Consolidated Financial Results for the Three Months Ended March 31, 2018 [Japanese GAAP]

May 8, 2018

Company name: Roland DG Corporation
Securities Code: 6789
URL: http://www.rolanddg.com
Stock exchange listing: Tokyo Stock Exchange
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Scheduled date of filing quarterly securities report: May 9, 2018
Scheduled date of commencing dividend payments: –
Availability of supplementary briefing material on quarterly consolidated financial results: Available
Schedule of quarterly consolidated financial results briefing session: Not scheduled

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended March 31, 2018 (From January 1, 2018 to March 31, 2018)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit (loss) attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Three months ended March 31, 2018	10,344	0.4	760	121.9	626	106.6	359	–
Three months ended March 31, 2017	10,306	(6.9)	342	(75.1)	303	(75.7)	(761)	–

(Note) Comprehensive income: Three months ended March 31, 2018: (1) million yen [–%]
Three months ended March 31, 2017: (940) million yen [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2018	28.66	–
Three months ended March 31, 2017	(60.86)	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of March 31, 2018	35,550	22,116	62.2	1,764.72
As of December 31, 2017	36,570	22,521	61.6	1,798.32

(Reference) Equity: As of March 31, 2018: 22,116 million yen
As of December 31, 2017: 22,521 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, 2017	–	25.00	–	35.00	60.00
Fiscal year ending December 31, 2018	–				
Fiscal year ending December 31, 2018 (Forecast)		25.00	–	30.00	55.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2018 (From January 1, 2018 to December 31, 2018) (% 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
First half	21,500	0.4	1,300	(5.1)	1,300	(4.5)	900	–	71.86
Full year	43,600	0.1	3,400	(11.8)	3,200	(15.9)	2,200	(14.7)	175.67

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

*** Notes**

(1) Significant changes of subsidiaries during the three months ended March 31, 2018 (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(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: No
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):

Three months ended March 31, 2018	12,656,311 shares
Fiscal year ended December 31, 2017	12,656,311 shares

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

Three months ended March 31, 2018	123,695 shares
Fiscal year ended December 31, 2017	132,595 shares

3) Average number of shares during the period:

Three months ended March 31, 2018	12,527,483 shares
Three months ended March 31, 2017	12,513,716 shares

(Note) The total number of treasury shares at the end of the three months ended March 31, 2018 and at the end of the fiscal year ended December 31, 2017 includes 123,500 shares and 132,400 shares of the Company held by the Director Stock Benefit Trust and J-ESOP Trust, respectively. The number of treasury shares excluded from calculation of the average number of shares during the period for the three months ended March 31, 2018 and ended March 31, 2017 includes 128,633 shares and 142,400 shares of the Company held by the Director Stock Benefit Trust and J-ESOP Trust, respectively.

* These consolidated financial results are outside the scope of audit by Certified Public Accountants or an audit corporation.

* 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 9.

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1. Results of Operations

(1) Analysis of Results of Operations

During the three months ended March 31, 2018 (from January 1, 2018 to March 31, 2018), the world economy recovered moderately on the whole, including solid personal consumption and capital investment in the United States and a recovery in exports in Europe, although it is necessary to pay close attention to the effects of fluctuations in financial and capital markets, owing to policy trends in major countries.

The group formulated a five-year medium-term business plan beginning in FY 2016, and has been implementing the plan. The medium-term business plan emphasizes “GrowthOne: Sustainable growth through innovation” as the basic policy, and by working toward the three major issues of (1) accelerating new business developments in growing markets, (2) transforming to a solutions provider, and (3) transforming into an innovation-focused group, we aim to create a high value-added market and achieve sustainable growth.

