

KAWAI Report

2024 Sustainability

KAWAI



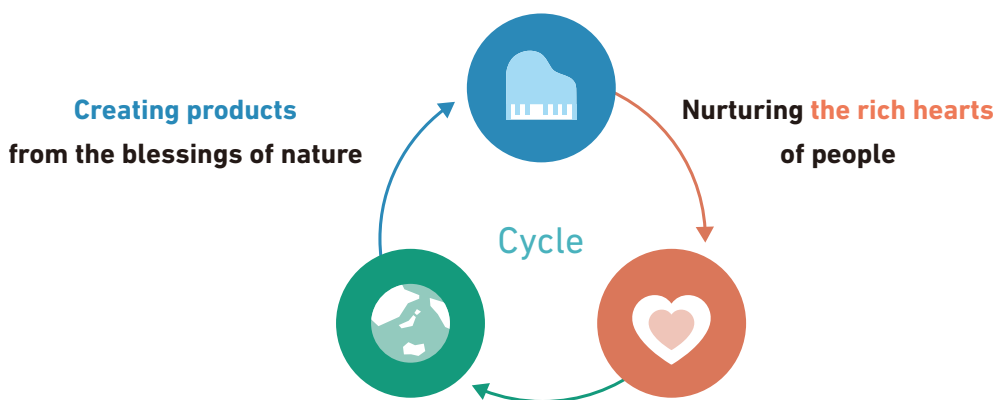
**“Establishing a 100-year brand.
Moving towards the next 100 years.”**



Creating a society where people and nature resonate together

Creating products from the blessings of nature,
providing services that nurture the 'rich hearts' of people,
and giving back to the Earth.

The sustainability we aim for is to contribute to building a society
where each of these elements circulates and resonates with one another,
creating even better outcomes.



Giving back to the Earth
Creating an environment where music can be enjoyed.





Management Philosophy

In order to make the Corporation more creative and likeable...

We create a rich, pleasant environment for living.

We provide our products and services with our customer's satisfaction as the first priority.

We carry out our corporate activities toward the future.

We take good care of our employees and aim to make the Corporation fair and open.

Code of Conduct

Always have pioneering spirit without satisfaction with the status quo

Act aggressively without worrying about failure

Constantly improve yourself with aspiration

Demonstrate great creativity and challenge yourself in this era of change

Focus on living in harmony with nature and actively take action to contribute to society

Behave with pride and confidence as a player to promote the music culture

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History of the Kawai Group

Preserving our unchanging legacy for future generations — this refers to our passionate dedication to piano craftsmanship, a commitment that has remained constant since our founding.

Embracing bold innovation where change is needed — this involves revising materials and designs through cutting-edge research and development.

Kawai: 90 years of excellence — We continue to strive towards being a beloved and preferred brand, building on our rich history.

1927~ The Dawn Era: Making the world's greatest piano in Japan



In 1927, Koichi Kawai and his colleagues established the 'Kawai Musical Instrument Research Laboratory.' Though it began in a small warehouse that could hardly be called a factory, it was driven by a great capital: the passionate dedication to piano-making. The aim was to overturn the image of pianos being out of reach for ordinary people, maintaining uncompromising performance in pursuit of affordability. This was, in essence, a matter of pride for the engineers.

1928

The first piano model was released.



1955~ Post-war recovery and global expansion



Shigeru Kawai
Second President

'Kawai Music School' was established in 1956 under the philosophy of "Music belongs to everyone." Its objective was to create demand for musical instruments and develop musical culture. In addition, the company started shifting to a directly managed store system, laying the groundwork for sales through directly managed stores.

1956

A Kawai Music School classroom at its onset



1959

First directly managed store



Foundation 1927

1927-1954

1938

During World War II, the piano factory was converted into a munitions factory.



"Rebuilding the company is up to us" — Overcoming hardships, in 1948, the manufacturing of pianos and organs resumed, and by 1950, the first post-war grand piano, No. 500, was produced. Without Koichi's spirit of 'sell technology before selling instruments,' the story of today's Kawai could not be told.

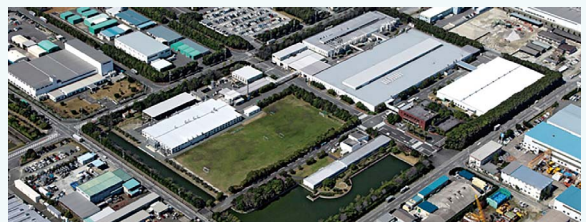


Koichi Kawai,
First President

1955-1988

1980

Kawai Ryuyo Factory was erected. As one of the world's then largest dedicated factories for grand pianos, it had state-of-the-art equipment and an excellent producing capacity, and at the same time it had a "gold standard process," which was an old-fashioned handicraft process by skilled craftsmen.



1985

The 'EX' Concert Grand Piano was recognized as the official piano of the most prestigious Chopin International Piano Competition, and it took the stage at the National Philharmonic Hall in Warsaw. This was the moment when Kawai became a top brand.



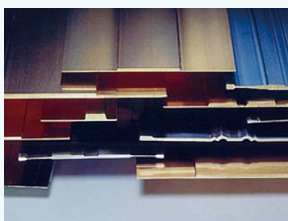
12th International Chopin
Piano Competition (1990)

1989~ What should be maintained, what should be changed



Hirotaka Kawai
Third President

Since assuming the position of president, Hirotaka fostered new business ventures based on the principle of "learning from the past to create the future." These included a metal business utilising manufacturing technology for specially formed metal plates, and a painting business leveraging know-how from piano mirror-finish painting techniques. He also pursued full-scale global expansion as a company through activities with a worldwide perspective.



Deformed rolled metal plates capable of multiple shapes



Painting of interior panels for luxury cars

After the collapse of Japan's economic bubble, the business environment deteriorated significantly. Faced with the need to survive, Hirotaka recognised the importance of reassessing the core piano production and sales business. He turned his attention to overseas markets, establishing production bases and sales companies in Indonesia and China. Domestically, he successfully revitalised the company by introducing a tripartite system where musical instrument sales, piano tuning, and music schools mutually supported each other.



Digital musical instrument factory in Indonesia



Piano parts factory in China



Tripartite system of the musical instruments sales business, the music school business, and the tuning business.

1989-2023

History of KAWAI sustainability

Following the period of pollution control, we engage in environmental activities to protect the Earth's environment, while also promoting the development of music culture and sustainability activities across the entire group.

1994

Established the Global Environment Committee as a company-wide pro-environmental organization.



Established the Kawai Earth Environment Charter for global environmental protection as well as the Global Environment Committee.

1997

Ryuyo Factory obtained ISO14001 certification for the first time in the world's musical instrument industry.



Introduced an environmental management system to Ryuyo Factory in order to make it an eco-friendly factory.

2007

Started Indonesian tree-planting project "Kawai Forest."



To celebrate the 80th anniversary of the company's foundation, volunteer employees formed "Kawai Forest Project."

2017

Launched the Shigeru Kawai International Piano Competition.



Launched the "Shigeru Kawai International Piano Competition" to develop next-generation pianists and promote musical culture.

2023

Established the Sustainability Committee to realize a sustainable society.



Established the Sustainability Committee to promote the group's sustainability activities.

President's Message



As of February 28, 2024, I, Kentaro Kawai, have assumed the role of President and CEO. I am the fourth-generation president in the 97-year history of our company. With a deep sense of responsibility, I will inherit the aspirations of those who came before me and uphold and further develop the Kawai brand, which has grown to be chosen by major international piano competitions and global artists.

Inheritance of Kawai-ism

Kawai was founded in 1927 with the passionate desire of our founder, Koichi Kawai, to create the world's finest piano. This spirit and philosophy of piano-making were passed on to the great engineers who succeeded him, expanding beyond instrument making into education and material processing,

among other fields. This spirit and philosophy constitute what we call "Kawai-ism," which we believe comprises the following three elements:

1. Always embracing high ideals and continuing to challenge oneself.
2. Never yielding even in the face of adversity.
3. Being sincere and warm-hearted.

These principles are our strengths and have been the unchanging values that have allowed us to recover from difficulties and build our 97-year history. Our mission is to advance this "Kawai-ism" as we celebrate our 100th anniversary and move towards the next 100 years.

Establishing a 100-year brand. Moving towards the next 100 years.

Kentaro Kawai

President & CEO

The Vision of Kawai

We aim to reach the pinnacle of the acoustic piano world. This goal reflects the founder's dream of creating the "world's finest piano." To build a solid reputation in the classical music industry, it is crucial for us to be a company that is universally recognized, trusted, and assured not only in piano making but also across all aspects of manufacturing. By refusing to compromise and dedicating ourselves faithfully to our products, fulfilling our mission as a manufacturer of inspirational products, we believe this will help expand Kawai's brand strength not just in acoustic pianos but across various products and services, including digital pianos.

Additionally, enhancing the recognition of the Kawai brand is an important goal. Currently, there is still room for

growth in our global visibility. In established markets such as the United States, Europe, China, and Japan, we will boost recognition and market share by strengthening both real-world and digital promotions. In emerging markets, particularly in Southeast Asia, we will accelerate efforts to increase the number of piano players and expand our Kawai fan base through the development of music education programs.

For a sustainable future

Our mission extends beyond manufacturing instruments. Contributing to harmony with the Earth, promoting music culture, and realizing a sustainable society are also vital responsibilities.

As part of our commitment to environmentally conscious business practices, we installed solar power systems at our piano production factory (Ryuyo Factory) in 2022. This installation is one of our efforts to promote the use of renewable energy and plays a crucial role in combating global warming. It allows us to cover a portion of the factory's energy needs with clean energy, thus reducing fossil fuel consumption and cutting carbon dioxide emissions.

Addressing global warming also requires a commitment to environmental protection. Internationally, we conduct reforestation activities annually in Indonesia, where the planting sites managed in collaboration with local forest corporations are named "Kawai Forests." These efforts contribute to local flood prevention and are crucial for coexisting with the Earth's environment and preserving beautiful nature for future generations. They form part of our sustainability efforts.

Furthermore, the Shigeru Kawai International Piano Competition, established in 2017 to commemorate our 90th anniversary, provides a platform for young talents from around the world to showcase their skills and passion using our pianos. These activities contribute to discovering and nurturing the next generation of pianists, promoting interna-

tional exchange, and advancing global music culture.

Finally, we aim to be a company where not only employees but also all stakeholders, including partners, can work, transact, and trust with peace of mind. By creating an environment where Kawai employees worldwide can envision the future, share corporate ideals and personal goals, and work with pride, we believe we will achieve sustainable management and contribute to a sustainable society.

As we approach our 100th anniversary in 2027 and look towards the next 100 years, we strive to create pianos chosen on the world stage and by global artists. We will continue to actively engage in building a sustainable society and remain a company that shares inspiration and joy with people around the world.



Mid-Term Management Plan

Long-term vision

Establishing a 100-year brand



Aspiring to continuous development for 100 years and beyond, we strive to increase our corporate value and brand quality and realize constant growth by reinforcing the strength of each business, pursuing and increasing customer satisfaction and contributing to the development of music culture, with the aim of becoming the world's No.1 brand of piano manufacturing, which is the core business continuing since our foundation.

The 7th Medium-Term Management Plan “Resonate 2024”

(FY2022 to FY2024)



Basic principles

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.

Important strategies

■ Evolution of contacts with customers

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 areas of growing demand

Broaden the lineup of product categories, in particular those for which demand has grown as a result of lifestyle changes (hybrid products and digital pianos) and expand and reinforce their production system.

■ Responding to increasing costs

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.

Sustainability management

Sustainability Principles

To realize our management philosophy to “become a favored company with great creativity...” we endeavor to make sustainable developments as a corporation by ensuring harmony between the global environment and society as well as healthy management through our business activities to manufacture instruments of higher quality and make contributions to the development of musical culture.

And at the same time, we are committed to contribute to realization of a sustainable society in collaboration with our customers and all other stakeholders.



Environment

We are committed to the protection of global environment and resources from a global standpoint in our business fields, and the realization of true richness of mind and society.



Social

As a company in the “manufacturing industry of inspiration” that delivers moving experiences and satisfaction to people through music, we aim to realize an enriched society with enjoyment, and build good relationships with all our stakeholders.



Governance

We strive to operate sound and transparent business management in compliance with laws and regulations and other rules in order to continuously enhance our corporate value.

Kawai Group has set its sustainability principles to devote efforts on enhancing the corporate value in the medium- to long-term.

Sustainability promoting organization

One of KAWAI's self-perceived management issues is sustainability. We have established the Sustainability Committee directly under the Board of Directors in order to promote group-wide sustainability activities to address various issues affecting sustainable business management (sustainability issues), considering their impact on the business environment and corporate value. We have also established sustainability promotion working groups under the Sustainability Committee. They promote specific activities in business administration departments and group companies based on committee decisions.

Important sustainability matters are discussed by the Sustainability Committee and reported periodically to the Board of Directors.

Measures to contribute to SDGs

“The 2030 Agenda for Sustainable Development” was adopted in the “United Nations Sustainable Development Summit” held in September 2015, and the SDGs (Sustainable Development Goals) stated in this agenda consist of 17 goals and 169 targets which are aimed to be accomplished by 2030.

In this report, pages that describe SDGs initiatives are marked with the relevant SDGs icons.

Kawai Group is committed to taking additional actions to accomplish all of its goals, including the relevant ones, through its business activities.

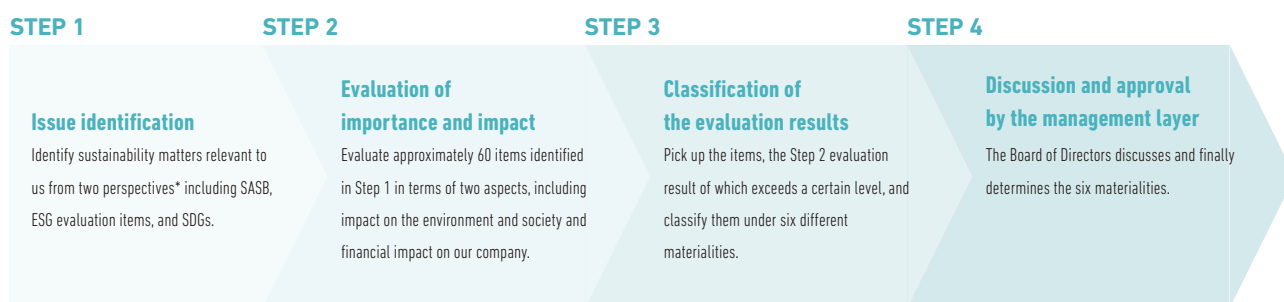


Materiality

We have set sustainability principles to devote efforts on enhancing our corporate value in the medium-to-long term. In order to put these principles into practice, we have identified and designated important sustainability matters to be addressed as materialities.

