



Kawai Musical Instruments Manufacturing Co., Ltd.
Kawai Report 2023

KAWAI
もっと伝えたい、感動を。

KAWAI Report 2023

Sustainability
Environment
Social
Governance


SHIGERU KAWAI

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

Since the foundation of the company, we have been continuing our business activities with the purpose of manufacturing quality instruments and making contributions to the music culture.

In today's world where society and industrial structure are dramatically changing, Kawai strives to continue our corporate activities pursuant to the management philosophy and the code of conducts described above in order to further contribute in wider areas to people's lives and culture.

Contents

About Kawai Group

Management Philosophy and Code of Conduct	1
Top message.....	3
Company history	4
Overview of The 7th Medium-Term Management Plan "Resonate 2024"	5

Sustainability

Sustainability Principles	7
Addressing environmental and social issues	8
SDGs related to each activity policy	9

Environmental activities

Reduction of environmental load	11
Resources recycling	15
Afforestation/tree planting	16
Climate change	17

Social activities

Contributions to culture promotion	19
Education/training	21
Human capital development	24
Diversity.....	25
Work-life balance	26
Health & Productivity Management	27
Contribution to society	28
Quality and customer satisfaction	29

Corporate governance activities

Corporate governance	30
Risk management	33
Compliance.....	34

Reference material

Company outline and main business	35
Resources and energy input and disposal and emission amount	36
Environmental load data.....	37
Third party comment.....	38

Editorial policy

Information in this report

As of FY2022, the title of this report has been changed from "Environmental and Social Report" to "KAWAI Report."

In addition to the existing topics of the "Environmental and Social Report", information about "our activities in relation to sustainability" is also provided in this report. We tried to convey Kawai Group's activities to readers in an easy-to-understand way by clarifying each item's policy and their relation to SDGs.

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 2022 (April 2022 to March 2023). 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

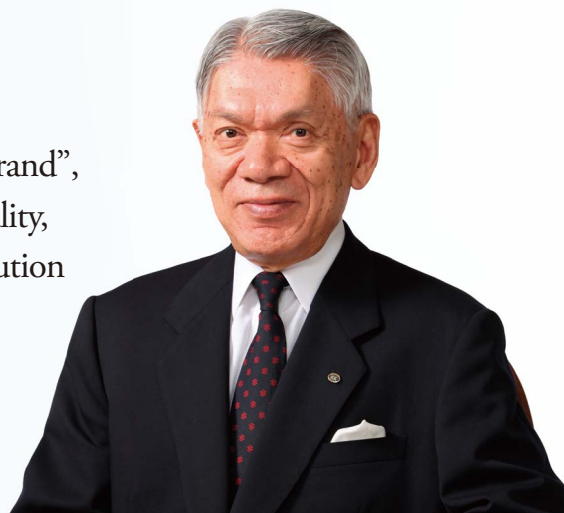
Kawai Musical Instruments Manufacturing Co., Ltd.,
Headquarters and Ryuyo Factory
Kawai Precision Metals Co., Ltd.
Kawai Casting Co., Ltd.
Kawai Hyper Wood Co., Ltd.
Kawai Acoustic System Co., Ltd

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

TOP MESSAGE

Setting out the long-term vision “Establishing a 100-year brand”, we endeavor to improve our corporate value and brand quality, and promote sustainable growth aiming at continuing evolution for 100 years and beyond.

Kiitaka Kawai
Chairman, President & CEO



Three years has already passed since the outbreak of the COVID-19 disease. The pandemic has finally begun to subside, and now individuals have the choice of whether or not to wear a face mask. I would like to express our renewed appreciation to medical service personnel for their day-to-day endeavors to prevent its spread.

Activities under the 7th Medium-Term Management Plan “Resonate 2024”

The last year was a year of instability characterized by consumer price increases in Japan due to rising resource prices and the rapid depreciation of yen, and by the slowdown of overseas economic activity due to the long-running Ukrainian crisis and worldwide monetary tightening. In this management environment, Kawai Group’s consolidated performance grew in the first year of The Seventh Medium-Term Management Plan thanks to the sound worldwide sales of our mainstay keyboard musical instruments, but operating profit declined due to changes in the currency exchange environment and increases in material costs.

This April marked the beginning of the second year of the three-year plan toward the 100th anniversary of our foundation. Setting out the long-term vision “Establishing a 100-year brand,” and aspiring to continuous development for 100 years and beyond, we strive to increase our corporate value and brand quality and realize constant growth. This will be achieved 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 leading brand in piano manufacturing, which has been our core business since our foundation.

Accomplishments in international competitions

In the piano category of the 8th Sendai International Music Competition held in June last year, all the finalists chose our full concert piano SK-EX, and all of the top three winners used SK-EX. It was a great honor that I will never forget. I would like to thank all the contestants, including those who used our piano exclusively throughout the competition from the prelimi-

nary to the final. In the 5th Takamatsu International Piano Competition, held last February, three contestants chose SK-EX and won the second, third, and fourth prizes. I visited the competition hall and listened to their wonderful performances, and I was convinced anew that our piano is constantly evolving.

Our sponsored 4th Shigeru Kawai International Piano Competition will be held at the end of this July after postponements for various reasons, including the COVID-19 disease. Through this competition, we would like to discover and foster next-generation pianists, promote international exchange, and contribute to the promotion and development of musical culture in the world.

Sustainability initiatives

We believe that ESG (environment, society, and governance) initiatives lead to the enhancement of corporate value through the solution of social issues. Pursuant to our sustainability principles, we established a sustainability committee to promote sustainability activities across the group. We will address various issues, including reducing CO₂ emissions as an environmental initiative, raising the percentage of women in management positions as a diversity initiative, and enhancing corporate governance.

Global warming is becoming increasingly grave year by year, and it is a great risk to our company as we use wood materials that are susceptible to climate change. We disclose information in accordance with the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures). We will analyze and assess the impact of climate change on our business activities and set ourselves goals for our climate actions, in order to realize the transition to a decarbonized society and avoid the physical effects of global warming.

As always, we are incredibly grateful for your ongoing support.

Company history



In 1927, Koichi Kawai established the Kawai Musical Instruments Research Laboratory.



In 1955, Shigeru Kawai was appointed president, inheriting Koichi's ambition.

1927 – 1951

- 1927 Koichi Kawai established the Kawai Musical Instruments Research Laboratory. Started manufacturing and selling pianos.
- 1929 Company name changed to Kawai Musical Instruments Manufacturing Company.
- 1935 Corporate structure expanded to partnership basis.
- 1951 Company reorganized into a joint-stock company, Kawai Musical Instruments Manufacturing Co., Ltd.

1955 – 1986

- 1955 Shigeru Kawai appointed president.
- 1956 Kawai Music School established.
- 1961 Maisaka Factory completed as a main assembly plant. Kawai Piano Technicians School (current Kawai Academy of Music) opened.
- 1963 Kawai America Corporation established in U.S.A.
- 1967 Physical training program, Kawai Gymnastic School established.
- 1975 Kawai Canada Music established in Winnipeg, Canada.
- 1976 Kawai Deutschland GmbH established in Haan, West Germany.
- 1979 Kawai Europa GmbH established.
- 1980 Kawai Precision Metals Co., Ltd. of metal rolling established. Ryuyo Factory established as grand pianos factory exclusively.
- 1981 Kawai Australia Pty. Ltd. established in Sydney, Australia.
- 1985 Kawai Business Software Co., Ltd. established.
- 1986 Kawai UK Ltd. established in Bournemouth, U.K.

1989 – 1998

- 1989 Hirotaka Kawai appointed president.
- 1994 Global Environment Committee, a company-wide organization to promote environmental activities established.
- 1996 Constituted the new Business Principal and Code of Conduct.
- 1997 Hamamatsu office of Kawai Precision Metals Co., Ltd. receives ISO9002 certification. Ryuyo Facility receives ISO14001 certification which is the first in the instrument industry.
- 1998 Kawai Hyper Wood Co., Ltd. established.

1999 – 2011

- 1999 "Shigeru Kawai" series of luxury grand piano instruments launched.
- 2001 Luxury full concert piano "SK-EX" introduced. PT. Kawai Indonesia established in Indonesia.
- 2002 Kawai Trading (Shanghai) Co. Ltd. established in Shanghai, China.
- 2003 Hamamatsu office of Kawai Precision Metals Co., Ltd. received ISO9001 certification.
- 2004 Kawai Precision Metals Co., Ltd. expanded the registration of ISO9001 certification to the whole company. Kawai Musical Instruments (Ningbo) Co., Ltd. established.
- 2005 Ryuyo Factory receives ISO9001 certification.
- 2007 First Kawai Music School in China established in Shanghai. "Kawai Forest" the tree planting activities in Indonesia started.
- 2008 Kawai Musical Instruments (Ningbo) Co., Ltd. received ISO9001 certification. PT. Kawai Indonesia's Factory No.3 received ISO9001 certification.
- 2009 Domestic piano manufacturing processes integrated into Ryuyo Factory. PT. Kawai Indonesia's Factories No.1 and No.2 received ISO9001 certification.
- 2011 PT. Kawai Music Indonesia established in Indonesia. PT. Kawai Indonesia's Factories No.1 and No.2 received ISO14001 certification.

2012 –

- 2012 Shanghai Kawai Emi Co., Ltd. established in China. Kawai Casting Co., Ltd. established in Hakui city, Ishikawa prefecture. Kawai Musical Instruments (Ningbo) Co., Ltd. received ISO14001 certification.
- 2013 Shanghai Kawai Emi Co., Ltd. received ISO9001 certification.
- 2014 Zen-On Music Company Limited acquired as subsidiary company. Kawai Piano (Russia) LLC established in Moscow, Russia.
- 2015 First overseas directly managed showroom opened in Houston, Texas, U.S.A. Kawai Precision Metals Co., Ltd. received ISO14001 certification. "Kawai Forest" the tree planting activities for Tohoku reconstruction support started in Higashi-matsushima city.
- 2016 "Basic Agreement on Piano Technical Service Business" concluded with China Musical Instrument Association. Kawai Musical Instruments (China) Co., Ltd. established in Beijing, China. Kawai Hyper Wood Co., Ltd. received ISO14001 and ISO9001 certification.
- 2017 The 1st Shigeru Kawai International Piano Competition held. Second overseas directly managed showroom opened in Dallas, Texas, U.S.A. Kawai Acoustic System Co., Ltd. made Declaration of Conformity with ISO14001. PT. Kawai Indonesia's Factory No.3 received ISO14001 certification.
- 2018 Kawai France SAS established in Courbevoie, France. (Relocated to Paris in 2020). Third overseas directly managed showroom opened in Hamburg, Germany.
- 2019 "Shigeru Kawai series" marked 20th anniversary.
- 2020 Ryuyo Factory marked 40th anniversary. Shanghai Kawai Emi Co., Ltd. received ISO14001 certification.

