

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



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Company name: Roland DG Corporation

Securities Code: 6789

URL: <http://www.rolanddg.co.jp/>

Stock exchange listing: Tokyo Stock Exchange

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Scheduled date of Ordinary General Meeting of Shareholders: March 24, 2016

Scheduled date of filing annual securities report: March 25, 2016

Scheduled date of commencing dividend payments: March 25, 2016

Availability of supplementary briefing material on consolidated financial results: Available

Schedule of consolidated financial results briefing session: Scheduled (for institutional investors and analysts)

(Figures are rounded down to the nearest million yen)

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

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal year ended December 31, 2015	45,121	(3.5)	4,057	(38.3)	3,646	(43.0)	2,468	(22.6)
Fiscal year ended March 31, 2015	46,770	11.0	6,578	7.6	6,398	2.5	3,190	(25.2)

(Note) Comprehensive income: Fiscal year ended December 31, 2015: 1,699 million yen [(52.8)%]

Fiscal year ended March 31, 2015: 3,601 million yen [(44.1)%]

	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 December 31, 2015	173.36	—	11.0	9.6	9.0
Fiscal year ended March 31, 2015	210.87	—	12.1	16.6	14.1

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal Year Ended December 31, 2015: - million yen

Fiscal Year Ended March 31, 2015: - million yen

Since the proposal "Partial Amendments to Articles of Incorporation" was approved at the Ordinary General Meeting of Shareholders held on June 17, 2015, the Company changed its fiscal year-end date from March 31 to December 31 starting from the fiscal year under review. As a result, for the fiscal year ended December 31, 2015, which serves as a transitional period, the period for consolidation is the nine-month period from April to December for the Company, and for subsidiaries with a fiscal year-end in December, the twelve-month period from January to December.

[Reference]

Percentages shown below (rate of change after adjustment) are rates of change comparing the previous fiscal year's nine-month results of the Company (April 1, 2014 to December 31, 2014) and the twelve-month results of subsidiaries (January 1, 2014 to December 31, 2014) with the financial results of the fiscal year ended December 31, 2015.

Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	(Millions of yen)
45,121	0.6%	4,057	(23.5)%	3,646
				(28.4)%
				2,468
				7.3%

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of December 31, 2015	37,980	22,910	60.3	1,608.94
As of March 31, 2015	38,192	22,073	57.8	1,550.19

(Reference) Equity: As of December 31, 2015: 22,910 million yen
As of March 31, 2015: 22,073 million yen

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Fiscal year ended December 31, 2015	3,543	(1,282)	(2,270)	10,009
Fiscal year ended March 31, 2015	5,467	(523)	(5,407)	10,409

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, 2015	—	30.00	—	30.00	60.00
Fiscal year ended December 31, 2015	—	30.00	—	30.00	60.00
Fiscal year ending December 31, 2016 (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, 2015	858	28.5	3.7
Fiscal year ended December 31, 2015	862	34.6	3.8
Fiscal year ending December 31, 2016 (Forecast)		30.0	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2016 (From January 1, 2016 to December 31, 2016)

(% indicates changes from the previous corresponding period)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Yen
First half	23,800	1,900	1,800	1,200	84.27
Full year	—	—	—	—	—

Since the proposal "Partial Amendments to Articles of Incorporation" was approved at the Ordinary General Meeting of Shareholders held on June 17, 2015, the Company changed its fiscal year-end date from March 31 to December 31 starting from the fiscal year under review. As a result, for the fiscal year ended December 31, 2015, which serves as a transitional period, the period for

consolidation is the nine-month period from April to December for the Company, and for subsidiaries with a fiscal year-end in December, the twelve-month period, unchanged from January to December.

[Reference]

Percentages shown below (rate of change after adjustment) are rates of change comparing the Company's results adjusted to a twelve-month period (January 1, 2015 to December 31, 2015) with the financial results forecast for the fiscal year ending December 31, 2016.

Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		(Millions of yen)
48,700	3.6%	4,600	Δ14.4%	4,400	Δ11.2%	3,000	Δ10.7%	

*** 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 December 31, 2015	14,385,511 shares
Fiscal year ended March 31, 2015	14,385,511 shares

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

Fiscal year ended December 31, 2015	146,000 shares
Fiscal year ended March 31, 2015	146,000 shares

3) Average number of shares during the period:

Fiscal year ended December 31, 2015	14,239,511 shares
Fiscal year ended March 31, 2015	15,129,518 shares

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

(Reference) Summary of Non-consolidated Financial Results

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

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

	Net sales		Operating income		Ordinary income		Profit	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal year ended December 31, 2015	26,742	(20.9)	4,104	(21.7)	4,425	(28.8)	3,069	(21.8)
Fiscal year ended March 31, 2015	33,818	9.3	5,241	26.7	6,210	35.0	3,925	50.9

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended December 31, 2015	215.59	—
Fiscal year ended March 31, 2015	259.46	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of December 31, 2015	32,480	20,462	63.0	1,436.99
As of March 31, 2015	31,016	18,256	58.9	1,282.07

(Reference) Equity: As of December 31, 2015: 20,462 million yen

As of March 31, 2015: 18,256 million yen

* Presentation regarding the implementation status of the audit process

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

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

1. Financial results forecast was prepared based on available information at the time of the release of this document, and the Company does not in any way guarantee the achievement of the projections. Actual results may be different from the projections due to various factors. For the notes concerning the use of financial results forecast, please refer to page 7.
2. The Company plans to hold a briefing session for institutional investors and analysts on February 19, 2016 (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 Company has changed its fiscal year-end date from March 31 to December 31 starting from the fiscal year under review. As a result, for the consolidated results for the fiscal year ended December 31, 2015, which serves as a transitional period, the period for consolidation is the nine-month period from April to December for the Company, and for foreign consolidated subsidiaries with a fiscal year-end in December, the twelve-month period from January to December. Furthermore, for comparisons with the corresponding period of the previous fiscal year, rates of increase and decrease are shown with figures of results from the corresponding period of the previous fiscal year adjusted to match the same period as the current period of consolidation.

During the fiscal year ended December 31, 2015, the world economy was on a moderate recovery trend, centered on developed countries such as the U.S., Europe, and Japan. However, the future outlook remains uncertain due to various factors causing a risk of economic decline, such as a deceleration in growth in emerging markets including China, geopolitical risks in Eastern Europe and the Middle East, and a drop in crude oil prices.

In order to adapt to such 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. Specifically, activities in step 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 were promoted.

In addition to the activities in the mainstay sign (advertising and sign production) market, we exploited new growing markets for new printing businesses by proposing original product creation in retail markets and textile printing in textile markets along with proposing digitalization with dental milling machines in the dental (dental medical) market.

With regard to our sales structure, we divided the world into the three global blocks constituting “Europe, the Middle East and Africa,” “Asia and the Pacific,” and “North America and Central and South America” and worked on reinforcing the management structure within each region and restructuring sales networks. In terms of our production structure, we expanded the Thai plant, our overseas production site, enhanced measures to respond to demand fluctuations along with distribution of the production structure, and improved efficiency based on overall group-wide optimization.

As a result of the above, partly owing to the positive effect of foreign exchange, sales for the fiscal year ended December 31, 2015 increased by 0.6% compared with the previous term to 45,121 million yen. In terms of

expenses, the cost to sales ratio increased by 2.0% compared with the previous term due to the effects of factors such as higher raw materials expenses and R&D expenses to strengthen technological power, in addition to lower per-unit prices in the sign market. Furthermore, selling, general and administrative expenses also increased by 3.1% year on year due to factors such as higher personnel expenses in preparation for expansion into developing markets. As a result, operating income decreased by 23.5% compared with the previous term to 4,057 million yen and ordinary income decreased by 28.4% compared with the previous term to 3,646 million yen due in part to foreign exchange losses at subsidiaries. Profit attributable to owners of parent increased by 7.3% compared with the previous term to 2,468 million yen due to a decrease of income taxes – deferred and the negative effect of recording an impairment loss for goodwill associated with consolidated subsidiaries in the previous term.

