

Consolidated Financial Results for the Three Months Ended March 31, 2020 [Japanese GAAP]



May 13, 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 filing quarterly securities report: May 14, 2020

Scheduled date of commencing dividend payments: –

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

Schedule of quarterly consolidated financial results briefing session: Not scheduled

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended March 31, 2020 (From January 1, 2020 to March 31, 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	%
Three months ended March 31, 2020	9,038	(8.6)	324	(60.5)	136	(82.8)	92	(84.3)
Three months ended March 31, 2019	9,887	(4.4)	820	7.9	794	26.7	587	63.6

(Note) Comprehensive income: Three months ended March 31, 2020: (299) million yen [–%]
Three months ended March 31, 2019: 573 million yen [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2020	7.38	–
Three months ended March 31, 2019	46.79	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of March 31, 2020	36,650	24,431	66.7	1,956.30
As of December 31, 2019	38,446	25,047	65.1	2,005.60

(Reference) Equity: As of March 31, 2020: 24,431 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	–				
Fiscal year ending December 31, 2020 (Forecast)		undetermined	undetermined	undetermined	undetermined

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

The Company has not yet determined a forecast for dividends.

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
First half	13,400	(32.9)	(1,500)	–	(1,700)	–	(1,200)	–	(96.09)
Full year	27,300	(33.1)	(2,600)	–	(2,900)	–	(2,000)	–	(160.14)

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

* Notes

- (1) Significant changes of subsidiaries during the three months ended March 31, 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):

Three months ended March 31, 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:

Three months ended March 31, 2020	167,557 shares
Fiscal year ended December 31, 2019	167,557 shares

- 3) Average number of shares during the period:

Three months ended March 31, 2020	12,488,754 shares
Three months ended March 31, 2019	12,555,716 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 (167,300 shares at the end of the three months ended March 31, 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 (167,300 shares at the end of the three months ended March 31, 2020 and 100,400 shares at the end of the three months ended March 31, 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 8.

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1. Results of Operations

(1) Analysis of Results of Operations

During the three months ended March 31, 2020 (from January 1, 2020 to March 31, 2020), the world economy was on a moderate recovery track due to the easing of trade friction between the US and China and the recovery of the US economy. However, prospects remained uncertain owing to the increasing impact on economic activities by 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 three months ended March 31, 2020, the Company mainly worked on maintaining customer bases in the sign market and engaging in activities toward accelerated regional expansion and share expansion in the dental market. However, sales were substantially affected by the postponement or cancellation of tradeshow and events across the world due to the spread of COVID-19 in addition to restrictions on operating activities in accordance with guidelines or requests from each national government, including the commencement of telecommuting for employees at our sales offices, beginning in China and then in North America and Europe.

As a result of these initiatives, mainly due to the decrease in sales of printers mostly for the sign market and partially due to the negative impact of a stronger yen, net sales for the three months ended March 31, 2020 decreased by 8.6% compared with the same period of the previous term to 9,038 million yen. The ratio of cost of sales rose by 3.4 percentage points, and selling, general and administrative expenses decreased from the same period of the previous term, mainly due to lower personnel expenses and advertising expenses, but its ratio against net sales rose by 1.3 percentage points from the same period of the previous term. As a result, operating profit decreased by 60.5% compared with the same period of the previous term to 324 million yen, ordinary profit decreased by 82.8% compared with the same period of the previous term to 136 million yen, and profit attributable to owners of parent decreased by 84.3% compared with the same period of the previous term to 92 million yen.

The exchange rates for major currencies during the three months ended March 31, 2020 (average rate during the period from January 2020 to March 2020) were 108.97 yen to the U.S. dollar (110.21 yen for the same period of the previous term) and 120.19 yen to the euro (125.19 yen for the same period of the previous term).