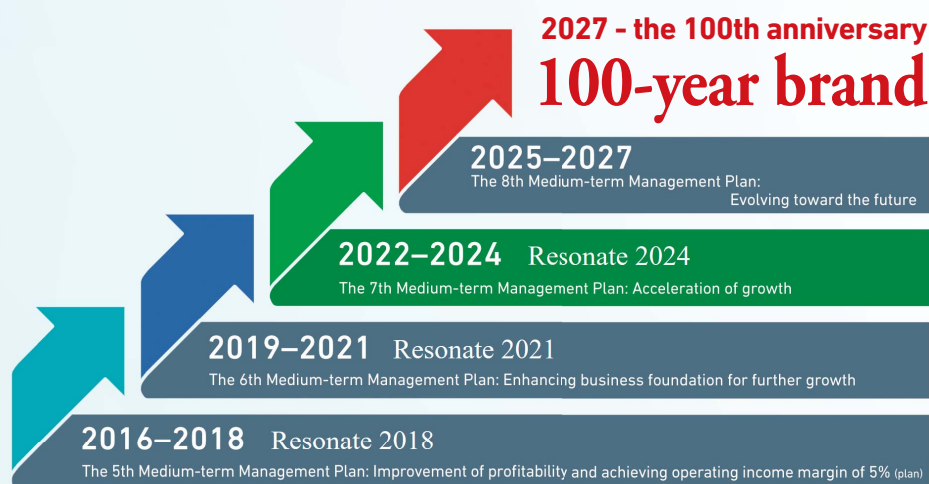
Overview of The 7th Medium-Term Management Plan “Resonate 2024”

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)



* At the time of the previous Medium-Term-Management-Plan in 2019, we positioned the upcoming three years starting from April 2022 as “Acceleration of growth” which was changed to “Stable growth in new business environment” because our company profits have increased substantially ahead of the original plan due to as a result of the effect of stay-at-home demand. We are also taking into consideration the uncertainty in demand for keyboard musical instruments after stay-at-home demand declines, ongoing disruption in the supply chain, and other factors.

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 whose 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.

Basic strategies (musical instruments and education related business)

Enhancement of brand strength

- Further enhancement of KAWAI brand in preparation for becoming “a 100-year brand”

Reinforcement of sales ability

- Musical instrument manufacturing and sales
Pursuing high-value-added products and increasing the share in each market
- Musical education
Promotion and dissemination of the music culture aimed to send a brand message and create demand for keyboard instruments

Reinforcement of product and service strength

- Relentless pursuit of “customer satisfaction” applying bespoke techniques unique to a piano manufacturer

Strengthening of production power

- Strengthening QCDF* in the global production structure
(efficiently produce quality products and supply them at the right time in a stable manner)

* Quality, Cost, Delivery, Flexibility

Building up of organizational strength

- Reviewing the organization from the perspective of functionality before establishing an organizational structure and carrying out personnel assignment, which are necessary for the expansion of the company



Basic strategies (Material processing business)

Metal product business

- Increasing orders received for new in-vehicle products and building up a structure for production increase
- Horizontal expansion of existing products and order receiving for new products
- Acceleration of asset investments to increase productivity

Acoustic product business

- Expanding application for individuals and developing a corporate user market
- New product development in pursuit of comfortable acoustic space
- Establishing a production structure to accommodate sales increase

Consolidated business result index

[Unit: million yen]

	Sales	Operating profit	Recurring profit	Current term net profit *1	Operating profit ratio	ROE
Results for FY March 2023	87,771	5,045	5,639	3,672	5.7%	10.3%
Plan for FY March 2025 *2	90,000	6,800	6,800	4,400	7.6%	10% or more

*1 Current term net profit attributable to owners of parent company

*2 These are planned figures as of March 2022. (Exchange rates assumed for plan: 115 JPY/US\$, 125 JPY/euro, 18 JPY/yuan)

Return to shareholders

We have established a basic policy to ensure stable dividend payments to our shareholders while maintaining sufficient internal reserves to stabilize our management foundation. This policy takes into account the business performance of the relevant fiscal year, the future management environment, and our business development. We aim to flexibly adjust our shareholder returns based on the nature of our consolidated business results.

[Notice regarding the future forecasts]

Information shown on this page includes forecasts based on the assumptions, outlook, and plans depicting the future as of March 25, 2022. Actual measures taken and business results may differ from those aforementioned forecasts depending on uncertain factors, including the world economy, competitive conditions, technological innovation and fluctuation of exchange rates.

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.

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.



Addressing environmental and social issues

We address sustainability issues focusing on those in relation to environment and society, and strive to ensure sustainable growth of the company.

Activities for global environment

Tree planting projects in Japan and overseas

- Planting seedlings in Indonesia (Since 2007; A total number of trees planted so far is 800,000 as of March 2023.)
- Performing afforestation/raising to support regrowth of the forest for coastal disaster prevention in the northeastern districts (since 2015)

Reduction of environmental load

- Prevention of global warming (reduction of CO₂ emission)
- Effective use of resources (reduction of waste)



Promotion of diversity

- Striving to help realize work-life balance centering around the activity to promote female participation (Love it!)
- Setting a basic policy and numerical targets to ensure diversity of human capital playing central roles



	Numerical targets
Female managers ratio	12.5%
Female supervisors ratio	20.0%
Number of employees of foreign nationality	15
Number of mid-career-hired employees	50

* To be accomplished by the end of March 2025

Musical culture promotion

- Since 1971, we have invited various musicians to Japan and held Kawai Concerts over 2,000 times in many places throughout Japan.
- Since 2017, we have been holding the Shigeru Kawai International Piano Competition for the purpose of fostering next generation pianists.



SDGs related to each activity policy

	Category	Indicator	FY 2022 results
E Environment	Environmental load reduction	<ul style="list-style-type: none"> CO₂ emission CO₂ emissions intensity 	<ul style="list-style-type: none"> ○ 26,453 tons-CO₂ ○ Compared to 2021 -8.2% (234.2 kg-CO₂/million yen)
		<ul style="list-style-type: none"> Energy amount intensity 	<ul style="list-style-type: none"> ○ Compared to 2021 -8.8% (4,477.4 MJ/million yen)
		<ul style="list-style-type: none"> Amount of waste intensity 	<ul style="list-style-type: none"> ○ Compared to 2021 -1.7% (23.8 kg/million yen)
		<ul style="list-style-type: none"> Environment management system introduced Renewable energy introduced 	<ul style="list-style-type: none"> ○ 10 offices (5 in Japan and 5 overseas) ○ Solar power generation system introduced
	Resource recycling	<ul style="list-style-type: none"> Recycling ratio Reuse ratio of pianos taken as a trade-in 	<ul style="list-style-type: none"> ○ 90% ○ 100%
	Afforestation/ tree-planting	<ul style="list-style-type: none"> Number of trees planted Afforestation area 	<ul style="list-style-type: none"> ○ Accumulating total number: 800,000 ○ Accumulating total area: 750 ha
	Climate change	<ul style="list-style-type: none"> Information disclosure 	<ul style="list-style-type: none"> ○ Information disclosure pursuant to the TCFD recommendations
S Social	Contribution to musical culture promotion	<ul style="list-style-type: none"> Supporting musical organizations 	<ul style="list-style-type: none"> ○ 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"> Presenting concerts 	<ul style="list-style-type: none"> ○ Holding Kawai Premium Concerts
	Education/training	<ul style="list-style-type: none"> Holding recitals and competitions 	<ul style="list-style-type: none"> ○ Holding KAWAI Music Competition, overseas online competitions, Kawai Cup National Rhythmic Gymnastics Competition, Kawai Cup Artistic Gymnastics Competition, Kawai Cup National Football Championship
		<ul style="list-style-type: none"> HC development 	<ul style="list-style-type: none"> ○ Providing training ○ Training for newly hired, Annual training, Training for new supervisors, Training for new managers
	Diversity	<ul style="list-style-type: none"> Female managers ratio / Female supervisors ratio 	<ul style="list-style-type: none"> ○ Managers: 6.7% / Supervisors: 14.2%
		<ul style="list-style-type: none"> Number of foreign national employees 	<ul style="list-style-type: none"> ○ 12
	Work-life balance	<ul style="list-style-type: none"> Ratio of taking childcare leave 	<ul style="list-style-type: none"> ○ Female: 100% / Male: 39%
		<ul style="list-style-type: none"> Ratio of taking spouse maternity leave 	<ul style="list-style-type: none"> ○ 53%
Health and productivity management	<ul style="list-style-type: none"> Implementation of health promotion activities 	<ul style="list-style-type: none"> ○ Holding physical function measuring meetings 	
	<ul style="list-style-type: none"> Evaluation of health and productivity management by outside organization 	<ul style="list-style-type: none"> ○ Health & Productivity Management Outstanding Organization 2023 	
Contribution to society	<ul style="list-style-type: none"> Participation and support for activities for society 	<ul style="list-style-type: none"> ○ Participating in clean-up activities, Holding factory tours, Cooperating on permanent exhibitions in Hamamatsu Science Museum 	
Quality and customer satisfaction	<ul style="list-style-type: none"> Holding quality meetings Quality management system introduced 	<ul style="list-style-type: none"> ○ Monthly ○ Nine facilities (four in Japan, five outside Japan) 	
G Governance	Corporate governance	<ul style="list-style-type: none"> Number of outside directors / Number of outside auditors 	<ul style="list-style-type: none"> ○ Director: 2 / Auditor: 2
		<ul style="list-style-type: none"> Risk Management Committee meeting Holding safety confirmation drills 	<ul style="list-style-type: none"> ○ Periodical ○ Periodical
	Compliance	<ul style="list-style-type: none"> Compliance education 	<ul style="list-style-type: none"> ○ Enlightening during corporate ethics month, Issuing monthly corporate ethics news, Training

