

Translation

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Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending December 31, 2022
(under Japanese GAAP)



May 11, 2022

Company name: Roland Corporation Listing: Tokyo Stock Exchange
 Security code: 7944 URL: <https://www.roland.com/global/>
 Representative: Gordon Raison, CEO and Representative Director
 Contact: Shunsuke Sugiura, CFO and Director
 Phone: +81-53-523-0230
 Scheduled date to file Quarterly Securities Report (*Shihanki Hokokusho*): May 12, 2022
 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 first quarter of the fiscal year ending December 31, 2022 (from January 1 to March 31, 2022)
 (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	%
Three months ended March 31, 2022	20,978	–	2,567	–	2,601	(40.5)	1,912	(44.1)
March 31, 2021	22,355	56.5	4,610	321.2	4,369	402.6	3,423	423.3

Note: Comprehensive income

For the three months ended March 31, 2022: ¥3,707 million [(18.8)%]

For the three months ended March 31, 2021: ¥4,564 million [– %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2022	69.42	68.29
March 31, 2021	125.42	122.16

Notes: The Company has applied the *Accounting Standard for Revenue Recognition* (ASBJ Statement No. 29, March 31, 2020) from the beginning of the fiscal year ending December 31, 2022. Net sales and Operating profit of the previous fiscal year do not reflect this standard. Accordingly, year-on-year changes for net sales and operating profit against the first quarter of the previous fiscal year are not presented.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2022	57,390	29,829	51.5
December 31, 2021	52,807	28,656	53.7

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

As of March 31, 2022: ¥29,553 million

As of December 31, 2021: ¥28,380 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, 2021	–	69.00	–	69.00	138.00
Fiscal year ending December 31, 2022	–				
Fiscal year ending December 31, 2022 (forecast)		78.00	–	78.00	156.00

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

3. Forecast of consolidated financial results for the fiscal year ending December 31, 2022 (from January 1 to December 31, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First six months	40,600	—	4,600	—	4,700	(37.0)	3,500	(43.4)	127.38
Fiscal year	85,000	—	11,600	—	11,700	15.8	8,700	1.3	316.75

Note: 1. Revisions from the most recently announced forecast of consolidated financial results: None

2. The Company has applied the *Accounting Standard for Revenue Recognition* (ASBJ Statement No. 29, March 31, 2020) from the beginning of the fiscal year ending December 31, 2022. The forecast of consolidated financial results above is based on the said accounting standard. Accordingly, year-on-year changes for net sales and operating profit against fiscal year ended December 31, 2021 are not presented. The forecasts of net sales and operating profit for the fiscal year ending December 31, 2022 calculated in line with the same standard as was used in the fiscal year ended December 31, 2021 are as follows:

	Net sales		Operating profit	
First six months	¥41,000 million	(4.7)%	¥5,000 million	(36.3)%
Fiscal year	¥85,800 million	7.2 %	¥12,400 million	11.8 %

[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 the application of new or revised accounting standards: Yes
 - 2) Changes in accounting policies due to reasons other than the 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 March 31, 2022: 28,034,702 shares
 - As of December 31, 2021: 27,970,534 shares
 - 2) Number of treasury shares
 - As of March 31, 2022: 565,641 shares
 - As of December 31, 2021: 421,931 shares
 - 3) Average number of shares of common stock during the period (cumulative from the beginning of the fiscal year)
 - Three months ended March 31, 2022: 27,550,994 shares
 - Three months ended March 31, 2021: 27,292,689 shares

Notes: 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 during the three months ended March 31, 2021 and 2022 were 417,042 shares and 416,671 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 earnings forecasts, and other special notes]

(Disclaimer with respect to earnings and other forecasts)

- The forward-looking statements including the 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 3 of the Attached Materials.
- The Company will hold a quarterly financial results briefing for institutional investors and securities analysts on Thursday, May 12, 2022. 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

The Company has applied *Accounting Standard for Revenue Recognition* (ASBJ Statement No. 29 of March 31, 2020; hereinafter, the “Accounting Standard for Revenue Recognition”) since the beginning of the fiscal year ending December 31, 2022.

Under the *Accounting Standard for Revenue Recognition*, sales discounts, which were previously recognized in non-operating expenses, have been reclassified as deductions from net sales. With this change in our accounting standard, net sales and operating profit have declined, whereas ordinary profit, profit attributable to owners of parent, and cash flows have remained unaffected.

