

Environmental and Social Report 2021



Kawai Musical Instruments Manufacturing Co., Ltd.
Environmental and Social Report 2021

KAWAI
もっと伝えたい、感動を。

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.

Editorial policy

Information in this report

“Environmental and Social Report” provides the information on the Kawai Group’s environmental activities as well as its view of corporate social responsibility and the measures of corporate governance.

Company outline is described on page 5.

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.

About 2021 report

Principles for each item are stated so that the Kawai Group’s activities can be easily understood by all readers.

Period covered by the report

The scope of this report is mainly the FY2020 (from April 2020 to March 2021) and the latest information after April 2021 is also added for some important items.

For some items and figures in this report, existing data was modified as a result of review of the aggregation method.

Organizations subject to 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

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Measures to contribute to SDGs

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

Activities of the Group related to the SDGs are marked with a relevant icon of these goals in this report.

Kawai Group is committed to making contributions to accomplishing these goals through its business activities.



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



Immediately after the beginning of 2020, the COVID-19 pandemic spread rapidly and wildly around the world, and for more than one year, it has still been continuing to be a great threat in Japan and other countries in every corner of the world. I would like to extend my sincere condolences at the loss of life from COVID-19 and my deepest sympathy to the families of those who have suffered the disease. I would also like to pay my respects and express appreciation from the bottom of my heart to medical service workers who are committed to the treatment and prevention of COVID-19.

Implementation of the medium-term management plan “Resonate 2021”

Under a long-term vision “Establishing a 100-year brand” set by the Kawai Group, we have been striving to achieve continuous growth, centering on piano manufacturing which is the original business of Kawai and has been inherited to this day.

This year is the third and the final year of the 6th medium-term management plan “Resonate 2021” (from FY2019 to FY2021). In “Resonate 2021”, we are striving to enhance our corporate value by reinforcing our core strengths of “sales”, “products and services”, “production” and “organization” to further strengthen the platform for growth aiming at “Establishing a 100-year brand”.

Looking back on FY2020, although sales of acoustic pianos were greatly affected by government orders in many countries including lockdown restrictions and the suspension of operation of musical instrument shops, sales of hybrid pianos and digital pianos were robust in Japan, Europe and North America due to a strong demand driven by the “stay at home” lifestyle. Operation of music schools and physical-training schools in Japan suffered a significant effect because we were not able to invite pupils at the new semester in the previous year when schools were closed due to great concerns about COVID-19. As a result of company-wide efforts to retrieve pupils, however, the number of pupils is recovering. The business overseas is also affected by COVID-19, but we are working on providing improved online lessons of music schools in China and Southeast Asian countries.

With respect to products and services, even under the circumstances of great restrictions on business operation, we launched various products including new digital piano models “CA59” and

“CA49”, and a grand piano “GL-10SE” in commemoration of the 40th anniversary of completion of Kawai’s Ryuyo acoustic piano factory. Additionally, in the situation where many concerts are cancelled or postponed due to the effect of COVID-19, we started “Streaming+”, an online distribution service of concerts because we wish to encourage people to feel happy and positive with the help of music.

For production, R&D system and production system for both acoustic and digital pianos are currently being put in place in and outside Japan. Through collaboration of both systems, businesses in Japan, China and Indonesia are connected organically and can function efficiently in collaboration with each other, which leads to creation of attractive products, particularly digital pianos, that have high sales potentials.

Finally, in relation to organization, in this age where the future is unforeseen, it is important to develop human resources that guarantee the long-term future of Kawai. We have been addressing various issues including growing younger generations, active participation of female workers, promotion of diversity to build a workplace in which everyone can work to their fullest capacity, and work-life balance.

To realize ongoing evolution for 100 years and beyond, we are committed to building up the core strengths of our businesses even further, aiming at the No.1 piano manufacturer in the world, and at the same time to increase our corporate value and brand strength through activities that contribute to music culture.



Positioning of the long-term vision “Establishing a 100-year brand” and the 6th Medium-term Management Plan “Resonate 2021”

Development of human resources

In the women’s participation promotion project “Love it!” set out in 2019, we have been encouraging women to actively engage in business activities. In August 2020, “Ryuyo Factory Women Activity Team” was formed at Ryuyo Factory for the purpose of creating a better factory from the women’s point of view. Opportunities for women workers are gradually expanding including this team.

Our company was recognized for these activities and was granted “Eruboshi Certification” in January 2021 as a proof of a company offering opportunities for females workers. “Eruboshi Certification” is a system that the Minister of Health, Labour and Welfare certifies excellent companies in taking measures to promote female participation.

Further, as we recognize that physical and mental well-being of all the people working in the Kawai Group and their families constitutes the basis of our management and is valuable asset of the Group and companies, we endeavor to increase health of our employees and their families. These efforts were recognized and the Kawai Group was selected as “Certified Health & Productivity Management Outstanding Organization 2021” consecutively from the previous year in the award jointly held by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.

Environmental activities

In creating a piano, a wide range of natural materials are used including various kinds of wood produced in many different parts of the world and felt made of wool. Keeping the state of natural environment as bountiful as ever is an imperative requirement for our Group, to realize sustainable development as a company that operates its business by receiving the benefits of natural resources. In accordance with this fundamental policy, in 1994 we set

out “Global environment charter” and “environment policy” and established a company-wide organization “Kawai Global Environment Committee” to implement such policy.

Further, our Ryuyo Factory obtained the certificate of the Environment Management System ISO14001 in 1997 for the first time in the industry to implement business activities, taking into consideration the preservation of global environment. Since then, our Group has introduced ISO14001 to main production facilities in Japan, China and Indonesia. We focus our efforts on the important issues related to our business activities with due considerations to preservation of the environment, such as responsible procurement pursuant to the policy including “wood material procurement guideline”, energy conservation through improvement of resource efficiency, reduction of CO₂ emission and waste, and improvement of source cycle through recycling. In Indonesia, we have been engaging in the “Kawai Forest” tree planting activity since 2007 for the purpose of CO₂ absorption, reforestation of deforested areas and securing wood materials for the future.

The international community has clearly shifted toward realizing a sustainable society as the Paris Agreement took effect after the adoption of SDGs (Sustainable Development Goals) in 2015. Measures against COVID-19 are taken, including vaccination being started in many countries, and there are some signs that the situation is improving, but it is expected to take considerable time until the pandemic is completely under control. Under these circumstances of changing society and business environment, Kawai Group is committed to making contributions to realizing sustainable society through the efforts to address various ESG issues, aiming at becoming a company trusted by you all.

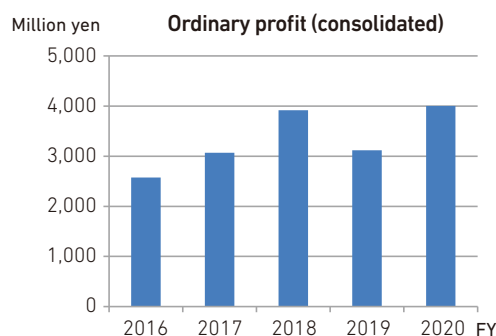
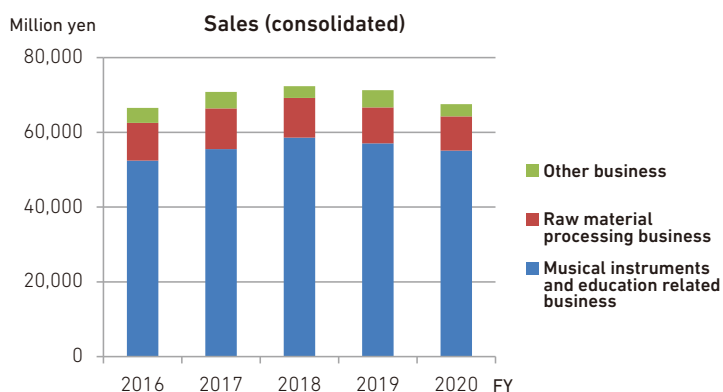
As always, we are incredibly grateful for your ongoing support.

Company outline and main business of Kawai Group

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 2021)

Management index

		FY2018	FY2019	FY2020
Sales (Million yen)	Non-consolidated	51,524	49,481	48,487
	Consolidated	72,376	71,302	67,520
No. of employees	Non-consolidated	1,269	1,282	1,302
	Consolidated	2,813	2,839	2,868



Musical instruments and education related business

Selling pianos, electronic instruments, wind, string and percussion instruments, accessories of instruments and instrument toys, and providing services of instrument technical service and repair
 Operation of music school and gymnastic school, selling learning materials, and manufacturing and selling musical scores and music instruction software

● 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

● Other

Kawai Tomo-no-Kai

Material processing business

Metal material processing for electric and electronic parts, material processing for automobile parts, manufacturing and selling pig iron and castings, 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 pig iron castings

Kawai Casting Co., Ltd.

● Manufacturing and selling sound-proof chamber and acoustic components

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.

