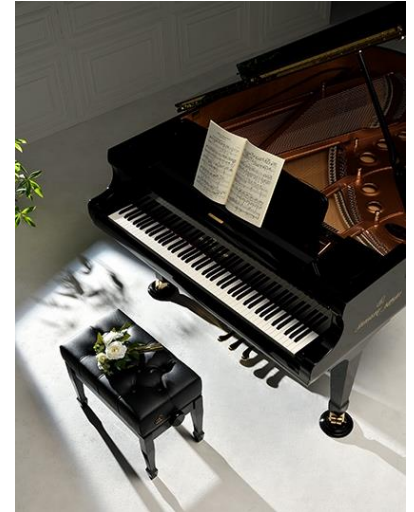


Second Quarter of FY2025.3
(98th Term)

Financial Results Briefing Material



November 13, 2024

Kawai Musical Instruments Manufacturing Co., Ltd.

■ Second Quarter of FY2025.3: Consolidated Performance

- ✓ Both revenue and profit declined due to lower sales of musical instruments as a result of changes in the economic environment, as well as production cuts aimed at reducing inventories
- ✓ North America and China were in a difficult situation, but Europe has been on the road to recovery

■ Forecast for consolidated performance for FY2025.3

- ✓ Full-year forecast remains unchanged
- ✓ Operating profit decreased significantly year-on-year due to the impact of production cuts aimed at adjusting inventories to an appropriate level before the end of the current period
(Operating profit is expected to recover significantly in the next period and onward, as the impact of production cuts aimed at adjusting inventories to an appropriate level will disappear)

■ Shareholder return

- ✓ The dividend for FY2025.3 has not been determined, and will be disclosed after assessing the performance trend
- ✓ To achieve total return ratio of 50% in FY2028.3

Second Quarter of FY2025.3:
Consolidated Performance

Second Quarter of FY2025.3: Consolidated Performance - Summary

Both revenue and profit declined due to a decrease in sales of musical instruments and others despite an increase in orders received for the precision metal business

[Unit: Millions of yen]

	FY2024.3 Second quarter results	FY2025.3 Second quarter results	Diff. from prior period	vs. prior period (%)
Net sales	40,405	36,156	-4,249	-10.5%
Operating profit (Operating profit margin)	1,812 (4.5%)	-222 (-0.6%)	-2,034	-
Ordinary profit (Ordinary profit margin)	2,419 (6.0%)	-226 (-0.6%)	-2,646	-
Profit (Profit margin)	1,537 (3.8%)	-406 (-1.1%)	-1,943	-
Exchange rate				
US\$	134.9 yen	152.3 yen	+17.4 yen	+12.8%
Euro	145.8 yen	164.6 yen	+18.8 yen	+12.8%

*Profit is profit attributable to owners of parent.

Second Quarter of FY2025.3: Performance by Segment

KAWAI

The musical instrument education business had both revenue and profit decline due to a decrease in sales and the impact of production cuts

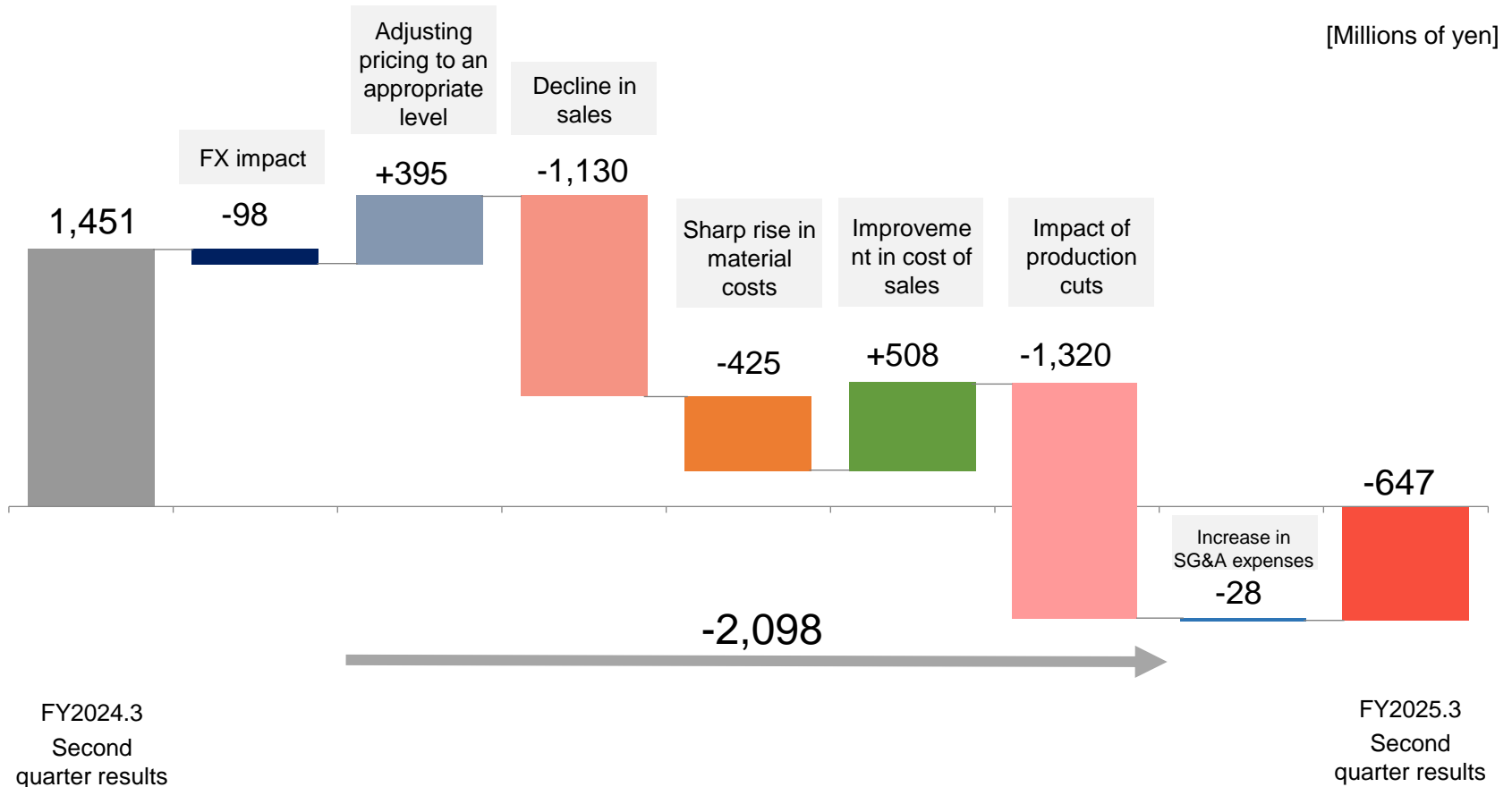
The precision metal business had both sales and profit increase due to an increase in orders

[Unit: Millions of yen]

		FY2024.3 Second quarter results	FY2025.3 Second quarter results	Diff. from prior period	vs. prior period (%)
Musical instrument education	Net sales	33,731	29,382	-4,348	-12.9%
	Operating profit	1,451	-647	-2,098	-
	(Operating profit margin)	(4.3%)	(-2.2%)		
Material Processing Business	Net sales	4,706	4,963	+256	+5.4%
	Operating profit	366	441	+75	+20.5%
	(Operating profit margin)	(7.8%)	(8.9%)		
Other	Net sales	1,967	1,810	-157	-8.0%
	Operating profit	36	19	-17	-47.5%
	(Operating profit margin)	(1.9%)	(1.1%)		

Second Quarter of FY2025.3: Musical Instrument Education Business - Factors for Changes in Operating Profit

Adjusting pricing to an appropriate level allowed us to broadly cover soaring material and other costs; however, profit declined due to a decline in sales and production cuts

