

Securing and Retaining Human Resources

Management Approach

Material Issues and Our Approach

When recruiting human resources, rather than simply filling the gaps left by outgoing retirees, we seek to secure individuals with the necessary skills in the required numbers from a medium- to long-term perspective. Recently, in light of a growing need for more employees due to business expansion, we are actively recruiting not only new graduates but also individuals with career experience. In April 2019, we extended the retirement age of general employees to 65. We also have adopted a Pro-Senior System, under which employees in management positions can be re-hired until the age of 65. As a result, many veteran employees are actively involved in operations.

Additionally, to facilitate overseas business expansion and promote diversity, since fiscal 2012 we have been working to hire new overseas college graduates and foreign national students in Japan.

After hiring, we seek to develop human resources using on- and off-the-job training and transfer individuals in line with their specific aptitudes, seeking to put the right people in the right places in order to make maximum use of our human resources' abilities.

Focus Activities and Medium-term Targets

Workstyle Reform

Since fiscal 2016, the Kawasaki Group has embraced K-Win activities, which are an effort to promote workstyle reform. We set the objectives of the activities as "promotion of work-life balance," "increasing the productivity of administrative and technical personnel," and "reducing long working hours".

Our aim is to realize a highly productive workplace where employees are able to make full use of their abilities with creativity within a well-balanced combination of work and life as we carry out our activities based on coordinated effort in the three areas of transformation, namely, operational transformation, organizational and corporate culture transformation, and system transformation.

We will create a strong company throughout our global operations by creating workplaces where all Kawasaki Group employees are invigorated and are able to maximize their personal capabilities.

● Goal for the MTBP 2019

- Further increase employee satisfaction as reported in the employee satisfaction survey.

Progress, Results and Challenges

Securing Human Resources

Administrative and technical positions are characterized by a prevalence of team-based operations. As such, finding team players who can engage in friendly competition with their colleagues is a major focus in hiring. Making this focus more concrete, and to ensure our ability to secure excellent talent, in 2017 we established a vision for the kind of human resources we seek, and have been proceeding accordingly. Specifically, administrative employees should be able to fulfill their given missions by proactively interacting with those around them with a clear understanding of their situation, and have a clear recognition of the particular challenges that they face and high aspirations to act with unflinching conviction. We are implementing similar initiatives for technical employees, seeking to secure talent that is even more outstanding.

Workstyle Reform

As part of our K-Win activities, we have introduced productivity; i.e., how efficiently the person is able to execute their duties since 2017 as one of our employee review criteria for administrative and technical personnel, and are in the process of establishing a system for giving recognition to employees who work more efficiently within shorter amounts of time.

Furthermore, we have introduced a remote working program (teleworking program) for administrative and technical employees since January 2018 as part of our aim to facilitate employee workstyles.

● Goals for Fiscal 2018

- Formulate and execute measures based on the results of the employee satisfaction survey.
- Implement activities aimed at communicating basic policies to Group companies.

● Fiscal 2018 Results

- The results of the fiscal 2018 employee satisfaction survey (of the parent company and domestic subsidiaries and affiliated companies) indicated work environment improvements from the previous survey, in fiscal 2015, in terms of a) perceived appropriateness of work hours, b) use of paid leave, c) work-life balance. However, the fairness of promotion systems and the objectivity and transparency of evaluation systems were rated poorly by employees, with levels of satisfaction varying by internal company (on par with the results of the previous survey). In addition, ratings of workplace openness, harassment prevention, and the woman-friendliness of the workplace fell from the previous survey. Based on the survey results, we will implement specific measures from fiscal 2019 onward.

- Communicated Group policy on response to the amended Workstyle Reform Law to consolidated subsidiaries via the internal companies. Planning to check on the state of response at consolidated subsidiaries in fiscal 2019.

● **Goals for Fiscal 2019**

- Carry out measures related to improving corporate culture and business restructuring, which are pillars of K- Win Activities (specifically, provide support for the active utilization of one-on-one meetings, follow up on the activities of internal companies, promote operational process streamlining, etc.).
- Establish an external consultation point for harassment- and mental health-related issues.
- Formulate and carry out measures to flexibly activate human resources, such as personnel rotation.
- Revise personnel and compensation systems.

