

Roland Corporation

Financial results briefing for the second quarter of the fiscal year ending December 31, 2024

Date and time: August 8, 2024 13:00–13:50

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

Q1. Please tell us about competitors' price promotions, which product categories are increasing, and what the impact is.

We recognize that this is increasing especially in electronic pianos. We expect this trend to continue in the current fiscal year. Our inventories are generally reasonable, and we avoid price promotions as much as possible. We do not expect a major change in our market share, partly due to the effect of new products launched in March.

Q2. Please tell us about your outlook for the current fiscal year and beyond, given the economic uncertainty.

We believe that the difficult environment will continue during this fiscal year. On the other hand, we believe that the various adjustments caused by the COVID-19 pandemic will come to an end, and that in the next fiscal year, when the proportion of new products will increase, we will see a turnaround to positive growth, including electronic pianos.

Q3. Please tell us about the sales and accounting impact of the Chapter 11 filing for the U.S. musical instrument chain.

The sales impact is expected to be approximately 2-3% of North American sales. The accounting impact is an extraordinary loss of approximately 150 million yen, primarily an allowance for doubtful accounts.

Q4. Regarding sales by category (page 8 of presentation), please tell us about the reasons for the large negative numbers in Creation-related products and Video & Pro Audio.

Creation-related products have been relatively heavily affected in North America. In addition, the competitiveness of some synthesizers and other products has slightly declined because it has been some time since their product release. We plan to recover from this situation by introducing new products.

In the case of Video & Pro Audio, the previous fiscal year saw strong sales of new products and the addition of sales corresponding to the order backlog for the COVID-19 pandemic, which resulted in a significant reactionary decline.

Q5. Regarding sales by category (page 21 of presentation), please tell us about the factors behind the increase in sales of guitar-related products, even in local currency terms, amid a difficult environment for the guitar itself, including the bankruptcy of a Japanese electric guitar manufacturer.

We understand that the business environment for electric and acoustic guitars is difficult, but many people who bought guitars during the COVID-19 pandemic are actively buying more of our guitar-related equipment (effectors, amplifiers, etc.). In addition, we launched a new line of guitar amplifiers during the April-June period, and they are doing very well.

Q6. Please tell us about the situation in China and the outlook for the next fiscal year and beyond.

Due to changes in education policies, electronic pianos also continue to face difficult conditions, although not as severe as acoustic pianos. Growth in electronic wind instruments has been sluggish due to a lull in demand and the impact of low-priced products from Chinese manufacturers. However, China has a large population, and sales of guitar-related products and synthesizers, which have a strong hobbyist flavor, are growing. Therefore, we see China as a growing market in the long term.

Q7. As for negative impact factors in China, is it the economic impact that has the greatest impact or the change in education policy?

We recognize that electronic pianos and electronic drums have been greatly affected by changes in educational policy, although I think the economic impact may also be a factor.

Q8. Please tell us about how long the effects of the new product launch will last.

The duration of the effect varies by product category. Electronic pianos, for example, have a relatively long sales period, while products for core users, such as synthesizers, often reach peak sales in the first few months after launch.

Q9. Please tell us about your future relationship with Roland DG Corporation.

Although we sold all our shares in the MBO of Roland DG, we would like to continue our cooperation and other activities as a company sharing the "Roland" brand.

(*) 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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