

Consolidated Financial Results for the Fiscal Year Ended March 31, 2015 [Japanese GAAP]



May 8, 2015

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 Securities Code: 6789
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 Scheduled date of Ordinary General Meeting of Shareholders: June 17, 2015
 Scheduled date of filing annual securities report: June 18, 2015
 Scheduled date of commencing dividend payments: June 18, 2015
 Availability of supplementary briefing material on consolidated financial results: Available
 Schedule of consolidated financial results briefing session: Scheduled

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal year ended March 31, 2015	46,770	11.0	6,578	7.6	6,398	2.5	3,190	(25.2)
Fiscal year ended March 31, 2014	42,141	34.8	6,111	329.2	6,244	377.8	4,265	1,096.6

(Note) Comprehensive income: Fiscal year ended March 31, 2015: 3,601 million yen [(44.1)%]
 Fiscal year ended March 31, 2014: 6,439 million yen [345.0%]

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2015	210.87	—	12.1	16.6	14.1
Fiscal year ended March 31, 2014	239.64	—	15.4	17.7	14.5

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal Year Ended March 31, 2015: - million yen
 Fiscal Year Ended March 31, 2014: - 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 March 31, 2015	38,192	22,073	57.8	1,550.19
As of March 31, 2014	38,925	30,676	78.8	1,723.45

(Reference) Equity: As of March 31, 2015: 22,073 million yen
 As of March 31, 2014: 30,676 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 March 31, 2015	5,467	(523)	(5,407)	10,409
Fiscal year ended March 31, 2014	6,353	(1,236)	(2,242)	10,713

2. Dividends

	Annual dividends				
	1st quarter end	2nd quarter end	3rd quarter end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2014	–	20.00	–	20.00	40.00
Fiscal year ending March 31, 2015	–	30.00	–	30.00	60.00
Fiscal year ending December 31, 2015 (Forecast)	–	30.00	–	30.00	60.00

	Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	Millions of Yen	%	%
Fiscal year ended March 31, 2014	711	16.7	2.6
Fiscal year ended March 31, 2015	858	28.5	3.7
Fiscal year ending December 31, 2015 (Forecast)		29.5	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2015 (From April 1, 2015 to December 31, 2015)

(% indicates changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
First half	32,900		3,000		2,800		1,800		126.41
Full year	45,600		4,700		4,400		2,900		203.66

Under the condition that the proposal “Partial Amendments to Articles of Incorporation” is approved at the Ordinary General Meeting of Shareholders to be held on June 17, 2015, the Company is scheduled to change its fiscal year-end date from March 31 to December 31 starting from the fiscal year under review. As a result, for the fiscal year ending December 31, 2015, which will serve as a transitional period, the period for consolidation will be the nine-month period from April to December for the Company, and for subsidiaries with a fiscal year-end in December, the twelve-month period, unchanged from January to December.

[Reference]

Percentages shown below (rate of change after adjustment) are rates of change comparing the nine-month results of the Company (April 1, 2014 to December 31, 2014) with the financial results forecast for the fiscal year ending December 31, 2015.

Net sales	Operating income	Ordinary income	Net income	(Millions of yen)
45,600 1.6%	4,700 (11.4)%	4,400 (13.6)%	2,900 26.0%	

*** Notes**

- (1) Significant changes of subsidiaries during the fiscal year under review (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: Yes
 - 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 stock)

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

Fiscal year ended March 31, 2015	14,385,511 shares
Fiscal year ended March 31, 2014	17,800,000 shares

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

Fiscal year ended March 31, 2015	146,000 shares
Fiscal year ended March 31, 2014	460 shares

- 3) Average number of shares during the period:

Fiscal year ended March 31, 2015	15,129,518 shares
Fiscal year ended March 31, 2014	17,799,540 shares

(Note) The total number of treasury stock at the end of the fiscal year ended March 31, 2015 includes the number of shares of the Company held by the Director Stock Benefit Trust and J-ESOP Trust (143,000 shares). The number of treasury stock excluded from calculation of the average number of shares during the period for the fiscal year ended March 31, 2015 includes the number of shares of the Company held by the Director Stock Benefit Trust and J-ESOP Trust (59,583 shares).

