Roland

ANNUAL REPORT 2017

Year ended December 31, 2017

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."

Vision

Transforming your 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

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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.

We focused on accelerating new business development in growing markets, especially in expansion of the 3D business.

During the fiscal year ended December 31, 2017, despite concerns over the impact of heightened geopolitical risks in various areas, the United Kingdom's exit from the European Union (EU), and policy trends in the United States, the world economy experienced a moderate recovery trend mainly in developed countries such as the United States, Europe, and Japan. The Chinese economy also steadily improved. Emerging markets including Brazil and Russia also displayed an economic upturn.

Roland DG Group formulated a five-year medium-term business plan beginning in FY 2016, and has been implementing the plan since the previous term. The medium-term business plan emphasizes "GrowthOne: Sustainable growth through innovation" as the basic policy, and by working toward the three major objectives of (1) accelerating new business developments in growing markets, (2) transforming to a solutions provider, and (3) transforming into an innovation-focused group, we aim to create a high value-added company and achieve sustainable growth.

During the fiscal year under review, the Group promoted "accelerating new business developments in growing markets" as one of the major goals in the medium-term business plan. In April 2017, DGSHAPE Corporation, which engages in the group's 3D business including 3D milling machines for the 3D monozukuri market and dental milling machines in the dental medical market, began business operations and promoting activities to expand the 3D business with an emphasis on the growing dental market. As for the printer business, we focused on expansion in the retail market where our products are used to create original products, etc., in addition to our conventional mainstay sign (advertising and sign production) market. The group has also made efforts to recover sales of printers by improving price competitiveness and conducting aggressive promotional activities in various areas in order to respond to the increasingly competitive environment.

As stated above, we focused our activities on accelerating new business development in growing markets, especially in expansion of the 3D business such as for the dental and 3D monozukuri markets. Despite the benefit of a weaker yen and the growth of 3D products associated with expansion of the 3D business, overall sales for the fiscal year ended December 31, 2017 decreased by 1.2% over the previous term to 43,573 million yen due to lower sales of printers in the sign market. Cost of sales rose by 1.0% from the previous term due to factors such as a drop in unit sales price. Selling, general and administrative expenses were lower than in the previous term due to lower labor costs; however, the ratio to sales was flat compared to the previous term. As a result, operating profit decreased by 11.6% to 3,853 million yen, and ordinary profit decreased by 7.3% to 3,804 million yen compared with the previous term. Profit attributable to owners of the parent decreased by 29.1% compared with the previous term to 1,918 million yen due primarily to the settlement of a patent infringement case in the United States being recorded as an extraordinary loss as well as other factors.

As for the future economic outlook, while there are concerns such as heightened geopolitical risks in various areas and policy trends in the United States, the economic recovery is expected to continue especially in developed countries.

Regarding the outlook for the next fiscal year, sales are expected to be flat from the previous fiscal year, since the group will make efforts to expand both the retail market where we create original products and the 3D business with an emphasis on the dental market, while the mainstay sign markets for printers will continue to be exposed to intensified competition. In regard to profits, operating profit and ordinary profit are expected to decrease due to increases in R&D expenses for strengthening technical capabilities and expenses for expanding businesses in growing markets. Profit attributable to owners of the parent for the next fiscal year is expected to increase since the settlement of a patent infringement case in the United States was recorded under extraordinary losses in the current term, which was a major negative factor.

April 2018

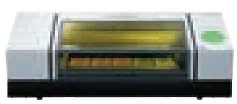
President
Hidenori Fujioka

H. Fujioka

Initiatives for Growing Markets

Roland DG Group is currently tackling accelerated commercialization in growth markets as a key objective. During this term, sales of printers continued to be slow against a backdrop of a maturing mainstay sign market and intensifying competition from the entry of major competitors. Meanwhile, our focus is shifting to the spread of UV printers for the Retail industry and dental milling machines for the Dental industry. In 2018, we will continue to allocate resources into the Retail and Dental sectors while aiming for new growth by initiating a shift in our key markets. In this section, we want to showcase our initiatives for growth sectors and highlight the enthusiasm of employees working in this sector along with the progress they have made thus far.

Retail



With the diversification of consumer needs and the spread of smartphone usage, Roland DG has strived to widely expand our user base from small-scale workshop owners to retail outlets by establishing new applications such as using UV printers for decorative printing of smartphone cases. We provided an application for the desktop production of original goods using a UV printer, low-solvent inkjet printer or metal printer, a solution which is now in use as an in-store decorative printing service throughout the Retail industry. Going forward, we hope to focus on the end user and the “things they want to give form,” what they “want to express” and the “mementos they want to create” and realize those desires as solutions that then become business models that utilize our synergistic strength and push us forward as a business that transforms imagination into reality.

Proposal of solution, utilizing desktop machines and software

Dental

DGSHAPE Corporation mainly covers three areas: production of dental prosthetics using dental milling machines for dental labs in the Dental industry, management of medical instrument traceability at hospitals in the Medical industry, and the utilization of CAD/CAM software-generated 3D data to control machines that raise the overall efficiency of monozukuri in 3D Fabrication.

For the Dental industry, during this term we saw the introduction of a new dental milling machine with markedly improved production capabilities adopted by mid-to-large scale dental labs. In addition, we released a dental 3D printer for use in denture production which pushed forward process digitalization. Meanwhile, sales improved in key developed countries while progress was made cultivating a sales network in emerging countries, leading to increased sales in all regions. Going forward, we hope to take advantage of the demand for digitalization in industries and expand sales channels for dental clinics in emerging countries to achieve a greater level of business growth.

Production of artificial crowns at dental labs

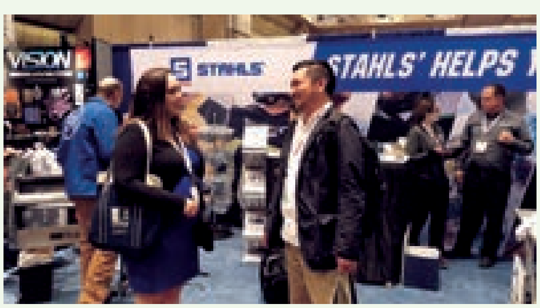
Employees Talk About Activities in New Growth market

Roland DG defines the Retail market as the space in which we provide retailers with in-store customization and personalization services. Here is what employees had to say about global expansion initiatives in cultivating the Retail industry.

New Business Planning Office
Hirotoshi Naruse

Q Tell about what you are currently working on.

A At the New Business Planning Office, we work to uncover what the market truly needs, and once we understand those needs, we take a consumer-based perspective and build a business from scratch that delivers what they want. I lived and worked in Europe for the latter half of 2017, promoting the Retail industry as our next big market to subsidiaries and dealers in the region. For the first half of 2018, I am now in America working with subsidiary staff to draft a concrete business plan and push forward solutions development. I have also been observing American exhibitions and visiting users as part of efforts to create eye-catching new content that will drive more customers to stores. Overseas staff is very excited about this shift from BtoB* to focus on the end consumer.



Q What types of business are you targeting in the Retail market?

A There are a variety of businesses, including supermarkets, home appliance stores, sports apparel retailers, and more. With the increase of sales done over the Internet, traditional brick-and-mortar shops are seeing fewer customers. We believe these shops are eager to implement our solutions because they fit perfectly with their need to differentiate themselves by using customization and personalization to draw foot traffic. Our foray into the Retail market began in Europe, but we plan to continue developing this market around the world.

Q What kind of products are being used?

A Currently, small-scale UV printer and desktop-size solvent ink printers are the main focus. Originally, we utilized our digital engravers and metal printers for original goods production. We believe people everywhere share the same desire to show community and make others happy, and original goods give them a way to express these feelings in a physical form. Our solutions are about shaping imagination into reality, and we hope the products that make this possible and the solutions we develop will fulfill the needs of, and deliver value to, a wide variety of people.

Q What are your hopes for the future?

A We live in an era where society is changing so rapidly it is difficult to predict what will be next. It would be a mistake to say our job ends with horizontal development of success cases from Europe to the rest of the world. We need to build and propose solutions that fit the unique cultures of each region. By collaborating with people from difficult cultures, we can create original value, and to do that, it is vital we experience those cultures while raising awareness of our own. Going forward, we will continue to embrace new viewpoints with conceptual ability and face new challenges with proactive exuberance.

*BtoB…Business-to-Business provision of goods and services

DGSHAPE: A New Company Focused on Dental Business

DGSHAPE, launched April 3, 2017, is our newly-established subsidiary for management of 3D business operations. For this feature, we spoke to Representative Director Kohei Tanabe about his aspirations for this market space.

Q Why did DGSHAPE become independent?

A We started this new brand with the goal of promoting business expansion by speeding up the decision-making process.

Roland DG's 3D business began in 1987 with the sale of the world's first 3D milling machine. Since then, we have continued to push digital fabrication with a lineup of engraving machines and impact printers built on the concepts of "Compact size", "Easy to Use", and "Affordable." In 2010, we used technology and knowhow accumulated from our 3D milling devices to enter the dental lab market with the sale of a dental milling machine to produce crowns, copings and bridges. As a result, market share rapidly expanded in developed countries and grew to account for 60% of 3D business. Our focus now will be on the Dental business, Medical solutions for Unique Device Identification (regulations for the display for individual serial numbers on medical devices and tools) and 3D Fabrication solutions for supporting digital fabrication. DGSHAPE was created as a new brand to speed up decision making and allow for business expansion.

Q Tell us the about the Dental business mission.

A Our Dental business aims to be a total solutions provider.

Our DWX series of dental milling machines are built with three concepts in mind: Desktop Size—they can fit on your existing workspace; Ease of Use—they are user-friendly for beginners; and Open System—they can work easily with systems that users are already accustomed to. These machines are mainly being adopted by small-to-mid size dental labs. Meanwhile, we are seeing dental labs struggling with the retirement of veteran technicians and the decline of newcomers, so reducing workload through digitalization is a pressing concern. This year, we released two models: a 3D printer for the digitalization of denture production and a dental milling machine with a myriad of automated functions to greatly improve production capability. Going forward, we will continue to seek out areas in the dental lab workflow that can benefit from high value-added digital processes while working to get the attention of dental clinics as we aim to evolve our Dental business into becoming a total solutions provider.

Q Tell us about the mission behind your Medical business.

A Our mission is to improve medical safety and comfort through digitalization of facility management systems.

In recent years, medical facilities throughout the world have made efforts to review existing medical instrument safety and management methods in order to improve patient safety and avoid the risk of spreading infection. Since 2012, Roland DG has provided a solution to medical facilities and device makers in the form of a QR code-based system that can be used to help record inventory counts, storage location and usage history of medical devices and instruments. In addition, to aid in the cleaning, disinfection and overall management of surgical instruments, Roland DG has introduced its own Digital Cell Production System (D-Shop) work support system, which has been determined to improve work quality and efficiency. A proof-of-concept model management system was built in collaboration with Hamamatsu University School of Medicine and has been in use since 2015. We hope to have commercial models working and benefiting comfort and safety within medical facilities by 2018.

President
Kohei Tanabe

Q Tell us about your mission in 3D digital fabrication.

A Our mission is to strengthen 3D modeling technology and seek out unfulfilled business needs.

Since 2002, Roland DG has proposed the concept of Desktop Fabrication by connecting our 3D products with desktop PCs. This allows for prototyping in company R&D departments, educational opportunities for the next generation of engineers and designers, production of original goods and gifts, and brings the power of creation to a wider variety of individuals. Recent years have seen development of the Internet and SNS, the rise of smart devices and personal 3D printers, and an increase in FabLabs and makerspaces as personalized workshops, which have all contributed to an environment in which anyone can enjoy fabrication. In addition, educational institutions have begun working to raise talent that can fully utilize the next generation of digital technology, such as AI and IoT. 3D fabrication has been the foundation for Roland DG to cultivate numerous markets with its 3D business. Going forward, we will continue to strengthen the ability of modeling technology using 3D data and offer tools to raise creativity and aid the R&D department as we seek out new business opportunities.

