending December 31	Thousands of Yen	Thousands of U.S. Dollars
2020	¥ 1,440,000	$ 13,091
2021	1,440,000	13,091
2022	—	—
2023	—	—
2024	—	—
Total	¥ 2,880,000	$ 26,182

The Company held syndicate loan contracts with three financial institutions, all of which have been repaid as of December 31, 2019. These syndicate loan contracts had financial covenants that require certain targets of consolidated and nonconsolidated equity and operating income to be maintained.

7. RETIREMENT AND PENSION PLANS

The Company has a funded defined benefit plan (cash balance plan). Under the plan, employees are granted retirement payment points determined based on their occupation, qualifications and positions and interest points calculated based on balance of points. A lump-sum payment will be made at the time of the employee's retirement calculated based on total balance of points, reason for retirement and length of service.

The Company recognized prior service cost for the year ended December 31, 2019 due to revision of the rules for the lump-sum retirement payment (effective January 1, 2020) in line with changes to the personnel system.

The Company participated in the Pension Fund of Japan Electronics Information Technology Industry (the "Pension Fund") which is a multiemployer pension plan as the Welfare Pension Fund Plan. The Pension Fund is currently in the process of liquidation after obtaining permission of dissolution on March 31, 2018 from the Minister of Health, Labour and Welfare. The Pension Fund was accounted for in the same manner as defined contribution plans because it was difficult to reasonably calculate pension assets in response to the Company's contributions. The Company recorded an expected loss from dissolution of ¥4,308 thousand ($39 thousand) as the provision for loss on plan termination of benefit obligation relating to employees' pension fund as of December 31, 2019. The Company established a defined contribution corporate pension plan to replace the Fund after its dissolution.

Certain consolidated foreign subsidiaries have contributory defined contribution plans.

1. The changes in the defined benefit obligation for the years ended December 31, 2019 and 2018, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2019	December 31, 2018	December 31, 2019
Balance at beginning of year	¥ 4,395,840	¥ 4,268,007	$ 39,962
Current service cost	255,451	266,941	2,322
Interest cost	16,176	15,706	147
Actuarial gains and losses	75,843	(12,312)	690
Prior service cost	38,221	—	347
Benefits paid	(127,176)	(142,502)	(1,156)
Balance at end of year	¥ 4,654,355	¥ 4,395,840	$ 42,312

2. The changes in plan assets for the years ended December 31, 2019 and 2018, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2019	December 31, 2018	December 31, 2019
Balance at beginning of year	¥ 3,537,453	¥ 3,625,737	$ 32,159
Expected return on plan assets	88,436	90,643	804
Actuarial gains and losses	124,586	(244,247)	1,132
Contributions from the employer	203,064	207,822	1,846
Benefits paid	(127,176)	(142,502)	(1,156)
Balance at end of year	¥ 3,826,363	¥ 3,537,453	$ 34,785

3. Reconciliation between the liability recorded in the consolidated balance sheets and the balances of defined benefit obligation and plan assets as of December 31, 2019 and 2018, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2019	December 31, 2018	December 31, 2019
Funded defined benefit obligation	¥ 4,654,355	¥ 4,395,840	$ 42,312
Plan assets	(3,826,363)	(3,537,453)	(34,785)
	827,992	858,387	7,527
Unfunded defined benefit obligation	—	—	—
Net liability (asset) arising from defined benefit obligation	¥ 827,992	¥ 858,387	$ 7,527

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2019	December 31, 2018	December 31, 2019
Liability for retirement benefits	¥ 827,992	¥ 858,387	$ 7,527
Asset for retirement benefits	—	—	—
Net liability (asset) arising from defined benefit obligation	¥ 827,992	¥ 858,387	$ 7,527

4. The components of net periodic benefit costs for the years ended December 31, 2019 and 2018, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2019	December 31, 2018	December 31, 2019
Service cost	¥ 255,451	¥ 266,941	$ 2,322
Interest cost	16,176	15,706	147
Expected return on plan assets	(88,436)	(90,643)	(804)
Recognized actuarial gains and losses	83,382	44,841	758
Net periodic benefit costs	¥ 266,573	¥ 236,845	$ 2,423

