



Financial Results Highlights FY12/2021 2Q

Aug 6, 2021

Roland Corporation



The Aerophone has been bringing new creativity and expression to wind instrument players. The flagship model, the Aerophone Pro, has evolved not only in design and parts, but also in its sound source, the heart of the instrument, to reach a new level of excellence as an electronic wind instrument.

Executive Summary

- **Revised up the final year target for the Mid-Term-Plan (FY12/2022)**, reflecting the continued demand on the steady growth of new lifestyles
- **FY12/2021 Q2 exceeded our expectations** due to strong demand and accelerated production in 1H of FY12/2021
- Due to supply chain uncertainty in 2H, **Full Year Forecast for FY12/2021 remain unchanged as sales aggressively built up in 1H**
- **Interim Dividend and Year-end Dividend Forecast have been revised up**, considering the Full Year Forecast for FY12/2021 and the current situation

1

Revision to the Final Year Target for the MTP (FY12/2022)

2

FY12/2021 2Q Results

3

FY12/2021 Forecast (Full Year)

4

Supplemental Information

1

Revision to the Final Year Target for the MTP (FY12/2022)

2

FY12/2021 2Q Results

3

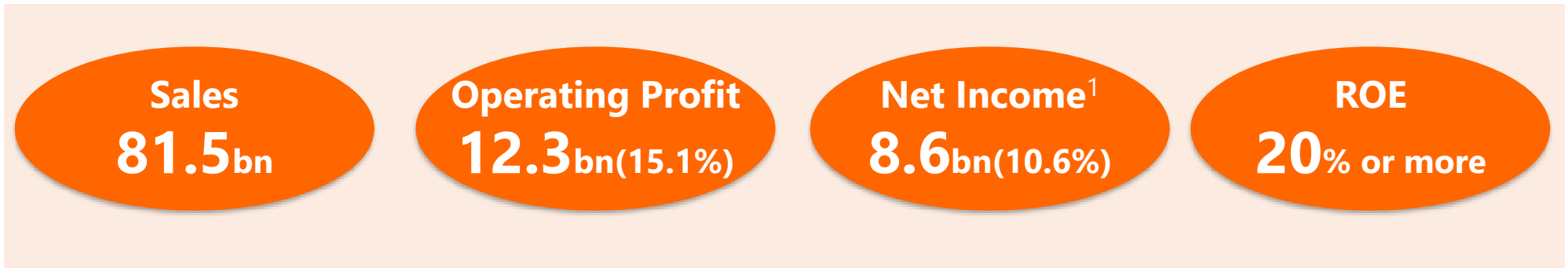
FY12/2021 Forecast (Full Year)

4

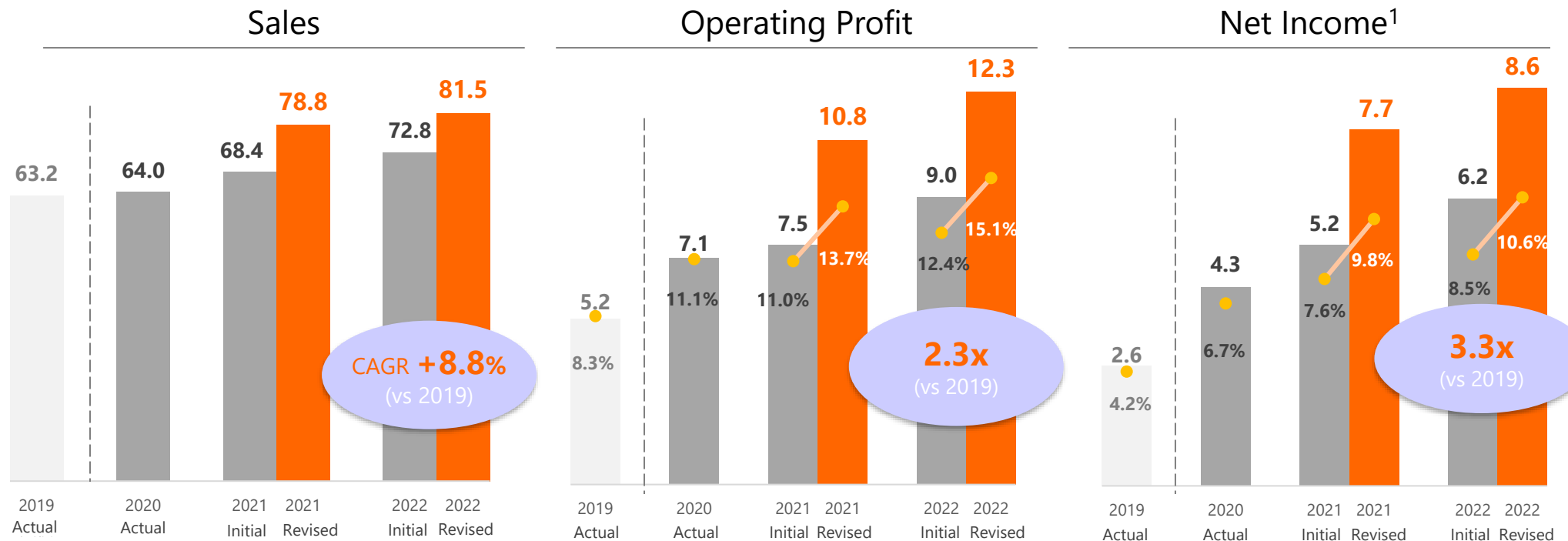
Supplemental Information

Revised up FY12/2022 MTP target supported by new lifestyles expanding our market

Target
(FY12/2022)



**Results/
Target**
(JPY bn)



¹ Net income refers to "net income attributable to owners of parent"