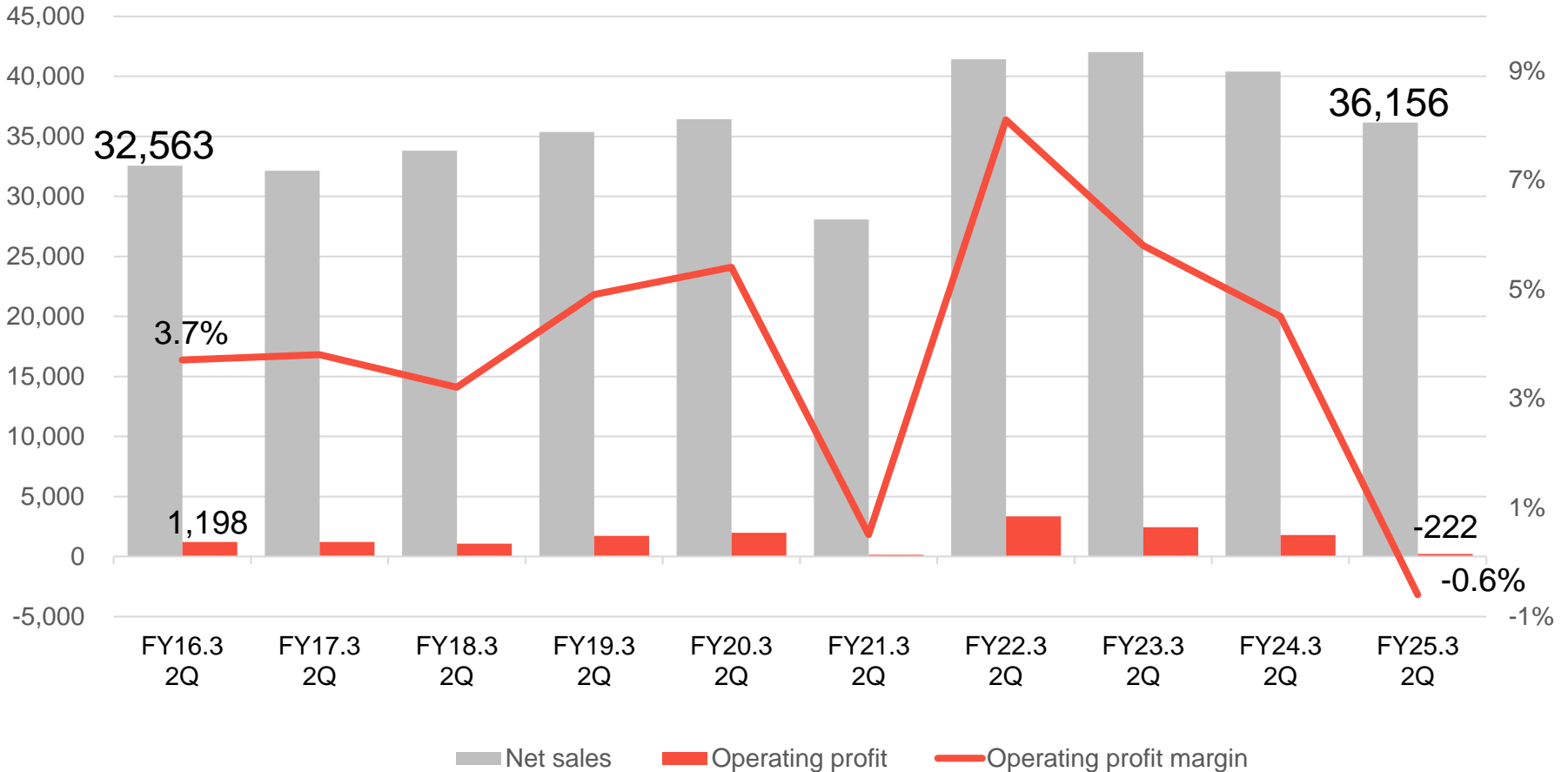


Trend in Second Quarter Consolidated Performance (Past 10 Years)



Net sales and operating profit had been growing steadily; however, due in part to special factors (stay-at-home demand due to the COVID-19 pandemic and a decline on its rebound), revenue and profit declined for two and three consecutive periods, respectively

[Millions of yen]



Second Quarter of FY2025.3: Consolidated Financial Position

KAWAI

Assets decreased due to a decrease in cash and deposits and other factors, and liabilities decreased due to factors such as repayment of loans

Net assets increased due to the impact of exchange rates and other factors

[Unit: Millions of yen]

	FY2024.3 results	FY2025.3 Second quarter results	Year-on- year
Assets	73,538	72,777	-760
Liabilities	30,396	28,699	-1,696
Net assets	43,141	44,077	+936
Shareholders' equity ratio	58.4%	60.2%	+1.9

Second Quarter of FY2025.3: Status of Inventories

Inventories as of the end of the second quarter under review increased due in part to the impact of exchange rates, but decreased in real terms when the impact of exchange rates is excluded

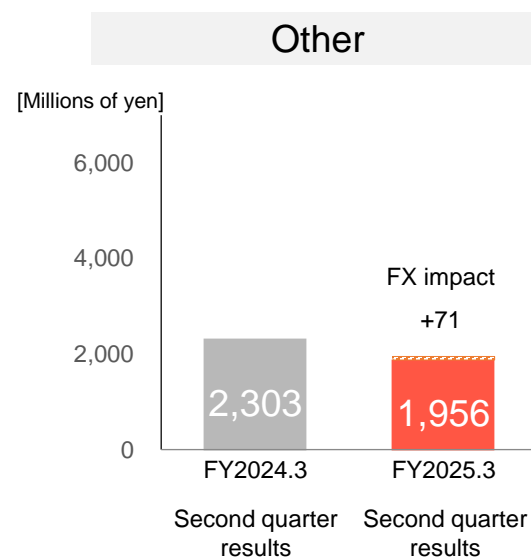
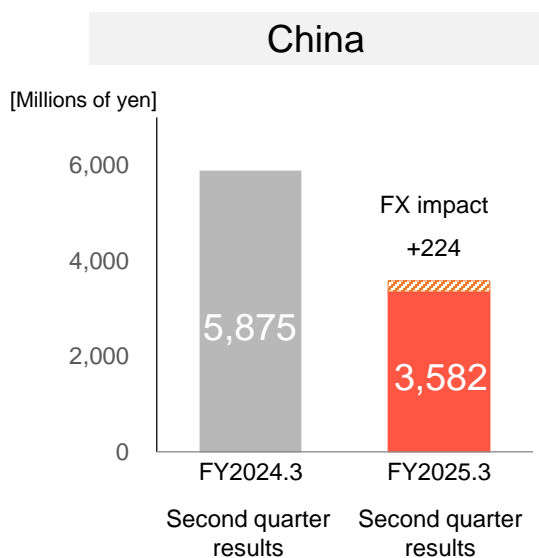
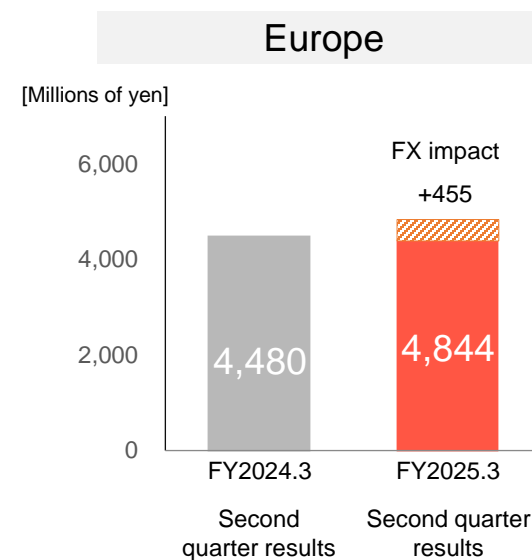
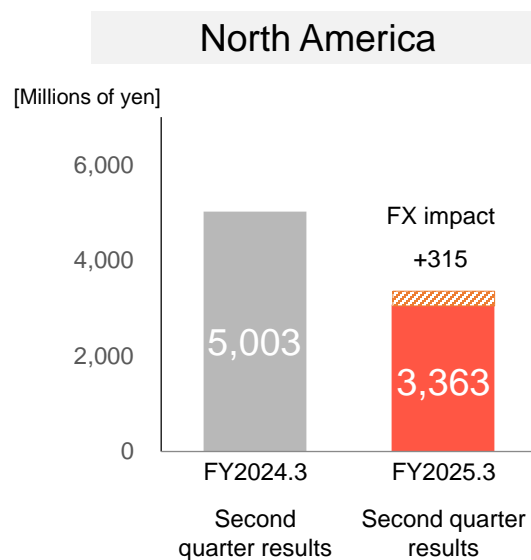
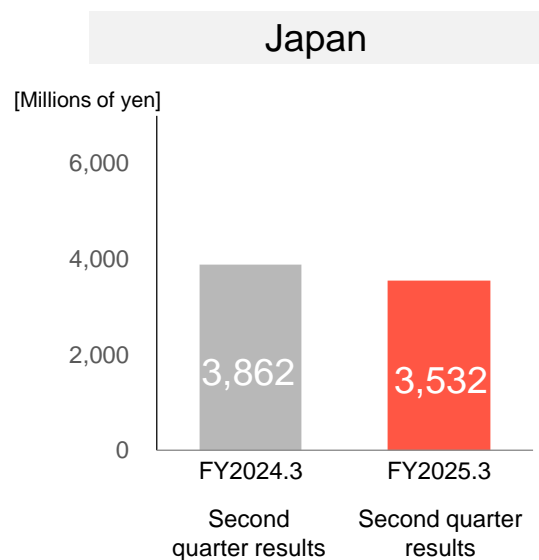
Although later than assumed, inventories are expected to be reduced to the 17 billion yen level at the end of the fiscal year under review

[Unit: Millions of yen]

	FY2024.3 results	FY2025.3 Second quarter results	Year-on- year
Total inventory	19,062	20,566	+1,504
Merchandise and finished goods	11,157	12,393	+1,235
Work in progress	1,673	1,910	+236
Raw materials and supplies	6,232	6,263	+31
		FX impact	+1,560
		Effective increase/decrease	-56

