

Consolidated Financial Results for the Nine Months Ended December 31, 2014 [Japanese GAAP]



February 5, 2015

Company name: Roland DG Corporation

Securities Code: 6789

URL: <http://www.rolanddg.co.jp/>

Stock exchange listing: Tokyo Stock Exchange

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Scheduled date of filing quarterly securities report: February 6, 2015

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 Nine Months Ended December 31, 2014 (From April 1, 2014 to December 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Nine Months ended December 31, 2014	33,670	11.1	4,381	1.9	4,195	(4.3)	2,497	(16.0)
Nine Months ended December 31, 2013	30,299	34.0	4,297	642.7	4,384	736.8	2,974	–

(Note) Comprehensive income: Nine months ended December 31, 2014: 2,379 million yen [(42.6)%]

Nine months ended December 31, 2013: 4,143 million yen [–%]

	Net income per share	Diluted net income per share
	Yen	Yen
Nine Months ended December 31, 2014	161.89	–
Nine Months ended December 31, 2013	167.11	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of December 31, 2014	37,489	20,852	55.6	1,464.39
As of March 31, 2014	38,925	30,676	78.8	1,723.45

(Reference) Equity: As of December 31, 2014: 20,852 million yen

As of March 31, 2014: 30,676 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 March 31, 2014	—	20.00	—	20.00	40.00
Fiscal year ending March 31, 2015	—	30.00	—		
Fiscal year ending March 31, 2015 (Forecast)				30.00	60.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2015 (From April 1, 2014 to March 31, 2015)

(% indicates changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full year	45,870	8.8	6,970	14.1	6,760	8.3	4,300	0.8	283.10

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

* Notes

(1) Significant changes of subsidiaries during the nine months ended December 31, 2014 (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Adoption of the special accounting method for preparing 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 stock)

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

Nine months ended December 31, 2014	14,385,511 shares
Fiscal year ended March 31, 2014	17,800,000 shares

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

Nine months ended December 31, 2014	146,000 shares
Fiscal year ended March 31, 2014	460 shares

3) Average number of shares during the period (cumulative from the beginning of the fiscal year):

Nine months ended December 31, 2014	15,426,187 shares
Nine months ended December 31, 2013	17,799,540 shares

(Note) The total number of treasury stock at the end of the nine months ended December 31, 2014 includes the number of shares of the Company held by the Director Stock Benefit Trust and J-ESOP Trust (143,000 shares).

* Presentation regarding the implementation status of the quarterly review process

These Consolidated Financial Results are not subject to the quarterly review procedures provided for by the Japanese Financial Instruments and Exchange Act. However, at the time of the disclosure of these Consolidated Financial Results, the quarterly review procedures of the Consolidated Financial Statement based on the Law have been completed.

* 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 4 of the Appendix.

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1. Qualitative Information on Financial Results

(1) Explanation of Results of Operations

Looking at the world economy during the nine months ended December 31, 2014 (from April 1, 2014 to December 31, 2014), the U.S. economy maintained its recovery trend while the European economy continued slow growth due to factors including geopolitical risk. Moreover, in Asia, economic growth showed a sign of slow down mainly in China and India, and in Japan, despite a continued mild recovery trend of the economy as a whole, the situation remained uncertain due to factors including rising raw material costs and deteriorating personal spending affected by increased consumption tax.

In order to adapt to a drastically changing business environment, the group has set out to reform our corporate structure with GlobalOne, which would unify our group and unleash newfound collaborative power. Specific measures and quantitative targets have been set out in the three-year medium-term business plan, and the group has been implementing them since the previous fiscal year. With the three major themes of 1) creating opportunities for new growth in creative fields, 2) strengthening the global brand, and 3) management that is responsive to diversification, the group will further press ahead with GlobalOne as we seek to build a strong business foundation for new growth.

With regard to our sales structure, we reorganized them into the three global blocks constituting “Europe, the Middle East and Africa,” “Asia and the Pacific,” and “North America and Central and South America” and worked on reinforcing the management structure within each region. Our sales subsidiaries will identify local needs precisely to deliver the optimum solutions for their regions by leveraging the experience and know-how they have built up to date and working in partnership with sales agencies in their regions to promote sales and marketing activities.

Moreover, in terms of our production structure, we roughly doubled the production capacity at our Thai plant, our overseas production site, introducing the same “Digital Yatai” (digitally-controlled cell production system) used in production in Japan to ensure high quality while responding to cost reduction and growth in demand.

