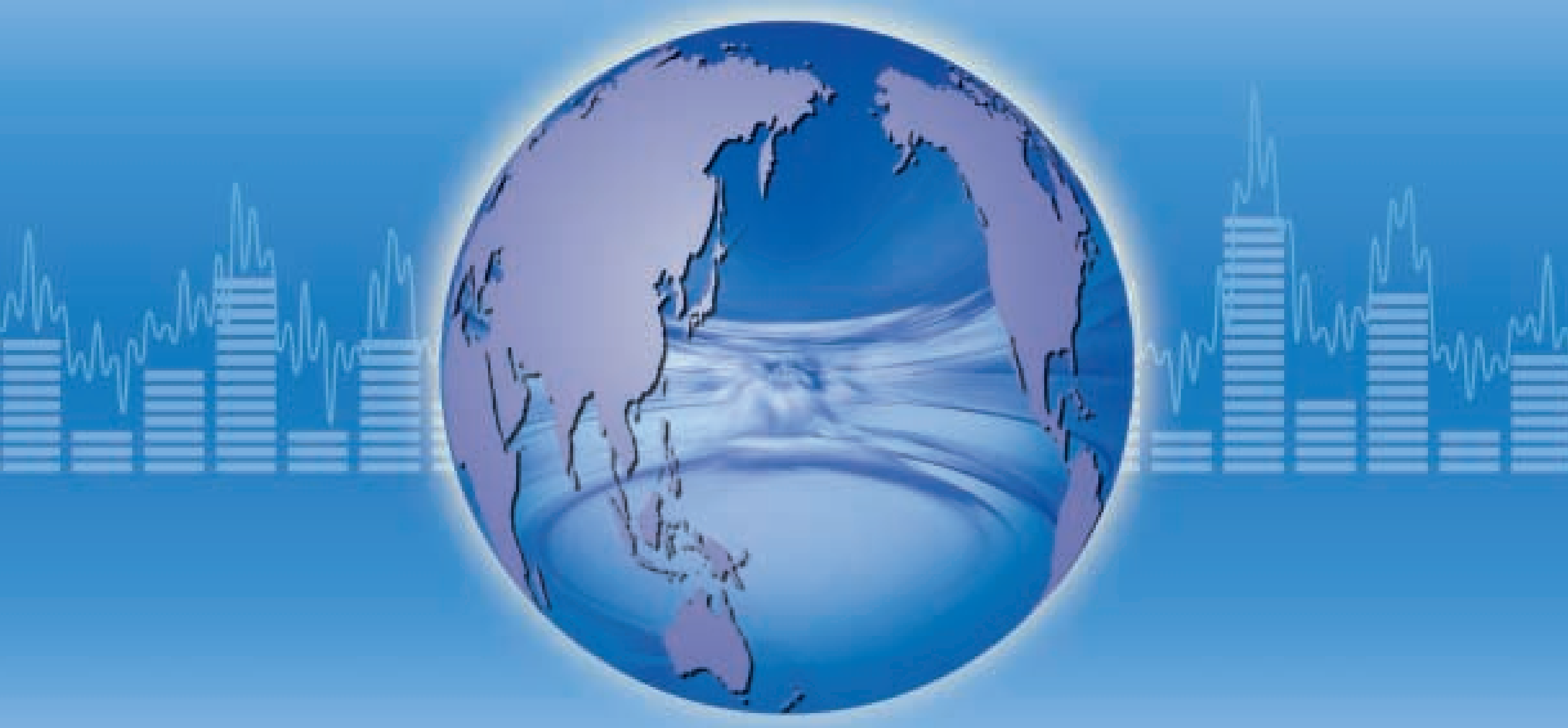
Annual Report 2003

Year Ended March 31, 2003



Roland DG Corporation

MESSAGE FROM THE PRESIDENT

For the fiscal year ended March 31, 2003, Roland DG continued to face slow economies in such major markets as Japan, North America and Europe. The sluggish economies outside Japan, however, were helped by the yen's depreciation against the US dollar and the euro. Some Asian countries, including China, showed strong economic improvement that also benefited Roland DG.

During the year, Roland DG developed the digital technology and improved the solution surrounding Large Format Color Printing and 3D Rapid Prototyping. These technological developments and improvements helped Roland DG expand its presence in these industries by satisfying demands for higher quality products at competitive prices.

In October 2002, the Company introduced the upgraded PROII family of wide format printers and printer/cutters. The PROII series proved to be very popular thanks to meeting our customers' requirements for quality and increased productivity. We also continued to develop and introduce 3D digital products during the fiscal year to satisfy the increasing worldwide demand for these products.

During July 2002, the Company completed implementation of its one-by-one Digital Factory manufacturing system (or IT-based cell production). This innovative manufacturing system provides our customers with improved quality and reliability throughout the production process and allows for efficient production scalability.

Consolidated revenue for this period was ¥13,936 million (US$116 million) and consolidated net income was ¥863 million (US$7 million). Despite the slow economies of major markets, this activity represents an increase of 15% and 42%, respectively, compared to the results of the previous fiscal year. For the fiscal year, dividends per share totaled ¥20 (US$0.17) per share, which is ¥2 (US$0.02) higher than the previous fiscal year.

