

# Consolidated Financial Results for the Six Months Ended June 30, 2017 [Japanese GAAP]



August 8, 2017

Company name: Roland DG Corporation

Securities Code: 6789

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

Stock exchange listing: Tokyo Stock Exchange

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Scheduled date of commencing dividend payments: September 8, 2017

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Schedule of quarterly consolidated financial results briefing session: Scheduled

(Figures are rounded down to the nearest million yen)

## 1. Consolidated Financial Results for the Six Months Ended June 30, 2017 (From January 1, 2017 to June 30, 2017)

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

	Net sales		Operating income		Ordinary income		Profit (loss) attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Six months ended June 30, 2017	21,411	(6.0)	1,369	(48.7)	1,361	(42.9)	(32)	—
Six months ended June 30, 2016	22,770	—	2,668	—	2,385	—	1,562	—

(Note) Comprehensive income: Six months ended June 30, 2017: (3) million yen [—%]

Six months ended June 30, 2016: 295 million yen [—%]

	Net income (loss) per share	Diluted net income per share
	Yen	Yen
Six months ended June 30, 2017	(2.57)	—
Six months ended June 30, 2016	114.33	—

## (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, 2017	35,545	20,275	57.0	1,619.02
As of December 31, 2016	36,341	20,617	56.7	1,647.59

(Reference) Equity: As of June 30, 2017: 20,275 million yen

As of December 31, 2016: 20,617 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, 2016	—	30.00	—	30.00	60.00
Fiscal year ending December 31, 2017	—	25.00			
Fiscal year ending December 31, 2017 (Forecast)			—	25.00	50.00

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

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2017 (From January 1, 2017 to December 31, 2017)

(% indicates changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full year	44,300	0.4	3,700	(15.1)	3,500	(14.7)	1,100	(59.3)	87.90

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

### \* Notes

- (1) Significant changes of subsidiaries during the six months ended June 30, 2017 (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, 2017	12,656,311 shares
Fiscal year ended December 31, 2016	12,656,311 shares

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

Six months ended June 30, 2017	133,295 shares
Fiscal year ended December 31, 2016	142,595 shares

- 3) Average number of shares during the period:

Six months ended June 30, 2017	12,518,116 shares
Six months ended June 30, 2016	13,664,103 shares

(Note) The total number of treasury shares at the end of the six months ended June 30, 2017 and at the end of the fiscal year ended December 31, 2016 includes 133,100 shares and 142,400 shares of the Company held by the Director Stock Benefit Trust and J-ESOP Trust, respectively. The number of treasury shares excluded from calculation of the average number of shares during the period for the six months ended June 30, 2017 and ended June 30, 2016 includes 138,000 shares and 143,000 shares of the Company held by the Director Stock Benefit Trust and J-ESOP Trust, respectively.

\* 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, 2017 (from January 1, 2017 to June 30, 2017), the world economy was on a moderate recovery trend overall in developed countries such as the United States, Europe, and Japan. However, the outlook remains uncertain due to various factors causing a risk of economic decline, such as a deceleration in growth in emerging markets mainly in China, Brazil, and Russia, heightened geopolitical risks in various areas, the United Kingdom's exit from the European Union (EU), and policies of a new administration in the United States.

Amid such conditions, the group formulated a five-year medium-term business plan beginning in FY 2016, and started implementation from the previous term. The medium-term business plan emphasizes "GrowthOne: Sustainable growth through innovation" as the basic policy, and by working toward the three major issues of (1) accelerating new business developments in growing markets, (2) transforming to a solutions provider, and (3) transforming into an innovation-focused group, we aim to create a high value-added market and achieve sustainable growth.

During the six months ended June 30, 2017, DGSHAPE Corporation, which is engaged in the group's 3D business such as 3D milling machines for the 3D monozukuri market and dental milling machines in the dental (dental medical) market, started business operations in April, strengthening activities to expand the 3D business with an emphasis on the dental market. As for the printer business, we focused on expansion in the retail market where we create original products, etc., in addition to our conventional mainstay sign (advertising and sign production) market.

