

# KAWAI

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May 14, 2026

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

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

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

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

May 14, 2026

Kawai Musical Instruments Mfg. Co., Ltd.

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

- ✓ Return on equity (ROE) has not consistently exceeded the cost of equity (estimated at approximately 7%) over the past 10 fiscal years, excluding the period of stay-at-home demand, and has fallen significantly below that level over the two most recent fiscal years.
- ✓ The price-to-book ratio (PBR) of our company has been below 1.0 for 8 of the past 10 fiscal years.

## ROE, average ROE and Cost of equity

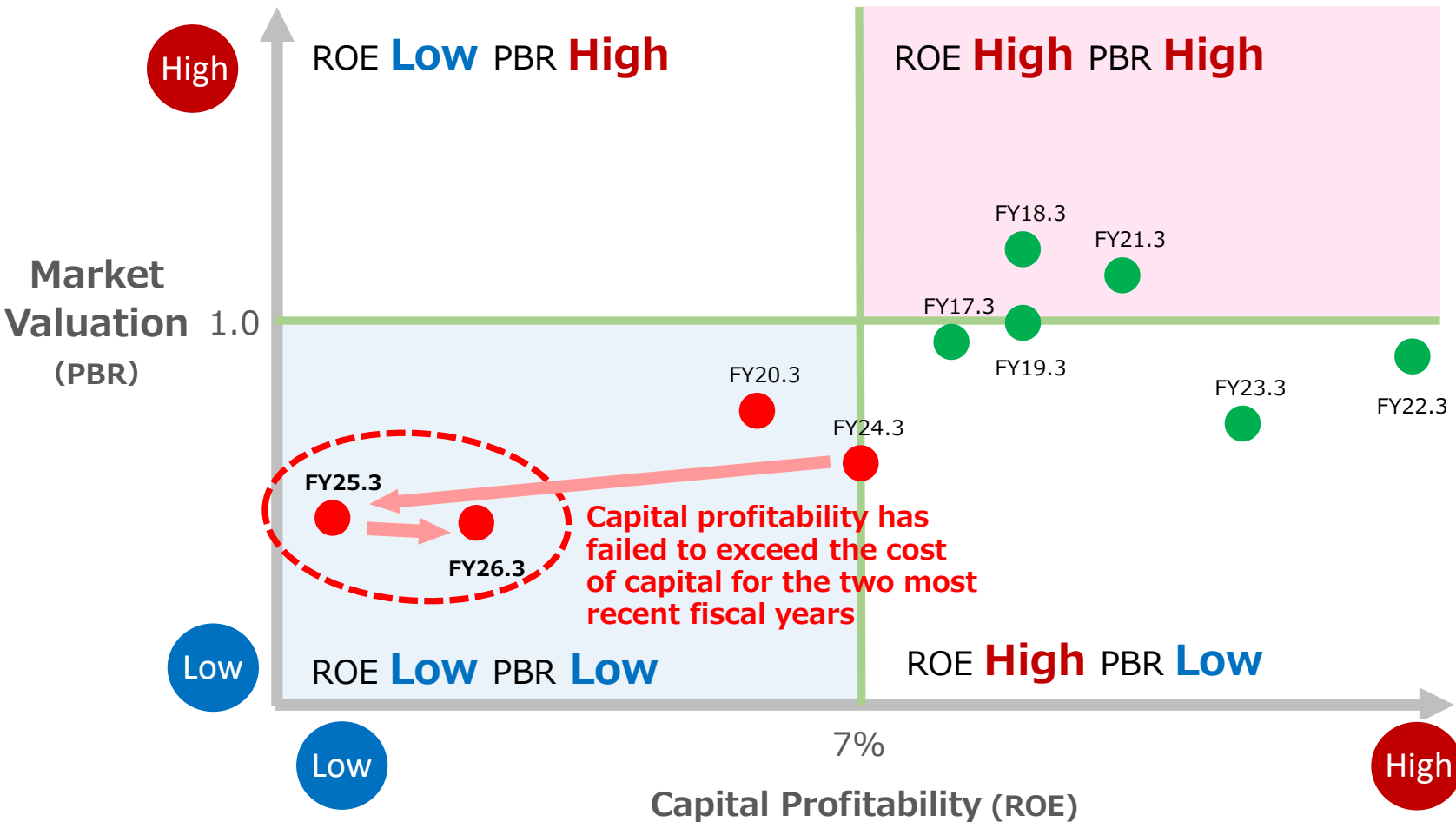