Exchange rates for FY12/2020 USD/JPY : 106.83, EUR/JPY : 121.85, EUR/USD : 1.141

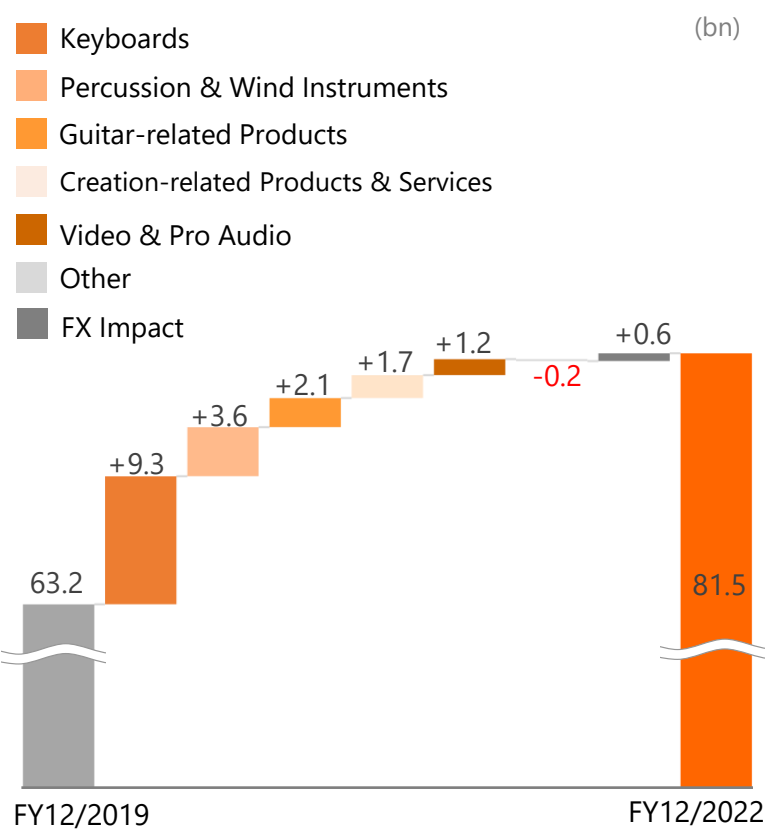
Exchange rates for FY12/2021 USD/JPY : 105.98, EUR/JPY : 127.18, EUR/USD : 1.200

Exchange rates of initial plan for FY12/2021 and for FY12/2022 USD/JPY : 105.00, EUR/JPY : 123.00, EUR/USD : 1.171

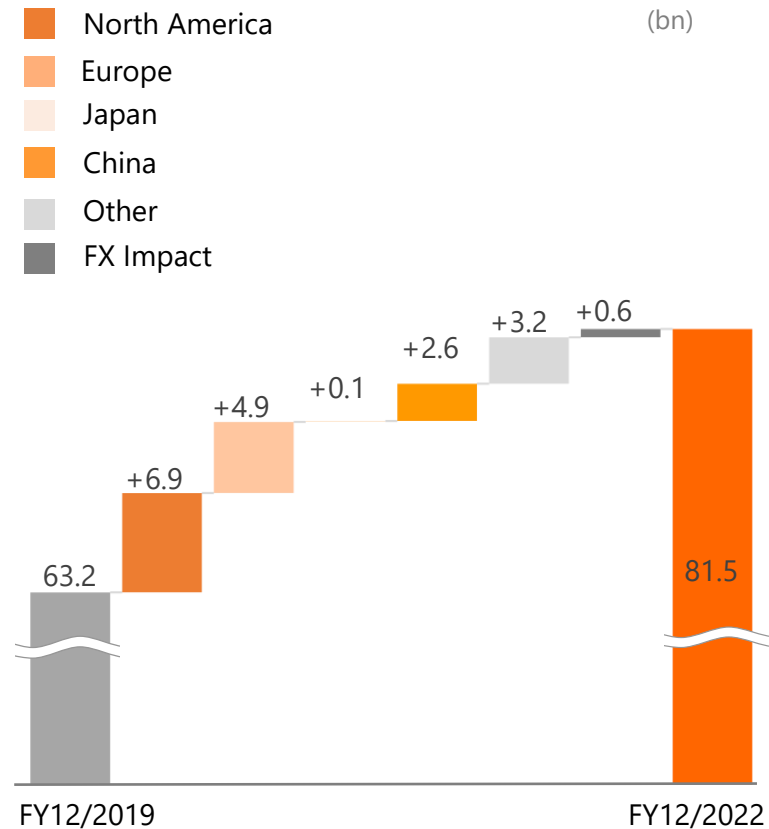
Exchange rates for FY12/2022 USD/JPY : 106.00, EUR/JPY : 127.00, EUR/USD : 1.198

Growth breakdown during the Medium-Term-Plan (FY2020-FY2022)

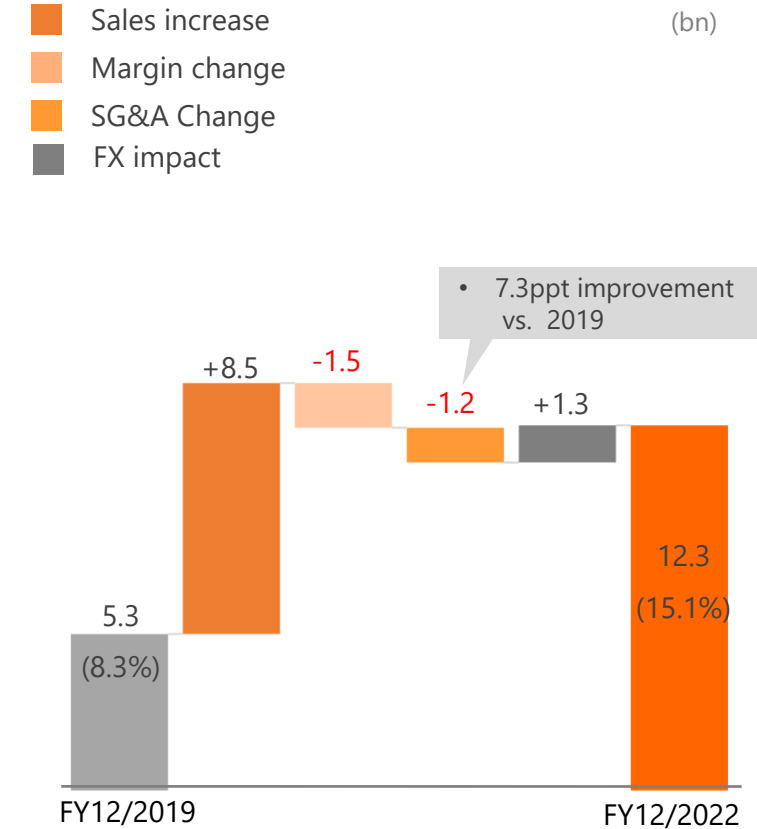
By Category



By Region



Operating Profit



• **Electronic Pianos contribute significantly due to market expansion**

• **Growth driven by North America and Europe**

• **Profit growth driven by operating leverage and SG&A control**

1

Revision to the Final Year Target for the MTP (FY12/2022)

2

FY12/2021 2Q Results

3

FY12/2021 Forecast (Full Year)

4

Supplemental Information

Highlights

Sales

43_{bn}

(YoY **+52.4%**)

