

Translation

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



November 9, 2022

Company name: Roland Corporation Listing: Tokyo Stock Exchange
Security code: 7944 URL: <https://www.roland.com/global/>
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Scheduled date to file Quarterly Securities Report (*Shihanki Hokokusho*): November 10, 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 third quarter of the fiscal year ending December 31, 2022 (from January 1 to September 30, 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 | % |
| Nine months ended September 30, 2022 | 64,622 | — | 6,288 | — | 5,872 | (34.3) | 5,075 | (34.4) |
| September 30, 2021 | 60,668 | 31.0 | 9,664 | 77.8 | 8,936 | 85.5 | 7,741 | 132.4 |

Note: Comprehensive income

For the nine months ended September 30, 2022: ¥9,716 million [5.0%]

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

| | Basic earnings per share | Diluted earnings per share |
|--------------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Nine months ended September 30, 2022 | 185.43 | 182.54 |
| September 30, 2021 | 282.25 | 276.15 |

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 nine months ended September 30, 2021 are not presented.

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|--------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of September 30, 2022 | 68,594 | 32,387 | 46.8 |
| December 31, 2021 | 52,807 | 28,656 | 53.7 |

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

As of September 30, 2022: ¥32,102 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 | — | 78.00 | — | | |
| Fiscal year ending December 31, 2022 (forecast) | | | | 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 |
|-------------|---------------------------|--------|---------------------------|--------|---------------------------|-----------|---|-----------|--------------------------|
| Fiscal year | Millions of yen 92,400 | % — | Millions of yen 12,400 | % — | Millions of yen 12,500 | % 23.7 | Millions of yen 9,800 | % 14.1 | Yen 357.58 |

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 the 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 | |
|-------------|-----------------|-------|------------------|--------|
| Fiscal year | ¥93,300 million | 16.6% | ¥13,300 million | 19.9 % |

[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 September 30, 2022: | 28,066,786 shares |
| As of December 31, 2021: | 27,970,534 shares |
 - 2) Number of treasury shares

| | |
|---------------------------|----------------|
| As of September 30, 2022: | 839,802 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)

| | |
|---------------------------------------|-------------------|
| Nine months ended September 30, 2022: | 27,370,986 shares |
| Nine months ended September 30, 2021: | 27,428,203 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 nine months ended September 30, 2021 and 2022 were 431,632 shares and 393,843 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 4 of the Attached Materials.
- The Company will hold a quarterly financial results briefing for institutional investors and securities analysts on Thursday, November 10, 2022. Materials used at the quarterly financial results briefing will be posted on the Company's website.

Contents of Attached Materials

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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 decline, whereas ordinary profit, profit attributable to owners of parent, and cash flows remain unaffected.

Figures for the nine months ended September 30, 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*. For this reason, 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 comparisons 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, while new COVID-19 cases were contained to some extent and social and economic activities got back on a recovery track, the Group forced to face some downside risks, such as the prolonged Russia-Ukraine conflict, global inflation and drastic changes in exchange rate and interest rates. Signs of economic downturn were noticeable especially in the third quarter and later of the current fiscal year. Market conditions remained highly uncertain particularly in China, as the recovery from the lockdown in Shanghai was relatively tepid.

In the electronic musical instruments business hemisphere, compared to the pre-pandemic era, sales standards went on to become a further solid position endorsed by the entrenched new lifestyle brought by the COVID-19 pandemic as a whole. On the procurement and supply sides, by implementing various measures, the circumstances have been moving out of the worst phase of COVID-19 and order backlog was progressed successfully. Meanwhile, on the cost side, although ocean transportation and raw material prices were remained higher than expected, the Group has focused on to optimize its product prices with the careful eyes on the market conditions and competitive situations of each region.

Moreover, with a view to further growth of the drums business, the Group published an announcement that Roland Drum Corporation, one of the Group’s consolidated subsidiaries would acquire all the outstanding shares of U.S. based Drum Workshop, Inc. and make it a wholly owned subsidiary as of September 12, and acquisition procedure was completed as of October 3. Through this partnership between the major brands of electronic and acoustic drums, the Group will develop a new drum market. While Roland Drum Corporation is subjected to be consolidated commencing from the fourth quarter of the current fiscal year, this transaction will be no significant impact and the consolidated forecast has not been revised. However, in the rise of any matters to be disclosed, announcements shall be published in a swift manner.

