

Consolidated Financial Results for the Fiscal Year Ended March 31, 2014 [Japanese GAAP]



May 14, 2014

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 Securities Code: 6789
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 Scheduled date of Ordinary General Meeting of Shareholders: June 18, 2014
 Scheduled date of filing annual securities report: June 19, 2014
 Scheduled date of commencing dividend payments: June 19, 2014
 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, 2014 (From April 1, 2013 to March 31, 2014)

(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, 2014	42,141	34.8	6,111	329.2	6,244	377.8	4,265	1,096.6
Fiscal year ended March 31, 2013	31,264	(0.4)	1,423	(1.8)	1,306	(1.4)	356	(48.2)

(Note) Comprehensive income: Fiscal year ended March 31, 2014: 6,439 million yen (345.0%)
 Fiscal year ended March 31, 2013: 1,447 million yen (437.9%)

	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, 2014	239.64	—	15.4	17.7	14.5
Fiscal year ended March 31, 2013	20.03	—	1.5	4.3	4.6

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal Year Ended March 31, 2014: - million yen
 Fiscal Year Ended March 31, 2013: - 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, 2014	38,925	30,676	78.8	1,723.45
As of March 31, 2013	31,628	24,861	78.6	1,396.73

(Reference) Equity: As of March 31, 2014: 30,676 million yen
 As of March 31, 2013: 24,861 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, 2014	6,353	(1,236)	(2,242)	10,713
Fiscal year ended March 31, 2013	1,805	(3,544)	1,177	6,896

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, 2013	–	15.00	–	15.00	30.00
Fiscal year ended March 31, 2014	–	20.00	–	20.00	40.00
Fiscal year ending March 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, 2013	533	149.8	2.2
Fiscal year ended March 31, 2014	711	16.7	2.6
Fiscal year ending March 31, 2015 (Forecast)		19.9	

Payout ratio (consolidated) is calculated on the assumption that the content of the "Notice Concerning the Acquisition of Treasury Stock and Public Tender Offer of Treasury Stock," released separately today, will be implemented according to schedule.

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

(% 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	22,070	11.8	3,590	42.0	3,460	33.7	2,200	33.7	154.49
Full year	45,870	8.8	6,970	14.1	6,760	8.3	4,300	0.8	301.97

Net income per share is calculated on the assumption that the content of the "Notice Concerning the Acquisition of Treasury Stock and Public Tender Offer of Treasury Stock," released separately today, will be implemented according to schedule.

* 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, 2014	17,800,000 shares
Fiscal year ended March 31, 2013	17,800,000 shares

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

Fiscal year ended March 31, 2014	460 shares
Fiscal year ended March 31, 2013	460 shares

3) Average number of shares during the period:

Fiscal year ended March 31, 2014	17,799,540 shares
Fiscal year ended March 31, 2013	17,799,562 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(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, 2014	30,937	24.1	4,135	272.2	4,600	254.5	2,602	573.4
Fiscal year ended March 31, 2013	24,932	(3.7)	1,111	(11.1)	1,297	(12.1)	386	(62.2)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 31, 2014	146.19	—
Fiscal year ended March 31, 2013	21.71	—

(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, 2014	32,749	26,536	81.0	1,490.84
As of March 31, 2013	30,118	24,558	81.5	1,379.74

(Reference) Equity: As of March 31, 2014: 26,536 million yen

As of March 31, 2013: 24,558 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 6.
2. The Company plans to hold a briefing session for institutional investors and analysts on May 16, 2014 (Friday). 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

The consolidated financial results for the fiscal year ended March 31, 2014 (from April 1, 2013 to March 31, 2014) reflect signs of economic recovery in the world economy including a sustained mild recovery trend in the U.S. and in Europe an upturn in the growth rate for the Eurozone as a whole, despite the continuing economic slump in southern Europe. In Asia, there was a slowdown in economic growth in emerging countries such as China and India. In Japan, the economy trends toward a mild recovery, thanks to yen depreciation and rising stock prices resulting from the effect of Abenomics.

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 which makes the fiscal year ending March 31, 2014 as the first year, and are being implemented from this term. 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 the GlobalOne as we seek to build a strong business foundation for new growth. During the term, we established Roland DG Europe Holdings B.V. in the Netherlands as a holding company aggregating functions including centralized financing, fund management and fund operation activities in the European region.