The exchange rates for major currencies during the consolidated fiscal year under review (average rate during the period from January 2015 to December 2015 because the fiscal year of the Company’s foreign consolidated subsidiaries is from January to December) were 121.06 yen to the U.S. dollar (105.85 yen for the previous term) and 134.36 yen to the euro (140.44 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, 2015 (After adjustment)		Fiscal year ended December 31, 2015		Changes (After adjustment)	Changes in composition ratio (%) (After adjustment)	Year-on year change (%) (After adjustment)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Printers	20,422	45.5	19,631	43.5	(791)	(2.0)	96.1
Plotters	1,313	2.9	1,399	3.1	86	0.2	106.6
3D products	3,721	8.3	3,693	8.2	(27)	(0.1)	99.3
Supplies	13,756	30.7	14,365	31.8	609	1.1	104.4
Others	5,653	12.6	6,031	13.4	378	0.8	106.7
Total	44,867	100.0	45,121	100.0	254	-	100.6

[Printers]

In response to the maturing of the sign markets in developed countries, we are working on maintaining and expanding market share by proposing high value-added products and providing high-quality services and support in order to improve customer satisfaction. For emerging economies, where growth is expected, we are focusing on market expansion through aggressive sales and marketing activities. Furthermore, we are working on expanding

into new markets through UV printers that can print onto a wide range of materials, and textile printers specializing in printing onto textiles.

During the fiscal year under review, while low-price models increased their sales, sales growth was stagnant in professional printers, which had previously served as a pillar for sales, due to the effect of shifting market needs from high-price professional models to mid- and low-price standard models in the mainstay sign market. Additionally, price discount campaigns to maintain and expand market share had the effect of causing sales to decline. However, in October 2015, we introduced the new product SOLJET EJ-640, which satisfies high productivity and low operation cost, as well as exclusive ink EJ INK to realize new solutions to improve users' business competitiveness.

Meanwhile, for UV printers, small UV printers showed solid performance in retail markets for use in creating original products such as smartphone cases and novelty items by printing pictures and illustrations on them. Large UV printers, enabling printing directly on thick materials, increased sales mainly due to use in advertising and sign production.

Furthermore, the low-price model RT series, specializing in production of sports uniforms and original clothing, was introduced in the textile market. Additionally, the professional model XT-640, realizing high productivity, was introduced in the market in November 2015.

As a result, printer sales reached 19,631 million yen, or 96.1% of the previous term.

[Plotters]

The new product GS-24 went on sale in January 2015 showed favorable performance, leading plotter sales to 1,399 million yen, or 106.6% of the previous term.

[3D products]

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

During the fiscal year under review, sales of 3D milling machines showed steady sales in MONO-Zukuri, or the manufacturing market, promoting the use of 3D data. The DWX series dental milling machines targeting the dental market increased sales in Europe and China despite demand in Japan reaching full cycle in the previous term. We made steady progress in maintaining and expanding our sales network and in the creation of a structure allowing us to propose total solutions for manufacturing processes for dental remedies such as fillings and crowns, leading to strong sales worldwide. Furthermore, two new models, our first wet milling machine DXW-4W and the core successor model DWX-51D, were released in September 2015, leading to the steady results. Care and services tailored to each individual, including dental care, are required in the healthcare field, and it is a field in which we can exert our unique strengths in digital technologies and manufacturing know-how. Moving forward, we will position this field as a growth market, aggressively investing management resources to aim for further business expansion.

As a result, 3D sales reached 3,693 million yen, or 99.3% of the previous term.

[Supplies]

Ink sales increased in line with printer sales. Net sales of supplies were 14,365 million yen, 104.4% of the previous term.

[Others]

Maintenance services, service parts, and other sales were 6,031 million yen, or 106.7% of the previous term, due to factors such as an increase in service contracts and service parts to accompany a higher number of printer and dental milling machine installations.

Sales by region are as follows.

