

Consolidated Financial Results for the Fiscal Year Ended December 31, 2020 [Japanese GAAP]



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 Stock exchange listing: Tokyo Stock Exchange
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 Scheduled date of Ordinary General Meeting of Shareholders: March 18, 2021
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 Availability of supplementary briefing material on consolidated financial results: Available
 Schedule of consolidated financial results briefing session: Scheduled (for institutional investors and analysts)

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2020 (From January 1, 2020 to December 31, 2020)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal year ended December 31, 2020	34,780	(14.7)	500	(82.1)	422	(84.0)	251	(87.1)
Fiscal year ended December 31, 2019	40,795	(4.6)	2,794	(34.3)	2,648	(33.4)	1,944	(32.5)

(Note) Comprehensive income: Fiscal year ended December 31, 2020: 58 million yen [(97.0)%]
 Fiscal year ended December 31, 2019: 1,916 million yen [(16.0)%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended December 31, 2020	20.17	—	1.0	1.1	1.4
Fiscal year ended December 31, 2019	155.39	—	7.9	7.0	6.8

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal Year Ended December 31, 2020: - million yen
 Fiscal Year Ended December 31, 2019: - million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of December 31, 2020	36,301	24,738	68.1	1,990.89
As of December 31, 2019	38,446	25,047	65.1	2,005.60

(Reference) Equity: As of December 31, 2020: 24,738 million yen
 As of December 31, 2019: 25,047 million yen

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Fiscal year ended December 31, 2020	4,003	(710)	(2,210)	12,434
Fiscal year ended December 31, 2019	2,533	(875)	(1,750)	11,199

2. Dividends

	Annual dividends				
	1st quarter end	2nd quarter end	3rd quarter end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2019	–	25.00	–	25.00	50.00
Fiscal year ended December 31, 2020	–	0.00	–	10.00	10.00
Fiscal year ending December 31, 2021 (Forecast)	–	20.00	–	20.00	40.00

	Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	Millions of Yen	%	%
Fiscal year ended December 31, 2019	632	32.2	2.5
Fiscal year ended December 31, 2020	126	49.6	0.5
Fiscal year ending December 31, 2021 (Forecast)		33.1	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2021 (From January 1, 2021 to December 31, 2021)

(% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
First half	19,700	24.9	1,100	–	1,100	–	400	–	32.19
Full year	41,500	19.3	2,900	479.8	2,900	586.0	1,500	497.3	120.72

*** Notes**

- (1) Significant changes of subsidiaries during the fiscal year ended December 31, 2020 (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Changes in accounting policies, changes in accounting estimates and corrections of errors
- 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Any changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Corrections of errors: No

(3) Total number of issued shares (common shares)

- 1) Total number of issued shares at the end of the period (including treasury shares):

Fiscal year ended December 31, 2020	12,656,311 shares
Fiscal year ended December 31, 2019	12,656,311 shares

- 2) Total number of treasury shares at the end of the period:

Fiscal year ended December 31, 2020	230,507 shares
Fiscal year ended December 31, 2019	167,557 shares

- 3) Average number of shares during the period:

Fiscal year ended December 31, 2020	12,450,996 shares
Fiscal year ended December 31, 2019	12,515,608 shares

(Note) The total number of treasury shares at the end of the period includes shares of the Company held by the Director Stock Benefit Trust and J-ESOP Trust (230,200 shares at the end of the fiscal year ended December 31, 2020 and 167,300 shares at the end of the fiscal year ended December 31, 2019). The number of treasury shares excluded from calculation of the average number of shares during the period includes shares of the Company held by said Trusts (205,050 shares at the end of the fiscal year ended December 31, 2020 and 140,500 shares at the end of the fiscal year ended December 31, 2019).

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2020 (From January 1, 2020 to December 31, 2020)

- (1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal year ended December 31, 2020	22,175	(18.1)	(83)	—	195	(78.7)	(14)	—
Fiscal year ended December 31, 2019	27,086	(2.3)	719	(69.4)	916	(62.2)	689	(56.4)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended December 31, 2020	(1.15)	—
Fiscal year ended December 31, 2019	55.10	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of December 31, 2020	27,643	20,581	74.5	1,656.38
As of December 31, 2019	29,748	20,961	70.5	1,678.45

(Reference) Equity: As of December 31, 2020: 20,581 million yen
As of December 31, 2019: 20,961 million yen

* These consolidated financial results are outside the scope of audit.

* Explanation of the proper use of financial results forecast and other notes

1. Financial results forecast was prepared based on available information at the time of the release of this document, and the Company does not in any way guarantee the achievement of the projections. Actual results may be different from the projections due to various factors. For the notes concerning the use of financial results forecast, please refer to “Future Outlook” on page 12.
2. The Company plans to hold a briefing session for institutional investors and analysts on February 19, 2021 (Friday). Materials to be distributed at the session will be posted on the Company’s website.

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1. Overview of Results of Operations, etc.

(1) Overview of Results of Operations

During the fiscal year ended December 31, 2020, the world economy rapidly deteriorated from March due to the spread of COVID-19. Although movements toward recovery were seen after economic activities resumed, measures to restrict economic activities have been strengthened again since September, mainly in Europe, due to the resurgence of the infection, and the situation remains highly unpredictable.

The group has worked to create a high-value-added market by formulating a medium-term business plan (FY2016-FY2020) ending in the fiscal year under review. However, as it became apparent that business results would substantially differ from initial targets, performance goals for the final fiscal year and the initiatives to achieve them were revised in August 2018. Along with reselecting our fields of focus to the three businesses of the “DP (Digital Printing) Business,” the “COTO Business,” and the “DGSHAPE Business,” we positioned the period until the final fiscal year as a transitional period toward a new growth stage, and have placed emphasis on changing the business portfolio and enhancing operational effectiveness. In the DP Business, we launched new mainstay models of printers for the sign market, and worked to stop the downtrend of sales and maintain our share of that market. In addition, with the aim of creating a new digital printing market, we developed products for specific applications through co-creation with regional partners and launched them mainly in Europe. In the COTO business, we focused on personalization needs to optimize goods based on individual interests, concerns, and events, and we made proposals on the creation of personalized goods and decorative services for retail businesses. We intend to use the results of such needs development to create markets in the future. Furthermore, in October 2020, we integrated the COTO Business division into the DP Business division for the purpose of efficient business operations. In the DGSHAPE Business, as a result of the acceptance of our product concept and digital workflow proposal by dental labs and efforts to develop sales channels, the Company steadily increased its market share and grew to be recognized as a top global manufacturer.

