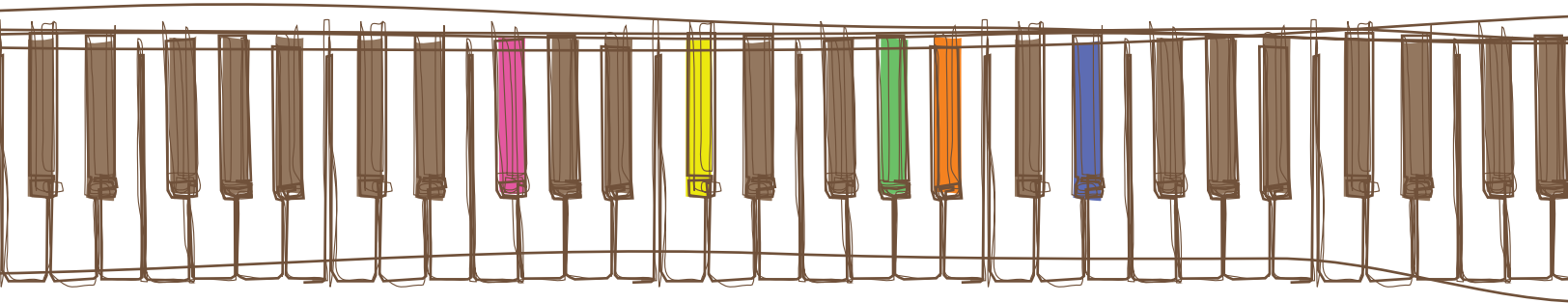


# ANNUAL REPORT



Year ended March 31, 2007

## Roland Corporate Slogans

**I**nspire the Enjoyment of Creativity

**B**e the **BEST** rather than the **BIGGEST**

**T**he Roland Family—Cooperative Enthusiasm

The spirit that makes Roland unique is the essence of these three slogans. They clearly articulate Roland's purpose as a company. They are the driving force behind our ever-expanding quest for a future of limitless possibilities in sound and video creation.

## Consolidated Financial Highlights

Roland Corporation and Consolidated Subsidiaries

Year ended March 31	Millions of Yen					Thousands of U.S. Dollars (Note 1)
	2003	2004	2005	2006	2007	2007
<b>For the year:</b>						
Net sales	¥63,323	¥65,399	¥75,906	¥89,274	¥95,259	\$807,280
Operating income	2,100	3,587	6,743	8,375	9,842	83,407
Net income	(1,189)	1,120	2,398	3,208	3,701	31,364
Depreciation and amortization	2,446	2,245	2,133	2,566	2,652	22,475
Capital expenditures	1,781	1,976	3,044	3,617	3,343	28,331
Research and development costs	5,133	5,711	5,877	6,283	6,836	57,932
Net cash provided by operating activities	4,416	2,128	6,469	6,109	6,790	57,542
<b>At year-end:</b>						
Total assets	67,383	66,900	75,117	81,738	93,116	789,119
Total equity	47,849	47,868	49,323	53,525	73,332	621,458
						U.S. Dollars (Note 1)
<b>Per share:</b>						
Net income (Note 2)	¥ (47.63)	¥ 42.53	¥ 92.43	¥ 124.65	¥ 147.40	\$ 1.25
Cash dividends	17.00	18.50	25.00	27.50	35.00	0.30
Total equity	1,886.33	1,904.44	1,961.07	2,128.44	2,285.47	19.37
<b>Ratio:</b>						
Equity ratio	71.0	71.6	65.7	65.5	61.6	
Return on equity	(2.4)	2.3	4.9	6.2	6.7	

Notes: 1. The U.S. dollar amounts have been translated, for convenience only, at the rate of ¥118=US\$1, the approximate rate of exchange at March 31, 2007.

2. Net income per share has been computed based on the weighted-average number of shares outstanding during each period.

## *A Message from the Management*



**Katsuyoshi Dan**  
*Chairman*

**Hidekazu Tanaka**  
*President*

We are pleased to report on the business results for Roland Corporation for the fiscal year 2007 (April 1, 2006 through March 31, 2007).

In fiscal 2007, Roland posted increases in revenues and profits year-on-year on both a consolidated and non-consolidated basis. In the electronic musical instruments business, sales of electronic drums and guitar-related equipment developed favorably, while in the computer peripherals business, large-format professional-use color printers and low-solvent inks sold well. Cash dividends for the full year amounted to ¥35 per share, an increase of ¥7.5 from the previous year, and consisted of the interim dividend of ¥15 and the year-end dividend of ¥20.

In keeping with our corporate slogan “Inspire the Enjoyment of Creativity,” the Roland Group is steadily expanding its business domain, focusing efforts on the video sector, with an emphasis on video editing equipment. Our challenge is to transform your imagination into sound, into video, and into reality.

In an era when people seek qualitative fulfillment, and as creativity becomes more diversified and personalized, Roland is undergoing remarkable expansion. We’re committed to change and flexibility. This will enable us to further develop our technological capabilities. We remain keenly aware of our social responsibility as an enterprise that supports the culture of creativity and we’ll do our best to be a company that inspires cooperative enthusiasm among all our stakeholders.

We look forward to the continued support of our shareholders in the coming years.

Katsuyoshi Dan  
*Chairman*

Hidekazu Tanaka  
*President*

Handwritten signatures of Katsuyoshi Dan and Hidekazu Tanaka. The signature of Katsuyoshi Dan is on the left, and the signature of Hidekazu Tanaka is on the right.

### **Advancing into promising new fields with our brands, we're always eager to develop our leading-edge technologies for the benefit of our customers.**

Building on our reputation as the premier manufacturer of electronic musical instruments, Roland is pursuing a multi-brand strategy to greatly expand its business domain. Roland offers brands and product lines sustained by leading-edge, innovative technologies and dynamic, forward thinking. You can count on us to be a source of inspirational products that bring out the best in creative people.



## Roland

**The full-line electronic musical instrument brand loved and trusted by music creators around the world.**

The Roland brand has become the de facto creative standard for music hobbyists and professional artists around the globe. Roland synthesizers, electronic drums, and guitar amplifiers are essential "must haves" on stages and in studios worldwide. Roland's reach, however, does not stop there. Our extensive line-up of digital pianos and electronic organs offers an array of unique functions and sounds that delight music enthusiasts in homes and music schools everywhere.



## BOSS

**The global market share leader in effects processors.  
The iconic brand for guitarists who want the best.**

Since the introduction of the first BOSS compact pedal in 1977, BOSS has created award-winning products for guitarists worldwide. Today, the extensive BOSS product line appeals to guitarists playing all types of music, with road-rugged multi-effects processors driven by the latest technological advances and digital multi-track recorders that allow musicians of all skill levels to create professional-caliber recordings.



**The brand for creating music with high-definition sound makes audio and visual editing a pleasure.**

EDIROL is the brand of choice for professional music producers and computer music hobbyists everywhere. With a rich selection of software and hardware options to choose from and a substantial line-up of analog-to-digital audio/MIDI products, EDIROL inspires creativity and experimentation. Whether you're recording and storing prized live performances, or saving valued cassette tape collections from yesteryear, EDIROL products open up a new realm of music-making possibilities with PCs. In video production, the versatile EDIROL line-up includes multi-format mixers and converters compatible with high-definition video.



