

Consolidated Financial Results for the Nine Months Ended December 31, 2013 [JGAAP]



February 7, 2014

Company Name: Roland Corporation

Code Number: 7944

(URL: <http://www.roland.com/>)

Stock Exchange Listing: Tokyo

Representative: Jun-ichi Miki, CEO and Representative Director

Contact: Naoyuki Tamura, Director, General Manager of Corporate Planning Department

Phone: 053-523-3652

Scheduled date to submit the Quarterly Securities Report: February 12, 2014

Scheduled date to commence dividend payments: —

Availability of supplementary briefing material on quarterly results: Available (Japanese only)

Schedule of quarterly results briefing session: Not scheduled

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2013 (From April 1, 2013 to December 31, 2013)

(1) Consolidated Results of Operations (Cumulative) (% indicates changes from the previous period)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Nine months ended December 31, 2013	61,476	16.0	5,342	-	5,288	-	1,562	-
Nine months ended December 31, 2012	53,013	(4.3)	(252)	-	(465)	-	(2,714)	-

(Note) Comprehensive income: Nine Months Ended December 31, 2013: ¥6,870 million (-%)

Nine Months Ended December 31, 2012: ¥(2,647) million (-%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Nine months ended December 31, 2013	66.48	-
Nine months ended December 31, 2012	(114.13)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
Nine months ended December 31, 2013	81,193	61,531	53.6	1,960.65
Fiscal year ended March 31, 2013	77,341	57,749	54.1	1,760.66

(Reference) Equity: Nine Months Ended December 31, 2013: ¥43,522 million

Fiscal Year Ended March 31, 2013: ¥41,878 million

2. Dividends

	Annual dividend				
	1Q	2Q	3Q	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2013	-	7.50	-	5.00	12.50
Fiscal year ending March 31, 2014	-	7.50	-		
Fiscal year ending March 31, 2014 (Forecast)				7.50	15.00

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

3. Forecast of Consolidated Financial Results for Fiscal Year Ending March 31, 2014 (From April 1, 2013 to March 31, 2014)

(% 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	84,300	16.6	5,800	-	5,600	-	(600) ~ (100)	-	(25.23) ~ (4.20)

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

Assessment figure for net income is stated within a certain range as it is difficult to estimate a specific amount.

* Notes

- (1) Significant changes of subsidiaries during the nine months ended December 31, 2013 (changes in specific subsidiaries resulting in changes in scope of consolidation): None
- (2) Adoption of special accounting treatment for the preparation of quarterly consolidated financial statements: None
- (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, etc.: None
 - 2) Other changes in accounting policies: None
 - 3) Changes in accounting estimates: None
 - 4) Corrections of errors: None
- (4) Total number of issued shares (common stock)
 - 1) Total number of issued shares at the end of the period (including treasury stock):

Nine months ended December 31, 2013	23,835,796 shares
Fiscal year ended March 31, 2013	23,835,796 shares
 - 2) Total number of treasury stock at the end of the period:

Nine months ended December 31, 2013	1,638,005 shares
Fiscal year ended March 31, 2013	50,000 shares
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year):

Nine months ended December 31, 2013	23,502,813 shares
Nine months ended December 31, 2012	23,786,273 shares

* Presentation regarding the implementation status of the quarterly review process:

These quarterly financial results (not translated into English) are not subject to the quarterly review process required under the Financial Instruments and Exchange Act, and the quarterly review process required under the Financial Instruments and Exchange Act was in progress at the time of the disclosure of these quarterly financial results.

* Explanation of the proper use of earnings projections and other notes:

- The above forecasted performance figures and other forward-looking statements stated herein are based on economic environment, business plans of the Company and other factors at the time of the release of this report. Therefore actual results may differ from forecast values due to various factors. For further information on the assumptions above, please see page 6 “Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information.”
- The supplementary briefing material on quarterly results will be posted on the Company’s website on Friday, February 7, 2014. (Japanese only)

Table of Contents of Appendix

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	6
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	6

The following information has not been translated into English (we have Japanese version only.).

2. Consolidated Financial Statements	
(1) Consolidated Balance Sheets	
(2) Consolidated Statement of Income and Comprehensive Income	
(3) Notes to Consolidated Financial Statements	
(Notes to Going Concern Assumption)	
(Notes in Case of Large Changes in Shareholder's Equity)	
(Segment Information, etc.)	

