Annual Report 2004

Year Ended March 31, 2004

Roland

Roland DG Corporation

MESSAGE FROM THE PRESIDENT

During the fiscal year 2004 (April 1, 2003 through March 31, 2004), Roland DG achieved record results for consolidated sales and net income. These operating results were accomplished within the framework of a generally improving worldwide economy supported by the US market and the continuing improvement of the Chinese economy. In Japan, the performance of export-oriented companies was strong with capital spending substantially leading the economic recovery in the second half of the fiscal year.

During the fiscal year, the Company focused its managerial resources primarily in the large format color printing and the 3D products areas while successfully introducing several new devices. With the goal of further market penetration, the Company incurred ¥1,081 million (US$10 million) in research and development costs (an increase of 25.7% over the previous year) to advance our technologies as attractive solutions for the creative professionals who use our products.

The Company is seeing stable market growth from new 3D technology solutions introduced in the fiscal 2004, achieving sales of ¥1,463 million (US$14 million) for a 6.3% increase compared to 2003. In the color printer business, the Company introduced an important new ECO-SOL INK (ecological solvent ink) that works with the recently introduced large-format, inkjet printers which were designed for the outdoor sign industry as well as a mid-size model targeted at small businesses wishing to expand. The introduction of these printers contributed to sales worldwide of ¥12,316 million (US$116 million) for a 40.9% increase compared to 2003.

Consolidated revenue for the period was ¥17,570 million (US$166 million) and consolidated net income was ¥1,610 million (US$15 million). This activity represents an increase of 26.1% and 86.5%, respectively, compared to the previous fiscal year. For the fiscal year, dividends per share totaled ¥38 (US$0.36) per share, which was ¥18 (US$0.17) greater than the previous fiscal year. Additionally, sales improved in each geographical reporting segment as indicated by the following increases: Japan 31.7%, USA 16.5% and Europe 24.4%.

Notwithstanding the potential impact of the foreign exchange rate for fiscal year 2005, we expect that the business environment will continue to improve following the recovery of the worldwide economy. We will maintain our focus on expanding our business in the color printing and 3D markets. We believe that we provide unique, total business solutions for these markets and that, with the advantage of our global sales network, we anticipate securing the top brand market positions for Roland DG.

In summary, we will strive to earn the continued support of our stockholders and customers.

June 2004

Masahiro Tomioka
President

Financial Highlights

Roland DG Corporation and Consolidated Subsidiaries
Years Ended March 31

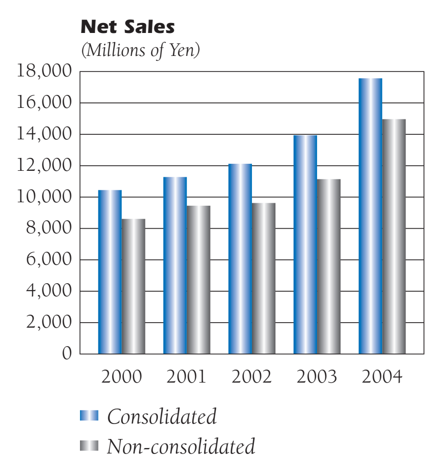
●Consolidated

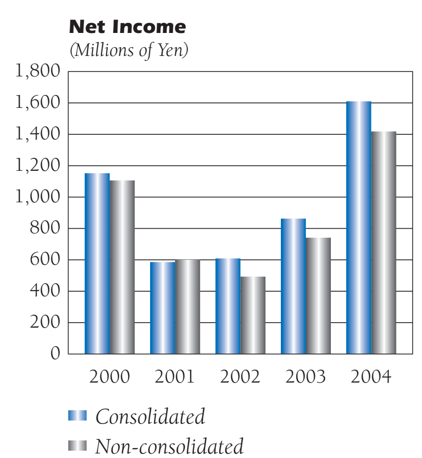
	Millions of Yen					Thousands of U.S. Dollars
	2004	2003	2002	2001	2000	2004
Operating Results						
Net sales	¥ 17,570	¥ 13,936	¥ 12,122	¥ 11,278	¥ 10,444	$165,752
Operating income	2,585	1,478	1,080	1,053	1,114	24,384
Net income	1,610	863	609	586	1,152	15,184
Net cash provided by operating activities	1,082	1,503	846	392	898	10,206
Financial Position						
Total stockholders' equity	10,865	9,541	8,968	8,469	7,634	102,496
Total assets	13,984	13,257	11,985	11,654	11,080	131,921
	Yen					U.S. Dollars
Per Share Data						
Net income	¥ 190.24	¥ 100.74	¥ 69.97	¥ 70.12	¥ 147.02	$ 1.79
Stockholders' equity	1,318.91	1,159.08	1,089.34	1,028.52	999.82	12.44
Cash dividends applicable to the year	38.00	20.00	18.00	18.00	15.00	0.36