Q What are the strengths of DGSHAPE as a company?

A DGSHAPE enjoys the finely knit Roland DG global sales network along with the customer base they have built.

The finely knit Roland DG sales network is one of our great strengths. At overseas sales subsidiaries and dealers, we are cultivating talented individuals that specialize in Dental business and placing them strategically to reinforce sales and support activities with a strong regional foundation. This has led to FY2016 sales of dental milling machines in the EU growing 167% year-over-year. Roland DG has captured the No. 1 share in the region and continues to cultivate new markets. In addition, current market-based initiatives include working with Key Opinion Leaders (KOL) with great influence in the dental industry. They are using our machines and showcasing their effectiveness and knowhow at seminars and exhibitions. KOL also provide a critical eye for improving quality and developing new products. Roland DG is now focusing on emerging countries and new regions to further strengthen our worldwide sales network.

Q What does “Innovation” mean to DGSHAPE?

A “Innovation” means using next-generation digital technology to support high-quality medical systems for improving safety and comfort.

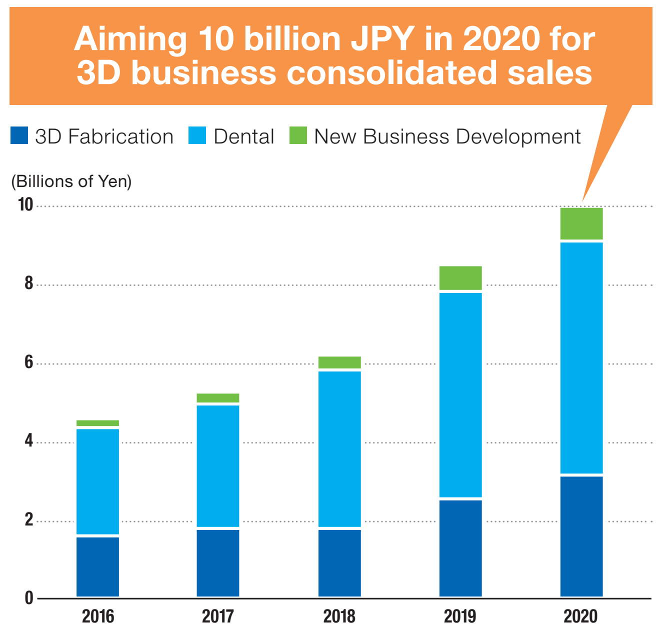
Our concept of innovation is in line with the Roland DG mission statement of “Bringing new opportunities to society through digital technology.” The Medical and Dental businesses both work with clients in the medical industry that seek to support the safety of patients and create a more effective environment for patient recovery. Our company’s digital solutions increase added value by improving client workflow. Going forward, we will continue working on the next generation of digital technology with the goal of enriching society with a medical system support structure that provides high levels of safety and comfort.

Q **Lastly, can you tell us your goals for the future and target performance figures?**

A **The goal is 10 billion JPY in sales in 2020 along with continuous business development.**

The dental lab industry is currently experiencing an explosion of market growth with the evolution of materials and rapid digitalization of processes. Roland DG aims to allocate significant resources to its dental business to become the top brand among dental labs. At the same time, we are looking to cultivate new markets with the goal of 10 billion JPY in sales in 2020. Then we can grow DGSHAPE business into a new pillar of business for the Roland DG Group.

DGSHAPE Business Structure



Roland DG Launches First Products under New DGSHAPE Brand, the DWP-80S dental 3D printer and DWX-52DC dental milling machine. By adding both subtractive devices and additive style 3D printers to our lineup, we can expand digitalization in dental labs, streamline work processes and deliver optimal solutions to reduce workload of dental technicians.

Dental 3D printer ***DWP-80S***

The DWP-80S uses a proprietary projector lens to cure resin materials with UV-LED light. Bundled with the DWP-80S, new Quick Denta software provides a remarkably simple solution for the 3D printing of custom trays, base plates and frameworks. Using the easy-to-follow workflow wizard with pre-configured parameters, applications required for dentures can be printed in three simple steps eliminating the need for time-consuming learning or editing time. The DWP-80S analyzes the precision and fit required to choose the ideal number and layout of support points while adjusting for material shrinkage factors. The 80 mm square work area is ideal for simultaneous printing of multiple units.

Dental milling machine ***DWX-52DC***

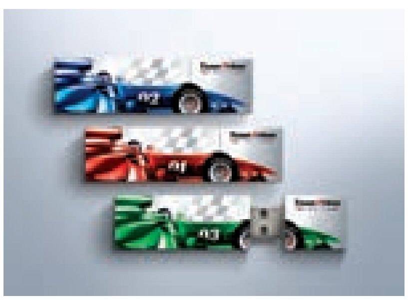
With a newly developed automatic disc changer (ADC) capable of storing up to six discs, the DWX-52DC is fully equipped to mill a variety of precision dental restorations overnight to increase lab productivity. The included pin-type material adapter enables setting up and milling seven pin-type blocks consecutively. With the DWX-52DC's expanded production capacity, a variety of dental restorations, including copings, crowns, full bridges, abutments, surgical guides and models can be produced. The 15-station automatic tool changer (ATC) automatically replaces milling burs without interruption enabling efficient milling of a wide range of materials. For continuous, reliable production, an air pressure system automatically changes the volume of air for the type of material being milled. The Virtual Machine Panel (VPanel) allows users to quickly configure settings for up to four machines from a single computer for high-volume production.

New Products

UV-LED printer

VersaUV
LEF-200

The LEF-200 was developed to offer outstanding print quality, greater media compatibility, and ease of use for the personalization and custom printing markets, which are characterized by small-lot production of numerous products. To accommodate an expanded range of profitable applications, the LEF-200 features a new on-board primer ink option for priming objects quickly and conveniently. The new primer ink option allows users to prep an object for customization before printing a full-color graphic. This makes adding graphics to glass, plastics and other challenging media much more clean and efficient. In recent years, we have seen an increasing number of businesses using our VersaUV LEF printers to provide custom printing of smartphone cases and accessories. With the LEF-200's greater versatility for applications and usability, we continue to provide the best solutions to support custom print service providers both online and offline.



cutting machine

CAMM-1
GR-640 / GR-540 / GR-420

The GR series has been completely redesigned from the ground up to deliver best-in-class cutting quality and productivity due to increased accuracy, speed, media versatility and additional state-of-the-art cutting features. The new ergonomic L-shaped design of the integrated stand and machine provides the stability required to ensure precision cutting even at high speed. The redesigned cutting carriage, blade holder and other core mechanisms enable the machines to achieve a maximum cutting speed of 1,485 mm/s and up to 600 gf of downforce for cutting through dense media with a single pass. To meet the variety of applications and materials required by today's cutting industry, the GR series is equipped with electronic pinch rollers that can adjust the pressure to 10 pre-set levels at the touch of a button for smooth feeding of any media thickness. The GR series will boost the quality and efficiency of customer work, and provide ample capability for expanding their business opportunities. Roland DG will continue to hone its expertise with cutting applications to provide customers with products that deliver unparalleled value to a broad range of industries.

GR-640

GR-540

GR-420

News

Roland DG Wins EDP Award for Best Print & Cut Solution for Second Year in a Row

Roland DG Corporation announced that its recently introduced TrueVIS SG inkjet printer/cutter series has won ‘Best Print & Cut Solution’ at the prestigious EDP (European Digital Press) awards. The success of the SG-540 and SG-300 integrated wide format print and cut devices follows that of the TrueVIS VG series which won in the same category in 2016.

COMMENT | Head of Marketing, Roland DG EMEA, S.L. **Gillian Montanaro** (Right)

Roland DG’s integrated print and cut devices are recognized as the world’s top-selling with over 116,000 units sold worldwide. Our new TrueVIS range takes integrated printing and cutting to the next level in terms of innovative features and performance-enhancing functions. The SG series delivers advanced TrueVIS technology at an unbeatable price and is the ideal versatile solution for print service providers who are starting out, or for those looking to boost their production capabilities.

DGSHAPE Dental Mills Wins Prestigious 2017 JDT Magazine WOW! Award

The DWX-52DC dry dental mill from DGSHAPE recently received a coveted 2017 WOW! Award from the Journal of Dental Technology (JDT). JDT asked members of the National Association of Dental Laboratories (NADL) to nominate standout dental products or services that “save time, money and improve the quality of their work” for award consideration. While a large number of products were nominated in this year’s competition, only five – including the DWX-52DC – were selected by the JDT judging panel as 2017 WOW! Award winners.

COMMENT | Director in charge of 3D business, President of DGSHAPE Corporation **Kohei Tanabe**

We are very proud of this accomplishment. The DWX-52DC is the latest in a long line of DGSHAPE products that satisfy our customers’ demands for an easy-to-use plug and play device that can be operational out of the box within minutes. The mission of DGSHAPE is to harness the 3D digital fabrication technologies and expertise that Roland DG has developed over more than three decades as well as its proprietary digital cell production system and global customer service and support system in order to provide advanced digital solutions to shape the future.

Thailand Factory Receives Coveted 5S Diamond Award!

Roland DG manufacturing subsidiary Roland Digital Group (Thailand) Ltd., which encompasses our Thailand factory, received the Thailand-Japan Technology Promotion Association "Thailand 5S Award 2017" Diamond Award. This award recognizes excellence in promoting 5S, which stands for Sort, Set in Order, Shine, Standardize and Sustain.

The Thailand factory has adopted our company's unique Digital Cell Production System, or D-Shop, also in use at our Miyakoda factory (mother plant). While D-Shop has many built-in features to ensure product quality, it is the people who make a factory shine. The Thailand factory faces many issues related to language barriers and cultural differences and launched 5S activities in 2015 aimed at maintaining product quality in this hectic environment. As they aimed to improve the factory, office facilities and employee morale, they earned the 5S Gold Award upon their first entry in 2016 just one year after their 5S initiative began. Just one year later, in 2017, they received the Diamond Award—the highest level conferred for excellence in the Thailand 5S Award.

COMMENT | Vice President of Roland Digital Group (Thailand) Ltd., **Chuchat Sohmanee**

Since 2015, at the direction of its president, Roland Digital Group (Thailand) Ltd. has embraced 5S activities from the top down to improve quality of production. Through these activities they have not only boosted product quality, but have surprised us all with their marked improvement in inter-personal communication. Thorough implementation of 5S requires a clearly defined company identity where all staff understand and share 5S policy, goals and performance indicators. The ability of the Thailand factory to establish and maintain this type of 5S system led to their recognition. Going forward, they will use their strong 5S activity to pivot to QCD (quality, cost, deadline) improvements and seamlessly blend 5S, workplace improvement and labor safety to create an even better working environment.

Announcement of Resolution of Action through Settlement and Recording of Extraordinary Losses

We hereby announce that a patent infringement action in the U.S. (hereinafter, the “Action”), which had been filed by Gerber Technology LLC (hereinafter, “Gerber”) headquartered in the U.S. against the Company and its U.S. sales subsidiary, Roland DGA Corporation (hereinafter, “DGA”) at the United States District Court for the District of Connecticut, was resolved through settlement.

The Company has been engaged in the development, manufacture and sale of products using technology to print and cut graphics (hereinafter, the “Products”).

As we announced on January 31, 2007 and April 12, 2010, DGA was sued on January 30, 2007 by Gerber Scientific International, Inc. for infringing a patent right regarding the method and equipment to obtain graphic products using printing and cutting technology, which had been obtained by it in the U.S., (issued on July 16, 1996, re-issued on May 2, 2006) by using such patent technology in the Products. In addition, the Company was also sued jointly with DGA as a joint defendant on April 9, 2010. Subsequently, the status in actions of Gerber Scientific International, Inc. was succeeded to Gerber after the change of company name and organizational changes. The term of the patent right had expired in July, 2013.

Though the Company and DGA have argued that the Products do not constitute patent infringement as alleged by Gerber in the past legal proceedings, we agreed on April 18, 2017 with Gerber to reach a settlement upon mutual concessions during the course of legal proceedings.

