Kawasaki
Powering your potential

ESG Data Book 2018

(Society and Governance Aspects)

Composition of the ESG Data Book 2018 (Society and Governance Aspects)

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* Please visit Kawasaki web site and refer to "Environmental Report" for our ESG information disclosure regarding environmental aspects.

Kawasaki web site: https://global.kawasaki.com/en/corp/sustainability/index.html
Kawasaki Environmental Report: https://global.kawasaki.com/en/corp/sustainability/environment/report/index.html

* Scope of statistics

cg	consolidated global	The Kawasaki Group (domestic and overseas)
cg*		The Kawasaki Group (domestic and overseas) *Exceptions apply
cd	consolidated domestic	The Kawasaki Group (domestic)
cd*		The Kawasaki Group (domestic) *Exceptions apply
nc	not-consolidated	Kawasaki Heavy Industries, Ltd. (not-consolidated)
o		Other

CSR Framework

Basic CSR Policy

Basic CSR Policy	
	The Kawasaki Group recognizes that the realization of our group mission, “Kawasaki, working as one for the good of the planet (Enriching lifestyles and helping safeguard of environment -- ‘Global Kawasaki’)” is the most important among the social responsibility the Group should assume. We therefore are aiming at solving social issues with our products and services, by positively grasping the global social issues and through the Group’s pursuit of synergy and innovation. For us to be a corporation in which the society continuously places great confidence, we will promote the constructive dialogs with our stakeholders and, simultaneously, we will further strengthen our efforts in maintaining fair business practice, prevention of corrupting, consideration for environment and human rights. We will, subsequently, set the themes of CSR as well as individual domains based on identifying materiality, so that they can lead to the CSR management of the entire Group. We, we will continue such efforts considering what stakeholders expect form us and what they require, and solidify the foundation for value creation. *Reference: Identifying Material Issues (Materiality) https://global.kawasaki.com/en/corp/sustainability/materiality.html <CSR themes> Business - Solving social issues through business Governance (G) - Corporate governance - Compliance - Deepening awareness of the Kawasaki Group Code of Conduct - Anti-corruption measures - Risk management - Crisis management - Export control - Information security - Political involvement - Innovation management Environment (E) - Low-carbon society (product-based contributions) - Low-carbon society (business activities) - Recycling-oriented society - Society coexisting with nature - Environmental management - Heightened Awareness as An Environmentally Friendly Brand Society (S) - Customer relationship management - Product liability and safety - Business and human rights - Supply chain management - Employee Recruitment and Retention - Labor safety and health - Labor Practices and Diversity - Human resource development - Philanthropy and contribution

Linked file	Kawasaki Group Mission Statement https://global.kawasaki.com/en/corp/profile/statement.html

Medium-Term CSR Policy, Targets, and Performance

Medium-term CSR policy, targets, and performance	
	In fiscal year ended March 31, 2018, the Kawasaki Group identified material issues or materiality that we should address. In parallel, we reviewed the framework of our CSR activities: We positioned efforts in solving social issues through business as top priorities that the Kawasaki Group should achieve over a long-term, and defined other issues as CSR issues that underpin the management foundation. In fiscal year ended March 31, 2019 and after, we will try to improve our CSR activities while repeatedly turning the PDCA cycles: Under a new framework, we will clearly define the departments and persons in charge, the vision, and KPIs of solving social issues through business and major items among the ESG items, and monitor the achievements every year.
	[List] CSR issues that underpin the management foundation https://global.kawasaki.com/en/corp/sustainability/overview/outline.html

CSR issues that underpin the management foundation

※ The KPIs are obligatory for materiality items of No. 2 through 9

(Year ending March 31)

No	CSR issue item	Vision	Key Performance Indicator	Fiscal 2019 targets
1	Solving social issues through business	Please refer to here		
2	Corporate Governance	Transparency and soundness of	It is considered inappropriate to	Verification of the effects of the changes

CSR Promotion System

CSR promotion system	
	The Kawasaki Group has organized the Corporate CSR Committee as an organization for deliberating and determining material issues concerning CSR and compliance. With Kawasaki president as the chair, the committee consists of such committee members as directors, company presidents, executive officer in charge of CSR, and division heads of the Head Office. We also request outside directors to attend it from the viewpoint of reflecting the external expertise and opinions in the committee's decision making and, at the same time, auditors participate in it from the viewpoint of auditing execution of business. [Organizational chart] CSR promotion system https://global.kawasaki.com/en/corp/sustainability/overview/organization.html

Deepening Awareness and Education on CSR throughout the Company

Deepening Awareness and Education on CSR throughout the Company	
	The Kawasaki Group carries out education and awareness building programs relating to sustainability and CSR for its officers and employees utilizing a variety of tools such as educational seminars and its corporate intranet. We carry out CSR and compliance education and awareness building in grade-specific seminars, such as training for new employees, and newly appointed assistant managers, managers, associate officers and executive officers, as well as in training for persons in charge of overseas businesses and seminars for mid-career hires. In addition, in order to ensure that all group employees are fully informed on CSR, we regularly provide CSR and compliance related information on our corporate newsletter "Kawasaki," and our Group-wide English and Chinese language newsletter "Kawasaki On The Move."

Participation in Third-Party Initiatives and Organizations

Participation in third-party initiatives and organizations	
	The following is a list of organizations and advisory institutions in Japan where Kawasaki representatives hold official positions: Shipbuilders' Association of Japan, vice-chairperson Society of Japanese Aerospace Companies, vice-chairperson Japan Aircraft Development Corporation, councilor and administrative officer Japan Robot Association, chairperson Japan Association of Rolling Stock Industries, administrative officer Japan Overseas Railway System Association, chief administrative officer Japan Machinery Federation, general director Japan Coal Energy Center, vice-chairperson Japan Association for Trade with Russia & NIS, chairperson Kawasaki representatives also hold membership positions in the Japan Federation of Economic Organizations (Keidanren), Japan Automobile Manufacturers Association, Japan Electric Machine Industry Association, and Kansai Federation of Economic Organizations.

Stakeholder Engagement

State of Affairs Regarding Stakeholders

The Kawasaki Group stakeholders	
	The Kawasaki Group actively acknowledges the expectations and requests of stakeholders, and strives to create social value by meeting those expectations and requests through business activities while concurrently working to raise enterprise value. We utilize stakeholder dialogue to enhance information disclosure and deepen communication, which will strengthen bonds of mutual trust.
	[Illustration] The Kawasaki Group Stakeholders https://global.kawasaki.com/en/corp/sustainability/overview/stakeholder.html

Stakeholder Communication

Stakeholder communication	
Stakeholder Communication	The Kawasaki Group works towards gaining a good understanding of and making improvements to issues by communicating with stakeholders through a variety of means in our daily business activities. Furthermore, in addition to day to day dialogs, we promote communication with experts and international institutions—positioning these individuals and entities as those who offer the views that represent our societies—and reflect these exchanges in its activities. - Referencing international codes of conduct (ISO26000, etc.) - Responding to societies' demands through efforts to improve our ESG investment and SRI (Socially Responsible Investing) assessments - Dialog with experts who represent the views and expectations of our societies - Recognizing social issues and risks, and providing solutions through our businesses - Communication with NGOs and NPOs

Customer communication	
	Through our day to day sales activities, we carry out ongoing communication with our customers regarding their demands and desires. We also offer customer inquiry contacts and conduct annual customer satisfaction surveys suited for different product characteristics and sales styles. At the Motorcycle & Engine Company, through its subsidiaries and dealers, we receive requests, complaints, and inquiries from customers at every stage of the lifecycles of our products and services from purchase to maintenance, and scrapping. We also regularly organize motorcycle user social groups, new product announcement and social interaction events, and also safe riding classes in various regions as part of our contribution to reduce traffic accidents and support our customers' motorcycling lifestyles. The Precision Machinery Business Center conducts customer satisfaction surveys on a regular basis, and results from these surveys are fed back to the design and sales divisions. This helps us to incorporate our customers' needs in products and services improvement and development.
Expectations and Demands	
	Creating products and services that meet our customers' expectations and address their issues; responding to customer complaints and inquiries; appropriate disclosure of product and service information

Shareholder and investor communication	
	The Kawasaki Group works to ensure fair, timely and appropriate disclosure based on the Disclosure Policy that we publish on our web site, and also actively communicates with shareholders and investors through a broad range of IR activities that we carry out in Japan and overseas. (Please visit our website for the details about IR information: https://global.kawasaki.com/en/corp/ir/index.html)

Supplier communication	
	The Kawasaki Group communicates with suppliers on a day-to-day basis at its each purchasing department. In addition, we organize training programs, liaison meetings and other events with suppliers in Japan to enable thorough communication. Furthermore, to promote CSR procurement, we have begun taking CSR procurement questionnaires from our suppliers since 2016.
Expectations and Demands	
	Establishing a good partnership with our suppliers based on a relationship of mutual trust; contributing to society through CSR procurement

Employee communication	
	The Kawasaki Group issues monthly corporate communication newsletter "Kawasaki," and Group-wide English and Chinese language newsletter "Kawasaki On The Move" to provide information on our corporate activities and performance in an easy to understand format. We also provide a broad range of information and update it on our employee intranet. Furthermore, we hold grade-specific training programs where participants are able to learn about our corporate systems and setup. With regard to employee career advancement, we help employees create their future career roadmaps through dialogs with their supervisors that are held every six months to discuss their performance. Also, to create a system that reflects the opinions of our employees on Company affairs, we hold regular talks with the KHI Labor Union who represent employees and with whom we have signed a labor agreement. We also conduct an employee awareness survey once every three years to gauge their satisfaction and grasp their needs. We conducted the survey of all employees and temporary staff working at group companies in Japan in 2015 and 2018. As for overseas employees, in 2016, we carried out an awareness survey of employees at managerial and higher positions.
Expectations and Demands	
	Use of HR; Appropriate treatment; Promotion of labor safety and health

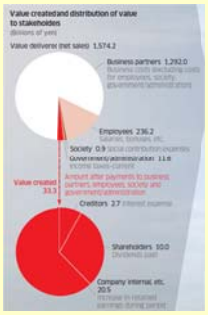
NGO and NPO Communication	
	The Kawasaki Group is engaged in communication with international ESG (environment, social, governance) and SRI (socially responsible investment) assessment organizations such as the Dow Jones Sustainability Index, as well as with NGOs such as Transparency International. Through such communication, we provide information to supplement surveys and assessments which are conducted based on disclosed information, and in instances where this is deemed to be insufficient, we review and effort to make changes to our information disclosure and/or our approaches. * ESG investment / SRI rating agencies: Organizations that assess companies from the perspectives of environmental, social, and corporate governance.
Expectations and Demands	
	Incorporating a broad range of social opinions; contributing to society through not-for-profit activities

Community communication	
	Persons in charge of our plant divisions carry out communication with community residences through their operations. Steps are taken to raise awareness to prevent noise, waste disposal and inappropriate employee behavior, and immediate steps are taken if and when complaints are received from residents. Plants and branches also organize events and activities that contribute to their communities and community residents.
Expectations and Demands	
	Fulfilling the responsibilities as a corporate citizen; participating in communities

Government Communication	
	The Kawasaki Group makes policy proposals by participating in the business and industry organizations. Additionally, we actively take part in industry-government-academia projects through joint research such as in open innovation projects.
Expectations and Demands	
	Compliance with laws and regulations; policy proposals; participation in industry-government-academia projects

Linked file	Expert Dialog https://global.kawasaki.com/en/corp/sustainability/communication/

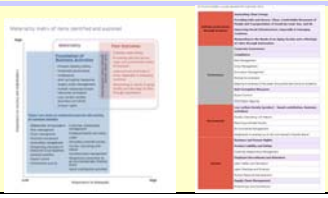
Value Created and Distribution of Value to Stakeholders

Value created and distribution of value to stakeholders	
	Value delivered in fiscal year ended March 31, 2018 (Billions of yen) - Value delivered (net sales): 1,574.2 To business partners (business cost excluding costs for employee, society, government/administration): 1,292.0 To employees(salaries, bonus, etc.): 236.2 To society (social contribution expense): 0.9 To government/administration (Income taxes-current): 11.6 Value created (amount after payments to business partners, employees, society and government/administration): 33.3 - Distribution of Value Created: 33.3 To creditors (interest expense): 2.7 To shareholders (dividends paid): 10 To Corporate internal, etc. (Increase in retained earnings during period): 20.5 

Linked file	Value created and distribution of value to stakeholders (Kawasaki Report 2018) https://global.kawasaki.com/en/corp/sustainability/report/environmental/pdf/18_houkokusyo_03.pdf

Material Issues (Materiality)

Material Issues (Materiality)

Material Issues (Materiality)	
	The Kawasaki Group evaluated the relations between social issues and our business activities, and the importance (impact) to our stakeholders, and identified material issues-that is, materiality. Based on the identified materiality, we defined key CSR issues and the framework of our CSR activities for Business, Governance (G), Environment (E) and Society (S), which we then apply in our CSR management.
	[Illustration] Materiality matrix [Table] Framework of our CSR activities and materiality 

Process of identifying materiality	
	In fiscal year ended March 31, 2018, the Kawasaki Group identified materiality through the process described below: 1) Step 1: Identify and narrow down CSR issues We analyzed industry- and Kawasaki Group-specific survey criteria applied by international SRI/ESG assessment organizations, including DJSI, FTSE, MSCI and Sustainalytics, as well as content required under reporting guidelines set by SASB (Sustainability Accounting Standards Board), GRI (Global Reporting Initiative Sustainability Reporting Standards) and other standards organizations. We also drew on the opinions of external advisors and then identified and narrowed down CSR issues. 2) Step 2: Evaluate impact of issues and assign priorities We made an internal evaluation of each CSR issue narrowed down through Step 1, from the perspective of importance to society and stakeholders as well as importance to Kawasaki, and created a provisional order of importance. We also put responses to social issues of global scale that were identified under Medium Term Business Plan 2016 in a category—the social value we create—with our Group Mission "Kawasaki, working as one for the good of the planet" and placed this category as top priorities. 3) Step 3: Interview outside experts and decide on material issues (materiality) To verify the appropriateness of priority placement determined in-house, we invited comments from outside experts through an interview process. Based on these comments, we reviewed the impact of CSR issues on society and stakeholders, and made revisions. 4) Step 4: Formulate the plan and conduct a review We will comply with the management approach defined under GRI standards, establish concrete numerical targets, and through steady implementation of strategies and follow-up measures, move CSR programs toward realization of stated goals. In addition, the Corporate CSR Committee will periodically review material issues and other topics to ensure that CSR activities are in sync with changes in the business environment and evolving social expectations.

Linked file	Identifying Material Issues (Materiality) https://global.kawasaki.com/en/corp/sustainability/materiality.html CSR activity items https://global.kawasaki.com/en/corp/sustainability/overview/outline.html

Solving Social Issues Through Business

Solving social issues through business	
	In 2017, management at Kawasaki reconfirmed social issues that require a Group-wide approach and clarified the social value that is derived through business activities. At the same time, management identified SDGs that the Group should contribute to and set non-financial targets to reach by 2030 for social value created through Kawasaki-brand products and services, namely, providing safe and secure, clean, comfortable movement of people and transportation of goods by land, sea and air; creating clean energy; improving social infrastructure, especially in emerging countries; and responding to needs of an aging society and shortage of labor through automation. Kawasaki will regularly disclose its progress toward targets while working to maximize social value and achieve sustainable growth, and also contributing to the realization of SDGs.

Linked file	Solving social issues through business https://global.kawasaki.com/en/corp/sustainability/solving/index.html

Kawasaki Group 's Approach to the SDGs

Kawasaki Group's approach to the SDGs	
	In 2015, the General Assembly of the United Nations adopted the SDGs which are a set of 17 goals that we should achieve by 2030 including eradication of poverty, inequality and unfairness and response to climate change. The SDGs are specific action plans which request businesses, governments and communities around the world to address the global agenda jointly in order to realize the prosperity of humankind and the earth. It is widely believed that the contribution by business enterprises to resolve of social issues through business activities is indispensable. We believe our Group Mission—"Kawasaki, working as one for the good of the planet"—is extremely compatible with the SDGs. And as we strive to provide solutions to social issues through our business activities, we will most certainly contribute significantly to the achievement of the SDGs. In the process of identifying materiality in 2017, we clarified the social issues that we should address and positioned efforts to maximize the social value we create through our businesses, namely, providing safe and secure, clean, comfortable movement of people and transportation of goods by land, sea and air; creating clean energy; improving social infrastructure, especially in emerging countries; and responding to needs of an aging society and shortage of labor through automation, as top priorities to be achieved over the long term. As presented below, we determined our contribution to the successful SDGs through an internal examination of the correlation between created social value and the 17 SDGs and 169 targets of the universal agenda and through discussion by the Corporate CSR Committee and the Management Committee, which are both chaired by the president. We set non-financial targets to achieve by 2030 for each type of created social value, and will regularly disclose the status of progress toward these targets.

Linked file	Kawasaki Group's Approach to the SDGs https://global.kawasaki.com/en/corp/sustainability/overview/sdgs.html

Reporting

Disclosure System

Disclosure System	
	Kawasaki Report (integrated report) Provides information how the Kawasaki Group creates value and achieves sustainable growth as well as key financial and non-financial information. Kawasaki Environmental Report Provides in-depth disclosure primarily of non-financial information associated with the Environment (E). ESG Data Book (Society and Governance), This report Provides in-depth disclosure primarily of non-financial information associated with Society (S) and Governance (G). Kawasaki web site: https: //www.khi.co.jp/ Publishes in-depth and latest information in the areas of IR, corporate, product, technology, CSR, and the environment. Disseminating information to various stakeholders In addition to the above, we also disseminate information that addresses the particular needs of various stakeholders in publications such as our Securities Report, Business Report, Corporate Governance Report and Kawasaki Technical Review.

Linked file	
	Linked file: Integrated Report "Kawasaki Report," and CSR Report (2012 and earlier) https://global.kawasaki.com/en/corp/sustainability/report/index.html ESG Data Book 2018 (Society and Governance Aspects) https://global.kawasaki.com/en/corp/sustainability/esgdatabook.html Kawasaki Environmental Report https://global.kawasaki.com/en/corp/sustainability/environment/report/index.html Securities Report and quarterly reports (Japanese language only) https: //www.khi.co.jp/ir/library/financial.html Business Report (Japanese language only) https: //www.khi.co.jp/ir/library/report.html Corporate Governance Report (Japanese language only) https: //www.khi.co.jp/ir/library/governance.html Kawasaki Technical Review https://global.kawasaki.com/en/corp/rd/magazine/index.html

Scope of Reports, Report Terms, and Third-Party Verification

Scope of reports	
	As a general rule, the reports cover the Kawasaki Group (Kawasaki Heavy Industries, Ltd. and consolidated subsidiaries). Some parts of the reports may cover only Kawasaki Heavy Industries, Ltd. (non-consolidated) or other specific scope, in which case the specific scope of the report is stated explicitly.

