Annual Securities Report

For the 49th Fiscal Year
(January 1, 2020 through December 31, 2020)

Roland Corporation

1. This is an English translation of the Annual Securities Report (*Yukashoken Hokokusho*), which was produced based on Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan and filed via the Electronic Disclosure for Investors' NETwork (EDINET) system as set forth in Article 27-30-2 of the same act. The translation includes a table of contents and pagination that are not included in the electronic filing.
2. Appended to the back of this document are English translations of the independent auditors' report attached to the Annual Securities Report when it was filed using the aforementioned method, and the internal control report and the confirmation note that were filed at the same time as the Annual Securities Report.
3. This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

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Document title	Annual Securities Report
Clause of stipulation	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
Place of filing	Director, Kanto Local Finance Bureau
Filing date	March 31, 2021
Fiscal year	The 49th fiscal year (January 1, 2020 through December 31, 2020)
Company name	Roland Kabushiki Kaisha
Company name in English	Roland Corporation
Title and name of representative	Jun-ichi Miki, CEO and Representative Director
Address of registered headquarters	2036-1 Nakagawa, Hosoe-cho, Kita-ku, Hamamatsu-shi, Shizuoka
Telephone number	+81-53-523-0230
Name of contact person	Shunsuke Sugiura, CFO and Senior Executive Officer
Nearest place of contact	2036-1 Nakagawa, Hosoe-cho, Kita-ku, Hamamatsu-shi, Shizuoka
Telephone number	+81-53-523-0230
Name of contact person	Shunsuke Sugiura, CFO and Senior Executive Officer
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

Section 1 Company Information

Item 1. Overview of Company

1. Key Financial Data

(1) Consolidated financial data

Fiscal year		47th	48th	49th
Year ended		December 31, 2018	December 31, 2019	December 31, 2020
Net sales	(million yen)	61,153	63,247	64,044
Ordinary profit	(million yen)	5,169	4,726	6,277
Profit attributable to owners of parent	(million yen)	3,048	2,629	4,301
Comprehensive income	(million yen)	174	2,122	3,934
Net assets	(million yen)	18,522	18,227	20,151
Total assets	(million yen)	41,144	43,532	46,096
Net assets per share	(yen)	693.09	670.07	730.91
Basic earnings per share	(yen)	113.53	97.92	160.13
Diluted earnings per share	(yen)	–	–	155.37
Equity-to-asset ratio	(%)	45.2	41.3	43.1
Rate of return on equity	(%)	12.5	14.4	22.7
Price-earnings ratio	(times)	–	–	19.7
Net cash provided by (used in) operating activities	(million yen)	3,250	4,992	6,902
Net cash provided by (used in) investing activities	(million yen)	154	(1,588)	(901)
Net cash provided by (used in) financing activities	(million yen)	(5,797)	(3,146)	(3,669)
Cash and cash equivalents at end of period	(million yen)	9,052	8,815	10,832
Number of employees [separately, average number of temporary employees]	(persons)	2,402 [28]	2,565 [24]	2,601 [330]

Notes: 1. Net sales do not include the consumption taxes.
2. Net assets per share, basic earnings per share, and diluted earnings per share are computed using the number of shares issued at end of the period and the average number of shares of common stock during the period, which are calculated by subtracting the number of treasury shares from these shares. These treasury shares include the treasury shares remaining in Board Benefit Trust, Employee Stock Ownership Plan Trust and Employee Shareholding Association-type ESOP Trust.
3. For the 47th and 48th fiscal years, the amounts of diluted earnings per share are not stated since the shares of the Company were not publicly traded back then, and thus, the average share prices during the periods were unavailable, although diluted shares existed.
4. For the 47th and 48th years, the values of price-earnings ratio are not stated since the shares of the Company were not publicly traded back then.
5. *Partial Amendments to Accounting Standard for Tax Effect Accounting* (ASBJ Statement No. 28, February 16, 2018) has been applied since the beginning of the 48th fiscal year, and therefore, key financial data for the 47th fiscal year are computed with the amendments applied retrospectively.
6. The Company conducted a 30-for-1 common stock split effective on September 14, 2020. Net assets per share, basic earnings per share and diluted earnings per share are computed on the assumption that the stock split had been conducted at the beginning of the 47th fiscal year.
7. The increase in the average number of temporary employees is due primarily to mid-term hiring of employees to support production by a subsidiary in Malaysia.

(2) Financial data of reporting company (Non-consolidated)

Fiscal year		45th	46th	47th	48th	49th
Year ended		December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020
Net sales	(million yen)	37,392	43,081	24,655	24,924	25,966
Ordinary profit	(million yen)	3,497	5,863	3,214	3,341	5,773
Profit	(million yen)	6,256	4,065	1,660	2,220	5,106
Share capital	(million yen)	9,421	9,421	9,421	9,421	9,490
Total number of issued shares	(shares)	1,033,417	911,461	911,461	911,461	27,581,366
Net assets	(million yen)	23,651	27,453	16,687	17,448	20,514
Total assets	(million yen)	39,713	40,119	34,869	37,863	41,699
Net assets per share	(yen)	26,393.89	30,612.03	618.90	645.93	749.42
Dividend per share [Of which, the amount of interim dividend paid per share]	(yen)	– [–]	– [–]	13,064 [–]	3,062 [1,646]	72 [36]
Basic earnings per share	(yen)	6,067.84	4,542.16	61.83	82.68	190.08
Diluted earnings per share	(yen)	–	–	–	–	184.43
Equity-to-asset ratio	(%)	59.5	68.3	47.7	45.8	48.8
Rate of return on equity	(%)	25.9	15.9	7.5	13.1	27.1
Price-earnings ratio	(times)	–	–	–	–	16.6
Payout ratio	(%)	–	–	717.2	125.7	38.7
Number of employees	(persons)	737	761	828	857	857
Total shareholder return (Benchmark: –)	(%) (%)	– (–)	– (–)	– (–)	– (–)	– (–)
Highest share price	(yen)	–	–	–	–	3,380
Lowest share price	(yen)	–	–	–	–	2,851

Notes:
1. Net sales do not include the consumption taxes.
2. Net assets per share, basic earnings per share, and diluted earnings per share are computed using the number of shares issued at end of the period and the average number of shares of common stock during the period, which are calculated by subtracting the number of treasury shares from these shares. These treasury shares include the treasury shares remaining in Board Benefit Trust, Employee Stock Ownership Plan Trust and Employee Shareholding Association-type ESOP Trust.
3. For the 45th, 46th, 47th and 48th fiscal years, the amounts of diluted earnings per share are not stated because the shares of the Company were not publicly traded back then, and thus, the average share prices during the periods were unavailable, although diluted shares existed.
4. From the 45th through 48th fiscal years, the values of price-earnings ratio are not stated because the shares of the Company were not publicly traded back then.
5. Payout ratio is calculated by dividing the total amount of dividends by the amount of profit. For the 45th and 46th fiscal years, dividends are not stated as no dividends were paid during these periods.
6. The number of temporary employees is not stated as the total number of temporary employees was less than ten hundredth (10/100) of the number of employees.
7. Decreases in net sales and ordinary profit during the 47th fiscal year is attributable mainly to the transfer of some functions to a Malaysian subsidiary.
8. The financial statements for the 47th fiscal year and beyond are audited by Grant Thornton Taiyo LLC in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan. The figures in the financial statements for the 45th and 46th fiscal years, however, are computed based on provisions of the Regulations on Corporate Accounting (Ministry of Justice Order No.13 of 2006) and have not obtained audit certification as stipulated in provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

9. The Company conducted a 30-for-1 common stock split effective on September 14, 2020. Net assets per share, basic earnings per share and diluted earnings per share are calculated on assumption that the stock split was conducted at the beginning of the 47th fiscal year. Dividend paid per share in and before the 48th fiscal year represents the amount before the stock split, while the amount of interim dividend paid per share in the 49th fiscal year reflects the stock split.
10. Total shareholder return and its benchmark are not stated for the 45th through 49th fiscal years, as the Company listed its shares on the First Section of the Tokyo Stock Exchange on December 16, 2020.
11. The highest and lowest share prices are quoted prices on the First Section of the Tokyo Stock Exchange. The Company’s shares have been traded on the First Section of the Tokyo Stock Exchange since December 16, 2020, and therefore, the share prices before this date are unavailable.

2. History

Month and year	Event
April 1972	Roland Corporation (the “Company”) established in Sumiyoshi-ku (currently Suminoe-ku), Osaka-shi, Osaka, with a share capital of 33 million yen
August 1972	Sales offices opened in Tokyo and Osaka
August 1972	Rhythm machines, the first Roland-brand products, released
November 1972	Guitar amplifiers and effects released
March 1973	MEG Electronics Corporation (later BOSS Corporation), a manufacturer of effects, established in Osaka-shi, Osaka
April 1973	Synthesizer and electronic piano released
May 1976	A sales company established in Australia
April 1978	A sales company established in the U.S.
January 1981	Sales companies established in UK and Germany
March 1981	A sales company established in Denmark
May 1981	AMDEK Corporation (presently Roland DG Corporation), a supplier of effects kits and computer peripherals, established in Suminoe-ku, Osaka-shi, Osaka
November 1981	A sales company established in Canada
March 1982	A sales company established in Belgium
November 1984	A music school (presently Roland Music School) opened in Osaka-shi
February 1985	Electronic drum set released
January 1986	A sales company established in Italy
March 1986	Hosoe factory (present headquarters) completed in Inasa-gun (currently Hamamatsu-shi), Shizuoka
July 1988	A sales company established in Switzerland
December 1989	The Company listed on the Second Section of the Osaka Securities Exchange
February 1990	A sales company established in Spain
May 1990	A sales company established in Hungary
September 1990	Hamamatsu R&D Center completed
October 1991	A sales company established in Brazil
May 1993	Headquarters relocated to Dojima, Kita-ku, Osaka-shi
July 1997	Miyakoda factory completed in Hamamatsu-shi
October 1997	A sales company established in France
March 1998	A sales company established in Portugal
June 1998	The Company listed on the Second Section of the Tokyo Stock Exchange
September 1999	The Company listed on the first section of the Tokyo Stock Exchange and Osaka Securities Exchange
October 2000	Roland DG Corporation listed on the Second Section of the Tokyo Stock Exchange
January 2001	A sales company established in Poland
July 2001	A manufacturing company established in China
September 2001	Roland Music Studios Corporation (presently Roland Music School) established through combination of Victor Technics Music Co., Ltd. and the Company’s music school
March 2002	Roland DG Corporation listed on the First Section of the Tokyo Stock Exchange
March 2003	A logistics company established in China
August 2004	Sales companies in Belgium and France combined
August 2004	Sales companies in Spain and Portugal combined
July 2005	Headquarters relocated to Hosoe-cho, Hamamatsu-shi (currently Hosoe-cho, Kita-ku, Hamamatsu-shi)
July 2007	A sales company established in China
April 2009	A sales company established in Russia
February 2014	A holding company, owning ten European regional sales subsidiaries, established in UK
July 2014	The Company converted into a subsidiary of Tokowaka Co., Ltd. (“Tender Offeror”) following the acquisition of its ordinary shares by the tender offeror
October 2014	The Company delisted from the First Section of the Tokyo Stock Exchange
November 2014	A manufacturing company established in Malaysia

Month and year	Event
January 2015	The Company, as the surviving company, merged with Tokowaka Co., Ltd.
April 2015	Roland RVS Holding Inc. (holding company of RVS) established
May 2015	A company to develop and distribute music/media production software (RVS) established in the U.S.
August 2015	Roland DG Corporation excluded from the scope of application of equity method due to sale of part of the Company’s shareholdings in Roland DG
March 2016	Roland VM Corporation (holding company of V-MODA) established
May 2016	A headphone development and manufacturing company in the U.S. (V-MODA) converted into a subsidiary of Roland Corporation
April 2017	A global commercial distribution management company established in Malaysia
January 2018	Boss Corporation merged and absorbed into the Company
July 2018	A sales company established in Mexico
October 2020	A UK-based sales company and a general management company (holding company) combined
December 2020	The Company relisted on the First Section of the Tokyo Stock Exchange

3. Description of Business

The Roland Group (the "Group"), consisting of 29 subsidiaries and one associate, is a pure-play manufacturer of electronic musical instruments, engaged primarily in development, manufacture and distribution of a wide range of musical instrument products globally.

Since its foundation in 1972, the Group has firmly established its position as a global brand in the electronic musical instruments industry by pushing forward with R&D in pace with technological advances in electronics, creating many world-leading technologies and products, and bringing new value propositions to market. The Group has built a comprehensive and well-balanced product portfolio ranging from electronic pianos, electronic drums, synthesizers to guitar-related products. It has also pioneered an effort to integrate audio and video, and thus, has established a strong position in the video equipment market by encompassing the segment from development to distribution. Overseas, the Group has proactively opened sales companies since the latter half of the 1970s in a bid to deliver its products to every corner of the world. In fact, the Group derives 86% (rounded to the nearest whole number) of its revenues outside Japan (for the fiscal year ended December 31, 2020).

In recent years, we have focused on efforts to expand sales especially in fast-growing emerging markets, in addition to Europe and North America which are growing steadily and thus are important markets for the Group. Specifically, we have rolled out products tailored to local music cultures and needs in these emerging markets. We basically manufacture products overseas, but have built a flexible manufacturing scheme that allows us to choose optimal manufacturing locations from a list of own and third-party factories depending on the characteristics of products.

The Group operates solely in the electronic musical instruments segment. The functions of Roland Corporation and its associates can be divided largely into the following categories:

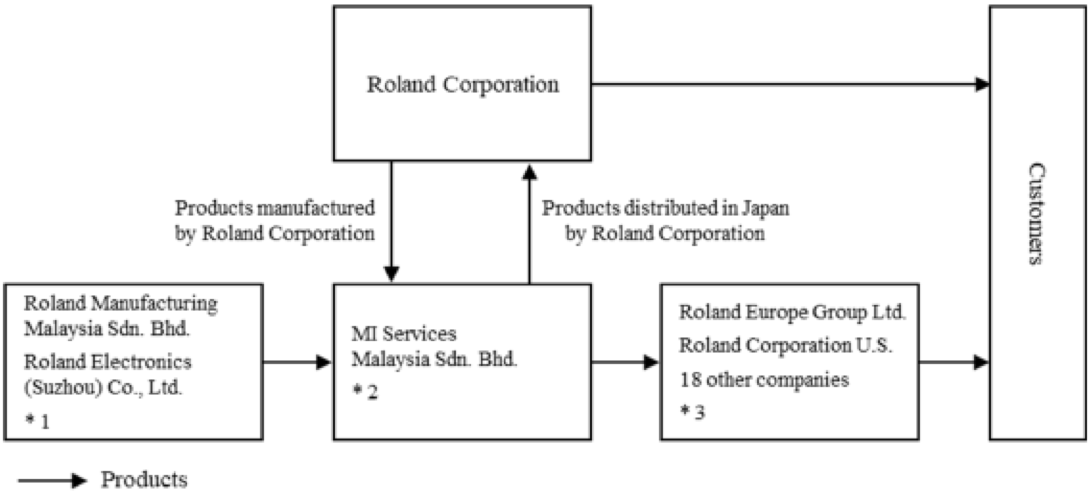
First, the Company is responsible for development activities, including product planning and R&D. The Company also takes on another important functions: supervision of all group companies and approval of their budgets and business plans. On top of the corporate functions above, the Company is responsible for manufacturing primarily video-related products and distributing products in Japan.

Additionally, the Company has two manufacturing subsidiaries which manufacture most of its products. Of these two subsidiaries, Roland Manufacturing Malaysia Sdn. Bhd., established in 2014, is a key manufacturing base for the Group, manufacturing its mainstay products, such as electronic pianos and electronic drums.

The Group also has a total of 19 sales subsidiaries distributing its products, comprising six subsidiaries in the Americas including Roland Corporation U.S., a key sales subsidiary; 11 subsidiaries in Europe including Roland Europe Group Ltd. which controls sales subsidiaries in the region; and two subsidiaries in Asia and Oceania. We focus on sales activities tailored to the characteristics and commercial practices in each of our major markets, including North America, Europe, China/Asia, and Japan.

Further, MI Services Malaysia Sdn. Bhd., a Malaysian subsidiary established in 2017, holds shares and controls operations of two manufacturing subsidiaries in the region. The subsidiary serves as an intermediary between the manufacturing and sales subsidiaries to engage in purchasing, distributing, and managing logistics of, the Company's products.

The following chart summarizes the structure of the Group's businesses.



		Number of companies
* 1:	Consolidated subsidiaries with a manufacturing function	2
* 2:	Consolidated subsidiary involved in purchase and distribution of electronic musical instruments, logistics management, and supervision of subsidiaries	1
* 3:	Consolidated subsidiaries with a distribution function	17
	Non-equity method, non-consolidated subsidiaries with a distribution function	2
	Non-equity-method associate with a distribution function	1
Other consolidated subsidiaries		7

4. Subsidiaries and Other Affiliated Entities

Consolidated subsidiaries

As of December 31, 2020

Company name	Address	Share capital	Main line of business	Ratio of voting rights held (%)	Description of relationship			
					Concurrent appointments of Officers, etc.	Lending of funds	Business transactions	Leasing of facilities
Roland Manufacturing Malaysia Sdn. Bhd.	Selangor Darul Ehsan Malaysia	RM14,232 thousand	Electronic musical instruments	100.0 (100.0)	Yes	No	Manufacture of the Company's products	No
Roland Electronics (Suzhou) Co., Ltd.	Suzhou China	US$7,360 thousand	Electronic musical instruments	90.0 (75.0)	Yes	No	Manufacture of the Company's products	No
MI Services Malaysia Sdn. Bhd.	Selangor Darul Ehsan Malaysia	RM230,180 thousand	Electronic musical instruments	100.0	Yes	Yes	Purchase and distribution of the Company's products, logistics management, and supervision of subsidiaries	No
Roland Corporation U.S.	Los Angeles California U.S.A.	US$545 thousand	Electronic musical instruments	100.0	Yes	No	Distribution of the Company's products	No
Roland Canada Ltd.	Surrey British Columbia Canada	CAN$5 thousand	Electronic musical instruments	100.0	Yes	No	Distribution of the Company's products	No
Roland Brasil Importacao, Exportacao, Comercio, Representacao e Servicos Ltda.	Sao Paulo Sao Paulo Brazil	R$34,518 thousand	Electronic musical instruments	100.0 (0.1)	No	No	Distribution of the Company's products	No
Roland Instrumentos Musicales Mexico, S. de R.L. de C.V.	Ciudad de Mexico Mexico	MXN28,912 thousand	Electronic musical instruments	100.0 (0.1)	No	Yes	Distribution of the Company's products	No
Roland VS LLC	Seattle Washington U.S.A.	US$10,648 thousand	Electronic musical instruments	100.0 (100.0)	Yes	No	Distribution of the Company's products	No
V-MODA, LLC	Los Angels California U.S.A.	US$11,651 thousand	Electronic musical instruments	100.0 (100.0)	Yes	Yes	Distribution of the Company's products	No
Roland Europe Group Ltd.	Reading U.K.	GBP42,039 thousand	Electronic musical instruments	100.0	Yes	No	General management of European sales subsidiaries and distribution of the Company's products	No
Roland Germany GmbH.	Ruesselsheim Germany	EUR3,300 thousand	Electronic musical instruments	100.0 (100.0)	Yes	No	–	No
Roland Central Europe N.V.	Westerlo Belgium	EUR75 thousand	Electronic musical instruments	100.0 (100.0)	Yes	No	–	No
Roland South Europe S.p.A.	Milano Italy	EUR1,550 thousand	Electronic musical instruments	100.0 (100.0)	Yes	No	–	No
Roland Iberia, S.L.	Barcelona Spain	EUR 3 thousand	Electronic musical instruments	100.0 (100.0)	Yes	No	–	No
Electronic Musical Instruments Roland Scandinavia A/S	Gentofte Denmark	DKr 510 thousand	Electronic musical instruments	100.0 (100.0)	Yes	No	–	No
Roland East Europe Ltd.	Torokbalint Hungary	EUR 396 thousand	Electronic musical instruments	100.0 (100.0)	Yes	No	–	No
Roland Music LLC	Moscow Russia	RUB15,000 thousand	Electronic musical instruments	100.0 (100.0)	Yes	No	Distribution of the Company's products	No
Roland China Ltd.	Shanghai China	US$3,000 thousand	Electronic musical instruments	100.0	Yes	No	Distribution of the Company's products	No
Roland Corporation Australia Pty Ltd	Dee Why NSW Australia	A$833 thousand	Electronic musical instruments	100.0	Yes	No	Distribution of the Company's products	No
Roland Organ Corporation	Los Angeles California U.S.A.	US$43,500 thousand	Electronic musical instruments	100.0	Yes	No	–	No

Seven other companies (a total of 27 companies)

Notes: 1. The figure in parentheses in the “Ratio of voting rights held (%)” column shows the ratio of the voting rights the Company holds indirectly, which is included in the figure without parentheses.

2. Roland Corporation U.S.; Roland Europe Group Ltd.; Roland Brasil Importacao, Exportacao, Comercio, Representacao e Servicos Ltda.; Roland VS LLC; V-MODA, LLC; MI Services Malaysia Sdn. Bhd.; and Roland Organ Corporation fall under specified subsidiaries.

3. None of these companies have submitted Securities Registration Statements or Annual Securities Reports.

4. Roland Organ Corporation has been a dormant company and is scheduled for liquidation.

5. Results of operations for consolidated subsidiaries whose net sales (excluding intra-group sales) exceeded 10% of consolidated net sales for the fiscal year ended December 2020 were as follows:

(Millions of yen)

Company name	Net sales	Ordinary profit	Profit	Net assets	Total assets
Roland Corporation U.S.	17,753	786	613	7,795	12,998
Roland Europe Group Ltd.	20,329	1,195	315	8,401	15,192

5. Employees

The Company and its consolidated subsidiaries operate solely in the electronic musical instruments segment, and thus, the breakdown by segment is unavailable for presentation.

(1) Information about consolidated companies

As of December 31, 2020

Number of employees (persons)	2,601 [330]

Notes: 1. The number of employees represents the number of regular employees. The number of temporary employees indicated separately in the square bracket represents the average number of temporary employees per year.
2. The number of temporary employees has increased by 306 from the previous fiscal year as a Malaysian subsidiary hired additional employees to support production during the period.

(2) Information about reporting company (non-consolidated)

As of December 31, 2020

Number of employees (persons)	Average age	Average length of service	Average annual salary (thousand yen)
857	45 years and 1 month	19 years and 2 months	6,908

Notes: 1. The number of employees represent the number of regular employees. The number of temporary employees is not stated since the number is less than 10/100 of the total number of employees.
2. Average annual salary includes bonuses and extra wages.

(3) Labor union

The Company has a labor union named Roland Labor Union. The Roland Labor Union does not belong to any superior body.

Among our employees, the number of union members is 569 as of December 31, 2020. Labor-management relations have remained favorable, and there are no special matters to be noted as to the relationship with the labor union.

Item 2. Overview of Business

1. Management Policy, Business Environment, and Issues to Address

This document contains forward-looking statements, which are based on the Group’s assessment made as of the end of the fiscal year under review.

(1) Basic management policy (corporate philosophy)

The Roland Group’s corporate philosophy is embodied in three slogans below. These slogans represent the Group’s purpose and vision, which have remained unchanged since its foundation.

- Inspire the enjoyment of creativity
- Be the BEST rather than BIGGEST
- Cooperative enthusiasm for all stakeholders

Inspire the enjoyment of creativity

We aspire to create a world in which as many people as possible can enjoy music and video in their own way wherever they are. We aim to bring the thrill and excitement of creative experiences to imaginative people all over the world. We continue to pursue every possible opportunity to bring joy to people, including the pleasure of creating music or video, the enjoyment of playing musical instruments with friends, and the bliss of sharing live music with many others.

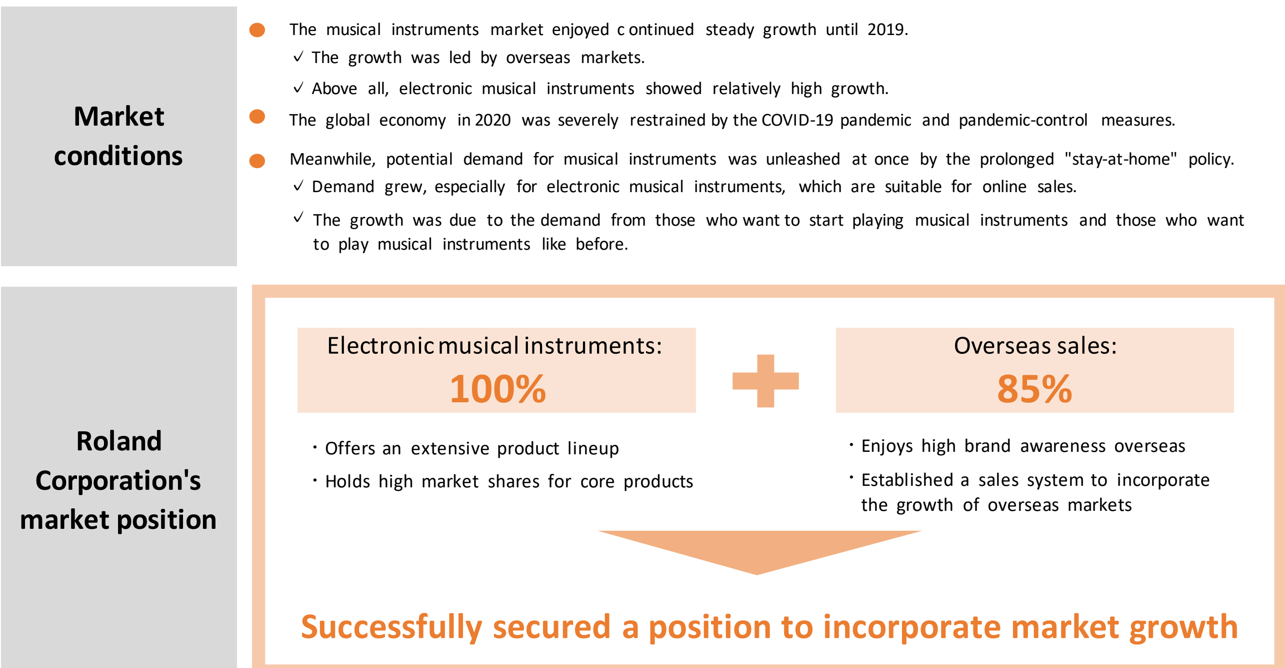
Be the BEST rather than BIGGEST

We endeavor and make every effort to become a one-of-a-kind company that offers the best to each and every one of our customers. What we value most as we continue to grow is a trusted relationship with our customers. We are thus committed to growing into a company that provides our customers with what they want, as well as inspire them with new dreams and expectations.

Cooperative enthusiasm for all stakeholders

We aspire to become a company that nurtures a sense of affinity and loyalty among many stakeholders, including customers, business partners, and shareholders. In creating new value, we will do our best to live up to expectations of these stakeholders and help them develop an even better understanding of our business. Through these efforts, we will transform their affinity and loyalty into our strength to ultimately continue to enhance our corporate value.

(2) Business environment



The musical instrument market has long enjoyed steady growth. Above all, electronic musical instruments, which deliver new value, have shown even higher growth than the entire market. At the same time, despite the shrinking Japanese market, overseas markets have been a driving force for the growth of the entire market. As a result, with a system built to incorporate the growth of overseas markets, the Company has demonstrated strong growth by placing a focus on electronic musical instruments.

Even in this era of coexistence with COVID-19, such trend has remained unchanged, and people are believed to spend more time to enjoy their hobbies. The global economy was indeed severely restrained by the outbreak. However, the musical instruments market grew markedly, backed by potential demand unleashed at once by the prolonged stay-at-home policy. Under such circumstances, we once again acknowledged the suitableness of electronic musical instruments for online sales and the effectiveness of our distribution strategy. We also rediscovered the affinity of electronic musical instruments for digital marketing that we have vigorously driven forward.

(3) Management strategies over the medium- to long-term and issues to address

Based on the recognition of the business environment as above, the Company has formulated a three-year medium-term management plan for fiscal 2020 through 2022. After the Company went private in 2014, we turned around our business and got it growing again by making investments for future development, along with structural reforms. We regard the three years from fiscal 2020 through 2022 to be our new growth phase.

We have recognized that, for sustainable growth of the Roland Group, we need to address the following significant challenges: provision of high-value products and services developed based on a deeper understanding of our customers; building of an effective supply chain management (SCM) system that minimizes both shortages and excess inventory; creation of new customers to communicate the true value of our products and services; development of human resources, and strengthening of governance by thorough visualization, both of which will contribute to addressing these challenges. We continue to pursue further business growth in accordance with the basic policies below.

We have positioned Return on Equity (ROE) and Return on Invested Capital (ROIC) as key management metrics to measure the level of improvement in shareholder value and corporate value. In the fiscal year ending December 31, 2022, the final year of the medium-term management plan, we aim to achieve net sales of ¥72,800 million, operating profit of ¥9,000 million, profit attributable to owners of parent of ¥6,200 million, ROE of 20% or higher, and ROIC of 15% or higher.

Overview of the Medium-term Management Plan for Fiscal 2020 through 2022

<Vision>

Bringing the thrill and excitement of creative experiences to imaginative people all over the world

<Key strategic initiatives>

1) <Produce> Develop high value-added products and services that only we can provide

2) <Reach> Customer / market creation through continuous engagement with our enthusiastic fans -Marketing Driving Company-

3) <Deliver> Realize the world’s best SCM without stock shortages and over stocking

4) <Support> Human resources development
Strengthening governance & Visualization (Mieru-ka)

<Basic policies>

1) Develop high value-added products and services that only we can provide
We will raise the efficiency of developing products in existing core product categories including keyboards, percussions, and guitar-related products to ultimately strengthen our earnings power, by making better use of our common platform amassing our proprietary technologies. At the same time, we will proactively develop “game changer” products having the added value unique to the Company in a bid to create new markets and acquire new customers. We also aim for sustainable production and consumption of our products. To this aim, we will continue to provide updates and content that make our products more attractive, after their releases, towards extending the lifecycle of and reducing the disposal waste of our products. In addition, we will build a system that allows us to continuously supply contents and develop applications for Roland Cloud, a subscription service to software sound sources, with a view to increasing the membership. We will also endeavor to further add values to our products, which we have failed to achieve so far, through a seamless collaboration between hardware and software on our common platform.

2) Customer / market creation through continuous engagement with our enthusiastic fans -Marketing Driven Company-
We will upgrade customer engagement by uncovering their real needs and unlocking the passion for music of those who used to play musical instruments but no longer play like before. Specifically, we will create new customers by strengthening marketing activities in advanced nations where the musical instrument market has matured, as well as in such growth markets as China and emerging countries, in ways that work best for each of these markets.

3) Realize the world’s best SCM without stock shortages and over stocking
By the “world's best SCM,” we mean the ideal form of SCM that “supplies products ordered by customers, through efficient SCM operations, to a place and at time required by customers, without shortages or excess inventory.” To achieve this, we will unify and visualize SCM-related data to increase the accuracy of our production plan, so we can adapt to fluctuations in demand more quickly. In addition, we will endeavor to shorten the lead time and strengthen measures to solidify BCP (business continuity), by improving productivity through well-planned procurement of parts, systematic inventory allocation, and increased focus on highly profitable models.

4) Human resources development
Strengthening governance & Visualization (Mieru-ka)
We will strengthen the bond between the Company and its employees (engagement) by revitalizing both people and organization, as well as create a work environment and corporate culture that allows each one of the employees to work comfortably and with a sense of security. We will also improve productivity by thoroughly visualizing and unifying data related to production, inventory, sales, and expense. In addition, we will further strengthen the global corporate function of the administrative division of the headquarters with firmly established governance in place.

Our ESG efforts

Our society is now at a major turning point, and our daily lives have been affected by such changes. In such a time of unrest, the role played by music in enriching people’s lives has become increasingly important. We are trying to make people’s lives even better through our business by offering “electronic musical instruments,” which allow them to enjoy music easily, regardless of place or time.

We also aim to achieve Sustainable Development Goals (SDGs) through our unique environmental, social and governance (ESG) efforts. For instance, we have recently focused our efforts on a cloud-based service Roland Cloud as part of our growth strategy. Through this service, we will realize close interaction between electronic musical instruments and software or applications. We will enable people to lead an environmentally-friendly musical life by allowing them to enjoy a piece of musical instrument in many ways for a long time.

E: environment

Pursue environmentally friendly corporate activities

- Contribute to environmental conservation by saving power and energy as well as developing products including cloud-based services
- Conform to laws of different countries on banned substances and energy savings
- Ensure thorough product quality control as a company with a certified quality management system (ISO 9001) to increase customer satisfaction

S: society

Make people's lives even better through the power of music around the world

- Promote cultural and artistic activities by holding musical events and providing opportunities for students to perform in front of audiences through musical education
- Create jobs in emerging counties through the manufacturing of musical instruments
- Improve the work-life balance and productivity of employees by promoting flexible working hours and teleworking
- Create a satisfying workplace by utilizing ChAO (Check-up for the Activated Organization)

G: governance

Ensure a fair and transparent management structure

- Established a management structure to ensure that Outside Directors, who make up four out of six Detectors, can make recommendations from an objective standpoint
- Hold a monthly meeting of the Risk Management and Compliance Committee made up of Executive Directors and Executive Officers

2. Business Risks

Of the matters related to Overview of Business and Financial Information stated in this annual securities report, the management has recognized that the items listed below constitute major risk factors that may have a material impact on the financial position, operating results and cash flows of consolidated companies:

This document contains forward-looking statements, which are based on the Group's estimates and assumptions made as of the end of the fiscal year ended December 31, 2020.

(1) Economic conditions

Electronic musical instruments we manufacture and distribute are so-called luxury items, and thus, the Group has attached importance to offering its products and services at prices commensurate with their high added values. The Group's operating results, therefore, are vulnerable to economic conditions. In addition, the Group's operating results tend to be affected by global economic conditions given that sales overseas, especially in Europe, North America and China, represent a significant proportion of its overall sales. In its major markets overseas, the Group is faced with a number of challenges, such as slower consumer spending and a decrease in disposable income, on the back of the US-China trade dispute, the Brexit issues, and the pandemic of COVID-19. Should these issues drive down the demand for our products and services in our key overseas markets, the Group's business, financial position, and operating results may be adversely impacted.

