Annual Report 2006

Year Ended March 31, 2006

Roland

Roland DG Corporation

MESSAGE FROM THE PRESIDENT

I am pleased to present our business overview and consolidated financial results for the fiscal year 2006 (April 1, 2005 through March 31, 2006).

While global economic conditions were influenced by high crude oil prices, the U.S. economy continued to expand and the European economy started to strengthen especially in the UK and Germany. In Asia, China maintained its high economic growth rate, serving as an engine for the entire region. Overall, international economic growth was steady during the fiscal year.

In the domestic Japanese market, the economic recovery boosted corporate performance. Capital investment increased and personal consumption grew as a result of improved employment and household income conditions.

Under these circumstances, Roland DG group focused our operational efforts on the two areas of business, Color and 3D, where we expected the greatest growth. Our business plans were: 1) Concentrate resources in the two strongest business opportunities. 2) Continue to improve the production process through the benefits of our “Digital Yatai System,” which is a scalable cell production system utilizing proprietary technology. 3) Shorten both the internal product development and marketing processes through coordination among the development, production and sales teams using Roland’s core business process of Digital Value Engineering (DVE). 4) Reinforce the alignment of our business direction in accordance with market needs.

In the Color business, we introduced a third generation solvent ink ECO-SOL MAX during the year. This new ink quickly became the best-selling durable graphics ink worldwide due to its enhanced durability, faster drying time, lower cost performance, broader range of media support and reasonable price. We also introduced a Grand Format Printer for customers and dealers wishing to diversify their businesses by printing large outdoor banners and billboards. For this printer model, we offered a special eco-solvent ink EcoXtreme that provides even higher durability.

For our 3D business, our sales activities were concentrated on those industries that can benefit most from the further digitalization of the manufacturing process. Through the presentation of seminars and product previews, we worked to foster market acceptance of solutions for streamlining the manufacturing process from design to production through efficient, value added manufacturing.

In addition to the business operations described above, we are preparing the organization to meet our future growth needs through the following aggressive investments:
1) Production: We built a new manufacturing facility near the headquarters which began production in December, 2005. Production efficiency was immediately improved due to increased capacity and the centralization of assembly cells.
2) Sales: We reinforced our sales network by acquiring a sales subsidiary in Spain. 3) R&D: We invested in additional human resources to enhance research and development activities. 4) Administration: We improved our infrastructure and internal controls by installing a new ERP system and by establishment of an administrative project team.

As a result of the activities and investments described above, the sales ratio of low profit supplies, R&D expenses and amortization costs increased. Consolidated sales revenue was 28,868 million yen (+16.2% from the previous year). Sales growth in our largest markets, North America and Europe, were attributable primarily to inkjet printers, specifically the VersaCAMM SP-540V, and the introduction of ECO-SOL MAX eco-solvent ink. The synergistic effect of marketing campaigns for dealers and end users assisted in our achievement of a significant sales increase.

As for the future, the overseas economies should maintain the current level of growth. Meanwhile, the Japanese economy seems to be well on the road to recovery. Under these favorable circumstances, we believe that our next growth stage will be assisted by the dramatic results of the aforementioned investments. During the next year, we expect price competition from the market entry of various competitors. Therefore, we will continue to seek to launch more value engineered products and improve efficiency with the goal of achieving well-balanced business activities.

June 2006

Masahiro Tomioka
President

Financial Highlights

Roland DG Corporation and Consolidated Subsidiaries
Years Ended March 31

●Consolidated

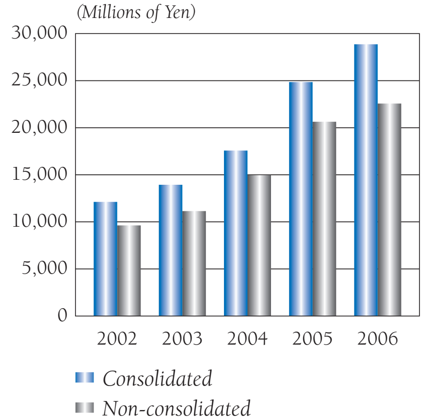
	Millions of Yen 2006	2005	2004	2003	2002	Thousands of U.S. Dollars 2006
Operating Results						
Net sales	¥ 28,868	¥ 24,849	¥ 17,570	¥ 13,936	¥ 12,122	$246,733
Operating income	4,889	4,664	2,585	1,478	1,080	41,786
Net income	3,052	2,828	1,610	863	609	26,082
Net cash provided by operating activities	1,720	2,498	1,082	1,503	846	14,703
Financial Position						
Total stockholders' equity	19,252	16,745	10,865	9,541	8,968	164,546
Total assets	24,757	21,235	13,984	13,257	11,985	211,597
	Yen					U.S. Dollars
Per Share Data						
Net income	¥ 166.94	¥ 161.38	¥ 95.12	¥ 50.37	¥ 34.99	$ 1.43
Stockholders' equity	1,077.07	935.93	659.46	579.54	544.67	9.21
Cash dividends applicable to the year	40.00	64.00	38.00	20.00	18.00	0.34

