

# **Consolidated Financial Results for the Six Months Ended June 30, 2018**

August 2018



## 2018 Term Policy

- ✓ **2018 term marks shift in business portfolio.**
- ✓ **Further growth planned for DGSHAPE and retail business, shaped into new business pillar.**
- ✓ **Maintain current level of R&D expenses, continue strengthening technological development.**

# **Consolidated Financial Results for the Six Months Ended June 30, 2018**

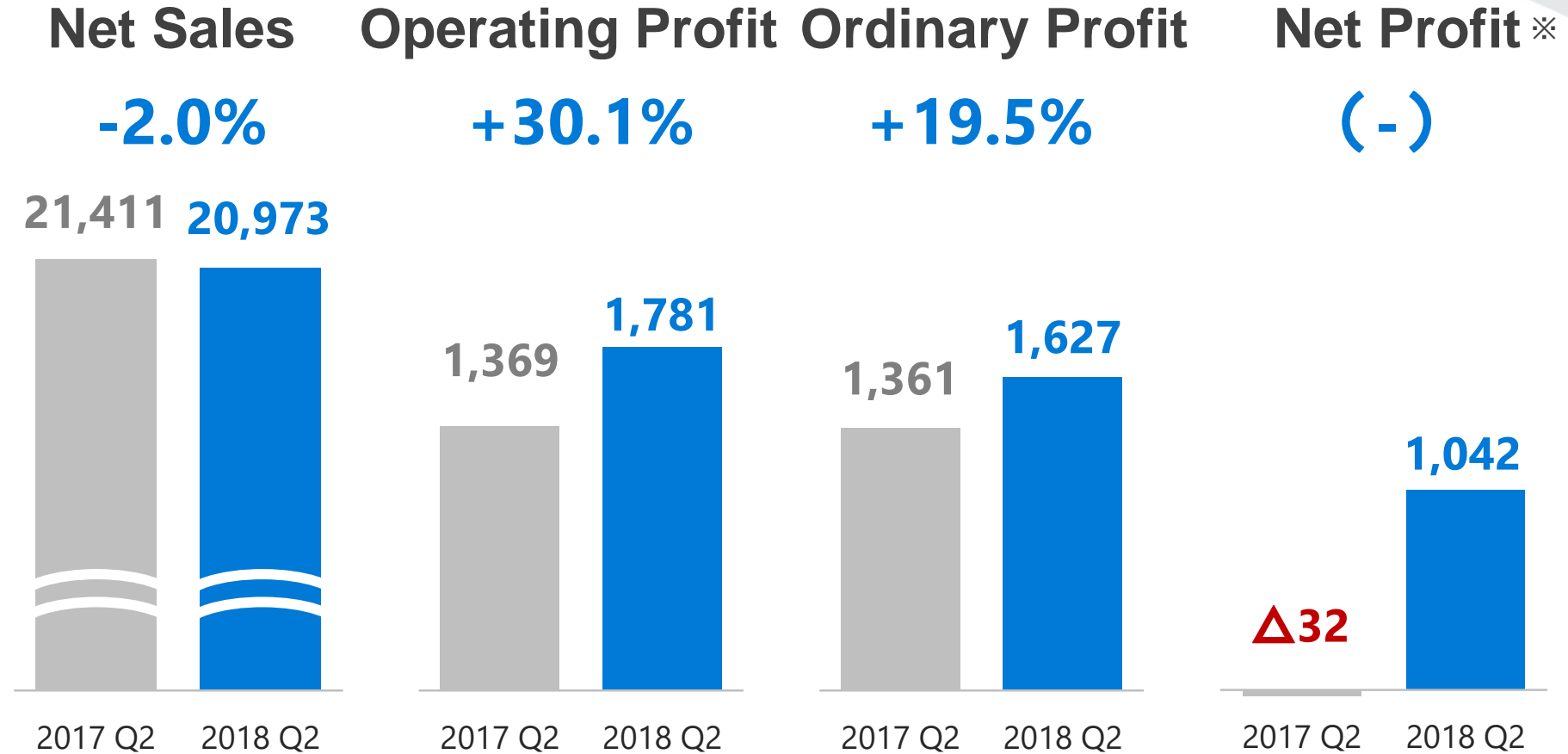
## Financial Highlights

- ✓ **Net sales declined due to sluggish sales of printers in signage market, while Ordinary income and net profit increased due to reduction of SG&A.**
- ✓ **Dental milling machines are contributing to the tailwinds in the DGSHAPE business.**
- ✓ **Ordinary income and net profit increase significantly against the forecast.**

※ Net profit is net profit attributable to parent company shareholders

# Consolidated Financial Results

(millions of yen)

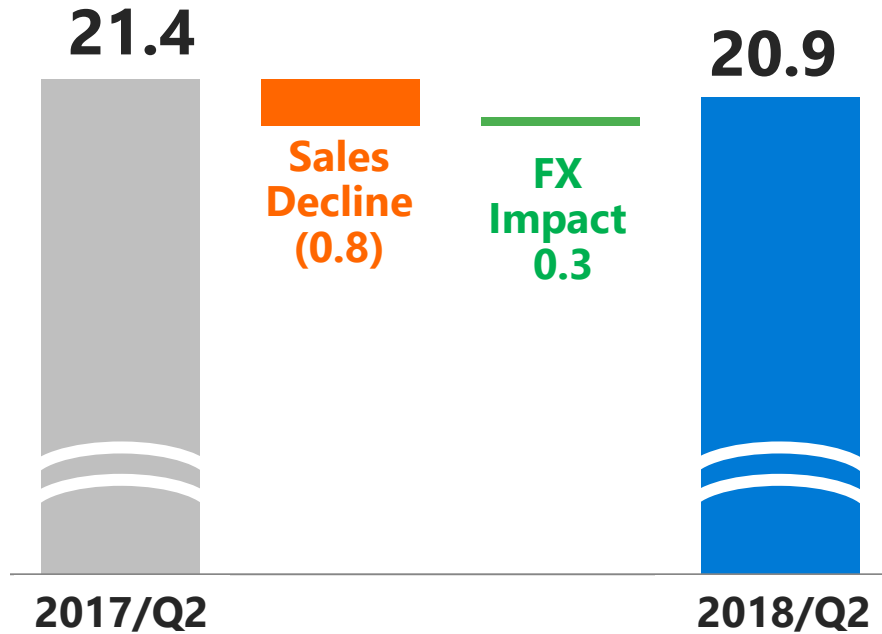


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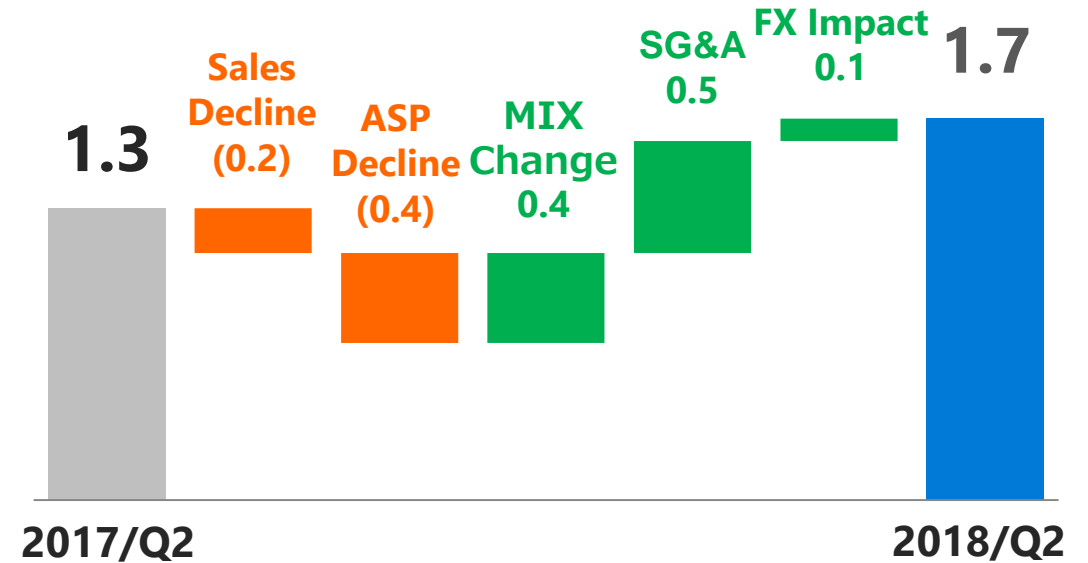
# Variance Analysis Year over Year

(billions of yen)

## Net Sales



## Operating Profit



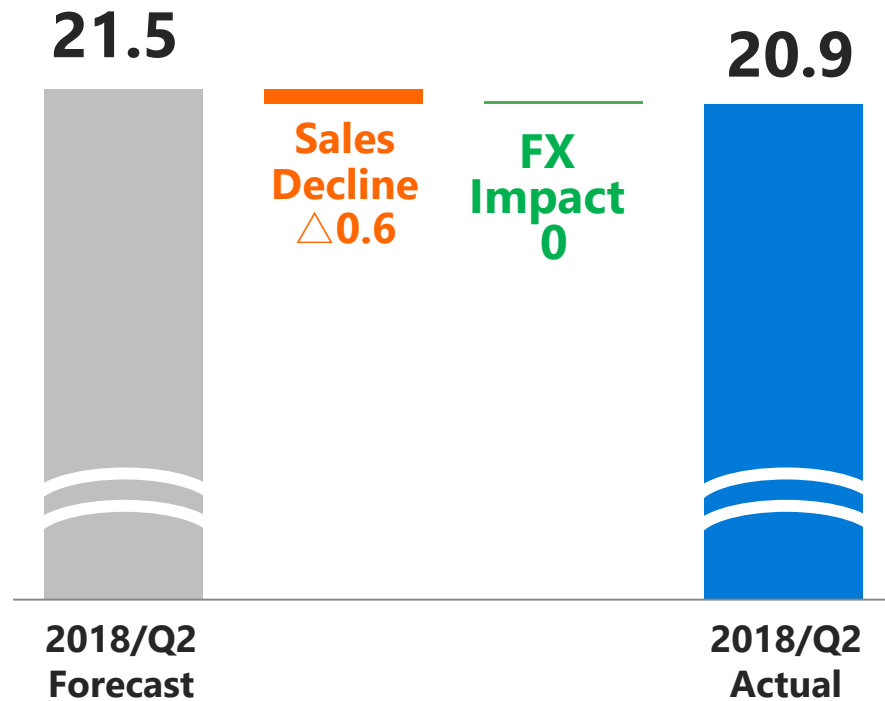
Average exchange rate during the accounting period