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal year ended March 31, 2015	33,818	9.3	5,241	26.7	6,210	35.0	3,925	50.9
Fiscal year ended March 31, 2014	30,937	24.1	4,135	272.2	4,600	254.5	2,602	573.4

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 31, 2015	259.46	—
Fiscal year ended March 31, 2014	146.19	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of March 31, 2015	31,016	18,256	58.9	1,282.07
As of March 31, 2014	32,749	26,536	81.0	1,490.84

(Reference) Equity: As of March 31, 2015: 18,256 million yen

As of March 31, 2014: 26,536 million yen

* Presentation regarding the implementation status of the audit process

These Consolidated Financial Results are not subject to the audit process provided for by the Japanese Financial Instruments and Exchange Act. At the time of the disclosure of these Consolidated Financial Results, the audit process of the Consolidated Financial Statement based on the Law has not been completed.

* 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 page 7.
2. The Company plans to hold a briefing session for institutional investors and analysts on May 14, 2015 (Thursday). Materials distributed at the session will be posted on the Company's website.

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1. Results of Operations

(1) Analysis of Results of Operations

Looking at the world economy during the fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015), the U.S. economy maintained its recovery trend while the European economy continued slow growth due to factors including geopolitical risk. Moreover, in Asia, economic growth showed a sign of slow down mainly in China and India, and although Japan was on a moderate recovery trend, the overall situation remained unpredictable due to factors including rising raw material costs and lackluster growth in personal spending, affected by the increased consumption tax.

In order to adapt to a drastically changing business environment, the group has set out to reform our corporate structure with GlobalOne, which would unify our group and unleash newfound collaborative power. Specific measures and quantitative targets have been set out in the three-year medium-term business plan, and the group has been implementing them since the previous fiscal year. With the three major themes of (1) creating opportunities for new growth in creative fields, (2) strengthening the global brand, and (3) management that is responsive to diversification, the group will further press ahead with GlobalOne as we seek to build a strong business foundation for new growth.

With regard to our sales structure, we reorganized them into the three global blocks constituting “Europe, the Middle East and Africa,” “Asia and the Pacific,” and “North America and Central and South America” and worked on reinforcing the management structure within each region. Our sales subsidiaries will identify local needs precisely to deliver the optimum solutions by leveraging the experience and know-how they have built up to date and working in partnership with resellers in their regions to promote sales and marketing activities.

Moreover, in terms of our production structure, we expanded our Thai plant, our overseas production site, enabling it to roughly double its production capacity and in order to diversify our production system. We introduced the same “Digital Yatai” (digitally-controlled cell production system) used in production in Japan to ensure high quality while responding to cost reduction and growth in demand.

Under these conditions, regarding sales by product for the fiscal year ended March 31, 2015, sales for professional printers for the sign market declined due to factors such as the period marking a transitional period for new product models, and intensified competition with competitors from the latter part of the fiscal year. However, we focused on expanding sales of items such as products in accessible price ranges and UV printers with the ability to print on various mediums other than paper, and sales grew compared to the previous fiscal year. Sales of 3D products also increased from the same period of the previous fiscal year as dental milling machines for the production of objects such as tooth fillings and crowns and other products showed growth.

As for sales by region, sales in Japan were higher than the same period of the previous fiscal year, thanks to traction provided by milling machines. In North America and Europe, although sales were lower for professional printers, key models with superior cost effectiveness and UV printers were solid, yielding gains over the previous fiscal year. In Asia, sales were robust mainly for printers which meet local needs, and sales were higher than the previous fiscal year.

As a result of the above, partly owing to the effect of yen depreciation, sales for the fiscal year ended March 31, 2015 were up 11.0% year on year to 46,770 million yen. In terms of expenses, although the cost to sales ratio improved compared to the previous year, selling, general and administrative expenses increased due to rises in areas such as personnel expenses, advertising and promotion expenses, and commission fees. Consequently, operating income climbed 7.6% compared with the previous term to 6,578 million yen. Furthermore, ordinary income was up by 2.5% compared with the previous fiscal year to 6,398 million yen as expenses associated with the acquisition of treasury stock were recorded in non-operating income. Net income was down 25.2% compared to the previous term to 3,190 million yen, caused by the effect of recording an impairment loss of 989 million yen for goodwill associated with consolidated subsidiaries in Denmark and Brazil.

The exchange rates for major currencies in the consolidated fiscal year (average rate during the period from January 2014 to December 2014 because the fiscal year of the Company's foreign consolidated subsidiaries is from January to December) were 105.85 yen to the U.S. dollar (97.65 yen for the previous term) and 140.44 yen to the euro (129.71 yen for the previous term).

