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May 15, 2025

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Representative: President Kentaro Kawai
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Notice Concerning Action to Implement Management that is Conscious of Cost of Capital and Stock Price

We hereby announce that at the Board of Directors meeting held today, we have resolved on our current challenges and countermeasures, as well as future plans, with respect to implementing management that is conscious of cost of capital and stock price.

For details, please see the attachment “Notice Concerning Action to Implement Management that is Conscious of Cost of Capital and Stock Price.”

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Notice Concerning Action to Implement Management that is Conscious of Cost of Capital and Stock Price

May 15, 2025

Kawai Musical Instruments Mfg. Co., Ltd.

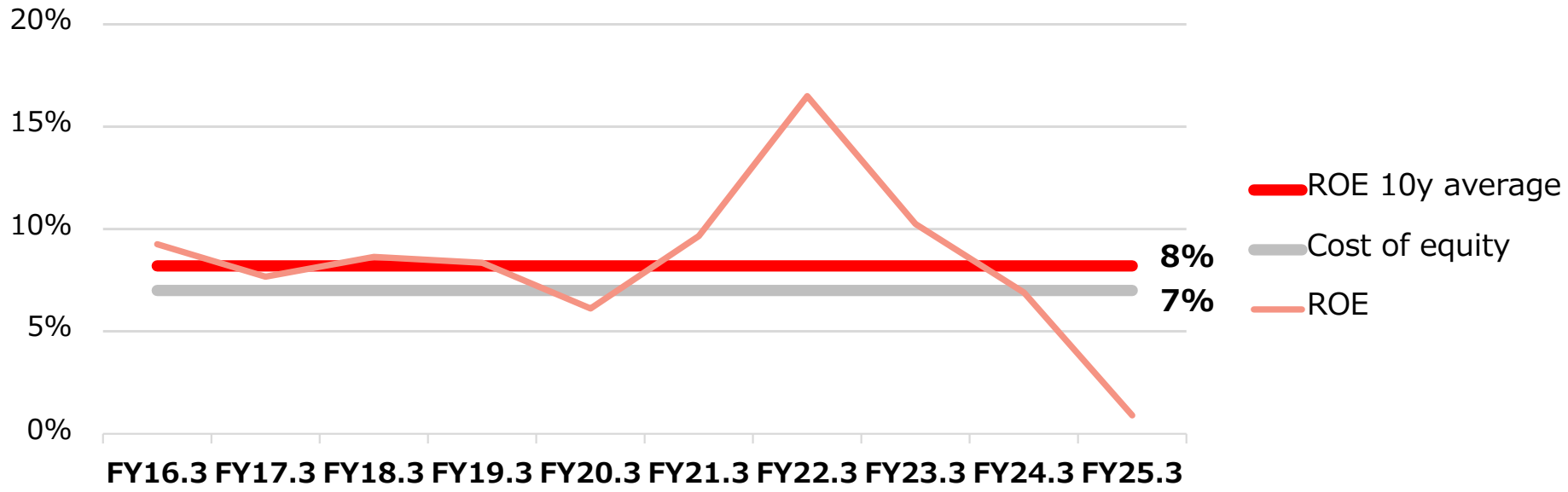
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Analysis of Current Status (Trends in Capital Profitability, Cost of Equity and PBR)

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- ✓ Return on equity (ROE) has not been able to sufficiently exceed the cost of equity (estimated at approx. 7%), except during periods of stay-at-home demand
- ✓ Meanwhile, the price-to-book ratio (PBR) of our company has been below 1.0 for 8 of the past 10 periods

ROE, average ROE and cost of equity



PBR (times)	0.85	0.94	1.30	0.99	0.81	1.08	0.84	0.69	0.72	0.55

Cost of equity of our company (estimated) = risk-free rate + beta × market risk premium = approx. 7%
(CAPM) 0.9 to 1.0% 0.9 to 1.0 6.0 to 6.5%

