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# ANNUAL REPORT 2018

Year ended December 31, 2018



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



## TOP MESSAGE

To our Shareholders

# We will make aggressive investments towards entering a growth stage.



During the fiscal year ended December 31, 2018, the world economy continued to expand moderately owing to continued strong growth in Europe and the United States, an improvement in employment trends and increased capital investment in Japan due to its economic policies. Prospects remained uncertain, however, influenced by trade friction due to protectionist policy trends in the United States and fluctuations in financial and capital markets.

In our conventional mainstay sign market, although the competitive environment continues to be fierce, we conducted sales promotion campaigns in various regions with the objective of maintaining our global customer base. Also, we worked toward a recovery in printer sales by adding products which meet customer needs for specific applications to our product lineup through co-creation with local partners.

Although sales of 3D products increased owing to the expansion of the dental market, sales of printers mainly for the sign market were sluggish, and sales for the fiscal year ended December 31, 2018 were slightly below the previous term, decreasing by 1.8% to 42,775 million yen. Cost of sales improved 0.2% compared with the previous term. Selling, general and administrative expenses were lower than the previous term, mainly due to lower personnel, advertising and promotion expenses. As a result, operating profit increased by 10.3% compared with the previous term to 4,250 million yen, and ordinary profit increased by 4.5% compared with the previous term to 3,976 million yen. Additionally, although extraordinary losses including the disposal of software assets and loss on sales and retirement of non-current assets were recorded during the current term, as extraordinary losses for the settlement package of a patent infringement case in the United States were recorded during the previous term, profit attributable to owners of parent was 2,882 million yen, increasing by 50.2%.

Regarding the outlook for the next fiscal year, sales are expected to decline slightly from the previous fiscal year owing to the expected decrease in sales of supplies and service parts, despite the expected increase in sales of printers and 3D products from the previous fiscal year. Profits are expected to decrease owing to increases in R&D expenses for strengthening technical capabilities and expenses for proactive promotion activities aimed at expanding businesses in growing markets, as well as the assumption of a stronger yen compared to the previous fiscal year.

We look forward to your continued support and guidance as we move forward together.

April 2019

President  
Hidenori Fujioka



# Revision of Medium-Term Business Plan

GrowthOne, a plan for sustainable growth through innovation, was launched in the 2016 term, and since then, has been a part of the 5-year medium-term management plan. However, the signage market has seen more fierce competition increase faster than we could have predicted, while the slowing progress of printer technology left us falling short of 2020 objectives. Thus, we felt it necessary to review our current business performance plans and initiatives.

## Revision Target

	Result FY2017	Initial Target FY2020	Revised Target FY2020
Sales (¥ billion)	43.5	76	46
Operating income (¥ billion)	3.8	10	4.5
Operating income ratio	9%	13%	10%
ROE	9%	15%	12%
1 US dollar	¥112.20	¥115 (est.)	¥110 (est.)
1 euro	¥126.70	¥125 (est.)	¥130 (est.)

## Reason for Revision

The medium-term management plan (FY2016 to 2020) was designed to open new markets and achieve sustainable growth via three key group-wide initiatives: (1) Accelerate new business development in growing markets (2) Transform into a solutions provider (3) Transform into an innovation-focused group.

With regard to accelerating new business development in growing markets, progress is being made in cultivating a new and different client base within the Retail business, including supermarket chains and home goods stores, mainly those in Europe. In the Dental business, digital solutions targeting dental labs have been widely adopted, and we have grown to be recognized as a top manufacturer in key countries.

Meanwhile, our traditional key market of Signage (sign and display printing) has matured along with the proliferation of professional-use wide-format inkjet printers. In addition, the entry of large-scale competitors has created a fiercely competitive environment much faster than we predicted. The continuous fall of printer and ink sales is a key factor in the struggle to improve company performance. In addition, delays in strengthening printing technology have had an

adverse effect on product development, which means our stable sales growth plan in the Signage business and the market cultivation progress we first envisioned have not been realized, leaving a large gap between our plan and where we currently stand. Under these circumstances, we seek to review the final year's targets and initiatives as detailed below.

## Key Issues

Considering our situation, with the time remaining in the medium-term business plan, we seek to quickly shift from reliance on the Signage business to a multi-pillared business structure and to restructure our management foundation. Key to the restructuring are "expansion of growth areas," "halting the decline of signage printer sales," and "improvement of profitability."

### Expansion of Growth Areas

#### • Reselection of Main Areas and reallocation of resources

We have clarified markets and customers where we can utilize traditional business activities to generate growth. As a result, we have consolidated the original six areas (Multi-Use printing, Retail, Textiles, Signage, 3D Digital Fabrication, and Dental) from the Medium-Term

Business plan into three areas (Digital Printing, COTO and DGSHAPE). We also clarified managerial asset allocation and strengthened business management.

- **Expanding new businesses by developing the retail field**

We aim to deliver value to end consumers visiting retail locations and expand the applications of decorative printing services.

### Stop the Decline in the Sales of Signage Market Printer

- **Strengthening technology development and launching new products**

We will work on development of printing technology to support a wide variety of materials and media formats.

- **Strengthen product lineup in conjunction with local partners**

We will work with local partners utilizing our global sales network to customize our products for specific applications and deliver optimal solutions.

### Improvement of Profitability

In an effort to improve company-wide profitability, we will expand sales of inks developed in-house, make sustainable reductions to product costs, and bring down SG&A expenses.

## Strategy to Reset Areas of Focus

### Digital Printing Business

The development of our digital printing business has traditionally involved expanding our client base with the digitization of signage creation, along with the cultivation of peripheral applications. While our user base covers those who focus on the creation of signage, we have expanded to serve many others who run a variety of on-demand printing businesses.

Going forward, as we maintain our strong Signage market client base by developing new products with a high customer value, we also seek to create a “new on-demand printing market” that focuses on providing digital printing solutions for analog-based, high-variety, low-volume tasks.

### COTO Business

Our Retail business has expanded to serve clients providing in-store services, such as using our desktop UV flatbed printers to print onto various articles, including smartphone cases and other blank goods.

Current Retail business users include large-scale supermarket chains and home goods stores, but every customer receiving a finished piece of merchandise is a unique individual. Going forward, we seek to expand our personalized service lineup of products to create true one-of-a-kind merchandise as a solution to meet the specific needs and tastes of the individual. In addition, we hope to provide software that allows a customer to personally design their goods in-store for a value-added solution that delivers an unforgettable creative experience.

In this way, through the COTO business, we seek to go beyond the product itself to provide a creative experience.

### DGSHAPE Business

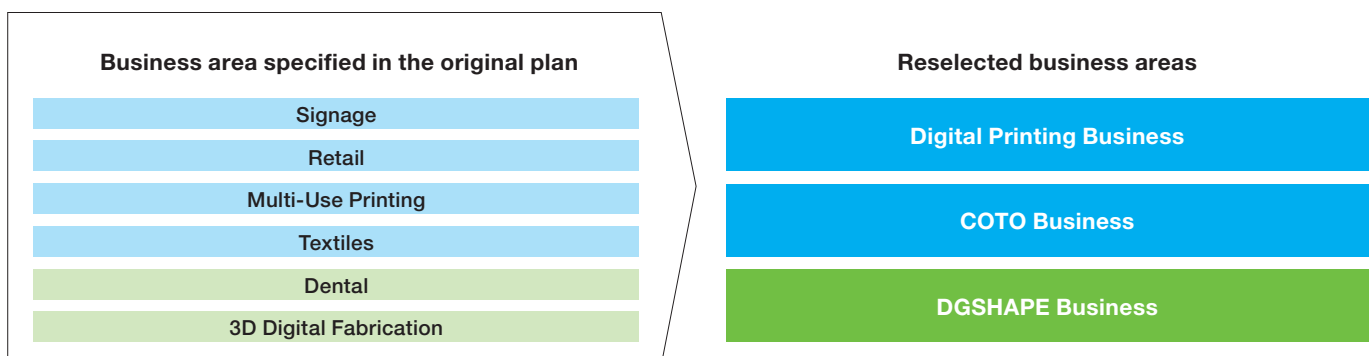
As digitalization of dental technician work continues in the Dental area, we aim to expand from dental labs to include dental clinics as targets for solutions, in an effort to accelerate expansion of our market share and become the global number1 manufacturer in the sector.

In 3D digital fabrication, the need for digital processing machines is growing in the field of STEM\*-based education and our products are garnering much attention for their compact size, ease-of-use and affordable pricing. This is a great business opportunity to inspire the enjoyment of creativity in the next generation of creators and engineers.

In addition, we have made progress in the Medical area with medical instrument traceability and a maintenance support system that help maintain safety in medical institutions. We aim to take digital management technology that has been built in conjunction with our medical instrument marking device and proprietary digital cell production system, and create a new business.

\*STEM: Science, Technology, Engineering, and Mathematics

### Reselection of business areas in focus





## BUSINESS STRATEGY

Introduction of Business-based Department System

# Introduction of Business-Based Department System

According to the revision of the medium-term business plan (FY2016 to 2020), Roland DG has reviewed the fiscal year's targets and initiatives. With the time remaining in the medium-term business plan, we seek to quickly shift from reliance on the Signage business to a multi-pillared business structure and to restructure our management foundation. As part of these efforts, we have reset the three focus areas to DP, COTO and DGSHAPE, and beginning September 1st, initiated a business-based departmental system to create organizations dedicated to market and product development in these areas. The objective is to strengthen ownership and accelerate business growth through focus on product development in each market. In this issue, we will introduce these Business Departments.

## DP Business



Traditionally, we have focused on the signage market, but it has now matured and become dominated by large competing manufacturers. As a result, one of the key points of the medium-term business plan is re-establish a firm footing in signage-use printers. We need to maintain our strong client assets in the signage market and are continuing aggressive promotional activities to strengthen our product. The TrueVIS VG series released last year has been praised for its high resolution and productivity, winning US-based Keypoint Intelligence Pick Awards 2019 in two categories. We also aim to expand growth areas by using technology that supports a wide variety of printing media to deliver new products that stand apart from the competition. Currently, we have launched a team to promote Co-Creation efforts with partners in Europe and accelerate development of new products. Roland DG's mission is to "utilize digital technology to realize a more enriched society." This department aims to deliver products that further Roland DG's brand as a provider of high-quality high-resolution printing and re-establish sales in the signage market while also uncovering areas where we can apply our strengths and undergo process innovation in order to generate business growth.

**Kohei Tanabe** Division President of DP Business Division

# COTO Business

Roland DG has created new applications for original decorative printing to smartphone cases using UV printers and provides products for a wide variety of retail in-store printing services. COTO was established to focus on such activity where we can optimize products to meet individual interests and fulfill demand for personalization. This is particularly in demand overseas, where the CAGR (compound average growth rate) of the personalized gifts market is 8.7% globally. Our estimates show there are 900,000 locations around the world that fall within our target retail and service centers, meaning there is ample room for growth. Furthermore, we believe with a lineup of printers and 3D machines, we can provide solutions that accurately meet customer needs. Just this term, we released cotodesign software, which supports personalized design and customization. Going forward, we plan to expand our lineup of models supporting cotodesign along with designs and content. The global sales network we have built is our greatest strength, and we established COTO to utilize that solid foundation to expand our customer base, seek undiscovered needs in personalization, and make Roland DG the de facto standard in personalized goods creation.

**Etsuo Harada** Division President of COTO Business Division



# DGSHAPE Business

DGSHAPE handles three key areas: Dental, 3D Fabrication and Medical Support. It has been nine years since Roland DG first released a dental milling machine that utilizes 3D additive and subtractive technologies. Since then, we have continued to grow by maintaining a constant release schedule for new products and strengthening our sales network. Going forward, we will utilize the IoT and AI to bridge product and data and with technological reform and improved productivity, bring about a connected era that births new value. Over the next 10 years, DGSHAPE plans to not only sync product development with customer needs, but also deliver services that utilize data to further improve customer satisfaction. In February 2018, we began to lay the groundwork by loading the DWX-52DCi with DWINDEX software, which helps visualize important management indicators related to dental lab operations, such as expenses and investment results. We are going beyond just digitalization of dental technician work and beginning to offer new value in the streamlining of management work as well. In addition, we announced Eirthemis, a comprehensive support system for the on-site management of surgical instruments. By looking at hospital operations from the standpoint of fabrication management, we are able to help improve work quality and solve issues related to safety and security. For 3D fabrication, we aim to deliver products that boast Compact Size and Ease-of-Use while working with COTO to gain a new customer base from retail stores. DGSHAPE as a business plans to achieve sustainable growth by continuing to create unique solutions that bring together developments in digital technology and market needs.