In addition, in the fiscal year under review, the Company worked to strengthen online sales promotions and service support utilizing the Internet, including the dissemination of information using SNS, websites and webinars, as well as by providing technical support through remote access utilizing AR (Augmented Reality) technology, as alternative methods, owing to major restrictions on business activities due to the spread of COVID-19.

As a result of these initiatives, due to the decrease in sales of printers and inks for the sign market and a reduction in sales of dental milling machines as well as the negative impact of a stronger yen, net sales for the fiscal year under review decreased by 14.7% compared with the previous term to 34,780 million yen. The ratio of cost of sales rose by 4.6 percentage points compared with the previous term due to a decrease in net sales and the effect of production adjustments. Selling, general and administrative expenses decreased from the previous term, mainly due to lower advertising and promotion expenses, travel and transportation expenses, and transportation and storage costs, owing to restrictions on business activities due to the spread of COVID-19, but its ratio against net sales rose by 0.8 percentage points from the previous term. As a result, operating profit decreased by 82.1% compared with the previous term to 500 million yen, and ordinary profit decreased by 84.0% to 422 million yen. Profit attributable to owners of parent decreased 87.1% compared with the previous term to 251 million yen, despite the recording of extraordinary income from a refund of customs duty at a sales subsidiary in Europe.

The exchange rates for major currencies during the fiscal year ended December 31, 2020 (average rate during the period from January 2020 to December 2020) were 106.83 yen to the U.S. dollar (109.06 yen for the previous term) and 121.86 yen to the euro (122.11 yen for the previous term).

As the business of the Company and its consolidated subsidiaries is the manufacture and sale of computer peripheral devices and there are no other segments, it is represented as a single segment. Sales by product are as follows.

Net sales by product

(Millions of Yen)

Product	Fiscal year ended December 31, 2019		Fiscal year ended December 31, 2020		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Printers	13,183	32.3	10,053	28.9	(3,130)	(3.4)	76.3
Plotters	1,098	2.7	1,003	2.9	(95)	0.2	91.3
3D products	5,705	14.0	4,779	13.7	(926)	(0.3)	83.8
Supplies	13,411	32.9	12,153	35.0	(1,257)	2.1	90.6
Others	7,396	18.1	6,790	19.5	(605)	1.4	91.8
Total	40,795	100.0	34,780	100.0	(6,015)	-	85.3

[Printers]

In the sign market, various events were cancelled or postponed due to the effects of restrictions in economic activities and self-restraint to curb the spread of COVID-19, leading to a rapid decline in output demand for indoor and outdoor advertising, and a decline in demand for capital investment. On the other hand, sales were supported by increased demand for the production of items such as stickers for measures to prevent COVID-19 infection and floor signs promoting social distancing, for which our strengths in print & cut functions and on-demand printing are utilized. In addition, sales of the BN-20 desktop inkjet printer equipped with the print & cut function enabling the on-demand production of original T-shirts and uniforms and the production of small-lot stickers increased owing to growing in-house and small business demand amidst the COVID-19 pandemic. In the retail market, output demand for novelties and gifts has been slow to recover even after the resumption of economic activities, and sales of UV printers have decreased significantly compared to the previous fiscal year. Regarding sales activities, we made efforts to maintain our customer base by continuing remote communication through such activities as online study sessions and service training on new products for distributors, and the dissemination of information to customers.

Amid these circumstances, in March we launched the VersaUV LEF2-300D compact UV printer for small-scale plants engaging in creating original products such as novelties. It has the ability to print value-added graphics and textures onto a vast array of materials on demand. In June, we launched the VF2-640, a print-only model to expand the product lineup of the TrueVIS series, mainstay printer models for the sign market, and Green Ink, a new, series-exclusive ink color aimed at increasing expressiveness.

As a result of these factors, printer sales were 10,053 million yen in the fiscal year ended December 31, 2020, or 76.3% of the previous fiscal year.

[Plotters]

Despite an increase in sales of low-priced STIKA series cutting machines, which enable the simple creation of cutting stickers in offices and stores, as sales of large format cutters for the sign market decreased, plotter sales were 1,003 million yen, or 91.3% of the previous fiscal year.

[3D products]

While securing a solid footing in the 3D digital fabrication market such as the manufacturing and engraving industries as well as educational institutions, DGSHAPE Corporation, a wholly-owned subsidiary which engages in the 3D business, strives to become the top global manufacturer through regional expansion for sales and share expansion in the growing dental market. Although face-to-face sales activities were restricted due to COVID-19, we made efforts to maintain our customer base by continuing non-face-to-face communication. These efforts included online study sessions and service training on new products for distributors, and the dissemination of information to customers. In the 3D digital fabrication market, sales of 3D milling machines and engravers decreased due to declining demand for capital investment by customers. In the dental market, dental clinic operations are restricted in the midst of the COVID-19 pandemic, and in areas where infection continues to spread, some clinics are continuing to operate at a low capacity due to measures such as limiting the number of patients in order to prevent infection, although demand is on the path to recovery owing to business resumption after the lifting of lockdowns and states of emergency. As a result, sales of dental milling machines decreased from the previous fiscal year due to a decline in demand for capital investment.

As a result of these factors, sales of 3D products were 4,779 million yen, or 83.8% of the previous fiscal year.

[Supplies]

Sales of printer ink were sluggish, owing to a downturn in the capacity utilization rate of customers caused by factors such as the cancelation or postponement of events due to COVID-19. Although the capacity utilization rate of customers has been improving since the third quarter of the fiscal year due to the resumption of economic activities and sales of printer ink have also been on the path to recovery, as the sales decline was large in the second quarter (April to June), when the impact of COVID-19 was pronounced, sales of supplies were lower than the previous fiscal year at 12,153 million yen, or 90.6% of the previous fiscal year.

[Others]

Maintenance services and maintenance sales remained at the same level as the previous fiscal year owing to enhanced customer support, including remote service support. However, sales of service parts decreased due to a decline in product utilization rate caused by the impact from COVID-19.

As a result, other sales were 6,790 million yen, or 91.8% of the previous fiscal year.

Sales by region are as follows.