During the three months ended March 31, 2018, the group focused on the growth areas of the dental (dental medical) market and the retail market, and accelerated new business development in these areas. DGSHAPE Corporation, which engages in the group’s 3D business and began operations in April 2017, expanded the 3D business with an emphasis on the dental market, under its mission of offering solutions responding to the latest trends in digitalization. In the retail market, we also introduced UV printers to retailers providing in-store decorative services for smartphone cases and home appliances, etc., in addition to small-scale plants engaging in creating original products. As a result of our activities thus far, possibilities have become visible for business expansion aimed at a wide range of industries providing in-store services, and we will position these industries as our new customers as we provide new businesses utilizing printer products, 3D products, software, etc. Meanwhile, in our conventional mainstay sign (advertising and sign production) market, the market has matured and competition has become increasingly fierce as major companies have entered the market, and we made efforts to recover sales of printers with ongoing promotional campaigns in each region.

As a result of these initiatives, sales for the three months ended March 31, 2018 were roughly on par with the same period of the previous term, increasing by 0.4% to 10,344 million yen, due to factors including increased sales of 3D products owing to the expansion of the dental market and benefits from the weaker yen, despite sluggish sales of printers for the sign market. Cost of sales improved 1.9% compared with the same period of the previous term. Selling, general and administrative expenses were lower than the same period of the previous term, due to lower labor costs, advertising and promotion expenses, and commission fees. As a result, operating profit increased by 121.9% compared with the same period of the previous term to 760 million yen, and ordinary profit increased by 106.6% compared with the same period of the previous term to 626 million yen. In addition, profit attributable to owners of parent was 359 million yen (loss attributable to owners of parent was 761 million yen in the same period of the previous term) due to loss on sales and retirement of non-current assets, including the disposal of software assets, being recorded as extraordinary losses.

The exchange rates for major currencies during the three months ended March 31, 2018 (average rate during the period from January 2018 to March 2018) were 108.30 yen to the U.S. dollar (113.65 yen for the same period of the previous term) and 133.25 yen to the euro (121.12 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. Sales by product are as follows.

Net sales by product

(Millions of Yen)

Product	Three months ended March 31, 2017		Three months ended March 31, 2018		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Printers	3,770	36.6	3,488	33.7	(281)	(2.9)	92.5
Plotters	348	3.4	355	3.5	7	0.1	102.0
3D products	1,091	10.6	1,302	12.6	210	2.0	119.3
Supplies	3,297	32.0	3,282	31.7	(15)	(0.3)	99.5
Others	1,797	17.4	1,915	18.5	117	1.1	106.5
Total	10,306	100.0	10,344	100.0	37	–	100.4

[Printers]

In the sign market, the market has matured and competition has become fierce as major companies have entered the market, and customer needs are shifting from high-price products to low-price products. In order to maintain our customer base in this market, we continued promotional campaigns in each region, and made efforts to recover sales of printers. In addition, in retail markets, we proposed small UV printers optimal for customers' applications to small-scale plants and retail stores engaging in the creation and sale of original products, such as smartphone cases, home appliances and novelty items, as we focused on expanding our businesses in retail markets.

In the sign market during the three months ended March 31, 2018, sales of low-price print-only model increased, mainly in emerging countries, while sales of the TrueVIS VG-640/540 and SG-540/300 mainstay models decreased. Sales of the BN-20 desk-top printer for creating original t-shirts and uniforms and creating stickers in small lots exceeded the same period of the previous term. In retail market, sales of the LEF-200 and LEF-12i small UV printers were favorable, but sales of the LEF-300, notable for its high productivity, were sluggish.

As a result of these factors, printer sales were 3,488 million yen, or 92.5% of the same period of the previous fiscal year mainly due to a decrease of printers in the sign market.

[Plotters]

Sales of large format cutters for the sign market were increased. Consequently, plotter sales were 355 million yen, or 102.0% of the same period of the previous fiscal year.