Policy/activity	Related SDGs	Pages	
<ul style="list-style-type: none"> ● Implementing environment preservation activities based on the Kawai Earth Environment Charter ○ Establishing Kawai Earth Environment Charter ○ Setting Global Environment Committee 		11-14	E
<ul style="list-style-type: none"> ● Striving to increase the environmental management level ○ Establishing Environmental Principles ○ Introducing environmental management system 			
<ul style="list-style-type: none"> ● Implementing procurement of raw materials and resources that have less environmental load ○ Establishing Green Procurement Guidelines ○ Establishing Wood Materials Procurement Guidelines 	 		
<ul style="list-style-type: none"> ● Implementing activities to reduce environmental load ○ Calculation of greenhouse gas emissions ○ Taking action pursuant to the Energy Conservation Act ○ Prevention of global warming 	  		
<ul style="list-style-type: none"> ● Implementing activities for resource recycling ○ Reduction of industrial wastes ○ Recycling of wastes ○ Refurbishing of pianos taken as a trade-in 	  		
<ul style="list-style-type: none"> ● Addressing afforestation/tree-planting activities ○ Afforestation project in Indonesia ○ Regrowth and preservation of the forest for coastal disaster prevention in disaster-hit areas ○ Promotion of Ryuyo Factory greening activity 	 	15	Environment
<ul style="list-style-type: none"> ● Taking actions to combat climate change ○ Establishment of Sustainability Committee ○ Scenario analysis of climate change risks and opportunities 	 	16	
<ul style="list-style-type: none"> ● Supporting and fostering next generation pianists ○ The 8th Sendai International Music Competition ○ The 4th Shigeru Kawai International Piano Competition 	 	17, 18	
<ul style="list-style-type: none"> ● Kawai's contribution towards musical culture promotion ○ Holding Kawai Premium Concerts ○ Supporting various musical organizations 	 	19, 20	S
<ul style="list-style-type: none"> ● Develop and enrich personality through educational activities ○ Kawai Music School ○ KAWAI Music Competition 		21-23	
<ul style="list-style-type: none"> ● Promoting musical culture overseas ○ Promoting musical education overseas ○ Kawai Music School Piano Competition 	 		
<ul style="list-style-type: none"> ● Support for overall health promotion at every stage ○ Gymnastics and Sports School ○ Sports community 	 	24	
<ul style="list-style-type: none"> ● Valuing our human capital ○ Training by class ○ Training by job ○ Self-development support 	 		
<ul style="list-style-type: none"> ● Working on creating workplace environment where diversified talents can work actively ○ Promotion of female participation ○ Development of global human capital ○ Mid-career recruitment ○ Employment of people with disabilities 	 		
<ul style="list-style-type: none"> ● Providing support for striking a balance between work and private life ○ Promotion of work-life balance ○ Promotion of taking childcare leave 	 	25	
<ul style="list-style-type: none"> ● Promoting health of our employees and their families ○ Promotion of health & productivity management 		26	
<ul style="list-style-type: none"> ● Promoting health of our employees and their families ○ Promotion of health & productivity management 		27	
<ul style="list-style-type: none"> ● Working on activities to contribute to society for the benefit of local community ○ Participation in local activities ○ Collaboration with local communities ○ Factory tours 	 	28	Social
<ul style="list-style-type: none"> ● Providing secure and safe services ○ Promotion of quality and service improvement ○ Improvement of customer satisfaction 		29	
<ul style="list-style-type: none"> ● Establishing a sound corporate management system ○ Establishing Corporate Governance Basic Policy ○ Establishing basic policy for building internal regulations 		30-32	G
<ul style="list-style-type: none"> ● Striving to secure transparency and impartiality in business management ○ Establishment and maintenance of corporate governance systems ○ Setting Corporate Governance Committee 			
<ul style="list-style-type: none"> ● Striving to make the Board of Directors more effective ○ Securing the expertise and diversification of directors ○ Board effectiveness assessment 			
<ul style="list-style-type: none"> ● Working on risk management level enhancement ○ Setting Risk Management Committee ○ Development of BCP (Business Continuity Plan) 	 	33	Governance
<ul style="list-style-type: none"> ● Striving to establish corporate ethics and comply with laws ○ Setting Corporate Ethics Committee ○ Provision of Corporate Ethics Hotline ○ Compliance education 		34	

Reduction of environmental load

Implementing environmental preservation activities based on the Kawai Earth Environment Charter



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

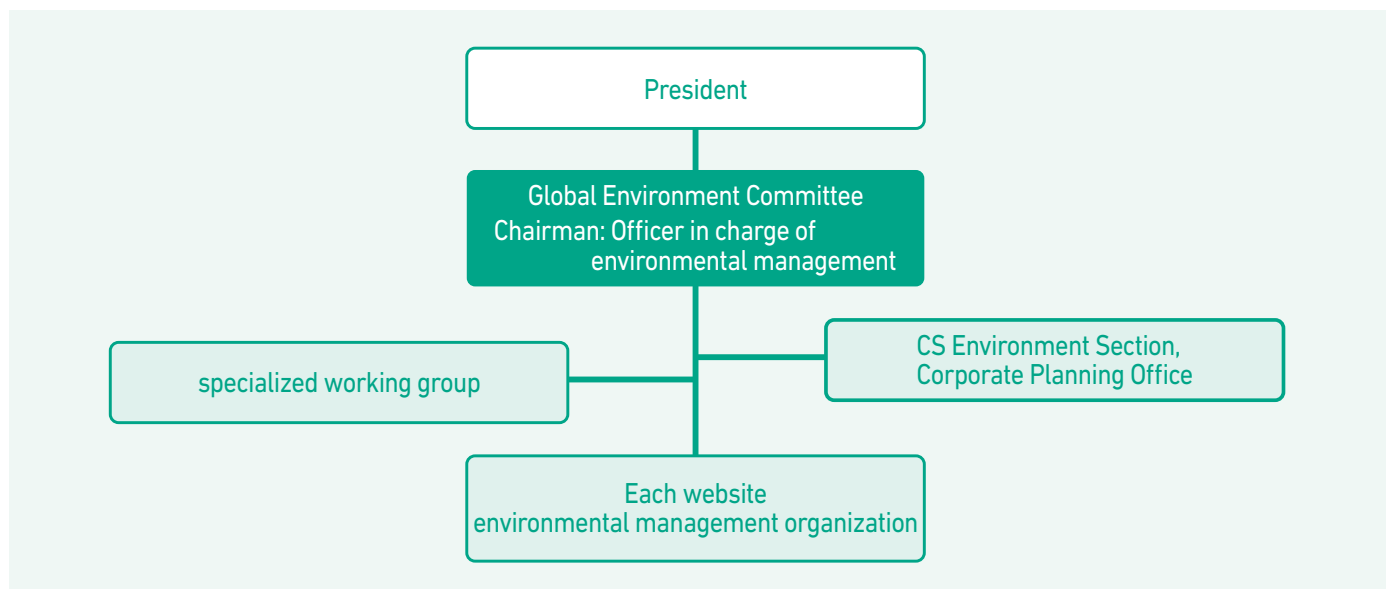
Code of Conduct

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, specialized working group meetings are held every other month and the progress of environmental management goals is reported on each website and we also exchange information on our activities.



Striving to increase the environmental management level



Environmental Principles

Kawai Global Environment Committee established “Environmental Principles” based on the “Kawai Earth Environment Charter”.

The whole company is committed to the promotion of <discovery of useful environmental aspects>, <prevention of global warming>, <cyclic use of resources>, <effective use of resources> and <green procurement>.

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.

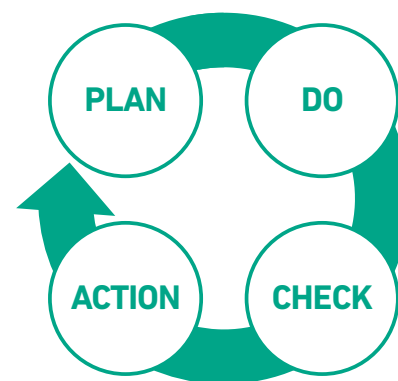
Environmental management system

Kawai Group is promoting introduction of the environmental management system ISO14001. Currently in Japan, Ryuyo Factory, Kawai Hyper Wood Co., Ltd. and Kawai Precision Metals 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.

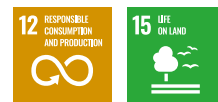


List of facilities which introduced the environment management system

Year of introduction	Facility
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 Precision Metals Co., Ltd. (received ISO14001 Certification)
2016	Kawai Hyper Wood 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)

Reduction of environmental load

Implementing procurement of raw materials and resources that have less environmental load



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 principle of green purchasing method and green purchasing network (GPN) to decrease the total environmental load, and engage actively and continuously in contributions to 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 which are essential, it is also prescribed as the procurement standards that environment-friendly measures should be taken in all phases from natural resources preservation to resource savings, energy conservation, disposal and recycling.

Items taken into consideration for selecting suppliers are also set out, including state of environmental management, measures of resource savings and energy conservation, and disclosure of environmental information. All our partner companies are requested by a purchasing division to follow these standards.

▶ 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.

Implementing environmental load reduction activities

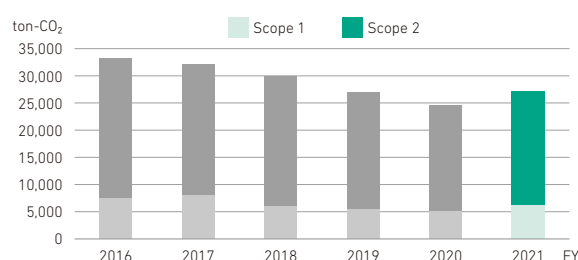


Calculation of greenhouse gas emissions pursuant to the GHG Protocol

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

In the current fiscal year, Kawai also began to determine the amount of greenhouse gas emissions in each GHG Protocol scope (GHG emissions). Accordingly, Kawai recalculated its emissions in prior years by the same methodology.

This calculation covers our domestic facilities and overseas producing facilities, which account for more than 95% of total 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 Precision Metals Co., Ltd. and Kawai Casting Co., Ltd. are the specified operators, and Ryuyo Factory, the Headquarters/Hamamatsu factory of Kawai Precision Metals Co., Ltd. and Kawai Casting Co., Ltd. are specified as Class 2 energy management factories.

