KAWAI



The 8th Medium-Term Management Plan (2025–2035)

"KAWAI Ten-Year Plan"

March 19, 2025

Kawai Musical Instruments Mfg. Co., Ltd.

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Establishment of KAWAI Philosophy

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Mission

The Purpose for which we exist

Let your life resound

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Vision

The future we want to create

Fostering a musical culture for the next 100 years and beyond.

We will share the joy of music with both children and adults,
and be a supportive presence throughout their journeys.
We will empower everyone to express themselves freely and authentically,
thereby enriching the daily lives of people around the world
with the warm embrace of music.

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Values

The quality we provide

- We nurture relationships as though each person is family.
- We approach our work with sincerity and meticulous care.
- We cherish tradition while striving for progress.
- We foster the unique musical voice of every individual.
- We cultivate engagiment with the piano in every setting.

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Credo

The mindset that we uphold

- Honour tradition and embrace innovation.
- Explore ideas from diverse perspectives.
- Adopt the "yaramaika" spirit and "give it a try!"
- Act with empathy and aim to bring joy to others.
- Set high ideals and pursue them with dedication.
- Cherish playfulness and find joy in our work.

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Sustainability Management

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Promoting Sustainability Management

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To realize our vision of “Fostering a musical culture for the next 100 years and beyond.”, we strengthen materiality-based management and promote sustainability-driven growth.

Materiality	Key Initiatives	Medium-Term Management Plan Goals
Addressing Climate Change 	Reduction of GHG emissions (Scope 1, 2, 3)	- Reduce Scope 1 & 2 GHG emissions by 50%
Human Resource Development and Workplace Enhancement 	Employee training and skill acquisition support	- 100% participation rate in internal training programs - 30% achievement rate of Kawai Operator Certification at Ryuyo Factory - 100% national qualification rate for piano tuners
	Workplace engagement improvement	- Continuous improvement of employee engagement index
	Promotion of Diversity, Equity, and Inclusion (DEI)	- Continuation of DEI training programs - Increase female managerial positions to 12.5%
	Ensuring Occupational Health and Safety & Health Management	- Zero occupational injury frequency rate - Certified as “White 500 Health & Productivity Management Organization
Contribution to the Development of Musical Culture 	Support for Pianist Development	- Continuation of Kawai Music Competition
	Promotion of local musical culture	- Continuation of Kawai Concerts and factory tours
	Training piano tuners	- Continuous production of piano tuners

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Promoting Sustainability Management

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Materiality	Key Initiatives	Medium-Term Management Plan Goals
Pursuit of Quality, Safety, and Customer Satisfaction 	Improvement of product quality and customer satisfaction	- Continuous enhancement of customer satisfaction index
	Utilization of AI/IoT and Digital Technology	- Promotion of new product/service development using digital technology
Sustainable Supply Chain Management 	Addressing ESG risks in the supply chain	- Establish sustainability procurement guidelines - Conduct supplier evaluations based on these guidelines
	Strengthen cooperation and smooth relationships with suppliers	
Strengthening Governance 	Enhancing effectiveness of the Board of Directors	- Conduct effectiveness evaluations and continuous improvements
	Risk management implementation	- Implement risk management system
	Disaster risk measures	- Establish Business Continuity Plan (BCP) structure and conduct training
	Cybersecurity Measures	- Establish and operate an information security policy - Conduct cybersecurity training
	Compliance Maintenance and Enhancement	- Continuous reinforcement of compliance education
	Addressing Human Rights Risks in Business Activities	- Conduct human rights due diligence and policy enforcement

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Contribution to the Development of Musical Culture ①

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Since its establishment in 1956, the Kawai Music School has expanded globally and now has over 100,000 students, continuously broadening the base of people who enjoy music.



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Contribution to the Development of Musical Culture ②

KAWAI

We will continue to contribute to the development of musical culture globally through "support for pianist development," "promotion of local music culture," and “development of piano tuners."

Support for Pianist Development

Number of Kawai Music Competitions held (since 1968)

62

Promotion of Local Music Culture

Number of KAWAI Concerts held (since 1971)

2,600+

Development of Piano Tuners

Number of piano tuners produced (since 1963)

2,700+

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Review of the 7th Medium-Term Management Plan

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Review of the 7th Medium-Term Management Plan

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Under the 7th Medium-Term Management Plan, based on the following Basic Policy, we focused on “Evolving customer touch points“, "Strengthening domains of growing demand“, and “Handling cost increases."

Basic Policy

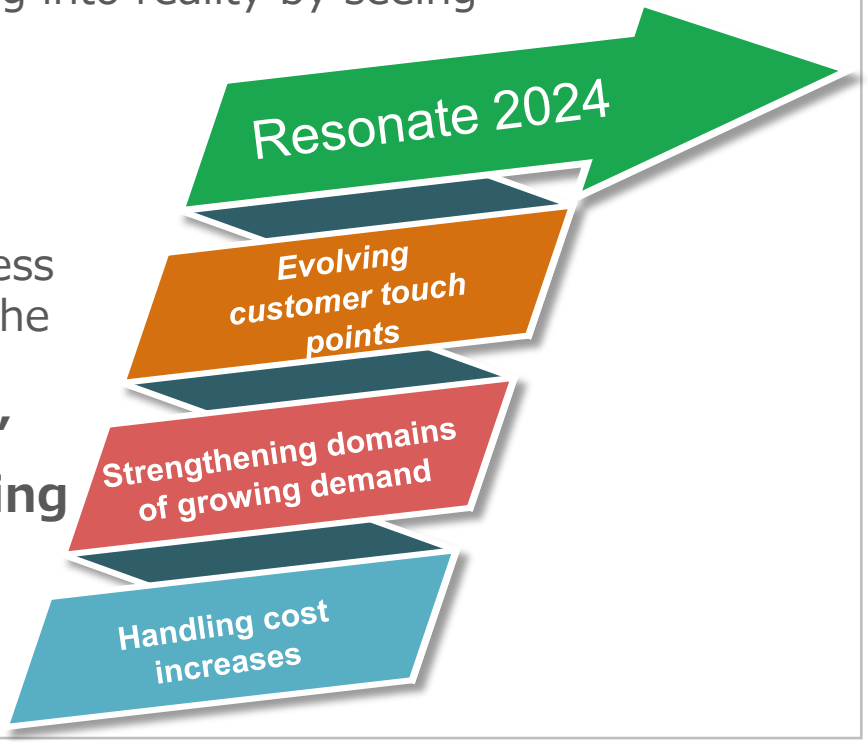
Build a rock-solid system to mark the centenary by growing steadily, compatible with the new business environment, with the aim of establishing a 100-year brand.

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”**



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Review of the 7th Medium-Term Management Plan (Basic Policy)

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The foundation has been established to strengthen the execution of our most critical strategy: "Enhancing Overseas Sales of Keyboard Instruments.“
The 8th Medium-Term Management Plan has been formulated as a long-term growth strategy spanning 10 years.

Basic Policy

- To build a century-long brand, we aim for steady growth while adapting to new business environments and establishing a solid foundation for the 100th anniversary.
- Looking beyond the centennial, we envision the future that KAWAI aspires to achieve.

Result

- Although the company has faced significant environmental changes and has not yet fully established a solid foundation, the execution of our most critical strategy, "Enhancing Overseas Sales of Keyboard Instruments," has already begun. The framework to strengthen the execution of this strategy is in place.
- We have restructured our Mission, Vision, Values, and Credo to evolve our corporate identity and, considering the characteristics of our business, we have formulated the 8th Medium-Term Management Plan as a long-term 10-year growth strategy (details to follow).

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Review of the 7th Medium-Term Management Plan (Key Strategies) KAWAI

We steadily executed the three key strategies and worked to improve profitability.
In particular, customer engagement in the digital space significantly improved, contributing to an overall revenue increase.

Evolving customer touch points

- Enhanced brand recognition in the keyboard instrument market through increased presence in international piano competitions and stronger artist relations.
- Expanded digital customer touchpoints globally, leading to increased sales, by improving the website, expanding exposure on social media/YouTube, and increasing investments in digital advertising.

Strengthening domains of growing demand

- Established a production system to increase grand piano output, including Shigeru Kawai, leading to increased market share.
- Expanded digital piano sales by continuously introducing new models and launching the new "ES60" model in the entry-level price range.

Handling cost increases

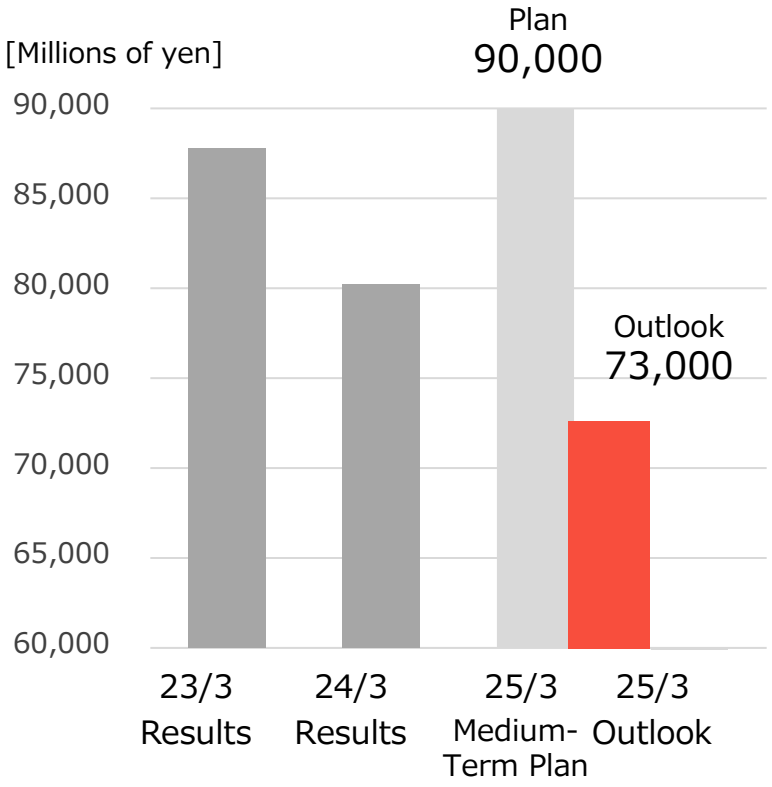
- Enhanced global high-value branding for Shigeru Kawai through improved market positioning and optimized pricing.
- Minimized the impact of rising costs, including material and transportation expenses, through cost reductions and optimized product pricing.

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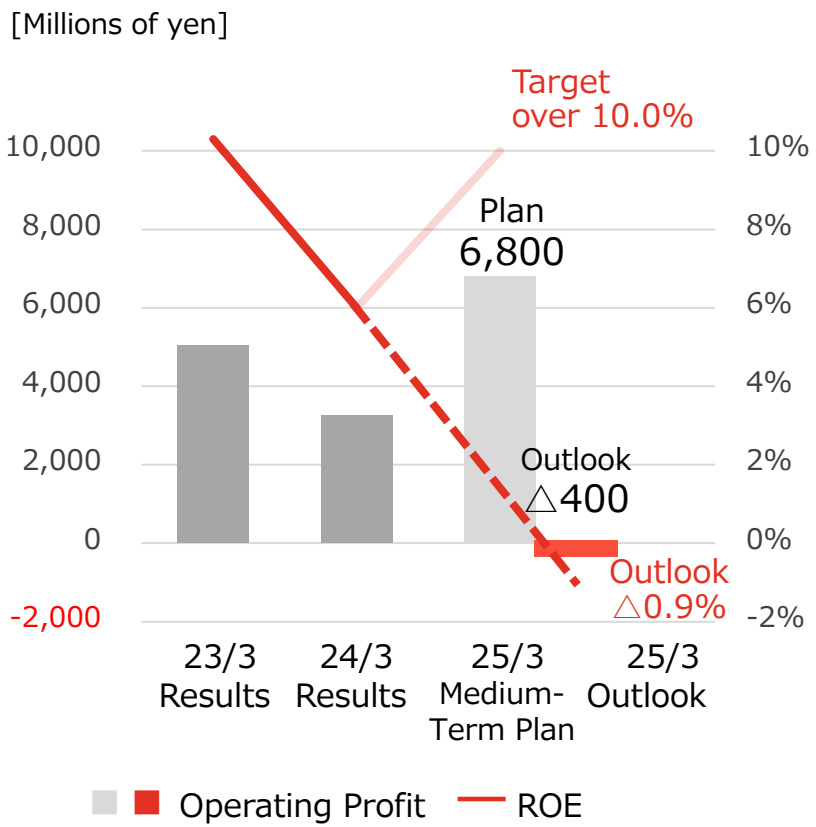
Review of the 7th Medium-Term Management Plan (Performance)

Due to demand fluctuations caused by the COVID-19 pandemic, geopolitical risks, and the impact of economic conditions and policies in various countries, the fiscal year ending March 2023 performed strongly. On the other hand, by the fiscal year ending March 2025, revenues significantly declined.

