



# Financial Results Highlights

## FY12/2022 1Q

May 11, 2022

**Roland Corporation**

TSE Prime : 7944



FANTOM-0 brings your creative world together, combining the sonic power and fluid workflow of the top-of-the-line FANTOM series in streamlined instruments that go everywhere your inspiration takes you.

## Executive Summary

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- Supply challenges (procurement constraints/cost increases) continued, but **demand remains strong**
- **Significant increase in Sales and Profits compared to Q4/2021** due to recovery of production capacity and the price optimization
- **Results slightly higher than expected** compared to the company plan
- **Maintain Full-year Forecasts** despite increasingly difficult external environment

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**FY12/2022 1Q Results**

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**FY12/2022 Forecast**

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**Supplemental Information**

**1**

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## <Note: Changes in the accounting standard>

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, revised on March 31, 2020, effective from April 1, 2021) is newly applied to our sales and operating profit from FY2022
- Accordingly, YoY changes for FY2022 (new standard) vs. FY2021 (old standard) are not presented
- For Roland, Sales discount (~1% of sales) will be changed from “non-operating expenses” to “sales deductions”
- As a result, **Sales, Operating Profit, and OPM look lower than they were with the old standard, but there will be no impact on cash flow and net income**
- For your reference, YoY changes for FY2022 (old standard) vs. FY2021 (old standard) are presented

## Highlights

- **Results slightly higher than expected** compared to the company plan
- Inventory management in 2020/Q4-2021/Q1 (~JPY2bn sales shift) negatively impacted YoY

**Sales**  
**20.9**<sub>bn</sub>  
 (YoY -)

- **Continued strong demand** for Electronic Musical Instruments
- **Almost flat YoY** excluding the impact of inventory management in FY2020/Q4 (~JPY2bn sales shift) and foreign exchange rates

**Operating Profit**  
**2.5**<sub>bn</sub>  
 (YoY -)

- **Full contribution** of price optimizations implemented last year
- **Margin improved significantly vs. Q4/2021** (see p.15)

**Net Income<sup>1</sup>**  
**1.9**<sub>bn</sub>  
 (YoY -44.1%)

- No major extraordinary gains or losses

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

## Consolidated Financial Results

(JPY mn)	FY12/2022 1Q <sup>1</sup>		FY12/2022 1Q <sup>2</sup>					
	Actual	% of Sales	New Standard			Old standard (same as previous year)		
			Forecast	% of Sales	YoY	Forecast	% of Sales	YoY
Sales	<b>22,355</b>	100%	<b>20,978</b>	100.0%	-	<b>21,177</b>	100.0%	-5.3%
Gross Profit	<b>10,491</b>	46.9%	<b>8,808</b>	42.0%	-	<b>9,007</b>	42.5%	-14.1%
SG&A	<b>5,881</b>	26.3%	<b>6,240</b>	29.7%	+6.1%	<b>6,240</b>	29.5%	+6.1%
Operating Profit	<b>4,610</b>	20.6%	<b>2,567</b>	12.2%	-	<b>2,766</b>	13.1%	-40.0%
Net Income <sup>3</sup>	<b>3,423</b>	15.3%	<b>1,912</b>	9.1%	-44.1%	<b>1,912</b>	9.0%	-44.1%

1 Exchange rates for 12/2021 1Q USD/JPY:105.91, EUR/JPY:127.72, EUR/USD:1.206

2 Exchange rates for 12/2022 1Q USD/JPY:116.21, EUR/JPY:130.44, EUR/USD:1.122

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

## Sales by Category

- All Category: Inventory management in 2020/Q4-2021/Q1 (~JPY2bn sales shift) negatively impacted YoY

