

MUTOH



TSE securities code : 7999

68th (Fiscal Year 2016) **1st Half Financial Report**

April 1 to September 30, 2016



MUTOH HOLDINGS CO., LTD.

■ Message to Shareholders

We would like to express our sincerest gratitude to all of the shareholders who have continued to support us.

We hereby present our 68th (Fiscal Year 2016) 1st Half Financial Report, covering the MUTOH Group's business performance and activities.

Basic Policy

**With constant innovation
and challenging
ourselves,
we contribute to society**

■ Business Situation and Outcomes

In the first half of the current consolidated fiscal year, as the US economy steadily grew, other areas were affected by UK leaving the EU and other events. This led to a great increase in uncertainty with the economy, and a higher yen trend that is still continuing. In addition, a stagnant economy is still strongly present in the Asian emerging countries, and the uncertainty with the future economy has not been overcome yet.

Amid this situation, the Group strengthened management foundations and product development with the aim of continuing to improve profitability in the future.

With our core large-format inkjet printer business, we introduced 3 new printers to our lineup: the LED-UV hybrid inkjet printer "UV-1638UH", which is compatible both with rigid and roll type medias, high-speed large-format inkjet printer "VJ-1938X", which can print up to 1.9m (75 inches) wide and is perfect for use in Japan where iktan (1.8m) is commonly used, and the direct textile inkjet printer "VJ-1938TX", which is highly compatible with stretch type materials and can print on numerous textile medias.

One of the largest sign and display related event in the world, 2016 SGIA Expo was held in Las Vegas this September. The above mentioned "VJ-1638UH" and "VJ-1938TX", two products released this term, and "VJ-1628X", which was released last year were awarded "PRODUCT OF THE YEAR" there. The "ValueJet" series have received the award 5 years straight, proving that "MUTOH" products have been received highly around the world.

In a plan to strengthen global competitiveness, overseas sales subsidiaries were placed under direct affiliation of MUTOH INDUSTRIES LTD., which is the development and production base, in August. With the integration of development, production, and sales for large-format inkjet printers, it will lead to a stronger, enhanced global strategy, and a speedy management.

In the 3D printer business, we released "MF-2500EP", the industry's first desktop type 3D printer that supports engineering plastic such as polycarbonate, with a dual head fused deposition modeling system.

MUTOH will continue to strengthen its brand power, expand our product lineup that reflects customer needs, and make an effort to increase profit.

As a result of the above, net sales stood at ¥9,870 million (down 13.2% year on year), operating income came to ¥16 million (down 93.7% year on year) and ordinary loss came to ¥98 million (¥237 million during the same period of the previous fiscal year) for the first half of the current consolidated fiscal year. Loss attributable to owners of parent was ¥194 million (compared to net income of ¥0 million during the same period of the previous fiscal year).

Going forward, the MUTOH Group will deploy aggressive business strategies aimed at further improving its business performance.

We greatly appreciate your support and ask for your continued assistance and cooperation.

Consolidated Financial Highlights

○ Net sales

68th (FY2016) 1st Half period: **¥9,870** million

	65 th (FY2013) period:	66 th (FY2014) period:	67 th (FY2015) period:
	23,115 million	23,475 million	23,449 million
1st Half	10,813 million	11,467 million	11,375 million

○ Operating income

68th (FY2016) 1st Half period: **¥16** million

	65 th (FY2013) period:	66 th (FY2014) period:	67 th (FY2015) period:
	1,630 million	1,306 million	689 million
1st Half	655 million	876 million	264 million

○ Ordinary income (loss)

68th (FY2016) 1st Half period: **¥(98)** million

	65 th (FY2013) period:	66 th (FY2014) period:	67 th (FY2015) period:
	2,014 million	1,354 million	622 million
1st Half	901 million	928 million	237 million

○ Profit (loss) attributable to owners of parent

68th (FY2016) 1st Half period: **¥(194)** million

	65 th (FY2013) period:	66 th (FY2014) period:	67 th (FY2015) period:
	2,399 million	2,684 million	148 million
1st Half	591 million	2,443 million	0 million

○ Total assets

68th (FY2016) 1st Half period: **¥29,894** million

	65 th (FY2013) period:	66 th (FY2014) period:	67 th (FY2015) period:
	32,953 million	32,027 million	31,701 million