(Unit: Yen)	2017/Q2	2018/Q2	
USD	112.38	108.69	96.7%
EUR	121.67	131.67	108.2%

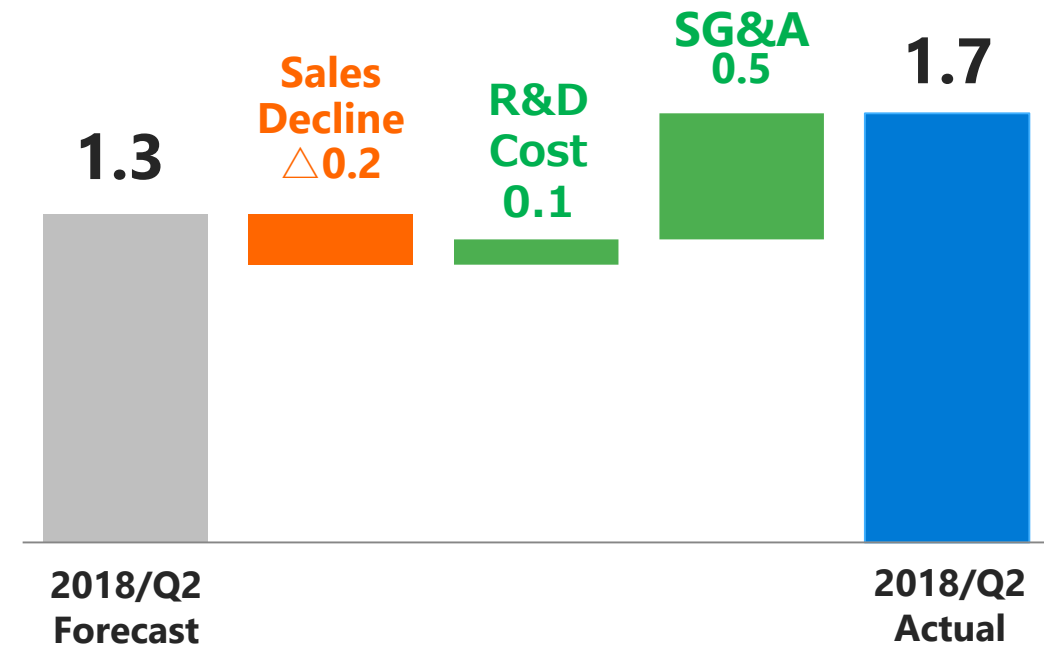
# Variance Analysis against the Forecast

(billions of yen)

## Net Sales



## Operating Profit



Average exchange rate during the accounting period

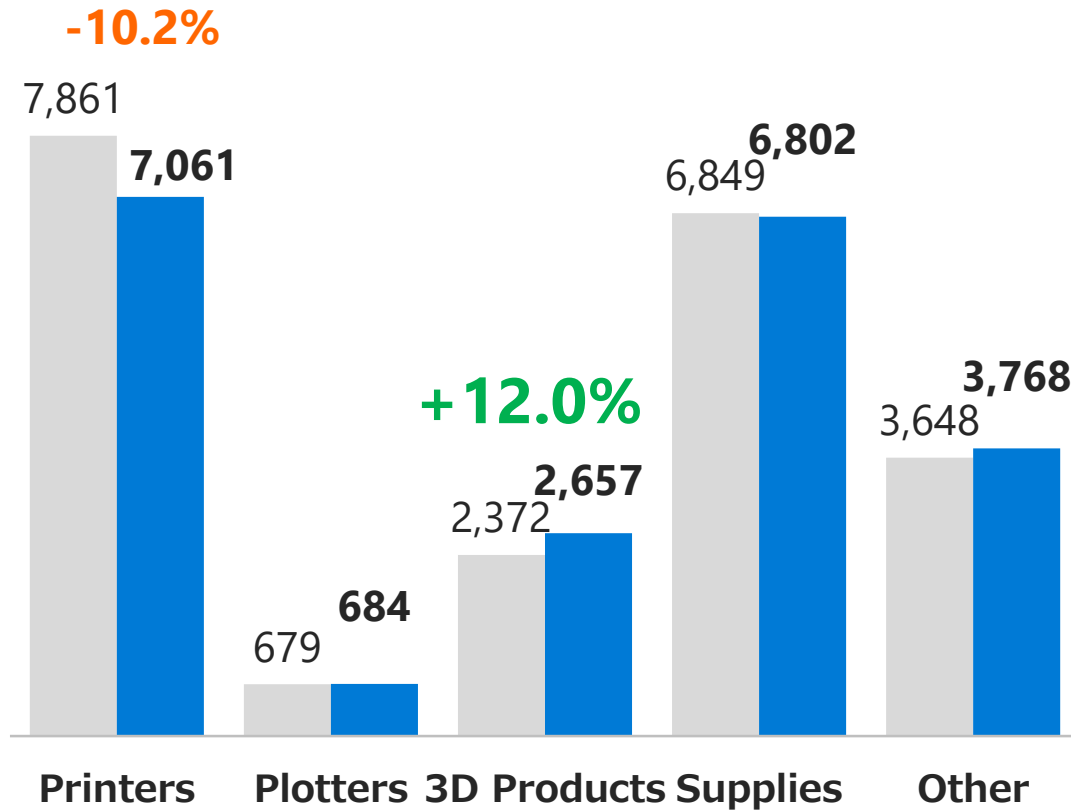
(Unit: Yen)	2018 Estimate	2018/Q2 Actual	
USD	110.00	108.69	98.8%
EUR	130.00	131.67	101.3%

# Business Highlights

(Millions of yen)

■ 2017 Q2

■ 2018 Q2



## Printers

- ✓ Signage printers were dull.
- ✓ UV printers were level.

## Plotters

- ✓ Strong new models.

## 3D Products (DGSHAPE)

- ✓ Led by new dental machines.
- ✓ Milling machines were slow.

## Supplies

- ✓ UV ink sales made up for the decrease in sales of solvent ink.

## Other

- ✓ Increase in service parts and maintenance fees.



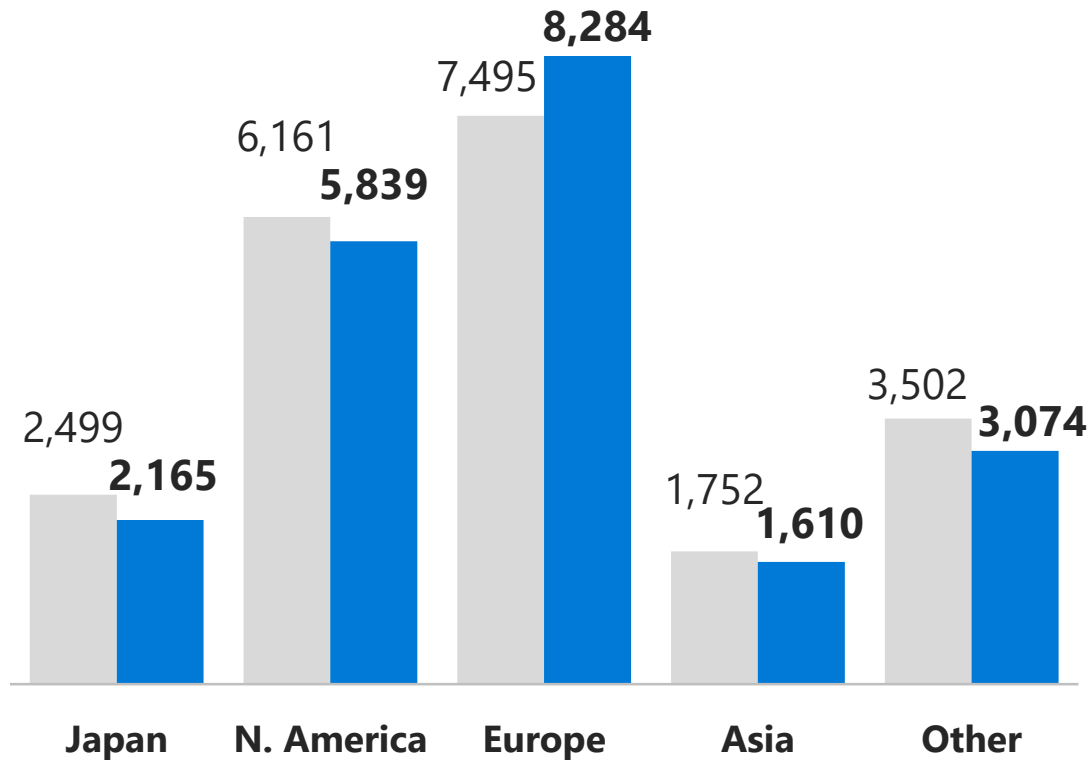
# Regional Highlights

(Millions of yen)

2017 Q2

2018 Q2

+10.5%



## Japan

- ✓ Signage printers declined.
- ✓ UV printers decreased.

## N. America

- ✓ Established a dedicated team for retail markets. Increased in UV printers.
- ✓ Signage printers declined.

## Europe

- ✓ Strong dental milling machines.
- ✓ Signage printers were level.

## Asia

- ✓ Printers in China and ASEAN slow

## Other

- ✓ Strong small UV printers and dental machines.
- ✓ Sales pf S. America are expected, Africa is slow.

# Consolidated Balance Sheet (As of June 30, 2018)

(millions of yen)

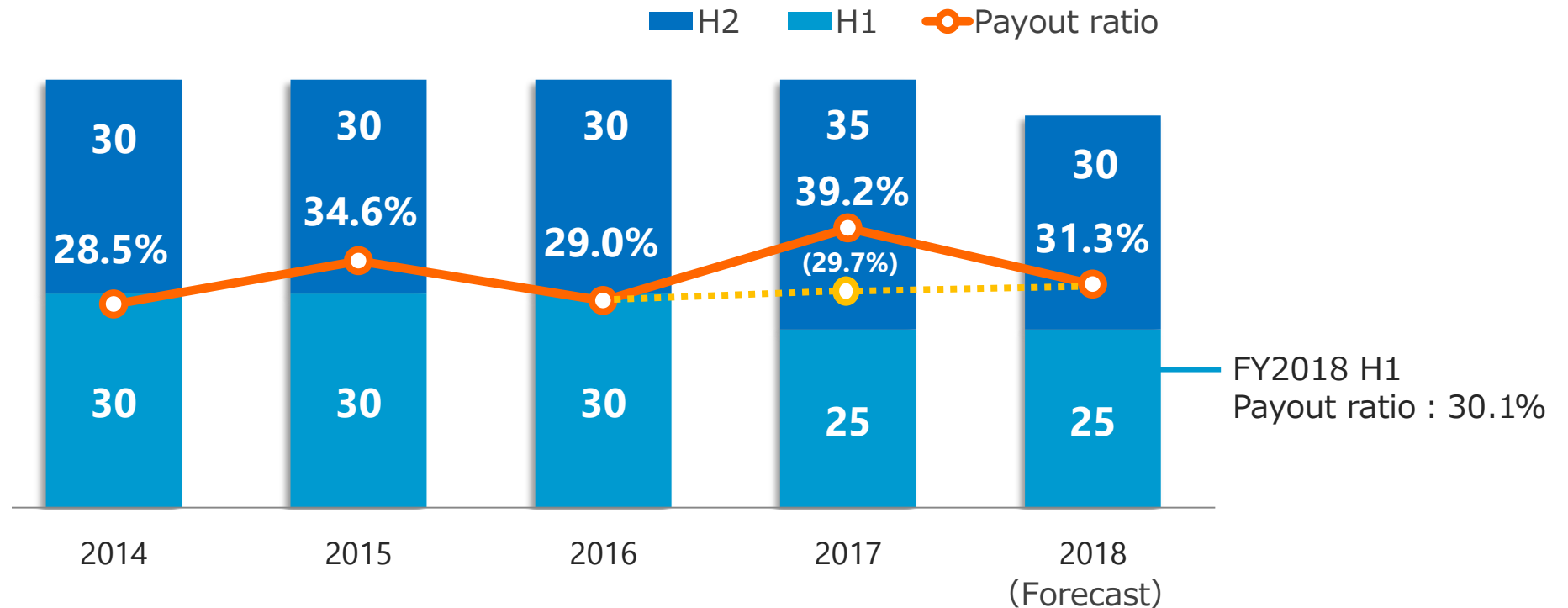
	<b>Total assets</b>	<b>35,393</b>	
			<b>Interest bearing liabilities 3,960</b>
			<b>Δ850</b>
		<b>Current liabilities</b>	
		<b>7,367</b>	✓ Notes and accounts payable-trade (25)
		<b>Non-current liabilities</b>	
		<b>5,186</b>	✓ Repayments of long-term loans payable (720)
✓ Cash and deposits + 1,093	<b>Current assets</b>		
	<b>25,767</b>		
✓ Inventories (1,155)			
		<b>Total net assets</b>	
		<b>22,839</b>	✓ Retained earnings + 599
	<b>Non-current assets</b>		
	<b>9,625</b>		✓ Net asset ratio + 2.9points
		<b>Net asset ratio 64.5%</b>	
	<b>Assets</b>	<b>Liabilities and net assets</b>	

※YoY

# Consolidated Financial Forecast: Dividend Outlook

For the fiscal year 2018, yen 25/share for H1, yen 30/share for H2, yen 55/share/year is scheduled.