- **Substantial increase** as a result of a drastic increase in production ahead of schedule **to maximize Full Year sales**
- **Strong in all regions and categories** due to robust demand

Operating Profit

7.8_{bn}

(YoY **+194.2%**)

- **Substantial increase** due to higher revenues and price optimization, despite soaring raw materials and container costs
- SG&A expenses lower than the budget

Net Income¹

6.1_{bn}

(YoY **+274.5%**)

- **Achieved substantial profit growth**
- Non-operating income and expenses at the previous year's level

¹ Net income refers to "net income attributable to owners of parent"

Consolidated Financial Results

- **To maximize Full Year sales and profit**, raw materials for 2H aggressively used ahead of schedule
- Sales and profit exceeded the forecast backed by continued strong demand

(JPY mn)	FY2020/12 ¹ 2Q		FY12/2021 ² 2Q					
	Actual	% of Sales	Forecast	% of Sales	Actual	% of Sales	vs Forecast	YoY
Sales	28,234	100.0%	41,400	100.0%	43,030	100.0%	+3.9%	+52.4%
Gross Profit	13,716	48.6%	19,100	46.1%	20,326	47.2%	+6.4%	+48.2%
SG & A	11,050	39.1%	12,800	30.9%	12,480	29.0%	-2.5%	+12.9%
Operating Profit	2,666	9.4%	6,300	15.2%	7,845	18.2%	+24.5%	+194.2%
Net Income ³	1,650	5.8%	4,600	11.1%	6,179	14.4%	+34.3%	+274.5%

1 Exchange rates for FY12/2020 2Q USD/JPY : 108.28, EUR/JPY : 119.34, EUR/USD : 1.102

2 Exchange rates for FY12/2021 2Q USD/JPY : 107.70, EUR/JPY : 129.86, EUR/USD : 1.206

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

Sales by Category

JPY mn	FY12/2020 2Q		FY12/2021 2Q				
	Actual	% total	Actual	% total	YoY	YoY ¹ w/o FX	Increase/decrease factors
Keyboards	7,808	27.7%	13,165	30.6%	+68.6%	+61.6%	Portable digital pianos continued to perform well
Percussion & Wind Instruments	5,725	20.3%	10,003	23.2%	+74.7%	+67.8%	V-Drums Acoustic Design Series and Electronic Wind Instruments performed strongly
Guitar-related Products	7,778	27.5%	10,664	24.8%	+37.1%	+32.0%	Loopers ² and standard compact effectors are doing well. Sales recovery of amplifiers for outdoor use
Creation-related Products & Services	3,841	13.6%	5,564	12.9%	+44.8%	+40.7%	Synthesizers with 88 keys and stage pianos are selling well. New products contributed to Dance & DJ
Video & Pro Audio	1,969	7.0%	2,315	5.4%	+17.6%	+15.3%	AV mixers were strong due to increased streaming demand for corporate, educational and personal use
Other	1,110	3.9%	1,317	3.1%	+18.7%	+14.7%	OEM slowed down due to reduced CAPEX in Karaoke industry, but accessories (cables etc.) were strong
Total	28,234		43,030				

¹ Growth rate assuming the exchange rate had been the same for two periods

² An effector that allows you to record and play back instrumental and vocal phrases in a loop. While playing back the recorded phrase repeatedly, you can add new phrases to it and perform in real time.

Sales by Region

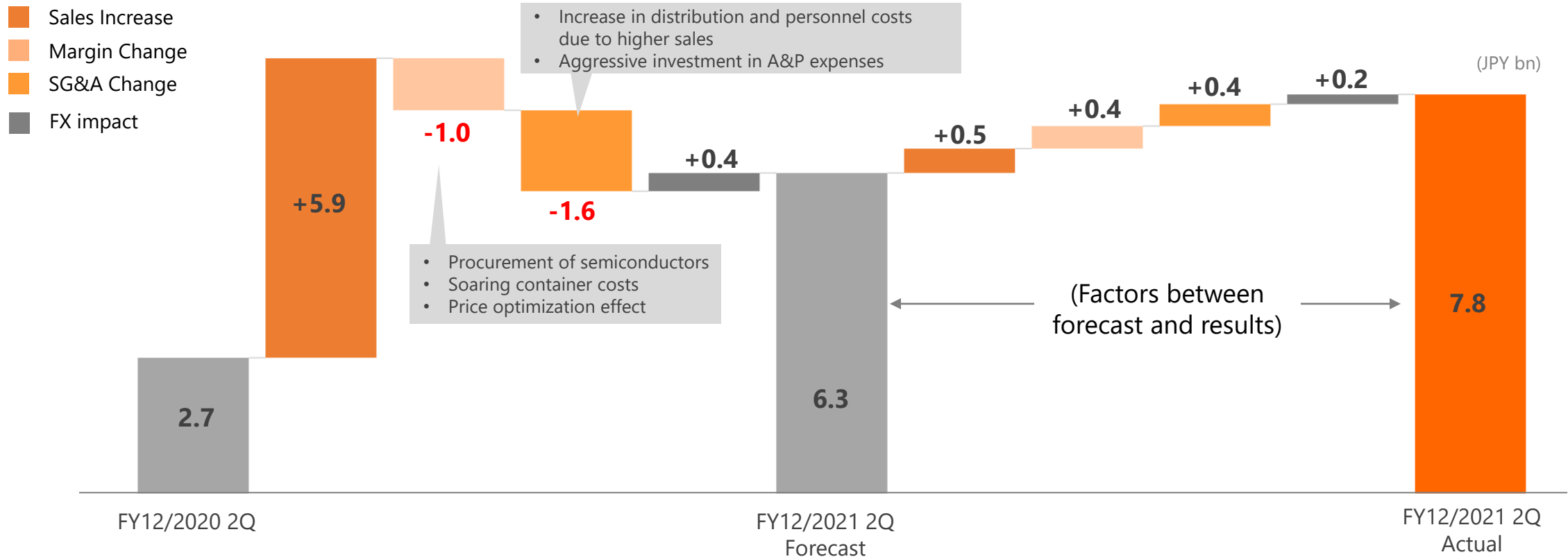
	FY12/2020 2Q		FY12/2021 2Q				
JPY mn	Actual	% total	Actual	% total	YoY	YoY ¹ w/o FX	Increase/decrease factors
Japan	4,255	15.1%	5,408	12.6%	+27.1%	+27.1%	Although store customer traffic was affected by emergency declarations, digital pianos and video-related products were strong
North America	8,969	31.8%	13,649	31.7%	+52.2%	+51.3%	Electronic pianos and drums, amplifiers, effectors were strong online. Vaccinations progressed, and store customer traffic is recovering
Europe	9,154	32.4%	13,627	31.7%	+48.9%	+38.6%	Despite the Suez Canal incident, keyboards, electronic drums, guitar-related products remained strong online
China	2,522	8.9%	4,512	10.5%	+78.9%	+65.8%	Electronic drums recovered in the educational channel. Keyboards, amplifiers, and electronic wind instruments were also strong
Other	3,332	11.8%	5,832	13.5%	+75.0%	+67.9%	Electronic pianos and drums were strong, especially in East Asia and the Middle East. Still, the situation remains unstable with lockdowns
Total	28,234		43,030				

