

Consolidated Financial Results for the Nine Months Ended September 30, 2022 [Japanese GAAP]



November 10, 2022

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 Securities Code: 6789
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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: Scheduled (for institutional investors and analysts)

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended September 30, 2022 (From January 1, 2022 to September 30, 2022)

(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, 2022 | 36,939 | — | 4,313 | — | 4,432 | — | 3,017 | — |
| Nine months ended September 30, 2021 | 33,413 | 33.9 | 4,835 | — | 4,823 | — | 2,807 | — |

(Note) Comprehensive income: Nine months ended September 30, 2022: 4,732 million yen [–%]
 Nine months ended September 30, 2021: 3,148 million yen [–%]

| | Basic earnings per share | Diluted earnings per share |
|--------------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Nine months ended September 30, 2022 | 242.13 | — |
| Nine months ended September 30, 2021 | 225.59 | — |

(Note) The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. has been adopted from the beginning of the first quarter of the fiscal year ending December 31, 2022. As a result, each figure for the third quarter of the fiscal year ending December 31, 2022 is based on the application of the said standard, etc., and the year-on-year percentage change is not presented.

(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, 2022 | 45,289 | 32,156 | 71.0 | 2,580.00 |
| As of December 31, 2021 | 42,969 | 28,797 | 67.0 | 2,311.49 |

(Reference) Equity: As of September 30, 2022: 32,156 million yen
 As of December 31, 2021: 28,797 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, 2021 | – | 40.00 | – | 60.00 | 100.00 |
| Fiscal year ending December 31, 2022 | – | 50.00 | – | | |
| Fiscal year ending December 31, 2022 (Forecast) | | | | 80.00 | 130.00 |

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2022 (From January 1, 2022 to December 31, 2022) (% 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 | 51,000 | 13.1 | 6,700 | 10.6 | 6,800 | 11.8 | 4,700 | 25.9 | 377,14 |

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

* Notes

(1) Significant changes of subsidiaries during the nine months ended September 30, 2022 (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes
Newly included: –, Excluded: 1 (Company name: Roland DG Europe Holdings B.V.)

(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: 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 shares)

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

| | |
|--------------------------------------|-------------------|
| Nine months ended September 30, 2022 | 12,656,311 shares |
| Fiscal year ended December 31, 2021 | 12,656,311 shares |

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

| | |
|--------------------------------------|----------------|
| Nine months ended September 30, 2022 | 192,508 shares |
| Fiscal year ended December 31, 2021 | 198,108 shares |

3) Average number of shares during the period:

| | |
|--------------------------------------|-------------------|
| Nine months ended September 30, 2022 | 12,461,581 shares |
| Nine months ended September 30, 2021 | 12,447,188 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 (192,100 shares at the end of the nine months ended September 30, 2022 and 197,700 shares at the end of the fiscal year ended December 31, 2021). 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 (194,322 shares at the end of the nine months ended September 30, 2022 and 208,800 shares at the end of the nine months ended September 30, 2021).

* 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 10.

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1. Results of Operations



(1) Analysis of Results of Operations

During the nine months ended September 30, 2022 (from January 1, 2022 to September 30, 2022), the world economy showed the progress in the prevention of a further COVID-19 pandemic and the normalization of economic activities. However, with factors such as the intensification of the invasion of Ukraine by Russia, the zero corona policy in China, and soaring energy costs, the sense of economic slowdown has intensified.

Under these circumstances, the group is engaged in a three-year medium-term business plan (FY2021 – FY2023) based on the core strategies of transforming the company into a lean organization and transforming the business portfolio. In the first year of the plan, fiscal year 2021, we have mainly been working on structural reforms, and have made great strides towards the transformation into a lean business organization, while at the same time, in terms of business, we have been able to respond to the changing needs of the market caused by the impact of COVID-19. As a result, as we were able to achieve our consolidated operating profit target set for fiscal year 2023, the final year of the medium-term business plan, two-years ahead of schedule, we have redefined our consolidated performance targets. Accordingly, as there are expected growth markets within existing businesses and new areas with growth potential, we have revised our strategic categories to Visual Communication, Digital Fabrication, Dental, and Service, Software & Others. By categorizing based on business area rather than by product, we will be able to visualize trends in each area while also working on transitioning from the business model that relies on eco-solvent printer for production of traditional signboards (advertising, etc.). Further, we created new categories to be used for disclosure of sales.

