

Translation

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Consolidated Financial Results
for the Fiscal Year Ended December 31, 2022
(under Japanese GAAP)



February 13, 2023

Company name: Roland Corporation Listing: Tokyo Stock Exchange
Security code: 7944 URL: <https://www.roland.com/global/>
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Scheduled date to hold ordinary general meeting of shareholders: March 29, 2023
Scheduled date to commence payment of dividends: March 30, 2023
Scheduled date to file Annual Securities Report (*Yukashoken Hokokusho*): March 8, 2023
Preparation of supplementary briefing material on financial results: Yes
Holding of 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 fiscal year ended December 31, 2022 (from January 1 to December 31, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2022	95,840	—	10,751	—	10,250	1.5	8,938	4.1
December 31, 2021	80,032	25.0	11,093	55.9	10,102	60.9	8,586	99.6

Note: Comprehensive income

For the fiscal year ended December 31, 2022: ¥11,062 million [(2.6)%]

For the fiscal year ended December 31, 2021: ¥11,361 million [188.8%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets ratio	Operating profit margin
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2022	326.98	321.96	28.9	15.8	11.2
December 31, 2021	312.73	306.26	35.6	20.4	13.9

Reference: Share of profit or loss of entities accounted for using equity method

For the fiscal year ended December 31, 2022: —

For the fiscal year ended December 31, 2021: —

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 ended 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 fiscal year ended December 31, 2021 are not presented.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2022	77,056	33,747	43.4	1,228.49
December 31, 2021	52,807	28,656	53.7	1,030.19

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

As of December 31, 2022: ¥33,467 million As of December 31, 2021: ¥28,380 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2022	793	(11,351)	12,879	10,506
December 31, 2021	4,929	(803)	(6,071)	8,781

2. Dividends

	Annual dividend per share					Total dividends (Annual)	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
December 31, 2021	—	69.00	—	69.00	138.00	3,859	45.0	15.7
December 31, 2022	—	78.00	—	78.00	156.00	4,305	48.2	13.8
Fiscal year ending December 31, 2023 (forecast)	—	85.00	—	85.00	170.00		50.4	

Note: The total dividends include the dividends paid to the Board Benefit Trust, Employee Stock Ownership Plan Trust and Employee Shareholding Association-type ESOP Trust (¥60 million and ¥57 million for the fiscal years ended December 31, 2021 and 2022, respectively). The dividend payout ratio is calculated by dividing the total dividends by profit attributable to owners of parent.

3. Forecast of consolidated financial results for the fiscal year ending December 31, 2023 (from January 1 to December 31, 2023)

(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	48,800	13.5	4,100	(12.3)	4,100	(14.5)	3,100	(21.1)	113.81
Fiscal year	105,600	10.2	12,400	15.3	12,400	21.0	9,300	4.0	340.73

[Notes]

- (1) Changes in significant subsidiaries during the current period (Changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
Newly added subsidiary : 1 company (Roland Drum Corporation)
- (2) 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
- (3) Number of shares of common stock issued
 - 1) Number of shares issued (including treasury shares)
 - As of December 31, 2022: 28,066,786 shares
 - As of December 31, 2021: 27,970,534 shares
 - 2) Number of treasury shares
 - As of December 31, 2022: 824,172 shares
 - As of December 31, 2021: 421,931 shares
 - 3) Average number of shares of common stock during the period
 - Fiscal year ended December 31, 2022: 27,336,507 shares
 - Fiscal year ended December 31, 2021: 27,457,125 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 fiscal years ended December 31, 2021 and 2022 were 430,571 shares and 385,917 shares, respectively.

