

Part **1**: Our First Century

1896 to 1996

Visual History of 100 years

A Driving Force of History

Prologue

The Dawn

Before 1895

Meiji 28

The Formative Years: The Small Business Era

Early on in the Meiji period (1868–1912), Japan was just beginning to open its eyes to the wider world and began modernizing its industries. It was then that Shozo Kawasaki, a business entrepreneur engaged in trading and much more, established the Kawasaki Tsukiji Shipyard at 9 Minami-iida-cho, Tsukiji, Tokyo in April 1878 with the aim of building Western style ships. This was the beginning of Kawasaki Heavy Industries. Three years later, he opened the Kawasaki Hyogo Shipyard in Higashidemachi, Hyogo Prefecture, establishing shipbuilding hubs in both eastern and western Japan.

Then in 1887 the national government decided to sell the publicly owned Hyogo Shipyard to the private sector. Shozo was chosen from among a host of applicants for not only to his management skills, but also for his passion for shipbuilding, commitment to country and community, undying determination, excellent insights, and sincerity. Kawasaki Dockyard, the new company that was established after transferring the main functions of the Kawasaki Tsukiji Shipyard and Kawasaki Hyogo Shipyard, boasted 618 employees, three building berths, two slipways, and five boilers with a combined total output of 111 horsepower.

When the Sino-Japanese War broke out in 1894, orders flooded into shipyards, mainly for ship repair work, and Japan's shipbuilding industry boomed. From this point on, shipowners were oriented toward mass transportation by large vessels. Kawasaki Dockyard was also busy, mainly due to demand from the Navy.

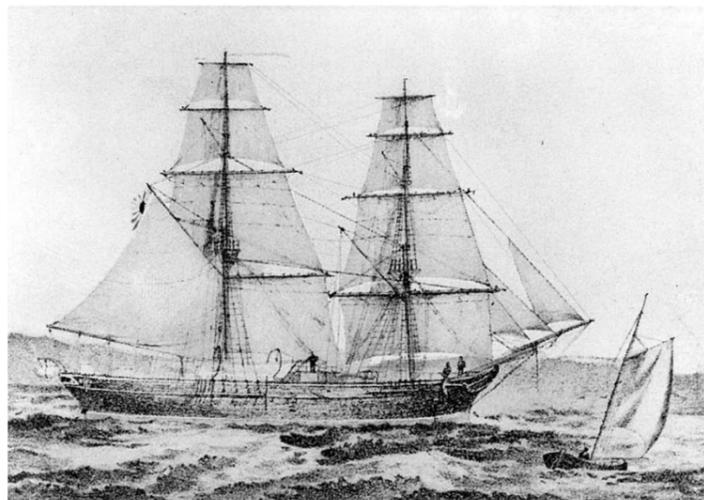
Shozo realized that keeping pace with demand called for a major expansion of facilities and planned to reorganize the company into a joint-stock corporation. He also decided to retire and look for a successor to whom he could entrust with safeguarding the livelihoods of his more than 1,800 employees.



Shozo Kawasaki (1837–1912) (far left), the company founder who pioneered Japan's Western-style shipbuilding industry.



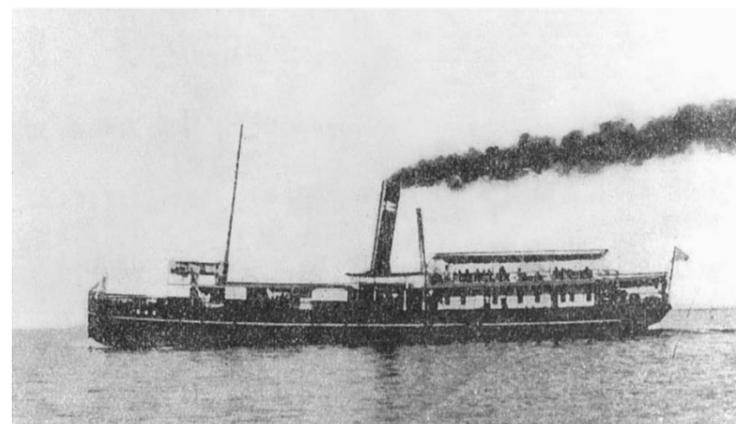
Kawasaki Tsukiji Shipyard advertisement in 1878 announcing the company's founding



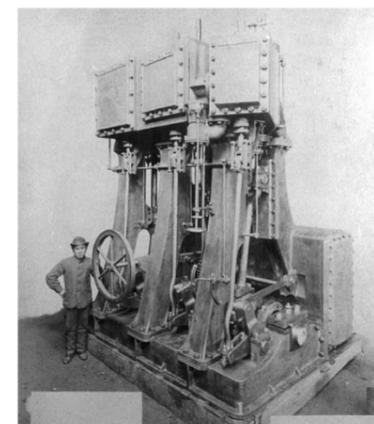
Training ship, Tatyama, built in 1880 and christened the Daiichi Kaisomaru at Kawasaki Tsukiji Shipyard



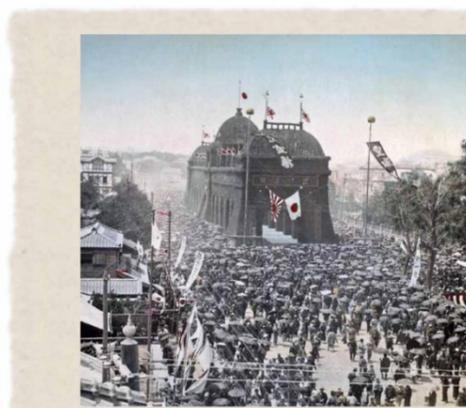
Kawasaki Dockyard in 1891 with a ship to the far left on a slipway



Minatogawamaru cargo-passenger ship, the second ship built by Kawasaki Dockyard and delivered to O.S.K. Lines in 1887



Steam engine for the Tatsugawamaru cargo-passenger ship, manufactured in 1894 (3 cylinders, 65 hp)



Hibiya Triumphal Arch built to celebrate victory in the Sino-Japanese War

Japan Wins the Sino-Japanese War, Joins World Powers

In July 1894, Japan and China went to war over the control of Korea. Japan declared war on August 1, won the Battle of Pyongyang and the Battle of the Yellow Sea in September, and conquered the Liaodong Peninsula in March of the following year. Through the mediation of the United States, the Sino-Japanese Peace Conference opened in Shimonoseki on March 20, 1895. Although a peace treaty was signed with terms that included the recognition of Korea as an independent country, the cession of the Liaodong Peninsula, Taiwan and Penghu Island to Japan, and the payment of 200 million Kuping taels (about 300 million yen) as compensation for military expenses, Japan renounced its possession of the Liaodong Peninsula due to the "triple intervention" of Russia, France, and Germany. With its victory in the Sino-Japanese War, Japan became one of "the great powers."

Chapter 1

The Beginning

1896–1913

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Establishment of the Kawasaki Dockyard and Business Foundation

On October 15, 1896, Shozo Kawasaki established Kawasaki Dockyard Co., Ltd. He appointed Kojiro Matsukata, the third son of Prime Minister Masayoshi Matsukata, as the company's first president. Shozo, who was the largest shareholder, took the position of adviser at Kojiro's request, but did not interfere in the management of the company.