Strategic Categories

| Category Name | Application/Main Product Category | Overview of Strategy |
|--|---|---|
| Visual Communication (VC)  | Large format printers and ink for use with advertising boards and decorative displays | Although there is a maturing trend in the area of advertising boards, there has been increasing demand for Visual Communication aimed at consumers such as, interior/exterior decorative displays or interior displays in stores. Our aim is to maintain and expand our customer base while expanding the range of suitable applications enabled through increasing the range of solutions available through an increased diversity of ink types. |
| Digital Fabrication (DF)  | Product that enables on-demand personalization and customization | A field in which we can bring to life the concept behind our company's products: "Wide Variety with Low Volumes, Small and Compact, On-Demand, Simple Operation, and High Quality." We will provide printers, cutting machines and 3D products to small businesses, online vendors, and retailers to enable on-demand production of a wide variety of products at low volumes, including for personalized requests or customized requests for meeting niche demand. |

| | | |
|---|---|---|
| <p>Dental</p>  | <p>Dental milling machines for the fabrication of dental prostheses (crowns and fillings)</p> | <p>Since the launch of our first dental milling machines in 2010, we have been promoting market expansion, mainly in developed countries such as Europe and North America and Japan. Moving forward, we expect for the digitization of the workflow for fabricated dental prostheses in growth market regions such as ASEAN, Latin America, Eastern Europe, the Middle East, and Africa to advance. Furthermore, we have also set our sights on expanding into not only dental labs, but also into dental clinics, and we are growing this as a pillar of our company's business, regardless of whether in developed or growth markets.</p> |
| <p>Service, Software & Others (SSO)</p>  | <p>Service parts, maintenance fee, and connected services related</p> | <p>In addition to supplying service parts and maintenance services, we are also aiming to establish an SaaS business through the provision of connected services through software.</p> |

During the nine months ended September 30, 2022, demand for capital investment in printers and output demand remained strong owing to the recommencement of face-to-face exhibitions and events and the further relaxation of restrictions on the number of attendees at such events resulting from the further relaxation of the impact of COVID-19 infections and normalization of economic activities. Meanwhile, in terms of supply, procurement difficulties with parts and the prolongation of marine transportation continued. In response to the procurement difficulties with parts, we have been making adjustments to our production processes, including flexibly reviewing production plans, so as to minimize the impact on product supply. However, there are some order backlogs for some models.

As a result of these initiatives, net sales for the nine months ended September 30, 2022 increased by 10.6% compared with the same period of the previous term to 36,939 million yen. The ratio of cost of sales increased by 1.5 percentage points from the same period of the previous term mainly due to the impact of procurement difficulties with parts on production and soaring parts prices and marine transportation costs despite the consolidation effect of manufacturing bases to Thailand. Selling, general and administrative expenses were higher than the same period of the previous term due to an increase in advertising expenses, personnel expenses, and travel and transportation expenses. As a result, operating profit decreased by 10.8% compared with the same period of the previous term to 4,313 million yen, and ordinary profit decreased by 8.1% to 4,432 million yen. Profit attributable to owners of parent increased by 7.5% compared with the same period of the previous term to 3,017 million yen (expenses associated with calls for early voluntary retirement were recorded as extraordinary losses for the same period of the previous term).

Further, the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) has been applied from the three months ended March 31, 2022. For details, please refer to “(3) Notes on Consolidated Financial Statements (Changes in Accounting Policies)” in “2. Consolidated Financial Statements and Primary Notes.”

The exchange rates for major currencies during the nine months ended September 30, 2022 (average rate during the period from January 2022 to September 2022) were 128.06 yen to the U.S. dollar (108.50 yen for the same period of the previous term) and 136.00 yen to the euro (129.87 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.