Sales Trends



Operating Profit & ROE Trends



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The 8th Medium-Term Management Plan "KAWAI Ten-Year Plan"

*Reason for Adopting a 10-Year Plan for the 8th Medium-Term Management Plan

The musical instrument and education business, our core business, has significant potential for revenue growth. However, expanding market share in mature markets and developing new markets in emerging regions requires time.
Given this, achieving substantial growth within the traditional three-year mid-term management plan period would not be realistic. Therefore, we have formulated a 10-year plan for this phase.

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Outlook and Strategic Perspective for the Next 10 Years

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1 While digitalization continues to accelerate globally, there is a counteracting increase in demand for tangible experiences and products, ***leading to steady demand for keyboard instruments as well as music and physical education***.

2 ***Given the significant potential to expand market share in keyboard instruments, the company can achieve substantial growth*** without solely relying on new market development or new business creation.

3 It is projected that even 10 years from now, over 80% of the keyboard instrument market will still be dominated by mature markets (Europe, North America, Japan, and China). Therefore, ***increasing product value and expanding market share in mature markets remain the top priorities***.

4 Expanding market share in mature markets cannot be achieved overnight, but ***with consistent and dedicated efforts over the next 10 years, substantial growth will be possible***.

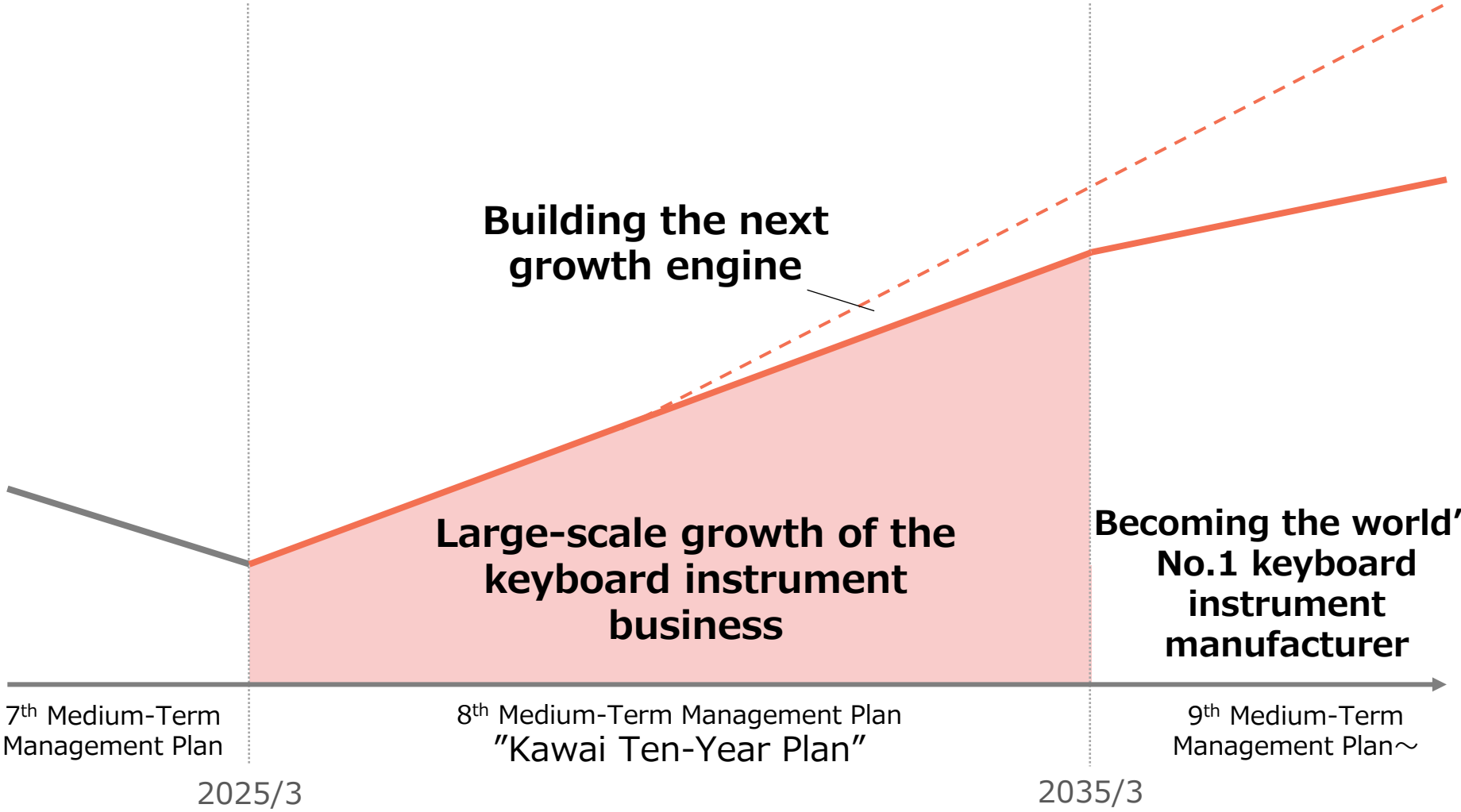
5 Looking beyond the next 10 years, ***developing new markets for keyboard instruments and creating new businesses will also be crucial***, and efforts in these areas will be strengthened to generate tangible results.

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What We Aim to Achieve with the "KAWAI Ten-Year Plan"

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To become the world's No.1 keyboard instrument manufacturer, we will achieve significant growth in the keyboard instrument business over the next 10 years while simultaneously building the next growth engine.

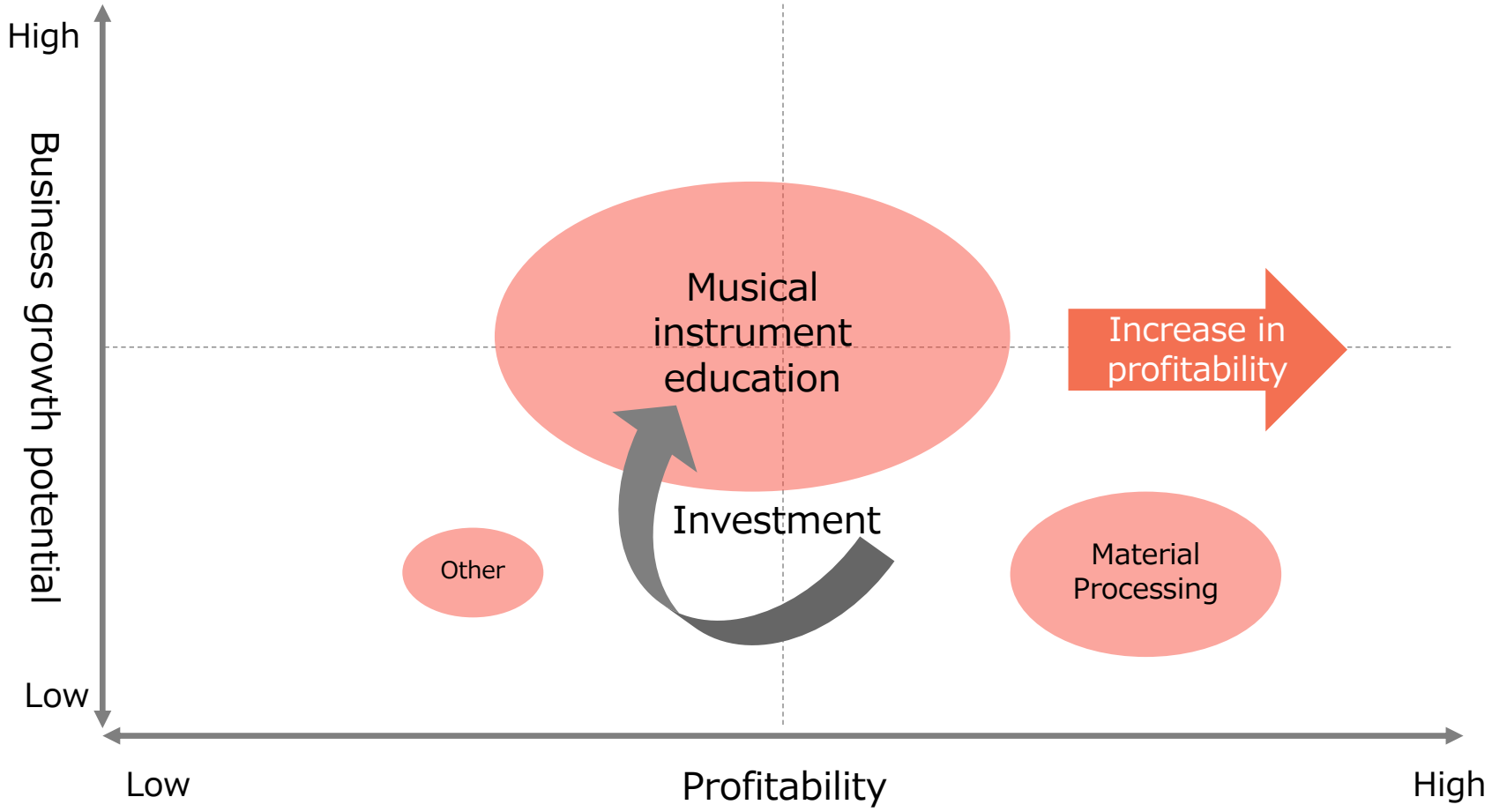


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Path to Corporate Value Growth (Business Portfolio strategy)

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Among our musical instrument and education businesses, the keyboard instrument market presents significant potential for revenue growth.
By prioritizing investments in the keyboard instrument business, we aim to efficiently enhance corporate value.



