

Consolidated Financial Results for the Six Months Ended June 30, 2020 [Japanese GAAP]



August 14, 2020

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: Scheduled (for institutional investors and analysts)

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended June 30, 2020 (From January 1, 2020 to June 30, 2020)

(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	%
Six months ended June 30, 2020	15,774	(21.0)	(1,126)	—	(1,218)	—	(1,324)	—
Six months ended June 30, 2019	19,958	(4.8)	1,567	(12.0)	1,483	(8.9)	1,070	2.6

(Note) Comprehensive income: Six months ended June 30, 2020: (1,574) million yen [–%]
Six months ended June 30, 2019: 889 million yen [41.4%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2020	(106.14)	—
Six months ended June 30, 2019	85.32	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of June 30, 2020	33,536	23,059	68.8	1,857.35
As of December 31, 2019	38,446	25,047	65.1	2,005.60

(Reference) Equity: As of June 30, 2020: 23,059 million yen
As of December 31, 2019: 25,047 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, 2019	–	25.00	–	25.00	50.00
Fiscal year ending December 31, 2020	–	0.00			
Fiscal year ending December 31, 2020 (Forecast)			–	0.00	0.00

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

The Company has decided not to pay an interim dividend. In addition, a year-end dividend has not yet been determined.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2020 (From January 1, 2020 to December 31, 2020)

(% 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
Full year	31,800	(22.1)	(1,300)	–	(1,400)	–	(1,600)	–	(128.56)

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

* Notes

- (1) Significant changes of subsidiaries during the six months ended June 30, 2020 (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):

Six months ended June 30, 2020	12,656,311 shares
Fiscal year ended December 31, 2019	12,656,311 shares

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

Six months ended June 30, 2020	241,157 shares
Fiscal year ended December 31, 2019	167,557 shares

- 3) Average number of shares during the period:

Six months ended June 30, 2020	12,476,487 shares
Six months ended June 30, 2019	12,543,183 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 (240,900 shares at the end of the six months ended June 30, 2020 and 167,300 shares at the end of the fiscal year ended December 31, 2019). 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 (179,567 shares at the end of the six months ended June 30, 2020 and 112,933 shares at the end of the six months ended June 30, 2019).

* 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 six months ended June 30, 2020 (from January 1, 2020 to June 30, 2020), the world economy faced an extremely difficult situation as economic activities became severely restricted and the economy experienced a rapid deterioration due to the spread of COVID-19.

The group is working toward the achievement of a medium-term business plan ending in the fiscal year under review. Positioning the fiscal year under review as a transitional period toward a new growth stage, we are placing emphasis on changing the business portfolio and enhancing operational effectiveness, with “expanding growing markets,” “stopping the down trend of sales of printers in the sign market,” and “improving profitability” as key issues. In addition, we have set three target businesses, which are the “DP (Digital Printing) Business,” promoting digitalization in various printing markets by offering solution proposals focusing on inkjet printers, the “COTO Business,” offering customer-experience-oriented services to retail shops with creating optimal system solutions combining hardware and software, and the “DGSHAPE Business,” aiming at innovations in production by digital work flow proposals in the 3D digital fabrication market and the healthcare market. With swift business operations with speedy decision-making that accurately grasp market changes, the group will work to expand growth areas and create new markets.

During the six months ended June 30, 2020, demand for capital investment by customers declined owing to restrictions on economic activities due to the spread of COVID-19. In addition, the Company’s sales promotion activities were severely restricted in accordance with guidelines or requests from each national government, including the commencement of telecommuting for employees at our sales offices across the world. However, we placed emphasis on online methods of communication with customers and distributors, including the dissemination of information using SNS, websites and webinars, as well as by providing remote service support utilizing AR technology.