○ Total net assets

68th (FY2016) 1st Half period: **¥22,819** million

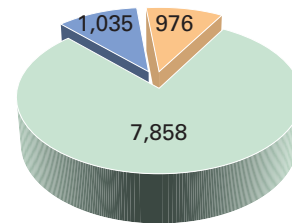
	65 th (FY2013) period:	66 th (FY2014) period:	67 th (FY2015) period:
	21,446 million	25,061 million	23,917 million

1st Half results Business Segment Net Sales (Millions of yen)

- Imaging & Information Equipment Business
- Information Service Business
- Real-Estate Leasing Business and Other Business

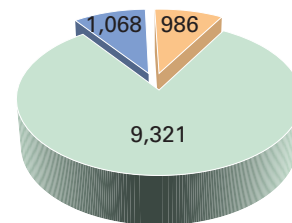
● 68th (FY2016) period:

¥9,870 million



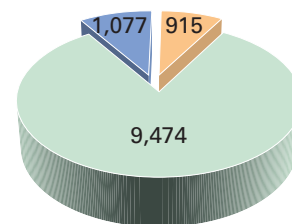
● 67th (FY2015) period:

¥11,375 million



● 66th (FY2014) period:

¥11,467 million



Forecast of 68th (FY2016)

	(Millions of yen)			
	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Forecast of consolidated business results	24,000	800	800	400

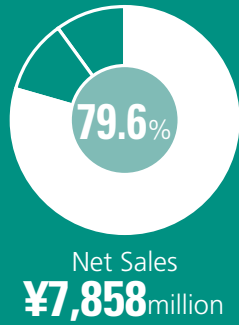
Figures announced on May 13, 2016.

As we enter the third quarter of the current consolidated fiscal year, in addition to the continued trend of a higher yen and the stagnation of domestic consumer markets, the recent US Presidential election results have brought uncertainty worldwide, making it difficult to make rational performance projections at this time.

Therefore, the full-year forecasts are still under calculation, and although numbers released on May 13, 2016 will be maintained for the time being, should changes be required for the forecasts as the impact of these factors become clear in the future, we will make prompt disclosures as required.

Overview of Business Segments

Imaging & Information Equipment Business



In Asia, the lingering economic recession, price fall of large-format inkjet printers from intensified price competition, and a pause of sales and price reduction amongst 3D printers, net sales and segment loss stood at ¥3,252 million (down 18.9% year on year) and ¥149 million (compared to a loss of ¥34 million in the same period of the previous fiscal year), respectively.

In North America, despite aggressive sales activities, yen appreciation made a big impact, resulting in net sales and operating income at ¥1,807 million (down 16.5% year on year) and ¥130 million (down 36.8% year on year), respectively.

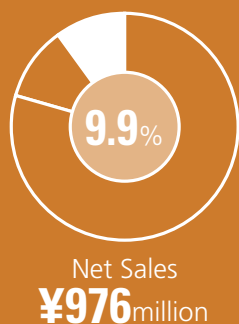
In Europe, we maintained high sales in Northern Europe, but with yen appreciation and geopolitical risks spread throughout Europe, net sales and segment profit stood at ¥2,797 million (down 11.1% year on year) and ¥49 million (down 69.3% year on year), respectively.

Information Service Business



In the Information Service Business, sales in existing businesses (the CAD business and systems solutions service business) were mostly at the level of the previous year and only decreased slightly, and the profitability of the 3D solutions business improved, resulting in net sales and segment profit standing at ¥1,035 million (down 3.0% year on year) and ¥53 million (up 194.0% year on year), respectively.

Real-Estate Leasing Business and Other Businesses



The Real Estate Leasing Business maintained numbers close to the previous year with stable operations, and net sales and segment income stood at ¥128 million (up 1.3% year on year) and 103 million (up 4.1% year on year), respectively.

In Other Business, sales were close to the previous year, and cut down on costs and improvements of purchase prices affected by yen appreciation led to net sales standing at ¥847 million (down 1.4% year on year) and a segment loss of ¥5 million (compared to a segment loss of ¥44 in the same period of last fiscal year).

