Roland

ANNUAL REPORT 2016

Year ended December 31, 2016

Imagine. Roland

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

Vision

Transforming your imagination into reality

Mission

Bringing new opportunities to society through digital technology

Slogans

Inspire the Enjoyment of Creativity

Be the BEST rather than the BIGGEST

The Roland Family — Cooperative Enthusiasm

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

We focused on accelerating new business developments in growing markets.

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

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

During the fiscal year under review, in order to promote “accelerating new business developments in growing markets” as one of the major goals of the medium-term business plan, we focused on achieving new growth by offering original product creation in retail markets and textile printing in textile markets, in addition to dental milling machines in the dental (dental medical) market.

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

As a result, operating income decreased by 18.8% compared with the previous term to 4,359 million yen. Ordinary income decreased by 17.2% compared with the previous term to 4,105 million yen. Profit attributable to owners of the parent company was down 19.4% compared with the previous term to 2,706 million yen.

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

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

April 2017

President
Hidenori Fujioka

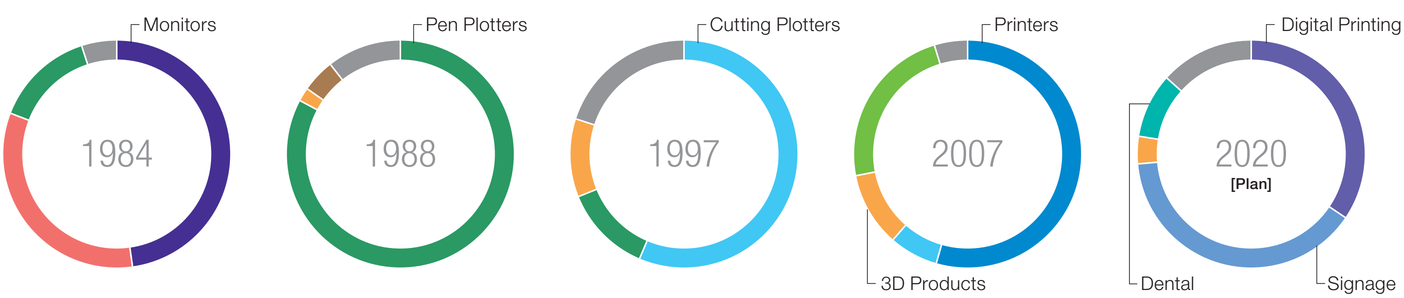
Roots

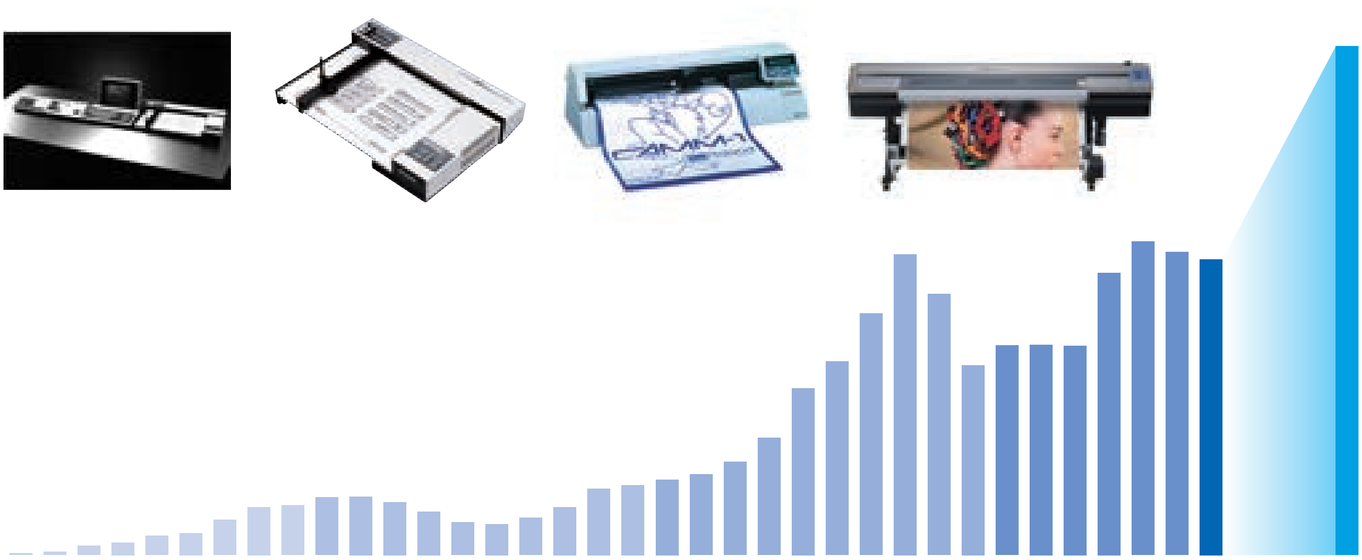
Roland DG was established in 1981, during the advent of personal computing, with the goal of cultivating new markets with a product lineup that could "Transform Imagination into Reality" through the combination of cutting-edge technology and the manufacture of precision devices. The first products to 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 reset our business target to "Imaging and Healthcare" through our Medium-Term Business Plan, and now, by strategically allocating management assets and resources, we aim to accelerate new business developments in growth market.

Paths to Sustainable Growth

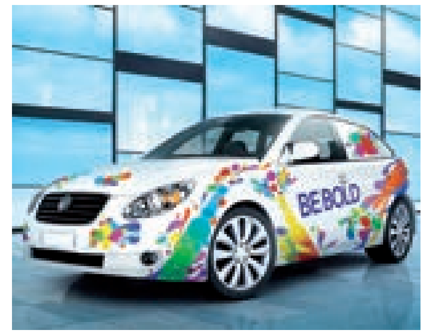


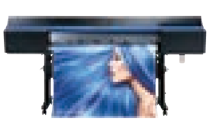


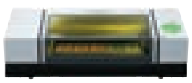
Business Summary

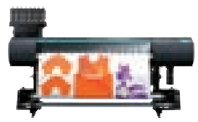
Printer Business

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




Signage

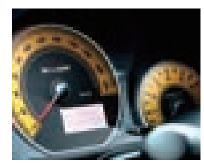

Retail

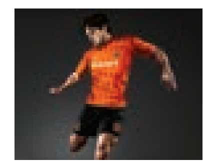

Textile


Digital Printing for Multiple Uses

Digital Printing

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


Instrument


Sports Apparel

Sign

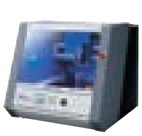
As the Sign market we cultivated has now matured in developed countries, it is increasingly important that we deliver solutions to improve customer earning potential. At the same time, we are drawing on our accumulated experience and brand strength to expand growth in emerging countries by bringing optimal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


Vehicle Wrap


Billboards

3D Business

Roland DG develops 3D milling machines, which use drill bits to carve out an object's form; 3D printers, which build objects by adding layers of material; dental milling machines, which use drill bits to shape crowns and fillings; 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.


3D Milling Machines


3D Printer

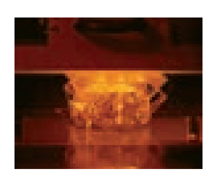

Dental Milling Machines


Impact Printers

3D Digital Fabrication

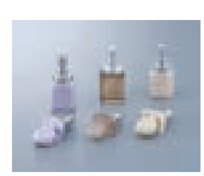
Through developments in digital technology and communications, we are making 3D data-driven fabrication more accessible and creating an environment where anyone, regardless of profession or experience, can experience the joy of creation. Utilizing our strength in additive and subtractive technologies,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

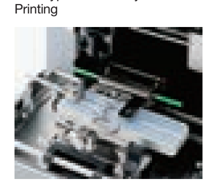

Prototyping


Prototype Creation by 3D Printing

Healthcare

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


Dental Restoration


Medical Instrument Traceability

DG Value

Digital Cell Production System (D-Shop)

The Company's products are built using a unique cell production system called Digital Cell Production System, or D-Shop. With D-Shop, instead of an assembly line, where multiple workers each contribute parts, each worker builds a full unit, from start to finish, on their own. A computer displays 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 the 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, shifting Japanese monozukuri and having production, procurement, and product development handled by the Thailand factory allows for the further development of products to meet ever-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.

Customer Support System

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

History

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

Creative Center

Roland DG Creative Center

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

Academy

Roland DG Academy

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

Care

Roland DG Care

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

R&D

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

History

1982 Released the computer music pen plotter.
Released the pen plotter.
1983 Released the 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 machine, and a new dry milling machine, simultaneously.

Topics

TrueVIS VG printer/cutters and SOLJET EJ-640 printer win EDP Awards

Roland DG Corporation is proud to announce that two of its recently launched wide format digital print devices; the TrueVIS VG Series and SOLJET EJ-640 have won prestigious EDP awards.

Since 2007 the EDP Association (European Digital Press Association) has evaluated and celebrated the best new developments in print production, annually presenting awards for the very best solutions in the industry.

COMMENT | President of European Sales for Roland DG **Jerry Davies** (Right)

It's an exciting time of innovation for the digital wide format print industry, with keen competition driving the release of new products. The EDP recognition demonstrates that Roland DG technology continues to lead the way, offering an award-winning combination of quality, durability and overall return-on-investment.

Roland DG Enhances Certification Program for Service Engineers

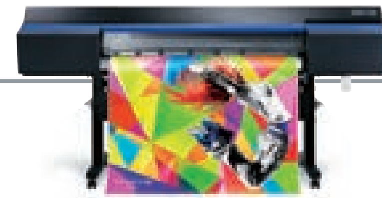
Roland DG has enhanced its certification program for service engineers (SEs) engaged in the repair and maintenance of Roland DG products.

Roland DG operates a program of certifying highly skilled and knowledgeable SEs as Roland DG Care Certified Service Engineers in order to provide high-quality, standardized maintenance services that meet the demands of customers around the world. Until now, certification had been based on the results of internal testing and completion of training courses. The new program places a greater focus on the quality of the SEs' daily activities and their professionalism, and features a point-based evaluation scale to ensure more objective certifications.

COMMENT | General manager of Roland DG technical services **Takaaki Koshita**

The new certification program allows us to better manage repair and maintenance levels that are directly related to greater customer satisfaction and helps our SEs become more aware of where they need to grow in order to continue providing an exceptional level of service. SEs can regularly monitor their own results and points accrued, to help them objectively analyze and identify areas of knowledge or skills where they may be lacking. By cultivating a corporate climate and culture aimed at providing a high-quality service by everyone at Roland DG, we hope to develop a more comprehensive customer service and support system.

New Products



SG-540

SG-300

Eco-Solvent Printer

TrueVIS SG-540 SG-300

The new TrueVIS SG series is designed to deliver the rich colors and glossy finish required for high-impact printed graphics at a very affordable price point. Two Roland DG FlexFire print heads fire precision droplets in three sizes and a wide print swath, for high-quality output and efficient ink usage. Every drop of ink falls exactly where it is intended, delivering beautiful images and uniform colors. The combination of TrueVIS INK, engineered specifically for the FlexFire print head, and Roland VersaWorks Dual RIP software results in stunning fine details and vibrant colors at production speeds. The SG series' added productivity – up to 60% faster than previous comparable models in standard mode – enables increased profitability.