From this fiscal year, we changed the existing categories for disclosure of sales by product to new categories by market and by product, as shown below. With regard to year-on-year comparisons, the figures for the previous period have been reclassified to match the categorization of the figures for sales by market and sales by product. No changes have been made to the categories for disclosure of sales by region.

<New Category> Net Sales by Market

(Millions of Yen)

| Market | Nine months ended September 30, 2021 | | Nine months ended September 30, 2022 | | Changes | Changes in composition ratio (%) | Year-on year change (%) |
|----------------------------|--------------------------------------|-----------------------|--------------------------------------|-----------------------|---------|----------------------------------|-------------------------|
| | Amount | Composition ratio (%) | Amount | Composition ratio (%) | | | |
| Visual Communication | 15,266 | 45.7 | 17,324 | 46.9 | 2,058 | 1.2 | 113.5 |
| Digital Fabrication | 7,321 | 21.9 | 8,036 | 21.8 | 715 | (0.1) | 109.8 |
| Dental | 4,706 | 14.1 | 5,030 | 13.6 | 324 | (0.5) | 106.9 |
| Service, Software & Others | 6,119 | 18.3 | 6,548 | 17.7 | 428 | (0.6) | 107.0 |
| Total | 33,413 | 100.0 | 36,939 | 100.0 | 3,526 | – | 110.6 |

<New Category> Net Sales by Product

(Millions of Yen)

| Product | Nine months ended September 30, 2021 | | Nine months ended September 30, 2022 | | Changes | Changes in composition ratio (%) | Year-on year change (%) |
|-----------------------|--------------------------------------|-----------------------|--------------------------------------|-----------------------|---------|----------------------------------|-------------------------|
| | Amount | Composition ratio (%) | Amount | Composition ratio (%) | | | |
| Hardware | 16,772 | 50.2 | 18,454 | 50.0 | 1,682 | (0.2) | 110.0 |
| Supplies | 10,722 | 32.1 | 12,150 | 32.9 | 1,428 | 0.8 | 113.3 |
| Service Parts & Other | 5,918 | 17.7 | 6,335 | 17.1 | 416 | (0.6) | 107.0 |
| Total | 33,413 | 100.0 | 36,939 | 100.0 | 3,526 | – | 110.6 |

[Visual Communication (VC)]

VC comprises our traditional eco-solvent printers (VC-Solvent) and non-solvent printers (VC-Other) such as UV printers and textile printers, and our aim in this area is to secure revenue by developing new markets and bolstering our customer base by offering an increased variety of inks and expanding the range of solutions we offer. For VC-Solvent, in the nine months ended September 30, 2022, sales of eco-solvent printers and inks were strong partly attributable to the effects of new products in the mainstay TrueVIS Series launched in March for use in production of signboards, which achieves prints of the highest quality. For VC-Other, sales of LEC2 Series UV printers and UV ink increased. As a result, VC sales were 17,324 million yen, or 113.5% of the same period of the previous fiscal year, exceeding the level of the same period of the previous fiscal year.

[Digital Fabrication (DF)]

For DF, our goal is to create new markets and applications by proposing to small businesses, online vendors, and retailers the product categories that can meet the demand for personalization geared towards specific customer needs that are rapidly expanding in recent years as well as for customization for meeting specific niche applications. In the nine months ended September 30, 2022, sales of the BN-20A desktop eco-solvent inkjet printer that was launched in October 2021 were strong. Also, expanding the sales area for the LEC2 S Series flatbed type UV printer, a co-creation model in collaboration with an external partner developed primarily for the European market for use in customization type applications, to North America and Asia has made a significant contribution to sales. As a result, DF sales were 8,036 million yen, or 109.8% of the same period of the previous fiscal year, exceeding the level of the same period of the previous fiscal year.