Company history

- 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** 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.
- 1980** Kawai Precision Metals Co., Ltd. of metal rolling established. Ryuyo Factory established as grand pianos factory exclusively.
- 1985** Kawai Business Software Co., Ltd. established.
- 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** "Shigeru Kawai" series of luxury grand piano instruments launched.
- 2001** PT. Kawai Indonesia established in Indonesia. Luxury full concert piano "SK-EX" introduced.
- 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.



In 1955, Shigeru Kawai was appointed president, inheriting Koichi's ambition to build the world's finest piano.



In 1927, Koichi Kawai established the Kawai Musical Instruments Research Laboratory with seven other technicians.

- 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** 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 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. 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 and progress of the 6th Medium-term Management Plan “Resonate 2021”

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 manufacture which is the core business continuing right from the foundation.

The 6th Medium-term Management Plan “Resonate 2021” (FY2019 to FY2021)

Basic principles

Kawai Group's mission is to provide many people with great impression through programs of learning piano and other instruments and musical education, thus contributing to creating comfortable living environment for all, under the following management philosophy with the aim of becoming a favored company with great creativity; We create rich and comfortable living environment; We provide goods and services giving top priority to customer satisfaction; We carry out corporate activities in view of new age; and We respect our employees and become an open company. In the 6th Medium-term Management Plan “Resonate 2021” (“Resonate” means “reverberating, resounding” and “producing consonance”) starting from FY2019, to the end of establishing a 100-year brand, we strive to enhance Kawai brand quality by pursuing in-depth “sales ability”, “product and service strength”, “production power” and “organizational strength”, address tasks of increasing the profitability of musical instrument education as the core business and strengthening the platform for growth, and work to increase corporate value.

Prioritized strategies

To increase profitability of musical instrument education business and expand the business, strengths of different functions are built up and combined to achieve the growth of Kawai.

(1) Enhancing sales ability

In matured market, we address reinforcement of sales activities for high-value-added products including the flagship model “Shigeru Kawai” and hybrid products to ensure stable growth and an increase of profitability. In addition, as the measures of making the sales network stronger, we focus in particular on increasing sales at directly managed shops in the U.S. and Germany, and beefing up the activities of sales companies in France. In Japan, we work on establishment of a sales structure that is integrated with four functions (direct sales, technical service, musical education and wholesale/instrument shops), reinforcement of sales platform using CRM (customer relationship management system), renewal of flagship shop and intensification of the operation in the Tokyo metropolitan area. In Chinese market, we expand our business through establishing stronger collaborations with partner companies to increase added value of the value chain and operate music school business and technical service business also in collaboration with such partners. Additionally, we actively pursue sales increase in the Southeast Asian region and promote market development in the Central and South America, the Middle East, Africa and other regions.

(2) Enhancing the competitiveness and services

We pursue in depth the quality and strength of products including “Shigeru Kawai” through ongoing research at a level of raw material and basic development and seek to obtain customer satisfaction. For three years from 2019, in particular, we emphasize intensification of the development of hybrid products and digital piano with special quality of touch and sound, and incorporate planning and development functions into manufacturing factories in reviewing the structure so as to ensure development of products to meet the market needs. With these efforts, we enhance the marketing of products for China and drive product development to increase our share in the markets in which the Group's share is small. At the same time, to intensify Kawai brand marketing, an integrated structure will be established to centrally manage different functions from product planning, designing to sales promotion. In addition, we strengthen artist relations and development of MPA (Master Piano Artisan: this internal qualification is granted only to highly skilled piano technicians), and enhance after-sale service system to further increase customer satisfaction.

(3) Enhancing productivity

We implement reinforcement of the global and flexible production structure and priority equipment investment to further improve QCD (Quality, Cost and Delivery).

With regard to piano, we operate the manufacturing in such a manner that is worthy as a 100-year brand on a global basis mainly at Ryuyo Factory as Mother factory by leveraging the unique techniques of Kawai that have been developed over time and handed down to the next generation. In addition, we work on reformation and building up of capacity of the production line of “Shigeru Kawai” which shows good sale, as well as strategic cost control and optimum production by introducing a new production system.

As for digital piano, we enhance the production system so as to be able to deal with sales increase in China and around the world, and make efforts to reduce costs as well on a continual basis, including a shift to in-house production process.

(4) Enhancing organizational ability

We address enhancement of our human capital for the Kawai Group to flourish on a medium- to long-term basis.

- Implementation of “healthy management” to enable employees to work lively
- Education and skill development through enhancement of education and training programs designed for each class
- Provision of support for striking a balance between the work that is based on women’s power and their child rearing or family care, and promotion of work style reform
- Implementation of global talents development and innovation of human resource management system

Furthermore, to reinforce our management foundation, we work on a continual basis on building a horizontal organization structure and optimization of management process, company-wide productivity increase and improvement of routine tasks efficiency.



Consolidated business result index

Musical instruments and education related business

In the musical instruments and education related business, sales of instruments were significantly affected by a decrease in pianos sales due to lockdown restrictions and the suspension of operation of music instruments shops pursuant to the order of government in many countries. In the 2nd quarter and after, however, sales made a strong recovery, with relaxation of regulations and changes of lifestyle. Sales of digital and hybrid pianos maintained robust performance against the background of strong demand driven by “stay at home” lifestyles around the world. Especially a high-end model “CA series” which enables reproduction of feeling like playing a grand piano, and “NV series”, a hybrid piano model which incorporates an acoustic piano action showed strong sales. On the other hand, domestic operation of music schools and gymnastic schools was significantly affected because classes were called off in the 1st quarter, although it is currently on a track to recovery. As a result, sales decreased while operating profit increased because of increased sales of high-value-added products and cost reduction.

Material processing business

Sales in material processing business decreased while operating profit increased as a result of cost reduction, etc. because orders received for semiconductor-related parts and automobile parts declined continuously to the 2nd quarter as a result of production adjustments made by suppliers due to COVID-19, although the business showed some recovery from the 3rd quarter.

(Unit: million yen)

	FY March 2020 Plan (*2)	FY March 2020 Result	FY March 2021 Plan (*2)	FY March 2021 Result	FY March 2022 Plan (*2)	FY March 2022 Tentative plan (*3)
Sales	73,000	71,302	74,000	67,520	76,000	77,000
Operating profit	3,100	2,960	3,600	3,492	4,200	4,000
Recurring profit	3,100	3,118	3,600	4,002	4,200	4,100
Current term net profit (*1)	1,900	1,545	2,250	2,579	2,650	2,600
Operating profit ratio	4.2%	4.2%	4.8%	5.2%	5.5%	5.2%
ROE	7.5%	6.1%	8.3%	9.7%	9.2%	9.0%

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

(*2) Planned figures as of March 2019 (Exchange rate assumed for plan: 110 JPY/US\$, 125 JPY/euro, 16 JPY/yuan)

(*3) Planned figures as of May 2021 (Exchange rate assumed for plan: 108 JPY/US\$, 128 JPY/euro, 16.5 JPY/yuan)

Enhance the corporate value Addressing ESG

Kawai Group address the following activities to contribute to creating a sustainable society.

E ... Environment

Pursuant to the “Global Environment Charter” established by Kawai, the Group-wide active involvement as a corporate citizen of the globe in activities to protect the environment and resources, for example, priority procurement of materials, parts and products that have lower environmental load according to “environment principles” and “green procurement guideline” and the tree planting activities.

S ... Social

Activities to contribute to the music culture as a musical instrument manufacturer by way of fostering and providing support for young musicians through, for example, the Shigeru Kawai International Piano Competition, and promoting dissemination of music education.

G ... Governance

Aiming at establishing a 100-year brand and sustainable growth, activities to ensure an effective governance system to realize sound business management.

Global 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 "Global 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.

Global Environment Charter

Aiming to become a company friendly to the globe and people

< Basic Philosophy >

Setting a motto of "great impression manufacturing industry", 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 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 at recycling and reducing 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 environment preservation activities, we will be actively involved for the purpose of living in harmony with local communities in the implementation of measures of environmental protection.

Environment principles

Kawai Global Environment Committee established "Environment Principles" based on the "Global 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>.

Environment principles

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 environment management system. At the same time we review the objectives on a regular basis according to the expectation from society and appropriate scale.
 - (1) Work on "provision of products and services" and "development of technology", taking into account the expectation from society and environmental load.
 - (2) 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. Procure and purchase materials, parts and products that have less environmental load by priority whenever such resources are required. (Green procurement)
3. Comply with laws and regulations in relation to the environment and set self-standards as well, taking into consideration other requirements to improve the environment management to a higher level.
4. Raise all employees' awareness through the environment 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 this Environment Principles, establish an environment management organization led by the officer in charge of environment 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 the environment preservation activities.

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 "Environment 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 the activity of contributions to preservation of biodiversity and establishing a recycle-based society.

< Basic Principles of green procurement >

- (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.

