

Translation

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Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending December 31, 2021
(under Japanese GAAP)



November 5, 2021

Company name: Roland Corporation Listing: Tokyo Stock Exchange
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Scheduled date to file Quarterly Securities Report (*Shihanki Hokokusho*): November 9, 2021
Scheduled date to commence payment of dividends: –
Preparation of supplementary briefing material on quarterly financial results: Yes
Holding of quarterly financial results briefing: Yes (for institutional investors and securities analysts)

(Note) Amounts less than one million yen have been omitted.

1. Consolidated financial results for the third quarter of the fiscal year ending December 31, 2021 (from January 1 to September 30, 2021)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended September 30, 2021	60,668	31.0	9,664	77.8	8,936	85.5	7,741	132.4
September 30, 2020	46,321	4.9	5,435	60.1	4,816	67.0	3,331	194.0

Note: Comprehensive income

For the nine months ended September 30, 2021: ¥9,256 million [261.0%]

For the nine months ended September 30, 2020: ¥2,563 million [953.1%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2021	282.25	276.15
September 30, 2020	124.06	–

Notes: 1. As the Company conducted a 30-for-1 common stock split effective on September 14, 2020, both basic and diluted earnings per share were calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended December 31, 2020.

2. Diluted earnings per share for the nine months ended September 30, 2020 is not stated because the Company's stock was not listed and thus the average stock price was not available during that period.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2021	51,028	26,542	51.5
December 31, 2020	46,096	20,151	43.1

Reference: Equity (Shareholders' equity + Accumulated other comprehensive income)

As of September 30, 2021: ¥26,273 million As of December 31, 2020: ¥19,853 million

2. Dividends

	Annual dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2020	–	1,080.00	–	36.00	–
Fiscal year ending December 31, 2021	–	69.00	–	–	–
Fiscal year ending December 31, 2021 (forecast)	–	–	–	69.00	138.00

Note: 1. Revisions from the most recently announced dividends forecast: None

2. While the Company conducted a 30-for-1 common stock split effective on September 14, 2020, the dividends per share for the second quarter-end of the fiscal year ended December 31, 2020 is a figure before the stock split. The annual dividend per share for the fiscal year ended December 31, 2020 is not presented because the figures for the second quarter-end and the fiscal year-end cannot be simply added up due to the stock split. If the effect of the stock split is taken into account, the dividend per share for the second quarter-end of the fiscal year ended December 31, 2020 will be 36 yen, resulting in the annual dividend per share of 72 yen.

3. Forecast of consolidated financial results for the fiscal year ending December 31, 2021 (from January 1 to December 31, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Fiscal year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	78,800	23.0	10,800	51.8	10,100	60.9	8,300	92.9	302.30

Note: Revisions from the most recently announced forecast of consolidated financial results: Yes

- * For the details, please refer to the press release titled “Notice of Revisions of Financial Result Forecasts ” announced today (on November 5, 2021).

[Notes]

- (1) Changes in significant subsidiaries during the current period (Changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements
 - 1) Changes in accounting policies due to application of new or revised accounting standards: None
 - 2) Changes in accounting policies due to reasons other than above 1): None
 - 3) Changes in accounting estimates: None
 - 4) Restatements of prior period financial statements: None
- (4) Number of shares of common stock issued
 - 1) Number of shares issued (including treasury shares)

As of September 30, 2021:	27,970,534 shares
As of December 31, 2020:	27,581,366 shares
 - 2) Number of treasury shares

As of September 30, 2021:	432,253 shares
As of December 31, 2020:	418,810 shares
 - 3) Average number of shares of common stock during the period (cumulative from the beginning of the fiscal year)

Nine months ended September 30, 2021:	27,428,203 shares
Nine months ended September 30, 2020:	26,852,820 shares

Notes: 1. As the Company conducted a 30-for-1 common stock split effective on September 14, 2020, the “Average number of shares of common stock during the period (cumulative from the beginning of the fiscal year)” was calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended December 31, 2020.

2. The aggregate number of shares of the Company held by the Board Benefit Trust, Employee Stock Ownership Plan Trust and Employee Shareholding Association-type ESOP Trust was included in the number of treasury shares, which was to be deducted from the calculation of the average number of shares of common stock during the period. It is noted that the average numbers of shares of common stock held by these trusts after the stock split during the nine months ended September 30, 2020 and 2021 were 491,010 shares and 431,632 shares, respectively.

* This quarterly financial results report is not subject to quarterly review procedures by certified public accountants or an audit firm.