PBR (times)	0.94	1.30	0.99	0.81	1.08	0.84	0.69	0.72	0.55	0.52
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Cost of equity of our company (estimated) = risk-free rate + beta × market risk premium = approx. 7% (CAPM)  
 0.9 to 1.0%    0.9 to 1.0    6.0 to 6.5%

# Analysis of Current Status (Capital Profitability and Market Valuation)

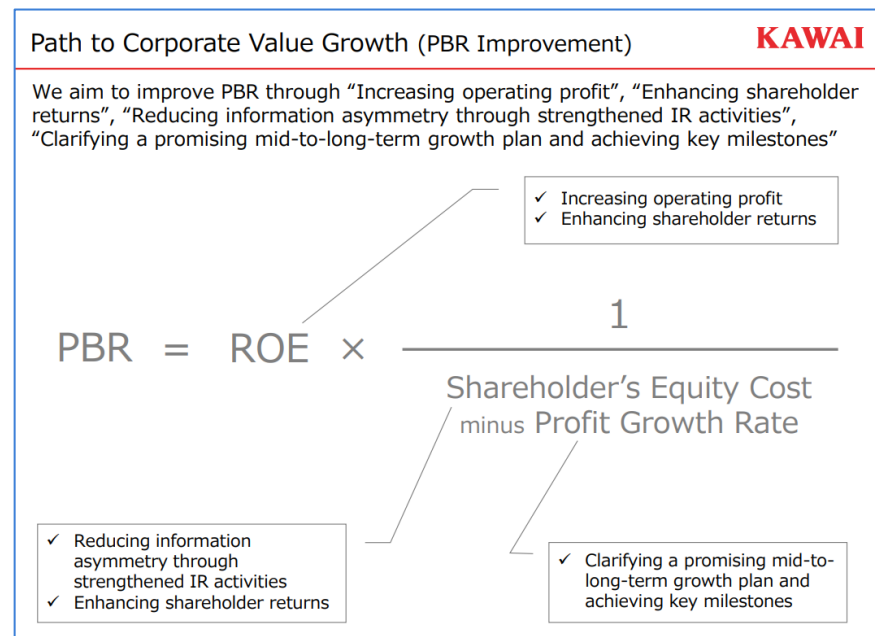
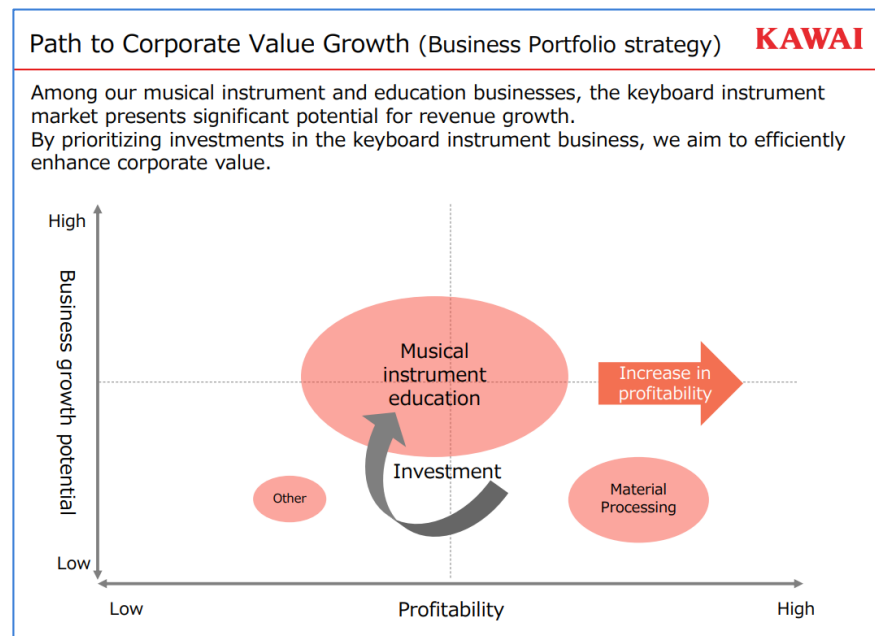
- ✓ Over the past 10 fiscal years, we have generally achieved capital profitability exceeding the cost of equity. However, due in part to a significant decline in capital profitability over the past two fiscal years, the market's valuation of our profitability and growth potential remains low.
- ✓ **Improving profitability and enhancing market valuation are urgent management priorities.**