Milling Machine

MODELA MDX-50

With the increasing number of students and individuals undertaking 3D fabrication for the first time, the MDX-50 has been designed to be both easier and safer to use. The integrated control panel of the MDX-50 has been added to the front, allowing spindle rotation and milling speed to be controlled while monitoring machining conditions. The on-screen computer operated "VPanel" provides machine monitoring capability, sends e-mails when machining work is complete or if intervention is required, and records tool usage time and replacement intervals, all of which helps to manage workflow.

MDX-50

Impact Printer

METAZA MPX-95

The MPX-95 impact printer can imprint on a wide variety of materials, including stainless steel, iron, titanium, platinum and softer substrates such as gold, silver, copper, nickel and aluminum at high speed and with pin-sharp accuracy. Applications include personalized pens and business card holders, smart devices, industrial plates, jewelry and pendants, trophies and awards, watches and belt buckles. A removable base table and plate enables virtually all types and sizes of medical instruments to be marked with UDI identifiers. The MPX-95 also comes standard with a laser pointer that assists in identifying the area to be marked so that even novice retail or healthcare workers who may not be accustomed to using digital technology can easily and accurately apply marking with no special training required.

MPX-95

UV-LED Inkjet Printer

VersaUV LEF-300

VersaUV printers are popular for their ability to print rich color directly on a vast array of materials, including three-dimensional items up to 100 mm thick. With four print heads and two UV-LED lamps, the LEF-300 enables bidirectional printing approximately 60% faster than the previous models. The growth of digital technology has facilitated the printing of photographs, illustrations names and logos onto items that people wear or carry. The market for on-demand printing onto various articles is expected to expand further still in the future.

LEF-300

Working on new business development in growing markets

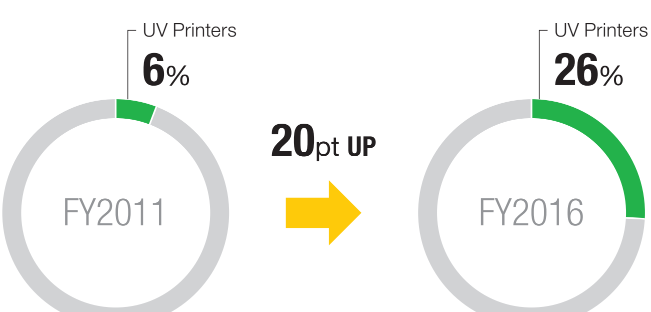
Roland DG launched a 5-year medium-term management plan beginning FY2016 and is currently working on the three objectives initiatives expressed in “GrowthOne: Sustainable growth through innovation.” These include: “acceleration new business development in growth market,” “transformation into a solutions provider” and “transformation into an innovation-focused group.” By 2018, we aim to have successfully commercialized potential growth sectors, and by 2020, will shift to a business model that delivers solutions that meets the needs of this new era. At the same time, we are resetting our business scope to “Imaging & Healthcare” with a focus on six core areas: Signage, Multi-purpose printing, Retail, Textiles, 3D Fabrication and Dental. For this article, we interviewed President Fujioka about the medium-term management plan initiatives being launched this term.

Q What success have you seen from the first year of the medium-term management plan?

A We have mainly seen growth in Retail and Dental.

In terms of success with initiatives to commercialize growth sectors, we have seen growth in both UV printers for the Retail industry and 3D machines for the Dental industry. In 2011, just 5 years ago, UV printers comprised 6% of sales, but this term they have grown to 26% and become an indispensable part of our product lineup. In addition, through strategic allocation of resources in Dental, we have increased sales by 22% year over year.

UV printer mix trend



Mix of UV printers improved significantly in the past five years.

Q Tell us about activities in the Retail sector.

A Adoption among small retailers continues to grow.

While trends such as online sales over the Internet and bulk purchasing of low-cost goods continue to spread, demand is rising among people for original, one-of-a-kind products. By offering in-store customization and personalization services through small retailers, we are aiming to respond to these needs and accelerate efforts to differentiate ourselves from the competition. Roland DG UV printers, low-solvent ink printers and impact printers offer a suite of desktop products that can be used together for an original goods creation corner. In this term, we will continue to push adoption in large-scale European superstore chains and begin horizontal development into other regions. Going forward, we are targeting small-to-mid scale superstore and home electronics stores to further expand adoption and our customer base.

Introduction to business area: Retail

President
Hidenori Fujioka

Q What activities are happening in the key Sign market?

A We are planning to revitalize markets with new products loaded with cutting-edge technology.

The sign market has achieved full adoption of inkjet printers and growth has become stunted. In this term, we filled out our lineup with TrueVIS, a new inkjet printer series that realizes high resolution printing in vivid color through the introduction of new print heads and inks. Already, TrueVIS has been highly praised by the market. Going forward, we will continue to introduce new products with cutting-edge technology and deliver services that expand the range of applications possible for customers as we revitalize markets and increase brand value.

Q What future initiatives are there for your printer business?

A We are currently building a new business model.

As diversity of needs and applications for digital printing grow, there is demand for printing in more situations on a wider variety of materials. By reinforcing the capabilities of the print head—the core component of the inkjet printer—and developing a variety of new inks, Roland DG is preparing to respond to all types of printing needs. In addition to improving product capability and user support, we are adding new services, such as content creation and business support, as we develop a business model to deliver value-added solutions to the customer.

Q Tell us about your recent activities in Healthcare.

A In the Dental area, sales growth has been driven by an increase in dedicated staff and sales network cultivation.

In 2010, Roland DG saw the Dental market as a new area to apply accumulated technology and knowhow from its milling machines and launched efforts to digitalize the creation of crowns, coping and bridges in dental labs through the use of milling machines designed for dental processing. Since then, we have tailored our lineup for specific dental prosthetic materials, and now, dental milling machines have grown to over 60% of total milling machine sales. Roland DG has several unique strengths regarding the Dental market. Our focus on “Open Systems” allows Roland DG products to work with the customer’s existing equipment, software, and materials. We offer training where customers get hands-on experience using dental data. Our products are user friendly with functionality at the touch of a button that even beginners can master. Our user support includes service centers stationed around the world. With these strengths, we will continue to push for increased digitalization in the Dental market. In this term, we have already seen huge sales growth driven by increasing our knowledgeable full-time staff and cultivating sales networks. Going forward, we plan to branch outside dental labs and pursue digitalization of dental clinics. We also plan to develop products that keep pace with the evolution of dental materials and build solutions to meet all types of use in order to reach a new level of growth.

DWX-51D

Q What other initiatives are you working on in Healthcare?

A Roland DG is delivering solutions to improve work efficiency and safety in hospitals.

In the Medical industry, demand is rising for traceability and management of medical instruments to maintain the safety of patients. We have been offering our impact printers as a way to imprint a 2D UDI code onto medical instruments, such as scalpels or forceps, to enable traceability. Imprinting onto tools using impact printers has the benefits of being extra-durable and rust-resistant, which is essential for medical instruments that undergo constant cleaning and disinfection. The MPX-95, released just this year, has a removable base table that allows for imprinting to almost any type of medical instrument. In addition, in December of 2016, Japan launched the “Medical Device Identification and Traceability Promotional Conference” to create legal guidelines for the management of medical instruments, which we anticipate will greatly increase demand. Furthermore, we hope to construct a support system for overall management of surgical instruments that can maintain safety and security for patients and digitalize manual tool management in order to help streamline hospital management. Since 2015, we have been working with the Hamamatsu University Hospital on a medical workplace management system, and going forward, we look to proactively introduce this system into cutting-edge hospitals with a goal of commercialization.

Medical instrument traceability and maintenance support system

Q Lastly, can you tell us what initiatives are planned for 2017?

A We plan to reinforce profitability and accelerate business creation in growth sectors.

While this term saw the beginning of growth in the Retail and Dental sectors, for the 2017 term, we plan to reinforce profitability and make optimal allocation of management resources into potential growth sectors. At the same time, we will further cultivate these areas of growth and accelerate business creation over the course of the year, and we look forward to having the support and guidance of our shareholders as we work to do so.

TrueVIS VG series: The Imagination Within
—R&D Division—

The IoT and AI-driven digital revolution of recent years has brought with it new opportunities for growth, which we have seized upon with business structure and business model reform as outlined in the medium-term management plan. In March 2016, we released the TrueVIS VG-640/650 standard model printer/cutters for the Sign market, which has traditionally been the focus of our inkjet business. Toshikazu Sugita, Producer of project management office at Roland DG, explains about what went into the TrueVIS series development and where it stands in the Medium-Term Business Plan.

Producer of Project Management Office at Roland DG **Toshikazu Sugita**

Q How did development on the TrueVIS series begin?

A As a top brand, we recognized the need to continue furthering market development which we did with the TrueVIS brand.

Roland DG developed its first professional-use wide-format inkjet printer in 1996. Personal computers were spreading rapidly, and the capability of image processing was improving, so we approached the Sign market based on the idea of using inkjet printers to produce banners, billboards and other outdoor signage. We continued to deliver world's first and industry first products and worked hard to grow the market with continuous added value. Meanwhile, Roland DG was becoming synonymous with high-resolution printing, and our professional-use wide-format inkjet printers became the top brand. In recent years, the Sign market in developed countries has matured. Competition is fierce, and it is more difficult to differentiate through functionality, but the Sign market remains a very important area for us. We want to repay the trust and loyalty customers have shown us with high-quality printing, while also recognizing the need to improve the competitiveness and usability of our printers by making possible a new generation of printing.

Q What was the most difficult aspect of development?

A Seeking the perfect combination of print head and ink to realize the best image quality.

That would be development of the print heads, which you could say form the heart of the inkjet printer. The print heads function similar to the engine of a car in that they are the most important part. The engine shapes how the car runs just as the print heads largely determine print quality. Our print heads have always been lauded for their precision and quality, but this time, we wanted to meet the changing needs of the market while exceeding customer expectations. To that end, we have developed Roland DG FlexFire print heads along with TrueVIS solvent ink to unleash their full potential. Seeking this perfect combination of print head and ink to realize the best in image quality was the area on which we focused the hardest and struggled the most.

New print head 'Roland DG FlexFire'

New eco-solvent ink ‘TrueVIS Ink’

Q What makes the TrueVIS series the superior choice for signage creation?

A It’s about finely-detailed, high-resolution printing. The TrueVIS series provide high value-added printing.

Simply put, it’s about finely-detailed, high-resolution printing. Through the combination of new heads and ink, we have greatly improved the accuracy and shape of each ink drop, which in turn produces sharp details and solid colors. The TrueVIS series realizes a level of fine detail never before possible. It produces an even, solid print with no inconsistencies, allowing for reproductions that have great impact. This level of image quality was the absolute most important part of development for us. We wanted standard-level machines that could stand toe to toe with professional models. We have always placed great importance on high print quality, and will continue to make improvements in this area.

Q How is development structured?

A To deliver new products to meet market needs in a timely manner, we focus on expanding the technology and enhancing the product’s technical properties.