Maximum print speed of 52m²/h Print up to 1.9m wide with the high-speed inkjet printer "VJ-1938X"

"VJ-1938X" can print up to 1.9m wide, and achieved a maximum print speed of 52m²/h with its optimized printing head having staggered disposition. The overall sharpness and smoothness of the quality has been improved with the use of the "DropMaster Technology" (by inputting the media thickness in advance, bi-directional ink fire timings are automatically recalculated).

- ◆ Can print up to a 2.8mm thickness, and the head height is adjustable in three different stages
- ◆ Auto-cut function
- ◆ Ability to use 1L packs, by using the large capacity ink pack that is sold separately
- ◆ One can choose from the conventional eco solvent ink and an environment friendly low-solvent/low-odor "Ultra Value Ink" 1L pack



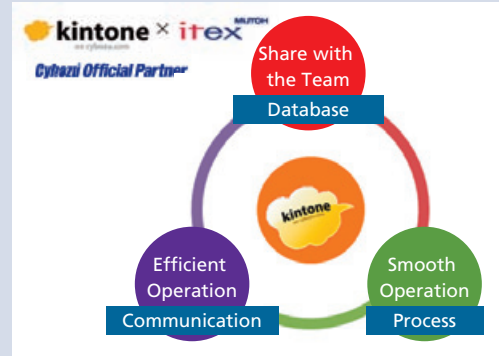
"VJ-1938X"
High-speed, large-format inkjet printer

Use of Business Improvement System FAST system "Kintone"

MUTOH ITEX CO., LTD has become an official partner of Cybozu, Inc. As a result, it is now possible to propose business improvements combining Cybozu products and services with MUTOH products. Particularly the FAST system "Kintone" has service advisor technicians registered in hand, and supports business improvements. MUTOH itself uses "Kintone" for constructing its task system, and is striving for business improvements.

Customers with tasks below are suitable for use:

- ◆ It may be simple, but support in constructing task systems needed
- ◆ Considering a WEB DB that can link with the cloud-based Garoon that is already in use.
- ◆ Want to increase the proportion of the cloud with its efficient cost performance, in cooperation with the current task system.



Bandage-type supporter Launch of new black color for "Support Wrap" (3 types in all)

The bandage-type supporter "Support Wrap" comes in three different forms: wrist, ankle/elbow, and knee/thigh. The black color joins the beige color to enhance its lineup.

- ◆ Easy to use like using taping
- ◆ Washable, and durable for repeated use
- ◆ Ability to adjust fixing power with its elastic material

Product name	Body part	Width	Length
Support Wrap Wrist	Wrist	7.5cm	approx. 40cm
Support Wrap Ankle&Elbow	Ankle/Elbow	7.5cm	approx. 80cm
Support Wrap Knee	Knee/Thigh	7.5cm	approx. 150cm

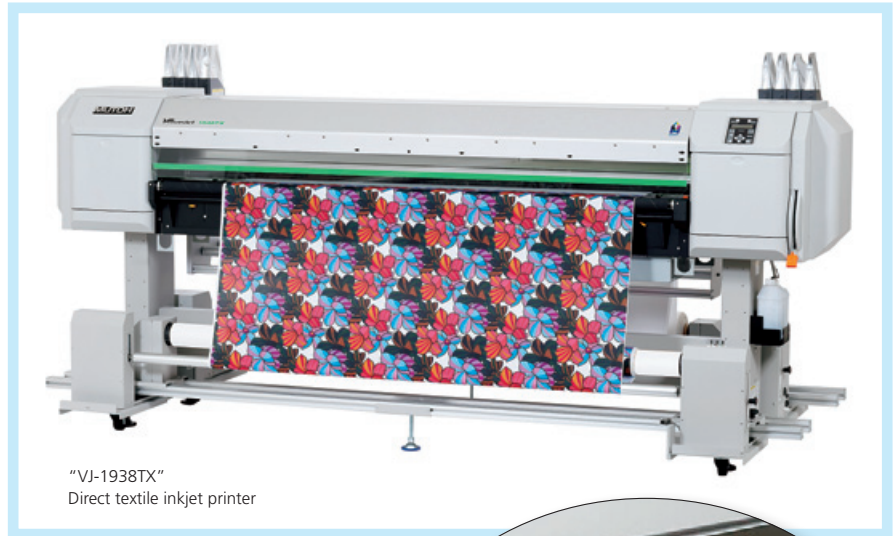


"Support Wrap"
Examples of use

Launch of the Direct Textile Inkjet Printer "VJ-1938TX" An entry model, compatible with stretch media

"VJ-1938TX" is a direct textile inkjet printer that uses original textile pigment ink, and can print up to 1.9m wide.