**Hisashi Bito** President of DGSHAPE Corporation







# NEW PRODUCTS



## cotodesign

Released on December 7, 2018

cotodesign is a comprehensive design and print management software package for customizing apparel and gift items in-store using customer data, including photos or artwork from their smartphone. It provides a comprehensive solution for retailers and other businesses using Roland DG inkjet printers and other digital output devices to print out customers' favorite designs on store merchandise. The browser-based design software allows consumers to quickly create design data using in-store tablets or computer terminals. cotodesign covers all the required processes, from creating design data to full color printing on merchandise and managing orders via a simple and intuitive software interface. cotodesign offers the optimum solution for business owners looking to differentiate themselves from other stores, or create new business opportunities within the Retail market.

\*The software package is immediately available in Japan, with release to other areas of the world during 2019.



## LD-80

Released on March 1, 2018

DGSHAPE Corporation launches the world's first laser foil decorator. The LD-80 uses a laser beam to transfer hot-stamping type foils to plastic and paper items to create a true luxury appearance. Text, logos, and other vector graphics can be transferred quickly onto plastics such as acrylic, ABS, and polycarbonate that usually perform poorly under traditional hot-stamping applications. And more, the desktop footprint of the machine is very compact, and the included software is simple and intuitive, making the LD-80 perfect for on-demand foil decoration in a retail setting. DGSHAPE Corporation will promote the production of original goods with a luxurious feel by transferring foils to mass-produced products, such as stationery and cosmetics, for the Retail market.



## DWX-52DCi

Released on February 1, 2018

The DWX-52DCi features an Automatic Disc Changer (ADC) capable of storing up to six discs of different materials, enabling discs to be replaced automatically during milling to maximize lab productivity. In addition, the DWX-52DCi supports new DWINDEX management software for monitoring key productivity indexes, including operation time, materials used and deliverables. DGSHAPE Corporation developed DWINDEX to simplify information gathering and decision making for busy lab managers. You can see at glance when to order materials or replace tools and determine your return-on-investment. These features will also become key elements when digital dentistry enters the era of IoT and AI.



DWINDEX





# DWX-52D

Released on February 1, 2018

The DWX-52D is now equipped with a new snap-on clamp system which offers a faster and more secure set-up of various materials, making lab operation easier than ever. The dry mill represents the latest in dental technologies available, including an Automatic Tool Changer (ATC) for fully automated 5-axis milling of a wide range of materials, including Zirconia, wax, PMMA, gypsum, PEEK, glass fiber-reinforced resin, composite resin and CoCr sintered metal. Typical applications include crowns, copings, bridges, inlays and onlays, veneers, abutments, implant bars, screw-retained crowns, dentures, models, surgical guides and bite splints.



# DWX-42W

Released on October 5, 2018

The DWX-42W wet mill can produce highly-esthetic restorations from the latest glass-ceramic and hybrid resins. A host of improvements were made to the DWX wet platform, including new grinding burrs, increased Automatic Tool Changer (ATC) capacity, ethernet connectivity, and a new, DGSHAPE-engineered spindle (patent pending). Additional key upgrades include reduced air pressure and volume requirements (which eliminates the need for an additional compressor), up to 50% faster milling times, and a reinforced frame design for increased stability and precision. Installed as a single machine in a clinic laboratory or paired with a DWX-52D in a production lab environment, the DWX-42W facilitates scalability, making it simple for a growing business to add to their current offerings to meet increasing customer requirements.



# Eirthemis

Released on November 15, 2018

Eirthemis is a surgical instrument management solution jointly developed with Hamamatsu University School of Medicine with the purpose of solving the problems faced by hospitals nationwide, such as managing the history of use of surgical instruments and improving the quality and efficiency of maintenance work. By applying the technology and know-how of Digital Cell Production System (D-Shop) utilized at Roland DG's production sites with the impact printing capability of the MPX-95, we can provide comprehensive support for the maintenance and management of surgical instruments in response to the worldwide spread of Unique Device Identification (UDI) regulations. DGSHAPE Corporation will contribute to the creation of safe and secure working environments through the use of digital technologies to support the work of medical professionals globally.





TOPICS 1

# Roland DG Announces Winners of Global SE Awards 2018 Worldwide Competition for Service Engineers

Roland DG Corporation announced the winners of the Global SE Awards 2018 competition held at its Hamamatsu headquarters from April 23 to 25, 2018 for service engineers (SEs) engaged in the repair and maintenance of Roland DG products. The knowledge and skills of 28 finalists from around the world were tested in two categories: inkjet printers, and the new 3D devices category that includes digital dental milling machines.

This was the third Global SE Awards competition to be held following similar events in 2013 and 2015. Roland DG conducts the Global SE Awards competition to recognize SE abilities both regionally and globally and motivate them to raise the standards of Roland DG Care, a comprehensive customer service and support resource, as well as to challenge the knowledge and technical skills that SEs have cultivated during their daily work.

Roland DG Group plans to boost its industry-leading level of customer satisfaction by continuing to deliver value-added services. Roland DG aims to achieve this goal by providing opportunities for SEs to test their skills against each other through competitions and similar events, as well as by further enhancing the functionality of the online platform that allows SEs to share the service and support knowledge they have acquired.

## Global SE Awards 2018 Final Competition Winners

### Inkjet Printers Category

**1st place: Mark Johnson from New Zealand representing Aarque Group Ltd.**

“I was very nervous in the contest, but I tried to calm down and relax. I always enjoy sharing information with other SEs around the world in the online global community platform for Roland DG SEs, and I think it was one of the most important factors in my success at the competition.”



### 3D/Dental Devices Category

**1st place: Kevin Eugene Rosen from USA representing Roland DGA Corporation**

“This is my first time traveling out of the U.S. and I can’t describe it in words what it’s like to win this kind of competition and being honored on a global scale. My colleagues helped support me through a lot of the problems that we see in the field. My goal going forward as an SE is to basically to continue learning and growing.”



TOPICS 2

# DGSHAPE LD-80 Laser Decorator wins Gold Award



DGSHAPE Corporation, a wholly-owned subsidiary of Roland DG Corporation, was honored with a prestigious Gold award for its LD-80 Laser Decorator by the judges of the annual Laser Focus World Innovators Awards program. Submissions were judged on originality; innovation; their impact on designers, systems integrators, or users; and whether they fulfilled a new market need, leveraged a novel technology, and/or increased productivity.

### About Laser Focus World

Published since 1965, Laser Focus World - a monthly magazine for engineers, researchers, scientists, and technical professionals, provides comprehensive global coverage of optoelectronic technologies, applications, and markets for more than 80,000 qualified optoelectronics professionals from around the world. The Laser Focus World brand includes the magazine, website (laserfocusworld.com), email newsletters, and webcasts as well as the sister brands, Industrial Laser Solutions and BioOptics World.

### Laser Focus World 2018 Innovators Awards program

The Laser Focus World Innovation Awards celebrates the most innovative applications of photonics, optoelectronics and precision optics products and systems. Awards are presented to organizations that demonstrate excellence in the use of a product, system, or application. Designers, integrators, and users of laser, optics, and photonics systems may nominate their own projects or applications, or integrators or distributors that supplied products or systems can nominate exceptional projects for consideration.

**COMMENT | Kohei Tanabe** Director of the Company

“The Gold Honoree award is a significant achievement for our young company and the DGSHAPE brand. The LD-80 represents the first in a series of innovative digital technologies that will define DGSHAPE and Empower People to Shape the Future.”

**TOPICS 3**

## Roland DG’s TrueVIS Printer/Cutter Awarded Top Honors from Buyers Lab



In a comprehensive laboratory evaluation, Roland DG’s TrueVIS VG series wide-format printer/cutters won two prestigious Buyers Lab Pick Awards, including Outstanding Enhanced CMYK Eco-Solvent/Latex 54”/64” Printer (7-Color) and Outstanding High Production CMYK Eco-Solvent/Latex 54”/64” Printer (Dual CMYK). Keypoint Intelligence’s Buyers Lab (BLI) is the world’s leading independent provider of testing and analysis for the document imaging industry. BLI analysts evaluated a variety of inkjets from contenders globally in a number of key performance categories, including Image Quality, Usability and Speed.



TrueVIS VG-640

**COMMENT | Kohei Tanabe** Director, Division President of DP Business Division

“We are honored that BLI has recognized the print quality and productivity of our VG printer/cutters which are engineered to deliver versatility, precision and power. The ‘VIS’ in TrueVIS is Latin for ‘Vision,’ which is very appropriate when you consider how these advanced machines allow users to bring their visions to life, giving them a true competitive business advantage.”



**TOPICS 4**

## Roland DG Wins Two SGIA 2018 “Product of the Year” Awards



Two of Roland DG’s inkjet products, the Roland DG VersaUV LEC-540 printer/cutter and ECO-UV ink, won coveted 2018 Specialty Graphic Imaging Association (SGIA) “Product of the Year” Awards. Roland DG’s VersaUV LEC-540 received top honors within the “Roll-to-Roll UV Printer” category, while the company’s ECO-UV ink was recognized as the best product in the “Digital Inks – UV” category. This year’s competition featured a record-setting 255 submissions, with winners selected in 68 different product categories.



TrueVIS VG-640

**COMMENT | Andrew Oransky** President of Roland DGA Corporation

“As a pioneer of UV print and cut, Roland DG has played an integral role in introducing and advancing this important technology, enabling users to take their design and print production capabilities to the highest possible levels. We’re thrilled that the SGIA judging panel saw fit to give our UV printer/cutters and inks the recognition they deserve.”



ECO-UV ink



## COLUMN

STEAM Education on the Rise in China / Personalizing Folding Fans and Discovering Ideal Aromas

### STEAM Education on the Rise in China

A new approach to learning called STEAM education is growing in popularity throughout China. STEAM is an educational approach that focuses on five topics of teaching: Science, Technology, Engineering, the Arts and Mathematics. In recent years, initiatives involving STEAM education have begun gaining traction in China and Roland DG's sales and marketing subsidiary in China, Roland DG China (DGC), is playing a key role in its implementation. To find out more about this initiative, we talked with Cheng Qi, marketing manager at DGC.



#### Q Why is STEAM education drawing attention in China?

A China's traditional school education placed a priority on knowledge required for passing university entrance exams, and there was no real focus on fabrication or creative arts. Given the declining work force resulting from a decreasing birthrate and aging population, there is growing recognition in China of the need for human resources capable of bringing about innovation through scientific and technical know-how as well as coming up with creative ways to boost the country's competitive edge on the world stage. To cultivate students capable of thinking and coming up with ideas by themselves, the Chinese government has been making moves to incorporate STEAM into the education system from elementary school through high school, to give school children exposure to scientific and technical know-how and creative ideas. There are not many trained STEAM professionals yet, so there are a lot of educational staff who are unsure of the best approach to take for teaching students.

#### Q How do Roland DG's products contribute to STEAM Education?

A Our biggest advantage is our extensive product lineup, including 3D milling machines and other 3D digital fabrication tools catering to electronics manufacturing and programming, and inkjet printers and digital printing tools for the field of creative arts.

#### Q What activities did DGC provide at the STEAM Education Ecosystem International Symposium?

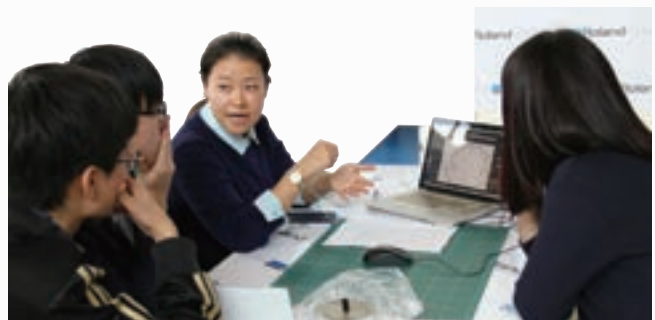
A We have been working with Fab Labs\* in China that have strong ties with the education system to devise teaching curriculums based on products like inkjet printers, vinyl cutters and 3D milling machines. We are also developing a unique curriculum with the cooperation of Tongji University in Shanghai, which has taken a leading role in increasing the utilization of STEAM education.

#### Q What ideas were demonstrated at the workshop?

A We showcased activities that allowed people without any experience or know-how regarding the equipment or fabrication to gain first-hand experience of various aspects of teaching by actually using the products. An example of this was in the workshop where participants made their own personalized bags: first they came up with designs using the smartphone app to edit images, then arranged the layout they wanted on their bag, and finally used Roland DG's inkjet printer to print out their design. The participants could then add more text and images to the printed design by hand, or use AR (augmented reality) technology to move and interact with their printed designs using a dedicated app. In this way, workshop participants had the opportunity to utilize and experience a broad range of technology and discover new skills.

#### Q What initiatives do you want to develop for the Chinese education market in the future?

A As we organize similar workshops in more cities, I hope to see the products and initiatives that we offer serve as momentum for educational and teaching staff to implement STEAM education into their curriculums. I am also working on plans to have educational institutions submit their creative work produced by using our products and reward them with prizes.





