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(Stock Exchange Code 7952)

June 6, 2016

To Shareholders with Voting Rights:

Hiroataka Kawai
President & CEO
Kawai Musical Instruments
Manufacturing Co., Ltd.
200 Terajima-cho, Naka-ku, Hamamatsu,
Shizuoka

NOTICE OF CONVOCATION OF THE 89TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

You are cordially invited to attend the 89th Annual General Meeting of Shareholders of Kawai Musical Instruments Manufacturing Co., Ltd. (the "Company"). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you may exercise your voting rights in writing or via the Internet. Please review the attached Reference Documents for the General Meeting of Shareholders and **exercise your voting rights by 5:00 p.m. on Monday, June 27, 2016, Japan time.**

- 1. Date and Time:** Tuesday, June 28, 2016 at 10:00 a.m. Japan time (the reception desk opens at 9:00 a.m. Japan time)
- 2. Place:** Building No. 10 at the Company Headquarters located at 200 Terajima-cho, Naka-ku, Hamamatsu, Shizuoka, Japan
- 3. Meeting Agenda:**
 - Matters to be reported:**
 1. The Business Report and Consolidated Financial Statements for the 89th Fiscal Year (from April 1, 2015 to March 31, 2016), and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
 2. Non-consolidated Financial Statements for the 89th Fiscal Year (from April 1, 2015 to March 31, 2016)
 - Proposals to be resolved:**
 - Proposal 1:** Distribution of Dividends
 - Proposal 2:** Election of Ten Directors
 - Proposal 3:** Election of Two Auditor & Supervisory Board Members
 - Proposal 4:** Renewal of the Measures against the Large-scale Purchase of the Shares in the Company (a Takeover Defense Measure)

4. Other matters concerning the General Meeting of Shareholders

- (1) If you arrange attendance by your proxy, please appoint one shareholder of the Company holding voting rights. In this case, you are kindly requested to submit a document proving such proxy prior to the opening of the General Meeting of Shareholders.
- (2) If you are diversely exercising your voting rights, please give notice in writing to the Company on your intention of such diverse exercise and the reasons therefor, no later than three days prior to the date of the General Meeting of Shareholders.
- (3) Of the documents to be included in this notice of convocation, “Systems and policies of the Company” in the Business Report, Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements are posted on the Company’s website (<http://www.kawai.co.jp/ir/sokai/>) (Japanese only) pursuant to the applicable laws and regulations as well as Article 15 of the Company’s Articles of Incorporation. Therefore, they are not included in the Attachment of this Notice. The Business Report, Consolidated Financial Statements and Non-consolidated Financial Statements audited by Auditor & Supervisory Board Members and the Accounting Auditor include the aforementioned documents posted on the Company’s website, in addition to those presented in the Attachment.

Request to shareholders: When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.

Notice: Any amendment to the Attachment or the Reference Documents for the General Meeting of Shareholders will be posted on the Company’s website (<http://www.kawai.co.jp>) (Japanese only).

Please review the attached Reference Documents for the General Meeting of Shareholders (pages 5 through 25) and exercise your voting rights.

You may exercise your voting rights by one of the following three methods.

Exercise of voting rights by attendance to the General Meeting of Shareholders

Please submit the enclosed Voting Rights Exercise Form at the reception desk. Please be sure to bring with you this Notice of Convocation of the 89th Annual General Meeting of Shareholders.

Date of the General Meeting of Shareholders: Tuesday, June 28, 2016 at 10:00 a.m. Japan time

Exercise of voting rights in writing

Please indicate approval or disapproval on each proposal on the enclosed Voting Rights Exercise Form and return the completed form to the Company by the deadline for the exercise.

Deadline for the exercise of voting rights: Monday, June 27, 2016 at 5:00 p.m. Japan time

Exercise of voting rights via the Internet (For details, please refer to the following page.)

Please have access to the voting rights exercise website (<http://www.web54.net>) (Japanese only) designated by the Company and exercise your voting rights at the website.

Deadline for the exercise of voting rights: Monday, June 27, 2016 at 5:00 p.m. Japan time

Exercise of Voting Rights via the Internet

In exercising voting rights via the Internet, please note the following.

1	<p>Voting rights exercise website</p> <ul style="list-style-type: none">- To exercise voting rights via the Internet, please have access to the voting rights exercise website (http://www.web54.net) (Japanese only) designated by the Company from your PCs or smartphones and exercise your voting rights at the website.- You may not exercise voting rights via the Internet due to your Internet environment or other reasons.
2	<p>Procedures to exercise voting rights</p> <ul style="list-style-type: none">- Please enter the “voting rights exercise code” written on the Voting Rights Exercise Form on the voting rights exercise website and press the “Login” button.- As you are on the password authentication screen, please enter the “password” written on the Voting Rights Exercise Form and press the “Next” button. At the time of initial login, you will be transferred to the password change screen.- As you will find “approval/disapproval input column” and “exercise button,” please use them after reviewing the Notes.
3	<p>Multiple exercise of voting rights</p> <ul style="list-style-type: none">- In the event of multiple exercise of voting rights in writing and via the Internet, the exercise via the Internet will be valid.- In the event of multiple exercise of voting rights via the Internet, the last exercise of voting rights will be valid.
4	<p>Other</p> <ul style="list-style-type: none">- Costs involving the use of the Internet (such as provider fees and communication fees) are to be borne by shareholders.
Contact number for the inquiries concerning exercise of voting rights via the Internet	<p>Sumitomo Mitsui Trust Bank, Limited Toll-free telephone number (in Japan only) for the transfer agency’s website technical support 0120-652-031 (Operating hours: 9:00 a.m. to 9:00 p.m. Japan time) (Japanese only)</p>

Proposal 1: Distribution of Dividends

The Company's basic principle is to distribute dividends, while ensuring sufficient level of internal reserve for stabilizing the management base, in consideration of the business results of each fiscal year as well as the business environment and business development in the future. Currently, the Company only pays year-end dividends, in principle.

The Company proposes to pay the year-end dividends as follows for the fiscal year under review, in response to the constant support by the shareholders.

Matters concerning the year-end dividends

- (1) Type of the dividend property
Cash

- (2) Matters concerning the assignment of the dividend property and its amount
The Company proposes ¥48.00 per share of its common stock.
In such case, the total amount of dividends is ¥427,966,752.

- (3) Effective date of the distribution of dividends
The distribution of dividends is proposed to be effective on June 29, 2016.

Proposal 2: Election of Ten Directors

The terms of office of all ten incumbent Directors will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the election of ten Directors is proposed.

The candidates for Directors are as follows.

All candidates for Directors have indicated consent to the Measures against the Large-scale Purchase of the Shares in the Company (a Takeover Defense Measure) scheduled to be renewed subject to the approval of the Proposal 4 at this General Meeting of Shareholders.

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
1	Reappointment Hirotaka Kawai (June 27, 1947)	January 1976 Joined the Company August 1979 Director August 1983 Managing Director August 1985 Senior Chief Executive Officer June 1987 Vice President & Chief Executive Officer October 1989 President & Chief Executive Officer June 2015 President & CEO (to present) April 2016 General Manager, Business Division (to present) (Significant concurrent positions) Director, KAWAI FOUNDATION FOR SOUND TECHNOLOGY & MUSIC Director, KAWAI SEIMITSU KINZOKU Co., Ltd Auditor & Supervisory Board Member, Kabushiki Kaisha Kawai Shadan	116,400
		[Reasons for nomination as a Director] Mr. Hirotaka Kawai has served as Chief Executive Officer for many years and has deep knowledge and achievements concerning the Group's business management. In the midst of severe changes in the business environment, he has exerted strong leadership and contributed to the enhancement of corporate value. We believe that he will continue to exert management leadership and is qualified to supervise the business execution.	
2	Reappointment Kazuhiro Kaneko (November 10, 1953)	April 1978 Joined the Company April 1989 Seconded to Hamanako Institute Corporation February 2009 General Manager, Secretary's Office May 2010 General Manager, Corporate Planning Division (to present) June 2011 Director Senior Executive Officer April 2013 General Manager, Accounting & Finance Division June 2013 Managing Executive Officer June 2014 Senior Managing Executive Officer June 2015 Executive Vice President (to present)	5,600
		[Reasons for nomination as a Director] Mr. Kazuhiro Kaneko has abundant experience and achievements in management as a person in charge of the Corporate Planning Division. We believe that he is qualified to continuously carry out management strategies and supervise the business execution as a Director.	