In FY2022, Kawai Musical Instruments Manufacturing Co., Ltd. received for the seventh year in a row and Kawai Precision Metals Co., Ltd. for the third 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 FY2022, the amount of CO₂ emissions per unit of sales was reduced by 8.2% from the FY2021 level and met the goal, whereas the goal for the amount of waste per unit of sales was not achieved because it increased by 1.7% due to increased production.

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

Index	FY	2018	2019	2020	2021 (Reference)	2022	Increase/decrease	Evaluation
CO ₂ emissions intensity (kg-CO ₂ /million yen)		331.1	305.7	294.6	255.2	234.2	-8.2%	◎
Amount of waste intensity (kg/million yen)		28.4	26.2	25.0	23.4	23.8	1.7%	×
Energy amount intensity (MJ/million yen) * Reference value		5,890.9	5,654.6	5,635.7	4,907.3	4,477.4	-8.8%	—

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

■ Solar power generation system introduced

In December 2022, we introduced a solar power generation system into Ryuyo Factory, where grand pianos and upright pianos are manufactured.

This solar equipment can generate approximately 781 MWh per year, which covers approximately 18% of the factory’s power consumption. By this, CO₂ emissions will be reduced by approximately 245 tons per year.



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/>



Resources recycling

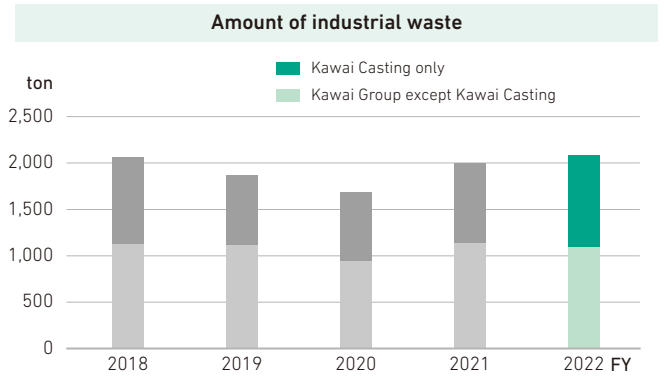
Implementing resources recycling activities



Reduction of industrial waste emissions

Kawai Group's (domestic) 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.

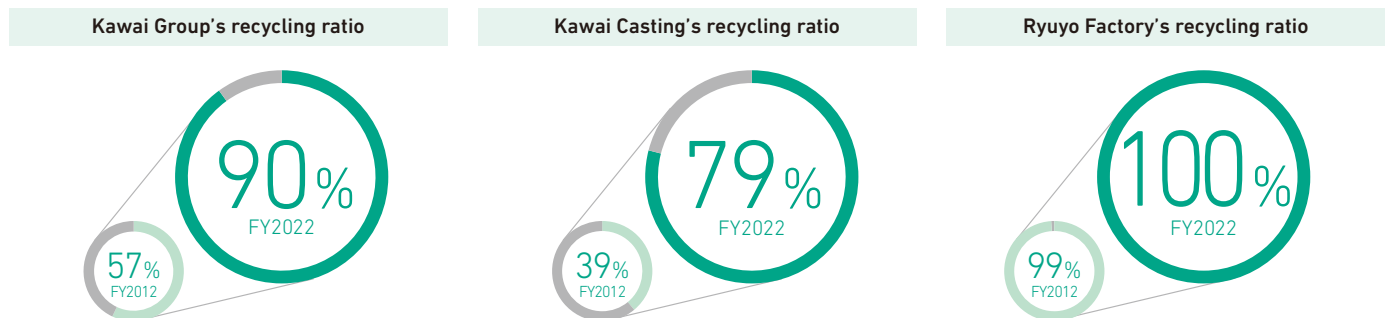
In FY2022, the total amount of industrial waste generated within Japan increased by 4.3% to 2,088 tons from the level of the previous year (reference year) due to production volume increase, but it was a 34.8% reduction as compared with the level of FY2012.



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 roadbed material implemented by the company was effective to improve its recycling ratio to 79% in FY2022. Accordingly, Kawai Group's overall domestic waste recycling ratio also increased from 57% in FY2012 to 90% in FY2022.

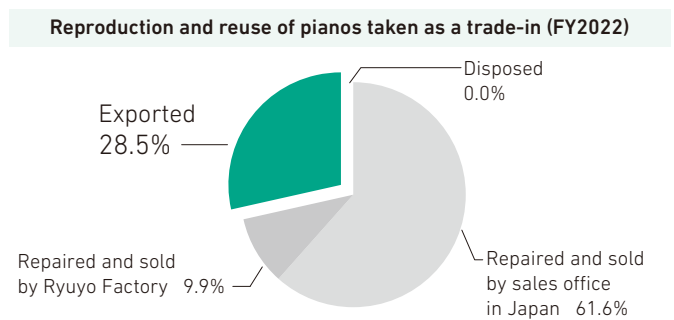
Ryuyo Factory is the largest industry waste generator in the Kawai Group, but it is taking various measures to achieve a 100% recycling ratio. These measures include reusing waste such as wood chippings and wood flour as materials for papermaking, board, compost and fuel; reusing felt waste for compost; 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 FY2022, about 700 units of piano were reproduced or reused in Japan, 28.5% 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.

Implementing afforestation/tree planting projects



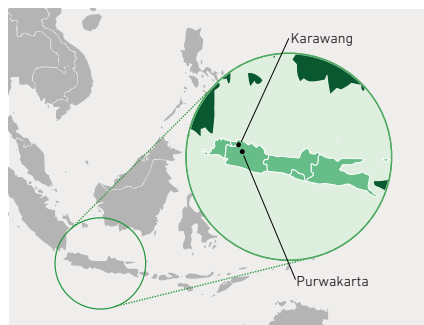
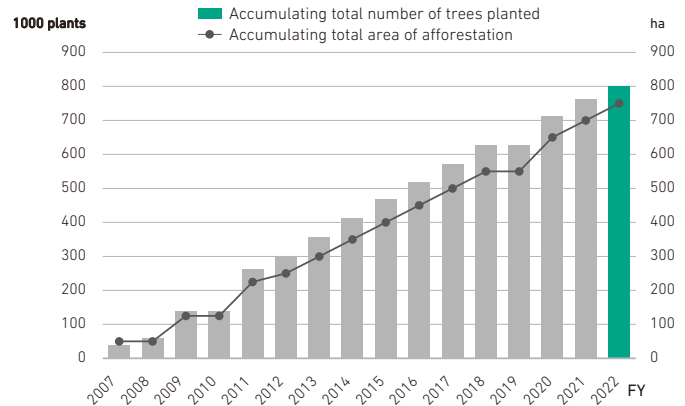
“Kawai Forest” the tree planting activities in Indonesia

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 (Chairman Hiroataka Kawai) 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 FY2022, we planted trees in Karawang and Purwakarta Regency, and the cumulative total planted area reached approximately 750 ha and the cumulative total number of planted trees approximately 800,000 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 11,500 tons annually, and it is estimated that about 40% 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

Support for regrowth of the forest for coastal disaster prevention in disaster-hit areas

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

Japanese black pine trees that we planted in Yamoto, Higashi-matsushima City, Miyagi Prefecture in 2015 are growing steadily, and in November 2022, Kawai volunteers weeded the location with the cooperation of the Ishinomaki Forestry Cooperative.

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

Taking actions to combat climate change



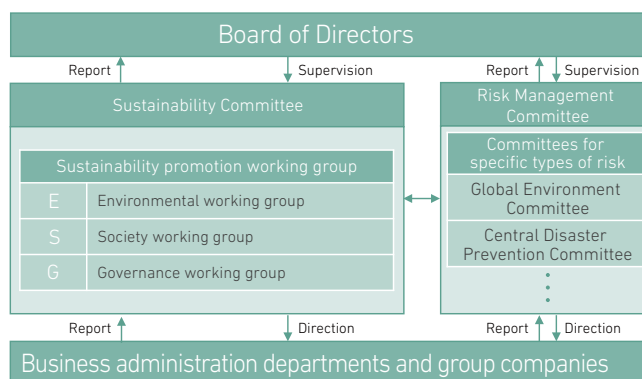
Information disclosure pursuant to the TCFD* recommendations

"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).

4 °C scenario	1.5 °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.	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:RCP8.5 IEA2022:STEPS	(Reference scenario) IPCC:RCP2.6 IEA2022:APS / NZE2050

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.

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.

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. One of our previous initiatives was the three-year plan from FY2019 to FY2021 for reducing the amount of emissions per unit of sales by 1% year on year from the level of FY2018 as the reference. We introduced energy-saving factory equipment, replaced lighting apparatus with LED types, considered using renewable energy, and promoted the Cool Biz and Warm Biz campaigns, with the result that the amount in FY2021 was 15.8% lower than in FY2018, meaning that the goal was achieved. 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
Scope1		6,131.4
Comprising	Domestic facilities	5,688.3
	Overseas facilities	443.1
Scope2		22,623.4
Comprising	Domestic facilities	16,442.6
	Overseas facilities	6,180.9
Scope1+2		28,754.8

Contributions to culture promotion

Supporting and fostering next generation pianists



The 8th Sendai International Music Competition

The 8th Sendai International Music Competition was held in Sendai City, Miyagi Prefecture from June 11th until June 26th, 2022. In the piano category, the top three winners selected Kawai's SK-EX full concert grand piano throughout the competition, from the preliminary to the final, with Mr. Luo Jiaqing, Mr. Jonas Aumiller, and Ms. Shion Ota receiving the first, second, and third place prizes respectively.

This competition was established in 2001 by the Sendai City government to commemorate the four hundredth anniversary of the start of the Edo period and has since been held every three years. No parallels can be found anywhere in the world for this competition as its main pieces are basically concertos. Our piano has been an official one since the first competition.



First place winner Mr. Luo Jiaqing



Second place winner Mr. Jonas Aumiller



Third place winner Ms. Shion Ota

Above photographs reproduced with permission from the Sendai International Music Competition Secretariat.

The 4th Shigeru Kawai International Piano Competition

Shigeru Kawai International Piano Competition was created in 2017, commemorating the 90th anniversary of the company's foundation, for the purpose of discovering and fostering next generation pianists, promotion of international exchange and the development of musical culture in the world.