5. Amounts recognized in other comprehensive income before income tax effect in respect of defined retirement benefit plans for the years ended December 31, 2019 and 2018 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2019	December 31, 2018	December 31, 2019
Prior service cost	¥ (38,221)	¥ —	$ (347)
Actuarial gains and losses	132,125	(187,094)	1,201
Total	¥ 93,904	¥ (187,094)	$ 854

6. Amounts recognized in accumulated other comprehensive income before income tax effect in respect of defined retirement benefit plans as of December 31, 2019 and 2018 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2019	December 31, 2018	December 31, 2019
Unrecognized prior service cost	¥ 38,221	¥ —	$ 347
Unrecognized actuarial gains and losses	272,642	404,767	2,479
Total	¥ 310,863	¥ 404,767	$ 2,826

7. Plan assets

(1) Components of plan assets

Plan assets as of December 31, 2019 and 2018, consisted of the following:

	December 31, 2019	December 31, 2018
Domestic debt investments	26%	29%
Foreign debt investments	8%	9%
Domestic equity investments	16%	12%
Foreign equity investments	17%	14%
General account	30%	31%
Cash and cash equivalents	3%	5%
Total	100%	100%

(2) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return, which are expected currently and in the future from the various components of the plan assets.

8. Assumptions used for the years ended December 31, 2019 and 2018, were as follows:

	December 31, 2019	December 31, 2018
Discount rate	0.4%	0.4%
Expected rate of return on plan assets	2.5%	2.5%

The Company uses an index of salary increase by age at the balance sheet date as an expected rate of salary increase.

9. Multiemployer pension fund

For the year ended December 31, 2018, the amount of the required contribution to the Welfare Pension Fund Plan as a multiemployer pension plan, which is accounted for in the same manner as the defined contribution plans, was ¥18,772 thousand.

Funding status of the multiemployer pension plan at December 31, 2018, was as follows:

	Thousands of Yen
	December 31, 2018
Fair value of plan assets	¥ 231,996,520
Sum of actuarial obligations in pension financing and minimum reserve	245,475,663
Difference	¥ (13,479,143)

At March 31, 2018, the contribution ratio of the Company to the multiemployer pension plan was 1.4%.

For the year ended December 31, 2018, the major factor that caused the above difference is unamortized balance of prior service cost in the amount of ¥26,071,368 thousand. Prior service cost is amortized on a straight-line basis over a period of 20 years, and the special contribution of ¥11,478 thousand allotted to the amortization is charged to income in the accompanying consolidated financial statements.

Note that the above contribution ratio does not agree with the actual share of contribution.

As the Pension Fund, which the Company used to adopt, is currently in the process of liquidation, there is no information to be disclosed regarding the funding status, the contribution ratio of the Company, and supplementary explanation of the Pension Fund for the year ended December 31, 2019.

10. Defined contribution plans

For the years ended December 31, 2019 and 2018, the amount of the required contribution to the defined contribution plans of the consolidated subsidiaries was ¥129,053 thousand ($1,173 thousand) and ¥137,027 thousand, respectively.

8. MANAGEMENT AND EMPLOYEE STOCK OWNERSHIP PLAN

Management stock ownership trust plan

The Company holds a management stock ownership trust plan for directors of the Company other than outside directors and particular directors of group companies to enhance contribution to mid-term and long-term growth and increase corporate value. As of December 31, 2018, the plan was ended. The new plan for the year ended December 31, 2019 onward is for directors of the Company (excluding outside directors), and its amendment was resolved at the 38th General meeting of Shareholders.

Under this management stock ownership trust plan, points are given to applicable directors based on their position and contributions, and stock of the Company (or cash obtained from disposition of shares of the Company after deducting ancillary costs, in case such shares are unable to obtain) equivalent to achieved points would be given at the time of retirement.

