

Consolidated Financial Results for the Three Months Ended March 31, 2021 [Japanese GAAP]



May 12, 2021

Company name: Roland DG Corporation

Securities Code: 6789

URL: www.rolanddg.com

Stock exchange listing: Tokyo Stock Exchange

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Scheduled date of commencing dividend payments: –

Availability of supplementary briefing material on quarterly consolidated financial results: Available

Schedule of quarterly consolidated financial results briefing session: Not scheduled

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended March 31, 2021 (From January 1, 2021 to March 31, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Three months ended March 31, 2021	10,298	13.9	1,031	218.0	1,108	710.6	(215)	–
Three months ended March 31, 2020	9,038	(8.6)	324	(60.5)	136	(82.8)	92	(84.3)

(Note) Comprehensive income: Three months ended March 31, 2021: 198 million yen [–%]

Three months ended March 31, 2020: (299) million yen [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2021	(17.34)	–
Three months ended March 31, 2020	7.38	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of March 31, 2021	37,746	24,810	65.7	1,996.68
As of December 31, 2020	36,301	24,738	68.1	1,990.89

(Reference) Equity: As of March 31, 2021: 24,810 million yen

As of December 31, 2020: 24,738 million yen

2. Dividends

	Annual dividends				
	1st quarter end	2nd quarter end	3rd quarter end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2020	–	0.00	–	10.00	10.00
Fiscal year ending December 31, 2021	–				
Fiscal year ending December 31, 2021 (Forecast)		20.00	–	20.00	40.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2021 (From January 1, 2021 to December 31, 2021)

(% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
First half	20,600	30.6	2,100	–	2,200	–	600	–	48.29
Full year	42,400	21.9	4,000	699.7	4,100	869.8	2,000	696.4	160.96

(Note) Revision of financial results forecasts from recently announced figures: Yes

* Notes

- (1) Significant changes of subsidiaries during the three months ended March 31, 2021 (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Adoption of special accounting methods for preparing Quarterly Consolidated Financial Statement: No
- (3) Changes in accounting policies, changes in accounting estimates and corrections of errors
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Any changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Corrections of errors: No

(4) Total number of issued shares (common shares)

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

Three months ended March 31, 2021	12,656,311 shares
Fiscal year ended December 31, 2020	12,656,311 shares

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

Three months ended March 31, 2021	230,507 shares
Fiscal year ended December 31, 2020	230,507 shares

- 3) Average number of shares during the period:

Three months ended March 31, 2021	12,425,804 shares
Three months ended March 31, 2020	12,488,754 shares

(Note) The total number of treasury shares at the end of the period includes shares of the Company held by the Director Stock Benefit Trust and J-ESOP Trust (230,200 shares at the end of the three months ended March 31, 2021 and 230,200 shares at the end of the fiscal year ended December 31, 2020). The number of treasury shares excluded from calculation of the average number of shares during the period includes shares of the Company held by said Trusts (230,200 shares at the end of the three months ended March 31, 2021 and 167,300 shares at the end of the three months ended March 31, 2020).

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

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

Financial results forecast was prepared based on available information at the time of the release of this document, and the Company does not in any way guarantee the achievement of the projections. Actual results may be different from the projections due to various factors. For the notes concerning the use of financial results forecast, please refer to “Explanation of Future Forecast Information such as Consolidated Performance Forecast” on page 9.

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1. Results of Operations

(1) Analysis of Results of Operations

During the three months ended March 31, 2021 (from January 1, 2021 to March 31, 2021), although the world economy faced difficult times, such as because of restrictions on economic activities due to the renewed spread of COVID-19, movements toward recovery were seen.

Under these circumstances, the group has formulated a three-year medium-term business plan (FY2021-FY2023) with fiscal year 2021 as the first year. Under the policy of “Be reborn as true RDG- 'Creativity, Bestand Cooperative Enthusiasm,’” basic strategies to transition into a lean organization and to transform the business portfolio have been established. To change into a muscular corporate structure, we will promote structural reforms to strengthen competitiveness and respond flexibly to changes in the business environment. To transform the business portfolio, we will maintain profitability in existing business through enhanced efficiency while utilizing our strengths, and by focusing on growth markets and newmarkets, we will break free from a sales structure dependent on the sign (outdoor advertising) market. In terms of financial strategies, the cash conversion cycle (CCC) will be improved through inventory reductions and other measures, and cash generating capabilities will be enhanced through improvement of asset efficiency, utilizing cash for growth investment. Under the medium-term business plan, we will aim to enhance corporate value from both the sides of securing profitability and improving capital efficiency.

