

〒430-8665

Hamamatsu-shi Naka-ku Terashima-cho 200

Kawai Musical Instruments Manufacturing Co., Ltd.

Chairman, President and Representative Director

Mr. Hirotaka Kawai

My name is Yuya Shimizu, Chief Investment Officer of Hibiki Path Advisors (“we” and/or “us”), an institutional investor based in Singapore, who holds your company’s (“You” and/or “Kawai”) shares in our client accounts. Today, I am sending this letter to the Board of Directors as a minority shareholder, to make suggestions regarding measures to improve the corporate value of your company.

Since we manage clients’ capital based on our long-term investing philosophy, we are, in a way, agnostic to daily price movements or quarterly results. When selecting companies to invest, we evaluate factors such as technology, differentiated products and services, competitiveness, and brands over the long term (Economic Moat), and more importantly, the “ability” to engage in constructive dialogue with management to enhance corporate value together. Your company meets these criteria exceedingly well and we were extremely thrilled when we finally found you.

Established in 1927, Kawai and your friendly rival Yamaha Corporation (“Yamaha”) have contributed hugely to Japan’s music education as well as the mental well-being of our people through music playing experience. Four years from now, Kawai will be celebrating its 100th Anniversary, which we are also very happy for. The core of your business is still centered on “acoustic piano” being a pure piano artisan and we feel great resonance with your somewhat stubborn attitude towards Piano manufacturing philosophy. I myself have enjoyed playing piano and wind instruments since I was a child, and I have visited your flagship store, Kawai Omotesando ([link](#)) more times than I can count in my life, and I am one of the individuals who have been greatly indebted to your music education.

Putting my personal experience aside, as a long-term investor, we would like to share with you the details of why we invested in your company and make you “rediscover” Kawai from the

point of view of investors. At the same time, we would like to make some recommendations on several issues such as IR activities and financial measures to maximize your corporate value.

We have the view that there is an extremely large gap between your reputation in the industry (i.e. the Brand Value) and the valuation of your stock price in the capital market. We are concerned that if this situation continues, there will potentially be an increased risk of inviting an unwelcome shareholder which may potentially destabilize the continuity of managing the business, and this forms the basis of our proposal. We know that some parts of our proposal may be harsh, but you will hopefully understand that we have good intentions, and we hope you realize that it is our way of encouraging you. We would like to ask your Board of Directors and Management Committee to take this proposal letter into consideration and take immediate steps and communicate to all shareholders in public so that you transform your company's reputation in the capital market with your own hands.

We strongly believe that the Kawai brand should be better appreciated not only in the music industry but also in the capital market. However, to achieve this, it is necessary for you to take bold and proactive measures to tackle the capital markets.

8th May, 2023

Yuya Shimizu

Chief Investment Officer, Director

Hibiki Path Advisors Pte. Ltd.

39 Temple Street #02-01, Singapore 058584

*this letter does not constitute a legal shareholder proposal, but an constructive suggestion in a form of proposals

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