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Path to Corporate Value Growth (PBR Improvement)

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We aim to improve PBR through “Increasing operating profit”, “Enhancing shareholder returns”, “Reducing information asymmetry through strengthened IR activities”, “Clarifying a promising mid-to-long-term growth plan and achieving key milestones”

$$\text{PBR} = \text{ROE} \times \frac{1}{\text{Shareholder's Equity Cost} \text{ minus } \text{Profit Growth Rate}}$$

- ✓ Increasing operating profit
- ✓ Enhancing shareholder returns

- ✓ Reducing information asymmetry through strengthened IR activities
- ✓ Enhancing shareholder returns

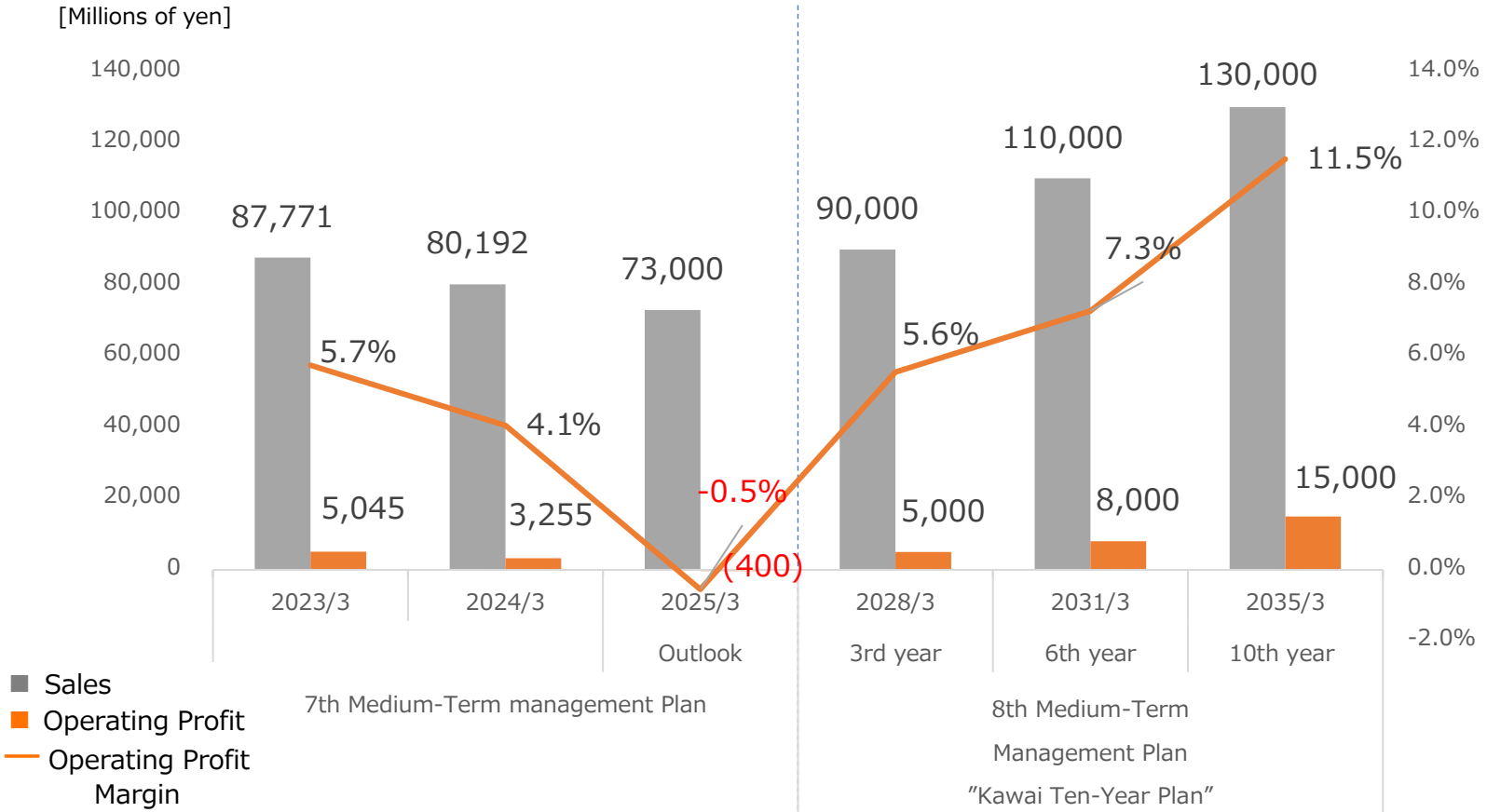
- ✓ Clarifying a promising mid-to-long-term growth plan and achieving key milestones

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Financial Targets

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We aim for an ROE of 5.5% in 3 years, 10% in 6 years, and 16% in 10 years.



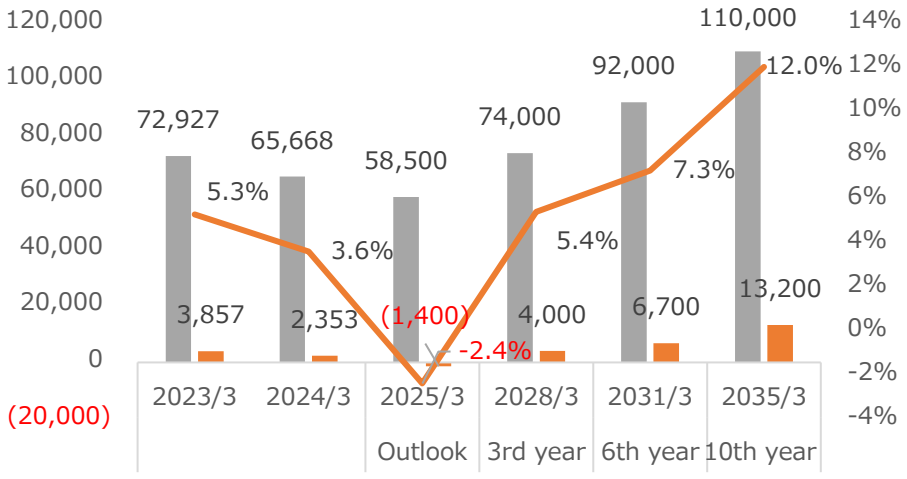
ROE	10.3%	6.8%	-0.9%	5.5%	10.0%	16.0%
Total Return Ratio	20%	30%	-204%	50% or more	50% or more	50% or more

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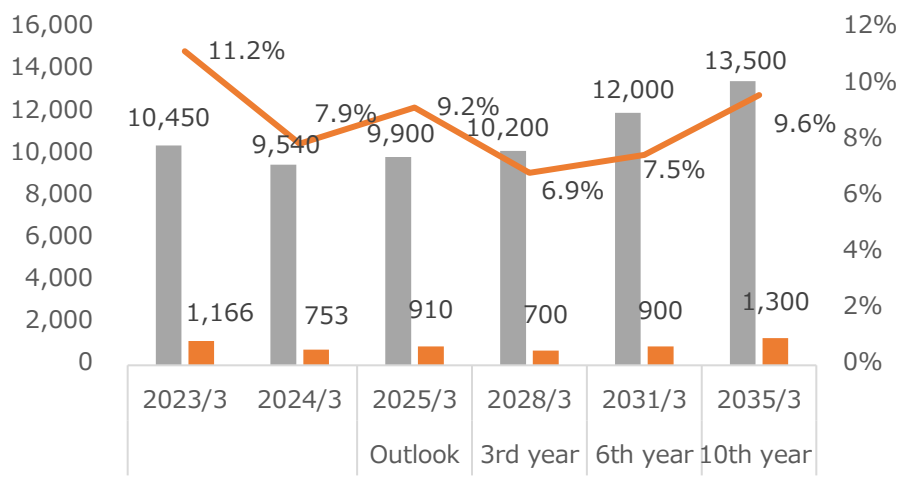
Business Segment Goals

We aim for growth across all business segments, but the musical instrument education business, particularly instrument sales, is expected to account for more than 80% of the revenue increase.

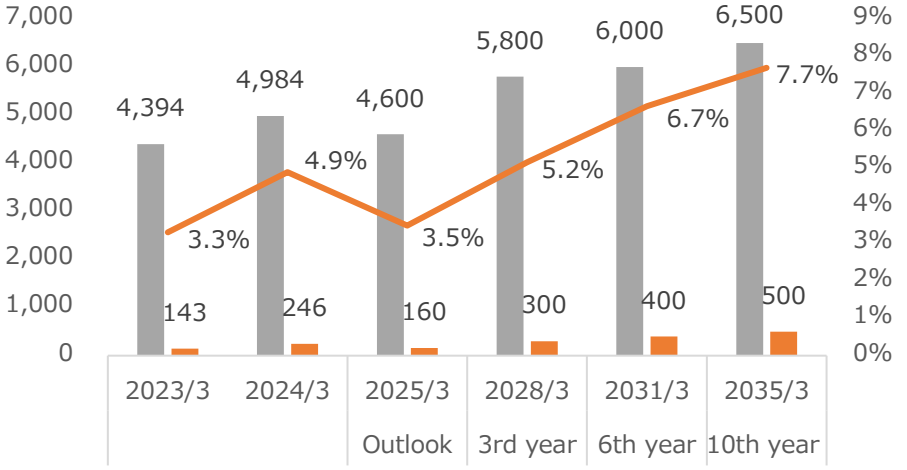
Musical instrument education



Material Processing



Other



[Millions of yen]

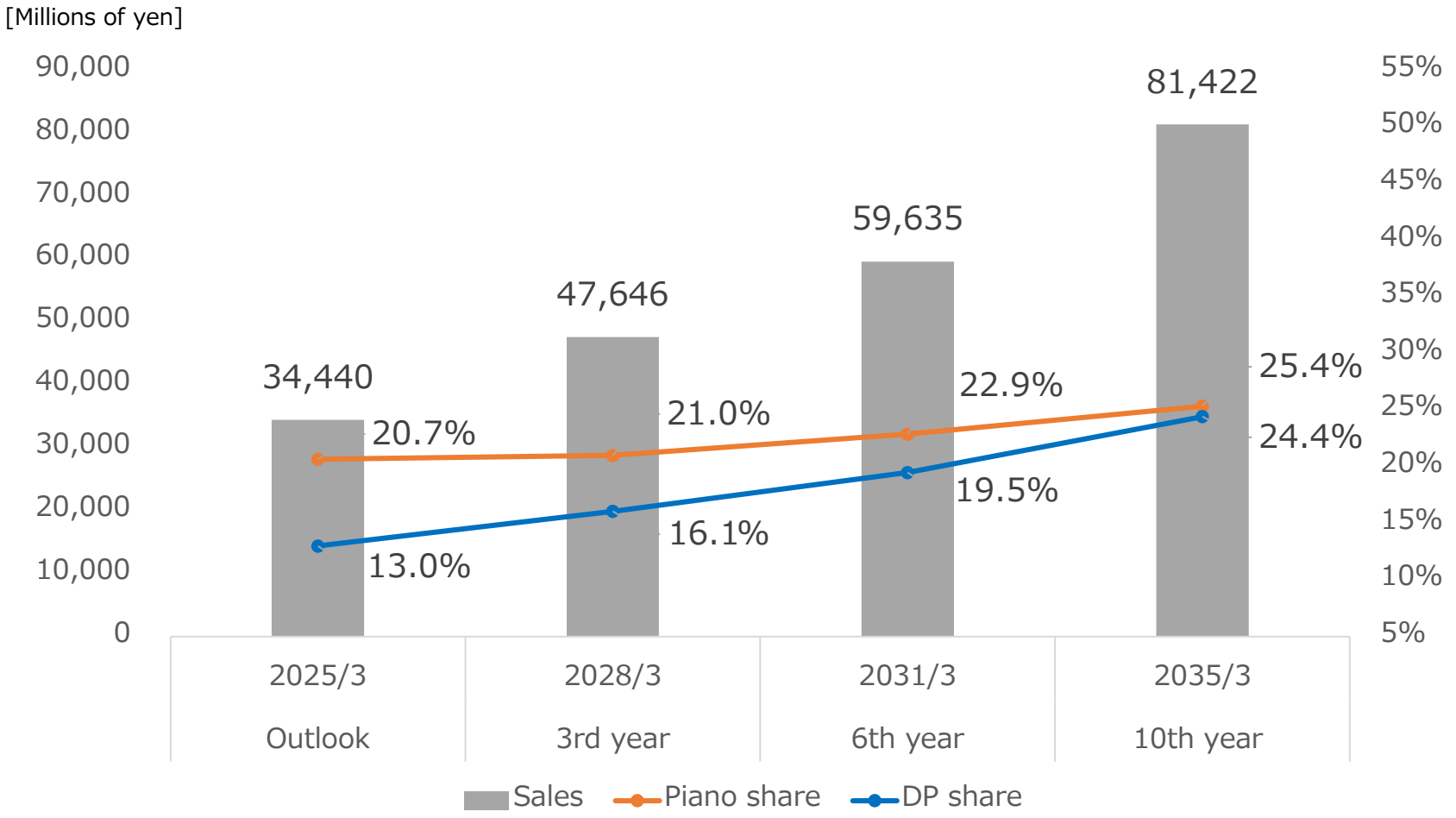
- Sales
- Operating Profit
- Operating Profit Margin

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Sales and Market Share for Keyboard Instruments (overall)

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We aim to increase sales of keyboard instruments from 34.4 billion yen to 81.4 billion yen, approximately 2.4 times the current level, while raising its market share of pianos by about 5 percentage points and digital pianos by about 11 percentage points.