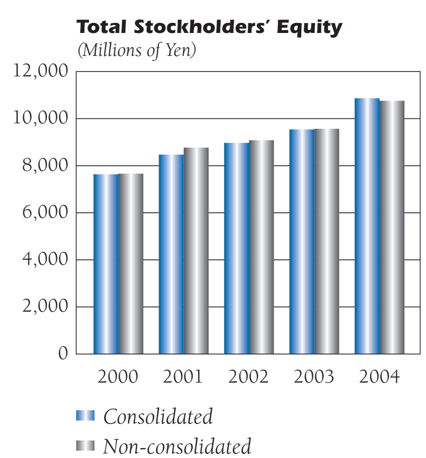
●Non-consolidated

	Millions of Yen					Thousands of U.S. Dollars
	2004	2003	2002	2001	2000	2004
Operating Results						
Net sales	¥ 14,964	¥ 11,143	¥ 9,623	¥ 9,451	¥ 8,610	$141,172
Operating income	2,244	1,225	773	976	947	21,174
Net income	1,418	741	493	601	1,106	13,374
Financial Position						
Total stockholders' equity	10,758	9,567	9,083	8,766	7,662	101,494
Total assets	13,352	11,404	10,449	10,179	9,397	125,964
	Yen					U.S. Dollars
Per Share Data						
Net income	¥ 166.84	¥ 85.90	¥ 55.84	¥ 72.09	¥ 140.97	$ 1.57
Stockholders' equity	1,305.96	1,162.23	1,103.40	1,064.73	1,003.57	12.32

Note:
1. The U.S. dollar amounts above have been translated from Japanese yen, for convenience only, at the rate of ¥106 to U.S.$1, the approximate Tokyo foreign exchange market rate as of March 31, 2004.
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.







Consolidated Balance Sheets

Roland DG Corporation and Consolidated Subsidiaries
March 31, 2004 and 2003

Assets

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
CURRENT ASSETS:			
Cash and time deposits (Note 3)	¥ 2,476,093	¥ 3,965,312	$ 23,359
Marketable securities (Note 5)	—	9,254	—
Notes and accounts receivable (Note 18):			
Trade notes	156,778	266,338	1,479
Trade accounts	3,021,421	1,798,852	28,504
Allowance for doubtful receivables	(42,940)	(41,472)	(405)
Inventories (Note 6)	2,545,141	2,593,147	24,011
Deferred tax assets (Note 10)	416,947	245,927	3,933
Prepaid expenses and other	624,316	383,731	5,890
Total current assets	9,197,756	9,221,089	86,771
PROPERTY, PLANT AND EQUIPMENT:			
Land	1,030,966	1,030,559	9,726
Buildings and structures	3,035,044	3,017,063	28,633
Machinery and equipment	247,653	211,677	2,336
Tools, furniture and fixtures	1,371,112	1,279,708	12,935
Construction in progress	3,879	7,150	37
Total	5,688,654	5,546,157	53,667
Accumulated depreciation	(3,108,575)	(2,924,717)	(29,326)
Net property, plant and equipment	2,580,079	2,621,440	24,341
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 5)	309,334	278,771	2,918
Investments in unconsolidated subsidiaries and an associated company	216,443	157,982	2,042
Long-term loans	140,368	188,017	1,324
Goodwill (Note 4)	251,617	286,705	2,374
Software	522,484	158,553	4,929
Long-term deposit	500,000	—	4,717
Deferred tax assets (Note 10)	17,616	46,117	166
Other assets (Note 8)	247,900	298,336	2,339
Total investments and other assets	2,205,762	1,414,481	20,809
TOTAL	¥13,983,597	¥13,257,010	$131,921

See notes to consolidated financial statements.