The green procurement guideline applies to all goods and services to be procured by Kawai Group.

In addition to compliance with laws, standards set by related organizations and internal standards which is 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.

Consideration items for selecting suppliers are also set out, including state of environment 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.

For more information on the green procurement guideline, please refer to the following website:

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

Wood materials procurement guideline

We understand that wood materials are important raw materials for manufacturing piano 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 effectively wood materials that are sustainable resource we are receiving from protected and managed forests.

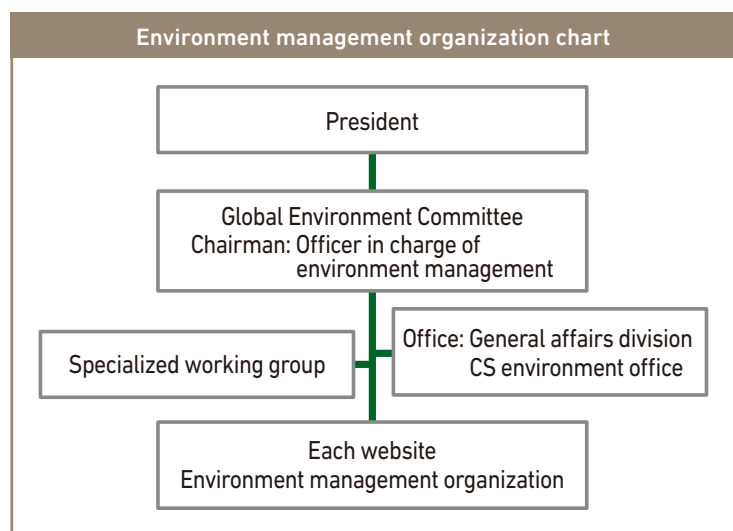
< Basic Principles >

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 environment management measures to be taken and compliance with related laws to preserve, protect and regrowth forests.
3. Kawai promotes appropriate and efficient utilization of procured wood materials.
4. Kawai procures products produced using recycled materials by priority.
5. Kawai procures forest products, etc. that are certified by the forest certification system by priority.

Environment management organization

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



Implementing environmental load reduction and resources recycling activities

Goals and achievements of environmental load reduction

Global Environment Committee addresses the reduction of environmental load for such purposes as “prevention of global warming” and “resources recycling and effective use of resources” under the “Global Environment Charter” and “Environment principles”.

The committee has set the goal for three years from FY2019 to FY2021 to reduce CO₂ emissions and amount of waste per unit of sales by 1% year on year from the level of FY2018 as the reference. In FY2020, we worked accordingly to achieve the reduction of both by 2% from those in FY2018 and the results are shown in the table below. CO₂ emissions per unit of sales was reduced by 4.8% and amount of waste per unit of sales was reduced by 12.0% from the level of FY2018, both achieving the goal.

Successful reduction of amount of waste was largely owing to a reduction in defective fraction, by reviewing the production process and the reduction of slag generated as a result of the streamlining of production and processes implemented by the casting production division.

	Index	FY					Increase/decrease	Evaluation
		2016	2017	2018 (Reference)	2019	2020		
Prevention of global warming	CO ₂ emissions intensity (kg-CO ₂ /million yen)	341	311	292	279	278	-4.8%	◎
	Energy amount intensity (MJ/million yen)	6,710	6,201	5,891	5,655	5,636	-4.3%	◎
Effective use of resources	Amount of waste (total volume) (ton)	2,242	1,976	2,058	1,869	1,689	-17.9%	◎
	Amount of waste intensity (kg/million yen)	33.7	27.9	28.4	26.2	25.0	-12.0%	◎

Evaluation ◎: Achieved ×: Not achieved

Global warming prevention activities and energy conservation act response measures

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

CO₂ emissions reduction activities

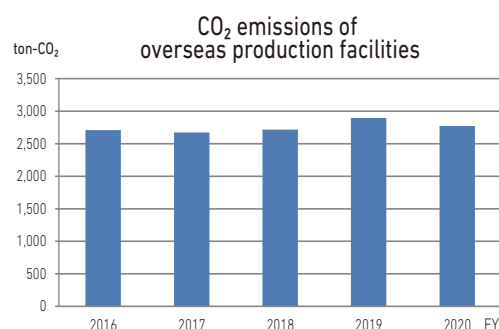
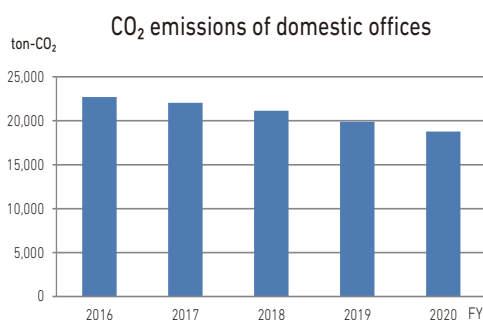
- Introducing plant facilities with due considerations to energy conservation
- Replacing existing lights with LED lighting systems
- Reviewing the use of renewable energies
- Performing an energy conservation evaluation regularly with an electric company
- Launching “Cool Biz” and “Warm Biz” campaigns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

Kawai Group’s total CO₂ emissions in Japan in FY2020 was reduced by 36% from the level of FY1990, the reference year of the Kyoto Protocol. The Energy Conservation Act (or the Act on the Rational Use of Energy) provides for an obligation of a business operator who uses a certain amount of energy or more (specified operator) to carry out energy management to rationalize energy use, and requires such operator to report on their actual amount of energy used and submit a medium- to long-term energy conservation plan. 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 of piano manufacturing, the Headquarters/Hamamatsu factory of Kawai Precision Metals Co., Ltd. of metal working and three factories of Kawai Casting Co., Ltd. iron casting facility are specified as Class 2 energy management factory.

In FY2020, Kawai Musical Instruments Manufacturing Co., Ltd. and Kawai Precision Metals Co., Ltd. received Class S* evaluation as an excellent operator according to the operator evaluation system by classification that is provided for in the Energy Conservation Act.

(*: Class of operator who achieved the goal of reducing 5-year average of energy consumption intensity by 1% or more year on year)

A lot of production facilities including those overseas have already introduced ISO14001 (Environmental Management System) and will continue to address the issue of reduction of energy use and CO₂ emissions from a global standpoint.



Waste reduction activities

We are working on the reduction of waste, understanding that our important mission is to reduce the amount of waste and promote resources recycling through recycling of waste.

Kawai Group's amount of waste once increased to 3,203 ton 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.

Thereafter, Kawai Casting Co., Ltd. took the measures to streamline its production lines and improve production efficiency. As a result, the amount of industrial waste by Kawai Group was reduced to 1,689 ton in FY2020, down 47.3% from the level of FY2012 and also achieving a reduction by 17.9% from the level of FY2018, the reference year of the three-year plan.

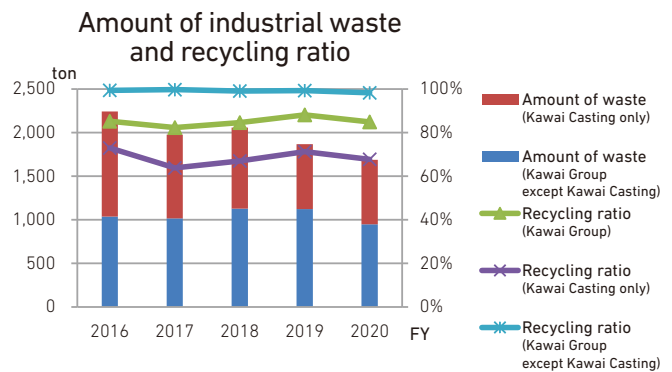
Kawai Group's overall waste recycling ratio was also greatly affected by a low recycling ratio at Kawai Casting Co., Ltd. at first, but the measure of reusing slag as roadbed material performed by Kawai Casting Co., Ltd. was effective to improve its recycling ratio from 39% in FY2012 to 68% in FY2020, and Kawai Group's overall waste recycling ratio was also increased from 57% in FY2012 to 85% in FY2020. The waste recycling ratio at Kawai Group except Kawai Casting Co., Ltd. has been continuously maintained at 98% or over.

Ryuyo Factory is generating the largest amount of industry waste in the entire Kawai Group but it is taking various measure to achieve 100% recycling ratio such as reusing the waste including wood chippings and wood flour as materials for papermaking, board, compost and fuel; felt waste for compost; and coating waste for harmless EcoStone.

We will continue making the Group-wide efforts in reducing amount of waste and increasing recycling ratio.



Display of an example of recycling coating waste

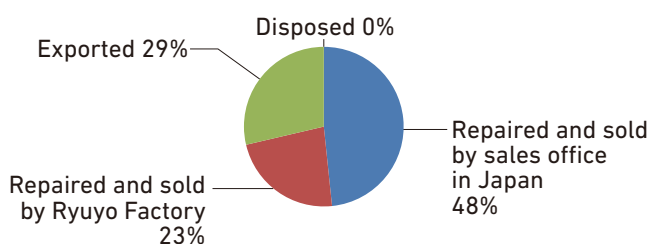


Recycle and reuse activities

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 internal control division in Japan that is in charge of used 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 FY2020, about 800 units of piano were reproduced or reused in Japan, 29% of which were exported and currently used in many places in the world.

