

6th Medium-Term Management Plan

Resonate 2021

“Resonate 2021” represents a slogan for the 6th Medium-term Management Plan for the period from 2019 to 2021.

March 27, 2019

Kawai Musical Instruments Mfg. Co., Ltd.

Summary of Resonate 2018, the 5th Medium-Term Management Plan

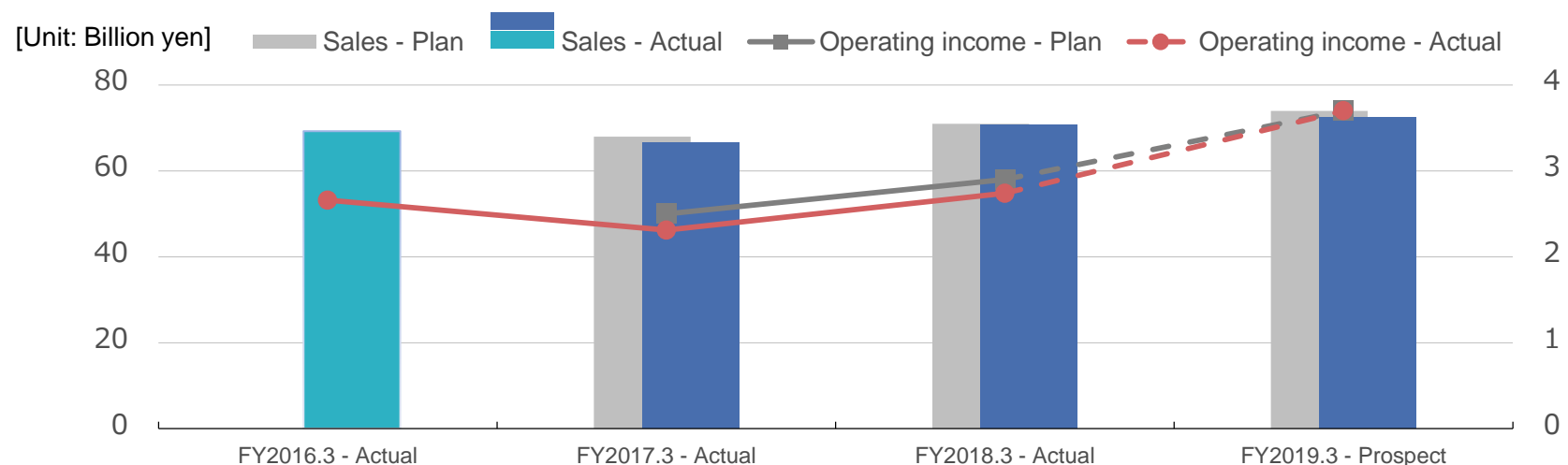
Key Strategies	Challenging for further growing of core business	<ul style="list-style-type: none"> Expanded the sales of “Shigeru Kawai Grand Pianos”, a series of flagship models. Established the stores in Dallas, Hamburg, and incorporated a wholesale company in France. Renovated the stores in Fukuoka and Sendai, Relocated the store in Hamamatsu. Built and promoted the foundation for medium- and long-term growth of business in China. Created the CSCLF (China Soong Ching Ling Foundation) Kawai Music Welfare Fund and opened the Kawai Music Schools. Concluded the basic agreement for cooperation in respect of piano technical service business between the China Musical Instrument Association and KAWAI.
	Manufacturing innovation	<ul style="list-style-type: none"> Released high value added products of a new category, which include: “NOVUS NV10”, a hybrid digital piano “AURES”, a hybrid upright piano
	Expanding of material processing business	<ul style="list-style-type: none"> Expanded an amount of orders for materials which correspond to parts used for CVT and semiconductors in metal business.
	Investment and capitalization policy	<ul style="list-style-type: none"> Conducted the capital investments to improve productivity and enhance the distribution channel of stores under direct management and so on. Conducted acquisition of treasury stocks.
Building foundation	Establishing the brand	<ul style="list-style-type: none"> Turkish pianist Can Çakmur won the first place playing a Shigeru Kawai SK-EX full concert grand piano at the 10th Hamamatsu International Piano Competition. Released “CRYSTAL GRAND CR-1M” on the 90th anniversary of company.
	Enhancing employee competence	<ul style="list-style-type: none"> Enriched the content and the extent of education and training depending on job careers, and facilitated job-rotation. Strengthened employee competence by sales organization reform.

Summary of Resonate 2018, the 5th Medium-Term Management Plan

Business trend

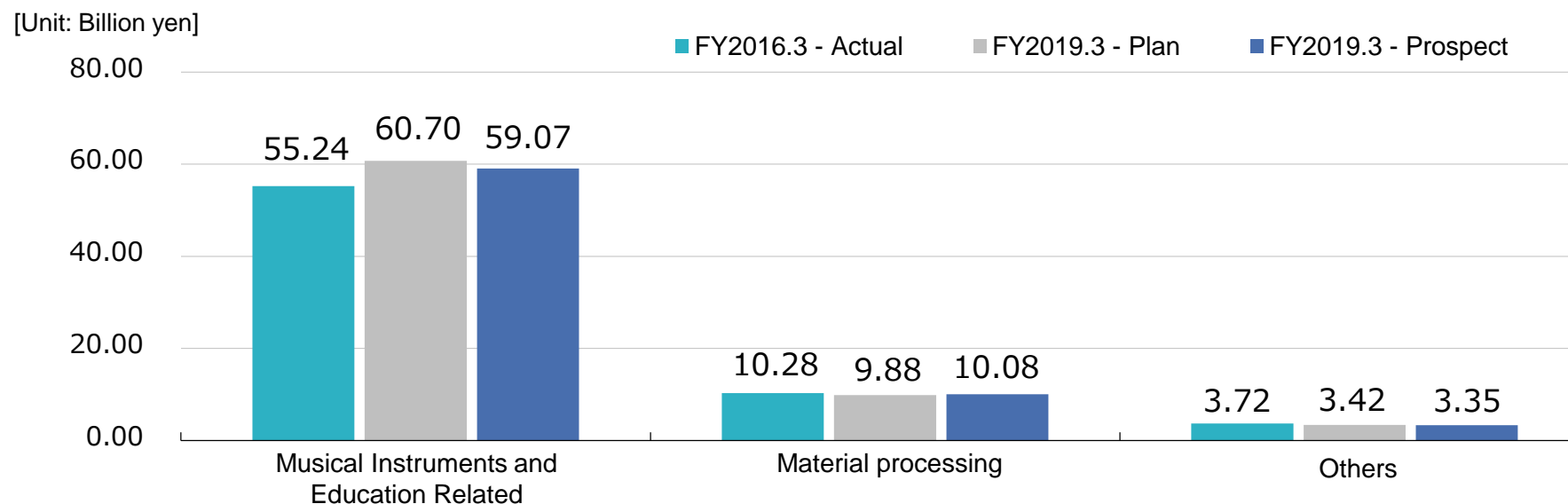
	4th	5th Medium-term Management Plan					
	FY2016.3	FY2017.3		FY2018.3		FY2019.3	
[Unit: Billion yen]	Actuals	Plan	Actuals	Plan	Actuals	Plan	Prospect
Sales	69.25	68.00	66.54	71.00	70.79	74.00	72.50
Operating income	2.66	2.50	2.31	2.90	2.74	3.70	3.70
Operating income margin	3.8%	3.7%	3.5%	4.1%	3.9%	5.0%	5.1%
Ordinary income	2.62	2.30	2.57	2.70	3.06	3.50	3.90
Current net income	1.79	1.60	1.63	2.05	1.95	2.10	2.10
ROE	9.3%	7.6%	7.6%	9.1%	8.6%	8.6%	8.7%