Figures for the three months ended March 31, 2022 (hereinafter, the “period under review”) as referred to in “Explanation of consolidated operating results” represent the results after the application of the *Accounting Standard for Revenue Recognition*. Therefore, direct year-on-year comparisons of these figures are not shown. Instead, to help you better understand the operating performance for the period under review, year-on-year after adjustment are shown, which are percentages calculated based on the assumption that the results for the period under review had been measured by the same accounting standard as used in the fiscal year ended December 31, 2021.

(1) Explanation of consolidated operating results

During the period under review, the global economic environment surrounding the Group remained uncertain as it was difficult to predict when the COVID-19 pandemic would subside. Continuous emergences of coronavirus variants led to repetitive expansions of infections, despite the progress of vaccine rollouts. In addition to the cost-increasing elements such as raw material costs and ocean transportation costs, highly volatile business environment persisted in the wake of Russia’s aggression in Ukraine followed by worldwide economic sanctions imposed on Russia.

Meanwhile, the environment surrounding of the electronic musical instruments business was favorable, as the demand for this segment remained strong backed by a new lifestyle which has become normal. On the supply side, the overall factory utilization for the segment made a steady recovery, and the order backlog turned downward with the recovery of output, while the supply of raw materials remained tight. Further, the Group continued efforts to optimize the prices of its products and minimize the impact of raw materials prices and sea transportation costs which have remained high.

As a result of the above, during the period under review, the Group recorded decreases in both net sales and profits, with net sales of ¥20,978 million (down 5.3% year on year after adjustment), operating profit of ¥2,567 million (down 40.0% year on year after adjustment), ordinary profit of ¥2,601 million (down 40.5% year on year), and profit attributable to owners of parent of ¥1,912 million (down 44.1% year on year). This is attributable to a one-time factor that temporarily pushed up net sales (by approximately ¥2 billion) during the three months ended March 31, 2021—a factor associated with the inventory policy implemented at the end of the fiscal year ended December 31, 2020. Both net sales and profits for the period under review have increased compared with the fourth quarter of the previous fiscal year.

Sales performance by mainstay category is as shown below:

[Keyboards] Net sales: ¥6,553 million (down 4.5% year on year after adjustment)

Among the mainstay categories, electronic pianos remained in strong demand, driven by brisk demand from people staying home for longer hours. However, the supply of electric pianos continued to fall short of demand because of a chronic supply shortage of raw materials. Sales of low-end pianos were somewhat affected by the short supply. On the other hand, sales of high-end and grand pianos hovered largely as expected due to an improved product supply.

[Percussion and Wind Instruments] Net sales: ¥4,893 million (down 2.3% year on year after adjustment)

Among the mainstay categories, while the electronic drum market was somewhat tepid, sales of high-end electronic drums, including the model with a flagship sound module launched in the previous fiscal year, remained strong.

Sales of electronic wind instruments, especially the mid- to high-end products, such as the standard model of the Aerophone Series released in the first quarter of the current fiscal year, went strong.

[Guitar-related Products] Net sales: ¥5,065 million (down 8.4% year on year after adjustment)

Among the mainstay categories, sales of guitar effects were constrained by the short supply of compact effecters. However, Loop Station Series released in the previous fiscal year and multi-effects released in the current fiscal year performed strongly, contributing

to overall sales of guitar effects.

Sales of musical instrument amplifiers hovered as expected, although the short supply of products persisted especially for the KATANA amplifier series which have continued to enjoy brisk demand from customers.

[Creation-related Products & Services] Net sales: ¥2,758 million (down 1.7% year on year after adjustment)

Among the mainstay categories, sales of synthesizers remained firm, backed by strong sales of compact stage pianos, and lightweight new synthesizers with advanced functions released in the current fiscal year.

Sales of dance and DJ-related products also remained brisk, driven by strong sales of the latest model of the long-selling Sampler Series which was released in the fourth quarter of the previous fiscal year.

In the software and service domain, through Roland Cloud where software sound sources are offered at a fixed membership fee, the Group released additional sound sources that extend the functions of our existing synthesizers.

[Video and Professional Audio] Net sales: ¥1,066 million (down 15.6% year on year after adjustment)

Among the mainstay categories, sales of video related products in a higher price range remained strong as the demand for events was largely on a recovery track in each country, although the video distribution demand from individuals staying home plateaued.

(2) Explanation of consolidated financial position

(i) Assets, liabilities and net assets as of March 31, 2022

Total assets at the end of the period under review on a consolidated basis increased by ¥4,583 million from the end of the previous fiscal year to ¥57,390 million. This is attributable primarily to increases in trade receivables of ¥2,429 million and inventories of ¥2,407 million.