Payout ratio is 31.3% is scheduled.

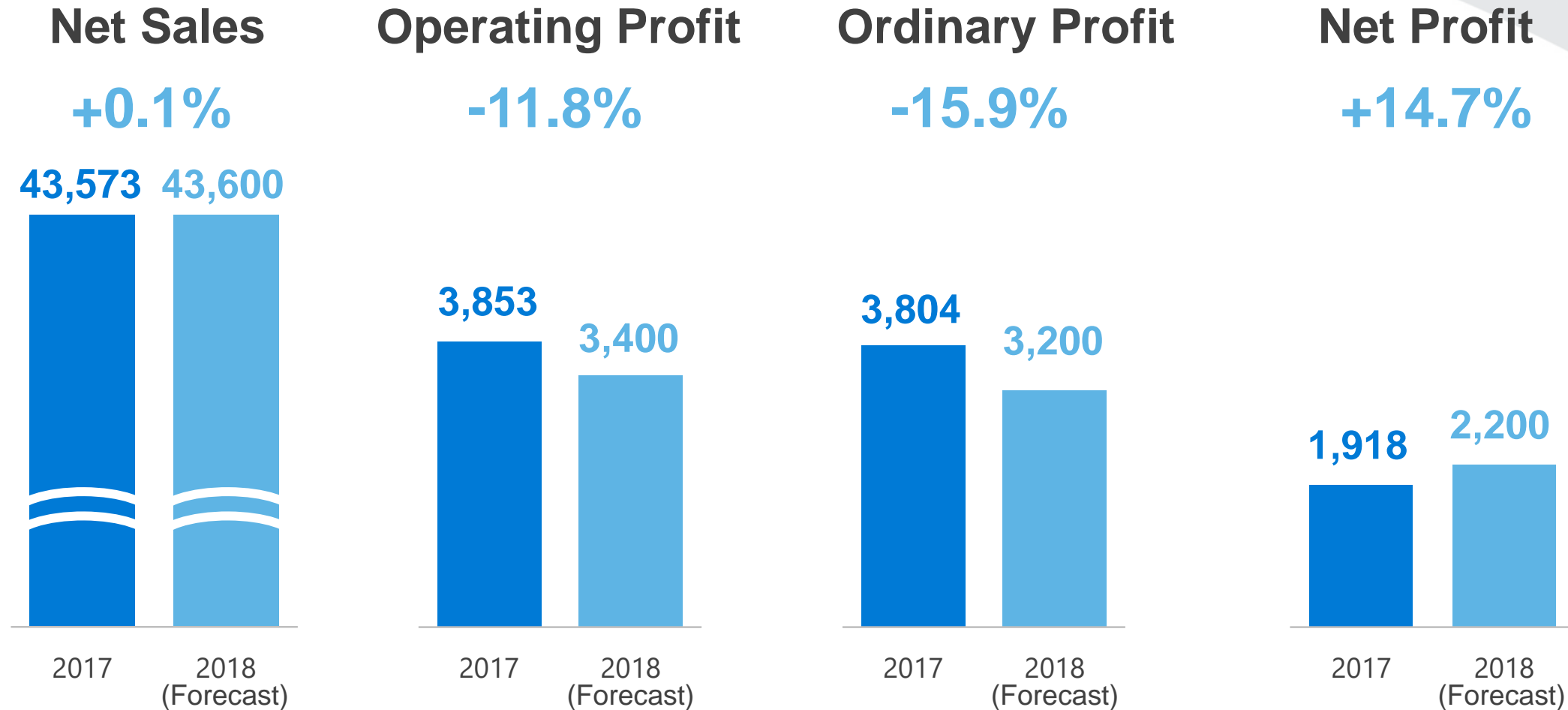


※ Dotted line denote figures excluding extraordinary loss

# **Consolidated Forecast for the Fiscal Year Ending December 31, 2018**

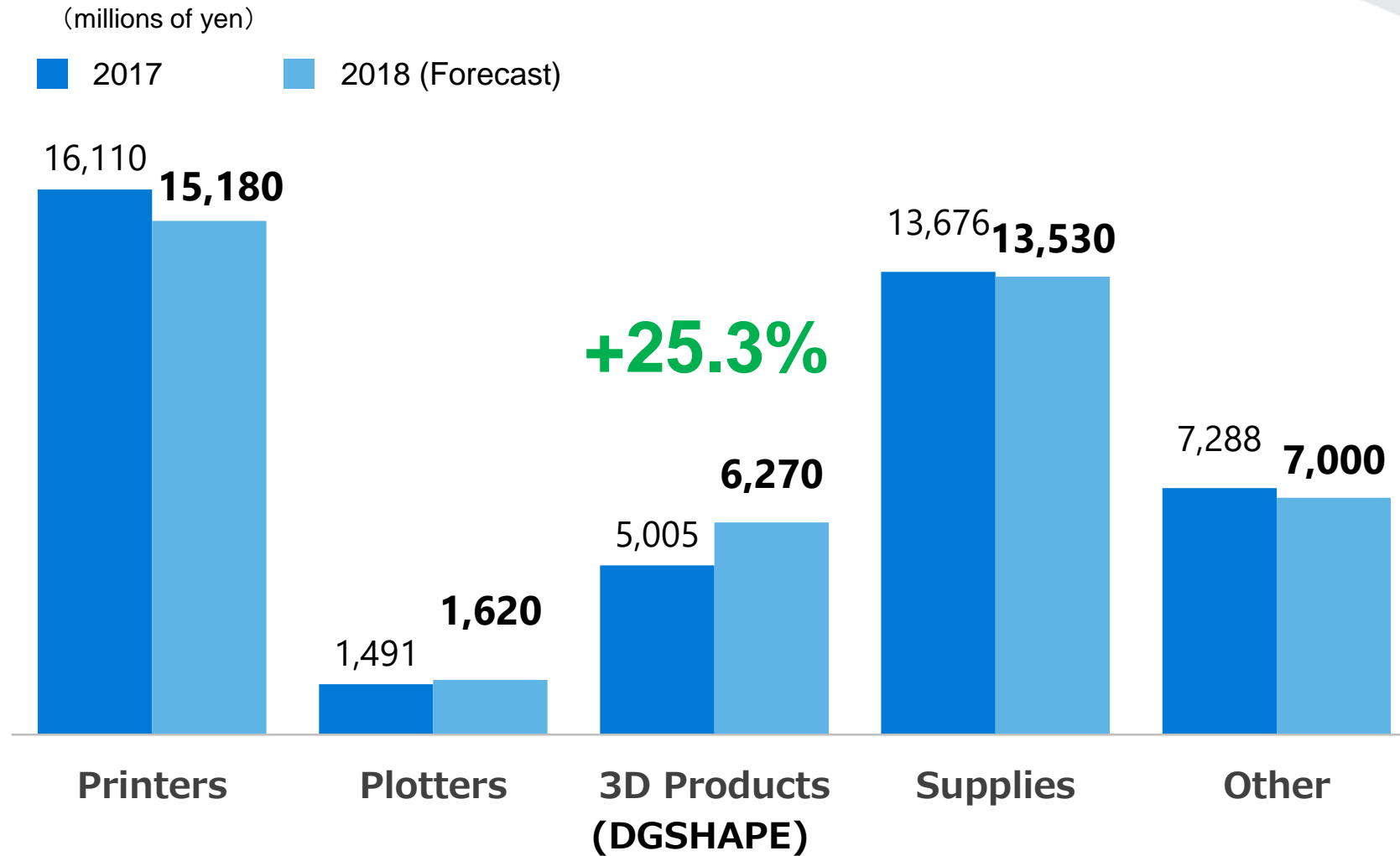
# Consolidated Forecast for the Fiscal Year Ending December 31, 2018

(millions of yen)