●Non-consolidated

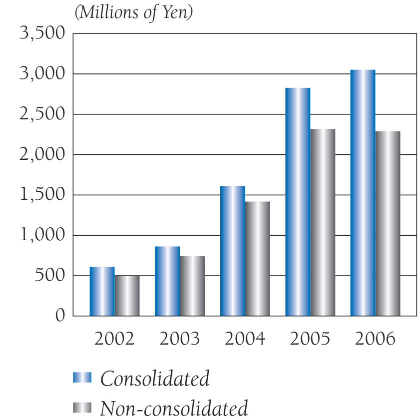
	Millions of Yen 2006	2005	2004	2003	2002	Thousands of U.S. Dollars 2006
Operating Results						
Net sales	¥ 22,564	¥ 20,636	¥ 14,964	¥ 11,143	¥ 9,623	$192,852
Operating income	2,974	3,520	2,244	1,225	773	25,418
Net income	2,283	2,317	1,418	741	493	19,512
Financial Position						
Total stockholders' equity	17,675	16,093	10,758	9,567	9,083	151,068
Total assets	21,337	19,346	13,352	11,404	10,449	182,367
	Yen					U.S. Dollars
Per Share Data						
Net income	¥ 123.79	¥ 131.29	¥ 83.42	¥ 42.95	¥ 27.92	$ 1.06
Stockholders' equity	988.50	899.32	652.98	581.12	551.70	8.44

Note: 1. The U.S. dollar amounts above have been translated from Japanese yen, for convenience only, at the rate of ¥117 to U.S.$1, the approximate Tokyo foreign exchange market rate as of March 31, 2006.
2. On May 20, 2005, the Company made a stock split at the rate of 2 shares for each outstanding share and 8,900,000 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.

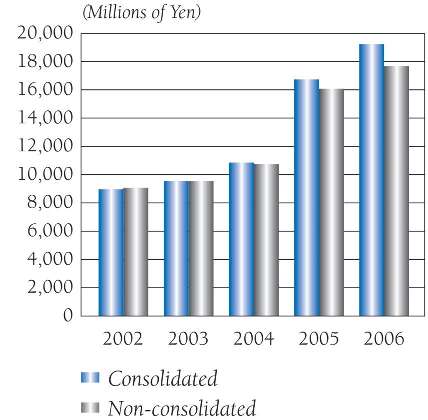
Net Sales
(Millions of Yen)



Net Income
(Millions of Yen)



Total Stockholders' Equity
(Millions of Yen)



Consolidated Balance Sheets

Roland DG Corporation and Consolidated Subsidiaries
March 31, 2006 and 2005

Assets

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
CURRENT ASSETS:			
Cash and time deposits (Note 3)	¥ 5,033,779	¥ 6,422,387	$ 43,024
Notes and accounts receivable (Note 18):			
Trade notes	33,843	41,954	289
Trade accounts	4,498,318	3,332,906	38,447
Allowance for doubtful receivables	(66,697)	(48,777)	(570)
Marketable securities (Note 4)	—	9,012	—
Inventories (Note 5)	5,135,080	4,194,522	43,890
Deferred tax assets (Note 9)	590,062	592,730	5,043
Prepaid expenses and other	1,636,880	835,089	13,990
Total current assets	16,861,265	15,379,823	144,113
PROPERTY, PLANT AND EQUIPMENT:			
Land	1,976,098	1,976,180	16,890
Buildings and structures	4,456,258	3,059,411	38,088
Machinery and equipment	317,498	292,292	2,714
Tools, furniture and fixtures	1,714,446	1,483,781	14,653
Construction in progress	50,404	2,814	431
Total	8,514,704	6,814,478	72,776
Accumulated depreciation	(3,467,040)	(3,284,191)	(29,633)
Net property, plant and equipment	5,047,664	3,530,287	43,143
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	355,003	312,783	3,034
Investments in unconsolidated subsidiaries and associated companies	85,052	224,241	727
Long-term loans	106,608	135,608	911
Goodwill (Note 15)	749,902	231,282	6,409
Software	632,341	678,430	5,405
Long-term time deposit	500,000	500,000	4,273
Deferred tax assets (Note 9)	159,161	—	1,360
Other assets	259,859	242,075	2,222
Total investments and other assets	2,847,926	2,324,419	24,341
TOTAL	¥24,756,855	¥21,234,529	$211,597

