

68th (Fiscal Year 2016) **Financial Report**

April 1, 2016 to March 31, 2017



■ 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) Financial Report, covering the MUTOH Group's business performance and activities.

President Nobumasa Hayakawa

Basic Policy

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

■ Business Situation and Outcomes

Even with the United Kingdom deciding to leave EU, and the uncertainty of the protectionist policy taken by newly appointed United States President Trump, we had gradual increase in the Western countries this fiscal year. On the other hand, China and other developing nations in Asia were at an unstable situation with the economy slowing down in the first half of the year.

In the domestic economy, there seems to be a reluctance to make equipment investments amongst the companies, but employment conditions have continued to grow. Consumer confidence has picked up and the economy is on a gradual upswing.

MUTOH Group has continued to strengthen our management base and develop products with increasing our earning power in mind, but product prices have dropped, due to major manufacturers entering the Large Format Inkjet Printer business. The strong yen have also affected our group's performance.

Amid this situation, overseas sales subsidiaries have been put under direct affiliation of MUTOH INDUSTRIES LTD. in August. This will speed up the decision making in the field of information processing equipment, and strengthen our competitive power in the global market by integrating development, production and sales. As of October 1st, the 3D printer business, sales of design drawing equipment, sales of measurement and control equipment, and CAD solution have been aggregated to MUTOH INDUSTRIES LTD. to improve customer service and business efficiency domestically. With this move, we have been able to compress inventory, and cut cost through rationalization.

With our core business, Large Format Inkjet Printers, we have put power into developing new products in the growth market of industrial and textile. We released the 4 types of printers in LED-UV hybrid printer "VJ-1638UH", direct textile printer "VJ-1938TX", high-grade fast eco-solvent printer "VJ-1938X", high-speed dye-sublimation printer "VJ-1948WX". We also released the pigment printing ink "TP11" and dye sublimation ink "DH11" as well.

With 3D Printers, we released "MF-2500EP", the industry's first desktop type 3D printer that supports engineering plastic with a dual head fused deposition modeling system, and has garnered good reviews.

As a result of the above, in consolidated FY 2016, the net sales dropped to ¥20,493 million (down 12.6% year on year), the operating income decreased to ¥199 million (down 73.5% year on year), and ordinary income dropped to ¥113 million (down 67.9% year on year). The amount of loss attributable to owners of the parent of FY2016 was ¥113 million (last year was a ¥148 million profit).

With these results and future business plans considered, the year-end dividend will be set at ¥3.5 yen per share.

We will aim for a business recover next fiscal year, and drive with aggressive measures targeting the growth market.

Your continued support would be greatly appreciated.

Consolidated Financial Highlights

○ **Net sales**
68th (FY2016) period: **¥20,493** million

65th (FY2013) period: **23,115** million 66th (FY2014) period: **23,475** million 67th (FY2015) period: **23,449** million

○ **Operating income**
68th (FY2016) period: **¥183** million

65th (FY2013) period: **1,630** million 66th (FY2014) period: **1,306** million 67th (FY2015) period: **689** million

○ **Ordinary income**
68th (FY2016) period: **¥199** million

65th (FY2013) period: **2,014** million 66th (FY2014) period: **1,354** million 67th (FY2015) period: **622** million

○ **Profit (loss) attributable to owners of parent**
68th (FY2016) period: **¥(113)** million

65th (FY2013) period: **2,399** million 66th (FY2014) period: **2,684** million 67th (FY2015) period: **148** million

○ **Total assets**
68th (FY2016) period: **¥30,514** million

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

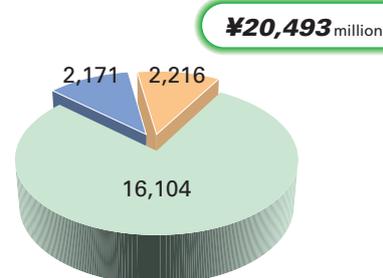
○ **Total net assets**
68th (FY2016) period: **¥23,484** million

