Consolidated Financial Results
for the Three Months Ended March 31, 2019 [Japanese GAAP]

May 14, 2019

Company name: Roland DG Corporation
Securities Code: 6789
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Stock exchange listing: Tokyo Stock Exchange
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Scheduled date of filing quarterly securities report: May 15, 2019
Scheduled date of commencing dividend payments: –
Availability of supplementary briefing material on quarterly consolidated financial results: Available
Schedule of quarterly consolidated financial results briefing session: Not scheduled

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended March 31, 2019 (From January 1, 2019 to March 31, 2019)

(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	%
Three months ended March 31, 2019	9,887	(4.4)	820	7.9	794	26.7	587	63.6
Three months ended March 31, 2018	10,344	0.4	760	121.9	626	106.6	359	–

(Note) Comprehensive income: Three months ended March 31, 2019: 573 million yen [–%]
Three months ended March 31, 2018: (1) million yen [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2019	46.79	–
Three months ended March 31, 2018	28.66	–

(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, 2019	37,445	24,174	64.6	1,925.40
As of December 31, 2018	36,710	24,182	65.9	1,926.09

(Reference) Equity: As of March 31, 2019: 24,174 million yen
As of December 31, 2018: 24,182 million yen

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, 2018	–	25.00	–	45.00	70.00
Fiscal year ending December 31, 2019	–				
Fiscal year ending December 31, 2019 (Forecast)		25.00	–	25.00	50.00

(Note) Revision of dividend forecasts from recently announced figures: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2019 (From January 1, 2019 to December 31, 2019) (% 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	20,900	(0.4)	1,100	(38.3)	1,000	(38.6)	700	(32.9)	55.75
Full year	42,000	(1.8)	3,000	(29.4)	2,800	(29.6)	1,900	(34.1)	151.33

(Note) Revision of financial results forecasts from recently announced figures: No

*** Notes**

(1) Significant changes of subsidiaries during the three months ended March 31, 2019 (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Adoption of special accounting methods for preparing Quarterly Consolidated Financial Statement: No

(3) 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

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

Three months ended March 31, 2019	12,656,311 shares
Fiscal year ended December 31, 2018	12,656,311 shares

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

Three months ended March 31, 2019	100,595 shares
Fiscal year ended December 31, 2018	101,195 shares

  3) Average number of shares during the period:

Three months ended March 31, 2019	12,555,716 shares
Three months ended March 31, 2018	12,527,483 shares

(Note) The total number of treasury shares at the end of the three months ended March 31, 2019 and at the end of the fiscal year ended December 31, 2018 includes 100,400 shares and 101,000 shares of the Company held by the Director Stock Benefit Trust and J-ESOP Trust, respectively. The number of treasury shares excluded from calculation of the average number of shares during the period for the three months ended March 31, 2019 and ended March 31, 2018 includes 100,400 shares and 128,633 shares of the Company held by the Director Stock Benefit Trust and J-ESOP Trust, respectively.

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

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

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 “Explanation of Future Forecast Information such as Consolidated Performance Forecast” on page 9.

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1. Results of Operations

(1) Analysis of Results of Operations

During the three months ended March 31, 2019 (from January 1, 2019 to March 31, 2019), the Japanese economy recovered moderately as improvements in corporate earnings and the employment environment continued. However, prospects remained uncertain overseas owing to concern over the impact on the world economy of factors including the issue of trade friction between the US and China and the UK exit from the EU.

Although the group formulated a five-year medium-term business plan beginning in FY 2016 and was working toward its achievement, as it has become apparent that business results will substantially differ from initial targets, performance goals for the final fiscal year and the initiatives to achieve them have been revised, and the “Notice of Revision of Medium-Term Business Plan” was announced on August 8, 2018. Specifically, the period until the final fiscal year has been positioned as a transitional period toward a new growth stage, and emphasis will be placed on changing the business portfolio and enhancing operational effectiveness, with “expanding growing markets,” “stopping the down trend of sales of printers in the sign market,” and “improving profitability” as key issues. Among these, in “expanding growth markets,” fields of focus have been revised and reselected to the three businesses of the “DP (Digital Printing) Business,” the “COTO Business,” and the “DGSHAPE Business,” and business operations have begun. By further clarifying focus areas and allocation of management resources and swift business operations with speedy decision-making that accurately grasp market changes, the group will work to expand growth areas and create new markets.

