

# Kawasaki

## ESG Data Book 2019

(Social and Governance Issue)

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Notes: 1. For ESG information disclosure regarding environmental matters, please access the *Kawasaki Environmental Report* on Kawasaki's website. Kawasaki's website: <https://global.kawasaki.com/en/corp/sustainability/index.html>  
*Kawasaki Environmental Report*: <https://global.kawasaki.com/en/corp/sustainability/environment/report/index.html>  
 2. Certain ESG figures are available on the "Data Summary" page of Kawasaki's website. Data Summary: <https://global.kawasaki.com/en/corp/sustainability/library/data.html>  
 3. Scopes of data coverage used in this report:

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	non-consolidated	Kawasaki Heavy Industries, Ltd. (non-consolidated)
o		Other

4. Unless otherwise noted, most data covers fiscal 2018 (FY2018), which is the fiscal year ended March 31, 2019, and prior years.

CSR Framework

Basic Policy on CSR

We believe the Kawasaki Group's highest CSR priority is realizing the Group Mission, "Kawasaki, working as one for the good of the planet." Accordingly, we actively identify global social issues and aim to solve them by providing products and services driven by innovation and the pursuit of synergies within the Group. In addition, to earn and maintain the trust of society, we have made it the Kawasaki Group's basic policy on CSR activities to promote constructive dialogue with stakeholders and reinforce initiatives in such areas as ensuring fair business practices, preventing corruption, and promoting consideration of the environment and human rights.

Based on this policy, we have identified material issues that define the scope of our CSR activities, informing Group-wide CSR management. We will continue CSR-related efforts based on stakeholder expectations and demands and thereby reinforce our foundation for value creation.

**WEB** **Kawasaki Group Mission Statement**  
<https://global.kawasaki.com/en/corp/profile/statement.html>  
**Materiality**  
<https://global.kawasaki.com/en/corp/sustainability/materiality.html>

Medium-term CSR Policy, Targets, and Performance

In fiscal 2017, management defined CSR-related material issues for the Kawasaki Group to address and reviewed the CSR activity framework, positioning material issues related to the creation of social value through business as top priorities to be achieved over the long term and all other material issues as CSR issues that underpin the management foundation. Under the new framework, we have clarified the divisions and individuals responsible for as well as our ideals and key performance indicators for key items related to the creation of social value through business and environmental, societal, and governance (ESG) issues. We monitor accomplishments related to these key items every year. We implement a plan-do-check-act (PDCA) cycle while working to enhance our CSR activities.

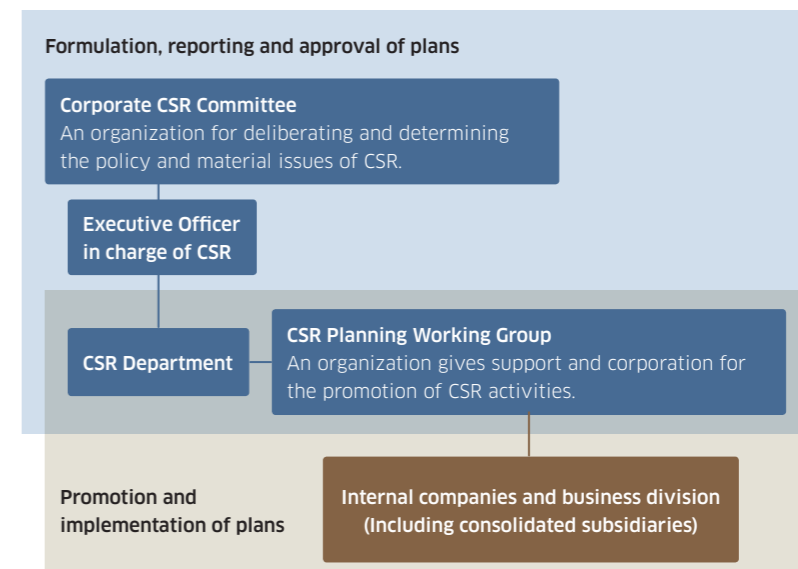
**WEB** **Key CSR Issues, Medium-Term Targets and Performances of CSR Activities**  
<https://global.kawasaki.com/en/corp/sustainability/overview/outline.html>

CSR Promotion System

The Corporate CSR Committee is charged with deliberating and determining Group-wide CSR policy and material issues concerning CSR and compliance. With the president of Kawasaki as the chair, the committee is composed of directors, internal company presidents, the executive officer in charge of CSR, and Head Office division heads. The attendance of outside directors is requested so that the committee can glean the benefits of their external expertise and opinions, and reflect them in its decision-making process. Also, audit & supervisory board members participate in the committee as part of their auditing of the execution of business.

The Corporate CSR Committee meets at least twice a year in principle. In fiscal 2018, it met three times.

CSR Promotion System



CSR Education and Awareness Building throughout the Company

Utilizing a variety of tools, such as educational seminars and its Company intranet, the Kawasaki Group carries out education and awareness-building programs related to CSR and compliance for its officers and employees.

CSR and compliance education and awareness building are provided through grade-specific seminars and training for such groups as new employees; newly appointed assistant managers, managerial staff, associate officers and executive officers; persons in charge of overseas businesses; and mid-career hires. In addition, to ensure that all Group employees are fully informed with regard to CSR, we regularly provide CSR- and compliance-related information via our Japanese-language Group newsletter *Kawasaki* and our Group-wide English- and Chinese-language newsletter *Kawasaki On The Move!*

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-chairman
- Society of Japanese Aerospace Companies, vice-chairperson
- Japan Aircraft Development Corporation, councilor and director
- Japan Robot Association, chairperson
- Japan Association of Rolling Stock Industries, director
- Japan Overseas Railway System Association, chairman and director
- Japan Machinery Federation, general director
- Japan Coal Energy Center, vice-chairperson
- Japan Association for Trade with Russia & NIS, president
- New Industry Research Organization, chairman and president
- Kansai Economic Federation, councilor

Kawasaki representatives also hold membership positions in the Japan Business Federation (Keidanren), Japan Automobile Manufacturers Association and Japan Electrical Manufacturers Association.

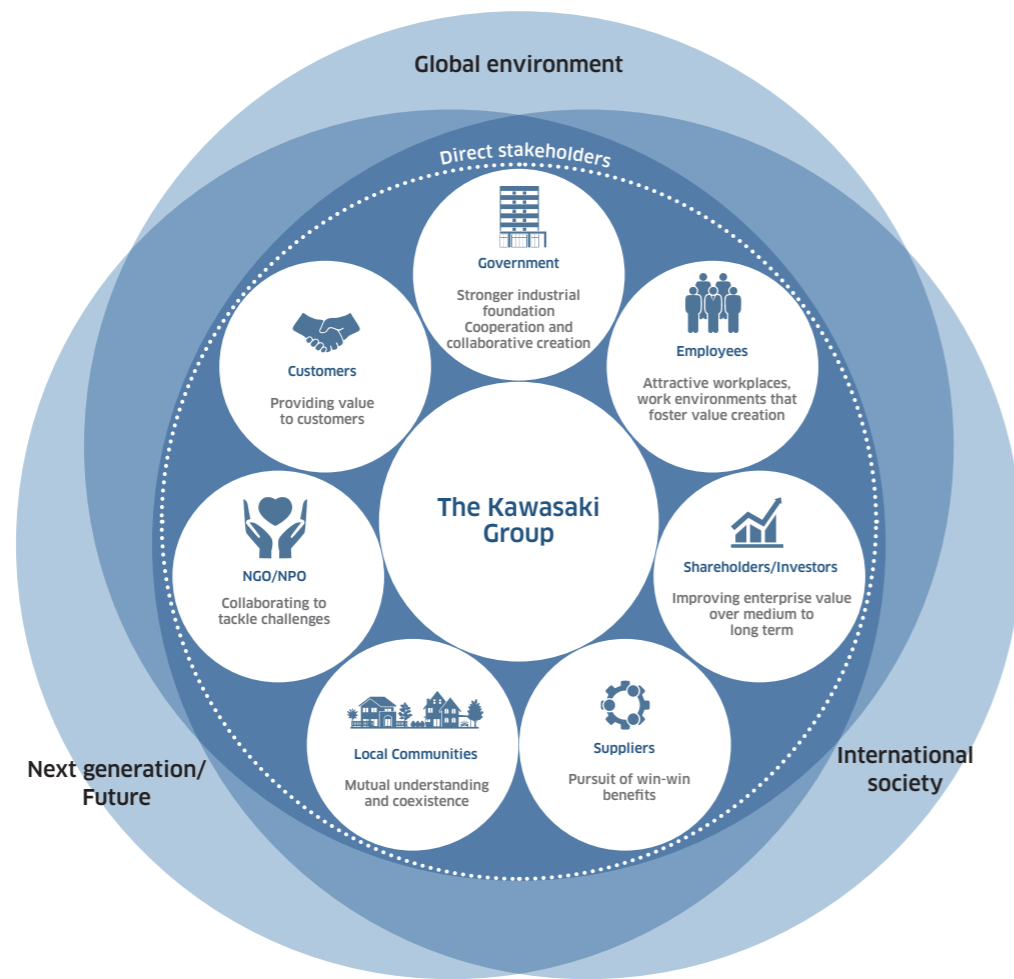
In addition, Kawasaki issued an endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) in September 2019.

Stakeholder Engagement

State of Affairs Regarding Stakeholders

The Kawasaki Group Stakeholders

The Kawasaki Group actively acknowledges the expectations and requests of stakeholders and aims to create social value by meeting those expectations and requests through its business activities while working to raise enterprise value. Through stakeholder dialogue, we strive to enhance information disclosure, deepen communication and thus strengthen bonds of mutual trust.



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 dialogues, we promote communication with experts and international institutions—positioning these individuals and entities as those who offer the views that represent our communities—and reflect these exchanges in its activities.

● Communication with Customers

Through our day-to-day sales activities, we carry out ongoing communication with our customers regarding their demands and desires. We have also set up customer inquiry contact points for different product types and sales formats, and we conduct annual customer satisfaction surveys.

In particular, to support customers' enjoyment of motorcycling, the Motorcycle & Engine Company operates the motorcycle user social group Motorcycle KAZE, regularly organizes new product announcement and social events, and holds safe riding classes in various regions as part of our contribution to traffic accident reduction efforts.

<b>Expectations and Demands for the Kawasaki Group</b>	Creation of products and services that meet customer expectations and address issues they face; response to customer complaints and inquiries; appropriate disclosure of product and service information
<b>Response to Expectations and Demands</b>	For details, please refer to Customer Relationship Management on page 55.

● Shareholder and Investor Communication

The Kawasaki Group works to ensure fair, timely and appropriate disclosure based on its Disclosure Policy (published on the corporate website) and actively communicates with shareholders and investors through a broad range of IR activities in Japan and overseas.

Furthermore, through proactive communication with shareholders and investors, we aim to foster understanding of the Group's principles, corporate policy, business strategy, and ESG initiatives to secure greater trust.

- Fiscal 2018 Communication Activities  
IR meetings with institutional investors: 205
- Participants in Factory Tours for Shareholders  
November 2018 (Sakaide Works): 135  
March 2019 (Seishin Works): 137

<b>Expectations and Demands for the Kawasaki Group</b>	Timely and appropriate information disclosure; reflection of shareholder and investor perspectives in management
<b>Response to Expectations and Demands</b>	So that requests received at IR meetings and the General Meeting of Shareholders are reflected in management, we pass them on in the form of feedback to the relevant divisions.