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

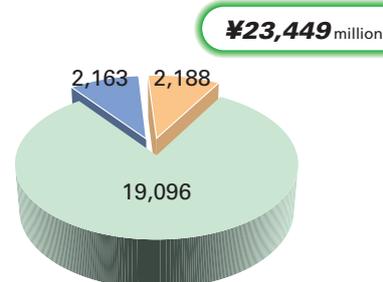
Business Segment Net Sales (Millions of yen)

- Imaging & Information Equipment Business
- Information Service Business
- Design Measurement Equipment Business, Real-Estate Leasing Business and Other Businesses

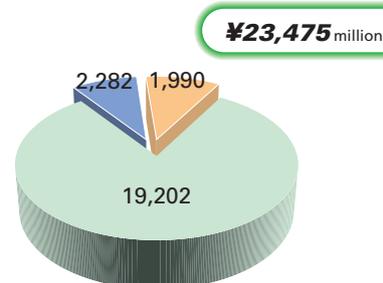
● 68th (FY2016) period:



● 67th (FY2015) period:



● 66th (FY2014) period:



Forecast of 69th (FY2017)

| | (Millions of yen) | | | |
|---|-------------------|------------------|-----------------|---|
| | Net sales | Operating income | Ordinary income | Profit attributable to owners of parent |
| Forecast of consolidated business results | 21,100 | 420 | 420 | 250 |

Figures announced on May 19, 2017.

In the world economy, future instability has not been cleared up with geopolitical risks in Europe, Middle East, and Eastern Asia, but we have seen a gradual trend of economic expansion in the Western countries.

Under these circumstances, MUTOH Group will reconsider its product structure and target fields, and accelerate the business shift to growth fields. We will shift to the growing market of industrial and textile fields in our large format inkjet printer business. In sales, we will strengthen the Western country and Japanese market where we can expect a high profit with the expansion of the growth field.

With our 3D printer business, we will shift from consumer products to business use products, and strengthen the sales of our high-profit products.

We will enforce a distribution restructuring that has been planned since the previous fiscal year, and will work for a profound cost-cut in regard of expenses.

Overview of Business Segments

Imaging & Information Equipment Business



Net Sales
¥16,104million

Drop down of the sales prices of China and other emerging countries in Asia, and a combination of the price reductions and slowdown of the sales of 3D printers, net sales and segment loss stood at ¥6,896 million (down 15.6% year on year) and ¥429 million (last year was a ¥98 million profit).

In North America, net sales and segment profit respectively dropped to ¥3,609 million (down 16.9% year on year) and ¥257 million (down 43.5% year on year) due to the effect of yen appreciation.

In Europe, we maintained high sales in Northern Europe, but net sales and segment profit respectively dropped to ¥5,598 million (down 14.9% year on year) and ¥155 million (down 20.4% year on year) due to the effect of yen appreciation and geopolitical risks.

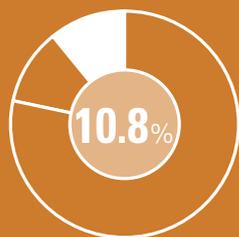
Information Service Business



Net Sales
¥2,171million

In the Information Service Business, sales in existing businesses (the CAD business and systems solutions service business) were mostly flat YoY, and net sales stood at ¥2,171 million (up 0.4% year on year). With the help of consolidation of domestic subsidiaries in October, we were able to rationalize through effective cost cuts, and segment profit rose to ¥164 million (up 191.0% year on year).

Design Measurement Equipment Business, Real-Estate Leasing Business and Other Businesses



Net Sales
¥2,216million

In the Design Measurement Equipment Business, design drawing equipment and optical measurement equipment have shown steady sales, and net sales stood at ¥1,546 million (up 2.3% year on year). With the help of consolidation of domestic subsidiaries in October, we were able to rationalize through effective cost cuts, and segment profit rose to ¥149 million (last year was a ¥13 million loss).

Utilization was steady in the Real Estate Leasing Business, as net sales and segment profit respectively stood at ¥263 million (up 1.5% year on year) and ¥202 million (down 1.3% year on year).

In Other Business, sales decreased slightly and recorded net sales of ¥406 million (down 2.5% year on year) and a segment loss of ¥22 million (compared to a segment loss of ¥9 million last year).

