Consolidated Financial Results for the Fiscal Year Ended March 31, 2013 [Japanese GAAP]

May 8, 2013

Company name: Roland DG Corporation
Securities Code: 6789
URL: http://www.rolanddg.co.jp/
Stock exchange listing: Tokyo Stock Exchange
Representative: Masahiro Tomioka, President
Contact: Shunji Takeuchi, Executive Officer and Division President of Corporate Planning
Phone: +81-53-484-1400
Scheduled date of Ordinary General Meeting of Shareholders: June 19, 2013
Scheduled date of filing annual securities report: June 20, 2013
Scheduled date of commencing dividend payments: June 20, 2013
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, 2013 (From April 1, 2012 to March 31, 2013)

(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, 2013	31,264	(0.4)	1,423	(1.8)	1,306	(1.4)	356	(48.2)
Fiscal year ended March 31, 2012	31,379	0.3	1,449	(16.5)	1,324	(15.9)	687	9.8

(Note) Comprehensive income: Fiscal year ended March 31, 2013: 1,447 million yen (437.9%)
Fiscal year ended March 31, 2012: 330 million yen (-%)

	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, 2013	20.03	–	1.5	4.3	4.6
Fiscal year ended March 31, 2012	38.63	–	2.9	4.4	4.6

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal Year Ended March 31, 2013: - million yen
Fiscal Year Ended March 31, 2012: - 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, 2013	31,628	24,861	78.6	1,396.73
As of March 31, 2012	29,335	24,780	81.8	1,347.88

(Reference) Equity: As of March 31, 2013: 24,861 million yen
As of March 31, 2012: 23,991 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, 2013	1,805	(3,544)	1,177	6,896
Fiscal year ended March 31, 2012	(514)	(890)	(635)	6,727

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, 2012	–	15.00	–	15.00	30.00
Fiscal year ended March 31, 2013	–	15.00	–	15.00	30.00
Fiscal year ending March 31, 2014 (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 March 31, 2012	533	77.7	2.2
Fiscal year ended March 31, 2013	533	149.8	2.2
Fiscal year ending March 31, 2014 (Forecast)		33.0	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2014 (From April 1, 2013 to March 31, 2014)

(% indicates changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
First half	18,910	21.2	1,890	198.2	1,830	191.9	1,150	1,445.6	64.61
Full year	38,590	23.4	3,780	165.4	3,650	179.3	2,160	505.9	121.35

*** Notes**

(1) Significant changes of subsidiaries during the fiscal year under review (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly consolidated: Roland Digital Group (Thailand) Ltd., Roland DG Brasil Ltd.

(Note) For details, please refer to "Significant accounting policies as bases for the preparation of consolidated financial statements" on page 19 of the Appendix (which is omitted in this English translation).

(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: Yes

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, 2013	17,800,000 shares
Fiscal year ended March 31, 2012	17,800,000 shares

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

Fiscal year ended March 31, 2013	460 shares
Fiscal year ended March 31, 2012	393 shares

3) Average number of shares during the period:

Fiscal year ended March 31, 2013	17,799,562 shares
Fiscal year ended March 31, 2012	17,799,631 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

(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, 2013	24,932	(3.7)	1,111	(11.1)	1,297	(12.1)	386	(62.2)
Fiscal year ended March 31, 2012	25,899	(2.3)	1,250	(34.5)	1,476	(30.7)	1,021	(30.3)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 31, 2013	21.71	–
Fiscal year ended March 31, 2012	57.37	–

(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, 2013	30,118	24,558	81.5	1,379.74
As of March 31, 2012	29,077	24,700	84.9	1,387.71

(Reference) Equity: As of March 31, 2013: 24,558 million yen
As of March 31, 2012: 24,700 million yen

2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2014 (From April 1, 2013 to March 31, 2014) (% indicates changes from the previous corresponding period)

	Net sales		Ordinary income		Net income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
First half	13,460	11.8	1,220	94.3	870	92.1	48.88
Full year	27,950	12.1	3,540	172.8	2,340	505.6	131.46

* 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. 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 6.
2. The Company plans to hold a briefing session for institutional investors and analysts on May 15, 2013 (Wednesday). Materials distributed at the session will be posted on the Company's website.