Sales to foreign customers increased ¥1,761 million (US$15 million), or 20%, compared to the previous year. North America increased ¥390 million (US$3 million), or 11%. Europe increased ¥689 million (US$6 million), or 21%. Asia increased ¥464 million (US$4 million), or 42%. All other segments increased ¥218 million (US$2 million), or 25%.

While we expect the economic recovery in our major markets and the yen exchange rate to be continuing sources of concern for 2003, our vision is to achieve robust business growth by providing our customers with the most efficient and reliable products available.

In summary, Roland DG will strive to earn the continuous support of our stockholders and customers.

June 2003

Masahiro Tomioka
President

Financial Highlights

Roland DG Corporation and Consolidated Subsidiaries
Years Ended March 31

●Consolidated

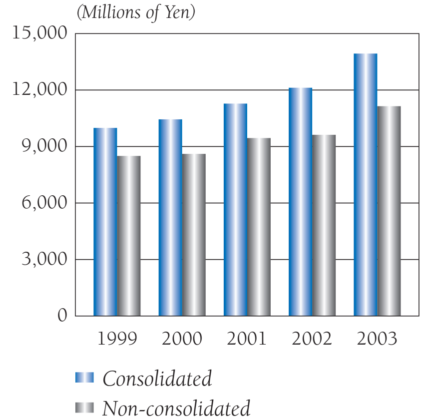
	Millions of Yen					Thousands of U.S. Dollars
	2003	2002	2001	2000	1999	2003
Operating Results						
Net sales	¥ 13,936	¥ 12,122	¥ 11,278	¥ 10,444	¥ 9,987	$116,136
Operating income	1,478	1,080	1,053	1,114	1,503	12,318
Net income	863	609	586	1,152	917	7,192
Net cash provided by operating activities	1,503	846	392	898	1,055	12,526
Financial Position						
Total stockholders' equity	9,541	8,968	8,469	7,634	6,565	79,512
Total assets	13,257	11,985	11,654	11,080	9,371	110,475
	Yen					U.S. Dollars
Per Share Data						
Net income	¥ 100.74	¥ 69.97	¥ 70.12	¥ 147.02	¥116.05	$0.84
Stockholders' equity	1,159.08	1,089.34	1,028.52	999.82	859.17	9.66
Cash dividends applicable to the year	20.00	18.00	18.00	15.00	12.50	0.17

●Non-consolidated

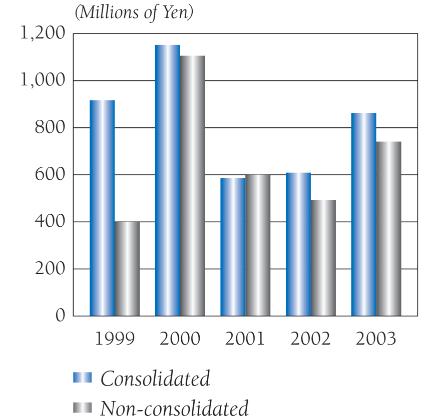
	Millions of Yen					Thousands of U.S. Dollars
	2003	2002	2001	2000	1999	2003
Operating Results						
Net sales	¥11,143	¥ 9,623	¥ 9,451	¥8,610	¥8,501	$92,858
Operating income	1,225	773	976	947	1,451	10,208
Net income	741	493	601	1,106	401	6,175
Financial Position						
Total stockholders' equity	9,567	9,083	8,766	7,662	6,627	79,725
Total assets	11,404	10,449	10,179	9,397	8,376	95,033
	Yen					U.S. Dollars
Per Share Data						
Net income	¥ 85.90	¥ 55.84	¥ 72.09	¥ 140.97	¥ 48.17	$0.72
Stockholders' equity	1,162.23	1,103.40	1,064.73	1,003.57	864.34	9.69

Notes: 1. The U.S. dollar amounts above have been translated from Japanese yen, for convenience only, at the rate of ¥120 to U.S.$1, the approximate Tokyo foreign exchange market rate as of March 31, 2003.
2. On March 7, 2000, the Company made a stock split at the rate of 20 shares for each outstanding share and 7,220,000 shares were issued to stockholders. The computation of per share data is based on the numbers of shares outstanding after giving retroactive adjustment for the stock split.
3. Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock. Per share data of net income and stockholders' equity in the previous years are recalculated retroactively, adjusted for the stock split.

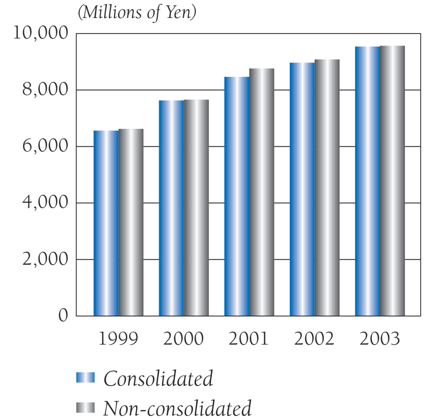
Net Sales
(Millions of Yen)



Net Income
(Millions of Yen)



Total Stockholders' Equity
(Millions of Yen)