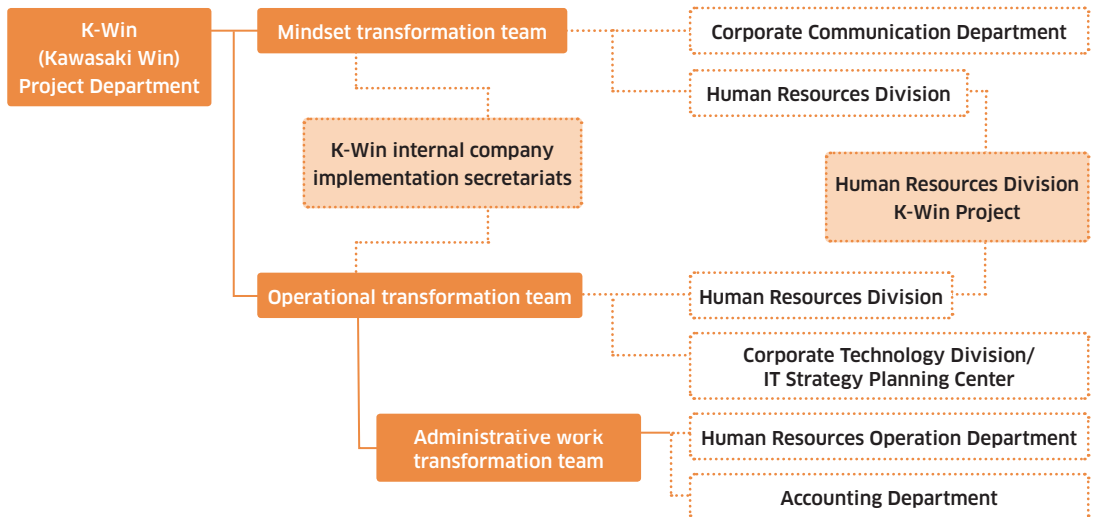
Structure

We have formed an Implementation Secretariat for K-Win Activities, primarily comprising the Corporate Planning Division's K-Win Project Department. Three teams operate under the Implementation Secretariat: an organizational culture transformation team, an operational transformation team and an administrative work transformation team. These teams are responsible for the following activities:

- Organizational culture transformation team: Fostering exchange in and outside the Company to promote the diversity of knowledge, fostering a culture of encouraging taking on challenges and acknowledging and learning from failure, and building an open organizational and corporate culture
- Operational transformation team: Increasing productivity (promoting effective work methods in terms of maximizing results and judicious task selection, and promoting efficient work methods in terms of minimizing required inputs)
- Administrative work transformation team: Digitizing the handling of travel and other expenses and invoices, improving administrative work platforms and making management information more accessible

Additionally, implementation secretariats have been established at the internal companies and works to promote workstyle reforms across the Company. Four times a year, the Head Office K-Win Implementation Secretariat and the implementation secretariats at internal companies and works hold a Company-wide K-Win Implementation Secretariat Conference to share information and promote workstyle reform implementation on a Company-wide basis.

K-Win Implementation Structure



● **Responsible Officer**

Satoshi Morikawa, Manager, K-Win(Kawasaki Win) Project Department, Corporate Planning Division

● **Responsible Executive Organ and Committee**

K-Win Activities Implementation Secretariat

Securing and Retaining Human Resources

Employee Evaluations

Human Resource Evaluation Policy

In order to realize a system of treatment that is clear-cut and reflects our employees' capabilities and performance, and one that is geared towards improving employee motivation, including their incentive to develop their personal capabilities, we position the ability-based qualification system—based on the capabilities expected of each particular position (duty)—as the pillar of our employee treatment (assignments, salaries, bonuses, etc.) and employee development.

Therefore, we employ a uniform remuneration system based on ability-based qualifications regardless of nationality, gender or other attributes.

