

# Roland Corporation

## Financial results briefing for the third quarter of the fiscal year ending December 2021

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Date and time: November 8, 2021 11:00-12:00

Speakers: Naoyuki Tamura, Senior Executive Officer in charge of Corporate Planning;  
Shunsuke Sugiura, Senior Executive Officer and CFO

**Q1. What percentage of share does the Malaysian factory have in your total production? And could you tell me about the restrictions imposed in Malaysia after June and how did you deal with them?**

Our Malaysian factory accounts for approximately 50% of our total production. We reduced the attendance rate of employees and suspended the operations in accordance with the Movement Control Order (MCO) imposed by the Malaysian government. Then we promoted COVID-19 vaccination among employees and increased the attendance rate in a stepwise manner to the extent permitted by the MCO. As the situation gradually improved, we fully resumed operations in September. However, the production from June to August fell short of the plan.

**Q2. What are the current inventory levels of raw materials?**

The situation is quite difficult, but we have managed to procure all the necessary raw materials to achieve the full-year financial result forecasts, which were revised upward on May 7.

**Q3. Do you expect a decline in the capacity utilization of the Malaysian factory due to the shortage of raw materials from November onwards?**

Not exactly. We currently expect that we have enough raw materials to maintain the operations at a similar level to those in September and October.

**Q4. What kind of efforts have you made to procure semiconductors?**

The semiconductor shortage is significantly affecting our business and we are seeing that the outlook is getting grimmer. After the fire at the supplier's plant last year, we have taken such measures as early securing required quantity of inventory from the market and immediately changing the design to use replacement parts. However, the overall situation is getting tighter as more types of semiconductors are currently in short supply. We will continue to make every effort to secure as many semiconductors as possible based on a relationship of trust with each of our suppliers.

**Q5. Is the sound source LSI designed exclusively for your products?**

Yes. We design it in-house and outsource the production.

**Q6. I think, under the current business environment, your supply capacity is directly linked to your competitiveness. Do you expect any impact on your market share?**

The surging demand for musical instruments has not been fully satisfied even by the entire musical instrument industry. As such, order backlogs among companies in the industry, including us, seem to be on the rise. It is only a guess but it seems that our market share has been slightly increased in the first half of the fiscal year.

**Q7. Could you share your current outlook for how the inventory level and order backlog will change toward the end of the fiscal year?**

We are not intending to implement a finished goods inventory policy at the end of the fiscal year like the one we did last year. We will continue to produce and supply as many products as possible in the fourth quarter. The inventory level of raw materials increased at the end of September. This is attributable to the temporary decline in production at our Malaysian factory due to the MCO. The order backlog also increased to 11.7 billion yen at the end of September, and it is expected to remain high at the end of the fiscal year.

**Q8. Please tell us about the price adjustment due to cost escalation.**

We raised overall prices by several percent in the first and third quarters. The timing of when we will actually see the effect and its amount vary depending on order backlog and region. Therefore, it is difficult to give an accurate figure, but I would say it will be somewhere between hundreds of millions and billions of yen. We believe that the effect of the price adjustment will help cover the cost escalation throughout the next fiscal year.

**Q9. Is the power shortage impacting on the production in China?**

No. So far it is not affecting our production.

**Q10. What is the current logistics lead time?**

It currently takes a lot of time. For example, it takes about two and a half months from Malaysia to North America and about two months from Malaysia to Europe.

**Q11. Could you explain the changes in the financial result forecasts by region and their reasons? Are they the result of taking into account the current logistics situation?**

We did take into account the current logistics situation, but the forecasts were basically revised up and down based on the demand situation.

**Q12. Please tell us about the impact of a crackdown on cram schools in China and the future outlook.**

Our understanding is that music schools are not subject to the regulation. However, it seems that it has been restricted to widely recruit students. As a result, the number of students has plateaued and it is starting to affect our sales. Meanwhile, we still see China as a growing market from a medium- to long-term perspective. We are looking to demand created by a shift from acoustic to electronic musical instruments as is the case with Japan, the U.S. and Europe, in addition to an increase in demand for hobbies.

(\*) This material summarizes key questions asked by the participants in the meeting. Some of communications have been revised to further clarify the meaning of our responses.

#### Disclaimer

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