Consolidated Balance Sheets

Roland DG Corporation and Consolidated Subsidiaries
March 31, 2003 and 2002

Assets

	Thousands of Yen 2003	Thousands of Yen 2002	Thousands of U.S. Dollars (Note 1) 2003
CURRENT ASSETS:			
Cash and time deposits (Note 3)	¥ 3,965,312	¥ 3,446,206	$ 33,044
Marketable securities (Note 5)	9,254	11,993	77
Notes and accounts receivable:			
Trade notes	266,338	259,259	2,220
Trade accounts	1,798,852	1,672,230	14,991
Allowance for doubtful receivables	(41,472)	(49,517)	(346)
Inventories (Note 6)	2,593,147	2,282,173	21,610
Deferred tax assets (Note 10)	245,927	121,762	2,049
Prepaid expenses and other	383,731	339,859	3,198
Total current assets	9,221,089	8,083,965	76,843
PROPERTY, PLANT AND EQUIPMENT:			
Land	1,030,559	1,030,150	8,588
Buildings and structures	3,017,063	3,052,036	25,142
Machinery and equipment	211,677	148,098	1,764
Tools, furniture and fixtures	1,279,708	1,296,644	10,664
Construction in progress	7,150	94,459	60
Total	5,546,157	5,621,387	46,218
Accumulated depreciation	(2,924,717)	(2,825,887)	(24,373)
Net property, plant and equipment	2,621,440	2,795,500	21,845
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 5)	278,771	276,988	2,323
Investments in unconsolidated subsidiaries and associated companies	157,982	166,052	1,317
Long-term loan	188,017	164,938	1,567
Goodwill (Note 4)	286,705	—	2,389
Software	158,553	124,641	1,321
Deferred tax assets (Note 10)	46,117	66,134	384
Other assets (Note 8)	298,336	306,489	2,486
Total investments and other assets	1,414,481	1,105,242	11,787
TOTAL	¥13,257,010	¥11,984,707	$110,475

See notes to consolidated financial statements.

Liabilities and Stockholders' Equity

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
CURRENT LIABILITIES:			
Short-term bank loans (Note 7)	¥ 1,215,478	¥ 1,045,148	$ 10,129
Notes and accounts payable:			
Trade notes	78,314	162,282	653
Trade accounts	705,077	494,923	5,876
Income taxes payable	499,330	160,444	4,161
Accrued bonuses	283,082	222,882	2,359
Other	514,625	515,810	4,288
Total current liabilities	3,295,906	2,601,489	27,466
LONG-TERM LIABILITIES:			
Retirement benefits (Notes 2-g and 8)	101,200	114,800	843
Other	12,544	15,027	105
Total long-term liabilities	113,744	129,827	948
MINORITY INTERESTS	305,878	285,821	2,549
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12 and 14)			
STOCKHOLDERS' EQUITY (Notes 9 and 16):			
Common stock authorized, 32,800,000 shares; issued 8,200,000 shares	1,933,400	1,933,400	16,112
Capital surplus	1,916,480	1,916,480	15,971
Retained earnings	5,913,517	5,306,822	49,279
Unrealized losses on available-for-sale securities	(2,455)	(1,882)	(21)
Foreign currency translation adjustments	(219,460)	(187,250)	(1,829)
Total stockholders' equity	9,541,482	8,967,570	79,512
TOTAL	¥13,257,010	¥11,984,707	$110,475

Consolidated Statements of Income

Roland DG Corporation and Consolidated Subsidiaries
Years Ended March 31, 2003 and 2002

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
NET SALES	¥13,936,307	¥12,122,464	$116,136
COST OF SALES (Note 11)	7,849,616	7,181,866	65,414
Gross profit	6,086,691	4,940,598	50,722
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	4,608,501	3,861,015	38,404
Operating income	1,478,190	1,079,583	12,318
OTHER INCOME (EXPENSES):			
Interest and dividend income	32,375	27,731	270
Gain on sales of marketable and investment securities	6,825	23,750	57
Interest expense	(39,578)	(31,340)	(330)
Write-down of investment securities	(4,470)	(21,979)	(37)
Loss on disposals or sales of property, plant and equipment	(12,703)	(14,619)	(106)
Reversal of retirement benefits for directors and corporate auditors (Note 8)	29,900	—	249
Other-net	10,629	(10,340)	88
Other income (expense) -net	22,978	(26,797)	191
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	1,501,168	1,052,786	12,509
INCOME TAXES (Note 10):			
Current	710,276	378,644	5,919
Deferred	(106,385)	46,040	(887)
Total income taxes	603,891	424,684	5,032
MINORITY INTERESTS IN NET INCOME	(34,182)	(19,313)	(285)
NET INCOME	¥ 863,095	¥ 608,789	$ 7,192

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 15):			
Net income	¥100.74	¥69.97	$0.84
Cash dividends	20.00	18.00	0.17

See notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

Roland DG Corporation and Consolidated Subsidiaries
Years Ended March 31, 2003 and 2002