Report terms	
	The reports primarily include information on activities carried out during fiscal year ended March 31, 2018. They may also include information on past activities or activities carried out on or after Apr 1, 2018, as well as activities planned for the future.

Third-party verification	
	Third-party verification of greenhouse gas emissions data was provided by SGS Japan Inc.

Linked file	
	Third-party verification on greenhouse gas emissions https://global.kawasaki.com/en/corp/sustainability/environment/accounting.html

Referenced Guidelines

Referenced guidelines	
	Global Reporting Initiative (GRI), "Sustainability Reporting Standards" International Integrated Reporting Council (IIRC), "International Integrated Reporting Framework" Ministry of the Environment, "Environmental Reporting Guideline (2012)" “UN Guiding Principles Reporting Framework”

Linked file	
	GRI Standards Comparison Table https://global.kawasaki.com/en/corp/sustainability/griguidelines.html

Evaluation by Society

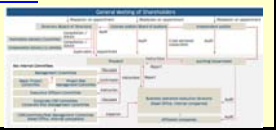
Status regarding inclusion in SRI (Socially Responsible Investment) indices	
	Kawasaki vigorously embraces activities on sustainable society. The activities have been widely recognized, and we have been highly evaluated by various external bodies as shown below. (As of November 2018)
	Dow Jones Sustainability Asia Pacific Index Jointly compiled by S&P Dow Jones Indices and RobecoSAM AG, DJSI is a leading SI index which assesses and selects leading sustainability-driven companies in terms of economic, environmental, and social criteria, and serves as one of the most important indices for investors who take the corporate social responsibility (CSR) initiatives of each company into consideration. The DJSI Asia Pacific has specifically designed for companies in the developed Asia Pacific markets.
	FTSE4Good Created by the global index provider FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company), the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.
	MSCI ESG Leaders Index MSCI ESG Leaders Index includes companies with high ESG rating relative to their sector peers.
	Morningstar Socially Responsible Investment Index (MS-SRI) The Morningstar Socially Responsible Investment Index is the first index in Japan of socially responsible investment stock. The stock prices of socially responsible companies selected from all those listed in Japan by Morningstar Japan K.K. are converted into an index.
	The Certified Health and Productivity Enterprise The Certified Health & Productivity Management Organization Recognition Program identifies large corporations, small and medium-sized companies and other organizations that engage in outstanding health and productivity management practices, based on initiatives to address health-related issues in regional communities and to promote health-conscious activities promoted by the Nippon Kenko Kaigi.
	SNAM* Sustainability Index The SNAM Sustainability Index is an investment index that draws on environment (E)-related corporate research conducted by SOMPO Risk Management & Health Care Inc. and social (S)- and governance (G)-related corporate research conducted by IntegreX Inc. to generate composite ESG scores. The index comprises companies with above-average ESG performance, as determined through composite scoring. * Sompo Japan Nipponkoa Asset Management Co., Ltd. “SNAM”

Linked file	Dow Jones Sustainability Asia Pacific Index https://www.sustainability-indices.com/ FTSE4Good https://www.ftse.com/products/indices/FTSE4Good MSCI ESG Leaders Index https://www.msci.com/esg-integration Morningstar Socially Responsible Investment Index (MS-SRI) (Japanese language only) https: //www.morningstar.co.jp/sri/index.htm Health and Productivity Enterprise https://www.meti.go.jp/english/press/2018/0220_003.html SNAM* Sustainability Index (Japanese language only) https: //www.sjnk-am.co.jp/institutional/product/06/index.html

Material issues and our approach	
	Guided by the Group Mission "Kawasaki, working as one for the good of the planet," Kawasaki established a corporate governance system centered on directors and corporate auditors, with content appropriate for the activities that the Group undertakes, and efforts are made to further improve the system. The basic stance on corporate governance for the Group as a whole is to raise enterprise value through effective and sound business activities while forming a solid relationship with all stakeholders, including shareholders, customers, employees and communities, through highly transparent management practices.

Focus activities/medium-term targets	
	The Kawasaki Group continues its various efforts to establish the corporate governance system suitable for the Kawasaki Group. Specifically, in order to ensure the effectiveness of the Board of Directors, we carry out an assessment of current status of the Board of Directors using a questionnaire given to all directors and corporate auditors based on the advice of external experts each year, with the aim to improve the function of the Board of Directors, and analysis of the results is reported to the Board of Directors for discussion. Through this assessment and analysis, we further strengthen our corporate governance system.

Progress/results/challenges	
	The Kawasaki Group modified the Board of Director and Executive Officer System effective April 1, 2018, in order to further strengthen corporate governance. This change has made it clear that business execution is carried out by executive officers to promote separation from the supervisory function of the Board of Directors. Furthermore, seeking to strengthen the supervisory function of the Board of Directors with regard to overall management, we increased the number of outside directors by one. We continue to carry out the following initiatives in response to the assessment of effectiveness; ・ The Board of Directors revise the scope of delegation of authority to directors, executive officers, and other officers in order to enable the Board of Directors to conduct focused deliberation on matters of high materiality for management. ・ In order to further energize discussions by the Board of Directors, we provide information to directors and corporate auditors at an earlier stage, and early briefings to outside officers on a regular basis on agenda items for the Board of Directors' Meetings.

Organization	
	The Kawasaki Group adopts the statutory auditor system with a Board of Directors and Board of Auditors, and appoints an independent auditor. We also have the discretionary Nomination Advisory Committee, Compensation Advisory Committee, Management Committee, and Executive Officers Committee.
Board of Directors	
	The Board of Directors comprises 12 directors (authorized number: 18), with the chairman serving as the presiding officer. We have increased the number of its outside directors (independent officers, as required by the Tokyo Stock Exchange) from two to three. These directors are independent of any role in the execution of business activities. As a result, eight of the 12 directors concurrently serve as executive officers. We are seeking to strengthen the supervisory function of the Board of Directors with regard to overall management, while paying attention to the balance with its business execution function.
Board of Auditors	
	The Audit & Supervisory Board comprises five audit & supervisory board members (authorized number: five). To ensure the reliability of financial reports, we appoint internal audit & supervisory board members who have considerable knowledge of finance and accounting. Furthermore, to ensure the objectivity and neutrality of the supervisory function, we appoint three outside audit & supervisory board members (independent officers, as required by the Tokyo Stock Exchange) with no business relationships or other vested interests in the Company. The internal and outside audit & supervisory board members share information closely and work to enhance the supervisory function.
Organizational chart	
	Kawasaki Group's Governance Structure (as of Jun 27, 2018) https://global.kawasaki.com/en/corp/sustainability/mgmt/system.html 

Linked file	Report on Corporate Governance (Japanese language only) https: //www.KHI.co.jp/ir/library/governance.html

Corporate Governance Policy

Policy and targets regarding the independence of the Board of Directors

Board of directors is deemed to be independent if none of the following apply:
(1) The outside officer is currently employed by the Company as an executive director, executive officer, manager or other key employee, or if any company at which said director was employed over the past ten years (including key subsidiaries as defined by said company) (hereafter the "formerly-employed company") has had business dealings with the Kawasaki Group, and the average transaction amount over the last five fiscal business years exceeds 2% of the average sales amount of the Kawasaki Group or that of the formerly-employed company over the last five fiscal business years.
(2) The average compensation that the outside officer (or legal entity if set up as a legal entity) receives directly from the Kawasaki Group in their capacity as a specialist or consultant of legal, accounting, or tax matters (excluding compensation as an officer of Kawasaki) over the last five fiscal business years exceeds 10 million yen.
(3) The average amount of donations and other contributions over the last five fiscal business years to an NPO at which said outside officer serves as an executive officer exceeds 10 million yen and exceeds 2% of total revenues or the current account balance of said organization.
(4) Said outside officer's formerly-employed company is a major shareholder of Kawasaki, holding 10% or more of the issued shares.
(5) Said outside officer has a first-degree or second-degree relative to which bulleted item (4) applies, or is an executive director, executive officer, manager or other key employee at the Kawasaki Group

Corporate Governance Makeup

Member of the Board of Directors — As of Jun 27, 2018

Total number of directors	members	12
Executive directors		8
Non-executive directors		1
Independent outside directors		3
Female directors		1
Non-Japanese directors		1
Total number of auditors	members	5
outside auditors		3

Presiding officer of the Board of Directors

The Board of Directors chairman, who has no representation rights, is chosen as the presiding officer of the Board of Directors.

Corporate Governance Functions (organizations, committees, etc.)

Organization associated with nomination and appointment

	Nomination Advisory Committee
Overview	
	An advisory body on nomination of directors and corporate auditors
Member	
	The Committee comprises two internal directors, two outside directors, and one outside auditor (An outside director serves as presiding officer)
Frequency	
	Roughly ten times a year

Organization pertaining to compensation

	Compensation Advisory Committee
Overview	
	An advisory body on compensation for directors (Excluding auditors)
Member	
	The Committee comprises two internal directors, two outside directors, and one outside auditor (An outside director serves as presiding officer)
Frequency	
	Roughly five times a year

Organization pertaining to management strategy

	Management Committee
Overview	
	・Assists the president as an advisory body with regard to Group management ・Discusses important management policy, management strategy, management issues, and other matters from a Group perspective
Member	
	Comprises executive directors and internal company presidents.
Frequency	
	Roughly three times a month

Organization pertaining to business execution

	Executive Officers Committee
Overview	
	・Conveys business execution policy based on management policy and management plans determined mainly by the Board of Directors and the Management Committee ・Venue for communicating necessary and important information regarding business execution and exchanging opinions
Member	
	Comprises all executive officers appointed by the Board of Directors
Frequency	
	Twice a year

Organization pertaining to sustainability	
	Corporate CSR Committee
Overview	
	Discusses and decides on basic policy and important matters related to CSR for the Group as a whole and monitors implementation status
Member	
	With Kawasaki president as the chair, the committee consists of such committee members as directors, company presidents, executive officer in charge of CSR, and division heads of the Head Office. We request outside directors to attend it from the viewpoint of reflecting the external expertise and opinions in the committee's decision making and, at the same time, auditors participate in it from the viewpoint of auditing execution of business.
Frequency	
	At least twice a year (Three meetings in fiscal year ended March 31, 2018)

Organization pertaining to risk management	
	Corporate Risk Management Committee
Overview	
	Discusses important issues pertaining to risk management for the Group as a whole and monitors implementation status
Member	
	Headed by the Kawasaki president with members comprising directors (excluding outside directors), internal company presidents, officer in charge of CSR, division heads of the Head Office, and other persons designated by the president. Also in attendance at these meetings are full-time corporate auditors who provide insights from a business execution perspective.
Frequency	
	At least twice a year (Two meetings in fiscal year ended March 31, 2018)
	Major Project Committee
Overview	
	Assesses risks and considers appropriate responses before acceptance of major projects
Member	
	Headed by general manager of Corporate planning division as presiding officer and relevant corporate divisions and internal companies are convened
Frequency	
	Held as needed
	Project Risk Management Committee
Overview	
	Regularly follows up on major projects during execution
Member	
	Headed by the president with members comprising executive directors and internal company presidents among others
Frequency	
	Once a month as a general rule

Criteria and Process for Director Appointment

Director appointment process	
	Directors are decided by the Board of Directors based on the "qualities required of a director" and "qualities required of an auditor" as defined by the Board of Directors through a comprehensive assessment of the knowledge, experience, and capabilities that are needed for the person to appropriately carry out the responsibilities required of the particular director positions, based on the performance of the Company and the individual. The professional history and reason for appointment of each director and auditor are disclosed in documents such as the notice of general meeting of shareholders. The directors and auditors appointment policy, and directors and auditors nomination proposals are decided at the Board of Directors, after consultation with the Nomination Advisory Committee.
Director appointment criteria	
	Qualities required of a director 1. Possessing an in-depth understanding of and sympathy with the Kawasaki Group's corporate philosophy and visions. 2. Being able to make positive contributions towards sustainable growth and improving medium- and long-term enterprise value. 3. Having a corporate-wide perspective, and a wealth and breadth of experience, resourcefulness and specialized expertise to this end. 4. Being able to oversee corporate management and business execution from an independent and objective position as a member of the Board of Directors. Qualities required of an auditor 1. Being able to contribute to ensuring the soundness of management of the Kawasaki Group. 2. Possessing the ability to make fair and appropriate decisions from an independent and objective position. 3. Being able to execute their authorities in a proactive and positive manner, and appropriately voice opinions at Board of Directors meetings or to the top management. 4. Being highly knowledgeable of Kawasaki's businesses and corporate management or possessing a wealth and breadth of experience, resourcefulness and specialized expertise. 5. At least one auditor must have an appreciable degree of knowledge in the area of finance and accounting.

Reason for Appointment of Outside Directors	
	Michio Yoneda Mr. Yoneda has expressed useful opinions and given advice in determining important matters of the Company's management from a position independent of any role in the execution of business activities, based on his abundant management experience and high level of knowledge regarding corporate governance acquired over a career including President & CEO (Member of the Board) of Osaka Securities Exchange Co., Ltd., Director & Representative Executive Officer and Group COO of Japan Exchange Group, Inc., and other important positions. In consideration of these points, the Company believes he would be able to fully perform his roles as an Outside Director in supervising the execution of duties of the Company and increasing its enterprise value.
	Yoshiaki Tamura Mr. Tamura served as Representative Director and Executive Vice President, AGC Inc. (formerly Asahi Glass Co., Ltd.), GM of Technology General Division, Deputy Leader of AGC Group Improvement Activities and President of Glass Company and other important positions. He has extensive experience in corporate management and deep insights into manufacturing. In consideration of these points, the Company believes he would be able to fully perform his roles as an Outside Director in supervising the execution of duties of the Company and increasing its enterprise value.
	Jenifer Rogers Ms. Rogers has extensive international experience and deep insights into legal affairs, compliance, and risk management, having served as an in-house lawyer and executive in charge of legal affairs at international financial institutions for many years. In consideration of these points, the Company believes she would be able to fully perform her roles as an Outside Director in supervising the execution of duties of the Company and increasing its enterprise value.

Reason for Appointment of Outside Corporate Auditors	
	Takashi Torizumi The Company has judged that Mr. Torizumi would be able to fully perform his roles as outside corporate auditor from an independent position, based on his abundant experience as a corporate manager.
	Satoru Kohdera The Company has judged that Mr. Kohdera would be able to fully perform his roles as outside corporate auditor from an independent position, based on his abundant experience as an attorney and high level of knowledge of legal affairs.
	Atsuko Ishii The Company has judged that Ms. Ishii would be able to fully perform her roles as outside corporate auditor from an independent position, based on her abundant experience and high level of knowledge of labor administration.

The Effectiveness of the Board of Directors

Past record of Board of Directors meetings and Directors' and Corporate Auditors' Attendance Rates (Includes Extraordinary Meetings)		Years ended March,31	2014	2015	2016	2017	2018
	Number of times Board meetings held	Number of times	14	18	16	14	15
	Directors' attendance rates	%	95.6	98.6	96.9	99.4	99.4
	Outside directors' attendance rates		100.0	100.0	96.7	100.0	100.0
	Auditors' attendance rates		100.0	100.0	98.4	100.0	98.6
	Outside auditors' attendance rate		92.9	100.0	100.0	100.0	97.7

Past record of Audit & Supervisory Board meetings, and Corporate Auditors' Attendance Rate		Years ended March,31	2014	2015	2016	2017	2018
	Number of Auditors' meetings held	Number of times	22	19	17	17	17
	Auditors' attendance rates	%	98.7	100.0	100.0	100.0	100.0
	Outside auditors' attendance rate		97.7	100.0	100.0	100.0	100.0

Directors' terms of office/restrictions			
	Directors' terms of office	years	1
	Average years in office		3
Criteria regarding restrictions on concurrent service as director			
	If a Kawasaki officer is to concurrently serve as an officer of other listed companies, the number of companies at which the officer may concurrently serve in addition to Kawasaki is restricted to three.		

Assessment of Board of Directors effectiveness	
	The Board of Directors is committed to ensure that it is able to make appropriate corporate management decisions through free and vigorous discussions carried out among directors and auditors, including independent outside officers, based on their personal knowledge and experiences. Additionally, the Board carries out yearly assessments of the current state of affairs in the form of questionnaires for all directors and auditors based on advice from outside experts, and the results of the analysis are reported to the Board of Directors for discussion. Therefore, Board decisions are being made through constructive discussions between inside and outside officers, and as such, we were able to verify that the effectiveness of the Board of Directors has been secured. Meanwhile, a number of comments were raised by directors and auditors regarding matters such as the makeup of the Board and improving its discussions regarding medium- and long-term corporate management issues. Awareness on these issues has been shared. As such, the Board will continue to work towards carrying out discussions from a variety of perspectives and further improve its effectiveness.

Audit Status

Internal Audits	
	The Auditing Department, which is an internal audit division and consists of around fifteen (15) persons, makes efforts to improve the internal control function such as regularly auditing whether our group's execution of general business activities is properly conducted in accordance with laws and internal rules etc. Furthermore, corporate auditors and the Auditing Department exchange information and share information such as each audit results and findings.

Auditor's Audits	
	Corporate auditors attend board of directors meetings and management meetings, etc. (Outside corporate auditors attend management meetings etc. as needed.) In addition, corporate auditors inspect important documents, meet directors and executive officers, conduct operational audits on the head office and operating division, and investigate the status of business and assets through an investigation on the subsidiaries, etc. Furthermore, by three (3) outside corporate auditors, further objectivity and neutrality of audit function are ensured. In addition, information is shared with full-time corporate auditors and outside corporate auditors, and the audit function is enhanced.

Independent Auditing	
	With regard to independent auditing, we undergo audits of its financial statements by the independent auditor KPMG AZSA LLC. Corporate auditors and the Board of Auditors receive an outline of the audit plan and a report on important audit items from the independent auditor, and the Board of Auditors explains the Company's auditing plan to the independent auditor. Corporate auditors and the Board of Auditors periodically receive reports on the results of audits by the independent auditor, and conversely, the independent auditor receives reports on the results of audits by the corporate auditors and the Board of Auditors, who strive to keep lines of communication open with the independent auditor by also exchanging information and opinions. When necessary, corporate auditors take part in the audits performed by the independent auditor, and may also receive reports from the independent auditor concerning audits when appropriate.