Second Quarter of FY2025.3:
**Keyboard Musical Instruments
Performance**

Second Quarter of FY2025.3: Keyboard Musical Instruments Sales Record by Region



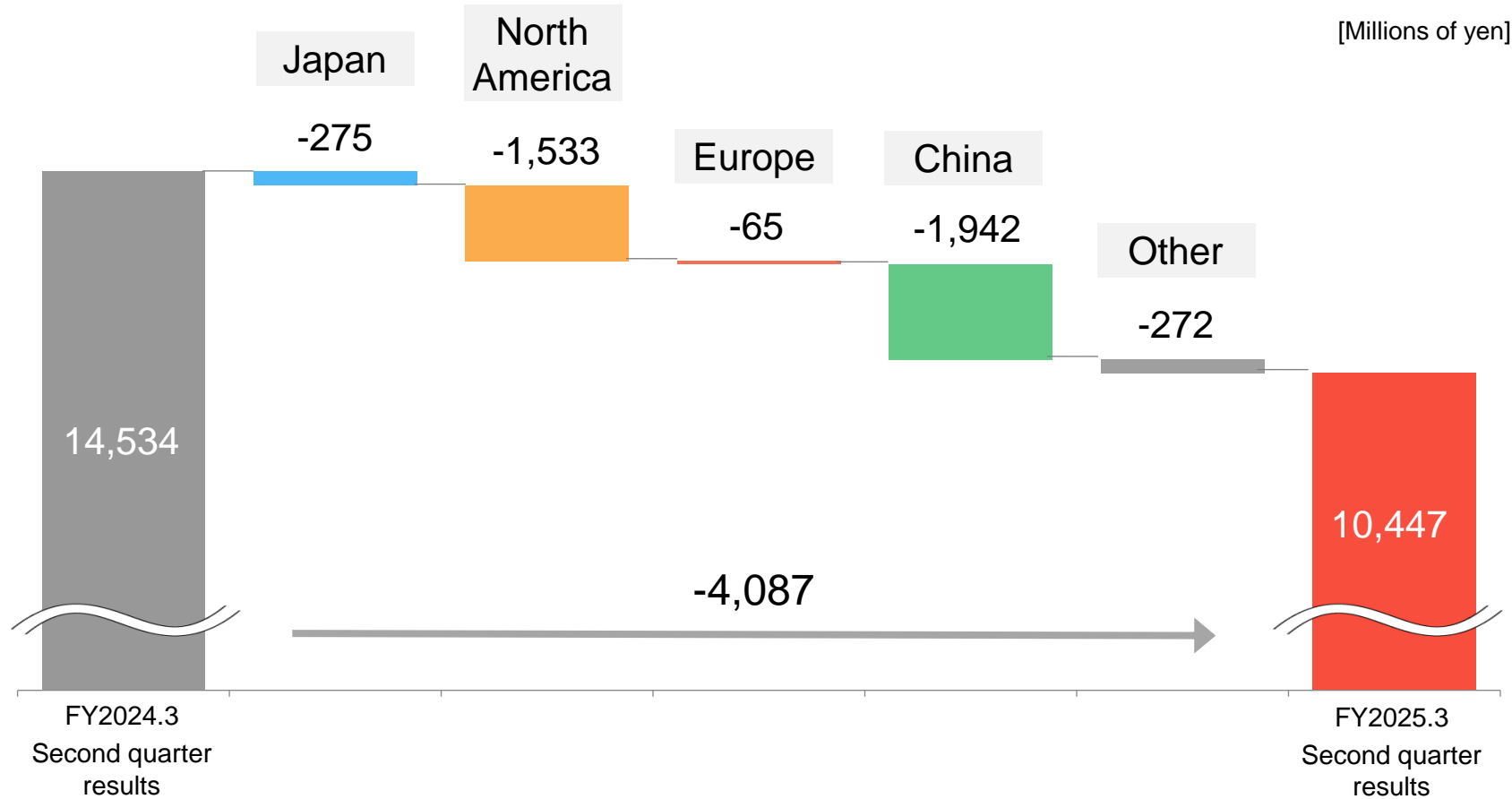
Exchange rate	FY2024.3 Second quarter results	FY2025.3 Second quarter results
\$	134.9	152.3
€	145.8	164.6

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

\$	-53 million yen for full year
€	+27 million yen for full year

Second Quarter of FY2025.3: Trend in Piano Sales by Region

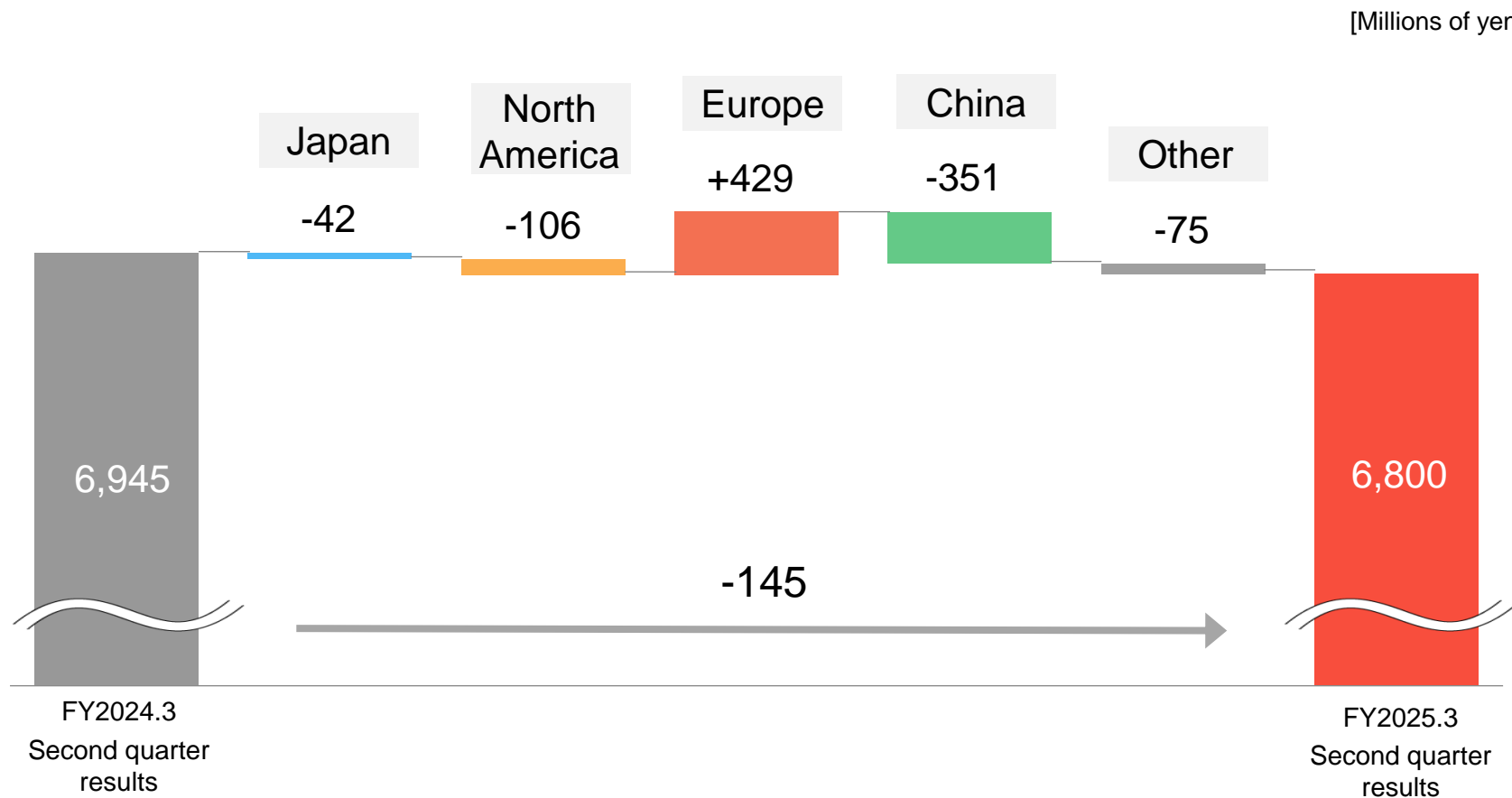
Despite solid performance in Europe, sales in North America and China declined significantly



Second Quarter of FY2025.3: Trend in Digital Piano Sales by Region



Sales increased in Europe, but decreased in all other regions



Second Quarter of FY2025.3: Keyboard Musical Instruments Sales by Region - Overview



<p>Japan -8.7% year-on-year</p>	<ul style="list-style-type: none">• Decrease in sales of both acoustic and digital pianos due to soaring prices and others• Sales of “CN201” digital pianos grew due in part to the effect of rebranding, but overall sales of digital pianos decreased slightly
<p>North America -32.8% year-on-year</p>	<ul style="list-style-type: none">• Sales declined in both the U.S. and Canada due to stagnant markets• Import statistics for the first half of the year show a 30% year-on-year decline in pianos, indicating that the overall market has been sluggish
<p>Europe +8.1% year-on-year</p>	<ul style="list-style-type: none">• Net sales increased mainly due to sales growth of digital pianos• Acoustic pianos also performed well, with sales of grand pianos up year-on-year
<p>China -39.0% year-on-year</p>	<ul style="list-style-type: none">• The keyboard musical instrument market shrank due to the economic situation and the Double Reduction Policy• Keyboard musical instrument inventories in the market are still excessive
<p>Other -15.0% year-on-year</p>	<ul style="list-style-type: none">• Sales declined in Australia due to a deterioration in the economic situation and inflation• Sales in Taiwan and South Korea also decreased• Sales to Kazakhstan and India increased, and sales in Indonesia were also strong

FY2025.3:
**Consolidated Performance
Plan**

FY2025.3: Consolidated Performance Plan - Summary

KAWAI

Full-year outlook remains unchanged

Both sales revenue and profit are expected to decline due to deteriorating market conditions in major markets and production cuts aimed at reducing inventories

[Unit: Millions of yen]

	FY2024.3 full-year results	FY2025.3 full-year outlook	Diff. from prior period	vs. prior period (%)
Net sales	80,192	77,500	-2,692	-3.4%
Operating profit (Operating profit margin)	3,255 (4.1%)	1,000 (1.3%)	-2,255	-69.3%
Ordinary profit (Ordinary profit margin)	4,201 (5.2%)	1,000 (1.3%)	-3,201	-76.2%
Profit (Profit margin)	2,782 (3.5%)	400 (0.5%)	-2,382	-85.6%
Exchange rate				
US\$	140.6 yen	153.0 yen	+12.4 yen	+8.8%
Euro	152.0 yen	164.0 yen	+12.0 yen	+7.8%