[3D products]

While securing a solid footing in the 3D monozukuri market such as the manufacturing and engraving industries as well as educational institutions, DGSHAPE Corporation, which engages in the 3D business including 3D monozukuri and dental businesses, is expanding our 3D business by creating new value propositions in a wider range of fields, in addition to accelerating expansion in the growing dental market. In the 3D monozukuri market, sales decreased during the three months ended March 31, 2018, mainly because of the high level of sales in the same period of the previous fiscal year of the MDX-50 3D milling machine that went on sale in October 2016. In the dental market, we introduced two new dental milling machine models in February 2018, the DWX-52DCi, which incorporates an automatic disc changer function and comes with the DWINDEX dedicated management support software for dental technician offices, and the DWX-52D, which is compatible with fiber reinforced resin and other new materials. By visualizing product operation times, material use history, and other data at a glance, DWINDEX enables the formulation of efficient processing plans, operation management, and calculation of return on investment, etc. We implemented sales and marketing activities, including displays at dental industry exhibitions held in each region and seminars for sales dealers, and the product has been well received.

In addition, in March 2018, we announced the LD-80, the world's first laser foil decorator. By using a semiconductor laser, this machine enables decorations using foil on plastic products, which was previously difficult. It is possible to transfer foil to cosmetics and stationery to create gifts and novelty items with a premium look. This product is a compact size, perfect for use in stores, and is both safe and easy to use. Therefore, we intend to actively present it to retail stores in the retail market, where we are expanding printer sales.

As a result of these factors, sales of 3D products reached 1,302 million yen, or 119.3% of the same period of the previous fiscal year since sales of dental milling machines increased.

[Supplies]

Although sales of printer ink for the sign market were lower than the same period of the previous fiscal year, sales of printer ink for UV printers and textile printers increased, and as a result, sales of supplies were on par with the same period of the previous fiscal year at 3,282 million yen, or 99.5% of the same period of the previous fiscal year.

[Others]

Maintenance services, service parts, and other sales were 1,915 million yen, or 106.5% of the same period of the previous fiscal year, due to steady sales.

Sales by region are as follows.

Net sales by region

(Millions of Yen)

Region	Three months ended March 31, 2017		Three months ended March 31, 2018		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Japan	1,267	12.3	1,133	10.9	(134)	(1.3)	89.4
North America	2,948	28.6	2,758	26.7	(189)	(1.9)	93.6
Europe	3,661	35.5	4,164	40.3	503	4.7	113.8
Asia	779	7.6	786	7.6	7	0.0	100.9
Others	1,649	16.0	1,500	14.5	(148)	(1.5)	91.0
Total	10,306	100.0	10,344	100.0	37	–	100.4

[Japan]

In 3D products, sales were strong, particularly for the new dental milling machine DWX-52D, and sales of the DWX-4 also significantly exceeded the same period of the previous fiscal year, owing to the expansion to the scope of insurance coverage for CAD/CAM crowns (dental fillings/crowns created by using digital data) in December 2017. In printers, sales of printers for the sign market decreased significantly, and sales of small UV printers for the retail market were substantially low compared with the same period of the previous fiscal year, as competition became fiercer.

As a result, net sales in Japan were 1,133 million yen, or 89.4% of the same period of the previous fiscal year.

[North America]

In 3D products, sales of the dental milling machine DWX-52DC were favorable, particularly for mid-scale dental labs that seek more productivity. In printers, in retail market, sales increased as we actively presented the LEF-12i, the most compact UV printer in our series, to customers with restrictions on installation space. However, sales of printers for the sign market decreased compared with the same period of the previous fiscal year.

As a result, and also due to the effect of the stronger yen, net sales in North America were 2,758 million yen, or 93.6% of the same period of the previous fiscal year.

[Europe]

In printers, due to the effects of a promotion campaign and increased sales to the retail market, sales of printers for the sign market and small UV printers were steady. In 3D products, sales of the DWX-52DC dental milling machine, which incorporates an automatic disc changer function, and other models in the DWX series were favorable.

As a result, and also due to benefits from the weaker yen, net sales in Europe were 4,164 million yen, or 113.8% of the same period of the previous fiscal year.

[Asia]

In China, sales of printers for the sign market increased, particularly low-price print-only model. In the ASEAN region, sales of printers for the sign market decreased, but sales of dental milling machines and small UV printers increased.