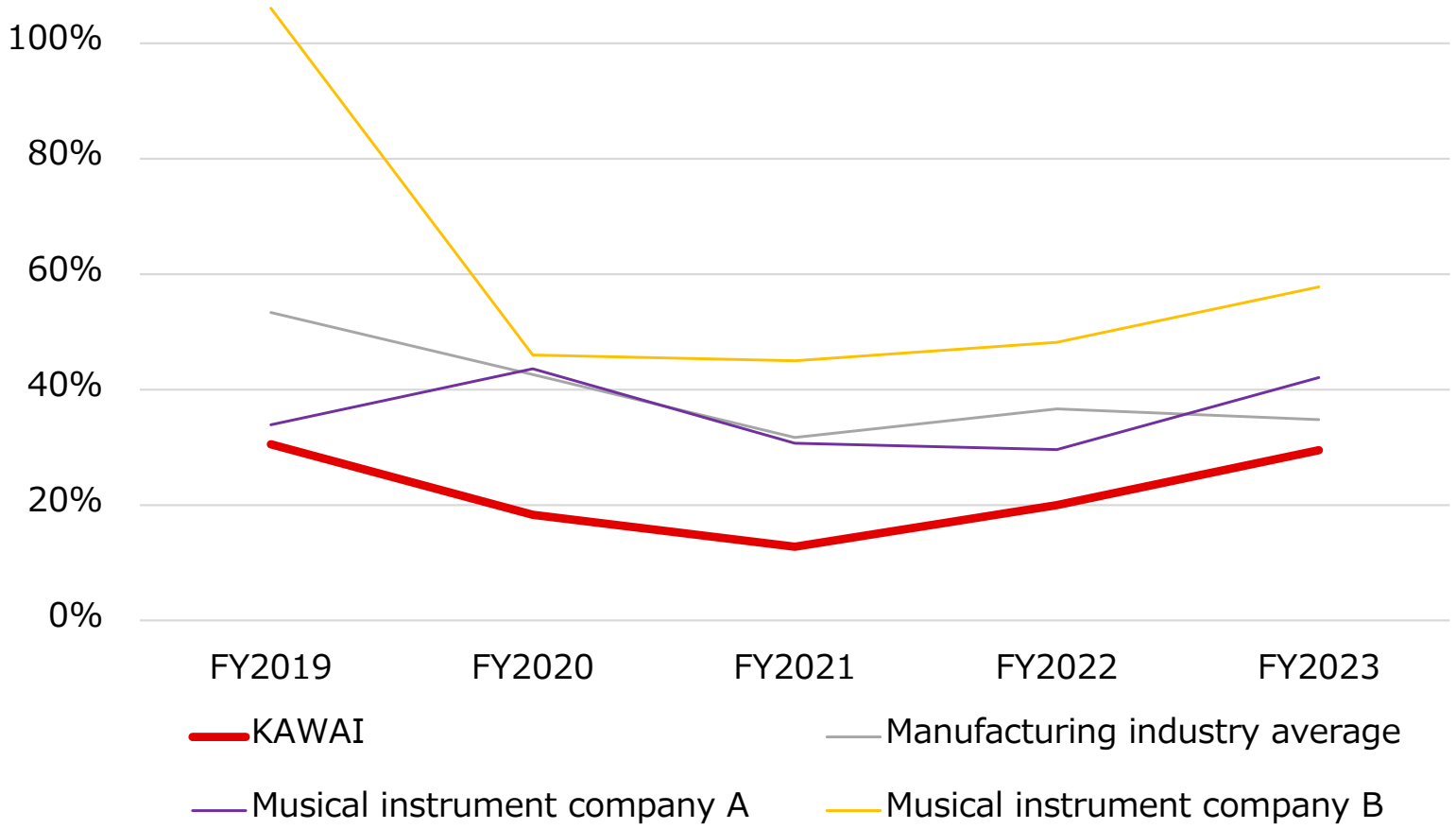
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Analysis of Current Status (Level of Shareholder Return)

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- ✓ 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

Trend in dividend payout ratio



*Manufacturing industry average = Average of manufacturing companies listed on TSE Prime

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Analysis of Current Status (Disclosure of IR Information)

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✓ Disclosure of IR information has improved compared to the previous fiscal year, but it is still not sufficient