As the business of the Company and its consolidated subsidiaries is the manufacture and sale of computer peripheral device 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 March 31, 2014		Fiscal year ended March 31, 2015		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Printers	19,262	45.7	21,053	45.0	1,790	(0.7)	109.3
Plotters	1,302	3.1	1,398	3.0	95	(0.1)	107.3
3D products	3,415	8.1	4,026	8.6	610	0.5	117.9
Supplies	13,602	32.3	14,351	30.7	749	(1.6)	105.5
Others	4,558	10.8	5,939	12.7	1,381	1.9	130.3
Total	42,141	100.0	46,770	100.0	4,628	-	111.0

[Printers]

In response to the maturing of the sign and display markets in developed countries, we are working to activate the market by proposing high value-added products. For emerging economies, where growth is expected, we are focusing on increasing sales through aggressive sales and marketing activities. Furthermore, we are working on expanding into new markets through printers specializing in printing onto textiles such as clothing and interior products, and UV printers that can print onto a wide range of materials.

During the fiscal year under review, sales declined in XR-640 professional printers for the sign market, which had previously served as a pillar for sales, due to the diminishing effects of its attractiveness as a new product and an increasingly harsh competitive environment. However, a low-price model in the mainstay VS-i series, the low price VersaEXPRESS RF-640, that was introduced in July 2014, performed solidly.

Additionally, the XF-640 professional printer, which realized the highest-ever output speed we have ever produced, gained ground for use in textiles in addition to the conventional use for sign production. In October of last year, the Texart RT-640 dedicated textile printer was also released as we strengthened our activities toward new markets.

Furthermore, the compact flatbed LEF series UV printers was well-received by customers for its expressive high-resolution printing capability, and demonstrated growth for uses in creating original products such as smartphone cases and novelty items.

As a result, printer sales reached 21,053 million yen, or 109.3% of the previous term.

[Plotters]

In addition to solid sales from major products, the new CAMM-1 GS-24 product went on sale in January 2015, causing plotter sales to reach 1,398 million yen, or 107.3% of the previous term.

[3D products]

In addition to the conventional core markets of manufacturing and engraving, we also focused on health care and personal fields, such as the dental market, with its increasing need for digital products, in order to expand our business operations in new fields.

During the fiscal year under review, growth was pronounced, particularly in the first half, for the DWX series of dental milling machines. We made steady progress in maintaining and expanding our sales network and in the creation of a structure allowing us to propose total solutions for manufacturing processes for dental remedies such as fillings and crowns, leading to strong sales in areas such as Japan and North America.

To establish pillars for new next-generation businesses, we are advancing priority activities in the healthcare field, centered on dental milling machines for dental medicine, and have achieved steady growth. Care and services tailored to each individual are required in the healthcare field, and it is a field in which we can exert our unique strengths in digital technologies and manufacturing know-how. Moving forward, we will position this field as a growth market, aggressively investing management resources to aim for further business expansion.

Additionally, in September of last year, we simultaneously released as the monoFab series, our latest compact milling machine, the SRM-20, and its first 3D printer, the ARM-10, and are focused on proposing a new type of manufacturing for the digital age from the perspectives of milling and layering.

As a result, 3D sales reached 4,026 million yen, or 117.9% of the previous term.

[Supplies]

Ink sales increased in line with printer sales. Net sales of supplies were 14,351 million yen, 105.5% of the previous term.

[Others]

Maintenance services, service parts, and other sales were 5,939 million yen, or 130.3% of the previous term, due to factors such as an increase in service contracts to accompany a higher number of printer installations.

Sales by region are as follows.

Net sales by region

(Millions of Yen)

Region	Fiscal year ended March 31, 2014		Fiscal year ended March 31, 2015		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Japan	4,727	11.2	4,960	10.6	233	(0.6)	104.9
North America	11,638	27.6	12,351	26.4	713	(1.2)	106.1
Europe	14,354	34.1	16,616	35.5	2,261	1.4	115.8
Asia	3,633	8.6	4,250	9.1	616	0.5	117.0
Others	7,789	18.5	8,592	18.4	803	(0.1)	110.3
Total	42,141	100.0	46,770	100.0	4,628	-	111.0

[Japan]

In printers, although sales in professional printers for the sign market decreased, sales of the compact flatbed LEF series UV printer were robust due to uses to produce original products. In 3D products, the DWX series of dental milling machines captured capital investment demand from dental research facilities as health insurance coverage began for dental fillings and crowns produced using digital data. Sales grew particularly significantly during the first half of the fiscal year.