As a result of the above, during the period under review, the Group recorded net sales of ¥64,622 million (up 7.6% year on year after adjustment). In terms of profit, the Group recorded operating profit of ¥6,288 million (down 28.2% year on year after adjustment), ordinary profit of ¥5,872 million (down 34.3% year on year) and profit attributable to owners of parent of ¥5,075 million (down 34.4% year on year).

Sales performance by mainstay category is as shown below:

[Keyboards] Net sales: ¥20,820 million (up 13.1% year on year after adjustment)

Among the mainstay categories, electronic pianos remained in stronger demand compared to the pre-COVID-19 pandemic era, driven by brisk demand from people staying home for longer hours. Meanwhile, the demand declined especially for some low-end products primarily due to soaring prices of consumer goods in Europe.

[Percussion and Wind Instruments] Net sales: ¥13,953 million (down 3.0% year on year after adjustment)

Among the mainstay categories, sales of electronic drums fell short of expectations due in part to the influence of lockdown in China and the delayed launch of some new products.

Sales of electronic wind instruments were affected by the short supply of some products and lockdown in China, a core market for the instruments, although the category has been earning strong attention.

[Guitar-related Products] Net sales: ¥16,108 million (up 10.2% year on year after adjustment)

Among the mainstay categories, sales of guitar effects continued to perform strongly, especially the Loop Station series and compact effector “Waza Craft Pedal” series released in the previous fiscal year and multi-effecters released in the current fiscal year performed strong.

Sales of musical instrument amplifiers, especially drum amplifiers were challenged by lockdown in China. Overall sales of guitar-related products, however, remained firm.

[Creation-related Products & Services] Net sales: ¥8,793 million (up 15.4% year on year after adjustment)

Among the mainstay categories, while supply shortage for the mid- to high-price synthesizers remained, products such as compact stage pianos continued to enjoy brisk sales.

The dance and DJ-related products domain continued to record strong sales particularly compact gadget instruments that allow users to enjoy full-scale electronic music easily went well. In addition, sales of the latest model of the long-selling Sampler Series, released in the fourth quarter of the previous fiscal year, continued to perform stronger than expected.

In the software and service domain, through Roland Cloud platform where software sound sources are offered at a fixed membership fee, the Group continued to release new software synthesizers and sound packs. The Group also started offering a piano lesson application service as well as an online service where users can share customized settings of effects and amplifiers with each other.

[Video and Professional Audio] Net sales: ¥2,950 million (down 4.7% year on year after adjustment)

Among the mainstay categories, video related products struggled as the Group was unable to supply sufficient products due to parts shortage, although events-related demand was on a recovery track in each country. Moreover, sales of new models for the V-MODA brand products fell short of expectations.

(2) Explanation of consolidated financial position

(i) Assets, liabilities and net assets as of September 30, 2022

Total assets at the end of the period under review on a consolidated basis increased by ¥15,787 million from the end of the previous fiscal year to ¥68,594 million. This is attributable primarily to increases in trade receivables of ¥4,301 million and inventories of ¥10,668 million.

Liabilities increased by ¥12,056 million from the end of the previous fiscal year to ¥36,206 million. This is attributable primarily to an increase in borrowings of ¥11,237 million.

Net assets increased by ¥3,731 million from the end of the previous fiscal year to ¥32,387 million. This is attributable mainly to the recognition of profit attributable to owners of parent of ¥5,075 million and an increase in foreign currency translation adjustment of ¥4,698 million due to the continued depreciation of yen against major currencies, which were partially offset by a decrease in retained earnings of ¥4,082 million due to the payment of dividends and an increase in treasury shares of ¥1,939 million, a deduction item from net asset, which reflects the repurchase of treasury shares.

As a result of the above, the equity ratio fell 6.9 percentage points from the end of the previous fiscal year to 46.8%.