Net sales by region

(Millions of Yen)

Region	Fiscal year ended December 31, 2019		Fiscal year ended December 31, 2020		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Japan	4,745	11.6	4,164	12.0	(580)	0.4	87.8
North America	11,627	28.5	10,621	30.5	(1,005)	2.0	91.4
Europe	15,257	37.4	12,956	37.3	(2,300)	(0.1)	84.9
Asia	3,220	7.9	2,439	7.0	(781)	(0.9)	75.7
Others	5,944	14.6	4,597	13.2	(1,346)	(1.4)	77.3
Total	40,795	100.0	34,780	100.0	(6,015)	-	85.3

[Japan]

In printers, sales of printers mainly for the sign market and the retail market decreased. In addition, sales of supplies decreased, mainly inks, due to the cancelation of various events caused by the impact from COVID-19 and a rapid downturn in output demand. In 3D products, with the expansion of insurance coverage for CAD/CAM crowns (dental fillings and crowns made using digital data) in September last year, sales of the DWX-4 dental milling machine increased from the previous fiscal year. However, owing to a decline in demand for capital investment, sales in the 3D digital fabrication market and the dental market were sluggish and decreased from the previous fiscal year.

As a result, net sales in Japan were 4,164 million yen, or 87.8% of the previous fiscal year.

[North America]

In 3D products, sales of 3D milling machines in the 3D digital fabrication market were sluggish. In the dental market, sales during the second quarter of the fiscal year (April to June) decreased significantly as the result of restricted sales activities of dental clinics due to the spread of COVID-19. However, sales of dental milling machines exceeded those of the previous fiscal year as a result of our exhibit at a major industry tradeshow in February and proactive sales promotions such as replacement promotions, in addition to the successful concentration of resources on non-face-to-face sales activities utilizing the Internet even after the resumption of economic activities. In printers, sales of the BN-20 desktop inkjet printer equipped with the print & cut function increased significantly owing to growing in-house and small business demand amidst the COVID-19 pandemic. However, sales of supplies, mainly printers and ink, decreased due to a significant decline in output demand by customers in the digital printing market overall.

As a result, net sales in North America were 10,621 million yen, or 91.4% of the previous fiscal year.

[Europe]

During the second quarter of the fiscal year (April to June), the impact from the spread of COVID-19 was pronounced and sales dropped significantly, mainly in Italy and Spain, which account for a high ratio of sales in the region. Since summer, the capacity utilization rate by customers has been on the path to recovery, following the resumption of economic activity, but sales were sluggish in areas where lockdowns resumed due to the reemergence of infection from the third quarter of the fiscal year. In printers, sales of printers for the sign market and eco-solvent ink decreased. In 3D products, sales of 3D milling machines and dental milling machines were sluggish, owing to a decrease in demand for capital investment.

As a result, net sales in Europe were 12,956 million yen, or 84.9% of the previous fiscal year.

[Asia]

Since early February, COVID-19 had a major impact on sales, mainly in China, and also in South Korea, Taiwan, and the ASEAN region. Sales of consumables, such as ink and service parts, decreased significantly due to a decline in printer utilization rate. In China, sales of printers and service parts for the sign market declined, although sales of dental milling machines maintained at the same level as the previous fiscal year, partly due to an increase in sales by newly established distributors. In South Korea, where economic stagnation due to the impact from COVID-19 continues, sales of printers for the sign market and dental milling machines decreased significantly. In the ASEAN region, sales of service parts fell significantly in Indonesia and the Philippines.

As a result, net sales in Asia were 2,439 million yen, or 75.7% of the previous fiscal year.

[Other Regions]

In Australia, although sales of dental milling machines and service parts remained at the same level as the previous fiscal year, sales of printers for the sign market dropped sharply. In Brazil, where the spread of COVID-19 continues, sales of printers for the sign market decreased only slightly, but overall sales decreased significantly from the previous fiscal year due to the appreciation of the yen against the Brazilian real. In the Africa region, sales decreased in printers and ink for the sign market.

As a result, net sales in these regions were 4,597 million yen, or 77.3% of the previous fiscal year.

Basic Policy on Earnings Distributions and Dividend for Current and Next Fiscal Years

We believe in prioritizing profit returns for shareholders, and therefore we will work to maintain the stability of those returns in light of our performance. At the same time, from a mid-to-long term standpoint, since we must allocate funds for future investments in equipment, R&D and sales, we are working to bolster our internal reserves, prepare the required capital, and strengthen the constitution of our business.

In terms of actual policy, based on the profit returns in accordance with our performance, we keep our goal of maintaining dividends at 30% of consolidated profits, and incorporating that into the future of our business development.

As for dividends in the current term, term end dividends will be 10 yen, resulting in the annual payout ratio of 49.6% of consolidated profit.

Regarding dividends from the next fiscal year onward, we will review the actual policy, we pay out dividends in the amount to be determined by referencing the higher of 30% of consolidated profit or 2% DOE, and incorporating that into the future of our business.

In terms of dividends in the following term, interim and year-end payouts are set to be 20 yen and 20 yen per share, respectively, based on the above basic policy, resulting in the annual payout of 40 yen.

(2) Overview of Financial Position

[Assets]

Total assets as of the end of the fiscal year under review decreased by 2,145 million yen compared with end-of-term consolidated totals last year to a total of 36,301 million yen (94.4% of the previous fiscal year).

Current assets decreased by 1,389 million yen to 26,215 million yen (95.0% of the previous fiscal year), and non-current assets decreased by 755 million yen to 10,085 million yen (93.0% of the previous fiscal year). With regard to current assets, while cash and deposits increased by 1,236 million yen, inventories and notes and accounts receivable - trade decreased by 1,615 million yen and 624 million yen, respectively. In non-current assets, in addition to a decrease in deferred tax assets by 273 million yen, buildings and structures as well as software decreased by 122 million yen and 157 million yen, respectively, due to amortization and other factors.

[Liabilities]

Liabilities as of the end of the fiscal year under review decreased by 1,835 million yen to a total of 11,562 million yen (86.3% of the previous fiscal year). With regard to current liabilities, while notes and accounts payable - trade increased by 361 million yen, income taxes payable and other current liabilities including accounts payable decreased by 203 million yen and 496 million yen, respectively. In non-current liabilities, long-term borrowings decreased by 1,440 million yen.

[Net assets]

Net assets as of the end of the fiscal year under review decreased by 309 million yen to a total of 24,738 million yen (98.8% of the previous fiscal year). Compared with the end of the previous fiscal year, while treasury shares increased by 50 million yen due to the acquisition of treasury shares, foreign currency translation adjustment decreased by 159 million yen due mainly to the stronger yen.

