

Consolidated Financial Results for the Nine Months Ended September 30, 2020 [Japanese GAAP]



November 10, 2020

Company name: Roland DG Corporation

Securities Code: 6789

URL: www.rolanddg.com

Stock exchange listing: Tokyo Stock Exchange

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Scheduled date of commencing dividend payments: –

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

Schedule of quarterly consolidated financial results briefing session: Not scheduled

(Figures are rounded down to the nearest million yen)

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

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Nine months ended September 30, 2020	24,962	(16.5)	(342)	–	(442)	–	(789)	–
Nine months ended September 30, 2019	29,885	(4.2)	2,316	(18.6)	2,189	(19.1)	1,648	(10.1)

(Note) Comprehensive income: Nine months ended September 30, 2020: (1,054) million yen [–%]
 Nine months ended September 30, 2019: 1,312 million yen [(21.9)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2020	(63.38)	–
Nine months ended September 30, 2019	131.63	–

(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, 2020	34,843	23,623	67.8	1,901.24
As of December 31, 2019	38,446	25,047	65.1	2,005.60

(Reference) Equity: As of September 30, 2020: 23,623 million yen
 As of December 31, 2019: 25,047 million yen

2. Dividends

	Annual dividends				
	1st quarter end	2nd quarter end	3rd quarter end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2019	—	25.00	—	25.00	50.00
Fiscal year ending December 31, 2020	—	0.00	—		
Fiscal year ending December 31, 2020 (Forecast)				—	—

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

A year-end dividend for the fiscal year ending December 31, 2020 has not yet been determined.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2020 (From January 1, 2020 to December 31, 2020) (% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full year	34,300	(15.9)	300	(89.3)	170	(93.6)	(360)	—	(28.91)

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

* Notes

- (1) Significant changes of subsidiaries during the nine months ended September 30, 2020 (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Adoption of special accounting methods for preparing Quarterly Consolidated Financial Statement: No
- (3) Changes in accounting policies, changes in accounting estimates and corrections of errors
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Any changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Corrections of errors: No

- (4) Total number of issued shares (common shares)

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

Nine months ended September 30, 2020	12,656,311 shares
Fiscal year ended December 31, 2019	12,656,311 shares

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

Nine months ended September 30, 2020	230,957 shares
Fiscal year ended December 31, 2019	167,557 shares

- 3) Average number of shares during the period:

Nine months ended September 30, 2020	12,459,443 shares
Nine months ended September 30, 2019	12,524,605 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 (230,700 shares at the end of the nine months ended September 30, 2020 and 167,300 shares at the end of the fiscal year ended December 31, 2019). The number of treasury shares excluded from calculation of the average number of shares during the period includes shares of the Company held by said Trusts (196,611 shares at the end of the nine months ended September 30, 2020 and 131,511 shares at the end of the nine months ended September 30, 2019).

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

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

Financial results forecast was prepared based on available information at the time of the release of this document, and the Company does not in any way guarantee the achievement of the projections. Actual results may be different from the projections due to various factors. For the notes concerning the use of financial results forecast, please refer to “Explanation of Future Forecast Information such as Consolidated Performance Forecast” on page 9.

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1. Results of Operations

(1) Analysis of Results of Operations

During the nine months ended September 30, 2020 (from January 1, 2020 to September 30, 2020), although the world economy faced an extremely difficult situation due to the spread of COVID-19, economic activities resumed gradually, and movements toward recovery were seen. However, the timing of a return to normal is still uncertain, and the situation remains highly unpredictable.

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.

During the nine months ended September 30, 2020, owing to restrictions on economic activities due to the spread of COVID-19, the Company took alternative methods utilizing the Internet, including the dissemination of information using SNS, websites and webinars, as well as by providing remote service support utilizing AR (Augmented Reality) technology. After the lifting of lockdowns and states of emergency in various countries, the Company worked to strengthen online sales promotions and service support.