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held	
3	Reappointment Masakazu Kusaka (November 12, 1953)	March 1976 April 2004 February 2008 June 2008 February 2009 April 2013 June 2013 June 2014 June 2015 April 2016	Joined the Company Deputy General Manager, Kanto (Tokyo and surrounding areas) Business Division General Manager, Chubu (central area) Business Division Executive Officer General Manager, Kanto (Tokyo and surrounding areas) Business Division General Manager, Domestic Business Division Director Senior Executive Officer Managing Executive Officer Managing Director (to present) General Manager, Domestic Business Division (to present)	3,500
		[Reasons for nomination as a Director] Mr. Masakazu Kusaka has abundant experience and achievements in management as a person in charge of the Domestic Business Division. We believe that he is qualified to continuously carry out management strategies and supervise the business execution as a Director.		
4	Reappointment Masayuki Nishio (December 24, 1953)	April 1977 February 2005 February 2006 August 2008 April 2013 June 2013 June 2015 April 2016 (Significant concurrent positions) Director, Kawai America Corporation Director, Kawai Europa GmbH	Joined the Company General Manager, Marketing Strategy Office Manager, Overseas Business Division Executive Officer General Manager, Overseas Business Division Director Senior Executive Officer Managing Director (to present) General Manager, Overseas Business Division (to present)	3,700
		[Reasons for nomination as a Director] Mr. Masayuki Nishio has abundant experience and achievements in the Company's global development as a person in charge of the Overseas Business Division. We believe that he is qualified to continuously carry out management strategies and supervise the business execution as a Director.		

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held	
5	Reappointment Teruyuki Ito (September 1, 1953)	April 1978 April 2004 October 2008 February 2010 June 2014 April 2015 April 2016	Joined the Company Manager, Middle Kanto Business Department, Kanto Business Division General Manager, Musical Education Department, Domestic Business Division Executive Officer Director (to present) Senior Executive Officer Executive Officer (to present) General Manager, Business Strategy Department, Domestic Business Division General Manager, General Affair & Human Resources Division (to present)	2,500
		[Reasons for nomination as a Director] Mr. Teruyuki Ito has served as a person in charge of the Musical Education Department. He is currently working on many issues as a person in charge of the General Affairs & Human Resources Division. We believe that he is qualified to continuously carry out management strategies and supervise the business execution as a Director.		
6	Reappointment Kentaro Kawai (June 1, 1977)	October 2007 February 2010 August 2011 April 2012 June 2015 April 2016	Joined the Company Deputy General Manager, Accounting & Finance Division Deputy General Manager, Piano Division General Manager, Piano Division Executive Officer (to present) Director (to present) General Manager, Piano Division (to present)	1,100
		[Reasons for nomination as a Director] Mr. Kentaro Kawai has well-informed experience in the field and achievements as a person in charge of the Piano Manufacturing Division. He is working on many issues as a person in charge of the Musical Instruments Manufacturing Division from April this year. We believe that he is qualified to continuously carry out management strategies and supervise the business execution as a Director.		
7	New appointment Harumitsu Makita (January 18, 1957)	April 1979 August 2005 February 2010 April 2013 June 2013 June 2014 April 2016	Joined the Company General Manager, Hamamatsu Factory, KAWAI SEIMITSU KINZOKU Co., Ltd General Manager, Matsumoto Factory, KAWAI SEIMITSU KINZOKU Co., Ltd General Manager, Metal Division (to present) President & Chief Executive Officer, KAWAI SEIMITSU KINZOKU Co., Ltd (to present) Executive Officer (to present) General Manager, Material Processing Division (to present)	1,143
		(Significant concurrent positions) President & Chief Executive Officer, KAWAI SEIMITSU KINZOKU Co., Ltd	[Reasons for nomination as a Director] Mr. Harumitsu Makita is well-informed in the field and has abundant experience and achievements as a person in charge of the Metal Processing Division. He is working on many issues as a person in charge of the Material Processing Division from April this year. We believe that he is qualified to continuously carry out management strategies and supervise the business execution as a Director.	

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
8	Reappointment Yoshio Sano (December 12, 1949)	April 1965	Joined the Company	13,500
		June 2002	President & Chief Executive Officer, Kawai Hyper Wood Co., Ltd.	
		August 2004	General Manager, Coating Division	
		June 2007	Executive Officer	
		June 2009	Director	
			Senior Executive Officer	
			General Manager, General Affair & Human Resources Division	
		June 2011	Executive Vice President	
		June 2015	Executive Vice Chairman (to present)	
		(Significant concurrent positions) Director, KAWAI SEIMITSU KINZOKU Co., Ltd		
	[Reasons for nomination as a Director] Mr. Yoshio Sano has served as a person in charge of the General Affair & Human Resources Division. He is also well-informed in the material processing business and has abundant experience and achievements. We believe that he is qualified to continuously carry out management strategies and supervise the business execution as a Director.			
9	Reappointment Ichisei Katagiri (July 9, 1947)	April 1985	Registered as an attorney	600
		June 2010	Established Ichisei Katagiri Law Office	
		June 2010	Substitute Auditor & Supervisory Board Member of the Company	
		June 2012	Outside Director (to present)	
		(Significant concurrent positions) Representative, Ichisei Katagiri Law Office		
	[Reasons for nomination as a Director] Mr. Ichisei Katagiri has abundant knowledge and deep insight as an attorney and has offered helpful advice and supervision concerning the Company's management from his professional perspective. We expect to continuously receive appropriate guidance from him. Although he does not have direct experience of corporate business outside of serving as an Outside Director and Outside Auditor & Supervisory Board Member, we believe that he can appropriately carry out duties as an Outside Director for the reasons stated above.			

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
10	Reappointment Shouji Nakamura (January 26, 1942)	<p>April 1964 Joined Osaka Gas Co., Ltd. March 1969 Joined CHUBU GAS CO., LTD. March 1983 Director, CHUBU GAS CO., LTD. March 1990 Managing Director, CHUBU GAS CO., LTD. July 1992 Senior Chief Executive Officer, CHUBU GAS CO., LTD. March 1993 Vice President & Chief Executive Officer, CHUBU GAS CO., LTD. March 1994 President & Chief Executive Officer, CHUBU GAS CO., LTD. February 2003 Chairman and representative director, SALA Corporation (to present) January 2006 Chairman and Representative Director, SALA HOUSE CO., LTD. (to present) March 2012 Chairman and Representative Director, CHUBU GAS CO., LTD. (to present) June 2015 Outside Director of the Company (to present)</p> <p>(Significant concurrent positions) Chairman and Representative Director, CHUBU GAS CO., LTD. Chairman and representative director, SALA Corporation Chairman and Representative Director, SALA HOUSE CO., LTD.</p>	2,200
[Reasons for nomination as a Director] With many years of experience and knowledge through involvement in corporate management, we believe that Mr. Shouji Nakamura can offer valuable advice and suggestions in ensuring transparency and validity of decision-making for the Company's management.			