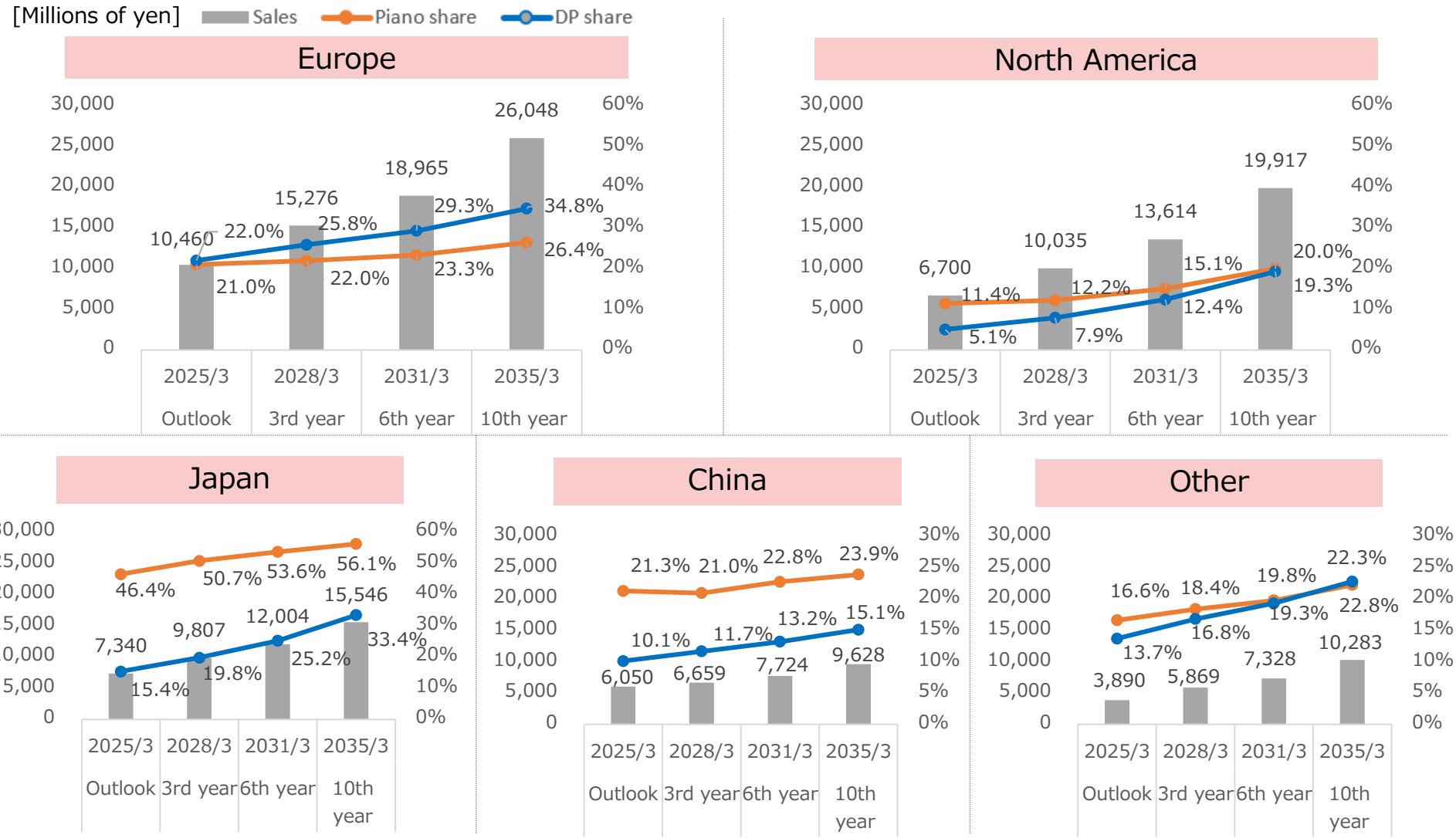
*Shares represent our company's estimated unit share

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Sales and Market Share for Keyboard Instruments (by region)

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Increase sales and market share in all regions.
In particular, there is significant growth potential in Europe and North America, while Japan remains an important market.



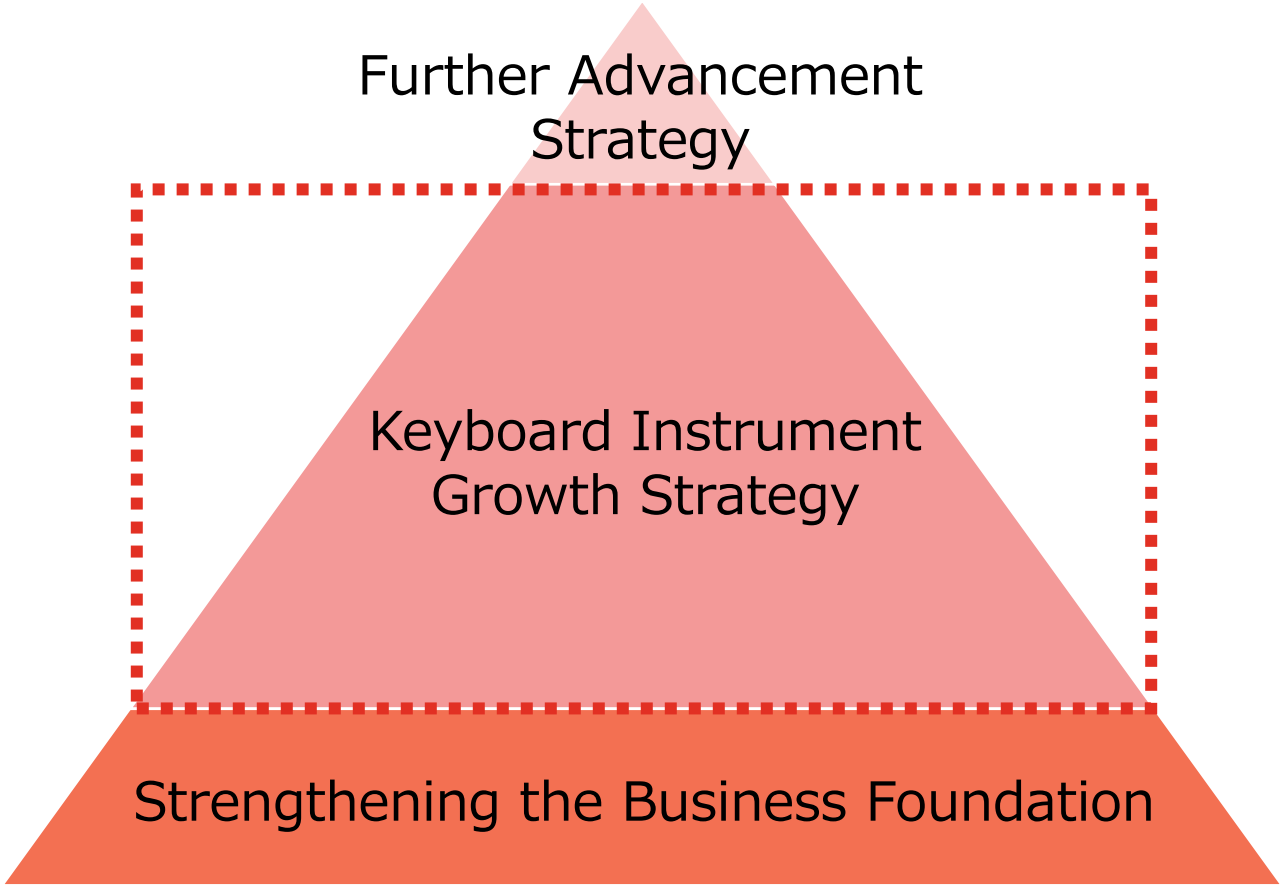
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Growth Strategy (Overall Picture)

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While strengthening the business foundation, the "Keyboard Instrument Growth Strategy" is positioned as the core of the growth strategy, and the "Further Advancement Strategy" aims for even greater growth.



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Our Strengths in The Keyboard Instrument Business

KAWAI

Our strengths lie in our relentless pursuit of quality improvement and the unique corporate culture that makes it possible.

Top-tier products worldwide





Unique corporate culture





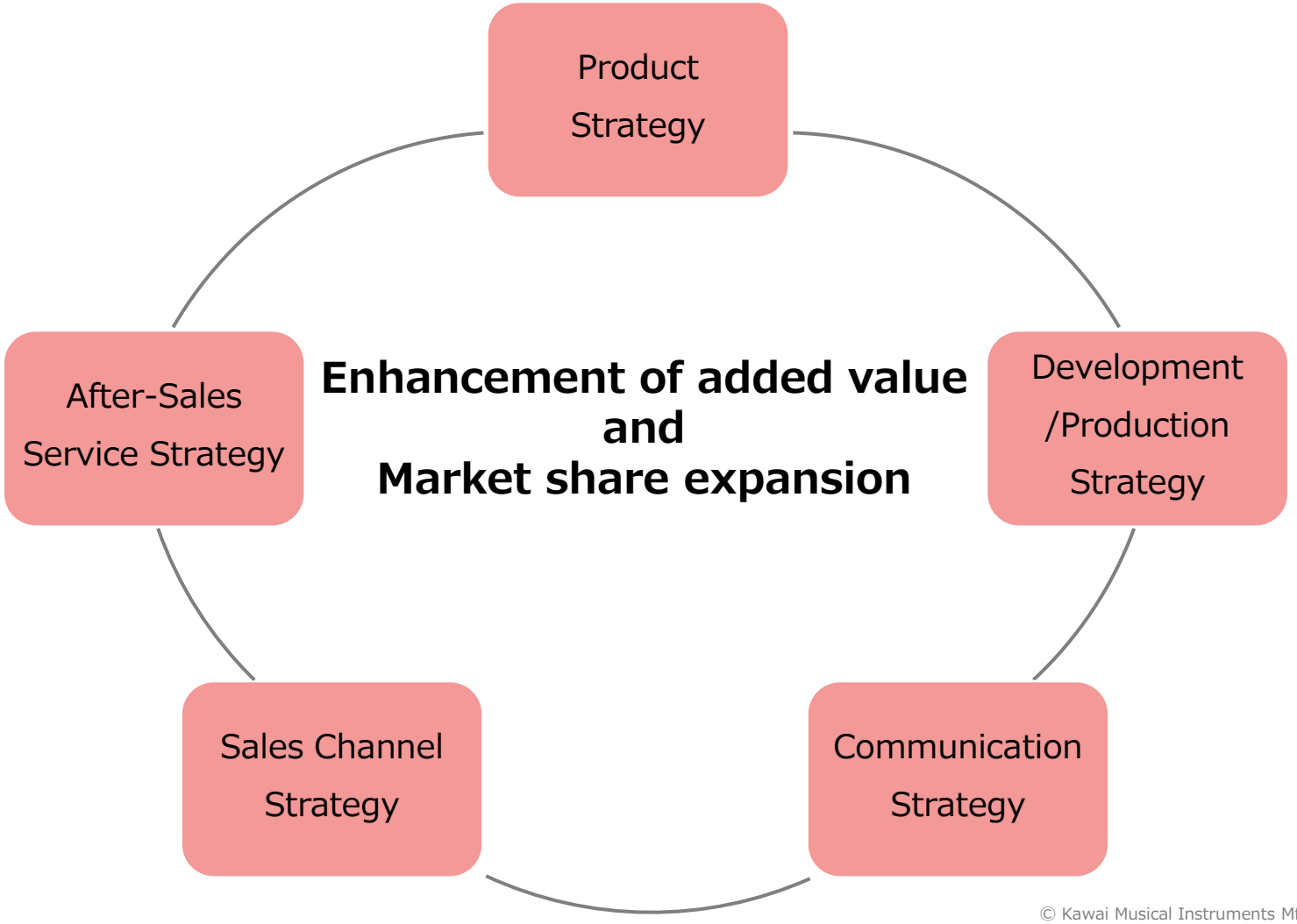


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Keyboard Instrument Growth Strategy

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We will achieve higher added value and market share expansion for pianos and digital pianos by enhancing quality, increasing brand recognition, and strengthening sales channels, with a particular focus on reinforcing strategies in Europe and North America.



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Product Strategy (Key Points)

KAWAI

Strengthen product competitiveness and enhance customer evaluation of our products to maximize their appeal.