JPY mn	FY12/2021 1Q		FY12/2022 1Q				
	Actual	% total	Actual	% total	YoY	YoY <sup>1</sup> w/o FX	Situation (vs forecast)
Keyboards	<b>6,924</b>	31.0%	<b>6,553</b>	31.2%	-	-9.4%	Demand for electronic pianos remained high. Despite a chronic shortage of supply relative to demand, sales are generally in line with plans
Percussion & Wind Instruments	<b>5,052</b>	22.6%	<b>4,893</b>	23.3%	-	-8.4%	Although the market is showing some signs of slowing down, high-end products equipped with flagship sound sources released last year are performing well
Guitar-related Products	<b>5,588</b>	25.0%	<b>5,065</b>	24.1%	-	-13.8%	Multi-effects pedals and other products launched this year contributed. Despite a supply shortage of the mainstay KATANA series, amps for musical instruments were in line with the plan
Creation-related Products & Services	<b>2,836</b>	12.7%	<b>2,758</b>	13.2%	-	-7.1%	Compact type stage pianos and synthesizers released this quarter contributed. In Dance & DJ products, samplers and other products launched last year performed well
Video & Pro Audio	<b>1,273</b>	5.7%	<b>1,066</b>	5.1%	-	-19.1%	Although demand for individual deliveries triggered by stay-home calmed down, high-priced products performed well as event demand recovered
Other	<b>679</b>	3.0%	<b>640</b>	3.1%	-	-9.1%	Musical instrument accessories (cases, cables, etc.) were generally in line with plans
<b>Total</b>	<b>22,355</b>		<b>20,978</b>	100.0%		-10.5%	

<sup>1</sup> YoY comparison excluding the impact of foreign exchange rates and the adoption of "Accounting Standard for Revenue Recognition"



## Sales by Region

- All Region: Inventory management in 2020/Q4-2021/Q1 (~JPY2bn sales shift) negatively impacted YoY

JPY mn	FY12/2021 1Q		FY12/2022 1Q				Situation (vs Forecast)
	Actual	% total	Actual	% total	YoY	YoY <sup>1</sup> w/o FX	
Japan	<b>2,841</b>	12.7%	<b>2,261</b>	10.8%	-	-20.4%	Store customer traffic recovered due to a decrease in CV19 infections. Despite strong demand, electronic pianos fell short of the plan due to supply constraints. Electronic wind instruments, DJ equipment, and guitar-related products were strong
North America	<b>6,440</b>	28.8%	<b>7,490</b>	35.7%	-	+7.7%	Strong demand and continued strong sales for a wide range of product lines. Inventory allocation for the U.S. market also contributed to the progress of order backlog shipments
Europe	<b>7,849</b>	35.1%	<b>6,402</b>	30.5%	-	-18.8%	Although there is a slight decline in consumer confidence due to inflation caused by the Ukraine situation, no major impact at this point. Electronic drums, guitars, and effectors were strong
China	<b>2,116</b>	9.5%	<b>2,018</b>	9.6%	-	-14.6%	Gradual impact of Chinese economic slowdown and education regulations. Sales and logistics are unstable due to the lockdown caused by the zero-corona policy
Other	<b>3,106</b>	13.9%	<b>2,805</b>	13.4%	-	-15.6%	Electronic drums remained strong despite the impact of transportation delays on many products. Southeast Asia and India are also recovering as Asian countries ease their CV19 restrictions.
<b>Total</b>	<b>22,355</b>		<b>20,978</b>	100.0%		-10.5%	

<sup>1</sup> YoY comparison excluding the impact of foreign exchange rates and the adoption of "Accounting Standard for Revenue Recognition"