(3) Overview of Cash Flows

Summary of Consolidated Statements of Cash Flows

(Millions of Yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020	Changes
Net cash provided by (used in) operating activities	2,533	4,003	1,469
Net cash provided by (used in) investing activities	(875)	(710)	164
Net cash provided by (used in) financing activities	(1,750)	(2,210)	(460)
Effect of exchange rate change on cash and cash equivalents	121	151	30
Net increase (decrease) in cash and cash equivalents	30	1,234	1,204
Cash and cash equivalents at end of period	11,199	12,434	1,234

[Net cash provided by (used in) operating activities]

Net cash provided by operating activities for the fiscal year under review was 4,003 million yen, an increase of 1,469 million yen from the previous fiscal year. Main positive factors for the cash flows include a decrease in trade receivables and inventories, and an increase in trade payables. Main negative factors include a decrease in profit before income taxes and in other current liabilities including accounts payable – other.

[Net cash provided by (used in) investing activities]

Net cash used in investing activities for the fiscal year under review was 710 million yen, a decrease in outflow of 164 million yen from the previous fiscal year's outflow of 875 million yen. Main factors include a decrease in the purchase of property, plant and equipment.

[Net cash provided by (used in) financing activities]

Net cash used in financing activities for the fiscal year under review was 2,210 million yen, an increase of 460 million yen from an outflow of 1,750 million yen in the previous fiscal year. Main positive factors for the cash flows include an increase in repayments of long-term borrowings.

(4) Future Outlook

As for the future economic outlook, movements toward recovery in the global economy are expected due to the effects of various policies aimed at curbing the spread of COVID-19 and the diffusion of vaccines. However, the pace of recovery is expected to be uneven from country to country, and it is anticipated that the situation will remain uncertain.

Regarding the outlook for the next fiscal year, sales are expected to increase owing to the recovery of demand for capital investment, which had declined due to the impact of COVID-19. Profits are also expected to increase due to the effect of increased sales and structural reforms to reduce fixed costs, including the consolidation of manufacturing bases into the Thai plant and the reduction of personnel through the call for early voluntary retirement. The forecast for the next consolidated fiscal year includes an extraordinary loss of 1,000 million yen to be incurred from the implementation of the early voluntary retirement program, as announced in “Notice of Implementation of Early Retirement Program and Reduced Payment of Executive Compensation” released on December 17, 2020.

In addition, we have developed a three-year medium-term business plan with fiscal year 2021 as the first year. For details, please refer to “Notice of Development of Medium-Term Business Plan (FY2021-FY2023)” released separately today.

(Millions of Yen)

	Fiscal year ended December 31, 2020	Fiscal year ending December 31, 2021	Change (%)
Net sales	34,780	41,500	119.3
Operating profit	500	2,900	579.8
Ordinary profit	422	2,900	686.0
Profit attributable to owners of parent	251	1,500	597.3
ROE (%)	1.0%	6.1%	-

Estimated exchange rates of major currencies for the fiscal year ending December 31, 2021

1USD = 100 yen, 1EUR = 125 yen

2. Status of Corporate Group

The Group engages in the manufacture and sale of computer peripheral devices such as printers, plotters, and 3D products.

[Development and Manufacturing Structures of Products]

Development of products of the Group is mainly conducted by the Company and DGSHAPE Corporation, a subsidiary.

Manufacture of products is mainly conducted at the Company and Roland Digital Group (Thailand) Ltd., a subsidiary in Thailand.

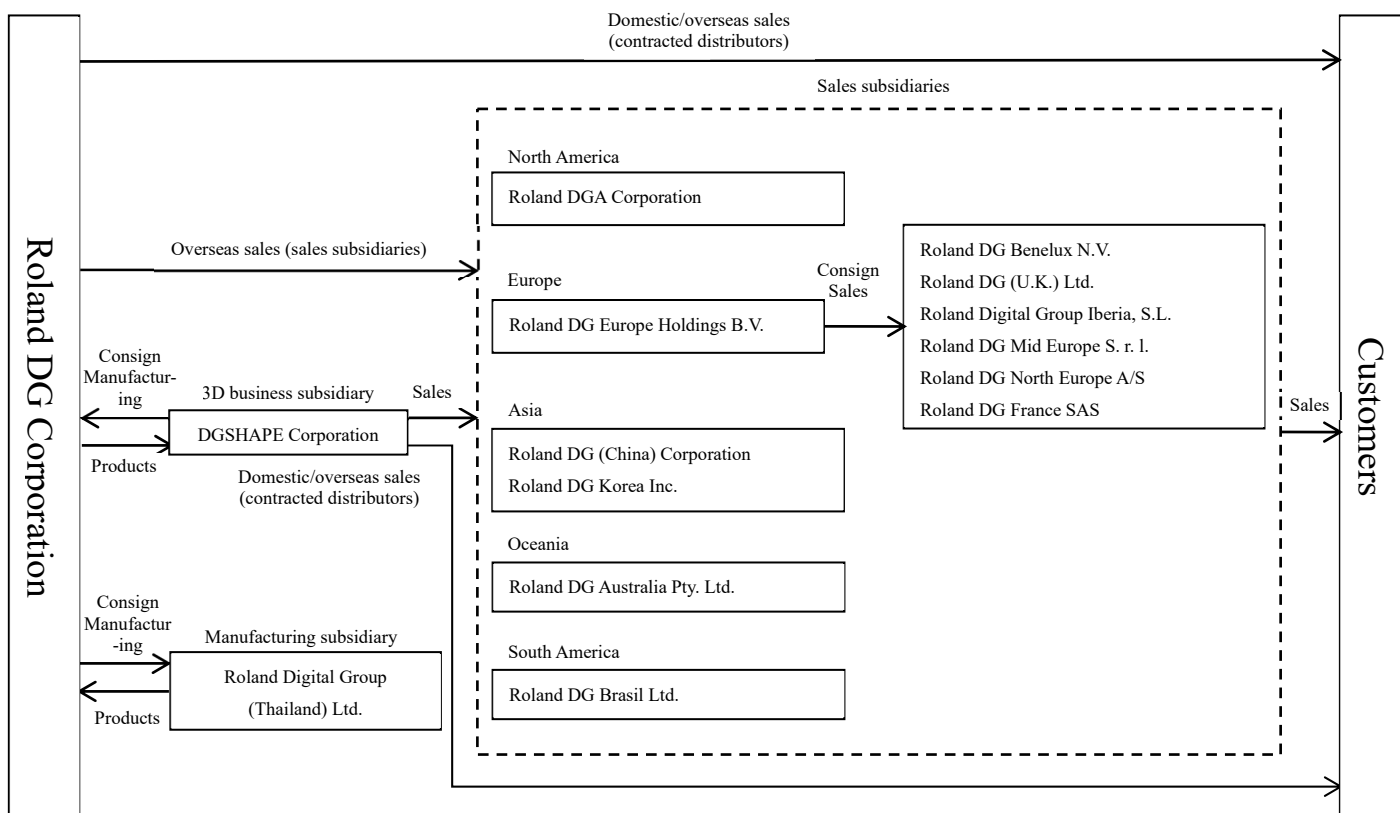
The research and development department has adopted a system that ensures coordination led by product producers in order to quickly respond to changes in demand. The production department has adopted a cell production system utilizing digital data. In addition, we strive to streamline processes, including reductions in development periods, by introducing a “digital factory” that directly connects processes from development to production with digital data using 3D CAD.