See notes to consolidated financial statements.

Liabilities and Stockholders' Equity

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	¥ —	¥ 37,873	$ —
Accounts payable - trade	2,171,116	1,326,384	18,557
Income taxes payable	393,296	1,076,206	3,362
Accrued bonuses	386,122	381,136	3,300
Other	1,359,074	847,365	11,165
Total current liabilities	4,309,608	3,668,964	36,834
LONG-TERM LIABILITIES:			
Retirement benefits (Notes 2-h and 7)	3,349	13,299	28
Deferred tax liabilities (Note 9)	120,366	70,224	1,029
Long-term accrued liabilities (Note 2-h)	127,959	135,600	1,094
Other	—	11,301	—
Total long-term liabilities	251,674	230,424	2,151
MINORITY INTERESTS	943,747	590,625	8,066
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11 and 13)			
STOCKHOLDERS' EQUITY (Notes 8, 16 and 18):			
Common stock, authorized, 32,800,000 shares; issued 17,800,000 shares in 2006 and 8,900,000 shares in 2005	3,668,700	3,668,700	31,356
Capital surplus	3,700,604	3,700,604	31,629
Retained earnings	11,926,174	9,600,425	101,933
Unrealized gain on available-for-sale securities	44,950	20,063	385
Foreign currency translation adjustments	(88,602)	(245,276)	(757)
Total stockholders' equity	19,251,826	16,744,516	164,546
TOTAL	¥24,756,855	¥21,234,529	$211,597

Consolidated Statements of Income

Roland DG Corporation and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2005

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
NET SALES (Note 18)	¥28,867,745	¥24,848,991	$246,733
COST OF SALES (Note 10)	16,887,639	14,141,909	144,339
Gross profit	11,980,106	10,707,082	102,394
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	7,091,101	6,043,580	60,608
Operating income	4,889,005	4,663,502	41,786
OTHER INCOME (EXPENSES):			
Interest and dividend income	91,358	74,478	781
Interest expense	(60,983)	(21,256)	(521)
Loss on disposals or sales of property, plant and equipment	(13,444)	(21,312)	(115)
Gain on sale of investment in an associated company	130,870	—	1,118
Foreign exchange gains (losses)	(9,465)	31,646	(81)
Stock issue costs	—	(40,380)	—
Other - net	18,401	39,835	158
Other income - net	156,737	63,011	1,340
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	5,045,742	4,726,513	43,126
INCOME TAXES (Note 9):			
Current	1,692,458	1,756,851	14,465
Deferred	(92,673)	(98,830)	(792)
Total income taxes	1,599,785	1,658,021	13,673
MINORITY INTERESTS IN NET INCOME	(394,408)	(240,391)	(3,371)
NET INCOME	¥ 3,051,549	¥ 2,828,101	$ 26,082

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 14):			
Net income	¥166.94	¥161.38	$1.43
Cash dividends	40.00	64.00	0.34

See notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

Roland DG Corporation and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2005

	Outstanding Number of Shares of Common Stock	Thousands of Yen				
		Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments
BALANCE, APRIL 1, 2004	8,200,000	¥1,933,400	¥1,916,480	¥ 7,281,024	¥13,025	¥(279,374)
Issuance of common stock	700,000	1,735,300	1,784,124			
Net income				2,828,101		
Cash dividends, ¥56 per share				(459,200)		
Bonuses to directors and corporate auditors				(49,500)		
Net increase in unrealized gain on available-for-sale securities					7,038	
Net change in foreign currency translation adjustments						34,098
BALANCE, MARCH 31, 2005	8,900,000	3,668,700	3,700,604	9,600,425	20,063	(245,276)
Stock split (Note 8)	8,900,000					
Net income				3,051,549		
Cash dividends, ¥52 per share				(640,800)		
Bonuses to directors and corporate auditors				(85,000)		
Net increase in unrealized gain on available-for-sale securities					24,887	
Net change in foreign currency translation adjustments						156,674
BALANCE, MARCH 31, 2006	17,800,000	¥3,668,700	¥3,700,604	¥11,926,174	¥44,950	¥ (88,602)