(Reference) Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended December 31, 2022 (from January 1 to December 31, 2022)

(1) Non-consolidated operating results

(Percentage indicates year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2022	34,356	16.0	7,471	106.0	9,555	33.0	7,678	27.6
December 31, 2021	29,624	14.1	3,626	79.0	7,183	24.4	6,018	17.9

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
December 31, 2022	280.88	276.56
December 31, 2021	219.19	214.65

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2022	63,914	25,492	39.7	932.24
December 31, 2021	41,445	23,856	57.3	861.81

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

As of December 31, 2022: ¥25,396 million As of December 31, 2021: ¥23,741 million

* This financial results report is not subject to audit 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 "1. Overview of Operating Results, etc. (1) Overview of operating results for the fiscal year ended December 31, 2022 (ii) Future outlook" on page 4 of the Attached Materials.
- The Company will hold a financial results briefing for institutional investors and securities analysts on Tuesday, February 14, 2023. Materials used at the financial results briefing will be posted on the Company's website.

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1. Overview of Operating Results, etc.

The Company has applied the *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 ended 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 fiscal year ended December 31, 2022 (hereinafter, the “period under review”) as referred to in “Operating results for the fiscal year ended December 31, 2022” 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) Overview of operating results for the fiscal year ended December 31, 2022

(i) Operating results for the fiscal year ended December 31, 2022

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, countries around the world underwent big changes, such as the prolonged Russia-Ukraine conflict, global inflation, and drastic changes in exchange rate and interest rates. Such economic downside risks were noticeable especially from the second half of the period under review onward, making market conditions remain highly uncertain. In China, major cities were placed under lockdowns on a sporadic basis, and after the zero-Covid policy was lifted, new cases surged.

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; however, demand declines were sensed especially in China and Europe from the second half of the period under review onward. On the procurement and supply sides, by implementing various measures, the circumstances have been moving out of the worst phase of COVID-19, although difficulties in purchasing raw materials forced us to extend development periods. On the cost side, despite a decline trend of ocean transportation costs, raw materials prices remained higher compared to the pre pandemic level. To deal with these higher cost and price, the Company has focused on to optimize its product prices with the careful eyes on the market conditions and competitive situations of each region.

Surrounded by these circumstances, our key strategies (1) Produce, (2) Reach, (3) Deliver, and (4) Support, were set forth under the vision for our medium-term corporation plan, “Bringing the WAKUWAKU Thrill and Excitement to all the people in the World.” As the third year of the Medium-term Business Plan, the Group grappled with (1) Development of high value-added products and services that only we can provide, (2) Customer creation and market development through continuous engagement with our enthusiastic fans, (3) Establishment of the world best SCM that never stops supplying products without stock shortages and over-stockings, and (4) Human resources development, strengthening governance and visualization.

Regarding “Development of high value-added products and services that only we can provide,” while refreshing our core product families and adding new products to our lineup to strengthen our market competitiveness, continued efforts were put into the development of products. They include the AIRA Compact series, portable electronic musical instruments that allow users to enjoy full-scale electronic music easily, to acquire new customers and the ultimate sampling pad SPD-SX PRO for drummers, designed for the most demanding gigs, to expand the market. In October, all the shares of Drum Workshop, Inc. (hereinafter, “DW”), a U.S.-based drum manufacturer, were acquired aiming to reach a dominant position in the drum market and to offer innovations to drummers and other musicians. Additionally, toward achieving our medium- to long-term goal of evolving from a hardware provider into a solutions provider, our effort was paid to enhance the content of the cloud-base subscription service, Roland Cloud that offers a variety of software sound sources, sounds, data for software updates, etc. Another efforts was extended to develop new services, such as Roland Piano App, a digital application of piano practice which could reach to additional contents if registered as a paid membership of Roland Cloud service.

Regarding “Customer creation and market development through continuous engagement with our enthusiastic fans,” accelerated use of digital marketing was a major driver. A special website of Roland at 50 was launched to commemorate the 50th anniversary of our founding, and Roland/BOSS Players Summit 2022, an online user-interactive event which offered the 50th anniversary concept model performance and other live performances was held. Meanwhile, based on a belief that it is highly important for us

to provide our customers with opportunities to touch our musical instruments and convince them of the value of our products before making a decision to purchase our products, Store in Store (spaces dedicated solely to Roland products inside the stores of our business partners) were set up in major cities around the world. In August 2022, the first Roland-operated retail store called Roland Store was opened in London, where communication with our customers both online and offline could be exchanged.