	Issued Number of Shares of Common Stock	Thousands of Yen				
		Common Stock	Capital Surplus	Retained Earnings	Unrealized Losses on Available-for-Sale Securities	Foreign Currency Translation Adjustments
BALANCE, APRIL 1, 2001	8,200,000	¥1,933,400	¥1,916,480	¥4,880,633	¥(8,721)	¥(252,905)
Net income				608,789		
Cash dividends, ¥18 per share				(147,600)		
Bonuses to directors and corporate auditors				(35,000)		
Net decrease in unrealized losses on available-for-sale securities					6,839	
Net increase in foreign currency translation adjustments						65,655
BALANCE, MARCH 31, 2002	8,200,000	1,933,400	1,916,480	5,306,822	(1,882)	(187,250)
Net income				863,095		
Cash dividends, ¥27 per share				(221,400)		
Bonuses to directors and corporate auditors				(35,000)		
Net increase in unrealized losses on available-for-sale securities					(573)	
Net decrease in foreign currency translation adjustments						(32,210)
BALANCE, MARCH 31, 2003	8,200,000	¥1,933,400	¥1,916,480	¥5,913,517	¥(2,455)	¥(219,460)

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Losses on Available-for-Sale Securities	Foreign Currency Translation Adjustments
BALANCE, MARCH 31, 2002	$16,112	$15,971	$44,224	$(16)	$(1,561)
Net income			7,192		
Cash dividends, $0.23 per share			(1,845)		
Bonuses to directors and corporate auditors			(292)		
Net increase in unrealized losses on available-for-sale securities				(5)	
Net decrease in foreign currency translation adjustments					(268)
BALANCE, MARCH 31, 2003	$16,112	$15,971	$49,279	$(21)	$(1,829)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Roland DG Corporation and Consolidated Subsidiaries
Years Ended March 31, 2003 and 2002

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥1,501,168	¥1,052,786	$ 12,509
Adjustments for:			
Depreciation and amortization	417,041	365,093	3,475
Write-down of investment securities	4,470	21,979	37
Gain on sales of marketable and investment securities	(6,825)	(23,750)	(57)
Reversal of allowance for doubtful receivables	(11,500)	(25,714)	(96)
Increase (decrease) in accrued bonuses	60,200	(5,820)	502
Increase (decrease) in retirement benefits for directors and corporate auditors	(13,600)	13,100	(113)
Interest and dividend income	(32,375)	(27,731)	(270)
Interest expense	39,578	31,340	330
Loss on disposal or sales of property, plant and equipment	12,703	14,619	106
Payment for bonuses to directors and corporate auditors	(35,000)	(35,000)	(292)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	(50,997)	69,194	(425)
Decrease (increase) in inventories	(198,910)	217,046	(1,657)
Increase in prepaid expenses and other current assets	(64,182)	(46,301)	(535)
Decrease (increase) in investments and other assets	10,602	(32,314)	88
Increase (decrease) in notes and accounts payable	209,501	(343,891)	1,746
Increase in other current liabilities	42,682	64,502	356
Decrease in other long-term liabilities	(3,661)	(17,094)	(30)
Other-net	(844)	(15,121)	(7)
Total adjustments	378,883	224,137	3,158
Interest and dividends received	33,518	28,018	279
Interest paid	(38,755)	(32,137)	(323)
Income taxes paid	(371,669)	(426,410)	(3,097)
Net cash provided by operating activities	1,503,145	846,394	12,526
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(230,246)	(305,503)	(1,919)
Purchases of software and other intangible assets	(50,332)	(60,701)	(419)
Purchase of marketable and investment securities	(107,756)	(81,428)	(898)
Proceeds from sales of marketable and investment securities	121,498	75,972	1,012
Increase in long-term loan receivable	(50,000)	(171,925)	(417)
Payment for acquisition of sales operations (Note 4)	(633,864)	—	(5,282)
Other	47,481	2,143	396
Net cash used in investing activities	(903,219)	(541,442)	(7,527)
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term bank loans	154,850	(223,265)	1,291
Proceeds from issuance of common stock of a subsidiary to minority stockholders	—	154,176	—
Dividends paid	(221,400)	(147,600)	(1,845)
Other	(2,380)	(10,812)	(20)
Net cash used in financing activities	(68,930)	(227,501)	(574)
EFFECTS OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(11,855)	20,652	(99)
NET INCREASE IN CASH AND CASH EQUIVALENTS	519,141	98,103	4,326
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,445,811	3,347,708	28,715
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)	¥3,964,952	¥3,445,811	$33,041

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Roland DG Corporation and Consolidated Subsidiaries
Years Ended March 31, 2003 and 2002

Note: 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 and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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 DG 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 ¥120 to $1, the approximate rate of exchange at March 31, 2003. 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.

Note: 2

Summary of Significant Accounting Policies

a. Consolidation — The consolidated financial statements as of March 31, 2003 include the accounts of the Company and its 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 the unconsolidated subsidiaries and all 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 have been material.

The differences between the costs of the Company's investments in consolidated subsidiaries and its equities in the net assets at the respective dates of acquisition, are amortized over 5 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit 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 mature or 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.

d. Marketable and Investment Securities — All 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 stockholders' 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 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 after April 1, 1998, and all property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is principally 31 years for buildings and structures, and from 2 to 6 years for tools, furniture and fixtures.

f. Intangible Assets — Goodwill is amortized by the straight-line method over 10 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, 5 years.

g. Retirement Benefits — The Company has a contributory funded pension plan together with Roland Corporation, the Company's parent company, and consolidated domestic subsidiaries of Roland Corporation, covering substantially all of their employees.

Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The transitional obligation of ¥49,632 thousand, determined as of April 1, 2000, is being charged to income over 5 years.

In addition, the Company has adopted a contributory trusteed pension plan covering most employees, together with multi-employers including Roland Corporation and its domestic subsidiaries. The Company funds and records contributions as charges to income as current period costs and prior service costs. The pension fund assets available for benefits under this plan were approximately ¥784,538 thousand ($6,538 thousand) and ¥841,789 thousand at March 31, 2003 and 2002, 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.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

h. 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.

i. Stock and Bond Issue Expenses — Stock and bond issue costs are charged to income as incurred.

j. 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.

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

l. 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.

m. 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 stockholders' 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 stockholders' equity.

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

n. Derivatives and Hedging Activities — The Group uses foreign exchange forward contracts 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.

o. Per Share Information — Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, basic net income per share is computed by dividing net income available to common stockholders, which is more precisely computed than under previous practices, by the weighted average number of common shares outstanding for the year. Per share information was retroactively recalculated for the previous year.

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.

p. 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 and 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.

q. Reclassification — Certain reclassifications have been made in 2002 financial statements to conform to the classification used in 2003.

Note: 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, 2003 and 2002, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Cash and time deposits	¥3,965,312	¥3,446,206	$33,044
Time deposits with original maturities of more than 3 months	(360)	(395)	(3)
Cash and cash equivalents	¥3,964,952	¥3,445,811	$33,041

Note: 4

Supplemental Cashflow Information

A consolidated subsidiary acquired sales operations in the U.K. market. The summary of assets acquired in connection with the acquisition is as follows:

	Thousands of Yen	Thousands of U.S. Dollars
	2003	2003
Accounts receivable	¥129,072	$1,076
Inventories	167,671	1,397
Property, plant and equipment	19,286	161
Goodwill	317,835	2,648
Cash paid	¥633,864	$5,282

Note: 5

Marketable and Investment Securities

Marketable and investment securities as of March 31, 2003 and 2002 consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Current:			
Corporate bonds	¥ —	¥ 11,993	$ —
Trust fund investments and other	9,254	—	77
Total	¥ 9,254	¥ 11,993	$ 77
Non-current:			
Marketable equity securities	¥ 13,114	¥ 14,717	$ 109
Corporate bonds	9,013	—	75
Trust fund investments and other	256,644	262,271	2,139
Total	¥278,771	¥276,988	$2,323

The carrying amounts and aggregate fair values of marketable and investment securities classified as available-for-sale at March 31, 2003 and 2002 were as follows:

	Thousands of Yen			
	2003			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 16,304	¥ —	¥3,190	¥ 13,114
Debt securities	9,000	13	—	9,013
Other	134,556	52	1,043	133,565

	Thousands of Yen			
	2002			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 18,947	¥ —	¥4,230	¥ 14,717
Debt securities	11,665	328	—	11,993
Other	204,853	851	145	205,559

	Thousands of U.S. Dollars			
	2003			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 136	$ —	$ 27	$ 109
Debt securities	75	0	—	75
Other	1,121	1	9	1,113

Available-for-sale securities whose fair values are not readily determinable as of March 31, 2003 and 2002 were as follows:

	Carrying Amounts: Thousands of Yen 2003	Thousands of Yen 2002	Thousands of U.S. Dollars 2003
Available-for-sale:			
Equity securities	¥ 6,200	¥ 6,200	$ 52
Other	126,133	50,512	1,051
Total	¥132,333	¥56,712	$1,103

Proceeds from sales of marketable and investment securities for the years ended March 31, 2003 and 2002 were ¥121,498 thousand ($1,012 thousand) and ¥75,972 thousand, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥6,825 thousand ($57 thousand) and ¥4,960 thousand ($41 thousand), respectively for the year ended March 31, 2003 and gross realized gains on these sales, computed on the moving average cost basis, were ¥23,750 thousand for the year ended March 31, 2002.

The carrying values of debt securities and trust fund investments by contractual maturities for securities classified as available-for-sale at March 31, 2003 and 2002 are as follows:

	Thousands of Yen 2003	Thousands of Yen 2002	Thousands of U.S. Dollars 2003
Due in one year or less	¥9,254	¥11,993	$77
Due after one year through five years	9,013	10,194	75
Due after five years through ten years	9,748	81,337	81

Note: 6
Inventories

Inventories at March 31, 2003 and 2002 consisted of the following:

	Thousands of Yen 2003	Thousands of Yen 2002	Thousands of U.S. Dollars 2003
Merchandise and finished products	¥1,857,553	¥1,695,578	$15,480
Work in process	34,057	33,447	284
Raw materials and supplies	701,537	553,148	5,846
Total	¥2,593,147	¥2,282,173	$21,610

Note: 7
Short-term Bank Loans

Short-term bank loans at March 31, 2003 and 2002 consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans were 1.3% and 1.7% at March 31, 2003 and 2002, respectively.

