

# Consolidated Financial Results for the Six Months Ended September 30, 2014 [Japanese GAAP]



November 6, 2014

Company name: Roland DG Corporation

Securities Code: 6789

URL: <http://www.rolanddg.co.jp/>

Stock exchange listing: Tokyo Stock Exchange

Representative: Masahiro Tomioka, President

Contact: Naoki Nagano, Executive Officer and Division President of Corporate Planning

Phone: +81-53-484-1400

Scheduled date of filing quarterly securities report: November 6, 2014

Scheduled date of commencing dividend payments: December 10, 2014

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

Schedule of quarterly consolidated financial results briefing session: Scheduled

(Figures are rounded down to the nearest million yen)

## 1. Consolidated Financial Results for the Six Months Ended September 30, 2014 (From April 1, 2014 to September 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	%
Six Months ended September 30, 2014	22,934	16.1	3,803	50.4	3,592	38.8	2,169	31.8
Six Months ended September 30, 2013	19,748	26.6	2,528	299.1	2,588	312.8	1,645	2,112.1

(Note) Comprehensive income: Six months ended September 30, 2014: 1,749 million yen [(34.6)%]

Six months ended September 30, 2013: 2,674 million yen (2,979.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six Months ended September 30, 2014	135.41	—
Six Months ended September 30, 2013	92.47	—

## (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, 2014	37,684	20,649	54.8	1,450.15
As of March 31, 2014	38,925	30,676	78.8	1,723.45

(Reference) Equity: As of September 30, 2014: 20,649 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	—	30.00			
Fiscal year ending March 31, 2015 (Forecast)			—	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
Full year	45,870	8.8	6,970	14.1	6,760	8.3	4,300	0.8	283.10

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

### \* Notes

(1) Significant changes of subsidiaries during the six months ended September 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):

Six months ended September 30, 2014	14,385,511 shares
Fiscal year ended March 31, 2014	17,800,000 shares

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

Six months ended September 30, 2014	146,000 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):

Six months ended September 30, 2014	16,019,526 shares
Six months ended September 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

During the six months ended September 30, 2014 (from April 1, 2014 to September 30, 2014), 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 despite a sense of uncertainty due to geopolitical risk in Europe. 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 six months ended September 30, 2014, sales for printers exceeded the same period in the previous fiscal year as sales of the new VS-i series for the sign market and LEF series of compact flatbed UV printers, launched in the previous term performed favorably. Sales of 3D products also increased from the same period of the previous fiscal year as DWX series of 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 to the depreciation of the yen in addition to robust sales of VS-i and LEF series as well as dental milling machines. In Asia, sales were robust mainly for printers which meet local needs, and sales were higher than the same period of the previous fiscal year.

As a result of the above, sales for the six months ended September 30, 2014 were up 16.1% over the same period of the previous term to 22,934 million yen. As for expenses, despite an increase in selling, general and administrative expenses, the cost to sales ratio improved mainly due to the effect of purchasing cost reductions at overseas subsidiaries accompanying the depreciation of the yen. Consequently, operating income climbed 50.4% compared with the same period of the previous term to 3,803 million yen, and ordinary income rose 38.8% compared with the same period of the previous term to 3,592 million yen. However, due to the recording of impairment loss on goodwill of 213 million yen at a consolidated subsidiary in Denmark, net quarterly income increased 31.8% compared with the same period of the previous term to 2,169 million yen.

The exchange rates of major currencies during the second quarter (average rate during the period from January 2014 to June 2014 because the fiscal year of the Company's foreign consolidated subsidiaries is from January to December) were 102.47 yen to the US dollar (95.59 yen for the same period of the previous term) and 140.44 yen to the euro (125.53 yen for the same period of the previous term).

#### Net sales by product

(Millions of Yen)

Product	Six months ended September 30, 2013		Six Months ended September 30, 2014		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Printers	9,151	46.3	10,240	44.6	1,089	(1.7)	111.9
Plotters	551	2.8	686	3.0	135	0.2	124.5
3D products	1,554	7.9	2,375	10.4	820	2.5	152.8
Supplies	6,406	32.4	7,232	31.5	826	(0.9)	112.9
Others	2,083	10.6	2,399	10.5	315	(0.1)	115.1
Total	19,748	100.0	22,934	100.0	3,186	-	116.1

#### (2) Explanation of Financial Position

Total assets as of the end of the second quarter decreased by 1,240 million yen compared with end-of-term consolidated totals last year to a total of 37,684 million yen (96.8% of year-end consolidated totals last term). As for current assets, cash and deposits decreased by 1,455 million yen, and notes and accounts receivable – trade decreased by 339 million yen. Meanwhile, raw materials and supplies increased by 333 million yen, and other current assets increased by 249 million yen. With regard to non-current assets, goodwill decreased by 427 million yen due to an impairment loss.