Under these conditions, regarding sales by product for the fiscal year ended March 31, 2014, sales for printers and supplies, the mainstay products, increased significantly from the previous fiscal year due to the strong sales centered on new wide format inkjet printers introduced in the previous and current fiscal year. In addition, 3D products also increased considerably from the previous fiscal year as the dental milling machines and other products showed a solid performance.

As for sales by region, sales in Japan were higher than the previous fiscal year, thanks to strong sales mainly for new printers. Sales in North America and Europe grew significantly thanks to the effect of yen depreciation added to the impact of new printers and the growth in dental milling machines. In Asia, sales were robust in China for wide-format inkjet printers which meet the needs of the local sign manufacturing business and other products. In other regions, sales were favorable in Australia and Central and South America.

As a result of the above, partly owing to the effect of yen depreciation, sales for the fiscal year ended March 31, 2014 were up 34.8% year on year to 42,141 million yen.

In terms of expenses, although selling, general and administrative expenses increased due to full-scale operations in new consolidated subsidiaries and active sales and marketing activities, cost to sales ratio improved

considerably, owing to consolidation effects of new subsidiaries, an increase in production volume particularly for new printer products, and the impact of reductions in the purchasing cost of foreign subsidiaries due to yen depreciation.

Consequently, operating income increased 329.2% year on year to 6,111 million yen, while ordinary income increased 377.8% year on year to 6,244 million yen and net income for the consolidated fiscal year increased 1,096.6% to 4,265 million yen.

The exchange rates for major currencies in the consolidated fiscal year (average rate during the period from January 2013 to December 2013 because the fiscal year of the Company's foreign consolidated subsidiaries is from January to December) were 97.65 yen to the U.S. dollar (79.82 yen for the previous term) and 129.71 yen to the euro (102.65 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, 2013		Fiscal year ended March 31, 2014		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Printers	13,453	43.0	19,262	45.7	5,809	2.7	143.2
Plotters	1,148	3.7	1,302	3.1	154	(0.6)	113.4
3D products	2,478	7.9	3,415	8.1	937	0.2	137.8
Supplies	10,570	33.8	13,602	32.3	3,031	(1.5)	128.7
Others	3,613	11.6	4,558	10.8	944	(0.8)	126.1
Total	31,264	100.0	42,141	100.0	10,877	-	134.8

[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 markets where growth is expected, we are focusing on increasing sales through aggressive sales and marketing activities. 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 the term, the XR-640 and XF-640 professional inkjet printers, designed for our mainstay sign market, were strong sales drivers. The XR-640 has been well-received for its superior gray-scale reproduction capabilities, beautiful photo rendering, and high value-added expressiveness made possible by metallic ink and print & cut

features. Sales of the products remained strong during the term, centered on replacement demand by existing users. In addition, in April last year, we released the new XF-640 which boasts the highest-ever output speed among all of our products, and began sales to users including major, high-volume producers of signs.

In October last year, the Company released the VS-i Series, new models in the VS Series, equipped with print & cut features, and we have worked to offer high value-added sign production solutions, primarily in developed countries. Moreover, we greatly grew sales of the RE/RA Series of dedicated printers primarily in China, South America, and other emerging countries. At the FESPA 2013 international printing industry exhibition held in London in June last year, our ECO-SOL MAX2 eco-solvent ink received the EDP Award 2013 in recognition of its environmental consideration and superior print quality.

In UV printers, last October, we released our compact flatbed LEF Series UV printers with the new LEF-20 model, which offers a wide print scale and high productivity. This contributed to strong sales of products for applications involving the production of original goods, such as smartphone cases and novelties.

As a result, printer sales reached 19,262 million yen, or 143.2% of the previous term.

[Plotters]

Sales of major products were strong, so plotter sales reached 1,302 million yen, or 113.4% 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 term, sales were strong in our mainstay MDX Series of milling machines for the MONO-Zukuri field and EGX Series of engraving machines. In October of last year, we released the DWX Series of dental milling machines with the new, compact, low-cost DWX-4 model, which can be easily adopted by even small dental laboratories. In addition, we made steady progress in enhancements to our sales network and in the creation of a structure allowing us to propose total solutions for dental prostheses production processes, leading to significantly expanded sales in North America, Japan, and China.