Development on multiple models progresses in tandem across the company. In order to better allocate resources, we have done away with the previous one-team-per-model system in favor of a more flexible structure. We are also further reinforcing our technology and tackling other important issues to ensure we can

We hope to further strengthen the Roland DG brand as one that guarantees high-resolution, so we can use technology to support future sustainable growth.

swiftly respond to changing market needs and deliver new products in a timely manner. To that end, we intend to practice proactive development along with technological component development.

Q How do you view Innovation in the R&D Division?

A In the R&D Division, Innovation is combining new ideas with new technology to create a practical application of those ideas in a product.

In order to achieve our shift to a company built upon multiple pillars of business, it is essential we use new technology to create new markets. To us in the R&D Division, Innovation is combining new ideas with new technology to create a practical application of those ideas in a product. The TrueVIS VG series is our stepping stone to pursuing the optimal combination of head and ink to meet diverse printing needs. We are simultaneously working with optics and chemical technology, and by widening our technological scope, we aim to become a creative innovator that can swiftly and regularly deliver world's first and industry first products.

Q What do you hope for the future of development?

A We will continue to strengthen our brand image by enhancing the technology.

Currently, the areas of Digital Printing for Multi-uses, Retail and Textile have become, just like the Sign market, places we can utilize our company's trademark high-resolution, on-demand printing technology. Going forward, we hope to further strengthen the Roland DG brand as one that guarantees high-resolution, so we can use technology to support future sustainable growth.

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 establish a corporate structure that will allow us to respond expeditiously and appropriately to rapid changes in our business environments. Specifically, in addition to speeding up decision-making and implementing mutual supervision of Directors that are well-versed in the business, we have enhanced our ability to supervise our management from a third-party perspective by Outside Directors and Outside Audit & Supervisory Board Members. By introducing a division structure, we work toward efficient business execution, while at a Management meeting composed of Directors facilitates flexible and prompt decision making in business. 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 and 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.

Reasons for Non-compliance with the Principles of the Corporate Governance Code

Supplementary Principle 4-11-3 Disclosure of Summary of Analysis and Evaluation Results Regarding Effectiveness of the Board of Directors as a Whole

The Company works to ensure the effectiveness of the Board of Directors as a whole, including decisions made and operation of meetings as the Board of Directors. Furthermore, although the Company does not currently implement self-evaluation of each individual Director or conduct analysis and evaluation of the effectiveness of the Board of Directors as a whole, the Company shall study specific contents in the future.

*Titles of supplementary principles are provided for convenience in the interest of readability.

Disclosure Based on the Principles of the Corporate Governance Code

Principle 1-4 Cross-Shareholdings

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

Principle 1-7 Related Party Transactions

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

Principle 3-1 Full Disclosure

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

1. Business principles, business strategy and business plans: The Slogans, Mission, Vision, and Medium-Term Business Plan are disclosed on the Company's website and 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 appointing an Independent Outside Director as two of the four committee members of the Director Remuneration Committee, and receiving appropriate participation and counsel. In addition, with regard to the amount of Directors' remuneration, information is disclosed on the Company's website, Corporate Governance Reports to TSE, the convening notices for general shareholder meetings, and Securities Reports.
4. Policies and procedures for the nomination of candidates for Director and Audit & Supervisory Board Member: When nominating candidates for Director and Audit & Supervisory Board Member, the appropriateness of candidates is discussed in the Officer Appointment Committee, in which two Outside Director is a committee member, based on the appointment standards stipulated in the "Officer Appointment Committee Operational Regulations" and is reported to the President. The President submits this candidate appointment proposal to the Board of Directors and Audit & Supervisory Board "Board of Auditors," and upon their resolution, it is proposed to the General Meeting of Shareholders. Furthermore, the procedures for nomination are disclosed in Corporate Governance Reports to TSE, and with regard to independence, the Company's standard concerning independency is disclosed on the Company's website and TDnet.
5. Explanations with respect to individual appointments of senior management and nomination of Directors and Audit & Supervisory Board Members: Reasons for appointment of all candidates are disclosed in the convening notices for the General Meeting of Shareholders.

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; and the "Administrative Authority Regulations" with regard to the authority of Executive Directors. With regard to the scope of delegation to management, etc., there are specific provisions in internal regulations such as the "Approval Rules." Furthermore, an overview of these provisions is disclosed in Corporate Governance Reports to TSE.

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

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

Furthermore, with regard to the training policy for Directors and Audit & Supervisory Board Members, information is disclosed in Corporate Governance Reports to TSE.

Principle 5-1 Policy for the Measures and Organizational Structures Aimed at 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 December 31, 2016):

a. Board of Directors

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

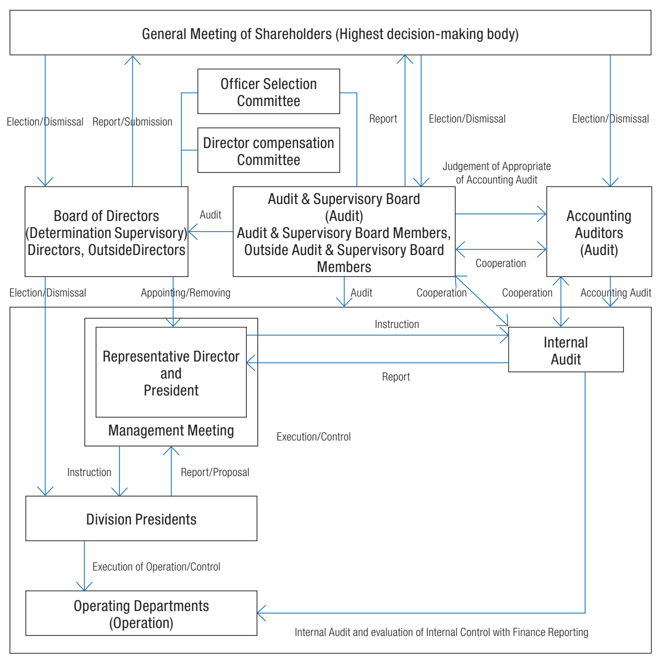
b. Management Meeting

The Management Meeting consists of all Directors including the President, and typically meets once every month to make decisions on crucial operational matters, hold advanced discussion on the agenda of the Board of Directors and oversee the execution of Division Presidents' duties by reporting and proposing of 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 on important decision-making processes and the status of business execution, Audit & Supervisory Board Members also participate in Board of Directors meetings, Management Meetings, 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 5 members. The audit section performs internal audits of different divisions based on the audit plan determined at the beginning of the year, and reports the results to the President.

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

Full-time Audit & Supervisory Board Member, Mr. Masanori Nakagawa, has been involved in operations in financial institutions for many years, and Full-time Audit & Supervisory Board Member, Mr. Masayasu Suzuki, has been involved in operations in financial institutions for many years as well as accounting and general affairs operations in the Company. Outside Audit & Supervisory Board Member, Mr. Shigeki Matsuda, is licensed as a certified public accountant and tax accountant, and Outside Audit & Supervisory Board Member, Mr. Mitsuhiro Honda, has abundant experience in international tax affairs. All four individuals are well-versed in finance and accounting matters.

While the Company has no special vested interest with the accounting auditor, Deloitte Touche Tohmatsu LLC, or its engagement partners, the two parties maintain close contact with each other so that the Company is able to receive appropriate advice on an ongoing basis. As for consolidated subsidiaries, accounting audits are consigned to independent auditors in order to ensure the appropriateness of our consolidated accounting. Furthermore, the accounting audit for the fiscal year under review was conducted by Certified Public Accountants Messrs. Masato Nishimatsu, Atsushi Numata, and Hiroshi Waseda, who are designated limited liability partners and engagement partners. (As the number of consecutive years conducting audits is within seven years, the number of years is omitted.) Assistance for audit operations is provided by 8 Certified Public Accountants and five other persons.

Moreover, the company arranges meeting among the internal audit, Audit & Supervisory Board Members and the Accounting Audit at least twice a year.

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

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

Additionally, there are no personal, capital or transactional relationships and other interests with companies, 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, Ms. Chieko Okuda, Outside Director, to leverage her wide experience and deep knowledge that she has acquired as an expert in global asset management, and Mr. Katsuhiro Endo, Outside Director, to leverage his practical experience in global taxation businesses and his knowledge and experience that he has acquired as a tax accountant, in all aspects of our corporate management and provide independent oversight and counsel regarding our corporate operations as well as to contribute to enhancing the transparency of Board of Directors proceedings and our supervisory functions.

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

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

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

We have judged that 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 Management Meeting and the Board of Directors. Additionally, a structure is established to receive periodic reports on risk management from subsidiaries, and matters related to the group-wide risk management are treated as risk management issues of the Company.

Furthermore, to secure the appropriateness of operations of the Group, we have defined regulations regarding management of affiliated companies, and while receiving reports on management status from subsidiaries, we supervise the management of key subsidiaries by seconding our Directors, 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, for development, operation and evaluation of the internal control system are defined, with the Finance Accounting Department in charge. The evaluation of effectiveness is conducted through evaluation of the status of development and operation in each department and subsidiary, as well as independent evaluation by the audit section.

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

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

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

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 for FY2016

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)	228	152	-	76	-	6
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	29	25	-	4	-	2
Outside Officers	36	36	-	-	-	7
Total	293	213	-	80	-	15

(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 Meeting of shareholders 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 Meeting of Shareholders held on June 16, 2010.
3. The number of paid officers includes two Directors Member who retired at the conclusion of the 36th General Meeting of Shareholders held on March 24, 2016. In addition, one Outside Director who retired Outside Audit & Supervisory Board Member and assumed the position of Outside Director at the conclusion of the 36th General Meeting of Shareholders held on March 24, 2016. Therefore, while the number of paid officers is recorded multiple times as an Outside Officers, compensation is recorded as a sum of payments received as both Outside Audit & Supervisory Board Member and Outside Director.
4. Aside from the amounts provided above, 58 million yen has been recorded as Officer Performance-linked Compensation toward five Directors (excluding Outside Directors) based on the Stock Benefit Regulations (for Officers). This Performance-linked Compensation scheme for Officers was resolved in a separate category from the compensation described in 1. at the 33rd General Meeting of Shareholders held on June 18, 2014.

The total amounts 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

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

With regards to determination of the compensation standards for Directors, the Director Remuneration Committee, consisting of Directors who are elected by the Board of Directors (3 to 5 Directors; does not include the President), deliberates on the compensation standards for Directors, and reports to the President. The President, based on the report of the Committee, drafts the compensation standards for Directors and refers it to the Board of Directors. The compensation standards for Directors are determined by the resolution of the Board of Directors. With regards to the bonuses for Directors, the determination of the amount of bonus for each Director is delegated to the President by resolution of the Board of Directors, and the President determines the amount taking into consideration the post and contribution to the business performance of each Director.

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

Policy for the Measures and Organizational Structures Aimed at Constructive Dialogue with Shareholders

Principle 5-1 of the Corporate Governance Code

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

Policy of the Company

1. Basic Policy

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

2. Promotional Framework

The Company has designated the Corporate Division as the point of contact for dialogue with shareholders, etc., which is managed by the Director who is the officer in charge of information management as submitted to TSE, and the Division President, Corporate. In addition, a department dedicated to IR is established to assist in the promotion of such dialogue.

