



# Financial Results Highlights

## FY12/2022 Q3

November 9, 2022

**Roland Corporation**

TSE Prime : 7944



『SPD-SX PRO』

A flagship model for sampling pads that meets the high demands of the professional stage

## Executive Summary

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- **We maintain our Full-Year Forecast**, which was revised up in August
  - In Q3 (July-September), the impact of the China lockdown continued and demand softened in Europe.
  - Increased production is proceeding toward Q4, the period of maximum demand. Order backlogs also continued to improve
  - In Q4 (Oct-Dec), we will maximize sales and review costs and expenses
- Price optimization has **covered the cost increases** in real terms
- **Acquired Drum Workshop** for mid to long-term growth of drum business

**1**

**FY12/2022 Q3 Results**

**2**

**FY12/2022 Forecast**

**3**

**Supplemental Information**

**1**

**FY12/2022 Q3 Results**

**2**

**FY12/2022 Forecast**

**3**

**Supplemental Information**

## <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

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### Sales

**64.6**<sub>bn</sub>

YoY<sup>1</sup> : +7.6%

- **Continued strong performance in North America**, the largest market
- In July-September, **demand for low-range products softened** mainly in Europe
- **Sales increased YoY** due to JPY depreciation

### Operating Profit

**6.2**<sub>bn</sub>

YoY<sup>1</sup> : -28.2%

- For July-September, **Gross Profit margin recovered to pre-Covid level** due to price optimizations (excluding FX and Accounting change impact)
- **Profit decreased YoY** due to sales volume decline, FX, and one-time expenses from the acquisition of Drum Workshop

### Net Income<sup>2</sup>

**5.0**<sub>bn</sub>

YoY<sup>1</sup> : -34.4%

- No major extraordinary gains or losses

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

<sup>2</sup> Net income refers to "net income attributable to owners of parent"

## Consolidated Financial Results

- FX effects contributed to an increase in Sales, but had a negative impact on Operating Profit.
- OP Margin without FX and Accounting Change impacts was 12.8%

(JPY mn)	FY12/2022 Q3 <sup>1</sup>		FY12/2022 Q3 <sup>2</sup>				
			New Standard		Old standard (same as previous year)		
	Actual	% of Sales	Actual	% of Sales	Actual	% of Sales	YoY <sup>4</sup>
Sales	<b>60,668</b>	100.0%	<b>64,622</b>	100.0%	<b>65,277</b>	100.0%	+7.6%
Gross Profit	<b>28,130</b>	46.4%	<b>26,515</b>	41.0%	<b>27,171</b>	41.6%	-3.4%
SG & A	<b>18,465</b>	30.4%	<b>20,227</b>	31.3%	<b>20,227</b>	31.0%	+9.5%
Operating Profit	<b>9,664</b>	15.9%	<b>6,288</b>	9.7%	<b>6,943</b>	10.6%	-28.2%
Net Income <sup>3</sup>	<b>7,741</b>	12.8%	<b>5,075</b>	7.9%	<b>5,075</b>	7.8%	-34.4%

12.8% in the same FX rate as the previous year

1 Exchange rates for 12/2021 Q3 USD/JPY:108.50, EUR/JPY:129.87, EUR/USD:1.197

2 Exchange rates for 12/2022 Q3 USD/JPY:128.06, EUR/JPY:136.01, EUR/USD:1.062

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

4 YoY comparison excluding the adoption of "Accounting Standard for Revenue Recognition"

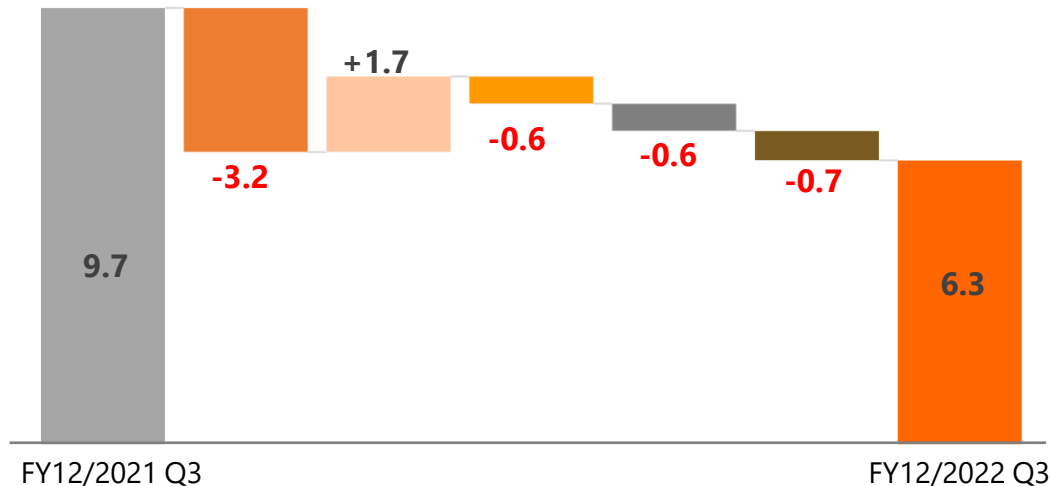
FX impact (YoY <sup>4</sup> )	
Sales	+6.4bn
Operating profit	-0.6bn

# Consolidated Operating Profit

## Changes (vs Previous year)

(JPY bn)