[Sales Structure]

In domestic markets, the Company and DGSHAPE Corporation, a subsidiary, are in charge of sales and sell products through contracted distributors.

In overseas markets, the Company and DGSHAPE Corporation, a subsidiary, are in charge of sales and sell products through the Company’s six overseas sales subsidiaries or contracted distributors.

The business organization chart is as follows.



*In addition to the above, the Company owns three consolidated subsidiaries in Europe and a non-consolidated subsidiary in Asia.

Status of Affiliated Companies

Consolidated Subsidiaries

As of December 31, 2020

Company name	Location	Capital stock	Principal business	Ratio of voting rights held in subsidiaries (%)	Relationship			
					No. of Inter-locking directors	Financial support	Business transactions	Leasing of facilities
DGSHAPE Corporation	Kita-ku, Hamamatsu-shi, Shizuoka	JPY 160,000 thousand	Manufacturing and sale of computer peripheral devices	100.0	1	No	Sales of products manufactured by the Group	Yes
Roland DGA Corporation	Irvine CA, U.S.A.	US\$ 4,196 thousand	Sale of computer peripheral devices	100.0	2	No	Sales of products manufactured by the Group	No
Roland DG Benelux N.V.	Geel, Belgium	EUR 72 thousand	Provision of services including sales promotion and after-sales service	100.0 (99.0)	2	No	–	No
Roland DG (U.K.) Ltd.	Clevedon, U.K.	Stg £ 23 thousand	Provision of services including sales promotion and after-sales service	100.0 (100.0)	2	No	–	No
Roland Digital Group Iberia, S.L.	Cerdanyola del Valles, Spain	EUR 106 thousand	Provision of services including sales promotion and after-sales service	100.0 (100.0)	2	No	–	No
Roland DG Mid Europe S.r.l.	Acquaviva Picena, Italy	EUR 1,000 thousand	Provision of services including sales promotion and after-sales service	100.0 (100.0)	2	No	–	No
Roland DG North Europe A/S	Farum, Denmark	DKr 500 thousand	Provision of services including sales promotion and after-sales service	100.0 (100.0)	2	No	–	No
Roland DG Australia Pty. Ltd.	Frenchs Forest, Australia	A\$ 300 thousand	Sales of computer peripheral devices	100.0	1	No	Sales of products manufactured by the Group	No

Roland DG (China) Corporation	Shanghai, China	RMB 16,000 thousand	Sales of computer peripheral devices	100.0	2	No	Sales of products manufactured by the Group	No
Roland DG Korea Inc.	Seoul, Korea	KRW 2,100,000 thousand	Sales of computer peripheral devices	100.0	2	No	Sales of products manufactured by the Group	No
Roland DG Brasil Ltd.	Sao Paulo, Brazil	R\$ 8,366 thousand	Sales of computer peripheral devices	100.0	None	No	Sales of products manufactured by the Group	No
Roland DG Europe Holdings B.V.	Amstelveen, The Netherlands	EUR 1,000 thousand	Holding company in Europe Sales of computer peripheral devices	100.0	1	No	Sales of products manufactured by the Group	No
Roland DG EMEA, S.L.	Cerdanyola del Valles, Spain	EUR 200 thousand	Back office work for European sales subsidiaries	100.0 (100.0)	2	No	–	No
Roland Digital Group (Thailand) Ltd.	Samutsakhon, Thailand	THB 210,000 thousand	Manufacturing of computer peripheral devices	99.9	1	Debt guarantee	Manufacturing of the Group products	No
Roland DG Deutschland GmbH	Willich, Germany	EUR 100 thousand	Provision of services including sales promotion and after-sales service	100.0 (100.0)	2	No	–	No
Roland DG RUS LLC	Moscow, Russia	RUB 18,000 thousand	Provision of services including sales promotion and after-sales service	100.0 (99.0)	None	No	–	No
Roland DG France SAS	Serris, France	EUR 300 thousand	Provision of services including sales promotion and after-sales service	100.0 (100.0)	2	No	–	No

(Note) The figures in parentheses in the “Ratio of voting rights holding in subsidiaries” column are the ratio of indirect holding, shown inclusive.

3. Management Policy

Matters mentioned below concerning the future are based on the judgment of the Group as of the end of the fiscal year under review.

(1) Basic Company Management Policy

We have focused our efforts on developing digital technologies and providing creative devices that make it possible for our customers around the world to “Transform Imagination into Reality,” based on our vision. With the rapid advances of digitalization, our customers’ needs are growing more advanced and diverse, and it is critical to proactively and rapidly develop new technologies to support these needs. We believe that we can gain the trust of our customers, developing together, not by simply aiming to achieve greater sales volume, but by supplying high quality products and services.

Led by this philosophy, we are working to create a unified operation system, consisting of our sales and development functions and affiliated companies, with the common mission of collecting customer information and developing new products. We are constantly operating development projects, which continually share information and generate awareness as they strive to develop products based on new research themes.

At the same time, the results of this high value development work must be commercialized using optimal production systems. We consider improving quality and production efficiency our greatest missions as a manufacturer, and are dedicated to developing our structures and systems. Our “Digital Yatai (digitally-controlled cell production system),” which fully leverages IT equipment, has reduced lead time and ensured reliability in quality.

We consider the effort we put into this manufacturing to be one of the joys of creation, and will continue to engage in proactive, unified company operations in the future.

(2) Target Management Benchmarks

In the medium-term business plan for the five-year period from FY2016 to FY2020, we promoted activities aimed at accelerating new business developments in growing markets, transforming to a solutions provider, and transforming into an innovation-focused group. However, in addition to the maturation of the sign (advertising and signboard production) market, which is our mainstay market, the entry of major manufacturers into the market has intensified the competitive environment, and this has been the main reason for the continued decline in sales of printers and ink. In August 2018, we reviewed our priority issues and performance goals, and positioned the period up to the final year (fiscal year ended December 31, 2020) of the medium-term business plan as a transitional period toward a new growth stage, placing emphasis on changing the business portfolio and enhancing operational effectiveness.