To manage this plan, the Company established trusts and contributed necessary funds to purchase stock of the Company. The trustee purchases stock of the Company through market or allocation of treasury stock by the Company.

The Company resolved at the Board of Directors meeting held on May 14, 2019 to make an additional contribution to the trust as funds for acquiring stock of the Company required for distribution, and payment of funds and acquisition of stock of the Company were completed by June 17, 2019.

Accounting treatment of the plan is processed under PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts."

As of December 31, 2019 and 2018, stock of the Company held by these trusts is expressed as treasury stock of equity in the consolidated balance sheets, and its amount and number of shares were ¥455,852 thousand ($4,144 thousand) and ¥291,308 thousand, and 135,900 shares and 66,600 shares, respectively.

Employee stock ownership plan (ESOP)

The Company holds an ESOP incentive plan as a part of its employee welfare program for certain employees. As of December 31, 2018, the plan was ended. A new plan has been established in the year ended December 31, 2019 with certain modifications to the former plan.

Under the ESOP, points are given to applicable employees based on their position and contributions, and stock of the Company equivalent to cumulative points would be given at the time of retirement.

To manage this plan, the Company established trusts and contributed necessary funds to purchase stock of the Company. Remaining funds and stock of the Company will be succeeded by the new plan and additional contribution may be made for continuous operation of the plan. The trustee may purchase stock of the Company on the market in case of additional contributions.

Accounting treatment of the plan is processed under PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts."

As of December 31, 2019 and 2018, stock of the Company held by these trusts is expressed as treasury stock of equity in the consolidated balance sheets, and its amount and number of shares were ¥137,344 thousand ($1,249 thousand) and ¥150,466 thousand, and 31,400 shares and 34,400 shares, respectively.

9. EQUITY

At March 31, 2015, 24.8% of the Company's issued shares were owned by Roland Corporation, which is principally engaged in the manufacturing and sales of electronic musical instruments. On July 3, 2014, the Company purchased back 3,560,000 of its shares from Roland Corporation, and the holding ratio of Roland Corporation decreased from 40.0% to 24.8%. As a result, the Company changed from a subsidiary to an associate company of Roland Corporation. On May 12, 2016, the Company purchased back an additional 1,726,200 shares from Roland Corporation. As a result of this transaction, Roland Corporation is no longer a major shareholder of the Company.

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions of the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather the normal two-year term by its articles of incorporation. The board of directors of such company may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all of the above criteria.

The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the board of directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or purchases of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 29.9% and 30.2% for the years ended December 31, 2019 and 2018, respectively.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at December 31, 2019 and 2018, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2019	December 31, 2018	December 31, 2019
Deferred tax assets:			
Intercompany profits on inventories	¥ 369,323	¥ 445,094	$ 3,357
Accounts receivable	40,263	39,619	366
Accrued enterprise taxes	24,395	8,834	222
Intangible assets	202,165	176,601	1,838
Shares of subsidiaries and associated companies	176,107	176,107	1,601
Accrued bonuses	129,546	182,086	1,177
Accrued warranties	110,614	102,807	1,005
Provision for stock ownership plan	99,626	90,851	906
Provision for loss on plan termination of benefit obligation relating to employees' pension fund	1,286	1,395	12
Liability for retirement benefits	236,739	246,913	2,152
Accounts payable – other	13,850	584	126
Accrued expenses	116,680	128,449	1,061
Tax loss carryforwards (Note)	283,966	352,613	2,582
Other	358,717	248,700	3,261
Subtotal deferred tax assets	2,163,277	2,200,653	19,666
Less valuation allowance for tax loss carryforwards (Note)	(77,824)	—	(708)
Less valuation allowance for future deductible temporary differences	(308,238)	—	(2,802)
Total valuation allowance	(386,062)	(390,057)	(3,510)
Total	¥ 1,777,215	¥ 1,810,596	$ 16,156
Deferred tax liabilities:			
Retained earnings appropriated for special allowances	¥ (35,571)	¥ (36,055)	$ (323)
Undistributed earnings of subsidiaries	(88,182)	(75,402)	(802)
Investments in associated companies	—	(10,229)	—
Stock ownership trust account expenses	(21,712)	(20,388)	(197)
Total	¥ (145,465)	¥ (142,074)	$ (1,322)
Net deferred tax assets	¥ 1,631,750	¥ 1,668,522	$ 14,834

