



# Financial Results Highlights

FY12/2024 Q2

Aug 7, 2024

**Roland Corporation**



## Executive Summary

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- **Exceeded H1 plan** partly due to weaker JPY (**Sales and Profit increased YoY**)
- Amid continued price appeals in the market from peers, **we are promoting the normalization of sales strategy**
- Dealer inventory adjustment **mostly ended in H1**
- On the other hand, demand is slowing down mainly in North America and China, and **we expect the difficult situation to continue through this year.**
- **No change to the full-year forecast**, considering a review of SG&A expenses and the weaker JPY compared to the plan.
- **No change in the Interim dividend and Year-end dividend forecast**

**1**

**FY12/2024 Q2 Results**

**2**

**FY12/2024 Forecast (Full Year)**

**3**

**Supplemental Information**

**1**

**FY12/2024 Q2 Results**

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**FY12/2024 Forecast (Full Year)**

**3**

**Supplemental Information**

## Highlights - First Half Results

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### Sales

**46.7** bn

(+1.3% vs Last year)

(+3.5% vs Guidance)

- Dealer inventory adjustment mostly ended in H1
- Demand continues to decline in North America and China

### Operating Profit

**4.4** bn

(+4.0% vs Last year)

(+34.1% vs Guidance)

- Volume and unit price impact were lower than expected, but SG&A expenses were appropriately controlled
- Exceeded plan by a wide margin, partly due to the FX impact

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

**3.6** bn

(+15.6% vs Last year)

(+47.7% vs Guidance)

- The sale of Roland DG shares in its MBO (approx. +JPY400mn)
- Allowance for Chapter 11 filing by a U.S. musical instrument chain (approx. -JPY150mn)

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

## Consolidated Financial Results

- GP margin improved steadily each quarter due to sales strategy normalization (Q4/2023: 40.9% → Q1/2024: 42.5% → Q2/2024: 43.8%)
- Please see Supplementary Materials (p.20) for results for the April-June period (3 months).

(JPY mn)	FY12/2023 First Half <sup>1</sup>		FY12/2024 First Half <sup>2</sup>		
	Actual	% of Sales	Forecast	% of Sales	YoY
Sales	<b>46,096</b>	100.0%	<b>46,705</b>	100.0%	<b>+1.3%</b>
Gross Profit	<b>19,772</b>	42.9%	<b>20,183</b>	43.2%	<b>+2.1%</b>
SG&A	<b>15,516</b>	33.7%	<b>15,754</b>	33.7%	<b>+1.5%</b>
Operating Profit	<b>4,256</b>	9.2%	<b>4,428</b>	9.5%	<b>+4.0%</b>
Net Income <sup>3</sup>	<b>3,195</b>	6.9%	<b>3,694</b>	7.9%	<b>+15.6%</b>
EBITDA	<b>5,580</b>	12.1%	<b>5,860</b>	12.5%	<b>+5.0%</b>

1 Exchange rates for 12/2023 1H USD/JPY : 134.87 、 EUR/JPY : 145.84 、 EUR/USD : 1.081

2 Exchange rates for 12/2024 1H USD/JPY : 152.26 、 EUR/JPY : 164.65 、 EUR/USD : 1.081

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

## Situation and Outlook for North America

- Adjustment period continues throughout this year
- Gradual transition to recovery phase expected from next year

