

Securing and Retaining Human Resources **M**

Management Approach

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 aimed at achieving Group Vision 2030 and become integrated with Group management. These initiatives are aimed at realizing highly productive workplaces where diverse employees can maintain a good work-life balance while creatively using their abilities to the fullest and producing more highly effective employees who are highly motivated and take on challenges with a sense of ownership. Through these initiatives, 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 Fiscal 2019–2021

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

Progress, Results, and Challenges

● 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.

● Fiscal 2020 Results

- Carried out an engagement survey in October 2020. The results were reported to the Management Committee, which agreed on a target of increasing the proportion of highly effective employees to the level seen at high-performing global companies by 2030.
- Advanced efforts to bring together human resources across existing organizational bounds, mainly through Company-wide projects, such as those of the Presidential Project Management Division. Began measures to activate human resources, such as the internal side job system and career development leave system.
- Commenced the application of a new personnel and compensation system in April 2021, strengthening the link between expected role and compensation for individuals as well as positive assessment of their desire to take on challenges and achievements in doing so.

● Goals for Fiscal 2021

- Continue to carry out the engagement survey. Analyze the results of the previous survey at the division level and work to help increase engagement.
- Share information and raise awareness to ensure that the new personnel and compensation system functions as intended as it enters full use.

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 working to raise awareness of Group Vision 2030 Company-wide, including employees' awareness of their role in it.

For details on our internal committees and relevant governance structures, please refer to [Human Resource Management](#) (page 70).

For details about the K-Win activity framework, please refer to [Vision for Our Employees and Organization in Fiscal 2019–2021 under Human Resource Management](#) (page 71).

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 76).

Number of Employees Hired (non-consolidated)

	(FY)	2017	2018	2019	2020	2021
New graduates hired*	Persons	538	538	562	555	357
	Male	495	492	507	498	323
	Female	43	46	55	57	34
Administrative and technical positions	Persons	325	332	338	344	231
	Male	287	291	290	296	200
	Female	38	41	48	48	31
Production specialists	Persons	213	206	224	211	126
	Male	208	201	217	202	123
	Female	5	5	7	9	3
Mid-career hires and ratio of mid-career hires to all new hires	Persons	251	417	296	167	–
	%	31.8	43.7	34.5	23.1	–
	Male	145	297	202	136	–
Administrative and technical positions	Persons	106	120	94	31	–
	Male	125	152	148	81	–
	Female	13	10	17	9	–
Production specialists	Persons	19	148	60	59	–
	Male	19	140	50	54	–
	Female	0	8	10	5	–
Partner	Persons	94	107	71	18	–
	Male	1	5	4	1	–
	Female	93	102	67	17	–
Average years of service	Years	13.5	13.6	13.4	13.7	–
	Male	13.5	13.7	13.7	14.0	–
	Female	13.5	12.3	10.0	10.3	–

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

Employee Evaluations

Our Approach to Human Resource Evaluation

Kawasaki operates a personnel system that rewards employees based not on such individual characteristics as age, but on the size of the employee's role, the ambition of the targets they set, their ability to carry out the necessary work with determination and speed, and the results they achieve. By using this system, we aim to promote the further growth of our human resources and ongoing corporate growth. At the core of this is our target management system, which values commitment and ambitious effort.

Employees set targets for themselves that comprise both the expected targets entailed in carrying out their basic responsibilities as well as targets that reflect taking on self-directed challenges and rising above their normal roles to generate additional added value. Supervisors and their subordinates meet regularly to discuss hurdles to achieving these targets and employees' initiatives to do so. At the end of the fiscal year, employees themselves and their supervisors evaluate their performance regarding each target, and supervisors provide feedback that includes the reasons for their evaluations and reach a final evaluation. They then discuss initiatives for the coming year and the subordinate's career path.

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)	2016	2017	2018	2019	2020
Evaluation based on target management ¹	%	100	100	100	100	100
Multifaceted performance evaluations ²	%	21	21	21	21	21
Evaluations for ranking employees within their category	%	100	100	100	100	100

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. In addition to defined benefit pensions, Kawasaki offers defined contribution corporate 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)	2016	2017	2018	2019	2020
Number and Rate ^{1,2}	Persons	145	187	220	217	205
	%	0.9	1.2	1.3	1.3	1.2
Male	Persons	129	166	200	186	179
	%	0.9	1.1	1.3	1.2	1.1
Female	Persons	16	21	20	31	26
	%	1.7	2.0	1.6	2.1	1.7
29 and younger	Persons	75	78	111	116	109
	%	2.7	2.3	2.9	3.1	3.1
Male	Persons	68	68	101	104	99
	%	2.6	2.1	2.8	3.0	3.0
Female	Persons	7	10	10	12	10
	%	5.3	5.6	4.4	4.8	3.8
30 to 39	Persons	43	75	76	77	63
	%	0.9	1.5	1.5	1.4	1.1
Male	Persons	39	67	70	64	52
	%	0.8	1.4	1.5	1.4	1.0
Female	Persons	4	8	6	13	11
	%	1.5	2.7	1.7	3.2	2.6
40 to 49	Persons	19	25	16	14	28
	%	0.5	0.6	0.4	0.3	0.6
Male	Persons	16	22	13	11	25
	%	0.4	0.6	0.3	0.3	0.6
Female	Persons	3	3	3	3	3
	%	1.0	0.9	0.7	0.6	0.6
50 and above	Persons	8	9	17	10	5
	%	0.2	0.3	0.5	0.3	0.1
Male	Persons	6	9	16	7	3
	%	0.2	0.3	0.6	0.2	0.1
Female	Persons	2	0	1	3	2
	%	0.9	0.0	0.4	1.1	0.5

