Annual Securities Report

For the 51st Fiscal Year
(January 1, 2022 through December 31, 2022)

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 8, 2023
Fiscal year	The 51st fiscal year (January 1, 2022 through December 31, 2022)
Company name	Roland Kabushiki Kaisha
Company name in English	Roland Corporation
Title and name of representative	Gordon Raison, 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 Director
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 Director
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	50th	51st
Year ended December 31,		2018	2019	2020	2021	2022
Net sales	(million yen)	61,153	63,247	64,044	80,032	95,840
Ordinary profit	(million yen)	5,169	4,726	6,277	10,102	10,250
Profit attributable to owners of parent	(million yen)	3,048	2,629	4,301	8,586	8,938
Comprehensive income	(million yen)	174	2,122	3,934	11,361	11,062
Net assets	(million yen)	18,522	18,227	20,151	28,656	33,747
Total assets	(million yen)	41,144	43,532	46,096	52,807	77,056
Net assets per share	(yen)	693.09	670.07	730.91	1,030.19	1,228.49
Basic earnings per share	(yen)	113.53	97.92	160.13	312.73	326.98
Diluted earnings per share	(yen)	–	–	155.37	306.26	321.96
Equity-to-asset ratio	(%)	45.2	41.3	43.1	53.7	43.4
Rate of return on equity	(%)	12.5	14.4	22.7	35.6	28.9
Price-earnings ratio	(times)	–	–	19.7	12.6	10.6
Net cash provided by operating activities	(million yen)	3,250	4,992	6,902	4,929	793
Net cash provided by (used in) investing activities	(million yen)	154	(1,588)	(901)	(803)	(11,351)
Net cash provided by (used in) financing activities	(million yen)	(5,797)	(3,146)	(3,669)	(6,071)	12,879
Cash and cash equivalents at end of period	(million yen)	9,052	8,815	10,832	8,781	10,506
Number of employees [separately, average number of temporary employees]	(persons)	2,402 [28]	2,565 [24]	2,601 [330]	2,730 [334]	2,783 [398]

Notes: 1. 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.

2. The amounts of diluted earnings per share for the 47th and 48th fiscal years 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.

3. The values of price-earnings ratio for the 47th and 48th years are not stated since the shares of the Company were not publicly traded back then.

4. 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.

5. The increase in the average number of temporary employees in the 49th fiscal year is due primarily to mid-term hiring of employees to support the production demand of the Company's subsidiary in Malaysia.

6. The Company has applied the *Accounting Standard for Revenue Recognition* (ASBJ Statement No. 29, March 31, 2020) from the beginning of the 51st fiscal year. Under this accounting standard, sales discounts, which were previously recognized in non-operating expense, were deducted from net sales. With this change, net sales and operating profit decreased, whereas ordinary profit, profit attributable to owners of parent, cash flows and other major financial data remain unaffected.

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

Fiscal year		47th	48th	49th	50th	51st
Year ended December 31,		2018	2019	2020	2021	2022
Net sales	(million yen)	24,655	24,924	25,966	29,624	34,356
Ordinary profit	(million yen)	3,214	3,341	5,773	7,183	9,555
Profit	(million yen)	1,660	2,220	5,106	6,018	7,678
Share capital	(million yen)	9,421	9,421	9,490	9,585	9,613
Total number of issued shares	(shares)	911,461	911,461	27,581,366	27,970,534	28,066,786
Net assets	(million yen)	16,687	17,448	20,514	23,856	25,492
Total assets	(million yen)	34,869	37,863	41,699	41,445	63,914
Net assets per share	(yen)	618.90	645.93	749.42	861.81	932.24
Dividend per share [Of which, the amount of interim dividend paid per share]	(yen)	13,064 [–]	3,062 [1,646]	72 [36]	138 [69]	156 [78]
Basic earnings per share	(yen)	61.83	82.68	190.08	219.19	280.88
Diluted earnings per share	(yen)	–	–	184.43	214.65	276.56
Equity-to-asset ratio	(%)	47.7	45.8	48.8	57.3	39.7
Rate of return on equity	(%)	7.5	13.1	27.1	27.3	31.3
Price-earnings ratio	(times)	–	–	16.6	17.9	12.4
Payout ratio	(%)	717.2	125.7	38.7	64.1	56.1
Number of employees	(persons)	828	857	857	867	891
Total shareholder return	(%)	–	–	–	129.1	119.8
[Benchmark: TOPIX Total Return Index]	(%)	[–]	[–]	[–]	[112.7]	[110.0]
Highest share price	(yen)	–	–	3,380	6,560	4,875
Lowest share price	(yen)	–	–	2,851	3,105	3,445

Notes: 1. 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.

2. The amounts of diluted earnings per share for the 47th and 48th fiscal years 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.

3. The values of price-earnings ratio for the 47th and 48th fiscal years are not stated since the shares of the Company were not publicly traded back then.

4. Payout ratio is calculated by dividing the total amount of dividends by the amount of profit.

5. The number of temporary employees is not stated as the total number of temporary employees was less than 10% of the total number of employees.

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. 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.

7. Total shareholder return and its benchmark for the 47th through 49th fiscal years are not stated as the Company listed its shares on the First Section of the Tokyo Stock Exchange on December 16, 2020.

8. The fiscal year-end dividend of 78 yen per share out of the annual dividend of 156 yen per share for the 51st fiscal year is subject to a resolution at the 51st Ordinary General Meeting of Shareholders to be held on March 29, 2023.

9. The Company has applied the *Accounting Standard for Revenue Recognition* (ASBJ Statement No. 29, March 31, 2020) from the beginning of the 51st fiscal year. Key financial data remain unaffected.

10. The highest and lowest share prices on and before April 3, 2022 are quoted prices on the First Section of the Tokyo Stock Exchange. Such prices on and after April 4, 2022 are quoted prices on the Prime Market of the Tokyo Stock Exchange. The Company's shares went public on the First Section of the Tokyo Stock Exchange on 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 Dojimahama, 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
September 2021	V-MODA, LLC and Roland VM Corporation merged into a surviving U.S. sales subsidiary
April 2022	The Company transitioned from the First Section of the Tokyo Stock Exchange to the Prime Market, following the exchange's market restructuring
July 2022	The sales company in France dissolved, with its operations transferred to a UK-based general management company
July 2022	The sales company in Switzerland liquidated, with its operations transferred to a UK-based general management company
August 2022	RVS and Roland RVS Holding Inc. merged into a surviving U.S. sales subsidiary
September 2022	Roland Drum Corporation (a holding company of Drum Workshop, Inc.) established
October 2022	A drum development, manufacturing, and sales company in the U.S. (Drum Workshop, Inc.) converted into a subsidiary of Roland Corporation

3. Description of Business

The Roland Group (the "Group"), consisting of 22 subsidiaries and one associate, engages primarily in development, manufacture, and distribution of electronic musical instruments and offers a wide variety 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, 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 business from development to distribution. Regarding business expansion to overseas market, 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 90% (rounded to the nearest whole number) of its revenues outside Japan (for the fiscal year ended December 31, 2022).

In recent years, our efforts have been focused on to expand sales especially in fast-growing emerging markets, in addition to the ones in Europe and North America, whose stable growth is material for the Group. Specifically, tailored products to meet the local music cultures and needs have been rolled out in these emerging markets. We basically manufacture products overseas while we also 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 subsidiaries 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 to supervise of all group companies and approve their budgets and business plans. On top of the corporate functions above, the Company is primarily responsible for manufacturing and distributing video-related products in Japan.

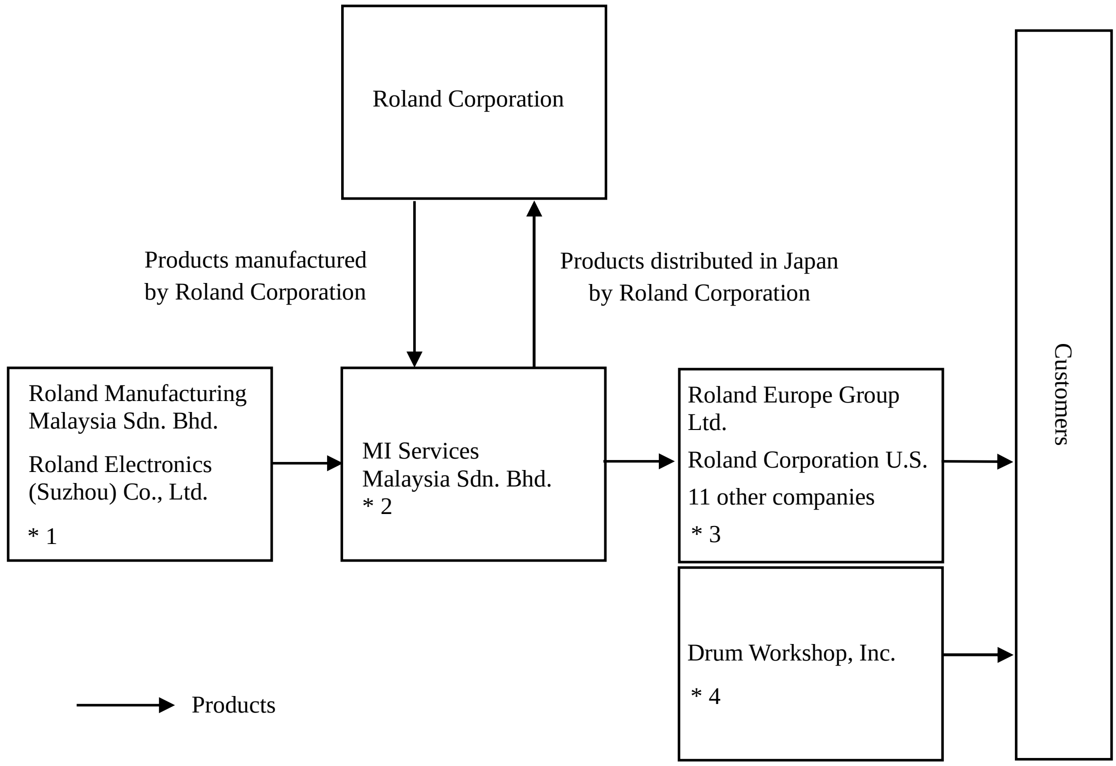
Additionally, the Company has two manufacturing subsidiaries which manufacture most of its products. Of these two subsidiaries, Roland Manufacturing Malaysia Sdn. Bhd., established in 2014, is a key manufacturing base for the Group which manufactures its mainstay products which includes electronic pianos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

The Group also has a total of 12 sales subsidiaries distributing its products, comprising four subsidiaries in the Americas including Roland Corporation U.S., a key sales subsidiary, six subsidiaries in Europe including Roland Europe Group Ltd., a key sales subsidiary, and two sales subsidiaries in Asia and Oceania. They have focused on sales activities tailored to the characteristics and commercial practices in their major markets, including North America, Europe, China/Asia, and Japan.

Further, MI Services Malaysia Sdn. Bhd., established in Malaysia in 2017, holds shares and controls operations of two manufacturing subsidiaries in the region, serving as an intermediary between the manufacturing and sales subsidiaries to purchase and distribute the Company's products and to manage logistics. It also engages in development activities.

To drive further growth of the drum business, Roland Drum Corporation, which was newly established as a wholly owned subsidiary of the Company, acquired all the outstanding shares of Drum Workshop, Inc. on October 3, 2022. As a result, Drum Workshop, Inc. was newly included in the scope of consolidation from the fourth quarter ended December 31, 2022.

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 engaged in purchasing and sale of electronic musical instruments, logistics management, supervision of subsidiaries, and development	1
* 3:	Consolidated subsidiaries with a distribution function	12
	Non-equity method associate with a distribution function	1
* 4:	Consolidated subsidiary with manufacturing, development and distribution functions	1
Other consolidated subsidiaries		6

4. Subsidiaries and Other Affiliated Entities

Consolidated subsidiaries

As of December 31, 2022

Company name	Address	Share capital	Main line of business	Ratio of voting rights held (%)	Description of relationship			
					Concurrent appointments of Officers	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, development, and supervision of subsidiaries	No
Roland Corporation U.S.	Los Angeles California U.S.A.	US$545 thousand	Electronic musical instruments	100.0	Yes	Yes	Distribution of the Company's products	No
Roland Canada Ltd.	Surrey British Columbia Canada	CAN$5 thousand	Electronic musical instruments	100.0	Yes	Yes	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	No	Distribution of the Company's products	No
Roland Europe Group Ltd.	Reading U.K.	GBP42,039 thousand	Electronic musical instruments	100.0	Yes	Yes	Distribution of the Company's products and general management of European subsidiaries	No
Roland Germany GmbH.	Ruesselsheim Germany	EUR3,300 thousand	Electronic musical instruments	100.0 (100.0)	Yes	No	–	No
Roland Central Europe N.V.	Geel Belgium	EUR75 thousand	Electronic musical instruments	100.0 (100.0)	Yes	No	–	No
Roland South Europe S.p.A. in Liquidazione	Milano Italy	EUR1,550 thousand	Electronic musical instruments	100.0 (100.0)	Yes	No	–	No
Roland Iberia, S.L. en Liquidación	Barcelona Spain	EUR3 thousand	Electronic musical instruments	100.0 (100.0)	Yes	No	–	No
Electronic Musical Instruments Roland Scandinavia A/S	Hellerup Denmark	DKr510 thousand	Electronic musical instruments	100.0 (100.0)	Yes	No	–	No
Roland East Europe Ltd.	Torokbalint Hungary	EUR396 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	Yes	Distribution of the Company's products	No
Roland Drum Corporation	Wilmington Delaware U.S.A.	US$0.1	Electronic musical instruments	100.0	Yes	No	–	No
Drum Workshop, Inc.	Oxnard California U.S.A.	US$21 thousand	Electronic musical instruments	100.0 (100.0)	Yes	No	–	No
Roland Organ Corporation	Los Angeles California U.S.A.	US$43,500 thousand	Electronic musical instruments	100.0	Yes	No	–	No

Two other companies (a total of 22 companies)

Notes: 1. The "Main line of business" column shows the business name specified in segment information.
2. 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.
3. MI Services Malaysia Sdn. Bhd; Roland Brasil Importacao, Exportacao, Comercio; Representacao e Servicos Ltda.; Roland Europe Group Ltd.; Roland Drum Corporation; and Roland Organ Corporation fall under specified subsidiaries defined in the Cabinet Office Order on Disclosure of Corporate Affairs.
4. None of these companies have submitted Securities Registration Statements or Annual Securities Reports.
5. Effective August 1, 2022, Roland VS LLC and Roland RVS Holdings Inc. ceased to exist through an absorption-type merger with Roland Corporation U.S., a surviving consolidated subsidiary of the Company.
6. Roland Drum Corporation was established on September 22, 2022 for purpose of holding the shares in Drum Workshop, Inc. Effective October 3, 2022, Roland Drum Corporation acquired all the outstanding shares of Drum Workshop, Inc. Accordingly, Roland Drum Company and Drum Workshop, Inc. were included in the scope of consolidation.
7. Roland Germany GmbH, Roland South Europe S.p.A. in Liquidazione, and Roland Iberia, S.L. en Liquidación are currently undergoing liquidation proceedings.
8. Roland Organ Corporation has been a dormant company and is scheduled for liquidation.
9. 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 2022 are as follows:

(Millions of yen)

Company name	Net sales	Ordinary profit	Profit (Loss)	Net assets	Total assets
Roland Corporation U.S.	29,988	407	950	7,097	16,238
Roland Europe Group Ltd.	26,902	897	(508)	3,925	12,679

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, 2022

Number of employees (persons)	2,783 [398]

Note: 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) Information about reporting company (non-consolidated)

As of December 31, 2022

Number of employees (persons)	Average age	Average length of service	Average annual salary (thousand yen)
891	45 years and 8 months	19 years and 2 months	7,909

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% 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 552 as of December 31, 2022. 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

The Roland Group has formulated a three-year medium-term management plan starting from January 2023. The forward-looking statements contained in the descriptions below are based on the Group's estimates and assumptions 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 the 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 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 the 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. Thus we are committed to growing into a company that provides our customers with what they want, as well as inspire them with new dreams and expectations. We will nurture and value such a trusted relationship with our customers.

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 values, 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.

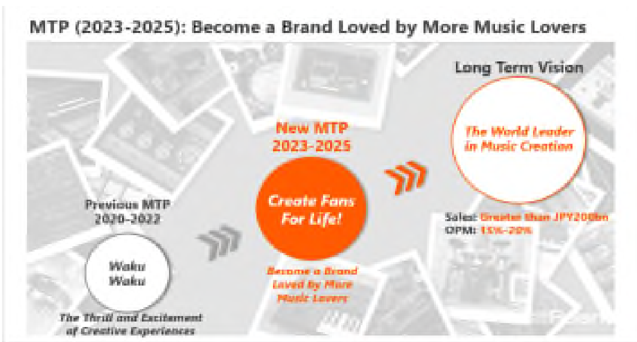
(2) Business environment and recognition of material issues

The global musical instrument market, to which the Group belongs, has been growing at a steady rate of approximately 1% to 3%, with overseas markets as the growth driver. In recent years demand declined was sensed in some regions due to the global spread of COVID-19 and the prolonged situation in Russia and Ukraine, it is expected to return to a normal growth trajectory from the second half of 2023 onward. A new lifestyle, which has now become normal, has led an increase in the number of people taking up a challenge to start playing musical instruments or resuming musical performance to spend their leisure time. In addition, with the spread of SNS and online distribution, music has changed from something to be just "listened to" to something to be "created." This change is an important growth opportunity for electronic musical instruments, which enables a single player to easily play anywhere and anytime, offering a wide variety of ways to enjoy.

(3) Medium-term Management Plan 2023–2025

<Long-term vision>
The world leader in music creation
—To be the world leader in music creation—

<Medium-term Management Plan target>
Create fans for life!
—To become a brand loved by more music lovers—



<Basic policies and key strategies under the new Medium-term Management Plan>

(i) Creating demand: Market creation by Game Changer products and acquiring potential customers

- Market creation through Game Changer products and services, and new products

  Following the previous Medium-term Management Plan, we aim to create new markets with Game Changer products. We will aggressively promote the development of value-added Game Changer products unique to the Company, including the launch of new products in potential markets such as eSports and portable keyboards, and the creation of technology synergies with Drum Workshop, Inc. (“DW”). We will also increase the ratio of new products sales to account for approximately one-fourth of the total sales by 2025, generating sales and profits even in an uncertain environment.

- Expand business by acquiring potential customers (pianos and drums)

  <Piano>

  We will expand new channels and affordable models for customers who are new to musical instruments. In addition, we will further improve instrumental functionality and design to create instruments that will satisfy many people, including users of acoustic pianos.

  <Drums>

  We will create full-fledged synergies with DW to expand not only the existing drum markets (electronic or acoustic drums), but also to further expand the hybrid market that combines the two. Moreover, Roland Cloud will provide contents and services allowing users to enjoy playing piano or drum.

(ii) Expanding market share: Re-enter portable keyboard markets and expand sales in emerging countries; and expand market share by Roland Retail

- Entering new markets for us and expanding sales in emerging countries

  <Portable keyboard>

  We will make a full-scale re-entry into the portable keyboard market, an untapped market with huge room for growth, by differentiating ourselves with product lineup expansion and Roland Cloud.

  <Emerging countries>

  With a focus on China, India and Indonesia, where the purchasing power of the middle class continues to increase against the backdrop of huge population growth, we will expand our market share by re-strengthen sales channels.

- Enhance quality & quantity of customer contact points by Roland Retail

  We will work to enhance the quality and quantity of our direct contacts with customers through sales channels such as Roland Direct Stores in major cities around the world, Store in Store, which is Roland’s dedicated sales space in retailers stores, and Roland Direct EC.

(iii) Increase LTV: Create a mechanism for lifelong enjoyment of music

- Roland Cloud: A personalized experience service that can be enjoyed “by anyone, anywhere, anytime”

  Roland Cloud, a cloud-based sound source service, evolves into a mechanism to create lifetime customers through its services. During the new Medium-term Management Plan period, we will work further to add value to Roland Cloud by expanding the types of instruments covered and providing services that support learning and streaming.

- Roland Platform: A powerful engine to enhance products and services and optimize marketing, through deeper customer understanding

  Starting with Roland Platform, which consolidates and manages customer data, we will deepen our understanding of customers to enhance products and services, and will improve communication with them through marketing. By connecting customers with Roland through the Roland Platform, we will create new music experience optimized for each customer.

- Strengthening branding: Become a brand loved by more music lovers by increasing brand awareness

  We will step up our activities to convey our brand story through enhanced market communication, including the use of various digital tools and building stronger relationships with artists and influencers.

(iv) Strengthen foundation: Energize human resource and invest in infrastructure to achieve long-term vision

- Global HR

  We will strive to enhance our human resource system by globally deploying systems such as “Right person, Right place” and a stock compensation system, to revitalize our people and organization.

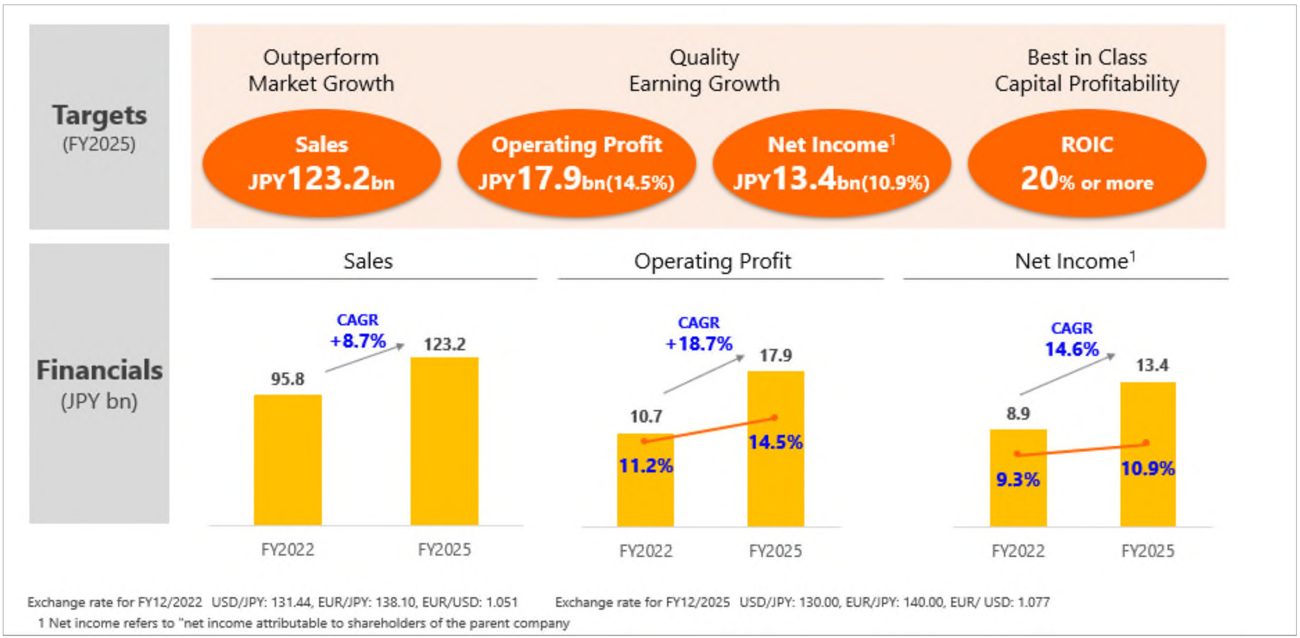
- Strengthen foundation

We will accelerate investments in infrastructure to support our growth, including ERP update to further grow business and reorganization of offices, while strengthening collaboration between the headquarters and overseas subsidiaries.

- Supply chain sophistication

  We will work to minimize loss of opportunities, shorten lead times, and enhanced agility by promoting automation and introducing new systems. Mid-to-long term initiatives include mutual use of production bases with DW, integration of technologies between Roland and DW, and commonization of semi-finished products to improve production capacity and production technology, then profit.

(4) Financial targets



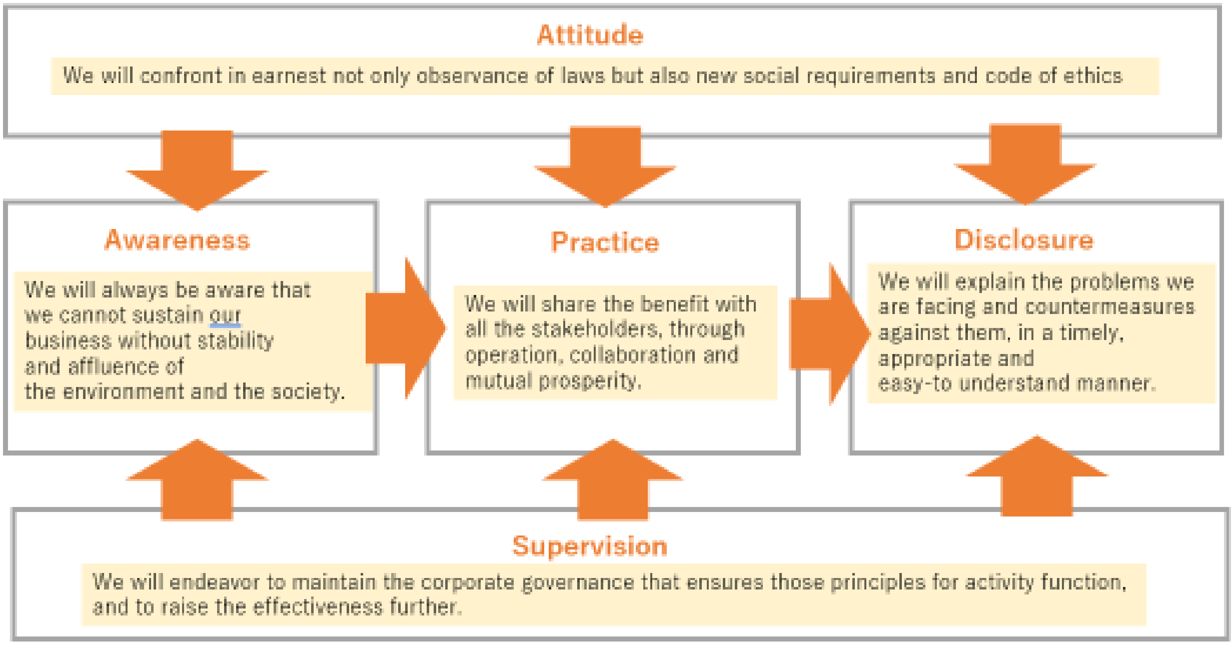
(5) Sustainability initiatives

In addressing sustainability, as represented by the perspectives of ESG (Environment, Social and Governance) and SDGs (Sustainable Development Goals), we have organized our material issues (Materiality) based on the following recognition, focusing on themes that will meet the expectations of all stakeholders, including the environment and society, and will also lead to business growth. As stated in the five principles for activities, with a consistent "attitude," we will address the issues, considering "awareness," "practice" and "disclosure" interrelated. The Board of Directors ensures "supervision"of the situation by receiving regular reports, and provides advice and support as necessary.