## Personalizing Folding Fans and Discovering Ideal Aromas

Lion Corporation, a leading Japanese manufacturer of household supplies, recently held a promotional event, giving visitors a personalized fragrance experience from the SOFLAN Aroma Rich range of aromatic fabric softeners. The popup gallery, "Sense Your Aroma Gallery Produced by Aroma Rich," was open to the public in Omotesando, Tokyo between August 4th and 7th allowing visitors to discover their very own fragrance. Event organizers utilized Roland DG's UV printers to customize the folding fans. Details of the event are included below. We talked with Tomoaki Ito, assistant manager of COTO Marketing Unit, COTO Marketing Development Department, COTO Business Division.



### Q What type of event was this?

**A** This was a promotional event organized by Lion Corporation to help visitors find their ideal aroma. Aroma Rich was first marketed as a fabric softener with aroma being one of its most important features. When the lineup was updated in January 2018 with a new range of products, customers began posting feedback on various social media outlets like, "I finally found the scent I had always been looking for!" This got Lion Corporation thinking about ways to let more customers discover scents that matched them perfectly, so they decided to organize this event to help visitors find their ideal aroma and, together with the folding fans, hoped that they would continue enjoying those aromas at home. A proprietary color analysis system identified color patterns in clothing and other items as visitors were asked to stand in a photo booth for a full-body photograph after entering their name into a control pad. The photos were then streamed live on a screen inside the booth together with attractive animations and background music while the system analyzed color patterns, which took around 30 seconds to complete. The resulting graphic design matched the visitor's clothes, and was superimposed over a white folding fan.

### Q How was Roland DG's UV printer used?

**A** Behind the scenes, each visitor's custom design and name were printed directly onto folding fans using Roland DG's UV printers. Illustrations featuring the peaceful designs of Niky Roehreke were reproduced perfectly on the folding fans, which took around 10 minutes to print.



### Q How was the tailor-made folding fan made?

**A** While waiting for their fan to be printed, visitors spent time with advisors at the fragrance desk to discover the scents that

suited them best. Advisors blended various scents with Aroma Rich fragrances to match colors identified from visitor's clothes and added a softer or crisper touch as desired to create fragrances tailor-made to each individual. Visitors could take home the resulting aromatic blend as a gift to spray onto their personalized folding fan. They were also provided with samples of the Aroma Rich range of fabric softeners, and instructions on how to blend them to create the same tailor-made fragrance, to add a little excitement while doing the laundry at home.

### Q What did you hear from Lion Corporation regarding results of the promotion?

**A** Lion Corporation implemented various ideas – from selecting the venue to the interior decorations as well as setting up a section for a photo booth to get more people interested in the event so they would promote it on social media. The tailor-made folding fan gift presented to visitors proved extremely popular, with its personalized design featuring the visitors' name and the color of clothes or accessories that they were wearing that day. The Lion Corporation representative said, "Watching the UV printers make the fans was so exciting that I even took a video of it myself. Unfortunately, we were not able to have these on display during the event, but I think the way the printers operate is just so instagrammable."

### Q Could you tell me what plans the COTO Business Division has for the future?

**A** The gallery was very popular during the four days it was open. More than 700 one-of-a-kind folding fans were made for visitors, far exceeding the expectations of the organizers. We were honored to have an opportunity to support such a wonderful event.

The COTO Business Division recognizes that personalized goods are indispensable tools for enriching our lives. In the business of merely offering products, we aim to build a "COTO-zukuri" with our customers that provides rich personal experiences by imagining the pleasure experienced by the people who participate in creating the products.



## PROVIDING CUSTOMER EDUCATION WORLDWIDE

Through hands-on workshops, videos, web sites, trade shows and other events, Roland DG and its subsidiaries have for many years focused on educating its customers, prospects, students and the general public about how easy it is to transform their imaginations into reality with Roland digital devices. The following is just a small sample of the workshops that were offered in the past year.



### Roland DGA Teams Up with Adobe at Adobe MAX 2018

For artists, designers, developers, photographers and other creative people, Los Angeles Convention Center was the place to be from October 15-18, 2018. For the third year running, Roland DGA teamed up with Adobe for this year's Adobe MAX 2018 in the "Make it Experience" section of the Community Pavilion. Using Roland VersaUV direct-to-substrate printers, attendees were able to print their photos, designs and illustrations on journal covers to create one of the conference's most highly-prized giveaways. The results were a vivid and colorful representation of a conference with incredibly creative professionals. At the "Make it Experience" space, attendees used Adobe Creative Cloud applications and software to access their files and design their journals before sending them to RIP and print using Roland's latest VersaWorks 6 software and VersaUV LEF-300 flatbed printers that worked non-stop to supply an excited crowd of attendees with custom-printed journals. Adobe MAX attendees came from all countries and from all corners of the US to share ideas, gain new experiences and to score some seriously cool swag from the industry-leading sponsors and vendors in the Community Pavilion.



### Print/Cut Workshop in Rio de Janeiro

In October 2018, a print/cut workshop was held by one of Roland DG Brasil's dealers. Customers were introduced to Roland DG's BN-20 desktop and SG-540 entry-level printer/cutters.





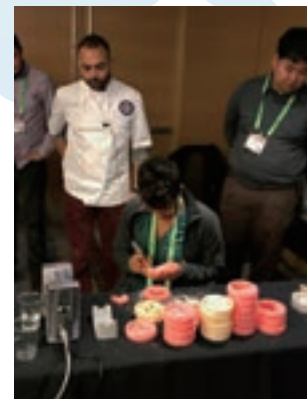
## TrueVIS Workshop Held in Madrid

A TrueVIS workshop was held in Madrid on February 20, 2018 for owners of TrueVIS VG and SG printer/cutters hosted by Roland DG Iberia, the Roland DG sales and marketing distributor in Spain and Portugal. In this training session, attendees were taught the basic knowledge to use this print and cut device. Together with Roland DG product experts, they learned what kinds of applications they can develop and create. They also learned how to maintain their equipment in proper condition so that it can perform at the peak of its capabilities. To do so, they explored the types of media available in the market so that customers can easily adapt to any sales opportunity. During the course, Roland DG experts trained attendees on Roland VersaWorks RIP software and its functions. Attendees learned how to add cut lines, use variable data features, apply perf contour cut and many more advanced features. In addition, they discussed design software. These software are key to creating projects with the TrueVIS series and must be used properly in order to achieve top quality results. Attendees gained a wealth of knowledge about TrueVIS printer/cutters and the vast range of applications the printer/cutters are capable of producing.



## Denture Workshop Offered for Laboratory Technicians Held at LMT in Chicago

Roland DGA Corporation held a denture workshop on February 21, 2019 at LMT\* in Chicago. The main purpose of the workshop was to educate dental lab technicians about digital denture development with 3shape, MillBox, and the Time Reduction Kit. The DWX-52DCi and DWX-52D dental milling machines were used to develop 16-denture bases and bridges out of acrylic material. Each attendee was given the opportunity to pour up a base using QDent\* material with the kit and an old school polymerization pot. 3shape did a live workshop walking each attendee through importing a scan and designing both a full and partial denture. CIMsystem taught all attendees how to set up the denture file for milling in MillBox software and the different denture workflows available for DWX users. Justin Marks who is CEO of Arfona is a CDT for partial and full denture development and is affiliated with Valplast International, did the hands-on lab process with the time reduction kit and setting the teeth onto the base. Through the workshop, attendees learned a complete denture workflow and that Roland DWX users have multiple workflow choices when it comes to creating digital dentures.



\*LMT: LMT is a trade journal which sponsors LMT Lab Day which is the largest dental laboratory event in the US. <https://lmtmag.com/lmtlabday>  
 \*QDent: The name of the of semi-flexible acrylic material we used to make acrylic blanks during the show.



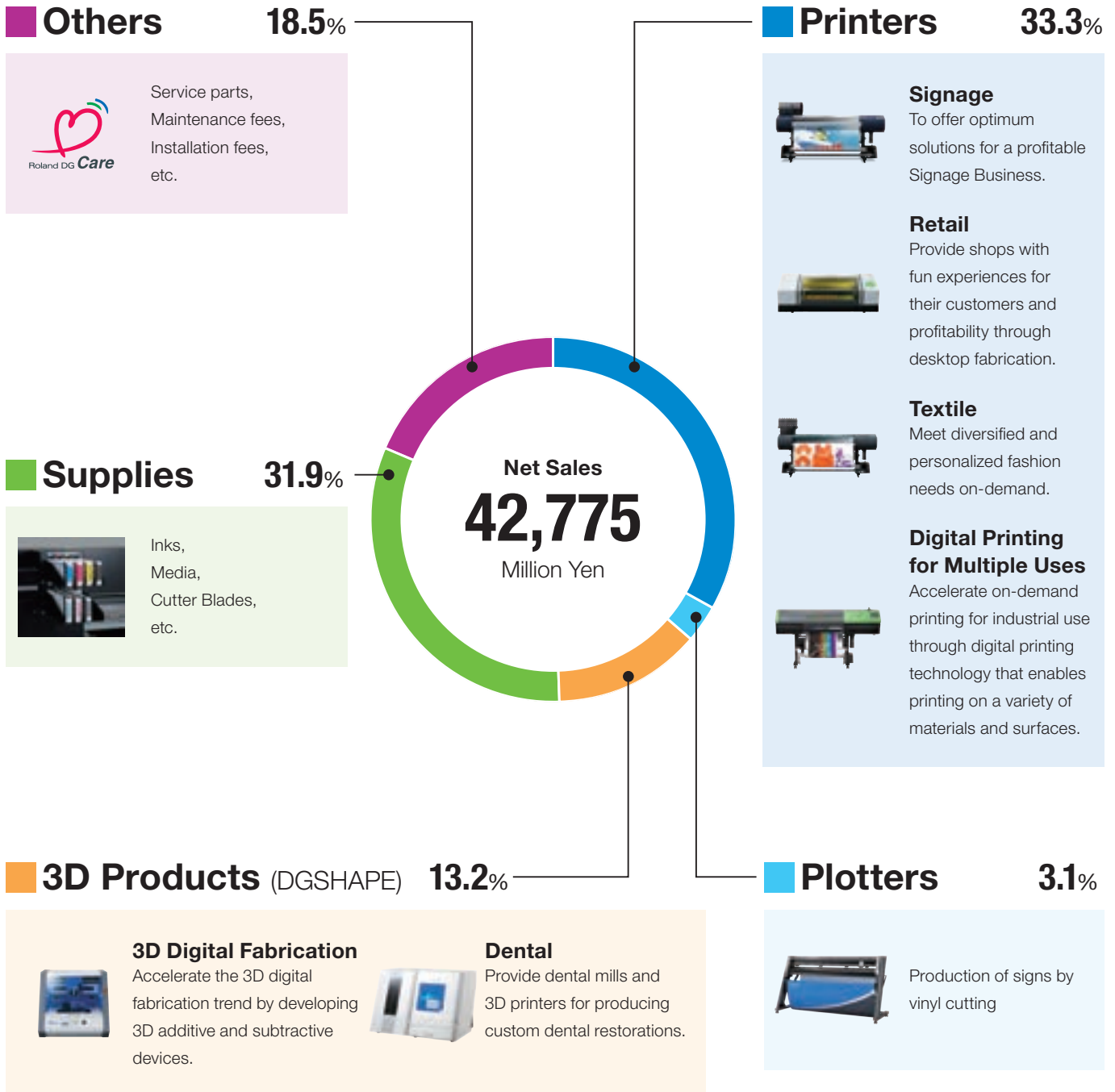


# OPERATING & FINANCIAL REVIEW

Net sales by product

## Net sales by product (FY2018)

Composition of Sales



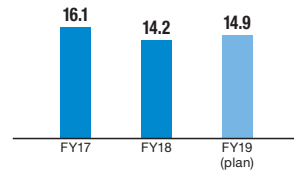
## Printers

### Net Sales

**14,246** Million Yen

YoY change **11.6%** ↓

Net Sales  
(Billions of Yen)



### Summary

- **Printers for signage down.**
- **Wide-format UV printers up in Europe and North America.**

In the sign market, which has matured and the competition has become fierce, we made efforts to maintain our customer base by conducting promotional campaigns in each region. In Europe, we worked toward a recovery in printer sales by adding products which capture customer needs for specific applications to our product lineup through co-creation with local partners. Specifically, we introduced eco-solvent printers with wide color gamut into the sign market and printers capable of direct printing onto fabric into the textile market in the fourth quarter, whereby we focused on expanding applications. In addition, in October 2018, the TrueVIS VG series wide-format printer/cutters won prestigious "Pick Awards 2019" from Keypoint Intelligence' Buyers Lab, a leading independent US provider of trusted testing and analysis at many enterprises for office machinery, in two categories: Outstanding Enhanced CMYK Eco-Solvent/Latex 54"/64" Printer (7-Color) and Outstanding High Production CMYK Eco-Solvent/Latex 54"/64" Printer (Dual CMYK). We will continue to make efforts in development of products that fulfill the expectations of customers involved in digital printing.