During the three months ended March 31, 2021, while demand for capital investment and product utilization rates continued to be stagnant in regions where economic activities were restricted due to the renewed spread of COVID-19, demand is recovering to pre-COVID-19 levels in North America and some regions of Europe. Amidst the COVID-19 pandemic, we have made efforts to expand sales and maintain our customer base by focusing on online-based communication through activities such as sales marketing and dissemination of information to customers. Furthermore, as part of structural reforms under the medium-term business plan, a call for early voluntary retirement was implemented in February to streamline personnel and reduce fixed costs.

As a result of these initiatives, due to the increase in sales of printers mostly for the sign market and dental milling machines, net sales for the three months ended March 31, 2021 increased by 13.9% compared with the same period of the previous term to 10,298 million yen. The ratio of cost of sales improved by 0.3 percentage points from the same period of the previous term. Selling, general and administrative expenses were lower than the same period of the previous term due to reduced advertising expenses and travel and transportation expenses with some economic activities restricted from the impact of COVID-19. The ratio of selling, general and administrative expenses against net sales fell by 6.1 percentage points from the same period of the previous term because these expenses decreased while net sales increased. As a result, operating profit increased by 218.0% compared with the same period of the previous term to 1,031 million yen, and ordinary profit increased by 710.6% compared with the same period of the previous term to 1,108 million yen. As expenses associated with the call for early voluntary retirement were recorded as extraordinary losses in the three months ended March 31, 2021, loss attributable to owners of parent was 215 million yen (92 million yen of profit attributable to owners of parent for the same period of the previous term.)

The exchange rates for major currencies during the three months ended March 31, 2021 (average rate during the period from January 2021 to March 2021) were 105.91 yen to the U.S. dollar (108.97 yen for the same period of the previous term) and 127.72 yen to the euro (120.19 yen for the same period of the previous term).

As the business of the Company and its consolidated subsidiaries is the manufacture and sale of computer peripheral devices and there are no other segments, it is represented as a single segment. Sales by product are as follows.

Net sales by product

(Millions of Yen)

Product	Three months ended March 31, 2020		Three months ended March 31, 2021		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Printers	2,498	27.6	3,232	31.4	733	3.8	129.3
Plotters	281	3.1	336	3.3	54	0.2	119.3
3D products	1,334	14.8	1,494	14.5	160	(0.3)	112.1
Supplies	3,079	34.1	3,247	31.5	168	(2.6)	105.5
Others	1,844	20.4	1,987	19.3	143	(1.1)	107.8
Total	9,038	100.0	10,298	100.0	1,259	—	113.9

[Printers]

In the sign market, competition has become fierce due to market maturity and market entry by large companies. Under the medium-term business plan, we will further solidify the existing customer base by enhancing the provision of added value through technological transformation. At the same time, we will aim for full-scale entry into both growth markets and new markets through co-creation with external partners. In growth market, we will launch an exclusive model with competitive pricing that meets customer needs. In newmarkets, we will flexibly exploit niche markets by globally expanding the development of products for specific applications which previously were mainly carried out in Europe. In March, we launched the VersaUV LEC2-640/330 UV printer to expand the LEC2 series product lineup. The newly added 64 inch model increased the range of applications from large advertising boards and interior decoration to design correction in the packaging business of food, beverages, and other products. By promptly responding to market trends and needs in such a way, we will contribute to the development of the printing business.

Although sales declined due to impact of the spread of COVID-19 in the same period of the previous fiscal year, demand for capital investment for the three months ended March 31, 2021 has recovered up to pre-COVID-19 levels mainly in the sign market with the resumption of economic activities. As a result, printer sales were 3,232 million yen, or 129.3% of the same period of the previous fiscal year.

[Plotters]

Sales of large format cutters for the sign market and GS-24, a desktop cutter with a reasonable price to install, increased. As a result, plotter sales were 336 million yen, or 119.3% of the same period of the previous fiscal year.

[3D products]

DGSHAPE Corporation, a subsidiary of the Company, aims to promote efficiency of fabrication in various fields by utilizing 3D digital data. While securing a solid footing in the 3D digital fabrication market such as the manufacturing and engraving industries as well as educational institutions, the Company strives to become the top global manufacturer through regional expansion for sales and share expansion in the growing dental market. During the period of the medium-term business plan, in the existing dental business market, we will strengthen our proposal capabilities in the manufacturing of dentures and implant base as a new digital field. Furthermore, we will also work to expand the target customer base from dental labs to dental clinics. In growth markets, we will increase sales and market share by launching price-competitive exclusive models with features suitable for customer needs in the respective regions. In newmarkets, we will aim to develop business in the medical/healthcare field by proposing solutions offering inventory management systems that enable users to track the usage of surgical instruments and lead to efficient hospital management, ensuring safe and secure medical settings.