As a result, 3D sales reached 3,415 million yen, or 137.8% of the previous term.

[Supplies]

Ink sales increased especially in North America and Europe where printer sales were strong. Net sales of supplies were 13,602 million yen, 128.7% of the previous term.

[Others]

Maintenance services, service parts, and other sales were 4,558 million yen, or 126.1% of the previous term.

Sales by region are as follows.

Net sales by region

(Millions of Yen)

Region	Fiscal year ended March 31, 2013		Fiscal year ended March 31, 2014		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Japan	4,232	13.5	4,727	11.2	494	(2.3)	111.7
North America	8,408	26.9	11,638	27.6	3,229	0.7	138.4
Europe	10,311	33.0	14,354	34.1	4,042	1.1	139.2
Asia	2,694	8.6	3,633	8.6	939	0.0	134.9
Others	5,617	18.0	7,789	18.5	2,172	0.5	138.7
Total	31,264	100.0	42,141	100.0	10,877	-	134.8

[Japan]

Printer sales were strong in Japan, centered on replacement demand by existing users for the XR-640 and XF-640 products for the sign market. In 3D products, sales of the mainstay MDX Series milling machines were strong. In addition, sales grew for the DWX Series dental milling machine, for which full-scale sales and marketing activities were launched in the second half of the previous term. This was due in part to progress made in enhancing our sales network, and in part to the capture of capital investment demand that accompanied the fiscal 2014 start of health insurance coverage for some dental prostheses produced using digital data.

These efforts have resulted in sales of 4,727 million yen, or 111.7.0% of sales in the previous term.

[North America]

In printers, sales were strong for the XR-640 and XF-640 models. Active sales measures also led to strong sales for the low-cost VS Series and RE-640. The LEF Series of compact flatbed UV printers also saw strong sales on their use in production of original goods, contributing to growth in overall printer sales from the previous term. In 3D products, we greatly increased sales of the DWX Series of dental milling machines, for which we have built an advanced structure for providing customers with solutions, training, and support.

Under the effects of these factors and the weaker yen, North American net sales were 11,638 million yen, or 138.4% of the previous term.

[Europe]

Despite continued economic stagnation in southern Europe, new products drove printer sales in Europe overall. Sales were strong for the XR-640, as well as for the XF-640 that was introduced during the term. In addition, sales were strong for the low-cost RE-640, especially in Russia where we have made progress in expanding our sales

network. Further, sales grew steadily for the LEF Series of compact flatbed UV printers, with an increasing number of cases involving adoption of multiple units for use in production of original goods.

As a result of these factors and the weaker yen, European net sales were 14,354 million yen, or 139.2% of the previous term.

[Asia]

In China, the RA-640 printer has been well received for its compatibility with the water-based inks often used for sign production in that country, and sales were significantly higher. At Roland DG (China) Corporation, a sales subsidiary established in the previous term, activities such as participation in dental and medical industry exhibitions resulted in greatly expanded sales of the DWX Series of dental milling machines. We also worked to strengthen sales and marketing activities in Asia overall, through means including the start of full-scale activities in the first half of the term at South Korean sales subsidiary Roland DG Korea Inc.

Therefore, sales in Asia were 3,633 million yen, or 134.9% of the previous term.

[Other Regions]

Sales of the XR-640 and XF-640 were strong in Australia. In Brazil, our sales subsidiary Roland DG Brasil Ltd., in which we acquired a stake in March of last year, engaged in active sales and marketing activities centered on low-cost printer models to successfully increase sales. Sales were also strong in Africa and Middle East.

Consequently, net sales in other regions reached 7.789 million yen, or 138.7% of the previous term.

Forecast for the Fiscal year ending March 31, 2015

The forward-looking economic outlook calls for continuation of the modest recovery trend in the U.S. and Japan, as well as a move toward recovery in the Eurozone overall, despite fears of economic stagnation in southern Europe. In emerging countries, a slowing of economic growth is apparent in China, India, and some other regions, but strong growth overall is expected to continue.