Net sales by region

(Millions of Yen)

Region	Fiscal year ended March 31, 2015 (After adjustment)		Fiscal year ended December 31, 2015		Changes (After adjustment)	Changes in composition ratio (%) (After adjustment)	Year-on year change (%) (After adjustment)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Japan	3,608	8.0	3,706	8.2	98	0.2	102.7
North America	12,351	27.5	13,491	29.9	1,140	2.4	109.2
Europe	16,616	37.0	16,415	36.4	(200)	(0.6)	98.8
Asia	4,195	9.4	3,715	8.2	(479)	(1.2)	88.6
Others	8,095	18.1	7,791	17.3	(303)	(0.8)	96.2
Total	44,867	100.0	45,121	100.0	254	-	100.6

[Japan]

In printers, sales of low-price printers for the sign market were moderate as well as favorable performance from small UV printers offered for original product production and printers for use in textiles. Meanwhile, in 3D products, sales of the dental milling machines DWX series, which was a factor in favorable sales in the previous term, decreased as capital investment demand from dental research facilities attributable to health insurance coverage began for dental fillings and crowns produced using digital data reached full cycle.

As a result, sales in Japan were 3,706 million yen, or 102.7% of sales in the previous term.

[North America]

Sales in the U.S. were solid due to a recovery trend, but sales in Canada decreased.

In printers, although sales were lower for professional models and the mainstay VS-i series, sales in low-price models for the sign market were solid. In UV printers, sales of large UV printers, enabling printing directly on thick materials, grew. In 3D products, sales of dental milling machines stayed unchanged from the previous year.

Under the effects of these factors and the weaker yen against the dollar, net sales in North America were 13,491 million yen, or 109.2% of the previous term.

[Europe]

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

In printers, performance of the mainstay VS-i series and products at reasonable prices were solid. Furthermore, textile printers were introduced in use of original clothing printing. In 3D products, the DWX series dental milling machines, through strengthening sales and marketing activities, increased sales, centered on new products.

Under the effects of these factors and a stronger yen against the euro, net sales in Europe were 16,415 million yen, or 98.8% of the previous term.

[Asia]

In China, although sales of UV printers and 3D products including dental milling machines expanded, sales of printers in the sign market were low due to the effect of inventory adjustment by local distributors, resulting in significantly lower sales compared with the previous term. In South Korea, although sales of dental milling machines expanded, sales of printers centered on professional models decreased. In India, sales of printers were favorable, exceeding sales in the previous term.

As a result, sales in Asia were 3,715 million yen, or 88.6% of the previous term.

[Other Regions]

In Brazil, sales of printers for the sign market stayed low against a backdrop of a deteriorating economic environment, resulting in lower sales compared with the previous term. In Middle East areas, sales increased owing to stronger cooperation with local distributors and the development of new sales networks.

Under the effects of these factors and the stronger yen against the Brazilian real, net sales in other regions were 7,791 million yen, or 96.2% of the previous term.

Forecast for the Fiscal year ending December 31, 2016

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

Under these conditions, as for the next term's business performance, we predict increased sales through our active efforts to cultivate and deepen new digital printing markets and dental (dental medicine) markets, along with our activities in the sign market centered on new products. Meanwhile, regarding profit, since a stronger yen compared to the previous fiscal year is estimated for the exchange rate assumptions used in the financial results forecast, profit is forecast to decrease.

Together with these, we have recently established a five-year medium-term business plan, starting from the fiscal year ending December 31, 2016. For details, see “Medium-Term Business Plan (FY2016 to FY2020)” published separately on February 12, 2016.

