



# Financial Results Highlights

## FY12/2023 Q3

November 8, 2023

**Roland Corporation**



"DWe" Convertible Drums

## Executive Summary

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- **Sales and profits increased YoY** despite an uncertain environment
- Dealer inventory adjustment has progressed and is again in the buildup phase toward Q4, the biggest sales season of the year
- Demand for electronic pianos slowed down and recovery delayed in China
- Implementing agile cost controls in response to declining in Sell-in

**1**

**FY12/2023 Q3 Results**

**2**

**FY12/2023 Forecast (Full Year)**

**3**

**Supplemental Information**

**1**

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**2**

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**3**

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## Highlights

(JPY)

### Sales

**71.4**<sub>bn</sub>

(YoY: **+10.5%**)

- Sell-in affected by dealer inventory adjustments and lower demand for electronic pianos
- **Sell-through of our products in the US was steady**
- Effect of new consolidation of Drum Workshop (DW)

### Operating Profit

**7.7**<sub>bn</sub>

(YoY: **+23.1%**)

- **Positive effects continued** such as price optimization and reduction of marine transportation costs
- **SG&A expenses properly controlled** depending on the Sell-in situation
- **Operating Profits increased YoY** even excluding the tailwind of FX rates

### Net Income<sup>1</sup>

**5.7**<sub>bn</sub>

(YoY: **+13.5%**)

- No major extraordinary gains or losses

<sup>1</sup> Net income refers to "net income attributable to owners of parent"

## Consolidated Financial Results

- Operating Profit Margin before amortization of goodwill was 11.2%

	FY12/2022 Q3 YTD <sup>1</sup>		FY12/2023 Q3 YTD <sup>2</sup>		
(JPY mn)	Actual	% of Sales	Actual	% of Sales	YoY
Sales	<b>64,622</b>	100.0%	<b>71,410</b>	100.0%	<b>+10.5%</b>
Gross Profit	<b>26,515</b>	41.0%	<b>31,225</b>	43.7%	<b>+17.8%</b>
SG & A	<b>20,227</b>	31.3%	<b>23,481</b>	32.9%	<b>+16.1%</b>
Operating Profit	<b>6,288</b>	9.7%	<b>7,744</b>	10.8%	<b>+23.1%</b>
(Before amortization of goodwill)	<b>6,292</b>	9.7%	<b>8,008</b>	11.2%	<b>+27.3%</b>
Net Income <sup>3</sup>	<b>5,075</b>	7.9%	<b>5,762</b>	8.1%	<b>+13.5%</b>

1 Exchange rates for FY12/2022 Q3 YTD USD/JPY: 128.06, EUR/JPY: 136.01, EUR/USD: 1.062

2 Exchange rates for FY12/2023 Q3 YTD USD/JPY: 138.12, EUR/JPY: 149.68, EUR/USD: 1.084

3 Net income refers to "net income attributable to owners of parent"

## Consolidated Financial Results (Reference: Excluding the effect of new consolidation of DW)

	FY12/2022 Q3 YTD <sup>1</sup>		FY12/2023 Q3 YTD <sup>2</sup>		
(JPY mn)	Actual	% of Sales	Actual	% of Sales	YoY
Sales	<b>64,622</b>	100.0%	<b>64,649</b>	100.0%	<b>+0.0%</b>
Gross Profit	<b>26,515</b>	41.0%	<b>29,275</b>	45.3%	<b>+10.4%</b>
SG & A	<b>20,227</b>	31.3%	<b>20,771</b>	32.1%	<b>+2.7%</b>
Operating Profit	<b>6,288</b>	9.7%	<b>8,504</b>	13.2%	<b>+35.2%</b>
Net Income <sup>3</sup>	<b>5,075</b>	7.9%	<b>6,466</b>	10.0%	<b>+27.4%</b>

1 Exchange rates for FY12/2022 Q3 YTD USD/JPY: 128.06, EUR/JPY: 136.01, EUR/USD: 1.062

2 Exchange rates for FY12/2023 Q3 YTD USD/JPY: 138.12, EUR/JPY: 149.68, EUR/USD: 1.084

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## Demand for Our Products and Dealer Inventory Adjustment (as of end of September)

- Demand for our products is generally steady, except for China and Keyboards
- Dealer inventory adjustment due to SCM disruption caused by the pandemic has almost settled
- Dealer inventories are once again in the buildup phase for Q4, the biggest demand season