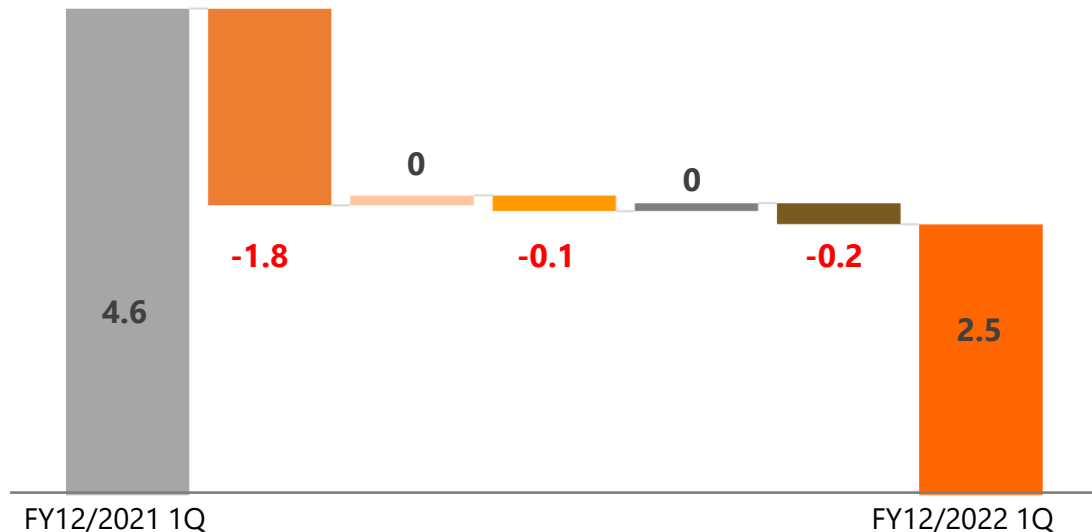
# Consolidated Operating Profit

## Changes (vs Previous year)

## Factors (changed analysis items)

(JPY bn)

- Sales Volume change
- Selling Price / Cost ratio change
- SG&A change
- FX impact
- Accounting Change



- **Sales Volume change**

- ✓ Rebound from inventory management in 2020/Q4-2021/Q1
- ✓ Supply constraint impact

- **Selling Price/Cost ratio change**

- ✓ Raw materials, ocean freight costs (factory to sales company) soared (2021/Q1 was not affected by the cost increase)
- ✓ Price optimization last quarter made a full contribution

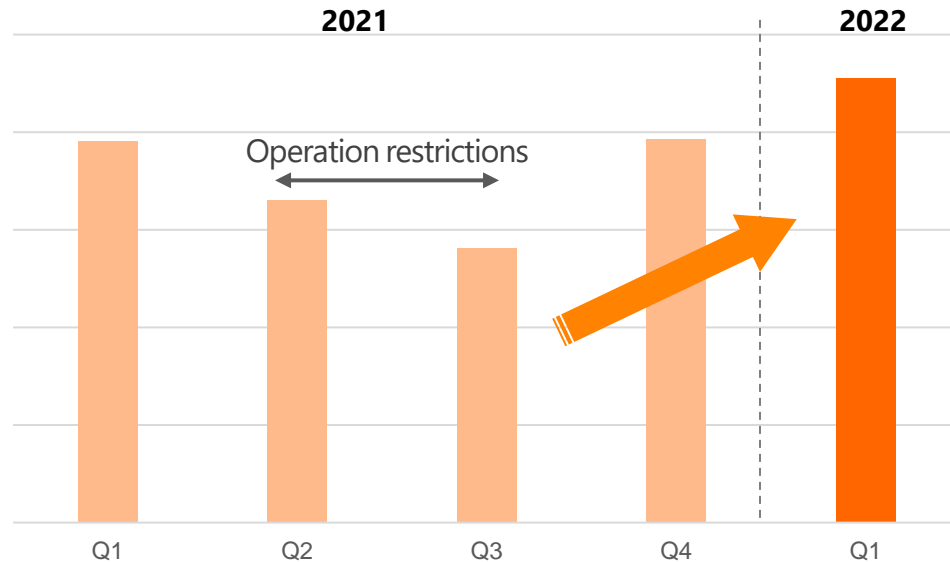
- **SG&A change**

- ✓ Decrease in shipping cost (from sales company to dealer) due to lower sales
- ✓ Increase in advertising and sales expense and labor costs

