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# ANNUAL REPORT 2015/12

Year ended December 31, 2015

# Imagine. Roland

Imagine the moment your ideas take shape, brimming over with originality.  
Art, science, business, lifestyle – developments in all these areas begin with imagination.  
We at Roland DG understand the thrill of imagination,  
and realize the satisfaction and enjoyment of turning images and ideas into realities.  
The word “Imagine” and Roland DG go hand in hand.  
By providing new solutions via cutting-edge digital technology,  
we make it possible for our customers around the world to “transform imagination into reality.”

Vision

**Transforming your imagination into reality**

Slogans

**Inspire the Enjoyment of Creativity**  
**Be the BEST rather than the BIGGEST**  
**The Roland Family – Cooperative Enthusiasm**

## History

Roland DG (Digital Group) was founded in Osaka, Japan in 1981 as a subsidiary of Roland Corporation, a world-leading electronic musical instrument manufacturer. The early 1980s saw the rapid rise of digital technology including personal computers, and people of all nations marveled at the possibilities they held. Realizing the importance of computers to modern society, the Company decided to take advantage of the digital technology they had developed through the production of electronic musical instruments and apply it to computer peripherals in order to cultivate a new market, thus forming Roland DG.

The Company first developed the CMU-800 computer music system which allowed the user to compose and automatically perform music using a personal computer, and also the DXY-100 pen plotter, which was initially developed to output musical scores for the music created using the CMU-800 by moving a pen horizontally (X axis) and vertically (Y axis) across the surface of a piece of paper. In the 1980s, business grew rapidly as the market for pen plotters expanded to manufacturing design and development departments, and to construction offices for architectural schematics. During this time, the Company began exploring other product offerings. Replacing the pen with a blade enabled Roland to begin development of vinyl cutting machines. The Company also replaced the pen with an end mill and added height (Z axis) to develop 3D milling machines and engraving machines.

The 1990s marked a period when the Company changed its flagship product to vinyl cutting machines and shifted its focus to the sign and display markets. Realizing the importance of color signs, the Company developed and introduced its first thermal transfer color printer/cutter in 1995. Currently the Company continues to focus on its color business with its wide-format inkjet printer/cutters, which have secured more than 40 percent of the world market share in durable graphics, as well as its 3D business, including 3D milling machines, a 3D printer and several engraving machines.

In 1999, the Company received ISO9001 certification, and in 2000 was granted ISO14001 certification. Also in 2002, the Company was listed on the First Section of the Tokyo Stock Exchange.



CMU-800 (1981)  
Computer Music System



DXY-100 (1981)  
Pen Plotter



PNC-3000 (1986)  
3D Milling Machine



PNC-2000 (1987)  
Engraving Machine



PNC-1000 (1988)  
Vinyl Cutting Machine



PNC-5000 (1995)  
Thermal Transfer  
Color Printer/Cutter



CJ-70 (1997)  
Wide-Format Inkjet Printer/Cutter

## Forward-looking information

All statements on this report that are not based on historical fact, including performance forecasts, plans, and strategies, constitute forward-looking statements regarding future performance. These statements were prepared by Roland DG management using information available at the time and based on certain assumptions, and as such, are subject to risk and uncertainties. As actual performance may differ widely from these forecasts, we ask that you do not base your investment decisions solely on these performance forecasts.

## Color Business

Our color business specializes in the production of wide-format industrial inkjet printers and integrated printer/cutters used across the sign and display industry to produce outdoor and indoor signage, including billboards, banners, posters, vehicle graphics and more. Our lineup of printers includes machines equipped with several unique types of ink that provide outdoor signage with special resistance against the weather. Also included are models that utilize the eye-catching, vibrant colors of aqueous ink, dye sublimation ink for printing on textiles, and UV ink (released in 2008), which is cured using a UV-LED lamp.

### Wide-format inkjet printers

Wide-format inkjet printers are very different from home desktop models. The largest wide-format inkjets, which can span up to 74 inches or more in width, print on diverse types of media, including vinyl rolls, and use eco-solvent inks that are highly resistant to water and ultraviolet rays. The Company also produces affordable standard and compact printers for high-resolution, high-speed printing applications. Compared to larger, professional models for high-volume signage creators, standard models are perfect for small business owners and sales departments seeking to create store promotions, custom T-shirts and more. Both professional and standard model machines incorporate integrated Print & Cut functionality that allows unattended printing and contour cutting with a single device. Additionally, in 2014, the Company introduced dyesublimation transfer printer for exclusive use in textile printing.

### UV-LED inkjet printers

Equipped with ink that is cured using a UV-LED lamp, UV-LED printers are defined by their ability to print on very diverse materials. Ranging from 12 inches up to 64 inches in printing width, the Company's UV printers support printing on a wide variety of flexible roll media, rigid substrates, synthetic leather, textiles and even 3D objects. These machines open up a new world of possibilities for all users within the printing market. UV-LED printers have already used to provide custom printing services for smartphone cases and accessories, including e-commerce sites as well as kiosks located within shopping centers, where they provide on-site printing of photographs taken by customers onto various blank goods to create a new shopping experience for their customer. There is no limit to where UV printing will expand in the future.

## 3D Business

The Company's 3D business focuses on the utilization of 3D data from CAD/CAM software to control machines that raise the overall efficiency of "Monozukuri," or "creating things." The main lineup of products includes 3D milling and engraving machines equipped with drill bits that use this data to carve out shapes and designs. Recently, we introduced our first 3D printer. These products all share the same merits: they are compact, easy to use and affordable. Riding the key trends of digital technology—including high-variety, low-volume, personalization, and on-demand production—the Company continues to expand its markets from industries to individuals.

### 3D Milling Machines

3D milling machines are used for product prototyping in design departments and short-run production. In recent years, the Company has started to enter a variety of new markets, offering dental milling machines that create high-quality prosthetics that allow anyone to transform their imagination into reality. Currently, the company has focused on health care sector where is applying its 3D know-how.

### 3D Printer

Our 3D printer's layered projection system uses resin material which hardens into a semi-transparent object when exposed to UV light. Complex parts which previously required multi-axis milling, such as hollow or requiring undercuts, can now be built quickly and easily.



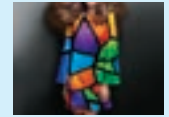
Wide-Format Inkjet Printers



Billboards



Banners



Fashion Apparel



Vehicle Wrap



Sticker & Decals



Sports Apparel



UV-LED Inkjet Printers



Packaging Prototypes



Custom Goods



Smartphone Case mosaic



Embossing



Pouch



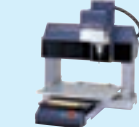
Instrument



3D Milling Machines



3D Printer



3D Milling Machines



Dental Milling Machines



Photo Impact Printers



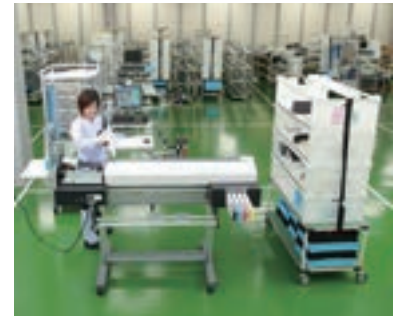
Engraving Machines



### Digital Cell Production System (D-Shop)

The Company's products are built using a unique production system called Digital Cell Production System, or D-Shop. With D-Shop, products are assembled using a one-man/one-machine cell production system. Instead of an assembly line where multiple workers each contribute parts, each worker builds a full unit from start to finish on their own. A computer monitor displays a 3D graphic manual and an apparatus automatically rotates and delivers the specific parts needed for each stage of assembly. The manual guides the worker step-by-step as they use the required tools to assemble the product. The guide and apparatus are set up so that the worker never receives incorrect parts or tools for the job at hand. To further ensure product quality, the entire process is carefully monitored. Digital technology is used to enhance the worker's memory and attentiveness, ensuring the highest levels of quality and productivity.

A single D-Shop can perform all the functions necessary to produce any of the Company's products. The system's key strengths lie in its flexibility and the ability to handle any changes that may be required. D-Shop is also employed at the Thailand factory, which began operation in 2012, enabling that facility to achieve a level of quality equal to that of the Japan factory.



D-Shop



3D Graphic Manual



Automatic Rotating Parts Rack



Cordless Electric Screwdrivers

### Worldwide Operations

Through a network of sales subsidiaries and dealers, the Company's products and services now reach 200 countries and regions around the world. Marketing and sales activities tailored to local culture and customs are headed up by a team of regional staff members to ensure a proper fit for the market and its customers.

Representatives from overseas sales subsidiaries regularly gather to create global marketing strategies and share best practices from their respective regions. This cooperation has built a corporate structure that

produces the best solutions for delivering greater added value worldwide. Since 2012, the company's "GlobalOne" corporate structural reform has formed the basis for a direct connection of international sales and marketing efforts with Monozukuri. This has allowed product development to become better in tune with the market.

In addition, expanding production, procurement, and product development duties to the Thailand factory has furthered the development of products to meet more diverse customer needs.

### Customer Support System

Because Roland DG makes a diverse array of professional-use products, we provide extensive service and support throughout the customer's business cycle to ensure the continued health of the client's

business. This includes connecting people to their imaginations, unleashing new creative possibilities, and making sure issues like product failure never interrupt a customer's business activity.

#### Creative Center



Roland DG Creative Centers are the Company's communication space for delivering the latest information to our customers. These Centers, which display many different application samples created by Roland customers using our products, help spark users' imaginations and inspire new creative possibilities.



#### Academy



At Roland DG Academy, the Company provides the necessary training and seminars to help fully unlock the potential of our products and related software. An environment is created where all users—beginners and professionals alike—can realize the best performance and results from their machines.



#### Care



The Roland DG Care program ensures that the Company's products continue to operate as promised for as long as possible. With features such as post-installation maintenance and troubleshooting, as well as software and firmware updates and empty ink cartridge collection, Roland DG Care exists as a comprehensive service and support system finely-tuned to our customers' needs.





## Why we must shift our present business model for sustainable growth.

May 2016 marks 35 years since the founding of Roland DG. Our company was born the year the world's first personal computer went on sale. We were there for the advent of digital technology and computing when attention was quickly drawn to the great possibilities these exciting new tools could bring. At Roland DG, we believed that digital technology could be used to reform all industries by digitalizing manual work processes, and we turned that conviction into several of the world's first products to drive automation. Through expansion of our distribution overseas, we were then able to develop our global business so that we now deliver products and services to over 200 countries and regions worldwide.

Now, in recent years, we are experiencing the rise of the Internet of Things (IoT) and Artificial Intelligence (AI), what many are calling the 4th Industrial Revolution. We are rising to the challenge this transformation presents by working toward a new era where people, things and data are all connected via network. As we cultivate markets utilizing new digital technology, we find ourselves back at the time of our founding — a time when developing sustainable growth through new business creation and a shift of our business model was necessary to survive. We are in a new era that demands continuous innovation.

We must move forward on this path with a new medium-term business plan, willing to break free of the old ways, and reform our management system in order to reinvigorate our business. To lead us in this task, we have appointed a new President, Hidenori Fujioka.

I will now take the role of Chairman in order to help support the smooth management of our company. President Fujioka has achieved a wealth of experience and knowhow to draw from in his previous managerial roles and he possesses the strength to reignite innovation throughout the company.

I encourage you to join with him and our team of talented employees worldwide as we charge forward, aiming for ever greater heights of accomplishment for Roland DG. I look forward to your continued support.

March 2016

*Chairman*

Masahiro Tomioka



## On the importance of maintaining our established values while building a corporate culture fueled by new challenges.



My name is Hidenori Fujioka. On March 24, 2016, the baton was passed to me by Representative Director, Chairman Tomioka and I accepted the role of Representative Director, President of Roland DG.

First, let me provide a brief overview of my work history. My previous job involved generating new business opportunities from printer and inkjet head research as well as global business development. After joining the Roland DG in April 2014, I worked mainly in the R&D Division on the development of diverse core technologies and reforming our product development processes. In addition to working on initiatives to strengthen product development, I also helped establish policy for the new medium-term business plan beginning in fiscal 2016.

Roland DG's key strengths are threefold: our flexibility in dealing with technological evolution and market needs, our creativity in carving out new markets, and our originality in product development. We began selling musical instrument kits, but by utilizing our core X-Y-Z axis control technology, we developed some of the world's first two- and three-dimension digital devices. As we responded to the evolution of digital technology and changing market needs, we shifted our core product to pen plotters, cutting machines and inkjet printers. We could not have achieved this without our commitment to a corporate culture of innovation.