(Notes)

1. Mr. Hirotaka Kawai, a candidate for Director, is concurrently serving as Director of KAWAI FOUNDATION FOR SOUND TECHNOLOGY & MUSIC. The Company has business relationship including donation of money and leasing of buildings with KAWAI FOUNDATION FOR SOUND TECHNOLOGY & MUSIC.
2. Mr. Shouji Nakamura, a candidate for Director, is concurrently serving as Chairman and Representative Director of CHUBU GAS CO., LTD. The Company has entered into a gas supply contract to receive the gas supply from CHUBU GAS CO., LTD. However, the transaction amount is insignificant compared with the consolidated transaction amounts of both CHUBU GAS CO., LTD. and the Company.
3. Other than the above 1. and 2., there is no special interest between each candidate for Director and the Company.
4. Matters concerning Outside Directors are as follows:
 - 1) Candidates for Directors, Messrs. Ichisei Katagiri and Shouji Nakamura, are the candidates for Outside Directors. The Company has designated them as independent directors defined under the provisions of the Tokyo Stock Exchange, Inc. and registered them as such therewith.
 - 2) Candidates for Directors, Messrs. Ichisei Katagiri and Shouji Nakamura, are currently serving as Outside Directors of the Company, and they will have served four years and one year, respectively, at the conclusion of this General Meeting of Shareholders.
 - 3) The Company has entered into an agreement for the limitation of liability with Messrs. Ichisei Katagiri and Shouji Nakamura pursuant to Article 427, Paragraph 1 of the Companies Act, limiting their liability for damages prescribed under Article 423, Paragraph 1 of the said Act. The limit of liability for damages based on the agreement is the minimum liability prescribed by laws and regulations, while the limitation of liability is allowed only when the Directors are carrying out their duties in good faith without involving gross negligence. Upon approval of their reappointment, the Company will continue the agreement for the limitation of liability with them.

Proposal 3: Election of Two Auditor & Supervisory Board Members

The terms of office of Messrs. Katsuo Ogura and Yoshifumi Nakano of the four Auditor & Supervisory Board Members will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the election of two Auditor & Supervisory Board Members is proposed.

The consent of the Audit & Supervisory Board has been obtained with respect to this Proposal.

The candidates for Auditor & Supervisory Board Members are as follows.

No.	Name (Date of birth)	Career summary, positions and significant concurrent positions	Number of shares of the Company held
1	New appointment Jiro Murakami (May 26, 1949)	April 1978 Joined the Company April 2004 General Manager, Electronic Musical Instruments Division April 2011 President & Chief Executive Officer, Marchen Musical Instruments Co., Ltd. June 2011 Director Senior Executive Officer June 2012 Managing Executive Officer April 2013 General Manager, Musical Instruments Manufacturing Division June 2013 Senior Managing Executive Officer June 2015 Senior Managing Director (to present) (Significant concurrent positions) Auditor, PT. Kawai Indonesia	4,600
	[Reasons for nomination as an Auditor & Supervisory Board Member] Mr. Jiro Murakami has served as Senior Managing Director and a person in charge of the Musical Instruments Manufacturing Division. We believe that he can carry out effective audits on the Company's management based on his abundant knowledge.		
2	Reappointment Yoshifumi Nakano (May 10, 1948)	March 1967 Graduated from Nagoya Training Institute, National Tax College July 2002 District Director, Hamamatsuhigashi Tax Office July 2006 First Deputy Commissioner, Second Taxation Department, Nagoya Regional Taxation Bureau July 2007 District Director, Shizuoka Tax Office August 2008 Started to practice as a tax accountant June 2015 Outside Auditor & Supervisory Board Member (to present) (Significant concurrent positions) Representative, Yoshifumi Nakano Tax Accountant Office	300
	[Reasons for nomination as an Auditor & Supervisory Board Member] Mr. Yoshifumi Nakano has served as a District Director in various regions and has abundant knowledge and deep insight concerning taxes and accounting as a tax accountant. We expect him to contribute to strengthening the Company's audit structure based on his abilities. We believe that he can appropriately carry out duties as an Outside Auditor & Supervisory Board Member.		

(Notes)

1. There is no special interest between each candidate for Auditor & Supervisory Board Member and the Company.
2. Mr. Jiro Murakami is currently serving as a Director of the Company, but he is scheduled to retire at the conclusion of this General Meeting of Shareholders.
3. Mr. Yoshifumi Nakano is a candidate for Outside Auditor & Supervisory Board Member. The Company has designated him as independent Auditor & Supervisory Board Member defined under the provisions of the Tokyo Stock Exchange, Inc. and registered him as such therewith.
4. Mr. Yoshifumi Nakano, a candidate for Outside Auditor & Supervisory Board Member, is currently serving as an Outside Auditor & Supervisory Board Member of the Company, and he will have served one year at the conclusion of this General Meeting of Shareholders.
5. The Company has entered into an agreement for the limitation of liability with Mr. Yoshifumi Nakano pursuant to Article 427, Paragraph 1 of the Companies Act, limiting his liability for damages prescribed under Article 423, Paragraph 1 of the said Act. The limit of liability for damages based on the agreement is the minimum liability prescribed by laws and regulations, while the limitation of liability is allowed only when the Auditor & Supervisory Board Member is carrying out his duties in good faith without involving gross negligence. Upon approval of his reappointment, the Company will continue the agreement for the limitation of liability with him.

Proposal 4: Renewal of the Measures against the Large-scale Purchase of the Shares in the Company (a Takeover Defense Measure)

Effective period of the Measures against the Large-scale Purchases of the Shares in the Company (hereinafter the “Old Plan”) currently in force after the renewal based on the resolution at the 86th Annual General Meeting of Shareholders held on June 27, 2013, is set to expire at the conclusion of this General Meeting.

The Company, in the face of the expiry of the effective period of the Old Plan, resolved at the Board of Directors’ meeting held on May 24, 2016 that the Old Plan be renewed basically succeeding the contents thereof described as follows, becoming effective subject to the approval at this General Meeting (the measures after the renewal shall hereinafter be referred to as the “Plan”).

Accordingly, shareholders are kindly requested to approve the Plan.

1. Objectives of the Plan

(1) A measure for ensuring and enhancing the Company’s corporate value and the common interest of its shareholders

1) Management philosophy

The Company aims to become “a creative and well-liked corporation” with the following management philosophy.

- (i) Creating comfortable and fulfilling living environment
- (ii) Providing products and services focused on customer satisfaction
- (iii) Promoting corporate activities for a new era
- (iv) Aiming to become a pleasant company that values its employees

The Company is striving to ensure and enhance the Company’s corporate value and the common interest of its shareholders by continuously creating new values truly sought by society and providing such values to customers on a timely basis.

2) Source of the Company’s corporate value and the common interest of its shareholders

The Company, as a business engaged in manufacturing and sales of musical instruments, has been striving for accumulating expertise, experience and know-how aiming to realize our founder’s dream of “making the world’s finest piano.” Based on the recognition that piano manufacturing is a business to be run with a century-long perspective, the Company is striving for further enhancement of quality and technology innovation in order to achieve the aforementioned dream.

In addition, the Company has been hitherto supported by the growth of peripheral businesses derived from the traditional core business of manufacturing and sales of musical instruments, namely music school business operating around 4,500 directly managed music schools throughout Japan, physical education business involving physical education schools targeting children and health schools for adults and seniors, which is attracting growing attention in recent years, metal business utilizing the high precision rolling technologies derived from the research on the process of manufacturing sounding body of musical instruments, and coating business capitalizing on the wood coating technique derived from the piano coating. Interactions among these businesses are enhancing the Company’s brand image, thus creating corporate value.

Sales of musical instruments and music school business in Japan, in particular, have developed our unique business model based on the direct selling system. Customers learn how to play the piano in our music schools and buy Kawai pianos, for which we provide after-sales services such as tuning. In recent years, the Company is developing this business model not only in Japan but also in overseas markets, primarily Asian countries, in an effort to promote our business activities based on continuous trustful relationships with customers through pianos, products involving years of use.