Realtime monitoring of printers "ValueJet Status Monitor (VSM)"



"VSM" is a free application software for MUTOH printer users. Users can monitor their printers at realtime through computers and mobile devices. It will maximize the performance of the MUTOH printers, and simplifies workflow.

By registering a ValueJet printer to "VSM," users can use services such as [Status Monitor], [Report Mail], [Color Verify], and [Smartphone Link].

One of the features of "VSM" is the ValueJet Print Server (VPS), and will provide a fast and stable printing.

(Notes) "ValueJet Club" user registration is required for downloading "VSM."
<https://valuejetclub.mutoh.co.jp/mutoh/guser/>



"M-Draf" is a CAD that continues to evolve "M-Draf Spirit 2017" released

The "M-Draf" series have evolved with new operating systems and technological innovations. We have released the latest version of common-use 2D CAD "M-Draf Spirit 2017."

◆ Object Orientation

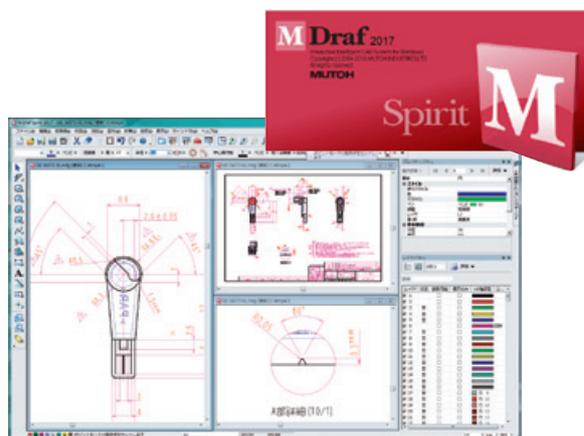
"Object Orientation" command system is used to enable operation that synchronizes with the thought process when drawing.

◆ Complete commands based on the new JIS

Useful commands have been powered up to be able to "create precisely and quickly" based on the complicated new JIS.

◆ Automatic Discrimination of complicated rules / Intelligent Command

With the Intelligent Command that corresponds with the complicated drawing rules, users can easily combine notices, expand and contract leader lines, and place notices and dimensions.



"PRO11T" Scissors for Taping & "Compression bandage"

◆ "PRO11T" Scissors for Taping

Can cut tapings without damaging the skin with its round tip. Has a large finger grip and is easy to cut. Looseness is decreased with the power lock screw.

It is coated to prevent the tackifier from sticking on to the blades when cutting Kinesio tapes, and stretch tapes.

◆ "Compression Bandage"

"Compression Bandage" is a tube-type bandage for compression use. It is washable and economic.

Since it is tubular, it can be cut to a preferred length and can be used on the arm, elbow, knee, thigh, and other body parts.

Other than compression, it can be used to hold ice packs and other useful ways.

The width of the bandage varies from 8.9cm, 10cm, 13cm, and 15cm.



"PRO11T" Scissors for Taping

"Compression Bandage"

Maximum print speed of 117.3m²/h Dye-Sublimation Transfer Inkjet Printer "VJ-1948WX" Released

"VJ-1948WX" is 1910mm/75" wide, and provides high-speed printing with its 4 staggered print heads. It enables both high productivity and high-speed printing, and is a dye-sublimation printer of the new age. It can be used in a variety of products ranging from scarves, banners, interiors, apparel, sport uniforms and more.

◆ Staggered 4 print heads-setup enables amazing high-speed printing. Maximum print speed is 117.3m²/h (*4 color 360x720dpi)
Custom modes has been added, widening the options for printing quality and speed.

◆ A large dual heater is built-in in the rear of the front paper guide. Will dry the media quickly, and accelerates productivity. The heater temperature can be set individually from the operation panel. Checking and changing the heater temperature without interrupting printing is possible.

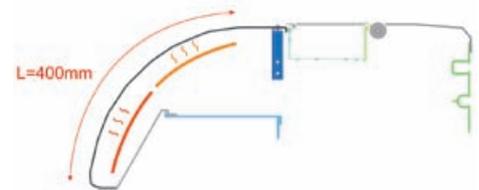
◆ Designed for high functionality
* Easy manipulation from the front or the rear with the manual pressure roller down system. "Standard" and "Strong" pressure can be chosen depending on the media.
* Pressure rollers can be raised up and down individually, avoiding wrinkles even when printing on thin transfer papers.
* Equipped with feed and take-up system, enabling a stable media transportation of up to 100kg/220lbs.