In November 1902, after 6 years of difficult construction work, a 130-meter-long, 15.7-meter-wide, and 5.5-meter-deep dry dock with a maximum capacity of 6,000 tons was completed. At the time the company was actively engaged in constructing naval vessels, such as minelayers and torpedo boats. Then, with the assistance of guest engineers from the U.S., it delivered the first submarine made in Japan to the Imperial Navy in April 1906.

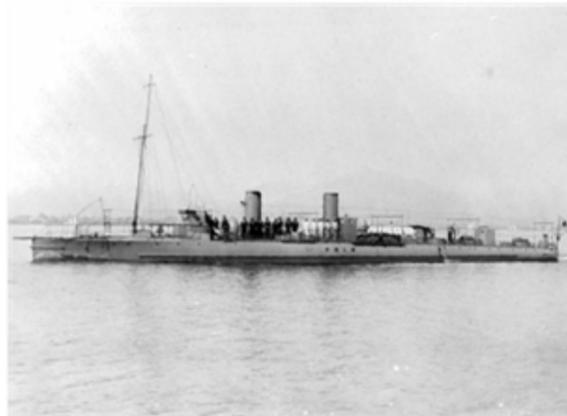
During this same period, the company saw a steadily increasing flow of orders for general merchant ships coming in. In 1900, the company launched a series of 1,000 to 2,000 gross ton ships, including O.S.K. Lines' Dainimaru, which was the first Kawasaki built ship to be classified by the Lloyd's Register of Shipping in the U.K. On top of that, the company added four building berths to significantly boost its construction capacity.

Seeing railway rolling stock manufacturing as a promising new business, the company built a rolling stock factory along the Hyogo Canal. Once the railway manufacturing plant, machinery, and lumber mill were completed, the company started making passenger and freight cars. It also launched a locomotive factory in 1908.

In the wake of its victory in the Russo-Japanese War (1904–1905), the Japanese government geared up for the production of large vessels made in Japan. In 1908, Kawasaki Dockyard built the dispatch boat, Yodo, becoming the first civilian shipyard to produce a warship with a displacement exceeding 1,000 tons. This was followed by the launch of the Hirato second-class battlecruiser and the Haruna battlecruiser.



NYK Line's Mikawamaru, the first ship to enter the dry dock (1902)



Hashitaka, a first class torpedo boat delivered to the Ministry of the Navy in 1904



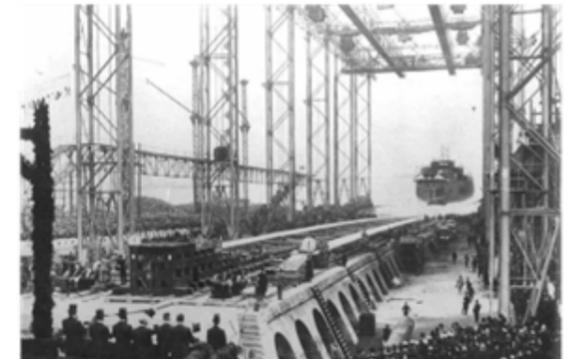
A 150 ton crane vessel and a railway pier at the far right (1908)



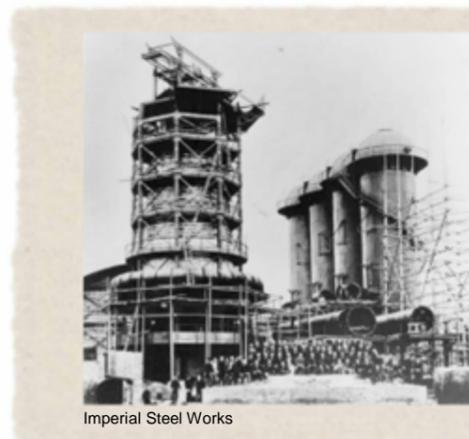
Western-style headquarters building completed at the end of 1908



Kawasaki's first locomotive, Type 6700, delivered to the Ministry of Railways in 1911



Haruna battlecruiser launch ceremony (1913)



Imperial Steel Works

Imperial Steel Works Launched with an Eye to Modernization

As the Sino-Japanese War fueled the building of steel mills in Japan, the government drafted a coordinated plan. Yahata, a town located in Fukuoka Prefecture's Onga district (currently Kitakyushu City), was chosen as the site for a steel mill due to its favorable location in terms of proximity to military facilities, transportation, and supply of coal. The government purchased land in 1896 and started construction the following year. On February 5, 1901, the Imperial Steel Works, the largest steel mill in Asia, went into operation following the lighting ceremony held at its No. 1 blast furnace. The integrated iron and steel mill, with an annual production capacity of 90,000 tons, went into operation at the dawn of the twentieth century. While the mill got off to a rocky start, the outbreak of the Russo-Japanese War in 1904 eventually fueled production, which ramped up dramatically the following year.

Chapter 2

Hardships

1914–1932

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World War I and Economic Crisis amid Postwar Recession

After the Russo-Japanese War, Japan fell into a chronic recession, but with the outbreak of the First World War in 1914, orders for military supplies and daily necessities flooded in, creating an economic boom. The shipbuilding industry was also booming, and Kawasaki found itself building destroyers and submarines one after another. The company also built a large number of 5,000 ton stock boats due to growing demand for merchant ships. Backed by a government law promoting the steel industry, the company created a system to manufacture its steel products all in-house.

When World War I ended, the shipbuilding industry lost steam. Kawasaki took its inventory of stock boats and entered the marine transportation market with the establishment of Kawasaki Kisen Kaisha in 1919. The company also worked to expand its automobile production and steel structure divisions, as well as enter the aircraft market.

Due to the recession following World War I, the Washington Naval Treaty limiting the construction of large warships, and financial crisis, Kawasaki faced its first real business crisis since its foundation. Scrambling to raise funds, President Matsukata set up a new company based at the Hyogo Works and used it as collateral against a loan. Hence, Kawasaki Rolling Stock Manufacturing Co., Ltd. was established on May 18, 1928.

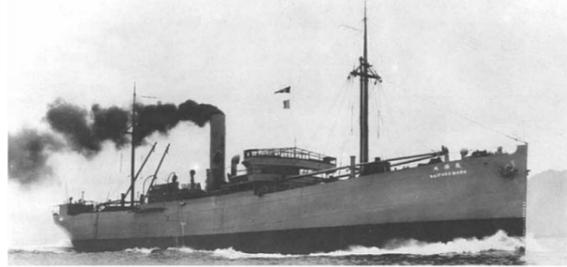
Eight days later, President Matsukata resigned, and Fusajiro Kajima took over the company reins.

Major organizational changes and personnel shakeups seemed to put the company back on track, but the Great Depression triggered by the stock market crash on Wall Street in October 1929 dealt it a severe blow.

As a result, on July 20, 1931, the company filed for a restructuring-type bankruptcy in the Kobe Ward Court. President Kajima died suddenly on July 29 the following year.