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

FY2025.3: Performance Plan by Segment

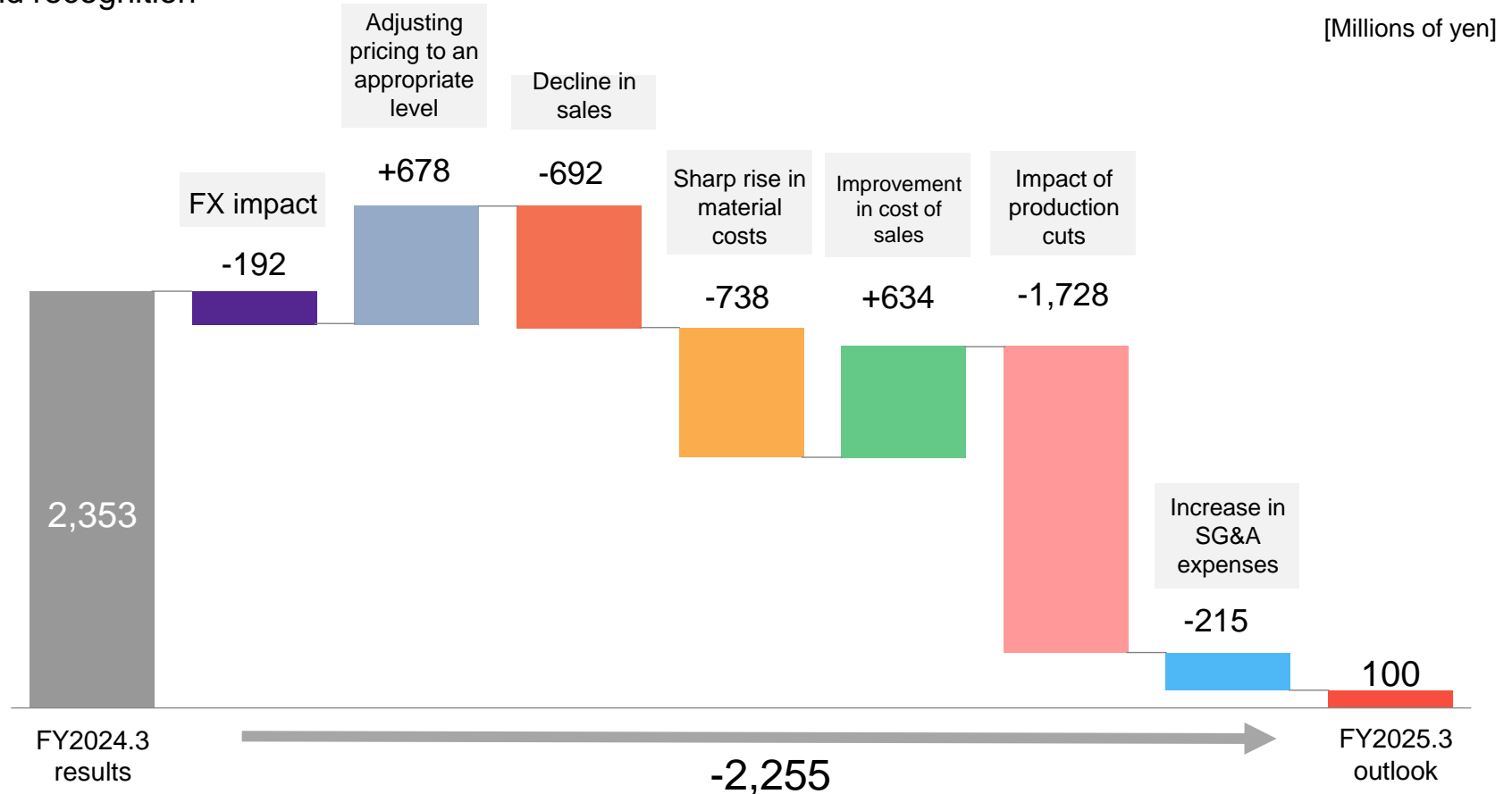
Downwardly revised the previous forecast for the musical instrument education and other businesses, upwardly revised the forecast for the precision metal business

[Unit: Millions of yen]

		FY2024.3 full-year results	FY2025.3 full-year outlook		Diff. from prior period	vs. prior period (%)	Diff. from previous forecast	vs. previous forecast
			Previous forecast	Revised forecast				
Musical instrument education	Net sales	65,668	64,300	62,400	-3,260	-5.0%	-1,900	-3.0%
	Operating profit	2353	300	100	-2,255	-95.8%	-200	-66.7%
	(Operating profit margin)	(3.6%)	(0.5%)	(0.2%)				
Material Processing Business	Net sales	9,540	8,600	10,600	+1,060	+11.1%	+2,000	+23.3%
	Operating profit	750	550	850	+100	+12.9%	+300	+54.5%
	(Operating profit margin)	(7.9%)	(6.4%)	(8.0%)				
Other	Net sales	4,984	4,600	4,500	-480	-9.6%	-100	-2.2%
	Operating profit	246	190	120	-120	-51.2%	-70	-36.8%
	(Operating profit margin)	(4.8%)	(4.1%)	(2.7%)				

FY2025.3: Musical Instrument Education Business - Factors for Changes in Operating Profit

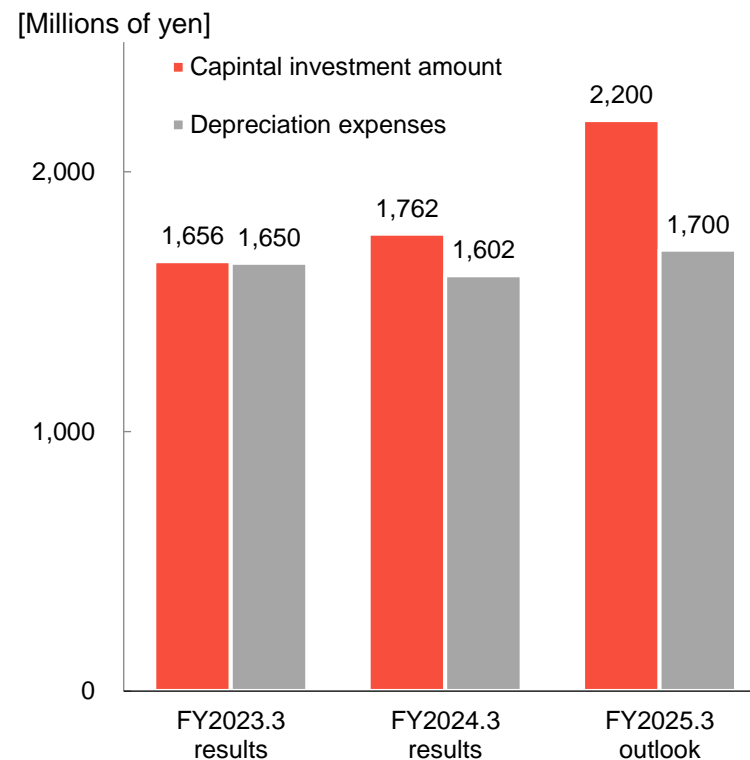
Operating profit is expected to decrease mainly due to the impact of production cuts
 Operating profit is expected to recover significantly in the next period and onward, once production cuts result in inventories being at an appropriate level
 To reduce SG&A expenses to allocate actively to advertising and human resources investment to raise brand recognition



Plan to invest in improving the production efficiency and quality of musical instruments and precision metal

[Millions of yen]

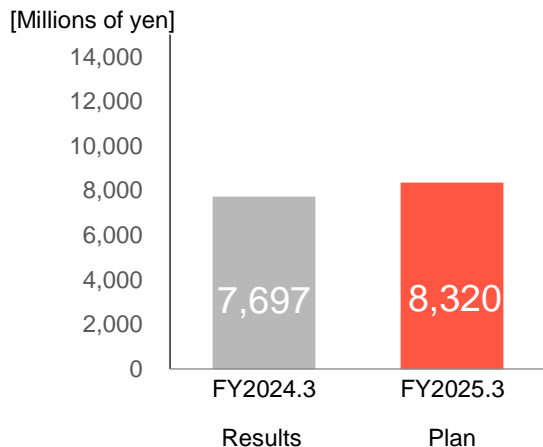
	FY2023.3 full-year results	FY2024.3 full-year results	FY2025.3 full-year outlook
Musical instrument education			
Refurbishment of production equipment and stores, etc.	1,331	1,326	1,700
Material Processing			
Production equipment for the metal business, etc.	207	362	360
Other			
Investment in information infrastructure, etc.	118	74	140
Total	1,656	1,762	2,200



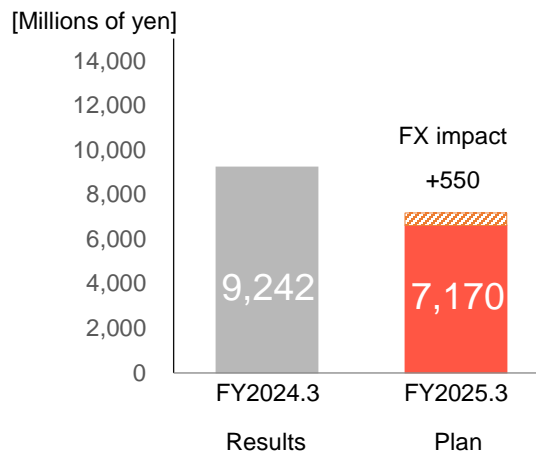
FY2025.3:
**Keyboard Musical
Instruments Sales Plan**