Sales and Operating income trend

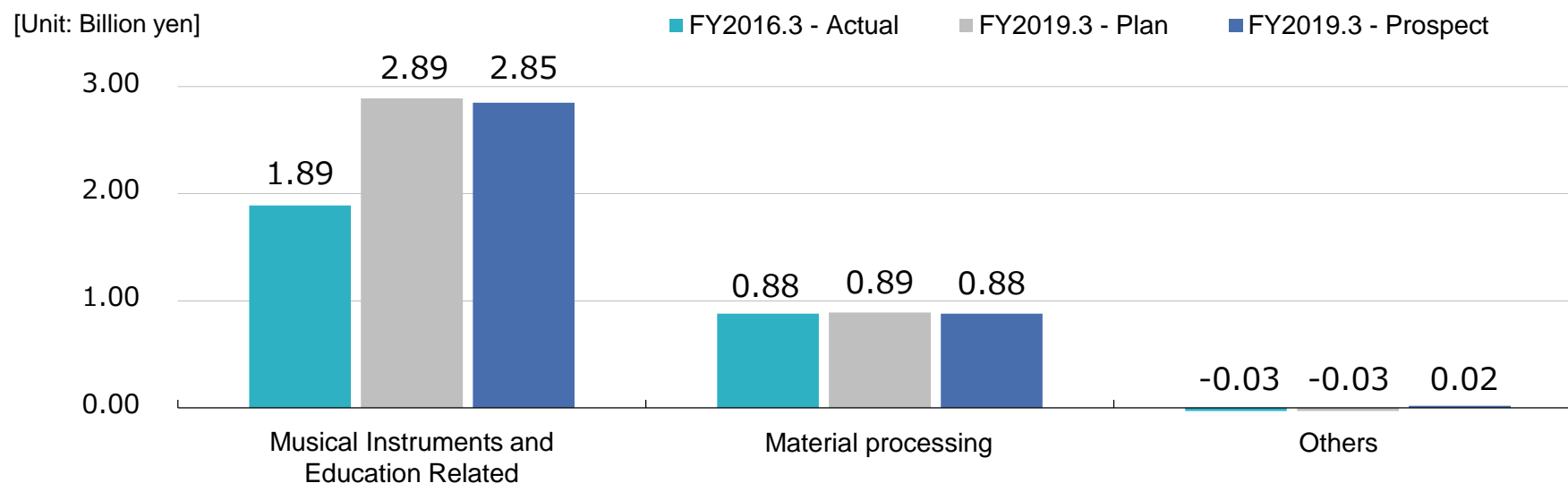


Summary of Resonate 2018, the 5th Medium-Term Management Plan

Sales by business categories

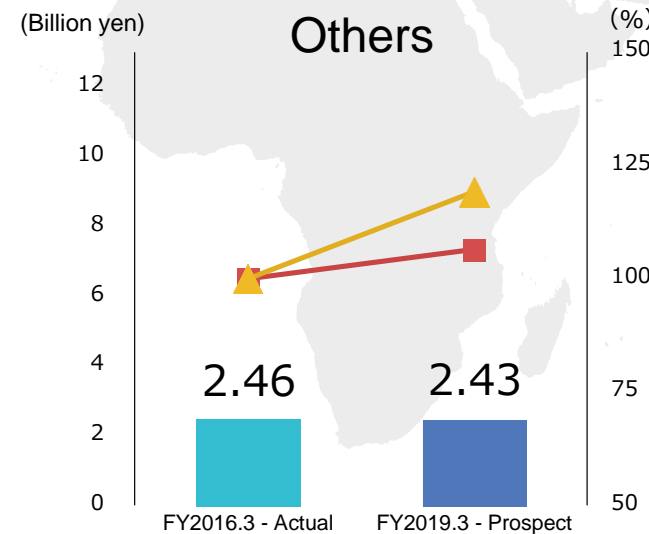
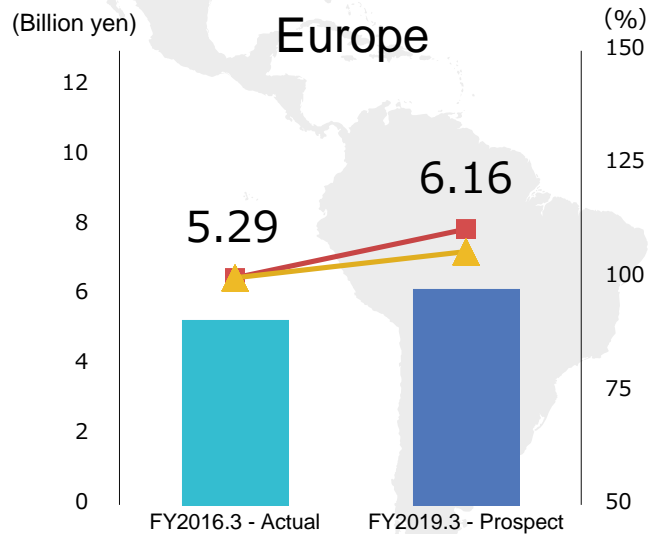
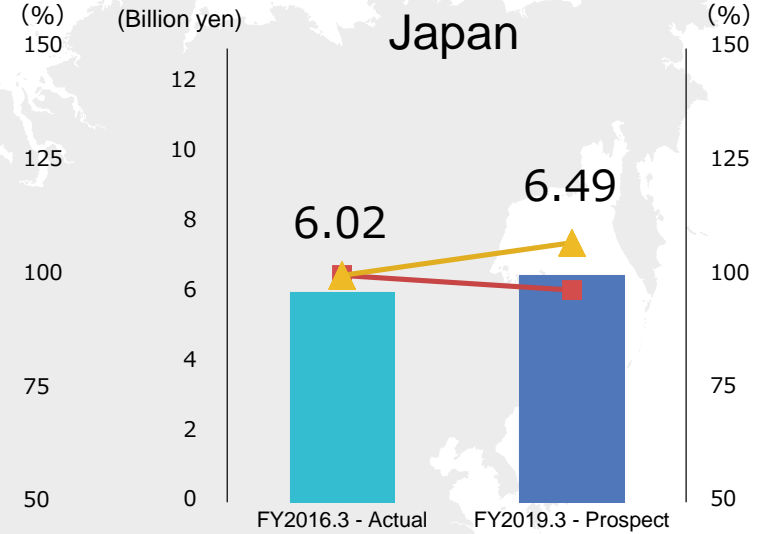
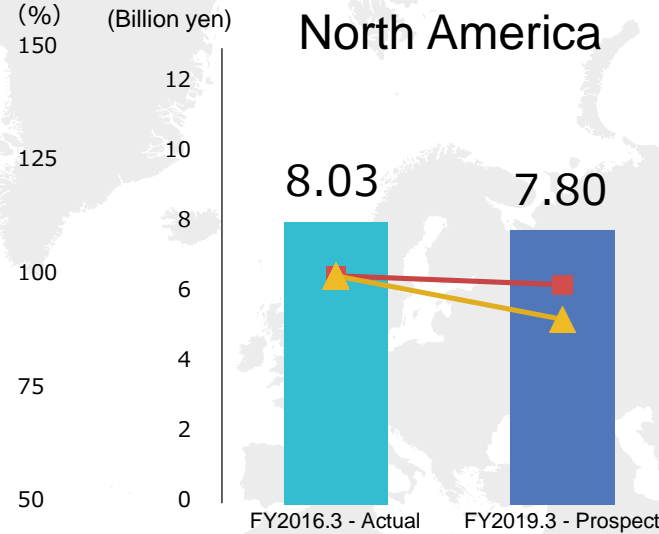
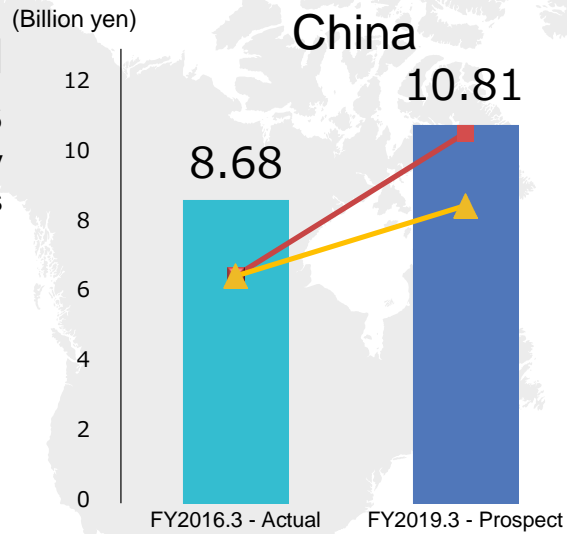


Operating income by business categories



Summary of Resonate 2018, the 5th Medium-Term Management Plan

Keyboard instruments Sales plan by regions



Rate	Growth rate of piano units sold		Growth rate of digital piano units sold	
	FY2016.3 - Actual	FY2019.3 - Prospect	FY2016.3 - Actual	FY2019.3 - Prospect
\$	121.1	110.4		
€	134.3	130.4		

Foreign exchange fluctuations rate at strong yen
[Operating income]