The identified materialities are recognized as part of our important management matters and will be addressed by establishing and incorporating specific targets, indicators, action plans, etc. into activities across the company.

Materiality identification process















*1. Matters related to sustainability information disclosure standards (SASB etc.) and ESG rating agencies' evaluation items etc.

2. Matters with respect to which our unique activities have (or can have) a certain impact on the environment, society, and economy in connection with SDGs and social issues

Identified materialities

ESG	Materiality	Major issues to be addressed
Environment	Response to climate change	Reduction of Scope 1 + 2 emissions and Scope 3 emissions reduction Expansion of the use of renewable energy Operational efficiency improvement (energy efficiency improvement) Management of ecological impact of timber use (sustainable use of timber) Forest conservation activities (tree planting and reforestation)
Social	Development of human resources and provision of working environments that deliver job satisfaction	Development of human resources and provision of support for skill acquisition Response to work style diversification, and working environments that deliver job satisfaction Securing of appropriate treatment (appropriate wage levels etc.) Securing of occupational safety and health Response to human rights risks in business activities
	Contribution to the development of musical culture	Support for pianist development Local musical culture promotion Development and production of piano tuners, and creation of jobs for musical specialists Manufacturing to the satisfaction of leading artists
	Pursuit of quality, safety, and customer satisfaction	Enhancement of quality and customer satisfaction Securing of product and service safety Use of digital technologies such as AI and IoT Promotion of innovation
	Sustainable supply chain management	Response to labor issues in the supply chain and auditing of the supply chain Response to human rights risks in the supply chain Response to labor and successor shortages faced by (local) small and medium-sized enterprises
Governance	Enhancement of governance	Enhancement of the effectiveness of the Board of Directors Establishment of risk management systems, operation of PDCA Response to individual risks BCP (pandemics, natural disasters, cybersecurity, etc.) Establishment and enhancement of compliance systems (including the prevention of corruption and establishment of corporate ethics)

SDGs related to KAWAI's initiatives

	ISO26000 core theme	Category	Related SDGs	Indicator	
E Environment	Environment	Environmental load reduction	   	<ul style="list-style-type: none"> CO₂ emission CO₂ emissions intensity Energy amount intensity Amount of waste intensity Environment management system introduced Renewable energy introduced 	
		Resource recycling	  	<ul style="list-style-type: none"> Recycling ratio Reuse ratio of pianos taken as a trade-in 	
		Afforestation/ tree-planting	  	<ul style="list-style-type: none"> Number of trees planted Afforestation area 	
		Climate change control	 	<ul style="list-style-type: none"> Information disclosure 	
S Social	Community participation and development	Contribution to musical culture promotion	 	<ul style="list-style-type: none"> Presenting concerts Supporting musical organizations 	
		Education/training	  	<ul style="list-style-type: none"> Holding recitals and competitions 	
		Contribution to society	 	<ul style="list-style-type: none"> Participation and support for activities for society 	
	Labor practice	HC development	 	<ul style="list-style-type: none"> Providing training 	
		Diversity	 	<ul style="list-style-type: none"> Female managers ratio / Female supervisors ratio Number of foreign national employees 	
		Work-life balance	 	<ul style="list-style-type: none"> Ratio of taking childcare leave Ratio of taking spouse maternity leave 	
		Health and productivity management		<ul style="list-style-type: none"> Regular medical examination completion rate Evaluation of health and productivity management by outside organization 	
		Occupational safety and health		<ul style="list-style-type: none"> Implementation of safety and health management activities Number of occupational accidents leading to death 	
		Consumer issues	Quality and customer satisfaction		<ul style="list-style-type: none"> Holding quality meetings Quality management system introduced
		G Governance	Organizational governance	Corporate governance	
Risk management	 			<ul style="list-style-type: none"> Risk Management Committee meeting Holding safety confirmation drills 	
Human rights/ fair business practice	Compliance			<ul style="list-style-type: none"> Compliance education 	



FY 2023 results	Policy/Activity	Pages
<ul style="list-style-type: none"> ○23,505 tons-CO₂ ○Compared to 2021 -9.1% (232.1 kg-CO₂/million yen) ○Compared to 2021 -9.9% (4,421.7 MJ/million yen) ○Compared to 2021 +6.9% (25.0 kg/million yen) ○10 offices (5 in Japan and 5 overseas) ○Solar power generation system introduced 	<ul style="list-style-type: none"> ○Establishing Kawai Earth Environment Charter ○Setting Global Environment Committee ○Establishing Environmental Principles ○Introducing environmental management system ○Establishing Green Procurement Guidelines ○Establishing Wood Materials Procurement Guidelines ○Calculation of greenhouse gas emissions ○Taking action pursuant to the Energy Conservation Act ○Prevention of global warming 	P13-16
<ul style="list-style-type: none"> ○89% ○100% 	<ul style="list-style-type: none"> ○Reduction of industrial wastes ○Recycling of wastes ○Refurbishing of pianos taken as a trade-in 	P17
<ul style="list-style-type: none"> ○Accumulating total number: 840,000 ○Accumulating total area: 800 ha 	<ul style="list-style-type: none"> ○Afforestation project in Indonesia ○Promotion of Ryuyo Factory greening activity ○Regrowth and preservation of the forest for coastal disaster prevention in disaster-hit areas 	P18
<ul style="list-style-type: none"> ○Information disclosure pursuant to the TCFD recommendations 	<ul style="list-style-type: none"> ○Establishment of Sustainability Committee ○Scenario analysis of climate change risks and opportunities 	P19-20
<ul style="list-style-type: none"> ○Holding Kawai Premium Concerts ○Support for The Frédéric Chopin Society of Japan, The Leonid Kreutzer Memorial Society and The Karol Szymanowski Society of Japan 	<ul style="list-style-type: none"> ○The 4th Shigeru Kawai International Piano Competition ○Holding Kawai Premium Concerts ○Supporting various musical organizations 	P21-22
<ul style="list-style-type: none"> ○Holding KAWAI Music Competition, overseas online competitions, Kawai Cup National Rhythmic Gymnastics Competition, Kawai Cup Artistic Gymnastics Competition 	<ul style="list-style-type: none"> ○Kawai Music School ○KAWAI Music Competition ○Promoting musical education overseas ○Kawai Music School Piano Competition ○Gymnastics and Sports School ○Sports community 	P23-25
<ul style="list-style-type: none"> ○Participating in clean-up activities, Holding factory tours, Acceptance of field trips 	<ul style="list-style-type: none"> ○Participation in local activities ○Collaboration with local communities ○Factory tours 	P31
<ul style="list-style-type: none"> ○Training for newly hired, Annual training, Training for new supervisors, Training for new managers 	<ul style="list-style-type: none"> ○Training by class ○Training by job ○Self-development support 	P26
<ul style="list-style-type: none"> ○Managers: 5.4% / Supervisors: 16.0% ○11 	<ul style="list-style-type: none"> ○Promotion of female participation ○Development of global human capital ○Mid-career recruitment ○Employment of people with disabilities 	P27
<ul style="list-style-type: none"> ○Female: 100% / Male: 37.5% ○62.5% 	<ul style="list-style-type: none"> ○Promotion of work-life balance ○Promotion of taking childcare leave 	P28
<ul style="list-style-type: none"> ○100% was continued ○Health & Productivity Management Outstanding Organization 2024 	<ul style="list-style-type: none"> ○Establishment of a declaration of health and productivity management ○Establishment of a health and productivity management system ○Health and productivity management activities (stress checks, health seminars, etc.) 	P29
<ul style="list-style-type: none"> ○Implementation of workplace patrols, 5S patrols ○0 	<ul style="list-style-type: none"> ○Special health examinations ○Safety and health education ○Holding physical function measuring meetings 	P30
<ul style="list-style-type: none"> ○Monthly ○Nine facilities (four in Japan, five outside Japan) 	<ul style="list-style-type: none"> ○Promotion of quality and service improvement ○Improvement of customer satisfaction 	P32
<ul style="list-style-type: none"> ○3 ○37.5% ○1 ○12.5% 	<ul style="list-style-type: none"> ○Establishing Corporate Governance Basic Policy ○Establishing basic principles regarding internal control ○Establishment and maintenance of corporate governance systems ○Setting Corporate Governance Committee ○Securing the expertise and diversification of directors ○Board effectiveness assessment 	P33-35
<ul style="list-style-type: none"> ○Periodical ○Periodical 	<ul style="list-style-type: none"> ○Setting Risk Management Committee ○Development of BCP (Business Continuity Plan) 	P36
<ul style="list-style-type: none"> ○Enlightening during corporate ethics month, Issuing monthly corporate ethics news, Training 	<ul style="list-style-type: none"> ○Setting Corporate Ethics Committee ○Provision of Corporate Ethics Hotline ○Compliance education 	P37

E

Environment

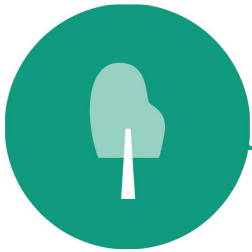
S

Social

G

Governance





Environment



We will promote our initiatives for the preservation of the global environment and the recycling of resources, work on the reduction of environmental burden and climate change control, and endeavor to realize true richness of society.

Reduction of environmental load

Kawai Earth Environment Charter

Kawai Group understands that comprehensive and ongoing efforts are necessary to ensure that the wonderful global environment should be handed down to future generations.

We have established our "Kawai Earth Environment Charter" in 1994 to pursue the right way for us to be able to earn trust and sympathy of society through provision of quality products of ours that are friendly to people and the global environment while striving to preserve the environment as a good corporate citizen of the world.

Aiming to become a company friendly to the globe and people

Basic Philosophy

Setting a motto of "manufacturing industry of inspiration", we, as a global citizen, protect the environment and resources as well as endeavor to realize true richness of mind and society. We are also committed to behave from a global standpoint and become a company friendly to the global environment.

- Create great humanity and a comfortable living environment**
- Create excellent research, technology and products**
- Create environment-friendly production, distribution and sales activities**

Code of Conduct

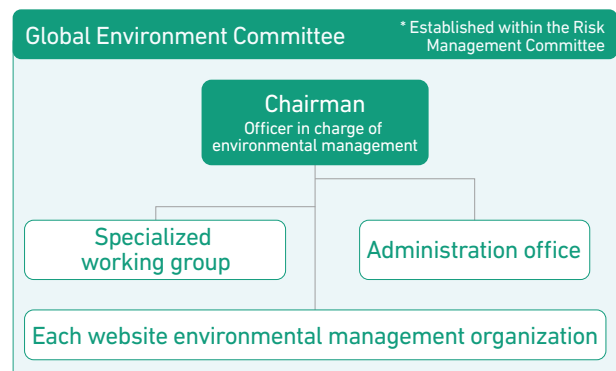
1. We establish good relationships between people and sound in various business fields in the music culture industry.
2. We evaluate the impact on the environment using a scientific method in various aspects and take necessary countermeasures to preserve the environment and protect people's health.
3. We promote effective use of resources and energy conservation.
4. We aim to recycle and reduce the amount of waste generated from the stage of R&D and design of products.
5. In response to requests in and outside Japan with regard to the environmental preservation activities, we will be actively involved for the purpose of living in harmony with local communities in the implementation of measures against environmental protection.

Environmental management organization

Global Environment Committee was established in 1994 as an environmental management organization led by the officer in charge of environmental management serving as chairman of the committee. The committee has since been engaged in activities by setting out the company-wide environmental principles and goals in relation to environmental preservation.

In addition, the specialized working groups of the Global Environment Committee meet every other month to report each site's progress toward environmental management goals and exchange information on its activities.

They also work on environmental issues related to sustainable business management in cooperation with the environmental working group of the Sustainability Committee.



Environmental Principles

The Kawai Global Environment Committee has established an "Environmental Policy" based on the "Kawai Earth Environment Charter." We are dedicated to advancing company-wide efforts to identify beneficial environmental aspects, prevent global warming, promote resource circulation and effective utilization, and implement green procurement practices.

We implement our business activities in musical instruments manufacturing and various other businesses, taking into account their impact on the environment, and we are committed to ongoing improvements for preservation of the global environment and prevention of pollution.

1. We set our objectives to carry out reduction of environmental load and discovery of useful environmental aspects using the environmental management system. At the same time we review the objectives on a regular basis according to the expectation from society and appropriate scale.
 - 1) We work on "provision of products and services" and "development of technology", taking into account the expectation from society and environmental load.
 - 2) We address "prevention of global warming", "cyclic use of resources" and "effective use of resources" in many different divisions including development, production, distribution, sales and service.
2. We procure and purchase materials, parts and products that have less environmental load by priority whenever such resources are required. (green procurement)
3. We comply with laws and regulations in relation to the environment and set self-standards as well, taking into consideration other requirements to improve the environmental management to a higher level.
4. We raise all employees' awareness through the environmental education and enlighten and support them so that each employee can have a wider view on society and be involved in voluntary contributions in day-to-day business and daily life.
5. To achieve these Environmental Principles, we establish an environmental management organization led by the officer in charge of environmental management serving as a general manager, put its operation system in place, and clearly define the goal, plan, measures and responsibilities in the organization in order to perform environmental preservation activities.

Environmental management system

Kawai Group is promoting introduction of the environmental management system ISO14001. Currently in Japan, Ryuyo Factory, Kawai Hyperwood Co., Ltd. and Kawai Seimitsu Kinzoku Co., Ltd. have received the ISO14001 certification and Kawai Acoustic System Co., Ltd has made self-declaration of conformity with the standards. In overseas countries, PT. Kawai Indonesia Plants No.1, No.2 and No.3, Shanghai Kawai EMI Co., Ltd. and Kawai Musical Instruments (Ningbo) Co., Ltd. have received the certification. These facilities mentioned above conduct an internal audit on a regular basis to check the state of progress and for any items to be remedied in order to ensure the operation of PDCA cycle (repeating a cycle of Plan, Do, Check and Action) for ongoing improvement which is required in the environmental management system.

In addition, those facilities that have the ISO14001 certification are subject to an annual surveillance as well as a regular renewal evaluation conducted by an external certifying organization to check whether the environmental management system in the facilities functions effectively.

We will continuously address the Group-wide introduction of an environmental management system to further reduce the environmental load.

