

Consolidated Financial Results for the Six Months Ended June 30, 2017

August 2017

Consolidated Financial Results for the Six Months Ended June 30, 2017

Financial Results for the Six Months – Highlights

❖ **Operating profit and net sales declined YoY.**

- Continued headwinds from signage market competition, leading to a decline in printer sales.
 - Settled the patent litigation and recorded a settlement fee of ¥1.38 billion as an extraordinary loss.
 - Results came in line with the forecast revised in 5/9.
-

❖ **Actions for accelerating growth and improving profitability.**

- “DGSHAPE”, a newly established subsidiary, has launched operations.
- New products are contributing to the tailwinds in the dental and 3D products.
- R&D initiatives continue to fuel future growth.
- Reductions in COGS and SG&A to improve profitability and capital reallocation.

Consolidated Financial Results for Q2 FY2016

(Yen: million)

		2Q 2016		2Q 2017			YoY		
		Actual	% of Net Sales	5/9 Revised Forecast	% of Net Sales	Actual	% of Net Sales	Amount	%
Net Sales		22,770	100.0%	21,400	100.0%	21,411	100.0%	-1,359	94.0%
Gross Profit		10,870	47.7%	9,400	43.9%	9,345	43.6%	-1,525	86.0%
SG&A		8,202	36.0%	8,000	37.4%	7,975	37.2%	-226	97.2%
Operating Profit		2,668	11.7%	1,300	6.1%	1,369	6.4%	-1,298	51.3%
Ordinary Profit		2,385	10.5%	1,200	5.6%	1,361	6.4%	-1,023	57.1%
Net Profit		1,562	6.9%	-100	-0.5%	-32	-0.2%	-1,594	-
EPS (Yen)		114.33		-7.99		-2.57			
FX Rate (Yen)	USD	111.86		110.00		112.38			
	EUR	124.70		120.00		121.67			

(Yen: million)

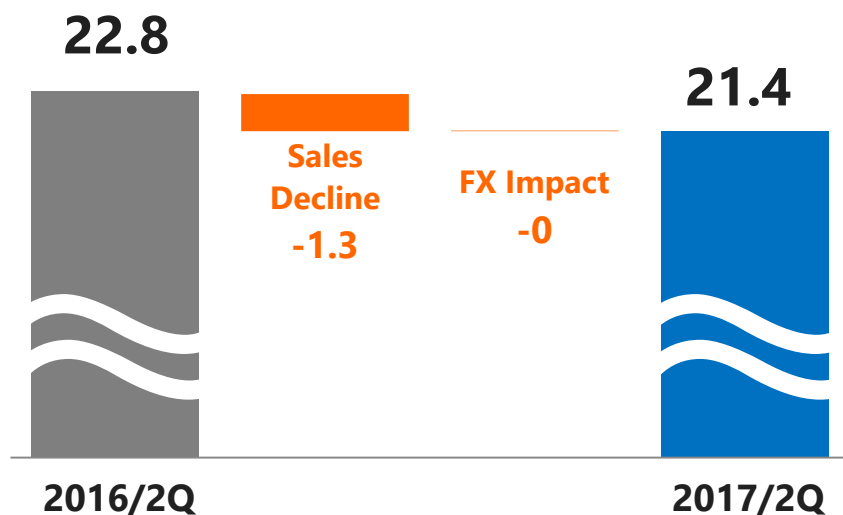
FX Impact	Net Sales	-38
	Operating Profit	-11

※ Net profit is net profit attributable to parent company shareholders

Variance Analysis Year over Year

(Yen: billion)

Net Sales

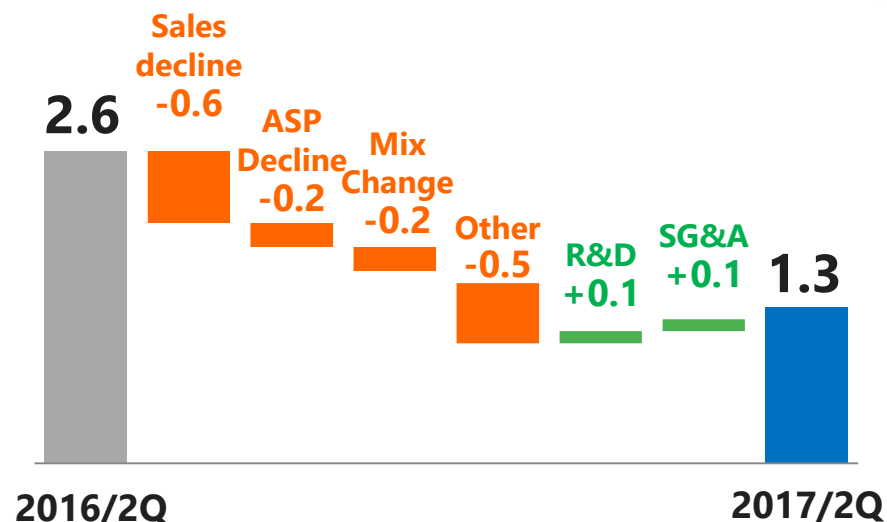


- Net sales declined by ¥1.3 billion.
- FX impact is minimal.

Average exchange rate during the accounting period

(Unit : Yen)	2016/2Q	2017/2Q	
USD	111.86	112.38	100.5%
EUR	124.70	121.67	97.6%

Operating Profit

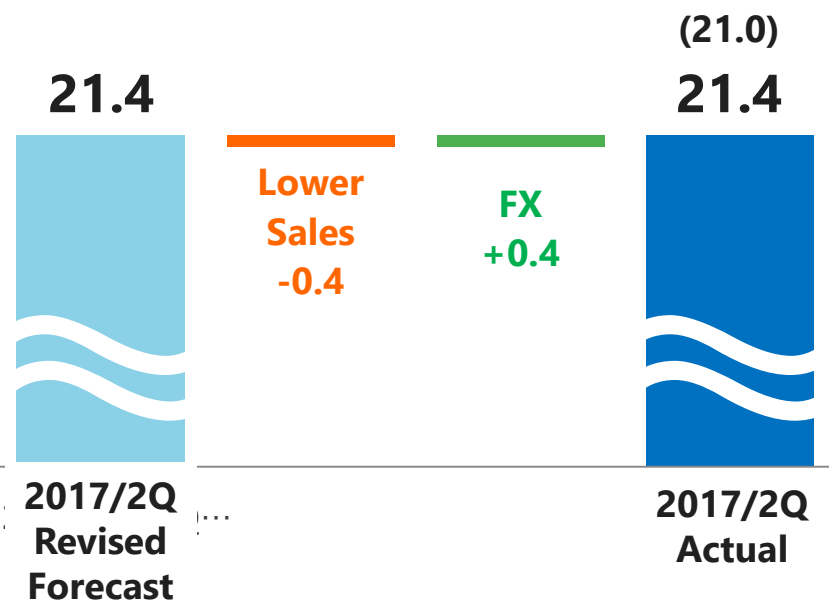


- Operating profit declined by ¥1.3 billion.
- Sales decline impact: -¥0.6 billion.
- ASP & Mix change impact: -¥0.4 billion.
- Other impact: -¥0.5 billion.
- Reduced R&D•SG&A: +¥0.2 billion.

Variance Analysis against the Forecast

(Yen: billion)

Net Sales

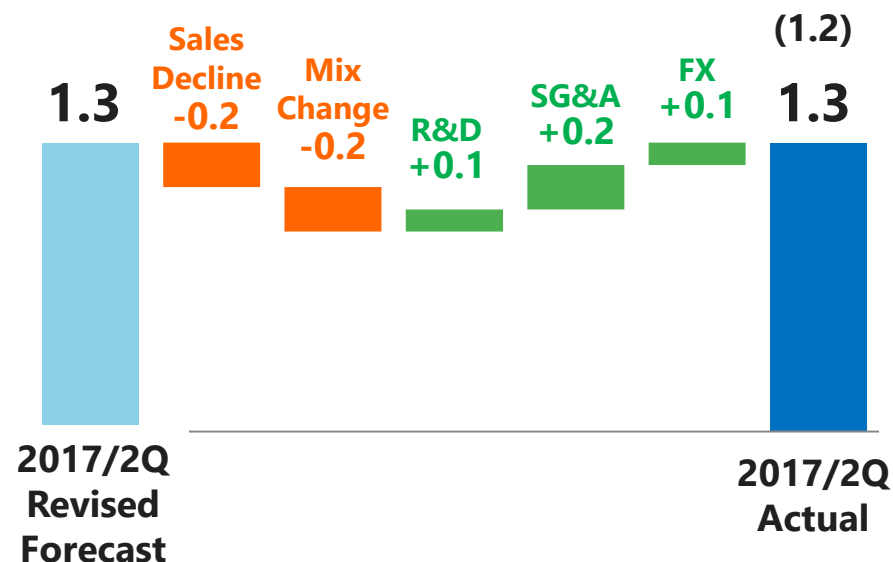


- Net Sales -¥0.4 billion.
- FX impact added ¥0.4 billion.

Average exchange rate during the accounting period

(Unit : Yen)	2017 Estimate	2017/2Q Actual	
USD	110.00	112.38	102.2%
EUR	120.00	121.67	101.4%

Operating Profit

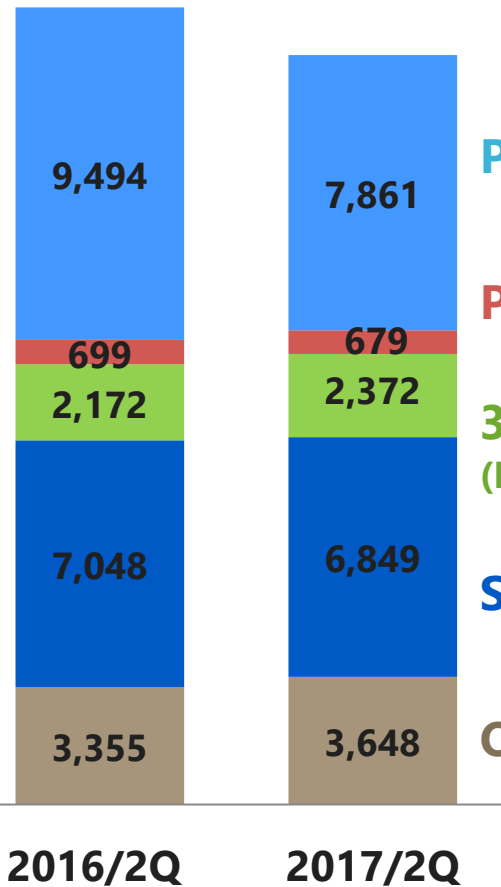


- Sales•Mix change impact: -¥0.4 billion.
- R&D•SG&A reduction: +¥0.3 billion.
- FX impact: +¥0.1 billion.

Revised Forecast is as announced on May 9, 2017
() denotes figures excluding FX impact

Business Highlights

(Yen: million)



Printers

- High end signage printers declined.
- Compact UV printers were soft.

YoY

82.8%



vs. Revised Forecast

94.4%



Plotters

- Existing models are slow.

97.2%



97.2%



3D Products (DGSHAPE)

- Led by new dental & milling machines.