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 second 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. Doing so, we will build our global sales, R&D and production systems in order to be able to respond swiftly to drastically changing markets.

As for the next term's business performance, we predict increased sales and profit through cost reductions, by engaging in production at sites in Japan and Thailand, by improving production efficiency, and by promoting procurement of overseas components. Together with these, we will also implement active sales measures that include new market development and sales activities in untapped markets, by building a sales structure that covers the entire globe.

We also recently conducted a review of our medium-term business plan. For details, see "About the Review of the Medium-Term Business Plan," released separately today.

(Millions of Yen)

	Fiscal year ended March 31, 2014	Fiscal year ending March 31, 2015 (Forecast)	Year-on-year Change (%)
Net sales	42,141	45,870	108.8
Operating income	6,111	6,970	114.1
Ordinary income	6,244	6,760	108.3
Net income	4,265	4,300	100.8

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

1USD=100yen, 1 EUR=135yen

(2) Analysis of Financial Position

Summary of Consolidated Statement of Cash Flows

(Millions of Yen)

	Fiscal 2013	Fiscal 2014	Changes
Net cash provided by (used in) operating activities	1,805	6,353	4,548
Net cash provided by (used in) investing activities	(3,544)	(1,236)	2,307
Net cash provided by (used in) financing activities	1,177	(2,242)	(3,419)
Effect of exchange rate on cash and cash equivalents	269	941	672
Cash and cash equivalents at beginning of period	(291)	3,817	4,108
Increase in cash and cash equivalents from newly consolidated subsidiary	459	-	(459)
Cash and cash equivalents at end of period	6,896	10,713	3,817

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

Net cash provided by operating activities was 6,353 million yen, an increase of 4,548 million yen from the previous fiscal year. Main positive factors for the cash flows include a significant increase in income before income taxes and minority interests owing to favorable business results, a significant decrease in inventories, and an increase in other current liabilities including accounts payable-other. Negative factors include an increase in notes and accounts receivables-trade and an increase in other current assets 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 1,236 million yen, a decrease in outflow of 2,307 million yen from the previous fiscal year's outflow of 3,544 million yen. In the previous fiscal

year, major outflows included the acquisition of a subsidiary in Brazil, the purchase of subsidiary shares from minority shareholders, and purchase of property, plant and equipment, including land and buildings for a Thai subsidiary. The primary cash outflows during the fiscal year under review consisted of normal purchase of property, plant and equipment and intangible assets.

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

Net cash used in financing activities in the consolidated fiscal year was 2,242 million yen, a decrease of 3,419 million yen from an inflow of 1,177 million yen in the previous consolidated fiscal year. In contrast to increased cash inflow due to proceeds from short-term loans payable in the previous fiscal year, a decrease due to payment of short-term loans payable resulted in a cash outflow in this fiscal year.

(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 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 20 yen, which makes the annual payout 40 yen, 10 yen higher than the previous term.

In terms of dividends for the following term, we expect continued strong performance as a result of the depreciation of the yen, and based on the above basic policy, both interim and year-end payouts are expected to be 30 yen per share.

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 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. 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 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. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of Yen)

	As of March 31, 2013	As of March 31, 2014
Assets		
Current assets		
Cash and deposits	7,139,574	11,611,079
Notes and accounts receivable - trade	3,817,451	4,965,610
Merchandise and finished goods	5,759,699	5,912,900
Work in process	67,023	123,161
Raw materials and supplies	2,242,175	2,364,044
Deferred tax assets	811,174	1,317,641
Other	947,774	1,444,948
Allowance for doubtful accounts	(30,194)	(30,880)
Total current assets	20,754,678	27,708,505
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,080,106	6,485,344
Accumulated depreciation	(2,995,979)	(3,337,560)
Buildings and structures, net	3,084,126	3,147,784
Machinery, equipment and vehicles	738,546	923,789
Accumulated depreciation	(494,843)	(560,776)
Machinery, equipment and vehicles, net	243,702	363,013
Tools, furniture and fixtures	2,825,451	3,026,223
Accumulated depreciation	(2,255,636)	(2,416,444)
Tools, furniture and fixtures, net	569,815	609,778
Land	3,064,227	3,106,733
Construction in progress	113,304	12,921
Total property, plant and equipment	7,075,177	7,240,231
Intangible assets		
Goodwill	2,270,091	2,192,180
Software	612,568	781,971
Telephone subscription right	8,539	8,436
Total intangible assets	2,891,199	2,982,588
Investments and other assets		
Investment securities	111,019	64,250
Deferred tax assets	143,215	134,248
Long-term time deposits	229,520	—
Other	446,790	836,825
Allowance for doubtful accounts	(23,543)	(41,081)
Total investments and other assets	907,002	994,242
Total non-current assets	10,873,378	11,217,062
Total assets	31,628,056	38,925,568