# Despite the difficult environment, production volume and order backlogs have improved

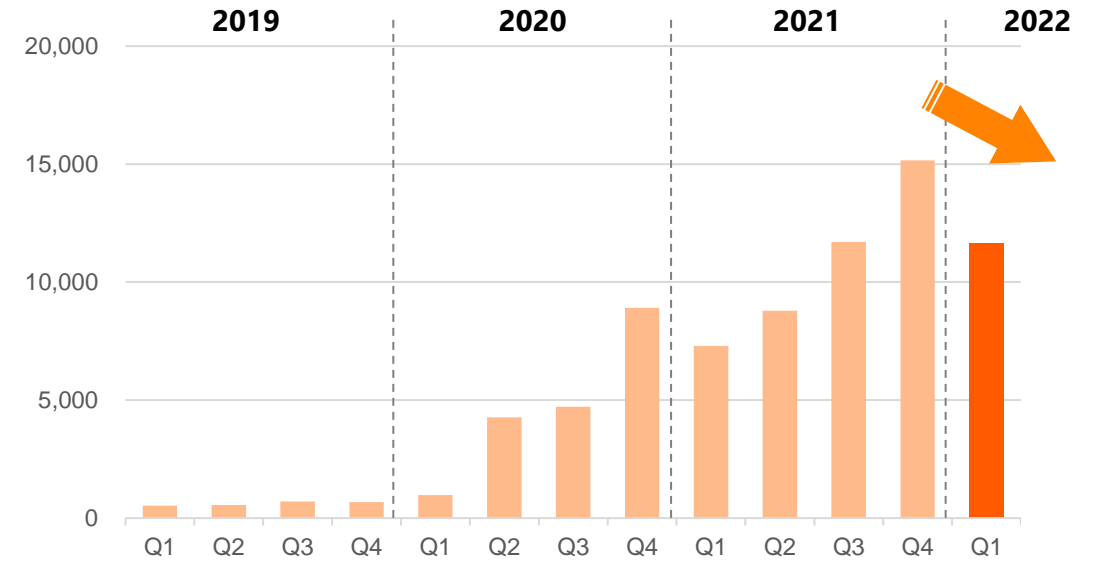
## Malaysia Plant Production Volume

- **Production recovered** despite procurement constraints
- Stable operation due to Malaysian government's "With Corona" policy



## Order backlog transition

- **Order backlog improved** due to increased production from Q4/2021 onward
- Sell-through is strong, with no major cancellations



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**FY12/2022 1Q Results**

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## Consolidated Financial Forecast (No change)

(JPY mn)	FY12/2021 <sup>1</sup>		FY12/2022 <sup>2</sup>					
	Actual	% of Sales	New Standard			Old standard (same as previous year)		
			Forecast	% of Sales	YoY	Forecast	% of Sales	YoY
Sales	<b>80,032</b>	100.0%	<b>85,000</b>	100.0%	-	<b>85,800</b>	100.0%	+7.2%
Gross Profit	<b>36,137</b>	45.2%	<b>38,400</b>	45.2%	-	<b>39,200</b>	45.7%	+8.5%
SG&A	<b>25,043</b>	31.3%	<b>26,800</b>	31.5%	+7.0%	<b>26,800</b>	31.2%	+7.0%
Operating Profit	<b>11,093</b>	13.9%	<b>11,600</b>	13.6%	-	<b>12,400</b>	14.5%	+11.8%
Net Income <sup>3</sup>	<b>8,586</b>	10.7%	<b>8,700</b>	10.2%	+1.3%	<b>8,700</b>	10.2%	+1.3%

1 Exchange rates for 12/2021 USD/JPY:109.81, EUR/JPY:129.93, EUR/USD:1.183

2 Exchange rates for 12/2022 USD/JPY:113.00, EUR/JPY:127.00, EUR/USD: 1.124

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

<Forex sensitivity>

Currency pair	(JPY)	OP impact (annual)
USD/JPY	100mn	Per JPY. Weaker JPY is positive
EUR/JPY	30mn	Per JPY. Weaker JPY is positive
EUR/USD	130mn	Per cent. Stronger EUR is positive