FY2025.3: Keyboard Musical Instruments Sales Plan by Region

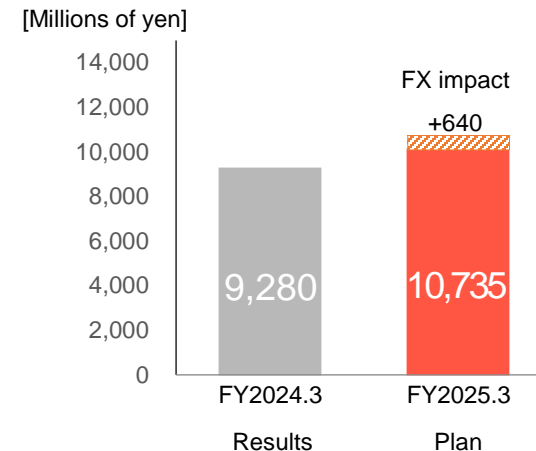
Japan



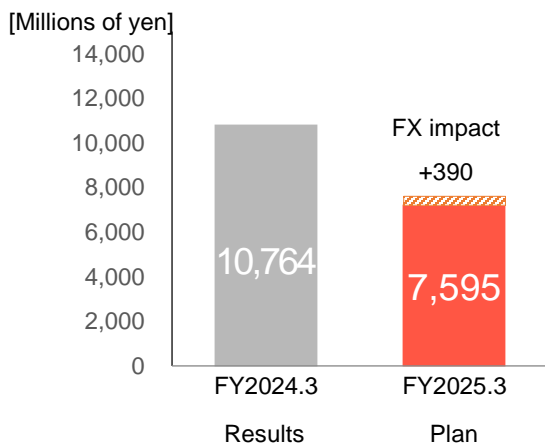
North America



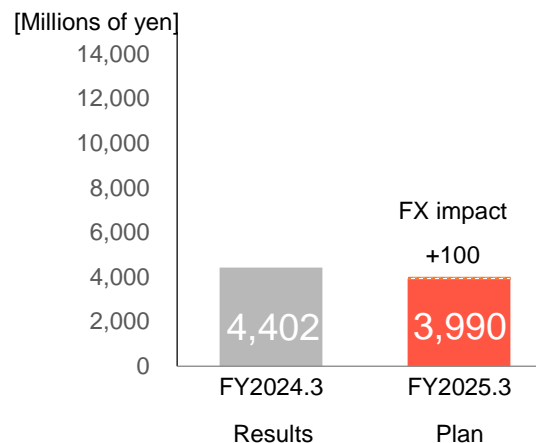
Europe



China



Other



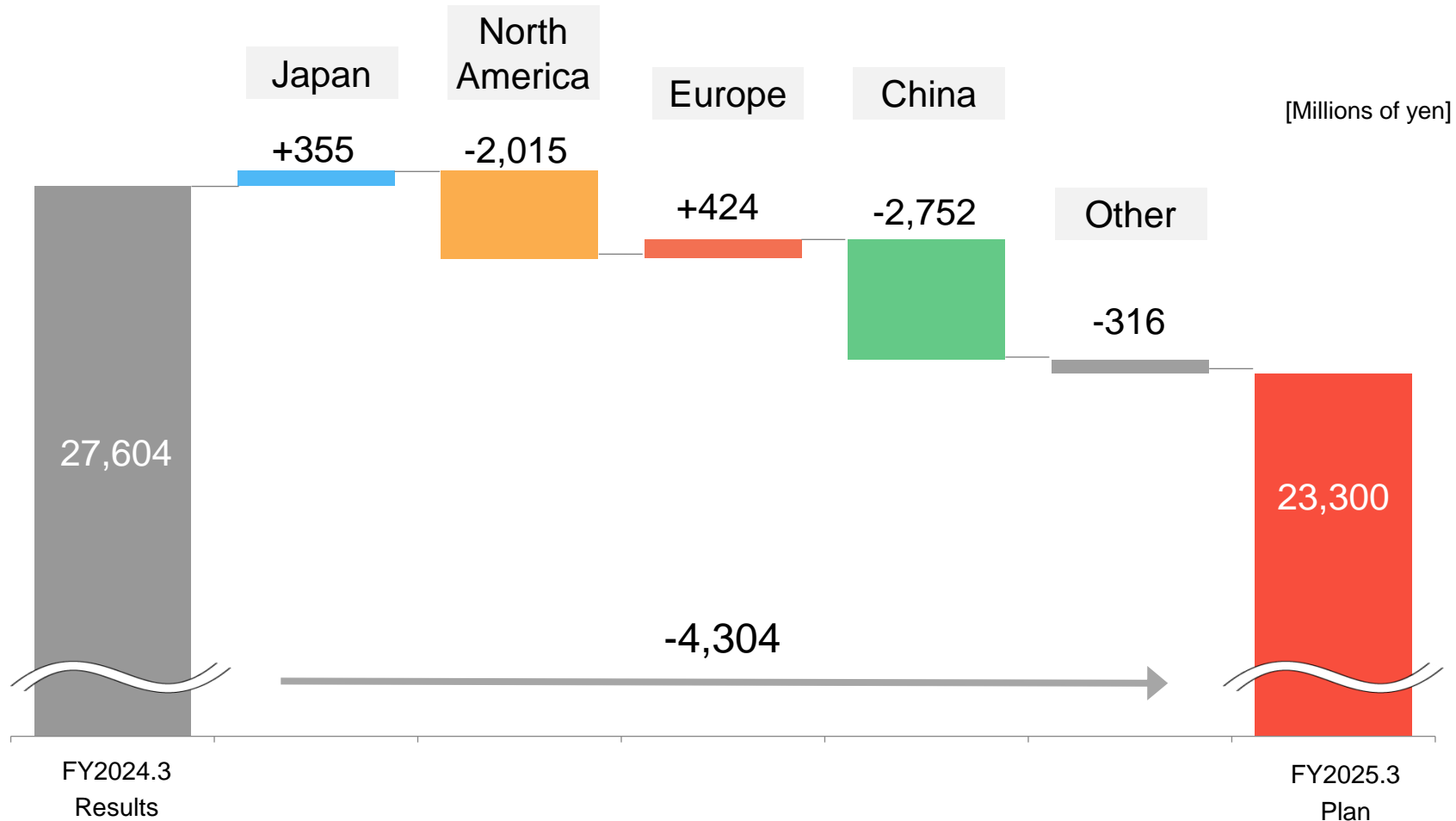
Exchange rate	FY2024.3 results	FY2025.3 outlook
\$	140.6	153.0
€	152.0	164.0

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

\$	-57 million yen for full year
€	+37 million yen for full year

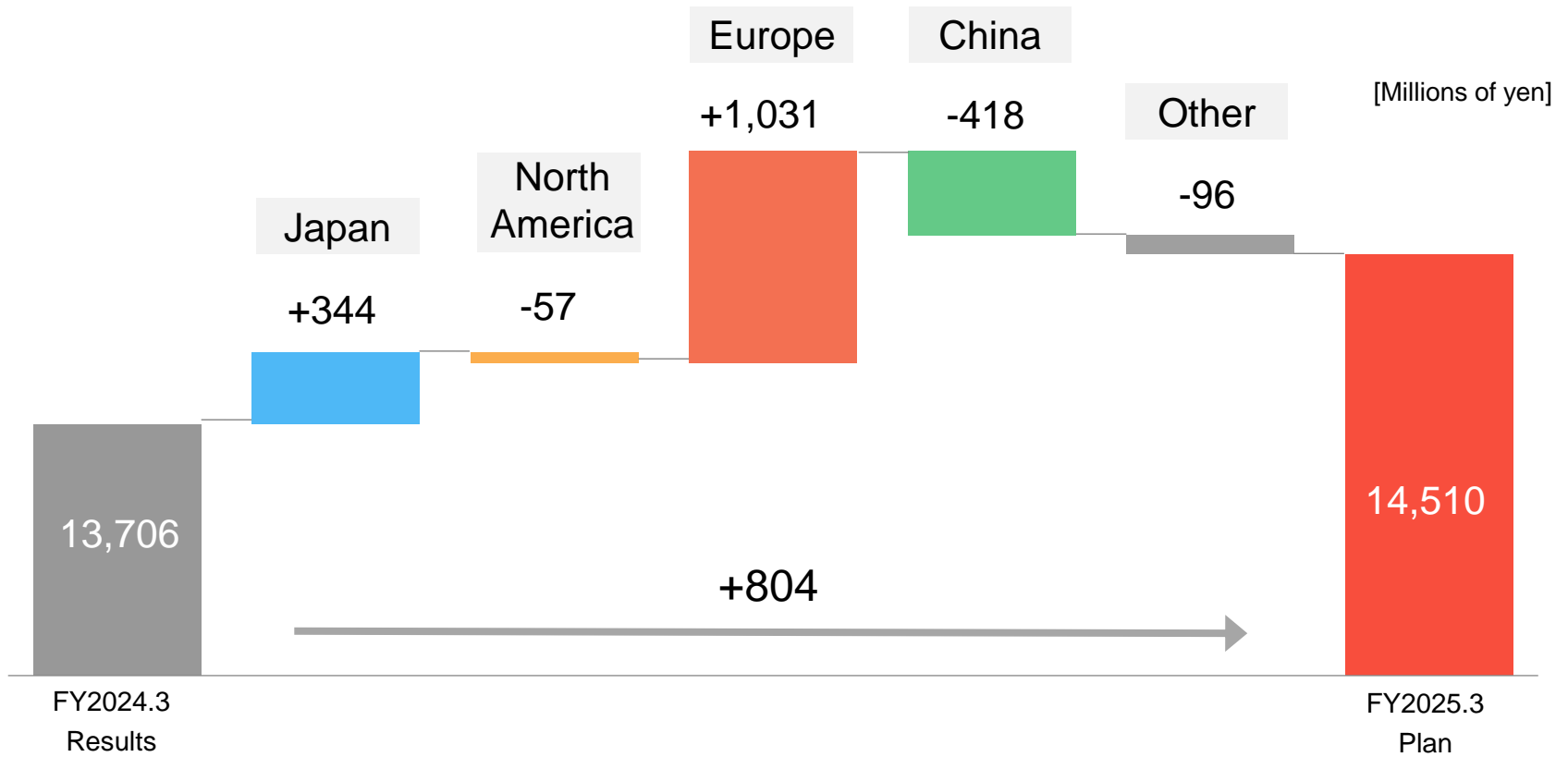
FY2025.3: Piano Sales Plan by Region

Total sales are planned to decrease due to large declines in North America and China