The Company and DGA paid the settlement amount of approximately 12.3 million US dollars to Gerber and both parties withdrew their arguments and agreed to eliminate future disputes between the parties with respect to the patent-in-suit. For avoidance of doubt, the Company and DGA do not admit an infringement of the patent of Gerber by the Products.

The impact of this settlement on the Company’s business will be a decrease in net income attributable to owners of the parent in this fiscal year by approximately 1 billion yen since the Company records an extraordinary loss of approximately 12.3 million dollars (approximately 1,381 million yen in JPY) in the first quarter.

The Action will be terminated completely upon payment of the settlement money and it will not affect the business from the next fiscal year.

Sales by product (FY2017)

Composition of Sales

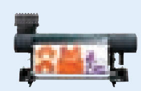
Others 16.7%

Service parts,
Maintenance fees,
Installation fees,
etc.

Printers 37.0%

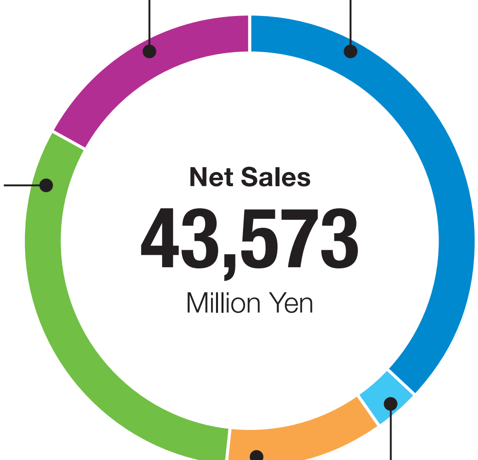
Signage
To offer optimum solutions for a profitable Signage Business.

Retail
Provide shops with fun experiences for their customers and profitability through desktop fabrication.

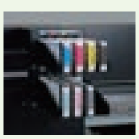


Textile
Meet diversified and personalized fashion needs on-demand.

Digital Printing for Multiple Uses
Accelerate on-demand printing for industrial use through digital printing technology that enables printing on a variety of materials and surfaces.



Supplies 31.4%



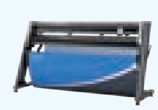
Inks,
Media,
Cutter Blades,
etc.

3D Products 11.5%

3D Digital Fabrication
Accelerate the 3D digital fabrication trend by developing 3D additive and subtractive devices.

Dental
Provide dental mills and 3D printers for producing custom dental restorations.

Plotters 3.4%

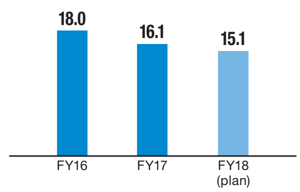


Production of signs by vinyl cutting

Sales by product

Printers

Net Sales
(Billions of Yen)



Net Sales

16,110 Million Yen

YoY change 10.6% ↓

Summary

- **Signage printers declined.**
- **UV printers for retail markets were level.**

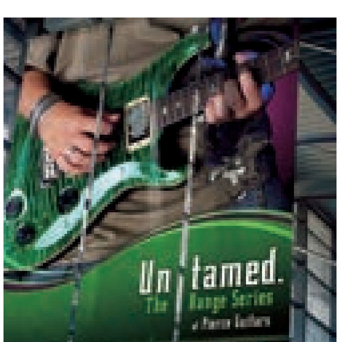
Signage / Retail

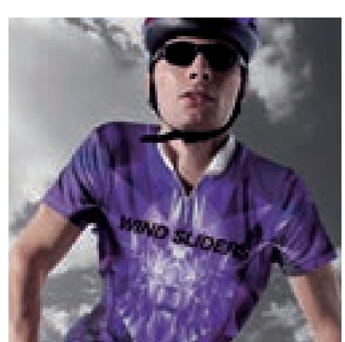
In the mainstay sign (advertising and sign production) market, as the market moves toward maturity, we are working on maintaining and expanding market share through improving customer satisfaction via providing high value-added products and superior service and support. In addition, as a future growth sector, we are actively working on expanding into new markets such as the retail market where we provide printing of original designs including photos and illustrations on products such as smartphone cases, home electronics appliances, and novelty items.

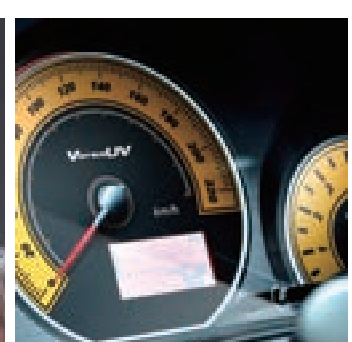
In the sign market, during the fiscal year ended December 31, 2017, sales of the TrueVIS series VG-640/540 and SG-540/300, new eco-solvent printer models introduced to the market in the previous term, have been steady. However, sales have continued to be slow particularly for high-price models as market demand continues to shift from high-price products to low-price products against a backdrop of a maturing sign market and intensifying competition due to the entry of major competitors. Meanwhile, in retail markets, although sales of the LEF-200, a new model of small UV printers launched in February 2017 were steady, sales of UV printers overall decreased, affected by lethargic sales of existing models. In response to such sales decrease of printers, we made efforts to recover sales through a promotion campaign for maintaining/expanding shares during the fourth quarter of the term.

Textile / Digital Printing for Multiple Uses

In the Central and South America region, sales of specialized textile printers increased. In Japan, sales of UV printers showed a solid increase for use in package prototyping. At Roland DG, product development is focused at HQ, while marketing functions are split among our worldwide sales offices. Each location uses locally-tailored marketing activities to gain usage examples and market needs, which are then shared with the R&D department in a cycle that helps us discover new applications.







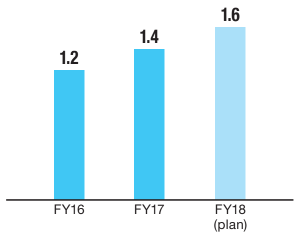
Plotters

Net Sales

1,491 Million Yen

YoY change 15.4%

Net Sales
(Billions of Yen)



Summary

Strong new models.

Sales of cutters for the sign market, including the GR-640/540/420, new models launched from March to April 2017, showed solid growth mainly in developed countries. Consequently, Plotter sales were 1,491 million yen, or 115.4% of the previous fiscal year.

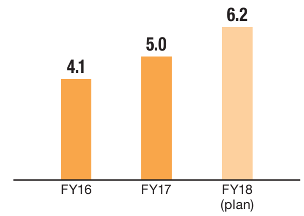
3D Products

Net Sales

5,006 Million Yen

YoY change 19.5%

Net Sales
(Billions of Yen)



Summary

Led by new dental and milling machines.

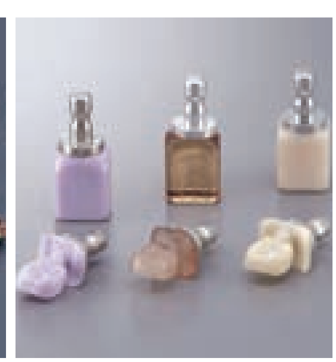
3D Monozukuri (fabrication)

In the 3D monozukuri market, sales of the new MDX-50 3D milling machine that went on sale in October 2016 remained substantial due to adoption in the manufacturing industry for prototype production and at educational institutions.

Dental

In the dental market, sales of the DWX-52DC launched in March 2017 have been favorable as it has been widely adopted in dental laboratories seeking increased productivity in developed countries including Japan, Europe, and the U.S. The DWX-52DC incorporates an automatic disc changer function to automatically change processing materials.

To accelerate new business development in the growing dental market, DGSHAPE Corporation, engaged in the 3D monozukuri and dental businesses, started operation in April 2017. It aims to offer solutions responding to the latest trends in digitalization by making use of our accumulated digital technologies and know-how of monozukuri. While securing a solid footing in the 3D monozukuri market such as the manufacturing and modeling industries as well as educational institutions, we will expand our 3D business by creating new value propositions in a wider range of fields, in addition to accelerating growth in the dental market where further digitalization is expected.



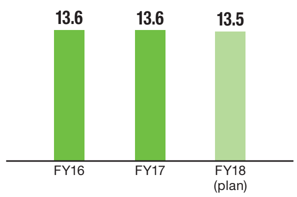
Supplies

Net Sales

13,677 Million Yen

YoY change 0.4% ↑

Net Sales
(Billions of Yen)



Summary

● UV ink sales made up for the decrease in sales of solvent ink.

Although sales of printer ink for the sign market were sluggish, sales of printer ink for UV printers and textile printers grew. As a result, sales of supplies were 13,676 million yen, or 100.4% of the previous fiscal year.

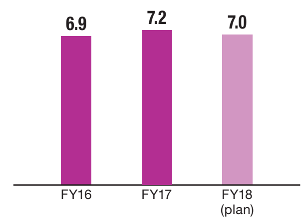
Others

Net Sales

7,289 Million Yen

YoY change 4.4% ↑

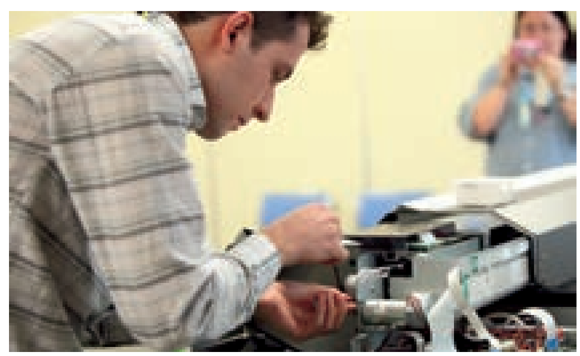
Net Sales
(Billions of Yen)



Summary

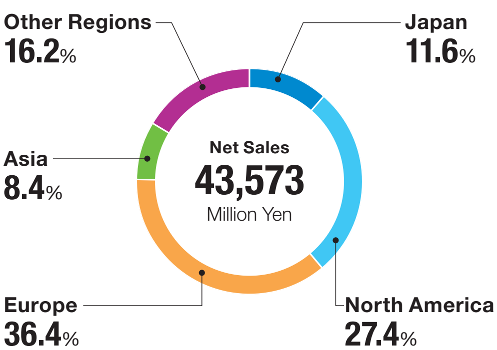
● Increase in service parts and maintenance fees.

Maintenance services, service parts, and other sales were 7,288 million yen, or 104.4% of the previous fiscal year, due to steady sales of service parts.

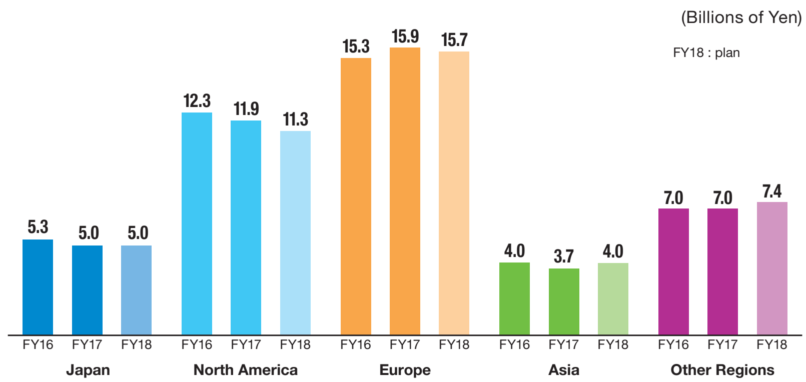


Sales by region

Composition of Sales



Net Sales



Summary

- Sales of compact dental milling machines increased significantly in Japan following the expanded scope of insurance coverage during December.
- Strong sales of new dental and milling machines in North America and Europe.
- Printer sales in China and ASEAN were slow.