(Millions of Yen)

	Fiscal year ended December 31, 2015 (After adjustment)	Fiscal year ending March 31, 2016	Rate of change (After adjustment) (%)
Net sales	47,025	48,700	103.6%
Operating income	5,371	4,600	85.6%
Ordinary income	4,955	4,400	88.8%
Profit attributable to owners of parent	3,358	3,000	89.3%

Estimated exchange rates of major currencies for the fiscal year ending December 31, 2016

1USD=115yen, 1EUR=125yen

(2) Analysis of Financial Position

Summary of Consolidated Statement of Cash Flows

(Millions of Yen)

	Fiscal year ended March 31, 2015	Fiscal year ended December 31, 2015	Changes
Net cash provided by (used in) operating activities	5,467	3,543	(1,924)
Net cash provided by (used in) investing activities	(523)	(1,282)	(758)
Net cash provided by (used in) financing activities	(5,407)	(2,270)	3,137
Effect of exchange rate on cash and cash equivalents	159	(391)	(550)
Cash and cash equivalents at beginning of period	(303)	(400)	(96)
Cash and cash equivalents at end of period	10,409	10,009	(400)

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

Net cash provided by operating activities for the fiscal year under review was 3,543 million yen, a decrease of 1,924 million yen from the previous fiscal year. Main positive factors for the cash flows include an increase in notes and accounts payable – trade and an increase in other current liabilities such as accounts payable – other. Main negative factors include lower income before income taxes, an increase in inventories and the recording of impairment loss for goodwill associated with consolidated subsidiaries in Brazil and Denmark in the previous term.

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

Net cash used in investing activities for the fiscal year under review was 1,282 million yen, an increase in outflow of 758 million yen from the previous fiscal year's outflow of 523 million yen. While the purchase of property, plant and equipment decreased, the purchase of shares of subsidiaries and associates and the absence of proceeds from withdrawal of time deposits which were present in the previous fiscal year, resulted in higher outflow.

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

Net cash used in financing activities in the fiscal year under review was 2,270 million yen, a decrease of 3,137 million yen from an outflow of 5,407 million yen in the previous fiscal year. During the previous fiscal year, an outflow of 12,128 million yen was recorded due to the purchase of treasury stock while an inflow of 7,200 million yen was recorded due to proceeds from long-term loans payable for the purchase of treasury shares mainly associated with the tender offer. During the fiscal year under review, despite of an outflow resulting from repayments of long-term loans payable, outflow significantly decreased as a whole.

(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 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 20% of consolidated profits, and incorporating that into the future of our business development.

As for dividends in the current term, we met our goal at the start of the term, and term end dividends will be 30 yen, which makes the annual payout 60 yen, although the fiscal year was an irregular accounting period of nine months due to a change in our fiscal year.

In terms of dividends for the following term, we will aim for a dividend payout ratio of 30% by reviewing policies and returning profits based on performance, while also taking into account the future of our business development.

In terms of dividends in the following term, both interim and year-end payouts are expected to be 30 yen per share based on the above basic policy.

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. 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

Our group has continued to grow by creating high value-added markets globally based on color & 3D digital control technology. Currently, we are working on creating new markets in response to the maturing of mainstay markets. In addition, we will reform our solutions while responding to structural changes of the digital network society aggressively, and reform the business structure for sustainable growth.

1) Response to Maturing of Mainstay Markets

The mainstay sign markets in developed countries are maturing in line with the widespread use of inkjet printers. Through creation of business opportunities with customers via development of various other usages and the strengthening of solution proposals, we will focus on maximizing customer value, while also leveraging our global sales network to create customer bases in emerging countries with the intent of creating profitable and continuous business models.

2) Commercialization of Growth Fields

Aiming to achieve sustainable growth, we are promoting business diversification from the business structure centered on the sign market into creation and nurturing of new unique fields. Redefining the business areas as “Imaging & Healthcare,” we will further create high added values in growth fields such as digital printing, dental and 3D MONO-Zukuri fields that allow us to leverage our digital technology and aim at prompt commercialization.

3) Response to Changes of Markets and Customer Needs

Considering value creation and market creation as the core of growth, flexibility to market changes including diversification of customer needs is critical. Based on our group-wide corporate structure “GlobalOne,” which enables speedy responses to changes, we will aggressively invest in our core technology innovation, and realize sustainable growth by looking to ICT (Information Communication Technology) and addressing group-wide solution reform that positions everything that generates customer values as “services.”