List of facilities which introduced the environment management system

Year of introduction	List of facilities which introduced the environment management system
1997	Ryuyo Factory (received ISO14001 certification)
2011	PT. Kawai Indonesia's Factories No.1 and No.2 (received ISO14001 certification)
2012	Kawai Musical Instruments (Ningbo) Co., Ltd. (received ISO14001 certification)
2015	Kawai Seimitsu Kinzoku Co., Ltd. (received ISO14001 Certification)
2016	Kawai Hyperwood Co., Ltd. (received ISO14001 Certification)
2017	Kawai Acoustic System Co., Ltd. (made Declaration of Conformity with ISO14001) PT. Kawai Indonesia's Factory No.3 (received ISO14001 certification)
2020	Shanghai Kawai EMI Co., Ltd. (received ISO14001 certification)

Green Procurement Guideline

Kawai Group is actively promoting the Group-wide implementation of green procurement in which those materials, parts and products that have less environmental load should be procured or purchased by priority whenever such resources are required in accordance with the “Environmental Principles” established by Kawai Global Environment Committee.

We implement green procurement in accordance with the basic principles of green purchasing method and green purchasing network (GPN) to decrease the total environmental load, and contribute actively and continuously to the preservation of biodiversity and establishing a recycle-based society.

Basic Principles

1. Fully reviewing the necessity of procurement,
2. taking into consideration the environmental aspect in addition to quality and price, those products and services that have lesser environmental load should be purchased
3. by priority from such suppliers that are making efforts to reduce environmental load.

Scope of Application

All goods and services procured by Kawai Group, including office supplies, parts, raw materials and equipments.

- General goods used in office, etc. (paper, stationery, computers and other devices, workwear, printed matters, etc.)
- Parts and raw materials (including packing materials and accessories) used for Kawai products (including OEM)
- Services, etc. (communications and other services)

In addition to compliance with laws, standards set by related organizations, and internal standards, environmental consideration in all phases are prescribed, from natural resources consideration to resources saving, energy saving, disposal and recycling.

Items taken into consideration in order to select suppliers are also set out, including state of environmental management, resources saving, energy saving, and disclosure of environmental information. We request all partner companies to respond to these items via our purchasing sections.

In order to make our green procurement more effective, we also established “Green Procurement Standards” in multiple languages. We briefed our suppliers on these “Green Procurement Standards” in order to reduce environmental load across our supply chain.

▶The Kawai Green Procurement Guideline (Japanese text)

https://www2.kawai.co.jp/company/activity/pdf/kg_20040130.pdf



Wood Materials Procurement Guideline

We understand that wood materials are important for manufacturing pianos and other musical instruments. We stipulated the Kawai principles on sustainable wood materials procurement.

Basic Philosophy

Kawai implements green procurement of wood in which we value and take good care of trees and use wood materials effectively that are sustainable resources we receive from protected and managed forests.

Basic Principles

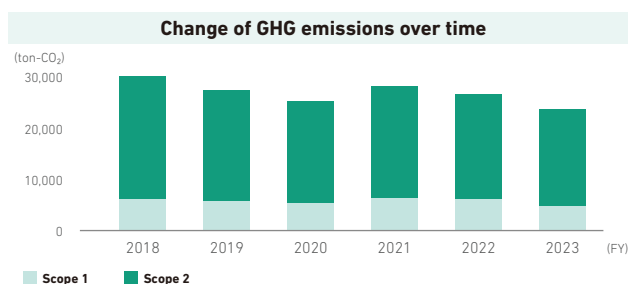
1. Kawai procures wood materials by priority that are produced in the forests under the sustainable management.
2. In wood materials procurement, Kawai takes into account the environmental management measures to be taken and compliance with related laws to preserve, protect and regrow forests.
3. Kawai promotes appropriate and efficient utilization of procured wood materials.
4. Kawai procures products manufactured by using recycled materials by priority.
5. Kawai procures forest products, etc. that are certified by the forest certification system by priority.

Calculation of greenhouse gas emissions pursuant to the GHG Protocol

Kawai has a long history of calculating and announcing the amount of CO₂ emissions from its business operations, both in and outside Japan.

Since the last fiscal year, Kawai has also been determining the amount of greenhouse gas emissions in each GHG Protocol scope (GHG emissions). GHG emissions in FY2023 were reduced by 11.3% on a year-on-year basis.

This calculation covers our domestic facilities and overseas manufacturing facilities, which account for more than 95% of GHG emissions from the entire group.



Measures to comply with the energy conservation law and reduce environmental load

The Energy Conservation Act (or the Act on the Rational Use of Energy) requires business operators who use a certain amount of energy or more (specified operators) to rationalize their energy use.

In Kawai Group, Kawai Musical Instruments Manufacturing Co., Ltd., Kawai Seimitsu Kinzoku Co., Ltd. and Kawai Casting Co., Ltd. are the specified operators, and Ryuyo Factory, the Headquarters/Hamamatsu factory of Kawai Seimitsu Kinzoku Co., Ltd. and Kawai Casting Co., Ltd. are specified as Class 2 energy management factories.

In FY2023, Kawai Musical Instruments Manufacturing Co., Ltd. received for the eighth year in a row and Kawai Seimitsu Kinzoku Co., Ltd. for the fourth year in a row, Class S* evaluation as an excellent operator according to the operator evaluation system by classification that is provided for in the Energy Conservation Act.

The Global Environment Committee worked on reducing the amount of domestic CO₂ emissions and waste per unit of sales for such purposes as “compliance with the Energy Conservation Act,” “prevention of global warming,” and “resources recycling and effective use of resources.” Its goal for three years from FY2022 is to achieve a 1% reduction every year from the level of FY2021 as the reference.

In FY2023, the amount of CO₂ emissions per unit of sales was reduced by 9.1% from the FY2021 level and met the goal, however the goal for the amount of waste per unit of sales was not achieved because it increased by 6.9% as compared with the FY2021 level.

* Class of operator who achieved the goal of reducing five-year average of energy consumption intensity by 1% or more year on year

Index	FY2019	FY2020	FY2021 (Reference)	FY2022	Results	FY2023 Increase/decrease	Evaluation
CO ₂ emissions intensity (kg-CO ₂ /million yen)	306.0	294.9	255.5	234.6	232.1	-9.1%	◎
Amount of waste intensity (kg/million yen)	26.2	25.0	23.4	23.8	25.0	6.9%	×
Energy amount intensity (MJ/million yen) * Reference value	5654.6	5635.7	4907.3	4477.4	4421.7	-9.9%	—

Evaluation ◎: Achieved ×: Not achieved

Global warming prevention activities

Kawai Group regards the initiatives of global warming prevention as important item of its environmental management and the Group is promoting the reduction of CO₂ emissions caused by using energy through implementation of the energy conservation measures described below.

- Introducing plant facilities with due considerations to energy conservation
- Replacing existing lights with LED lighting systems
- Introduction of renewable energy
- Performing an energy conservation evaluation regularly with an electric company
- Launching “Cool Biz” and “Warm Biz” campaigns in offices



Ryuyo Factory, where a solar power generation system was introduced

▶Kawai introduces solar power generation system at Ryuyo piano factory. (News release)

<https://www.kawai-global.com/news/20231223/>



Use of renewable energy through solar power generation

A solar power generation system was introduced to Ryuyo Factory more than a year ago, in December 2022. The amount of power generated in 2023 was 772 MWh, which covered approximately 14% of the factory’s total power consumption. As a result, CO₂ emissions were reduced by approximately 350 tons-CO₂.

Resources recycling

Reduction of industrial waste emissions

Kawai Group's amount of waste once increased to 3,203 tons because a large amount of slag was generated as industrial waste from cast production by Kawai Casting Co., Ltd. engaged in piano frame manufacturing which came on board as a member of the Group in FY2012. Since then, Kawai Casting Co., Ltd. has been committed to reducing waste emissions by taking measures to streamline its production lines and improve production efficiency.

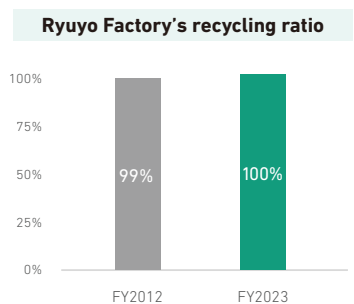
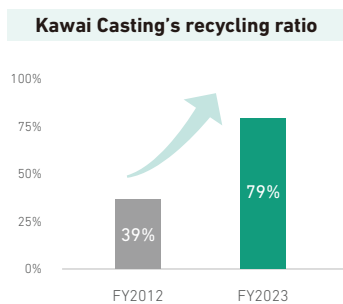
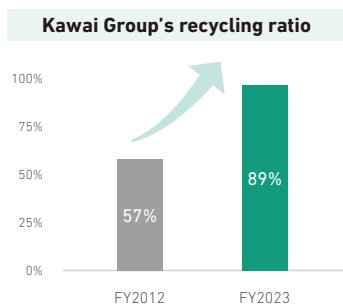
The total amount of industrial waste generated by the entire Kawai Group in FY2023 was 2,001 tons, down 4.2% from the previous year's level and down 37.5% from the FY2012 level. It was almost the same as the amount in the reference year of the three-year plan (FY2021).



Resources recycling activity

Although the resources recycling ratio of Kawai Casting Co., Ltd. was low at 39% in FY2012, the measure of reusing slag as road-bed material implemented by the company was effective to improve its recycling ratio to 79% in FY2023. Accordingly, Kawai Group's overall waste recycling ratio increased from 57% in FY2012 to 89% in FY2023.

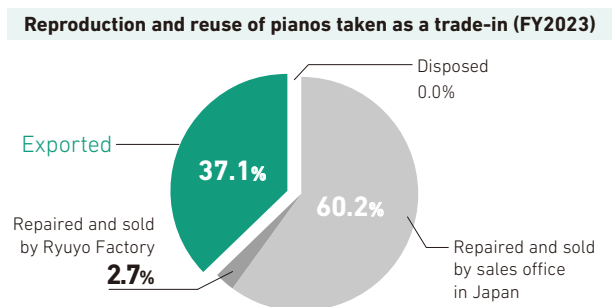
Ryuyo Factory is the largest industry waste generator in the Kawai Group, but it is taking various measures to achieve a 100% recycling ratio. These measures include reusing waste such as wood chippings and wood flour as materials for papermaking, board, compost and fuel; reusing felt waste for compost; and solidifying coating waste into harmless stone-like material.



Recycle and reuse activities

Based on the concept of the extended producer responsibility to promote creation of a recycle-based society, our Group is implementing reproduction and reuse of pianos. A group in the Domestic Business Division that is in charge of second-hand pianos is currently responsible for this project operated in Ryuyo Factory. Those pianos taken as a trade-in are reproduced and delivered to new customers.

In FY2023, about 700 units of piano were reproduced or reused in Japan, 37.1% of which were exported and are currently used in many places in the world.



Reproduction of piano by manufacturer

There is specific work that can be done properly only by the manufacturer. Experienced technicians who are experts and well-versed in piano making are able to fully overhaul old pianos. We reproduce pianos according to the needs of customers from exchanging strings, hammers and actions to overall coating.

Reproduction of pianos is a concerted work performed by many technicians with experience in piano manufacturing for many years who are experts with skills in specific fields such as coating, woodworking, and tuning. The finished quality of reproduced pianos are well received by many customers. Furthermore, another advantage for customers of Kawai pianos is that the piano can be repaired or reproduced by using its original parts.



Afforestation/tree planting

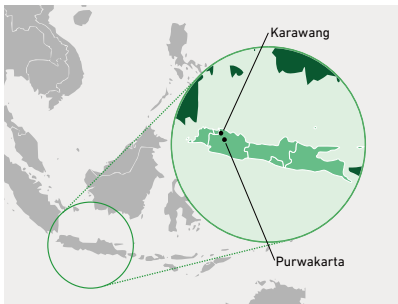
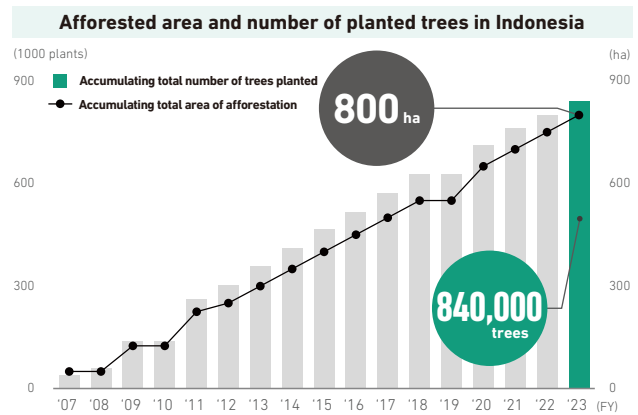
“Kawai Forest” the tree planting activities in Indonesia

A large amount of wood materials are used for piano. Thanks to the contribution of voluntary employees, Kawai Group, which handles wood materials, established Kawai Forest Project in 2007 as a commemorative project to celebrate the 80th anniversary of its foundation.

Pursuant to the basic philosophy of the Kawai Earth Environment Charter, the Forest Project engages in activities of planting trees such as falcata, teak and mahogany in Indonesia where we have our overseas production facility in collaboration with PT. Kawai Indonesia and the Indonesian forest public corporation for the purpose of ensuring CO₂ absorbing sources, regeneration of forests on deforested areas and securing sustainable wood resources. In 2017, the project also started working on the regeneration of mangrove forests that have been destroyed at a rapid pace for purposes including aquaculture.

These activities are favorably received by Karawang Regency and West Java Province of Indonesia, and CSR awards have been granted every year since 2018.

In FY2023, we planted trees in Karawang and Purwakarta Regency, and the cumulative total planted area reached approximately 800 ha and the cumulative total number of planted trees approximately 840,000 trees. Most of those trees have been growing quickly without problem and when the trees continue to grow enough to become “Kawai Forest”, it will have an effect of absorbing CO₂ of about 12,000 tons annually, and it is estimated that about 50% of a total CO₂ emission generated by Kawai Group will be absorbed.



“Kawai Forest” afforestation areas in Indonesia



Tree planting in Karawang



Award from West Java Province

Restoration and maintenance of coastal disaster prevention forests in affected areas

We participated in “Midori no Kizuna” regeneration project from 2015 to 2019 and engaged in afforestation in the Tohoku region.

Black pine trees planted in 2015 in Yamoto, Higashi-matsushima City, Miyagi Prefecture, are growing well. In November 2023 and March 2024, Kawai volunteers carried out weeding activities with the cooperation of the Ishinomaki District Forest Association.

We will continue to be involved in the regeneration and growing of the forests for coastal disaster prevention, taking care of the growing conditions of the trees.



