



Consolidated Financial Results for the Nine Months Ended September 30, 2023 [Japanese GAAP]

November 9, 2023

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 filing quarterly securities report: November 9, 2023

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 Nine Months Ended September 30, 2023 (From January 1, 2023 to September 30, 2023)

(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	%
Nine months ended September 30, 2023	39,614	7.2	4,002	(7.2)	4,255	(4.0)	3,082	2.2
Nine months ended September 30, 2022	36,939	—	4,313	—	4,432	—	3,017	—

(Note) Comprehensive income: Nine months ended September 30, 2023: 4,501 million yen [(4.9)%]
Nine months ended September 30, 2022: 4,732 million yen [—%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2023	253.91	—
Nine months ended September 30, 2022	242.13	—

(Note) The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. have been adopted from the beginning of the fiscal year ended December 31, 2022. As a result, each figure for the third quarter of the fiscal year ended December 31, 2022 is based on the application of the said standard, etc., and the year-on-year percentage change is not presented.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of September 30, 2023	54,138	34,569	63.9	2,850.51
As of December 31, 2022	46,027	32,290	70.2	2,622.20

(Reference) Equity: As of September 30, 2023: 34,569 million yen
As of December 31, 2022: 32,290 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, 2022	–	50.00	–	80.00	130.00
Fiscal year ending December 31, 2023	–	55.00	–		
Fiscal year ending December 31, 2023 (Forecast)				100.00	155.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023 (From January 1, 2023 to December 31, 2023) (% 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	54,500	8.0	5,800	(4.7)	6,000	(2.1)	4,800	10.9	395.52

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

* Notes

(1) Significant changes of subsidiaries during the nine months ended September 30, 2023 (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: Yes

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):

Nine months ended September 30, 2023	12,319,911 shares
Fiscal year ended December 31, 2022	12,656,311 shares

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

Nine months ended September 30, 2023	192,584 shares
Fiscal year ended December 31, 2022	342,208 shares

3) Average number of shares during the period:

Nine months ended September 30, 2023	12,138,591 shares
Nine months ended September 30, 2022	12,461,581 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 (192,100 shares at the end of the nine months ended September 30, 2023 and 192,100 shares at the end of the fiscal year ended December 31, 2022). The number of treasury shares excluded from calculation of the average number of shares during the period includes shares of the Company held by the said Trusts (192,100 shares at the end of the nine months ended September 30, 2023 and 194,322 shares at the end of the nine months ended September 30, 2022).

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

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

1. Financial results forecast was prepared based on available information at the time of the release of this document, and the Company does not in any way guarantee the achievement of the projections. Actual results may be different from the projections due to various factors. For the notes concerning the use of financial results forecast, please refer to “Explanation of Future Forecast Information such as Consolidated Performance Forecast” on page 9.
2. The Company plans to hold a briefing session for institutional investors and analysts on Thursday, November 9, 2023. Materials to be distributed at the session will be posted on the Company’s website.

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1. Results of Operations

(1) Analysis of Results of Operations

The Group has formulated a three-year medium-term business plan (FY2021 – FY2023) based on the core strategies of transforming the Company into a lean organization and transforming the business portfolio and are working on transitioning from the business model that relies on eco-solvent printer for production of traditional signboards (advertising, etc.). During the nine months ended September 30, 2023 (from January 1, 2023 to September 30, 2023), we actively launched new products and implemented global promotional activities as part of our aim to complete the transformation of our business portfolio. Demand for capital investment and output demand remained strong in line with the normalization of economic activities following the transition to a policy of living-with-COVID-19. In terms of supply, procurement difficulties with certain parts continued from the beginning of the year to the second quarter. Therefore, in addition to flexibly reviewing production plans, we also took measures such as supplementing parts so as to reduce the impact on production and supply. However, order backlogs increased. Given that the situation with regard to procurement difficulties of certain parts has improved in the third quarter and onward, we have been able to make progress in clearing the order backlogs by establishing a system for increasing production.

As a result of these initiatives, net sales for the nine months ended September 30, 2023 increased by 7.2% compared with the same period of the previous term to 39,614 million yen. The ratio of cost of sales improved by 1.3 percentage points from the same period of the previous year mainly due to the impact of reductions in marine transportation costs relative to the same period of the previous fiscal year along with a revising of the price of some products in the previous fiscal year. Selling, general and administrative expenses were higher than the same period of the previous term due to increases in personnel expenses, advertising expenses, travel and transportation expenses, and transportation and storage costs, mainly as a result of aggressive promotional activities. As a result, operating profit decreased by 7.2% compared with the same period of the previous fiscal year to 4,002 million yen, and ordinary profit decreased by 4.0% to 4,255 million yen. Profit attributable to owners of parent increased by 2.2% compared with the same period of the previous fiscal year to 3,082 million yen.