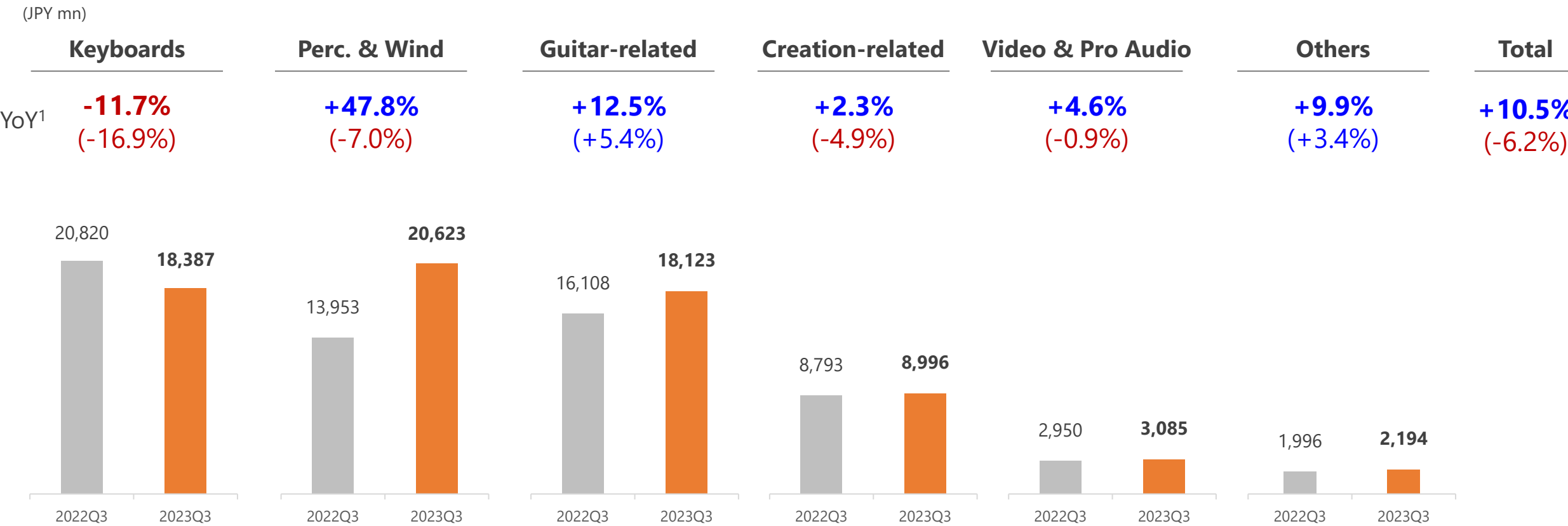
	End-customer Demand	Channel Inventory
North America	○	○
Europe	○	○
Japan	○	○
China	△	△

	End-customer Demand	Channel Inventory
Keyboards	△	○
Percussion & Wind	○	○
Creation & Services	○	○
Guitar-related	○	○
Video & Pro Audio	○	○