(2) Impact of the global pandemic of COVID-19

In the event economic and business activities remain suspended, subdued or are further restricted by the prohibition/restriction of, or the requests for voluntary restraint, etc. on traveling or organizing events, in countries where the Group, and its business partners such as suppliers and distributors operate, the demand for its products and services could decline and the supply of its products may be restricted due to the closure of factories and subsequent discontinuation of production at these factories, restriction on procurement of parts, slower consumer spending, decreased disposable income, unexpected economic and social activities, changes in behavior patterns and other negative factors. These downtrends may hurt the operating performance of the Group's business partners, disrupt infrastructures in both the public and private sectors, and may consequently have an adverse effect on the Group's business, financial position, and operating results.

(3) Risks associated with medium-term management and other plans

In August 2020, the Group announced the Medium-term Management Plan for Fiscal 2020 through 2022. However, the Group's ability to achieve the targets of the medium-term management plan is subject to many risks and issues, including the matters described in 2. Business Risks, Item 2. Description of Business in this document.

The medium-term management plan was prepared based on various assumptions the Group had made, including exchange rates, raw materials prices, and the outlook for the new coronavirus. There is no guarantee that such assumptions are correct. In the event such assumptions are incorrect, the Group may not be able to revise its growth strategy or business operations to mitigate the impact of such incorrect assumptions in a timely manner.

(4) Competitors

The Group's brand is recognized globally, and we are confident that the Group has a strong competitive advantage in terms of sound quality, design, innovation, etc. We also have continued to offer an extensive lineup of products to meet the needs of a wide range of performers, from beginners to professional artists. The Group has established a solid position in the musical instrument industry, helped by these efforts. The Group, however, has competed fiercely with industry peers in the musical instrument markets both at home and abroad. Some of its rivaling companies may be more competitive than the Group in many aspects, including brand power, financial capacity, technology, human resources, R&D track record, cost competitiveness and sales force.

In addition, the Group's products compete with second-hand products. In recent years, some of the manufacturers of lower-priced musical instruments, especially in Asia, have managed to significantly improve the quality of their products and have offered a broad range of products at highly competitive prices, fueling the competition with the Group. In the event the Group falls behind in competition with rivaling companies or rivaling products, and as a consequence, it loses market shares at home and abroad or is forced to cut prices, its business, financial position, and operating results may be adversely impacted.

(5) R&D activities

Demand for our products and services relies heavily on the tastes and preferences of consumers. In order for the Group to expand sales in the existing product markets or develop markets for innovative products, it needs to accurately understand and keep abreast of changing consumer tastes and preferences and continue to focus on R&D. For the Group to commercialize new products, especially innovative products, it may need to work on R&D for many years. In addition, the recruitment and development of talented researchers and engineers are essential to successful R&D activities.

In cases where the Group is unable to continue sufficient R&D activities due to constraints in financial, human and other resources, and as a result, can no longer deliver products and services that meet changing tastes and preference of consumers, or its R&D activities are more costly or takes longer than expected, its business, financial position, and operating results may be adversely impacted.

(6) Unforeseen circumstances, such as natural disasters

The Group has manufacturing bases in Malaysia, China and Japan, a distribution base in Malaysia, and sales bases all over the world. We also have suppliers of various parts around the world.

Therefore, in the event unforeseen incidents take place in countries or regions where the Group’s manufacturing, logistics, and sales bases are located or its suppliers operate, the Group’s business, financial position, and operating results may be adversely impacted. Note that these unforeseen incidents span widely, from natural disasters including earthquake, tsunami, flood and typhoon; to political and social disruptions including terrorist acts, wars, riots; and infection with computer viruses and cyberattacks, which could damage our bases and suppliers, cause our operations/sales/manufacturing/shipment to stop, slash our production capacity, make it difficult for us to procure raw materials and parts, and interrupt the supply of our products. Should such risks become prominent particularly in Malaysia, where the Group's manufacturing and logistics functions concentrate, it will become more likely that the Group's business, financial position, and operating results are adversely impacted.

In addition, since the Group's business locations concentrate in certain regions, if natural disasters and other disruptive incidents hit these regions, the Group’s business may be materially impacted. For instance, the Group's headquarters, domestic manufacturing and R&D bases, and most of the major functions related to domestic business concentrate in Shizuoka Prefecture. Therefore, the eruption of Mt. Fuji and the Tokai and Nankai Trough earthquakes, if occurred, may cause considerable damage to the business activities of the Group.

(7) Procurement of raw materials

Our group's products use various raw materials and parts such as custom IC chips, timber, metals, and plastics. The Group has secured multiple suppliers and implemented measures to mitigate the potential impact of unforeseen circumstances. However, deteriorated operating performance of suppliers, disasters, changes in the regulatory environment, and other unforeseen incidents may give rise to suspension of or delay in the supply of raw materials in the quality and quantity required by the Group, and consequently a spike in raw materials and other prices. These circumstances could make it difficult for the Group to manufacture its products, or make its products less price competitive due to rises in purchase costs or the prices of its products, and as a result, may adversely affect the Group’s business, financial position, and operating results.

In addition, the Group needs a stable and large amount of power supply in order to operate its manufacturing facilities. Therefore, restricted supply of electricity, shortage of electricity, or increases in electricity charges could adversely affect the Group’s business, financial position, and operating results. Should such risks become prominent particularly in Malaysia, where the Group's manufacturing and logistics functions concentrate, it will be more likely that the Group's business, financial position, and operating results are adversely impacted.

Further, a potential rise in labor and distribution costs at the Group’s manufacturing and sales bases in the future could undermine the price competitiveness of its products due to their price increases, and as a result, the Group’s business, financial position, and operating results may be adversely impacted. We, however, have not specifically recognized the possibility that these incidents actually take place.

About half our products use electronic components manufactured at Nobeoka Plant of Asahi Kasei Microsystems Co., Ltd. Production at the plant is suspended due to a fire that occurred in October 2020; as of the end of the fiscal year under review, the prospect for recovery is still unclear. However, the Group has kept a significant number of these components and the finished products manufactured using them. We are currently in the process of procuring substitute components and adapting the design of our products to the substitutes. We therefore expect, based on the information currently available, that the impact of the fire on the Group’s earnings will be limited. However, in cases we are unable to secure stable supply of these substitute components at reasonable terms and conditions, restricted production activities and /or increased manufacturing costs may adversely affect the Group’s business, financial position, and operating results in the second half of fiscal 2021 and later.

(8) Product demand forecast and inventory management

The Group forecasts consumer demand based on information obtained from the Group's sales network and other sources, and procures raw materials and components in accordance with predetermined production and other plans. However, as it is difficult to accurately project future consumer demand, the Group's forecast and actual demand may differ. In that case, inventory shortages may lead to missed sales opportunities or excess inventory, which could affect cash flows and cause valuation loss on goods. As a result, the Group's business, financial position, and operating results may be adversely impacted.

(9) Reliance on third parties in manufacturing and sales

The Group relies on third parties, such as outside manufacturers and sales representatives, for manufacturing and distribution of its products.

Therefore, in cases where the business environment for these third parties deteriorates, disasters occur, or these third parties jeopardize the relationship with the Group and deepen relationships with its competitors, the Group’s manufacturing and sales activities could be disrupted. As a result, the Group’s business, financial position, and operating results may be adversely impacted. In addition, if the quality of the manufacturing and sales activities of the third parties does not live up to the standards of the Group, it may affect the quality and evaluation of the products and services of the Group, as well as its manufacturing and sales activities.

(10) Impairment of brand value

The Group's brands, including "Roland" and "BOSS," are one of the motives for consumers to purchase our products and services. The Group has continued to invest its management resources in maintaining and enhancing its brand strength. Its brand value, however, may be impaired for a number of reasons, including failures or other quality problems with the Group’s products, accidents, misconduct or scandals by its management members or employees, distribution of counterfeits or copycat products.

In addition, reputational damages caused by the posts on the internet or SNS, irrespective of whether or not these posts are true and correct, may adversely affect the Group business, financial position, operating results, brand image and social credibility.

The Group's brand value is underpinned by its track record of continuously having released products attractive for customers, including market-leading products and high-performance products. The Group has controlled and managed the marginal profit ratio, one of the metrics to measure its earnings power, for each of its product. Specifically, the Group has improved and maintained marginal profit ratios to build a competitive advantage by increasing its technological expertise in both hardware and software, and achieving the product quality that resonates with artists, both of which are sources of added values, thus establishing a strong brand, besides the efforts to cut fixed costs. However, in cases where the Group can no longer release compelling products for consumers due in part to its loss of technological expertise or inability to grasp what consumers really want, its declining brand strength over the medium- to long-term may adversely affect the Group’s business, financial position, and operating results.

(11) Business activities overseas

The Group has its manufacturing and distribution bases all around the world, including manufacturing subsidiaries in Malaysia and China. Also, the Group has generated the majority of its revenues abroad.

Business activities overseas are exposed to a wide range of risks, from political and economic uncertainties; adoption of new regulations or amendments to existing regulations on environment, safety, labor, trade, etc.; changes to tax systems, including the transfer pricing taxation system; differences in business standards and practices; to difficulties operating and managing overseas subsidiaries effectively.

These risks, if materialize, may adversely affect the Group’s business, financial position, and operating results.

(12) Risks specific to cloud-based services

In September 2017, the Group launched Roland Cloud, a cloud-based, high-quality software sound source subscription service for music and media creators. This Roland Cloud is dependent on cloud-based services provided by outside vendors. In cases where the service itself, the Group’s systems, or systems or internet-related infrastructure of outside vendors are disrupted by disasters, infection with computer viruses, cyberattacks and other troubles, the Group’s systems or infrastructure may not be updated or repaired in a timely manner, and as a result, the Roland Cloud service may be suspended or delayed, and the reliability of the service may be undermined. It is also possible that the costs for maintaining and updating the systems, which is necessary for the Group to provide the Roland Cloud service continuously and adequately, are higher than expected.

In these cases, the Group's business, financial position, operating results, brand image and social credibility may be adversely impacted.

(13) System related and other risks

The Group uses various information systems for its overall business activities and products. In the event these systems do not function as expected by the Group, or system failures occur due to disasters, wars, terrorist acts, infection with computer viruses, cyberattacks and others, the Group may be forced to suspend its operations and services, lose important data, and incur additional expenses for addressing the above situations. As a result, the Group's business, financial position, operating results, brand image, and social credibility may be adversely impacted.

(14) Exchange rate fluctuations

The Group is engaged in manufacturing and sales activities globally, and generates the majority of its revenues overseas. The Group, therefore, is exposed to the impact of fluctuations in exchange rates, especially of USD and euro.

Also, in the process of preparing consolidated financial statements, the values of assets and liabilities of overseas subsidiaries denominated in local currencies are translated into yen, and therefore the financial position of the Group is affected by fluctuations in exchange rates. The Group has also been exposed to fluctuations in additional currencies besides USD and euro, since it has expanded into other regions, such as China, in recent years.

The Group has hedged exchange rate fluctuations by trading foreign exchange futures to minimize some of the impact. However, since the impact of exchange rate fluctuations cannot be entirely eliminated, the fluctuations may adversely affect the Group's business, financial position, and operating results.

(15) Impact of seasonal factors on business performance

The Group's business performance depends heavily on sales results during selling seasons, including Singles' Day in China in November, Black Friday in the U.S. and other countries, and especially the year-end selling season in December. Sales during the latter half, therefore, account for a relatively larger proportion of our overall sales. Therefore, sluggish sales during the year-end and New Year holidays due to weak economy or similar reasons may adversely affect the Group's annual results.

(16) Intellectual property rights

The Group has sought to acquire, maintain, and protect intellectual property rights, such as patents and registered trademarks related to its proprietary technologies, products and services. However, in some countries or regions where the Group operates, effective measures to protect intellectual property rights are not in place or are limited. It is therefore possible that we fail to obtain sufficient intellectual property rights in these countries or regions, and also that we fail to fully prevent the infringement of our intellectual property rights by third parties. In cases where products similar to ours or copycat products are sold, or illegal counterfeits are distributed, the Group's business, financial position, and operating results may be adversely impacted.

Further, although the Group has carefully looked into whether or not it has infringed the rights of other companies, there is a possibility that the Group will unintentionally infringe the intellectual property rights of a third party. It is also possible that acquisition of patents or other rights by third parties in the business domains where the Group operates could escalate into disputes as to where intellectual property rights belong, or lawsuits or claims against the Group for damage incurred due to its alleged infringement of intellectual property rights, or injunctions against the use of intellectual property rights by the Group.

Moreover, we pay incentives based on internal rules to the employees who have created new intellectual property rights related to the businesses of the Group. We however cannot deny the possibility that these employees, including former ones, take legal proceedings, such as lawsuits and claims, regarding the amounts of such incentives or related matters. These lawsuits and claims could adversely affect the Group's business, financial position, operating results, brand image and social credibility.

(17) Defects in products and services

Also, the Group's business, financial position, operating results, brand image and social credibility may be adversely affected by recalls, and other measures to correct defects in products and services, including interruption/delay, repair, redesign of products or services, when unexpected defects are found in products or services of the Group, or when the products or services do not function as expected according to specifications.

In addition, the Group is exposed to a risk that it becomes a party to legal proceedings due to defects in its products or services, including lawsuits based on product liability, in countries or regions where it operates. If the Group becomes a party to such proceedings and is ordered to pay large amounts of damages or fines, the Group's business, financial position, and operating results may be adversely impacted.

(18) Relationship with major shareholders

The Company is advised on investment decisions by Taiyo Pacific Partners L.P., based in Washington, the U.S. (hereinafter "Taiyo Pacific Partners"), a fund investing mainly in listed Japanese stocks. The Fund is another controlling shareholder of the Company, beside the parent company, as of the end of the fiscal year ended December 31, 2020. In addition, two of our Outside Directors are dispatched from Taiyo Pacific Partners.

Taiyo Pacific Partners' interests in our business and management policy may be different from those of other shareholders. This may have a significant impact on the outcomes of resolutions at the General Meeting of Shareholders of the Company, such as the appointment and removal of its Directors and Officers and other matters that require the approval of shareholders.

Also, in the event Taiyo Pacific Partners sells off its shareholdings in the Company through on or off-market transactions, or the market has become wary of possible overhang of the shares or a speculation about such overhang, its share price may be adversely impacted.

(19) Laws and regulations

The Group operates business globally, and thus, is regulated by a variety of laws and regulations in countries and regions where it operates. Such laws and regulations include those related to occupational safety and health, labor-management relations, foreign investments, foreign capital, national security, consumer protection, competition policy, taxation, and environmental protection. In case of violation of any of these laws and regulations, the Group is subject to civil, criminal, or regulatory penalties, which may adversely affect the Group's business, financial position, operating results, brand image, and social credibility.

In this regard, as of the end of the fiscal year ended December 31, 2020, the Group has been investigated by relevant authorities regarding competition law violations in China and has been responding cooperatively. Although the Company believes that the impact of such investigation should be minimal, it may adversely affect the Group's operating results, etc. depending on judgement by the authorities.

On top of the above, in the event new laws or regulations applicable to our business are enacted or significant changes are made to existing laws and regulations, the Group will incur additional costs in order to comply with them. This could necessitate us to cut down on our manufacturing and sales activities, capital investment, and logistics operations. As a result, the Group's business, financial position, and operating results may be adversely impacted.

(20) Litigation

The Group is exposed to a risk that, in countries and regions where it operates, it becomes a party to legal proceedings filed by consumers, business partners, employees and others, in connection with matters including product liability, contract violations, and labor issues. In this regard, the Group is subject to disciplinary actions and punishment by regulatory authorities. Depending on the outcomes of legal proceedings or the measures taken by regulatory authorities, the Group may be ordered to pay a large amount of damages, fines or surcharges, leading to restriction on its business activities and loss of its management resources. This may adversely affect the Group's business, financial position, operating results, brand image and social credibility.

(21) Personal information

The Group holds personal information of many customers in connection with its business activities, including customer support and cloud service. We have made every effort to manage personal information appropriately, but in the event of information leakage, we will be subjected to orders or disciplinary actions by regulatory authorities, which will undermine our customers' trust, brand image and social credibility and cause the Group to incur additional costs for taking necessary measures. As a result, the Group's business, financial position, and operating results may be adversely impacted.

(22) Impairment

The Group holds many property, plant and equipment, as well as intangible assets. The Group periodically evaluates the recoverability of the residual value of non-current assets on its consolidated balance sheet based on estimated future cash flows from these assets. In the event the Group has determined that the profitability of related businesses has declined, for reasons such as competition with industry peers, and the non-current assets will not generate sufficient cash flows, it has to recognize a valuation loss. As a result, the Group's business, financial position, and operating results may be adversely impacted.

(23) Securing talent and dependence on particular persons

For the Group to build and maintain competitive advantage in a difficult business environment, it is important to secure talented human resources, including management members and personnel in a variety of fields, such as operation and management, R&D, manufacture, and sales. However, competition for hiring and securing highly specialized and capable personnel has become even more harsh, as such talented human resources are limited. Therefore, the Group’s inability to secure a sufficient number of talented personnel may adversely affect its business, financial position, and operating results. In fact, a loss of such talented personnel and accordingly an outflow of their expertise and knowhow in our business to competitors may undermine the Group’s competitive advantage.

Operation of the Group substantially relies on the capabilities and contributions of the current management team. In the event existing management members resign for some reasons but the Group is unable to hire substitute members, its business, financial position, and operating results may be adversely impacted.

(24) Acquisition of companies, capital and business alliances, etc.

The Group may engage in M&A transactions to strengthen its competitiveness, improve its earnings power, and expand and maintain its market shares. Such transactions typically include acquisition of companies, capital and business alliances with other companies, investment in and establishment of joint ventures. We carefully and sufficiently examine the rationale of such a transaction before making decisions as to whether we actually engage in the transaction. However, despite a decision to move forward with the transaction, we may not be able to execute it due to difficulty financing, or business or regulatory constraints; or we may not be able to generate synergies in business or earnings as expected due to difficulty integrating the target into the Group as scheduled. These situations may adversely affect the Group’s business, financial position, and operating results.

(25) Retirement benefit plans

The Group bears the amount of retirement benefit expenses which are computed by actuarial calculation. Changes to actuarial assumptions, however, affect the amounts of defined benefit cost, defined benefit liability, and contributions to the defined benefit plan in the future, and as a result, may adversely affect the Group's business, financial position, and operating results.

3. Management's Discussion and Analysis of Financial Position, Operating Results and Cash Flows

The overview of the Group's financial position, operating results, and cash flows (hereinafter "operating results, etc."), and views and issues analyzed/discussed with regard to the status of operating results, etc. from the management's perspective, are as follows.

This document contains forward-looking statements, which are based on the Group's estimates and assumptions made as of the end of the fiscal year ended December 31, 2020.

(1) Significant accounting policies and estimates

The Group's consolidated financial statements are prepared based on accounting principles generally accepted in Japan. The management of the Group prepares these consolidated financial statements based on their estimates, which affect assets and liabilities on a balance sheet date, and the amounts and disclosure of revenues and expenses during a reporting period. Although the appropriateness of these estimates is reasonably determined based on past results and circumstances, they may differ from actual results due to uncertainties inherent to estimates.

The information on significant accounting policies adopted by the Group in its consolidated financial statements is stated in "Item 5. Financial Information 1. Consolidated Financial Statements, etc. (1) Consolidated financial statements, *Significant accounting policies for preparation of consolidated financial statements*." Of the estimates and judgements made by the management, the following items may have a particularly significant impact on the financial position and operating results.

(a) Valuation of inventories

The Group recognizes write-downs of inventories it holds due to decline in profitability based on their net sales value or replacement cost. The Group also recognizes write-downs of slow-moving inventories held longer than a certain period of time by estimating the holding period based on historical experience and future plans and valuing the inventories using different techniques depending on the length of estimated holding period. The Group may recognize valuation loss by writing down the book value of inventories if it is forced to cut prices as a result of future market price fluctuations or intensifying competition, or if the inventory level changes due to, among other factors, the difference between the Group's demand forecasts and actual demand.

(b) Impairment of non-current assets

The Group examines whether or not the recognition of valuation loss is necessary based on the "Accounting Standards for Impairment of Fixed Assets," and recognizes valuation loss based on the present value of future cash flows or their net sales value. The Group may recognize valuation loss if future cash flows plunge due to a revision to future business plans or deterioration in business environment.

(c) Impairment on investment

In principle, the Group recognizes valuation loss on securities with market values only if their market prices fall 50% or more of their acquisition prices. We recognize valuation loss on securities whose market prices declined 30% to less than 50% only if their average rate of decline during the past two years is 30% or more. In principle, we recognize valuation loss on securities without market values only if their real values fall 50% or more of their acquisition prices due to deteriorated financial position of the issuer. In cases where the Group has identified a loss not reflected in the carrying amount of securities or was unable to recover some of its investments due to deteriorated market conditions or weaker operating performance of issuers, it may need to recognize valuation loss.

(d) Recoverability of deferred tax assets

In calculating the amount of deferred tax assets, the Group estimates the amount of its future taxable income based on earnings forecasts and tax planning, and determines the recoverability of deferred tax assets. Changes in the estimates due to a deteriorated business environment in the future, however, may cause the Group to draw down deferred tax assets and recognize income tax expenses.

(e) Determination of retirement benefit obligations

The Group has put in place a defined benefit corporate pension plan (cash balance plan), and calculates retirement benefit expenses and retirement benefit obligations based on actuarial assumptions. These assumptions include significant estimates, such as those of discount rates, employee turnover rates, rates of mortality, rates of increases in salary, pension election rates, and expected rates of return on pension assets. The discount rates, which we believe will have particularly a significant impact on profit and loss, are estimated based on the yield of long-term Japanese government bonds at the fiscal year end. Long-term expected rates of return on investment are estimated based on the Company's investment policy and other factors. In the event the actual results differ from the assumptions or if the assumptions are revised, the effects are accumulated and will be periodically recognized in the future. The effects, therefore, generally affect expenses and liabilities recognized in future accounting periods.

(2) Overview of operating results & views and issues analyzed/discussed with regard to the status of operating results, etc. from the management's perspective

During the fiscal year ended December 31, 2020 (the "fiscal year under review"), global economic activities were significantly restricted by the COVID-19 pandemic around the world. During and after the third quarter of the fiscal year under review, there was some relaxation of pandemic-control measures; however, the economic outlook remained uncertain, reflecting the second and third waves of COVID-19.

The musical instruments industry, in which the Company operates, was also affected by the COVID-19 pandemic, and many stores operated by our business partners were forced to close as a result of pandemic-control measures implemented in countries across the world. The Roland Group also had to suspend operations of its factory in China and its mainstay factory in Malaysia. On the other hand, demand for musical instruments grew significantly, especially for electronic musical instruments, which are suitable to be sold online, due to the prolonged stay-home period.

Under these circumstances, with the corporate vision of "bringing the WAKUWAKU thrill and excitement to all the people in the world" as stated in details in "Item 2. Overview of Business 1. Management Policy, Business Environment, and Issues to Address (3) Management strategies over the medium- to long-term and issues to address," the Roland Group has worked on its key strategic initiatives: "development of original high value products and services," "customer creation and market development through a continuously strengthened bond between Roland and its enthusiastic fans," "effective SCM that secures business continuity without shortages or overstock" and "human resources development in support of growth and good governance thorough visualization."

To develop original high value products and services, we continued to work on product development aiming at reactivating customers who once but no longer play musical instruments for some reason and acquiring new customers, while refreshing our core product families and adding new products to our lineup to strengthen our market competitiveness. In the development process, we promoted the use of common platform for various product categories with an eye to medium- to long-term growth. We also facilitated integrated planning that allows us to convert an idea to a product more efficiently and swiftly. Additionally, in order to create a new business foundation, we focused our efforts on enhancing the content of the cloud-base subscription service *Roland Cloud* that offers a variety of software sound sources as well as to build systems to develop new services to make the service even more appealing. In May 2020, we released a software synthesizer *ZENOLOGY* that allows data sharing between compatible Roland hardware and software.

To create customers and develop markets through a continuously strengthened bond between Roland and its enthusiastic fans, we continued to accelerate the utilization of digital marketing. While many music events have been cancelled to prevent further spread of COVID-19, we created attractive digital content and delivered the information to many potential and actualized customers through partnerships with musicians and key influencers around the world. In October 2020, we held an online user-interactive event "Roland/BOSS Players Summit" in Japan. In terms of regional efforts, we carried out effective sales activities with a focus on online activities to respond to growing stay-at-home demand for electronic musical instruments, which became evident amid the COVID-19 pandemic, especially in our major markets, North America and Europe.

To achieve effective SCM that secures business continuity without shortages or overstock, despite the suspension of operations of our mainstay factory to prevent the spread of COVID-19, we worked hard for early resumption of the operations by taking various preventive measures at production sites. We also strove to substantially increase production and ensure the appropriate inventory allocation in order to prepare for demand growth and another suspension of production activities.

To develop human resources in support of growth and good governance through visualization, we promoted the creation of a flexible working environment and HR system that can adapt to different working styles by increasing the engagement between employers and employees through the proactive adoption of remote work and online meetings on a global basis to prevent the spread of COVID-19.

(a) Net sales

We reported net sales for the fiscal year under review of ¥64,044 million (up 1.3% year on year). Sales performance by mainstay category is as shown below:

Keyboards

Among mainstay product categories, sales, especially online sales, of *FP series* portable electronic pianos and *GO series* electronic keyboards were strong, boosted by the emerging stay-at-home demand for electronic musical instruments. During and after the third quarter of the fiscal year under review, the expansion of sales channels in North America started to get on track, which led to growth in sales in that region.

Consequently, sales of keyboards for the fiscal year under review stood at ¥17,842 million (up 4.3% year on year).

Percussion and Wind Instruments

Among mainstay product categories, despite sales of electronic drums adversely affected over a prolonged period by suspension of operations of Roland Music Schools in China due to the COVID-19 pandemic, strong sales of the new V-Drums Acoustic Design series resulted in sales growth, especially in Europe and Japan.

Sales were steady for electronic wind instruments, especially in Europe, China and emerging countries, boosted by the emerging stay-at-home demand for electronic musical instruments.

Consequently, sales of percussion and wind instruments for the fiscal year under review stood at ¥14,620 million (up 2.9% year on year).

Guitar-related Products

Among mainstay product categories, despite strong performance of looper series, which allows users to enjoy playing an instrument along with previously recorded performance, in Europe, sales of guitar effects dropped, reflecting the prolonged effects of falls in brick-and-mortar sales and demand for live event use in North America, Japan and emerging countries due to the COVID-19 pandemic.

As for amplifiers for musical instruments, the growing stay-at-home demand for electronic musical instruments invigorated the compact amplifier market. Sales of the Company's amplifiers also steadily grew thanks to continued strong sales of a wireless headphone personal guitar amplification system *Waza-Air*, which had been released in the previous fiscal year, in addition to the revamp of *KATANA*, our popular guitar amplifier series.

Consequently, sales of guitar-related products for the fiscal year under review stood at ¥16,712 million (down 0.2% year on year).

Creation-related Products and Services

Among mainstay product categories, sales of synthesizers fell, reflecting the weak demand for live event use due to the COVID-19 pandemic, despite strong performance of new products, including a compact stage piano *RD-88* and our flagship synthesizer *JUPITER-X*.

Sales of dance and DJ-related products declined due to a reactionary drop in sales of products released in the previous fiscal year.

In the software and service domain, sales increased substantially thanks to, among other things, the launch of new price plans and a new sales plan for software sound sources, as wells as software version upgrade for *Roland Cloud*.

Consequently, sales of creation-related products and services for the fiscal year under review stood at ¥8,010 million (down 3.1% year on year).

Video and Professional Audio

Among mainstay product categories, new demand for hybrid events — live events combined with live streaming— and growing demand for video distribution by corporations, educational organizations and individuals boosted sales of video-related products significantly despite a drop in demand for event and rental uses due to the COVID-19 pandemic.

On the other hand, we struggled with sales of audio-related devices, affected by stagnant demand for capital expenditures.

Consequently, sales of video and professional audio for the fiscal year under review stood at ¥4,597 million (up 7.2% year on year).

(b) Operating profit

During the fiscal year under review, operating profit soared to ¥7,115 million (up 35.0% year on year), backed by increased gross profit coupled with net sales growth, as well as a reduction in selling, general and administrative expenses as a result of a review of the uses of expenses amid the COVID-19 pandemic.

(c) Ordinary profit

Non-operating income and non-operating expenses came in at ¥154 million and ¥992 million respectively. In addition to sales discounts of ¥576 million, listing expenses of ¥133 million were recognized as a one-time charge related to listing of shares in non-operating expenses.

As a result of the above, ordinary profit for the fiscal year under review came in at ¥6,277 million (up 32.8% year on year).

(d) Profit attributable to owners of parent

Extraordinary income and extraordinary losses came in at ¥125 million and ¥556 million respectively. The Company recognized loss on competition law of ¥343 million in extraordinary losses as certain European subsidiaries were investigated by a local competition authority and received the notice of a fine therefrom in September 2020. Moreover, amid the COVID-19 pandemic, the Group's mainstay factory in Malaysia temporarily suspended its operation in response to the Movement Control Order imposed by the local government. We therefore recognized fixed costs incurred by the factory during a period until it returned to normal production levels as loss related to COVID-19 in the amount of ¥183 million. Income tax expenses came in at ¥1,538 million.

As a result of the above, profit attributable to owners of parent for the current fiscal year under review amounted to ¥4,301 million (up 63.6% year on year).

We have positioned the return on equity (ROE) and the return on invested capital (ROIC) as key management metrics to objectively measure the level of progress in achieving management targets. Of these two key metrics, ROE rose to 22.7% (up 8.3 percentage points year on year), helped by increased profit attributable to owners of parent coupled with our appropriate shareholder return, while ROIC rose to 22.1% (up 5.5 percentage points year on year), driven by increased operating profit.

(e) Actual amounts of production, orders received, and sales

The Company and its consolidated subsidiaries operate in a single business segment, manufacturing and distributing electronic musical instruments, and thus, no breakdown by segment is available for presentation.

(i) Actual amounts of production

(Millions of yen, unless otherwise stated)

Item	49th fiscal year (January 1, 2020 through December 31, 2020)	YoY change
Keyboards	19,254	+7.2%
Percussion and Wind Instruments	17,490	+18.2%
Guitar-related Products	18,532	+4.9%
Creation-related Products & Services	8,411	(10.3)%
Video and Professional Audio	4,739	+26.3%
Others	1,615	+41.6%
Total	70,043	+8.3%

Notes: 1. The amounts vary depending on selling prices.
2. The above amounts do not include the consumption taxes.

(ii) Actual amounts of orders received

Not applicable as the Group manufactures products based on demand forecasts.

(iii) Actual amounts of sales

(Millions of yen, unless otherwise stated)

Item	49th fiscal year (January 1, 2020 through December 31, 2020)	YoY change
Keyboards	17,842	+4.3%
Percussion and Wind Instruments	14,620	+2.9%
Guitar-related Products	16,712	(0.2)%
Creation-related Products & Services	8,010	(3.1)%
Video and Professional Audio	4,597	+7.2%
Others	2,261	(14.2)%
Total	64,044	+1.3%

Note: The above amounts do not include the consumption taxes.

(3) Analysis of financial position

Total assets as of December 31, 2020 increased by ¥2,563 million year on year to ¥46,096 million. This was mainly due to increases in cash and deposits of ¥2,017 million and inventories of ¥3,859 million, which were partially offset by a decrease in trade receivables of ¥2,982 million.

Total liabilities as of December 31, 2020 increased by ¥640 million year on year to ¥25,945 million. This was mainly due to increases in trade payables of ¥1,097 million and provision for bonuses of ¥346 million, which were partially offset by a decrease in borrowings of ¥1,394 million.

Net assets as of December 31, 2020 increased by ¥1,923 million year on year to ¥20,151 million. This was mainly due to the recording of profit attributable to owners of parent of ¥4,301 million, which was partially offset by payment of dividends of ¥2,275 million and a decrease in foreign currency translation adjustment of ¥487 million, reflecting the appreciation of Japanese yen against major foreign currencies.

Consequently, the equity ratio as of December 31, 2020 increased by 1.7 percentage points year on year to 43.1%.

(4) Cash flows

As of December 31, 2020, cash and cash equivalents (hereinafter "funds") increased ¥2,017 million year on year, and its ending balance came in at ¥10,832 million.

Net cash provided by (used in) operating activities

Net cash provided by operating activities amounted to ¥6,902 million (up ¥1,910 million in the inflow year on year) mainly due to the recording of profit before income taxes.

Net cash provided by (used in) investing activities

Net cash used in investing activities amounted to ¥901 million (down ¥686 million in the outflow year on year) mainly due to purchase of property, plant and equipment.

Net cash provided by (used in) financing activities

Net cash used in financing activities amounted to ¥3,669 million (up ¥523 million in the outflow year on year) mainly due to payment of dividends and repayment of borrowings.

(5) Factors that have a material impact on operating results

Factors that have a material impact on the Group's operating results are as stated in "2. Business Risks."

(6) Capital resources and liquidity of funds

The Group's cash needs come primarily from the purchase of raw materials for manufacturing its products, labor cost, the purchase of its products manufactured by OEMs, research and development expenses, operating expenses including advertising and promotion expenses and other operating funds, as well as refurbishment and expansion of manufacturing facilities.

The Group usually finance its operations and capital investments with its own funds and external borrowings. To raise funds efficiently, the Group has entered into committed lines of credit with its main bank and managed liquidity risk. As of the end of the fiscal year under review, the balance of unused credit was ¥8,000 million.

The Group will seek to curb its funding costs and optimize its capital efficiency by taking into consideration the outlook for its cash flow conditions, the trend of market interest rates, and also borrowing funds from banks as needed, while using own funds earned by operating activities as the basic source of funding.

Reference information

Besides net sales stated in its consolidated financial statements, the Group has recognized the historical changes in its net sales to external customers by major regional market and by product category, with the aim of providing investors with the information that helps them evaluate the Group's operating performance and corporate value, as shown in the tables below.