[Dental]

For Dental, we have separately categorized sales to the dental market, which previously was included under the “3D products” category in the categorization by product system used heretofore. Owing to the increased demand for insourcing of dental technical work in developed countries in order to enable the provision of safe and timely treatment, the introduction of the DWX-42W wet dental milling machine has been progressing among dental clinics with dental labs and internal labs. Although sales of the mainstay model DWX-52D/52DCi dental milling machine decreased from the same period of the previous fiscal year, sales of the DWX-52Di, a dental milling machine for growth markets increased. For DWX-52Di, in growth markets with the rising move towards the digitizing of the workflow for fabricating dental technical materials, our successful efforts to expand sales channels have made a contribution to an increase in sales. In September, we launched the mainstay model DWX-53DC dental milling machine with disc changer balancing high processing quality and improved productivity. The same model supports the production management of dental technical materials by significantly improving usability in cooperation with cloud services. As a result, Dental sales were 5,030 million yen, or 106.9% of the previous fiscal year, exceeding the level of the same period of the previous fiscal year, an increase partly attributable to the effect of a weaker yen.

[Service, Software & Others (SSO)]

Sales of service parts were in line with the previous fiscal year. Owing to an increase in delivery charges and other maintenance sales that are included in net sales. SSO sales were 6,548 million yen, or 107.0% of the previous fiscal year, an increase partly attributable to the effect of a weaker yen.

(Reference)

With regard to the year-on-year comparisons below, the figures for the nine months ended September 30, 2022 have been reclassified to match the categorization of figures for sales by product under the previously used categories.

<Old Categories> Net Sales by Product

(Millions of Yen)

| Product | Nine months ended September 30, 2021 | | Nine months ended September 30, 2022 | | Changes | Changes in composition ratio (%) | Year-on year change (%) |
|-------------|---|--------------------------|---|--------------------------|---------|--|----------------------------|
| | Amount | Composition ratio (%) | Amount | Composition ratio (%) | | | |
| Printers | 10,807 | 32.3 | 12,348 | 33.4 | 1,540 | 1.1 | 114.3 |
| Plotters | 884 | 2.7 | 811 | 2.2 | (73) | (0.5) | 91.7 |
| 3D products | 5,079 | 15.2 | 5,294 | 14.3 | 215 | (0.9) | 104.2 |
| Supplies | 10,722 | 32.1 | 12,150 | 32.9 | 1,428 | 0.8 | 113.3 |
| Others | 5,918 | 17.7 | 6,335 | 17.2 | 416 | (0.5) | 107.0 |
| Total | 33,413 | 100.0 | 36,939 | 100.0 | 3,526 | – | 110.6 |

Sales by region are as follows.

Net sales by region

(Millions of Yen)

| Region | Nine months ended September 30, 2021 | | Nine months ended September 30, 2022 | | Changes | Changes in composition ratio (%) | Year-on year change (%) |
|---------------|---|--------------------------|---|--------------------------|---------|--|----------------------------|
| | Amount | Composition ratio (%) | Amount | Composition ratio (%) | | | |
| Japan | 3,332 | 10.0 | 3,575 | 9.7 | 242 | (0.3) | 107.3 |
| North America | 10,813 | 32.4 | 13,256 | 35.9 | 2,442 | 3.5 | 122.6 |
| Europe | 12,248 | 36.6 | 12,751 | 34.5 | 503 | (2.1) | 104.1 |
| Asia | 2,286 | 6.8 | 2,237 | 6.0 | (49) | (0.8) | 97.8 |
| Others | 4,732 | 14.2 | 5,119 | 13.9 | 386 | (0.3) | 108.2 |
| Total | 33,413 | 100.0 | 36,939 | 100.0 | 3,526 | – | 110.6 |

[Japan]

For VC, sales increased, primarily of new eco-solvent printers for the sign market. Further, for DF, sales of MDX Series 3D milling machines and desktop UV printers increased. For Dental, sales of the DWX-4 dental milling machine increased with the expansion of insurance coverage for CAD/CAM crowns (dental fillings and crowns made using dental data) in April. As a result, net sales in Japan were 3,575 million yen, or 107.3% of the same period of the previous fiscal year.