4) Strengthening R&D and Production Structure

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

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

In production and procurement, we aim to improve cost competitiveness and production lead times through our two bases at the domestic plant and the Thai plant, at the same time strengthen our capabilities to respond to changes in demand for the realization of further optimization.

5) 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.

6) 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

7) Enhancing Corporate Governance and Strengthening Internal Control

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

Furthermore, “Japan’s Corporate Governance Code” has been applied to companies listed on the Tokyo Stock Exchange from June 2015. Through understanding the purpose and spirit of this code fully and enhancing corporate governance, we will strive for sustainable growth and increase of the corporate value over the medium to long term.

3. Basic Policy on Selection of Accounting Standards

The Group applies Japanese Accounting Standards.

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

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of Yen)

	As of March 31, 2015	As of December 31, 2015
Assets		
Current assets		
Cash and deposits	10,414,504	9,995,232
Notes and accounts receivable - trade	4,932,575	4,427,744
Merchandise and finished goods	6,305,961	6,600,707
Work in process	104,918	91,737
Raw materials and supplies	2,767,448	2,727,720
Deferred tax assets	1,379,680	1,631,226
Other	1,638,827	1,695,092
Allowance for doubtful accounts	(56,950)	(26,846)
Total current assets	27,486,964	27,142,613
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,894,988	6,937,776
Accumulated depreciation	(3,627,528)	(3,871,027)
Buildings and structures, net	3,267,459	3,066,749
Machinery, equipment and vehicles	1,053,073	1,010,189
Accumulated depreciation	(590,378)	(651,950)
Machinery, equipment and vehicles, net	462,694	358,238
Tools, furniture and fixtures	3,256,121	3,213,349
Accumulated depreciation	(2,602,790)	(2,615,611)
Tools, furniture and fixtures, net	653,331	597,737
Land	3,151,782	3,118,628
Construction in progress	10,508	98,735
Total property, plant and equipment	7,545,776	7,240,089
Intangible assets		
Goodwill	864,613	574,971
Software	1,198,085	1,185,715
Telephone subscription right	8,309	7,983
Total intangible assets	2,071,007	1,768,670
Investments and other assets		
Investment securities	24,677	267,173
Deferred tax assets	263,138	605,893
Other	819,122	1,112,437
Allowance for doubtful accounts	(17,717)	(156,715)
Total investments and other assets	1,089,220	1,828,789
Total non-current assets	10,706,005	10,837,549
Total assets	38,192,970	37,980,162

(Thousands of Yen)

	As of March 31, 2015	As of December 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,615,587	2,135,476
Short-term loans payable	340,380	—
Current portion of long-term loans payable	1,440,000	1,440,000
Income taxes payable	1,062,829	633,476
Provision for bonuses	663,264	674,450
Provision for directors' bonuses	90,000	70,618
Provision for product warranties	519,759	541,736
Other	3,149,821	3,184,471
Total current liabilities	8,881,642	8,680,229
Non-current liabilities		
Long-term loans payable	5,400,000	4,320,000
Provision for employee stock ownership plan trust	29,393	62,635
Provision for management board incentive plan trust	72,083	151,583
Net defined benefit liability	467,123	487,406
Long-term accounts payable - other	140,842	119,093
Other	1,127,909	1,248,619
Total non-current liabilities	7,237,352	6,389,339
Total liabilities	16,118,994	15,069,568
Net assets		
Shareholders' equity		
Capital stock	3,668,700	3,668,700
Capital surplus	3,867,372	3,867,377
Retained earnings	14,561,729	16,167,288
Treasury shares	(635,105)	(635,105)
Total shareholders' equity	21,462,696	23,068,260
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,481	3,513
Foreign currency translation adjustment	779,036	9,700
Remeasurements of defined benefit plans	(172,297)	(170,911)
Total accumulated other comprehensive income	611,220	(157,697)
Non-controlling interests	58	30
Total net assets	22,073,975	22,910,593
Total liabilities and net assets	38,192,970	37,980,162

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

(Thousands of Yen)