(1) Net sales and composition by region

(Millions of yen, unless otherwise stated)

	2016		2017		2018		2019		2020	
Japan	8,817	17.4%	8,807	15.4%	8,683	14.2%	9,237	14.6%	9,066	14.2%
North America (Note 1)	14,803	29.1%	17,056	29.8%	18,169	29.7%	18,914	29.9%	19,963	31.2%
Europe (Note 2)	16,291	32.1%	18,810	32.8%	19,751	32.3%	19,518	30.9%	21,027	32.8%
China (Note 3)	3,559	7.0%	4,267	7.4%	6,005	9.8%	7,194	11.4%	6,304	9.8%
Asia / Oceania / Other Regions	7,297	14.4%	8,379	14.6%	8,543	14.0%	8,381	13.2%	7,682	12.0%
Total	50,768	100.0%	57,320	100.0%	61,153	100.0%	63,247	100.0%	64,044	100.0%

Notes: 1. Net sales in the U.S. and Canada.
2. Including net sales in Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Russia, Spain, Sweden, Switzerland, Turkey, and the United Kingdom
3. Net sales in mainland China

(2) Net sales and composition by product category

(Millions of yen, unless otherwise stated)

	2016		2017		2018		2019		2020	
Keyboards	11,898	23.4%	14,126	24.6%	15,551	25.4%	17,104	27.0%	17,842	27.9%
Percussion and Wind Instruments	11,903	23.5%	12,363	21.6%	14,351	23.5%	14,205	22.4%	14,620	22.8%
Guitar-related Products	12,286	24.2%	14,596	25.5%	16,411	26.8%	16,744	26.5%	16,712	26.1%
Creation-related Products & Services	7,871	15.5%	8,693	15.2%	7,647	12.5%	8,267	13.1%	8,010	12.5%
Video and professional Audio	4,861	9.6%	5,173	9.0%	4,624	7.6%	4,289	6.8%	4,597	7.2%
Other	1,947	3.8%	2,366	4.1%	2,566	4.2%	2,634	4.2%	2,261	3.5%
Total	50,768	100.0%	57,320	100.0%	61,153	100.0%	63,247	100.0%	64,044	100.0%

4. Material Contracts, etc.

Lease agreement

Contracting party	The other party	Contract date	Contract details	Contract period
Roland Manufacturing Malaysia Sdn. Bhd.	Formosa Prosonic Industries Berhad	December 1, 2019	Factories, warehouses and offices for manufacturing electronic musical instruments	From December 1, 2019 through November 30, 2022.

* The contract has been renewed on the renewal date in December 2019. The Company, as lessee, is given an option to renew the contract for additional three years at its discretion.

5. Research and Development Activities

The Group's R&D activities can be classified into the following two: 1) advanced development of basic underlying technologies that can be shared by the entire group and 2) development of technologies focused on each of our product categories. Our Basic Technology Development Department and Applied Technology Department are responsible for the advanced development of basic underlying technologies. Our Mechanism Development Department, System Development Department, Design Department, and Product Development Department are responsible for the development of technologies focused on each of our product categories.

The Company and its consolidated subsidiaries operate in a single business segment, manufacturing and distributing electronic musical instruments, and thus, no breakdown by segment is available for presentation.

Specific themes of research and development for the technology departments include the development of digital signal processing algorithms, such as audio-visual synthesis, modeling, sound effects, acoustic analysis, and high-efficiency coding; telecommunications technologies to transmit audio and Musical Instrument Digital Interface (MIDI) using communications/interface standards such as USB, Ethernet, and Bluetooth; and original system LSIs that synthesize sounds from musical instruments and add effects to original sounds. In addition to the above, we are in the process of developing a global platform for our cloud-based service Roland Cloud. We will continue to upgrade this platform as the base for distributing content/software and providing customer service globally, in addition to our shared customer database and web-based services.

In the meanwhile, technologies focused on each of our product categories include sensor technology for playing keyboards, percussion and wind instruments; sound effect technology for guitar-related products; and video processing technology for video products.

Details of these technologies are as follows:

(a) BMC common platform (Note 1)

We have worked on the development of original system LSIs for sound sources and effects, which are at the heart of our electronic musical instruments. These original system LSIs have continued to evolve as one of our core technologies to differentiate the Company from its peers. Our latest LSI, BMC (Behavior Modeling Core), has helped us build a common platform on which we can produce various types of musical instruments. This common platform also has enabled us to develop high-quality, high-performance products within a shorter period of time and offer them at competitive prices.

In 2020, we integrated these LSIs into our products of new genres, such as the electronic Japanese drum TAIKO-1 and the electronic wind instrument Aerophone Pro, and have realized compelling sound quality never achievable with conventional electronic musical instruments.

Note 1: The common platform refers to an LSI integrating all sorts of sound sources and related functions that can be shared among various musical instruments, including piano, synthesizer, and drum, although sound sources traditionally needed to be created separately for each type of musical instruments.

(b) Development of new-generation sound source technology ZEN-Core (Note 2)

The new-generation sound source technology ZEN-Core for synthesizers developed in 2019 has realized compelling sound quality with an expanded sound source memory, mellifluous reproduction of musical performance with a higher-resolution control of primary editing and performance parameters, and content compatibility between products. In addition, the modeling technology has enabled digital synthesizers to output quality sound with depth and dynamism equivalent to that of analog synthesizers.

In 2020, we built this ZEN-Core technology also into Aerophone Pro, an electronic wind instrument mentioned above, expanding the range of its applications. Furthermore, we ported ZEN-Core, which had run only on BMC, to software sound sources on computer, and released the technology as ZENOLOGY. We have also realized a seamless and efficient workflow, spanning from music production to live performance, by making sounds and musical performance data compatible on both hardware and software.

Note 2: BMC, extendible and customizable synthesizer sound sources that run on BMC and computer.

(c) Digital signal processing technology

Along with sound source technologies, we have nurtured high-precision, high-quality digital signal processing technologies to transform voices into musical expression. For example, we have developed a technology to simulate the reverberation effects in a room or a hall where musical instruments are placed and reproduce not only the sounds of musical instruments but also sound fields; a guitar multi-effects that computes the vibration of guitar strings with a precision as high as 32bit/96kHz floating point; and a voice effector that adds chordal harmony to singing voices or change the tone of voice to a low and deep voice or the opposite one. Original system LSIs such as BMC are used in these technologies and devices as well.

Multi-effects with ZEN-Core built into them are designed to add sound-field effects to sound sources or intentionally distort sounds to make them more impressive. In 2020, we ported ZEN-Core also to computer software so that the software can be used to add effects to output sound as part of ZENOLOGY.

(d) Development of the BOSS technology

For our BOSS brand products, we have achieved the highest level of musical expression with cutting-edge effects and a variety of routing and assigning/controlling functions, designed using a highly sophisticated algorithm. In creating the algorithm, we incorporated our knowledge and expertise in BOSS, which we accumulated through long years of experience with the development of effects and amplifiers as the industry-leading ultra-high quality signal processing technology based on a 32-bit floating point calculation, into BMC, the most advanced LSI. We have packed all these technologies into GT-1000Core, a portable-size effects processor suitable for all locations, from a home studio to a stage for live performance, and released the product in October 2020.

In addition, we released the compact pedal OC-5 that adds various octave tones to original sound in a more accurate and natural manner. As a step to deliver the product, we enhanced our tracking technology to extract frequency components, which are signals to be processed, from constantly changing guitar sounds. In fact, we have offered enhancements for extended-range playing and realized sophisticated sound with a wider range than ever before, including fat, low mono sounds to mono-octave-shifted chords.

In the guitar amplifier category, we have further improved Tube Logic, a total technological solution for designing amplifiers, by thoroughly and precisely analyzing the operation of every part in a classic tube guitar amplifier and complex behaviors of parts that occur when they interact with one other. Nextone Special, released in December 2020, has realized more dynamic sound, vibe and inspiring feel of classic tube guitar amplifiers through a hybrid design in which digital signals processed in DSP and current/voltage in analog circuits are feedback and forward each other.

(e) Video signal processing technology

The Company develops video equipment that live up to the standards of professionals and thus can be used for commercial video production and editing at locations such as broadcasting stations and event venues. In 2019, the Company developed the Ultra Scaler processing technology to meet diversifying needs of professionals working at video production sites. The technology addresses the latest needs, such as 4K resolution and High Dynamic Range (HDR, a display technology to reproduce a greater range of luminosity than what is achievable with the conventional technology), while accommodating video signals of the conventional format, seamlessly converting/outputting signals between the two. On top of the above, in October 2020, the Company released VC-100UHD, which supports input/output at high frame rates of HDMI 240/144/120 Hz, meeting the demand for video streaming at e-sports events, which have gained traction in recent years.

In November 2020, the Company commercialized the Video Instant Replayer P-20HD, a product equipped with video recording and reproduction functions unique to Roland. The Company developed the product with a special focus on smooth and real-time recording and replay of HD video images. The two embedded HDMI inputs allow for seamless switching of displays. Also, the product has adopted SD cards as recording media, and the H.264 format, one of the most universally supported file formats available. H.264 format maintains high quality even at low bit rates, providing excellent video at reduced file sizes and thus enabling recording of high-quality video images for long hours. P-20HD is provided with an instant replay function that allows for slow-motion instant replays of selected clips with intuitive controls, while continuing to record video.

(f) Roland Cloud

The Company has continued to upgrade the online platform for Roland Cloud, a cloud-based software sound source subscription service for music and media creators (with a monthly/annual flat-rate membership fee system), launched in 2017. Along with the upgrade of Roland Cloud, the Company worked out a scheme to protect content for its hardware products including musical instruments and related products, and enhanced user authentication functions for Roland Cloud Manager. Through these efforts, the Company launched a service with a new subscription plan.

In tandem with these efforts, we added ZENOLOGY discussed above to the service, which has enabled us to offer total solutions to customers, spanning from the purchase of content/plug-in software, the management of sound sources and range of settings on PC to the storage and use of hardware products compatible with ZEN-Core. As a result, the Company has realized a seamless and efficient workflow, ranging from music production to live performances.

Based on the results of the above R&D activities, we will continue to supply products and services designed to realize our vision: “Bring thrill and excitement to people around the world.”

During the fiscal year under review, R&D expenses came in at ¥4,039 million.

Item 3. Information about Facilities

1. Overview of Capital Expenditures

During the fiscal year ended December 31, 2020, the Company made capital expenditures of ¥1,473 million for investment in molds incidental to new product development.

The Company and its consolidated subsidiaries operate a single segment of manufacturing and sale of electronic musical instruments and there are no other operating segments to be classified. Therefore, we have not presented this information in association with segment information.

2. Major Facilities

The Company and its consolidated subsidiaries operate a single segment of manufacturing and sale of electronic musical instruments and there are no other operating segments to be classified. Therefore, we have not presented this information in association with segment information.

(1) Reporting company

As of December 31, 2020

Office (Location)	Description of facilities	Carrying amount (million yen)					Number of employees (Persons)
		Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land (Area: m^2)	Total	
Headquarters (Kita-ku, Hamamatsu-shi, Shizuoka)	Facilities for development and administration operations	303	0	45	540 (35,460)	889	402
Miyakoda Factory Miyakoda Testing Laboratory (Kita-ku, Hamamatsu-shi, Shizuoka)	Facilities for production, development and quality control	282	3	46	611 (38,357)	943	222
R&D Center (Kita-ku, Hamamatsu-shi, Shizuoka)	Facilities for research and Development	564	0	14	138 (28,270)	717	43

Notes: 1. There are no major facilities that are currently out of operation.
2. The above figures do not include the consumption taxes.
3. The number of temporary employees is omitted since it is less than 10% of the total number of employees.
4. The above figures are the carrying amounts of property, plant and equipment, and do not include construction in progress.

(2) Foreign subsidiaries

As of December 31, 2020

Company name	Location	Description of facilities	Carrying amount (million yen)					Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land (Area: m^2)	Total	
Roland Electronics (Suzhou) Co., Ltd.	Suzhou, China	Production facilities	248	20	86	– (26,870) [26,870]	355	123
Roland Manufacturing Malaysia Sdn. Bhd.	Selangor Darul Ehsan, Malaysia	Production facilities	260	112	520	– (40,435) [40,435]	893	873 (281)

Notes: 1. There are no major facilities that are currently out of operation.
2. The above figures do not include the consumption taxes.
3. The number of employees in parentheses indicates the number of temporary employees, which is not included in the number of employees.
4. The figures of areas of land in square brackets indicate the areas of land leased from entities other than consolidated companies, which is included in the areas of land.
5. The above figures are the carrying amounts of property, plant and equipment, and do not include construction in progress.

3. Planned Additions, Retirements and Other Changes of Facilities

Not applicable.

Item 4. Information about Reporting Company

1. Company's Shares, etc.

(1) Total number of shares

1) Authorized shares

Class	Total number of shares authorized to be issued (shares)
Common stock	80,000,000
Total	80,000,000

Note: The Company partially amended its Articles of Incorporation effective on September 14, 2020, as resolved at the Extraordinary General Meeting of Shareholders held on the same day. As a result, the total number of shares authorized to be issued was changed to 80,000,000 shares.

2) Issued shares

Class	Number of issued shares as of fiscal year end (December 31, 2020) (shares)	Number of issued shares as of filing date (March 31, 2021) (shares)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common stock	27,581,366	27,808,450	First Section of the Tokyo Stock Exchange	The number of shares constituting one unit is 100 shares.
Total	27,581,366	27,808,450	–	–

Notes: 1. The Company conducted a 30-for-1 stock split effective on September 14, 2020, as resolved at the Board of Directors' meeting held on August 26, 2020. As a result, the total number of issued shares increased by 26,432,369 shares.
2. The Company adopted the share trading unit system in which shares of the Company would be traded in 100-share units effective on September 14, 2020, as resolved at the Extraordinary General Meeting of Shareholders held on the same day.
3. The Company went public on the First section of the Tokyo Stock Exchange on December 16, 2020.
4. The total number of issued shares increased by 237,536 shares due to the exercise of share acquisition rights on December 16, 2020.
5. The total number of issued shares increased by 32,084 shares due to the exercise of share acquisition rights on January 21, 2021.
6. The total number of issued shares increased by 195,000 shares due to the exercise of share acquisition rights on February 17, 2021.
7. The number of issued shares stated in "Number of issued shares as of the filing date" does not include the number of shares issued due to the exercise of share acquisition rights during a period from March 1, 2021 to the filing date of this Annual Securities Report.

(2) Share acquisition rights

1) Stock option plans

1st Series Share Acquisition Rights (resolved at the Extraordinary General Meeting of Shareholders held on April 30, 2015)

Resolution date	April 30, 2015
Title and number of grantees (Persons)	4 Directors and 7 Executive Officers of the Company (Note 8)
Number of share acquisition rights (units) (Note 1)	22,564 [21,330] (Note 2)
Class, details and number of shares underlying the share acquisition rights (shares) (Note 1)	586,664 [554,580] shares of common stock (Notes 2, 3)
Paid-in amount upon exercise of share acquisition rights (yen) (Note 1)	374 (Note 4)
Exercise period of share acquisition rights (Note 1)	May 1, 2017 through April 30, 2025
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights (yen) (Note 1)	Issue price: 374 The additional paid-in capital per share shall be an amount equivalent to a half of the maximum amount of share capital increase, calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
Conditions for exercising share acquisition rights (Note 1)	(Note 5)
Transfer of share acquisition rights (Note 1)	(Note 6)
Delivery of share acquisition rights in the event of organizational restructuring activities (Note 1)	(Note 7)

Notes: 1. The description above indicates the status as of the end of the current fiscal year (December 31, 2020). The information changed between the end of the current fiscal year and the end of the month preceding to the filing month (February 28, 2021) are shown in square brackets based on the status as of February 28, 2021. The other information has not changed from the end of the current fiscal year.

2. The number of shares underlying each of the Share Acquisition Rights is 26 shares.

3. In the case that the Company conducts a stock split or consolidation, the number of shares underlying the Share Acquisition Rights shall be adjusted in accordance with the following formula. Such adjustment shall be made only for the number of shares underlying the Share Acquisition Rights that has not been exercised at the time of such stock split or consolidation. Any fractional shares resulting from such adjustments shall be rounded down.

Number of shares after adjustment = Number of shares before adjustment × Ratio of stock split or consolidation

In the event that the number of shares to be granted (hereinafter the “Number of Granted Shares”) needs to be adjusted, after the date on which the issuance of the Share Acquisition Rights is resolved (hereinafter the “Resolution Date”) due to the Company’s merger, company split, share exchange, share transfer or other organizational restructuring activities (hereinafter the “Company’s Restructuring Activities”), or any other events requiring an adjustment of such number of shares, the Company shall appropriately adjust the Number of Granted Shares to the extent reasonable.

4. In the event that the Company conducts a stock split or consolidation after the Resolution Date, the exercise price of the Share Acquisition Rights shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

Exercise price after adjustment = Exercise price before adjustment / Ratio of stock split or stock consolidation

In addition to the above, in the event that the exercise price needs to be adjusted due to the Company’s Restructuring Activities, or any other events requiring an adjustment of such price, after the resolution date of issuance of share acquisition rights, the Company shall appropriately adjust the exercise price to the extent reasonable.

5. Persons to whom the Share Acquisition Rights are to be allocated (hereinafter the “Share Acquisition Right Holders”) may exercise their share acquisition rights only if (i) the Company’s common stock is listed on the Tokyo Stock Exchange or any other financial instruments exchange market in Japan or abroad, (ii) the Company conducts a merger, in which the Company is the disappearing company, a company split or business transfer involving all or material part of the Company’s business, an exchange or transfer of shares whereby the Company becomes a wholly-owned subsidiary, or (iii) Taiyo Jupiter Holdings, L.P. transfers a majority number of shares in the Company it directly or indirectly holds.
The Share Acquisition Right Holders may now exercise the Share Acquisition Rights as the Company went public on the First Section of the Tokyo Stock Exchange on December 16, 2020; therefore, the condition in (i) above has been satisfied.

6. Acquisition of the Share Acquisition Rights by way of transfer requires approval by a resolution of the Company’s Board of Directors.

7. In the event that the Company conducts a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split or an incorporation-type company split, or an exchange or transfer of shares (collectively, the “Restructuring Activities”), share acquisition rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (the “Succeeding Company”) shall be delivered to the Share Acquisition Right Holders who hold the Share Acquisition Rights not yet exercised at the time of the Restructuring Activities taking effect in accordance with the following conditions; provided, however, that such share acquisition rights of the Succeeding Company shall be delivered only if the delivery of such share acquisition rights is stipulated in the relevant merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan.

(i) Number of share acquisition rights of the Succeeding Company to be delivered
Number reasonably determined based on the number of Share Acquisition Rights held by a Share Acquisition Right Holder, taking into account the terms and conditions of the Restructuring Activities.

(ii) Class of shares of the Succeeding Company underlying the share acquisition rights to be granted
Common stock of the Succeeding Company

(iii) Number of shares of the Succeeding Company underlying the share acquisition rights to be delivered
Number reasonably determined taking into account the terms and conditions of the Restructuring Activities

(iv) Value of assets to be contributed upon exercise of the share acquisition rights to be delivered
Value obtained by multiplying (i) the value per share reasonably determined based on the exercise price set forth in the above table, taking into account the terms and conditions of the Restructuring Activities by (ii) the number of shares of the Succeeding Company underlying each share acquisition right to be delivered.

(v) Exercise period of share acquisition rights to be delivered
From the effective date of the relevant Restructuring Activity to the end of the exercise period set forth in the above table

(vi) Conditions for exercise of share acquisition rights to be delivered
Same as set forth in 5. above.

(vii) Restriction on acquisition of share acquisition rights by transfer
Same as set forth in 6. above.

8. "Title and number of grantees" as of the filing date of this Annual Securities Report are two Directors, six Executive Officers, one employee, one former Director and one former Executive Officer of the Company.
9. The Company conducted a 30-for-1 stock split effective on September 14, 2020. As a result, adjustments were made to the "Number of shares underlying the share acquisition rights," "Paid-in amount upon exercise of share acquisition rights" and "Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights."

2nd Series Share Acquisition Rights (resolved at the Extraordinary General Meeting of Shareholders held on April 30, 2015)

Resolution date	April 30, 2015
Title and number of grantees (Persons)	1 Director of the Company
Number of share acquisition rights (units) (Note 1)	7,500 [0] (Note 2)
Class, details and number of shares underlying the share acquisition rights (shares) (Note 1)	195,000 [0] shares of common stock (Notes 2, 3)
Paid-in amount upon exercise of share acquisition rights (yen) (Note 1)	374 (Note 4)
Exercise period of share acquisition rights (Note 1)	May 1, 2017 through April 30, 2025
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights (yen) (Note 1)	Issue price: 374 The additional paid-in capital per share shall be an amount equivalent to a half of the maximum amount of share capital increase, calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
Conditions for exercising share acquisition rights (Note 1)	(Note 5)
Transfer of share acquisition rights (Note 1)	(Note 6)
Delivery of share acquisition rights in the event of organizational restructuring activities (Note 1)	(Note 7)

Notes: 1. The description above indicates the status as of the end of the current fiscal year (December 31, 2020). The information changed between the end of the current fiscal year and the end of the month preceding to the filing month (February 28, 2021) are shown in square brackets based on the status as of February 28, 2021. The other information has not changed from the end of the current fiscal year.
2. The number of shares underlying each of the Share Acquisition Rights is 26 shares.
3. In the case that the Company conducts a stock split or consolidation, the number of shares underlying the Share Acquisition Rights shall be adjusted in accordance with the following formula. Such adjustment shall be made only for the number of shares underlying the Share Acquisition Rights that has not been exercised at the time of such stock split or consolidation. Any fractional shares resulting from such adjustments shall be rounded down.

Number of shares after adjustment = Number of shares before adjustment × Ratio of stock split or consolidation

In the event that the number of shares to be granted (hereinafter the "Number of Granted Shares") needs to be adjusted, after the date on which the issuance of the Share Acquisition Rights is resolved (hereinafter the "Resolution Date") due to the Company's merger, company split, share exchange, share transfer or other organizational restructuring activities (hereinafter the "Company's Restructuring Activities"), or any other events requiring an adjustment of such number of shares, the Company shall appropriately adjust the Number of Granted Shares to the extent reasonable.
4. In the event that the Company conducts a stock split or consolidation after the Resolution Date, the exercise price of the Share Acquisition Rights shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

Exercise price after adjustment = Exercise price before adjustment / Ratio of stock split or stock consolidation

In addition to the above, in the event that the exercise price needs to be adjusted due to the Company's Restructuring Activities, or any other events requiring an adjustment of such price, after the resolution date of issuance of share acquisition rights, the Company shall appropriately adjust the exercise price to the extent reasonable.
5. Persons to whom the Share Acquisition Rights are to be allocated (hereinafter the "Share Acquisition Right Holders") may exercise their share acquisition rights only if (i) the Company's common stock is listed on the Tokyo Stock Exchange or any other financial instruments exchange market in Japan or abroad, (ii) the Company conducts a merger, in which the Company is

the disappearing company, a company split or business transfer involving all or material part of the Company’s business, an exchange or transfer of shares whereby the Company becomes a wholly-owned subsidiary, or (iii) Taiyo Jupiter Holdings, L.P. transfers a majority number of shares in the Company it directly or indirectly holds.
The Share Acquisition Right Holders may now exercise the Share Acquisition Rights as the Company went public on the First Section of the Tokyo Stock Exchange on December 16, 2020; therefore, the condition in (i) above has been satisfied.

6. Acquisition of the Share Acquisition Rights by way of transfer requires approval by a resolution of the Company’s Board of Directors.
7. In the event that the Company conducts a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split or an incorporation-type company split, or an exchange or transfer of shares (collectively, the “Restructuring Activities”), share acquisition rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (the “Succeeding Company”) shall be delivered to the Share Acquisition Right Holders who hold the Share Acquisition Rights not yet exercised at the time of the Restructuring Activities taking effect in accordance with the following conditions; provided, however, that such share acquisition rights of the Succeeding Company shall be delivered only if the delivery of such share acquisition rights is stipulated in the relevant merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan.

   (i) Number of share acquisition rights of the Succeeding Company to be delivered
   Number reasonably determined based on the number of Share Acquisition Rights held by a Share Acquisition Right Holder, taking into account the terms and conditions of the Restructuring Activities.
   (ii) Class of shares of the Succeeding Company underlying the share acquisition rights to be granted
   Common stock of the Succeeding Company
   (iii) Number of shares of the Succeeding Company underlying the share acquisition rights to be delivered
   Number reasonably determined taking into account the terms and conditions of the Restructuring Activities
   (iv) Value of assets to be contributed upon exercise of the share acquisition rights to be delivered
   Value obtained by multiplying (i) the value per share reasonably determined based on the exercise price set forth in the above table, taking into account the terms and conditions of the Restructuring Activities by (ii) the number of shares of the Succeeding Company underlying each share acquisition right to be delivered.
   (v) Exercise period of share acquisition rights to be delivered
   From the effective date of the relevant Restructuring Activity to the end of the exercise period set forth in the above table
   (vi) Conditions for exercise of share acquisition rights to be delivered
   Same as set forth in 5. above.
   (vii) Restriction on acquisition of share acquisition rights by transfer
   Same as set forth in 6. above.
8. The Company conducted a 30-for-1 stock split effective on September 14, 2020. As a result, adjustments were made to the “Number of shares underlying the share acquisition rights,” “Paid-in amount upon exercise of share acquisition rights” and “Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights.”

3rd Series Share Acquisition Rights (resolved at the Extraordinary General Meeting of Shareholders held on March 4, 2016)

Resolution date	March 4, 2016
Title and number of grantees (Persons)	2 Executive Officers of the Company and 4 Officers of subsidiaries of the Company (Note 8)
Number of share acquisition rights (units) (Note 1)	6,000 (Note 2)
Class, details and number of shares underlying the share acquisition rights (shares) (Note 1)	156,000 shares of common stock (Notes 2, 3)
Paid-in amount upon exercise of share acquisition rights (yen) (Note 1)	413 (Note 4)
Exercise period of share acquisition rights (Note 1)	March 5, 2018 through March 4, 2026
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights (yen) (Note 1)	Issue price: 413 The additional paid-in capital per share shall be an amount equivalent to a half of the maximum amount of share capital increase, calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
Conditions for exercising share acquisition rights (Note 1)	(Note 5)
Transfer of share acquisition rights (Note 1)	(Note 6)
Delivery of share acquisition rights in the event of organizational restructuring activities (Note 1)	(Note 7)

Notes: 1. The description above indicates the status as of the end of the current fiscal year (December 31, 2020). There was no change in the information as of the end of the month preceding to the filing month (February 28, 2021).
2. The number of shares underlying each of the Share Acquisition Rights is 26 shares.
3. In the case that the Company conducts a stock split or consolidation, the number of shares underlying the Share Acquisition Rights shall be adjusted in accordance with the following formula. Such adjustment shall be made only for the number of shares underlying the Share Acquisition Rights that has not been exercised at the time of such stock split or consolidation. Any fractional shares resulting from such adjustments shall be rounded down.

   Number of shares after adjustment = Number of shares before adjustment × Ratio of stock split or consolidation

   In the event that the number of shares to be granted (hereinafter the “Number of Granted Shares”) needs to be adjusted, after the date on which the issuance of the Share Acquisition Rights is resolved (hereinafter the “Resolution Date”) due to the Company’s merger, company split, share exchange, share transfer or other organizational restructuring activities (hereinafter the “Company’s Restructuring Activities”), or any other events requiring an adjustment of such number of shares, the Company shall appropriately adjust the Number of Granted Shares to the extent reasonable.

4. In the event that the Company conducts a stock split or consolidation after the Resolution Date, the exercise price of the Share Acquisition Rights shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

   Exercise price after adjustment = Exercise price before adjustment / Ratio of stock split or stock consolidation

   In addition to the above, in the event that the exercise price needs to be adjusted due to the Company's Restructuring Activities, or any other events requiring an adjustment of such price, after the resolution date of issuance of share acquisition rights, the Company shall appropriately adjust the exercise price to the extent reasonable.
5. Persons to whom the Share Acquisition Rights are to be allocated (hereinafter the "Share Acquisition Right Holders") may exercise their share acquisition rights only if (i) the Company's common stock is listed on the Tokyo Stock Exchange or any other financial instruments exchange market in Japan or abroad, (ii) the Company conducts a merger, in which the Company is the disappearing company, a company split or business transfer involving all or material part of the Company's business, an exchange or transfer of shares whereby the Company becomes a wholly-owned subsidiary, or (iii) Taiyo Jupiter Holdings, L.P. transfers a majority number of shares in the Company it directly or indirectly holds.
   The Share Acquisition Right Holders may now exercise the Share Acquisition Rights as the Company went public on the First Section of the Tokyo Stock Exchange on December 16, 2020; therefore, the condition in (i) above has been satisfied.
6. Acquisition of the Share Acquisition Rights by way of transfer requires approval by a resolution of the Company's Board of Directors.
7. In the event that the Company conducts a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split or an incorporation-type company split, or an exchange or transfer of shares (collectively, the "Restructuring Activities"), share acquisition rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (the "Succeeding Company") shall be delivered to the Share Acquisition Right Holders who hold the Share Acquisition Rights not yet exercised at the time of the Restructuring Activities taking effect in accordance with the following conditions; provided, however, that such share acquisition rights of the Succeeding Company shall be delivered only if the delivery of such share acquisition rights is stipulated in the relevant merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan.
   (i) Number of share acquisition rights of the Succeeding Company to be delivered
   Number reasonably determined based on the number of Share Acquisition Rights held by a Share Acquisition Right Holder, taking into account the terms and conditions of the Restructuring Activities.
   (ii) Class of shares of the Succeeding Company underlying the share acquisition rights to be granted
   Common stock of the Succeeding Company
   (iii) Number of shares of the Succeeding Company underlying the share acquisition rights to be delivered
   Number reasonably determined taking into account the terms and conditions of the Restructuring Activities
   (iv) Value of assets to be contributed upon exercise of the share acquisition rights to be delivered
   Value obtained by multiplying (i) the value per share reasonably determined based on the exercise price set forth in the above table, taking into account the terms and conditions of the Restructuring Activities by (ii) the number of shares of the Succeeding Company underlying each share acquisition right to be delivered.
   (v) Exercise period of share acquisition rights to be delivered
   From the effective date of the relevant Restructuring Activity to the end of the exercise period set forth in the above table
   (vi) Conditions for exercise of share acquisition rights to be delivered
   Same as set forth in 5. above.
   (vii) Restriction on acquisition of share acquisition rights by transfer
   Same as set forth in 6. above.
8. "Title and number of grantees" as of the filing date of this Annual Securities Report are one employee and one former employee of the Company and two Officers and two employees of subsidiaries of the Company.
9. The Company conducted a 30-for-1 stock split effective on September 14, 2020. As a result, adjustments were made to the "Number of shares underlying the share acquisition rights," "Paid-in amount upon exercise of share acquisition rights" and "Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights."

2) Rights plans
Not applicable.

3) Share acquisition rights for other uses
Not applicable.

(3) Exercises of moving strike convertible bonds, etc.
Not applicable.

(4) Changes in number of issued shares, share capital and legal capital surplus

(Millions of yen, unless otherwise stated)

Date	Increase (decrease) in total number of issued shares (shares)	Balance of total number of issued shares (shares)	Increase (decrease) in share capital	Balance of share capital	Increase (decrease) in legal capital surplus	Balance of legal capital surplus
January 1, 2016 through December 31, 2016 (Note 1)	–	1,033,417	–	9,421	(4,818)	6,128
January 1, 2017 through December 31, 2017 (Note 2)	(121,956)	911,461	–	9,421	–	6,128
January 1, 2018 through December 31, 2018 (Note 1)	–	911,461	–	9,421	(1,121)	5,006
January 1, 2019 through December 31, 2019	–	911,461	–	9,421	–	5,006
January 1, 2020 through December 31, 2020 (Notes 3, 4)	26,669,905	27,581,366	69	9,490	69	5,076

Notes: 1. The decrease was because capital surplus was reduced and transferred to other capital surplus in accordance with Article 448, Paragraph 1 of the Companies Act.
2. The decrease was due to the cancellation of treasury shares.
3. The Company conducted a 30-for-1 stock split effective on September 14, 2020, as resolved at the Board of Directors' meeting held on August 26, 2020.
4. Due to the exercise of share acquisition rights, the total number of issued shares, the amount of share capital and the amount of legal capital surplus increased by 237,536 shares, ¥69 million and ¥69 million, respectively.
5. During a period from January 1, 2021 to February 28, 2021, due to exercise of share acquisition rights, the total number of issued shares, the amount of share capital and the amount of legal capital surplus increased by 227,084 shares, ¥47 million and ¥47 million, respectively.

(5) Shareholding by shareholder category

As of December 31, 2020

Category	Shareholding status (Number of shares constituting one unit: 100 shares)								Shares less than one unit (shares)
	National and local governments	Financial institutions	Financial service providers	Other corporations	Foreign investors, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders (Persons)	–	7	18	133	68	10	9,471	9,707	–
Number of shares held (units)	–	19,885	1,778	4,009	208,279	56	41,793	275,800	1,366
Percentage of shareholdings (%)	–	7.21	0.64	1.45	75.52	0.02	15.15	100.00	–

Note: 90 treasury shares are included in "Shares less than one unit."