3. Dialogue with Shareholders

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

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

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

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

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

4. Monitoring Shareholder Composition

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

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

The Company discloses its revenue targets and dividend policy in the Medium-Term Business Plan, consolidated financial results ("kessan tanshin"), or the securities report. Specific measures to materialize these goals are explained striving for clarity and simplicity at opportunities such as general shareholder meetings and financial results briefings.

Board of Directors (As of March 23, 2017)

Masahiro Tomioka

Chairman

September 1982	Joined the Company
May 1984	Managing Director of the Company
March 1986	President and Representative Director of the Company
June 2005	Director of Roland Corporation
June 2014	Chairman and President, Representative Director of the Company
March 2016	Chairman, Representative Director of the Company
March 2017	Chairman of the Company (current position)

Hidenori Fujioka

President, Representative Director of the Company

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

David Goward

Executive Vice President

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

Chieko Okuda

Director
(Outside) (Independent)

April 2000	Managing Director of Citigroup Asset Management Managing Director of Cititrust & Banking Corporation
May 2004	United Nations Director of the Investment Management Service for the United Nations Joint Staff Pension Fund
January 2009	Special Advisor to CFO/CAO of International Fund for Agricultural Development
April 2012	Director and Treasurer of International Fund for Agricultural Development
June 2015	Director of the Company (current position)
January 2016	Representative Partner of YSC, LLC (current position)

Katsuhiro Endo

Director
(Outside) (Independent)

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

Masanori Nakagawa

Audit & Supervisory Board Member

April 1980	Joined THE TOKAI BANK, LTD. (current the Bank of Tokyo-Mitsubishi UFJ, Ltd.)
February 1999	General Manager of THE TOKAI BANK, LTD., Chicago Branch
February 2008	Senior Manager, Internal Audit Office of the Bank of Tokyo-Mitsubishi UFJ, Ltd.
November 2010	Joined the Company
June 2012	Audit & Supervisory Board Member of the Company (current position)

Shuji Hotta

Managing Director

April 1973	Joined the Daiwa Bank, Limited (currently Resona Bank, Limited)
June 1999	Dispatched to Daiwa Bank (Capital Management) Plc President and Director of Daiwa Bank (Capital Management) Plc
November 2003	Joined the Company
June 2004	Director of the Company
June 2013	Managing Director of the Company (current position)
October 2013	In charge of Global SCM of the Company, Global Information Service of the Company, HR and Corporate Affairs of the Company and Internal Audit of the Company
March 2016	In charge of Corporate Planning of the Company and Finance & Accounting of the Company
March 2017	In charge of Administration of the Company (current position)

Koichi Hashimoto

Director

March 1990	Joined Riso Science Laboratory Limited
April 1992	Joined RISO KAGAKU CORPORATION
September 2011	General Manager of America Sales Department
October 2013	General Manager of Overseas Administration Department
November 2015	Joined the Company
March 2016	Executive Officer of the Company Division President of Corporate Planning Division of the Company and General Manager of Planning Department
January 2017	Division President of Corporate Division of the Company (current position) and General Manager of Corporate Planning Department
March 2017	Director of the Company (current position) In charge of Administration of the Company (current position) and Production of the Company (current position)

Takuo Hirose

Director
(Outside) (Independent)

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

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, Shizuoka Bank (Europe) S.A.
April 2007	General Manager, The Shizuoka Bank, Ltd. Osaka Office
October 2009	Joined the Company Executive Officer of the Company
June 2014	Audit & Supervisory Board Member of the Company (current position)

Shigeki Matsuda

Audit & Supervisory Board Member
(Outside) (Independent)

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

Mitsuhiro Honda

Audit & Supervisory Board Member
(Outside) (Independent)

April 1984	Joined National Tax Administration Agency
July 2004	Director (International Examination), Large Enterprise Examination Division, Large Enterprise Examination and Criminal Investigation Department, National Tax Administration Agency
June 2006	Senior Advisor, Centre for Tax Policy and Administration, OECD
July 2008	Director, Third Large Enterprise Examination Department, Tokyo Regional Taxation Bureau
July 2009	Director, Second Large Enterprise Examination Department, Tokyo Regional Taxation Bureau
July 2010	Assistant Regional Commissioner, Takamatsu Regional Taxation Bureau
July 2012	Professor, Graduate School of University of Tsukuba (current position)
March 2013	Registered as Certified Public Tax Accountant
April 2013	Visiting Professor, Graduate School of Meiji University (current position)
May 2013	International Tax Adviser of the TOMA Tax Account's Corporation (current position)
April 2014	Part-time Lecturer, Graduate School of Waseda University (current position)
March 2016	Audit & Supervisory Board Member of the Company (current position)
April 2016	Concurrently Appointed Lecture, Professional Graduate School of Meiji University (current position)

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

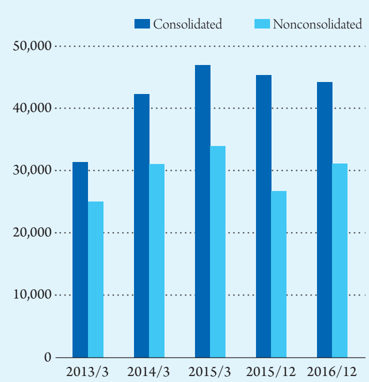
	Millions of Yen					Thousands of U.S. Dollars
	2016/12	2015/12	2015/3	2014/3	2013/3	2016/12
Operating Results						
Net sales	¥ 44,112	¥ 45,122	¥ 46,770	¥ 42,142	¥ 31,264	$ 380,279
Operating income	4,359	4,057	6,578	6,111	1,424	37,576
Net income attributable to owners of the parent	2,706	2,469	3,190	4,265	356	23,326
Net cash provided by (used in) operating activities	5,370	3,543	5,467	6,354	1,806	4,089
Financial Position						
Total equity	20,618	22,911	22,074	30,677	24,861	177,738
Total assets	36,341	37,980	38,193	38,926	31,628	313,287
	Yen					U.S. Dollars
Per Share Data						
Net income attributable to owners of the parent	¥ 206.73	¥ 173.36	¥ 210.87	¥ 239.64	¥ 20.03	$ 1.78
Equity	1,647.59	1,608.94	1,550.19	1,723.45	1,396.73	14.20
Cash dividends applicable to the year	60.00	60.00	60.00	40.00	30.00	0.52

Nonconsolidated

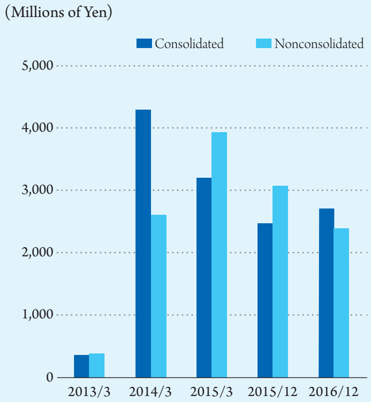
	Millions of Yen					Thousands of U.S. Dollars
	2016/12	2015/12	2015/3	2014/3	2013/3	2016/12
Operating Results						
Net sales	¥ 31,056	¥ 26,743	¥ 33,818	¥ 30,937	¥ 24,932	$ 267,724
Operating income	3,069	4,105	5,241	4,136	1,111	26,457
Net income	2,385	3,070	3,926	2,602	386	20,559
Financial Position						
Total equity	18,627	20,462	18,256	26,536	24,559	160,573
Total assets	30,526	32,480	31,017	32,750	30,118	263,155
	Yen					U.S. Dollars
Per Share Data						
Net income	¥ 182.21	¥ 215.59	¥ 259.46	¥ 146.19	¥ 21.71	$ 1.57
Equity	1,488.49	1,436.99	1,282.07	1,490.84	1,379.74	12.83

Note: The U.S. dollar amounts have been translated, for convenience only, at the rate of ¥116 to U.S.$1, the approximate rate of exchange at December 31, 2016.

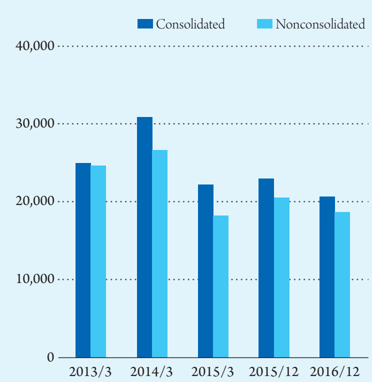
Net Sales
(Millions of Yen)



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

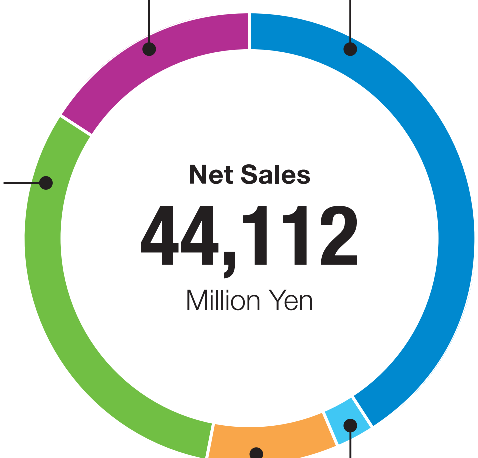


Total Equity
(Millions of Yen)



Sales by product (FY2016)

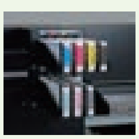
Composition of Sales



Others 15.8%

Service parts,
Maintenance fees,
Installation fees,
etc.

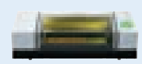
Supplies 30.9%



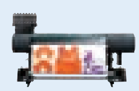
Inks,
Media,
Cutter Blades,
etc.

Printers 40.9%

Signage
To offer optimum solutions for a profitable Signage Business.



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



Textile
Meet diversified and personalized fashion needs on-demand.

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

3D Products 9.5%

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

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

Plotters 2.9%

Production of signs by vinyl cutting

Sales by product

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

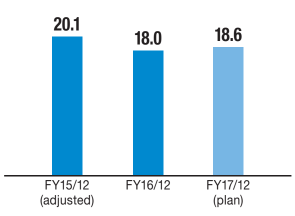
Printers

Net Sales

18,028 Million Yen

YoY change 10.6% ↓

Net Sales
(Billions of Yen)



POINT

- **Compact UV Flatbed sales grew by 20%.**
- **Inkjet printers for signage declined.**

Signage

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

Retail

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

Textile

In the textile market, there has been progress made in the introduction of specialized textile printers, including the Texart XT-640 that went on sale in December 2015 and is primarily used in the production of decorated sportswear and personalized apparel.

Digital Printing for Multiple Uses

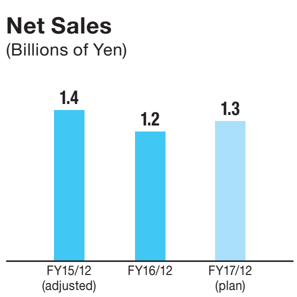
Using our accumulated digital printing technology and expertise, we are working to cultivate new printing applications. For example, we can take UV printers, which print to plastics, leather and other non-paper materials, and provide printing solutions, such as merchandise packaging and industrial label creation, or for interior design, to further develop and expand partnerships in all industries.

Plotters

Net Sales

1,292 Million Yen

YoY change 12.5% ↓



POINT

Slow high-end model sales.