The 4th competition originally scheduled for 2022 was postponed temporarily after the preliminaries were conducted from February to March, 2022, due to changes in the international situation. A decision has been made to resume the competition in 2023.

Many concerts and competitions have been canceled or postponed because of the spread of the COVID-19 disease. We are taking steps to ensure that this competition will be a good opportunity for next-generation pianists to express themselves.



Lottery for fixing the order of appearance	July 28, 2023 (Friday)	
First elimination round	From July 29 (Saturday) to July 31 (Monday), 2023	Kawai Omotesando Concert Salon "Pause"
Semifinal	August 1 (Tuesday) and August 2 (Wednesday), 2023	
Final	August 5, 2023 (Saturday)	Shibuya Cultural Center Owada "Sakura Hall"
Concert by the prize winners	August 6, 2023 (Sunday)	Kawai Omotesando Concert Salon "Pause"

▶ The 4th Shigeru Kawai International Piano Competition
<https://skipc.jp/en/>



Kawai's contribution towards musical culture promotion

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 27, 2022 (Sunday), we held "Kawai Premium Concert in Toranomom —Performances by contestants of the 8th Sendai International Music Competition—" in BELLESALLE Toranomom Hall. We invited four pianists who participated in the piano category of the 8th Sendai International Music Competition.

Prize winners Ms. Shion Ota, and Ms. Asaki Iwai, Ms. Yuna Tamogami and Mr. Takumi Kurosaki played pieces of their own choice on Kawai full concert piano "SK-EX," touching the hearts of the audience.



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 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.

▶ Leonid Kreutzer Memorial Society (Japanese text)
<http://kawai-kmf.com/kreutzer/>



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/>



Education/training

Develop and enrich personality through educational activities



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.

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.

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.

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

KAWAI Music Competition started in 1968 under the philosophy to “positively appreciate spontaneous musical expression rather than technical superiority.” The Competition consists of three categories: “Kawai Piano Competition”, “Kawai Piano Competition for Children”, and “Kawai Vocal Competition for Children”. It has been fostering many pianists for over a half-century.

In August 2022, the 55th Kawai National Piano Competition (duet and solo categories) was held. Due to the spread of the COVID-19 disease, we had to cancel this competition two years ago and had to make it an online event last year. However, this year, we were able to hold it in the Concert Hall of ACT CITY Hamamatsu, with effective disease control measures in place. The hall was filled with music played by next-generation pianists who continued training every day.

Grand prize winners in the solo category are granted various educational opportunities, including special lessons given by prominent pianists in Japan and other countries or music college professors as a way of support for their further growth as musicians.



Promoting musical education overseas



Operating music schools overseas

Kawai operates music schools not only in Japan, but also throughout other Asian countries, especially Indonesia. In China, Kawai is actively promoting musical culture by partnering with the Soong Ching Ling Foundation on the development of music schools. We also promote the development of local teachers by holding music education seminars and training programs for instructors.

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



▶ KAWAI MUSIC SCHOOL GLOBAL (English website)
<https://musicschool.kawai-global.com/>

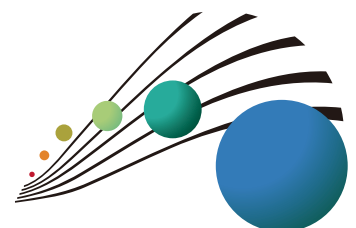


Kawai Music School Piano Competition

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 have won regional preliminaries will participate in the final round. The panel of judges includes Japanese staff members and focuses not only on techniques, but also on whether the contestants are expressing themselves and exhibiting the benefits of their lessons.

129 pianists participated in the final selection of the 1st competition from Indonesia, China, Thailand and Taiwan, and for the 2nd competition, the number increased to 239 participants, including those from Vietnam, demonstrating the increasing popularity of the competition.



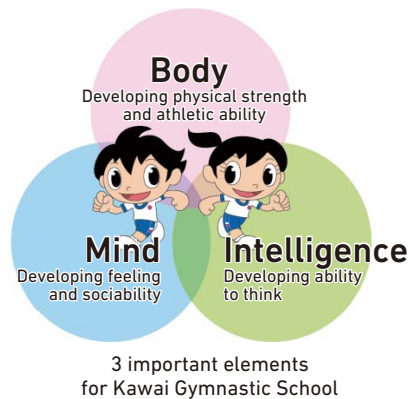
Education/training

Support for overall health promotion at every stage



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

Kawai Gymnastic School is committed to healthy education of children who will be playing active roles in the future by developing a “sports community” as the opportunity for them to meet top level athletes.

Kawai Cup

In August 2022, Kawai Cup National Rhythmic Gymnastics Competition was held in Hamamatsu Arena for the first time in three years, after a series of cancellations due to the spread of the COVID-19 disease. With rhythmic gymnastics class chief advisor Yukari Kawamoto present as an observer, Kawai Gymnastic School students exhibited the fruits of their training.

In September, Kawai Cup Artistic Gymnastics Competition was held in Hamamatsu Arena, and school students participated in mat and vaulting horse events.



A scene from the Rhythmic Gymnastics Competition



A scene from the Artistic 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.

Valuing our human capital



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			
Managers	Newly appointed operating officers training			Diversity training
	Next generation executive candidates selection and development			Women’s career improvement training
Supervisors	Newly appointed managers training		Correspondence education/ e-learning	
	Manager candidates training			Compliance training
General employees	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	Piano technician skills (research course/advanced course/MFA) Inheritance of techniques (Development of successors to play the core role of piano manufacturing)	My life plan training
	Reinforced young generation development 6th year training 3rd year training Follow-up training Newly hired employees training	Support for career development		

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

Promoting creation of workplace environment where diversified talents can work actively



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

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2025 end of March (target)
Female managers ratio (%)	1.6	2.4	2.1	3.3	6.7	12.5
Female supervisors ratio (%)	9.6	10.9	11.7	12.9	14.2	20.0
Number of employees of foreign nationality	6	7	8	9	12	
Hired	0	1	1	1	3	15
Enrolled	6	6	7	8	9	
Number of mid-career-hired employees	30	39	42	46	55	
Hired	1	9	3	4	9	50
Enrolled	29	30	39	42	46	

* Targets shown above are only 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.

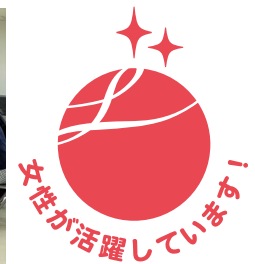
Providing training to support employees in striking a balance between work and child care/family care and Iku-Boss training (to enlighten managers to consider well-balanced work and private lives for their subordinates), encouraging male workers to take child care leave, issuing a work-life balance guide 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 25 in the past five years from FY2018 to FY2022. 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 eight years in a row since FY2015. In FY2022, the employment rate of people with disabilities in Kawai was 2.51% exceeding the statutory rate of 2.30%.

Kawai is determined to fulfill social responsibility as an enterprise while valuing relationships with local organizations.

Supporting good balance between work and private life



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.

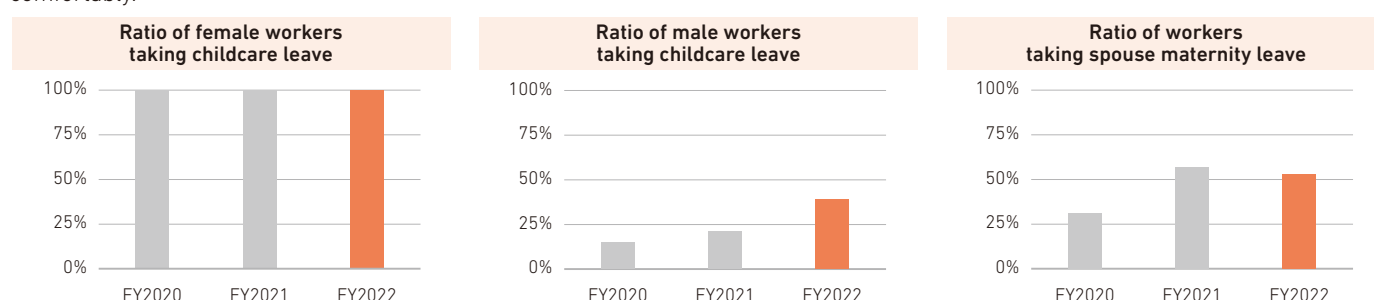
Furthermore, through the women’s empowerment project called “Love it!,” we are actively working on expanding and promoting systems that support the work-life balance by providing a Work-Life Balance Guidebook that clearly explains the available programs and support for various life events.



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

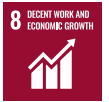
Promotion of taking childcare leave

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 FY2022. The ratio among male workers increased remarkably to 39% from 21% in the previous year. The spouse maternity leave usage ratio was 53%, almost unchanged from 57% 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

Promoting health improvement for employees and their families



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.

Kawai Group believes that physical and mental health of employees and their families is an important asset for the Group and society since it is the foundation to realize our management philosophy to “make the Corporation more creative and likeable”.

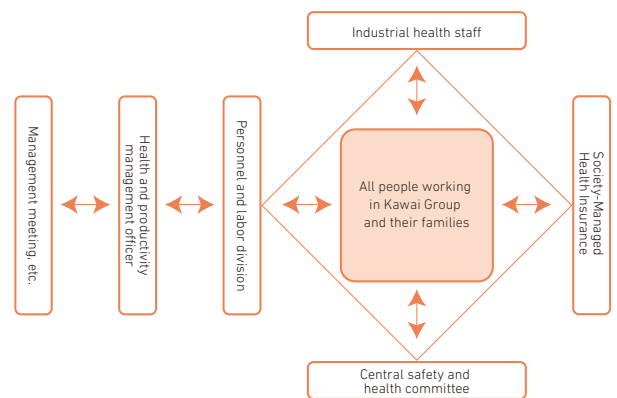
To this end, our company and the Society-Managed Health Insurance strive to work together closely to proactively support the activities to ensure maintenance and improvement of the health of our employees and their families, so that each and every employee can demonstrate their abilities to the fullest extent as a “key player in the music culture”, as well as finding their jobs rewarding and contributing to the promotion of the music culture as Kawai has been continuously doing since its foundation.