During the three months ended March 31, 2019, in the growth area of the dental market, aiming to become the top global manufacturer as we target dental clinics in addition to dental technician offices, we engaged in activities toward accelerated regional expansion and share expansion, including enhancing distributors and solutions proposals in collaboration with CAD/CAM software vendors. In the retail market, we have been proposing UV printers for the application of in-store decorative services for smartphone cases and home appliances, etc., in addition to the application of creating novelties and original products in small-scale plants. Learning through such initiatives for development in the retail market that there are various needs for creating personalized goods in retail businesses and service businesses that provide in-store services, we launched the “COTO Business” in the previous term. We released “cotodesign” in December 2018, software which offers total support for the business of creating original products matching customer preferences at stores by connecting with our products such as printers and 3D products. This is an in-store service to print designs created by customers by taking advantage of our product lineup, which are compact in size and can be installed anywhere and create various original products on demand. We will propose this new business in the retail market, providing value-added products and great buying experiences for our customers.

Meanwhile, in our conventional mainstay sign market, to respond to the situation in which the market has matured and competition has become fierce, we introduced a new product that provided higher expressiveness and higher reliability through the latest technologies. Also, we developed products that will lead to the development of adjacent markets for signs through co-creation with regional partners.

As a result of these initiatives, although sales of 3D products exceeded sales during the same period of the previous term owing to the expansion of the dental market, sales of printers mainly for the sign market decreased, and net sales for the three months ended March 31, 2019 decreased by 4.4% to 9,887 million yen. Cost of sales improved 0.8% compared with the same period of the previous term. Selling, general and administrative expenses were lower than the same period of the previous term, mainly due to lower personnel expenses. As a result, operating profit increased by 7.9% compared with the same period of the previous term to 820 million yen, and ordinary profit increased by 26.7% compared with the same period of the previous term to 794 million yen. As extraordinary losses including the disposal of software assets and loss on sales and retirement of non-current assets were recorded during the same period of the previous term, profit attributable to owners of parent was 587 million yen, increasing by 63.6%.

The exchange rates for major currencies during the three months ended March 31, 2019 (average rate during the period from January 2019 to March 2019) were 110.21 yen to the U.S. dollar (108.30 yen for the same period of the previous term) and 125.19 yen to the euro (133.25 yen for the same period of 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	Three months ended March 31, 2018		Three months ended March 31, 2019		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Printers	3,488	33.7	3,126	31.6	(362)	(2.1)	89.6
Plotters	355	3.5	284	2.9	(70)	(0.6)	80.0
3D products	1,302	12.6	1,326	13.4	24	0.8	101.9
Supplies	3,282	31.7	3,264	33.0	(17)	1.3	99.5
Others	1,915	18.5	1,885	19.1	(29)	0.6	98.4
Total	10,344	100.0	9,887	100.0	(456)	―	95.6

[Printers]

In the sign market, to respond to the situation in which the market has matured and competition has become fierce, we made efforts to maintain our customer base in this market by strengthening our products' competitiveness. On the other hand, we developed products which meet customer needs for specific applications through co-creation with regional partners, in order to open up new opportunities in the digital printing market. In March 2019, we launched the TrueVIS VG2 series eco-solvent printer into the sign market with the newly-developed TR2 ink, which supports orange ink. While enhancing functions to maximize of the characteristics and color gamut of the new ink, we improved printing and cutting quality by revising our mechanical designs from the ground up. With the greatest achievement in expressiveness, our mainstay model in the sign market, the VG2 series, is both comfortable to use and reliable, and will stimulate the market and awaken replacement demand in existing customers. In retail markets, we have been proposing UV printers to small retailers engaging in decoration services for products such as smartphone cases and home appliances, in addition to small-scale plants engaging in creating original products such as novelties. In March 2019, we launched the VersaUV LEF2-200 desk-top UV printer. In addition to the series' ability to print value-added graphics and textures onto a vast array of materials on demand, we have introduced functions that are easier to use and more reliable, and contributed to the businesses of customers who are creating original products such as novelty items in small-scale plants.

In January 2019, we launched our first garment printer, the VersaSTUDIO BT-12. This A4 size desk-top printer can print photos and other graphics directly onto T-shirts, polo shirts, tote bags, and other cotton fabrics to create original products. By connecting with our separately-sold design and print management software "cotodesign" launched last December, we offer total support for small retailers in all operational steps, from the creation and ordering of design data to product printing and sales. Through this, our customers can easily introduce printing services for original products even at commercial facilities such as shopping malls, kiosks, and apparel stores. We propose these as the optimal solutions for small retailers who aim to offer new services to customers and differentiate from other stores.

In the first quarter, sales of printers for the sign market were sluggish, and sales of UV printers, including those for the retail market, were slow as well.