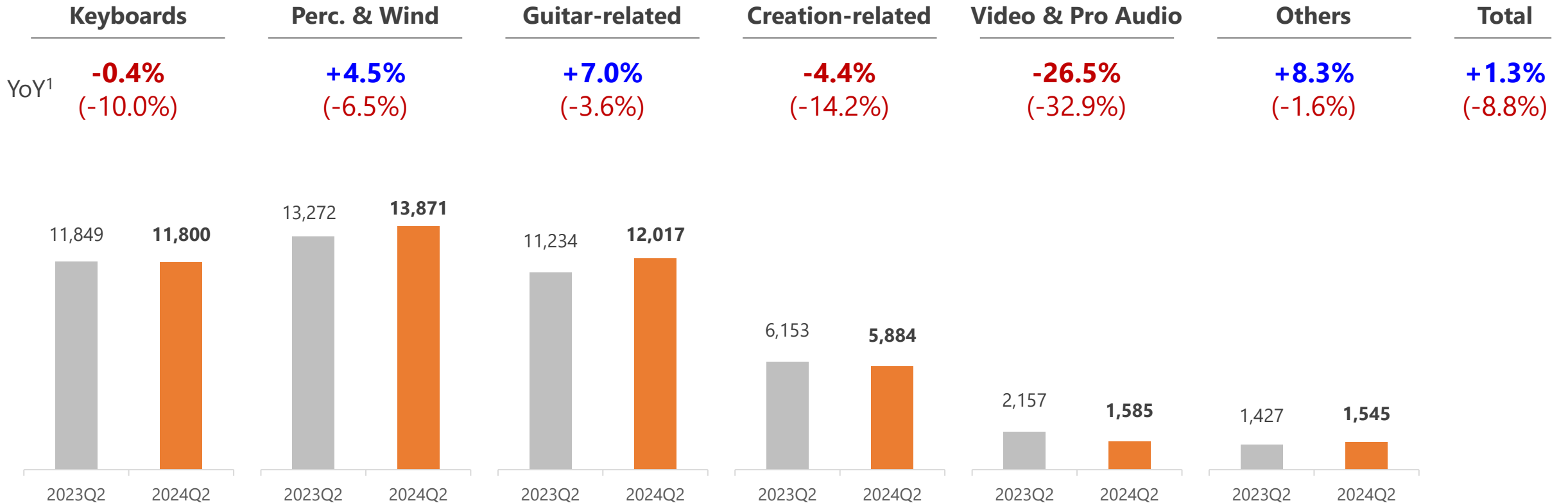
	H1 Situation	Full Year Outlook	Next Year Outlook
<b>North America MI Market</b>	<ul style="list-style-type: none"> <li>• Slowdown in demand</li> <li>• Dealers review inventory levels as demand declines</li> <li>• Long-established musical instrument chain filed for Chapter 11</li> </ul>	<ul style="list-style-type: none"> <li>• Continued negative YoY growth</li> </ul>	<ul style="list-style-type: none"> <li>• Shift to positive YoY growth</li> </ul>
<b>Competitive Environment</b>	<ul style="list-style-type: none"> <li>• Increased price appeals from various companies</li> </ul>	<ul style="list-style-type: none"> <li>• Continued price competition</li> </ul>	<ul style="list-style-type: none"> <li>• Competitive environment back to normal</li> </ul>
<b>Roland</b>	<ul style="list-style-type: none"> <li>• Promoted normalization of sales strategy rather than price appeal</li> <li>• Demand creation with new products</li> <li>• Generally maintained the market share that rose during the pandemic</li> </ul>	<ul style="list-style-type: none"> <li>• Expect -10% YoY on a local currency basis (*Chapter 11 impact is -2 to 3ppt)</li> </ul>	<ul style="list-style-type: none"> <li>• Shift to positive YoY growth</li> </ul>

- Various adjustments caused by the pandemic come to an end
- Contribution of new product lines (25% of new products planned)

## Sales by Category (Q2 YTD)

- The main negative factor in real terms in the major categories was the impact of dealer inventory adjustments
- Please see Supplementary Materials (p.21) for results for the April-June period (3 months)

(JPY mn)



<sup>1</sup> Figures in ( ) are comparisons excluding the effect of FX rates

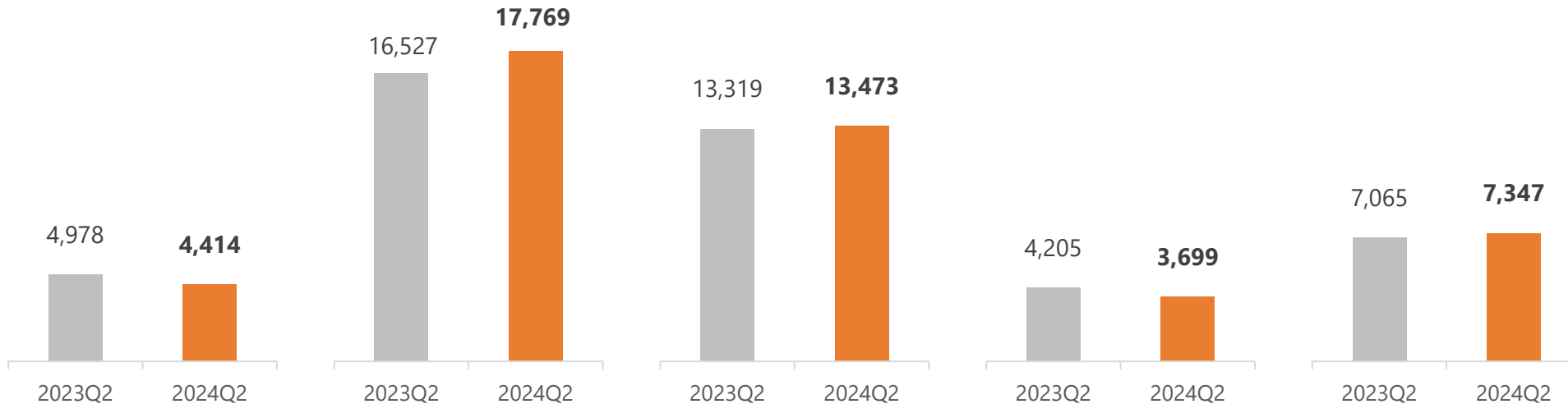


## Sales by Region (Q2 YTD)

- The main negative factor in real terms in major regions was the impact of dealer inventory adjustments
- Please see Supplementary Materials (p. 22) for results for the April-June period (3 months)

(JPY mn)