**Sound and image system solutions to create audio and visual space.**

The RSS brand of commercial-use audio equipment creates audio and visual space at public facilities, amusement centers, and commercial complexes. RSS products include PA systems for events and concerts and audio equipment for conference centers and retail stores. Combine RSS with EDIROL video equipment for superb sound and image system solutions.



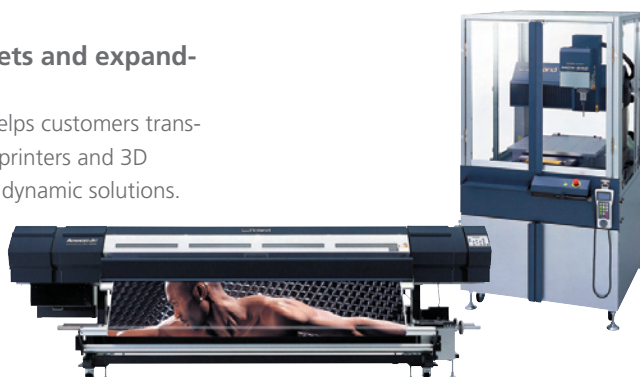
**Classic organs fusing technology with traditional instrument craftsmanship.**

A celebrated American brand of classic organs has united with Roland's sophisticated digital technology to create unparalleled sound. The glorious voices of Rodgers digital and pipe-combination organs can be heard in hotels, schools churches, and concert halls around the world.



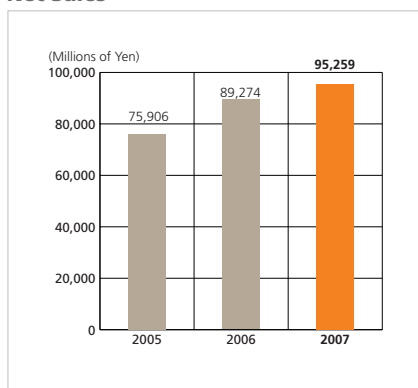
**Computer peripherals for pioneering new markets and expanding creative horizons.**

Utilizing the latest digital technology, the Roland DG brand helps customers transform imagination into reality. Professional large-format color printers and 3D input/output devices provide customers with a wide range of dynamic solutions.

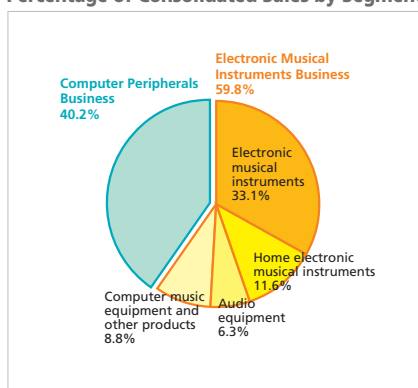




## Net Sales



## Percentage of Consolidated Sales by Segment



## Overview of Business Performance

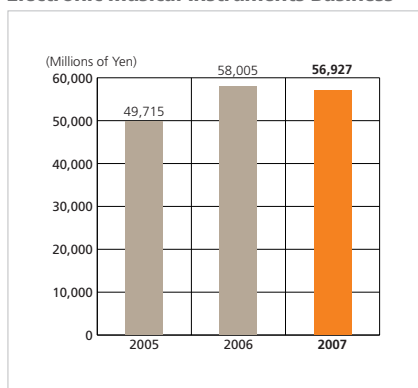
In the year under review, economic recovery in Japan gradually advanced due to the continued expansion of capital investment, buoyant corporate earnings and rising personal consumption. Although business conditions in North America deteriorated somewhat amid concerns about the slowing of the economy, expansion of personal consumption in Europe continued.

In this operating environment, Roland strengthened its position in the electronic musical instruments business. This was accomplished by focusing on the enrichment of product line-ups and development of high-value-added products while expanding distribution channels centered on affiliated companies in Japan and overseas. In the computer peripherals business, we vigorously implemented business development initiatives in two promising fields: color (large-format color printers) and 3D (3D image input and output equipment). Sales developed favorably, especially sales of printers in overseas markets.

As a result, consolidated net sales for the year were ¥95,259 million, an increase of 6.7% year-on-year. Operating income was ¥9,842 million, up 17.5%. Ordinary income was ¥10,456 million, rising 16.1% and net income grew 15.4% to ¥3,701 million.

## Business Performance by Segment

### Electronic Musical Instruments Business



### Electronic Musical Instruments Business

Total sales of electronic musical instruments increased year-on-year. The favorable sales in the previous year for the V-Drums series of entry-level electronic drums and BOSS guitar effects processors continued in Japan and overseas. The launch of new products spurred growth in sales of the CUBE series of compact guitar amplifiers.



V-Drums



BOSS Compact-Series

In Japan, sales of home electronic musical instruments increased significantly thanks to the introduction of new products in the HP series of digital pianos coupled with aggressive new marketing initiatives such as the unique Roland Foresta in-store shop program.

Low-priced products impacted the sales of digital pianos in North America and Europe. Both of these markets decreased slightly. However, total sales of home electronic musical instruments increased year-on-year based on the brisk sales of digital pianos in Japan.

Total sales of audio equipment decreased year-on-year. In Japan, sales of the new BOSS MICRO BR digital recorder got off to a good start while sales of OEM sound boards and sound chips for gaming devices were sluggish. In North America, sales of the VS series of high-end digital recorders decreased significantly.

In the areas of computer music equipment and other products, the introduction of the EDIROL R-09 field recorder in Japan and overseas greatly contributed to total sales. However, total sales for this segment were lower than the previous year, because Allans Music Group Unit Trust, which was included in the consolidation for this segment in the previous year, was excluded in the consolidation for this year under review. This was due to the transfer of its musical instrument retail operation to a third party during the previous year. The exclusion of Allans Music Group Unit Trust from the consolidation decreased the segment sales approximately ¥3,100 million, but its impact on operating income was negligible.



Roland Foresta



MICRO BR Digital 4-Track Recorder



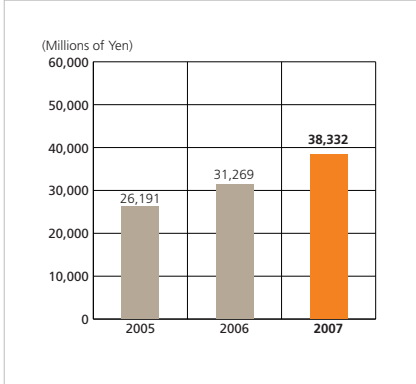
R-09 24bit WAVE/MP3 Recorder

### Computer Peripherals Business

In the color printer business, increasing demand for outdoor signage drove strong sales of our low-solvent inkjet printers. Major contributors to sales were our best-selling VersaCAMM SP-540V inkjet printer/cutter and the introduction of the high-speed, 6-color SOLJET PRO III XC-540 inkjet printer with high-volume, 440cc cartridges for ECO-SOL MAX ink, which features higher durability and brighter color reproduction.

For our growing 3D business, we hosted seminars and product previews, introduced a web portal site for tutorials and supported higher learning institutions to foster market acceptance of our efficient, value-added solutions for streamlining the manufacturing process from design to production. We also introduced the MDX-540/540A milling machines, with easy-to-use CAM software.

### Computer Peripherals Business



SOLJET PRO III XC-540  
Large-Format Printer

Keenly aware of its social responsibility as an enterprise that supports the culture of music and imaging, Roland expresses its philosophies and activities in the slogans "Inspire the Enjoyment of Creativity," "Be the BEST rather than the BIGGEST," and "The Roland Family — Cooperative Enthusiasm." We aspire to be an enterprise delivering value to all our customers, shareholders, business partners, employees, local communities and all other stakeholders while, at the same time, contributing to society.