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments
BALANCE, MARCH 31, 2005	$31,356	$31,629	$ 82,055	$172	$(2,096)
Net income			26,082		
Cash dividends, $0.44 per share			(5,477)		
Bonuses to directors and corporate auditors			(722)		
Net increase in unrealized gain on available-for-sale securities				213	
Net change in foreign currency translation adjustments					1,339
BALANCE, MARCH 31, 2006	**$31,356**	**$31,629**	**$101,933**	**$385**	**$ (757)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Roland DG Corporation and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2005

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥5,045,742	¥4,726,513	$43,126
Adjustments for:			
Depreciation and amortization	612,202	424,488	5,232
Gain on sale of investment in an associated company	(130,870)	—	(1,118)
Reversal of allowance for doubtful receivables	9,136	34,966	78
Increase in accrued bonuses	4,978	70,537	43
(Decrease) increase in retirement benefits	(9,950)	13,298	(85)
Interest and dividend income	(91,358)	(74,478)	(781)
Interest expense	60,983	21,256	521
Loss on disposals or sales of property, plant and equipment	13,444	21,312	115
Payment for bonuses to directors and corporate auditors	(85,000)	(49,500)	(727)
Changes in assets and liabilities:			
Increase in notes and accounts receivable	(843,252)	(214,048)	(7,207)
Increase in inventories	(583,720)	(1,652,289)	(4,989)
Increase in prepaid expenses and other current assets	(674,907)	(169,672)	(5,768)
Increase in other investments and assets	(15,366)	(27,249)	(131)
Increase in accounts payable	340,022	480,277	2,906
Increase in other current liabilities	435,677	121,057	3,724
(Decrease) increase in other long-term liabilities	(18,143)	26,116	(155)
Other - net	(1,970)	(3,942)	(18)
Total	4,067,648	3,748,642	34,766
Interest and dividends received	91,154	74,119	779
Interest paid	(60,503)	(21,107)	(517)
Income taxes paid	(2,378,042)	(1,303,331)	(20,325)
Net cash provided by operating activities	1,720,257	2,498,323	14,703
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(1,822,477)	(1,280,102)	(15,577)
Purchases of software and other intangible assets	(151,749)	(244,988)	(1,297)
Purchases of marketable and investment securities	(902)	(844)	(8)
Proceeds from sale of investment in an associated company	265,440	—	2,269
Proceeds from sales of marketable securities	9,000	—	77
Payment for acquisition of business (Note 15)	(752,689)	—	(6,433)
Other	56,617	(13,469)	484
Net cash used in investing activities	(2,396,760)	(1,539,403)	(20,485)
FINANCING ACTIVITIES:			
Net decrease in short-term bank loans	(36,616)	(51,256)	(313)
Proceeds from issuance of common stock	—	3,519,424	—
Dividends paid	(640,800)	(459,200)	(5,477)
Dividends paid to the minority shareholders	(97,940)	(28,686)	(837)
Net cash (used in) provided by financing activities	(775,356)	2,980,282	(6,627)
EFFECTS OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS - (Forward)	63,210	7,101	540
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,388,649)	3,946,303	(11,869)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,422,074	2,475,771	54,890
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)	¥5,033,425	¥6,422,074	$43,021

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Roland DG Corporation and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2005

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.

Certain reclassifications have been made in the 2005 financial statements to conform to the classifications used in 2006.

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 ¥117 to $1, the approximate rate of exchange at March 31, 2006. 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, 2006 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 associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The 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 five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Group are 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 useful lives are principally thirty-one years for buildings and structures, and from two to six years for tools, furniture and fixtures.