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



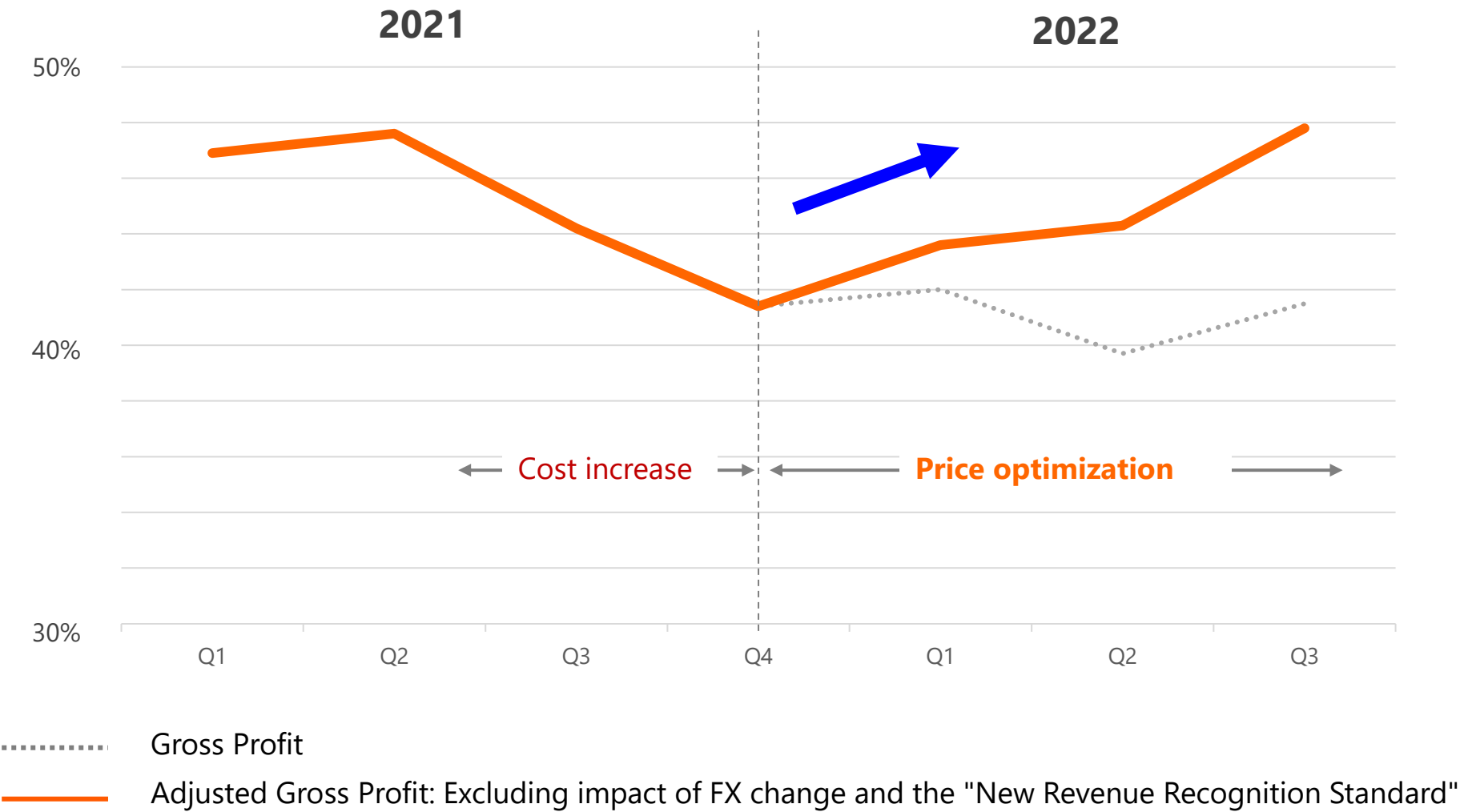
## Factors

- **Sales Volume change**
  - ✓ China Lockdown
  - ✓ Demand softening in Europe
  - ✓ Inventory Policy for 2020/Q4-2021/Q1
  - ✓ New drum product launch pushed back (to Q4)
- **Selling Price/Cost ratio change**
  - ✓ Rising costs of raw materials and marine transportation
  - ✓ Price optimization effect
- **SG&A change**
  - ✓ Expenses related to the acquisition of Drum Workshop
  - ✓ Increase in travel expenses
- **FX impact**
  - ✓ EUR depreciation against USD and increase in elimination of unrealized gains due to sharp exchange rate fluctuations (JPY -1bn)



# Gross Profit margin in real terms (w/o FX and accounting change) continues to improve

- Recovery continues from this year because of price optimization. In real terms, the cost increase has been covered



## Sales by Category

	FY12/2021 Q3	FY12/2022 Q3			
JPY mn	Actual	Actual	YoY <sup>1</sup>	YoY <sup>2</sup> w/o FX	Comments
Keyboards	18,584	20,820	+13.1%	+2.2%	Demand for electronic pianos is higher than before Covid. Low-priced pianos is declining due to inflation, especially in Europe.
Percussion & Wind Instruments	14,524	13,953	-3.0%	-13.1%	E-drums were affected by the lockdown in China and delays in new product launches. E-wind instruments market continued to expand but was affected by the lockdown in China and supply shortages.
Guitar-related Products	14,782	16,108	+10.2%	-0.8%	In effectors, new products such as Looper series and multi-effectors contributed. MI amps for drums and other products struggled in China, but overall sales of guitar-related equipment remained strong.
Creation-related Products & Services	7,706	8,793	+15.4%	+4.1%	Compact stage pianos and synthesizers launched this year contributed. In Dance & DJ products, samplers and other products launched in the previous year performed well.
Video & Pro Audio	3,127	2,950	-4.7%	-12.4%	In video equipment, event demand showed a recovery, but supply struggled due to parts shortages. V-MODA new products fell short of expectations.
Other	1,943	1,996	+3.6%	-5.0%	Sales of musical instrument accessories (cases, cables, etc.) were generally in line with plans. Decrease in sales of 3rd party brands.
Total	60,668	64,622	+7.6%	-2.9%	

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

<sup>2</sup> YoY comparison excluding the impact of foreign exchange rates and the adoption of "Accounting Standard for Revenue Recognition"