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

Net sales by product

(Millions of Yen)

Product	Three months ended March 31, 2019		Three months ended March 31, 2020		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Printers	3,126	31.6	2,498	27.6	(627)	(4.0)	79.9
Plotters	284	2.9	281	3.1	(3)	0.2	98.9
3D products	1,326	13.4	1,334	14.8	7	1.3	100.5
Supplies	3,264	33.0	3,079	34.1	(185)	1.0	94.3
Others	1,885	19.1	1,844	20.4	(40)	1.3	97.8
Total	9,887	100.0	9,038	100.0	(849)	—	91.4

[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, was highly praised by printing industries and associations in the US and Europe regarding its features that include smooth gradation expression from a broad color gamut, excellent color reproduction, and advanced print & cut functions, and it has won several awards. The TrueVIS series aims to revitalize the sign market and awaken replacement demand in existing customers. In retail markets, we launched the LEF2-300D in March, which has an expanded printing area for materials up to twice the height of previous models. 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.

As a result of these initiatives, printer sales were 2,498 million yen, or 79.9% of the same period of the previous fiscal year. Despite sales having been on track as planned, sales of printers for the sign market and UV printers for the retail market dropped mainly owing to the impact of restrictions on operating activities caused by the spread of COVID-19 in Europe that began in February.

[Plotters]

Although sales of large format cutters for the sign market decreased, with the addition of the laser engraver launched in the previous term to the product lineup, plotter sales were 281 million yen, or 98.9% 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. In the dental market, we are working on reinforcing our sales network focusing on emerging countries, developing solutions for clinics, a new client base, and developing new sales channels. In the 3D digital fabrication market, the LD-300, a laser foil decorator that can imprint foil onto plastics and leather materials and has a larger decorating area than previous models, was added to the product lineup in October 2019. We will make proposals to brand owners to use it as a tool to raise product value by adding a luxurious feel with foil imprinting.

As a result of these factors, sales of 3D products were 1,334 million yen, or 100.5% of the same period of the previous fiscal year.

[Supplies]

Although sales of ink increased for the TrueVIS series, mainstay printer models for the sign market, lower sales of ink for other series led to sluggish sales of printer ink for the sign market.

As a result, sales of supplies were 3,079 million yen, or 94.3% of the same period of the previous fiscal year.

[Others]

Sales of maintenance services, service parts, and other sales were on par with the same period of the previous fiscal year at 1,844 million yen, or 97.8% of the same period of the previous fiscal year.

Sales by region are as follows.

Net sales by region

(Millions of Yen)

Region	Three months ended March 31, 2019		Three months ended March 31, 2020		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Japan	1,208	12.2	1,173	13.0	(34)	0.8	97.1
North America	2,563	25.9	2,581	28.6	18	2.7	100.7
Europe	3,879	39.2	3,309	36.6	(570)	(2.6)	85.3
Asia	805	8.2	608	6.7	(197)	(1.5)	75.5
Others	1,431	14.5	1,366	15.1	(65)	0.6	95.4
Total	9,887	100.0	9,038	100.0	(849)	—	91.4

[Japan]

In printers, although sales of printers for the sign market increased, sales of UV printers for the retail market and for the sign market were sluggish. 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 1,173 million yen, or 97.1% of the same period of the previous fiscal year.

[North America]

In printers, sales were strong for the TrueVIS series printers for the sign market launched in the previous term, in addition to higher sales in UV printers for the retail market and for the sign market. In 3D products, sales of 3D milling machines in the 3D digital fabrication market were sluggish. In the dental market, sales increased significantly primarily for the DWX-52DCi dental milling machine which features high productivity, owing to our exhibit at the digital tradeshow “LMT Chicago” held in Chicago in February and sales promotions such as replacement promotions for existing customers.

As a result, net sales in North America were 2,581 million yen, or 100.7% of the same period of the previous fiscal year.

[Europe]

In 3D products, although sales of dental milling machines in the dental market were sluggish mainly in developed countries, sales in Eastern Europe and Russia increased due to development of sales networks. In printers, sales of printers for the sign market along with sales of eco-solvent ink for the sign market decreased, owing to impact of restrictions on operating activities caused by the spread of COVID-19 beginning in February.

As a result, along with the effects of the appreciated yen against the euro, net sales in Europe were 3,309 million yen, or 85.3% of the same period of the previous fiscal year.

[Asia]

In China, although sales of supplies increased, sales of 3D products decreased significantly under the influence of a decrease in demand in the dental market due to the spread of COVID-19 beginning in January. In South Korea, sales of supplies and service parts increased. In the ASEAN region, although sales of 3D milling machines and dental milling machines increased, sales of service parts decreased significantly.