**WEB Investors**  
<https://global.kawasaki.com/en/corp/ir/index.html>  
**Disclosure Policy**  
[https://global.kawasaki.com/en/corp/ir/policies/disclosure\\_policy.html](https://global.kawasaki.com/en/corp/ir/policies/disclosure_policy.html)

● Communication with Suppliers

Kawasaki's purchasing departments communicate with suppliers in the course of day-to-day procurement. In addition, to ensure adequate communications outside of procurement activities, we organize training programs, liaison meetings and other events with suppliers in Japan.

Since fiscal 2016 we have been implementing CSR procurement questionnaire survey of our suppliers in and outside Japan as part of CSR procurement efforts implemented together with our suppliers.

<b>Expectations and Demands for the Kawasaki Group</b>	Solid partnerships with our suppliers based on relationships of mutual trust; enhancement of supply chain risk management and enterprise value through CSR procurement
<b>Response to Expectations and Demands</b>	For details, please refer to Working with Suppliers on page 48.

● Communication with Employees

The Kawasaki Group issues the monthly Group newsletter *Kawasaki* in Japanese and the English and Chinese language Group 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 updates via our Company intranet. Furthermore, we hold grade-specific training programs where participants learn about our corporate systems and setup, management policy, business strategy, and other knowledge necessary to complete their duties.

With regard to employee career advancement, we help employees create future career roadmaps through dialogue with their supervisors that are held every six months to provide feedback regarding their performance.

To ensure that employee input is appropriately reflected in how the Company functions, we hold regular talks with the labor union, which represents employees and with which we have signed a labor agreement. In addition, we have set up a suggestion box on the Company intranet through which employees can directly request improvements to operations. We regularly post examples of improvements based on requests received through the suggestion box on the Company intranet for employees to review.

We also conduct periodic employee satisfaction surveys to gauge employee satisfaction and better understand and respond to their needs. In fiscal 2014 and 2018, we conducted employee satisfaction surveys of all employees and temporary staff of the domestic Group. In fiscal 2016, we carried out satisfaction surveys of certain executives and managers at Group companies outside Japan.

<b>Expectations and Demands for the Kawasaki Group</b>	Employee-friendly workplaces; effective use of human resources; appropriate treatment of human resources; promotion of occupational safety and health
<b>Response to Expectations and Demands</b>	For details, please refer to Diversity on page 57, Securing and Retaining Human Resources on page 68, and Occupational Safety and Health on page 75.

**● Communication with NGOs and NPOs**

In addition to disclosing information, we engage in dialogue as needed when being assessed or surveyed by leading international environmental, social, governance (ESG) and socially responsible investment (SRI) assessment organizations, such as the Dow Jones Sustainability Index, or international non-government organizations (NGOs), such as Transparency International. Based on the results of such assessments and surveys, we work to improve disclosure and revise initiatives.

Furthermore, we work with local non-profit organizations (NPOs) as part of our social contribution activities.

<b>Expectations and Demands for the Kawasaki Group</b>	Incorporation of a broad range of social opinions; contribution to society through not-for-profit activities.
<b>Response to Expectations and Demands</b>	For details, please refer to Reporting on page 11 and Social Contribution Activities on page 85.

**● Communication with Local Communities**

Personnel at our business sites and the Head Office communicate with local residents in the course of business operations. In addition to pursuing thorough noise and waste management, we strive to raise awareness among employees to prevent rude or inappropriate behavior and quickly respond to any complaints received from residents.

We also organize events and activities that help maintain and develop local communities, seeking to ensure harmonious coexistence with them.

<b>Expectations and Demands for the Kawasaki Group</b>	Fulfillment of our responsibilities as a corporate citizen; participation in communities
<b>Response to Expectations and Demands</b>	For details, please refer to Social Contribution Activities on page 85.

**● Communication with the Government**


The Kawasaki Group makes policy proposals to the government through its participation in business and industry organizations.

In addition, we communicate with the government through active participation in industry/government/academia projects via open innovation efforts, such as joint research.

<b>Expectations and Demands for the Kawasaki Group</b>	Compliance with laws and regulations; policy proposals; participation in industry/government/academia projects
<b>Response to Expectations and Demands</b>	For more information about open innovation please refer to Research and Development on page 43.

**Working with Stakeholders**

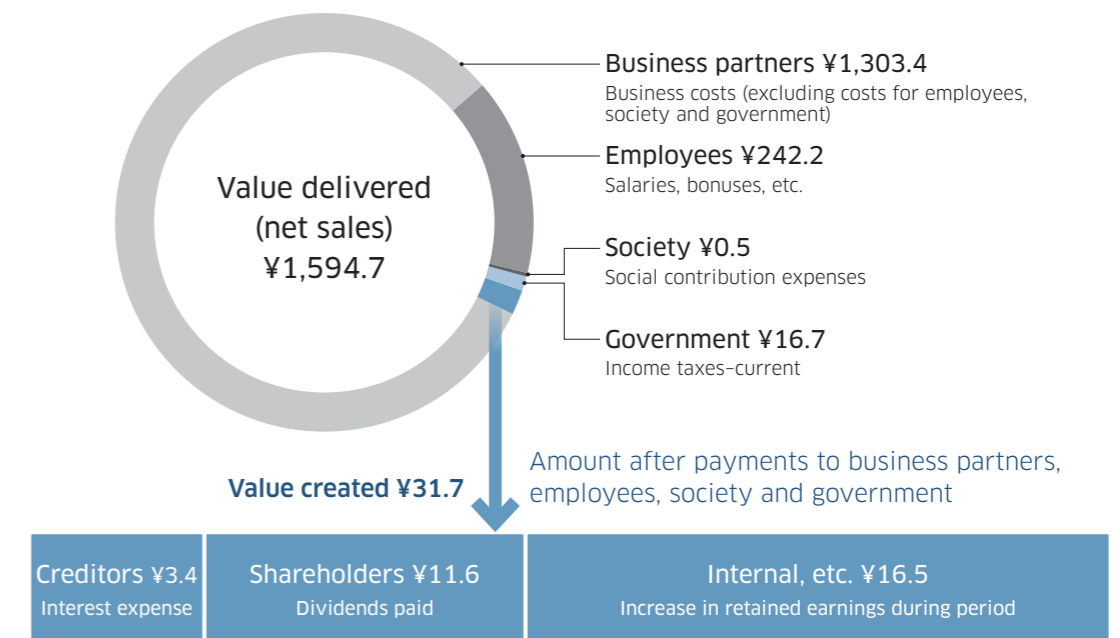
Since 2014, Kawasaki's Fukuoka Office has worked with the Fukuoka City NPO/Volunteer Center 'Asumin,' mainly to hold annual handicraft and experiment courses for children in Fukuoka City. Kawasaki supports the activities this organization, which promotes citizen-led community building, and is working together to contribute to the development of young people in the area.

 **Fukuoka City NPO/Volunteer Center 'Asumin' (Japanese only)**  
<https://www.fnvc.jp/>

**Creation and Distribution of Value for Stakeholders**

(Billions of yen)

**Value Created and Distribution of Value to Stakeholders**



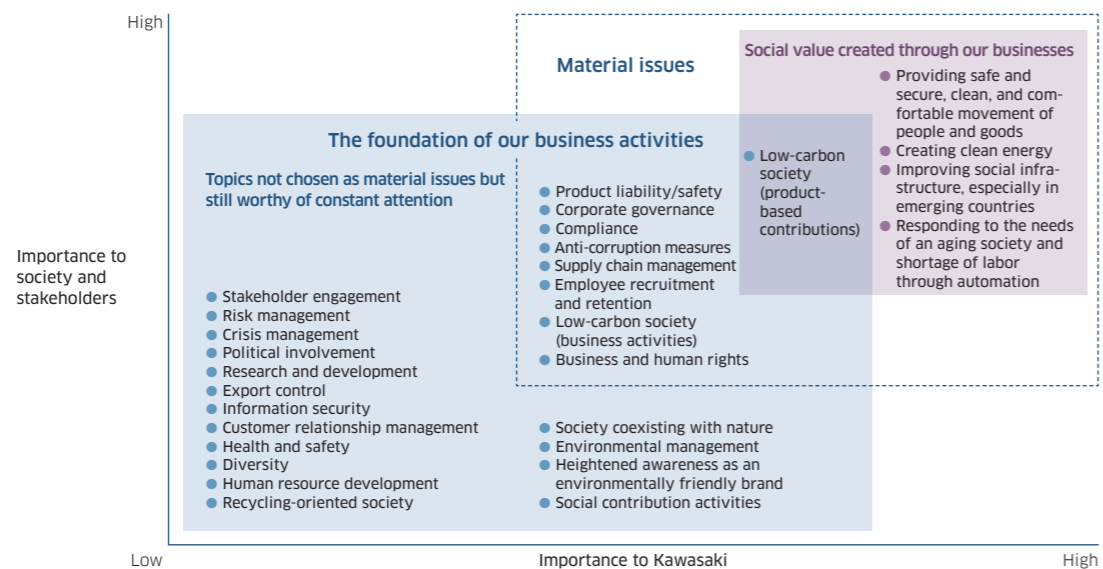
(Fiscal 2018 figures)

**Material Issues**

**Material Issues**

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.

**Materiality Matrix of Items Identified**



**Framework of Our CSR Activities**

Business	<ul style="list-style-type: none"> <li>● Providing safe and secure, clean, and comfortable movement of people and goods</li> <li>● Creating clean energy</li> </ul>	<ul style="list-style-type: none"> <li>● Improving social infrastructure, especially in emerging countries</li> <li>● Responding to the needs of an aging society and shortage of labor through automation</li> </ul>
Governance (G)	<ul style="list-style-type: none"> <li>● Corporate governance</li> <li>● Compliance</li> <li>● Anti-corruption measures</li> <li>● Product liability/safety</li> </ul>	<ul style="list-style-type: none"> <li>● Risk management</li> <li>● Crisis management</li> <li>● Export control</li> <li>● Information security</li> </ul>
Environment (E)	<ul style="list-style-type: none"> <li>● Low-carbon society (product-based contributions)</li> <li>● Low-carbon society (business activities)</li> </ul>	<ul style="list-style-type: none"> <li>● Recycling-oriented society</li> <li>● Society coexisting with nature</li> </ul>
Society (S)	<ul style="list-style-type: none"> <li>● Customer relationship management</li> <li>● Business and human rights</li> <li>● Supply chain management</li> <li>● Employee recruitment and retention</li> </ul>	<ul style="list-style-type: none"> <li>● Environmental management</li> <li>● Heightened awareness as an environmentally friendly brand</li> <li>● Health and safety</li> <li>● Diversity</li> <li>● Human resource development</li> <li>● Social contribution activities</li> </ul>

**Materiality**  
<https://global.kawasaki.com/en/corp/sustainability/materiality.html>

**Solving Social Issues through Business**

**Initiatives to Achieve the SDGs**

In 2015, the United Nations adopted the Sustainable Development Goals (SDGs), comprising 17 goals for 2030 related to such issues as reducing and eliminating poverty, inequality, and injustice and addressing climate change. The SDGs constitute a specific action plan, requiring the partnership of corporations, governments, and communities around the world, to achieve the well-being of humanity and the planet. Companies are asked to contribute by helping solve social issues throughout their business activities.