Independent Auditor Compensation	Years ended March,31	2014	2015	2016	2017	2018
Compensation based on audit certification services	Millions of yen	223	225	226	232	231
Kawasaki Heavy Industries Ltd.		169	171	180	186	185
Consolidated subsidiaries		54	54	46	46	46
Compensation based on non-audit services		40	46	9	9	8
Kawasaki Heavy Industries Ltd.		40	46	9	9	5
Consolidated subsidiaries		0	0	0	0	2

Compensation of Corporate Officers

Corporate Officer compensation policy	
	The compensation system for Kawasaki directors and corporate auditors—which is designed to promote sustained improvement in corporate performance and enterprise value and to secure outstanding human resources—ensures a level of compensation in line with the duties of the individual officer. Compensation of directors, excluding outside directors, consists of basic compensation, performance-based compensation, and a stock purchase fund. Among these, performance-based compensation is determined by linking corporate and internal company profits to ROIC with the aim of using compensation as an incentive for achieving business goals. The stock purchase fund is distributed in fixed amounts each month for the purpose of sharing value with shareholders and incentivizing directors to enhance medium- to long-term enterprise value, with the entire amount contributed to the officers' stock ownership plan in order to purchase shares of the Company on an ongoing basis. From the perspective of professional independence, compensation of outside directors is set at a fixed level not tied to corporate performance. These types of compensation of directors are determined by the President as delegated by the Board of Directors, after consultation with the Compensation Advisory Committee. From the perspective of professional independence, compensation of Audit & Supervisory Board members is set at a fixed level not tied to corporate performance. This compensation is determined by the Audit & Supervisory Board.

Compensation breakdown	Applicable persons (no. of persons)		Total amount	Basic compensation	Performance-based compensation	Stock purchase fund
Total amount of compensation (outside persons)	19 6		778 60	576 60	134 -	67 -
Directors	13	Millions of yen	675	473	134	67
Directors (excluding outside directors)	11	Millions of yen	647	445	134	67
Outside directors	2		28	28	-	-
Auditors	6	Millions of yen	103	103	-	-
Auditors (excluding outside auditors)	2	Millions of yen	70	70	-	-
Outside auditors	4		33	33	-	-

* The number of officers includes four directors and one corporate auditor who have retired upon the conclusion of the General Meeting of Shareholders held in June 2017.
* The maximum amount of compensation of directors is ¥1,200 million per year (as resolved at the 189th Ordinary General Meeting of Shareholders held on June 27, 2012).
* The maximum amount of compensation of corporate auditors is ¥120 million per year (as resolved at the 194th Ordinary General Meeting of Shareholders held on June 28, 2017).

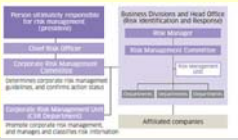
Criteria for calculating flexible compensation	
	ROIC, after-tax profits

Request to Own Company Stocks to Top Management

Rules regarding Company stock ownership by top management	
	A portion of the compensation of directors, other than for outside directors, is to be distributed in fixed amounts each month for the purpose of sharing value with shareholders and incentivizing directors to enhance medium- to long-term enterprise value, with the entire amount to be contributed to the officers' stock ownership plan in order to purchase shares of the Company on an ongoing basis.

Material issues and our approach	
	The Kawasaki Group is committed to actively recognize the expectations of our stakeholders, and to simultaneously create social value and enhance our enterprise value by contributing to their resolution and fulfillment through our business activities. From this perspective, factors that inhibit our business activities represent a serious risk. In accordance with the Companies Act, the Kawasaki Board of Directors has adopted a basic policy for internal control systems. The policy makes it clear that risk management should be addressed in accordance with the Risk Management Regulations by seeking to anticipate and avoid loss caused by risks, and to minimize risks through appropriate preparation and operation of the risk management system. In addition, to achieve sustained improvement of profitability and corporate value, the Kawasaki Group Mission Statement identifies risk management as a guiding theme of the Kawasaki Group Management Principles.

Focus activities/medium-term targets	
	In order to achieve Group-wide integrated risk management, respective operating divisions strengthen their risk management measures, identify major risks that may have a serious impact on operations (Group-level risks) every year, monitor how these risks are being addressed, and from among such risks determine a few items that particularly require Group-wide actions (risks requiring Group-wide action), and examine and execute such actions. The results of these actions are then monitored by the head office division in charge. On the other hand, with regard to the risks associated with individual business execution, the relevant divisions carry out assessments and analyses and sufficiently examine countermeasures in advance in accordance with the Kawasaki Group's Board of Directors Regulations, Management Meeting Regulations, Approval Regulations, etc., and for important projects which may have especially great impacts on operations, not only at bidding and contracting for received orders but after starting the projects, too, necessary measures to further ensure risk management are taken in accordance with Kawasaki Group's Regulations concerning Risk Management for Important Projects, etc. including the head office and the respective business segments following up on them regularly.

System	
	The Kawasaki Group has established a Corporate Risk Management System to ensure a uniform level of risk management across the Group, through which it identifies and responds to major risk with potential serious impact on operations and works to enhance risk management as outlined in the Kawasaki Group Management Principles. To engage in continuous activities through implementation of the Corporate Risk Management System, we highlight the reinforcement of risk management as one of the key strategies of our Medium-term Business Plan. This system places ultimate responsibility for risk management with the President, and responsibility for the overall control of risk management operations with the Managing Executive Officer. The system also seeks to reinforce the risk management system by setting up a Corporate Risk Management Committee with the function of deliberating on important matters relating to risk management and monitoring the status of implementation. Meanwhile, a secretariat function is given to the CSR Department, which directly reports to the President, to make different Corporate divisions work together to implement and support corporate risk management, and to ensure that each business division operates a similar system, for which the general managers of business divisions are responsible. These measures are designed to reinforce a system that takes a Group-wide approach to risk management. Additionally, a system that incorporates domestic group companies was started up in fiscal year ended March 31, 2013. We have also rolled out risk management activities to a number of our overseas affiliated companies (model companies) and plan to gradually extend this scope from 2015.
	[Organizational chart] Corporate risk management system https://global.kawasaki.com/en/corp/sustainability/mgmt/management.html 
Person in charge	
	Chief officer responsible for risk management: Yoshinori Kanehana, President Person responsible for overall control of risk management operations: Katsuya Yamamoto. Director, Managing Executive Officer
Responsible body, committee	
	Corporate Risk Management Committee
Independence of risk management functions and Board of Directors involvement	
	The Corporate Risk Management Committee comprises directors (excluding outside directors), internal company presidents, officer in charge of CSR, division heads of the Head Office, and other persons designated by the president. Also in attendance at these meetings are full-time corporate auditors who provide insights from a business execution perspective.

Linked file	Corporate risk management activities https://global.kawasaki.com/en/corp/sustainability/mgmt/management.html Reformed business continuation plan (BCP) https://global.kawasaki.com/en/corp/sustainability/mgmt/management_crisys.html

Risk Assessment

Risk assessment method	
	The Kawasaki Group defines risk as factors and events that inhibit the execution of business operations or the achievement of organizational goals. With respect to risk exposures, such as strategic risks, we also take into consideration events than can have a beneficial effect for the organization, and cover all areas of risks—grouped into external risks and internal risks (strategic and operational risks) —for risk management. With respect to responding to major risks under the Corporate Risk Management System, major risks that can have a potentially serious impact on Group-wide operations are identified each year using uniform metrics and subjected to continuous management from a Group-wide perspective using efficient and optimal methods. Specifically, this means that management of major risks at the Group-wide level is carried out based on a Plan-Do-Check-Act (PDCA) cycle for managing major Group-wide risks using the following cycle: [1] screening and evaluation of risk; [2] identification of major risks and specification of risks requiring action; [3] formulation and implementation of risk response measures; and [4] monitoring. The Corporate Risk Management Committee defines serious risks that can have a potentially serious impact on operations as Group-level risk. Of these Group-level risks, those that are not being sufficiently addressed and urgently require Group-wide actions are specified as risk requiring Group-wide action. The Company's risk management process consists of a version of the COSO framework customized for the Company's systems and state of affairs. Moving forward, we will be further improving our activities through actions such as referencing the new COSO framework of 2017.
Risk items currently covered in the scope of risk management	
	List of risks covered https://global.kawasaki.com/en/corp/sustainability/mgmt/management.html
Major risks (risks recognized Group-wide)	
	List of risks recognized Group-wide (fiscal year ended March 31, 2019) List of risks requiring Group-wide action (fiscal year ended March 31, 2019) https://global.kawasaki.com/en/corp/sustainability/mgmt/management.html

Long-Term Risks

Long-term risks 1	
	Large-scale disaster risks: Risks from large-scale disasters, including earthquakes and pandemics that can cause shutdowns or inability to maintain functions.
Potential Impact on Operations	
	Our business operations can be severely affected by natural disasters or pandemics that threat the safety of our employees. These risks can cause damage to our facilities, offices, assets and informational databases, as well as power outages that can cause delays in our delivery of products and services. These risks pose a serious threat to business continuation, leading to dramatic declines in our performance and share prices, major impacts on social communities, and loss of confidence among our shareholders. Ultimately, we may be rendered unable to fulfill its social responsibilities.
Risk Mitigation Measures	
	In preparation for crisis events, we have improved its crisis management system and laterally integrated the system in the overall group structure. The president is the Chief Crisis Management Officer. The heads of operating sites or organizational divisions function as Crisis Management Officers who oversee the setting up of their crisis management offices. In the event of an accident or natural disaster, all necessary information is sent to where it is needed through a predefined reporting route that has been set up for use in times of emergency. This route is made known clearly to employees and executives through the Crisis Management Organization, which in normal circumstances underpins the Group's crisis management structure.

Long-term risks 2	
	Information leakage risks
Potential Impact on Operations	
	Information safety related risks, such as system problems, blocking or attacks from external perpetrators, and accidents caused by intentional or negligent insider actions can have a direct or indirect impact on our business activities and result in situations such as outlined below. 1. System shutdown, loss of data or information theft caused by malware infections or network system hacking. 2. Loss, leak, removal from site or abuse of information resulting from intentional or negligent action. 3. Economic loss or loss of technological competitiveness resulting from illicit third-party use of critical information relating to bank accounts or technologies. This can also lead to serious incidents involving loss of reputation, damage liabilities, loss of confidence in the Kawasaki Group, or opportunity loss.
Risk mitigation measures	
	We have established a risk management system to handle information security management for the Group. We promote a management cycle, with an emphasis on rules, training and technology measures, to address information security risks that constantly change with the times, and we systematically implement, maintain and enhance information security measures.

Risk Culture	Training and awareness-building on risk management	Kawasaki describes the importance of risk management in its grade-specific training programs. Additionally, our commitment to improve our enterprise value based on our select and concentrate, quality leads and quantity follows, and risk management guidelines are clearly stated in the Group Management Principles under our Mission Statement. We also post our Mission Statement at work areas and distribute Mission Statement Cards to employees to build awareness of these principles.
	HR evaluation and financial incentives	The practicing of Group Management Principles, including risk management, is examined as part of the performance evaluation of executives.
	Checking and reporting of potential risks caused by employees	We define and implement a compliance reporting and consultation system to identify any potential risks that may exist at the employee level.
	Internal feedback process on potential risks	The incidents reported under the reporting and consultation system are regularly compiled and reported to management. Risk assessment is performed based on these reports.
Crisis Management	Crisis management principles	The Kawasaki Group's Risk Management Regulations contain crisis management provisions set out in readiness for the emergence of a risk situation. These regulations set forth behavioral guidelines and response systems that serve to protect lives and preserve assets, minimize damage and loss, and expedite the resumption of business activities in the event of unplanned interruption. Additionally, the Kawasaki Group has formulated a business continuity plan (BCP) in preparation for a major earthquake centered on Tokyo or a similar major seismic event, or a pandemic caused, for example, by a new strain of influenza. The plan was formulated with attention to the following basic principles: 1.Protecting the health and the life of employees and their families (including non-employees working on site and visitors) 2.Performing of duties essential to the fulfillment of our social responsibilities (commissions from customers, business partners, and government offices, and maintenance and restoration of mission-critical systems such as public infrastructure and civil defense) 3.Normalizing the business operations of the Kawasaki Group 4.Fulfilling responsibilities and contributing to local communities
	Crisis Management Structure	In readiness of risks, including any major disasters, we have put in place a Crisis Management Organization to operate as a crisis management system integrated horizontally across the Group structure. The president is the Chief Crisis Management Officer, while the head of each operating site or organizational unit (internal companies, business centers, etc.) acts as its Crisis Management Officer and supervises the setting up of a Crisis Management Office. In the event of a crisis, a command centers at Head Office, local works and offices are quickly set up which serves to protect lives and preserve assets, minimize damage and loss, and expedite the resumption of business activities in the event of unplanned interruption.

Export Control

Export Control Policy	
	From the standpoint of ensuring safety by maintaining international peace and security, the Foreign Exchange and Foreign Trade Act (hereafter the "Foreign Exchange Act") regulates the export of materials or technology that could be diverted for military purposes, requires exporters to implement rigorous export controls, and defines fines and export ban penalties for offenders. Kawasaki's basic policy on export control is to contribute to the maintaining of security, and comply with the Foreign Exchange Act and other export control laws and regulations to mitigate any business risks that may arise from violations of these laws. Moreover, because our businesses have significant ties with the US, we take account of U.S. reexport regulations and economic sanctions in its export control procedures to reduce risks that may arise from violations of these laws.
Export Control System	
	To ensure Group-wide compliance with export control laws and regulations, we have formulated a set of corporate export control regulations for goods and technologies relevant to security maintenance and have put in place an export control system in which a representative director acts as Chief Export Control Officer. As a first measure, we set up the Export Control Laws and Regulations Compliance Screening Committee (hereafter the Screening Committee) at the Head Office chaired by the Chief Export Control Officer. The Screening Committee undertakes final assessment of all export transactions across the Group to confirm compliance with export control laws and regulations, and provides guidance and supervision to our internal companies to help them establish control systems that ensure legal and regulatory compliance. In addition, the Export Control Section was set up within the Head Office Marketing Division to provide secretariat services to the Screening Committee and to function as a Group-wide division to coordinate export control. Next, the Working Level Committee was instituted under the control of the Screening Committee to undertake preliminary screening ahead of the assessment by the Screening Committee, discuss matters delegated to it by the Screening Committee, report to the Screening Committee, and undertake horizontal rollout to internal companies of export control-related information. [Organizational chart] Export Control Structure https://global.kawasaki.com/en/corp/sustainability/mgmt/export.html
Export Control Training and Guidance	
	The Company provides export control training for all companies, including Group companies, which are specifically designed for different personnel and objectives. To build awareness for export control, the Company organizes Group-Wide Export Control Training Meetings each year at a number of offices throughout Japan, such as the Akashi plant, with external lecturers invited from the Center for Information on Security Trade Control (CISTEC). Concurrently, each internal company offers export control training as a separate module in its grade-specific training to impart the knowledge required by managers and other personnel to execute their operations. Furthermore, training on the practicalities of determining applicability/non-applicability and transaction screening is provided for export control administrators or persons in charge of export control at each internal company. With regard to export control audits, the Corporate Auditing Department and the Corporate Export Control Section work together to perform individual audits of and provide guidance to all internal companies and major Group companies in Japan once a year. Moreover, overseas Group companies are subject each year to a questionnaire-based survey of their export control systems, export records and related matters, with appropriate guidance and support on export control provided by the relevant internal company.

Information Security

Information Security Management Policy

The Kawasaki Group provides products to a diverse range of customers, from general consumers and the public sector to the Self-Defense Forces, and constantly works towards maintaining and improving its information security to protect information relating to our customers and suppliers, as well as information on their businesses to suit the requirements of each customer sector.
The necessary information security management practices have been established as corporate regulations to ensure compliance with prevailing domestic and international laws and in respect of contractual promises to clients and to protect our businesses from external risks. These corporate regulations comprise Rules for Information Management, as the underlying policy, along with various standards for establishing administrative management guidelines, including the use and implementation/development of information systems.

Information Security Management Structure

We have established a dedicated framework under the corporate risk management structure to handle information security management for the Group. We implement a management cycle, with an emphasis on rules, training and technology measures to address information security risks that constantly change with the times, and we systematically implement, maintain and enhance information security measures.
In addition, the Group's data center has acquired ISO 27001 certification, the international standard for information security management, and strives to uphold a high level of operational reliability.
We have implemented systems to prevent unauthorized access to data from outside as well as information leaks from inside and to stop the spread of computer viruses. We have also introduced systems to check for illicit activities.

Information Security Education and Training

We run education and training programs specifically on the information security theme for all Group employees.
Education covers laws and social customs as well as corporate rules and incident examples, and course content is tailored to career level, such as newly hired employees, general employees and executives.
Training programs use simulations, conducted on a regular basis, that help employees learn how to avoid damaging situations, such as cyber-attacks and online crime, which can occur in the course of daily business operations.

Intellectual Property Management

Principles of Intellectual Property Management

To survive amid intense global competition, we must raise enterprise value by developing business pursuits that leverage our core competence. Toward this end, we rely on intellectual property, which is a vital management resource, and the key to securing and successfully applying this corporate asset is to undertake activities from a three-point perspective that adds intellectual property to business and R&D as a third component of our core competence.

Intellectual Property Management Structure

To promote these strategic intellectual property-oriented activities, we maintain a structure whereby the Intellectual Property Department in the Corporate Technology Division drafts corporate measures for implementation and works with other intellectual property management departments in each business segment. This provides support in line with each segment's business activities.

[Organizational chart of intellectual property protection structure]
https://global.kawasaki.com/en/corp/sustainability/mgmt/security.html

Invention Reward System

Based on the Patent Law regulation pertaining to inventions by employees, Kawasaki has established a provision in its internal rules regarding inventions by employees to reward employees at specific milestones, such as the filing of a patent application (application reward), patent registration (registration reward), and practical application (performance-based reward). The Company faithfully adheres to this provision. In addition, the same reward system is applied even when the invention is not made public for strategic reasons. Of note, the performance-based reward is fairly awarded after duly taking into consideration how the Company has benefited from the invention, using an evaluation standard based on comparisons with other companies in the same industry as well as trends in society.

Personal Information Protection

Personal information protection

The Company abides by its Privacy Policy (Personal Information Protection Policy), a basic policy for protecting personal information. This policy is publicly disclosed.
Further, the Company controls personal information and anonymously processed information by such means as appointing the personal information administrator, establishing the corporate regulations titled Personal Information Protection Rules, and issuing the Personal Information Protection Manual explaining the rules clearly for employees. In 2017, in response to the revision of the Act on the Protection of Personal Information of Japan, it revised related company regulations, the Privacy Policy, and the Personal Information Protection Manual, and implemented internal training and explanatory meetings for the affiliates several times.
For the control of personal data, such measures are taken as constructing the security control systems for the personal data possessed by division, and preparing and regularly updating the personal data handling ledger showing the handling of such personal data.
With regard to personal data in its possession, the Company has put in place a structure that ensures a prompt response to individual requests on the use of personal data, such as disclosing it, no longer using it, etc.