109.2%



104.0%



Supplies

- UV Ink sales growing double digit.
- Solvent Ink sales declined.

97.2%



100.1%



Other

- Increase mainly in service parts.

108.7%

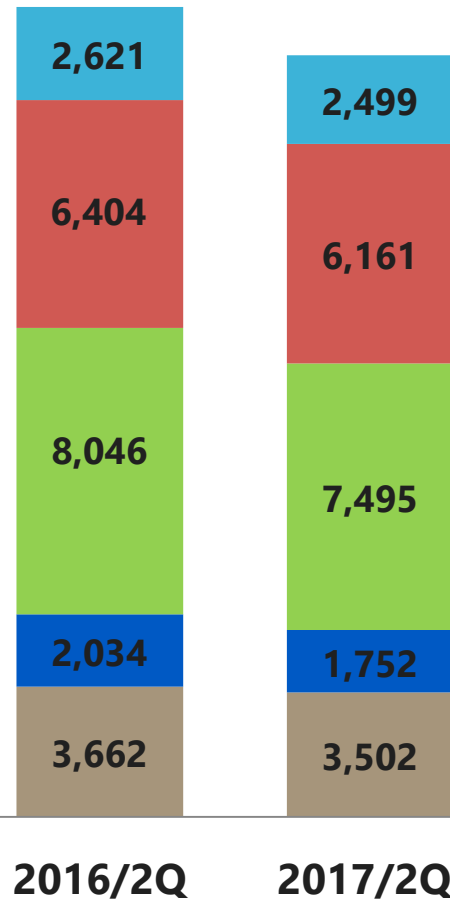


111.1%



Regional Highlights

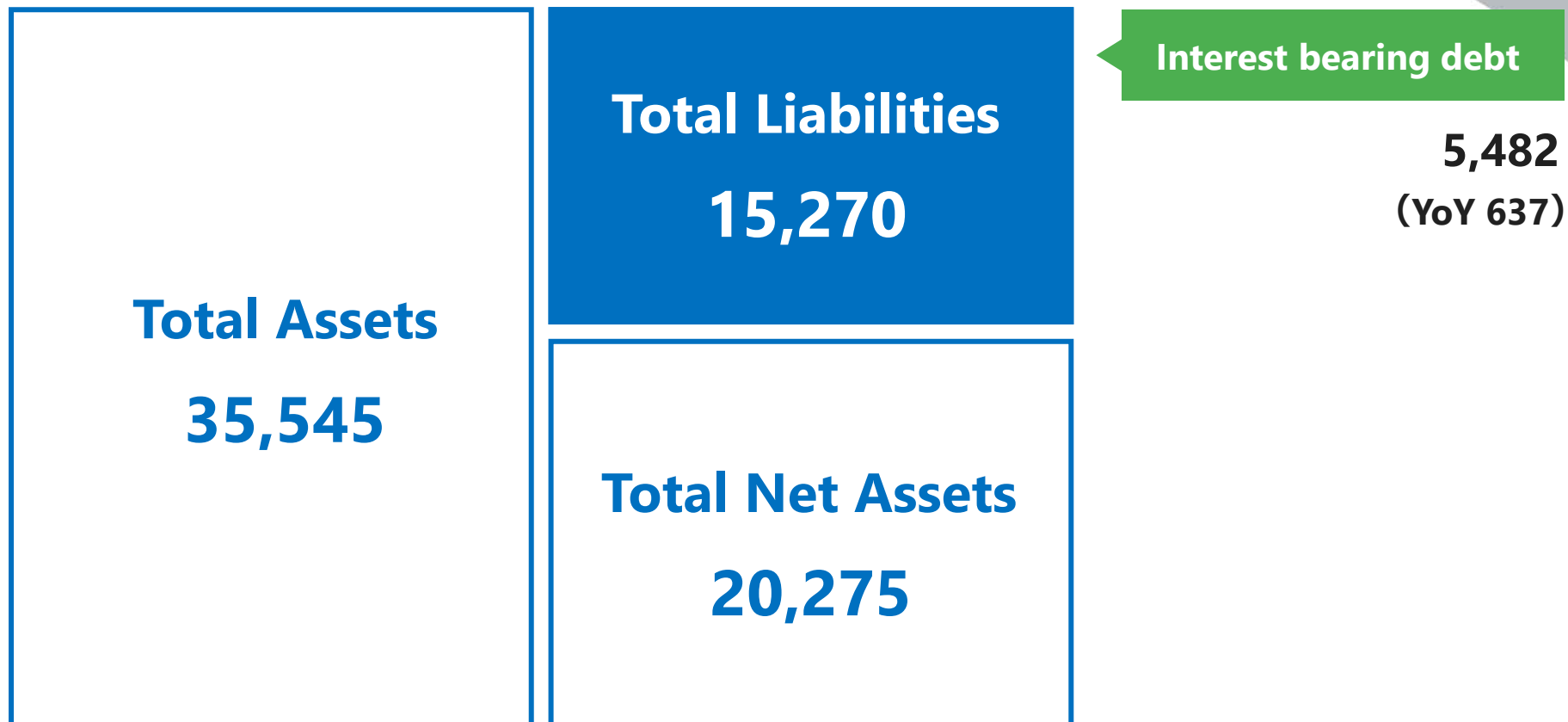
(Yen: million)



		YoY	vs. Revised Forecast
Japan	• Increase in UV printers for packaging.	95.3 %	97.4 %
	• Signage printers and dental are slowing.	↓	↓
N. America	• Strong new dental & milling machines.	96.2%	99.5%
	• Signage printer pro series declined.	↓	↓
Europe	• Tailwinds in dental & milling machines.	93.1%	97.9%
	• Signage & UV printers are slowing.	↓	↓
Asia	• Printers in China, Korea and ASEAN slow.	86.1%	111.5%
		↓	↑
Other	• Strong compact UV and dental machines.	95.6%	101.5%
	• Central/S. America signage printers slow.	↓	↑

Consolidated Balance Sheet

(Yen: million)



● Net Asset ratio 57.0%

Consolidated Forecast for the Fiscal Year Ending December 31, 2017

Summary initiatives for the 2nd half of the Fiscal Year Ending December 31, 2017

Printer Signage Market	<ul style="list-style-type: none">• Further promote sales in the signage printers market.• Enhance price competitiveness in the signage market.
Printer Retail Market	<ul style="list-style-type: none">• Focus on penetrating retail market where players thrive producing personalized goods.
3D Products (DGSHAPE)	<ul style="list-style-type: none">• Accelerate growth in the dental milling machines business.
R&D	<ul style="list-style-type: none">• Continue to invest in R&D and materials technology to accelerate new product launch and fuel further growth.

Consolidated Forecast for the Fiscal Year Ending December 31, 2017

(Yen: million)

		2016		2017 Forecast			YoY		
		Actual	% of Net Sales	2/10 Orig. Forecast	% of Net Sales	5/9 Revised Forecast	% of Net Sales	Amount	%
Net Sales		44,112	100.0%	45,600	100.0%	44,300	100.0%	187	100.4%
Gross Profit		20,041	45.4%	20,800	45.6%	19,800	44.7%	-241	98.8%
SG&A		15,682	35.6%	16,200	35.5%	16,000	36.1%	318	102.0%
Operating Profit		4,358	9.9%	4,600	10.1%	3,700	8.4%	-658	84.9%
Ordinary Profit		4,104	9.3%	4,400	9.6%	3,500	7.9%	-604	85.3%
Net Profit		2,705	6.1%	3,000	6.6%	1,100	2.5%	-1,605	40.7%
EPS (Yen)		206.73		239.74		87.90			
FX Rate (Yen)	USD	108.88		110.00		110.00			
	EUR	120.40		120.00		120.00			

(Yen: million)

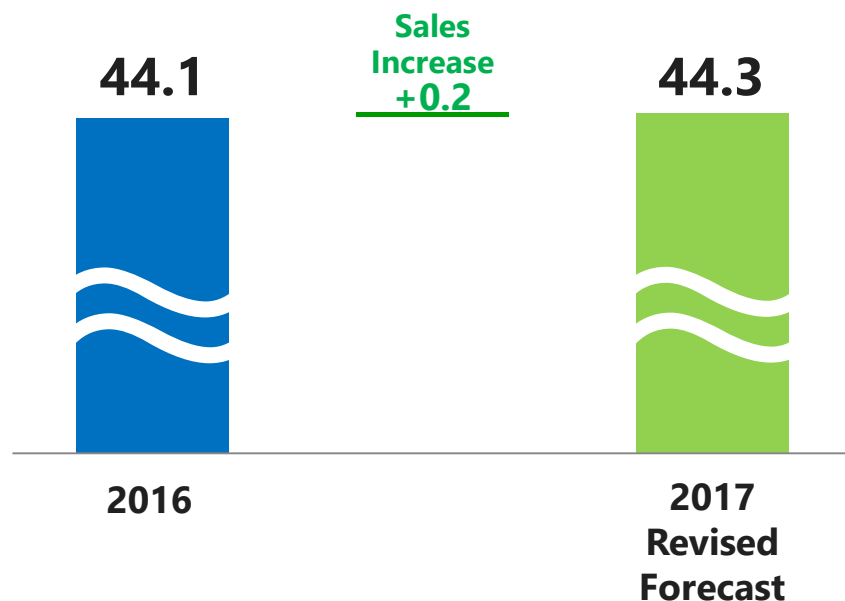
		USD	EUR
FX Sensitivity	Net Sales	130	110
	Operating Profit	80	90

※ Net profit is net profit attributable to parent company shareholders

Consolidated Financial Forecast: Variance Analysis

(Yen: billion)

Net Sales

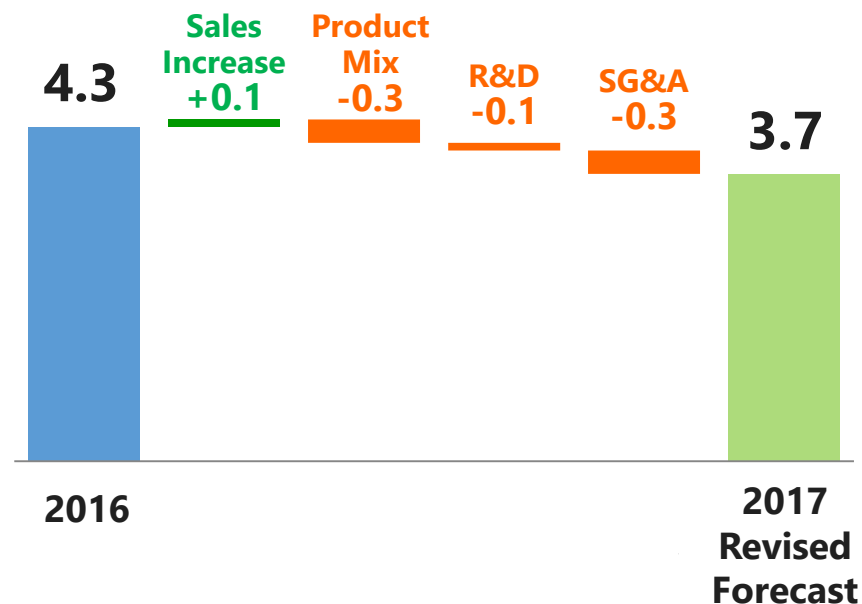


- ¥0.2 billion increase.

