

Translation

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Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending December 31, 2024
(under Japanese GAAP)



May 9, 2024

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*): May 10, 2024
 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 first quarter of the fiscal year ending December 31, 2024 (from January 1 to March 31, 2024)

(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	%
Three months ended March 31, 2024	22,083	(3.4)	1,564	(22.5)	1,122	(39.8)	980	(30.4)
March 31, 2023	22,861	9.0	2,018	(21.4)	1,864	(28.3)	1,408	(26.4)

Note: Comprehensive income

For the three months ended March 31, 2024: ¥3,165 million [80.0%]

For the three months ended March 31, 2023: ¥1,758 million [(52.6)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2024	35.63	35.28
March 31, 2023	51.61	50.92

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
March 31, 2024	79,830	40,989	51.0
December 31, 2023	80,969	40,114	49.2

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

As of March 31, 2024: ¥40,685 million

As of December 31, 2023: ¥39,808 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, 2023	–	85.00	–	85.00	170.00
Fiscal year ending December 31, 2024	–				
Fiscal year ending December 31, 2024 (forecast)		85.00	–	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, 2024 (from January 1 to December 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First six months	45,100	(2.2)	3,300	(22.5)	3,300	(17.8)	2,500	(21.8)	90.83
Fiscal year	99,900	(2.5)	11,400	(4.0)	11,300	1.3	8,500	4.3	308.37

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 the application of new or revised accounting standards: None
 - 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 March 31, 2024: 28,163,038 shares
 - As of December 31, 2023: 28,163,038 shares
 - 2) Number of treasury shares
 - As of March 31, 2024: 634,328 shares
 - As of December 31, 2023: 722,886 shares
 - 3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)
 - Three months ended March 31, 2024: 27,518,189 shares
 - Three months ended March 31, 2023: 27,283,405 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 outstanding held by these trusts during the three months ended March 31, 2023 and 2024 were 351,294 shares and 232,030 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 3 of the Attached Materials.
- The Company will hold a quarterly financial results briefing for institutional investors and securities analysts on Friday, May 10, 2024. 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 three months ended March 31, 2024 (hereinafter the “period under review”), the global economic environment surrounding the Group remained uncertain due to geopolitical risks, such as the Russia-Ukraine and Israel-Palestine situations, persistently high prices and interest rates worldwide, the prolonged depreciation of the Japanese Yen, and economic stagnation in China.

Demand for electronic musical instruments was affected by a reactionary decline after stay-at-home demand as well as by rising prices in some product categories. Meanwhile, shipments from the Company to dealers during the period under review remained sluggish, compared to the same period of the previous fiscal year. This was partly because it was time consuming to adjust the supply-and-demand imbalance triggered by supply chain disruption during the COVID-19 pandemic, resulting in excess dealer inventories. There was also an impact of a reactionary decline after the shipments of backlogged orders made in the same period of the previous fiscal year. These impacts of the adjustment were generally in line with our expectations, and they are anticipated to gradually come to an end during the second quarter this fiscal year, albeit with some differences by product category.

As a result of the above, during the period under review, the Group recorded net sales of ¥22,083 million (down 3.4% year on year). In terms of profit, the Group recorded operating profit of ¥1,564 million (down 22.5% year on year), ordinary profit of ¥1,122 million (down 39.8% year on year), and profit attributable to owners of parent of ¥980 million (down 30.4% year on year).

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

[Keyboards] Net sales: ¥5,461 million (down 2.4% year on year)

Sales of electronic pianos were affected by rising prices and dealer inventory adjustments, in addition to a slowdown in exceptionally high demand triggered by COVID-19.

[Percussion and Wind Instruments] Net sales: ¥6,612 million (down 1.8% year on year)

Sales of drums were affected by dealer inventory adjustments and a reactionary decline after the shipments of backlogged orders made in the same period of the previous fiscal year. On the other hand, sales of a first-of-its-kind convertible drum set launched in the previous fiscal year remained strong.

Sales of electronic wind instruments continued to face competition from new entrants, while being affected by dealer inventory adjustments.

[Guitar-related Products] Net sales: ¥5,533 million (down 2.0% year on year)

As to guitar effects, demand for compact effects remained firm. However, strong demand stemming from the band boom created by a popular animation show calmed down in Japan, while being affected by dealer inventory adjustments.

