Q1. What is your outlook for the growth rate of overall musical instrument market after the COVID-19 pandemic?
We believe that, in recent years, the world’s musical instrument market has been stably growing at a rate of 1-3%. Amid the COVID-19 pandemic, sales of easy-to-start musical instruments are increasing. However, there are some negative aspects such as a decline in sales of instruments for live performance. In all, while it would not grow significantly, we expect that the world’s musical instrument markets will grow continuously.

Q2. We understand that the sales in China were much less than last year. Would you explain about the recovery of musical instrument market in China?
The sales decline in China was mainly due to slow sales of electronic drums. Although we had held a significant market share of electronic drums backed by the demand for child education, such demand decreased as drum classes were closed owing to the COVID-19 pandemic, and we suffered from a softened market. Now the classes have been reopening and, we will reinforce our digital marketing so that we will be able to meet the demand of hobby market in the future.

Q3. Would you explain the details of the sales decrease in the fourth quarter?
Demand on musical instruments itself remained robust in the fourth quarter. On the other hand, the COVID-19 pandemic appears to have begun affecting the Asian area, where many factories and suppliers are located, and subsequently the factories of our suppliers have reduced operating rate and have temporarily been locked down. This has caused uncertainty on our business and, to address such situation, we gave priority to the buildup of safety stock during the fourth quarter.

Q4. We understand that inventory was increased toward the end of 2020. Would you explain its impact on the earnings?
Although sales were down in the fourth quarter of 2020, actual earnings exceeded that in the published fiscal year forecast. We believe that we have prepared for a continued supply of products in 2021 by the buildup of safety stock.

Q5. Would you tell us the percentages of sales from electronic commerce (EC) by each country?
While precise data is not available, in China, where the EC percentage has originally been high of 30-40%, we suppose that the percentage has exceeded-50% because of the COVID-19 pandemic; In Europe and America, too, we suppose that the percentage has increased by 10-15% from 20-30%. We think that the shift to the EC will continue in the future.
Q6. Would you itemize the decrease in the selling, general and administrative expenses and, as well, would you tell us if this trend would continue?

Major declines in the selling, general and administrative expenses include—approximately JPY 500mn in advertising and promotion expenses and approximately JPY 600mn in travel and lodging expenses. Advertising and promotion expenses decreased considerably because real-space events were suspended and shifted to online. Travel and lodging expenses declined because we encouraged working from home and meeting online. For 2021, we will continue to encourage the meetings online and will contain travel and lodging expenses to the least necessary level. On the other hand, regarding advertising and promotion expenses, we will proactively invest in digital marketing and others. We will continue addressing a more efficiency of the selling, general and administrative expenses.

Q7. Would you explain the sensitivity of sales and operating profit to the foreign exchange rate fluctuations?

<table>
<thead>
<tr>
<th>Currency Pair</th>
<th>Criteria</th>
<th>Sales</th>
<th>Operating Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD/JPY</td>
<td>The yen depreciates by JPY1</td>
<td>Up approximately JPY 200mn</td>
<td>Up approximately JPY 100mn</td>
</tr>
<tr>
<td>EUR/JPY</td>
<td>The yen depreciates by JPY1</td>
<td>Up approximately JPY 150mn</td>
<td>Up approximately JPY 30mn</td>
</tr>
<tr>
<td>EUR/USD</td>
<td>The dollar depreciates by USD 0.01</td>
<td>-</td>
<td>Up approximately JPY 130mn</td>
</tr>
</tbody>
</table>

Q8. For the first half of 2021, profits are expected to decrease while the sales will increase. Would you explain the reasons behind this?

For the first half of 2020, profits increased significantly because of a huge decline in fixed costs due to the COVID 19 pandemic and a continuation of sales in a certain degree. Accordingly, the profits will decrease compared with such exceptional first half in 2020. On the other hand, the profits will increase compared with the first half of 2019, where the COVID-19 pandemic did not impact our business.

Q9. Compared with the first half of 2019, the sales for the first half of 2021 will increase significantly, but profits will increase to a limited extent. Would you explain us the reasons?

This is because that we will proactively invest mainly in digital marketing. In addition, for the first half of 2021 we include the impact of a spike in the price of semiconductors on the marginal profit.

Q10. Will the recent tight semiconductor market impact on your business results?

We have established long-term and trustworthy relationship with our suppliers. We expect that, even in such a tight market situation, our suppliers will respond to our request to a maximum extent. While we are securing inventory of semiconductors to avoid any impacts on our production plan for 2021, if, by any chance, we fail to secure the inventory, we will give priority to the manufacturing of products with high profitability to minimize the impacts on our business results.

Q11. In 2021, fixed costs will increase by JPY 2.8bn from 2020. Would you itemize the increase?
Major factors for the increase include the investment in digital marketing and the labor costs anticipating an increase in production.

**Q12. Reports say that the membership of the Fender Play have exceeded one million. Would you tell us the membership development of Roland Cloud and Zenbeats?**

The paid membership of Roland Cloud increased from about 8,000 to 13,000 last year. Additionally, since last autumn we have begun selling each single item of software on top of providing it by subscription service, in response to the requests from customers. The Gross total of purchasers including those of sound contents has reached about 30,000. Zenbeats has had nearly net 200,000 accesses.

**Q13. How much increase in Roland Cloud membership would you expect in 2021?**

We set a target of 100,000 customers which include paid membership and the purchasers of single-item software and sound contents.

**Q14. Do you have a forecast of free cash flow for 2021?**

In 2020, demand for working capital decreased due to the COVID-19 pandemic. Subsequently, the free cash flow amount in 2021 could be a little bit lower than in 2020. Besides the above, operating expenditure would increase because of proactive investments. Accordingly, our forecast of free cash flow is approximately JPY 3.3bn.

**Q15. In 2021, compared its first half with its second half, the proportion of sales to profits appears to be different. Would you explain the reasons?**

Usually, we report more sales and profits in the second half due to such seasonal factors as the Christmas selling. We expect that in 2021 our business operation will return to that before the COVID-19 pandemic. It might be able to interpret that the sales-profit proportion in 2020 was exceptional under the influence of COVID-19.

**Disclaimer**

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