We hereby declare that Kawai is committed to making contributions in wide areas to people’s lives and culture as well as the music culture through our business activities with our employees working energetically to the fullest extent of their abilities.

Health and productivity management promotion structure

Under the Health and Productivity Management Declaration, Director in charge of personnel and labor division acts as the “health and productivity management officer” to lead health and productivity management. Personnel and labor division play a central role in promoting health improvement for employees and their families, in liaison with the Central Safety and Health Committee, which includes the heads of business branches and labor union representatives, as well as industrial health staff and Society-Managed Health Insurance.

The status of the employee health management is to be reported periodically in management meeting, etc. and the health improvement for employees is ensured through combined efforts of the whole company.



Health and productivity management and industrial safety initiatives

We are implementing a fall risk improvement program through our Gymnastics Division to enhance the health and well-being of our employees, establish and improve exercise habits, and reduce the risk of occupational accidents. In the fiscal year 2022, we conducted a physical function measurement event at our Ryuyo factory.

We will continue to organize measurement events at each factory to raise awareness of physical functions and strive for occupational safety. Furthermore, we believe that promoting employee physical and mental health is crucial for achieving sustainable corporate growth through health management. By setting various indicators, implementing measures, and evaluating and verifying through the PDCA (Plan-Do-Check-Act) cycle, we are addressing employee health issues and working towards their maintenance and improvement.

Detailed information on various indicators related to health management is available on our company website.



Scenes from a physical function measuring meeting in Ryuyo Factory

▶ Promotion of health and productivity management (Japanese text)
https://www.kawai.co.jp/csr/health_mngnt/



Certified Health & Productivity Management Outstanding Organization

Our company has been certified as the “Health & Productivity Management Outstanding Organization (The Large Enterprise Category) 2023” 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.



Working on activities to contribute to society for the benefit of the local community



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

Facility members participate in various activities for deeper interaction with local residents.



Cleaning the Enshu Sea coast (Operation "Welkame Clean")



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.



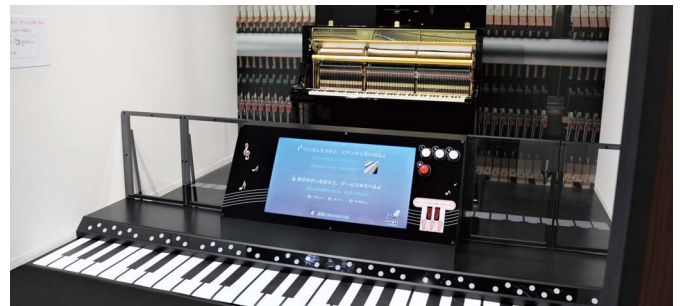
Cleaning roads around our head office



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

Cooperation with Hamamatsu Science Museum

On September 13, 2022, we renewed our permanent exhibition booth in Hamamatsu Science Museum. 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

Due to the spread of the COVID-19 disease, we limited the participation of factory tours. However, we started to accept bookings without limitation from May 2023. 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

▶ 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

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

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



Quality and customer satisfaction

Providing secure and safe services



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 Hyper Wood Co., Ltd., Kawai Precision Metals 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 Precision Metals Co., Ltd. (ISO9002-certified)
2003	Hamamatsu facility, Kawai Precision Metals Co., Ltd. (ISO9001-certified)
2004	Kawai Precision Metals 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 Hyper Wood Co., Ltd. (ISO9001-certified)

Initiatives for improving customer satisfaction

Customer Help Desk

There is a customer help desk that receives and responds quickly and in good faith to various inquiries from customers, including inquiries about musical instruments they are interested in buying, how to use musical instruments they have bought, the quality of our products, and the like. Staff members who are also big lovers of music endeavor to serve customers sincerely, hoping to become 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/>



Corporate governance

Establishing a sound corporate management system



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/company/governance/>



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 regulations, we are working on its establishment pursuant to the "Basic Principles of establishing Internal Regulations", which was resolved in the Board of Directors held on May 12, 2006, recognizing the importance of such system as part of the corporate governance to increase our corporate value.

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.

About Kawai's corporate governance

Our company established the Basic Principles of Corporate Governance based on the "Management Philosophy" to achieve sustainable growth and the enhancement of corporate value. We built our corporate governance system pursuant to those principles and have been addressing faster decision-making and the increase of soundness and transparency of the management.

As the Corporate Governance Code was revised in June 2021 which requires corporations to make harder efforts on their governance, we need to strengthen our governance on this occasion of our company's transition to the Prime Market. We will endeavor to pursue higher standard of corporate governance by addressing a wide range of issues to find solution.

Kirotaka Kawai
 Chairman, President & CEO

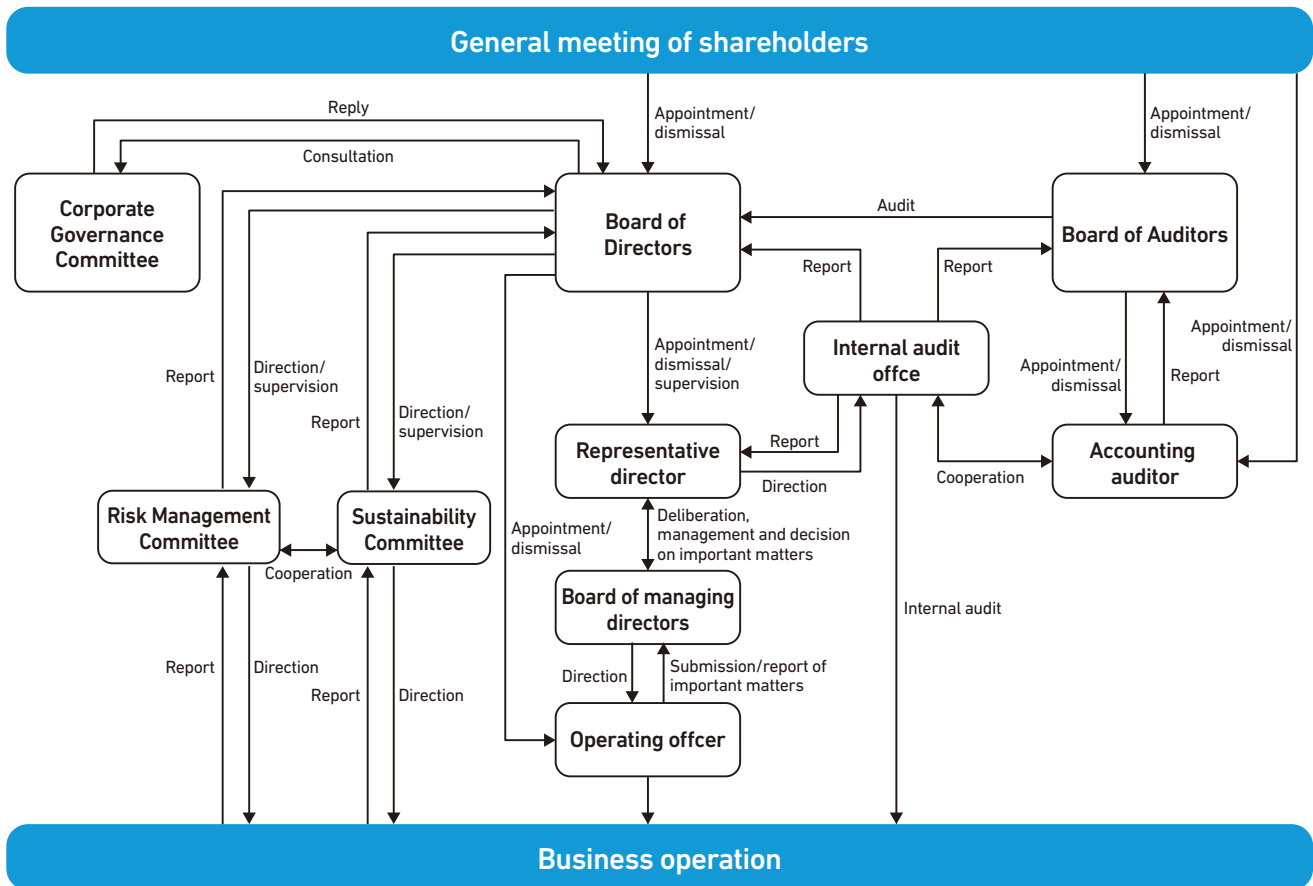
Corporate governance

Striving to secure transparency and impartiality in business management



Corporate governance structure

Based on our fundamental principles regarding corporate governance, we strive to enhance internal controls, establish a robust compliance framework, and ensure transparency and fairness in management. By doing so, we aim to achieve sustainable growth and continuous improvement in corporate value.



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.

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.

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.

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.

Striving to make the Board of Directors more effective



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.

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 2023:

Implementation

We conducted a survey in questionnaire format targeting the directors and auditors (a total of 14 individuals) comprising the Board of Directors. In order to verify its effectiveness in a neutral and objective manner, we employed an external organization to conduct the survey and based the analysis and evaluation on the aggregated results.

Evaluation Items

Evaluation of the effectiveness of the Kawai Board of Directors for the fiscal year ending in March 2023 (total of 38 questions).

- Composition of the Board of Directors
- Operations of the Board of Directors
- Discussions within the Board of Directors
- Support system for directors and auditors
- Others

Response Method

5-point scale evaluation and free-form responses

Analysis and Evaluation

Responses were aggregated by an external organization, and the analysis results were examined by our Corporate Governance Committee. The evaluation was then conducted by the Board of Directors.

Analysis and Evaluation Results

- Overall, we have received generally positive evaluations, indicating that the Board of Directors is effective.
- Specifically, the operations aspects such as preparation of materials, scheduling, and ensuring sufficient deliberation time received high evaluations. However, there were recognized challenges in providing training opportunities for executives and promoting open and constructive discussions and exchange of opinions.
- Regarding the issues identified in the previous effectiveness evaluation, such as the increase in external directors and the appointment of female directors, the evaluations remained low as before. However, there is an expectation for improvement following the resolution on the appointment of directors at the regular shareholders' meeting in June of this year.

Future Initiatives for Enhancing Effectiveness

Based on this effectiveness evaluation, we will promptly address the identified challenges. This includes providing opportunities for directors and auditors to acquire the necessary knowledge to fulfill their roles and responsibilities and further improving the operations of the Board of Directors to enhance the vitality of deliberations. We will continue our ongoing efforts to enhance the functionality of the Board of Directors by thoroughly considering and promptly implementing measures.