Under the medium-term business plan for the period from FY2021 to FY2023, we have set the policy of “Rebirth as the new RDG, embodying true creativity, supremacy and empathy” and the performance goals for FY2023, the final year of the plan, include consolidated net sales of 48,000 million yen, consolidated operating profit of 6,000 million yen (operating profit to net sales of 12.5%), ROE of 15%, and ROIC of 15%. Accordingly, we will aim to achieve a muscular corporate structure through structural reforms and change the business portfolio by entering into emerging country markets and new business.

(3) Medium to Long Term Business Strategy and Issues to be Addressed

Our group has continued to grow by creating high value-added markets globally based on color & 3D digital control technology. In the medium-term business plan from FY 2021 to FY 2023, we aim to transform our business portfolio. We will work on creating new markets in niche fields where growth is expected, while minimizing the decline in profit margins by changing technologies and pursuing greater efficiency in response to the maturing of our mainstay markets and the increasing competition. In addition, we will aim to become a truly global company by shifting our focus from business development in developed countries to capturing growth in emerging markets.

1) Business Fields to be Focused on

We concentrate on fields in which we can bring out our strengths to develop niche and highly value-added business. Specifically, we divide our business into two areas: “DP (Digital Printing) Business” focusing on the printing market, which is expected to undergo a process of change from analog processes such as sign (advertising and signboard production) in existing markets to digital processes; and “DGSHAPE Business” which targets various manufacturing applications that use 3D digital data.. DP Business will develop areas that require on-demand printing such as product personalization. DGSHAPE Business will continue expanding in the dental market where digitization of workflow is becoming a notable trend. We will allocate our corporate resource to these focus areas in order to further grow and create new markets.

2) Response to Changes of Markets and Customer Needs

Considering value creation and market creation as the core of growth, flexibility to market changes including diversification of customer needs is critical. Based on our group-wide corporate structure, which enables speedy responses to changes, we will aggressively invest in our core technology innovation and collaborate with external partners to achieve speedy commercialization in order to quickly capture the needs of each region and create new markets.

3) Response to Maturing of Mainstay Markets

The mainstay sign market is maturing in line with the widespread use of inkjet printers. In addition to introducing products with superiority and differentiation, creating business opportunities for customers via development of various other usages and the strengthening of solution proposals, we will focus on maximizing customer value by encouraging a shift to environmentally friendly inks, while also leveraging our global sales network to maintain our strong customer base. Further, we will improve our cost competitiveness by migrating our mass production function to Thailand and reducing R&D cost through implementing platform structures with the intent of creating profitable and continuous business models.

4) Strengthening Organization Management System

For niche and highly value-added market creation, we are required to capture the changing needs of society or individuals rather quickly and promote flexible business activities under the direction of strong leaders with entrepreneurship. By transforming our organizational structure to enable speedy decision-making that accurately grasps market changes, we will realize swift market creation with speedy decision-making.

5) Fundamental review of cost structure

In our medium-term business plan for the three-year period starting in FY2021, we are working on structural reforms aimed at strengthening our competitiveness and transforming ourselves into a company that can adapt to various changes in the business environment.

As part of this plan, we will "consolidate our production base to Thailand" and "implement early retirement program" in FY2021. By consolidating the production functions that are currently carried out at two bases in Japan and Thailand, we will improve the efficiency of manufacturing. Further we will reduce fixed cost by streamlining headcount by implementing an early retirement program.

Through these structural reforms, we will improve our cost competitiveness, secure profitability to survive global competition, and achieve sustainable growth by transforming ourselves into a lean corporate structure.

6) Strengthening R&D and Production Structure

In terms of the structure behind R&D and production, our company thinking is based in the “digital factory” concept, which ensures speedy and effective development and production by sharing 3D data company-wide as well as suppliers. Multiple products are realized by concurrent engineering, and assembled with cell production system which is optimized for low-volume, high-variety production work.

Furthermore, we are currently aggressively conducting research and development investment to strengthen our technological base in order to respond to rapid changes in the market environment and the diversification of needs. Through unique technological proposals taking advantage of our core technologies, we will advance the creation of additional customer value and high value-added markets.

In production, the mass production function will be completely transferred to the Thai plant by the end of FY2021 to strengthen our price competitiveness. The domestic plant will be positioned as the mother plant for development of advanced production technologies, high value-added product, and prototype production. In addition, by strengthening PSI (production, sales, and inventory) management, we aim at such achievements as improvement in production lead times and a reduction in inventory, and at the same time we strengthen our capabilities to respond to changes in demand for the realization of further optimization.

7) Improving Business Sustainability

As part of our preparation towards natural disasters, we are striving to improve the continuity of our business activities in areas including supply chain through means such as multi-faceted review of BCP (business continuity planning) as well as carrying out a disaster prevention committee throughout the year. Further, in terms of procurement, we are promoting overseas parts procurement in order to diversify our risk.

8) Environmental Protection

We are taking a number of initiatives to ensure the protection of the environment. This includes considering environmental impact during product development, preparing our facilities to prevent contamination, efforts to reduce energy consumption, and company-wide education on efficient usage and recycling of materials. Furthermore, in order to support the spirit of the SDGs (Sustainable Development Goals) and contribute to the creation of a society that can develop sustainably, we have registered with the Hamamatsu SDGs Platform promoted by Hamamatsu City, where our headquarters is located, and will work on SDGs activities through our businesses.

9) Enhancing Corporate Governance and Strengthening Internal Control

As a listed company, corporate governance is our responsibility to society, and to realize this, we must strengthen the internal control of our company. We have set “Basic Policies on the Internal Control System” as sought by the Companies Act and maintain and operate a risk management structure. Furthermore, regarding internal control for financial reports as instituted by the Financial Instruments and Exchange Act, we are planning structural and organizational measures to ensure the appropriateness of such reports in accordance with the above basic policy.

Furthermore, “Japan’s Corporate Governance Code” is applied to companies listed on the Tokyo Stock Exchange. While understanding the purpose and spirit of this code fully and enhancing corporate governance, we will strive for sustainable growth and the increase of corporate value over the medium to long term through active dialogue with shareholders and investors, etc., by establishing the “Policy for Constructive Dialogue with Shareholders.”

4. Basic Policy on Selection of Accounting Standards

The Group applies Japanese Accounting Standards.