# Sales by Category (Q3 YTD)

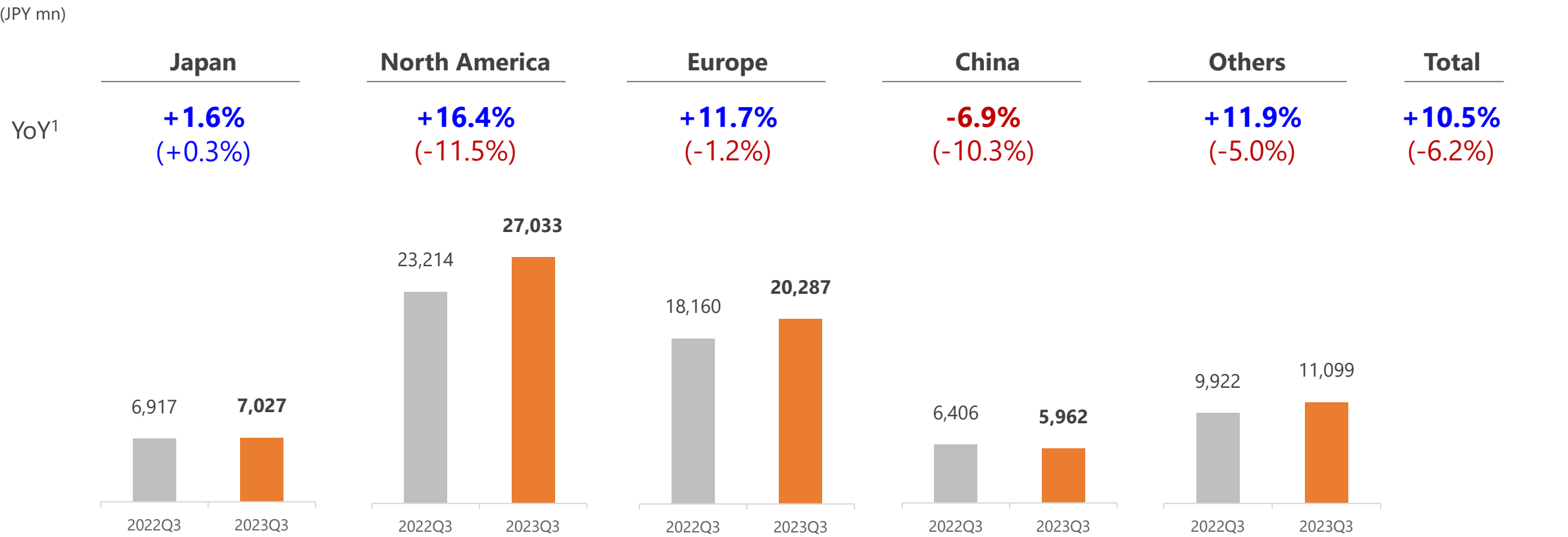
- Sales increased YoY, excluding Keyboards, due partly to favorable FX rates
- Although Percussion & Wind continued to be stagnant in China, total sales increased significantly due to DW consolidation
- The main reason for the YoY decline in real terms is electronic pianos



<sup>1</sup> Figures in ( ) are comparisons excluding the effect of exchange rates and the DW new consolidation.

## Sales by Region (Q3 YTD)

- Sales increased YoY, excluding China, due partly to favorable FX rates
- The main negative factors were the dealer inventory adjustment in North America and delayed recovery in China
- Other regions were polarized (emerging countries ◎, developed countries ×)



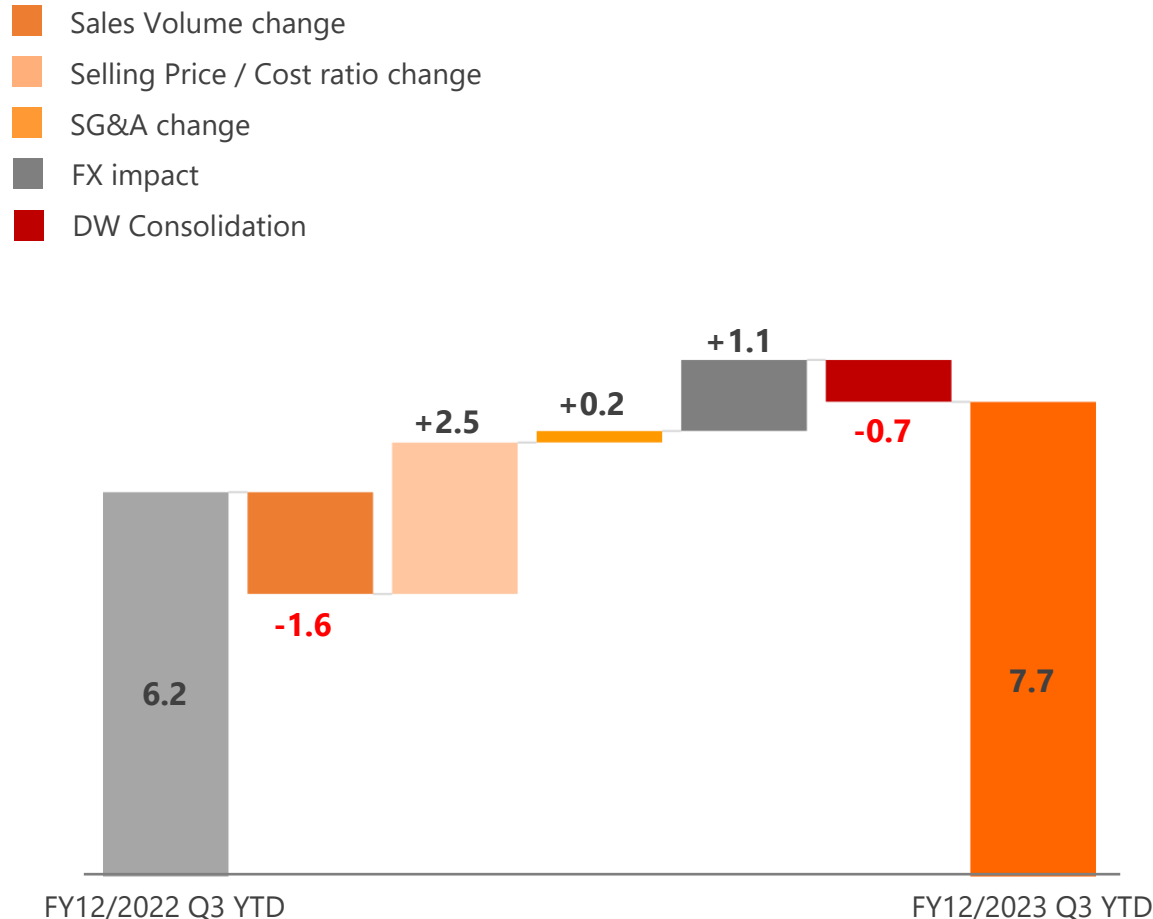
<sup>1</sup> Figures in ( ) are comparisons excluding the effect of exchange rates and the DW new consolidation.