Liabilities and Stockholders' Equity

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
CURRENT LIABILITIES:			
Short-term bank loans (Note 7)	¥ 86,758	¥ 1,215,478	$ 818
Notes and accounts payable:			
Trade notes	—	78,314	—
Trade accounts	876,938	705,077	8,273
Income taxes payable	667,920	499,330	6,301
Accrued bonuses	310,430	283,082	2,929
Other	673,321	514,625	6,352
Total current liabilities	2,615,367	3,295,906	24,673
LONG-TERM LIABILITIES:			
Retirement benefits (Notes 2-g and 8)	117,100	101,200	1,105
Other	7,902	12,544	75
Total long-term liabilities	125,002	113,744	1,180
MINORITY INTERESTS	378,673	305,878	3,572
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	18,240
Capital surplus	1,916,480	1,916,480	18,080
Retained earnings	7,281,024	5,913,517	68,689
Unrealized gains (losses) on available-for-sale securities	13,025	(2,455)	123
Foreign currency translation adjustments	(279,374)	(219,460)	(2,636)
Total stockholders' equity	10,864,555	9,541,482	102,496
TOTAL	¥13,983,597	¥13,257,010	$131,921

Consolidated Statements of Income

Roland DG Corporation and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2003

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
NET SALES (Note 18)	¥17,569,669	¥13,936,307	$165,752
COST OF SALES (Note 11)	10,032,191	7,849,616	94,643
Gross profit	7,537,478	6,086,691	71,109
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	4,952,820	4,608,501	46,725
Operating income	2,584,658	1,478,190	24,384
OTHER INCOME (EXPENSES):			
Interest and dividend income	34,601	32,375	326
Interest expense	(32,972)	(39,578)	(311)
Loss on disposals or sales of property, plant and equipment	(8,678)	(12,703)	(82)
Reversal of retirement benefits for directors and corporate auditors (Note 8)	—	29,900	—
Other - net	20,218	12,984	191
Other income - net	13,169	22,978	124
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	2,597,827	1,501,168	24,508
INCOME TAXES (Note 10):			
Current	1,053,363	710,276	9,938
Deferred	(160,585)	(106,385)	(1,515)
Total income taxes	892,778	603,891	8,423
MINORITY INTERESTS IN NET INCOME	(95,542)	(34,182)	(901)
NET INCOME	¥ 1,609,507	¥ 863,095	$ 15,184

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 15):			
Net income	¥190.24	¥100.74	$1.79
Cash dividends	38.00	20.00	0.36

See notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

Roland DG Corporation and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2003

	Issued Number of Shares of Common Stock	Thousands of Yen				
		Common Stock	Capital Surplus	Retained Earnings	Unrealized Gains (Losses) on Available-for-Sale Securities	Foreign Currency Translation Adjustments
BALANCE, APRIL 1, 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 change 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)
Net income				1,609,507		
Cash dividends, ¥25 per share				(205,000)		
Bonuses to directors and corporate auditors				(37,000)		
Net increase in unrealized gains on available-for-sale securities					15,480	
Net change in foreign currency translation adjustments						(59,914)
BALANCE, MARCH 31, 2004	8,200,000	¥1,933,400	¥1,916,480	¥7,281,024	¥13,025	¥(279,374)

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gains (Losses) on Available-for-Sale Securities	Foreign Currency Translation Adjustments
BALANCE, MARCH 31, 2003	$18,240	$18,080	$55,788	$(23)	$(2,070)
Net income			15,184		
Cash dividends, $0.24 per share			(1,934)		
Bonuses to directors and corporate auditors			(349)		
Net increase in unrealized gains on available-for-sale securities				146	
Net change in foreign currency translation adjustments					(566)
BALANCE, MARCH 31, 2004	$18,240	$18,080	$68,689	$123	$(2,636)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Roland DG Corporation and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2003