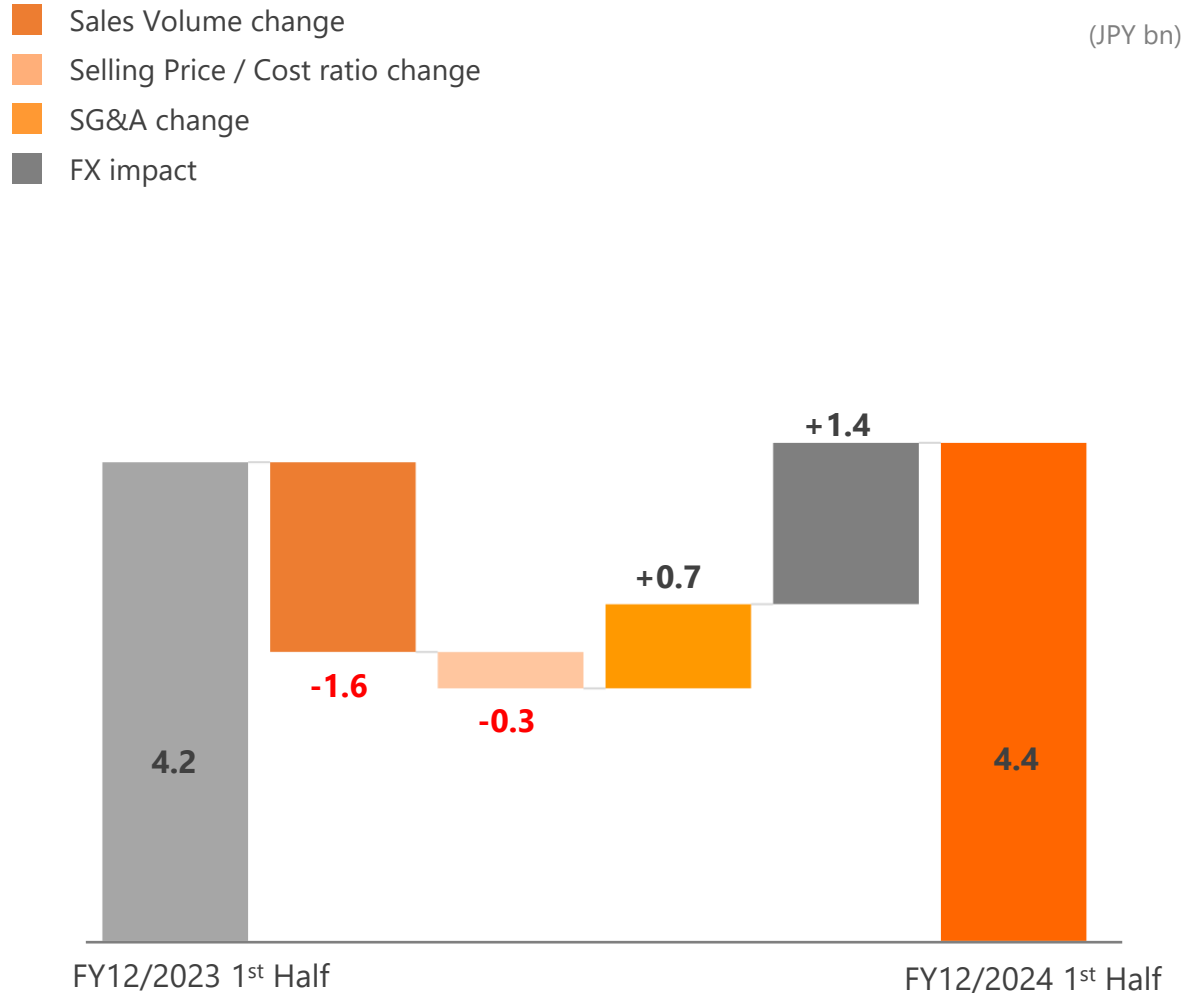
	Japan	North America	Europe	China	Others	Total
YoY <sup>1</sup>	<b>-11.3%</b> (-11.4%)	<b>+7.5%</b> (-4.6%)	<b>+1.2%</b> (-10.4%)	<b>-12.0%</b> (-19.2%)	<b>+4.0%</b> (-7.6%)	<b>+1.3%</b> (-8.8%)



<sup>1</sup> Figures in ( ) are comparisons excluding the effect of FX rates

# Consolidated Operating Profit (Q2 YTD)

## Changes (vs Previous year)



## Factors

- **Sales Volume**

- ✓ Rebound from aggressive sell-in in Q4/2023
- ✓ Softening demand in North America and China