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

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

g. Long-lived Assets — In August 2002, the Business Accounting Council (BAC) issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan (ASBJ) issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements were 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 Group adopted the new accounting standard for impairment of fixed assets on April 1, 2005. The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate 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. There was no impact on the financial statements as a result of the adoption of these pronouncements.

h. 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 Company adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

The unrecognized transitional obligation of ¥49,632 thousand, determined as of April 1, 2000, is being amortized over five years. The unrecognized actual gain or loss is being amortized by the declining-balance method over ten 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 when paid. The pension fund assets available for benefits under this plan were approximately ¥1,564,052 thousand ($13,368 thousand) and ¥1,143,826 thousand at March 31, 2006 and 2005, 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 were provided at the amount which would be required if all directors and corporate auditors retired at each balance sheet date.

The Company resolved to abolish this benefit at the General Shareholders' Meeting on June 22, 2005 and the retirement benefits to directors and corporate auditors is not made for the period after the meeting on June 22, 2005. The amounts of retirement benefits to directors and corporate auditors at the General Shareholders' Meeting on June 22, 2005 and March 31, 2005 were ¥117,100 thousand ($1,001 thousand) and ¥135,600 thousand, respectively. These amounts are included as a long-term accrued liability. The benefits will be paid when the directors and corporate auditors retire.

i. 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.

j. Stock Issuance Costs — Stock issuance costs are charged to income as incurred.

k. 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.

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

m. 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.

n. 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.

o. 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.

p. Per Share Information — Net income per share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the respective years, adjusted retroactively for stock splits.

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.

q. 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.

r. New Accounting Pronouncements —

Business combination and Business separation

In October 2003, the BAC issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005 the ASBJ issued, "Accounting Standard for Business Separations" and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Separations." These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. These specific criteria are as follows:

(a) the consideration for the business combination consists solely of common shares with voting rights,

(b) the ratio of voting rights of each predecessor shareholder group after the business combination is nearly equal, and

(c) there are no other factors that would indicate any control exerted by any shareholder group other than voting rights.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures. Goodwill, including negative goodwill, is to be systematically amortized over twenty years or less, but is also subject to an impairment test.

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received for the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separation is recognized.

Stock options

On December 27, 2005, the ASBJ issued Accounting Standard for Stock Options and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of shareholders' equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

Bonuses to directors and corporate auditors

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

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

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, 2006 and 2005, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Cash and time deposits	¥5,033,779	¥6,422,387	$43,024
Time deposits with original maturities of more than three months	(354)	(313)	(3)
Cash and cash equivalents	¥5,033,425	¥6,422,074	$43,021

Note: 4

Marketable and Investment Securities

Marketable and investment securities as of March 31, 2006 and 2005 consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Current:			
Corporate bond	¥ —	¥ 9,012	$ —
Non-current:			
Marketable equity securities	¥ 94,092	¥ 51,757	$ 804
Trust fund investments and other	260,911	261,026	2,230
Total	¥355,003	¥312,783	$3,034

The carrying amounts and aggregate fair values of marketable and investment securities classified as available-for-sale at March 31, 2006 and 2005, were as follows:

	Thousands of Yen			
	2006			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 19,390	¥74,702	¥ —	¥ 94,092
Other	124,629	25	121	124,533

	Thousands of Yen			
	2005			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 18,568	¥33,189	¥ —	¥ 51,757
Debt securities	9,000	12	—	9,012
Other	124,563	99	—	124,662

	Thousands of U.S. Dollars			
	2006			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 166	$638	$ —	$ 804
Other	1,065	0	1	1,064

Available-for-sale securities whose fair values are not readily determinable as of March 31, 2006 and 2005 were as follows:

	Carrying Amounts		
	Thousands of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Available-for-sale:			
Equity securities	¥ 10,200	¥ 10,200	$ 87
Other	126,178	126,164	1,079
Total	¥136,378	¥136,364	$1,166

Proceeds from sales of marketable and investment securities for the year ended March 31, 2006 was ¥9,000 thousand ($77 thousand). Gross realized gain on this sale computed on the moving average cost basis was ¥1 thousand ($0 thousand) for the year ended March 31, 2006.
There were no sales transaction of marketable and investment securities for the year ended March 31, 2005.