Note: The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of December 31, 2019 were as follows:

	Thousands of Yen						
December 31, 2019	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards*1	¥ 2,101	¥ —	¥ —	¥ —	¥ —	¥ 281,865	¥ 283,966
Less valuation allowances for tax loss carryforwards	(2,101)	—	—	—	—	(75,723)	(77,824)
Net deferred tax assets relating to tax loss carryforwards	—	—	—	—	—	206,142	206,142 *2

	Thousands of U.S. Dollars						
December 31, 2019	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards*1	$ 19	$ —	$ —	$ —	$ —	$ 2,563	$ 2,582
Less valuation allowances for tax loss carryforwards	(19)	—	—	—	—	(689)	(708)
Net deferred tax assets relating to tax loss carryforwards	—	—	—	—	—	1,874	1,874 *2

*1 Tax loss carryforwards were calculated by applying the effective statutory tax rate.

*2 Net deferred tax assets of ¥206,142 thousand ($1,874 thousand) are recognized for a part of tax loss carryforwards of ¥283,966 thousand ($2,582 thousand) (calculated by applying the effective statutory tax rate) of consolidated subsidiaries of the Company. Valuation allowances have not been recognized for these tax loss carryforwards because they are expected to be collectible considering future taxable income.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended December 31, 2019 and 2018 was as follows:

	December 31, 2019	December 31, 2018
Normal effective statutory tax rate	29.9%	30.2%
Expenses not deductible for income tax purposes	1.6	2.1
Extra tax deduction on R&D expenses	(3.8)	(3.2)
Lower income tax rates applicable to income in certain foreign countries	(3.0)	(1.9)
Changes in valuation allowance	0.3	(2.5)
Deferred tax for investment in subsidiary	—	(0.7)
Other – net	1.4	1.4
Actual effective tax rate	26.4%	25.4%

11. R&D COSTS

R&D costs included in cost of sales for the years ended December 31, 2019 and 2018, were ¥3,720,245 thousand ($33,820 thousand) and ¥3,169,713 thousand, respectively.

12. LEASES

The Group leases certain office space and other assets.

The minimum rental commitments under noncancelable operating leases at December 31, 2019 and 2018, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2019	December 31, 2018	December 31, 2019
Due within one year	¥ 367,245	¥ 304,830	$ 3,339
Due after one year	894,894	759,440	8,135
Total	¥ 1,262,139	¥ 1,064,270	$ 11,474

The total amount of minimum rental commitments under noncancelable operating leases at December 31, 2019 includes lease obligations of ¥392,149 thousand ($3,565 thousand) recognized by applying IFRS 16.

13. LOSS ON DISPOSAL OF PROPERTY, PLANT, AND EQUIPMENT, SOFTWARE AND INTANGIBLE ASSETS

The loss on disposal of property, plant, and equipment, software and intangible assets for the years ended December 31, 2019 and 2018 were ¥19,503 thousand ($177 thousand) and ¥124,191 thousand, respectively.

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly bank loans, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Investment securities are equity instruments of customers of the Group and are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade accounts, are less than one year. Payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates.

Long-term bank loans are borrowed to raise necessary funds to repurchase treasury stocks and are exposed to interest fluctuation risk.

Derivatives are forward foreign currency contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables and comprehensive foreign currency contracts within the limits of ordinary imports and exports to manage changes in future foreign currency exchange rates of receivables and payables.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. With respect to derivative transactions, the Group deals with high credit rating financial institutions to mitigate counterparty risk.

Market risk management (foreign exchange risk and interest rate risk)

Forward foreign currency contracts are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables.