¹ Growth rate assuming the exchange rate had been the same for two periods

Consolidated Operating Profit

Highlights vs Forecast

- **Sales Increase:** Increase in gross profit due to higher sales
- **Margin Change:** Some cost impact expected in 1H shifted to 2H
- **SG&A Change:** Execution control of advertising and promotion (A&P) expenses



1

Revision to the Final Year Target for the MTP (FY12/2022)

2

FY12/2021 2Q Results

3

FY12/2021 Forecast (Full Year)

4

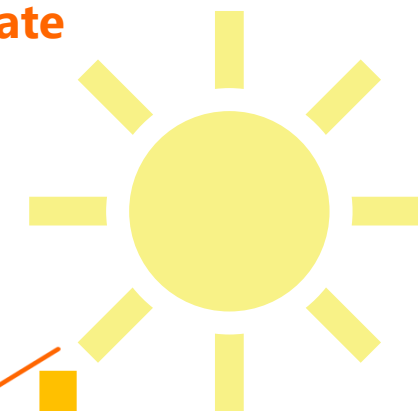
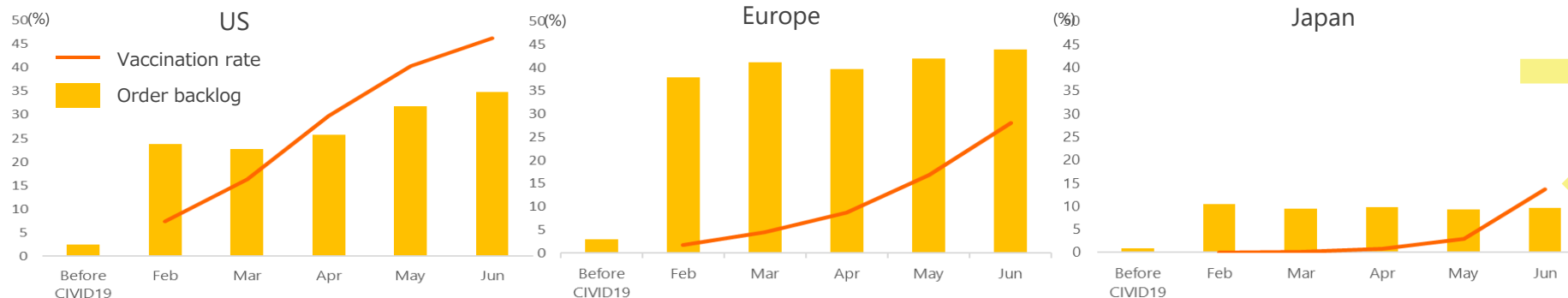
Supplemental Information

Expect continued strong demand as well as higher costs and prolonged supply challenges

Demand

Strong demand will continue even after vaccinations **as new lifestyles penetrate**

<Vaccination rate and our order backlog>



Risks

Supply

- Longer lead-time for semiconductors
- Shortage of shipping containers
- Lockdown in Malaysia

Counter-measures

- Allocate parts to **high margin products**
- **Sell What's Available Today (SWAT)** strategy
- Electronic piano **production at China plant** (from October)

Cost

- High cost of raw materials
- High cost of container shipping

- **Further price optimization** (from October)
- **Additional cost reductions**

Assumptions for the Full Year Forecast

- Assumptions for Malaysia Factory Attendance Rate:
June/**60%** → July/**30%** → August/**60%** → September and after/**100%**