	For the fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)	For the fiscal year ended December 31, 2015 (From April 1, 2015 to December 31, 2015)
Net sales	46,770,015	45,121,937
Cost of sales	23,841,221	25,912,540
Gross profit	22,928,794	19,209,396
Selling, general and administrative expenses		
Transportation and warehousing expenses	914,202	1,017,102
Advertising and promotion expenses	1,317,617	1,211,527
Provision of allowance for doubtful accounts	3,952	5,185
Provision for product warranties	284,285	109,439
Salaries and bonuses	7,235,527	7,140,891
Provision for bonuses	400,381	360,679
Provision for directors' bonuses	90,000	70,643
Provision for employee stock ownership plan trust	21,695	23,852
Provision for management board incentive plan trust	70,823	78,305
Retirement benefit expenses	286,664	305,224
Traveling and transportation expenses	798,664	729,686
Depreciation	808,007	731,774
Commission fee	1,868,467	1,365,543
Other	2,250,164	2,002,057
Total selling, general and administrative expenses	16,350,454	15,151,914
Operating income	6,578,339	4,057,482
Non-operating income		
Interest income	35,173	19,571
Dividend income	576	575
Gain on valuation of investments in money held in trust	18,327	—
Foreign exchange gains	26,062	—
Subsidy income	—	24,747
Other	99,026	31,618
Total non-operating income	179,166	76,512
Non-operating expenses		
Interest expenses	59,342	89,914
Sales discounts	199,624	184,809
Commission for purchase of treasury shares	82,683	—
Foreign exchange losses	—	185,419
Other	17,229	27,062
Total non-operating expenses	358,879	487,205
Ordinary income	6,398,626	3,646,789
Extraordinary income		
Gain on sales of non-current assets	14,012	7,438
Gain on liquidation of subsidiaries and associates	13,330	—
Total extraordinary income	27,343	7,438
Extraordinary losses		
Loss on sales and retirement of non-current assets	10,951	164,279
Impairment loss	989,000	—
Total extraordinary losses	999,951	164,279
Income before income taxes	5,426,017	3,489,948
Income taxes - current	2,294,401	1,639,174
Income taxes - deferred	(58,678)	(617,725)
Total income taxes	2,235,722	1,021,448
Profit	3,190,295	2,468,499
Profit (loss) attributable to non-controlling interests	4	(9)
Profit attributable to owners of parent	3,190,290	2,468,509

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	For the fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)	For the fiscal year ended December 31, 2015 (From April 1, 2015 to December 31, 2015)
Profit	3,190,295	2,468,499
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,877)	(967)
Foreign currency translation adjustment	584,469	(769,336)
Remeasurements of defined benefit plans, net of tax	(171,798)	1,386
Total other comprehensive income	410,793	(768,917)
Comprehensive income	3,601,088	1,699,581
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,601,077	1,699,591
Comprehensive income attributable to non-controlling interests	11	(9)

(3) Consolidated Statements of Changes in Net Assets

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

(Thousands of Yen)

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

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	6,358	194,573	(499)	200,433	47	30,676,656
Changes of items during period						
Dividends of surplus						(783,176)
Profit attributable to owners of parent						3,190,290
Purchase of treasury shares						(11,420,593)
Retirement of treasury shares						—
Disposal of treasury shares						625,482
Treasury stock possession of stock ownership plan trust						(625,482)
Net changes of items other than shareholders' equity	(1,877)	584,462	(171,798)	410,787	11	410,798
Total changes of items during period	(1,877)	584,462	(171,798)	410,787	11	(8,602,681)
Balance at end of current period	4,481	779,036	(172,297)	611,220	58	22,073,975

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

(Thousands of Yen)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,668,700	3,867,372	14,561,729	(635,105)	21,462,696
Changes of items during period					
Dividends of surplus			(862,950)		(862,950)
Profit attributable to owners of parent			2,468,509		2,468,509
Change in equity of parent on transactions with non-controlling interests		5			5
Net changes of items other than shareholders' equity					
Total changes of items during period	—	5	1,605,558	—	1,605,564
Balance at end of current period	3,668,700	3,867,377	16,167,288	(635,105)	23,068,260