The exchange rates for major currencies during the nine months ended September 30, 2023 (average rate during the period from January 2023 to September 2023) were 138.11 yen to the U.S. dollar (128.06 yen for the same period of the previous term) and 149.67 yen to the euro (136.00 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.

Net Sales by Market

(Millions of Yen)

Market	Nine months ended September 30, 2022		Nine months ended September 30, 2023		Changes	Changes in composition ratio (pp)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Visual Communication	17,324	46.9	19,905	50.2	2,580	3.3	114.9
Digital Fabrication	8,036	21.8	7,930	20.0	(105)	(1.8)	98.7
Dental	5,030	13.6	5,086	12.9	55	(0.7)	101.1
Service, Software & Others	6,548	17.7	6,692	16.9	143	(0.8)	102.2
Total	36,939	100.0	39,614	100.0	2,674	–	107.2

Net Sales by Product

(Millions of Yen)

Product	Nine months ended September 30, 2022		Nine months ended September 30, 2023		Changes	Changes in composition ratio (pp)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Hardware	18,454	50.0	19,322	48.8	867	(1.2)	104.7
Supplies	12,150	32.9	13,842	34.9	1,692	2.0	113.9
Service Parts & Other	6,335	17.1	6,450	16.3	115	(0.8)	101.8
Total	36,939	100.0	39,614	100.0	2,674	–	107.2

[Visual Communication (VC)]

VC comprises our eco-solvent printers (VC-Solvent) and non-solvent printers (VC-Other) such as UV printers and textile printers, and our aim in this area is to secure revenue by developing new markets and bolstering our customer base by offering an increased variety of inks and expanding the range of solutions we offer. In the nine months ended September 30, 2023, against a backdrop of changes in consumer needs in terms of the production of signboards (advertising, etc.) and a diversification of where they are used, we made revisions to the brand concept of the mainstay TrueVIS Series large format printers and ink from eco-solvent printers to a product lineup targeted at markets in developed countries, and expanded our available ink types. In January, we made a joint global announcement regarding the following six models: the AP-640—the Company’s first environmentally-friendly resin ink model for addressing environmental needs, the LG-640/540/300—high-productivity UV ink models, and their dissemination models, MG-640/300. Together with the four eco-solvent inks launched in March 2022, we now have a lineup comprising ten models. We also launched the region-specific DGXPRESS brand, a brand that focuses on productivity and cost performance without any loss in terms of expression or reliability, for growth markets where demand for signboards is high, with the UG-642/641 UV printer models launched in March 2023 and the ER-642 eco-solvent printer launched in September. For VC-Solvent, sales of the TrueVIS Series of eco-solvent printers were strong, with sales of ink supplies also up significantly relative to the same period of the previous term. For VC-Other, sales of non-solvent printers, such as UV and resin types, and ink supplies increased. As a result, VC sales were 19,905 million yen, or 114.9% of the same period of the previous fiscal year, exceeding the level of the same period of the previous fiscal year.

[Digital Fabrication (DF)]

For DF, our goal is to create new markets and applications by proposing to small businesses, online vendors, and retailers the product categories that can meet the demand for personalization geared towards specific customer needs that are rapidly expanding in recent years as well as for customization for meeting specific niche applications. In the nine months ended September 30, 2023, we launched the BN-20D during January, the Company's first DTF (Direct To Film) technology type compact printer for apparel as part of efforts to strengthen our product lineup of VersaSTUDIO desktop products, with sales advancing steadily. In September, we launched the BN2-20/20A, the first fully remodeled desktop type eco-solvent printer of the same series in 12 years, which has sold more than 25,000 units in total since its launch. In March, we began new global rollout brand VersaOBJECT, in response to seeing a certain level of demand for direct printing onto 3D objects through the proposal of the LEC2 S Series UV printer, a region-specific cocreation products. Despite such aggressive measures to develop new markets, due to sales of 3D milling machines and small type cutting machines decreasing compared to the same period of the previous fiscal year, DF sales were 7,930 million yen, or 98.7% of the same period of the previous fiscal year.