Derivative transactions entered into by the Group have been made in accordance with internal policies that regulate the authorization and credit limit amount.

Investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk with adequate financial planning by the corporate treasury department.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead.

(a) Fair value of financial instruments

December 31, 2019	Thousands of Yen					
	Carrying Amount		Fair Value		Unrealized Gains/ Losses	
Cash and time deposits	¥	11,215,142	¥	11,215,142	¥	—
Receivables		4,947,348		4,947,348		—
Investment securities		19,065		19,065		—
Total	¥	16,181,555	¥	16,181,555	¥	—
Payables	¥	3,171,450	¥	3,171,450	¥	—
Income taxes payable		385,444		385,444		—
Long-term debt		2,880,000		2,880,000		—
Total	¥	6,436,894	¥	6,436,894	¥	—
Derivative financial instruments	¥	(104,429)	¥	(104,429)	¥	—

December 31, 2018	Thousands of Yen					
	Carrying Amount		Fair Value		Unrealized Gains/ Losses	
Cash and time deposits	¥	11,170,004	¥	11,170,004	¥	—
Receivables		4,998,945		4,998,945		—
Investment securities		19,184		19,184		—
Total	¥	16,188,133	¥	16,188,133	¥	—
Payables	¥	3,044,608	¥	3,044,608	¥	—
Income taxes payable		224,969		224,969		—
Long-term debt		3,240,000		3,240,000		—
Total	¥	6,509,577	¥	6,509,577	¥	—
Derivative financial instruments	¥	82,560	¥	82,560	¥	—

December 31, 2019	Thousands of U.S. Dollars					
	Carrying Amount		Fair Value		Unrealized Gains/ Losses	
Cash and time deposits	$	101,956	$	101,956	$	—
Receivables		44,976		44,976		—
Investment securities		173		173		—
Total	$	147,105	$	147,105	$	—
Payables	$	28,831	$	28,831	$	—
Income taxes payable		3,504		3,504		—
Long-term debt		26,182		26,182		—
Total	$	58,517	$	58,517	$	—
Derivative financial instruments	$	(949)	$	(949)	$	—

Cash and Cash Equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Investment Securities

The fair values of investment securities are measured at quoted market prices of stock exchanges for equity instruments.

Receivables, Payables, Short-term Bank Loans and Income Taxes Payable

The carrying values of receivables, payables, short-term bank loans and income taxes payable approximate fair value because of their short maturities.

Long-term Debt

The carrying values of long-term debt approximate fair value because of variable interest rate conditions and the unchanged credit status of the Company.

Derivatives

Fair value information for derivatives is included in Note 15.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Carrying Amount					
	Thousands of Yen				Thousands of U.S. Dollars	
	December 31, 2019		December 31, 2018		December 31, 2019	
Investments in equity instruments that do not have quoted market prices in active markets	¥	200	¥	200	$	2

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Thousands of Yen	
December 31, 2019	Due in One Year or Less	Due after One Year
Cash and time deposits	¥ 11,215,142	¥ —
Receivables	4,947,348	—
Total	¥ 16,162,490	¥ —

	Thousands of Yen	
December 31, 2018	Due in One Year or Less	Due after One Year
Cash and time deposits	¥ 11,170,004	¥ —
Receivables	4,998,945	—
Total	¥ 16,168,949	¥ —

	Thousands of U.S. Dollars	
December 31, 2019	Due in One Year or Less	Due after One Year
Cash and time deposits	$ 101,956	$ —
Receivables	44,976	—
Total	$ 146,932	$ —

15. DERIVATIVES

Derivative transactions to which hedge accounting is not applied:

	Thousands of Yen			
At December 31, 2019	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/ Losses
Foreign currency forward contracts:				
Selling U.S. dollar	¥ 2,419,781	¥ —	¥ (32,373)	¥ (32,373)
Selling Euro	¥ 2,877,032	¥ —	¥ (69,834)	¥ (69,834)
Buying Japanese yen	¥ 163,181	¥ —	¥ (2,222)	¥ (2,222)