# Key Measures (1): Medium- to Long-Term Management Policy

- ✓ We are implementing the initiatives set forth in the 8th Medium-Term Management Plan, “KAWAI Ten-Year Plan”, covering the 10-year period from April 2025 through March 2035.
- ✓ We aim to achieve significant growth in the keyboard instrument business in pursuit of becoming the world’s No.1 keyboard instrument manufacturer.
- ✓ **We aim to enhance our PBR (market valuation) through increasing operating profit, strengthening IR activities, and clarifying a promising mid-to-long-term growth plan and achieving key milestones.**

Source: “KAWAI Ten-Year Plan”



For details of the “KAWAI Ten-Year Plan,” please visit our website.  
[https://www2.kawai.co.jp/ir/setsumeij\\_pdf/2025/20250319\\_2025chukei\\_e.pdf](https://www2.kawai.co.jp/ir/setsumeij_pdf/2025/20250319_2025chukei_e.pdf)

# Key Measures (2): Use of Capital to Achieve Our Vision

✓ **Implement capital allocation that balances sustainable growth and shareholder returns.**

(Capital allocation plan for the first three years of the Medium-Term Management Plan, “KAWAI Ten-Year Plan.”

A new capital allocation plan for the fourth year onward will be formulated based on the circumstances at that time.)

## Capital Allocation Plan (first three years)

Sources of Funds	Use of Funds	
[millions of yen]		
Operating CF 11,500	Regular Investment 6,000	<ul style="list-style-type: none"> <li>✓ Renewal of existing production and logistics facilities</li> <li>✓ Updates to information systems, etc.</li> </ul>
Internal funds 4,700	Growth Investment 9,000	<ul style="list-style-type: none"> <li>✓ Construction of a digital piano production plant in Indonesia</li> <li>✓ Opening and renovation of directly managed stores</li> <li>✓ M&amp;A of existing dealers</li> <li>✓ Establishment of Kawai Research Institute</li> <li>✓ Introduction of production efficiency equipment, etc.</li> </ul>
External finance 6,000	Debt repayment 4,300	
	Shareholder returns 2,900	<ul style="list-style-type: none"> <li>✓ Continued progressive dividends</li> <li>✓ Maintaining a total return ratio of 50% or more each fiscal year</li> </ul>