“Workshop in the Woods” Ryuyo Factory

In 2020, Ryuyo Factory commemorated the 40th anniversary of its establishment.

The Factory obtained ISO14001 certificate in 1997, which was the first in the piano industry. The factory sets a goal in its environmental policy to expand green areas at the factory, which the factory has been promoting since its foundation. At present, an area of about 50% of the premises has been afforested with about 30,000 trees planted by the employees at the factory which have fully grown over the years, allowing the factory truly become a “Workshop in the Woods”.



Climate change

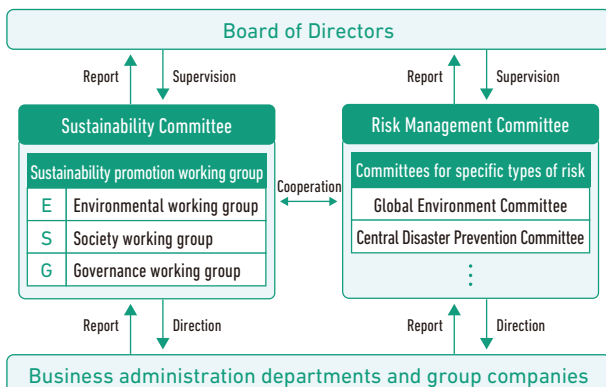
Information disclosure pursuant to the TCFD* recommendations

"In order to make the Corporation more creative and likeable ...," Kawai Group is vigorously committed to protecting the global environment and resources and realizing true richness of mind and society. Environmental issues related to the Earth, such as climate change and the loss of biodiversity, among other environmental issues, are becoming increasingly grave year by year, and we understand that greater importance is being placed on business operators' roles. We disclose information in accordance with the TCFD guidelines, believing that the identification of climate change risks and opportunities using the TCFD framework and the development and integration of combat measures into our business strategies will contribute to our sustainable growth and enhance our corporate value. We will continue with information disclosure pursuant to the TCFD framework and contribute to the goal of carbon neutrality in 2050 by mitigating climate change through reduction of CO₂ emissions and waste generation, and planting activities.

* TCFD is an abbreviation of Task Force on Climate-related Financial Disclosures and was established by the FSB (Financial Stability Board) to disclose climate-related information and examine what actions financial institutions should take to combat climate change.

Governance

One of Kawai Group's perceived management issues is sustainability. Kawai Group aims to contribute to solving various issues related to sustainable business management, including climate change (sustainability issues). Important sustainability matters are to be deliberated upon by the Sustainability Committee and reported periodically (at least once a year) to the Board of Directors. The Board of Directors will discuss how to address Kawai Group's sustainability issues and action plans, and give directions and supervision. Issues related to climate change, among others, are handled by one of the Sustainability Committee's subordinate organizations, the environmental working group. We will establish a system under which specific activities by business administration departments and group companies will be defined and implemented pursuant to committee decisions so that board decisions will be reflected appropriately in the organization.



Risk management

Kawai Group's management systems and processes for addressing various issues related to sustainability, including climate change, are to be generally supervised by the Sustainability Committee. For risk identification purposes, the Sustainability Committee identifies and assesses risks of great importance based on reports from various divisions, social trends and third-party requests related to sustainability, and fixes plans and goals related to sustainability activities. Sustainability activities are promoted in accordance with these plans and goals, and specific activities by business administration departments and group companies are directed and monitored so that the risks will be prevented and their impact will be mitigated. The risks identified through these processes are shared with the Risk Management Committee. The Risk Management Committee takes short-term and immediate actions in the light of their urgency and so on, and if necessary, performs individual risk management.

Strategies

Kawai Group examines and assesses the impact of climate change upon its business management through scenario analysis in order to ensure that actions to address important issues are reflected in its management strategies. In our study and analysis of the impact of climate change and actions to combat it, we study risks and opportunities related to its impact on Kawai Group in 2030 and 2050, based on the following hypotheses about the world's future and the scenarios reported by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA). The Risk Management Committee performs individual risk management if necessary.

4°C scenario

A scenario assuming that the world's average temperature around the end of the 21st century would be 4°C higher than in the Industrial Revolution. Climate change policy measures would not be strengthened from those in force as of 2021 and transition to decarbonization would not be promoted, with the result that the impact of global warming would increase, so would the scale and frequency of disasters.

(Reference scenario) IPCC : RCP8.5
IEA2022 : STEPS

1.5°C scenario

A scenario assuming that the world's average temperature around the end of the 21st century would be less than 2°C higher than in the Industrial Revolution. Proactive environmental policy measures would be promoted to realize carbon neutrality, with the result that the impact of transition risk would increase.

(Reference scenario) IPCC : RCP2.6
IEA2022 : APS / NZE2050

Item	Impact in 2030		Assessment			Present initiatives and policies
	Factor	Event	Type of impact	4°C scenario	1.5°C scenario	
Impact of transition to decarbonized society	Carbon pricing	<ul style="list-style-type: none"> Increased business operation costs due to the introduction of a carbon tax Increased expenditure due to the reduction of greenhouse gas emissions 	Risk	Small	Large	<ul style="list-style-type: none"> Set and work toward CO₂ emissions reduction goals. Use renewable energy (solar panels) in manufacturing equipment.
	Change in power price	<ul style="list-style-type: none"> Higher power prices due to changeover to power generated with renewable energy etc. Increased transportation costs due to changes in demand for fossil fuel 	Risk	Medium	Medium	<ul style="list-style-type: none"> Use periodical energy conservation diagnosis services from power companies. Replace lighting apparatus with LED types. Introduce energy-saving factory equipment.
	Change in raw material price	<ul style="list-style-type: none"> Wood material price increases due to forest resource regulations and behavioral change Metal price increases due to the price pass-through of the impact of transition to decarbonization etc. 	Risk	Small	Large	<ul style="list-style-type: none"> Establish and apply a Kawai green procurement guideline. Reduce waste and raise the recycling rate.
	Change in customer behavior	<ul style="list-style-type: none"> Greater need for environmental requirements fulfillment due to the expansion of orientation toward ethical consumption 	Opportunity	Small	Medium	<ul style="list-style-type: none"> Develop and apply environmental policies pursuant to the Kawai Earth Environment Charter. Consider products using recycled materials first in procurement operations.
Physical impact of global warming	Catastrophic disaster due to extreme weather conditions	<ul style="list-style-type: none"> Loss from damage to business facilities (business places, offices, research facilities) Supply chain disruption Damage to forests due to region-specific risks such as flooding, drought and forest fire, and their impact on the procurement of raw wood materials 	Risk	Large	Large	<ul style="list-style-type: none"> Develop and strengthen BCP. Establish a central disaster prevention measures committee.
	Rise in average temperature	<ul style="list-style-type: none"> Poor wood growth in specific regions and their quality deterioration Greater need for indoor entertainment due to outdoor activity restriction and demand from people spending more time at home 	Risk Opportunity	Large	Medium	<ul style="list-style-type: none"> Tree planting activities by Kawai Forest Project Develop and apply a Kawai wood materials procurement guideline. Diffuse musical education overseas online and otherwise.

<Impact assessment methodology>

Large: 3% or more of the operating profit is affected. Medium: Less than 3% of the operating profit is affected. Small: Impact on the operating profit is negligible or there is no impact.

* For items that are difficult to assess in quantitative terms, we perform qualitative impact scale analysis based on the threshold values specified in the impact assessment methodology and on reference parameters and literature.

In the 4°C scenario, we assume that extreme weather conditions would be aggravated to a catastrophic level where our facilities would be more likely to suffer direct damage, suppliers would be damaged and the supply chain would be disrupted, and wood materials resources, which are important for our products, would decrease. Given constantly expanding demand for fossil fuel, other concerns might include higher transportation costs due to the soaring prices of raw materials derived from petroleum, especially increased expenditure and losses on the part of upstream players in the supply chain. In the meantime, we recognize that greater demand from people spending more time at home due to a higher average temperature might be a driving factor of demand for musical instrument products which people can enjoy indoors.

In the 1.5°C scenario, we assume that the introduction of carbon pricing for decarbonization and changeover to electric power derived from renewable energy might increase our operation costs and affect our financial conditions. We also assume that these effects would also be experienced by our suppliers, and there is concern that the prices of products and raw materials, such as metal materials, would soar. In the meantime, we assume that it would be an opportunity for us to stimulate eagerness to buy among customers with greater ethical commitment through the development of products with limited environmental load, and we believe that enhancing the environmental performance of our products will not only contribute to society but also bring us business opportunities.

Based on these results, we will enhance our resilience in relation to the impact of climate change and, at the same time, continue to strengthen and promote our initiatives toward the goal of business management decarbonization and carbon neutrality. Our present initiatives include establishing the Kawai Earth Environment Charter, working toward the goal of sustainable resources procurement specified in the Kawai Green Procurement Guideline and the Kawai Wood Materials Procurement Guideline, both of which are already in force. They also include setting CO₂ emissions and waste reduction goals, and monitoring progress toward these goals.

Indicators and goals

As part of its commitment to SDGs, Kawai Group uses the reduction of the amount of CO₂ emissions per million yen of sales as one of its business management goals, and keeps track of progress toward this goal as an indicator for assessing the status of its climate change initiatives. The three-year plan from FY2022 to FY2024 has set a target of reducing emissions per unit of sales by 1% each year, using FY2021 as the baseline year. This plan has been implemented through various measures such as introducing energy-efficient factory equipment, upgrading to LED lighting, installing solar power systems, and promoting Cool Biz and Warm Biz campaigns. As a result, in FY2023, emissions were reduced by 9.1% compared to FY2021, achieving the target. We will set and disclose medium-term and long-term goals in order to attain carbon neutrality by 2050. The actual amount of CO₂ emissions is described in the table.

Scope of aggregation	Actual emissions (ton-CO ₂)			
	FY2021	FY2022	FY2023	
Scope1	6,131.4	6,123.3	4,810.4	
Comprising	Domestic facilities	5,688.3	5,674.8	4,522.2
	Overseas facilities	443.1	448.5	288.2
Scope2	22,623.4	20,813.3	19,138.6	
Comprising	Domestic facilities	16,442.6	14,916.2	14,099.5
	Overseas facilities	6,180.9	5,897.1	5,039.1
Scope1+Scope2	28,754.8	26,936.6	23,948.9	



Social



By supporting the growth of the next generation through music and education, and by creating a society where diverse talents can thrive, we aim to build a richer and more fulfilling future.

Contributions to culture promotion

The 4th Shigeru Kawai International Piano Competition



© The Shigeru Kawai International Piano Competition

In recent years, the Shigeru Kawai grand piano has been adopted as the official piano in numerous international competitions. The Shigeru Kawai International Piano Competition, named in honor of our 90th anniversary in 2017, is distinguished by its use of the Shigeru Kawai grand piano in all rounds and by featuring a two-piano concerto as the final round's repertoire.

In the fourth edition of the competition held in 2023, 237 contestants from 21 countries and regions entered. On August 5th, after a rigorous selection process, the performances of six finalists were showcased, with Nicolas Giacometti from Italy winning first place.

We will continue to use this competition to discover and nurture the next generation of pianists from around the world, while promoting international exchange and advancing global music culture.

▶ The Shigeru Kawai International Piano Competition

<https://skipc.jp/en/>



Kawai Music Association

Kawai Music Association was established in 1963, aiming at enhancing musical culture in Japan. The association plans and implements wide-ranging events such as Kawai Concerts, recitals and open seminars by outstanding Japanese musicians. It also invites prominent players and educators from overseas.

The association will also support numerous musical and cultural activities to contribute towards enriching society through music. Under its motto "Music for All", the association will continue to deliver high quality music through its activities.

▶Kawai Music Association (Japanese text)

<http://kawai-kma.com/>



Kawai Premium Concert

On November 5, 2023, the "Kawai Premium Concert" was held at the Bellesalle Toranomon Hall in Tokyo. This glamorous performance featured seven talented pianists who had competed in the 5th Takamatsu International Piano Competition.

The concert showcased award-winning performers such as Shuhei Aoshima and Yuya Nishimoto, as well as Kaori Araishi, Momoko Mizutani, Shu Umezaki, Miki Yamagata, and Motohiro Sato. Their heartfelt performances, accompanied by the beautiful tones of the Shigeru Kawai SK-EX full concert grand piano captivated the audience.



Mr. Shuhei Aoshima

Mr. Yuya Nishimoto

Ms. Kaho Araishi

Ms. Momoko Mizutani

Mr. Shu Umezaki

Ms. Miki Yamagata

Mr. Motohiro Sato

Supporting various musical organizations

Support for The Frédéric Chopin Society of Japan

The Frédéric Chopin Society of Japan was established as the fruit of interchange with the Fryderyk Chopin Society in Poland to celebrate the composer's 150th anniversary of birth in August 1960. Mr. Shigeru Kawai (then President of Kawai) became the Honorary President and the society set the administrative office within the premises of Kawai, providing various support including for the International Chopin Piano Competition.

▶The Frédéric Chopin Society of Japan

(Japanese text)

<http://chopin-society-japan.com/>



Support for The Karol Szymanowski Society of Japan

The Karol Szymanowski Society of Japan was established in 1981, the year before the composer's 100th anniversary of birth. The society's activities are focused on introducing his works widely in Japan that express profound understanding of Polish national characteristics and local customs. The society also organizes concerts in audition format and open seminars.

▶Karol Szymanowski Society of Japan

(Japanese text)

<http://kawai-kmf.com/szymanowski/>



Support for The Leonid Kreutzer Memorial Society

Professor Leonid Kreutzer was active in Germany and Japan. The Leonid Kreutzer Memorial Society was established by his pupils and concerned parties to commemorate his virtue in March 1962. The society established "The Kreutzer Award" in 1971 to commemorate Professor Kreutzer's work for the Japanese music circle. The society has been organizing annual recitals with The Kreutzer Award winners since 1976. Since 2017, we have also been conducting regular phonograph concerts of performances by Professor Kreutzer recorded on SP records owned by the Tokyo University of the Arts Library.

▶Leonid Kreutzer Memorial Society (Japanese text)

<http://kawai-kmf.com/kreutzer/>



Education/training

Kawai Music School

Kawai is developing wide-ranging educational activities for children, respecting their individual interests to help them learn how to express themselves naturally.

personality & harmony



KAWAI MUSIC SCHOOL

Kawai will bring out irreplaceable personality from each pupil through music, and create the joy of communicating and harmonizing with others while respecting each other's personality.