Liabilities as of the end of the second quarter increased by 8,786 million yen to a total of 17,035 million yen (206.5% of year-end consolidated totals last term). Notes and accounts payable – trade increased by 1,301 million yen, and short-term loans payable increased by 8,046 million yen mainly as funds for acquiring treasury stock through a public tender offer. Meanwhile, other current liabilities decreased by 651 million yen.

Net assets as of the end of the second quarter decreased by 10,027 million yen to a total of 20,649 million yen (67.3% of year-end consolidated totals last term). Despite an increase due mainly to the business performance for the six months ended September 30, 2014, retained earnings decreased by 9,139 million yen due to the acquisition of treasury stock and retirement of treasury stock, and treasury stock increased by 467 million yen. At the same time, the foreign currency translation adjustment decreased by 416 million yen owing mainly to a slight appreciation of the yen in the exchange rate 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 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 September 30, 2014
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	11,611,079	10,155,613
Notes and accounts receivable - trade	4,965,610	4,626,536
Merchandise and finished goods	5,912,900	6,008,776
Work in process	123,161	66,056
Raw materials and supplies	2,364,044	2,697,062
Deferred tax assets	1,317,641	1,445,538
Other	1,444,948	1,694,445
Allowance for doubtful accounts	(30,880)	(39,427)
<b>Total current assets</b>	<b>27,708,505</b>	<b>26,654,602</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	6,485,344	6,477,016
Accumulated depreciation	(3,337,560)	(3,443,378)
Buildings and structures, net	3,147,784	3,033,637
Machinery, equipment and vehicles	923,789	950,190
Accumulated depreciation	(560,776)	(558,676)
Machinery, equipment and vehicles, net	363,013	391,513
Tools, furniture and fixtures	3,026,223	3,040,021
Accumulated depreciation	(2,416,444)	(2,447,610)
Tools, furniture and fixtures, net	609,778	592,411
Land	3,106,733	3,096,732
Construction in progress	12,921	227,015
<b>Total property, plant and equipment</b>	<b>7,240,231</b>	<b>7,341,310</b>
<b>Intangible assets</b>		
Goodwill	2,192,180	1,765,071
Software	781,971	886,616
Telephone subscription right	8,436	8,245
<b>Total intangible assets</b>	<b>2,982,588</b>	<b>2,659,933</b>
<b>Investments and other assets</b>		
Investment securities	64,250	26,510
Deferred tax assets	134,248	119,759
Other	836,825	918,131
Allowance for doubtful accounts	(41,081)	(35,381)
<b>Total investments and other assets</b>	<b>994,242</b>	<b>1,029,020</b>
<b>Total non-current assets</b>	<b>11,217,062</b>	<b>11,030,264</b>
<b>Total assets</b>	<b>38,925,568</b>	<b>37,684,866</b>



(Thousands of Yen)

	As of March 31, 2014	As of September 30, 2014
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	913,050	2,214,886
Short-term loans payable	256,800	8,302,800
Income taxes payable	1,309,400	1,163,983
Provision for bonuses	719,204	711,801
Provision for directors' bonuses	100,000	50,000
Provision for product warranties	314,954	394,108
Other	3,417,757	2,766,134
Total current liabilities	7,031,167	15,603,713
Non-current liabilities		
Net defined benefit liability	240,790	233,257
Long-term accounts payable - other	138,775	133,319
Other	838,178	1,065,124
Total non-current liabilities	1,217,744	1,431,701
Total liabilities	8,248,911	17,035,414
<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	13,967,810
Treasury shares	(698)	(468,336)
Total shareholders' equity	30,476,176	20,868,777
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,358	5,637
Foreign currency translation adjustment	194,573	(221,632)
Remeasurements of defined benefit plans	(499)	(3,379)
Total accumulated other comprehensive income	200,433	(219,373)
Minority interests	47	48
Total net assets	30,676,656	20,649,452
<b>Total liabilities and net assets</b>	<b>38,925,568</b>	<b>37,684,866</b>

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

(Thousands of Yen)

