

KAWAI

THE FUTURE OF THE PIANO

7th Medium-Term Management Plan

Resonate 2024

 SHIGERU KAWAI

Key Strategies

Enhance selling power

- Capture lifestyle changes and stay-at-home demand due to the COVID-19 pandemic and expand the global sales of digital pianos in addition to high-value-added products including “Shigeru Kawai” and hybrid products.
- Improved profitability through price optimization.
- Despite the impact of the suspension of music classes due to COVID-19, the number of piano course students increased from the pre-pandemic level as a result of measures for ensuring safety and peace of mind.

Strengthen products and services power

- Developed hybrid pianos, “NOVUS NV10S” and “NOVUS NV5S”.
- Released high-end upright pianos into the Chinese market.
- Released collaboration products of mini pianos: “First-class wooden furniture-style mini grand piano” and “Lexus original mini piano”.
- Two contestants using our pianos were prize winners at the 18th International Chopin Piano Competition.



Key Strategies

Strengthen production power

- Strengthened the production system for pianos, including “Shigeru Kawai”, at Ryuyo Plant and in Indonesia.
- Expanded production capacity for digital pianos to accommodate strong demand.
- Developed an optimal supply chain system amid disruptions to the procurement of raw materials and logistics due to COVID-19.
- Proceeded with initiatives to continuously improve quality and realized strategic cost management by starting operation of a new production system.

Deepen organizational power

- The Company was certified as a Health and Production Management Outstanding Organization (in the large corporation category).
- Enriched education and training programs for each level of employees and expanded and reinforced employee skills development.
- Implemented support for balancing work, child-rearing, and nursing care; and work-style reforms through the “Love it!” project for promoting women's participation and advancement.
- Sped up business management by holding weekly executive management meetings and flexibly responding to change in an uncertain external environment.
- Enhanced company-wide productivity by automating internal procedures and utilizing RPA.



Business Strategies

Overseas expansion of the educational and tuning business

- Advanced the establishment of infrastructure, such as online competitions and virtual grade tests, amid the restrictions on activities due to the impact of COVID-19.



Precision metal business

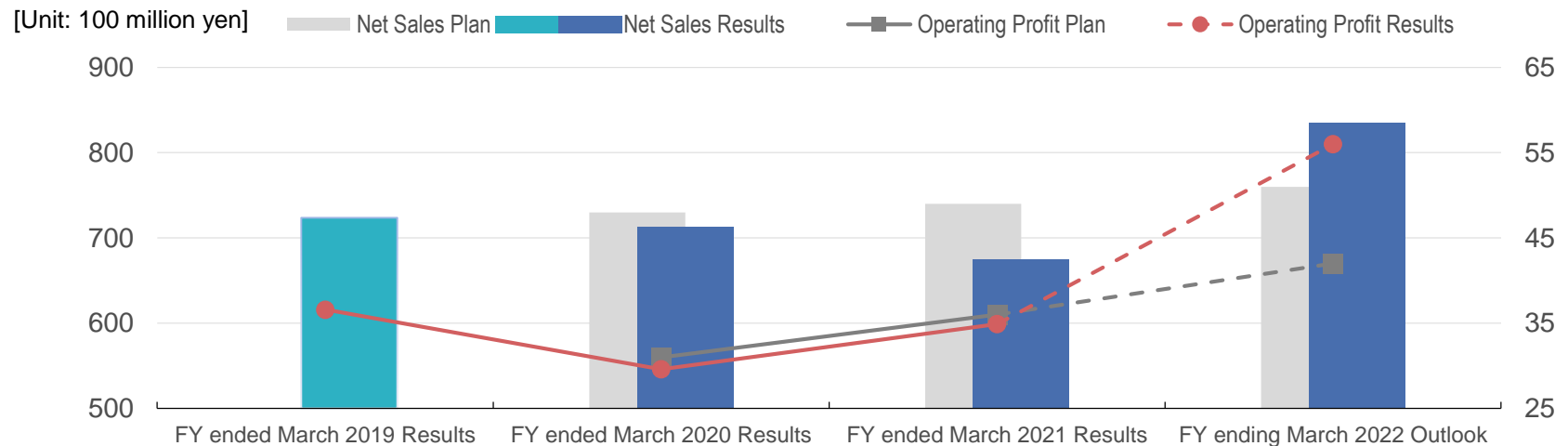
- In the metal business, volumes of orders received were generally firm, but planned large capital investments were suspended due to changes in the automobile industry, resulting from the COVID-19 pandemic.
- In the coating business, volumes of orders received fell in line with the trend in the automobile industry, caused by the spread of COVID-19.
- The audio business saw sales of soundproof rooms rise partly due to stay-at-home demand.

Earnings Trends

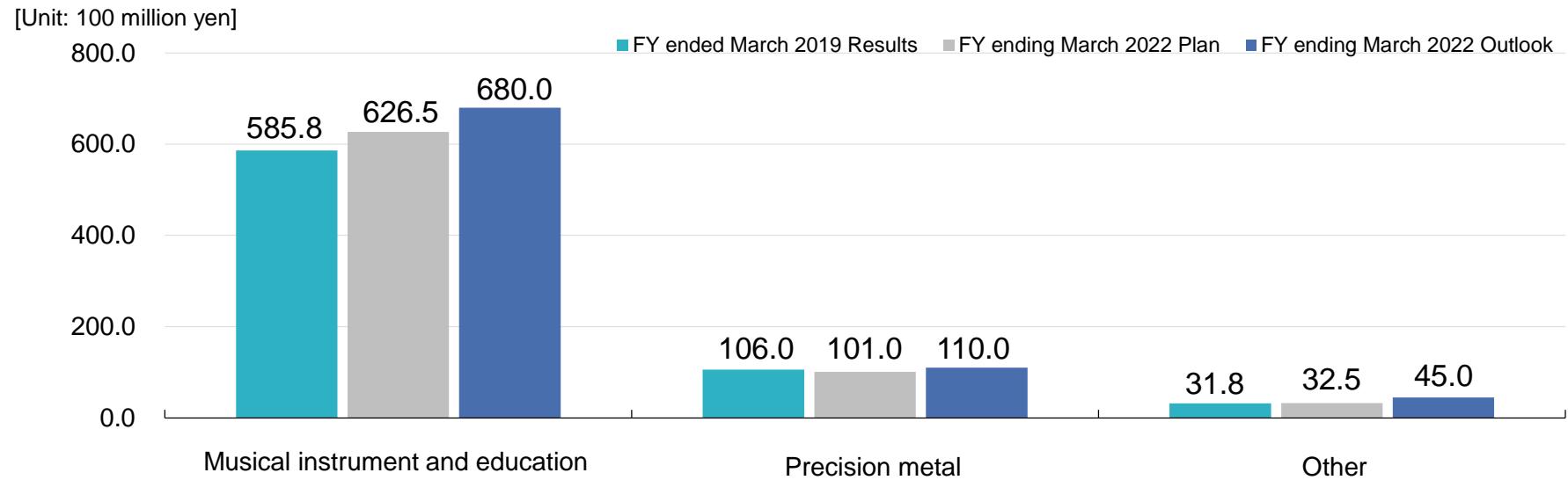
Neither net sales nor operating profit achieved the plan in the first and second fiscal years due to the impact of COVID-19. However, the Company expects to fulfill the consolidated profit and loss plan for the final year mainly due to the reopening of global economic activities and stay-at-home demand.