◆ MUTOH's original dye-sublimation ink in 4 (K,C,M,Y) and 8 color (K,C,M,Y,Lc,Lm,Lk,LLk) will provide the optimal print quality and wide color range. A new ink holder (option) that supports 1000ml and 2000ml large capacity ink packs will prolong continuous printing.



"VJ-1948WX"

Heater section view



Temperature setting: OFF/30°C~50°C



"DH11"

MUTOH's original dye-sublimation ink

Optical Shaping 3D Printer "ML-48" Molding Resin for High-Speed "MR-HS11" Released

"ML-48" is a compact optical shaping 3D printer that uses the DLP (Digital Light Processing) system, and can be used in design testing and prototypes, figures, and other categories that require high precision.

MUTOH's original molding resin that maximizes the molding performance of "ML-48." Along with resin for design testing, resin for precise molding, and transparent resin, we have released a new resin, the "MR-HS11" for high-speed molding.

Achieve up to **5 times the usual speed** with "MR-HS11" by inserting the optional black canopy.

Ex: Molding height 45mm

| | |
|--------------------|------------------|
| High-speed molding | 45minutes |
| Conventional | 3hours 45minutes |



Molding Samples

**Value
3D MagiX**



"ML-48"

Compact optical shaping 3D printer
Black Canopy Set up



"MR-HS11"
Molding Resin for
High-Speed



Awarded the *Wide Format & Signage Magazine's* 2017 Readers' Choice Top Product Award

ValueJet



"VJ-1638UH"
Hybrid Printer Category



"VJ-1938TX"
Textile Printer Category

On April 2017, Wide Format & Signage Magazine announced the winner of the 2017 Readers' Choice Top Product Award. The large format inkjet printer "UV-1638UH" (LED-UV printer) that launched in 2106 was awarded in the Hybrid Printer Category, and "VJ-1938TX" (Direct textile printer) was awarded in the Textile Printer Category.

Wide Format & Signage Magazine readers from around the world, printing service providers, and editors of the magazine nominates over 150 products over various categories, and the winner is decided through votes from readers and customers through the magazine.

The award is proof the quality of MUTOH products has been recognized, and further increase of sales is promised for the two products.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

(Millions of yen)

| Account | Period | Year ended March 31, 2017 | Year ended March 31, 2016 | Account | Period | Year ended March 31, 2017 | Year ended March 31, 2016 |
|-------------------------------|--------|------------------------------|------------------------------|--|--------|------------------------------|------------------------------|
| Assets | | | | Liabilities | | | |
| Current assets | | 18,689 | 19,645 | Current liabilities | | 4,850 | 5,438 |
| Cash and bank deposits | | 8,796 | 8,775 | Notes and accounts payable | | 2,817 | 3,253 |
| Notes and accounts receivable | | 4,020 | 4,570 | Others | | 2,032 | 2,185 |
| Inventories | | 4,702 | 4,948 | Non current liabilities | | 2,180 | 2,345 |
| Others | | 1,170 | 1,352 | Debt for retirement benefits | | 1,750 | 1,925 |
| Fixed assets | | 11,824 | 12,055 | Others | | 430 | 419 |
| Tangible fixed assets | | 8,578 | 8,867 | Total liabilities | | 7,030 | 7,783 |
| Intangible fixed assets | | 272 | 299 | Net assets | | | |
| Investments and other assets | | 2,973 | 2,889 | Shareholders' equity | | 24,591 | 25,030 |
| Investment securities | | 2,205 | 2,150 | Capital stock | | 10,199 | 10,199 |
| Others | | 767 | 739 | Capital surplus | | 4,182 | 4,182 |
| Total assets | | 30,514 | 31,701 | Retained earnings | | 12,558 | 12,993 |
| | | | | Treasury stock | | (2,348) | (2,344) |
| | | | | Total other cumulative comprehensive income | | (1,928) | (1,912) |
| | | | | Non-controlling interests | | 820 | 800 |
| | | | | Total net assets | | 23,484 | 23,917 |
| | | | | Total liabilities and net assets | | 30,514 | 31,701 |