Further upside not assumed in the forecast

Malaysia Factory
Production catch-up

Recovery of
production loss

• Production **over 100%**
since September

Ease of
Procurement risk

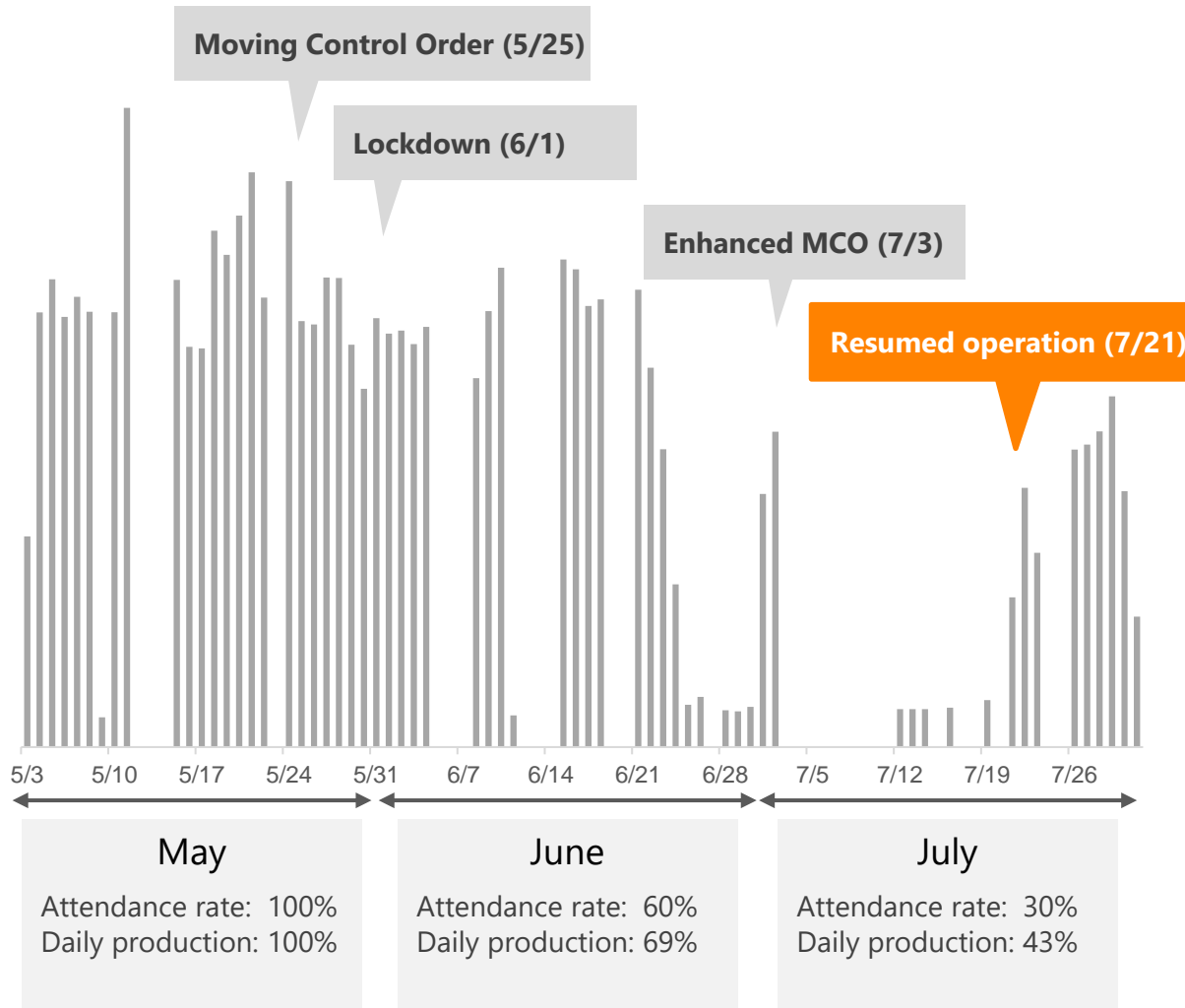
Sales impact
About +0.8bn

Consider Additional
Cost reductions

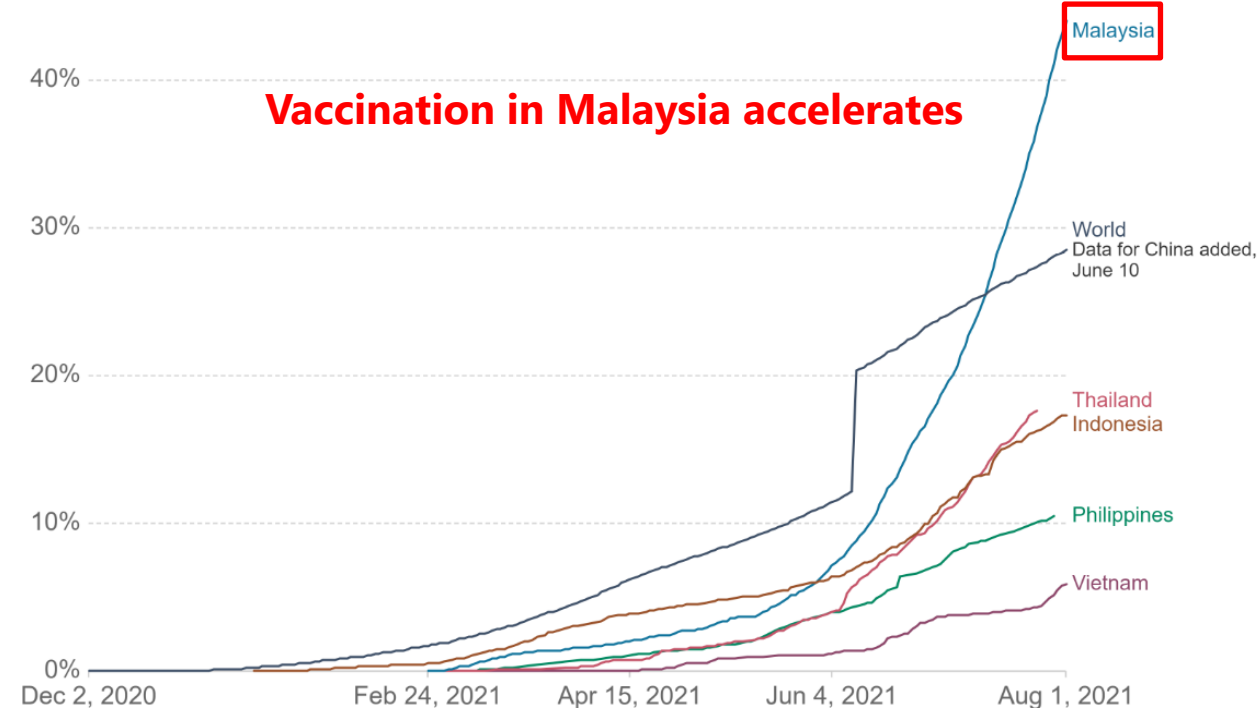
Profit impact
About +0.3bn

Affected by the lockdown in 1H, but expect a rapid recovery due to early supply of vaccines

Our daily production output (May-July)



Vaccination in Southeast Asia¹



Vaccination at the Malaysian factory

- **First vaccination completed for the majority of workers. Second dose expected to be completed in late August**
- As of today, we are operating at 60% attendance rate

Full Year Sales and Profits are expected to increase from the previous year

- To maximize Full Year performance, drastically increased production in 1H knowing the possibility of parts shortages in 2H. As a result, the impact of the lockdown, parts and container shortages, and soaring costs in 2H are expected to be covered by the aggressive sales buildup in 1H

	First Half	Second Half ¹	Full Year
	Increase in Sales and Profit	Decrease in Sales and Profit	Increase in Sales and Profit
Sales	43bn • vs Forecast : +3.9% • Year over Year : +52.4%	35.7bn • vs Forecast : -4.4% • Year over Year : -0.1%	78.8bn • vs Forecast : – • Year over Year : +23.0%
Operating Profit	7.8bn • vs Forecast : +24.5% • Year over Year : +194.2%	2.9bn • vs Forecast : -34.3% • Year over Year : -33.6%	10.8bn • vs Forecast : – • Year over Year : +51.8%

¹ Assuming that there will be no significant impact (long-term shutdown) caused by COVID-19 at the Malaysia factory

Consolidated Financial Forecast

(JPY mn)	FY12/2020 ¹		FY12/2021 ²		
	Actual	% of Sales	Forecast	% of Sales	YoY
Sales	64,044	100.0%	78,800	100.0%	+23.0%
Gross Profit	30,379	47.4%	36,300	46.1%	+19.5%
SG & A	23,264	36.3%	25,500	32.4%	+9.6%
Operating Profit	7,115	11.1%	10,800	13.7%	+51.8%
Net Income ³	4,301	6.7%	7,700	9.8%	+79.0%