Risk management

Working on risk management level enhancement



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.



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

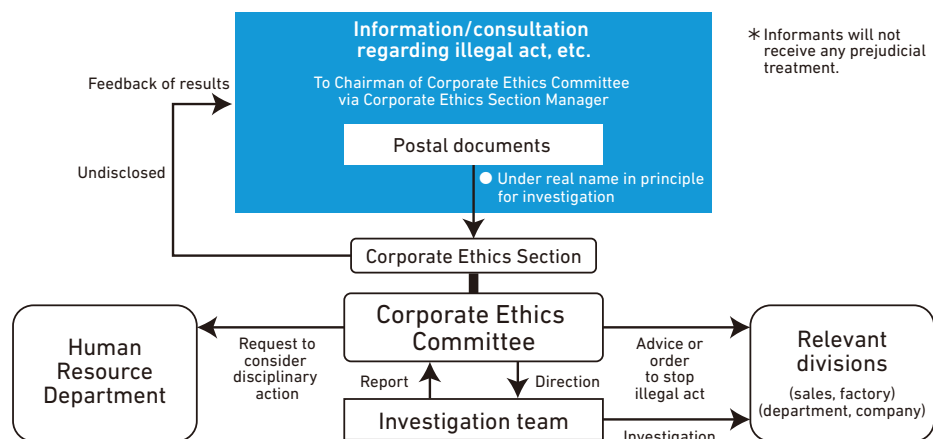
Compliance promotion structure

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 Corporate Ethics Section, which supervises 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 must be submitted under real names in principle, and the "Corporate Hot Line Standards" stipulate that no unfavorable treatment is given to the whistleblowers.



Compliance education and enlightenment

The Corporate Ethics Section 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."

Company outline and main business

Company outline

Company Name: Kawai Musical Instruments Manufacturing Co., Ltd.

Company Headquarters: 200 Terajima-cho Naka-ku, Hamamatsu City, Shizuoka Prefecture

Established: August 9th, 1927

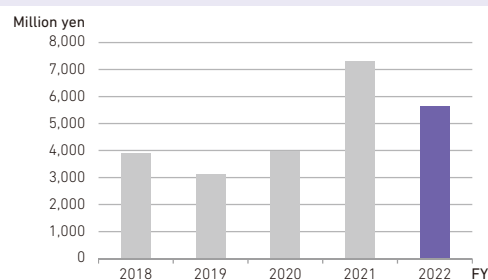
Reorganized: May 15, 1951

Company President: Hiroataka Kawai, Chairman, President & CEO

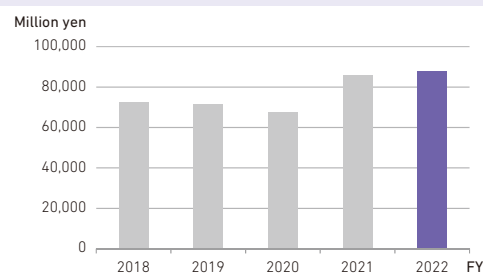
Capital: 7,122 million JPY (as of end of March 2022)

		2020	2021	2022
Sales (Million yen)	Non-consolidated	48,487	59,359	62,338
	Consolidated	67,520	85,703	87,771
No. of employees	Non-consolidated	1,302	1,280	1,286
	Consolidated	2,868	2,969	2,977

Ordinary profit (consolidated)

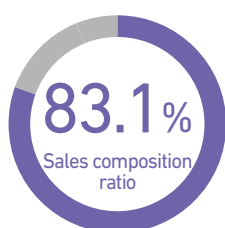


Sales (consolidated)



Main business

Musical instruments and education related business



Sales of pianos, electronic instruments, wind, string, and percussion instruments, musical instrument accessories, and musical instrument toys, as well as providing services for instrument tuning and repair. Operation of music schools and physical education schools, sales of educational materials, sheet music, music education software, manufacturing and sales of cast iron products.

● Domestic sales

Kawai Musical Instruments Manufacturing Co., Ltd.
Zen-On Music Company Limited

● Overseas sales

Kawai America Corporation
Kawai Europa GmbH
Kawai Canada Music
Kawai Australia Pty. Ltd.
PT. Kawai Music Indonesia
Kawai Musical Instruments (China) Co., Ltd.*
Kawai Trading (Shanghai) Co., Ltd.*
Kawai UK Ltd.
Kawai France SAS
Kawai Piano (Russia) LLC

● Instrument technical service and repair

Kawai Musical Instruments Manufacturing Co., Ltd.

● Domestic instrument manufacturing

Kawai Musical Instruments Manufacturing Co., Ltd.
Zen-On Music Company Limited

● Overseas instrument manufacturing

PT. Kawai Indonesia
Kawai Musical Instruments (Ningbo) Co., Ltd.
Shanghai Kawai Emi Co., Ltd.

● Domestic music schools and physical-training schools operation

Kawai Musical Instruments Manufacturing Co., Ltd.

● Overseas music schools operation

PT. Kawai Music School Indonesia

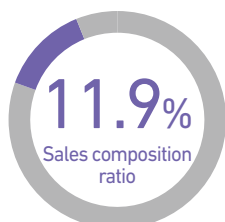
● Manufacturing and selling cast iron products

Kawai Casting Co., Ltd.

● Other

Kawai Tomo-no-Kai

Material processing business



Metal material processing for electric and electronic parts, material processing for automobile parts, manufacturing and selling sound-proof chamber and acoustic components

● Manufacturing deformed rolled metal parts

Kawai Precision Metals Co., Ltd.

● Manufacturing materials for automobile parts

Kawai Hyper Wood Co., Ltd.

● Manufacturing and selling sound-proof chamber and acoustic components parts

Kawai Acoustic System Co., Ltd

Other business



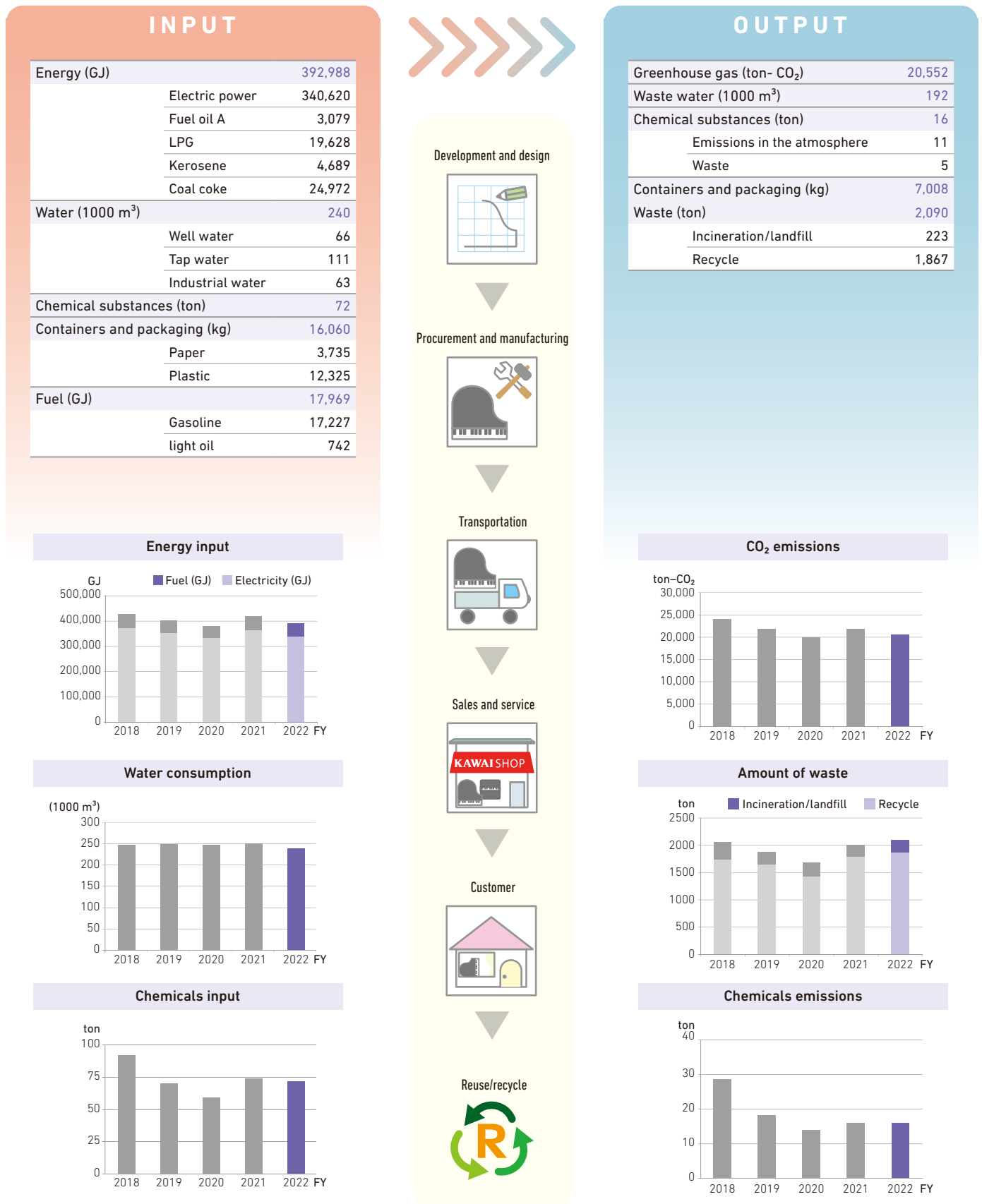
● Information-related business, financial business, insurance agent business and others

Kawai Business Software Co., Ltd.
Kawai Assist Co., Ltd.

* Effective January 31, 2023, Kawai Trading (Shanghai) Co., Ltd. carried out an absorption-type merger with Kawai Musical Instruments (China) Co., Ltd. in which the former survived and the latter disappeared. Its trade name was changed to Kawai Musical Instruments (China) Co., Ltd. on March 28, 2023.

Material balance

The amount of energy, chemicals and other materials inputted into, and the amount of CO₂, waste water, chemical substances and waste outputted from, domestic operations in FY2022 are shown below.