Now, markets in developed countries that once fueled our main growth have reached maturation, and the time has come for us to cultivate emerging countries and establish new businesses there. As we go forward, we must continue to cherish Roland DG values and culture as established by Representative Director, Chairman Tomioka while we draw upon the energy to lead the industry in product and business development and create a corporate culture fueled by new challenges.

To our shareholders, I say that all of us at Roland DG are ready and willing to do the work necessary to not only meet, but to exceed your expectations of us. We look forward to your continued guidance and support.

March 2016

*President*  
Hidenori Fujioka

A handwritten signature in black ink, reading "H. Fujioka".

Fujioka (63) was born in Akita prefecture on October 5, 1951. He graduated from Aoyama Gakuin University College of Science and Engineering in March of 1976. After working at Marantz Japan, he joined Daini Seikosha (now Seiko Instruments) in 1983 where he developed that company's first solutions-based business while serving as head of new business development and, in 1998, he was appointed Representative Director, President of subsidiary SII Data Service. He was appointed Representative Director, President of SII Printek in 2008. He joined Riso Kagaku Corporation in 2008 as Executive Director. He joined Roland DG in April of 2014 and was appointed Executive Director in June. There, Fujioka was responsible for research and digital printing business development along with corporate planning. He was appointed Representative Director, President in March of 2016.

## Medium-Term Business Plan (FY 2016 to FY2020)

As of FY2016, the Roland DG Group has embarked upon a new 5-year medium-term business plan. In the following interview, we learned the outline and policies of the plan from our new president, Fujioka.

### Basic Policy of the Medium-Term Business Plan

## GrowthOne: Sustainable growth through innovation

**Q First, could you give us an overview of the previous medium-term business plan (fiscal 2013-2015)?**

**A** The previous medium-term business plan had the objective of building a new management foundation. To achieve this, we enacted "GlobalOne" structural reform, which entailed bridging the gap between monozukuri and sales functions and creating a singular group that could more flexibly respond to changes in the business environment. In the Sales and Marketing Division, we shifted to regional-based management, dividing our worldwide network into "Europe, Middle East and Africa, Asia-Pacific, and Americas," in order to better coordinate global sales strategies and respond more efficiently to regional needs. In our R&D Division, we evolved our technological structure to diversify value creation. In the Manufacturing Division, we initiated global production from our newly-established factory in Thailand.

In addition, we have been working on creating new business areas and developing new applications for our UV-LED printers. Sales of our dental milling machines, commercialized for use in the health sector, have also seen positive sales growth.

Looking at consolidated sales figures for the final year (FY2015) of the previous medium-term business plan, we see that sales for wide-format inkjet printers—particularly high-cost models—in the signage industry began a downward trend, but sales of printers in new printing markets along with milling machines in the dental health sector were strong. This, in addition to a positive effect from currency exchange rates, allowed us to maintain performance equal to the previous term. Operating income was down due to increases in materials and R&D expenses, as well as increased SG&A expenses stemming from a higher cost ratio. Ordinary income was down due to differences in currency exchange between consolidated subsidiaries. Meanwhile, profit attributable to ownership by the parent firm increased due to goodwill impairment related to a consolidated subsidiary.

During the previous medium-term business plan, we completed our "GlobalOne" structural reform, sought out new business opportunities, and established our goal of building a "foundation for new growth." We were unable, however, to achieve our quantitative targets for consolidated sales and operating income. With these factors in mind, we created the new medium-term business plan and are now working to realize sustainable growth.

### Consolidated Financial Results for FY2015

(Millions of Yen)

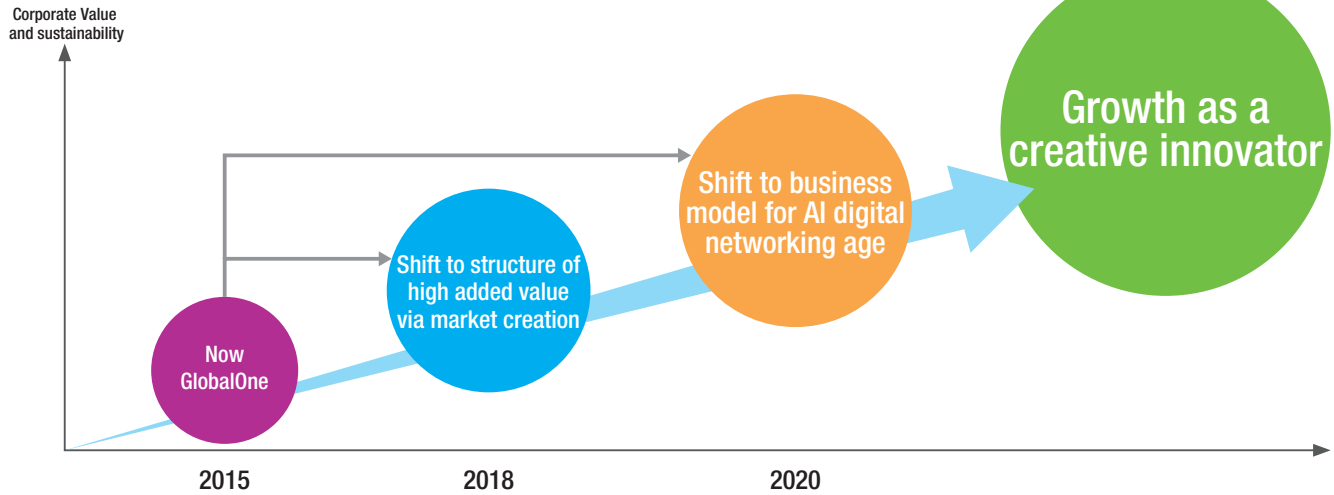
	FY 2014* (ended March 30, 2015) (adjusted)	FY 2015 (ended December 31, 2015)	YoY change (%) (adjusted)
Net Sales	44,867	45,122	100.6%
Operating income	5,304	4,057	76.5%
Ordinary income	5,090	3,647	71.6%
Profit attributable to owners of parent	2,301	2,469	107.3%

**Note:** The Company has changed its fiscal year-end date from March 31 to December 31 starting from the fiscal year. As a result, for the three months ended June 30, 2015, which serves as a transitional period, the period for consolidation will be the three-month period from April to June for the Company, and for subsidiaries with a fiscal year-end in December, the six-month period from January to June. Percentages shown above (rate of change after adjustment) are rates of change comparing the previous fiscal year's three-month results of the Company (April 1, 2014 to June 30, 2014) and the six-month results of subsidiaries (January 1, 2014 to June 30, 2014) with the financial results for the fiscal year ending December 31, 2015.

Basic policy

## GrowthOne: Sustainable growth through innovation

### Roadmap to sustainable growth



**What are the key issues being tackled in the new medium-term business plan (fiscal 2016-2020)?**



We have always planned to achieve growth by responding to the evolution of digital technology and changes in societal needs by regularly offering new products and delivering new solutions. We believe there are opportunities present in recent developments regarding the Internet of Things (IoT) and Artificial Intelligence (AI). In the new medium-term business plan, we build upon the foundation for sustainable growth created by GlobalOne to enter a new phase of innovation called "GrowthOne".

Our objectives are threefold:

- Accelerate new business development in growing markets
- Transform into a solutions provider
- Transform into an innovation-focused group

Our objectives are to commercialize new areas of business by 2018, to transform our business model into a solutions provider that meets the changes of the era by 2020, and then to achieve sustainable growth through innovation and responding flexibly to market changes.



**Can you tell us more about how you plan to “Accelerate new business development in growing markets?”**



Our future business direction is shifting from "Color & 3D" to areas where we can better utilize our digital technology in "Imaging and Healthcare". "Imaging" is about furthering the expression of colors and shapes through process innovation, while, in "Healthcare", we are positioning ourselves as leaders using digital technology to provide increased patient comfort and satisfaction. While we tackle industry changes and materials technology, we hope to create new and original markets. Then, we are strategically refocusing group resources to accelerate business development in areas like Multi-use Printing, Retail, Textile, Signage, 3D Monozukuri and Dental.

#### Digital Printing for Multiple Uses:

For Multi-use printing, we have a lineup of UV printers for high-resolution printing on diverse materials such as plastic and wood, and we are continuing to push the development of printing applications worldwide for industrial goods. Furthermore, we are working to adapt our products and ink technology with the goal of achieving cutting-edge digital printing solutions for an even greater variety of materials and shapes. We are going to expand the possibilities of digital printing.



**Retail:**

Retailers must deal with an overabundance of competition, so the key to success is having a product that stands out and will drive customers to the store as opposed to shopping online.

Our company is using its desktop-sized products and application development strength to propose new in-store shops that deliver on-demand custom accessorizing with creative customer experiences. We are currently building an original business model around this concept.

**Textile:**

During the previous medium-term business plan, we sold sublimation printers for textile decoration, and by pushing application development, created new demand for fashion and sports apparel. Going forward, we will build on-demand fashion solutions with market needs in mind. Also, we aim to propose technology for new digital processes that meet the needs of the high-variety, small-lot textile industry.

**Signage:**

Our strongest market is flooded with inkjet printer installations and has fully matured. Now, we will use the experience and brand strength we built in developed markets to bring optimal solutions for each new emerging market while we reallocate our human resources to streamline the business and raise profitability.

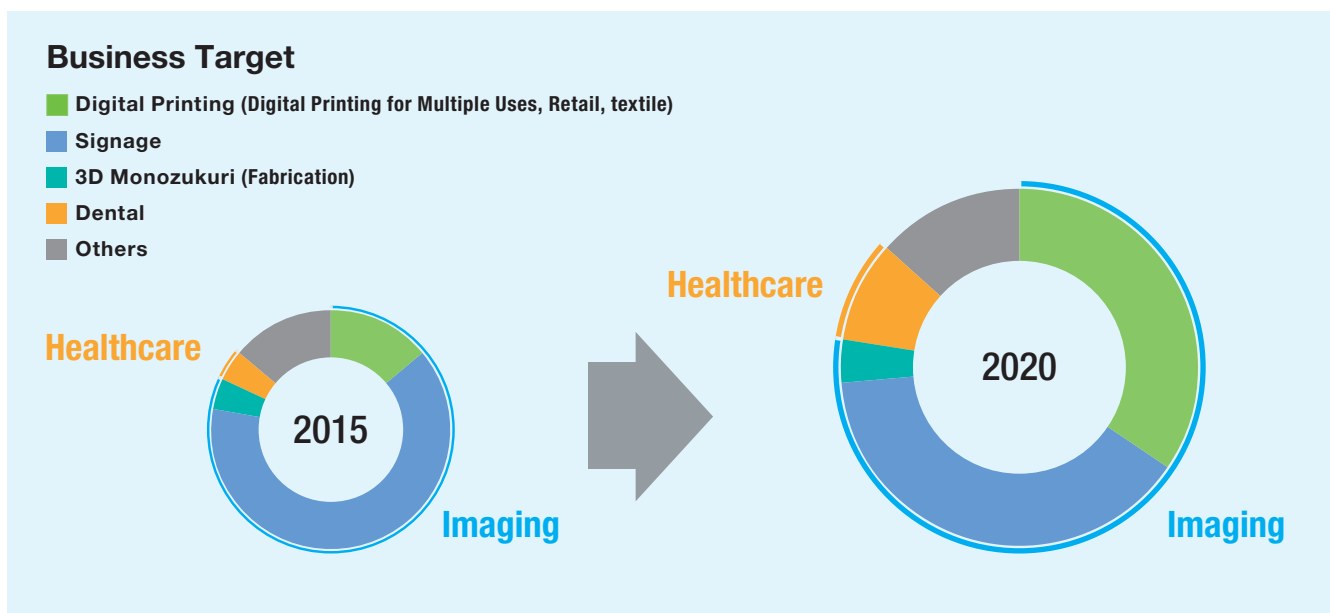
**3D Monozukuri (Fabrication)**

For the past 30 years, our company has utilized 3D data to promote "3D Monozukuri." Now, we have entered an age where "digital natives"\* are becoming creators. With the emergence of 3D printers and new materials, we expect a reinvigoration of the market. FabLab and the Maker movement represent this new surge in 3D fabrication, and we are working to support them by developing optimal tools for "digital monozukuri." One of our engineering strengths is our technologies for both subtractive and additive processing, and there will be many new opportunities to utilize these capabilities to revolutionize 3D fabrication technology going forward.