[North America]

In the VC area, sales of UV printers increased significantly, primarily of new eco-solvent printers for the sign market and ink supplies, and the LEC2 Series. Against a backdrop of growth in the e-commerce market for DF, sales of the BN-20A desktop eco-solvent inkjet printer increased significantly, and sales of LEC2 S Series flatbed type UV printer, a co-creation model, were strong. For Dental, sales of the mainstay model DWX-52D/52DCi dental milling machine were in line with the same period of the previous fiscal year. As a result, net sales in North America were 13,256 million yen, exceeding the level of the same period of the previous fiscal year, or 122.6% of the same period of the previous fiscal year, an increase partly attributable to the effects of a weaker yen against the dollar.

[Europe]

For VC, sales of eco-solvent printers for the sign market exceeded those of the same period of the previous fiscal year owing to the effect of new products. For DF, sales of LEC2 S Series flatbed type UV printer, a co-creation model, increased. Sales also increased for Dental, primarily in Italy and France. As a result, net sales in Europe were 12,751 million yen, or 104.1% of the same period of the previous fiscal year, an increase partly attributable to the effects of a weaker yen against the euro.

[Asia]

For Dental, in India, where the digitization of the manufacturing flow for dental technical materials is underway, sales of dental milling machines have increased significantly due to the development and expansion of sales channels. In ASEAN regions, sales have increased, primarily of DWX-52Di, a dental milling machine for growth markets. However, due to the sharp drop in sales in China where the zero corona policy has been continued, compared with the same period of the previous fiscal year, net sales in Asia were 2,237 million yen, or 97.8% of the same period of the previous fiscal year, falling below the level of the same period of the previous fiscal year.

[Other Regions]

In Australia and the Middle East region, despite an increase in sales of dental milling machines, sales of eco-solvent printers for the sign market decreased. However, as a result of sales in Latin America, including Brazil, exceeding the level of the same period of the previous fiscal year. As a result, net sales in these regions were 5,119 million yen, or 108.2% of the same period of the previous fiscal year, an increase partly attributable to the effect of a weaker yen.

(2) Explanation of Financial Position

[Assets]

Total assets as of the end of the third quarter increased by 2,320 million yen compared with end-of-term consolidated totals last year to a total of 45,289 million yen (105.4% of year-end consolidated totals last term). With regard to current assets, cash and deposits decreased by 4,205 million yen, but notes and accounts receivable – trade and inventories increased by 1,670 million yen and 2,856 million yen, respectively. In non-current assets, construction in progress increased by 638 million yen due to the construction of a new building of headquarters and other factors and buildings and structures increased by 618 million yen due to the renovation of the Miyakoda Plant and other factors.

[Liabilities]

Liabilities as of the end of the third quarter decreased by 1,038 million yen to a total of 13,133 million yen (92.7% of year-end consolidated totals last term). With regard to current liabilities, in addition to accounts payable – other decreasing by 808 million yen as a result of the extra retirement payments associated with the implementation of an early voluntary retirement program and other factors, income taxes payable also decreased by 1,082 million yen.

[Net assets]

Net assets as of the end of the third quarter increased by 3,359 million yen to a total of 32,156 million yen (111.7% of year-end consolidated totals last term). Although there was a decrease compared with the end of the previous fiscal year due to payments of dividends, retained earnings increased by 1,625 million yen, mainly due to the financial results for the nine months under review, and foreign currency translation adjustment increased by 1,723 million yen mainly due to the effects of a weaker yen.

2. Explanation of Future Forecast Information such as Consolidated Performance Forecast

Based on recent performance trends, we have revised the consolidated financial results forecasts for the first half of the fiscal year ending December 31, 2022, which were announced on August 5, 2022. For details, please see “Notice of Revision of Financial Results Forecasts” announced today.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousands of Yen)