[Unit: 100 million yen]	FY ended March 2019	FY ended March 2020		FY ended March 2021		FY ending March 2022	
	Results	Plan	Results	Plan	Results	Plan	Outlook
Net sales	723.7	730.0	713.0	740.0	675.2	760.0	835.0
Operating profit	36.6	31.0	29.6	36.0	34.9	42.0	56.0
Operating margin	5.1%	4.2%	4.2%	4.9%	5.2%	5.5%	6.7%
Ordinary profit	39.1	31.0	31.1	36.0	40.0	42.0	58.0
Profit	20.1	19.0	15.4	22.5	25.7	26.5	37.0
ROE	8.4%	7.5%	6.1%	8.3%	9.7%	9.2%	12.0%

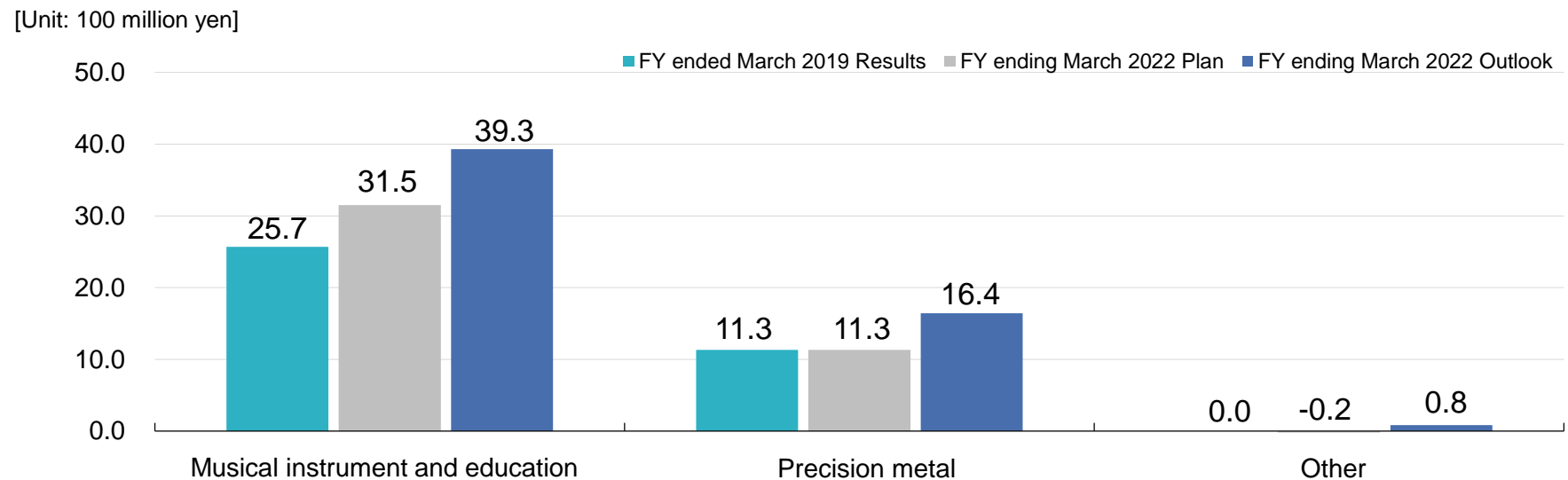
Net Sales Operating Profit Trends



Net Sales by Business Segment

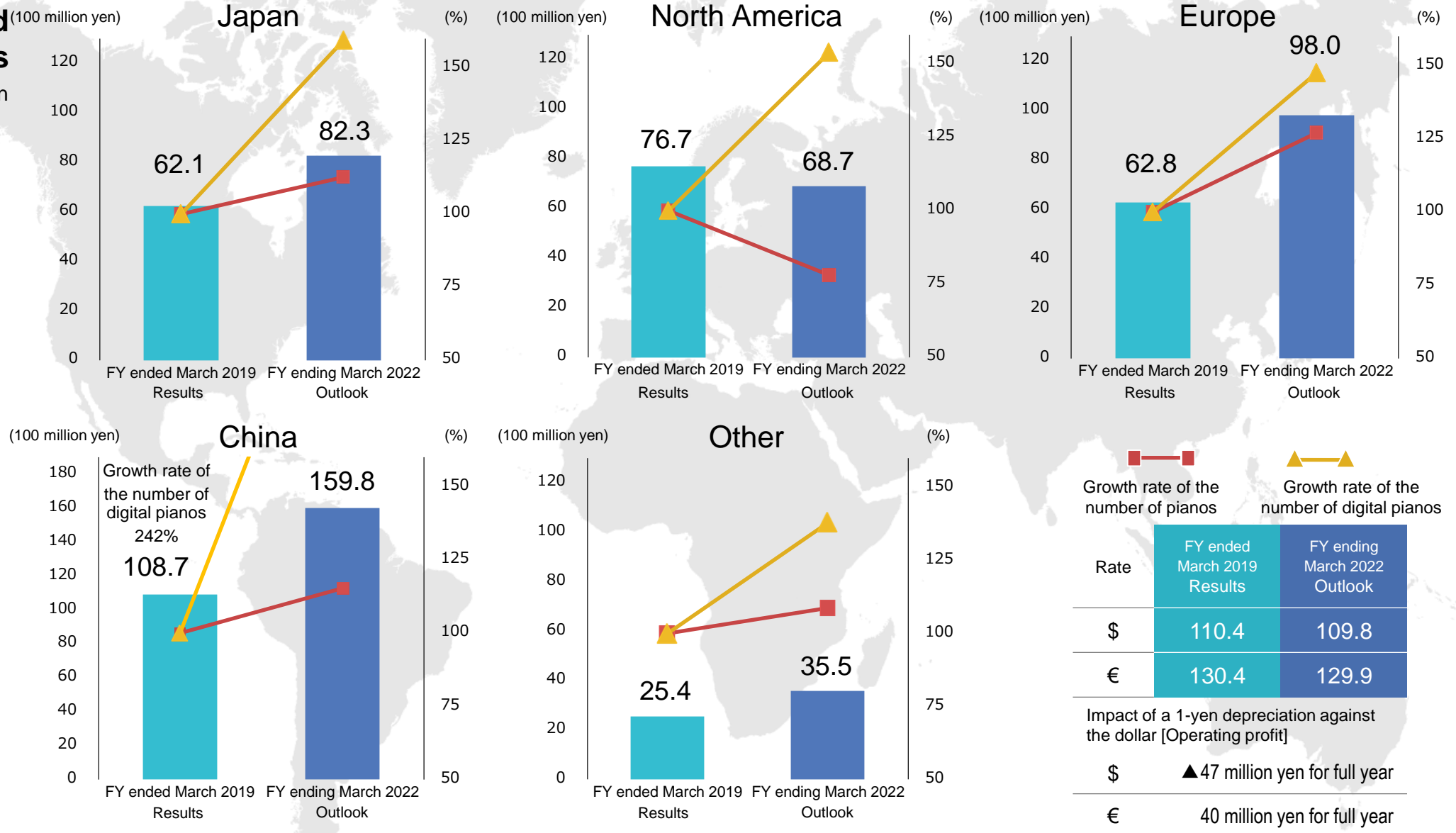


Operating Profit by Business Segment



Review of the 6th Medium-Term Management Plan Resonate 2021

Keyboard Instruments Sales Plan by Region



7th Medium-Term Management Plan

Resonate 2024

Aiming to Become a Creative and Highly Favored Company