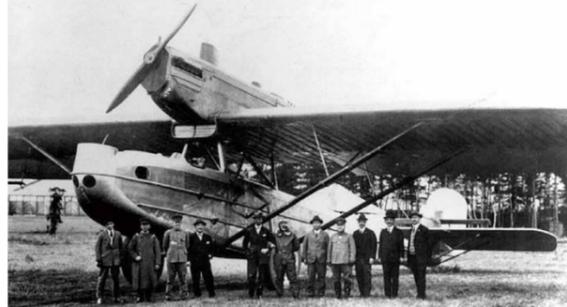
Locomotive plant (circa 1916), which produced 136 Type 9600 steam locomotives in 1922



Official trial run of the Raifukumaru (1918)



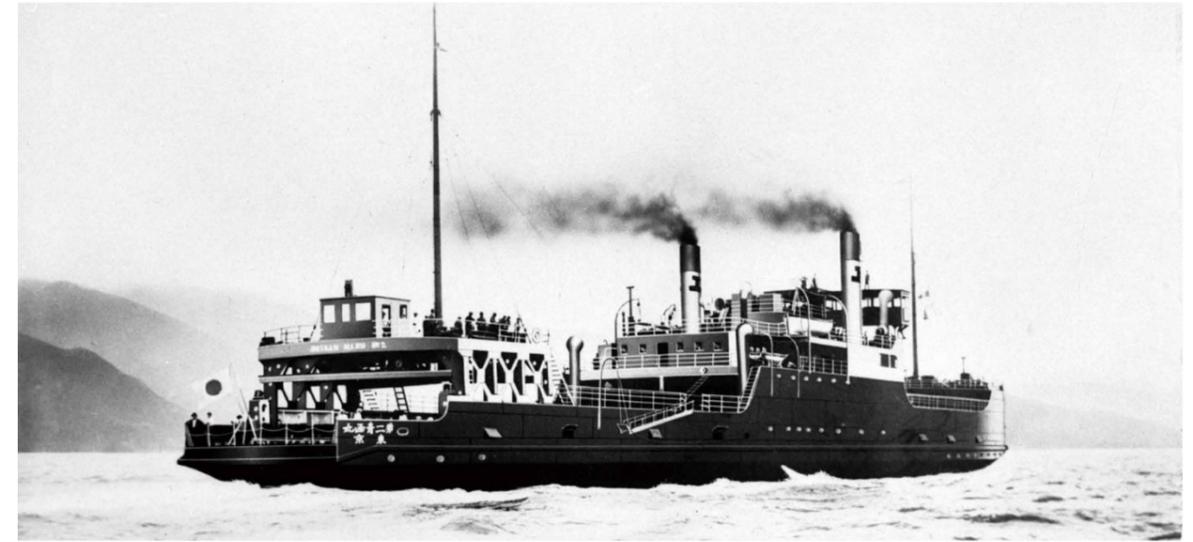
Four-ton automatic freight car (prototype) for the Japanese Army delivered in 1919



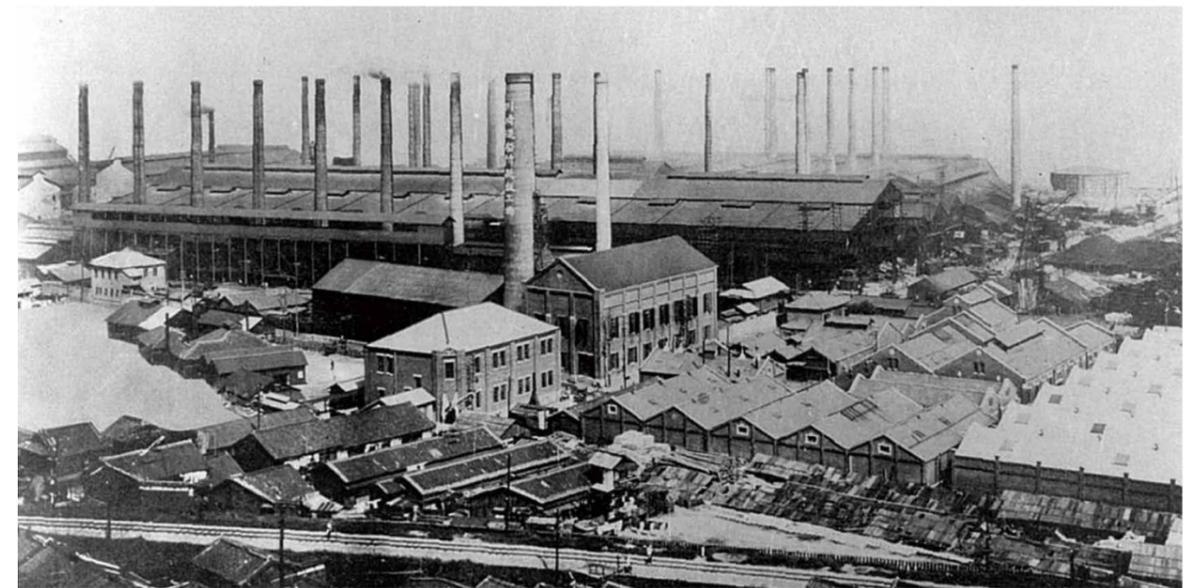
Kawasaki-Dornier Do. N prototype heavy bomber (1926; The fourth person from the left is President Matsukata)



Eitai Bridge just before it was completed in 1926.



The No. 2 Seikanmaru train ferry delivered to the Ministry of Railways in 1930



Sheet-metal plant (circa 1930), renamed Fukiai Works in 1928



Wall Street, New York, the epicenter of the Great Crash

Showa Era Dawns in the Shadow of the Depression

The recession following World War I (1914–1918) had a major impact on the Japanese economy, which lasted into the early part of the Showa period (1926–1989). This same period witnessed the Great Kanto Earthquake of September 1923, and a rash of bank runs sparked by the redemption of discounted earthquake bonds. The one-two punch of the post-World War I recession and Great Kanto Earthquake led to a full-blown financial panic. Meanwhile in the United States, Wall Street watched share prices on the New York Stock Exchange plummet on October 24, 1929. Japan, which had implemented austerity measures that shunned the gold standard, suffered a serious blow. Small and medium-sized commercial and industrial enterprises, such as those in the raw silk and cotton industries, went belly-up one after another, and unemployment rose sharply.

Chapter 3

The Comeback

1933–1945

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Business Turnaround and Operations during World War II

In March 1933, Hachisaburo Hirao took over the helm as company president and paved the way to corporate rehabilitation. At the time, the Japanese economy was showing signs of recovery following the Manchurian Incident. President Hirao, who had done everything possible to get business back on track, eventually took a seat in the House of Peers upon imperial appointment, and in December 1935, Shosuke Itani, the senior managing director, became the fourth president.

After the Manchurian Incident, aircraft became increasingly important, and Kawasaki sought to strengthen its production system, establishing Kawasaki Aircraft Co., Ltd. in November 1937. The company's business had already expanded beyond shipbuilding and was moving further towards heavy industry. On December 1, 1939, the company changed its name to Kawasaki Heavy Industries, Ltd. When the Pacific War broke out in 1941, government control over industry tightened. As the war progressed, the company expanded its shipbuilding operations overseas. It was also involved in the management of the Jakarta shipbuilding factory established by the Navy on the island of Java. In August 1942, the company opened the Dalian Electric Works in Dalian City.