Referenced documents

Privacy Policy
https://global.kawasaki.com/en/privacy_policy/index.html

Material issues and our approach

In the Kawasaki Group Management Principles contained in our Mission Statement, the Kawasaki Group sets forth our corporate virtue of recognizing social responsibility and coexisting harmoniously with the environment, society as a whole, local communities and individuals, and in the Kawasaki Group Action Guidelines, we ask each and every member of the Group to earn the trust of the community through high ethical standards and the example you set for others.
Furthermore, we have established the Kawasaki Group Code of Conduct and set ethical standards to form the basis of decisions. At the same time, our executives and employees are requested to comply with the Code in the Regulations Concerning the Kawasaki Group Code of Conduct as a set of company regulations.
The Kawasaki Group is committed to strengthening its corporate culture of not tolerating compliance violations in accordance with the Code. Furthermore, because a large percentage of our business comes from the sale of products ordered by customers such as government, municipalities, government ministries, and publicly run corporations, we must prevent corruption and maintain fair business practices.

Focus activities/medium-term targets

Our aim is to establish a state where the risks of compliance violations are checked as accurately as possible, and where comprehensive and effective compliance structures for addressing applicable risks have been put in place, are implemented on an ongoing basis, and regularly updated.
Furthermore, we aim to establish a state where all officers and employees have an in-depth understanding of the corruption issue and the need for its prevention. A sufficiently effective structure for keeping the Group from becoming involved in corruption in its business activities has also been established and is being updated regularly.

KPI

Frequency of serious compliance violations per year

Target

Zero serious compliance violations

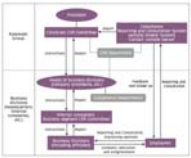
Progress

	Years ended March 31	2014	2015	2016	2017	2018
	Number of serious compliance violations	0	0	0	0	0

Structure

The Corporate CSR Committee, which is chaired by the Kawasaki president, meets at least twice a year (three meetings in fiscal year ended March 31, 2018). Its goals are to discuss and determine approaches that enable the Kawasaki Group to fulfill its corporate social responsibilities and to monitor the status of compliance efforts. To ensure that the objectives of the Corporate CSR Committee extend to all corporate structures, the Head Office and internal companies hold respective CSR committee meetings at least twice a year, in their effort to promote compliance throughout the Group.
As a result of diversification of the Group business, the compliance activities required in the respective business divisions contain those specific to them according to their forms of business. On the other hand, there are not a few actions to be implemented across the entire company in a unified manner.
For this reason, the Group is carrying out compliance activities; (i) as the compliance activity common to all internal companies with an annual compliance related theme set for all the internal companies in common; and (ii) as the business division specific compliance activity with another theme set for each business segment and the Head Office, respectively.

[Organizational chart]
Compliance Promotion Structure
https://global.kawasaki.com/en/corp/sustainability/mgmt/compliance.html



Person in charge

Ikuhiro Narimatsu, Managing Executive Officer in charge of General Administration Division, CSR Division, Legal Division, and Compliance

Responsible body, committee

The Corporate CSR Committee is the body responsible for compliance.
With Kawasaki president as the chair, the committee consists of such committee members as directors, company presidents, executive officer in charge of CSR, and division heads of the Head Office. We also request outside directors to attend it from the viewpoint of reflecting the external expertise and opinions in the committee's decision making and, at the same time, auditors participate in it from the viewpoint of auditing execution of business.

Audits and third-party certification of the compliance system by third parties

The state of compliance is audited by corporate auditors and independent auditors.

Compliance Policy

Policy regarding compliance

In July 2017, the Company established the Kawasaki Group Code of Conduct as a set of ethical standards on which all officers and employees in the entire Group must base their decisions in their business activities.

In the statement by the president at the beginning of the Code, he states, "I declare that the Kawasaki Group Code of Conduct shall serve to help all officers and employees in each country and region to come together in unity, with a deep awareness that the Code will serve as the foundation for ensuring the highest standards of conduct in all of our business activities and that we shall adhere to this Code in making decisions and taking action, even in difficult circumstances," and requires that all officers and employees adhere to this Code.

Policy's scope of application

All Kawasaki Group officers and employees

Referenced documents

Kawasaki Group Management Principles/Kawasaki Group Code of Conduct
https://global.kawasaki.com/en/corp/profile/statement.html
Kawasaki Group Code of Conduct
https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html

State of Affairs Regarding Compliance

Efforts to Promote Compliance

At Kawasaki, all newly appointed presidents announce the President's Declaration of Compliance to the Group employees soon after the assumption of office.
All officers and executives of the Company, upon his or her appointment, are required to prepare and submit to the Company a Declaration to Observe Laws and Regulations. Furthermore, The Kawasaki Group Code of Conduct and a Compliance Guidebook are distributed to all officers, employees and temporary staff at all Group companies in Japan. The Compliance Guidebook outlines the Group's compliance system and operations, as well as the Compliance Reporting and Consultation System (whistle-blower system), and uses illustrations to present easy-to-understand examples that should be noted regarding compliance-related matters dividing these into six categories, namely, Matters concerning Securing the Trust of Customers and Business Partners, Matters to Be Observed as a Corporate Citizen, Matters concerning Information Management, Matters concerning Handling Financial Transactions, Matters concerning the Workplace, and Responsibilities of Managers, and further sub-dividing these into a total of 20 sub-sections.

Employee Awareness Survey

The Kawasaki Group regularly conducts employee awareness surveys to monitor the risk of compliance violations in the Company. In recent years, surveys were carried out in 2012, 2015 and 2018 to measure the degree of dissemination of compliance awareness among employees. The chronological results from these surveys were analyzed, and these results were reflected in subsequent actions. In 2016, we also implemented a compliance awareness survey for numerous executives and managers at overseas companies, the results of which were announced to employees including those in Japan. These results will also be reflected in subsequent actions.

Compliance awareness survey results		2014	2015	2016	2017	2018
Survey target coverage rate		Kawasaki and Group companies in Japan				
Survey response rate	%	-	95.7	-	-	93.8
The percentage of respondents who replied that their company was being managed in a compliant manner	%	-	80.2	-	-	78.6
Scope of statistics		-	cd	-	-	cd

Whistle-blowing system, consultation contact

In certain situations, employees (including contract employees and temporary staff) of the Company or domestic consolidated subsidiaries, who suspect a compliance violation relating to their operations, may find it difficult to report the situation to or seek advice from supervisors or relevant departments, or may be rejected by such individuals or departments. The Compliance Reporting and Consultation System (whistle-blower system) has been set up to address these situations.
Under the Compliance Reporting and Consultation System, outside lawyers directly receive reports from and offer consultation to those reporting or consulting on suspected matters (whistle-blowers). These lawyers carry out an investigation to determine whether or not a non-compliance situation exists, and if one is found to exist, makes recommendations to the Company to remedy the situation. The whistle-blower is then advised directly of the results by the outside lawyer. The name, or other information of the whistle-blower will not be disclosed to the Company in the course of the investigation without the consent of the whistle-blower. Information describing this system is published on the intranet, the Compliance Guidebook, group newsletters, and other forms of publication to ensure heightened awareness of the system throughout the Company.

	Years ended March 31	2014	2015	2016	2017	2018
Number of reports or consultations *1	Number of cases	19	31	19	20	27
Power harassment	Number of cases	5	10	6	5	7
Personnel matters	Number of cases	4	8	-	4	8
Financial Fraud	Number of cases	1	6	1	2	1
Sexual harassment	Number of cases	-	-	-	2	3
Threats and harassment	Number of cases	-	-	-	-	1
Safety	Number of cases	3	-	4	-	2
Other			7		7	5
Scope of statistics *2		cd	cd	cd	cd	cd

*1: The number of cases represents the number of reports and consultations made, and not the number of cases that were actually found to be in violation of compliance.
*2: The scope of statistics includes Kawasaki and domestic consolidated subsidiaries.

Number of compliance violations, details of violations, and actions taken

Over the five years in the immediate past, there have been no cases of corporate misconduct that were subject to administrative disciplinary action or sanction.

Anti-Corruption

Anti-corruption Policy	
	Taking an even tougher stand against corruption, we established the Bribery Prevention Regulations in August 2013. Our basic policy states that the Kawasaki Group will uphold laws in the execution of business activities, and those bribes to public officials in Japan or overseas is not at all condoned. Additionally, the Company presents in its guidelines titled Basic Stance on Sales Promotion Activities toward Overseas Public Officials and Appointment of Agents, the basic ideas regarding the provision of travel expenses, food and drink expenses, gifts, facilitation payments in sales promotional activities as well as on the appointment of agents for negotiations with overseas public officials. In addition, we are implementing regulations with similar effect at domestic and overseas affiliated companies. Also, in the Kawasaki Group Code of Conduct, we clearly define "actions that individuals must take" to ensure correct conduct for each individual officer and employee as it relates to anti-corruption.
Policy's scope of application	
	All Kawasaki Group officers and employees
Referenced document	
	Kawasaki Group Code of Conduct https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html

Anti-corruption Training for Employees	
	We provide compliance training with a focus on anti-corruption in training programs that we conduct yearly in Japan for employees in charge of overseas businesses.

Number of anti-corruption violations, details of violations, and actions taken	
	Over the five years in the immediate past, there have been no cases of corruption that were subject to administrative disciplinary action or sanction.

Expenditures to External Organizations

Political contributions		Years ended March 31	2013	2014	2015	2016	2017
	Total political contributions	Millions of yen	2.5	3.0	3.0	3.0	3.0

Expenditures to industry organizations		Years ended March 31	2013	2014	2015	2016	2017
	Total expenditures to industry organizations	Millions of yen	50	50	50	50	50

Other expenditures for donations, support funding, etc.		Years ended March 31	2013	2014	2015	2016	2017
	Total expenditures for donations, support funding, etc.	Millions of yen	165	194	211	255	208

Compliance with the Competition (Anti-monopoly) Law

Policy regarding Compliance with the Competition (Anti-monopoly) Law	
	The Kawasaki Group is focusing its efforts on compliance with the Competition (Anti-monopoly) Law. Since 2006, the Board of Directors has adopted a resolution to comply with the Anti-monopoly Law and strive to maintain and improve our enterprise value in society at the first Board of Directors meetings that are held immediately following each year's general meeting of shareholders. Furthermore, we publish a variety of guidebooks on the Anti-Monopoly Law for employees to ensure a broader awareness of cases at the Company that can be deemed to be a problematic and to encourage employees to learn and gain a better understanding of the Competition (Anti-monopoly) Law. In the Kawasaki Group Code of Conduct, we declare its commitment to make every effort to maintain a sound market without inhibiting fair or free trading.
Policy's scope of application	
	All Kawasaki Group officers and employees
Referenced document	
	Kawasaki Group Code of Conduct https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html

Employee training on compliance with the Competition (Anti-monopoly) Law	
	The Company publishes a variety of guidebooks on the Anti-Monopoly Law for employees to ensure a broader awareness of cases at the Kawasaki Group that can be deemed to be a problematic, and conducts regular training meetings on the Competition (Anti-monopoly) Law.

Number of violations relating to the Competition (Anti-monopoly) Law, details of violations, and actions taken	
	Since 2010, there have been no serious violations that were subject to administrative disciplinary action by the Fair Trade Commission. Since 2006, there have been no serious violations that were subject to criminal penalties.

Other Important Compliance Risks

Prevention of Insider Trading	
	For the purpose of preventing insider trading, the Company has established and continues to implement and regulate actions through its set of corporate regulations, the Insider Trading Control Rules. In addition, to further ensure the prevention of insider trading, the Company has established a new system in fiscal 2013 which obligates the Company officers and employees who intend to trade Company shares to notify the Company by the prescribed date (Treasury Stock Trading Prior Notification System).
Number of violations, details of violations, and actions taken	
	Since 1989, when the amended Securities and Exchange Act which regulates insider trading was enacted, there have been no serious violations by the Group or Group employees that were subject to penalties or administrative monetary penalties.

Elimination of Antisocial Forces	
	The Company resolutely rejects inappropriate requests from antisocial forces and undertakes various measures to break off any relationship with such forces. Specifically, in addition to what is described in the Kawasaki Group Code of Conduct and the Compliance Guidebook, we also publish the Manual of Responses to Antisocial Forces, and strive to promote awareness and full compliance with established internal practices and systems, as well as with prescribed procedures of response. In addition, we have established a unit at the Head Office to supervise responses associated with the elimination of antisocial forces. This unit works closely with the police and other external specialist organizations to establish an internal structure to systematically deal with inappropriate requests from antisocial forces.
Number of violations, details of violations, and actions taken	
	According to our survey of the period from 1997 to present, all inappropriate requests and requests for meeting appointments from antisocial forces and other similar organizations have been denied and eliminated during this period, and there have been no violations.

Measures to Prevent Money Handling Risks at Small-Scale Operating Sites	
	Certain situations are unique to small-scale operating sites, such as regional offices and satellite branches. These organizations may be ill-equipped to perform sufficient checks, or may have particular individuals within the organization who have become fixed to a particular position due to difficulties in implementing personnel rotation. Based on such circumstances, a working group composed of relevant Corporate divisions has carried out reviews, improved the check manuals, and enhanced audits in order to reduce risks, particularly as they relate to the handling of money.
Number of violations, details of violations, and actions taken	
	Over the five years in the immediate past, there have been no cases of corporate misconduct that were subject to administrative disciplinary action or sanction.

Preventing Breaches of Confidential Information	
	Because breaches of information cannot be prevented by IT measures alone, we implement measures in four areas—rules, control system, system countermeasures, and employee training and education—to enhance our safeguarding capabilities.
Number of violations, details of violations, and actions taken	
	Over the five years in the immediate past, there have been no cases of corporate misconduct that were subject to administrative disciplinary action or sanction.

Material issues and our approach	
	To ensure sustainable improvement in the enterprise value of the Kawasaki Group, business divisions and the Corporate Technology Division work as a cohesive unit, concentrating technologies available within the Group and utilizing technological synergies to develop new products and new businesses with a competitive edge. We also strive for balanced R&D through new product and new business development as well as activities geared toward the creation of new products and new business for the future in each business division in addition to training and upgrading on basic technologies needed to realize these new products and new businesses. Engineers from each business division and specialists in the Corporate Technology Division, who have expertise in various fields, form project teams to share issues and work together to develop new products and new businesses. The objective is always to achieve overall optimization of management resources. The Corporate Technology Division acts as an intermediary, facilitating access to the technological core competence that defines each business division so that the inherent value can be applied to products in other business divisions. This promotes multifaceted expansion of technology and demonstrates major synergistic effects. We will utilize this matrix-based operation to create technological synergies throughout the Kawasaki Group and raise enterprise value even higher.

Structure	
	We hold six technological conferences yearly for the purpose of bringing together technologies from the entire Company and develop plans for and follow up on R&D projects. These technological conferences primarily deliberate and decide on the five areas listed below: (1) Group-wide R&D principles and QA principles (2) Development of plans for R&D projects that have Group-wide significance and follow ups on these plans (3) Important quality assurance matters associated with projects that have Group-wide significance (4) Technology-related matters that must be made known Group-wide (5) Other important R&D and QA matters Of the topics listed above, those of particular significance are put before the Management Committee, with activity reports made to the Committee on a regular basis.
Person in charge	
	Koji Kadota, Managing Executive Officer, General Manager of Corporate Technology
Responsible body, committee	
	The committee is headed by the person in charge and comprises the representatives of the Planning Division, Marketing Division, Corporate Technology Division, and Technology Divisions of internal companies and affiliates.

R&D Expenditures

R&D expenditures			Years ended March 31	2013	2014	2015	2016	2017
	Total		100 Million yen	403	416	436	436	454
	Breakdown by segment	Ship & Offshore Structure		7	10	8	8	8
		Rolling Stock		10	11	12	8	8
		Aerospace System		34	43	43	38	40
		Gas turbine & Machinery		29	42	41	39	38
		Plant & Infrastructure		13	9	11	13	14
		Motorcycles & Engines		124	129	133	143	158
		Precision Machinery equipment		51	56	61	53	54
		Head Office, other		131	112	124	130	130
	Percentage of sales		%	2.9	2.8	2.8	2.9	3
Number of employees engaged in R&D			member	1,728	1,751	1,766	1,791	1,898
		Scope of statistics		cg	cg	cg	cg	cg

Open Innovation

Open Innovation Policy	
	In addition to leveraging the technological synergies that come from bringing our technologies together, we also work with outsourcers to introduce state-of-the-art technologies in an efficient manner. By making use of outside resources, and by not simply sticking to closed innovation, we are able to provide solutions to social issues as well as create value that we would not be able to offer singlehandedly, or offer only at large expenditures of cost and time.