Regarding “Establishment of the world best SCM that never stops supplying products without stock shortages and over-stockings,” various challenges in procurement, production, and logistics in the wake of the COVID-19 pandemic took place. In response to the global shortage of semiconductors and other raw materials, a medium- to long-term product roadmap was developed to ensure necessary components earlier. Appropriate inventory allocation was realized with implementation of flexible production system adjusting demand movements. A reduction in the number of models, which we have sought to achieve over the medium term, progressed in line with the plan.

Regarding “Human resources development, strengthening governance and visualization,” our efforts to have more diverse workstyles were recognized and we were awarded by the Minister of Health, Labour and Welfare the *Kurumin* certification as a company that supports childrearing. On the personnel side, an employee engagement survey has been conducted on a global scale since 2021 to boost employee engagement.

As a result of the above, during the period under review, the Group recorded net sales of ¥95,840 million (up 20.9% year on year after adjustment) partly due to increased revenue driven by foreign exchange gains. In terms of profit, the Group recorded operating profit of ¥10,751 million (up 5.5% year on year after adjustment), ordinary profit of ¥10,250 million (up 1.5% year on year), and profit attributable to owners of parent of ¥8,938 million (up 4.1% year on year).

Sales performance by mainstay category is as shown below:

[Keyboards] Net sales: ¥29,869 million (up 21.6% 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. The demand remained strong as a whole partly due to our effort to expand channels, although the demand for low-end products in particular weakened.

[Percussion and Wind Instruments] Net sales: ¥23,046 million (up 22.0% year on year after adjustment)

Among the mainstay categories, sales of drums performed stronger than the previous fiscal year due in part to the affiliation of DW in the Group, despite the influence of lockdowns in China and the delayed launch of some new products.

Sales of electronic wind instruments remained firm thanks to the launch of the region exclusive model, despite the short supply of some products.

[Guitar-related Products] Net sales: ¥23,540 million (up 24.7% 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-effects released in the current fiscal year performed strongly.

Sales of musical instrument amplifiers, especially the mainstay KATANA series, remained firm although the demand declined in China.

[Creation-related Products & Services] Net sales: ¥12,206 million (up 21.9% year on year after adjustment)

Among the mainstay categories, while supply shortage for synthesizers remained, the FANTOM-0 series and other new products released in the current fiscal year continued to enjoy brisk sales.

The dance and DJ-related products domain continued to record strong sales, particularly the AIRA Compact series 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 strongly.

In the software and service domain, through Roland Cloud platform, the Group continued to release new software synthesizers and sound contents. 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: ¥4,357 million (up 2.8% year on year after adjustment)

Among the mainstay categories, video-related products were affected by supply constraints although events-related demand recovered, which boosted demand for the products, while video distribution demand from individual users diminished. Moreover, sales of the V-MODA brand mainstay products struggled despite the release of new models to the brand products.

(ii) Future outlook

Consolidated financial forecasts for the fiscal year ending December 31, 2023 is expected with net sales of ¥105,600 million (up 10.2% year on year), operating profit of ¥12,400 million (up 15.3% year on year), ordinary profit of ¥12,400 million (up 21.0% year on year), and profit attributable to owners of parent of ¥9,300 million (up 4.0% year on year).

The forward-looking statements in this document contain inherent risks and uncertainties insofar as they are based on future projections and plans that may differ materially from the actual results.

(2) Overview of financial position for the fiscal year ended December 31, 2022

(i) Assets as of December 31, 2022

Total assets as of December 31, 2022 increased by ¥24,249 million from the end of the previous year to ¥77,056 million. This is attributable primarily to increases in trade receivables of ¥5,460 million, inventories of ¥7,082 million, property, plant and equipment of ¥1,912 million, intangible assets of ¥5,458 million due to purchase Drum Workshop, Inc. shares.