As a result of these initiatives, due to the decrease in sales of printers and inks as supplies for the sign market and a reduction in sales of dental milling machines as well as the negative impact of a stronger yen, net sales for the six months ended June 30, 2020 decreased by 21.0% compared with the same period of the previous term to 15,774 million yen. The ratio of cost of sales rose by 11.3 percentage points compared with the same period of the previous term due to a decrease in net sales and the effect of production adjustments, and selling, general and administrative expenses decreased from the same period of the previous term, mainly due to lower personnel expenses and advertising expenses as a result of cost control, but its ratio against net sales rose by 3.7 percentage points from the same period of the previous term. As a result, operating loss stood at 1,126 million yen, ordinary loss amounted to 1,218 million yen, and loss attributable to owners of parent was 1,324 million yen.

The exchange rates for major currencies during the six months ended June 30, 2020 (average rate during the period from January 2020 to June 2020) were 108.30 yen to the U.S. dollar (110.06 yen for the same period of the previous term) and 119.35 yen to the euro (124.35 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	Six months ended June 30, 2019		Six months ended June 30, 2020		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Printers	6,388	32.0	4,591	29.1	(1,796)	(2.9)	71.9
Plotters	558	2.8	497	3.2	(61)	0.4	89.0
3D products	2,645	13.3	1,976	12.5	(669)	(0.7)	74.7
Supplies	6,694	33.5	5,565	35.3	(1,129)	1.7	83.1
Others	3,671	18.4	3,144	19.9	(526)	1.5	85.7
Total	19,958	100.0	15,774	100.0	(4,183)	—	79.0

[Printers]

In the sign market, to respond to the situation in which the market has matured and competition has become fierce, we made efforts to maintain our customer base in this market by strengthening our products' competitiveness. On the other hand, we developed products which meet customer needs for specific applications through co-creation with regional partners, in order to open up new opportunities in the digital printing market. The TrueVIS series, one of our mainstay products for which the product lineup was renewed in the previous term, has features that include smooth gradation expression from a broad color gamut, and excellent color reproduction, and in June we launched the VF2-640, the first print-only model in the series, and Green Ink, a new, series-exclusive ink color. Our aim is to secure a wider customer base by strengthening the expressiveness and lineup of the TrueVIS series. In retail markets, we launched the LEF2-300D in March. With more freedom with jigs, which position thicker materials, it creates the ability to print onto materials with diverse shapes. We will make proposals to small-scale plants engaging in creating original products such as novelties regarding this printer's ability to print value-added graphics and textures onto a vast array of materials on demand.

During the six months ended June 30, 2020, in the midst of the COVID-19 pandemic, demand increased for the production of items such as stickers for measures to deal with COVID-19 and floor signs promoting social distancing, which utilize our strengths in print & cut functions and on-demand printing. However, printer sales were 4,591 million yen, or 71.9% of the same period of the previous fiscal year, mainly due to a decrease in sales of printers for the sign market and UV printers for the retail market owing to declining demand caused by restrictions on economic activities.

[Plotters]

As sales of large format cutters for the sign market decreased, plotter sales were 497 million yen, or 89.0% of the same period of the previous fiscal year.

[3D products]

While securing a solid footing in the 3D digital fabrication market such as the manufacturing and engraving industries as well as educational institutions, DGSHAPE Corporation, which engages in the 3D business, strives to become the top global manufacturer through regional expansion for sales and share expansion in the growing dental market. During the six months ended June 30, 2020, although face-to-face sales activities were restricted due to COVID-19, we made efforts to maintain our customer base by continuing non-face-to-face communication. These efforts included online study sessions and service trainings on new products for distributors, and the dissemination of information to customers. However, sales in the 3D products decreased due to declining demand for capital investment by customers and dental clinic operations were restricted in the dental market.

As a result, sales of 3D products were 1,976 million yen, or 74.7% of the same period of the previous fiscal year.

[Supplies]

Sales of mainly printer ink for the sign market decreased, owing to a sharp downturn in capacity utilization by customers caused by factors such as the cancelation or postponement of events due to COVID-19.

As a result, sales of supplies were 5,565 million yen, or 83.1% of the same period of the previous fiscal year.