Strengthening product competitiveness

- Enhancing the competitiveness of high-end models and expanding it to regular models.
- Establishing consistent quality as "Made by Kawai," regardless of the country of production.

×

Improving customer evaluation

- Enhancing presence in international piano competitions.
- Creating opportunities for many artists and influencers to play our instruments.

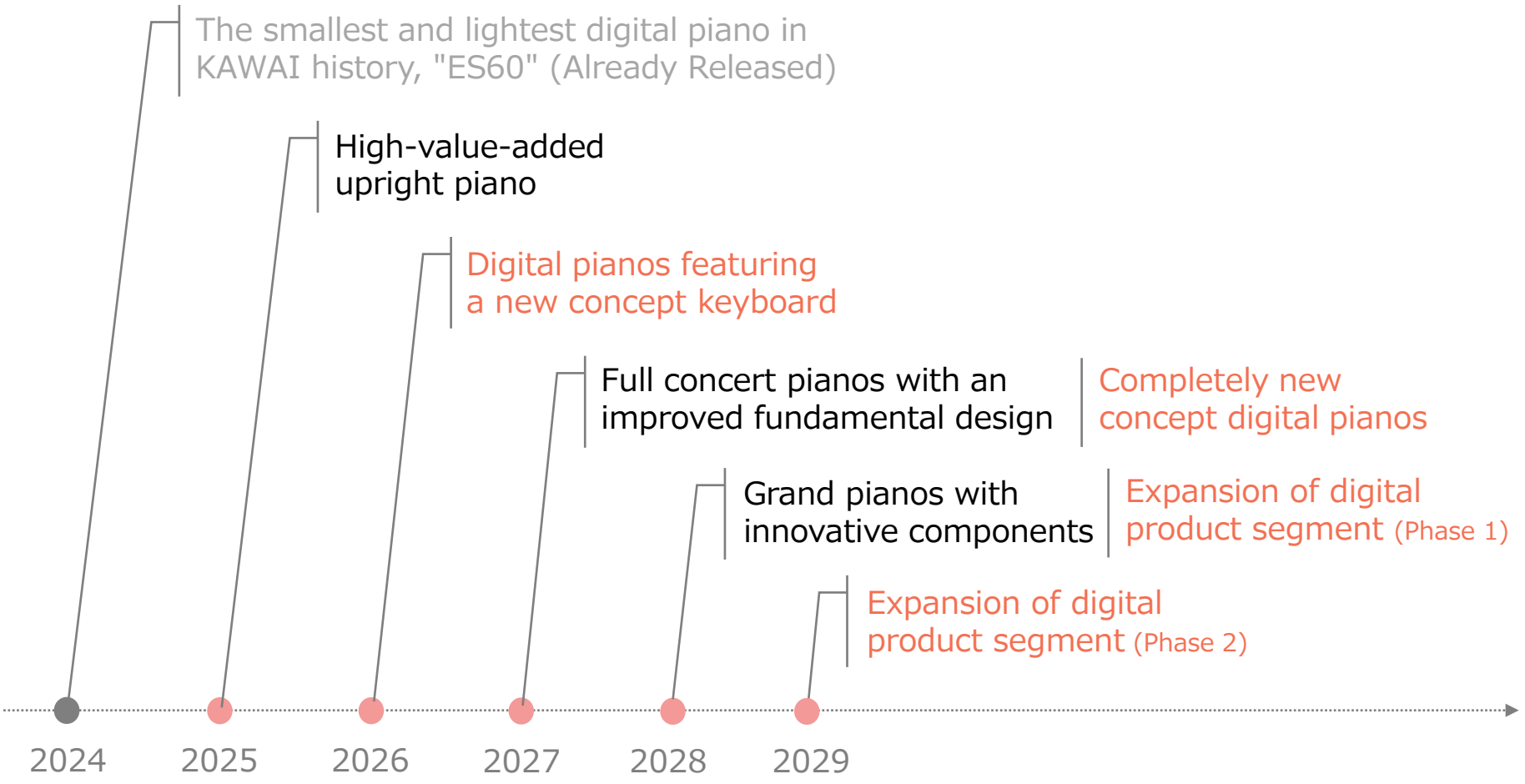
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Product Strategy (New Products)

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We will continuously introduce competitive new products that leverage our strengths.

New Product Release Plan (Next 5 Years)



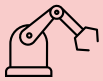
*The release schedule is tentative and subject to change depending on the development status.

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Development/Production Strategy

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Through the establishment of the U.S. development base and reinforcement of alliances, we will strengthen development capabilities while simultaneously improving quality and production efficiency through the promotion of manufacturing and the review of production processes and facilities.

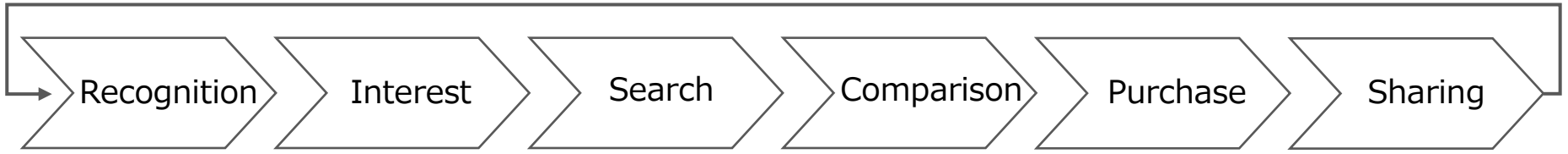
Piano		Develop the next-generation model of action, which is KAWAI's greatest strength.
		Enhance added value through the promotion of integrated in-house production.
		Restructure production processes by balancing labor-intensive craftsmanship and rationalization.
DP		Establish a U.S. development base in 2025 to strengthen development capabilities.
		Technology development to enhance profitability and strengthening alliances to boost product competitiveness.
		Construct a new factory in Indonesia, doubling production capacity, with operations starting in 2026.
Common		Develop human resources to inherit and further evolve KAWAI’s piano and digital piano manufacturing expertise.
		Improve quality and reduce costs through production facility enhancements.
		Accelerate quality improvement and develop innovative products through the establishment of the "Kawai Research Institute."

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Communication Strategy

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By strengthening communication with customers both in physical and digital spaces according to the customer journey, we aim to deliver the appeal of our products “to more customers," “with a better image," and “in an accurate manner."



Physical

- Support music events
- Artist Relations
- Tuning display pianos
- Strengthen relationships with piano educators and educational organizations

Digital

- Post on social media
- Collaborate with influencers
- Invest in digital advertising
- Post on social media
- Integrate and improve product websites
- Increase presence on e-commerce platforms
- Recruit and train digital marketing personnel

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Sales Channel Strategy

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By increasing the number of dealers and expanding the range of products available in both physical stores and e-commerce platforms, as well as enhancing the quality of retail spaces and improving sales staff's product knowledge, we aim to create an environment where "more customers" can purchase our products "more easily."

		Physical Stores	E-Commerce
Expansion of sales channels	The number of dealers ↗	Approach new dealers/Expand direct stores/M&A	Develop new channels and expand our proprietary e-commerce platform
	The number of products ↗	Secure dealer margins and support sales promotions	Offer diverse color variations to meet customer needs
	Retail quality ↗	Provide branding pianos and tune display pianos	Provide high-quality content and enhance brand presence
	Sales staff's product understanding ↗	Train sales staff	Train sales staff

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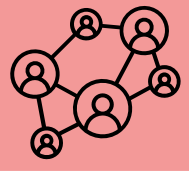
After-Sales Service Strategy

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By expanding the *MPA and the "KAWAI Tuning Network," we aim to enhance customer satisfaction. Additionally, we will dispatch tuners to emerging markets and establish training centers for tuners in overseas locations.



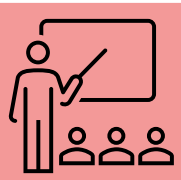
Increase the number of MPA on a global scale to enhance customer satisfaction among KAWAI users.



Expand the "KAWAI Tuning Network" by educating tuners in KAWAI's tuning techniques.



Dispatch tuners to countries where tuning professionals are insufficient to support dealers.



Establish training and educational centers for tuners overseas

*MPA (Master Piano Artisan): A proprietary tuning qualification awarded only to top-tier KAWAI tuners who have passed rigorous in-house examinations and overseas training, possessing exceptional technical skills, service capabilities, and personal qualities.

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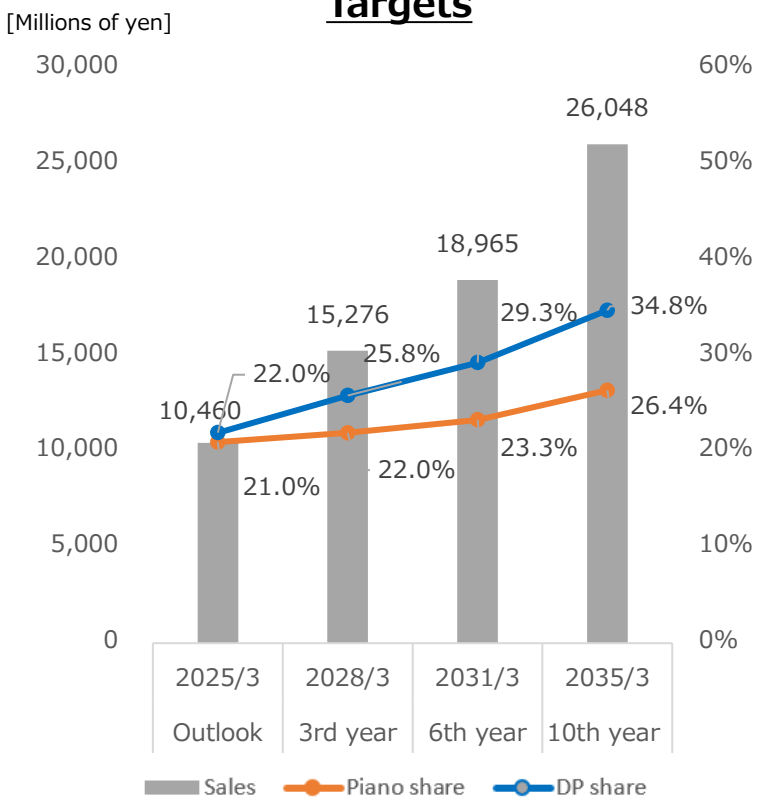
Regional Growth Strategy for Europe

KAWAI

Key Challenges

- The coexistence of multiple distribution channels (via overseas subsidiaries and direct sales from headquarters) has led to unfair retail price drops within the EU.
- Lack of dealer expansion and inadequate support/training for dealers in certain areas (France, Italy, Northern Europe, etc.) has resulted in low brand recognition and market share.

10-Year Growth Targets



*Shares represent our company's estimated unit share

Key Strategies

① Unification of Distribution Channels – Shift towards a single overseas subsidiary-based distribution system and strengthen management and sales personnel.

② Enhancing Presence in International Piano Competitions – Strengthen artist relations and brand visibility at globally influential competitions.

③ Global Branding Campaign – Increase brand awareness and enhance digital marketing efforts.

④ Strengthening Support for Local Piano Competitions and Music Events – Collaborate with piano educators and local events to improve brand reach.

⑤ Expanding Dealer Network in Low-Market-Share Areas – Provide promotional support and training to underperforming dealerships.

⑥ Acquisition of Struggling Dealers for Direct Store Expansion – Convert underperforming dealerships into company-owned stores.

⑦ Expansion of the "KAWAI Tuning Network" – Establish training and education centers for piano tuners.