Average exchange rate during the accounting period

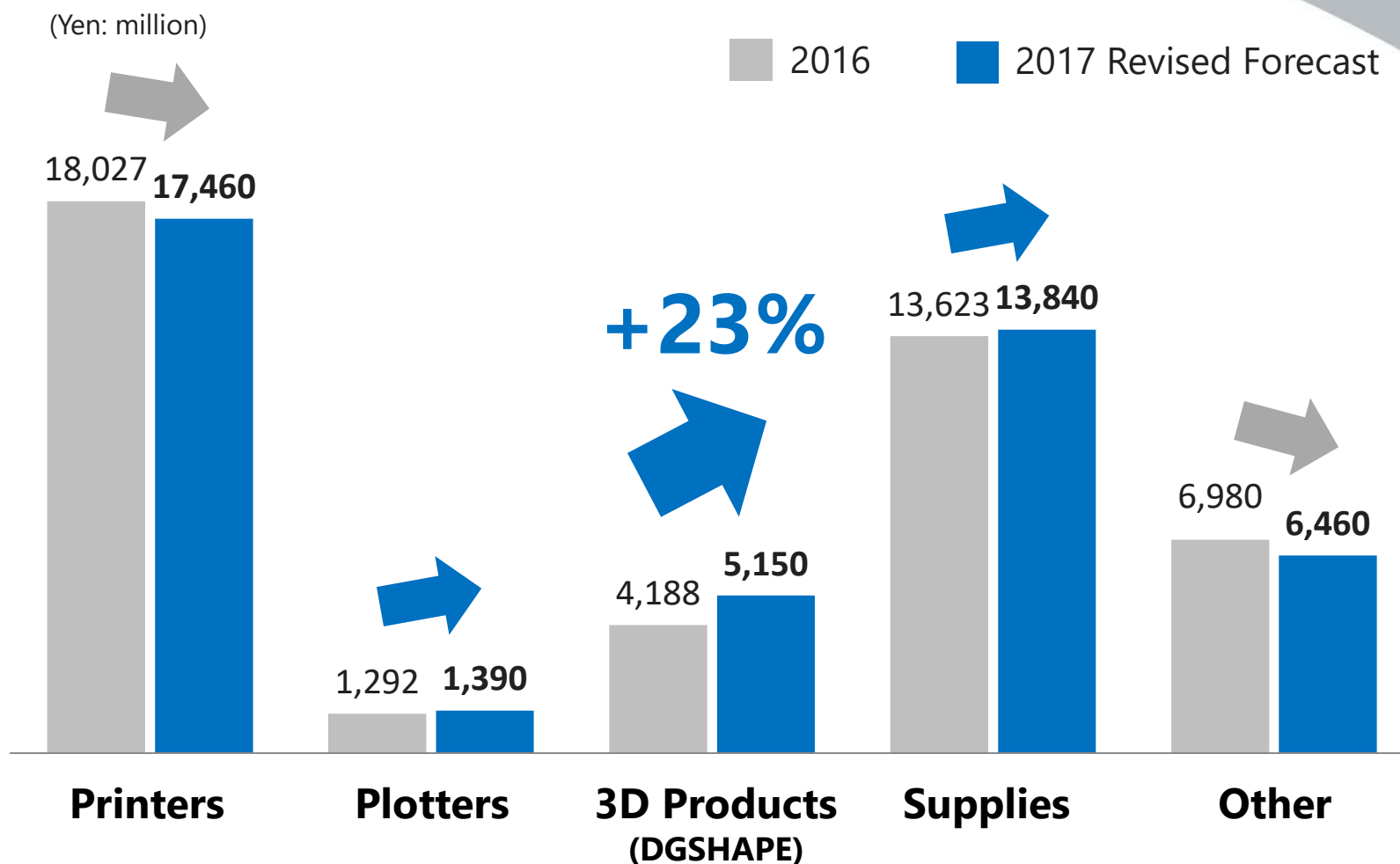
(Unit : Yen)	2016 Actual	2017 Estimate	
USD	108.88	110.00	101.0%
EUR	120.40	120.00	99.7%

Operating Profit



- ¥0.6 billion decline in profit.
- ¥0.1 billion by increase in sales.
- -¥0.3 billion by product Mix.
- -¥0.4 billion by increase in R&D•SG&A.

Consolidated Financial Forecast: By Product

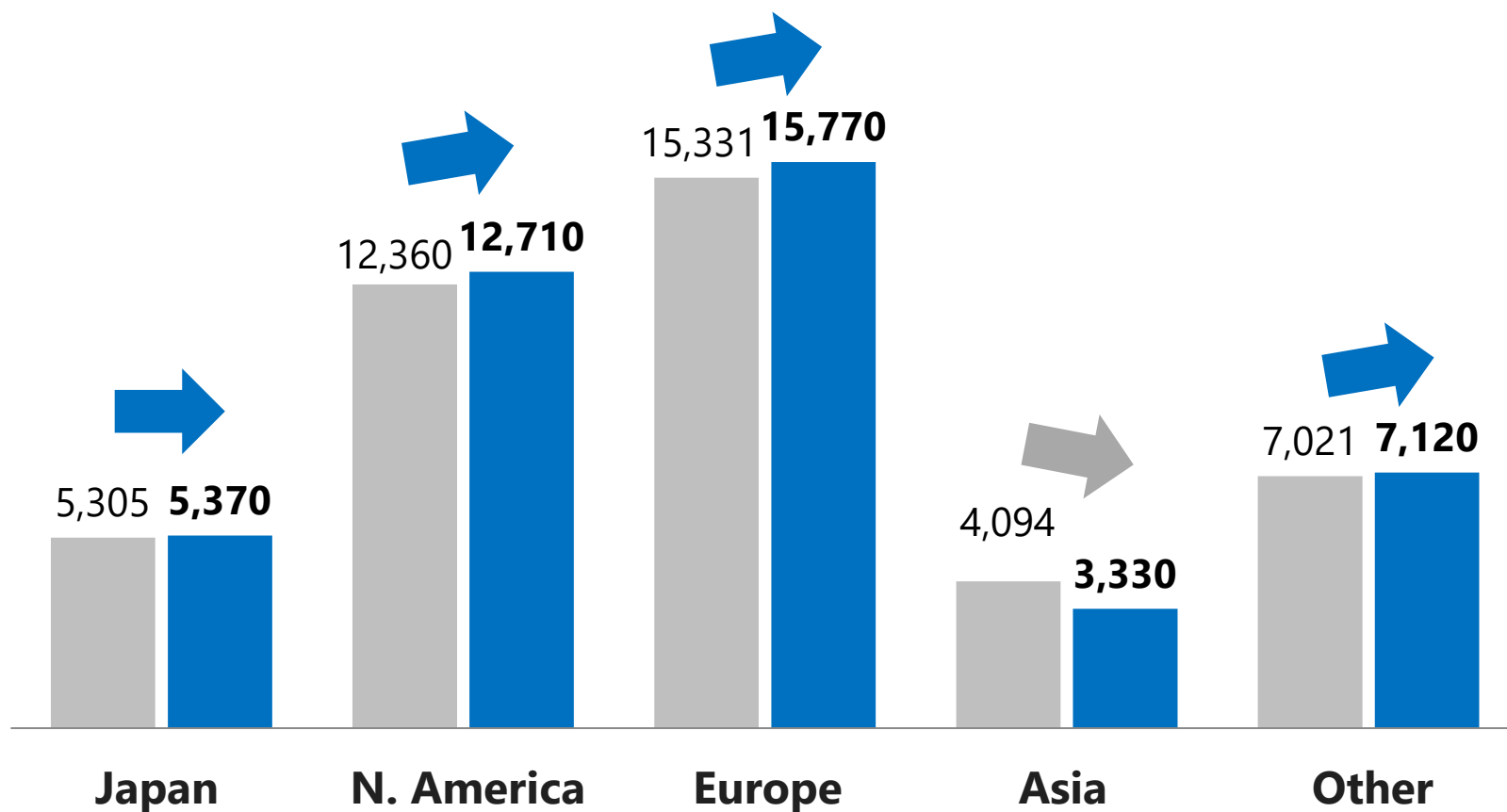


Consolidated Financial Forecast: By Region

(Yen: million)