\$	+ 35 million yen/FY
€	▲ 27 million yen/FY

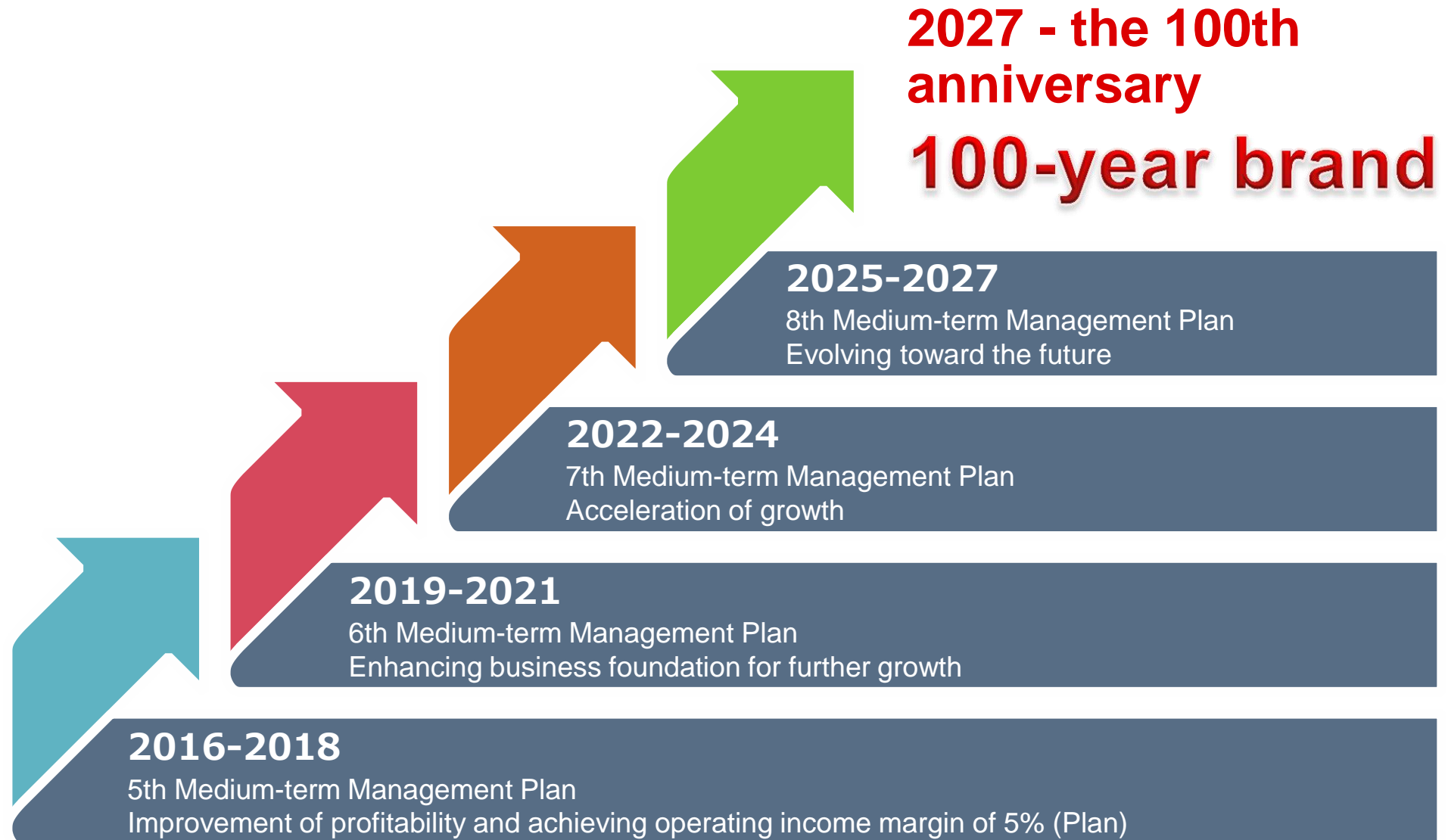
In order to make the Corporation more creative and likeable.....

- We create a rich, pleasant environment for living.
- We provide our products and services with our customers' satisfaction as the first priority.
- We carry out our corporate activities toward the future.
- We take good care of our employees and aim to make the Corporation fair and open.

Aim to become the top brand of piano manufactures that is Kawai's foundation and origin of business. Continue to grow by improving the corporate value and brand power through pursuing customer satisfaction and development of music culture.

100-year brand

- Further strengthen the Sales ability, the Competitiveness, the Productivity, and the Organizational ability in order to enhance KAWAI brand power and enrich the profitability and corporate value in a dramatic manner.
- Aim to become No.1 worldwide in piano market, and enhance the profitability from Musical Instruments and Education Related Business that is the core business of Kawai.



■ Basic Principles

Promote the prioritized strategies and business strategies for building the 100-year brand, and enhance business foundation for each business.

■ Prioritized Strategies

Enhance “Sales ability”, “Competitiveness and services”, “Productivity”, and “Organizational ability” and unite them to aim the profitability from Musical Instruments and Education Related Business and the business expansion. And then achieve the further growth of KAWAI.

■ Business Strategies

Enhance further development of the prioritized business so that the medium and long term plan can be achieved.

- Overseas evolution of education and technical service business.
- Material processing business



Prioritized Strategies

■ Enhancing Sales Ability

Trend in mature markets: the sales are expected to remain at the same level or grow slightly at the several percentage each year in Japan, North America, and Europe.

- Enhance the sales of “Shigeru Kawai Grand Pianos”, a series of flagship models, and Hybrid Pianos that are with high value added.
- Enhance the sales channel.

Overseas markets

- Expand the sales of the direct retail stores at Houston, Dallas, and Hamburg, and the wholesale in France and Russia.



Houston



Dallas



Hamburg

Japanese market

- Establish the system which direct sales, technical service, music schools and wholesale divisions closely cooperate with one another, and aim to enhance the sale foundation by using this system and CRM (i.e. customer relationship management).
- Renovate the flagship stores and enhance the sales ability in Tokyo Greater Area.



KAWAI Omotesando

- Increase amounts of units sold and improve the profitability by enhancing the customer’s reliance on the corporation.
- Expand Musical Instruments and Education Related Business by increasing the number of students of piano lessons.

■ Enhancing Sales Ability

Trend in the Chinese market: this is the largest market worldwide, pricing range of which is wider as in Europe and US.

- Enhance business affiliated with the partners, covering the entire process from product planning to manufacturing/distribution.
- Expand sales of digital piano.
- Enhance coordination between music schools business and technical service business to facilitate expansion of these businesses.

Trend in emerging markets: Musical Instruments and Education Related Business is growing steadily, and is expected to continue to grow in the medium and long term.

- Accelerate expansion of instrument sales and establishment of music schools in the South-east Asia.
- Promote market development in Central and South America, Middle and Near East, and Africa.



Kolkata, India

■ Enhancing the Competitiveness and Services

- Continue to conduct material and fundamental R&D in order to improve quality and competitiveness of pianos, including “Shigeru Kawai”, and pursue enhanced customer satisfaction.
- Enhance development of hybrid products and digital pianos in pursuit of touch and sound.
- Establish the function of product planning and development in production department in order to accommodate the market needs.
- Enhance product development targeting China.
- Increase the strength and speed of product development in order to carry out strategies for business in areas with a weaker market share.



AURES



NOVUS NV10

■ Enhancing the Competitiveness and Services

- Improve the brand power by strengthening relation with international piano competitions, pianists and artists.
- Train MPA (Master Piano Artisan) and enhance after-sales service in order to increase customer satisfaction.
- Have an integrated management system in place which covers product planning, designing and promotion in order to enhance brand marketing.