Total liabilities increased by ¥19,158 million from the end of the previous fiscal year to ¥43,309 million. This is attributable primarily to an increase in borrowings of ¥19,448 million due to the fund of purchasing shares of Drum Workshop, Inc. and increased working capital.

Net assets increased by ¥5,090 million from the end of the previous fiscal year to ¥33,747 million. This is attributable primarily to the recognition of profit attributable to owners of parent of ¥8,938 million and a ¥2,058 million increase in foreign currency translation adjustment due to the continued depreciation of yen against major currencies, which were partially offset by a ¥4,082 million decrease in retained earnings due to the payment of dividends and a ¥1,924 million increase in treasury shares, a deduction item from net asset, which reflects the repurchase of treasury shares.

As a result of the above, the equity ratio fell 10.3 percentage points from the end of the previous fiscal year to 43.4%.

(ii) Cash flows for the fiscal year ended December 31, 2022

During the period under review, cash and cash equivalents (“net cash”) increased by ¥1,724 million (a decrease by ¥2,051 million for the same period of the previous fiscal year) to ¥10,506 million at the end of the period.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥793 million (¥4,929 million provided for the same period of the previous fiscal year), which is attributable primarily to recording of profit before income taxes.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥11,351 million (¥803 million used for the same period of the previous fiscal year), which is attributable primarily to the purchase of shares of subsidiaries.

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥12,879 million (¥6,071 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) Basic policy for profit distribution and dividends for the fiscal year ending December 31, 2023

The Company aims to achieve sustainable growth of its corporate value while building empathy with all stakeholders through the maximization of added value created from business activities and appropriate distribution thereof.

The Company's shareholder return policy is to make sustainable and stable dividend payments while flexibly purchasing treasury shares taking into account various factors, including stock market trends and capital efficiency. Through this, the Company will, in principle, aim for a consolidated total return ratio of 50%, or a consolidated total return ratio of 30% or higher even if it is necessary to secure funds for growth investment.

Given the above policy and financial standing of the Company, a fiscal year-end dividend of ¥78 per share (annual dividend of ¥156 per share, which includes an interim dividend of ¥78 per share) will be paid for the fiscal year ended December 31, 2022. An annual dividend of ¥170 per share (consisting of an interim dividend of ¥85 per share and a fiscal year-end dividend of ¥85 per share) is anticipated for the fiscal year ending December 31, 2023.

2. Basic Approach to Selection of Accounting Standards

The Group prepares consolidated financial statements in accordance with generally accepted accounting principles in Japan (Japanese GAAP). The Group will work on the adoption of the International Financial Reporting Standards (IFRS) in an appropriate manner, taking into consideration various domestic and international circumstances.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheets

	(Millions of yen)	
	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Assets		
Current assets:		
Cash and deposits	8,781	10,506
Notes and accounts receivable – trade	7,444	–
Notes receivable – trade	–	2
Accounts receivable – trade	–	12,902
Merchandise and finished goods	15,508	20,214
Work in process	1,715	1,249
Raw materials and supplies	8,016	10,858
Other	1,470	2,561
Allowance for doubtful accounts	(313)	(394)
Total current assets	42,623	57,902
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	10,718	12,035
Accumulated depreciation	(8,297)	(8,336)
Buildings and structures, net	2,421	3,698
Machinery, equipment and vehicles	1,251	1,600
Accumulated depreciation	(923)	(1,078)
Machinery, equipment and vehicles, net	328	521
Tools, furniture and fixtures	6,055	7,277
Accumulated depreciation	(4,667)	(5,549)
Tools, furniture and fixtures, net	1,387	1,727
Land	1,626	1,640
Construction in progress	92	182
Total property, plant and equipment	5,857	7,770
Intangible assets		
Goodwill	20	3,266
Other	612	2,824
Total intangible assets	632	6,090
Investments and other assets:		
Investment securities	1,245	938
Long-term loans receivable	0	–
Deferred tax assets	2,063	3,806
Other	486	659
Allowance for doubtful accounts	(101)	(110)
Total investments and other assets	3,693	5,293
Total non-current assets	10,183	19,154
Total assets	52,807	77,056