	Thousands of Yen			
At December 31, 2018	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/ Losses
Foreign currency forward contracts:				
Selling U.S. dollar	¥ 2,387,711	¥ —	¥ 21,963	¥ 21,963
Selling Euro	¥ 3,271,754	¥ —	¥ 54,372	¥ 54,372
Buying Japanese yen	¥ 94,299	¥ —	¥ 6,183	¥ 6,183
Buying other currencies	¥ 1,711	¥ —	¥ 42	¥ 42

	Thousands of U.S. Dollars			
At December 31, 2019	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/ Losses
Foreign currency forward contracts:				
Selling U.S. dollar	$ 21,998	$ —	$ (294)	$ (294)
Selling Euro	$ 26,155	$ —	$ (635)	$ (635)
Buying Japanese yen	$ 1,483	$ —	$ (20)	$ (20)

The fair values of derivative transactions are measured at quoted prices obtained from financial institutions.

The contract or notional amounts of derivatives, which are shown in the above table, do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

16. GUARANTEE OBLIGATIONS AND CONTINGENT LIABILITIES

Guarantee Obligations

At December 31, 2019, the Group had the following guarantee obligations:

	Thousands of Yen	Thousands of U.S. Dollars
Guarantees for bank loans of employees	¥ 1,287	$ 12

Contingent Liabilities

Roland DG Brazil Ltd. ("DBR") which is a consolidated subsidiary of the Company received a notice of additional tax assessment from the tax authority of Federative Republic of Brazil in relation to its investigation of imported Eco-solvent printer products of the Company. DBR appealed against the points raised by the authority in September 2018 to insist on its justness.

The amount of additional tax for this appeal is BRL28,200 thousand (¥763,955 thousand ($6,945 thousand) including an estimated amount of any additional tax on underpayment as of December 31, 2019). DBR believes that this additional tax assessment has no reasonable basis and intends to take appropriate actions. Therefore, it is difficult to estimate the effects of the additional tax assessment on the results of operation of the Group at the moment.

Further, DBR received a notice of additional tariff assessment from the tax authority of Federative Republic of Brazil in relation to its investigation of distribution of Eco-solvent printer products of the Company. DBR appealed against the points raised by the authority in November 2018 to insist on its justness.

The amount of additional tax for this appeal is BRL35,302 thousand (¥956,347 thousand ($8,694 thousand) including an estimated amount of any additional tax on underpayment as of December 31, 2019). DBR believes that this additional tariff assessment has no reasonable basis and intends to take appropriate actions. Therefore, it is difficult to estimate the effects of the additional tariff assessment on the results of operation of the Group at the moment.

17. COMPREHENSIVE LOSS

The components of other comprehensive loss for the years ended December 31, 2019 and 2018, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2019	December 31, 2018	December 31, 2019
Unrealized losses on available-for-sale securities:			
Losses arising during the year	¥ (1,051)	¥ (12,934)	$ (10)
Amount before income tax effect	(1,051)	(12,934)	(10)
Income tax effect	314	3,901	3
Total	¥ (737)	¥ (9,033)	$ (7)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (93,651)	¥ (481,688)	$ (852)
Reclassification adjustments to profit and loss	—	33,468	—
Amount before income tax effect	(93,651)	(448,220)	(852)
Income tax effect	—	(9,835)	—
Total	¥ (93,651)	¥ (458,055)	$ (852)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (10,522)	¥ (231,935)	$ 96
Reclassification adjustments to profit and loss	83,382	44,841	758
Amount before income tax effect	93,904	(187,094)	854
Income tax effect	(28,039)	55,104	(255)
Total	¥ 65,865	¥ (131,990)	$ 599
Total other comprehensive loss	¥ (28,523)	¥ (599,078)	$ (260)

18. NET INCOME PER SHARE

The basis of computing earnings per share ("EPS") for the years ended December 31, 2019 and 2018, was as follows:

	Thousands of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted- Average Shares	EPS	
For the year ended December 31, 2019:				
EPS				
Net income available to common shareholders	¥ 1,944,861	12,516	¥ 155.39	$ 1.41
For the year ended December 31, 2018:				
EPS				
Net income available to common shareholders	¥ 2,881,694	12,547	¥ 229.66	

19. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specific criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of Reportable Segments

The Group manufactures and sells computer peripheral equipment and there is no separate business segment. Therefore, the Group has a single reportable segment.