Not to mention non-stretch medias like silk, but it is also compatible with stretch media as well. This opens up a wide range of use from "fashion apparel," "home fabrics" such as interior decor, and "sports apparel" such as sports uniforms.



A single rubber roller has been adopted for its feed roller system. By placing the rollers on both the upper and lower side, scuffing is minimized and a steady and consistent media feed is realized. It can handle a maximum medial roll weight of 100kg with its feed and take-up system. You can now easily feed media that was only compatible with belt system printers.

Print speed has been dramatically increased with its dual staggered print heads. High speed and high quality printing is now available. The use of orange, green, and blue spot-color inks enables a rich expression of color.

A 3-stage head height changer enables a head height of up to 6mm (maximum media thickness 3.5mm), which accommodates a wide range of fabrics.



Launch of Desktop 3D Printer "MF-2500EP" Support for engineering plastics

"MF-2500EP" is an in-house developed high-end desktop 3D printer that supports engineering plastics.

Loaded with dual heads, and inheriting functionality from "MF-2200D" which can print at 300m x 300m x 300m, we have managed to operate it at 300 degrees Celsius while supporting engineering plastics. By raising the table temperature to 150 degrees Celsius, it has reduced warping as well.

With its characteristic of being durable under high temperature, the use of polycarbonate, which is a representative of engineering plastics, enables maintaining mold insert and creating jig that positions high-temperature substrates that has been implemented by print substrate implementation makers.

Additionally, filament development other than polycarbonate is under consideration to cover a wide range of materials.



Samples of engineering plastics parts



"MF-2500EP"
Desktop 3D printer

MUTOH Group Organizational Restructuring Improving sales efficiency and customer service, and enhancing profitability

Here at MUTOH Group, we have come to a conclusion that speedier decision-making and a stronger unification of business execution was needed to cope with the ever-changing economic climate. In order to improve sales efficiency and customer service, and enhance profitability through cutbacks, ① **integration of development, production, and sales** and ② **aggregation of sales points** were performed.

① Overview of Integration of Development, Production, and Sales:

Overseas sales subsidiaries transferred its shares and were placed under direct affiliation of MUTOH INDUSTRIES LTD., which is the core subsidiary in the field of information processing equipment.

Overseas subsidiaries that were reorganized are the following:

- MUTOH AMERICA INC.
- MUTOH Belgium nv
- MUTOH Deutschland GmbH
- MUTOH North Europe S.A.
- MUTOH SINGAPORE PTE. LTD.
- MUTOH AUSTRALIA PTY. LTD.

② Overview of Aggregation of Sales Points:

As of October 1st, 2016, the 3D printer business, sales of design drawing equipment, CAD solution, environmental-friendly product business of MUTOH ENGINEERING INC. have been transferred to the core subsidiary, MUTOH INDUSTRIES LTD. All sales points have been aggregated to MUTOH INDUSTRIES INC. as well.

(Notes) For details regarding the organizational restructuring, please check the disclosed information on our website (<http://www.mutoh-hd.co.jp>).

Consolidated 1st Half Financial Statements

■ Consolidated Balance Sheets

(Millions of yen)

(Millions of yen)

Account	Period	1 st Half period ended September 30, 2016	1 st Half period ended September 30, 2015	Year ended March 31, 2016	Account	Period	1 st Half period ended September 30, 2016	1 st Half period ended September 30, 2015	Year ended March 31, 2016
Assets					Liabilities				
Current assets		18,251	19,542	19,645	Current liabilities		4,760	5,295	5,438
Cash and bank deposits		8,046	8,619	8,775	Notes and accounts payable		2,887	3,156	3,253
Notes and accounts receivable		3,587	3,729	4,570	Others		1,873	2,139	2,185
Inventories		5,117	5,923	4,948	Non current liabilities		2,313	1,761	2,345
Others		1,499	1,268	1,352	Debt for retirement benefits		1,892	1,272	1,925
Fixed assets		11,642	12,238	12,055	Others		420	489	419
Tangible fixed assets		8,701	9,023	8,867	Total liabilities		7,074	7,057	7,783
Intangible fixed assets		282	316	299	Net assets				
Investments and other assets		2,657	2,899	2,889	Shareholders' equity		24,513	24,883	25,030
Investment securities		1,957	2,389	2,150	Capital stock		10,199	10,199	10,199
Others		700	509	739	Capital surplus		4,182	4,182	4,182
Total assets		29,894	31,780	31,701	Retained earnings		12,478	12,845	12,993
					Treasury stock		(2,345)	(2,342)	(2,344)
					Total other cumulative comprehensive income		(2,464)	(986)	(1,912)
					Non-controlling interests		770	825	800
					Total net assets		22,819	24,723	23,917
					Total liabilities and net assets		29,894	31,780	31,701