In retail markets, we proposed decoration services using small UV printers which provide higher value-added services to small retailers engaging in sales of products such as smartphone cases and small household items, in addition to small-scale plants engaging in creating original products such as novelties.

In the sign market, sales of UV printers suitable for printing on large boards such as acrylic, foam core, and cardboard increased mainly in Europe and the United States while sales of the TrueVIS VG-640/540 and SG-540/300 mainstay models decreased. In the retail market, despite sales of the LEF-12i small UV printer and LEF-300, notable for its high productivity, exceeding sales of the previous term, sales of the LEF-200 declined, and sales of small UV printers for retail were lower overall than the previous term.

As a result, despite increased sales of large UV printers, printer sales were 14,246 million yen, or 88.4% of the previous fiscal year due mainly to a decrease of printers for the sign market.

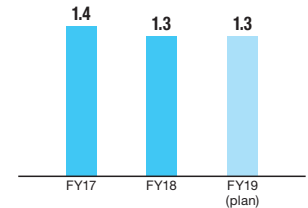
## Plotters

### Net Sales

**1,337** Million Yen

YoY change **10.3%** ↓

Net Sales  
(Billions of Yen)



### Summary

- **Wide-format models for signage decreased.**

Sales of large format cutters for the sign market decreased. Consequently, plotter sales were 1,337 million yen, or 89.7% of the previous fiscal year.



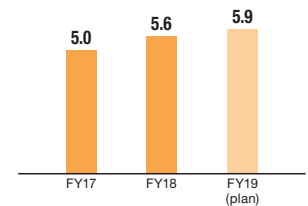
## 3D Products (DGSHAPE)

### Net Sales

**5,620** Million Yen

YoY change **12.3%** ↑

Net Sales  
(Billions of Yen)



### Summary

- **Sales of dental milling machines continued to grow.**
- **Sales of 3D milling machines and engraving machines decreased.**

While maintaining a solid footing in the 3D digital fabrication market such as the manufacturing and engraving industries as well



# OPERATING & FINANCIAL REVIEW

Net sales by product / Net sales by region

as educational institutions, DGSHAPE Corporation, which engages in the 3D business, is expanding our business by creating new value propositions in a wider range of fields, and accelerating expansion in the growing dental market. In the dental market, we introduced three new dental milling machine models, the DWX-52DCi and the DWX-52D in February 2018, and the DWX-42W, a wet milling machine, in October 2018. We conducted sales promotion activities, including attending dental industry exhibitions at various locations. Additionally, we worked to enhance service and support to enable customers to purchase products with peace of mind, through measures such as study sessions and actively implementing repair and maintenance service training at distributors.

In the 3D digital fabrication market, sales of 3D milling machines and engravers were low. The LD-80 that we released in March 2018, the world's first laser foil decorator, makes it possible to transfer foil to cosmetics and stationery to create gifts and novelty items with a premium look. It is compact in size, perfect for use in stores, and is both safe and easy to use. We will actively promote it as a solution to provide higher value-added in-store services in combination with "cotodesign," software to support original product creation.

In November 2018, we released "Eirthemis," a surgical instruments management solution. It enables an immediate grasp of work details through digitization of work instruction documents on surgical instrument management such as scalpels and forceps, as well as individual identification of instruments by marking two-dimensional bar codes using our marking device, the MPX-95, to comply with global Unique Device Identification (UDI) regulations, realizing a work environment independent of skill levels in areas such as preparing surgical instrument sets. We will present it to hospitals in Japan as a comprehensive solution to support the management and maintenance of surgical instruments, solving issues that hospitals are facing including improvement of quality, efficiency, usage history management and maintenance of instruments.

As a result of these factors, sales of 3D products reached 5,620 million yen, or 112.3% of the previous fiscal year as sales of dental milling machines continued in a favorable trend.

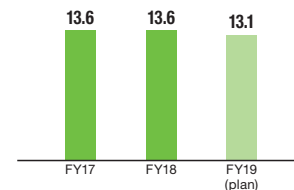


## Supplies

**Net Sales**  
**13,652** Million Yen

YoY change **0.2%** ↓

**Net Sales**  
(Billions of Yen)



### Summary

- **Eco-solvent ink for signage down.**
- **The decrease was made up by the increase of UV ink.**

Although sales of ink for UV printers and textile printers increased, sales of ink for the sign market were lower than the previous fiscal year, and as a result, sales of supplies were on par with the previous fiscal year at 13,652 million yen, or 99.8% of the previous fiscal year.

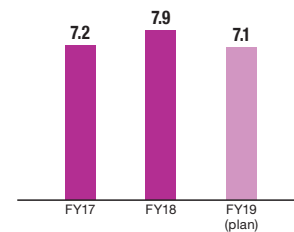


## Others

**Net Sales**  
**7,919** Million Yen

YoY change **8.6%** ↑

**Net Sales**  
(Billions of Yen)



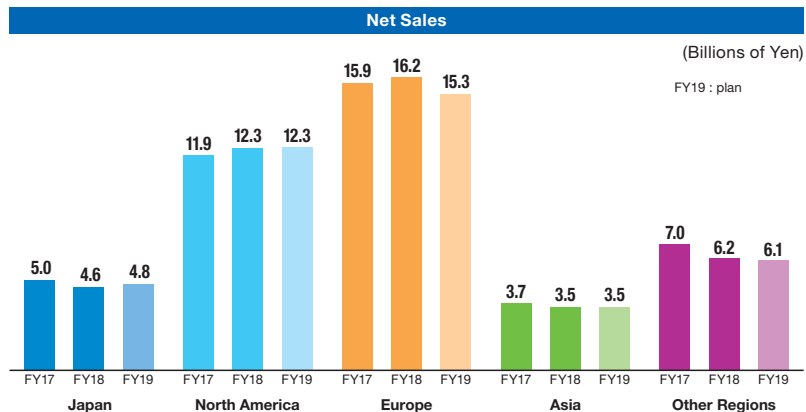
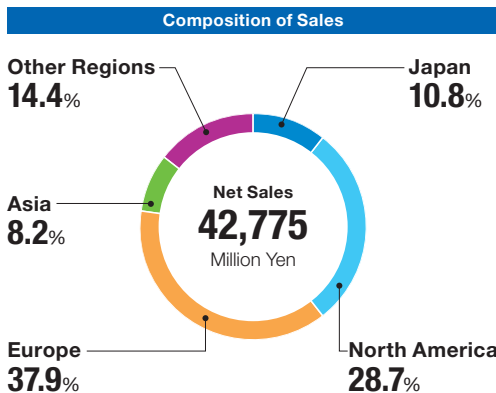
### Summary

- **Increase in service parts and maintenance fees.**

Sales of maintenance services and service parts, etc., were strong, and other sales were 7,919 million yen, or 108.6% of the previous fiscal year.



## Sales by region



### Summary

- Printers way down due to fierce competition in Japan.
- Successful expansion of dealers by dedicated team led to a sharp increase in UV printer sales
- Significant increase in sales of dental milling machines in Europe.
- While Dental milling machines increased, printers declined in Asia.

### Japan **4,633** Million Yen YoY change **8.1%** ↓

In 3D products, sales of the new dental milling machine DWX-52D were strong. In printers, sales of the small UV printer LEF-12i suitable for being installed in stores increased significantly, as we promoted them to small retailers and event sponsors for creating original products at stores or event venues. On the other hand, in the sign market, sales of printers and ink decreased, as competition became fiercer.

As a result, net sales in Japan were 4,633 million yen, or 91.9% of the previous fiscal year.

### North America **12,267** Million Yen YoY change **2.8%** ↑

In 3D products, sales of the DWX-52DCi, a dental milling machine introduced in February 2018 which incorporates an automatic disc changer function, were strong as it was well received by medium-sized dental labs focused on increasing productivity. In printers, to strengthen sales abilities in the retail market, we focused on enhancing distributors by establishing a dedicated team. Promotion of the LEF-12i, the most compact UV printer in our series, to customers with restrictions on installation space, and the LEF-300, notable for its high productivity, to customers with large printing volume, are producing results.

As a result, net sales in North America were 12,267 million yen, or 102.8% of the previous fiscal year.

### Europe **16,203** Million Yen YoY change **2.0%** ↑

In printers, although sales increased for UV printers for the sign market suitable for printing on large boards such as acrylic, foam core and cardboard, sales were sluggish for printers for the sign market and small UV printers. In 3D products, despite sluggish sales in the 3D digital fabrication market, performance was strong for the DWX series in the dental market, primarily for dental milling machines which incorporate an automatic disc changer function. Sales in Eastern Europe were strong owing to successful development of a new sales network. Consequently, sales of 3D products were higher than the previous year.

As a result, and due also to the benefits of a weaker yen, net sales in Europe were 16,203 million yen, or 102.0% of the previous fiscal year.

### Asia **3,518** Million Yen YoY change **4.4%** ↓

In the ASEAN region, sales of low-price print-only models and service parts increased. In China, although sales of dental milling machines and service parts increased, sales of printers, particularly printers for the sign market, decreased significantly.

As a result, net sales in Asia were 3,518 million yen, or 95.6% of the previous fiscal year.

### Other Regions **6,153** Million Yen YoY change **12.6%** ↓

In Australia, sales of UV printers for the retail market and dental milling machines increased, but sales of printers for the sign market were slow. In South America and the Middle East, sales of printers for the sign market decreased.

As a result, net sales in these regions were 6,153 million yen, or 87.4% of the previous fiscal year.



# AT A GLANCE

Roots / Business Summary

## Roots

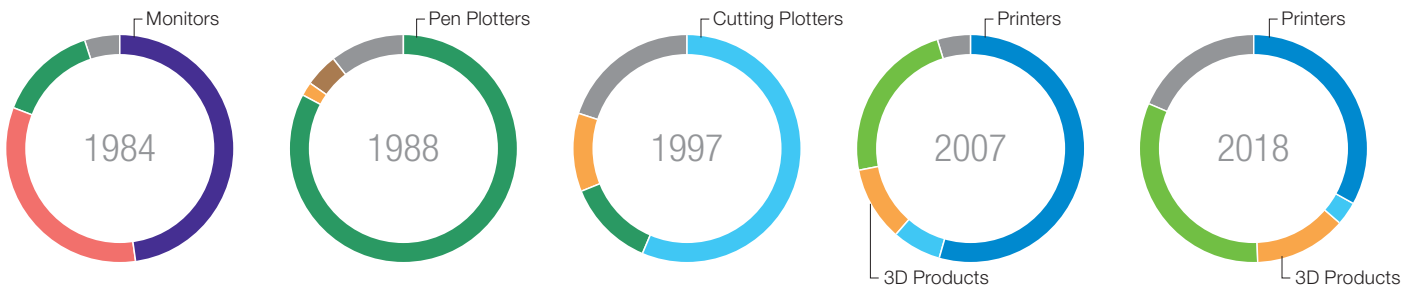
Roland DG was established in 1981, during the advent of personal computing, with the goal of cultivating new markets with a product lineup that could “Transform Imagination into Reality” through the combination of cutting-edge technology and the manufacture of precision devices. The first products to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

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

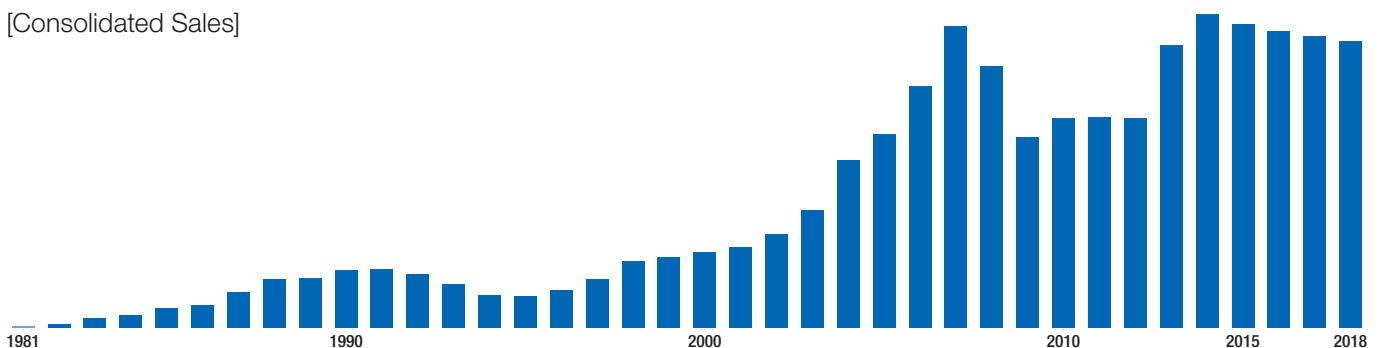
As we approached the 35th anniversary of our founding in 2016, we worked on new business development in growing markets as described in our Medium-Term Business Plan. And now, we reset our business targets to “Digital Printing”, “COTO”, and “DGSHAPE.” By strategically allocating management assets and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

### Paths to Sustainable Growth

[Consolidated Sales by Category]



[Consolidated Sales]





# Business Summary

## Printer Business

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



### 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.

### 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.



Vehicle graphics



Instrument



Sports Apparel



Smartphone case



Banners

## 3D(DGSHAPE)

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 precision crowns and other dental prostheses; 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.