Japan — 5,044 Million Yen — YoY change 4.9% ↓

In 3D products, sales of the MDX series were significantly higher than in the previous fiscal year as sales of the new model MDX-50 and other 3D milling machines were favorable in the manufacturing industry for prototype production and at educational institutions. In dental milling machines, sales of the new model DWX-52DC were strong, while sales of the DWX-4 grew significantly following the expanded scope of insurance coverage for CAD/CAM crowns (dental prosthetics created by using digital data) during the fourth quarter of the term. In printers, although sales of UV printers with a print width of 30-54 inches showed a solid increase for use in packaging prototyping, sales of small UV printers for the retail market and printers for the sign market decreased.

As a result, net sales in Japan were 5,043 million yen, or 95.1% of the previous fiscal year.

North America — 11,931 Million Yen — YoY change 3.5% ↓

In 3D products, sales of the DWX-52DC, a new model of dental milling machine, were strong particularly for mid-scale dental labs that seek more productivity. Sales of the MDX-50, a new model of 3D milling machine, were strong for uses such as design prototypes. Meanwhile, in printers, although sales of small UV printers were higher than the previous fiscal year as a result of gradual development of the retail market, sales of printers for the sign market decreased.

As a result, net sales in North America were 11,930 million yen, or 96.5% of the previous fiscal year.

Europe — 15,879 Million Yen — YoY change 3.6% ↑

In printers, sales of printers for the sign market, small UV printers, and other mainstay models were slow. However, in 3D products, sales of the DWX-52DC, a new model of dental milling machine, were favorable, with a solid increase of sales of 3D milling machines and impact printers that can print photos, illustrations, and text on metal materials.

As a result, net sales in Europe were 15,878 million yen, or 103.6% of the previous fiscal year.

Asia — 3,681 Million Yen — YoY change 10.1% ↓

In China, sales of 3D products were strong. However, sales of printers for the sign market were at low levels and sales of service parts decreased significantly. In South Korea, sales of printers for the sign market were steady and sales of dental milling machines increased thanks to development of a new sales channel. In the ASEAN region, sales of printers for the sign market that account for a large portion of sales declined.

As a result, net sales in Asia were 3,681 million yen, or 89.9 % of the previous fiscal year.

Other Regions — 7,039 Million Yen — YoY change 0.3% ↑

In Australia, sales of 3D milling machines were favorable. In the Central and South American region, sales of printers for the sign market decreased, while sales of small UV printers, textile printers, and dental milling machines increased.

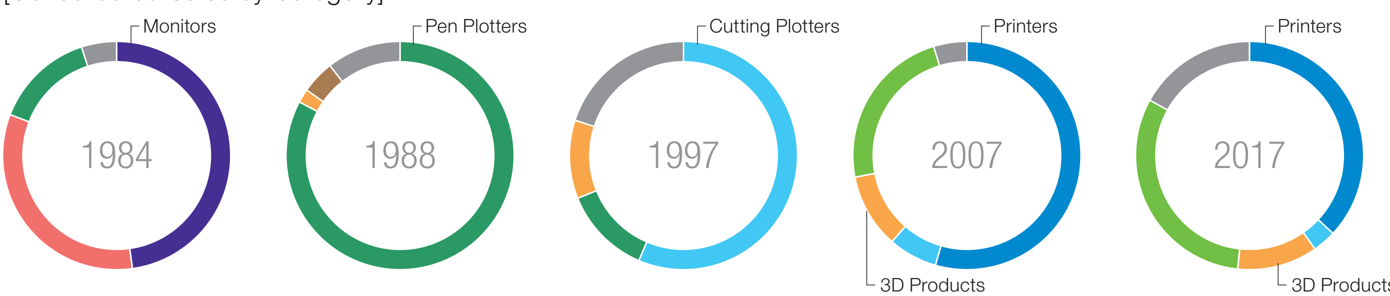
As a result, net sales in these regions were 7,039 million yen, or 100.3% of the previous fiscal year.

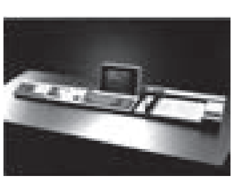
Roots

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 a **pen plotter** 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.

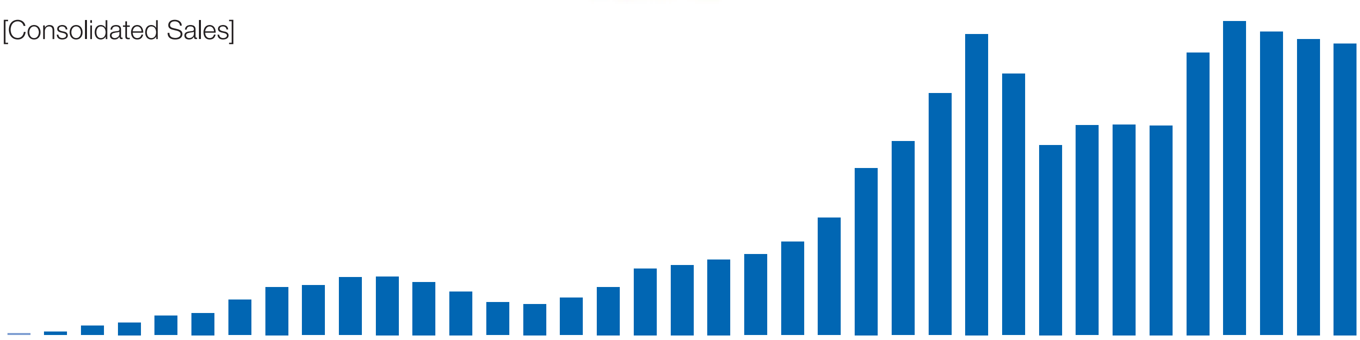
Then we took it one step further, and by swapping out a pen for a blade, we developed the **cutting machines** that could cut text and illustrations from vinyl sheets and rolls, which had applications in the creation of signage. Afterwards, as the image processing capability of computers continued to grow along with the proliferation of digital cameras, we developed **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 reset our business target to “Imaging and Healthcare” through our Medium-Term Business Plan, and now, by strategically allocating management assets and resources, we aim to accelerate new business developments in growth markets.

Paths to Sustainable Growth
[Consolidated Sales by Category]





[Consolidated Sales]

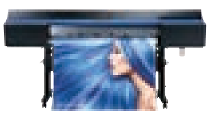


Business Summary

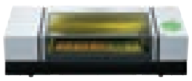
Printer Business

Roland DG develops professional-use wide-format inkjet printers used mainly for large-scale indoor and outdoor signage and posters in the Sign market along with UV-LED printers that make possible printing to a wide variety of materials, including textiles, plastics and leather. With an unparalleled commitment to “high resolution” and “fine detail,” we have secured our place as the top brand by delivering optimal printing equipment to our customers.

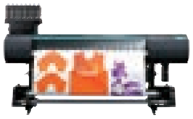
Vehicle graphics



Signage



Retail

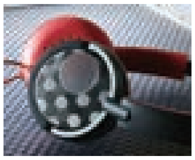


Textile

Digital Printing for Multiple Uses

Digital Printing

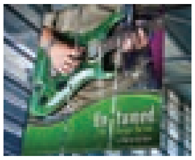
Target markets for Roland DG include Multi-purpose Printing, which is printing for commercial and industrial goods; Retail, which is decorative printing on smartphones and novelty items; and Textiles, which covers fashion, sports and other apparel decoration. We aim to build a new business model to enable on-demand support for diverse and personalized customer needs through technological reform to expand printable materials and inks.



Instrument

Sports Apparel

Smartphone case



Bannars

Sign

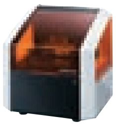
As the Sign market we cultivated has now matured in developed countries, it is increasingly important that we deliver solutions to improve customer earning potential. At the same time, we are drawing on our accumulated experience and brand strength to expand growth in emerging countries by bringing optimal solutions to all markets.

3D Business

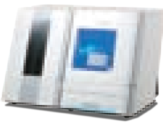
Roland DG develops 3D milling machines, which use drill bits to carve out an object’s form; 3D printers, which build objects by adding layers of material; dental milling machines, which use drill bits to shape crowns and other prosthetics; and impact printers that support the traceability and management of medical instruments. We develop products under our key strengths of “Compact Size,” “Easy to Use,” and “Affordable” in order to bring efficiency to fabrication “monozukuri” and business through the use of 3D data.

Dental restorations

3D Milling Machines



3D Printer



Dental Milling Machines

Impact Printers

3D Digital Fabrication

Through developments in digital technology and communications, we are making 3D data-driven fabrication more accessible and creating an environment where anyone, regardless of profession or experience, can experience the joy of creation. Utilizing our strength in additive and subtractive technologies, Roland DG is working to spread 3D digital fabrication to more users than ever.

Prototyping

Making parts in-house

Healthcare

Roland DG has combined two areas where it excels, milling machines utilizing 3D data and open systems, to create a lineup of dental milling machines that are being adopted in dental labs worldwide for their ability to handle new prosthetic materials used in dental restorations. At the same time, the need to manage usage history of medical instruments and improve safety for patients at medical institutions continues to grow. The company has utilized impact marking with metal printers to create a medical instrument safety management system, which is being actively introduced to state-of-the-art hospitals.

Dental restorations

Medical Instrument Traceability

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 Transfererred 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

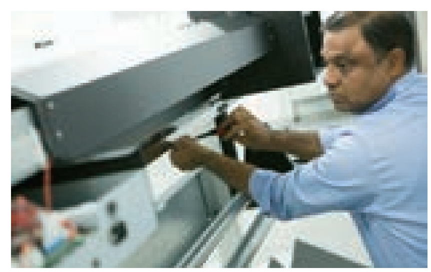
Roland DG Academy

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.

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, 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 hard toward making the company the best rather than the biggest and will work to improve corporate value through excellence and 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 everyone can work with enthusiasm and passion.

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 maintenance 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 Director Remuneration Committee consisting of three or more and more than half of an Independent Outside Director, 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, in which one Outside Director is a committee member, 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 and TDnet.
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 4-8 Effective Use of Independent Directors

As personnel that are able to contribute to the sustainable growth and mid- to long-term improvement of corporate value at the Company, subsequent to fulfilling the requirements set forth in the "Standard concerning independency of outside officers," the Company has appointed three individuals as Independent Outside Directors who are knowledgeable in law, with objectivity from a shareholder viewpoint and deep knowledge of efficient asset management, as well as abundant operational experience in international taxation. For the foreseeable future, a composition goal of one-third or more will not be set, but the Company shall generally have between two and four individuals out of a maximum of 10 Directors, as set forth by the current Articles of Incorporation. Currently, three Independent Outside Directors have been appointed out of a total of eight Directors.

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 convenience in the interest of readability.

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 23, 2018):

a. Board of Directors

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

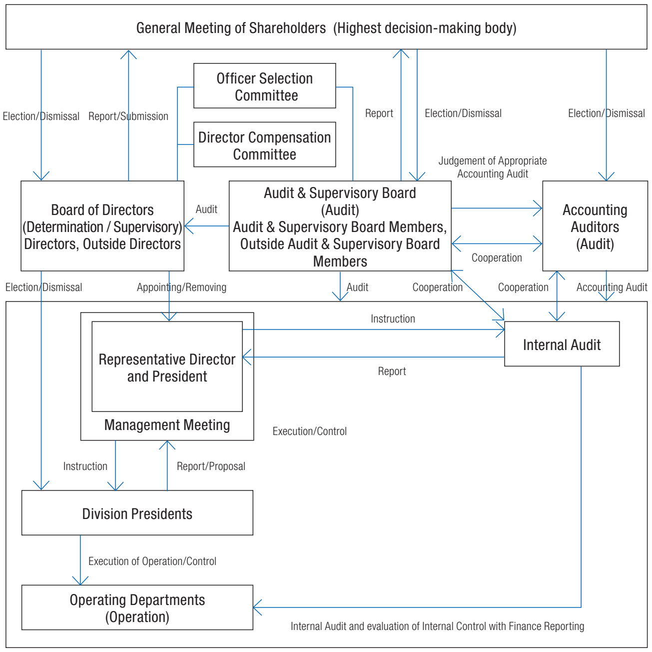
b. Management Meeting

The Management meeting consists of four 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' execution of duties.

