

# Consolidated Financial Results for the Three Months Ended June 30, 2014 [Japanese GAAP]



August 7, 2014

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: August 8, 2014

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 June 30, 2014 (From April 1, 2014 to June 30, 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	%
Three Months ended June 30, 2014	10,634	22.0	1,952	210.7	1,806	165.4	1,216	198.7
Three Months ended June 30, 2013	8,714	12.5	628	889.7	680	2,173.8	407	–

(Note) Comprehensive income: Three months ended June 30, 2014: 946 million yen [(8.4)%]

Three months ended June 30, 2013: 1,032 million yen (93.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three Months ended June 30, 2014	68.33	–
Three Months ended June 30, 2013	22.87	–

## (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, 2014	37,912	31,267	82.5	1,756.64
As of March 31, 2014	38,925	30,676	78.8	1,723.45

(Reference) Equity: As of June 30, 2014: 31,267 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	—				
Fiscal year ending March 31, 2015 (Forecast)		30.00	—	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
First half	22,070	11.8	3,590	42.0	3,460	33.7	2,200	33.7	154.49
Full year	45,870	8.8	6,970	14.1	6,760	8.3	4,300	0.8	301.97

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

Net income per share is calculated based on the content of the “Notice Concerning Results of Public Tender Offer for Treasury Stock and Conclusion of Acquisition,” released on June 12, 2014.

### \* Notes

(1) Significant changes of subsidiaries during the three months ended June 30, 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):

Three months ended June 30, 2014	17,800,000 shares
Fiscal year ended March 31, 2014	17,800,000 shares

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

Three months ended June 30, 2014	460 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):

Three months ended June 30, 2014	17,799,540 shares
Three months ended June 30, 2013	17,799,540 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 3 of the Appendix.

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## 1. Qualitative Information on Financial Results

### (1) Explanation of Results of Operations

In the first quarter of the current term, the world economy showed some positive signs, such as continued recovery trend in the U.S. and an upturn in the employment and earning environment as well as improved corporate appetite for capital investment in Europe although it did not amount to a full-fledged recovery. Moreover, in Asia, while slowdown trend of economic growth persisted mainly in China and India, the economy in Japan sustained a mild recovery trend, thanks to yen depreciation and rising stock prices resulting from the effect of Abenomics.

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 are steadily expanding the scale of production at our Thai plant, our overseas production site that commenced full-scale operations in October 2012, introducing the same “Digital Yatai” (digitally-controlled cell production system) used in production in Japan to ensure high quality while responding to growth in demand.

Under these conditions, regarding sales by product for the first quarter, sales for printers exceeded the same period in the previous fiscal year as sales of the new wide format inkjet printers and UV printers launched in the previous term were robust. In addition, sales of 3D products also increased from the same period of the previous fiscal year as the 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 and Europe were also higher than the same period of the previous fiscal year due in part to the depreciation of the yen in addition to robust sales of new printer products and dental milling machines. In Asia, sales were robust mainly for printers which meet local needs, and sales were significantly higher than the same period of the previous fiscal year.

As a result of the above, sales for the first quarter were up 22.0% over the same period of the previous term to 10,634 million yen. Moreover, despite an increase in selling, general and administrative expenses, the cost to sales ratio improved substantially mainly due to the effect of purchasing cost reductions at overseas subsidiaries accompanying the depreciation of the yen. Consequently, operating income climbed 210.7% compared with the same period of the previous term to 1,952 million yen, ordinary income rose 165.4% compared with the same period of the previous term to 1,806 million yen, and net quarterly income increased 198.7% compared with the same period of the previous term to 1,216 million yen.

Net sales by product

(Millions of Yen)

Product	Three months ended June 30, 2013		Three Months ended June 30, 2014		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Printers	4,011	46.0	4,835	45.5	823	(0.5)	120.5
Plotters	283	3.2	341	3.2	58	0.0	120.6
3D products	650	7.5	854	8.0	204	0.5	131.4
Supplies	2,849	32.7	3,445	32.4	596	(0.3)	120.9
Others	919	10.6	1,157	10.9	237	0.3	125.8
Total	8,714	100.0	10,634	100.0	1,920	-	122.0

(2) Explanation of Financial Position

Total assets as of the end of the first quarter decreased by 1,013 million yen compared with end-of-term consolidated totals last year to a total of 37,912 million yen (97.4% of year-end consolidated totals last term). With regard to current assets, cash and deposits decreased by 1,632 million and notes and accounts receivable – trade decreased by 567 million yen. Meanwhile, in non-current assets, long-term deposits of subsidiaries increased by 991 million yen.

Liabilities as of the end of the first quarter decreased by 1,603 million yen to a total of 6,645 million yen (80.6% of year-end consolidated totals last term). Income taxes payable decreased by 886 million yen and other current liabilities decreased by 595 million yen. Moreover, provision for bonuses decreased by 311 million yen due to the reversal accompanying the payment of bonuses.