## Full year Sales and Profits are expected to increase from the previous year (No change)

- Currently we expect the Russia-Ukraine issue and the China lockdown to give **a negligible effect on our earnings forecast**
- If a significant impact is expected in the future, it will be disclosed immediately

	First Half	Second Half	Full Year
	Decrease in Sales and Profit	Increase in Sales and Profit	Increase in Sales and Profit
Sales	<b>40.6bn</b> •YoY <sup>1</sup> : -4.7%	<b>44.4bn</b> •YoY <sup>1</sup> : +21.1%	<b>85.0bn</b> •YoY <sup>1</sup> : +7.2%
Operating Profit	<b>4.6bn</b> •YoY <sup>1</sup> : -36.3%	<b>7.0bn</b> •YoY <sup>1</sup> : +127.8%	<b>11.6bn</b> •YoY <sup>1</sup> : +11.8%

<sup>1</sup> YoY comparison excluding the impact of the adoption of "Accounting Standard for Revenue Recognition"

# Despite a challenging environment, quarterly OP turned around by our counter measures

Demand



**Strong demand for electronic music instruments** as new lifestyles becoming habit

Supply



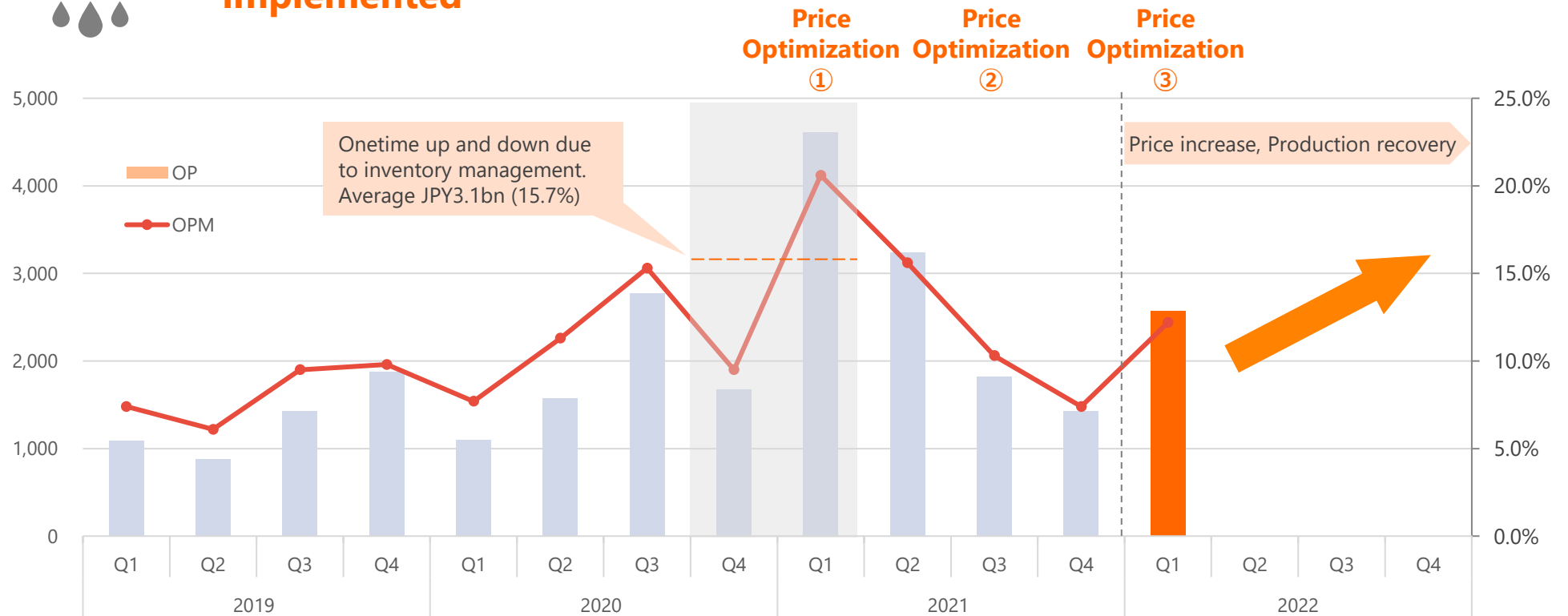
No major improvement in procurement and marine transportation constraints, but **Malaysian factory operations recovered**