[Others]

Maintenance services and maintenance sales increased owing to enhanced customer support, including remote service support. However, sales of service parts decreased due to a decline in product utilization rate caused by the impact from COVID-19, and other sales were 3,144 million yen, or 85.7% of the same period of the previous fiscal year.

Sales by region are as follows.

Net sales by region

(Millions of Yen)

Region	Six months ended June 30, 2019		Six months ended June 30, 2020		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Japan	2,271	11.4	2,039	12.9	(231)	1.5	89.8
North America	5,487	27.5	5,053	32.0	(433)	4.5	92.1
Europe	7,701	38.6	5,551	35.2	(2,149)	(3.4)	72.1
Asia	1,628	8.1	1,073	6.8	(554)	(1.3)	65.9
Others	2,870	14.4	2,056	13.1	(813)	(1.3)	71.6
Total	19,958	100.0	15,774	100.0	(4,183)	—	79.0

[Japan]

In printers, sales were sluggish, centered on sales of UV printers for the retail market. In addition, sales of supplies decreased, mainly inks, due to the cancelation of various events caused by the impact from COVID-19 and a downturn in demand for sign output. In 3D products, sales in the 3D digital fabrication market and the dental market were sluggish and decreased from the same period of the previous fiscal year.

As a result, net sales in Japan were 2,039 million yen, or 89.9% of the same period of the previous fiscal year.

[North America]

In 3D products, sales of 3D milling machines in the 3D digital fabrication market were sluggish. In the dental market, sales during the second quarter of the fiscal year (April to June) decreased from the same period of the previous fiscal year as the result of restricted sales activities of dental clinics due to the spread of COVID-19. However, sales during the first quarter of the fiscal year (January to March) increased significantly owing to our exhibit at the digital industry tradeshow “LMT Chicago” and sales promotions such as replacement promotions, and sales during the six months ended June 30, 2020 exceeded those for the same period of the previous fiscal year. In printers, sales of the TrueVIS series, mainstay printer models for the sign market, were solid. In addition, sales of the BN-20 desktop inkjet printer equipped with the print & cut function enabling the on-demand production of original T-shirts and uniforms and the production of small-lot stickers increased significantly owing to growing in-

house and small business demand amidst the COVID-19 pandemic. However, sales of ink decreased due to declining output demand by customers in the sign market overall.

As a result, net sales in North America were 5,053 million yen, or 92.1% of the same period of the previous fiscal year.

[Europe]

In Europe, the impact from the spread of COVID-19 was significant and sales in Italy and Spain, which account for a high ratio of sales in the region, were sluggish, resulting in a sharp drop in sales from the same period of the previous fiscal year. In printers, sales of printers for the sign market and eco-solvent ink decreased. In 3D products, sales of dental milling machines in the dental market were sluggish, other than sales in Russia owing to the development of new sales networks.

As a result, along with the effects of the appreciated yen against the euro, net sales in Europe were 5,551 million yen, or 72.1% of the same period of the previous fiscal year.

[Asia]

Sales decreased sharply, mainly in China where the spread of COVID-19 began, and in surrounding areas such as South Korea and the ASEAN region. In China, sales of printers and service parts for the sign market declined. In South Korea, sales of printers for the sign market and dental milling machines decreased. In the ASEAN region, sales of service parts fell sharply.

As a result, net sales in Asia were 1,073 million yen, or 65.9% of the same period of the previous fiscal year.

[Other Regions]

In other regions, sales of printers and supplies decreased in Central and South America, including Brazil, and in Australia. In the Africa region, sales decreased primarily in printers for the sign market.

As a result, net sales in these regions were 2,056 million yen, or 71.6% of the same period of the previous fiscal year.