Corporate governance is a top priority for the Company's management. Roland strives to ensure rigorous compliance and maintain management transparency through the improvement and enhancement of internal controls and information disclosure.

## 1. Management Structure

The Company has adopted the corporate auditor system.

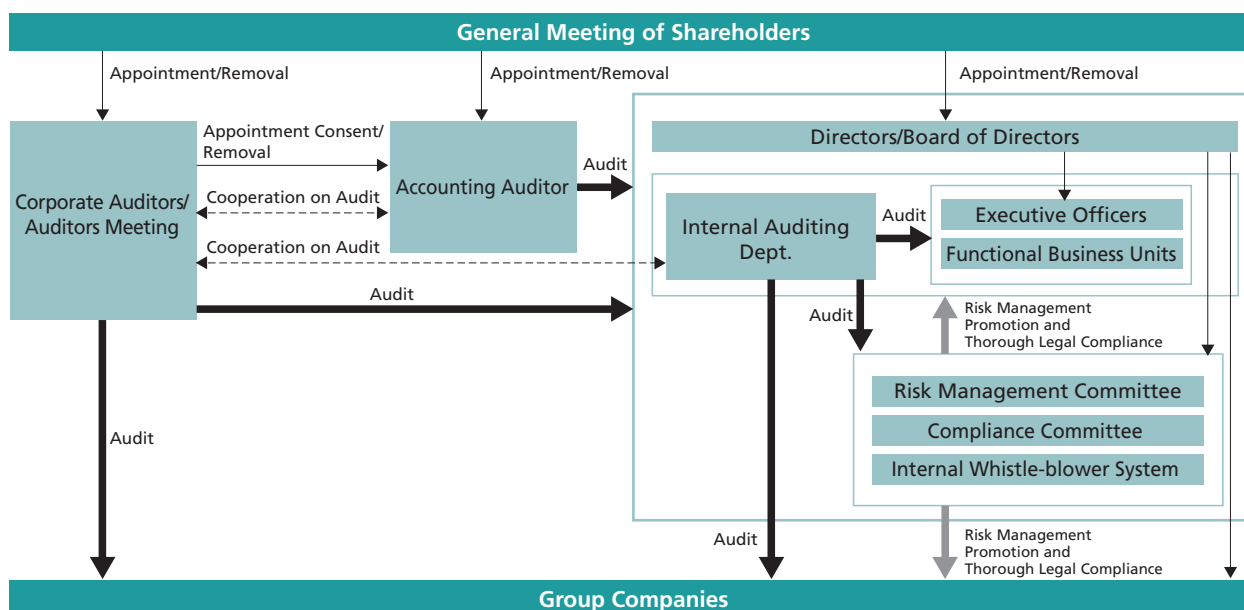
### Role of Directors

The Company has introduced an executive officer system to separate management from execution and ensure swift decision making and prompt execution of business. The Company maintains a management structure such that the Board of Directors focuses on the formulation of management policy and management plans and the oversight of the execution of business, while delegating authority over the execution of product development, sales, and administration to the executive officers. By setting the term of office for directors at one year, the Company clearly defines management responsibility for the business year.

### Role of Corporate Auditors

The corporate auditors establish audit standards and audit the execution of duties by the directors. Of the four corporate auditors, two are outside auditors recruited from outside the Company and the Roland Group. The outside corporate auditors have no vested interest in the Company other than matters recorded in the Related Party Transactions section of the annual securities report.

## 2. Relationship between Management Structure and Internal Control





### 3. Management Structure and Internal Control Systems

The basis of the Company's internal control systems is clear segregation of duties and authority and a checks and balances function incorporated in business processes. The Company has established the Internal Auditing Dept., which is an independent internal audit unit that periodically conducts audits of operating units and affiliated companies. In this way, the Company strives to ensure that internal control systems function effectively and to identify areas for improvement. The Company has also put in place a system for obtaining appropriate advice and guidance from a law office and other outside specialists as necessary.

#### System for Ensuring Compliance of Directors' Execution of Duties with Laws and Regulations and the Articles of Incorporation

- The Company has established the Compliance Committee, which is chaired by the president and representative director, to ensure rigorous compliance with laws and regulations, the Articles of Incorporation, and corporate ethics. The Company has established the Compliance Guidelines as its basic policy on compliance for all officers and employees.
- The Company has established Rules of Employment for Officers which specify legal compliance. Furthermore, a Code of Conduct is required of directors and mandates compliance accordingly.

#### System for Retention and Management of Information concerning Directors' Execution of Duties

- The Company retains and manages documents in accordance with the Document Management Regulations to ensure the optimization and maximum efficiency of business operations.

#### System for Ensuring Compliance of Employees' Execution of Duties with Laws and Regulations and the Articles of Incorporation

- The Compliance Committee ensures that all employees are familiar with the Compliance Guidelines, which is the basic policy on compliance with laws and regulations, the Articles of Incorporation, and corporate ethics, and engages in employee education and guidance.
- The Company has established an internal whistle-blower system whose point of contact is a law office in order to ensure that corrective action is swiftly taken in the event of

any violation of laws and regulations, the Articles of Incorporation or corporate ethics, and that measures are implemented to prevent recurrence. The Company has also put in place a system for obtaining appropriate advice and guidance from a law office as necessary.

- In the Internal Auditing Dept., which is the Company's internal auditing unit, the Company has put in place a system for confirming the effectiveness of internal control systems and identifying areas for improvement.

### 4. Accounting Audits

The Company has appointed Deloitte Touche Tohmatsu as its accounting auditor. The names of the certified public accountants engaged in the auditing for the fiscal year under review and the numbers of assistants involved in the auditing are as follows:

- The names of certified public accountants engaged in the auditing  
Designated employees engaged in the auditing: Seichiro Azuma, Hiroyuki Asaga
- Numbers of assistants involved in the auditing  
Eight certified public accountants, nine junior accountants, nine other staff

### 5. Risk Management Structure

The Company has prepared Risk Management Regulations and established the Risk Management Committee for the purpose of preventing the materialization of risks associated with the execution of the Company's business and swiftly responding should a risk materialize.

The Company uses the internal whistle-blower system to recognize the risk of violation of laws and regulations or the Articles of Incorporation and takes corrective action and implements measures to prevent the recurrence of any such violation.