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

Results of operations

(Millions of Yen)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013	Changes	Change rate
Net sales	53,013	61,476	8,463	16.0%
Electronic Musical Instruments Business	29,361	31,005	1,644	5.6%
Computer Peripherals Business	23,652	30,471	6,818	28.8%
Operating income (loss)	(252)	5,342	5,595	-
Electronic Musical Instruments Business	(1,166)	655	1,821	-
Computer Peripherals Business	913	4,687	3,773	412.9%
Ordinary income (loss)	(465)	5,288	5,754	-
Net income (loss)	(2,714)	1,562	4,277	-

Results of net sales by business segment

(Millions of Yen)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013	Changes	Change rate
Electronic musical instruments	10,957	11,696	739	6.7%
Guitar-related equipment	5,793	5,682	(111)	(1.9%)
Home electronic musical instruments	7,422	8,015	593	8.0%
Professional video, professional audio and computer music equipment	3,353	3,904	550	16.4%
Others	1,834	1,706	(127)	(6.9%)
Electronic Musical Instruments Business	29,361	31,005	1,644	5.6%
Computer Peripherals Business	23,652	30,471	6,818	28.8%
Total	53,013	61,476	8,463	16.0%

Results of net sales by geographical segment

(Millions of Yen)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013	Changes	Change rate
Japan	6,825	6,254	(571)	(8.4%)
North America	8,002	8,578	575	7.2%
Europe	8,946	9,860	914	10.2%
Others	5,586	6,312	726	13.0%
Electronic Musical Instruments Business	29,361	31,005	1,644	5.6%
Japan	3,024	3,230	206	6.8%
North America	6,138	8,527	2,388	38.9%
Europe	7,377	10,213	2,835	38.4%
Others	7,111	8,499	1,388	19.5%
Computer Peripherals Business	23,652	30,471	6,818	28.8%
Total	53,013	61,476	8,463	16.0%

During the nine months ended December 31, 2013, with regard to the economic climate, Japan experienced a mild economic recovery reflecting an improved mood in corporate earnings, and the North American economy generally tended to pick up moderately. Trends in Europe were weak overall despite the signs that the economic downswing was bottoming out in some areas. Meanwhile, a mild economic expansion continued in emerging markets including China.

Amid these circumstances, looking at the sales in the Electronic Musical Instruments Business by product, although a recovery trend was seen in some areas with robust sales for new products in drums and single-function digital pianos, results for the nine months ended December 31, 2013 virtually declined year on year due to the impact of a drop in sales of mainstay products including drums, pianos, and guitar effects during the first half of the fiscal year. By region, although there were signs of bottoming out in North America and Europe while sluggish sales continued in Japan, results in the major markets of Japan, North America, and Europe for the nine months ended December 31, 2013 virtually declined year on year due to the impact of the drop in sales during the first half of the fiscal year. In other regions, although sales decreased in Central and South America due to an economic recession, sales in Australia and Asia continued their strong performance from the first half of the fiscal year, resulting in an increase in overall regional sales year on year.

As a result, despite virtually declining year on year, net sales increased by 5.6% year on year to ¥31,005 million due to the impact of the depreciation of the yen. Concerning the profit, operating income amounted to ¥655 million (from an operating loss of ¥1,166 million for the same period of the previous fiscal year), due to personnel cutbacks and cost reductions implemented at the end of the previous fiscal year as part of business structural reforms, as well as the impact of the depreciation of the yen.

In the Computer Peripherals Business, sales of printers and supplies, mainstay products, were driven by new products of large inkjet printers introduced in the previous and current fiscal years. Also, in 3D products, sales were robust for milling machines for dental applications.

By region, sales grew significantly in North America and Europe due to robust sales of new printer products and the impact of the depreciation of the yen. With regard to Asia, China saw strong performance by large inkjet printers that are in demand among local sign manufacturers and by milling machines for dental applications. In other regions, sales were robust in Australia and Central and South America.

As a result, combined with the impact of the depreciation of the yen, net sales increased by 28.8% year on year to ¥30,471 million, and operating income rose by 412.9% year on year to ¥4,687 million, as a result of factors including an improvement of the cost-to-sales ratio, despite an increase in selling, general and administrative expenses.

As a result of the factors described above, overall net sales increased by 16.0% year on year to ¥61,476 million, operating income was ¥5,342 million (from an operating loss of ¥252 million for the same period of the previous fiscal year), and ordinary income was ¥5,288 million (from an ordinary loss of ¥465 million for the same period of the previous fiscal year). Ultimately, the Company posted a net income of ¥1,562 million (from a net loss of ¥2,714

million for the same period of the previous fiscal year) due to such factors as tax expenses and transfer of income to minority shareholders.

The average exchange rates for the nine months ended December 31, 2013 (*) were 97 yen to the US dollar (from 79 yen for the same period of the previous fiscal year), and 127 yen to the euro (from 102 yen for the same period of the previous fiscal year).

(*) Average for January to September 2013, because the fiscal year of the Company's foreign consolidated subsidiaries is from January to December.

Results of net sales by business segment are as follows.

<Electronic Musical Instruments Business>

[Electronic musical instruments]

As for stage pianos and stage organs, sales increased year on year thanks to the contribution of new products. With regard to drums, although a recovery trend was seen amid robust sales for the new foldable, portable products, it did not offset the drop in sales in the first half of the fiscal year, resulting in a virtual decline year on year for the nine months ended December 31, 2013. With respect to synthesizers, although sales continued to be strong for the sound engine modules equipped with tones of generations were launched last year, sales of existing mainstay products were down considerably mainly in North America and Central and South America. As a result, net sales for this segment increased by 6.7% year on year to ¥11,696 million, partly due to the impact of the depreciation of the yen, in spite of a virtual decline in sales.