© Hamamatsu International Piano Competition

■ Enhancing Productivity

Enhance the global and flexible production systems, and make investments mainly on facilities in furtherance of improvement of QCD*. (* Quality, Cost, Delivery)

Piano

- Succeed KAWAI's only one technology to the next generations at Ryuyo Factory, a mother factory of the Company, and progress the piano production globally for building the 100-year brand.
- Enhance the innovation and capacity of the production line for Shigeru Kawai Grand Piano.
- Introduce a new production system to promote cost management and optimized production to deal with change of economic environments in a timely and flexible manner.



Digital piano

- Enhance the production system to deal with increase in sales worldwide, in particular in China.
- Create an in-house production process, and engage in continuous cost reduction activities.



PT.Kawai Indonesia Plant 3

■ Enhancing Organizational Ability

Enhance the expertise and diversity of employees to lead KAWAI Group dynamic operation in the medium and long term.

- Adopt and promote “Sound Governance (Health and Productivity Management)” wherein employees can work lively.
- Enhance the expertise and ability by expanding educational and training programs according to job positions.
- Promote a support system and reform the work style so women can both work and raise a family or provide nursing care.
- Promote training of the employees who can engage in global business.



Enhancing business foundation

- Enhance the cross-sectional organizational system for growth and the management process.
- Improve the productivity throughout the corporation, and promote the efficiency of daily routine work.

Business Strategies

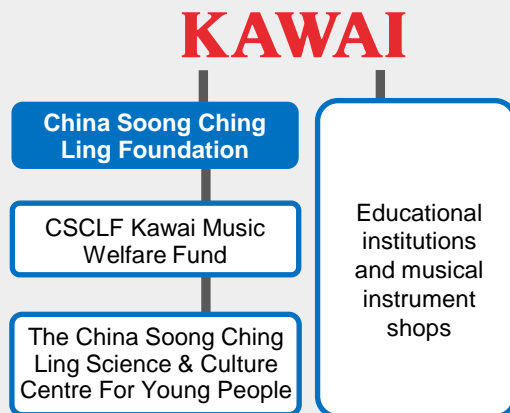
■ Overseas Evolution of Music Education and Technical Service Business

Promotion of building foundation to increase the overall KAWAI's brand power

China

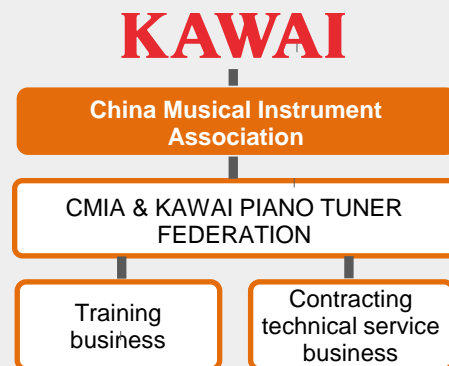
Music schools business

- Enhance affiliated business with the China Soong Ching Ling Foundation.
- Develop lessons based on diversified needs.
- Organize instructors certified by KAWAI.
- Expand regions of educational institutions and musical instrument shops that provide lessons.



Technical service business

- Expand piano technician training business in collaboration with China Music Instrument Association.
- Expand services of contracting technical service business.



South East Asia



■ Material Processing Business

Metal Business

- Enhance the production system to adapt to increased orders for CVT (Continuously Variable Transmission) parts, which will require 1.8 billion yen capital investment (total for 3 years).
- Enhance development and distribution channel of new products for adapting to EV (Electric Vehicle).



Finishing Business

Develop unique finishing technologies, and expand orders from customers by boosting the cost competitiveness.



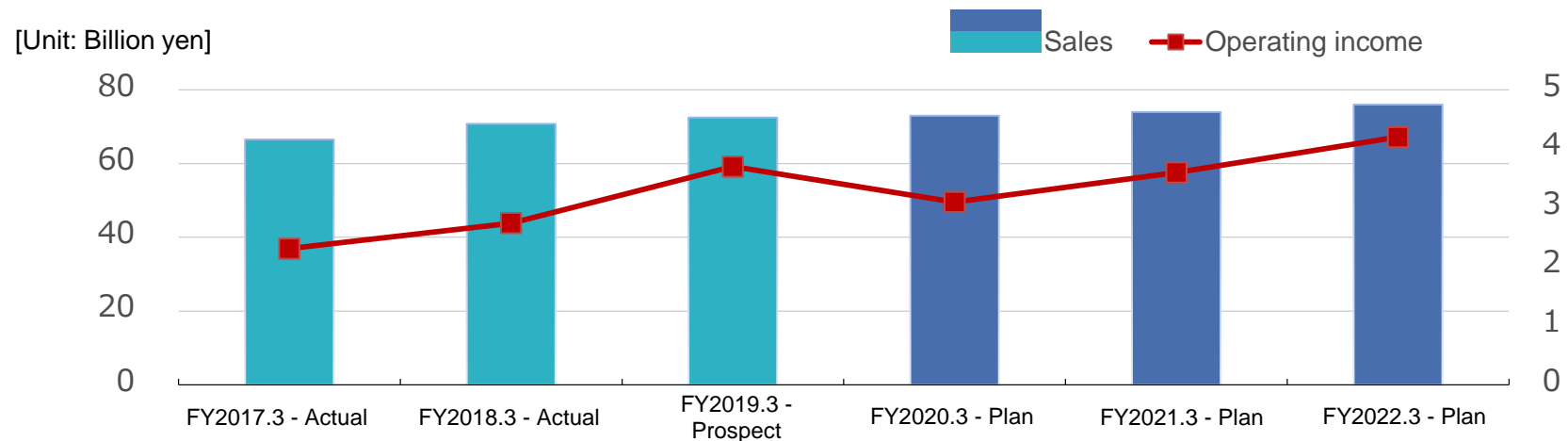
6th Medium-Term Management Plan Business Objectives

Business trend

	FY2019.3 - Prospect	FY2020.3 - Plan	FY2021.3 - Plan	FY2022.3 - Plan
[Unit: Billion yen]				
Sales	72.50	73.00	74.00	76.00
Operating income	3.70	3.10	3.60	4.20
Operating income margin	5.1%	4.2%	4.8%	5.5%
Ordinary income	3.90	3.10	3.60	4.20
Current net income	2.10	1.90	2.25	2.65
ROE	8.7%	7.5%	8.3%	9.2%
Exchange rate				
US\$	110.4 yen	110.0 yen	110.0 yen	110.0 yen
EURO	130.4 yen	125.0 yen	125.0 yen	125.0 yen

The current net income is this term's net profit attributed to the shareholders of the parent company.