Cost



Raw material and transportation prices remain high. **Continuous price optimization implemented**

Forecast

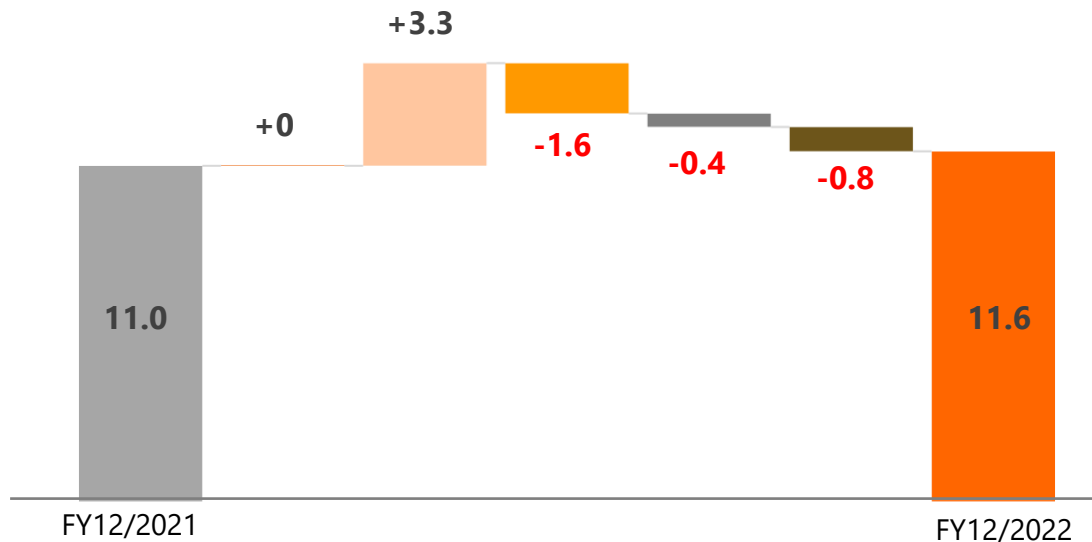


## Consolidated Operating Profit (No change)

### Changes (vs Previous year)

(JPY bn)

- Sales Volume change
- Selling Price/Cost ratio change
- SG&A change
- FX impact
- Accounting change



### Factors (changed analysis items)

- **Sales Volume change**

- ✓ For the first half, a reactionary decline from inventory management in 2020/Q4-2021/1Q
- ✓ In the second half, expect to catch up and secure the same level as the last year

- **Selling Price/Cost ratio change**

- ✓ Raw materials, ocean freight costs (factory to sales company) soared
- ✓ Full contribution of last year's price optimizations
- ✓ Price optimization in Q1/2022 also to contribute

- **SG&A change**

- ✓ Increase in shipping cost (from sales company to dealers) due to sales increase
- ✓ Advertising and sales expense will be unrestrained and returned to the pre-Covid level



**1** **FY12/2022 1Q Results**

**2** **FY12/2022 Forecast**

**3** **Supplemental Information**

## Impact of Russia-Ukraine Issues and China Lockdown

- Currently, we do not expect the impact to be material to our forecast.
- Inflationary effects worldwide will be closely monitored; if a major impact is expected, it will be disclosed



### Russia



### China

#### Sales

- Sales subsidiary in Moscow
- Sales size is ~**1% of total sales**
- The company has been scaled down and is no longer in operation.