These efforts have resulted in sales of 4,960 million yen, or 104.9% of sales in the previous term.

[North America]

In printers, although sales of the mainstay VS-i series and the new low-price model RF-640 were solid, sales for the XR-640 professional printer were subdued. The LEF Series of UV printers also saw strong sales on their use in production of original goods. In 3D products, we greatly increased sales of the dental milling machines, for which we have built an advanced structure for providing customers with total solutions, training, and support.

Under the effects of these factors and the weaker yen, North American net sales were 12,351 million yen, or 106.1% of the previous term.

[Europe]

In Russia and eastern Europe, although factors such as geopolitical risks caused a slowdown, a recovery trend became clear in the southern European region.

In printers, although sales of the XR-640 were flat, the VS-i series performed favorably. Furthermore, use of the XF-640 grew in production of textile items such as sportswear. The LEF series of UV printers saw a growing number of cases where companies involved in the business of producing original products would purchase multiple

printers, leading to significantly higher sales. In 3D products, the dental milling machine DWX series showed solid performance in the southern European region.

As a result of these factors, European net sales were 16,616 million yen, or 115.8% of the previous term.

[Asia]

In China and South Korea, printers compatible with water-based ink that are often used for sign production in these locations were able to capture market needs, sending sales higher. Additionally, in the ASEAN region, sales subsidiaries are working to strengthen cooperation with distributors in each country, and thanks to the promotion of aggressive sales and marketing activities, results were solid.

Therefore, sales in Asia were 4,250 million yen, or 117.0% of the previous term.

[Other Regions]

In Australia, low-price printers and the LEF series UV printers posted solid sales. Additionally, installations of the XF-640 professional printer advanced in Brazil for textile use. Sales were also strong in Africa and the Middle East.

Consequently, net sales in other regions reached 8,592 million yen, or 110.3% of the previous term.

Forecast for the Fiscal year ending December 31, 2015

The forward-looking economic outlook calls for a moderate recovery trend to continue in the U.S. and Japan, but conditions are expected to remain unpredictable due to factors such as geopolitical risk, falling oil prices, and stagnation of growth in some emerging economies.

Our group is currently engaged in our GlobalOne restructuring, the specific measures and numerical targets of which we have gathered under a three-year medium-term business plan that we began executing in fiscal 2013. In the next term, the final fiscal year of the Plan, we will conduct activities centered on three major themes: (1) creating opportunities for new growth, (2) strengthening the global brand, and (3) management that is responsive to diversification. Through creation of a sales structure that covers the entire world, the Company will target continuous growth by focusing on expanding sales activities into previously uncultivated regions and the cultivation of new markets, in addition to advancing production at its two bases at the domestic plant and Thai plant with the aim of improving production efficiency and reducing costs by promoting the procurement of parts from overseas.

As for the next term's business performance, a change in the Company's fiscal year-end is planned, and as a result, the consolidated period will be as follows: the Company's fiscal year, which ended in March, will be the nine-month period from April to December, and the fiscal year of consolidated subsidiaries with a fiscal year ending in December will maintain the twelve-month period, unchanged from January to December.

(Millions of Yen)

	Fiscal year ended March 31, 2015 (Before adjustment)	Fiscal year ending December 31, 2015 (Forecast)	Rate of change (After adjustment) (%)
Net sales	44,867	45,600	1.6
Operating income	5,304	4,700	(11.4)
Ordinary income	5,090	4,400	(13.6)
Net income	2,301	2,900	26.0

* “Fiscal year ended March 31, 2015 (Before adjustment)” and “Rate of change (After adjustment) (%)” are calculated by adjusting our business results to a nine-month period (April 1, 2014 to December 31, 2014).