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥2,597,827	¥1,501,168	$24,508
Adjustments for:			
Depreciation and amortization	388,692	417,041	3,667
Provision (reversal) of allowance for doubtful receivables	4,840	(11,500)	46
Increase in accrued bonuses	27,348	60,200	258
Increase (decrease) in retirement benefits for directors and corporate auditors	15,900	(13,600)	150
Interest and dividend income	(34,601)	(32,375)	(326)
Interest expense	32,972	39,578	311
Loss on disposals or sales of property, plant and equipment	8,678	12,703	82
Payment for bonuses to directors and corporate auditors	(37,000)	(35,000)	(349)
Changes in assets and liabilities:			
Increase in notes and accounts receivable	(1,189,615)	(50,997)	(11,223)
Increase in inventories	(33,097)	(198,910)	(312)
Increase in prepaid expenses and other current assets	(242,894)	(64,182)	(2,292)
Decrease in investments and other assets	50,806	10,602	479
Increase in notes and accounts payable	224,781	209,501	2,121
Increase in other current liabilities	164,127	42,682	1,548
Decrease in other long-term liabilities	(2,329)	(3,661)	(22)
Other - net	(7,071)	(3,199)	(67)
Total adjustments	(628,463)	378,883	(5,929)
Interest and dividends received	33,163	33,518	313
Interest paid	(36,354)	(38,755)	(343)
Income taxes paid	(884,322)	(371,669)	(8,343)
Net cash provided by operating activities	1,081,851	1,503,145	10,206
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(241,604)	(230,246)	(2,279)
Purchases of software and other intangible assets	(446,099)	(50,332)	(4,209)
Purchases of marketable and investment securities	(56,850)	(107,756)	(536)
Proceeds from sales of marketable and investment securities	11,392	121,498	107
Increase in long-term loan receivable	—	(50,000)	—
Increase in time deposit with original maturity of more than 3 months	(500,000)	—	(4,717)
Payment for acquisition of sales operations (Note 4)	—	(633,864)	—
Other	41,235	47,481	389
Net cash used in investing activities	(1,191,926)	(903,219)	(11,245)
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term bank loans	(1,139,768)	154,850	(10,752)
Dividends paid	(205,000)	(221,400)	(1,934)
Other	(2,709)	(2,380)	(26)
Net cash used in financing activities	(1,347,477)	(68,930)	(12,712)
EFFECTS OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	¥ (31,629)	¥ (11,855)	$ (298)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,489,181)	519,141	(14,049)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,964,952	3,445,811	37,405
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)	¥2,475,771	¥3,964,952	$23,356

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Roland DG Corporation and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2003

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 generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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 ¥106 to $1, the approximate rate of exchange at March 31, 2004. 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, 2004 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 an associated company 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 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.

The unrecognized transitional obligation of ¥49,632 thousand is being amortized over 5 years. The unrecognized actual gain or loss is being amortized by the declining-balance method over 10 years, which is within the average participants' remaining service period, in the year following the year in which such gain or loss was incurred. This amortization is included in cost of sales and selling, general and administrative expenses in the consolidated statements of income.

In addition, the Company has 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 ¥979,061 thousand ($9,236 thousand) and ¥784,538 thousand at March 31, 2004 and 2003, 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" as 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 — Basic 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 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 the 2003 financial statements to conform to the classifications used in 2004.

r. New Accounting Pronouncements — In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets", and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets". These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Company is currently in the process of assessing the effect of adoption of these pronouncements.

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, 2004 and 2003 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Cash and time deposits	¥2,476,093	¥3,965,312	$23,359
Time deposits with original maturities of more than 3 months	(322)	(360)	(3)
Cash and cash equivalents	¥2,475,771	¥3,964,952	$23,356

Note: 4

Supplemental Cash Flow Information

A consolidated subsidiary acquired sales operations in the U.K. market during the previous fiscal year. The summary of assets acquired in connection with the acquisition was as follows:

	Thousands of Yen
	2003
Accounts receivable	¥129,072
Inventories	167,671
Property, plant and equipment	19,286
Goodwill	317,835
Cash paid	¥633,864

Note: 5

Marketable and Investment Securities

Marketable and investment securities as of March 31, 2004 and 2003 consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Current:			
Trust fund investments and other	¥ —	¥ 9,254	$ —
Non-current:			
Marketable equity securities	¥ 39,362	¥ 13,114	$ 371
Corporate bonds	9,033	9,013	85
Trust fund investments and other	260,939	256,644	2,462
Total	¥309,334	¥278,771	$2,918