- **Selling Price / Cost ratio**

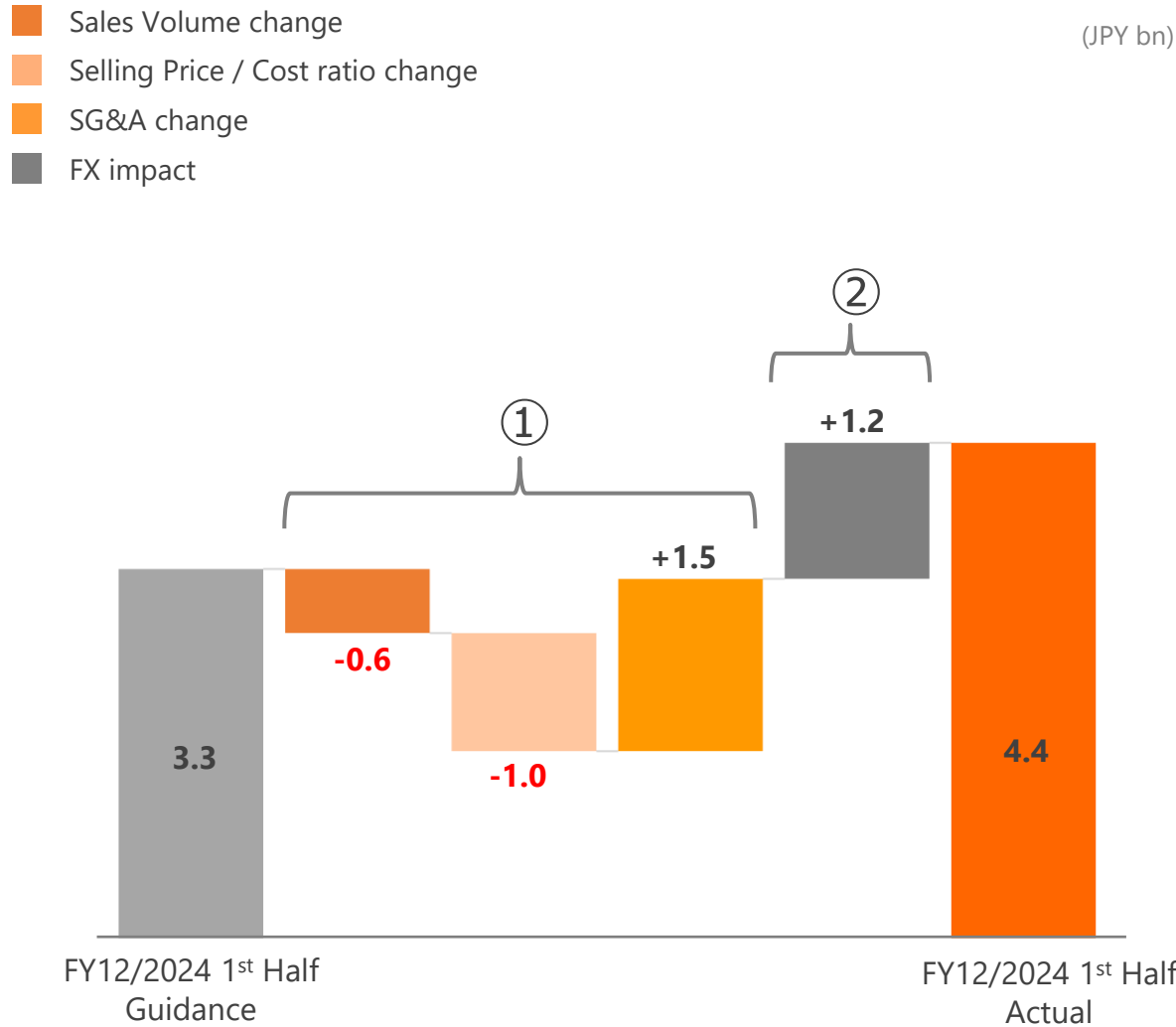
- ✓ Steady progress in the normalization of sales strategy and continued improvement
- ✓ DW Profitability Improvement

- **SG&A**

- ✓ Responding to uncertain market conditions and actively controlling spending
- ✓ Decrease in related expenses due to lower sales volume

# Consolidated Operating Profit (Q2 YTD)

## Changes (vs Guidance)



- ① **Decrease in volume and negative impact on sales price per unit were offset by controlling SG&A expenses**
- ② **Significantly weaker JPY vs. plan was an add-on**

# Topics: Major new products and services announced in the 2<sup>nd</sup> quarter

## Guitar-related products

### Guitar Amp.

- "KATANA AMP GEN 3 Series" (7 models) with greatly improved expressiveness with highly polished **"Tube Logic" technology**
- Direct access to the **"BOSS TONE EXCHANGE", an online platform** that allows users to share live sets



『KATANA-50 GEN 3』



『KATANA-50 EX GEN 3』



『KATANA-100 GEN 3』



『KATANA-100/212 GEN 3』



『KATANA HEAD GEN 3』



『KATANA ARTIST HEAD GEN 3』



Image of 『KATANA ARTIST GEN 3』 operation with a smartphone

### Bass effector

- The "ME Series" is a bass multi-effects pedal that offers **intuitive operation and sound creation.**
- A dedicated application enables sound creation and memory management on a PC



『ME-90B』



『ME-90B』 Image of linkage with PC

### Bass Amp.

- Head amp for bass guitar with unique CAB RESONANCE function
- **Dedicated application allows use of over 60 effects and sound creation on a PC**



『KATANA-500 BASS HEAD』



Image of 『KATANA-500 BASS HEAD』 linked to a smartphone

# Topics: Major new products and services announced in the 2<sup>nd</sup> quarter

## Creation-related products & services

### Synthesizer

- **Flagship synthesizer greatly evolved** with the latest technology "FANTOM EX Series" (3 models)
- Equipped with new sound sources such as vintage synths and grand pianos reproduced by **our unique modeling technology**. This allows for higher-quality music production.
- Existing models **can be upgraded for a fee** via "Roland Cloud"



『FANTOM 8 EX』



『FANTOM 7 EX』



『FANTOM 6 EX』



Image of the music production environment using the "FANTOM EX series".