(6) Major shareholders

As of December 31, 2020

Name	Address	Number of shares held (shares)	Shareholding ratio (excluding treasury shares) (%)
Taiyo Jupiter Holdings, L.P. (Standing proxy: SMBC Nikko Securities Inc.)	4th Floor, Harbour Place, 103 South Church Street, George Town, P.O.Box 10240 Grand Cayman KY1-1002 (Service G, Corporate Service Department, Settlement Division, SMBC Nikko Securities Inc., New Yamatane Building Annex, 1-2-1, Etchujima, Koto-ku, Tokyo)	13,920,030	50.46
JP MORGAN CHASE BANK 380055 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	270 Park Avenue, New York, NY 10017, United States of America (Shinagawa Intercity Tower A, 2-15-1, Konan, Minato-ku, Tokyo)	800,900	2.90
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	734,820	2.66
Northern Trust Co. (AVFC) Re UKDU UCITS Clients Non Lending 10 PCT Treaty Account (Standing proxy: Custody Service, Tokyo Branch, the Hongkong and Shanghai Banking Corporation Limited)	50 Bank Street, Canary Wharf, London, E14 5NT, UK (3-11-1 Nihombashi, Chuo-ku, Tokyo)	654,700	2.37
Northern Trust Co. (AVFC) Re Fidelity Funds (Standing proxy: Custody Service, Tokyo Branch, the Hongkong and Shanghai Banking Corporation Limited)	50 Bank Street, Canary Wharf, London, E14 5NT, UK (3-11-1 Nihombashi, Chuo-ku, Tokyo)	581,300	2.10
Goldman Sachs & Co. REG (Standing proxy: Goldman Sachs Securities Co., Ltd.)	200 West Street, New York, NY, USA (Roppongi Hills Mori Tower, 6-10-1 Roppongi, Minato-ku, Tokyo)	579,846	2.10
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Custody Service, Tokyo Branch, the Hongkong and Shanghai Banking Corporation Limited)	One Lincoln Street, Boston, MA, USA 02111 (3-11-1 Nihombashi, Chuo-ku, Tokyo)	530,600	1.92
Custody Bank of Japan, Ltd. (Trust Account 9)	1-8-12, Harumi, Chuo-ku, Tokyo	520,300	1.88
Roland Employee Shareholding Association	2036-1 Nakagawa, Hosoe-cho, Kita-ku, Hamamatsu-shi, Shizuoka	419,720	1.52
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	392,300	1.42
Total	–	19,134,516	69.33

Note: 1. Among the above numbers of shares held, the numbers of shares related to trust services are as follows:

Custody Bank of Japan, Ltd. (Trust Account):	734,820 shares
Custody Bank of Japan, Ltd. (Trust Account 9):	520,300 shares
The Master Trust Bank of Japan, Ltd. (Trust Account):	392,300 shares

(7) Voting rights

1) Issued shares

As of December 31, 2020

Category	Number of shares (shares)	Number of voting rights (units)	Description
Shares with no voting rights	–	–	–
Shares with restricted voting rights (treasury shares, etc.)	–	–	–
Shares with restricted voting rights (other)	–	–	–
Shares with full voting rights (treasury shares, etc.)	–	–	–
Shares with full voting rights (other)	Common stock: 27,580,000	275,800	Number of shares constituting one unit: 100 shares
Share less than one unit	Common stock: 1,366	–	–
Total number of issued shares	27,581,366	–	–
Voting rights held by all shareholders	–	275,800	–

Notes: 1. "Shares with full voting rights (other)" of common stock include 418,700 shares of the Company (4,187 voting rights) held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets of the Board Benefit Trust, Employee Stock Ownership Plan Trust and Employee Shareholding Association-type ESOP Trust.

2. "Share less than one unit" of common stock include 20 shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets of the Board Benefit Trust, Employee Stock Ownership Plan Trust and Employee Shareholding Association-type ESOP Trust.

3. "Share less than one unit" of common stock include 90 treasury shares held by the Company.

2) Treasury shares, etc.

As of December 31, 2020

Name of shareholder	Address of shareholder	Number of shares held in own name (shares)	Number of shares held in others' names (shares)	Total number of shares held (shares)	Shareholding ratio (%)
–	–	–	–	–	–
Total	–	–	–	–	–

Notes: 1. In addition to the above, the Company holds treasury shares less than one unit of 90 shares.

2. 418,720 shares are contributed to Custody Bank of Japan, Ltd. (Trust Account) as trust assets of the Board Benefit Trust, the Employee Stock Ownership Plan Trust and Employee Shareholding Association-type ESOP Trust.

(8) Share ownership plan for Directors and other Officers and employees

1. Board Benefit Trust Plan

   (1) Overview of the Board Benefit Trust Plan

   In accordance with the resolution of the General Meeting of Shareholders held on December 21, 2016, the Company has introduced the "Board Benefit Trust (BBT)" as a performance-based stock compensation plan for Directors (excluding non-executive Directors) and Executive Officers. Upon the introduction of the Board Benefit Trust Plan (hereinafter the "BBT Plan"), the Company established the "Stock Benefit Rules for Board Benefit Trust" and entrusted money to a trust bank for the advance purchase of shares to be delivered in the future in accordance with such rules. The trust bank acquired the Company's shares with the entrusted money. The BBT Plan is a stock benefit plan in which points are granted to Directors and Executive Officers in accordance with the Stock Benefit Rules for Board Benefit Trust, and shares are delivered to them according to the number of points granted.

   A partial revision of the Plan was resolved at the 49th Ordinary General Meeting of Shareholders held on March 30, 2021.

   (2) Total amount of shares to be delivered to Directors and Executive Officers

   Up to ¥300 million for three fiscal years

   (3) Persons eligible to receive beneficiary rights and other rights under the Plan

   Directors and Executive Officers of the Company who meet the requirements for beneficiaries

2. Employee (at management level) Stock Ownership Plan

   (1) Overview of the Employee (at management level) Stock Ownership Plan

   The Company has introduced an incentive plan "Employee Stock Ownership Plan (ESOP) Trust," in which shares of the Company are delivered to employees of the Company and its subsidiaries in order to increase their motivation and morale to improve the Company's share price and business performance. Upon the introduction of the ESOP, the Company established the "Stock Benefit Rules for ESOP" and entrusted money to a trust bank for the advance purchase of shares to be delivered in the future in accordance with such rules. The trust bank acquired the Company's shares with the entrusted money. The ESOP is a stock benefit plan under which points are granted to employees in accordance with the Stock Benefit Rules for ESOP, and shares are delivered to them according to the number of points granted.

   (2) Total number of shares to be delivered to employees

   189,570 shares

   (3) Persons eligible to receive beneficiary rights and other rights under the Plan

   The Company's employees with certain qualifications and at a certain grade or higher who meet the requirements for beneficiaries

3. Employee Shareholding Association-type Employee Stock Ownership Plan

   (1) Overview of the Employee Shareholding Association-type Employee Stock Ownership Plan

   The Company has introduced the "Employee Shareholding Association-type ESOP Trust" as a plan to increase the morale of employees by enhancing the Company's employee benefits package and facilitating their capital participation as shareholders, thereby driving the continued growth of the Company.

   Under the Employee Shareholding Association-type ESOP, the Company has set up the Employee Shareholding Association-type ESOP Trust (hereinafter the "Trust") with a trust bank. The Trust borrows money to purchase in advance the number of Company's shares expected to be purchased by the Employee Shareholding Association (hereinafter the "Shareholding Association") from the Company through a third-party allocation. After that, the Trust sells the Company's shares to the Shareholding Association on an ongoing basis. If any gains on the sale of shares are accumulated in the Trust at the time of its termination, then these gains will be distributed as trust proceeds to employees who meet the requirements for beneficiaries. Meanwhile, in order to guarantee the Trust's borrowings for the purchase of the Company's shares, if any losses on the sale of shares are accumulated in the Trust and if there are any remaining borrowings equivalent to such losses in the trust at the time of its termination, the Company will repay the remaining borrowings in accordance with a guarantee clause in the loan agreement. Therefore, employees will not bear any loss.

   (2) Total number of shares to be delivered to employees

   238,500 shares

   (3) Persons eligible to receive beneficiary rights and other rights under the Plan

   Persons who are or were members of the Shareholding Association and meet the requirements for beneficiaries

2. Acquisition and Disposal of Treasury Shares

Class of shares, etc.: Acquisition of common stock under Article 155, Item 7 of the Companies Act

(1) Acquisition by resolution of General Meeting of Shareholders
Not applicable.

(2) Acquisition by resolution of Board of Directors meeting
Not applicable.

(3) Acquisition not based on resolution of General Meeting of Shareholders or Board of Directors' meeting

Category	Number of shares (shares)	Total value (yen)
Treasury stock acquired during the fiscal year ended December 31, 2020	90	262,800
Treasury stock acquired during the period from January 1, 2021 until the filing date of this Annual Securities Report	–	–

Note: The number of treasury shares acquired during the period from January 1, 2021 until the filing date of this Annual Securities Report does not include shares less than one unit purchased during the period from March 1, 2021 to the filing date of this Annual Securities Report.

(4) Disposal of acquired treasury shares and number of treasury shares held

Category	Fiscal year ended December 31, 2020		From January 1, 2021 until the filing date of this Annual Securities Report	
	Number of shares (shares)	Total amount of disposal (yen)	Number of shares (shares)	Total amount of disposal (yen)
Acquired treasury shares for which subscribers were solicited	–	–	–	–
Acquired treasury shares that were disposed of	–	–	–	–
Acquired treasury shares that were transferred for merger, share exchange, share issuance and company split	–	–	–	–
Other (–)	–	–	–	–
Treasury shares held	90	–	90	–

Note: 1. The number of treasury shares held during the period from January 1, 2021 until the filing date of this Annual Securities Report does not include shares less than one unit purchased during the period from March 1, 2021 to the filing date of this Annual Securities Report.
2. The number of treasury shared held does not include 418,720 shares held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets of the Board Benefit Trust, Employee Stock Ownership Plan Trust and Employee Shareholding Association-type ESOP Trust.

3. Dividend Policy

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, we 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, we will pay a dividend of ¥72 per share (of which an interim dividend of ¥36 per share) for the 49th fiscal year ended December 31, 2020. We plan to pay an annual dividend of ¥94 per share (interim dividend of ¥47 per share, fiscal year-end dividend of ¥47 per share) for the 50th fiscal year ending December 31, 2021.

The Company, in principle, distributes dividends twice a year with the record dates being each interim fiscal year-end and fiscal year-end. The payment of interim dividends and fiscal year-end dividends are to be resolved by the Board of Directors and the General Meeting of Shareholders, respectively.

The Company has stipulated in its Articles of Incorporation that it may distribute interim dividends as prescribed in Article 454, Paragraph 5 of the Companies Act.

Dividends of surplus whose record date falls within the 49th fiscal year are as follows:

Resolution date	Total amount of dividends (million yen)	Dividend paid per share (yen)
Board of Directors' meeting held on September 23, 2020 (Note 1)	984	36
Ordinary General Meeting of Shareholders held on March 30, 2021 (Note 2)	992	36

Notes: 1. The total amount of dividends paid based on the resolution at the Board of Directors' meeting held on September 23, 2020 includes dividends of ¥17 million paid to the Company's shares held by trusts.
2. The total amount of dividends paid based on the resolution at the Ordinary General Meeting of Shareholders held on March 30, 2021 includes dividends of ¥15 million paid to the Company's shares held by trusts.
3. As the Company conducted a 30-for-1 stock split effective on September 14, 2020, the amount of dividend per share presented above is the amount after the stock split.

4. Corporate Governance

(1) Overview of corporate governance

1) Basic view on corporate governance

The Company defines the corporate governance as a system effective in that the Roland Group, which consists of Roland Corporation and its subsidiaries, increases its corporate value sustainably and autonomously to contribute to increasing the profits of all the stakeholders related to us, including shareholders, customers, business partners and employees. The Company aims to build and promote such system.

The Company established the Roland Group's corporate philosophy, which represents its underlying purpose, and lives up to its stakeholders' expectations by achieving such corporate philosophy.

The Roland Group's corporate philosophy is embodied in three slogans below: These slogans represent the Group's underlying purpose and vision, which have remained unchanged since its foundation.

- Inspire the Enjoyment of Creativity
- Be the BEST Rather Than the BIGGEST
- Cooperative Enthusiasm for All Stakeholders

2) Overview of the corporate governance system and reasons for adopting such corporate governance system

The Company has adopted the system of a company with an Audit & Supervisory Board as an organization under the Companies Act so as to ensure appropriate and proper business execution under the supervision of Directors and through audit by Audit & Supervisory Board Members who have wide-ranging investigation authority. In addition, the Company has set up the Nomination and Remuneration Committee to supplement the Board of Directors to ensure the transparency and fairness of important personnel affairs.

Board of Directors

The Board of Directors consists of six Directors (including four Outside Directors). It formulates the fundamental principle of management, formulates a medium-term management plan, constructs the internal control system, makes decisions on important managerial matters stipulated by laws and regulations, the Articles of Incorporation, internal rules and other such rules and reports the Directors' performance of business management. The Board of Directors holds a regular meeting on a monthly basis and holds extraordinary meetings or adopts written resolution whenever an urgent resolution is required.

Audit & Supervisory Board

The Audit & Supervisory Board consists of three Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members) and holds a regular meeting on a monthly basis. The Audit & Supervisory Board formulates audit plans and audit reports of the Audit & Supervisory Board as well as receives reports mainly made by the full-time Audit & Supervisory Board Member regarding the implementation status of audits conducted in accordance with audit plans. It also discusses matters concerning proposals submitted to the Board of Directors. In addition, it holds extraordinary meetings whenever necessary. Furthermore, in order to understand important decision-making processes and the status of business execution, Audit & Supervisory Board Members attend important internal meetings in addition to the Board of Directors' meetings and are committed to supervising the Directors' execution of duties by ways such as visiting subsidiaries for audits.

Risk Management and Compliance Committee

The Company has set up the Risk Management and Compliance Committee as an organization that reports matters that are particularly important in terms of risk management or compliance, and disseminates and approves countermeasures therefor.

Nomination and Remuneration Committee

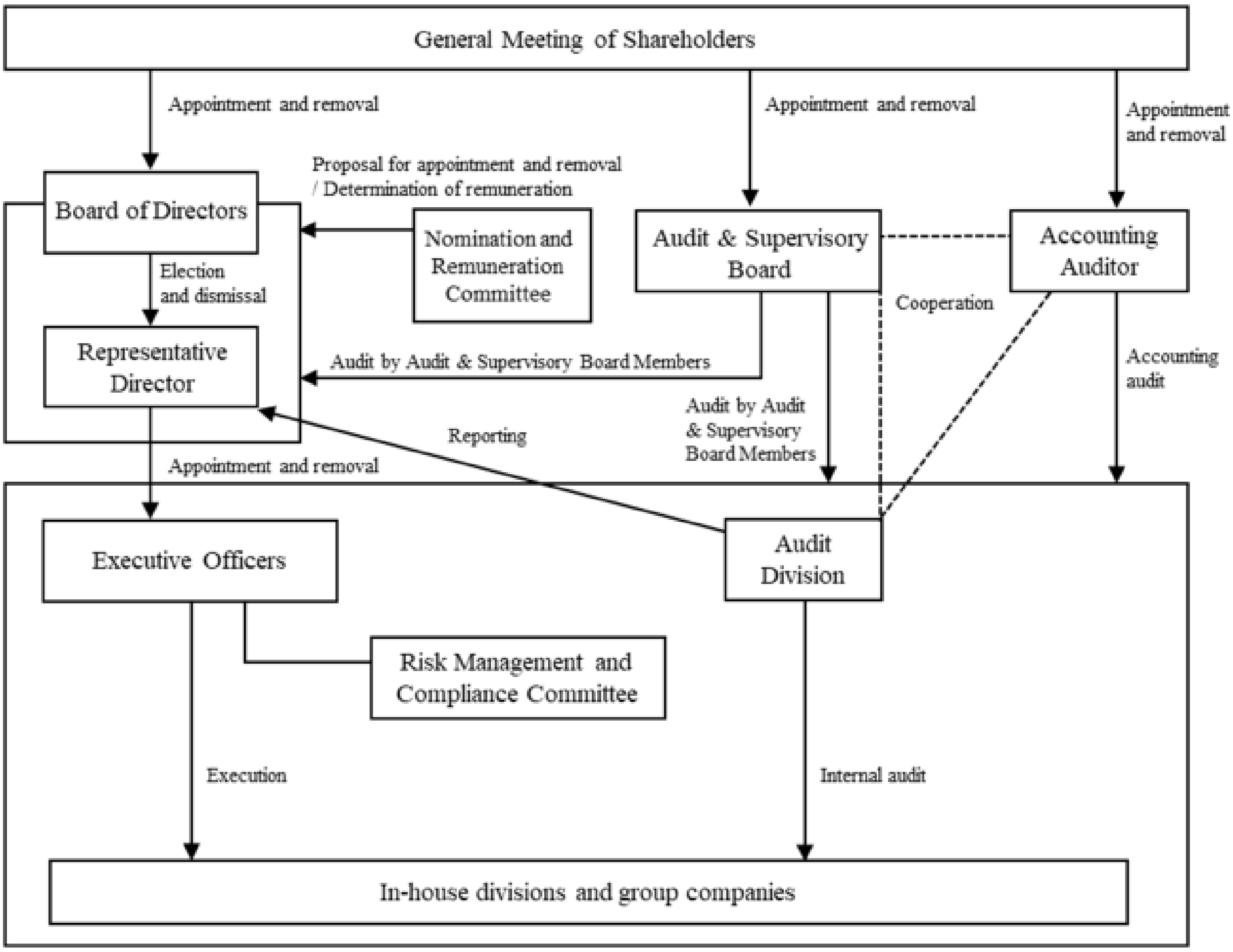
The Company has set up the Nomination and Remuneration Committee, a voluntary committee consisting mainly of independent Outside Directors, in order to ensure the transparency and fairness of the processes of appointment and removal and determination of remuneration for Directors, Audit & Supervisory Board members, CEO and Executive Officers.

Chairpersons, members and observers of each organization are as follows:

C: Chairperson, M: Member and O: Observer

Title	Name	Board of Directors	Audit & Supervisory Board	Risk Management and Compliance Committee	Nomination and Remuneration Committee
CEO and Representative Director	Jun-ichi Miki	C		C	M
Director	Gordon Raison	M			
Outside Director	Isao Minabe	M			M
Outside Director	Kazuaki Tsutsumi	M			M
Outside Director	Toshihiko Oinuma	M			C
Outside Director	Sachiko Murase	M			
Outside Audit & Supervisory Board Member (Full-time)	Masato Makino	O	C	O	
Outside Audit & Supervisory Board Member	Kazuhiro Ishihara	O	M		
Outside Audit & Supervisory Board Member	Yoji Morizumi	O	M		
Senior Executive Officer	Kazuya Yanase			M	
Senior Executive Officer	Yoshihiro Ikegami			M	
Senior Executive Officer	Naoyuki Tamura			M	
Senior Executive Officer	Shunsuke Sugiura			M	
Executive Officer	Koichi Mizumoto			M	
Executive Officer	Yasunobu Suzuki			M	
Executive Officer	Akira Nishizawa			M	
Executive Officer	Masahiro Minowa			M	
Executive Officer	Yasushi Aihara			M	
Executive Officer	Takamitsu Shimizu			M	
Executive Officer	Hironori Karasawa			M	
Executive Officer	Hirokazu Takayoshi			M	
Executive Officer	Yoshiyasu Kitagawa			M	

The schematic depiction of the Company's corporate governance is shown below:



3) Other matters regarding corporate governance

Internal control system

The Company's corporate philosophy is to apply its three slogans: "Inspire the Enjoyment of Creativity", "Be the BEST Rather Than the BIGGEST" and "Cooperative Enthusiasm for All Stakeholders," which represent its basic policy remained unchanged since its foundation, to all of the Roland Group companies.

As an effort to achieve this corporate philosophy, the Company's Board of Directors resolved to adopt a system to ensure proper performance of the Group's business operations.

(a) System to ensure compliance of execution of duties by Directors and employees with applicable laws and regulations and the Articles of Incorporation
   (i) The Company has established the "Roland Group Compliance Guidelines" as the basic principles for compliance with applicable laws and regulations, the Articles of Incorporation and corporate ethics and adopted it as the guidelines for Director and all employees. The Company has also set up the Risk management and Compliance Committee to ensure the thorough implementation of the guidelines.
   (ii) The Board of Directors supervises the execution of duties by Directors while making decisions on important matters regarding business execution in accordance with the provisions of the "Rules for the Board of Directors."
   (iii) Audit & Supervisory Board Members take necessary actions such as providing advice or recommendations to Directors if they recognize that a Director has been or is likely to be engaged in an act that is outside the Company's purpose or otherwise breaches applicable laws and regulations or the Articles of Incorporation, or find a fact that may cause significant damage or a serious incident to the Company or that is significantly unreasonable for the Company's business operations.
   (iv) The audit division conducts internal audits as to whether the Company's business activities are operated reasonably and efficiently through the Company's organizations and systems in accordance with applicable laws and regulations and the "Internal Audit Rules" and other related rules.
   (v) The Company has established a whistleblowing system with a law firm being the contact point for acts against laws and regulations, the Articles of Incorporation or corporate ethics and developed a system to promptly take corrective measures and recurrence prevention measures, thereby enhancing its self-cleaning mechanisms. In addition, the Company has a system in place in which it receives instructions and advice from the law firm, as necessary.
   (vi) The Company is developing and establishing a system to ensure the reliability and appropriateness of financial reporting in accordance with the Financial Instruments and Exchange Act and other laws and regulations.

(b) Systems to retain and manage information related to execution of duties by Directors
   The Company properly retains and manages information related to the execution of duties by its Directors in accordance with the "Information Security Basic Rules," the "Document Management Rules," and other related regulations while ensuring information security.

(c) Systems including rules for management of risk of loss
   (i) The Company has established the "Basic Rules for Risk Management" and set up the Risk Management and Compliance Committee for the purpose of preventing and promptly addressing risks related to the Company's business execution.
   (ii) In the case of emergency, CEO will take necessary measures as the chief executive of the crisis management system.
   (iii) The audit division conducts internal audits to ensure the effectiveness of risk management measures.

(d) System to ensure efficient execution of duties by Directors
   (i) The Board of Directors holds a meeting once a month, in principle, and holds an extraordinary meeting whenever necessary.
   (ii) The Company has adopted an executive officer system, whereby Directors can focus on management functions such as acceleration of management and improvement of their supervising functions and delegate their authority to execute business to Executive Officers to clarify responsibility for business execution.

(e) System to ensure the appropriateness of business operations at the corporate group consisting of the Company and its subsidiaries
   The Company has adopted a system to manage and supervise business administration of the Roland Group's subsidiaries appropriately by specifying matters that require the Company's approval and matters that shall be reported to the Company in accordance with the "Rules for Administration of Affiliated Companies" and other related regulations.
   (i) System to ensure efficient reporting of execution of duties by subsidiaries' Directors and other Officers and efficient execution of their duties
      a. The Company manages and supervises its subsidiaries' business execution by stipulating subsidiaries' acts that shall be reported to the Company and receiving regular reports, as well as, if necessary, providing opportunities for subsidiaries to make reports to the Company's Directors.
      b. The Company has established approval standards for subsidiaries' acts and controls such acts through the relevant divisions of the headquarters. The Company requires that important matters should be approved by or reported to its Board of Directors.

(ii) Systems including rules for management of subsidiaries' risk of loss

The Company requires reporting of any damage arising from a disaster or in the course of business execution at subsidiaries or any wrongdoing at subsidiaries.

(iii) System to ensure compliance of execution of duties by subsidiaries' Directors and other Officers and employees with applicable laws and regulations and the Articles of Incorporation

a. The Company disseminates the "Roland Group Compliance Guidelines" to its subsidiaries in and outside Japan and ensures the thorough implementation of the guidelines by all such subsidiaries as the basic principles for compliance with applicable laws and regulations, the Articles of Incorporation and corporate ethics.

b. The audit division conducts internal audits in accordance with audit plans to ensure the appropriateness of subsidiaries' duties.

c. The Company is developing and establishing a system to ensure the reliability and appropriateness of financial reporting in accordance with the Financial Instruments and Exchange Act and other laws and regulations.

(f) Matters regarding employees who are appointed to assist Audit & Supervisory Committee members upon request thereof

Audit & Supervisory Committee members may order the audit division staff members to assist their duties, as necessary.

(g) Matters to ensure the independence of assistants to Audit & Supervisory Board Members from Directors and the effectiveness of instructions to such assistants

(i) The Company ensures the independence of the audit division staff members from Directors by obtaining consent of Audit & Supervisory Board Members to evaluation, appointment, dismissal and personnel transfer of the audit division staff members.

(ii) In assisting Audit & Supervisory Board Members, the audit division staff members are required to exclusively follow instructions of the Audit & Supervisory Board Members.

(h) System in which a person, who receives a report from a Director or any other Officer or an employee of the Company or subsidiary, makes a report to Audit & Supervisory Board Members

(i) Audit & Supervisory Board Members may request Directors and employees of the Company or subsidiaries to make a report whenever necessary.

(ii) Directors and other Officers and employees of the Company and subsidiaries shall immediately report to Audit & Supervisory Board Members when they find any act of breach of applicable laws and regulations or the Articles of Incorporation, or any fact that may cause significant damage or a serious incident to the Company.

(iii) Under the whistleblowing system, if the investigation division receives a report from the whistleblowers contact point on the receipt of a report that requires investigation, the division shall report the details of such report to the relevant responsible Officer and Audit & Supervisory Board Members.

(i) System to ensure that whistleblowers are not treated unfavorably due to making a report

The Company takes appropriate measures to protect whistleblowers so that the whistleblowers will not be treated unfavorably at the workplace for a reason that they have made a report to Audit & Supervisory Board Members or otherwise made an internal report of any act of breach of applicable laws and regulations or the Articles of Incorporation, or any fact that may cause significant damage or a serious incident to the Company. Any person who treats unfavorably or harasses a whistleblower shall be punished in accordance with the Work Rules.

(j) Matters regarding policies on procedures for advance payment or reimbursement of expenses arising in connection with Audit & Supervisory Board Members' execution of duties and other processing of expenses or obligations arising in connection therewith

The Company prepares a budget for expenses deemed necessary for Audit & Supervisory Board Members to execute their duties. Upon request of reimbursement of expenses disbursed by Audit & Supervisory Board Members in an urgent or special event, the Company shall reimburse such expenses unless the Company can prove that such expenses have not been incurred in connection with the execution of such Audit & Supervisory Board Members' duties.

(k) Other systems to ensure effective audits by Audit & Supervisory Board Members

(i) Audit & Supervisory Board Members shall attend and state their opinions at important internal meetings, as necessary.

(ii) Audit & Supervisory Board Members shall regularly meet with CEO and exchange their opinions on important issues related to audit.

(iii) Audit & Supervisory Board Members shall regularly meet with the accounting auditor and exchange their opinions on matters related to accounting.

4) Agreement for limitation of liability

Pursuant to the provisions of Article of Incorporation and Article 427 of the Companies Act, the Company has concluded agreements with all the Directors (excluding Executive Directors) and Audit & Supervisory Board Members to limit their liability for damages stipulated in Article 423-1 of the same act to the minimum amount prescribed by laws and regulations as long as they perform their duties in good faith without gross negligence.

5) Number of Directors

The Company's Articles of Incorporation stipulate that the number of the Company's Directors shall be not more than 15.

6) Requirements for resolution for election of Directors

The Company's Articles of Incorporation stipulate that resolution for election of Directors shall require a majority of the votes of shareholders present at the General Meeting of Shareholders, where the shareholders holding at least one third of the voting rights of shareholders who are entitled to exercise their voting rights are present, and shall not be by cumulative voting.

7) Decision-making body of interim dividends

The Company's Articles of Incorporation stipulate that the Board of Directors may resolve to distribute dividends of surplus as prescribed in Article 454-5 of the Companies Act in order to execute the dividend policy in a timely manner.

8) Acquisition of treasury shares

The Company's Articles of Incorporation stipulate that the Board of Directors may resolve to acquire treasury shares as prescribed in Article 165-2 of the Companies Act in order to ensure timely execution of the capital policy in response to changes in business environment.

9) Requirements for special resolution at the General Meeting of Shareholders

The Company's Articles of Incorporation stipulate that, in order to ensure to secure the quorum for special resolutions at the General Meeting of Shareholders, the resolutions prescribed in Article 309-2 of the Companies Act shall require at least two thirds of the votes of shareholders present at the General Meeting of Shareholders, where the shareholders holding at least one third of the voting rights of shareholders who are entitled to exercise their voting rights are present.

(2) Directors and other Officers

1) List of Directors and other Officers

Male: 8, Female: 1 (Ratio of female Officers: 11.1%)

Official title or position	Name	Date of birth	Career summary		Term of office	Number of the Company's shares held (Thousands of shares)
CEO and Representative Director	Jun-ichi Miki	March 1, 1955	Mar. 1977 Jun. 1994 Jun. 1999 Aug. 2001 Apr. 2002 Apr. 2006 Jun. 2007 Jun. 2010 Apr. 2013 Apr. 2014	Joined Roland Corporation Director (in charge of development) Managing Director(Focusing on the development of contemporary keyboards such as electronic pianos, being in charge of several departments such as indirect/support functions of development and marketing planning) Managing Director (in charge of development) Director (in charge of technical support) Director (in charge of development staff division) Executive Officer (in charge of classical projects) Director (In charge of development department of organ and classic keyboards) CEO and Representative Director (current position) Representative Director, Tokowaka Co., Ltd.	Note 3	451
Director Senior Executive Officer	Gordon Raison	September 19, 1965	Oct. 1995 Jul. 1998 Jun. 1999 Feb. 2001 Oct. 2005 Sep. 2013 Feb. 2014 Apr. 2015 Mar. 2017 Jan. 2018 Aug. 2019 Mar. 2020	Joined Digital Equipment Corporation Business Transformation Manager European Finance Director, Tektronix Corporation (currently Xerox Corporation) European Finance Director - General Market Operations, Xerox UK Ltd CFO, UK and Ireland, Xerox UK Ltd Managing Director and Executive Officer, Europe, Fender Musical Instruments Europe Ltd Joined Roland (U.K.) Limited CEO, Roland Europe Group Limited Senior Executive Officer, Roland Corporation (current position) CEO of Overseas Unit Chief Sales Officer (current position) Chief Marketing Officer (current position) Director (current position)	Note 3	—
Director (Part time)	Isao Minabe	May 19, 1952	Apr. 1984 Jun. 1989 Apr. 1997 Apr. 2000 Apr. 2004 Apr. 2006 Apr. 2007 Oct. 2007 Apr. 2009 Oct. 2010 Apr. 2012 Aug. 2013 Nov. 2014 Sep. 2016 Jul.2019	Joined Daito Construction Co., Ltd. (currently Daito Trust Construction Co., Ltd.) Director and Chief General Manager of Tenant Search Dept. Managing Director, Chief General Manager of Administration Management Dept. and General Manager of Business Division Senior Managing Director, General Manager of Business Division President and Representative Director, Daito Building Management Co., Ltd. President and Representative Director, Gaspal Kyushu Corporation (currently Gaspal Corporation) Managing Director, Daito Trust Construction Co, Ltd, General Manager, East Japan Sales Division President and Representative Director Daito Trust Construction Co, Ltd. Chairman and Director, Gaspal Corporation President and Representative Director, Daito Finance Co., Ltd. President, Executive Officer and Representative Director, Daito Trust Construction Co., Ltd. Established Office 3 as a principal (current position) Outside Director, Roland Corporation (current position) Representative Director, Institute of N-WOOD Kokusan Mokuzai/Kankyo Katsuyo Jutaku Ryutsu Organization (current position) Outside Director, SHiDAX Corporation (current position)	Note 3	—

Official title or position	Name	Date of birth	Career summary		Term of office	Number of the Company's shares held (Thousands of shares)
Director (Part time)	Kazuaki Tsutsumi	December 4, 1974	Apr. 1998	Joined Nissho Iwai Corporation (currently Sojitz Corporation)	Note 3	–
			Dec. 2000	Manager, Nissho Iwai America Corporation (currently Sojitz Corporation of America)		
			Jul. 2009	Joined Taiyo Pacific Partners, L.P.		
			Nov. 2012	Director, Taiyo Pacific Partners, L.P. (current position)		
			Mar. 2019	Outside Director, Roland Corporation (current position)		
Director (Part time)	Toshihiko Oinuma	May 13, 1966	Apr. 1994	Registered as attorney-at-law, joined Kitahama Law Office	Note 3	–
			Sep. 2000	Worked at Latham & Watkins LLP (New York office)		
			Feb. 2001	Admitted to New York Bar Association		
			Jan. 2002	Partner, Kitahama Partners L.P.C.		
			Jan. 2007	Representative Partner, Kitahama Partners L.P.C.		
			Sep. 2014	Established Oinuma International Law and Patent Office as Representative Attorney (current position)		
			Mar. 2016	Outside Audit & Supervisory Board Member, Roland Corporation		
			Jun. 2016	Outside Audit & Supervisory Board Member, Nippon Paint Holdings Co., Ltd.		
			Mar. 2020	Outside Audit & Supervisory Board Member, Nippon Paint Automotive Coatings Co., Ltd. (current position)		
				Outside Director, Roland Corporation (current position)		
Director (Part time)	Sachiko Murase	August 3, 1972	Apr. 1995	Joined NICHIHA CORPORATION	Note 3	–
			Sep. 2008	Registered as an attorney-at-law, joined SEIWA MEITETSU LAW OFFICE		
			Nov. 2015	Outside Audit & Supervisory Board Member, BUNKYODO Group Holdings Co., Ltd. (current position)		
			Sep. 2018	Joined Kudanzakaue Law Office (current position)		
			Jun. 2019	Outside Audit & Supervisory Board Member, NICHIAS Corporation (current position)		
			Jun. 2020	Outside Director, Maxell Holdings, Ltd. (current position)		
			Mar. 2021	Outside Director, Roland Corporation (current position)		
Audit & Supervisory Board Member (Full time)	Masato Makino	June 9, 1961	Apr. 1984	Joined Daiwa Bank, Ltd. (currently Resona Bank, Limited.)	Note 4	–
			Jun. 2010	Executive Officer in charge of Nara area, Resona Bank, Limited.		
			Apr. 2013	Executive Officer in charge of Nara area and Kyoto and Shiga Business Headquarters, Resona Bank, Limited.		
			Apr. 2014	Senior Managing Director, Resona Business Service Co., Ltd.		
			Nov. 2014	Outside Audit & Supervisory Board Member, Roland Corporation (current position)		
			Mar. 2015	Outside Director, Osaka Hilton Co., Ltd.		
			Jun. 2015	Outside Audit & Supervisory Board Member, ICHINEN HOLDINGS CO., LTD. (current position)		

Official title or position	Name	Date of birth	Career summary		Term of office	Number of the Company's shares held (Thousands of shares)
Audit & Supervisory Board Member (Part time)	Kazuhiro Ishihara	April 18, 1949	Apr. 1973	Joined the Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)	Note 4	–
			Feb. 2002	Manager of Corporate Banking Division, The Bank of Tokyo-Mitsubishi, Ltd. (currently MUFG Bank, Ltd.)		
			Sep. 2002	Managing Director, SHO-BOND Corporation		
			Aug. 2005	President and Representative Director		
			Jan. 2008	President and Representative Director, SHO-BOND Holdings Co., Ltd.		
			Jan. 2010	Representative Director and Vice-chairman, SHO-BOND Corporation		
			Sep. 2017	Special Counsel, SHO-BOND Holdings Co., Ltd.		
			Jun. 2019	Outside Audit & Supervisory Board Member, Kawakin Holdings Co., Ltd. (current position)		
			Mar. 2020	Outside Audit & Supervisory Board Member, Roland Corporation (current position)		
Audit & Supervisory Board Member (Part time)	Yoji Morizumi	May 18, 1975	Oct. 1999	Joined Showa Ota & Co. (currently Ernst & Young ShinNihon LLC)	Note 4	–
			Apr. 2003	Registered as a certified public accountant		
			Jan. 2016	Established Morizumi Yoji Certified Public Accountant Office as Principal (current position)		
			Jan. 2016	Outside Director, Glad Cube Inc. (current position)		
			May 2018	Outside Audit & Supervisory Board Member, DAIKEN CO., LTD. (current position)		
			Jun. 2019	Outside Director, GENKI SUSHI CO., LTD. (current position)		
			Mar. 2020	Outside Audit & Supervisory Board Member, Roland Corporation (current position)		

Notes: 1. Directors Isao Minabe, Kazuaki Tsutsumi, Toshihiko Oinuma and Sachiko Murase are Outside Directors.
2. Audit & Supervisory Board Members Masato Makino, Kazuhiro Ishihara and Yoji Morizumi are Outside Audit & Supervisory Board Members.
3. The terms of office of the Directors shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year ending within one year after the Ordinary General Meeting of Shareholders held on March 30, 2021.
4. The terms of office of the Audit & Supervisory Board Members shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year ending within four years after the Extraordinary General Meeting of Shareholders held on September 14, 2020.
5. The Company has elected one substitute Audit & Supervisory Board Member as prescribed in Article 329, Paragraph 3 of the Companies Act in preparation for the possibility of the number of Audit & Supervisory Board Members falling below the number prescribed in laws and regulations. The career summary of the substitute Audit & Supervisory Board Member is as follows:

Name	Date of birth	Career summary		Number of the Company's shares held (Thousands of shares)
Noriyuki Honda	February 24, 1967	Apr. 1990	Joined Ricoh Company, Ltd.	0
		Jul. 1999	Joined Shizuoka Pioneer Corporation	
		Apr. 2009	Joined Roland Corporation	
		Feb. 2015	Manager of Purchasing Department, Roland Corporation	
		Aug. 2016	Director, Roland Manufacturing Malaysia Sdn. Bhd. Director	
		Apr. 2018	Head of Internal Auditing Division, Roland corporation (current position)	

2) Outside Directors and Audit & Supervisory Board Members

The Company has four Outside Directors and three Outside Audit & Supervisory Board Members.