(i) Recognition and policies

Our business contributes to the sustainable development of the society through its musical and video culture while, at the same time, it is supported by the stability and affluence of the environment and the entire society. In addition, we are aware that it is an important duty that a corporation should assume to confront in earnest such issues as those rerated to climate change or human rights and to contribute to the solution of those.

Aiming at avoiding the occurrence of the negative chain reaction in which the stability or sustainability of the environment or of the society is damaged causing the musical and video culture or our company's business not to be able to exist any longer, we are taking actions as our managerial materiality in order to create a virtuous cycle where each one heightens the other one's sustainability.



(ii) Materiality

Material issues Relevant SDG targets	Priority Measures in the 2023-2025
Sophistication of Supply Chain Management	● Improve business efficiency – More efficient routing/landing and reducing CO2 emissions in transportation and delivery – Minimization of in-house CO2 emissions by streamlining business sites and utilizing renewable energy ● Strengthen relationships with suppliers – Protection of human rights / reduced CO2 emissions – Enhancement of resilience in case of emergency
Support the Development of Music & Video culture	● Roland-like activities to promote the industry – Utilize digital marketing and provide opportunities – Relationships / connect to emerging markets development ● Environment and social considerations through products – Reduce environmental impact and improve accessibility through product planning and design
Maximization of opportunities for human resources to display their vitality and capacity	● Group talent utilization – Global management of placement, development and compensation ● Employee Engagement Improvement – Strengthen organizational acceptance (Work environment / Diversity etc.)
Investment for the growth (in intangible assets)	● Development of next-generation product fundamentals – Continuous development investment to improve instrument performance ● Realization of Roland Platform – Integration and utilization of customer information ● Expansion of Roland Cloud service
Unrelenting reinforcement of the corporate governance	● Internal evolution to the next phase of strengths acquired through MBO – Improve effectiveness of the Board of Directors, Execution system – Further strengthen risk management and compliance ● Development of visualization – Improvement of accuracy of business judgement and information disclosure – Disclosure of non-financial information

(iii) Disclosure in line with Task Force on Climate Change-Related Financial Disclosures (TCFD) recommendations

We are aware that the phenomena accompanying global warming, such as the occurrence of abnormal climate and disaster, will not only lead to economic damage but may possibly have serious impact on humankind's cultural activity and lifestyle.

We are also engaging in measures to contribute to the reduction of CO2 emissions and to increase the efficiency of business activities, aiming at maintaining the social environment in which people can live with peace of mind and can develop musical and video culture and other art activities.

In addition, while appropriately assessing and responding to risks and opportunities to our business arising from climate change, in accordance with the framework of the TCFD, we will disclose the status of these risks from the four perspectives of Governance, Strategy, Risk Management, and Metrics and Targets.

Governance

In response to the overall sustainability issues, a system has been established whereby the Board of Directors approves the Basic Sustainability Policy and material issues identified and receives regular reports on the status of these initiatives while supervising them. Regarding initiatives to address major issues including climate change, the Sustainability Promotion Committee consisting of all Executive Officers including the CEO checks and discusses plans and progress of theme subcommittees, thus ensuring both accurate instructions to each executive division and regular reports to the Board of Directors.

Strategy

Based on the following two contrasting scenarios in reference to multiple scenarios used in reports issued by the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency (IEA), and other organizations, we identified risks and opportunities for climate change to our business, and assessed the time to occurrence and financial impact of these risks and opportunities.

- 1.5℃ scenario: Assumption of the most advanced decarbonization efforts globally, based on the Paris Agreement
  - There is a possibility that “transition risk” will increase as regulations and obligations increase in the process of drastic changes in industrial structures and energy policies.
  - Although our business is not easily affected by changes in industrial structure and activity regulations, there is a possibility that carbon pricing, such as carbon taxes and emissions trading for companies in general, may affect our costs.

- 4℃ scenario: Assumption that global climate change measures do not progress sufficiently and economic activities continue with the current structure
  - There is a possibility that “physical risk” will increase as natural environmental changes and disasters increase due to the progression of climate change.
  - Although our business uses few natural resources (water and solid wood) and is not affected by them, there is a possibility that operations of our business may be affected by sudden natural disasters. However, we do not anticipate chronic impacts.

<Assessment of identified climate change risks/opportunities>

Classification	Identified risks/ opportunities	Time to occurrence *1	Financial impact *2	Assumption and countermeasures
Transition risk (1.5℃ scenario)	Increased costs to respond to the introduction of carbon pricing	Long-term	Small	[Assumption] Regulations such as carbon taxes and emissions trading are imposed mainly on our main office in Japan, but the impact will be small in proportion to our company’s CO2 emissions when direct emissions (Scope 1) and indirect emissions (Scope 2) are targeted. [Countermeasures] In addition to promoting energy saving in our businesses, we will implement measures to offset CO2 emissions.
	Increased prices of raw materials due to tighter regulations	Long-term	Medium	[Assumption] If the regulatory costs such as carbon pricing imposed on other companies are passed on to the prices of materials such as steel, which have a wide range of usage, and other materials that are difficult to substitute, the impact of the purchasing cost increasing will be significant. [Countermeasures] Through strengthening relationships with business partners, we will stabilize costs by collaborating to reduce GHG emissions. At the same time, we will take preventive measures such as early start of substitution by closely monitoring industry trends through collaboration between the product design division and procurement division.
Physical risk (4℃ scenario)	Suspension of business operations due to sudden natural disasters	Mid-term	Medium	[Assumption] If heavy rains and floods occur in Malaysia, our main production base, and production and shipments are stagnated for more than a month due to flooding of business sites, disruption of parts supply routes, restrictions on workers' moving, etc., profit loss will be significant. [Countermeasures] We will develop a business continuity plan that assumes flexible relocation of production lines and rearrangement of production plans at factories, and will try to absorb the impact by maintaining safe inventory according to the characteristics of products and parts.
Opportunities	Changes in consumer lifestyles and consumption trends	Long-term	Medium	[Assumption] As temperature rises, outdoor activities of consumers are restricted and their leisure time indoors increases, demands for our products, which provide enjoyment of performing and creating music and video, will also increase. [Countermeasures] We will enhance products and services that new customers can enjoy carefree and easily and expand our fan base by continuously adding new value.

Notes 1. “Short-term,” “Mid-term,” and “Long-term” represent less than one year, less than five years, and fives year or more, respectively.
2. The profit and loss impact of between +/- ¥500 million and +/- ¥200 million yen in a single fiscal year is defined as “Medium,” while the amounts higher and lower than “Medium” are defined as “Large” and “Small,” respectively.

Risk Management

In order to properly manage and practice against various risks surrounding our business, we regularly gather information on potential risks from the entire our group including subsidiaries and provide the information to the Risk Management and Compliance Committee chaired by the CEO as the responsible person of risk management whereby significance of the impact and response policy are assessed. The risks assessed by the committee are regularly reported to the Board of Directors.

As the transition risks and physical risks arising from climate change have many similarities with already-known business risks in terms of events and countermeasures, we have started to integrate them into the above entire risk management process.

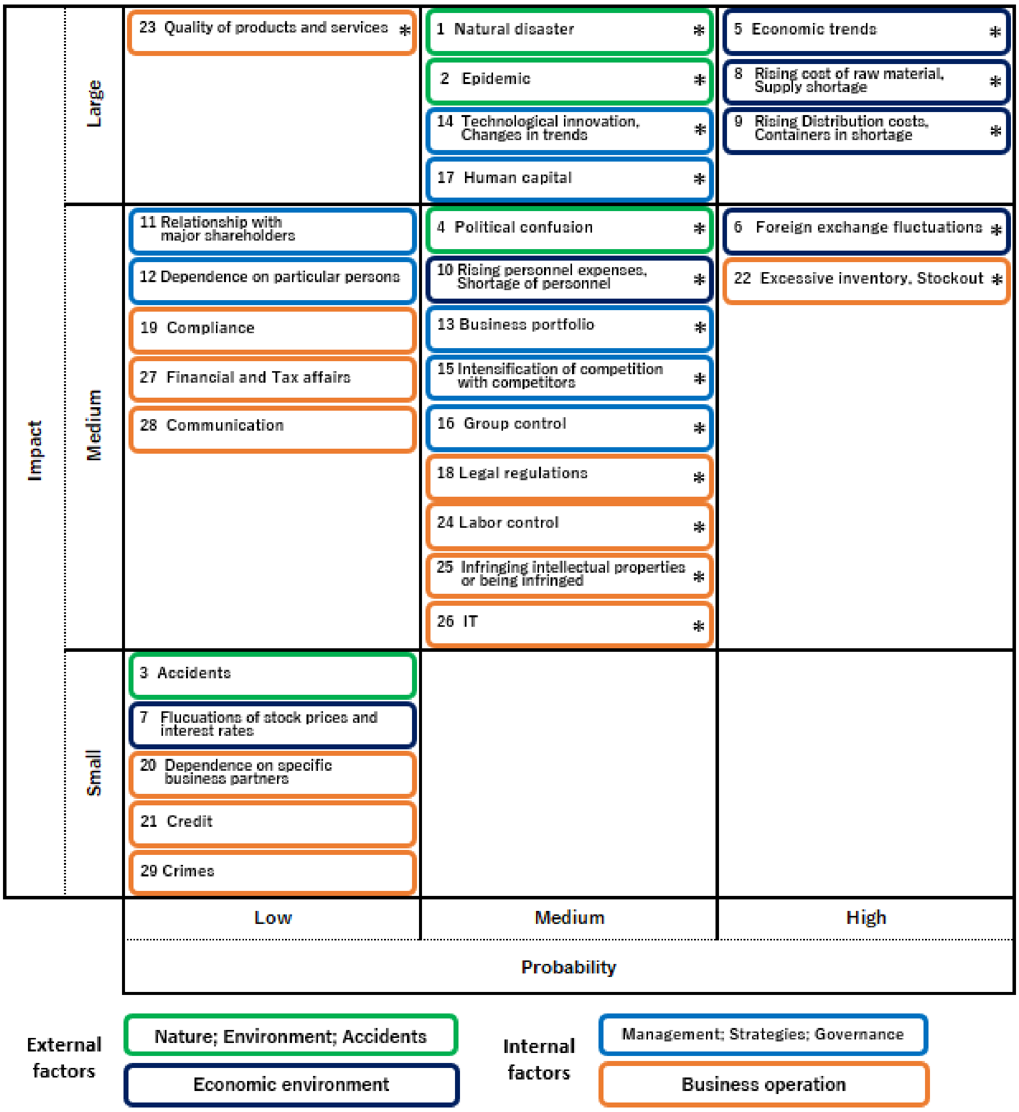
Metrics and Targets

Promoting initiatives that lead to reductions in CO2 emissions in our company and throughout the entire supply chain, including our business partners, has a direct effect on transition risks, such as carbon pricing and increased regulatory compliance costs. We also believe this has an indirect effect on reducing physical risks, such as contributing to the expansion of renewable energy by invigorating the non-fossil value trading market through its use. We will therefore consider setting metrics and targets based on clear evidence to responsibly promote these initiatives.

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, 2022.



Each of the risk factors is classified according to its nature and evaluated according to the extent of its impact and its probability of occurrence, and its relevance to the key strategies of the Medium-term Management Plan. Each risk item is subjected to risk reduction activities by departments in charge, and is regularly monitored by departments in charge, Executive Officers in charge, and/or the Risk Management and Compliance Committee according to the level of the risk.

Particularly material risks and countermeasures (marked with an asterisk in the above table) established by the Risk Management and Compliance Committee are as follows.

<table>
<tr><th>Classifications of risks</th><th colspan="3">Risk items</th></tr>
<tr><td rowspan="14">Nature, environments and accidents</td><td colspan="3">1 Natural disasters</td></tr>
<tr><td colspan="3">In the event of a natural disaster such as earthquake, tsunami, flood or typhoon in countries or regions where the Group’s manufacturing, logistics, and distribution bases are located or its suppliers operate, and causes damage to the Group’s bases and suppliers, or in the event that electric power and other infrastructure becomes unavailable or unstable, resulting in disruption of our operations, distribution, manufacturing, and shipment, decline in our production capacity, difficulty in procuring raw materials and components, or delay in product supply, the Group’s business, financial position, and operating results may be adversely impacted. 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, the Group's major functions related to domestic business such as headquarter, manufacturing and R&D bases in Japan, 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.</td></tr>
<tr><td>Impact</td><td>Probability of occurrence</td><td>Relevant key strategies</td></tr>
<tr><td>Large</td><td>Midium</td><td>Creating demand, Expanding market share, and Strengthen foundation</td></tr>
<tr><td colspan="3">Countermeasures</td></tr>
<tr><td colspan="3">In accordance with our “Basic Rules for Crisis Management,” we have formulated a “Business Continuity Plan (BCP)” for employees to act autonomously when a disaster occurs, in to keep themselves safe and ensure early recovery of our business.

In Japan, we conduct annual safety drills: one is a drill to confirm safety of employees and their families using the emergency communication system, and the other is an evacuation drill on the assumption of an earthquake and fire. We have shared the BCP developed in Japan across overseas subsidiaries, on which they are developing their BCPs tailored to the conditions in their respective countries.</td></tr>
<tr><td colspan="3">2 Epidemic (COVID-19)</td></tr>
<tr><td colspan="3">In the time when economic and business activities such as traveling or holding events remain suspended, stringently restricted or self-restraint is requested in countries where the Group, and its suppliers and distributors operate business, the demand for its products and services could decline and the supply of its products may be limited owing to the closure of factories and subsequent suspension of production, restriction on procurement of parts, slower consumer spending, decreased disposable income, unexpected economic and social activities, changes in behavior patterns and other negative factors resulting from the COVID-19 pandemic. 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.</td></tr>
<tr><td>Impact</td><td>Probability of occurrence</td><td>Relevant key strategies</td></tr>
<tr><td>Large</td><td>Medium</td><td>Creating Demand, Expanding market share, and Strengthen foundation</td></tr>
<tr><td colspan="3">Countermeasures</td></tr>
<tr><td colspan="3">In the event of a pandemic outbreak such as COVID-19, we will strive for the continuation of the Group's business by taking appropriate measures in accordance with the requests of governments and local authorities. As to the limitation of activities of the Group’s suppliers and distributors, we will maintain the appropriate retention of raw materials at each factory of the Group and products at each of our sales subsidiaries to minimize the impact on sales.

We are also creating new demand through the development of Game Changer products and new products, and continuously stimulating demand through digital marketing.</td></tr>
</table>

<table>
<tr><th>Classifications of risks</th><th colspan="3">Risk items</th></tr>
<tr><td rowspan="6">Nature, environments and accidents</td><td colspan="3">4 Political confusion</td></tr>
<tr><td colspan="3">The Group has its bases around the world, such as in the Americas, Europe, and Asia, with the majority of its revenues generated outside Japan. Changes in political or social conditions, terrorism, or social turmoil in any country may cause the economic downturn, increase raw material prices and logistics costs, or impact the logistics environment, and this may adversely affect the Group’s business, financial position, and operating results. The outlook remains uncertain due to factors including the prolonged Russian invasion of Ukraine and the strained relations between China and Taiwan.</td></tr>
<tr><td>Impact</td><td>Probability of occurrence</td><td>Relevant key strategies</td></tr>
<tr><td>Medium</td><td>Medium</td><td>Expanding market share, and Strengthen foundation</td></tr>
<tr><td colspan="3">Countermeasures</td></tr>
<tr><td colspan="3">We will carefully monitor the situation and regulations in each country and take appropriate and timely actions to minimize the impact on the Group’s business. For manufacturing, multiple manufacturing bases that can back up each other are maintained, and for sales, well-balanced earning structure within the Group is aimed rather than relying overly on specific regions.</td></tr>
<tr><td rowspan="12">Economic environment</td><td colspan="3">5 Economic trends</td></tr>
<tr><td colspan="3">The musical instruments manufactured and distributed by us are luxury items, and thus, the Group has attached importance to offering its products and services at prices commensurate with their high added values. Therefore, sales of low-priced products (for beginners) are especially vulnerable to economic conditions. In addition, the Group’s business, financial position and operating results tend to be affected by a decline in demand for the Group’s products and services in key sales regions, especially in Europe, North America and China that represent a significant proportion of its overall sales.</td></tr>
<tr><td>Impact</td><td>Probability of occurrence</td><td>Relevant key strategies</td></tr>
<tr><td>Large</td><td>High</td><td>Creating demand, and Expanding market share</td></tr>
<tr><td colspan="3">Countermeasures</td></tr>
<tr><td colspan="3">Stable growth will be achieved by strengthened mid- to high-end price rage that are less affected by economic trends, and accelerating development of Game Changer products and new products that generate new demand.

In addition, the Group manages each sales subsidiary as a Sales Unit (SU), for which a Chief Sales Officer (CSO) is appointed to control them all. Each SU, under the direction of its CSO, prioritizes the achievement of the Group-wide goals over the achievement of only individual regional goals. We strive to operate in a manner that regions with strong performance cover regions with weak performance by flexibly accommodating inventories to each country based on information on economic conditions, demand trends, market shares, and inventory and logistics conditions in each country.</td></tr>
<tr><td colspan="3">6 Foreign exchange fluctuations</td></tr>
<tr><td colspan="3">The Group is engaged in manufacturing and sales activities globally, and therefore, is exposed to the impact of fluctuations in exchange rates, especially of US$ and EUR. 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 JPY, 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 US$ and EUR, since it has expanded into other regions, such as China, in recent years.</td></tr>
<tr><td>Impact</td><td>Probability of occurrence</td><td>Relevant key strategies</td></tr>
<tr><td>Medium</td><td>High</td><td>Expanding market share, and Strengthen foundation</td></tr>
<tr><td colspan="3">Countermeasures</td></tr>
<tr><td colspan="3">In order to mitigate the impact of exchange rate fluctuations, the Group settles receivables and payables arising from continuing operating activities in the same currency whenever possible. The Group also hedges exchange rate fluctuations by trading foreign exchange futures to minimize some of the impact.</td></tr>
</table>

<table>
<tr><th>Classifications of risks</th><th colspan="3">Risk items</th></tr>
<tr><td rowspan="12">Economic environment</td><td colspan="3">8 Rising cost of raw materials and supply shortage</td></tr>
<tr><td colspan="3">The 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, for some raw materials, we depend on specific suppliers because they are irreplaceable with others. 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 lead to a spike in raw materials and other prices. These circumstances make it difficult for the Group to manufacture its products, or make its products less price competitive due to rises in the prices of its products, and as a result, may adversely affect the Group’s business, its financial position, and operating results.</td></tr>
<tr><td>Impact</td><td>Probability of occurrence</td><td>Relevant key strategies</td></tr>
<tr><td>Large</td><td>High</td><td>Creating demand, Expanding market share, and Strengthen foundation</td></tr>
<tr><td colspan="3">Countermeasures</td></tr>
<tr><td colspan="3">The supply of parts and materials is improving; however, in response to the ongoing tight supply of some semiconductors and the prolonged lead time for parts procurement, we will more focus our efforts on securing inventory of key parts by making advance arrangements based on a medium- to long-term product roadmap, in line with our basic policy of building relationships of trust with suppliers. At the same time, we will minimize the impact on our production by quickly purchasing materials from markets and promptly changing designs with substitute parts. In response to a spike in raw materials prices, we will minimize the impact on the Group's financial position and operating results by maintaining appropriate product sales prices with price competitiveness in line with the conditions in each country, while sustaining cost reduction efforts.</td></tr>
<tr><td colspan="3">9 Rising distribution costs and containers in shortage</td></tr>
<tr><td colspan="3">The Group has manufacturing bases in Malaysia, China, the U.S. and Japan, distribution bases in Malaysia and the U.S., and sales bases all over the world. We also have suppliers of various parts around the world. The Group's supply chain (procurement, production, and sales) is linked by logistics and is affected by the global logistics environment. Longer logistics lead times and worldwide higher logistics costs, especially for ocean transportation have still been underway. In the event that these impacts are prolonged, or in the event that operations are suspended due to strikes or other incidents at port facilities in North America, the Group's business, financial position, and operating results may be adversely affected.</td></tr>
<tr><td>Impact</td><td>Probability of occurrence</td><td>Relevant key strategies</td></tr>
<tr><td>Large</td><td>High</td><td>Creating demand, Expanding market share, and Strengthen foundation</td></tr>
<tr><td colspan="3">Countermeasures</td></tr>
<tr><td colspan="3">In such situations, the Group works to minimize loss of sales opportunities and control excessive inventory through supply chain management (SCM) including logistics. The logistics environment at our manufacturing, distribution, and sales bases has been monitored periodically using a visualization system, and countermeasures to minimize the impact on our business through flexible and agile production, inventory allocation, and transportation are addressed.</td></tr>
</table>

<table>
<tr><th>Classifications of risks</th><th colspan="3">Risk items</th></tr>
<tr><td rowspan="6">Economic environment</td><td colspan="3">10 Rising personnel expenses and shortage of personnel</td></tr>
<tr><td colspan="3">A shortage of factory employees in Malaysia, the Group’s manufacturing and logistics base, or in China, its manufacturing base, may lead to higher labor costs or lower factory utilization rates, which could affect supply side. Not limited to the manufacturing bases, a tight labor supply in countries where sales bases are located may also adversely affect the Group’s business, financial position, and operating results.</td></tr>
<tr><td>Impact</td><td>Probability of occurrence</td><td>Relevant key strategies</td></tr>
<tr><td>Medium</td><td>Medium</td><td>Strengthen foundation</td></tr>
<tr><td colspan="3">Countermeasures</td></tr>
<tr><td colspan="3">The Group secures personnel at its manufacturing bases by hiring local and foreign employees. Systemizing and automating various operations and business management could enhance operational efficiency and productivity.</td></tr>
<tr><td rowspan="6">Management, strategy and governance</td><td colspan="3">13 Business portfolio</td></tr>
<tr><td colspan="3">With managing our business portfolio, the Group has allocated management resources, and evaluated existing business and investments through M&A and otherwise. If low-growth, low-profit businesses continue due to lack of monitoring, evaluation and management of each business because of insufficient business portfolio management, or if integration failure after M&A caused far inferior earnings and synergy effects to our expectations, the Group has a risk of being unable to generate sufficient cash flow to match the value of business assets. If the Group makes such a determination, impairment loss occurs, which may adversely affect its business, financial position, and operating results.

On the other hand, the Group may miss growth opportunities owing to reluctance to strategic investments for fear of risks.</td></tr>
<tr><td>Impact</td><td>Probability of occurrence</td><td>Relevant key strategies</td></tr>
<tr><td>Medium</td><td>Medium</td><td>Creating demand, Expanding market share, and Strengthen foundation</td></tr>
<tr><td colspan="3">Countermeasures</td></tr>
<tr><td colspan="3">The Group has managed our business portfolio based on the following basic policies.
1. The Group has the electronic musical instruments segment supporting creative endeavors through electronic musical instruments, video equipment, software products, and services that we develop, produce, and distribute. In order to achieve business growth, management resources will be kept concentrated.
2. The Group targets the current electronic musical instrument segment and its adjacent areas in the medium- to long-term business expansion, and also considers M&A and other measures with an emphasis on demonstrating synergies in addition to expanding the proprietary business.
3. The organized groups by product category and sales areas are continuously monitored to assess business efficiency and profitability. The Board of Directors will review them based on the following perspectives at least once a year, and lead to the formulation of medium- to long-term management strategies.
・ Consistency with corporate philosophy and corporate mission
・ Eliminating bias to maintain the status quo
・ Availability and appropriateness of investments for growth that take risks
・ Capability, growth and profitability
・ Return on capital based on differences among business models
Moreover, in the event of M&A, the Group implements thorough due diligence and makes prudent and calm judgments based on it, clarifies the post-merger plan, and thoroughly monitors the progress of the plan even after the acquisition to reduce risk of impairment.</td></tr>
</table>

<table>
<tr><th>Classifications of risks</th><th colspan="3">Risk items</th></tr>
<tr><td rowspan="12">Management, strategy and governance</td><td colspan="3">14 Technological innovation and changes in trends</td></tr>
<tr><td colspan="3">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.</td></tr>
<tr><th>Impact</th><th>Probability of occurrence</th><th>Relevant key strategies</th></tr>
<tr><td>Large</td><td>Medium</td><td>Creating demand, Expanding market share, and Increase LTV</td></tr>
<tr><th colspan="3">Countermeasures</th></tr>
<tr><td colspan="3">The Group’s new product development adopts a unique methodology to understand real needs with thorough interviews about consumer preferences by developers playing musical instruments by themselves. Commercializing products in small quantities against the backdrop of high marginal profit ratio, the Group has fitly offered its products and services that meet changing tastes and preference of consumers. The Group has also sought to ensure technology advantage over the medium- to long-term by shifting resources to develop future technologies.</td></tr>
<tr><td colspan="3">15 Intensification of competition with competitors</td></tr>
<tr><td colspan="3">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 and so forth. The Group, however, has competed fiercely with industry peers in the musical instrument markets both domestic and abroad. Some of the 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. If intensified competition with these rivaling companies or rivaling products force to cut prices, these may adversely affect the Group’s business, financial position, and operating results.</td></tr>
<tr><th>Impact</th><th>Probability of occurrence</th><th>Relevant key strategies</th></tr>
<tr><td>Medium</td><td>Medium</td><td>Creating demand and Expanding market share</td></tr>
<tr><th colspan="3">Countermeasures</th></tr>
<tr><td colspan="3">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.

Developing electronic musical instruments absolutely require electronic technology backed by knowledge of musical instruments. Core sound source chips using customized LSIs developed independently by the Company is one of the sources of differentiation. Our continuous initiatives to develop “Game Changer” products for opening up new markets have contributed to enhance our brand power.</td></tr>
</table>

Classifications of risks	Risk items
Management, strategy and governance	See below

16 Group control

The Group has its manufacturing and distribution bases all around the world. For business activities overseas, differences in standards and practices and difficulties in operating and managing overseas subsidiaries effectively could be the business risk. Without functional group control and appropriate compliance, risk management, and decision management in our subsidiaries, the Group's business, financial position, and operating results may be adversely impacted.

Impact	Probability of occurrence	Relevant key strategies
Medium	Medium	Strengthen foundation

Countermeasures

The Company conducts group control based on the following policies specified in Basic Policy for Internal Control.