As stated above, we actively conducted business operations in order to promote "accelerating new business developments in growing markets," one of the major issues in the medium-term business plan. However, sales for the six months ended June 30, 2017 decreased by 6.0% over the same period of the previous term to 21,411 million yen, due to factors such as significantly lower sales of printers. Cost of sales rose by 4.1% from the same period of the previous term due to the effects of factors such as the drop in unit sales price and lower production volume. Selling, general and administrative expenses were lower than in the same period of the previous term, though the ratio to sales increased by 1.2% compared to the same period of the previous term. As a result, operating income decreased by 48.7% compared with the same period of the previous term to 1,369 million yen, and ordinary income decreased by 42.9% compared with the same period of the previous term to 1,361 million yen. Loss attributable to owners of parent was 32 million yen due to the settlement package of a patent infringement case in the United States being recorded as extraordinary losses.

The exchange rates for major currencies during the six months ended June 30, 2017 (average rate during the period from January 2017 to June 2017) were 112.38 yen to the U.S. dollar (111.86 yen for the same period of the previous term) and 121.67 yen to the euro (124.70 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, 2016		Six months ended June 30, 2017		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Printers	9,494	41.7	7,861	36.7	(1,633)	(5.0)	82.8
Plotters	699	3.1	679	3.2	(19)	0.1	97.2
3D products	2,172	9.5	2,372	11.1	199	1.6	109.2
Supplies	7,048	31.0	6,849	32.0	(198)	1.0	97.2
Others	3,355	14.7	3,648	17.0	292	2.3	108.7
Total	22,770	100.0	21,411	100.0	(1,359)	–	94.0

[Printers]

In the mainstay sign (advertising and sign production) market, as the market moves toward maturity, we are working on maintaining and expanding market share through improving customer satisfaction via providing high value-added products and superior service and support. In addition, as a future growth sector, we are actively working on expanding into new markets such as the retail market where we provide printing of original designs including pictures and illustrations on products such as smartphone cases, home appliances, and novelty items.

In the sign market, during the six months ended June 30, 2017, sales have been stagnant particularly for high-price models as market demand continues to shift from high-price products to low-price products against a backdrop of a maturing market and intensifying competition due to entry of major competitors. However, sales of VG-640/540 and SG-540/300 in the TrueVIS series, new eco-solvent printer models introduced to the market in the previous term, have been strong. In particular, the SG-540/300 won the EDP Award at FESPA 2017, the world's largest printing exhibition held in Germany in May 2017. The EDP Award is granted to high value-added products and technologies.

Meanwhile, in retail markets, although sales of new models of small UV printers were strong, total sales of UV printers decreased, affected by lower sales of existing models. In the six months ended June 30, 2017, we implemented active sales and marketing activities such as launch of the LEF-200, a new model in the LEF small UV printer series, in February 2017, in addition to expanding from Europe to worldwide the retail business for original product creation in retail stores.

Thus, sales of printers for the sign market and small UV printers for the retail market were lower than in the same period of the previous fiscal year. As a result, printer sales for the six months ended June 30, 2017 were 7,861 million yen, or 82.8% of the same period of the previous fiscal year.

[Plotters]

We launched the GR-640/540/420, new models of large format cutters with improved cutting precision, from March to April 2017. However, due to a decrease in sales of existing models, sales were 679 million yen, or 97.2% of the same period of the previous fiscal year.

[3D products]

In the 3D monozukuri market, sales of the new MDX-50 3D milling machine that went on sale in October 2016 remained strong due to increased adoption in the manufacturing industry for prototype production and at educational institutions. In the dental market, sales of the DWX-52DC launched in March 2017 have been strong as it has been widely adopted in dental technician offices in developed countries including Japan, Europe, and the U.S. that seek more productivity. The DWX-52DC incorporates an automatic disc changer function to automatically change dental processing materials.

