

Roland Corporation

Financial results briefing for the third quarter of the fiscal year ending December 31, 2023

Date and time: November 9, 2023 13:00–13:40

Speakers: Yuichi Hakamata, CFO and Executive Officer

Q1. What is your assessment of sales and operating profit in the third quarter (July-September)?

Compared with 2Q (April-June), sales increased due to the settlement of dealer inventory adjustments and smooth sell-in, as well as further yen depreciation. Operating profit also increased due to higher sales, favorable exchange rates and improved gross profit margins from product mix and other factors.

Q2. Please tell us what factors contributed to the strong sales of guitar-related equipment.

In addition to strong sales of new products, another factor is the stable supply compared to last year.

Q3. In the analysis of changes in operating profit (page 11 of the presentation material), please explain in detail the factors that caused SG&A expenses to decrease by 0.2 billion yen from the previous year.

Labor costs increased due to base-pay increases in line with inflation but we are managing them appropriately by optimizing human resources (e.g. postponing new hires). There were no other items that increased or decreased significantly.

Q4. In the analysis of changes in operating profit (page 11 of the presentation material), please explain the reason why the negative impact of the new consolidation of DW is worse (-0.7 billion yen) than the initial forecast (-0.5 billion yen).

Acoustic Drums was also impacted by dealer inventory adjustments, and higher-than-expected development and marketing costs for "DWe".

Q5: What is the breakdown of inventories and the impact of exchange rates? Please also tell us how you assess the current situation compared to an appropriate level.

Inventories include 22.7 billion yen of finished goods, 11.1 billion yen of raw materials and 1.6 billion yen of work in progress. The increase of approximately 3.2 billion yen compared with the end of the previous year is mainly due to exchange rate effects. Product inventories are generally adequate, and material inventories are still high due to procurement lead times, but we intend to bring them down to an appropriate level.

Q6. Do you see any differences by product category in dealer inventory levels, which are currently increasing for the end-of-year sales season?

While there has been an overall increase, we recognize that the inventory of electronic pianos is at a high level.

Q7. What is the outlook for dealer inventories in the 4Q (Oct-Dec)?

The market is highly uncertain and difficult to forecast. If demand is as expected, inventories will return to normal levels, while if demand is less than expected, there could be an excess.

Q8. It seems that the market inventory of electronic pianos is overstocked and price competition is getting tougher. Please tell us about the current situation and prospects.

We recognize the situation as you mention. We are responding flexibly according to market trends. The challenging environment will continue to some extent.

Q9. Regarding the demand outlook for the next fiscal year (page 18 of the presentation), please explain why you rate "△" for North America and "○" for Europe.

As there is uncertainty around demand in North America, we rate this region "△" in the sense that we see a certain risk. Europe is rated at '○' as sell-in and sell-through continue to be stable.

Q10. Please tell us if any risks have already materialized for the next fiscal year.

We see the increase in dealer inventories as a risk and are monitoring the situation closely.

Q11. What is your outlook for the profit contribution of DW for the next financial year?

We expect "DWe", which was launched in Q4, to contribute to the full-year improvement next year.

Q12. China seems to be in a difficult market situation. What is your outlook?

Although each product category varies, both favorable and unfavorable, we intend to make solid growth in product categories where there is room for growth.

(*) This material summarizes key questions asked by the participants in the meeting. Some communications have been revised to clarify the meaning of our responses further.

Disclaimer

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