Net assets as of the end of the first quarter increased by 590 million yen to a total of 31,267 million yen (101.9% of year-end consolidated totals last term). Despite dividend payouts, retained earnings increased by 860 million yen, along with the business performance for the first quarter. At the same time, the foreign currency translation adjustment decreased by 270 million yen owing mainly to a slight appreciation of the yen in the exchange rate for the major currencies compared with the end of the previous fiscal year.

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

No revisions have been made to the consolidated financial results forecasts for the six months ending September 30, 2014 and 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 June 30, 2014
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	11,611,079	9,978,434
Notes and accounts receivable - trade	4,965,610	4,398,587
Merchandise and finished goods	5,912,900	6,123,571
Work in process	123,161	89,207
Raw materials and supplies	2,364,044	2,483,038
Deferred tax assets	1,317,641	1,148,891
Other	1,444,948	1,456,850
Allowance for doubtful accounts	(30,880)	(38,603)
<b>Total current assets</b>	<b>27,708,505</b>	<b>25,639,978</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	6,485,344	6,486,199
Accumulated depreciation	(3,337,560)	(3,389,364)
Buildings and structures, net	3,147,784	3,096,834
Machinery, equipment and vehicles	923,789	909,723
Accumulated depreciation	(560,776)	(544,841)
Machinery, equipment and vehicles, net	363,013	364,882
Tools, furniture and fixtures	3,026,223	3,053,784
Accumulated depreciation	(2,416,444)	(2,425,570)
Tools, furniture and fixtures, net	609,778	628,213
Land	3,106,733	3,102,221
Construction in progress	12,921	139,165
<b>Total property, plant and equipment</b>	<b>7,240,231</b>	<b>7,331,318</b>
<b>Intangible assets</b>		
Goodwill	2,192,180	2,080,115
Software	781,971	802,937
Telephone subscription right	8,436	8,339
<b>Total intangible assets</b>	<b>2,982,588</b>	<b>2,891,392</b>
<b>Investments and other assets</b>		
Investment securities	64,250	67,990
Deferred tax assets	134,248	116,404
Long-term time deposits	—	991,200
Other	836,825	910,051
Allowance for doubtful accounts	(41,081)	(35,810)
<b>Total investments and other assets</b>	<b>994,242</b>	<b>2,049,836</b>
<b>Total non-current assets</b>	<b>11,217,062</b>	<b>12,272,546</b>
<b>Total assets</b>	<b>38,925,568</b>	<b>37,912,525</b>



(Thousands of Yen)

	As of March 31, 2014	As of June 30, 2014
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	913,050	1,081,072
Short-term loans payable	256,800	301,150
Income taxes payable	1,309,400	422,736
Provision for bonuses	719,204	407,736
Provision for directors' bonuses	100,000	25,000
Provision for product warranties	314,954	288,534
Other	3,417,757	2,822,524
Total current liabilities	7,031,167	5,348,754
Non-current liabilities		
Net defined benefit liability	240,790	237,461
Long-term accounts payable - other	138,775	134,662
Other	838,178	924,335
Total non-current liabilities	1,217,744	1,296,459
Total liabilities	8,248,911	6,645,213
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,668,700	3,668,700
Capital surplus	3,700,603	3,700,603
Retained earnings	23,107,571	23,967,801
Treasury shares	(698)	(698)
Total shareholders' equity	30,476,176	31,336,406
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,358	8,699
Foreign currency translation adjustment	194,573	(75,903)
Remeasurements of defined benefit plans	(499)	(1,939)
Total accumulated other comprehensive income	200,433	(69,143)
Minority interests	47	49
Total net assets	30,676,656	31,267,311
Total liabilities and net assets	38,925,568	37,912,525

(2) Consolidated Statements of Operations and Comprehensive Income  
Consolidated Statements of Operations  
(For the three months ended June 30, 2013 and June 30, 2014)

(Thousands of Yen)