As a result of these initiatives, due to the decrease in sales of printers and inks for the sign market and a reduction in sales of dental milling machines as well as the negative impact of a stronger yen, net sales for the nine months ended September 30, 2020 decreased by 16.5% compared with the same period of the previous term to 24,962 million yen. The ratio of cost of sales rose by 7.7 percentage points compared with the same period of the previous term due to a decrease in net sales and the effect of production adjustments, and selling, general and administrative expenses decreased from the same period of the previous term, mainly due to lower personnel expenses and advertising and promotion expenses as a result of cost control, but its ratio against net sales rose by 1.4 percentage points from the same period of the previous term. As a result, operating loss stood at 342 million yen, ordinary loss amounted to 442 million yen, and loss attributable to owners of parent was 789 million yen.

The exchange rates for major currencies during the nine months ended September 30, 2020 (average rate during the period from January 2020 to September 2020) were 107.61 yen to the U.S. dollar (109.16 yen for the same period of the previous term) and 120.95 yen to the euro (122.69 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	Nine months ended September 30, 2019		Nine months ended September 30, 2020		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Printers	9,545	31.9	7,209	28.9	(2,335)	(3.0)	75.5
Plotters	820	2.8	736	2.9	(84)	0.1	89.8
3D products	4,027	13.5	3,183	12.7	(843)	(0.8)	79.0
Supplies	10,016	33.5	8,876	35.6	(1,139)	2.1	88.6
Others	5,476	18.3	4,956	19.9	(520)	1.6	90.5
Total	29,885	100.0	24,962	100.0	(4,922)	—	83.5

[Printers]

Although face-to-face sales activities were restricted due to COVID-19, we made efforts to maintain our customer base by continuing non-face-to-face communication. These efforts included online study sessions and service trainings on new products for distributors, and the dissemination of information to customers. In March 2020, we launched the VersaUV LEF2-300D small UV printer for small-scale plants engaging in creating original products such as novelties. It has the ability to print value-added graphics and textures onto a vast array of materials on demand. In June, we launched the VF2-640, a print-only model to expand the product lineup of the TrueVIS series, mainstay printer models for the sign market, and Green Ink, a new, series-exclusive ink color aimed at increasing expressiveness.

In the sign market, despite the cancelation or postponement of events and a rapid decline in output demand for indoor and outdoor advertising in the midst of the COVID-19 pandemic, demand increased for the production of items such as stickers for measures to prevent COVID-19 infection and floor signs promoting social distancing, which utilize our strengths in print & cut functions and on-demand printing. This new demand supported sales. Output demand is on the path to recovery owing to the resumption of economic activities. In the retail market, demand for novelties and gifts has been slow to recover even after the resumption of economic activities, and sales of UV printers for the retail market have decreased significantly compared to the same period of the previous fiscal year.

As a result of these factors, printer sales were 7,209 million yen in the nine months ended September 30, 2020, or 75.5% of the same period of the previous fiscal year.

[Plotters]

Despite an increase in sales of STIKA series cutting machines, which enable the simple creation of cutting stickers at low prices in offices and stores, as sales of large format cutters for the sign market decreased, plotter sales were 736 million yen, or 89.8% 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, a wholly-owned subsidiary 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. Although face-to-face sales activities were restricted due to COVID-19, we made efforts to maintain our customer base by continuing non-face-to-face communication. These efforts included online study sessions and service trainings on new products for distributors, and the dissemination of information to customers. In the 3D digital fabrication market, sales of 3D milling machines and engravers

decreased due to declining demand for capital investment by customers. In the dental market, sales decreased significantly as a result of restricted dental clinic operations in the midst of the COVID-19 pandemic. In areas where infection continues to spread even after the lifting of lockdowns and states of emergency, some clinics are operating at a low capacity due to measures such as limiting the number of patients in order to prevent infection, but demand is recovering due to business resumption.

As a result of these factors, sales of 3D products were 3,183 million yen, or 79.0% of the same period of the previous fiscal year.