Estimated exchange rates of major currencies for the fiscal year ending December 31, 2015

1USD=115yen, 1 EUR=125yen

(2) Analysis of Financial Position

Summary of Consolidated Statement of Cash Flows

(Millions of Yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Changes
Net cash provided by (used in) operating activities	6,353	5,467	(886)
Net cash provided by (used in) investing activities	(1,236)	(523)	713
Net cash provided by (used in) financing activities	(2,242)	(5,407)	(3,165)
Effect of exchange rate on cash and cash equivalents	941	159	(782)
Cash and cash equivalents at beginning of period	3,817	(303)	(4,121)
Cash and cash equivalents at end of period	10,713	10,409	(303)

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

Net cash provided by operating activities was 5,467 million yen, a decrease of 886 million yen from the previous fiscal year. Main positive factors for the cash flows include the recording of impairment loss for goodwill associated with consolidated subsidiaries in Brazil and Denmark, a decrease in notes and accounts receivable – trade, and an increase in notes and accounts payable – trade. Negative factors include lower income before income taxes and minority interests, an increase in inventories, a reduction in other current liabilities such as accounts payable – other, and an increase in income taxes paid.

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

Net cash used in investing activities for the fiscal year under review was 523 million yen, a decrease in outflow of 713 million yen from the previous fiscal year's outflow of 1,236 million yen. While the purchase of property, plant and equipment grew, proceeds from withdrawal of time deposits also grew, resulting in lower outflow.

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

Net cash used in financing activities in the consolidated fiscal year was 5,407 million yen, a decrease of 3,165 million yen from an outflow of 2,242 million yen in the previous consolidated fiscal year. During the previous fiscal year, outflows grew due to the repayment of short-term loans payable, but during the current fiscal year, although funds were procured through borrowings, there was a significant outflow resulting from the purchase of treasury stock.

(3) 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 standpoints, 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, this means keeping our goal of maintaining dividends at 20% of non-consolidated profits, and incorporating that into the future of our business development.

As for dividends in the current terms, we met our goal at the start of the term, and term end dividends will be 30 yen, which makes the annual payout 60 yen, 20 yen higher than the previous term.

In terms of dividends for the following term, the fiscal year will be shortened to nine months due to a change in our fiscal year, but both interim and year-end payouts are expected to be 30 yen per share, the same as during the fiscal year under review.

2. Management Policy

(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 departments and affiliated companies, with the common mission of collecting customer information and developing new products. We are constantly launching 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 develop 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.

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 group operations in the future.

(2) Target Management Benchmarks

We are firm in our belief that customer and shareholder trust can be created through stable corporate growth. We have set as our basic targets an annual net sales growth rate of 10% or more, and an operating income to net sales of 10% or more, focusing on our core group-wide business activities from the perspective of global management.

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

One of our group’s main philosophies is to “Inspire the Enjoyment of Creativity.” With digital control technology as a base, we provide Color and 3D products and services that can transform imagination into reality.

Until now, we have created markets and sustained growth by developing products that were unlike any others in the industry, or even the world. However, the sign and display markets in developed countries, which represent our main area of business, have matured, and printers have become commoditized. Now, our activities focus on KACHI-Zukuri, which transforms our concept of MONO-Zukuri into something that can excite the market, while also creating new, high value-added markets to explore. KACHI-Zukuri is about creating customer value, and it represents a new beginning for our efforts. In addition, we are actively nurturing new businesses with seeking opportunities of economic growth in emerging countries and evolving new digital technology. Through these efforts, we aim to realize a new source of sustainable growth.

1) Group Integration

The business activities of our group was conducted with Japan headquarters performing MONO-Zukuri, developing and manufacturing product, while sales subsidiaries focusing on sales and marketing activities in their local markets. However, overseas sales account for over 80% of sales overall, so, in order to realize KACHI-Zukuri and respond to a changing global market, it is imperative to work quickly to reflect the needs of all global customers in our business strategy.

To that end, we are pushing to realize an organizational structure that can give rise to this new group strategy. MONO-Zukuri and sales and marketing functions will be combined, and global markets will be managed as

regional blocks. We intend to not only focus on existing markets, but work actively with local partners to create new markets as well. In addition, we will seek out new business possibilities by examining the potential behind both the markets and available technology, establishing a steering committee to push the creation of new businesses. Our plan is to strengthen product planning and design with an eye for speed and competitiveness.

2) 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. To respond to rapid changes in the market environment and the diversification of needs, the ability to make speedy and unique technological proposals is a requirement, and by strengthening core technologies that serve as a source of strength, we will advance the creation of further customer value and added value markets.

In production and procurement, we aim to improve cost competitiveness and production lead times through our two bases at the domestic plant and the Thai plant, and by strengthening our ability to respond to changes in demand, we will advance an additional layer of efficiency through optimizations across the entire group.