Concerning the future adoption of International Financial Reporting Standards (IFRS), the Group will consider its application while taking into consideration factors such as global adoption and domestic trends.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of Yen)

	As of December 31, 2019	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	11,215,141	12,451,929
Notes and accounts receivable - trade	4,947,348	4,322,860
Merchandise and finished goods	6,990,972	5,226,944
Work in process	106,323	48,291
Raw materials and supplies	2,556,894	2,763,849
Other	1,863,482	1,478,636
Allowance for doubtful accounts	(74,349)	(76,584)
Total current assets	27,605,812	26,215,926
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,166,986	7,057,705
Accumulated depreciation	(4,663,264)	(4,676,214)
Buildings and structures, net	2,503,721	2,381,490
Machinery, equipment and vehicles	939,962	920,622
Accumulated depreciation	(679,033)	(680,064)
Machinery, equipment and vehicles, net	260,928	240,558
Tools, furniture and fixtures	3,714,895	3,822,324
Accumulated depreciation	(3,004,073)	(3,188,089)
Tools, furniture and fixtures, net	710,822	634,235
Land	3,146,062	3,127,831
Leased asset-use rights	800,543	747,604
Construction in progress	18,150	47,958
Total property, plant and equipment	7,440,228	7,179,678
Intangible assets		
Goodwill	189,176	117,600
Software	757,334	599,779
Telephone subscription right	7,938	7,861
Total intangible assets	954,449	725,240
Investments and other assets		
Investment securities	19,265	3,804
Deferred tax assets	1,631,750	1,358,193
Other	794,952	818,556
Total investments and other assets	2,445,968	2,180,553
Total non-current assets	10,840,646	10,085,473
Total assets	38,446,459	36,301,399

(Thousands of Yen)

	As of December 31, 2019	As of December 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,014,844	2,376,126
Current portion of long-term borrowings	1,440,000	1,440,000
Lease obligations	318,829	330,694
Income taxes payable	385,443	181,896
Provision for bonuses	605,405	578,570
Provision for bonuses for directors (and other officers)	44,000	—
Provision for product warranties	490,372	440,844
Other	3,725,075	3,229,028
Total current liabilities	9,023,971	8,577,160
Non-current liabilities		
Long-term borrowings	1,440,000	—
Lease obligations	488,906	449,049
Provision for employee stock ownership plan trust	153,264	136,041
Provision for share-based remuneration for directors (and other officers)	180,377	157,949
Provision for loss on dissolution of employees' pension fund	4,307	—
Retirement benefit liability	827,991	910,676
Long-term accounts payable - other	43,512	54,138
Other	1,236,536	1,277,899
Total non-current liabilities	4,374,897	2,985,755
Total liabilities	13,398,868	11,562,916
Net assets		
Shareholders' equity		
Share capital	3,668,700	3,668,700
Capital surplus	3,700,608	3,700,608
Retained earnings	19,197,758	19,132,487
Treasury shares	(593,773)	(644,762)
Total shareholders' equity	25,973,293	25,857,034
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,983)	(249)
Foreign currency translation adjustment	(705,787)	(865,396)
Remeasurements of defined benefit plans	(218,039)	(253,007)
Total accumulated other comprehensive income	(925,810)	(1,118,653)
Non-controlling interests	108	103
Total net assets	25,047,590	24,738,483
Total liabilities and net assets	38,446,459	36,301,399

(2) Consolidated Statements of Operations and Comprehensive Income
Consolidated Statements of Operations

(Thousands of Yen)

	For the fiscal year ended December 31, 2019 (From January 1, 2019 to December 31, 2019)	For the fiscal year ended December 31, 2020 (From January 1, 2020 to December 31, 2020)
Net sales	40,795,450	34,780,252
Cost of sales	23,464,864	21,601,870
Gross profit	17,330,585	13,178,382
Selling, general and administrative expenses		
Transportation and storage costs	1,045,899	805,478
Advertising and promotion expenses	1,103,287	569,208
Provision of allowance for doubtful accounts	6,368	4,928
Provision for product warranties	80,075	13,124
Salaries and bonuses	7,083,996	6,833,581
Provision for bonuses	344,502	359,582
Provision for bonuses for directors (and other officers)	44,000	—
Provision for employee stock ownership plan trust	36,741	—
Provision for share-based remuneration for directors (and other officers)	44,064	—
Retirement benefit expenses	294,735	272,128
Travel and transportation expenses	570,440	180,717
Depreciation	923,753	866,043
Commission expenses	1,194,954	1,140,044
Other	1,763,745	1,633,362
Total selling, general and administrative expenses	14,536,564	12,678,199
Operating profit	2,794,021	500,183
Non-operating income		
Interest income	17,883	9,931
Dividend income	603	12,908
Gain on valuation of investments in money held in trust	79,768	42,855
Subsidy income	4,181	91,218
Other	66,526	83,590
Total non-operating income	168,964	240,503
Non-operating expenses		
Interest expenses	39,463	30,813
Sales discounts	126,692	92,679
Foreign exchange losses	144,888	164,729
Other	3,108	29,714
Total non-operating expenses	314,152	317,937
Ordinary profit	2,648,832	422,749

(Thousands of Yen)

	For the fiscal year ended December 31, 2019 (From January 1, 2019 to December 31, 2019)	For the fiscal year ended December 31, 2020 (From January 1, 2020 to December 31, 2020)
Extraordinary income		
Gain on sales of non-current assets	15,155	15,570
Refund of customs duty	—	437,164
Total extraordinary income	15,155	452,734
Extraordinary losses		
Loss on sales and retirement of non-current assets	19,813	21,372
Loss on sales of investment securities	—	5,571
Total extraordinary losses	19,813	26,944
Profit before income taxes	2,644,175	848,539
Income taxes – current	704,209	319,678
Income taxes – deferred	(4,913)	277,716
Total income taxes	699,295	597,395
Profit	1,944,879	251,144
Profit attributable to non-controlling interests	18	13
Profit attributable to owners of parent	1,944,861	251,130

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	For the fiscal year ended December 31, 2019 (From January 1, 2019 to December 31, 2019)	For the fiscal year ended December 31, 2020 (From January 1, 2020 to December 31, 2020)
Profit	1,944,879	251,144
Other comprehensive income		
Valuation difference on available-for-sale securities	(736)	1,733
Foreign currency translation adjustment	(93,651)	(159,617)
Remeasurements of defined benefit plans, net of tax	65,864	(34,968)
Total other comprehensive income	(28,523)	(192,852)
Comprehensive income	1,916,356	58,292
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,916,328	58,287
Comprehensive income attributable to non-controlling interests	27	5

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended December 31, 2019 (From January 1, 2019 to December 31, 2019)

(Thousands of Yen)