Note: 8
Retirement Benefits

Under the pension plan, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, period of service and certain other factors.

The assets for employees' retirement benefits at March 31, 2003 and 2002 consisted of the following:

	Thousands of Yen 2003	Thousands of Yen 2002	Thousands of U.S. Dollars 2003
Projected benefit obligation	¥1,104,465	¥941,390	$9,204
Fair value of plan assets	(726,226)	(753,665)	(6,052)
Unrecognized prior service cost	378,239	187,725	3,152
Unrecognized actuarial loss	(384,665)	(206,027)	(3,206)
Unrecognized transitional obligation	(19,853)	(29,780)	(165)
Net assets	¥ (26,279)	¥ (48,082)	$ (219)

The above assets were included in other assets within investments and other assets.

The components of net periodic benefit costs for the years ended March 31, 2003 and 2002 are as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Service cost	¥ 75,433	¥ 67,671	$ 629
Interest cost	28,242	25,906	235
Expected return on plan assets	(22,610)	(29,130)	(189)
Amortization of transitional obligation	9,927	9,927	83
Recognized actuarial loss	42,442	27,609	354
Other retirement expenses	63,234	52,891	527
Net periodic benefit costs	¥196,668	¥154,874	$1,639

Other retirement expenses consists of the Company's contribution to the multi-employer contributory trusteed pension plan and the consolidated foreign subsidiaries' defined contribution plans.

Assumptions used for the years ended March 31, 2003 and 2002 are set forth as follows:

	2003	2002
Discount rate	2.5%	3.0%
Expected rate of return on plan assets	3.0%	4.0%
Amortization period of transitional obligation	5 years	5 years

The Company recognizes unrecognized actuarial gains or losses by the declining-balance method over 10 years subsequent to the year incurred.

The liability for retirement benefits at March 31, 2003 and 2002 represents that for directors and corporate auditors. The retirement benefits for directors and corporate auditors are paid subject to the approval of the stockholders.

During the fiscal 2003, the Company has changed its bylaw to determine retirement benefits for directors and corporate auditors. The effect of this change was to decrease retirement benefits by ¥29,900 thousand ($249 thousand) and to increase income before income taxes and minority interests by the same amount.

Note: 9

Stockholders' Equity

At March 31, 2003, 50.7% of the Company's outstanding shares were owned by Roland Corporation, which is principally engaged in the manufacture and sales of electronic musical instruments. There were no material transactions with Roland Corporation for the year ended March 31, 2003.

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing stockholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the stockholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the stockholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the stockholders at the general stockholders meeting and dispose of such treasury stock by resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amounts available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general stockholders meeting.

The amount of retained earnings available for dividends under the Code was ¥5,622,331 thousand ($46,853 thousand) as of March 31, 2003, based on the amount recorded in the Company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the stockholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

Note: 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 41.1% for the years ended March 31, 2003 and 2002.

On March 31, 2003, a tax reform law concerning enterprise tax was enacted in Japan which changed the normal effective statutory tax rate from 41.1% to 39.8%, effective for years beginning on or after April 1, 2004. The effect of this change on deferred taxes in the consolidated statement of income for the year ended March 31, 2003 was immaterial.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Deferred tax assets:			
Intercompany profits on inventories	¥ 70,202	¥ 52,949	$ 585
Accrued enterprise taxes	42,622	16,831	355
Accrued bonuses	99,408	60,364	828
Retirement benefits	40,227	47,206	335
Accrued expenses	28,281	7,891	236
Tax loss carryforwards	334,742	417,698	2,790
Other	154,231	142,801	1,284
Less valuation allowance	(426,504)	(500,968)	(3,554)
Total	343,209	244,772	2,859
Deferred tax liabilities:			
Retained earnings appropriated for special allowance	13,652	16,087	114
Undistributed earnings of subsidiaries	21,831	17,484	182
Other	15,682	23,305	130
Total	51,165	56,876	426
Net deferred tax assets	¥292,044	¥187,896	$2,433

For the years ended March 31, 2003 and 2002, because the differences between the normal effective statutory tax rates and the actual effective tax rates are not material, the tax reconciliations are not disclosed.

At March 31, 2003, a consolidated subsidiary has tax loss carryforwards of approximately ¥1,031,450 thousand ($8,595 thousand), which are available to be offset against taxable income of the subsidiary in future years. These tax loss carryforwards, if not utilized, will expire through 2012.

Note: 11

Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses were ¥859,701 thousand ($7,164 thousand) and ¥936,897 thousand for the years ended March 31, 2003 and 2002, respectively.

Note: 12

Leases

The Group leases certain automobile, computer equipment, office space and other assets.