1. Ensuring observance of laws and regulations under the “Roland Group Compliance Guidelines” and building of compliance observance system in the entire group
2. Building an appropriate management system against various types of risk surrounding our group, by laying down the “Risk Management Basic Regulations”
3. Specifying the responsibility about the decision-making, increasing efficiency in the performance of duties stipulated in the “Regulations of the Management of Affiliated Companies,” and monitoring activities in the group companies
4. Conducting audits on accounting and operations in the group companies by Internal Audit Division and mutual audits among the group companies

17. Human capital

For the Group to build and maintain competitive advantage in a difficult business environment, it is important to secure human resources with higher expertise. However, highly specialized and capable personnel are limited. Inability to secure a sufficient number of talented personnel and to develop talented people due to lack of education, a loss of such competent personnel and accordingly an outflow of their expertise and knowhow in our business to competitors owing to insufficient compensation may undermine the Group’s competitive advantage.

If the Group’s corporate culture and organization become stalemated, decreasing job satisfaction for employees, they may lead to poor performance and adversely affect the Group’s business, financial position, and operating results.

Impact	Probability of occurrence	Relevant key strategies
Large	Medium	Strengthen foundation

Countermeasures

The Group has allocated management resources of human resources to achieve “supporting growth and boosting engagement,” “promoting diverse work styles,” and “incentives to reward perseverance.” The Group articulates the basic policy for the personnel strategies as follows and aim to be a company that respects the individuality of each and every employee, and to grow together.

- Prepare the personnel system focusing on “fairness” and “enhancing the employees’ engagement”
- Aim to design a system that treats people according to their achievements, abilities, and contributions to the company, regardless of age, gender, race, experience
- Aim for the personnel system that appropriately returns benefits to the employees in line with the Company's growth

The Company is also committed to supporting the independent growth of each employee, providing opportunities for fair growth, and treating the results fairly. In addition, the Company has adopted flexible working hours and remote work systems to promote different working styles and has been striving to improve work-life balance of the employees in the entire group. While guaranteeing a sufficient level of bonuses at a minimum, our incentive policy is effectively working by increasing the linkage to business performance so that employee’s dedicated performance will pay off.

The Company is organizing the human resource scheme to develop and utilize specialized and capable personnel globally.

<table>
<tr><th>Classifications of risks</th><th colspan="3">Risk items</th></tr>
<tr><td rowspan="18">Business operation</td><td colspan="3">18 Legal regulations</td></tr>
<tr><td colspan="3">The Group operates globally and is subject to various domestic and international laws and regulations. In case of violation of any of these laws and regulations, the Group is subject to exclusion orders and penalties, which may adversely affect the Group’s business, financial position, operating results, brand image, and social credibility. In addition, the new enactment of or amendment to the laws or regulations applicable to the Group’s business may increase the cost of compliance, which may adversely affect the Group’s business, financial position, and operating results.</td></tr>
<tr><td>Impact</td><td>Probability of occurrence</td><td>Relevant key strategies</td></tr>
<tr><td>Medium</td><td>Medium</td><td>Creating demand, Expanding market share, Increase LTV and Strengthen foundation</td></tr>
<tr><td colspan="3">Countermeasures</td></tr>
<tr><td colspan="3">The Group holds Risk Management and Compliance Committee on a regular basis to monitor compliance promotion activities throughout the Group. In promoting compliance, compliance personnels in each region have been assigned to implement measures to ensure compliance against competition laws, personal information protection laws, and labor laws, as well as to respond to and inform employees of various legal revisions and to provide relevant education and training.</td></tr>
<tr><td colspan="3">22 Excessive inventory and stockout</td></tr>
<tr><td colspan="3">The Group forecasts consumer demand based on information obtained from the Group's sales network and other sources, and operates manufacturing accordingly. However, as it is difficult to accurately project future consumer demand, the Group’s forecast and actual demand may differ. In addition, changes in the supply chain environment, such as longer lead times for material procurement and transportation, may lead to inventory shortages resulting in missed sales opportunities, or excess inventory affecting cash flows or causing inventory valuation losses. As a result, the Group’s business, financial position, and operating results may be adversely impacted.</td></tr>
<tr><td>Impact</td><td>Probability of occurrence</td><td>Relevant key strategies</td></tr>
<tr><td>Medium</td><td>High</td><td>Creating demand, Expanding market share, and Strengthen foundation</td></tr>
<tr><td colspan="3">Countermeasures</td></tr>
<tr><td colspan="3">To enhance the accuracy of demand forecasting, the Group’s manufacturing and sales departments hold regular meetings among persons in charge and among heads of department. Based on the discussion results, inventory allocation decisions are made comprehensively considering regional inventories, sales plans, sales shares, and other factors, and supply products to each region accordingly. Further, in order to reduce loss of sales opportunities and curb excess inventory, a new system that enables efficient changes of production plans is introduced to respond quickly in case of changes in demand.</td></tr>
<tr><td colspan="3">23 Quality of products and services</td></tr>
<tr><td colspan="3">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 lawsuit 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 a lawsuit and is ordered to pay large amounts of damages or fines, the Group's business, financial position, and operating results may be adversely impacted.</td></tr>
<tr><td>Impact</td><td>Probability of occurrence</td><td>Relevant key strategies</td></tr>
<tr><td>Large</td><td>Low</td><td>Creating demand, Expanding market share, Increase LTV and Strengthen foundation</td></tr>
<tr><td colspan="3">Countermeasures</td></tr>
<tr><td colspan="3">The Group has established quality policies in “Quality Manual” and organized necessary actions and standards as a Quality Management System. Quality Assurance Dept. has implemented the quality management, including external audits under “ISO9001” certification, and enhances market quality.</td></tr>
</table>

<table>
<tr><th>Classifications of risks</th><th colspan="3">Risk items</th></tr>
<tr><td rowspan="12">Business operation</td><td colspan="3">24 Labor control</td></tr>
<tr><td colspan="3">The Group has its manufacturing and distribution bases all around the world. Insufficient labor management based on the labor laws and other regulations of each country could lead to employee health problems, industrial accidents, injustice, and demoralization. It may also increase the possibility of various harassment and human rights issues. This may adversely affect the Group's business, financial position, and operating results in the form of deterioration of work environment and productivity, loss of social credibility, and damage to brand value.</td></tr>
<tr><td>Impact</td><td>Probability of occurrence</td><td>Relevant key strategies</td></tr>
<tr><td>Medium</td><td>Medium</td><td>Strengthen foundation</td></tr>
<tr><td colspan="3">Countermeasures</td></tr>
<tr><td colspan="3">The Group provides training on labor laws and harassment to employees in each country to raise their awareness of legal compliance and reduce the risk of labor lawsuits. The Company sets forth the rules to be observed by officers and employees in “Anti-Harassment Regulations.” It also has established a whistleblowing system under its “Whistleblowing Program Regulation” to ensure early detection, correction, and prevention of recurrence of any violation of laws, regulations, or company rules and regulations at an organizational level or by the Company’s officers and employees. In addition, we have established a workplace consultation desk to handle complaints and consultations. Moreover, the working conditions and environment of our business partners, including those outside Japan, are monitored to promote initiatives to respect human rights.</td></tr>
<tr><td colspan="3">25 Infringing intellectual properties or being infringed</td></tr>
<tr><td colspan="3">Although the Group carefully looks 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.

It is also possible that inventors of intellectual property for which the Group owns the intellectual property rights may file a lawsuit or take other legal actions disputing the payment of compensation or the ownership of their rights, resulting in financial losses for the Group.

These lawsuits and claims could adversely affect the Group’s business, financial position, operating results, brand image and social credibility.

The Group has sought to acquire, maintain, and protect intellectual property rights, such as patents, designs, and 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 the chances that we fail to fully prevent the infringement of our intellectual property rights by third parties is also existent. In cases where products similar to ours or illegal counterfeits are sold and distributed, the Group’s business, financial position, and operating results may be adversely impacted.</td></tr>
<tr><td>Impact</td><td>Probability of occurrence</td><td>Relevant key strategies</td></tr>
<tr><td>Medium</td><td>Medium</td><td>Creating demand and Expanding market share</td></tr>
<tr><td colspan="3">Countermeasures</td></tr>
<tr><td colspan="3">The intellectual property department is required to review all the product development at planning stages so as not to infringe third party’s intellectual property rights. In addition, the Group protects its intellectual property by registering the Group’s intellectual property rights, such as trademarks, patents, and design rights. Further, as activities to enforce intellectual property rights, the scope of our rights through prior agreements with the holders of similar trademarks is specified, and in case any infringement of the Group’s intellectual property rights is found in the market, we will demand the infringer to correct product labeling in advertising, request an injunction against the sale of the product, or even file a lawsuit against them. Moreover, the Group pays incentives based on company rules and regulations to the employees who have created new intellectual property rights related to the businesses of the Group.</td></tr>
</table>

<table>
<tr><th>Classifications of risks</th><th colspan="3">Risk items</th></tr>
<tr><td rowspan="6">Business operation</td><td colspan="3">26 IT</td></tr>
<tr><td colspan="3">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.</td></tr>
<tr><td>Impact</td><td>Probability of occurrence</td><td>Relevant key strategies</td></tr>
<tr><td>Medium</td><td>Medium</td><td>Increase LTV and
Strengthen foundation</td></tr>
<tr><td colspan="3">Countermeasures</td></tr>
<tr><td colspan="3">The Group strives to minimize information security risks by operating information system in accordance with “Information Security Basic Regulations” that sets forth rules related to access authority and methods when using information systems, information equipment and data management methods, and security measures. Educational opportunities to raise awareness of the importance of information security through training and other means have been provided with the employees. In addition, contingency plans in the event of a human or natural disaster that could lead to information security breaches or system failures have been established.</td></tr>
</table>

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

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

Under the Accounting Standard for Revenue Recognition, sales discounts, which were previously recognized in non-operating expenses, have been reclassified as deductions from net sales. With this change in our accounting standard, net sales and operating profit have declined, whereas ordinary profit, profit attributable to owners of parent, and cash flows have remained unaffected.
Figures for the current fiscal year as referred to in “Overview of operating results & views and issues analyzed/discussed with regard to the status of operating results from the management’s perspective” below represent the results after the application of the Accounting Standard for Revenue Recognition. Therefore, direct year-on-year comparisons of these figures are not presented. Instead, for ease of understanding of the operating performance for the current fiscal year, year-on-year after adjustment is presented, which are percentages calculated based on the assumption that the results for the current fiscal year had been measured by the same accounting standard as used in the fiscal year ended December 31, 2021.
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, 2022.

(1) Significant accounting policies and estimates

The Group's consolidated financial statements are prepared based on the 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 reporting period. Although the appropriateness of these estimates is believed reasonable 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

Valuation of inventories is as stated in “Item 5. Financial Information 1. Consolidated Financial Statements, etc. (1) Consolidated financial statements, Significant accounting estimates.”

(b) Allocation of acquisition cost and valuation of amount of goodwill at the acquisition of shares of Drum Workshop, Inc.

Valuation of intangible assets and goodwill related to the acquisition of shares in Drum Workshop, Inc. is as stated in “Item 5. Financial Information 1. Consolidated Financial Statements, etc. (1) Consolidated financial statements, Significant accounting estimates.”

(c) Impairment of non-current assets

The Group examines whether 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.

(d) 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. For securities whose market prices declined 30% to less than 50%, valuation loss is recognized only if their average rate of decline during the past two years is 30% or more. In principle, for securities whose market values do not exist, valuation loss is recognized only if their actual values fall 50% or more of their acquisition prices due to deteriorated financial position of the issuer. In the occurrence of a loss that is not reflected on the book value or an emergent of unrecoverable collectability due to deteriorated market conditions or poor operating performance of the investee, valuation loss might be recorded.

(e) Recoverability of deferred tax assets

In calculating the amount of deferred tax assets, the Group determines the recoverability of deferred tax assets after estimating its future taxable income based on earning forecasts and tax plannings. 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.

(f) Determination of retirement benefit obligations

The Group has put in place a defined benefit corporate pension plan (cash balance plan) and calculates retirement benefit cost and retirement benefit liability 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 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 from the management's perspective

During the period under review, while new COVID-19 cases were contained to some extent and social and economic activities got back on a recovery track, countries around the world faced big changes such as the prolonged Russia-Ukraine conflict, global inflation, and drastic changes in exchange rates and interest rates. Such economic downside risks were noticeable especially from the second half of the period under review and onward, making market conditions remain highly uncertain. Most notably, in China where major cities were placed under lockdown on a sporadic basis, and after the reversal of zero-COVID policy, the number of confirmed cases went on almost a vertical spike.

In the electronic musical instruments business hemisphere, compared to the pre-pandemic era, in general, sales standards went on to become a further solid position endorsed by the entrenched new lifestyle brought by the COVID-19 pandemic. However, declines in demands were sensed especially in China and Europe from the second half of the period under review. On the procurement and supply sides, by implementing various measures, the circumstances have been moving out of the worst phase when the Group was most affected by the COVID-19, although difficulties in purchasing raw materials forced us to expend development periods. On the cost side, despite a decline trend of ocean transportation costs, raw material prices remained higher compared to the pre-pandemic revel. To deal with these higher costs, the Company has focused on to optimize its product prices with the careful eyes on the market conditions and competitive situations of each region.

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

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

Regarding "Customer creation and market development through continuous engagement with our enthusiastic fans," accelerated use of digital marketing was a major driver. A special website of Roland at 50 was launched to commemorate the 50th anniversary of our founding, and Roland/Boss Players Summit 2022, an online user-interactive event which offered the 50th anniversary concept model performance and other live performances was held. Meanwhile, based on a belief that it is highly important for us to provide our customers with opportunities to touch our musical instruments and convince them of the value of our products before deciding to purchase our products, Store in Store (spaces dedicated solely to Roland products inside the stores of our business partners) were set up in major cities around the world. In August 2022, the first Roland-operated retail store called Roland Store was opened in London, where communication with our customers both online and offline could be exchanged.

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

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

(a) Net sales

During the period under review, the Group recorded net sales of ¥95,840 million (up 20.9% year on year after adjustment) partly due to increased revenue which was supported by favorable foreign exchange conditions. Sales performance by mainstay category is as shown below:

[Keyboards] Net sales: ¥29,869 million (up 21.6% year on year after adjustment)
Among the mainstay categories, electronic pianos remained in stronger demand compared to the pre-COVID-19 pandemic era, driven by brisk demand from people staying home for longer hours. The demand remained strong as a whole partly due to our effort to expand channels, although the demand for low-end products in particular weakened.

[Percussion and Wind Instruments] Net sales: ¥23,046 million (up 22.0% year on year after adjustment)
Among the mainstay categories, sales of drums performed stronger than the previous fiscal year due in part to the affiliation of DW in the scope of consolidation, despite the influence of lockdowns in China and the delayed launch of some new products.

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

[Guitar-related Products] Net sales: ¥23,540 million (up 24.7% year on year after adjustment)
Among the mainstay categories, sales of guitar effects continued to perform strongly, especially the Loop Station series and compact effector “Waza Craft Pedal” series released in the previous fiscal year and multi-effects released in the current fiscal year performed strongly.

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

[Creation-related Products & Services] Net sales: ¥12,206 million (up 21.9% year on year after adjustment)
Among the mainstay categories, while supply shortage for synthesizers remained, the FANTOM-0 series and other new products released in the current fiscal year continued to enjoy brisk sales.

The dance and DJ-related products domain continued to record strong sales particularly the AIRA Compact series went well. In addition, sales of the latest model of the long-selling Sampler Series, released in the fourth quarter of the previous fiscal year, continued to perform strongly.

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

[Video and Professional Audio] Net sales: ¥4,357 million (up 2.8% year on year after adjustment)
Among the mainstay categories, video-related products were affected by supply constraints although events-related demand recovered, which boosted demand for the products, while video distribution demand from individual users diminished.

Moreover, sales of the V-MODA brand mainstay products struggled despite the release of new models to the brand products.

(b) Operating profit

During the fiscal year under review, operating profit amounted to ¥10,751 million (up 5.5% year on year), backed by an effect to optimize product prices, despite an increase in selling, general and administrative expenses which was primarily caused by the surge in raw material and ocean freight costs, expenses related to the acquisition of DW, and travel and transportation expenses, which bounced back from a drop during the COVID-19 pandemic.

(c) Ordinary profit

Non-operating income and non-operating expenses came in at ¥236 million and ¥737 million respectively. Foreign exchange losses of ¥652 million were recognized in non-operating expenses.

As a result of the above, ordinary profit for the fiscal year under review came in at ¥10,250 million (up 1.5% year on year).

(d) Profit attributable to owners of parent

Extraordinary income and extraordinary losses came in at ¥294 million and ¥15 million respectively. Extraordinary income includes gain on liquidation of subsidiaries of ¥246 million arising from the liquidation of certain subsidiaries in Europe. Income tax expenses amounted to ¥1,575 million because of the deferred income tax benefit of ¥417 million primarily in conjunction with the one-time factor of recognition of deferred tax assets.

As a result of the above, profit attributable to owners of parent for the current fiscal year under review amounted to ¥8,938 million (up 4.1% year on year).

(e) Key indicators to assess the achievement of management targets

ROE (Return on Equity) was 28.9% (down 6.7 percentage points year on year), helped by an increase of profit attributable to owners of parents and an appropriate shareholder return.
ROIC (Return on Invested Capital) marked 18.7% (down 12.0 percentage points year on year) as a result of increased operating profit as above mentioned, increased working capital accompanied by solid performance and increased fixed assets mainly due to acquisition of DW.

(f) 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	51st fiscal year (January 1, 2022 through December 31, 2022)	Adjusted YoY change (%)
Keyboards	32,288	+29.2
Percussion and Wind Instruments	23,042	+24.2
Guitar-related Products	25,192	+38.3
Creation-related Products & Services	11,296	+25.7
Video and Professional Audio	4,314	(3.6)
Others	1,896	(2.7)
Total	98,030	+27.0

Note: The amount is calculated based on the selling price.

(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	51st fiscal year (January 1, 2022 through December 31, 2022)	Adjusted YoY change (%)
Keyboards	29,869	+21.6
Percussion and Wind Instruments	23,046	+22.0
Guitar-related Products	23,540	+24.7
Creation-related Products & Services	12,206	+21.9
Video and Professional Audio	4,357	+2.8
Others	2,819	+5.8
Total	95,840	+20.9

(3) Analysis of financial position

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

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

Net assets increased by ¥5,090 million from the end of the previous fiscal year to ¥33,747 million. This is attributable primarily to the recognition of profit attributable to owners of parent of ¥8,938 million and a ¥2,058 million increase in foreign currency translation adjustment due to the continued depreciation of yen against major currencies, which were partially offset by a ¥4,082 million decrease in retained earnings due to the payment of dividends and a ¥1,924 million increase in treasury shares, a deduction item from net asset, which reflects the repurchase transactions of treasury shares. As a result of the above, the equity ratio fell 10.3 percentage points from the end of the previous fiscal year to 43.4%..

(4) Cash flows

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

(Cash flows from operating activities)

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

(Cash flow from investing activities)

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

(Net cash from financing activities)

Net cash provided by financing activities amounted to ¥12,879 million (¥6,071 million used for the same period of the previous fiscal year), which is attributable primarily to an increase in borrowings, although this increase was partially offset by the repurchase of treasury shares and the payment of dividends.

(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 demand lies primarily in 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 finances its operations and capital investments with its own funds and external borrowings. To raise funds efficiently, the Company has entered into overdraft agreements and committed lines of credit agreements with its main bank and managed liquidity risk. As of the end of the fiscal year under review, the balance of unused credit was ¥4,000 million.

In the fiscal year under review, the Company borrowed ¥11,200 million from its main bank in October 2022 to finance the acquisition of shares in a U.S.-based musical instrument manufacturer Drum Workshop, Inc. to make it a subsidiary. After repaying ¥500 million of the borrowings, the Company refinanced ¥10,700 million with long-term borrowings in January 2023.

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 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, for the purpose of providing investors with the information that helps them evaluate the Group's operating performance and corporate value, as shown in the tables below. Note that percentages (expressed in %) indicate the ratio of composition in net sales.

(1) Net sales and composition by region

(Millions of yen)

	2018		2019		2020		2021		2022	
Japan	8,683	14.2%	9,237	14.6%	9,066	14.2%	9,666	12.1%	9,736	10.2%
North America (Note 1)	18,169	29.7%	18,914	29.9%	19,963	31.2%	25,959	32.4%	34,904	36.4%
Europe (Note 2)	19,751	32.3%	19,518	30.9%	21,027	32.8%	24,958	31.2%	26,439	27.6%
China (Note 3)	6,005	9.8%	7,194	11.4%	6,304	9.8%	8,673	10.8%	9,641	10.1%
Asia / Oceania / Other Regions	8,543	14.0%	8,381	13.2%	7,682	12.0%	10,775	13.5%	15,118	15.7%
Total	61,153	100.0%	63,247	100.0%	64,044	100.0%	80,032	100.0%	95,840	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)

	2018		2019		2020		2021		2022	
Keyboards	15,551	25.4%	17,104	27.0%	17,842	27.9%	24,792	31.0%	29,869	31.2%
Percussion and Wind Instruments	14,351	23.5%	14,205	22.4%	14,620	22.8%	19,053	23.8%	23,046	24.1%
Guitar-related Products	16,411	26.8%	16,744	26.5%	16,712	26.1%	19,093	23.9%	23,540	24.6%
Creation-related Products & Services	7,647	12.5%	8,267	13.1%	8,010	12.5%	10,122	12.6%	12,206	12.7%
Video and Professional Audio	4,624	7.6%	4,289	6.8%	4,597	7.2%	4,282	5.3%	4,357	4.5%
Other	2,566	4.2%	2,634	4.2%	2,261	3.5%	2,689	3.4%	2,819	2.9%
Total	61,153	100.0%	63,247	100.0%	64,044	100.0%	80,032	100.0%	95,840	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, 2022	Factories, warehouses and offices for manufacturing electronic musical instruments	From December 1, 2022 through November 30, 2025

* The contract was renewed on the renewal date in December 2022. The Company, as lessee, is given an option to renew the contract for additional three years at its discretion.

Business combination through acquisition

At the Board of Directors meeting held on September 12, 2022, the Company resolved that Roland Drum Corporation, which was newly established as a wholly-owned subsidiary of the Company, will make Drum Workshop, Inc. a subsidiary through the acquisition of all its outstanding shares, and entered into an agreement for the transaction. The acquisition procedure was completed as of October 3, 2022.

For the details, please refer to "Item 5. Financial Information, 1. Consolidated Financial Statements, etc., Notes to Consolidated Financial Statements, (*Business combinations, etc.*)."

5. Research and Development Activities

The Group's R&D activities can be classified into the following two: the development of elemental technologies that can be shared across the entire Group; and the development of technologies that specialize in product categories. The development of elemental technologies includes the development of digital signal processing systems, such as audio-visual synthesis, modeling, sound effects, acoustic analysis, and high-efficiency coding; telecommunications technologies to transmitting audio and Musical Instrument Digital Interface (MIDI) using communications/interface standards such as USB, Bluetooth, and wireless LAN; and a global platform for our cloud-based service Roland Cloud. In the meanwhile, development of technologies focused on each of our product categories includes sensor technology for playing keyboards, percussion, and wind instruments; sound effect technology for guitar-related products; and video processing technology for video products.

Until the previous fiscal year, each technology above was developed by independent department separately. However, from the fiscal year under review, the product development departments have been assigned the function of element technologies developments for the sake of intensive communication and successful product development with the strategic theme in a timely manner. Nevertheless, the independent department continues to develop original system LSIs for sound sources and effects, such as Behavior Modeling Core (BMC), of which development requires a high level of expertise and a long time.

Specific research and development activities conducted during the fiscal year under review are described below. These activities, however, are not linked to the segment information because the Company and its consolidated subsidiaries operate in a single segment, which is to manufacture and sell electronic musical instruments, and thus, there are no other operating segments to be classified.

(a) Keyboards

In the field of electronic pianos, the Group has been promoting the development of the BMC common platform (Note 1) for electronic pianos in the popular price range, and has efficiently developed high-quality, highly competitive products. RP107 and F107, released in October 2022 bring a new level of performance, offering premium Roland Piano sound derived from higher-end models. Roland's acclaimed SuperNATURAL Piano engine combines sophisticated sampling and modeling technologies that reproduce all the complex nuances of an acoustic grand piano. It is characterized by natural tone change and natural attenuation, and enables the performance as you wish, from delicate expressions to powerful dynamic expressions.

In addition, Roland Piano App, an application that makes playing the pianos more enjoyable, was released in August 2022. When paired with a compatible Roland piano via Bluetooth, this application provides remote control of sound selection, metronome settings, recording and more inspiring lesson features. In addition, this app. includes scores for piano's onboard song library, plus a fun auto-accompaniment feature for playing along with a full-band sound. And with the Core, Pro and Ultimate membership levels of Roland Cloud, a Cloud based platform providing high quality synthesizer sound source and software for music creation, users can access over 300 additional pieces of sheet music within the app. Mechanism of pairing electronic musical instruments via Bluetooth and controlling of this mechanism is being developed as a common API and it will be employed in the future products.

In the electronic keyboards category, in July 2022, E-X50, a new model of the Entertainment Keyboard E-X Series was released. The newly developed 2-way full-range stereo speaker system with bass-reflex port delivers powerful sound. With the sophisticated auto-accompaniment features, players can command a full band sound with the 300 preset styles and a variety of 707 tones including some newly created ones. Sound contents became available on Roland Cloud and as of December 2022, a total of 20 types of content including four titles "Essential Dance Hits Vol. 1,2" and "Essential Pop Hits Vol.1,2" were lined up.

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 instrument.

(b) Percussion and Wind Instruments

In the digital wind instruments category, AE-20 was released in January 2022. AE-20 is a new digital wind instrument combining the breath and bite sensor technologies that control sound and enhance playability, with ZEN-Core (Note 2), a new-generation synthesis engine. Aerophone Series have continued to evolve toward achieving the level of sound attainable only with wind instruments.

In the electronic drums category, in September 2022, SPD-SX PRO Sampling Pad joined as the new flagship model in the long-running SPD series originally launched in 2003. Born of user feedback fueled by extensive road testing of the touring-standard SPD-SX, this high-performance instrument raises the bar with a full array of professional enhancements. Offering customizable trigger LEDs, increased audio outputs and trigger outputs, massive onboard memory, and much more, the rugged and reliable SPD-SX PRO sets a new standard for stage drummers and all types of creative performers.

In October 2022, 5 new models in total were also released. 2 models from V-Drums Series, which suit playing at home, and 3 models from VAD (V-Drums Acoustic Design) Series, projecting the premium look of high-end acoustic drums, providing a familiar presence that's the centerpiece of any stage. These models deliver unprecedented levels of authentic playing experience with attached newly developed thin V-Cymbals digital hi-hat.

Note 2: Extensible and customizable synthesizer engine running on BMC and computer.

(c) Guitar-related Products

For BOSS brand products, our long-time knowledge and experience nurtured in development of effects and amplifiers were implemented into our own LSIs system such as BMC, as the ultra-high quality signal processing technology by 32-bit float point arithmetic for the sake of pursuing guitarists' best expressive sound.