# Consolidated Operating Profit

Changes (vs Previous year)

Factors

(JPY bn)



## • Sales Volume

- ✓ Decrease in Sell-in due to dealer inventory adjustments
- ✓ Decrease in demand of Electronic Pianos and China region

## • Selling Price / Cost ratio

- ✓ Raw material prices remain high
- ✓ Price optimization effect
- ✓ Decrease in marine transportation costs

## • SG&A

- ✓ Disciplined cost management

## • DW Consolidation

- ✓ Upfront investment in new product-related expenses (R&D, marketing cost), etc.

## Topics: New Products announced in the third quarter

### Percussion & Wind Instruments

#### Convertible Drums "DWe"

- Launching "DWe" from DW, the all-new product with technical synergies between DW and Roland: aiming to create and expand the Convertible Drums market



The world's first<sup>1</sup>

#### Main Features

- **2 in 1 Convertible Drums:** can be used as both electronics and acoustics
- **Wireless system** requires no cable connections when used as an electronic drum
- **Roland Cloud provides a sound source for Dwe**  
Newly developed "Soundworks" software sound source reproduces DW's Acoustic Sound  
**(can also be used with V-Drums)**



<sup>1</sup> According to our research

## Topics: New Products announced in the third quarter

### Guitar-related Products

#### BOSS Guitar Effector

- **Guitar multiple effects** with easy-to-use and further sound upgraded



"ME-90"

- **Noise Suppressor**, a compact pedal powered by MDP technology



"NS-1X"

#### BOSS Guitar Synthesizer



"GM-800"

- **Guitar and Bass synthesizer** combined "Zen-Core" sound engine with the latest tracking technology
- **Available to sound expansion** from an enormous sound gallery [linked to "Roland Cloud"](#)

#### BOSS Amplifier

- **Acoustic amplifier**, delivering a full immersion sound experience



"AC-22LX"

- **Wireless desktop guitar amplifier** to provide authentic guitar amp sound experience



"KATANA-AIR EX"

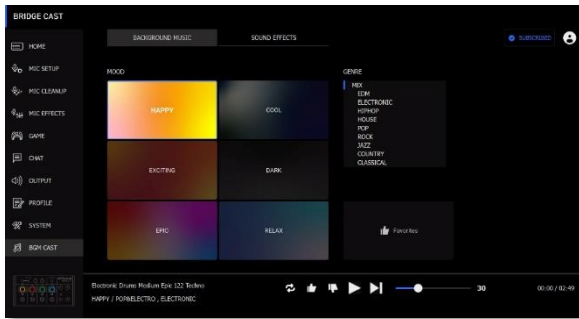


## Topics: New Products announced in the third quarter

### Creation-related Products & Services

#### BGM CAST

- **"BGM CAST"**, launched on **"Roland Cloud"**, a service that provides users access to utilize **royalty-free background music and sound effects**
- Supporting **"BRIDGE CAST"** gaming mixer app, enables to improve streaming quality leading to more views and higher ratings