\*Students born in the digital age who are considered "native speakers."

**Dental:**

In Dental, we are leveraging our strength in 3D fabrication technology and building open systems to advance original new digital solutions in regenerative and on-demand medicine. We built a lineup of machines to exploit the evolution of dental materials. Going forward, we plan to advance our business beyond dental labs to reach dental clinics.



### Q What do you mean by “Transform into a solutions provider?”

**A** With the globalization of markets, maturation of technology and shortening lifespan of products, retail prices drop faster, while the dynamic of customer needs in the market shifts to become personalized and highly specific. The source of added value has moved from the product to the customer. Now, we aim to go beyond simply providing product by adding value through providing services. We intended to reform our business model for a new digital networking era by continuing aggressive investments in core technology reform, employing our core strengths of customer support systems including Roland DG Creative Center, Roland DG Academy, and Roland DG Care, while working as a single organization to deliver “all customer value” as a “service” to the customer.

### Q And thirdly, how will you “Transform into an innovation-focused group?”

**A** As we have stated, the new medium-term business plan includes many new challenges. As part of the new medium-term business plan, all employees are challenged to innovate which will transform us into an innovation-focused group that is flexible to change. Through this company-wide endeavor, we hope to strengthen our foundation for sustainable growth as we move forward to build a uniquely successful company.

### Q What quantitative goals have you set for the new medium-term business plan?

**A** Once the important initiatives are fully underway, we will begin creating high added value in the market while building a multi-pillared business. Our goal by 2020 is to see 76 billion yen in consolidated sales, 10 billion yen in consolidated operating income, and an ROE of 15%.

## Quantitative Goals

	Results		Medium-Term Plan	
	FY 2015* (ending December 31, 2015)		FY 2016 (ending December 31, 2016)	FY 2020 (ending December 31, 2020)
<b>Sales</b> (¥ billion)	<b>45.1</b>	<b>(47.0)</b>	<b>48.7</b>	<b>76.0</b>
<b>Operating income</b> (¥ billion)	<b>4.0</b>	<b>(5.3)</b>	<b>4.6</b>	<b>10.0</b>
<b>Operating income ratio</b>	<b>9%</b>	<b>(11%)</b>	<b>9%</b>	<b>13%</b>
<b>ROE</b>	<b>11%</b>	<b>(14%)</b>	<b>12%</b>	<b>15%</b>
<b>1 US dollar</b>	<b>¥121</b>		<b>¥115 (est.)</b>	
<b>1 euro</b>	<b>¥134</b>		<b>¥125 (est.)</b>	

\*For fiscal 2015, non-consolidated is the 9-month period from April to December, while the consolidated calculation period has shifted to the 12-month period from January to December. Figures recalculated for 12 months are shown in brackets for reference.



**Q** What do you have in mind for shareholder returns?

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**A** We place a high priority on returning a portion of our profits to our shareholders by paying out cash dividends based on a target dividend payout ratio of 30% of consolidated net income.

**Q** Lastly, what would you like to say to your shareholders and investors?

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**A** Through the GlobalOne structural reform launched in 2013, we have been able to tie manufacturing with sales and marketing to create an organization that promotes business development using technological seeds to meet market needs. We have clearly identified promising areas for new business and assembled the global talent necessary to bring those businesses to fruition. In the new medium-term business plan, we will use the successes of our structural reform to their fullest as a platform to drive smooth business operations, reform global management, and realize sustainable growth as a company optimized for the new era. We look forward to your continued support and guidance as we move forward together.

# Service Engineers Compete for Title of World Champion

Roland DG hosted the Global SE Awards 2015 competition from October 20 to 22, at its Hamamatsu, Japan headquarters, for service engineers (SEs) engaged in the repair and maintenance of Roland DG products. The overall goal of the event, which takes place every two years, is to recognize SE abilities both regionally and globally and motivate them to raise the standard of Roland DG Care even further. Through two days of intense competition, contestants were also able to enhance their skills by sharing their expertise with SEs from other regions. By using the additional knowledge and skills obtained at the competition, it is expected that contest participants will contribute greatly to the further improvement of Roland DG Care service quality as leaders in their respective regions.

The scope of the second worldwide competition was expanded to include emerging nations and regions. The 2015 finals competition featured 21 finalists chosen from 440 certified SEs competing in regional contests held all over the world. They competed for the title of World Champion in three challenges, including practical and written exams, to demonstrate their superior abilities as service engineers.

Crowned Champion of the Second Global SE Awards was Terry Carpenter representing authorized Roland DG reseller, Far From Normal in the US. "The competition was a great experience personally and has also generated a lot of interest from both new and existing customers," said Carpenter. "One new customer recently chose Far From Normal and Roland DG after reading about the competition during his research. As he put it, he considers customer support as a primary factor when investing in new equipment."

Following its beginning in 1981, Roland DG established a comprehensive customer services and support capability now called Roland DG Care to ensure that its products continue to perform well for many years, thereby increasing customers' peace of mind and ensuring the smooth operation of their businesses. In order to provide high-quality service for customers in more than 200 countries and regions worldwide, Roland DG offers a rigorous training and certification program for its service engineers.

"In order to help SEs to improve further their abilities by learning from each other," said Takaaki Koshita, general manager of Roland DG technical services, "we are strengthening an online system to provide leaning materials and to share information and promote cooperation in real time with all Roland DG SEs around the world." Koshita concluded, "By combining the Global SE Awards competition and online systems, we hope to build customer service and support systems that are the best in the world."



The 21 finalists from around the world who participated in the global competition qualified by winning regional competitions.



UAE



China



South Africa



Balkans

The regional competitions were held from February to August 2015 in 15 locations around the world, including emerging nations and regions.



During the print head replacement exam, other SEs were provided opportunities for observation and learning by opening the tests for viewing, which encouraged the sharing of skills and individual know-how.





## Global SE Awards 2015



Printer troubleshooting consisted of restoring broken printers to their normal, operational state.



The written exam consisted of eight questions covering the comprehensive knowledge required to provide excellent customer service.



Terry Carpenter (left) gave the winning performance to take home first prize. Dan Huggins (right), President of Far From Normal said, "We are proud of Terry and his dedication to customer service. His passion for technical support together with the exceptional Roland DG product line has enabled Far From Normal to develop a trusted, professional reputation in the industry."



At the awarding ceremony, Roland DG Chairman and President Masahiro Tomioka praised the fine efforts of all who participated. "To provide optimum solutions to our customers, it is essential that SEs provide the finest on-site services around the world to ensure that Roland DG products deliver the outstanding quality they are designed for."



Alexandre Gerald from Brazil (left) took second place. "I had to perform under pressure," he said, "but it was also good, because in real life, we have a very important role when working on the customer's machine. For them, it's not just a machine, it's a dream of their success." Peter De Bont from Belgium (right) finished in third place. "There were things I learned during the competition which will help me in the future to solve problems easier and faster," he said.



**Topics** Notice Concerning Change in Other Affiliated Companies

The Company verified a Change Report in a Large Shareholding Report submitted by Roland Corporation dated August 17, 2015, which stated that the percentage of voting rights held by Roland Corporation in the Company have decreased from 24.76% to 18.96%. As a result, Roland Corporation is no longer classified under Other Affiliated Companies.

Roland Corporation remains the biggest shareholder among the major shareholders of the Company.

**Number of voting rights and percentage of voting rights held by Roland Corporation before and after the change**

	Classification	Number of voting rights (Percentage of voting rights held)		
		Direct ownership	Combined amount	Total
Before change (As of March 31, 2015)	Other Affiliated Companies	<b>35,600 units</b> (3,560,000 shares) (24.76%)	- units (- shares) (- %)	<b>35,600 units</b> (3,560,000 shares) (24.76%)
After change	Major shareholder	<b>27,267 units</b> (2,726,700 shares) (18.96%)	- units (- shares) (- %)	<b>27,267 units</b> (2,726,700 shares) (18.96%)

(Note 1) The number and percentage of voting rights held by all shareholders before the change and after the change were calculated based on the list of shareholders as of March 31, 2015.

(Note 2) Number of shares without voting rights excluded from total number of issued shares: 6,511 shares Total number of issued shares: 14,385,511 shares

(Note 3) Percentages of voting rights held have been rounded to three decimal places.



**DWX-4W/DWX-51D  
Dental Mills**

We are proud to present the DWX-4W, Roland DG's first wet milling machine, and the DWX-51D, our newest dry milling machine. These products join the DWX series of dental prosthetic processing devices and are born from our 3D product design concepts of "desktop size," "user friendliness," and "affordability." The DWX-4W employs wet milling technology, which uses water to eliminate excess heat during operation, making it the optimal choice for precision processing of glass ceramics. The DWX-51D is the follow-up to the 5-axis DWX-50, praised by dental labs worldwide, and has been designed with even greater processing accuracy and usability in mind. Our company now offers users a unique DRY&WET solution: combining machines that specialize in both dry and wet milling allows for improved work efficiency and the flexibility to meet the demand for new materials.



**SOLJET EJ-640  
Wide-Format Eco-Solvent Printer**

The SOLJET EJ-640 is an eco-solvent inkjet printer for professionals producing large-scale outdoor signage. With the spread of wide format inkjet printers, demand in the signage market has risen for low-cost production within a short deadline. Newly-developed EJ INK maintains the same level of printing quality while cutting ink costs by 45% compared with other inks. This allows users to significantly cut running costs and increase earning potential. At the same time, we have improved both image quality and printing speed by achieving greater stability in the print heads and media delivery system. The EJ-640 strengthens the user's competitive edge with its high productivity and low-cost performance.



**Texart XT-640  
Wide-Format Sublimation Printer**

The Texart XT-640 is a sublimation inkjet printer that specializes in printing to textiles. The body has been revised to support print heads that deliver the high productivity and precision printing required for the creation of fashion and sports apparel. The Texart printer together with Texart ink are ideal for producing high-variety, small-lot production with vibrant colors and fine detail. The XT-640 with Texart ink has also achieved OEKO-TEX Standard 100, product class 1 certification in recognition of its safety for printing clothing to be worn against the skin. With the XT-640, Roland DG aims to accelerate business development in the textile market.



# Financial Highlights

## Roland DG Corporation and Consolidated Subsidiaries

Years Ended December 31

Note: The Company has changed its fiscal year-end date from March 31 to December 31 starting from the fiscal year.

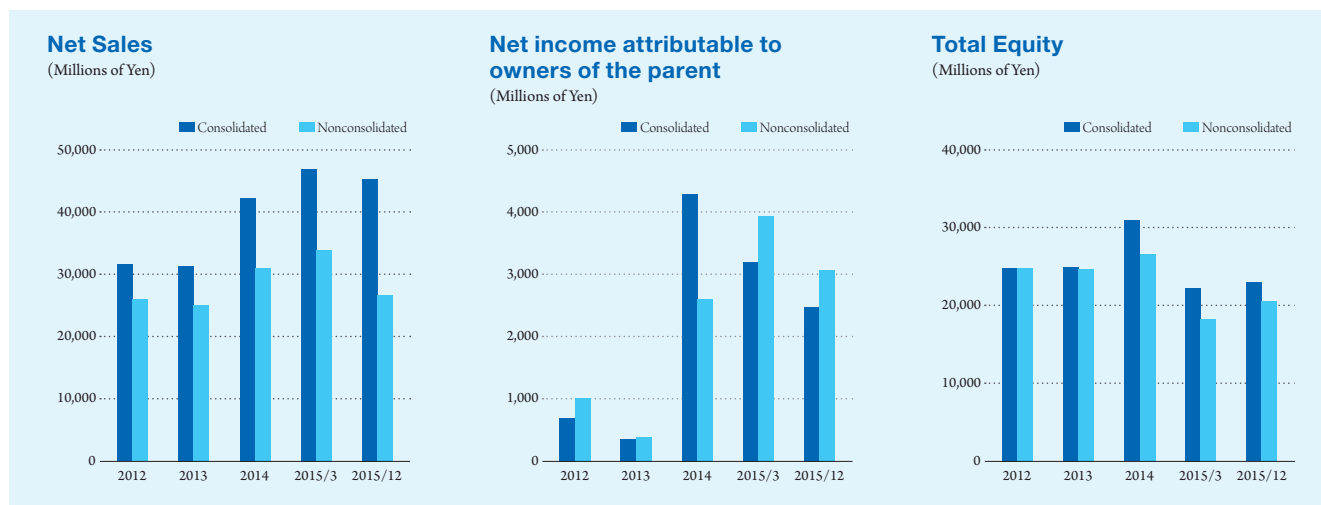
### Consolidated

	Millions of Yen					Thousands of U.S. Dollars
	2015/12	2015/3	2014	2013	2012	2015/12
<b>Operating Results</b>						
Net sales	¥ 45,122	¥ 46,770	¥ 42,142	¥ 31,264	¥ 31,379	\$ 372,909
Operating income	4,057	6,578	6,111	1,424	1,450	33,533
Net income attributable to owners of the parent	2,469	3,190	4,265	356	688	20,401
Net cash provided by (used in) operating activities	3,543	5,467	6,354	1,806	(514)	29,282
<b>Financial Position</b>						
Total equity	22,911	22,074	30,677	24,861	24,780	189,344
Total assets	37,980	38,193	38,926	31,628	29,336	313,886
<b>Per Share Data</b>						
Net income attributable to owners of the parent	¥ 173.36	¥ 210.87	¥ 239.64	¥ 20.03	¥ 38.63	\$ 1.43
Equity	1,608.94	1,550.19	1,723.45	1,396.73	1,347.88	13.29
Cash dividends applicable to the year	60.00	60.00	40.00	30.00	30.00	0.50