(ii) Cash flows for the nine months ended September 30, 2022

During the period under review, cash and cash equivalents (“net cash”) decreased by ¥579 million (a decrease by ¥2,044 million for the same period of the previous fiscal year) to ¥8,201 million at the end of the period.

Cash flows from operating activities

Net cash used in operating activities amounted to ¥3,934 million (¥4,207 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 ¥791 million (¥545 million used for the same period of the previous fiscal year), which is attributable primarily to the capital outlay for the purchases of property, plant and equipment.

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥4,953 million (¥5,535 million used for the same period of the previous fiscal year), which is attributable primarily to an increase in borrowings, although this increase was offset partially by the repurchase of treasury shares and the payment of dividends.

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

The full-year consolidated financial result forecasts have not changed since the last announcement on August 8, 2022. In the event of any change, details shall be published 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 September 30, 2022) |
| Assets | | |
| Current assets: | | |
| Cash and deposits | 8,781 | 8,201 |
| Notes and accounts receivable – trade | 7,444 | 11,746 |
| Merchandise and finished goods | 15,508 | 23,473 |
| Work in process | 1,715 | 1,570 |
| Raw materials and supplies | 8,016 | 10,864 |
| Other | 1,470 | 1,919 |
| Allowance for doubtful accounts | (313) | (368) |
| Total current assets | 42,623 | 57,407 |
| Non-current assets: | | |
| Property, plant and equipment: | | |
| Buildings and structures, net | 2,421 | 2,244 |
| Land | 1,626 | 1,650 |
| Other, net | 1,808 | 2,360 |
| Total property, plant and equipment | 5,857 | 6,255 |
| Intangible assets | 632 | 589 |
| Investments and other assets: | | |
| Investment securities | 1,245 | 976 |
| Other | 2,549 | 3,481 |
| Allowance for doubtful accounts | (101) | (115) |
| Total investments and other assets | 3,693 | 4,341 |
| Total non-current assets | 10,183 | 11,187 |
| Total assets | 52,807 | 68,594 |

| | (Millions of yen) | |
|---|---|---|
| | Previous fiscal year (As of December 31, 2021) | Current quarter (As of September 30, 2022) |
| Liabilities | | |
| Current liabilities: | | |
| Notes and accounts payable – trade | 6,391 | 7,875 |
| Short-term borrowings | – | 9,176 |
| Current portion of long-term borrowings | 1,252 | 1,252 |
| Income taxes payable | 360 | 326 |
| Provision for bonuses | 1,662 | 523 |
| Provision for bonuses for directors (and other officers) | 78 | 39 |
| Provision for product warranties | 373 | 425 |
| Other | 5,915 | 6,469 |
| Total current liabilities | 16,033 | 26,088 |
| Non-current liabilities: | | |
| Long-term borrowings | 5,822 | 7,883 |
| Provision for product warranties | 1 | 1 |
| Provision for share awards | 262 | 255 |
| Provision for share awards for directors (and other officers) | 58 | 76 |
| Retirement benefit liability | 725 | 689 |
| Asset retirement obligations | 86 | 87 |
| Other | 1,160 | 1,123 |
| Total non-current liabilities | 8,117 | 10,118 |
| Total liabilities | 24,150 | 36,206 |
| Net assets | | |
| Shareholders' equity: | | |
| Share capital | 9,585 | 9,613 |
| Capital surplus | 163 | 191 |
| Retained earnings | 18,894 | 19,887 |
| Treasury shares | (482) | (2,421) |
| Total shareholders' equity | 28,161 | 27,270 |
| Accumulated other comprehensive income: | | |
| Valuation difference on available-for-sale securities | 140 | 94 |
| Foreign currency translation adjustment | (178) | 4,519 |
| Remeasurements of defined benefit plans | 258 | 218 |
| Total accumulated other comprehensive income | 219 | 4,832 |
| Share acquisition rights | 115 | 95 |
| Non-controlling interests | 161 | 189 |
| Total net assets | 28,656 | 32,387 |
| Total liabilities and net assets | 52,807 | 68,594 |