In March 2022, GX-100 joined acclaimed BOSS family of amp/effect processors for guitar and bass. Fusing advanced BOSS tone technologies, the GX-100 delivers premium sound and ultra-intuitive operation with a vivid color touch display. Thanks to BOSS's AIRD technology (Note 3) this model provides superior tone and natural tube amp feel in every playing situation.

In April 2022, BOSS introduced RE-2 and RE-202 Space Echo models, based on the legendary Roland RE-201 Space Echo from the 1970s and 1980s. With the RE-202 and Re-2, BOSS brings the genuine Space Echo experience back to life like never before. Having careful analysis of several vintage RE-201s from BOSS and Roland archive, these pedals fully reproduce all the complex, non-linear behaviors that contribute to the RE-201's immortal character.

In October 2022, DS-1W Distortion joined the Waza Craft family of premium compact pedals. Based on the legendary DS-1 Distortion introduced in 1978 among the earliest models in the BOSS compact series, the DS-1W fuses the look and character of the standard pedal with two modes and a newly revised discrete analog circuit for more range and versatility. In November of the same year, SL-2 Slicer was released. This original BOSS effect chops sound into unique percussive patterns. From both analog and digital technology point, BOSS will keep developing attractive and advanced compact pedals synonym for BOSS brand.

Note 3: Groundbreaking technology that enables authentically reproduce the complex interactive behaviors among the components of amplifier including a pre-amplifier, a power amplifier, a power transformer, and a speaker cabinet. This is the technology enabling a reproduction of dynamic sound and the playing feeling unique to only vacuum tube amplifiers, irrespective of the amplifier or power amplifier output environment.

(d) Creation-related Products and Services

In the synthesizer products category, JUNO-X, a new polyphonic synthesizer driven by the next-generation ZEN Core Synthesis System was released in May 2022. JUNO-X includes the vintage JUNO-60 and JUNO-106 Models, plus an all-new JUNO-X engine, offering the warm and organic sounds.

In January 2022, n/Zyme, a new Model Expansion of FANTOM-6, FANTOM-7, and FANTOM-8 was released. n/Zyme's wavetable oscillator employs two layers with 63 different wavetables, enabling to create complicated, striking tonal statement. Players can physically shape the sound of n/Zyme by drawing custom waveforms right on the FANTOM's touchscreen. Furthermore, phase and shape modulation of n/Zyme's waveforms makes it possible to customize multiple sounds and various onboard shapes to enjoy in real time and intuitively. Moreover, FANTOM-0 Series, consisting of FANTOM-06, FANTOM-07, and FANTOM-08 were released in March 2022. These models are built on the same platform as the FANTOM Series and are successfully designed smaller and lighter with authentic sound, a high level of scalability and seamless operability.

In the Dance & DJ products category, T-8, J-6, and E-4 were released in May 2022. They are the new models of AIRA Compact Series and despite their compact, pocket-friendly size, thanks to both the onboard lithium-ion batteries and the Analog Circuit Behavior (ACB) technology (Note 4) found in top-line Roland instruments, users can enjoy high-quality sound wherever you are.

Furthermore, in July 2022, having revived VariPhase technology (Note 5) leveraged in V-Synth (released in 2003) which brought revolutionary sounds, the Version 2.0 of system program for SP-404MKII was released. With this version upgrade, encoding, once required pre-set, could be processed in real time. Moreover, up to 32 sounds could be loaded at one time.

Roland Cloud, a cloud-based software sound source subscription service for music and media creators, has been upgraded and expanded its service contents. In June 2022, BOSS TONE EXCHANGE, an online user patch exchange site for select BOSS products was introduced. Also, in August of the same year, Roland Piano APP was released. Paired with Roland piano, users could access piano lesson contents on their mobile device through this application. To expand its service, payment process was developed as a part of the common API library within Roland Cloud, enabling future applications to access easily to Roland Cloud's billing system.

Note 4: A technology to convert characteristics of analog parts and behaviors unique to analog circuits into digital modeling to reproduce analog electronic instruments sounds.

Note 5: An original signal processing technology separately controllable of the pitch, time, and formant of audio phrases.

(e) Video and Professional Audio

In the face of activity restrictions implemented as a countermeasure against COVID-19, "hybrid" events, which combine the live video/audio performance in front of audience with the online video/audio performance, are on the rise recently. Our AV Mixer VR Series and Video Mixer V Series have satisfied such demand.

In August 2022, a direct streaming AV Mixer, SR-20HD was released. This model is a total solution of a complete all-in-one switching and live streaming without computers. In addition to the AV mixer function, other various functions to carry out a smooth and high-quality streaming, averting possible troubling are onboard on SR-20HD. Furthermore, the combination of Adaptive Bitrate function monitors the quality of the network connection to reduce freezing and dropouts, Safety Delay function to keep accidental moments from being broadcasted and Tethering function enables SR-20HD to switch automatically to the tethered mobile phone in case anything happens to the main hardwired network connection.

(f) Others

On October 3, 2022, Roland Drum Corporation, a wholly-owned subsidiary of the Company, acquired all the outstanding shares of Drum Workshop, Inc. (hereinafter "DW, Inc.") and converted it into a subsidiary. By combining the professional expertise and experience of the Group and DW, Inc., the development of acoustic drums, electronic drums, and percussion products, will be accelerated to create revolutionary products for the next generation, and promote innovation for drummers and other musicians.

During the fiscal year under review, R&D expenses came in at ¥4,196 million.

Item 3. Information about Facilities

1. Overview of Capital Expenditures

During the fiscal year ended December 31, 2022, the Group made capital expenditures of ¥2,678 million for investment in molds incidental to new product development and in leased assets such as logistics warehouses.

Note that the out of the total amount of capital expenditures indicated above, ¥1,289 million of this is associated with the renewal of the existing lease agreements.

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

2. Major Facilities

(1) Reporting company

As of December 31, 2022

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	269	0	69	540 (35,460)	879	445
Miyakoda Factory Miyakoda Testing Laboratory (Kita-ku, Hamamatsu-shi, Shizuoka)	Facilities for production, development and quality control	342	4	35	611 (38,357)	997	215
R&D Center (Kita-ku, Hamamatsu-shi, Shizuoka)	Facilities for research and development	511	0	7	138 (28,270)	656	54

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

(2) Overseas subsidiaries

As of December 31, 2022

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	287	205	344	— (26,870) [26,870]	837	186
Roland Manufacturing Malaysia Sdn. Bhd.	Selangor Darul Ehsan, Malaysia	Production facilities	260	123	615	— (35,604) [35,604]	990	684 (383)

Notes: 1. There are no major facilities that are currently out of operations.
2. The number of employees in parentheses indicates the number of temporary employees, which is not included in the number of employees.
3. 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.
4. The above figures are the carrying amounts of property, plant and equipment, and do not include construction in progress.

3. Facility Construction and Disposal Plans

Not applicable.

Item 4. Information about Reporting Company

1. Company's Shares, etc.

(1) Total number of shares

(i) Authorized shares

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

(ii) Issued shares

Class	Number of issued shares as of fiscal year end (December 31, 2022) (shares)	Number of issued shares as of the filing date (March 8, 2023) (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	28,066,786	28,098,870	Prime Market of the Tokyo Stock Exchange	The number of shares constituting one unit is 100 shares.
Total	28,066,786	28,098,870	―	―

Notes: 1. The total number of issued shares increased by 32,084 shares upon the exercise of share acquisition rights on January 6, 2023.
2. The number of issued shares stated in "Number of issued shares as of the filing date" does not include the number of shares issued upon the exercise of share acquisition rights during a period from March 1, 2023 to the filing date of this Annual Securities Report.

(2) Share acquisition rights

(i) 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)	11,394 [10,160] (Note 2)
Class, details and number of shares underlying the share acquisition rights (shares) (Note 1)	296,244 [264,160] 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, 2022). The information changed between the end of the current fiscal year and the end of the month preceding to the filing month (February 28, 2023) are shown in square brackets based on the status as of February 28, 2023. 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, one Executive Officer, four employees, one former Director and three former Executive Officers 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."

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, 2022). There was no change in the information as of the end of the month preceding to the filing month (February 28, 2023).

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 Executive Officer, one employee and one former employee of the Company and three 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."

(ii) Rights plans

Not applicable.

(iii) 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 in total number of issued shares (shares)	Balance of total number of issued shares (shares)	Increase in share capital	Balance of share capital	Increase (decrease) in legal capital surplus	Balance of legal capital surplus
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 2, 3)	26,669,905	27,581,366	69	9,490	69	5,076
January 1, 2021 through December 31, 2021 (Note 4)	389,168	27,970,534	94	9,585	94	5,170
January 1, 2022 through December 31, 2022 (Note 5)	96,252	28,066,786	27	9,613	27	5,198

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 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.
3. Upon 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.
4. Upon 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 389,168 shares, ¥94 million and ¥94 million, respectively.
5. Upon 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 96,252 shares, ¥27 million and ¥27 million, respectively.
6. During the period from January 1, 2023 to February 28, 2023, upon 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 32,084 shares, ¥9 million and ¥9 million, respectively.

(5) Shareholding by shareholder category

As of December 31, 2022

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)	–	19	28	41	168	4	3,720	3,980	–
Number of shares held (units)	–	43,860	1,187	2,004	203,681	15	29,846	280,593	7,486
Percentage of shareholdings (%)	–	15.63	0.42	0.71	72.59	0.01	10.64	100.00	–

Note: Out of 470,215 treasury shares, 4,702 units are included in "Individuals and others", and 15 shares are included in "Shares less than one unit."

(6) Major shareholders

As of December 31, 2022

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 (Shin Marunouchi Building, 1-5-1, Marunouchi, Chiyoda-ku, Tokyo)	9,724,430	35.24
MINERVA GROWTH CAPITAL, LP (Standing proxy: SMBC Nikko Securities Inc.)	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801, U.S.A. (Shin Marunouchi Building, 1-5-1, Marunouchi, Chiyoda-ku, Tokyo)	4,195,600	15.20
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	2,940,200	10.65
NORTHERN TRUST CO.(AVFC) RE UKUC UCITS CLIENTS NON LENDING 10PCT TREATY ACCOUNT (Standing proxy: Custody Service, Tokyo Branch, the Hongkong and Shanghai Banking Corporation Limited)	50 Bank Street, Canary Wharf, London, E14 5NT, U.K. (3-11-1 Nihombashi, Chuo-ku, Tokyo)	1,163,000	4.21
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	964,057	3.49
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, U.K. (3-11-1 Nihombashi, Chuo-ku, Tokyo)	879,047	3.19
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Custody Service, Tokyo Branch, the Hongkong and Shanghai Banking Corporation Limited)	One Lincoln Street, Boston, MA, U.S.A. 02111 (3-11-1 Nihombashi, Chuo-ku, Tokyo)	493,150	1.79
Jun-ichi Miki	Kita-ku, Hamamatsu-shi, Shizuoka	483,552	1.75
BNYM TREATY DTT 15 (Standing proxy: MUFG Bank, Ltd.)	240 Greenwich Street, New York, NY 10286, U.S.A. (Transaction Services Division, 2-7-1, Marunouchi, Chiyoda-ku, Tokyo)	370,702	1.34
Roland Employee Shareholding Association	2036-1 Nakagawa, Hosoe-cho, Kita-ku, Hamamatsu-shi, Shizuoka	351,320	1.27
Total	—	21,565,058	78.13

Notes: 1. In addition to the above, the Company holds treasury shares of 470,215 shares.

2. According to the Statement of Large-Volume Holdings (Change Report) made available for public inspection on August 22, 2022, the shares of the Company were held by Capital Research and Management Company and its joint holders, namely Capital International Inc., Capital International Sarl, Capital International KK, and Capital Group Investment Management Pte. Ltd., as of August 15, 2022 with the detail shown below. However, the Company did not include such information in the table above because it could not confirm the number of shares effectively held by these companies as of December 31, 2022. The detail of the Statement of Large-Volume Holdings is as follows.

Name	Address	Number of share certificates held (shares)	Shareholding ratio (%)
Capital Research and Management Company	333 South Hope Street, Los Angeles, CA 90071, U.S.A.	530,600	1.89
Capital International Inc	11100 Santa Monica Boulevard, 15th FL., Los Angeles, CA 90025, U.S.A.	107,200	0.38
Capital International Sarl	3 Place des Bergues, 1201 Geneva, Switzerland	149,700	0.53
Capital International KK	2-1-1, Marunouchi, Chiyoda-ku, Tokyo Meiji Yasuda Seimei Building 14th floor	1,108,400	3.95
Capital Group Investment Management Pte. Ltd.	One Raffles Quay, #43-00, Singapore 048583	34,300	0.12
Total	–	1,930,200	6.88

3. According to the Statement of Large-Volume Holdings (Change Report) made available for public inspection on September 7, 2022, the shares of the Company were held by FMR LLC as of August 31, 2022 with the detail shown below. However, the Company did not include such information in the table above because it could not confirm the number of shares effectively held by this company as of December 31, 2022. The detail of the Statement of Large-Volume Holdings is as follows.

Name	Address	Number of share certificates held (shares)	Shareholding ratio (%)
FMR LLC	245 Summer Street, Boston, Massachusetts 02210, U.S.A.	1,784,045	6.36

4. According to the Statement of Large-Volume Holdings made available for public inspection on February 21, 2022, the shares of the Company were held by Jupiter Asset Management, Limited as of February 15, 2022 with the detail shown below. However, the Company did not include such information in the table above because it could not confirm the number of shares effectively held by this company as of December 31, 2022. The detail of the Statement of Large-Volume Holdings is as follows.

Name	Address	Number of share certificates held (shares)	Shareholding ratio (%)
Jupiter Asset Management, Limited	The Zig Zag Building, 70 Victoria Street, London, SW1E 6SQ. U.K.	1,408,200	5.03

(7) Voting Rights

(i) Issued shares

As of December 31, 2022

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.)	(Treasury shares) Common stock 470,200	–	–
Shares with full voting rights (other)	Common stock 27,589,100	275,891	The number of shares constituting one unit is 100 shares.
Share less than one unit	Common stock 7,486	–	–
Total number of issued shares	28,066,786	–	–
Voting rights held by all shareholders	–	275,891	–

Notes: 1. “Shares with full voting rights (other)” of common stock includes 353,900 shares of the Company (3,539 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 57 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 includes 15 treasury shares held by the Company.

(ii) Treasury shares, etc.

As of December 31, 2022

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 (%)
(Treasury shares) Roland Corporation	2036-1 Nakagawa, Hosoe-cho, Kita-ku, Hamamatsu-shi, Shizuoka	470,200	–	470,200	1.68
Total	–	470,200	–	470,200	1.68

Notes: 1. In addition to the above, the Company holds treasury shares less than one unit of 15 shares.
2. The Company has contributed 353,957 shares 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. Performance Share Unit and the Restricted Stock Unit

(1) Overview of Performance Share Unit and the Restricted Stock Unit

In accordance with the resolution of the General Meeting of Shareholders held on March 30, 2022, the Company has introduced a new performance-based stock compensation plan for Directors (excluding Outside Directors) and Executive Officers (entrustment type), consisting of the performance share unit (PSU) where the shares are granted subsequently subject to achievement of performance targets et al., and a fixed stock compensation for Outside Directors based on their position in the Company, consisting of the restricted stock unit (RSU) where the shares are granted subsequently subject to continuous engagement commencing in fiscal year 2022. Also, for employees recognized by the Company as eligible (hereinafter referred to as "executive employees"), a new performance-based stock compensation plan consisting of the performance share unit (PSU) where the shares are granted subsequently subject to achievement of performance targets et al. was introduced. Under the new stock compensation plan, Directors, Executive Officers (entrustment type), and executive employees are provided the units in accordance with the Rules on Stock Compensation set forth by the Company. Then they are provided the shares of the Company in exchange for an in-kind contribution of the monetary remuneration claims provided to them by the Company according to the units.

(2) Total number of shares to be delivered to Directors, Executive Officers (entrustment type), and executive employees

Directors and Executive Officers (entrustment type) : Up to 120,000 shares for three fiscal years

Executive employees : Up to 30,000 shares for three fiscal years

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

Directors, Executive Officers (entrustment type) and executive employees who meet the requirements for beneficiaries

2. 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.

Note that, the period of granting the points under this plan has been closed due to the introduction of 1. "Performance Share Unit and Restricted Stock Unit" above.

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

70,450 shares

(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

3. 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 of “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.
Note that, the period of granting the points under this plan has been closed.

(2) Total number of shares to be delivered to employees
182,507 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

4. 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
96,700 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 3 and 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
Acquisition in accordance with the provisions of Article 156 of the Companies Act, as applied by replacing terms pursuant to Article 165, Paragraph 3 of the same act

Category	Number of shares (shares)	Total value (yen)
Status of resolution at the Board of Directors (held on February 10, 2022) (Purchase period: February 14, 2022 through June 23, 2022)	550,000	2,000,000,000
Treasury shares acquired before the fiscal year ended December 31, 2022	–	–
Treasury shares acquired during the fiscal year ended December 31, 2022	469,900	1,999,979,000
Total number and value of remaining resolution shares	–	–
Unexercised percentage as of December 31, 2022 (%)	–	–
Treasury shares acquired during the period from January 1, 2023 until the filing date of this Annual Securities Report	–	–
Unexercised percentage as of the filing date (%)	–	–

Notes: 1. The number of treasury shares acquired during the period from January 1, 2023 until the filing date of this Annual Securities Report does not include shares acquired through repurchase of treasury shares during the period from March 1, 2023 to the filing date of this Annual Securities Report.
2. Acquisition period and the number of treasury shares acquired are based on the trade date.

(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 shares acquired during the fiscal year ended December 31, 2022	151	681,545
Treasury shares acquired during the period from January 1, 2023 until the filing date of this Annual Securities Report	39	155,805

Note: The number of treasury shares acquired during the period from January 1, 2023 until the filing date of this Annual Securities Report does not include shares less than one unit purchased during the period from March 1, 2023 to the filing date of this Annual Securities Report.

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

Category	Current fiscal year		From January 1, 2023 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	470,215	–	470,254	–

Notes: 1. The number of treasury shares held during the period from January 1, 2023 until the filing date of this Annual Securities Report does not include shares acquired based on the resolution of the Board of Directors and shares less than one unit purchased during the period from March 1, 2023 to the filing date of this Annual Securities Report.
2. The number of treasury shares held is based on the delivery date.
3. The number of treasury shares held does not include 353,957 shares in the current fiscal year and 349,657 shares during the period from January 2023 to the filing date of this Annual Securities Report by Custody Bank of Japan, Ltd. 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 sets a consolidated total return ratio of 50% to achieve in principle, or a consolidated total return ratio of 30% or higher when the necessary funds are required for growth investment while making sustainable and stable dividend payments, by purchasing treasury shares in consideration of stock market trends and capital efficiency.

Given the above policy and financial position of the Company, a dividend of ¥156 per share (of which an interim dividend of ¥78 per share) is scheduled to be paid for the 51st fiscal year ended December 31, 2022.

For the fiscal year ending December 31, 2023, an annual dividend of ¥170 per share (comprising of the interim dividend of ¥85 per share and the year-end dividend of ¥85 per share) is anticipated.

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 stipulates 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 51st fiscal year are as follows:

Resolution date	Total amount of dividends (million yen)	Dividend paid per share (yen)
Board of Directors meeting held on August 8, 2022 (Note 1)	2,152	78
Ordinary General Meeting of Shareholders to be held on March 29, 2023 (Note 2)	2,152	78

Notes: 1. The total amount of dividends paid based on the resolution at the Board of Directors' meeting held on August 8, 2022 includes dividends of ¥29 million paid to the Company's shares held by trusts.
2. The total amount of dividends to be paid subject to the resolution at the Ordinary General Meeting of Shareholders to be held on March 29, 2023 includes dividends of ¥27 million paid to the Company's shares held by trusts.

4. Corporate Governance

(1) Overview of corporate governance

(i) 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 for the benefits of all the stakeholders, including shareholders, customers, business partners and employees, as well as for achieving sustainable environment and society. 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

(ii) 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 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.

The corporate governance system of the Company as of the filing date is described as follows.

Board of Directors

The Board of Directors consists of seven Directors (including four Outside Directors). It formulates the fundamental principle of management, a Medium-term Management Plan, and the basic business portfolio policy; constructs the internal control system; makes decisions on important managerial matters stipulated by laws and regulations, the Articles of Incorporation, company rules and regulations 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 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, 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.

Nomination and Remuneration Committee

The Company has established a voluntary Nomination and Remuneration Committee, the majority of which are Independent Directors, to ensure transparency and fairness in appointment/dismissal of Directors and Audit & Supervisory Board Members as well as CEO and Executive Officers, along with determination of remuneration.

Risk Management and Compliance Committee

The Company has set up the Risk Management and Compliance Committee, consisting of CEO, Executive Directors, Executive Officers, the Group’s key executives and Audit & Supervisory Board Members. The Risk Management and Compliance Committee reports matters that are particularly important in terms of risk management or compliance, and disseminates and approves countermeasures therefor.

Board of Executive Officers

The Company has set up the Board of Executive Officers, consisting of all Executive Officers. The Board of Executive Officers considers and deliberates matters to be submitted to the Board of Directors and important matters in business execution, and shares important information.

Sustainability Promotion Committee

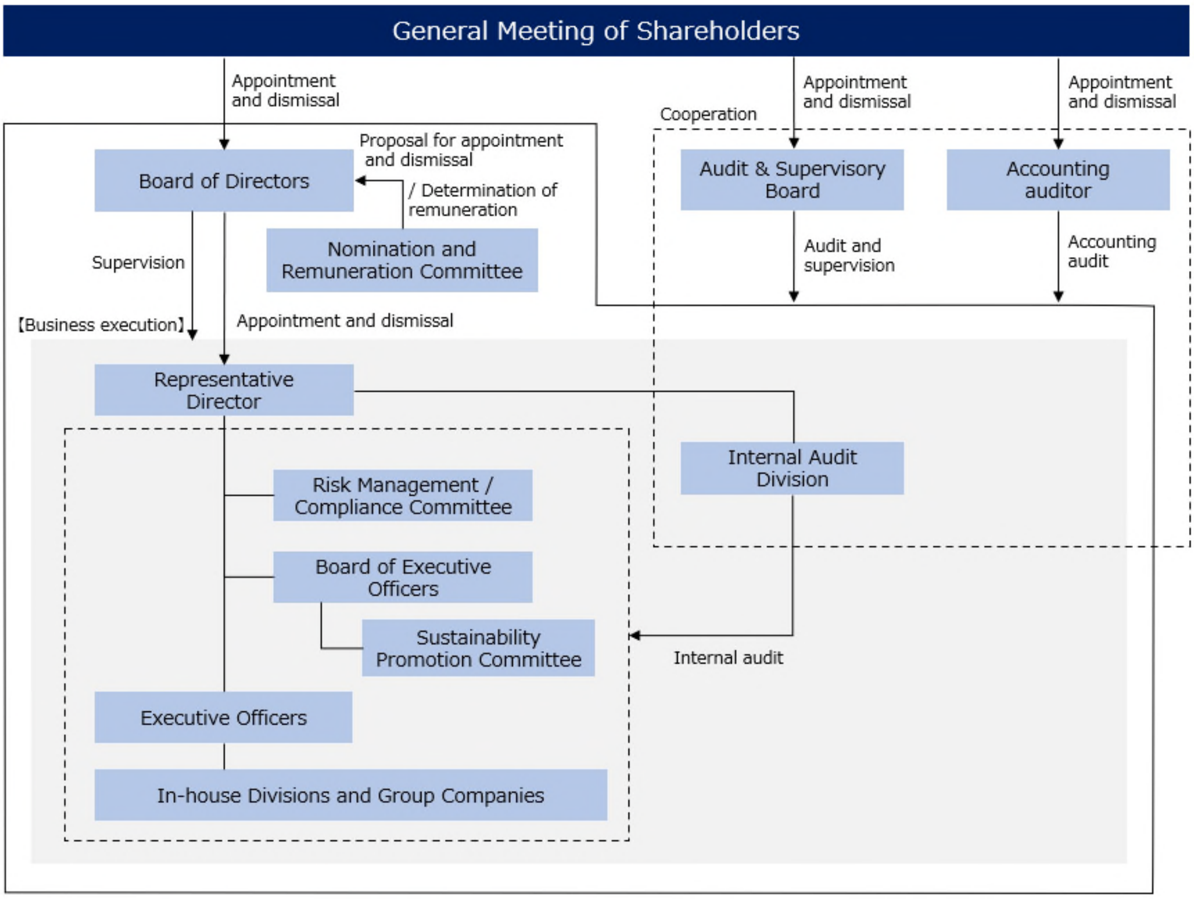
The Company has set up the Sustainability Promotion Committee, consisting of all Executive Officers, as a supplementary organization to the Board of Executive Officers. The Sustainability Promotion Committee promotes the Company's activities designed to enhance sustainability that incorporates the ideas of ESG and SDGs and makes regular reports to the Board of Directors so that it can ensure the supervision of such sustainability initiatives from the business management side.

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

C: Chairperson, M: Member and O: Observer

Position title	Name	Board of Directors	Audit & Supervisory Board	Nomination and Remuneration Committee	Risk Management and Compliance Committee	Board of Executive Officers	Sustainability Promotion Committee
CEO and Representative Director	Gordon Raison	C			C	C	M
Director	Shunsuke Sugiura	M		M	M	M	C
Director	Masahiro Minowa	M			M	M	M
Outside Director	Isao Minabe	M		M	O		
Outside Director	Toshihiko Oinuma	M		C	O		
Outside Director	Sachiko Murase	M			O		
Outside Director	Brian K. Heywood	M			O		
Outside Audit & Supervisory Board Member (Full-time)	Masato Makino	O	C		O	O	
Outside Audit & Supervisory Board Member	Kazuhiro Ishihara	O	M		O	O	
Outside Audit & Supervisory Board Member	Yoji Morizumi	O	M		O	O	
Executive Officer	Tim Walter				M	M	M
Executive Officer	Yasunobu Suzuki				M	M	M
Executive Officer	Yasushi Aihara				M	M	M

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



(iii) Other matters regarding corporate governance

(a) Internal control system

We have resolved at the Board Meeting the system for ensuring the appropriateness of the Roland Group’s business as follows:

1. The system to ensure that the execution of duties by the Directors of our group and employees conforms with laws, regulations and articles of incorporation

(1) “Roland Group Compliance Guidelines,” which is the basic guiding principle for observance of the compliance in our group is formulated and make it familiarized with everyone in the group aiming at overall observance of laws and regulations.

(2) Risk Management and Compliance Committee, consisting of our Executive Officers, Audit & Supervisory Board Members and our subsidiaries’ key executives is organized to encourage compliance across our group by drawing up compliance plan and identifying priority laws and regulations to be observed by our entire group.

