

Translation

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Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2023 (under Japanese GAAP)



November 8, 2023

Company name: Roland Corporation Listing: Tokyo Stock Exchange
Security code: 7944 URL: <https://www.roland.com/global/>
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Scheduled date to file Quarterly Securities Report (*Shihanki Hokokusho*): November 9, 2023
Scheduled date to commence payment of dividends: —
Preparation of supplementary briefing material on quarterly financial results: Yes
Holding of quarterly financial results briefing: Yes (for institutional investors and securities analysts)

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

1. Consolidated financial results for the third quarter of the fiscal year ending December 31, 2023 (from January 1 to September 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended September 30, 2023	71,410	10.5	7,744	23.1	7,131	21.4	5,762	13.5
September 30, 2022	64,622	—	6,288	—	5,872	(34.3)	5,075	(34.4)

Note: Comprehensive income

For the nine months ended September 30, 2023: ¥9,201 million [(5.3)%]

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2023	210.77	208.16
September 30, 2022	185.43	182.54

Note: The Company has applied the *Accounting Standard for Revenue Recognition* (ASBJ Statement No. 29, March 31, 2020) from the beginning of the fiscal year ended December 31, 2022. Accordingly, year-on-year changes for net sales and operating profit against the third quarter of the fiscal year ended December 31, 2021, before the application of the said accounting standard are not presented.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	83,254	38,491	45.9
December 31, 2022	77,056	33,747	43.4

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

As of September 30, 2023: ¥38,188 million As of December 31, 2022: ¥33,467 million

2. Dividends

	Annual dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended December 31, 2022	Yen —	Yen 78.00	Yen —	Yen 78.00	Yen 156.00
Fiscal year ending December 31, 2023	—	85.00	—		
Fiscal year ending December 31, 2023 (forecast)				85.00	170.00

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

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

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Fiscal year	Millions of yen 105,600	% 10.2	Millions of yen 12,400	% 15.3	Millions of yen 12,400	% 21.0	Millions of yen 9,300	% 4.0	Yen 340.73

Note: Revisions from the most recently announced forecast of consolidated financial results: None

[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 application of new or revised accounting standards: None
 - 2) Changes in accounting policies due to reasons other than above 1): None
 - 3) Changes in accounting estimates: None
 - 4) Restatements of prior period financial statements: None
- (4) Number of shares of common stock issued
 - 1) Number of shares issued (including treasury shares)

As of September 30, 2023:	28,163,038 shares
As of December 31, 2022:	28,066,786 shares
 - 2) Number of treasury shares

As of September 30, 2023:	764,087 shares
As of December 31, 2022:	824,172 shares
 - 3) Average number of shares of common stock during the period (cumulative from the beginning of the fiscal year)

Nine months ended September 30, 2023:	27,340,915 shares
Nine months ended September 30, 2022:	27,370,986 shares

Note: The aggregate number of shares of the Company held by the Board Benefit Trust, Employee Stock Ownership Plan Trust, and Employee Shareholding Association-type ESOP Trust was included in the number of treasury shares, which was to be deducted from the calculation of the average number of shares of common stock during the period. It is noted that the average numbers of shares of common stock held by these trusts during the nine months ended September 30, 2022 and 2023 were 393,843 shares and 328,208 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 the 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 3 of the Attached Materials.
- The Company will hold a quarterly financial results briefing for institutional investors and securities analysts on Thursday, November 9, 2023. 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

(1) Explanation of consolidated operating results

During the period under review, the transition to a world after COVID-19 advanced significantly across the globe. At the same time, however, the global economic environment surrounding the Group remained uncertain as concerns of a global economic slowdown intensified due to the protracted situation in Russia and Ukraine, rising prices and interest rates worldwide, and financial instability.

Overall demand for electronic musical instruments remained firm, albeit with some differences by region and product category. Meanwhile, as for shipments, the current fiscal year is the final adjustment phase toward the normalization of the supply chain, as dealer inventories are temporarily overstocked, particularly in the U.S., due to the easing of supply constraints caused by COVID-19 and the subsequent increase of shipments at the end of the previous fiscal year. On the cost side, although raw material prices remained high, there were improvements due to the penetration of appropriate pricing that has been continuously focused on as well as a decline in stubbornly high marine transportation costs. Furthermore, to act with intelligence and with agility to the changing market conditions, spending has been reviewed in a timely and appropriate manner.

As a result of the above, during the period under review, the Group recorded net sales of ¥71,410 million (up 10.5% year on year), partly due to the contribution of newly consolidated Drum Workshop, Inc. (hereinafter, “DW”), a U.S.-based drum manufacturer, acquired in the previous fiscal year, as well as the weaker yen. In terms of profit, the Group recorded operating profit of ¥7,744 million (up 23.1% year on year), ordinary profit of ¥7,131 million (up 21.4% year on year), and profit attributable to owners of parent of ¥5,762 million (up 13.5% year on year).