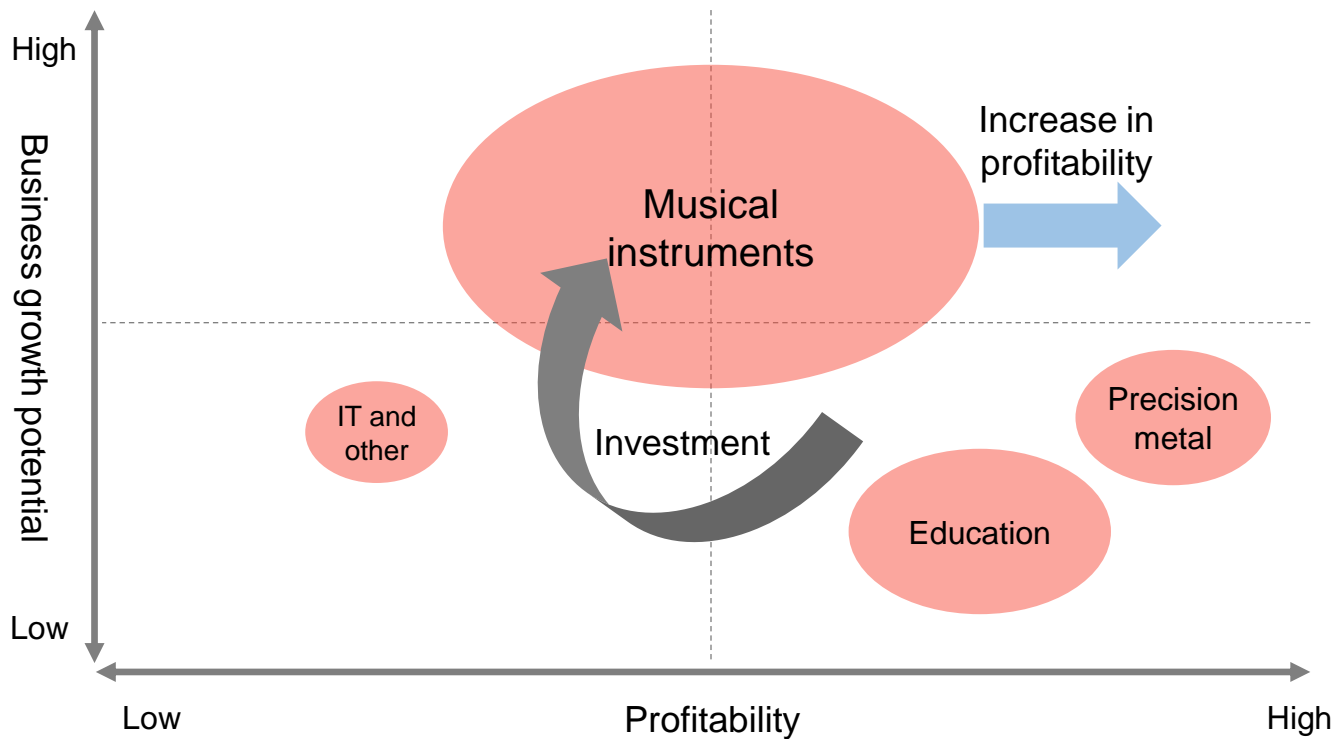
FY2025.3: Digital Piano Sales Plan by Region

Total sales are planned to increase due to sales growth in Japan and Europe



Progress in the 7th Medium-Term
Management Plan
Resonate 2024

With large room for profit improvement in the keyboard musical instruments market, to invest in the musical instrument business on a priority basis to increase corporate value



In order to grow steadily in a new business environment that has changed significantly due to the COVID-19 pandemic, we will focus on the following:

Evolving customer touch points

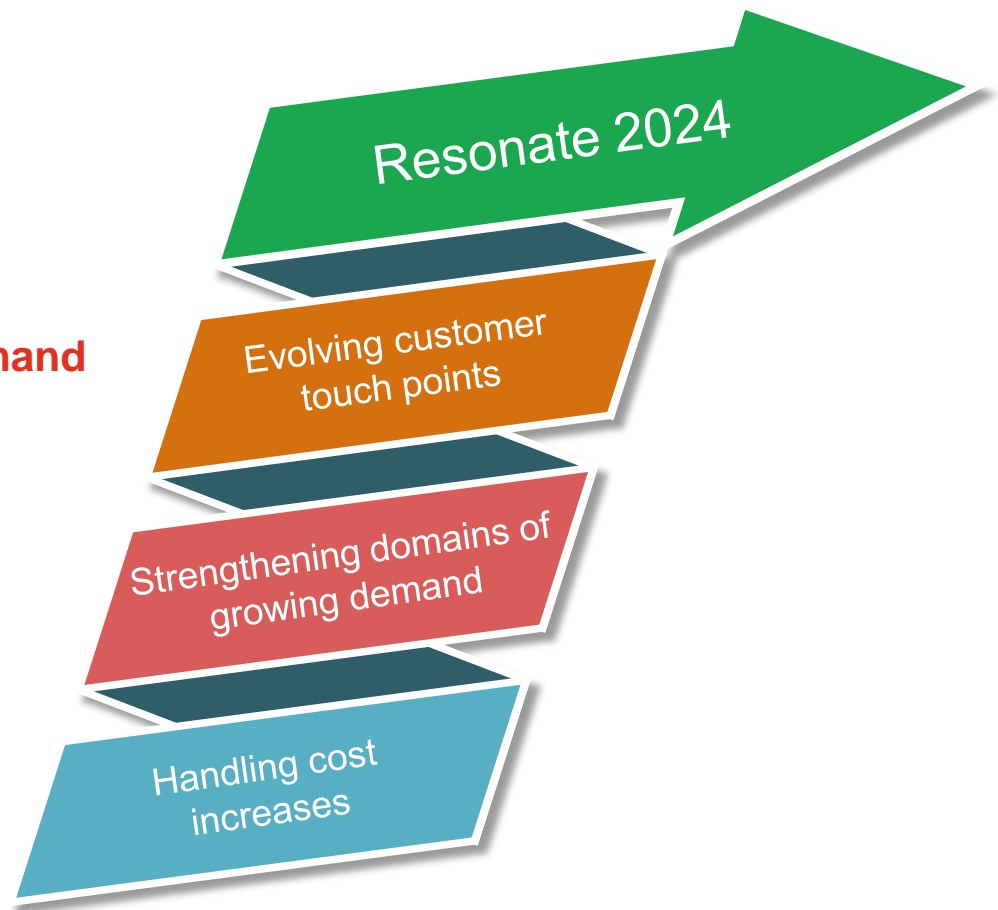
Implement promotional measures tailored to changes in customer purchasing behavior

Strengthening domains of growing demand

Broaden the lineup of product categories in particular whose demand has grown due to changes in lifestyles, and expand and reinforce their production system

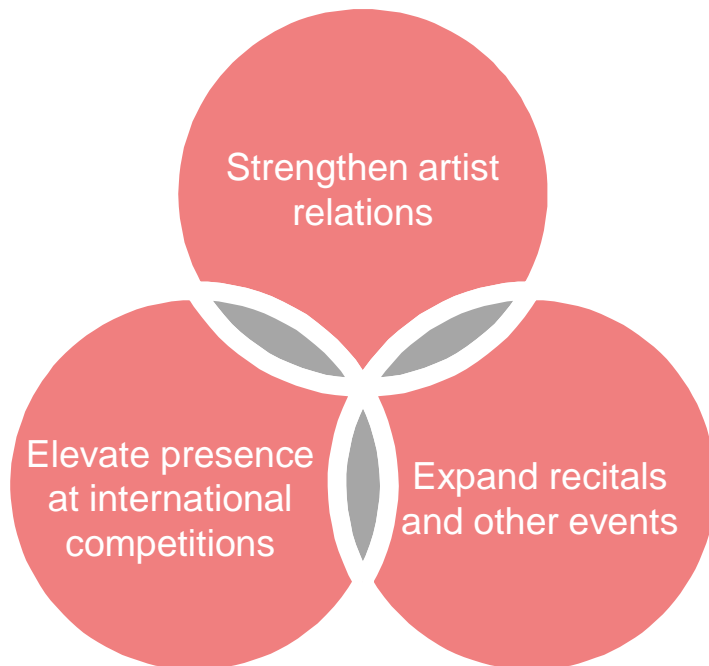
Handling cost increases

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

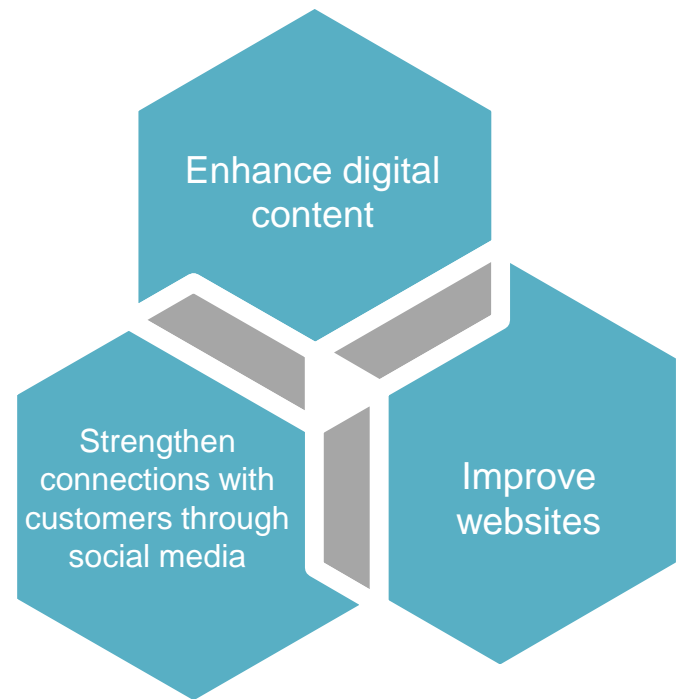


Accelerate the improvement of brand recognition by fusing “real” and “digital” measures

Raise recognition in physical space



Raise recognition in digital space



25th anniversary of the launch of “Shigeru Kawai”



After a period of 25 years, “Shigeru Kawai” has come to be recognized by many people. The SK-EX, which we have been continuously refining without forgetting our origin in piano making, bringing together everything Kawai has to offer, has grown into a full concert piano chosen by pianists around the world.