We believe the Kawasaki Group Mission—"Kawasaki, working as one for the good of the planet"—is extremely compatible with the SDGs. Furthermore, we believe that our efforts to provide solutions to social issues through our business activities will contribute significantly to the achievement of the SDGs.

In fiscal 2017, in the process of identifying material issues, the Kawasaki Group clarified the social issues that it is called to address and designated maximizing four ways of creating social value through its businesses as its greatest priorities over the long term. These are providing safe and secure, clean, comfortable movement of people and goods by land, sea and air; creating clean energy; improving social infrastructure, especially in emerging countries; and responding to the needs of an aging society and shortage of labor through automation. We determined how we would contribute to the successful attainment of the SDGs through careful internal examination of the relationships between the social value we create and the 17 goals and 169 targets of the universal agenda laid out by the SDGs as well as through discussion within 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.

**Kawasaki's Approach to the SDGs**  
<https://global.kawasaki.com/en/corp/sustainability/overview/sdgs.html>  
**Social Value Created through Our Businesses**  
<https://global.kawasaki.com/en/corp/sustainability/solving/index.html>

Social Value Created through Our Businesses

Social Value	Division	2030 Target/KPI	Fiscal 2018 Results	Relevant SDGs
Providing safe and secure, clean, comfortable movement of people and goods by land, sea, and air	Ship & Offshore Structure Company	<ul style="list-style-type: none"> <li>LNG-fueled ships/large hydrogen-fueled liquefied hydrogen carriers built annually: 1</li> <li>Orders received for LNG fuel gas supply systems annually: Multiple</li> </ul>	<ul style="list-style-type: none"> <li>Developed a large LNG-fueled bulk carrier in January 2019</li> <li>Advanced construction of a small liquefied hydrogen carrier</li> </ul>	
	Rolling Stock Company	<ul style="list-style-type: none"> <li>Rolling stock units delivered: 1,000</li> <li>Improve efficiency and reduce need for specialized skills in maintenance, maintain and improve safe, reliable transport, and contribute to the enhancement of services and added value provided by railway operators</li> </ul>	<ul style="list-style-type: none"> <li>Rolling stock units delivered: 474</li> <li>Conducted tests with railway companies aimed at launching sales of components that leverage sensing and image analysis technologies</li> </ul>	
	Aerospace Systems Company	<ul style="list-style-type: none"> <li>Provide environmentally friendly aircraft, helicopters, and engines to the market and expand the scope of participation in the development of these products</li> </ul>	<ul style="list-style-type: none"> <li>Components for Boeing 787: 146 units sold</li> <li>Sales of BK117 units: One finished unit and 79 components</li> <li>Produce components for Trent 1000, Trent XWB, and PW1100G-JM low fuel consumption engines</li> </ul>	
	Motorcycle & Engine Company	<ul style="list-style-type: none"> <li>Provide motorcycles with advanced rider-support features, such as Cooperative Intelligent Transport Systems (C-ITS), as well as motorcycles powered by clean energy, including electric motorcycles and hybrid motorcycles</li> </ul>	<ul style="list-style-type: none"> <li>Ninja H2 SX: Achieved excellent fuel economy and low emission levels with world-class engine performance</li> <li>Versys 1000: Achieved smoother power delivery with a new electronic throttle control system. Cleared the EU's Euro5 exhaust gas standard. A new electronic cruise control maintains the selected speed with the push of a button, helping reduce rider fatigue and increase enjoyment on long rides.</li> <li>2019MY Ninja H2 SX SE+ and Versys 1000 SE: Realized smartphone connectivity. The "RIDEOLGY THE APP" enables users to set their riding mode and receive alerts of incoming calls or messages on the motorcycle's LCD display for more pleasant riding.</li> </ul>	
Creating clean energy	Corporate Technology Division	<ul style="list-style-type: none"> <li>CO<sub>2</sub> reduction through use of hydrogen energy: 3 million tons</li> <li>Hydrogen transport volume: 225,000 tons per year</li> </ul>	<ul style="list-style-type: none"> <li>Initiated the construction of loading and unloading facilities for supply chain demonstration</li> <li>Succeeded in operating cogeneration facilities that employ the mixed combustion of natural gas and hydrogen as well as purely hydrogen-fueled cogeneration facilities in urban areas in Kobe</li> <li>Completed the demonstration of wind-powered water electrolysis hydrogen production (a "power-to-gas" process that utilizes surplus renewable energy to produce and store hydrogen) in Hokkaido</li> </ul>	
Improving social infrastructure, especially in emerging countries	Energy System & Plant Engineering Company	<ul style="list-style-type: none"> <li>Expand share of distributed power generation market with the industry's most efficient, environmentally friendly devices</li> <li>Constantly provide highly efficient, energy-saving power generation facilities and devices, infrastructure-related facilities, and environment-related facilities</li> </ul>	<ul style="list-style-type: none"> <li>Deliveries of standard power generation facilities to overseas customers: 4 units</li> <li>Deliveries of waste incinerators: 3 units</li> </ul>	
	Precision Machinery Business Division	<ul style="list-style-type: none"> <li>Hydraulic machinery production and delivery volume: 1.4 million units</li> </ul>	<ul style="list-style-type: none"> <li>Hydraulic machinery production and delivery volume: 720,000 units</li> </ul>	
Responding to needs of an aging society and shortage of labor through automation	Robot Business Division	<ul style="list-style-type: none"> <li>Robots delivered: 100,000</li> </ul>	<ul style="list-style-type: none"> <li>Robots delivered: 20,000</li> </ul>	

**WEB** Kawasaki's Approach to the SDGs  
<https://global.kawasaki.com/en/corp/sustainability/overview/sdgs.html>  
**Social Value Created through Our Businesses**  
<https://global.kawasaki.com/en/corp/sustainability/solving/index.html>

Reporting

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 (Social and Governance Issue)**  
 Provides in-depth disclosure primarily of non-financial information associated with Society (S) and Governance (G).
- **Kawasaki Web Site: <https://global.kawasaki.com/en/>**  
 Publishes in-depth and latest information in the areas of corporate, IR, 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, Corporate Governance Report and Kawasaki Technical Review.

**WEB** **Kawasaki Report**  
<https://global.kawasaki.com/en/corp/sustainability/report/index.html>  
**ESG Data Book**  
<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>  
**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, Reporting Period, 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 another specific scope, in which case the specific scope of the report is stated explicitly.

Reporting Period

The report primarily includes information on activities carried out during fiscal 2018 (April 1, 2018 to March 31, 2019). It also includes information on past activities and activities carried out on or after April 1, 2019, as well as activities planned for the future.

Please note that in *ESG Data Book 2019 (Social and Governance Issue)*, the Company has adopted the fiscal year notation that designates the stated fiscal by the calendar year in which it begins. The year under review in this report is thus fiscal 2018, the year from April 1, 2018 to March 31, 2019. The notation used in previous publications may differ.


Third-Party Verification

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

**WEB** **Within Material Balance of Business Activities: Third-Party Verification**  
<https://global.kawasaki.com/en/corp/sustainability/environment/accounting.html>

**Guidelines Referenced**

- Sustainability Reporting Standards, Global Reporting Initiative (GRI)
- International Integrated Reporting Framework, International Integrated Reporting Council (IIRC)
- Environmental Reporting Guidelines (2012 Edition), Ministry of the Environment
- UN Guiding Principles Reporting Framework, United Nations
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation, Ministry of Economy, Trade and Industry

 **GRI Standards Comparison Table**  
<https://global.kawasaki.com/en/corp/sustainability/library/gri.html>

**Evaluation by Society**

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 September 2019)

**Status Regarding Inclusion in SRI (Socially Responsible Investment) Indices**

- Dow Jones Sustainability Asia Pacific Index
- FTSE4Good
- FTSE Blossom Japan Index
- MSCI ESG Leaders Index
- MSCI Japan ESG Select Leaders Index



THE INCLUSION OF Kawasaki Heavy Industries, Ltd. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Kawasaki Heavy Industries, Ltd. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.


- S&P/JPX Carbon Efficient Index
- SNAM Sustainability Index
- STOXX® Global ESG Leaders
- ECPI World ESG Equity Index
- ECPI Global Developed ESG Best in Class Index



**Recognitions of Kawasaki's Sustainability Initiatives**

The Certified Health and Productivity Management Outstanding Organization Recognition Program  
 Act on Promotion of Women's Participation and Advancement in the Workplace  
 Act on Advancement of Measures to Support Raising Next-Generation Children  
 LGBT Initiative Index PRIDE Index 2018



 **Evaluation by Society**  
<https://global.kawasaki.com/en/corp/sustainability/mgmt/evaluation.html>

**Corporate Governance**

**Management Approach**

**Focus Activities and 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 annual assessment of the current status of the Board of Directors using a questionnaire given to all directors and audit & supervisory board members based on the advice of external experts. The aim is 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.

● **Goal for the MTBP 2019**

- Constantly assess governance systems using such sources as Board of Directors efficacy evaluations currently being carried out and the insights of external experts.

**Progress, Results and 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 revises 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 audit & supervisory board members at an earlier stage, and early briefings to outside officers on a regular basis on agenda items for the Board of Directors' Meetings.

● **Goal for Fiscal 2018**

- Examine the efficacy of the modifications to the Board of Directors and Executive Officer System implemented in April 2018 to separate management and business execution.

● **Fiscal 2018 Result**

- The modifications to the Board of Directors and Executive Officer System helped separate management and business execution.

● **Goal for Fiscal 2019**

- Continue shifting authority from the Board of Directors to executive divisions, continue considering ways to reduce the time spent by the Board of Directors on resolutions related to business execution.

**Structure**

Kawasaki adopts the statutory auditor system with a Board of Directors and Audit & Supervisory Board, and appoints an independent auditor. The Company also maintains the discretionary Nomination Advisory Committee, Compensation Advisory Committee, Management Committee, and Executive Officers Committee. The composition and role of each of these organizations are described below.