Liabilities increased by ¥3,410 million from the end of the previous fiscal year to ¥27,561 million. This is attributable primarily to an increase in borrowings of ¥3,687 million.

Net assets increased by ¥1,173 million from the end of the previous fiscal year to ¥29,829 million. This is attributable mainly to the recording of profit attributable to owners of parent of ¥1,912 million and an increase in foreign currency translation adjustment of ¥1,821 million due to the continued depreciation of yen against major currencies, which were partially offset by a ¥628 million increase in treasury shares, which is a deduction item from net asset, reflecting purchases of treasury shares, and a decrease in retained earnings of ¥1,929 million due to payments of dividends.

As a result of the above, the equity ratio fell 2.2 percentage points from the end of the previous fiscal year to 51.5%.

(ii) Cash flows for the three months ended March 31, 2022

During the period under review, cash and cash equivalents (“net cash”) decreased by ¥223 million (an increase of ¥1,426 million for the same period of the previous fiscal year) to ¥8,557 million at the end of the period.

Cash flows from operating activities

Net cash used in operating activities amounted to ¥1,128 million (¥2,411 million provided for the same period of the previous fiscal year), which is attributable primarily to increased working capital.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥252 million (¥88 million provided for the same period of the previous fiscal year), which is attributable primarily to purchasing property, plant and equipment.

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥1,101 million (¥1,199 million used for the same period of the previous fiscal year), which is attributable primarily to an increase in short-term borrowings, which was partially offset by payments of dividends.

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

There is no change in the consolidated financial result forecasts for the current fiscal year, which was announced on February 10, 2022. If there are any changes in the future, we will disclose them in an appropriate manner.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

	(Millions of yen)	
	Previous fiscal year (As of December 31, 2021)	Current quarter (As of March 31, 2022)
Assets		
Current assets:		
Cash and deposits	8,781	8,557
Notes and accounts receivable – trade	7,444	9,874
Merchandise and finished goods	15,508	17,462
Work in process	1,715	1,391
Raw materials and supplies	8,016	8,794
Other	1,470	1,429
Allowance for doubtful accounts	(313)	(309)
Total current assets	42,623	47,201
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	2,421	2,424
Land	1,626	1,646
Other, net	1,808	1,930
Total property, plant and equipment	5,857	6,000
Intangible assets	632	602
Investments and other assets:		
Investment securities	1,245	1,197
Other	2,549	2,514
Allowance for doubtful accounts	(101)	(124)
Total investments and other assets	3,693	3,586
Total non-current assets	10,183	10,189
Total assets	52,807	57,390

	(Millions of yen)	
	Previous fiscal year (As of December 31, 2021)	Current quarter (As of March 31, 2022)
Liabilities		
Current liabilities:		
Notes and accounts payable – trade	6,391	6,755
Short-term borrowings	–	4,000
Current portion of long-term borrowings	1,252	1,252
Income taxes payable	360	250
Provision for bonuses	1,662	545
Provision for bonuses for directors (and other officers)	78	4
Provision for product warranties	373	400
Other	5,915	6,532
Total current liabilities	16,033	19,741
Non-current liabilities:		
Long-term borrowings	5,822	5,509
Provision for product warranties	1	1
Provision for share awards	262	265
Provision for share awards for directors (and other officers)	58	62
Retirement benefit liability	725	714
Asset retirement obligations	86	87
Other	1,160	1,179
Total non-current liabilities	8,117	7,819
Total liabilities	24,150	27,561
Net assets		
Shareholders' equity:		
Share capital	9,585	9,603
Capital surplus	163	182
Retained earnings	18,894	18,876
Treasury shares	(482)	(1,111)
Total shareholders' equity	28,161	27,552
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	140	113
Foreign currency translation adjustment	(178)	1,642
Remeasurements of defined benefit plans	258	244
Total accumulated other comprehensive income	219	2,001
Share acquisition rights	115	102
Non-controlling interests	161	174
Total net assets	28,656	29,829
Total liabilities and net assets	52,807	57,390

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

Quarterly consolidated statements of income

(Millions of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Net sales	22,355	20,978
Cost of sales	11,863	12,169
Gross profit	10,491	8,808
Selling, general and administrative expenses	5,881	6,240
Operating profit	4,610	2,567
Non-operating income:		
Interest income	2	2
Dividend income	1	7
Foreign exchange gains	—	29
Other	5	2
Total non-operating income	8	42
Non-operating expenses:		
Interest expenses	6	5
Sales discounts	178	—
Foreign exchange losses	36	—
Other	26	3
Total non-operating expenses	249	8
Ordinary profit	4,369	2,601
Extraordinary income:		
Gain on sales of non-current assets	262	0
Total extraordinary income	262	0
Extraordinary losses:		
Loss on sales and retirement of non-current assets	0	1
Loss on competition law	149	—
Total extraordinary losses	150	1
Profit before income taxes	4,481	2,599
Income taxes – current	885	524
Income taxes – deferred	171	160
Total income taxes	1,056	684
Profit	3,425	1,914
Profit attributable to non-controlling interests	2	2
Profit attributable to owners of parent	3,423	1,912