* [Proper use of earning forecasts, and other special notes]

(Disclaimer with respect to earnings and other forecasts)

- The forward-looking statements including earnings forecast contained in this document are based on information currently available and certain assumptions that are believed to be reasonable. Accordingly, please be advised that the Company does not guarantee the achievement of the forecasts and the actual results may differ from the results described in this forward-looking statements due to a variety of factors. For further information on the forecast of consolidated financial results, please refer to “Explanation of forward-looking information including consolidated earnings forecast” on page 4 of the Attached Materials.
- The Company will hold a quarterly financial results briefing for institutional investors and securities analysts on Monday, November 8, 2021. Materials used at the quarterly financial results briefing will be posted on the Company’s website.

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1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Explanation of consolidated operating results

During the nine months ended September 30, 2021, the global economic environment surrounding the Group remained unstable along with the difficulty in foreseeing when the COVID-19 pandemic is ending. This was due in part to the occurrence of variants and breakthrough infections, which resulted in the rebound of COVID-19 cases, despite the progress in vaccination campaigns.

The electronic musical instruments business continued to enjoy firm demand especially from customers taking up a challenge to start playing musical instruments or those who resume musical performance, both hoping to enjoy themselves, as a new lifestyle brought by COVID-19 has become normal. The major attraction of electronic musical instruments is that people can enjoy playing them alone or with others whenever and wherever they want.

However, on the supply side, Malaysia, where our main factory is located, experienced a worsening outbreak of COVID-19 from the latter half of the second quarter to the latter half of the third quarter of the current fiscal year. Accordingly, in accordance with the instructions of the Malaysian government and authorities, our Malaysia factory operation was restricted and suspended. To ensure an early resumption of supplying, the Company proactively promoted COVID-19 vaccination and antigen test for employees and resumed a normal operation in the first half of September 2021. Despite such efforts, the production decreased in the third quarter of the current fiscal year due to the restriction of operations. Also, on the logistics side, the global logistics delays caused by, for example, U.S. port congestion, led to extended lead times. Meanwhile, order backlog increased significantly against the backdrop of strong demand and restricted supply.

As a result of the above, during the nine months ended September 30, 2021, net sales stood at ¥60,668 million (up 31.0% year on year) with operating profit of ¥9,664 million (up 77.8% year on year), ordinary profit of ¥8,936 million (up 85.5% year on year), and profit attributable to owners of parent of ¥7,741 million (up 132.4% year on year).

Sales performance by mainstay category is as shown below:

[Keyboards]

Among the mainstay categories, sales of electronic pianos remained strong, driven by brisk demand from people staying home for longer hours in the wake of the COVID-19 pandemic. Sales of new portable piano series and new space-saving models went well, and the order backlog also grew. Sales of medium- to high-end products at retail stores also recovered as more stores resumed normal business operations compared to the same period of the previous fiscal year.

As a result of the above, net sales from the Keyboards category amounted to ¥18,584 million (up 46.1% year on year).

[Percussion and Wind Instruments]

Among the mainstay categories, sales of electronic drums, especially the V-Drums Acoustic Design series launched in the previous fiscal year, remained strong, and sales soared in all regions.

Sales of electronic wind instruments remained very firm, especially the highest model of Aerophone launched in the fourth quarter of the previous fiscal year and the region limited model released in the current fiscal year went very well. The significant sales growth was also driven by the upswing of the entire electronic wind instruments market.

As a result of the above, net sales from the Percussion and Wind Instruments category amounted to ¥14,524 million (up 41.7% year on year).

[Guitar-related Products]

Among the mainstay categories, sales of guitar effects soared, backed especially by strong sales of new product families launched in the previous fiscal year and other products such as the anniversary versions of compact effects released in the current fiscal year, despite supply shortages.

Sales of musical instruments amplifiers, especially the KATANA amplifier series increased mainly in Europe and North America. Also, in addition to products intended for outdoor use, sales of amplifiers for keyboards and electronic drums performed very well.

As a result of the above, net sales from the Guitar-related Products category amounted to ¥14,782 million (up 19.9% year on year).

[Creation-related Products & Services]

Among the mainstay categories, sales of synthesizers performed very strongly, driven by increased demand for electronic pianos from people staying home for longer hours amid the COVID-19 pandemic and the return of live performance demand accompanying the recovery in performance opportunities. Not only synthesizers equipped with 88 keys like electronic pianos but also stage pianos contributed to sales growth.

Sales of dance and DJ-related products also soared, driven by strong sales of new product families launched in the previous and current fiscal years on the back of increased interest in music production among people staying home during the COVID-19 pandemic.