### USB microphone for smartphone

- **USB microphone for Twitch streamers/YouTubers** for easy, high-quality live streaming on your smartphone.
- Wipe screen and message display are also possible with a dedicated distribution application.



『GO:PODCAST』



Image of 『GO:PODCAST』 in use



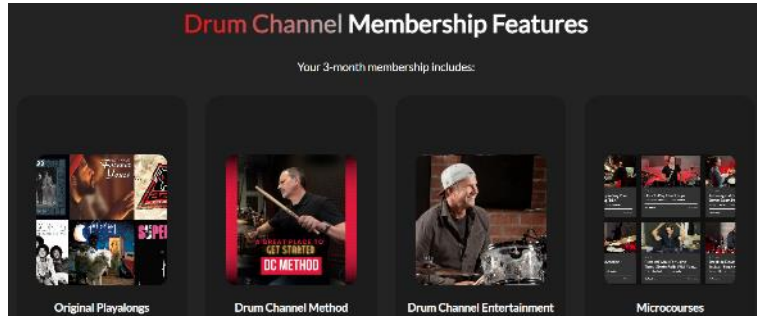
Image of "GO:PODCAST" application screen

# Topics: Major new products and services announced in the 2<sup>nd</sup> quarter

## Creation-related products & services

### Roland Cloud

- Launched "Drum Channel for Roland" offering numerous drum lesson videos by famous drummers, **further enhancing lesson content.**



Screen image of 『Drum Channel for Roland』

	2024Q1		2024Q2
Roland Account	2.8M	➔	2.9M
R. Cloud User <sup>1</sup>	1.4M	➔	1.5M
Paid User <sup>2</sup>	123K	➔	131K
Subscriber	29.5K	➔	30.6K

<sup>1</sup> Cumulative number of users of the Roland Cloud service

<sup>2</sup> Number of subscribers registered at the end of each financial year + number of single purchases during each financial year

## Video & Professional Audio

### Video Switcher

- **Compact video switcher** for high-quality video production and audio adjustment for real events and live distribution
- **Graphics Presenter" PC software for compositing tickers and images** is also available. Templates and other software can be downloaded from Roland Cloud.



『V-80HD』



Image of 『Graphics Presenter』 in use



Image of 『V-80HD』 and 『Graphics Presenter』 in use

**1**

**FY12/2024 Q2 Results**

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**FY12/2024 Forecast**

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**Supplemental Information**

## Full-year sales forecast by region and category

- **Consolidated forecasts remain unchanged (JPY99.9bn)**, partly due to the weaker JPY than planned
- On the other hand, on a local currency basis, overall results are expected to fall short of the initial plan

	Guidance YoY (woFX)	Latest Outlook
North America	+1.4%	↓
Europe	-2.2%	→
Japan	-2.0%	↓
China	-1.4%	↓
Others	+6.4%	→