Consolidated statement of change in net assets FY2016 (April 1, 2016 - March 31, 2017)

(Millions of yen)

| | Shareholders' equity | | | | | Total other cumulative comprehensive income | Non-controlling interests | Total net assets |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|---|---------------------------|------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | | | |
| Outstanding as of April 1, 2016 | 10,199 | 4,182 | 12,993 | (2,344) | 25,030 | (1,912) | 800 | 23,917 |
| Change in value for consolidated accounting year | | | | | | | | |
| Dividend of surplus | | | (321) | | (321) | | | (321) |
| Profit (loss) attributable to owners of parent | | | (113) | | (113) | | | (113) |
| Acquired treasury stock | | | | (3) | (3) | | | (3) |
| Disposed treasury stock | | (0) | | 0 | 0 | | | 0 |
| Change in value for consolidated accounting year for items other than capital stock (net) | | | | | | (15) | 20 | 4 |
| Total change in value for consolidated accounting year | — | (0) | (434) | (3) | (438) | (15) | 20 | (433) |
| Outstanding as of March 31, 2017 | 10,199 | 4,182 | 12,558 | (2,348) | 24,591 | (1,928) | 820 | 23,484 |

Consolidated statements of income

(Millions of yen)

| Account | Period | Year ended March 31, 2017 | Year ended March 31, 2016 |
|--|--------|------------------------------|------------------------------|
| Net sales | | 20,493 | 23,449 |
| Operating income | | 183 | 689 |
| Ordinary income | | 199 | 622 |
| Income before income taxes and minority interests | | 102 | 736 |
| Profit (loss) attributable to owners of parent | | (113) | 148 |

Consolidated statements of cash flows

(Millions of yen)

| Account | Period | Year ended March 31, 2017 | Year ended March 31, 2016 |
|---|--------|------------------------------|------------------------------|
| Net cash from operating activities | | 797 | 2,042 |
| Net cash from investing activities | | (246) | (1,599) |
| Net cash from financing activities | | (394) | (392) |
| Net increase (decrease) in cash and cash equivalents | | 36 | (77) |
| Cash and cash equivalents at beginning of period | | 8,519 | 8,597 |
| Cash and cash equivalents at end of period | | 8,556 | 8,519 |

Consolidated subsidiaries in each business segment

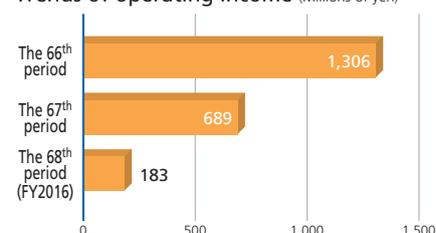
| Business segment | Company names |
|---|--|
| Imaging & Information Equipment Business | MUTOH INDUSTRIES LTD., MUTOH Belgium nv, MUTOH North Europe S.A., MUTOH Deutschland GmbH, MUTOH AMERICA INC., MUTOH HONG KONG LIMITED, MUTOH SINGAPORE PTE. LTD., MUTOH AUSTRALIA PTY. LTD., MUTOH ENGINEERING INC.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

(Notes) MUTOH HONG KONG LIMITED has ceased operation on September 30th, 2016, and MUTOH INDUSTRIES, LTD. has taken over all sales.

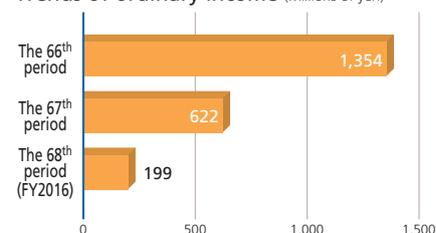
Trends of net sales (Millions of yen)



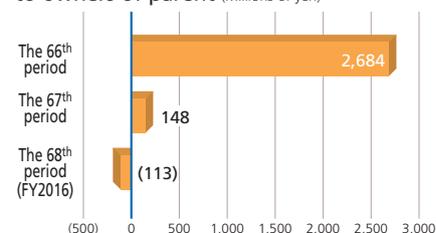
Trends of operating income (Millions of yen)