## Consolidated Balance Sheets

Roland Corporation and Consolidated Subsidiaries  
March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and time deposits (Note 3).....	¥ 22,414	¥ 20,616	\$ 189,949
Notes and accounts receivable:			
Trade.....	12,971	11,311	109,924
Allowance for doubtful receivables.....	(446)	(589)	(3,780)
Marketable securities (Note 4) .....	366	45	3,102
Inventories (Note 5) .....	21,102	16,893	178,831
Deferred tax assets (Note 10) .....	2,427	1,558	20,568
Other .....	3,689	3,723	31,262
Total current assets .....	62,523	53,557	529,856
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
Land .....	6,532	6,674	55,356
Buildings and structures.....	19,254	18,871	163,169
Machinery and equipment .....	4,635	3,854	39,280
Tools, furniture and fixtures.....	10,619	10,087	89,992
Construction in progress .....	139	84	1,178
Total .....	41,179	39,570	348,975
Accumulated depreciation.....	(23,349)	(21,931)	(197,873)
Net property, plant and equipment .....	17,830	17,639	151,102
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Note 4) .....	3,475	3,709	29,449
Investments in unconsolidated subsidiaries and associated companies .....	2,172	1,506	18,407
Long-term loans .....	1,041	578	8,822
Goodwill .....	415	274	3,517
Software .....	1,338	1,059	11,339
Deferred tax assets (Note 10) .....	766	189	6,492
Other assets .....	3,556	3,227	30,135
Total investments and other assets.....	12,763	10,542	108,161
<b>TOTAL</b> .....	¥ 93,116	¥ 81,738	\$ 789,119

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
<b>CURRENT LIABILITIES:</b>			
Notes and accounts payable—trade .....	¥ 5,567	¥ 4,478	\$ 47,178
Short-term bank loans (Note 6) .....	1,581	953	13,398
Current portion of long-term debt .....	141	137	1,195
Income taxes payable .....	2,373	1,194	20,110
Accrued bonuses .....	1,445	1,344	12,246
Accrued bonuses to Directors and Corporate Auditors .....	130	—	1,102
Other .....	5,400	3,619	45,763
Total current liabilities .....	16,637	11,725	140,992
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt (Note 6) .....	220	377	1,864
Deferred tax liabilities (Note 10) .....	942	494	7,983
Deferred tax liabilities on land revaluation (Notes 7 and 10) .....	187	187	1,585
Other .....	1,798	1,515	15,237
Total long-term liabilities .....	3,147	2,573	26,669
<b>MINORITY INTERESTS</b> .....	—	13,915	—
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b> (Notes 12 and 14 )			
<b>EQUITY</b> (Notes 9 and 17):			
Common stock, authorized, 60,000,000 shares; issued 25,572,404 shares in 2007 and 2006 .....	9,274	9,274	78,593
Capital surplus .....	10,801	10,800	91,534
Retained earnings .....	37,358	34,480	316,593
Unrealized gain on available-for-sale securities .....	508	808	4,305
Land revaluation difference (Note 7) .....	(1,499)	(1,499)	(12,703)
Foreign currency translation adjustments .....	1,629	342	13,805
Treasury stock at cost, 462,789 shares in 2007 and 461,663 shares in 2006 .....	(683)	(680)	(5,788)
Total .....	57,388	53,525	486,339
Minority interests .....	15,944	—	135,119
Total equity .....	73,332	—	621,458
<b>TOTAL</b> .....	¥93,116	¥81,738	\$789,119

## Consolidated Statements of Income

Roland Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
<b>NET SALES</b> .....	<b>¥95,259</b>	<b>¥89,274</b>	<b>\$807,280</b>
<b>COST OF SALES</b> (Note 11) .....	<b>54,397</b>	<b>51,273</b>	<b>460,992</b>
Gross profit .....	<b>40,862</b>	<b>38,001</b>	<b>346,288</b>
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 11) .....	<b>31,020</b>	<b>29,626</b>	<b>262,881</b>
Operating income .....	<b>9,842</b>	<b>8,375</b>	<b>83,407</b>
<b>OTHER INCOME (EXPENSES):</b>			
Interest and dividend income .....	<b>454</b>	<b>259</b>	<b>3,847</b>
Interest expense .....	<b>(177)</b>	<b>(178)</b>	<b>(1,500)</b>
Loss on disposals or sales of property, plant and equipment—net .....	<b>(37)</b>	<b>(44)</b>	<b>(314)</b>
Equity in earnings of unconsolidated subsidiaries and associated companies—net .....	<b>173</b>	<b>75</b>	<b>1,466</b>
Foreign exchange gain—net .....	<b>146</b>	<b>339</b>	<b>1,237</b>
Other—net .....	<b>(85)</b>	<b>245</b>	<b>(719)</b>
Other income—net .....	<b>474</b>	<b>696</b>	<b>4,017</b>
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS</b> .....	<b>10,316</b>	<b>9,071</b>	<b>87,424</b>
<b>INCOME TAXES</b> (Note 10):			
Current .....	<b>4,572</b>	<b>3,333</b>	<b>38,746</b>
Deferred .....	<b>(742)</b>	<b>284</b>	<b>(6,288)</b>
Total income taxes .....	<b>3,830</b>	<b>3,617</b>	<b>32,458</b>
<b>MINORITY INTERESTS IN NET INCOME</b> .....	<b>2,785</b>	<b>2,246</b>	<b>23,602</b>
<b>NET INCOME</b> .....	<b>¥ 3,701</b>	<b>¥ 3,208</b>	<b>\$ 31,364</b>
	Yen		U.S. Dollars
<b>PER SHARE OF COMMON STOCK</b> (Note 15):			
Net income .....	<b>¥147.40</b>	<b>¥124.65</b>	<b>\$1.25</b>
Cash dividends applicable to the year .....	<b>35.00</b>	<b>27.50</b>	<b>0.30</b>

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Equity

Roland Corporation and Consolidated Subsidiaries

Years Ended March 31, 2007 and 2006

	Millions of Yen										
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available- for-Sale Securities	Land Revaluation Difference	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interest	Total Equity
<b>BALANCE, APRIL 1, 2005</b> .....	25,111,708	¥ 9,274	¥ 10,800	¥ 31,789	¥ 363	¥ (1,583)	¥ (642)	¥ (678)	¥ 49,323		¥ 49,323
Net income .....				3,208					3,208		3,208
Cash dividends, ¥27.50 per share .....				(691)					(691)		(691)
Bonuses to directors and corporate auditors .....				(77)					(77)		(77)
Purchase of treasury stock .....	(1,022)							(2)	(2)		(2)
Disposal of treasury stock .....	55							0	0		0
Net increase in newly consolidated subsidiaries .....				335					335		335
Net increase in unrealized gain on available-for-sale securities .....					445				445		445
Net decrease in land revaluation difference .....				(84)		84			0		0
Net change in foreign currency translation adjustments .....							984		984		984
<b>BALANCE, MARCH 31, 2006</b> .....	25,110,741	9,274	10,800	34,480	808	(1,499)	342	(680)	53,525		53,525
Reclassified balance as of March 31, 2006 .....										¥13,915	13,915
Net income .....				3,701					3,701		3,701
Cash dividends, ¥30.00 per share .....				(753)					(753)		(753)
Bonuses to directors and corporate auditors .....				(78)					(78)		(78)
Purchase of treasury stock .....	(1,344)							(4)	(4)		(4)
Disposal of treasury stock .....	218		1					1	2		2
Net increase due to exclusion from consolidated subsidiaries .....				8					8		8
Net change in the year .....					(300)		1,287		987	2,029	3,016
<b>BALANCE, MARCH 31, 2007</b> .....	25,109,615	¥9,274	¥10,801	¥37,358	¥ 508	¥(1,499)	¥1,629	¥(683)	¥57,388	¥15,944	¥73,332

	Thousands of U.S. Dollars (Note 1)										
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available- for-Sale Securities	Land Revaluation Difference	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interest	Total Equity	
<b>BALANCE, MARCH 31, 2006</b> .....	\$78,593	\$91,526	\$292,203	\$ 6,847	\$(12,703)	\$ 2,898	\$(5,762)	\$453,602		\$453,602	
Reclassified balance as of March 31, 2006 .....									\$117,924	117,924	
Net income .....			31,364					31,364		31,364	
Cash dividends, \$0.25 per share .....			(6,381)					(6,381)		(6,381)	
Bonuses to directors and corporate auditors .....			(661)					(661)		(661)	
Purchase of treasury stock .....							(34)	(34)		(34)	
Disposal of treasury stock .....		8					8	16		16	
Net increase due to exclusion from consolidated subsidiaries .....			68					68		68	
Net change in the year .....				(2,542)		10,907		8,365	17,195	25,560	
<b>BALANCE, MARCH 31, 2007</b> .....	\$78,593	\$91,534	\$316,593	\$ 4,305	\$(12,703)	\$13,805	\$(5,788)	\$486,339	\$135,119	\$621,458	