Table of Contents of Appendix

1. Results of Operations

(1) Analysis of Results of Operations

During this term, a mild recovery continued in the U.S., while a serious stagnation of economic activity was witnessed especially in southern Europe due to the effects of the prolonged debt crisis in Europe. In Asia, strong economic growth continued for the most part in the ASEAN region, but China's economic expansion slowed down. In Japan, although signs of a recovery were observed thanks to a full-scale demand for recovery from the earthquake and emergency economic stimulus measures by the new government, the future remained uncertain as a result of low exports to Europe and China and the impact of the substantial appreciation of the yen.

After Lehman Shock, economies in developed countries experienced a lull while the yen continued to rise. Emerging countries saw their economies expand and grow, and the business environment changed drastically. In order to adapt to such changes, the group has set out to reform our corporate structure with GlobalOne, which would unify our group and unleash newfound collaborative power. Since then, we have continued to erect new businesses and cultivate markets in emerging countries, while at the same time, promote a group structure that allows us to quickly and flexibly adapt to market changes and strengthen global sales, R&D and production systems.

As part of our sales structure, we established Roland DG EMEA, S.L., a shared services company that combines and streamlines back-office functionality of subsidiaries in Europe, and it has been placed into partial operation from January 2013. In addition, we have been working to proactively strengthen our sales and marketing activities, as we established Roland DG (China) Corporation in October 2012, followed by establishing Roland DG Korea Inc. in December, as well as acquiring the equity interest in Roland DG Brasil Ltd. in March 2013.

As part of our production system, at Roland Digital Group (Thailand) Ltd., which we established as our first overseas manufacturing base in the previous term, full production has been commenced as scheduled, and products have already been exported worldwide from this base.

Under these conditions, regarding sales by product for the consolidated fiscal year, sales for printers and supplies were flat compared with the previous term due to factors such as the effect of new products introduced in the previous term, despite reduced sales of existing models due to the increased competitiveness of the sign and display markets. Sales for plotters and 3D products also remained flat compared with the previous term. As for sales by region, sales in Japan and North America were higher than the previous term, thanks to strong sales mainly for new printers. In Europe, although sales for new printers and dental milling machines were favorable, the economic downturn in southern Europe, coupled with the strong yen, left sales figure lower than the previous term. In Asia, readjustment of our sales structure in Korea led to reduced sales, and decelerating economic expansion and increasing competition slowed the growth of sales in China. Overall, sales in Asia were down compared with the previous term.

The above resulted in performance for the consolidated fiscal year that shows a 0.4% decrease in sales year on year, for a total of 31,264 million yen.

Cost to sales ratio was slightly below that of the previous term, while selling, general and administrative expenses rose above that of the previous term. Operating income fell 1.8% year on year to 1,423 million yen, and ordinary income fell 1.4% year on year to 1,306 million yen. Meanwhile, net income for the consolidated fiscal year came to 356 million yen (a decrease of 48.2%), affected by goodwill impairment of a subsidiary.

Exchange rates of major currencies for the consolidated fiscal year (*) were 79.82 yen to the US dollar (from 79.84 yen for the previous term), and 102.65 yen to the euro (from 111.14 yen for the previous term).

(*) Average for January to December 2012, because the fiscal year of the Company's foreign consolidated subsidiaries is from January to December.

Net sales by product

(Millions of Yen)

Product	Fiscal year ended March 31, 2012		Fiscal year ended March 31, 2013		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Printers	13,324	42.4	13,453	43.0	128	0.6	101.0
Plotters	1,125	3.6	1,148	3.7	22	0.1	102.0
3D products	2,507	8.0	2,478	7.9	(29)	(0.1)	98.8
Supplies	10,313	32.9	10,570	33.8	257	0.9	102.5
Others	4,108	13.1	3,613	11.6	(494)	(1.5)	88.0
Total	31,379	100.0	31,264	100.0	(115)	-	99.6

[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, and focusing on increasing sales in emerging markets in which the sign and display markets are expected to grow further. We are also cultivating new markets and applications by leveraging the features of our UV printers, which can print on a wide range of materials.

During this term, the impact of new products of the UV printers and eco-solvent desktop printers launched in the previous term continued. The compact UV printer LEF-12, which can print directly onto a wide variety of solid materials, sold strongly, primarily for the purpose of producing original goods by directly printing on smart phone cases or novelty goods with photos or unique designs. The large UV printer LEJ-640, which supports printing on roll sheets and flat substrates, gained greater penetration in the core sign and display markets thanks to its potential for expanding the range of customer work capabilities. The eco-solvent desktop printer BN-20 was successfully introduced, especially for use in creating original T-shirts.