| | As of December 31, 2021 | As of September 30, 2022 |
|--|----------------------------|-----------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 14,075,701 | 9,870,353 |
| Notes and accounts receivable - trade | 4,627,044 | 6,297,456 |
| Merchandise and finished goods | 7,309,375 | 9,092,885 |
| Work in process | 35,939 | 166,209 |
| Raw materials and supplies | 3,529,463 | 4,472,203 |
| Other | 1,782,398 | 2,116,665 |
| Allowance for doubtful accounts | (48,355) | (68,824) |
| Total current assets | 31,311,567 | 31,946,947 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 7,218,003 | 7,566,581 |
| Accumulated depreciation | (4,972,964) | (4,702,886) |
| Buildings and structures, net | 2,245,039 | 2,863,695 |
| Machinery, equipment and vehicles | 961,561 | 1,100,411 |
| Accumulated depreciation | (709,363) | (766,904) |
| Machinery, equipment and vehicles, net | 252,198 | 333,506 |
| Tools, furniture and fixtures | 4,050,425 | 4,487,936 |
| Accumulated depreciation | (3,433,568) | (3,675,843) |
| Tools, furniture and fixtures, net | 616,856 | 812,092 |
| Land | 3,121,218 | 3,164,304 |
| Leased asset-use rights | 1,342,745 | 1,262,934 |
| Construction in progress | 307,913 | 946,355 |
| Total property, plant and equipment | 7,885,972 | 9,382,889 |
| Intangible assets | | |
| Goodwill | 40,302 | - |
| Software | 680,730 | 803,447 |
| Telephone subscription right | 7,616 | 7,464 |
| Total intangible assets | 728,648 | 810,911 |
| Investments and other assets | | |
| Investment securities | 200 | 200 |
| Deferred tax assets | 2,166,891 | 2,267,755 |
| Other | 875,935 | 883,100 |
| Allowance for doubtful accounts | - | (1,819) |
| Total investments and other assets | 3,043,026 | 3,149,235 |
| Total non-current assets | 11,657,648 | 13,343,037 |
| Total assets | 42,969,215 | 45,289,985 |

(Thousands of Yen)

| | As of December 31, 2021 | As of September 30, 2022 |
|---|----------------------------|-----------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 3,320,694 | 3,329,418 |
| Short-term borrowings | — | 7,163 |
| Accounts payable - other | 2,275,852 | 1,467,226 |
| Lease obligations | 329,490 | 343,753 |
| Income taxes payable | 1,464,790 | 382,514 |
| Provision for bonuses | 670,298 | 928,354 |
| Provision for bonuses for directors (and other officers) | 4,000 | 47,448 |
| Provision for product warranties | 576,245 | 737,799 |
| Other | 2,237,366 | 2,442,825 |
| Total current liabilities | 10,878,740 | 9,686,503 |
| Non-current liabilities | | |
| Lease obligations | 1,051,742 | 964,209 |
| Provision for employee stock ownership plan trust | 132,686 | 143,173 |
| Provision for share awards for directors (and other officers) | 106,228 | 148,117 |
| Retirement benefit liability | 559,494 | 540,653 |
| Long-term accounts payable - other | 63,728 | 97,276 |
| Other | 1,379,411 | 1,553,247 |
| Total non-current liabilities | 3,293,293 | 3,446,678 |
| Total liabilities | 14,172,033 | 13,133,181 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 3,668,700 | 3,668,700 |
| Capital surplus | 3,700,608 | 3,700,608 |
| Retained earnings | 22,233,208 | 23,858,322 |
| Treasury shares | (516,151) | (497,059) |
| Total shareholders' equity | 29,086,365 | 30,730,571 |
| Accumulated other comprehensive income | | |
| Foreign currency translation adjustment | (335,055) | 1,388,700 |
| Remeasurements of defined benefit plans | 45,757 | 37,385 |
| Total accumulated other comprehensive income | (289,297) | 1,426,085 |
| Non-controlling interests | 113 | 145 |
| Total net assets | 28,797,181 | 32,156,803 |
| Total liabilities and net assets | 42,969,215 | 45,289,985 |

(2) Consolidated Statements of Operations and Comprehensive Income
Consolidated Statements of Operations
(For the nine months ended September 30, 2021 and September 30, 2022)