### Nonconsolidated

	Millions of Yen					Thousands of U.S. Dollars
	2015/12	2015/3	2014	2013	2012	2015/12
<b>Operating Results</b>						
Net sales	¥ 26,743	¥ 33,818	¥ 30,937	¥ 24,932	¥ 25,900	\$ 221,013
Operating income	4,105	5,241	4,136	1,111	1,251	33,922
Net income	3,070	3,926	2,602	386	1,021	25,371
<b>Financial Position</b>						
Total equity	20,462	18,256	26,536	24,559	24,701	169,107
Total assets	32,480	31,017	32,750	30,118	29,077	268,433
<b>Per Share Data</b>						
Net income	¥ 215.59	¥ 259.46	¥ 146.19	¥ 21.71	¥ 57.37	\$ 1.78
Equity	1,436.99	1,282.07	1,490.84	1,379.74	1,387.71	11.86

Note: The U.S. dollar amounts have been translated, for convenience only, at the rate of ¥121 to U.S.\$1, the approximate rate of exchange at December 31, 2015.



# Operating and Financial Review

The Company has changed its fiscal year-end date from March 31 to December 31 starting from the fiscal year. 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. 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 ending December 31, 2015.

## Sales by product

### Printers

**19,632** Million Yen

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 E INK to realize new solutions to improve users' business competitiveness.

Meanwhile, for UV-LED printers, small UV-LED 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-LED 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 19,632 million yen, or 96.1% of the previous term.

### Plotters

**1,399** Million Yen

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

**3,693** Million Yen

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

**14,365** Million Yen

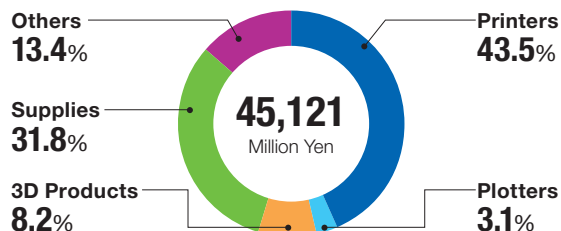
Ink sales increased in line with printer sales. Net sales of supplies were 14,365 million yen, 104.4% of the previous term.

### Others

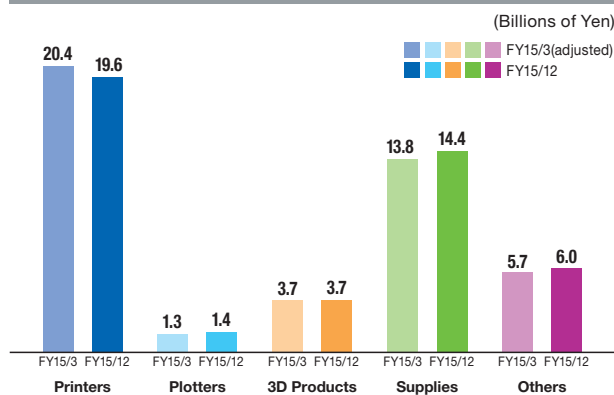
**6,031** Million Yen

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.

#### Composition of Sales



#### Net Sales



## Balance Sheet

Current assets recorded an increase of 300 million yen in merchandise and finished products, and deferred tax assets increased by 200 million yen. However, cash and time deposits decreased by 400 million yen and notes and accounts receivable-trade decreased by 500 million yen. Noncurrent assets saw an increase of 300 million yen in deferred tax assets and a decrease of 300 million yen in goodwill due to amortization.

Current liabilities saw an increase of 500 million yen in notes and accounts payable-trade, however, short-term bank loans decreased 300 million yen and income taxes payable decreased 400 million yen. Long-term liabilities recorded a decrease of 1,100 million yen in long-term debt due to the repayment.

For equity, retained earnings increased by 1,600 million yen, reflecting the operating performance of the fiscal year under review, and foreign currency translation adjustments included in accumulated other comprehensive income decreased by 700 million yen.

## Results of Operations

### Net Sales

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.

### Operating Income

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.

The Company has changed its fiscal year-end date from March 31 to December 31 starting from the fiscal year. 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. 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, 2014) and the twelve-month results of subsidiaries (January 1, 2014 to December 31, 2014) with the financial results of the fiscal year ending December 31, 2015.

## Sales by region

### Japan

**3,707** Million Yen

In printers, sales of low-price printers for the sign market were moderate as well as favorable performance from small UV-LED 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 3,707 million yen, or 102.7% of sales in the previous term.

### North America

**13,492** Million Yen

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-LED printers, sales of large UV-LED 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 13,492 million yen, or 109.2% of the previous term.

### Europe

**16,416** Million Yen

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 16,416 million yen, or 98.8% of the previous term.

### Asia

**3,716** Million Yen

In China, although sales of UV-LED 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 3,716 million yen, or 88.6% of the previous term.

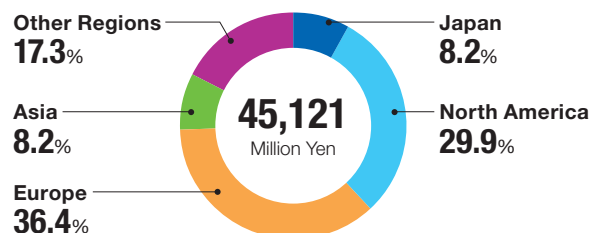
### Other Regions

**7,792** Million Yen

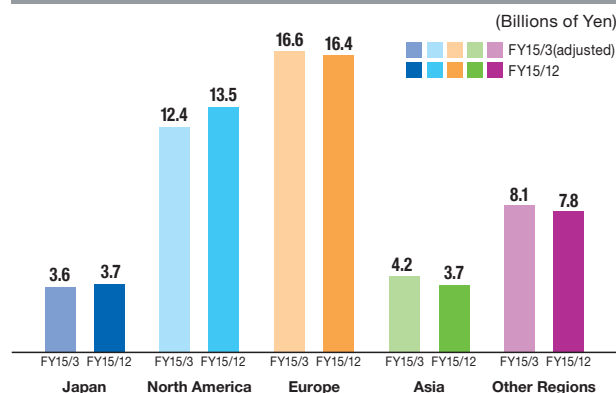
In Brazil, sales of printers for the sign market stayed low against a backdrop of a deteriorating economic environment, resulting in lower sales compared with the previous term. In Middle East areas, sales increased owing to stronger cooperation with local distributors and the development of new sales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

Under the effects of these factors and the stronger yen against the Brazilian real, net sales in other regions were 7,792 million yen, or 96.2% of the previous term.

Composition of Sales



Net Sales



### Profit attributable to owners of parent

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.

## Cash Flows

### Net cash provided by (used in) operating activities

Key positive factors included increases in notes and accounts payable-trade and other current liabilities such as accounts payable-other. Negative factors consisted of a decrease in income before income taxes and noncontrolling interests, an increase in inventories, and the recording of impairment loss on goodwill related to the subsidiaries in Brazil and Denmark during the previous fiscal year. As a result, net cash provided by operating activities decreased 1,900 million yen year over year.

### Net cash provided by (used in) investing activities

While cash outflows for the purchases of property, plant, and equipment decreased, cash outflows were recorded for purchase of investments in unconsolidated subsidiaries, and due to a cash inflow from proceeds from withdrawal of time deposits during the previous fiscal year, cash outflows in the fiscal year under review increased by 700 million yen.

### Net cash provided by (used in) financing activities

During the previous fiscal year, a cash inflow of 7,200 million yen was recorded due to proceeds from long-term debt with the intent of repurchase of treasury stock, while there was a cash outflow of 12,100 million yen for the repurchase of treasury stock. While there were cash outflows during the fiscal year under review for repayments of long-term debt, the amount of cash outflows decreased by 3,100 million yen overall compared to the previous fiscal year.

## Consolidated Balance Sheet

Roland DG Corporation and Consolidated Subsidiaries  
December 31, 2015

### ASSETS

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2015	March 31, 2015	December 31, 2015
<b>CURRENT ASSETS:</b>			
Cash and time deposits (Notes 4, 6, and 15)	¥ 9,995,232	¥ 10,414,505	\$ 82,605
Notes and accounts receivable (Note 15):			
Trade notes	30,857	22,181	255
Trade accounts	4,396,887	4,910,393	36,338
Allowance for doubtful receivables	(26,847)	(56,950)	(222)
Inventories (Note 5)	9,420,166	9,178,328	77,853
Deferred tax assets (Note 12)	1,631,227	1,379,681	13,481
Prepaid expenses and other	1,695,092	1,638,827	14,009
<b>Total current assets</b>	<b>27,142,614</b>	<b>27,486,965</b>	<b>224,319</b>
<b>PROPERTY, PLANT, AND EQUIPMENT (Note 20):</b>			
Land	3,118,628	3,151,783	25,774
Buildings and structures	6,937,777	6,894,988	57,337
Machinery and equipment	1,010,189	1,053,073	8,349
Tools, furniture, and fixtures	3,213,350	3,256,122	26,557
Construction in progress	98,736	10,508	816
<b>Total property, plant, and equipment</b>	<b>14,378,680</b>	<b>14,366,474</b>	<b>118,833</b>
Accumulated depreciation	(7,138,590)	(6,820,698)	(58,997)
<b>Net property, plant, and equipment</b>	<b>7,240,090</b>	<b>7,545,776</b>	<b>59,836</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Note 15)	23,714	24,678	196
Investments in unconsolidated subsidiaries and associated companies (Note 15)	243,460	—	2,012
Goodwill (Note 7)	574,971	864,613	4,752
Software	1,185,715	1,198,085	9,799
Deferred tax assets (Note 12)	605,894	263,139	5,007
Deferred compensation assets	475,542	409,640	3,930
Other assets	488,163	400,074	4,035
<b>Total investments and other assets</b>	<b>3,597,459</b>	<b>3,160,229</b>	<b>29,731</b>
<b>TOTAL</b>	<b>¥ 37,980,163</b>	<b>¥ 38,192,970</b>	<b>\$ 313,886</b>

See notes to consolidated financial statements.