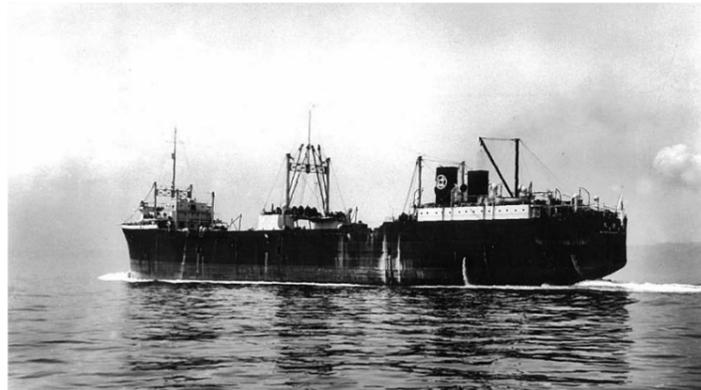
Under the wartime regime, Kawasaki continued to expand its steelmaking operations as well. The steel plate, steelmaking, specialty steel, and forging plants were operating at full swing.

Air raids began intensifying at the end of 1944, and in March of the following year the Kobe Air Raid took a tremendous toll on the company. Ninety facilities, including the shipbuilding factory offices, were burned to the ground. On top of that, most of the head office was damaged in the air raid that occurred in June of the same year.

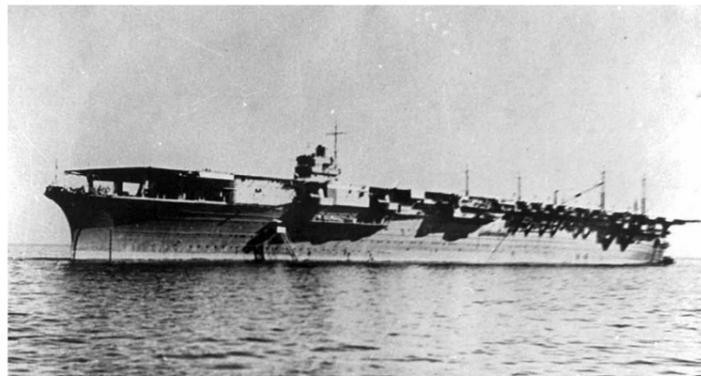
In August 1945, the Pacific War finally came to an end when Japan surrendered unconditionally to the Allied Forces.



Type 92 fighter, which was adopted by the Japanese Army in 1931



The Nisshinmaru, Japan's first whaling ship delivered to Hayashikane Shoten in 1936



The Zuikaku aircraft carrier delivered to the Ministry of the Navy in 1941



Senshu Works, specializing in submarines, opened in 1942 and built 30 submarines by the end of World War II (1945)



Jakarta Shipyard opened in 1942



Installation of penstocks (built in 1944) during construction of the Songhua River Power Station (Manchuria)



Kobe damaged by an air raid, gantry cranes in the distance to the right



Shoppers during wartime controls

Belt Tightening as the War Grows Worse

July of 1937 saw the beginning of the long protracted Second Sino-Japanese War. In 1938, Japan passed the National Mobilization Law placing labor, goods, prices, finance, business activities, and even speech under state control. Then in 1939, when World War II began in Europe, Japan enacted the Price Control Ordinance. All prices and wages were frozen at what they were on September 18 of the same year, during which time new official standards were established, and official prices were set for everything from fresh produce to furniture. After 1942, tickets, passbooks, ration tickets, and purchase rights were required to purchase daily necessities.

Chapter 4

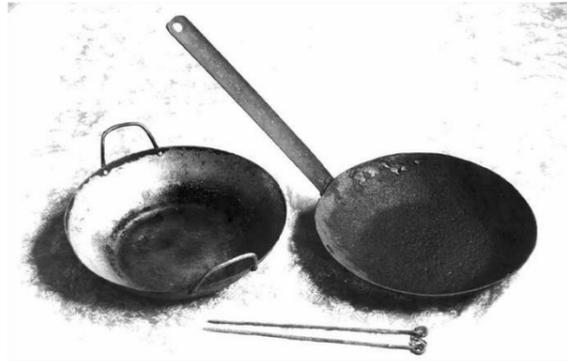
Reconstruction 1946–1954

Showa 21

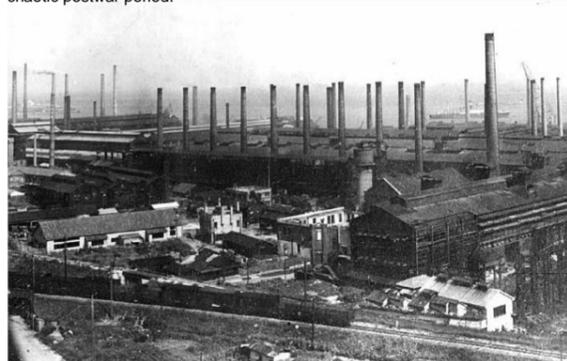
Showa 29

Path to Postwar Reconstruction and Resumption of Production

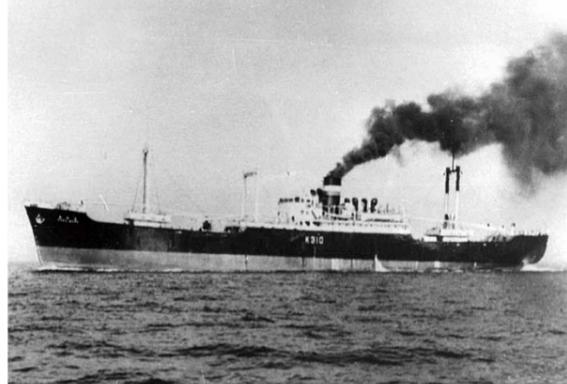
Post-war Japan went through a series of various reforms implemented under the direction of the General Headquarters of the Allied Powers (GHQ). In October 1945, Kawasaki was designated as a zaibatsu company along with Mitsui, Sumitomo, Mitsubishi, and others, and the following year, President Itani and most of the management were forced to resign due to GHQ's purge. In response, the company submitted a restructuring plan to the government. The eventually approved plan called for the continuation of the company and the establishment of a second company that was a spin-off of the steelmaking division. On August 7, 1950, at an ordinary general meeting of shareholders and general meeting on the establishment of the second company were held, and Kawasaki Steel Corporation was born. Kawasaki reorganized itself with a focus on the shipbuilding division with Toshio Tezuka at the helm as its fifth president. When the Korean War broke out in June 1950, the international balance of payments improved as industry boomed again due to an increase in special procurements by the US military as well as ordinary exports. During this period, under the government's shipbuilding program, Kawasaki produced a total of 12 ships (approximately 82,000 gross tons), including eight cargo ships, two tankers, a whaleboat, and a buoy tender for the Japan Coast Guard. However, the July 1953 armistice agreement put the brakes on the world economy as well as the Korean War. Working against this backdrop, the company focused on reeling in orders for ship repairs and land-based construction. Once Kawasaki's third floating dock was completed in June 1953, the volume of repair work doubled in no time. At the same time, the steel structure division had just finished constructing penstocks and dam gates for the Sakuma Power Station. It was also awarded various bridge contracts. The company also constructed a number of steel frames, including those for Koshien Stadium's large infield roof, nicknamed the Iron Umbrella, as well as the Hanshin and Sankei Kaikan Buildings in Osaka City.