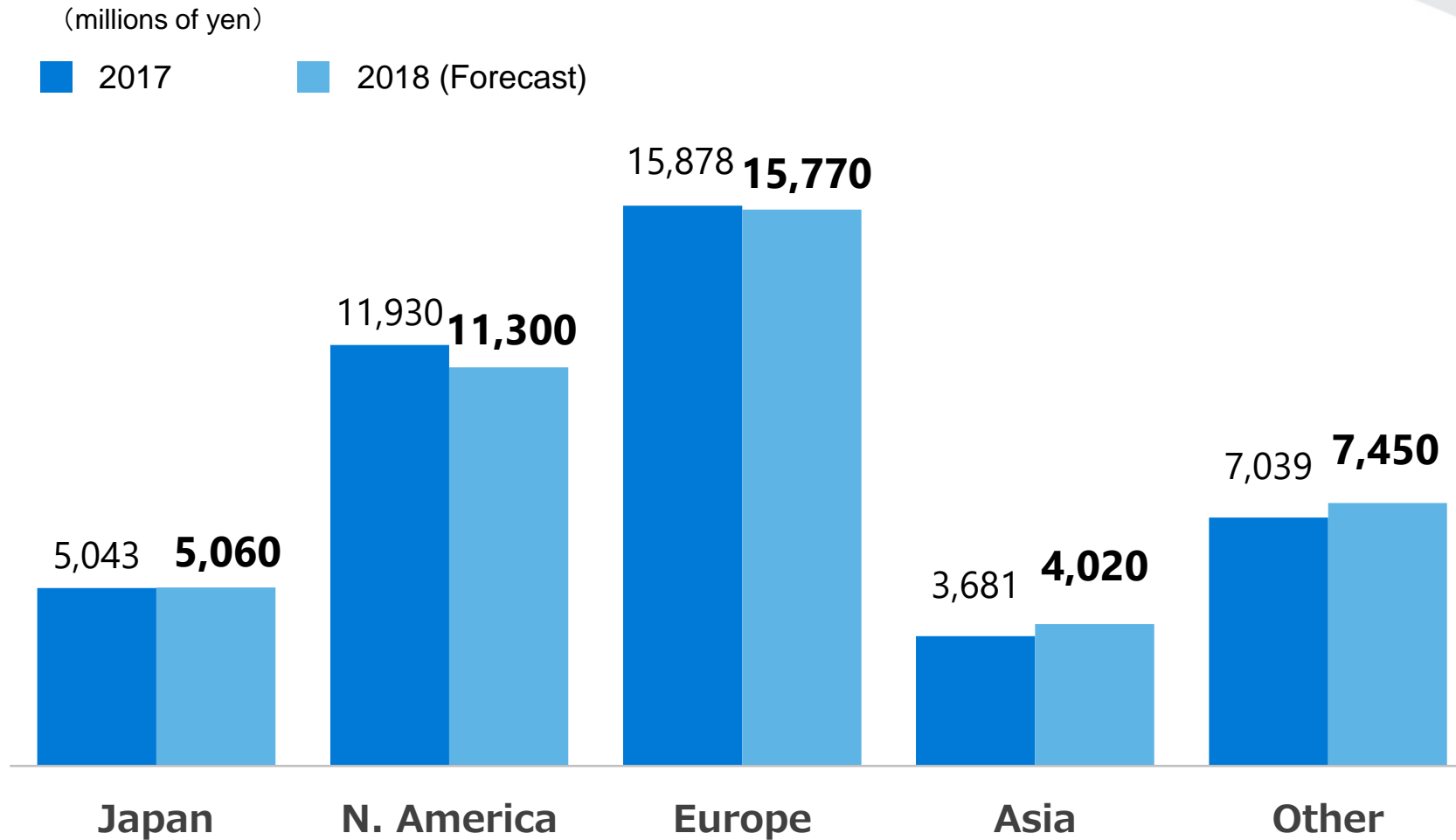


※Net Profit is net profit attributable to parent company shareholders

# Consolidated Financial Forecast: By Products



# Consolidated Financial Forecast: By Region



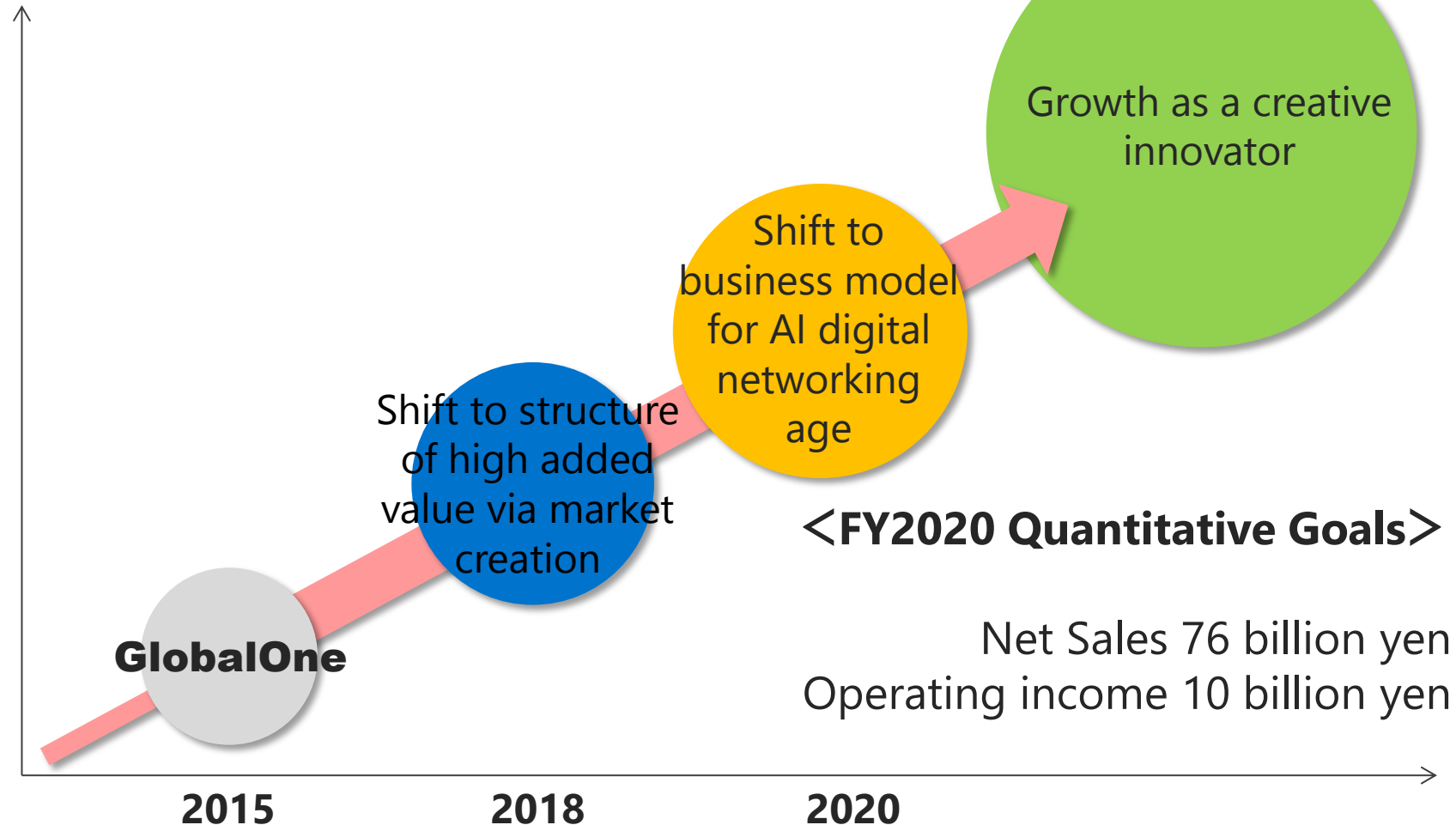
# **Revision of Medium-Term Business Plan (FY2016 to FY2020)**



## Medium-Term Business Plan (FY2016 to FY2020)

### GrowthOne

#### Sustainable Growth through Innovation



# Accomplishments and challenges remaining

## Accelerate new business development in growing markets



Growth in dental business

Sales **46% UP**

2015 ⇒ 2017



Delays in strengthening printing technology  
had an adverse effect on product development

Promoting solutions to retailers  
to use UV printers to create  
one-off merchandise



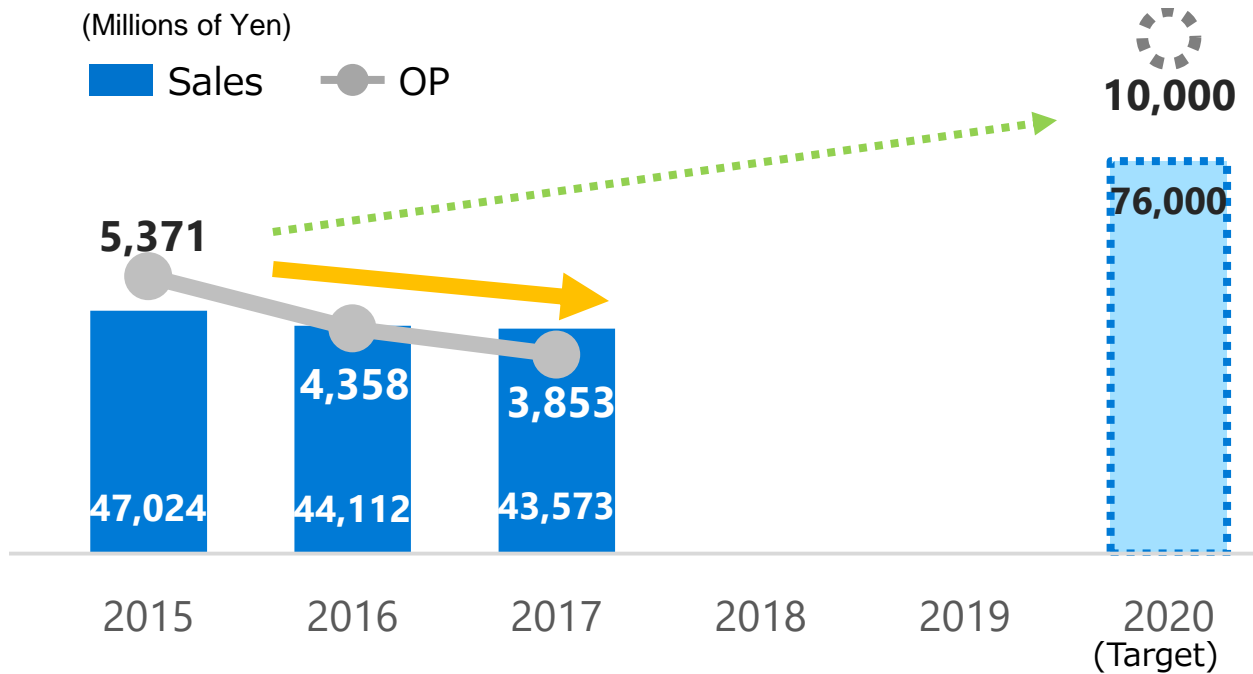
Dental and retail businesses have not grown  
enough to cover the decrease in sales  
of signage market printers

# Reason for revision of medium-term business plan

(Millions of Yen)

■ Sales

● OP



## Difficult to reach plan targets

- Fierce competitive environment created much faster than we predicted led to a substantial reduction in sales and profitability for signage market printers.
- Internal issues such as delays in development of printing technology and in expansion of growth areas.

	2015	2016	2017	2020 (Target)
<b>Printers</b>	20,175	18,027	16,110	34,400
<b>Cutting Machines</b>	1,476	1,292	1,491	1,600
<b>3D products</b>	3,951	4,188	5,005	10,000
<b>Supplies</b>	14,978	13,623	13,676	20,000
<b>Other</b>	6,443	6,980	7,288	10,000

**Revision of plan (FY2016 to 2020)**

## Company vision

**Mission**      **Bringing new opportunities to society through digital technology**

**Slogan**      **Inspire the Enjoyment of Creativity**  
**Be the BEST rather than the BIGGEST**  
**The Roland Family – Cooperative Enthusiasm**

Become a highly competitive company that provides digital solutions to niche markets.

Refine business portfolio and realize sustainable growth with high profitability.

# Changes in the orientation of the plan

2018 ~ 2020

## Transitional growth period



Expansion of growth areas



Stop decline in sales of signage market printers



Improve profitability

2021 ~

New growth phase  
to realize the vision

※ Expected growth curve

# Key points of revised medium-term plan



## Expansion of growth areas

- Specify growth areas and allocate resources
- Expand new business evolved from retail business



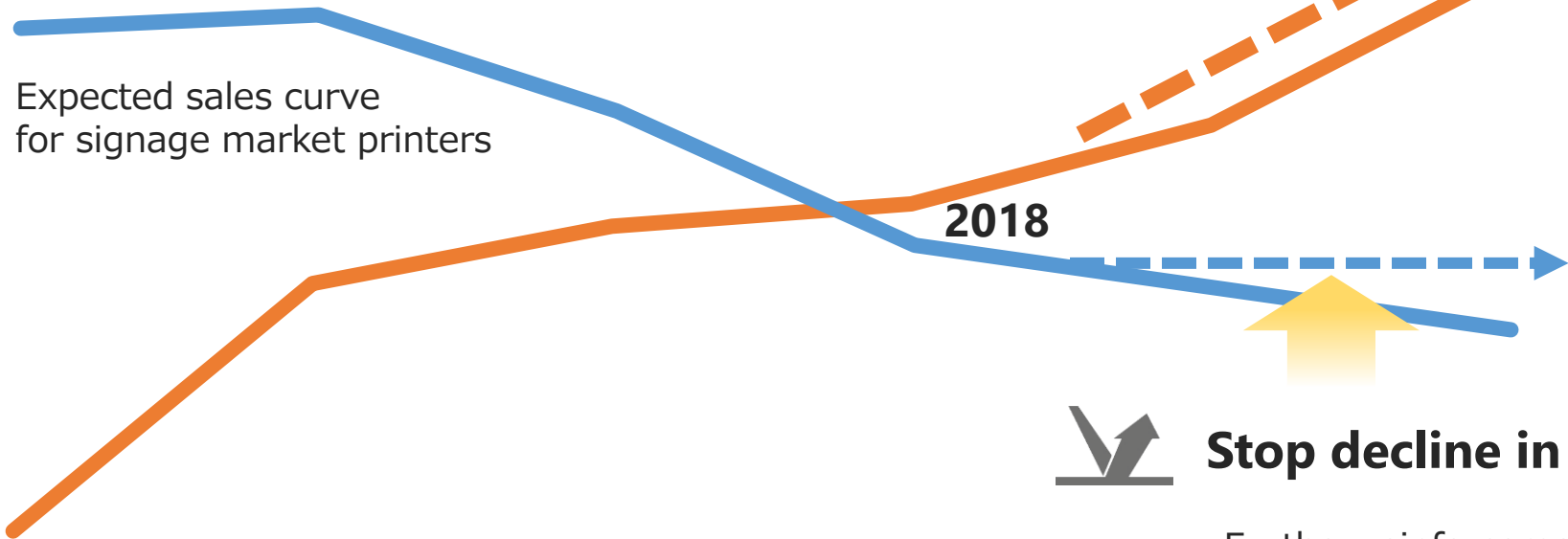
## Improve profitability

- Expand sales of in-house developed ink
- Continuous decrease in cost of goods
- Reduce SG&A