Commemorative website for the 25th anniversary of “Shigeru Kawai”

<https://sk25th.kawai.jp/>

Financial Results Briefing for Second Quarter of FY2025.3



32nd International Piano and Orchestra Competition “Città di Cantù”

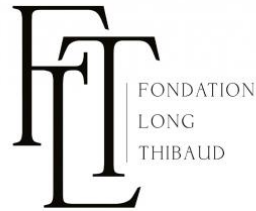


1st Malaga City International Piano Competition



Dallas International Piano Competition 2024

Signed a partnership agreement with Foundation Long Thibaud



One of the most prominent competitions in Europe, the Long Thibaud International Competition has produced numerous internationally renowned performers over its 80-year history as a gateway to success for young musicians.

By signing a partnership agreement with Foundation Long Thibaud (France) which is the operator of the 2025 Long Thibaud International Competition, the Company will cooperate in the smooth operation of the competition, and strive to promote music in local communities and enhance its corporate value.

2025 Long Thibaud International Competition Japan Preliminary Round was held



From October 28 to November 1, the Japan preliminary round of the 2025 Long Thibaud International Competition was held using the SK-EX full concert piano.

In the results of the preliminary round, six Japanese qualified for the main competition which will be held in Paris, France in March 2025. The SK-EX will also be used in the main competition.

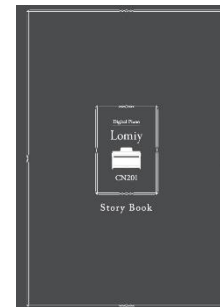
Roll out “CN201” digital piano rebranding



Special website for “CN201” digital pianos

<https://www.kawai.jp/promo/product/cn/>

Implemented rebranding to expand recognition and enhance the brand of the entry-level model digital piano “CN201.” We launched a special website in line with the brand concept and created “Story Book” as a communication tool at our stores.



“CN201” won the grand prize in the “Piano Category” of “Musical Instrument Stores’ Grand Prize 2024” sponsored by the Japan Musical Instruments Association.



楽器店大賞2024

Musical Instrument Stores’ Grand Prize 2024

Collaboration with Tsuchiya Kaban

KAWAI meets grirose mini grand pianos offered for sale for a limited time only



The school bag brand “grirose” developed by Tsuchiya Kaban was born out of the desire to “support the feelings of liking and longing that children have.” While maintaining the sophisticated and elegant worldview that children find exciting, we created mini pianos in the same colors and design as its school bags for sale for a limited time. We received orders greatly exceeding the target.

*Orders are no longer being accepted at this time.



Construction of a new digital piano factory in Indonesia



Current PT. Kawai Indonesia No. 3 factory
(digital piano assembly plant)



Planned site for the new factory

We will relocate and build a new digital piano production factory to expand manufacturing capacity in Kawai Indonesia, our main factory for digital pianos.

Total investment: Approx. 4 billion yen
Site area: Approx. 55,000 square meters
Building area: Approx. 22,000 square meters
Completion of construction: Fiscal year 2026
(scheduled)



“CA901A” digital piano
(Premium satin white finish)

Adjust pricing as needed to maintain appropriate pricing in light of the impact of various cost increases and local market conditions

■ In Japan

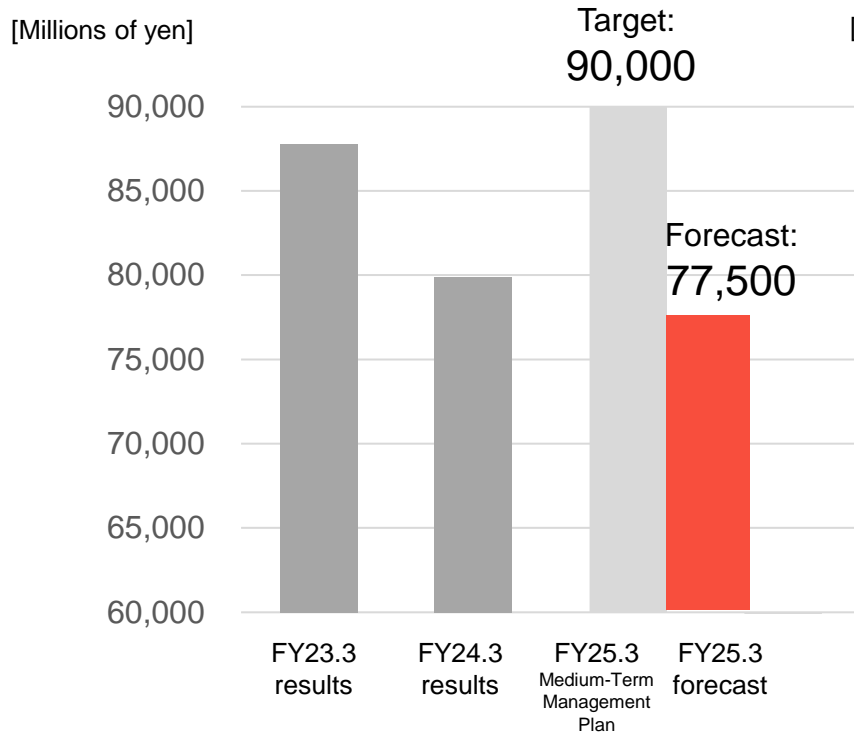
FY2025.3	For orders received in October 2024 and later	“Shigeru Kawai” grand pianos	5 models	Price increase by approx. 8 to 9%
	For orders received in October 2024 and later	Digital pianos	15 models	Price increase by approx. 4 to 8%

■ Overseas

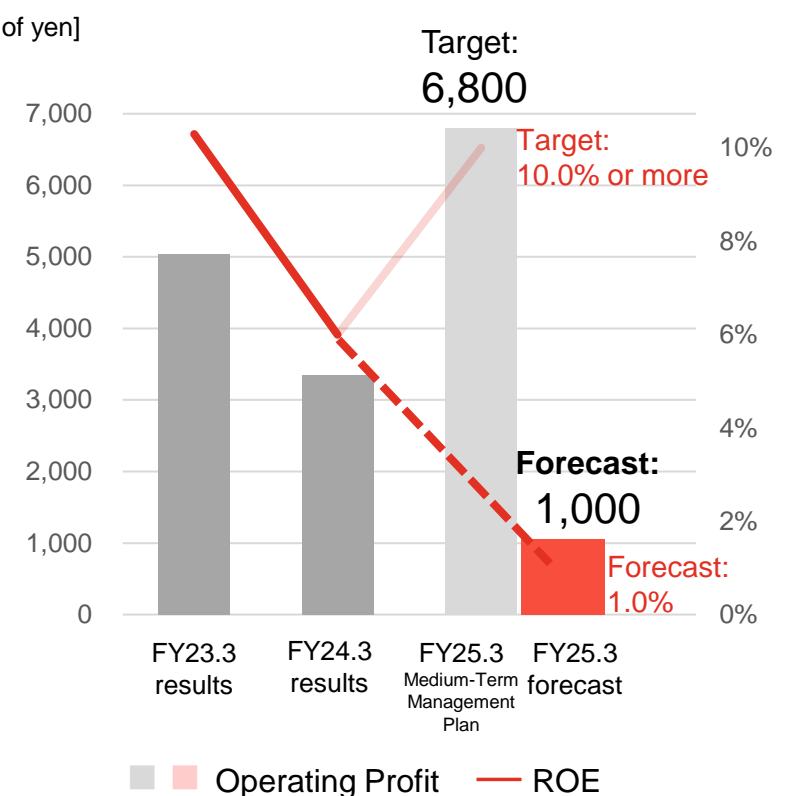
FY2025.3	From shipment in April 2024 and later	Price increase by 2 to 10% depending on regions/items
----------	---------------------------------------	---

Net sales and operating profit as well as ROE are expected to fall short of the medium-term management plan targets due to lower sales as a result of the normalization of instrument inventories and growth investment for the period of the next medium-term management plan