Sales performance (year-on-year change) by mainstay category is as shown below:

[Keyboards] Net sales: ¥18,387 million (down 11.7% year on year)

Sales of electronic pianos struggled, owing to dealer inventory adjustments and intensified competition, in addition to a slowdown in exceptionally high demand triggered by COVID-19.

[Percussion and Wind Instruments] Net sales: ¥20,623 million (up 47.8% year on year)

Sales of drums were generally firm in developed countries, mainly due to the introduction of new products, although sales in China were affected by the downsizing of music schools due to the backdrop of government regulations on tutoring schools and COVID-19. Overall sales in the drums business grew significantly, thanks to the new consolidation of DW.

Sales of electronic wind instruments suffered due to market inventory adjustments in the mainstay markets of China and Japan, as well as competition from new entrants, especially in China.

[Guitar-related Products] Net sales: ¥18,123 million (up 12.5% year on year)

Sales of guitar effects remained strong, due to the effect of new product launches, on top of a recovery from supply shortages in the same period of the previous year.

Sales of musical instrument amplifiers remained strong, driven by solid demand as well as by the contribution of new products to the performance, although it was affected by inventory adjustments in the market, particularly in the U.S.

[Creation-related Products & Services] Net sales: ¥8,996 million (up 2.3% year on year)

Demand for synthesizers remained firm, although there was a reactionary decline because many new products had been launched in the same period of the previous fiscal year.

As to dance and DJ-related products, existing products showed signs of slowing down, although new product lines launched in the current year contributed to sales.

In the software and service domain, Roland Cloud continued to provide software synthesizers, sound contents, and hardware updates, resulting in stable growth in membership.

[Video and Professional Audio] Net sales: ¥3,085 million (up 4.6% year on year)

Sales of video-related products remained strong as event demand recovered and demand for related products increased while demand for personal distribution calmed down.

(2) Explanation of consolidated financial position

(i) Assets, liabilities and net assets as of September 30, 2023

Total assets at the end of the period under review on a consolidated basis increased by ¥6,197 million from the end of the previous fiscal year to ¥83,254 million. This is attributable primarily to increases in trade receivables of ¥1,726 million, inventories of ¥3,160 million and property, plant and equipment of ¥704 million respectively.

Liabilities increased by ¥1,453 million from the end of the previous fiscal year to ¥44,762 million. This is attributable primarily to an increase in trade payables of ¥2,118 million and a decrease in borrowings of ¥1,098 million.

Net assets increased by ¥4,744 million from the end of the previous fiscal year to ¥38,491 million. This is attributable mainly to the recognition of profit attributable to owners of parent of ¥5,762 million and an increase in foreign currency translation adjustment of ¥3,384 million due to the depreciation of the yen against major currencies, which were partially offset by a decrease in retained earnings of ¥4,506 million due to payments of dividends.

As a result of the above, the equity ratio rose 2.4 percentage points from the end of the previous fiscal year to 45.9%.

(ii) Cash flows for the nine months ended September 30, 2023

During the period under review, cash and cash equivalents (“net cash”) decreased by ¥482 million (decreased by ¥579 million for the same period of the previous fiscal year) to ¥10,023 million at the end of the period.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥8,027 million (¥3,934 million used for the same period of the previous fiscal year), which is attributable primarily to decreases in both profit before income taxes and working capital.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥1,761 million (¥791 million used for the same period of the previous fiscal year), which is attributable primarily to the capital outlay for the purchases of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥5,922 million (¥4,953 million provided for the same period of the previous fiscal year), which is attributable primarily to repayments of borrowings and payments of dividends.

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

There is no change in the consolidated financial result forecasts for the current fiscal year, which was announced on February 13, 2023. In the event of any changes, a new forecast will be disclosed in an appropriate manner.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

	(Millions of yen)	
	Previous fiscal year (As of December 31, 2022)	Current quarter (As of September 30, 2023)
Assets		
Current assets:		
Cash and deposits	10,506	10,023
Notes and accounts receivable – trade	12,905	14,632
Merchandise and finished goods	20,214	22,714
Work in process	1,249	1,666
Raw materials and supplies	10,858	11,102
Other	2,561	2,428
Allowance for doubtful accounts	(394)	(454)
Total current assets	57,902	62,113
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	3,698	3,684
Land	1,640	1,654
Other, net	2,431	3,135
Total property, plant and equipment	7,770	8,474
Intangible assets		
Goodwill	3,266	3,395
Other	2,824	3,193
Total intangible assets	6,090	6,589
Investments and other assets:		
Investment securities	938	1,069
Other	4,465	5,133
Allowance for doubtful accounts	(110)	(127)
Total investments and other assets	5,293	6,076
Total non-current assets	19,154	21,140
Total assets	77,056	83,254