## Stop decline in sales of signage market printers

- Further reinforcement of technology, market new products
- Strengthen product lineup in conjunction with local partners



Expected sales curve  
for signage market printers

2018

Expected sales curve for growth areas,  
including UV printers, dental and 3D digital fabrication

## Adjustment of Performance

	<b>FY2017</b>	<b>FY2018</b> (Forecast)	<b>FY2020</b> (Initial Target)	<b>FY2020</b> (Revised Target)
<b>Sales</b> (¥ billion)	43.5	43.6	76	<b>46</b>
<b>Operating Income</b> (¥ billion)	3.8	3.4	10	<b>4.5</b>
<b>Operating income ratio</b>	9%	8%	13%	<b>10%</b>
<b>ROE</b>	9%	10%	15%	<b>12%</b>

# Adjustment of Performance

## Sales by Product

(Billion of yen)

	<b>FY2017</b>	<b>FY2018</b> (Forecast)	<b>FY2020</b> (Initial Target)	<b>FY2020</b> (Revised Target)
Printers	16.1	15.1	34.4	<b>17.2</b>
Plotters	1.4	1.6	1.6	<b>1.5</b>
3D Products	5	6.2	10	<b>8.1</b>
Supplies	13.6	13.5	20	<b>11.6</b>
Other	7.2	7.0	10	<b>7.6</b>

## Sales by Region

(Billion of yen)

	<b>FY2017</b>	<b>FY2018</b> (Forecast)	<b>FY2020</b> (Initial Target)	<b>FY2020</b> (Revised Target)
Japan	5	5	7	<b>5.4</b>
N. America	11.9	11.3	20	<b>14.1</b>
Europe	15.8	15.7	25	<b>16.2</b>
Asia	3.6	4	10	<b>4.1</b>
Other	7	7.4	14	<b>6.2</b>



# Business Strategy

# Reselection of business areas in focus

Business areas specified  
in the original plan

Signage

Retail

Multi-Use Printing

Textiles

Dental

3D Digital Fabrication

## Reselected business areas

### Digital Printing

Contribute to the expansion of customer's business and create a new on-demand printing market that focuses on providing digital printing solutions for analog-based, high-variety, low-volume tasks.

### COTO

Expands our personalized service lineup of products to help create one-of-a-kind merchandise as a solution to meet the specific needs and tastes of the individual.

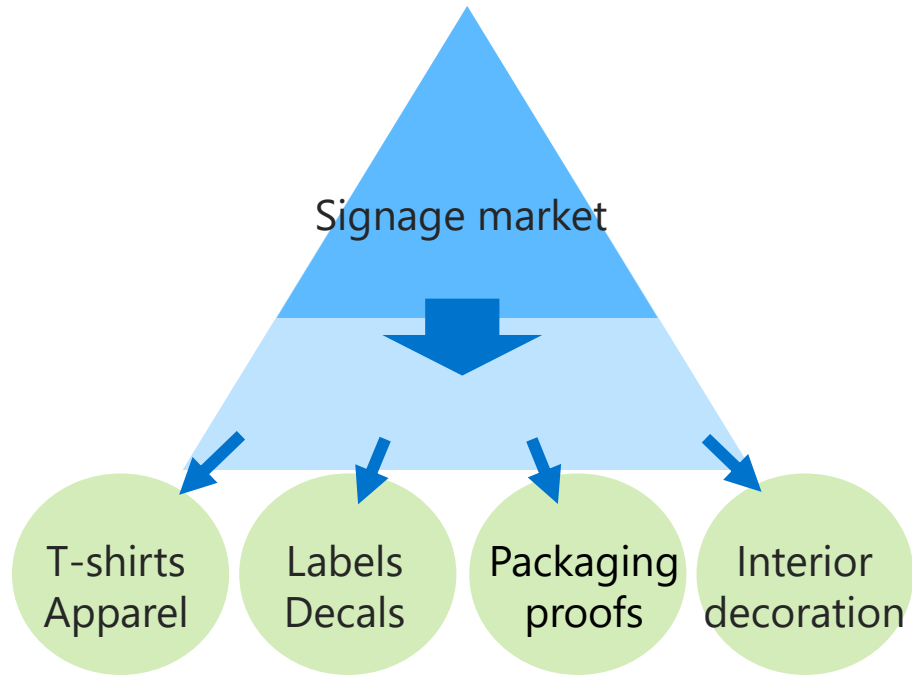
### DGSHAPE

Aims to provide efficient digital workflow for healthcare and manufacturing industries, including dental, medical, manufacturing and education.