At the end of the first half of this term, we launched the SOLJET PRO4 XR-640, a wide-format eco-solvent professional printer for the sign and display markets. The XR-640 is notable for its superior gray-scale reproduction capabilities and beautiful photo expression, etc., made possible by its new print head and newly developed eco-solvent ink. It won the BEST of 2012 AWARD at viscom frankfurt 2012, the international printing exhibition held in Germany, and has been well received by customers around the world, maintaining strong sales after the launch.

As a result, printer sales reached 13,453 million yen, or 101.0% of the previous term.

[Plotters]

Sales of major products were strong, so plotters sales reached 1,148 million yen, or 102.0% 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.

Sales of our mainstay MDX series of milling machines for the MONO-Zukuri field fell year on year due to effects such as reluctant capital investment by companies. Although steady progress was made in developing the markets in Italy and the U.S., in which we have established a system capable for proposing total solutions utilizing our devices, sales of the DWX series of dental milling machines for dental prostheses fell compared with the previous term. From the second half of this term, we have been striving to enhance our operations in the dental health field through measures such as starting full-fledged sales within Japan as well.

As a result, 3D sales reached 2,478 million yen, or 98.8% of the previous term.

[Supplies]

Despite the fact that ink sales fell in southern Europe, and demand after the earthquake in the previous term calmed down, ink sales were strong in Japan, which saw a recovery in internal demand, and in England, spurred by the London Olympics, resulting in supply sales of 10,570 million yen, or 102.5% of the previous term.

[Others]

Maintenance services, service parts, freight, and other sales fell compared with the previous term, especially in southern Europe and Asia, where the sales of products also fell. As a result, others sales were 3,613 million yen, or 88.0% of the previous term.

Net sales by region

(Millions of Yen)

Region	Fiscal year ended March 31, 2012		Fiscal year ended March 31, 2013		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Japan	4,069	13.0	4,232	13.5	163	0.5	104.0
North America	7,667	24.4	8,408	26.9	741	2.5	109.7
Europe	10,836	34.5	10,311	33.0	(524)	(1.5)	95.2
Asia	3,318	10.6	2,694	8.6	(623)	(2.0)	81.2
Others	5,487	17.5	5,617	18.0	129	0.5	102.4
Total	31,379	100.0	31,264	100.0	(115)	-	99.6

[Japan]

Sales of eco-solvent printers for the sign and display markets expanded steadily. Sales of the new XR-640 professional printer were especially high, led primarily by replacement demand among existing customers. In addition, sales of the UV printer LEF-12, a compact, flatbed type printer targeted at new markets, were also strong. However, with regards to 3D products, sales of the mainstay MDX series of milling machines were sluggish due to factors such as reluctant capital investment by companies, and sales of dental milling machines, which rose for the previous term, especially in terms of shipments to distributors, also stagnated, resulting in a sales decline below the previous term. In order to bolster sales of dental milling machines in Japan, we began sales expansion activities using our own sales network from the second half of this term.

These efforts have resulted in sales of 4,232 million yen, or 104.0% of sales in the previous term.

[North America]

In terms of printers, new UV printers launched in the previous term achieved greater penetration among original goods manufacturers and the core sign and display markets. In addition, eco-solvent desktop printers, also launched in the previous term, have been adopted by original T-shirt manufacturers. The sales of these new products contributed to an increase in sales above the previous term. With respect to 3D products, engraving machines sold well, and the establishment of training and support systems for customers for dental milling machines progressed, producing a significant increase in sales.

As a result, sales in North America reached 8,408 million yen, or 109.7% of the previous term.

[Europe]

In addition to the new UV printers and eco-solvent desktop printers launched during the previous term, sales were strong for dental milling machines, for which the company has established systems for proposing total solutions, led by the Italian sales subsidiary. However, the declining economic situation in southern Europe, and the associated decline in capital investments by customers, as well as the significant appreciation of the yen, resulted in sluggish sales.

As a result, sales in Europe were 10,311 million yen, or 95.2% of the previous term.

[Asia]

Sales in Korea have fallen sharply due to the fact that the sales structure is currently being overhauled. In China, the slowdown of economic growth and increased competition from local manufacturers, etc., has also resulted in a decrease in sales below the previous term.