Total lease payments under finance leases for the years ended March 31, 2003 and 2002 were ¥5,475 thousand ($46 thousand) and ¥6,428 thousand, 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, 2003 and 2002 was as follows:

	Thousands of Yen					
	2003			2002		
	Machinery and Equipment	Tools, Furniture and Fixtures	Total	Machinery and Equipment	Tools, Furniture and Fixtures	Total
Acquisition cost	¥2,932	¥21,691	¥24,623	¥6,557	¥21,691	¥28,248
Accumulated depreciation	(1,271)	(16,712)	(17,983)	(4,249)	(12,374)	(16,623)
Net leased property	¥1,661	¥ 4,979	¥ 6,640	¥2,308	¥ 9,317	¥11,625

	Thousands of U.S. Dollars		
	2003		
	Machinery and Equipment	Tools, Furniture and Fixtures	Total
Acquisition cost	$24	$181	$205
Accumulated depreciation	(10)	(140)	(150)
Net leased property	$14	$ 41	$ 55

Obligations under finance leases:

	Thousands of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥4,682	¥ 5,089	$39
Due after one year	2,389	7,071	20
Total	¥7,071	¥12,160	$59

Depreciation expense and interest expense under finance leases:

	Thousands of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Depreciation expense	¥4,985	¥5,832	$42
Interest expense	387	596	3
Total	¥5,372	¥6,428	$45

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, 2003 and 2002, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥ 71,117	¥42,980	$ 593
Due after one year	325,748	13,488	2,714
Total	¥396,865	¥56,468	$3,307

Note: 13
Derivatives

The Group enters into foreign currency forward contracts 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 principally for intercompany balances at March 31, 2003 and 2002:

	Thousands of Yen 2003 Contract Amount	Thousands of Yen 2003 Fair Value	Thousands of Yen 2003 Unrealized Gain	Thousands of Yen 2002 Contract Amount	Thousands of Yen 2002 Fair Value	Thousands of Yen 2002 Unrealized Loss
Foreign currency forward contracts:						
Buying Japanese yen; selling U.S. dollars	¥1,064,861	¥1,079,534	¥14,673	¥975,163	¥901,358	¥73,805

	Thousands of U.S. Dollars 2003 Contract Amount	Thousands of U.S. Dollars 2003 Fair Value	Thousands of U.S. Dollars 2003 Unrealized Gain
Foreign currency forward contracts:			
Buying Japanese yen; selling U.S. dollars	$8,874	$8,996	$122

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.

Note: 14
Contingent Liabilities

At March 31, 2003, the Group had the following contingent liabilities:

	Thousands of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥657,789	$5,482
Guarantees for bank loans of an unconsolidated subsidiary, a distributor and employees	138,381	1,153

Note: 15
Net income per Share

The basis of the computing basic EPS for the years ended March 31, 2003 and 2002 is as follows:

	Thousands of Yen Net Income	Thousands of Shares Weighted Average Shares	EPS Yen	EPS U.S. Dollars
For the year ended March 31, 2003:				
Basic EPS				
Net income available to common stockholders	¥826,095	8,200	¥100.74	$0.84
For the year ended March 31, 2002:				
Basic EPS				
Net income available to common stockholders	¥573,789	8,200	¥ 69.97	

Note: 16
Subsequent Event

The following appropriations of retained earnings at March 31, 2003 were approved at the Company's stockholders meeting held on June 18, 2003:

	Thousands of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥11 ($0.09) per share	¥90,200	$752
Bonuses to directors and corporate auditors	37,000	308

Note: 17
Segment Information

Information about industry segments is not disclosed because the computer peripheral equipments segment, which is the Group's main business, represented more than 90% of their operations.

(1) Geographical Segments

The geographical segments of the Group for the years ended March 31, 2003 and 2002 are summarized as follows:

	Thousands of Yen				
	2003				
	Japan	USA	Europe	Eliminations /Corporate	Consolidated
Sales to customers	¥ 7,707,530	¥4,228,309	¥2,000,468	¥ —	¥13,936,307
Interarea transfers	3,435,920	16,008	18,063	(3,469,991)	—
Total sales	11,143,450	4,244,317	2,018,531	(3,469,991)	13,936,307
Operating expenses	9,918,248	4,086,643	1,884,571	(3,431,345)	12,458,117
Operating income	¥ 1,225,202	¥ 157,674	¥ 133,960	¥ (38,646)	¥ 1,478,190
Total assets	¥10,029,910	¥1,893,365	¥1,457,430	¥ (123,695)	¥13,257,010

	Thousands of Yen				
	2002				
	Japan	USA	Europe	Eliminations /Corporate	Consolidated
Sales to customers	¥7,134,176	¥3,877,261	¥1,111,027	¥ —	¥12,122,464
Interarea transfers	2,489,121	18,164	—	(2,507,285)	—
Total sales	9,623,297	3,895,425	1,111,027	(2,507,285)	12,122,464
Operating expenses	8,850,083	3,749,964	1,081,640	(2,638,806)	11,042,881
Operating income	¥ 773,214	¥ 145,461	¥ 29,387	¥ 131,521	¥ 1,079,583
Total assets	¥9,079,907	¥1,928,013	¥1,241,857	¥ (265,070)	¥11,984,707

	Thousands of U.S. Dollars				
	2003				
	Japan	USA	Europe	Eliminations /Corporate	Consolidated
Sales to customers	$64,229	$35,236	$16,671	$ —	$116,136
Interarea transfers	28,633	133	151	(28,917)	—
Total sales	92,862	35,369	16,822	(28,917)	116,136
Operating expenses	82,652	34,055	15,706	(28,595)	103,818
Operating income	$10,210	$ 1,314	$ 1,116	$ (322)	$ 12,318
Total assets	$83,583	$15,778	$12,145	$ (1,031)	$110,475

Note: Because a newly consolidated subsidiary was established in the U.K. on January 1, 2002, only balance sheet items of this subsidiary were reflected in the above segment information for the year ended March 31, 2002. Those balance sheet items were included in assets in Europe.