The carrying amounts and aggregate fair values of marketable and investment securities classified as available-for-sale at March 31, 2004 and 2003 were as follows:

	Thousands of Yen			
	2004			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 17,887	¥21,475	¥ —	¥ 39,362
Debt securities	9,000	33	—	9,033
Other	124,482	109	—	124,591

	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 U.S. Dollars			
	2004			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 169	$202	$ —	$ 371
Debt securities	85	0	—	85
Other	1,174	1	—	1,175

Available-for-sale securities whose fair values are not readily determinable as of March 31, 2004 and 2003 were as follows:

	Carrying Amounts		
	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Available-for-sale:			
Equity securities	¥ 10,200	¥ 6,200	$ 97
Other	126,148	126,133	1,190
Total	¥136,348	¥132,333	$1,287

Proceeds from sales of marketable and investment securities for the years ended March 31, 2004 and 2003 were ¥11,392 thousand ($107 thousand) and ¥121,498 thousand, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥770 thousand ($7 thousand) and ¥706 thousand ($7 thousand), respectively for the year ended March 31, 2004 and ¥6,825 thousand and ¥4,960 thousand, respectively for the year ended March 31, 2003.

The carrying values of debt securities and trust fund investments by contractual maturities for securities classified as available-for-sale at March 31, 2004 and 2003 are as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Due in one year or less	¥ —	¥9,254	$—
Due in one to five years	9,033	9,013	85
Due in five to ten years	9,914	9,748	94

Note: 6 Inventories

Inventories at March 31, 2004 and 2003 consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Merchandise and finished products	¥1,726,581	¥1,857,553	$16,289
Work in process	80,229	34,057	757
Raw materials and supplies	738,331	701,537	6,965
Total	¥2,545,141	¥2,593,147	$24,011

Note: 7 Short-term Bank Loans

Short-term bank loans at March 31, 2004 and 2003 consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans were 6.7% and 1.3% at March 31, 2004 and 2003, 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, 2004 and 2003 consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Projected benefit obligation	¥1,349,830	¥1,104,465	$12,734
Fair value of plan assets	(1,021,859)	(726,226)	(9,640)
Unrecognized actuarial loss	(319,085)	(384,665)	(3,010)
Unrecognized transitional obligation	(9,927)	(19,853)	(94)
Net assets	¥ (1,041)	¥ (26,279)	$ (10)

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, 2004 and 2003 are as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Service cost	¥ 90,872	¥ 75,433	$ 857
Interest cost	27,611	28,242	260
Expected return on plan assets	(18,156)	(22,610)	(171)
Amortization of transitional obligation	9,927	9,927	94
Recognized actuarial loss	79,241	42,442	748
Other retirement expenses	70,513	63,234	665
Net periodic benefit costs	¥260,008	¥196,668	$2,453

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

Assumptions used for the years ended March 31, 2004 and 2003 are set forth as follows:

	2004	2003
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	3.0%
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 beginning in the year following the year in which such gains or losses were incurred.

The liability for retirement benefits at March 31, 2004 and 2003 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 bylaws to determine retirement benefits for directors and corporate auditors. The effect of this change was to decrease retirement benefits by ¥29,900 thousand and to increase income before income taxes and minority interests by the same amount.

Note: 9 Stockholders' Equity

At March 31, 2004, 40.9% of the Company's outstanding shares were owned by Roland Corporation, which is principally engaged in the manufacture and sales of electronic musical instruments.

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which various amendments have become effective since 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. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amounts 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 ¥6,800,404 thousand ($64,155 thousand) as of March 31, 2004, 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, 2004 and 2003.

