Roland Corporation
Financial results briefing for the fiscal year ended December 31, 2023

Date and time: February 15, 2024 13:00–13:55

Speakers: Gordon Raison, CEO and Representative Director
Masahiro Minowa, CIO and Director
Yuichi Hakamata, CFO and Executive Officer

Q1: Especially regarding digital pianos, you mentioned that you had aggressive stock delivery negotiations with dealers in the 4Q (Oct-Dec) of 2023, but was this done worldwide? And will you continue to do so in 2024?

The year-end sales season is the biggest demand period for the industry. We have taken advantage of this opportunity to reduce our inventories worldwide. We have no plans to continue these measures in FY2024.

Q2. The electronic piano market is a market where Japanese manufacturers are strong, but has the competitive environment changed such as the rise of Chinese manufacturers?

We are not aware of any significant changes.

Q3. What is the competitive situation in China for Percussion & Wind instruments?

Low-cost products from Chinese manufacturers, including imitations, are increasing. In drums, we acquired DW two years ago and last year launched the world's first convertible drum, DWe. We intend to create further synergies and strengthen our competitive advantage in the future.

Q4. What is the current status of marine transportation costs?

There is a slight increase due to the impact of attacks on merchant vessels in the Red Sea, which has led to a diversion route via the Cape of Good Hope in some areas, but this has been factored into the FY2024 budget to some extent.

Q5: Please provide details on the 'Improved transport efficiency' mentioned in the FY2024 consolidated operating profit forecast (page 25 of the presentation).

We will improve the container loading efficiency and lower the unit transport costs per product.

Q6. What is the outlook for the global musical instruments market in 2024?

In North America, we expect demand to continue to be steady, but dealer inventories are currently high; we expect dealer inventories to be optimized in the first half of the year. In Japan and Europe, we expect demand to remain stable. In China, we see that a short-term recovery will be difficult. In the emerging markets, we expect growth to continue.

Q7. What are the differences between this disruption caused by COVID-19 and the bankruptcy of Lehman Brothers? I recognize that during the Lehman Shock, demand and product prices fell.

One difference in the environment is that this time consumers have solid disposable incomes. As for our own differences, our product and brand strength has been further strengthened. We also have a management structure that can respond quickly to changes in the environment.

Q8. In the FY2024 consolidated operating profit forecast (page 25 of the presentation), what are the factors behind the -1.5 billion yen change in sales volume for the full year?

Keyboard instrument sales in FY2024 are assumed to be -3.7% (in real terms excluding currency effects) compared to the previous year, which is the main reason for this. In addition, the impact of dealer inventory adjustments is assumed to be mainly in 1Q of FY2024, partly due to aggressive inventory supply negotiations in 4Q of FY2023.

Q9. In the FY2024 consolidated operating profit forecast (page 25 of the presentation), what factors will negatively impact changes in sales volumes in the second half of the year as well?

In the second half of the year, volumes are expected to be slightly lower than last year due to aggressive inventory negotiations in 4Q of FY2023, but margins are expected to improve significantly.

Q10. What factors contribute to high capital efficiency?

The electronic musical instrument business does not require large capital investment and tends to have a low level of fixed assets. ROIC has been declining in recent years, but inventories were reduced by 3.8 billion yen (in real terms, excluding currency effects) in 2023 compared with the end of the previous year, and we will further strengthen the ROIC management from 2024.

Q11. There appears to be severe price competition in the electronic piano market, is there a risk that price competition will continue in 2024 and that profit margins will decline?

The budget for FY2024 is based on the assumption that volumes will decline. As a measure going forward, we intend to develop electronic pianos with higher added value and achieve a good balance between volume and price without engaging in price competition.

(*) 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

This material contains statements based on the forecast at present made by Roland Corporation. These future statements inherently contain such factors as known or unknown risks and uncertainties, and the statements could be different from our actual business results.