Furthermore, since 1963, the Company has been inviting many famous musicians to Japan through Kawai Music Foundation, contributing to the advancement of the Japanese music culture, while holding more than 2,200 times of Kawai Concerts, thereby creating opportunities to enjoy quality music in rural areas. We recognize that these music promotion activities are conducted not only by providing musical instruments as a manufacturer, but also by gaining the understanding and empathy of all stakeholders surrounding the Company based on consistent favorable relationships with musicians and performers in various genres.

We believe it is such promotion of the Group’s business activities in hardware as well as software that derives the Company’s corporate value and the common interest of its shareholders.

3) New Medium-term Management Plan “Resonate 2018”

The Company launched on April 1, 2016, the new Medium-term Management Plan, “Resonate 2018,” that covers the three-year period ending March 2019. The vision under this new Medium-term Management Plan is “to expand the Kawai fans through providing practical user experience in pursuit of reliance and innovation, while aiming to become the top piano brand that will remain the brand of choice for the next hundred years through continuous promotion of music culture” under the slogan of “Resonate 2018 – towards the 100th Anniversary – to remain as the top brand.” The basic principle is to drive the enhancement of corporate value as a 100-year brand, aiming to achieve long-term stable growth. In the meantime, we will be taking on the key strategies while building up the infrastructure for their implementation, in order to enhance earning power with a view to attaining the target indicator of 5% or higher operating income margin.

Specific measures under the new Medium-term Management Plan are described in (4) Issues to be addressed, 1. Matters related to the current state of the Group in the Business Report for the 89th term as presented in the Attachment to the Notice of Convocation of this General Meeting.

We believe that the steady implementation of main measures under the Plan should contribute to the increase in the Company’s corporate value and the enhancement of the common interest of its shareholders.

4) Vital framework for ensuring and enhancing the Company’s corporate value and the common interest of its shareholders

The Company has been upholding and addressing a priority issue of enhancing corporate governance as a framework vital for ensuring and enhancing the Company’s corporate value and the common interest of its shareholders.

For the purpose of acceleration of decision-making and clarification of management responsibilities, the Company has adopted the Executive Officer System as a measure for achieving separation of business execution from management supervision. The term of office of Directors is set to be one year.

In addition, the Company has appointed an independent Auditor & Supervisory Board Members to be responsible for audits on business execution by Directors. Furthermore, the Company elected two Outside Directors in June 2015, while establishing the Corporate Governance Committee comprising four outside officers and three internal Directors in December 2015, in an effort to ensure further reinforcement of corporate governance.

The Company will work on ensuring and enhancing the Company’s corporate value and the common interest of its shareholders by further promoting various measures to enhance corporate governance. At the same time, the Company will strive for developing stable and trustful relationships with shareholders on a long-term basis through initiatives such as holding briefings for institutional investors and security analysts and promoting investor relations activities for individual investors.

(2) Necessity of the Plan

The Company will promote the aforementioned corporate activities as the Group, and will aim to ensure and enhance the Company’s corporate value and the common interest of its shareholders. In order to achieve this, we believe it is essential to maintain our expertise, experience and know-how accumulated over the years since the foundation of the Company, along with the trustful relationships with all stakeholders both in Japan and overseas, including customers, business partners, local communities and employees.

Core businesses of the Company are the fields such as music and education, which are not limited to just providing hardware and software, but are profoundly related to culture. Our consistent music promotion activities as a social contribution are also considered to be an important component of our business. Education for young children, in particular, is believed to have a significant impact on those promising children on their emotional as well as physical health. Thus, we believe that the operation of these special businesses requires well-balanced management attitude based on the considerations of cultural aspects, in addition to economic factors.

Meanwhile, in the Japanese capital market, there are quite a few cases involving a large-volume purchase of share certificates, etc. of a company without prior approval of its management in an attempt to gain its control.

The Company has no intention to reject an attempt to purchase share certificates, etc. in a large-volume (hereinafter the “Large-volume Purchase of Share Certificates, etc.”), insofar as the Purchase may contribute to ensuring and enhancing the Company’s corporate value and the common interest of its shareholders, and believes that whether or not to accept the Large-volume Purchase of Share Certificates, etc. should ultimately be entrusted to the decision of shareholders.

However, we also believe that shareholders, in deciding whether or not to accept the Large-volume Purchase of Share Certificates, etc., are required to adequately understand the potential impact of the Large-volume Purchase of Share Certificates, etc. on the stakeholders of the Company and the Group companies, including customers, business partners, local communities and employees, as well as to give due consideration to the cultural aspects of the Company's business. For that reason, the party intending to conduct the Large-volume Purchase of Share Certificates, etc. is desired to provide shareholders the information regarding the Purchase in advance, allowing sufficient time for shareholders to consider whether or not to accept the Large-volume Purchase of Share Certificates, etc. In addition, it is also believed that the Board of Directors of the Company needs to provide shareholders the information regarding various factors that constitute the Group's corporate value, while evaluating the Large-volume Purchase of Share Certificates, etc. and presenting its opinion thereon.

The Board of Directors of the Company believes, based on the aforementioned philosophy, that it is critical for the Board of Directors of the Company, in the event of a Large-volume Purchase of Share Certificates, etc. of the Company, to provide information necessary for shareholders to decide whether or not to accept the Large-volume Purchase of Share Certificates, etc., while ensuring sufficient time and information necessary for the Board of Directors of the Company to present an alternative proposition as appropriate, and ensuring sufficient time for the Board of Directors of the Company to negotiate with the party that intends to implement the Large-volume Purchase of Share Certificates, etc. Therefore, the Company has determined that it is necessary to renew the Plan.

The Board of Directors of the Company has decided to renew the Plan by continuously setting up implementation rules (hereinafter the "Large-scale Purchase Rules") especially for the Large-scale Purchase (as defined in 2. hereunder; hereinafter the same) among all types of the Large-volume Purchase of Share Certificates, etc.

Major shareholders of the Company as of March 31, 2016 are as stated in Appendix 1. There is no actual circumstance at this moment, in which the Company has received any notice of the Large-scale Purchase or proposal for acquisition from a specific third party.

2. Purchase of the Company's shares subject to the Plan

Purchase of the Company's shares subject to the Plan is defined as the purchase of the Company's share certificates, etc. (Note 3) which, whether by intention or not, results in an increase of the voting rights ratio (Note 2) of a specific shareholder group (Note 1) to 20% or higher (using whatever purchase method including market trading and tender offer, but excluding any purchase based on the prior agreement of the Board of Directors of the Company; Such purchase shall hereinafter be referred to as the "Large-scale Purchase," and the party engaging in such purchase is referred to as the "Large-scale Purchaser").

3. Detail of the Large-scale Purchase Rules

The Large-scale Purchase Rules stipulate that the Large-scale Purchaser shall provide the Board of Directors of the Company necessary and sufficient information in advance so that the Board has a time period to assess and consider the Large-scale Purchase based on the information disclosed, and that the Large-scale Purchase shall commence after the expiry of such time period.

In this process, the following specific procedures shall be followed.

(1) Request for information from the Large-scale Purchaser

The Large-scale Purchaser shall provide the Board of Directors of the Company necessary and sufficient information in Japanese for shareholders to make a decision as well as for the Board to engage in an assessment and consideration prior to the Large-scale Purchase.

The scope and contents of the information to be provided will differ depending on the manner and details of the Large-scale Purchase.

The Large-scale Purchaser shall prepare and submit to the Board of Directors of the Company a document in Japanese containing a declaration to conduct the Large-scale Purchase according to the Large-scale Purchase Rules (hereinafter the "Purchase Statement") before engaging in the Large-scale Purchase.

The Purchase Statement shall include the following.