(Thousands of Yen)

| | For the nine months ended September 30, 2021 (From January 1, 2021 to September 30, 2021) | For the nine months ended September 30, 2022 (From January 1, 2022 to September 30, 2022) |
|---|---|---|
| Net sales | 33,413,328 | 36,939,897 |
| Cost of sales | 16,322,954 | 18,604,067 |
| Gross profit | 17,090,374 | 18,335,829 |
| Selling, general and administrative expenses | | |
| Transportation and storage costs | 709,562 | 835,238 |
| Advertising and promotion expenses | 480,655 | 848,736 |
| Provision of allowance for doubtful accounts | 15,070 | 13,150 |
| Provision for product warranties | 53,607 | 15,531 |
| Salaries and bonuses | 4,974,864 | 5,453,386 |
| Provision for bonuses | 558,813 | 575,497 |
| Provision for bonuses for directors (and other officers) | 3,000 | 47,448 |
| Provision for employee stock ownership plan trust | 11,002 | 5,920 |
| Provision for share awards for directors (and other officers) | 31,826 | 61,167 |
| Retirement benefit expenses | 221,256 | 188,925 |
| Travel and transportation expenses | 106,762 | 323,139 |
| Depreciation | 597,962 | 661,473 |
| Commission expenses | 928,187 | 1,098,584 |
| Research and development expenses | 2,254,303 | 2,345,011 |
| Other | 1,308,265 | 1,549,137 |
| Total selling, general and administrative expenses | 12,255,139 | 14,022,348 |
| Operating profit | 4,835,234 | 4,313,418 |
| Non-operating income | | |
| Interest income | 7,069 | 8,132 |
| Dividend income | 3,462 | 3,304 |
| Gain on valuation of investments in money held in trust | 37,421 | – |
| Foreign exchange gains | 16,578 | 137,961 |
| Other | 51,337 | 64,821 |
| Total non-operating income | 115,870 | 214,219 |
| Non-operating expenses | | |
| Interest expenses | 20,665 | 29,568 |
| Sales discounts | 83,831 | – |
| Loss on valuation of investments in money held in trust | – | 61,304 |
| Other | 23,392 | 3,891 |
| Total non-operating expenses | 127,890 | 94,764 |
| Ordinary profit | 4,823,214 | 4,432,936 |

(Thousands of Yen)

| | For the nine months ended September 30, 2021 (From January 1, 2021 to September 30, 2021) | For the nine months ended September 30, 2022 (From January 1, 2022 to September 30, 2022) |
|---|---|---|
| Extraordinary income | | |
| Gain on sale of non-current assets | 108,478 | 13,507 |
| Gain on sale of investment securities | 750 | — |
| Total extraordinary income | 109,228 | 13,507 |
| Extraordinary losses | | |
| Loss on sale and retirement of non-current assets | 11,914 | 52,690 |
| Extra retirement payments | 1,247,457 | — |
| Total extraordinary losses | 1,259,372 | 52,690 |
| Profit before income taxes | 3,673,070 | 4,393,753 |
| Income taxes - current | 1,706,594 | 1,363,855 |
| Income taxes - deferred | (841,465) | 12,624 |
| Total income taxes | 865,129 | 1,376,480 |
| Profit | 2,807,941 | 3,017,273 |
| Profit attributable to non-controlling interests | 8 | 9 |
| Profit attributable to owners of parent | 2,807,932 | 3,017,264 |

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

| | For the nine months ended September 30, 2021 (From January 1, 2021 to September 30, 2021) | For the nine months ended September 30, 2022 (From January 1, 2022 to September 30, 2022) |
|--|---|---|
| Profit | 2,807,941 | 3,017,273 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 249 | – |
| Foreign currency translation adjustment | 302,990 | 1,723,778 |
| Remeasurements of defined benefit plans, net of tax | 37,372 | (8,372) |
| Total other comprehensive income | 340,613 | 1,715,405 |
| Comprehensive income | 3,148,554 | 4,732,679 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 3,148,553 | 4,732,647 |
| Comprehensive income attributable to non-controlling interests | 0 | 31 |

(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 Changes in Subsidiaries During the Nine Months Ended September 30, 2022)

Roland DG Europe Holdings B.V., which was a specified subsidiary of our company, no longer survives as a company owing to an absorption-type merger on January 1, 2022 with the surviving company Roland DG Benelux N.V., which is a consolidated subsidiary of the Company, and so has been removed from the scope of consolidation as of March 31, 2022.