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Roland Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and minority interests.....	¥10,316	¥ 9,071	\$ 87,424
Adjustments for:			
Depreciation and amortization.....	2,652	2,566	22,475
Interest and dividend income .....	(454)	(339)	(3,847)
Interest expense .....	177	324	1,500
Foreign exchange gain—net.....	(26)	(137)	(220)
Equity in earnings of unconsolidated subsidiaries and associated companies—net....	(173)	(75)	(1,466)
Loss on disposals or sales of property, plant and equipment—net.....	37	44	314
Gain on sales of investment securities.....	(42)	—	(356)
Write-down of investment securities.....	41	210	347
Payment for bonuses to directors and corporate auditors .....	(126)	(128)	(1,068)
Changes in assets and liabilities:			
Increase in notes and accounts receivable .....	(1,337)	(662)	(11,331)
Decrease (increase) in inventories .....	(3,459)	1,443	(29,314)
Increase (decrease) in accounts payable.....	811	(1,409)	6,873
Other—net .....	1,412	(1,059)	11,966
Total.....	9,829	9,849	83,297
Interest and dividends received .....	432	398	3,661
Interest paid .....	(179)	(322)	(1,517)
Income taxes paid .....	(3,292)	(3,816)	(27,899)
Net cash provided by operating activities.....	6,790	6,109	57,542
<b>INVESTING ACTIVITIES:</b>			
Decrease (increase) in time deposits .....	200	(200)	1,695
Purchases of marketable securities .....	(294)	—	(2,492)
Proceeds from sales of marketable securities.....	10	292	85
Purchases of property, plant and equipment.....	(2,418)	(3,147)	(20,492)
Proceeds from sales of property, plant and equipment .....	121	278	1,025
Purchases of software and other intangible assets.....	(822)	(390)	(6,966)
Purchases of investment securities.....	(754)	(1,143)	(6,390)
Proceeds from sales of investment securities .....	466	218	3,949
Purchases of shares of subsidiaries and associated companies .....	(180)	(297)	(1,525)
Proceeds from sales of investment in subsidiaries and associated companies.....	3	46	25
Payment for investment in capital .....	(609)	(266)	(5,161)
Withdrawal of investment in capital .....	288	—	2,441
Payments for long-term loan .....	(557)	(335)	(4,720)
Other—net.....	367	46	3,111
Net cash used in investing activities .....	(4,179)	(4,898)	(35,415)
<b>FINANCING ACTIVITIES:</b>			
Increase (decrease) in short-term bank loans—net.....	760	(316)	6,441
Repayment of long-term debt.....	(181)	(270)	(1,534)
Dividends paid .....	(753)	(691)	(6,381)
Dividends paid to the minority shareholders .....	(776)	(518)	(6,576)
Other—net.....	10	67	84
Net cash used in financing activities.....	(940)	(1,728)	(7,966)
<b>EFFECTS OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS.....</b>	¥ 593	¥ 232	\$ 5,025
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....</b>	2,264	(285)	19,186
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR .....</b>	20,416	20,507	173,017
<b>CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES .....</b>	—	194	—
<b>CASH AND CASH EQUIVALENTS OF EXCLUSION CONSOLIDATED SUBSIDIARIES .....</b>	(266)	—	(2,254)
<b>CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3) .....</b>	¥22,414	¥20,416	\$189,949

See notes to consolidated financial statements.



# Notes to Consolidated Financial Statements

Roland Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2007 and 2006

## 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

On December 27, 2005, the Accounting Standards Board of Japan (the ASBJ) published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under Japanese GAAP and has been renamed "the consolidated statement of changes in equity" in the current fiscal year.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Consolidation** — The consolidated financial statements as of March 31, 2007 include the accounts of the Company and its 21 (23 in 2006) significant subsidiaries (together, the "Group") except for subsidiaries which, if consolidated, would not have a material effect on the accompanying consolidated financial statements.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 1 unconsolidated subsidiary and 1 associated company are accounted for by the equity method.

Investments in the remaining 16 unconsolidated subsidiaries and 4 associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary or associated company at the date of acquisition is being amortized over a period of 5 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Group is eliminated.

**b. Cash Equivalents** — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, all of which become due within three months of the date of acquisition.

**c. Inventories** — Inventories are stated at the lower of cost, principally determined by the average method, or market.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Roland Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥118 to \$1, the approximate rate of exchange at March 31, 2007. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

**d. Marketable and Investment Securities** — Marketable and investment securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined by the moving-average method.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

**e. Property, Plant and Equipment** — Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired by the Company and its consolidated domestic subsidiaries after April 1, 1998, and all property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is principally thirty-one to fifty years for buildings and structures, and from two to six years for tools, furniture and fixtures.

**f. Intangible Assets** — Goodwill is amortized by the straight-line method over five years.

Software to be sold is amortized in proportion of the actual sales volume of the software during the current year to the estimated total sales volume over the estimated salable years of the software. Software for internal use is amortized by the straight-line method over its useful life of five years.

**g. Retirement Benefits** — The Company and its consolidated domestic subsidiaries have a contributory funded pension plan covering substantially all of their employees.

The unrecognized actual gain or loss is being amortized by the straight-line method over ten years, which is within the average remaining service period of employees expected to receive benefits under the plan. Since year ended March 31, 2007, the Company and its consolidated domestic subsidiaries have amended the severance indemnity plan by introducing a "point-based benefits system," under which benefits are calculated based on accumulated points allocated to employees each year according to their job classification and their job performance.

In addition, the Company and its consolidated domestic subsidiaries have a contributory trustee pension plan covering most employees. The Company funds and records contributions as charges to income when paid. The pension fund assets available for benefits under this plan were approximately ¥6,236 millions (\$52,847 thousand) and ¥5,548 millions at March 31, 2007 and 2006, respectively.

Certain consolidated foreign subsidiaries have contributory defined contribution plans which cover substantially all employees of the subsidiaries. The subsidiaries' contributions are charged to income when paid.

**h. Presentation of Equity** — On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with new accounting standard.

**i. Research and Development Costs** — Research and development costs are charged to income as incurred.

**j. Bonuses to Directors and Corporate Auditors** — Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following by approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors," which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval at the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allocated to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

The Group adopted the new accounting standard for bonuses to directors and corporate auditors from the year ended March 31, 2007. The effect of adoption of this accounting standard was to decrease income before income taxes and minority interests for the year ended March 31, 2007 by ¥130 millions (\$1,102 thousand).

**k. Leases** — All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

**l. Income Taxes** — Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

**m. Appropriations of Retained Earnings** — Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon stockholders' approval.

**n. Foreign Currency Transactions** — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

**o. Foreign Currency Financial Statements** — The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date except for equity, which is translated at the historical rates.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rates.

**p. Derivatives and Hedging Activities** — The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates, principally related to intercompany balances. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on

those derivatives are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts employed to hedge foreign exchange exposures related to purchases of inventories are measured at the fair value and the unrealized gains or losses are recognized in income.