# Digital Printing Business

# Extension of digital printing market

Extend the horizon of digital printing market starting from signage market



## Features and strengths

**Versatile**

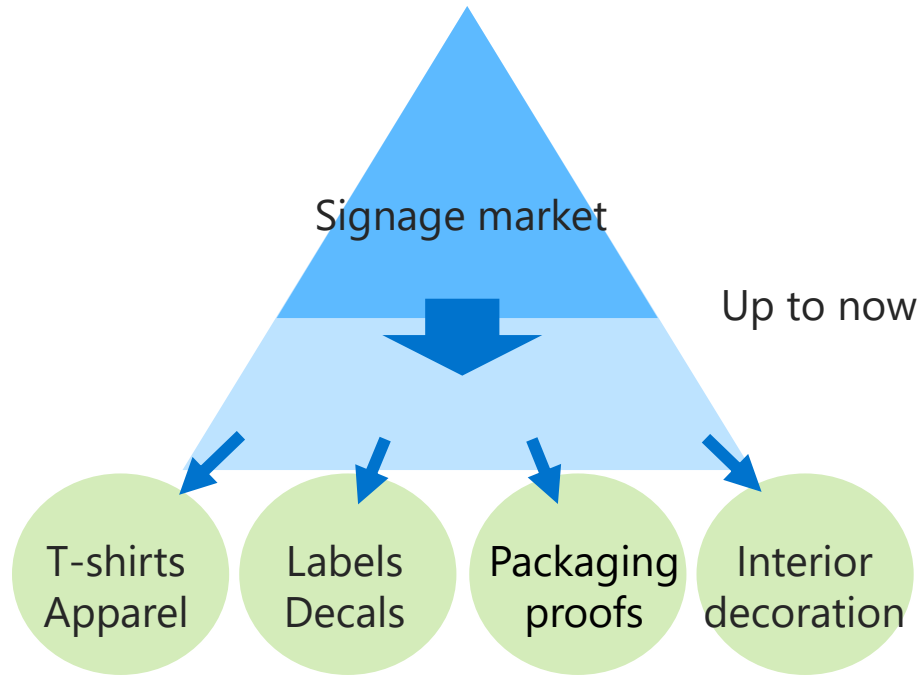
**Compact**

**Easy to use**

**Carefully tuned service and support**

# Extension of digital printing market

Extend the horizon of digital printing market starting from signage market

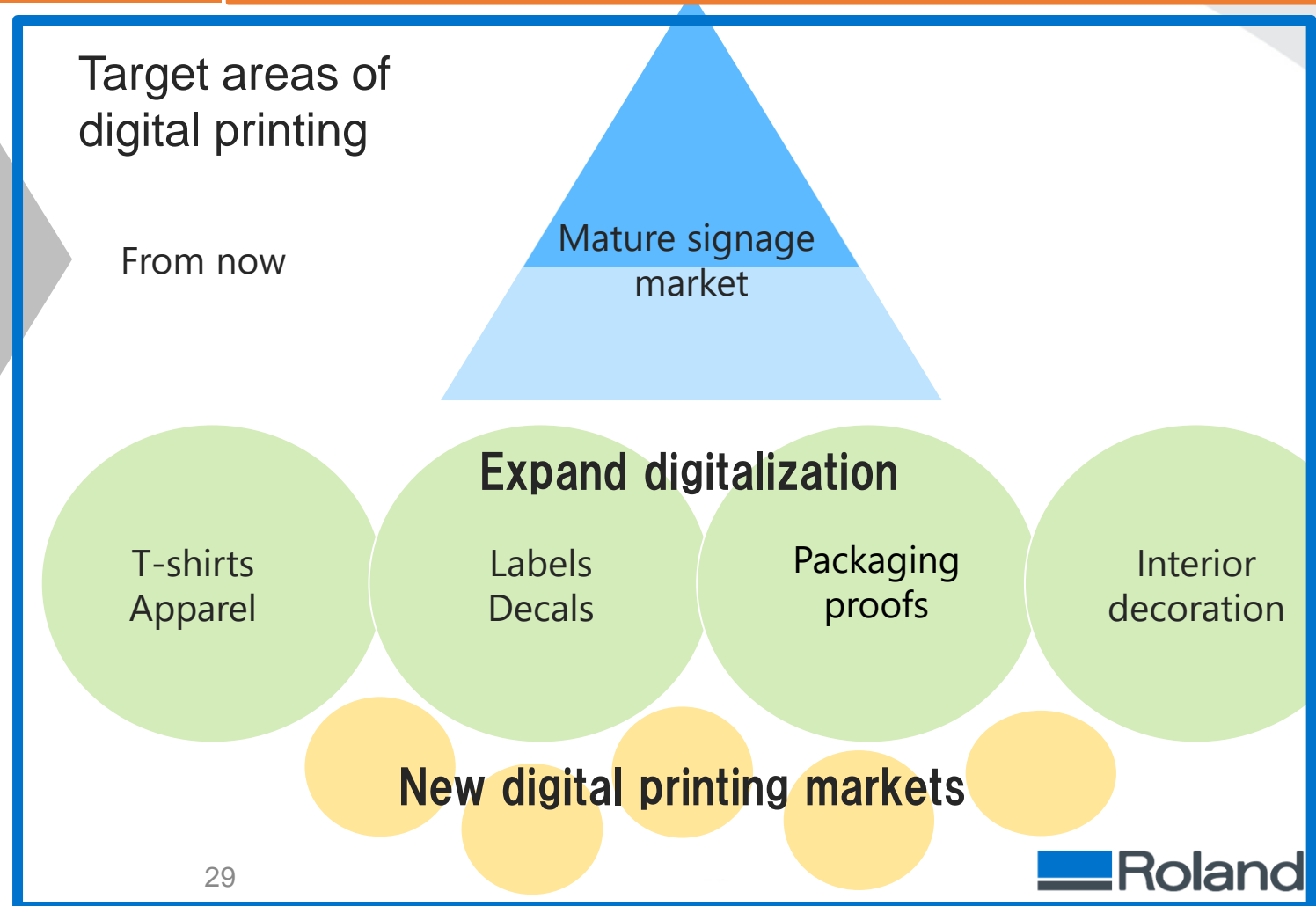


Technology trends

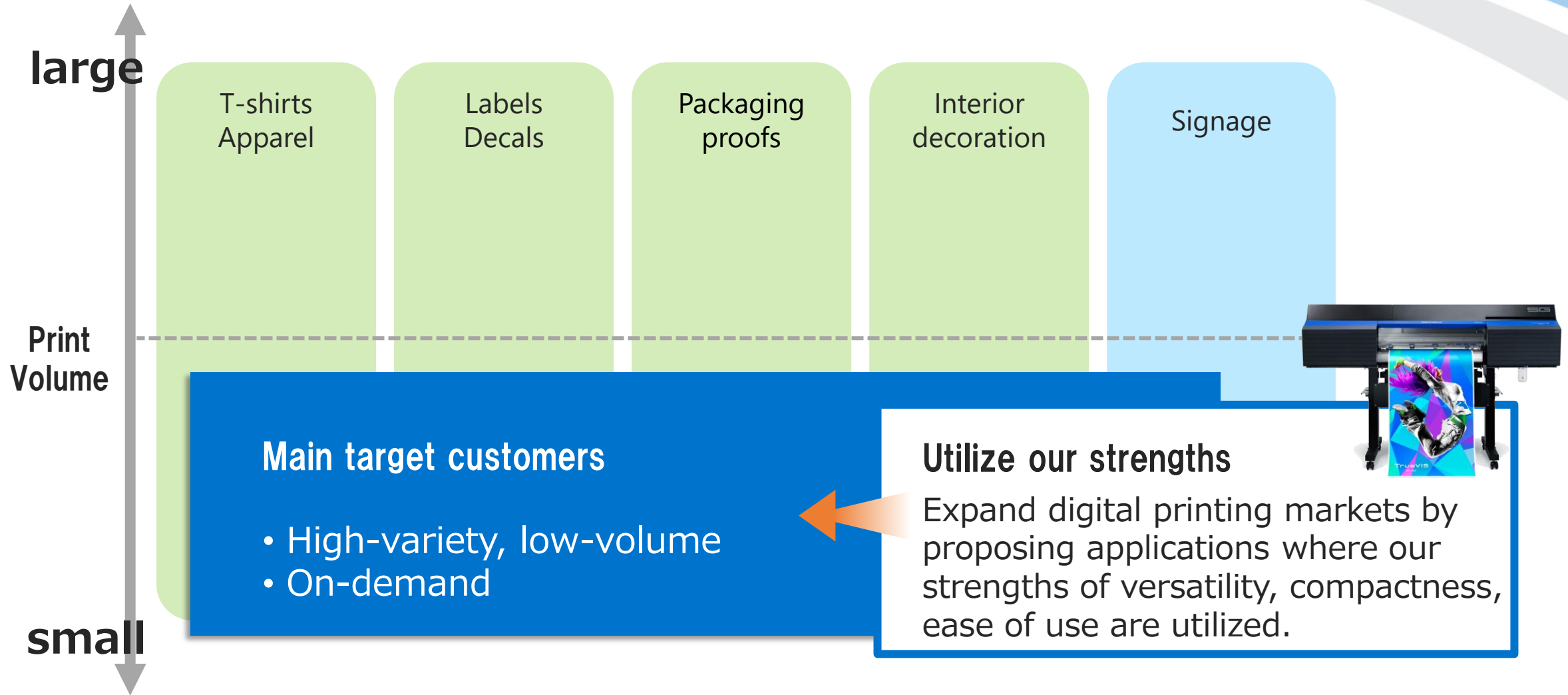
Digital devices, Internet, Cloud, ICT, IoT, AI

Market trends

Utilize digital data/Diversified needs/Personalize/Share on SNS



# Target segments of digital printing



# Strengthen technology development and product development

Provide specific customers with optimal solutions co-created with our partners.



UV printer with belt-driven feed



Eco-solvent printer for wallpaper



Direct printing textile printer

Provide versatile digital printing solutions with target markets

Development of digital technology  
Applies to a variety of materials and shapes



- Jetting
- Ink
- XYZ-axes control

Strengthen each technology

Develop new products with a high customer value that will maintain sales for signage market.

# Summary for digital printing business

## Business policy

Contribute to the expansion of customers' business and create a new on-demand printing market that focuses on providing digital printing solutions for analog-based, high-variety, low-volume tasks.



2020

- Propose customer value with new products.
  - Enhance product lineup through co-creation with our local partners.
- 
- Develop new printing technology that can be applied to a variety of printing possibilities (applicable to a variety of media).
  - Continuous reduction in cost.



# COTO Business

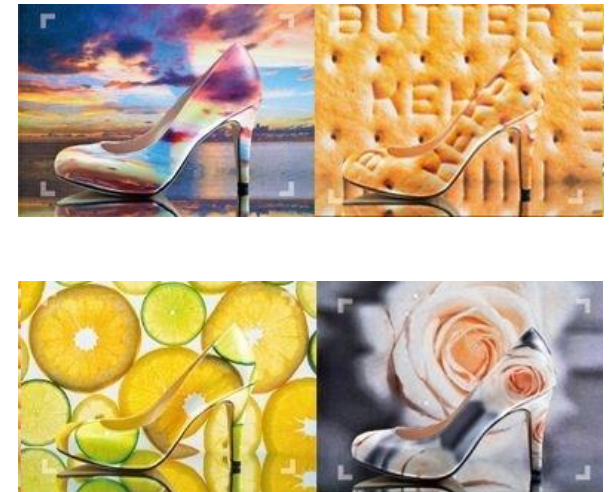
## Retail business



Provide decorative printing solutions



Decorative printing onto various articles



Individual customer receives a completed piece of merchandise.

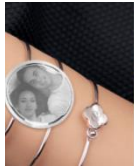
# Focus on events that customers can experience

Bring joy, surprise and happiness with personalized goods which add colors to events



Customers seeking personalized goods

Personalized goods that add color to events



Joyful events



Delightful events



Happy events



Variety of events lies behind the desire for personalization

## **COTO Business Concept**

**Create opportunity and occasion.  
Provide enriched experiences and delightful moments.**

# COTO business target and value proposition for individuals



Provide products and services

Ultimate beneficiaries

**COTO business target**  
Retailers and hospitality industry



**Individuals**





# Business opportunities for COTO business

## Retailers and hospitality industry

### Changes in industry

With the spread of e-commerce, brick and mortar customers are decreasing

Need to address variety of customer needs



Estimated number of targeted shops

**900,000**

※ Roland DG estimate



## General consumers

### Changes in market

Dissemination of smart devices and SNS

Diversified needs and tastes

Estimated sales growth rate for personalization

**CAGR 8.7%**

※ Roland DG estimate



**Use the changes in industry and market as business opportunities**

# Variety of product lineups

Provide a variety of personalized applications with a variety of product lineups



UV-LED printer

Smartphone cases, stationery, picture frames



Eco-solvent printer

T-shirts, stickers



Cutting machine

T-shirts, stickers



Engraver

Name plates, gifts



Photo impact printer

Personalized metal items: jewelry, flasks, tankards, golf club, dog tags



Laser decorator

Smartphone cases, cosmetics, stationery



Retailers and hospitality industry



# Software allowing customers to design their own goods

Software that helps create one-off goods in-store

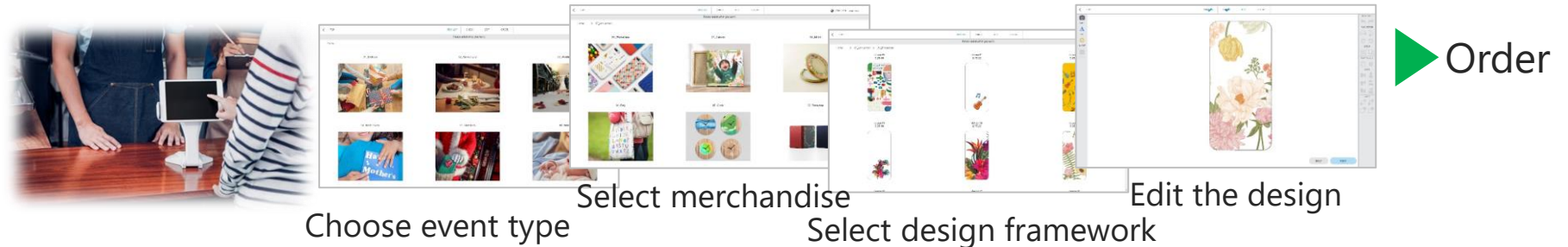
**cotodesign**  
(COTODESIGN)

NEW



Released in Jan. 2018

Customers can easily design their own goods in-store.



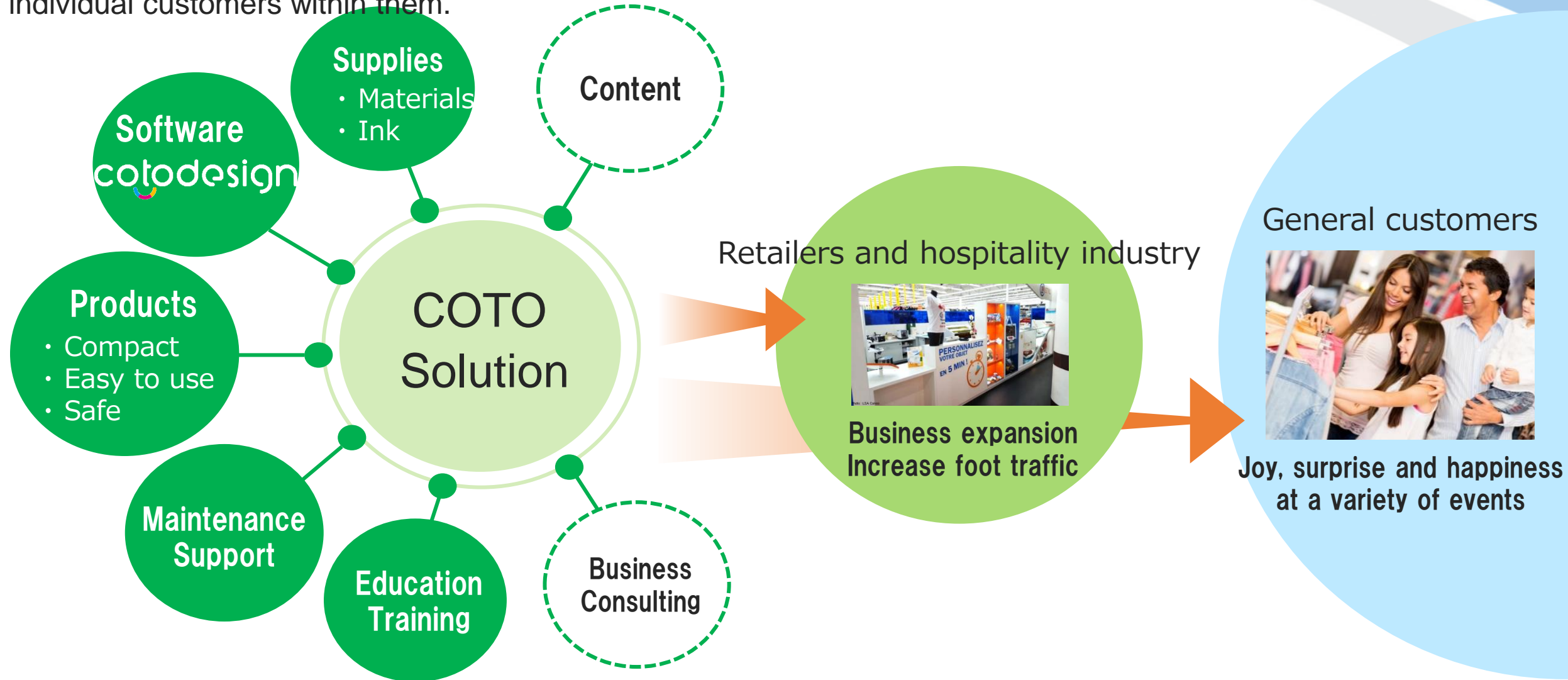
Shops can streamline the process from ordering to decorating.