Sales and Operating income trend

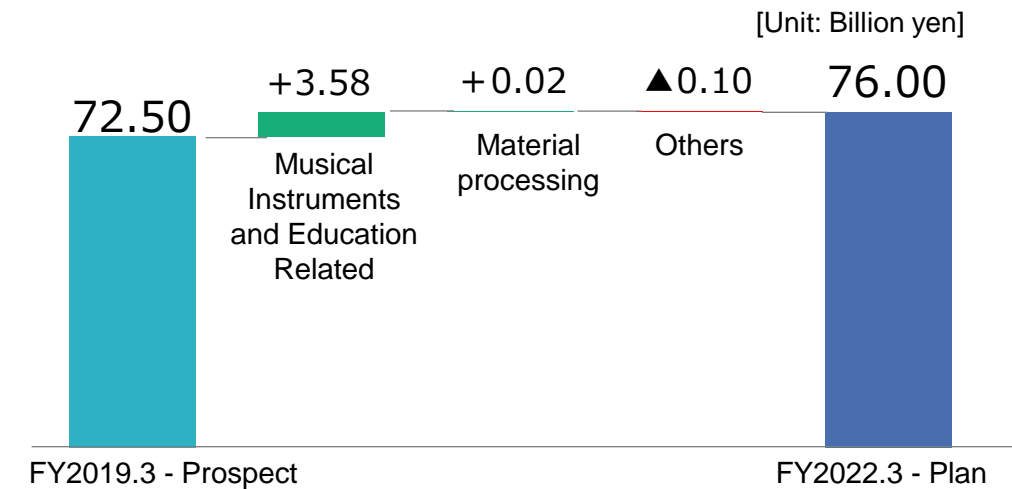


6th Medium-Term Management Plan Business Objectives

Sales by business categories

[Unit: Billion yen]

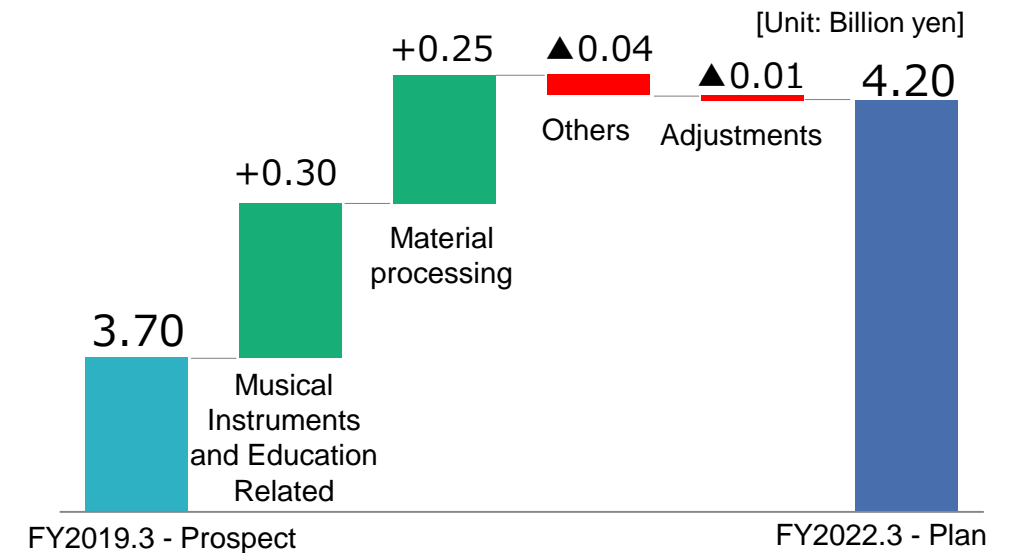
	FY2019.3 - Prospect	FY2022.3 - Plan	Sales growth rate in three years
Musical Instruments and Education Related	59.07	62.65	+6.0%
Material processing	10.08	10.10	+0.1%
Others	3.35	3.25	▲2.9%



Operating income by business categories

[Unit: Billion yen]

	FY2019.3 - Prospect	FY2022.3 - Plan	Sales growth rate in three years
Musical Instruments and Education Related	2.85	3.15	+10.5%
Material processing	0.88	1.13	+28.4%
Others	0.02	▲0.02	—
Adjustments*	▲0.05	▲0.06	—