(a) Number of Outside Directors and Outside Audit & Supervisory Board Members, and their personal, capital or business relationships or any other conflicts of interests with the Company

Outside Director Kazuaki Tsutsumi concurrently serves as Director of Taiyo Pacific Partners, L.P., which indirectly and completely controls Taiyo Jupiter Holdings GP Ltd. which has authority to act on behalf of Taiyo Jupiter Holdings, L.P., our controlling shareholder other than parent company. While the Company had entered into the Service Agreement with Taiyo Pacific Partners, L.P. in order to receive advice with regard to business management, it was terminated on November 11, 2020. Taiyo Pacific Partners, L.P. is a company whose major purpose is to be engaged in investment business and has no business relationship with the Company. The Company has no intention to do business with Taiyo Pacific Partners, L.P. in future either.

Outside Director Toshihiko Oinuma previously served as Outside Audit & Supervisory Board Member of the Company for four years; however, the Company has no other personal, capital or business relationships or any other conflicts of interests with him.

The Company has no personal, capital or business relationships or any other conflicts of interests with Outside Directors Isao Minabe and Sachiko Murase, and the three Outside Audit & Supervisory Board Members.

(b) Criteria or policies for independence of Outside Directors and Outside Audit & Supervisory Board Members, and the reporting company's views on the appointment there of

The Company has established the criteria for independent Outside Directors and other Audit & Supervisory Board Members as follows based on the criteria for independence prescribed by the Tokyo Stock Exchange.

Criteria for independence of Outside Directors or Audit & Supervisory Board Members

1. The person does not fall under any of the categories mentioned below currently or for the period of recent one year.
   (1) The Company's main business partner, or its executing person*1
   (2) The person transacting businesses mainly with our company, or its executing person*2
   (3) Consultant, accounting expert or legal expert who receives a large amount of pecuniary or other property, besides remuneration for Director, from the Company (or, if the party receiving such property is an organization such as corporation or partnership, the person who is a member of such an organization)*3
   (4) The Company's major shareholder or, if such a major shareholder is a corporation, the executing person of the corporation*4
   (5) The party to which the Company makes a large amount of donation (or its executing person, if the party receiving such donations is an organization such as corporation or partnership)*5
   (6) An executive of an organization with which the Company has mutually appointed Outside Directors and other Officers.
2. The person does not fall under the category of an executing person of the Company or its subsidiary at present, or the category of a person who was an executing person of the Company or its subsidiary during the past ten years (or, however, during the ten years before assuming the position of non-executing Directors or Audit & Supervisory Board Members, if the person had assumed such a position at any time during the past ten years) .
3. Neither the person's spouse, nor person's relatives of the second degree of consanguinity fall under any of the followings during the past one year. This, however, applies only when such spouse or relative is "important" for business partners*6
   (1) Parties referred to in (1) through (4) of above 1.
   (2) Executing person of the Company or its subsidiary.
4. In addition to the foregoing, there shall be no special circumstances where the person has any potential conflicts of interests with ordinary shareholders, such as a situation where the person is engaged in ongoing transactions with the Company.
5. Notwithstanding of the requirements of formality stipulated in the preceding subparagraphs, substantially, if it is considered that there is no fear for occurrence of conflict of interest with general shareholders, we can recognize the person's independence through specifying the reasons for it.

*1. "The Company's main business partner" shall mean our business partner which falls under any of the followings:
   (i) A purchaser or supplier, etc. of the Company's products the transaction value with which surpasses 2% of our consolidated sales in the most recent fiscal year.
   (ii) A financial institution from which the Company borrows funds, the balance of borrowings from which surpasses 2% of our consolidated total assets as of the end of the most recent fiscal year.

*2. "Person transacting businesses mainly with the Company" shall mean a supplier, etc. of the Company's products our payment to which surpasses ¥10 million and surpasses 2% of such business partner's sales in the most recent fiscal year.

*3: "Large amount" shall mean one of the followings depending on the provision of services by such consultant, etc. to the Company.
  (i) In case where the consultant, etc. is an individual, it will be called a large amount if the consideration it received from the Company surpassed ¥10 million annually in the most recent fiscal year.
  (ii) In case where the consultant, etc. belongs to an organization such as corporation and partnership, and such organization provides service to the Company, it will be called a large amount if the consideration such an organization received from the Company in the most recent fiscal year surpassed ¥10 million annually and 2% of such organization's annual consolidated sales.

*4: "Major shareholder" shall mean a shareholder holding 10% or more of the voting rights (including both direct and indirect holdings).

*5: "Large amount of donation" shall mean a donation of ¥10 million or more annually in the most recent fiscal year.

*6: "Important" shall mean Director, executive officer and executing person ranking General Manager or above or, as to the accounting audit corporation or legal professional corporation, certified public accountant or attorney belonging to such a corporation..

The Company's views on the appointment of Outside Directors and Audit & Supervisory Board Members are as follows:

Isao Minabe, Outside Director
He has a very wide range of knowledge concerning corporate management through his experience in serving as President and Representative Director of a company listed on the First Section of the Tokyo Stock Exchange. Since his appointment as Outside Director of the Company in November 2014, he has provided appropriate advice to contribute to improving the Company's corporate value by utilizing his insight from an objective standpoint as Outside Director. The Company has appointed him as based on its belief that he will perform supervisory functions over business execution appropriately.

Kazuaki Tsutsumi, Outside Director
He has a wide range of insight in business management and other areas, acquired through his abundant experience in global business and his engagement in an important post at an investment company. Since his appointment as Outside Director of the Company in March 2019, he has provided appropriate advice to contribute to improving the Company's corporate value by utilizing his insight from an objective standpoint as Outside Director. The Company has appointed him based on its belief that he will perform supervisory functions over business execution appropriately.

Toshihiko Oinuma, Outside Director
He has legal knowledge and a wide range of insight acquired as an attorney-at-law through his abundant experience in global cases and mastery of internal controls. He served as Outside Audit & Supervisory Board Member of the Company from March 2016 and March 2020. Since his appointment to the current position as Outside Director of the Company in March 2020, he has continuously provided adequate support to contribute to improving the Company's corporate value by utilizing his insight from an objective standpoint. The Company has appointed him based on its belief that he will perform supervisory functions over business execution appropriately.

Sachiko Murase, Outside Director
She has business experience as an attorney-at-law specializing in corporate legal affairs and a high degree of expertise regarding corporate governance as well as abundant experience as Outside Director and Audit & Supervisory Board Member at listed companies. The Company has appointed her based on its belief that she will perform supervisory functions over business execution appropriately as Outside Director of the Company.

Masato Makino, Outside Audit & Supervisory Board Member
He has an insight into finance and accounting acquired through his experience of working for financial institutions for a long time. Since his appointment as Outside Audit & Supervisory Board Member of the Company in November 2014, he has conducted appropriate audits to contribute to improving the Company's corporate value by utilizing his insight from an objective standpoint. The Company has appointed him based on its belief that he will provide us with advice and recommendations to improve the transparency and objectivity of management.

Kazuhiro Ishihara, Outside Audit & Supervisory Board Member
He has knowledge and experience in finance and accounting acquired through his experience of working for financial institutions for a long time and an extensive insight into management gained from his long-term experience of serving as a corporate manager. Since his appointment as Outside Audit & Supervisory Board Member of the Company in March 2020, he has provided appropriate advice to contribute to improving the Company's corporate value by utilizing his insight from an objective standpoint as Outside Audit & Supervisory Board Member. The Company has appointed him based on its belief that he will provide us with advice and recommendations to improve the transparency and objectivity of management.

Yoji Morizumi, Outside Audit & Supervisory Board Member
He has knowledge and experience in finance and accounting as a certified public accountant. Since his appointment as Outside Audit & Supervisory Board Member in March 2020, he has provided appropriate advice to contribute to improving the Company's corporate value by utilizing his insight from an objective standpoint as Outside Audit & Supervisory Board

Member. The Company has appointed him based on its belief that he will provide us with advice and recommendations to improve the transparency and objectivity of management.

(c) Mutual cooperation between Outside Directors and Outside Audit & Supervisory Board Members in supervision or audits and internal audits, audits by Audit & Supervisory Board Members and accounting audits, and relationship with the internal control division

Outside Directors grasp the status of internal audits through the Board of Directors' meetings. Outside Audit & Supervisory Board Members receive reports on audits by Audit & Supervisory Board Members, accounting audits and internal audits through the Board of Directors' meetings and the Audit & Supervisory Board meetings. They state their opinions at meetings of the Board of Directors and the Audit & Supervisory Board, as necessary to improve the utility of audits. Outside Directors and Outside Audit & Supervisory Board Members cooperate with each other by receiving reports from divisions relevant to internal control through the Board of Directors' meeting.

(3) Audits

1) Audits by the Audit & Supervisory Board Members

The Company is a company with Audit & Supervisory Board and has the Audit & Supervisory Board, which consists of one full-time Audit & Supervisory Board Member and two part-time Audit & Supervisory Board Members. Full-time Audit & Supervisory Board Member Masato Makino and Part-time Audit & Supervisory Board Member Kazuhiro Ishihara have worked for financial institutions for a long time and have an extensive knowledge of finance and accounting. Part-time Audit & Supervisory Board Member Yoji Morizumi has the qualification of certified public accountant and extensive knowledge of finance and accounting. All of the three Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members. Employees belonging to the audit division in charge of internal audit (five employees as of the filing date of this Annual Securities Report) have been appointed as assistants to Audit & Supervisory Board Members in accordance with the basic policy of Company's internal control system.

The Audit & Supervisory Board designs an audit policy taking into account the importance, timeliness and other necessary factors and prepares an audit plan by appropriately selecting the scope of audit and how and when to conduct the audit, while keeping in mind the status of development and operation of the internal control system. The Audit & Supervisory Board engages in the following activities in accordance with such audit plan:

a. Audit & Supervisory Board Members attend meetings of the Board of Directors and the Audit & Supervisory Board and meetings of the accounting auditor related to accounting audits and state their opinions, etc. timely and appropriately.
b. The full-time Audit & Supervisory Board Member is responsible as a full-time member for overall audits including audits on operations in Japan and accounting audits. At the same time, the full-time Audit & Supervisory Board Member is engaged in activities such as attending important meetings other than meetings of the Board of Directors, inspecting approval forms and other important documents, collaborating, coordinating and communicating with the accounting auditor and the internal audit division, preparing audit documentation and storing audit trails.
c. Part-time Audit & Supervisory Board Members are assigned to conduct audits mainly on overseas subsidiaries, given their experience and expertise gained from their previous positions and work experience in foreign countries or language skills.

During the fiscal year ended December 31, 2020, the Audit & Supervisory Board prepared audit documentation individually for 14 audits on the effectiveness and the operation of the internal control system, three on the parent company's improvement of corporate governance on the corporate group, one on the development of the internal control systems, such as compliance with laws and regulations, four on the monitoring of meetings, eight on accounting audits and 12 on monthly review of CEO approval forms.

Each Audit & Supervisory Board Member records the results of audits he/she conducted in audit documentation and reports the status of execution of his/her duties to the Audit & Supervisory Board regularly and from time to time. The Audit & Supervisory Board prepares an audit report to be provided to shareholders through deliberations based on the audit report prepared by each Audit & Supervisory Board Member. The Audit & Supervisory Board and its members also regularly make a report on the implementation status of audits and the results thereof to the representative Director or the Board of Directors and, if deemed necessary, take appropriate measures according to the circumstances as well as providing advice or recommendations.

The Company holds a meeting of the Audit & Supervisory Board once a month, in principle, and holds an extraordinary meeting whenever necessary. During the fiscal year ended December 31, 2020, the Company held 13 meetings of the Audit & Supervisory Board. The attendance of each Audit & Supervisory Board Member is as follows:

	Name	Number of meetings held	Number of meetings attended
Full-time Outside Audit & Supervisory Board Member	Masato Makino	13	13
Part-time Outside Audit & Supervisory Board Member	Kazuhiro Ishihara (Note 1)	10	10
Part-time Outside Audit & Supervisory Board Member	Yoji Morizumi (Note 1)	10	10
Part-time Outside Audit & Supervisory Board Member	Izumi Hirano (Note 2)	3	3
Part-time Outside Audit & Supervisory Board Member	Toshihiko Oinuma (Note 2)	3	3

Notes: 1. Both of Kazuhiro Ishihara and Yoji Morizumi were appointed and assumed office at the 48th Ordinary General Meeting of Shareholders held on March 31, 2020.
2. Both of Izumi Hirano and Toshihiko Oinuma retired due to the expiration of their terms of office at the conclusion of the 48th Ordinary General Meeting of Shareholders held on March 31, 2020.

Major matters reviewed by the Audit & Supervisory Board include 17 matters resolved such as preparation of audit reports and audit plans, selection of duties for the full-time Audit & Supervisory Board Member and other positions, consent to the proposal of election of Audit & Supervisory Board Members, reappointment/non-reappointment of the accounting auditor, consent to remuneration for the accounting auditor, three matters deliberated on preparation of audit reports, four matters consulted about audit plans, remuneration for Audit & Supervisory Board Members, audit policy for overseas subsidiaries, and seven matters reported such as the results of audits by each Audit & Supervisory Board Member.

2) Internal audit

The Company has set up the audit division (consisting of five members as of the filing date of this Annual Securities Report) directly under CEO and independently from divisions conducting business. The Company defines that the purpose of internal audits is to promote communications between divisions and contribute to business management while examining and assessing the Company's and the Group companies' business activities in light of legitimacy and rationality thereof and providing advice on rationalization and streamlining of management, improvement of business activities and preservation of assets. In order to achieve such purpose, the audit division conducts audits systematically in accordance with the Internal Audit Rules established by the Company.

3) Mutual cooperation among internal auditors, Audit & Supervisory Board Members and accounting auditors, and relationship between their audits and the internal control division

The Company has an audit system in which Audit & Supervisory Board Members, the accounting auditor and the audit division conduct audits in cooperation with each other. Audit & Supervisory Board Members and the audit division communicate with each other by sharing audit plans and audit documentation and internal audit reports as appropriate, and jointly conduct audits on the same department, as necessary. Audit & Supervisory Board Members and the audit division also share information and understanding of issues by receiving reports on audit plans or the status of a fiscal year-end accounting audits in the course of such audit or at the end thereof or attending a physical inventory audit conducted by the accounting auditor. In conducting audits, Audit & Supervisory Board Members and the audit division cooperate and share information with divisions related to internal control such as the finance, business planning and personnel divisions, as necessary for efficient and effective audits.

4) Accounting audits

(a) Name of audit firm

Grant Thornton Taiyo LLC

(b) Years of continuous auditing

4 years

(c) Certified public accountants who executed the audit duties

Shigeyuki Moriuchi
Kenji Furuta

(d) Composition of assistants of audit engagement

Seven certified public accountants, five persons who have passed the Certified Public Accountant Examination and 16 other individuals assisted duties of accounting audits of the Company.

(e) Policy and reasons for appointing audit firm

The Audit & Supervisory Board has developed the "Standards for Appointment and Evaluation of Accounting Auditor" and established the procedures for appointment, reappointment and dismissal of the accounting auditor as well as the standards for evaluation of the accounting auditor's execution of duties. When appointing a new accounting auditor, the Audit & Supervisory Board requests several audit firms to present a proposal on the overview of the audit firm, the system to conduct audits and the estimated amount of audit fees and makes a decision on the appointment through deliberations at the board after verifying the appropriateness of such accounting auditor's audit system, independence and expertise. The Audit & Supervisory Board appointed Grant Thornton Taiyo LLC as its current accounting auditor since it determined that Grant Thornton Taiyo LLC was the most appropriate audit firm as a result of a comprehensive comparative review of the firm's quality control, audit system, independence and expertise required to conduct accounting audits appropriately.

Meanwhile, the Audit & Supervisory Board has also established the following policies on dismissal or non-reappointment of the accounting auditor.

a. If the accounting auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act and the Audit & Supervisory Board deems that it is reasonable to dismiss the accounting auditor, the Audit & Supervisory Board dismisses the accounting auditor with consent of all the Audit & Supervisory Board Members.
b. The Audit & Supervisory Board deliberates whether to reappoint or not to reappoint the accounting auditor based on the full-time Audit & Supervisory Board Member's report on the results of evaluation of the accounting auditor's execution of duties in accordance with the Standards for Appointment and Evaluation of Accounting Auditor. As a result of the deliberations, if the Audit & Supervisory Board decides not to reappointment the accounting auditor, the Audit & Supervisory Board determines the content of a proposal to be submitted to the General Meeting of Shareholders regarding the non-reappointment of the accounting auditor, pursuant to the provisions of Article 344 of the Companies Act.

(f) Evaluation of audit firm by Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board always inspects and evaluates the accounting auditor's execution of duties in accordance with the "Standards for Appointment and Evaluation of Accounting Auditor." As stated above, the Audit & Supervisory Board deliberates whether to reappoint or not to reappoint the accounting auditor based on the results of such evaluation.

5) Details of audit fees, etc.

(a) Audit fees paid to auditing certified public accountants, etc.

(Millions of yen)

Classification	Previous fiscal year		Current fiscal year	
	Fees for audit certification services	Fees for non-audit services	Fees for audit certification services	Fees for non-audit services
Reporting company	61	6	62	4
Consolidated subsidiaries	–	–	–	–
Total	61	6	62	4

* The above fees for non-audit services paid for the fiscal years ended December 31, 2019 and 2020 were fees for limited guarantee services and preparation of the comfort letter for the new listing, respectively.

(b) Audit fees paid to the same network (Grant Thornton member firms) to which certified public accountants, etc. belong (excluding fees specified in (a) above.)

(Millions of yen)

Classification	Previous fiscal year		Current fiscal year	
	Fees for audit certification services	Fees for non-audit services	Fees for audit certification services	Fees for non-audit services
Reporting company	–	–	–	–
Consolidated subsidiaries	58	1	72	9
Total	58	1	72	9

* The above fees for non-audit services paid for the fiscal years ended December 31, 2019 and 2020 were both fees for tax consulting and other services.

(c) Details of fees for other significant audit certification services
Not applicable.

(d) Policy for determining audit fees
The Company determines fees for the accounting auditor with consent of the Audit & Supervisory Board after consulting with the accounting auditor on the content of audit plans in light of the effectiveness and efficiency of such plans and examining, among other factors, the number of hours required for the accounting auditor to conduct necessary audits.

(e) Reasons for the Audit & Supervisory Board’s consent to fees for the accounting auditor
The Audit & Supervisory Board has consented to the amount of fees for the accounting auditor in accordance with Article 399, Paragraph 1 of the Companies Act based on its review and validity verification of the accounting auditor’s audit plans, the status of execution of its duties and the grounds for calculation of estimated fees.

(4) Remuneration for Directors and other Officers

1) Policy on determination of remuneration amount for Directors and other Officers or the calculation method thereof

Remuneration for Directors is allocated to each Director to the extent of the total amount of remuneration resolved at the General Meeting of Shareholders. The representative Director was entrusted to determine the allocation at the meeting of the Board of Directors held on June 22, 2007.

The Company has adopted consolidated performance-based bonuses, stock options and the Board Benefit Trust-type compensation plan to the remuneration system for the Company's Directors (excluding Outside Directors), in addition to basic compensation, for the purpose of clarifying a linkage of the Company's business performance and corporate value with the remuneration system and raising the Directors' awareness of contributing to an increase of the Company's medium- to long-term business performance and corporate value. Although the Company has not set a clear indicator for performance-based compensation, it determines the amount of performance-based compensation based on its comprehensive review of factors such as the Directors' contribution to the Company's business performance referencing consolidated sales, consolidated operating profit and EBITDA eliminating one-time gains or losses.

Remuneration for Audit & Supervisory Board Members is determined by the Audit & Supervisory Board to the extent of the total amount of remuneration resolved at the General Meeting of Shareholders. Audit & Supervisory Board Members receive monthly fixed compensation based on their individual experience, expertise and role, etc.

2) Total amount of remuneration by position, type of remuneration and number of recipients of the reporting company

(Millions of yen)

Position	Total amount of remuneration	Total amount of consolidated remuneration by type				Number of recipients
		Basic compensation	Bonus	Stock options	Performance-based stock compensation	
Directors	238	108	86	37	5	6
[of which Outside Directors]	[22]	[17]	[5]	–	–	[2]
Audit & Supervisory Board Members	26	26	–	–	–	5
[of which Outside Audit & Supervisory Board Members]	[26]	[26]	–	–	–	[5]
Total	265	135	86	37	5	10
[of which Outside Officers]	[49]	[43]	[5]	–	–	[6]

Notes:
1. Two Directors out of the eight Directors who assumed office of Director during the current fiscal year received no remuneration.
2. The total amount of remuneration for Directors as monetary compensation was resolved to be limited to ¥500 million per year, including bonuses (excluding the employee portion of salaries for Directors concurrently serving as employees) at the Extraordinary General Meeting of Shareholders held on September 14, 2020.
   Apart from the total amount of remuneration set forth above, the Board of Directors resolved at the extraordinary meeting held on April 30, 2015 that share acquisition rights be granted to Directors as stock option compensation, and the shareholders acting at the Extraordinary General Meeting of Shareholders held on December 21, 2016 resolved to adopt a performance-based stock compensation plan using the Board Benefit Trust.
3. The total amount of remuneration for Audit & Supervisory Board Members was resolved to be limited to ¥50 million per year at the Extraordinary General Meeting of Shareholders held on September 14, 2020.
4. Bonuses include ¥42 million of provision for bonuses for Directors and other Officers for the current fiscal year, ¥42 million of provision for performance-based compensation (earn-out) and ¥2 million of provision recorded for the current fiscal year resulting from the determination of the amount of bonuses for the previous fiscal year.
5. The amount of stock options is the amount of expenses recorded for the current fiscal year for share acquisition rights granted as stock options.
6. The amount of performance-based stock compensation is the amount of expenses for such compensation recorded for the current fiscal year.
7. The number of Directors who receive remuneration specified above includes two Directors who resigned from office of Director at the conclusion of the 48th Ordinary General Meeting of Shareholders held on March 31, 2020.
8. Mr. Toshihiko Oinuma assumed office of Director after resigning from office of Audit & Supervisory Board Member at the 48th Ordinary General Meeting of Shareholders held on March 31, 2020. Therefore, he and the amount of his remuneration were included in the number of, and the amount of remuneration for, Audit & Supervisory Board Members for the period in which he served as an Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) and in the number of, and the amount of remuneration for, Directors for the period in which he served as Director (Outside Director).

3) Total amount of consolidated remuneration by Director/Officer

(Millions of yen)

Name	Total amount of consolidated remuneration	Position	Company classification	Amount of consolidated remuneration by type			
				Basic compensation	Bonus	Stock options	Performance-based stock compensation
Jun-ichi Miki	109	Representative Director, CEO	Reporting company	48	36	22	3

Note: This table only lists those who received ¥100 million or more of consolidated remuneration in total.

4) Compensation plan for new Directors and other Officers for the fiscal year ending December 31, 2021 (the 50th fiscal year)

The Company's Board of Directors resolved at its meeting held on October 21, 2020 that the Company establish the Rules for Nomination and Remuneration Committee (hereinafter, the "Rules") in order to ensure the transparency and fairness of appointment of the Company's Directors and other Officers and that the Company set up the Nomination and Remuneration Committee (hereinafter, the "Committee") mainly consisting of independent Outside Directors. The Committee has defined the process of determining remuneration for Directors and Executive Officers in the Rules. From and after the fiscal year ending December 31, 2021 (the 50th fiscal year), the amount of remuneration for Directors and Executive Officers will be resolved by the Board of Directors through consultation by the Committee to the extent of the total amount of remuneration for Directors resolved at the General Meeting of Shareholders.

The Board of Directors resolved at its meeting held on February 18, 2021 that the remuneration policy and calculation method for the fiscal year ending December 31, 2021 (the 50th fiscal year) and thereafter be as follows based on the results of consultation and a report by the Committee. Moreover, the shareholders acting at the Ordinary General Meeting of Shareholders held on March 30, 2021 resolved to revise the performance-based stock compensation plan using the Board Benefit Trust, introduction of which was resolved at the Extraordinary General Meeting of Shareholders held on December 21, 2016.

Policy on determination of remuneration amount for Directors and other Officers or the calculation method thereof

The Company has established the policy on determination of the amount of remuneration for Directors and other Officers or the calculation method thereof. The following details the contents of such policy, remuneration structure by position, standard total amount of remuneration by position and the policy on determination of remuneration:

- Remuneration should contribute to the Group's sustainable growth and improvement of medium- to long-term corporate value;
- The compensation plan should be closely related to business performance and motivate Directors and other Officers to accomplish business strategies and achieve the company-wide performance target;
- The compensation plan should attract, retain and reward diverse and talented human resources;
- The compensation plan should raise awareness of sharing profits with shareholders; and
- The process of determining remuneration should be highly transparent and objective.

* Remuneration structure by position and standard total amount of remuneration

Position	Standard total amount of remuneration per person	Number of recipients	Remuneration structure		
CEO and Representative Director	77.5 million yen	1	Fixed compensation: 50%	Short-term performance-based compensation : 33.3%	Medium- to long-term performance-based compensation: 16.7%
Directors	36.5 to 66.5 million yen (Note)	1	Fixed compensation: 50%	Short-term performance-based compensation : 33.3%	Medium- to long-term performance-based compensation: 16.7%
Outside Directors	11.5 million yen	3	Fixed compensation: 83.3%		Fixed-type stock compensation: 16.7%
Audit & Supervisory Board Members	–	3	Fixed compensation: 100%		

Note: The Nomination and Remuneration Committee evaluates each Director's ability to execute his/her duties and his/her expected values, and determines the amount of remuneration (in the range between ¥36.5 million and ¥66.5 million) according to the position. The aggregate of the standard total amount of remuneration for the current recipients is ¥51.5 million.

* Method of determination of remuneration

- The amount of remuneration for Directors is determined by the Nomination and Remuneration Committee.
- The amount of remuneration for Audit & Supervisory Board Members is determined through mutual consultation by Audit & Supervisory Board Members to the extent of the total amount of remuneration determined by the General Meeting of Shareholders.

If the Company's performance declines considerably or an event for which the Company should clarify its social responsibility occurs, the Board of Directors may resolve at its meeting (for remuneration for Audit & Supervisory Board Members, through mutual consultation by Audit & Supervisory Board Members) to take ad hoc emergency measures such as reducing the amount of remuneration or partially cutting remuneration.

The following details performance-based compensation consisting of short-term performance-based compensation and medium- to long-term performance-based compensation:

(A) Short-term performance-based compensation (monetary compensation)

Short-term performance-based compensation (monetary compensation) uses consolidated operating profit for a single fiscal year as the performance indicator to raise awareness of improving business performance for each fiscal year. The amount of the compensation is calculated based on the degree of achievement of the indicator. The source of compensation is calculated as follows. If profit attributable to owners of parent is negative (loss), no short-term performance-based compensation (monetary compensation) is provided to Executive Directors; provided, however, that the Nomination and Remuneration Committee may consider and decide on recording extraordinary loss, etc. to improve corporate value as long as the Company can pay dividends. The indicator used for actual calculation in connection with consolidated operating profit specified below is that before recording performance-based compensation.

Source of compensation = Actual consolidated operating profit × Multiplying factor (a) × Achievement coefficient (b)

(a) Multiplying factor = Total amount of compensation when the eligible person achieves the budgeted consolidated operating profit (*1) / Budgeted consolidated operating profit (subject to review for each fiscal period, *2)

(*1) Standard amount of short-term performance-based compensation calculated based on the aforementioned compensation structure by position and standard total amount of remuneration

(*2) The budgeted operating profit for the fiscal year ending December 31, 2021 is ¥7,500 million.

(b) Achievement coefficient is determined as follows based on the status of achievement of the budgeted consolidated operating profit:

Percentage of achievement of the budgeted consolidated operating profit	Achievement coefficient
120% or more	× 1.2
110% or more and less than 120%	× 1.1
100% or more and less than 110%	× 1.0
Less than 100%	× 0.7

(B) Medium- and long-term performance-based compensation (performance-based stock compensation using the Board Benefit rust)

A medium- to long-term performance-based compensation plan (a performance-based stock compensation plan using the Board Benefit Trust (hereinafter, the “Trust”)) (hereinafter, the “Plan”) uses consolidated ROIC (Return On Invested Capital*) as the performance indicator to clarify a linkage between remuneration for Directors, etc. and the Company’s business performance and shareholder value and to raise awareness of contributing to improving the Company’s medium- to long-term business performance and corporate value.

* Consolidated ROIC (all the figures are consolidated basis) = Operating profit after tax / (Beginning balance of invested capital (*) + Ending balance of invested capital) / 2)

(*) Invested capital = Working capital (Trade receivables + Inventories - Trade payables) + Fixed assets

Under the Plan, points are granted to Directors, etc. based on their positions and the degree of achievement of the performance target for each fiscal year during three fiscal years, in principle, corresponding to the Company’s medium-term management plan (hereinafter, the “Target Period”). The number of points granted for the Target Period is determined by calculating the number of points to be added or reduced based on the degree of achievement of the performance target for the last fiscal year during the Target Period (for Outside Directors, a non-performance-based fixed-type stock compensation plan has been adopted, in which points are granted based only on their positions without reference to the degree of achievement of the performance target). If an eligible person resigns from office of Director, etc. and satisfies the requirements for beneficiaries set forth in the stock benefit rules, such person receives, through the Trust, the number of the Company’s shares and an amount equivalent to the market value of the Company’s shares based on the accumulated number of points granted during the Target Period.

The initial Target Period after revision of the Plan is for two fiscal years since the remaining period of the current medium-term management plan is for two fiscal years ending December 31, 2021 and December 31, 2022.

The number of the Company’s shares to be delivered to Directors, etc. (including shares to be delivered in cash) is one share per point and fractions less than one point shall be rounded down; provided, however, that if the number of the Company’s shares held by the Trust increases or decreases due to a stock split, allotment of share without contribution, stock consolidation or other similar acts, the Company shall adjust the number of shares to be delivered per point in proportion to the rate of increase or decrease.

The number of points to be granted during the Target Period is calculated as follows. If a person assumes office of Director, etc. or there is a change of Director’s position or post during the Target Period, the number of points to be granted shall be adjusted based on the term in office.

- Directors excluding Outside Directors (performance-based compensation)

<Number of points granted for each fiscal year>

Number of standard compensation points (a) × Number of months in office (b) / 12 months × Achievement coefficient (c)

(a) Number of standard compensation points

The number of standard compensation points is calculated by dividing the amount of the standard amount of medium- to long-term performance-based compensation calculated based on the above remuneration structure by position and standard total amount of remuneration, by the reference share price (*).

* The reference share price is the average of closing prices of the Company's shares for one month in April 2021 at the first section of the Tokyo Stock Exchange.

(b) Number of months in office

For the purpose of calculation of the number of days in office less than one month, if the number of days in office in a month is 15 days or more, such number of days shall be counted in the number of months in office as one month. If the number of days in office in a month is less than 15 days, such number of days shall not be counted in the number of months in office.

(c) The achievement coefficient is as follows. The indicator used for measurement of the degree of achievement of actual consolidated ROIC is that before recording performance-based compensation.