- (i) Name of the Large-scale Purchaser (corporate name, if the Large-scale Purchaser is a body corporate or organization such as a union)
- (ii) Address of the Large-scale Purchaser (address of head office or principal office, if the Large-scale

- Purchaser is a body corporate or organization such as a union)
- (iii) Governing law of incorporation, if the Large-scale Purchaser is a body corporate or organization such as a union
 - (iv) Name of the representative, if the Large-scale Purchaser is a body corporate or organization such as a union
 - (v) Name and address of a contact person in Japan
 - (vi) Outline of the Large-scale Purchase intended
 - (vii) Number of share certificates, etc. of the Company currently owned and scheduled to be purchased by the Large-scale Purchaser
 - (viii) Declaration to comply with the Large-scale Purchase Rules

The Board of Directors of the Company, upon receipt of the Purchase Statement from the Large-scale Purchaser, immediately presents the fact of such receipt and the contents thereof to the Independent Committee. In addition, the Board immediately discloses the fact of such receipt and promptly discloses the outline thereof in a way deemed appropriate.

The Independent Committee discloses through the Board of Directors of the Company the whole or part of the contents of the Purchase Statement presented by the Board, if and when deemed necessary and appropriate to disclose specific details in addition to the outline disclosed by the Board for the shareholders to make a decision.

The Board of Directors of the Company will issue a list of information to be submitted from the Large-scale Purchaser (hereinafter the "Large-scale Purchase Information") to the Large-scale Purchaser within five business days counting from the following day of the receipt of the Purchase Statement.

The Large-scale Purchaser shall prepare a document in Japanese that provides the Large-scale Purchase Information as requested by the aforementioned list and submit it to the Board of Directors of the Company within a reasonable period of time.

The Large-scale Purchase Information includes the following items.

- (a) General information on the Large-scale Purchaser and its group (such as names, capital structures and financial conditions)
- (b) Objectives, methods and details of the Large-scale Purchase (including the price and type of consideration for the Purchase, timing, legitimacy of the method, structure of the related transactions, likelihood of delisting of the Company's shares after the Purchase and reasons therefor)
- (c) Basis for calculating the Purchase consideration (including the facts and assumptions for the calculation, calculation method, numerical information used in the calculation, amount of synergy expected to be derived from the transactions related to the Purchase and the basis of calculation thereof), as well as the source of the Purchase fund (such as the specific names of the providers of the fund (including actual providers), funding methods and details of the related transactions)
- (d) Policies and plans intended after the completion of the Large-scale Purchase for the purpose of ensuring and enhancing the Company's corporate value and the common interest of its shareholders, such as management policies, business plans, funding plans, investment plans, capital policies and dividend policies at the Company and the Group
- (e) Changes scheduled after the completion of the Large-scale Purchase, if any, to the policies for treating the relationships of the Company and the Group with their stakeholders, including customers, business partners, local communities and employees, and the details of such change
- (f) Any other information reasonably considered necessary by the Board of Directors and the Independent Committee

The Board of Directors of the Company, upon receipt of the Large-scale Purchase Information, immediately presents the fact of such receipt and details of the information to the Independent Committee.

The Independent Committee discloses through the Board of Directors of the Company the whole or part of the Large-scale Purchase Information presented, if and when deemed necessary and appropriate to disclose the information for the shareholders to make a decision.

The Independent Committee may request through the Board of Directors of the Company additional information from the Large-scale Purchaser, if the information presented by the Board is considered insufficient as the Large-scale Purchase Information based on a review thereof, with the time limit specified as appropriate (provided, however, that the final time limit shall not exceed 60 days counting from the date of receipt of the Large-scale Purchase Information, even if the necessary and sufficient

information has not been provided).

In such case, the Large-scale Purchaser shall prepare a document in Japanese that provides the information requested and submit it to the Board of Directors of the Company by the time limit specified.

The Independent Committee, if the provision of the Large-scale Purchase Information by the Large-scale Purchaser is determined to be completed, immediately notifies the fact to the Large-scale Purchaser through the Board of Directors of the Company (hereinafter the "Notice Regarding the Completion of the Provision of Information") and discloses it in a manner deemed appropriate. In determining whether the provision of the Large-scale Purchase Information has been completed, the Independent Committee may seek advice from external specialists such as attorneys, certified public accountants and investment banks (hereinafter the "External Specialists, etc.") that are independent from the Board of Directors of the Company, as appropriate.

(2) Assessment and consideration by the Board of Directors of the Company

The Board of Directors of the Company believes that once the Large-scale Purchaser has completed the provision of the Large-scale Purchase Information to the Board, reasonable time period commensurate with the nature and details of the Large-scale Purchase shall be secured for the Board to engage in an assessment and consideration of the Large-scale Purchase and the Large-scale Purchase Information, negotiate with the Large-scale Purchaser, form opinions as the Board of Directors of the Company and formulate an alternative proposition, and that the Large-scale Purchase shall commence only after the expiry of such time period.

Therefore, a time period of (a) or (b) below shall be established as a period for the purpose of assessment and consideration, formation of opinions and formulation of an alternative proposition by the Board of Directors of the Company (hereinafter the "Board of Directors' Assessment Period").

(a) A period of 60 days counting from the day on which the Notice Regarding the Completion of the Provision of Information is issued in the case of a tender offer of whole of the Company's share certificates, etc. through a tender offer with consideration only in cash (in Japanese yen)

(b) A period of 90 days counting from the day on which the Notice Regarding the Completion of the Provision of Information is issued in all other cases of the Large-scale Purchase

However, for the purpose of ensuring and enhancing the Company's corporate value and the common interest of its shareholders, the Board of Directors of the Company may extend the Board of Directors' Assessment Period for up to 30 days insofar as it is necessary for the assessment and consideration of the Large-scale Purchase based on the Large-scale Purchase Information, negotiation with the Large-scale Purchaser, formation of opinions as the Board of Directors of the Company and the formulation of an alternative proposition. The Board of Directors of the Company, once the extension has been decided, shall disclose the reason therefor, the extension period and other matters deemed necessary and appropriate without delay after the resolution of the extension.

The Board of Directors of the Company shall engage in an assessment and consideration of the Large-scale Purchase, form opinions as the Board of Directors of the Company, and if necessary, develop an alternative proposition and negotiate with the Large-scale Purchaser, based on the Large-scale Purchase Information provided by the Large-scale Purchaser from the perspective of ensuring and enhancing the Company's corporate value and the common interest of its shareholders during the Board of Directors' Assessment Period. In the process, the Board of Directors of the Company shall seek advice from the External Specialists, etc., who are independent from the Board of Directors of the Company, as appropriate and if necessary.

The Board of Directors of the Company, once the Board of Directors' Assessment Period expires, immediately notifies the Large-scale Purchaser of the expiration and discloses it in a manner deemed appropriate.

(3) Consultation with the Independent Committee

The Board of Directors of the Company makes the final decision on whether the Large-scale Purchaser complied with the Large-scale Purchase Rules and whether the Large-scale Purchase is considered to compromise the Company's corporate value and the common interest of its shareholders significantly, even if the Large-scale Purchase Rules have been duly complied.

For the purpose of preventing the Board of Directors of the Company from making arbitrary decisions, the Company stipulates the Independent Committee Regulations (please refer to Appendix 2 for the outline of the Regulations) and establishes the Independent Committee as an organization independent from the Board, which serves as an advisory body assisting the Board in making various decisions concerning the Large-scale Purchase Rules.

The Independent Committee shall comprise three members selected from among Outside Auditor & Supervisory Board Members, attorneys, certified public accountants, tax accountants, academics,

persons familiar with investment banking business and persons outside the Company with experience as directors or executive officers of other companies. Names and career summaries of the members of the Independent Committee as of the renewal of the Plan are as described in Appendix 3.