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

Engagement Survey

The Kawasaki Group believes that to achieve the Group Vision it is important for employees to engage in their work with a sense of purpose and fulfillment, going beyond the bounds of their prescribed role or division. To this end, we are implementing a variety of reform activities, including the K-Win activities. We use an engagement survey, like those used widely by other global companies, to regularly gather current data on organizational capacity, which we regard as the target of reform activities, and to aid in identifying effective measures for addressing barriers to increasing such capacity.

● Employee Satisfaction Survey Results

	(FY)	2016 ¹	2017	2018 ²	2019	2020 ³	
Response rate	%	80	–	94	–	80	
Satisfaction (Percentage of people who replied “I would like to continue to work here”)	%	–	–	70	–	86	
	Male	%	–	–	68	–	87
	Female	%	–	–	70	–	83

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

2. Scope: The Kawasaki Group (domestic)

3. Scope: Kawasaki Heavy Industries, Ltd. (non-consolidated)

Employee Stock Ownership Association

The Kawasaki Group operates an employee stock ownership association system established to promote employee welfare (in terms of wealth building) as well as employees' sense of involvement in management. As part of the employee benefit system, the Company matches a certain portion of employee contributions, and the dividends on shares held by employees are used to buy more shares, achieving a compounding effect and enabling employees to build wealth. Furthermore, holding shares of the Company through the ownership association helps employees gain a greater awareness of corporate management, just as for general shareholders. We believe that this will contribute to the enhancement of enterprise value over the long term.

● Shares Held by the Employee Stock Ownership Association and Position on the Register of Shareholders

	(FY)	2016	2017*	2018	2019	2020
Shares held by the Employee Stock Ownership Association	Shares	28,900,217	2,980,821	3,286,221	3,790,021	4,501,521
Position on the register of shareholders (by size of shareholding)		9th	9th	7th	6th	4th

* Kawasaki implemented a 1-for-10 share consolidation effective October 1, 2017, based on a resolution passed by the General Meeting of Shareholders.

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)	2016	2017	2018	2019	2020	
Employees using the childcare leave	Persons	51	49	59	68	84	
	Male	Persons	8	6	7	13	38
	Female	Persons	43	43	52	55	46
Employees using the care leave	Persons	0	4	3	3	5	
	Male	Persons	0	2	3	3	3
	Female	Persons	0	2	0	0	2
Return rate after childcare leave	%	98	98	100	100	96	
Retention rate after childcare leave	%	100	98	98	96	—*	

* The retention rate after childcare leave represents the percentage of employees still working one year following their return from childcare leave. No statistics are available for fiscal 2020 because this one-year period has not yet elapsed.

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 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, it is crucial to create highly productive workplaces where diverse employees can creatively use their abilities to the fullest while maintaining a good work-life balance. 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 have issued messages from top management, provided 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.

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, seeking to raise awareness of Group Vision 2030 Company-wide, including employees’ awareness of their role in it.

For details, please refer to [Vision for Our Employees and Organization in Fiscal 2019–2021 under Human Resource Management](#) (page 71).

Encouraging Employees to Take Their Annual Paid Leave

Kawasaki encourages employees to take their annual paid leave to enable them to mentally and physically refresh themselves and to draw a clear line between work and private life by taking their leave 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 the labor agreement, three annual paid leave days that the Company designates are taken by most employees in August. The Company combines this midsummer break with other Company holidays and a national holiday to create a span of nine consecutive days off.

Furthermore, the labor union and management have agreed to designate one day per week as an on-time exit day since fiscal 2006. The designation of this on-time exit day helps employees work efficiently and improve their work-life balance.

● Annual Paid Leave Usage (non-consolidated)

	(FY)	2016	2017	2018	2019	2020
Number of used paid leaves*	Days / person	15.2	15.4	15.8	15.9	15.9
Paid leave usage rate	%	69.0	70.0	71.8	72.3	72.3
Total annual work hours	Hours / person	2,075	2,065	2,047	2,035	1,953
Total annual overtime hours	Hours / person	307.2	303.8	303.6	295.2	206.4

* 22 days given per year.

Topic

Enhancing On-site Nursery Facilities

Kawasaki Motors Enterprise (Thailand) Co., Ltd. opened an on-site nursery in April 2010.

The nursery provides care for employees' children between the ages of one and four. Each year, the nursery cares for the children of about 30 employees on a daily basis. Several other children are also registered at the nursery, so that their families can utilize it when 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 hours or on 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, this helps avoid the loss of skilled human resources due to childbirth or childcare responsibilities, promoting a stable and committed workforce. The opening of the nursery has thus proved to be mutually beneficial to both employees and the company.

In Japan, meanwhile, Kawasaki provides workplace nursery facilities on days that employees have to work but would normally have off.



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