As a result of these factors, printer sales were 3,126 million yen, or 89.6% of the same period of the previous fiscal year.

[Plotters]
Sales of large format cutters for the sign market decreased. Consequently, plotter sales were 284 million yen, or 80.0% of the same period 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, which engages in the 3D business, aims to become the top global manufacturer through regional expansion and share expansion in the growing dental market. In the dental market, we focused on sales promotion activities such as setting up an exhibit at IDS 2019, the world's largest dental tradeshow held in Germany in March 2019, and proposed the latest dental solutions with the new dental milling machines introduced in the previous fiscal year. Additionally, we are working to enhance service and support to enable customers to purchase products with peace of mind, through measures including enhancing distributors and actively implementing repair and maintenance service training at distributors. In the 3D digital fabrication market, we released DGSHAPE Corporation's first desktop engraver DE-3 in January 2019. On the base of a solid footing established with existing models, we revised our interfaces and software and enhanced usability so that even customers who have newly introduced the DE-3 can still use it right away. The DE-3 meets a wide array of engraving needs, including nameplates and labels, control panels for industrial products, and personalized novelty products. We propose solutions to inspire replacement demand in existing customers and all industries with engraving needs.

As a result of these factors, sales of 3D products reached 1,326 million yen, or 101.9% of the same period of the previous fiscal year.

[Supplies]
Although sales of ink for UV printers and textile printers increased, sales of ink for the sign market were lower than the same period of the previous fiscal year, and as a result, sales of supplies were on par with the same period of the previous fiscal year at 3,264 million yen, or 99.5% of the same period of the previous fiscal year.

[Others]
Sales of maintenance services, service parts, and other sales were on par with the same period of the previous fiscal year at 1,885 million yen, or 98.4% of the same period of the previous fiscal year.

Sales by region are as follows.

Net sales by region

(Millions of Yen)

Region	Three months ended March 31, 2018		Three months ended March 31, 2019		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Japan	1,133	10.9	1,208	12.2	74	1.3	106.6
North America	2,758	26.7	2,563	25.9	(195)	(0.7)	92.9
Europe	4,164	40.3	3,879	39.2	(285)	(1.0)	93.1
Asia	786	7.6	805	8.2	18	0.5	102.3
Others	1,500	14.5	1,431	14.5	(69)	0.0	95.4
Total	10,344	100.0	9,887	100.0	(456)	－	95.6

[Japan]

In 3D products, although sales of the DWX-52DCi, a dental milling machine which incorporates an automatic disc changer function, were strong in the dental market, due to the effect of the new mainstay products including the DWX-52D and DWX-52DCi introduced in the same period of the previous fiscal year, sales in the dental markets were lower than the same period of the previous fiscal year. On the other hand, in printers, sales exceeded the same period of the previous fiscal year due to increased sales of printers for sign market, and 30" to 54" UV printers for prototyping packages.

As a result, net sales in Japan were 1,208 million yen, or 106.6% of the same period of the previous fiscal year.

[North America]

In printers, although sales of printers for the sign market were on par with the same period of the previous fiscal year, sales of UV printers for the sign market and the retail market decreased. In addition, sales of 3D products were lower than the same period of the previous fiscal year owing to the impact of factors including restrained buying in the dental markets before IDS 2019.

As a result, net sales in North America were 2,563 million yen, or 92.9% of the same period of the previous fiscal year.

[Europe]

In 3D products, stagnant negotiations and restrained buying were expected in dental markets before IDS 2019. However, sales expanded due to the successful development of a new sales network, and net sales were higher than the same period of the previous fiscal year. In printers, sales decreased for eco-solvent printers for the sign market and UV printers for the sign market suitable for print on large boards such as acrylic and foam board signs and cardboard display fixtures.

As a result, net sales in Europe were 3,879 million yen, or 93.1% of the same period of the previous fiscal year.

[Asia]

In China, sales of printers for the sign market decreased significantly. On the other hand, sales of dental milling machines increased in South Korea. In the ASEAN region, sales of printers for the sign market and service parts increased.

As a result, net sales in Asia were 805 million yen, or 102.3% of the same period of the previous fiscal year.

[Other Regions]

In Australia, sales of UV printers for the retail market decreased, but sales of printers for the sign market and dental milling machines increased. In Brazil, although sales of low-price entry models of the printers for the sign market increased, sales of service parts were slow.

As a result, and also due to the stronger yen, net sales in these regions were 1,431 million yen, or 95.4% of the same period of the previous fiscal year.