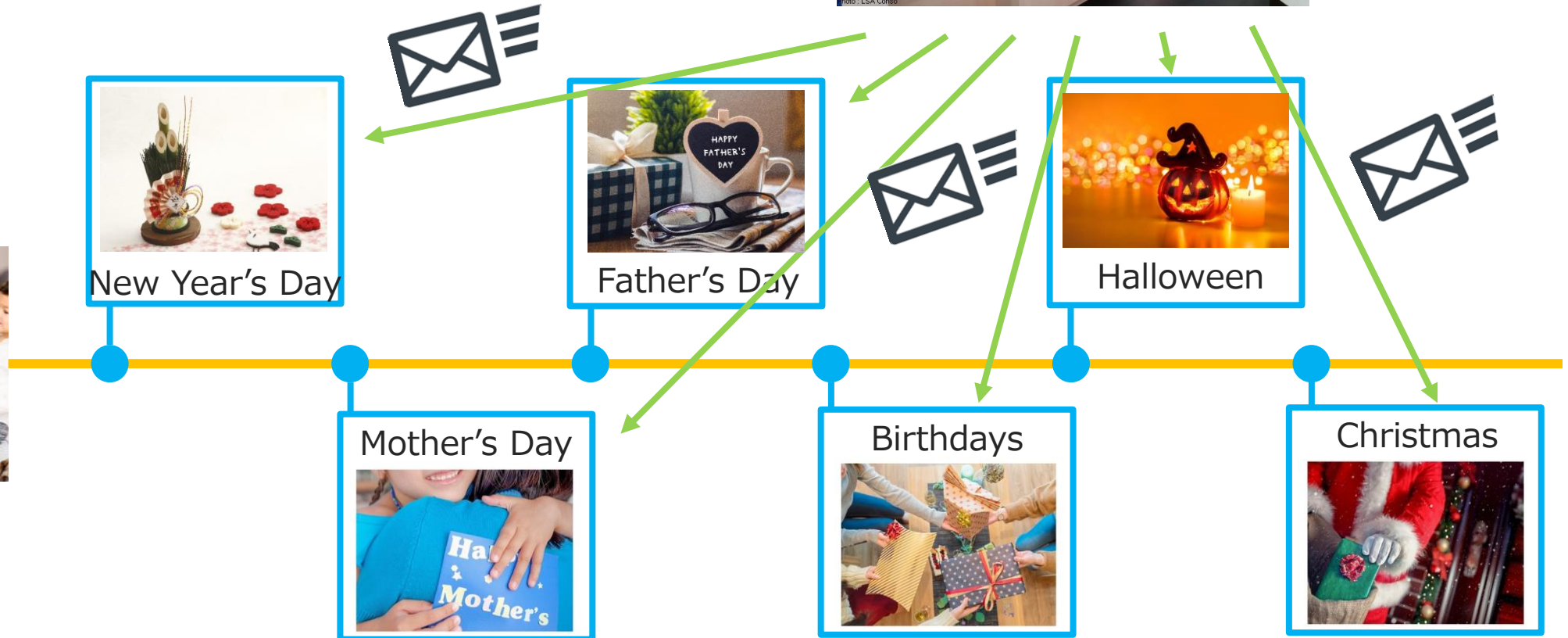
# Enhance COTO solution and propose value

Establish solutions required to provide value, not only to retailers and hospitality industry, but also to individual customers within them.



# Support promotional activities at specific events

Provide systems that support promotional activities at specific events.



## Business policy

Use the changes in retailers and hospitality industry and customer needs as business opportunities to provide our proprietary decorative printing solutions to retailers and hospitality industry, in order for customers to enjoy enriched experiences and delightful moments.



2020

- Provide a proprietary decorative printing solution combining COTODESIGN software and optimal product lineup centered around desktop UV printer.
- Garner customers' success stories and broaden them.
- Promotional activity to elevate the name of the business.

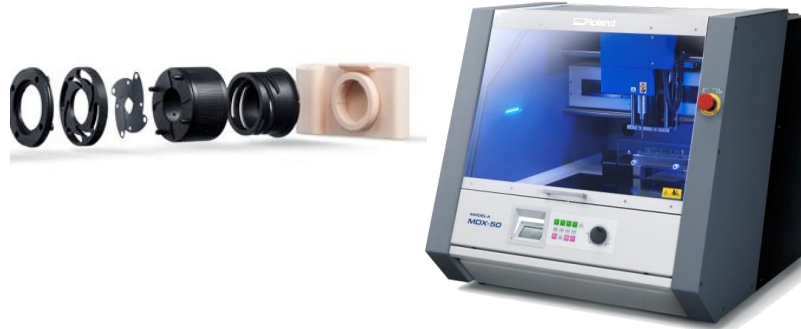
# DGSHAPE business areas



## Dental



## 3D Digital Fabrication



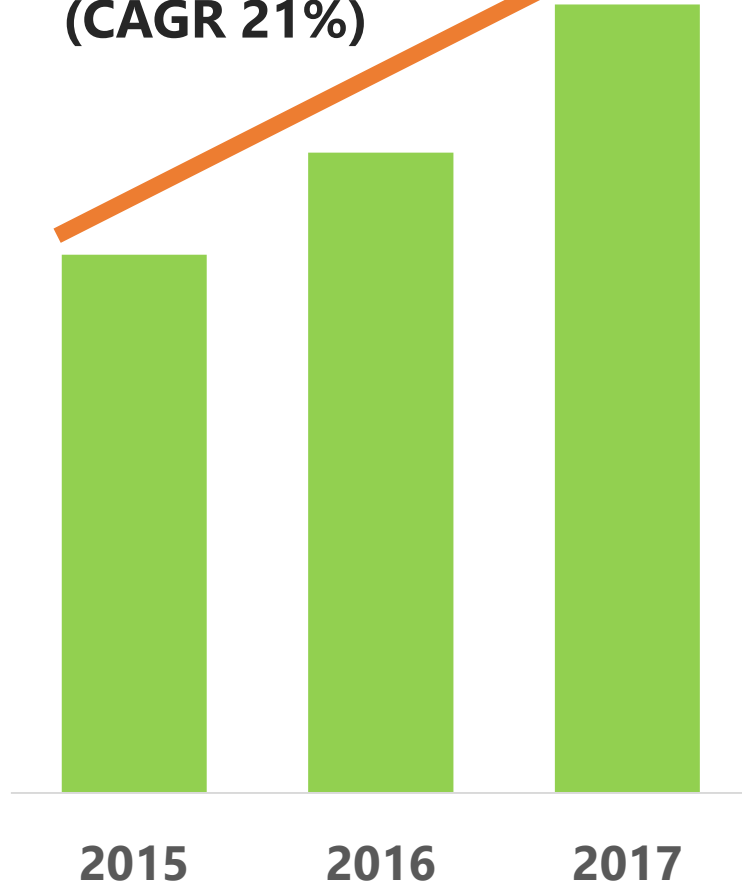
## Medical



# Growth in dental business

Sales of dental milling machines  
2015 ⇒ 2017

**46.5% increase**  
(CAGR 21%)



## Captured customer needs for digitalization and accomplished stable growth.

- Marketed new products that accurately captured the needs of dental labs and expanded sales

Released in Mar. 2017



**DWX-52DC**



**DWP-80S**

Released in Feb. 2018



**DWX-52DCi**



**DWX-52D**

Roland DG's market share of dental milling machines for dental labs

U.S : 23%

Japan : 48%

(as of 2017, according to Roland DG Research)

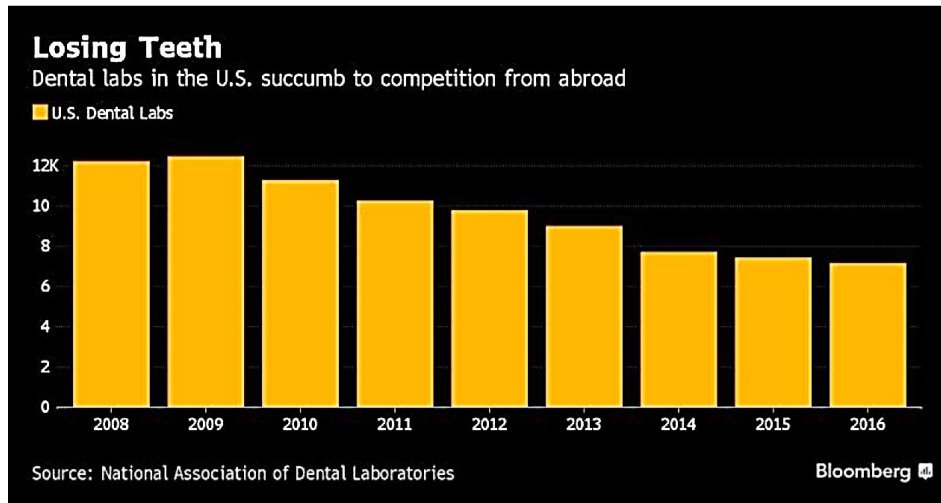
- Enhanced sales network in developing countries and expanded sales



# Market trends in dental industry

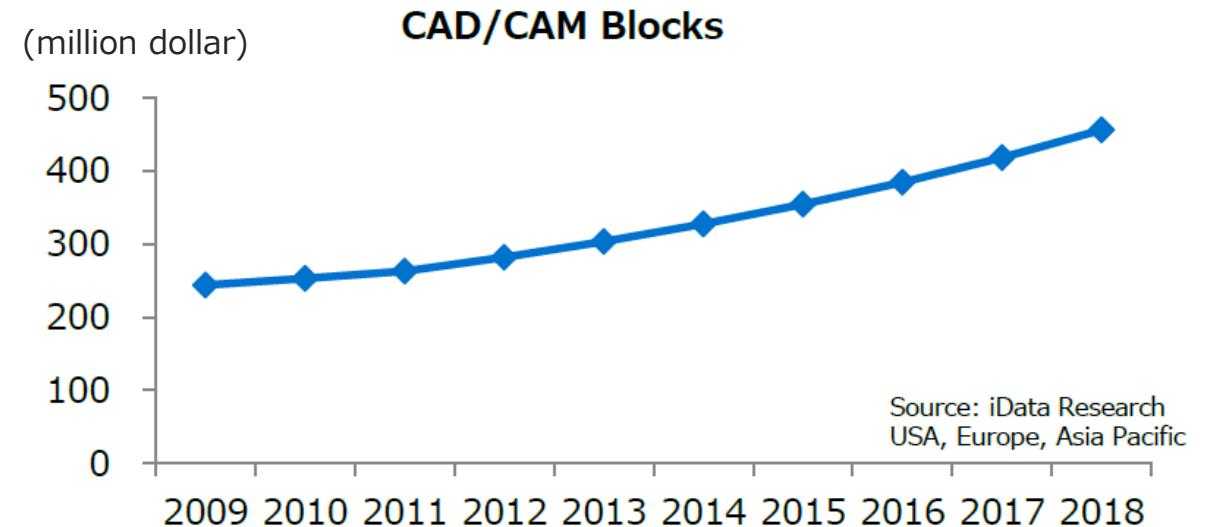
While the number of dental labs has been decreasing, work volume for fabricating dental prostheses with digital milling machine has been increasing.

The number of dental lab is decreasing along with the development of digitalized workflow and decrease in technicians



Dental labs in the U.S. decreased by 25% for the five-year period from 2011 to 2016

The volume of CAD/CAM prostheses has been increasing



The production volume of prostheses using CAD/CAM system surpassed 50% out of overall production

# Efforts to expand dental business

## Provide solutions addressing the changes surrounding dental labs and clinics

### Small-medium-sized labs

Need digital systems capable of producing an extensive range of dental prosthetics from a wide range of materials.

Propose open and easy-to-use solutions and contribute to digitalization of workflow.



### Large-sized labs

Small-medium-sized labs have been integrated into large ones.

Contribute to workflow efficiency with solutions incorporating automation, multiple unit control, management software.



DWINDEX 1

### Dental clinics

Small-medium-sized labs have been merged into dental clinics.

Propose easy-to-use product with small footprint and high level of security.