Sales of musical instruments amplifiers faced a reactionary decline after the shipments of backlogged orders made in the same period of the previous fiscal year, although new products launched in the current fiscal year contributed to sales.

[Creation-related Products & Services] Net sales: ¥3,006 million (down 4.0% year on year)

Sales of synthesizers were severely affected by a reactionary decline after the shipments of backlogged orders made 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 fiscal year contributed to sales.

In the software and service domain, Roland Cloud continued to provide contents and services to increase the LTV (Lifetime Value) of users, resulting in stable growth in membership.

[Video and Professional Audio] Net sales: ¥734 million (down 28.7% year on year)

Demand for video-related events recovered, and there was an increase in the demand for products. However, sales were severely affected by a reactionary decline after the shipments of backlogged orders made in the same period of the previous fiscal year.

(2) Explanation of consolidated financial position

(i) Assets, liabilities and net assets as of March 31, 2024

Total assets at the end of the period under review on a consolidated basis decreased by ¥1,138 million from the end of the previous fiscal year to ¥79,830 million. This is attributable primarily to decreases in cash and deposits of ¥623 million and trade receivables of ¥2,320 million, partially offset by increases in inventories of ¥1,038 million and intangible assets of ¥749 million.

Total liabilities decreased by ¥2,013 million from the end of the previous fiscal year to ¥38,840 million. This is attributable primarily to decreases in borrowings of ¥1,298 million and accrued expenses of ¥541 million included in “Other” under current liabilities.

Net assets increased by ¥874 million from the end of the previous fiscal year to ¥40,989 million. This is attributable primarily to the recording of profit attributable to owners of parent of ¥980 million and an increase in foreign currency translation adjustment of ¥2,069 million due to the depreciation of the yen against major currencies, partially offset by a decrease in retained earnings of ¥2,356 million due to a declaration and payments of dividends.

As a result of the above, the equity ratio rose 1.8 percentage points from the end of the previous fiscal year to 51.0%.

(ii) Cash flows for the three months ended March 31, 2024

During the period under review, cash and cash equivalents (“net cash”) decreased by ¥623 million (a decrease by ¥543 million for the same period of the previous fiscal year) to ¥12,259 million at the end of the period.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥3,229 million (¥5,286 million provided for the same period of the previous fiscal year), which is attributable primarily to the recording of profit before income taxes and a decrease in working capital.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥16 million (¥632 million used for the same period of the previous fiscal year), which is attributable primarily to the capital outlay for the purchases of intangible assets, most of which was offset by proceeds from sale of businesses.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥3,603 million (¥5,125 million used 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 14, 2024. 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, 2023)	Current quarter (As of March 31, 2024)
Assets		
Current assets:		
Cash and deposits	12,883	12,259
Notes and accounts receivable - trade	13,805	11,484
Merchandise and finished goods	18,094	19,074
Work in process	1,443	1,815
Raw materials and supplies	10,606	10,292
Other	2,311	2,100
Allowance for doubtful accounts	(485)	(451)
Total current assets	58,659	56,576
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	3,934	3,904
Land	2,328	2,332
Other, net	3,699	3,628
Total property, plant and equipment	9,961	9,864
Intangible assets		
Goodwill	3,129	3,244
Other	3,110	3,745
Total intangible assets	6,240	6,990
Investments and other assets:		
Investment securities	1,107	1,375
Other	5,106	5,131
Allowance for doubtful accounts	(105)	(107)
Total investments and other assets	6,107	6,399
Total non-current assets	22,309	23,253
Total assets	80,969	79,830

(Millions of yen)

	Previous fiscal year (As of December 31, 2023)	Current quarter (As of March 31, 2024)
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	6,266	6,179
Short-term borrowings	4,300	3,600
Current portion of long-term borrowings	8,526	5,392
Income taxes payable	415	328
Provision for bonuses	852	481
Provision for bonuses for directors (and other officers)	39	15
Provision for product warranties	335	321
Other	7,305	7,123
Total current liabilities	28,041	23,441
Non-current liabilities:		
Long-term borrowings	10,056	12,592
Provision for share awards	252	260
Provision for share awards for directors (and other officers)	96	109
Retirement benefit liability	249	260
Asset retirement obligations	88	88
Other	2,069	2,086
Total non-current liabilities	12,812	15,398
Total liabilities	40,854	38,840
Net assets		
Shareholders' equity:		
Share capital	9,641	9,641
Capital surplus	124	0
Retained earnings	27,334	25,959
Treasury shares	(2,207)	(2,011)
Total shareholders' equity	34,892	33,589
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	153	317
Foreign currency translation adjustment	3,728	5,797
Remeasurements of defined benefit plans	1,032	979
Total accumulated other comprehensive income	4,915	7,095
Share acquisition rights	70	63
Non-controlling interests	235	241
Total net assets	40,114	40,989
Total liabilities and net assets	80,969	79,830