Therefore, sales in Asia were 2,694 million yen, or 81.2% of the previous term.

[Other Regions]

Following the inventory adjustment carried out during the previous term in South Africa, sales recovered, led primarily by printer sales. Also, in South America, sales increased, especially for printers, spurred by demand created by the nationwide local elections in Brazil, held once every 4 years.

Consequently, sales in other regions reached 5,617 million yen, or 102.4% of the previous term.

Forecast for the Fiscal year ending March 31, 2014

Regarding future economic forecasts, the prolonged debt crisis in Europe threatens to stall economic activity, but in North America and Japan, factors such as monetary easing are expected to bring about economic recoveries. In emerging markets as well, despite slowing economic growth rates in some regions such as China, the overall forecast is for solid growth.

Under these circumstances, the group will continue to implement the GlobalOne corporate structural reform, establish new business fields, and cultivate emerging markets, while at the same time strengthening our global sales, R&D and production systems in order to be able to respond swiftly to drastically changing markets.

As for next term's business performance, we predict increased sales and profit as a result of aggressive sales and marketing activities, along with careful inventory management and lowered costs through efficient production, aided by depreciation of the yen.

The Company has formulated a three-year medium-term business plan, which will begin in the fiscal year ending March 31, 2014. For details, please see "Medium-Term Business Plan" announced separately today.

(Millions of Yen)

	Fiscal year ended March 31, 2013	Fiscal year ending March 31, 2014 (Forecast)	Year-on-year Change (%)
Net sales	31,264	38,590	123.4
Operating income	1,423	3,780	265.4
Ordinary income	1,306	3,650	279.3
Net income	356	2,160	605.9

*Estimated exchange rates of major currencies for the fiscal year ending March 31, 2014

1USD=90yen, 1 EUR=120yen

(2) Analysis of Financial Position

Summary of Consolidated Statement of Cash Flows

(Millions of Yen)

	Fiscal 2012	Fiscal 2013	Changes
Net cash provided by (used in) operating activities	(514)	1,805	2,319
Net cash provided by (used in) investing activities	(890)	(3,544)	(2,654)
Net cash provided by (used in) financing activities	(635)	1,177	1,812
Effect of exchange rate on cash and cash equivalents	(102)	269	371
Cash and cash equivalents at beginning of period	(2,141)	(291)	1,850
Increase in cash and cash equivalents from newly consolidated subsidiary	84	459	375
Cash and cash equivalents at end of period	6,727	6,896	168

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

Net cash provided by operating activities was 1,805 million yen, an increase of 2,319 million yen from the previous fiscal year. Main positive factors for the cash flows include the fact that notes and accounts receivable-trade, which grew last fiscal year, fell during this fiscal year, and inventories, which also increased during the previous fiscal year, grew only slightly. Also, other positive factors are a decrease in other current assets including accounts receivable-other, an increase in other current liabilities including accounts payable-other, and a decrease 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 3,544 million yen, an increase of 2,654 million yen from the previous fiscal year’s 890 million yen. The previous fiscal year saw cash inflows from the sale of Okubo Office, which, however was surpassed by the cash outflows primarily comprising purchase of the shares in the Company's Thai subsidiary. The primary cash outflows during the fiscal year under review consisted of purchasing of subsidiary shares from minority shareholders in order to acquire and fully incorporate the Brazil subsidiary, and the purchasing of property, plant and equipment, such as land and buildings, for the Thailand subsidiary.

[Net cash provided by (used in) financing activities]
Net cash provided by financing activities for the fiscal year under review was 1,177 million yen, an increase of 1,812 million yen from the previous fiscal year's 635 million yen of net cash used. Cash outflows in the previous fiscal year primarily included cash dividends paid, whereas cash outflows in the fiscal year under review primarily included cash dividends paid, while cash inflows increased due to proceeds from short-term loans payable.

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

Although our performance has undergone some harsh changes, 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, this means keeping our goal of maintaining dividends at 30% of non-consolidated profits, and incorporating that into the future of our business development. As for dividends in the current term, despite the tight business results, we met our goal at the start of the term, and term end dividends will be 15 yen, which is equal to the previous term payout of 30 yen. Accordingly, for this term only, payout ratio will exceed 100% to non-consolidated profit.