Reproduction and reuse of pianos taken as a trade-in (FY2020)



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 perform an overhaul of piano in full including old ones. We reproduce a piano according to the needs of the customer from exchanging strings, hammers and actions to overall coating. Reproduction of piano is a concerted work performed by many technicians with experience in the piano manufacturing division for many years who are experts with skills in specific field such as coating, wood-working, and tuning. Finished quality of the reproduced pianos are well received by many customers. Furthermore, there is another advantage for customers of a piano manufactured by Kawai that the piano can be repaired or reproduced by using the original parts of Kawai.



Reproduced by an expert technician

Environment management system

Kawai Group is promoting introduction of the environment 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 environment 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 body to check whether the environment management system in the facility functions effectively.

“Kawai Forest” the tree planting activities in Indonesia

A large amount of wood materials are used for piano. Voluntary employees in Kawai Group that is a manufacturer handling those wood materials established Kawai Forest Project (Chairman Hiroataka Kawai) in 2007 as a commemorative project to celebrate the 80th anniversary of Kawai.

Pursuant to the basic philosophy of the Kawai Group’s Global Environment Charter, the Forest Project engages in the 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 a regeneration project of mangrove forests that have been disrupted at a rapid pace for purposes including aquaculture and by 2020 the group has planted seedlings for mangrove of about 92,000 in the coastal area in Karawang Regency. About 700,000 trees have been planted on an area of about 650 ha including forest land and mountainous area. Most of those trees have been growing quickly without problem.

Kawai Forest Project is estimated to have an effect of absorbing 10,000 ton CO₂ annually and we believe that it is equivalent to absorption of 49% of overall CO₂ emissions of Kawai Group.



“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 environment policy to expand the amount of 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 became a “Workshop in the woods”.

We are also contributing to the local community by utilizing the “woods” of Ryuyo Factory, for example, holding an event in every fall season where kindergarten children in Iwata City visit the factory to pick up acorns and enjoy handwork with them.



“Workshop in the woods” Ryuyo Factory



Kindergarten children picking up acorns

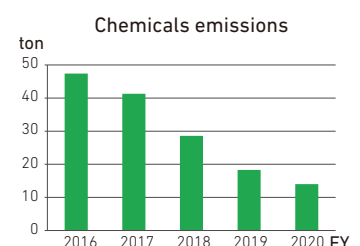
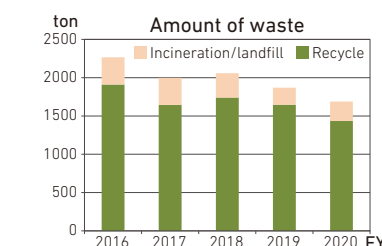
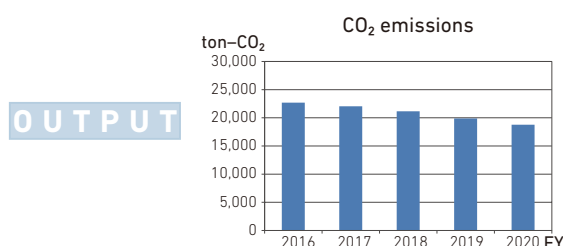
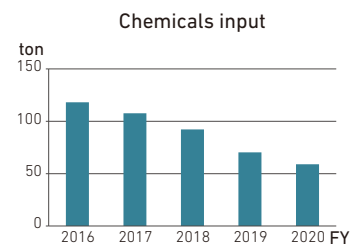
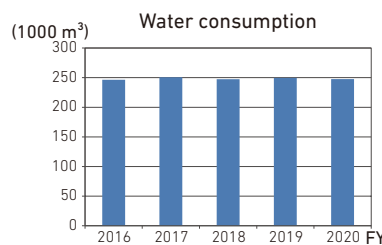
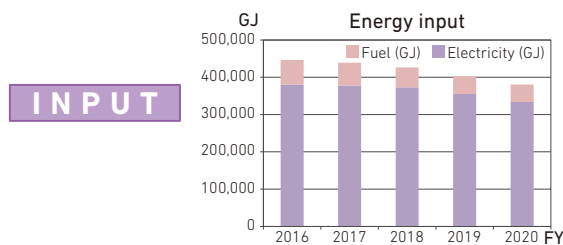
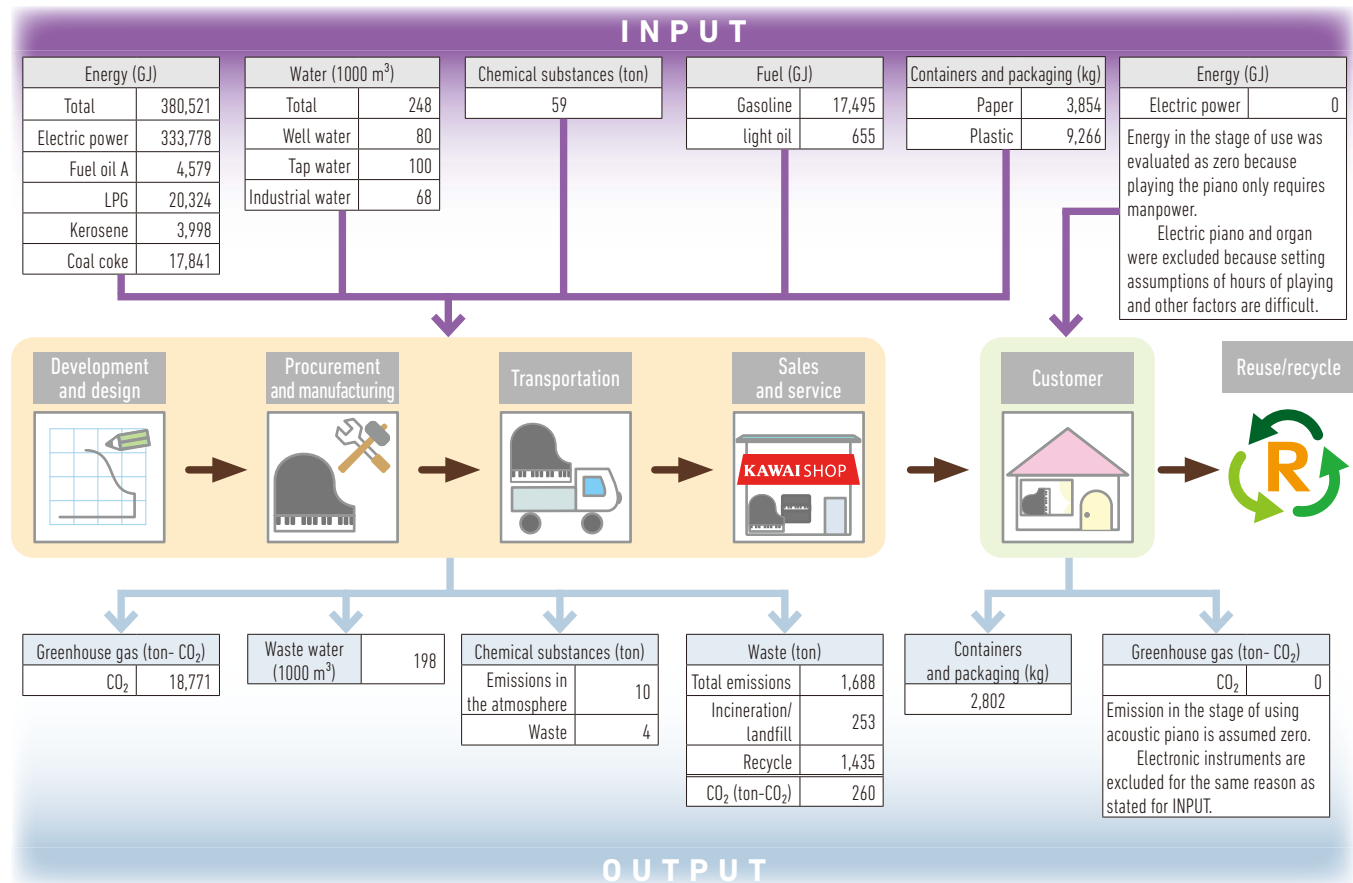
Understanding the environmental load of corporate activities with numeric values

Material balance

To understand the environmental load caused by the corporate activity and to reduce the impact of such load, Kawai Group performs aggregation of data with regard to amount of resources and energy used and other environmental loads in each stage from development, design, procurement, manufacturing to transportation, and further to use, recycling and disposal of our products by our customers.

Input of energy, chemicals and other materials and emissions of CO₂, waste water, chemical substances and waste in FY2020 are shown below.