"BGM CAST" screen sample



"BRIDGE CAST" usage example

#### Synthesizer

- **Synthesizer** that crafts a variety of sounds with a newly developed **hybrid sound engine** and plenty of functions
- **Available to expand sounds** on **"Roland Cloud"**



"GAIA 2"



#### Roland Cloud Membership

Subscriber **26.8k** (+0.9k vs Q2)

Paid User<sup>1</sup> **107K** (+7k vs Q2)

<sup>1</sup> Number of subscribers + number of single purchases in the last 1 year

## Topics: Infrastructure Enhancement

**Decided to construct a new headquarters based on “Creativity” and “Sustainability” concept**  
**Acquired a building next to the Miyakoda Plant (Hamamatsu) to expand and renovate**

### Purpose

- Accelerate innovation by consolidating R&D divisions into the new headquarters
- Strengthened the manufacturing base by locating R&D and Production divisions adjacent to each other
- Enhance employee engagement and productivity
- Ensure scalability for further business expansion



Circuit structure linking different departments and functions

### Overview



**Point: Sustainable design concept utilizing the existing building**

Location: 6-4, Shin-Miyakoda 1-chome, Hamamatsu, Shizuoka

Total floor area: Appx. 20,330m<sup>2</sup>

Completion: 2025 (plan)

Investment in total: Appx. JPY7.0bn (by borrowings)

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## Full-year Forecast

- Mixed positive and negative factors compared to initial forecasts; market uncertainty is rising for Q4 to next fiscal year
- Focus on Agile SG&A Control based on the sales situations to **maximize profits**

### Positive vs. initial forecast

- SG&A control
- FX rate transition<sup>1</sup>
- Decrease in marine transportation costs

### Initial Forecast

**105.6<sub>bn</sub>**

YoY +10.2%

**12.4<sub>bn</sub>**

YoY +15.3%

### Negative vs. initial forecast









- Decreased in sales volume
  - ✓ Prolonged dealer inventory adjustment
  - ✓ Delayed recovery in China
  - ✓ Softening demand for E-Pianos











## Outlook for the market environment in the coming year

- Uncertainty in North American demand, recovery in China will take time
- Recovery of demand for Electronic Pianos will be slow
- Current Dealer inventories may be excessive relative to softening demand



- ✓ Demand creation through new products
- ✓ Agile cost control

	End-customer Demand	Channel Inventory
North America		
Europe		
Japan		
China		

	End-customer Demand	Channel Inventory
Keyboards		
Percussion & Wind		
Creation & Services		
Guitar-related		
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## Key Consolidated Financials (PL,B/S)

(JPY mn)	FY2022 Q3	FY2023 Q3	(JPY mn)	As of Dec. 31, 2022	As of Sep. 30, 2023
Net sales	64,622	71,410	Cash and deposits	10,506	10,023
Cost of sales	38,106	40,185	Notes and accounts receivable - trade	12,905	14,632
Gross profit	26,515	31,225	Inventories	32,322	35,482
Selling, general and administrative expenses	20,227	23,481	Other current assets	2,167	1,974
Operating profit	6,288	7,744	Total current assets	57,902	62,113
Other income (expenses)	-166	-617	Net property, plant and equipment	7,770	8,474
Profit before income taxes	6,122	7,126	Goodwill	3,266	3,395
Total income taxes	1,040	1,337	Investments and other assets	8,117	9,270
Profit attributable to owners of parent	5,075	5,762	Total non-current assets	19,154	21,140
EBITDA	7,545	9,756	Total assets	77,056	83,254
D/E ratio	0.6x	0.7x	Notes and accounts payable - trade	5,606	7,724
Equity ratio	46.8%	45.9%	Short-term borrowings	17,700	7,643
Debt / EBITDA <sup>1</sup>	1.8x	1.7x	Current portion of long-term borrowings	1,252	8,675
ROE <sup>1</sup>	21.3%	27.7%	Other current liabilities	7,954	8,898
			Long-term borrowings	7,570	9,105
			Other long-term liabilities	3,226	2,715
			Total liabilities	43,309	44,762
			Total net assets	33,747	38,491
			Total liabilities and net assets	77,056	83,254

<sup>1</sup> Debt / EBITDA and ROE are calculated on an annually adjusted basis

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