For basic policies regarding payment of dividends for the future, we have decided to make payments based on consolidated profit from a global standpoint as we have acquired 100% ownership of our consolidated subsidiaries during this term. In particular, with the future business plan in mind and setting a payout ratio of 20% to consolidated profit, we would like to decide the payment amount with an aim for continuous payment of balanced dividends. In terms of dividends for the following term, business is expected to recover as a result of the depreciation of the yen and improvements in the economic climate, and based on the above basic policy, both interim and year-end payouts are expected to be 20 yen per share, an annual payout of 40 yen, which increases the expected payout for this term of 30 yen by 10 yen.

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.

(2) Target Management Benchmarks

We are firm in our belief that customer and shareholder trust can be created through stable corporate growth. Today, as announced separately in our “Medium-Term Business Plan,” 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 areas 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 by seeking opportunities for economic growth in emerging countries and further developing digital technology. Through these efforts, we aim to realize a new source of sustainable growth.

1) Group Integration

The business activities of our group were conducted with Japan headquarters performing MONO-Zukuri, developing and manufacturing products, while sales subsidiaries focused 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 a cell production system which is optimized for low-volume, high-variety production work. It is a system based in flexible MONO-Zukuri. Going forward, in order to meet the diversifying values of our customers, we need to seek better ways to develop products that break existing standards, as well as realize greater cost competitiveness, flexibility to exchange fluctuation, higher levels of quality assurance and shorter production lead time. We will continue to strengthen MONO-Zukuri through efforts such as close cooperation with global marketing, a production base in Thailand which is now in full operation, overseas procurement and investment in R&D to increase core technologies.

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 and improve both competitive advantage and efficiency. In Europe, home to five sales subsidiaries, the Integration Values Project was initiated in 2011, focused on integrating redundant back-office functions, improving efficiency of SCM to reduce lead time and free up resources to cultivate new business. We are working to expand the scope of this project to the entire group and increase profitability and growth potential.

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

4) Improving Business Sustainability

The 2011 Great Eastern Japan Earthquake had several effects on our business, which made it impossible to procure key parts. In addition, there were secondary risks of radiation contamination and power shortages. As part of our natural disaster preparedness, we are striving to improve the sustainability of our business activities, such as by examining BCP from a variety of angles, including our supply chains, and decentralizing risks by opening a factory in Thailand and building our overseas parts procurement network.

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. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of Yen)

	As of March 31, 2012	As of March 31, 2013
Assets		
Current assets		
Cash and deposits	7,252,515	7,139,574
Notes and accounts receivable-trade	3,686,598	3,817,451
Merchandise and finished goods	4,747,352	5,759,699
Work in process	112,913	67,023
Raw materials and supplies	2,086,155	2,242,175
Deferred tax assets	792,646	811,174
Other	1,379,548	947,774
Allowance for doubtful accounts	(19,961)	(30,194)
Total current assets	20,037,770	20,754,678
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	5,692,035	6,080,106
Accumulated depreciation	(2,755,113)	(2,995,979)
Buildings and structures, net	2,936,921	3,084,126
Machinery, equipment and vehicles	656,998	738,546
Accumulated depreciation	(437,210)	(494,843)
Machinery, equipment and vehicles, net	219,787	243,702
Tools, furniture and fixtures	2,503,435	2,825,451
Accumulated depreciation	(2,102,435)	(2,255,636)
Tools, furniture and fixtures, net	401,000	569,815
Land	2,780,337	3,064,227
Construction in progress	37,884	113,304
Total property, plant and equipment	6,375,932	7,075,177
Intangible assets		
Goodwill	788,265	2,270,091
Software	572,113	612,568
Telephone subscription right	8,515	8,539
Total intangible assets	1,368,894	2,891,199
Investments and other assets		
Investment securities	526,090	111,019
Deferred tax assets	194,817	143,215
Long-term time deposits	500,000	229,520
Other	360,065	446,790
Allowance for doubtful accounts	(27,898)	(23,543)
Total investments and other assets	1,553,074	907,002
Total noncurrent assets	9,297,900	10,873,378
Total assets	29,335,671	31,628,056

(Thousands of Yen)