Kawai Group is committed to ongoing reduction of the environmental load, as well as expansion of the scope of data and data collection on a global basis.



Contributions towards musical culture promotion

Giving Kawai Premium Concert

"The KAWAI PREMIUM CONCERT - The International Fryderyk Chopin Piano Competition - Challenge of Young Pianists" was held at ACT CITY Hamamatsu Concert Hall on February 23, 2021. This concert was planned to help pianists who have less opportunities to perform in severe situations where concerts and competitions in Japan and overseas have been canceled or postponed one after the other. We have invited six pianists to play in the concert who were planning to participate in the International Fryderyk Chopin Piano Competition, which was supposed to be held last year but postponed to this year.

Those six pianists played some pieces of Chopin and other pieces they cherish expressively and captivated the audience who came together for the concert.

Presenting online concerts

Under the circumstances that a number of concerts are canceled or postponed in many parts of Japan due to the impact of COVID-19, we presented an online-distributed concert "Kawai Streaming+ (plus)" in cooperation with pianists to deliver a "new-style concert". In the online concert, viewers can enjoy music performances for 60 minutes as well as interviews with the pianists at the end of the concert.

It was a totally different concert from the existing ones we held, but we were happy to be able to deliver music to a large 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 150th birth anniversary of the composer 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 Fryderyk Chopin Piano Competition.

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

Support for Japan-Russia Society for Musicians

Japan-Soviet Society for Musicians was established in 1984 by Mr. Tikhon Khrennikov, then leader of the Union of Soviet Composers and Mr. Yasushi Akutagawa, who became the first management committee leader in order to promote musical culture exchange mainly in exchanging recitals of works from each country. The society changed its name to Japan-Russia Society for Musicians following the dissolution of the Soviet Union and restarted their and regularly holds concerts for vocal music and instrumental music.

<http://japan-russia-sfm.net/>

Support for Leonid Kreutzer Memorial Society

Professor Leonid Kreutzer was active in Germany and Japan. 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 Japanese music circle. The society has been organizing annual recitals with The Kreutzer Award winners since 1976.

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

Support for Karol Szymanowski Society of Japan

Karol Szymanowski Society of Japan was established in 1981 to commemorate Karol Szymanowski's birth centenary. 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.

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

2021 Charity concert for supporting the Great East Japan Earthquake disaster area

"2021 Charity concert for supporting the Great East Japan Earthquake disaster area" was held at Kawai Sendai on March 11, and at Kawai Hamamatsu on March 12, 2021. It has been 10 years since the great earthquake disaster, and Kawai Group has been continuing its activities to support people in the affected area through music.

This year, the charity concert was held in Hamamatsu and Sendai, at different venues than those originally planned due to the impact of COVID-19. In the concerts, we all had precious time together with the audience to think about those people and areas affected by the disaster.



Diffusing musical culture in China

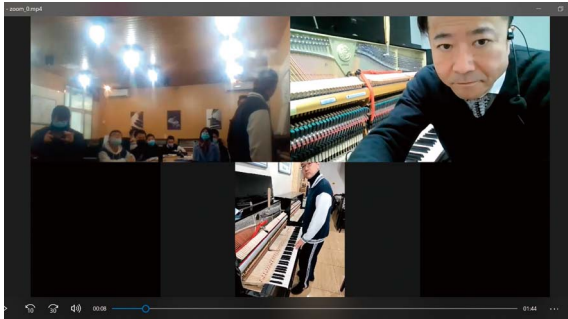
Kawai is actively promoting musical culture in China by displaying products in the International exhibition for musical instruments in Shanghai, China (Music China) and by liaising with the Soong Ching Ling Foundation on development of music schools. In addition, as part of piano technician training activities, Kawai is supporting Jing Song Vocational High School to help in teaching piano technician's skill.



International exhibition for musical instruments in Shanghai, China



Music school in Beijing, China



Students at Jing Song Vocational High School receiving piano technician training (in online class)



Diffusing musical culture in developing countries

Kawai is promoting native educational instructors training and contributing to the diffusion of musical culture and musical education in each country.



Vietnam



Thailand



Indonesia

Develop and enrich personality through educational activities

Education business

Kawai is developing wide-ranging educational activities such as English school, drawing and modelling school, in addition to music school and gymnastic school. Kawai believes education must bring out personality of each pupil; therefore, it provides support for infants to adults, up to the elderly, according to their ages and skill levels while respecting their individual talent and helping them to learn to express themselves naturally.

Kawai Music School

● 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.

● Education system

The school has always believed "music is the most nourishing seeds to enrich a person" through its history over 60 years, and implemented the education system and ceaselessly pursued better teaching methods.

It provides courses for all age groups from children to adults to "nurture pupils who love music".

● High standards of tutors

Since its establishment in 1956, the Kawai Music School has continuously pursued the latest education research and achieved a highly acclaimed track record. The school believes the perfection of its course contents are unprecedented. It places particular emphasis on infant courses and the tutors are to learn child psychology and infant education, and attend regular hands-on seminars.

The school is proud that it has plenty of high quality tutors.

personality & harmony



KAWAI MUSIC SCHOOL

Kawai Music School (education philosophy)

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.



● Various courses to develop personality

Infant eurhythmics course (group lesson)

親子でふれあい
リトミック

1歳からの
クーちゃんランド

2021年度クラス
対象:2019.4.2~2020.4.1生まれの
お子さま

お友達と音楽
いっぱい!

2歳からの
くるくるクラブ

2021年度クラス
対象:2018.4.2~2019.4.1生まれの
お子さま

リトミック&
鍵盤コース

3歳のための
ピコルわーど

2021年度クラス
対象:2017.4.2~2018.4.1生まれの
お子さま

グループ
鍵盤コース

4歳のための
ピコルわーど

2021年度クラス
対象:2016.4.2~2017.4.1生まれの
お子さま

Individual course (one-to-one lesson)

個人・グループ
レッスン

3歳からの
3歳ソルフェージュ

個人レッスン

4歳からの
子どもピアノコース

個人レッスン

小学生からの
ピアノコース

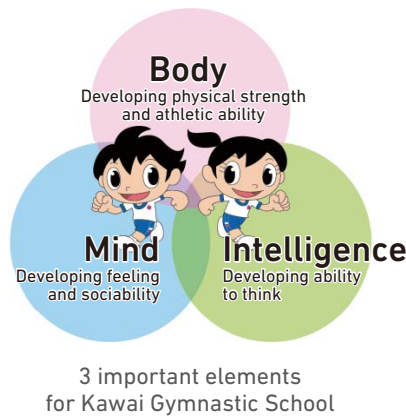
個人レッスン

ハイレベル
ピアノコース



Gymnastic and Sport 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.



Gymnastic courses



2-years-old class
Nurture their individuality, athletic ability, and sociability while using the whole body.



Infant class
Teach them the joy of exercising and love of sports.



Child class
Nurture their athletic creativity and enthusiasm for sports.



Challenge course
Nurture their sense of achievement and zest for living in the mixed-age group.

Sport courses



Soccer class
Improve because they enjoy. Continue because they love it. Let them dream of the J. Leaguer.



Rhythmic gymnastics class
Nurture their movingly beautiful physical expression.



Artistic gymnastics class
Nurture their mind and body balance through artistic gymnastics techniques.



Swimming class
Start with paddling, then teach 4 swimming styles to develop their whole body.

Support for overall health promotion at every stage

Kawai has over 50 years’ history of supporting health promotion such as gymnastic school 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 scientific support for them to maintain and improve their health using measurement data and latest devices while they are enjoying.

Kawai Health Promotion Support System



Kawai Gymnastic School regular curriculum and extra-curriculum
Kawai is proposing deployment of “Kawai Gymnastic School” to support the health matters in the government course guidelines for kindergartens.



Support for the specific health guidance
Kawai is proposing implementation of workers’ health promotion programs based on its long-nurtured knowhow to municipality and companies.



Preventive care system
Kawai supports senior citizen’s preventive care by improving their mobility, nutrition, and oral cavity function, and preventing their cognitive function from deteriorating.



Mobile health improvement tool
Kawai offers the unique tool that supports walking and health management using “interactivity” and “information processing function” of mobile phones and PCs.



Preventive care exercise instructors seminar
As a designated business operator for preventive care exercise instructors who play a central role in the preventive care prevention business, Kawai plans and implements seminars.

Sport community

Kawai believes that encouragement, demonstrations, and instructions from top level athletes improve interest in sports and willingness to get involved in sports; therefore, leading to nurturing next generation athletes and providing the starting point for lifetime sports.

Kawai has invited Hisashi Mizutori, the Chief Advisor of the Kawai Gymnastic School and Yukari Kawamoto, the Chief Advisor of the Rhythmic Gymnastics Class, to develop a "sport community" to offer opportunities such as local events and the "Kawai Cup Games" to meet top level athletes.



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 demonstration 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.