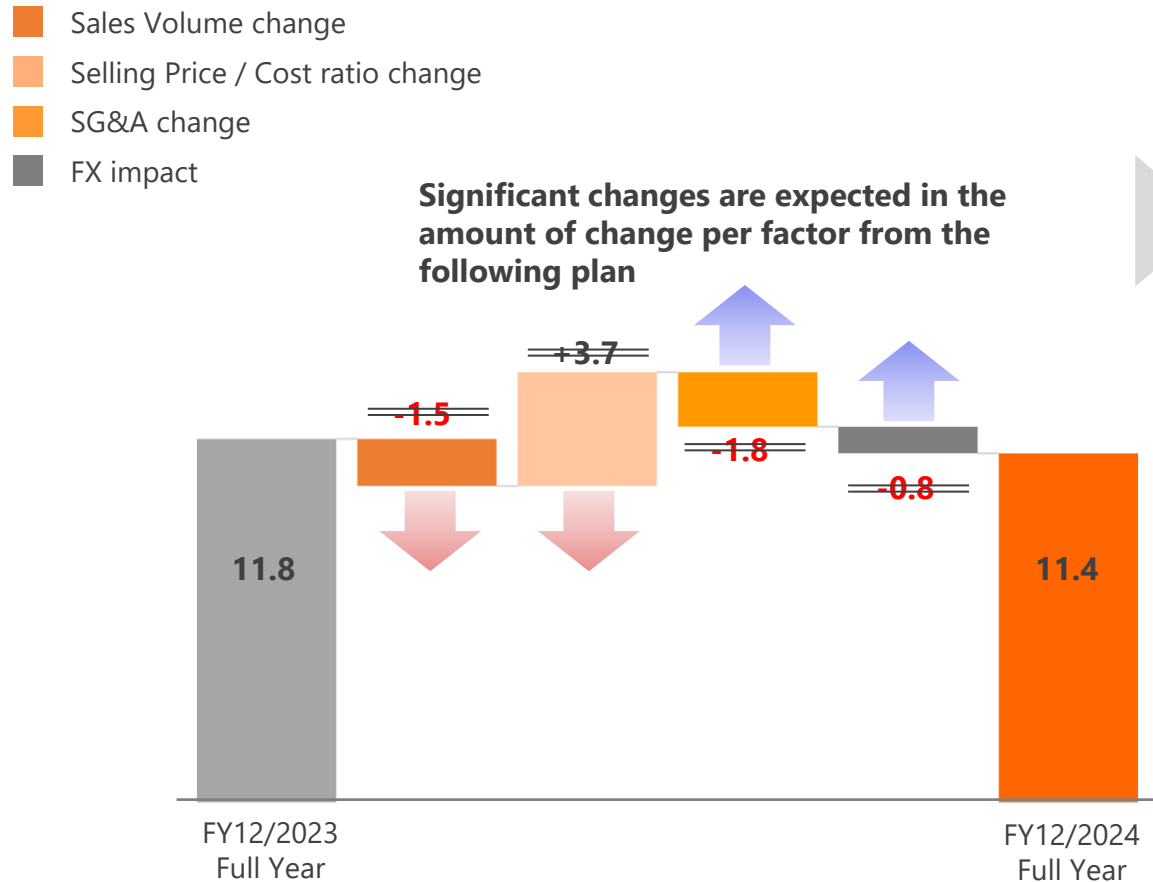
	Guidance YoY (woFX)	Latest Outlook
Keyboards	-3.7%	→
Perc. & Wind	+1.3%	↓
Creation	+7.4%	↓
Guitar	+3.7%	↓
Video	-7.1%	↓



## Full Year Operating Profit Forecast

- **No change in earnings forecast (JPY11.4bn)** as positive and negative factors from the initial plan are expected to be generally balanced  
 The assumed exchange rate for the H2 has been revised from the original plan (JPY/USD : 137⇒148、JPY/EUR : 147⇒160、EUR/USD : 1.073⇒1.081)

Guidance (Disclosed on 2/14/2024)



Anticipated Changes

- **Sales volume down from forecast**
  - ✓ Decline in demand will continue this year
- **Price/Cost increase is less than expected**
  - ✓ Normalization of sales strategy executed more carefully
  - ✓ Logistics costs higher than expected
- **Reviewed SG&A expenses and significantly reduced vs. the plan.**
  - ✓ Minimize expenses except for the MTP investments
  - ✓ Decrease in related expenses due to lower sales volume
- **Positive currency impact**
  - ✓ Continued JPY depreciation

