# Consolidated Financial Results
# for the Six Months Ended September 30, 2012 [JGAAP]

November 7, 2012

Company Name: Roland Corporation

Code Number: 7944
(URL: http://www.roland.com/)

Stock Exchange Listing: Tokyo, Osaka

Representative: Hidekazu Tanaka, President and Representative Director
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Scheduled date to submit the Quarterly Securities Report: November 9, 2012
Scheduled date to commence dividend payments: December 10, 2012
Availability of supplementary briefing material on quarterly results: Available (Japanese only)
Schedule of quarterly results briefing session: Scheduled (for institutional investors and analysts)

(Figures are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the Six Months Ended September 30, 2012 (From April 1, 2012 to September 30, 2012)**

(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 | % |
| Six months ended September 30, 2012 | 36,278 | (1.9) | 203 | - | (30) | - | (223) | - |
| Six months ended September 30, 2011 | 36,989 | (5.8) | (183) | - | (390) | - | 512 | - |

(Note) Comprehensive income: Six Months Ended September 30, 2012: ¥(226) million (-%)
Six Months Ended September 30, 2011: ¥1,604 million (-%)

| | Net income per share | Fully diluted net income per share |
|---|---|---|
| | Yen | Yen |
| Six months ended September 30, 2012 | (9.41) | - |
| Six months ended September 30, 2011 | 21.55 | - |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Millions of Yen | Millions of Yen | % | Yen |
| Six months ended September 30, 2012 | 73,226 | 58,878 | 59.4 | 1,829.68 |
| Fiscal year ended March 31, 2012 | 73,643 | 60,260 | 59.9 | 1,855.45 |

(Reference) Equity: Six Months Ended September 30, 2012: ¥43,520 million
Fiscal Year Ended March 31, 2012: ¥44,135 million

**2. Dividends**

| | Annual Dividend | | | | |
|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | Year end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2012 | - | 10.00 | - | 10.00 | 20.00 |
| Fiscal year ending March 31, 2013 | - | 7.50 | | | |
| Fiscal year ending March 31, 2013 (Forecast) | | | - | 5.00 | 12.50 |

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

**3. Forecast of Consolidated Financial Results for Fiscal Year Ending March 31, 2013 (From April 1, 2012 to March 31, 2013)**

(% 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 | 74,000 | (1.1) | 700 | (19.8) | 200 | 46.2 | (2,200) | - | (92.49) |

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

*** Notes**

(1) Significant changes of subsidiaries during the six months ended September 30, 2012 (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.: Yes
2) Other changes in accounting policies: None
3) Changes in accounting estimates: Yes
4) Corrections of errors: None
(Note) Method for depreciation has been changed since the three months ended June 30, 2012, which falls under “the case where changes in accounting policies are difficult to distinguish from changes in accounting estimates.” Please refer to Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Errors in “2. Issues Related to Summary Information (Notes)” on page 7 of the attached Appendix for details.

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

| | |
|---|---|
| Six months ended September 30, 2012 | 25,572,404 shares |
| Fiscal year ended March 31, 2012 | 25,572,404 shares |

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

| | |
|---|---|
| Six months ended September 30, 2012 | 1,786,558 shares |
| Fiscal year ended March 31, 2012 | 1,785,290 shares |

3) Average number of shares during the period (cumulative from the beginning of the fiscal year):

| | |
|---|---|
| Six months ended September 30, 2012 | 23,786,487 shares |
| Six months ended September 30, 2011 | 23,787,923 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. However, 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 “Qualitative Information on Forecast of Consolidated Financial Results.”
- The supplementary briefing material on quarterly results will be posted on the Company’s website on Wednesday, November 7, 2012. (Japanese only)
- The Company plans to hold a briefing session for institutional investors and analysts on Wednesday, November 14, 2012. The materials to be distributed at this briefing session are scheduled to be published on the Company’s website. (Japanese only)

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## 1. Qualitative Information on Consolidated Performance for the Period under Review