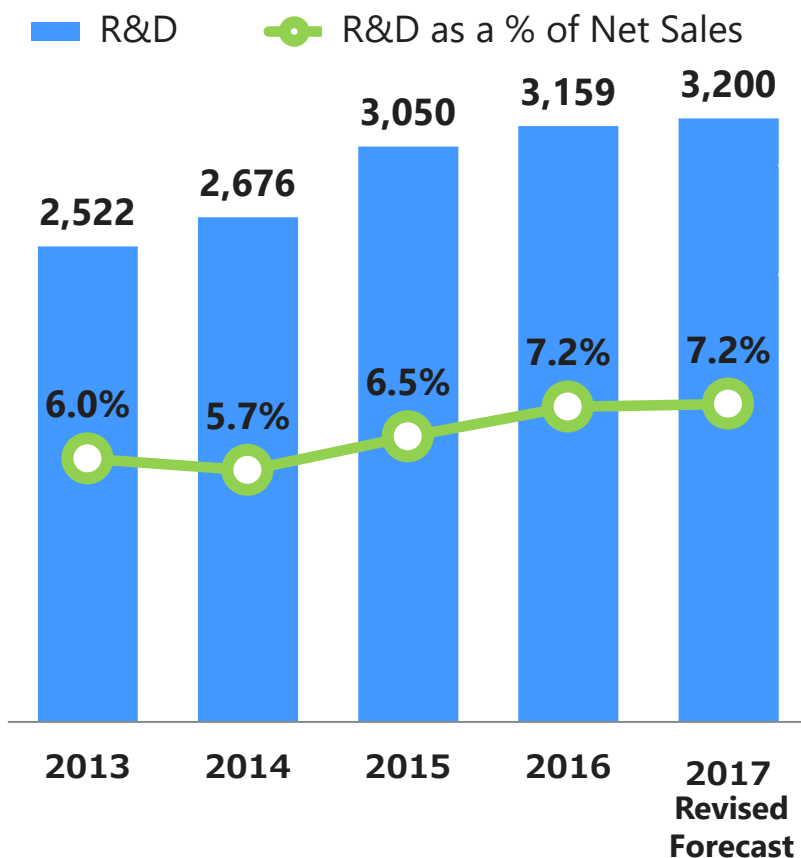
2016

2017 Revised Forecast

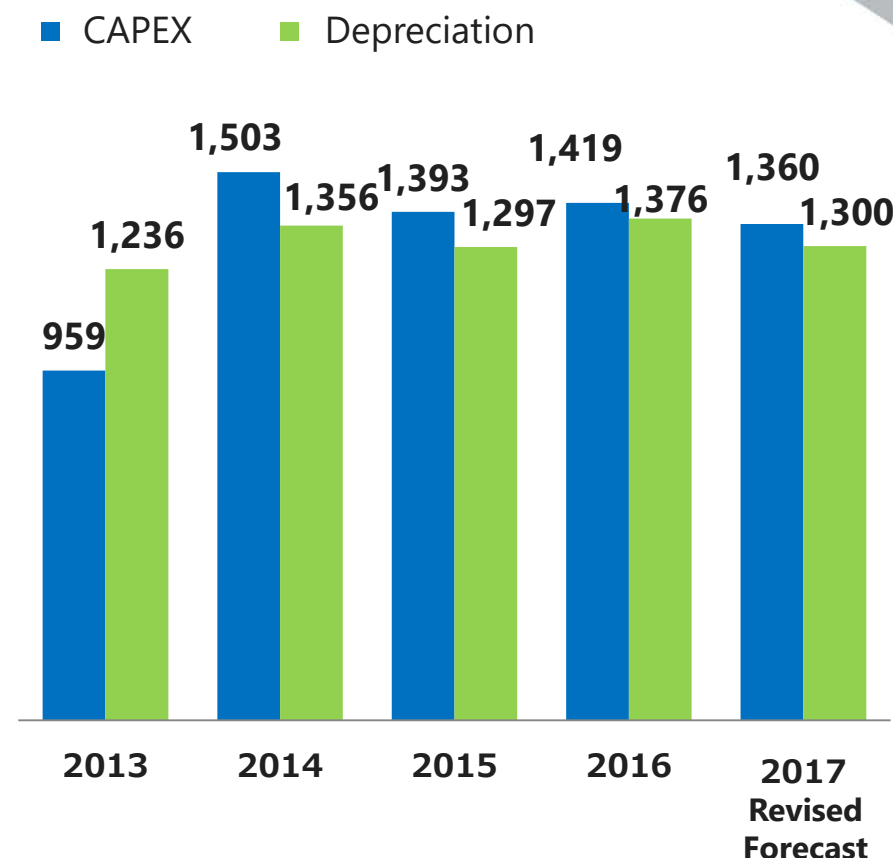


Consolidated Financial Forecast: R&D, Capital Expenditure and Depreciation

(Yen: million)



(Yen: million)

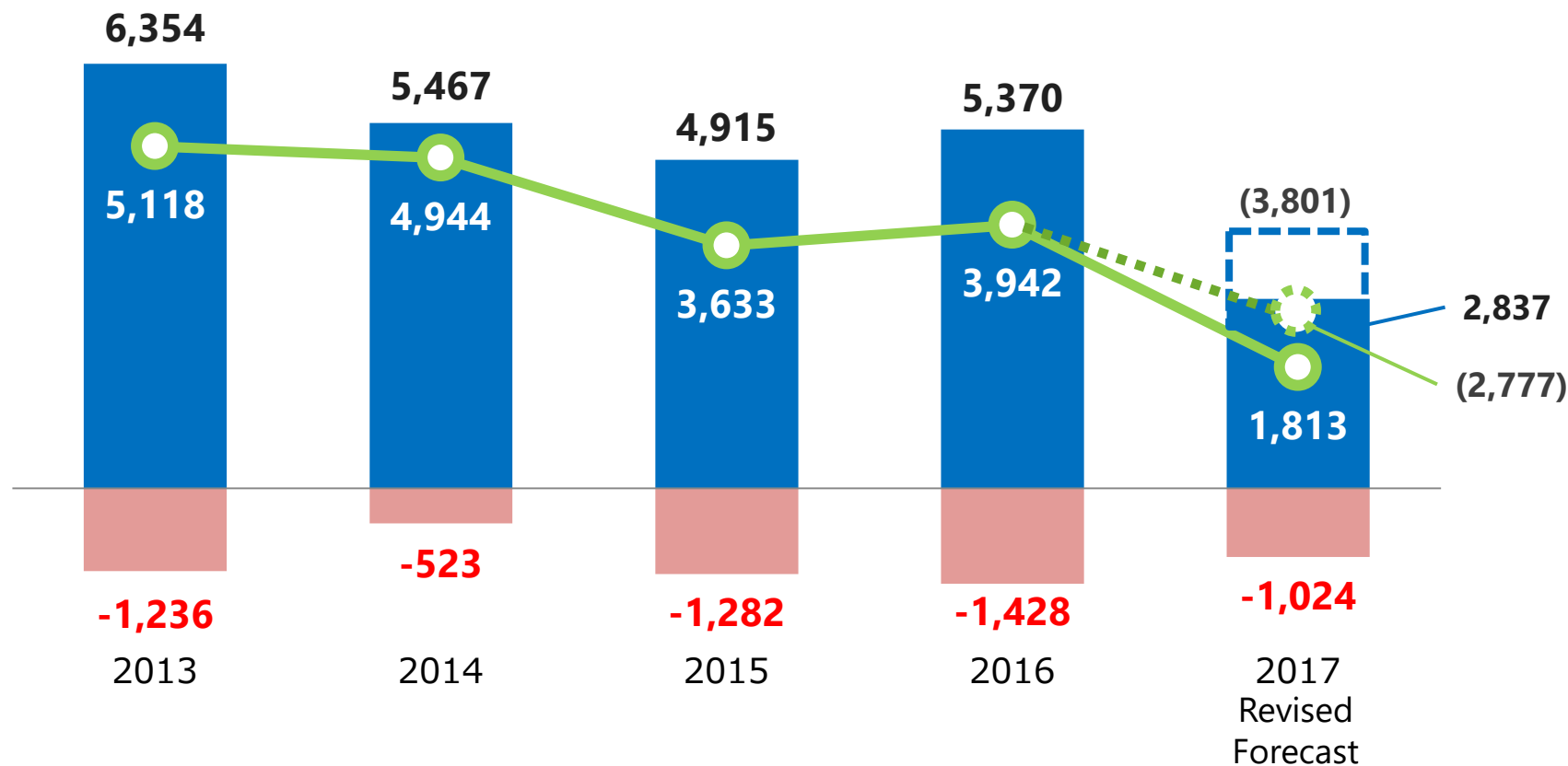


※ 2015 figures are adjusted to the 12 months period

Consolidated Financial Forecast: Free Cash Flow

(Yen: million)

■ Cash flow from investing
 ■ Cash flow from operations
 ● Free cash flow

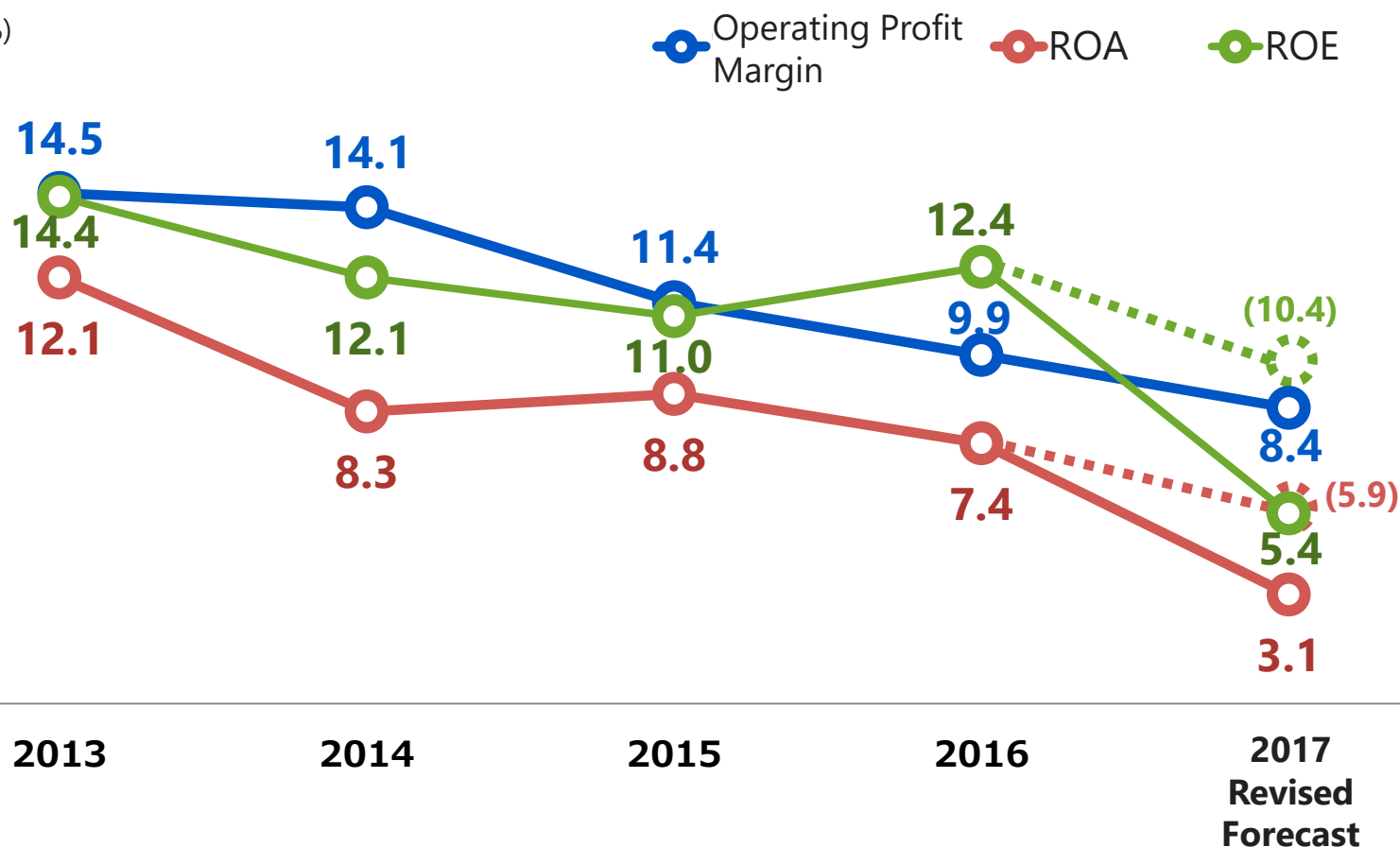


※ 2015 figures are adjusted to the 12 months period
 ※ Dotted lines denote figures excluding extraordinary loss

Consolidated Financial Forecast: Key Ratios

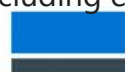
In 2017, ROE is forecasted to maintain 10%+ excluding extraordinary loss

(Unit : %)



