

### Material Issues and Our Approach

The sustainable enhancement of the enterprise value of the Kawasaki Group requires initiatives aimed at continuously securing human resources capable of advancing the Group's businesses as well as developing and fully utilizing their abilities. Based on this understanding, we are implementing a variety of measures to promote employee recruitment and retention, aiming to realize appealing workplaces that employees will want to stay in. The K-Win activities, which began in fiscal 2016 as workstyle reform initiatives, have expanded to encompass overall corporate innovation activities, becoming integrated with Group management. Through initiatives aimed at realizing highly productive workplaces where diverse employees can maintain a good work-life balance while creatively using their abilities to the fullest, we are working to create organizations that produce virtuous cycles of enterprise value enhancement.

### Focus Activities and Medium-term Targets

In terms of K-Win activities, we are advancing workstyle reforms for employees aimed at realizing highly productive workplaces where employees can maintain a good work-life balance while creatively using their abilities to the fullest. Aiming to create a corporate culture and organizations that enable all employees to work with enthusiasm, fully exercising their individual abilities, we carry out periodic employee satisfaction surveys and reflect the results in human resource measures and K-Win activities.

#### ● Goal for the MTBP 2019

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

### Progress, Results and Challenges

#### ● 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.

#### ● Fiscal 2019 Results

- Issued messages from top management, issued a guidebook (for applied practices), and carried out training for superiors to promote the uptake of one-on-one meetings
- Established an external consultation point for harassment- and mental health-related issues in May 2019
- Amended the job challenge system and free agent (FA) system
- While transfers via the FA system increased, job challenge system results were weak
- Outlined basic system structures with an eye to revising personnel and compensation systems (employee compensation and evaluation systems)


#### ● Goals for Fiscal 2020


- Continue activities aimed at organizational and corporate culture transformation and operational transformation and, to measure the results of such activities and use the findings toward ongoing improvement, commission a third party with a strong global track record to implement an engagement survey (replacing the existing employee satisfaction survey).
- Continue examining and promoting measures to activate human resources, including more active use of employee rotation.
- Advance necessary work toward the April 2021 revision of personnel and compensation systems.

### Structure

Based on Kawasaki's Company-wide basic policy on human management resources, the Head Office's Human Resources Division and the human resource and labor departments of the internal companies and divisions coordinate to formulate and operate human resource systems, including those for securing, placing and activating human resources, as well as to implement human resource transfers within the Group and promote the hiring of diverse human resources.

In addition, to further K-Win activities, which began in fiscal 2016 as workstyle reform initiatives, in fiscal 2020 we established the Kawasaki Workstyle Innovation Project Department within the Human Resources Division. The new department is advancing Company-wide workstyle reforms.

For details on our internal committees and relevant governance structures, please refer to Human Resource Management  (page 69).

For details about the K-Win activity framework, please refer to Vision for Our People and Organization under the MTBP 2019 under Human Resource Management  (page 70).

## Hiring

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. 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. Furthermore, to flexibly meet the need for more employees due to business expansion, we are actively recruiting not only new graduates but also individuals with career experience. To facilitate overseas business expansion and promote diversity, we hire new overseas college graduates and foreign national students in Japan.

For details on hiring foreign national students in Japan, please refer to [Promoting the Employment and Active Participation of Non-Japanese Nationals under Diversity](#) (page 75).

### Number of Employees Hired (non-consolidated)

	(FY)	2016	2017	2018	2019	2020
New graduates hired*	Persons	577	538	538	562	555
	Male	546	495	492	507	498
	Female	31	43	46	55	57
Administrative and technical positions	Persons	333	325	332	338	344
	Male	305	287	291	290	296
	Female	28	38	41	48	48
Production specialists	Persons	244	213	206	224	211
	Male	241	208	201	217	202
	Female	3	5	5	7	9
Mid-career hires and ratio of mid-career hires to all new hires	Persons	230	251	417	296	–
	%	28.5	31.8	43.7	34.5	–
	Male	184	145	297	202	–
	Female	46	106	120	94	–
Administrative and technical positions	Persons	177	138	162	165	–
	Male	162	125	152	148	–
	Female	15	13	10	17	–
Production specialists	Persons	20	19	148	60	–
	Male	19	19	140	50	–
	Female	1	0	8	10	–
Partner	Persons	33	94	107	71	–
	Male	3	1	5	4	–
	Female	30	93	102	67	–
Average years of service	Years	13.3	13.5	13.6	13.4	–
	Male	13.5	13.5	13.7	13.7	–
	Female	13.3	13.5	12.3	10.0	–
Average hiring cost per hire	Thousands of yen	900	–	–	–	–