Consolidated Statements of Income

(Millions of yen)

Account	Period		
	1 st Half period ended September 30, 2016	1 st Half period ended September 30, 2015	Year ended March 31, 2016
Net sales	9,870	11,375	23,449
Operating income	16	264	689
Ordinary income (loss)	(98)	237	622
Income (loss) before income taxes and other adjustments	(205)	336	736
Profit (loss) attributable to owners of parent	(194)	0	148

Consolidated Statements of Cash Flows

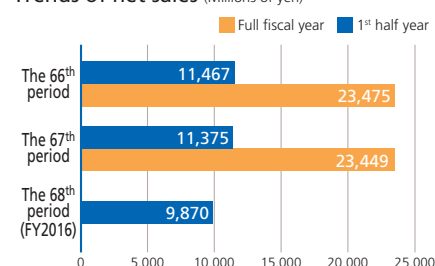
(Millions of yen)

Account	Period		
	1 st Half period ended September 30, 2016	1 st Half period ended September 30, 2015	Year ended March 31, 2016
Net cash from operating activities	93	1,386	2,042
Net cash from investing activities	(97)	(1,297)	(1,599)
Net cash from financing activities	(385)	(382)	(392)
Net increase (decrease) in cash and cash equivalents	(699)	(247)	(77)
Cash and cash equivalents at beginning of period	8,519	8,597	8,597
Cash and cash equivalents at end of period	7,820	8,349	8,519

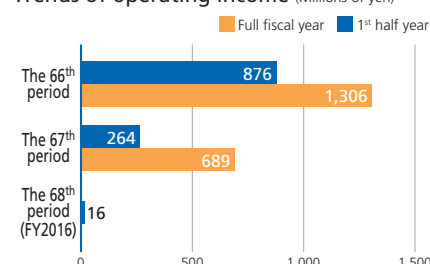
Consolidated Subsidiaries in each Business Segment

Business segment	Company names
Imaging & Information Equipment Business	MUTOH INDUSTRIES LTD., MUTOH Belgium nv, MUTOH North Europe S.A., MUTOH Deutschland GmbH, MUTOH AMERICA INC., MUTOH HONG KONG LIMITED, MUTOH SINGAPORE PTE. LTD., MUTOH AUSTRALIA PTY. LTD., MUTOH ENGINEERING INC.
Information Service Business	MUTOH ITEX Co., Ltd., MUTOH ENGINEERING INC., MUTOH FIGURE WORLD INC.
Real-Estate Leasing Business	MUTOH HOLDINGS CO., LTD., MUTOH ENGINEERING INC., MUTOH ENTERPRISES LTD.
Other Business	MUTOH ENGINEERING INC., MUTOH ENTERPRISES LTD.

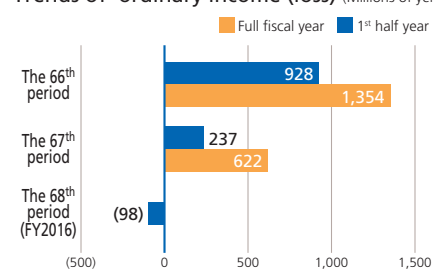
Trends of net sales (Millions of yen)



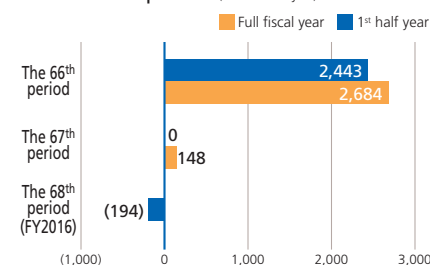
Trends of operating income (Millions of yen)