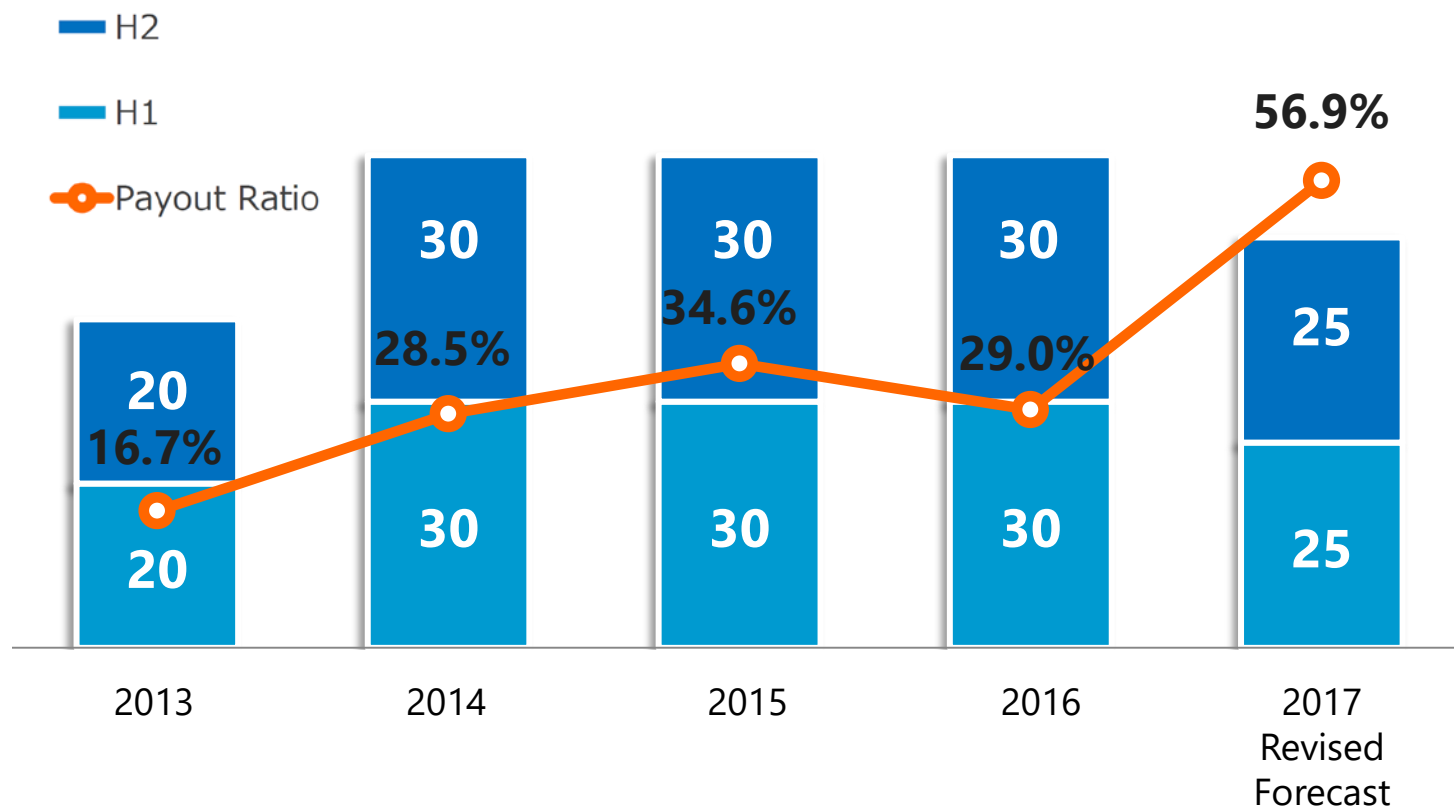
※ 2015 figures are adjusted to the 12 months period

※ Dotted lines denote figures excluding extraordinary loss

Imagine.  Roland

Consolidated Financial Forecast: Dividend Outlook

- ❖ For the fiscal year 2017, ¥25/share for H1/H2, ¥50/share/year, down ¥10/share, is scheduled.
- ❖ Excluding the extraordinary loss of approximately ¥1.4 billion, the Payout Ratio is expected to be around 30%.

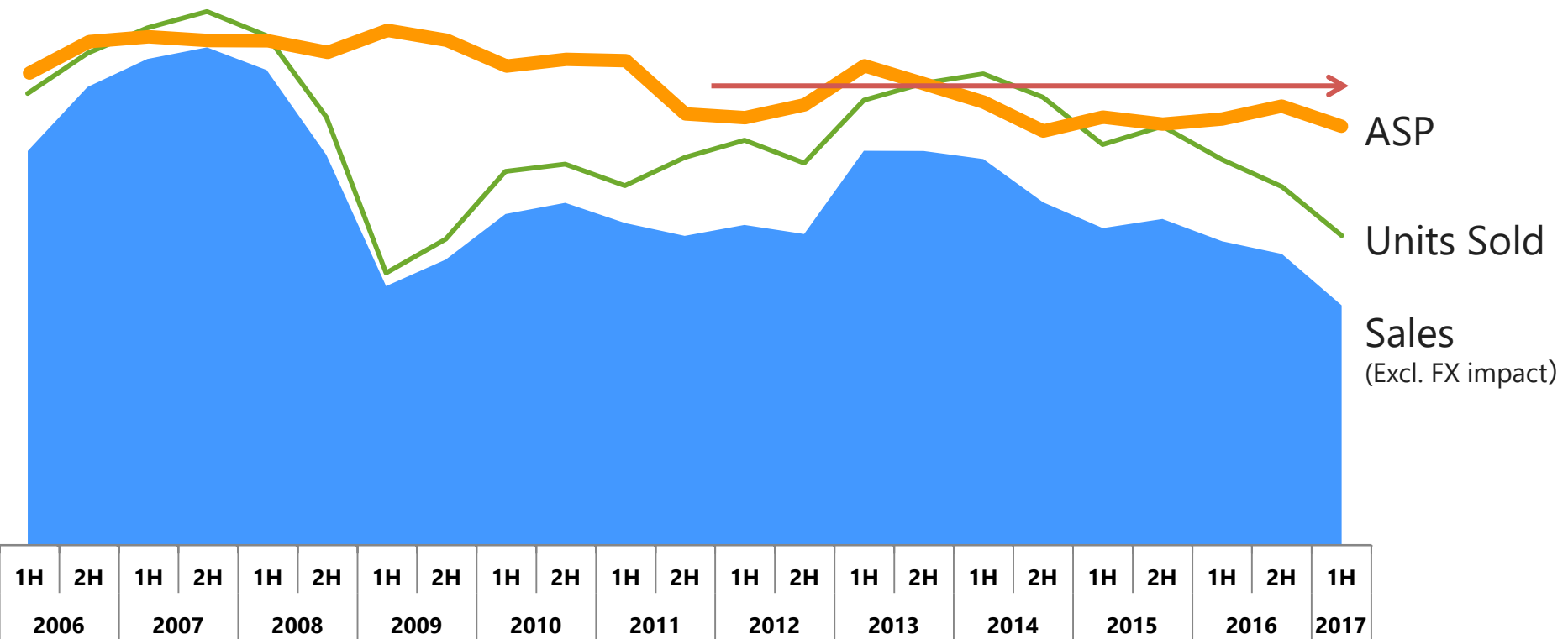


Current Business Status

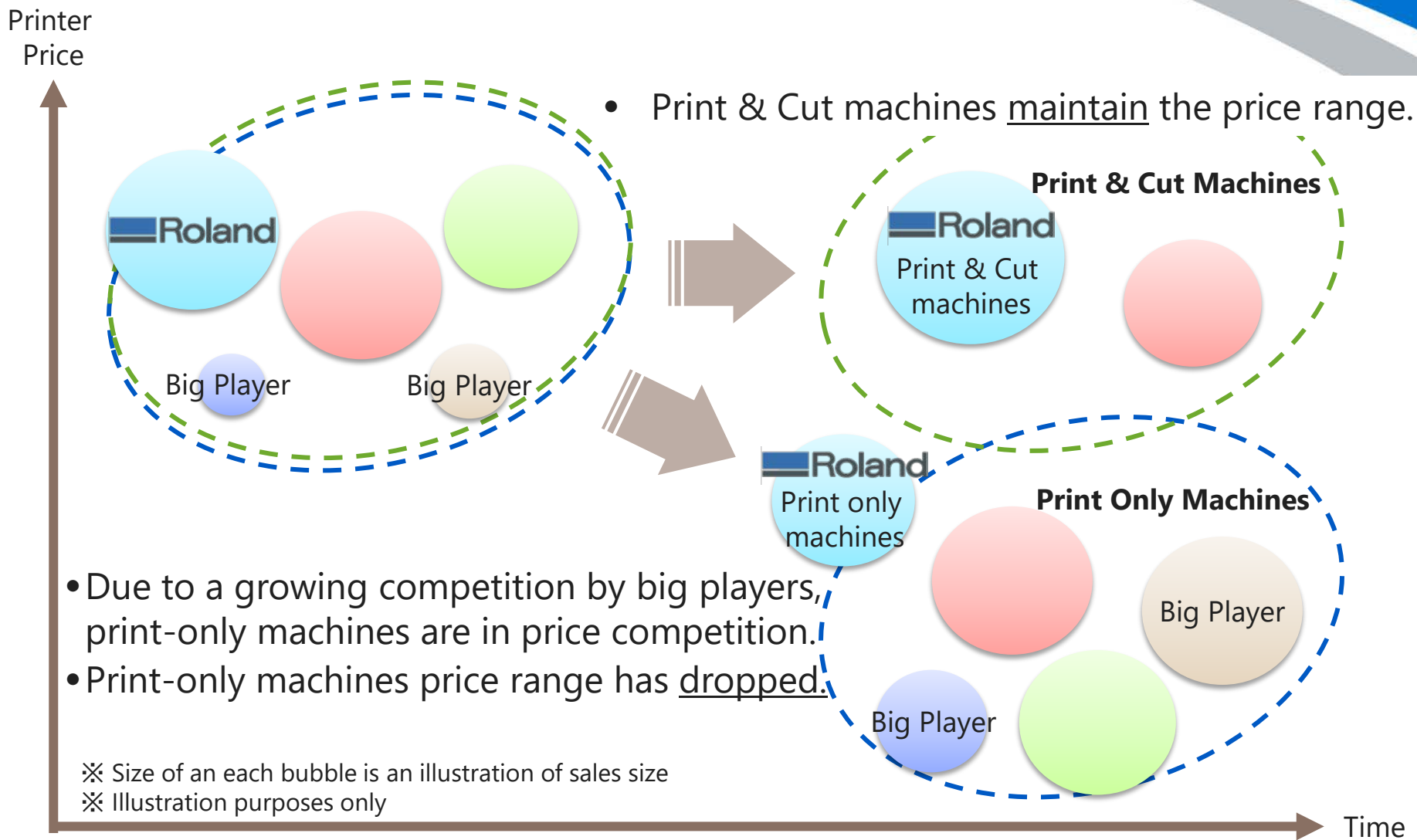
Printers

Signage Printers: Roland DG's Average Sales Price Trend

- While maintaining the average sales price (ASP), sales and units sold are softening.



Signage Printers: Illustration of Shifting Sales Price in the Market



Signage Market: Strategies to Enhance Sales Growth

Print & Cut Machines to Lead Sales

- Generate replacement demand.
- Accelerate negotiation process through sales channel management.



Improve Price Competitiveness and Profitability

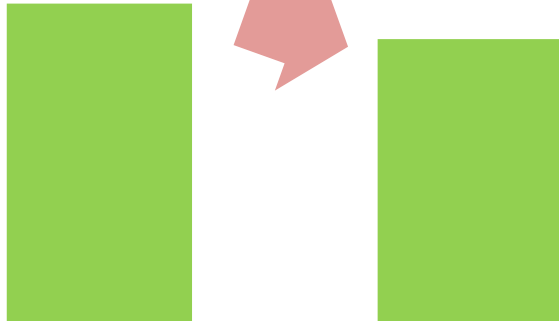
- Accelerate sales of new head / ink models.
- Execute COGS reduction initiative.
- Improve sales efficiencies through sales channel management.