2. Information about Products and Services

	Printers	Machine Tools	Supplies	Other	Total
	Thousands of Yen				
	December 31, 2019				
Sales to external customers	¥ 13,183,849	¥ 5,705,710	¥ 13,411,105	¥ 8,494,787	¥ 40,795,451

	Printers	Machine Tools	Supplies	Other	Total
	Thousands of Yen				
	December 31, 2018				
Sales to external customers	¥ 14,246,493	¥ 5,619,983	¥ 13,652,348	¥ 9,256,084	¥ 42,774,908

	Printers	Machine Tools	Supplies	Other	Total
	Thousands of U.S. Dollars				
	December 31, 2019				
Sales to external customers	$ 119,853	$ 51,870	$ 121,919	$ 77,226	$ 370,868

3. Information about Geographical Areas

(1) Sales

Japan	USA	Europe	Asia	Other	Total
Thousands of Yen					
December 31, 2019					
¥4,745,240	¥10,495,350	¥15,257,906	¥ 3,220,953	¥ 7,076,002	¥ 40,795,451

Japan	USA	Europe	Asia	Other	Total
Thousands of Yen					
December 31, 2018					
¥ 4,633,016	¥ 11,107,068	¥ 16,203,400	¥ 3,517,864	¥ 7,313,560	¥ 42,774,908

Japan	USA	Europe	Asia	Other	Total
Thousands of U.S. Dollars					
December 31, 2019					
$ 43,139	$ 95,412	$ 138,708	$ 29,282	$ 64,327	$ 370,868

Note: Sales are classified by country or region based on the location of customers.

(2) Property, plant, and equipment

Japan	Thailand	Other Foreign Countries	Total
Thousands of Yen			
December 31, 2019			
¥ 5,282,523	¥ 934,683	¥ 1,223,023	¥ 7,440,229

Japan	Thailand	Other Foreign Countries	Total
Thousands of Yen			
December 31, 2018			
¥ 5,295,872	¥ 908,670	¥ 490,086	¥ 6,694,628

Japan	Thailand	Other Foreign Countries	Total
Thousands of U.S. Dollars			
December 31, 2019			
$ 48,023	$ 8,497	$ 11,118	$ 67,638

20. RELATED-PARTY TRANSACTIONS

There were no transactions with related parties for the years ended December 31, 2019 and 2018.

21. SUBSEQUENT EVENT

Appropriations of retained earnings

The appropriations of retained earnings at December 31, 2019, scheduled to be approved at the Company's shareholders' meeting to be held on March 19, 2020, are as follows:

	Thousands of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥25 ($0.23) per share	¥ 316,401	$ 2,876

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Roland DG Corporation:

We have audited the accompanying consolidated balance sheet of Roland DG Corporation and its consolidated subsidiaries as of December 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Roland DG Corporation and its consolidated subsidiaries as of December 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

March 19, 2020

Member of
Deloitte Touche Tohmatsu Limited

CORPORATE DATA

Company Outline / Group Companies

Company Outline (As of December 31, 2019)

Name
Roland DG Corporation

Founded
May 1, 1981

Common Stock
¥3,669 million

Net Sales for FY2019
¥27,086 million (Nonconsolidated)
¥40,795 million (Consolidated)

Number of Employees
560 (Nonconsolidated)
1,233 (Consolidated)

Main Products
Wide-format Color Inkjet Printers, Inkjet Printer/Cutters, Vinyl Cutting Machines, 3D Milling Machines, 3D Printer, Engraving Machines, Dental Milling Machines, Photo Impact Printers