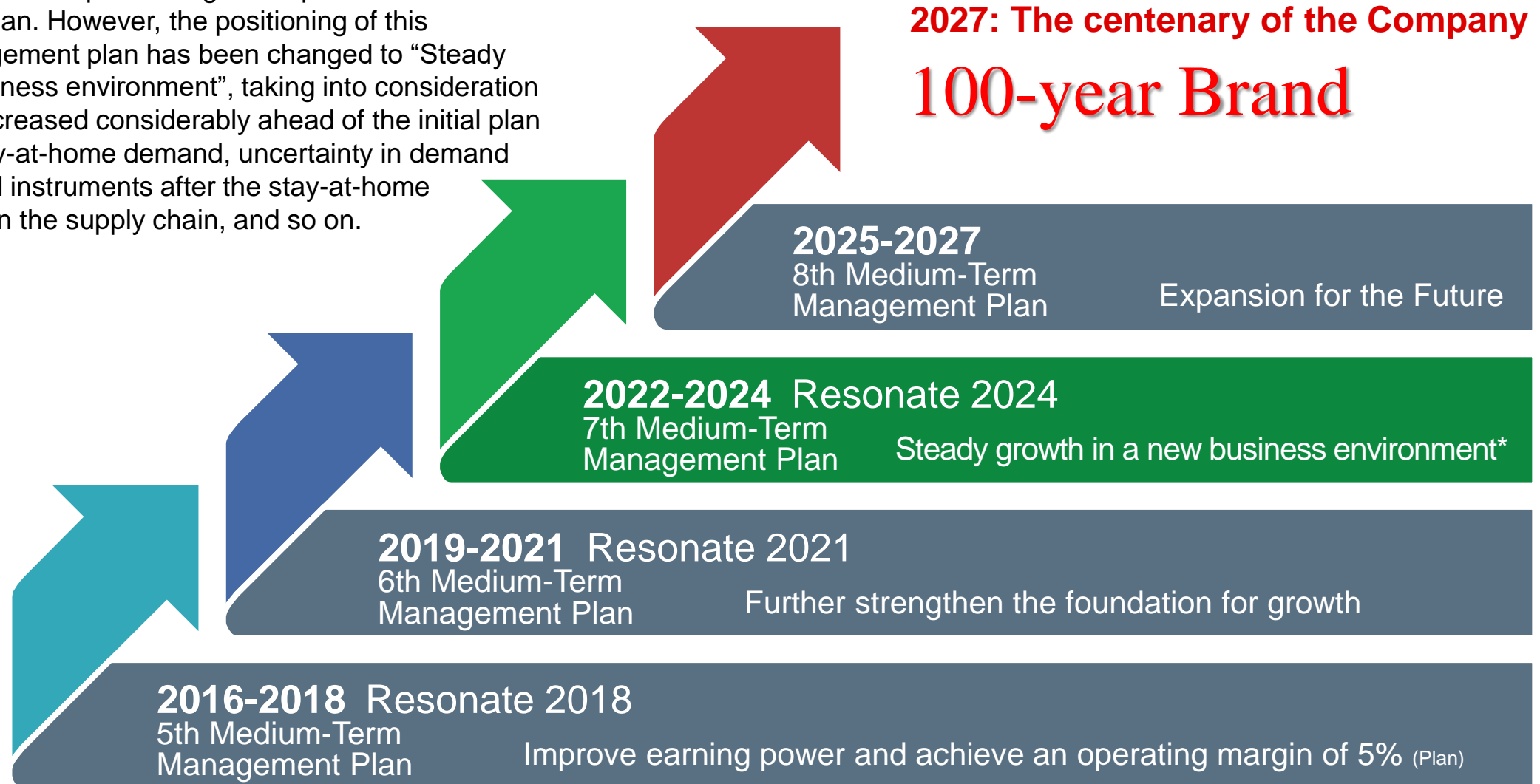
- Create a comfortable and affluent living environment
- Provide products and services that put customer satisfaction first
- Advance corporate activities for a new era
- Take care of employees and aim to become a cheerful company

Aim to become the top brand in piano manufacturing, which is the Company's founding business, strive to enhance corporate value and brand power and realize sustainable growth by pursuing customer satisfaction and developing music culture.

100-year Brand

- Aim for remarkable improvements in profitability and corporate value by further enhancing selling power, product power, production power and organizational power to reinforce the KAWAI Brand.
- Work on setting up the earning power of the musical instrument and education business, which is the core business, for the purpose of becoming “No. 1 in pianos”.