[Dental]

For Dental, we offer dental milling machines for promoting the digitization of the workflow for fabricated dental prostheses in the dental (dentistry) market. In the nine months ended September 30, 2023, despite a reduction in sales of the existing DWX-52D, DWX-4, and DWX-42W models, sales of the high productivity DWX-53DC model, which was launched in September, 2022, proceeded well in developed countries where there is a demand for high quality and high productivity. In growth markets with the rising move towards digitization, we were successful in our development of sales channels, with sales of the highly price-competitive DWX-52Di model proceeding well in the Middle East, Central America, Asia, and Eastern Europe. As a result, Dental sales were 5,086 million yen, or 101.1% of the same period of the previous fiscal year, in line with the same period of the previous fiscal year.

[Service, Software & Others (SSO)]

In the nine months ended September 30, 2023, we launched the Roland DG Connect subscription service; a connected service for commercial-use inkjet type printers. Our aim with this series is to co-create new value and business by helping our customers improve the efficiency and revenue of their businesses. As a result, delivery charges included in net sales, sales of service parts, and other services all increased, resulting in net sales for SSO of 6,692 million yen, or 102.2% of the same period of the previous fiscal year.

Sales by region are as follows.

Net sales by region

(Millions of Yen)

Region	Nine months ended September 30, 2022		Nine months ended September 30, 2023		Changes	Changes in composition ratio (pp)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Japan	3,575	9.7	3,280	8.3	(295)	(1.4)	91.7
North America	13,256	35.9	14,075	35.5	819	(0.4)	106.2
Europe	12,751	34.5	13,838	34.9	1,086	0.4	108.5
Asia	2,237	6.0	2,461	6.2	224	0.2	110.0
Others	5,119	13.9	5,958	15.1	839	1.2	116.4
Total	36,939	100.0	39,614	100.0	2,674	–	107.2

[Japan]

For VC, sales of UV and other non-solvent printers and ink supplies increased despite sales of eco-solvent printers for the sign market falling below the level of the same period of the previous fiscal year. For DF, sales of 3D milling machines decreased. For Dental, sales of the DWX-53DC high-productivity model increased, but sales of existing models, such as the DWX-52D and DWX-4 which had been selling well following the expansion of

insurance coverage in the previous fiscal year, reduced. As a result, net sales in Japan were 3,280 million yen, or 91.7% of the previous fiscal year, falling below the level of the same period of the previous fiscal year.

[North America]

For VC, although sales of eco-solvent ink for printers for the sign market were in line with the same period of the previous fiscal year, sales of eco-solvent inks and new UV printers and UV inks increased significantly. For DF, sales of LEC2 S Series flatbed type UV printers, a co-creation model, and the VesrsaOBJECT CO Series, which was launched in April, increased. However, sales of the new BN-20D DTF-technology type compact printers for apparel were strong, but sales of existing products in the same series decreased significantly. For Dental, sales of the DWX-53DC high-productivity model proceeded well, but owing to sluggish sales of existing products, sales were in line with the same period of the previous fiscal year. As a result, net sales in North America were 14,075 million yen, or 106.2% of the same period of the previous fiscal year, exceeding the level of the same period of the previous fiscal year, an increase partly attributable to the effects of a weaker yen against the dollar.

[Europe]

For VC, sales of eco-solvent printers for the sign market and ink supplies were steady, and the new MG and LG Series of UV printers along with supplies of UV ink also contributed to revenue growth. For DF, sales of desktop type UV printers exceeded the level for the same period of the previous fiscal year. For Dental, sales exceeded the level for the same period of the previous fiscal year, due to the effect of the launch of the new DWX-53DC and increased sales of the DWX-52Di in Eastern Europe. As a result, net sales in Europe were 13,838 million yen, or 108.5% of the same period of the previous fiscal year, an increase partly attributable to the effects of a weaker yen against the euro.

[Asia]

Although sales in South Korea fell slightly below the level of the same period of the previous fiscal year, sales in VC and of the DWX-52Di model for growth markets in Dental increased, particularly in the China and ASEAN region. As a result, net sales for Asia were 2,461 million yen, or 110.0% of the same period of the previous fiscal year, exceeding the level of the same period of the previous fiscal year.