● **Board of Directors**

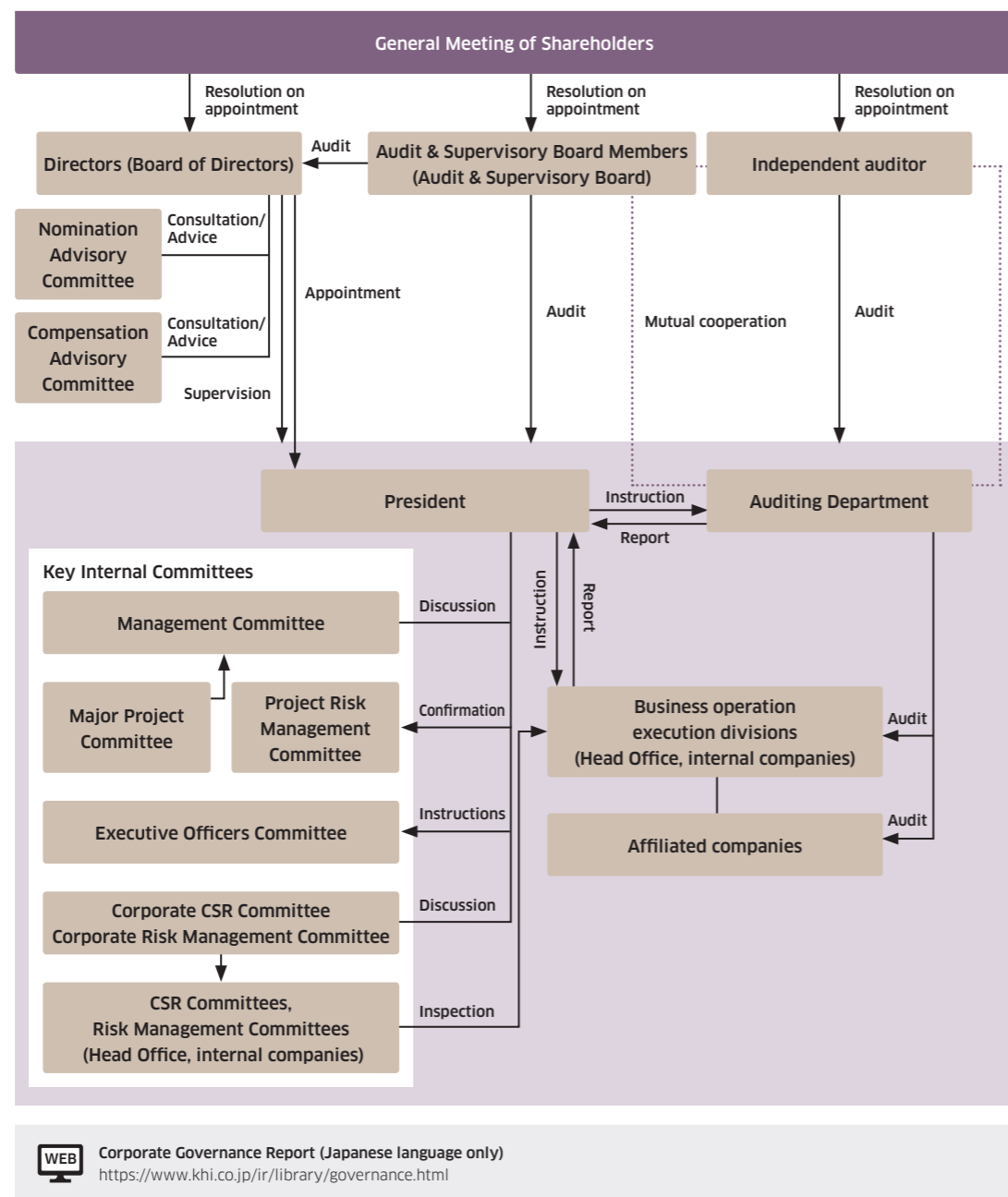
The Board of Directors comprises 11 directors (authorized number: 18), with the chairman (a non-executive director) serving as the presiding officer. The number of outside directors (independent officers, as required by the Tokyo Stock Exchange) is three. The outside directors are independent of any role in the execution of business activities. Furthermore, the Nomination Advisory Committee and Compensation Advisory Committee have been established as advisory bodies to the Board of Directors in an effort to strengthen its transparency and objectivity of the Board of Directors. A majority of the committees' members are outside officers, and the presiding officers of each are outside directors. The Nomination Advisory Committee discusses such matters as policy regarding the appointment of directors and audit & supervisory board members and the appropriateness of candidates for such positions. The Compensation Advisory Committee discusses such matters as director compensation policy and the appropriateness of the director compensation system. These committees provide reports and advice to the Board of Directors.



**Audit & Supervisory Board**

The Audit & Supervisory Board comprises five audit & supervisory board members (authorized number: five). To ensure the reliability of financial reports, the Company appoints internal audit & supervisory board members who have considerable knowledge of finance and accounting. Furthermore, to ensure the objectivity and neutrality of the supervisory function, the Company appoints 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 Audit & Supervisory Board's supervisory function.

The Kawasaki Group's Governance Structure (As of June 26, 2019)



Corporate Governance Report (Japanese language only)  
<https://www.khi.co.jp/ir/library/governance.html>

Corporate Governance

**Corporate Governance Policy**

Guided by the Group Mission "Kawasaki, working as one for the good of the planet," the Kawasaki Group has established a corporate governance system centered on directors and audit & supervisory board members, with content appropriate for the global activities that the Group undertakes, and takes efforts 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 management while forming solid relationships with all stakeholders, including shareholders, customers, employees, and communities, through highly transparent management practices.

**Corporate Officers**

**Corporate Officers<sup>1</sup>**

Name (Age)	Position	Executive	Outside	Independent	Years of Service	Board of Directors Meetings Attended	Audit & Supervisory Board Meetings Attended	Nomination Advisory Committee	Compensation Advisory Committee	Diversity	
										Woman	Non-Japanese National
Shigeru Murayama (69)	Chairman of the Board				9	17/17	-				
Yoshinori Kanehana (65)	Representative Director	✓			7	17/17	-	✓	✓		
Kenji Tomida (64)	Representative Director	✓			5	17/17	-	✓	✓		
Sukeyuki Namiki (64)	Representative Director	✓			1	14/14	-				
Tatsuya Watanabe (61)	Director	✓			3	15/17	-				
Katsuya Yamamoto (61)	Director	✓			2	17/17	-				
Yasuhiko Hashimoto (62)	Director	✓			1	14/14	-				
Hiroyoshi Shimokawa (59)	Director	✓			Newly appointed	-	-				
Michio Yoneda (70)	Outside Director		✓	✓	3	17/17	-	✓	✓		
Yoshiaki Tamura (64)	Outside Director		✓	✓	1	14/14	-	(Presiding officer)	(Presiding officer)		
Jenifer Rogers (56)	Outside Director		✓	✓	1	14/14	-			✓	✓
Total		7	3	3				4	4	1	1

	Name (Age)	Position	Executive	Outside	Independent	Years of Service	Board of Directors Meetings Attended	Audit & Supervisory Board Meetings Attended	Nomination Advisory Committee	Compensation Advisory Committee	Diversity	
											Woman	Non-Japanese National
Audit & Supervisory Board Members	Katsuyoshi Fukuma (61)	Audit & Supervisory Board Member				3	17/17	17/17				
	Akio Nekoshima (60)	Audit & Supervisory Board Member				1	14/14	13/13				
	Satoru Kohdera (60)	Outside Audit & Supervisory Board Member		✓	✓	2	17/17	17/17				
	Atsuko Ishii (61)	Outside Audit & Supervisory Board Member		✓	✓	2	17/17	17/17			✓	
	Ryoichi Saito (69)	Outside Audit & Supervisory Board Member		✓	✓	Newly appointed	-	-	✓	✓		
	Total		0	3	3				1	1	1	0

1. As of September 1, 2019.  
2. Figures for fiscal 2018.

● **Presiding Officer of the Board of Directors**

The Chairman of the Board of Directors, who is not a representative director, serves as the presiding officer of the Board of Directors.

**Corporate Governance Functions (organizations, committees, etc.)**

**Organization Pertaining to Nomination and Appointment**

Nomination Advisory Committee	
Role	An advisory body on the nomination of directors and audit & supervisory board members
Member	Comprises two internal directors, two outside directors and one outside audit & supervisory board member (an outside director serves as presiding officer).
Meeting frequency	Roughly ten times a year (12 times in fiscal 2018)

**Organization Pertaining to Compensation**

Compensation Advisory Committee	
Role	An advisory body on the compensation of directors
Member	Comprises two internal directors, two outside directors and one outside audit & supervisory board member (an outside director serves as the presiding officer).
Meeting frequency	Roughly ten times a year (11 times in fiscal 2018)

**Organization Pertaining to Management Strategy**

Management Committee	
Role	Assists the president as an advisory body with regard to Group management Discusses important Group management policy, management strategy and management issues
Member	Includes executive directors and internal company presidents. Also, the full-time audit & supervisory board members participate in the committee as part of their supervision of operations.
Meeting frequency	Roughly three times a month (33 times in fiscal 2018)

**Organization Pertaining to Business Execution**

Executive Officers Committee	
Role	Conveys business execution policy based on management policy and management plans determined mainly by the Board of Directors and the Management Committee Serves as a venue for communicating necessary and important information regarding business execution and exchanging opinions
Member	Comprises all executive officers appointed by the Board of Directors.
Meeting frequency	Twice a year (twice in fiscal 2018)

**Organization Pertaining to Sustainability**

Corporate CSR Committee	
Role	Discusses and decides on basic policy and important matters related to CSR for the Group as a whole and monitors implementation
Member	With the president as the chair, the committee is composed of directors, internal company presidents, the executive officer in charge of CSR and Head Office division heads. The attendance of outside directors is requested so that the committee can glean the benefits of their external expertise and opinions and reflect them in its decision-making process. Also, audit & supervisory board members participate in the committee as part of their auditing of the execution of business.
Meeting frequency	At least twice a year (three times in fiscal 2018)

**Organizations Pertaining to Risk Management**

Corporate Risk Management Committee	
Role	Discusses and identifies important issues pertaining to risk management for the Group as a whole and monitors implementation
Member	Headed by the president with members comprising directors (excluding outside directors), internal company presidents, the executive officer in charge of risk management, Head Office division heads and other persons designated by the president. Also, audit & supervisory board members participate in the committee as part of their auditing of the execution of business.
Meeting frequency	At least twice a year (twice in fiscal 2018)

**Major Project Committee**

Role	Assesses risk and considers appropriate responses before the acceptance of major projects
Member	Headed by the general manager of the Corporate Planning Division, and convening representatives of relevant Head Office divisions and internal companies.
Meeting frequency	Held as needed

**Project Risk Management Committee**

Role	Regularly follows up on major projects during execution
Member	Headed by the president with members comprising executive directors and internal company presidents, among others.
Meeting frequency	Once a month, in principle (12 times in fiscal 2018)

**Director and Audit & Supervisory Board Member Appointment Process and Criteria**

**Director and Audit & Supervisory Board Member Appointment Process**

Director and audit & supervisory board member candidates are decided by resolution of the Board of Directors based on the qualities required of a director and of an audit & supervisory board member as defined by the Board of Directors through a comprehensive assessment of the knowledge, experience and capabilities that are needed to appropriately carry out the responsibilities required of the positions as well as the performance of the Company and the individual. The professional history and reasons for the nomination of each director and audit & supervisory board member are disclosed in such documents as the notice of general meeting of shareholders. The director and audit & supervisory board member appointment policy and nomination proposals are decided by resolution of the Board of Directors after receiving the results of deliberations by the Nomination Advisory Committee. Furthermore, audit & supervisory board member nomination proposals must be approved by the Audit & Supervisory Board before resolution by the Board of Directors.

● **Director and Audit & Supervisory Board Member Appointment Criteria**

**Qualities Required of a Director**

1. Possessing an in-depth understanding of and support for 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 Audit & Supervisory Board Member**

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 authority 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 audit & supervisory board member must have an appreciable degree of knowledge in the area of finance and accounting.

**Independence Criteria for Outside Officers**

An outside officer 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 "former employer") has had business dealings with the Kawasaki Group, and the average transaction amount over the last five fiscal years exceeds 2% of the average sales amount of the Kawasaki Group and that of the former employer over the last five fiscal 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 years exceeds 10 million yen.
- (3) The average amount of donations and other contributions over the last five fiscal 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 former employer 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.