* “Speed up growth” was the positioning of the previous medium-term management plan. However, the positioning of this medium-term management plan has been changed to “Steady growth in a new business environment”, taking into consideration the fact that profit increased considerably ahead of the initial plan mainly thanks to stay-at-home demand, uncertainty in demand for keyboard musical instruments after the stay-at-home demand, disruption in the supply chain, and so on.

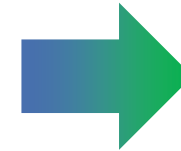


Earnings Goal

*Figures announced on February 9, 2022

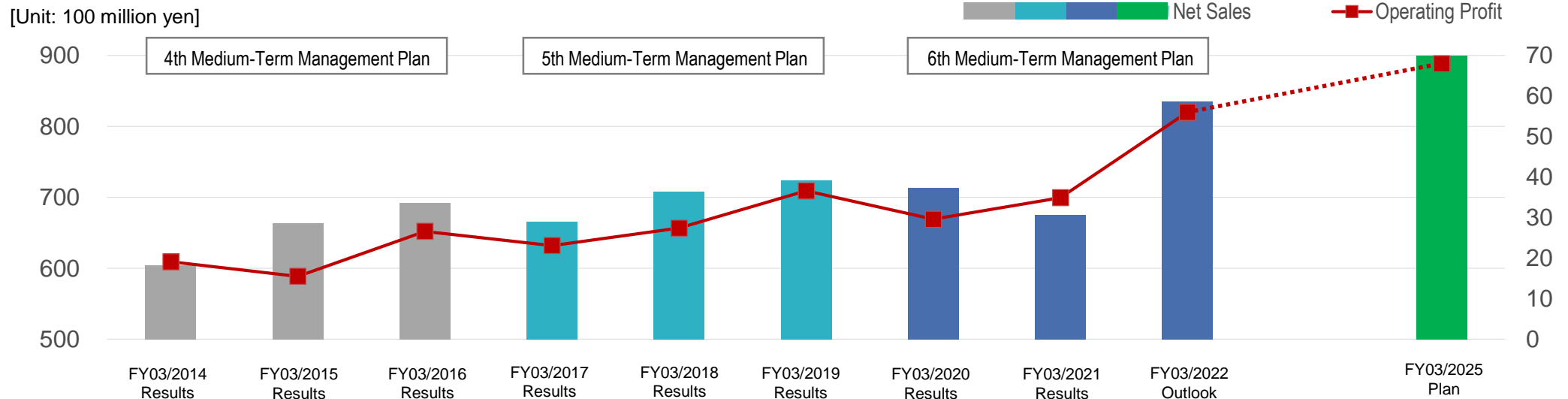
[Unit: 100 million yen]

	FY ending March 2022 Outlook*	FY ending March 2025 Plan
Net sales	835.0	900.0
Operating profit	56.0	68.0
Operating margin	6.7%	7.6%
Ordinary profit	58.0	68.0
Profit	37.0	44.0
ROE	12.0%	10% or more
Exchange Rate	US\$ 109.8 yen EURO 129.9 yen	115.0 yen 125.0 yen



Profit for the fiscal year under review is profit attributable to owners of the parent.

Net Sales Operating Profit Trends

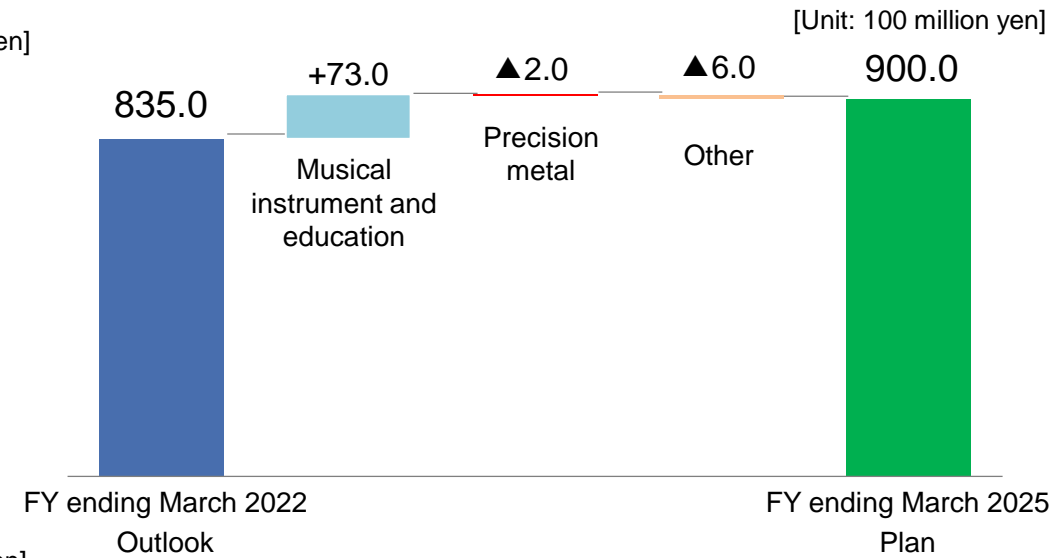


7th Medium-Term Management Plan Earnings Goal

Net Sales by Business Segment

[Unit: 100 million yen]

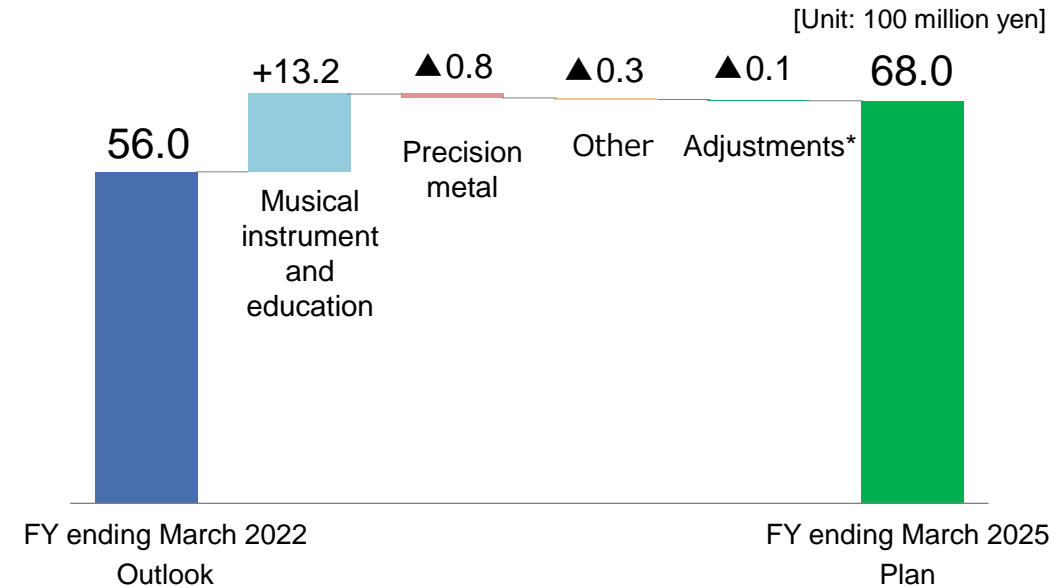
	FY ending March 2022 Outlook	FY ending March 2025 Plan	3 years Growth rate
Musical instrument and education	680.0	753.0	+10.7%
Precision metal	110.0	108.0	▲1.8%
Other	45.0	39.0	▲13.3%