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Profit	3,425	1,914
Other comprehensive income:		
Valuation difference on available-for-sale securities	(1)	(26)
Foreign currency translation adjustment	1,126	1,832
Remeasurements of defined benefit plans, net of tax	14	(13)
Total other comprehensive income	1,139	1,793
Comprehensive income	4,564	3,707
Comprehensive income attributable to:		
Owners of parent	4,554	3,694
Non-controlling interests	10	13

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Cash flows from operating activities:		
Profit before income taxes	4,481	2,599
Depreciation	393	390
Amortization of goodwill	1	1
Increase (decrease) in retirement benefit liability	3	(38)
Interest and dividend income	(3)	(9)
Interest expenses	6	5
Foreign exchange losses (gains)	(176)	(31)
Loss (gain) on sale and retirement of non-current assets	(261)	1
Decrease (increase) in trade receivables	(1,657)	(1,370)
Decrease (increase) in inventories	319	(718)
Increase (decrease) in trade payables	(347)	(702)
Other, net	205	(767)
Subtotal	2,964	(641)
Interest and dividends received	8	9
Interest paid	(6)	(5)
Income taxes paid	(554)	(491)
Net cash provided by (used in) operating activities	2,411	(1,128)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(198)	(273)
Proceeds from sale of property, plant and equipment	298	0
Purchase of intangible assets	(16)	(13)
Proceeds from collection of long-term loans receivable	9	2
Other, net	(4)	32
Net cash provided by (used in) investing activities	88	(252)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(8)	4,000
Repayments of long-term borrowings	(250)	(313)
Proceeds from issuance of shares	96	23
Proceeds from sale of treasury shares	32	52
Purchase of treasury shares	(0)	(646)
Dividends paid	(976)	(1,911)
Other, net	(94)	(103)
Net cash provided by (used in) financing activities	(1,199)	1,101
Effect of exchange rate change on cash and cash equivalents	126	55
Net increase (decrease) in cash and cash equivalents	1,426	(223)
Cash and cash equivalents at beginning of period	10,832	8,781
Cash and cash equivalents at end of period	12,259	8,557

(4) Notes to quarterly consolidated financial statements

(Going concern assumption)

Not applicable

(Significant changes in shareholders' equity)

The Company repurchased 163,000 treasury shares during the period under review based on the resolution passed at the Board of Directors meeting held on February 10, 2022. As a result, its treasury shares increased by ¥646 million to ¥1,111 million as of the end of the period under review.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition)

The Company has applied the *Accounting Standard for Revenue Recognition* since the beginning of the fiscal year ending December 31, 2022. Under the new standard, we recognize revenue upon the transfer of control of promised goods or services in an amount that reflects the amount which we expect to receive in exchange for such goods or services. Under the new standard, sales discounts, which were previously recognized in non-operating expenses, have been deducted from net sales.

While the Company applies the *Accounting Standard for Revenue Recognition* in accordance with the transitional treatment prescribed in the provision of paragraph 84 of the standard, the application had no impact on our retained earnings at the beginning of the fiscal year ending December 31, 2022.

As a result, during the period under review, net sales, gross profit, and operating profit each decreased by ¥199 million, but these decreases had no impact on ordinary profit and profit before income taxes since non-operating expenses also decreased by ¥199 million. In addition, consolidated financial statements for past periods have not been reclassified using the new presentation method, in accordance with the transitional treatment prescribed in paragraph 89-2 of the *Accounting Standard for Revenue Recognition*.

(Application of Accounting Standard for Fair Value Measurement)

The Company has applied the *Accounting Standard for Fair Value Measurement* (ASBJ Statement No. 30, July 4, 2019; hereinafter, the "Accounting Standard for Fair Value Measurement") since the beginning of the fiscal year ending December 31, 2022. In accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the *Accounting Standard for Financial Instruments* (ASBJ No. 10, July 4, 2019), the company will prospectively apply the new accounting policies prescribed by the *Accounting Standard for Fair Value Measurement*. The above, however, does not affect our quarterly consolidated financial statements.