KAWAI

Kawai Musical Instruments Manufacturing Co., Ltd.

Q&A Summary for the Financial Results Briefing for Second Quarter of FY2026.3 (99th Term)

Date: November 13, 2025 (Thursday), from 11 a.m. to noon
Answered by: Kentaro Kawai, President and CEO

Note: This material summarizes the main questions received from the attendants of the financial results briefing and answers thereto, with some additions/revisions to make the intention of the answers clearer.

＜Performance for the Second Quarter / Full-Year Outlook＞

Q1. Regarding the impact of reduced production on operating profit, you stated that the impact of production cuts in the second quarter was a negative 0.4 billion yen (compared with a negative 1.3 billion yen in the same period of the previous year). What is your production outlook for the full year?

A1. In the previous fiscal year, we implemented production cuts by setting non-operating days at our factories in Japan and Indonesia. In contrast, during the current fiscal year, we have not introduced non-operating days but have instead controlled production by reducing the number of units manufactured per day.
Up to the second quarter, production volumes have been as follows:

- ✓ Upright pianos: approximately the same level as the previous year
- ✓ Grand pianos: approx. 10% reduction
- ✓ Digital pianos: approx. 5% reduction

We are managing inventory levels accordingly.
In the second half as well, we continue to restrict production volumes and limit shipments to overseas sales subsidiaries. However, we plan to gradually restore production volumes. For the full year, we expect total acoustic piano production to be roughly in line with the previous year, while digital piano production is projected to slightly exceed the previous year.

Q2. Please provide an update on musical instrument sales by region for the second half.

A2. Japan:
Despite a challenging market environment, domestic sales have been performing well. With the launch of the new CX digital piano line in September, we expect a positive impact on the Christmas sales season. Following the 19th International Chopin Piano Competition held in October—where our piano was selected by many contestants—we have seen a sharp increase in inquiries from consumers directed to our stores, as well as increased access to our website and the Shigeru Kawai special site.

North America:
We plan to open two new directly managed stores within the year, in addition to ongoing efforts to expand our dealer network and strengthen e-commerce. Although sales in the first half were below the previous year, we expect full-year sales to exceed the previous year.

Europe:
Last year, the low-priced ES60 digital piano performed well. However, intensifying price competition has resulted in higher inventory levels. Sales of the new CX digital piano line are solid, and we aim to improve operating profit margins.

China:
We expect the severe market conditions seen in the first half to continue into the second half, with the mass-market upright piano segment remaining challenging. On the other hand, sales of Japan-made grand pianos—particularly Shigeru Kawai models—are recovering through university bidding processes. For digital pianos, we plan to expand sales targeting hobby players.

Q3. What is your outlook for the second half in the Material Processing Business and Other Business?

A3. Within the Material Processing Business, orders for metal products—particularly those for semiconductor and automotive applications—remain strong. In the Other Business, sales of IT equipment for medical institutions continue to perform well. As a result, we have revised upward the full-year forecasts for both the Material Processing Business and Other Business.

Q4. Operating profit appears to have been affected by special demand during COVID-19 and the subsequent correction. What level do you consider to be a "normal" operating profit, and how do you plan to return to that level from the current situation?

A4. Over the past few years, operating profit has fluctuated significantly due to changes in the business environment (Reference: FY2024.3 – 3.2 billion yen; FY2025.3 – 0.3 billion yen; FY2026.3 forecast – 1.5 billion yen). As a target level, under our Medium-Term Management Plan "KAWAI Ten-Year Plan," which began this fiscal year, we aim for operating profit of 5.0 billion yen in FY2028.3, the third year of the plan. To achieve this, we will enhance our top line (net sales) and restore production levels, thereby improving operating profit. One key initiative is the start of operations at our new digital piano factory in Indonesia next summer. This facility will serve as a core production base for expanding our market share in Europe and the United States. For acoustic pianos, although growth in upright pianos is challenging, we see considerable potential for grand pianos, supported by the strong results at the 19th International Chopin Piano Competition.

＜Shareholder Return＞

Q5. Please explain your policies on dividends and shareholder return.

A5. Although our current business performance remains challenging, we will continue to uphold our progressive dividend policy and maintain our target total return ratio of 50% or more. Regarding dividends, we intend to maintain the previous fiscal year's dividend of 95 yen per share, with no reduction planned for the current fiscal year.

＜Management Policy＞

Q6. It has now been over a year and a half since you, Mr. Kentaro Kawai, assumed the presidency in February of last year. Could you share once again how you intend to lead the company?

A6. Since becoming President, I have had opportunities to speak with many individuals both in Japan

and overseas, which has helped clarify the direction Kawai should pursue. To share this vision with employees around the world, we established the “KAWAI Philosophy” this March. Our Mission, “Let your life resound,” expresses our desire to be a company that enriches people’s lives by providing instruments and services that only Kawai can offer. The expertise our employees have accumulated over the years in product and service development is a core strength, and we aim to further expand this capability globally. Although our PBR has remained below 1.0, we will continue to improve ROE and translate our brand value—demonstrated again at the recent Chopin Competition—into enhanced corporate value. Through these efforts, we hope to earn the continued confidence and growth expectations of our shareholders and investors.

Our earnings forecasts and future predictions described in this document are based on information available 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.