Kawasaki made kitchenware and farm equipment to get through the chaotic postwar period.



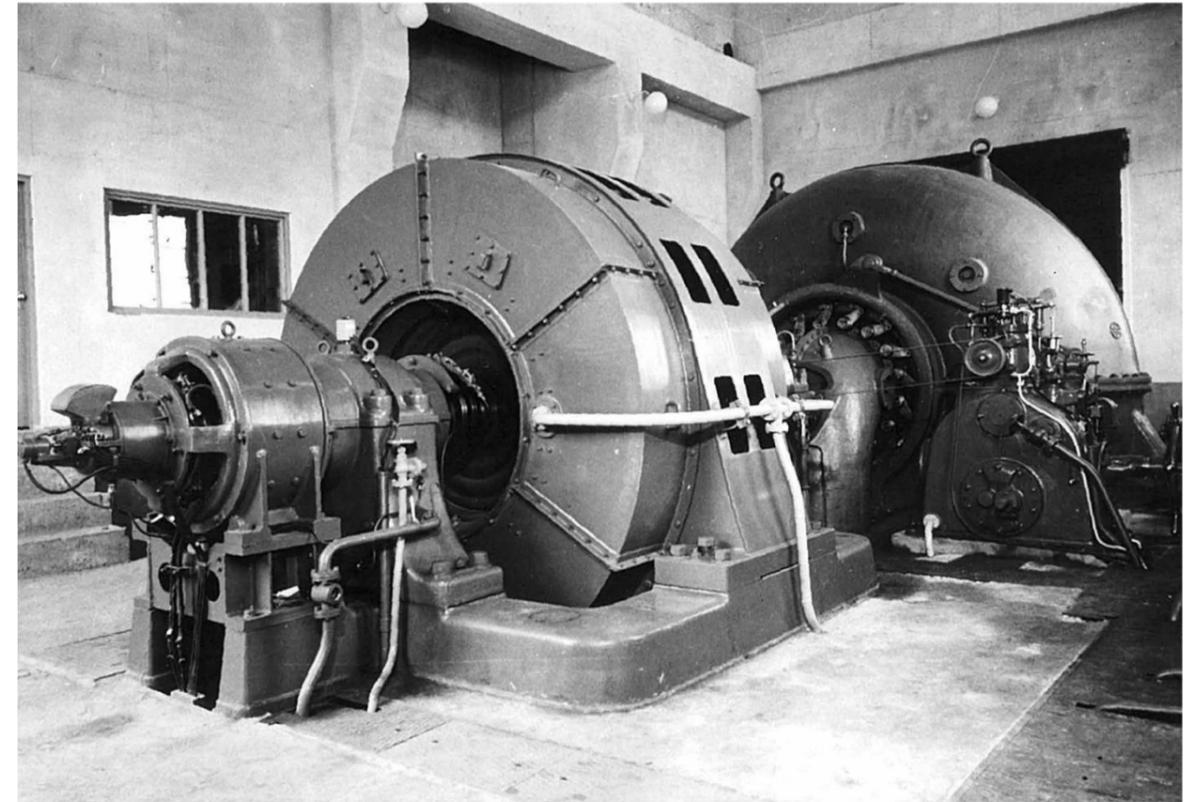
The Fukiai Works produced thick and thin steel plates after the end of World War II.



Kowamaru cargo ship (first AB class ship produced after the war) delivered to Daido Kaiun in 1949



The Tokyo Office was renamed the Tokyo Branch (Shojikisha Building) in 1950.



Water turbine generator delivered to Tottori Prefecture's Hatasato Power Station in 1953



Third floating dock completed in 1953



Chrysanthy L tanker delivered to United Shippers Ltd., S.A. in 1955



A thriving Tokyo Stock Exchange fueled by the Korean War boom

From Dodge Line Bust to Korean War Boom

Inflation in post-war Japan was exacerbated by an imbalance between goods and currency. In order to solve this economic crisis, Joseph Dodge was sent to Japan as a special envoy of the U.S. government in February 1949 where he implemented a strict nine-point economic stabilization program that included balancing the budget, improving tax collection, limiting credit extension, and stabilizing wages. This policy of austerity fomented an economic "stabilization crisis" that pushed Japan further toward a depression. Then the crisis took a turn with the outbreak of the Korean War in June 1950, and the economy took off as special procurements by the U.S. military soared. Since the textile industry and the metal industry were especially prosperous, this economic boom was sometimes referred to as the "itohen (thread-related) boom" or "kanehen (metal-related) boom" in Japanese.

Chapter 5

Breakthrough

1955–1968

Showa 30

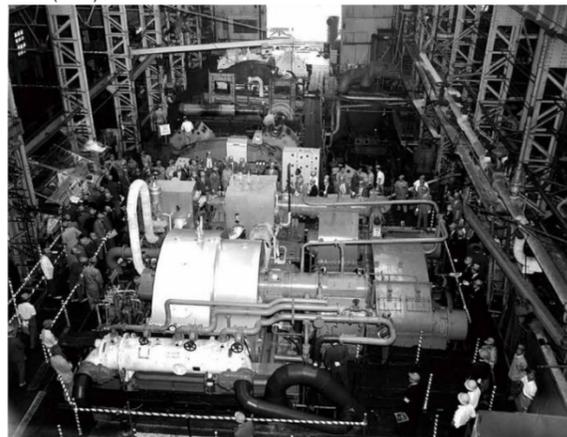
Showa 43

Becoming a Comprehensive Heavy Industry Giant in the High Economic Growth Era

As the global economy hummed along, Japan's shipbuilding industry experienced its first export ship boom in the fall of 1954, followed by a second boom in the 1960s. Kawasaki worked to continually expand its No. 4 building berth to keep pace with the uptick in demand for larger vessels. The company also started constructing a shipyard in Sakaide City, Kagawa Prefecture. Dubbed the Sakaide Works, it commenced operations in March 1967. Kawasaki's shipbuilding division was now producing 350,000 DWT class vessels. In June 1960, Oyashio, the first postwar domestic submarine ordered by the Defense Agency (now the Ministry of Defense), was completed with orders for more submarines continuously flowing in thereafter. Leveraging its submarine construction technology, the company also entered the field of marine development, and in March 1969, it delivered the Shinkai submersible to the Japan Coast Guard for marine research and observation. Meanwhile, the company worked on strengthening its land-based operations. In 1958, the Akashi Works specializing in small four-stroke diesel engines was opened. Then in 1968, the Nishi-Kobe Works specializing in hydraulic systems went into operation. Before that, two steel structure plants, the Kakogawa Works and the Noda Works, commenced operations in 1962 and 1964 respectively. Following the completion of the industrial machinery factory at the Kobe Works in 1962, Kawasaki merged Yokoyama Kogyo Co., Ltd., a manufacturer of industrial, civil engineering, and transportation machinery, in 1966. The company also started working on a reorganization and adopted the divisional system in November 1961. It launched five business divisions respectively specializing in shipbuilding, machinery, industrial machinery, precision machinery, and steel structure. When Masashi Isano took office as president in December 1961, his first task was to promote the divisional system he had introduced while navigating choppy waters.