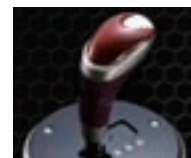
Dental restorations

### 3D 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.

### 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 marking with metal impact printers to create a medical instrument safety management system, which is being actively introduced to state-of-the-art hospitals.



Prototyping



Making parts in-house



Dental restorations



Medical Instrument Traceability



# AT A GLANCE

DG Value

## DG Value

### Digital Cell Production System (D-Shop)

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

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



D-Shop

#### History

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



3D Graphic Manual



Automatic Rotating Parts Rack



Cordless Electric Screwdrivers

### Worldwide Operations

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

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

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

#### History

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



## Customer Support System

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

### History

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

### Creative Center



Roland DG Creative 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



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



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



## R&D

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

### History

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

## Corporate Governance

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

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

The Company Group will place the below corporate ideals at the root of its management, making it the starting point for all corporate activities.

Additionally, the Company has also defined the following “Code of Conduct” to conduct business activities in line with the corporate ideals.

#### Code of Conduct

##### Creation of New Value

- We will maintain a spirit of creative inquiry to help make people’s lives better by creating innovative value.
- We will strive 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 strengthening of transactional relationships is valid from a business perspective, the Company may hold shares at a minimum to the extent necessary. Exercise of voting rights for such shares will be determined based on whether or not the proposal serves to contribute to the objectives of the holding.

#### Principle 1-7 Related Party Transactions

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

#### Principle 3-1 Full Disclosure

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

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

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

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

#### Principle 4-8 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 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.

**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.

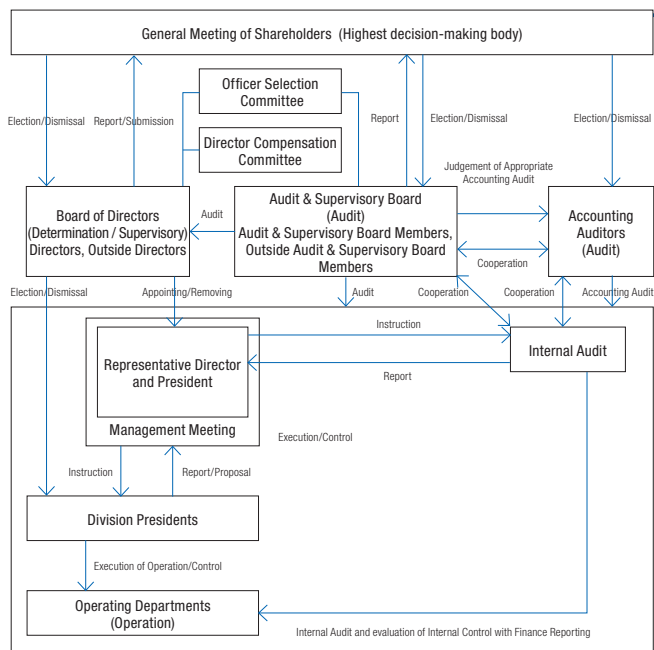
**b. Management Meeting**

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' and Business 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.



# MANAGEMENT

## Corporate Governance / Policy for Constructive Dialogue with Shareholders

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.

Outside Audit and Supervisory, Mr. Mitsuhiro Honda, is an Outside Audit and Supervisory of YUASA TRADING CO., LTD with which the Company has business transactions including the sales of products.

Additionally, there are no personal, capital or transactional relationships and other interests with companies, etc., at which other Outside Directors and Outside Audit & Supervisory Board Members serve or served as executives or employees either at present or in the past. (The "past" is defined as within the past 10 years, pursuant to the "range of confirmation of affiliation information" stipulated by stock exchanges.)

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

We expect Mr. Takuo Hirose, Outside Director, to leverage his knowledge and experience as an attorney, and Mr. Katsuhiko 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

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)	241	111	-	56	74	6
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	30	26	-	4	-	2
Outside Officers	30	30	-	-	-	5
<b>Total</b>	<b>302</b>	<b>168</b>	<b>-</b>	<b>60</b>	<b>74</b>	<b>13</b>



(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 three Director Member who retired at the conclusion of the 37th general shareholder meeting held on March 23, 2018.
4. Aside from the amounts provided above, 48 million yen has been recorded as Officer Performance-linked Compensation toward four 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. And the target period has ended the fiscal year ended December 31, 2018. The Company continues with the Plan after partially amending the contents, the Plan applies to Directors of the Company (excluding Outside Directors), thereof for the purpose referred to above.

**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 three or more of the directors who were elected to the board of directors plural 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.



# MANAGEMENT

Board of Directors

## Board of Directors (As of March 20, 2019)



### 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  
 Vice President and Director of the Company  
 June 2015 President, Representative Director of the Company (current position)  
 March 2016 In charge of R&D and F-Lab of the Company  
 January 2017 In charge of Development of the Company  
 March 2017



### Koichi Hashimoto

*Managing Director*

April 2001 General Manager of S&A Development Center of RISO KAGAKU CORPORATION  
 April 2006 General Manager of Development and Technology Center of RISO KAGAKU CORPORATION  
 April 2007 Head of Development and Planning office of RISO KAGAKU CORPORATION  
 October 2013 General Manager of Overseas Administration Department of RISO KAGAKU CORPORATION  
 November 2015 Joined the Company  
 March 2016 Executive Officer of the Company  
 Division President of Corporate Planning  
 January 2017 Division President of Corporate Division of the Company and General Manager of Corporate Planning Department  
 Director of the Company  
 March 2017 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)



### 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 DGS SHAPE Corporation  
 General Manager of DGS SHAPE Market Development Dept. of DGS SHAPE Corporation  
 March 2018 Director of the company (current position)  
 In charge of 3D Business of the Company  
 September 2018 Division President of DP Business Division of the Company (current position)  
 In charge of DP Business of the Company (current position)



### Masanori Nakagawa

*Audit & Supervisory Board Member*

April 1980 Joined THE TOKAI BANK, LTD. (current MUFG Bank, Ltd.)  
 February 1999 General Manager of THE TOKAI BANK, LTD., Chicago Branch  
 February 2008 Senior Manager of Internal Audit Office of the Bank of Tokyo-Mitsubishi UFJ, Ltd. (current MUFG Bank, 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  
 General Manager of Financial & Accounting Dpt. of the Company  
 October 2013 Division President of Corporate Finance & Accounting HQ 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 Representative of Matsuda Certified Public Accountant's Office (current position)  
 January 2004 Representative partner of Aiki Tax Accountant's Corporation (current position)  
 Outside Audit & Supervisory Board Member of Fuji Machine Mfg. Co., Ltd. (currently FUJI CORPORATION)(current position)  
 June 2013 Auditor of Nagoya Institute of Technology  
 April 2014 Audit & Supervisory Board Member of the Company (current position)  
 June 2015



## Toshiharu Uwai

*Director*

March 2015 Business Director of Tokai Carbon Co., Ltd. General Manager of Tanoura Plant, Tokai Carbon Co., Ltd. General Manager of Tanoura Laboratory, Tokai Carbon Co., Ltd.

March 2016 Business Director of Tokai Carbon Co., Ltd. President and Representative Director of Oriental Sangyo Co., Ltd.

January 2017  
April 2017 Joined the Company General Manager of Corporate Planning Department of the Company

July 2017 Executive Officer of the Company Division President of Corporate Division of the Company (current position)

January 2018 General Manager of Information Service Department of the Company

October 2018 General Manager of Financial & Accounting Department of the Company

March 2019 Director of the Company (current position)



## Takuo Hirose

*Director*

*(Outside) (Independent)*

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

May 2004 Registered as Attorney-at-law in New York, USA

January 2005 Partner of Anderson Mori & Tomotsune (current position)

June 2007 Audit & Supervisory Board Member of the Company

June 2010 Director of the Company (current position)

June 2018 Outside Audit & Supervisory Board of Cyfuse Biomedical K.K. (current position)



## Katsuhiro Endo

*Director*

*(Outside) (Independent)*

April 1978 Joined Tokyo Regional Taxation Bureau

July 2003 Professor of National Tax College, National Tax Administration Agency Senior Examiner and Assistant Chief of the First Large Enterprise Examination Department, Tokyo Regional Taxation Bureau

July 2006 Representative Partner of Endo Licensed Tax Accountant Office (current position)

August 2008 Audit & Supervisory Board Member of the Company

June 2010 Outside Audit & Supervisory Board Member of CHIYODA INTEGRATE CO., LTD. (current position)

November 2011 Representative Director of E-Consulting Co., Ltd. (current position)

January 2014 Visiting Professor of Graduate School of Aoyama Gakuin University

April 2015 Outside Audit & Supervisory Board Member of Meiji Shipping Co., Ltd. (current position)

June 2015 Director of the Company (current position)

March 2016



## 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 Senior Advisor, Centre for Tax Policy and Administration, OECD

June 2006 Director, Third Large Enterprise Examination Department, Tokyo Regional Taxation Bureau

July 2008 Director, Second Large Enterprise Examination Department, Tokyo Regional Taxation Bureau

July 2009 Assistant Regional Commissioner, Takamatsu Regional Taxation Bureau

July 2010 Professor, Graduate School of University of Tsukuba (current position)

July 2012

March 2013 Registered as Certified Public Tax Accountant

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)

June 2018 Audit & Supervisory Board Member of YUASA TRADING CO., LTD. (current position)





# ENVIRONMENTAL ACTIVITIES / GUIDING PRINCIPLES

## 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.



# FINANCIAL HIGHLIGHTS

Roland DG Corporation and Consolidated Subsidiaries

## 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.

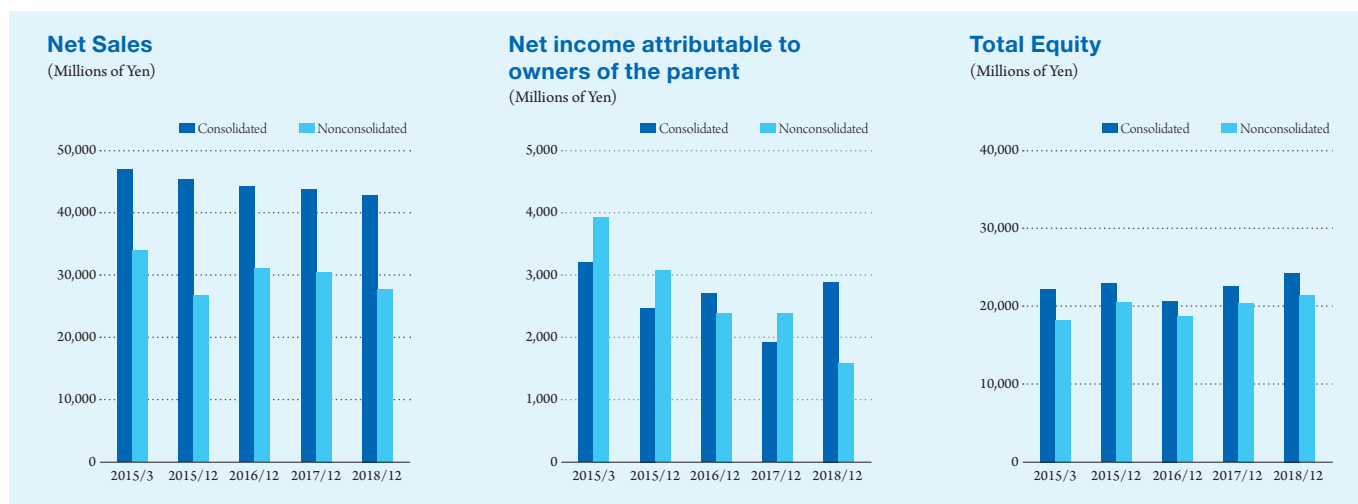
### Consolidated

	Millions of Yen					Thousands of U.S. Dollars	
	2018/12	2017/12	2016/12	2015/12	2015/3	2018/12	
<b>Operating Results</b>							
Net sales	¥ 42,775	¥ 43,573	¥ 44,112	¥ 45,122	¥ 46,770	\$ 385,360	
Operating income	4,250	3,853	4,359	4,057	6,578	38,288	
Net income attributable to owners of the parent	2,882	1,918	2,706	2,469	3,190	25,961	
Net cash provided by (used in) operating activities	4,348	2,447	5,370	3,543	5,467	39,168	
<b>Financial Position</b>							
Total equity	24,182	22,522	20,618	22,911	22,074	217,859	
Total assets	36,711	36,571	36,341	37,980	38,193	330,727	
Yen							U.S. Dollars
<b>Per Share Data</b>							
Net income attributable to owners of the parent	¥ 229.66	¥ 153.19	¥ 206.73	¥ 173.36	¥ 210.87	\$ 2.07	
Equity	1,926.09	1,798.32	1,647.59	1,608.94	1,550.19	17.35	
Cash dividends applicable to the year	70.00	60.00	60.00	60.00	60.00	0.63	

### Nonconsolidated

	Millions of Yen					Thousands of U.S. Dollars	
	2018/12	2017/12	2016/12	2015/12	2015/3	2018/12	
<b>Operating Results</b>							
Net sales	¥ 27,713	¥ 30,402	¥ 31,056	¥ 26,743	¥ 33,818	\$ 24,668	
Operating income	2,353	3,987	3,069	4,105	5,241	21,194	
Net income	1,582	2,380	2,385	3,070	3,926	14,253	
<b>Financial Position</b>							
Total equity	21,310	20,359	18,627	20,462	18,256	191,985	
Total assets	30,269	30,723	30,526	32,480	31,017	272,690	
Yen							U.S. Dollars
<b>Per Share Data</b>							
Net income	¥ 126.09	¥ 190.12	¥ 182.21	¥ 215.59	¥ 259.46	\$ 1.14	
Equity	1,697.35	1,625.66	1,488.49	1,436.99	1,282.07	15.29	

Note: The U.S. dollar amounts have been translated, for convenience only, at the rate of ¥110 to U.S.\$1, the approximate rate of exchange at December 31, 2018.