Also in April 2017, our subsidiary DGSHAPE Corporation started its 3D business including 3D monozukuri and dental businesses under a new brand. It aims to offer solutions responding to the latest trends in digitalization by making use of our accumulated digital technologies and know-how of monozukuri. While securing a solid footing in the 3D monozukuri market such as the manufacturing and sculpture industries as well as educational institutions, we will expand our 3D business by implementing new value propositions in a wider range of fields, in addition to accelerating growth in the dental market where further digitalization is expected.

Accordingly, during the six months ended June 30, 2017, sales of 3D products reached 2,372 million yen, or 109.2% of the same period of the previous fiscal year since new models of 3D milling machines and dental milling machines contributed to sales.

[Supplies]

Although sales of printer ink for UV printers and textile printers grew, sales of printer ink for the sign market were sluggish. As a result, net sales of supplies were 6,849 million yen, or 97.2% of the same period of the previous fiscal year.

[Others]

Maintenance services, service parts, and other sales were 3,648 million yen, or 108.7% of the same period of the previous fiscal year, mainly due to factors such as an increase in the sales of service parts.

Sales by region are as follows.

Net sales by region

(Millions of Yen)

Region	Six months ended June 30, 2016		Six months ended June 30, 2017		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Japan	2,621	11.5	2,499	11.7	(122)	0.2	95.3
North America	6,404	28.1	6,161	28.8	(243)	0.7	96.2
Europe	8,046	35.3	7,495	35.0	(551)	(0.3)	93.1
Asia	2,034	8.9	1,752	8.2	(281)	(0.7)	86.1
Others	3,662	16.2	3,502	16.3	(160)	0.1	95.6
Total	22,770	100.0	21,411	100.0	(1,359)	–	94.0

[Japan]

In printers, although sales of UV printers with a print width of 30-54 inches increased significantly for use in packaging prototyping, sales of printers for the sign market decreased, particularly for high-price models. In 3D products, sales of the MDX-50, a new model of 3D milling machine, were strong in the manufacturing industry for prototype production and at educational institutions. However, sales of the DWX dental milling machine series were lower than in the same period of the previous fiscal year.

As a result, net sales in Japan were 2,499 million yen, or 95.3% of the same period of the previous fiscal year.

[North America]

In 3D products, sales of the DWX-52DC, a new model of dental milling machine, were strong particularly for mid-scale dental labs. Sales of the MDX-50, a new model of 3D milling machine, were strong for uses such as for design prototypes. Meanwhile, in printers, although sales of textile printers were favorable, sales of high-price models for the sign market were significantly lower than in the same period of the previous fiscal year.

As a result, net sales in North America were 6,161 million yen, or 96.2% of the same period of the previous fiscal year.

[Europe]

In 3D products, sales of the DWX-52DC, a new model of dental milling machine, were strong, with increased sales of 3D milling machines and metal printers that can print pictures, illustrations, and letters on metal materials. Meanwhile, in printers, sales of core models decreased, such as printers for the sign market and small UV printers.

As a result, net sales in Europe were 7,495 million yen, or 93.1% of the same period of the previous fiscal year.

[Asia]

In China, despite strong sales of printers, 3D products, and other products, sales of service parts decreased significantly. In South Korea, total sales decreased due to sluggish sales of printers, though sales of dental milling machines were favorable. In India and the ASEAN region, sales were lower compared to the same period of the previous fiscal year, primarily in printers for the sign market.

As a result, net sales in Asia were 1,752 million yen, or 86.1% of the same period of the previous fiscal year.



[Other Regions]

In Australia, despite favorable sales of small UV printers and 3D milling machines, sales of printers for the sign market and dental milling machines decreased. Additionally, in the Central and South America region including Brazil, although sales of small UV printers and dental milling machines increased significantly, sales of printers for the sign market that account for a high proportion of sales were sluggish.