[Other Regions]

In Australia, sales for VC, particularly of UV printers, increased despite sales of dental milling machines being sluggish. In Brazil, sales for the DGXPRESS UV printer and the DWX-53DC dental milling machine were strong. In the Middle East and Central America regions, sales of the DWX-52Di, a model for growth markets, boosted the sales for Dental, exceeding the levels of the same period of the previous fiscal year. As a result, net sales for Other were 5,958 million yen, or 116.4% of the same period of the previous fiscal year.

(2) Explanation of Financial Position

[Assets]

Total assets as of the end of the third quarter increased by 8,111 million yen compared with the end of the previous consolidated fiscal year to a total of 54,138 million yen, or 117.6% of the end of the previous consolidated fiscal year. With regard to current assets, cash and deposits, notes and accounts receivable - trade and inventories increased by 517 million yen, 1,357 million yen, and 2,310 million yen, respectively. In non-current assets, construction in progress decreased by 900 million yen due to the completion of construction of a new building of headquarters and other factors, buildings and structures increased by 3,238 million yen, and tools, furniture and fixtures increased by 409 million yen.

[Liabilities]

Liabilities as of the end of the third quarter increased by 5,832 million yen compared with the end of the previous consolidated fiscal year to a total of 19,569 million yen, 142.5% of the end of the previous consolidated fiscal year. In addition to an increase in short-term borrowings of 994 million yen due to the execution of a loan based upon a commitment line agreement and an increase in long-term borrowings for capital investment (including current portion of long-term borrowings) of 3,000 million, income taxes payable and other expenses such as short-term derivative liabilities increased by 616 million yen and 644 million yen, respectively.

[Net assets]

Net assets as of the end of the third quarter increased by 2,279 million yen compared with the end of the previous consolidated fiscal year to a total of 34,569 million yen, or 107.1% of the end of the previous consolidated fiscal year. Capital surplus decreased by 999 million yen due to purchase and retirement of treasury shares, and treasury shares decreased by 455 million yen. Although there was a decrease compared with the end of previous fiscal year due to payments of dividends, retained earnings increased by 1,404 million yen. Also, foreign currency translation adjustment increased by 1,389 million yen mainly due to the effects of a weaker yen.

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

Based on performance trends for the period under review, we have changed the results forecasts announced on February 10, 2023. For details, please see “Notice of Revision of Financial Results Forecasts and Dividend Forecasts” announced today.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousands of Yen)

	As of December 31, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	11,362,258	11,879,793
Notes and accounts receivable - trade	5,796,564	7,154,248
Merchandise and finished goods	8,471,192	10,412,514
Work in process	146,623	97,294
Raw materials and supplies	4,584,100	5,002,903
Other	2,132,408	2,359,313
Allowance for doubtful accounts	(54,724)	(52,897)
Total current assets	32,438,423	36,853,171
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,541,328	11,044,713
Accumulated depreciation	(4,716,767)	(4,981,201)
Buildings and structures, net	2,824,560	6,063,512
Machinery, equipment and vehicles	1,055,159	1,393,728
Accumulated depreciation	(741,000)	(841,733)
Machinery, equipment and vehicles, net	314,158	551,995
Tools, furniture and fixtures	4,439,330	5,159,024
Accumulated depreciation	(3,639,943)	(3,950,417)
Tools, furniture and fixtures, net	799,386	1,208,606
Land	3,158,234	3,188,874
Leased asset-use rights	1,649,201	1,587,786
Construction in progress	1,141,326	240,839
Total property, plant and equipment	9,886,868	12,841,613
Intangible assets		
Software	894,722	983,890
Telephone subscription right	7,406	7,868
Total intangible assets	902,128	991,758
Investments and other assets		
Investment securities	200	200
Deferred tax assets	1,933,132	2,242,733
Other	867,580	1,209,284
Allowance for doubtful accounts	(1,051)	(189)
Total investments and other assets	2,799,861	3,452,029
Total non-current assets	13,588,858	17,285,401
Total assets	46,027,282	54,138,572

(Thousands of Yen)