	(Millions of yen)	
	Previous fiscal year (As of December 31, 2022)	Current quarter (As of September 30, 2023)
Liabilities		
Current liabilities:		
Notes and accounts payable – trade	5,606	7,724
Short-term borrowings	17,700	7,643
Current portion of long-term borrowings	1,252	8,675
Income taxes payable	482	359
Provision for bonuses	771	422
Provision for bonuses for directors (and other officers)	34	29
Provision for product warranties	281	312
Other	6,384	7,773
Total current liabilities	32,513	32,941
Non-current liabilities:		
Long-term borrowings	7,570	9,105
Provision for share awards	253	245
Provision for share awards for directors (and other officers)	78	86
Retirement benefit liability	432	406
Asset retirement obligations	87	88
Other	2,373	1,887
Total non-current liabilities	10,796	11,821
Total liabilities	43,309	44,762
Net assets		
Shareholders' equity:		
Share capital	9,613	9,641
Capital surplus	191	219
Retained earnings	23,750	24,945
Treasury shares	(2,407)	(2,332)
Total shareholders' equity	31,148	32,473
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	68	137
Foreign currency translation adjustment	1,879	5,264
Remeasurements of defined benefit plans	370	313
Total accumulated other comprehensive income	2,319	5,715
Share acquisition rights	95	75
Non-controlling interests	184	227
Total net assets	33,747	38,491
Total liabilities and net assets	77,056	83,254

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

Quarterly consolidated statements of income

(Millions of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Net sales	64,622	71,410
Cost of sales	38,106	40,185
Gross profit	26,515	31,225
Selling, general and administrative expenses	20,227	23,481
Operating profit	6,288	7,744
Non-operating income:		
Interest income	8	27
Dividend income	93	85
Subsidy income	116	61
Other	5	19
Total non-operating income	223	194
Non-operating expenses:		
Interest expenses	25	105
Foreign exchange losses	603	685
Other	9	16
Total non-operating expenses	639	807
Ordinary profit	5,872	7,131
Extraordinary income:		
Gain on sale of non-current assets	11	6
Gain on liquidation of subsidiaries	246	—
Total extraordinary income	258	6
Extraordinary losses:		
Loss on sale and retirement of non-current assets	8	11
Total extraordinary losses	8	11
Profit before income taxes	6,122	7,126
Income taxes – current	1,631	1,584
Income taxes – deferred	(591)	(246)
Total income taxes	1,040	1,337
Profit	5,082	5,788
Profit attributable to non-controlling interests	6	26
Profit attributable to owners of parent	5,075	5,762

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Profit	5,082	5,788
Other comprehensive income:		
Valuation difference on available-for-sale securities	(45)	68
Foreign currency translation adjustment	4,720	3,401
Remeasurements of defined benefit plans, net of tax	(39)	(57)
Total other comprehensive income	4,634	3,412
Comprehensive income	9,716	9,201
Comprehensive income attributable to:		
Owners of parent	9,688	9,158
Non-controlling interests	28	42

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Cash flows from operating activities:		
Profit before income taxes	6,122	7,126
Depreciation	1,253	1,747
Amortization of goodwill	3	264
Increase (decrease) in retirement benefit liability	(110)	(133)
Interest and dividend income	(101)	(113)
Interest expenses	25	105
Foreign exchange losses (gains)	483	(112)
Loss (gain) on sale and retirement of non-current assets	(3)	4
Loss (gain) on liquidation of subsidiaries	(246)	—
Decrease (increase) in trade receivables	(1,956)	1,279
Decrease (increase) in inventories	(4,821)	453
Increase (decrease) in trade payables	(1,899)	50
Other, net	(988)	(615)
Subtotal	(2,237)	10,058
Interest and dividends received	101	112
Interest paid	(21)	(110)
Income taxes paid	(1,776)	(2,033)
Net cash provided by (used in) operating activities	(3,934)	8,027
Cash flows from investing activities:		
Purchase of property, plant and equipment	(947)	(1,426)
Proceeds from sale of property, plant and equipment	17	19
Purchase of intangible assets	(94)	(240)
Proceeds from collection of long-term loans receivable	5	0
Proceeds from liquidation of subsidiaries	227	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(50)
Other, net	(0)	(63)
Net cash provided by (used in) investing activities	(791)	(1,761)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	9,136	(10,061)
Proceeds from long-term borrowings	3,000	10,700
Repayments of long-term borrowings	(939)	(1,741)
Proceeds from issuance of shares	35	71
Proceeds from sale of treasury shares	105	139
Purchase of treasury shares	(2,000)	(0)
Dividends paid	(4,063)	(4,481)
Other, net	(322)	(549)
Net cash provided by (used in) financing activities	4,953	(5,922)
Effect of exchange rate change on cash and cash equivalents	(807)	(781)
Net increase (decrease) in cash and cash equivalents	(579)	(438)
Cash and cash equivalents at beginning of period	8,781	10,506
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	(43)
Cash and cash equivalents at end of period	8,201	10,023

(4) Notes to quarterly consolidated financial statements

(Going concern assumption)

Not applicable

(Significant changes in shareholders' equity)

Not applicable