3) Improving Group Management Efficiency

In order to raise the entire group's competitive edge, it is necessary for the group to fully leverage its management assets to improve both competitive advantage and efficiency. In Europe, where we have multiple sales subsidiaries, we are advancing the construction of a new group sales structure through means such as the enhancement of supply chain efficiency and the establishment of regional holding companies aimed at centralized funding procurement and management operations. In addition, we are undertaking a redistribution of resources aimed at pioneering new businesses and strengthening our sales capabilities in emerging regions by restructuring our sales networks. By further advancing such initiatives, we will work to expand profitability and growth potential.

In addition, we are using the Web to promote sales and marketing activities for personal products and are seeking to establish new business models that can both raise efficiency and create markets.

4) Improving Business Sustainability

As part of our natural disaster preparedness, we are striving to improve the continuity of our business activities through means such as multi-faceted review of BCP (business continuity planning) that includes supply chains, and decentralization of risk. We are implementing the latter by extending our production system across plants in Japan and Thailand, and by promoting overseas parts procurement.

5) 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. Going forward, we will continue to make sustainable environmental efforts that can contribute to development of a sustainable society.

6) 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 an Internal Control System Policy as sought by the Company Act and put together a risk management structure. Furthermore, regarding the internal control for financial reports as instituted by the Financial Instruments Exchange Law, we are planning structural and organizational measures to ensure the appropriateness of such reports in accordance with the above Internal Control System Policy. We fully intend to take the enhancement of these internal systems to the next level.

3. 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.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of Yen)

	As of March 31, 2014	As of March 31, 2015
Assets		
Current assets		
Cash and deposits	11,611,079	10,414,504
Notes and accounts receivable - trade	4,965,610	4,932,575
Merchandise and finished goods	5,912,900	6,305,961
Work in process	123,161	104,918
Raw materials and supplies	2,364,044	2,767,448
Deferred tax assets	1,317,641	1,379,680
Other	1,444,948	1,638,827
Allowance for doubtful accounts	(30,880)	(56,950)
Total current assets	27,708,505	27,486,964
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,485,344	6,894,988
Accumulated depreciation	(3,337,560)	(3,627,528)
Buildings and structures, net	3,147,784	3,267,459
Machinery, equipment and vehicles	923,789	1,053,073
Accumulated depreciation	(560,776)	(590,378)
Machinery, equipment and vehicles, net	363,013	462,694
Tools, furniture and fixtures	3,026,223	3,256,121
Accumulated depreciation	(2,416,444)	(2,602,790)
Tools, furniture and fixtures, net	609,778	653,331
Land	3,106,733	3,151,782
Construction in progress	12,921	10,508
Total property, plant and equipment	7,240,231	7,545,776
Intangible assets		
Goodwill	2,192,180	864,613
Software	781,971	1,198,085
Telephone subscription right	8,436	8,309
Total intangible assets	2,982,588	2,071,007
Investments and other assets		
Investment securities	64,250	24,677
Deferred tax assets	134,248	263,138
Other	836,825	819,122
Allowance for doubtful accounts	(41,081)	(17,717)
Total investments and other assets	994,242	1,089,220
Total non-current assets	11,217,062	10,706,005
Total assets	38,925,568	38,192,970

(Thousands of Yen)

	As of March 31, 2014	As of March 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	913,050	1,615,587
Short-term loans payable	256,800	340,380
Current portion of long-term loans payable	—	1,440,000
Income taxes payable	1,309,400	1,062,829
Provision for bonuses	719,204	663,264
Provision for directors' bonuses	100,000	90,000
Provision for product warranties	314,954	519,759
Other	3,417,757	3,149,821
Total current liabilities	7,031,167	8,881,642
Non-current liabilities		
Long-term loans payable	—	5,400,000
Provision for employee stock ownership plan trust	—	29,393
Provision for management board incentive plan trust	—	72,083
Net defined benefit liability	240,790	467,123
Long-term accounts payable - other	138,775	140,842
Other	838,178	1,127,909
Total non-current liabilities	1,217,744	7,237,352
Total liabilities	8,248,911	16,118,994
Net assets		
Shareholders' equity		
Capital stock	3,668,700	3,668,700
Capital surplus	3,700,603	3,867,372
Retained earnings	23,107,571	14,561,729
Treasury shares	(698)	(635,105)
Total shareholders' equity	30,476,176	21,462,696
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,358	4,481
Foreign currency translation adjustment	194,573	779,036
Remeasurements of defined benefit plans	(499)	(172,297)
Total accumulated other comprehensive income	200,433	611,220
Minority interests	47	58
Total net assets	30,676,656	22,073,975
Total liabilities and net assets	38,925,568	38,192,970