Percentage of achievement of consolidated ROIC	Achievement coefficient
100% or more	× 1.0
80% or more	× 0.7
70% or more	× 0.5
60% or more	× 0.3
Less than 60%	× 0.0

<Number of points granted based on the degree of achievement of the performance target for the last fiscal year during the Target Period>

The current medium term management plan 2020-2022 targets the consolidated ROIC of 15% or more. The number of points to be granted is determined as follows based on the degree of achievement of the consolidated ROIC for the last fiscal year during the Target Period; provided, however, that the number of points granted during the Target Period shall not exceed the number calculated by multiplying the number of standard compensation points by the number of years based on the Target Period.

Achieved the consolidated ROIC of 15% or more:	Adding the number of points calculated by multiplying the accumulated number of points for the Target Period by 10%
Unachieved:	Reducing the number of points calculated by multiplying the accumulated number of points for the Target Period by 10%

The actual consolidated ROIC for the fiscal year ended December 31, 2020 which is the starting year of the current medium term management plan was 22.1%.

- Outside Directors (fixed compensation)

<Number of points granted for each fiscal year>

Number of standard compensation points (a) × Number of months in office (b) / 12 months

(a) Number of standard compensation points

The number of standard compensation points is calculated by dividing the standard amount of fixed-type stock compensation calculated based on the above remuneration structure by position and standard total amount of remuneration, by the reference share price (*).

* The reference share price is the average of closing prices of the Company's shares for one month in April 2021 at the first section of the Tokyo Stock Exchange.

(b) Number of months in office

For the purpose of calculation of the number of days in office less than one month, if the number of days in office in a month is 15 days or more, such number of days shall be counted in the number of months in office as one month. If the number of days in office in a month is less than 15 days, such number of days shall not be counted in the number of months in office.

(5) Shareholdings

1) Standards for and views on classification of investment shares

The Company classifies investment shares by holding purpose, for pure investment or for purposes other than pure investment. Pure investment means that the Company holds shares only for the purpose of returns from share price fluctuations and/or dividends.

2) Investment shares held for purposes other than pure investment

a. Shareholding policy, method of verification of the rationale for shareholdings, and details of verification by the Board of Directors of the appropriateness of shareholdings in individual issues

The Company holds no investment shares for purposes other than pure investment, in principle, unless the holding of such shares is deemed reasonable. The Company deems the holding of investment shares to be reasonable if it determines that the holding of such shares will further increases the Roland Group's corporate value based on its verification of the profitability of the shareholding with proper understanding of risks, costs and returns related to the shareholding, bearing in mind long- to medium-term viewpoints and comprehensively taking into account the shareholding purpose such as maintenance or strengthening of business relationship and capital or business alliance.

The Company decides whether to hold a specific issue after carefully reviewing the rationale for the holdings stated above at a meeting of the Board of Directors in accordance with the Rules of Approval. If the shareholding is no longer deemed to be reasonable, the Company considers disposing of the investment shares.

b. Number of issues and carrying amount

	Number of issues	Total carrying amount on balance sheet (million yen)
Unlisted shares	4	135
Shares other than unlisted shares	–	–

Issues whose number of shares increased during the fiscal year ended December 31, 2020

Not applicable.

Issues whose number of shares decreased during the fiscal year ended December 31, 2019

Not applicable.

c. Number and carrying amount of specified investment shares and deemed holdings of investment shares by issue

Not applicable.

3) Investment shares held for pure investment

Category	Current fiscal year		Previous fiscal year	
	Number of issues	Total carrying amount (million yen)	Number of issues	Total carrying amount (million yen)
Unlisted shares	–	–	–	–
Shares other than unlisted shares	1	239	1	277

Category	Current fiscal year		
	Total of dividends received (million yen)	Total of gain (loss) on sale (million yen)	Total of valuation gain (loss) (million yen)
Unlisted shares	–	–	–
Shares other than unlisted shares	3	–	185

4) Investment shares reclassified from held for pure investment to held for purposes other than pure investment during the fiscal year ended December 31, 2020

Not applicable.

5) Investment shares reclassified from held for purposes other than pure investment to held for pure investment during the fiscal year ended December 31, 2020

Not applicable.

Item 5. Financial Information

1. Basis for Preparation of Consolidated and Non-consolidated Financial Statements
   (1) The consolidated financial statements of Roland Corporation (the "Company") are prepared in accordance with the "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976).

   (2) The non-consolidated financial statements of the Company are prepared in accordance with the "Ordinance on the Terminology, Forms, and Preparation Methods of Financial Statements, etc." (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter the "Ordinance on Financial Statements, etc.")
   The Company falls under the company allowed to file specified financial statements and prepares its financial statements pursuant to the provision of Article 127 of the Ordinance on Financial Statements, etc.

2. Audit Certificate
   The Company's consolidated and non-consolidated financial statements for the fiscal year from January 1, 2020 to December 31, 2020 were audited by Grant Thornton Taiyo LLC, in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Special Measures to Ensure the Appropriateness of Consolidated Financial Statements, etc.
   The Company has taken special measures to ensure the appropriateness of consolidated statements, etc. Specifically, the Company endeavors to proactively collect information by joining the Financial Accounting Standards Foundation and participating in seminars and training programs organized by audit firms and other institutions as well as subscribing to accounting journals, in order to establish a system that allows the Company to understand accounting standards properly and adapt to changes in accounting standards appropriately.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Assets		
Current assets:		
Cash and deposits	*1 8,815	*1 10,832
Notes and accounts receivable – trade	*1 8,913	*1, *5 5,930
Merchandise and finished goods	*1 11,245	*1 13,622
Work in process	770	889
Raw materials and supplies	2,199	3,563
Other	*1 1,518	*1 1,558
Allowance for doubtful accounts	(398)	(338)
Total current assets	33,064	36,058
Non-current assets:		
Property, plant and equipment:		
Buildings and structures:	*1 11,271	*1 10,877
Accumulated depreciation	(8,509)	(8,159)
Buildings and structures, net	2,762	2,717
Machinery, equipment and vehicles:	*1 1,222	*1 1,091
Accumulated depreciation	(872)	(845)
Machinery, equipment and vehicles, net	349	246
Tools, furniture and fixtures:	*1 5,140	*1 5,502
Accumulated depreciation	(4,142)	(4,377)
Tools, furniture and fixtures, net	997	1,124
Land	*1 1,657	*1 1,652
Construction in progress	17	20
Total property, plant and equipment	5,784	5,761
Intangible assets	*1 877	*1 759
Investments and other assets:		
Investment securities	*1, *3 966	*3 949
Long-term loans receivable	32	5
Deferred tax assets	1,818	1,816
Other	*1, *3 1,037	*1 854
Allowance for doubtful accounts	(48)	(110)
Total investments and other assets	3,806	3,517
Total non-current assets	10,468	10,038
Total assets	43,532	46,096

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Liabilities		
Current liabilities:		
Notes and accounts payable – trade	4,130	5,228
Short-term borrowings	*4 3,118	138
Current portion of long-term borrowings	*1 1,000	3,935
Lease obligations	276	381
Accrued expenses	2,190	2,445
Income taxes payable	401	467
Provision for bonuses	1,062	1,441
Provision for bonuses for directors (and other officers)	62	84
Provision for product warranties	220	294
Provision for loss on competition law	574	562
Other	1,668	1,999
Total current liabilities	14,707	16,979
Non-current liabilities:		
Long-term borrowings	*1 7,111	5,762
Lease obligations	685	674
Deferred tax liabilities	21	22
Provision for bonuses	32	–
Provision for bonuses for directors (and other officers)	85	–
Provision for product warranties	0	0
Provision for share-based remuneration	225	217
Provision for share-based remuneration for directors (and other officers)	19	25
Retirement benefit liability	1,614	1,482
Asset retirement obligations	89	85
Other	712	694
Total non-current liabilities	10,598	8,965
Total liabilities	25,305	25,945
Net Assets		
Shareholders’ equity:		
Share capital	9,421	9,490
Capital surplus	–	69
Retained earnings	11,203	13,230
Treasury shares	(473)	(403)
Total shareholders’ equity	20,151	22,386
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	(10)	(51)
Foreign currency translation adjustment	(1,716)	(2,203)
Remeasurements of defined benefit plans	(432)	(278)
Total accumulated other comprehensive income	(2,158)	(2,533)
Share acquisition rights	103	158
Non-controlling interests	131	139
Total net assets	18,227	20,151
Total liabilities and net assets	43,532	46,096

2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Net sales	63,247	64,044
Cost of sales	*2 33,006	*2 33,664
Gross profit	30,240	30,379
Selling, general and administrative expenses	*1, *3 24,971	*1, *3 23,264
Operating profit	5,269	7,115
Non-operating income:		
Interest income	31	11
Dividend income	105	21
Subsidy income	42	99
Gain on valuation of investments in money held in trust	39	–
Other	47	22
Total non-operating income	265	154
Non-operating expenses:		
Interest expenses	68	34
Sales discounts	480	576
Foreign exchange losses	168	158
Listing expenses	19	133
Other	70	89
Total non-operating expenses	808	992
Ordinary profit	4,726	6,277
Extraordinary income:		
Gain on sales of non-current assets	*4 19	*4 125
Gain on sales of investment securities	11	–
Gain on termination of retirement benefit plan	158	–
Total extraordinary income	188	125
Extraordinary losses:		
Loss on sales and retirement of non-current assets	*5 19	*5 29
Impairment loss	*6 100	–
Loss on valuation of investment securities	185	–
Provision for loss on competition law	*7 529	–
Loss on competition law	–	343
Loss related to COVID-19	–	*8 183
Total extraordinary losses	835	556
Profit before income taxes	4,080	5,846
Income taxes – current	1,712	1,636
Income taxes – deferred	(224)	(98)
Total income taxes	1,488	1,538
Profit	2,591	4,307
Profit (loss) attributable to non-controlling interests	(37)	6
Profit attributable to owners of parent	2,629	4,301

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Profit	2,591	4,307
Other comprehensive income:		
Valuation difference on available-for-sale securities	194	(41)
Foreign currency translation adjustment	(394)	(485)
Remeasurements of defined benefit plans, net of tax	(268)	153
Total other comprehensive income	* (469)	* (373)
Comprehensive income	2,122	3,934
Comprehensive income attributable to:		
Owners of parent	2,167	3,926
Non-controlling interests	(44)	8

3) Consolidated Statements of Changes in Equity

Previous fiscal year (from January 1, 2019 to December 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total
Balance at January 1, 2019	9,421	469	10,890	(473)	20,307
Cumulative effects of changes in accounting policies			25		25
Restated balance	9,421	469	10,916	(473)	20,333
Changes during period					
Dividends of surplus			(1,500)		(1,500)
Profit (loss) attributable to owners of parent			2,629		2,629
Purchase of investments in capital of consolidated subsidiaries		(469)	(841)		(1,310)
Net changes in items other than shareholders' equity					–
Total changes during period	–	(469)	287	–	(181)
Balance at December 31, 2019	9,421	–	11,203	(473)	20,151

	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 at January 1, 2019	(204)	(1,328)	(163)	(1,696)	68	(157)	18,522
Cumulative effects of changes in accounting policies				–			25
Restated balance	(204)	(1,328)	(163)	(1,696)	68	(157)	18,548
Changes during period							
Dividends of surplus				–			(1,500)
Profit (loss) attributable to owners of parent				–			2,629
Purchase of investments in capital of consolidated subsidiaries				–			(1,310)
Net changes in items other than shareholders' equity	194	(387)	(268)	(462)	34	288	(138)
Total changes during period	194	(387)	(268)	(462)	34	288	(320)
Balance at December 31, 2019	(10)	(1,716)	(432)	(2,158)	103	131	18,227

Current fiscal year (from January 1, 2020 to December 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total
Balance at January 1, 2020	9,421	–	11,203	(473)	20,151
Changes during period					
Issuance of new shares - exercise of share acquisition rights	69	69			139
Dividends of surplus			(2,275)		(2,275)
Profit (loss) attributable to owners of parent			4,301		4,301
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				69	69
Net changes in items other than shareholders' equity					–
Total changes during period	69	69	2,026	69	2,235
Balance at December 31, 2020	9,490	69	13,230	(403)	22,386

	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 at January 1, 2020	(10)	(1,716)	(432)	(2,158)	103	131	18,227
Changes during period							
Issuance of new shares - exercise of share acquisition rights				–			139
Dividends of surplus				–			(2,275)
Profit (loss) attributable to owners of parent				–			4,301
Purchase of treasury shares				–			(0)
Disposal of treasury shares				–			69
Net changes in items other than shareholders' equity	(41)	(487)	153	(375)	55	8	(311)
Total changes during period	(41)	(487)	153	(375)	55	8	1,923
Balance at December 31, 2020	(51)	(2,203)	(278)	(2,533)	158	139	20,151

4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Cash flows from operating activities:		
Profit before income taxes	4,080	5,846
Depreciation	1,537	1,568
Impairment loss	100	–
Amortization of goodwill	4	4
Provision for loss on competition law	529	–
Increase (decrease) in retirement benefit liability	(5)	81
Interest and dividend income	(136)	(33)
Interest expenses	68	34
Foreign exchange losses (gains)	52	240
Loss (gain) on sales and retirement of non-current assets	(0)	(96)
Loss (gain) on sales of investment securities	(11)	–
Loss (gain) on valuation of investment securities	185	–
Gain on termination of retirement benefit plan	(158)	–
Decrease (increase) in trade receivables	(846)	2,172
Decrease (increase) in inventories	(1,239)	(4,288)
Increase (decrease) in trade payables	248	1,478
Other, net	1,555	1,711
Subtotal	5,964	8,720
Interest and dividends received	128	32
Interest paid	(55)	(33)
Income taxes paid	(1,044)	(1,816)
Net cash provided by (used in) operating activities	4,992	6,902
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,036)	(1,012)
Proceeds from sales of property, plant and equipment	45	149
Purchase of intangible assets	(576)	(152)
Proceeds from sales of investment securities	16	–
Long-term loan advances	(51)	(5)
Collection of long-term loans receivable	57	45
Other, net	(43)	73
Net cash provided by (used in) investing activities	(1,588)	(901)

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	1,057	(2,949)
Proceeds from long-term borrowings	–	6,200
Repayments of long-term borrowings	(1,012)	(4,614)
Proceeds from issuance of shares	–	90
Proceeds from sales of treasury shares	–	226
Purchase of treasury shares	–	(0)
Dividends paid	(1,902)	(2,275)
Dividends paid to non-controlling interests	(102)	–
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(878)	–
Other, net	(306)	(347)
Net cash provided by (used in) financing activities	(3,146)	(3,669)
Effect of exchange rate change on cash and cash equivalents	(494)	(313)
Net increase (decrease) in cash and cash equivalents	(237)	2,017
Cash and cash equivalents at beginning of period	9,052	8,815
Cash and cash equivalents at end of period	* 8,815	* 10,832

Notes to Consolidated Financial Statements

Significant accounting policies for preparation of consolidated financial statements

1. Disclosure of scope of consolidation

   Number of consolidated subsidiaries: 27

   The information is omitted as it is stated in "Item 1. Overview of Company, 4. Subsidiaries and Other Affiliated Entities."

   Number of unconsolidated subsidiaries: 2

   Roland France SAS (renamed from Roland Central Europe France S.A.R.L. on May 15, 2020) and Roland (Switzerland) AG

   The two unconsolidated subsidiaries are excluded from the scope of consolidation because they have no material impact on consolidated financial statements in terms of the total amount of items including total assets, net sales, profit (loss) attributable to owners of parent (amount proportionate to the Company's equity interests) and retained earnings (amount proportionate to the Company's equity interests).

2. Disclosure about application of equity method

   Number of associates accounted for using equity method: 0

   Number of unconsolidated subsidiaries and associates not accounting for using equity method: 3

   Roland France SAS (renamed from Roland Central Europe France S.A.R.L. on May 15, 2020), Roland (Switzerland) AG and Roland Taiwan Enterprise Co., Ltd.

   The two unconsolidated subsidiaries and one associate are not accounted for using the equity method because they have no material impact on consolidated financial statements in terms of the total amount of items including profit (loss) attributable to owners of parent (amount proportionate to the Company's equity interests) and retained earnings (amount proportionate to the Company's equity interests).

3. Disclosure about fiscal years, etc. of consolidated subsidiaries

   The balance sheet date of consolidated subsidiaries is the same as the consolidated balance sheet date.

4. Disclosure of accounting policies

   (1) Accounting policy for measuring significant assets

   1) Securities

   Shares of subsidiaries and associates:

   Stated at cost using the moving-average method.

   Available-for-sale securities

   Available-for-sale securities with market value:

   Stated at fair value using the market-to-market method based primarily on the market price at the fiscal year-end (with any unrealized gain or loss being recognized directly in net assets and the cost of securities sold being determined using the moving-average method).

   Available-for-sale securities without market value:

   Stated at cost using the moving-average method.

   2) Inventories

   Merchandise and finished goods, work in process and raw materials

   Roland Corporation:

   Primarily stated at cost using the weighted-average method (a method in which book value is written down based on any decline in profitability).

   Foreign consolidated subsidiaries:

   Primarily stated at cost using the first-in, first-out (FIFO) method (a method in which book value is written down based on any decline in profitability).

   Supplies:

   Primarily stated at cost using the last purchase price method (a method in which book value is written down based on any decline in profitability).

   3) Derivatives

   Stated at fair value using the market-to-market method.

(2) Accounting policy for depreciation/amortization of significant assets

1) Property, plant and equipment (excluding leased assets)

Depreciated primarily by using the declining-balance method.

However, buildings (except for facilities attached to buildings) acquired by the Company on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated on a straight-line basis.

The principal useful lives are as follows:

Building and structures: 31 to 50 years

Tools, furniture and fixtures: 2 to 6 years

2) Intangible assets (excluding goodwill)

Amortized primarily on a straight-line basis.

However, software for sales owned by the Company is amortized based on estimated sales volume during the valid sales period, whereas software for internal use is amortized on a straight-line basis over the period of internal use (five years).

3) Leased assets

Leased assets in finance lease transactions that do not transfer ownership are depreciated on a straight-line basis using the lease term as the useful life and with zero residual value.

(3) Accounting policy for significant provisions

1) Allowance for doubtful accounts

To provide for potential credit losses on receivables, after eliminating intra-group balances of receivables and payables, allowance for doubtful accounts is recorded at an amount of estimated uncollectible receivables calculated based on the historical rate of credit loss for general receivables and determined in consideration of collectibility of individual receivables for doubtful accounts and certain other receivables.

2) Provision for bonuses

To provide for the payment of bonuses to employees, provision for bonuses is recorded based on the estimated amount to be paid.

3) Provision for bonuses for directors (and other officers)

To provide for the payment of bonuses to officers, provision for bonuses for directors (and other officers) is recorded based on the estimated amount to be paid.

4) Provision for product warranties

To provide for product warranty costs that may be incurred after products are sold, provision for product warranties is recorded at an estimated amount calculated based on historical experience.

5) Provision for share-based remuneration

To provide for delivery of shares of the Company to employees in accordance with stock benefit rules, provision for share-based remuneration is recorded based on the estimated amount of stock benefit obligations at the end of the current fiscal year.

6) Provision for share-based remuneration for directors (and other officers)

To provide for delivery of shares of the Company to officers in accordance with stock benefit rules for officers, provision for share-based remuneration for directors (and other officers) is recorded based on the estimated amount of stock benefit obligations at the end of the current fiscal year.

7) Provision for loss on competition law

Provision for loss on competition law is recorded at the estimated amount of potential future losses related to competition laws.

(4) Accounting policy for retirement benefits

1) Method of attributing estimated retirement benefits to accounting periods

In calculating retirement benefit obligations, the benefit formula basis is used to attribute the estimated amount of retirement benefits to periods up to the end of the current fiscal year.

2) Method of accounting for actuarial gains and losses

Actuarial gains and losses are amortized primarily using the declining-balance method over a certain number of years (10 years) within the average remaining service period of employees at the time of recognition from the fiscal year following the respective fiscal year of recognition.

(5) Accounting policy for translating significant foreign currency assets and liabilities into Japanese yen
Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate on the consolidated balance sheet date, and translation adjustments are accounted for as profit or loss. Meanwhile, assets and liabilities of foreign subsidiaries are translated into Japanese yen at the spot exchange rates on the balance sheet dates of such subsidiary whereas their revenue and expenses are translated into Japanese yen at average exchange rates for their respective fiscal years, and translation adjustments are included in “Foreign currency translation adjustment” and “Non-controlling interests” under net assets.

(6) Accounting policy for goodwill
Goodwill is amortized on a straight-line basis within a period of 10 years.

(7) Scope of cash and cash equivalents in consolidated statement of cash flows
Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand, deposits that can be withdrawn at any time and short-term investments with a maturity of three months or less from the date of acquisition, which are readily convertible into cash and exposed to only an insignificant risk of fluctuation in value.

(8) Accounting policy for consumption taxes
The consumption taxes are accounted for using the net-of-tax method.

New accounting standards not yet applied

1. Accounting Standard for Revenue Recognition, etc.
   - "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 of March 31, 2020)
   - "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 of March 31, 2020)

   (1) Overview

   This is a comprehensive accounting standard for revenue recognition. Revenue is recognized by applying the following five steps:

   Step 1: Identify the contract(s) with a customer.

   Step 2: Identify the performance obligations in the contract.

   Step 3: Determine the transaction price.

   Step 4: Allocate the transaction price to the performance obligations in the contract.

   Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

   (2) Scheduled date of application

   The Roland Group plans to apply the accounting standard and guidance from the beginning of the fiscal year ending December 31, 2022.

   (3) Impact of application of the accounting standard, etc.

   The impact of the application on the consolidated financial statements is currently under assessment.

2. Accounting Standards for Fair Value Measurement, etc.
   - "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 of July 4, 2019)
   - "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31 of July 4, 2019)
   - "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 of July 4, 2019)
   - "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 of July 4, 2019)
   - "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 of July 4, 2019)

   (1) Overview

   In order to improve the comparability with the provisions of international accounting standards, the Accounting Standards Board of Japan (the "ASBJ") developed the "Accounting Standard for Fair Value Measurement" and the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter the "Fair Value Measurement Standards, etc.") and established guidance and other rules on the method of fair value measurement. The Fair Value Measurement Standards, etc. will be applicable to the fair value of the following items:

   - Financial instruments defined in the "Accounting Standard for Financial Instruments."

   In addition, the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" was revised such that breakdowns for each level of fair value of financial instruments were provided in the notes.

   (2) Scheduled date of application

   The Roland Group plans to apply the Fair Value Measurement Standards, etc. from the beginning of the fiscal year ending December 31, 2022.

   (3) Impact of application of the accounting standard, etc.

   The impact of the application has not yet been determined at present.

3. Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections
   - "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24 of March 31, 2020)

   (1) Overview
   The purpose of this accounting standard is to clarify the principles and the overview of procedures of the accounting treatment adopted, in cases where the provisions of relevant accounting standards and other rules are unclear.

   (2) Scheduled date of application
   The Roland Group plans to apply the accounting standard from the end of the fiscal year ending December 31, 2021.

4. Accounting Standard for Disclosure of Accounting Estimates
   - "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31 of March 31, 2020)

   (1) Overview
   The purpose of this accounting standard is to disclose information that will facilitate the understanding of users of financial statements on the details of accounting estimates for items recorded in the financial statements for the current fiscal year that have the risk of significant impact on the financial statements for the following fiscal year.

   (2) Scheduled date of application
   The Roland Group plans to apply the accounting standard from the end of the fiscal year ending December 31, 2021.

Changes in presentation

Consolidated balance sheets

"Accrued expenses," which were included in "Other" under "Current liabilities" for the fiscal year ended December 31, 2019, have been presented as a separate line item from the fiscal year ended December 31, 2020 due to the increased materiality. To reflect the change in presentation, the consolidated financial statements for the fiscal year ended December 31, 2019 have been reclassified.

As a result, ¥3,858 million presented in "Other" under "Current liabilities" in the consolidated balance sheet for the fiscal year ended December 31, 2019 has been reclassified as ¥2,190 million in "Accrued expenses" and ¥1,668 million in "Other."

Consolidated statement of income

"Listing expenses," which were included in "Other" under "Non-operating expenses" for the fiscal year ended December 31, 2019, have been presented as a separate line item for the fiscal year ended December 31, 2020 due to the increased materiality. To reflect the change in presentation, the consolidated financial statements for the fiscal year ended December 31, 2019 have been reclassified.

As a result, ¥89 million presented in "Other" under "Non-operating expenses" in the consolidated statement of income for the fiscal year ended December 31, 2019 has been reclassified as ¥19 million in "Listing expenses" and ¥70 million in "Other."

Additional information

1. Board Benefit Trust

   In accordance with the resolution of the General Meeting of Shareholders held on December 21, 2016, the Company has introduced the "Board Benefit Trust (BBT)" as a performance-based stock compensation plan for Directors (excluding Non-executive Directors) and Executive Officers, effective from December 27, 2016.

   (1) Overview of transaction

   Upon the introduction of the Board Benefit Trust Plan (hereinafter the "BBT Plan"), the Company established the "Stock Benefit Rules for Board Benefit Trust."

   The Company entrusted money to a trust bank for the advance purchase of shares to be delivered in the future in accordance with the established Stock Benefit Rules for Board Benefit Trust, and the trust bank acquired the Company's shares with the entrusted money.

   The BBT Plan is a stock benefit plan in which points are granted to Directors and Executive Officers in accordance with the Stock Benefit Rules for Board Benefit Trust, and shares are delivered to them according to the number of points granted.

   Applying the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30 of March 26, 2015) issued by the Accounting Standards Board of Japan (ASBJ), assets and liabilities of the BBT are accounted for using the gross method, in which such assets and liabilities are recorded on the balance sheet as assets and liabilities of the Company.

   (2) The Company's shares remaining in the trust

   The Company's shares remaining in the trust are recorded as treasury shares under net assets at the book value in the trust (excluding the amount of incidental expenses).

   The book value and number of such treasury shares as of December 31, 2019 and 2020 were ¥60 million and 62,850 shares and ¥60 million and 62,850 shares, respectively.

   Note: As the Company conducted a 30-for-1 common stock split effective on September 14, 2020, the above number of treasury shares as of December 31, 2019 takes into account the stock split.

2. Employee (at management-level) Stock Ownership Plan Trust

   The Company has introduced an incentive plan "Employee Stock Ownership Plan (ESOP) Trust," in which shares of the Company are delivered to employees of the Company and its subsidiaries, effective from December 27, 2016, in order to increase their motivation and morale to improve the Company's share price and business performance.

   (1) Overview of transaction

   Upon the introduction of the ESOP, the Company established the "Stock Benefit Rules for ESOP." The Company entrusted money to a trust bank for the advance purchase of shares to be delivered in the future in accordance with the established "Stock Benefit Rules for ESOP, and the trust bank acquired the Company's shares with the entrusted money.

   The ESOP is a stock benefit plan under which points are granted to employees in accordance with the Stock Benefit Rules for ESOP, and shares are delivered to them according to the number of points granted.

   Applying the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30 of March 26, 2015) issued by the ASBJ, assets and liabilities of the ESOP Trust are accounted for using the gross method, in which such assets and liabilities are recorded on the balance sheet as assets and liabilities of the Company.

   (2) The Company's shares remaining in the trust

   The Company's shares remaining in the trust are recorded as treasury shares under net assets at the book value in the trust (excluding the amount of incidental expenses). The book value and the number of such treasury shares as of December 31, 2019 and 2020 were ¥182 million and 189,570 shares and ¥182 million and 189,570 shares, respectively.

   Note: As the Company conducted a 30-for-1 common stock split effective on September 14, 2020, the above number of treasury shares as of December 31, 2019 takes into account the stock split.

3. Employee Shareholding Association-type ESOP Trust

The Company delivers its shares to the Employee Shareholding Association (hereinafter the “Shareholding Association”) through a trust for the welfare of employees.

(1) Overview of transaction

The Company’s Board of Directors, at its meeting held on December 15, 2016, resolved to introduce the “Employee Shareholding Association-type ESOP Trust” as a plan to increase the morale of employees by enhancing the Roland Group’s employee benefits package and facilitating their capital participation as shareholders, thereby driving the continued growth of the Group.

Under the Employee Shareholding Association-type ESOP, the Company has set up the Employee Shareholding Association-type ESOP Trust (hereinafter the “Trust”) with a trust bank. The Trust borrows money to purchase in advance the number of Company’s shares expected to be purchased by the Shareholding Association from the Company through a third-party allocation. After that, the Trust continuously sells the Company’s shares to the Shareholding Association. If any gains on the sale of shares are accumulated in the Trust at the time of its termination, then these gains will be distributed as trust proceeds to employees who meet the requirements for beneficiaries. Meanwhile, in order to guarantee the Trust’s borrowings for the purchase of the Company’s shares, if any losses on the sale of shares are accumulated in the Trust and if there are any remaining borrowings equivalent to such losses in the trust at the time of its termination, the Company will repay the remaining borrowings in accordance with a guarantee clause in the loan agreement. Therefore, employees will not bear any loss.

Applying the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (PITF No. 30 of March 26, 2015) issued by the ASBJ, assets and liabilities of the Trust are accounted for using the gross method, in which such assets and liabilities are recorded on the balance sheet as assets and liabilities of the Company.

(2) The Company’s shares remaining in the trust

The Company’s shares remaining in the trust are recorded as treasury shares under net assets at the book value in the trust (excluding the amount of incidental expenses). The book value and the number of such treasury shares as of December 31, 2019 and 2020 were ¥229 million and 238,590 shares and ¥160 million and 166,300 shares, respectively.

Note: As the Company conducted a 30-for-1 common stock split effective on September 14, 2020, the above number of treasury shares as of December 31, 2019 takes into account the stock split.

(3) Book value of borrowings recorded using the gross method

Previous fiscal year (as of December 31, 2019): ¥114 million

Current fiscal year (as of December 31, 2020): ¥– million

Consolidated balance sheets

*1. Assets pledged as collateral and corresponding liabilities

(1) Assets pledged as collateral

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Cash and deposits	140	233
Notes and accounts receivable – trade	4,070	3,073
Merchandise and finished goods	4,063	4,403
Other (current assets)	9	352
Building and structures	106	81
Machinery, equipment and vehicles	4	3
Tools, furniture and fixtures	26	35
Land	177	173
Intangible assets	2	4
Investment securities	277	–
Other (investments and other assets)	30	31
Total	8,910	8,392

Besides the corresponding liabilities listed below, these assets are also pledged as collateral for derivative transactions.

(2) Corresponding liabilities

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Long-term borrowings	1,497	–
Total	1,497	–

2. Contingent liabilities

Guarantee of obligations

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Guarantees for employees' bank borrowings	4	5
Guarantees for repayment of customers' debt	0	–
Total	5	5

*3. Assets relating to unconsolidated subsidiaries and associates

Investments and other assets

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Investment securities (equity securities)	245	262
Other (investments in capital)	6	–

*4. Committed line of credit agreements with financial institutions

The Company has concluded committed line of credit agreements with its correspondent financial institution Resona Bank, Limited in order to finance working capital efficiently.

The fiscal year-end balances of undrawn facilities under the committed line of credit agreements are as follows:

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Total committed line of credit	5,000	8,000
Drawn facilities	3,000	–
Differences (balance of undrawn facilities)	2,000	8,000

*5. Promissory notes due on balance sheet date

Promissory notes due on balance sheet date are settled on their clearing days.

Since the December 31, 2020 was a bank holiday, the amount of such notes is included in the balance as of December 31, 2020 as follows:

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Notes receivable - trade	―	1

Consolidated statements of income

*1. Total amount of research and development expenses included in general administrative expenses

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
	4,170	4,039

*2. Write-downs (reversal of write-downs) of inventories held for ordinary sales due to decline in profitability

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Cost of sales	91	534

*3. Selling, general and administrative expenses

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Provision of allowance for doubtful accounts	171	244
Salaries and bonuses	12,457	12,012
Provision for bonuses	878	1,208
Retirement benefit expenses	263	313

*4. Gain on sales of non-current assets

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Building and structures	12	113
Machinery, equipment and vehicles	5	10
Tools, furniture and fixtures	1	1
Total	19	125

*5. Loss on sales and retirement of non-current assets

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Building and structures	4	14
Machinery, equipment and vehicles	7	7
Tools, furniture and fixtures	7	7
Other	0	0
Total	19	29

*6. Impairment loss

Previous fiscal year (from January 1, 2019 to December 31, 2019)

The Roland Group recorded impairment loss on the following asset group:

Purpose of use	Type of assets	Location	Amount (million yen)
Business assets	Construction in progress	Hamamatsu-shi, Shizuoka	100

The Roland Group's business assets are grouped by company whereas assets to be disposed of are grouped by individual property. The full amount of the above office relocation expenses, which had been recorded in construction in progress, was recorded as impairment loss under extraordinary losses for the fiscal year ended December 31, 2019 as the Roland Group decided to cancel the relocation.

*7. Provision for loss on competition law

Previous fiscal year (from January 1, 2019 to December 31, 2019)

Provision for loss on competition law was recorded at the estimated amount of potential future losses related to competition laws.

*8. Loss related to COVID-19

Current fiscal year (from January 1, 2020 to December 31, 2020)

Roland Manufacturing Malaysia Sdn. Bhd., a subsidiary based in Malaysia, suspended its operations from March 18 to April 26, 2020, due to the Movement Control Order imposed by the Malaysian government to prevent the spread of COVID-19. We therefore recognized fixed costs incurred by the subsidiary during a period until it returned to normal production levels were recorded as loss related to COVID-19 in the amount of ¥183 million under extraordinary losses.