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Liabilities		
Current liabilities:		
Notes and accounts payable – trade	6,391	5,606
Short-term borrowings	–	17,700
Current portion of long-term borrowings	1,252	1,252
Lease obligations	376	612
Accrued expenses	2,995	3,024
Income taxes payable	360	482
Provision for bonuses	1,662	771
Provision for bonuses for directors (and other officers)	78	34
Provision for product warranties	373	281
Other	2,542	2,747
Total current liabilities	16,033	32,513
Non-current liabilities:		
Long-term borrowings	5,822	7,570
Lease obligations	416	1,518
Deferred tax liabilities	2	1
Provision for product warranties	1	–
Provision for share awards	262	253
Provision for share awards for directors (and other officers)	58	78
Retirement benefit liability	725	432
Asset retirement obligations	86	87
Other	741	853
Total non-current liabilities	8,117	10,796
Total liabilities	24,150	43,309
Net assets		
Shareholders' equity:		
Share capital	9,585	9,613
Capital surplus	163	191
Retained earnings	18,894	23,750
Treasury shares	(482)	(2,407)
Total shareholders' equity	28,161	31,148
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	140	68
Foreign currency translation adjustment	(178)	1,879
Remeasurements of defined benefit plans	258	370
Total accumulated other comprehensive income	219	2,319
Share acquisition rights	115	95
Non-controlling interests	161	184
Total net assets	28,656	33,747
Total liabilities and net assets	52,807	77,056

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

	(Millions of yen)	
	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Net sales	80,032	95,840
Cost of sales	43,895	56,484
Gross profit	36,137	39,356
Selling, general and administrative expenses	25,043	28,605
Operating profit	11,093	10,751
Non-operating income:		
Interest income	15	12
Dividend income	86	93
Subsidy income	51	122
Other	18	8
Total non-operating income	172	236
Non-operating expenses:		
Interest expenses	25	71
Sales discounts	770	–
Foreign exchange losses	259	652
Other	107	13
Total non-operating expenses	1,163	737
Ordinary profit	10,102	10,250
Extraordinary income:		
Gain on sales of non-current assets	375	48
Gain on liquidation of subsidiaries	–	246
Total extraordinary income	375	294
Extraordinary losses:		
Loss on sales and retirement of non-current assets	16	15
Impairment loss	72	–
Loss on competition law	149	–
Total extraordinary losses	239	15
Profit before income taxes	10,239	10,529
Income taxes – current	2,130	1,992
Income taxes – deferred	(479)	(417)
Total income taxes	1,650	1,575
Profit	8,588	8,954
Profit attributable to non-controlling interests	2	16
Profit attributable to owners of parent	8,586	8,938

Consolidated statements of comprehensive income

(Millions of yen)

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Profit	8,588	8,954
Other comprehensive income:		
Valuation difference on available-for-sale securities	191	(71)
Foreign currency translation adjustment	2,044	2,066
Remeasurements of defined benefit plans, net of tax	536	112
Total other comprehensive income	2,772	2,107
Comprehensive income	11,361	11,062
Comprehensive income attributable to:		
Owners of parent	11,339	11,038
Non-controlling interests	21	23

(3) Consolidated statements of changes in equity

Previous fiscal year (from January 1, 2021 to December 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total
Balance as of January 1, 2021	9,490	69	13,230	(403)	22,386
Changes during period					
Issuance of new shares – exercise of share acquisition rights	94	94			188
Dividends of surplus			(2,922)		(2,922)
Profit attributable to owners of parent			8,586		8,586
Purchase of treasury shares				(121)	(121)
Disposal of treasury shares				42	42
Net changes in items other than shareholders' equity					–
Total changes during period	94	94	5,663	(78)	5,774
Balance as of December 31, 2021	9,585	163	18,894	(482)	28,161