Environmental load data

List of environmental loads by site

			Reference year								
			2016	2017	2018	2019	2020	2021	2022	Compared to reference year	
Ryuyo Factory Iwata City, Shizuoka Prefecture Business: Manufacturing pianos Site area: 168,218 m ²	INPUT	Electricity	GJ	57,787	55,627	55,292	54,549	48,950	55,623	56,678	1.9%
		Fuel	GJ	17,861	18,032	16,876	16,668	14,989	14,894	13,720	-7.9%
		Water	1000 m ³	35.6	38.1	45.2	48.5	48.6	51.9	47.1	-9.2%
		Chemical substances	ton	36.8	39.1	44.6	46.1	38.6	54.0	52.2	-3.3%
	OUTPUT	CO ₂ emissions	ton-CO ₂	3,691	3,585	3,465	3,310	2,847	2,873	2,837	-1.3%
		Chemical substances	ton	9.1	10.1	12.3	13.8	10.1	13.4	12.8	-4.5%
		Waste incineration/landfill	ton	0.3	0.2	0.2	0.0	0.0	0.0	0.0	
Waste recycle	ton	823.2	836.0	854.5	921.5	764.6	945.7	935.4	-1.1%		
Kawai Precision Metals Co., Ltd. Hamamatsu Factory Shinmiyakoda, Kita-ku, Hamamatsu City, Shizuoka Prefecture Business: Manufacturing metal parts Site area: 26,817 m ²	INPUT	Electricity	GJ	63,386	68,526	67,822	63,834	59,118	65,141	57,932	-11.1%
		Fuel	GJ	21.9	22.7	29.1	29.4	22.0	23.6	21.1	-10.6%
		Water	1000 m ³	28.5	30.0	31.4	28.4	23.6	23.8	20.4	-14.3%
		Chemical substances	ton	3.0	1.8	3.0	0.0	0.0	0.0	0.0	
	OUTPUT	CO ₂ emissions	ton-CO ₂	3,069	3,305	3,216	2,898	2,528	2,480	2,258	-9.0%
		Chemical substances	ton	3.0	1.1	2.6	0.0	0.0	0.0	0.0	
		Waste incineration/landfill	ton	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Waste recycle	ton	58.3	57.0	64.0	54.7	32.3	32.6	26.3	-19.3%		
Kawai Precision Metals Co., Ltd. Matsumoto Factory Sasaga, Matsumoto City, Nagano Prefecture Business: Manufacturing metal parts Site area: 14,612 m ²	INPUT	Electricity	GJ	42,748	48,971	49,627	46,436	45,629	50,566	45,079	-10.9%
		Fuel	GJ	5,393	5,473	4,194	3,417	4,024	3,867	3,258	-15.7%
		Water	1000 m ³	72.3	79.6	67.0	69.1	79.0	74.5	65.5	-12.1%
		Chemical substances	ton	39.5	33.5	15.2	0.4	0.5	0.4	0.4	0.0%
	OUTPUT	CO ₂ emissions	ton-CO ₂	2,449	2,747	2,649	2,314	2,191	2,154	1,950	-9.5%
		Chemical substances	ton	30.6	26.1	8.6	0.0	0.0	0.0	0.0	
		Waste incineration/landfill	ton	2.2	2.1	1.8	1.9	1.1	7.2	8.7	20.8%
Waste recycle	ton	19.4	29.9	16.5	8.2	15.3	8.4	9.5	13.1%		
Kawai Casting Co., Ltd. Yanaidamachi, Hakui City, Ishikawa Prefecture Business: Manufacturing and selling pig iron castings Site area: 41,000 m ²	INPUT	Electricity	GJ	70,178	65,776	59,159	54,354	54,472	64,017	64,741	1.1%
		Fuel	GJ	33,656	28,847	23,875	21,442	20,354	28,796	28,727	-0.2%
		Water	1000 m ³								
		Chemical substances	ton	22.8	19.5	14.6	13.9	12.8	18.2	19.4	6.6%
	OUTPUT	CO ₂ emissions	ton-CO ₂	7,807	7,080	5,499	4,975	4,991	6,976	6,682	-4.2%
		Chemical substances	ton	1.9	1.7	2.5	2.7	2.0	2.6	2.6	0.0%
		Waste incineration/landfill	ton	349.7	345.1	298.5	212.6	237.9	197.7	208.9	5.7%
Waste recycle	ton	854.6	611.9	622.9	531.9	500.9	659.9	774.7	17.4%		
Kawai Hyper Wood Co., Ltd. Nakagori-cho, Higashi-ku, Hamamatsu City, Shizuoka Prefecture Business: Manufacturing automobile interior parts Site area: 15,074 m ²	INPUT	Electricity	GJ	15,084	14,134	16,415	13,174	11,235	9,531	7,546	-20.8%
		Fuel	GJ	3,595	2,885	2,771	2,517	2,147	2,210	1,250	-43.4%
		Water	1000 m ³	3.6	3.0	3.4	2.7	2.3	2.8	1.9	-32.1%
		Chemical substances	ton	16.1	13.8	14.8	9.9	7.2	1.5	0.3	-80.0%
	OUTPUT	CO ₂ emissions	ton-CO ₂	982	887	974	775	631	517	382	-26.1%
		Chemical substances	ton	2.8	2.4	2.6	2.1	1.5	0.3	0.1	-66.7%
		Waste incineration/landfill	ton	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Waste recycle	ton	117.6	79.7	91.6	77.1	47.6	46.0	36.4	-20.9%		
Kawai Acoustic System Co., Ltd Sasagase-cho, Higashi-ku, Hamamatsu City, Shizuoka Prefecture Business: Manufacturing and selling soundproof chamber and acoustic components Site area: 2,972 m ²	INPUT	Electricity	GJ	920	871	865	881	1,066	1,119	1,248	11.5%
		Fuel	GJ	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
		Water	1000 m ³	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.0%
		Chemical substances	ton								
	OUTPUT	CO ₂ emissions	ton-CO ₂	51	48	48	47	55	50	58	16.0%
		Chemical substances	ton								
		Waste incineration/landfill	ton	3.3	0.0	0.0	0.0	0.0	0.0	0.0	
Waste recycle	ton	11.4	7.1	11.0	15.0	18.0	27.0	30.8	14.1%		
Headquarters Terajima-cho, Naka-ku, Hamamatsu City, Shizuoka Prefecture Business: Headquarters function, research and development Site area: 6,784 m ²	INPUT	Electricity	GJ	5,827	6,207	5,751	5,574	5,710	5,660	5,285	-6.6%
		Fuel	GJ	26	140	102	160	166	136	15	-89.0%
		Water	1000 m ³	3.6	3.6	3.4	3.7	3.8	3.2	2.9	-9.4%
		Chemical substances	ton								
	OUTPUT	CO ₂ emissions	ton-CO ₂	296	320	289	281	275	246	224	-8.9%
		Chemical substances	ton								
		Waste incineration/landfill	ton	4.5	4.2	5.5	3.7	11.1	0.0	0.0	
Waste recycle	ton	24.1	22.9	78.9	56.8	55.8	75.9	54.5	-28.2%		

Third party comment



Kiyohiko Nakasaki

Professor Emeritus at Tokyo Institute of Technology

This report begins with a review of the company's "7th Medium-term Management Plan," which started last year. According to the report, the company suffered a profit decrease in the first year partially due to changes in the international situation although its sales increased steadily; hence, the company's overall performance was good. The sales increase should be attributed to a wider recognition of the excellence of Kawai's products that embody its advanced technology. The excellence of its products was proved by the fact that top prize winners at the "8th Sendai International Music Competition," the "5th Takamatsu International Piano Contest," and other international competitions used Kawai's full concert piano SK-EX.

Then the company reports that it established the Sustainability Committee to promote the company's environmental, social and governance (ESG) initiatives, which are indispensable for corporate value enhancement, and sustainability activities throughout the group. The company's sustainability action policy and pertinent SDGs are presented in an easy-to-understand manner over two pages; just reading those two pages will give you a good overview of the group's initiatives.

New topics contained in this year's report are "Information disclosure pursuant to the TCFD (Task Force on Climate-related Financial Disclosures) recommendations" on the environmental front, "Quality and customer satisfaction" on the social front, and "Board effectiveness assessment" and "BCP (Business Continuity Plan)" on the governance front.

Kawai is a forerunner of information disclosure as evidenced by the disclosure of its ESG initiatives in its prior reports. In this

report, however, Kawai is deeply conscious of the TCFD recommendations and made it clear, in line with the format of those recommendations, that ESG initiatives are reflected in its management strategies. With regard to quality and customer satisfaction, it is reported that Kawai has been promoting the introduction of ISO9001-certified quality management systems in order to maintain and improve quality and services and that it has been trying to raise customer satisfaction through "Customer Help Desk" and "Customer Support Site." With regard to governance, this report mentions the Board of Directors effectiveness assessment for the purpose of improving the board's administration and capabilities, and the company's continued commitment to enhancing the board's capabilities. In addition, it describes the company's BCP that summarizes various measures and methods related to a large-scale earthquake or other emergency that may occur 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 immediately.

As discussed above, this report tells us that Kawai has evolved its already industry-leading ESG initiatives into a form suitable for disclosures pursuant to a world standard (TCFD). This reflects growing global concern about environmental issues and consequently growing weight of non-financial considerations in determining an enterprise's value. Kawai is expected to develop further as an attractive enterprise "in order to make the Corporation more creative and likable."

In appreciation for the third party comment

We express our deep gratitude to Professor Nakasaki for giving us valuable evaluation and comments continuously for this fiscal year.

The FY2023 report discloses four items, "Governance," "Risk management," "Strategies," and "Indicators and goals," under "Information disclosures pursuant to the TCFD (Task Force on Climate-related Financial Disclosures) recommendations." It is a great honor to receive a high rating for our stance on climate change, and we will stay committed to climate change initiatives.

The fact that in the "8th Sendai International Music Competition" and the "5th Takamatsu International Piano Contest," top prize winners and many other contestants used our full concert piano SK-EX, was taken as proof of excellence of Kawai's technology and quality, and this word is a great encouragement to us.

We will continue to cherish harmonious coexistence with nature, further promote our cultural contribution, and endeavor to contribute to the realization of "a 100-year brand" and a sustainable society.

(Kawai Global Environment Committee Office)



Kawai Musical Instruments Manufacturing Co., Ltd.

Contact:

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CS Environment Section, Corporate Planning Office

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