4. Countermeasures by the Board of Directors of the Company

(1) In the case where the Large-scale Purchaser is not acting in compliance with the Large-scale Purchase Rules

In the event the Large-scale Purchaser violates the Large-scale Purchase Rules, the Board of Directors of the Company may take measures against the Large-scale Purchase authorized under the Companies Act and other laws and regulations, as well as the Articles of Incorporation of the Company, including a gratis allotment of stock acquisition rights (hereinafter the “Countermeasures”) for the purpose of protecting the Company’s corporate value and the common interest of its shareholders.

The overview of stock acquisition rights in the event of a gratis allotment carried out as part of the Countermeasures is as described in Appendix 4. The conditions for exercising stock acquisition rights, exercise period and acquisition terms may be established in consideration of effectiveness as a Countermeasure.

(2) In the case where the Large-scale Purchaser is acting in compliance with the Large-scale Purchase Rules

In the case where the Large-scale Purchaser is acting in compliance with the Large-scale Purchase Rules, the Board of Directors of the Company will not take any Countermeasure to the Large-scale Purchase, in principle, but endeavor to persuading shareholders by expressing opposition or presenting an alternative proposition, even if it opposes the Large-scale Purchase. It shall be entrusted to the judgment of shareholders whether or not to accept the proposal made by the Large-scale Purchaser, based on the consideration of factors, including the Large-scale Purchase Information, the opinion thereon of the Board of Directors of the Company and its alternative proposition.

However, even in the case where the Large-scale Purchase Rules are complied with, the Countermeasures shall be taken if the Large-scale Purchaser or the Large-scale Purchase falls under any of the following circumstances, and if it is considered to significantly compromise the Company’s corporate value and the common interest of its shareholders.

- (a) If the Large-scale Purchaser is engaged in or intends to be engaged in the purchase of the Company’s share certificates, etc., solely for the purpose of artificially inflating the share price and having the shares repurchased by the Company or the Group at an inflated price without serious intention to participate in the management of the Company (so-called green mailer);
- (b) If the Large-scale Purchaser is considered to have an intention of gaining temporary control over the management of the Company for the purpose of transferring tangible and intangible assets, major customers and business partners that have significant importance to the management of the Company or the Group, to the Large-scale Purchaser or its group companies, etc.;
- (c) If the Large-scale Purchase is considered to be carried out for the purpose of diverting the assets of the Company or the Group as collateral for the debts or funds for repayment by the Large-scale Purchaser or its group companies, etc., after gaining control over the management of the Company;
- (d) If the Large-scale Purchase is considered to be carried out for the purpose of gaining temporary control over the management of the Company, in order to force the Company or the Group to dispose of its expensive assets such as real estate and securities through sales thereof or other means, with the aim of generating temporary high dividends based on the proceeds from the disposal, or enabling the Large-scale Purchaser to sell the Company’s shares at a high price, taking advantage of the soaring share price resulting from the temporary high dividends;
- (e) If the Large-scale Purchase is considered likely to practically force shareholders to sell the Company’s share certificates, etc. by restricting the opportunities or discretion for the shareholders to make judgment, such as the case of a tender offer without offering to purchase all shares at the initial phase, and declaring that the purchase terms in the second phase will be less attractive (so-called coercive two-phase purchase) (provided, however, that a partial tender offer does not automatically fall under this category);
- (f) If the Large-scale Purchase involves inadequate or inappropriate purchase terms, etc. (including the price and type of consideration offered, timing of the Purchase, legitimacy of the method, probability that the Purchase will be made, as well as management policies, business plans, capital policies and dividend policies intended after the Purchase) in light of the intrinsic value of the Company.

(3) Procedures for implementing the Countermeasures

When implementing the Countermeasures, the Board of Directors of the Company shall follow the procedures described below for the purpose of ensuring reasonableness and fairness of its decision.

The Board of Directors of the Company consults with the Independent Committee about the appropriateness of implementing the Countermeasures prior to the implementation.

The Independent Committee determines whether the Large-scale Purchaser is acting in compliance with the Large-scale Purchase Rules and whether the Large-scale Purchase is considered to significantly compromise the Company's corporate value and the common interest of its shareholders based on the consultation, and makes recommendations to the Board of Directors of the Company regarding the appropriateness of implementing the Countermeasures.

The Board of Directors of the Company determines whether the Large-scale Purchaser is acting in compliance with the Large-scale Purchase Rules and whether the Large-scale Purchase is considered to significantly compromise the Company's corporate value and the common interest of its shareholders based on the Large-scale Purchase Information provided by the Large-scale Purchaser as well as the advice from the External Specialists, etc., as appropriate, and makes the final decision whether to implement the Countermeasures, fully respecting the recommendations from the Independent Committee.

Even after having implemented the Countermeasures, the Board of Directors of the Company shall present the specific circumstances and consult with the Independent Committee on the appropriateness of maintaining the Countermeasures in force, if the situation falls under any of the following events.

- (a) In the event the Large-scale Purchaser terminates or withdraws the Large-scale Purchase;
- (b) In the event that changes have occurred to the facts that served as the basis of determining whether or not to implement the Countermeasures, and that it has become questionable whether it is appropriate to maintain the Countermeasures in force from the perspective of ensuring and enhancing the Company's corporate value and the common interest of its shareholders.

The Independent Committee considers the appropriateness of maintaining the Countermeasures based on the consultation and makes recommendations to the Board of Directors of the Company.

The Board of Directors of the Company considers whether or not to maintain the Countermeasures in force, while receiving advice from the External Specialists, etc. The Board shall fully respect the recommendations from the Independent Committee in the process.

The Board of Directors of the Company will terminate or withdraw the Countermeasures in force, if it comes to the conclusion that it is not appropriate to maintain the Countermeasures from the perspective of ensuring and enhancing the Company's corporate value and the common interest of its shareholders.

5. Reasonableness and fairness of the Plan

The Plan satisfies the three principles set out under the "Guidelines Regarding Takeover Defense for the Purpose of Protection and Enhancement of Corporate Value and Shareholder's Common Interests" published by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005, as well as a report titled "Takeover Defense Measures in Light of Recent Environmental Changes" published by the Corporate Value Study Group of the Ministry of Economy, Trade and Industry on June 30, 2008. It is considered to represent the reasonableness and fairness as required.

(1) Ensuring and enhancing the Company's corporate value and the common interest of its shareholders

The Plan is intended to enable shareholders to make an appropriate decision regarding whether or not to accept the proposal by the Large-scale Purchaser, by requesting the Large-scale Purchaser to provide the Large-scale Purchase Information in advance and to allow sufficient time to determine the appropriateness of the Large-scale Purchase, and it shall be introduced ultimately for the purpose of ensuring and enhancing the Company's corporate value and the common interest of its shareholders as stated in 1. (2) above.

(2) Disclosure in advance

The Company shall disclose the Plan in advance for the purpose of enhancing foreseeability of shareholders, investors and the Large-scale Purchaser in order to assist these parties in making appropriate decisions.

(3) Respect for shareholders' intention

The Plan shall become effective subject to the approval of shareholders at this General Meeting.

If the Plan is kindly approved at this General Meeting, the Company will consult with shareholders on the appropriateness of renewing the Plan by submitting every three years a proposal for approval on

the renewal of its term or discontinuation at the Annual General Meeting of Shareholders. Since the Company sets the term of office of its Directors to be one year, if the Plan is kindly approved at this General Meeting, each candidate for Director's intention with respect to the Plan shall be stated in the proposal concerning the election of Directors of the Company at the Annual General Meeting of Shareholders each year from 2017. In addition, Directors elected by shareholders shall resolve to renew or discontinue the Plan at the first Board of Directors' meeting after the Annual General Meeting of Shareholders, and promptly disclose the resolution to shareholders and investors. Thus, the Company ensures to reflect shareholders' intention regarding the renewal or discontinuation of the Plan each year through the exercise of voting rights on a proposal concerning the election of Directors.