Status of IR activities

Item	FY2024.3		FY2025.3	
	Assess.	Remarks	Assess.	Remarks
Website	△	✓ Insufficient content and almost no information in English	○	✓ English disclosure of Summary of Consolidated Financial Results began one year prior to the mandatory requirement ✓ English version of financial results briefing materials disclosed
Financial results briefings	△	✓ Physical meetings only	○	✓ Hybrid format(physical and online) adopted starting with the meeting in May 2024 ✓ Advance the timing of briefings (previously held in the week following the earnings release; currently held on the day following the release)
Individual interviews	○	✓ All requests were accepted, with officers also attending upon requests	○	✓ Same measures as the previous fiscal year ✓ Number of interviews decreased
IR events for individual investors	△	✓ Insufficient number of events	×	✓ Not implemented (planed for implementation in the fiscal year ending March 2026)
Plant tours for institutional investors	×	✓ Not implemented, to be planned in the future	×	✓ Not implemented (planed for implementation in the fiscal year ending March 2026)

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Results of Analysis of Current Status, Issues and Countermeasures

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<Results of analysis of current status>

- ✓ ROE over the past 10 years has been approx. 8%, exceeding the cost of equity (estimated at approx. 7%), but it is not sufficient
- ✓ Meanwhile, PBR of our company has been below 1.0 for 8 of the past 10 periods
- ✓ 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 and Countermeasures>

Issues	Countermeasures
1. Need to improve ROE to a level expected by the market	✓ Aim for sustainable growth by continuously improving ROE through proactive growth investments and shareholder returns to enhance capital efficiency
2. Insufficient shareholder return	✓ Implement capital allocation that balances sustainable growth and shareholder returns
3. Insufficient disclosure of IR information	✓ Strengthen IR activities to reduce information asymmetry

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Future Plans

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1. Continuously enhance capital efficiency through proactive growth investments and shareholder returns

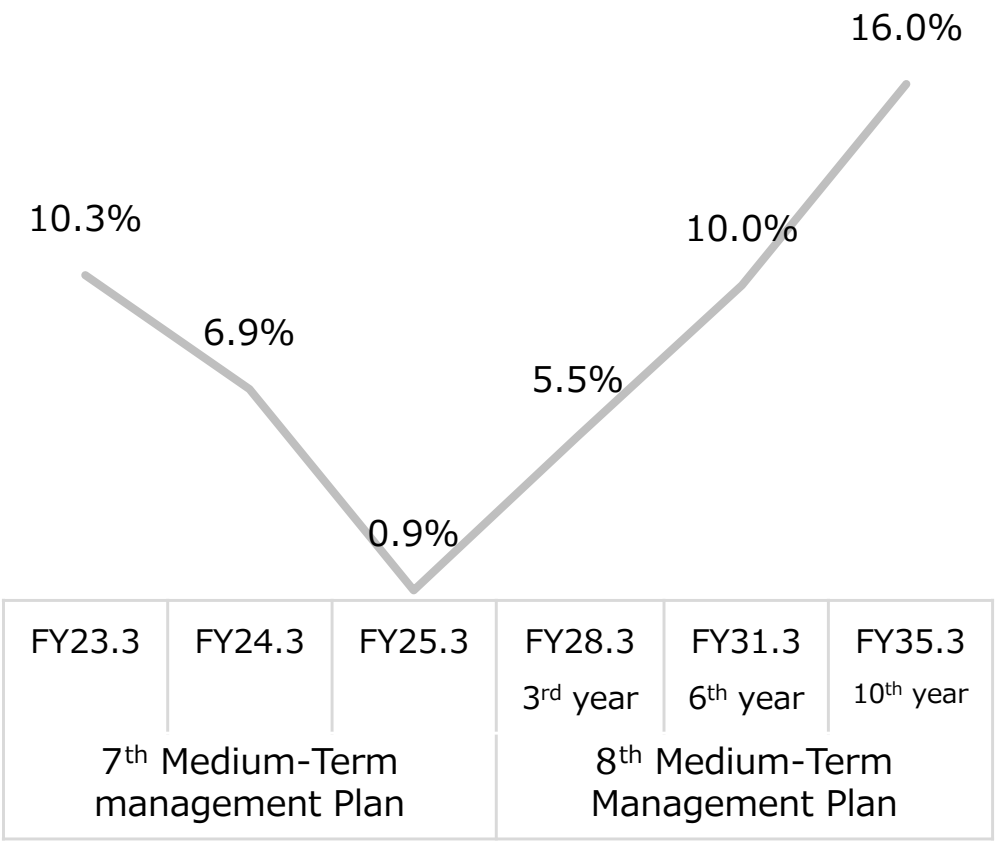
✓ Target ROE of 5.5% in the third year, 10% in the sixth year, and 16% in the tenth year of the 8th Medium-Term Management Plan