● Merits and importance of sports

Sports help us build physical strength, athletic ability, and robust bodies. Sports also help our mental growth such as ability to achieve goals and to concentrate, and nurture our sociability through communications with teammates and instructors. I believe such opportunities for children to attain these qualities naturally while playing is extremely important.

I also believe the beauty of sports is that the result of your great efforts will materialize, and will also touch the spectators' hearts.



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.

● Merits and importance of sports

Since I was a little girl, I have always been very active and competitive, and never gave up till I achieved it.

I believe the sense of achievement however small leads to confidence, and develops liking for devising and creating own sporting style. For example, if you learn wide-ranging body movements through various sport activities in your childhood, you will continue to enjoy moving your body throughout your life. Also, experience such as sharing joy with teammates, helping and encouraging each other will help acquiring strength to live one's life. Therefore, I believe it is important to provide environments for experiencing group activities.

Lecture presentation

Ms. Yukari Kawamoto, the Chief Advisor of the Rhythmic Gymnastics Class in the Kawai Gymnastic School delivered a lecture for about 300 school children in the 4th to 6th grades at the Hamamatsu City Iida Elementary School on September 25, 2020, in response to the request from the elementary school.

She gave a lecture on the theme in line with the elementary school's education policy to "nurture children to have a great ambition and flourish", and she told the children how wonderful it is to have dreams and set goals and make the best efforts as you can, by sharing her own experience. In the latter part of the lecture, she gave the children an opportunity to experience using equipment such as ribbons that are necessary for rhythmic gymnastics performances.

Kawai Gymnastic School is committed to healthy education of children through opportunities to meet top level athletes.



Ms. Yukari Kawamoto delivering a lecture

Implementing activities to promote women's participation



Kawai is promoting activities aimed at building the organization that can respond to the changing times. Various activities are implemented under a project to promote women's participation called "Love it! (Rabbitto)", which was established with the aims to "create an environment where women can advance their careers across their life events," "create a workplace where all employees can fully demonstrate their individuality and abilities," and "lead to organizational reform and revitalization by incorporating new perspectives and ideas."

"Ryuyo Factory Women Activity Team" was newly formed at Ryuyo Factory for the purpose of creating a better factory taking advantages of women's viewpoint and ideas. In this way, opportunities for women workers are gradually expanding.

Supporter Team activities

The Supporter Team consists of members from different divisions, jobs, roles, regions, and genders across the organization to incorporate new perspectives and ideas to revitalize the organization as well as plan and propose women's participation ideas.

Activities and training sessions conducted by the Supporter Team are widely informed to employees in a form of newsletter issued on a regular basis. In addition, the team has issued a work-life balance guide book that provides easy-to-understand explanations about the company systems to support finding a good balance between work and balance in different life events, in order to raise awareness of those internal systems.

Providing seminars

Kawai is providing manager training to enlighten them to consider well-balanced work and private lives for their subordinates, and also enjoy their own work and private lives.

Kawai is also providing "Health seminar by an obstetrician-gynecologist" focusing on female physical conditions and health risks and the measures to improve them. Not only female but male workers can participate in the seminar that provides support for individuals to understand health conditions of their co-workers and families, and envision and realize a career and a form of family desirable for each one.

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 ratio of female workers who took childcare leave was 100% for the second consecutive years in FY2020. On the other hand, the same ratio of male workers decreased in the same year partly because they had more time for childcare as a result of standing by at home or staying home due to the effect of the COVID-19 pandemic.

To support female workers to be reinstated after childcare leave, Human Resources personnel make contact with each worker taking childcare leave, for consultation about childcare or providing company news. In addition, they are encouraged to take correspondence courses with the cost of a course reimbursed by the company if a person completes a course, for the purpose of supporting their smooth return to work.

Receiving "Eruboshi Certification (2-Star)"

Kawai received "Eruboshi Certification (2-Star)", being evaluated as an excellent company under the Act on the Promotion of Female Participation and Career Advancement in the Workplace (hereinafter "Act on the Promotion of Female Participation").

"Eruboshi Certification" is granted by the Minister of Health, Labour and Welfare to certify excellent companies in taking measures to promote active participation by females by establishing and implementing effective action plans in accordance with the Act on the Promotion of Female Participation.

Our company was highly evaluated for the efforts including the employment ratio of female workers and their average number of years of service, as well as the measures to improve careers of female employees. We continue our efforts to create a workplace in which all employees including female workers can work comfortably.

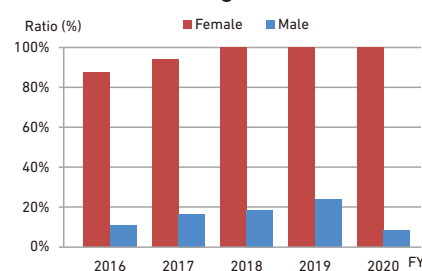


Work-life balance guide book



Manager training on well-balanced work and private lives

Ratio of Taking Childcare Leave





Valuing our human resources

Kawai is aiming to be a strong enterprise; therefore, Kawai is making every effort to create the organization that can cope with the fast-changing world as it approaches our 100th anniversary.

Actively employing people with disabilities

Kawai has been employing more people with disabilities than the statutory employment rate for the six years in a row since fiscal year 2015. In fiscal year 2020, the employment rate of people with disabilities in Kawai was also 2.45% whereas the statutory rate was 2.20%.

Thanks to the help from the local school for special needs, Kawai has been able to continuously employ suitable workers through the work experience program.

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

Actively developing human resources

Kawai implemented education training along with the human resource development system under the new human resource regulation which came into force in 2007.

Especially in recent years, Kawai is placing a great deal of importance on young employees. Starting with the new employee training, new employees receive almost annual training for 6 years.

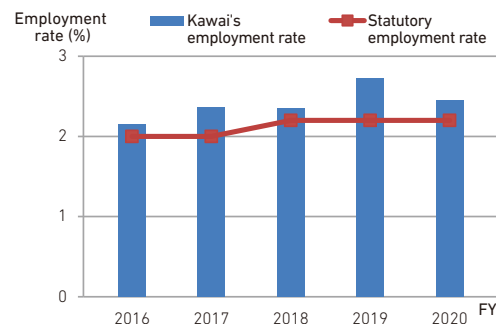
Kawai also provides advanced training for supervisors and managers, as well as training that is customized for each layer of employees to improve their abilities every year.

Certified Health & Productivity Management Outstanding Organization (The Large Enterprise Category) 2021

Kawai has been certified as the "Health & Productivity Management Outstanding Organization (The Large Enterprise Category) 2021" for the second consecutive year which are selected jointly by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.

Director in charge of personnel and labor divisions acts as the "health and productivity management officer" to lead health and productivity management. Personnel and labor divisions play a central role in promoting the health improvement for employees and their families, in liaison with the central safety and health committee, which includes the heads of each business branch and representatives of the labor union, as well as industrial health staff and Society-Managed Health Insurance.

People with disabilities employment rate



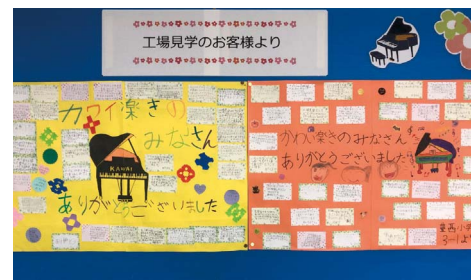
2021

健康経営優良法人
Health and productivity

Factory tour

We suspended accepting people in our factory tour temporarily because of the impact of COVID-19. Currently, we have resumed the factory tour only for primary school and junior high-school students in Shizuoka Prefecture. People who join the tour can observe the assembly process of a grand piano.

The factory has received messages from primary school students who visited our factory such as "Because I have learned that so many people are working in piano making, I will treat my piano with care," "I was surprised to see what delicate work it is," and "I myself want to experience making a piano," which made us very happy.



Queries concerning the factory tour

Ryuyo Factory (Piano Division, Administrative Office)

Address: 252 Tobihiramatsu, Iwata-shi, Shizuoka, Japan TEL: 0538-66-5111 FAX: 0538-66-5919

You can book the tour from factory's website (Japanese text only). <https://www.kawai.jp/ryuyofactory/>

Establishing a sound corporate management system

Basic principles of corporate governance (revised on December 27, 2018)

Kawai established its basic principles of corporate governance based on the "Management Philosophy" to achieve sustainable growth and creation of mid- to long-term corporate value. This basic principles prescribes the basic concept and a system of corporate governance and other related matters in five chapters.

For detailed information about the basic principles of corporate governance, please refer to the following website:

<https://www.kawai.co.jp/company/governance/> (Japanese text only)

Implementation of compliance

The term "compliance" is interpreted as to comply with laws, regulations, etc. and it is believed important to not only observe the laws and regulations in force in society and corporate internal rules, but also act in accordance with social norms and code of ethics to earn trust in society.

In that respect, Kawai Group is committed to compliance management that involves all the employees to work on compliance. To be more specific, we established "Kawai Code of Ethics" and "Standards of Ethical Conduct", and set up a corporate ethical committee that includes outside expert members (lawyer).