A person in charge is also appointed to promote compliance in each region where our group operates. These persons draw up and implement a compliance promotion plan tailored to the actual circumstances of their respective regions, in accordance with the principles set forth by the Risk Management and Compliance Committee.

Through these efforts, we promote and encourage compliance across our group.

(3) A whistleblowing system is installed so that a suspicion regarding the violation of laws or regulations, or wrongdoing by the management or employees of the Company, or the actions which may lead to such conduct could be reported. At the same time, a global whistleblowing system is also installed so those employees of subsidiaries could report their managements’ suspicion to the Company about the violation of laws or regulations, or wrongdoing and so forth aiming at increasing the clean-itself-up function of the entire group.

(4) The Internal Audit Division of our company takes charge of the audit of the entire group of our company and reports to the Board and to the Board Audit & Supervisory Board Members every year on the plan and result of its internal audit so as to increase the effectiveness of the internal audit of the entire group of our company

through promoting collaboration between the Board of Directors and the Board Audit & Supervisory Board Members and the Internal Audit Division.

2. The system for the preservation and management of information related to the execution of duties by Directors
   (1) The information about the Directors' execution of their duties, including the minutes of the General Meeting of Shareholders and the Board Meetings et al. as well as the authorization memoranda, is made into documents and preserved and managed based on the laws and regulations as well as company rules and regulations such as the Document Management Regulations.
   (2) Directors and Audit & Supervisory Board Members of the Company may peruse such documents, in case where it is necessary for performance of their duties.
3. Regulations and other systems concerning the management of the risk of losses of the group
   (1) Appropriate management systems against various types of risk surrounding our group are organized by laying down the "Fundamental Regulations for Risk Management".
   (2) The Risk Management and Compliance Committee analyzes and assesses risk surrounding our group in terms of the probability of occurrence and the degree of influence, and sets forth principles for coping it. The Board of Directors regularly reviews material risk and conducts the risk management covering our entire group.
   (3) When emerging risk with the possibility of occurrence of losses has surfaced, it shall be reported to the Board of Executive Officers, consisting of Executive Officers, based on the reports from the Executive Officers and from our subsidiaries, verify the countermeasures, and make the measures for prevention of recurrence be known to everyone.
   (4) In an emergency, CEO forms the responding organization as the chief administrator in the crisis management system and grasps the situation and takes appropriate steps based on the business continuity plan prescribed in advance.
4. The system to ensure the efficient performance of duties of Directors of the Group
   (1) Our company adopts the Executive Officer system so that the number of Directors is kept small for the sake of improving the quality of discussion at the Board Meeting and quick decision making.
   (2) The Board holds a meeting on a monthly basis to discuss over the fundamental principles and strategies for the group management, to determine material businesses execution and to supervise the Directors' execution of their duties.
   (3) Group medium- and long-term business plan as well as annual plan are developed at the Board. Our company and its subsidiaries perform the businesses according to these plans, and review regularly the progress of implementation.
   (4) An Executive Officer for each business function is appointed to build the system which allows to manage and supervise the execution of businesses of the entire group including subsidiaries by each function, so that the group management is operated efficiently.
   (5) Authorization for approval of the matters concerning business transaction is stipulated in the "Regulations for Approval." In addition, from among the matters concerning subsidiaries, the matters which require approval of the Company are stipulated in the "Regulations for Management of Affiliates." Thus, the responsibility about the decision-making for the entire group will be specified and the performance of duties will become more efficient.
5. The system concerning the reports to the Company on the subsidiary Directors' execution of their duties
   (1) In the "Regulations for Management of Affiliates," the matters that shall be reported to the Company are specified. Namely, the subsidiary operation, including business results and financial status of subsidiaries, and the matters which may affect the group, such as the occurrence of risk, as the matters on which reports should be made by the subsidiaries to the relevant division of the Company, and the regulation shall be thoroughly known to everyone in the group.
   (2) The Corporate Planning division of the Company supervises to confirm whether the reports from subsidiaries are made in an accurate and appropriate manner and continues improvement of the reporting system and giving instructions about it.
6. The system to guarantee the effectiveness of the audit by Audit & Supervisory Board Members
   (1) Audit & Supervisory Board Members may instruct the personnel of the Internal Audit Division of the Company to assist in the auditing business as an assistant to his/her business.
   (2) Personnel assessment, appointment, and personnel change of the personnel of the Internal Audit Division shall be subject to the agreement by Audit & Supervisory Board Members, to ensure the independence from Directors.
   (3) When a member of the personnel of the Internal Audit Division assists Audit & Supervisory Board Members in performing duties, he/she will exclusively obey Audit & Supervisory Board Members' instructions and command.

(4) Audit & Supervisory Board Members may at any time as required request Directors or employees of the Company or its subsidiaries to report to him/her.
(5) In case any actions which are (or may possibly be) in violation of laws, regulations or articles of incorporation, or facts which may possibly cause the Group significant losses, a report to Audit & Supervisory Board Members must be made immediately.
(6) If a report is made through the whistleblowing system, the fact of a report has been made and its contents will be reported to Audit & Supervisory Board Members.
(7) The Company arranges to guarantee those who reported to Audit & Supervisory Board Members or used the whistleblowing system will be treated or handled properly.
(8) The necessary expenses to perform duties of Audit & Supervisory Board Members shall be budgeted in advance and non-budgeted expenses arising from unexpected events are covered by the Company.
(9) Audit & Supervisory Board Members may attend the important, internal meetings and express his/her opinion.
(10) Audit & Supervisory Board Members shall hold meetings regularly, or as required, with CEO to exchange insights and so forth concerning important subjects in connection to auditing.
(11) Audit & Supervisory Board Members shall hold meetings regularly with the accounting auditor to exchange insights and so forth concerning matters related to accounting.

(b) Agreements for limiting responsibilities

Based on the provisions of the Articles of Incorporation and Article 427 of the Company Law, we have concluded with all the Directors (excluding Executive Directors) and Audit & Supervisory Board Members the agreement that, concerning the responsibility for damages stipulated in Article 423-1 of the Company Law, if they perform duties in good faith and there are no gross negligence, the maximum compensation for the damage shall be the minimum liability provided for by the laws.

(c) Directors and officers liability insurance

The Company has purchased directors and officers liability insurance (D&O insurance) for all Directors, Audit & Supervisory Board Members, Executive Officers, and other employees in capacity of heir, manager or supervisor of the Company and its subsidiaries in Japan and overseas as the insured. The insurance premiums including riders are borne by the Company in full and no substantial insurance premiums are borne by the insured.

The insurance policies shall cover liabilities of Directors and Officers arising in the performance of their duties and damage claims received pertaining to the pursuit of said liability. However, there are certain exclusions, such as no coverage for liabilities arising from misconducts taken with the knowledge that they were in violation of laws and regulations.

(d) Number of Directors

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

(e) Requirements for resolution for election of Directors

The Company’s Articles of Incorporation stipulate that resolution for election of Directors shall be made by a majority of the votes of the shareholders present at a General Meeting of Shareholders, where the shareholders who hold no less than one-third of the voting rights of shareholders who are entitled to exercise their voting rights and shall not be by cumulative voting.

(f) 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, paragraph 5 of the Companies Act to execute the dividend policy in a timely manner.

(g) 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, paragraph 2 of the Companies Act to ensure timely execution of the capital policy in response to changes in business environment.

(h) 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 a General Meeting of Shareholders, the resolutions prescribed in Article 309, paragraph 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

(i) List of Directors and other Officers

1. The status of Directors and other Officers of the Company as of March 8, 2023 (the filing date of this Annual Securities Report) are as follows:

Male: 9, Female: 1 (Ratio of female Directors and other Officers: 10.0%)

Position title	Name	Date of birth	Career summary	Term of office	Number of the Company's shares held (Thousands of shares)
CEO and Representative Director	Gordon Raison	September 19, 1965	Oct. 1995 Joined Digital Equipment Corporation Business Transformation Manager Jul. 1998 European Finance Director, Tektronix Corporation (currently Xerox Corporation) Jun. 1999 European Finance Director - General Market Operations, Xerox UK Ltd. Feb. 2001 CFO, UK and Ireland, Xerox UK Ltd. Oct. 2005 Managing Director and Executive Officer, Europe, Fender Musical Instruments Europe Ltd. Sep. 2013 Joined Roland (U.K.) Limited Feb. 2014 CEO, Roland Europe Group Limited Apr. 2015 Senior Executive Officer, Roland Corporation Mar. 2017 CEO of Overseas Unit Jan. 2018 Chief Sales Officer Aug. 2019 Chief Marketing Officer Mar. 2020 Director Mar. 2022 CEO and Representative Director (current position)	Note 3	—
Director, CFO Senior Executive Officer	Shunsuke Sugiura	August 10, 1963	Apr. 1988 Joined The Daiwa Bank, Limited (currently Resona Bank, Limited) Oct. 2001 Joined ARRK CORPORATION Oct. 2006 Joined COSMONET CO., LTD. Jul. 2007 Joined Roland Corporation Apr. 2009 General Manager, Finance & Accounting Dept. Jul. 2013 Executive Officer (in charge of accounting division) Jan. 2018 Executive Officer, CFO Jul. Senior Executive Officer, CFO (current position) Mar. 2022 Director, CFO (current position)	Note 3	29
Director, CIO Executive Officer	Masahiro Minowa	December 21, 1972	Apr. 1996 Joined Roland Corporation Jan. 2016 General Manager, RPG Company Planning Dept. Sep. 2017 Executive Officer, RPG Company President Jan. 2018 Executive Officer, RPG Development Dept. Mar. 2022 Director, CIO (current position)	Note 3	0

Position title	Name	Date of birth	Career summary		Term of office	Number of the Company's shares held (Thousands of shares)
Director (Part time)	Isao Minabe	May 19, 1952	Apr. 1984	Joined Daito Construction Co., Ltd. (currently Daito Trust Construction Co., Ltd.)	Note 3	10
			Jun. 1989	Director and Chief General Manager of Tenant Search Dept.		
			Apr. 1997	Managing Director, Chief General Manager of Administration Management Dept. and General Manager of Business Division		
			Apr. 2000	Senior Managing Director, General Manager of Business Division		
			Apr. 2004	President and Representative Director, Daito Building Management Co., Ltd.		
			Apr. 2006	President and Representative Director, Gaspal Kyushu Corporation (currently Gaspal Corporation)		
			Apr. 2007	Managing Director, Daito Trust Construction Co, Ltd., General Manager, East Japan Sales Division		
			Oct.	President and Representative Director Daito Trust Construction Co, Ltd.		
			Apr. 2009	Chairman and Director, Gaspal Corporation		
			Oct. 2010	President and Representative Director, Daito Finance Co., Ltd.		
			Apr. 2012	President, Executive Officer and Representative Director, Daito Trust Construction Co., Ltd.		
			Aug. 2013	Established Office 3 as a principal (current position)		
			Nov. 2014	Outside Director, Roland Corporation (current position)		
			Sep. 2016	Representative Director, Institute of N-WOOD Kokusan Mokuzai/Kankyo Katsuyo Jutaku Ryutsu Organization (current position)		
			Jul. 2019	Outside Director, SHiDAX Corporation		
			Jan. 2022	President and Representative Director, N-WOOD Sourin Co., Ltd. (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.	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. (currently Maxell, Ltd.) (current position)		
			Mar. 2021	Outside Director, Roland Corporation (current position)		

Position title	Name	Date of birth	Career summary	Term of office	Number of the Company’s shares held (Thousands of shares)
Director (Part time)	Brian K. Heywood	January 9, 1967	Sep. 1991 Joined J.D. Power and Associates Aug. 1997 Director, Belron International Aug. 1999 Vice President, Citibank Japan Ltd. Jan. 2001 CEO, Taiyo Pacific Partners, L.P. (current position) Dec. 2009 Outside Director, Ohizumi Mfg. Co., Ltd. Nov. 2011 Part-time Director, SEIRYU Asset Management Ltd. Apr. 2014 Director, Tokowaka Co., Ltd. Nov. Outside Director, Roland Corporation Mar. 2020 Outside Director, Roland DG Corporation (current position) Jun. Independent Outside Director, Nifco Inc. (current position) Outside Director, Maxell Holdings, Ltd. (currently Maxell, Ltd.) Mar. 2022 Outside Director, Roland Corporation (current position)	Note 3	–
Audit & Supervisory Board Member (Full time)	Masato Makino	June 9, 1961	Apr. 1984 Joined The Daiwa Bank, Limited (currently Resona Bank, Limited) 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. Outside Audit & Supervisory Board Member, Roland Corporation (current position) Mar. 2015 Outside Director, Osaka Hilton Co., Ltd. Jun. Outside Audit & Supervisory Board Member, ICHINEN HOLDINGS CO., LTD. (current position)	Note 4	–
Audit & Supervisory Board Member (Part time)	Kazuhiro Ishihara	April 18, 1949	Apr.1973 Joined the Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.) Feb. 2002 Manager of Corporate Banking Division, The Bank of Tokyo-Mitsubishi, Ltd. (currently MUFG Bank, Ltd.) Sep. 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)	Note 4	—
Audit & Supervisory Board Member (Part time)	Yoji Morizumi	May 18, 1975	Oct. 1999 Joined Showa Ota & Co. (currently Ernst & Young ShinNihon LLC) Apr. 2003 Registered as a certified public accountant Jan. 2016 Established Morizumi Yoji Certified Public Accountant Office as Principal (current position) Jan. 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)	Note 4	–
Total					39

Notes
1. Directors Isao Minabe, Toshihiko Oinuma, Sachiko Murase and Brian K. Heywood 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, 2022.
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 Jul. 1999 Apr. 2009 Feb. 2015 Aug. 2016 Apr. 2018	Joined Ricoh Company, Ltd. Joined Shizuoka Pioneer Corporation Joined Roland Corporation Manager of Purchasing Department, Roland Corporation Director, Roland Manufacturing Malaysia Sdn, Bhd. Head of Internal Audit Division, Roland corporation (current position)	0

2. The Company has made a proposal of "Election of Seven Directors" and "Election of One Audit & Supervisory Board Member" as proposals to be resolved at the Ordinary General Meeting of Shareholders to be held on March 29, 2023.
   If these proposals are approved, four incumbent Directors will be reappointed and three new Directors will be newly appointed, and the members of the Board of Directors and the Audit & Supervisory Board will be as follows. The position title and career summary of each member includes the details of the proposal to be resolved at the Board of Directors and the Audit & Supervisory Board to be held immediately after the 51st Ordinary General Meeting of Shareholders.
   Male: 11, Female: - (Ratio of female Directors and other Officers: – %)

Position title	Name	Term of office	Type of appointment
Representative Director, CEO	Gordon Raison	Note 3	Reappointment
Director, CIO and Executive Officer	Masahiro Minowa	Note 3	Reappointment
Director, CPO and Executive Officer	Yasunobu Suzuki	Note 3	New appointment
Director (Part-time)	Toshihiko Oinuma	Note 3	Reappointment
Director (Part-time)	Brian K. Heywood	Note 3	Reappointment
Director (Part-time)	Mikio Katayama	Note 3	New appointment
Director (Part-time)	Hiroshi Yamamoto	Note 3	New appointment
Audit & Supervisory Board Member (Full-time)	Masato Makino	Note 4	–
Audit & Supervisory Board Member (Full-time)	Yoshito Imaishi	Note 5	New appointment
Audit & Supervisory Board Member (Part-time)	Kazuhiro Ishihara	Note 4	–
Audit & Supervisory Board Member (Part-time)	Yoji Morizumi	Note 4	–

Notes
1. Directors Toshihiko Oinuma, Brian K. Heywood, Mikio Katayama and Hiroshi Yamamoto are Outside Directors.
2. Audit & Supervisory Board Members Masato Makino, Yoshito Imaishi, 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 29, 2023.
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 term of office of the Audit & Supervisory Board Member shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year ending within four years after the Ordinary General Meeting of Shareholders held on March 29, 2023.

6. The career summary and other information of Yasunobu Suzuki, Mikio Katayama and Hiroshi Yamamoto are as follows.

Title	Name	Date of birth	Career summary		Number of the Company's shares held (Thousands of shares)
Director, CPO Executive Officer	Yasunobu Suzuki	January 18, 1966	Apr. 1988	Joined Roland Corporation	30
			Apr. 2006	General Manager, Piano Development Dept.	
			Aug. 2014	Executive Officer, Development Division	
			Jul. 2019	Executive Officer, Production Division	
			Mar. 2022	Executive Officer, CPO (current position)	
Director (Part time)	Mikio Katayama	December 12, 1957	Apr. 1981	Joined Sharp Corporation	–
			Apr. 2006	Representative Director and Senior Managing Director	
			Apr. 2007	President and Representative Director	
			Apr. 2012	Chairman of the Board of Directors	
			Sep. 2014	Joined Nidec Corporation	
			Oct.	Vice Chairman and Chief Technology Officer (CTO)	
			Jun. 2015	Representative Director, Vice Chairman and Chief Technology Officer (CTO)	
			Jun. 2020	Vice President and Chief Technology Officer (CTO)	
			Oct. 2021	Special Adviser	
			Apr. 2022	Research Advisor, Institute of Industrial Science, University of Tokyo (current position) President and CEO, Kconcept Corporation (current position)	
			Sep.	Advisor, Yoshimoto Integrated Fund Co., Ltd. (current position)	
Director (Part time)	Hiroshi Yamamoto	March 30, 1958	Apr. 1982	Joined Hitachi Industry Corporation (currently Hitachi, Ltd.)	–
			Oct. 1988	Joined IBM Japan Ltd.	
			Apr. 2008	Technical Director	
			Oct. 2013	Global Electronics Industry CTO	
			Jul. 2018	Joined Toshiba Corporation, Corporate Digitization CTO	
			Apr. 2019	Managing Executive Officer, VP of Digital Innovation Technology Center	
			Sep. 2022	Joined NEC Corporation, Managing Executive & Chief Architect in the Digital Platform Business Unit (current position)	

7. The career summary and other information of Yoshito Imaishi are as follows.

Title	Name	Date of birth	Career summary		Number of the Company's shares held (Thousands of shares)
Audit & Supervisory Board Member (Full time)	Yoshito Imaishi	August 3, 1963	Apr. 1986	Joined Tabai ESPEC Corporation (currently ESPEC Corporation)	–
			Apr. 2007	General Manager, Finance and Accounting Department	
			Jun. 2018	Full-time Auditor	
			Jun. 2020	Joined Nipron Co., Ltd., General Manager, Corporate Planning Department	
			Sep.	Deputy Head of Administration Division and General Manager of Corporate Planning Department	
			Apr. 2021	Executive Officer, Head of Administration Division and General Manager of Corporate Planning Department	
			Apr. 2022	Executive Officer, Head of Administration Division	

(ii) Outside Directors and Audit & Supervisory Board Members

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 following during the past one year. This, however, applies only when such person is a spouse or relative of an "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 common 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 the Group's 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 the Group's 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 of which our payment to such person or entity 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 following depending on the provision of services by such consultant, etc. to the Company.
   (i) In the case that the consultant is an individual, a "large amount" is defined if the consideration received from the Company exceeds ¥10 million annually in the most recent fiscal year.
   (ii) In the case that the consultant belongs to an organization such as corporation and partnership, and the organization provides service to the Company, a "large amount" is defined if the consideration the organization received from the Company in the most recent fiscal year exceeds ¥10 million annually and 2% of the 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 has four Outside Directors and three Outside Audit & Supervisory Board Member as of March 8, 2023 (the filing date of Annual Securities Report). The reason for election of the incumbent Outside Directors and Outside Audit & Supervisory Board Members and their relationship with the Company 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. Accordingly, the Company has appointed him as Outside Director based on the expectation that he will supervise its business operations from an objective and independent standpoint of view. He owns 10,000 shares of the Company; however, the Company has no other personal, capital or material business relationships or any other conflicts of interests with him.

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. He has served as Outside Director since March 2020 and provided supervision and advice based on his expertise and wealth of experience as an attorney-at-law. The Company has appointed him as Outside Director based on the expectation that he will play his proper role of ensuring appropriateness and fairness of the Board's decision making. He previously served as Outside Audit & Supervisory Board Member of the Company for four years, however, the Company has no other personal, capital or material business relationships or any other conflicts of interests with him.

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 an outside director and audit & supervisory board member of other listed companies. She has served as Outside Director since March 2021 and provided supervision and advice based on her expertise and wealth of experience as an attorney-at-law to ensure appropriateness and fairness of the Board's decision making and to enhance corporate value of the Company. The Company has appointed her as Outside Director based on the expectation that she will continue to contribute to reinforcing the supervisory function of the business execution. The Company has no personal, capital or material business relationships or any other conflicts of interests with her.

Brian K. Heywood, Outside Director
He has a wealth of knowledge and experience as an expert in corporate management and global investment. During the period when he served as Outside Director of the Company for over six years from November 2014, he contributed to growing the Company and enhancing its corporate value by helping the Board make decisions on major management directions and swift and bold execution as well as providing highly effective supervision based on his abundant experience and insight as a corporate manager. Accordingly, the Company has appointed him as Outside Director based on the expectation that he will provide supervision and advice on the Company's management by experience and insight. He concurrently serves as CEO of Taiyo Pacific Partners, L.P., which indirectly and wholly owns and controls Taiyo Jupiter Holdings GP Ltd. which has authority to act on behalf of Taiyo Jupiter Holdings, L.P., our largest shareholder. 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 personal, capital or material business relationships or any other conflicts of interests with him, either.

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 rendered appropriate advice to enhance the Company's corporate value by utilizing his insight from an objective standpoint. The Company has appointed him based on the expectation that he will provide effective auditing and supervisory functions. The Company has no personal, capital or material business relationships or any other conflicts of interests with him.

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 the expectation that he will provide effective auditing and supervisory functions. The Company has no personal, capital or material business relationships or any other conflicts of interests with him.

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 audit and supervision 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 the expectation that he will provide effective auditing and supervisory functions. The Company has no personal, capital or material business relationships or any other conflicts of interests with him.

Note that the Company has made proposals of “Election of Seven Directors” and “Election of One Audit & Supervisory Board Member” to be resolved at the Ordinary General Meeting of Shareholders to be held on March 29, 2023. The following are the reason for appointment of Outside Directors who will assume their office if the proposals are approved and their relationship with the Company.

Mikio Katayama, Outside Director

He has served as president and chairman of several listed companies and has a broad insight and an outstanding track record in general corporate management, technology and product development. Based on these achievements, the Company has determined that he could provide appropriate supervision and advice on corporate management as Outside Director of the Company. The Company has no personal, capital, material business or other conflicts of interest with him.

Hiroshi Yamamoto, Outside Director

He has held important positions at multiple operating companies, mainly in the information technology field, and has a broad insight and an outstanding track record in technology development. Based on these achievements, the Company has determined that he could provide appropriate supervision and advice on corporate management as Outside Director of the Company. The Company has no personal, capital, material business or other conflicts of interest with him.

Yoshito Imaishi, Outside Audit & Supervisory Board Member

He has experience in overseeing corporate accounting as general manager at a listed company and auditing the business execution of directors at administration division. The Company has appointed him based on a judgment that he could provide appropriate auditing and supervisory functions as Outside Audit & Supervisory Board Member of the Company through his abundant experience and insight. The Company has no personal, capital, material business or other conflicts of interest with him.

(iii) 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 Audit 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 utilization 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

(i) 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 the three Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members. Employees belonging to the Internal Audit Division in charge of internal audit (five employees as of December 31, 2022) 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 consideration the importance, timeliness and other necessary factors and prepares audit plans by selecting the scope of audit properly and how and when to conduct the audit, while keeping in mind that 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 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 auditors 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, in addition to attending important meetings other than the Board of Directors meetings.

During the fiscal year ended December 31, 2022, the Audit & Supervisory Board prepared audit documentation individually for eight audits on the effectiveness and the operation of the internal control system, two on the parent company’s improvement of corporate governance on the corporate group, three on the legal compliance, one on the monitoring of meetings, 10 on accounting audits, and 12 times and 119 documents on monthly review of CEO approval forms.

Each Audit & Supervisory Board Member records the results of audits he conducted in audit documentation and reports the status of execution of his 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 Board of Directors and Representative Director, if deemed necessary, they would 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, 2022, 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	13	13
Part-time Outside Audit & Supervisory Board Member	Yoji Morizumi	13	13

Major matters reviewed by the Audit & Supervisory Board include nine 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, establishment of and revision to the rules on the Audit & Supervisory Board or Audit & Supervisory Board Members, reappointment/non-reappointment of the accounting auditor, consent to remuneration for the accounting auditor; one matter deliberated on preparation of audit reports; six matters consulted about audit plans, remuneration for Audit & Supervisory Board Members, matters on the Board of Directors, and the selection of new candidates for Audit & Supervisory Board Member; and 10 matters reported such as the results of audits by each Audit & Supervisory Board Member.

(ii) Internal audit

The Company has set up the Internal Audit Division (consisting of five members as of December 31, 2022) 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. To achieve such purpose, the Internal Audit Division conducts audits systematically in accordance with the Internal Audit Regulations established by the Company.

(iii) 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 Internal Audit Division conduct audits in cooperation with each other. Audit & Supervisory Board Members and the Internal 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 Internal 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 Internal 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.

(iv) Accounting audits

(a) Name of audit firm
Grant Thornton Taiyo LLC

(b) Years of continuous auditing
6 years

(c) Certified public accountants who executed the audit duties
Kenji Furuta
Tomohiro Norioka

(d) Composition of assistants of audit engagement
13 certified public accountants, 10 persons who have passed the Certified Public Accountant Examination and 13 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 accounting auditor will be dismissed upon the consent of all the Audit & Supervisory Board Members.
b. The Audit & Supervisory Board deliberates whether to reappoint the accounting auditor or not 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 the accounting auditor or not based on the results of such evaluation.

(v) Details of audit fees, etc.

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

(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	56	–	60	–
Consolidated subsidiaries	–	–	–	–
Total	56	–	60	–

(b) Audit fees paid to the same network (Grant Thornton member firms) to which certified public accountants 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	–	–	–	55
Consolidated subsidiaries	65	6	107	5
Total	65	6	107	60

Notes: 1. Fees for non-audit services for the reporting company were those for due diligence related to M&A, Advisory other services.
2. Fees for non-audit services for the consolidated subsidiaries in the previous fiscal years ended December 31, 2021 and 2022 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

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

The Company's Board of Directors resolved at its meeting held on October 21, 2020 that the Company would establish the Rules for Nomination and Remuneration Committee in order to ensure the transparency and fairness of appointment of the Company's Directors and other Officers and that the Company would set up the Nomination and Remuneration 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 ended December 31, 2021 (the 50th fiscal year), the amount of remuneration for Directors and Executive Officers would 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.