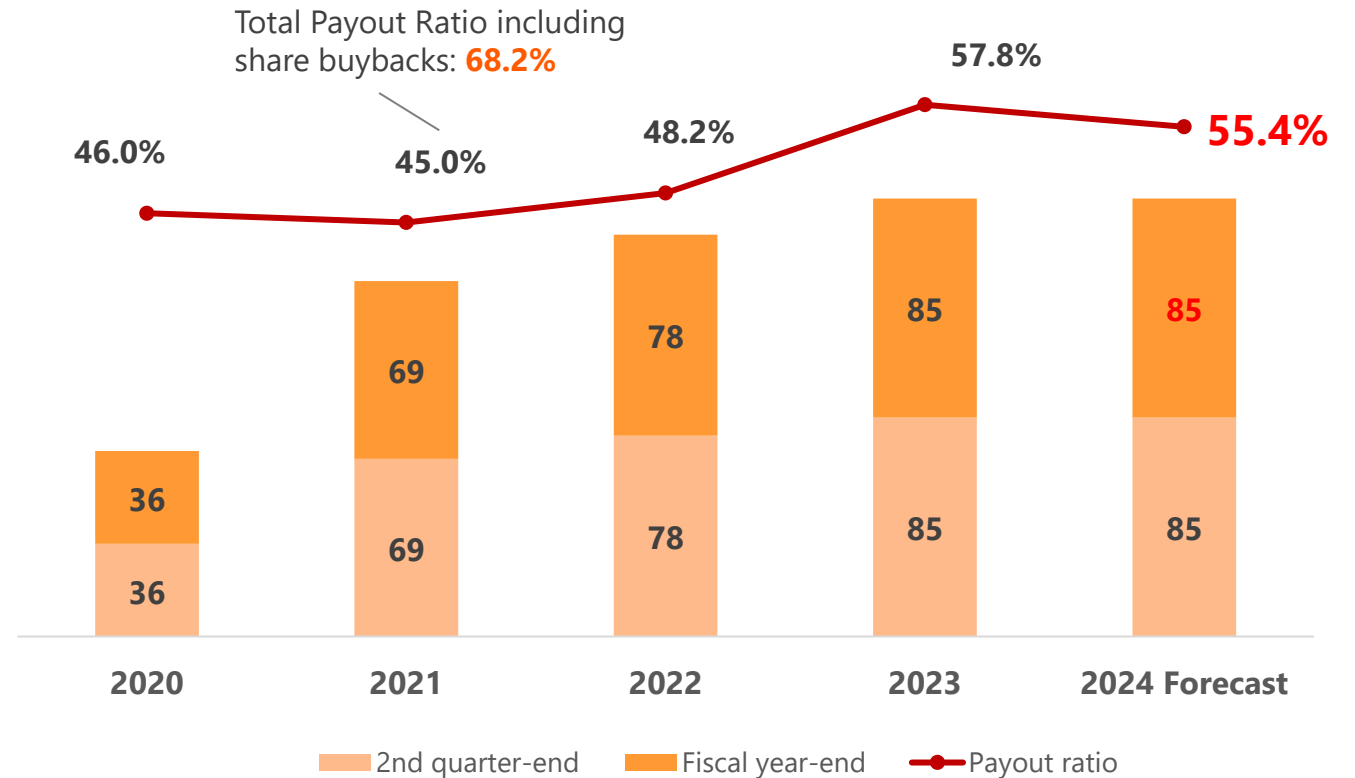
## Shareholder Return

- 2Q-end dividend **to be paid as initial plan** due to the achievement of the profit forecast.
- **No change in the year-end dividend forecast**

### Dividend Per Share (Forecast)

- Second quarter-end : **85** (Decided)
- Fiscal year-end : **85**
- Total : **170**

### Dividends and Dividend Payout Ratio



**1**

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## Consolidated Financial Results (April-June period, 3 months)

(JPY mn)	FY12/2023 Q2 3M <sup>1</sup>		FY12/2024 Q2 3M <sup>2</sup>		
	Actual	% of Sales	Forecast	% of Sales	YoY
Sales	<b>23,235</b>	100.0%	<b>24,621</b>	100.0%	<b>+6.0%</b>
Gross Profit	<b>10,023</b>	43.1%	<b>10,790</b>	43.8%	<b>+7.6%</b>
SG&A	<b>7,786</b>	33.5%	<b>7,926</b>	32.2%	<b>+1.8%</b>
Operating Profit	<b>2,237</b>	9.6%	<b>2,863</b>	11.6%	<b>+28.0%</b>
Net Income <sup>3</sup>	<b>1,787</b>	7.7%	<b>2,713</b>	11.0%	<b>+51.9%</b>
EBITDA	<b>2,916</b>	12.6%	<b>3,591</b>	14.6%	<b>+23.1%</b>

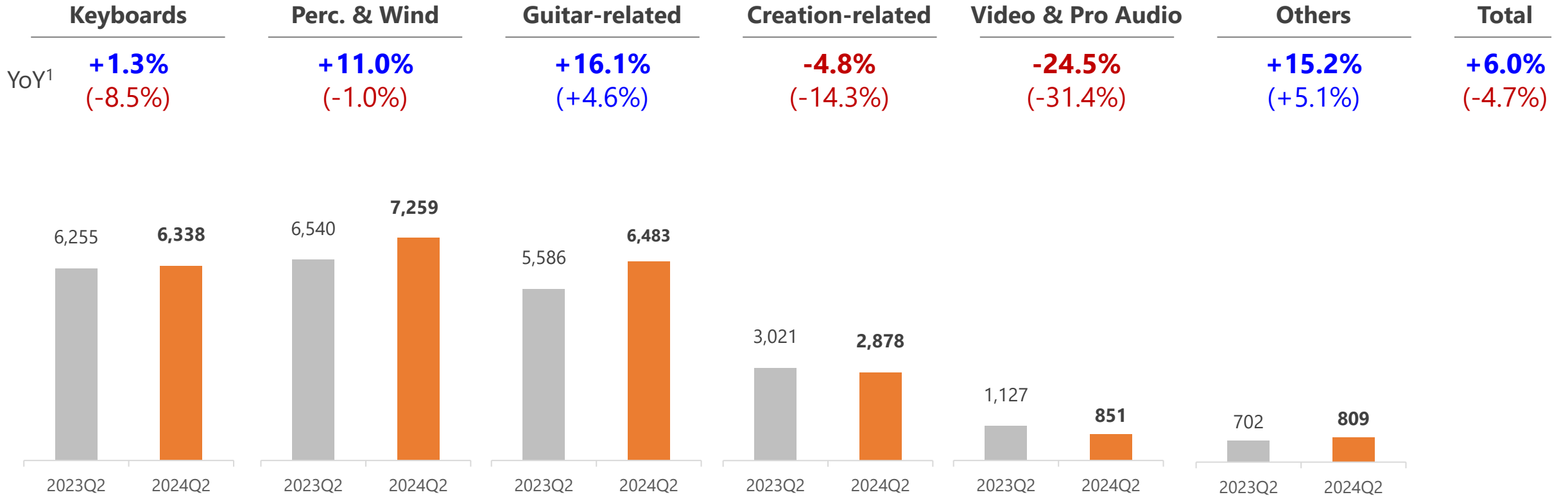
1 Exchange rates for 12/2023 Q2 3M USD/JPY : 137.38, EUR/JPY : 149.52, EUR/USD : 1.088