(2) Explanation of Financial Position

[Assets]

Total assets as of the end of the second quarter decreased by 4,910 million yen compared with end-of-term consolidated totals last year to a total of 33,536 million yen (87.2% of year-end consolidated totals last term). With regard to current assets, cash and deposits, notes and accounts receivable – trade, and inventories decreased by 1,850 million yen, 1,043 million yen and 1,032 million yen, respectively. In non-current assets, leased assets-use rights decreased by 107 million yen and software decreased by 117 million yen due to amortization and other factors.

[Liabilities]

Liabilities as of the end of the second quarter decreased by 2,921 million yen to a total of 10,476 million yen (78.2% of year-end consolidated totals last term). With regard to current liabilities, notes and accounts payable – trade, incomes taxes payable and other current liabilities including accounts payable – other decreased by 1,133 million yen, 251 million yen and 468 million yen, respectively. In non-current liabilities, long-term borrowings decreased by 720 million yen.

[Net assets]

Net assets as of the end of the second quarter decreased by 1,988 million yen to a total of 23,059 million yen (92.1% of year-end consolidated totals last term). Compared with the end of the previous fiscal year, retained earnings decreased by 1,640 million yen mainly due to the performance of this period, and foreign currency translation adjustment decreased by 268 million yen mainly due to the effects of a stronger yen.

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

We have revised the consolidated financial results forecasts for the fiscal year ending December 31, 2020, which were announced on May 13, 2020. For details, please refer to “Notice of Revisions of Financial Result Forecasts and Dividend Forecasts” announced on August 7, 2020.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousands of Yen)

	As of December 31, 2019	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	11,215,141	9,364,820
Notes and accounts receivable - trade	4,947,348	3,903,731
Merchandise and finished goods	6,990,972	5,827,481
Work in process	106,323	50,664
Raw materials and supplies	2,556,894	2,743,775
Other	1,863,482	1,325,611
Allowance for doubtful accounts	(74,349)	(80,660)
Total current assets	27,605,812	23,135,423
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,166,986	7,177,525
Accumulated depreciation	(4,663,264)	(4,752,462)
Buildings and structures, net	2,503,721	2,425,062
Machinery, equipment and vehicles	939,962	934,004
Accumulated depreciation	(679,033)	(680,872)
Machinery, equipment and vehicles, net	260,928	253,131
Tools, furniture and fixtures	3,714,895	3,777,030
Accumulated depreciation	(3,004,073)	(3,109,318)
Tools, furniture and fixtures, net	710,822	667,712
Land	3,146,062	3,130,908
Leased asset-use rights	800,543	693,145
Construction in progress	18,150	28,032
Total property, plant and equipment	7,440,228	7,197,991
Intangible assets		
Goodwill	189,176	149,562
Software	757,334	639,718
Telephone subscription right	7,938	7,801
Total intangible assets	954,449	797,082
Investments and other assets		
Investment securities	19,265	7,210
Deferred tax assets	1,631,750	1,586,491
Other	794,952	812,158
Total investments and other assets	2,445,968	2,405,860
Total non-current assets	10,840,646	10,400,935
Total assets	38,446,459	33,536,358

(Thousands of Yen)

	As of December 31, 2019	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,014,844	880,955
Current portion of long-term borrowings	1,440,000	1,440,000
Lease obligations	318,829	298,606
Income taxes payable	385,443	134,287
Provision for bonuses	605,405	481,296
Provision for bonuses for directors (and other officers)	44,000	—
Provision for product warranties	490,372	474,733
Other	3,725,075	3,256,568
Total current liabilities	9,023,971	6,966,447
Non-current liabilities		
Long-term borrowings	1,440,000	720,000
Lease obligations	488,906	428,562
Provision for employee stock ownership plan trust	153,264	138,246
Provision for share-based remuneration for directors (and other officers)	180,377	163,373
Provision for loss on dissolution of employees' pension fund	4,307	4,103
Retirement benefit liability	827,991	815,108
Long-term accounts payable - other	43,512	42,789
Other	1,236,536	1,198,320
Total non-current liabilities	4,374,897	3,510,505
Total liabilities	13,398,868	10,476,953
Net assets		
Shareholders' equity		
Share capital	3,668,700	3,668,700
Capital surplus	3,700,608	3,700,608
Retained earnings	19,197,758	17,557,057
Treasury shares	(593,773)	(691,476)
Total shareholders' equity	25,973,293	24,234,889
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,983)	(1,156)
Foreign currency translation adjustment	(705,787)	(974,755)
Remeasurements of defined benefit plans	(218,039)	(199,682)
Total accumulated other comprehensive income	(925,810)	(1,175,594)
Non-controlling interests	108	111
Total net assets	25,047,590	23,059,405
Total liabilities and net assets	38,446,459	33,536,358