[Supplies]

Sales of printer ink were sluggish, owing to a downturn in capacity utilization rate of customers caused by factors such as the cancellation or postponement of events due to COVID-19. Although the capacity utilization rate of customers is recovering due to the resumption of economic activities and sales of printer ink are also on the path to recovery, sales of supplies were lower than the same period of the previous fiscal year.

As a result, sales of supplies were 8,876 million yen, or 88.6% of the same period of the previous fiscal year.

[Others]

Maintenance services and maintenance sales increased owing to enhanced customer support, including remote service support. However, sales of service parts decreased due to a decline in product utilization rate caused by the impact from COVID-19.

As a result, other sales were 4,956 million yen, or 90.5% 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, 2019		Nine months ended September 30, 2020		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Japan	3,610	12.1	3,058	12.2	(552)	0.1	84.7
North America	8,422	28.2	7,830	31.4	(591)	3.2	93.0
Europe	11,102	37.2	9,100	36.5	(2,001)	(0.7)	82.0
Asia	2,402	8.0	1,654	6.6	(748)	(1.4)	68.9
Others	4,347	14.5	3,319	13.3	(1,028)	(1.2)	76.3
Total	29,885	100.0	24,962	100.0	(4,922)	—	83.5

[Japan]

In printers, sales of printers mainly for the sign market and the retail market decreased. In addition, sales of supplies decreased, mainly inks, due to the cancellation of various events caused by the impact from COVID-19 and a rapid downturn in output demand. In 3D products, owing to a decline in capital investment, 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 3,058 million yen, or 84.7% of the same period of the previous fiscal year.

[North America]

In 3D products, sales of 3D milling machines in the 3D digital fabrication market were sluggish. In the dental market, sales during the second quarter of the fiscal year (April to June) decreased significantly from the same

period of the previous fiscal year as the result of restricted sales activities of dental clinics due to the spread of COVID-19. However, sales of dental milling machines exceeded those for the same period of the previous fiscal year as a result of our exhibit at the digital industry tradeshow “LMT Chicago” in February and proactive sales promotions such as replacement promotions, in addition to the concentration of resources on non-face-to-face sales activities utilizing the Internet even after the resumption of economic activities. In printers, sales of the TrueVIS series, mainstay printer models for the sign market, were about the same as those for the same period of the previous fiscal year. In addition, sales of the BN-20 desktop inkjet printer equipped with the print & cut function enabling the on-demand production of original T-shirts and uniforms and the production of small-lot stickers increased significantly owing to growing in-house and small business demand amidst the COVID-19 pandemic. However, sales of ink decreased due to declining output demand by customers in the sign market overall.

As a result, net sales in North America were 7,830 million yen, or 93.0% of the same period of the previous fiscal year.

[Europe]

Economic activities, which had been stagnant due to the spread of COVID-19, have resumed, and capacity utilization is recovering. However, during the second quarter of the fiscal year (April to June), the impact from the spread of COVID-19 was significant and sales in Italy and Spain, which account for a high ratio of sales in the region, were sluggish, resulting in a drop in sales from the same period of the previous fiscal year. In printers, sales of printers for the sign market and eco-solvent ink decreased. In 3D products, sales in the 3D digital fabrication market and the dental market were sluggish, owing to a decrease in motivation for capital investment.

As a result, net sales in Europe were 9,100 million yen, or 82.0% of the same period of the previous fiscal year.

[Asia]

Sales decreased since early February, mainly in China, and also in surrounding areas such as South Korea, Taiwan, and the ASEAN region, due to the major impact from the spread of COVID-19. In China, sales of printers and service parts mainly for the sign market declined. In South Korea, where economic stagnation due to the impact from COVID-19 continues, sales of printers for the sign market and dental milling machines decreased. In the ASEAN region, sales primarily of service parts fell

As a result, net sales in Asia were 1,654 million yen, or 68.9% of the same period of the previous fiscal year.

[Other Regions]

In Australia, although sales of dental milling machines and service parts remained about the same as those for the same period of the previous fiscal year, sales of printers for the sign market dropped sharply. In Central and South America, including Brazil, where the impact from the spread of COVID-19 continues, sales of printers and supplies decreased, due to a slump in output demand caused by stagnant economic activities. In the Africa region, sales decreased in printers for the sign market.