# Key Measures (3): Asset Holdings and Financial Strategy

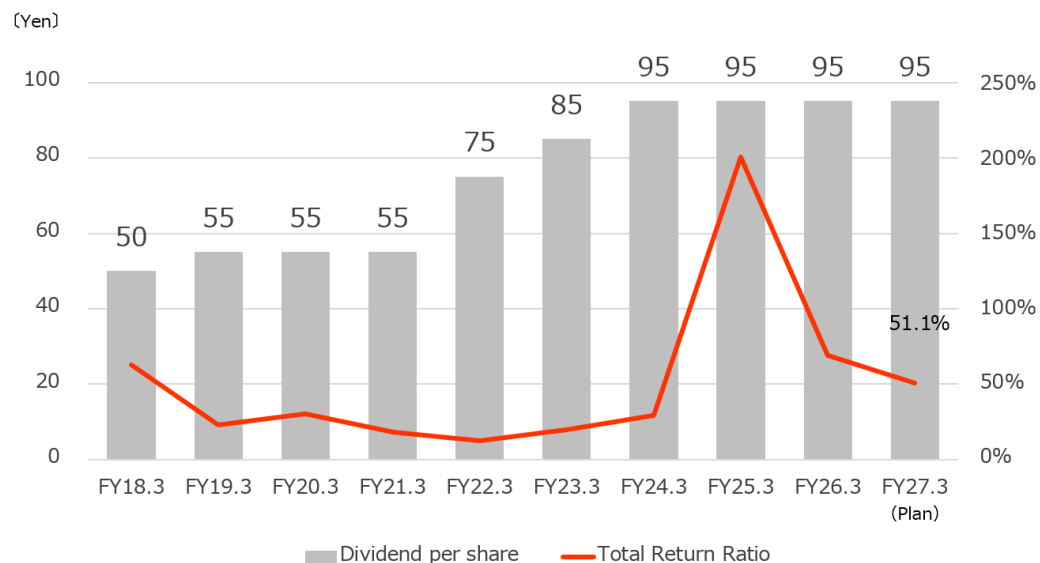
- ✓ We aim to achieve sustainable growth by continuously improving capital efficiency through proactive growth investments and shareholder returns, with **ROE targets of 5.5% in the third year, 10% in the sixth year, and 16% in the tenth year** of the “KAWAI Ten-Year Plan.”
- ✓ We will continue to review our asset holdings to ensure they are optimized to enhance corporate value and improve performance.
- ✓ To strengthen shareholder returns, we will continue **progressive dividends and maintain a total return ratio of 50% or more.**

## B/S Management Policy

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

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

## Dividend per Share and Total Return Ratio



# Key Measures (4): Initiatives of the Board of Directors

- ✓ From the perspective of enhancing corporate value over the mid-to-long term, the Board of Directors will further deepen discussions regarding Key Measures (1), (2), and (3).
- ✓ **We promote constructive dialogue with shareholders and investors, report the content of such dialogue to the Board of Directors, and reflect it in management decisions.** We also respond appropriately to opinions and requests received from shareholders and investors as part of our efforts to enhance corporate value.

Opinions / Themes Raised	Actions Implemented
Enhancement of financial results briefing materials	✓ Clear commitment to enhancing corporate value and specific measures to achieve mid-to-long-term targets, included in financial results briefing materials
Enhancement of other disclosure materials	✓ Launch of sponsored research (IR materials) disclosure beginning in December 2025, with quarterly updates in Japanese and English
Implementation of factory tours for institutional investors	✓ Two factory tours in FY2026.3 for the first time in six fiscal years
Enhancement of shareholder benefits	✓ Disclosure of enhancement of the shareholder benefit program in February 2026
Enhancement of Board of Directors operations	<ul style="list-style-type: none"> <li>✓ Review of the frequency of Board of Directors meetings for FY2027.3</li> <li>✓ Planning of market inspections by Board members</li> </ul>

## <Issues and Countermeasures>

Issues	Countermeasures
Urgent need to improve profitability and enhance market valuation	We aim to enhance our PBR (market valuation) through increasing operating profit, strengthening IR activities, and clarifying a promising mid-to-long-term growth plan and achieving key milestones.

### ■ Increasing operating profit

- ✓ Steady execution of the strategies set forth in the “KAWAI Ten-Year Plan”

### ■ Strengthening IR activities

- ✓ Continuation of IR meetings with institutional investors and company briefings for individual investors, together with strengthened IR communications through the use of new information channels

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

- ✓ Disclosure of progress under the “KAWAI Ten-Year Plan,” along with ongoing refinement of targets and initiatives

**Our policy is to ensure that our growth potential is appropriately evaluated by shareholders and investors and to achieve a PBR of 1.0 or more at an early stage.**

# KAWAI

Our earnings forecasts and future predictions described in this document are based on information available at the time of preparation. Actual results and achievements may differ materially from these forecasts due to changes in various external and internal factors, such as economic conditions, the intensification of selling competition and risks associated with intellectual property rights.