Trends of ordinary income (loss) (Millions of yen)



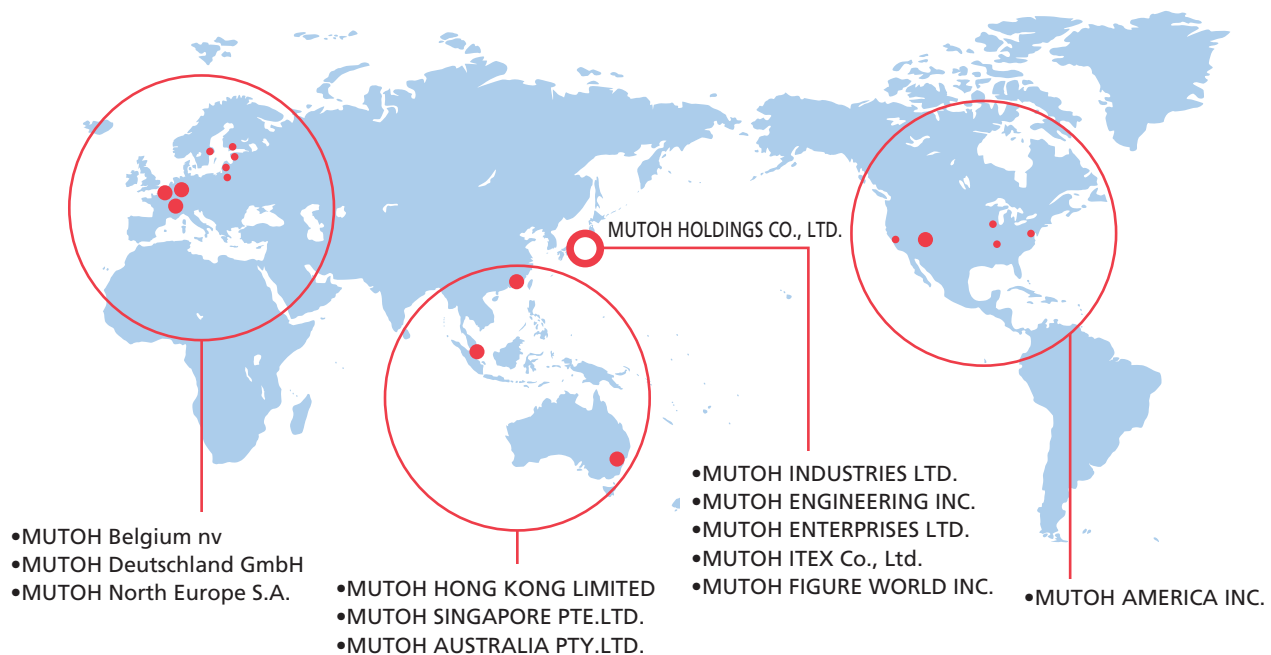
Trends of profit (loss) attributable to owners of parent (Millions of yen)



Name: MUTOH HOLDINGS CO., LTD.
Established: March 5, 1952
 (founded: December 1942)
Capital stock: 10,199 million yen

Head office: 1-3, Ikejiri 3-chome, Setagaya-ku, Tokyo
 154-8560
 TEL: +81-3-6758-7100
Main business: Management of group operations and
 group assets
Website address: <http://www.mutoh-hd.co.jp>

MUTOH Group Companies



■ Directors (As of September 30, 2016)

Chairman of the Board	Masanori Takayama	Director Audit and Supervisory Committee Member	Hajime Tatsuzawa
President	Nobumasa Hayakawa	Director Audit and Supervisory Committee Member	Kazuhiro Yamada
Director	Masanobu Takeda	Director Audit and Supervisory Committee Member	Hiroshi Tobita
Director	Toshihiro Sakamoto		
Director	Kazuyuki Kamoi		
Director	Yusuke Kobayashi		
Director	Yoshiyuki Takayama		