## Sales by Region

	FY12/2021 Q3	FY12/2022 Q3			
JPY mn	Actual	Actual	YoY <sup>1</sup>	YoY <sup>2</sup> w/o FX	Comments
Japan	<b>7,399</b>	<b>6,917</b>	-6.5%	-6.5%	Supply of mainstay electronic piano products recovered. Demand was generally firm, but some store sales were affected in July-September due to an increase in covid infections.
North America	<b>19,809</b>	<b>23,214</b>	+19.1%	+1.9%	Strong demand for musical instruments led to continued strong sales, particularly of keyboard instruments and guitar-related products. Inventory allocation to the U.S. market also contributed.
Europe	<b>19,061</b>	<b>18,160</b>	-3.5%	-7.7%	Inflation and uncertainty about the economic outlook caused sales to stagnate, especially for entry-level products. Market inventories are also high, as supply is recovering in the market.
China	<b>6,092</b>	<b>6,406</b>	+5.2%	-9.0%	Urban lockdown due to "Zero Corona" policy has toned down the entire market. Education market also affected.
Other	<b>8,306</b>	<b>9,922</b>	+19.8%	+4.2%	E-drums and e-pianos performed well. With the easing of COVID restrictions in Asian countries, professional market demand in Southeast Asia and India also recovered.
Total	<b>60,668</b>	<b>64,622</b>	+7.6%	-2.9%	

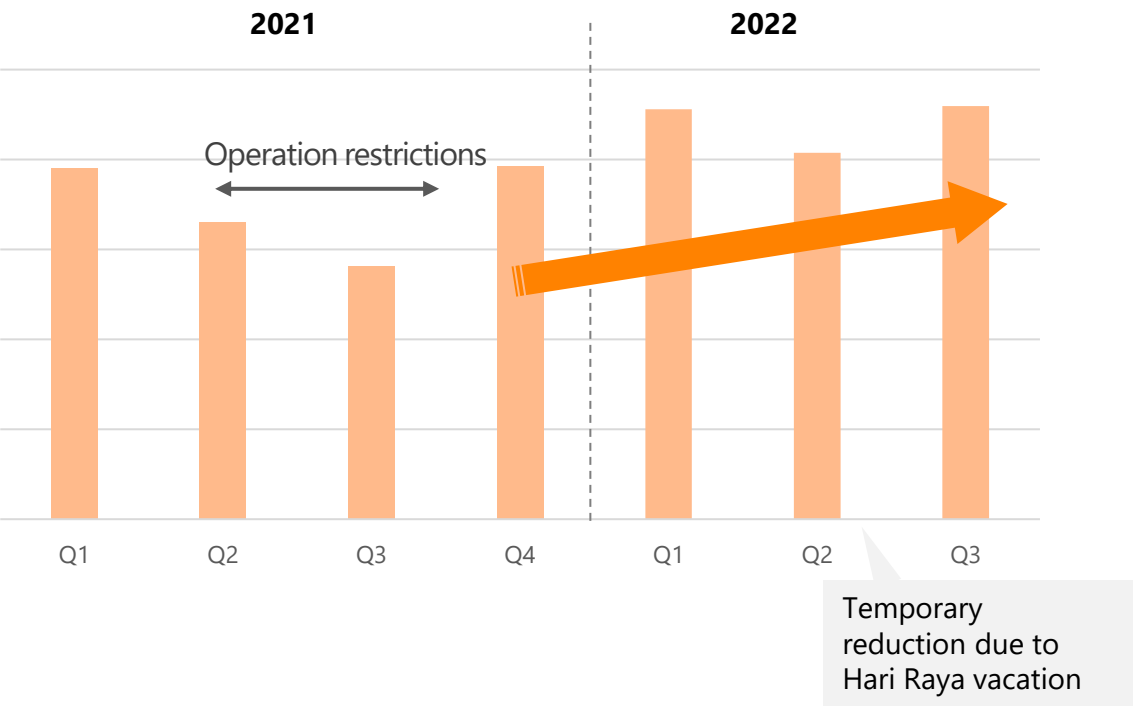
<sup>1</sup> YoY comparison excluding the adoption of "Accounting Standard for Revenue Recognition"

<sup>2</sup> YoY comparison excluding the impact of foreign exchange rates and the adoption of "Accounting Standard for Revenue Recognition"

Increased production for Q4: maximum demand season. Order backlog continues to improve.