Education philosophy

The Kawai Music School believes that pupils "do not learn music" but "learn through music". It endeavours to provide courses where the pupils can develop and enrich their personality through activities to express themselves, rather than being taught techniques to simply improve playing skills.

Kawai Music School

Kawai Music School started in 1956 (Showa 31) with the aim of disseminating the music culture. We have deployed more than 4,000 schools throughout Japan, providing a wide variety of courses developed through Kawai's experiences in music education, which are helping a lot of pupils take interest in music and develop their potential.



Kawai Music School for adults

We have various courses to learn music ranging from piano, vocal to string and wind instruments in response to increasing needs of middle and aged people for life-long learning and leisure activities. These courses attract lots of students since they can learn to play any music pieces they like according to individual's level and pace.



Kawai English School

Students can learn practical English from instructors of great personality while enjoying songs and games by following the curriculum of IMA (Imagination, Music, Action) method developed by Kawai. The school also encourages students to understand the culture behind the language to become a true cosmopolitan.



Drawing and Modelling School

The school develops and enriches children's originality and creativity while respecting different abilities of individuals and the learning process instead of giving standardized instructions. Students engage themselves freely in creative activities using a variety of materials such as paper, clay and pieces of wood that is unique to Kawai.



▶Kawai Music School (Japanese text)

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



Kawai Music Competition

The Kawai Music Competition, which began in 1968, is based on the philosophy of "actively evaluating spontaneous musical expression over technical superiority." The competition consists of three categories: the "Kawai Piano Competition," the "Kawai Children's Piano Competition," and the "Kawai Vocal Competition." Over more than half a century, it has produced many pianists.

In August 2023, the 56th Kawai Piano Competition National Finals (duet and solo divisions) were held at Yokohama Minato Mirai Hall. Ninety-six participants, who passed the rigorous preliminary rounds from among more than 21,000 entrants, performed in the hall, filling it with the music of young pianists who have been diligently practicing for the future.

The grand prize winners of the solo division will be provided with various opportunities to development their skill, including special lessons from renowned pianists and music university professors in Japan and abroad, to further support their growth as performers.



Operating music schools overseas

Outside of Japan, Kawai also operates music schools across the Asian region, including Indonesia, China, Thailand, Vietnam, and Taiwan.

The music schools not only provide ordinary lessons but hold various events. They endeavor to promote musical education through various events, including grade tests for proficiency evaluation, competitions designed for particular ages, experience levels and objectives, concerts to demonstrate the benefits of lessons, pre-enrollment lesson trials, and briefings for parents.

We also promote the development of local teachers by holding music education seminars and training programs for instructors.



▶ KAWAI MUSIC SCHOOL GLOBAL (English website)

<https://musicschool.kawai-global.com/>

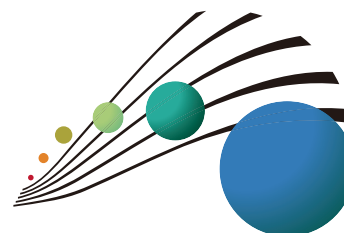


Kawai Music School Piano Competition

The Kawai Music School Piano Competition was established to promote and spread musical education in Asia.

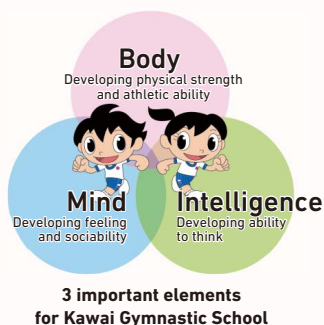
Held for the students of Kawai music schools in Indonesia, China, Thailand, Taiwan, and Vietnam, this competition has nine categories under the solo division and the duet division based on Kawai's original education method called "Sound Tree." Contestants who win regional preliminaries are eligible to participate in the final round. The evaluation focuses not only on technical skills but also on personal expression and how well the results of lessons are reflected.

The competition has grown in scale with each iteration, with the number of participants increasing steadily. For the third competition, 998 entrants registered, demonstrating the increasing popularity of this competition.



Gymnastics and Sports School

In addition to develop athletic ability and improve athletic techniques, Kawai aims to provide education to harmonize “body”, “mind”, and “intelligence” to enrich their humanity in its gymnastic courses and sport courses. Kawai will nurture children’s sociability through working towards the goal by collaborating with each other and encouraging each other in group lessons.



Gymnastics courses

The course provides different classes including 2-years-old class and Infant class targeting small to older children to help children acquire their athletic ability while enjoying experiences of playful exercises suitable to children’s growth and development at each age. It nurtures children’s athletic creativity, enthusiasm for sports and pleasure of accomplishment.



Sports courses

The course gives instructions to acquire basic skills of sports including artistic gymnastics, rhythmic gymnastics and soccer. It helps children learn not only techniques, but also rules and how to communicate with other people by teaching them, taking into consideration individuals’ abilities and the levels of physical growth and development.



Kawai Health Promotion Support System

Kawai has over 50 years’ history of supporting health promotion such as gymnastic schools all over Japan. Kawai believes it is its mission to offer its accumulated skills and knowhow widely to the society.

Kawai has implemented the “Kawai Health Promotion Support System” to support health promotion at every stage for infant to the elderly. The system provides enjoyment and scientific support for them to maintain and improve their health using measurement data and latest devices.

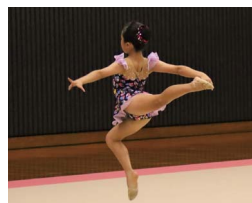


Sport community

At Kawai Gymnastic Schools, we run a “Sports Community” program that provides opportunities for children to interact with top athletes, promoting the healthy development of the next generation.

Kawai Cup

In August 2023, the “Kawai Cup National Rhythmic Gymnastics Competition” was held at Hamamatsu Arena. Under the watchful eye of chief advisor Yukari Kawamoto, participants from Kawai Gymnastic School’s rhythmic gymnastics classes across the country showcased the results of their training. Additionally, in September, the “Kawai Cup Gymnastics Competition” was also held at Hamamatsu Arena, where many participants competed in the mat and vault events.



Scenes from the Rhythmic Gymnastics Competition

Kawai Gymnastic School staff



Mr. Hisashi Mizutori
Chief Advisor

He was the gold medalist of artistic gymnastic men’s team competition at 2004 Summer Olympic in Athens. He took the position of the Chief Advisor of the Kawai Gymnastic School as he retired. He has been giving talks and demonstrations at various locations to widely propagate the joy of sports. He is also supervising sport programs for developing physical fitness of infants and children, and health improvement of adults.



Ms. Yukari Kawamoto
Chief Advisor of the Rhythmic Gymnastics Class

She performed at the 1992 Summer Olympics in Barcelona. She has been developing curriculums and training instructors as the chief advisor of the Rhythmic Gymnastics Class of the Kawai Gymnastic School. She is also participating in the running of the Sport Community.

Human capital development

Basic principles of human capital development

Kawai Group regards human capital as the greatest asset of the company under the belief that “Each and every employee’s making the best of their ability will lead to the growth of Kawai Group”, and positions the development of human capital as an important strategic issue to address in order to become a company capable of responding to changes of the times. We will create a mechanism and environment in which each and every employee can demonstrate their abilities, by which we aim to achieve sustainable growth as a corporation.

Human capital development system

Under the basic principles, we work on human capital development to bring about our employees’ motivation to create their own careers and proactively pursue their growth.

	Training by class	Training by job (led by each division)	Support for self-development	Common
Executives	Newly appointed directors training		Correspondence education/ e-learning	My life plan training Compliance training Women’s career improvement training Diversity training
Managers	Newly appointed operating officers training			
	Next generation executive candidates selection and development Newly appointed managers training			
Supervisors	Manager candidates training Newly appointed supervisors training	<ul style="list-style-type: none"> • Sales division (marketing, etc.) • Production division (quality, multiskilled worker development, etc.) • Music/gymnastics • Staff division • Technology/development 		
General employees	Reinforced young generation development 6th year training 3rd year training Follow-up training Newly hired employees training Support for career development	<ul style="list-style-type: none"> • Piano technician skills (research course/advanced course/MPP) • Inheritance of techniques (Development of successors to play the core role of piano manufacturing) 		

Training by class

We provide training for different classes from general employees to executives with the objectives to acquire fundamental knowledge required in each class and deepen understanding about their roles. We especially focus on the development of young employees by providing annual training until their 6th year of service, as well as providing them with career-creating support to expand the range of their job functions through job rotation, which in turn enhances corporate strength.

Training by job

Education for improving skills is provided on a regular basis, as training by job is provided under the leadership of each division to enhance employees’ expertise in the job they engage in.

Others

As support for self-development, we introduced e-learning in addition to correspondence education. We also provide diversity training to ensure diversity and women’s career improvement training, which are commonly available to all classes. The purpose of this type of education is to enable the entire company to acquire the ability to respond to changing times.

Diversity

Basic diversity principles

Kawai Group believes that ensuring diversity in human capital including women, foreign people and mid-career-hired employees having different job experiences will lead to enhancement of our corporate value. We strive to develop corporate culture that contributes to creating new value by actively hiring diversified human capital and appointing various talents to the core roles, and creating workplace environment where employees can demonstrate their individuality and abilities to the fullest extent.

Diversity promotion results and targets by year

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2025 end of March (target)
Female managers ratio (%)	2.4	2.1	3.3	6.7	6.7	12.5
Female supervisors ratio (%)	10.9	11.7	12.9	14.2	16.8	20.0
Number of employees of foreign nationality	7	8	9	12	11	15
Number of mid-career-hired employees	39	42	46	55	81	50

* Targets shown above are for Kawai Musical Instruments Mfg. Co., Ltd., excluding Group companies.

Promotion of women's participation

Kawai Group established a project to promote women's participation called "Love it! (Rabbitto)" in 2019 and has been working on activities to realize work-life balance, aiming to create a workplace where all employees can work comfortably.

Providing training to support employees in striking a balance between work and child care/family care and lku-Boss training (to enlighten managers to consider well-balanced work and private lives for their subordinates), encouraging male workers to take child care leave, issuing a work-life balance guide book, and newly introducing a life support leave system. In addition, a supporter team that consists of cross-division members engages in a variety of activities including making proposals for women's participation promotion, holding symposiums and training sessions by female managers,

and issuing a periodical newsletter on the topics of female activities.

Our company was recognized for these activities and was granted "Eruboshi Certification (2-Star)" in January 2021.

* Eruboshi Certification: A system in which the Minister of Health, Labour and Welfare certifies excellent companies for their commitment to promote active participation by females pursuant to the Act on the Promotion of Female Participation.



Training for female managers



Global human capital development and reinforcement of mid-career recruitment

We are reinforcing global human capital recruitment, training and appointment in the offices in Japan. Outside of Japan, we also have 13 overseas subsidiaries around the world in which locally-hired staff are working actively. We plan to dispatch our employees, especially young workers, to overseas subsidiaries for a short-term training, aimed to develop candidates to be stationed overseas in the future. We will exert Group-wide efforts to build a foundation to this end.

Kawai has also been actively promoting mid-career recruitment in these years, and the number of mid-career-hired employees increased by 33 in the past five years from FY2019 to FY2023. It includes recruitment of talents for supervisory positions and the core roles and we have some employees hired mid-career, who were work-ready as having professional skills and are now working energetically.

Employing people with disabilities

Thanks to assistance from local special needs schools, Kawai Group has been able to continuously employ suitable workers through the work experience program. Kawai has been employing more people with disabilities than the statutory employment rate for ninth years in a row since FY2015. In FY2023, the employment rate of people with disabilities in Kawai was 2.72% exceeding the statutory rate of 2.30%. Kawai is determined to fulfill social responsibility as an enterprise while valuing relationships with local organizations.

Work-life balance

Promotion of work-life balance

At Kawai Group, based on our management philosophy of “Valuing our employees and striving to be a bright company,” we have established various systems to support diverse ways of working and promote a comfortable working environment for our employees.

Furthermore, through the women’s empowerment project called “Love it!,” we are actively working on expanding and promoting systems that support the work-life balance by providing a Work-Life Balance Guidebook that clearly explains the available programs and support for various life events.

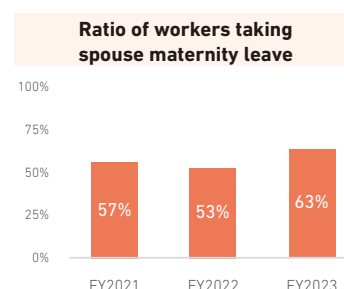
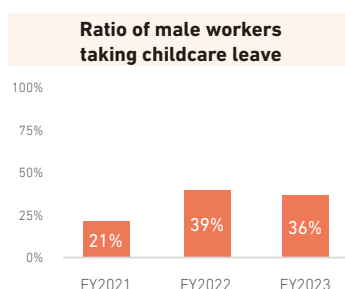


Support system for good balance between work and private life

System		Description
Special leave	Memorial leave	Can be taken 1 day per year on an employee’s birthday
	Life support leave	Can be taken 2 days per year for a life event of an employee and the family
	Refreshing leave	Can be taken for 5 days in a row in every 5 years of service
	Lay judge leave	Can be taken for appearance in a court as a lay judge or lay judge candidate
Family care support	Family care leave	Can be taken for family care for a period of 1 year at the maximum
	Shorter work hours for family care	Can work for shorter hours per day for family care for 3 years at the maximum
	Overtime work exemption system/limitation	Exemption of overtime work / Overtime work exceeding 24 hours per month and 150 hours per year will be exempted
	Limitation of midnight work	Midnight work from 10:00 p.m. to 5:00 a.m. will be exempted
Support for pregnancy/ childbirth/ childcare	Family care leave	Can be taken 5 days per year for family care
	Leave for maternity health management, etc.	Systems can be used for commutation relief, staggered or shorter working hours, hospital visit during work hours, prolonged break time, alleviation of work load, shorter working hours, etc.
	Maternity leave	Can be taken from 42 days before to 56 days after childbirth
	Spouse maternity leave	Can be taken for up to 2 days in the period from the date of notification of the spouse’s pregnancy to one week after childbirth
	Childcare leave upon childbirth	Can be taken for up to 4 weeks within 8 weeks after childbirth
	Childcare leave	Can be taken for childcare until a child reaches the age of 2
	Shorter working hours for childcare	Can work for shorter working hours for a reason of childcare
	Overtime work exemption system/limitation	Exemption of overtime work / Overtime work exceeding 24 hours per month and 150 hours per year will be exempted
	Limitation of midnight work	Midnight work from 10:00 p.m. to 5:00 a.m. will be exempted
	Child nursing care leave	Can be taken for childcare in case of injury or illness and for vaccination and health check-up of a child
Childcare hour	Other than regular break time, certain time can be taken for childcare twice a day	

Promotion of taking childcare leave

Childcare leave system was introduced in 1992 as a system to support employees in their child rearing while working. The leave usage ratio among female workers remained 100% from FY2018 until FY2023. The ratio among male workers was 36%, almost unchanged from 39% in the previous year. The spouse maternity leave usage ratio increased to 63% from 53% in the previous year. We continue our efforts to increase the ratio of using childcare leave and to create a workplace environment in which all employees can work comfortably.