# FINANCIAL SECTION

Consolidated Balance Sheet

## Consolidated Balance Sheet

Roland DG Corporation and Consolidated Subsidiaries

December 31, 2018

### ASSETS

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2018	December 31, 2017	December 31, 2018
<b>CURRENT ASSETS:</b>			
Cash and time deposits (Notes 3 and 14)	¥ 11,170,004	¥ 9,766,525	\$ 100,631
Notes and accounts receivable (Note 14):			
Trade notes	8,318	39,844	75
Trade accounts	4,990,627	4,581,711	44,960
Allowance for doubtful receivables	(87,943)	(66,155)	(792)
Inventories (Note 4)	8,041,709	8,429,679	72,448
Deferred tax assets (Note 10)	997,819	1,099,656	8,989
Prepaid expenses and other	2,065,173	2,520,293	18,605
<b>Total current assets</b>	<b>27,185,707</b>	<b>26,371,553</b>	<b>244,916</b>
<b>PROPERTY, PLANT, AND EQUIPMENT (Note 20):</b>			
Land	3,124,848	3,130,077	28,152
Buildings and structures	7,037,881	7,054,129	63,404
Machinery and equipment	947,285	1,039,847	8,534
Tools, furniture, and fixtures	3,789,006	3,624,685	34,135
Construction in progress	27,196	48,019	245
<b>Total property, plant, and equipment</b>	<b>14,926,216</b>	<b>14,896,757</b>	<b>134,470</b>
Accumulated depreciation	(8,231,588)	(7,956,223)	(74,158)
<b>Net property, plant, and equipment</b>	<b>6,694,628</b>	<b>6,940,534</b>	<b>60,312</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Note 14)	19,384	31,404	175
Goodwill (Note 5)	274,444	372,298	2,472
Software	973,252	1,237,933	8,768
Deferred tax assets (Note 10)	670,870	672,680	6,044
Deferred compensation assets	482,440	507,761	4,346
Other assets	410,010	436,343	3,694
<b>Total investments and other assets</b>	<b>2,830,400</b>	<b>3,258,419</b>	<b>25,499</b>
<b>TOTAL</b>	<b>¥ 36,710,735</b>	<b>¥ 36,570,506</b>	<b>\$ 330,727</b>

See notes to consolidated financial statements.

## LIABILITIES AND EQUITY

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2018	December 31, 2017	December 31, 2018
<b>CURRENT LIABILITIES:</b>			
Accounts payable (Note 14)			
Trade	¥ 1,994,581	¥ 1,908,453	\$ 17,969
Other	1,050,027	1,168,937	9,460
Short-term bank loans (Notes 6 and 14)	—	138,400	—
Current portion of long-term debt (Notes 6 and 14)	360,000	1,440,000	3,243
Income taxes payable (Notes 10 and 14)	224,969	130,487	2,027
Accrued expenses	647,617	606,745	5,834
Accrued bonuses	723,325	664,513	6,516
Accrued bonuses to directors and audit and supervisory board members	60,000	—	541
Accrued warranties	458,315	538,417	4,129
Other	1,619,292	1,748,879	14,588
<b>Total current liabilities</b>	<b>7,138,126</b>	<b>8,344,831</b>	<b>64,307</b>
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt (Notes 6 and 14)	2,880,000	3,240,000	25,946
Provision for employee stock ownership plan (Note 8)	113,374	102,876	1,021
Provision for management stock ownership plan (Note 8)	191,756	253,692	1,728
Provision for loss on plan termination of benefit obligation relating to employees' pension fund (Note 7)	4,671	51,733	42
Liability for retirement benefits (Note 7)	858,387	642,270	7,733
Long-term payables	39,881	42,213	359
Other	1,302,239	1,371,196	11,732
<b>Total long-term liabilities</b>	<b>5,390,308</b>	<b>5,703,980</b>	<b>48,561</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 14, 15, and 16)</b>			
<b>EQUITY (Notes 9 and 19):</b>			
Common stock,			
authorized, 71,200,000 shares in 2018 and 2017;			
issued, 12,656,311 shares in 2018 and 2017	3,668,700	3,668,700	33,051
Capital surplus	3,700,609	3,700,609	33,339
Retained earnings	18,152,407	16,030,080	163,535
Treasury stock – at cost			
101,195 shares in 2018 and 132,595 shares in 2017 (Note 8)	(442,218)	(579,561)	(3,984)
Accumulated other comprehensive income:			
Unrealized (losses) gains on available-for-sale securities	(1,246)	7,786	(11)
Foreign currency translation adjustments	(612,127)	(154,073)	(5,514)
Defined retirement benefit plans	(283,904)	(151,914)	(2,558)
<b>Total</b>	<b>24,182,221</b>	<b>22,521,627</b>	<b>217,858</b>
Noncontrolling interests	80	68	1
<b>Total equity</b>	<b>24,182,301</b>	<b>22,521,695</b>	<b>217,859</b>
<b>TOTAL</b>	<b>¥ 36,710,735</b>	<b>¥ 36,570,506</b>	<b>\$ 330,727</b>

# FINANCIAL SECTION

Consolidated Statement of Income / Consolidated Statement of Comprehensive Income

## Consolidated Statement of Income

Roland DG Corporation and Consolidated Subsidiaries  
Year Ended December 31, 2018

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2018	December 31, 2017	December 31, 2018
<b>NET SALES</b> (Note 20)	¥ 42,774,908	¥ 43,573,215	\$ 385,360
<b>COST OF SALES</b> (Note 11)	23,680,742	24,226,340	213,341
Gross profit	19,094,166	19,346,875	172,019
<b>SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES</b>	14,844,152	15,493,590	133,731
Operating income	4,250,014	3,853,285	38,288
<b>OTHER INCOME (EXPENSES):</b>			
Interest and dividend income	14,457	16,046	130
Interest expense	(15,911)	(19,817)	(143)
Dividend income of insurance of employees	—	3,122	—
Gain on money held in trust	—	62,576	—
Loss on disposal or sales of property, plant, and equipment, software and intangible assets (Note 13)	(115,188)	(11,768)	(1,038)
Foreign exchange losses	(201,010)	(9,262)	(1,811)
Sales discount charges	(153,706)	(168,370)	(1,385)
Litigation settlement (Note 17)	—	(1,381,458)	—
Provision for loss on plan termination of benefit obligation relating to employees' pension fund	—	(51,733)	—
Reversal of provision for loss on plan termination of benefit obligation relating to employees' pension fund	44,924	—	405
Other - net	38,161	66,940	344
Other expenses – net	(388,273)	(1,493,724)	(3,498)
<b>INCOME BEFORE INCOME TAXES AND NONCONTROLLING INTERESTS</b>	3,861,741	2,359,561	34,790
<b>INCOME TAXES</b> (Note 10):			
Current	859,272	810,094	7,741
Deferred	120,761	(16,112)	1,088
Refund of income taxes	—	(352,466)	—
Total income taxes	980,033	441,516	8,829
<b>NET INCOME</b>	2,881,708	1,918,045	25,961
<b>NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	14	13	0
<b>NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	¥ 2,881,694	¥ 1,918,032	\$ 25,961
		Yen	U.S. Dollars
<b>PER SHARE OF COMMON STOCK</b> (Notes 2. v and 19):			
Net income attributable to owners of the parent	¥ 229.66	¥ 153.19	\$ 2.07
Cash dividends	70.00	60.00	0.63

See notes to consolidated financial statements.

## Consolidated Statement of Comprehensive Income

Roland DG Corporation and Consolidated Subsidiaries  
Year Ended December 31, 2018

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2018	December 31, 2017	December 31, 2018
<b>NET INCOME</b>	¥ 2,881,708	¥ 1,918,045	\$ 25,961
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b> (Note 18):			
Unrealized (losses) gains on available-for-sale securities	(9,033)	4,730	(81)
Foreign currency translation adjustments	(458,055)	312,168	(4,127)
Defined retirement benefit plans	(131,990)	321,531	(1,189)
Total other comprehensive (loss) income	(599,078)	638,429	(5,397)
<b>COMPREHENSIVE INCOME</b>	¥ 2,282,630	¥ 2,556,474	\$ 20,564
<b>TOTAL COMPREHENSIVE INCOME</b>			
<b>ATTRIBUTABLE TO:</b>			
Owners of the parent	¥ 2,282,618	¥ 2,556,454	\$ 20,564
Noncontrolling interests	12	20	0

See notes to consolidated financial statements.

# FINANCIAL SECTION

Consolidated Statement of Changes in Equity / Consolidated Statement of Cash Flows

## Consolidated Statement of Changes in Equity

Roland DG Corporation and Consolidated Subsidiaries

Year Ended December 31, 2018

	Thousands of Yen										
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Noncontrolling Interests	Total Equity
						Unrealized (Losses) Gains on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
BALANCE, JANUARY 1, 2017	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
Net income attributable to owners of the parent				2,881,694					2,881,694		2,881,694
Cash dividends, ¥60 per share				(759,367)					(759,367)		(759,367)
Treasury stock transfer of stock ownership trust	31,400				137,343				137,343		137,343
Net change in the year						(9,032)	(458,054)	(131,990)	(599,076)	12	(599,064)
BALANCE, DECEMBER 31, 2018	12,555,116	¥ 3,668,700	¥ 3,700,609	¥18,152,407	¥ (442,218)	¥ (1,246)	¥ (612,127)	¥ (283,904)	¥24,182,221	¥ 80	¥24,182,301

	Thousands of U.S. Dollars (Note 1)										
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Noncontrolling Interests	Total Equity	
					Unrealized (Losses) Gains on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans				
BALANCE, DECEMBER 31, 2017	\$ 33,051	\$ 33,339	\$ 144,415	\$ (5,221)	\$ 70	\$ (1,388)	\$ (1,369)	\$ 202,897	\$ 1	\$ 202,898	
Net income attributable to owners of the parent			25,961					25,961		25,961	
Cash dividends, \$0.54 per share			(6,841)					(6,841)		(6,841)	
Treasury stock transfer of stock ownership trust				1,237				1,237		1,237	
Net change in the year					(81)	(4,126)	(1,189)	(5,396)	0	(5,396)	
BALANCE, DECEMBER 31, 2018	\$ 33,051	\$ 33,339	\$ 163,535	\$ (3,984)	\$ (11)	\$ (5,514)	\$ (2,558)	\$ 217,858	\$ 1	\$ 217,859	

See notes to consolidated financial statements.



