

Developing Human Resources

Thoughts on Personnel

Group Management Principle No. 3—“People: The KHI Group’s corporate culture is built on integrity, vitality, organizational strength and mutual respect for people throughout the entire Group. We nurture a global team for a global era.”—provides the foundation for a corporate culture and environment in which our employees can maintain a positive outlook as they go about their work. We have introduced a variety of systems to achieve this goal and strive to enrich associated content.

Education and Training

KHI’s ideal human resources fall into six categories, based on the Company’s mission statement. They 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. Seeking to cultivate human resources with these qualities, we promote comprehensive training and skill development for all employees regardless of rank.

① Reinforce the management and business execution capabilities of employees (Administrative and technical training)

During their first three years of employment, employees in administrative and technical positions receive a combination of structured on-the-job training, facilitated by a mentoring system, and access to various training content to help these young professionals shoulder new responsibilities as quickly as possible.

In addition to training for managers, including section managers, general managers and board members, we regularly conduct multifaceted observation surveys that provide feedback—opinions and evaluations—from supervisors, subordinates and colleagues to managers on their strong points and areas in need of improvement. Such initiatives serve to strengthen middle management and develop the skills of candidates for management positions.

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—and semiannual one-on-one meetings between supervisors and subordinates, to foster skill development through the achievement of operating goals.



Training session for general managers

② Improve on-site capabilities (Training for production specialists)

We encourage young employees in production positions to enhance their skills and older employees to share their acquired expertise. Toward this end, we have a system in place for young workers to obtain technical qualifications early in their careers and a fairly recently introduced masters’ system whereby experienced workers with sophisticated, specialized capabilities are designated “masters” upon which they impart their hands-on knowledge to younger colleagues. KHI’s production professionals actively participate in industry competitions involving technical skills, including the Technical Skill Grand Prix. At the 2011 event, the KHI representative took third place in the machinery assembly work category and the fighting spirit award in the conventional lathe work category.



Technical Skill Grand Prix

Respect for Diversity

Promoting Diversity

To date, KHI has consistently embraced initiatives that encourage all employees, including women, post-retirement rehired individuals and the disabled, to be active in their assigned roles. To better address increasing diversification in the workplace, we established the Diversity Promotion Section in April 2010.

In “Kawasaki Business Vision 2020,” a stated goal is to “create a corporate culture that emphasizes diversity and a good work-life balance, gives employees confidence in the Company and their colleagues, fosters pride in the work they do, and enables everyone to enhance their skills and demonstrate their full potential.” Toward this end, we are introducing policies with an emphasis on a variety of approaches to working that facilitate the realization of a good work-life balance for all employees, on promoting active roles for women, on promoting active roles for the disabled, on childcare and eldercare support, and on the creation of workplaces receptive to older employees.

In June 2011, a message from the president was distributed to all employees. In his message, entitled “Drawing on the Diversity of Our Human Resources Allows Individuals and the Organization to Achieve Maximum Results,” the president called on everyone “to reaffirm the importance of communication and create a workplace that is accepting of and welcome to all, to create an environment in which people can utilize the structures they need when they need them, and to review and reinitialize business processes with due thought to working efficiency in a limited amount of time.”

Promoting Active Roles for Women

Currently in our efforts to promote active roles for women in our organization, our first priority is to hire them, taking an enthusiastic approach to such recruitment. The number of women hired and the number of women in managerial positions increases annually, and in the area of hiring in particular, about 30% of the university graduates taking administrative positions with us are women. We are also implementing actions such as introducing senior female employees to young female staff as role models, and helping supervisors foster skill development in female staff.

Promoting Active Roles for the Disabled

We also strive to hire more people with disabilities, and people with physical challenges are thriving in various office environments. We earnestly endeavor to break down barriers, in the true sense of barrier-free, and in 2010, we took a stab at in-house training featuring sign-interpreted lectures so that employees with hearing impairments could benefit from the content covered just as much as their hearing colleagues.

We will resourcefully work to boost the rate still higher and, through advanced case studies and lateral development, establish an environment in which the disabled can fully demonstrate their capabilities.