2 Exchange rates for 12/2024 Q2 3M USD/JPY : 155.90, EUR/JPY : 167.94, EUR/USD : 1.077

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

## Sales by Category (April-June period, 3 months)

(JPY mn)

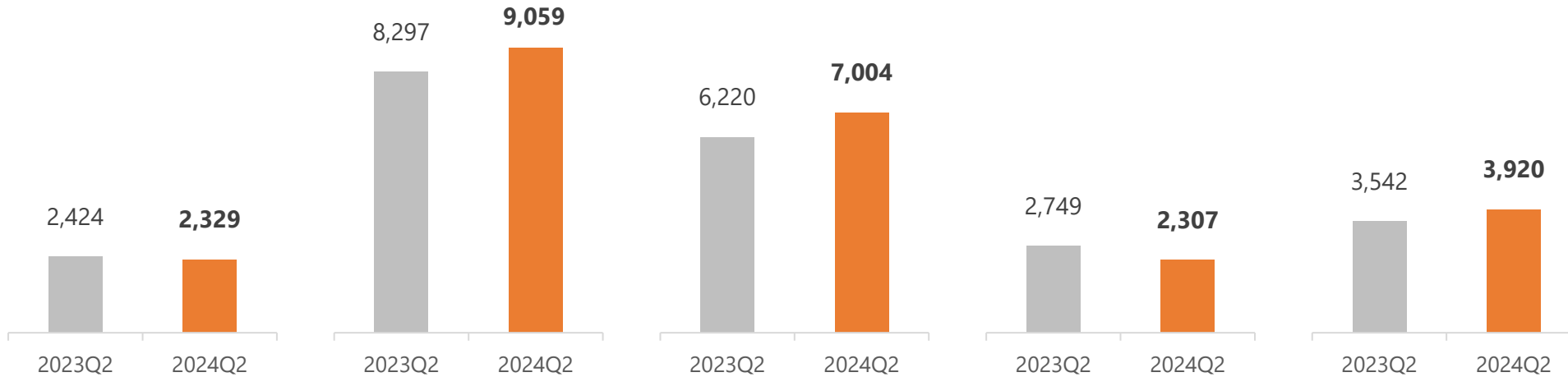


<sup>1</sup> Figures in ( ) are comparisons excluding the effect of FX rates

## Sales by Region (April-June period, 3 months)

(JPY mn)

	Japan	North America	Europe	China	Others	Total
YoY <sup>1</sup>	<b>-3.9%</b> (-3.9%)	<b>+9.2%</b> (-3.6%)	<b>+12.6%</b> (+0.2%)	<b>-16.1%</b> (-23.7%)	<b>+10.7%</b> (-1.5%)	<b>+6.0%</b> (-4.7%)



<sup>1</sup> Figures in ( ) are comparisons excluding the effect of FX rates

## Key Consolidated Financials

(JPY mn)	FY2023 Q2	FY2024 Q2	(JPY mn)	As of Dec. 31, 2023	As of June 30, 2024
Net sales	46,096	46,705	Cash and deposits	12,883	13,434
Gross profit	19,772	20,183	Notes and accounts receivable - trade	13,805	12,163
Selling, general and administrative expenses	15,516	15,754	Inventories	30,144	32,761
Operating profit	4,256	4,428	Other current assets	1,826	1,551
Ordinary profit	4,012	3,811	Total current assets	58,659	59,911
Profit before income taxes	4,006	4,198	Net property, plant and equipment	9,961	9,938
Profit attributable to owners of parent	3,195	3,694	Goodwill	3,129	3,349
EBITDA	5,580	5,860	Investments and other assets	9,218	10,568
D/E ratio	0.6x	0.4x	Total non-current assets	22,309	23,857
Equity ratio	48.5%	54.8%	Total assets	80,969	83,768
Debt / EBITDA <sup>1</sup>	1.6x	1.3x	Notes and accounts payable - trade	6,266	6,772
ROE <sup>1</sup>	24.4%	21.4%	Short-term borrowings	4,300	2,000
ROIC <sup>1</sup>	16.1%	17.6%	Current portion of long-term borrowings	8,526	5,384
R&D Expenses	2,434	2,449	Other current liabilities	8,948	8,684
Capital Expenditures <sup>2</sup>	1,144	666	Long-term borrowings	10,056	12,002
Depreciation Expenses	1,323	1,431	Other long-term liabilities	2,756	2,705
Free Cash Flow <sup>3</sup>	8,125	6,362	Total liabilities	40,854	37,549
			Total net assets	40,114	46,219
			Total liabilities and net assets	80,969	83,768

1 Debt / EBITDA ,ROE and ROIC are calculated on an annually (recent 12 months) adjusted basis

2 The amounts presented in capital expenditures is for property, plant and equipment.

3 Free Cash Flow is the sum of cash from operating activities and cash from investing activities

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