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

## Employee Evaluations

### Our Approach to Human Resource Evaluation

Kawasaki aims to realize a system of employee compensation and assignment that flexibly reflects employees' capabilities and performance and is geared toward improving employee motivation, including their drive to develop their own capabilities. To this end, we position our ability-based qualification system—based on the capabilities expected of each particular position—as the main pillar of employee treatment (assignments, salaries, bonuses, etc.) and employee development. Accordingly, we employ a uniform compensation system based on ability-based qualifications regardless of nationality, gender or other such attributes.

The basis for implementing this ability-based qualification system is our employee review system. Employee review consists of evaluations of performance and capabilities. Evaluations of performance consider the difficulty of the employee's assignments, the degree to which the employee has achieved their objectives and the way they approached their work. Evaluations of capabilities consider the employee's ability to execute their work, focusing mainly on knowledge and skills. The evaluation criteria are disclosed to all employees.

Additionally, supervisors must meet with their subordinates at least twice a year to help ensure that employees understand the reasoning behind target setting and evaluations.

To ensure fair and equitable evaluations, we have established fixed evaluation procedures. We also incorporate case studies and other training aimed at improving evaluation skills into the training of managers.

For managerial staff, we implement multi-faceted observational surveys, which serve to aid individuals in seeing themselves through the eyes of others in an objective, multi-perspective manner, helping to develop their self-awareness as part of their education.

Moreover, once a year, the labor union is briefed on promotions and compensation to verify that employees are being treated in an equitable and fair manner.

### ● Percentage of Employees Assessed by Different Evaluation Methods (non-consolidated)

	(FY)	2015	2016	2017	2018	2019
Evaluation based on target management <sup>1</sup>	%	–	100	100	100	100
Multifaceted performance evaluations <sup>2</sup>	%	–	21	21	21	21
Evaluations for ranking employees within their category	%	–	100	100	100	100
Others	%	–	–	–	–	–

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

## Resignations

### Number of People Resigning (non-consolidated)

	(FY)	2015	2016	2017	2018	2019
Number and Rate <sup>1,2</sup>	Persons	73	145	187	220	217
	%	0.5	0.9	1.2	1.3	1.3
Male	Persons	66	129	166	200	186
	%	0.5	0.9	1.1	1.3	1.2
Female	Persons	7	16	21	20	31
	%	0.8	1.7	2.0	1.6	2.1
29 and younger	Persons	44	75	78	111	116
	%	1.1	2.7	2.3	2.9	3.1
Male	Persons	40	68	68	101	104
	%	1.0	2.6	2.1	2.8	3.0
Female	Persons	4	7	10	10	12
	%	1.9	5.3	5.6	4.4	4.8
30 to 39	Persons	17	43	75	76	77
	%	0.4	0.9	1.5	1.5	1.4
Male	Persons	14	39	67	70	64
	%	0.4	0.8	1.4	1.5	1.3
Female	Persons	3	4	8	6	13
	%	1.4	1.5	2.7	1.7	3.2
40 to 49	Persons	10	19	25	16	14
	%	0.3	0.5	0.6	0.4	0.3
Male	Persons	10	16	22	13	11
	%	0.3	0.4	0.6	0.3	0.3
Female	Persons	0	3	3	3	3
	%	0.0	1.0	0.9	0.7	0.6
50 and above	Persons	2	8	9	17	10
	%	0.1	0.2	0.3	0.5	0.3
Male	Persons	2	6	9	16	7
	%	0.1	0.2	0.3	0.6	0.2
Female	Persons	0	2	0	1	3
	%	0.0	0.9	0.0	0.4	1.1