# Consolidated Statement of Cash Flows

Roland DG Corporation and Consolidated Subsidiaries  
Year Ended December 31, 2018

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2018	December 31, 2017	December 31, 2018
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and noncontrolling interests	¥ 3,861,741	¥ 2,359,561	\$ 34,790
Adjustments for:			
Income taxes paid	(508,616)	(766,637)	(4,582)
Depreciation and amortization	1,207,232	1,229,130	10,876
Provision for (reversal of) allowance for doubtful receivables	7,983	4,193	71
Provision for (reversal of) accrued bonuses	62,557	(53,220)	564
Provision for (reversal of) accrued bonuses to directors and audit and supervisory board members	60,000	(80,000)	541
(Reversal of) provision for accrued warranties	(65,464)	(15,728)	(590)
Increase (decrease) in liability for retirement benefits	29,023	142,351	261
Provision for (reversal of) employee stock ownership plan	21,870	49,237	197
Provision for (reversal of) management stock ownership plan	64,035	36,683	577
(Decrease) increase in provision for loss on plan termination of benefit obligation relating to employees' pension fund	(47,061)	51,733	(424)
Interest and dividend income	(14,457)	(16,046)	(130)
Interest expense	15,911	19,817	143
Litigation settlement	—	1,381,458	—
Litigation settlement paid	—	(1,341,705)	—
Loss (gain) on disposals or sales of property, plant, and equipment	29,440	7,751	265
Loss (gain) on disposals or sales of software and intangible assets	85,748	4,017	773
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable	(566,556)	515,414	(5,104)
Decrease (increase) in inventories	42,263	201,673	381
Decrease (increase) in prepaid expenses and other current assets	117,073	(925,195)	1,055
Decrease (increase) in other investments and assets	40,234	24,985	362
Increase (decrease) in accounts payable	118,997	(518,296)	1,072
(Decrease) increase in other current liabilities	(217,849)	187,448	(1,963)
(Decrease) increase in other long-term liabilities	(49,439)	(93,068)	(445)
Other – net	53,027	41,360	478
Total adjustments	485,951	87,355	4,378
Net cash provided by (used in) operating activities	4,347,692	2,446,916	39,168
<b>INVESTING ACTIVITIES:</b>			
Payments into time deposits	(265)	(17,200)	(2)
Proceeds from withdrawal of time deposits	—	68,580	—
Purchases of property, plant, and equipment	(508,120)	(547,769)	(4,578)
Proceeds from sales of property, plant, and equipment	23,835	25,409	215
Purchases of software and other intangible assets	(270,764)	(356,312)	(2,440)
Purchases of investment securities	(914)	(841)	(8)
Other	299	261	3
Net cash (used in) provided by investing activities	(755,929)	(827,872)	(6,810)
<b>FINANCING ACTIVITIES:</b>			
(Decrease) increase in short-term bank loans – net	(136,800)	132,400	(1,232)
Repayments of long-term debt	(1,440,000)	(1,440,000)	(12,973)
Dividends paid	(759,776)	(698,044)	(6,845)
Other	(2,429)	90	(22)
Net cash (used in) provided by financing activities	(2,339,005)	(2,005,554)	(21,072)
<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>	127,397	189,261	1,148
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,380,155	(197,249)	12,434
<b>INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY</b>	40,668	10,000	367
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	9,748,848	9,936,097	87,827
<b>CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)</b>	¥ 11,169,671	¥ 9,748,848	\$ 100,628

See notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

Roland DG Corporation and Consolidated Subsidiaries

Year Ended December 31, 2018

### 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, 2017, to conform to the classifications used in the year ended December 31, 2018.

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 ¥111 to \$1, the approximate rate of exchange at December 31, 2018. 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, 2018, include the accounts of the Company and its 17 (17 in 2017) subsidiaries (together, the "Group"), except for subsidiaries which, if consolidated, would not have a material effect on the accompanying consolidated financial statements.

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

Investment in one (one in 2017) 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.

Roland DG France SAS has been established and included in the scope of consolidation in the fiscal year ended December 31, 2018. InClix Corporation has been excluded from the scope of consolidation because of liquidation.

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, 2018 and 2017. As a result, no impairment loss was recognized for the years ended December 31, 2018 and 2017.
- 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.
- 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.

# FINANCIAL SECTION

## Notes to Consolidated Financial Statements

- w. **Use of Estimates** — The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates.
- x. **Accounting Changes and Error Corrections** — ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections" accounting treatments are required as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.
- y. **New Accounting Pronouncements**
- Accounting Standard for Revenue Recognition** — On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:
- Step 1: Identify the contract(s) with a customer  
 Step 2: Identify the performance obligations in the contract  
 Step 3: Determine the transaction price  
 Step 4: Allocate the transaction price to the performance obligations in the contract  
 Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation
- The Company expects to apply the accounting standard and guidance for annual periods beginning on or after January 1, 2022, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.
- Accounting Standard for Leases** — On January 13, 2016, the International Accounting Standards Board issued a new accounting standard for leases, IFRS 16, "Leases." IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases.
- On February 25, 2016, the FASB issued an accounting standards update (ASU No. 2016-02) which requires lessees to recognize most leases on their balance sheets, but recognize expenses on their income statements in a manner similar to current guidance. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases.
- The Company expects to apply IFRS 16 from the annual period beginning on January 1, 2019 and ASU No. 2016-02 from the annual period beginning on January 1, 2020, and is in the process of measuring the effects of applying the new standards in future applicable periods.

### 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, 2018 and 2017 was as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2018	December 31, 2017	December 31, 2018
Cash and time deposits	¥ 11,170,004	¥ 9,766,525	\$ 100,631
Time deposits with original maturities of more than three months	(333)	(17,677)	(3)
Cash and cash equivalents	¥ 11,169,671	¥ 9,748,848	\$ 100,628

### 4. INVENTORIES

Inventories at December 31, 2018 and 2017 consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2018	December 31, 2017	December 31, 2018
Merchandise and finished products	¥ 5,766,572	¥ 6,009,231	\$ 51,951
Work in process	64,026	28,229	577
Raw materials and supplies	2,211,111	2,392,219	19,920
Total	¥ 8,041,709	¥ 8,429,679	\$ 72,448

### 5. GOODWILL

The component of goodwill at December 31, 2018 and 2017 was as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2018	December 31, 2017	December 31, 2018
Consolidation goodwill	¥ 274,444	¥ 372,298	\$ 2,472

Consolidation goodwill is amortized over 10 years.

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

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

Long-term debt at December 31, 2018 and 2017 consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2018	December 31, 2017	December 31, 2018
Unsecured syndicate and other loans from banks, 0.3%, due 2021:			
Total	¥ 3,240,000	¥ 4,680,000	\$ 29,189
Less current portion	(360,000)	(1,440,000)	(3,243)
Long-term debt, less current portion	¥ 2,880,000	¥ 3,240,000	\$ 25,946

Annual maturities of long-term debt as of December 31, 2018, for the next five years and thereafter were as follows:

Year Ending December 31	Thousands of Yen	Thousands of U.S. Dollars
2019	¥ 360,000	\$ 3,243
2020	1,440,000	12,973
2021	1,440,000	12,973
2022	—	—
2023	—	—
Total	¥ 3,240,000	\$ 29,189

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.

## 7. RETIREMENT AND PENSION PLANS

The Company has a funded defined benefit plan (cash balance plan). Under the plan, employees are granted retirement payment points determined based on their occupation, qualifications and 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 is currently in a process of liquidation after obtaining permission of dissolution on March 31, 2018 from the Minister of Health, Labour and Welfare. The Company recorded an expected loss from dissolution of ¥4,671 thousand (\$42 thousand) as the provision for loss on plan termination of benefit obligation relating to employees' pension fund as of December 31, 2018. The Company established a defined contribution corporate pension plan to replace the Fund after its dissolution.

Certain consolidated foreign subsidiaries have contributory defined contribution plans.

1. The changes in the defined benefit obligation for the years ended December 31, 2018 and 2017, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2018	December 31, 2017	December 31, 2018
Balance at beginning of year	¥ 4,268,007	¥ 4,296,124	\$ 38,451
Current service cost	266,941	279,215	2,405
Interest cost	15,706	15,810	141
Actuarial gains and losses	(12,312)	(194,572)	(111)
Benefits paid	(142,502)	(128,570)	(1,284)
Balance at end of year	¥ 4,395,840	¥ 4,268,007	\$ 39,602

2. The changes in plan assets for the years ended December 31, 2018 and 2017, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2018	December 31, 2017	December 31, 2018
Balance at beginning of year	¥ 3,625,737	¥ 3,335,494	\$ 32,664
Expected return on plan assets	90,643	83,387	816
Actuarial gains and losses	(244,247)	126,393	(2,200)
Contributions from the employer	207,822	209,033	1,873
Benefits paid	(142,502)	(128,570)	(1,284)
Balance at end of year	¥ 3,537,453	¥ 3,625,737	\$ 31,869



# FINANCIAL SECTION

## Notes to Consolidated Financial Statements

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, 2018 and 2017, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2018	December 31, 2017	December 31, 2018
Funded defined benefit obligation	¥ 4,395,840	¥ 4,268,007	\$ 39,602
Plan assets	(3,537,453)	(3,625,737)	(31,869)
	858,387	642,270	7,733
Unfunded defined benefit obligation	—	—	—
Net liability (asset) arising from defined benefit obligation	¥ 858,387	¥ 642,270	\$ 7,733

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2018	December 31, 2017	December 31, 2018
Liability for retirement benefits	¥ 858,387	¥ 642,270	\$ 7,733
Asset for retirement benefits	—	—	—
Net liability (asset) arising from defined benefit obligation	¥ 858,387	¥ 642,270	\$ 7,733

4. The components of net periodic benefit costs for the years ended December 31, 2018 and 2017, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2018	December 31, 2017	December 31, 2018
Service cost	¥ 266,941	¥ 279,215	\$ 2,405
Interest cost	15,706	15,810	141
Expected return on plan assets	(90,643)	(83,387)	(816)
Recognized actuarial gains and losses	44,841	139,747	404
Net periodic benefit costs	¥ 236,845	¥ 351,385	\$ 2,134

5. Amounts recognized in other comprehensive income before income tax effect in respect of defined retirement benefit plans for the years ended December 31, 2018 and 2017 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2018	December 31, 2017	December 31, 2018
Unrecognized actuarial gains and losses	¥ (187,094)	¥ 460,712	\$ (1,685)
Total	¥ (187,094)	¥ 460,712	\$ (1,685)

6. Amounts recognized in accumulated other comprehensive income before income tax effect in respect of defined retirement benefit plans as of December 31, 2018 and 2017 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2018	December 31, 2017	December 31, 2018
Unrecognized prior service cost	¥ —	¥ —	\$ —
Unrecognized actuarial gains and losses	404,767	217,673	3,647
Total	¥ 404,767	¥ 217,673	\$ 3,647

7. Plan assets

- (1) Components of plan assets

Plan assets as of December 31, 2018 and 2017, consisted of the following:

	December 31, 2018	December 31, 2017
Domestic debt investments	29%	24%
Foreign debt investments	9%	8%
Domestic equity investments	12%	18%
Foreign equity investments	14%	18%
General account	31%	29%
Cash and cash equivalents	5%	3%
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, 2018 and 2017, were as follows:

	December 31, 2018	December 31, 2017
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, 2018 and 2017, the amount of the required contribution to the Welfare Pension Fund Plan as a multiemployer pension plan, which is accounted for in the same manner as the defined contribution plans, was ¥18,772 thousand (\$169 thousand) and ¥54,188 thousand, respectively.

Funding status of the multiemployer pension plan at December 31, 2018 and 2017, was as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2018	December 31, 2017	December 31, 2018
Fair value of plan assets	¥ 231,996,520	¥ 246,513,169	\$ 2,090,058
Sum of actuarial obligations in pension financing and minimum reserve	245,475,663	266,298,272	2,211,492
Difference	¥ (13,479,143)	¥ (19,785,103)	\$ (121,434)

At March 31, 2018 and December 31, 2017, the contribution ratio of the Company to the multiemployer pension plan was 1.4%.

For the years ended December 31, 2018 and 2017, the major factor that caused the above difference is unamortized balance of prior service cost in the amount of ¥26,071,368 thousand (\$234,877 thousand) and ¥27,522,795 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, 2018 and 2017, the amount of the required contribution to the defined contribution plans of the consolidated subsidiaries was ¥137,027 thousand (\$1,234 thousand) and ¥120,543 thousand, respectively.

## 8. MANAGEMENT AND EMPLOYEE STOCK OWNERSHIP PLAN

### *Management stock ownership trust plan*

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

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

To manage this plan, the Company established trusts and contributed necessary funds to purchase stock of the Company. The trustee purchases stock of the Company through market or allocation of treasury stock by the Company. Accounting treatment of the plan is processed under PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts."

As of December 31, 2018 and 2017, 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 ¥291,308 thousand (\$2,624 thousand) and ¥415,967 thousand, and 66,600 shares and 95,100 shares, respectively.

### *Employee stock ownership plan*

The Company holds an ESOP as a part of its employee welfare program for certain employees of the Company. As of the end of this fiscal year, the plan has been ended.

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

To manage this plan, the Company established trusts and contributed necessary funds to purchase stock of the Company. The trustee purchases stock of the Company through market or allocation of treasury stock by the Company. Accounting treatment of the plan is processed under PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts."

As of December 31, 2018 and 2017, 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 ¥150,466 thousand (\$1,356 thousand) and ¥163,150 thousand, and 34,400 shares and 37,300 shares, respectively.