### (1) Qualitative Information on Consolidated Results of Operations

Results of operations

(Millions of Yen)

| | Six months ended September 30, 2011 | Six months ended September 30, 2012 | Changes | Change rate |
|---|---|---|---|---|
| Net sales | 36,989 | 36,278 | (711) | (1.9%) |
| Electronic Musical Instruments Business | 20,946 | 20,224 | (721) | (3.4%) |
| Computer Peripherals Business | 16,043 | 16,053 | 10 | 0.1% |
| Operating income (loss) | (183) | 203 | 386 | - |
| Electronic Musical Instruments Business | (829) | (585) | 244 | - |
| Computer Peripherals Business | 646 | 788 | 142 | 22.0% |
| Ordinary income (loss) | (390) | (30) | 359 | - |
| Net income (loss) | 512 | (223) | (736) | - |

Results of net sales by business segment

(Millions of Yen)

| | Six months ended September 30, 2011 | Six months ended September 30, 2012 | Changes | Change rate |
|---|---|---|---|---|
| Electronic musical instruments | 7,938 | 7,522 | (415) | (5.2%) |
| Guitar-related equipment | 4,290 | 4,069 | (221) | (5.2%) |
| Home electronic musical instruments | 5,047 | 5,181 | 133 | 2.7% |
| Professional video, professional audio and computer music equipment | 2,633 | 2,249 | (383) | (14.6%) |
| Others | 1,036 | 1,201 | 165 | 16.0% |
| Electronic Musical Instruments Business | 20,946 | 20,224 | (721) | (3.4%) |
| Computer Peripherals Business | 16,043 | 16,053 | 10 | 0.1% |
| Total | 36,989 | 36,278 | (711) | (1.9%) |

Results of net sales by geographical segment

(Millions of Yen)

| | Six months ended September 30, 2011 | Six months ended September 30, 2012 | Changes | Change rate |
|---|---|---|---|---|
| Japan | 4,436 | 4,593 | 156 | 3.5% |
| North America | 6,058 | 5,624 | (434) | (7.2%) |
| Europe | 7,013 | 6,276 | (737) | (10.5%) |
| Others | 3,436 | 3,730 | 293 | 8.5% |
| Electronic Musical Instruments Business | 20,946 | 20,224 | (721) | (3.4%) |
| Japan | 1,793 | 2,000 | 207 | 11.5% |
| North America | 3,812 | 4,139 | 327 | 8.6% |
| Europe | 5,556 | 5,217 | (338) | (6.1%) |
| Others | 4,881 | 4,695 | (185) | (3.8%) |
| Computer Peripherals Business | 16,043 | 16,053 | 10 | 0.1% |
| Total | 36,989 | 36,278 | (711) | (1.9%) |

During the six months ended September 30, 2012, the economic climate was harsh, as the slowdown in the North American economy became widespread, and Europe entered a recessionary phase triggered by the debt crisis. In addition, under the influence of the economic situation in North America and Europe, the growth rate turned sluggish in China and other emerging markets, and the Japanese economic recovery came to a standstill.

In this business climate, the Electronic Musical Instruments Business launched new highly competitive products in its main fields of keyboard instruments, percussion instruments, and guitar-related equipment, while cultivating new demand through measures such as introducing keyboard instruments for emerging markets adapted to the distinctive musical style of each region. The Company also continued to focus its efforts on distribution, including promotion of the global expansion of shop-in-shops, and measures to strengthen the sales network. In Japan, North America and Europe, new products such as electronic drums and digital pianos contributed to sales, although performance was sluggish for existing products including stage pianos and synthesizers. Sales grew steadily in emerging markets mainly in Asia.
As a result, combined with the significant impact of the strong yen, net sales decreased by 3.4% year on year to ¥20,224 million. Concerning the profit and loss, the Company, by improving its cost-to-sales ratio through increased production of new products, reduced the amount of deficit and posted an operating loss of ¥585 million (from an operating loss of ¥829 million for the same period of the previous fiscal year).

