Roland Corporation  
Financial results briefing for the fiscal year ended December 31, 2022 and the Medium-term Management Plan  

Date and time: February 14, 2023 13:00–14:45  
Speakers: Gordon Raison, CEO and Representative Director  
Shunsuke Sugiura, CFO and Director  
Masahiro Minowa, CIO and Director  

**Financial results for the fiscal year ended December 31, 2022 (hereinafter, the “period under review”)**  

**Q1. Operating profit for the period under review fell short of the forecasted amount disclosed in August 2022. What are the factors behind this shortfall?**  

The primary factor is that we held off raising some of our prices, which was scheduled for the third quarter and later of the period under review, because weaker demand was observed mainly in Europe with weaker consumer confidence due to such factors as soaring energy prices and in China with the remaining effects of lockdowns.  

**Q2. You mentioned that market inventories have increased in Europe and the U.S. Please tell us about their current status.**  

Sell-through performed well mainly in North America during the fourth quarter of the period under review. Meanwhile, we are aware that market inventories have gradually piled up mainly in Europe and the U.S. with the recovery of product supply by manufacturers. The first half of 2023 is expected to be a market inventory adjustment phase, and we are slow to start making a sale during the period.  

**Q3. Please tell us about substantive sales of percussion and wind instruments by region for the period under review.**  

Substantive sales of percussion and wind instruments declined year on year in primary regions; however, they remained strong in other regions, which resulted in a year-on-year drop of 3.7% as a whole.  

**Q4. What percentage do sales of low-priced products account for total sales?**  

Sales of low-priced electronic pianos and electronic drums account for about 15% to 20% of the total sales of their respective product categories. Such percentages remain almost unchanged for our total sales. The proportion of product sales differs depending on the criteria (e.g., price range, user segment).  

**Q5. Sales have increased significantly over the past two years from 2021 to 2022, driven by stay-at-home demand and the shipment of order backlog. Increasing substantive sales by**
more than 4% in 2023 seems quite challenging. What specific measures will you take to achieve this target?

We will accelerate the launch of new products including game-changing products to increase the sales ratio of new products to existing products. The launch of new products not only generates demand, but also draws attention from markets and gives us an opportunity to adjust prices. In addition, we operate in many regions with growth opportunities for us. We believe that we still have the sufficient potential to expand our market share in the U.S., let alone emerging markets.

Q6. Inventories decreased from the end of the third quarter of the period under review, but are still higher than their pre-pandemic level. Please tell us about your views on changes in inventories going forward.

The level of inventories is expected to fully improve from 2024 onward.

Q7. What percentage of substantive sales growth of Drum Workshop, Inc. do you expect in 2023? Also, please tell us about the upfront investment in new product-related expenses, etc.

We expect around 3% sales growth of Drum Workshop, Inc. (DW) in 2023 compared to 2022. The upfront investment in new product-related expenses, etc. is to accelerate the development of game-changing products that will make synergies between the company and DW materialize.

Q8. DW’s operating profit that includes amortization of goodwill is expected to remain negative in 2023. When do you think DW will contribute to the profit?

We have been making the upfront investment toward the development of new products, and this is the factor of the negative operating profit forecast in 2023. However, post-merger integration has progressed smoothly. We expect that synergistic effects start to appear in the second half of 2023, which is likely to contribute to the profit from 2024 onward.

Medium-term Management Plan

Q9. How will you intend to increase sales in emerging markets?

On the product side, we plan to re-enter the portable keyboard market. As a marketing-driven company, we are also seeking to grow by implementing various marketing initiatives that are optimized for local markets.

Q10. What efforts will you make to achieve 14.5% operating profit margin?

We will seek to improve the operating profit margin by marketing new products with a relatively high profit margin (game-changing products in particular) and expanding sales in emerging markets. In addition, on the cost side, we think that the decreasing trend of sea transportation costs will contribute to the profit from the second quarter of the fiscal year ending December 31, 2023 onward.
(*) 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.

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