In the dental market, while dental labs and dental clinics continue to operate at a low capacity in regions where the infection of COVID-19 continues to spread, strong motivation for capital investment continued mainly in North America, Europe and China. As a result, sales of 3D products were 1,494 million yen, or 112.1%, exceeding that of the same period of the previous fiscal year.

[Supplies]

In addition to output demand such as for warning notices encouraging infection prevention amidst the COVID-19 pandemic, recovery in output demand was seen in some regions where events were held following the implementation of prevention measures against infection. As a result, sales of supplies were 3,247 million yen, or 105.5% of the same period of the previous fiscal year.

[Others]

With the improvement of product utilization rates due to the recovery of output demand from customers, sales of service parts, which account for a high ratio of sales, increased. Other sales were 1,987 million yen, or 107.8% of the same period of the previous fiscal year.

Sales by region are as follows.

Net sales by region

(Millions of Yen)

Region	Three months ended March 31, 2020		Three months ended March 31, 2021		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Japan	1,173	13.0	1,167	11.4	(6)	(1.6)	99.5
North America	2,581	28.6	3,103	30.1	522	1.5	120.2
Europe	3,309	36.6	3,739	36.3	429	(0.3)	113.0
Asia	608	6.7	723	7.0	115	0.3	118.9
Others	1,366	15.1	1,564	15.2	198	0.1	114.5
Total	9,038	100.0	10,298	100.0	1,259	–	113.9

[Japan]

In 3D products, in addition to the significant increase in sales of the DWX-52D dental milling machine in the dental market, with the expansion of insurance coverage for CAD/CAM crowns (dental fillings and crowns made using dental data) in September last year, sales of the DWX-4 increased. In printers, due to the continuous restriction of economic activities resulting from the announcement of the declaration of state of emergency and request for self-restraint by local governments following the renewed spread of COVID-19, sales of printers for the sign market and consumables such as eco-solvent ink decreased due to sluggish demand for events and outdoor advertising, among others.

As a result, net sales in Japan were 1,167 million yen, or 99.5% of the same period of the previous fiscal year.

[North America]

In 3D products, demand in capital investment increased in the dental market against a backdrop of increasing insourcing of dental technical work due to the COVID-19 pandemic. Yet, sales were sluggish and lower than the same period of the previous fiscal year as a backlog was carried due to the impact from matters such as the worldwide container shortage in marine transportation and delay in port entry. In printers, sales increased

significantly for the TrueVIS VG2/SG2 series, our mainstay printer models for the sign market. In addition, owing to the growing in-house and small business demand amidst the COVID-19 pandemic, sales increased for the VersaSTUDIO BN-20 and BT-12 compact desktop printers enabling on-demand production of original goods such as small-lot stickers, T-shirts and tote bags.

As a result, net sales in North America were 3,103 million yen, or 120.2% of the same period of the previous fiscal year.

[Europe]

Sales dropped significantly due to the impact from the spread of COVID-19, mainly in Italy and Spain which accounted for a high ratio of sales during the same period of the previous fiscal year. Although economic activities were restricted to curb the spread of infection during the three months ended March 31, 2021, a movement to increase capital investment demand continued in printers and 3D products. In printers, sales of printers mainly for the sign and retail markets increased significantly. In 3D products, sales of dental milling machines increased, largely exceeding that of the same period of the previous fiscal year.

As a result, net sales in Europe were 3,739 million yen, or 113.0% of the same period of the previous fiscal year.

[Asia]

In China, although overall sales decreased due to the impact of the spread of COVID-19 in the same period of the previous fiscal year, sales of dental milling machines and service parts recovered in the three months ended March 31, 2021, largely exceeding that of the same period of the previous fiscal year. In the ASEAN region, although sales of printers and 3D products decreased, sales of service parts which account for a high proportion of sales increased.

As a result, net sales in Asia were 723 million yen, or 118.9% of the same period of the previous fiscal year.

[Other Regions]

In Brazil, although sales of printers and service parts for the sign market increased, overall sales decreased due to the impact of the appreciation of the yen against the Brazilian real. In Australia, sales of printers mainly for the sign market and eco-solvent ink increased significantly. In the Middle East region, sales of dental milling machines increased.