Under these conditions, regarding sales by product for the nine months ended December 31, 2014, sales for printers exceeded the same period in the previous fiscal year as sales of our mainstay product, VS-i series, and LEF series of compact flatbed UV printers performed steadily, despite a decline in XR-640 professional printers for the sign market. Sales of 3D products also increased from the same period of the previous fiscal year as DWX series of dental milling machines, and other products showed a growth.

As for sales by region, sales in Japan were higher than the same period of the previous fiscal year, thanks to significant sales growth in dental milling machines. Sales in North America were unchanged from the same period of the previous fiscal year due to decreased sales of XR-640 professional printers, despite strong sales of VS-i series and LEF series. In Europe, sales were higher than the same period of the previous fiscal year, backed by strong printer sales mainly in Southern Europe and the depreciation of the yen, despite the fact that sales were on downward trend in Russia, Northern Europe, and Eastern Europe affected by such factors as geopolitical risk. In Asia, sales were robust mainly for printers which meet local needs, and sales were higher than the same period of the previous fiscal year.

However, sales in the mainstay sign market slowed down, due to the growing intensity in competition with our competitors, in addition to drop-off period before the launch of the next generation products. In response, we are reinforcing the structure for the launch of the next generation products and advancing research and development. Meanwhile, under these circumstances, temporary high inventory level led to deterioration of the cost to sales ratio in the third quarter of the current fiscal year; however, we have already made production and shipment adjustment to improve the inventory level.

As a result of the above, sales for the nine months ended December 31, 2014 were up 11.1% over the same period of the previous term to 33,670 million yen. As for expenses, selling, general and administrative expenses rose due mainly to increased advertising and promotion expenses accompanying the aggressive sales and marketing activities. Consequently, operating income climbed 1.9% compared with the same period of the previous term to 4,381 million yen. Ordinary income decreased 4.3% compared with the same period of the previous term to 4,195 million yen, affected by factors including commission for purchase of treasury shares. Moreover, due to the recording of impairment loss on goodwill of 212 million yen at a consolidated subsidiary in Denmark, net income decreased 16.0% compared with the same period of the previous term to 2,497 million yen.

The exchange rates of major currencies during the third quarter (average rate during the period from January 2014 to September 2014 because the fiscal year of the Company's foreign consolidated subsidiaries is from January to December) were 102.95 yen to the US dollar (96.71 yen for the same period of the previous term) and 139.55 yen to the euro (127.38 yen for the same period of the previous term).

Net sales by product

(Millions of Yen)

Product	Nine months ended December 31, 2013		Nine Months ended December 31, 2014		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Printers	13,710	45.2	15,043	44.7	1,333	(0.5)	109.7
Plotters	965	3.2	1,013	3.0	47	(0.2)	104.9
3D products	2,334	7.7	2,820	8.4	485	0.7	120.8
Supplies	9,657	31.9	10,556	31.3	899	(0.6)	109.3
Others	3,631	12.0	4,235	12.6	603	0.6	116.6
Total	30,299	100.0	33,670	100.0	3,370	-	111.1

(2) Explanation of Financial Position

Total assets as of the end of the third quarter decreased by 1,435 million yen compared with end-of-term consolidated totals last year to a total of 37,489 million yen (96.3% of year-end consolidated totals last term). As for current assets, cash and deposits decreased by 2,824 million yen, while merchandise and finished goods and raw materials and supplies increased by 921 million yen and 477 million yen, respectively. With regard to non-current assets, goodwill decreased by 526 million yen due to impairment loss.

Liabilities as of the end of the third quarter increased by 8,388 million yen to a total of 16,637 million yen (201.7% of year-end consolidated totals last term). Notes and accounts payable – trade increased by 2,240 million yen, and current portion of long-term loans payable and long-term loans payable increased by 1,440 million yen and 5,760 million yen, respectively, mainly as funds for acquiring treasury stock through a public tender offer. Meanwhile, income taxes payable and provision for bonuses decreased by 732 million yen and 390 million yen, respectively.

Net assets as of the end of the third quarter decreased by 9,824 million yen to a total of 20,852 million yen (68.0% of year-end consolidated totals last term). Despite an increase due mainly to the business performance for the nine months ended December 31, 2014, retained earnings decreased by 9,238 million yen

owing mainly to the acquisition of treasury stock and retirement of treasury stock, and treasury stock increased by 634 million yen.