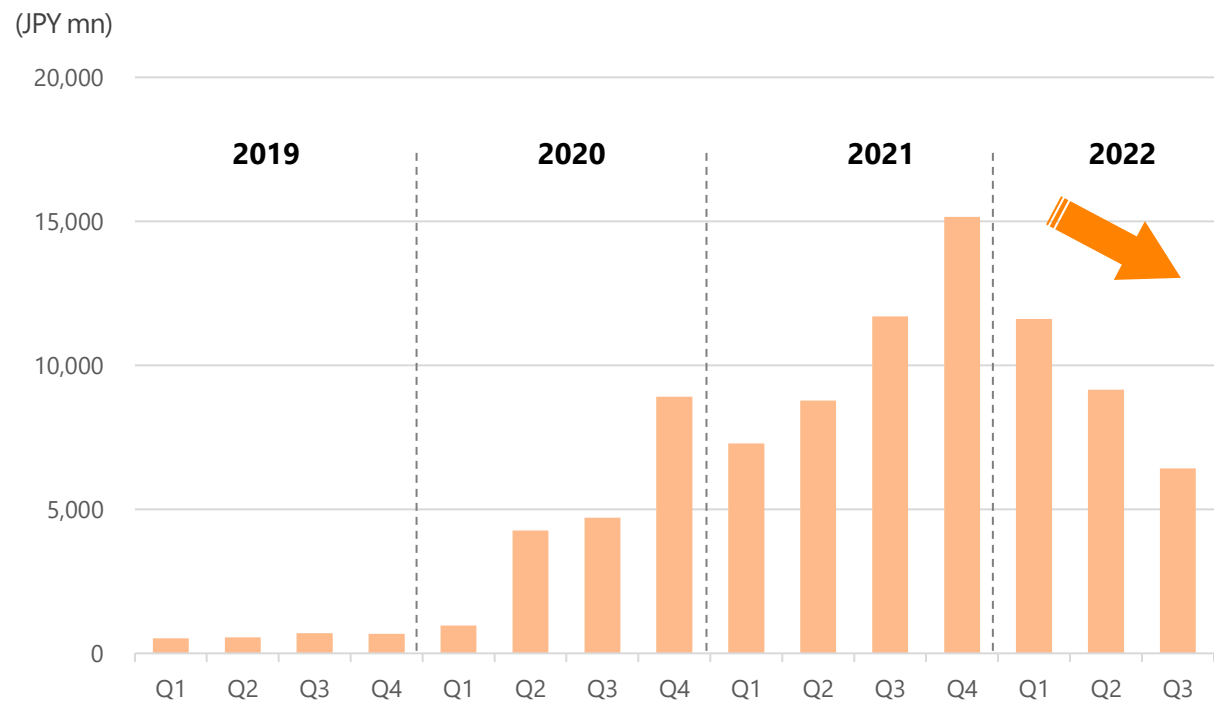
Malaysia Plant Production Volume

- The worst is over and both procurement and production are **improving**
- **Increased production** for the commercial season in Q4



Order backlog transition

- **Order backlog steadily improved** due to increased production from Q4 2021 onward
- Inventory situation in the market has also improved, except for some product groups

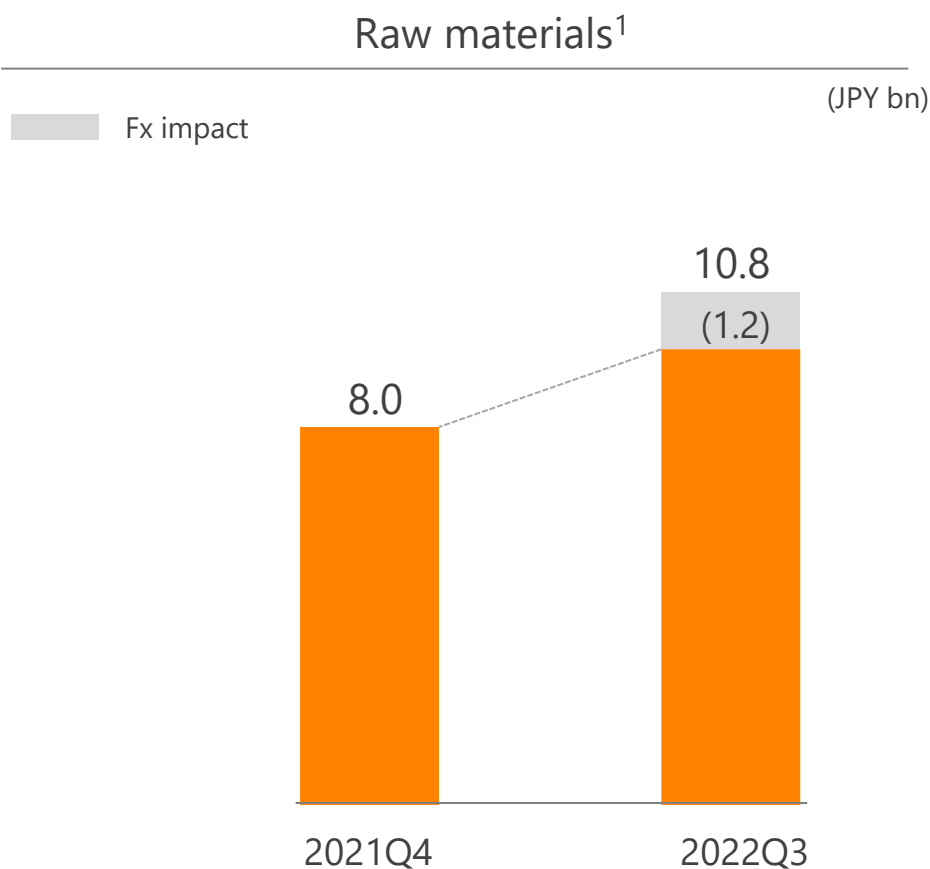
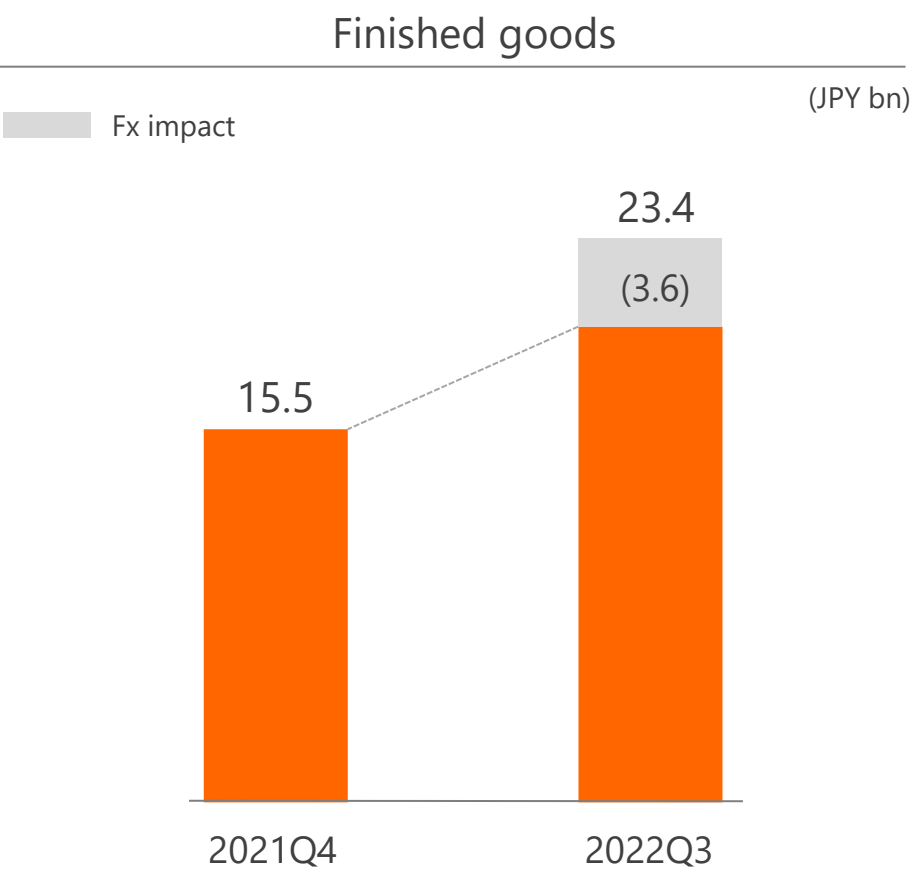