(2) Explanation of Financial Position

Total assets as of the end of the first quarter increased by 735 million yen compared with end-of-term consolidated totals last year to a total of 37,445 million yen (102.0% of year-end consolidated totals last term). With regard to current assets, while notes and accounts receivable – trade and other current assets including accounts receivable – other decreased by 183 million yen and 490 million yen, respectively, inventories increased by 701 million yen. In non-current assets, due to application of IFRS 16, leased assets increased by 756 million yen.

Liabilities as of the end of the first quarter increased by 742 million yen to a total of 13,271 million yen (105.9% of year-end consolidated totals last term). With regard to current liabilities, provision for bonuses and other current liabilities including accounts payable – other increased by 242 million yen and 155 million yen, respectively. In addition, due to application of IFRS 16, lease obligations increased by 304 million yen. In non-current liabilities, while long-term loans payable decreased by 360 million yen, long-term lease obligations increased by 468 million yen due to application of IFRS 16.

Net assets as of the end of the first quarter decreased by 7 million yen to a total of 24,174 million yen (100.0% of year-end consolidated totals last term). Compared with the end of the previous fiscal year, foreign currency translation adjustment decreased by 28 million yen due mainly to a stronger yen.

Additionally, the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28; February 16, 2018), etc., have been applied from the beginning of the first quarter ended March 31, 2019. In its treatment of the fiscal year ended December 31, 2018, the Company retrospectively applies the aforementioned accounting changes to perform comparative analysis.

(3) Explanation of Future Forecast Information such as Consolidated Performance Forecast

No revisions have been made to the consolidated financial results forecasts for the first half and full year of the fiscal year ending December 31, 2019, which were announced on February 14, 2019. Any changes that may occur in the future will be appropriately disclosed.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousands of Yen)

	As of December 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	11,170,003	11,134,730
Notes and accounts receivable - trade	4,998,945	4,815,814
Merchandise and finished goods	5,766,572	6,183,712
Work in process	64,025	111,417
Raw materials and supplies	2,211,111	2,447,843
Other	2,065,172	1,574,738
Allowance for doubtful accounts	(87,942)	(80,877)
Total current assets	26,187,888	26,187,379
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,037,881	7,048,728
Accumulated depreciation	(4,491,880)	(4,539,537)
Buildings and structures, net	2,546,000	2,509,191
Machinery, equipment and vehicles	947,285	967,713
Accumulated depreciation	(696,498)	(707,372)
Machinery, equipment and vehicles, net	250,786	260,340
Tools, furniture and fixtures	3,789,006	3,856,023
Accumulated depreciation	(3,043,209)	(3,111,881)
Tools, furniture and fixtures, net	745,796	744,141
Land	3,124,848	3,131,458
Leased assets	—	756,224
Construction in progress	27,195	14,745
Total property, plant and equipment	6,694,627	7,416,102
Intangible assets		
Goodwill	274,443	250,184
Software	973,252	925,656
Telephone subscription right	8,258	8,175
Total intangible assets	1,255,954	1,184,016
Investments and other assets		
Investment securities	19,384	18,267
Deferred tax assets	1,668,522	1,717,238
Other	884,191	922,928
Total investments and other assets	2,572,097	2,658,434
Total non-current assets	10,522,680	11,258,553
Total assets	36,710,568	37,445,932

(Thousands of Yen)

	As of December 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,994,581	1,941,843
Current portion of long-term loans payable	360,000	360,000
Lease obligations	2,387	306,818
Income taxes payable	224,968	295,517
Provision for bonuses	723,324	966,025
Provision for directors’ bonuses	60,000	14,250
Provision for product warranties	458,315	453,838
Other	3,314,380	3,469,916
Total current liabilities	7,137,958	7,808,209
Non-current liabilities		
Long-term loans payable	2,880,000	2,520,000
Lease obligations	6,548	474,962
Provision for employee stock ownership plan trust	113,374	105,413
Provision for management board incentive plan trust	191,756	153,264
Provision for loss on dissolution of employees’ pension fund	4,671	4,578
Net defined benefit liability	858,387	854,025
Long-term accounts payable - other	39,880	39,884
Other	1,295,689	1,310,726
Total non-current liabilities	5,390,308	5,462,855
Total liabilities	12,528,266	13,271,065
Net assets		
Shareholders’ equity		
Capital stock	3,668,700	3,668,700
Capital surplus	3,700,608	3,700,608
Retained earnings	18,152,407	18,156,770
Treasury shares	(442,217)	(439,593)
Total shareholders’ equity	25,079,498	25,086,485
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,246)	(2,134)
Foreign currency translation adjustment	(612,127)	(640,287)
Remeasurements of defined benefit plans	(283,903)	(269,282)
Total accumulated other comprehensive income	(897,277)	(911,704)
Non-controlling interests	80	86
Total net assets	24,182,301	24,174,867
Total liabilities and net assets	36,710,568	37,445,932