(Changes in Accounting Policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

With the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc., effective from the beginning of the first quarter, revenue is recognized when the control of promised goods or services is transferred to the customer in the amount expected to be received in exchange for the said promised goods of services.

As a result, sales discounts, which were recorded in non-operating expenses, have been deducted from net sales. For subcontract processing with charged materials, raw materials, etc. supplied for value were previously derecognized. However, because the Company has an obligation to repurchase the supplied raw materials, etc. in the transactions, the supplied raw materials, etc. are not derecognized. The Company does not recognize any revenue related to the transfer of the supplied materials in these transactions.

The Revenue Recognition Accounting Standard, etc. are applied according to the transitional treatment specified in the proviso in Paragraph 84 of the Revenue Recognition Accounting Standard. Accordingly, the accumulated amount in a case where the new accounting policy is retroactively applied before the beginning of the first quarter is adjusted on retained earnings at the beginning of the first quarter, with the new accounting policy being applied to the said balance at the beginning of the first quarter. However, the application of these accounting standards shall have no impact on the balance of profit or loss and the beginning balance of retained earnings for the nine months ended September 30, 2022.

According to the transitional treatment specified in Paragraph 89-2 of the Revenue Recognition Accounting Standard, reclassification based on the new presentation is not conducted for the previous fiscal year.

In addition, according to the transitional treatment specified in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on analyses of revenue from contracts with customers for the nine months ended September 30, 2021, is not stated.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

With the application of the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter, the "Fair Value Measurement Accounting Standard"), etc., effective from the beginning of the first quarter, the new accounting policy specified in the Fair Value Measurement Accounting Standard, etc. will be applied throughout the future, according to the transitional treatment specified in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This change in accounting policies has no impact on the quarterly consolidated financial statements.

(Additional Information)

(Changes in Presentation Method)

(Quarterly Consolidated Statements of Operations)

The Company has decided to change the categorization of research and development expenses, which was previously under cost of sales, to selling, general and administrative expenses as of the first quarter ended March 31, 2022.

Research and development expenses were counted under cost of sales due to the close relationship with the manufacturing departments of domestic plants and because they are highly associated with costs. However, because the elements of research and development, including for technology and product development, have increased and the association with costs decreased following the migration of our mass production function to the Thai plant in accordance with the medium-term business plan and the change of system to concentrate on research and development in Japan. Therefore, we have decided to change its categorization to selling, general and administrative expenses as of the first quarter ended March 31, 2022 in order to give a more accurate reflection of cost of sales and better present profit or loss for the given period.

In order to reflect these changes in presentation method, the quarterly consolidated financial statements for the previous period have been reclassified.

Compared to the figures prior to this classification, the cost of sales for the nine months ended September 30, 2021 reduced by 2,245,303 thousand yen, while gross profit and selling, general and administrative expenses both increased by the same amount. However, this will have no impact on operating profit.

(Significant Subsequent Events)

(Purchase of Treasury Stock)

The Company resolved at a meeting of the Board of Directors held on November 10, 2022 to purchase treasury stock under Article 156 of the Companies Act, applied by the reading of terms pursuant to the provisions of Paragraph 3, Article 165 of the Act. The Company also resolved to retire treasury stock pursuant to the provisions of Article 178 of the Companies Act.

1. Reasons for the purchase and retirement of treasury stock

The Company will purchase treasury stock for enhancement of shareholder return and efficient use of capital.

2. Details of the matters related to purchase

- (1) Class of shares to be repurchased Common stock of the Company
- (2) Total number of shares repurchased 400,000 shares (maximum)
(The ratio of the total number of issued share (excluding treasury stock): 3.2%)
- (3) Total purchase price for repurchase of shares 1,000,000 thousand yen (maximum)
- (4) Repurchase period From November 11, 2022 to February 28, 2023
- (5) Repurchase method Market purchase on the Tokyo Stock Exchange
(Discretionary trade by securities company)

3. Details of matter relating to retirement

- (1) Class of shares to be retired Common stock of the Company
- (2) Total number of shares to be retired The total number of shares of treasury stock purchased by the
method stated in “2” above
- (3) Retirement date March 28, 2023