(2) Consolidated Statements of Operations and Comprehensive Income
 Consolidated Statements of Operations
 (For the six months ended June 30, 2019 and June 30, 2020)

	(Thousands of Yen)	
	For the six months ended June 30, 2019 (From January 1, 2019 to June 30, 2019)	For the six months ended June 30, 2020 (From January 1, 2020 to June 30, 2020)
Net sales	19,958,696	15,774,887
Cost of sales	11,071,043	10,535,770
Gross profit	8,887,652	5,239,117
Selling, general and administrative expenses		
Transportation and storage costs	505,985	384,344
Advertising and promotion expenses	584,677	334,421
Provision of allowance for doubtful accounts	5,016	9,663
Provision for product warranties	7,941	19,203
Salaries and bonuses	3,451,402	3,228,095
Provision for bonuses	330,632	283,237
Provision for bonuses for directors (and other officers)	28,500	—
Provision for share-based remuneration for directors (and other officers)	14,516	—
Retirement benefit expenses	151,213	137,095
Travel and transportation expenses	314,827	124,765
Depreciation	464,977	420,598
Commission expenses	550,849	575,914
Other	909,891	848,079
Total selling, general and administrative expenses	7,320,432	6,365,420
Operating profit (loss)	1,567,219	(1,126,302)
Non-operating income		
Interest income	9,302	5,201
Dividend income	105	12,803
Gain on valuation of investments in money held in trust	52,276	—
Subsidy income	4,293	71,276
Other	35,449	51,475
Total non-operating income	101,426	140,755
Non-operating expenses		
Interest expenses	20,656	13,824
Sales discounts	67,948	41,599
Foreign exchange losses	94,520	148,574
Other	1,989	29,238
Total non-operating expenses	185,115	233,237
Ordinary profit (loss)	1,483,530	(1,218,784)

(Thousands of Yen)

	For the six months ended June 30, 2019 (From January 1, 2019 to June 30, 2019)	For the six months ended June 30, 2020 (From January 1, 2020 to June 30, 2020)
Extraordinary income		
Gain on sales of non-current assets	6,660	3,940
Total extraordinary income	6,660	3,940
Extraordinary losses		
Loss on sales and retirement of non-current assets	11,848	5,253
Loss on sales of investment securities	—	4,488
Total extraordinary losses	11,848	9,742
Profit (loss) before income taxes	1,478,343	(1,224,586)
Income taxes - current	348,732	74,147
Income taxes - deferred	59,475	25,556
Total income taxes	408,207	99,703
Profit (loss)	1,070,135	(1,324,289)
Profit attributable to non-controlling interests	5	9
Profit (loss) attributable to owners of parent	1,070,129	(1,324,299)

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	For the six months ended June 30, 2019 (From January 1, 2019 to June 30, 2019)	For the six months ended June 30, 2020 (From January 1, 2020 to June 30, 2020)
Profit (loss)	1,070,135	(1,324,289)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,596)	826
Foreign currency translation adjustment	(207,925)	(268,974)
Remeasurements of defined benefit plans, net of tax	29,242	18,356
Total other comprehensive income	(180,280)	(249,791)
Comprehensive income	889,854	(1,574,081)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	889,845	(1,574,084)
Comprehensive income attributable to non-controlling interests	9	3

(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)

Not applicable.