Trend in net sales

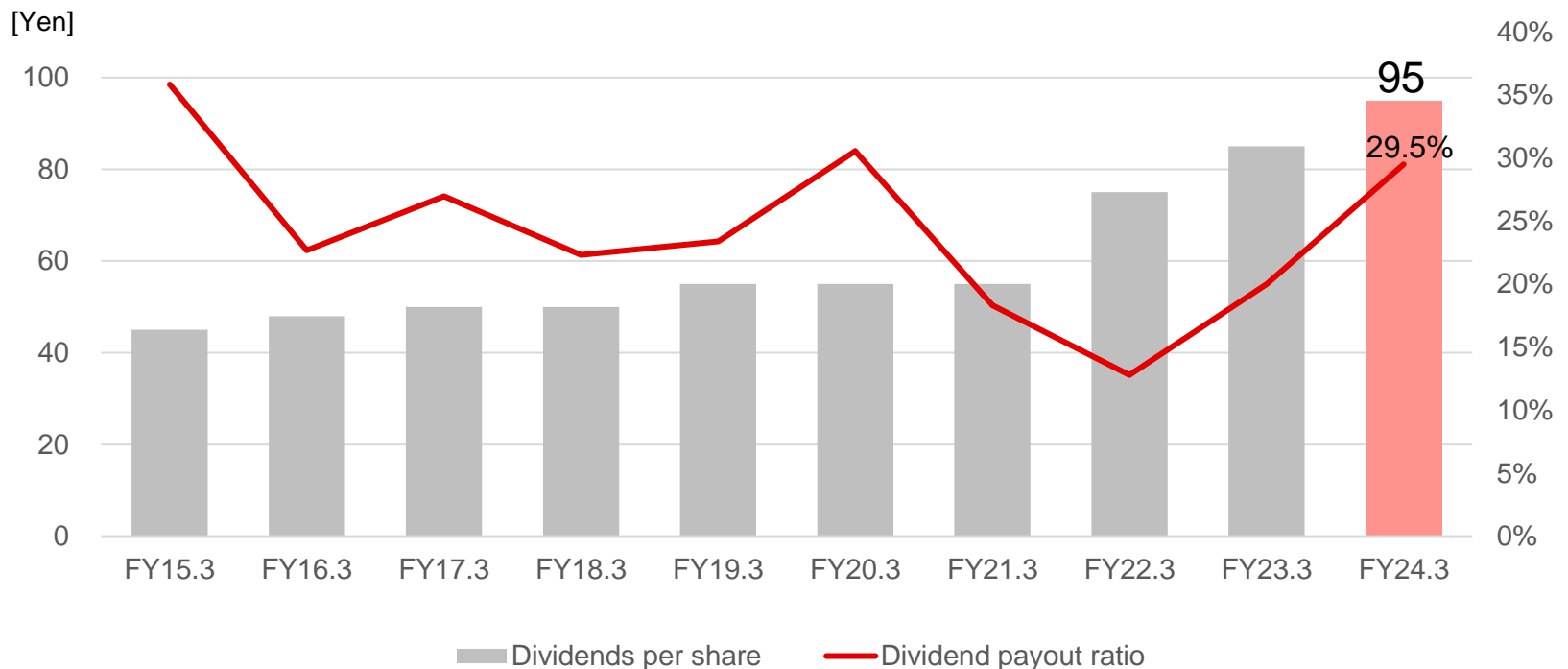


Trends in operating profit and ROE



Dividend per share at the end of FY2024.3 is 95 yen, an increase of 10 yen
 Dividend at the end of FY2025.3 will be disclosed after assessing the performance trend due to a number of uncertainties in market conditions

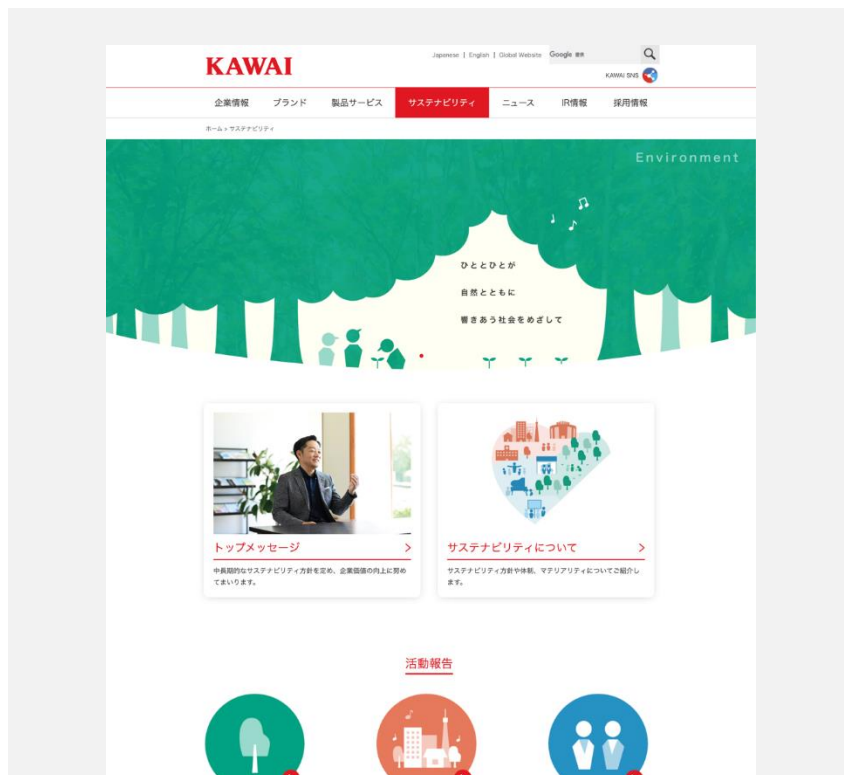
<Basic Policy>
 Taking into account the business environment going forward and business development as well as business performance of each fiscal year, the Company's basic policy is set as providing shareholder returns aimed at delivering stable dividends to shareholders in accordance with its consolidated business performance while securing internal reserves to stabilize the management base.



Sustainability Initiatives

Revamped the sustainability website of our corporate website and published “KAWAI Report 2024” to expand information on sustainability (materiality, TCFD, diversity, etc.)

Sustainability website



URL for the website: <https://www.kawai.co.jp/csr/>

KAWAI Report 2024



Japanese version: <https://www.kawai.co.jp/csr/report/>
English version: <https://www.kawai.co.jp/en/ir/esg/>

Measures to Realize Management Conscious of Capital Costs and Share Prices

Results of Analysis of Current Status, Issues and Countermeasures (as of May 2024)

<Results of analysis of current status>

- ✓ ROE over the past 10 years has been approx. 9%, exceeding the cost of equity (estimated at approx. 7%)
- ✓ Meanwhile, PBR of the Company has been below 1× for 7 of the past 10 periods
- ✓ Net cash balance had been on an increasing trend, but decreased in the most recent two periods. Net cash balance is not at a sufficient level in light of major risks
- ✓ With no material idle fixed assets, there are no unnecessary assets held
- ✓ As for shareholder return, our dividend payout ratio is below the average of other companies in the same industry and that of companies in the manufacturing industry listed on TSE Prime
- ✓ Disclosure of IR information is not sufficient

Issues	Countermeasures
1. Need to improve ROE to a level expected by the market	Present a growth strategy that shareholders will find attractive in the next 8th Medium-Term Management Plan (including a capital allocation policy)
2. Insufficient shareholder return	Aim for dividend payout ratio of 30% in FY2025.3 Aim for total return ratio of 50% in FY2028.3
3. Insufficient disclosure of IR information	Expand the types of IR information to be disclosed (including information in English) and the means for disclosing IR information (such as participation in IR fairs for individual investors and plant tours for institutional investors)

1. Initiatives implemented

(IR)

- ✓ Actively responded to meetings with institutional investors (April to September: 34 meetings held)
- ✓ Quarterly financial results briefing for the second quarter of FY2025.3 is held earlier than before
(Used to be held during the week following the announcement of financial results; held on the day immediately following the announcement of financial results for this quarter)
- ✓ Started to provide disclosure of financial statements in English in May this year, ahead of the timing when disclosure of financial statements in English becomes mandatory next April

2. Future plans

(Growth strategy)

- ✓ Next medium-term management plan starting in April 2025 will be announced in March 2025

(IR)

- ✓ We will continue to take measures to reduce information asymmetry through effective disclosure of information and to improve the level of confidence of shareholders and investors in the Company's growth potential (see the next slide for the status of dialogue with shareholders, etc.)

Our basic policy is to obtain appropriate evaluation of the Company's growth potential from shareholders and investors through these initiatives, and we will strive to achieve a PBR of at least 1× early.

Dialogue with Shareholders

Status of Dialogue with Shareholders, Etc. (April 2024 to September 2024)

- ✓ Set out the “Policy on Constructive Dialogue with Shareholders” in the Corporate Governance Basic Policy, and implemented constructive dialogue through shareholder meetings, financial results briefings, and individual IR meetings
- ✓ Held a financial results briefing in May, ordinary general meeting of shareholders in June, and a total of 34 individual IR meetings
- ✓ Reported regularly the content of dialogue with shareholders and investors to the Board of Directors to share information

<Main themes of dialogue, opinions from shareholders and investors>

Themes	Opinions
Strengthening of IR activities	<ul style="list-style-type: none"> • It is a significant change that a financial results briefing is held at an earlier timing than before
Shareholder Return	<ul style="list-style-type: none"> • Shareholder returns should be enhanced in order to rectify the issue of a P/B ratio of below 1x, and the introduction of DOE (dividend on equity ratio) standard should be considered • The forecast for the next dividend has not been disclosed, but the financial situation is not bad. Therefore, it is requested that dividend be not reduced too much simply because of poor profit/loss for the current period
Raising the share price	<ul style="list-style-type: none"> • Your company is on the borderline in terms of market capitalization and liquidity in relation to the listing criteria of the TSE Prime Market. As a shareholder, I request that the company make improvement in terms of market capitalization and liquidity to maintain its listing on the Prime Market
Anti-takeover measures	<ul style="list-style-type: none"> • Raising the share price is a more effective defense than continuing with anti-takeover measures. I request that the company work on improving profit

We will continue to engage in constructive dialogue with shareholders, investors, and others, take appropriate measures to respond to opinions received, and work to enhance corporate value.

KAWAI

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.