The carrying values of debt securities and trust fund investments by contractual maturities for securities classified as available-for-sale at March 31, 2006 and 2005 are as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Due in one year or less	¥ —	¥9,012	$ —
Due in one to five years	—	—	—
Due in five to ten years	9,848	9,924	84

Note: 5
Inventories

Inventories at March 31, 2006 and 2005 consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Merchandise and finished products	¥3,252,031	¥2,766,999	$27,795
Work in process	82,990	35,660	710
Raw materials and supplies	1,800,059	1,391,863	15,385
Total	¥5,135,080	¥4,194,522	$ 43,890

Note: 6
Short-term Bank Loans

Short-term bank loans at March 31, 2005 consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans were 3.2% at March 31, 2005.

Note: 7
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 liabilities for employees' retirement benefits at March 31, 2006 and 2005 consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Projected benefit obligation	¥1,638,134	¥1,472,856	$14,001
Fair value of plan assets	(1,678,700)	(1,227,051)	(14,348)
Unrecognized actuarial gains (losses)	43,915	(232,506)	375
Net liabilities	¥ 3,349	¥ 13,299	$ 28

The components of net periodic benefit costs for the years ended March 31, 2006 and 2005 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Service cost	¥104,243	¥ 95,406	$ 891
Interest cost	36,820	33,746	315
Expected return on plan assets	(30,675)	(25,547)	(262)
Amortization of transitional obligation	—	9,927	—
Recognized actuarial loss	47,894	65,732	409
Other retirement expenses	106,823	83,140	913
Net periodic benefit costs	¥265,105	¥262,404	$2,266

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, 2006 and 2005 are set forth as follows:

	2006	2005
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	2.5%
Amortization period of transitional obligation		5 years

The Company recognizes unrecognized actuarial gains or losses by the declining-balance method over ten years beginning in the year following the year in which such gains or losses incurred.

Note: 8 Stockholders' Equity

At March 31, 2006, 40.0% of the Company's outstanding shares were owned by Roland Corporation, which is principally engaged in the manufacture and sales of electronic musical instruments.

Through May 1, 2006, Japanese companies are subject to the Commercial Code of Japan (the "Code").

The Code requires that all shares of common stock be issued 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 are required to be presented 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 by way of a stock split. Such issuance of shares generally does not give rise to changes within the stockholders' accounts.

The 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 (such as bonuses to directors) shall be appropriated as a legal reserve (a component of retained earnings) until the total of such reserve and additional paid-in capital equals 25% of common stock. The amount of total legal reserve and additional paid-in capital that exceeds 25% of the common stock may be available for dividends by resolution of the stockholders after transferring such excess in accordance with the Code. 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 Code allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividend plus amounts of common stock, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of shareholders.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash outlays, the Code also imposes certain limitations on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained earnings available for dividends under the Code was ¥10,165,974 thousand ($86,888 thousand) as of March 31, 2006, based on the amount recorded in the parent company's general books of account.

Dividends are approved by the stockholders at a meeting held subsequent to the end of 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.

On October 27, 2004, the Company issued 497,000 shares by the public offering and 203,000 shares to Roland Corporation at the average price of ¥5,027 per share. Of net proceed from the public offering and the issuance to Roland

Corporation of ¥3,519,424 thousand, the Company credited to the common stock account by ¥1,735,300 thousand and credited the remaining portion to the additional paid-in capital account based on the expected issue price of ¥5,199 determined by resolution of the Board of Directors, as permitted by the Code.

On January 27, 2005, the Board of Directors resolved to make a stock split at the rate of two shares for each outstanding share for stockholders of record as of March 31, 2005. On May 20, 2005, the Company made the stock split and issued 8,900,000 shares to stockholders.

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

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.

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

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

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

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Code, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of the common stock may be made available for dividends by resolution of the shareholders. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

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

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

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

On December 9, 2005, the ASBJ published a new accounting standard for presentation of shareholders' equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of shareholders' equity. Such items include stock acquisition rights, minority interest, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

Note: 9
Income Taxes

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 39.8% for the years ended March 31, 2006 and 2005, respectively.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2006 and 2005, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Deferred tax assets:			
Intercompany profits on inventories	¥127,049	¥171,542	$1,086
Accrued enterprise taxes	46,235	85,294	395
Accrued bonuses	151,259	150,179	1,293
Long-term accrued liabilities	46,547	53,901	398
Accrued expenses	95,107	95,955	813
Tax loss carryforwards	—	54,389	—
Other	416,920	226,733	3,563
Less valuation allowance	(2,740)	(143,137)	(23)
Total	¥880,377	¥694,856	$7,525
Deferred tax liabilities:			
Retained earnings appropriated for special allowance	¥ 8,440	¥ 10,049	$ 72
Undistributed earnings of subsidiaries	208,280	144,349	1,780
Other	34,800	17,952	298
Total	¥251,520	¥172,350	$2,150
Net deferred tax assets	¥628,857	¥522,506	$5,375