**Reasons for Appointment of Outside Audit & Supervisory Board Members**

**Michio Yoneda**

Mr. Yoneda has served as President & CEO (Member of the Board) of Osaka Securities Exchange Co., Ltd., and Director & Representative Executive Officer and Group COO of Japan Exchange Group, Inc., and in other important positions. He provides helpful opinions and advice on important management decisions based on his abundant management experience and deep insight into corporate governance from a standpoint independent from the Company's business execution. 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 has served as Representative Director and Executive Vice President of Asahi Glass Co., Ltd. (now AGC Inc.), Deputy Leader of Overall Business Management, General Manager of Technology General Division, Deputy Leader of AGC Group Improvement Activities, and Executive Vice President, President of Glass Company and in other important positions. We have received helpful opinions and advice on important management decisions based on his abundant management experience and deep insight into manufacturing from a standpoint independent from the Company's business execution. 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 served as an in-house lawyer and counsel at financial institutions in Japan and overseas for many years. She provides helpful opinions and advice on important management decisions based on her extensive international experience and deep insight into legal affairs, compliance and risk management from a standpoint independent from the Company's business execution. 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 Audit & Supervisory Board Members**

**Satoru Kohdera**

Mr. Kohdera has served as President of the Hyogo-ken Bar Association, Vice President of the Japan Federation of Bar Associations and in other important positions. He possesses a wealth of experience as an attorney and deep insight into legal matters. He is satisfactorily carrying out his role in auditing the Company from an independent standpoint as an outside audit & supervisory board member. Mr. Kohdera has no business relationship with the Company in his work as an attorney or otherwise.

**Atsuko Ishii**

Ms. Ishii has served in important positions at the Ministry of Health, Labour and Welfare, including Director-General of the Osaka Labour Bureau, Deputy Director-General, Director-General of the Equal Employment, Child and Family Policy Bureau, Director-General for General Policy and Evaluation, and Director-General of Social Welfare and War Victims' Relief Bureau. She possesses a wealth of knowledge and insight regarding Japan's labor administration and is satisfactorily carrying out her role in auditing the Company from an independent standpoint as an outside audit & supervisory board member.

**Ryoichi Saito**

Mr. Saito has served in important positions at NSK Ltd., including Senior Vice President, Head of Corporate Planning Division HQ, Director, Representative, Executive Vice President, Head of Corporate Strategy Division HQ, and Crisis Management Committee Chairperson. He possesses extensive management experience and deep insight into business planning, finance and accounting and risk management and is satisfactorily carrying out his role in auditing the Company from an independent standpoint as an outside audit & supervisory board member.

**The Effectiveness of the Board of Directors**

**Attendance Rates at Board of Directors Meetings for Directors and Audit & Supervisory Board Members (Includes Extraordinary Meetings)**

	(FY)	2014	2015	2016	2017	2018
Board meetings held	Number of times	18	16	14	15	17
Directors' attendance rates	%	98.6	96.9	99.4	99.4	99.0
Outside directors' attendance rates	%	100	96.7	100	100	100
Audit & supervisory board members' attendance rates	%	100	98.4	100	98.6	100
Outside audit & supervisory board members' attendance rate	%	100	100	100	97.7	100

**Directors' Terms of Office/Restrictions**

Directors' terms of office	Years	1
Average years in office	Years	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.	

**Evaluation of the Board of Directors' Effectiveness**

The Company strives to ensure that directors and audit & supervisory board members, including independent outside directors and audit & supervisory board members, engage in free, vigorous discussion based on their insights and experience at meetings of Kawasaki's Board of Directors and reach appropriate management decisions. As part of these efforts, since fiscal 2015, the Company annually evaluates and analyzes the effectiveness of the Board of Directors.

● **Evaluation Method**

To carry out the fiscal 2018 effectiveness evaluation, as in previous years, an anonymous survey was made of all directors and audit & supervisory board members based on advice from outside experts. The survey results were then aggregated and analyzed by outside experts, and the results were discussed at a Board of Directors meeting. The survey comprised questions mainly about the overall operation of the Board of Directors and its discussions, designed with regard to the Company's particular characteristics.

● **Evaluation Results and Response**

The Board of Directors' discussion found that the Board's effectiveness was appropriately ensured, based on such factors as its resolutions having been reached after active discussion among both the internal and outside members. However, regarding the further enhancement of the Board of Directors' oversight function, the directors and audit & supervisory board members provided multiple opinions related to such considerations as the Board's composition and the topics it should discuss, sharing their understanding of tasks for the Board. The Board will continue to engage in discussion from various viewpoints and work to increase its effectiveness.

● **Initiatives to Address Issues Identified in Previous Years**

The main initiatives implemented in fiscal 2018 to address issues identified by previous evaluations of a Board of Directors' effectiveness were as follows.

- To reinforce the Board of Directors' oversight function, the number of outside directors was increased by one, with consideration given to ensuring the Board's diversity (in terms of nationality, gender, professional background, etc.). In addition, the Company revised its director and executive officer system, clarifying the respective roles of directors and executive officers.
- To enhance discussion of medium-to long-term management issues, when formulating the medium-term business plan, in addition to discussions at Board of Directors meetings, the participants of these meetings (directors and audit & supervisory board members) held meetings with the executive officers several times, taking ample time and creating opportunities for deeper discussion.

**Attendance Rate at Audit & Supervisory Board Meetings for Audit & Supervisory Board Members**

	(FY)	2014	2015	2016	2017	2018
Audit & Supervisory Board meetings held	Number of times	19	17	17	17	17
Audit & supervisory board members' attendance rates	%	100	100	100	100	100
Outside audit & supervisory board members' attendance rate	%	100	100	100	100	100

**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 the Group's execution of general business activities is properly conducted in accordance with laws and internal rules, etc. Furthermore, audit & supervisory board members and the Auditing Department exchange information regarding each audit's result and findings.

**Audits Conducted by Audit & Supervisory Board Members**

Audit & supervisory board members attend board of directors meetings and management meetings, etc. (Outside audit & supervisory board members attend management meetings, etc., as needed.) In addition, audit & supervisory board members inspect important documents, meet directors and executive officers, conduct operational audits of the Head Office and operating divisions, and investigate the status of businesses and assets through the investigation of subsidiaries, etc. Furthermore, by appointing three (3) outside audit & supervisory board members, objectivity and neutrality of audit function are further ensured. In addition, the full-time audit & supervisory board members and outside audit & supervisory board members share information to enhance the audit function.

**Independent Audits**

With regard to independent auditing, we undergo audits of our financial statements by the independent auditor KPMG AZSA LLC. Audit & supervisory board members and the Audit & Supervisory Board receive an outline of the audit plan and a report on important audit items from the independent auditor, and the Audit & Supervisory Board explains the Company's auditing plan to the independent auditor. The Audit & Supervisory Board and its members 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 Audit & Supervisory Board and its members, who strive to keep lines of communication open with the independent auditor by also exchanging information and opinions. When necessary, audit & supervisory board members 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**

	(FY)	2014	2015	2016	2017	2018
Compensation based on audit certification services	Millions of yen	225	226	232	231	238
Kawasaki Heavy Industries Ltd.	Millions of yen	171	180	186	185	190
Consolidated subsidiaries	Millions of yen	54	46	46	46	47
Compensation based on non-audit services	Millions of yen	46	9	9	8	74
Kawasaki Heavy Industries Ltd.	Millions of yen	46	9	9	5	71
Consolidated subsidiaries	Millions of yen	0	0	0	2	2

**Corporate Officer Compensation**

**Corporate Officer Compensation Policy**

The compensation system for Kawasaki directors and audit & supervisory board members is designed to promote sustained improvement in corporate performance and enterprise value, align the interests of corporate officers with those of shareholders, secure outstanding human resources, and ensure a level of compensation commensurate with the duties of the individual officer.

**Director Compensation**

Compensation for directors, excluding outside directors, consists of basic compensation, performance-based compensation and stock purchase funds.

Compensation for outside directors is set at a fixed level not tied to corporate performance, to ensure professional independence.

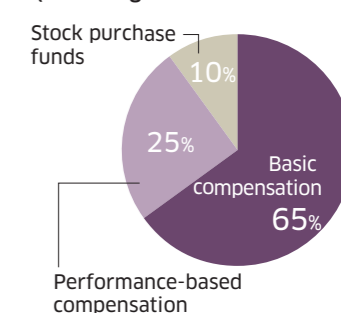
Directors' compensation is set within the maximum total compensation for directors (¥1,200 million per year), as resolved at the 189th Ordinary General Meeting of Shareholders (held on June 27, 2012). After receiving the results of deliberations by the Compensation Advisory Committee, the president, as delegated by the Board of Directors, decides director compensation in line with the Company's internal rules. A majority of the members and the presiding officer of the Compensation Advisory Committee are outside officers.

● **Structure of Director Compensation**

**Composition of Director Compensation (Excluding Outside Directors)**

<b>Basic compensation</b>	Based on position and responsibilities.
<b>Performance-based compensation</b>	Linked mainly to net income attributable to owners of the parent ("net income"), consolidated ROIC and the ROIC of internal companies.
<b>Stock purchase funds</b>	Each month, a fixed monthly amount is paid to the directors for contribution to a stock ownership plan for the purpose of aligning directors' interests with those of shareholders and incentivizing directors to enhance medium- to long-term enterprise value. This entire amount is contributed to the officers' stock ownership plan in order to purchase shares of the Company on a continuous basis.

**Compensation Composition (assuming 8% Before-tax ROIC)**



**Performance-Based Compensation Indicators**

Indicator	Reason for Selection
Net income	Net income, which funds dividends, was selected as an indicator to incentivize directors to increase shareholder value.
Consolidated ROIC	Consolidated ROIC was selected as an indicator because Kawasaki has made ROIC management a part of its basic management policy and aims to achieve ROIC of 8% or above.
Internal Company ROIC	Internal company ROIC was selected as an indicator because Kawasaki aims to achieve ROIC of 8% or above at each internal company.

Note: The above ROIC figures are before-tax ROIC.

**Audit & Supervisory Board Member Compensation**

The compensation of audit & supervisory board members is set at a fixed level not tied to corporate performance to ensure professional independence. This compensation is determined by the Audit & Supervisory Board. The total maximum compensation for audit & supervisory board members is ¥120 million per year (as resolved at the 194th Ordinary General Meeting of Shareholders held on June 28, 2017).

**Activities of the Board of Directors and Compensation Advisory Committee**

Policy and systems related to director compensation are decided by resolution of the Board of Directors based on the deliberation of the Compensation Advisory Committee. A majority of the members and the presiding officer of the Compensation Advisory Committee are outside officers.

The Compensation Advisory Committee meets once a month, in principle. In fiscal 2018, the committee met 11 times. In addition the matters described above, the committee discussed the form of the corporate officer compensation system going forward.

**Fiscal 2018 Compensation Breakdown\***

	Applicable persons (Persons)	Total	Basic compensation	Performance-based compensation	Stock purchase funds
Total amount of compensation (outside officer)	22	Millions of yen 713	553	97	62
	7	Millions of yen 73	73	-	-
Directors	16	Millions of yen 605	445	97	62
Directors	12	Millions of yen 568	408	97	62
Outside directors	4	Millions of yen 36	36	-	-
Audit & Supervisory Board Members	6	Millions of yen 108	108	-	-
Audit & supervisory board members	3	Millions of yen 70	70	-	-
Outside audit & supervisory board members	3	Millions of yen 37	37	-	-

Note: Performance-based compensation paid in fiscal 2018 is based on fiscal 2017 performance.  
 \* The number of officers includes four directors and one audit & supervisory board member who retired upon the conclusion of the General Meeting of Shareholders held in June 2018.  
 \* 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 audit & supervisory board members is ¥120 million per year (as resolved at the 194th Ordinary General Meeting of Shareholders held on June 28, 2017).