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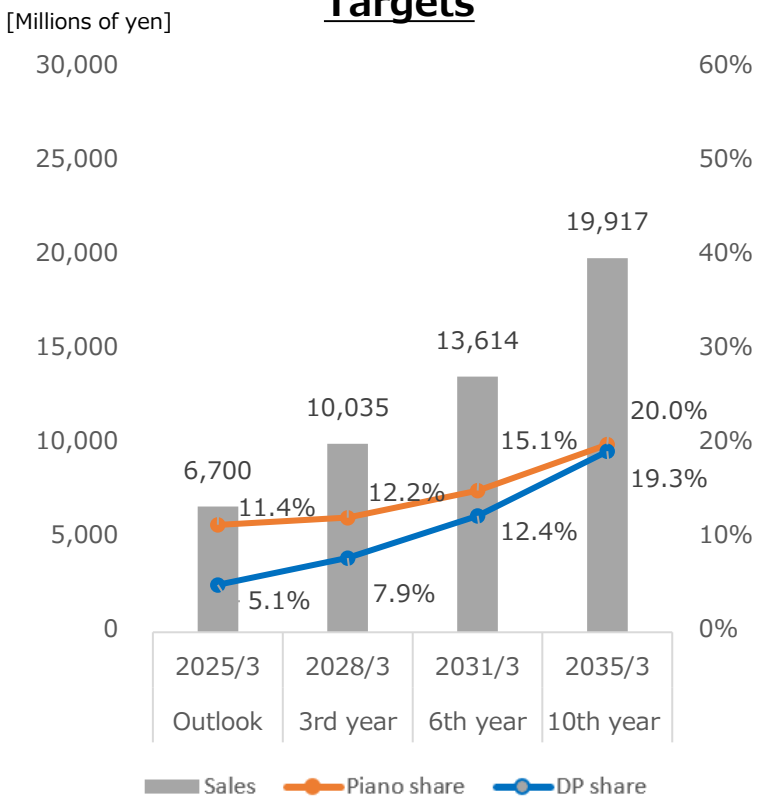
Regional Growth Strategy for North America

KAWAI

Key Challenges

- While the high-value Shigeru Kawai brand has improved, overall brand recognition remains low, and the reduction of physical dealers has led to stagnant market share.
- Insufficient approach to online dealers has resulted in weak digital presence on e-commerce platforms and YouTube.

10-Year Growth Targets



Key Strategies

① Global Branding Campaign – Strengthen brand awareness and digital marketing.

② Expansion of Online Dealers & Digital Presence – Increase engagement on e-commerce platforms.

③ Strengthening Direct Sales Workforce – Expand company-owned store operations.

④ Dealer Expansion in Low-Market-Share Areas – Provide support and education to boost dealership performance.

⑤ Strengthen Artist Relations & Support for Music Educator Associations

⑥ Establishment of an Electronic Piano Development Base in the U.S. – Improve marketing capabilities.

⑦ Expansion of Local Offices in Canada – Increase management and sales personnel.

*Shares represent our company's estimated unit share

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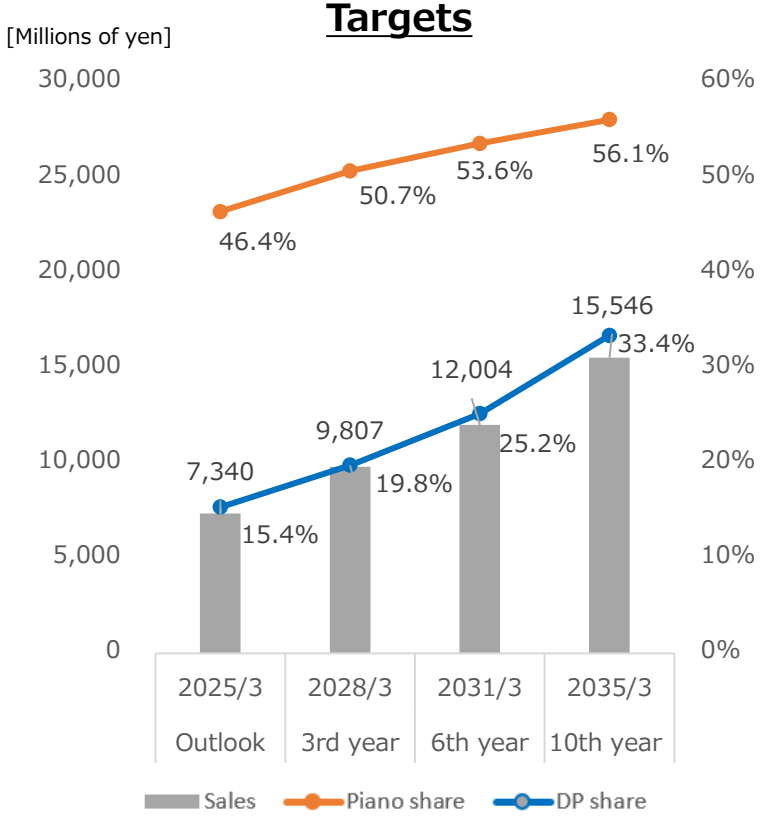
Regional Growth Strategy for Japan

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Key Challenges

- Market contraction due to declining birthrates and an aging population.
- Urgent need to strengthen the Shigeru Kawai brand and expand the GX series market share.
- Digital pianos lag behind acoustic pianos in terms of brand recognition and market share.

10-Year Growth Targets



Key Strategies

① Enhancing Presence in International Piano Competitions – Strengthen artist relations.

② Investment in Branding & Digital Marketing – Improve ROI on marketing expenditures.

③ Strengthen Presence on Third-Party E-commerce Sites – Open brand pages on competitor platforms.

④ Promoting the Strength of Grand Pianos – Expand sales of the GX series.

⑤ Enhancing High-Value Product Retail Environments – Improve store presentation, especially for Shigeru Kawai.

⑥ Strengthen Support for Local Piano Competitions & Music Educator Groups

⑦ Expand Customer Base via Kawai Music School – Increase the number of instructors and students.

⑧ Optimize Regional Organizational & Personnel Structure – Improve efficiency in operations.

*Shares represent our company's estimated unit share

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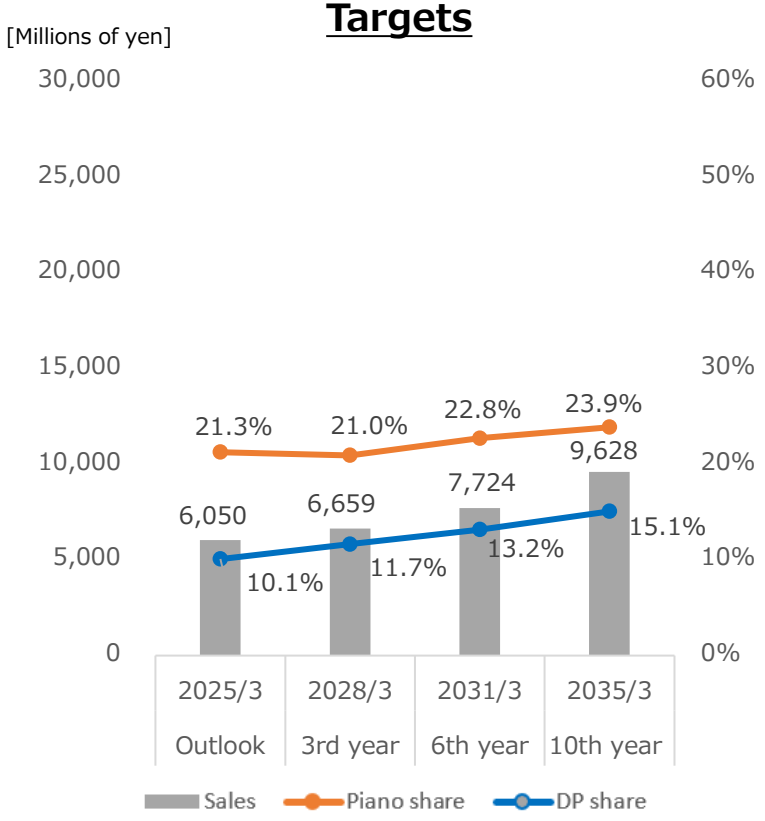
Regional Growth Strategy for China

KAWAI

Key Challenges

- The "Double Reduction" policy and economic uncertainty have led to a sharp contraction in the music education and piano markets, with a long-term market downturn expected.
- A surplus of piano inventory due to rapid market shrinkage has intensified price competition, a situation expected to persist for several years.

10-Year Growth Targets



*Shares represent our company's estimated unit share

Key Strategies

① Establishment of "Kawai Brand Experience Centers" – Enhance brand recognition and artist relations.

② Support for Next-Generation Pianists – Organize masterclasses.

③ Expansion of the "KAWAI Tuning Network" – Train and certify technicians.

④ Enhancing Retail Presence – Implement KAWAI corners within dealer stores to boost brand visibility.

⑤ Dealer Staff Training – Improve product knowledge and sales capabilities.

⑥ Targeting Senior Consumers – Partner with elderly education facilities to increase sales.

⑦ Leverage Influencers for Brand Awareness & E-Commerce Sales Expansion

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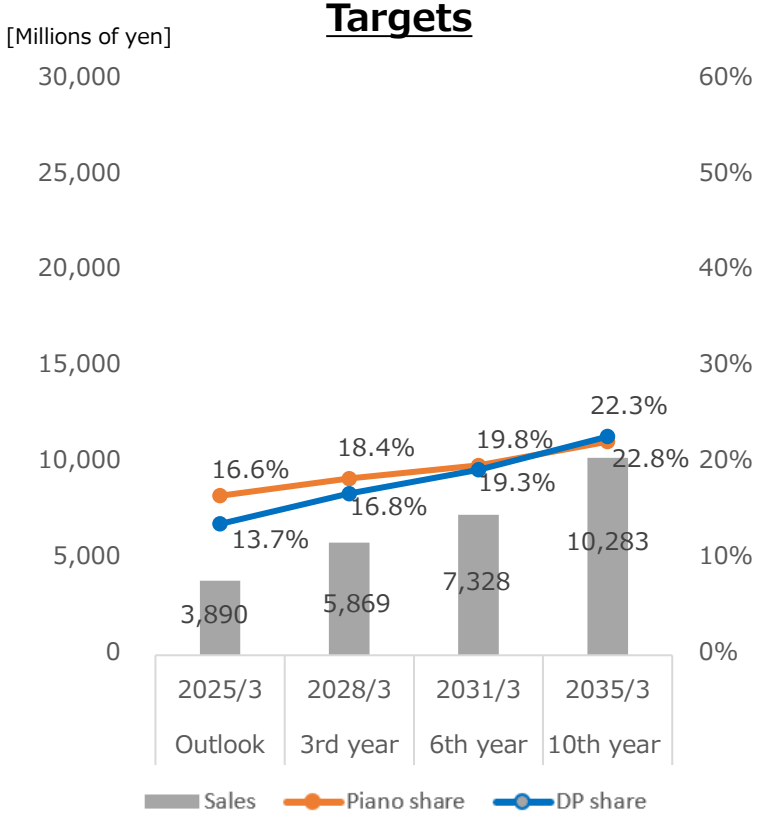
Regional Growth Strategy for Other areas

KAWAI

Key Challenges

- Many regions rely heavily on distributors, reducing direct management control.
- Expansion of dealer networks and brand recognition is essential for market share growth.
- Growth of music schools and increasing student enrollment is necessary for market expansion.

10-Year Growth Targets



Key Strategies

① General :
- Enhance branding and digital marketing.
- Launch of products for emerging markets.
- Deploy piano tuners to improve dealer relations and customer satisfaction.

② Australia :
- Establish company-owned stores in areas lacking dealerships

③ Latin America :
- Utilize local sales representatives for dealer expansion and education

④ Southeast Asia & India :
- Expand Kawai Music School licensees to grow the customer base and dealer network.