Operating Profit by Business Segment

[Unit: 100 million yen]

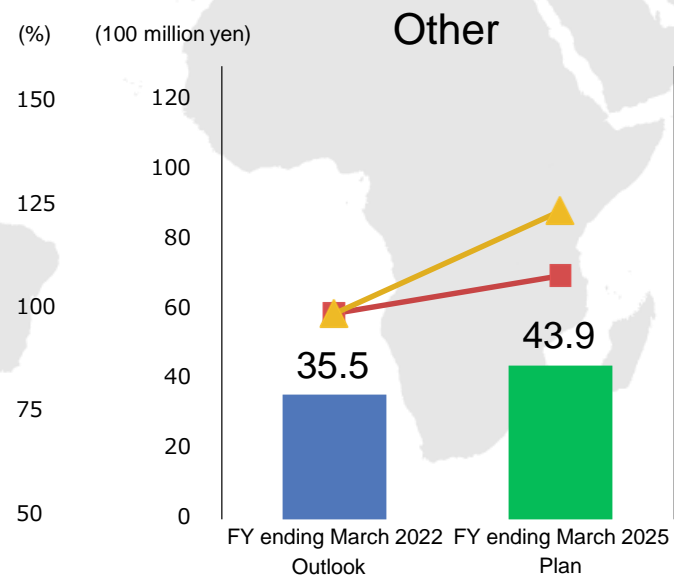
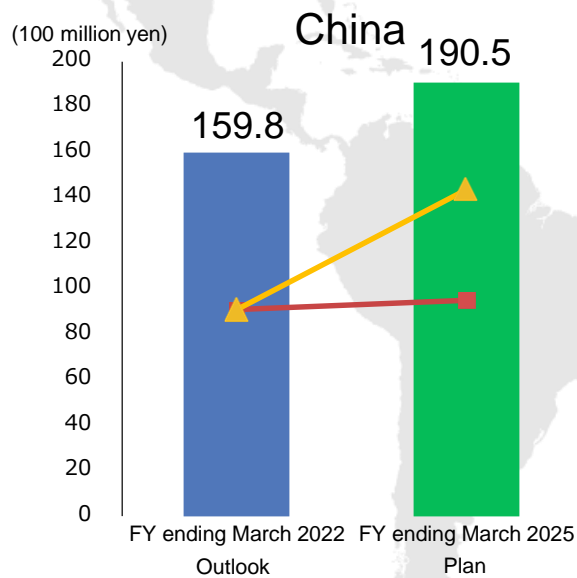
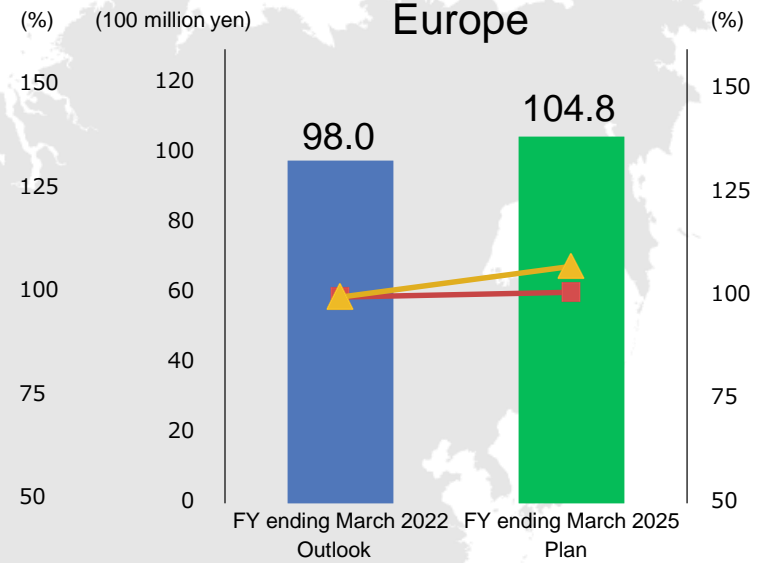
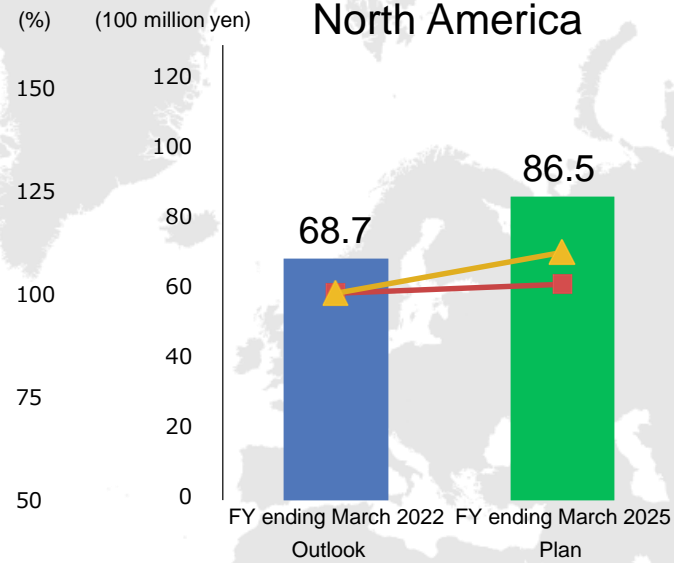
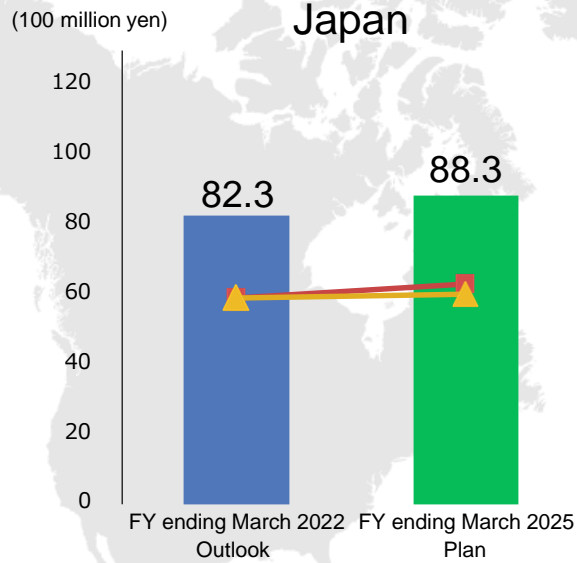
	FY ending March 2022 Outlook	FY ending March 2025 Plan	3 years Growth rate
Musical instrument and education	39.3	52.5	+33.6%
Precision metal	16.4	15.6	▲4.9%
Other	0.8	0.5	▲37.5%
Adjustments*	▲0.5	▲0.6	-