- (4) Establishment of the Independent Committee and acquiring of opinions of the External Specialists, etc.

The Company has established the Independent Committee. The Board of Directors of the Company shall fully respect the recommendations by the Committee in making the final decision whether or not to implement the Countermeasures against the Large-scale Purchaser. Meanwhile, the Board of Directors of the Company may seek advice from the External Specialists, etc., as appropriate. These arrangements are intended to prevent the Board of Directors of the Company from making arbitrary decisions, while ensuring objectivity and reasonableness thereof.

- (5) The Plan classified as neither a dead-hand type nor a slow-hand type of takeover defense measures

The Plan is neither a type of takeover defense measures that cannot be discontinued or deactivated even after the replacement of a majority of Directors has been resolved at a General Meeting of Shareholders (so-called a dead-hand type), nor a type of takeover defense measures that takes time to stop its implementation because members of the Board of Directors cannot be replaced at once (so-called a slow-hand type).

6. Impacts on shareholders and investors

- (1) Impacts on shareholders and investors at the time of introducing the Plan

A gratis allotment of stock acquisition rights shall not be offered at the time of introducing the Plan. Therefore, the introduction of the Plan will not have any direct and specific impact on the rights and economic benefits of shareholders and investors.

- (2) Impacts on shareholders and investors at the time of implementing the Countermeasures

The Board of Directors of the Company may adopt the aforementioned Countermeasures for the purpose of protecting the Company's corporate value and the common interest of its shareholders. The appropriate and timely disclosure shall be made in accordance with applicable laws and regulations and financial instruments exchange rules, etc., once the Board decided to adopt the specific Countermeasures.

At the time of implementing the Countermeasures, it is not envisaged that shareholders might suffer any particular loss in terms of their legal rights or economic benefits. However, the Large-scale Purchaser may end up suffering a loss in terms of their legal rights or economic benefits. The announcement of the Plan is intended to call attention so that the Large-scale Purchaser would not conduct the Large-scale Purchase in violation of the Large-scale Purchase Rules.

The Company may adopt a resolution for a gratis allotment of stock acquisition rights as part of the Countermeasures. If shareholders who received the allotment of stock acquisition rights decided not to exercise the rights, the ratio of voting rights per share in the Company and the associated economic value will be diluted as a result of other shareholders' exercise of their rights.

However, the Company may terminate the gratis allotment of stock acquisition rights in the period up to the day preceding the effective date of the allotment, or may acquire stock acquisition rights without compensation in the period from the effective date of the gratis allotment of stock acquisition rights to the date preceding the commencement date of the exercise period, even after the shareholders receiving the allotment of stock acquisition rights are determined. In these cases, the value per share in the Company will not be diluted. Thus, please be aware that shareholders and investors who engaged in trading in anticipation of diluting the value per share in the Company may suffer an unexpected loss due to share price fluctuations.

- (3) Procedures that shareholders will be required to follow in association with the implementation of the Countermeasures

In the case where the Board of Directors of the Company decides to implement the Countermeasures and conducts a gratis allotment of stock acquisition rights, the allotment will be offered to shareholders as of a certain record date determined by the Board. Thus, shareholders wishing to receive the allotment need to be registered on the final shareholder register on the record date. Furthermore, shareholders exercising stock acquisition rights will be required to make a certain amount of payment within a predetermined period in order to acquire new shares. However, in the case where

the Board of Directors of the Company makes a decision to acquire stock acquisition rights, the Company may acquire the stock acquisition rights on a date set out under such decision and issue the Company's common stock as consideration thereof, in accordance with the statutory procedures. In such instance, shareholders (excluding the Large-scale Purchaser) will receive from the Company its common stock as consideration for the acquisition of the stock acquisition rights without following the payment procedure for exercising the stock acquisition rights (provided, however, that shareholders may be requested to submit a document proving that they do not constitute the Large-scale Purchaser). Details of these procedures are separately advised in accordance with applicable laws and regulations and financial instruments exchange rules, when shareholders are actually required to follow them.

7. Other matters

The contents of the Plan were decided by the approval of all Directors including Outside Directors at the Board of Directors' meeting of the Company held on May 24, 2016. All Auditor & Supervisory Board Members including two Outside Auditor & Supervisory Board Members were present at the meeting, and each Auditor & Supervisory Board Member stated an affirmative opinion for the Plan.

The Board of Directors of the Company will remain alert to the external developments, including the trends in judicial decisions, measures taken by financial instruments exchanges and other public institutions, amendments to the Companies Act, the Financial Instruments and Exchange Act, or listing rules of each financial instruments exchange, and amendments and abolitions of other laws and regulations. If it is deemed appropriate to reflect these amendments and abolitions on the Plan, or if it is appropriate to make minor revisions to the wording of the Plan without making amendments to its contents, the Board of Directors of the Company may make such amendments or revisions to the Plan based on its resolution subject to the approval of the Independent Committee from the perspective of ensuring and enhancing the Company's corporate value and the common interest of its shareholders. Furthermore, the Company will prepare to take whatever measures as appropriate, including the introduction of an alternative policy replacing the Plan, if necessary.

Note 1: Definition of a specific shareholder group

- (i) A specific shareholder group represents a holder (referring to a holder as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act, including a party recognized to fall into the category of a holder in accordance with Article 27-23, Paragraph 3 of the said Act; hereinafter the same) of the Company's share certificate, etc. (referring to share certificates, etc. as defined in Article 27-23, Paragraph 1 of the said Act), and its joint holder (referring to a joint holder as defined in Article 27-23, Paragraph 5 of the said Act, including a party deemed to be a joint holder in accordance with Article 27-23, Paragraph 6 of the said Act; hereinafter the same); and,
- (ii) A party conducting purchases, etc. (referring to purchases, etc. as defined in Article 27-2, Paragraph 1 of the said Act, including purchases conducted in the financial instruments exchange market) of the Company's share certificates, etc. (referring to share certificates, etc. as defined in Article 27-2, Paragraph 1 of the said Act), and its specially related parties (referring to specially related parties as defined in Article 27-2, Paragraph 7 of the said Act).

Note 2: Definition of voting rights ratio

Depending on the specific purchase method adopted by the specific shareholder group, the voting rights ratio is defined as follows.

- (i) In the case where the specific shareholder group comprises holders and their joint holders of the Company's share certificate, etc. (referring to share certificates, etc. as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act), the voting rights ratio refers to the holding ratio of share certificates, etc. of the holders (referring to the holding ratio of share certificates, etc. as defined in Article 27-23, Paragraph 4 of the said Act, where the number of share certificates, etc. held by their joint holders (referring to the number of share certificates, etc. held as defined in the aforementioned Paragraph 4) is also taken into account for the purpose of calculation); or,
- (ii) In the case where the specific shareholder group comprises the Large-scale Purchaser of the Company's share certificate, etc. (referring to share certificates, etc. as defined in Article 27-2, Paragraph 1 of the said Act) and its specially related parties, the voting rights ratio refers to the combined total of the ownership ratio of share certificates, etc. of the Large-scale Purchaser and that of its specially related parties (referring to the ownership ratio of share certificates, etc. as defined in Article 27-2, Paragraph 8 of the said Act).
For the purpose of calculating the holding ratio of share certificates, etc. and ownership ratio of share certificates, etc., the total number of voting rights (referring to the number of voting rights as defined in Article 27-2, Paragraph 8 of the said Act) and the total number of issued shares (referring to the total number

of issued shares as defined in Article 27-23, Paragraph 4 of the said Act) may be referred to from the most recently submitted securities report, quarterly report or share buyback report.

Note 3: Definition of share certificates, etc.

Share certificates, etc. refer to the share certificates, etc. as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act.