**q. Per Share Information** — Net income per share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the respective years.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

**r. Use of Estimates** — The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates.

**s. New Accounting Pronouncements**

**Measurement of Inventories** — Under Japanese GAAP, inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories", which is effective for this fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower cost or net selling value, which is defined as the selling price less than additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

**Lease Accounting** — On March 30, 2007, the ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transaction if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transaction should be capitalized. The revised accounting standard for lease transaction is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

**Unification of Accounting Policies Applied to Foreign Subsidiaries for their Consolidated Financial Statements** —

Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements". The new task force prescribes: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the presentation of the consolidated financial statements, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

- (1) Amortization of goodwill
- (2) Actual gains and losses of defined benefit plans recognized outside profit or loss
- (3) Capitalization of intangible assets arising from development phases
- (4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
- (5) Retrospective application when accounting policies are changed
- (6) Accounting for net income attributable to minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

### 3. RECONCILIATION TO CASH AND CASH EQUIVALENTS

The reconciliation of cash and time deposits in the consolidated balance sheets to cash and cash equivalents in the consolidated statements of cash flows at March 31, 2007 and 2006, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Cash and time deposits .....	¥22,414	¥20,616	\$189,949
Time deposits with original maturities of more than three months .....	(0)	(200)	(0)
Cash and cash equivalents .....	¥22,414	¥20,416	\$189,949

### 4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Current:			
Other .....	¥ 366	¥ 45	\$ 3,102
Non-current:			
Marketable equity securities .....	¥2,328	¥2,855	\$19,729
Trust fund investments and other .....	1,106	657	9,373
Total .....	¥3,434	¥3,512	\$29,102

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2007 and 2006, were as follows:

	Millions of Yen			
	2007			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities .....	¥1,574	¥904	¥(150)	¥2,328
Other .....	999	120	(13)	1,106

	Millions of Yen			
	2006			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities .....	¥1,592	¥1,263	¥ —	¥2,855
Other .....	534	126	(3)	657

	Thousands of U.S. Dollars			
	2007			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities .....	\$13,339	\$7,661	\$(1,271)	\$19,729
Other .....	8,466	1,017	(110)	9,373

Available-for-sale securities whose fair values are not readily determinable as of March 31, 2007 and 2006 were as follows:

	Carrying Amounts		
	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Available-for-sale:			
Equity securities of subsidiaries and associated companies.....	¥1,191	¥ 864	\$10,093
Equity securities others.....	40	71	339
Other.....	366	172	3,102
Total.....	¥1,597	¥1,107	\$13,534

Proceeds from sales of marketable and investment securities for the years ended March 31, 2007 and 2006 were ¥476 millions (\$4,034 thousand) and ¥649 millions, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥52 millions (\$441 thousand) and ¥0 millions (\$0 thousand), respectively for the year ended March

31, 2007 and ¥6 millions and ¥0 millions, respectively for the year ended March 31, 2006.

The carrying values of debt securities and trust fund investments by contractual maturities for securities classified as available-for-sale at March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due in one year or less.....	¥366	¥ 45	\$3,102
Due in one year to five years.....	320	316	2,712
Due in five years to ten years.....	90	100	762
Total.....	¥776	¥461	\$6,576

## 5. INVENTORIES

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Merchandise and finished products.....	¥16,424	¥12,412	\$139,186
Work in process.....	1,000	940	8,475
Raw materials and supplies.....	3,678	3,541	31,170
Total.....	¥21,102	¥16,893	\$178,831

## 6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2007 and 2006, mainly consisted of notes to banks and bank overdrafts. The weighted average annual interest rates applicable to the short-term bank loans were 4.0% as of March 31, 2007.

Long-term debt at March 31, 2007 and 2006 consisted of

loans from banks and other financial institutions due 2008 to 2019. The weighted average annual interest rates applicable to the long-term debt were 4.6% as of March 31, 2007.

At March 31, 2007, assets pledged as collateral for secured long-term debt of ¥94 millions (\$797 thousand) were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
All of assets of Roland Corporation Australia Pty. Ltd.....	¥1,359		\$11,517

As is customary in Japan, a company maintains deposit balances with banks with which it has bank loans. Such deposit balances are not legally or contractually restricted as to withdrawal. In addition collateral must be provided if requested by the lending banks and certain banks have the right to offset

cash deposited with them against any bank loan or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the bank concerned. The Group has never received any such requests.

## 7. LAND REVALUATION

Under the "Law of Land Revaluation," the Company elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002. The resulting land revaluation difference represents unrealized depreciation of land and is stated, net of income taxes, as a component of shareholders' equity. There was no effect on the statements of income. Continuous readjustment is not permitted

unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation difference account and related deferred tax liabilities. As of March 31, 2007, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥1,061 millions (\$8,992 thousand).

## 8. RETIREMENT BENEFITS

The liability (asset) for employees' retirement benefits under the funded pension plan at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Projected benefit obligation .....	¥ 7,736	¥ 8,374	\$ 65,559
Fair value of plan assets .....	(8,978)	(8,529)	(76,085)
Unrecognized actuarial gain .....	328	237	2,780
Unrecognized prior service cost .....	802	(26)	6,797
Net liability (assets) .....	¥ (112)	¥ 56	\$ (949)

The components of net periodic benefit costs for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Service cost .....	¥ 428	¥ 459	\$ 3,627
Interest cost .....	186	192	1,576
Expected return on plan assets .....	(213)	(159)	(1,805)
Recognized actuarial loss (gain) .....	(48)	228	(407)
Amortization of prior service cost .....	(87)	4	(737)
Other retirement expenses .....	428	386	3,627
Net periodic benefit costs .....	¥ 694	¥ 1,110	\$ 5,881

Other retirement expenses consists of the consolidated foreign subsidiaries' contributions to the defined contribution plans and the Group's contributions to the trustee pension plan.

Assumptions used for the years ended March 31, 2007 and 2006 are set forth as follows:

	2007	2006
Discount rate .....	2.5%	2.5%
Expected rate of return on plan assets .....	2.5%	2.5%
Amortization period of prior service cost .....	10 years	10 years
Recognition period of actual gain/loss .....	10 years	10 years

## 9. EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

### (a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than



two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during fiscal year if the Company has prescribed so in its articles of incorporation. However the Company has not prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

**(b) Increases/decreases and transfer of common stock, reserve and surplus**

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until

the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

**(c) Treasury stock and treasury stock acquisition rights**

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

## 10. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 39.8% for the years ended March 31, 2007 and 2006, respectively.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred tax assets:			
Inventories .....	¥ 1,139	¥ 1,075	\$ 9,653
Property and equipment.....	198	—	1,678
Write-down of investment securities .....	627	637	5,314
Accrued bonuses.....	578	536	4,898
Long-term accrued liabilities .....	101	98	856
Accrued expenses .....	411	—	3,483
Tax loss carry forwards.....	693	723	5,873
Other .....	1,254	1,346	10,626
Less valuation allowance .....	(1,121)	(1,669)	(9,500)
Total .....	¥ 3,880	¥ 2,746	\$ 32,881
Deferred tax liabilities:			
Retained earnings appropriated for special allowance .....	¥ (94)	¥ (49)	\$ (797)
Undistributed earnings of subsidiaries and associated company.....	(1,001)	(695)	(8,483)
Unrealized gain on available-for-sale securities.....	(342)	(551)	(2,898)
Other .....	(199)	(214)	(1,686)
Total .....	¥(1,636)	¥(1,509)	\$(13,864)
Net deferred tax assets .....	¥ 2,244	¥ 1,237	\$ 19,017
Deferred tax liabilities on land revaluation.....	¥ 187	¥ 187	\$ 1,585

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended

March 31, 2006 is not material, and that for the year ended March 31, 2007 is as follows:

	2007
Normal effective statutory tax rate.....	39.8 %
Expenses not deductible for income tax purposes.....	1.2
Tax credit for research and development costs.....	(3.7)
Other—net.....	(0.2)
Actual effective tax rate .....	37.1 %

## 11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥ 6,836 millions (\$ 57,932 thousand) and ¥ 6,283 millions (\$ 53,246 thousand) for the years ended March 31, 2007 and 2006 respectively.