- Sales subsidiary in Shanghai
- Sales size is ~**10% of total sales**
- **In operation** with work-from-home

#### Production

- No production base

- Our factory in Suzhou, subcontract factory in Shenzhen
- The above two are ~**20% of the total production**
- Logistics restrictions delayed procurement and affected production

# 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 to Long Term Vision of Cloud Service



**Number of  
Subscribers  
(approx.)**

As of 12/2020	As of 12/2021	As of 3/2022
<b>13,000</b>	<b>18,400</b>	<b>19,500</b>
(reference) Registered Roland Cloud Account <sup>1</sup>		
<b>103,000</b>	<b>176,000</b>	<b>211,000</b>

- Ongoing releases of Software and Sound Content
- Add Roland Cloud compatible hardware
- Explore and develop new services to expand user base

<sup>1</sup> Roland Account created for the purpose of using Roland Cloud service

## 50th Anniversary Marketing Activities

- Founded in 1972, Roland celebrates its **50th anniversary** on April 18, 2022
- **Unveiled a special website "Roland at 50"** to commemorate this milestone year and to express our gratitude to customers around the world
- Various projects are scheduled to be developed in the future



### Special website for the 50th anniversary "Roland at 50":

It honors artists who have created new music and culture, and introduces products that have influenced the music scene in their respective eras.

<https://www.roland.com/jp/roland-50th-anniversary/>



## First Half Forecast (Feb. 10, 2022, Disclosed )

(JPY mn)	FY12/2021 First Half <sup>1</sup>		FY12/2022 First Half <sup>2</sup>					
	Actual	% of Sales	New standard			Old standard (same as previous year)		
			Forecast	% of Sales	YoY	Forecast	% of Sales	YoY
Sales	<b>43,030</b>	100.0%	<b>40,600</b>	100.0%	-	<b>41,000</b>	100.0%	-4.7%
Gross Profit	<b>20,326</b>	47.2%	<b>18,000</b>	44.3%	-	<b>18,400</b>	44.9%	-9.5%
SG&A	<b>12,480</b>	29.0%	<b>13,400</b>	33.0%	+7.4%	<b>13,400</b>	32.7%	+7.4%
Operating Profit	<b>7,845</b>	18.2%	<b>4,600</b>	11.3%	-	<b>5,000</b>	12.2%	-36.3%
Net Income <sup>3</sup>	<b>6,179</b>	14.4%	<b>3,500</b>	8.6%	-43.4%	<b>3,500</b>	8.5%	-43.4%

1 Exchange rates for FY12/2021 First Half USD/JPY: 107.70, EUR/JPY: 129.86, EUR/USD: 1.206

2 Exchange rates for FY12/2022 First Half USD/JPY: 113.00, EUR/JPY: 127.00, EUR/USD: 1.124

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

## Second Half Forecast (Feb. 10, 2022, Disclosed )

(JPY mn)	FY12/2021 Second Half <sup>1</sup>		FY/12/2022 Second Half <sup>2</sup>					
	Actual	% of Sales	New standard			Old standard (same as previous year)		
			Forecast	% of Sales	YoY	Forecast	% of Sales	YoY
Sales	<b>37,002</b>	100.0%	<b>44,400</b>	100.0%	-	<b>44,800</b>	100.0%	+21.1%
Gross Profit	<b>15,811</b>	42.7%	<b>20,400</b>	45.9%	-	<b>20,800</b>	46.4%	+31.5%
SG&A	<b>12,563</b>	34.0%	<b>13,400</b>	30.2%	+6.7%	<b>13,400</b>	29.9%	+6.7%
Operating Profit	<b>3,248</b>	8.8%	<b>7,000</b>	15.8%	-	<b>7,400</b>	16.5%	+127.8%
Net Income <sup>3</sup>	<b>2,406</b>	6.5%	<b>5,200</b>	11.7%	+116.1%	<b>5,200</b>	11.6%	+116.1%