**Stock Ownership by 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.

**Compliance Management Approach**

**Material Issues and Our Approach**

The Kawasaki Group Management Principles, part of the Kawasaki Group Mission Statement, extol the 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."

We have established the Kawasaki Group Code of Conduct and set ethical standards to be the basis of decisions.

In accordance with the Code, the Kawasaki Group is committed to further strengthening its corporate culture of not tolerating compliance violations.

Furthermore, because a large portion of our business comes from the sale of made-to-order products for such customers as national governments, municipalities, government ministries and publicly run corporations, we put great emphasis on preventing corruption and maintaining fair business practices.

**Focus Activities and 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.

**Goals for the MTBP 2019**

- Zero serious violations and incidents.
- Expand the use and reach of internal reporting systems at overseas subsidiaries.
- Carry out employee compliance awareness survey (in and outside Japan).
- Carry out e-learning on the Code of Conduct (in and outside Japan).

**Progress, Results and Challenges**

**Goals for Fiscal 2018**

- Zero serious violations and incidents.
- Set up internal reporting systems at overseas subsidiaries.
- Hold compliance liaison meetings at overseas sites.
- Carry out employee compliance awareness survey (Japan).
- Distribute Code of Conduct booklets and hold awareness-building activities in workplaces.
- Carry out e-learning (in and outside Japan).

**Fiscal 2018 Results**

- Zero serious violations and incidents.
- Progress toward setting up internal reporting systems at overseas subsidiaries: Implemented preliminary surveys
- Compliance liaison meetings at overseas sites: Held at four sites
- Compliance awareness survey: Implemented in May 2018
- Distributed Code of Conduct booklets (in Japan) and revised the Code.
- e-learning: Postponed (planned for use in overseas bribery prevention training in fiscal 2019)

**Goals for Fiscal 2019**

- Zero serious violations and incidents.
- Begin operating internal reporting systems at overseas subsidiaries.
- Distribute Code of Conduct booklets (second version) and hold awareness-building activities in workplaces.
- Hold compliance liaison meetings at overseas sites.

**KPI**

**Frequency of Serious Compliance Violations per Year**

- Target: Zero serious compliance violations

**Progress**

(FY)	2014	2015	2016	2017	2018
Number of cases	0	0	0	0	0

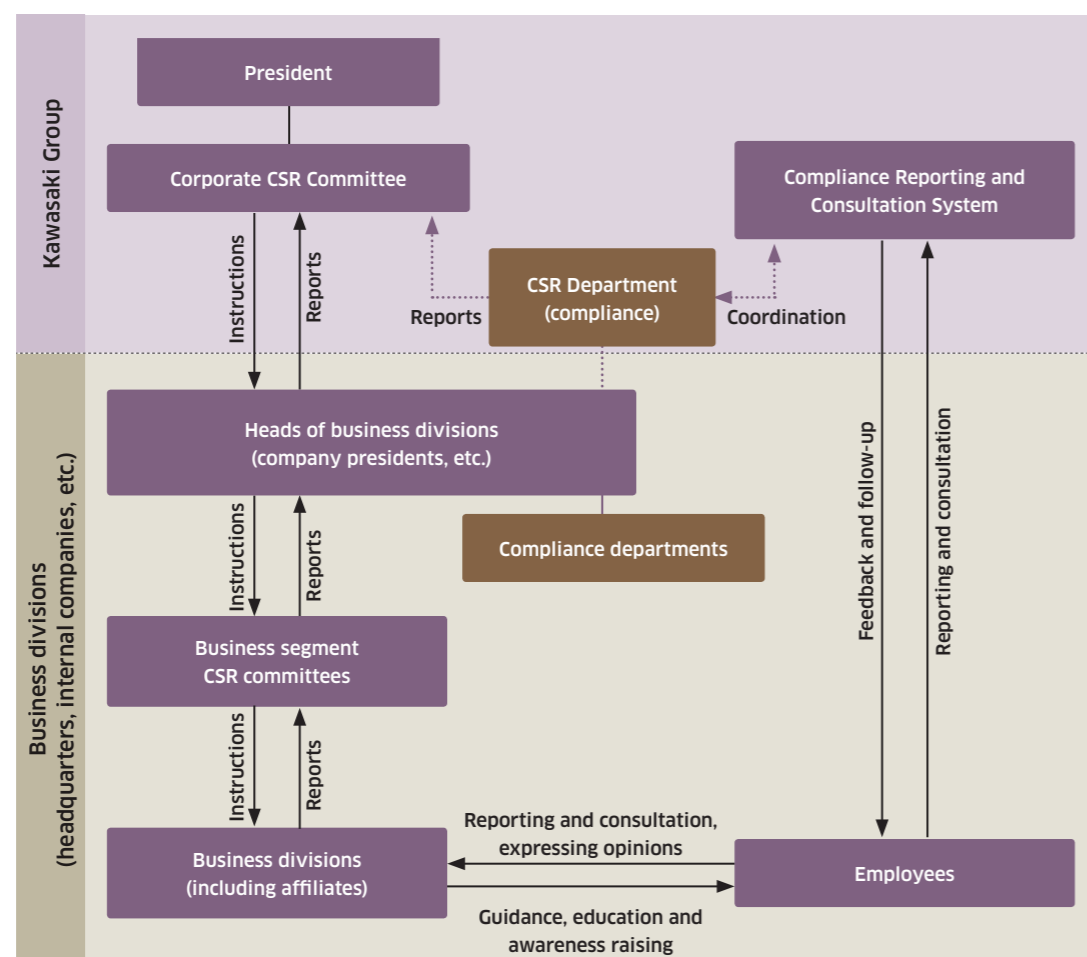
**Structure**

The Corporate CSR Committee is chaired by the Kawasaki president. The committee meets at least twice a year (three meetings in fiscal 2018). Its functions are to discuss and determine measures to ensure that the Kawasaki Group fulfills its corporate social responsibilities and maintains thorough compliance, and to monitor compliance efforts. To ensure that the objectives of the Corporate CSR Committee extend to all corporate structures, business segment CSR committee meetings are held at the Head Office, internal companies and business divisions at least twice a year to promote compliance throughout the Group.

Because of the diversity of the Group's businesses, some of the compliance activities required in the business divisions are specific to their respective forms of business and may vary from those of other divisions. At the same time, many measures are best implemented across the entire Company in a unified manner.

For this reason, the Kawasaki Group formulates annual Group-wide compliance activity plans that, following the approval of the Corporate CSR Committee, it carries out. In addition, the internal companies and business divisions each formulate annual activity themes that they use to carry out compliance-related initiatives.

**Compliance Promotion Structure**



● **Responsible Officer**

Chair of Corporate CSR Committee: Yoshinori Kanehana, Representative Director, President and Chief Executive Officer

● **Responsible Executive Organ and Committee**

The Corporate CSR Committee is the executive organ responsible for compliance. With the president of Kawasaki as the chair, the committee is composed of directors, internal company presidents, the executive officer in charge of CSR and Head Office division heads. The attendance of outside directors is requested so that the committee can glean the benefits of their external expertise and opinions and reflect them in its decision-making process. Also, audit & supervisory board members participate in the committee as part of their auditing of the execution of business.

● **Audits and Third-Party Certification of the Compliance System by Third Parties**

The state of compliance is audited by audit & supervisory board members and independent auditors.




**Compliance Policy**

In July 2017, we established the Kawasaki Group Code of Conduct as a set of ethical standards to guide the decision making of Kawasaki Group officers and employees. The code was amended in January 2019, and a second version was established in April.

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 asks that all officers and employees adhere to this Code.

● **Scope of Policy Application**

All Kawasaki Group officers and employees

 **The 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**

● **The President's Statement on Compliance**


Soon after taking office, each of our presidents announces the President's Statement on Compliance to Group employees.

● **Declaration to Observe Laws and Regulations**

Each officer and managerial staff of the Company, at his or her appointment, is required to prepare and submit to the Company a completely handwritten Declaration to Observe Laws and Regulations to reconfirm the awareness that he or she will never commit a violation and will cause other employees to ensure compliance. This Declaration includes the representation that they understand that they may be subject to a penalty or punishment if they commit a violation.

● **Compliance Guidebook**

The Compliance Guidebook provides knowledge that is necessary and useful for ensuring thorough compliance within the Company in an easy-to-understand way. The guidebook is distributed to all officers, employees and temporary staff at all Group companies in Japan. The Compliance Guidebook outlines the Group's compliance system and activities as well as the Compliance Reporting and Consultation System, which serves as the Group's internal whistle-blower system. The guidebook uses illustrations to present easy-to-understand examples of important compliance-related matters. It is divided into 20 sub-sections within six sections: "Securing the Trust of Customers and Business Partners," "Matters to Be Observed as a Corporate Citizen," "Data Protection," "Handling Financial Transactions," "The Workplace" and "Responsibilities of Managers." The guidebook also contains an index of the corresponding sections of the Kawasaki Group Code of Conduct and serves as a text for increasing compliance awareness. The Compliance Guidebook is used in internal compliance training and educational activities. Since the first edition was issued in 2003, its content has been constantly updated in light of evolving compliance requirements around the world (the current guidebook is version 5.2).

 **The President's Statement on Compliance**  
[https://www.khi.co.jp/sustainability/bcg/pdf/bcg\\_eng\\_202008.pdf](https://www.khi.co.jp/sustainability/bcg/pdf/bcg_eng_202008.pdf)

**Employee Awareness Surveys**

The Kawasaki Group implements periodic employee awareness surveys to monitor internal compliance violation risks. Recent surveys aimed at measuring compliance awareness among employees were implemented in fiscal 2011, 2014 and 2018. Survey results are analyzed and reflected in subsequent initiatives.

In fiscal 2016, we carried out compliance awareness surveys of certain executives and managers at Group companies outside Japan and made the results available to employees, including those in Japan. These results will also be reflected in subsequent initiatives.

● Compliance Awareness Survey Results

	(FY)	2014	2015	2016	2017	2018
Survey target coverage rate		Kawasaki and domestic consolidated subsidiaries				
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	cd	-	-	-	cd

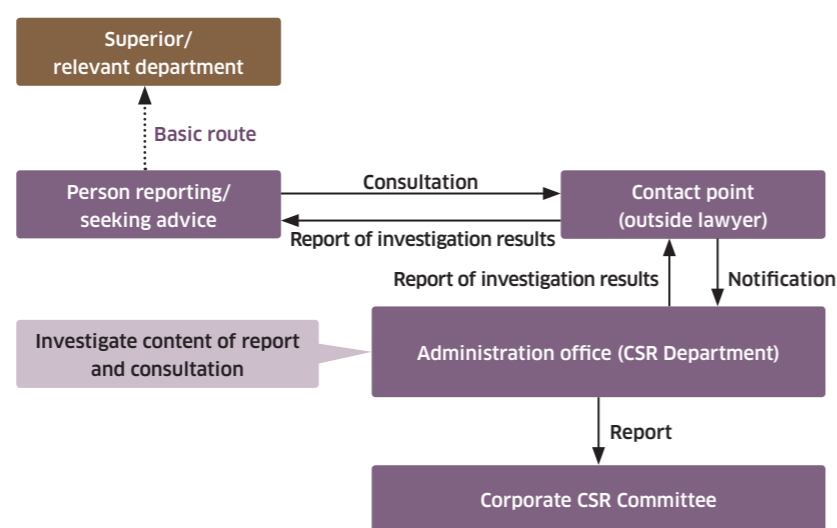
Whistle-Blowing System and Consultation Points

We have established the Compliance Reporting and Consultation System, with an outside lawyer acting as the contact, so that employees (including contract employees and temporary staff) of the Company and domestic consolidated subsidiaries can report or seek consultation regarding suspected violations of compliance practices relating to their operations.