Open Innovation Example 1	
	Building a CO2-free hydrogen supply chain Four companies, KHI, Iwatani Corporation, Shell Japan Ltd., and Electric Power Development Co., Ltd. (J-POWER) have come together to form the CO2-free Hydrogen Energy Supply-chain Technology Research Association (HySTRA) to promote the building of a CO2-free hydrogen supply chain and have launched a full-fledged demonstration project.
Effects on Business and Impact on Society	
	Working under the HySTRA umbrella, these four companies will bring their strengths together to efficiently conduct R&D and demonstration projects. The demonstration projects of HySTRA consist of two technical components: the brown coal gasification technology, and long-range mass transport of liquefied hydrogen technology and liquefied hydrogen handling technology. The organization's goal is to launch demonstration projects and identify challenges that lie in the way of commercialization for each of the two components by fiscal 2020. An inexpensive and reliable supply of CO2-free hydrogen is critical in order to integrate hydrogen energy into society in the future. To realize such a hydrogen supply chain, KHI led a collaboration with Iwatani and J-Power to make a proposal for a demonstration project, which was accepted by NEDO (New Energy and Industrial Technology Development Organization) in June 2014 as the ＊Demonstration Project for Establishment of Supply Chain for Mass Marine Transportation of Hydrogen and Gasification of Brown Coal. Shell Japan has since joined the three companies to form HySTRA to work towards realizing an international commercial liquefied hydrogen chain going forward. J-Power, which is currently developing an integrated coal gasification combined cycle (IGCC) system, will primarily be responsible for demonstrations of their brown coal gasification technology which they have developed over the years. KHI, a supplier of cryogenic equipment which has built LNG storage tanks and receiving terminals as well as equipment for the rocket launching complex on Tanegashima Island; Iwatani Corporation, the only producer and supplier of liquefied hydrogen in Japan; and Shell Japan, Japanese subsidiary of Royal Dutch Shell which has a rich experience with LNG supply chains and carrier operation are working together to demonstrate technologies for long-range mass transportation and handling of liquefied hydrogen. In our future society, hydrogen gas turbines will play a key role in establishing an environmentally friendly, hydrogen-fueled energy supply system.
Referenced example	
	https://global.kawasaki.com/en/hydrogen/index.html

Open Innovation Example 2	
	Joint venture with Sysmex to develop medical robots Medicaroid Corporation, a joint venture between Kawasaki Heavy Industries and Sysmex Corporation has released the operating table “SOT-100 Vercia” that realizes a wide range of patient movement that is required ability in hybrid operations.
Effects on business	
	Leveraging the strengths of its two investors: Kawasaki, which has technological expertise in industrial robots, and Sysmex, which possesses testing and diagnostic technologies as well as a broad network in the medical field, Medicaroid makes positive contributions towards better product development and the advancement of the global medical industry. Since it commenced operations in October 2013, the company has been liaising with university hospitals and other members of the medical community as well as companies and government bodies, and has also been conducting marketing activities with a view to developing medical robots. Through these activities, the company has been developing product plans that take into account future medical trends and multifaceted commercialization possibilities. Medicaroid seeks to create an open-platform environment that encourages collaboration between different disciplines, including university hospitals and other healthcare institutions, as well as companies that possess specialized technology and government agencies that supervise regulatory approvals. The operating table “SOT-100 Vercia” can be moved easily and rapidly to the optimal position and posture in hybrid operating room. The physician is able to define these positions at will in the operating room. The table is able to store multiple positions data (position for administration of anesthetics, surgical operation, X-ray fluoroscopy, etc.) and reconfigure to these positions accurately and quickly.
Referenced example	
	Regarding the basic agreement on the joint venture for developing surgical support robots https://global.kawasaki.com/news_C3181004-1.pdf

Product and Service Innovation

Product and service innovation	
	(1) Aerospace System In addition to developing automation and robot technologies for improving efficiencies in the production of next-gen commercial aircraft, we are also developing innovative production technologies and working towards making factories smarter through the use of ICT/IoT. In the area of aircraft engines, we are engaged in R&D associated with compressors and combustor technologies, as well as for making productivity improvements. (2) Energy System & Plant Engineering We are engaged in product development with a vision of marketing to the international market, such as developing 100MW combined cycle power plants in addition to our technological R&D efforts to further advance the efficiencies of gas turbines and gas engines, which represent the key hardware for distributed power generating systems. We are also engaged in activities that meet the demands of effective resource use and environmental-friendliness, including the development of bio-mass boilers, upgrades and reviews on a new type of cement waste heat boiler, development of ICT/IoT-based combustion control and operation support technologies for thermal power plants, and the commercialization of high-temperature, high pressure boilers. (3) Precision Machinery & Robot We continue to improve the fuel efficiency and operability of hydraulic systems to secure a dominant share in the hydraulic equipment market for shovels. Furthermore, apart from shovels, with a vision of marketing our products to construction equipment and agricultural machinery segments, we are developing lightweight, high-efficiency and functionally enhanced hydraulic equipment in line with specific market demands, and developing these products into series lineups. In the field of robotics, we are developing a new robot system "Successor" which is equipped with an AI system that learns through cooperative work between the robot itself and a human technician performing work remotely, and is able to transfer skills by reproducing the movements of experienced technicians. We are also enhancing the functions of our dual-arm SCARA robot “duAro”, as well as conducting R&D on medical robots with a vision of expanding into the medical and healthcare sector. (4) Transportation and Transport In the field of Ship & Offshore Structure Company, we are currently developing LNG/LPG propelled ships and LNG fueling ships in light of the implementation of stricter international environmental regulations going forward. Furthermore, we also develop underwater equipment including autonomous underwater vehicles (AUVs), and focus a considerable part of our development efforts to enhance the functions of SOPass, a ship navigation management support system that utilizes big data over ship-land communication. In the field of Rolling Stock Company, we are developing ICT/IoT-based train car and rail maintenance technologies, as well as technologies for reducing expenses associated with standard next-gen train cars. In the field of Motorcycle & Engine Company, we are moving forward with the development of our next-gen, high efficiency engines centered around our supercharged engines, as well as new body packages. We are also engaged in the ongoing development of motorcycles that utilize ICT/IoT to deliver unprecedented riding experiences. (5) Hydrogen Road With a vision of realizing a hydrogen-based society where hydrogen is used en masse as an energy source, we are pushing forward with technological development for the early realization of a hydrogen supply chain from production and transport to storage and utilization (produce, transport, store, and utilize). This project has now advanced from the elemental technologies development stage to development and demonstration on a pilot scale, and is being implemented under closer collaboration between relevant business divisions and the Corporate Technology Division. With regard to liquefied hydrogen carrier, liquefied hydrogen storage tank and unloading stations, we have been steadily moving forward with NEDO's (New Energy and Industrial Technology Development Organization) demonstration project where we aim to complete our technological demonstrations by 2020 and subsequently move on to commercialization. As for hydrogen infrastructure facilities, we are pushing forward with the commercialization of the first industrial liquefied hydrogen system made in Japan, and hydrogen gas turbines.

Process Innovation

Process Innovation	
	We continue to improve our quality and production efficiency by improving our production processes. - Application of production simulations to production plans - Application of 3D virtual assembly technology to the process of manufacturing ultra-large shield tunnel boring machines - Application of FSJ (Friction Spot Joining) and FSW (Friction Stir Welding) to aircraft manufacturing - Application of new metal treatment process (sheet stretchers) to aircraft manufacturing
Effects of process innovation	
	While no Group-wide statistics of COGS figures (cost reduction effects) have been taken, they are being calculated on a project to project basis. For example, by applying production simulations to our hydraulic motor casing machining lines, we have been able to achieve a roughly 16% improvement in capacity utilization rate.

Environmental Innovation

Environmental Innovation	
	At KHI, we define a set of in-house criteria to improve the environmental performance of our products through energy and resource conservation, and to reduce our environmental footprint by reducing the amount of industrial waste produced and chemical substances used in our production processes. Products that meet these criteria are registered as "Kawasaki Green Products." Kawasaki Green Products are marked with an environmental label that shows the product's environmental advantages as one way to communicate our efforts in this area to our customers and other stakeholders. This list of products contains a total of 50 products including the ten newly added in 2018.

Effects of environmental innovation		Years ended March 31	2014	2015	2016	2017	2018
	Reduction in environmental footprint	10,000 tons	74.1	51.3	74.5	89.8	2,292.4*

* The calculation method was revised in fiscal year ended March 31, 2018 to one which uses a flow-based method where the expected life of a product launched during this fiscal year is used as the evaluation period for calculating the difference in CO2 emissions between these our products and standard grade products in the industry over this period of usage.

Material issues and our approach	
	While conducting the Group's business activities, it is essential to conduct procurement activities in line with our stance toward CSR that includes consideration for human rights, labor issues, occupational safety and health, and the global environment, in addition to compliance. Accordingly, we have to gain the cooperation of our business partners, in addition to the Kawasaki Group, and actively promote CSR activities throughout the supply chain.

Focus activities/medium-term targets	
	We are committed to recognizing CSR risks throughout all supply chains and promptly responding to our customers' and societies' demands by working with our suppliers to drive our CSR activities.

Structure	
	Procurement activities in our daily operations are carried out under the responsibility and authority of each internal company. The Corporate Procurement Division holds a Procurement Department Managers Meeting once a year where directors of procurement are also in attendance. At this meeting, participants follow up on their KPI on procurement as defined at each internal company, share their activity plans for that fiscal year, and also decide on common Group-wide procurement actions and policies.

Basic Policies for Material Procurement

Policy regarding our supply chains	
	The Kawasaki Group conducts procurement activities based on the following Basic Policies for Material Procurement. - Fair and Impartial Procurements We will provide broad and impartial opportunities for our business partners, and will make selections with integrity and good faith after conducting comprehensive and fair evaluations of quality, price, delivery schedule, technological development capabilities, and other such factors. - Relationships with Business Partners We seek to realize optimal quality, cost and delivery schedule together with stable procurement by taking a long-term perspective to build relationships of trust with business partners with the aim of mutual enhancement of competitiveness and prosperity. - Compliance We will observe related statutes and regulations as well as social norms. We will place information gained through procurements under appropriate controls, and will take thoroughgoing measures to protect confidential information and prevent leaks. - Consideration for human rights, labor and occupational safety and health We will advance procurement activities that have consideration for human rights, the work environment and occupational safety and health. - Harmony with the global environment through green procurement We will advance procurement that has consideration for the global environment with respect to the materials used in products. In addition, the Basic Policies for Material Procurement as well as the Code of Conduct for Dealing with Business Partners and the Policy Regarding Procurement of Conflict Minerals, which are in line with the objectives of the Basic Policies, are disclosed on our website. The site informs business partners of our basic stance toward material procurement.
Policy's scope of application	
	The Kawasaki Group and our suppliers
Referenced documents	
	Basic Policies for Material Procurement https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/basic_policies.pdf Code of Conduct for Dealing with Business Partners https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/code_of_conduct.pdf

CSR Procurement

CSR Procurement Initiatives	
	We have released the CSR Procurement Guidelines on the website, where we request our business partners to strengthen their CSR efforts. Additionally, in fiscal year ended March 31, 2017, we conducted a questionnaire-based survey with domestic business partners to assess the status of compliance with these guidelines. About 1,400 business partners responded to the survey. Based on the results of the survey, we will execute measures to strengthen CSR efforts throughout our entire supply chain. In addition, we pursue CSR procurement on a global and Group-wide basis by disclosing its policies that conform to each business through the websites of the Group's domestic and overseas companies.
Referenced document	
	CSR Procurement Guidelines https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr_tyoutatsu_guideline.pdf

Supply Chain Risk Assessment

Supply chain risk assessment methodology	
	In fiscal year ended March 31, 2017, Kawasaki conducted a questionnaire-based survey to domestic suppliers to assess the degree to which they were in compliance with our CSR Procurement Guidelines, and received responses from roughly 1,400 suppliers. Moving forward, we will be executing measures to strengthen our CSR efforts throughout our entire supply chain based on the results of this survey.

Compliance in Materials Procurement

Thorough compliance in materials procurement	
	Each year, Kawasaki holds a group workshop intended for procurement divisions within the Group to ensure compliance with procurement-related laws and regulations, particularly the Subcontractors' Act (formally, the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors) and the Construction Industry Law. Of note, with regard to the Subcontractors' Act, not limited to procurement department, we maintain proactive measures for dissemination and enlightening, as outlined below. - In October 2009, we published a collection of examples of Subcontractors' Act violations, using actual cases in which other companies had contravened this law. - In April 2013, we posted a checklist for self-auditing compliance status pursuant to the Subcontractors' Act on the corporate intranet. This checklist functions as a tool for identifying any administrative activities prone to violations of the Subcontractors' Act and for correcting such situations. - Since fiscal year ended March 31, 2012, we have held sessions, mainly for design and manufacturing divisions at plants and major affiliated companies. In fiscal year ended March 31, 2018, the sessions attracted 823 participants. (Reference: To date, 5,116 people have attended the sessions.)

Efforts Regarding Conflict Minerals

Efforts regarding conflict minerals	
	In December 2013, Kawasaki posted its Policy Regarding Procurement of Conflict Minerals on its website, which states clearly that Kawasaki has no intention whatsoever of being party to conflicts or inhumane acts in the Democratic Republic of the Congo and neighboring countries through the procurement or use of the tin, tantalum, tungsten and gold—so called conflict minerals—that are produced in these countries. Also, we ask our business partners to take similar efforts in the CSR Procurement Guidelines.
Referenced documents	
	Policy Regarding Procurement of Conflict Minerals https://global.kawasaki.com/en/corp/sustainability/procurement/index.html CSR Procurement Guidelines https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr_tyoutatsu_guideline.pdf

Efforts regarding Child Labor and Forced Labor in Our Supply Chain

Efforts regarding child labor and forced labor in our supply chain	
	The CSR Procurement Guidelines requires suppliers to declare and guarantee that all labor in the Kawasaki Group's supply chain are performed voluntarily, never by coercion, and all labor by children who have yet to reach employable age are prohibited and eliminated.
Referenced document	
	CSR Procurement Guidelines https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr_tyoutatsu_guideline.pdf

Material issues and our approach	
	The Kawasaki Group offers a huge variety of products ranging from transportation equipment such as ships, rolling stocks and aircrafts to industrial machinery such as gas turbines, engines, robots, and industrial plants, as well as leisure products such as motorcycles to a wide range of domestic and international customers. A critical part of our business is to reflect our customers' demands in our products as quickly as possible. In the Kawasaki Group, each six internal company forms a unique structure where information is shared within the internal companies to reflect this information for designs and after sale services.

Focus activities/medium-term targets	
	Because our lineup of products is highly diverse, and also because of the differences between our B-to-B and B-to-C businesses, our business activities and goal setting for winning the confidence of our customers are based on the characteristics of each specific business. From a Group-wide perspective, one of our key activities is to establish and upgrade our feedback systems. The Corporate Marketing Division reaches out to different Business Divisions to gather customer comments, follow up on actions for building customer satisfaction, and also works towards sharing information and boosting compliance awareness through these activities.

Progress/results/challenges	
	We have installed a contact page on our web site where customers and other stakeholders can communicate their views (grouped by different business division and Group-wide). Since fiscal year ended March 31, 2014, the marketing division has been following up with business divisions on the status of web surveys, questionnaires, and interviews associated with customer satisfaction generally on a yearly basis. The establishment of a Group-wide feedback structure is listed as an item for consideration for fiscal year ended March 31, 2019.

Customer Satisfaction

Customer satisfaction survey

The Kawasaki Group offers a wide range of products to its customers under a six-company structure. Since customer characteristics and commercial practices can vary widely from business to business and product to product, we do not conduct Group-wide customer satisfaction surveys. Instead, each business unit identifies their customers' level of satisfaction through methodologies that best suit their business unit.
For example, the hydraulic parts business unit—where product sale cycles are short and the number of ongoing customers is large—conducts customer satisfaction surveys over time to monitor changes in customer satisfaction and use these findings to make necessary improvements.

Example: Hydraulic parts business unit customer satisfaction	Years ended March,31	2014	2015	2016	2017	2018
Customer satisfaction	%	45	47	50	56	43
Percentage of customers surveyed		80	80	80	80	80

Responding to Customer Comments and Complaints

Responding to customer comments and complaints

We have no unified Group-wide system for responding to customers' comments and complaints because customer characteristics and commercial practices can vary widely from business to business and product to product. Instead, each business unit responds in ways that best suit their business unit. For example, the hydraulic parts products unit defines a threshold for negative shifts in customer satisfaction, and devises and implements specific actions aimed at customers whose satisfaction has fallen below this threshold.

Customer Information Management

Customer information management

We have no unified Group-wide system for customer information management because customer characteristics and commercial practices can vary widely from business to business and product to product. Instead, each business unit manages customer information in ways that best suit their business unit.

Online Strategies

Customer strategies that use online services

We have no unified Group-wide strategy because customer characteristics and commercial practices can vary widely from business to business and product to product. Instead, each business unit provides services in ways that best suit their business unit.

	Years ended March,31	2014	2015	2016	2017	2018
Percentage of customers who have used our online services	%	15.7	16.5	17.4	17.1	17.8
Percentage of online sales		23.1	24.0	25.2	26.0	24.7
Scope of statistics		cg	cg	cg	cg	cg

Corporate Promotion Activity

Responsible corporate promotion activity

Kawasaki conducts corporate promotion activities aiming at its global stakeholders based on our corporate philosophy and business plans.
In moving forward with these activities, we verify facts so that we are able to provide all stakeholders with accurate information, and also work to act in line with applicable laws and relevant industry rules.
As for advertising, we assess the effectiveness of ads by each medium in terms of enhancing our visibility and recognizability, as well as spreading our corporate (brand) image. In fiscal year ended March 31, 2018, we placed TV program sponsorship ads on a nationally aired TBS network program, as well as paper medium ads on The Nikkei and other major domestic papers and magazines. We also placed web ads centered around our corporate site, brand sites, as well as social media sites with a focus on Facebook to disseminate information to our domestic and international stakeholders by offering a comprehensive introduction on the details of the Kawasaki Group's businesses.

Number of advertisement violations, details of violations, and actions taken

There were no violations of laws pertaining to advertising in fiscal year ended March 31, 2018.

Material issues and our approach

Kawasaki sees employees as our most important asset for achieving our Group mission and business targets, and refers to our employees as "人財 (jinzai = human resources)."In order for the Kawasaki Group to achieve sustainable improvement of its enterprise value through the implementation of its Mission Statement, it is critical that all of the roughly 35,000 employees who actively participate in our businesses understand and share the Group Mission and Kawasaki Value, and vigorously commit to their daily operations based on the Kawasaki Group Action Guidelines regardless of their nationality, gender, age, religion, or disability. Especially, in order to achieve new heights in technology as stated in Kawasaki Value, we believe that it is imperative to train and educate human resources based on a long-term perspective.
To this end, based on our management principles "The Kawasaki Group's corporate culture is built on integrity, vitality, organizational strength and mutual respect for people through all levels of the Kawasaki Group. We nurture a global team for a global era," we create an environment where human resources are able to energetically work in ways that are in line with our visions of respect for humans and health comes first as well as with a sense of pride, safety and security, and commit to training and educating human resources who are able to fulfill our business strategies and offer positive contributions to the future of the global environment.

Diversity is an important management issue for Kawasaki from the perspectives of making the best use of the capabilities of its diverse human resources, fairness, and risk avoidance. We are developing a working environment that makes it possible to mutually recognize not only our nationalities and genders, but also differences in sexual orientation, values, lifestyles, and other factors.
To date, we have been implementing a variety of measures such as stimulating active participation by women, supporting for childcare and nursing care, and promoting participation by people with disabilities. We have also set up a diversity promotion site—"Hibikiau Chikara" (Strength in Synergy) —on our corporate intranet. Here, employees can learn about diversity, view examples from the workplace, and gather information on programs that support a good work-life balance.

Focus activities/medium-term targets

In order to further the global reach of our businesses and adjust ourselves to the expansion toward solutions-oriented businesses, we must promote further growth of our global human resources, as well as train human resources who have advanced knowledge and a broad range of experience in areas such as project management. In our Medium-Term Business Plan 2016, we have been working to establish a foundation for training such human resources, as well as working environments for receiving a diverse range of human resources.
Furthermore, in order for us to improve our enterprise value through improvements to our profitability and fulfill our growth strategy over the medium - to long - term, our employees must be able to apply their capabilities to the fullest and raise their productivity. To realize this, we will also focus on our K-Win activities whose aim is reforming the workstyles of our administrative and technological employees.

Progress/results/challenges

In May 2016, Kawasaki received the "Eruboshi (Grade 2)" certification that recognizes outstanding companies who promote women's participation in the workplace. Additionally, one of our special subsidiaries, Kawasaki Heartfelt Service Co., Ltd. was recognized as the ninth Japanese company to receive the "Certification of Company Fostering Active Participation of Persons with Disabilities" on March 29, 2018 for promoting the active and ongoing employment of persons with disabilities, as well as its progressive efforts towards providing working environments that support their long-term employment.
As part of our efforts to promote diversity, we will also carry out awareness building activities to enable employees to acquire correct knowledge and deepen their understanding of sexual minorities.