	As of March 31, 2012	As of March 31, 2013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,424,011	893,122
Short-term loans payable	42,570	1,825,886
Income taxes payable	75,212	205,421
Provision for bonuses	540,879	487,675
Provision for product warranties	246,691	240,739
Other	1,514,240	2,169,636
Total current liabilities	3,843,604	5,822,481
Noncurrent liabilities		
Provision for retirement benefits	129,922	215,409
Long-term accounts payable-other	123,717	114,219
Other	457,972	614,831
Total noncurrent liabilities	711,612	944,460
Total liabilities	4,555,217	6,766,942
Net assets		
Shareholders' equity		
Capital stock	3,668,700	3,668,700
Capital surplus	3,700,603	3,700,603
Retained earnings	19,642,589	19,465,069
Treasury stock	(638)	(698)
Total shareholders' equity	27,011,254	26,833,673
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,314	7,993
Foreign currency translation adjustment	(3,021,913)	(1,980,586)
Total accumulated other comprehensive income	(3,019,598)	(1,972,593)
Minority interests	788,797	34
Total net assets	24,780,453	24,861,114
Total liabilities and net assets	29,335,671	31,628,056

(2) Consolidated Statements of Operations and Comprehensive Income

(Consolidated Statements of Operations)

(Thousands of Yen)

	For the fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)	For the fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)
Net sales	31,379,258	31,264,161
Cost of sales	19,582,951	19,315,264
Gross profit	11,796,306	11,948,897
Selling, general and administrative expenses		
Transportation and warehousing expenses	581,675	593,286
Advertising and promotion expenses	785,120	693,290
Provision of allowance for doubtful accounts	10,473	40,882
Provision for product warranties	151,332	98,389
Salaries and bonuses	4,983,212	5,172,116
Provision for bonuses	301,284	304,002
Traveling and transportation expenses	549,856	576,529
Depreciation	676,716	766,723
Commission fee	1,016,155	968,240
Other	1,290,600	1,311,436
Total selling, general and administrative expenses	10,346,427	10,524,899
Operating income	1,449,879	1,423,998
Non-operating income		
Interest income	47,607	39,391
Dividends income	331	399
Other	58,076	54,311
Total non-operating income	106,015	94,102
Non-operating expenses		
Interest expenses	14,071	7,101
Sales discounts	157,608	140,044
Foreign exchange losses	47,491	47,937
Other	11,743	16,139
Total non-operating expenses	230,914	211,222
Ordinary income	1,324,980	1,306,878
Extraordinary income		
Gain on sales of noncurrent assets	9,984	15,292
Total extraordinary income	9,984	15,292
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	14,386	12,666
Impairment loss	—	107,782
Total extraordinary loss	14,386	120,449
Income before income taxes and minority interests	1,320,579	1,201,721
Income taxes-current	628,577	727,775
Income taxes-deferred	(57,771)	67,785
Total income taxes	570,806	795,560
Income before minority interests	749,773	406,160
Minority interests in income	62,239	49,693
Net income	687,534	356,466

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	For the fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)	For the fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)
Income before minority interests	749,773	406,160
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,398)	5,678
Foreign currency translation adjustment	(417,888)	1,035,206
Total other comprehensive income	(419,286)	1,040,885
Comprehensive income	330,487	1,447,045
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	313,056	1,403,471
Comprehensive income attributable to minority interests	17,430	43,574

(3) Consolidated Statements of Changes in Net Assets

(Thousands of Yen)

	For the fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)	For the fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	3,668,700	3,668,700
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	3,668,700	3,668,700
Capital surplus		
Balance at the beginning of current period	3,700,603	3,700,603
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	3,700,603	3,700,603
Retained earnings		
Balance at the beginning of current period	19,331,113	19,642,589
Changes of items during the period		
Dividends from surplus	(533,989)	(533,987)
Net income	687,534	356,466
Change of scope of consolidation	157,931	—
Total changes of items during the period	311,475	(177,520)
Balance at the end of current period	19,642,589	19,465,069
Treasury stock		
Balance at the beginning of current period	(559)	(638)
Changes of items during the period		
Purchase of treasury stock	(79)	(59)
Total changes of items during the period	(79)	(59)
Balance at the end of current period	(638)	(698)
Total shareholders' equity		
Balance at the beginning of current period	26,699,857	27,011,254
Changes of items during the period		
Dividends from surplus	(533,989)	(533,987)
Net income	687,534	356,466
Change of scope of consolidation	157,931	—
Purchase of treasury stock	(79)	(59)
Total changes of items during the period	311,396	(177,580)
Balance at the end of current period	27,011,254	26,833,673