Under the Compliance Reporting and Consultation System, employees report to or consult with an outside lawyer directly. The lawyer then investigates to determine whether or not there is in fact a compliance problem, and if a problem is found, advises the Company on how to remedy it. Furthermore, the lawyer reports the results of this process back to the employee who used the system. During the investigation, the employee's name is not disclosed to the Company without his or her permission.

The Group works to ensure that employees know how to use this system by providing information on it via such means as the Company intranet, leaflet inserts in Kawasaki Group Code of Conduct pamphlets, Compliance Guidebooks and Group newsletters.

Compliance Reporting and Consultation System Flow Chart



● Number of Reports or Consultations

	(FY)	2014	2015	2016	2017	2018
Number of reports or consultations*	Cases	31	19	20	27	29
Abuse of authority	Cases	10	8	5	7	13
Personnel matters	Cases	8	6	4	8	5
Financial Fraud	Cases	6	-	2	1	4
Sexual harassment	Cases	-	1	2	3	1
Threats and harassment	Cases	-	-	-	1	3
Safety	Cases	-	-	-	2	-
Others	Cases	7	4	7	5	3

\* The numbers of cases listed above refer to reports and consultations received, not those identified as actual compliance violations. Note: 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 that bribes to public officials in Japan or overseas are 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 promotion 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 consolidated subsidiaries.

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.

● Scope of Policy Application

All Kawasaki Group officers and employees

The Kawasaki Group Code of Conduct  
<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

Focus Activities and Medium-term Targets

● Goals for the MTBP 2019

- Zero bribery violations.
- Revise internal rules on entertainment and gifts (Group-wide reinforcement).
- Implement ongoing overseas bribery prevention training (group training and e-learning).

Progress, Results and Challenges

● Goals for Fiscal 2018

- Zero bribery violations.
- Implement overseas bribery prevention training.
- Review internal rules on entertainment and gifts.

● Fiscal 2018 Results

- Bribery violations: 0
- Training: Seven venues, 181 participants
- Considered ways to strengthen rules on entertainment and gifts.

● Goals for Fiscal 2019

- Zero bribery violations.
- Revise internal rules on entertainment and gifts.
- Implement overseas bribery prevention training (group training and e-learning).

Anti-Corruption Training for Employees

We provide overseas bribery prevention training for employees involved in overseas businesses every year in Japan. In fiscal 2018, 181 employees took part in overseas bribery prevention training. Furthermore, compliance training with a focus on anti-corruption is included in training programs 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**

	(FY)	2014	2015	2016	2017	2018
Total political contributions	Millions of yen	3.0	3.0	3.0	3.0	3.0

**Expenditures to Industry Organizations**

	(FY)	2014	2015	2016	2017	2018
Total expenditures to industry organizations	Millions of yen	50	50	50	50	50

**Other Expenditures for Donations, Support Funding, etc.**

	(FY)	2014	2015	2016	2017	2018
Total expenditures for donation support funding, etc.	Millions of yen	194	211	255	208	173


**Compliance with Antimonopoly (Competition) Laws**

**Policy Regarding Compliance with the Antimonopoly Act**

The Kawasaki Group is focusing efforts on compliance with the Antimonopoly Act. Since 2006, the Board of Directors has adopted a resolution to comply with the Antimonopoly Act and strive to maintain and improve the Company's enterprise value in society at the first Board of Directors meeting held immediately following each year's general meeting of shareholders. The Kawasaki Group Code of Conduct also states that the Group will not obstruct free and fair competition and will work to maintain a healthy market.

**● Scope of Policy Application**

All Kawasaki Group officers and employees

 **The Kawasaki Group Code of Conduct**  
<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

**Employee Training on Compliance with Antimonopoly (Competition) Laws**

The Company publishes a variety of guidebooks on the Antimonopoly Act for employees to ensure a broader awareness of situations at the Kawasaki Group that could become problematic and conducts regular training on the Antimonopoly Act. In fiscal 2018, 140 employees took part in Antimonopoly Act compliance training. Furthermore, regarding overseas antimonopoly (competition) laws, in addition to overseas bribery prevention training, we carry out overseas antimonopoly (competition) law training, which 181 employees took part in fiscal 2018.

**Number of Violations Relating to the Antimonopoly Act, 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, Kawasaki has established company regulations titled, the Insider Trading Control Rules, that it uses to implement and regulate related actions. In addition, to further ensure the prevention of insider trading, the Company established a new system in fiscal 2013 that obligates Company officers and employees who intend to trade Company shares to notify the Company by a prescribed date (the Treasury Stock Trading Prior Notification System). Also, the Kawasaki Group Code of Conduct forbids insider trading.

**● 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, the Company has carried out reviews, improved the manuals for checking procedures, 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.



Risk Management  
Management Approach

**Material Issues and Our Approach**

The Kawasaki Group is committed to actively recognizing the expectations of its stakeholders, living up to those expectations by solving issues through its business activities, and thereby increasing its enterprise value. As a Group that operates global business across a wide range of fields, Kawasaki regards the management of serious risks that could impede its business activities as important and conducts integrated risk management.

**Focus Activities and Medium-term Targets**

In order to achieve Group-wide integrated risk management, the operating divisions strengthen their risk management measures and, every year, identify major risks that may have a serious impact on operations (Group-level risks), monitor how these risks are being addressed, and from among such risks identify three to five items that particularly require Group-wide countermeasures (risks requiring Group-wide action), and deliberate on and execute such countermeasures. The results of these countermeasures are monitored by an assigned Head Office division.

With regard to the risks associated with the execution of individual businesses, 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 and other related rules. The Company practices even more thorough risk management for major projects with significant impact on operations in accordance with such company regulations as the Major Project Risk Management Regulations. This includes management at the time of bidding and concluding agreements for such projects as well as regular follow-up by the Head Office, internal companies and business divisions as needed after a project begins.

● **Goal for the MTBP 2019**

- Detect risks globally and manage risks appropriately through avoidance, reduction and transfer.

**Progress, Results and Challenges**

● **Goals for Fiscal 2018**

- Consider how to implement a Group-wide risk management system
- Discuss methods of implementing enterprise risk management (ERM) and do so.

● **Fiscal 2018 Result**

- Carried out risk-reduction activities for risks related to product quality, human resources, procurement, information leaks and project management, which are specified as risks requiring Group-wide action in fiscal 2018.

● **Goal for Fiscal 2019**

- Set up a globally integrated risk management system to accurately understand material risks that could impact operations and implement rational controls.

**Structure**

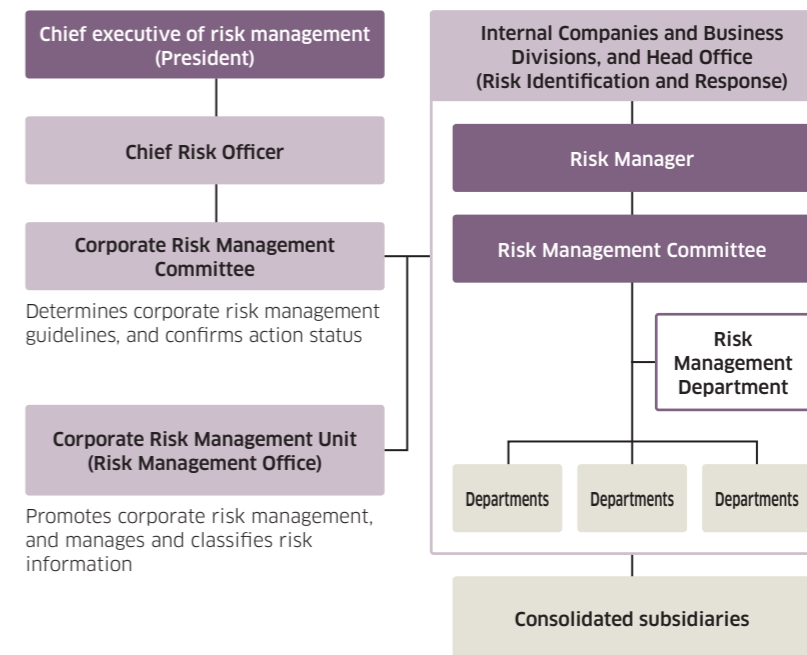
The Kawasaki Group has established a Corporate Risk Management System to ensure a uniform level of risk management across the Group. Through this system, we identify and respond to major risks with the potential for serious impact on operations and work to enhance risk management as outlined in the Kawasaki Group Management Principles.

Through the Corporate Risk Management System, we carry out continuous risks management initiatives. Specifically, in this system, the president is assigned as the chief executive of risk management, and an executive officer is assigned as the chief risk officer who is responsible for the overall control of risk management operations. Under their leadership, a Corporate Risk Management Committee, charged with deliberating important matters related to risk management and monitoring implementation, works to reinforce the risk management system.

In addition, a secretariat within the Head Office Risk Management Office promotes and supports Group-wide risk management based on cooperation between the Head Office divisions and ensures that each business division operates a similar system, for which the general managers of business divisions are responsible. These measures are designed to reinforce Group-wide risk management.

We have also created a system that incorporates domestic Group companies and begun risk management activities at certain overseas consolidated subsidiaries (model companies). We plan to gradually expand the scope of these activities going forward.

**Corporate Risk Management System**



● **Responsible Officers**

Chief executive of risk management: Yoshinori Kanehana, Representative Director, President and Chief Executive Officer  
 Chief risk officer: Ikuhiro Narimatsu, Managing Executive Officer

● **Responsible Executive Organ and Committee**

Corporate Risk Management Committee

● **Independence of Risk Management Functions and the Involvement of the Board of Directors**

The Corporate Risk Management Committee comprises directors (excluding outside directors), internal company presidents, the executive officer in charge of risk management, Head Office division heads, and other persons designated by the president. Also, audit & supervisory board members participate in the committee as part of their auditing of the execution of business.

Risk Management

Risk Management Basic Policy

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 enterprise value, the Kawasaki Group Mission Statement identifies risk management as a guiding theme of the Kawasaki Group Management Principles.

Based on the aforementioned, the Risk Management Regulations established in 2008 lay down the following basic policy for the Kawasaki Group in the field of risk management:

1. Aiming to realize its Group Mission—"Kawasaki, working as one for the good of the planet"—Kawasaki and the Kawasaki Group will facilitate global and sustained business execution by continuously implementing risk management.
2. In implementing risk management, Kawasaki and the Kawasaki Group will put in place a risk management system, for which ultimate responsibility lies with the company president, as a means of preventing risks that may hinder business execution.
3. In the event that a risk materializes, Kawasaki and the Kawasaki Group will work to minimize loss to customers, employees, local communities and other stakeholders, and to prevent recurrence.
4. Each individual corporate officer and employee will engage actively with risk management and will work to maintain the risk management system and improve response capabilities of risk management.