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	4,481	779,036	(172,297)	611,220	58	22,073,975
Changes of items during period						
Dividends of surplus						(862,950)
Profit attributable to owners of parent						2,468,509
Change in equity of parent on transactions with non-controlling interests						5
Net changes of items other than shareholders' equity	(967)	(769,336)	1,386	(768,917)	(27)	(768,945)
Total changes of items during period	(967)	(769,336)	1,386	(768,917)	(27)	836,618
Balance at end of current period	3,513	9,700	(170,911)	(157,697)	30	22,910,593

(4) Consolidated Statements of Cash Flows

(Thousands of Yen)

	For the fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)	For the fiscal year ended December 31, 2015 (From April 1, 2015 to December 31, 2015)
Cash flows from operating activities		
Income before income taxes	5,426,017	3,489,948
Depreciation	1,019,801	929,201
Impairment loss	989,000	—
Amortization of goodwill	339,430	209,805
Increase (decrease) in allowance for doubtful accounts	1,771	114,861
Increase (decrease) in provision for bonuses	(56,234)	14,134
Increase (decrease) in provision for directors' bonuses	(10,000)	(19,356)
Increase (decrease) in provision for product warranties	169,895	38,108
Increase (decrease) in provision for employee stock ownership plan trust	29,393	33,242
Increase (decrease) in provision for management board incentive plan trust	72,083	79,578
Increase (decrease) in net defined benefit liability	(24,687)	22,308
Interest and dividend income	(35,749)	(20,146)
Interest expenses	59,342	89,914
Loss (gain) on sales and retirement of intangible assets	—	155,226
Loss (gain) on sales of property, plant and equipment	(3,061)	1,614
Loss (gain) on liquidation of subsidiaries and associates	(13,330)	—
Decrease (increase) in notes and accounts receivable - trade	373,909	165,265
Decrease (increase) in inventories	(274,868)	(862,800)
Decrease (increase) in other current assets	(268,483)	(91,223)
Decrease (increase) in other non-current assets	57,464	(333,651)
Increase (decrease) in notes and accounts payable - trade	181,244	1,306,571
Increase (decrease) in other current liabilities	(399,724)	319,557
Increase (decrease) in other non-current liabilities	226,553	128,642
Other, net	124,021	23,158
Subtotal	7,983,792	5,793,960
Interest and dividend income received	36,725	22,722
Interest expenses paid	(54,098)	(88,739)
Income taxes paid	(2,498,938)	(2,184,802)
Net cash provided by (used in) operating activities	5,467,479	3,543,140
Cash flows from investing activities		
Payments into time deposits	(23,166)	(636)
Proceeds from withdrawal of time deposits	850,550	—
Purchase of property, plant and equipment	(950,859)	(489,321)
Proceeds from sales of property, plant and equipment	44,468	25,077
Purchase of intangible assets	(494,438)	(572,753)
Purchase of investment securities	(959)	(719)
Purchase of shares of subsidiaries and associates	—	(243,460)
Proceeds from decrease in investment in capital of subsidiaries and affiliates	37,187	—
Proceeds from liquidation of affiliates	13,793	—
Other, net	158	(450)
Net cash provided by (used in) investing activities	(523,265)	(1,282,264)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	42,380	(329,220)
Proceeds from long-term loans payable	7,200,000	—
Repayments of long-term loans payable	(360,000)	(1,080,000)
Purchase of treasury shares	(12,128,759)	—
Proceeds from disposal of treasury shares	625,482	—
Cash dividends paid	(782,855)	(858,889)
Other, net	(3,824)	(2,183)

Net cash provided by (used in) financing activities	(5,407,577)	(2,270,292)
Effect of exchange rate change on cash and cash equivalents	159,515	(391,201)
Net increase (decrease) in cash and cash equivalents	(303,848)	(400,618)
Cash and cash equivalents at beginning of period	10,713,540	10,409,692
Cash and cash equivalents at end of period	10,409,692	10,009,074