And the basis for implementing this ability-based qualification system is our employee review system. Employee review consists of evaluations for performance and capability, the former for evaluating the difficulty of a particular job, the degree to which the employee has achieved objectives and the professionalism by which they approached the job, and the latter for evaluating the employees' abilities—primarily knowledge and skills—to execute the task. In order to ensure equitable and fair evaluations, a predefined set of evaluation procedures are disclosed to all employees. Additionally, it is regulated that meetings between supervisors and staffs be held at least twice a year to ensure the credibility for their target settings and evaluation.

On the other hand, training that incorporate case studies are provided at events such as manager training meetings to help the managers improve their evaluation skills. Moreover, once a year, the labor union is briefed on promotions and treatment to verify that employees are being treated in an equitable and fair manner.

● Percentage of Employees Assessed by Different Evaluation Methods

	(FY)	2014	2015	2016	2017	2018
Evaluation based on target management ¹	%	—	—	100	100	100
Multifaceted performance evaluations ²	%	—	—	21	21	21
Evaluations for ranking employees within their category	%	—	—	100	100	100
Others	%	—	—	—	—	—
	Scope	—	—	nc	nc	nc

1. Evaluations based on targets and other criteria agreed to by the Line Manager.

2. 360° evaluations, etc.

Long-term Incentives

Overview of Long-term Incentives for Employees

Kawasaki provides a retirement payment system where employees can receive payment in a lump sum or as a pension. Kawasaki offers defined contribution corporate pensions in addition to defined benefit pensions which allow employees to choose their contribution amounts to suit their life plans and put them to good use in their long-term asset building plans.

● Assessment Criteria

Years of service, age, work qualifications, work performance

● Period for Assessment

Three years or more

● Scope of Policy Application

All employees

Hiring

Number of Hired Employees

	(FY)	2015	2016	2017	2018	2019	
New graduates hired*	Persons	526	577	538	538	562	
	Male	Persons	500	546	495	492	507
	Female	Persons	26	31	43	46	55
Administrative and technical positions	Persons	299	333	325	332	338	
	Male	Persons	279	305	287	291	290
	Female	Persons	20	28	38	41	48
Production specialists	Persons	227	244	213	206	224	
	Male	Persons	221	241	208	201	217
	Female	Persons	6	3	5	5	7
Mid-career hires	Persons	452	230	251	417	–	
	Male	Persons	424	184	145	297	–
	Female	Persons	28	46	106	120	–
Administrative and technical positions	Persons	284	177	138	162	–	
	Male	Persons	265	162	125	152	–
	Female	Persons	19	15	13	10	–
Production specialists	Persons	163	20	19	148	–	
	Male	Persons	159	19	19	140	–
	Female	Persons	4	1	0	8	–
Partner	Persons	5	33	94	107	–	
	Male	Persons	0	3	1	5	–
	Female	Persons	5	30	93	102	–
Average years of service	Years	13.4	13.3	13.5	13.6	–	
	Male	Years	–	13.5	13.5	13.7	–
	Female	Years	–	13.3	13.5	12.3	–
Average hiring cost per hire	Thousands of yen	–	900	–	–	–	
	Scope	nc	nc	nc	nc	nc	

* Number of new grads hired as of April 1 of each fiscal year.

Resignations

Number of People Resigning

	(FY)	2014	2015	2016	2017	2018	
Number and Rate ^{1,2}	Persons	71	73	145	187	220	
	%	0.5	0.5	0.9	1.2	1.3	
	Male	Persons	58	66	129	166	200
		%	0.4	0.5	0.9	1.1	1.3
	Female	Persons	13	7	16	21	20
		%	1.5	0.8	1.7	2.0	1.6
29 and younger	Persons	45	44	75	78	111	
	%	1.1	1.1	2.7	2.3	2.9	
	Male	Persons	34	40	68	68	101
		%	0.9	1.0	2.6	2.1	2.8
	Female	Persons	11	4	7	10	10
		%	3.8	1.9	5.3	5.6	4.4
30 to 39	Persons	14	17	43	75	76	
	%	0.4	0.4	0.9	1.5	1.5	
	Male	Persons	14	14	39	67	70
		%	0.4	0.4	0.8	1.4	1.5
	Female	Persons	0	3	4	8	6
		%	0.0	1.4	1.5	2.7	1.7