⑤ Middle East & Africa :
- Restructure distributor and dealer networks

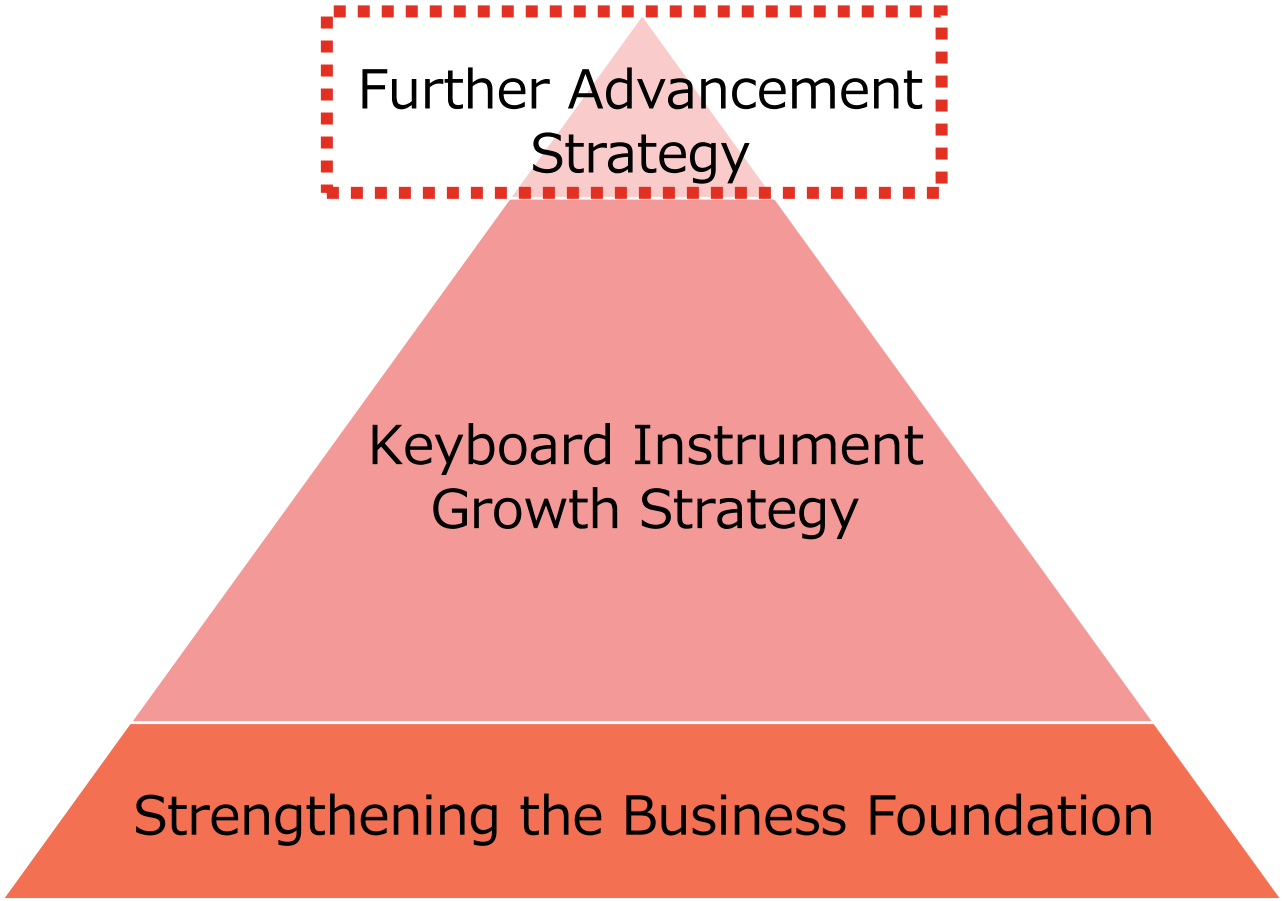
*Shares represent our company's estimated unit share

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Growth Strategy (Overall Picture)

KAWAI

While strengthening the business foundation, the "Keyboard Instrument Growth Strategy" is positioned as the core of the growth strategy, and the "Further Advancement Strategy" aims for even greater growth.



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Further Advancement Strategy

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Beyond keyboard instrument sales, each business segment will implement the following strategies to achieve further growth.



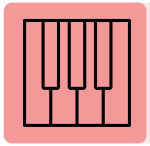
【Musical instrument education】
Accelerate the global expansion of music schools (Ongoing)



【Musical instrument education】
Establish a teacher training institute for domestic music schools to increase the number of instructors and students (New)



【Musical instrument education】
Expand physical education schools overseas (New)



【Musical instrument education】
Expand toy piano sales overseas (New)



【Material Processing】
Strengthen sales capabilities in metal processing to acquire large-scale new projects (Ongoing)

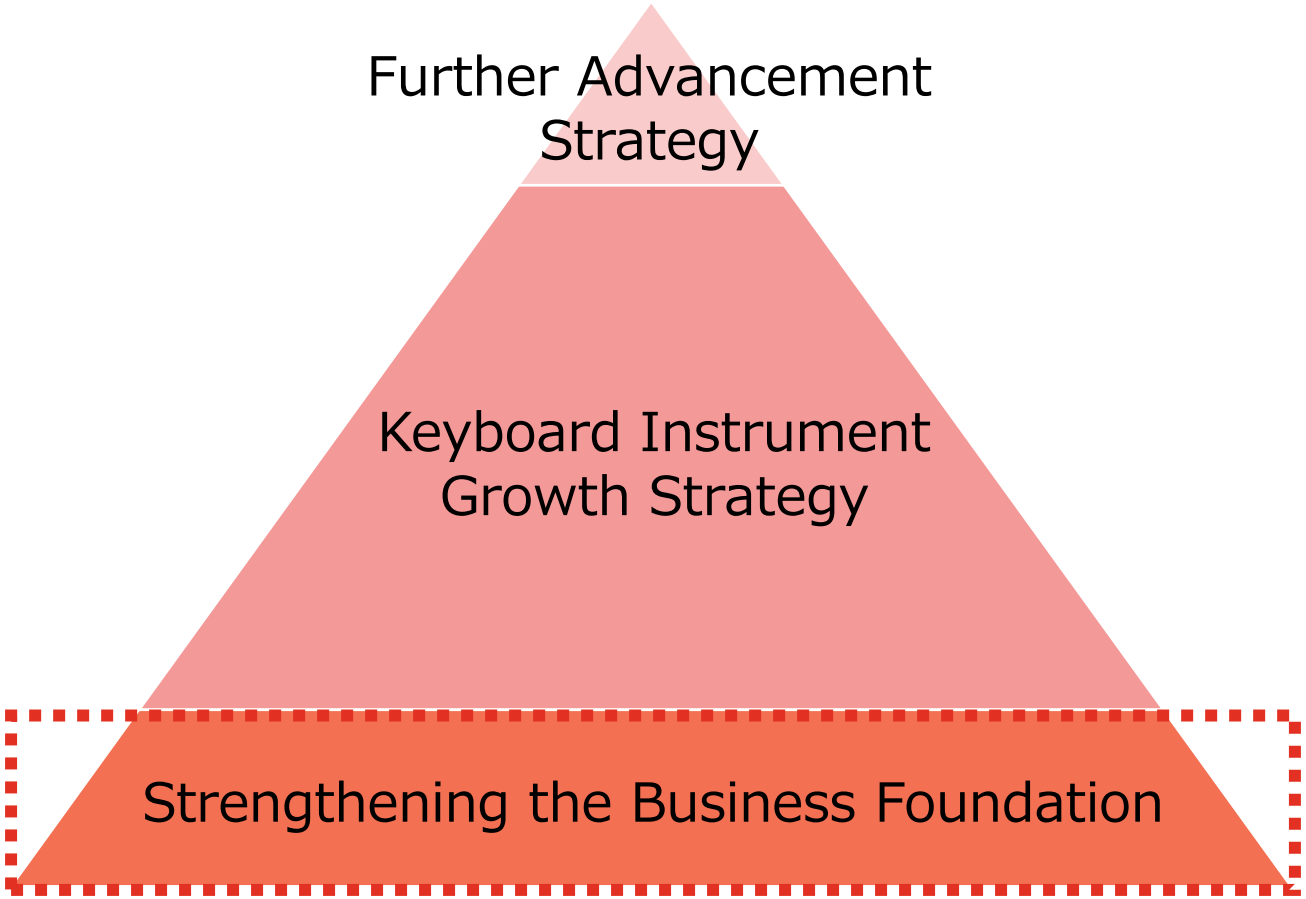


【Other】
Expand B2B solution sales in the IT services business (New)

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Growth Strategy (Overall Picture)

While strengthening the business foundation, the "Keyboard Instrument Growth Strategy" is positioned as the core of the growth strategy, and the "Further Advancement Strategy" aims for even greater growth.

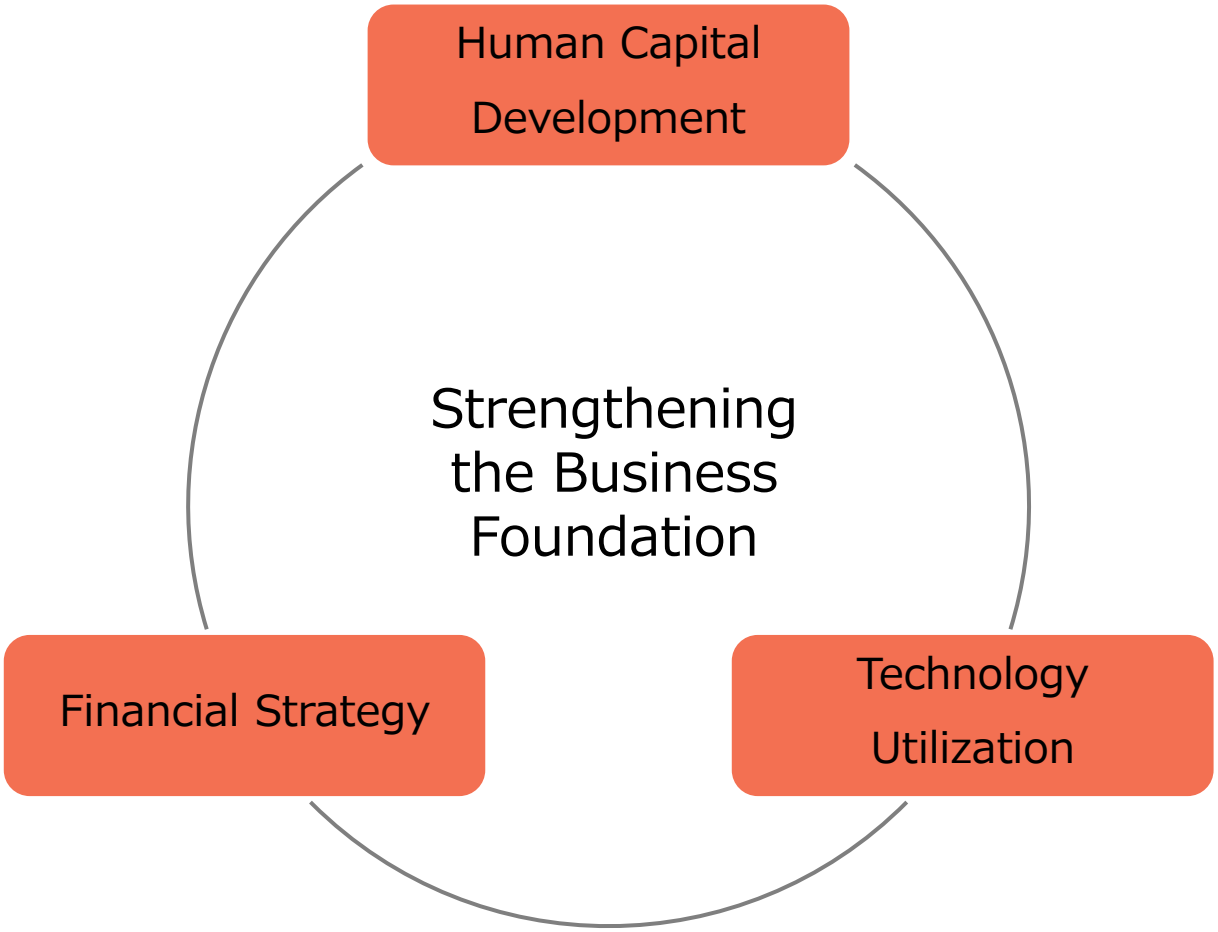


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Strengthening the Business Foundation (Overall Picture)

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The business foundation will be strengthened through "Human Capital Development," "Technology Utilization," and "Financial Strategy."



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Human Capital Development

KAWAI

Human capital management will be strengthened through "Enhancing Recruitment & Development," "Strengthening Strategic HR Functions," and "Improving the Work Environment."