# Focus area for 3D digital fabrication

## 3D milling machine

### Education field

Growing STEM-based education



Propose compact, easy-to-use, affordable products



Educational institute in Russia

## Engraver, photo impact printer, laser decorator

### Personalized gift

- Provide new customer value with unique products
- Cultivate new customer base within retailers and the hospitality industry in conjunction with the COTO business



Add a luxurious touch to short-run cosmetic items



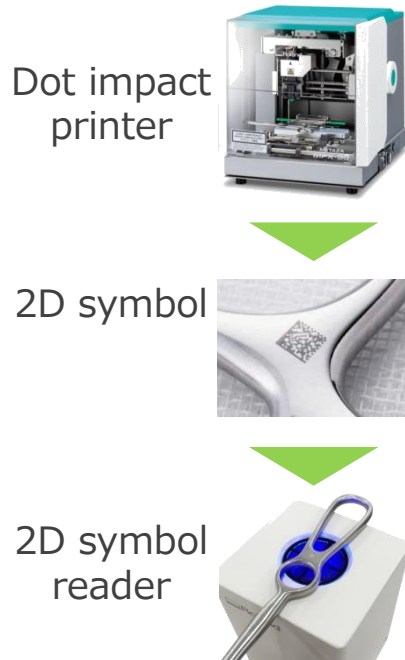
World's first laser foil decorator



# Medical instrument safety and support system

Propose medical instrument safety and support system with traceability system, digitally-controlled sanitation support system, and search and assembly support system

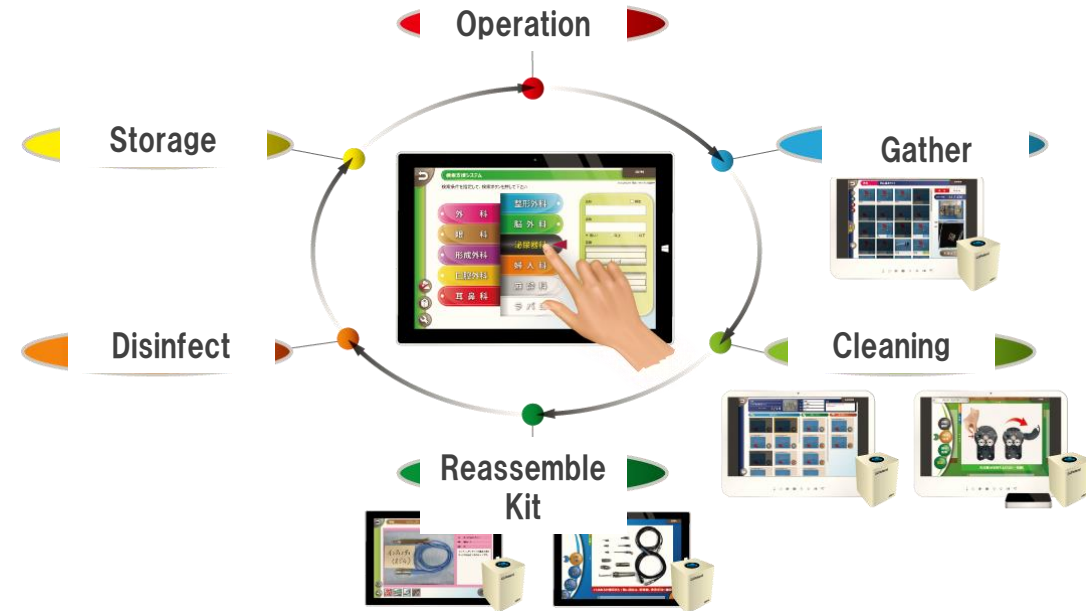
## Traceability system



## Digitally-controlled sanitation support system



## Medical instrument safety and support system



- Carrying out a test run at Hamamatsu University Hospital and Hamamatsu Red Cross Hospital.
- Intend to set up as a new business within 2018.

## Business policy

With technology that enables the transformation of an idea into shape, the business aims to create new value in business fields such as manufacturing and healthcare by re-engineering business process and combining creativity and digital workflow.



2020

### Dental

- Acquire demand for digitalization by further development in technology and introduction of new products.
- Set up solution and sales network for dental clinics.

### 3D digital fabrication

- Strengthen the development of education field with desktop 3D milling machine.
- Expand sales by employing COTODESIGN software and products.

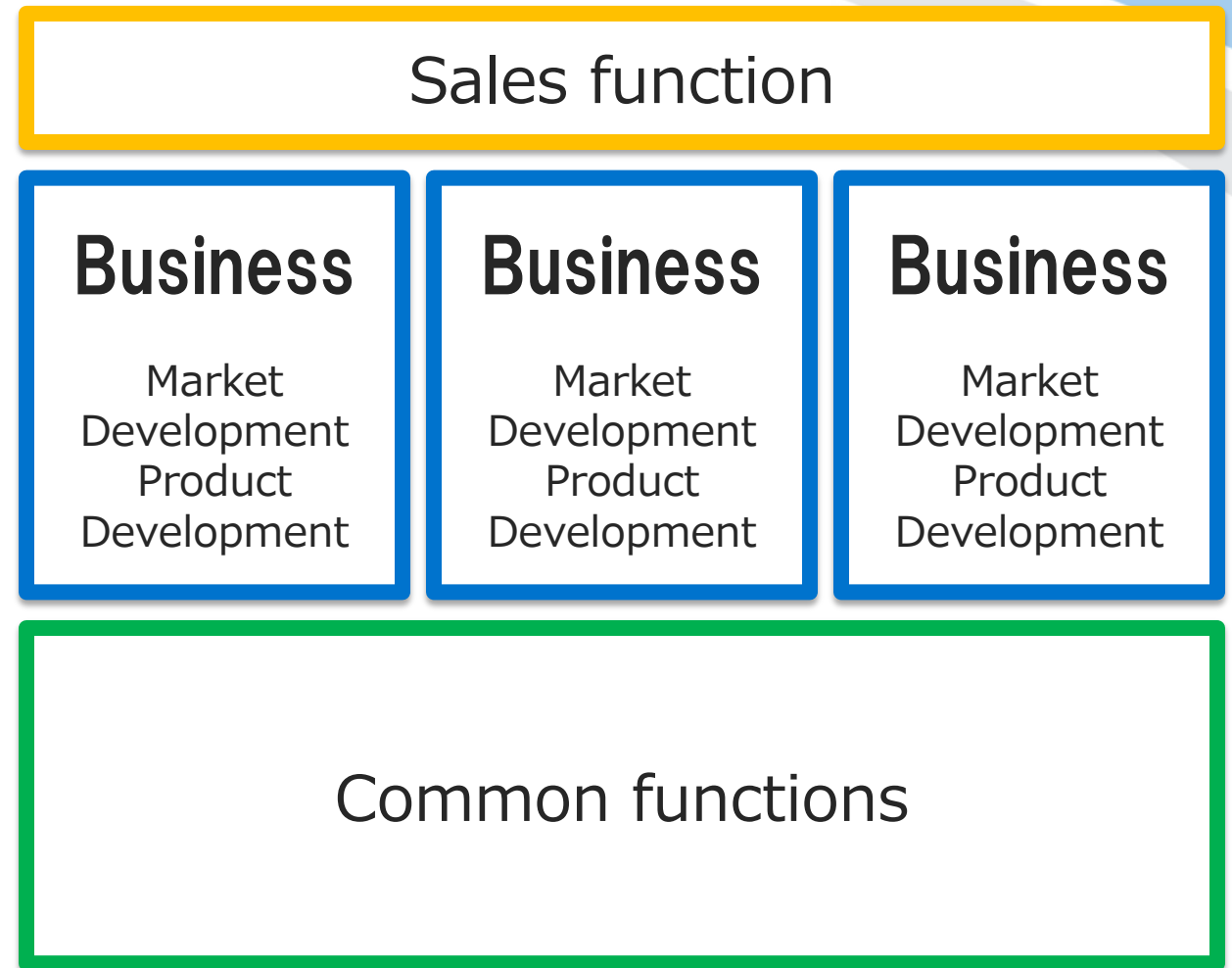
### Medical

- Shift operations from test-run to business.

# **Strengthen Organizational Operational Structure**

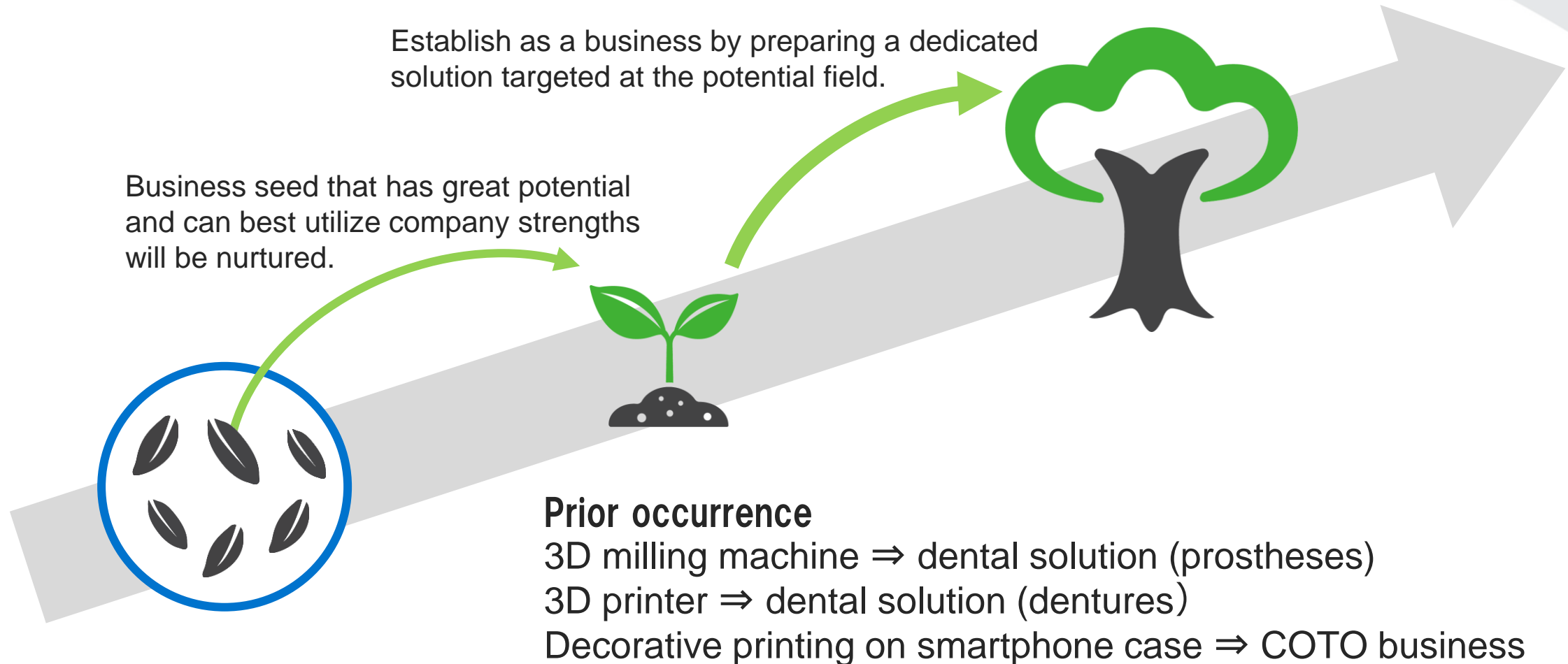
## Establish operational structure for each business

- Enhance sense of business ownership and accelerate growth of each business.
- Prepare dedicated market and product development function for each business and concentrate on respective field.
- Common functions support growth of each business.



# New business cultivation system

Business that has further room for development will be spun off and nurtured as a new business pillar



# Changes in orientation of plan

2018 ~ 2020

## Transitional growth period



Expansion of growth areas



Stop decline in sales of signage market printers



Improve profitability

2021 ~

New growth phase  
to realize the vision



※ Expected growth curve