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance as of January 1, 2021	(51)	(2,203)	(278)	(2,533)	158	139	20,151
Changes of items during period							
Issuance of new shares – exercise of share acquisition rights				–			188
Dividends of surplus				–			(2,922)
Profit attributable to owners of parent				–			8,586
Purchase of treasury shares				–			(121)
Disposal of treasury shares				–			42
Net changes in items other than shareholders' equity	191	2,024	536	2,752	(43)	21	2,731
Total changes during period	191	2,024	536	2,752	(43)	21	8,505
Balance as of December 31, 2021	140	(178)	258	219	115	161	28,656

Current fiscal year (from January 1, 2022 to December 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total
Balance as of January 1, 2022	9,585	163	18,894	(482)	28,161
Changes during period					
Issuance of new shares – exercise of share acquisition Rights	27	27			55
Dividends of surplus			(4,082)		(4,082)
Profit attributable to owners of parent			8,938		8,938
Purchase of treasury shares				(2,000)	(2,000)
Disposal of treasury shares				76	76
Net changes in items other than shareholders' equity					–
Total changes during period	27	27	4,856	(1,924)	2,987
Balance as of December 31, 2022	9,613	191	23,750	(2,407)	31,148

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of January 1, 2022	140	(178)	258	219	115	161	28,656
Changes of items during period							
Issuance of new shares – exercise of share acquisition rights				–			55
Dividends of surplus				–			(4,082)
Profit attributable to owners of parent				–			8,938
Purchase of treasury shares				–			(2,000)
Disposal of treasury shares				–			76
Net changes in items other than shareholders' equity	(71)	2,058	112	2,099	(19)	23	2,103
Total changes during period	(71)	2,058	112	2,099	(19)	23	5,090
Balance as of December 31, 2022	68	1,879	370	2,319	95	184	33,747

(4) Consolidated statements of cash flows

(Millions of yen)

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Cash flows from operating activities:		
Profit before income taxes	10,239	10,529
Depreciation	1,608	1,981
Amortization of goodwill	4	94
Increase (decrease) in retirement benefit liability	4	(147)
Interest and dividend income	(101)	(105)
Interest expenses	25	71
Foreign exchange losses (gains)	174	1,013
Loss (gain) on sale and retirement of non-current assets	(359)	(33)
Loss (gain) on liquidation of subsidiaries	–	(246)
Decrease (increase) in trade receivables	(347)	(4,301)
Decrease (increase) in inventories	(5,427)	(1,105)
Increase (decrease) in trade payables	(106)	(4,143)
Other, net	1,653	(478)
Subtotal	7,367	3,126
Interest and dividends received	102	105
Interest paid	(24)	(71)
Income taxes paid	(2,516)	(2,367)
Net cash provided by (used in) operating activities	4,929	793
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,208)	(1,272)
Proceeds from sale of property, plant and equipment	557	49
Purchase of intangible assets	(98)	(108)
Proceeds from collection of long-term loans receivable	31	6
Proceeds from liquidation of subsidiaries	–	227
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(10,167)
Other, net	(85)	(87)
Net cash provided by (used in) investing activities	(803)	(11,351)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(143)	17,686
Proceeds from long-term borrowings	1,500	3,000
Repayments of long-term borrowings	(4,123)	(1,252)
Proceeds from issuance of shares	145	35
Proceeds from sale of treasury shares	136	151
Purchase of treasury shares	(263)	(2,000)
Dividends paid	(2,922)	(4,082)
Other, net	(400)	(659)
Net cash provided by (used in) financing activities	(6,071)	12,879
Effect of exchange rate change on cash and cash equivalents	(105)	(595)
Net increase (decrease) in cash and cash equivalents	(2,051)	1,724
Cash and cash equivalents at beginning of period	10,832	8,781
Cash and cash equivalents at end of period	8,781	10,506

(5) Notes to quarterly consolidated financial statements

(Going concern assumption)

Not applicable

(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 ended 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 ended December 31, 2022.