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, 2006 and 2005 were as follows:

	2006	2005
Normal effective statutory tax rate	39.8%	39.8%
Expenses not deductible for income tax purposes	0.1	0.1
Per capita inhabitant tax	0.3	0.2
Extra tax deduction on expenses for research and development	(3.8)	(2.5)
Valuation allowance	(2.8)	(2.8)
Foreign tax credit	(1.3)	—
Other - net	(0.6)	0.3
Actual effective tax rate	31.7%	35.1%

Note: 10
Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2006 and 2005 were ¥1,712,893 thousand ($14,640 thousand) and ¥1,329,076 thousand, respectively.

Note: 11

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, 2006 and 2005 were ¥561 thousand ($5 thousand) and ¥1,901 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, 2006 and 2005 was as follows:

	Machinery and Equipment		
	Thousands of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Acquisition cost	¥ —	¥2,932	$ —
Accumulated depreciation	—	(2,443)	—
Net leased property	¥ —	¥ 489	$ —

Obligations under finance leases:

	Thousands of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Due within one year	¥ —	¥547	$ —

Depreciation expense and interest expense under finance leases:

	Thousands of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Depreciation expense	¥489	¥1,710	$ 4
Interest expense	14	58	0
Total	¥503	¥1,768	$ 4

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, 2006 and 2005 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Due within one year	¥ 89,909	¥ 72,974	$ 768
Due after one year	135,315	189,173	1,157
Total	¥225,224	¥262,147	$1,925

Note: 12

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, 2006 and 2005:

	Thousands of Yen					
	2006			2005		
	Contract Amount	Fair Value	Unrealized Gain	Contract Amount	Fair Value	Unrealized Gain
Foreign currency forward contracts:						
Buying Japanese yen; selling U.S. dollars	¥1,689,607	¥1,669,667	¥(19,940)	¥1,786,375	¥1,831,307	¥44,932

	Thousands of U.S. Dollars		
	2006		
	Contract Amount	Fair Value	Unrealized Gain
Foreign currency forward contracts:			
Buying Japanese yen; selling U.S. dollars	$14,441	$14,271	$(170)

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: 13

Contingent Liabilities

At March 31, 2006, the Group had the following contingent liabilities:

	Thousands of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥935,259	$ 7,994
Guarantees for bank loans of an unconsolidated subsidiary and employees	96,820	828

Note: 14

Net income per Share

The basis of the computing earnings per share ("EPS") for the years ended March 31, 2006 and 2005 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, 2006:				
EPS				
Net income available to common stockholders	¥2,971,549	17,800	¥166.94	$1.43
For the year ended March 31, 2005:				
EPS				
Net income available to common stockholders	¥2,743,100	16,998	¥161.38	

The number of the weighted average shares is adjusted retroactively for stock split made on May 20, 2005.

Note: 15

Supplementary Information to The Statement of Cash Flows

In the year ended March 31, 2006, the Company acquired a sales business in Spain from a subsidiary of Roland Corporation. The reconciliation of assets acquired and liabilities assumed in the acquisition to cash paid was as follows:

	Thousands of Yen	Thousands of U.S. Dollars
Trade accounts receivable	¥ 151,284	$ 1,294
Inventories	201,351	1,721
Other current assets	125,038	1,069
Tools, Furniture and fixtures	32,632	278
Goodwill	547,662	4,680
Assets payable - trade	(305,208)	(2,609)
Cash Paid	¥ 752,689	$ (6,433)

Note: 16

Subsequent Event

The following appropriations of retained earnings at March 31, 2006 were approved at the Company's stockholders meeting held on June 22, 2006:

	Thousands of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥20 ($0.17) per share	¥356,000	$3,043
Bonuses to directors and corporate auditors	80,000	684

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, 2006 and 2005 are summarized as follows:

	Thousands of Yen				
	2006				
	Japan	USA	Europe	Eliminations /Corporate	Consolidated
Sales to customers	¥14,553,424	¥8,997,002	¥5,317,319	¥ —	¥28,867,745
Interarea transfers	8,010,235	—	—	(8,010,235)	—
Total sales	22,563,659	8,997,002	5,317,319	(8,010,235)	28,867,745
Operating expenses	19,590,149	8,077,362	4,446,997	(8,135,768)	23,978,740
Operating income	¥ 2,973,510	¥ 919,640	¥ 870,322	¥ 125,533	¥ 4,889,005
Total assets	¥19,057,088	¥3,778,285	¥3,875,375	¥(1,953,893)	¥24,756,855

	Thousands of Yen				
	2005				
	Japan	USA	Europe	Eliminations /Corporate	Consolidated
Sales to customers	¥13,197,404	¥7,106,015	¥4,545,572	¥ —	¥24,848,991
Interarea transfers	7,438,782	—	—	(7,438,782)	—
Total sales	20,636,186	7,106,015	4,545,572	(7,438,782)	24,848,991
Operating expenses	17,116,607	6,560,290	3,759,245	(7,250,653)	20,185,489
Operating income	¥ 3,519,579	¥ 545,725	¥ 786,327	¥ (188,129)	¥ 4,663,502
Total assets	¥17,849,361	¥2,975,386	¥2,199,534	¥(1,789,752)	¥21,234,529

	Thousands of U.S. Dollars				
	2006				
	Japan	USA	Europe	Eliminations /Corporate	Consolidated
Sales to customers	$124,388	$76,898	$45,447	$ —	$246,733
Interarea transfers	68,464	—	—	(68,464)	—
Total sales	192,852	76,898	45,447	(68,464)	246,733
Operating expenses	167,437	69,038	38,008	(69,536)	204,947
Operating income	$ 25,415	$ 7,860	$ 7,439	$ 1,072	$ 41,786
Total assets	$162,881	$32,293	$33,123	$(16,700)	$211,597

(2) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2006 and 2005 are summarized as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Sales to foreign customers in:			
North America	¥ 8,526,893	¥ 6,762,865	$ 72,879
Europe	10,029,907	8,694,879	85,726
Asia	3,185,962	3,026,145	27,230
Other	3,180,896	2,367,338	27,188
Total	¥24,923,658	¥20,851,227	$213,023

Note: 18

Related Party Transactions

The material transactions and related balances between the Company and Roland Corporation or the subsidiaries of Roland Corporation for the years ended March 31, 2006 and 2005 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Proceeds from issuance of common stock:			
Roland Corporation	¥ —	¥1,055,397	$ —
Sales:			
Roland Europe S.p.A.	1,932,274	1,714,044	16,515
Roland Iberia, S.L.	—	536,093	—
Trade notes and accounts receivable:			
Roland Iberia, S.L.	—	290,584	—
Roland Europe S.p.A.	497,881	235,584	4,255

Transfer prices between the Company and subsidiaries of Roland Corporation are determined based on arm's-length transactions.

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Osaka-shi, Osaka 530-0005
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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 (the "Company") as of March 31, 2006 and 2005, 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, 2006 and 2005, 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 22, 2006

Member of
Deloitte Touche Tohmatsu

Corporate Data

COMPANY OUTLINE *(As of March 31, 2006)*

Company Name:
Roland DG Corporation

Founded:
May 1, 1981

Common Stock:
¥3,669 million

Net Sales for 2006:
¥22,564 million

Number of Employees:
335

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
Website: http://www.rolanddg.com

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

Number of Stockholders:
3,975

Stock Exchange Listing:
Tokyo

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

Independent Auditor:
Deloitte Touche Tohmatsu

Directors and Corporate Auditors:
(As of June 22, 2006)

President	Masahiro Tomioka
Executive Director	Masanori Morita
Executive Director	Hisao Omori
Managing Director	Hideyuki Kakiuchi
Director	Harumi Sakawa
Director	Kenji Murayama
Director	Masaharu Kamata
Director	Jun Ito
Director	Shuji Hotta
Director	Hidekazu Tanaka
Corporate Auditor	Jiro Sato
Corporate Auditor	Hiroshi Furukawa
Corporate Auditor	Minoru Kawashima

ROLAND GROUP NETWORK *(As of June 22, 2006)*

Japan:
Roland Corporation
BOSS Corporation
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