As a result, net sales in Asia were 608 million yen, or 75.5% of the same period of the previous fiscal year.

[Other Regions]

In other regions, although sales of dental milling machines increased, sales of printers decreased in Australia. In Brazil, sales of printers and 3D products decreased. In the Middle East region, sales of printers for the sign market increased mainly in low-priced models.

As a result, net sales in these regions were 1,366 million yen, or 95.4% of the same period of the previous fiscal year.

(2) Explanation of Financial Position

[Assets]

Total assets as of the end of the first quarter decreased by 1,796 million yen compared with end-of-term consolidated totals last year to a total of 36,650 million yen (95.3% of year-end consolidated totals last term). With regard to current assets, while cash and deposits and notes and accounts receivable – trade decreased by 1,499 million yen and 631 million yen, respectively, inventories increased by 593 million yen. In non-current assets, leased asset-use rights decreased by 163 million yen and software decreased by 66 million yen due to amortization and other factors.

[Liabilities]

Liabilities as of the end of the first quarter decreased by 1,180 million yen to a total of 12,218 million yen (91.2% of year-end consolidated totals last term). With regard to current liabilities, while provision for bonuses increased 231 million yen, income taxes payable and other current liabilities including accounts payable – other decreased by 131 million yen and 642 million yen, respectively. In non-current liabilities, long-term borrowings and long-term lease obligations decreased by 360 million yen and 109 million yen, respectively.

[Net assets]

Net assets as of the end of the first quarter decreased by 615 million yen to a total of 24,431 million yen (97.5% of year-end consolidated totals last term). Compared with the end of the previous fiscal year, retained earnings decreased 224 million yen mainly due to cash dividends paid and foreign currency translation adjustment decreased by 398 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 February 14, 2020. The details have been separately disclosed today in the “Notice of Revisions of Financial Results Forecasts and Revision of Dividend Forecasts.”

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousands of Yen)

	As of December 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	11,215,141	9,715,843
Notes and accounts receivable - trade	4,947,348	4,315,620
Merchandise and finished goods	6,990,972	7,368,544
Work in process	106,323	68,120
Raw materials and supplies	2,556,894	2,811,173
Other	1,863,482	1,933,586
Allowance for doubtful accounts	(74,349)	(74,618)
Total current assets	27,605,812	26,138,270
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,166,986	7,097,996
Accumulated depreciation	(4,663,264)	(4,683,416)
Buildings and structures, net	2,503,721	2,414,579
Machinery, equipment and vehicles	939,962	908,337
Accumulated depreciation	(679,033)	(663,885)
Machinery, equipment and vehicles, net	260,928	244,452
Tools, furniture and fixtures	3,714,895	3,790,470
Accumulated depreciation	(3,004,073)	(3,067,953)
Tools, furniture and fixtures, net	710,822	722,517
Land	3,146,062	3,115,736
Leased asset-use rights	800,543	636,940
Construction in progress	18,150	20,967
Total property, plant and equipment	7,440,228	7,155,194
Intangible assets		
Goodwill	189,176	166,104
Software	757,334	691,253
Telephone subscription right	7,938	7,867
Total intangible assets	954,449	865,225
Investments and other assets		
Investment securities	19,265	10,900
Deferred tax assets	1,631,750	1,708,496
Other	794,952	772,141
Total investments and other assets	2,445,968	2,491,538
Total non-current assets	10,840,646	10,511,957
Total assets	38,446,459	36,650,228

(Thousands of Yen)

	As of December 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,014,844	2,009,352
Current portion of long-term borrowings	1,440,000	1,440,000
Lease obligations	318,829	295,516
Income taxes payable	385,443	254,396
Provision for bonuses	605,405	836,835
Provision for bonuses for directors (and other officers)	44,000	—
Provision for product warranties	490,372	492,160
Other	3,725,075	3,082,424
Total current liabilities	9,023,971	8,410,685
Non-current liabilities		
Long-term borrowings	1,440,000	1,080,000
Lease obligations	488,906	378,988
Provision for employee stock ownership plan trust	153,264	140,317
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	4,192
Retirement benefit liability	827,991	822,007
Long-term accounts payable - other	43,512	43,222
Other	1,236,536	1,175,630
Total non-current liabilities	4,374,897	3,807,732
Total liabilities	13,398,868	12,218,417
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	18,973,555
Treasury shares	(593,773)	(593,773)
Total shareholders' equity	25,973,293	25,749,090
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,983)	(3,858)
Foreign currency translation adjustment	(705,787)	(1,104,661)
Remeasurements of defined benefit plans	(218,039)	(208,860)
Total accumulated other comprehensive income	(925,810)	(1,317,380)
Non-controlling interests	108	100
Total net assets	25,047,590	24,431,810
Total liabilities and net assets	38,446,459	36,650,228