# Inventories

- Inventories: +JPY10.6bn vs. Q4 2021 (including +JPY5.1bn from FX impact)

Main items

- ✓ Finished goods: Production recovered; **product inventory secured** to maximize sales in Q4
- ✓ Raw materials: Increased except for some parts with strong restrictions, such as semiconductors. Accumulated to minimize sales opportunity losses.



<sup>1</sup> Raw material inventory includes supplies (promotional materials, etc.)

## Acquired shares of Drum Workshop (announced on 9/12, completed on 10/3)

※For details, please refer to the 9/12 disclosure.

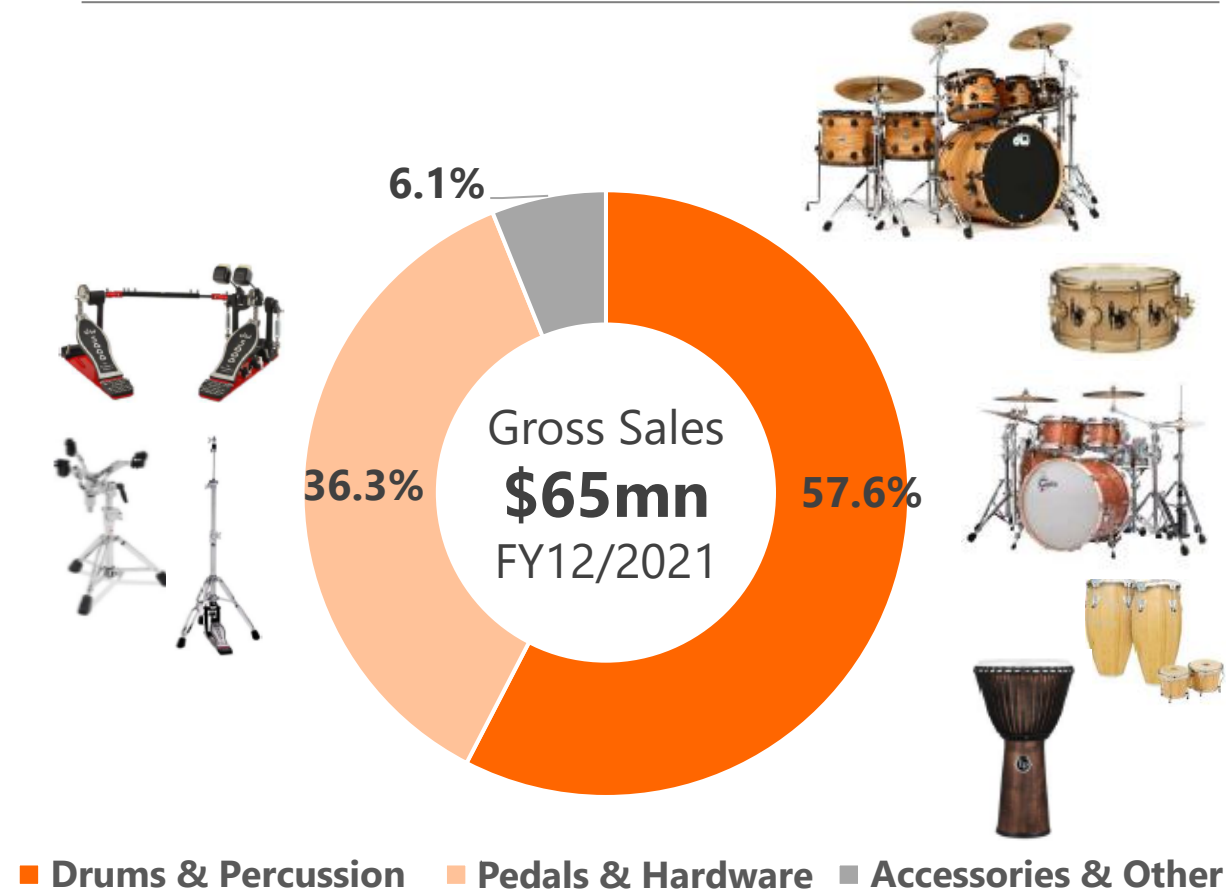
### About DW

#### Main Brands



- Business: Manufacturer of acoustic drums and hardware (drum stands, pedals, thrones, etc.) world-wide
- Market share of acoustic drums<sup>1</sup>: #1 (US), #3 (Global)
- Foundation: 1972
- Number of employees: Approximately 200
- Production bases: US (In-house), China, Taiwan, Thailand (subcontracted factories)
- Sales area: More than 60 countries

### DW Sales Breakdown



## Strong Synergy Expected Throughout the Value Chain



### Synergies



#### 1. R&D

- **Game Changing Technology**

#### 2. Production

- **Access DW's US Factory for premium & customized products**

#### 3. Brand Power

- **Leverage Roland & DW brand strength in the market**

#### 4. Sales

- **Boost DW's acoustic sales outside the US utilizing Roland sales power**

#### 5. Marketing

- **Globally integrated Digital Marketing team to drive direct sales**

#### 6. Roland Cloud

- **DW-Branded sound content in Roland Cloud to engage music creators**

**1**

**FY12/2022 Q3 Results**

**2**

**FY12/2022 Forecast**

**3**

**Supplemental Information**



## Full Year – Consolidated Forecast (Disclosed on August 8, 2022)

- Sales and Profits increase from the previous year even without FX impact
- Consolidate Drum Workshop from Q4 due to the acquisition of its shares
- Since the impact for the current year is negligible, the guidance is not revised (sales increases slightly, profit to be unaffected)