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)	2015	2016 <sup>1</sup>	2017	2018 <sup>2</sup>	2019
Response rate	%	–	80	–	93.8	–
Satisfaction (Percentage of people who replied "I would like to continue to work here")	%	–	–	–	69.5	–
Male	%	–	–	–	68.4	–
Female	%	–	–	–	70.4	–

1. Scope: Implemented for certain executives and managers at Group companies outside Japan

2. Scope: The Kawasaki Group (domestic)

## 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 (non-consolidated)

	(FY)	2015	2016	2017	2018	2019	
Employees using the childcare leave	Persons	37	51	49	59	68	
	Male	Persons	9	8	6	7	13
	Female	Persons	28	43	43	52	55
Employees using the care leave	Persons	2	0	4	3	3	
	Male	Persons	2	0	2	3	3
	Female	Persons	0	0	2	0	0
Return rate after childcare leave	%	100	98	98	100	100	
Retention rate after childcare leave	%	100	100	98	98	—*	

\* 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 2019.

### 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 may take five days each year for each child up to the completion of elementary school, regardless of the number of such children. (Legally, companies are only required to provide a total of up to five days per year for one child or 10 days per year for 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 per family member requiring nursing care, regardless of the number of such family members (Legally, companies are only required to provide five days per year for one family member or 10 days per year for two or more family members)
	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**

Work-life balance is the foundation for promoting diversity, allowing diverse employees to exercise their strengths. To sustainably increase enterprise value, creating highly productive workplaces where diverse employees can maintain a good work-life balance while creatively using their abilities to the fullest is crucial. Within the Kawasaki Group, it is therefore important to create environments in which employees can do work that meets the expectations of the Company, those around them and themselves while leading healthy, fulfilling lives, so that, empowered by fulfillment, they can engage with their work at a higher level. By providing diverse workstyle options that enable employees to balance their professional and private lives, we will systematically improve work efficiency.



**Workstyle Reform (K-Win Activities)**

The Kawasaki Group launched K-Win activities, an effort to promote workstyle reform, in fiscal 2016 with the objectives of “promotion of work-life balance,” “increasing the productivity of administrative and technical personnel,” and “reducing long working hours.” Through these activities, we pursued three areas of transformation, namely, operational transformation, organizational and corporate culture transformation, and system transformation. In fiscal 2020, we established the Kawasaki Workstyle Innovation Project Department within the Human Resources Division, further integrating these activities with overall Company management while expanding their scope. K-Win activities are aimed not only at realizing workstyle reforms for employees, but at creating a virtuous cycle of enterprise value improvement that creates value for all stakeholders, including shareholders, customers and suppliers.

● **K-Win Activities**

To promote organizational and corporate culture transformation, we issued messages from top management, held educational seminars for managerial staff and held one-on-one meetings. In system transformation, in fiscal 2017 we added productivity as one of our employee review criteria for administrative and technical personnel in order to recognize employees who carry out work quickly and efficiently, and in fiscal 2018 we introduced a remote working program (teleworking program) for said employees. In terms of operational transformation, we have provided the *Operational Efficiency Improvement Start Book* as well as useful information for operational transformation, including tools for various types of work.

Under MTBP 2019, based on the three pillars of organizational transformation, mindset transformation and operational transformation, we are expanding the range of our activities beyond workstyle reforms to encompass overall corporate innovation.

For details, please refer to [Vision for Our People and Organization under the MTBP 2019 under Human Resource Management](#) (page 70).

**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 (non-consolidated)**

	(FY)	2015	2016	2017	2018	2019
Number of used paid leaves*	Days / person	15.0	15.2	15.4	15.8	15.9
Paid leave usage rate	%	68.2	69.0	70.0	71.8	72.3
Total annual work hours	Hours / person	2,070	2,075	2,065	2,047	2,035
Total annual overtime hours	Hours / person	340.0	307.2	303.8	303.6	295.2

\* 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 other 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 certain 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.