Health and productivity management

Health and Productivity Management Declaration

Kawai Group established the “Health and Productivity Management Declaration” to strategically promote “health and productivity management”, considering the health management of our employees from a management point of view.

The Kawai Group believes that the physical and mental well-being of everyone working at Kawai and their families is the foundation for achieving our management philosophy of becoming a “creatively rich and well-regarded company.” We consider this to be a valuable asset for both our group and society.

To support this, we are committed to ensuring that each employee, as a “bearer of musical culture,” can fully utilize their abilities, create a fulfilling work environment, and continue to contribute to musical culture, a tradition we have upheld since our founding. Our company and health insurance association will work together to actively support activities that maintain and enhance the health of employees and their families.

We declare that by enabling our employees to maximize their potential and thrive, we will contribute broadly to people’s cultural and musical lives through our business activities.

Health and productivity management promotion structure

Under the Health Management Declaration, an executive officer from the Personnel and Labor Division serves as the “Health Management Officer” to lead the health management efforts. The Personnel and Labor Division plays a central role, collaborating with the Central Safety and Health Committee, which includes plant managers and labor union representatives, as well as with occupational health staff and the health insurance association, to promote the health of employees and their families.

Additionally, the status of employee health management is reported regularly at management meetings and other forums, ensuring a unified company-wide effort to advance employee health.



Initiatives to maintain employee health

Initiative	Description
Regular medical examination	A 100% completion rate is continued. The cost of thorough health screening is borne for employees aged 40 and over. The gynecologic examination rate exceeds 80%. The re-inspection rate is 94.4%.
Dental examination	If employees receive dental examinations at medical institutions, the health insurance society will give them financial aid.
Stress check	Stress checks and group analyses are performed on all employees, including those of business sites with an employee head count of less than 50 persons.
Health counseling services	Occupational physicians and health nurses provide counseling services every month for employees exposed to high stress and those who have overworked. Health seminars and counseling services are provided for young employees in order to prevent their separation.
Measures against smoking	Support in the form of interviews and providing information about smoking cessation outpatient services. The “Non-smoking Challenge Day” is established to encourage smoking cessation.
Health seminar	A health seminar is held once a year jointly with the health insurance society. In FY2023, it focused on calculating vegetable intake and improving dietary habits.
Walking event	Held once a year for employees and their families to establish and improve the habit of taking exercise.

Certified Health & Productivity Management Outstanding Organization

Our company has been certified as the “Health & Productivity Management Outstanding Organization (The Large Enterprise Category) 2024” for consecutive years since 2020, which are selected jointly by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.

Health & Productivity Management Outstanding Organization is a system of recognizing large and small- to medium-sized corporations for their outstanding practices of health and productivity management through activities addressing local health issues or working on the health improvement measures promoted by Nippon Kenko Kaigi.



Occupational safety and health

Safety management at production sites

To ensure the safety of machinery and work environments at each production site, inspections are conducted by the safety and health committees established at each facility. At the Ryuyo Factory, which is central to piano production, "5S Patrols" are carried out every Monday to check the safety of all processes. When areas needing improvement are identified, prompt corrective actions are taken in collaboration with the responsible personnel for each process, aiming to enhance safety on the production floor.



"5S Patrols" at Ryuyo Factory

Special health examinations

To ensure the proper implementation of special health examinations for employees engaged in work with disease risks, we coordinate with the responsible personnel at each site to verify target individuals whenever there are changes in job assignments or work content. Based on the results of these special health examinations, occupational physicians and public health nurses conduct inspections and consultations. They also make appropriate adjustments, such as changing work locations or modifying tasks, to consider the health conditions of employees.

Safety and health education

To prevent workplace accidents, we provide safety and health education to employees. Particularly for new employees hires, we include lectures on safety and health during the pre-assignment training to ensure they acquire comprehensive knowledge before their official placement. Additionally, whenever there are changes in job assignments or incidents of workplace accidents, we conduct safety and health education at each site to continuously promote a strong awareness of safety and health in our business activities.

Physical function measuring meeting

To promote employees' health, establish and improve exercise habits, and reduce the risk of occupational accidents, we conduct a fall risk improvement program through our Gymnastics Division at each factory on a rotating annual basis.

Occupational accident statistics

With regard to the FY2023 statistics for Japan, 11 industrial accidents occurred in the head office, factories and related companies (including one leading to administrative leave/disability), and seven in facilities under the control of branch offices (none of which led to administrative leave/disability). There was no work-related death.

Accident details and measures taken

Accident details	Measures taken
Cut wound caused while using manual tools during non-regular work	Established a rule that only individuals who have received work training are allowed to perform the tasks.
Cut wound caused by general power tools due to fall during transportation task	Improved the management methods for the equipment that caused the fall, and extended the improvements across all processes.

Contribution to society

Contribution to the local community

As a member of the local community, Kawai Group works on increasing interaction with local people and engages in activities to contribute to society for the benefit of the local community.

Participation in local community activities

We participate in local clean-up campaigns to increase interaction.



Cleaning areas around Lake Hamana ("Hamanako Cleaning Operation")

Collaboration with local communities

We participate in Hamamatsu City's road and river foster parent program, by cleaning roads around our head office. We also work on the maintenance of disaster prevention forests under an agreement with Shizuoka Prefecture.



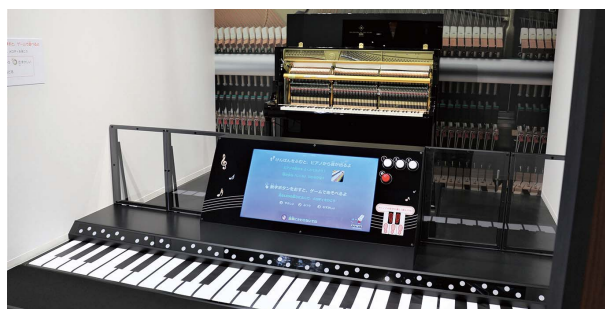
Cleaning roads around our head office



Maintaining sea embankment and disaster prevention forests on the Enshu Sea coast

Cooperation with Hamamatsu Science Museum

We have been cooperating with Hamamatsu Science Museum on our permanent exhibition booth since its opening. In 2022, we renewed it so that children can play and learn the movement and structure of the piano keyboard.



Kawai Musical Instruments' booth "Piano Action" in Hamamatsu Science Museum

►Renewed our exhibition booth in Hamamatsu Science Museum. (News release) (Japanese text)

<https://www.kawai.co.jp/news/20220907/>



Factory tour

Ryuyo Factory provides factory tours for many people, including students from local elementary, junior high, and high schools. People who join the tour can observe the assembly process of a grand piano.

We received positive feedback from elementary school students after factory tours.



Feedback from factory tour participants

►You can book a factory tour from our company's website. (Japanese text)

<https://www.kawai.jp/ryuyofactory/>



Queries concerning the factory tour

Ryuyo Factory (Piano Division, Administrative Office)

Address: 252 Tobihiramatsumi, Iwata-shi, Shizuoka, Japan

TEL : 0538-66-5111 FAX : 0538-66-5919

Quality and customer satisfaction

Promotion of quality and service improvement

The Kawai Group believes that not only complying with laws and regulations, but also further upgrading its products and services through continuous quality improvement are essential for “providing our products and services with our customer’s satisfaction on first priority” as stated in its management philosophy.

Major factories in and outside Japan have ISO9001-certified quality management systems and hold quality meetings every month to share information within the organizations and take prompt actions to prevent quality-related nonconformities and abnormalities.

Quality management system

Kawai promotes the introduction of ISO9001-certified quality management systems in order to maintain and improve quality and services. We endeavor to improve quality and services continuously by repeating the required PDCA cycle under quality management systems.

Present certification holders include Ryuyo Factory, Kawai Hyperwood Co., Ltd., Kawai Seimitsu Kinzoku Co., Ltd. in Japan, PT. Kawai Indonesia Plants No.1, No.2 and No.3, Shanghai Kawai EMI Co., Ltd. and Kawai Musical Instruments (Ningbo) Co., Ltd.

List of facilities with quality management systems

Year of introduction	Facility
1997	Hamamatsu facility, Kawai Seimitsu Kinzoku Co., Ltd. (ISO9002-certified)
2003	Hamamatsu facility, Kawai Seimitsu Kinzoku Co., Ltd. (ISO9001-certified)
2004	Kawai Seimitsu Kinzoku Co., Ltd. (ISO9001-certified for the entire company)
2005	Ryuyo Factory (ISO9001-certified)
2008	Kawai Musical Instruments (Ningbo) Co., Ltd. (ISO9001-certified) PT. Kawai Indonesia Plant No.3 (ISO9001-certified)
2009	PT. Kawai Indonesia Plants No.1 and No.2 (ISO9001-certified)
2013	Shanghai Kawai EMI Co., Ltd. (ISO9001-certified)
2016	Kawai Hyperwood Co., Ltd. (ISO9001-certified)

Initiatives for improving customer satisfaction

Customer Help Desk

Our Customer Help Desk responds promptly and sincerely to various inquiries from customers, including inquiries about our products before purchasing, operating instructions, product quality, etc. Staff members who are music lovers endeavor to serve customers sincerely to be their valuable partners.

Feedback from customers are analyzed from various angles and forwarded to internal divisions for product quality and service improvement.

Customer Support Site

The Kawai customer support site is a website that provides piano repairing and tuning services, product repair services and other after-sale services, catalogs and user manuals, and data downloads such as program updates, and receives catalog requests and trial bookings for Kawai pianos and digital pianos, requests for quotation, etc.

▶Customer support (Japanese text)

<https://www.kawai.jp/support/>





Governance



We will promote a sound governance structure that will generate sustainable corporate value by establishing impartiality and transparency in business management, managing risks, and complying with laws and regulations.

Corporate governance

Basic principles of corporate governance

Objectives and basic principles of corporate governance

Kawai Musical Instruments Mfg. Co., Ltd. established its basic principles of corporate governance based on the “Management Philosophy” to achieve sustainable enhancement of corporate value, and the Group is committed to continuously improve our corporate governance.

These basic principles prescribe our corporate governance in six chapters focusing on different topics, including the basic concept, relationship with our stakeholders, and the corporate governance system.

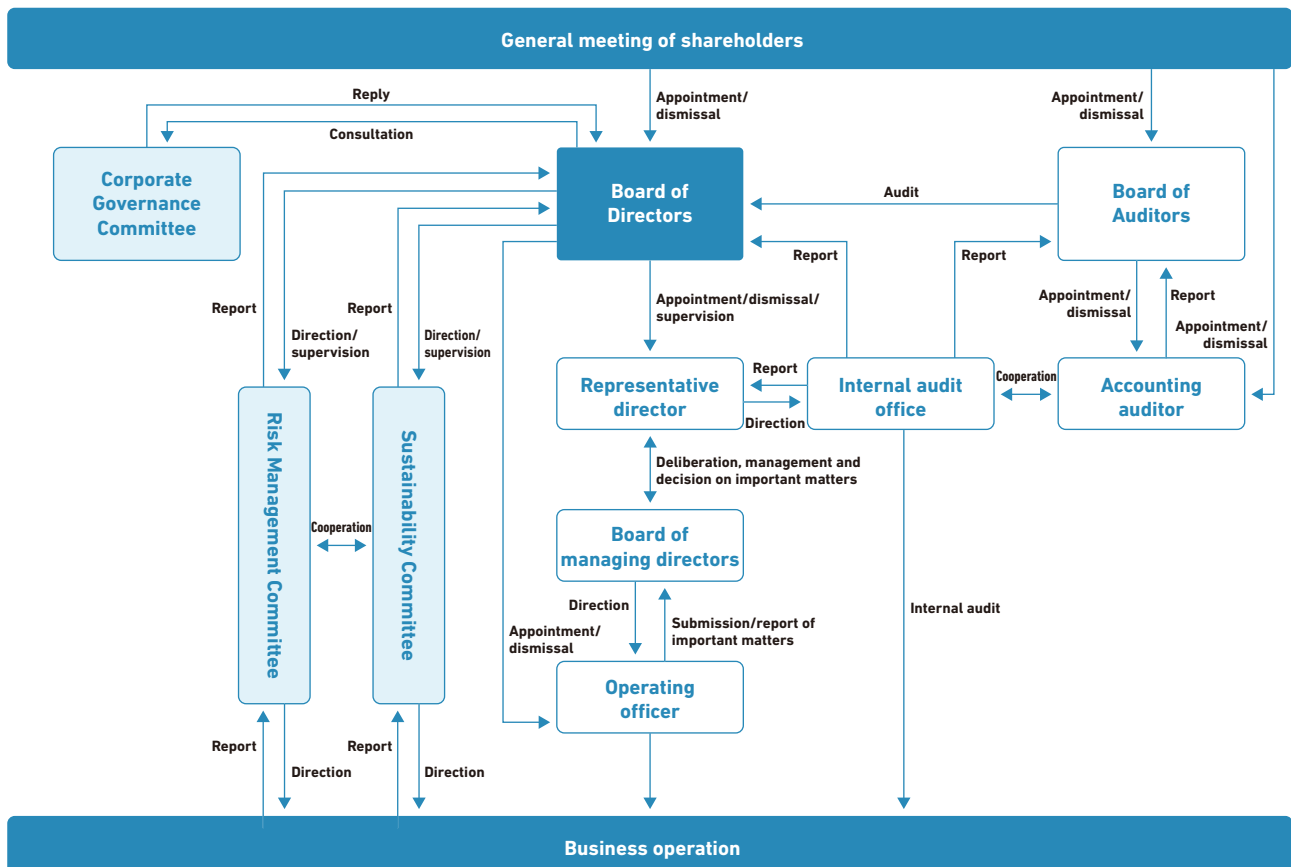
▶ Basic principles of corporate governance (Japanese text)

https://www.kawai.co.jp/csr/governance/corporate_governance/



Corporate governance structure

Our corporate governance and internal control structures are as follows.



Corporate governance structure

We are a company with a board of auditors, but we have established a governance structure that enables the directors to make appropriate decisions, execute business promptly, and exercise proper supervision and oversight. Our Board of Directors administration process is designed to increase its effectiveness for better corporate governance.