(2) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2003 and 2002 are summarized as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Sales to foreign customers in:			
North America	¥ 3,986,074	¥3,596,271	$33,217
Europe	3,900,964	3,211,630	32,508
Asia	1,558,337	1,093,768	12,986
Other	1,092,953	875,436	9,108
Total	¥10,538,328	¥8,777,105	$87,819

INDEPENDENT AUDITORS' REPORT

Deloitte
Touche
Tohmatsu

To the Board of Directors of Roland DG Corporation:

We have audited the accompanying consolidated balance sheets of Roland DG Corporation and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, stockholders' 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, procedures and practices generally accepted and applied 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 DG Corporation and consolidated subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices 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.

Deloitte Touche Tohmatsu

Osaka, Japan
June 18, 2003

Corporate Data

COMPANY OUTLINE *(As of March 31, 2003)*

Company Name:
Roland DG Corporation

Founded:
May 1, 1981

Common Stock:
¥1,933 million

Net Sales for 2003:
¥11,143 million

Number of Employees:
284

Main Products:
Color Graphics/Signmaking Devices, Vinyl Sign Cutters
Engraving/Routing Systems, Prototyping/Modeling Machines
3D Scanner, Metal Printer

Headquarters:
1-6-4 Shinmiyakoda, Hamamatsu-shi,
Shizuoka-ken, 431-2103 Japan
Phone:+81-53-484-1200 Fax:+81-53-484-1227

Branch Offices in Japan:
Tokyo, Osaka, Nagoya, Fukuoka, Sapporo, Sendai,
Hiroshima, Hamamatsu

Number of Stockholders:
1,835

Stock Exchange Listing:
Tokyo

Stock Transfer Agent:
Daiko Shoken Business Co., Ltd.

Independent Auditor:
Deloitte Touche Tohmatsu

Directors and Auditors:
(As of June 19, 2003)

President	Masahiro Tomioka
Executive Director	Kiyotaka Uemura
Executive Director	Masanori Morita
Managing Director	Hisao Omori
Director	Harumi Sakawa
Director	Kenji Murayama
Director	Masaharu Kamata
Director	Hideyuki Kakiuchi
Director	Jun Ito
Director	Katsuyoshi Dan
Corporate Auditor	Jiro Sato
Corporate Auditor	Hiroshi Furukawa
Corporate Auditor	Minoru Kawashima

ROLAND GROUP NETWORK

Japan:
Roland Corporation
BOSS Corporation
Roland ED Corporation
Roland Tech Corporation
Roland I.P. Corporation
Edirol Corporation
Modeling R Corporation

Overseas:
Roland DGA Corporation
15363 Barranca Parkway, Irvine, CA 92618, U.S.A.
Phone: +1 949 727 2100
Fax: +1 949 727 2112

Roland DG Benelux N.V.
Houtstraat 3 B-2260 Westerlo, Belgium
Phone: +32 14 57 59 11
Fax: +32 14 57 59 12

Roland DG (U.K.) Limited
Redwood Court, Tawe Business Village, Phoenix Way,
Enterprise Park, Swansea,
West Glamorgan, SA7 9LA, U.K.
Phone: +44 1792 515045
Fax: +44 1792 515042

Roland DG Australia Pty. Ltd.
38 Campbell Ave. Dee Why West, N.S.W.2099, Australia
Phone: +61 2 9972 2566
Fax: +61 2 9971 9491

Roland Scandinavia a/s
Nordhavnsvej 7, Box 880 DK-2100
Copenhagen, Denmark
Phone: +45 39 16 62 62
Fax: +45 39 16 62 77

Roland Europe S.p.A.
Via L. da Vinci 11-Zona Industriale-63030,
Acquaviva Picena (AP), Italy
Phone: +39 0735 583590
Fax: +39 0735 583790

Roland Electronics de España S.A.
Bolivia 239, 08020-Barcelona, Spain
Phone: +34 93 308 10 00
Fax: +34 93 307 45 03

Roland Portugal, S.A.
Cais das Pedras, 8/9-1Dto. 4050-465 Porto, Portugal
Phone: +351 22 608 0060
Fax: +351 22 608 0075

Roland East Europe Ltd.
'DEPO' Pf. 83, H-2046
Torokbalint, Hungary
Phone: +36 23 338 041
Fax: +36 23 338 087

Roland Brasil Ltda.
Rua San Jose, 780 Sala B CEP 06.700-000 Parque Industrial San Jose
Cotia-São Paulo-SP-Brazil
Phone: +55 11 4615 5666
Fax: +55 11 4615 5699

Roland Taiwan Enterprise Co.,Ltd.
Room 5, 9 FL., No.112 Chung Shan N. Rd.
Sec. 2, Taipei, Taiwan, Republic of China
Phone: +886 2 2536 5217
Fax: +886 2 2531 1366

Roland

http://www.rolanddg.com/