1 Exchange rates for 12/2020 USD/JPY : 106.83, EUR/JPY : 121.85, EUR/USD : 1.141

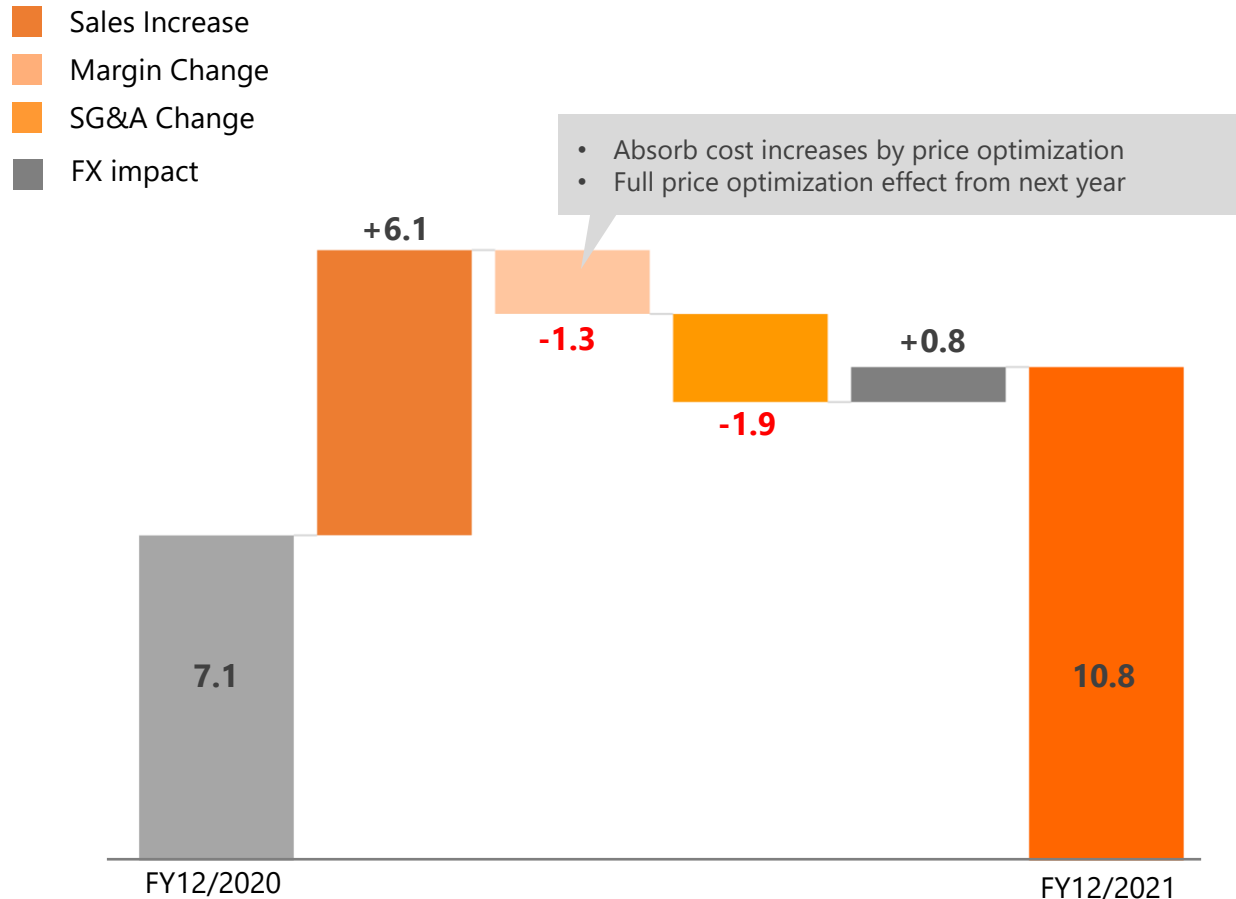
2 Exchange rates for 12/2021 USD/JPY : 105.98, EUR/JPY : 127.18, EUR/USD : 1.200

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

Consolidated Operating Profit

Changes (vs Previous year)

(JPY bn)



Factors

- **Sales Increase**
 - ✓ Increase in gross profit due to higher sales
- **Margin Change**
 - ✓ Raw materials and container costs soared
 - ✓ Change in the model mix (entry digital pianos performing well)
 - ✓ Price optimization (First in 1Q, and the second one planned in October)
- **SG&A Change**
 - ✓ Increase in labor and logistics costs due to higher sales
 - ✓ Increase in advertising and sales expenses (SG&A ratio improved by 7.1 ppt from pre-Covid 2019)

Shareholder Returns

<Policy>

The Company's shareholder return policy is to make sustainable and stable dividend payments while flexibly purchasing treasury shares taking into account various factors, including stock market trends and capital efficiency. Through this, we will, in principle, **aim for a consolidated total return ratio of 50%**, or a consolidated total return ratio of 30% or higher even if it is necessary to secure funds for growth investment.

- **Based on the Full Year Forecast for FY12/2021, Interim Dividend and Year-end Dividend Forecast have been revised up**

(Reference) Announced on 2/12/2021 (JPY)

- Second quarter-end : 47
- Fiscal year-end : 47
- Total : 94

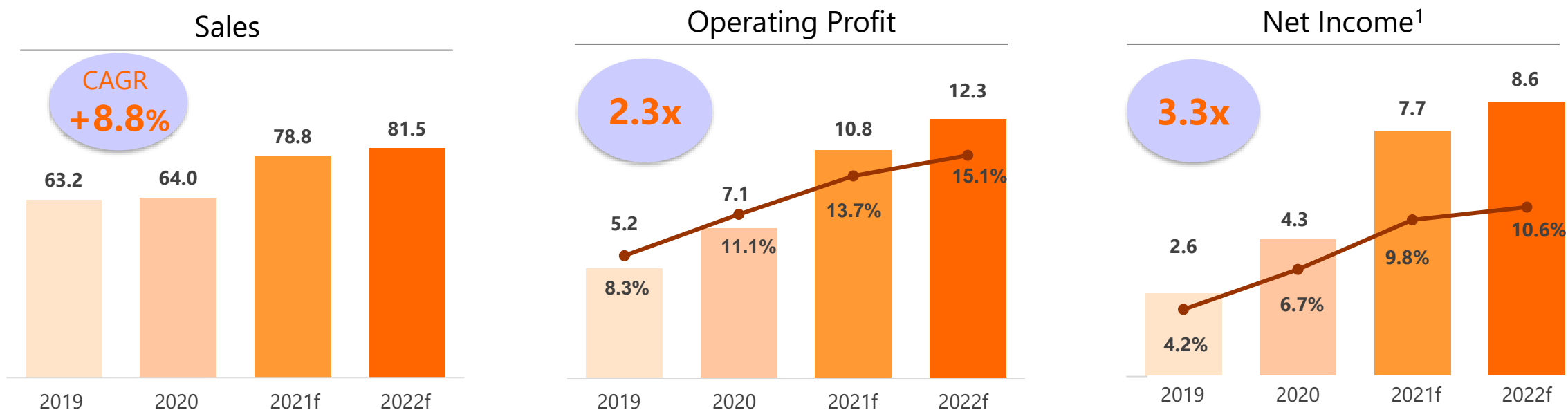


Revision this time (JPY)