Consolidated statements of comprehensive income

* Notes regarding reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Valuation difference on available-for-sale securities		
Amount arising during period	8	(41)
Reclassification adjustments	185	–
Before tax effect adjustment	194	(41)
Tax effect	–	–
Valuation difference on available-for-sale securities	194	(41)
Foreign currency translation adjustment		
Amount arising during period	(394)	(485)
Remeasurements of defined benefit plans		
Amount arising during period	(336)	347
Reclassification adjustments	(48)	(127)
Before tax effect adjustment	(384)	219
Tax effect	115	(66)
Remeasurements of defined benefit plans, net of tax	(268)	153
Total other comprehensive income	(469)	(373)

Consolidated statements of changes in equity

Previous fiscal year (from January 1, 2019 to December 31, 2019)

1. Issued shares

Class	At beginning of period	Increase	Decrease	At end of period
Common stock (shares)	911,461	–	–	911,461
Total	911,461	–	–	911,461

2. Treasury shares

Class	At beginning of period	Increase	Decrease	At end of period
Common stock (shares)	16,367	–	–	16,367
Total	16,367	–	–	16,367

Note: The above number of treasury shares of common stock represents the number of the Company’s shares of 16,367 shares held by the Board Benefit Trust, Employee Stock Ownership Plan Trust and Employee Shareholding Association-type ESOP Trust.

3. Share acquisition rights

Issue company	Details	Class of shares underlying the stock options	Number of shares underlying the stock options (shares)				Balance at end of period (million yen)
			At beginning of period	Increase	Decrease	At end of period	
Reporting company	2015 Share Acquisition Rights Issued as Stock Options (1st series)	–	–	–	–	–	80
	2015 Share Acquisition Rights Issued as Stock Options (2nd series)	–	–	–	–	–	3
	2016 Share Acquisition Rights Issued as Stock Options (3rd series)	–	–	–	–	–	18
Total			–	–	–	–	103

4. Dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (million yen)	Dividend paid per share (yen)	Record date	Effective date
Board of Directors’ meeting held on September 19, 2019	Common stock	1,500	1,646	June 30, 2019	September 25, 2019

Note: The total amount of dividends paid based on the resolution at the Board of Directors’ meeting held on September 19, 2019 includes dividends of ¥26 million paid to the Company’s shares held by trusts.

(2) Dividends with a record date in the current fiscal year, but an effective date in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (million yen)	Dividend paid per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on March 31, 2020	Common stock	Retained earnings	1,290	1,416	December 31, 2019	March 31, 2020

Note: The total amount of dividends paid based on the resolution at the Ordinary General Meeting of Shareholders held on March 31, 2020 includes dividends of ¥23 million paid to the Company’s shares held by trusts.

Current fiscal year (from January 1, 2020 to December 31, 2020)

1. Issued shares

Class of shares	At beginning of period	Increase	Decrease	At end of period
Common stock (shares)	911,461	26,669,905	–	27,581,366
Total	911,461	26,669,905	–	27,581,366

Note: Overview of reasons for change
Major factors are as follows:
Increase due to a 30-for-1 common stock split conducted effective on September 14, 2020: 26,432,369 shares
Increase due to the exercise of share acquisition rights (stock options): 237,536 shares

2. Treasury shares

Class of shares	At beginning of period	Increase	Decrease	At end of period
Common stock (shares)	16,367	474,733	72,290	418,810
Total	16,367	474,733	72,290	418,810

Notes: 1. The above number of treasury shares of common stock as of December 31, 2020 includes the number of the Company's shares of 418,720 shares held by the Board Benefit Trust, Employee Stock Ownership Plan Trust and Employee Shareholding Association-type ESOP Trust.
2. Overview of reasons for change
Major factors are as follows:
Increase due to 30-for-1 common stock split conducted effective on September 14, 2020: 474,643 shares
Increase due to purchase of shares less than one unit by Employee Shareholding Association-type ESOP Trust: 90 shares
Decrease due to sale from Employee Shareholding Association-type ESOP Trust to Employee Shareholding Association: 72,200 shares
Decrease due to sale of shares less than one unit from Employee Shareholding Association-type ESOP Trust to the Company: 90 shares

3. Share acquisition rights

Issue company	Details	Class of shares underlying the stock options	Number of shares underlying the stock options (shares)				Balance at end of period (million yen)
			At beginning of period	Increase	Decrease	At end of period	
Reporting company	2015 Share Acquisition Rights Issued as Stock Options (1st series)	–	–	–	–	–	119
	2015 Share Acquisition Rights Issued as Stock Options (2nd series)	–	–	–	–	–	3
	2016 Share Acquisition Rights Issued as Stock Options (3rd series)	–	–	–	–	–	35
Total			–	–	–	–	158

4. Dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (million yen)	Dividend paid per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on March 31, 2020	Common stock	1,290	1,416	December 31, 2020	March 31, 2020
Board of Directors' meeting held on September 23, 2020	Common stock	984	1,080	June 30, 2020	September 28, 2020

Notes: 1. The Company conducted a 30-for-1 common stock split effective on September 14, 2020. The information in these notes is based on the number of shares before the stock split.
2. The total amount of dividends paid based on the resolution at the Ordinary General Meeting of Shareholders held on March 31, 2020 includes dividends of ¥23 million paid to the Company's shares held by trusts.
3. The total amount of dividends paid based on the resolution at the Board of Directors' meeting held on September 23, 2020 includes dividends of ¥17 million paid to the Company's shares held by trusts.

(2) Dividends with a record date in the current fiscal year, but an effective date in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (million yen)	Dividend paid per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on March 30, 2021	Common stock	Retained earnings	992	36	December 31, 2020	March 31, 2021

Note: The total amount of dividends to be paid based on the resolution at the Ordinary General Meeting of Shareholders held on March 30, 2021 includes dividends of ¥15 million to be paid to the Company's shares held by trusts.

Consolidated statements of cash flows

* The reconciliation of ending balance of cash and cash equivalents with account balances per consolidated balance sheets is as follows:

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Cash and deposits	8,815	10,832
Cash and cash equivalents	8,815	10,832

Leases

Operating leases

As a lessee

Future minimum lease payments under non-cancellable operating leases

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Due within 1 year	157	158
Due after 1 year	391	300
Total	548	458

Financial instruments

1. Status of financial instruments
   (1) Policies on financial instruments

   The Roland Group uses its own funds or external borrowings to finance necessary working capital and funds for investments and loans. In the case of external borrowings, short-term borrowings are mainly used for working capital, while long-term borrowings are mainly used for capital expenditures. The Group's fund management policy is to limit its investments to highly secure financial assets such as short-term deposits. Derivatives are entered into based on actual demand and not used for speculative purposes.

   (2) Nature and risks of financial instruments

   Trade receivables, such as notes and accounts receivable – trade, and long-term loans receivable to business partners are exposed to customers' credit risk. In addition, trade receivables denominated in foreign currencies arising from our global business are exposed to the risk of exchange rate fluctuations.

   Investment securities mainly comprise stocks of companies with which we have business relationships, and some of them are exposed to the risk of market price fluctuations.

   Trade payables such as notes and accounts payable – trade are due within one year. Certain notes and accounts payable – trade are denominated in foreign currencies and exposed to the risk of exchange rate fluctuations. However, the amounts of such payables are constantly kept within those of the balances of accounts receivable denominated in the same foreign currencies.

   Short-term borrowings are mainly for the purpose of financing working capital and they all bear fixed interest rates. Therefore, they have no interest rate risk during the borrowing period. However, they will be exposed to interest rate risk in cases where refinancing is necessary.

   Long-term borrowings include borrowings made by Tokowaka Co., Ltd., with which the Company merged, as part of its management buyout (MBO) of the Company and refinanced by the Company in January 2016, as well as those for working capital. Certain borrowings with variable interest rates are exposed to interest rate risk.

   Lease obligations are primarily used for working capital and equipment, and the longest maturity of lease term is nine years after the settlement date.

   The Roland Group uses derivatives primarily to avoid the risk of exchange rate fluctuations and enters into forward exchange contracts and other instruments to the extent necessary based on balances of monetary receivables and payables denominated in foreign currencies or the actual volume of exports and imports related to operating transactions denominated in foreign currencies.

   (3) Risk management system for financial instruments

   1) Management of credit risk (risk of non-performance by counterparties)

   For credit risk on trade receivables and long-term loans receivable, the Roland Group's sales department thoroughly investigates the credit status of customers and manages the due dates and balances of trade receivables to mitigate the risk in accordance with the internal management rules.

   The Group enters into derivatives only with highly rated financial institutions to reduce counterparty risk.

   2) Management of market risk (risk of exchange rate and interest rate fluctuations)

   For receivables and payables denominated in foreign currencies, the Roland Group uses forward exchange contracts to avoid the risk of exchange rate fluctuations.

   For investment securities, the Group regularly assesses the fair value and financial conditions of the issuers (business partners).

   Derivatives are executed and managed by the finance department after going through the approval process provided for in the internal management rules.

   3) Management of liquidity risk in financing (risk of being unable to make payments on due dates)

   The Company manages its liquidity risk by preparing and updating cash flow plans in a timely manner based on reports from each department.

   (4) Supplementary explanation on fair value of financial instruments

   The fair value of financial instruments is measured based on quoted market prices, if available, or reasonably calculated value if a quoted market price is not available. Because certain assumptions are used in the calculation of such value, the value may vary if different assumptions are used. The contract amounts of derivatives shown in the notes on *Derivatives* do not directly indicate the market risk of derivatives.

2. Fair value of financial instruments

The consolidated balance sheet amounts and fair value of financial instruments and their differences are as follows. The table below does not include financial instruments for which fair value is deemed extremely difficult to determine (for details, please refer to Note 2).

Previous fiscal year (as of December 31, 2019)

(Millions of yen)

	Consolidated balance sheet amount (*1)	Fair value (*1)	Difference
(1) Cash and deposits	8,815	8,815	–
(2) Notes and accounts receivable – trade	8,913	8,913	–
(3) Investment securities			
Available-for-sale securities	277	277	–
(4) Long-term loans receivable (*2)	77	79	1
Total assets	18,083	18,084	1
(5) Notes and accounts payable – trade	(4,130)	(4,130)	–
(6) Short-term borrowings	(3,118)	(3,118)	–
(7) Accrued expenses	(2,190)	(2,190)	–
(8) Income taxes payable	(401)	(401)	–
(9) Long-term borrowings (*3)	(8,111)	(8,101)	9
(10) Lease obligations	(962)	(945)	16
Total liabilities	(18,914)	(18,888)	26
(11) Derivatives (*4)	(52)	(52)	–

*1: Items recorded as liabilities are presented in parentheses.
*2: The figures include current portion of long-term loans receivable.
*3: The figures include current portion of long-term borrowings.
*4: Receivables and payables arising from derivatives are presented on a net basis.

Current fiscal year (as of December 31, 2020)

(Millions of yen)

	Consolidated balance sheet amount (*1)	Fair value (*1)	Difference
(1) Cash and deposits	10,832	10,832	–
(2) Notes and accounts receivable – trade	5,930	5,930	–
(3) Investment securities			
Available-for-sale securities	239	239	–
(4) Long-term loans receivable (*2)	34	34	(0)
Total assets	17,036	17,036	(0)
(5) Notes and accounts payable – trade	(5,228)	(5,228)	–
(6) Short-term borrowings	(138)	(138)	–
(7) Accrued expenses	(2,445)	(2,445)	–
(8) Income taxes payable	(467)	(467)	–
(9) Long-term borrowings (*3)	(9,697)	(9,696)	0
(10) Lease obligations	(1,056)	(1,055)	0
Total liabilities	(19,033)	(19,032)	0
(11) Derivatives (*4)	19	19	–

*1: Items recorded as liabilities are presented in parentheses.
*2: The figures include current portion of long-term loans receivable.
*3: The figures include current portion of long-term borrowings.
*4: Receivables and payables arising from derivatives are presented on a net basis.

Note 1: Fair value measurement method of financial instruments and matters concerning securities and derivatives

(1) Cash and deposits and (2) notes and accounts receivable - trade
They are stated at book value as they are settled within a short period of time and their fair value approximates their book value.

(3) Investment securities
Investment securities mainly comprise stocks, and their fair value is based on the prices trade at the stock exchange. For the notes to available-for-sale securities, please refer to the notes on *Securities*.

(4) Long-term loans receivable
The fair value of long-term loans receivable is measured by classifying the loans according to a certain time span and at the present value of future cash flows discounted at an interest rate based on an appropriate index such as the yield of government bonds.

(5) Notes and accounts payable – trade, (6) short-term borrowings, (7) accrued expenses and (8) income taxes payable
They are stated at book value as they are settled within a short period of time and their fair value approximates their book value.

(9) Long-term borrowings
The fair value of long-term borrowings with fixed interest rates is measured by discounting the total amount of principal and interest at the interest rate assumed to be applied to if the similar new borrowings were made. The fair value of certain long-term borrowings with floating interest rates is stated at book value. This is because they reflect market interest rates within a short period of time and the credit status of the Company has not largely changed since the execution; therefore, their fair value seemingly approximates their book value.

(10) Lease obligations
The fair value of lease obligations is measured at the present value of the total of principal and interest discounted at the interest rate that would be applied to similar new leases.

(11) Derivatives
For details, please refer to the notes on *Derivatives*.

Note 2: Consolidated balance sheet amounts of financial instruments for which fair value is deemed extremely difficult to determine

(Millions of yen)

Classification	Previous fiscal year (As of December 31, 2019)	(Current fiscal year) (As of December 31, 2020)
Unlisted stocks	688	710

The above financial instruments are not included in “(3) Investment securities” because they have no market prices, and their fair value is deemed extremely difficult to determine.

Note 3: Redemption schedule of monetary receivables after the consolidated balance sheet date

Previous fiscal year (as of December 31, 2019)

(Millions of yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	8,815	–	–	–
Notes and accounts receivable – trade	8,913	–	–	–
Long-term loans receivable	44	32	–	–
Total	17,773	32	–	–

Current fiscal year (as of December 31, 2020)

(Millions of yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	10,832	–	–	–
Notes and accounts receivable – trade	5,930	–	–	–
Long-term loans receivable	28	5	–	–
Total	16,791	5	–	–

Note 4: Repayment schedule of short-term borrowings, long-term borrowings and lease obligations after the consolidated balance sheets date

Previous fiscal year (as of December 31, 2019)

(Millions of yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term borrowings	3,118	–	–	–	–	–
Long-term borrowings	1,000	7,111	–	–	–	–
Lease obligations	276	248	197	120	96	22
Total	4,395	7,359	197	120	96	22

Current fiscal year (as of December 31, 2020)

(Millions of yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term borrowings	138	–	–	–	–	–
Long-term borrowings	3,935	876	876	4,010	–	–
Lease obligations	381	330	194	113	12	24
Total	4,454	1,206	1,070	4,123	12	24

Securities

1. Available-for-sale securities

   Previous fiscal year (as of December 31, 2019)

(Millions of yen)

Classification	Consolidated balance sheet amount	Cost	Difference
Securities whose consolidated balance sheets amount exceeds the cost			
Equity securities	–	–	–
Subtotal	–	–	–
Securities whose consolidated balance sheets amount does not exceed the cost			
Equity securities	277	462	(185)
Subtotal	277	462	(185)
Total	277	462	(185)

   Current fiscal year (as of December 31, 2020)

(Millions of yen)

Classification	Consolidated balance sheet amount	Cost	Difference
Securities whose consolidated balance sheets amount exceeds the cost			
Equity securities	–	–	–
Subtotal	–	–	–
Securities whose consolidated balance sheets amount does not exceed the cost			
Equity securities	239	277	(38)
Subtotal	239	277	(38)
Total	239	277	(38)

Note: “Cost” in the table represents the book value after impairment.

2. Securities on which impairment losses were recognized

   The Roland Group recorded an impairment loss of ¥185 million on securities (available-for-sale securities) for the fiscal year ended December 31, 2019.

   There were no securities on which impairment losses were recognized for the fiscal year ended December 31, 2020.

Derivatives

Derivatives to which hedge accounting is not applied

Currency-related derivatives

Previous fiscal year (as of December 31, 2019)

(Millions of yen)

Classification	Type	Contract amount	Contract amount due after one year	Fair value	Gain (loss) on valuation
Off-market transactions	Forward exchange contracts				
	Selling				
	U.S. dollar	8,659	–	(80)	(80)
	Euro	4,577	–	16	16
	Buying				
	U.S. dollar	622	–	(11)	(11)
	Euro	2,059	–	23	23
Total		15,918	–	(52)	(52)

Note: Method for measuring fair value
The Roland Group measures the fair value of derivatives based on the prices provided by correspondent financial institutions.

Current fiscal year (as of December 31, 2020)

(Millions of yen)

Classification	Type	Contract amount	Contract amount due after one year	Fair value	Gain (loss) on valuation
Off-market transactions	Forward exchange contracts				
	Selling				
	U.S. dollar	6,061	–	59	59
	Euro	4,438	–	(46)	(46)
	Buying				
	U.S. dollar	1,022	–	(19)	(19)
	Euro	1,116	–	25	25
Total		12,639	–	19	19

Note: Method for measuring fair value
The Roland Group measures the fair value of derivatives based on the prices provided by correspondent financial institutions.

Retirement benefits

1. Overview of retirement benefit plans adopted

   The Company has adopted a defined benefit pension plan (cash balance plan) and pays contributions to external funds to pay retirement benefits to employees. Under this plan, the Company grants employees retirement benefit points determined based on their occupation, qualifications and positions and interest points calculated based on the balance of points on a monthly basis. At the time of employees' retirement, the Company pays retirement benefits calculated based on the balance of such points, reason for retirement and length of service.

   In addition to the defined benefit pension plan, the Company participated in the Pension Fund of Japan Electronics Information Technology Industry (hereinafter the "Pension Fund"), which is a multiemployer welfare pension fund. The Pension Fund is accounted for in the same manner as defined contribution plans as it is difficult to reasonably calculate plan assets corresponding to the Company's contributions. The Pension Fund is currently in the process of liquidation after it was dissolved with the permission of the Minister of Health, Labour and Welfare on March 31, 2018. After the dissolution, the Company established a defined contribution corporate pension plan to replace the Pension Fund.

   Certain overseas consolidated subsidiaries have defined contribution pension plans.

2. Defined benefit plan

   (1) Reconciliation of opening and ending balances of retirement benefit obligations

(Millions of yen)

	(From January 1, 2019 to December 31, 2019)	(From January 1, 2020 to December 31, 2020)
Retirement benefit obligations at beginning of period	9,617	10,126
Service cost	368	434
Interest cost	78	12
Actuarial gains and losses incurred	1,023	103
Retirement benefits paid	(325)	(394)
Foreign currency translation gains and losses	(4)	6
Decrease due to termination of retirement benefit plan	(631)	–
Retirement benefit obligations at end of period	10,126	10,289

   (2) Reconciliation of opening and ending balances of plan assets

(Millions of yen)

	(From January 1, 2019 to December 31, 2019)	(From January 1, 2020 to December 31, 2020)
Plan assets at beginning of period	7,747	8,512
Expected return on plan assets	193	212
Actuarial gains and losses incurred	598	174
Contributions from employer	298	302
Retirement benefits paid	(325)	(394)
Plan assets at end of period	8,512	8,806

(3) Reconciliation of ending balances of retirement benefit obligations and plan assets, net defined benefit liability and net defined benefit asset recorded in consolidated balance sheet

(Millions of yen)

	As of December 31, 2019	As of December 31, 2020
Funded retirement benefit obligations	10,126	10,289
Plan assets	(8,512)	(8,806)
	1,614	1,482
Unfunded retirement benefit obligations	–	–
Net amount of liability and asset recorded in consolidated balance sheet	1,614	1,482
Net defined benefit liability	1,614	1,482
Net defined benefit asset	–	–
Net amount of liability and asset recorded in consolidated balance sheet	1,614	1,482

(4) Components of retirement benefit expenses

(Millions of yen)

	From January 1, 2019 to December 31, 2019	From January 1, 2020 to December 31, 2020
Service cost	368	434
Interest cost	78	12
Expected return on plan assets	(193)	(212)
Amortization of actuarial gains and losses	41	148
Retirement benefit expenses for defined benefit plans	294	383
Gain on termination of retirement benefit plan (Note)	(158)	–

Note: Gain (loss) on termination of retirement benefit plan is recorded under extraordinary income (losses).

(5) Remeasurements of defined benefit plans, net of tax

Components of items (before tax effect) recorded in remeasurements of defined benefit plans, net of tax are as follows:

(Millions of yen)

	From January 1, 2019 to December 31, 2019	From January 1, 2020 to December 31, 2020
Actuarial gains and losses	(384)	219
Total	(384)	219

(6) Remeasurements of defined benefit plans

Components of items (before tax effect) recorded in remeasurements of defined benefit plans are as follows:

(Millions of yen)

	As of December 31, 2019	As of December 31, 2020
Unrecognized actuarial gains and losses	(617)	(397)
Total	(617)	(397)

(7) Plan assets

1) Major components of plan assets

Plan assets by major category as a percentage of total plan assets are as follows:

	As of December 31, 2019	As of December 31, 2020
Domestic debt securities	19.0 %	18.0 %
Domestic equity securities	20.0 %	21.0 %
Foreign debt securities	4.6 %	5.0 %
Foreign equity securities	25.5 %	27.0 %
General account	28.9 %	28.0 %
Cash	2.0 %	1.0 %
Total	100.0 %	100.0 %

2) Determination procedure of long-term expected rate of return on plan assets

In determining the long-term expected rate of return on plan assets, the Company considers the current and projected asset allocations as well as the current and future expected long-term rates of return on various assets that constitute the plan assets.

(8) Actuarial assumptions

Major actuarial assumptions (presented in weighted average)

	From January 1, 2019 to December 31, 2019	From January 1, 2020 to December 31, 2020
Discount rate	Mainly 0.13%	Mainly 0.13%
Long-term expected rate of return on plan assets	Mainly 2.50%	Mainly 2.50%

3. Multiemployer pension plan

As the Pension Fund of Japan Electronics Information Technology Industry, a multiemployer welfare pension fund the Company used to participate in, was dissolved and is currently in the process of liquidation, there is no information to be disclosed regarding the funding position for the entire plan, the contribution ratio of the Company and supplementary explanation of the pension fund for the fiscal year ended December 31, 2020. The Company is not expected to bear any additional costs arising due to the dissolution.

4. Defined contribution plan

The amounts of required contributions to the defined contribution plans of the Roland Group for the fiscal years ended December 31, 2019 and 2020 were ¥70 million and ¥143 million, respectively.

Stock options, etc.

1. Amount recorded as expenses for stock options and line items in which such expenses are recorded

	Previous fiscal year	Current fiscal year
Cost of sales	2 million yen	–
Selling, general and administrative expenses	32 million yen	104 million yen

2. Details and number of stock options and changes therein

(1) Details of stock options

	1st Series Share Acquisition Rights	2nd Series Share Acquisition Rights	3rd Series Share Acquisition Rights
Issue company	Reporting company	Reporting company	Reporting company
Resolution date	April 30, 2015	April 30, 2015	March 4, 2016
Title and number of grantees	4 Directors and 7 Executive Officers of the Company	1 Director of the Company	2 Executive Officers of the Company and 4 Officers of subsidiaries of the Company
Class and number of shares granted	845,000 shares of common stock	195,000 shares of common stock	234,000 shares of common stock
Grant date	April 30, 2015	April 30, 2015	March 4, 2016
Vesting conditions	(i) Performance achievement conditions determined in consultation between the Remuneration Committee and Representative Director must have been met. (ii) The grantee must be a Director, Executive Officer or employee, or must not have been demoted to a position lower than these positions. (iii) Other conditions for share acquisition rights shall be provided for in the "Subscription Agreement for Share Acquisition Rights" entered into between the Company and each person to whom share acquisition rights have been allocated, in accordance with resolutions at the General Meeting of Shareholders and the Board of Directors' meeting.	(i) Performance achievement conditions determined in consultation between the Remuneration Committee and Representative Director must have been met. (ii) Other conditions for share acquisition rights shall be provided for in the "Subscription Agreement for Share Acquisition Rights" entered into between the Company and each person to whom share acquisition rights have been allocated, in accordance with resolutions at the General Meeting of Shareholders and the Board of Directors' meeting.	(i) Performance achievement conditions determined in consultation between the Remuneration Committee and Representative Director must have been met. (ii) The grantee must be a Director, Executive Officer or employee, or must not have been demoted to a position lower than these positions. (iii) Other conditions for share acquisition rights shall be provided for in the "Subscription Agreement for Share Acquisition Rights" entered into between the Company and each person to whom share acquisition rights have been allocated, in accordance with resolutions at the General Meeting of Shareholders and the Board of Directors' meeting.
Requisite service period	Not specified.	Not specified.	Not specified.
Exercise period	From May 1, 2017 to April 30, 2025	From May 1, 2017 to April 30, 2025	From March 5, 2018 to March 4, 2026

Note: The number of stock options is translated into the number of shares. In addition, as the Company conducted a 30-for-1 common stock split effective on September 14, 2020, the above numbers of shares were adjusted for the stock split.

(2) Number of stock options and changes therein

The following describes changes in the number of stock options that existed during the fiscal year ended December 31, 2020. The number of stock options is translated into the number of shares.

1) Number of stock options

	1st Series Share Acquisition Rights	2nd Series Share Acquisition Rights	3rd Series Share Acquisition Rights
Issue company	Reporting company	Reporting company	Reporting company
Resolution date	April 30, 2015	April 30, 2015	March 4, 2016
Before vesting (shares)			
As of December 31, 2019	715,000	195,000	156,000
Granted	–	–	–
Forfeited	–	–	–
Vested	715,000	195,000	156,000
Outstanding number of unvested stock options	–	–	–
After vesting (shares)			
As of December 31, 2019	78,000	–	31,200
Vested	715,000	195,000	156,000
Exercised	206,336	–	31,200
Forfeited	–	–	–
Outstanding of unexercised stock options	586,664	195,000	156,000

Note: As the Company conducted a 30-for-1 common stock split effective on September 14, 2020, the above numbers of shares were adjusted for the stock split.

2) Unit price information

	1st Series Share Acquisition Rights	2nd Series Share Acquisition Rights	3rd Series Share Acquisition Rights
Issue company	Reporting company	Reporting company	Reporting company
Resolution date	April 30, 2015	April 30, 2015	March 4, 2016
Exercise price (yen)	374	374	413
Average share price at exercise (yen)	2,920	–	2,920
Fair unit price at grant date (yen)	5,304	488	5,851

Note: As the Company conducted a 30-for-1 common stock split effective on September 14, 2020, the above exercise prices were adjusted for the stock split.

3. Estimation of the number of stock options vested

There is no information to be disclosed as all stock options were vested at the grant date.

Tax effect accounting

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Deferred tax assets:		
Loss on valuation of inventories	231	292
Intercompany profits on inventories	433	504
Depreciation	335	340
Loss on valuation of securities	138	80
Allowance for doubtful accounts	74	86
Provision for bonuses	328	430
Net defined benefit liability	464	391
Foreign tax credit carryforwards	851	1,084
Tax loss carryforwards (Note)	1,527	1,416
Other	628	581
Subtotal of deferred tax assets	5,015	5,218
Less valuation allowance for tax loss carryforwards (Note)	(1,403)	(1,318)
Less valuation allowance for future deductible temporary differences	(1,445)	(1,727)
Subtotal of valuation allowance	(2,848)	(3,046)
Total deferred tax assets	2,166	2,172
Deferred tax liabilities:		
Retained earnings of foreign consolidated subsidiaries	(301)	(326)
Other	(68)	(51)
Total deferred tax liabilities	(369)	(378)
Deferred tax assets, net	1,797	1,794

Note: Expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax asses

Previous fiscal year (as of December 31, 2019)

(Millions of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Deferred tax assets relating to tax loss carryforwards (a)	28	0	1	5	3	1,488	1,527
Less valuation allowance for tax loss carryforwards	(28)	(0)	(1)	(5)	(3)	(1,364)	(1,403)
Net deferred tax assets relating to tax loss carryforwards	–	–	–	–	–	124	(b) 124

a. Tax loss carryforwards were calculated by applying the effective statutory tax rate.

b. Net deferred tax assets of ¥124 million were recognized for tax loss carryforwards of ¥1,527 million (calculated by applying the effective statutory tax rate).
The net deferred tax assets of ¥124 million were recognized for a part of tax loss carryforwards of consolidated subsidiaries. Valuation allowances have not been recognized for the part of the tax loss carryforwards expected to be collectible considering future taxable income.

Current fiscal year (as of December 31, 2020)

(Millions of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Deferred tax assets relating to tax loss carryforwards (c)	2	1	5	3	5	1,398	1,416
Less valuation allowance for tax loss carryforwards	(2)	(1)	(5)	(3)	(5)	(1,300)	(1,318)
Net deferred tax assets relating to tax loss carryforwards	–	–	–	–	–	97	(b) 97

c. Tax loss carryforwards were calculated by applying the effective statutory tax rate.

d. Net deferred tax assets of ¥97 million were recognized for tax loss carryforwards of ¥1,416 million (calculated by applying the effective statutory tax rate).
The net deferred tax assets of ¥97 million were recognized for a part of tax loss carryforwards of consolidated subsidiaries. Valuation allowances have not been recognized for the part of the tax loss carryforwards expected to be collectible considering future taxable income.

2. Reconciliation between the normal effective statutory tax rate and the actual effective tax rate after applying tax effect accounting

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Normal effective statutory tax rate	29.9 %	29.9 %
Adjustments:		
Valuation allowance	15.6 %	5.5 %
Expenses not deductible for income tax purposes (e.g. entertainment expenses)	5.0 %	3.5 %
Tax credits on experimentation and research expenses, etc.	(2.9) %	(3.3) %
Tax rate differences with foreign consolidated subsidiaries	(5.9) %	(6.2) %
Retained earnings of foreign consolidated subsidiaries	(1.5) %	0.4 %
Foreign withholding taxes on dividends from foreign subsidiaries	2.5 %	0.0 %
Tax credits by preferential taxation	(8.7) %	(5.4) %
Other	2.5 %	2.0 %
Actual effective tax rate after applying tax effect accounting	36.5 %	26.3 %

Segment information, etc.

Segment information

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

Information on reportable segments

Previous fiscal year (from January 1, 2019 to December 31, 2019)

1. Information for each product or service

   This information is omitted because revenues from external customers for a single product or service category account for more than 90% of net sales in the consolidated statement of income.

2. Information for each region

   (1) Revenues from external customers

(Millions of yen)

Japan	North America		Europe	China	Asia/Oceania/ Other regions	Total
		U.S.				
9,237	18,914	16,548	19,518	7,194	8,381	63,247

Note: Revenues are classified by country or region based on the location of customers.

   (2) Property, plant and equipment

(Millions of yen)

Japan	Malaysia	Other	Total
2,929	876	1,978	5,784

3. Information for each of main customers

   This information is omitted because no external customer accounts for 10% or more of net sales in the consolidated statement of income.

Current fiscal year (from January 1, 2020 to December 31, 2020)

1. Information for each product or service

   This information is omitted because revenues from external customers for a single product or service category account for more than 90% of net sales in the consolidated statement of income.

2. Information for each region

   (1) Revenues from external customers

(Millions of yen)

Japan	North America		Europe	China	Asia/Oceania/ Other regions	Total
		U.S.				
9,066	19,963	17,485	21,027	6,304	7,682	64,044

Note: Revenues are classified by country or region based on the location of customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	Malaysia	Other	Total
2,992	1,028	1,740	5,761

3. Information for each of main customers

This information is omitted because no external customer accounts for 10% or more of net sales in the consolidated statement of income.

Disclosure of impairment loss on non-current assets for each reportable segment

Previous fiscal year (from January 1, 2019 to December 31, 2019)

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

Current fiscal year (from January 1, 2020 to December 31, 2020)

Not applicable.

Amortization and unamortized balance of goodwill for each reportable segment

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

Information about gain on bargain purchase for each reportable segment

Not applicable.

Related parties

Previous fiscal year (from January 1, 2019 to December 31, 2019)

Not applicable.

Current fiscal year (from January 1, 2020 to December 31, 2020)

Related party transactions

Officers and major shareholders (limited to individuals) of the Company filing consolidated financial statements

Type	Name of company or individual	Location	Capital or investment (million yen)	Description of business or occupation	Ratio of voting rights holding (held) (%)	Relationship with the related party	Summary of transaction	Transaction amount (million yen)	Account	Balance at end of period
Officer	Jun-ichi Miki	–	–	CEO and Representative Director Roland Corporation	(Held) Direct: 0.8	–	Exercise of stock options (Note)	11	–	–

Note: This information is about stock options, which had granted based on the resolution at the Extraordinary General Meeting of Shareholders held on April 30, 2015, exercised during the fiscal year ended December 31, 2020.

Per share information

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Net assets per share	670.07 yen	730.91 yen
Basic earnings per share	97.92 yen	160.13 yen
Diluted earnings per share	–	155.37 yen

Notes: 1. Diluted earnings per share for the fiscal year ended December 31, 2019 is not stated because the Company's stock was not listed and thus the average stock price is not available during that fiscal year.

2. As the Company went public on the First Section of the Tokyo Stock Exchange on December 16, 2020, diluted earnings per share for the fiscal year ended December 31, 2020 was calculated by deeming the average stock price during the period from the listing date to December 31, 2020 as the average stock price during the fiscal year.

3. As the Company conducted a 30-for-1 common stock split effective on September 14, 2020, net assets per share, basic earnings per share and diluted earnings per share were calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended December 31, 2019.

4. 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 fiscal year.
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 after the stock split during the fiscal years ended December 31, 2019 and 2020 were 491,010 shares and 490,416 shares, respectively. Meanwhile, the aggregate number of shares of the Company held by these trusts as of December 31, 2019 and 2020 were 491,010 shares and 418,720 shares, respectively.

5. 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, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Basic earnings per share		
Profit attributable to owners of parent	2,629	4,301
Profit not attributable to common shareholders	–	–
Profit attributable to common shareholders of parent	2,629	4,301
Average number of shares of common stock during the period (thousand shares)	26,852	26,863
Diluted earnings per share		
Adjustment to profit attributable to owners of parent	–	–
Number of shares of common stock increased (thousand shares)	–	823
[of which number of share acquisition rights (thousand shares)]	[–]	[823]
Summary of potential shares not included in the calculation of diluted earnings per share due to their anti-dilutive effect	–	–

6. Basis for calculation of Net assets per share is as follows:

(Millions of yen, unless otherwise stated)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Total net assets	18,227	20,151
Deductions from total net assets	234	297
[of which share acquisition rights]	[103]	[158]
[of which non-controlling interests]	[131]	[139]
Net assets applicable to common stock at end of period	17,993	19,853
Number of shares of common stock at end of period used for the calculation of net assets per share (thousand shares)	26,852	27,162

5) Annexed consolidated schedules

Annexed consolidated schedule of corporate bonds

Not applicable.