* "Adjustments" are intersegment eliminations and corporate expenses not allocated to each segment.

7th Medium-Term Management Plan Earnings Goal

Keyboard Instruments Sales Plan by Region



■ Growth rate of the number of pianos
▲ Growth rate of the number of digital pianos

Rate	FY ending March 2022 Outlook	FY ending March 2025 Plan
\$	109.8	115.0
€	129.9	125.0

Impact of a 1-yen depreciation against the dollar [Operating profit]

\$ ▲ 52 million yen for full year
 € 49 million yen for full year

7th Medium-Term Management Plan Overview

7th Medium-Term Management Plan Overview

Basic Policy

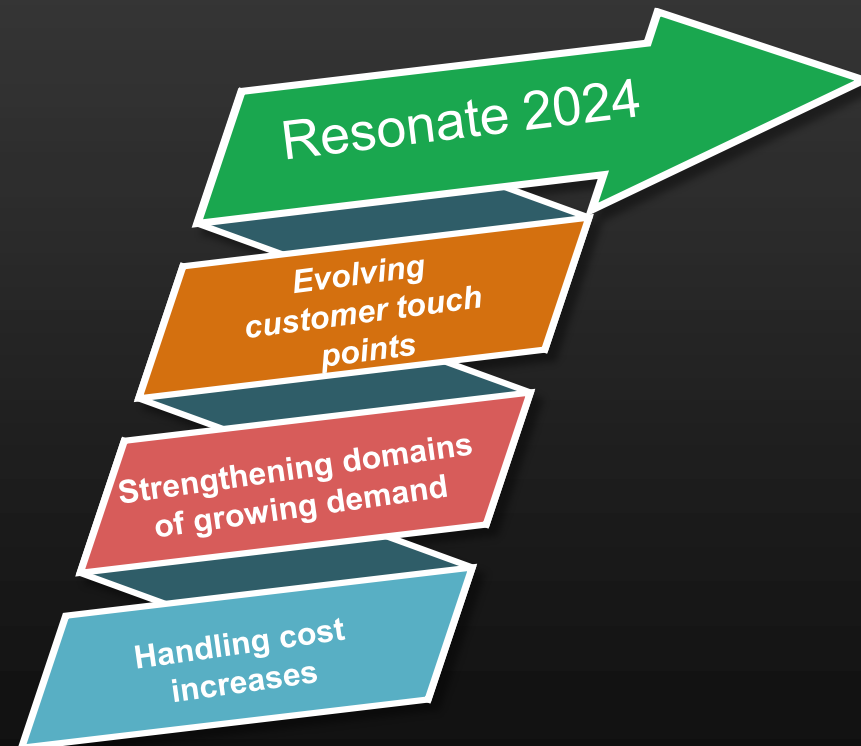
Build a rock-solid system to mark the centenary by growing steadily, compatible with the new business environment, with the aim of establishing a 100-year brand.

Draw the future that KAWAI wishes to bring into reality by seeing “far beyond” the centenary.

Key Strategies

In order to grow steadily in the new business environment, we will focus our efforts on the following:

- “Evolving customer touch points”
- “Strengthening domains of growing demand”
- “Handling cost increases”



7th Medium-Term Management Plan Overview

Basic Strategies

Musical instrument and education business

Aiming to further improve earning power and expand business, we will speed up reinforcement of the following:

- “Brand Power”
- “Selling Power”
- “Products and Services Power”
- “Production Power”
- “Organizational Power”

Precision metal business

Ramp up profits by "expanding orders received for new products", "accelerating cultivation of new customers", and "establishing a system for increasing production"



Key Strategies

7th Medium-Term Management Plan Key Strategies

We will concentrate our efforts on the following strategies in order to grow steadily in the dramatically-changed business environment due to the impact of COVID-19.

Evolving customer touch points

Implement promotional measures tailored to changes in customer purchasing behavior.

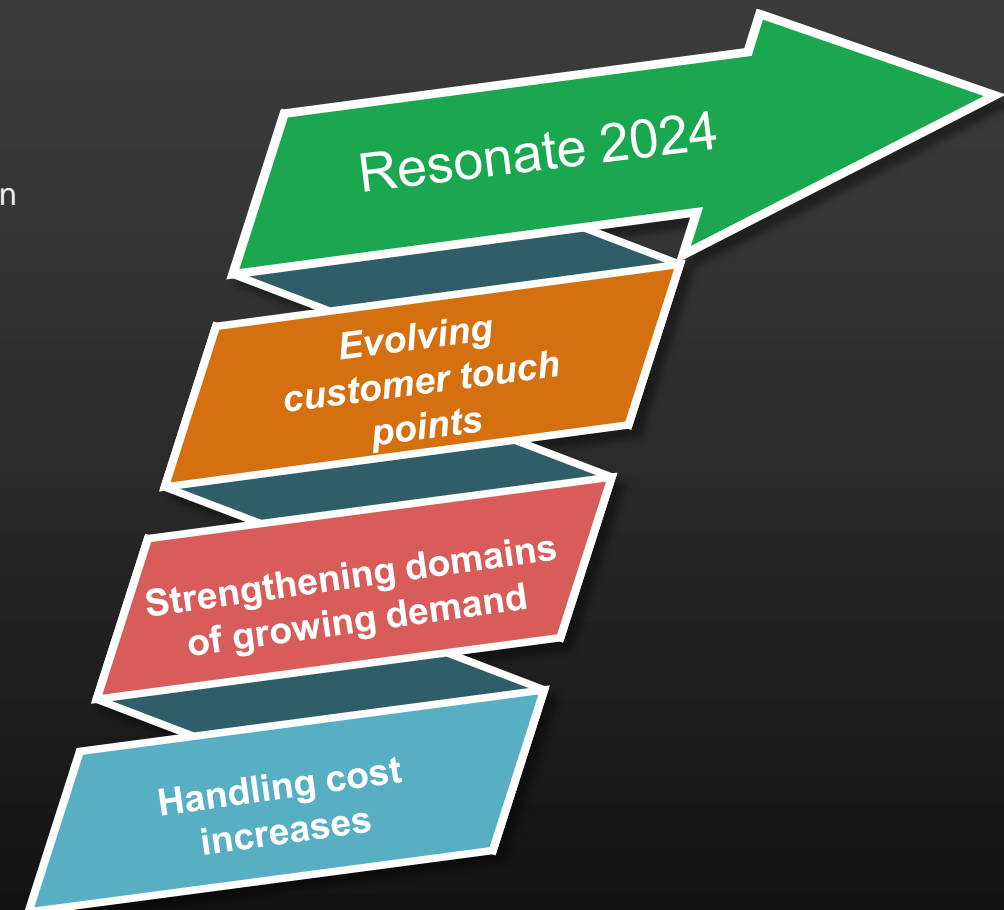
(Communicate the value of products and services to "as many target customers as possible" in a way that is "as easy to understand as possible" by fusing real and digital measures.)