Launching ceremony of the Haikwang tanker during the first export ship boom (1956)



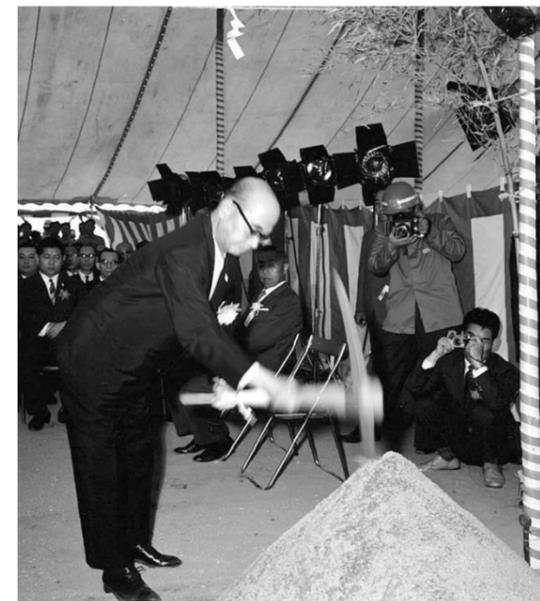
Unveiling of the first U-Plant marine steam turbine (Kobe Works, 1964)



First model of Kawasaki-MAN K10Z93/170E diesel engine



Höegh Mallard bulk carrier delivered to Leif Höegh in 1966



Groundbreaking ceremony for Sakaide Works (1966)



Nishi-Kobe Works just after its opening in 1968



Shinkai research submersible delivered to the Japan Coast Guard in 1969



Opening ceremony of the Tokyo 1964 Olympic Games

Asia's First Olympic Games Held in Tokyo

The Games of the 18th Olympiad opened on October 10, 1964. Their success was a long-held dream of Japan come to fruition 20 years after the end of the war. More than 1 trillion yen was spent on Olympic-related projects, with 80% being used to improve transportation networks such as the construction of the Tokaido Shinkansen, expressways, and subways. The Tokyo Olympic Games, the first Olympics to be held in Asia, drew about 7,500 athletes and officials from 93 countries and regions around the world. Japan won 16 gold, 5 silver, and 8 bronze medals during the 15-day event. It finished third in gold medals, just behind the United States and Soviet Union, to the thrill of a nation overjoyed by an outcome that exceeded all expectations.

Chapter 6

Rebirth

1969–1972

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Three Companies Merge into a Comprehensive Heavy Industrial Enterprise

As Japan's balance of payments showed a steady surplus in the 1960s due to its rapid economic growth, developed nations pressed for capital market liberalization. As a result, a number of companies merged or reorganized in order to compete in the international arena. Kawasaki merged with Kawasaki Aircraft and Kawasaki Rolling Stock Manufacturing to re-emerge as a comprehensive heavy industrial enterprise covering land, sea, and air. On April 1, 1969, the new Kawasaki Heavy Industries was established, and Kiyoshi Yotsumoto took office as its seventh president in November of the same year.

Following the merger, the Technical Institute was relaunched to bring together the strengths of the three companies under one roof. This new research facility consisted of eight laboratories—two specializing in machinery and six others specializing in fluid structure, controls, metals, chemical physics, welding, and machining technology. In June 1971, another Technical Institute was built at the Akashi Works to serve as the company's central research laboratory.

On top of all this, Kawasaki launched a host of new businesses spanning the fields of land, sea and air. In its land-based operations, the company expanded into the field of industrial robots and developed the Kawasaki-Unimate 2000, the first domestically produced industrial robot. It also built the Harima Works, which was designed to produce large industrial machinery and steel structures. Then in 1972, the company merged with Kisha Seizo Co., Ltd. to become Japan's largest manufacturer of rolling stock.

Kawasaki saw its shipbuilding orders begin to surge in the latter half of 1972 and built a number of ultra-large tankers and ultra-large container carriers. It also launched Japan's first teardrop-shaped submarine.

In its aircraft operations, the company received orders for the C-1, Japan's first twin-engine transport jet, and the F-4EJ, a jet fighter to be jointly produced with Mitsubishi Heavy Industries, Ltd. for the Air Self-Defense Force.



The first Japan-made KT53-11A gas turbine engine (1967)



Signing of memorandum of understanding on the merger of the three Kawasaki companies (1968)



Kawasaki-Unimate 2000, the first Japan-made industrial robot completed in 1969



Technical Institute at the Akashi Works completed in 1971



Kawasaki 900 Super 4 released in 1972



Sakaide Works, where construction of its first ship began at the No. 3 Dock (right) (1972)



Kawasaki Computer-controlled Vehicle (KCV) system test line installed in 1974



Osaka Expo venue

Expo '70 Showcases Japan as an Economic Superpower

Situated in the Senri Hills overlooking Suita City, Osaka and held under the banner of "Progress and Harmony for Mankind," the Japan World Exposition, Osaka, 1970 (Expo '70) lasted from March 15 to September 13, 1970. The 183-day-long event drew 77 participating countries and a total of 64,210,000 visitors, the highest attendance for any exposition in history. The expo featured 117 pavilions and the Tower of the Sun sculpture, designed and created by Taro Okamoto, at the center of it all. The biggest magnets of attraction were the U.S. and USSR pavilions, where exhibits of the moon rock and spacecraft took center stage. Expo '70 became an event that symbolized Japan's postwar economic recovery and promoted the country as an economic superpower to the world.

Chapter 7

Ordeal

1973-1980

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Oil Crisis and Deterioration of the Business Environment

In the wake of the first oil crisis triggered by the Yom Kippur War in the autumn of 1973, the shipbuilding industry was in dire straits. Kawasaki saw a sharp drop in orders for tankers along with a spate of cancellations, changes in ship types being ordered, and requests to postpone deliveries of vessels already under contract. Although the company took measures to improve profitability beginning in fiscal 1975, it posted its first postwar loss in fiscal 1978. Facing the challenge head-on, the company spun off its automotive division, which had been bleeding red ink since the late 1960s, and established Kawasaki Coach Company, Ltd. in April 1974. Meanwhile, Kawasaki built a motorcycle plant in North America, where its products were wildly popular, and began local production in 1975. It was the first foothold in the U.S. for the Japanese automobile industry, building both motorcycles and four-wheeled vehicles. The company also set its sights on the energy sector, with a focus on everything from coal utilization technology to gas turbine generators and nuclear power as it worked to make technological strides across the board. This included the construction of Japan's first LNG carrier, the development and production of the BK117 multipurpose twin-engine helicopter, and the development of the Kawasaki-Unimate 6060, the world's first vertically articulated, group-controlled multi-robot system. In June 1977, Zenji Umeda assumed the office of company president. When the shipbuilding crisis worsened the following year, Kawasaki initiated measures to streamline its operations by downsizing, reorganizing, and integrating business divisions. It also implemented special personnel measures to significantly reduce total labor costs, including cutbacks in wages, year-end bonuses, various allowances, and travel expenses. Meanwhile, as part of the measures to improve company-wide profitability, consolidate and streamline plants, and effectively use existing facilities, the company relocated the operations of the Kakogawa Works to the Harima Works and sold the site.