(Thousands of Yen)

	As of March 31, 2013	As of March 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	893,122	913,050
Short-term loans payable	1,825,886	256,800
Income taxes payable	205,421	1,309,400
Provision for bonuses	487,675	719,204
Provision for directors' bonuses	—	100,000
Provision for product warranties	240,739	314,954
Other	2,169,636	3,417,757
Total current liabilities	5,822,481	7,031,167
Non-current liabilities		
Provision for retirement benefits	215,409	—
Net defined benefit liability	—	240,790
Long-term accounts payable - other	114,219	138,775
Other	614,831	838,178
Total non-current liabilities	944,460	1,217,744
Total liabilities	6,766,942	8,248,911
Net assets		
Shareholders' equity		
Capital stock	3,668,700	3,668,700
Capital surplus	3,700,603	3,700,603
Retained earnings	19,465,069	23,107,571
Treasury shares	(698)	(698)
Total shareholders' equity	26,833,673	30,476,176
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,993	6,358
Foreign currency translation adjustment	(1,980,586)	194,573
Remeasurements of defined benefit plans	—	(499)
Total accumulated other comprehensive income	(1,972,593)	200,433
Minority interests	34	47
Total net assets	24,861,114	30,676,656
Total liabilities and net assets	31,628,056	38,925,568

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

(Thousands of Yen)

	For the fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)	For the fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)
Net sales	31,264,161	42,141,909
Cost of sales	19,315,264	21,815,501
Gross profit	11,948,897	20,326,407
Selling, general and administrative expenses		
Transportation and warehousing expenses	593,286	875,562
Advertising and promotion expenses	693,290	1,028,997
Provision of allowance for doubtful accounts	40,882	18,385
Provision for product warranties	98,389	151,691
Salaries and bonuses	5,172,116	6,830,237
Provision for bonuses	304,002	380,359
Provision for directors' bonuses	—	100,000
Traveling and transportation expenses	576,529	682,581
Depreciation	766,723	919,910
Commission fee	968,240	1,395,549
Other	1,311,436	1,831,854
Total selling, general and administrative expenses	10,524,899	14,215,127
Operating income	1,423,998	6,111,279
Non-operating income		
Interest income	39,391	36,177
Dividend income	399	560
Gain on valuation of investments in money held in trust	12,740	41,960
Foreign exchange gains	—	139,609
Other	41,570	93,172
Total non-operating income	94,102	311,479
Non-operating expenses		
Interest expenses	7,101	6,055
Sales discounts	140,044	166,794
Foreign exchange losses	47,937	—
Other	16,139	5,572
Total non-operating expenses	211,222	178,421
Ordinary income	1,306,878	6,244,336
Extraordinary income		
Gain on sales of non-current assets	15,292	8,224
Total extraordinary income	15,292	8,224
Extraordinary losses		
Loss on sales and retirement of non-current assets	12,666	23,558
Impairment loss	107,782	—
Loss on valuation of investment securities	—	45,268
Total extraordinary losses	120,449	68,827
Income before income taxes and minority interests	1,201,721	6,183,734
Income taxes - current	727,775	2,356,032
Income taxes - deferred	67,785	(437,782)
Total income taxes	795,560	1,918,249
Income before minority interests	406,160	4,265,485
Minority interests in income (loss)	49,693	(1)
Net income	356,466	4,265,486