1 Exchange rates for FY12/2021 Second Half USD/JPY: 111.92, EUR/JPY: 130.00, EUR/USD: 1.162

2 Exchange rates for FY12/2022 Second Half USD/JPY: 113.00, EUR/JPY: 127.00, EUR/USD: 1.124

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

## Sales by Category (Feb. 10, 2022, Disclosed )

JPY mn	FY12/2021		FY12/2022			
	Actual	% total	Actual	% total	YoY	YoY <sup>1</sup> w/o FX
Keyboards	<b>24,792</b>	31.0%	<b>27,900</b>	32.8%	—	+13.3%
Percussion & Wind Instruments	<b>19,053</b>	23.8%	<b>19,500</b>	22.9%	—	+1.9%
Guitar-related Products	<b>19,093</b>	23.9%	<b>19,800</b>	23.3%	—	+4.2%
Creation-related Products & Services	<b>10,122</b>	12.6%	<b>10,400</b>	12.2%	—	+3.1%
Video & Pro Audio	<b>4,282</b>	5.3%	<b>4,900</b>	5.8%	—	+13.6%
Other	<b>2,689</b>	3.4%	<b>2,500</b>	3.0%	—	-3.4%
<b>Total</b>	<b>80,032</b>	100.0%	<b>85,000</b>	100.0%	—	+6.6%

<sup>1</sup> YoY comparison excluding the impact of foreign exchange rates and the adoption of "Accounting Standard for Revenue Recognition"

## Sales by Region (Feb. 10, 2022, Disclosed )

JPY mn	FY12/2021		FY12/2022			
	Actual	% total	Actual	% total	YoY	YoY <sup>1</sup> w/o FX
Japan	<b>9,666</b>	12.1%	<b>9,700</b>	11.4%	—	+0.3%
North America	<b>25,959</b>	32.4%	<b>27,200</b>	32.0%	—	+3.3%
Europe	<b>24,958</b>	31.2%	<b>25,600</b>	30.1%	—	+6.5%
China	<b>8,673</b>	10.8%	<b>10,700</b>	12.6%	—	+18.6%
Other	<b>10,775</b>	13.5%	<b>11,800</b>	13.9%	—	+10.5%
Total	<b>80,032</b>	100.0%	<b>85,000</b>	100.0%	—	+6.6%

<sup>1</sup> YoY comparison excluding the impact of foreign exchange rates and the adoption of "Accounting Standard for Revenue Recognition"



## Key Consolidated Financials (PL,B/S)

(JPY mn)	FY2021 1Q	FY2022 1Q	(JPY mn)	As of Dec. 31, 2021	As of Mar. 31, 2022
Net sales	22,355	20,978	Cash and deposits	8,781	8,557
Cost of sales	11,863	12,169	Notes and accounts receivable - trade	7,444	9,874
Gross profit	10,491	8,808	Inventories	25,240	27,648
Selling, general and administrative expenses	5,881	6,240	Other current assets	1,156	1,120
Operating profit	4,610	2,567	Total current assets	42,623	47,201
Other income (expenses)	-128	32	Net property, plant and equipment	5,857	6,000
Profit before income taxes	4,481	2,599	Goodwill	20	20
Total income taxes	1,056	684	Investments and other assets	4,305	4,169
Profit attributable to owners of parent	3,423	1,912	Total non-current assets	10,183	10,189
EBITDA	5,005	2,959	Total assets	52,807	57,390
D/E ratio	0.4x	0.4x	Notes and accounts payable - trade	6,391	6,755
Equity ratio	47.0%	51.5%	Short-term borrowings	-	4,000
Debt / EBITDA <sup>1</sup>	0.5x	0.9x	Current portion of long-term borrowings	1,252	1,252
ROE <sup>1</sup>	60.7%	25.5%	Other current liabilities	8,389	7,734
			Long-term borrowings	5,822	5,509
			Other long-term liabilities	2,295	2,310
			Total liabilities	24,150	27,561
			Total net assets	28,656	29,829
			Total liabilities and net assets	52,807	57,390

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

<sup>2</sup> 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.