As a result, net sales in these regions were 1,564 million yen, or 114.5% of the same period of the previous fiscal year.

(2) Explanation of Financial Position

[Assets]

Total assets as of the end of the first quarter increased by 1,445 million yen compared with end-of-term consolidated totals last year to a total of 37,746 million yen (104.0% of year-end consolidated totals last term). With regard to current assets, while cash and deposits decreased by 517 million yen, notes and accounts receivable – trade and inventories increased by 820 million yen and 1,036 million yen, respectively. In non-current assets, deferred tax assets increased by 218 million yen.

[Liabilities]

Liabilities as of the end of the first quarter increased by 1,373 million yen to a total of 12,936 million yen (111.9% of year-end consolidated totals last term). With regard to current liabilities, while notes and accounts payable – trade and current portion of long-term borrowings decreased by 154 million yen and 360 million yen, respectively, other current liabilities including accounts payable-other increased by 1,554 million yen. In non-current liabilities, provision for share-based remuneration for directors (and other officers) decreased by 88 million yen.

[Net assets]

Net assets as of the end of the first quarter increased by 71 million yen to a total of 24,810 million yen (100.3% of year-end consolidated totals last term). Compared with the end of the previous fiscal year, while retained earnings decreased by 342 million yen due to the financial results for the first quarter under review and cash dividends paid, foreign currency translation adjustment increased by 400 million yen mainly due to the effects of a weaker yen.

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

Based on recent performance trends, we have revised the consolidated financial results forecasts for the first half of the fiscal year ending December 31, 2021, which were announced on February 12, 2021. For details, please see “Notice of Revision of Financial Results Forecasts” announced today.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousands of Yen)

	As of December 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	12,451,929	11,934,635
Notes and accounts receivable - trade	4,322,860	5,143,294
Merchandise and finished goods	5,226,944	6,103,616
Work in process	48,291	66,538
Raw materials and supplies	2,763,849	2,904,959
Other	1,478,636	1,439,536
Allowance for doubtful accounts	(76,584)	(82,316)
Total current assets	26,215,926	27,510,264
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,057,705	6,979,783
Accumulated depreciation	(4,676,214)	(4,637,018)
Buildings and structures, net	2,381,490	2,342,764
Machinery, equipment and vehicles	920,622	940,981
Accumulated depreciation	(680,064)	(681,574)
Machinery, equipment and vehicles, net	240,558	259,406
Tools, furniture and fixtures	3,822,324	3,903,890
Accumulated depreciation	(3,188,089)	(3,258,214)
Tools, furniture and fixtures, net	634,235	645,675
Land	3,127,831	3,131,097
Leased asset-use rights	747,604	702,874
Construction in progress	47,958	52,940
Total property, plant and equipment	7,179,678	7,134,758
Intangible assets		
Goodwill	117,600	100,207
Software	599,779	557,369
Telephone subscription right	7,861	7,803
Total intangible assets	725,240	665,380
Investments and other assets		
Investment securities	3,804	4,848
Deferred tax assets	1,358,193	1,576,873
Other	818,556	854,873
Total investments and other assets	2,180,553	2,436,594
Total non-current assets	10,085,473	10,236,733
Total assets	36,301,399	37,746,998

(Thousands of Yen)

	As of December 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,376,126	2,222,004
Current portion of long-term borrowings	1,440,000	1,080,000
Lease obligations	330,694	286,735
Income taxes payable	181,896	348,291
Provision for bonuses	578,570	763,846
Provision for bonuses for directors (and other officers)	—	1,000
Provision for product warranties	440,844	508,353
Other	3,229,028	4,783,844
Total current liabilities	8,577,160	9,994,077
Non-current liabilities		
Lease obligations	449,049	447,847
Provision for employee stock ownership plan trust	136,041	119,357
Provision for share-based remuneration for directors (and other officers)	157,949	69,517
Retirement benefit liability	910,676	907,004
Long-term accounts payable - other	54,138	57,909
Other	1,277,899	1,340,820
Total non-current liabilities	2,985,755	2,942,458
Total liabilities	11,562,916	12,936,535
Net assets		
Shareholders' equity		
Share capital	3,668,700	3,668,700
Capital surplus	3,700,608	3,700,608
Retained earnings	19,132,487	18,790,433
Treasury shares	(644,762)	(644,762)
Total shareholders' equity	25,857,034	25,514,980
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(249)	482
Foreign currency translation adjustment	(865,396)	(464,559)
Remeasurements of defined benefit plans	(253,007)	(240,550)
Total accumulated other comprehensive income	(1,118,653)	(704,626)
Non-controlling interests	103	109
Total net assets	24,738,483	24,810,462
Total liabilities and net assets	36,301,399	37,746,998