Furthermore, we have a corporate ethics office that is responsible for the administration of the matters related to corporate ethics to take initiative in operation of a corporate ethics hot line and arousing employees' awareness of compliance through education and enlightenment activities.

Basic principles of internal control system

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 and 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 an internal control system, we are working on its establishment pursuant to the "Basic principles of establishing internal control system" 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 action to be taken by companies 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 control system.

Commitment of the Chairman, President & CEO of Kawai

To enable Kawai to be reborn in view of a new era, I established our new management philosophy in April 1996. The newly established management philosophy proclaims that "we provide products and services, giving top priority to customer satisfaction" and that "We carry out corporate activities in view of new era".

In other words, we always care about customer satisfaction, make efforts to maintain the reliability of the Kawai brand and perform our corporate activities in line with social requirements in the new era.

In October 2002, we established "Kawai Code of Ethics" and "Standards of Ethical Conduct" as a basis for each and every employee of Kawai to act in accordance with common sense in society as a worker and a member of society. We understand that we need to comply with Kawai Group's corporate ethics above all things and behave keeping in mind high standard of ethics and common sense, live up to "social trust" in our company and avoid any act that may damage the reliability of Kawai brand.

Accordingly, I hereby declare that I shall lead all the officers and other employees of Kawai Group and be the first to fulfill my duty fully aware of the corporate social responsibility of Kawai, and comply with the "Kawai Code of Ethics" in all cases and act in accordance with the spirit of "Standards of Ethical Conduct".



Hirotaka Kawai
Chairman, President & CEO

Corporate governance Structure / Internal control system

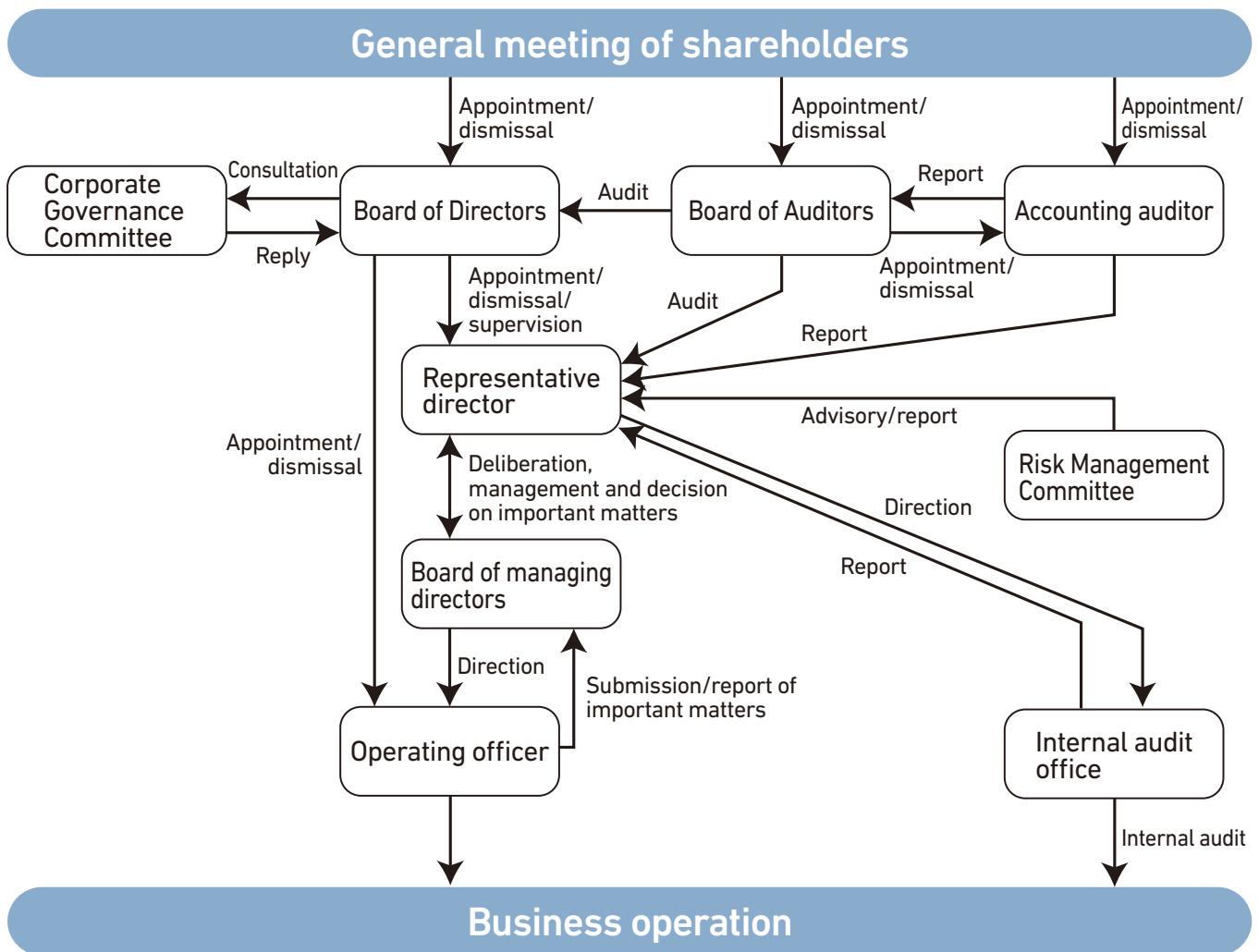
Company outline

Environmental activities

Social activities

Corporate governance activities

Reference material



- Board of Directors: Consisting of directors including 2 outside directors
- Board of Auditors: Consisting of auditors including 2 outside auditors
- Corporate Governance Committee: Established as an advisory organization to the Board of Directors to deliberate on the matters in relation to selection of candidates for director, remunerations of directors and other matters regarding the improvement of corporate governance, and reply or report on the results to the Board of Directors.
- Corporate officer system was employed in April 2002.
- Corporate officer system was reformed in June 2005 so that directors can concurrently serve as an operating officer for the purpose of strengthening the ability to address company-wide issues, clearly defining the responsibilities of business operations and the enhancement of line of command. Additionally, outside directors are appointed with the aim of increasing transparency of management based on their advice and supervision made in an objective position and from a broader perspective with respect to the appropriateness of decision-making by the Board of Directors and fulfillment of duties of the Board of Directors.
- To ensure strategy monitoring/controlling function, Steering Committee was formed as a management conference to deliberate company-wide issues and a company-wide strategic conference was set up to deliberate strategic issues from an across-the-board standpoint.
- Internal audit: "Internal Audit Office" was established to conduct an audit to check whether business operations are performed legitimately, properly and reasonably with regard to the overall business activities of Kawai Group and to check the usage of corporate resources and the state of compliance with laws and regulations and internal rules.

Risk management structure

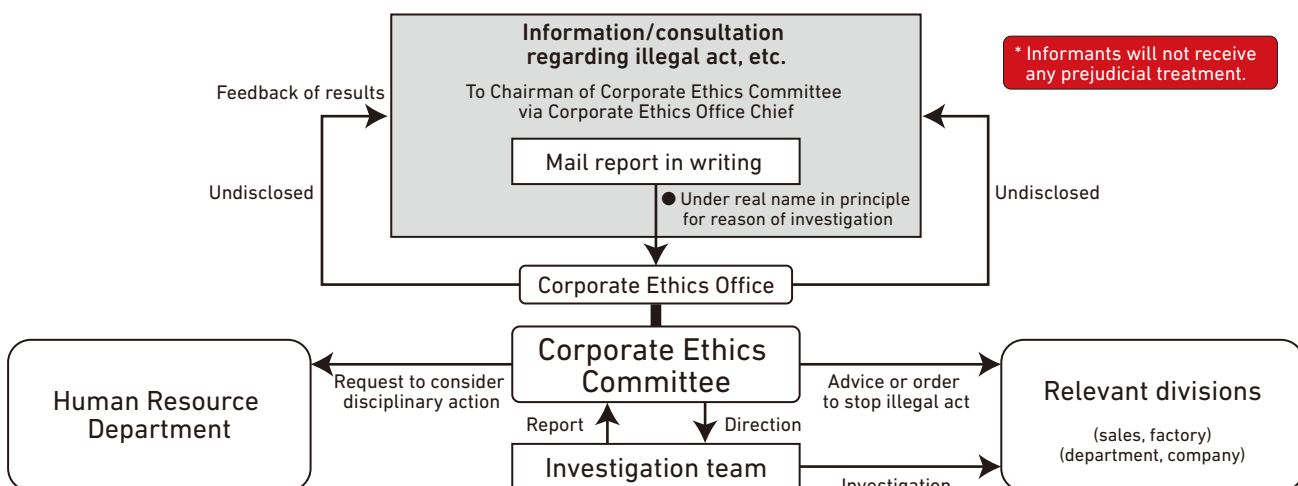
Main purpose of the risk management structure of Kawai is to prevent risks involved in business operations from occurring. If any risk becomes obvious, measures to minimize the effects on society and the management will be taken flexibly by addressing the risk systematically with the organization of 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.