## 12. LEASES

The Group leases certain building and structures, machinery and equipment, computer equipment, office space and other assets.

Total lease payments under finance leases for the years ended March 31, 2007 and 2006 were ¥ 50 millions (\$424 thousand) and ¥41 millions, respectively.

Pro forma information of leased property under finance leases that do not transfer ownership of the leased property to the lessee on an “as if capitalized” basis for the years ended March 31, 2007 and 2006 was as follows:

	Millions of Yen			
	2007			
	Buildings and Structures	Machinery and Equipment	Tools, Furniture and Fixtures	Total
Acquisition cost .....	¥ 243	¥ 19	¥ 67	¥ 329
Accumulated depreciation.....	(135)	(11)	(17)	(163)
Net leased property .....	¥ 108	¥ 8	¥ 50	¥ 166

	Millions of Yen			
	2006			
	Buildings and Structures	Machinery and Equipment	Tools, Furniture and Fixtures	Total
Acquisition cost .....	¥217	¥19	¥ 63	¥ 299
Accumulated depreciation.....	(99)	(8)	(30)	(137)
Net leased property .....	¥118	¥11	¥ 33	¥ 162

	Thousands of U.S. Dollars			
	2007			
	Buildings and Structures	Machinery and Equipment	Tools, Furniture and Fixtures	Total
Acquisition cost .....	\$2,059	\$161	\$ 568	\$ 2,788
Accumulated depreciation.....	(1,144)	(93)	(144)	(1,381)
Net leased property .....	\$ 915	\$ 68	\$ 424	\$ 1,407

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year.....	¥ 42	¥ 38	\$ 356
Due after one year .....	131	130	1,110
Total .....	¥173	¥168	\$1,466

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Depreciation expense.....	¥45	¥38	\$381
Interest expense .....	3	4	26
Total .....	¥48	¥42	\$407

Depreciation expense and interest expense, which are not reflected in the accompanying statements of income, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancellable operating leases at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year.....	¥ 491	¥ 456	\$ 4,161
Due after one year .....	716	936	6,068
Total .....	¥1,207	¥1,392	\$10,229

### 13. DERIVATIVES

The Group enters into foreign exchange forward contracts and currency options to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies that regulate the authorization and credit limit amount.

The Group had the following derivatives contracts outstanding at March 31, 2007 and 2006:

	Millions of Yen					
	2007			2006		
	Contract Amount	Fair Value	Unrealized Loss	Contract Amount	Fair Value	Unrealized Gain (Loss)
Foreign exchange forward contracts:						
Buying Japanese yen .....	¥3,614	¥3,516	¥(98)	¥3,423	¥3,402	¥(21)
Buying U.S. dollars.....	770	750	(20)	387	393	6
Buying Euros .....	129	129	(0)	99	100	1
Selling U.S. dollars .....	—	—	—	233	234	(1)

	Thousands of U.S. Dollars		
	2007		
	Contract Amount	Fair Value	Unrealized Loss
Foreign exchange forward contracts:			
Buying Japanese yen .....	\$30,627	\$29,797	\$(831)
Buying U.S. dollars.....	6,525	6,356	(169)
Buying Euros .....	1,093	1,093	(0)

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

#### 14. CONTINGENT LIABILITIES

At March 31, 2007, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted .....	¥1,459	\$12,364
Guarantees for bank loans of an unconsolidated subsidiary, employees and others .....	1,000	8,475

#### 15. NET INCOME PER SHARE

The basis of the computing earnings per share ("EPS") for the years ended March 31, 2007 and 2006 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted Average Shares	EPS	
For the year ended March 31, 2007:				
EPS				
Net income available to common stockholders .....	¥3,701	25,110	¥147.40	\$1.25
For the year ended March 31, 2006:				
EPS				
Net income available to common stockholders .....	¥3,208	25,111	¥124.65	\$1.06

#### 16. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2007 were approved at the Company's stockholders meeting held on June 22, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥20 (\$0.17) per share .....	¥502	\$4,254
Bonuses to directors and corporate auditors .....	49	415

#### 17. SEGMENT INFORMATION

##### (1) Industry Segments

The Group operates in the following industries:  
 "Electronic musical instruments", including Electronic pianos, Synthesizers, Electronic percussion, Guitar effectors,

Digital recorders and Desk top media products; and  
 "Computer peripherals", including Printers, Plotters and Modeling machines.

The industry segments of the Group for the years ended March 31, 2007 and 2006 were summarized as follows:

Millions of Yen				
2007				
	Electronic Musical Instruments	Computer Peripherals	Eliminations/ Corporate	Consolidated
Sales to customers: .....	¥56,927	¥38,332	¥ —	¥95,259
Operating expenses.....	54,267	31,150	—	85,417
Operating income .....	¥ 2,660	¥ 7,182	¥ —	¥ 9,842
Assets.....	¥64,119	¥29,172	¥(175)	¥93,116
Depreciation .....	1,716	833	—	2,549
Capital expenditures .....	2,420	923	—	3,343

Millions of Yen				
2006				
	Electronic Musical Instruments	Computer Peripherals	Eliminations/ Corporate	Consolidated
Sales to customers: .....	¥58,005	¥31,269	¥ —	¥89,274
Operating expenses.....	55,595	25,304	—	80,899
Operating income .....	¥ 2,410	¥ 5,965	¥ —	¥ 8,375
Assets.....	¥54,869	¥26,885	¥(16)	¥81,738
Depreciation .....	1,730	699	—	2,429
Capital expenditures .....	1,500	2,117	—	3,617

Thousands of U.S. Dollars				
2007				
	Electronic Musical Instruments	Computer Peripherals	Eliminations/ Corporate	Consolidated
Sales to customers: .....	\$482,432	\$324,848	\$ —	\$ 807,280
Operating expenses.....	459,890	263,983	—	723,873
Operating income .....	\$ 22,542	\$ 60,865	\$ —	\$ 83,407
Assets.....	\$543,381	\$247,220	\$(1,482)	\$789,119
Depreciation .....	14,542	7,060	—	21,602
Capital expenditures .....	20,509	7,822	—	28,331

## (2) Geographical Segments

The geographical segments of the Group for the years ended March 31, 2007 and 2006 were summarized as follows:

Millions of Yen						
2007						
	Japan	North America	Europe	Oceania	Eliminations/Corporate	Consolidated
Sales to customers .....	¥28,380	¥33,095	¥32,240	¥1,544	¥ —	¥95,259
Interarea transfers .....	39,451	43	1,058	—	(40,552)	—
Total sales .....	67,831	33,138	33,298	1,544	(40,552)	95,259
Operating expenses .....	61,553	31,532	31,003	1,384	(40,055)	85,417
Operating income .....	¥ 6,278	¥ 1,606	¥ 2,295	¥ 160	¥ (497)	¥ 9,842
Total assets .....	¥59,100	¥17,707	¥22,190	¥1,359	¥ (7,240)	¥93,116