(Thousands of Yen)

	For the fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)	For the fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	3,713	2,314
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,398)	5,678
Total changes of items during the period	(1,398)	5,678
Balance at the end of current period	2,314	7,993
Foreign currency translation adjustment		
Balance at the beginning of current period	(2,648,833)	(3,021,913)
Changes of items during the period		
Net changes of items other than shareholders' equity	(373,079)	1,041,326
Total changes of items during the period	(373,079)	1,041,326
Balance at the end of current period	(3,021,913)	(1,980,586)
Total accumulated other comprehensive income		
Balance at the beginning of current period	(2,645,120)	(3,019,598)
Changes of items during the period		
Net changes of items other than shareholders' equity	(374,477)	1,047,004
Total changes of items during the period	(374,477)	1,047,004
Balance at the end of current period	(3,019,598)	(1,972,593)
Minority interests		
Balance at the beginning of current period	741,393	788,797
Changes of items during the period		
Net changes of items other than shareholders' equity	47,404	(788,763)
Total changes of items during the period	47,404	(788,763)
Balance at the end of current period	788,797	34
Total net assets		
Balance at the beginning of current period	24,796,130	24,780,453
Changes of items during the period		
Dividends from surplus	(533,989)	(533,987)
Net income	687,534	356,466
Change of scope of consolidation	157,931	—
Purchase of treasury stock	(79)	(59)
Net changes of items other than shareholders' equity	(327,073)	258,241
Total changes of items during the period	(15,676)	80,660
Balance at the end of current period	24,780,453	24,861,114

(4) Consolidated Statements of Cash Flows

(Thousands of Yen)

	For the fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)	For the fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,320,579	1,201,721
Depreciation and amortization	1,059,028	1,100,566
Impairment loss	—	107,782
Increase (decrease) in allowance for doubtful accounts	(16,624)	2,787
Increase (decrease) in provision for bonuses	78,644	(54,637)
Increase (decrease) in provision for product warranties	(20,057)	(37,344)
Increase (decrease) in provision for retirement benefits	23,287	85,486
Interest and dividends income	(47,938)	(39,791)
Interest expenses	14,071	7,101
Loss (gain) on sales of property, plant and equipment	4,401	(10,892)
Decrease (increase) in notes and accounts receivable-trade	(135,835)	123,578
Decrease (increase) in inventories	(489,224)	(58,572)
Decrease (increase) in other current assets	28,431	613,684
Decrease (increase) in other noncurrent assets	1,601	(95,504)
Increase (decrease) in notes and accounts payable-trade	(1,466,311)	(1,187,440)
Increase (decrease) in other current liabilities	15,709	401,051
Increase (decrease) in other noncurrent liabilities	243,573	106,482
Other, net	(21,206)	61,132
Subtotal	592,129	2,327,192
Interest and dividends income received	42,344	43,783
Interest expenses paid	(13,902)	(4,499)
Income taxes paid	(1,134,609)	(560,552)
Net cash provided by (used in) operating activities	(514,037)	1,805,923
Net cash provided by (used in) investing activities		
Payments into time deposits	(620,835)	(445,855)
Proceeds from withdrawal of time deposits	619,342	1,057,977
Purchase of property, plant and equipment	(480,245)	(1,035,246)
Proceeds from sales of property, plant and equipment	511,013	35,835
Purchase of intangible assets	(311,515)	(200,656)
Purchase of investment securities	(796)	(857)
Purchase of stocks of subsidiaries and affiliates	(587,083)	(1,519,693)
Payments for investments in capital of subsidiaries and affiliates	(20,408)	(1,436,197)
Other, net	405	423
Net cash provided by (used in) investing activities	(890,122)	(3,544,270)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(50,840)	1,751,966
Cash dividends paid	(536,797)	(534,198)
Cash dividends paid to minority shareholders	(32,715)	(32,210)
Other, net	(14,996)	(7,970)
Net cash provided by (used in) financing activities	(635,350)	1,177,587
Effect of exchange rate change on cash and cash equivalents	(102,244)	269,540
Net increase (decrease) in cash and cash equivalents	(2,141,755)	(291,219)
Cash and cash equivalents at beginning of period	8,785,058	6,727,577
Increase in cash and cash equivalents from newly consolidated subsidiary	84,274	459,966
Cash and cash equivalents at end of period	6,727,577	6,896,324