Remuneration for Audit & Supervisory Board members is determined through consultation 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 (basic compensation) based on their individual experience, expertise and role and so forth.

The Company has established the policy on determination of the amount of remuneration for Directors or the calculation method thereof. The following details are 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 mid- and 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 be attractive to retain, reward and encourage diversified 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.

The policy stipulates the remunerations for Executive Directors is composed of fixed compensation (basic compensation), consolidated performance-based bonus, and stock compensation in a ratio of approximately 5:3:2 to further clarifies a linkage of the Company's business performance and corporate value with the remunerations for Executive Directors.

The policy also stipulates the remunerations for Outside Directors is composed of fixed compensation (basic compensation) and fixed-type stock compensation in a ratio of approximately 8:2. The Company will increase stability of the remunerations of Outside Directors so that they can properly perform their management supervising functions.

Based on the results of the executive compensation survey conducted by an external specialized agency, the Nomination and Remuneration Committee deliberates these standards and consults them to the Board of Directors, considering the level of companies in the same industry and business scale as the Company.

* Remuneration structure by position and standard total amount of remuneration

Title	Standard total amount of remuneration per person	Number of recipients	Remuneration structure		
CEO and Representative Director	¥77.5 million (Note 1)	1	Fixed compensation: 50%	Short-term performance-based compensation: 33.3%	Mid- and long-term performance-based compensation: 16.7%
Inside Directors	¥31.5 to ¥66.5 million (Note 2)	2	Fixed compensation: 50%	Short-term performance-based compensation: 33.3%	Mid- and long-term performance-based compensation: 16.7%
Outside Directors	¥11.5 million	3	Fixed compensation: 83.3%		Fixed-type stock compensation: 16.7%
Audit & Supervisory Board Members	–	3	Fixed compensation: 100%		

Notes 1. The standard total amount of remuneration has been changed to ¥99.2 million since the current recipient is a foreign national. (The Board of Directors determined the revised amount after deliberation and report by the Nomination and Remuneration Committee, taking into consideration survey results by an external specialized agency.)

2. The Nomination and Remuneration Committee evaluates each Director's ability to execute his duties and his expected values and determines the amount of remuneration (in the range between ¥31.5 million and ¥66.5 million) according to the position. The aggregate of the standard total amount of remuneration for the current recipients is ¥98 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.

In those cases when the Company’s performance declines considerably or the Company should hold accountable socially, the Board of Directors may resolve at its meeting (for remuneration for Audit & Supervisory Board members, through consultation by Audit & Supervisory Board members) to take ad hoc emergency measures such as reducing the amount of remuneration or partially cutting remuneration.

(ii) Delegation of determination of remuneration for each Director

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 allocation of remuneration is determined by resolution of the Nomination and Remuneration Committee with a majority of independent Outside Directors, which was established to improve transparency in nominating Directors and deciding their remuneration and the supervising function. The remuneration of Directors for the current fiscal year was determined by resolution of the Nomination and Remuneration Committee held on February 9, 2021 (the members of the Committee as of the date were Junichi Miki, CEO and Representative Director at the time of the resolution, and Isao Minabe, Kazuaki Tsutsumi and Toshihiko Oinuma, Outside Directors at the time of the resolution) and on February 18, 2022 (the members of the Committee as of the date were Junichi Miki, CEO and Representative Director at the time of the resolution, and Isao Minabe, Kazuaki Tsutsumi, Toshihiko Oinuma and Sachiko Murase, Outside Directors at the time of the resolution), respectively. The Committee met eight times during the fiscal year under review.

Remuneration for Audit & Supervisory Board members is composed of fixed compensation based on their individual experience, expertise and role and so forth. It is determined to the extent of the total amount of remuneration resolved at the General Meeting of Shareholders through consultation by Audit & Supervisory Board members. Also, the Board of Directors has confirmed that the method of determining the contents and the decided details of the remuneration for each Director for the fiscal year ended December 31, 2022 are consistent with the decision policy and that the reports by the Nomination and Remuneration Committee are esteemed. Therefore, the remuneration is judged to be in line with the decision policy.

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

Position	Total amount of consolidated remuneration (million yen)	Total amount for each class of remuneration by (million yen)				Number of recipients (persons)
		Basic compensation	Performance-based compensation		Non-monetary compensation	
			Bonus	Performance-based stock compensation	Fixed-type stock compensation	
Director	196	124	43	23	4	7
[of which Outside Director]	(33)	(28)	(–)	(–)	(4)	(3)
Audit & Supervisory Board Member	30	30	–	–	–	3
[of which Outside Audit & Supervisory Board Member]	(30)	(30)	–	–	–	(3)
Total	227	155	43	23	4	10
[of which Outside Officer]	(63)	(59)	(–)	(–)	(4)	(6)

Notes:
1. Two Directors out of the nine 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 (basic compensation and bonus) was resolved to be limited to ¥500 million per year, (excluding the portion of salaries as employees for Directors concurrently serving as employees) at the Extraordinary General Meeting of Shareholders held on September 14, 2020. The number of Directors as of the close of the General Meeting of Shareholders is six, including four Outside Directors.
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. The number of Audit & Supervisory Board Members as of the close of the General Meeting of Shareholders is three, all of which are outside Audit & Supervisory Board Members.
4. Bonuses include ¥34 million of provision for bonuses for Directors and other officers for the current fiscal year.
5. The Ordinary General Meeting of Shareholders held on March 30, 2022 resolved to introduce a new stock compensation plan in place of the Board Benefit Trust-type compensation. This plan includes two compensations: performance-based stock compensation to be granted to Directors other than Outside Directors, and Executive Officers (entrustment type) subsequently subject to the achievement of performance targets (performance share unit), and a fixed-type stock compensation to be granted to Outside Directors subsequently subject to continuous engagement (restricted stock unit). The meeting also resolved that the upper limit of number of shares to be delivered to applicable Directors and Executive Officers (entrustment type) is 40,000 shares per business year (the maximum amount of monetary remuneration claims to be granted is 40,000 shares multiplied by the share price at the time of delivery, which is separated from the total amount of remuneration for Directors (monetary compensation) as described in Note 2 above). The number of Directors eligible for the plan as of the close of the General Meeting of Shareholders is six, including three Outside Directors.
6. The amount of performance-based stock compensation and fixed-type stock compensation is the amount of expenses for such compensation recorded for the current fiscal year.
7. Performance-based compensation is categorized as both performance-based compensation and non-monetary compensation though, it is presented as performance-based compensation.

(iv) Total amount of consolidated remuneration by Director/Officer

This information is omitted because no one received ¥100 million or more of consolidated remuneration in total.

(v) Performance-based compensation

The Company has adopted consolidated performance-based bonuses and the stock 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 mid- and long-term business performance and corporate value.

The Ordinary General Meeting of Shareholders held on March 30, 2022 resolved to introduce a new stock compensation plan in place of the current Board Benefit Trust system, to grant stock compensation to Directors, etc. subsequently subject to the achievement of performance targets (performance share unit; the "PSU"), as well as to grant stock compensation to Outside Directors subsequently subject to continuous engagement (restricted stock unit; the "RSU").

Performance-based compensation for the Company's Directors (excluding Outside Directors) set consolidated operating profit and consolidated ROIC as indicators and is decided based on its comprehensive review of factors such as the contribution to the Company's business performance.

Consolidated operating profit as the indicator of performance-based bonus was ¥10,751 million for the fiscal year ended December 31, 2022, which was 92.7% of the originally budgeted consolidated operating profit (original budget of ¥11.6 billion).

As for the stock compensation, the consolidated ROIC of 15% or higher is an indicator of performance-based compensation in the current Medium-term Management Plan for Fiscal 2020 through 2022, and was 18.7% in the fiscal year ended December 2022, achieving the target, following the achievement of 22.1% in the fiscal year ended December 2020, and 30.7% in the fiscal year ended December 2021.

The following details performance-based compensation consisting of short-term performance-based compensation and mid- and 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. However, the Nomination and Remuneration Committee would decide after considering those losses that improve corporate value, as long as dividends are paid. 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 expected consolidated operating profit (*) / Expected consolidated operating profit (subject to review for each fiscal period)
  (*) Standard amount of short-term performance-based compensation calculated based on the aforementioned compensation structure by position and standard total amount of remuneration

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

Percentage of achievement of the expected 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) Mid- and long-term performance-based compensation (stock compensation)

A mid- and long-term performance-based compensation plan (a performance-based stock compensation plan, with PSU and RSU, hereinafter, the "Plan") is based on the consolidated ROIC (Return On Invested Capital)* as the performance indicator to clarify a linkage between remuneration for Directors and the Company's business performance and shareholder value and to raise awareness of contributing to improving the Company's mid- and 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, units are granted based on the 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 units granted for the Target Period is determined by calculating the number of units 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 units are granted based only on their positions without reference to the degree of achievement of the performance target). If the eligible Directors satisfy the requirements set forth in the Rules on Stock Compensation owing to their retirement (at the end of the Target Period for non-residents of Japan), the Company grants monetary remuneration claims for receiving the Company’s common stocks to Directors and Executive Officers based on the accumulated number of units granted in each Target Period. Then they are provided the shares of the Company and an amount equivalent to the market price thereof in exchange for an in-kind contribution of the monetary remuneration claims provided to them by the Company.

The initial Target Period after the introduction of the Plan is for four fiscal years since it is from the fiscal year ended December 31, 2022, the final fiscal year of the current Medium-term Management Plan, to the final fiscal year of the next Medium-term Management Plan ending December 31, 2025.

The number of the Company’s shares to be delivered to Directors (including shares to be delivered in cash) is one share per unit. Fractions less than one unit shall be rounded down. However, in case if the number of the Company’s shares 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 unit in proportion to the rate of increase or decrease.

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

- Directors excluding Outside Directors (performance-based stock compensation)

<Number of units granted for each fiscal year>

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

(a) Number of standard compensation units

The number of standard compensation units is calculated by dividing the amount of the standard amount of mid- and 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 2022 on the Prime Market of the Tokyo Stock Exchange.

(b) Number of months in office

In calculation of the months in office, it is counted as one month when the Director’s term of office exceeds 15 days, term of less than 14 days is not counted as 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 units granted based on the degree of achievement of the performance target for the last fiscal year for the Target Period>

The current Medium term Management Plan 2020-2022 targets achievement of 15% or more of the consolidated ROIC. The number of units to be granted is determined as follows based on the degree of achievement of the consolidated ROIC for the last fiscal year for the Target Period. However, that the number of units granted during the Target Period shall not exceed the number calculated by multiplying the number of standard compensation units by the number of years based on the Target Period.

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

- Outside Directors (fixed-type stock compensation)

<Number of units granted for each fiscal year>

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

(a) Number of standard compensation units

The number of standard compensation units 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 2022 on the Prime Market of the Tokyo Stock Exchange.

(b) Number of months in office

In calculation of the months in office, it is counted as one month when the Director's term of office exceeds 15 days, term of less than 14 days is not counted as months in office.

(5) Shareholdings

(i) 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.

(ii) 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 Approval Regulations. 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	164
Shares other than unlisted shares	–	–

Issues whose number of shares increased during the fiscal year ended December 31, 2022

Not applicable.

Issues whose number of shares decreased during the fiscal year ended December 31, 2022

Not applicable.

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

Not applicable.

(iii) 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	355	1	476

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	14	–	302

(iv) Investment shares reclassified from held for pure investment to held for purposes other than pure investment during the fiscal year ended December 31, 2022

Not applicable.

(v) Investment shares reclassified from held for purposes other than pure investment to held for pure investment during the fiscal year ended December 31, 2022

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" (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter the "Ordinance on Financial Statements")
   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.

2. Audit Certificate
   The Company's consolidated and non-consolidated financial statements for the fiscal year from January 1, 2022 to December 31, 2022 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. 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**

(i) **Consolidated Balance Sheets**

(Millions of yen)

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

(Millions of yen)

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

(ii) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Net sales	80,032	※1 95,840
Cost of sales	*3 43,895	※3 56,484
Gross profit	36,137	39,356
Selling, general and administrative expenses	※2,※4 25,043	※2,※4 28,605
Operating profit	11,093	10,751
Non-operating income:		
Interest income	15	12
Dividend income	86	93
Subsidy income	51	122
Other	18	8
Total non-operating income	172	236
Non-operating expenses:		
Interest expenses	25	71
Sales discounts	770	–
Foreign exchange losses	259	652
Other	107	13
Total non-operating expenses	1,163	737
Ordinary profit	10,102	10,250
Extraordinary income:		
Gain on sales of non-current assets	*6 375	*6 48
Gain on liquidation of subsidiaries	–	*5 246
Total extraordinary income	375	294
Extraordinary losses:		
Loss on sales and retirement of non-current assets	*7 16	*7 15
Impairment loss	*8 72	–
Loss on competition law	149	–
Total extraordinary losses	239	15
Profit before income taxes	10,239	10,529
Income taxes - current	2,130	1,992
Income taxes - deferred	(479)	(417)
Total income taxes	1,650	1,575
Profit	8,588	8,954
Profit attributable to non-controlling interests	2	16
Profit attributable to owners of parent	8,586	8,938

Consolidated Statements of Comprehensive Income

(Millions of yen)

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

(iii) Consolidated Statements of Changes in Equity

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

(Millions of yen)

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

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

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

(Millions of yen)

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

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

(iv) Consolidated Statements of Cash Flows

(Millions of yen)

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

Notes to Consolidated Financial Statements

Significant accounting policies for preparation of consolidated financial statements

1. Disclosure of scope of consolidation
   Number of consolidated subsidiaries: 22

   The information is omitted as it is stated in "Item 1. Overview of Company, 4. Subsidiaries and Other Affiliated Entities."
   Roland Drum Corporation was established on September 22, 2022 for purpose of holding the shares in Drum Workshop, Inc. Effective October 3, 2022, Roland Drum Corporation acquired all the outstanding shares of Drum Workshop, Inc. Accordingly, Roland Drum Corporation and Drum Workshop, Inc. were included in the scope of consolidation.

2. Disclosure about application of equity method
   Number of associates accounted for using equity method: 0

   Number of unconsolidated subsidiaries and associates not accounted for using equity method: 1

   Roland Taiwan Enterprise Co., Ltd.

   One associate is not accounted for using the equity method because it has 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 year 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
      (i) Securities
         Shares of subsidiaries and associates:
            Stated at cost using the moving-average method.
         Available-for-sale securities
            Securities other than shares that do not have market prices:
               Stated at fair value (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).
            Shares that do not have market prices:
               Stated at cost using the moving-average method.
      (ii) 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).
      (iii) Derivatives
               Stated at fair value using the market-to-market method.

   (2) Accounting policy for depreciation/amortization of significant assets
      (i) 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: 13 to 50 years
            Tools, furniture and fixtures: 2 to 6 years
      (ii) Intangible assets (excluding goodwill)
         Amortized primarily on a straight-line basis.
         The principal useful life is as follows:
            Software: 5 years
      (iii) 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

(i) 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 collectability of individual receivables for doubtful accounts and certain other receivables.

(ii) 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.

(iii) 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.

(iv) Provision for product warranties

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

(v) Provision for share awards

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.

(vi) Provision for share awards for directors (and other officers)

To provide for delivery of shares of the Company to Officers in accordance with stock benefit rules, 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) Accounting policy for retirement benefits

(i) 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.

(ii) 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 significant revenues and expenses

The Group engages primarily in the manufacture and sale of electronic musical instruments including keyboards, percussion and wind instruments, and guitar-related products. Revenue is recognized from the sale of these products and merchandise mainly based upon delivery to a customer. However, revenue generated within Japan is recognized upon shipment of the product when control of them is transferred to a customer, because usual delivery time is typical. In export sales, revenue is recognized when the risk is transferred to the customer based on trade terms mainly stipulated in Incoterms.

(6) 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 the subsidiaries 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.

(7) Accounting policy for goodwill

Goodwill is amortized on a straight-line basis within a period of 10 years.

(8) 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.

Significant accounting estimates

Valuation of inventories

1. Amounts recorded in the consolidated financial statements of the previous year and current fiscal year

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Merchandise and finished goods	15,508	20,214
Work in process	1,715	1,249
Raw materials and supplies	8,016	10,858

2. Information on the significant accounting estimates of the identified items

For inventory valuation, the book value of inventory is written down when the inventories whose net realizable value or replacement cost of the inventory as of the end of the period falls below the original cost. Besides that, when inventories whose inventory turnover periods exceed a certain threshold, a write-down percentage based on the historical sales record is applied to and a decline in inventory profitability is recorded in the consolidated financial statements. The accounting estimates may have a significant impact on the inventory amounts in the following consolidated financial statements in the event of future fluctuations in market prices, downward pressure on prices due to intensified competition, and other changes in inventory level due to differences caused by the discrepancies between historical sales performance and actual demand.

Allocation of acquisition cost and valuation of amount of goodwill at the acquisition of shares of Drum Workshop, Inc. (hereinafter, "DW")

1. Amounts recorded in the consolidated financial statements of the current fiscal year

(Millions of yen)

	Current fiscal year (As of December 31, 2022)
Trademark right	1,200
Customer-related intangible assets	1,126
Goodwill	3,248

2. Information on the significant accounting estimates of the identified items

The acquisition cost of DW's shares acquired in the business combination was allocated based on the fair values of identifiable assets and liabilities assumed as of the date of the business combination, with the difference between the fair values and the acquisition cost being accounted for as goodwill.

An outside expert was appointed and determined the acquisition cost of DW's shares after negotiations, taking into consideration the value of shares calculated based on the discounted present value of future cash flows that were estimated based on DW's business plan. The Company employed the relief from royalty method under income approach, to identify DW's trademark right and excess earnings method, another income approach, to identify customer-related intangible assets. In this valuation method, we also used the discounted present value of future cash flows estimated based on DW's business plan. Launching new products in drum market, the primary assumption in the business plan, may be affected by changes in future uncertain economic conditions. If the Company needs to review the assumption, it may have a material impact on our consolidated financial statements for the following fiscal year ending December 31, 2023.

Changes in accounting policies

Application of Accounting Standard for Revenue Recognition

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 of March 31, 2020; hereinafter referred as the "Accounting Standard for Revenue Recognition") since the beginning of the fiscal year ended December 31, 2022. Under the new standard, revenue is recognized upon the transfer of control of promised goods or services to a customer in an amount which is expected to be received in exchange for those goods or services. Under the new standard, sales discounts, which were previously recognized in non-operating expenses, shall be deducted from net sales.

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

In addition, "Notes and accounts receivable - trade," which was presented under "Current assets" in the consolidated balance sheet of the previous fiscal year, has been included in and presented as "Notes receivable - trade" and "Accounts receivable - trade" from the current fiscal year. However, in accordance with the transitional treatment set forth in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, consolidated financial statements for the previous fiscal year have not been reclassified using the new presentation method.

As a result, during the current fiscal year, net sales, gross profit, and operating profit each decreased by 953 million yen, which had no impact on ordinary profit and profit before income taxes since non-operating expenses also decreased by 953 million yen.

In accordance with the transitional treatment set forth in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes on revenue recognition are not presented for the previous fiscal year.

Application of Accounting Standard for Fair Value Measurement

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

In addition, the Company will include breakdowns for each level of fair value of financial instruments in the notes on financial instruments. However, in accordance with the transitional treatment provided in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), notes pertaining to the previous fiscal year are not presented.

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

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

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

Changes in presentation

Consolidated balance sheets

"Goodwill," which was included in "Intangible assets" for the fiscal year ended December 31, 2021, has been presented as a separate line item from the fiscal year ended December 31, 2022 due to the increased balance. To reflect the change in presentation, the consolidated financial statements for the fiscal year ended December 31, 2021 have been reclassified.

As a result, the amount of ¥632 million presented in "Intangible assets" in the consolidated balance sheet for the fiscal year ended December 31, 2021 has been reclassified as "Goodwill" amounting to ¥20 million and "Other" amounting to ¥612 million.

Additional information

1. Board Benefit Trust

   In accordance with the resolution of the General Meeting of Shareholders held on December 21, 2016, the Company 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 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 ancillary expenses).

   The book value and number of such treasury shares as of December 31, 2021 and 2022 were ¥180 million and 90,650 shares and ¥149 million and 70,450 shares, respectively.

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

   The Company 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 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 ancillary expenses). The book value and the number of such treasury shares as of December 31, 2021 and 2022 were ¥168 million and 193,217 shares and ¥158 million and 182,507 shares, respectively.

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 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, 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 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 ancillary expenses). The book value and the number of such treasury shares as of December 31, 2021 and 2022 were ¥132 million and 137,900 shares and ¥97 million and 101,000 shares, respectively.

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

Not applicable.

Consolidated balance sheets

*1. Assets pledged as collateral

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Notes and accounts receivable – trade	3,249	—
Accounts receivable – trade	—	5,542
Merchandise and finished goods	6,125	6,810
Total	9,375	12,353

Some of these assets are pledged as collateral for derivative transactions.

*2. Contingent liabilities

Litigation

Roland Europe Group Limited (“REG”), a subsidiary of the Company, has been served with a collective proceedings claim form relating to a claim filed with the Competition Appeal Tribunal in the United Kingdom on December 16, 2022 (local time).

This lawsuit was filed by Elisabetta Sciallis (plaintiff) against the Company and REG for damages suffered by consumers in connection with a decision by the UK Competition and Markets Authority dated June 29, 2020 (local time) which found that Roland (U.K.) Limited and Roland Corporation had breached UK and EU competition law.

The amount of damage from the lawsuit is estimated at least tens of million pounds; however, no precise figure is indicated in the claim form.

Since it is difficult to calculate the potential monetary impact caused by the lawsuit at this stage, the future impact to be given on the Company's business performance and financial position is uncertain.

*3. Assets relating to unconsolidated subsidiaries and associates

Investments and other assets

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Investment securities (equity securities)	271	109

*4. Overdraft agreements and committed line of credit agreements with financial institutions

The Company has concluded overdraft agreements and committed line of credit agreements with its corresponding financial institution in order to finance working capital efficiently.

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

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Overdraft limit and total committed line of credit	5,000	11,000
Outstanding balance of drawn facilities	―	7,000
Differences (outstanding balance of undrawn facilities)	5,000	4,000

*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, 2022 was a bank holiday, the amount of such notes is included in the balance as of December 31, 2022 as follows:

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Notes receivable - trade	―	1

Consolidated statements of income

*1. Revenue from contracts with customers

Net sales are not presented separately into revenues arising from contracts with customers and other revenues. The amount of revenue from contracts with customers is presented in “Notes to Consolidated Financial Statements, Revenue Recognition, 1. Information on disaggregated revenue from contracts with customers.”

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

(Millions of yen)

Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
4,145	4,196

*3. Write-downs of inventories held for ordinary sales due to decline in profitability

(Millions of yen)

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Cost of sales	5	561

*4. Selling, general and administrative expenses

(Millions of yen)

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Salaries and bonuses	13,571	15,220
Provision for bonuses	1,380	633
Retirement benefit expenses	271	131

*5. Gain on liquidation of subsidiaries

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

The amount is attributable to liquidation of non-consolidated subsidiaries, Roland (Switzerland) AG and Roland France SAS.

*6. Gain on sale of non-current assets

(Millions of yen)

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Buildings and structures	256	11
Machinery, equipment and vehicles	6	34
Tools, furniture and fixtures	0	1
Land	111	–
Total	375	48

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

(Millions of yen)

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Buildings and structures	6	1
Machinery, equipment and vehicles	0	1
Tools, furniture and fixtures	7	6
Other	2	4
Total	16	15

*8. Impairment loss

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

The Roland Group recorded impairment loss on the following asset group during the fiscal year ended December 31, 2021.

Location	Purpose of use	Class	Impairment loss (million yen)
Hamamatsu-shi, Shizuoka	Company dormitory	Buildings and structures Tools, furniture and fixtures Land	72

The Group's business assets are grouped by company whereas assets to be disposed of are grouped by individual property. During the previous fiscal year, the Company determined to sell the above assets and reduced the carrying amount on a consolidated basis to the recoverable amount with the amount of reduction being recorded as impairment loss under extraordinary losses.

The recoverable amount of the above assets is determined at net selling price, which is assessed based on a reasonably estimated selling price.

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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Valuation difference on available-for-sale securities		
Amount arising during period	252	(106)
Reclassification adjustments	–	–
Before tax effect adjustment	252	(106)
Tax effect	(61)	35
Valuation difference on available-for-sale securities	191	(71)
Foreign currency translation adjustment		
Amount arising during period	2,044	2,066
Remeasurements of defined benefit plans, net of tax		
Amount arising during period	846	84
Reclassification adjustments	(81)	75
Before tax effect adjustment	765	160
Tax effect	(228)	(48)
Remeasurements of defined benefit plans, net of tax	536	112
Total other comprehensive income	2,772	2,107

Consolidated statements of changes in equity

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

1. Issued shares

Class of shares	At beginning of period	Increase	Decrease	At end of period
Common stock (shares)	27,581,366	389,168	–	27,970,534
Total	27,581,366	389,168	–	27,970,534

Note: Overview of reasons for change
Major factors are as follows:
Increase due to the exercise of share acquisition rights (stock options): 389,168 shares

2. Treasury shares

Class of shares	At beginning of period	Increase	Decrease	At end of period
Common stock (shares)	418,810	49,074	45,953	421,931
Total	418,810	49,074	45,953	421,931

Notes: 1. The above number of treasury shares of common stock as of December 31, 2021 includes the number of the Company's shares of 421,767 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 purchase of treasury shares by Board Benefit Trust: 28,700 shares
Increase due to purchase of treasury shares by Employee Stock Ownership Plan Trust: 20,300 shares
Increase due to purchase of shares less than one unit: 74 shares
Decrease due to sale from Employee Shareholding Association-type ESOP Trust to Employee Shareholding Association: 28,400 shares
Decrease due to share-based remuneration for retired employees from Employee Stock Ownership Plan Trust: 16,653 shares
Decrease due to sale of treasury shares by Board Benefit Trust: 900 shares

3. Share acquisition rights

Company name	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
	2016 Share Acquisition Rights Issued as Stock Options (3rd series)	–	–	–	–	–	35
Total			–	–	–	–	115

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, 2021	Common stock	992	36	December 31, 2020	March 31, 2021
Board of Directors' meeting held on August 6, 2021	Common stock	1,929	69	June 30, 2021	September 7, 2021

Notes: 1. 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.
2. The total amount of dividends paid based on the resolution at the Board of Directors' meeting held on August 6, 2021, includes dividends of ¥31 million paid to the Company's shares held by trusts.

(2) Dividends accompanied by a record date in the reporting period and an effective date after the end of the reporting period

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, 2022	Common stock	Retained earnings	1,929	69	December 31, 2021	March 31, 2022

Note: The total amount of dividends paid includes dividends of ¥29 million paid to the Company's shares held by trusts.