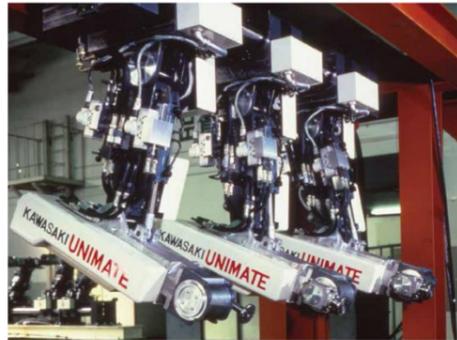
Kobe Works faces sinking demand for ships in the wake of the 1975 oil crisis



Production line at Kawasaki Motors Corp., U.S.A. (KMC) Lincoln Plant, which went into operation in 1975



Ceremony debuting the 500 Series Shinkansen (Hyogo Works, 1977)



Kawasaki-Unimate 6060 group-controlled multi-robot system developed in 1978



Maiden flight of the third BK117 helicopter prototype (Gifu Works, 1979)



COM (coal-oil-mixture) pilot plant for which Kawasaki developed production facilities and boilers (1980)



Main tower of Onaruto Bridge under construction (completed in 1981)



Construction of Kawasaki Panel System, Kawasaki's proprietary insulation system for LNG carrier tanks



Toilet paper shortage triggered by the oil crisis

Low Growth Era Following the Oil Crisis

In 1973, the Yom Kippur War triggered the first oil crisis. During this four-month period, prices spiraled wildly upward, with wholesale prices jumping 21.1% and consumer prices 12.9%. Prices of petroleum-based products skyrocketed, along with the prices of toilet paper, tissue paper, detergent, and more. People hoarded while retailers held back stock, driving people into a state of panic. Japan's real economic growth rate was minus 0.2% in fiscal 1974, dropping below zero for the first time in the postwar period. The oil crisis permanently put the brakes on Japan's era of rapid economic growth as the country settled in for a slower ride.

Chapter 8

Persistence

1981-1986

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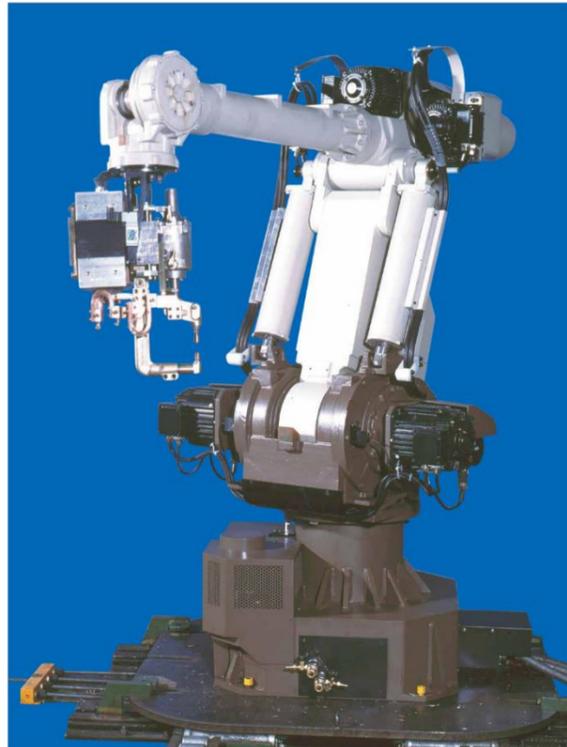
Showa 61

Turbulent Global Economy and Efforts to Turn Business Around

As part of its efforts to break out of the prolonged recession, Kawasaki aggressively worked to win orders for large-scale plants in overseas markets. However, the border conflict between Iran and Iraq caused major delays and cost increases in cement plant construction in Iraq. It was under these difficult circumstances that Kenko Hasegawa took over the reins as company president in June 1981. The slowdown in the U.S. economy put a major dent in the profitability of the motorcycle division, resulting in a net loss of approximately 5.8 billion yen for the fiscal year ended March 31, 1983, and the company made the difficult decision not to pay dividends for the first time in 33 years. Kawasaki then set up an emergency task force and took a series of measures to get back on track, including moving up delivery dates for overseas plant construction projects, quickly restructuring the motorcycle business, and cutting overheads as well as other expenses across all divisions. As a result, in the fiscal year ended March 31, 1985 the company was back in the black for the first time in three years, posting recurring profit of about 5.5 billion yen. It also brought the dividend payout ratio back to 6%.

The business environment got rocky once again though as the Plaza Accord of September 1985 pushed the value of the yen up, and in May 1986 Kawasaki set up a corporate restructuring committee. After downsizing businesses for which demand had declined and those that had lost their competitive edge in the global market, Kawasaki began focusing its management resources on businesses that enjoyed a lot of domestic demand and those with growth potential, in order to secure profits.

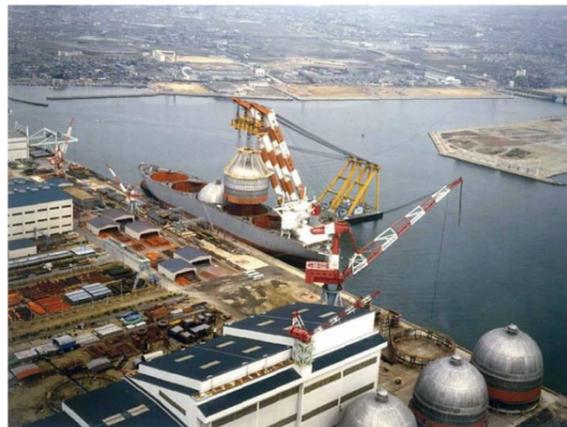
During this time, large ships such as bulk carriers and LNG carriers were being built one after another. The company could also now lay claim to manufacturing Japan's first deep-sea rescue boat, a semi-submersible oil drilling rig, the Asuka, a domestically made short takeoff and landing (STOL) aircraft, and the world's largest wheel loader.