# FINANCIAL SECTION

## Notes to Consolidated Financial Statements

### 9. EQUITY

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

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

#### (a) Dividends

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

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

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

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

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

#### (c) Treasury Stock and Treasury Stock Acquisition Rights

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

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

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

### 10. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 30.2% for the years ended December 31, 2018 and 2017.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at December 31, 2018 and 2017, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2018	December 31, 2017	December 31, 2018
Deferred tax assets:			
Intercompany profits on inventories	¥ 445,094	¥ 485,723	\$ 4,010
Accounts receivable	39,619	38,684	357
Accrued enterprise taxes	8,834	35,547	80
Intangible assets	176,601	177,637	1,591
Shares of subsidiaries and associated companies	176,107	178,171	1,587
Accrued bonuses	182,086	168,394	1,640
Accrued warranties	102,807	115,897	926
Provision for stock ownership plan	90,851	107,508	818
Provision for loss on plan termination of benefit obligation relating to employees' pension fund	1,395	15,628	13
Liability for retirement benefits	246,913	180,582	2,224
Accounts payable – other	584	22,627	5
Accrued expenses	128,449	114,315	1,157
Tax loss carryforwards	352,613	509,436	3,177
Deferred tax for investment in subsidiary	—	92,752	—
Other	248,700	280,846	2,241
Less valuation allowance	(390,057)	(616,404)	(3,514)
<b>Total</b>	<b>¥ 1,810,596</b>	<b>¥ 1,907,343</b>	<b>\$ 16,312</b>
Deferred tax liabilities:			
Retained earnings appropriated for special allowances	¥ (36,055)	¥ (36,990)	\$ (325)
Undistributed earnings of subsidiaries	(75,402)	(67,468)	(679)
Investments in associated companies	(10,229)	(10,348)	(92)
Stock ownership trust account expenses	(20,388)	(19,460)	(184)
Other	—	(3,371)	—
<b>Total</b>	<b>¥ (142,074)</b>	<b>¥ (137,637)</b>	<b>\$ (1,280)</b>
<b>Net deferred tax assets</b>	<b>¥ 1,668,522</b>	<b>¥ 1,769,706</b>	<b>\$ 15,032</b>

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 years ended December 31, 2018 and 2017 was as follows:

	December 31, 2018	December 31, 2017
Normal effective statutory tax rate	30.2%	30.2%
Expenses not deductible for income tax purposes	2.1	1.4
Extra tax deduction on R&D expenses	(3.2)	(7.3)
Lower income tax rates applicable to income in certain foreign countries	(1.9)	(3.1)
Refund of income taxes	—	(14.9)
Changes in valuation allowance	(2.5)	9.3
Deferred tax for investment in subsidiary	(0.7)	(3.9)
Effect of tax rate deduction	—	8.4
Other – net	1.4	(1.4)
Actual effective tax rate	25.4%	18.7%

## 11. R&D COSTS

R&D costs included in cost of sales for the years ended December 31, 2018 and 2017, were ¥3,169,713 thousand (\$28,556 thousand) and ¥3,072,955 thousand, respectively.

## 12. LEASES

The Group leases certain office space and other assets.

The minimum rental commitments under noncancellable operating leases at December 31, 2018 and 2017, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2018	December 31, 2017	December 31, 2018
Due within one year	¥ 304,830	¥ 357,761	\$ 2,746
Due after one year	759,440	317,728	6,842
Total	¥ 1,064,270	¥ 675,489	\$ 9,588

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

The loss on disposal of property, plant, and equipment, software and intangible assets for the years ended December 31, 2018 and 2017 were ¥124,191 thousand (\$1,119 thousand) and ¥17,915 thousand, respectively.

## 14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (1) Group Policy for Financial Instruments

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

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

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

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

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

# FINANCIAL SECTION

## Notes to Consolidated Financial Statements

### (4) Fair Values of Financial Instruments

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

#### (a) Fair value of financial instruments

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

December 31, 2017	Thousands of Yen		
	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	—
<b>Total</b>	<b>¥ 14,419,284</b>	<b>¥ 14,419,284</b>	<b>¥ —</b>
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	—
<b>Total</b>	<b>¥ 8,026,277</b>	<b>¥ 8,026,277</b>	<b>¥ —</b>
Derivative financial instruments	¥ (93,871)	¥ (93,871)	¥ —

December 31, 2018	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gains/Losses
Cash and time deposits	\$ 100,631	\$ 100,631	\$ —
Receivables	45,035	45,035	—
Investment securities	173	173	—
<b>Total</b>	<b>\$ 145,839</b>	<b>\$ 145,839</b>	<b>\$ —</b>
Payables	\$ 27,429	\$ 27,429	\$ —
Income taxes payable	2,027	2,027	—
Long-term debt	29,189	29,189	—
<b>Total</b>	<b>\$ 58,645</b>	<b>\$ 58,645</b>	<b>\$ —</b>
Derivative financial instruments	\$ 744	\$ 744	\$ —

#### **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, 2018	December 31, 2017	December 31, 2018
Investments in equity instruments that do not have quoted market prices in active markets	¥ 200	¥ 200	\$ 2

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

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

December 31, 2017	Thousands of Yen	
	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	¥ —

December 31, 2018	Thousands of U.S. Dollars	
	Due in One Year or Less	Due after One Year
Cash and time deposits	\$ 100,631	\$ —
Receivables	45,035	—
Total	\$ 145,666	\$ —

## 15. DERIVATIVES

Derivative transactions to which hedge accounting is not applied:

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

At December 31, 2017	Thousands of Yen			
	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)

At December 31, 2018	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/ Losses
Foreign currency forward contracts:				
Selling U.S. dollar	\$ 21,511	\$ —	\$ 198	\$ 198
Selling Euro	\$ 29,475	\$ —	\$ 490	\$ 490
Buying Japanese yen	\$ 850	\$ —	\$ 56	\$ 56
Buying other currencies	\$ 15	\$ —	\$ 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.

# FINANCIAL SECTION

## Notes to Consolidated Financial Statements

### 16. GUARANTEE OBLIGATIONS AND CONTINGENT LIABILITIES

#### Guarantee Obligations

At December 31, 2018, the Group had the following guarantee obligations:

	Thousands of Yen	Thousands of U.S. Dollars
Guarantees for bank loans of employees	¥ 3,837	\$ 35

#### Contingent Liabilities

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

The amount of additional tax for this appeal is BRL 26,795 thousand (including an estimated amount of any additional tax on underpayment as of December 31, 2018). DBR believes that this additional tax assessment has no reasonable basis and intends to take appropriate actions. Therefore, it is difficult to estimate the effects of the additional tax assessment on the results of operation of the Group at the moment.

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

The amount of additional tax for this appeal is BRL 33,642 thousand (including an estimated amount of any additional tax on underpayment as of December 31, 2018). DBR believes that this additional tariff assessment has no reasonable basis and intends to take appropriate actions. Therefore, it is difficult to estimate the effects of the additional tariff assessment on the results of operation of the Group at the moment.

### 17. LITIGATION SETTLEMENT

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 in other expenses for the year ended December 31, 2017.

### 18. COMPREHENSIVE (LOSS) INCOME

The components of other comprehensive (loss) income for the years ended December 31, 2018 and 2017, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2018	December 31, 2017	December 31, 2018
Unrealized (losses) gains on available-for-sale securities:			
(Losses) gains arising during the year	¥ (12,934)	¥ 6,778	\$ (117)
Amount before income tax effect	(12,934)	6,778	(117)
Income tax effect	3,901	(2,048)	36
Total	¥ (9,033)	¥ 4,730	\$ (81)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (481,688)	¥ 308,711	\$ (4,340)
Reclassification adjustments to profit and loss	33,468	—	302
Amount before income tax effect	(448,220)	308,711	(4,038)
Income tax effect	(9,835)	3,457	(89)
Total	¥ (458,055)	¥ 312,168	\$ (4,127)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (231,935)	¥ 320,965	\$ (2,089)
Reclassification adjustments to profit and loss	44,841	139,747	404
Amount before income tax effect	(187,094)	460,712	(1,685)
Income tax effect	55,104	(139,181)	496
Total	¥ (131,990)	¥ 321,531	\$ (1,189)
Total other comprehensive (loss) income	¥ (599,078)	¥ 638,429	\$ (5,397)

## 19. NET INCOME PER SHARE

The basis of computing earnings per share ("EPS") for the years ended December 31, 2018 and 2017, 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	
<u>For the year ended December 31, 2018:</u>				
EPS				
Net income available to common shareholders	¥ 2,881,694	12,547	¥ 229.66	\$ 2.07
<u>For the year ended December 31, 2017:</u>				
EPS				
Net income available to common shareholders	¥ 1,918,032	12,521	¥ 153.19	

## 20. 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, 2018				
	Printers	Machine Tools	Supplies	Other	Total
Sales to external customers	¥ 14,246,493	¥ 5,619,983	¥ 13,652,348	¥ 9,256,084	¥ 42,774,908

	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 U.S. Dollars				
	December 31, 2018				
	Printers	Machine Tools	Supplies	Other	Total
Sales to external customers	\$ 128,347	\$ 50,631	\$ 122,994	\$ 83,388	\$ 385,360

### 3. Information about Geographical Areas

#### (1) Sales

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

	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 U.S. Dollars					
	December 31, 2018					
	Japan	USA	Europe	Asia	Other	Total
	\$ 41,739	\$ 100,064	\$ 145,977	\$ 31,692	\$ 65,888	\$ 385,360

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

# FINANCIAL SECTION

## Notes to Consolidated Financial Statements

### (2) Property, plant, and equipment

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

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

Thousands of U.S. Dollars				
December 31, 2018				
Japan	Thailand	Other Foreign Countries	Total	
\$ 47,711	\$ 8,186	\$ 4,415	\$	60,312

### 21. RELATED-PARTY TRANSACTIONS

There were no transactions with related parties for the year ended December 31, 2018 and 2017.

### 22. SUBSEQUENT EVENT

Appropriations of retained earnings

The appropriations of retained earnings at December 31, 2018, scheduled to be approved at the Company's shareholders' meeting to be held on March 20, 2019, are as follows:

	Thousands of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥45 (\$0.41) per share	¥ 569,525	\$ 5,131



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Roland DG Corporation:

We have audited the accompanying consolidated balance sheet of Roland DG Corporation and its consolidated subsidiaries as of December 31, 2018, 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, 2018, 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.

March 20, 2019

Member of  
Deloitte Touche Tohmatsu Limited





# CORPORATE DATA

Company Outline / Group Companies

## Company Outline (As of December 31, 2018)

### Name

Roland DG Corporation

### Founded

May 1, 1981

### Common Stock

¥3,669 million

### Net Sales for FY2018

¥30,402 million (Nonconsolidated)

¥43,573 million (Consolidated)

### Number of Employees

564 (Nonconsolidated)

1,232 (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

18,936

### 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 20, 2019)

President	Hidenori Fujioka
Managing Director	Koichi Hashimoto
Director	Kohei Tanabe
Director	Toshiharu Uwai
Outside Director	Takuo Hirose
Outside Director	Katsuhiko 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

### Sales

#### DGSHAPE Corporation

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

#### Roland DGA Corporation

15363 Barranca Parkway, Irvine, CA 92618, U.S.A.

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

#### Roland DG Benelux N.V.

Bell Telephonelaan 2G, 2440 Geel, Belgium

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

Phone: +34 93 591 84 00 Fax: +34 93 591 84 06

#### Roland DG Mid Europe S.r.l.

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Phone: +39 0735 586558 Fax: +39 0735 576176

#### Roland DG North Europe A/S

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Phone: +45 88 82 20 00 Fax: +45 88 82 20 01

#### Roland DG Australia Pty. Ltd.

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Phone: +61 2 9975 0000 Fax: +61 2 9975 0001

#### Roland DG (China) Corporation

Shanghai Mart, 2111-2112 Room,

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#### Roland DG Korea Inc.

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Phone: +82 70 4504 7100 Fax: +82 2 6963 8100

#### Roland DG Brasil Ltd.

Rua San José, 780, Parque Industrial San José, CEP 06715-862 Cotia, São Paulo, Brazil

Phone: +55 11 3500 2600 Fax: +55 11 3500 2600

#### Roland DG Deutschland GmbH

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#### Roland DG RUS LLC

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Phone: +7 495 981 2307 FAX: +7 495 981 2307

#### Roland DG France SAS

4, rue Paul Henri Spaak, 77400 Saint Thibault des Vignes, France

Phone: +33 1 60 07 9049

### Holdings

#### Roland DG Europe Holdings B.V.

Prof. J.H. Bavincklaan 2-4,

1183 AT, Amstelveen, The Netherlands

Phone: +31 20 723 3670

### Production

#### Roland Digital Group (Thailand) Ltd.

30/122 Moo 1, Sinsakhon Industrial Estate

Tambol Khok Kham, Ampur Muang, Samutsakhon 74000, Thailand

Phone: +66 2 402 2220 Fax: +66 2 402 2220

### Shared Services

#### Roland DG EMEA, S.L.

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Roland DG Corporation