As a result, net sales in these regions were 3,319 million yen, or 76.3% 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 decreased by 3,602 million yen compared with end-of-term consolidated totals last year to a total of 34,843 million yen (90.6% of year-end consolidated totals last term). With regard to current assets, while notes and accounts receivable – trade, and inventories decreased by 870 million yen and 2,179 million yen, respectively, cash and deposits increased by 615 million yen. In non-current assets, while leased assets-use rights and deferred tax assets decreased by 138 million yen and 190 million yen, respectively, buildings and structures as well as software decreased by 129 million yen and 138 million yen, respectively, due to amortization and other factors.

[Liabilities]

Liabilities as of the end of the third quarter decreased by 2,178 million yen to a total of 11,220 million yen (83.7% of year-end consolidated totals last term). With regard to current liabilities, while notes and accounts payable – trade, incomes taxes payable, and other current liabilities including accounts payable – other decreased by 318 million yen, 255 million yen and 395 million yen, respectively, provision for bonuses increased by 122 million yen. In non-current liabilities, long-term borrowings decreased by 1,080 million yen.

[Net assets]

Net assets as of the end of the third quarter decreased by 1,423 million yen to a total of 23,623 million yen (94.3% of year-end consolidated totals last term). Compared with the end of the previous fiscal year, retained earnings decreased by 1,106 million yen mainly due to the performance of this period, and foreign currency translation adjustment decreased by 294 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 August 7, 2020. For details, please refer to “Notice of Revisions of Financial Result Forecasts and Dividend Forecasts” announced on November 10, 2020.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousands of Yen)

	As of December 31, 2019	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	11,215,141	11,830,498
Notes and accounts receivable - trade	4,947,348	4,076,836
Merchandise and finished goods	6,990,972	4,964,869
Work in process	106,323	43,645
Raw materials and supplies	2,556,894	2,466,104
Other	1,863,482	1,407,203
Allowance for doubtful accounts	(74,349)	(77,993)
Total current assets	27,605,812	24,711,164
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,166,986	7,178,916
Accumulated depreciation	(4,663,264)	(4,805,019)
Buildings and structures, net	2,503,721	2,373,896
Machinery, equipment and vehicles	939,962	922,540
Accumulated depreciation	(679,033)	(668,156)
Machinery, equipment and vehicles, net	260,928	254,383
Tools, furniture and fixtures	3,714,895	3,840,102
Accumulated depreciation	(3,004,073)	(3,140,293)
Tools, furniture and fixtures, net	710,822	699,808
Land	3,146,062	3,116,444
Leased asset-use rights	800,543	662,262
Construction in progress	18,150	21,521
Total property, plant and equipment	7,440,228	7,128,317
Intangible assets		
Goodwill	189,176	134,141
Software	757,334	618,725
Telephone subscription right	7,938	7,928
Total intangible assets	954,449	760,795
Investments and other assets		
Investment securities	19,265	3,776
Deferred tax assets	1,631,750	1,441,193
Other	794,952	798,432
Total investments and other assets	2,445,968	2,243,401
Total non-current assets	10,840,646	10,132,515
Total assets	38,446,459	34,843,680

(Thousands of Yen)