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 years ended March 31, 2004 and 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, 2004 and 2003 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Deferred tax assets:			
Intercompany profits on inventories	¥ 93,093	¥ 70,202	$ 878
Accrued enterprise taxes	67,114	42,622	633
Accrued bonuses	123,396	99,408	1,164
Retirement benefits	46,547	40,227	439
Accrued expenses	40,687	28,281	384
Tax loss carryforwards	249,294	334,742	2,352
Other	154,001	154,231	1,452
Less valuation allowance	(274,258)	(426,504)	(2,587)
Total	¥499,874	¥343,209	$4,715
Deferred tax liabilities:			
Retained earnings appropriated for special allowance	¥ 11,761	¥ 13,652	$ 111
Undistributed earnings of subsidiaries	40,679	21,831	384
Other	12,871	15,682	121
Total	¥ 65,311	¥ 51,165	$ 616
Net deferred tax assets	¥434,563	¥292,044	$4,099

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2004 is as follows:

Normal effective statutory tax rate	41.1%
Expenses not deductible for income tax purposes	0.1
Per capita inhabitant tax	0.4
Extra tax deduction on expenses for research and development	(4.1)
Valuation allowance	(4.5)
Other - net	1.4
Actual effective tax rate	34.4%

For the years ended March 31, 2003, 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, 2004, a consolidated subsidiary has tax loss carryforwards of ¥790,767 thousand ($7,460 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 were ¥1,080,565 thousand ($10,194 thousand) included in cost of sales for the year ended March 31, 2004, and were ¥859,701 thousand included in cost of sales and selling, general and administrative for the year ended March 31, 2003.

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, 2004 and 2003 were ¥4,882 thousand ($46 thousand) and ¥5,475 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, 2004 and 2003 was as follows:

	Thousands of Yen					
	2004			2003		
	Machinery and Equipment	Tools, Furniture and Fixtures	Total	Machinery and Equipment	Tools, Furniture and Fixtures	Total
Acquisition cost	¥2,932	¥16,858	¥19,790	¥2,932	¥21,691	¥24,623
Accumulated depreciation	(1,857)	(15,734)	(17,591)	(1,271)	(16,712)	(17,983)
Net leased property	¥1,075	¥ 1,124	¥ 2,199	¥1,661	¥ 4,979	¥ 6,640

	Thousands of U.S. Dollars		
	2004		
	Machinery and Equipment	Tools, Furniture and Fixtures	Total
Acquisition cost	$28	$159	$187
Accumulated depreciation	(18)	(148)	(166)
Net leased property	$10	$ 11	$ 21

Obligations under finance leases:

	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Due within one year	¥1,842	¥4,682	$18
Due after one year	547	2,389	5
Total	¥2,389	¥7,071	$23

Depreciation expense and interest expense under finance leases:

	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Depreciation expense	¥4,441	¥4,985	$42
Interest expense	200	387	2
Total	¥4,641	¥5,372	$44

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, 2004 and 2003 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Due within one year	¥ 64,508	¥ 71,117	$ 609
Due after one year	242,690	325,748	2,289
Total	¥307,198	¥396,865	$2,898

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, 2004 and 2003:

	Thousands of Yen 2004			Thousands of Yen 2003		
	Contract Amount	Fair Value	Unrealized Gain	Contract Amount	Fair Value	Unrealized Gain
Foreign currency forward contracts:						
Buying Japanese yen; selling U.S. dollars	¥1,485,647	¥1,509,708	¥24,061	¥1,064,861	¥1,079,534	¥14,673

	Thousands of U.S. Dollars 2004		
	Contract Amount	Fair Value	Unrealized Gain
Foreign currency forward contracts:			
Buying Japanese yen; selling U.S. dollars	$14,016	$14,243	$227

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, 2004, the Group had the following contingent liabilities:

	Thousands of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥458,350	$4,324
Guarantees for bank loans of an unconsolidated subsidiary, a distributor and employees	95,110	897

Note: 15
Net income per Share

The basis of the computing basic earnings per share ("EPS") for the years ended March 31, 2004 and 2003 is as follows:

	Thousands of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted Average Shares	EPS	
For the year ended March 31, 2004:				
Basic EPS				
Net income available to common stockholders	¥1,560,007	8,200	¥190.24	$1.79
For the year ended March 31, 2003:				
Basic EPS				
Net income available to common stockholders	¥ 826,095	8,200	¥100.74	

Note: 16
Subsequent Event

The following appropriations of retained earnings at March 31, 2004 were approved at the Company's stockholders meeting held on June 16, 2004:

	Thousands of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥24 ($0.23) per share	¥196,800	$1,857
Bonuses to directors and corporate auditors	49,500	467

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, 2004 and 2003 are summarized as follows:

	Thousands of Yen				
	2004				
	Japan	USA	Europe	Eliminations /Corporate	Consolidated
Sales to customers	¥10,153,549	¥4,926,669	¥2,489,451	¥ —	¥17,569,669
Interarea transfers	4,810,639	7,429	70,603	(4,888,671)	—
Total sales	14,964,188	4,934,098	2,560,054	(4,888,671)	17,569,669
Operating expenses	12,719,703	4,740,851	2,359,524	(4,835,067)	14,985,011
Operating income	¥ 2,244,485	¥ 193,247	¥ 200,530	¥ (53,604)	¥ 2,584,658
Total assets	¥11,959,755	¥2,181,361	¥1,610,098	¥(1,767,617)	¥13,983,597

	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 U.S. Dollars				
	2004				
	Japan	USA	Europe	Eliminations /Corporate	Consolidated
Sales to customers	$ 95,788	$46,478	$23,486	$ —	$165,752
Interarea transfers	45,384	70	666	(46,120)	—
Total sales	141,172	46,548	24,152	(46,120)	165,752
Operating expenses	119,997	44,725	22,260	(45,614)	141,368
Operating income	$ 21,175	$ 1,823	$ 1,892	$ (506)	$ 24,384
Total assets	$112,828	$20,579	$15,190	$(16,676)	$131,921

(2) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2004 and 2003 are summarized as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Sales to foreign customers in:			
North America	¥ 4,651,405	¥ 3,986,074	$ 43,881
Europe	5,220,294	3,900,964	49,248
Asia	2,229,018	1,558,337	21,029
Other	1,606,469	1,092,953	15,155
Total	¥13,707,186	¥10,538,328	$129,313

Note: 18

Related Party Transactions

The material transactions and related balances between the Company and subsidiaries of Roland Corporation for the year ended March 31, 2004 were as follows:

	Thousands of Yen	Thousands of U.S. Dollars
Sales:		
Roland Europe S.p.A.	¥1,192,758	$11,252
Electronic Musical Instruments Roland Scandinavia a-s	682,662	6,440
Roland Electronics de Espana S.A.	464,896	4,386
Trade notes and accounts receivable:		
Roland Europe S.p.A.	223,752	2,111
Electronic Musical Instruments Roland Scandinavia a-s	193,195	1,823
Roland Electronics de Espana S.A.	191,997	1,811

Transfer prices between the Company and subsidiaries of Roland Corporation are determined based on arm's-length transactions. There were no material transactions and related balances with Roland Corporation.
For the year ended March 31, 2003, transactions and related balances with related parties were immaterial.

INDEPENDENT AUDITORS' REPORT

Deloitte.

Deloitte Touche Tohmatsu
Osaka Kokusai Building
3-13, Azuchi-machi 2-chome
Chuo-ku, Osaka 541-0052
Japan

Tel: +81 (6) 6261 1381
Fax: +81 (6) 6261 1238
www.deloitte.com/jp

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, 2004 and 2003, 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 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 DG Corporation and consolidated subsidiaries as of March 31, 2004 and 2003, 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.

Deloitte Touche Tohmatsu

June 16, 2004

Member of
Deloitte Touche Tohmatsu

Corporate Data

COMPANY OUTLINE *(As of March 31, 2004)*

Company Name:
Roland DG Corporation

Founded:
May 1, 1981

Common Stock:
¥1,933 million

Net Sales for 2004:
¥14,964 million

Number of Employees:
285

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:
1,811

Stock Exchange Listing:
Tokyo

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

Independent Auditor:
Deloitte Touche Tohmatsu

Directors and Auditors:
(As of June 16, 2004)

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	Shuji Hotta
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
Modeling R Corporation

Overseas:
Roland DGA Corporation
15363 Barranca Parkway, Irvine, CA 92618-2201, 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, SA7 9LA, U.K.
Phone: +44 1792 515045
Fax: +44 1792 515042

Roland DG Australia Pty. Ltd.
Allambie Grove Business Park, Unlt14, 25 Frenchs Forest Rd,
Frenchs Forest, NSW 2086 Australia
Phone: +61 2 9975 0000
Fax: +61 2 9975 0001

Electronic Musical Instruments 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.
2046 Torokblint, DEPO Pf. 83, 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-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/