	Shareholder's equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,668,700	3,700,608	18,152,407	(442,217)	25,079,498
Cumulative effects of changes in accounting policies			(13,582)		(13,582)
Restated balance	3,668,700	3,700,608	18,138,825	(442,217)	25,065,915
Changes during period					
Dividends of surplus			(885,928)		(885,928)
Profit attributable to owners of parent			1,944,861		1,944,861
Purchase of treasury shares				(134)	(134)
Treasury stock possession of stock ownership plan trust				(175,478)	(175,478)
Treasury stock transfer of stock ownership plan trust				24,057	24,057
Net changes in items other than shareholders' equity					—
Total changes during period	—	—	1,058,933	(151,556)	907,377
Balance at end of period	3,668,700	3,700,608	19,197,758	(593,773)	25,973,293

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	(1,246)	(612,127)	(283,903)	(897,277)	80	24,182,301
Cumulative effects of changes in accounting policies				—		(13,582)
Restated balance	(1,246)	(612,127)	(283,903)	(897,277)	80	24,168,719
Changes during period						
Dividends of surplus				—		(885,928)
Profit attributable to owners of parent				—		1,944,861
Purchase of treasury shares				—		(134)
Treasury stock possession of stock ownership plan trust				—		(175,478)
Treasury stock transfer of stock ownership plan trust				—		24,057

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Net changes in items other than shareholders' equity	(736)	(93,660)	65,864	(28,533)	27	(28,505)
Total changes during period	(736)	(93,660)	65,864	(28,533)	27	878,871
Balance at end of period	(1,983)	(705,787)	(218,039)	(925,810)	108	25,047,590

For the fiscal year ended December 31, 2020 (From January 1, 2020 to December 31, 2020)

(Thousands of Yen)

	Shareholder's equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,668,700	3,700,608	19,197,758	(593,773)	25,973,293
Changes during period					
Dividends of surplus			(316,401)		(316,401)
Profit attributable to owners of parent			251,130		251,130
Purchase of treasury shares				(78)	(78)
Treasury stock possession of stock ownership plan trust				(97,702)	(97,702)
Treasury stock transfer of stock ownership plan trust				46,792	46,792
Net changes in items other than shareholders' equity					—
Total changes during period	—	—	(65,270)	(50,988)	(116,258)
Balance at end of period	3,668,700	3,700,608	19,132,487	(644,762)	25,857,034

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	(1,983)	(705,787)	(218,039)	(925,810)	108	25,047,590
Changes during period						
Dividends of surplus				—		(316,401)
Profit attributable to owners of parent				—		251,130
Purchase of treasury shares				—		(78)
Treasury stock possession of stock ownership plan trust				—		(97,702)
Treasury stock transfer of stock ownership plan trust				—		46,792
Net changes in items other than shareholders' equity	1,733	(159,608)	(34,968)	(192,843)	(4)	(192,848)
Total changes during period	1,733	(159,608)	(34,968)	(192,843)	(4)	(309,107)
Balance at end of period	(249)	(865,396)	(253,007)	(1,118,653)	103	24,738,483

(4) Consolidated Statements of Cash Flows

(Thousands of Yen)

	For the fiscal year ended December 31, 2019 (From January 1, 2019 to December 31, 2019)	For the fiscal year ended December 31, 2020 (From January 1, 2020 to December 31, 2020)
Cash flows from operating activities		
Profit before income taxes	2,644,175	848,539
Depreciation	1,452,706	1,358,055
Amortization of goodwill	75,405	75,250
Increase (decrease) in allowance for doubtful accounts	(11,373)	5,180
Increase (decrease) in provision for bonuses	(116,753)	(28,052)
Increase (decrease) in provision for bonuses for directors (and other officers)	(16,000)	(44,000)
Increase (decrease) in provision for product warranties	39,605	(32,493)
Increase (decrease) in provision for employee stock ownership plan trust	53,012	(15,045)
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	(443)	22,186
Increase (decrease) reserve for loss on dissolution of employees pension fund	(363)	(4,307)
Increase (decrease) in retirement benefit liability	63,508	32,829
Interest and dividend income	(18,487)	(22,839)
Interest expenses	39,463	30,813
Loss (gain) on sales and retirement of intangible assets	—	1,334
Loss (gain) on sales of property, plant and equipment	4,657	4,468
Loss (gain) on sales of investment securities	—	5,571
Decrease (increase) in trade receivables	(25,407)	517,271
Decrease (increase) in inventories	(1,742,839)	1,490,889
Decrease (increase) in other current assets	86,666	384,450
Decrease (increase) in other non-current assets	46,012	(84,106)
Increase (decrease) in trade payables	1,394	387,663
Increase (decrease) in other current liabilities	534,119	(509,647)
Increase (decrease) in other non-current liabilities	(42,037)	72,266
Other, net	(14,143)	37,483
Subtotal	3,052,879	4,533,762
Interest and dividends received	30,250	27,339
Interest paid	(38,311)	(29,949)
Income taxes paid	(510,943)	(527,915)
Net cash provided by (used in) operating activities	2,533,875	4,003,236
Cash flows from investing activities		
Payments into time deposits	(14,179)	(2,138)
Proceeds from withdrawal of time deposits	—	10,053
Purchase of property, plant and equipment	(632,601)	(530,115)
Proceeds from sales of property, plant and equipment	38,227	31,755
Purchase of intangible assets	(265,695)	(227,690)
Purchase of investment securities	(931)	—
Proceeds from sales of investment securities	—	12,360
Other, net	95	(4,312)
Net cash provided by (used in) investing activities	(875,085)	(710,087)

(Thousands of Yen)

	For the fiscal year ended December 31, 2019 (From January 1, 2019 to December 31, 2019)	For the fiscal year ended December 31, 2020 (From January 1, 2020 to December 31, 2020)
Cash flows from financing activities		
Repayments of long-term borrowings	(360,000)	(1,440,000)
Repayments of lease obligations	(327,864)	(355,602)
Purchase of treasury shares	(175,964)	(97,976)
Dividends paid	(886,228)	(317,072)
Other, net	—	(9)
Net cash provided by (used in) financing activities	(1,750,056)	(2,210,661)
Effect of exchange rate change on cash and cash equivalents	121,374	151,758
Net increase (decrease) in cash and cash equivalents	30,108	1,234,245
Cash and cash equivalents at beginning of period	11,169,670	11,199,778
Cash and cash equivalents at end of period	11,199,778	12,434,024

6. Other

Changes to Officers

(Scheduled on March 18, 2020)

(1) Change to Representative Director

Not Applicable.

(2) Changes to Other Officers

Director scheduled for retirement

Hidenori Fujioka, Chairman and Director

Koichi Hashimoto, Director