As a result, net sales in Asia were 786 million yen, or 100.9% of the same period of the previous fiscal year.

[Other Regions]

In South America region, sales of low-price print-only model for the sign market increased. In Australia, sales of dental milling machines increased, but sales of printers for the sign market were slow.

As a result, net sales in these regions were 1,500 million yen, or 91.0% of the same period of the previous fiscal year.

(2) Explanation of Financial Position

Total assets as of the end of the first quarter decreased by 1,019 million yen compared with end-of-term consolidated totals last year to a total of 35,550 million yen (97.2% of year-end consolidated totals last term). With regard to current assets, while notes and accounts receivable – trade increased by 181 million yen, inventories decreased by 568 million yen. In non-current assets, there were no significant changes.

Liabilities as of the end of the first quarter decreased by 614 million yen to a total of 13,434 million yen (95.6% of year-end consolidated totals last term). With regard to current liabilities, provision for bonuses increased by 284 million yen and notes and accounts payable – trade decreased by 174 million yen. In non-current liabilities, long-term loans payable decreased by 360 million yen due to repayments.

Net assets as of the end of the first quarter decreased by 405 million yen to a total of 22,116 million yen (98.2% of year-end consolidated totals last term). Compared with the end of the previous fiscal year, foreign currency translation adjustment decreased by 365 million yen due mainly to a stronger yen.

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

No revisions have been made to the consolidated financial results forecasts for the first half and full year of the fiscal year ending December 31, 2018, which were announced on February 9, 2018. Any changes that may occur in the future will be appropriately disclosed.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousands of Yen)

	As of December 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	9,766,525	9,720,320
Notes and accounts receivable - trade	4,621,555	4,802,801
Merchandise and finished goods	6,009,230	5,636,319
Work in process	28,229	47,239
Raw materials and supplies	2,392,219	2,177,726
Deferred tax assets	1,099,656	1,110,188
Other	2,520,292	2,205,547
Allowance for doubtful accounts	(66,155)	(63,865)
Total current assets	26,371,553	25,636,279
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,054,128	7,004,563
Accumulated depreciation	(4,333,086)	(4,358,915)
Buildings and structures, net	2,721,041	2,645,647
Machinery, equipment and vehicles	1,039,846	975,464
Accumulated depreciation	(717,813)	(695,886)
Machinery, equipment and vehicles, net	322,033	279,578
Tools, furniture and fixtures	3,624,684	3,620,619
Accumulated depreciation	(2,905,322)	(2,894,927)
Tools, furniture and fixtures, net	719,362	725,691
Land	3,130,077	3,124,444
Construction in progress	48,019	53,291
Total property, plant and equipment	6,940,534	6,828,653
Intangible assets		
Goodwill	372,297	341,315
Software	1,237,933	1,090,956
Telephone subscription right	8,598	8,505
Total intangible assets	1,618,829	1,440,777
Investments and other assets		
Investment securities	31,403	28,584
Deferred tax assets	672,679	726,906
Other	953,524	889,545
Allowance for doubtful accounts	(18,018)	–
Total investments and other assets	1,639,589	1,645,036
Total non-current assets	10,198,953	9,914,466
Total assets	36,570,506	35,550,746

(Thousands of Yen)