In addition, “Notes and accounts receivable – trade,” which was presented under “Current assets” in the consolidated balance sheet of the previous fiscal year, has been included in and presented as “Notes receivable – trade” and “Accounts receivable – trade” from the current fiscal year. However, 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*.

As a result, during the period under review, net sales, gross profit, and operating profit each decreased by ¥953 million, but these decreases had no impact on ordinary profit and profit before income taxes since non-operating expenses also decreased by ¥953 million.

(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 ended 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 Statement 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 consolidated financial statements.

(Application of Accounting Standards Codification (ASC) Topic 842 Leases issued by the U.S. Financial Accounting Standards Board)

Overseas consolidated subsidiaries employing generally accepted accounting principles in the U.S. have applied ASC 842 Leases since the fiscal year ended December 31, 2022. Under the new standard, in principle, the overseas consolidated subsidiaries recorded all lease transactions as assets and liabilities in their balance sheets as a lessee.

As a result, “Buildings and structures, net” and “Machinery, equipment and vehicles, net” under “Property, plant and equipment” increased by ¥164 million and ¥5 million respectively and “Lease obligations” under “Current liabilities” and “Lease obligations” under “Non-current liabilities” increased by ¥139 million and ¥33 million respectively at the ended of the fiscal year ended December 31, 2022. Furthermore, the above is insignificant to our profit or loss for the fiscal year ended December 31, 2022.

(Changes in reporting method)

Consolidated Balance Sheets

Goodwill, which was included in “Intangible assets” in the previous fiscal year, is separately stated from the fiscal year under review because of increase in materiality in terms of amount.

To reflect this change in reporting method, the consolidated financial statements for the previous fiscal year have been reclassified. As a result, ¥632 million presented in “Intangible assets” in the consolidated balance sheets for the previous fiscal year has been reclassified as ¥20 million for “Goodwill” and ¥612 million for “Other.”

(Segment information, etc.)

Segment information is omitted because the Group operates a single segment of the Electronic Musical Instruments Business.

(Per share information)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Net assets per share	1,030.19 yen	1,228.49 yen
Basic earnings per share	312.73 yen	326.98 yen
Diluted earnings per share	306.26 yen	321.96 yen

Notes: 1. For the purpose of calculating net assets per share, 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 number of shares issued at the end of the period.

In addition, for the purpose of calculating basic earnings per share and diluted earnings per share, the aggregate number of shares of the Company held by these trusts was also 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. The average numbers of shares of common stock held by these trusts during the fiscal years ended December 31, 2021 and 2022 were 430,571 shares and 385,917 shares, respectively. Meanwhile, the aggregate number of shares of the Company held by these trusts as of December 31, 2021 and 2022 were 421,767 shares and 353,957 shares, respectively.

2. Basis for calculation of both basic and diluted earnings per share is as follows:

(Millions of yen, unless otherwise stated)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Basic earnings per share		
Profit attributable to owners of parent	8,586	8,938
Profit not attributable to common shareholders	—	—
Profit attributable to common shareholders of parent	8,586	8,938
Average number of shares of common stock during the period (Thousand shares)	27,457	27,336
Diluted earnings per share		
Adjustment to profit attributable to owners of parent	—	—
Number of shares of common stock increased (Thousand shares)	580	426
[of which number of share acquisition rights (Thousand shares)]	[580]	[426]
Summary of potential shares not included in the calculation of diluted earnings per share due to their anti-dilutive effect	—	—

3. Basis for calculation of net assets per share is as follows:

(Millions of yen, unless otherwise stated)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Total net assets	28,656	33,747
Deductions from total net assets	276	280
[of which, share acquisition rights]	[115]	[95]
[of which, non-controlling interests]	[161]	[184]
Net assets applicable to common stock at end of period	28,380	33,467
Number of shares of common stock at end of period used for the calculation of net assets per share (Thousands shares)	27,548	27,242

(Subsequent events)

Not applicable.