	As of December 31, 2022	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,923,387	3,690,374
Short-term borrowings	5,104	1,000,000
Current portion of long-term borrowings	–	600,000
Accounts payable - other	1,508,569	1,828,496
Lease liabilities	484,350	555,413
Income taxes payable	247,111	863,896
Provision for bonuses	652,466	924,929
Provision for bonuses for directors (and other officers)	67,631	44,030
Provision for product warranties	680,335	821,422
Other	2,087,047	2,731,470
Total current liabilities	9,656,004	13,060,034
Non-current liabilities		
Long-term borrowings	–	2,400,000
Lease liabilities	1,232,934	1,112,520
Provision for employee stock ownership plan trust	143,943	154,696
Provision for share awards for directors (and other officers)	152,132	208,941
Retirement benefit liability	867,632	869,421
Long-term accounts payable - other	93,899	99,914
Other	1,590,531	1,663,711
Total non-current liabilities	4,081,074	6,509,206
Total liabilities	13,737,079	19,569,241
Net assets		
Shareholders' equity		
Share capital	3,668,700	3,668,700
Capital surplus	3,700,608	2,700,899
Retained earnings	25,168,080	26,572,167
Treasury shares	(952,632)	(497,588)
Total shareholders' equity	31,584,756	32,444,178
Accumulated other comprehensive income		
Foreign currency translation adjustment	904,524	2,294,265
Remeasurements of defined benefit plans	(199,230)	(169,337)
Total accumulated other comprehensive income	705,294	2,124,927
Non-controlling interests	151	224
Total net assets	32,290,202	34,569,331
Total liabilities and net assets	46,027,282	54,138,572

(2) Consolidated Statements of Operations and Comprehensive Income
Consolidated Statements of Operations
(For the nine months ended September 30, 2022 and September 30, 2023)

(Thousands of Yen)

	For the nine months ended September 30, 2022 (From January 1, 2022 to September 30, 2022)	For the nine months ended September 30, 2023 (From January 1, 2023 to September 30, 2023)
Net sales	36,939,897	39,614,722
Cost of sales	18,604,067	19,468,414
Gross profit	18,335,829	20,146,308
Selling, general and administrative expenses		
Transportation and storage costs	835,238	1,065,685
Advertising and promotion expenses	848,736	1,039,464
Provision of allowance for doubtful accounts	13,150	33,133
Provision for product warranties	15,531	57,665
Salaries and bonuses	5,453,386	6,212,742
Provision for bonuses	575,497	564,194
Provision for bonuses for directors (and other officers)	47,448	43,322
Provision for employee stock ownership plan trust	5,920	7,115
Provision for share awards for directors (and other officers)	61,167	56,808
Retirement benefit expenses	188,925	263,467
Travel and transportation expenses	323,139	533,301
Depreciation	661,473	743,604
Commission expenses	1,098,584	1,305,314
Research and development expenses	2,345,011	2,434,702
Other	1,549,137	1,783,040
Total selling, general and administrative expenses	14,022,348	16,143,563
Operating profit	4,313,481	4,002,744
Non-operating income		
Interest income	8,132	23,181
Dividend income	3,304	4,260
Foreign exchange gains	137,961	158,414
Other	64,821	102,068
Total non-operating income	214,219	287,925
Non-operating expenses		
Interest expenses	29,568	27,540
Loss on valuation of investments in money held in trust	61,304	–
Other	3,891	8,070
Total non-operating expenses	94,764	35,611
Ordinary profit	4,432,936	4,255,058

(Thousands of Yen)

	For the nine months ended September 30, 2022 (From January 1, 2022 to September 30, 2022)	For the nine months ended September 30, 2023 (From January 1, 2023 to September 30, 2023)
Extraordinary income		
Gain on sale of non-current assets	13,507	8,541
Total extraordinary income	13,507	8,541
Extraordinary losses		
Loss on sale and retirement of non-current assets	52,690	43,590
Total extraordinary losses	52,690	43,590
Profit before income taxes	4,393,753	4,220,009
Income taxes - current	1,363,855	1,399,358
Income taxes - deferred	12,624	(261,556)
Total income taxes	1,376,480	1,137,801
Profit	3,017,273	3,082,207
Profit attributable to non-controlling interests	9	54
Profit attributable to owners of parent	3,017,264	3,082,153

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	For the nine months ended September 30, 2022 (From January 1, 2022 to September 30, 2022)	For the nine months ended September 30, 2023 (From January 1, 2023 to September 30, 2023)
Profit	3,017,273	3,082,207
Other comprehensive income		
Foreign currency translation adjustment	1,723,778	1,389,759
Remeasurements of defined benefit plans, net of tax	(8,372)	29,892
Total other comprehensive income	1,715,405	1,419,651
Comprehensive income	4,732,679	4,501,859
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,732,647	4,501,786
Comprehensive income attributable to non-controlling interests	31	73

(3) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

The Company purchased treasury shares in accordance with a resolution at a meeting of the Board of Directors held on November 10, 2022, resulting in an increase of 544,403 thousand yen of treasury shares in the nine months ended September 30, 2023. In addition, the Company retired treasury shares in accordance with a resolution at a meeting of the Board of Directors held on November 10, 2022, resulting in decreases of 999,708 thousand yen each of capital surplus and treasury shares in the nine months ended September 30, 2023.