Percentage of Disabled Employees

| Fiscal 2008 | Fiscal 2009 | Fiscal 2010 | Fiscal 2011 | Fiscal 2012 |
|-------------|-------------|-------------|-------------|-------------|
| 1.86% | 1.89% | 1.83% | 1.81% | 1.74% |

Support for a Good Work-Life Balance

All employees should be able to combine work and childcare responsibilities, continuing to work with energy and enthusiasm. With this in mind, KHI provides a wide variety of programs to support employees’ efforts to raise the next generation and balance work and family life.

Of note, our childcare leave system go beyond the requirements of the law, and we have instituted programs to support the workplace return of employees who have taken such leave. These progressive efforts have been favorably received, substantiated already back in 2006 with the Hyogo Labor Office Director’s Award.

The planning stage of our Action Plan for Support for Rearing the Next Generation, formulated in 2005, ended in March 2010, and the Director of the Hyogo Prefectural Labor Office certified us as a company that supports childcare. In April 2010, we formulated a new Action Plan, and we will continue taking an active role in supporting the rearing of the next generation.

In April 2011, we introduced a new system, whereby former employees, who retired for such reasons as marriage, childbirth or childcare, may request reinstatement when their circumstances allow them to rejoin the workforce. We also introduced a system that enables employees to take time off in hourly blocks when needed to deal with child-related issues such as regular parenting duties or when a child is sick.

These efforts are not only applicable to childcare. Similar programs are available to employees with elderly or ill family members who require home care, and we provide many kinds of support for maintaining a balance between working and caring for family members.

Number of Employees Taking Childcare Leave

| Fiscal 2007 | Fiscal 2008 | Fiscal 2009 | Fiscal 2010 | Fiscal 2011 |
|-------------|-------------|-------------|-------------|-------------|
| 14 | 22 | 19 | 27 | 23 |

Respect for Human Rights

Respect for Human Rights and Policy on Discrimination

The underlying philosophy on which the Kawasaki Heavy Industries Code of Corporate Ethics are built is “respect for individuality and human rights / prohibition of discrimination.” Committed to this, we promise that “For creating and maintaining comfortable workplace, we respect for individuality and human rights of all people. We do not engage in discrimination, sexual harassment and bullying.”

Prohibiting Sexual Harassment and Power Harassment

Seeking to create a comfortable working environment in which employees can perform their jobs free from harassment, KHI offers training to guide everyone onto the path of appropriate behavior and to enlighten everyone on the morale-crushing consequences of harassment.

On the issue of sexual harassment, we have established counseling offices at all work sites. We also maintain an e-mail address just for harassment-related comments to facilitate communication. In addition, we have prepared a manual for counselors which outlines procedures that ensure the privacy of people seeking advice and a proper response to their concerns.

To raise awareness of human rights issues, we utilize training for new employees and sessions for existing employees in various corporate positions as opportunities to highlight the importance of respect for human rights.

TOPICS

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.



On site prayer room (*mushola*)



Women employees wearing a headscarf



Halal Bi Halal

Realize Vibrant Workplace Atmosphere

Encourage employees to take annual paid vacation

KHI encourages employees to use their annual paid vacation time to refresh mind and body and to strike a better balance between work and private life. As one approach to this, the Company introduced a program—*Yuyu Renkyu*—that asks employees to decide on consecutive days off at the beginning of the fiscal year that they will have to take when those days come round on the calendar. Also, since April 2010 the Company has endeavored to create an environment that makes it easier to take vacation time, including a one-day increase in annual paid vacation, from 21 days, to 22.

Average days of annual paid vacation taken by employees

| Fiscal 2008 | Fiscal 2009 | Fiscal 2010 | Fiscal 2011 | Fiscal 2012 |
|-------------|-------------|-------------|-------------|-------------|
| 15.1 | 15.7 | 14.9 | 15.3 | 15.6 |

Communication between Management and Employees

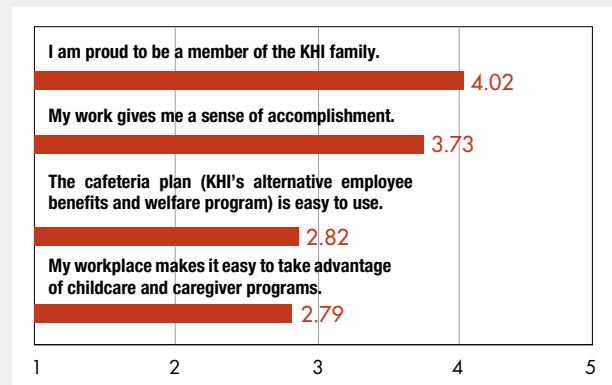
To create a vibrant workplace environment, the thoughts of top management as well as corporate policies, management information and other key issues must reach all employees as quickly as possible. To ensure that information is accurately transmitted from management to employees, KHI's intranet and internal bulletins expedite delivery of information and ensure that messages from top management are quickly received by all. We have a variety of opportunities for discussion with labor, where executives can explain policies and management information directly to employee representatives.