	FY12/2021 <sup>1</sup>		FY12/2022 <sup>2</sup>				
(JPY mn)			New standard		Old standard (same as the previous year)		
	Actual	% of Sales	Forecast	% of Sales	Forecast	% of Sales	YoY
Sales	<b>80,032</b>	100.0%	<b>92,400</b>	100.0%	<b>93,300</b>	100.0%	+16.6%
Gross Profit	<b>36,137</b>	45.2%	<b>40,200</b>	43.5%	<b>41,100</b>	44.1%	+13.7%
SG & A	<b>25,043</b>	31.3%	<b>27,800</b>	30.1%	<b>27,800</b>	29.8%	+11.0%
Operating Profit	<b>11,093</b>	13.9%	<b>12,400</b>	13.4%	<b>13,300</b>	14.3%	+19.9%
Net Income <sup>3</sup>	<b>8,586</b>	10.7%	<b>9,800</b>	10.6%	<b>9,800</b>	10.5%	+14.1%

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

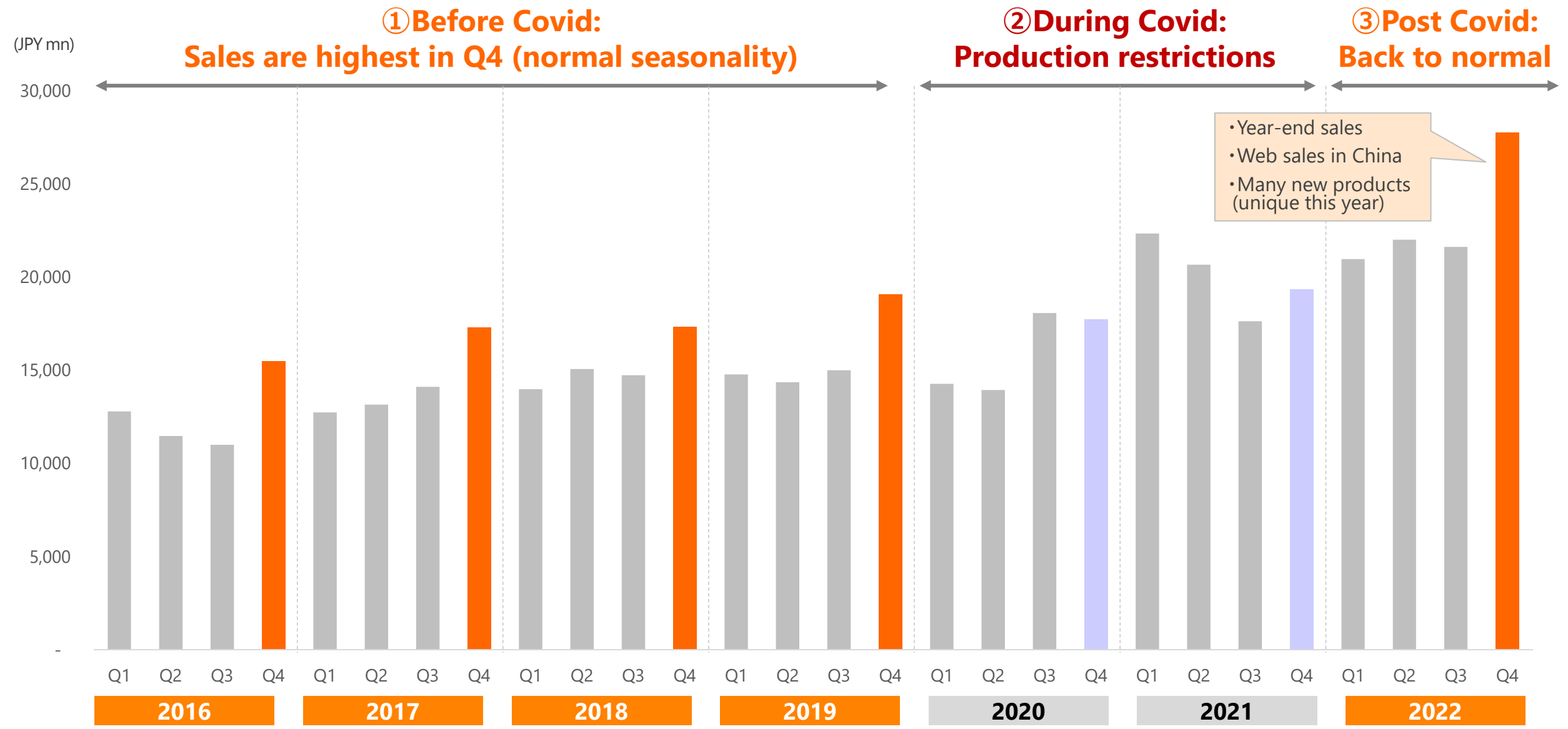
2 Exchange rates for 12/2022 USD/JPY:126.45, EUR/JPY:135.65, EUR/USD:1.073

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




4 YoY comparison excluding the adoption of "Accounting Standard for Revenue Recognition"

FX impact (YoY <sup>4</sup> )	
Sales	+8bn
Operating Profit	+0.5bn

Assuming a return to the pre-Covid seasonal trend in the current year



## Measures are implemented to maximize sales and profits during the high sales season

Q4 Actions	Progress	Outlook
New Product Launch		<ul style="list-style-type: none"><li>• Due to launch delays, ~50% of new product contributions in Q4 this.</li><li>• New products that generate demand will continue to be released in the next year and beyond</li></ul>
Order Backlog Digestion		<ul style="list-style-type: none"><li>• Transportation lead time tends to shorten (30-50% less than peak, but 20-30% more than before Covid)</li><li>• Air transportation is also used to meet the commercial season</li></ul>
Responding to the Environment		<ul style="list-style-type: none"><li>• Price increases for some products postponed due to a slowdown in demand for low-priced products, particularly in Europe</li><li>• Review expense execution plan for impact on profit forecast</li></ul>