Corporate governance structure



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 d. 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. Masanori Nakagawa, has been involved in operations in financial institutions for many years, and Full-time Audit & Supervisory Board Member, Mr. Masayasu Suzuki, has been involved in operations in financial institutions for many years as well as accounting and general affairs 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. Masato Nishimatsu, Atsushi Numata, and Hiroshi Waseda, 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 nine Certified Public Accountants and six 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.

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. Katsuhiro Endo, Outside Director, to leverage his practical experience in global taxation businesses and his knowledge and experience that he has acquired as a tax accountant, 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.

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 d. 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 all of Outside Directors and Outside Audit & Supervisory Board Members satisfy these standards and have secured adequate independence, and have reported all Outside Directors and Outside Audit & Supervisory Board Members as independent officers.

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 are supported by 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 Division President 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 Accounting Service 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 inculcate this to all employees while assigning the General Manager of the General Affairs Service 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.

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 of the fiscal year ended December 2017

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 directors
		Basic compensation	Stock options	Bonuses	Retirement benefits	
Directors (excluding Outside directors)	145	145	-	-	-	6
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	26	26	-	-	-	2
Outside Officers	36	36	-	-	-	5
Total	207	207	-	-	-	13

(Notes)
1. The maximum amount of compensation, etc., for Directors was resolved to be 300 million yen per year (including a limit of 30 million yen per year for Outside Directors) at the 33rd general shareholder meeting held on

June 18, 2014. The maximum amount of compensation, etc., for Directors does not include wages for the employee component.
2. The maximum amount of compensation, etc., for Audit & Supervisory Board Members was resolved to be 60 million yen per year at the 29th general shareholder meeting held on June 16, 2010.
3. The number of paid officers includes one Audit & Supervisory Board Member who retired at the conclusion of the 36th general shareholder meeting held on March 23, 2018.
4. Aside from the amounts provided above, 53 million yen has been recorded as Officer Performance-linked Compensation toward five Directors (excluding Outside Directors) based on the Stock Benefit Regulations (for Officers). This Performance-linked Compensation scheme for Officers was resolved in a separate category from the compensation described in 1. at the 33rd general shareholder meeting held on June 18, 2014.

The total amount 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 limits for 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 Directors who are elected by the Board of Directors (3 to 5 Directors; does not include the President), 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 the Measures and Organizational Structures Aimed at 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 by the Director who is the officer in charge of information management as submitted to TSE, 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 23, 2018)

Hidenori Fujioka

President, Representative Director of the Company

November 1998	President and Representative Director of SII Data Service Corp.
September 2006	President and 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 Business Development of the Company
June 2015	Vice President and Director of the Company
March 2016	President, Representative Director of the Company (current position)
January 2017	In charge of R&D and F-lab of the Company
March 2017	In charge of Development of the Company

David Goward

Executive Vice President

October 1994	Joined Roland DGA Corporation
January 2007	Director of Roland DGA Corporation (current position)
January 2008	President of Roland DGA Corporation CEO of Roland DGA Corporation (current position)
November 2012	Executive Officer of the Company
January 2014	Division President, Global Marketing HQ of the Company
June 2014	Director of the Company In charge of Global Sales of the Company, Global Marketing of the Company and Global Service of the Company
March 2016	Vice President of the Company (current position) In charge of Global Sales & Marketing of the Company, Easy Shape Business Development of the Company and InClix Business Development of the Company
January 2017	In change of DGSHAPE Business Development of the Company and InClix of the Company
March 2017	In charge of Sales & Marketing of the Company

Koichi Hashimoto

Managing Director

March 1990	Joined Riso Science Laboratory Limited
April 1992	Joined RISO KAGAKU CORPORATION
September 2011	General Manager of America Sales Department
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 (current position)

Masanori Nakagawa

Audit & Supervisory Board Member

April 1980	Joined THE TOKAI BANK, LTD. (currently the Bank of Tokyo-Mitsubishi UFJ, Ltd.)
February 1999	General Manager of THE TOKAI BANK, LTD., Chicago Branch
February 2008	Senior Manager, Internal Audit Office of the Bank of Tokyo-Mitsubishi UFJ, Ltd.
November 2010	Joined the Company
June 2012	Audit & Supervisory Board Member 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
October 2009	Joined the Company Executive Officer of the Company
June 2014	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)
June 2013	Outside Audit & Supervisory Board Member of Fuji Machine Mfg. Co., Ltd. (current position)
June 2015	Audit & Supervisory Board Member of the Company (current position)

Kohei Tanabe

Director

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 (current position) General Manager of DGSHAPE Market Development Dept. of DGSHAPE Corporation (current position)
March 2018	Director of the company (current position) In charge of 3D business of the Company (current position)

Takuo Hirose

Director
(Outside) (Independent)

April 1997	Registered as Attorney-at-law Joined Tomotsune Kimura & Mitomi (currently 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)

Katsuhiro Endo

Director
(Outside) (Independent)

April 1978	Joined Tokyo Regional Taxation Bureau
July 2003	Professor of National Tax College, National Tax Administration Agency
July 2006	Senior Examiner and Assistant Chief of the First Large Enterprise Examination Department, Tokyo Regional Taxation Bureau
August 2008	Registered as Certified Public Tax Accountant Representative Partner of Endo Licensed Tax Accountant Office (current position)
June 2010	Audit & Supervisory Board Member of the Company
November 2011	Outside Audit & Supervisory Board Member of CHIYODA INTEGRE CO., LTD. (current position)
January 2014	Representative Director of E-Consulting Co., Ltd. (current position)
April 2015	Visiting Professor of Graduate School of Aoyama Gakuin University
June 2015	Outside Audit & Supervisory Board Member of Meiji Shipping Co., Ltd. (current position)
March 2016	Director of the Company (current position)

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 Accountant
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, 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 Experts on International Cooperation in Tax Matters, United Nations (current position)

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

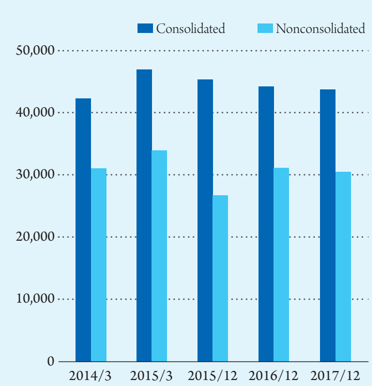
	Millions of Yen					Thousands of U.S. Dollars
	2017/12	2016/12	2015/12	2015/3	2014/3	2017/12
Operating Results						
Net sales	¥ 43,573	¥ 44,112	¥ 45,122	¥ 46,770	¥ 42,142	$ 385,604
Operating income	3,853	4,359	4,057	6,578	6,111	34,100
Net income attributable to owners of the parent	1,918	2,706	2,469	3,190	4,265	16,974
Net cash provided by (used in) operating activities	2,447	5,370	3,543	5,467	6,354	21,654
Financial Position						
Total equity	22,522	20,618	22,911	22,074	30,677	199,307
Total assets	36,571	36,341	37,980	38,193	38,926	323,633
	Yen					U.S. Dollars
Per Share Data						
Net income attributable to owners of the parent	¥ 153.19	¥ 206.73	¥ 173.36	¥ 210.87	¥ 239.64	$ 1.36
Equity	1,798.74	1,647.59	1,608.94	1,550.19	1,723.45	15.92
Cash dividends applicable to the year	60.00	60.00	60.00	60.00	40.00	0.53

Nonconsolidated

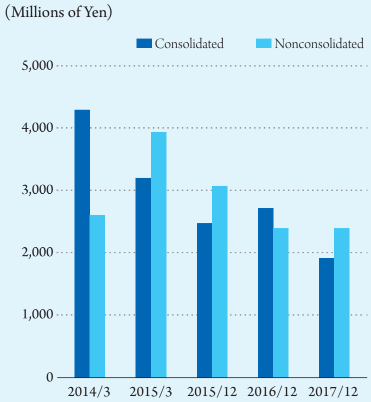
	Millions of Yen					Thousands of U.S. Dollars
	2017/12	2016/12	2015/12	2015/3	2014/3	2017/12
Operating Results						
Net sales	¥ 30,402	¥ 31,056	¥ 26,743	¥ 33,818	¥ 30,937	$ 269,045
Operating income	3,987	3,069	4,105	5,241	4,136	35,280
Net income	2,380	2,385	3,070	3,926	2,602	21,066
Financial Position						
Total equity	20,359	18,627	20,462	18,256	26,536	180,171
Total assets	30,723	30,526	32,480	31,017	32,750	271,888
	Yen					U.S. Dollars
Per Share Data						
Net income	¥ 190.12	¥ 182.21	¥ 215.59	¥ 259.46	¥ 146.19	$ 1.68
Equity	1,625.66	1,488.49	1,436.99	1,282.07	1,490.84	14.39

Note: The U.S. dollar amounts have been translated, for convenience only, at the rate of ¥113 to U.S.$1, the approximate rate of exchange at December 31, 2017.

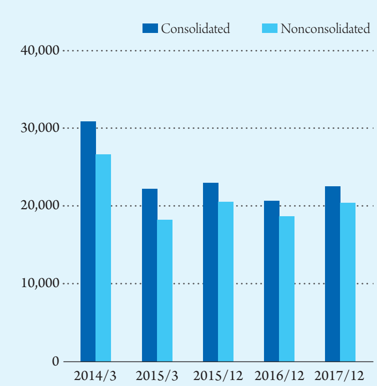
Net Sales
(Millions of Yen)



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, 2017

ASSETS

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2017	December 31, 2016	December 31, 2017
CURRENT ASSETS:			
Cash and time deposits (Notes 3, 5, and 14)	¥ 9,766,525	¥ 10,003,132	$ 86,429
Notes and accounts receivable (Note 14):			
Trade notes	39,844	38,396	353
Trade accounts	4,581,711	4,881,151	40,546
Allowance for doubtful receivables	(66,155)	(53,873)	(585)
Inventories (Note 4)	8,429,679	8,368,683	74,599
Deferred tax assets (Note 11)	1,099,656	1,080,447	9,731
Prepaid expenses and other	2,520,293	1,334,152	22,303
Total current assets	26,371,553	25,652,088	233,376
PROPERTY, PLANT, AND EQUIPMENT (Note 19)**:**			
Land	3,130,077	3,107,278	27,700
Buildings and structures	7,054,129	6,928,376	62,426
Machinery and equipment	1,039,847	1,053,186	9,202
Tools, furniture, and fixtures	3,624,685	3,620,466	32,077
Construction in progress	48,019	21,062	425
Total property, plant, and equipment	14,896,757	14,730,368	131,830
Accumulated depreciation	(7,956,223)	(7,672,549)	(70,409)
Net property, plant, and equipment	6,940,534	7,057,819	61,421
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 14)	31,404	23,785	278
Investments in unconsolidated subsidiaries and associated companies (Note 14)	—	10,000	—
Goodwill (Note 6)	372,298	410,076	3,295
Software	1,237,933	1,376,535	10,955
Deferred tax assets (Note 11)	672,680	789,883	5,953
Deferred compensation assets	507,761	561,172	4,494
Other assets	436,343	459,988	3,861
Total investments and other assets	3,258,419	3,631,439	28,836
TOTAL	¥ 36,570,506	¥ 36,341,346	$ 323,633

See notes to consolidated financial statements.