TOPICS

The Result of Employee Satisfaction Survey

KHI conducts employee satisfaction surveys every other year and use the results in the preparation of new policies and programs. The survey undertaken in February and March 2011 garnered an increase in positive responses on nearly all questions, such as “Proud to be a member of the KHI family” and “My work gives me a sense of accomplishment”. But positive responses to questions on employee welfare and the environment to take advantage of childcare and caregiver programs were relatively few. We will carefully evaluate this situation and promote various measures to ameliorate perceived concerns.

*From the 59 questions in the survey, we selected four that generated notable results. The number represents the average value given by respondents who were asked to rate the statement on a scale from 1 to 5. The higher the value, the more positive the assessment, indicating a high level of satisfaction.



Creating a Safe, Comfortable Workplace

Basic Premise on Employee Safety and Health

Protecting the safety and health of employees is of paramount importance. KHI seeks to create a workplace culture that prioritizes safety and health and a safe, comfortable working environment where employees can perform their jobs in good health and in a positive state of mind.

Safety and Health Management Systems

In its Safety and Health Management Rules, KHI assumes this corporate obligation: “We will establish safety and health management systems and institute measures necessary to prevent occupational accidents and conditions that impair health, sustain and perhaps improve the health of employees, and foster a pleasant working environment.”

Specifically, the general safety and health manager at each site is assigned safety and health management supervisory duties, in accordance with basic policy outlined by the Chief Safety and Health Management Officer, to facilitate safety and health management.

Efforts to Prevent Occupational Accidents

① Steadfast Implementation and Promotion of Occupational Health and Safety Management Systems

By continually using and improving its occupational health and safety management systems, KHI reinforces system standards and ensure meticulous health and safety management, which in turn stops occupational accidents before they can occur and lays the foundation of a comfortable workplace environment. A current priority is to enhance risk assessment capabilities and systematically eliminate any latent risks to ensure inherently safe conditions for employees.

② Maintaining the KSKY Campaign

KHI has been implementing the KSKY campaign since 2002. KSKY is coined from the first letters of Japanese words: the K from *kihon*, meaning “basic rules”; the S from *shisakusho*, “pointing and calling”; and the KY from *kiken yochi*, “predicting danger”. The purpose of this campaign is to instill greater awareness of safety measures and to create a workplace secured by “mutual cautioning”, which is, essentially, employees watching out for the safety of others as well as themselves.

③ Learning to Detect Dangerous Situations

To raise safety awareness and prevent occupational accidents that are caused by unsafe practices, we run mock accidents that allow employees to identify possible dangers in the workplace. As an added precautionary measure, we are installing more devices and facilities to make the practical experience more effective.



Mock accidents training

Health Advice and Efforts in Mental Healthcare

① Health Classes

As one of its corporate THP (Total Health Promotion) efforts, KHI offers health classes to help employees lead healthier lives. These classes cover general topics, such as dental hygiene and quitting smoking, as well as specialized topics, such as better diets for young adults and approaches for lowering high blood sugar, which are geared to both new employees and existing employees who show signs of having lifestyle diseases based on the results of legally required health checks.

② Stress Checks

We ask that employees have their daily stress levels checked during regular health checks, and industrial physicians interview employees with high stress levels and provide them with personalized advice. We have also implemented measures to manage stress effectively in the workplace using work stress diagnoses. In addition, we conduct group classes for managers and supervisors and offer information about “line-care”—to improve the working environment and assist staff who wish to discuss mental health issues—and self-care, or personal health maintenance, as well as other topics through e-learning.

③ Fatigue Accumulation Self-diagnostic Checks

We require people who work long hours to undergo fatigue accumulation self-diagnostic checks. Industrial physicians interview employees with high levels of accumulated fatigue and provide them with personalized advice.



Health class