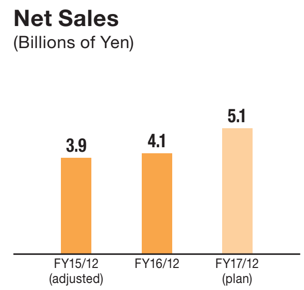
Although sales of the GS-24 were favorable due to its attractive pricing, sales of some high-price models were sluggish, resulting in sales of 1,292 million yen, or 87.5% of the previous fiscal year.

3D Products

Net Sales

4,188 Million Yen

YoY change 6.0% ↑



POINT

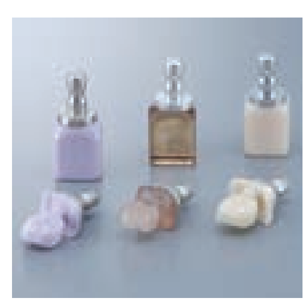
Dental milling machine sales grew by 20%.

3D Monozukuri(Fabrication)

We provide 3D milling machines and 3D printers to aid in prototyping at product development and design departments in the manufacturing industry as well as to support education in technical high schools and specialized training colleges. In addition, we provide digital engraving devices for the creation of nameplates, trophies and other personalized items in the engraving industry. Sales of 3D milling machines and engraving machines were down compared with the previous term.

Dental

In the dental market, we focused on quicker and more intensive sales and marketing activities, while reinforcing staff dedicated to the dental sector and enhancing other resources. Thanks to these efforts, expansion of new sales networks progressed steadily and sales grew in Asia in addition to developed countries such as North America, Europe, and Japan, partly due to the solid performance of the two new product models of the DWX series dental milling machines that were introduced in October 2015. In the dental market, through efficient sales activities using our networks in each region around the world and provision of high-quality services and support, we are steadily expanding business while differentiating ourselves from industry peers.

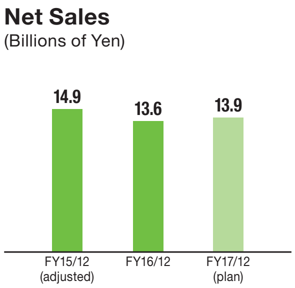


Supplies

Net Sales

13,624 Million Yen

YoY change 9.0%



POINT

- **UV Ink sales grew by 15%.**
- **Solvent Ink sales declined.**

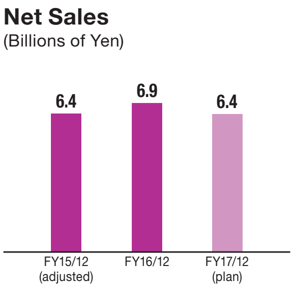
Although sales of printer ink for UV printers and textile printers grew, sales of printer ink for the sign market declined year on year. As a result, net sales of supplies were 13,623 million yen, or 91.0% of the previous fiscal year.

Others

Net Sales

6,980 Million Yen

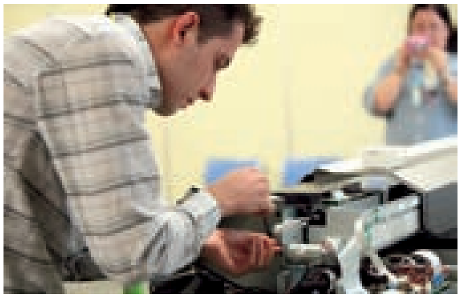
YoY change 8.3%



POINT

- **Sales of service parts and service contracts increased.**

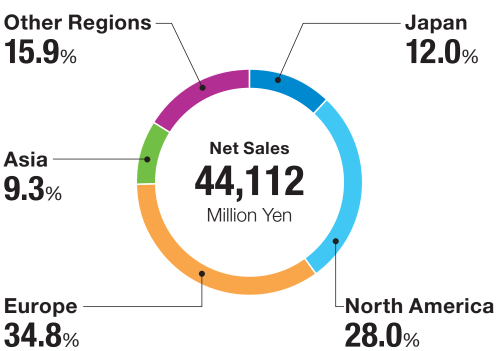
Maintenance services, service parts, and other sales were 6,980 million yen, or 108.3% of the previous fiscal year, mainly due to factors such as an increase in the sales of service parts.



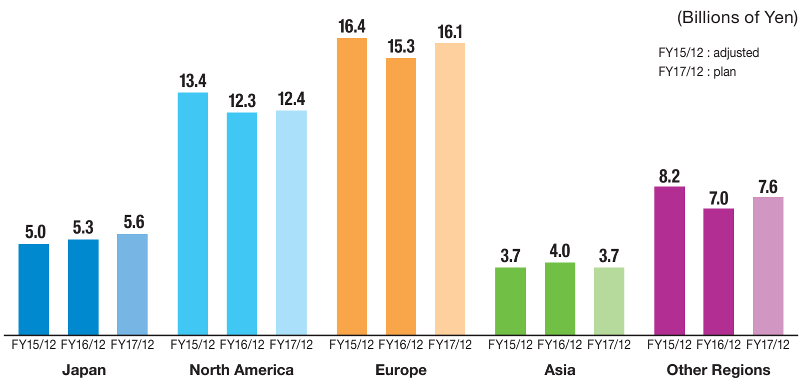
Sales by region

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

Composition of Sales



Net Sales



POINT

- **Sales declined due to Yen appreciation in North America and Europe.**
- **Sales network expansion of UV printers and Dental milling machines in China/Korea contributed to sales increase.**
- **Significant sales decline mainly due to economic turmoil in Brazil.**

Japan — 5,306 Million Yen

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

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

North America — 12,360 Million Yen

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

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

Europe — 15,331 Million Yen

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

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

Asia — 4,094 Million Yen

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

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

Other Regions — 7,021 Million Yen

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

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

Consolidated Balance Sheet

Roland DG Corporation and Consolidated Subsidiaries
December 31, 2016

ASSETS

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2016	December 31, 2015	December 31, 2016
CURRENT ASSETS:			
Cash and time deposits (Notes 4, 6, and 15)	¥ 10,003,132	¥ 9,995,232	$ 86,234
Notes and accounts receivable (Note 15):			
Trade notes	38,396	30,857	331
Trade accounts	4,881,151	4,396,887	42,079
Allowance for doubtful receivables	(53,873)	(26,847)	(464)
Inventories (Note 5)	8,368,683	9,420,166	72,144
Deferred tax assets (Note 12)	1,080,447	1,631,227	9,314
Prepaid expenses and other	1,334,152	1,695,092	11,501
Total current assets	25,652,088	27,142,614	221,139
PROPERTY, PLANT, AND EQUIPMENT (Note 20)**:**			
Land	3,107,278	3,118,628	26,787
Buildings and structures	6,928,376	6,937,777	59,727
Machinery and equipment	1,053,186	1,010,189	9,079
Tools, furniture, and fixtures	3,620,466	3,213,350	31,211
Construction in progress	21,062	98,736	182
Total property, plant, and equipment	14,730,368	14,378,680	126,986
Accumulated depreciation	(7,672,549)	(7,138,590)	(66,143)
Net property, plant, and equipment	7,057,819	7,240,090	60,843
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 15)	23,785	23,714	205
Investments in unconsolidated subsidiaries and associated companies (Note 15)	10,000	243,460	86
Goodwill (Note 7)	410,076	574,971	3,535
Software	1,376,535	1,185,715	11,867
Deferred tax assets (Note 12)	789,883	605,894	6,809
Deferred compensation assets	475,542	475,542	4,100
Other assets	545,618	488,163	4,703
Total investments and other assets	3,631,439	3,597,459	31,305
TOTAL	¥ 36,341,346	¥ 37,980,163	$ 313,287

See notes to consolidated financial statements.

LIABILITIES AND EQUITY

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2016	December 31, 2015	December 31, 2016
CURRENT LIABILITIES:			
Accounts payable (Note 15)			
Trade	¥ 1,923,211	¥ 2,135,477	$ 16,579
Other	1,265,193	1,414,280	10,907
Current portion of long-term debt (Notes 8 and 15)	1,440,000	1,440,000	12,414
Income taxes payable (Notes 12 and 15)	246,997	633,476	2,129
Accrued expenses	755,807	759,548	6,516
Accrued bonuses	716,485	675,069	6,177
Accrued bonuses to directors and audit and supervisory board members	80,000	70,000	690
Accrued warranties	552,307	541,736	4,761
Other	1,280,062	1,010,644	11,034
Total current liabilities	8,260,062	8,680,230	71,207
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 15)	4,680,000	4,320,000	40,345
Provision for employee stock ownership plan (Note 10)	91,256	62,636	787
Provision for management stock ownership plan (Note 10)	223,132	151,584	1,923
Liability for retirement benefits (Note 9)	960,630	487,407	8,281
Long-term payables	118,306	119,093	1,020
Other	1,390,392	1,248,619	11,986
Total long-term liabilities	7,463,716	6,389,339	64,342
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 14, 15, 16, and 17)			
EQUITY (Notes 11, 19 and 21)**:**			
Common stock,			
authorized, 71,200,000 shares in 2016 and in 2015;			
issued, 12,656,311 shares in 2016 and 14,385,511 shares in 2015	3,668,700	3,668,700	31,627
Capital surplus	3,700,609	3,867,377	31,902
Retained earnings	14,808,135	16,167,289	127,656
Treasury stock – at cost			
142,595 shares in 2016 and 146,000 shares in 2015 (Note 10)	(623,301)	(635,105)	(5,373)
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities	3,056	3,514	26
Foreign currency translation adjustments	(466,234)	9,700	(4,019)
Defined retirement benefit plans	(473,445)	(170,912)	(4,081)
Total	20,617,520	22,910,563	177,738
Noncontrolling interests	48	31	0
Total equity	20,617,568	22,910,594	177,738
TOTAL	¥ 36,341,346	¥ 37,980,163	$ 313,287

Consolidated Statement of Income

Roland DG Corporation and Consolidated Subsidiaries
Year Ended December 31, 2016

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2016	December 31, 2015	December 31, 2016
NET SALES (Note 20)	¥ 44,112,327	¥ 45,121,937	$ 380,279
COST OF SALES (Note 13)	24,070,932	25,912,540	207,508
Gross profit	20,041,395	19,209,397	172,771
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 13)	15,682,582	15,151,914	135,195
Operating income	4,358,813	4,057,483	37,576
OTHER INCOME (EXPENSES):			
Interest and dividend income	16,754	19,572	144
Interest expense	(31,743)	(89,914)	(274)
Dividend income of insurance	10,184	2,681	88
Gain on money held in trust	34,120	—	294
Loss on disposals or sales of property, plant, and equipment, software and intangible assets	(21,592)	(156,841)	(186)
Foreign exchange losses	(130,244)	(185,420)	(1,122)
Sales discount charges	(174,788)	(184,809)	(1,507)
Treasury stock purchase fees	(7,183)	—	(62)
Subsidy income	—	24,747	—
Other - net	28,874	2,449	249
Other expenses – net	(275,618)	(567,535)	(2,376)
INCOME BEFORE INCOME TAXES AND NONCONTROLLING INTERESTS	4,083,195	3,489,948	35,200
INCOME TAXES (Note 12)**:**			
Current	922,703	1,639,174	7,955
Deferred	454,638	(617,726)	3,919
Total income taxes	1,377,341	1,021,448	11,874
NET INCOME	2,705,854	2,468,500	23,326
NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	19	(10)	0
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 2,705,835	¥ 2,468,510	$ 23,326
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 3. u and 19)**:**			
Net income attributable to owners of the parent	¥ 206.73	¥ 173.36	$ 1.78
Cash dividends	60	60.00	0.52