At the end of the third quarter of the fiscal year ending December 31, 2023, capital surplus was 2,700,899 thousand yen and treasury shares were 497,588 thousand yen.

(Changes in Accounting Policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Fair Value Measurement Guidance") from the beginning of the first quarter of the fiscal year ending December 31, 2023, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. This change in accounting policies has no impact on the quarterly consolidated financial statements.

(Significant Subsequent Events)

(Business combination through acquisition)

The Company decided to acquire shares in UAB Dimense print located in Lithuania on July 31, 2023 based on the resolution of the Board of Directors meeting (conversion into subsidiary) and concluded the stock transfer contract on the same day. We acquired the shares on October 4, 2023 and changed the trade name to UAB DG DIMENSE (hereinafter "DIMENSE") on the same day. In accordance with this stock acquisition, DIMENSE became a consolidated subsidiary of the Company.

1. Outline of the Business combination

(1) Acquired company name and Business activities

Acquired company name UAB DG DIMENSE (formerly "UAB Dimense print")

Business activities Development, manufacture and sales of wallpaper materials, inks and printers

(2) Purpose of Acquisition

The group is engaged in a three-year medium-term business plan (FY2021 – FY2023) based on the core strategies of transforming the company into a lean organization and transforming the business portfolio aimed at transitioning from the business model that relies on eco-solvent printer for production of traditional signboards (advertising, etc.). In Digital Fabrication, which is positioned as a growth area, we will provide printers, cutting machines and 3D products to enable on-demand production of a wide variety of products at low volumes, including for personalized requests or customized requests for meeting niche demand. This acquisition is part of the company's efforts to transform its business portfolio by expanding sales in Digital Fabrication.

In the wallpaper market, where mass production using analog processes is the mainstream, there is a growing need for high-mix, low-volume, on-demand digital printing. UAB VEIKA has developed DIMENSE™^{*1} and Ecodeco™^{*2} and has increased awareness of both brands. Dimense was a subsidiary of UAB VEIKA and has inherited the company's high technological capabilities in the research and development of wallpaper materials and inks.

We plan to expand our business in the wallpaper market and have decided to enter the market on a full scale by acquiring the shares of Dimense, which operates in this market. In addition, the embossing technology of DIMENSE™ has great potential as it can be used in various applications such as plaster molds. By making DIMENSE a consolidated subsidiary of our company, we will increase our presence in the wallpaper market, promote the creation and market development of new applications with high added value, and expand our

Digital Fabrication business by leveraging the synergistic effects of digital wallpaper printing solutions using wallpaper materials and inks, the product development and production technology of our group, and our global sales network.

*¹ DIMENSE™ is a brand of wallpaper solutions realized through digital printing by combining proprietary inks and wallpaper materials. The unparalleled embossed expression allows for creative and luxurious expression and on-demand production of high value-added wallpaper designs. In addition, the ink is water-based and the wallpaper is made of PVC-free unique materials, making it an environmentally friendly solution.

*² Ecodeco™ is a brand of wallpaper material that, unlike traditional vinyl-based wallpaper, is manufactured from a special polymer compound that is environmentally friendly. The material is widely used in food packaging, children's toys, medical devices, and contains no other harmful chemicals.

(3) Date of business combination

Oct. 4, 2023 (Date of share acquisition)

(4) Legal form of the business combination

The share acquisition in exchange for cash

(5) Ratio of voting rights after the Acquisition

Ratio of voting rights 50.1%

(6) Grounds for determining acquiring company

The Company's cash acquisition of shares.

2. Cost of the acquisition of the acquired company and the breakdown

In consideration of acquisition Cash 10 million euros

Acquisition cost 10 million euros

Note: Conditional acquisition prices are not included in consideration of acquisition. In addition to the above, we conducted a 4 million euros underwrite in capital increase.

3. Details and costs of main expenses related to the acquisition

Unable to confirm at present.

4. Goodwill arising from the business combination, reason for the goodwill, and method and period of amortization

Unable to confirm at present

5. Amount of assets and liabilities on the date of business combination and the major breakdown

Unable to confirm at present.