Strengthening domains of growing demand

Broaden the lineup of product categories in particular whose demand has grown due to changes to lifestyles (hybrid products and digital pianos) and expand and reinforce their production system.

Handling cost increases

Improve productivity and set appropriate prices in order to address rising costs, resulting from surges in the cost of materials, such as semiconductors, and overseas transportation fees.



Basic Strategies

(Musical Instrument and Education Business)

7th Medium-Term Management Plan Basic Strategies (Musical Instrument and Education Business)

Strengthening Brand Power

Further strengthen the KAWAI brand toward building a 100-year brand.

Evolve communication styles with customers.

- Establish a production-line visitor tour route and a test-play venue for “Shigeru Kawai” at Ryuyo Plant
- Double down on digital marketing

Elevate the presence of the KAWAI Brand at international piano competitions, prestigious music colleges and famous halls.

Improve the brand image by deepening ties with distinguished pianists and artists.

Discover and support the next generation of promising artists through the “Shigeru Kawai International Piano Competition”.

7th Medium-Term Management Plan Basic Strategies (Musical Instrument and Education Business)

Strengthen selling power (manufacture and sale of musical instruments)

Add value to products and strive to raise market share in each market

Mature markets (Japan, North America and Europe)

- Increase sales of high value-added products including “Shigeru Kawai” and hybrid pianos
- Strengthen brand communication power and customer touch points by making better use of directly-managed stores
- Deepen co-prosperity relationships with agents and expanding sales channels

Chinese market

- Expand sales channels in growth areas
- Reinforce selling power by refurbishing or replacing stores in mature areas
- Elevate the presence of the KAWAI Brand within dealers

Emerging markets

- Deepen relationships with new business partners and utilize music classes in Southeast Asia
- Tighten relationships with business partners and cultivate new relationships in Latin America, the Middle East and Africa

Kawai Hamburg

Kawai Dallas

7th Medium-Term Management Plan Basic Strategies (Musical Instrument and Education Business)

Strengthen Selling Power (Music Education)

Raise brand recognition and create demand for keyboard musical instruments by promoting and popularizing music culture

Japan

- Select and concentrate on high-demand areas
- Expand music classes centered on increasing the number of piano course students

Overseas: Advance overseas expansion that is important from a medium to long term perspective

< Southeast Asia >

- Appeal to educational institutions about the necessity of music education and development of instructors
- Introduce and expand group lessons tailored to each country's income level
- Hold grade tests and competitions under the KAWAI Brand

<China>

- Continue to strengthen collaboration with the Soong Ching Ling Foundation concerning music classes
- Expand and strengthen the tuning training business by utilizing online methods and developing tuning contract services

7th Medium-Term Management Plan Basic Strategies (Musical Instrument and Education Business)

Strengthen Products and Services Power

Constantly search for “customer satisfaction” by leveraging the technology unique to piano manufacturers

Continue research on the raw material and basic development level

Strengthen planning and development power that “starts from customers” through market surveys

Set competitive prices based on a marketing approach

Expand and reinforce product lineups by introducing digital pianos with its large growth potential in the affordable price range

Expand and reinforce the system for high-quality after-sales service through MPA*

*MPA stands for “Master Piano Artisan”, an internal qualification awarded only to the most highly skilled piano technicians.

7th Medium-Term Management Plan Basic Strategies (Musical Instrument and Education Business)

Strengthen production power

Strengthen QCDF* in the global production system
(Efficiently produce and supply quality products in a timely and stable manner)

*Quality, Cost, Delivery, Flexibility

Pass KAWAI's unique technology, cultivated over many years, to the next generation and globally expand the production of keyboard instruments that deserve a 100-year brand

Promote investment in human resources and equipment and facilities in order to improve quality and productivity

Continuously carry out cost reduction activities mainly by automating production processes

Expand and reinforce production lines and extend plants in response to increasing demand for “Shigeru Kawai” and digital pianos

Establish a stable supply system from the prior process with an eye on geopolitical risks and a future system for increasing production volumes

7th Medium-Term Management Plan Basic Strategies (Musical Instrument and Education Business)

Reinforce organizational power

Review the organization from a functional perspective, build an organizational system and allocate the personnel necessary for corporate expansion

Enhance employee engagement by focusing on education and welfare programs in line with the times

Promote “Health and Production Management”, which empowers employees to demonstrate their skills in their own way by being continuously certified as a Health and Production Management Outstanding Organization”

Prepare an “environment that allows anyone to work without worry” for promoting women’s participation and advancement, and diversity

Focus on development of human resources to increase the pool of human resources who can work actively on the global stage and develop Kawai into a robust company

Enhance company-wide productivity and improve efficiency in routine work

Basic Strategies

(Precision Metal Business)

7th Medium-Term Management Plan Basic Strategies (Precision Metal Business)

Metal Business

Increase received orders for new car-mounted products and establish a system to increase production

Expand existing products into new areas and receive orders for new products

Accelerate capital investment to improve productivity

Acoustic Business

Expand products for personal use and cultivate the corporate market

Develop new products by pursuing comfortable acoustic space

Establish a production system to meet expanded sales

Realize “sustainable and steady growth” even in highly uncertain times by concentrating management resources on “stable growth markets” for which Kawai has “high competitiveness”.