LIABILITIES AND EQUITY

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2017	December 31, 2016	December 31, 2017
CURRENT LIABILITIES:			
Accounts payable (Note 14)			
Trade	¥ 1,908,453	¥ 1,923,211	$ 16,889
Other	1,168,937	1,265,193	10,344
Short-term bank loans (Notes 7 and 14)	138,400	—	1,225
Current portion of long-term debt (Notes 7 and 14)	1,440,000	1,440,000	12,743
Income taxes payable (Notes 11 and 14)	130,487	246,997	1,155
Accrued expenses	606,745	755,807	5,369
Accrued bonuses	664,513	716,485	5,881
Accrued bonuses to directors and audit and supervisory board members	—	80,000	—
Accrued warranties	538,417	552,307	4,765
Other	1,748,879	1,280,062	15,477
Total current liabilities	8,344,831	8,260,062	73,848
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 14)	3,240,000	4,680,000	28,673
Provision for employee stock ownership plan (Note 9)	102,876	91,256	910
Provision for management stock ownership plan (Note 9)	253,692	223,132	2,245
Provision for loss on plan termination of benefit obligation relating to employees' pension fund	51,733	—	458
Liability for retirement benefits (Note 8)	642,270	960,630	5,684
Long-term payables	42,213	118,306	374
Other	1,371,196	1,390,392	12,134
Total long-term liabilities	5,703,980	7,463,716	50,478
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13, 14, 15, and 16)			
EQUITY (Notes 10, 18 and 20)**:**			
Common stock,			
authorized, 71,200,000 shares in 2017 and 2016;			
issued, 12,656,311 shares in 2017 and 2016	3,668,700	3,668,700	32,466
Capital surplus	3,700,609	3,700,609	32,749
Retained earnings	16,030,080	14,808,135	141,859
Treasury stock – at cost			
132,595 shares in 2017 and 142,595 shares in 2016 (Note 9)	(579,561)	(623,301)	(5,129)
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities	7,786	3,056	69
Foreign currency translation adjustments	(154,073)	(466,234)	(1,364)
Defined retirement benefit plans	(151,914)	(473,445)	(1,344)
Total	22,521,627	20,617,520	199,306
Noncontrolling interests	68	48	1
Total equity	22,521,695	20,617,568	199,307
TOTAL	¥ 36,570,506	¥ 36,341,346	$ 323,633

Consolidated Statement of Income

Roland DG Corporation and Consolidated Subsidiaries
Year Ended December 31, 2017

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2017	December 31, 2016	December 31, 2017
NET SALES (Note 19)	¥ 43,573,215	¥ 44,112,327	$ 385,604
COST OF SALES (Note 12)	24,226,340	24,070,932	214,393
Gross profit	19,346,875	20,041,395	171,211
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	15,493,590	15,682,582	137,111
Operating income	3,853,285	4,358,813	34,100
OTHER INCOME (EXPENSES):			
Interest and dividend income	16,046	16,754	142
Interest expense	(19,817)	(31,743)	(175)
Dividend income of insurance of employees	3,122	10,184	27
Gain on money held in trust	62,576	34,120	554
Loss on disposals or sales of property, plant, and equipment, software and intangible assets	(11,768)	(21,592)	(104)
Foreign exchange losses	(9,262)	(130,244)	(82)
Sales discount charges	(168,370)	(174,788)	(1,490)
Treasury stock purchase fees	—	(7,183)	—
Litigation settlement (Note 16)	(1,381,458)	—	(12,225)
Provision for loss on plan termination of benefit obligation relating to employees' pension fund	(51,733)	—	(458)
Other - net	66,940	28,874	592
Other expenses – net	(1,493,724)	(275,618)	(13,219)
INCOME BEFORE INCOME TAXES AND NONCONTROLLING INTERESTS	2,359,561	4,083,195	20,881
INCOME TAXES (Note 11)**:**			
Current	810,094	922,703	7,169
Deferred	(16,112)	454,638	(143)
Refund of income taxes	(352,466)	—	(3,119)
Total income taxes	441,516	1,377,341	3,907
NET INCOME	1,918,045	2,705,854	16,974
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	13	19	0
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 1,918,032	¥ 2,705,835	$ 16,974

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2. v and 18)**:**			
Net income attributable to owners of the parent	¥ 153.19	¥ 206.73	$ 1.36
Cash dividends	60.00	60.00	0.53

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Roland DG Corporation and Consolidated Subsidiaries
Year Ended December 31, 2017

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2017	December 31, 2016	December 31, 2017
NET INCOME	¥ 1,918,045	¥ 2,705,854	$ 16,974
OTHER COMPREHENSIVE INCOME (Loss) (Note 17):			
Unrealized gains (losses) on available-for-sale securities	4,730	(458)	42
Foreign currency translation adjustments	312,168	(475,936)	2,763
Defined retirement benefit plans	321,531	(302,533)	2,845
Total other comprehensive income (loss)	638,429	(778,927)	5,650
COMPREHENSIVE INCOME	¥ 2,556,474	¥ 1,926,927	$ 22,624
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 2,556,454	¥ 1,926,910	$ 22,624
Noncontrolling interests	20	17	0

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Roland DG Corporation and Consolidated Subsidiaries
Year Ended December 31, 2017

	Thousands of Yen										
						Accumulated Other Comprehensive Income					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gains on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, JANUARY 1, 2016	14,239,511	¥ 3,668,700	¥ 3,867,377	¥16,167,289	¥ (635,105)	¥ 3,514	¥ 9,700	¥ (170,912)	¥22,910,563	¥ 31	¥22,910,594
Net income attributable to owners of the parent				2,705,835					2,705,835		2,705,835
Cash dividends, ¥60 per share				(811,163)					(811,163)		(811,163)
Purchase of treasury stock	(1,726,395)				(3,411,415)				(3,411,415)		(3,411,415)
Retirement of treasury stock			(166,768)	(3,253,826)	3,420,594						
Treasury stock transfer of stock ownership trust	600				2,625				2,625		2,625
Net change in the year						(458)	(475,934)	(302,533)	(778,925)	17	(778,908)
BALANCE, DECEMBER 31, 2016	12,513,716	3,668,700	3,700,609	14,808,135	(623,301)	3,056	(466,234)	(473,445)	20,617,520	48	20,617,568
Net income attributable to owners of the parent				1,918,032					1,918,032		1,918,032
Cash dividends, ¥55 per share				(696,087)					(696,087)		(696,087)
Treasury stock transfer of stock ownership trust	10,000				43,740				43,740		43,740
Net change in the year						4,730	312,161	321,531	638,422	20	638,442
BALANCE, DECEMBER 31, 2017	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

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gains on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, DECEMBER 31, 2016	$ 32,466	$ 32,749	$ 131,045	$ (5,516)	$ 27	$ (4,126)	$ (4,189)	$ 182,456	$ 1	$ 182,457
Net income attributable to owners of the parent			16,974					16,974		16,974
Cash dividends, $0.49 per share			(6,160)					(6,160)		(6,160)
Treasury stock transfer of stock ownership trust				387				387		387
Net change in the year					42	2,762	2,845	5,649	0	5,649
BALANCE, DECEMBER 31, 2017	$ 32,466	$ 32,749	$ 141,859	$ (5,129)	$ 69	$ (1,364)	$ (1,344)	$ 199,306	$ 1	$ 199,307

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Roland DG Corporation and Consolidated Subsidiaries
Year Ended December 31, 2017

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2017	December 31, 2016	December 31, 2017
OPERATING ACTIVITIES:			
Income before income taxes and noncontrolling interests	¥ 2,359,561	¥ 4,083,195	$ 20,881
Adjustments for:			
Income taxes paid	(766,637)	(1,334,427)	(6,784)
Depreciation and amortization	1,229,130	1,380,330	10,877
Provision for (reversal of) allowance for doubtful receivables	4,193	(106,069)	37
(Reversal of) provision for accrued bonuses	(53,220)	44,547	(471)
(Reversal of) provision for accrued bonuses to directors and audit and supervisory board members	(80,000)	10,000	(708)
(Reversal of) provision for accrued warranties	(15,728)	33,022	(139)
Increase (decrease) in liability for retirement benefits	142,351	44,600	1,260
Provision for (reversal of) employee stock ownership plan	49,237	29,933	436
Provision for (reversal of) management stock ownership plan	36,683	72,859	325
Increase (decrease) in provision for loss on plan termination of benefit obligation relating to employees' pension fund	51,733	—	458
Interest and dividend income	(16,046)	(16,754)	(142)
Interest expense	19,817	31,743	175
Litigation settlement	1,381,458	—	12,225
Litigation settlement paid	(1,341,705)	—	(11,873)
Loss (gain) on disposals or sales of property, plant, and equipment	7,751	8,382	69
Loss (gain) on disposals or sales of software and intangible assets	4,017	13,210	35
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	515,414	(750,001)	4,561
Decrease (increase) in inventories	201,673	592,667	1,785
(Increase) decrease in prepaid expenses and other current assets	(925,195)	335,199	(8,188)
Decrease (increase) in other investments and assets	24,985	13,065	221
(Decrease) increase in accounts payable	(518,296)	479,317	(4,587)
Increase (decrease) in other current liabilities	187,448	174,987	1,659
(Decrease) increase in other long-term liabilities	(93,068)	164,387	(824)
Other – net	41,360	65,356	366
Total adjustments	87,355	1,286,353	773
Net cash provided by (used in) operating activities	2,446,916	5,369,548	21,654
INVESTING ACTIVITIES:			
Payments into time deposits	(17,200)	(47,163)	(152)
Proceeds from withdrawal of time deposits	68,580	—	607
Purchases of property, plant, and equipment	(547,769)	(757,895)	(4,848)
Proceeds from sales of property, plant, and equipment	25,409	22,970	225
Purchases of software and other intangible assets	(356,312)	(648,171)	(3,153)
Purchases of investment securities	(841)	(885)	(7)
Purchase of investments in unconsolidated subsidiaries and associated companies	—	(10,000)	—
Other	261	13,330	2
Net cash (used in) provided by investing activities	(827,872)	(1,427,814)	(7,326)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans – net	132,400	—	1,172
Proceeds from long-term debt	—	2,880,000	—
Repayments of long-term debt	(1,440,000)	(2,520,000)	(12,743)
Repurchase of treasury stock	—	(3,418,598)	—
Dividends paid	(698,044)	(813,403)	(6,178)
Other	90	(7,405)	1
Net cash (used in) provided by financing activities	(2,005,554)	(3,879,406)	(17,748)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	189,261	(378,765)	1,675
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(197,249)	(316,437)	(1,745)
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY	10,000	243,460	88
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,936,097	10,009,074	87,930
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)	¥ 9,748,848	¥ 9,936,097	$ 86,273

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Roland DG Corporation and Consolidated Subsidiaries
Year Ended December 31, 2017

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, 2016, to conform to the classifications used in the year ended December 31, 2017.

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 ¥113 to $1, the approximate rate of exchange at December 31, 2017. 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, 2017, include the accounts of the Company and its 17 (16 in 2016) 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 (two in 2016) 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.

DGSHAPE Corporation (changed its name from ES CO., LTD on March 10, 2017) has been included in the scope of consolidation in the fiscal year ended December 31, 2017, due to an increased materiality of its business.

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 generally accepted accounting principles 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.

*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.

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, 2017 and 2016. As a result, no impairment loss was recognized for the years ended December 31, 2017 and 2016.

k. ***Retirement and Pension Plans*** — The Company has a contributory funded pension plan together with Roland Corporation, the Company's former parent company, and consolidated domestic 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 statement 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.

The Company applied ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," effective January 1, 2017.

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 statement 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 statement 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 statement 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.

3. RECONCILIATION TO CASH AND CASH EQUIVALENTS

The reconciliation of cash and time deposits in the consolidated balance sheet to cash and cash equivalents in the consolidated statement of cash flows at December 31, 2017 and 2016 was as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2017	December 31, 2016	December 31, 2017
Cash and time deposits	¥ 9,766,525	¥ 10,003,132	$ 86,429
Time deposits with original maturities of more than three months	(17,677)	(67,035)	(156)
Cash and cash equivalents	¥ 9,748,848	¥ 9,936,097	$ 86,273

4. INVENTORIES

Inventories at December 31, 2017 and 2016 consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2017	December 31, 2016	December 31, 2017
Merchandise and finished products	¥ 6,009,231	¥ 5,900,492	$ 53,179
Work in process	28,229	76,977	250
Raw materials and supplies	2,392,219	2,391,214	21,170
Total	¥ 8,429,679	¥ 8,368,683	$ 74,599

5. ASSETS PLEDGED

There were no pledged assets at December 31, 2017. Assets pledged for derivative transactions at December 31, 2016, consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2017	December 31, 2016	December 31, 2017
Cash and time deposits	¥ —	¥ 7,154	$ —

6. GOODWILL

The component of goodwill at December 31, 2017 and 2016 was as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2017	December 31, 2016	December 31, 2017
Consolidation goodwill	¥ 372,298	¥ 410,076	$ 3,295

Consolidation goodwill is amortized over 10 years.