- Second quarter-end : **69** (Decided)
- Fiscal year-end : **69**
- Total : **138**

Key takeaways

- **Demand for electronic musical instruments remain strong in 2H** as new lifestyles settle
- Although faced with serious supply issues and cost increases, we took appropriate measures. **Expect to achieve the full-year target** by maximizing sales in 1H
- **Supply issues are temporary external factors.** Aim to increase sales and profits in 2022 and beyond backed by strong demand globally



Exchange rates for FY12/2019 USD/JPY : 109.06, EUR/JPY : 122.11, EUR/USD : 1.120
 Exchange rates for FY12/2021 USD/JPY : 105.98, EUR/JPY : 127.18, EUR/USD : 1.200

Exchange rates for FY12/2020 USD/JPY : 106.83, EUR/JPY : 121.85, EUR/USD : 1.141
 Exchange rates for FY12/2022 USD/JPY : 106.00, EUR/JPY : 127.00, EUR/USD : 1.198

¹ Net income refers to "net income attributable to owners of parent"

1

Revision to the Final Year Target for the MTP (FY12/2022)

2

FY12/2021 2Q Results

3

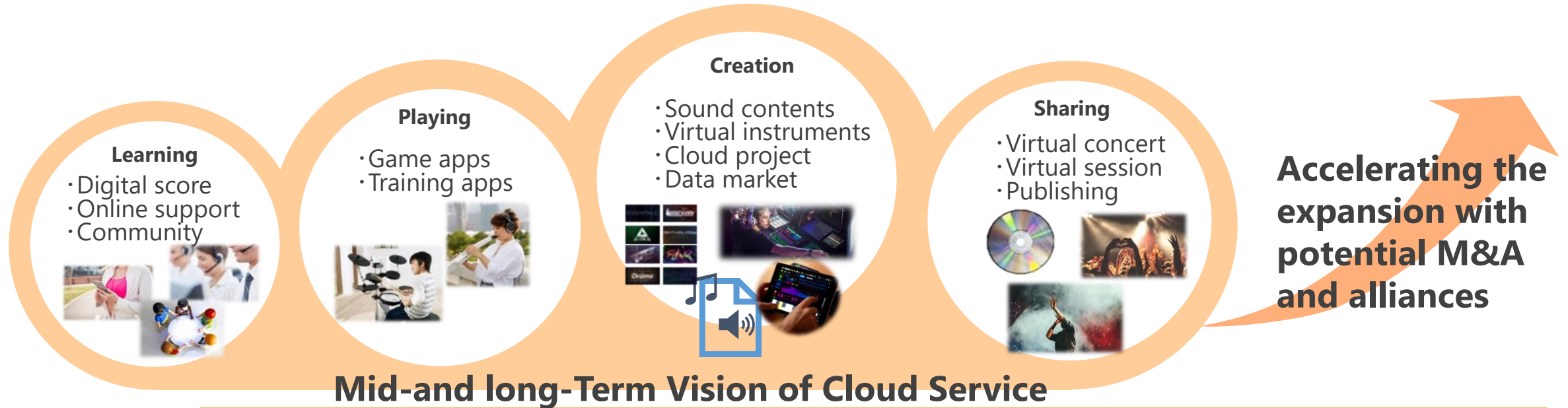
FY12/2021 Forecast (Full Year)

4

Supplemental Information

Update on Roland Cloud

- Providing total solutions for enjoying music not only to existing musicians but also to **Potential Customers** who want to start playing music
- Aiming to become a **Solution Provider** that removes the various “Barriers” to enjoying music



Mid-and long-Term Vision of Cloud Service

	as of 12/2019	as of 12/2020	As of 6/2021	
Number of Subscribers (approx.)	8,000	13,000	15,300	Strengthen marketing to new customers
	(Reference) Registered Roland Cloud Account ¹	103,000	140,000	

¹ Roland Account created for the purpose of using Roland Cloud services

Consolidated Financial Results / Second Half

- Assumptions for 2H forecast
 - ✓ Impact of the factory suspension
 - ✓ Procurement restrictions continue
 - ✓ Parts and shipping costs remain high
 - ✓ Postponement of some new products launch to next year
 - SG&A expenses are planned to be reduced by reviewing the execution plan (not reflected in the 2H forecast)
- **Revise forecasts in a timely manner if there is a significant change in assumptions**

(JPY mn)	FY12/2020 Second Half ¹		FY12/2021 Second Half ²					
	Actual	% of Sales	Previous Forecast	% of Sales	Forecast	% of Sales	vs Previous Forecast	YoY
Sales	35,810	100.0%	37,400	100.0%	35,769	100.0%	-4.4%	-0.1%
Gross Profit	16,663	46.5%	17,700	47.3%	15,973	44.7%	-9.8%	-4.1%
SG & A	12,214	34.1%	13,200	35.3%	13,019	36.4%	-1.4%	+6.6%
Operating Profit	4,448	12.4%	4,500	12.0%	2,954	8.3%	-34.3%	-33.6%
Net Income ³	2,651	7.4%	3,100	8.3%	1,520	4.2%	-51.0%	-42.7%

¹ Exchange rates for FY12/2020 Second Half USD/JPY: 105.37, EUR/JPY: 124.36, EUR/USD: 1.179