In the software and service domain, through Roland Cloud where software sound source could be obtained at a fixed membership fee, new versions of software sound source were released in addition to the upgrade software which enables existing electronic drum products to expand their functions. The software editors for Roland's hardware were also offered through the platform.

As a result of the above, net sales from the Creation-related Products & Services category amounted to ¥7,706 million (up 24.8% year on year).

[Video and Professional Audio]

Among the mainstay categories, sales of video related products plateaued as a result of diminishing video distribution demand from individuals staying home for longer hours in the wake of COVID-19 pandemic and intensifying competition with products of other companies.

Sales of professional audio related products remained sluggish due to the lack of recovery in capital investment demand under the influence of preventive measures against the spread of COVID-19.

As a result of the above, net sales from the Video and Professional Audio category amounted to ¥3,127 million (down 2.7% year on year).

(2) Explanation of consolidated financial position

(i) Assets, liabilities and net assets as of September 30, 2021

Total assets at the end of the third quarter of the current fiscal year on a consolidated basis increased by ¥4,931 million from the end of the previous fiscal year to ¥51,028 million. This is attributable primarily to increases in trade receivables of ¥2,400 million and inventories of ¥4,213 million, which were partially offset by a decrease in cash and deposits of ¥2,044 million. The position of cash and deposits is described in detail in the next section.

Liabilities decreased by ¥1,459 million from the end of the previous fiscal year to ¥24,486 million. This is mainly owing to decreases in borrowings of ¥2,448 million and provision for loss on competition law of ¥562 million, which were partially offset by an increase in trade payables of ¥1,595 million.

Net assets increased by ¥6,391 million from the end of the previous fiscal year to ¥26,542 million. This is mainly owing to recording of profit attributable to owners of parent of ¥7,741 million and an increase in foreign currency translation adjustment of ¥1,325 million resulting from a further depreciation of yen against major currencies, which were partially offset by dividends from retained earnings of ¥2,922 million.

As a result of the above, the equity ratio rose 8.4 percentage points from the end of the previous fiscal year to 51.5%.

(ii) Cash flows for the nine months ended September 30, 2021

During the nine months ended September 30, 2021, cash and cash equivalents ("net cash") decreased by ¥2,044 million from the end of the previous fiscal year to ¥8,787 million.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥4,207 million (down ¥1,197 million in the inflow year on year), which is mainly owing to the contribution of profit before income taxes.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥545 million (down ¥196 million in the outflow year on year), which is mainly as a result of payment for purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥5,535 million (up ¥2,031 million in the outflow year on year), which is mainly due to repayments of borrowings and payments of dividends.

(3) Explanation of forward-looking information including consolidated earnings forecast

We have revised the consolidated earnings forecast announced on May 7, 2021 in view of the recent trends of our business performance. For the details, please refer to the "Notice of Revisions of Financial Result Forecasts" released today (on November 5, 2021).

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

	(Millions of yen)	
	Previous fiscal year (As of December 31, 2020)	Current quarter (As of September 30, 2021)
Assets		
Current assets:		
Cash and deposits	10,832	8,787
Notes and accounts receivable – trade	5,930	8,331
Merchandise and finished goods	13,622	13,516
Work in process	889	1,576
Raw materials and supplies	3,563	7,196
Other	1,558	1,425
Allowance for doubtful accounts	(338)	(356)
Total current assets	36,058	40,476
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	2,717	2,542
Land	1,652	1,656
Other, net	1,391	1,759
Total property, plant and equipment	5,761	5,957
Intangible assets	759	668
Investments and other assets:		
Investment securities	949	1,141
Other	2,677	2,882
Allowance for doubtful accounts	(110)	(98)
Total investments and other assets	3,517	3,925
Total non-current assets	10,038	10,552
Total assets	46,096	51,028