As a result, net sales in these regions were 3,502 million yen, or 95.6% of the same period of the previous fiscal year.

(2) Explanation of Financial Position

Total assets as of the end of the second quarter decreased by 795 million yen compared with end-of-term consolidated totals last year to a total of 35,545 million yen (97.8% of year-end consolidated totals last term). With regard to current assets, other current assets including accounts receivable - other increased by 448 million yen, and cash and deposits decreased by 1,138 million yen. In non-current assets, there were no significant changes.

Liabilities as of the end of the second quarter decreased by 453 million yen to a total of 15,270 million yen (97.1% of year-end consolidated totals last term). With regard to current liabilities, notes and accounts payable - trade increased by 222 million yen. In non-current liabilities, long-term loans payable decreased by 720 million yen due to repayments.

Net assets as of the end of the second quarter decreased by 342 million yen to a total of 20,275 million yen (98.3% of year-end consolidated totals last term). Compared with the end of the previous fiscal year, retained earnings decreased by 411 million yen due to business results for the six months ended June 30, 2017.

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

No revisions have been made to the consolidated financial results forecasts for the fiscal year ending December 31, 2017, which were announced on May 9, 2017. Any changes that may occur in the future will be appropriately disclosed.

## 2. Consolidated Financial Statements and Primary Notes

### (1) Consolidated Balance Sheets

(Thousands of Yen)

	As of December 31, 2016	As of June 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	10,003,132	8,864,656
Notes and accounts receivable - trade	4,919,547	4,838,588
Merchandise and finished goods	5,900,492	5,903,326
Work in process	76,976	68,502
Raw materials and supplies	2,391,214	2,271,817
Deferred tax assets	1,080,446	1,302,102
Other	1,334,151	1,782,766
Allowance for doubtful accounts	(53,872)	(62,016)
Total current assets	25,652,088	24,969,743
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,928,375	6,961,688
Accumulated depreciation	(4,054,575)	(4,193,173)
Buildings and structures, net	2,873,800	2,768,514
Machinery, equipment and vehicles	1,053,186	1,069,526
Accumulated depreciation	(711,924)	(739,466)
Machinery, equipment and vehicles, net	341,262	330,060
Tools, furniture and fixtures	3,620,466	3,648,503
Accumulated depreciation	(2,906,050)	(2,883,683)
Tools, furniture and fixtures, net	714,416	764,820
Land	3,107,278	3,113,063
Construction in progress	21,061	37,825
Total property, plant and equipment	7,057,818	7,014,284
Intangible assets		
Goodwill	410,076	390,300
Software	1,376,535	1,308,129
Telephone subscription right	12,162	12,551
Total intangible assets	1,798,774	1,710,982
Investments and other assets		
Investment securities	33,784	24,208
Deferred tax assets	789,882	876,769
Other	1,032,222	967,854
Allowance for doubtful accounts	(23,224)	(18,381)
Total investments and other assets	1,832,664	1,850,451
Total non-current assets	10,689,258	10,575,717
Total assets	36,341,346	35,545,461

(Thousands of Yen)

	As of December 31, 2016	As of June 30, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	1,923,210	2,145,623
Short-term loans payable	–	82,500
Current portion of long-term loans payable	1,440,000	1,440,000
Income taxes payable	246,996	399,722
Provision for bonuses	716,485	577,928
Provision for directors' bonuses	80,000	20,000
Provision for product warranties	552,306	573,492
Other	3,301,061	3,302,820
Total current liabilities	8,260,061	8,542,087
Non-current liabilities		
Long-term loans payable	4,680,000	3,960,000
Provision for employee stock ownership plan trust	91,256	99,377
Provision for management board incentive plan trust	223,132	234,883
Net defined benefit liability	960,630	962,154
Long-term accounts payable - other	117,622	115,772
Other	1,391,075	1,356,065
Total non-current liabilities	7,463,716	6,728,253
Total liabilities	15,723,778	15,270,340
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,668,700	3,668,700
Capital surplus	3,700,608	3,700,608
Retained earnings	14,808,134	14,396,237
Treasury shares	(623,301)	(582,623)
Total shareholders' equity	21,554,142	21,182,923
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,056	3,143
Foreign currency translation adjustment	(466,234)	(486,319)
Remeasurements of defined benefit plans	(473,444)	(424,679)
Total accumulated other comprehensive income	(936,622)	(907,855)
Non-controlling interests	48	53
Total net assets	20,617,567	20,275,121
Total liabilities and net assets	36,341,346	35,545,461