	For the three months ended June 30, 2013 (From April 1, 2013 to June 30, 2013)	For the three months ended June 30, 2014 (From April 1, 2014 to June 30, 2014)
Net sales	8,714,585	10,634,684
Cost of sales	4,863,095	4,903,991
Gross profit	3,851,489	5,730,692
Selling, general and administrative expenses		
Transportation and warehousing expenses	188,378	205,438
Advertising and promotion expenses	172,513	240,247
Provision of allowance for doubtful accounts	3,773	3,678
Provision for product warranties	52,619	22,528
Salaries and bonuses	1,443,031	1,596,418
Provision for bonuses	163,203	225,066
Provision for directors' bonuses	25,000	25,000
Retirement benefit expenses	71,448	72,210
Traveling and transportation expenses	159,282	187,314
Depreciation	222,284	237,437
Commission fee	262,154	411,960
Other	459,212	550,584
Total selling, general and administrative expenses	3,222,901	3,777,883
Operating income	628,587	1,952,808
Non-operating income		
Interest income	7,138	18,948
Dividend income	120	150
Foreign exchange gains	51,407	—
Other	31,232	49,356
Total non-operating income	89,898	68,454
Non-operating expenses		
Interest expenses	338	6,175
Sales discounts	36,815	53,240
Foreign exchange losses	—	67,684
Commission for purchase of treasury shares	—	81,983
Other	679	5,603
Total non-operating expenses	37,833	214,688
Ordinary income	680,652	1,806,575
Extraordinary income		
Gain on sales of non-current assets	1,173	3,477
Total extraordinary income	1,173	3,477
Extraordinary losses		
Loss on sales and retirement of non-current assets	1,400	2,296
Total extraordinary losses	1,400	2,296
Income before income taxes and minority interests	680,425	1,807,756
Income taxes - current	309,414	412,972
Income taxes - deferred	(36,112)	178,560
Total income taxes	273,301	591,533
Income before minority interests	407,124	1,216,223
Minority interests in income	0	2
Net income	407,124	1,216,221

## (Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	For the three months ended June 30, 2013 (From April 1, 2013 to June 30, 2013)	For the three months ended June 30, 2014 (From April 1, 2014 to June 30, 2014)
Income before minority interests	407,124	1,216,223
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,120)	2,340
Foreign currency translation adjustment	626,889	(270,478)
Remeasurements of defined benefit plans, net of tax	—	(1,440)
Total other comprehensive income	625,769	(269,577)
Comprehensive income	1,032,894	946,645
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,032,889	946,644
Comprehensive income attributable to minority interests	4	1

(3) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes in Case of Significant Changes in Shareholder's Equity)

Not applicable.

(Significant Subsequent Events)

(Acquisition of Treasury Stock, Public Tender Offer for Treasury Stock and Change in Parent Company)

At the meeting of the Board of Directors held on May 14, 2014, the Company resolved to acquire treasury stock and to conduct a public tender offer as a specific method for such acquisition based on Article 156, Paragraph 1 of the Companies Act applied by replacing certain terms pursuant to Article 165, Paragraph 3 of the said Act, and the Articles of Incorporation of the Company, whereby the acquisition of treasury stock was executed.

1. Purpose of the tender offer

The Company considers it essential to build a growth strategy that focuses more on the perspective of increasing the Company's individual corporate value that is not influenced by the management strategy of the parent company. Moreover, the Company has judged that acquisition of its common shares as treasury stock will contribute to the improvement of earnings per share (EPS) as well as capital efficiency such as return on equity (ROE), thereby generating returns to shareholders. The public tender offer was judged to be appropriate as the specific method for acquiring treasury stock as a result of full consideration from the perspective of equality among shareholders and transparency of the transaction.

2. Details of resolution at the meeting of the Board of Directors concerning acquisition of treasury stock

- (1) Type of shares to be acquired: Common stock
- (2) Total number of shares to be acquired: 3,916,100 shares (upper limit)
- (3) Total acquisition price: 12,562,848,800 yen (upper limit)
- (4) Period of acquisition: From May 15, 2014 to July 31, 2014

3. Overview of public tender offer for treasury stock

- (1) Period of tender offer: From May 15, 2014 to June 11, 2014
- (2) Price of tender offer: 3,208 yen per share of common stock
- (3) Projected number of shares to be purchased: 3,916,000 shares

4. Results of the tender offer

- (1) Number of shares tendered: 3,560,000 shares
- (2) Number of shares purchased: 3,560,000 shares

5. Results of acquisition of treasury stock

- (1) Type of shares acquired: Common stock
- (2) Total number of shares acquired: 3,560,000 shares
- (3) Total acquisition price: 11,420,480,000 yen
- (4) Date of acquisition: July 3, 2014

6. Change in parent company

Roland Corporation, which was the parent company of the Company, held 7,120,000 shares of the Company's common stock (40.0% of the Company's total issued shares as of May 14, 2014). However, as the Company acquired 3,560,000 shares (20.0% of the Company's total issued shares as of May 14, 2014), a portion of the shares of the Company held by Roland Corporation, on July 3, 2014, Roland Corporation has ceased to be a parent company of the Company.

(Borrowing of Funds)

The Company concluded a current account overdraft agreement with a financial institution on June 27, 2014 and borrowed funds as outlined below on July 1, 2014 to fund the acquisition of treasury stock.

1. Lender:	Resona Bank, Limited
2. Form of loan:	Current account overdraft agreement
3. Overdraft limit:	11,500,000,000 yen
4. Period of agreement:	June 27, 2014 to December 30, 2014
5. Interest rate:	Japanese yen 1-month TIBOR + spread
6. Loan amount:	11,420,480,000 yen
7. Date of loan execution:	July 1, 2014
8. Assets offered as collateral:	Not applicable
9. Details of guarantee:	Not applicable

On July 31, 2014, the Company repaid 3,320,480,000 yen of the above loan amount.