	(Millions of yen)	
	Previous fiscal year (As of December 31, 2020)	Current quarter (As of September 30, 2021)
Liabilities		
Current liabilities:		
Notes and accounts payable – trade	5,228	6,824
Short-term borrowings	138	—
Current portion of long-term borrowings	3,935	1,252
Income taxes payable	467	603
Provision for bonuses	1,441	942
Provision for bonuses for directors (and other officers)	84	58
Provision for product warranties	294	356
Provision for loss on competition law	562	—
Other	4,826	5,312
Total current liabilities	16,979	15,349
Non-current liabilities:		
Long-term borrowings	5,762	6,135
Provision for product warranties	0	0
Provision for share-based remuneration	217	247
Provision for share-based remuneration for directors (and other officers)	25	49
Retirement benefit liability	1,482	1,426
Asset retirement obligations	85	86
Other	1,391	1,191
Total non-current liabilities	8,965	9,136
Total liabilities	25,945	24,486
Net assets		
Shareholders' equity:		
Share capital	9,490	9,585
Capital surplus	69	163
Retained earnings	13,230	18,049
Treasury shares	(403)	(492)
Total shareholders' equity	22,386	27,306
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	(51)	80
Foreign currency translation adjustment	(2,203)	(877)
Remeasurements of defined benefit plans	(278)	(235)
Total accumulated other comprehensive income	(2,533)	(1,032)
Share acquisition rights	158	115
Non-controlling interests	139	153
Total net assets	20,151	26,542
Total liabilities and net assets	46,096	51,028

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

Quarterly consolidated statements of income

(Millions of yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Net sales	46,321	60,668
Cost of sales	23,888	32,538
Gross profit	22,432	28,130
Selling, general and administrative expenses	16,996	18,465
Operating profit	5,435	9,664
Non-operating income:		
Interest income	7	7
Dividend income	21	86
Subsidy income	90	51
Other	18	13
Total non-operating income	137	159
Non-operating expenses:		
Interest expenses	26	18
Sales discounts	357	589
Foreign exchange losses	270	185
Other	101	93
Total non-operating expenses	756	887
Ordinary profit	4,816	8,936
Extraordinary income:		
Gain on sales of non-current assets	123	374
Total extraordinary income	123	374
Extraordinary losses:		
Loss on sales and retirement of non-current assets	20	6
Loss on competition law	343	149
Loss related to COVID-19	183	—
Total extraordinary losses	547	156
Profit before income taxes	4,392	9,154
Income taxes – current	1,145	1,963
Income taxes – deferred	(86)	(551)
Total income taxes	1,059	1,411
Profit	3,333	7,743
Profit attributable to non-controlling interests	2	1
Profit attributable to owners of parent	3,331	7,741

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Profit	3,333	7,743
Other comprehensive income:		
Valuation difference on available-for-sale securities	(105)	131
Foreign currency translation adjustment	(730)	1,338
Remeasurements of defined benefit plans, net of tax	66	43
Total other comprehensive income	(769)	1,513
Comprehensive income	2,563	9,256
Comprehensive income attributable to:		
Owners of parent	2,562	9,242
Non-controlling interests	1	14

(3) Quarterly consolidated statements of cash flows

	(Millions of yen)	
	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Cash flows from operating activities:		
Profit before income taxes	4,392	9,154
Depreciation	1,167	1,194
Amortization of goodwill	3	3
Increase (decrease) in retirement benefit liability	55	1
Interest and dividend income	(28)	(94)
Interest expenses	26	18
Foreign exchange losses (gains)	183	137
Loss (gain) on sales and retirement of non-current assets	(102)	(367)
Decrease (increase) in trade receivables	(166)	(1,415)
Decrease (increase) in inventories	(1,244)	(3,025)
Increase (decrease) in trade payables	1,650	684
Other, net	578	(71)
Subtotal	6,516	6,221
Interest and dividends received	28	94
Interest paid	(27)	(18)
Income taxes paid	(1,113)	(2,090)
Net cash provided by (used in) operating activities	5,405	4,207
Cash flows from investing activities:		
Purchase of property, plant and equipment	(833)	(1,001)
Proceeds from sales of property, plant and equipment	142	555
Purchase of intangible assets	(137)	(73)
Long-term loan advances	(5)	—
Collection of long-term loans receivable	35	26
Other, net	56	(53)
Net cash provided by (used in) investing activities	(742)	(545)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(2,988)	(143)
Proceeds from long-term borrowings	6,200	1,500
Repayments of long-term borrowings	(4,261)	(3,810)
Proceeds from issuance of shares	—	145
Proceeds from sales of treasury shares	—	93
Purchase of treasury shares	—	(121)
Dividends paid	(2,203)	(2,903)
Other, net	(250)	(295)
Net cash provided by (used in) financing activities	(3,504)	(5,535)
Effect of exchange rate change on cash and cash equivalents	(540)	(171)
Net increase (decrease) in cash and cash equivalents	617	(2,044)
Cash and cash equivalents at beginning of period	8,815	10,832
Cash and cash equivalents at end of period	9,432	8,787

(4) Notes to quarterly consolidated financial statements

(Going concern assumption)

Not applicable.

(Significant changes in shareholders' equity)

Not applicable.