Board of Directors

The Board of Directors consists of directors, including external directors. External directors provide advice and oversight to the Board of Directors from an objective standpoint regarding the validity of decision-making and the execution of duties, enhancing the transparency of management. In addition, we revised the Executive Officer system introduced in April 2002 in June 2005 to allow directors to concurrently hold executive officer positions. This structure strengthens our ability to address company-wide challenges, clarifies responsibilities in business execution, and enhances the command hierarchy.

Corporate Governance Committee

As an advisory body to the Board of Directors, we have established the Corporate Governance Committee. The committee discusses matters related to the selection of director candidates, director compensation, and other improvements in corporate governance. It submits recommendations and reports to the Board of Directors.

Management Meetings

We have established various steering committees, strategic conferences for business units and regions, such as the Steering Committee, to deliberate on company-wide issues. These committees evaluate and discuss the performance of executive officers, as well as the production and sales status of each department, ensuring strategy monitoring and control.

Audit and Supervisory Board

The Audit and Supervisory Board is composed of auditors, including external auditors. The board establishes audit policies and assignments, and each auditor conducts regular audits of various business divisions and group companies in accordance with these policies. Auditors attend important meetings, including the Board of Directors, to accurately grasp the situation and provide opinions, thereby enhancing the auditing function of the directors' duties.

Sustainability Committee

We have established the Sustainability Committee directly under the Board of Directors. Its objective is to promote group-wide sustainability activities to address medium-to-long term sustainability issues, considering their impact on the business environment and corporate value. Important sustainability matters are discussed by the Sustainability Committee and reported periodically to the Board of Directors.

Internal Audit

We have established an Internal Audit Department to audit the overall business activities of the Kawai Group. The department conducts audits to ensure that business operations are conducted legally, properly, and reasonably. It also audits the utilization of company resources and compliance with laws, regulations, and internal rules.

Basic principles of internal regulations

Kawai has the "Management Philosophy" and "Code of Conduct" established as business management guidelines and strives to build a structure in which different organizations play their predefined roles and fulfill corporate strategies efficiently in compliance with laws, regulations and by-laws.

With respect to legal issues, we ensure legitimacy through consultation contracts concluded on a continual basis with multiple legal firms in each field.

In relation to internal control, the Board of Directors approved the "Basic Principles of Establishing Internal Control" on May 12, 2006, recognizing the importance of such a system as part of corporate governance to increase our corporate value. On May 14, 2015, the Board of Directors passed a resolution approving partial amendments to these basic principles in line with the purpose of the amendments to the Companies Act that came into effect on May 1, 2015, and has been working on system development pursuant to this resolution.

Basic principles for elimination of antisocial forces

Eliminating antisocial forces from society is important in terms of security measures and it is necessary for companies to take action from a viewpoint of CSR. Such action is also required to defend corporations, considering that antisocial forces would cause tremendous damage on any company including its employees. Based on these principles, our company strives to build and maintain a corporate structure to tackle this issue to prevent any damage caused by antisocial groups as part of our compliance structure and internal regulations.

Board of Directors' Expertise and Diversity

In order to swiftly respond to global growth, enhance competitiveness, and adapt to significant changes in the business environment, we strive for diversity among our directors and auditors. As a whole, the Board of Directors aims to possess a balanced combination of knowledge, experience, and capabilities in "Corporate Management," "Legal and Risk Management," "Finance and Accounting," "Manufacturing and Technology," "Sales and Marketing," "Global," as well as "Industry Knowledge (Music and Musical Instruments)." This ensures our ability to promptly and accurately respond to the rapidly changing management environment and make swift decisions.

Name		Expected knowledge, experience, and competence						
		Corporate management	Legal affairs Risk management	Finance and accounting	Manufacturing and engineering	Sales Marketing	Global	Industry knowledge (Music and musical instruments)
President & Representative Director	Kentaro Kawai	●		●	●	●	●	●
Vice President	Teruyuki Ito		●	●		●		
Senior Managing Director	Hiroshi Ushio	●			●		●	●
Managing Director	Masafumi Minowa				●		●	
Managing Director	Naoki Mori	●				●	●	●
Outside Director	Ichisei Katagiri		●					
Outside Director	Yasuo Goto	●	●	●				
Outside Director	Naomi Muramatsu		●					

Evaluation of the Effectiveness of the Board of Directors

As part of our efforts to enhance the effectiveness of corporate governance, we conduct annual evaluations of the Board of Directors' operations with the aim of improving and enhancing its functionality. Here is an overview of the effectiveness evaluation conducted in March 2024:

Implementation

We conducted a survey in questionnaire format targeting the directors and auditors (a total of 12 individuals) comprising the Board of Directors. Again in the year to March 2024, in order to verify its effectiveness in a neutral and objective manner, we employed an external organization to conduct the survey and performed the analysis and evaluation on the aggregated results.

Analysis and Evaluation Results

- Overall, we have received generally positive evaluations, indicating that the Board of Directors is effective.
- In similar questions to those asked last time, more than half of the respondents returned more positive evaluations. In particular, since the composition of the Board of Directors changed due to increased seats for outside directors and the appointment of a female director, there were improvements in items related to board administration and its discussions, including more constructive discussions and exchange of opinions.
- In the meantime, we confirmed that the board's effort to address sustainability and improve the capital cost is an issue that needs intensive examination.
- We also confirmed that some improvement still needs to be made with regard to the provision of necessary training opportunities to officers and the board's cooperation with the Corporate Governance Committee.

Future Initiatives for Enhancing Effectiveness

Based on this effectiveness evaluation, we will take actions to ensure that the Board of Directors will discuss management issues more deeply, including providing it with necessary information and preliminary explanations for the discussions, strengthening support for opportunities to acquire necessary knowledge to fulfill the roles and duties required of them as officers, and enhancing cooperation between the board and the Corporate Governance Committee. We will continue our ongoing efforts to enhance the effectiveness of the board.

Risk management

Risk management structure

The main purpose of Kawai's risk management structure is to prevent risks associated with business operations from occurring. If any risk becomes obvious, measures to minimize the effects on society and management will be taken flexibly by addressing the risk systematically based on the organization of the office in some cases, or, in other cases, by setting up a committee, etc. to deal with the risk to protect the entire Group if necessary.

Risk Management Committee

To deal with risks involving the entire Kawai Group, Risk Management Committee is responsible for establishing rules and regulations, checking the operation status, training of workers, planning and providing training programs, as well as reporting regularly to the Board of Directors on the company-wide risk management status.

Under the Risk Management Committee, subcommittees are established in the following fields and in the event of emergency, "Emergency Headquarters" will be promptly established to take quick actions and prevent expansion of damage.

Global Environment Committee

The Committee has set out "Kawai Earth Environment Charter," "Kawai Environment Principles," "Green Procurement Guideline," and "Wood Materials Procurement Guideline." It also strives to ensure compliance with laws and regulations related to the environment as well as reducing the risks of environmental pollution by setting objectives and goals for environmental preservation.

Product Safety Measures Committee

In the event that any safety deficiency is found in our products in the market which caused or is deemed likely to cause any injury to customers' lives or bodies, the Committee will take immediate actions including notice to customers, report to a relevant administrative organization, recall of such products, and also carry out all activities to minimize the damage to customers.

Central Disaster Prevention Measures Committee

This Committee establishes preventive measures against disasters that may occur in Kawai Group including fire, damage by wind and flood and so on, and is responsible for all range of activities to minimize damage in the event of a disaster.

Overseas Safety Measures Committee

This Committee is responsible for the risk management for overseas subsidiaries, expatriates and workers on overseas business travel.

Information Security Committee

This Committee is in charge of the management from a company-wide perspective to ensure and maintenance confidentiality, integrity and availability of the information assets.

Central Safety and Health Committee

This Committee strives to arouse attention of the employees in Kawai Group about their safety and health, and engages in various activities to prevent disasters and diseases.

Corporate Ethics Committee

The Committee deliberates to decide on the basic principles of compliance, checks the status of practices of those principles, and engages in establishing regulations and manuals in relation to compliance. In addition, in case of any violation with regard to corporate ethics, it discusses the measures to deal with it and submits them to the executives.

BCP (Business Continuity Plan)

In preparedness for a large-scale earthquake or other emergency situation that may occur, Kawai has a BCP (Business Continuity Plan) that summarizes various measures and methods to take in normal circumstances and in case of emergency so that Kawai will be able to secure the safety of employees, minimize damage to its business assets, continue to be operational, and achieve full recovery of the entire operation quickly. The most important thing in implementing the BCP is to secure and confirm the safety of people's lives. For this end, we have introduced a safety confirmation system and distributed a disaster prevention handbook.

Safety confirmation system

It is important to confirm the safety of employees immediately upon occurrence of a disaster. We have a safety confirmation system that automatically sends broadcast email messages and aggregates safety information upon occurrence of a large-scale earthquake or other disaster. Employees receive regular training to be able to respond promptly to emergency events.

Disaster Prevention Handbook

We issued a disaster prevention handbook summarizing knowledge and information related to disasters, preparedness, and necessary actions so that employees will be prepared for large-scale earthquakes and other disasters. This handbook also provides easy-to-understand explanations about the BCP, to ensure that it will be fully understood by all employees.

Compliance

Basic principles regarding compliance

The Kawai Group’s definition of compliance is not limited to compliance with laws and regulations, but also encompasses observing internal rules etc. and acting in accordance with social norms and codes of ethics to earn trust in society. It is committed to compliance management that involves all-out efforts by all employees. To be more specific, we established “Kawai Code of Ethics” and “Standards of Ethical Conduct”, and established Corporate Ethics Committee that includes outside expert members (lawyers).

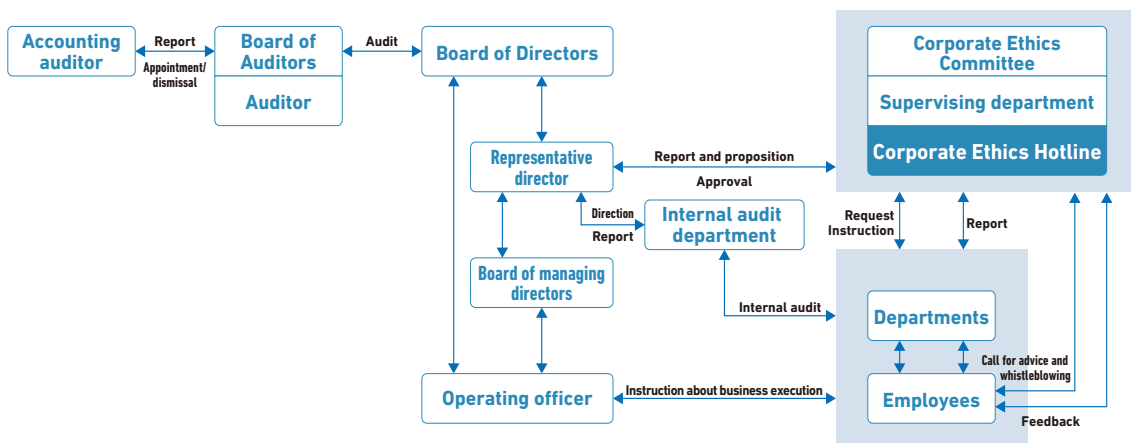
“Kawai Code of Ethics” and “Standards of Ethical Conduct” (summary)

- Compliance with laws and regulations, and internal rules
- Action in accordance with high standards of morality and ethics
- Prohibition of illegal and unethical transactions
- Clear line between business and private activities
- Respect for fundamental human rights and individuals’ dignity
- Prohibition of discrimination and harassment
- Prohibition of anti-social conduct
- Preservation of the global environment
- Enhancement of customer satisfaction
- Free competition and fair trade
- Fair transactions with suppliers, partners, and dealers
- Prohibition of bribery and corrupt conduct
- Prohibition of untruthful advertising
- Appropriate disclosure of corporate information
- Prohibition of insider trading
- Management and proper use of company property
- Protection of intellectual property rights

Compliance promotion structure

In fulfillment of compliance management, Kawai established the Corporate Ethics Committee as a consultative and advisory organization in the area of compliance. The Corporate Ethics Committee determines basic policies related to compliance issues, keeps track of pertinent measures, discuss the course of action to take in connection with serious law violations, submit reports to the President and the Board of Directors, and give directions to the Corporate Ethics Section.

The section responsible for supervising corporate ethics operates the “Corporate Ethics Hotline” to detect and correct violations etc. promptly, and organizes and conducts compliance programs to raise awareness among employees.



Corporate Ethics Hotline

Kawai has a “Corporate Ethics Hotline” to receive reports from whistleblowers and discover and solve violations immediately. Reports may be made anonymously, and the “Corporate Hot Line Standards” stipulate that no unfavorable treatment is given to the whistleblowers.

Compliance education and enlightenment

Kawai makes efforts to arouse employees’ awareness of compliance through education and enlightenment activities, including “enlightenment during Corporate Ethics Month (October),” “issuance of monthly corporate ethics news,” “self-check using a check list for identifying compliance risks,” and “compliance training.”