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



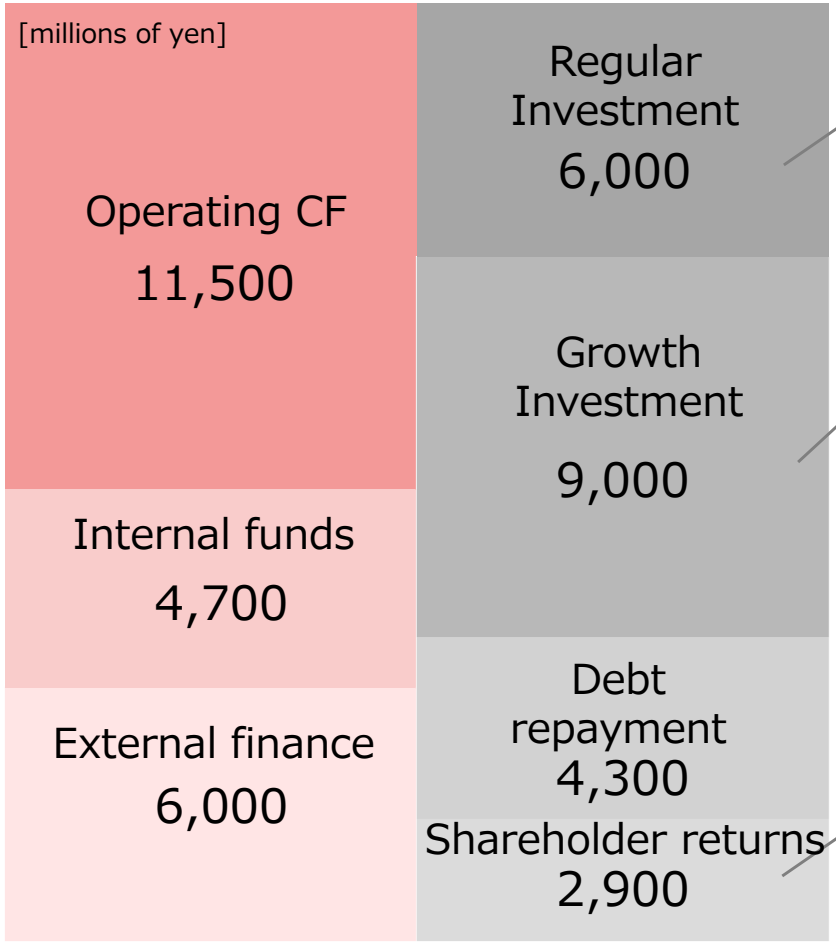
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2. Implement capital allocation that balances sustainable growth and shareholder returns

- ✓ Formulate a capital allocation plan for the first three years of the 8th Medium-Term Management Plan
- ✓ Continue progressive dividends and achieve a total return ratio of 50% or more each fiscal year

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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Future Plans

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3. Strengthen IR activities (reduce information asymmetry)

- ✓ In addition to timely disclosure documents for which simultaneous English disclosure has become mandatory from this fiscal year under TSE regulations, we will also provide early English disclosures for other materials such as financial results briefing materials
- ✓ For our financial results briefings held twice a year, we will continue to use a hybrid format allowing both physical and online participation, to ensure wide accessibility for institutional investors and analysts
- ✓ We will continue to actively conduct individual IR meetings with institutional investors
- ✓ We will participate in IR events for individual investors and host factory tours for institutional investors
- ✓ Through effective information disclosure, we will continue efforts to reduce information asymmetry and strengthen investor and shareholder confidence in our growth potential

Through these activities, our basic policy is to ensure that our growth potential is appropriately evaluated by shareholders and investors, and we aim to achieve PBR 1.0 or more at an early stage

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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.

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