Structure

Group-wide policies on human capital development and application that can have a major impact on our corporate management are discussed and reviewed at our Group-Wide HR Committee. The Group-Wide HR Committee is headed by the president as the chairperson, and comprises primarily internal company presidents to discuss and review matters regarding 1) cultivating corporate manager, 2) application of human resources in focused initiatives, and 3) assignment of human resources in new business and new product operations.
We also organize various forms of meeting bodies where the Corporate Personnel & Labor Administration Division convenes division managers in charge of HR and labor at internal companies for the purpose of gathering different views and opinions on the drafting of details for and the implementation of a wide range of HR initiatives, and communicating Group-wide policies.

HR meeting bodies

meeting bodies	purpose	attendees	frequency
Group-Wide HR Committee	To discuss and consider Group-wide policies on human capital development and application which can have a major impact on our corporate management	・President ・Vice President ・Internal Company President ・General Manager of Corporate Technology Division ・General Manager of Corporate Planning Division ・General Manager of Personnel & Labor Administration Division	as needed
Group-Wide Meeting of Personnel & Labor Administration Division	To share information of policy and operation related to Personnel & Labor Administration	・Labor Administration Department (host) ・Managers of Personnel & Labor Administration Section ・Managers of Personnel & Labor Administration Section of our Group Companies ・Related Departments	4 times a year
Meeting of Managers of Personnel	To exchange views about and discuss matters Personnel Department deals	・Personnel & Labor Administration Division (host) ・Managers of Personnel & Labor Administration Section	as needed (approximately twice a year)
Meeting of Managers of Human Capital Development	To exchange views about and discuss matters Human Capital Development Department deals	・Human Capital Development Department (host) ・Managers of Human Capital Development of Internal Companies and Personnel & Labor Administration Section of Offices ・Managers of Human Capital Development of our Group Companies	twice a year
Meeting of Managers of Labor Administration	To exchange views about and discuss matters Labor Administration Department deals	・Labor Administration Department (host) ・Managers of Personnel & Labor Administration Section of Internal Companies and Offices	twice a year
Meeting of Safety & Health Management	To exchange views about and discuss matters Safety & Health Management Department deals	・Safety & Health Management Department (host) ・Managers of Safety & Health Management Section of each business location	4 times a year

Person in charge

Group-Wide HR Committee: President
Other various HR meeting bodies: Managers from the Corporate HR Division

Responsible body, committee

Group-Wide HR Committee

Employee Makeup

Number of employees (Kawasaki alone) *1			Years ended March,31	2014	2015	2016	2017	2018
	Number of employees		members	15,196	15,508	15,911	16,162	16,423
		Male	members	14,355	14,600	14,964	15,159	15,303
			%	94.5	94.1	94.0	93.8	93.2
		Female	members	841	908	947	1,003	1,120
			%	5.5	5.9	6.0	6.2	6.8
	Managerial staff		members				3,386	3,473
		Male	members				3,362	3,445
		Female					24	28
	General employees		members				12,776	12,950
		Male	members				11,797	11,858
		Female					979	1,092
	Average age		Years old	38.7	38.5	38.3	38.1	38.4
		Male	Years old	38.6	38.1	38.0	38.0	38.3
		Female		39.2	39.4	39.9	39.9	39.9
By age	29 and younger		members	3,617	3,668	3,775	3,867	3,870
			%	23.8	23.7	23.7	23.9	23.6
		Male	members	3,424	3,476	3,592	3,674	3,655
		Female		193	192	183	193	215
	30 to 39		members	3,977	4,204	4,512	4,718	4,960
			%	26.2	27.1	28.4	29.2	30.2
		Male	members	3,773	3,984	4,264	4,449	4,645
		Female		204	220	248	269	315
	40 to 49		members	3,705	3,969	4,123	4,206	4,198
			%	24.4	25.6	25.9	26.0	25.6
		Male	members	3,436	3,653	3,790	3,855	3,814
		Female		269	316	333	351	384
	50 to 59		members	2,148	2,051	2,062	2,142	2,452
			%	14.1	13.2	13.0	13.3	14.9
		Male	members	2,023	1,919	1,923	2,002	2,285
		Female		125	132	139	140	167
	60 and above		members	1,749	1,616	1,439	1,229	943
			%	11.5	10.4	9.0	7.6	5.7
		Male	members	1,699	1,568	1,395	1,179	903
		Female		50	48	44	50	40
	Director, Audit & Supervisory Board Member		members	17	16	16	17	17
		Male	members	17	16	16	16	15
			%	100	100	100	94.1	88.2
		Female	members	0	0	0	1	2
			%	0	0	0	5.9	11.8
	Executive officer and above		members	21	23	23	27	24
		Male	members	21	23	23	27	24
			%	100	100	100	100	100
		Female	members	0	0	0	0	0
			%	0	0	0	0	0
By position	Equivalent of senior manager *2		members	694	756	776	820	869
		Male	members	692	753	770	813	862
			%	99.7	99.6	99.2	99.1	99.2
		Female	members	2	3	6	7	7
			%	0.3	0.4	0.8	0.9	0.8
	Equivalent of manager		members	2,228	2,254	2,402	2,402	2,456
		Male	members	2,218	2,243	2,389	2,385	2,435
			%	99.6	99.5	99.5	99.3	99.1
		Female	members	10	11	13	17	21
			%	0.4	0.5	0.5	0.7	0.9
	Equivalent of assistant manager		members	1,807	1,789	1,823	1,795	1,873
		Male	members	1,754	1,724	1,745	1,708	1,769
			%	97.1	96.4	95.7	95.2	94.4
		Female	members	53	65	78	87	104
			%	2.9	3.6	4.3	4.8	5.6
			Scope of statistics		nc	nc	nc	nc

*1: Number of employees as of fiscal year end. Employees in Kawasaki alone include temporary employees.
*2: Equivalent of senior manager includes up to associate officer.

Number of employees (consolidated)*			Years ended March,31	2014	2015	2016	2017	2018
	Total number of employees		Number	34,620	35,471	34,605	35,127	35,805
		Domestic group	members	25,531	26,019	25,897	26,348	26,747
			%	73.7	73.4	74.8	75.0	74.7
		Overseas group	members	9,089	9,452	8,708	8,779	9,058
			%	26.3	26.6	25.1	25.0	25.3
By region	Japan		members	25,531	26,019	25,897	26,348	26,747
			%	73.7	73.4	74.8	75.0	74.7
	Europe		members	687	698	685	681	704
			%	2.0	2.0	2.0	1.9	2.0
	Americas		members	3,478	3,495	3,447	3,469	3,557
			%	10.0	9.9	10.0	9.9	9.9
	Asia		members	4,924	5,259	4,576	4,629	4,758
			%	14.2	14.8	13.2	13.2	13.3
	Australia		members			Including in Asia		39
			%					0.1
			Scope of statistics	cg	cg	cg	cg	cg

*: Number of employees as of fiscal year end.

Employment of Foreign Nationals

Promoting active participation of foreign national employees

Kawasaki has begun its regular hiring program of newly graduating foreign nationals since 2012, and recruited globally including Korea, China, Sweden, and India among others.
To improve communication between foreign employees and their supervisors, co-workers, as well as enable supervisors and co-workers to understand better foreign employees who have different educational, cultural and other backgrounds, Kawasaki creates and distributes guidebooks for workplaces that foreign employees will be joining. Kawasaki also organizes seminars on multicultural understanding for supervisors as well as training programs to help foreign employees understand the Japanese business environment.

		2014	2015	2016	2017	2018
Number of foreign national employees*	members	21	23	29	34	35
	Scope of statistics	nc	nc	nc	nc	nc

* As of April 1 of each fiscal year. Administrative and technical personnel only.

Promoting Active Participation by Women

Promoting Active Participation by Women

Kawasaki actively hires women to promote active participation by women. The number of women employed and those in managerial positions have been increasing year by year, and particularly with respect to hiring, about 30 percent of new college graduates in administrative positions are women.
In addition, we are also supporting an activity named "4U (For You) Network" to help women find seniors in the company that they can learn from, enable participants to share ideas on how to balance their work with life events, and enable women to actively participate in their work through friendly competition.
In 2013 and 2014, the Carrier Design and Communication Training program developed by the 4U (For You) Network was carried out for female employees and their supervisors. In 2016, the Network organized a Carrier Forum for roughly 180 women in management track positions who have worked with the Company for up to 10 years, where they learned how their seniors have come to be who they are now. In group discussions, each participant envisaged their career five years into the future.
In light of the importance of appointing women to managerial positions, and as part of its efforts to develop female human resources, Kawasaki has set a goal to triple the number of women working in managerial positions (equivalent of section manager or above) by 2020 from fiscal year ended March 31, 2015 levels.
Kawasaki was recognized as an outstanding company for these activities that drive active participation by women, and has received “Eruboshi (Grade 2)” certification. The Company was also selected as a Nadeshiko Brand which recognizes Tokyo Stock Exchange First Section companies for their excellence in promoting active participation by women.

Please visit our web site for details on "Eruboshi" and "Nadeshiko Brand."
https://global.kawasaki.com/en/corp/sustainability/mgmt/evaluation.html

		2014	2015	2016	2017	2018
Number of women in managerial positions*	members	17	23	26	29	43
	Scope of statistics	nc	nc	nc	nc	nc

* As of April 1 of each fiscal year. Section head or above. Figures include staff on external postings and staff on leave

Employing People with Disabilities

Promoting Participation by People with Disabilities

We are committed to hiring more people with disabilities, and they participate in a wide range of workplaces. In September 2013, we established our special subsidiary Kawasaki Heartfelt Service Co., Ltd., which promotes the active Group-wide employment of people with disabilities in order to maintain and improve their employment rates, and also works actively to create barrier-free workplaces. We are cultivating an environment where people with disabilities are able to develop their full potential.
Kawasaki Heartfelt Service Co., Ltd. was recognized as the ninth Japanese company to receive the Certification of Company Fostering Active Participation of Persons with Disabilities on March 29, 2018 for promoting the active and ongoing employment of persons with disabilities, as well as its progressive efforts towards providing working environments that support their long-term employment.

		2014	2015	2016	2017	2018
Number of persons with disabilities *1, *2	members	345.1	374.5	391.0	409.0	451.0
Employment rate of persons with disabilities	%	1.95	2.11	2.18	2.26	2.47
	Scope of statistics*3	o	o	o	o	o

*1: As of June 1 of each fiscal year.
*2: People working short hours are accounted for at a factor of 0.5 persons. One severely disabled person is counted as two persons.
*3: Combined total of Kawasaki and Kawasaki Heartfelt Service

Employing Elderly Persons

Active participation by elderly persons

Kawasaki has extended the retirement age before the Older Persons’ Employment Stabilization Law was amended. A retirement age of general employees was set as 63 by labor agreement in April 2006.
In addition, we have a post-retirement reemployment program that in principle enables all the interested employees to be reemployed up to the age of 65. These initiatives allow many veteran employees to remain involved in active operations where they can use their accumulated experiences and pass on their skills. Employees approaching age 55 are invited to participate in a “Lifestyle Design Awareness Seminar”, which offers them the opportunity to learn more about our programs for postponed retirement and reemployment, and consider their post-reemployment lifestyle options.

	Years ended March,31	2014	2015	2016	2017	2018
Number of reemployed persons	members	150	167	214	243	183
	Scope of statistics	nc	nc	nc	nc	nc

Remuneration

Average annual remuneration			Years ended March,31	2014	2015	2016	2017	2018
			Millions of yen				7.4	7.1
	All employees	Male	Millions of yen				7.5	7.2
		Female					5.4	5.2
	Average for managerial staffs (basic pay only)		Millions of yen				7.6	7.6
		Male	Millions of yen				7.6	7.6
		Female					7.3	7.2
	Average for managerial staffs (basic pay plus bonuses, etc)		Millions of yen				12.1	11.4
		Male	Millions of yen				12.1	11.4
		Female					11.7	10.7
	Average for general employees (basic pay only)		Millions of yen				4.4	4.5
		Male	Millions of yen				4.5	4.5
		Female					3.7	3.7
		Scope of statistics					nc	nc

Material issues and our approach	
	Kawasaki believes that ensuring the safety, and maintaining and improving the health of our employees are key foundations of the corporate activities, and they will make our corporate value advanced. Kawasaki has defined its Philosophy, Declaration, and Basic Policy on Safety, Sanitation and Health, based on which it has defined its Three-Year Plan for Safety and Health Management, and Safety and Health Management Platform (a one-year plan) for safety and health activities including the prevention of work-related accidents and illnesses, as well as health maintenance and improvement, and the development of comfortable workplaces.

Focus activities/medium-term targets	
	The Three-Year Plan for Safety and Health Management defines the following targets and focus activities: I: Targets - Reduce the number of serious accidents to zero. - Reduce the number of work-related illnesses to zero. - Reduce the total number of accidents as at the end of 2018 by at least 9% of actual 2015 levels. - Reduce the number of sick leaves that extend for a month or longer as at the end of 2018 by at least 5% of actual 2015 levels. II: Focus activities 1 Safety management (1) Continuous improvement in the occupational health and safety management system (2) Establishment of measures according to the characteristics of the workplace (3) Disaster prevention measures at construction sites 2. Health Management (1) Enhancement of mental health measures (2) Thoroughgoing preventive measures against occupational diseases (3) Maintenance of health management measures

Progress/results/challenges	
	1. Safety management (1) Safety and Health management systems at all of our facilities are at the level of OSHMS third-party certification. (2) With regard to the various measures that suit the characteristics of each workplace, all plants (business divisions) implement pointing and calling checks, and are taking steps to ensure that this practice becomes part of their routine. Workplace risk assessments are also being revised, not only on a regular basis, but also on any 3H occasions (Hajimete, Henko, and Hisashiburi = First time something occurs, When a change is made, and First time something occurs after a long time). (3) While we are actively working towards eliminating all accidents from falls as part of our accident prevention measures at construction sites, and these accidents have been on the decline, we have yet to eliminate them altogether. As such, we will continue to work on this as a focus action. 2. Health management (1) We have defined our Basic Policy for Mental Health Measures and are taking actions on a Group-wide level to maintain and improve mental health. (2) We have formed regional safety and health committees at all plants, and are working to improve workplace environments through regular workplace rounds in order to prevent work-related illnesses. (3) In our programs to improve daily habits and communication, we help our employees manage their health by providing support for healthier eating habits and encouraging exercise as a part of their routine.

KPI							
	Group-wide frequency rate of lost-time injuries						
Target							
	20% lower than 2015						
Progress		Years	2013	2014	2015	2016	2017
	Group-wide frequency rate of lost-time injuries		0.38	0.39	0.33	0.30	0.26

KPI							
	Group-wide number rate of sick leave for four days or longer						
Target							
	10% lower than 2015						
Progress		Years	2013	2014	2015	2016	2017
	Group-wide number rate of sick leave for four days or longer		5.2	5.9	4.9	6.2	5.1

Structure	
	Kawasaki defines a set of Safety and Health Management Rules, and establishes safety and health structures both Group-wide and at individual plants based on these rules. We actively implement measures in a planned manner to ensure the safety and health of our employees and internal transfer staffs, improve their health, and create comfortable working environments. Specifically, our safety and health activities are carried out at different plants under the supervision and management of Managers of Safety and Health based on Group-wide measures defined by the General Manager of Safety and Health.
Person in charge	
	Group-Wide: Kouzou Tomiyama, Executive Officer, General Manager of Personnel & Labor Administration Division (General Manager of Safety and Health) Plants: Managers of Safety and Health
Responsible bodies, committees	
	Corporate consultative body: Corporate Safety Commission Consultative body with the labor union: Special Committee for Safety and Health, and Safety and Health Council Consultative body at plants: Regional Safety and Health Committee

Policy on Labor Safety and Health

Policy on Labor Safety and Health

[Basic policy on safety and health]

1. Provide a safe and secure working environment
   - Identify and reduce risk elements that can lead to labor accidents or health issues before they occur.
   - Establish a safety and health management structure and constantly improve its quality of management by implementing the PDCA cycle.
   - Promote the realization of comfortable workplaces where communication can freely flow, and are conducive to improving working methods and working environments.

2. Implement health management measures with an emphasis on prevention
   - Thoroughly implement working environment management, work management, and health management to prevent work-related illnesses.
   - Promote mental healthcare and measures for reducing stress in the workplace to reduce the number of employees with mental health issues.
   - Reduce the amount of overtime and holiday work, and provide physical checkups and healthcare guidance as a way to prevent health issues caused by overworking.

[Basic policy on health]

1. Activities for maintaining and building health
   - Provide a broad range of health initiatives to improve both mental and physical health.
   - Support health building activities that individual employees personally engage in.
   - Ensure a 100% physical checkup participation rate, and use results from these checkups for disease prevention.
   - Keep lifestyle diseases from becoming serious.

2. Realizing a rich life
   - Realize a rich life where work, family, and society are in a good balance by shortening work hours, promoting the use of paid leave, and making use of various holiday and rest programs.

Policy's scope of application

Officers, employees, and internal transfer staffs under the management of Kawasaki

Referenced documents

Kawasaki Safety, and Health Philosophy; Safety and Health Declaration and Basic Policy

Labor Safety and Health Management

Labor safety and health management system

Our labor safety and health management system forms the foundation of activities to promote constant improvement through planned implementation of safety and health management activities, adherence to a PDCA cycle at production sites, and ongoing execution of internal audits. These efforts serve to preempt potential occupational accidents and facilitate the creation of a comfortable work environment.
In our risk assessment efforts, we constantly strive to enhance our ability to identify risk and reduce latent risk. The KSKY Campaign is an important part of Kawasaki's safety measures. The letters KSKY stand for Japanese words that describe the different elements of the campaign: K for creating a disciplined workplace that observes the basic safety rules (kihon); S for making sure to identify and call out to confirm breaks and other crucial points in each work operation (shisa koshou); and KY for working to further improve ability to predict danger (kiken yochi). The purpose of the campaign is to instill greater awareness of safety measures and to create a workplace secured by "mutual cautioning," which means essentially that employees monitor the safety of others as well as themselves.

Status of consultations between management and labor on labor safety and health issues (Status of the Safety and Health Committee, etc.)

Kawasaki has concluded a labor agreement with the Kawasaki Labor Union and holds a Safety and Health Council (at least once a year) to discuss the policies of safety and health activities, the focus initiatives, and activity planning; a Special Committee for Safety and Health (at least twice a year) for following up on and revising the status of actions being implemented; and a Regional Safety and Health Committee (monthly) for deliberating on measures for preventing hazards and health impediments, and discussing the causes and measures for preventing the recurrence of labor accidents at all offices nationwide.