## LIABILITIES AND EQUITY

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2015	March 31, 2015	December 31, 2015
<b>CURRENT LIABILITIES:</b>			
Accounts payable (Note 15)			
Trade	¥ 2,135,477	¥ 1,615,587	\$ 17,649
Other	1,414,280	1,272,200	11,688
Short-term bank loans (Notes 8 and 15)	—	340,380	—
Current portion of long-term debt (Notes 8 and 15)	1,440,000	1,440,000	11,901
Income taxes payable (Notes 12 and 15)	633,476	1,062,829	5,235
Accrued expenses	759,548	795,919	6,277
Accrued bonuses	675,069	663,265	5,579
Accrued bonuses to directors and audit and supervisory board members	70,000	90,000	579
Accrued warranties	541,736	519,760	4,477
Other	1,010,644	1,081,702	8,352
<b>Total current liabilities</b>	<b>8,680,230</b>	<b>8,881,642</b>	<b>71,737</b>
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt (Notes 8 and 15)	4,320,000	5,400,000	35,703
Provision for employee stock ownership plan (Note 10)	62,636	29,393	518
Provision for management stock ownership plan (Note 10)	151,584	72,084	1,253
Liability for retirement benefits (Note 9)	487,407	467,124	4,028
Long-term payables	119,093	140,842	984
Other	1,248,619	1,127,909	10,319
<b>Total long-term liabilities</b>	<b>6,389,339</b>	<b>7,237,352</b>	<b>52,805</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b> (Notes 14, 15, 16, and 17)			
<b>EQUITY</b> (Notes 11, 19 and 21):			
Common stock,			
authorized, 71,200,000 shares as of December 31, 2015 and March 31, 2015;			
issued, 14,385,511 shares as of December 31, 2015 and March 31, 2015	3,668,700	3,668,700	30,320
Capital surplus	3,867,377	3,867,372	31,962
Retained earnings	16,167,289	14,561,730	133,614
Treasury stock – at cost			
146,000 shares as of December 31, 2015 and March 31, 2015	(635,105)	(635,105)	(5,249)
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities	3,514	4,482	29
Foreign currency translation adjustments	9,700	779,036	80
Defined retirement benefit plans	(170,912)	(172,298)	(1,412)
<b>Total</b>	<b>22,910,563</b>	<b>22,073,917</b>	<b>189,344</b>
Noncontrolling interests	31	59	0
<b>Total equity</b>	<b>22,910,594</b>	<b>22,073,976</b>	<b>189,344</b>
<b>TOTAL</b>	<b>¥ 37,980,163</b>	<b>¥ 38,192,970</b>	<b>\$ 313,886</b>

## Consolidated Statement of Income

Roland DG Corporation and Consolidated Subsidiaries

Year Ended December 31, 2015

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2015	March 31, 2015	December 31, 2015
<b>NET SALES</b> (Note 20)	¥ 45,121,937	¥ 46,770,015	\$ 372,909
<b>COST OF SALES</b> (Note 13)	25,912,540	23,841,221	214,154
Gross profit	19,209,397	22,928,794	158,755
<b>SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES</b>	15,151,914	16,350,455	125,222
Operating income	4,057,483	6,578,339	33,533
<b>OTHER INCOME (EXPENSES):</b>			
Interest and dividend income	20,147	35,749	167
Interest expense	(89,914)	(59,342)	(743)
Gain on money held in trust	—	18,328	—
(Loss) gain on disposals or sales of property, plant, and equipment, software and intangible assets	(156,841)	3,062	(1,296)
Foreign exchange (losses) gains	(185,420)	26,062	(1,532)
Sales discount charges	(184,809)	(199,624)	(1,527)
Treasury stock purchase fees	—	(82,684)	—
Impairment loss	—	(989,001)	—
Gain on liquidation of associated companies	—	13,331	—
Subsidy income	24,747	—	204
Other - net	4,555	81,798	37
Other expenses – net	(567,535)	(1,152,321)	(4,690)
<b>INCOME BEFORE INCOME TAXES AND NONCONTROLLING INTERESTS</b>	3,489,948	5,426,018	28,843
<b>INCOME TAXES</b> (Note 12):			
Current	1,639,174	2,294,401	13,547
Deferred	(617,726)	(58,678)	(5,105)
Total income taxes	1,021,448	2,235,723	8,442
<b>NET INCOME</b>	2,468,500	3,190,295	20,401
<b>NET (LOSS) INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	(10)	4	(0)
<b>NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	¥ 2,468,510	¥ 3,190,291	\$ 20,401
		Yen	U.S. Dollars
<b>PER SHARE OF COMMON STOCK</b> (Notes 3. u and 19):			
Net income attributable to owners of the parent	¥ 173.36	¥ 210.87	\$ 1.43
Cash dividends	60.00	60.00	0.50

See notes to consolidated financial statements.

## Consolidated Statement of Comprehensive Income

Roland DG Corporation and Consolidated Subsidiaries

Year Ended December 31, 2015

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2015	March 31, 2015	December 31, 2015
<b>NET INCOME</b>	¥ 2,468,500	¥ 3,190,295	\$ 20,401
<b>OTHER COMPREHENSIVE INCOME</b> (Note 18):			
Unrealized losses on available-for-sale securities	(968)	(1,877)	(8)
Foreign currency translation adjustments	(769,336)	584,469	(6,358)
Defined retirement benefit plans	1,386	(171,799)	11
Total other comprehensive income	(768,918)	410,793	(6,355)
<b>COMPREHENSIVE INCOME</b>	¥ 1,699,582	¥ 3,601,088	\$ 14,046
<b>TOTAL COMPREHENSIVE INCOME</b>			
<b>ATTRIBUTABLE TO:</b>			
Owners of the parent	¥ 1,699,592	¥ 3,601,077	\$ 14,046
Noncontrolling interests	(10)	11	(0)

See notes to consolidated financial statements.

## Consolidated Statement of Changes in Equity

Roland DG Corporation and Consolidated Subsidiaries

Year Ended December 31, 2015

	Thousands of Yen										
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Noncontrolling Interests	Total Equity
						Unrealized Gains on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
BALANCE, APRIL 1, 2014	17,799,540	¥ 3,668,700	¥ 3,700,604	¥23,107,571	¥ (699)	¥ 6,359	¥ 194,574	¥ (499)	¥30,676,610	¥ 47	¥30,676,657
Net income attributable to owners of the parent				3,190,291					3,190,291		3,190,291
Cash dividends, ¥50 per share				(783,176)					(783,176)		(783,176)
Purchase of treasury stock	(3,560,029)				(11,420,594)				(11,420,594)		(11,420,594)
Retirement of treasury stock				(10,952,956)	10,952,956				—		—
Disposal of treasury stock	143,000		166,768		458,714				625,482		625,482
Transfer to stock ownership trust	(143,000)				(625,482)				(625,482)		(625,482)
Net change in the year						(1,877)	584,462	(171,799)	410,786	12	410,798
BALANCE, MARCH 31, 2015	14,239,511	3,668,700	3,867,372	14,561,730	(635,105)	4,482	779,036	(172,298)	22,073,917	59	22,073,976
Net income attributable to owners of the parent				2,468,510					2,468,510		2,468,510
Cash dividends, ¥60 per share				(862,951)					(862,951)		(862,951)
Change in equity related to transaction with noncontrolling interests			5						5		5
Net change in the year						(968)	(769,336)	1,386	(768,918)	(28)	(768,946)
BALANCE, DECEMBER 31, 2015	14,239,511	¥ 3,668,700	¥ 3,867,377	¥16,167,289	¥ (635,105)	¥ 3,514	¥ 9,700	¥ (170,912)	¥22,910,563	¥ 31	¥22,910,594

	Thousands of U.S. Dollars (Note 1)										
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Noncontrolling Interests	Total Equity	
					Unrealized Gains on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans				
BALANCE, MARCH 31, 2015	\$ 30,320	\$ 31,962	\$ 120,345	\$ (5,249)	\$ 37	\$ 6,438	\$ (1,423)	\$ 182,430	\$ 0	\$ 182,430	
Net income attributable to owners of the parent			20,401					20,401		20,401	
Cash dividends, \$0.50 per share			(7,132)					(7,132)		(7,132)	
Change in equity related to transaction with noncontrolling interests		0						0		0	
Net change in the year					(8)	(6,358)	11	(6,355)	(0)	(6,355)	
BALANCE, DECEMBER 31, 2015	\$ 30,320	\$ 31,962	\$ 133,614	\$ (5,249)	\$ 29	\$ 80	\$ (1,412)	\$ 189,344	\$ 0	\$ 189,344	

See notes to consolidated financial statements.

## Consolidated Statement of Cash Flows

Roland DG Corporation and Consolidated Subsidiaries

Year Ended December 31, 2015

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2015	March 31, 2015	December 31, 2015
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and noncontrolling interests	¥ 3,489,948	¥ 5,426,018	\$ 28,843
Adjustments for:			
Income taxes paid	(2,184,803)	(2,498,939)	(18,056)
Depreciation and amortization	1,139,007	1,359,232	9,413
Impairment loss	—	989,001	—
Provision for allowance for doubtful receivables	114,862	1,772	949
Provision for (reversal of) accrued bonuses	14,779	(56,235)	122
Reversal of accrued bonuses to directors and audit and supervisory board members	(20,000)	(10,000)	(165)
Provision for accrued warranties	38,109	169,895	315
Increase (decrease) in liability for retirement benefits	22,309	(24,687)	184
Provision for employee stock ownership plan	33,242	29,393	275
Provision for management stock ownership plan	79,578	72,084	658
Interest and dividend income	(20,147)	(35,749)	(167)
Interest expense	89,914	59,342	743
Loss (gain) on disposals or sales of property, plant, and equipment	1,615	(3,062)	13
Loss on disposals or sales of software and intangible assets	155,226	—	1,283
Gain on liquidation of associated companies	—	(13,331)	—
Changes in assets and liabilities:			
Decrease in notes and accounts receivable	165,265	373,910	1,366
Increase in inventories	(862,801)	(274,868)	(7,131)
Increase in prepaid expenses and other current assets	(91,223)	(268,483)	(754)
(Increase) decrease in other investments and assets	(333,651)	57,464	(2,757)
Increase in accounts payable	1,306,571	181,245	10,798
Increase (decrease) in other current liabilities	319,557	(399,724)	2,641
Increase in other long-term liabilities	128,642	226,554	1,063
Other – net	(42,858)	106,648	(354)
Total adjustments	53,193	41,462	439
Net cash provided by operating activities	3,543,141	5,467,480	29,282
<b>INVESTING ACTIVITIES:</b>			
Payments into time deposits	(637)	(23,167)	(5)
Proceeds from withdrawal of time deposits	—	850,550	—
Purchases of property, plant, and equipment	(489,322)	(950,860)	(4,044)
Proceeds from sales of property, plant, and equipment	25,078	44,469	207
Purchases of software and other intangible assets	(572,753)	(494,438)	(4,733)
Purchases of investment securities	(720)	(959)	(6)
Purchase of investments in unconsolidated subsidiaries and associated companies	(243,460)	—	(2,012)
Other	(450)	51,139	(4)
Net cash used in investing activities	(1,282,264)	(523,266)	(10,597)
<b>FINANCING ACTIVITIES:</b>			
(Decrease) increase in short-term bank loans – net	(329,220)	42,380	(2,721)
Proceeds from long-term debt	—	7,200,000	—
Repayments of long-term debt	(1,080,000)	(360,000)	(8,926)
Repurchase of treasury stock	—	(12,128,760)	—
Disposal of treasury stock	—	625,482	—
Dividends paid	(858,889)	(782,855)	(7,098)
Other	(2,184)	(3,825)	(18)
Net cash used in financing activities	(2,270,293)	(5,407,578)	(18,763)
<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>	<b>(391,202)</b>	<b>159,515</b>	<b>(3,233)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(400,618)</b>	<b>(303,849)</b>	<b>(3,311)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>10,409,692</b>	<b>10,713,541</b>	<b>86,031</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR (Note 4)</b>	<b>¥ 10,009,074</b>	<b>¥ 10,409,692</b>	<b>\$ 82,720</b>

See notes to consolidated financial statements.



## Notes to Consolidated Financial Statements

Roland DG Corporation and Consolidated Subsidiaries

Year Ended December 31, 2015

### 1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the consolidated financial statements of the year ended March 31, 2015 to conform to the classifications used in the year ended December 31, 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Roland DG Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥121 to \$1, the approximate rate of exchange at December 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### 2. CHANGE IN CONSOLIDATED FISCAL YEAR-END DATE

The Company changed its fiscal year end date and consolidated fiscal year end date from March 31 to December 31, pursuant to the resolution regarding the partial amendments to the Articles of Incorporation at the 34th Ordinary General Meeting of Shareholders held on June 17, 2015. This change is to further enhance management transparency and to promote integrated management of its global business through timely and accurate disclosure of management information by aligning its fiscal year with its overseas consolidated subsidiaries.

Due to this change, the year ended December 31, 2015 is an irregular period that consists of nine months from April 1, 2015 to December 31, 2015 of the Company and 12 months from January 1, 2015 to December 31, 2015 of the consolidated subsidiaries.