Millions of Yen						
2006						
	Japan	North America	Europe	Oceania	Eliminations/Corporate	Consolidated
Sales to customers .....	¥25,708	¥30,854	¥27,196	¥5,516	¥ —	¥89,274
Interarea transfers .....	33,279	266	1,020	—	(34,565)	—
Total sales .....	58,987	31,120	28,216	5,516	(34,565)	89,274
Operating expenses .....	54,022	29,835	26,258	5,492	(34,708)	80,899
Operating income .....	¥ 4,965	¥ 1,285	¥ 1,958	¥ 24	¥ 143	¥ 8,375
Total assets .....	¥56,361	¥15,388	¥15,985	¥1,881	¥ (7,877)	¥81,738

Thousands of U.S. Dollars						
2007						
	Japan	North America	Europe	Oceania	Eliminations/Corporate	Consolidated
Sales to customers .....	\$240,508	\$280,466	\$273,220	\$13,086	\$ —	\$807,280
Interarea transfers .....	334,331	364	8,966	—	(343,661)	—
Total sales .....	574,839	280,830	282,186	13,086	(343,661)	807,280
Operating expenses .....	521,636	267,220	262,737	11,729	(339,449)	723,873
Operating income .....	\$ 53,203	\$ 13,610	\$ 19,449	\$ 1,357	\$ (4,212)	\$ 83,407
Total assets .....	\$500,847	\$150,059	\$188,051	\$11,517	\$ (61,355)	\$789,119

## (3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2007 and 2006 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
North America .....	¥31,830	¥29,997	\$269,746
Europe .....	34,374	29,087	291,305
Others .....	13,421	14,998	113,737
Total .....	¥79,625	¥74,082	\$674,788



## *Independent Auditors' Report*

# **Deloitte.**

**Deloitte Touche Tohmatsu**  
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To the Board of Directors of Roland Corporation:

We have audited the accompanying consolidated balance sheets of Roland Corporation and consolidated subsidiaries (the "Company") as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Roland Corporation and consolidated subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.



June 22, 2007

Member of  
**Deloitte Touche Tohmatsu**

## Global Network

### America

- Rodgers Instruments LLC
- Roland Brasil Importação, Exportação, Comércio Representação e Serviços Ltda.
- Roland Canada Ltd.
- Roland Corporation U.S.
- Roland Systems Group U.S.

### Asia/Oceania

- Roland Electronics (Suzhou) Co., Ltd.
- Roland Taiwan Electronic Music Corp
- Roland Asia Pacific Sdn. Bhd.
- Roland Corporation Australia Pty., Ltd.
- Roland (Shanghai) Logistics Co., Ltd.
- Roland Taiwan Enterprise Co., Ltd.

### Europe

- Roland Europe S.p.A.
- Roland Central Europe n.v.
- Roland East Europe Ltd.
- Roland Elektronische Musikinstrumente HmbH.
- Roland Iberia, S.L.
- Roland Italy S.p.A.
- Electronic Musical Instruments Roland Scandinavia A/S
- Roland (Switzerland) AG
- Roland (U.K.) Ltd.
- Edirol Europe Ltd.

### Japan

- BOSS Corporation
- Roland SG Corporation
- Roland Engineering Corporation
- Roland DG Corporation
- Atelier Vision Corporation
- Roland Corporation



## Corporate Information

### Corporate Data (As of March 31, 2007)

Company Name	Roland Corporation
Head Office	2036-1 Nakagawa, Hosoe-cho, Kita-ku, Hamamatsu, Shizuoka 431-1304, Japan
Established	April 1972
Capital	¥9,274 million
Number of Employees	2,395 (consolidated) 730 (unconsolidated)
Board of Directors/Auditors (As of June 22, 2007)	

Katsuyoshi Dan	<i>Chairman*</i>
Hidekazu Tanaka	<i>President*</i>
Ichiro Nishizawa	<i>Senior Managing Director</i>
Kimitaka Kondo	<i>Managing Director</i>
Kazuya Yanase	<i>Director</i>
Yoshihiro Ikegami	<i>Director</i>
Masahiro Tomioka	<i>Director</i>
Dennis Houlihan	<i>Director</i>
John Booth	<i>Director</i>
Tamotsu Kawai	<i>Corporate Auditor</i>
Hiroshi Ueno	<i>Corporate Auditor</i>
Minoru Kawashima	<i>Auditor</i>
Mikio Maekawa	<i>Auditor</i>

\*Representative Director

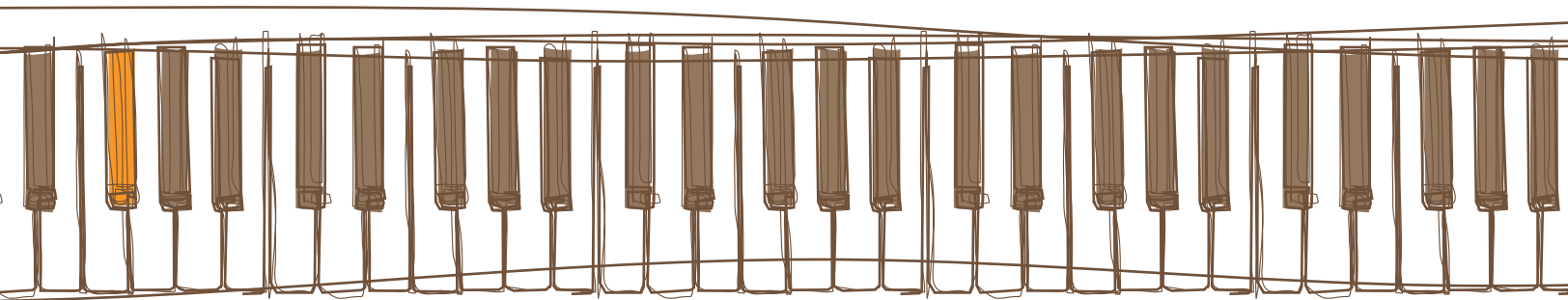
### Investor Information (As of March 31, 2007)

Authorized Shares	60,000,000
Number of Issued Shares	25,572,404
Stock Exchange Listings	First section of Tokyo stock exchange and Osaka stock exchange
Number of Shareholders	4,514
Transfer Agent	Daiko Clearing Services Corporation
Independent Auditor	Deloitte Touche Tohmatsu
Major Shareholders	

	Thousands of Shares	Percentage
Roland Foundation	2,335	9.1
Ikutaro Kakehashi	1,507	5.9
Northern Trust Company (AVFC) Sub-account American Clients	1,328	5.2
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,294	5.1
Japan Trustee Services Bank, Ltd. (Trust Account)	1,111	4.3
The Bank of New York Europe Limited Luxembourg 131800	1,103	4.3
Pioneer Investment Corporation	800	3.1
Morgan Stanley & Co. Inc.	787	3.1
Roland Employees' Shareholding Association	655	2.6
Resona Bank, Ltd.	561	2.2

### Stock Performance (Years ended March 31)

	Yen				
	2003	2004	2005	2006	2007
High	1,309	1,778	2,050	2,850	3,040
Low	1,005	1,011	1,630	1,812	2,340



## Roland Corporation

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<http://www.roland.com>