(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 March 31, 2015, which were announced on May 14, 2014. Should any changes occur in the future, they shall be disclosed in an appropriate manner.

2. Matters Concerning Summary Information (Notes)

Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Errors

(Changes in Accounting Policies)

Effective from the beginning of the first quarter of the current fiscal year, the Company has adopted the provisions stated in the main clause of Paragraph 35 of the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012; hereinafter the “Accounting Standard”) and Paragraph 67 the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012; hereinafter the “Guidance”). Accordingly, the calculation methods for retirement benefit obligations and service cost has been reviewed, and as a result, the calculation method for attributing expected retirement benefit obligations to periods was changed from the straight-line method to the benefit formula method. In addition, the method for determining the discount rate has been changed from the method based on the number of years similar to the average remaining period of employees to the single weighted-average discount rate that reflects the amounts within the expected payment period of retirement benefits and each amount for such expected payment period.

This change in accounting policy has no impact on the quarterly consolidated financial statements.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of Yen)

	As of March 31, 2014	As of December 31, 2014
Assets		
Current assets		
Cash and deposits	11,611,079	8,786,536
Notes and accounts receivable - trade	4,965,610	4,748,725
Merchandise and finished goods	5,912,900	6,834,543
Work in process	123,161	38,238
Raw materials and supplies	2,364,044	2,841,079
Deferred tax assets	1,317,641	1,427,711
Other	1,444,948	1,714,634
Allowance for doubtful accounts	(30,880)	(36,204)
Total current assets	27,708,505	26,355,264
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,485,344	6,540,614
Accumulated depreciation	(3,337,560)	(3,525,941)
Buildings and structures, net	3,147,784	3,014,672
Machinery, equipment and vehicles	923,789	1,017,351
Accumulated depreciation	(560,776)	(585,037)
Machinery, equipment and vehicles, net	363,013	432,314
Tools, furniture and fixtures	3,026,223	3,167,631
Accumulated depreciation	(2,416,444)	(2,519,293)
Tools, furniture and fixtures, net	609,778	648,337
Land	3,106,733	3,122,699
Construction in progress	12,921	249,428
Total property, plant and equipment	7,240,231	7,467,452
Intangible assets		
Goodwill	2,192,180	1,665,240
Software	781,971	915,682
Telephone subscription right	8,436	8,174
Total intangible assets	2,982,588	2,589,096
Investments and other assets		
Investment securities	64,250	26,025
Deferred tax assets	134,248	129,770
Long-term time deposits	—	11,469
Other	836,825	945,963
Allowance for doubtful accounts	(41,081)	(35,417)
Total investments and other assets	994,242	1,077,810
Total non-current assets	11,217,062	11,134,360
Total assets	38,925,568	37,489,624

(Thousands of Yen)

	As of March 31, 2014	As of December 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	913,050	3,153,727
Short-term loans payable	256,800	196,040
Current portion of long-term loans payable	—	1,440,000
Income taxes payable	1,309,400	576,960
Provision for bonuses	719,204	328,501
Provision for directors' bonuses	100,000	75,000
Provision for product warranties	314,954	440,476
Other	3,417,757	3,147,340
Total current liabilities	7,031,167	9,358,046
Non-current liabilities		
Long-term loans payable	—	5,760,000
Provision for employee stock ownership plan trust	—	30,836
Provision for Management Board Incentive Plan Trust	—	62,329
Net defined benefit liability	240,790	228,946
Long-term accounts payable - other	138,775	137,491
Other	838,178	1,059,696
Total non-current liabilities	1,217,744	7,279,299
Total liabilities	8,248,911	16,637,346
Net assets		
Shareholders' equity		
Capital stock	3,668,700	3,668,700
Capital surplus	3,700,603	3,867,372
Retained earnings	23,107,571	13,868,782
Treasury shares	(698)	(635,105)
Total shareholders' equity	30,476,176	20,769,748
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,358	5,155
Foreign currency translation adjustment	194,573	82,138
Remeasurements of defined benefit plans	(499)	(4,819)
Total accumulated other comprehensive income	200,433	82,475
Minority interests	47	53
Total net assets	30,676,656	20,852,277
Total liabilities and net assets	38,925,568	37,489,624

(2) Consolidated Statements of Operations and Comprehensive Income
Consolidated Statements of Operations
(For the nine months ended December 31, 2013 and December 31, 2014)