	(FY)	2014	2015	2016	2017	2018
40 to 49	Persons	5	10	19	25	16
	%	0.1	0.3	0.5	0.6	0.4
Male	Persons	3	10	16	22	13
	%	0.1	0.3	0.4	0.6	0.3
Female	Persons	2	0	3	3	3
	%	0.8	0.0	1.0	0.9	0.7
50 and above	Persons	7	2	8	9	17
	%	0.2	0.1	0.2	0.3	0.5
Male	Persons	7	2	6	9	16
	%	0.2	0.1	0.2	0.3	0.6
Female	Persons	0	0	2	0	1
	%	0.0	0.0	0.9	0.0	0.4
	Scope	nc	nc	nc	nc	nc

1. Age of resigning employees is shown as of April 1 of each fiscal year.

2. Number of resigning people does not include retirees and executive transfers.

Employee Satisfaction

Employee Satisfaction Surveys

Kawasaki conducts periodic employee satisfaction surveys to gauge employee perceptions of 1) company visions, 2) compliance, 3) personnel matters, 4) work-life balance and 5) loyalty to and satisfaction with the Company.

Employee responses are analyzed, with salient correlations taken into account, and the results are utilized in a wide range of measures. Survey results are also disclosed to employees on the Company intranet.

● Employee Satisfaction Survey Results

	(FY)	2014	2015	2016	2017	2018
Response rate	%	100	–	80	–	100
Percentage of applicable employees	%	100	–	100	–	100
Satisfaction (Percentage of people who replied "I would like to continue to work here")	%	71.6	–	–	–	69.5
Male	%	–	–	–	–	68.6
Female	%	–	–	–	–	70.4
	Scope	cd	–	o*	–	cd

* Implemented for certain executives and managers at Group companies outside Japan

Work-Life Balance Support

Supporting Employees Balancing Work with Childcare and Nursing Care

Kawasaki provides support in a number of ways to enable employees to continue working actively while balancing work with childcare and nursing care. Many related systems go beyond national government standards, such as a system of childcare leave available until employees' children reach age three; a reduced working hours system available until employees' children graduate from elementary school; nursing care leave available for up to three years; and a system that lets employees take time off in one-hour units as needed for childcare or family nursing care. In recognition of these systems, in 2010 Kawasaki was certified as a company supporting childcare and awarded the Kurumin Mark.

Other initiatives include the Supplementary Work Day Nursery Service, which provides temporary childcare services within the Company for employees working on days that they would normally have off; the Childcare Rescue System, offering Company-designated baby-sitter services that employees can use when their children are sick or recovering or when they are working overtime or on business trips; a concierge service to help employees find nursery schools; seminars to support employees taking childcare leave who wish to return to work; and career seminars for dual-income married couples. We continue working to enhance such initiatives for employees with children.

● Usage of Work-Life Balance Programs

	(FY)	2014	2015	2016	2017	2018	
Employees using the childcare leave	Persons	43	37	51	49	59	
	Male	Persons	4	9	8	6	7
	Female	Persons	39	28	43	43	52
Employees using the care leave	Persons	2	2	0	4	3	
	Male	Persons	2	2	0	2	3
	Female	Persons	0	0	0	2	0
Return rate after childcare leave	%	94	100	98	98	100	
Retention rate after childcare leave	%	100	100	100	98	—*	
	Scope	nc	nc	nc	nc	nc	

* The retention rate after childcare leave represents the percentage of employees still working after one year of returning from childcare leave. No statistics are currently available because this one year period has not elapsed as of fiscal 2018.