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

1. Issued shares

Class of shares	At beginning of period	Increase	Decrease	At end of period
Common stock (shares)	27,970,534	96,252	–	28,066,786
Total	27,970,534	96,252	–	28,066,786

Note: Overview of reasons for change
Major factors are as follows:
Increase due to the exercise of share acquisition rights (stock options): 96,252 shares

2. Treasury shares

Class of shares	At beginning of period	Increase	Decrease	At end of period
Common stock (shares)	421,931	470,051	67,810	824,172
Total	421,931	470,051	67,810	824,172

Notes: 1. The above number of treasury shares of common stock as of December 31, 2022 includes the number of the Company's shares of 353,957 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 purchase of treasury shares based on the resolution at the Board of Directors' meeting: 469,900 shares
Increase due to purchase of shares less than one unit: 151 shares
Decrease due to sale from Employee Shareholding Association-type ESOP Trust to Employee Shareholding Association: 36,900 shares
Decrease due to share-based remuneration for retired officers from the Board Benefit Trust: 14,600 shares
Decrease due to share-based remuneration for retired employees from Employee Stock Ownership Plan Trust: 10,710 shares
Decrease due to sale of treasury shares by Board Benefit Trust: 5,600 shares

3. Share acquisition rights

Company name	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)	–	–	–	–	–	60
	2016 Share Acquisition Rights Issued as Stock Options (3rd series)	–	–	–	–	–	35
Total			–	–	–	–	95

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 30, 2022	Common stock	1,929	69	December 31, 2021	March 31, 2022
Board of Directors' meeting held on August 8, 2022	Common stock	2,152	78	June 30, 2022	September 9, 2022

Notes: 1. The total amount of dividends paid based on the resolution at the Ordinary General Meeting of Shareholders held on March 30, 2022, includes dividends of ¥29 million paid to the Company's shares held by trusts

2. The total amount of dividends paid based on the resolution at the Board of Directors' meeting held on August 8, 2022, includes dividends of ¥29 million paid to the Company's shares held by trusts.

(2) Dividends accompanied by a record date in the reporting period and an effective date after the end of the reporting period

The Company is scheduled to make a proposal at the Ordinary General Meeting of Shareholders to be held on March 29, 2023, as follows:

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 29, 2023	Common stock	Retained earnings	2,152	78	December 31, 2022	March 30, 2023

Note: The total amount of dividends paid includes dividends of ¥27 million paid to the Company's shares held by trusts.

Consolidated statements of cash flows

*1. 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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Cash and deposits	8,781	10,506
Cash and cash equivalents	8,781	10,506

*2. Major breakdown of assets and liabilities of the company newly consolidated through acquisition of shares
Below describes breakdown of assets and liabilities associated with Drum Workshop, Inc. consolidation through the acquisition of shares, as well as the relationship between the acquisition price of its shares and the expenditure (net amount) for its acquisition.

(Millions of yen)

Current assets	4,151
Fixed assets	5,570
Goodwill	3,638
Current liabilities	(1,482)
Fixed liabilities	(1,268)
Acquisition costs of shares	10,609
Cash and cash equivalent	(356)
Accounts payable – nontrade	(54)
Foreign currency translation adjustment	(31)
Difference： Expenditure for the acquisition	10,167

Leases

Operating leases

As lessee

Future minimum lease payments under non-cancellable operating leases

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Due within 1 year	160	66
Due after 1 year	184	72
Total	344	138

Financial instruments

1. Status of financial instruments

   (1) Policies on financial instruments

   The Group covers 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 limits 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 have been used to finance working capital and the acquisition of shares of Drum Workshop, Inc. to make it a subsidiary. A portion of the borrowings is floating interest rates and is subject to interest rate risk.

   Long-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.

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

   The Company and some overseas subsidiaries use derivatives primarily to avoid the risk of exchange rate fluctuations and conclude 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

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

   For credit risk on trade receivables and long-term loans receivable, the sales departments thoroughly investigate credit status of customers and manages the due dates and balances of trade receivables to mitigate the risk in accordance with the company rules and regulations.

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

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

   For receivables and payables denominated in foreign currencies, the Company and some overseas subsidiaries use forward exchange contracts to avoid risk of exchange rate fluctuations.

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

   Derivatives are executed and managed by the finance department of the Company after the approval process elaborated in the in-house Approval Regulations.

   (iii) 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

   As certain assumptions are used in the calculation of such value, the value of financial instrument may vary if different assumptions are applied. 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 amount and fair value of financial instruments and their differences are as follows.

Previous fiscal year (as of December 31, 2021)

(Millions of yen)

	Consolidated balance sheet amount (*1)	Fair value (*1)	Difference
(1) Investment securities			
Available-for-sale securities	476	476	—
(2) Long-term loans receivable (*2)	6	6	(0)
Total assets	482	482	(0)
(3) Long-term borrowings (*3)	(7,074)	(7,073)	0
(4) Lease obligations	(793)	(793)	0
Total liabilities	(7,867)	(7,867)	0
(5) Derivatives (*4)	(130)	(130)	—

*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, 2022)

(Millions of yen)

	Consolidated balance sheet amount (*1)	Fair value (*1)	Difference
(1) Investment securities			
Available-for-sale securities	355	355	–
(2) Long-term loans receivable (*2)	0	0	(0)
Total assets	355	355	(0)
(3) Long-term borrowings (*3)	(8,822)	(8,821)	0
(4) Lease obligations	(2,130)	(2,122)	7
Total liabilities	(10,952)	(10,944)	7
(5) Derivatives (*4)	362	362	

*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: Footnote for Cash is omitted, and the ones for deposits, notes receivable – trade, accounts receivable – trade, notes and accounts payable – trade, short-term borrowings, accrued expenses, and income taxes payable are omitted since they are settled in a short period of time and their fair value approximates their book value.

Note 2: Shares that do not have a market price are not included in “(1) Investment securities.” The consolidated balance sheet amounts of such financial instruments are as follows:

(Millions of yen)

Classification	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Unlisted shares	768	583

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

Previous fiscal year (as of December 31, 2021)

(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	8,781	–	–	–
Notes and accounts receivable – trade	7,444	–	–	–
Long-term loans receivable	6	0	–	–
Total	16,232	0	–	–

Current fiscal year (as of December 31, 2022)

(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	10,506	–	–	–
Notes receivable – trade	2	–	–	–
Accounts receivable – trade	12,902	–	–	–
Long-term loans receivable	0	–	–	–
Total	23,411	–	–	–

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, 2021)

(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	–	–	–	–	–	–
Long-term borrowings	1,252	1,252	4,386	184	–	–
Lease obligations	376	236	131	19	15	13
Total	1,628	1,488	4,517	203	15	13

Current fiscal year (as of December 31, 2022)

(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	17,700	–	–	–	–	–
Long-term borrowings	1,252	7,386	184	–	–	–
Lease obligations	612	393	325	251	212	336
Total	19,564	7,779	509	251	212	336

3. Fair value of financial instruments

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using quoted prices of identical assets or liabilities in active markets among observable valuation inputs.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

When multiple inputs that have a significant impact on fair value measurement are used and those inputs ate categorized into different levels, the fair value is categorized into the lowest level for fair value measurement among those in which each of the inputs belongs.

(1) Financial instruments measured at fair value

Current fiscal year (as of December 31, 2022)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	355	–	–	355
Total assets	355	–	–	355
Derivatives	–	362	–	362

(2) Financial instruments other than those measured at fair value

Current fiscal year (as of December 31, 2022)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	–	0	–	0
Total assets	–	0	–	0
Long-term borrowings	–	(8,821)	–	(8,821)
Lease obligations	–	(2,122)	–	(2,122)
Total liabilities	–	(10,944)	–	(10,944)

Note: A description of the valuation techniques and inputs used in the fair value measurements

Investment securities

Investment securities mainly comprise stocks, and their fair value is based on the prices traded at the stock exchange. As listed shares are traded in active markets, their fair value is classified as Level 1.

Derivatives

The fair value of derivatives is calculated based on the price provided by correspondent financial institutions and is classified as Level 2 fair values.

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, resulting classified as Level 2 fair value.

Long-term borrowings

The fair value of long-term borrowings is measured at present value of the total amount of principal and interest discounted at the interest rate assumed to be applied to if the similar new borrowings were made, resulting classified as Level 2 fair value.

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, resulting classified as Level 2 fair value.

Securities

Available-for-sale securities

Previous fiscal year (as of December 31, 2021)

(Millions of yen)

Classification	Consolidated balance sheet amount	Acquisition cost	Difference
Securities whose consolidated balance sheet amount exceeds the acquisition cost			
Equity securities	–	–	–
Subtotal	–	–	–
Securities whose consolidated balance sheet amount does not exceed the acquisition cost			
Equity securities	476	277	198
Subtotal	476	277	198
Total	476	277	198

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

Current fiscal year (as of December 31, 2022)

(Millions of yen)

Classification	Consolidated balance sheet amount	Acquisition cost	Difference
Securities whose consolidated balance sheet amount exceeds the acquisition cost			
Equity securities	–	–	–
Subtotal	–	–	–
Securities whose consolidated balance sheet amount does not exceed the acquisition cost			
Equity securities	355	277	77
Subtotal	355	277	77
Total	355	277	77

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

Derivatives

Derivatives to which hedge accounting is not applied

Currency-related derivatives

Previous fiscal year (as of December 31, 2021)

(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				
	US$	8,588	–	(151)	(151)
	EUR	4,615	–	38	38
	Buying				
	US$	3,601	–	(19)	(19)
	EUR	3,131	–	1	1
Total		19,937	–	(130)	(130)

Current fiscal year (as of December 31, 2022)

(Millions of yen)

Classification	Class	Contract amount	Contract amount due after one year	Fair value	Gain (loss) on valuation
Off-market transactions	Forward exchange contracts				
	Selling				
	US$	15,169	–	570	570
	EUR	9,329	–	(43)	(43)
	Buying				
	US$	3,975	–	(81)	(81)
	EUR	3,043	–	(84)	(84)
Total		31,517	–	362	362

Retirement benefits

1. Overview of retirement benefit plans

   The Company has adopted a defined benefit pension plan (cash balance plan) and makes 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, the Company and 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)

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Retirement benefit obligations at beginning of period	10,289	10,567
Service cost	441	446
Interest cost	12	12
Actuarial gains and losses incurred	119	(988)
Retirement benefits paid	(299)	(358)
Foreign currency translation gains and losses	4	15
Retirement benefit obligations at end of period	10,567	9,695

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

(Millions of yen)

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Plan assets at beginning of period	8,806	9,841
Expected return on plan assets	220	246
Actuarial gains and losses incurred	811	(771)
Contributions from employer	301	305
Retirement benefits paid	(299)	(358)
Plan assets at end of period	9,841	9,262

(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)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Funded retirement benefit obligations	10,567	9,695
Plan assets	(9,841)	(9,262)
	725	432
Unfunded retirement benefit obligations	—	—
Net amount of liability and asset recorded in consolidated balance sheet	725	432
Retirement benefit liability	725	432
Net defined benefit asset	—	
Net amount of liability and asset recorded in consolidated balance sheet	725	432

(4) Components of retirement benefit cost

(Millions of yen)

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Service cost	441	446
Interest cost	12	12
Expected return on plan assets	(220)	(246)
Amortization of actuarial gains and losses	72	(55)
Retirement benefit expenses for defined benefit plans	305	157

(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)

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Actuarial gains and losses	765	160
Total	765	160

(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)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Unrecognized actuarial gains and losses	367	528
Total	367	528

(7) Plan assets

(i) Major components of plan assets

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

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Domestic debt securities	5.0%	5.0%
Domestic equity securities	19.0%	21.0%
Foreign debt securities	22.0%	22.0%
Foreign equity securities	26.0%	23.0%
General account	26.0%	27.0%
Cash	2.0%	2.0%
Total	100.0%	100.0%

(ii) 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)

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Discount rate	Mainly 0.13%	Mainly 0.98%
Long-term expected rate of return on plan assets	Mainly 2.50%	Mainly 2.50%

3. Defined contribution plans

The amounts of required contributions to the defined contribution plans of the Group for the fiscal years ended December 31, 2021 and 2022 were ¥178 million and ¥243 million, respectively.

Stock options, etc.

1. Amount recorded as expenses for stock options and line items

   Not applicable.

2. Details and number of stock options and changes therein

   (1) Details of stock options

	1st Series Share Acquisition Rights	3rd Series Share Acquisition Rights
Company name	Reporting company	Reporting company
Resolution date	April 30, 2015	March 4, 2016
Title and number of grantees	4 Directors and 7 Executive Officers 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	234,000 shares of common stock
Grant date	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) 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.
Exercise period	May 1, 2017 through April 30, 2025	March 5, 2018 through 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, 2022. The number of stock options is translated into the number of shares.

(i) Number of stock options

	1st Series Share Acquisition Rights	3rd Series Share Acquisition Rights
Company name	Reporting company	Reporting company
Resolution date	April 30, 2015	March 4, 2016
Before vesting (shares)		
As of December 31, 2021	–	–
Granted	–	–
Forfeited	–	–
Vested	–	–
Outstanding of unvested stock options	–	–
After vesting (shares)		
As of December 31, 2021	392,496	156,000
Vested	–	–
Exercised	96,252	—
Forfeited	–	–
Outstanding of unexercised stock options	296,244	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.

(ii) Unit price information

	1st Series Share Acquisition Rights	3rd Series Share Acquisition Rights
Company name	Reporting company	Reporting company
Resolution date	April 30, 2015	March 4, 2016
Exercise price (yen)	374	413
Average share price at exercise (yen)	4,063	—
Fair unit price at grant date (yen)	5,304	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, 2021)	Current fiscal year (As of December 31, 2022)
Deferred tax assets		
Loss on valuation of inventories	337	543
Intercompany profits on inventories	736	1,146
Depreciation	288	1,613
Loss on valuation of securities	87	95
Allowance for doubtful accounts	63	90
Provision for bonuses	469	230
Retirement benefit liability	181	85
Foreign tax credit carryforwards	932	897
Tax loss carryforwards (Note)	1,358	1,263
Other	658	829
Subtotal of deferred tax assets	5,140	6,794
Less valuation allowance for tax loss carryforwards (Note)	(1,249)	(1,094)
Less valuation allowance for future deductible temporary differences	(1,333)	(1,321)
Subtotal of valuation allowance	(2,583)	(2,416)
Total deferred tax assets	2,557	4,378
Deferred tax liabilities		
Retained earnings of foreign consolidated subsidiaries	(393)	(510)
Other	(103)	(63)
Total deferred tax liabilities	(497)	(574)
Deferred tax assets, net	2,060	3,804

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

Previous fiscal year (as of December 31, 2021)

(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)	1	5	3	5	4	1,337	1,358
Less valuation allowance for tax loss carryforwards	(1)	(5)	(3)	(5)	(4)	(1,228)	(1,249)
Deferred tax assets	-	-	-	-	-	109	(b) 109

a. Tax loss carryforwards were calculated by applying the effective statutory tax rate.
b. Net deferred tax assets of ¥109 million were recognized for tax loss carryforwards of ¥1,358 million (calculated by applying the effective statutory tax rate). The net deferred tax assets of ¥109 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, 2022)

(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)	7	4	6	5	3	1,237	1,263
Less valuation allowance for tax loss carryforwards	(7)	(4)	(6)	(5)	(3)	(1,068)	(1,094)
Deferred tax assets	-	-	-	-	-	169	(d) 169

c. Tax loss carryforwards were calculated by applying the effective statutory tax rate.
d. Net deferred tax assets of ¥169 million were recognized for tax loss carryforwards of ¥1,263 million (calculated by applying the effective statutory tax rate).
The net deferred tax assets of ¥169 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, 2021)	Current fiscal year (As of December 31, 2022)
Normal effective statutory tax rate	29.9 %	29.9 %
Adjustments:		
Less valuation allowance for tax loss carryforwards	1.3 %	(3.9) %
Expenses not deductible for income tax purposes (e.g. entertainment expenses)	0.7 %	2.6 %
Tax credits on experimentation and research expenses, etc.	(3.7) %	(6.1) %
Tax rate differences with foreign consolidated subsidiaries	(4.4) %	(2.9) %
Retained earnings of foreign consolidated subsidiaries	0.7 %	1.1 %
Foreign withholding taxes on dividends from foreign subsidiaries	0.7 %	0.2 %
Tax credits by preferential taxation	(6.5) %	(5.2) %
Other	(2.6) %	(0.7) %
Actual effective tax rate after applying tax effect accounting	16.1 %	15.0 %

Business combinations, etc.

Business combination through acquisition

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

1. Outline of the business combination
   (1) Name and line of business of the acquired company
   Name: Drum Workshop, Inc. (“DW”)
   Line of business: Development, manufacture and sale of hardware products including drums and percussions, and related software

   (2) Reasons for the business combination
   The Group has been making a great success in the drum business with a release of the V-Drum Acoustic Design (“VAD”) series in recent years. The Company reached a conclusion that the partnership with DW would greatly contribute to providing leadership and breakthrough innovation within the world of drumming. DW owns world-class drum and percussion brands such as DW Drums, Pacific Drums and Percussion (PDP), Latin Percussion (LP), Gretsch Drums, and Slingerland as well as excellent human resources and innovative product development capabilities. With a combination of the major brands in both electronic drums and acoustic drums, the Group will create a new drum market to be the drummer’s choice.

   (3) Date of business combination
   October 3, 2022 (Deemed acquisition date: October 1, 2022)

   (4) Legal form of the business combination
   Acquisition of shares through cash consideration

   (5) Name of the company after the business combination
   No change

   (6) Percentage of voting rights acquired
   100%

   (7) Major grounds for determining the acquiring company
   RDC acquired DW’s shares in exchange for cash.

2. Period of the acquired company's results included in the consolidated financial statements
   From October 1, 2022 to December 31, 2022

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

Consideration for the acquisition	Cash	US$73,222 thousand (¥10,578 million)
Acquisition cost		US$73,222 thousand (¥10,578 million)

4. Breakdown of major acquisition-related costs by nature and amount
Advisory fee, etc.: ¥256 million

5. Amount of goodwill incurred, reason for goodwill, method, and period of amortization
(1) Amount of goodwill incurred
US$25,108 thousand (¥3,638 million)

(2) Reason for goodwill incurred
It is mainly an excess earning power expected from the future business development.

(3) Method and period of amortization
Straight line method over 10 years

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

	Thousands of US$	Millions of yen
Current assets	28,653	4,151
Non-current assets	38,446	5,570
Total assets	67,099	9,722
Current liabilities	10,229	1,482
Non-current liabilities	8,755	1,268
Total liabilities	18,985	2,750

7. Amounts allocated to intangible assets other than goodwill and breakdown by type, and the weighted average amortization period in total and by major asset type

Type	Amount		Weighted average amortization period (Years)
	Thousands of US$	Millions of yen	
Trademark right	9,170	1,328	19
Customer-related assets	8,613	1,248	17
Total	17,783	2,576	18

8. Estimated effect on the consolidated statements of income for the current fiscal year assuming the business combination had been completed at the beginning of the current fiscal year and the calculation method

This information is not presented because of difficulties in calculating the estimated amount for the current fiscal year.

Revenue recognition

1. Information on disaggregated revenue from contracts with customers

   The Group operates a single segment of the Electronic Musical Instruments Business. The information on disaggregation of revenue from contracts with customers is as follows.

(Millions of yen)

	Current fiscal year (From January 1, 2022 to December 31, 2022)
Keyboards	29,869
Percussion and Wind Instruments	23,046
Guitar-related Products	23,540
Creation-related Products & Services	12,206
Video and Professional Audio	4,357
Other	2,819
Total	95,840

Note. Net sales in the consolidated statements of income does not include revenues other than revenue from contracts with customers.

2. Basic information in understanding revenue from contracts with customers

   Basic information in understanding revenue is stated in “4. Disclosure of accounting policies, (5) Accounting policy for significant revenues and expenses” under *Significant accounting policies for preparation of consolidated financial statements* in Notes to Consolidated Financial Statements:

3. Reconciliation of satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized in the next fiscal year and thereafter arising from contracts with customers that existed at the end of the current fiscal year

   (i) Balance of contract liabilities
   The balance of contractual liabilities arising from contracts with customers is as follows.

(Millions of yen)

	At beginning of period (As of January 1, 2022)	At end of period (As of December 31, 2022)
Contract liabilities	315	229

Notes: 1. Contract liabilities are included in “Other” under Current liabilities in the consolidated balance sheets.
2. Revenue recognized in the fiscal year ended December 31, 2022 that was included in the balance of contract liabilities at the beginning of the fiscal year was ¥315 million.
3. Contract liabilities primarily relate to advances received from customers.
4. The amount of revenue recognized in the current fiscal year from performance obligations that were satisfied in previous periods is immaterial.

   (ii) Transaction price allocated to the remaining performance obligations
   The description of the remaining performance obligations is omitted since the Group has no significant contracts with an original expected contractual duration of one year or more. In addition, consideration arising from contracts with customers does not have any significant amounts that are not included in the transaction price.

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, 2021 to December 31, 2021)

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.				
9,666	25,959	22,828	24,958	8,673	10,775	80,032

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

   (2) Property, plant and equipment

(Millions of yen)

Japan	Malaysia	U.S.	Belgium	China	Other	Total
2,949	958	138	389	780	641	5,857

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, 2022 to December 31, 2022)

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.				
9,736	34,904	30,906	26,439	9,641	15,118	95,840

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

   (2) Property, plant, and equipment

(Millions of yen)

Japan	Malaysia	U.S.	Belgium	China	Other	Total
2,936	1,186	1,049	981	896	720	7,770

Changes in presentation

"U.S." and "Belgium," which were included in "Other" in the previous fiscal year, are separately presented from the fiscal year under review because of an increased balance. To reflect this change in presentation, "2. Information for each region, (2) Property, plant and equipment" for the previous fiscal year has been reclassified.

Accordingly, "Other" of ¥1,169 million for the previous fiscal year has been reclassified as "U.S." of ¥138 million, "Belgium" of

¥389 million and "Other" of ¥641 million.

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, 2021 to December 31, 2021)

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

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

Not applicable

Amortization and unamortized balance of goodwill for each reportable segment

Segment 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, 2021 to December 31, 2021)

Related party transactions

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

Class	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 (million yen)
Officer	Jun-ichi Miki	—	—	CEO and Representative Director, Roland Corporation	(Held) Direct: 1.6	—	Exercise of stock options (Note)	84	—	–

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, 2021.

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

Related party transactions

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

Class	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 (million yen)
Officer	Jun-ichi Miki	—	—	CEO and Representative Director, Roland Corporation, (Note 1)	(Held) Direct: 1.75	—	Exercise of stock options (Note 2)	11	—	–

Note: Terms and conditions of transactions and policy for determining terms and conditions of transactions.

1. He retired as CEO and Representative Director of the Company on March 30, 2022.
2. This information is about stock options, which had been granted based on the resolution at the Extraordinary General Meeting of Shareholders held on April 30, 2015, and were exercised during the fiscal year ended December 31, 2022.

Per share information

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

Notes: 1. For the purpose of calculating net assets per share, the aggregate number of shares of the Company held by the Board Benefit Trust, Employee Stock Ownership Plan Trust, and Employee Shareholding Association-type ESOP Trust was included in the number of treasury shares, which was to be deducted from the number of shares issued at the end of the 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 during the fiscal years ended December 31, 2021, and 2022 were 430,571 shares and 385,917 shares, respectively. Meanwhile, the aggregate number of shares of the Company held by these trusts as of December 31, 2021, and 2022 were 421,767 shares and 353,957 shares, respectively.

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

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

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

(Millions of yen, unless otherwise stated)

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

(v) Annexed consolidated detailed schedules

Annexed consolidated detailed schedule of corporate bonds

Not applicable.

Annexed consolidated detailed schedule of borrowings

Category	Balance as of January 1, 2022 (million yen)	Balance as of December 31, 2022 (million yen)	Average interest rate (%)	Repayment due
Short-term borrowings	–	17,700	0.379	–
Current portion of long-term borrowings	1,252	1,252	0.100	–
Current portion of lease obligations	376	612	1.355	–
Long-term borrowings (excluding current portion)	5,822	7,570	0.179	February 2024 to June 2025
Lease obligations (excluding current portion)	416	1,518	1.455	March 2024 to December 2030
Other interest-bearing debt	–	–	–	–
Total	7,867	28,652	–	–

Notes: 1. "Average interest rate" represents 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)

Category	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	7,386	184	–	–
Lease obligations	393	325	251	212

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, 2022 were one percent or less of the total beginning and ending balances of liabilities and net assets of the fiscal year.

