

Translation

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



August 8, 2022

Company name: Roland Corporation Listing: Tokyo Stock Exchange
 Security code: 7944 URL: <https://www.roland.com/global/>
 Representative: Gordon Raison, CEO and Representative Director
 Contact: Shunsuke Sugiura, CFO and Director
 Phone: +81-53-523-0230
 Scheduled date to file Quarterly Securities Report (*Shihanki Hokokusho*): August 9, 2022
 Scheduled date to commence payment of dividends: September 9, 2022
 Preparation of supplementary briefing material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and securities analysts)

(Note) Amounts less than one million yen have been omitted.

1. Consolidated financial results for the second quarter of the fiscal year ending December 31, 2022 (from January 1 to June 30, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
June 30, 2022	43,004	–	4,677	–	4,794	(35.7)	3,927	(36.5)
June 30, 2021	43,030	52.4	7,845	194.2	7,456	218.7	6,179	274.5

Note: Comprehensive income

For the six months ended June 30, 2022: ¥7,976 million [4.8%]
 For the six months ended June 30, 2021: ¥7,611 million [– %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
June 30, 2022	143.08	140.80
June 30, 2021	225.71	220.44

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

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2022	62,777	32,788	51.8
December 31, 2021	52,807	28,656	53.7

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

As of June 30, 2022: ¥32,506 million As of December 31, 2021: ¥28,380 million

2. Dividends

	Annual dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended	Yen	Yen	Yen	Yen	Yen
December 31, 2021	–	69.00	–	69.00	138.00
Fiscal year ending December 31, 2022	–	78.00			
Fiscal year ending December 31, 2022 (forecast)			–	78.00	156.00

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

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

(Percentages indicate year-on-year changes.)

Fiscal year	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen 92,400	% —	Millions of yen 12,400	% —	Millions of yen 12,500	% 23.7	Millions of yen 9,800	% 14.1	Yen 357.58

Note: 1. Revisions from the most recently announced forecast of consolidated financial results: Yes

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

Fiscal year	Net sales		Operating profit	
	¥93,300 million	16.6%	¥13,300 million	19.9%

[Notes]

- (1) Changes in significant subsidiaries during the current period (Changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements
 - 1) Changes in accounting policies due to the application of new or revised accounting standards: Yes
 - 2) Changes in accounting policies due to reasons other than the above 1): None
 - 3) Changes in accounting estimates: None
 - 4) Restatements of prior period financial statements: None
- (4) Number of shares of common stock issued
 - 1) Number of shares issued (including treasury shares)

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

As of June 30, 2022:	851,744 shares
As of December 31, 2021:	421,931 shares
 - 3) Average number of shares of common stock during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2022:	27,448,441 shares
Six months ended June 30, 2021:	27,379,679 shares

Notes: The aggregate number of shares of the Company held by the Board Benefit Trust, Employee Stock Ownership Plan Trust and Employee Shareholding Association-type ESOP Trust was included in the number of treasury shares, which was to be deducted from the calculation of the average number of shares of common stock during the period. It is noted that the average numbers of shares of common stock held by these trusts during the six months ended June 30, 2021 and 2022 were 423,973 shares and 401,886 shares, respectively.

* This quarterly financial results report is not subject to quarterly review procedures by certified public accountants or an audit firm.

* [Proper use of earnings forecasts, and other special notes]

(Disclaimer with respect to earnings and other forecasts)

- The forward-looking statements including the earnings forecast contained in this document are based on information currently available and certain assumptions that are believed to be reasonable. Accordingly, please be advised that the Company does not guarantee the achievement of the forecasts and the actual results may differ from the results described in this forward-looking statements due to a variety of factors. For further information on the forecast of consolidated financial results, please refer to “Explanation of forward-looking information including consolidated earnings forecast” on page 4 of the Attached Materials.
- The Company will hold a quarterly financial results briefing for institutional investors and securities analysts on Tuesday, August 9, 2022. Materials used at the quarterly financial results briefing will be posted on the Company’s website.

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1. Qualitative Information on Quarterly Consolidated Financial Results

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

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

Figures for the six months ended June 30, 2022 (hereinafter, the “period under review”) as referred to in “Explanation of consolidated operating results” represent the results after the application of the *Accounting Standard for Revenue Recognition*. For this reason, direct year-on-year comparisons of these figures are not shown. Instead, to help you better understand the operating performance for the period under review, year-on-year comparisons after adjustment are shown, which are percentages calculated based on the assumption that the results for the period under review had been measured by the same accounting standard as used in the fiscal year ended December 31, 2021.