Enhancing Recruitment & Development

- Redefining necessary talent and evolving recruitment approaches
- Promoting cross-departmental HR rotation
- Providing diverse career paths and supporting personal career plans

Strengthening Strategic HR Functions

- Aligning business and HR strategies
- Merit-based talent placement, rather than age or experience-based assignments
- Identifying and nurturing next-generation executive talent, including headhunting

Improving the Work Environment

- Establishing childcare facilities on headquarters and factory premises
- Office renovations
- Implementing flexible work styles tailored to individual lifestyles

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Technology Utilization

KAWAI

The business foundation will be strengthened both offensively and defensively through "Enhancing Digital Talent Recruitment & Development," "Improving Operational Efficiency through Technology," and "Strengthening Information Security Systems."



Enhancing Digital Talent Recruitment & Development

- Actively hiring mid-career professionals
- Training digital talent through collaboration with specialized companies and internal on-the-job training



Improving Operational Efficiency through Technology

- Reviewing and reengineering business processes (BPR)
- Actively utilizing advanced technologies such as generative AI and robotics



Strengthening Information Security Systems

- Implementing an information security management system and responding to incidents
- Enhancing information security literacy through employee training

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Financial Strategy (Improving Capital Efficiency)

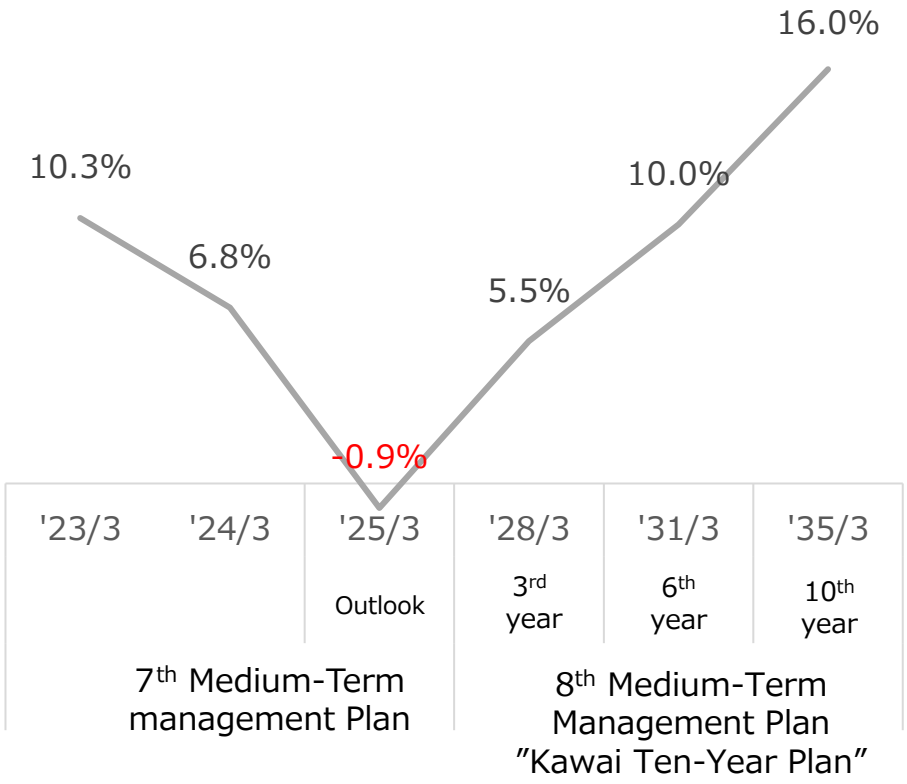
By continuously enhancing capital efficiency through aggressive growth investments and shareholder returns, we aim to improve ROE to 5.5% in year 3, 10% in year 6, and 16% in year 10, achieving sustainable growth.

B/S Management Policy

Total Assets	Liabilities /Shareholder's Equity
Ensure financial stability by maintaining the necessary level of cash. Allocate excess cash to growth investments and shareholder returns.	Execute necessary borrowing to support growth investments. Continue *progressive dividends Maintain a total return ratio of 50% or more.

*Progressive dividends refer to maintaining dividend levels without reductions or increasing them in line with profit growth.

ROE Trends



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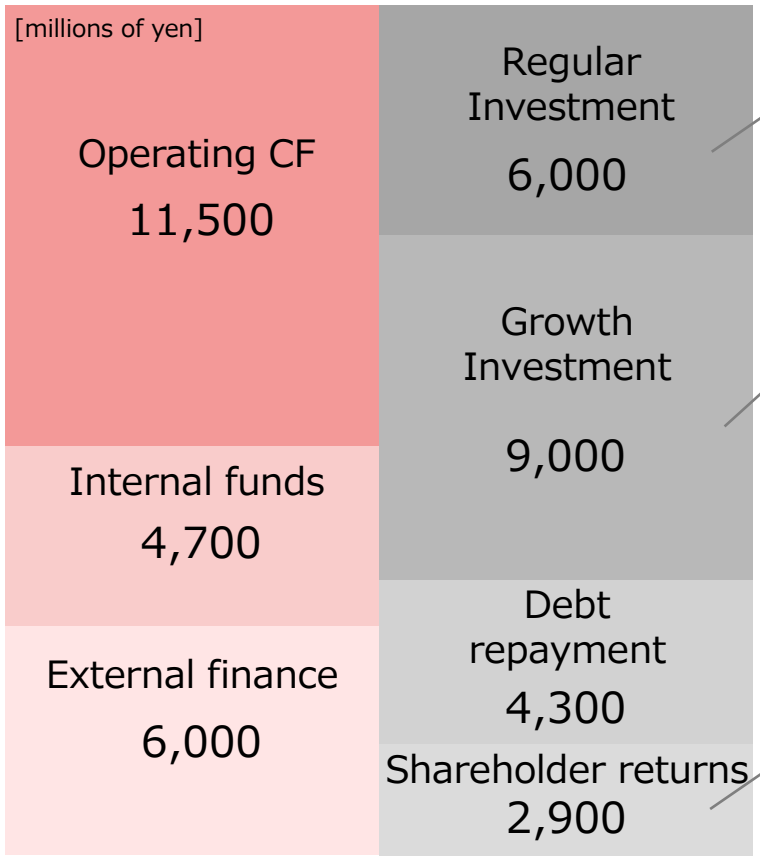
Financial Strategy (Capital Allocation)

KAWAI

We will implement a capital allocation plan that balances sustainable growth and shareholder returns.

*This plan is formulated only for the first three years, and a new plan will be developed from the fourth year onward based on the prevailing conditions.

Capital Allocation Plan
(first three years)



- ✓ Renewal of existing production and logistics facilities
- ✓ Updates to information systems, etc.

- ✓ Construction of a digital piano production plant in Indonesia
- ✓ Opening and renovation of directly managed stores
- ✓ M&A of existing dealers
- ✓ Establishment of Kawai Research Institute
- ✓ Introduction of production efficiency equipment, etc.

- ✓ Continued progressive dividends
- ✓ Maintaining a total return ratio of 50% or more each fiscal year

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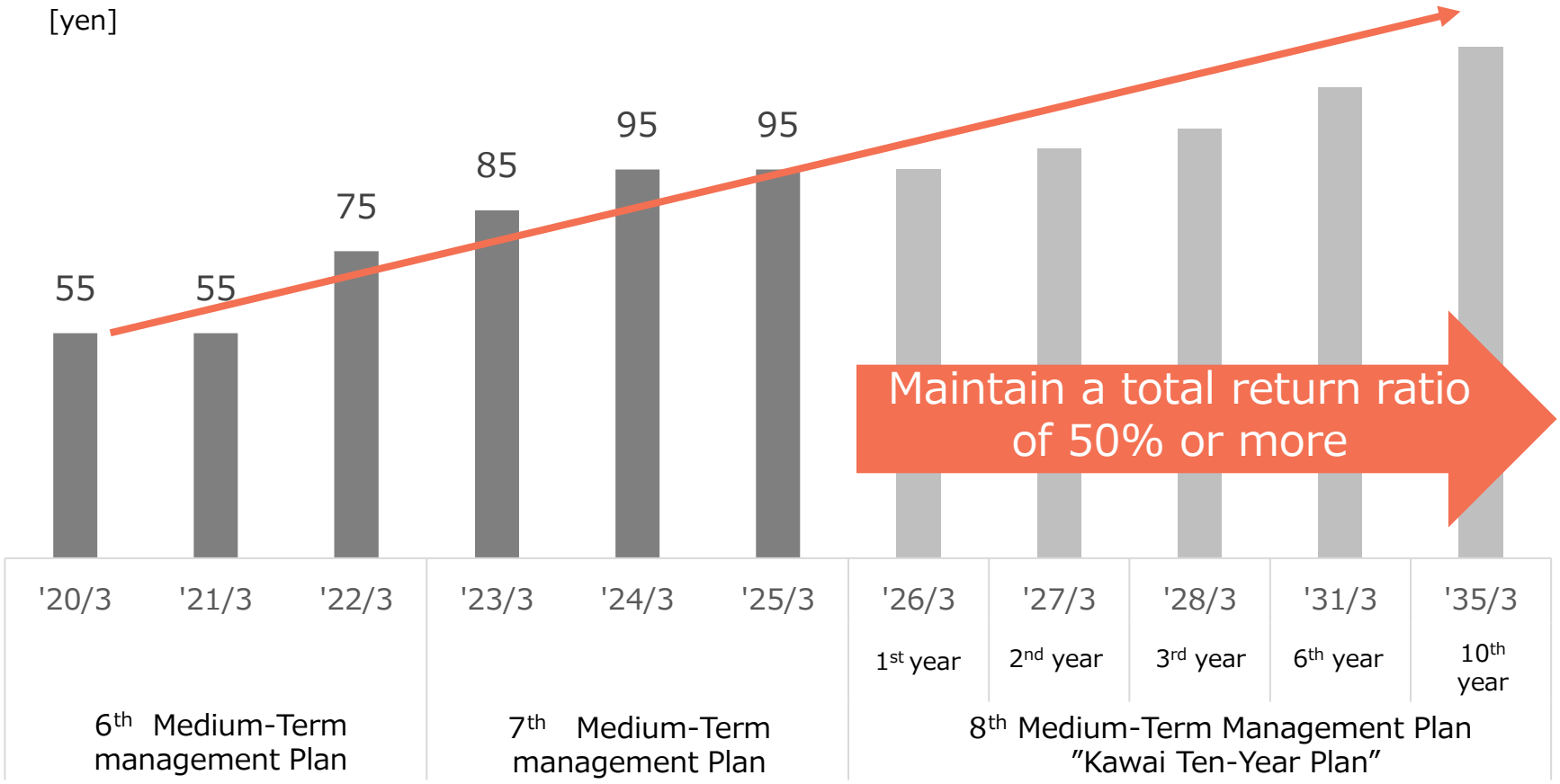
Financial Strategy (Enhancing Shareholder Returns)

KAWAI

We will continue progressive dividends while achieving the total return ratio of 50% ahead of the initial target by two years, and will maintain a ratio of 50% or more thereafter.

* If financial stability is at significant risk, the shareholder return policy may be reviewed.

Dividend per share Trends



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Summary of "KAWAI Ten-Year Plan"

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Outlook for the Next 10 Years

- While digitalization accelerates globally, demand for tangible products and experiences is increasing, ***leading to steady demand for keyboard instruments and music/physical education***.
- With substantial potential for increasing market share in keyboard instruments (especially digital pianos), ***we can achieve significant growth without relying on market expansion or new businesses***.

Target Levels

- ***Achieve ROE of 5.5% in year 3, 10% in year 6, and 16% in year 10***.

Growth Strategy

- Even after 10 years, over 80% of the keyboard instrument market is expected to be dominated by mature markets (Europe, North America, Japan, and China). Therefore, ***increasing the added value and market share of products in mature markets is the top priority***.
- ***Enhance value and expand market share*** through improved quality, brand awareness, and strengthened sales channels for pianos/digital pianos, with a focus on reinforcing strategies in Europe and North America.

Improving Capital Efficiency

- ***Implement a capital allocation strategy that balances sustainable growth and shareholder returns***, continuously improving capital efficiency.

Enhancing Shareholder Returns

- ***Continue progressive dividends and maintain a total return ratio of 50% or more***.

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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.

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