Compact UV Printers: Sales Status

1H YoY

-11%

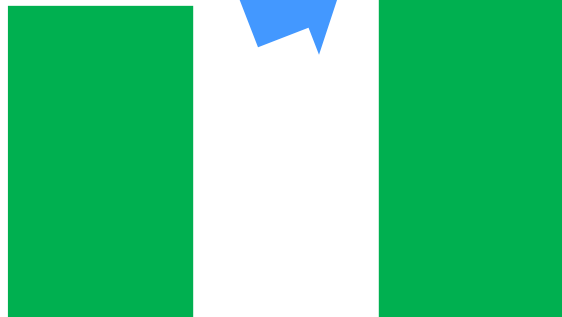


2016/2Q

2017/2Q

Annual YoY

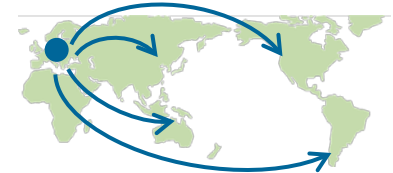
+15%



2016

2017
Revised
Forecast

- Varied results in sales from Europe to other regions.
- **Emerging market has increased in sales.**
- Sales to retail clients involve long negotiation period.
- **Increasing number of interested retail clients.**
- **Expect further increase in revenue by focusing on closing ongoing retail negotiations and regional expansion.**



Compact UV Printers: Widely Diversified Clients and Usage

Expanded installation cases led to a widely diversified client base and usage

Clients



Retail Stores

Home Centers



Electronics Shops

Supermarket

Store Backyard

Goods Manufacturers

Online Stores



Personalized Goods Types



Smartphone Cases



E-Cigarettes

Mobile Device Products



Home Electronics

Stationary

Sundry Goods

Compact UV Printers: Installation Case Study

Media Markt (Electronics Retail Store in Spain)

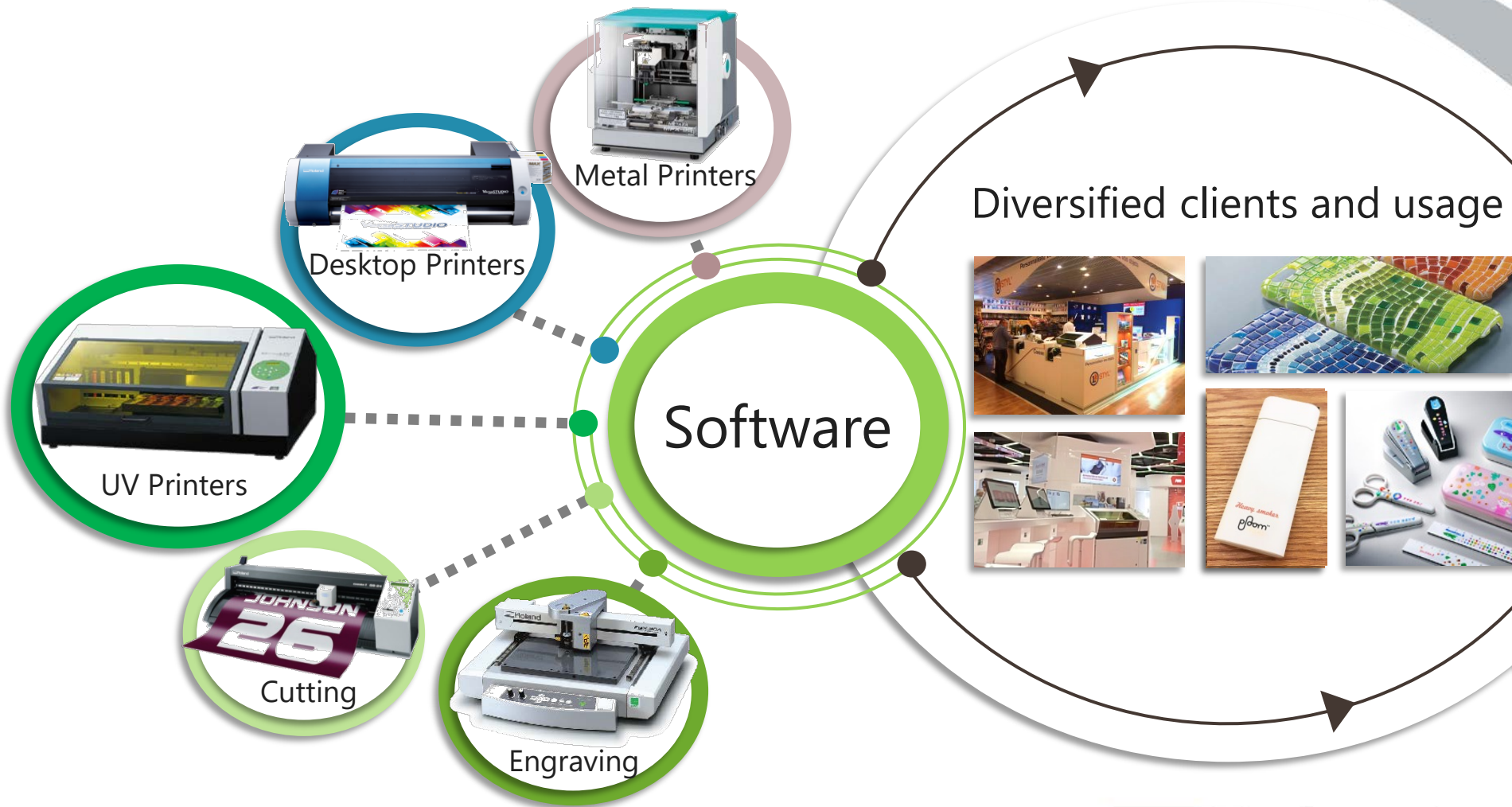
Personalize Electronics using our UV Printers



Imagine.  Roland

Creating a New Consumer Facing Market

Expand the capability of retail service for providing personalized goods



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3D

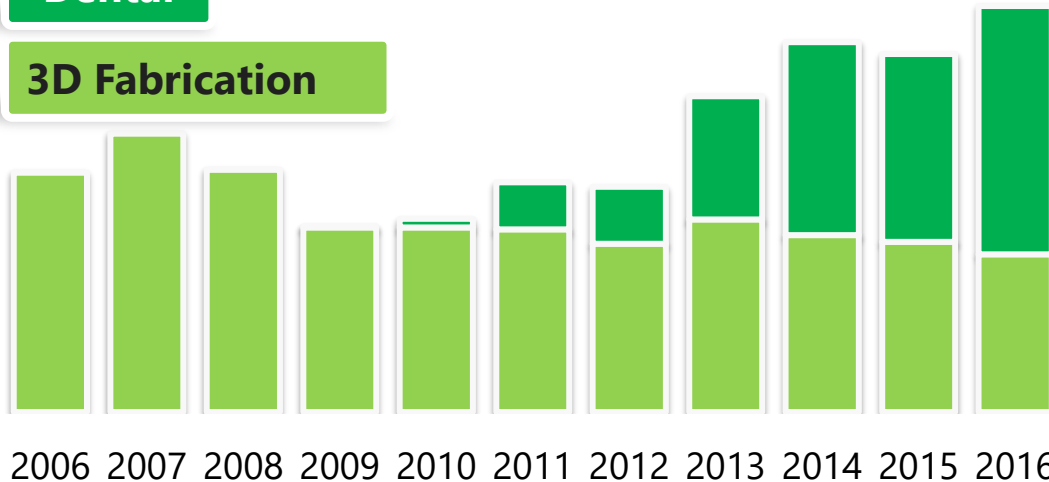
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3D Business History

Expanded dental business leveraging 3D products platform, and achieved high growth in dental

Dental

3D Fabrication



Production of fillings, crowns etc. at dental laboratories



- Sample products in manufacturing
- Education
- Gifts/Goods
- FabLab
- Makers



Launched DGSHAPE

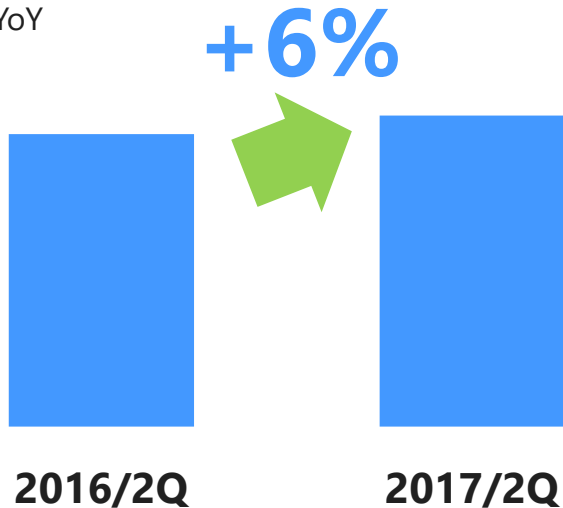


Started operations in April 2017

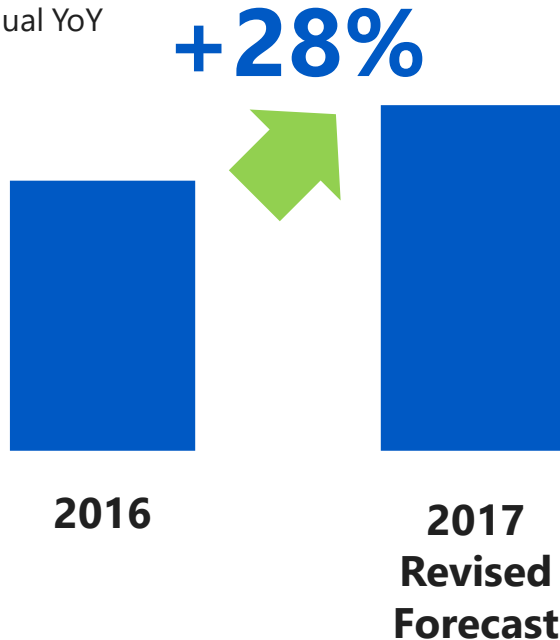
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Dental Machines: Sales Status

1H YoY



Annual YoY



- Favorable sales of new product DWX-52DC.
- Highly rated at exhibitions globally.
- Increasing installations at dental labs seeking productivity.
- New products are expected to lead significant growth on annual basis.