## FX impact

- The rapid USD appreciation contributes significantly to sales, while its contribution to profits is limited
- As a result, profit margin to be lower after FX impact

### Actual rate (2021)

USD/JPY : 109.81  
 EUR/JPY : 129.93  
 EUR/USD : 1.183

### Actual rate as of Q3 end

USD/JPY : 128.06  
 EUR/JPY : 136.01  
 EUR/USD : 1.062

### Forex sensitivity

#### <impact on sales>

Currency pair	(JPY)	Sales impact (annual)
USD/JPY	260mn	Per JPY. Weaker JPY is positive
EUR/JPY	180mn	Per JPY. Weaker JPY is positive

#### <impact on operation profit>

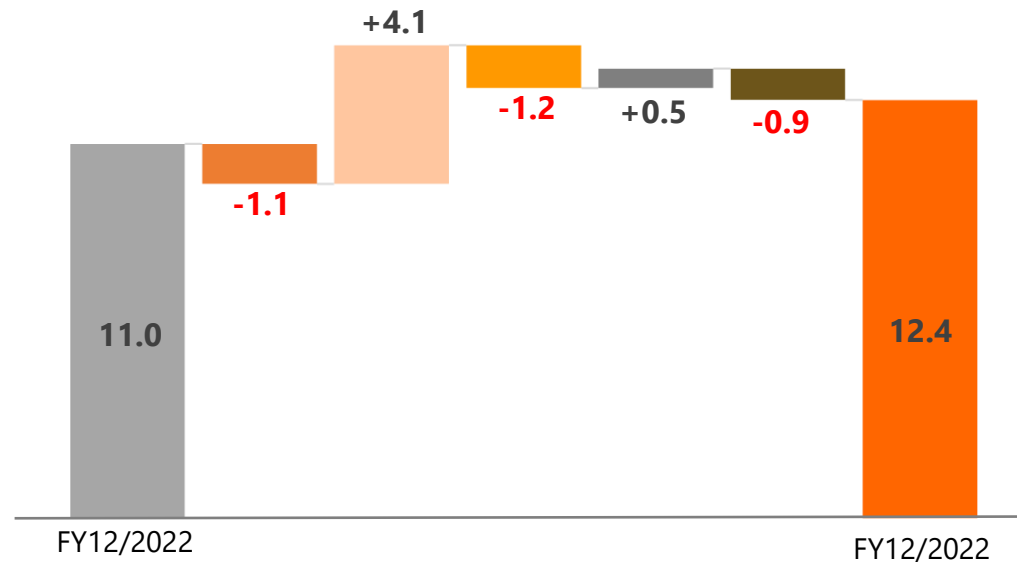
Currency pair	(JPY)	OP impact (annual)
USD/JPY	100mn	Per JPY. Weaker JPY is positive
EUR/JPY	30mn	Per JPY. Weaker JPY is positive
EUR/USD	130mn	Per \$0.01. Stronger EUR is positive

# Full Year Consolidated Operating Profit

## Assumption as of August 8, 2022 (YoY)

(JPY bn)

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






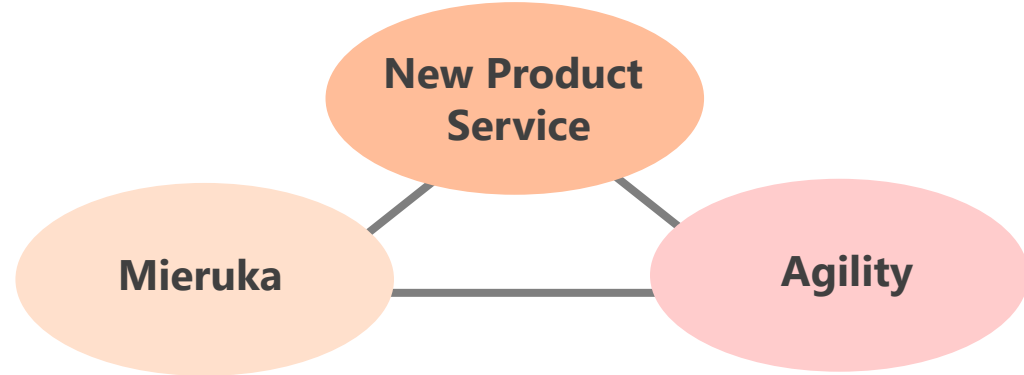
## Environmental changes since August 8, 2022

- **Sales Volume**
  - ✓ Demand softening in Europe, slow recovery in China (-)
  - ✓ Maximize order backlog shipments (+)
- **Selling Price / Cost ratio**
  - ✓ Partial price increase postponed due to softening demand in low price range (-)
  - ✓ Decrease in costs (+)
- **SG&A**
  - ✓ Control of expense execution (+)
- **FX impact**
  - ✓ High COGS due to rapid USD appreciation (-)

## Outlook for the next fiscal year and beyond

### ● Aiming for continuous growth even in an uncertain environment

Environment	
<b>Demand</b> 	<ul style="list-style-type: none"> <li>• Recession concerns increase globally</li> <li>• Temporary slowdown in demand especially in the low price range</li> <li>• <b>Demand for mid/high range is firm</b></li> <li>• <b>The huge TAM</b> of people who want to play an instrument <b>remain unchanged</b></li> </ul>
<b>Cost</b> 	<ul style="list-style-type: none"> <li>• <b>Cost pressures weaken</b> compared YoY</li> </ul>
<b>SCM</b> 	<ul style="list-style-type: none"> <li>• Procurement situation improves, but <b>still difficult to predict</b></li> <li>• <b>Decreased</b> transportation lead time</li> </ul>

Our Approach
 <pre> graph TD     A([New Product Service]) --- B([Mieruka])     A --- C([Agility])     B --- C </pre>
<ul style="list-style-type: none"> <li>• <b>Game Changer products &amp; services that create demand</b></li> <li>• <b>Synergies</b> with Drum Workshop</li> <li>• <b>Increase market share</b> in untapped markets (products, regions)</li> <li>• Increase customer awareness through <b>digital marketing</b></li> </ul>
<p>&lt;Agile decision making and "Mieruka" to support it&gt;</p> <ul style="list-style-type: none"> <li>• Disciplined <b>Cost Management</b></li> <li>• Improving <b>Direct Communication</b> with users</li> <li>• <b>Flexible supply allocation</b> to meet each region's demand</li> </ul>

**1**

**FY12/2022 Q3 Results**

**2**

**FY12/2022 Forecast**

**3**

**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 to Long Term Vision of Cloud Service



Number of  
Subscribers  
(approx.)