In the Computer Peripherals Business, the Company undertook structural reforms required to respond to changes in the business environment. In order to bolster our competitive edge in the emerging markets, a manufacturing subsidiary in Thailand commenced operations in October 2012. With regard to the sales system, a subsidiary was established to aggregate and enhance the efficiency of back office functions of the European sales subsidiaries, and preparations for commencement of its operations went ahead. In Japan and North America, robust sales were recorded mainly for new printers, which were launched in the previous fiscal year. In Europe, however, sales fell below the same period of the previous fiscal year, due to the effects of the economic slump in Southern Europe and the strong yen. In Asia, sales decreased year on year, reflecting the slowdown of economic growth in China, revision of the sales network in Korea, and other factors.
As a result, net sales increased by 0.1% year on year to ¥16,053 million, and operating income increased by 22.0% year on year to ¥788 million, thanks mainly to improvements in the cost-to-sales ratio.

As a result of the factors described above, overall net sales decreased by 1.9% year on year to ¥36,278 million, and operating income was ¥203 million (from an operating loss of ¥183 million for the same period of the previous fiscal year). Ordinary loss was ¥30 million (from an ordinary loss of ¥390 million for the same period of the previous fiscal year), due to sales discounts and foreign exchange losses. Ultimately, the Company posted a net loss of ¥223 million (from a net income of ¥512 million for the same period of the previous fiscal year), mainly reflecting the transfer of income to minority shareholders.

The average exchange rates for the six months ended September 30, 2012 (*) were 80 yen to the US dollar (from 82 yen for the same period of the previous fiscal year), and 103 yen to the euro (from 115 yen for the same period of the previous fiscal year).

(*) Average for January to June 2012, 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]

Sales of electronic drums increased due to the launch of new products with new sound engines. Sales of existing high-end products such as stage pianos and synthesizers were sluggish, mainly in North America and Europe. As a result, net sales for this segment decreased by 5.2% year on year to ¥7,522 million.

[Guitar-related equipment]

With regard to guitar synthesizers, new products which were jointly developed with Fender Musical Instruments Corporation of the United States contributed to sales in Japan, North America and Europe; however, sales of existing products declined in North America. Sales were also weak for existing compact type effects and multi-track recorder products for guitars. As a result, net sales for this segment decreased by 5.2% year on year to ¥4,069 million.

[Home electronic musical instruments]

With regard to digital pianos, new products in our mainstay models in the major markets of Japan, North America and Europe contributed to sales. Meanwhile, sales of new products of keyboards with automatic accompaniment for foreign countries were robust, primarily in Europe, the Middle East and Asia. As a result, net sales for this segment increased by 2.7% year on year to ¥5,181 million.

[Professional video, professional audio and computer music equipment]

Sales of professional audio equipment were sluggish, primarily in the United States and Europe, but with regard to professional video equipment, robust sales of all-in-one AV mixers for live online video streaming were recorded in Japan and North America. In computer music equipment, however, sales of music production software and peripheral equipment were weak. As a result, net sales for this segment fell by 14.6% year on year to ¥2,249 million.

[Others]
Sales of sound engines for online karaoke machines were favorable in Japan. As a result, overall net sales for this segment increased by 16.0% year on year to ¥1,201 million.

As a result of the factors described above, net sales for the Electronic Musical Instruments Business decreased by 3.4% year on year to ¥20,224 million.

<Computer Peripherals Business>
Regarding printers, sales of the mainstay metallic printers have been solid, and compact UV printers capable of directly printing on three-dimensional objects have performed strongly, chiefly for use in producing original goods such as smartphone cases and novelty items. Desktop size solvent printers have also sold well, with sales exceeding the levels of the same period of the previous fiscal year.
In 3D products, sales of dental milling machines fell below the same period of the previous fiscal year because shipments to sales agents were concentrated after the launch in the previous fiscal year; however, on the basis of actual sales to end customers, sales have been increasing steadily.
Sales of supplies decreased year on year due to a drop in sales of inks in the Southern Europe region.

As a result of the factors described above, net sales for Computer Peripherals Business increased by 0.1% year on year to ¥16,053 million.