(Thousands of Yen)

	For the nine months ended December 31, 2013 (From April 1, 2013 to December 31, 2013)	For the nine months ended December 31, 2014 (From April 1, 2014 to December 31, 2014)
Net sales	30,299,842	33,670,159
Cost of sales	15,692,032	17,407,906
Gross profit	14,607,809	16,262,252
Selling, general and administrative expenses		
Transportation and warehousing expenses	689,400	653,015
Advertising and promotion expenses	731,517	929,233
Provision of allowance for doubtful accounts	10,976	3,570
Provision for product warranties	185,874	211,460
Salaries and bonuses	4,828,112	5,374,776
Provision for bonuses	201,135	179,625
Provision for directors' bonuses	75,000	75,000
Provision for Employee Stock Ownership Plan Trust	—	25,587
Provision for Management Board Incentive Plan Trust	—	61,017
Retirement benefit expenses	217,810	212,913
Traveling and transportation expenses	492,116	574,387
Depreciation	676,762	725,404
Commission fee	979,207	1,301,592
Other	1,221,898	1,552,869
Total selling, general and administrative expenses	10,309,814	11,880,452
Operating income	4,297,995	4,381,800
Non-operating income		
Interest income	24,696	26,987
Dividend income	560	576
Foreign exchange gains	90,330	21,305
Other	94,775	37,593
Total non-operating income	210,361	86,462
Non-operating expenses		
Interest expenses	2,787	34,326
Sales discounts	117,690	141,592
Commission for purchase of treasury shares	—	82,683
Other	3,683	14,383
Total non-operating expenses	124,161	272,986
Ordinary income	4,384,196	4,195,276
Extraordinary income		
Gain on sales of non-current assets	4,860	11,230
Total extraordinary income	4,860	11,230
Extraordinary losses		
Loss on sales and retirement of non-current assets	5,881	6,628
Impairment loss	—	212,214
Total extraordinary losses	5,881	218,842
Income before income taxes and minority interests	4,383,175	3,987,664
Income taxes - current	1,611,230	1,548,778
Income taxes - deferred	(202,469)	(58,460)
Total income taxes	1,408,760	1,490,318
Income before minority interests	2,974,414	2,497,346
Minority interests in income	0	3
Net income	2,974,414	2,497,342

(Consolidated Statements of Comprehensive Income)
(For the nine months ended December 31, 2013 and December 31, 2014)

(Thousands of Yen)

	For the nine months ended December 31, 2013 (From April 1, 2013 to December 31, 2013)	For the nine months ended December 31, 2014 (From April 1, 2014 to December 31, 2014)
Income before minority interests	2,974,414	2,497,346
Other comprehensive income		
Valuation difference on available-for-sale securities	3,859	(1,203)
Foreign currency translation adjustment	1,165,719	(112,432)
Remeasurements of defined benefit plans, net of tax	—	(4,320)
Total other comprehensive income	1,169,579	(117,955)
Comprehensive income	4,143,993	2,379,391
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,143,990	2,379,384
Comprehensive income attributable to minority interests	3	6

(3) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

At the meeting of the Board of Directors held on May 14, 2014, the Company resolved to conduct a public tender offer for treasury stock, and acquired 3,560,000 shares of treasury stock in an amount of 11,420,480 thousand yen as of July 3, 2014. Moreover, at the meeting of the Board of Directors held on August 19, 2014, the Company resolved to retire the treasury stock. As a result of the retirement of 3,414,489 shares as of September 10, 2014, treasury stock and retained earnings decreased by 10,952,955 thousand yen, respectively.

Moreover, at the meeting of the Board of Directors held on November 6, 2014, the Company resolved to dispose treasury stock through third-party allotment to Resona Bank, Limited (Trust Account), a trustee of the Director Stock Benefit Trust and J-ESOP Trust, (trustee under trust agreement with Resona Bank, Limited: Japan Trustee Services Bank, Ltd. (Trust Account)). As a result of the disposal of 143,000 shares of treasury stock at the price of 625,482 thousand yen as of November 26, 2014, capital surplus increased by 166,768 thousand yen and treasury stock decreased by 458,713 thousand yen.

Shares of the Company held by the said trusts at the end of the third quarter of the current fiscal year are recorded as treasury stock at the book value of 625,482 thousand yen.

(Significant Subsequent Events)

Not applicable.