(1) Explanation of consolidated operating results

During the period under review, while new COVID-19 cases were contained to some extent and social and economic activities were on a recovery track, the Group went through various obstacles in the external environment, including ongoing difficulties in purchasing semiconductors, soaring material and ocean freight costs, in addition to the disruption of supply chains triggered by China’s lockdown and the prolonged Russia-Ukraine conflict.

In the electronic musical instruments business hemisphere, compared to the pre-pandemic era, sales standards went on to become a further solid position endorsed by the entrenched new lifestyle brought by the COVID-19 pandemic. On the supply side, although the supply-demand balance of raw materials remained tight, continued efforts such as prompt management decisions for securing the necessary materials contributed to the anticipated overall factory utilization level. Also, order backlog was progressed favorably. Meanwhile, on the cost side, as several difficult conditions, such as lingering high ocean transportation costs and raw materials prices persisted, the Group has focused on to optimize its product prices. At the same time, it reallocated the declined sales opportunities in China and Russia to other regions in response to these unfavorable conditions.

As a result of the above, during the period under review, the Group recorded net sales of ¥43,004 million (up 5.9% compared to Forecast, up 1.0% year on year after adjustment), operating profit came in at ¥4,677 million (up 1.7% compared to Forecast, down 34.8% year on year after adjustment), ordinary profit came in at ¥4,794 million (up 2.0% compared to Forecast, down 35.7% year on year), and profit attributable to owners of parent came in at ¥3,927 million (up 12.2% compared to Forecast, down 36.5% year on year). Whereas the forecast target was achieved, year on year profit was dropped. This is primarily attributable to the fact that a one-time sales increment (approximately ¥2 billion), associated with the inventory management implemented at the end of the fiscal year ended December 31, 2020 was recorded in the previous year.

Sales performance by mainstay category is as shown below:

[Keyboards] Net sales: ¥13,761 million (up 5.5% year on year after adjustment)

Among the mainstay categories, electronic pianos remained in stronger demand compared to the pre-pandemic era of COVID-19, driven by brisk demand from people staying home for longer hours. Products in this category enjoyed solid demand while the order backlog was being processed in both the Group and the competitors, competitive environment in the market was gradually getting back to what it used to be in the pre-pandemic era of COVID-19.

[Percussion and Wind Instruments] Net sales: ¥9,367 million (down 5.5% year on year after adjustment)

Among the mainstay categories, electronic drums products in the mid- to high-price range continued to perform strongly. Still sales slightly fell short of the estimate, affected partly by the lock-down in China.

Sales of electronic wind instruments, primarily the mid- to high-end products, remained strong, backed by continued market expansion.

[Guitar-related Products] Net sales: ¥10,712 million (up 1.6% year on year after adjustment)

Among the mainstay categories, sales of guitar effects, especially the Loop Station Series and compact effector “Waza Craft Pedal”

series released in the previous fiscal year and multi-effecters released in the current fiscal year performed strongly.

Sales of musical instrument amplifiers remained as expected, although the short supply of products somewhat affected the sales performance. This is partly because the shipment of orders in the backlog progressed to some extent.

[Creation-related Products & Services] Net sales: ¥5,836 million (up 6.1% year on year after adjustment)

Among the mainstay categories, synthesizers continued to perform strongly, backed by strong sales of compact stage pianos, and new products released in the current fiscal year.

In the dance and DJ-related products domain, compact gadget instruments that allow users to enjoy full-scale electronic music easily were released. In addition, sales of the latest model of the long-selling Sampler Series, released in the fourth quarter of the previous fiscal year, remained strong.

In the software and service domain, through Roland Cloud where software sound sources are offered at a fixed membership fee, the Group continued to provide new software synthesizers and sound packs. The Group also started offering an online service that enables users to share the settings of effects and amplifiers.

[Video and Professional Audio] Net sales: ¥1,997 million (down 12.9% year on year after adjustment)

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

(2) Explanation of consolidated financial position

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

Total assets at the end of the period under review on a consolidated basis increased by ¥9,970 million from the end of the previous fiscal year to ¥62,777 million. This is attributable primarily to increases in trade receivables of ¥2,942 million and inventories of ¥6,507 million.