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 regularly reporting 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.

Risk Management Committee	
Global Environment Committee Kawai Group established Global Environment Committee in 1994 which has since been actively engaged in preservation of the global environment. Global Environment Committee has set out "Global Environment Charter", "Kawai Environment Principles", "Green procurement guideline" and "Wood materials procurement guideline". The Committee strives to ensure compliance with laws and regulations related to the environment as well as reducing the risks of environmental pollution by setting the objectives and goals of the environmental preservation.	Product Safety Measures Committee In the event that any safety deficiency is found in our product in the market which caused or is deemed likely to cause any injury to customer's life or body, the Committee will take quick actions including notice to customers, report to a relevant administrative organization and recall of such product, and also carry out all activities to minimize the damage to customers.
Overseas Safety Measures Committee This Committee is responsible for the risk management for overseas subsidiaries, expatriates and workers on overseas business travel.	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.
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	
In order to promote compliance management, we have established a compliance outline (including the Kawai Code of Ethics and Standards of Ethical Conduct) that includes social norms in addition to legal compliance, and have also established a Corporate Ethics Committee that includes outside experts such as lawyers. In addition, corporate ethics office that is responsible for the administration of the matters related to corporate ethics takes initiatives in operation of a corporate ethics hot line and arousing employees' awareness of compliance through education and enlightenment activities.	

Flow of Corporate Ethics Committee and Corporate Ethics Hot Line



List of environmental loads by site

			Reference		Reference year				Compared to reference year	
			1990	2016	2017	2018	2019	2020		
Ryuyo Factory Iwata City, Shizuoka Prefecture Business: Manufacturing pianos Site area: 168,218 m ²	INPUT	Electricity	GJ	101,341	57,787	55,627	55,292	54,549	48,950	-11.5%
		Fuel	GJ	28,253	17,861	18,032	16,876	16,668	14,989	-11.2%
		Water	1000 m ³	3330.0	35.6	38.1	45.2	48.5	48.6	7.5%
		Chemical substances	ton		36.8	39.1	44.6	46.1	38.6	-13.5%
	OUTPUT	CO ₂ emissions	ton-CO ₂	7,632	3,553	3,462	3,388	3,343	3,001	-11.4%
		Chemical substances	ton		9.1	10.1	12.3	13.8	10.1	-17.9%
		Waste incineration/landfill	ton	437.3	0.3	0.2	0.2	0.0	0.0	-100.0%
		Waste recycle	ton	102.0	823.2	836.0	854.5	921.5	764.6	-10.5%
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	-12.8%
		Fuel	GJ		21.9	22.7	29.1	29.4	22.0	-24.4%
		Water	1000 m ³		28.5	30.0	31.4	28.4	23.6	-24.8%
		Chemical substances	ton		3.0	1.8	3.0	0.0	0.0	-100.0%
	OUTPUT	CO ₂ emissions	ton-CO ₂		2,894	3,129	3,097	2,915	2,699	-12.9%
		Chemical substances	ton		3.0	1.1	2.6	0.0	0.0	-100.0%
		Waste incineration/landfill	ton		0.0	0.0	0.0	0.0	0.0	
		Waste recycle	ton		58.3	57.0	64.0	54.7	32.3	-49.5%
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	57,070	42,748	48,971	49,627	46,436	45,629	-8.1%
		Fuel	GJ	7,132	5,393	5,473	4,194	3,417	4,024	-4.1%
		Water	1000 m ³	42.1	72.3	79.6	67.0	69.1	79.0	17.9%
		Chemical substances	ton		39.5	33.5	15.2	0.4	0.5	-96.7%
	OUTPUT	CO ₂ emissions	ton-CO ₂	3,674	2,333	2,622	2,561	2,325	2,324	-9.3%
		Chemical substances	ton		30.6	26.1	8.6	0.0	0.0	-100.0%
		Waste incineration/landfill	ton	0.0	2.2	2.1	1.8	1.9	1.1	-38.9%
		Waste recycle	ton	61.4	19.4	29.9	16.5	8.2	15.3	-7.3%
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	-7.9%
		Fuel	GJ		33,656	28,847	23,875	21,442	20,354	-14.7%
		Water	1000 m ³							
		Chemical substances	ton		22.8	19.5	14.6	13.9	12.8	-12.3%
	OUTPUT	CO ₂ emissions	ton-CO ₂		6,634	6,009	5,193	4,720	4,597	-11.5%
		Chemical substances	ton		1.9	1.7	2.5	2.7	2.0	-20.0%
		Waste incineration/landfill	ton		349.7	345.1	298.5	212.6	237.9	-20.3%
		Waste recycle	ton	854.6	611.9	622.9	531.9	500.9	-19.6%	
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	14,787	15,084	14,134	16,415	13,174	11,235	-31.6%
		Fuel	GJ	11	3,595	2,885	2,771	2,517	2,147	-22.5%
		Water	1000 m ³	28.6	3.6	3.0	3.4	2.7	2.3	-32.4%
		Chemical substances	ton		16.1	13.8	14.8	9.9	7.2	-51.4%
	OUTPUT	CO ₂ emissions	ton-CO ₂	1,250	943	849	945	780	665	-29.6%
		Chemical substances	ton		2.8	2.4	2.6	2.1	1.5	-42.3%
		Waste incineration/landfill	ton	218.2	0.0	0.0	0.0	0.0	0.0	
		Waste recycle	ton	32.3	117.6	79.7	91.6	77.1	47.6	-48.0%
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	23.2%
		Fuel	GJ		0.0	0.0	0.0	0.0	0.0	
		Water	1000 m ³		0.2	0.2	0.2	0.2	0.2	0.0%
		Chemical substances	ton							
	OUTPUT	CO ₂ emissions	ton-CO ₂		42	40	39	40	49	25.6%
		Chemical substances	ton							
		Waste incineration/landfill	ton		3.3	0.0	0.0	0.0	0.0	
		Waste recycle	ton	11.4	7.1	11.0	15.0	18.0	63.6%	
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	-0.7%
		Fuel	GJ		26	140	102	160	166	62.7%
		Water	1000 m ³		3.6	3.6	3.4	3.7	3.8	11.8%
		Chemical substances	ton							
	OUTPUT	CO ₂ emissions	ton-CO ₂		267	293	269	265	272	1.1%
		Chemical substances	ton							
		Waste incineration/landfill	ton		4.5	4.2	5.5	3.7	11.1	101.8%
		Waste recycle	ton	24.1	22.9	78.9	56.8	56.8	-28.0%	



Professor Kiyohiko Nakasaki
Tokyo Institute of Technology School of Environment and Society

The COVID-19 pandemic that has been continuing to be a threat in our society since 2020 imposes various restrictions and inconveniences not only to our daily lives, but also to corporate activities. Sales of pianos were also affected. However, the Kawai Group took action to recover from a setback featuring products that meet the demand raised by stay-home lifestyle and provide online lessons, etc., and as a result, we can see the sign of recovery in sales and also in the number of students in music schools both in Japan and overseas. These corporate efforts have produced fruits of robust sales and operating profit as described in the report.

In the 6th Medium-term Management Plan “Resonate 2021”, the company is committed to the enhancement of “sales ability”, “product and service strength”, “production power” and “organizational strength” toward the goal of establishing a 100-year brand. Specific measures to take for each of these four elements are explained in an easy-to-understand manner. Especially the measures for increasing “organizational strength” have resulted in the company’s receiving a certificate as the “Health & Productivity Management Outstanding Organization” for the second consecutive year, which shows that the company is promoting “Health and Productivity” to enable its employees to work lively. Furthermore, the company was also granted “Eruboshi Certification (2-Star)” by the Minister of Health, Labour and Welfare, being evaluated as an excellent company in taking measures to promote active participation by females. In this way, the company’s activities to increase “organizational strength” are highly evaluated by external organizations, which will in turn increase the strength of Kawai brand and lead to the enhancement of its corporate value.

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 Environmental and Social Report 2021 of Kawai Group is structured and designed so that our Group’s activities to implement four important strategies of the 6th Medium-term Management Plan “Resonate 2021” can be clearly understood. Receiving evaluation of our activities from Professor Nakasaki, particularly the measures in relation to “organizational strength” and endeavors to reduce environmental load reduction, we are very much encouraged to continue our efforts toward new goals.

We continuously strive to enhance our corporate value, achieve the long-term vision “Establishing a 100-year brand” and to contribute to realization of a sustainable society through commitments including maintaining harmony with nature, active involvement in social activities and making contributions to musical culture.

(Kawai Global Environment Committee Office)



Kawai Musical Instruments Manufacturing Co., Ltd.

Contact:

Kawai Global Environment Committee

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