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

Quarterly consolidated statements of income

(Millions of yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Net sales	22,861	22,083
Cost of sales	13,112	12,691
Gross profit	9,748	9,392
Selling, general and administrative expenses	7,729	7,827
Operating profit	2,018	1,564
Non-operating income:		
Interest income	8	14
Dividend income	10	–
Subsidy income	61	–
Other	8	2
Total non-operating income	88	17
Non-operating expenses:		
Interest expenses	31	36
Foreign exchange losses	204	420
Other	6	2
Total non-operating expenses	242	459
Ordinary profit	1,864	1,122
Extraordinary income:		
Gain on sale of non-current assets	1	2
Gain on sale of businesses	–	297
Total extraordinary income	1	299
Extraordinary losses:		
Loss on sale and retirement of non-current assets	1	1
Extra retirement payments	–	158
Total extraordinary losses	1	160
Profit before income taxes	1,864	1,262
Income taxes - current	318	139
Income taxes - deferred	126	148
Total income taxes	445	287
Profit	1,419	975
Profit (loss) attributable to non-controlling interests	11	(5)
Profit attributable to owners of parent	1,408	980

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Profit	1,419	975
Other comprehensive income:		
Valuation difference on available-for-sale securities	46	164
Foreign currency translation adjustment	311	2,079
Remeasurements of defined benefit plans, net of tax	(19)	(53)
Total other comprehensive income	339	2,190
Comprehensive income	1,758	3,165
Comprehensive income attributable to:		
Owners of parent	1,743	3,160
Non-controlling interests	15	5

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Cash flows from operating activities:		
Profit before income taxes	1,864	1,262
Depreciation	560	609
Amortization of goodwill	84	94
Increase (decrease) in retirement benefit liability	(34)	(96)
Interest and dividend income	(18)	(14)
Interest expenses	31	36
Foreign exchange losses (gains)	(465)	(42)
Loss (gain) on sale and retirement of non-current assets	0	(1)
Loss (gain) on sale of businesses	–	(297)
Decrease (increase) in trade receivables	2,982	4,040
Decrease (increase) in inventories	1,105	273
Increase (decrease) in trade payables	651	(885)
Other, net	(686)	(1,441)
Subtotal	6,076	3,538
Interest and dividends received	18	15
Interest paid	(30)	(36)
Income taxes paid	(777)	(288)
Net cash provided by (used in) operating activities	5,286	3,229
Cash flows from investing activities:		
Purchase of property, plant and equipment	(489)	(238)
Proceeds from sale of property, plant and equipment	1	2
Purchase of intangible assets	(67)	(406)
Proceeds from collection of long-term loans receivable	0	–
Proceeds from sale of businesses	–	632
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(50)	–
Other, net	(25)	(5)
Net cash provided by (used in) investing activities	(632)	(16)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(13,000)	(700)
Proceeds from long-term borrowings	10,700	4,010
Repayments of long-term borrowings	(580)	(4,608)
Proceeds from issuance of shares	23	12
Proceeds from sale of treasury shares	48	238
Purchase of treasury shares	(0)	–
Dividends paid	(2,133)	(2,333)
Other, net	(183)	(223)
Net cash provided by (used in) financing activities	(5,125)	(3,603)
Effect of exchange rate change on cash and cash equivalents	(28)	(232)
Net increase (decrease) in cash and cash equivalents	(499)	(623)
Cash and cash equivalents at beginning of period	10,506	12,883
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(43)	–
Cash and cash equivalents at end of period	9,962	12,259

(4) Notes to quarterly consolidated financial statements

(Going concern assumption)

Not applicable

(Significant changes in shareholders' equity)

Not applicable