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

Short-term bank loans at December 31, 2017 consisted of bank overdrafts. The annual average interest rate applicable to short-term banks loans was 2.3%. There was no outstanding balance of short-term bank loans at December 31, 2016.

Long-term debt at December 31, 2017 and 2016 consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2017	December 31, 2016	December 31, 2017
Unsecured syndicate and other loans from banks, 0.3%, due 2021:			
Total	¥ 4,680,000	¥ 6,120,000	$ 41,416
Less current portion	(1,440,000)	(1,440,000)	(12,743)
Long-term debt, less current portion	¥ 3,240,000	¥ 4,680,000	$ 28,673

Annual maturities of long-term debt as of December 31, 2017, for the next five years and thereafter were as follows:

Year Ending December 31	Thousands of Yen	Thousands of U.S. Dollars
2018	¥ 1,440,000	$ 12,743
2019	360,000	3,186
2020	1,440,000	12,743
2021	1,440,000	12,744
2022	—	—
Total	¥ 4,680,000	$ 41,416

The Company holds syndicate loan contracts with three financial institutions. These syndicate loan contracts have financial covenants that require certain targets of consolidated and nonconsolidated equity and operating income to be maintained.

8. 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 duties 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 also participates 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 accounted for in the same manner as defined contribution plans because it is difficult to reasonably calculate pension assets in response to the Company's contributions. The Pension Fund received an approval from the Minister of Health, Labour and Welfare on April 1, 2016 for the waiver of future payment obligations under the substitutional portion of the welfare pension fund and has made advance payments of the minimum actuarial reserve of ¥180,000,000 thousand ($1,592,920 thousand) on April 27, 2016 and ¥28,800,000 thousand ($254,867 thousand) on April 27, 2017, respectively. Further, the Pension Fund submitted a request for permission of dissolution on December 26, 2017 to the Minister of Health, Labour and Welfare. The Company recorded an expected loss from dissolution of ¥51,733 thousand ($458 thousand) as the provision for loss on plan termination of benefit obligation relating to employees' pension fund for the year ended December 31, 2017.

Certain consolidated foreign subsidiaries have contributory defined contribution plans.

1. The changes in the defined benefit obligation for the years ended December 31, 2017 and 2016, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2017	December 31, 2016	December 31, 2017
Balance at beginning of year	¥ 4,296,124	¥ 3,679,873	$ 38,019
Current service cost	279,215	252,401	2,471
Interest cost	15,810	42,503	140
Actuarial gains and losses	(194,572)	395,877	(1,722)
Benefits paid	(128,570)	(74,530)	(1,138)
Balance at end of year	¥ 4,268,007	¥ 4,296,124	$ 37,770

2. The changes in plan assets for the years ended December 31, 2017 and 2016, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2017	December 31, 2016	December 31, 2017
Balance at beginning of year	¥ 3,335,494	¥ 3,192,466	$ 29,518
Expected return on plan assets	83,387	79,812	738
Actuarial gains and losses	126,393	(81,160)	1,118
Contributions from the employer	209,033	218,906	1,850
Benefits paid	(128,570)	(74,530)	(1,138)
Balance at end of year	¥ 3,625,737	¥ 3,335,494	$ 32,086

3. Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of December 31, 2017 and 2016 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2017	December 31, 2016	December 31, 2017
Funded defined benefit obligation	¥ 4,268,007	¥ 4,296,124	$ 37,770
Plan assets	(3,625,737)	(3,335,494)	(32,086)
	642,270	960,630	5,684
Unfunded defined benefit obligation	—	—	—
Net liability (asset) arising from defined benefit obligation	¥ 642,270	¥ 960,630	$ 5,684

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2017	December 31, 2016	December 31, 2017
Liability for retirement benefits	¥ 642,270	¥ 960,630	$ 5,684
Asset for retirement benefits	—	—	—
Net liability (asset) arising from defined benefit obligation	¥ 642,270	¥ 960,630	$ 5,684

4. The components of net periodic benefit costs for the years ended December 31, 2017 and 2016, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2017	December 31, 2016	December 31, 2017
Service cost	¥ 279,215	¥ 252,401	$ 2,471
Interest cost	15,810	42,503	140
Expected return on plan assets	(83,387)	(79,812)	(738)
Recognized actuarial gains and losses	139,747	52,239	1,237
Amortization of prior service cost	—	(3,826)	—
Net periodic benefit costs	¥ 351,385	¥ 263,505	$ 3,110

5. Amounts recognized in other comprehensive income before income tax effect in respect of defined retirement benefit plans for the years ended December 31, 2017 and 2016 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2017	December 31, 2016	December 31, 2017
Unrecognized prior service cost	¥ —	¥ (3,826)	$ —
Unrecognized actuarial gains and losses	460,712	(424,797)	4,077
Total	¥ 460,712	¥ (428,623)	$ 4,077

6. Amounts recognized in accumulated other comprehensive income before income tax effect in respect of defined retirement benefit plans as of December 31, 2017 and 2016 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2017	December 31, 2016	December 31, 2017
Unrecognized prior service cost	¥ —	¥ —	$ —
Unrecognized actuarial gains and losses	217,673	678,385	1,926
Total	¥ 217,673	¥ 678,385	$ 1,926

7. Plan assets

(1) Components of plan assets

Plan assets as of December 31, 2017 and 2016, consisted of the following:

	December 31, 2017	December 31, 2016
Domestic debt investments	24%	34%
Foreign debt investments	8%	6%
Domestic equity investments	18%	10%
Foreign equity investments	18%	9%
General account	29%	31%
Cash and cash equivalents	3%	10%
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, 2017 and 2016, were as follows:

	December 31, 2017	December 31, 2016
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 years ended December 31, 2017 and 2016, 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 ¥54,188 thousand ($480 thousand) and ¥79,560 thousand, respectively.

Funding status of the multiemployer pension plan at December 31, 2017 and 2016, was as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2017	December 31, 2016	December 31, 2017
Fair value of plan assets	¥ 246,513,169	¥ 256,615,569	$ 2,181,532
Sum of actuarial obligations in pension financing and minimum reserve	266,298,272	274,553,319	2,356,621
Difference	¥ (19,785,103)	¥ (17,937,750)	$ (175,089)

At December 31, 2017 and 2016, the contribution ratio of the Company to the multiemployer pension plan was 1.4% and 1.5%, respectively.

For the years ended December 31, 2017 and 2016, the major factor that caused the above difference is unamortized balance of prior service cost in the amount of ¥27,522,795 thousand ($243,565 thousand) and ¥28,989,573 thousand, respectively. Prior service cost is amortized on a straight-line basis over a period of 20 years, and the special contribution 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.

10. Defined contribution plans

For the years ended December 31, 2017 and 2016, the amount of the required contribution to the defined contribution plans of the consolidated subsidiaries was ¥120,543 thousand ($1,067 thousand) and ¥117,634 thousand, respectively.

9. MANAGEMENT AND EMPLOYEE STOCK OWNERSHIP 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. The Company also holds an ESOP as a part of its employee welfare program for certain employees of the Company.

Under this management stock ownership trust plan, points are given to applicable directors based on their position and contributions, and stock of the Company equivalent to achieved points would be given at the time of retirement. On the other hand, under ESOP, points are also 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. The trustee purchases stock of the Company through market or allocation of treasury stock by the Company. Accounting treatment of these plans 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, 2017 and 2016, stock of the Company held by these trusts is expressed as treasury stock of equity in the consolidated balance sheet, and its amount and number of shares were ¥579,117 thousand ($5,125 thousand) and ¥622,857 thousand, and 132,400 shares and 142,400 shares, respectively.

10. 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.

11. 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 30.2% and 32.3% for the years ended December 31, 2017 and 2016.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at December 31, 2017 and 2016, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2017	December 31, 2016	December 31, 2017
Deferred tax assets:			
Intercompany profits on inventories	¥ 485,723	¥ 395,575	$ 4,298
Accounts receivable	38,684	37,881	342
Accrued enterprise taxes	35,547	14,619	315
Intangible assets	177,637	157,743	1,572
Shares of subsidiaries and associated companies	178,171	162,625	1,577
Investments in associated companies	—	411,410	—
Accrued bonuses	168,394	204,963	1,490
Accrued warranties	115,897	160,604	1,027
Provision for stock ownership plan	107,508	94,977	951
Provision for loss on plan termination of benefit obligation relating to employees' pension fund	15,628	—	138
Liability for retirement benefits	180,582	290,206	1,598
Accounts payable – other	22,627	—	200
Long-term payables	—	22,627	—
Accrued expenses	114,315	135,220	1,012
Tax loss carryforwards	509,436	357,010	4,508
Deferred tax for investment in subsidiary	92,752	—	821
Other	280,846	351,509	2,485
Less valuation allowance	(616,404)	(790,426)	(5,455)
Total	¥ 1,907,343	¥ 2,006,543	$ 16,879
Deferred tax liabilities:			
Retained earnings appropriated for special allowances	¥ (36,990)	¥ (37,534)	$ (327)
Undistributed earnings of subsidiaries	(67,468)	(71,079)	(597)
Investments in associated companies	(10,348)	(10,349)	(92)
Stock ownership trust account expenses	(19,460)	(18,170)	(172)
Other	(3,371)	(1,323)	(30)
Total	¥ (137,637)	¥ (138,455)	$ (1,218)
Net deferred tax assets	¥ 1,769,706	¥ 1,868,088	$ 15,661

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended December 31, 2017 was as follows:

	December 31, 2017
Normal effective statutory tax rate	30.2%
Expenses not deductible for income tax purposes	1.4
Extra tax deduction on R&D expenses	(7.3)
Lower income tax rates applicable to income in certain foreign countries	(3.1)
Refund of income taxes	(14.9)
Changes in valuation allowance	9.3
Deferred tax for investment in subsidiary	(3.9)
Effect of tax rate deduction	8.4
Other – net	(1.4)
Actual effective tax rate	18.7%

The difference between the normal effective statutory tax rate and the actual effective tax rate of the year ended December 31, 2016 was less than 5% of the normal effective statutory tax rate and thus the explanatory note was omitted.

Due to the enactment of the "Tax Cuts and Jobs Act" in the United States of America on December 22, 2017, the income tax rate on or after January 1, 2018 will be reduced from 35% to 21%. Accordingly, the deferred tax assets of consolidated subsidiaries in the United States of America is calculated using the normal effective statutory tax rate after the change. The change caused decreases in deferred tax assets (net of deferred tax liabilities) and foreign currency translation adjustments by ¥176,033 thousand ($1,558 thousand) and ¥1,339 thousand ($12 thousand) respectively and an increase in income taxes-deferred by ¥174,694 thousand ($1,546 thousand), in the consolidated balance sheet as of December 31, 2017 and in the consolidated statement of income for the year then ended.

12. R&D COSTS

R&D costs included in cost of sales for the years ended December 31, 2017 and 2016, were ¥3,072,955 thousand ($27,194 thousand) and ¥3,158,731 thousand, respectively.

13. LEASES

The Group leases certain office space and other assets.

The minimum rental commitments under noncancelable operating leases at December 31, 2017 and 2016, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2017	December 31, 2016	December 31, 2017
Due within one year	¥ 357,761	¥ 366,805	$ 3,166
Due after one year	317,728	574,362	2,812
Total	¥ 675,489	¥ 941,167	$ 5,978

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.

Short-term bank loans are mainly used to supply operational funds and exposed to interest fluctuation risk. Long-term bank loans are borrowed to raise necessary funds to repurchase treasury stocks and are exposed to interest fluctuation risk. Financial covenants are attached to a part of these long-term bank loans and, in the case of a breach, prompt repayment might be required.