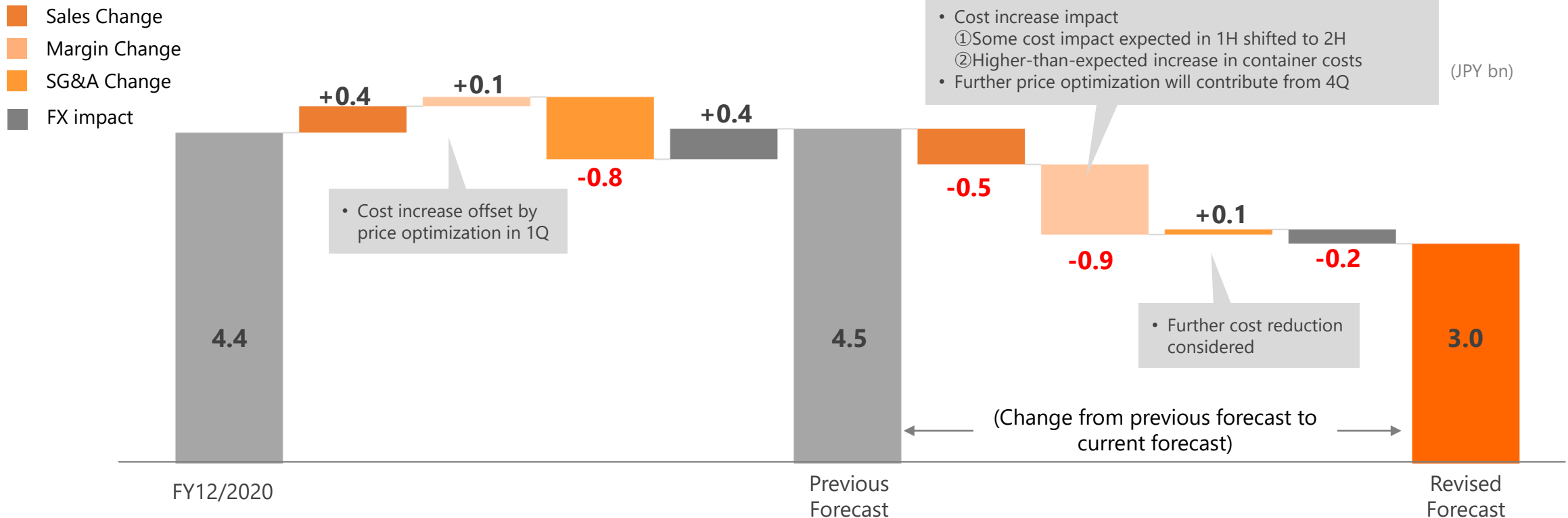
² Exchange rates for FY12/2021 Second Half USD/JPY: 106.00, EUR/JPY: 127.00, EUR/USD: 1.198

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

Consolidated Financial Results / Second Half

Highlights vs Previous Forecast

- **Sales Decrease:** Reflecting severe procurement restrictions and Malaysia plant shutdown
- **Margin Change:** **Additional price optimization** to counter soaring raw materials and container costs. Limited contribution to 2H, but **fully contributes from FY2022**
- **SG&A Change:** **Considering further cost reductions** in advertising and sales expenses



Sales by Category

JPY mn	FY12/2020		FY12/2021			
	Actual	% total	Forecast	% total	YoY	YoY ¹ w/o FX
Keyboards	17,842	27.9%	26,000	33.0%	+45.7%	+42.1%
Percussion & Wind Instruments	14,620	22.8%	17,600	22.3%	+20.4%	+17.4%
Guitar-related Products	16,712	26.1%	18,100	23.0%	+8.3%	+5.9%
Creation-related Products & Services	8,010	12.5%	9,500	12.0%	+18.6%	+16.3%
Video & Pro Audio	4,597	7.2%	5,100	6.5%	+10.9%	+9.3%
Other	2,261	3.5%	2,500	3.2%	+10.6%	+6.9%
Total	64,044		78,800		+23.0%	+20.2%

1 Growth rate assuming the exchange rate had been the same for two periods

Sales by Region

JPY mn	FY12/2020		FY12/2021			
	Actual	% total	Forecast	% total	YoY	YoY ¹ w/o FX
Japan	9,066	14.2%	9,300	11.8%	+2.6%	+2.1%
North America	19,963	31.2%	24,800	31.5%	+24.2%	+24.0%
Europe	21,027	32.8%	25,400	32.2%	+20.8%	+16.6%
China	6,304	9.8%	9,100	11.6%	+44.3%	+35.6%
Other	7,682	12.0%	10,200	12.9%	+32.8%	+29.5%
Total	64,044		78,800		+23.0%	+20.2%

Key Consolidated Financials (PL, B/S)

(JPY mn)	FY12/2020 2Q	FY12/2021 2Q	(JPY mn)	As of Dec. 31, 2020	As of Jun. 30, 2021
Net sales	28,234	43,030	Cash and deposits	10,832	11,497
Cost of sales	14,517	22,704	Notes and accounts receivable - trade	5,930	8,308
Gross profit	13,716	20,326	Inventories	18,075	19,517
Selling, general and administrative expenses	11,050	12,480	Other current assets	1,220	915
Operating profit	2,666	7,845	Total current assets	36,058	40,238
Other income (expenses)	-514	-173	Net property, plant and equipment	5,761	6,028
Profit before income taxes	2,152	7,672	Goodwill	22	21
Total income taxes	501	1,491	Investments and other assets	4,254	4,099
Profit attributable to owners of parent	1,650	6,179	Total non-current assets	10,038	10,149
EBITDA	3,374	8,641	Total assets	46,096	50,388
D/E ratio	0.6x	0.3x	Notes and accounts payable - trade	5,228	5,176
Equity ratio	42.1%	52.7%	Short-term borrowings	138	3
Debt / EBITDA ¹	1.6x	0.4x	Current portion of long-term borrowings	3,935	1,252
ROE ¹	18.5%	48.3%	Other current liabilities	7,678	7,676
FCF ²	3,727	3,999	Long-term borrowings	5,762	6,448
FCF conversion	225.8%	64.7%	Other long-term liabilities	3,203	3,023
			Total liabilities	25,945	23,580
			Total net assets	20,151	26,807
			Total liabilities and net assets	46,096	50,388

¹ Debt / EBITDA and ROE are calculated on an annually adjusted basis

² FCF is the sum of cash from operating activities and cash from investing activities

This material contains information that constitutes “forward-looking statements” of Roland Corporation. Statements other than those related to past or present facts are all statements that constitute forward-looking statements. Such forward-looking statements are based on our assumptions and decisions made in accordance with information currently available, and they are not intended to give any assurances that they will turn out to be correct. Known or unknown risks, uncertainties and other factors underlie the forward-looking statements, and the forward-looking statements may be materially different from the actual results. Matters which may affect the results include the economic environment surrounding our business, demand trends, exchange rate fluctuations and other related circumstances.