Education and awareness on Labor Safety and Health

In addition to education and training required by law, we carry out other necessary safety and health education programs including grade-specific training for different staff grades; operation-specific training given after a change in operational content or for employees engaged in specific duties; and general education, which includes health education and training in advance detection of hazards based on our Safety and Health Education Standards. Moreover, we also use corporate safety education facility, referred to as the "safety dojo," to promote safety awareness, impart knowledge, and refine risk sensitivity in order to further develop human resources who are capable of acting safely. To prevent accidents caused by unsafe practices and to build safety awareness, we implement a range of safety and health education programs, including simulated scenarios to help employees experience hazards in the workplace first hand.

Status of labor accidents and work-related illnesses

		Years	2013	2014	2015	2016	2017
Number of labor accidents		Number of incidents	48	64	52	42	57
Number of fatalities in the course of duty	Under KHI's overall supervision	People	2	0	0	0	0
	Employees	People	1	0	0	0	0
	Internal transfer staff *1	People	1	0	0	0	0
Frequency rate of lost-time injuries (frequency rate)	Under KHI's overall supervision		0.38	0.39	0.33	0.30	0.26
	Employees		0.25	0.28	0.31	0.12	0.27
	Internal transfer staff *1		0.78	0.72	0.49	0.85	0.24
	(Reference) Industry average *2		1.58	1.66	1.61	1.63	1.66
	(Reference) Manufacturing industry average *2		0.94	1.06	1.06	1.15	1.02
Frequency rate of sick leave (frequency rate)	Employees		5.2	5.9	4.9	6.2	5.1
	Scope of statistics		nc	nc	nc	nc	nc
	Third-party verified						None

*1: Internal transfer staff under overall supervision of Kawasaki (temporary staff, and contract staff in shipbuilding and construction)
*2: Data source: Ministry of Health, Labor and Welfare, Labor Accident Trend Survey 2016

Health Management

Our health management activities	
	Kawasaki sees the health of its employees as one of its key management resources. As such, Kawasaki provides extensive support to help individual employees live a healthy lifestyle in a self-directed manner, and aims to help employees enjoy a healthy and rich lifestyle by promoting healthy activities as a Group effort.
Implementation of physical checkups	
	Kawasaki implements various physical checkups as required by laws and regulations such as checkups at employment, regular checkups, checkups for employees engaging in specific operations, and checkups for employees assigned overseas. Health guidance is provided by industrial physicians for employees who are diagnosed with an ailment in these checkups.
Our mental health activities	
	Line Care Education for supervisors and Self-Care Education for general employees are implemented regularly where participants learn correct knowledge and treatment for mental health care. In addition, stress checks are carried out once a year, and any employee who indicates having excessive levels of stress will be offered interview guidance from a practitioner if they request.
Checkups for employees working long hours	
	To prevent health problems that can be caused by overworking, employees who have worked overtime for 45 hours or longer over two consecutive months, or 60 hours or longer in a month are given checkups for long-hour workers and must carry out the mandatory self-diagnosis for accumulated fatigue. Interview guidance is provided by industrial physicians to employees suffering from a high degree of accumulated fatigue.
Preventive measures against occupational illnesses	
	To prevent occupational illnesses, Kawasaki is working towards improving working environments based on the results obtained in regular inspections such as working environment assessments, workplace rounds, and inspections of local ventilation equipment, etc.
Health education classes	
	As part of our Group-wide THP (Total Health Promotion) activities, we support employees in improving their mental and physical health by offering classes aimed at the prevention of lifestyle diseases such as the Eating Habit Improvement Class, Exercise Class, and the Quit Smoking Class.

Actions for preventing lifestyle diseases	Years	2012	2013	2014	2015	2016
Percentage taking designated checkups	%	95.6	97.6	96.3	95.4	92.8
Percentage taking designated checkup guidance	%	60.5	60.2	63.6	65.4	62.7
Scope of statistics		cd*	cd*	cd*	cd*	cd*

Health management KPI	Years	2013	2014	2015	2016	2017
Percentage taking regular physical checkups	%	99.7	99.7	99.0	99.3	99.0
Scope of statistics		nc	nc	nc	nc	nc

Material issues and our approach

At Kawasaki, we refer to our personnel as human resources, which mean that they are our company's assets, or wealth. We provide consistent training and development programs for all different staff grades with the aim of realizing the ideal six human resources attributes as defined in our Mission Statement. These attributes are: (1) actively involved around the world; (2) solving issues for customers and the community; (3) leading reforms and innovation; (4) taking technology to new heights; (5) demonstrating comprehensive capabilities; and (6) always maintaining a profitability perspective.

Focus activities/medium-term targets

In order to further the global reach of our businesses and extend them to solutions-oriented businesses, we must promote further growth of our global human resources, as well as train human resources who have advanced knowledge and a broad range of experience in areas such as project management. In our Medium-Term Business Plan 2016, we have been working to establish a foundation for training such human resources, as well as working environments for receiving a diverse range of human resources.

Structure

Group-wide policies on human resource training and application that can have a major impact on our corporate management are discussed and reviewed at our Group-Wide HR Committee. The Group-Wide HR Committee is headed by the president as the chairperson, and comprises primarily internal company presidents to discuss and review matters regarding 1) corporate management training, 2) participation of human resources in focus initiatives, and 3) assignment of human resources in new business and new product operations.
We also organize various forms of meeting bodies where the Corporate Personnel & Labor Administration Division invites division managers in charge of HR and labor at internal companies for the purpose of gathering different views and opinions on the drafting of details for and the implementation of a wide range of HR initiatives, and communicating Group-wide policies.

HR meeting bodies

meeting bodies	purpose	attendees	frequency
Group-Wide HR Committee	To discuss and consider Group-wide policies on human capital development and application which can have a major impact on our corporate management	・President ・Vice President ・Internal Company President ・General Manager of Corporate Technology Division ・General Manager of Corporate Planning Division ・General Manager of Personnel & Labor Administration Division	as needed
Group-Wide Meeting of Personnel & Labor Administration Division	To share information of policy and operation related to Personnel & Labor Administration	・Labor Administration Department (host) ・Managers of Personnel & Labor Administration Section ・Managers of Personnel & Labor Administration Section of our Group Companies ・Related Departments	4 times a year
Meeting of Managers of Personnel	To exchange views about and discuss matters Personnel Department deals	・Personnel & Labor Administration Division (host) ・Managers of Personnel & Labor Administration Section	as needed (approximately twice a year)
Meeting of Managers of Human Capital Development	To exchange views about and discuss matters Human Capital Development Department deals	・Human Capital Development Department (host) ・Managers of Human Capital Development of Internal Companies and Personnel & Labor Administration Section of Offices ・Managers of Human Capital Development of our Group Companies	twice a year
Meeting of Managers of Labor Administration	To exchange views about and discuss matters Labor Administration Department deals	・Labor Administration Department (host) ・Managers of Personnel & Labor Administration Section of Internal Companies and Offices	twice a year
Meeting of Safety & Health Management	To exchange views about and discuss matters Safety & Health Management Department deals	・Safety & Health Management Department (host) ・Managers of Safety & Health Management Section of each business location	4 times a year

Person in charge

Group-Wide HR Committee: Yoshinori Kanehana, President
Other various HR meeting bodies: Managers from the Corporate HR Division

Responsible body, committee

Group-Wide HR Committee

Human Resource Development Policy

Human Resource Development Policy

In order for us to continue our business and grow in the 21st century as a global corporation, all of our employees must efficiently, effectively and completely achieve the specific targets that are in line with our corporate policies and Group-wide actions.

It is the "people" who use their minds and act to achieve specific goals, so the development and invigoration of human resources is the most critical factor for the growth and advancement of a company. In accordance with our basic recognition that human resources are the core of Kawasaki's growth and that they develop through their work, we abide by the following basic views regarding human resources:

- We carry out human resource development to grow our corporate performance, and improve our employees' capabilities as well as their purpose in life.
- OJT (on-the-job training), self-development, and rotation are the foundations of human resources education.
- Off-JT is provided to support these activities in ways where the results of Off-JT can be practically applied in the workplace.
- The Line Manager is responsible for human resources education.
- Human resources education is to be conducted on an individual basis in a planned manner and on an ongoing basis.
- Opportunities for developing one's abilities are provided to all employees from the time they are newly employed up to the time of their retirement.

Human Resources Development Programs

Reinforce the management and business execution capabilities of employees (administrative and technical training)

In the execution of routine duties, we utilize communication opportunities, especially the operational goal sharing program GMK—which takes its name from the Japanese gyomu mokuhyo kyoyuka (sharing business targets)—and semiannual one-on-one meetings between supervisors and subordinates, to foster skill development through the achievement of operating goals.
During their first three years of employment, employees in administrative and technical positions receive a combination of structured OJT based on a mentoring program, and a range of training content to help young employees develop their capabilities as quickly as possible.
Furthermore, programs designed for training managerial candidates are provided, including the Kawasaki management seminars and Kawasaki executive coaching programs; seminars for managers and section heads designed for enhancing the capabilities of middle management; and multi-faceted observational surveys to build awareness of one's strengths and areas that require improvement. Such initiatives serve to strengthen middle management and develop the skills of candidates for management positions.

Performance of major grade-specific training programs held by Head Office		Years ended March,31	2014	2015	2016	2017	2018
New employee training	Participants	Number of people				332	325
	Total hours	Hour				14,608	14,300
Training for new section managers	Participants	Number of people				95	91
	Total hours	Hour				7,600	7,280
Training for new division managers	Participants	Number of people				40	44
	Total hours	Hour				2,240	2,464
Kawasaki executive coaching program	Participants	Number of people				9	9
	Total hours	Hour				1,152	1,152
Kawasaki management seminars	Participants	Number of people				34	51
	Total hours	Hour				136	204
		Scope of statistics				cd*	cd*

Strengthening of on-site capabilities (Training for production specialists)

In the area of production specialist training, we are working on transferring and improving their on-the-floor production skills under a variety of programs including the Skills and Qualification Early Acquisition Incentive Program for younger employees, and the Grand Master System in which skillful production specialists with a high level of special expertise, who are recognized as Grand Master, systematically hand down their skills to the younger generation. As of fiscal year ended March 31, 2019, a total of 22 Grand Masters, including three newly recognized, are actively working.
In addition, we also participate actively in outside skill competitions such as the Technical Skill Grand Prix. In the Technical Skill Grand Prix held in February 2017, two of our employees won the Fighting Spirit Prize in the lathe category, and in the Hyogo Monozukuri (production) Skill Competition held in November 2017, one employee won the Fighting Spirit Prize in the welding category in the younger workers' skills division, and one won second place in the lathe category in the advanced skills division.
For production site supervisors, office chief training and team leader training are provided to reinforce their leadership, and young employees learn about production systems in basic training programs on KPS and basic training programs on quality control.

Developing Global Human Resources

Since 2008, we have been implementing measures for global human resource development, with the aim of furthering the development of human resources in support of global business expansion. Specifically, we provide overseas business manager seminars (at both beginner and intermediate levels) designed to promote a readiness to deal with business from a global perspective and teach useful skills for overseas business; enhanced cross-cultural responsiveness training, which instills a practical and systematic understanding of differences in ever-diversifying value perceptions.
Furthermore, we will work to enhance measures toward global human resource development through such means as introducing an overseas internship system aimed at globalizing domestic human resources and an Asia business training program, as well as training support for skilled local employees at overseas sites.

Performance of major training programs associated with global human resources organized by Head Office		Years ended March,31	2014	2015	2016	2017	2018
Overseas business training	Participants	Number of people				39	39
	Total hours	Hour				2,964	2,964
Response capabilities of different cultures training	Participants	Number of people				90	61
	Total hours	Hour				720	488
English skill series *1	Participants	Number of people				40	30
	Total hours	Hour				864	648
English writing series *2	Participants	Number of people				36	32
	Total hours	Hour				576	512
		Scope of statistics				cd*	cd*

*1: English skill series: Meeting-based training (Read aloud and practical exercises), presentation training, and negotiation training
*2: English writing series: Courses on technical writing and business writing training
* Language training programs are also provided at each plant.

Project Manager Training	
	In recent years, we have seen a rise in project-oriented businesses where we contract entire systems including peripheral facilities as opposed to selling standalone products. To this end, we have started new training programs in fiscal year ended March 31, 2017 to train project managers who are able to execute such projects. We are making Group-wide efforts to enhance our project management capabilities, specifically by holding Project Manager Seminars where we invite individuals from Kawasaki and third-parties with previous experience in large-scale projects as lecturers to impart the know-how required to lead projects to success, and also by implementing an internal study program where employees are transferred to other internal companies to acquire experience in large-scale projects.

Amounts Invested in Human Resources Development

Human resources development expenses	Years ended March,31	2014	2015	2016	2017	2018
Total education and training expenses	Millions of yen					
Education and training expenses per employee	Yen/FTE	30,000	42,000	38,000	33,000	33,000
Education and training hours per employee	Hours/FTE	31	31	33	33	33
Scope of statistics		nc	nc	nc	nc	nc

ROI from Human Resource Assets

ROI from human resource assets	Years ended March,31	2014	2015	2016	2017	2018
Sales (a)	Millions of yen	1,288,881	1,385,482	1,486,123	1,541,096	1,518,830
Sales expenses (b)		1,246,819	1,313,131	1,398,864	1,445,130	1,472,870
Employee-related expenses (c)*		149,886	155,710	160,396	163,385	158,303
ROI from human resource assets (a-(b-c))/c		1.28	1.46	1.54	1.59	1.29
Scope of statistics		cg	cg	cg	cg	cg

* Salaries, bonuses, and welfare expenses

Material issues and our approach

When recruiting human resources, rather than simply filling the posts of retirees, we seek to recruit human resources with the necessary skills in the required numbers based on a medium- to long-term view. Recently, business expansion has heightened the need for more employees, and we actively recruit new graduates as well as individuals who have already acquired career experience. We have also introduced a reemployment program so that employees are able to work after retirement up to age 65, and many employees continue to work after their retirement. Additionally, in the course of our attempt to employ new overseas college graduates and foreign national students starting in fiscal year ended March 31, 2013 with a view to overseas business extension and respect for diversity, three foreign national students joined us in fiscal year ending March 31, 2019.

Personnel positioning is planned based on the "right person to the right job" policy, in consideration of aptitude, skills, personnel allocation, and successor issues, etc.
To realize this "right person to the right job" positioning, we have established various systems in which employees' wishes are respected to motivate and activate them.

Moreover, the Human Resource Information Management System to support these systems were also newly established, which has been operated in full scale since fiscal year ended March 31, 2014. This is a system to visualize and keep track of the job experience and other relevant information, in addition to existing basic personnel information. This system has been helping us with the more advanced use of personnel information and the development and positioning of human resources.

Focus activities/medium-term targets

[Workstyle reform]
Since fiscal year ended March 31, 2017, the Kawasaki Group has embraced Kawasaki Workstyle Innovation (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 a coordination of the three areas of reform, namely, business reform, organization climate reform, and system reform.
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.

Progress/results/challenges

[Securing human resources]
In order to ensure that we are able to secure excellent talent, we are currently revisiting our vision of people that we want to have. The vision we formed in 2017 for administrative employees that we need are characterized as those who are able to fulfill their given missions by proactively interacting with their surroundings 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. In 2018, we will continue to form a vision of employees, this time for technical employees.

[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.

KPI

Target: Improvements in employee satisfaction in our employee awareness survey

Progress

		Years ended March,31	2015	2016	2017	2018	2019
Satisfaction (Percentage of people who replied "I would like to work at Kawasaki for as long as I can)		%	-	71.6	-	-	69.5
	Male	%					68.6
	Female	%					70.4

Structure

In our workstyle reform (K-Win) activities, the General Manager of Personnel & Labor Administration Division, as project owner, oversees the Implementation Secretariat.

Three teams operate under the Corporate Implementation Secretariat: organization climate reform team, business reform team, and system reform team. These teams are responsible for the following activities:

- Organizational climate reform team: Activities to make all employees fully understand the idea of workstyle reforms (Organizes president's speeches, Line Manager seminars and other events)
- Implements activities for invigorating our organization (Measures to invigorate communication at individual workplaces, etc).
- Business reform team: Provides techniques and tools for carrying out business reforms to workplaces (Time management tools, internal email systems, conferencing rules, etc).
- System reform team: Develops and implements systems to enable flexible workstyles (telleworking systems, etc).
- Introduction of per-hour labor productivity criteria in employee reviews for administrative and technical personnel, etc.

Additionally, Implementation Secretariats are also established at internal companies and plants as part of a whole Kawasaki effort to achieve workstyle reforms. Three times a year, the Corporate K-Win Implementation Secretariat and the Implementation Secretariats at internal companies and plants hold a Group-Wide K-Win Implementation Secretariat Conference to share information associated with Group-wide workstyle reform.

Person in charge
Kouzou Tomiyama, Executive Officer, General Manager of Personnel & Labor Administration Division

Responsible body, committee
K-Win Activities Implementation Secretariat (Corporate Personnel & Labor Administration Division)

Employee Evaluations

Human resources 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 professionality 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	Years ended March,31	2014	2015	2016	2017	2018
Evaluation based on target management *1	%				100	100
Multifaceted performance evaluations *2	%				21	21
Evaluations for ranking employees within their category	%				100	100
Other:	%					
Scope of statistics					nc	nc

*1: Evaluations based on targets and other criteria agreed to by the Line Manager.
*2: 360º 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.
Scope of application	
	All employees

Hiring

Number of hired employees			2014	2015	2016	2017	2018
New grads hired *		Number	500	526	577	538	538
	Male	Number	466	500	546	495	492
	Female		34	26	31	43	46
Administrative and technical positions		Number	301	299	333	325	332
	Male	Number	272	279	305	287	291
	Female		29	20	28	38	41
Production specialists		Number	199	227	244	213	206
	Male	Number	194	221	241	208	201
	Female		5	6	3	5	5
Mid-career hires		Number	422	452	230	251	-
	Male	Number	195	265	184	145	
	Female		32	24	46	106	
Administrative and technical positions		Number	204	284	177	138	-
	Male	Number	192	265	162	125	
	Female		12	19	15	13	
Production specialists		Number	195	163	20	19	-
	Male	Number	188	159	19	19	
	Female		7	4	1	0	
partner		Number	23	5	33	94	-
	Male	Number	3	0	3	1	
	Female		20	5	30	93	
Average years of service		Years	13.8	13.4	13.3	13.5	-
	Male	Years			13.5	13.5	-
	Female				13.3	13.5	-
Average hiring cost per hire		thousands of yen			900	-	-
	Scope of statistics		nc	nc	nc	nc	nc

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

Resigning

Number of resigning people			2013	2014	2015	2016	2017
Rate of People Resigning and Turnover *		Number	88	71	73	127	161
		%	0.6	0.5	0.5	0.8	1.0
	Male	Number	78	58	66	114	141
		%	0.6	0.4	0.5	0.8	0.9
	Female	Number	10	13	7	13	20
		%	1.2	1.5	0.8	1.4	1.9
29 and younger		Number	38	45	44	63	77
		%	0.9	1.1	1.1	1.5	1.8
	Male	Number	34	34	40	58	65
		%	0.9	0.9	1.0	1.4	1.6
	Female	Number	4	11	4	5	12
		%	1.9	3.8	1.9	2.3	5.0
30 to 39		Number	18	14	17	38	57
		%	0.5	0.4	0.4	0.8	1.2
	Male	Number	17	14	14	35	52
		%	0.5	0.4	0.4	0.8	1.2
	Female	Number	1	0	3	3	5
		%	0.5	0.0	1.4	1.2	1.7
40 to 49		Number	14	5	10	17	21
		%	0.4	0.1	0.3	0.4	0.5
	Male	Number	9	3	10	14	18
		%	0.3	0.1	0.3	0.4	0.5
	Female	Number	5	2	0	3	3
		%	1.9	0.8	0.0	0.9	0.8
50 and above		Number	18	7	2	9	6
		%	0.6	0.2	0.1	0.3	0.2
	Male	Number	18	7	2	7	6
		%	0.6	0.2	0.1	0.3	0.2
	Female	Number	0	0	0	2	0
		%	0.0	0.0	0.0	1.3	0.0
Scope of statistics			nc	nc	nc	nc	nc

* Number of resigning people does not include retirees and executive transfers.
Age of resigning employees is shown as of April 1 of each fiscal year.