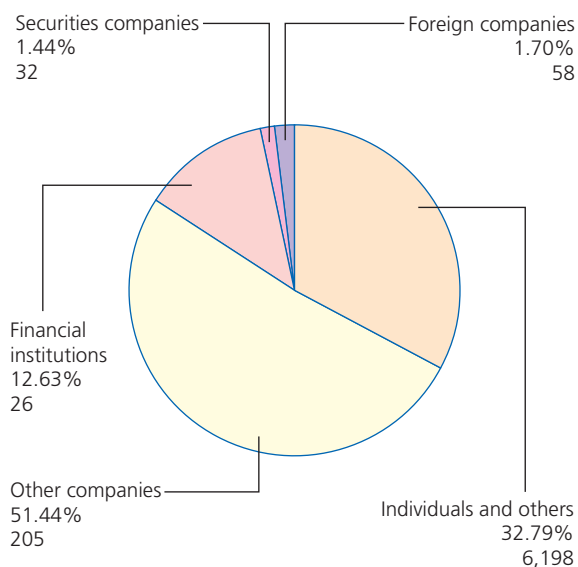
■ Number of shares issuable	170,000,000
■ Number of shares issued	54,818,180
■ Number of shares per unit	1,000
■ Number of shareholders	6,519

■ Major Shareholders

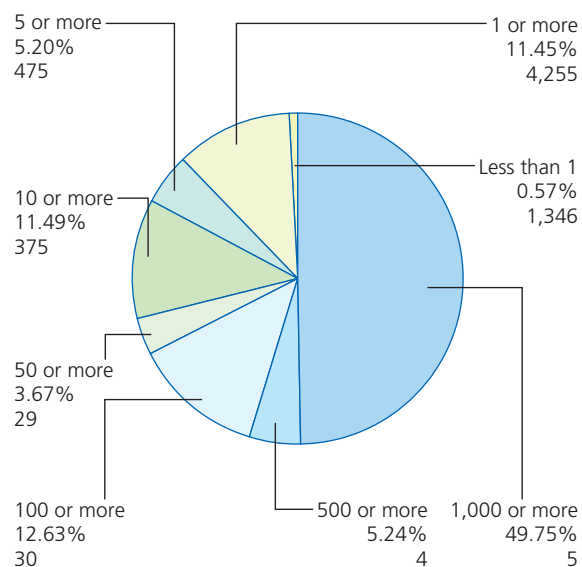
Name	Number of Shares Held (Shares)	Ratio of Shareholding (%)
TCS Holdings Co., Ltd.	13,220,000	28.82
Mizuho Bank, Ltd.	2,071,399	4.52
Eiji Mutoh	1,580,586	3.45
Sumitomo Mitsui Trust Bank, Limited	1,457,000	3.18
Unisystem Co., Ltd.	923,000	2.01
The Master Trust Bank of Japan, Ltd. (Trust Account)	796,000	1.74
NTT System Development Co., Ltd.	719,000	1.57
Keiichi Hori	591,000	1.29
High-Tech System Co., Ltd.	561,000	1.22
Sigmatron Co., Ltd.	444,000	0.97

(Notes) 1. The Company holds 8,940,522 shares of treasury stock, which is excluded from the major shareholders listed above.
 2. The ratio of shareholding is calculated after excluding treasury stock.

◆ Breakdown of shareholders



◆ Breakdown by the number of shares held



Shareholder Information

Business year :	From April 1 to March 31 of the following year
Ordinary General Meeting of Shareholders :	In June each year
Year-end Dividend Record Date :	March 31 each year
Interim Dividend Record Date :	September 30 each year
Public Notices :	Public notices shall be made on the Company's website (http://www.mutoh-hd.co.jp). * In case the public notices are not available on the Company's website due to unavoidable circumstances, such notices shall be made in the Nihon Keizai Shimbun
Administrator of Shareholder Register :	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233
Mailing address and Telephone number :	8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063 TEL: +81-120-782-031 (toll-free) Stock Transfer Agency Department Sumitomo Mitsui Trust Bank, Limited Stock transfer agent services are provided at branch offices in Japan of Sumitomo Mitsui Trust Bank, Limited.

Notes :

1. Requests for change of address, purchasing of shares constituting less than one unit, and selling of shares to constitute one unit **Please make all requests to the securities company where shareholders maintain their account.**

For those shareholders who do not have an account at a securities company but who have opened a special account, please make all requests to Sumitomo Mitsui Trust Bank, Limited, an account management institution of special accounts.

2. Payment of accrued dividends

Please make all requests to Sumitomo Mitsui Trust Bank, Limited, which is the administrator of the shareholder register.