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

(Thousands of Yen)

	For the fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)	For the fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)
Net sales	42,141,909	46,770,015
Cost of sales	21,815,501	23,841,221
Gross profit	20,326,407	22,928,794
Selling, general and administrative expenses		
Transportation and warehousing expenses	875,562	914,202
Advertising and promotion expenses	1,028,997	1,317,617
Provision of allowance for doubtful accounts	18,385	3,952
Provision for product warranties	151,691	284,285
Salaries and bonuses	6,536,012	7,235,527
Provision for bonuses	380,359	400,381
Provision for directors' bonuses	100,000	90,000
Provision for employee stock ownership plan trust	—	21,695
Provision for management board incentive plan trust	—	70,823
Retirement benefit expenses	294,224	286,664
Traveling and transportation expenses	682,581	798,664
Depreciation	919,910	1,003,276
Commission fee	1,395,549	1,868,467
Other	1,831,854	2,054,895
Total selling, general and administrative expenses	14,215,127	16,350,454
Operating income	6,111,279	6,578,339
Non-operating income		
Interest income	36,177	27,863
Dividend income	560	576
Gain on valuation of investments in money held in trust	41,960	18,327
Foreign exchange gains	139,609	26,062
Other	93,172	106,335
Total non-operating income	311,479	179,166
Non-operating expenses		
Interest expenses	6,055	59,342
Sales discounts	166,794	199,624
Commission for purchase of treasury shares	—	82,683
Other	5,572	17,229
Total non-operating expenses	178,421	358,879

(Thousands of Yen)

	For the fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)	For the fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)
Ordinary income	6,244,336	6,398,626
Extraordinary income		
Gain on sales of non-current assets	8,224	14,012
Gain on liquidation of subsidiaries and associates	—	13,330
Total extraordinary income	8,224	27,343
Extraordinary losses		
Loss on sales and retirement of non-current assets	23,558	10,951
Impairment loss	—	989,000
Loss on valuation of investment securities	45,268	—
Total extraordinary losses	68,827	999,951
Income before income taxes and minority interests	6,183,734	5,426,017
Income taxes - current	2,356,032	2,294,401
Income taxes - deferred	(437,782)	(58,678)
Total income taxes	1,918,249	2,235,722
Income before minority interests	4,265,485	3,190,295
Minority interests in income (loss)	(1)	4
Net income	4,265,486	3,190,290

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	For the fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)	For the fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)
Income before minority interests	4,265,485	3,190,295
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,634)	(1,877)
Foreign currency translation adjustment	2,175,164	584,469
Remeasurements of defined benefit plans, net of tax	—	(171,798)
Total other comprehensive income	2,173,530	410,793
Comprehensive income	6,439,015	3,601,088
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,439,012	3,601,077
Comprehensive income attributable to minority interests	3	11

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(Thousands of Yen)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,668,700	3,700,603	19,465,069	(698)	26,833,673
Changes of items during period					
Dividends of surplus			(622,983)		(622,983)
Net income			4,265,486		4,265,486
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	3,642,502	—	3,642,502
Balance at end of current period	3,668,700	3,700,603	23,107,571	(698)	30,476,176

	Accumulated other comprehensive income				Minority 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 current period	7,993	(1,980,586)	—	(1,972,593)	34	24,861,114
Changes of items during period						
Dividends of surplus						(622,983)
Net income						4,265,486
Net changes of items other than shareholders' equity	(1,634)	2,175,160	(499)	2,173,026	13	2,173,039
Total changes of items during period	(1,634)	2,175,160	(499)	2,173,026	13	5,815,542
Balance at end of current period	6,358	194,573	(499)	200,433	47	30,676,656

For the fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

(Thousands of Yen)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,668,700	3,700,603	23,107,571	(698)	30,476,176
Changes of items during period					
Dividends of surplus			(783,176)		(783,176)
Net income			3,190,290		3,190,290
Purchase of treasury shares				(11,420,593)	(11,420,593)
Retirement of treasury shares			(10,952,955)	10,952,955	—
Disposal of treasury shares		166,768		458,713	625,482
Treasury stock possession of stock ownership plan trust				(625,482)	(625,482)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	166,768	(8,545,841)	(634,406)	(9,013,479)
Balance at end of current period	3,668,700	3,867,372	14,561,729	(635,105)	21,462,696