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Roland DG Corporation and Consolidated Subsidiaries
Year Ended December 31, 2016

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2016	December 31, 2015	December 31, 2016
NET INCOME	¥ 2,705,854	¥ 2,468,500	$ 23,326
OTHER COMPREHENSIVE INCOME (Note 18):			
Unrealized losses on available-for-sale securities	(458)	(968)	(4)
Foreign currency translation adjustments	(475,936)	(769,336)	(4,103)
Defined retirement benefit plans	(302,533)	1,386	(2,608)
Total other comprehensive income	(778,927)	(768,918)	(6,715)
COMPREHENSIVE INCOME	¥ 1,926,927	¥ 1,699,582	$ 16,611
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 1,926,910	¥ 1,699,592	$ 16,611
Noncontrolling interests	17	(10)	0

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Roland DG Corporation and Consolidated Subsidiaries
Year Ended December 31, 2016

		Thousands of Yen									
						Accumulated Other Comprehensive Income					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gains on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2015	14,239,511	¥ 3,668,700	¥ 3,867,372	¥14,561,730	¥ (635,105)	¥ 4,482	¥ 779,036	¥ (172,298)	¥22,073,917	¥ 59	¥22,073,976
Net income attributable to owners of the parent				2,468,510					2,468,510		2,468,510
Cash dividends, ¥60 per share				(862,951)					(862,951)		(862,951)
Change in equity related to transaction with noncontrolling interests			5						5		5
Net change in the year						(968)	(769,336)	1,386	(768,918)	(28)	(768,946)
BALANCE, DECEMBER 31, 2015	14,239,511	3,668,700	3,867,377	16,167,289	(635,105)	3,514	9,700	(170,912)	22,910,563	31	22,910,594
Net income attributable to owners of the parent				2,705,835					2,705,835		2,705,835
Cash dividends, ¥60 per share				(811,163)					(811,163)		(811,163)
Purchase of treasury stock	(1,726,395)				(3,411,415)				(3,411,415)		(3,411,415)
Retirement of treasury stock			(166,768)	(3,253,826)	3,420,594						
Treasury stock transfer of stock ownership trust	600				2,625				2,625		2,625
Net change in the year						(458)	(475,934)	(302,533)	(778,925)	17	(778,908)
BALANCE, DECEMBER 31, 2016	12,513,716	¥ 3,668,700	¥ 3,700,609	¥14,808,135	¥ (623,301)	¥ 3,056	¥ (466,234)	¥ (473,445)	¥20,617,520	¥ 48	¥20,617,568

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gains on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, DECEMBER 31, 2015	$ 31,627	$ 33,339	$ 139,373	$ (5,475)	$ 30	$ 84	$ (1,473)	$ 197,505	$ 0	$ 197,505
Net income attributable to owners of the parent			23,326					23,326		23,326
Cash dividends, $0.52 per share			(6,993)					(6,993)		(6,993)
Purchase of treasury stock				(29,408)				(29,408)		(29,408)
Retirement of treasury stock		(1,437)	(28,050)	29,487						
Treasury stock transfer of stock ownership trust				23				23		23
Net change in the year					(4)	(4,103)	(2,608)	(6,715)	0	(6,715)
BALANCE, DECEMBER 31, 2016	$ 31,627	$ 31,902	$ 127,656	$ (5,373)	$ 26	$ (4,019)	$ (4,081)	$ 177,738	$ 0	$ 177,738

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Roland DG Corporation and Consolidated Subsidiaries
Year Ended December 31, 2016

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2016	December 31, 2015	December 31, 2016
OPERATING ACTIVITIES:			
Income before income taxes and noncontrolling interests	¥ 4,083,195	¥ 3,489,948	$ 35,200
Adjustments for:			
Income taxes paid	(1,334,427)	(2,184,803)	(11,504)
Depreciation and amortization	1,380,330	1,139,007	11,899
(Reversal of) provision for allowance for doubtful receivables	(106,069)	114,862	(914)
Provision for (reversal of) accrued bonuses	44,547	14,779	384
Provision for (reversal of) accrued bonuses to directors and audit and supervisory board members	10,000	(20,000)	86
Provision for (reversal of) accrued warranties	33,022	38,109	285
Increase (decrease) in liability for retirement benefits	44,600	22,309	384
Provision for (reversal of) employee stock ownership plan	29,933	33,242	258
Provision for (reversal of) management stock ownership plan	72,859	79,578	628
Interest and dividend income	(16,754)	(19,572)	(144)
Interest expense	31,743	89,914	274
Loss (gain) on disposals or sales of property, plant, and equipment	8,382	1,615	72
Loss (gain) on disposals or sales of software and intangible assets	13,210	155,226	114
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable	(750,001)	165,265	(6,466)
Decrease (increase) in inventories	592,667	(862,801)	5,109
Decrease (increase) in prepaid expenses and other current assets	335,199	(91,223)	2,890
Decrease (increase) in other investments and assets	13,065	(333,651)	113
Increase (decrease) in accounts payable	479,317	1,306,571	4,132
Increase (decrease) in other current liabilities	174,987	319,557	1,509
Increase (decrease) in other long-term liabilities	164,387	128,642	1,417
Other – net	65,356	(43,433)	563
Total adjustments	1,286,353	53,193	11,089
Net cash provided by (used in) operating activities	5,369,548	3,543,141	46,289
INVESTING ACTIVITIES:			
Payments into time deposits	(47,163)	(637)	(406)
Purchases of property, plant, and equipment	(757,895)	(489,322)	(6,534)
Proceeds from sales of property, plant, and equipment	22,970	25,078	198
Purchases of software and other intangible assets	(648,171)	(572,753)	(5,588)
Purchases of investment securities	(885)	(720)	(8)
Purchase of investments in unconsolidated subsidiaries and associated companies	(10,000)	(243,460)	(86)
Other	13,330	(450)	115
Net cash (used in) provided by investing activities	(1,427,814)	(1,282,264)	(12,309)
FINANCING ACTIVITIES:			
(Decrease) increase in short-term bank loans – net	—	(329,220)	—
Proceeds from long-term debt	2,880,000	—	24,828
Repayments of long-term debt	(2,520,000)	(1,080,000)	(21,724)
Repurchase of treasury stock	(3,418,598)	—	(29,471)
Dividends paid	(813,403)	(858,889)	(7,012)
Other	(7,405)	(2,184)	(64)
Net cash (used in) provided by financing activities	(3,879,406)	(2,270,293)	(33,443)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(378,765)	(391,202)	(3,265)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(316,437)	(400,618)	(2,728)
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY	243,460		2,099
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,009,074	10,409,692	86,285
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 4)	¥ 9,936,097	¥ 10,009,074	$ 85,656

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Roland DG Corporation and Consolidated Subsidiaries
Year Ended December 31, 2016

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 which 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, 2015 to conform to the classifications used in the year ended December 31, 2016.

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 ¥116 to $1, the approximate rate of exchange at December 31, 2016. 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. CHANGE IN CONSOLIDATED FISCAL YEAR-END DATE

The Company changed its fiscal year-end date and consolidated fiscal year-end date from March 31 to December 31, pursuant to the resolution regarding the partial amendments to the Articles of Incorporation at the 34th Ordinary General Meeting of Shareholders held on June 17, 2015. This change is to further enhance management transparency and to promote integrated management of its global business through timely and accurate disclosure of management information by aligning its fiscal year with its overseas consolidated subsidiaries.

Due to this change, the year ended December 31, 2015 is an irregular period that consists of nine months from April 1, 2015 to December 31, 2015 of the Company and 12 months from January 1, 2015 to December 31, 2015 of the consolidated subsidiaries.

Profit and loss for the three months from January 1, 2015 to March 31, 2015 of the consolidated subsidiaries have been adjusted on the consolidated statement of income. Net sales, operating loss, loss before income taxes and noncontrolling interests after eliminating intercompany transactions and unrealized profits resulting from the intercompany transactions for the period were ¥9,072,635 thousand, ¥136,385 thousand and ¥206,442 thousand, respectively.

The fiscal year-end date of the consolidated subsidiaries is the same as the consolidated fiscal year-end date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation*** — The consolidated financial statements as of December 31, 2016, include the accounts of the Company and its 16 (15 in 2015) 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.

Investments in two unconsolidated companies not accounted for by the equity method are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

InClix Corporation was newly included in the scope of consolidation from the fiscal year ended December 31, 2016 due to its increase in materiality.

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*** — In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" which was subsequently revised in February 2010 and March 2015 to reflect revisions of the relevant Japanese GAAP or accounting standards in other jurisdictions. PITF No. 18 prescribes 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*** — In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interest method of accounting is no longer allowed. (2) The previous accounting standard required R&D costs to be charged to income as incurred. Under the revised standard, in-process R&D costs acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the 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. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

In September, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) Transactions with noncontrolling interest - 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. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted was accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet - In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "noncontrolling interest" under the revised accounting standard.

(c) Presentation of the consolidated statement of income - In the consolidated statement of income, "income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) Provisional accounting treatments for a business combination - 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. Under the former accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss was recognized as profit or loss in the year in which the measurement was completed. Under the previous accounting standard guidance, 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.

(e) Acquisition-related costs - Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the former accounting standard, the acquirer accounted for acquisition-related costs by including them in the acquisition costs of the investment. Under the previous accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015.

The Company applied the revised accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs above, effective April 1, 2015, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after April 1, 2015. The impact of this change is immaterial.

d. ***Cash Equivalents*** — Cash equivalents are short-term investments that are readily convertible into cash and that are 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*** — 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 requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheets.

In addition, the 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 which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

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, 2016 and December 31, 2015. As a result, no impairment loss was recognized for the years ended December 31, 2016 and December 31, 2015.

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.

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a)Treatment in the balance sheet

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b)Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c)Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard for (a) and (b) above effective April 1, 2013, and (c) above from April 1, 2014.

With respect to (c) above, the Company changed the method of attributing expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from using the period approximate to the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment. There is no impact from this accounting change.

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. ***Asset Retirement Obligations*** — In March 2008, the ASBJ issued ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations," and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as 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.

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

n. ***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.

o. ***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.

p. ***Employee and Management Stock Ownership Plans*** — In December 2013, the ASBJ issued PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts." This PITF is effective for the beginning of annual periods beginning on or after April 1, 2014, with earlier application permitted from the beginning of annual periods first ending after the date of issuance of this PITF, and applied retrospectively.

In accordance with the PITF, upon transfer of treasury stock to the employee stock ownership 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 entity shall record 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.

The Company applied this PITF effective April 1, 2014.

Provision for employee stock ownership plan ("ESOP") and provision for management stock ownership plan are recognized preparing for future stock transfer to employees and management of the Company.

q. ***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.

r. ***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.

s. ***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.

t. ***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.

u. ***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.

v. ***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.

w. ***Accounting Changes and Error Corrections*** — In December 2009, the ASBJ issued 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 under this standard and guidance are 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.

x. ***New Accounting Pronouncements***

Tax Effect Accounting — On March 28, 2016, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The Company expects to apply the new guidance on recoverability of deferred tax assets effective January 1, 2017, and the impact of the new guidance on the consolidated financial statements is expected to be immaterial.