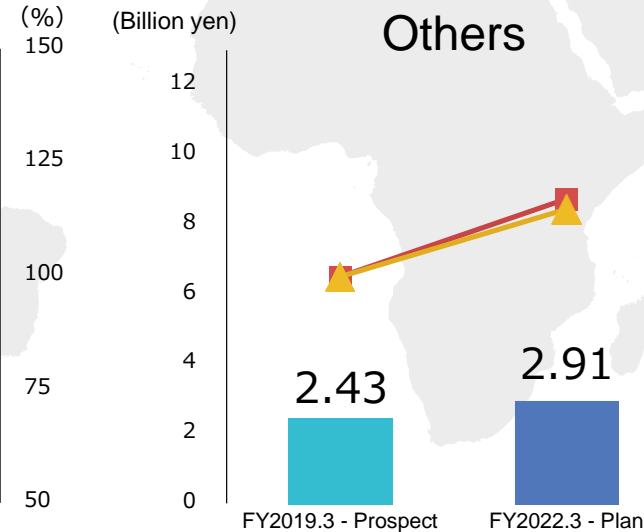
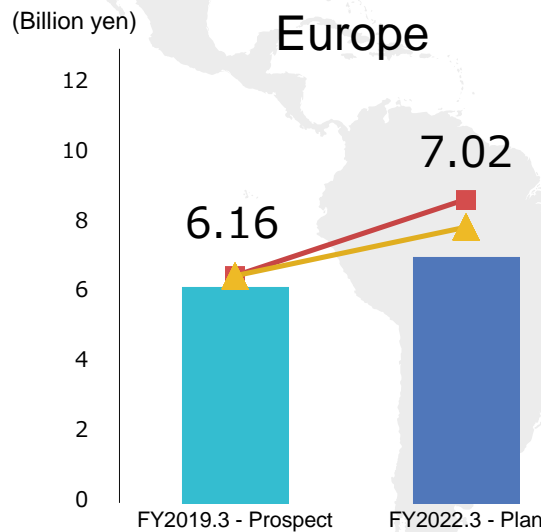
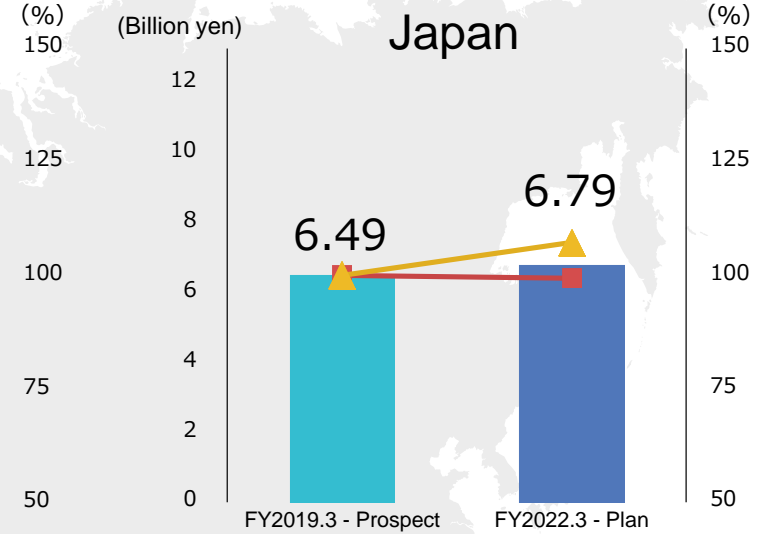
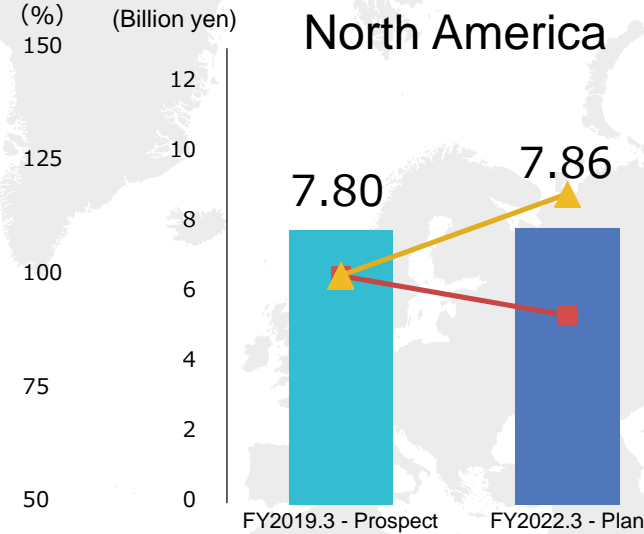
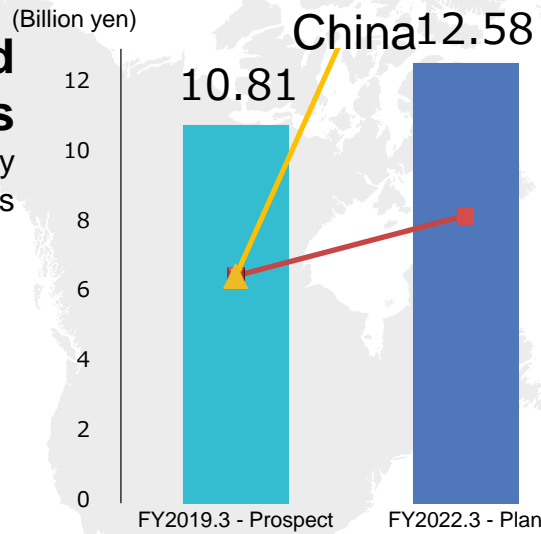


* "Adjustments" are elimination of inter-segment transactions, and whole company expense not distributed to each segment.

6th Medium-Term Management Plan Business Objectives

Keyboard instruments

Sales plan by regions



	FY2019.3 - Prospect	FY2022.3 - Plan
Growth rate of piano units sold	~65	~65
Growth rate of digital piano units sold	~65	~88
Rate		
\$	110.4	110.0
€	130.4	125.0
Foreign exchange fluctuations rate at strong yen [Operating income]		
\$	+ 34 million yen/FY	
€	▲ 29 million yen/FY	

■ Capital Investment

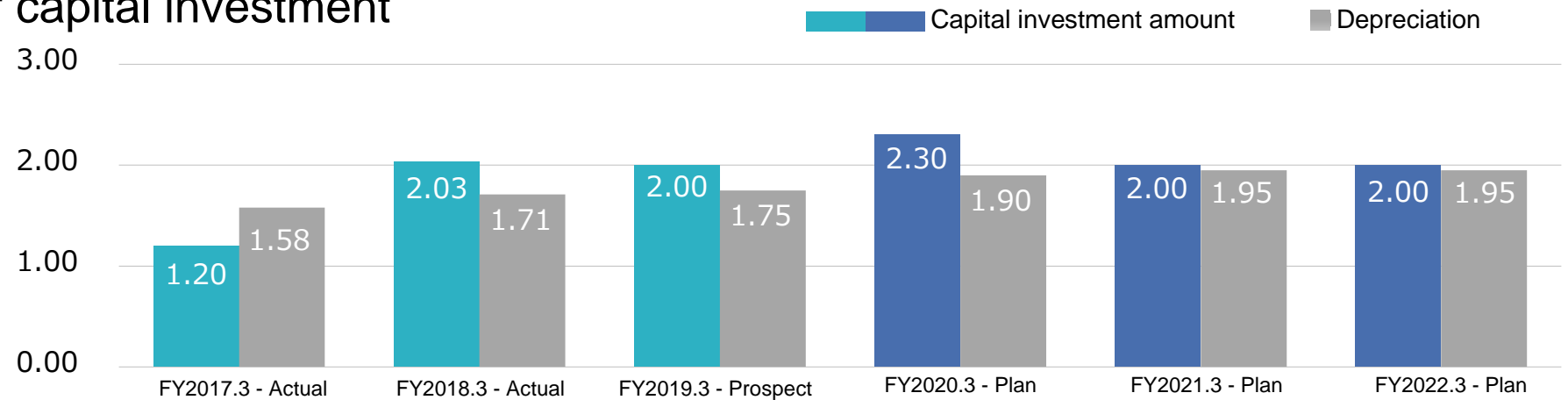
Investment for growth in an active way

[Unit: Billion yen]