Liabilities increased by ¥5,838 million from the end of the previous fiscal year to ¥29,989 million. This is attributable primarily to an increase in borrowings of ¥5,380 million.

Net assets increased by ¥4,132 million from the end of the previous fiscal year to ¥32,788 million. This is attributable mainly to the recognition of profit attributable to owners of parent of ¥3,927 million and an increase in foreign currency translation adjustment of ¥4,078 million due to the continued depreciation of yen against major currencies, which were partially offset by a ¥1,950 million increase in treasury shares, a deduction item from net asset, which reflects the repurchase of treasury shares, and a decrease in retained earnings of ¥1,929 million due to the payments of dividends.

As a result of the above, the equity ratio fell 2.0 percentage points from the end of the previous fiscal year to 51.8%.

(ii) Cash flows for the six months ended June 30, 2022

During the period under review, cash and cash equivalents (“net cash”) decreased by ¥59 million (an increase of ¥664 million for the same period of the previous fiscal year) to ¥8,722 million at the end of the period.

Cash flows from operating activities

Net cash used in operating activities amounted to ¥910 million (¥4,229 million provided for the same period of the previous fiscal year), which is attributable primarily to increased working capital.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥443 million (¥229 million used for the same period of the previous fiscal year), which is attributable primarily to the purchase of property, plant and equipment.

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥1,342 million (¥3,246 million used for the same period of the previous fiscal year), which is attributable primarily to an increase in short-term borrowings, although this increase was offset partially by the repurchase of treasury shares and the payment of dividends.

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

To reflect recent trends of our operating performance and other factors, the consolidated financial result forecasts announced on February 10, 2022 have been revised. For details, please refer to “Notice of Revisions to Financial Result Forecasts” published today (August 8, 2022).

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

	(Millions of yen)	
	Previous fiscal year (As of December 31, 2021)	Current quarter (As of June 30, 2022)
Assets		
Current assets:		
Cash and deposits	8,781	8,722
Notes and accounts receivable – trade	7,444	10,387
Merchandise and finished goods	15,508	19,941
Work in process	1,715	1,399
Raw materials and supplies	8,016	10,406
Other	1,470	1,624
Allowance for doubtful accounts	(313)	(303)
Total current assets	42,623	52,178
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	2,421	2,366
Land	1,626	1,650
Other, net	1,808	2,139
Total property, plant and equipment	5,857	6,156
Intangible assets	632	587
Investments and other assets:		
Investment securities	1,245	1,009
Other	2,549	2,956
Allowance for doubtful accounts	(101)	(110)
Total investments and other assets	3,693	3,854
Total non-current assets	10,183	10,598
Total assets	52,807	62,777

(Millions of yen)

	Previous fiscal year (As of December 31, 2021)	Current quarter (As of June 30, 2022)
Liabilities		
Current liabilities:		
Notes and accounts payable – trade	6,391	7,718
Short-term borrowings	–	6,006
Current portion of long-term borrowings	1,252	1,252
Income taxes payable	360	387
Provision for bonuses	1,662	937
Provision for bonuses for directors (and other officers)	78	23
Provision for product warranties	373	426
Other	5,915	5,798
Total current liabilities	16,033	22,550
Non-current liabilities:		
Long-term borrowings	5,822	5,196
Provision for product warranties	1	1
Provision for share awards	262	247
Provision for share awards for directors (and other officers)	58	65
Retirement benefit liability	725	710
Asset retirement obligations	86	87
Other	1,160	1,129
Total non-current liabilities	8,117	7,438
Total liabilities	24,150	29,989
Net assets		
Shareholders' equity:		
Share capital	9,585	9,613
Capital surplus	163	191
Retained earnings	18,894	20,891
Treasury shares	(482)	(2,432)
Total shareholders' equity	28,161	28,263
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	140	112
Foreign currency translation adjustment	(178)	3,899
Remeasurements of defined benefit plans	258	231
Total accumulated other comprehensive income	219	4,242
Share acquisition rights	115	95
Non-controlling interests	161	186
Total net assets	28,656	32,788
Total liabilities and net assets	52,807	62,777