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

	Thousands of Yen		
December 31, 2017	Carrying Amount	Fair Value	Unrealized Gains/ Losses
Cash and time deposits	¥ 9,766,525	¥ 9,766,525	¥ —
Receivables	4,621,555	4,621,555	—
Investment securities	31,204	31,204	—
Total	¥ 14,419,284	¥ 14,419,284	¥ —
Payables	¥ 3,077,390	¥ 3,077,390	¥ —
Short-term bank loans	138,400	138,400	—
Income taxes payable	130,487	130,487	—
Long-term debt	4,680,000	4,680,000	—
Total	¥ 8,026,277	¥ 8,026,277	¥ —
Derivative financial instruments	¥ (93,871)	¥ (93,871)	¥ —

	Thousands of Yen		
December 31, 2016	Carrying Amount	Fair Value	Unrealized Gains/ Losses
Cash and time deposits	¥ 10,003,132	¥ 10,003,132	¥ —
Receivables	4,919,547	4,919,547	—
Investment securities	23,585	23,585	—
Total	¥ 14,946,264	¥ 14,946,264	¥ —
Payables	¥ 3,188,404	¥ 3,188,404	¥ —
Income taxes payable	246,997	246,997	—
Long-term debt	6,120,000	6,120,000	—
Total	¥ 9,555,401	¥ 9,555,401	¥ —
Derivative financial instruments	¥ (295,819)	¥ (295,819)	¥ —

	Thousands of U.S. Dollars		
December 31, 2017	Carrying Amount	Fair Value	Unrealized Gains/ Losses
Cash and time deposits	$ 86,429	$ 86,429	$ —
Receivables	40,899	40,899	—
Investment securities	276	276	—
Total	$ 127,604	$ 127,604	$ —
Payables	$ 27,233	$ 27,233	$ —
Short-term bank loans	1,225	1,225	—
Income taxes payable	1,155	1,155	—
Long-term debt	41,416	41,416	—
Total	$ 71,029	$ 71,029	$ —
Derivative financial instruments	$ (831)	$ (831)	$ —

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, 2017	December 31, 2016	December 31, 2017
Investments in equity instruments that do not have quoted market prices in active markets	¥ 200	¥ 10,200	$ 2

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

	Thousands of Yen	
December 31, 2017	Due in One Year or Less	Due after One Year
Cash and time deposits	¥ 9,766,525	¥ —
Receivables	4,621,555	—
Total	¥ 14,388,080	¥ —

	Thousands of Yen	
December 31, 2016	Due in One Year or Less	Due after One Year
Cash and time deposits	¥ 10,003,132	¥ —
Receivables	4,919,547	—
Total	¥ 14,922,679	¥ —

	Thousands of U.S. Dollars	
December 31, 2017	Due in One Year or Less	Due after One Year
Cash and time deposits	$ 86,429	$ —
Receivables	40,899	—
Total	$ 127,328	$ —

15. DERIVATIVES

Derivative transactions to which hedge accounting is not applied:

	Thousands of Yen			
At December 31, 2017	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/ Losses
Foreign currency forward contracts:				
Selling U.S. dollar	¥ 1,737,331	¥ —	¥ (8,933)	¥ (8,933)
Selling Euro	¥ 3,617,840	¥ —	¥ (81,298)	¥ (81,298)
Buying Japanese yen	¥ 124,200	¥ —	¥ (3,624)	¥ (3,624)
Buying other currencies	¥ 1,013	¥ —	¥ (16)	¥ (16)

	Thousands of Yen			
At December 31, 2016	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/ Losses
Foreign currency forward contracts:				
Selling U.S. dollar	¥ 2,449,810	¥ —	¥ (145,761)	¥ (145,761)
Selling Euro	¥ 2,888,952	¥ —	¥ (148,031)	¥ (148,031)
Buying Japanese yen	¥ 52,086	¥ —	¥ (2,058)	¥ (2,058)
Buying other currencies	¥ 5,373	¥ —	¥ 31	¥ 31

	Thousands of U.S. Dollars			
At December 31, 2017	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/ Losses
Foreign currency forward contracts:				
Selling U.S. dollar	$ 15,375	$ —	$ (79)	$ (79)
Selling Euro	$ 32,016	$ —	$ (720)	$ (720)
Buying Japanese yen	$ 1,099	$ —	$ (32)	$ (32)
Buying other currencies	$ 9	$ —	$ (0)	$ (0)

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. CONTINGENT LIABILITIES

At December 31, 2017, the Group had the following contingent liabilities:

	Thousands of Yen	Thousands of U.S. Dollars
Guarantees for bank loans of employees	¥ 7,263	$ 64

On January 30, 2007, Gerber Scientific International, Inc. filed a lawsuit against the Company's subsidiary, Roland DGA Corporation, claiming infringement on certain patent rights related to the products distributed by Roland DGA Corporation. On April 9, 2010, Gerber Scientific International, Inc. filed an additional lawsuit against the Company as a codefendant of Roland DGA Corporation. Subsequently, Gerber Scientific International, Inc. changed its name and organization structure, the status in lawsuits was succeeded to Gerber Technology LLC ("Gerber").

In the previous proceedings, the Company believes that none of the cases being litigated constitute an infringement of any patent rights; however, on April 18, 2017, mutual consent on the settlement was reached with Gerber upon mutual concessions in the course of legal proceedings. In the settlement, the Company has not admitted the infringement on the patent rights of Gerber by any means. As a result of the settlement, the Company recorded "litigation settlement" of ¥1,381,458 thousand ($12,225 thousand) in other expenses for the year ended December 31, 2017.

17. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended December 31, 2017 and 2016, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2017	December 31, 2016	December 31, 2017
Unrealized gains (losses) on available-for-sale securities:			
Gains (losses) arising during the year	¥ 6,778	¥ (814)	$ 60
Amount before income tax effect	6,778	(814)	60
Income tax effect	(2,048)	356	(18)
Total	¥ 4,730	¥ (458)	$ 42
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 308,711	¥ (475,936)	$ 2,732
Amount before income tax effect	308,711	(475,936)	2,732
Income tax effect	3,457	—	31
Total	¥ 312,168	¥ (475,936)	$ 2,763
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 320,965	¥ (477,036)	$ 2,840
Reclassification adjustments to profit and loss	139,747	48,413	1,237
Amount before income tax effect	460,712	(428,623)	4,077
Income tax effect	(139,181)	126,090	(1,232)
Total	¥ 321,531	¥ (302,533)	$ 2,845
Total other comprehensive income	¥ 638,429	¥ (778,927)	$ 5,650

18. NET INCOME PER SHARE

The basis of computing earnings per share ("EPS") for the years ended December 31, 2017 and 2016, 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, 2017:				
EPS				
Net income available to common shareholders	¥ 1,918,032	12,521	¥ 153.19	$ 1.36
For the year ended December 31, 2016:				
EPS				
Net income available to common shareholders	¥ 2,705,835	13,089	¥ 206.73	

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

	Thousands of Yen				
	December 31, 2017				
	Printers	Machine Tools	Supplies	Other	Total
Sales to external customers	¥ 16,110,843	¥ 5,005,704	¥ 13,676,541	¥ 8,780,127	¥ 43,573,215

	Thousands of Yen				
	December 31, 2016				
	Printers	Machine Tools	Supplies	Other	Total
Sales to external customers	¥ 18,027,663	¥ 4,188,363	¥ 13,623,825	¥ 8,272,476	¥ 44,112,327

	Thousands of U.S. Dollars				
	December 31, 2017				
	Printers	Machine Tools	Supplies	Other	Total
Sales to external customers	$ 142,574	$ 44,298	$ 121,031	$ 77,701	$ 385,604

Information about "Machine Tools" is independently presented from the year ended December 31, 2017. Information for the year ended December 31, 2016 is reclassified to conform to the presentation for the year ended December 31, 2017.

3. Information about Geographical Areas

(1) Sales

Thousands of Yen					
December 31, 2017					
Japan	USA	Europe	Asia	Other	Total
¥ 5,043,500	¥ 10,662,839	¥ 15,878,580	¥ 3,681,130	¥ 8,307,166	¥ 43,573,215

Thousands of Yen					
December 31, 2016					
Japan	USA	Europe	Asia	Other	Total
¥ 5,305,849	¥ 11,057,574	¥ 15,331,114	¥ 4,094,230	¥ 8,323,560	¥ 44,112,327

Thousands of U.S. Dollars					
December 31, 2017					
Japan	USA	Europe	Asia	Other	Total
$ 44,633	$ 94,362	$ 140,518	$ 32,576	$ 73,515	$ 385,604

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

(2) Property, plant, and equipment

Thousands of Yen			
December 31, 2017			
Japan	Thailand	Other Foreign Countries	Total
¥ 5,305,266	¥ 962,922	¥ 672,346	¥ 6,940,534

Thousands of Yen			
December 31, 2016			
Japan	Thailand	Other Foreign Countries	Total
¥ 5,417,084	¥ 928,899	¥ 711,836	¥ 7,057,819

Thousands of U.S. Dollars			
December 31, 2017			
Japan	Thailand	Other Foreign Countries	Total
$ 46,949	$ 8,522	$ 5,950	$ 61,421

20. RELATED-PARTY TRANSACTIONS

There were no transactions with related parties for the year ended December 31, 2017. The material transactions and related balances of the Company with Roland Corporation, a major shareholder of the Company, for the year ended December 31, 2016, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2017	December 31, 2016	December 31,2017
Purchase of treasury stock	¥ —	¥ 3,410,971	$ —

This transaction with Roland Corporation was performed under the resolution of the Board of Directors held on May 10, 2016, and the Company purchased 1,726,200 shares of its common stock at ¥1,976 per share through the Tokyo Stock Exchange Trading NeTwork Off-Auction Own Share Repurchase Trading System (ToSTNeT-3). As a result of this transaction, Roland Corporation is no longer a major shareholder of the Company.

21. SUBSEQUENT EVENT

Appropriations of retained earnings

The appropriations of retained earnings at December 31, 2017, scheduled to be approved at the Company's shareholders' meeting to be held on March 23, 2018, are as follows:

	Thousands of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥35 ($0.31) per share	¥ 442,964	$ 3,920

Deloitte.

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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, 2017, 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, 2017, 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 23, 2018

Member of
Deloitte Touche Tohmatsu Limited

Company Outline (As of December 31, 2017)

Name
Roland DG Corporation

Founded
May 1, 1981

Common Stock
¥3,669 million

Net Sales for FY2017
¥30,402 million (Nonconsolidated)
¥43,573 million (Consolidated)

Number of Employees
589 (Nonconsolidated)
1,225 (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
14,405

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 23, 2018)

President	Hidenori Fujioka
Executive Vice President	David Goward
Managing Director	Koichi Hashimoto
Director	Kohei Tanabe
Outside Director	Takuo Hirose
Outside Director	Katsuhiro Endo
Audit & Supervisory Board Member	Masanori Nakagawa
Audit & Supervisory Board Member	Masayasu Suzuki
External Audit & Supervisory Board Member	Shigeki Matsuda
External Audit & Supervisory Board Member	Mitsuhiro Honda

Group Companies (As of December 31, 2017)

Sales

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Phone: +1 949 727 2100 Fax: +1 949 727 2112

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Phone: +32 14 57 59 11 Fax: +32 14 57 59 12

Roland DG (U.K.) Ltd.
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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Roland DG RUS LLC
Nizhnyaya Syromyatnicheskaya St., 10, Building 2, office 39.6/1 105120,
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DGSHAPE Corporation
1-6-4 Shinmiyakoda, Kita-ku, Hamamatsu-shi, Shizuoka-ken, 431-2103
Japan

Production

Roland Digital Group (Thailand) Ltd.
30/122 Moo 1, Sinsakhon Industrial Estate
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Phone: +66 2 402 2220 Fax: +66 2 402 2220

Shared Services

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Roland DG Corporation