	As of December 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,908,452	1,733,626
Short-term loans payable	138,400	204,600
Current portion of long-term loans payable	1,440,000	1,440,000
Income taxes payable	130,486	64,148
Provision for bonuses	664,512	949,356
Provision for directors' bonuses	–	15,000
Provision for product warranties	538,417	514,372
Other	3,524,561	3,348,855
Total current liabilities	8,344,831	8,269,959
Non-current liabilities		
Long-term loans payable	3,240,000	2,880,000
Provision for employee stock ownership plan trust	102,876	100,820
Provision for management board incentive plan trust	253,692	144,910
Provision for loss on dissolution of employees' pension fund	51,732	51,732
Net defined benefit liability	642,269	638,187
Long-term accounts payable - other	42,213	38,656
Other	1,371,196	1,309,840
Total non-current liabilities	5,703,980	5,164,148
Total liabilities	14,048,811	13,434,108
Net assets		
Shareholders' equity		
Capital stock	3,668,700	3,668,700
Capital surplus	3,700,608	3,700,608
Retained earnings	16,030,080	15,946,167
Treasury shares	(579,561)	(540,632)
Total shareholders' equity	22,819,827	22,774,843
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,786	5,731
Foreign currency translation adjustment	(154,073)	(519,460)
Remeasurements of defined benefit plans	(151,913)	(144,544)
Total accumulated other comprehensive income	(298,200)	(658,273)
Non-controlling interests	68	67
Total net assets	22,521,695	22,116,637
Total liabilities and net assets	36,570,506	35,550,746

(2) Consolidated Statements of Operations and Comprehensive Income

Consolidated Statements of Operations

(For the three months ended March 31, 2017 and March 31, 2018)

(Thousands of Yen)

	For the three months ended March 31, 2017 (From January 1, 2017 to March 31, 2017)	For the three months ended March 31, 2018 (From January 1, 2018 to March 31, 2018)
Net sales	10,306,610	10,344,541
Cost of sales	5,933,562	5,758,647
Gross profit	4,373,047	4,585,893
Selling, general and administrative expenses		
Transportation and warehousing expenses	217,588	237,490
Advertising and promotion expenses	288,010	235,232
Provision of allowance for doubtful accounts	7,592	6,324
Provision for product warranties	23,416	8,016
Salaries and bonuses	1,989,316	1,828,695
Provision for bonuses	116,743	201,737
Provision for directors’ bonuses	20,000	15,000
Provision for employee stock ownership plan trust	3,528	1,662
Provision for management board incentive plan trust	22,035	15,072
Retirement benefit expenses	90,579	75,777
Traveling and transportation expenses	157,601	146,365
Depreciation	193,529	178,508
Commission fee	324,301	284,275
Other	576,061	591,051
Total selling, general and administrative expenses	4,030,307	3,825,209
Operating profit	342,740	760,684
Non-operating income		
Interest income	3,882	2,766
Other	36,255	21,721
Total non-operating income	40,138	24,488
Non-operating expenses		
Interest expenses	5,232	5,422
Sales discounts	39,349	42,436
Foreign exchange losses	33,264	100,787
Other	1,529	9,618
Total non-operating expenses	79,376	158,265
Ordinary profit	303,502	626,907

(Thousands of Yen)

	For the three months ended March 31, 2017 (From January 1, 2017 to March 31, 2017)	For the three months ended March 31, 2018 (From January 1, 2018 to March 31, 2018)
Extraordinary income		
Gain on sales of non-current assets	4,179	4,027
Total extraordinary income	4,179	4,027
Extraordinary losses		
Loss on sales and retirement of non-current assets	1,198	100,228
Settlement package	1,381,457	–
Total extraordinary losses	1,382,656	100,228
Profit (loss) before income taxes	(1,074,974)	530,706
Income taxes - current	458,713	269,316
Income taxes - deferred	(772,068)	(97,662)
Total income taxes	(313,355)	171,654
Profit (loss)	(761,619)	359,052
Profit attributable to non-controlling interests	1	0
Profit (loss) attributable to owners of parent	(761,620)	359,051

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	For the three months ended March 31, 2017 (From January 1, 2017 to March 31, 2017)	For the three months ended March 31, 2018 (From January 1, 2018 to March 31, 2018)
Profit (loss)	(761,619)	359,052
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,149)	(2,054)
Foreign currency translation adjustment	(201,729)	(365,388)
Remeasurements of defined benefit plans, net of tax	24,382	7,369
Total other comprehensive income	(178,497)	(360,074)
Comprehensive income	(940,116)	(1,022)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(940,118)	(1,020)
Comprehensive income attributable to non-controlling interests	1	(1)

(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 Subsequent Events)

Not applicable.