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

Quarterly consolidated statements of income

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Net sales	43,030	43,004
Cost of sales	22,704	25,452
Gross profit	20,326	17,551
Selling, general and administrative expenses	12,480	12,874
Operating profit	7,845	4,677
Non-operating income:		
Interest income	4	4
Dividend income	81	87
Subsidy income	51	108
Other	9	5
Total non-operating income	146	205
Non-operating expenses:		
Interest expenses	12	12
Sales discounts	392	—
Foreign exchange losses	98	69
Other	31	6
Total non-operating expenses	536	88
Ordinary profit	7,456	4,794
Extraordinary income:		
Gain on sales of non-current assets	372	2
Gain on liquidation of subsidiaries	—	168
Total extraordinary income	372	171
Extraordinary losses:		
Loss on sales and retirement of non-current assets	6	4
Loss on competition law	149	—
Total extraordinary losses	156	4
Profit before income taxes	7,672	4,960
Income taxes – current	1,594	1,180
Income taxes – deferred	(103)	(150)
Total income taxes	1,491	1,029
Profit	6,181	3,931
Profit attributable to non-controlling interests	1	3
Profit attributable to owners of parent	6,179	3,927

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Profit	6,181	3,931
Other comprehensive income:		
Valuation difference on available-for-sale securities	90	(27)
Foreign currency translation adjustment	1,311	4,099
Remeasurements of defined benefit plans, net of tax	28	(26)
Total other comprehensive income	1,430	4,045
Comprehensive income	7,611	7,976
Comprehensive income attributable to:		
Owners of parent	7,599	7,950
Non-controlling interests	12	25

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Cash flows from operating activities:		
Profit before income taxes	7,672	4,960
Depreciation	793	813
Amortization of goodwill	2	2
Increase (decrease) in retirement benefit liability	1	(71)
Interest and dividend income	(85)	(92)
Interest expenses	12	12
Foreign exchange losses (gains)	84	58
Loss (gain) on sale and retirement of non-current assets	(366)	1
Loss (gain) on liquidation of subsidiaries	–	(168)
Decrease (increase) in trade receivables	(1,450)	(710)
Decrease (increase) in inventories	(351)	(2,033)
Increase (decrease) in trade payables	(881)	(1,388)
Other, net	167	(1,250)
Subtotal	5,599	133
Interest and dividends received	85	92
Interest paid	(11)	(12)
Income taxes paid	(1,443)	(1,123)
Net cash provided by (used in) operating activities	4,229	(910)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(746)	(554)
Proceeds from sale of property, plant and equipment	552	2
Purchase of intangible assets	(21)	(46)
Proceeds from collection of long-term loans receivable	18	4
Proceeds from liquidation of subsidiaries	–	140
Other, net	(32)	10
Net cash provided by (used in) investing activities	(229)	(443)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(140)	6,006
Proceeds from long-term borrowings	1,500	–
Repayments of long-term borrowings	(3,497)	(626)
Proceeds from issuance of shares	145	35
Proceeds from sale of treasury shares	61	66
Purchase of treasury shares	(121)	(2,000)
Dividends paid	(992)	(1,929)
Other, net	(202)	(209)
Net cash provided by (used in) financing activities	(3,246)	1,342
Effect of exchange rate change on cash and cash equivalents	(88)	(47)
Net increase (decrease) in cash and cash equivalents	664	(59)
Cash and cash equivalents at beginning of period	10,832	8,781
Cash and cash equivalents at end of period	11,497	8,722

(4) Notes to quarterly consolidated financial statements

(Going concern assumption)

Not applicable

(Significant changes in shareholders' equity)

The Company repurchased 469,900 treasury shares during the period under review based on the resolution passed at the Board of Directors meeting held on February 10, 2022. As a result, its treasury shares increased by ¥1,999 million to ¥2,432 million as of the end of the period under review.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition)

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

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

As a result, during the period under review, net sales, gross profit, and operating profit each decreased by ¥437 million, but these decreases had no impact on ordinary profit and profit before income taxes since non-operating expenses also decreased by ¥437 million. In addition, consolidated financial statements for past periods have not been reclassified using the new presentation method, in accordance with the transitional treatment prescribed in paragraph 89-2 of the *Accounting Standard for Revenue Recognition*.

(Application of Accounting Standard for Fair Value Measurement)

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