Employee Satisfaction

Overview of employee satisfaction surveys

Kawasaki conducts employee satisfaction surveys once every three years to gauge employee's perceptions on 1) the company vision, 2) compliance, 3) treatment, 4) work-life balance, and 5) loyalty for and satisfaction with the company. Interrelations are also taken into account when analyzing employees' responses, and results from these analyses are incorporated in the Kawasaki's various actions. Survey results are also disclosed to employees on the intranet.

Employee satisfaction survey results

		Years ended March,31	2015	2016	2017	2018	2019
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 of statistics				cg		nc	

Work-Life Balance Support

Supporting a Balance of Childcare, Nursing Care, and Work

We have a number of systems to support raising the next generation and nursing care in order to enable our employees to continue working actively while balancing work with childcare and nursing care. Examples include a system of childcare leave available until employees' children reach age three; a short-time working system available to employees with children until they graduate from elementary school; nursing care leave available for up to three years; holding seminars to support those on childcare leave who wish to return to work; a system whereby people can apply for reemployment when they are ready to return to work after resigning because of marriage, childbirth, child-raising, or other reasons; and a system that lets staff take time off in units of one hour at a time if needed to care for children or other family members. With initiatives in this area that go beyond national government standards, the Hyogo Labour Bureau certified us as a company supporting childcare, and awarded us the "Kurumin Mark" in 2010.

Moreover, our systems have been further enhanced by such means as newly introducing in 2012 the Supplementary Work Day Nursery Service to offer temporary childcare services within company on supplementary work days and the Childcare Rescue System to offer baby-sitter services as designated by the company for employees requiring childcare services including nursing for sick or recovering children and during overtime duties or business trips.

Kawasaki was rated highly for these activities and chosen as a "Nadeshiko Brand" in March 2015, a recognition given to companies that support women's careers and provide excellent support for work-life balance.

Usage of work-life balance programs

		Years ended March,31	2014	2015	2016	2017	2018
Employees using the childcare leave		Number of employees	37	43	37	51	49
	Male	Number of employees	2	4	9	8	6
	Female	Number of employees	35	39	28	43	43
Employees using the care leave		Number of employees	0	2	2	0	4
	Male	Number of employees	0	2	2	0	2
	Female	Number of employees	0	0	0	0	2
Return rate after childcare leave		%	100	94	100	98	98
Retention rate after childcare leave		%	100	100	100	100	-
Scope of statistics			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 year ended March 31, 2018.

Description of different support Systems (non-consolidated)

Overview of Support Systems (non-consolidated)

Parental leave before and after birth	Maternity/paternity leave	Employees may take leaves until a child reaches the age of three. There is no limit on the number of times to take.
	Return to work support program "WIWIW"	Employees on maternity/paternity leave are provided with online services that enable them to get information and other materials to support their return to work, or allow them to enhance business skills, or promote communication with their office colleagues.
	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.)
	Half-days off	Employees may take as many half-days off as necessary, within available annual paid leave, to care for a young child (up to completion of elementary school) or when morning sickness interferes with job duties.
	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 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.
	Short-time working 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 annual paid vacation days that could not be carried over to the next year but can be taken in special circumstances.

Topic
Enhancing On-site Nursery Facilities

A nursery has been established at Kawasaki Motors Enterprise (Thailand) Co., Ltd. since 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.

Work-Life Balance

Encourages employees to take their annual paid leaves

Kawasaki encourages our employees to take their annual paid leaves 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 Yu-Yu Consecutive Holidays and the Anniversary Holiday programs. Under these programs, employees designate their paid leave days at the beginning of the fiscal year and take these days off without fail. The Yu-Yu Consecutive Holidays are two consecutive days off, and in conjunction with the Anniversary Holiday, employees can plan ahead to take three days off per year.

Additionally, based on a labor agreement, three days in August are assigned as annual paid leave days, and nine consecutive vacation days are established including the Company's designated holidays and other holidays.

Furthermore, labor and management have agreed to define one day per week as an on-time exit day since fiscal year ended March 31, 2007. By defining this on-time exit day, employees are able to achieve a well-controlled workstyle, which helps in improving their work-life balance.

	Years ended March,31	2014	2015	2016	2017	2018
Number of used paid leaves*	Days/ person	15.3	14.9	15.0	15.2	15.4
Paid leave usage rate	%	69.5	67.7	68.2	69.0	70.0
Total annual work hours	Hours	2,050	2,078	2,070	2,075	2,065
Total annual overtime hours	/person	283.8	303.4	340.0	307.2	303.8
Scope of statistics		nc	nc	nc	nc	nc

* 22 days given per year

Material issues and our approach	
	As value chains expand globally, respect for the human rights of our employees, suppliers, and other persons who are associated with our business has come to the forefront, and there is an increasing need for us to assess and address human rights risks in our Group-wide business activities. The Kawasaki Group upholds and respects the International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the Guiding Principles on Business and Human Rights, and other international standards on human rights and labor. As a Group that conducts businesses worldwide, we have clearly stated our intentions to give human rights the highest priority, prevent human rights violations in all of our business activities, and not to contribute to any human rights violations.

Structure	
	The Corporate CSR Committee is responsible for deliberating on all human rights related efforts, and receiving reports on these activities.
Person in charge	
	Ikuhiro Narimatsu, Managing Executive Officer in charge of General Administration Division, CSR Division, Legal Division, and Compliance
Responsible body, committee	
	Consolidated under the Corporate CSR Committee umbrella
Board of Directors' involvement in human rights matters (reporting and deliberating)	
	Reports on training and activities associated with human rights are given as needed in Corporate CSR Committee meetings.
Referenced documents	
	The Kawasaki Group Code of Conduct https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html CSR Procurement Guidelines https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr_tyoutatsu_guideline.pdf

Human Rights Policy

Human Rights Policy	
	In The Kawasaki Group Code of Conduct, Kawasaki states its intention to respect the human rights of all persons, and therefore respects the human rights of all persons related to our business activities.
Policy's scope of application	
	The Kawasaki Group
Referenced documents	
	The Kawasaki Group Code of Conduct https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html

Prohibition of Discrimination

Prohibition of Discrimination	
	The Kawasaki Group Code of Conduct mandates the following: "As stated in the Universal Declaration of Human Rights, human rights are 'the inherent dignity and the equal and inalienable rights of all members of the human family.' In order to respect the human rights of each and every person, we must afford everyone equal dignity and respect, regardless of race, skin color, gender, age, nationality, social origin, ancestry, sexual orientation, gender identity, marital status, religion, political belief, disability, health condition, or any other legally protected characteristics "

Prohibition of Child Labor and Forced Labor

Prohibition of child labor and forced labor	
	The Kawasaki Group clearly states in its Code of Conduct that it will not tolerate human right's abuses, especially child labor and forced labor. With respect to the global human rights and labor issues of child labor and forced labor, we have confirmed that no company under the Group umbrella is involved in such practices and declared that none will ever employ such practices. This style of confirmation and declaration, acknowledged and supported by the Global Compact Network Japan (GCNJ)* secretariat, was prepared in line with the "Global Compact Labor Principles and Business Guidelines" and was signed by the presidents of all Group companies, including those overseas. All Group companies, including those overseas, also prepared CSR Procurement Guidelines, which cover respect for human rights, and call on business partners to work as a team to uphold these guidelines.
Referenced documents	
	The Kawasaki Group Code of Conduct https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html Confirmation and Declaration of the Abolition of Forced Labor and Child Labor https://global.kawasaki.com/en/corp/sustainability/overview/child_labor.pdf

* GCNJ: A network in Japan that aims for sustainable development as part of the United Nations

Harassment Prevention

Harassment Prevention	
	To create a comfortable working environment where employees can perform their jobs free from harassment, Kawasaki offers a grade-specific training to guide everyone onto the path of appropriate behavior and to enlighten everyone about the morale-crushing consequences of harassment. We have implemented harassment awareness training designed to cover all employees. In addition, in fiscal year ended March 31, 2017, we established counseling offices throughout the Company where we accept counseling requests on harassment from employees and temporary staff. We also hold meetings with employees seeking advice, as necessary, and respond fairly to incidents, while also remaining committed to respecting their privacy.

Right to organize and Right to Collective Bargaining

Status of labor-management discussions	
	The right to collective bargaining is recognized in our labor agreement, and two days notice must be given to commence collective bargaining with respect to matters such as corporate cost-cutting actions and important changes to labor conditions. Whereas the general rule is to reach an amicable resolution through the good faith of both parties by holding a labor-management meeting (on an as-needed basis) prior to commencing collective bargaining, therefore, Kawasaki has seen no labor dispute actions over the past 40 years. Additionally, Kawasaki has concluded a labor agreement with the Kawasaki Labor Union and is engaged in an active exchange of views by holding meetings such as the Corporate Management Council (at least twice a year Group-wide, and at least twice a year at internal companies) to explain our corporate management policies and management state of affairs; Safety and Health Council (at least once a year) to explain the basic policies on safety and health activities; Regional Safety and Health Council (at least once monthly) for deliberating on measures for preventing hazards and health impediments to employees; and the Group-wide Environmental Preservation Committee (at least once a year) for explaining Company actions associated with environmental preservation. Kawasaki employs a union shop system which means all general employees are members of the Kawasaki Labor Union. The labor union makeup as of March 31, 2018 is 76.9% (percentage of union members versus all permanent employees including officers).

	Years ended March,31	2014	2015	2016	2017	2018
Number of union members	People	11,464	11,412	12,414	12,541	12,823
Labor union makeup*	%	72.1	74.2	75.6	75.8	76.9
Number of labor discussions with the union	Number					26
Scope of statistics		nc	nc	nc	nc	nc

* The number of labor union members and labor union makeup are current as of the end of the respective fiscal years. Labor union makeup percentage represents the percentage of union members versus all permanent employees including officers.

Mechanism for Addressing Human Rights Related Grievances

Mechanism for addressing employee grievances	
	Under its labor agreement, if a problem arises that cannot be resolved within the workplace, Kawasaki will set up a grievance committee, with participation from the director responsible for personnel and the president of the labor union, to quickly, fairly, and peacefully resolve the problem. The grievance committee handles a wide variety of issues, including health management and safety of union members, incidents of power harassment or sexual harassment, and matters related to personnel transfers. In addition, Kawasaki promises that no employee voicing a grievance will be put at a disadvantage.

Specific examples of respect for human rights

Consideration Given to Employees at KMI (Indonesia)

PT. Kawasaki Motor Indonesia (KMI) is a local manufacturing and marketing base for Kawasaki-brand motorcycles in Indonesia.

About 90% of the population of Indonesia is Muslim, and many of KMI's employees are followers of Islam. Therefore, various considerations are extended to these employees. The company has set aside an area on site for a mushola (prayer room). Female employees are allowed to wear a headscarf during working hours and, in the cafeteria, no dishes made with pork are served since dietary laws prohibit consumption of pork.

During the holy month of Ramadan, Muslims fast between sunrise and sunset, and through this month office hours for employees in administrative and marketing divisions start 30 minutes earlier than usual. This change reflects the desire of many Muslims to have their evening meal with family at home during Ramadan. Also, after Lebaran (a celebration to mark the end of fasting), which follows Ramadan, KMI holds a halal bi halal event for Muslims.

But Islam is not the state religion of Indonesia. In fact, there are Christian and Hindu minorities, and since the constitution guarantees religious freedom, Christmas and Hindu celebrations are also observed as national holidays. KMI therefore extends considerations to employees of Christian and other faiths and holds events, such as Christmas celebrations.

This demonstrates KMI efforts to accommodate the local religions, culture and customs of the land and execute business activities that respect human rights.

Halal bi halal

Mushola on plant premises

Female employees wearing headscarfs

Material issues and our approach	
	As a company that engages in a broad range of businesses domestically and overseas, the Kawasaki Group believes that as a member of communities, we have a responsibility for making active contributions to the communities in which we operate. Additionally, in the context of Sustainable Development Goals (SDGs) as adopted by the UN in 2015, expectations for corporations are high with respect to realizing sustainable societies. Based on our Group Mission, "Global Kawasaki, working as one for the good of the planet," the Kawasaki Group is committed to pushing forward with our social contribution activities that leverage our human resources, technologies and capital, and are highly synergistic with our business activities.

Focus activities/medium-term targets	
	The Kawasaki Group focuses on the following areas in our social contribution activities: (1) As a corporate citizen, constructs a good relationship with local communities and contributes to their development. (2) Supports the next generation who lead the future technology. (3) Preserves the environment and achieves the sustainable society.

Linked file	
	Operating Social Contribution Fund in U.S. https://global.kawasaki.com/en/corp/sustainability/contribution/local_communities.html Support for the Next Generation https://global.kawasaki.com/en/corp/sustainability/contribution/next_generation/support.html Contribution to local communities https://global.kawasaki.com/en/corp/sustainability/contribution/local_communities.html Realization of a Society Coexisting with Nature https://global.kawasaki.com/en/corp/sustainability/environment/symbiotically.html Conclusion of disaster prevention agreement with local communities https://global.kawasaki.com/en/corp/sustainability/contribution/local_communities.html

Policy on Social Contribution Activities

Policy on Social Contribution Activities	
	The Kawasaki Group implements social contribution activities in various fields based on the Group Mission, “Kawasaki, working as one for the good of the planet.” We take advantage of our strengths and the capabilities of each of our employees for the activities. The emphasis is put on the areas below. (1) The Kawasaki Group, as a corporate citizen, constructs a good relationship with local communities and contributes to their development. (2) The Kawasaki Group supports the next generation who lead the future technology. (3) The Kawasaki Group preserves the environment and achieves the sustainable society.
Policy's scope of application	
	The Kawasaki Group

Emphasized Areas in Our Social Contribution Activities

Emphasized area 1 in our social contribution activities	
	Contribution to local communities
Overview (relevance to our business)	
	We carry out activities for supporting sports and community exchange events, mostly in regions where we have offices or plants. In Okinawa, many of our employees have taken part in coral reef regeneration activities as volunteers.
Effects on business	
	These activities help improve our presence in these communities.
Effects on society	
	There have been numerous activities that were recognized and praised for their social contribution.
Emphasized area 2 in our social contribution activities	
	Support for the Next Generation
Overview (relevance to our business)	
	As a company that specializes in technological development and its widespread application, employees of the Kawasaki Group develop science education programs and hold handicraft and experiment courses for elementary school students in different communities.
Effects on business	
	These activities help to increase employee motivation going forward, and also improve our corporate reputation.
Effects on society	
	By carrying out these science education programs on a regular basis, we contribute to building children's interest in science.
Emphasized area 3 in our social contribution activities	
	Realization of a Society Coexisting with Nature
Overview (relevance to our business)	
	The Kawasaki Group upholds its contributions to the global environment as a key element of its Group Mission, and aims to create societies that coexist with nature. As part of these efforts, we are engaged in forest conservation activities in two locations: Hyogo Prefecture and Kochi Prefecture. This also helps to build environmental awareness among our employees and promote personal exchange with our communities.
Effects on business	
	These activities help to build environmental awareness among our employees, and also improve our reputation as an environmentally sensitive company.
Effects on society	
	We calculate and disclose the amount of CO2 absorbed through these forestation activities.

Breakdown of Our Social Contribution Activities

Breakdown of our social contribution activities by their form	Years ended March,31	2014	2015	2016	2017	2018
Donations and philanthropy	%	29.77	34.19	30.51	30.62	32.21
Investments (ongoing partnerships with NGOs, etc.)		47.38	48.36	46.00	47.63	53.27
Advertising and marketing (support funding, campaigns, etc.)		22.85	17.45	23.50	21.75	14.52
Total		(100)	(100)	(100)	(100)	(100)
Scope of statistics						

(Total: 100%)

Expenditure on Social Contribution Activities

Expenditure on Social Contribution Activities*		Years ended March,31	2014	2015	2016	2017	2018
Total amount		Millions of yen	630	758	605	697	670
Breakdown by category	Vitalization of industry and economy	Millions of yen	163	231	64	95	100
	Communities		239	236	258	300	266
	Education		131	148	126	136	173
	Culture, sports		69	73	121	121	73
	Welfare , humanitarian aid (including disaster relief)		16	34	20	22	38
	Other (including environmental, safety, and disaster prevention)		12	36	16	23	20
Percentage of current earnings		%	1.05	0.90	0.83	2.37	2.14
Scope of statistics			nc	nc	nc	nc	nc

* It includes expenses for donations, support funding, in-kind contributions and requests for support from third-party organizations, and cost of labor of employees assigned to third-party organizations (including expenses incurred by Kawasaki). It does not include internal cost of labor of employees or expenses associated with the use of facilities.

Measuring the Effects of Our Social Contribution Activities

Effects of our social contribution activities (output, outcome, and impact)

We quantify the performance of key activities in emphasized areas of our social contribution activities as KPI to make further improvements to the effectiveness of these activities.

KPI/performance of our social contribution activities			Years ended March,31	2014	2015	2016	2017	2018
Social contribution expenses for communities			Millions of yen	229	236	235	271	140
Kawasaki World visitors			Thousands of people	226	225	221	219	226
Handicraft and experiment courses	Participants		People	229	324	365	415	435
	Events held		Number of events	9	15	16	21	24
	Scope of statistics			cd	cd	cd	cd	cd
Third-party verification								

			Takacho, Hyogo prefecture	Niyodogawacho, Kochi prefecture
Forest conservation activities	Participants	People	275	69
	Number of activities	Activities per year	3	1
	Area	ha	1.0	0.3
	CO2 absorption amount	t/CO2	2.2	16.5
	Tree planting	Trees	317	-
	Scope of statistics		cd	cd