Profit and loss for the three months from January 1, 2015 to March 31, 2015 of the consolidated subsidiaries have been adjusted on the consolidated statement of income. Net sales, operating loss, loss before income taxes and noncontrolling interests after eliminating intercompany transactions and unrealized profits resulting from the intercompany transactions for the period were ¥9,072,635 thousand (\$74,980 thousand), ¥136,385 thousand (\$1,127 thousand) and ¥206,442 thousand (\$1,706 thousand), respectively.

The fiscal year-end date of the consolidated subsidiaries is the same as the consolidated fiscal year end date.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Consolidation** — The consolidated financial statements as of December 31, 2015, include the accounts of the Company and its 15 (15 in March 2015) subsidiaries (together, the "Group"), except for subsidiaries which, if consolidated, would not have a material effect on the accompanying consolidated financial statements.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in two unconsolidated companies not accounted for by the equity method are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary or a business at the date of acquisition is accounted for as goodwill and being amortized over a period of 10 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Group are eliminated.

**b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements** — In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes the accounting policies applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; 3) expensing capitalized development costs of research and development (R&D); and 4) cancellation of fair value model of accounting for property, plant, and equipment and investment properties and incorporation of cost model of accounting.

**c. Business Combinations** — In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting of interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interest method of accounting is no longer allowed. (2) The previous accounting standard required R&D costs to be charged to income as incurred. Under the revised standard, in-process R&D costs acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

In September, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

- (a) Transactions with noncontrolling interest - A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the former accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted was accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.
- (b) Presentation of the consolidated balance sheet - In the consolidated balance sheet, "minority interest" under the current accounting standard shall be changed to "noncontrolling interest" under the revised accounting standard.
- (c) Presentation of the consolidated statement of income - In the consolidated statement of income, "income before minority interest" under the current accounting standard shall be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard shall be changed to "net income attributable to owners of the parent" under the revised accounting standard.
- (d) Provisional accounting treatments for a business combination - If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the former accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss was recognized as profit or loss in the year in which the measurement was completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.
- (e) Acquisition-related costs - Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the former accounting standard, the acquirer accounted for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination is effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015.

The Company applied the revised accounting standards and guidance for (a) and (e) above prospectively, and (b) and (c) above, effective April 1, 2015, and (d) above for a business combination which occurs on or after April 1, 2015. The impact of this change is immaterial.

- d. Cash Equivalents** — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, all of which become due within three months of the date of acquisition.
- e. Inventories** — Inventories are stated at the lower of cost, determined by the average method, or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses.
- f. Marketable and Investment Securities** — Marketable and investment securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined by the moving average method. Nonmarketable available-for-sale securities are stated at cost determined by the moving average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.
- g. Property, Plant, and Equipment** — Property, plant, and equipment are stated at cost. Depreciation of property, plant, and equipment of the Company is computed primarily by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired by the Company after April 1, 1998, and all property, plant, and equipment of consolidated foreign subsidiaries. The period of useful lives is principally 31 years for buildings and structures and from two to six years for tools, furniture, and fixtures.
- h. Intangible Assets** — Software to be sold is amortized in proportion to the actual sales volume of the software during the current year to the estimated total sales volume over the estimated salable years of the software. Software for internal use is amortized by the straight-line method over its useful life of five years.
- i. Leases** — In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008. Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheets. In addition, the accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions. The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. All other leases are accounted for as operating leases.
- j. Long-lived Assets** — The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Group reviewed its long-lived assets for impairment for the years ended December 31, 2015 and March 31, 2015. As a result, no impairment loss was recognized for the year ended December 31, 2015, while the Group recognized impairment losses of ¥213,689 thousand for goodwill of Roland DG North Europe A/S and ¥560,988 thousand for the goodwill of Roland DG Brasil Ltd. for the year ended March 31, 2015. The impairment loss was due to the fact that estimated profit at the point of business transfer or purchase was no longer expected, and the carrying amount of the relevant goodwill was written down to the recoverable amount. The recoverable amount of this goodwill was measured by its value in use, computed as the present value of future cash flows of the company.

- k. Retirement and Pension Plans** — The Company has a contributory funded pension plan together with Roland Corporation, the Company's parent company, and consolidated domestic subsidiaries of Roland Corporation, covering substantially all of their employees.

The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period. Past service costs are amortized on a straight-line basis over 10 years within the average remaining service period.

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

*(a) Treatment in the balance sheet*

Under the previous requirements, actuarial gains and losses and prior service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

*(b) Treatment in the statement of income and the statement of comprehensive income*

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

*(c) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases*

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard for (a) and (b) above effective April 1, 2013, and (c) above from April 1, 2014.

With respect to (c) above, the Company changed the method of attributing expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining discount rate from using the period approximate to the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment. There is no impact from this accounting change.

In addition, the Company has a contributory trusted pension plan covering most employees, together with multiemployers, including Roland Corporation and its domestic subsidiaries. The Company funds and records contributions, which consist of normal costs and amortization of prior service costs over 20 years, as charges to income when paid.

Certain consolidated foreign subsidiaries have contributory defined contribution plans, which cover substantially all employees of the subsidiaries. The subsidiaries' contributions are charged to income when paid.

- l. Asset Retirement Obligations** — In March 2008, the ASBJ issued ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations," and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

- m. R&D Costs** — R&D costs are charged to income as incurred.

- n. Accrued Warranties** — A liability for estimated product warranty-related costs is established at the time revenue is recognized. The product liability is established using historical information, including the nature, frequency, and average cost of warranty claims.

- o. Bonuses to Directors and Audit and Supervisory Board Members** — Bonuses to directors and audit and supervisory board members are accrued at the end of the year to which such bonuses are attributable.

- p. Employee and Management Stock Ownership Plans** — In December, 2013, the ASBJ issued PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts." This PITF is effective for the beginning of annual periods beginning on or after April 1, 2014, with earlier application permitted from the beginning of annual periods first ending after the date of issuance of this PITF, and applied retrospectively.

In accordance with the PITF, upon transfer of treasury stock to the employee stockownership trust (the "Trust") by the entity, any difference between the book value and fair value of the treasury stock shall be recorded in capital surplus. At year-end, the entity shall record 1) the entity stock held by the Trust as treasury stock in equity, 2) all other assets and liabilities of the Trust on a line-by-line basis, and 3) a liability/asset for the net of i) any gain or loss on delivery of the stock by the Trust to the employee shareholding association, ii) dividends received from the entity for the stock held by the Trust, and iii) any expenses relating to the Trust.

The Company applied this PITF effective April 1, 2014.

Provision for employee stock ownership plan ("ESOP") and provision for management stock ownership plan are recognized preparing for future stock transfer to employees and managements of the Company.

- q. Income Taxes** — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

- r. Foreign Currency Transactions** — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

- s. Foreign Currency Financial Statements** — The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date, except for equity, which is translated at the historical rate. Differences arising from such translation are shown as “Foreign currency translation adjustments” under accumulated other comprehensive income in a separate component of equity.  
Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rates.
- t. Derivatives** — The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates, principally related to intercompany balances. The Group does not enter into derivatives for trading or speculative purposes.  
All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on the derivative transactions are recognized in the consolidated statement of income.
- u. Per Share Information** — Basic net income per share is computed by dividing net income attributable to owners of the parent available to common stockholders by the weighted-average number of common shares outstanding for the period.  
Diluted net income per share is not presented because there are no securities with dilutive effect upon exercise or conversion into common stock.  
Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.
- v. Use of Estimates** — The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates.
- w. Accounting Changes and Error Corrections** — In December 2009, the ASBJ issued ASBJ Statement No. 24, “Accounting Standard for Accounting Changes and Error Corrections” and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections.” Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.
- x. New Accounting Pronouncements** — On December 28, 2015, the ASBJ issued ASBJ Guidance No. 26, “Guidance on Recoverability of Deferred Tax Assets,” which included certain revisions of the previous accounting and auditing guidance issued by JICPA. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.  
The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company’s classification in respect of its profitability, taxable profit and temporary difference, etc.  
The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for deductible temporary differences for which it was specifically prohibited to recognize deferred tax assets under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.  
The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.  
The Company expects to apply the new guidance on recoverability of deferred tax assets effective January 1, 2017, and is in process of measuring the effects of applying the new guidance in future applicable periods.

#### 4. RECONCILIATION TO CASH AND CASH EQUIVALENTS

The reconciliation of cash and time deposits in the consolidated balance sheet to cash and cash equivalents in the consolidated statement of cash flows at December 31, 2015 and March 31, 2015 was as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2015	March 31, 2015	December 31, 2015
Cash and time deposits	¥ 9,995,232	¥ 10,414,505	\$ 82,605
Time deposits with original maturities of more than three months	(19,158)	(32,813)	(158)
Call loans held by stock ownership trust	33,000	28,000	273
Cash and cash equivalents	¥ 10,009,074	¥ 10,409,692	\$ 82,720

#### 5. INVENTORIES

Inventories at December 31, 2015 and March 31, 2015 consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2015	March 31, 2015	December 31, 2015
Merchandise and finished products	¥ 6,600,708	¥ 6,305,962	\$ 54,552
Work in process	91,737	104,918	758
Raw materials and supplies	2,727,721	2,767,448	22,543
Total	¥ 9,420,166	¥ 9,178,328	\$ 77,853

#### 6. ASSETS PLEDGED

Assets pledged for derivative transactions and customers’ installment payables at December 31, 2015 and March 31, 2015, consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2015	March 31, 2015	December 31, 2015
Cash and time deposits	¥ 8,937	¥ 9,360	\$ 74

7. GOODWILL

The components of goodwill at December 31, 2015 and March 31, 2015 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2015	March 31, 2015	December 31, 2015
Goodwill on purchase of specific business	¥ 53,717	¥ 185,529	\$ 444
Consolidation goodwill	521,254	679,084	4,308
Total	¥ 574,971	¥ 864,613	\$ 4,752

Both goodwill on purchase of specific business and consolidation goodwill are amortized over 10 years.

8. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2015 consisted of bank overdrafts.

Long-term debt at December 31, 2015 and March 31, 2015 consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2015	March 31, 2015	December 31, 2015
Unsecured syndicate loans from banks, 0.4%, due to 2019:			
Total	¥ 5,760,000	¥ 6,840,000	\$ 47,604
Less current portion	(1,440,000)	(1,440,000)	(11,901)
Long-term debt, less current portion	¥ 4,320,000	¥ 5,400,000	\$ 35,703

Annual maturities of long-term debt as of December 31, 2015, for the next five years and thereafter were as follows:

Year Ending December 31	Thousands of Yen	Thousands of U.S. Dollars
2016	¥ 1,440,000	\$ 11,901
2017	1,440,000	11,901
2018	1,440,000	11,901
2019	1,440,000	11,901
2020	—	—
Total	¥ 5,760,000	\$ 47,604

The Company holds syndicate loan contracts with three financial institutions, and financial covenants based on figures in equity of the consolidated and nonconsolidated balance sheets, certain indicators calculated using operating income in consolidated and nonconsolidated statements of income, and so on are attached.