(2) Consolidated Statements of Operations and Comprehensive Income
 Consolidated Statements of Operations
 (For the three months ended March 31, 2019 and March 31, 2020)

	(Thousands of Yen)	
	For the three months ended March 31, 2019 (From January 1, 2019 to March 31, 2019)	For the three months ended March 31, 2020 (From January 1, 2020 to March 31, 2020)
Net sales	9,887,926	9,038,256
Cost of sales	5,429,633	5,267,039
Gross profit	4,458,292	3,771,217
Selling, general and administrative expenses		
Transportation and storage costs	226,412	223,742
Advertising and promotion expenses	300,331	228,629
Provision of allowance for doubtful accounts	5,117	3,419
Provision for product warranties	—	23,068
Salaries and bonuses	1,712,128	1,585,875
Provision for bonuses	148,290	159,757
Provision for bonuses for directors (and other officers)	14,250	—
Provision for share-based remuneration for directors (and other officers)	7,188	—
Retirement benefit expenses	75,321	82,494
Travel and transportation expenses	155,016	105,470
Depreciation	231,025	219,552
Commission expenses	275,655	313,302
Other	487,140	501,513
Total selling, general and administrative expenses	3,637,876	3,446,825
Operating profit	820,416	324,391
Non-operating income		
Interest income	4,447	2,818
Dividend income	—	12,530
Gain on valuation of investments in money held in trust	38,817	—
Other	14,384	9,852
Total non-operating income	57,649	25,200
Non-operating expenses		
Interest expenses	10,362	8,048
Sales discounts	34,823	25,318
Loss on valuation of investments in money held in trust	—	54,424
Foreign exchange losses	36,661	123,992
Other	1,655	1,009
Total non-operating expenses	83,502	212,793
Ordinary profit	794,562	136,799

(Thousands of Yen)

	For the three months ended March 31, 2019 (From January 1, 2019 to March 31, 2019)	For the three months ended March 31, 2020 (From January 1, 2020 to March 31, 2020)
Extraordinary income		
Gain on sales of non-current assets	3,476	2,745
Total extraordinary income	3,476	2,745
Extraordinary losses		
Loss on sales and retirement of non-current assets	3,136	1,727
Loss on sales of investment securities	—	2,276
Total extraordinary losses	3,136	4,004
Profit before income taxes	794,902	135,541
Income taxes - current	267,986	138,607
Income taxes - deferred	(60,557)	(95,272)
Total income taxes	207,428	43,335
Profit	587,473	92,205
Profit attributable to non-controlling interests	3	7
Profit attributable to owners of parent	587,470	92,198

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	For the three months ended March 31, 2019 (From January 1, 2019 to March 31, 2019)	For the three months ended March 31, 2020 (From January 1, 2020 to March 31, 2020)
Profit	587,473	92,205
Other comprehensive income		
Valuation difference on available-for-sale securities	(888)	(1,874)
Foreign currency translation adjustment	(28,157)	(398,887)
Remeasurements of defined benefit plans, net of tax	14,621	9,178
Total other comprehensive income	(14,424)	(391,584)
Comprehensive income	573,049	(299,378)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	573,042	(299,371)
Comprehensive income attributable to non-controlling interests	6	(7)

(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)

(Commitment Line Agreement)

The Group had entered into commitment line agreements for 5.0 billion yen with its main counterparty financial institutions to ensure liquidity during emergencies such as natural disasters. However, at a Board of Directors Meeting held on May 11, 2020, a resolution was passed to newly establish a credit line for 10.0 billion yen in preparation for the impact on business due to the spread of COVID-19.