(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, 2021 | Nine months ended September 30, 2022 |
|--|---|---|
| Net sales | 60,668 | 64,622 |
| Cost of sales | 32,538 | 38,106 |
| Gross profit | 28,130 | 26,515 |
| Selling, general and administrative expenses | 18,465 | 20,227 |
| Operating profit | 9,664 | 6,288 |
| Non-operating income: | | |
| Interest income | 7 | 8 |
| Dividend income | 86 | 93 |
| Subsidy income | 51 | 116 |
| Other | 13 | 5 |
| Total non-operating income | 159 | 223 |
| Non-operating expenses: | | |
| Interest expenses | 18 | 25 |
| Sales discounts | 589 | — |
| Foreign exchange losses | 185 | 603 |
| Other | 93 | 9 |
| Total non-operating expenses | 887 | 639 |
| Ordinary profit | 8,936 | 5,872 |
| Extraordinary income: | | |
| Gain on sales of non-current assets | 374 | 11 |
| Gain on liquidation of subsidiaries | — | 246 |
| Total extraordinary income | 374 | 258 |
| Extraordinary losses: | | |
| Loss on sales and retirement of non-current assets | 6 | 8 |
| Loss on competition law | 149 | — |
| Total extraordinary losses | 156 | 8 |
| Profit before income taxes | 9,154 | 6,122 |
| Income taxes – current | 1,963 | 1,631 |
| Income taxes – deferred | (551) | (591) |
| Total income taxes | 1,411 | 1,040 |
| Profit | 7,743 | 5,082 |
| Profit attributable to non-controlling interests | 1 | 6 |
| Profit attributable to owners of parent | 7,741 | 5,075 |

Quarterly consolidated statements of comprehensive income

(Millions of yen)

| | Nine months ended September 30, 2021 | Nine months ended September 30, 2022 |
|---|---|---|
| Profit | 7,743 | 5,082 |
| Other comprehensive income: | | |
| Valuation difference on available-for-sale securities | 131 | (45) |
| Foreign currency translation adjustment | 1,338 | 4,720 |
| Remeasurements of defined benefit plans, net of tax | 43 | (39) |
| Total other comprehensive income | 1,513 | 4,634 |
| Comprehensive income | 9,256 | 9,716 |
| Comprehensive income attributable to: | | |
| Owners of parent | 9,242 | 9,688 |
| Non-controlling interests | 14 | 28 |

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

| | Nine months ended September 30, 2021 | Nine months ended September 30, 2022 |
|---|---|---|
| Cash flows from operating activities: | | |
| Profit before income taxes | 9,154 | 6,122 |
| Depreciation | 1,194 | 1,253 |
| Amortization of goodwill | 3 | 3 |
| Increase (decrease) in retirement benefit liability | 1 | (110) |
| Interest and dividend income | (94) | (101) |
| Interest expenses | 18 | 25 |
| Foreign exchange losses (gains) | 137 | 483 |
| Loss (gain) on sale and retirement of non-current assets | (367) | (3) |
| Loss (gain) on liquidation of subsidiaries | — | (246) |
| Decrease (increase) in trade receivables | (1,415) | (1,956) |
| Decrease (increase) in inventories | (3,025) | (4,821) |
| Increase (decrease) in trade payables | 684 | (1,899) |
| Other, net | (71) | (988) |
| Subtotal | 6,221 | (2,237) |
| Interest and dividends received | 94 | 101 |
| Interest paid | (18) | (21) |
| Income taxes paid | (2,090) | (1,776) |
| Net cash provided by (used in) operating activities | 4,207 | (3,934) |
| Cash flows from investing activities: | | |
| Purchase of property, plant and equipment | (1,001) | (947) |
| Proceeds from sale of property, plant and equipment | 555 | 17 |
| Purchase of intangible assets | (73) | (94) |
| Proceeds from collection of long-term loans receivable | 26 | 5 |
| Proceeds from liquidation of subsidiaries | — | 227 |
| Other, net | (53) | (0) |
| Net cash provided by (used in) investing activities | (545) | (791) |
| Cash flows from financing activities: | | |
| Net increase (decrease) in short-term borrowings | (143) | 9,136 |
| Proceeds from long-term borrowings | 1,500 | 3,000 |
| Repayments of long-term borrowings | (3,810) | (939) |
| Proceeds from issuance of shares | 145 | 35 |
| Proceeds from sale of treasury shares | 93 | 105 |
| Purchase of treasury shares | (121) | (2,000) |
| Dividends paid | (2,903) | (4,063) |
| Other, net | (295) | (322) |
| Net cash provided by (used in) financing activities | (5,535) | 4,953 |
| Effect of exchange rate change on cash and cash equivalents | (171) | (807) |
| Net increase (decrease) in cash and cash equivalents | (2,044) | (579) |
| Cash and cash equivalents at beginning of period | 10,832 | 8,781 |
| Cash and cash equivalents at end of period | 8,787 | 8,201 |