EX100 large electric robot



Wasia water treatment plant (Saudi Arabia) completed in 1982



Installing tanks on the Bishumaru LNG carrier (delivered in 1983) at the Harima Works



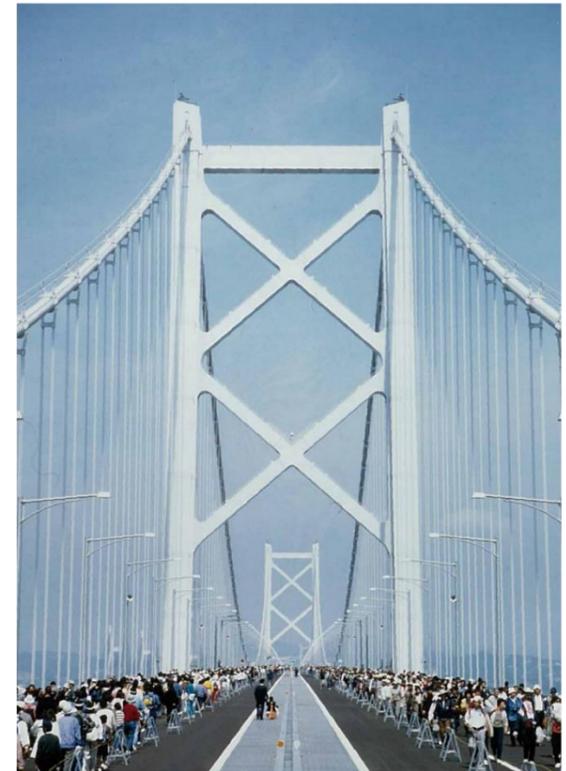
Kouzu Cleaning Center in Koriyama City, Fukushima Prefecture completed in 1984



A friendship agreement for rolling stock production signed with China's Ministry of Railways (1985)



Rollout of the XT-4 intermediate jet trainer aircraft (Gifu Works, 1985)



Celebrating the opening of the Seto Bridge Walk (1988)



New York Plaza Hotel where G5 meeting was held

Yen Rises Sharply with the Plaza Accord

In September 1985, the Group of Five (G5) finance ministers met at the Plaza Hotel in New York and agreed to intervene in currency markets to boost domestic demand in Japan and Germany. The Plaza Accord triggered a rapid appreciation of the yen against the dollar, and the exchange rate, which had been in the 240 yen range before the Plaza Accord, reached 126 yen in December 1987. This sharp appreciation of the yen worsened corporate earnings, especially for export industries. Aiming to stimulate domestic demand in response to the recession driven by the strong yen, Japan cut the official discount rate five times between January 1986 and February of the following year until it finally reached 2.5%, the lowest level in the postwar period.

Chapter-9

Innovation

1987-1996

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Heisei 8

Building a Solid Business Foundation after Overcoming Crisis

As the economic recession continued to rock the shipbuilding industry and the sharp appreciation of the yen put a damper on export-related businesses, Kawasaki managed to weather the storm as it moved ahead with restructuring the company. When Hiroshi Ohba became the tenth president in June 1987, he implemented a two-stage restructuring plan that overhauled the company's departments and factories as well as optimized the size of the workforce.

As a result of this reorganization, seven new business groups were established, which were the Ship, Rolling Stock, Aerospace, Machinery, Environment/Energy Plant, Industrial Machinery & Steel Structure, and CP Groups. Factories were also restructured through relocations, consolidations, and closures. The number of employees, which stood at 21,500 as of the end of October 1986, was reduced to 17,000 by the end of the following fiscal year.

In November 1992, the company formulated this corporate vision for its centennial anniversary in 1996: We will work at becoming an international leader in cutting-edge fields of technology that contributes to society through businesses that encompass the spheres of land, sea, and air, while building a flexible but strong business structure. In order to regain financial stability and achieve sustainable growth, the company made strengthening inter-division and inter-group activities one of its management action policies and decided to push forward with joint strategies among business divisions as well as between business divisions and the head office.

On October 15, 1996, Kawasaki celebrated its 100th anniversary. Various commemorative ceremonies and events were held to mark the occasion, including welcoming former British Prime Minister Margaret Thatcher.



Electric locomotive manufacturing line at Sakaide Works (1989)



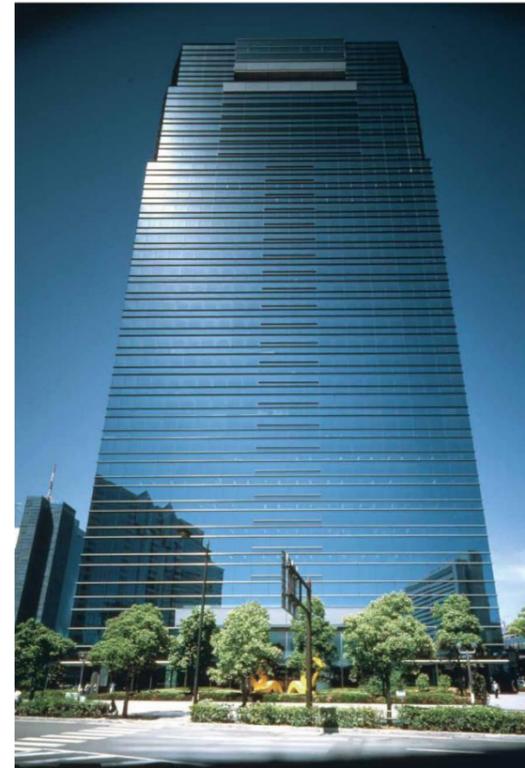
Eurotunnel monument erected to commemorate the completion of the Channel Tunnel



Motorcycle production line at Kawasaki Motors Enterprise in Thailand



The steel frame for the roof over the south section of the Kansai International Airport passenger terminal (seen here under construction) is Kawasaki-built.



Kobe Crystal Tower housing the Kobe Head Office completed in 1993



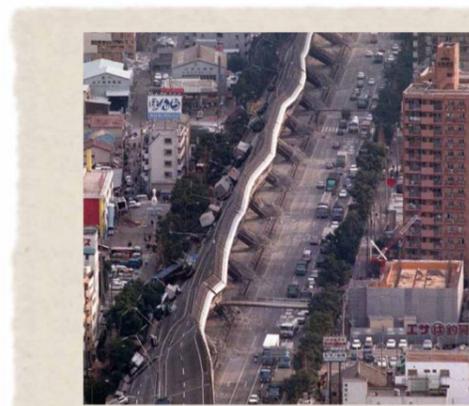
Kawasaki gives Hyogo Prefecture and Kobe City 100 million yen each to support disaster victims as part of its 100th anniversary event.



Completion ceremony for the Nagoya Works 1 (1993)



Special lecture by former British Prime Minister Thatcher to commemorate the 100th anniversary



Expressway collapses during the Great Hanshin-Awaji Earthquake

Great Hanshin-Awaji Earthquake

At 5:46 a.m. on January 17, 1995, a massive earthquake, whose epicenter was in Japan's Akashi Strait, suddenly struck. The quake dealt a devastating blow to Kobe City, which was directly hit by the magnitude 7 earthquake, along with Awaji Island, Nishinomiya City, and Ashiya City. Taking the lives of more than 6,300 people, the quake left a trail of wholesale destruction that included homes, highways, bullet train and private railway tracks, as well as port facilities. Lifelines such as transportation, electricity, gas, water, and telephone services were cut off. More than 100,000 houses were destroyed, forcing 300,000 people to find shelter in nearby schools and parks. Volunteers from all over Japan rushed to the disaster area, leading to the year later being dubbed the "first year of volunteerism."