

Roland Corporation

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

Date and time: November 8, 2024 13:00–14:00

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

Q1. Please tell us about the factors behind lowering the full-year earnings guidance.

This is mainly due to weak sales volumes in July and August. We expect operating profit for the October-December period (page 19 of the presentation material) to be in line with last year, excluding the impact of currency. Our policy is to avoid trying to make up for the negative figures in the July-September period and to manage operations so that we do not disrupt the balance between sell-in and sell-through again.

Q2. Regarding sales by category (page 26 of presentation material), please tell us about the factors that led to the positive change in keyboards, and to the large negative factors in wind & percussion instruments, guitar-related products, and video & pro audio.

We feel that the market for keyboards has bottomed out, and excluding China, it is doing well. In wind & percussion instruments, the timing of the end of the life cycle of existing products, the timing of the release of the DWe in the previous period, and the slight delay in the release of the flagship model and the innovative new V-Drums Quiet Design series were all factors. Regarding guitar-related equipment, the additional delivery of mainstay products (guitar amplifiers) that were released in the April-June period was delayed due to the fact that there were still old products in stock in the market. In any case, the negative factors were only temporary, and we have seen an improvement since September.

With regard to video & pro audio equipment, the demand for personal streaming, which was very strong during the pandemic, has calmed down considerably. Going forward, we will focus on B to B-related products with high profit margins. In addition, the decrease in sales was also affected by the reaction to the launch of new products in the previous fiscal year.

Q3. Please tell us about the progress of price optimization.

With the exception of entry-level digital pianos, which are subject to intense price competition, although it has taken longer than expected, we believe that we have generally achieved price optimization in the July-September period.

Q4. Please tell us about the competitive environment for portable keyboards that have re-entered the market.

We are promoting the fact that it is possible to customize content by region through Roland Cloud and match it to the genre the customer wants to play. At present, we are receiving recognition for this added value and are making steady progress.

Q5. On page 21 of the presentation material, please tell us about the timeline for resolving the issues in the market.

We believe that the issue will be resolved this year, and that the market will gradually return to a growth phase next year.

Q6. Inventories at the end of September were 33.9 billion yen. Please tell us about the breakdown of this, the factors behind the increase compared to the end of the previous fiscal year, and the forecast for the level at the end of the current fiscal year.

The breakdown is as follows: 22.5 billion yen in finished goods, 9.7 billion yen in raw materials and supplies, and 1.6 billion yen in work in progress. The increase from the end of the previous fiscal year is in finished goods, but this is a normal seasonal fluctuation, as the end of September is the time to increase inventories in preparation for the year-end sales season.

We plan to reduce inventories at the end of this fiscal year compared with the end of the previous fiscal year, excluding the impact of exchange rates.

Q7. Please tell us about the current state of market inventory and your outlook for the end of the year.

The market inventory of our products is already at a healthy level. As for the market as a whole, including other companies, we believe that the market for electronic musical instruments is becoming normalized and will reach a healthy level this year.

Q8. Please tell us about the risk of a deterioration in the overall demand for musical instruments due to a worsening of the macroeconomic situation.

It depends on the extent of the macroeconomic deterioration, but we do not believe that even a slight deterioration will have a significant impact.

Q9. There was a presidential election in the United States, but with manufacturing in China and Southeast Asia, tell us about the risk of future tariffs.

We have taken action against the tariffs on Chinese imports that have caused the most problems in the past, and since we have moved much of our production to Malaysia and Vietnam, we do not anticipate any major problems. We will continue to monitor the development of future policies regarding tariffs on imports from countries other than China.

Q10. Please tell us if there are any changes in the situation regarding concerns about maritime transportation such as the Suez Canal.

We have no major concerns at this time.

Q11. Please tell us about the current situation in China and your thoughts on whether or not there will be a change in strategy.

The situation remains very severe. Demand for educational use is struggling, but we believe that the expansion of demand for hobby use can be fully expected from a long-term perspective. Outside of China, emerging markets are growing, and we expect India, Mexico, Brazil and other countries in Central and South America to become pillars of growth to replace China.

(*) 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.