9. RETIREMENT AND PENSION PLANS

1. The changes in defined benefit obligation for the years ended December 31, 2015 and March 31, 2015, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2015	March 31, 2015	December 31, 2015
Balance at beginning of year	¥ 3,622,250	¥ 3,088,126	\$ 29,936
Current service cost	189,915	222,773	1,570
Interest cost	31,378	54,104	259
Actuarial gains and losses	(25,240)	329,892	(209)
Benefits paid	(138,430)	(72,645)	(1,144)
Balance at end of year	¥ 3,679,873	¥ 3,622,250	\$ 30,412

2. The changes in plan assets for the years ended December 31, 2015 and March 31, 2015, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2015	March 31, 2015	December 31, 2015
Balance at beginning of year	¥ 3,155,126	¥ 2,847,335	\$ 26,076
Expected return on plan assets	59,159	71,183	489
Actuarial gains and losses	(55,006)	87,712	(455)
Contributions from the employer	171,617	221,541	1,418
Benefits paid	(138,430)	(72,645)	(1,144)
Balance at end of year	¥ 3,192,466	¥ 3,155,126	\$ 26,384



3. Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2015	March 31, 2015	December 31, 2015
Funded defined benefit obligation	¥ 3,679,873	¥ 3,622,250	\$ 30,412
Plan assets	(3,192,466)	(3,155,126)	(26,384)
	487,407	467,124	4,028
Unfunded defined benefit obligation	—	—	—
Net liability (asset) arising from defined benefit obligation	¥ 487,407	¥ 467,124	\$ 4,028

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2015	March 31, 2015	December 31, 2015
Liability for retirement benefits	¥ 487,407	¥ 467,124	\$ 4,028
Asset for retirement benefits	—	—	—
Net liability (asset) arising from defined benefit obligation	¥ 487,407	¥ 467,124	\$ 4,028

4. The components of net periodic benefit costs for the years ended December 31, 2015 and March 31, 2015, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2015	March 31, 2015	December 31, 2015
Service cost	¥ 189,915	¥ 222,773	\$ 1,570
Interest cost	31,378	54,104	259
Expected return on plan assets	(59,159)	(71,183)	(489)
Recognized actuarial gains and losses	43,269	6,462	358
Amortization of prior service cost	(11,477)	(15,302)	(95)
Net periodic benefit costs	¥ 193,926	¥ 196,854	\$ 1,603

5. Amounts recognized in other comprehensive income before income tax effect in respect of defined retirement benefit plans for the years ended December 31, 2015 and March 31, 2015

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2015	March 31, 2015	December 31, 2015
Unrecognized prior service cost	¥ (11,477)	¥ (15,302)	\$ (95)
Unrecognized actuarial gains and losses	13,503	(235,719)	112
Total	¥ 2,026	¥ (251,021)	\$ 17

6. Amounts recognized in accumulated other comprehensive income before income tax effect in respect of defined retirement benefit plans as of December 31, 2015 and March 31, 2015

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2015	March 31, 2015	December 31, 2015
Unrecognized prior service cost	¥ (3,825)	¥ (15,302)	\$ (32)
Unrecognized actuarial gains and losses	253,587	267,089	2,096
Total	¥ 249,762	¥ 251,787	\$ 2,064

7. Plan assets

(1) Components of plan assets

Plan assets as of December 31, 2015 and March 31, 2015, consisted of the following:

	December 31, 2015	March 31, 2015
Domestic debt investments	28%	32%
Foreign debt investments	5%	5%
Domestic equity investments	9%	10%
Foreign equity investments	8%	10%
General account	30%	30%
Cash and cash equivalents	20%	13%
Total	100%	100%

(2) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return, which are expected currently and in the future from the various components of the plan assets.



8. Assumptions used for the years ended December 31, 2015 and March 31, 2015, were set forth as follows:

	December 31, 2015	March 31, 2015
Discount rate	1.2%	1.2%
Expected rate of return on plan assets	2.5%	2.5%

The Company uses an index of salary increase by age at the balance sheet date as an expected rate of salary increase.

9. Multiemployer pension fund

For the years ended December 31, 2015 and March 31, 2015, the amount of the required contribution to the Welfare Pension Fund Plan as a multiemployer pension plan, which is accounted for in the same manner as the defined contribution plans, was ¥125,192 thousand (\$1,035 thousand) and ¥133,938 thousand, respectively. Funding status of the multiemployer pension plan at December 31, 2015 and March 31, 2015, was as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2015	March 31, 2015	December 31, 2015
Fair value of plan asset	¥ 261,938,938	¥ 231,950,937	\$ 2,164,784
Sum of actuarial obligations in pension financing and minimum reserve	284,214,751	262,246,610	2,348,882
Difference	¥ (22,275,813)	¥ (30,295,673)	\$ (184,098)

At December 31, 2015 and March 31, 2015, the contribution ratios of the Company to the multiemployer pension plan were 1.5% and 1.4%, respectively.

For the years ended December 31, 2015 and March 31, 2015, the major factor that caused the above difference is unamortized balance of prior service cost in the amount of ¥30,399,357 thousand (\$251,234 thousand) and ¥31,536,766 thousand, respectively. Prior service cost is amortized on a straight-line basis over a period of 20 years, and the special contribution allotted to the amortization is charged to income in the accompanying consolidated financial statements. Note that the above contribution ratio does not agree with the actual share of contribution.

10. Defined contribution plans

For the years ended December 31, 2015 and March 31, 2015, the amount of the required contribution to the defined contribution plans of the consolidated subsidiaries was ¥117,774 thousand (\$973 thousand) and ¥102,472 thousand, respectively.

## 10. MANAGEMENT AND EMPLOYEE STOCK OWNERSHIP PLAN

The Company holds a management stock ownership trust plan for directors of the Company other than outside directors and particular directors of group companies to enhance contribution to mid-term and long-term growth and increase corporate value. The Company also holds an ESOP as a part of its employee welfare program for certain employees of the Company.

Under this management stock ownership trust plan, points are given to applicable directors based on their position and contributions, and stock of the Company equivalent to achieved points would be given at the time of retirement. On the other hand, under ESOP, points are also given to applicable employees based on their position and contributions, and stock of the Company equivalent to cumulative points would be given at the time of retirement.

To manage this plan, the Company established trusts and contributed necessary funds to purchase stock of the Company. The trustee purchases stock of the Company through market or allocation of treasury stock by the Company. Accounting treatment of these plans is processed under PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts."

As of December 31, 2015 and March 31, 2015, stock of the Company held by these trusts is expressed as treasury stock of equity in the consolidated balance sheet, and its amount and number were ¥625,482 thousand (\$5,169 thousand) and 143,000 shares, respectively.

## 11. EQUITY

At March 31, 2015, 24.8% of the Company's issued shares were owned by Roland Corporation, which is principally engaged in the manufacturing and sales of electronic musical instruments. On July 3, 2014, the Company purchased 3,560,000 shares from Roland Corporation, and the holding ratio of Roland Corporation decreased from 40.0% to 24.8%. As a result, the Company changed from a subsidiary to an affiliate company of Roland Corporation.

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions of the Companies Act that affect financial and accounting matters are summarized below:

- (a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation. The board of directors of such company may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all of the above criteria.

The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to certain limitations and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the board of directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or purchases of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

- (b) Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

- (c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

## 12. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 32.3% for the year ended December 31, 2015 and 34.8% for the year ended March 31, 2015.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at December 31, 2015 and March 31, 2015, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2015	March 31, 2015	December 31, 2015
Deferred tax assets:			
Intercompany profits on inventories	¥ 842,615	¥ 687,691	\$ 6,964
Accounts receivable	38,096	37,385	315
Accrued enterprise taxes	45,740	81,711	378
Intangible assets	111,515	87,916	922
Shares of subsidiaries and associated companies	169,947	157,555	1,404
Investments in associated companies	429,931	429,931	3,553
Accrued bonuses	204,769	208,459	1,692
Accrued warranties	164,823	158,499	1,362
Provision for stock ownership plan	67,497	29,341	558
Liability for retirement benefits	153,908	147,529	1,272
Long-term payables	23,646	23,646	195
Accrued expenses	148,183	146,897	1,225
Tax loss carryforwards	340,850	436,891	2,817
Other	384,776	336,822	3,180
Less valuation allowance	(749,955)	(1,151,612)	(6,198)
<b>Total</b>	<b>¥ 2,376,341</b>	<b>¥ 1,818,661</b>	<b>\$ 19,639</b>
Deferred tax liabilities:			
Retained earnings appropriated for special allowances	¥ (42,968)	¥ (44,507)	\$ (355)
Undistributed earnings of subsidiaries	(83,696)	(113,649)	(692)
Investments in associated companies	(10,814)	(10,814)	(89)
Other	(1,742)	(6,871)	(15)
<b>Total</b>	<b>¥ (139,220)</b>	<b>¥ (175,841)</b>	<b>\$ (1,151)</b>
<b>Net deferred tax assets</b>	<b>¥ 2,237,121</b>	<b>¥ 1,642,820</b>	<b>\$ 18,488</b>

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended December 31, 2015 and March 31, 2015, is as follows:

	December 31, 2015	March 31, 2015
Normal effective statutory tax rate	32.3%	34.8%
Expenses not deductible for income tax purposes	1.3	1.5
Extra tax deduction on R&D expenses	(3.8)	(3.6)
Non-taxable income for income tax purposes	0.1	(4.8)
Lower income tax rates applicable to income in certain foreign countries	0.9	(0.1)
Impairment loss on goodwill	—	6.4
Consolidation adjustments of gain on sale of associated companies	—	2.8
Prior-year income tax adjustments	2.4	2.4
Changes in valuation allowance	(3.3)	(0.6)
Effect of tax rate deduction	1.4	1.6
Other – net	(2.0)	0.8
<b>Actual effective tax rates</b>	<b>29.3%</b>	<b>41.2%</b>

## 13. R&D COSTS

R&D costs included in general and administrative expenses and cost of sales for the years ended December 31, 2015 and March 31, 2015, were ¥2,362,767 thousand (\$19,527 thousand) and ¥2,676,116 thousand, respectively.

## 14. LEASES

The Group leases certain office space and other assets.

The minimum rental commitments under noncancellable operating leases at December 31, 2015 and March 31, 2015, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2015	March 31, 2015	December 31, 2015
Due within one year	¥ 308,905	¥ 383,181	\$ 2,553
Due after one year	397,095	589,467	3,282
<b>Total</b>	<b>¥ 706,000</b>	<b>¥ 972,648</b>	<b>\$ 5,835</b>

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly bank loans, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Investment securities are equity instruments of customers of the Group and are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade accounts, are less than one year. Payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates.

Long-term bank loans are borrowed to raise necessary funds to repurchase treasury stocks and are exposed to interest fluctuation risk. Financial covenants are attached to these long-term bank loans and, in the case of a breach, prompt repayment might be required.

Derivatives are forward foreign currency contracts and foreign currency swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables and comprehensive foreign currency contracts within the limits of ordinary imports and exports to manage changes in future foreign currency exchange rates of receivables and payables.

(3) Risk Management for Financial Instruments

**Credit risk management**

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. With respect to derivative transactions, the Group deals with high credit rating financial institutions to mitigate counterparty risk.

**Market risk management (foreign exchange risk and interest rate risk)**

Forward foreign currency contracts are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

**Liquidity risk management**

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk with adequate financial planning by the corporate treasury department.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead.

(a) Fair value of financial instruments

December 31, 2015	Thousands of Yen		
	Carrying Amount	Fair Value	Unrealized Gains/Losses
Cash and time deposits	¥ 9,995,232	¥ 9,995,232	¥ —
Receivables	4,427,744	4,427,744	—
Investment securities	23,514	23,514	—
Total	¥ 14,446,490	¥ 14,446,490	¥ —
Payables	¥ 3,549,757	¥ 3,549,757	¥ —
Income taxes payable	633,476	633,476	—
Long-term debt	5,760,000	5,760,000	—
Total	¥ 9,943,233	¥ 9,943,233	¥ —
Derivative financial instruments	¥ 49,048	¥ 49,048	¥ —
March 31, 2015	Thousands of Yen		
	Carrying Amount	Fair Value	Unrealized Gains/Losses
Cash and time deposits	¥ 10,414,505	¥ 10,414,505	¥ —
Receivables	4,932,574	4,932,574	—
Investment securities	24,478	24,478	—
Total	¥ 15,371,557	¥ 15,371,557	¥ —
Payables	¥ 2,887,787	¥ 2,887,787	¥ —
Short-term bank loans	340,380	340,380	—
Income taxes payable	1,062,829	1,062,829	—
Long-term debt	6,840,000	6,840,000	—
Total	¥ 11,130,996	¥ 11,130,996	¥ —
Derivative financial instruments	¥ (234,304)	¥ (234,304)	¥ —

December 31, 2015	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gains/Losses
Cash and time deposits	\$ 82,605	\$ 82,605	\$ —
Receivables	36,593	36,593	—
Investment securities	194	194	—
Total	\$ 119,392	\$ 119,392	\$ —
Payables	\$ 29,337	\$ 29,337	\$ —
Income taxes payable	5,235	5,235	—
Long-term debt	47,604	47,604	—
Total	\$ 82,176	\$ 82,176	\$ —
Derivative financial instruments	\$ 405	\$ 405	\$ —

#### Cash and Cash Equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

#### Investment Securities

The fair values of investment securities are measured at quoted market prices of stock exchanges for equity instruments.

#### Receivables and Payables

The carrying values of receivables and payables approximate fair value because of their short maturities.

#### Long-term Debt

The carrying values of long-term debts approximate fair value because of variable interest rate condition and unchanged credit status of the Company.

#### Derivatives

Fair value information for derivatives is included in Note 16.