Kawai company data

Major financial data

Item	Unit	FY2019	FY2020	FY2021	FY2022	FY2023
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Business result

Sales	million yen	71,302	67,520	85,703	87,771	80,192
Operating profit	million yen	2,960	3,492	6,696	5,045	3,255
Recurring profit	million yen	3,118	4,002	7,304	5,639	4,201
Current net profit attributable to owners of parent	million yen	1,545	2,579	5,046	3,672	2,782
Comprehensive income	million yen	1,086	2,689	6,145	5,546	5,410

Financial condition

Net assets	million yen	25,717	27,934	33,559	38,461	43,141
Total assets	million yen	51,758	60,699	68,391	70,818	73,538

Per-share information

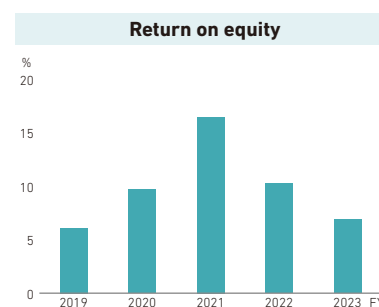
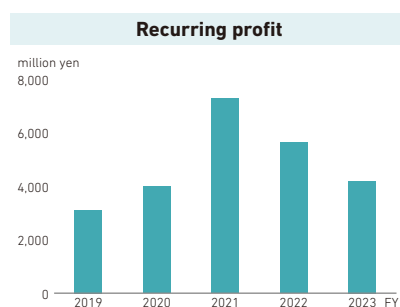
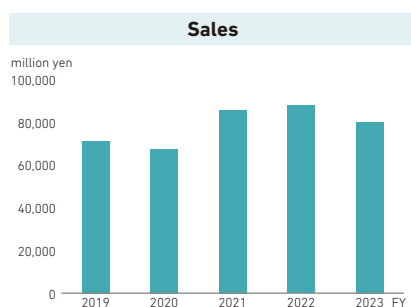
Current net profit per share	yen	180.17	300.16	587.17	427.33	323.72
Net assets per share	yen	2,980.47	3,236.55	3,884.27	4,451.73	4,993.71

Financial indicators

Equity capital ratio	%	49.5	45.8	48.8	54.0	58.4
Return on equity	%	6.1	9.7	16.5	10.3	6.9
Price-earnings ratio	Times	13.42	11.66	5.57	7.14	11.11

Cash flows

Cash flow from operating activities	million yen	1,572	4,942	5,082	-613	1,442
Cash flow from investing activities	million yen	-1,651	-899	-877	-1,364	-943
Cash flow from financing activities	million yen	-1,393	4,803	-1,800	-2,267	-1,844
Closing balance of cash and cash equivalents	million yen	9,562	18,417	21,489	17,975	17,064



Data related to personnel

Item	Unit	FY2021	FY2022	FY2023
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Number of employees

Consolidated	Persons	2,969	2,977	2,895
Non-consolidated	Persons	1,280	1,286	1,283

Health and productivity management

Average years of service	Years	22.9	21.3	20.1
Average age	Years	46.0	44.8	45.4
Medical examination completion rate	%	100	100	100
Stress check completion rate	%	93.7	89.6	97.9
(Percentage of persons exposed to a high level of stress)	%	10.7	11.8	12.3
Detailed examination completion rate	%	87.6	87.4	94.4
Percentage of persons maintaining desirable weights (between BMI 18.5 and 25.0)	%	69.0	76.8	65.6
Percentage of smokers	%	21.5	17.8	18.8
Percentage of persons having the habit of taking exercise	%	23.1	26.6	24.8
Frequency rate of accidents leading to administrative leave/disability	—	1.59	1.09	0.53
Severity rate of accidents leading to administrative leave/disability	—	0.02	0.02	0.9
Absenteeism *1	Days	2.00	1.04	0.73

Diversity

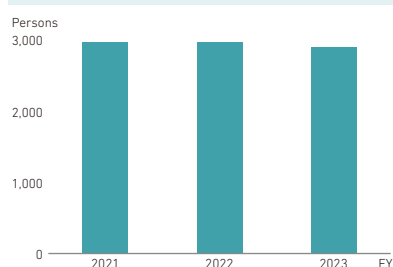
Percentage of female managers	%	3.3	6.7	6.7
Percentage of female supervisors	%	12.9	14.2	16.8
Number of foreign employees	Persons	9	12	11
Number of mid-career hires	Persons	46	55	81
Employment rate of people with disabilities	%	2.55	2.51	2.72

Work-life balance

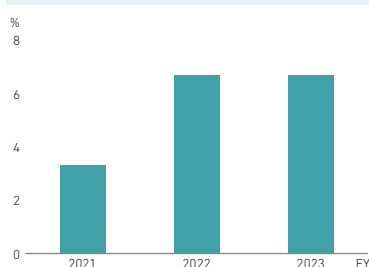
Number of paid leave days taken	Days	9.8	10.0	10.4
Childcare leave usage ratio among female employees	%	100	100	100
Childcare leave usage ratio among male employees	%	21	39	36
Paternity leave usage ratio	%	57	53	63

*1 Average total days of absence and administrative leave due to non-work-related injury or illness etc. for all employees

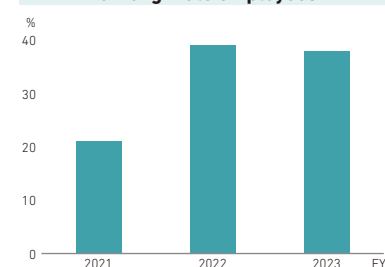
Number of employees (consolidated)



Percentage of female managers



Childcare leave usage ratio among male employees



Data related to the environment

Item	Unit	FY2019	FY2020	FY2021	FY2022	FY2023
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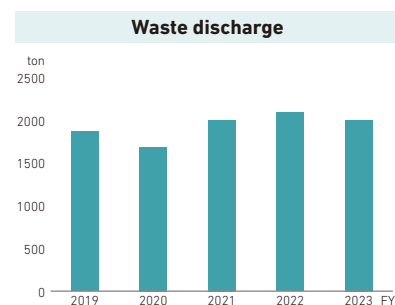
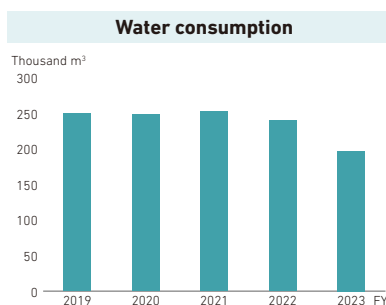
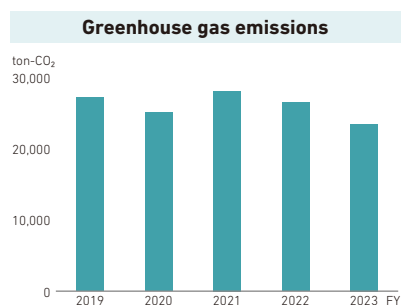
Input

Energy *1	GJ	466,251	440,121	491,626	460,773	409,946
Electricity	GJ	409,343	386,082	427,973	399,790	361,815
Fuel oil A	GJ	9,458	9,773	10,488	9,335	8,062
LPG	GJ	5,922	5,335	6,314	6,695	4,449
City gas	GJ	18,046	17,092	16,894	15,292	16,104
Kerosene	GJ	4,319	3,998	4,626	4,689	3,240
Coke	GJ	19,163	17,841	25,331	24,972	16,276
Water *2	Thousand m ³	248	248	252	240	198
Well water	Thousand m ³	70	80	76	66	57
Tap water	Thousand m ³	106	100	105	111	71
Industrial water	Thousand m ³	72	68	71	63	70
Chemical substance *2	ton	70	59	99	72	79
Container and package *2	kg	14,251	13,120	13,866	16,060	13,796
Paper	kg	4,599	3,854	4,016	3,735	3,185
Plastics	kg	9,652	9,266	9,850	12,325	10,611
Fuel *1	GJ	21,519	18,419	19,223	20,128	18,574
Gasoline	GJ	20,836	17,764	18,442	19,386	17,980
Light oil	GJ	683	655	781	742	594

Emissions

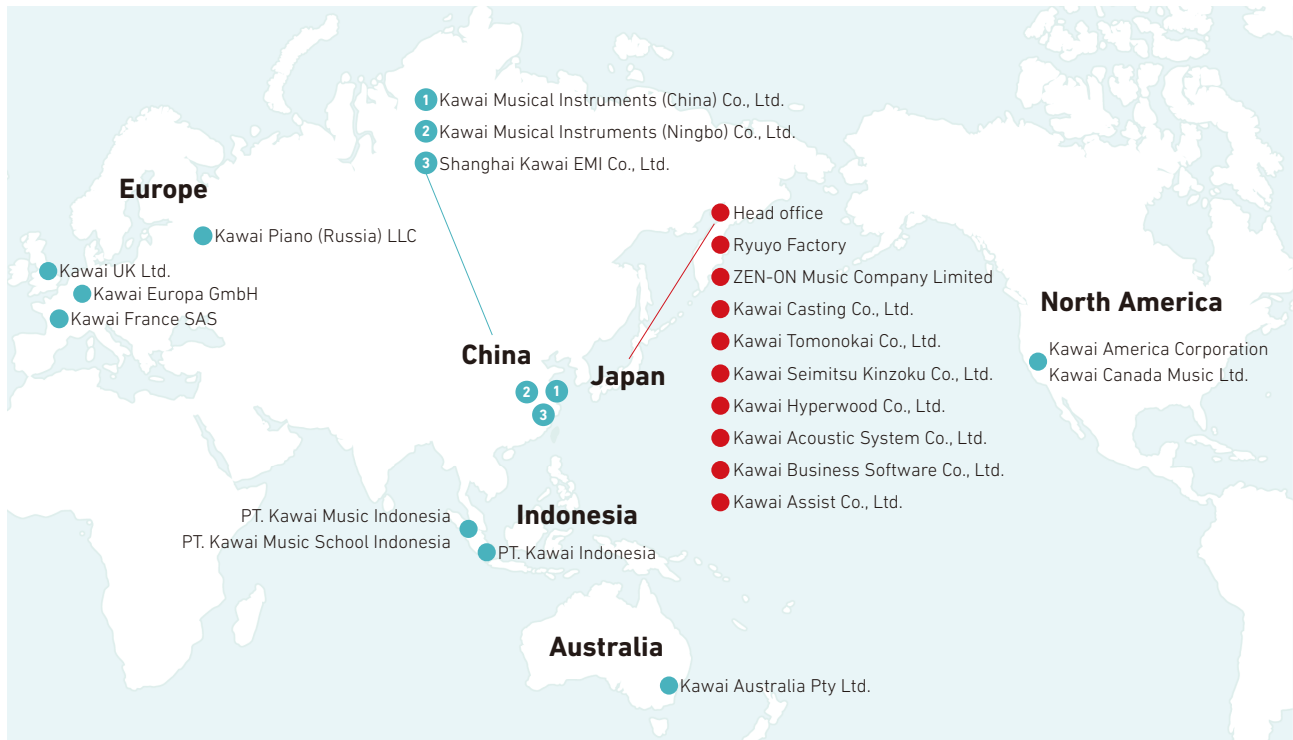
Greenhouse effect gas *1	ton-CO ₂	27,192	25,107	28,102	26,489	23,505
Wastewater *2	Thousand m ³	198	198	202	192	158
Chemical substance *2	ton	18	14	20	16	20
Release into the atmosphere	ton	14	10	12	11	15
Waste	ton	4	4	8	5	5
Container and package *2	kg	8,077	6,959	6,747	7,008	5,913
Waste *2	ton	1,869	1,689	2,004	2,090	2,003
Incineration and landfilling	ton	221	254	208	223	218
Recycling	ton	1,648	1,435	1,796	1,867	1,785

*1 Covers domestic facilities and overseas producing facilities. *2 Covers domestic facilities.



About us

Kawai Group Bases



Company outline

Company Name	Kawai Musical Instruments Manufacturing Co., Ltd.	Company Headquarters	200 Terajima-cho Chūō-ku, Hamamatsu City, Shizuoka Prefecture
Established	August 9th, 1927	Reorganized	May 15, 1951
Capital	7,122 million JPY (as of end of March 2024)	No. of employees	2,895 Consolidated, 1,283 Non-consolidated

Editorial policy

Information in this report

This report covers our ESG (environmental, social, and governance) initiatives and other sustainability activities. For detailed information on the business of Kawai Group, please refer to the company website.

Intended readers

This report is intended for various stakeholders, including customers, partner companies, employees, shareholders and investors, local residents and NGOs, administrative organizations and international organizations.

Period covered by the report

This report mainly covers the fiscal year 2023 (April 2023 to March 2024). However, some important information includes data from outside this period. Additionally, certain items and figures have been revised and included in the report due to a review of the aggregation methods used.

Organizations subject to the report

Kawai Musical Instruments Manufacturing Co., Ltd., Headquarters and Ryuyo Factory/Kawai Seimitsu Kinzoku Co., Ltd./Kawai Casting Co., Ltd./Kawai Hyperwood Co., Ltd.

* This report also includes the activities of some other Group companies.

Referenced guidelines

Ministry of the Environment, "Environmental Reporting Guidelines (2018)"; ISO26000 "Guidance on social responsibility"

Third party opinion



Kiyohiko Nakasaki

Professor Emeritus at Tokyo Institute of Technology

This year's report has been aligned with the newly refreshed corporate website design from February 2024 (<https://www.kawai.co.jp/csr/>), featuring a consistent design with extensive use of illustrations. The content is of high quality and presented in an accessible and readable manner. With the new president's appointment, the report clearly outlines the basic policies and key strategies for the company's future, aiming at the 100th anniversary in 2027. It highlights the ongoing enhancement of the brand's value over 100 years -- a significant achievement that is hard to replicate -- and demonstrates a strong commitment to sustainability. The report indicates the company's focus on future-oriented policies and its dedication to sustainability.

The report specifies materiality, which identifies the key issues the company will prioritize to contribute to a sustainable society and enhance long-term corporate value. One of the report's crucial roles is to review the company's activities related to environmental, social, and governance (ESG) issues for the fiscal year 2023. It shows how these activities relate to the SDGs and aligns with the international social responsibility guidelines of ISO 26000, reflecting an international per-

spective. The achievements for 2023 cover a broad range, showing the company's active engagement in areas such as climate change mitigation, waste reduction, hosting international piano competitions, community involvement, and corporate governance. These efforts have been further extended, enhanced, and evolved.

The report also highlights the growing importance of diversity in human resources, noting an increase in female, foreign, and mid-career hires. It indicates a rise in the proportion of female directors with the appointment of a new external female director.

Additionally, the data section, which previously included only environmental data at the end of the report, now also features financial and HR-related data. This addition provides a more quantitative view of the company's activities.

In summary, the report reflects an effort to build on the company's past successes while demonstrating a united commitment under the new president to increase corporate value and advance towards the future of the 100-year brand. It expresses hope for Kawai's continued growth as a "provider of emotional experiences through music."

In appreciation for the third-party comment

We sincerely appreciate the valuable feedback received on this report. We are greatly encouraged by Professor Nakasaki's comments and feel an increased sense of responsibility towards our future initiatives.

In this report, we have aimed to balance content richness with readability, and we are honored that Professor Nakasaki has recognized this effort. Additionally, his observation that we are strongly aware of being "sustainable" confirms that our direction is understood, and reaffirms our commitment to continue our efforts to enhance corporate value towards realizing a sustainable society.

We particularly recognize the identification of materiality and setting specific effort goals towards a sustainable society as crucial tasks for the future. Diversity remains a key theme that we will continue to focus on, and by increasing our talent pool of women, foreigners, and individuals with diverse career backgrounds, we aim to strengthen our company.

Moving forward, we will strive for sustainable development as a "creator of inspiration" and work towards our long-term vision of establishing a "100-year brand" and contributing to the realization of a sustainable society.

(Sustainability Committee administration office)



Kawai Musical Instruments Manufacturing Co., Ltd.

Sustainability Committee

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