Pursuant to an amendment to the Corporate Tax Act, the Company applied ASBJ PITF No. 32 "Practical Solution on a change in depreciation method due to Tax Reform 2016" and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016, from declining-balance method to straight-line method. The impact of this change on the consolidated financial statements was immaterial.

4. 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, 2016 and 2015 was as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2016	December 31, 2015	December 31, 2016
Cash and time deposits	¥ 10,003,132	¥ 9,995,232	$ 86,234
Time deposits with original maturities of more than three months	(67,035)	(19,158)	(578)
Call loans held by stock ownership trust	—	33,000	—
Cash and cash equivalents	¥ 9,936,097	¥ 10,009,074	$ 85,656

5. INVENTORIES

Inventories at December 31, 2016 and 2015 consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2016	December 31, 2015	December 31, 2016
Merchandise and finished products	¥ 5,900,492	¥ 6,600,708	$ 50,866
Work in process	76,977	91,737	664
Raw materials and supplies	2,391,214	2,727,721	20,614
Total	¥ 8,368,683	¥ 9,420,166	$ 72,144

6. ASSETS PLEDGED

Assets pledged for derivative transactions and customers' installment payables at December 31, 2016 and 2015, consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2016	December 31, 2015	December 31, 2016
Cash and time deposits	¥ 7,154	¥ 8,937	$ 62

7. GOODWILL

The components of goodwill at December 31, 2016 and 2015 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2016	December 31, 2015	December 31, 2016
Goodwill on purchase of specific business	¥ —	¥ 53,717	$ —
Consolidation goodwill	410,076	521,254	3,535
Total	¥ 410,076	¥ 574,971	$ 3,535

Both goodwill on purchase of specific business and consolidation goodwill are amortized over 10 years.

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

There were no short-term bank loans at December 31, 2016 and 2015.

Long-term debt at December 31, 2016 and 2015 consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2016	December 31, 2015	December 31, 2016
Unsecured syndicate loans from banks, 0.3%, due 2021:			
Total	¥ 6,120,000	¥ 5,760,000	$ 52,759
Less current portion	(1,440,000)	(1,440,000)	(12,414)
Long-term debt, less current portion	¥ 4,680,000	¥ 4,320,000	$ 40,345

Annual maturities of long-term debt as of December 31, 2016, for the next five years and thereafter were as follows:

Year Ending December 31	Thousands of Yen	Thousands of U.S. Dollars
2017	¥ 1,440,000	$ 12,414
2018	1,440,000	12,414
2019	360,000	3,103
2020	1,440,000	12,414
2021	1,440,000	12,414
Total	¥ 6,120,000	$ 52,759

The Company holds syndicate loan contracts with three financial institutions, and financial covenants based on figures in equity of the consolidated and nonconsolidated balance sheets, certain indicators calculated using operating income in consolidated and nonconsolidated statements of income, and so on are attached.

9. RETIREMENT AND PENSION PLANS

1. The changes in defined benefit obligation for the years ended December 31, 2016 and 2015, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2016	December 31, 2015	December 31, 2016
Balance at beginning of year	¥ 3,679,873	¥ 3,622,250	$ 31,723
Current service cost	252,401	189,915	2,176
Interest cost	42,503	31,378	366
Actuarial gains and losses	395,877	(25,240)	3,413
Benefits paid	(74,530)	(138,430)	(643)
Balance at end of year	¥ 4,296,124	¥ 3,679,873	$ 37,035

2. The changes in plan assets for the years ended December 31, 2016 and 2015, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2016	December 31, 2015	December 31, 2016
Balance at beginning of year	¥ 3,192,466	¥ 3,155,126	$ 27,521
Expected return on plan assets	79,812	59,159	688
Actuarial gains and losses	(81,160)	(55,006)	(699)
Contributions from the employer	218,906	171,617	1,887
Benefits paid	(74,530)	(138,430)	(643)
Balance at end of year	¥ 3,335,494	¥ 3,192,466	$ 28,754

3. Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2016	December 31, 2015	December 31, 2016
Funded defined benefit obligation	¥ 4,296,124	¥ 3,679,873	$ 37,035
Plan assets	(3,335,494)	(3,192,466)	(28,754)
	960,630	487,407	8,281
Unfunded defined benefit obligation	—	—	—
Net liability (asset) arising from defined benefit obligation	¥ 960,630	¥ 487,407	$ 8,281

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2016	December 31, 2015	December 31, 2016
Liability for retirement benefits	¥ 960,630	¥ 487,407	$ 8,281
Asset for retirement benefits	—	—	—
Net liability (asset) arising from defined benefit obligation	¥ 960,630	¥ 487,407	$ 8,281

4. The components of net periodic benefit costs for the years ended December 31, 2016 and 2015, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2016	December 31, 2015	December 31, 2016
Service cost	¥ 252,401	¥ 189,915	$ 2,176
Interest cost	42,503	31,378	366
Expected return on plan assets	(79,812)	(59,159)	(688)
Recognized actuarial gains and losses	52,239	43,269	451
Amortization of prior service cost	(3,826)	(11,477)	(33)
Net periodic benefit costs	¥ 263,505	¥ 193,926	$ 2,272

5. Amounts recognized in other comprehensive income before income tax effect in respect of defined retirement benefit plans for the years ended December 31, 2016 and 2015

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2016	December 31, 2015	December 31, 2016
Unrecognized prior service cost	¥ (3,826)	¥ (11,477)	$ (33)
Unrecognized actuarial gains and losses	(424,797)	13,503	(3,662)
Total	¥ (428,623)	¥ 2,026	$ (3,695)

6. Amounts recognized in accumulated other comprehensive income before income tax effect in respect of defined retirement benefit plans as of December 31, 2016 and 2015

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2016	December 31, 2015	December 31, 2016
Unrecognized prior service cost	¥ —	¥ (3,825)	$ —
Unrecognized actuarial gains and losses	678,385	253,587	5,848
Total	¥ 678,385	¥ 249,762	$ 5,848

7. Plan assets

(1) Components of plan assets

Plan assets as of December 31, 2016 and 2015, consisted of the following:

	December 31, 2016	December 31, 2015
Domestic debt investments	34%	28%
Foreign debt investments	6%	5%
Domestic equity investments	10%	9%
Foreign equity investments	9%	8%
General account	31%	30%
Cash and cash equivalents	10%	20%
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, 2016 and 2015, were as follows:

	December 31, 2016	December 31, 2015
Discount rate	0.4%	1.2%
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, 2016 and 2015, 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 ¥79,560 thousand ($686 thousand) and ¥125,192 thousand, respectively.

Funding status of the multiemployer pension plan at December 31, 2016 and 2015, was as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2016	December 31, 2015	December 31, 2016
Fair value of plan asset	¥ 256,615,569	¥ 261,938,938	$ 2,212,203
Sum of actuarial obligations in pension financing and minimum reserve	274,553,319	284,214,751	2,366,839
Difference	¥ (17,937,750)	¥ (22,275,813)	$ (154,636)

At December 31, 2016 and 2015, the contribution ratio of the Company to the multiemployer pension plan was 1.5%.

For the years ended December 31, 2016 and 2015, the major factor that caused the above difference is unamortized balance of prior service cost in the amount of ¥28,989,573 thousand ($249,910 thousand) and ¥30,399,357 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, 2016 and 2015, the amount of the required contribution to the defined contribution plans of the consolidated subsidiaries was ¥117,634 thousand ($1,014 thousand) and ¥117,774 thousand, respectively.

10. MANAGEMENT AND EMPLOYEE STOCK OWNERSHIP PLAN

The Company holds a management stock ownership trust plan for directors of the Company other than outside directors and particular directors of group companies to enhance contribution to mid-term and long-term growth and increase corporate value. The Company also holds an ESOP as a part of its employee welfare program for certain employees of the Company.

Under this management stock ownership trust plan, points are given to applicable directors based on their position and contributions, and stock of the Company equivalent to achieved points would be given at the time of retirement. On the other hand, under ESOP, points are also given to applicable employees based on their position and contributions, and stock of the Company equivalent to cumulative points would be given at the time of retirement.

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

As of December 31, 2016 and 2015, 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 were ¥622,857 thousand ($5,369 thousand) and ¥625,482 thousand, and 142,400 shares and 143,000 shares, respectively.

11. 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 3,560,000 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 additional 1,726,200 shares from Roland Corporation. As a result of this transaction, Roland Corporation is no longer a major shareholder of the Company.

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

(a) Dividends

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

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

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

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

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

(c) Treasury Stock and Treasury Stock Acquisition Rights

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

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

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

12. 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 32.3% for the years ended December 31, 2016 and 2015.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at December 31, 2016 and 2015, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2016	December 31, 2015	December 31, 2016
Deferred tax assets:			
Intercompany profits on inventories	¥ 395,575	¥ 842,615	$ 3,410
Accounts receivable	37,881	38,096	326
Accrued enterprise taxes	14,619	45,740	126
Intangible assets	157,743	111,515	1,360
Shares of subsidiaries and associated companies	162,625	169,947	1,402
Investments in associated companies	411,410	429,931	3,546
Accrued bonuses	204,963	204,769	1,767
Accrued warranties	160,604	164,823	1,385
Provision for stock ownership plan	94,977	67,497	819
Liability for retirement benefits	290,206	153,908	2,502
Long-term payables	22,627	23,646	195
Accrued expenses	135,220	148,183	1,166
Tax loss carryforwards	357,010	340,850	3,078
Other	351,509	384,776	3,030
Less valuation allowance	(790,426)	(749,955)	(6,814)
Total	¥ 2,006,543	¥ 2,376,341	$ 17,298
Deferred tax liabilities:			
Retained earnings appropriated for special allowances	¥ (37,534)	¥ (42,968)	$ (324)
Undistributed earnings of subsidiaries	(71,079)	(83,696)	(613)
Investments in associated companies	(10,349)	(10,814)	(89)
Stock ownership trust account expenses	(18,170)	—	(157)
Other	(1,323)	(1,742)	(11)
Total	¥ (138,455)	¥ (139,220)	$ (1,194)
Net deferred tax assets	¥ 1,868,088	¥ 2,237,121	$ 16,104

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

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended December 31, 2015, is as follows:

	December 31, 2015
Normal effective statutory tax rate	32.3%
Expenses not deductible for income tax purposes	1.3
Extra tax deduction on R&D expenses	(3.8)
Non-taxable income for income tax purposes	0.1
Lower income tax rates applicable to income in certain foreign countries	0.9
Prior-year income tax adjustments	2.4
Changes in valuation allowance	(3.3)
Effect of tax rate deduction	1.4
Other – net	(2.0)
Actual effective tax rate	29.3%

Due to the enactment of the "Act for Partial Revision to the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act for Partial Revision to the Local Tax Act, etc." (Act No. 13 of 2016) at the Diet in Japan on March 29, 2016, the income tax rate for fiscal years beginning on or after April 1, 2016 will be reduced. Accordingly, the normal effective statutory tax rate used for calculating deferred tax assets and liabilities will be changed from 31.5% to 30.2% for temporary differences expected to be eliminated in the fiscal years beginning on or after January 1, 2017 and 2018, and to 30.0% for temporary differences expected to be eliminated in the fiscal years beginning on or after January 1, 2019. The change caused a decrease in deferred tax assets (net of deferred tax liabilities) by ¥28,556 thousand ($246 thousand), and increases in unrealized gains on available-for-sale securities, income taxes-deferred and defined retirement benefit plans by ¥59 thousand ($1 thousand), ¥19,390 thousand ($167 thousand) and ¥9,226 thousand ($80 thousand), respectively, in the consolidated balance sheet as of December 31, 2016 and in the consolidated statement of income for the year then ended.