Musical instrument and education business

This is the origin and core business of the Company. This business inherited the founder’s spirit of “making the world’s No. 1 piano” and has kept releasing innovative products to society.

Kawai has the world’s No. 4 market share by sales of piano and digital piano*. Furthermore, Kawai pianos have been adopted in famous international piano competitions, boasting globally high recognition and competitiveness.

*Based on research by the Company

Precision metal business

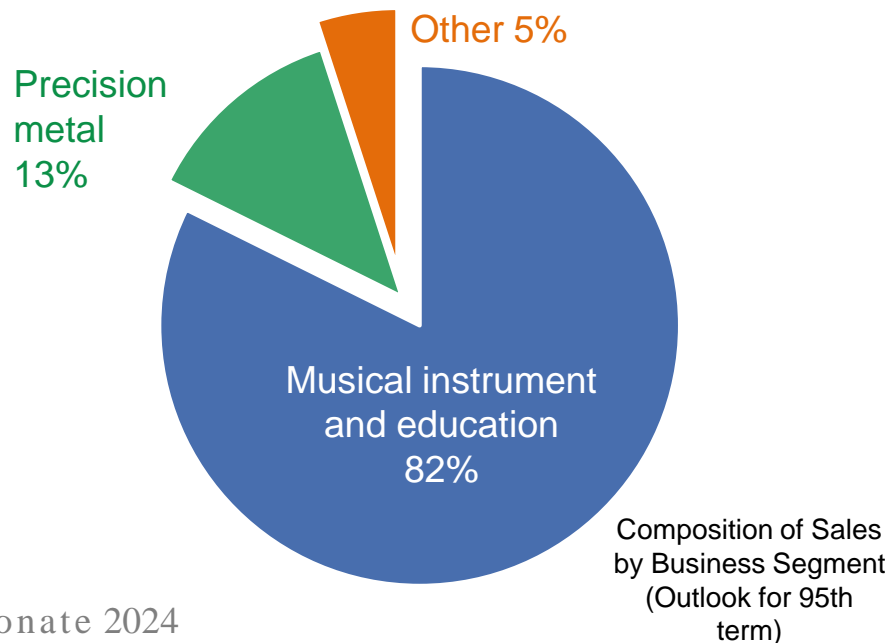
The Precision Metal Business, which has grown by utilizing the technology cultivated in pianos, has now become one of the mainstays in the business management of the Company.

Especially, the Business has provided major car manufacturers in Japan and overseas with high value-added components, leveraging high-levels of technological capabilities.

In anticipation of growth in the car-mounted market, the Business is further exploring the car-mounted component market.

Total investments for three years: 7,000 million yen (double the previous medium-term management plan)

Ordinary investments (4,500 million yen)	Basic investments in existing businesses for renovation and productivity improvement (Almost equal to the level of depreciation)
Strategic investments (2,500 million yen)	Expansion of the digital piano plant/renewal of the flagship store Extension of production lines for car-mounted components
Intellectual property and HR investments (Expenses)	R&D/Marketing/Strategic HR investments Artist relations



The Kawai Group has established a sustainability policy and strives to enhance its medium- to long-term corporate value.

Sustainability Policy

In realizing the management philosophy “Aiming to Become a Creative and Highly Favored Company ...”, we will strive to achieve sustainable development as a company by ensuring harmony with the global environment and society and moreover, the soundness of management through corporate activities for the purpose of making quality musical instruments and contributing to music culture. In parallel, we will help bring a sustainable society into being in cooperation with customers and all other stakeholders.

Environment

We will protect the global environment and resources from a global perspective in each of our business fields, and do our utmost to realize a truly generous spirit and affluent society.

Social

As an "excitement producing business" that delivers sensation and satisfaction through music, we will build good relationships with all stakeholders with the aim of building a rich and compassionate society.

Governance

To achieve the sustainable enhancement of our corporate value, we will comply with laws, regulations and other rules and engage in putting sound and transparent management into practice.

To address issues related to sustainability, we will concentrate our efforts on the environmental and social issues and work towards growing sustainably as a company.

Global Environmental Initiatives

Afforestation activities in Japan and overseas

- Afforestation of saplings in Indonesia (From 2007 onwards, about 700,000 trees in total have been planted.)
- Tree planting and nurturing in the Tohoku Region to support the restoration of coastal disaster prevention forests (from 2015)

Reduction of environmental load

- Mitigation of global warming (reduction of CO2 emissions)
- Effective use of resources (reduction of waste)



Diversity promotion

- Implementation of initiatives to achieve work-life balance, centered on the “Love it!” project for promoting women's participation and advancement
- Setting of basic policies and numerical targets to ensure the diversity of core human resources



	Numerical targets
Ratio of women in managerial positions	12.5%
Ratio of women in supervisory positions	20%
Number of foreign employees	15 persons
Number of employees recruited mid-career	50 persons

*Completion timing: End of March 2025

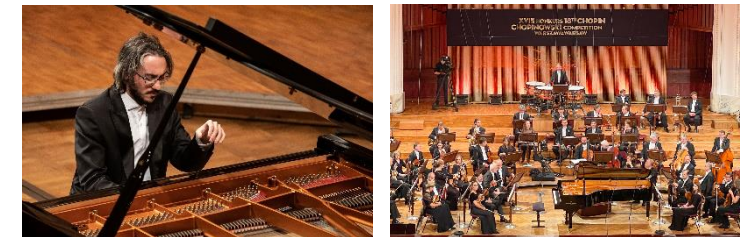
Promotion of Music Culture

From 1971

Over 2,000 Kawai Concerts were held throughout Japan, inviting a variety of performers.

From 2017

Shigeru Kawai International Piano Competition held to nurture the next generation of pianists



©D.Golik / The Fryderyk Chopin Institute

Basic Policy

Taking into account the business environment going forward and business development, the Company's basic policy is set as providing flexible shareholder returns aimed at delivering stable dividends to shareholders and enhancing capital efficiency while securing internal reserves to stabilize the management base, and the Company will strive to improve the total return ratio.

KAWAI

THE FUTURE OF THE PIANO

The Company's earnings forecasts and future predictions described in this document are based on information available to the Company at the time of preparation. Actual results and achievements may differ materially from these forecasts due to changes in various external and internal factors, such as economic conditions, the intensification of selling competition and risks associated with intellectual property rights.