	As of December 31, 2019	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,014,844	1,696,371
Current portion of long-term borrowings	1,440,000	1,440,000
Lease obligations	318,829	295,119
Income taxes payable	385,443	130,066
Provision for bonuses	605,405	727,732
Provision for bonuses for directors (and other officers)	44,000	—
Provision for product warranties	490,372	463,514
Other	3,725,075	3,329,581
Total current liabilities	9,023,971	8,082,386
Non-current liabilities		
Long-term borrowings	1,440,000	360,000
Lease obligations	488,906	399,890
Provision for employee stock ownership plan trust	153,264	138,246
Provision for share-based remuneration for directors (and other officers)	180,377	163,198
Provision for loss on dissolution of employees' pension fund	4,307	—
Retirement benefit liability	827,991	807,853
Long-term accounts payable - other	43,512	42,011
Other	1,236,536	1,226,463
Total non-current liabilities	4,374,897	3,137,663
Total liabilities	13,398,868	11,220,050
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	18,091,645
Treasury shares	(593,773)	(646,861)
Total shareholders' equity	25,973,293	24,814,092
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,983)	(269)
Foreign currency translation adjustment	(705,787)	(999,795)
Remeasurements of defined benefit plans	(218,039)	(190,504)
Total accumulated other comprehensive income	(925,810)	(1,190,569)
Non-controlling interests	108	106
Total net assets	25,047,590	23,623,630
Total liabilities and net assets	38,446,459	34,843,680

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

(Thousands of Yen)

	For the nine months ended September 30, 2019 (From January 1, 2019 to September 30, 2019)	For the nine months ended September 30, 2020 (From January 1, 2020 to September 30, 2020)
Net sales	29,885,414	24,962,767
Cost of sales	16,730,792	15,894,408
Gross profit	13,154,621	9,068,359
Selling, general and administrative expenses		
Transportation and storage costs	798,243	589,815
Advertising and promotion expenses	825,621	437,412
Provision of allowance for doubtful accounts	6,849	8,638
Provision for product warranties	54,740	16,265
Salaries and bonuses	5,035,205	4,836,783
Provision for bonuses	494,570	438,355
Provision for bonuses for directors (and other officers)	42,750	—
Provision for employee stock ownership plan trust	28,868	—
Provision for share-based remuneration for directors (and other officers)	28,278	—
Retirement benefit expenses	223,275	196,786
Travel and transportation expenses	424,017	153,244
Depreciation	685,017	627,002
Commission expenses	859,943	863,526
Other	1,330,901	1,243,039
Total selling, general and administrative expenses	10,838,283	9,410,870
Operating profit (loss)	2,316,338	(342,511)
Non-operating income		
Interest income	12,696	7,232
Dividend income	337	12,803
Gain on valuation of investments in money held in trust	54,761	6,550
Subsidy income	4,213	90,425
Other	50,928	67,024
Total non-operating income	122,937	184,035
Non-operating expenses		
Interest expenses	32,900	19,385
Sales discounts	93,490	60,167
Foreign exchange losses	120,788	185,378
Other	2,709	19,345
Total non-operating expenses	249,889	284,276
Ordinary profit (loss)	2,189,386	(442,752)

(Thousands of Yen)

	For the nine months ended September 30, 2019 (From January 1, 2019 to September 30, 2019)	For the nine months ended September 30, 2020 (From January 1, 2020 to September 30, 2020)
Extraordinary income		
Gain on sales of non-current assets	9,940	12,341
Total extraordinary income	9,940	12,341
Extraordinary losses		
Loss on sales and retirement of non-current assets	15,894	8,503
Loss on sales of investment securities	—	5,571
Total extraordinary losses	15,894	14,075
Profit (loss) before income taxes	2,183,432	(444,486)
Income taxes - current	746,711	179,468
Income taxes - deferred	(211,934)	165,745
Total income taxes	534,777	345,213
Profit (loss)	1,648,654	(789,699)
Profit attributable to non-controlling interests	11	12
Profit (loss) attributable to owners of parent	1,648,643	(789,711)

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	For the nine months ended September 30, 2019 (From January 1, 2019 to September 30, 2019)	For the nine months ended September 30, 2020 (From January 1, 2020 to September 30, 2020)
Profit (loss)	1,648,654	(789,699)
Other comprehensive income		
Valuation difference on available-for-sale securities	(897)	1,713
Foreign currency translation adjustment	(379,355)	(294,020)
Remeasurements of defined benefit plans, net of tax	43,863	27,534
Total other comprehensive income	(336,390)	(264,772)
Comprehensive income	1,312,264	(1,054,471)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,312,248	(1,054,470)
Comprehensive income attributable to non-controlling interests	16	(1)

(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.