(2) Consolidated Statements of Operations and Comprehensive Income
Consolidated Statements of Operations
(For the three months ended March 31, 2020 and March 31, 2021)

	(Thousands of Yen)	
	For the three months ended March 31, 2020 (From January 1, 2020 to March 31, 2020)	For the three months ended March 31, 2021 (From January 1, 2021 to March 31, 2021)
Net sales	9,038,256	10,298,222
Cost of sales	5,267,039	5,974,285
Gross profit	3,771,217	4,323,936
Selling, general and administrative expenses		
Transportation and storage costs	223,742	226,144
Advertising and promotion expenses	228,629	105,709
Provision of allowance for doubtful accounts	3,419	2,713
Provision for product warranties	23,068	37,438
Salaries and bonuses	1,585,875	1,718,856
Provision for bonuses	159,757	95,362
Provision for bonuses for directors (and other officers)	—	1,000
Provision for employee stock ownership plan trust	—	2,506
Provision for share-based remuneration for directors (and other officers)	—	10,745
Retirement benefit expenses	82,494	75,634
Travel and transportation expenses	105,470	27,020
Depreciation	219,552	197,437
Commission expenses	313,302	305,866
Other	501,513	485,929
Total selling, general and administrative expenses	3,446,825	3,292,366
Operating profit	324,391	1,031,570
Non-operating income		
Interest income	2,818	2,191
Dividend income	12,530	3,357
Foreign exchange gains	—	73,539
Other	9,852	32,552
Total non-operating income	25,200	111,639
Non-operating expenses		
Interest expenses	8,048	6,582
Sales discounts	25,318	27,460
Loss on valuation of investments in money held in trust	54,424	—
Foreign exchange losses	123,992	—
Other	1,009	286
Total non-operating expenses	212,793	34,330
Ordinary profit	136,799	1,108,879

(Thousands of Yen)

	For the three months ended March 31, 2020 (From January 1, 2020 to March 31, 2020)	For the three months ended March 31, 2021 (From January 1, 2021 to March 31, 2021)
Extraordinary income		
Gain on sales of non-current assets	2,745	97,972
Total extraordinary income	2,745	97,972
Extraordinary losses		
Loss on sales and retirement of non-current assets	1,727	2,842
Loss on sales of investment securities	2,276	—
Extra retirement payments	—	1,248,665
Total extraordinary losses	4,004	1,251,508
Profit (loss) before income taxes	135,541	(44,655)
Income taxes - current	138,607	366,107
Income taxes - deferred	(95,272)	(195,270)
Total income taxes	43,335	170,836
Profit (loss)	92,205	(215,492)
Profit attributable to non-controlling interests	7	1
Profit (loss) attributable to owners of parent	92,198	(215,493)

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	For the three months ended March 31, 2020 (From January 1, 2020 to March 31, 2020)	For the three months ended March 31, 2021 (From January 1, 2021 to March 31, 2021)
Profit (loss)	92,205	(215,492)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,874)	732
Foreign currency translation adjustment	(398,887)	400,841
Remeasurements of defined benefit plans, net of tax	9,178	12,457
Total other comprehensive income	(391,584)	414,031
Comprehensive income	(299,378)	198,539
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(299,371)	198,533
Comprehensive income attributable to non-controlling interests	(7)	6

(3) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

Not applicable.

(Significant Subsequent Events)

(Reduction of Amount of Legal Capital Surplus)

At the Company's Board of Directors Meeting held on February 12, 2021, a resolution was passed to deliberate a proposal with regard to the reduction of the amount of legal capital surplus at the 40th Ordinary General Meeting of Shareholders held on March 18, 2021. The proposal was approved and passed at the said General Meeting of Shareholders and is effective from April 30, 2021.

1. Purpose of reduction of amount of legal capital surplus
In order to ensure the flexibility of future financial strategy, a portion of the legal capital surplus will be reduced and transferred to other capital surplus in accordance with the provisions stipulated in Paragraph 1, Article 448 of the Companies Act.
2. Outline of reduction of amount of legal capital surplus
 - (1) Amount of legal capital surplus reduced
Of the legal capital surplus of 3,700,603 thousand yen, 2,800,000 thousand yen shall be withdrawn, resulting in 900,603 thousand yen.
 - (2) Item and amount of capital surplus increased
The amount of legal capital surplus shall be reduced, with the reduced amount transferred to other capital surplus in its full amount.