Trends of ordinary income (Millions of yen)



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



Company Profile (As of June 29, 2017)

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 June 29, 2017)

Chairman of the Board Toshihiro Sakamoto

President Nobumasa Hayakawa

Director Kazuyuki Kamoi

Director Masanori Takayama

Director Yoshiyuki Takayama

Director Yusuke Kobayashi

Director Hajime Tatsuzawa
Audit and Supervisory Committee Member

Director Kazuhiro Yamada
Audit and Supervisory Committee Member

Director Hiroshi Tobita
Audit and Supervisory Committee Member

Stock information (As of March 31, 2017)

| | |
|-----------------------------|-------------|
| ■ Number of shares issuable | 170,000,000 |
| ■ Number of shares issued | 54,818,180 |
| ■ Number of shares per unit | 1,000 |
| ■ Number of shareholders | 7,171 |

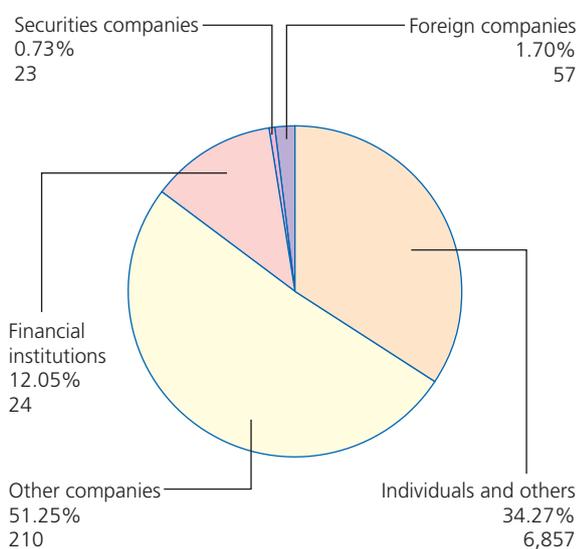
■ Major Shareholders

| 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 |
| NTT System Development Co., Ltd. | 719,000 | 1.57 |
| Keiichi Hori | 591,000 | 1.29 |
| High-Tech System Co., Ltd. | 561,000 | 1.22 |
| Japan Trustee Services Bank, Ltd. (Trust Account 5) | 481,000 | 1.05 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 473,000 | 1.03 |

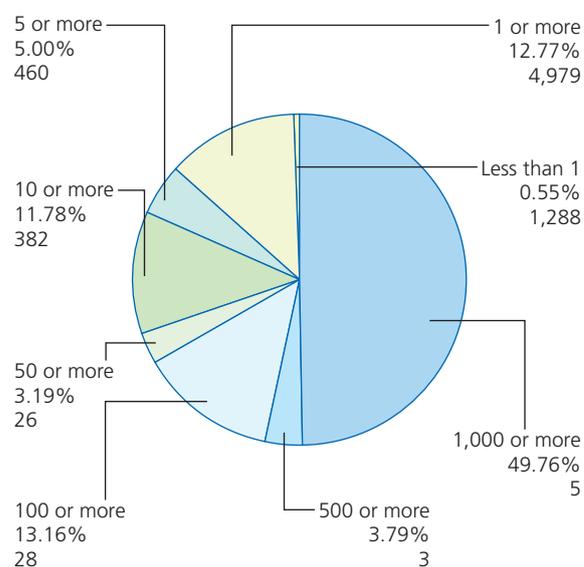
(Notes) 1. The Company holds 8,949,833 shares of treasury stock, which is excluded from the major shareholders listed above.

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.

3. Dividend Statement

The Dividend Statement that is delivered upon dividend payment also serves as a Payment Notice in accordance with the stipulations of the Act on Special Measures Concerning Taxation.

This document can be used as an attachment when filing your income tax return. We ask that shareholders who will file an income tax return carefully store this document.

For shareholders that have selected the stock pro rata system, your stock brokerage will calculate the amount of withholding tax.

Please confirm with your stock brokerage the materials to be submitted when filing your income tax return.