(2) Qualitative Information on Consolidated Financial Position
1) Assets
Total assets decreased by ¥416 million from the end of previous consolidated fiscal year to ¥73,226 million. This is mainly attributable to a ¥909 million increase in merchandise and finished goods, and ¥582 million in goodwill due to the purchase of stocks of subsidiaries and affiliates and other factors, as well as the respective decreases of ¥263 million in cash and deposits, ¥555 million in notes and accounts receivable-trade, ¥639 million in other current assets including accounts receivable-other, and ¥508 million in investment securities mainly associated with the conversion of affiliates into consolidated subsidiaries.

Liabilities increased by ¥965 million from the end of the previous consolidated fiscal year to ¥14,347 million. This is due mainly to a ¥995 million increase in long-term loans payable including current portion.

Net assets decreased by ¥1,381 million from the end of the previous consolidated fiscal year to ¥58,878 million. Key factors included the posting of net loss of ¥223 million and the dividends from surplus of ¥237 million, along with a ¥766 million decrease in minority interests due to the purchase of stocks of subsidiaries and affiliates and other factors.

The equity ratio was 59.4%, down 0.5 points from the end of the previous consolidated fiscal year, mainly due to a decrease in both total assets and net assets stated above.

2) Status of cash flows

(Millions of Yen)

| | For the six months ended September 30, 2011 | For the six months ended September 30, 2012 | Changes |
|---|---|---|---|
| Net cash provided by (used in) operating activities | 792 | 1,354 | 561 |
| Net cash provided by (used in) investing activities | (2,024) | (1,934) | 89 |
| Net cash provided by (used in) financing activities | (521) | 513 | 1,035 |
| Effect of exchange rate change on cash and cash equivalents | 14 | (81) | (95) |
| Net increase (decrease) in cash and cash equivalents | (1,738) | (148) | 1,590 |
| Cash and cash equivalents at beginning of period | 19,047 | 14,063 | (4,983) |
| Increase in cash and cash equivalents from newly consolidated subsidiary | 118 | 460 | 342 |
| Cash and cash equivalents at end of the second quarter | 17,426 | 14,375 | (3,051) |

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the second quarter ended September 30, 2012 decreased by ¥3,051 million from the end of the second quarter ended September 30, 2011, to ¥14,375 million.

Net cash provided by operating activities was ¥1,354 million, an increase of ¥561 million compared with the six months ended September 30, 2011. This is mainly attributable to the changes in the six months ended September 30, 2012, namely an increase in inventories (decrease in funds), as well as a decrease in loss before income taxes and minority interests, a decrease in other current assets (increase in funds), an increase in notes and accounts payable-trade (increase in funds), and a decrease in income taxes paid.

Net cash used in investing activities was ¥1,934 million, a decrease of ¥89 million from the six months ended September 30, 2011. This is mainly due to an increase in purchase of stocks of subsidiaries and affiliates, and subsidiaries' purchase of treasury stock during the six months ended September 30, 2012, as well as the posting of payments into time deposits during the six months ended September 30, 2011.

Net cash provided by financing activities for the six months ended September 30, 2012 was ¥513 million compared with ¥521 million used in financing activities for the six months ended September 30, 2011. This is mainly due to the proceeds from long-term loans payable during the six months ended September 30, 2012.

(3) Qualitative Information on Forecast of Consolidated Financial Results

The Company has revised its forecasts of consolidated financial results for the full year of the fiscal year ending March 31, 2013 and the year-end dividend announced on May 9, 2012. Details will be disclosed today in a separate document, titled "Notice of Posting of Extraordinary Loss, Revision of Financial Results Forecast, and Revision of Dividend Forecast."

## 2. Issues Related to Summary Information (Notes)

### Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Errors

(Changes in accounting policies difficult to distinguish from changes in accounting estimates)
The Company and its domestic consolidated subsidiaries have changed their method for depreciation reflecting the revised Corporation Tax Act from the first quarter ended June 30, 2012, following the revision of the Act, in respect to property, plant and equipment acquired on or after April 1, 2012.
The impact of this change on the operating loss, ordinary loss and loss before income taxes and minority interests is minimal.