(Appendix 1)**Major Shareholders**

Major shareholders of the Company as of March 31, 2016 are as follows (the number of shares held less than one thousand is omitted).

Names	Number of shares held (thousand shares)	Ratio of the number of shares held against the total number of issued shares (%)
HSBC BROKING SEC. (ASIA)	852	9.5
CBHK-KSD-NH	831	9.3
Kabushiki Kaisha Kawai Shadan	477	5.3
Onkyo Corporation	450	5.0
Kawai Employee Shareholding Association	297	3.3
Gakken Holdings Co., Ltd.	278	3.1
Tokio Marine & Nichido Fire Insurance Co., Ltd.	275	3.0
Meiji Yasuda Life Insurance Company	270	3.0
Kawai Musical Instruments Business Partners Shareholding Association	245	2.7
The Kyoei Fire and Marine Insurance Company, Limited	225	2.5
Total	4,202	47.1

* The total number of issued shares excludes 95,586 shares of treasury stock.

(Appendix 2)

Outline of the Independent Committee Regulations

1. The Independent Committee shall be established by the resolution of the Board of Directors of the Company.
2. The Independent Committee shall comprise three members selected by the resolution of the Board of Directors of the Company for the purpose of making objective and neutral decisions from among Auditor & Supervisory Board Members of the Company who are independent from Directors engaging in business execution of the Company or external experts (such as attorneys, certified public accountants, tax accountants, academics, persons familiar with investment banking business and persons outside the Company with experience as directors or executive officers of other companies).
3. The term of office of the Independent Committee members shall expire at the conclusion of the first Board of Directors' meeting held after the Annual General Meeting of Shareholders for the last fiscal year ending within one year after their appointment, provided, however, that their reappointment shall not be interfered. If the Board of Directors of the Company, etc. resolves to discontinue the Plan, their term of office shall be terminated at the time of the discontinuation of the Plan.
4. When a member of the Independent Committee, who has been an Outside Auditor & Supervisory Board Member of the Company, ceases to be an Outside Auditor & Supervisory Board Member, or no longer meets the qualification requirement set out by the Company, his/her term of office as a member of the Independent Committee shall be terminated at the same time.
5. The Independent Committee shall make recommendations on the matters consulted by the Board of Directors of the Company, including whether the Large-scale Purchaser complied with the Large-scale Purchase Rules, whether the Large-scale Purchase is considered to significantly compromise the Company's corporate value and the common interest of its shareholders, whether or not to implement the Countermeasures, whether or not to suspend the Countermeasures once implemented, by providing, in principle, the contents of the decisions along with their reasons and grounds to the Board of Directors of the Company. Each member of the Independent Committee is required to make decisions from the perspective of protecting the Company's corporate value and the common interest of its shareholders, not for the purpose of personal gains for himself/herself or for Directors of the Company.
6. The Independent Committee may seek advice in making deliberations or resolutions, as appropriate, from third parties independent from the Company (including but not limited to specialists such as financial advisors, certified public accountants, attorneys and consultants) at the expense of the Company.
7. Resolutions of the Independent Committee shall be made with all members of the Committee in attendance and by a majority of those in attendance, provided, however, that if any member of the Committee is absent due to sickness or other unavoidable circumstance of similar nature, resolution may be made with a majority of the members in attendance.

(Appendix 3)**Names and Career Summaries of the Members of the Independent Committee**

The following three persons are scheduled to be the members of the Independent Committee at the time of the renewal of the Plan (as listed in the order of the Japanese syllabary).

Takahisa Tabata (Date of birth: August 28, 1956)	April 1980	Joined Tokyo Kaikan Co., Ltd.
	October 1987	Joined Ota & Showa Audit Corporation
	March 1991	Registered as a certified public accountant
	June 1993	Established Tabata Certified Public Accountant Office
	June 2006	Substitute Auditor & Supervisory Board Member of the Company
	June 2010 June 2010	Auditor & Supervisory Board Member of the Company (to present) Independent Committee Member of the Company (to present)
Yoshifumi Nakano (Date of birth: May 10, 1948)	March 1967	Graduated from Nagoya Training Institute of National Tax College
	July 2002	District Director of Hamamatsuhigashi Tax Office
	July 2006	First Deputy Commissioner, Second Taxation Department of Nagoya Regional Taxation Bureau
	July 2007	District Director of Shizuoka Tax Office
	August 2008	Started to practice as a tax accountant
	June 2012 June 2015	Substitute Auditor & Supervisory Board Member of the Company Auditor & Supervisory Board Member of the Company (to present) Independent Committee Member of the Company (to present)
Shigeo Muraoka (Date of birth: July 7, 1933)	April 1957	Joined the Ministry of International Trade and Industry
	June 1986	Director-General, Trade Policy Bureau of the Ministry of International Trade and Industry
	June 1988	Deputy Director-General for International Trade and Industry of the Ministry of International Trade and Industry
	June 1995	Chairman and Representative Director of FUJITSU RESEARCH INSTITUTE
	June 2004	Director of Sojitz Corporation
	April 2005 June 2008	Adviser of The Institute of Energy Economics, Japan (to present) Independent Committee Member of the Company (to present)

- * Messrs. Takahisa Tabata and Yoshifumi Nakano are currently the Auditor & Supervisory Board Members as defined under Article 2, Item 16 of the Companies Act. The Company has entered into agreements to limit liability for compensation as stipulated under Article 423, Paragraph 1 of the Companies Act with them. There is no special interest between the Company and the two Auditor & Supervisory Board Members.

(Appendix 4)

Outline of a Gratis Allotment of Stock Acquisition Rights

1. Shareholders entitled to the allotment of stock acquisition rights and the method for allotment
One stock acquisition right shall be allotted for each share of the common stock held by shareholders (excluding, however, the Company's shares held by the Company) to the shareholders registered on the final shareholder register as of the record date as set out by the Board of Directors of the Company.
2. Class and number of shares to be delivered upon the exercise of stock acquisition rights
One share of the Company's common stock shall be delivered upon the exercise of one stock acquisition right.
3. Total number of stock acquisition rights to be allotted to shareholders
The total number of stock acquisition rights to be allotted to shareholders shall not exceed the number of issued shares of the Company as of the record date (excluding, however, the number of the Company's shares held by the Company).
4. Type and amount of assets to be contributed upon the exercise of each stock acquisition right
The assets to be contributed upon the exercise of each stock acquisition right shall be cash in the amount no less than ¥1 per share as determined by the Board of Directors of the Company.
5. Restrictions on the transfer of the stock acquisition rights
The transfer of the stock acquisition rights shall require the approval of the Board of Directors of the Company.
6. Conditions for exercising the stock acquisition rights
The Large-scale Purchaser, its joint holders, its specially related parties and any third party in a communicative relationship with the Large-scale Purchaser with respect to the Large-scale Purchase (including joint holders and specially related parties of such third party) shall not be able to exercise the stock acquisition rights, while any other conditions for exercising the stock acquisition rights shall be decided separately by the Board of Directors of the Company.
7. Acquisition terms
On the date set out by the Board of Directors of the Company (hereinafter the "Acquisition Date"), the Company may acquire all of the stock acquisition rights yet to be exercised as of the day preceding the Acquisition Date (excluding, however, the stock acquisition rights held by a party who cannot exercise the stock acquisition rights due to the conditions for exercising the stock acquisition rights, exercise period and other acquisition terms as determined by the Board of Directors), and grant one share of the Company's common stock in exchange for each stock acquisition right acquired.
8. Exercise period for the stock acquisition rights
Exercise period for the stock acquisition rights and other matters required to be determined shall be decided separately by the Board of Directors of the Company.
9. Changeability
This outline may be subject to a change by the authority of the Board of Directors' meetings held for making resolutions for the gratis allotment of stock acquisition rights as the implementation of the Countermeasures.