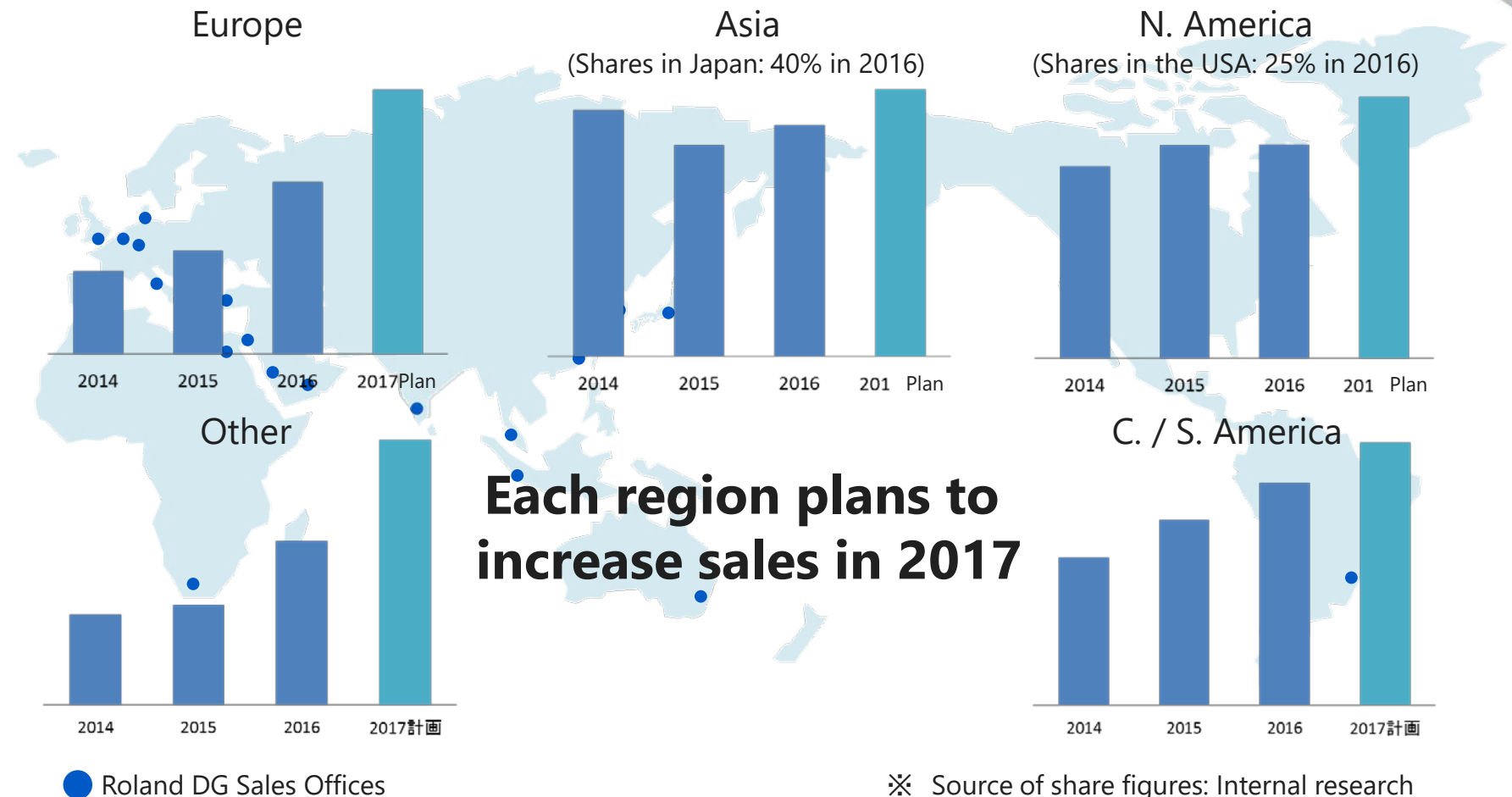


DWX-52DC



Dental Sales Trend by Region

Continue to grow sales by leveraging global sales network and building a dedicated team for the dental business



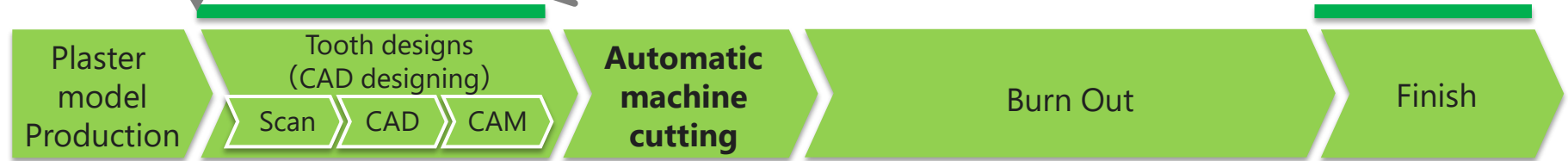
Dental: Benefit of Going Digital

Process of fabricating a crown at dental labs

【Metal (Manual Process) 】



Manual process is down
to 1/2 ~ 1/3



【All Ceramic (Digital Process) 】

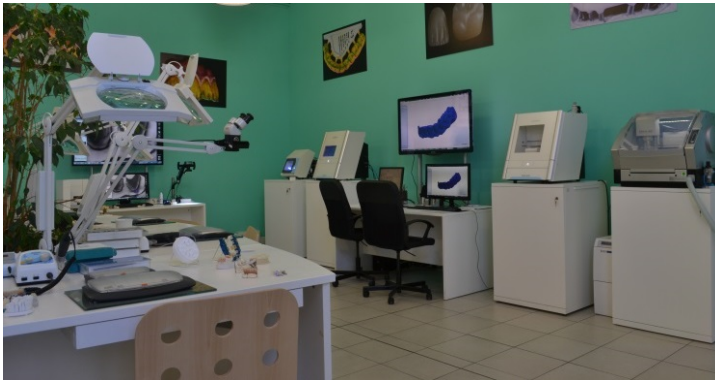


- **Improve efficiency by minimizing manual process and work on other tasks.**
- **Enables high quality cutting without being dependent on human skills.**
- **Application to wide variety of materials.**

Dental: Activities to Promote Sales

Replicated Dental lab and clinic Sales subsidiary's dental space

Giving customers a concrete idea leads to promotion of installation



Propose better profitability and payback plan by installing our machines



DWX-51D Dental Milling Machine ROI Calculator

Will a DWX-51D save your business money? If you are currently outsourcing zirconia crowns and copings, the following ROI calculator can quickly provide a rough estimate of how much you could save per month by investing in a Roland DWX-51D dental mill.



Current Monthly Cost

Please indicate how many Zirconia units you outsource each month and the average cost of each unit.

Total Zirconia units outsourced per month	<input type="text" value="100"/>
Cost per unit	<input type="text" value="\$80.00"/>
Total monthly cost	<input type="text" value="\$8,000.00"/>

Monthly Savings

with in-house production on the DWX-51D

\$6,668.36

Investment Required

The following equipment will be required to mill Zirconia in-house. If you don't already own a scanner and CAD software, please check the box so the cost is included in the calculation.

DWX-51D*	\$24,995.00
CAM software	<input type="checkbox"/> \$8,000.00
Dust extractor	<input type="checkbox"/> \$1,995.00
Furnace	<input type="checkbox"/> \$10,000.00
Scanner and CAD	<input type="checkbox"/> \$20,000.00
Total Investment	\$34,990.00

* U.S. only. For Canada, Latin America and Caribbean pricing, please call (949) 727-2900, or contact an Authorized Roland Dealer in your area.

New Monthly Payments

Please select the term desired for financing (1, 4 or 5 years). Material cost is based on units currently being outsourced and equipment cost based on financing.

Material Cost (based on average material cost)	\$600.00
Monthly payment over 5 years	\$731.64
Total new monthly cost to produce in-house	\$1,331.64

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Dental: Collaboration with KOL

KOL: Key Opinion Leader



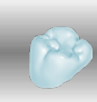
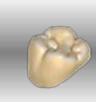

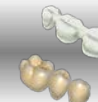
Industry leaders (KOL) that are well-known dental technicians, dentists and DG machine users broadcast the effectiveness of DG solutions and also participate in R&D bringing in a strict standard



Dental: Expanding Future Sales Opportunities












Market Digitalization

Expand sales to untapped clients and regions

Crowns & Bridges					
Crowns & Bridges					
In/Onlay	Veneer	Temporary Crown	Anatomical Crown	Coping	Bridge framework
					



Dental Milling Machine
DWX Series

Dentures				Implants					Others	
Dentures				Implants					Others	
Partial Denture	Full Denture	Base plates	Individual tray	Telescopes	Abutment	Abutment bridge	Bar	Surgicalguide	Model	Bite/Splint
										

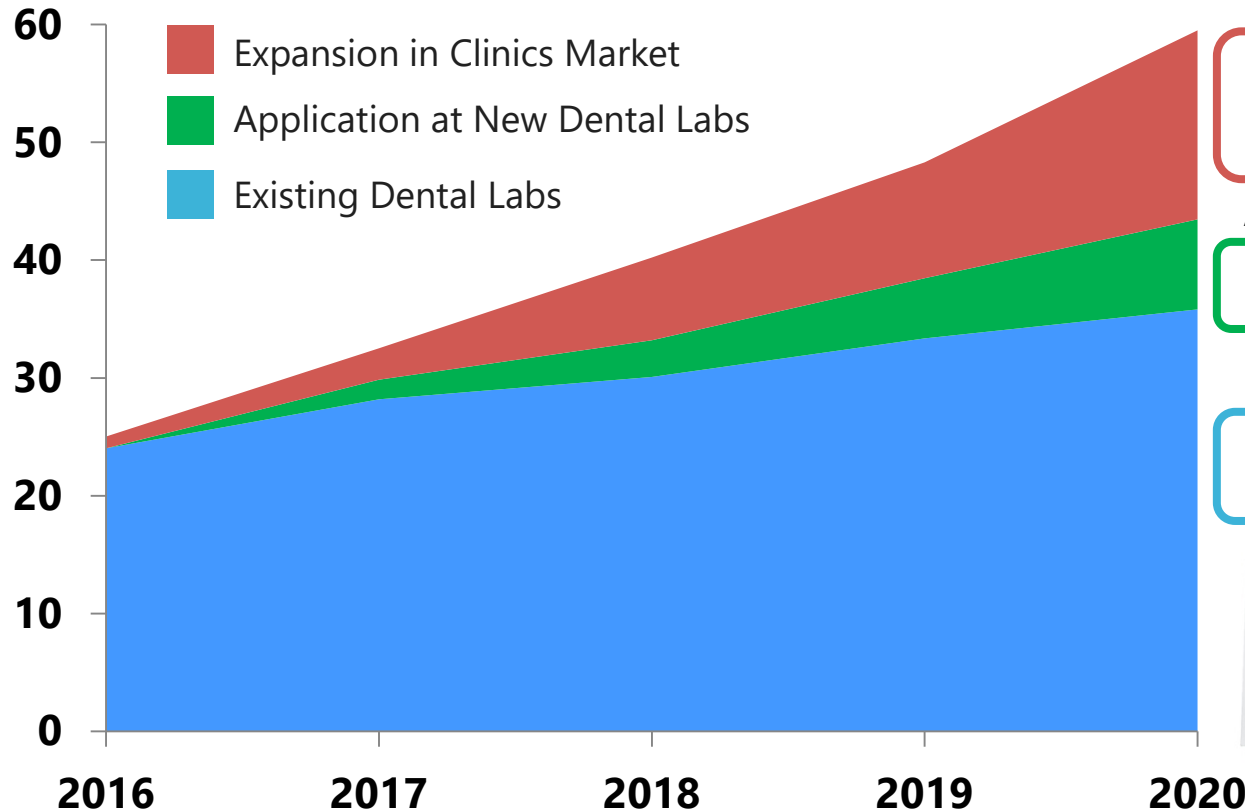
DWP-80S
3D Printer for Dental



**Develop and provide
new digital procedures**

Dental: Growth Plan

(Yen: billion)



Expansion in Clinics Market

Develop solutions for clinics
Proposal to in-clinic labs.