As of 12/2021

18,400

As of 9/2022

23,100

- Expanding services to various instruments to expand client base
  - ✓ Providing drum sound contents by drum artists
  - ✓ Started providing piano lesson contents from "Roland Piano App"



## Topics(1): Opened the Roland Store in London, Roland's first directly managed store

- Grand opening in August 2022 on Denmark Street, the historic musical instrument district of London, England
- Plans to open stores in music business centers around the world
- Create opportunities for proactive communication with customers

### Appearance



### Inside the store



## Topics(2): Donated digital pianos to 97 elementary schools to commemorate 50th anniversary

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- Roland has made "support for educational and artistic activities" an important theme under its policy of contributing to the improvement of sustainability in society
- This is intended not only to nurture the next generation of musicians and creators, but also to support and sponsor educational institutions and charitable organizations, thereby contributing to the cultivation of the spirit through music and the development of music culture and a prosperous society for the future

Digital piano "F701" (White)

Product page: <https://www.roland.com/jp/products/f701/>



## Topics(3): Concept models commemorating 50th anniversary available on a special web page

- Opened a special web page to introduce the history of our e-drums, e-pianos, and synthesizers, as well as the concept models we have created to commemorate our 50th year



Roland 50th Anniversary Concept Models  
(from left to right: digital piano, synthesizer,  
and electronic drums)

<https://articles.roland.com/ja/the-future-never-ends-the-history-of-roland-pianos/>  
<https://articles.roland.com/ja/jupiter-king-of-the-polysynths/>  
<https://articles.roland.com/ja/redefining-rhythm-a-history-of-roland-drums/>



## Full Year - Sales by Product Category (Disclosed on August 8, 2022)

JPY mn	FY12/2021		FY12/2022		
	Actual	% total	Forecast	YoY <sup>1</sup>	YoY <sup>2</sup> w/o FX
Keyboards	<b>24,792</b>	31.0%	<b>30,900</b>	+25.4%	+15.0%
Percussion & Wind Instruments	<b>19,053</b>	23.8%	<b>19,800</b>	+5.0%	-4.4%
Guitar-related Products	<b>19,093</b>	23.9%	<b>22,400</b>	+18.4%	+7.8%
Creation-related Products & Services	<b>10,122</b>	12.6%	<b>12,100</b>	+21.5%	+10.7%
Video & Pro Audio	<b>4,282</b>	5.3%	<b>4,400</b>	+5.1%	-2.8%
Other	<b>2,689</b>	3.4%	<b>2,800</b>	+4.1%	-3.0%
Total	<b>80,032</b>	100.0%	<b>92,400</b>	+16.6%	+6.6%

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

<sup>2</sup> YoY comparison excluding the impact of foreign exchange rates and the adoption of "Accounting Standard for Revenue Recognition"

## Full Year - Sales by Region (Disclosed on August 8, 2022)

	2021年12月期		2022年12月期		
JPY mn	Actual	% total	Forecast	YoY <sup>1</sup>	YoY <sup>2</sup> w/o FX
Japan	<b>9,666</b>	12.1%	<b>9,800</b>	+1.4%	+1.8%
North America	<b>25,959</b>	32.4%	<b>31,300</b>	+22.5%	+6.9%
Europe	<b>24,958</b>	31.2%	<b>27,600</b>	+12.2%	+7.1%
China	<b>8,673</b>	10.8%	<b>9,700</b>	+11.8%	-0.8%
Other	<b>10,775</b>	13.5%	<b>14,000</b>	+29.9%	+14.8%
Total	<b>80,032</b>	100.0%	<b>92,400</b>	+16.6%	+6.6%

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

<sup>2</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 Q3	FY2022 Q3	(JPY mn)	As of Dec. 31, 2021	As of Sep. 30, 2022
Net sales	60,668	64,622	Cash and deposits	8,781	8,201
Cost of sales	32,538	38,106	Notes and accounts receivable - trade	7,444	11,746
Gross profit	28,130	26,515	Inventories	25,240	35,909
Selling, general and administrative expenses	18,465	20,227	Other current assets	1,156	1,550
Operating profit	9,664	6,288	Total current assets	42,623	57,407
Other income (expenses)	-510	-166	Net property, plant and equipment	5,857	6,255
Profit before income taxes	9,154	6,122	Goodwill	20	21
Total income taxes	1,411	1,040	Investments and other assets	4,305	4,910
Profit attributable to owners of parent	7,741	5,075	Total non-current assets	10,183	11,187
EBITDA	10,862	7,545	Total assets	52,807	68,594
D/E ratio	0.3x	0.6x	Notes and accounts payable - trade	6,391	7,875
Equity ratio	51.5%	46.8%	Short-term borrowings	-	9,176
Debt / EBITDA <sup>1</sup>	0.5x	1.8x	Current portion of long-term borrowings	1,252	1,252
ROE <sup>1</sup>	41.4%	21.3%	Other current liabilities	8,389	7,784
			Long-term borrowings	5,822	7,883
			Other long-term liabilities	2,295	2,235
			Total liabilities	24,150	36,206
			Total net assets	28,656	32,387
			Total liabilities and net assets	52,807	68,594

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

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.