	For the six months ended September 30, 2013 (From April 1, 2013 to September 30, 2013)	For the six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)
Net sales	19,748,309	22,934,812
Cost of sales	10,485,132	11,144,947
Gross profit	9,263,177	11,789,864
Selling, general and administrative expenses		
Transportation and warehousing expenses	440,013	437,560
Advertising and promotion expenses	462,289	655,277
Provision of allowance for doubtful accounts	12,665	5,826
Provision for product warranties	106,081	155,466
Salaries and bonuses	3,016,995	3,309,223
Provision for bonuses	332,653	353,083
Provision for directors' bonuses	50,000	50,000
Retirement benefit expenses	148,142	143,480
Traveling and transportation expenses	322,500	393,131
Depreciation	447,928	481,800
Commission fee	572,811	898,541
Other	822,178	1,103,022
Total selling, general and administrative expenses	6,734,261	7,986,413
Operating income	2,528,916	3,803,450
Non-operating income		
Interest income	14,050	26,892
Dividend income	352	452
Gain on valuation of investments in money held in trust	12,760	14,650
Foreign exchange gains	70,254	—
Other	45,092	11,180
Total non-operating income	142,511	53,175
Non-operating expenses		
Interest expenses	1,653	21,814
Sales discounts	79,762	101,115
Foreign exchange losses	—	50,463
Commission for purchase of treasury shares	—	82,683
Other	1,937	8,260
Total non-operating expenses	83,353	264,337
Ordinary income	2,588,074	3,592,288
Extraordinary income		
Gain on sales of non-current assets	2,985	5,989
Total extraordinary income	2,985	5,989
Extraordinary losses		
Loss on sales and retirement of non-current assets	4,451	5,464
Impairment loss	—	213,461
Total extraordinary losses	4,451	218,925
Income before income taxes and minority interests	2,586,608	3,379,351
Income taxes - current	1,151,190	1,303,337
Income taxes - deferred	(210,490)	(93,174)
Total income taxes	940,699	1,210,162
Income before minority interests	1,645,908	2,169,188
Minority interests in income (loss)	(0)	2
Net income	1,645,909	2,169,185

## (Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	For the six months ended September 30, 2013 (From April 1, 2013 to September 30, 2013)	For the six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)
Income before minority interests	1,645,908	2,169,188
Other comprehensive income		
Valuation difference on available-for-sale securities	3,670	(720)
Foreign currency translation adjustment	1,024,649	(416,207)
Remeasurements of defined benefit plans, net of tax	—	(2,880)
Total other comprehensive income	1,028,319	(419,808)
Comprehensive income	2,674,228	1,749,380
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,674,225	1,749,378
Comprehensive income attributable to minority interests	3	1

(3) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

At the meeting of the Board of Directors held on May 14, 2014, the Company resolved to conduct a public tender offer for treasury stock, and acquired 3,560,000 shares of treasury stock in an amount of 11,420,480 thousand yen as of July 3, 2014. Moreover, at the meeting of the Board of Directors held on August 19, 2014, the Company resolved to retire the treasury stock. As a result of the retirement of 3,414,489 shares as of September 10, 2014, treasury stock and retained earnings decreased by 10,952,955 thousand yen, respectively.

(Significant Subsequent Events)

(Disposal of Treasury Stock through Third-party Allotment)

At the meeting of the Board of Directors held on November 6, 2014, the Company resolved to dispose treasury stock through third-party allotment.

1. Purpose and reason

As of May 14, 2014, the Company resolved to introduce the "Director Stock Benefit Trust," which is a share-based compensation plan linked to performance for certain directors of the Company, for the purpose of enhancing their sense of contribution to medium- and long-term improvement of business performance and increased corporate value, and at the 33rd Ordinary Shareholders Meeting held on June 18, 2014, the plan was resolved as directors' compensations. In addition, as of May 14, 2014, the Company resolved to introduce the "J-ESOP Trust," which is a share-based compensation plan linked to performance for the Company's employees with a certain level of qualification, as a new welfare program.

The disposal of treasury stock will be conducted through third-party allotment to Resona Bank, Limited (Trust Account), a trustee of the Director Stock Benefit Trust and J-ESOP Trust, (trustee under trust agreement with Resona Bank, Limited: Japan Trustee Services Bank, Ltd. (Trust Account)).

2. Overview of the disposal

(1) Number of shares to be disposed: Common stock 143,000 shares

(2) Disposal price: 4,374 yen per share

(3) Total disposal price: 625,482,000 yen

(4) Disposal method: Disposal through allotment to Resona Bank, Limited (Trust Account) (Trustee under trust agreement with Resona Bank, Limited: Japan Trustee Services Bank, Ltd. (Trust Account))

(5) Due date for disposal: November 26, 2014

(6) Due date for application: November 26, 2014

(7) Number of treasury shares after disposal: 3,000 shares