- (b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Carrying Amount		Thousands of U.S. Dollars
	Thousands of Yen		
	December 31, 2015	March 31, 2015	December 31, 2015
Investments in equity instruments that do not have quoted market prices in active markets	¥ 243,660	¥ 200	\$ 2,014

- (5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

December 31, 2015	Thousands of Yen	
	Due in One Year or Less	Due after One Year
Cash and time deposits	¥ 9,995,232	¥ —
Receivables	4,427,744	—
Total	¥ 14,422,976	¥ —

March 31, 2015	Thousands of Yen	
	Due in One Year or Less	Due after One Year
Cash and time deposits	¥ 10,414,505	¥ —
Receivables	4,932,575	—
Total	¥ 15,347,080	¥ —

December 31, 2015	Thousands of U.S. Dollars	
	Due in One Year or Less	Due after One Year
Cash and time deposits	\$ 82,605	\$ —
Receivables	36,593	—
Total	\$ 119,198	\$ —

16. DERIVATIVES

Derivative transactions to which hedge accounting is not applied:

At December 31, 2015	Thousands of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/ Losses
Foreign currency forward contracts:				
Buying Japanese yen	¥ 6,691,944	¥ —	¥ 49,216	¥ 49,216
Buying other currencies	¥ 17,446	¥ —	¥ (168)	¥ (168)

At March 31, 2015	Thousands of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/ Losses
Foreign currency forward contracts:				
Buying Japanese yen	¥ 5,635,302	¥ —	¥ (234,308)	¥ (234,308)
Buying other currencies	¥ 1,183	¥ —	¥ 4	¥ 4

At December 31, 2015	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/ Losses
Foreign currency forward contracts:				
Buying Japanese yen	\$ 55,305	\$ —	\$ 407	\$ 407
Buying other currencies	\$ 144	\$ —	\$ (2)	\$ (2)

The fair values of derivative transactions are measured at quoted prices obtained from financial institutions.

The contract or notional amounts of derivatives, which are shown in the above table, do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

17. CONTINGENT LIABILITIES

At December 31, 2015, the Group had the following contingent liabilities:

	Thousands of Yen	Thousands of U.S. Dollars
Guarantees for bank loans of employees	¥ 14,079	\$ 116

On January 30, 2007, Gerber Scientific International, Inc. filed a lawsuit against the Company's subsidiary, Roland DGA Corporation, claiming infringement on certain patent rights related to the products distributed by Roland DGA Corporation. On April 9, 2010, Gerber Scientific International, Inc. filed an additional lawsuit against the Company as a codefendant of Roland DGA Corporation. The Company believes that none of the cases being litigated constitute an infringement of any patent rights; however, such litigation process may adversely affect its operating results.

18. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended December 31, 2015 and March 31, 2015, were follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2015	March 31, 2015	December 31, 2015
Unrealized losses on available-for-sale securities:			
Losses arising during the year	¥ (1,683)	¥ (2,882)	\$ (14)
Amount before income tax effect	(1,683)	(2,882)	(14)
Income tax effect	715	1,005	6
Total	¥ (968)	¥ (1,877)	\$ (8)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (769,336)	¥ 584,469	\$ (6,358)
Amount before income tax effect	(769,336)	584,469	(6,358)
Total	¥ (769,336)	¥ 584,469	\$ (6,358)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (29,766)	¥ (242,181)	\$ (246)
Reclassification adjustments to profit and loss	31,792	(8,840)	263
Amount before income tax effect	2,026	(251,021)	17
Income tax effect	(640)	79,222	(6)
Total	¥ 1,386	¥ (171,799)	\$ 11
Total other comprehensive income	¥ (768,918)	¥ 410,793	\$ (6,355)

## 19. NET INCOME PER SHARE

The basis of computing earnings per share ("EPS") for the years ended December 31, 2015 and March 31, 2015, is as follows:

	Thousands of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted- Average Shares		EPS
For the year ended December 31, 2015:				
EPS				
Net income available to common shareholders	¥ 2,468,510	14,240	¥ 173.36	\$ 1.43
For the year ended March 31, 2015:				
EPS				
Net income available to common shareholders	¥ 3,190,291	15,130	¥ 210.87	

## 20. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specific criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

### 1. Description of Reportable Segments

The Group manufactures and sells computer peripheral equipment and there is no separate business segment. Therefore, the Group has a single reportable segment.

### 2. Information about Products and Services

	Thousands of Yen			
	December 31, 2015			
	Printers	Supplies	Other	Total
Sales to external customers	¥ 19,631,505	¥ 14,365,382	¥ 11,125,050	¥ 45,121,937

	Thousands of Yen			
	March 31, 2015			
	Printers	Supplies	Other	Total
Sales to external customers	¥ 21,053,412	¥ 14,351,673	¥ 11,364,930	¥ 46,770,015

	Thousands of U.S. Dollars			
	December 31, 2015			
	Printers	Supplies	Other	Total
Sales to external customers	\$ 162,244	\$ 118,722	\$ 91,943	\$ 372,909

### 3. Information about Geographical Areas

(1) Sales

	Thousands of Yen					
	December 31, 2015					
	Japan	USA	Europe	Asia	Other	Total
	¥ 3,706,566	¥ 12,182,572	¥ 16,415,835	¥ 3,715,919	¥ 9,101,045	¥ 45,121,937

	Thousands of Yen					
	March 31, 2015					
	Japan	USA	Europe	Asia	Other	Total
	¥ 4,960,317	¥ 10,970,243	¥ 16,616,089	¥ 4,250,198	¥ 9,973,168	¥ 46,770,015

	Thousands of U.S. Dollars					
	December 31, 2015					
	Japan	USA	Europe	Asia	Other	Total
	\$ 30,633	\$ 100,683	\$ 135,668	\$ 30,710	\$ 75,215	\$ 372,909

Note: Sales are classified by country or region based on the location of customers.



(2) Property, plant, and equipment

Thousands of Yen				
December 31, 2015				
	Japan	Thailand	Other Foreign Countries	Total
¥	5,534,145	¥ 946,840	¥ 759,105	¥ 7,240,090

Thousands of Yen				
March 31, 2015				
	Japan	Thailand	Other Foreign Countries	Total
¥	5,476,923	¥ 1,085,508	¥ 983,345	¥ 7,545,776

Thousands of U.S. Dollars				
December 31, 2015				
	Japan	Thailand	Other Foreign Countries	Total
\$	45,737	\$ 7,825	\$ 6,274	\$ 59,836

## 21. RELATED-PARTY TRANSACTIONS

The material transactions and related balances of the Company with Roland Corporation, the former parent company, for the years ended December 31, 2015 and March 31, 2015, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	December 31, 2015	March 31, 2015	December 31, 2015
Purchase of treasury stock	¥ —	¥ 11,420,480	\$ —

This transaction with Roland Corporation was performed under the resolution of the Board of Directors held on May 14, 2014, and the Company purchased its 3,560,000 shares at ¥3,208 per share by open offer. As a result of this transaction, the holding ratio of Roland Corporation in the Company decreased to 24.8%, and Roland Corporation changed from the parent company to an affiliate company of the Company.

## 22. SUBSEQUENT EVENT

### Appropriations of retained earnings

The appropriations of retained earnings at December 31, 2015, scheduled to be approved at the Company's shareholders' meeting to be held on March 24, 2016, are as follows:

	Thousands of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 (\$0.25) per share	¥ 431,475	\$ 3,566



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To the Board of Directors of Roland DG Corporation:

We have audited the accompanying consolidated balance sheet of Roland DG Corporation (the "Company") and its consolidated subsidiaries as of December 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Roland DG Corporation and its consolidated subsidiaries as of December 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

**Emphasis of Matter**

As explained in Note 2 to the consolidated financial statements, the year ended December 31, 2015 is an irregular period that consists of nine months from April 1, 2015 to December 31, 2015 of the Company and 12 months from January 1, 2015 to December 31, 2015 of the consolidated subsidiaries due to the change in the consolidated year end date. Our opinion is not modified in respect of this matter.

**Convenience Translation**

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

March 11, 2016

Member of  
**Deloitte Touche Tohmatsu Limited**

**COMPANY OUTLINE** (As of December 31, 2015)

**Name**

Roland DG Corporation

**Founded**

May 1, 1981

**Common Stock**

¥3,669 million

**Net Sales for FY2015**

¥26,743 million (Nonconsolidated)

¥45,122 million (Consolidated)

**Number of Employees**

653 (Nonconsolidated)

1,233 (Consolidated)

**Main Products**

Wide-format Color Inkjet Printers, Inkjet Printer/Cutters, Vinyl Cutting Machines, 3D Milling Machines, 3D Printer, Engraving Machines, Dental Milling Machines, Photo Impact Printers

**Headquarters**

1-6-4 Shinmiyakoda, Kita-ku, Hamamatsu-shi, Shizuoka-ken, 431-2103, Japan  
Phone: +81 53 484 1200 Fax: +81 53 484 1227  
Website: <http://www.rolanddg.com/>

**Branch Offices in Japan**

Tokyo, Osaka, Nagoya, Fukuoka

**Number of Shareholders**

13,550

**Stock Exchange Listing**

Tokyo

**Stock Transfer Agent**

Mitsubishi UFJ Trust and Banking Corporation

**Independent Auditor**

Deloitte Touche Tohmatsu LLC

**Directors and Audit & Supervisory Board Members**  
(As of March 24, 2016)

Chairman	Masahiro Tomioka
President	Hidenori Fujioka
Executive Vice President	David Goward
Senior Managing Director	Wataru Suzuki
Managing Director	Shuji Hotta
Outside Director	Takuo Hirose
Outside Director	Chieko Okuda
Outside Director	Katsuhiro Endo
Audit & Supervisory Board Member	Masanori Nakagawa
Audit & Supervisory Board Member	Masayasu Suzuki
External Audit & Supervisory Board Member	Shigeki Matsuda
External Audit & Supervisory Board Member	Mitsuhiro Honda

**GROUP COMPANIES** (As of December 31, 2015)

**Sales**

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Phone: +1 949 727 2100 Fax: +1 949 727 2112

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Phone: +32 14 57 59 11 Fax: +32 14 57 59 12

Roland DG (U.K.) Ltd.  
Griffin House, Windmill Road, Clevedon,  
North Somerset BS21 6UJ, U.K.  
Phone: +44 1275 335540 Fax: +44 1275 335541

Roland Digital Group Iberia, S.L.  
C/ Ceramistes, 6  
08290 Cerdanyola del Vallès Barcelona, Spain  
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Roland DG Mid Europe S.r.l.  
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Roland DG (China) Corporation  
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No2299 Yan'an Road West, Shanghai, 200336, China  
Phone: +86 21 6236 0909 Fax: +86 21 5279 7251

Roland DG Korea Inc.  
8F, Solvus Biz Tower 3, Seonyuseo-ro 31-gil,  
Yeongdeungpo-gu, Seoul, 150-103, Korea  
Phone: +82 70 4504 7100 Fax: +82 2 6963 8100

Roland DG Brasil Ltd.  
City of Cotia, State of São Paulo, at Rua San José, No. 743,  
Parque Industrial San José, CEP 06715-862, Brazil  
Phone: +55 11 3500 2600 Fax: +55 11 3500 2600

Roland DG Deutschland GmbH  
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Phone: +49 2154 8877 95 Fax: +49 2154 8877 96

Roland DG RUS LLC  
Nizhnyaya Syromyatnicheskaya St, 10, Building 2, office 39.6/1 105120,  
Moscow, Russia  
Phone: +7 495 424 95 59 FAX: +7 495 424 95 60

Roland DG Europe Holdings B.V.  
Prof. J.H. Bavincklaan 2-4,  
1183 AT, Amstelveen, The Netherlands  
Phone: +31 20 723 3670

**Production**

Roland Digital Group (Thailand) Ltd.  
30/122 Moo 1, Sinsakhon Industrial Estate  
Tambol Khok Kham, Ampur Muang, Samutsakhon 74000, Thailand  
Phone: +66 2 402 2220 Fax: +66 2 402 2220

**Shared Services**

Roland DG EMEA, S.L.  
C/ Ceramistes, 6  
08290 Cerdanyola del Vallès Barcelona, Spain  
Phone: +34 935 918 400 Fax: +34 935 918 406

**Roland DG Corporation**

<http://www.rolanddg.com/>