Application at New Dental Labs

Provide new digital process.

Existing Dental Labs

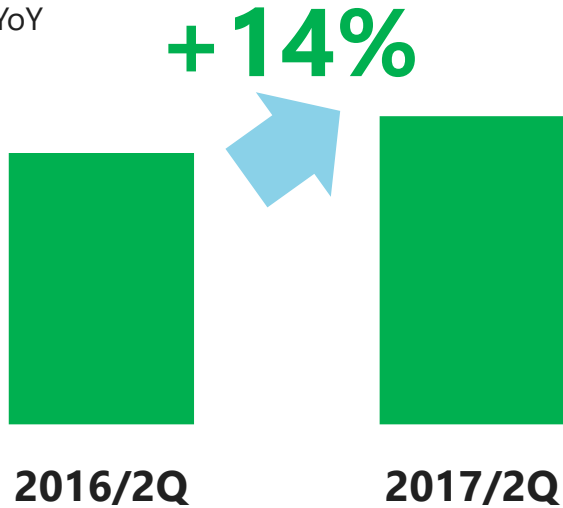
Expand sales network and
regions.



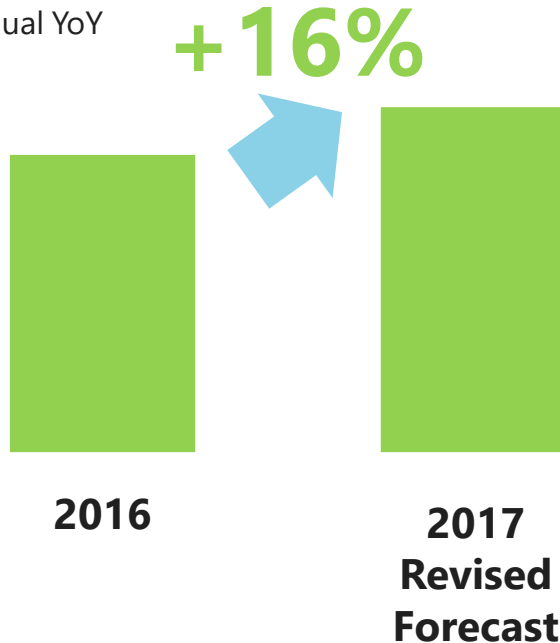
※ Labs=Dental Labs

3D Fabrication: Sales Status

1H YoY

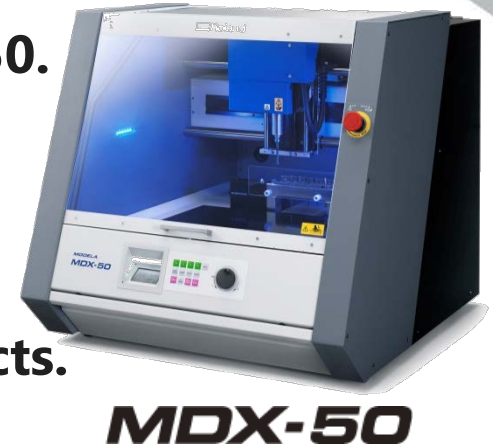


Annual YoY



- Favorable sales in new product MDX-50.

- Popular among manufacturing to build sample products.



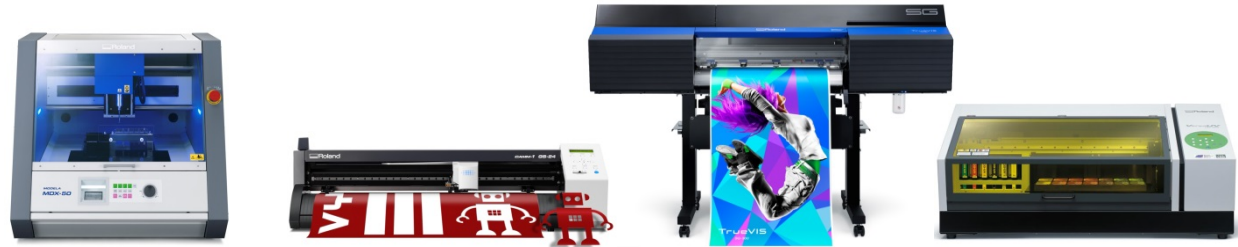
- 70% of MDX-50 sales come from Japan and US market.



- New products are expected to lead significant growth on annual basis.

Sponsorship for Manufacturing Events

**Sponsored FAB 13:
5th consecutive sponsor at World Fab Lab convention**



We exhibit our digital tools and hold workshops



EDUCATION

How can fab labs empower citizens in Latin America to
find local solutions to their local challenges?

+more



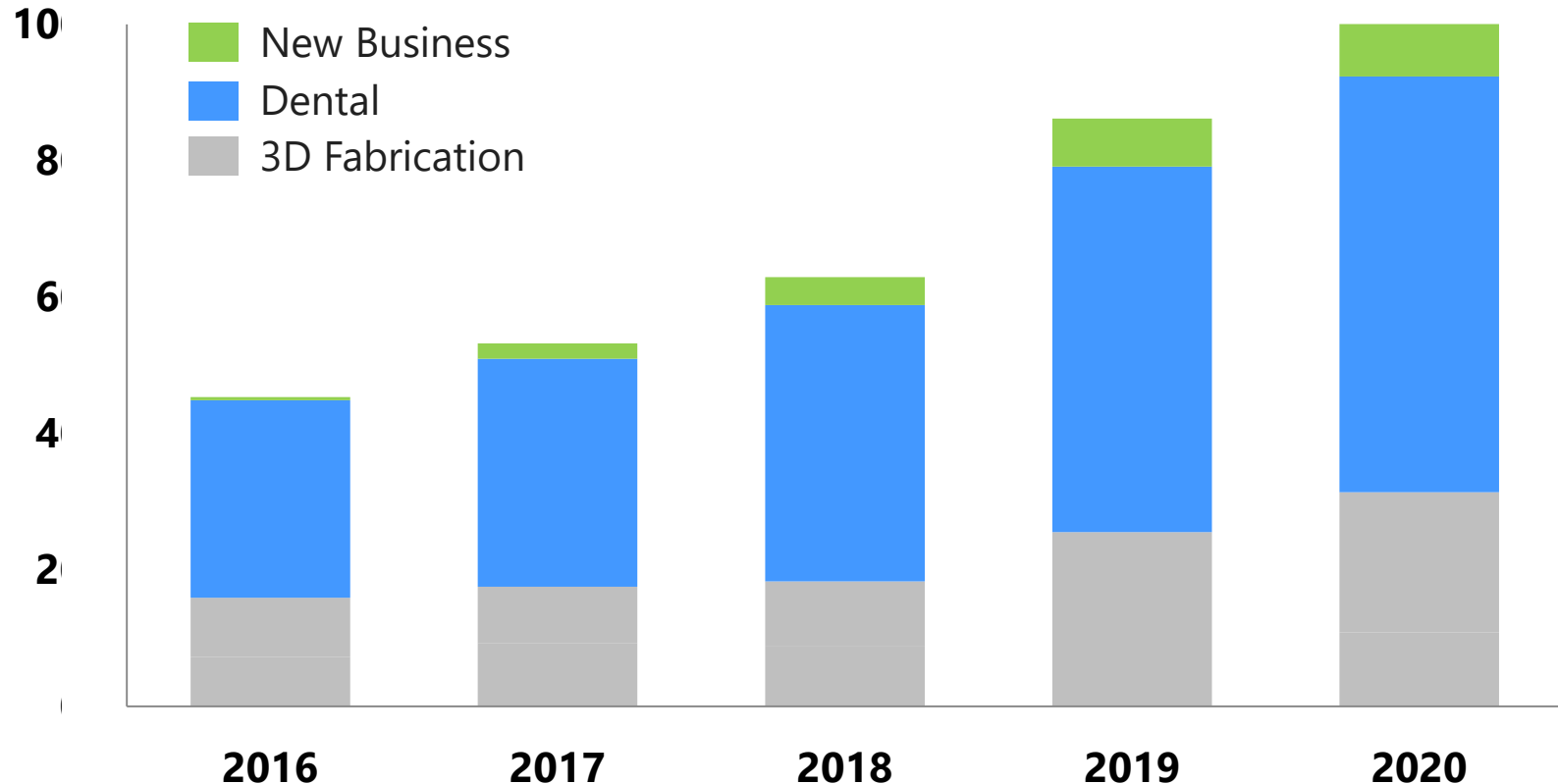
Market 3D manufacturing ideas to participants from
education / research institutions

Imagine.  **Roland**

DGSHAPE Business Growth Plan

Target ¥10 billion consolidated sales of DGSHAPE (2020)

(Yen: billion)



DGSHAPE Business Growth Plan

- **Strengthen 3D shaping technology.**
- **Further expansion on Dental.**
- **Expand business area by new business.**

XYZ Control Technology

Apply 3D shaping tech

**3D shaping technology
(cutting / stacking)**

New Business

**Medical
Support System**

Dental

Manufacturing Education

Makers STEM

Sales development platform to support growth

Growth

Printer Business

- Signage printer sales.
- Retail market solution and business expansion.

DGSHAPE Business

- Expand 3D fabrication tech.
- Accelerate dental business.
- Expansion of business area by new business.

- Global distribution network covering 200+ countries and regions.
- Speedy intake of market trends and demand leveraging global network / human capital.

- Strong product development driven by core / digital technology.
- Total solution development beyond products.

The information pertaining to our business plans and forecasts that has been provided in this presentation contains forward-looking statements that are based on the plans and prospects of the Company at this point in time. The actual business results could be significantly different from those stated in this presentation due to changes in conditions. As such, please be advised that it cannot be guaranteed that these statements will not differ materially from actual results.

Appendix:

Consolidated Results for the three months Q2 FY2016

Calculation: 2Q period (3 months) = 2Q (6 months) - 1Q (3 months)

(Yen: million)

		2Q 2016		2Q 2017			YoY		
		Actual	% of Net Sales	5/9 Revised Forecast	% of Net Sales	Actual	% of Net Sales	Amount	%
Net Sales		11,700	100.0%	11,100	100.0%	11,104	100.0%	-595	94.9%
Gross Profit		5,500	47.0%	5,000	45.0%	4,972	44.8%	-528	90.4%
SG&A		4,206	36.0%	4,000	36.0%	3,945	35.5%	-261	93.8%
Operating Profit		1,293	11.1%	1,000	9.0%	1,026	9.2%	-267	79.4%
Ordinary Profit		1,136	9.7%	900	8.1%	1,058	9.5%	-78	93.1%
Net Profit		762	6.5%	600	5.4%	729	6.6%	-32	95.7%
EPS (Yen)		58.25		52.87		58.25			
FX Rate (Yen)	USD	108.23		110.00		111.11			
	EUR	122.15		120.00		122.23			

※ Net profit is net profit attributable to parent company shareholders