Annexed consolidated schedule of borrowings

(Millions of yen, unless otherwise stated)

Classification	Opening balance	Ending balance	Average interest rate (%)	Payment due
Short-term borrowings	3,118	138	4.424	–
Current portion of long-term borrowings	1,000	3,935	0.188	–
Current portion of lease obligations	276	381	0.565	–
Long-term borrowings (excluding current portion)	7,111	5,762	0.100	February 2024
Lease obligations (excluding current portion)	685	674	0.474	January 2022 to June 2029
Other interest-bearing liabilities	–	–	–	–
Total	12,191	10,891	–	–

Notes: 1. "Average interest rate" represent the weighted-average rate applicable to the ending balances of borrowings.

2. The repayment schedule within five years after the consolidated balance sheet date of long-term borrowings and lease obligations (excluding the current portion) is as follows:

(Millions of yen)

Classification	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years
Long-term borrowings	876	876	4,010	–
Lease obligations	330	194	113	12

Annexed consolidated schedule of asset retirement obligations

This information is omitted as the beginning and ending balances of asset retirement obligations for the fiscal year ended December 31, 2020 were one percent or less of the total beginning and ending balances of liabilities and net assets of the fiscal year.

(2) Other information

1. Quarterly results for the fiscal year ended December 31, 2020

(Millions of yen, unless otherwise stated)

	First three months	First six months	First nine months	Full year
Net sales	–	–	46,321	64,044
Profit before income taxes	–	–	4,392	5,846
Profit attributable to owners of parent	–	–	3,331	4,301
Basic earnings per share (yen)	–	–	124.06	160.13

	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (yen)	–	–	62.60	36.08

Notes: 1. As the Company went public on the First Section of the Tokyo Stock Exchange on December 16, 2020, the Company did not file Quarterly Securities Reports for the fiscal year ended December 31, 2020. However, the Company's quarterly consolidated financial statements for the third quarter and the first nine months of the fiscal year ended December 31, 2020 were reviewed by Grant Thornton Taiyo LLC, in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

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

2. Significant lawsuits, etc.

Certain European subsidiaries of the Company were investigated by a local competition authority and received the notice of a €2.7 million (¥343 million) fine therefrom in September 2020. As a result, the Roland Group recorded the same amount of loss on competition law under extraordinary losses for the fiscal year ended December 31, 2020.

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated financial statements

1) Non-consolidated balance sheet

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Assets		
Current assets:		
Cash and deposits	4,599	7,708
Notes receivable - trade	1	*5 1
Accounts receivable - trade	※1 2,990	※1 3,424
Merchandise and finished goods	1,178	1,295
Work in process	425	418
Raw materials and supplies	1,045	1,750
Short-term loans receivable from subsidiaries and associates	4,349	947
Accounts receivable - other	※1 187	※1 423
Other	※1 193	※1 287
Allowance for doubtful accounts	(7)	(0)
Total current assets	14,963	16,255
Non-current assets:		
Property, plant and equipment:		
Buildings	1,293	1,326
Tools, furniture and fixtures	157	188
Land	2,541	2,541
Other	12	8
Total property, plant and equipment	4,005	4,064
Intangible assets:		
Software	578	538
Other	28	1
Total intangible assets	607	540
Investments and other assets:		
Investment securities	※2 415	374
Shares of subsidiaries and associates	14,512	17,022
Investments in capital of subsidiaries and associates	2,311	2,311
Long-term loans receivable from subsidiaries and associates	1,309	1,236
Deferred tax assets	727	850
Guarantee deposits	60	53
Other	106	103
Allowance for doubtful accounts	(1,154)	(1,113)
Total investments and other assets	18,287	20,838
Total non-current assets	22,900	25,444
Total assets	37,863	41,699

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Liabilities		
Current liabilities:		
Accounts payable – trade	※1 982	※1 1,356
Short-term borrowings	※4 3,000	–
Short-term borrowings from subsidiaries and associates	4,079	5,321
Current portion of long-term borrowings	1,000	3,935
Lease obligations	1	1
Accounts payable - other	※1 1,167	※1 1,151
Accrued expenses	169	228
Income taxes payable	157	160
Deposits received	78	105
Provision for bonuses	1,062	1,441
Provision for bonuses for directors (and other officers)	62	84
Provision for product warranties	14	9
Other	103	46
Total current liabilities	11,880	13,842
Non-current liabilities:		
Long-term borrowings	※2 7,111	5,762
Lease obligations	2	0
Deferred tax liabilities for land revaluation	99	98
Provision for retirement benefits	620	717
Provision for bonuses	32	–
Provision for bonuses for directors (and other officers)	85	–
Provision for share-based remuneration	225	217
Provision for share-based remuneration for directors (and other	19	25
Asset retirement obligations	83	80
Other	255	438
Total non-current liabilities	8,534	7,341
Total liabilities	20,414	21,184
Net assets		
Shareholders' equity:		
Share capital	9,421	9,490
Capital surplus:		
Legal capital surplus	5,006	5,076
Other capital surplus	2,413	2,413
Total capital surpluses	7,420	7,490
Retained earnings:		
Legal retained earnings	847	847
Other retained earnings	784	3,615
General reserve	14,044	–
Retained earnings brought forward	(13,259)	3,615
Total retained earnings	1,631	4,463
Treasury shares	(473)	(403)
Total shareholders' equity	18,000	21,040
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	146	117
Revaluation reserve for land	(802)	(802)
Total valuation and translation adjustments	(655)	(684)
Share acquisition rights	103	158
Total net assets	17,448	20,514
Total liabilities and net assets	37,863	41,699

2) Non-consolidated statement of income

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Net sales	※1 24,924	※1 25,966
Cost of sales	※1 10,922	※1 11,653
Gross profit	14,001	14,312
Selling, general and administrative expenses	※1, ※2 12,947	※1, ※2 12,286
Operating profit	1,053	2,026
Non-operating income:		
Interest and dividend income	※1 2,473	※1 3,990
Other	※1 25	※1 20
Total non-operating income	2,499	4,011
Non-operating expenses:		
Interest expenses	※1 51	※1 40
Foreign exchange losses	138	84
Listing expenses	–	133
Other	22	4
Total non-operating expenses	211	263
Ordinary profit	3,341	5,773
Extraordinary income:		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	11	–
Reversal of allowance for doubtful accounts for subsidiaries and associates	–	41
Total extraordinary income	11	41
Extraordinary losses:		
Loss on sales and retirement of non-current assets	8	13
Impairment loss	100	–
Provision of allowance for doubtful accounts for subsidiaries and associates	407	–
Total extraordinary losses	516	13
Profit before income taxes	2,835	5,802
Income taxes – current	800	807
Income taxes – deferred	(185)	(111)
Total income taxes	615	695
Profit	2,220	5,106

Schedule of cost of goods manufactured

(Millions of yen, unless otherwise stated)

		Previous fiscal year (From January 1, 2019 to December 31, 2019)		Current fiscal year (From January 1, 2020 to December 31, 2020)	
Classification	Notes	Amount	Ratio (%)	Amount	Ratio (%)
I Materials cost		5,076	69.9	5,875	72.3
II Labor cost		1,290	17.7	1,294	15.9
III Manufacturing overhead cost	*1	898	12.4	962	11.8
Total manufacturing costs		7,265	100.0	8,128	100.0
Beginning work-in-process inventory		423		425	
Total		7,689		8,557	
Ending work-in-process inventory		425		418	
Transfer to other accounts	*2	114		77	
Cost of goods manufactured		7,149		8,062	

Notes: *1 Major components of manufacturing overhead cost are as follows:

(Millions of yen)

Items	Previous fiscal year	Current fiscal year
Subcontract processing expenses	316	322
Depreciation	88	125

*2 The details of transfer to other accounts are as follows:

(Millions of yen)

Items	Previous fiscal year	Current fiscal year
Selling, general and administrative expenses		
Advertising and promotion expenses	38	21
After-sales service parts expense	31	31
Other	42	23
Non-current assets	0	–
Other	0	0
Total	114	77

Cost accounting method

The Company uses the actual costing based on the continuous process costing system.

3) Non-consolidated statement of changes in equity

Previous fiscal year (from January 1, 2019 to December 31, 2019)

(Millions of yen)

	Shareholders' equity			
	Share capital	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at January 1, 2019	9,421	5,006	2,413	7,420
Changes during period				
Dividends of surplus				–
Profit				–
Net changes in items other than shareholders' equity				–
Total changes during period	–	–	–	–
Balance at December 31, 2019	9,421	5,006	2,413	7,420

	Shareholders' equity					
	Retained earning				Treasury shares	Total shareholders' equity
	Legal retained earnings	Other retained earnings		Total retained earning		
		General reserve	Retained earnings brought forward			
Balance at January 1, 2019	847	14,044	(13,979)	912	(473)	17,281
Changes during period						
Dividends of surplus			(1,500)	(1,500)		(1,500)
Profit			2,220	2,220		2,220
Net changes in items other than shareholders' equity				–		–
Total changes during period	–	–	719	719	–	719
Balance at December 31, 2019	847	14,044	(13,259)	1,631	(473)	18,000

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at January 1, 2019	140	(802)	(662)	68	16,687
Changes during period					
Dividends of surplus			–		(1,500)
Profit			–		2,220
Net changes in items other than shareholders' equity	6	–	6	34	41
Total changes during period	6	–	6	34	760
Balance at December 31, 2019	146	(802)	(655)	103	17,448

Current fiscal year (from January 1, 2020 to December 31, 2020)

(Millions of yen)

	Shareholders' equity			
	Share capital	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at January 1, 2020	9,421	5,006	2,413	7,420
Changes during period				
Issuance of new shares - exercise of share acquisition rights	69	69		69
Dividends of surplus				–
Profit				–
Purchase of treasury shares				–
Disposal of treasury shares				–
Reversal of general reserve				–
Net changes in items other than shareholders' equity				–
Total changes during period	69	69	–	69
Balance at December 31, 2020	9,490	5,076	2,413	7,490

	Shareholders' equity					
	Retained earning				Treasury shares	Total shareholders' equity
	Legal retained earnings	Other retained earnings		Total retained earning		
		General reserve	Retained earnings brought forward			
Balance at January 1, 2020	847	14,044	(13,259)	1,631	(473)	18,000
Changes during period						
Issuance of new shares - exercise of share acquisition rights				–		139
Dividends of surplus			(2,275)	(2,275)		(2,275)
Profit			5,106	5,106		5,106
Purchase of treasury shares				–	(0)	(0)
Disposal of treasury shares				–	69	69
Reversal of general reserve		(14,044)	14,044	–		–
Net changes in items other than shareholders' equity				–		–
Total changes during period	–	(14,044)	16,875	2,831	69	3,039
Balance at December 31, 2020	847	–	3,615	4,463	(403)	21,040

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at January 1, 2020	146	(802)	(655)	103	17,448
Changes during period					
Issuance of new shares - exercise of share acquisition rights			–		139
Dividends of surplus			–		(2,275)
Profit			–		5,106
Purchase of treasury shares			–		(0)
Disposal of treasury shares			–		69
Reversal of general reserve			–		–
Net changes in items other than shareholders' equity	(29)	0	(29)	55	26
Total changes during period	(29)	0	(29)	55	3,066
Balance at December 31, 2020	117	(802)	(684)	158	20,514

Notes to Non-consolidated Financial Statements

Significant accounting policies

1. Accounting policy for measuring assets
   (1) Accounting policy for measuring securities
   Shares of subsidiaries and associates:
   Stated at cost using the moving-average method.
   Available-for-sale securities
   Available-for-sale securities with market value:
   Stated at fair value using the market-to-market method based primarily on the market price at the fiscal year-end (with any unrealized gain or loss being recognized directly in net assets and the cost of securities sold being determined using the moving-average method).
   Available-for-sale securities without market value:
   Stated at cost using the moving-average method.
   (2) Accounting policy for measuring inventories
   Merchandise and finished goods, work in process and raw materials:
   Stated at cost using the weighted-average method (a method in which book value is written down based on any decline in profitability).
   Supplies:
   Stated at cost using the last purchase price method (a method in which book value is written down based on any decline in profitability).
   (3) Accounting policy for derivatives
   Derivatives:
   Stated at fair value using the market-to-market method.

2. Accounting policy for depreciation of non-current assets
   (1) Property, plant and equipment (excluding leased assets):
   Depreciated by using the declining-balance method; provided, however, that buildings (except for facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated on a straight-line basis.

   The useful lives of major items are as follows:

Buildings:	31 to 50 years
Tools, furniture and fixtures:	2 to 6 years

   (2) Intangible assets:
   Amortized on a straight-line basis; provided, however, that software for sales is amortized based on estimated sales volume during the valid sales period, whereas software for internal use is amortized on a straight-line basis over the period of internal use (five years).

   (3) Leased assets:
   Leased assets in finance lease transactions that do not transfer ownership are depreciated on a straight-line basis using the lease term as the useful life and with zero residual value.

3. Recognition criteria for allowances and provisions
   (1) Allowance for doubtful accounts
   To provide for potential credit losses on receivables, allowance for doubtful accounts is recorded at an amount of estimated uncollectible receivables calculated based on the historical rate of credit loss for general receivables and determined in consideration of collectibility of individual receivables for doubtful accounts and certain other receivables.

   (2) Provision for bonuses
   To provide for the payment of bonuses to employees, provision for bonuses is recorded based on the estimated amount to be paid.

   (3) Provision for bonuses for directors (and other officers)
   To provide for the payment of bonuses to officers, provision for bonuses is recorded based on the estimated amount to be paid.

   (4) Provision for product warranties
   To provide for product warranty costs that may be incurred after products are sold, provision for product warranties is recorded at an estimated amount calculated based on historical experience.

(5) Provision for retirement benefits

To provide for the payment of retirement benefits to employees, provision for retirement benefits is recorded at an amount deemed accrued at the end of the current fiscal year, based on the estimated amounts of retirement benefit obligations and plan assets as of that date.

Further, actuarial gains and losses are amortized using the declining-balance method over a certain number of years (10 years) within the average remaining service period of employees at the time of recognition from the fiscal year following the respective fiscal year of recognition.

(6) Provision for share-based remuneration

To provide for delivery of shares of the Company to employees in accordance with stock benefit rules, provision for share-based remuneration is recorded based on the estimated amount of stock benefit obligations at the end of the current fiscal year.

(7) Provision for share-based remuneration for directors (and other officers)

To provide for delivery of shares of the Company to officers in accordance with stock benefit rules for officers, provision for share-based remuneration for directors (and other officers) is recorded based on the estimated amount of stock benefit obligations at the end of the current fiscal year.

4. Other significant information for preparation of financial statements

Accounting policy for consumption taxes

The consumption taxes are accounted for using the net-of-tax method.

Changes in presentation

Non-consolidated balance sheet

"Lease obligations" of ¥1 million, which were included in "Other" under "Current liabilities" for the fiscal year ended December 31, 2019, have been presented as a separate line item for the fiscal year ended December 31, 2020 due to the increased materiality.

"Lease obligations" of ¥2 million, which were included in "Other" under "Non-current liabilities" for the fiscal year ended December 31, 2019, have been presented as a separate line item from the fiscal year ended December 31, 2020 due to the increased materiality.

Non-consolidated statement of income

"Listing expenses" of ¥19 million, which were included in "Other" under "Non-operating expenses" for the fiscal year ended December 31, 2019, have been presented as a separate line item from the fiscal year ended December 31, 2020 due to the increased materiality.

Additional information

1. Board Benefit Trust

   In accordance with the resolution of the General Meeting of Shareholders held on December 21, 2016, the Company has introduced the "Board Benefit Trust (BBT)" as a performance-based stock compensation plan for Directors (excluding Non-executive Directors) and Executive Officers, effective from December 27, 2016.

   This information is omitted as the details are stated in *Additional information* in the consolidated financial statements.

2. Employee (at management-level) Stock Ownership Plan Trust

   The Company has introduced an incentive plan "Employee Stock Ownership Plan (ESOP) Trust," in which shares of the Company are delivered to employees of the Company and its subsidiaries, effective from December 27, 2016, in order to increase their motivation and morale to improve the Company's share price and business performance. This information is omitted as the details are stated in *Additional information* in the consolidated financial statements.

3. Employee Shareholding Association-type ESOP Trust

   The Company delivers its shares to the Employee Shareholding Association (hereinafter the "Shareholding Association") through a trust for the welfare of employees. This information is omitted as the details are stated in *Additional information* in the consolidated financial statements.

Non-consolidated balance sheet

*1. Monetary receivables from and payables to subsidiaries and associates

The amounts of monetary receivables from and payables to subsidiaries and associates, other than those presented as separate lines are as follows:

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Short-term monetary receivables	1,547	2,393
Short-term monetary payables	591	541

*2. Pledged assets and secured liabilities

(1) Pledged assets

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Investment securities	277	–
Total	277	–

(2) Secured liabilities

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Long-term borrowings	1,497	–
Total	1,497	–

3. Contingent liabilities

Guarantee obligations

(Millions of yen)

Guarantee recipients	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Roland Brasil Importacao, Exportacao, Comercio, Representacao e Servicos Ltda. (Guarantee for bank borrowings)	–	99
MI Services Malaysia Sdn. Bhd. (Forward exchange contracts)	–	57
Employees (Guarantee for bank borrowings)	4	5
Total	4	161

*4. Committed line of credit agreements with financial institutions

The note disclosure is omitted as the content is identical to that in “Item 5. Financial Information 1. Consolidated Financial Statements, etc. (1) Consolidated financial statements, *Consolidated balance sheet*.”

*5. Promissory notes due on balance sheet date

Promissory notes due on balance sheet date are settled on their clearing days.

Since the balance sheet date of the fiscal year ended December 31, 2020 was a bank holiday, the amount of such notes is included in the balance as of December 31, 2020 as follows:

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Notes receivable - trade	―	1

Non-consolidated statement of income

*1. Transactions with subsidiaries and associates (excluding those presented as separate lines)

(Millions of yen)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Operating transactions		
Revenue	13,685	14,979
Purchases, etc.	5,023	4,914
Non-operating transactions	2,433	3,969

*2. Major items of selling, general and administrative expenses and their amounts and approximate composition are as follows:

(Millions of yen, unless otherwise stated)

	Previous fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Salaries and bonuses	4,483	4,276
Provision for bonuses	878	1,208
Provision for bonuses for directors (and other officers)	57	84
Retirement benefit expenses	314	356
Depreciation	262	296
Commission expenses	1,806	1,704
Approximate composition:		
Selling expenses	29%	30%
General and administrative expenses	71%	70%

Securities

The fair value of shares of subsidiaries and associates is not shown because their market prices are not available and thus their fair value is deemed extremely difficult to determine.

The carrying amount of shares of subsidiaries and associates in the non-consolidated balance sheet, for which fair value is deemed extremely difficult to determine, is as follows:

(Millions of yen)

Classification	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Shares of subsidiaries	14,402	16,913
Shares of associates	109	109
Total	14,512	17,022

Tax effect accounting

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Deferred tax assets:		
Loss on valuation of inventories	88	110
Depreciation	114	77
Impairment loss	8	5
Loss on valuation of shares of subsidiaries and associates	722	719
Loss on valuation of investments in capital of subsidiaries and associates	205	204
Loss on valuation of securities	14	14
Accrued expenses	51	67
Provision for bonuses	328	430
Provision for retirement benefits	185	214
Asset retirement obligations	35	29
Foreign tax credit carryforwards	851	1,084
Allowance for doubtful accounts	356	341
Other	144	124
Subtotal of deferred tax assets	3,107	3,425
Less valuation allowance for tax loss carryforwards	(2,308)	(2,516)
Total deferred tax assets	798	909
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(67)	(55)
Other	(4)	(3)
Total deferred tax liabilities	(71)	(58)
Deferred tax assets, net	727	850

In addition to those above, major components of deferred tax assets and liabilities related to land revaluation recorded as “Deferred tax liabilities for land revaluation” are as follows:

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Deferred tax assets:		
Deferred tax assets related to land revaluation	310	308
Valuation allowance	(310)	(308)
Total deferred tax assets	–	–
Deferred tax liabilities:		
Deferred tax liabilities related to land revaluation	(99)	(98)
Total deferred tax liabilities	(99)	(98)
Deferred tax liabilities, net	(99)	(98)

2. Reconciliation of significant difference between the normal effective statutory tax rate and the actual effective tax rate after applying tax effect accounting

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Normal effective statutory tax rate	30.0 %	29.9 %
Adjustments:		
Valuation allowance	16.3	3.6
Expenses not deductible for income tax purposes (e.g. entertainment expenses)	1.1	1.0
Income not taxable for income tax purposes (e.g. dividend income)	(22.3)	(19.2)
Foreign withholding taxes on dividends from foreign subsidiaries	0.8	0.0
Corporate inhabitant tax on per capita basis	0.4	0.2
Foreign tax credits	(0.7)	(0.3)
Special tax credits	(4.1)	(3.3)
Other	0.2	0.1
Actual effective tax rate after applying tax effect accounting	21.7	12.0

4) Annexed non-consolidated schedules

Annexed schedule of property, plant and equipment, etc.

(Millions of yen)

Classifi-cation	Type of assets	Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period	Accumulated depreciation or amortization at end of period	Depreciation and amortization during period	Carrying amount at end of period
Property, plant and equip-ment	Buildings	7,126	151	87	7,190	5,864	107	1,326
	Tools, furniture and fixtures	2,446	162	120	2,488	2,300	129	188
	Land	2,541 [(703)]	–	–	2,541 [(703)]	–	–	2,541
	Other	768	–	6	761	753	1	8
	Total	12,883	314	214	12,982	8,917	239	4,064
Intangible assets	Software	2,650	140	31	2,760	2,221	180	538
	Other	65	54	81	38	36	0	1
	Total	2,716	194	112	2,798	2,258	180	540

Notes: 1. The balances at beginning and end of period are stated at cost.

2. The figures shown in square brackets for balance at beginning of period, decrease during period and balance at end of period of land represent differences with the book value before the revaluation of land for business use performed pursuant to the Act on Revaluation of Land (Act No. 34 of March 31, 1998).

3. Major components of increase during period are as follows:

(Millions of yen)

Classification	Type of assets	Details	Amount
Property, plant and equipment	Buildings	Update of air conditioning equipment at Miyakoda Factory	56
	Tools, furniture and fixtures	Purchase of molds	47

Annexed schedule of provisions

(Millions of yen)

Line item	Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period
Allowance for doubtful accounts	1,162	1,114	1,162	1,114
Provision for bonuses	1,095	1,441	1,095	1,441
Provision for bonuses for directors (and other officers)	148	84	148	84
Provision for product warranties	14	9	14	9
Provision for share-based remuneration	225	8	15	217
Provision for share-based remuneration for directors (and other officers)	19	5	–	25

(2) Components of major assets and liabilities

This information is omitted because the Roland Group has prepared the consolidated financial statements.

(3) Other information

Not applicable.

Item 6. Outline of Share-related Administration of Reporting Company

Fiscal year	From January 1 to December 31 of each year
Ordinary General Meeting of Shareholders	Within three months after the end of each fiscal year
Record date	December 31
Record date of dividends of surplus	June 30 of each year December 31 of each year
Number of shares constituting one unit	100 shares
Purchase or additional purchase of shares less than one unit	
Handling office	Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo
Shareholder register administrator	Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo
Forwarding office	–
Purchase or additional purchase fee	Separately specified amount equivalent to share trading brokerage fees
Method of public notice	The method of public notice by the Company shall be electronic public notice; provided, however, that when electronic public notice cannot be used due to an accident or any other unavoidable reason, the public notices shall be given in The Nihon Keizai Shimbun. (URL for the Company's public notice) https://www.roland.com/global/
Special benefits for shareholders	Not applicable.

Note: A shareholder of the Company may not exercise any rights other than those listed below with respect to shares less than one unit held by such shareholder:

(1) Rights listed in each item of Article 189, Paragraph 2 of the Companies Act;
(2) Rights to make a request pursuant to the provisions of Article 166, Paragraph 1 of the Companies Act;
(3) Right to receive allocation of shares for subscription and allocation of share acquisition rights for subscription in proportion to the number of shares held by the shareholder; and
(4) Rights to request the Company to sell the number of shares that will, together with the number of shares less than one unit held by the shareholder, constitute one unit of shares (additional purchase request).

Item 7. Reference Information of Reporting Company

1. Information about Parent of Reporting Company

The Company does not have a parent company, etc. as prescribed in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

From the beginning of this fiscal year until the filing date of this Annual Securities Report, the Company has filed the following documents:

(1) Securities Registration Statement and attached documents thereof

Filed for a secondary distribution of shares (secondary distribution through the book building process) with the Director-General of the Tokai Local Finance Bureau on November 11, 2020.

(2) Amendment Report of Securities Registration Statement

Filed Amendment Reports for the documents stated in the above (1) with the Director-General of the Tokai Local Finance Bureau on November 30 and December 8, 2020.

(3) Current Report

Filed the Current Report pursuant to the provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act as well as the provisions (on secondary distribution of securities outside Japan) of Article 19, Paragraph 1 and Article 19, Paragraph 2, Item 1 of the Cabinet Office Order on Disclosure of Corporate Affairs with the Director-General of the Tokai Local Finance Bureau on November 11, 2020.

(4) Amendment Report of Current Report

Filed Amendment Reports of the Current Report stated in the above (3) with the Director-General of the Tokai Local Finance Bureau on November 30 and December 8, 2020.

Section 2 Information about Reporting Company’s Guarantor, etc.

Not applicable.

NOTE TO READERS:
The following is an English translation of the Independent Auditor’s Report and Internal Control Audit Report originally issued in the Japanese language.

Independent Auditor's Report and Internal Control Audit Report

March 31, 2021

To the Board of Directors of Roland Corporation:

Grant Thornton Taiyo LLC
Osaka Office

Designated Limited Liability Partner Engagement Partner	Shigeyuki Moriuchi, CPA	[Seal]
Designated Limited Liability Partner Engagement Partner	Kenji Furuta, CPA	[Seal]

Audit of Financial Statements

Audit Opinion

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Roland Corporation (the “Company”) and its consolidated subsidiaries (the “Group”) provided in the “Financial Information” section in the Company’s Annual Securities Report, namely, the consolidated balance sheet as of December 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from January 1, 2020 to December 31, 2020, and the notes to significant accounting policies for preparation of consolidated financial statements and other notes and the annexed consolidated detailed schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2020, and its consolidated financial performance and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, including the design, implementation and maintenance of such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Group’s ability to continue as a going concern, and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Director’s execution of duties relating to the design, implementation and maintenance of the Group’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. The procedures selected to be applied depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of auditing the consolidated financial statements to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation of the consolidated financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the notes thereto, and whether the consolidated financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Audit of Internal Control

Audit Opinion

Pursuant to the provisions of Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, we have audited the Internal Control Report of the Company as of December 31, 2020.

In our opinion, the accompanying Internal Control Report, in which the Company states that internal control over financial reporting was effective as of December 31, 2020, presents fairly, in all material respects, the assessment of internal control over financial reporting, in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Audit Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Internal Control" section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Internal Control Report

Management is responsible for the design, implementation and maintenance of internal control over financial reporting, and the preparation and fair presentation of the Internal Control Report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing and examining the design, implementation and maintenance of internal control over financial reporting.

Internal control over financial reporting may not fully prevent or detect misstatements in financial reporting.

Auditor's Responsibilities for the Audit of the Internal Control

Our responsibilities are to obtain reasonable assurance about whether the Internal Control Report is free from material misstatement and to issue an internal control audit report that includes our opinion on the Internal Control Report based on our internal control audit from an independent point of view.

In accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the Internal Control Report. The procedures selected to be applied depend on the auditor's judgment, including the significance of effects on the reliability of financial reporting.
- Evaluate the overall presentation of the Internal Control Report, including the appropriateness of the scope, procedures and results of management's assessments of internal control over financial reporting.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the Internal Control Report. We are responsible for the direction, supervision and performance of the audit of the Internal Control Report. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of the planned internal control audit, the results thereof, significant deficiencies in internal control to be disclosed that we identify during our audit and those that were remediated, and other matters required by auditing standards for internal control.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes: 1. The above report is the electronic version of the original Independent Auditor's Report and Internal Control Audit Report. The original report is kept separately by the Company (the reporting company of the Annual Securities Report).
2. The associated XBRL data are not included in the scope of the audit.

NOTE TO READERS:

The following is an English translation of the Independent Auditor’s Report originally issued in the Japanese language.

Independent Auditor’s Report

March 31, 2021

To the Board of Directors of Roland Corporation:

Grant Thornton Taiyo LLC
Osaka Office

Designated Limited Liability Partner Engagement Partner	Shigeyuki Moriuchi, CPA	[Seal]
Designated Limited Liability Partner Engagement Partner	Kenji Furuta, CPA	[Seal]

Audit Opinion

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the non-consolidated financial statements of Roland Corporation (the “Company”) provided in the “Financial Information” section in the Company’s Annual Securities Report, namely, the non-consolidated balance sheet as of December 31, 2020, and the non-consolidated statement of income and non-consolidated statement of changes in equity and the notes to significant accounting policies for the 49th business term from January 1, 2020 to December 31, 2020, and the related notes and the annexed detailed schedules.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and its financial performance for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Non-consolidated Financial Statements” section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, including the design, implementation and maintenance of such internal controls as management determines is necessary to enable the preparation and fair presentation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements with the assumption of the Company’s ability to continue as a going concern, and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Director’s execution of duties relating to the design, implementation and maintenance of the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Non-consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion on the non-consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the non-consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. The procedures selected to be applied depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of auditing the non-consolidated financial statements to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the non-consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the non-consolidated financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the overall presentation of the non-consolidated financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the non-consolidated financial statements, including the notes thereto, and whether the non-consolidated financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes: 1. The above report is the electronic version of the original Independent Auditor's Report. The original report is kept separately by the Company (the reporting company of the Annual Securities Report).
2. The associated XBRL data are not included in the scope of the audit.

Cover

Document title	Internal Control Report
Clause of stipulation	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act
Place of filing	Director, Kanto Local Finance Bureau
Filing date	March 31, 2021
Company name	Roland Kabushiki Kaisha
Company name in English	Roland Corporation
Title and name of representative	Jun-ichi Miki, CEO and Representative Director
Title and name of Chief Financial Officer	Shunsuke Sugiura, Senior Executive Officer
Address of registered headquarters	2036-1 Nakagawa, Hosoe-cho, Kita-ku, Hamamatsu-shi, Shizuoka
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

1. Basic Framework of Internal Control related to Financial Reporting

Jun-ichi Miki, CEO and Representative Director, and Shunsuke Sugiura, Senior Executive Officer of Roland Corporation (the "Company") and its consolidated subsidiaries (the "Roland Group") have responsibility for the design, implementation and maintenance of internal control over financial reporting, and fulfill that responsibility in accordance with the basic framework of internal control set forth in the "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

Note that internal control aims at achieving its objectives to a reasonable extent given that all individual components of internal control are integrated and function as a whole. Thus, internal control over financial reporting may not completely prevent or detect misstatements in financial reporting.

2. Scope, Date and Procedures for Evaluation

The assessment of internal control over financial reporting was performed as of December 31, 2021, which is the end of this fiscal year, in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In this assessment, management first assessed company-level control which would have a material impact on the reliability of overall financial reporting on a consolidated basis, and based on such result, the management then selected business processes to be assessed. In the process-level control assessment, the management assessed the effectiveness of internal control by analyzing the business processes in scope, identifying key controls that would have a material impact on the reliability of the financial reporting and assessing the design, implementation and maintenance of such key controls.

Management determined the scope of assessment of internal control over financial reporting by selecting the Company and its consolidated subsidiaries based on their materiality of impacts on the reliability of financial reporting. The materiality of the impacts on the reliability of financial reporting was determined in consideration of both quantitative and qualitative aspects, and the management reasonably determined the scope of assessment of process-level control based on the result of the company-level control assessment, which included the Company and its 11 significant consolidated subsidiaries. The scope of the company-level control assessment does not include the other 16 consolidated subsidiaries due to their little importance in terms of both quantitative and qualitative aspects.

For the purpose of determining the scope of the process-level assessment, the top five business locations with the highest budgeted sales (after intercompany eliminations) for this fiscal year were selected as "Significant Business Locations," which comprised approximately two-thirds of the consolidated net sales (after intercompany eliminations) for this fiscal year in the aggregate. For these "Significant Business Locations," all business processes related to the accounts that are closely associated with the Company's business objectives, such as sales, accounts receivable – trade and inventories, were included in the scope of assessment. Furthermore, regardless if they are part of the Significant Business Locations or not, certain other business processes with a high probability of material misstatements and which are related to significant accounts involving estimates and management's judgement and business processes related to businesses or operations dealing with high-risk transactions were added to the assessment scope as business processes with material impact on financial reporting.

3. Result of Evaluation

Based on the above mentioned assessment results, the management concluded that the internal control over financial reporting of the Roland Group as of December 31, 2020 was effective.

4. Supplementary Information

Not applicable.

5. Other Information for Special Attention

Not applicable.

Cover

Document title	Confirmation Note
Clause of stipulation	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act
Place of filing	Director, Kanto Local Finance Bureau
Filing date	March 31, 2021
Company name	Roland Kabushiki Kaisha
Company name in English	Roland Corporation
Title and name of representative	Jun-ichi Miki, CEO and Representative Director
Title and name of Chief Financial Officer	Shunsuke Sugiura, Senior Executive Officer
Address of registered headquarters	2036-1 Nakagawa, Hosoe-cho, Kita-ku, Hamamatsu-shi, Shizuoka
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

1. Appropriateness of the Contents of this Annual Securities Report

Jun-ichi Miki, CEO and Representative Director, and Shunsuke Sugiura, Chief Operation Officer of Roland Corporation have confirmed that this Annual Securities Report for the 49th Fiscal Year (from January 1, 2020 to December 31, 2020) is reasonably and fairly stated in accordance with the Financial Instruments and Exchange Act and related laws and regulations.

2. Other Information for Special Attention

There are no noteworthy matters that are pertinent to this Annual Securities Report.