13. R&D COSTS

R&D costs included in general and administrative expenses and cost of sales for the years ended December 31, 2016 and 2015, were ¥3,158,731 thousand ($27,230 thousand) and ¥2,362,767 thousand, respectively.

14. LEASES

The Group leases certain office space and other assets.

The minimum rental commitments under noncancellable operating leases at December 31, 2016 and 2015, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2016	December 31, 2015	December 31, 2016
Due within one year	¥ 366,805	¥ 308,905	$ 3,162
Due after one year	574,362	397,095	4,952
Total	¥ 941,167	¥ 706,000	$ 8,114

15. 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 and foreign currency swaps, 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 which regulate the authorization and credit limit amount.

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

Liquidity risk management

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

(4) Fair Values of Financial Instruments

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

(a) Fair value of financial instruments

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

December 31, 2015	Thousands of Yen Carrying Amount		Fair Value		Unrealized Gains/ Losses	
Cash and time deposits	¥	9,995,232	¥	9,995,232	¥	—
Receivables		4,427,744		4,427,744		—
Investment securities		23,514		23,514		—
Total	¥	14,446,490	¥	14,446,490	¥	—
Payables	¥	3,549,757	¥	3,549,757	¥	—
Income taxes payable		633,476		633,476		—
Long-term debt		5,760,000		5,760,000		—
Total	¥	9,943,233	¥	9,943,233	¥	—
Derivative financial instruments	¥	49,048	¥	49,048	¥	—

December 31, 2016	Thousands of U.S. Dollars Carrying Amount		Fair Value		Unrealized Gains/ Losses	
Cash and time deposits	$	86,234	$	86,234	$	—
Receivables		42,410		42,410		—
Investment securities		203		203		—
Total	$	128,847	$	128,847	$	—
Payables	$	27,486	$	27,486	$	—
Income taxes payable		2,129		2,129		—
Long-term debt		52,759		52,759		—
Total	$	82,374	$	82,374	$	—
Derivative financial instruments	$	(2,550)	$	(2,550)	$	—

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 and Income Taxes Payable

The carrying values of receivables, payables 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 condition and unchanged credit status of the Company.

Derivatives

Fair value information for derivatives is included in Note 16.

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

	Carrying Amount Thousands of Yen December 31, 2016		December 31, 2015		Thousands of U.S. Dollars December 31, 2016	
Investments in equity instruments that do not have quoted market prices in active markets	¥	10,200	¥	243,660	$	88

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

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

December 31, 2015	Thousands of Yen Due in One Year or Less		Due after One Year	
Cash and time deposits	¥	9,995,232	¥	—
Receivables		4,427,744		—
Total	¥	14,422,976	¥	—

	Thousands of U.S. Dollars	
December 31, 2016	Due in One Year or Less	Due after One Year
Cash and time deposits	$ 86,234	$ —
Receivables	42,410	—
Total	$ 128,644	$ —

16. DERIVATIVES

Derivative transactions to which hedge accounting is not applied:

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

	Thousands of Yen			
At December 31, 2015	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/ Losses
Foreign currency forward contracts:				
Buying Japanese yen	¥ 6,691,944	¥ —	¥ 49,216	¥ 49,216
Buying other currencies	¥ 17,446	¥ —	¥ (168)	¥ (168)

	Thousands of U.S. Dollars			
At December 31, 2016	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/ Losses
Foreign currency forward contracts:				
Selling U.S. dollar	$ 21,119	$ —	$ (1,256)	$ (1,256)
Selling Euro	$ 24,905	$ —	$ (1,276)	$ (1,276)
Buying Japanese yen	$ 449	$ —	$ (18)	$ (18)
Buying other currencies	$ 46	$ —	$ 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.

17. CONTINGENT LIABILITIES

At December 31, 2016, the Group had the following contingent liabilities:

	Thousands of Yen	Thousands of U.S. Dollars
Guarantees for bank loans of employees	¥ 9,536	$ 82

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. The Company believes that none of the cases being litigated constitute an infringement of any patent rights; however, such litigation process may adversely affect its operating results.

18. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended December 31, 2016 and 2015, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2016	December 31, 2015	December 31, 2016
Unrealized losses on available-for-sale securities:			
Losses arising during the year	¥ (814)	¥ (1,683)	$ (7)
Amount before income tax effect	(814)	(1,683)	(7)
Income tax effect	356	715	3
Total	¥ (458)	¥ (968)	$ (4)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (475,936)	¥ (769,336)	$ (4,103)
Amount before income tax effect	(475,936)	(769,336)	(4,103)
Total	¥ (475,936)	¥ (769,336)	$ (4,103)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (477,036)	¥ (29,766)	$ (4,112)
Reclassification adjustments to profit and loss	48,413	31,792	417
Amount before income tax effect	(428,623)	2,026	(3,695)
Income tax effect	126,090	(640)	1,087
Total	¥ (302,533)	¥ 1,386	$ (2,608)
Total other comprehensive income	¥ (778,927)	¥ (768,918)	$ (6,715)

19. NET INCOME PER SHARE

The basis of computing earnings per share ("EPS") for the years ended December 31, 2016 and 2015, is as follows:

	Thousands of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted- Average Shares	EPS	
For the year ended December 31, 2016:				
EPS				
Net income available to common shareholders	¥ 2,705,835	13,089	¥ 206.73	$ 1.78
For the year ended December 31, 2015:				
EPS				
Net income available to common shareholders	¥ 2,468,510	14,240	¥ 173.36	

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, 2016			
	Printers	Supplies	Other	Total
Sales to external customers	¥ 18,027,663	¥ 13,623,825	¥ 12,460,839	¥ 44,112,327

	Thousands of Yen			
	December 31, 2015			
	Printers	Supplies	Other	Total
Sales to external customers	¥ 19,631,505	¥ 14,365,382	¥ 11,125,050	¥ 45,121,937

	Thousands of U.S. Dollars			
	December 31, 2016			
	Printers	Supplies	Other	Total
Sales to external customers	$ 155,411	$ 117,447	$ 107,421	$ 380,279

3. Information about Geographical Areas

(1) Sales

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

Thousands of Yen					
December 31, 2015					
Japan	USA	Europe	Asia	Other	Total
¥ 3,706,566	¥ 12,182,572	¥ 16,415,835	¥ 3,715,919	¥ 9,101,045	¥ 45,121,937

Thousands of U.S. Dollars					
December 31, 2016					
Japan	USA	Europe	Asia	Other	Total
$ 45,740	$ 95,324	$ 132,165	$ 35,295	$ 71,755	$ 380,279

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

(2) Property, plant, and equipment

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

Thousands of Yen			
December 31, 2015			
Japan	Thailand	Other Foreign Countries	Total
¥ 5,534,145	¥ 946,840	¥ 759,105	¥ 7,240,090

Thousands of U.S. Dollars			
December 31, 2016			
Japan	Thailand	Other Foreign Countries	Total
$ 46,699	$ 8,008	$ 6,136	$ 60,843

21. RELATED-PARTY TRANSACTIONS

The material transactions and related balances of the Company with Roland Corporation, a major shareholder of the Company, for the years ended December 31, 2016 and 2015, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2016	December 31, 2015	December 31, 2016
Purchase of treasury stock	¥ 3,410,971	¥ —	$ 29,405

This transaction with Roland Corporation was performed under the resolution of the Board of Directors held on May 10, 2016, and the Company purchased 1,726,200 shares of its common stock at ¥1,976 ($17.03) per share through the Tokyo Stock Exchange Trading NeTwork Off-Auction Own Share Repurchase Trading System (ToSTNeT-3). As a result of this transaction, Roland Corporation is no longer a major shareholder of the Company.

22. SUBSEQUENT EVENT

Appropriations of retained earnings

The appropriations of retained earnings at December 31, 2016, scheduled to be approved at the Company's shareholders' meeting to be held on March 23, 2017, are as follows:

	Thousands of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 ($0.26) per share	¥ 379,683	$ 3,273

Deloitte.

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To the Board of Directors of Roland DG Corporation:

We have audited the accompanying consolidated balance sheet of Roland DG Corporation and its consolidated subsidiaries as of December 31, 2016, 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, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

March 23, 2017

Member of
Deloitte Touche Tohmatsu Limited

CORPORATE DATA
Company Outline / Group Companies

Company Outline (As of December 31, 2016)

Name
Roland DG Corporation

Founded
May 1,1981

Common Stock
¥3,669 million

Net Sales for FY2016
¥31,056 million (Nonconsolidated)
¥44,112 million (Consolidated)

Number of Employees
654 (Nonconsolidated)
1,224 (Consolidated)

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

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

Branch Offices in Japan
Tokyo, Osaka, Nagoya, Fukuoka

Number of Shareholders
14,964

Stock Exchange Listing
Tokyo

Stock Transfer Agent
Mitsubishi UFJ Trust and Banking Corporation

Independent Auditor
Deloitte Touche Tohmatsu LLC

Directors and Audit & Supervisory Board Members (As of March 23, 2017)

Chairman	Masahiro Tomioka
President	Hidenori Fujioka
Executive Vice President	David Goward
Managing Director	Shuji Hotta
Director	Koichi Hashimoto
Outside Director	Takuo Hirose
Outside Director	Chieko Okuda
Outside Director	Katsuhiro Endo
Audit & Supervisory Board Member	Masanori Nakagawa
Audit & Supervisory Board Member	Masayasu Suzuki
External Audit & Supervisory Board Member	Shigeki Matsuda
External Audit & Supervisory Board Member	Mitsuhiro Honda

Group Companies (As of December 31, 2016)

Sales

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

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Roland DG (U.K.) Ltd.
Griffin House, Windmill Road, Clevedon,
North Somerset BS21 6UJ, U.K.
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Roland Digital Group Iberia, S.L.
C/ Ceramistes, 6
08290 Cerdanyola del Vallès Barcelona, Spain
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Roland DG Mid Europe S.r.l.
Via Leonardo da Vinci 1/b-Zona Industriale
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Roland DG RUS LLC
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Moscow, Russia
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Roland DG Europe Holdings B.V.
Prof. J.H. Bavincklaan 2-4,
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InClix Corporation
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Phone: +1 858 381 0794

Production

Roland Digital Group (Thailand) Ltd.
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Tambol Khok Kham, Ampur Muang, Samutsakhon 74000, Thailand
Phone: +66 2 402 2220 Fax: +66 2 402 2220

Shared Services

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Roland DG Corporation