		FY2019.3 - Prospect	FY2020.3 - Plan	FY2021.3 - Plan	FY2022.3 - Plan
Musical Instruments and Education Related Business	Production facilities, store remodeling, and new music schools establishment, and others.	1.00	1.15	1.00	1.33
Material Processing Business	Metal business production facilities, and others.	0.60	0.75	0.83	0.63
Others	In-house information technology investments, and others.	0.40	0.40	0.17	0.04
Total		2.00	2.30	2.00	2.00

Depreciation trend of capital investment

[Unit: Billion yen]

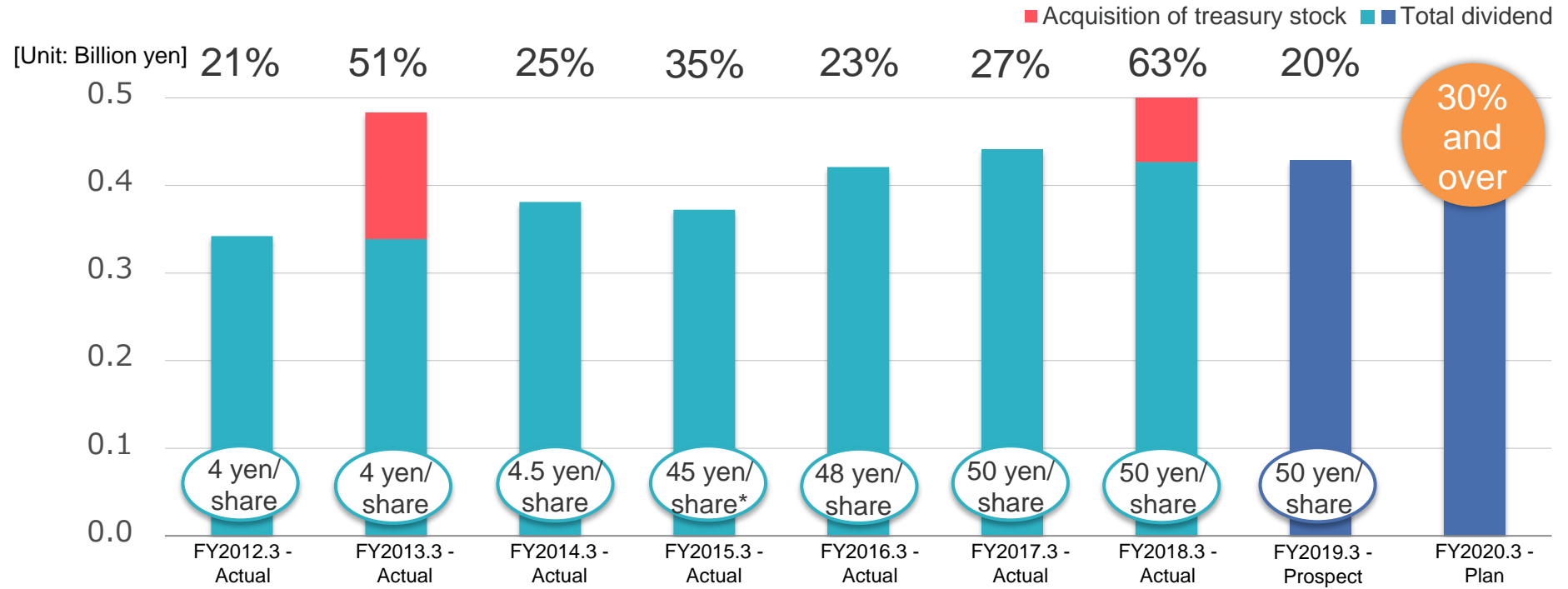


Return to Shareholders

Basic Principles

Target the total return ratio 30%.

Total dividend
Total return ratio



*Based on a reverse stock split, 1 share is issued for 10 ordinary shares.

■ Addressing ESG

KAWAI Group's activities that contribute to creation of a sustainable society

Environments

- Address actively procurement of materials and products that are less Substance of Concern, afforestation activities, and others for protection of the environments and resources in a whole Kawai group.

Society

- Engaging in, as a musical instrument manufacturer, enhancing and providing support to young musicians, through giving opportunities such as Shigeru Kawai International Piano Competition. Conducting music spread activities that contribute musical culture in each country.

Governance

- Committing to building a highly transparent corporate governance system, and establishing the 100-year brand and achieving continuous growth.

地球環境憲章
地球と人にやさしい企業をめざして

《基本理念》

「感動製造業」をモットーとする私たちは、地球市民の一員として環境と資源を守ると共に、真に豊かな心と社会の実現に尽くします。
また、グローバルな視野に立って地球環境にやさしい企業を目指します。

豊かな人間性や快適な生活環境の創造を
優れた研究、優れた技術、優れた商品の創造を
環境に優しい生産・流通・販売活動の創造を

《行動指針》

1. 音楽文化産業として、各々の事業分野で人と音との良好な関係を築いていきます。
2. 様々な場面で、環境への影響を科学的な方法により評価し、必要な対応策を実施することにより、環境の保全と人の健康を守ります。
3. 資源の有効活用と省エネルギーの推進を図ります。
4. 製品の研究開発・設計段階からリサイクルと廃棄物発生量の減少を目指します。
5. 環境の保全活動に関し、国内外の要請に応え、地域との共生を目指して積極的に参加し、保護対策を実施します。



KAWAI

THE FUTURE OF THE PIANO

In this document, the current plans and business prospects of KAWAI are based on information available as of the date hereof. Please note that actual business results may vary substantially, depending on various factors, such as economic circumstances.