Support Systems (non-consolidated)

Parental leave before and after birth	Maternity/paternity leave	Employees may take leave until a child reaches the age of three. There is no limit on the number of leaves taken.
	Nursery school enrollment concierge	Provides services to help employees taking childcare leave enroll their children in a nursery school.
	Leave to care for sick/injured child	Employees receive five days each year for each child up to completion of elementary school. Kawasaki does not set a limit on the number of children used to calculate a five-day leave. (Legally, companies are only required to provide a total of up to 10 days per year to employees with two or more children)
	Accumulated leave*	Employees may use accumulated leave to care for a young child (up to completion of elementary school), care for a sick/injured child, or when morning sickness interferes with job duties.
	Use of flextime system	Employees may work on a flextime basis as necessary when looking after a young child (up to completion of elementary school) or when morning sickness interferes with job duties.
	Limits on out-of hours work and work on days off	Employees may be exempted from out-of-hours work and work on days off until a child completes elementary school.
	Reduced working hours system to care for young child	Standard working hours can be reduced up to a maximum of three hours a day until a child completes elementary school.
Family (Nursing care)	Nursing care leave	Employees may take leave up to three times for one person requiring nursing care (three years at longest).
	Limits on out-of-hours work and work on days off for nursing care	Employees may be exempted from out-of-hours work and work on days off up to once a year.
	Special leave for family care	Employees may take special leave of five days to care for an ailing or elderly family member. Kawasaki does not set a limit on the number of family members that employees must care for. (Legally, companies are only required to provide a total of up to 10 days per year to employees who have two or more family members in need of assistance.)
	Half-days off	Employees may take as many half-days off as necessary, within available annual paid leave, to care for an ailing or elderly family member.
	Accumulated leave*	Employees may use accumulated leave whenever necessary to care for an ailing or elderly family member.
	Use of flextime system	Employees may work on a flextime basis as necessary when looking after an ailing or elderly family member.
	Reduced working hours system for nursing care	Employees may shorten their working hours for at longest two hours a day (up to two times in three years).
Other	Request for reemployment	Employees who resign to care for a child or an ailing/elderly family member may apply to be rehired when a change in their situation allows them to return to work.

* Accumulated leave refers to an accumulation of unused annual paid vacation days that cannot be carried over to the next year but can be taken in special circumstances.

Work-Life Balance

Encourages Employees to Take Their Annual Paid Leaves

Kawasaki encourages our employees to take their annual paid leave to enable employees to mentally and physically refresh themselves and to draw a clear line between work and private life by taking their leaves in a planned manner. To this end, Kawasaki implements two programs: the Two Consecutive Holidays and the Anniversary Holiday programs. Under these programs, employees designate a total of three paid leave days at the beginning of the fiscal year and can take these days off without fail.

Additionally, based on a labor agreement, three annual paid leave days that the Company designates are taken at once generally by all employees in August. This midsummer break, which includes other Company holidays and a national holiday, adds up to nine consecutive vacation days.

Furthermore, the labor union and management have agreed to define one day per week as an on-time exit day since fiscal 2006. By defining this on-time exit day, employees are able to achieve a well-controlled workstyle, which helps in improving their work-life balance.

● Annual Paid Leave Usage

	(FY)	2014	2015	2016	2017	2018
Number of used paid leaves*	Days/person	14.9	15.0	15.2	15.4	15.8
Paid leave usage rate	%	67.7	68.2	69.0	70.0	71.8
Total annual work hours	Hours/person	2,078	2,070	2,075	2,065	2,047
Total annual overtime hours	Hours/person	303.4	340.0	307.2	303.8	303.6
	Scope	nc	nc	nc	nc	nc

* 22 days given per year.

Topic

Enhancing On-site Nursery Facilities

A nursery opened at Kawasaki Motors Enterprise (Thailand) Co., Ltd. in April 2010. The nursery provides temporary care for employees' children between the ages of one and four. As of March 2017, the nursery cares for the children of about 30 employees on a daily basis. Several more children are also registered at the nursery, and utilize it as necessary. The nursery is generally open from 7:30 to 17:15 to coincide with regular working hours, but if requested by more than a fixed number of employees, it is also made available during overtime or holidays.

The opening of the nursery means that parents can continue working with complete peace of mind, having left their children to be cared for nearby. From the employer's viewpoint as well, the loss of skilled human resources due to childbirth or childcare is avoided, promoting a stable and committed workforce. The opening of the nursery has thus proved to be a measure with mutual advantages.

In Japan, meanwhile, we provide nursery facilities at the workplace on supplementary work days to offer childcare for limited periods.



The nursery of Kawasaki Motors Enterprise (Thailand) Co., Ltd.