	Accumulated other comprehensive income				Minority 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 current period	6,358	194,573	(499)	200,433	47	30,676,656
Changes of items during period						
Dividends of surplus						(783,176)
Net income						3,190,290
Purchase of treasury shares						(11,420,593)
Retirement of treasury shares						—
Disposal of treasury shares						625,482
Treasury stock possession of stock ownership plan trust						(625,482)
Net changes of items other than shareholders' equity	(1,877)	584,462	(171,798)	410,787	11	410,798
Total changes of items during period	(1,877)	584,462	(171,798)	410,787	11	(8,602,681)
Balance at end of current period	4,481	779,036	(172,297)	611,220	58	22,073,975

(4) Consolidated Statements of Cash Flows

(Thousands of Yen)

	For the fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)	For the fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	6,183,734	5,426,017
Depreciation	883,538	1,019,801
Impairment loss	—	989,000
Amortization of goodwill	343,478	339,430
Increase (decrease) in allowance for doubtful accounts	12,240	1,771
Increase (decrease) in provision for bonuses	228,391	(56,234)
Increase (decrease) in provision for directors' bonuses	100,000	(10,000)
Increase (decrease) in provision for product warranties	35,634	169,895
Increase (decrease) in provision for retirement benefits	(215,409)	—
Increase (decrease) in provision for employee stock ownership plan trust	—	29,393
Increase (decrease) in provision for management board incentive plan trust	—	72,083
Increase (decrease) in net defined benefit liability	240,023	(24,687)
Interest and dividend income	(36,737)	(28,440)
Interest expenses	6,055	59,342
Loss (gain) on sales of property, plant and equipment	15,333	(3,061)
Loss (gain) on valuation of investment securities	45,268	—
Loss (gain) on liquidation of subsidiaries and associates	—	(13,330)
Decrease (increase) in notes and accounts receivable - trade	(476,018)	373,909
Decrease (increase) in inventories	828,373	(274,868)
Decrease (increase) in other current assets	(378,821)	(268,483)
Decrease (increase) in other non-current assets	(268,080)	57,464
Increase (decrease) in notes and accounts payable - trade	(1,098,534)	181,244
Increase (decrease) in other current liabilities	1,030,093	(399,724)
Increase (decrease) in other non-current liabilities	174,654	226,553
Other, net	6,674	124,021
Subtotal	7,659,894	7,991,101
Interest and dividend income received	37,708	29,415
Interest expenses paid	(6,765)	(54,098)
Income taxes paid	(1,336,864)	(2,498,938)
Net cash provided by (used in) operating activities	6,353,972	5,467,479
Cash flows from investing activities		
Payments into time deposits	(546,224)	(23,166)
Proceeds from withdrawal of time deposits	272,666	850,550
Purchase of property, plant and equipment	(515,281)	(950,859)
Proceeds from sales of property, plant and equipment	18,241	44,468
Purchase of intangible assets	(396,699)	(494,438)
Purchase of investment securities	(1,007)	(959)
Purchase of investments in capital of subsidiaries and affiliates	(68,399)	—
Proceeds from decrease in investment in capital of subsidiaries and affiliates	—	37,187
Proceeds from liquidation of affiliates	—	13,793
Other, net	383	158
Net cash provided by (used in) investing activities	(1,236,321)	(523,265)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,612,073)	42,380
Proceeds from long-term loans payable	—	7,200,000
Repayments of long-term loans payable	—	(360,000)
Purchase of treasury shares	—	(12,128,759)
Proceeds from disposal of treasury shares	—	625,482
Cash dividends paid	(623,116)	(782,855)

(Thousands of Yen)

	For the fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)	For the fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)
Other, net	(6,848)	(3,824)
Net cash provided by (used in) financing activities	(2,242,038)	(5,407,577)
Effect of exchange rate change on cash and cash equivalents	941,603	159,515
Net increase (decrease) in cash and cash equivalents	3,817,215	(303,848)
Cash and cash equivalents at beginning of period	6,896,324	10,713,540
Cash and cash equivalents at end of period	10,713,540	10,409,692