(2) Consolidated Statements of Operations and Comprehensive Income

Consolidated Statements of Operations

(For the three months ended March 31, 2018 and March 31, 2019)

(Thousands of Yen)

	For the three months ended March 31, 2018 (From January 1, 2018 to March 31, 2018)	For the three months ended March 31, 2019 (From January 1, 2019 to March 31, 2019)
Net sales	10,344,541	9,887,926
Cost of sales	5,758,647	5,429,633
Gross profit	4,585,893	4,458,292
Selling, general and administrative expenses		
Transportation and warehousing expenses	237,490	226,412
Advertising and promotion expenses	235,232	300,331
Provision of allowance for doubtful accounts	6,324	5,117
Provision for product warranties	8,016	—
Salaries and bonuses	1,828,695	1,712,128
Provision for bonuses	201,737	148,290
Provision for directors' bonuses	15,000	14,250
Provision for employee stock ownership plan trust	1,662	—
Provision for management board incentive plan trust	15,072	7,188
Retirement benefit expenses	75,777	75,321
Traveling and transportation expenses	146,365	155,016
Depreciation	178,508	231,025
Commission fee	284,275	275,655
Other	591,051	487,140
Total selling, general and administrative expenses	3,825,209	3,637,876
Operating profit	760,684	820,416
Non-operating income		
Interest income	2,766	4,447
Gain on valuation of investments in money held in trust	2,760	38,817
Other	18,960	14,384
Total non-operating income	24,488	57,649
Non-operating expenses		
Interest expenses	5,422	10,362
Sales discounts	42,436	34,823
Foreign exchange losses	100,787	36,661
Other	9,618	1,655
Total non-operating expenses	158,265	83,502
Ordinary profit	626,907	794,562

(Thousands of Yen)

	For the three months ended March 31, 2018 (From January 1, 2018 to March 31, 2018)	For the three months ended March 31, 2019 (From January 1, 2019 to March 31, 2019)
Extraordinary income		
Gain on sales of non-current assets	4,027	3,476
Total extraordinary income	4,027	3,476
Extraordinary losses		
Loss on sales and retirement of non-current assets	100,228	3,136
Total extraordinary losses	100,228	3,136
Profit before income taxes	530,706	794,902
Income taxes - current	269,316	267,986
Income taxes - deferred	(97,662)	(60,557)
Total income taxes	171,654	207,428
Profit	359,052	587,473
Profit attributable to non-controlling interests	0	3
Profit attributable to owners of parent	359,051	587,470

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	For the three months ended March 31, 2018 (From January 1, 2018 to March 31, 2018)	For the three months ended March 31, 2019 (From January 1, 2019 to March 31, 2019)
Profit	359,052	587,473
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,054)	(888)
Foreign currency translation adjustment	(365,388)	(28,157)
Remeasurements of defined benefit plans, net of tax	7,369	14,621
Total other comprehensive income	(360,074)	(14,424)
Comprehensive income	(1,022)	573,049
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,020)	573,042
Comprehensive income attributable to non-controlling interests	(1)	6

(3) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes in Case of Significant Changes in Shareholders' Equity)

Not applicable.

(Changes in Accounting Policies)

The Company

(Application of "Implementation Guidance on Tax Effect Accounting")

The "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) has been applied from the first quarter ended March 31, 2019. The effect of this change is immaterial and has not applied retroactively.

The overseas consolidated subsidiaries

(Application of IFRS 16 "Leases")

Some overseas consolidated subsidiaries have applied IFRS 16 "Leases" from the first quarter ended March 31, 2019. Under this standard, the lessee should in principle recognize assets and liabilities arising from all leases.

In applying IFRS 16 "Leases," the Company has adopted a method that recognizes the cumulative effect of applying this standard on the effective date of application as a transitional measure as of the beginning of the first quarter ended March 31, 2019.

As a result, as of the beginning of the first quarter ended March 31, 2019, leased assets increased by 466,645 thousand yen, deferred tax assets increased by 2,054 thousand yen, lease obligations in current liabilities increased by 199,604 thousand yen, lease obligations in non-current liabilities increased by 282,677 thousand yen, and retained earnings decreased by 13,582 thousand yen. The effect of this change on profit or loss and per share information during the three months ended March 31, 2019 is minimal.

(Significant Subsequent Events)

Not applicable.