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	For the fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)	For the fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)
Income before minority interests	406,160	4,265,485
Other comprehensive income		
Valuation difference on available-for-sale securities	5,678	(1,634)
Foreign currency translation adjustment	1,035,206	2,175,164
Total other comprehensive income	1,040,885	2,173,530
Comprehensive income	1,447,045	6,439,015
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,403,471	6,439,012
Comprehensive income attributable to minority interests	43,574	3

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

(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	19,642,589	(638)	27,011,254
Changes of items during period					
Dividends of surplus			(533,987)		(533,987)
Net income			356,466		356,466
Purchase of treasury shares				(59)	(59)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	(177,520)	(59)	(177,580)
Balance at end of current period	3,668,700	3,700,603	19,465,069	(698)	26,833,673

	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	2,314	(3,021,913)	—	(3,019,598)	788,797	24,780,453
Changes of items during period						
Dividends of surplus						(533,987)
Net income						356,466
Purchase of treasury shares						(59)
Net changes of items other than shareholders' equity	5,678	1,041,326	—	1,047,004	(788,763)	258,241
Total changes of items during period	5,678	1,041,326	—	1,047,004	(788,763)	80,660
Balance at end of current period	7,993	(1,980,586)	—	(1,972,593)	34	24,861,114

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
Purchase of treasury shares				—	—
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
Purchase of treasury shares						—
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

(4) Consolidated Statements of Cash Flows

(Thousands of Yen)

	For the fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)	For the fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	1,201,721	6,183,734
Depreciation	841,368	883,538
Impairment loss	107,782	—
Amortization of goodwill	259,197	343,478
Increase (decrease) in allowance for doubtful accounts	2,787	12,240
Increase (decrease) in provision for bonuses	(54,637)	228,391
Increase (decrease) in provision for directors' bonuses	—	100,000
Increase (decrease) in provision for product warranties	(37,344)	35,634
Increase (decrease) in provision for retirement benefits	85,486	(215,409)
Increase (decrease) in allowance for retirement benefits for employees	—	240,023
Interest and dividend income	(39,791)	(36,737)
Interest expenses	7,101	6,055
Loss (gain) on sales of property, plant and equipment	(10,892)	15,333
Loss (gain) on valuation of investment securities	—	45,268
Decrease (increase) in notes and accounts receivable - trade	123,578	(476,018)
Decrease (increase) in inventories	(58,572)	828,373
Decrease (increase) in other current assets	613,684	(378,821)
Decrease (increase) in other non-current assets	(95,504)	(268,080)
Increase (decrease) in notes and accounts payable - trade	(1,187,440)	(1,098,534)
Increase (decrease) in other current liabilities	401,051	1,030,093
Increase (decrease) in other non-current liabilities	106,482	174,654
Other, net	61,132	6,674
Subtotal	2,327,192	7,659,894
Interest and dividend income received	43,783	37,708
Interest expenses paid	(4,499)	(6,765)
Income taxes paid	(560,552)	(1,336,864)
Net cash provided by (used in) operating activities	1,805,923	6,353,972
Cash flows from investing activities		
Payments into time deposits	(445,855)	(546,224)
Proceeds from withdrawal of time deposits	1,057,977	272,666
Purchase of property, plant and equipment	(1,035,246)	(515,281)
Proceeds from sales of property, plant and equipment	35,835	18,241
Purchase of intangible assets	(200,656)	(396,699)
Purchase of investment securities	(857)	(1,007)
Purchase of shares of subsidiaries and associates	(1,519,693)	—
Purchase of investments in capital of subsidiaries and affiliates	(1,436,197)	(68,399)
Other, net	423	383
Net cash provided by (used in) investing activities	(3,544,270)	(1,236,321)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,751,966	(1,612,073)
Cash dividends paid	(534,198)	(623,116)
Cash dividends paid to minority shareholders	(32,210)	—
Other, net	(7,970)	(6,848)
Net cash provided by (used in) financing activities	1,177,587	(2,242,038)
Effect of exchange rate change on cash and cash equivalents	269,540	941,603
Net increase (decrease) in cash and cash equivalents	(291,219)	3,817,215
Cash and cash equivalents at beginning of period	6,727,577	6,896,324
Increase in cash and cash equivalents from newly consolidated subsidiary	459,966	—
Cash and cash equivalents at end of period	6,896,324	10,713,540