(2) Other information

Quarterly results for the fiscal year ended December 31, 2022

(Millions of yen, unless otherwise stated)

	First three months	First six months	First nine months	Current fiscal year
Net sales	20,978	43,004	64,622	95,840
Profit before income taxes	2,599	4,960	6,122	10,529
Profit attributable to owners of parent	1,912	3,927	5,075	8,938
Basic earnings per share (yen)	69.42	143.08	185.43	326.98

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Basic earnings per share (yen)	69.42	73.67	42.18	141.85

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated financial statements

(i) Non-consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Assets		
Current assets:		
Cash and deposits	4,625	6,257
Notes receivable - trade	—	*3 2
Accounts receivable- trade	*1 3,192	*1 3,473
Merchandise and finished goods	837	2,216
Work in process	558	445
Raw materials and supplies	2,797	4,556
Short-term loans receivable from subsidiaries and associates	4,994	11,684
Accounts receivable - other	*1 397	*1 389
Other	*1 215	*1 800
Allowance for doubtful accounts	(0)	(1)
Total current assets	17,619	29,825
Non-current assets:		
Property, plant and equipment:		
Buildings	1,309	1,241
Tools, furniture and fixtures	195	246
Land	2,480	2,480
Other	7	14
Total property, plant and equipment	3,993	3,983
Intangible assets:		
Software	403	288
Other	21	16
Total intangible assets	425	304
Investments and other assets:		
Investment securities	626	520
Shares of subsidiaries and associates	15,377	25,904
Investments in capital of subsidiaries and associates	2,311	2,311
Deferred tax assets	969	855
Guarantee deposits	53	96
Other	69	114
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	19,407	29,801
Total non-current assets	23,826	34,089
Total assets	41,445	63,914

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Liabilities		
Current liabilities:		
Accounts payable - trade	*1 1,495	*1 1,427
Short-term borrowings	—	17,700
Short-term borrowings payable to subsidiaries and associates	3,839	5,838
Current portion of long-term borrowings	1,252	1,252
Lease obligations	0	—
Accounts payable - other	*1 895	*1 1,284
Accrued expenses	253	127
Income taxes payable	224	354
Deposits received	81	93
Provision for bonuses	1,662	771
Provision for bonuses for directors (and other officers)	78	34
Provision for product warranties	10	9
Other	*1 260	*1 203
Total current liabilities	10,055	29,096
Non-current liabilities:		
Long-term borrowings	5,822	7,570
Deferred tax liabilities for land revaluation	98	98
Provision for retirement benefits	759	617
Provision for share awards	262	253
Provision for share awards for directors (and other officers)	58	78
Asset retirement obligations	80	81
Other	451	626
Total non-current liabilities	7,533	9,326
Total liabilities	17,588	38,422
Net Assets		
Shareholders’ equity:		
Share capital	9,585	9,613
Capital surplus:		
Legal capital surplus	5,170	5,198
Other capital surplus	2,413	2,413
Total capital surplus	7,584	7,612
Retained earnings:		
Legal retained earnings	847	847
Other retained earnings:	6,710	10,305
Retained earnings brought forward	6,710	10,305
Total retained earnings	7,557	11,153
Treasury shares	(482)	(2,407)
Total shareholders’ equity	24,245	25,972
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	297	225
Revaluation reserve for land	(801)	(801)
Total valuation and translation adjustments	(504)	(575)
Share acquisition rights	115	95
Total net assets	23,856	25,492
Total liabilities and net assets	41,445	63,914

(ii) Non-consolidated statements of income

(Millions of yen)

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Net sales	*1 29,624	*1 34,356
Cost of sales	*1 12,756	*1 12,997
Gross profit	16,867	21,358
Selling, general and administrative expenses	*1,*2 13,241	*1,*2 13,887
Operating profit	3,626	7,471
Non-operating income:		
Interest and dividend income	*1 3,693	*1 2,336
Other	*1 19	*1 10
Total non-operating income	3,713	2,347
Non-operating expenses:		
Interest expenses	*1 34	*1 50
Foreign exchange losses	112	210
Other	9	1
Total non-operating expenses	156	262
Ordinary profit	7,183	9,555
Extraordinary income:		
Gain on sale of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses:		
Loss on sale and retirement of non-current assets	2	2
Impairment loss	97	—
Total extraordinary losses	100	2
Profit before income taxes	7,083	9,553
Income taxes - current	1,256	1,726
Income taxes - deferred	(191)	149
Total income taxes	1,064	1,875
Profit	6,018	7,678

Schedule of cost of goods manufactured

(Millions of yen, unless otherwise stated)

		Previous fiscal year (From January 1, 2021 to December 31, 2021)		Current fiscal year (From January 1, 2022 to December 31, 2022)	
Category	Notes	Amount	Ratio (%)	Amount	Ratio (%)
I Materials cost		6,699	72.8	5,777	72.7
II Labor cost		1,481	16.1	1,303	16.4
III Manufacturing overhead cost	*1	1,024	11.1	867	10.9
Total manufacturing costs		9,205	100.0	7,949	100.0
Beginning work in process inventory		418		558	
Total		9,623		8,508	
Ending work in process inventory		558		445	
Transfer to other accounts	*2	113		144	
Cost of goods manufactured		8,952		7,918	

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

(Millions of yen)

Items	Previous fiscal year	Current fiscal year
Subcontract processing expenses	384	245
Depreciation	105	90

*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	19	22
After-sales service parts expense	51	78
Other	40	43
Non-current assets	1	0
Other	0	0
Total	113	144

Cost accounting method

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

(iii) Non-consolidated statement of changes in equity

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

(Millions of yen)

	Shareholders' equity			
	Share capital	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance as of January 1, 2021	9,490	5,076	2,413	7,490
Changes during period				
Issuance of new shares - exercise of share acquisition rights	94	94		94
Dividends of surplus				–
Profit				–
Purchase of treasury shares				–
Disposal of treasury shares				–
Reversal of revaluation reserve for land				–
Net changes in items other than shareholders' equity				–
Total changes during period	94	94	–	94
Balance as of December 31, 2021	9,585	5,170	2,413	7,584

	Shareholders' equity				
	Retained earnings			Treasury shares	Total shareholders' equity
	Legal retained earnings	Other retained earnings	Total retained earnings		
		Retained earnings brought forward			
Balance as of January 1, 2021	847	3,615	4,463	(403)	21,040
Changes during period					
Issuance of new shares - exercise of share acquisition rights			–		188
Dividends of surplus		(2,922)	(2,922)		(2,922)
Profit		6,018	6,018		6,018
Purchase of treasury shares			–	(121)	(121)
Disposal of treasury shares			–	42	42
Reversal of revaluation reserve for land		(0)	(0)		(0)
Net changes in items other than shareholders' equity			–		–
Total changes during period	–	3,094	3,094	(78)	3,204
Balance as of December 31, 2021	847	6,710	7,557	(482)	24,245

	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 as of January 1, 2021	117	(802)	(684)	158	20,514
Changes during period					
Issuance of new shares - exercise of share acquisition rights			–		188
Dividends of surplus			–		(2,922)
Profit			–		6,018
Purchase of treasury shares			–		(121)
Disposal of treasury shares			–		42
Reversal of revaluation reserve for land		0	0		–
Net changes in items other than shareholders' equity	180		180	(43)	136
Total changes during period	180	0	180	(43)	3,342
Balance as of December 31, 2021	297	(801)	(504)	115	23,856

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

(Millions of yen)

	Shareholders' equity			
	Share capital	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance as of January 1, 2022	9,585	5,170	2,413	7,584
Changes during period				
Issuance of new shares - exercise of share acquisition rights	27	27		27
Dividends of surplus				—
Profit				—
Purchase of treasury shares				—
Disposal of treasury shares				—
Net changes in items other than shareholders' equity				—
Total changes during period	27	27	—	27
Balance as of December 31, 2022	9,613	5,198	2,413	7,612

	Shareholders' equity				
	Retained earnings			Treasury shares	Total shareholders' equity
	Legal retained earnings	Other retained earnings	Total retained earnings		
		Retained earnings brought forward			
Balance as of January 1, 2022	847	6,710	7,557	(482)	24,245
Changes during period					
Issuance of new shares - exercise of share acquisition rights			–		55
Dividends of surplus		(4,082)	(4,082)		(4,082)
Profit		7,678	7,678		7,678
Purchase of treasury shares			–	(2,000)	(2,000)
Disposal of treasury shares			–	76	76
Net changes in items other than shareholders' equity			–		–
Total changes during period	–	3,595	3,595	(1,924)	1,726
Balance as of December 31, 2022	847	10,305	11,153	(2,407)	25,972

	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 as of January 1, 2022	297	(801)	(504)	115	23,856
Changes during period					
Issuance of new shares - exercise of share acquisition rights			–		55
Dividends of surplus			–		(4,082)
Profit			–		7,678
Purchase of treasury shares			–		(2,000)
Disposal of treasury shares			–		76
Net changes in items other than shareholders' equity	(71)		(71)	(19)	(91)
Total changes during period	(71)	–	(71)	(19)	1,635
Balance as of December 31, 2022	225	(801)	(575)	95	25,492

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:
Securities other than shares that do not have market prices:
Stated at fair value using the market-to-market method (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).
Shares that do not have market prices:
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 principal useful lives are as follows:

Buildings:	13 to 50 years
Tools, furniture and fixtures:	2 to 6 years

(2) Intangible assets:
Amortized on a straight-line basis.

The principal useful life is as follows:

Software:	5 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 collectability 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 might 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 awards

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 awards 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. Recognition criteria for revenues and expenses

The Company engages primarily in the manufacture and sale of electronic musical instruments including keyboards, percussion and wind instruments, and guitar-related products. Revenue generated in Japan is recognized upon shipment of the products when control of them is transferred to a customer, because usual delivery time is typical. In export sales, we recognize revenue when the risk is transferred to the customer based on trade terms mainly stipulated in Incoterms.

Royalty income from contracts in which the Company primarily permits its subsidiaries and associates to manufacture or sell products or use its technology is measured based on the sales of the contracted party and other factors, and revenue is recognized in consideration of the point in time when such revenue is generated.

Significant accounting estimates

Valuation of inventories

1. Amount recorded in the non-consolidated financial statements of the previous and current fiscal years

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Merchandise and finished goods	837	2,216
Work in process	558	445
Raw materials and supplies	2,797	4,556

2. Information on the significant accounting estimates of the identified items

The content is identical to that described in “Notes to consolidated financial statements, Significant accounting estimates.”

Valuation of shares of subsidiaries and associates and investments in capital of subsidiaries and associates

1. Amount recorded in the non-consolidated financial statements of the previous and current fiscal years

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Shares of subsidiaries and associates	15,377	25,904
Investments in capital of subsidiaries and associates	2,311	2,311

2. Information on the significant accounting estimates of the identified items

In recognizing valuation loss on shares of subsidiaries and associates and investments in capital of subsidiaries and associates that have no market prices, the acquisition costs of these shares and investments are compared with their substantive values based on the subsidiaries’ and associates’ respective amounts of net assets, and only if their substantive value falls 50% or more of the acquisition costs, the book value of these shares and investments is reduced to their substantive values and valuation loss is recognized. However, if the recoverability of the substantive values is backed by sufficient evidence, we do not recognize valuation loss even when the substantive value falls 50% or more of the acquisition costs.

The recoverability of the substantive value of a subsidiary or associate is determined based on the status of its achievement of business plans and future business plans.

In case of any changes in these estimates due to deteriorated operating performance at the subsidiaries and associates, changes in their business plans and market environments, and other factors, it may have a material impact on the evaluation of shares of subsidiaries and associates and investments in capital of subsidiaries and associates in the non-consolidated financial statements for the following fiscal year.

Changes in accounting policies

Application of Accounting Standard for Revenue Recognition

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 of March 31, 2020; hereinafter referred as the "Accounting Standard for Revenue Recognition") since the beginning of the fiscal year ended December 31, 2022. Under the new standard, revenue is recognized upon the transfer of control of promised goods or services to a customer in an amount which is expected to be received in exchange for those goods or services.

While the Company applies the Accounting Standard for Revenue Recognition in accordance with the transitional treatment prescribed in the provision of Paragraph 84 of the standard, the application had no impact on our retained earnings at the beginning of the fiscal year ended December 31, 2022 and also no impact on profit and loss for the same fiscal year.

Application of Accounting Standard for Fair Value Measurement

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

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 sheets

*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, 2021)	Current fiscal year (As of December 31, 2022)
Short-term monetary receivables	1,867	1,987
Short-term monetary payables	584	1,005

*2. 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, (i) Consolidated balance sheets.”

*3. 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 was a bank holiday, the following promissory notes due on balance sheet date are included in the balance at the end of the fiscal year.

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Operating transactions		
Net sales	17,803	22,479
Purchases, etc.	4,964	8,532
Non-operating transactions	3,672	2,311

*2. Major items of selling, general and administrative expenses and their amounts and approximate composition are as follows:

(Millions of yen)

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Salaries and bonuses	4,490	4,586
Provision for bonuses	1,380	633
Provision for bonuses for directors (and other officers)	78	34
Retirement benefit expenses	304	157
Depreciation	295	308
Commission expenses	2,175	3,614
Approximate composition:		
Selling expenses	32 %	29 %
General and administrative expenses	68 %	71 %

Securities

Previous fiscal year (As of December 31, 2021)

The fair value of shares of subsidiaries and associates is not stated because they don't have market prices and thus their fair value is deemed extremely difficult to determine.

The balance of shares of subsidiaries and associates in the non-consolidated balance sheets, for which fair value is deemed extremely difficult to determine, is as follows:

(Millions of yen)

Category	Previous fiscal year
Shares of subsidiaries	15,268
Shares of associates	109
Total	15,377

Current fiscal year (As of December 31, 2022)

The market price of shares of subsidiaries and associates is not stated because they do not have market prices.

The balance of shares of subsidiaries and associates without a market price in the non-consolidated balance sheets, are as follows:

(Millions of yen)

Category	Current fiscal year
Shares of subsidiaries	25,794
Shares of associates	109
Total	25,904

Tax effect accounting

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Deferred tax assets		
Loss on valuation of inventories	226	375
Depreciation	52	52
Impairment loss	34	33
Loss on valuation of shares of subsidiaries and associates	1,801	1,801
Loss on valuation of investments in capital of subsidiaries and associates	13	13
Loss on valuation of securities	14	14
Accrued expenses	74	37
Provision for bonuses	496	230
Provision for retirement benefits	226	184
Provision for share awards	95	99
Asset retirement obligations	30	30
Foreign tax credit carryforwards	932	897
Other	43	85
Subtotal of deferred tax assets	4,044	3,857
Less valuation allowance for tax loss carryforwards	(2,938)	(2,906)
Total deferred tax assets	1,106	951
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(128)	(93)
Other	(9)	(2)
Total deferred tax liabilities	(137)	(95)
Deferred tax assets, net	969	855

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, 2021)	Current fiscal year (As of December 31, 2022)
Deferred tax assets		
Deferred tax assets related to land revaluation	308	308
Less valuation allowance for tax loss carryforwards	(308)	(308)
Total deferred tax assets	–	–
Deferred tax liabilities		
Deferred tax liabilities related to land revaluation	(98)	(98)
Total deferred tax liabilities	(98)	(98)
Deferred tax liabilities, net	(98)	(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, 2021)	Current fiscal year (As of December 31, 2022)
Normal effective statutory tax rate	29.9 %	29.9 %
Adjustments:		
Less valuation allowance for tax loss carryforwards	6.0	(0.3)
Expenses not deductible for income tax purposes (e.g. entertainment expenses)	0.7	0.2
Income not taxable for income tax purposes (e.g. dividend income)	(22.1)	(6.8)
Foreign withholding taxes on dividends from foreign subsidiaries	1.0	0.3
Corporate inhabitant tax on per capita basis	0.1	0.1
Foreign tax credits	5.7	3.1
Special tax credits	(5.3)	(6.7)
Other	(1.0)	(0.2)
Actual effective tax rate after applying tax effect accounting	15.0	19.6

Revenue recognition

The information to provide basis for understanding revenue arising from contracts with customers is stated in “Notes to Non-consolidated Financial Statements, Significant accounting policies, 4. Recognition criteria for revenues and expenses.”

iv) Annexed non-consolidated schedules

Annexed detailed schedule of property, plant and equipment, etc.

(Millions of yen)

Classification	Type of assets	Balance at beginning of the current period	Increase during period	Decrease during period	Balance at end of the current period	Accumulated depreciation or amortization at end of period	Depreciation and amortization for the period	Carrying amount at end of period
Property, plant and equipment	Buildings	7,203	21	18	7,206	5,965	88	1,241
	Tools, furniture and fixtures	2,205	172	184	2,193	1,946	120	246
	Land	2,480 [(702)]	–	–	2,480 [(702)]	–	–	2,480
	Other	762	9	6	764	750	1	14
	Total	12,651	203	209	12,645	8,661	210	3,983
Intangible assets	Software	2,724	72	2	2,794	2,506	187	288
	Other	58	14	20	53	37	–	16
	Total	2,783	87	23	2,847	2,543	187	304

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 current period are as follows:

Classification	Type of assets	Description	Amount (Millions of yen)
Property, plant and equipment:	Tools, furniture and fixtures	Renewal of servers	41

4. Major components of decrease during current period are as follows:

Classification	Type of assets	Description	Amount (Millions of yen)
Property, plant and equipment:	Tools, furniture and fixtures	Sale of molds	140

Annexed schedule of provisions

(Millions of yen)

Account	Balance at beginning of the current period	Increase during period	Decrease during period	Balance at end of the current period
Allowance for doubtful accounts	1	1	0	2
Provision for bonuses	1,662	771	1,662	771
Provision for bonuses for directors (and other officers)	78	34	78	34
Provision for product warranties	10	9	10	9
Provision for share awards	262	27	36	253
Provision for share awards for directors (and other officers)	58	25	5	78

(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 of less than one unit	
Handling office	Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation 2-1-1, 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 of 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 of 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 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) Annual Securities Report and attached document thereof and Confirmation Letter

Filed for the 50th fiscal year ended December 31, 2021 (from January 1 to December 31, 2021) with the Director-General of the Kanto Local Finance Bureau on March 9, 2022.

(2) Internal Control Report

Filed with the Director-General of the Kanto Local Finance Bureau on March 9, 2022.

(3) Quarterly Securities Reports and Confirmation Letter

Filed for the first quarter (from January 1 to March 31, 2022) of the 51st fiscal year ended December 31, 2022 with the Director-General of the Kanto Local Finance Bureau on May 12, 2022.

Filed for the second quarter (from April 1 to June 30, 2022) of the 51st fiscal year ended December 31, 2022 with the Director-General of the Kanto Local Finance Bureau on August 9, 2022.

Filed for the third quarter (from July 1 to September 30, 2022) of the 51st fiscal year ended December 31, 2022 with the Director-General of the Kanto Local Finance Bureau on November 10, 2022.

(4) Extraordinary Report

Filed the Extraordinary Report pursuant to the provisions of Article 19, paragraph 2, (iii) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs (specified subsidiary company subject to the change) with the Director-General of the Kanto Local Finance Bureau on March 24, 2022.

Filed the Extraordinary Report pursuant to the provisions of Article 19, paragraph 2, (ix)-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs (result of the resolution made at the General Meeting of Shareholders) with the Director-General of the Kanto Local Finance Bureau on March 31, 2022.

Filed the Extraordinary Report pursuant to the provisions of Article 19, paragraph 2, (xvi)-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs (decision of the acquisition of subsidiary company made by a consolidated subsidiary company) with the Director-General of the Kanto Local Finance Bureau on September 12, 2022.

(5) Share Buyback Report

Filed the Share Buyback Report with the Director-General of the Kanto Local Finance Bureau on March 10, 2022, April 11, 2022, May 12, 2022, June 8, 2022, and July 8, 2022.

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 as required by the Financial Instruments and Exchange Act of Japan for the convenience of the reader. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Independent Auditor's Report and Internal Control Audit Report

March 8, 2023

To the Board of Directors of Roland Corporation

Grant Thornton Taiyo LLC
Osaka office

Designated Limited Liability Partner Engagement Partner	Kenji Furuta, CPA	[Seal]
Designated Limited Liability Partner Engagement Partner	Tomohiro Norioka, 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 sheets as of December 31, 2022, 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, 2022 to December 31, 2022, 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, 2022, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. Those matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Rationality of allocation of acquisition cost and amount of goodwill at the acquisition of shares of Drum Workshop, Inc.	
Key audit matter and the reasoning	How the matter was addressed in our audit
As described in "Notes to Consolidated Financial Statements, (Business combinations.)," Roland Drum Corporation acquired all the outstanding shares of Drum Workshop, Inc. (hereinafter, "DW") for US$73,222 thousand on October 3, 2022, and the Company newly included DW in the scope of consolidation. The Company hired an outside expert to recognize and measure the identifiable assets and liabilities included in the acquisition consideration ("allocation of acquisition cost"). As a result, the Company recorded ¥1,200 million of trademark rights, ¥1,126 million of customer-related assets, and ¥3,248 million of goodwill for the remaining amount. Before concluding the business combination, the Company determined the acquisition cost of DW's shares after negotiations, considering the value of shares calculated by an outside expert based on the discounted present value of future cash flows that were estimated based on DW's business plan. The future cash flows were estimated based on the business plan approved by the Board of Directors, and the primary assumption in the business plan is the launch of new products in the drum market. As the primary assumption is highly susceptible to future customer demands and the economic environment, the estimated long-term future cash flows involve the management's subjective judgement and uncertainty. In addition, estimating the discount rate used for measuring the discounted present value of future cash flows requires high-level professional knowledge for selecting a calculation method and input data. Trademark rights and customer-related assets are evaluated using the valuation models of relief from royalty method and excess earnings method respectively. The estimation of the discount rate and other factors in these valuation models also requires a high-level professional knowledge for selecting a calculation methods and input data. Given the above, we considered the rationality of the allocation of acquisition cost and the amount of goodwill at the time of acquisition of DW's share to be of particular importance in our audit of the consolidated financial statements for the current fiscal year and determined this matter as a key audit matter.	We mainly applied the following audit procedures to assess the rationality of the allocation of acquisition cost and the amount of goodwill at the acquisition of DW's share: ● Assessment of the rationality of the business plan • We interviewed the management about the objective and background of the acquisition of DW's shares and inspected relevant evidence such as the Board of Directors meeting minutes and the stock purchase agreement. • To assess the launch of new products in drum market, which is the primary assumption in the business plan formulated by DW, we interviewed the management about the grounds behind it and their future sales policy, inspected the Board of Directors meeting minutes. • We performed a comparative analysis of DW's business plan with its past results and available external data. ● Assessment of the services provided by the outside expert engaged by the management • We assessed the suitability, competence and objectivity of the outside expert engaged by the Company who evaluated the value of the shares and recognized and measured identifiable assets. • To verify if the valuation method employed by the Company is consistent with conventional evaluation practice, we engaged valuation experts from our network firms to review the valuation method used by the Company to assess the identifiable assets and discount rate used for the measurement of discounted present value of future cash flows in the process of allocating acquisition cost.

Miscellaneous Content

Other information included in the annual securities report is information other than the consolidated financial statements and financial statements and their audit reports. Management is responsible for preparing and disclosing other statements. In addition, Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the execution of duties by Directors in the development and operation of the reporting process for other content.

Our audit opinion on the consolidated financial statements does not include any other statements, and we do not express an opinion on any other statements.

Our responsibility in the audit of the consolidated financial statements is to read and, while reading, consider whether there is a material difference between the other information and the consolidated financial statements or the knowledge we have gained in the audit. In addition to such significant differences, attention should be paid to whether there are other indications of material errors in the description.

If we believe that there is a material error in other information based on our work, we are required to report the fact.

There are no other matters to be reported by the auditor.

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 for consolidated financial statements generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the 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 the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles for consolidated financial statements generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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.
- When performing risk assessment procedures, obtain understanding of internal control relevant to the audit 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 the management and their method of application, as well as the reasonableness of accounting estimates made by the 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, determine whether a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern exists. 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 Company 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.

Of the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current fiscal year as key audit matters and describe the matters in our auditor’s report. Provided that laws and regulations preclude public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<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, 2022.

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, 2022, 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 original copy of the above 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 as required by the Financial Instruments and Exchange Act of Japan for the convenience of the reader. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Independent Auditor’s Report

March 8, 2023

To the Board of Directors of Roland Corporation

Grant Thornton Taiyo LLC
Osaka office

Designated Limited Liability Partner Engagement Partner	Kenji Furuta, CPA	[Seal]
Designated Limited Liability Partner Engagement Partner	Tomohiro Norioka, 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, 2022, and the non-consolidated statement of income and non-consolidated statement of changes in equity and the notes to significant accounting policies for the 51st business term from January 1, 2022 to December 31, 2022, 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, 2022, 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.

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the non-consolidated financial statements for the current fiscal year. Those matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of shares of Roland Drum Corporation	
Key audit matter and the reasoning	How the matter was addressed in our audit
The Company recorded shares of subsidiaries and associates at ¥25,904 million and investments in the capital of subsidiaries and associates at ¥2,311 million in the non-consolidated balance sheet for the current fiscal year. As described in “Notes to non-consolidated financial statements, Significant accounting estimates,” shares of subsidiaries and associates includes shares of Roland Drum Corporation (hereinafter, “RDC”). The Company compares the acquisition costs of shares that do not have market prices with their substantive values, and records valuation loss on these shares, in principle, only if their substantive values fall significantly except when the recoverability of the substantive values is backed by sufficient evidence. The Company acquired the shares of Drum Workshop, Inc. (hereinafter, “DW”) through RDC. Carrying amount of shares of RDC consists of the acquisition costs of the DW shares held. The acquisition cost of DW's shares was determined through negotiations, based on the discounted present value of future cash flows based on the company's business plan, and based on the value of shares calculated by an outside expert. The equity recorded in the Company’s net assets differs from the acquisition cost of DW’s shares as of the acquisition date. The future cash flows were estimated based on the business plan approved by the Board of Directors, and the primary assumption in the business plan is the launch of new products in the drum market. As the primary assumption is highly susceptible to future demand from customers and the economic environment, the estimated long-term future cash flows involve the management’s subjective judgement and uncertainty. In addition, estimating the discount rate used for measuring the discounted present value of future cash flows requires high-level professional knowledge for selecting a calculation method and input data. Given the above, we considered the valuation of shares of RDC to be of particular importance in our audit of the non-consolidated financial statements for the current fiscal year, and determined this matter as a key audit matter.	We determined the rationality of the allocation of acquisition cost and the amount of goodwill at the time of acquisition of DW’s share as a key audit matter and described how we addressed it in the Independent Auditor’s Report on the consolidated financial statements. The description is substantially included in how we addressed this matter in the Independent Auditor’s Report on the consolidated financial statements. We therefore omitted the specific description of how we addressed this matter.

Miscellaneous Content

Other information included in the annual securities report is information other than the consolidated financial statements and financial statements and their audit reports. Management is responsible for preparing and disclosing other statements. In addition, Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the execution of duties by Directors in the development and operation of the reporting process for other content.

Our audit opinion on the non-consolidated financial statements does not include any other statements, and we do not express an opinion on any other statements.

Our responsibility in the audit of the non-consolidated financial statements is to read and, in the course of reading, consider whether there is a material difference between the non-consolidated financial statements and the non-consolidated financial statements or the knowledge we have gained in the course of our audit. In addition to such significant differences, attention should be paid to whether there are other indications of material errors in the description.

If we believe that there is a material error in other information based on our work, we are required to report the fact.

There are no other matters to be reported by the auditor.

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 for non-consolidated financial statements generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the 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 Group'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.
- When performing risk assessment procedure, obtain 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 the management and their method of application, as well as the reasonableness of accounting estimates made by the 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, determine whether a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern exists. 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.

Of the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the non-consolidated financial statements for the current fiscal year as key audit matters and describe the matters in our auditor's report. Provided that laws and regulations preclude public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

We 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 original copy of the above audit 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 8, 2023
Company name	Roland Kabushiki Kaisha
Company name in English	Roland Corporation
Title and name of representative	Gordon Raison, CEO and Representative Director
Title and name of Chief Financial Officer	Shunsuke Sugiura, CFO and Director
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 over Financial Reporting

Gordon Raison, CEO and Representative Director, and Shunsuke Sugiura, CFO and Director of Roland Corporation (the Company) and its consolidated subsidiaries (the 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, 2022, 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 10 significant consolidated subsidiaries. The scope of the company-level control assessment does not include the other 12 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 of 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, 2022 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 8, 2023
Company name	Roland Kabushiki Kaisha
Company name in English	Roland Corporation
Title and name of representative	Gordon Raison, CEO and Representative Director
Title and name of Chief Financial Officer	Shunsuke Sugiura, CFO and Director
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

Gordon Raison, CEO and Representative Director, and Shunsuke Sugiura, CFO and Director of Roland Corporation have confirmed that this Annual Securities Report for the 51st fiscal year (January 1, 2022 through December 31, 2022) 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.