(4) Notes to quarterly consolidated financial statements

(Going concern assumption)

Not applicable

(Significant changes in shareholders' equity)

The Company repurchased 469,900 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 ¥1,999 million to ¥2,421 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 ¥655 million, but these decreases had no impact on ordinary profit and profit before income taxes since non-operating expenses also decreased by ¥655 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.

(Subsequent events)

(Business combination through acquisition)

At the Board of Directors meeting held on September 12, 2022, the Company resolved that Roland Drum Corporation (“RDC”), which was newly established as a wholly owned subsidiary of the Company, will make Drum Workshop, Inc. a subsidiary through the acquisition of all its outstanding shares. The acquisition procedure was completed as of October 3, 2022.

1. Outline of the business combination

(1) Name and line of business of the acquired company

Name: Drum Workshop, Inc. (“DW”)

Line of business: Development, manufacture and sale of hardware products including drums and percussions, and related software

(2) Reasons for the business combination

Building on the success of the recent V-Drums Acoustic Design (“VAD”) series launch, Roland aims to further expand our drum business. To further advance our efforts to become the world leader in drums, we have determined that a partnership with DW will greatly contribute to acquiring a dominant position in the drum market and further our development opportunities. Drum Workshop has outstanding people, innovative product development capabilities, and world-class drum and percussion brands including DW Drums and Hardware, Pacific Drums and Percussion (PDP), Latin Percussion (LP), Gretsch Drums, and Slingerland. With the combination of the major brands in both electronic drums and acoustic drums, the partnership will endeavor to expand the global drum market.

(3) Date of business combination

October 3, 2022 (Deemed acquisition date: October 1, 2022)

(4) Legal form of the business combination

Acquisition of shares for cash consideration

- (5) Name of the company after the business combination
No change
- (6) Percentage of voting rights acquired
100%
- (7) Major grounds for determining the acquiring company
RDC acquired the shares in exchange for cash.

2. Breakdown of acquisition costs and consideration for the acquired company by type

| | | |
|-----------------------------------|------|--|
| Consideration for the acquisition | Cash | US\$ 65 million (approx. ¥9.4 billion) |
| <hr/> | | |
| Acquisition cost | | US\$ 65 million (approx. ¥9.4 billion) |

Notes: 1. Converted to Japanese yen using the exchange rate of 144.90 yen to the U.S. dollar (as of October 3, 2022)

2. The acquisition cost is subject to be adjusted with the balance of cash and deposits, debt, and changes in working capital, as of the closing date.

3. Breakdown of major acquisition-related costs by nature and amount

Advisory fee, etc. (estimated amount): US\$ 1.8 million (approx. ¥260 million)

Note: Converted to the Japanese yen using the exchange rate of 144.90 yen to the US dollar (as of October 3, 2022)

4. Amount of goodwill arising from acquisition, reason for goodwill, method and period of amortization

Not yet determined at the moment.

5. Breakdown of assets acquired and liabilities assumed on the business combination date by amount and type

Not yet determined at the moment.

6. Method of funding

We have funded the acquisition with borrowings from a financial institution as shown below:

- (1) Lenders: Resona Bank, Limited
- (2) Amount of loan: 11,200 million yen
- (3) Loan interest rates: Base rate + Spread
- (4) Loan execution dates: October 3, 2022
- (5) Final repayment dates: September 29, 2023
- (6) Status of security and guarantee: Unsecured and unguaranteed

Note: The amount is scheduled to be refinanced with long-term bank loans during the above loan period.