Headquarters
1-6-4 Shinmiyakoda, Kita-ku, Hamamatsu-shi, Shizuoka-ken, 431-2103, Japan
Phone: +81 53 484 1200 Fax: +81 53 484 1227
Website: www.rolanddg.com/

Branch Offices in Japan
Tokyo, Osaka, Nagoya, Fukuoka

Number of Shareholders
22,509

Stock Exchange Listing
Tokyo

Stock Transfer Agent
Mitsubishi UFJ Trust and Banking Corporation

Independent Auditor
Deloitte Touche Tohmatsu LLC

Directors and Audit & Supervisory Board Members (As of March 19, 2020)

Chairman	Hidenori Fujioka
President, Representative Director of the Company	Kohei Tanabe
Director	Koichi Hashimoto
Director	Toshiharu Uwai
Director	Eli Keersmaekers
Outside Director	Takuo Hirose
Outside Director	Osamu Hosokubo
Outside Director	Naoko Okada
Outside Director	Brian K. Heywood
Audit & Supervisory Board Member	Masayasu Suzuki
Audit & Supervisory Board Member	Naoki Nagano
Outside Audit & Supervisory Board Member	Shigeki Matsuda
Outside Audit & Supervisory Board Member	Mitsuhiro Honda

Group Companies

Sales

DGSHAPE Corporation
1-6-4 Shinmiyakoda, Kita-ku, Hamamatsu-shi, Shizuoka-ken, 431-2103 Japan

Roland DGA Corporation
15363 Barranca Parkway, Irvine, CA 92618, U.S.A.
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Phone: +32 14 57 59 11 Fax: +32 14 57 59 12

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Griffin House, Windmill Road, Clevedon Business Park, Clevedon, North Somerset BS21 6UJ, U.K.
Phone: +44 1275 335540 Fax: +44 1275 335541

Roland Digital Group Iberia, S.L.
Cerdanyola del Vallès, Parc Tecnològic del Vallès, Calle Ceramistes, number 6, C.P. 08290, Spain
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Roland DG Mid Europe S.r.l.
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Allambie Grove Business Park Unit 14,
25 Frenchs Forest Rd, Frenchs Forest, NSW 2086, Australia
Phone: +61 2 9975 0000 Fax: +61 2 9975 0001

Roland DG (China) Corporation
Shanghai Mart, 2111-2112 Room,
No.2299, Yan'an Road West, Shanghai, 200336, China
Phone: +86 021 6236 0909 Fax: +86 021 5279 7251

Roland DG Korea Inc.
#1207, TRIPLEX, Mullaebuk-ro 116, Yeongdeungpo-gu, Seoul, Korea 07293
Phone: +82 70 4504 7100 Fax: +82 2 6963 8100

Roland DG Brasil Ltd.
Rua San José, 780, Parque Industrial San José, CEP 06715-862 Cotia, Sãn Paulo, Brazil
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Phone: +49 2154 8877 95 Fax: +49 2154 8877 96

Roland DG RUS LLC
Nizhnyaya Syromyatnicheskaya st., 10, Building 2, office 39.6/1 105120, Moscow, Russia
Phone: +7 495 981 2307 FAX: +7 495 981 2307

Roland DG France SAS
4, rue Paul Henri Spaak, 77400 Saint Thibault des Vignes, France
Phone: +33 1 60 07 9049

Holdings

Roland DG Europe Holdings B.V.
Prof. J.H. Bavincklaan 2-4,
1183 AT, Amstelveen, The Netherlands
Phone: +31 20 723 3670

Production

Roland Digital Group (Thailand) Ltd.
30/122 Moo 1, Sinsakhon Industrial Estate
Tambol Khok Kham, Ampur Muang, Samutsakhon 74000, Thailand
Phone: +66 2 402 2220 Fax: +66 2 402 2220

Shared Services

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Cerdanyola del Vallès, Parc Tecnològic del Vallès, Calle Ceramistes, number 6, C.P. 08290, Spain
Phone: +34 935 918 400 Fax: +34 935 918 406

Roland DG Corporation