(2) Consolidated Statements of Operations and Comprehensive Income  
 Consolidated Statements of Operations  
 (For the six months ended June 30, 2016 and June 30, 2017)

(Thousands of Yen)

	For the six months ended June 30, 2016 (From January 1, 2016 to June 30, 2016)	For the six months ended June 30, 2017 (From January 1, 2017 to June 30, 2017)
Net sales	22,770,462	21,411,361
Cost of sales	11,899,851	12,066,248
Gross profit	10,870,610	9,345,113
Selling, general and administrative expenses		
Transportation and warehousing expenses	532,629	465,901
Advertising and promotion expenses	601,834	601,823
Provision of allowance for doubtful accounts	–	11,013
Provision for product warranties	122,643	56,825
Salaries and bonuses	3,767,348	3,825,981
Provision for bonuses	348,753	341,134
Provision for directors' bonuses	40,000	20,000
Provision for employee stock ownership plan trust	10,847	7,946
Provision for management board incentive plan trust	36,066	47,480
Retirement benefit expenses	164,201	193,683
Traveling and transportation expenses	441,537	334,762
Depreciation	425,603	378,096
Commission fee	626,257	585,968
Other	1,084,490	1,105,085
Total selling, general and administrative expenses	8,202,213	7,975,704
Operating income	2,668,396	1,369,409
Non-operating income		
Interest income	8,046	9,057
Gain on valuation of investments in money held in trust	8,346	31,804
Foreign exchange gains	–	16,332
Other	31,475	30,192
Total non-operating income	47,868	87,387
Non-operating expenses		
Interest expenses	23,057	11,038
Sales discounts	89,723	80,797
Foreign exchange losses	208,927	–
Other	9,396	3,203
Total non-operating expenses	331,105	95,039
Ordinary income	2,385,159	1,361,757

(Thousands of Yen)

	For the six months ended June 30, 2016 (From January 1, 2016 to June 30, 2016)	For the six months ended June 30, 2017 (From January 1, 2017 to June 30, 2017)
Extraordinary income		
Gain on sales of non-current assets	3,558	6,312
Total extraordinary income	3,558	6,312
Extraordinary losses		
Loss on sales and retirement of non-current assets	8,413	5,764
Settlement package	—	1,381,457
Total extraordinary losses	8,413	1,387,222
Profit (loss) before income taxes	2,380,303	(19,152)
Income taxes - current	635,269	343,111
Income taxes - deferred	182,733	(330,054)
Total income taxes	818,003	13,056
Profit (loss)	1,562,300	(32,209)
Profit attributable to non-controlling interests	15	4
Profit (loss) attributable to owners of parent	1,562,284	(32,213)

## (Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	For the six months ended June 30, 2016 (From January 1, 2016 to June 30, 2016)	For the six months ended June 30, 2017 (From January 1, 2017 to June 30, 2017)
Profit (loss)	1,562,300	(32,209)
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,836)	87
Foreign currency translation adjustment	(1,273,294)	(20,083)
Remeasurements of defined benefit plans, net of tax	13,497	48,764
Total other comprehensive income	(1,266,633)	28,768
Comprehensive income	295,666	(3,440)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	295,662	(3,446)
Comprehensive income attributable to non-controlling interests	4	5

(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.