[Guitar-related equipment]

As for guitar effects, despite strong sales by compact effects with new technology and new products equipped with loop features launched in the previous fiscal year, sales of existing products fell year on year amid intensified market competition. With respect to guitar synthesizers, sales fell sharply in reaction to new products launched in the previous fiscal year. As a result, net sales for this segment decreased by 1.9% year on year to ¥5,682 million.

[Home electronic musical instruments]

Sales of keyboards with automatic accompaniment increased year on year, continuing their robust sales from the first half of the fiscal year. Accordion sales, which had declined year on year during the first half of the fiscal year, picked up year on year thanks to strong performance in Europe by new products introduced during the current fiscal year. Digital piano sales, which had declined year on year during the first half of the fiscal year, showed a tendency to recover thanks to the contribution of new single-function products in Japan. However, this did not offset the drop in sales in the major markets of Japan, North America, Europe, etc., during the first half of the fiscal year, resulting in a year-on-year decline for the nine months ended December 31, 2013. As a result, net sales for this segment

increased by 8.0% year on year to ¥8,015 million, due to the depreciation of the yen despite a virtual decline in sales.

[Professional video, professional audio and computer music equipment]

With regard to computer music equipment, although sales of audio interfaces for computers and keyboard equipment for data entry increased year on year, sales of music software declined year on year. Sales of professional video equipment and professional audio equipment, which had decreased year on year during the first half of the fiscal year, picked up year on year due to robust sales of new products of switchers and mixers for video equipment, and solid performance by audio mixers for the iPad. As a result, net sales for this segment increased by 16.4% year on year to ¥3,904 million.

[Others]

Sales of sound engines for online karaoke machines were declined year on year due to a decrease in sales in Japan despite strong sales in Asia. As for music schools, sales decreased year on year due to a drop in student numbers as a result of the declining birth rate and other factors. As a result, overall net sales for this segment decreased by 6.9% year on year to ¥1,706 million.

As a result of the factors described above, net sales for the Electronic Musical Instruments Business increased by 5.6% year on year to ¥31,005 million.

<Computer Peripherals Business>

Regarding printers, sales were strong for new products of large inkjet printers for the sign market, the Company's core market, mainly in replacement demand among existing users. In addition, sales of new products offering enhanced output speed grew steadily mainly among major sign manufacturers. Furthermore, sales were steady for printers offering both outstanding output quality and low prices, as well as UV printers capable of printing directly onto smartphones and other novelty items.

As for 3D products, sales of milling processing machines, a mainstay product, for the manufacturing industry and related fields, were robust. Also, sales of milling machines for dental applications expanded in North America and Europe, as well as in China and Japan, as a result of success in creating a system for proposing the dental prosthetics production process as a total solution and the steady progress in development and establishment of a sales network.

As for supplies, sales of inks increased mainly in North America and Europe, where sales of printers were strong.

As a result of the factors described above, net sales for Computer Peripherals Business increased by 28.8% year on year to ¥30,471 million.

(2) Explanation of Financial Position

Total assets increased by ¥3,852 million from the end of previous consolidated fiscal year to ¥81,193 million. This was mainly attributable to a decrease in merchandise and finished goods by ¥451 million, as well as increases in cash and deposits by ¥1,349 million, notes and accounts receivable-trade by ¥817 million, raw materials and supplies by ¥333 million and other current assets including accounts receivable-other by ¥1,448 million, respectively, and increased financial statement yen equivalent values for our overseas affiliates due to the ongoing depreciation of the yen against other major currencies during the period from the end of the previous fiscal year of overseas affiliates (end of December 2012) to the end of the third quarter (end of September 2013).

Liabilities increased by ¥70 million from the end of the previous consolidated fiscal year to ¥19,662 million. This was mainly due to decreases in short-term loans payable by ¥864 million and in provision for bonuses by ¥299 million, respectively, as well as an increase of ¥653 million in income taxes payable and an increase in yen equivalent values due to the ongoing depreciation of the yen mentioned above.

Net assets increased by ¥3,782 million from the end of the previous consolidated fiscal year to ¥61,531 million. Key factors included purchase of treasury stock of ¥2,054 million and dividends from surplus of ¥297 million, as well as an increase in foreign currency translation adjustment by ¥2,224 million due to the above-mentioned depreciation of the yen and a net income of ¥1,562 million.

As a result of the factors above, the equity ratio was 53.6%, down 0.5 points from the end of the previous consolidated fiscal year.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

Regarding the consolidated financial results for the full year of the fiscal year ending March 31, 2014, there has been no change to the financial results forecast announced on November 6, 2013.