Risk Assessment

Risks Covered and Risk Assessment Methods

The Kawasaki Group defines risks as "factors or phenomena that hinder the execution of business operations or the achievement of organizational goals" and works to manage all risks classified as either external risks or internal risks (with the latter further classified as strategic risk or business risk), while giving due consideration to the potential beneficial effects associated with strategic and other risks.

The Company's risk management process consists of a version of the COSO framework customized for the Company's environment and circumstances.

Risk Factors Currently Covered in the Scope of Risk Management

 Within Risk Management: List of Risks Covered  
<https://global.kawasaki.com/en/corp/sustainability/mgmt/management.html>

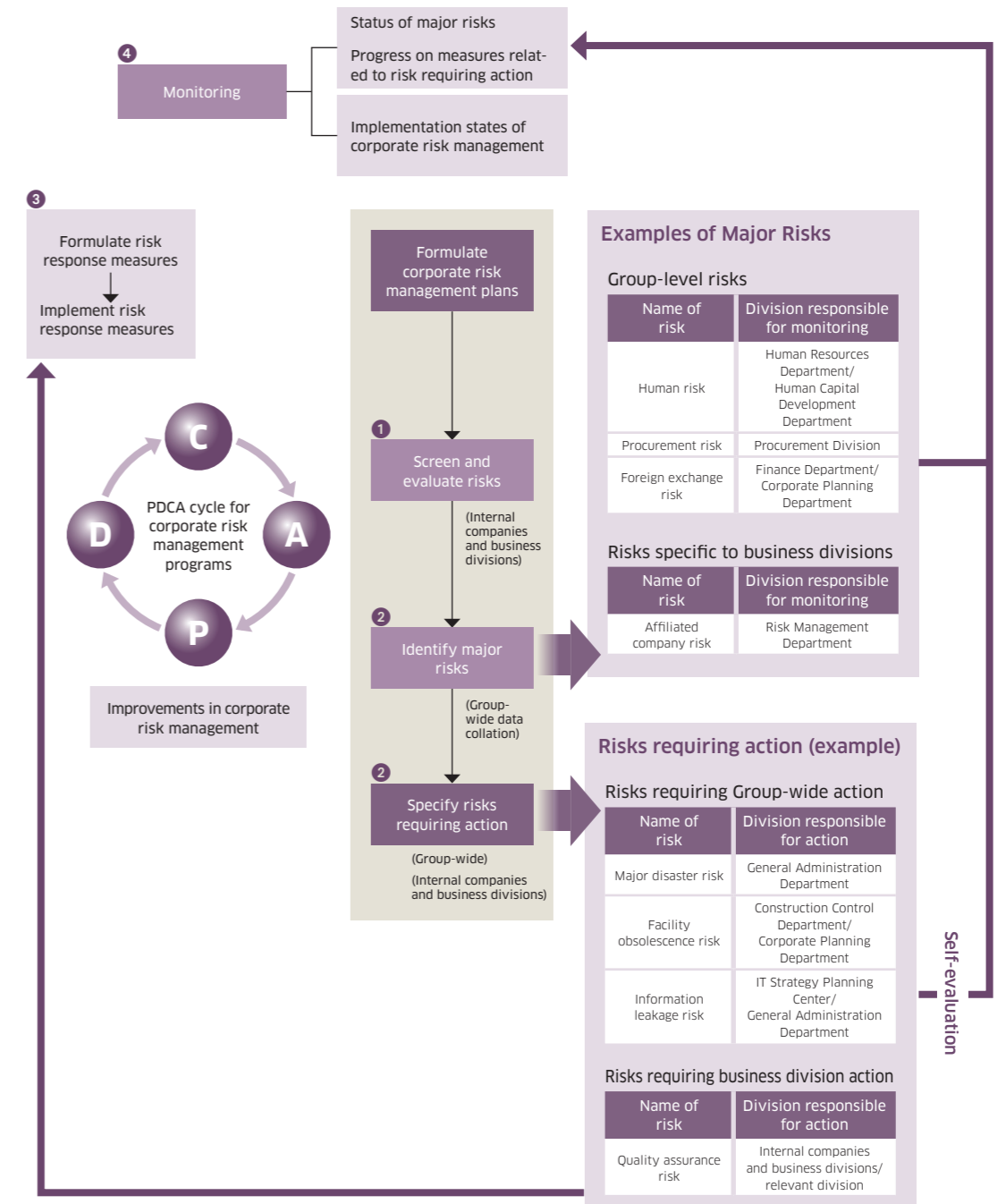
Responding to Significant Risks

Under the Corporate Risk Management System, major risks that could have a potentially serious impact on Group-wide operations are identified on an annual basis using uniform metrics and managed using methods that are deemed efficient and optimal from a Group-wide perspective.

In concrete terms, this means that management of major risks at the Group-wide level is carried out by applying the following Plan-Do-Check-Act (PDCA) cycle in Group-wide risk management:

1. Screening and evaluation of risks
2. Identification of major risks and specification of risks requiring action
3. Formulation and implementation of risk response measures
4. Monitoring

Corporate Risk Management Programs



1 Screening and Evaluation of Risks

Risk reviews are undertaken every fiscal year by each division, and major risks are then pinpointed by the risk management committees of the internal companies and business divisions.

2 Identification of Major Risks and Specification of Risks Requiring Action

Identification of Major Risks

Major risks identified by the internal companies and business divisions are compiled and examined by the Corporate Risk Management Committee, which identifies around 20 categories of risk that could significantly affect Group operations (Group-level risks).

Risk factors other than Group-level risks are categorized as risks specific to the internal company or business division and to be monitored and addressed by said company or division. For Group-level risks, a division at the Head Office responsible for monitoring risk is assigned to regularly monitor risks.

### Specification of Risks Requiring Action

Among the Group-level risks, those deemed to be inadequately addressed and urgently requiring Group-wide action are specified as risks requiring Group-wide action. At the same time, each internal company and business division specifies risk factors that require a response at the company or division level (risks requiring business segment action).

#### ③ Formulation and Implementation of Risk Response Measures

For risks requiring Group-wide action, a division at the Head Office responsible for risk response formulates response measures and, following discussion and approval by the Corporate Risk Management Committee, implements them. Similarly, for risks requiring business segment action, the internal companies and business divisions formulate and execute risk response measures.

#### ④ Monitoring

##### Monitoring Major Risks

At the end of each fiscal year, the risk management department of each internal company and business division undertakes a review of major risks for the following fiscal year. This process includes monitoring each risk factors with regard to significance, level of action required and urgency. Of note, with regard to Group-level risks, the division at the Head Office responsible for risk monitoring checks at the beginning of each fiscal year to see if the measures and structures introduced to reduce relevant risks affecting internal company and business divisions are functioning effectively, from a Group-wide perspective, based on the monitoring results compiled by each business segment.

##### Monitoring of Risks Requiring Action

Risks requiring action—both Group-level risks and business segment risks—are subject to a twice yearly self-evaluation by the division responsible for executing relevant measures, at the end of the first half and at the end of the second half of the fiscal year. Results of these assessments are tracked by the Risk Management Office and risk management department of each internal company and business division.

##### Reporting Monitoring Results to Risk Management Committees

The results of the monitoring of major risks and risks requiring action carried out by the internal companies and business divisions are reported to their respective risk management committees. The results of the monitoring of Group-level risks and risks requiring Group-wide action are reported to the Corporate Risk Management Committee.

### Group-level Risks

In fiscal 2019, data on major risks identified by the internal companies and business divisions were collated, and the Corporate Risk Management Committee then identified 18 categories of major risks that could have a serious impact on operations. These risks are subject to monitoring in March of every year by the Head Office division responsible for monitoring. Based on the Group-level risks identified, decisions are made as to which risk factors to disclose as “business risk and other risk” in the Securities Report and other disclosures. The risk categories are reviewed every year.

### Risks Requiring Group-wide Action

In fiscal 2019, within Group-level risks, we specified five items as risks requiring Group-wide action. To deal with these risks, each division at the Head Office responsible for action is designated to take the main role in formulating and implementing response measures in their area of responsibility.



Within Risk Management: Risks Identified as Group-Level Risk for Fiscal 2019

Within Risk Management: Risks Specified as Risk Requiring Group-wide Action for Fiscal 2019  
<https://global.kawasaki.com/en/corp/sustainability/mgmt/management.html>

### Long-term Risks

#### Long-term Risk 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 threaten 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 our social responsibilities.

#### ● Risk Mitigation Measures

In preparation for crisis events, we have improved the 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 predefined reporting routes that have been set up for use in times of emergency. These routes are made known clearly to employees and officers through the Crisis Management Organization, which in normal circumstances underpins the Group's crisis management structure.

### Long-term Risk 2

#### Information Leakage Risks

##### ● Potential Impact on Operations

Information safety-related risks, such as system problems, blocking by or attacks from external perpetrators, and accidents caused by intentional or negligent insider actions or omissions can have a direct or indirect impact on our business activities and result in situations such as those described below.

1. The leak of customer information or important internal information due to the infection of systems with malware
2. The theft and illicit use of technical information or illicit interference in the Group's finances or business transactions due to unauthorized access from outside
3. The improper removal or abuse of information due to intentional or negligent actions

If such circumstances arise and escalate, they may lead to a loss of confidence, damage liabilities, a loss of business opportunities or damage to the Group's technological competitiveness.

##### ● 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

#### Risk Management Training and Awareness Building

Kawasaki explains the importance of risk management in its grade-specific training programs for employees. In addition, our commitment to improve our enterprise value based on the guiding principles of “selective focusing of resources,” “emphasis on quality over quantity,” and “risk management” is clearly stated in the Kawasaki Group Management Principles, part of the Kawasaki Group Mission Statement. We also post the 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 managerial staff.

#### 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 compliance 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. 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.

**Group-wide Basic Policy**

The Kawasaki Group has established a Group-wide Basic Policy indicating its policy for responding to crises. In addition to, of course, putting human lives first, the policy also clearly lays out the Company's priority of fulfilling its social responsibility as a company involved in infrastructure-related industries. Specifically, in the event of a major earthquake, we will help operate equipment used for disaster relief (such as aircraft and ships), work to quickly restore and maintain the operation of infrastructure (such as rolling stock, power generation facilities and waste processing facilities) and support our customers and suppliers. The policy sets out the following basic principles.

1. Protecting the health and lives of employees and their families (including non-employees working on site and visitors)
2. Performing duties essential to the fulfillment of our social responsibilities (requests from customers, suppliers and government offices, and maintenance and restoration of 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 (at Times of Crisis and Non-Crisis)**

In readiness for risks, including major disasters, we maintain a Group-wide horizontally integrated Crisis Management Organization at all times.

The president is the Group's Chief Crisis Management Officer, while the head of each operating site or organizational unit acts as its crisis management officer. Crisis management offices are set up under the crisis management officers to assist them and are charged with the practical work of putting in place and maintaining a first response system for mobilization in the event of an emergency. Meanwhile, the heads of the various Head Office divisions and other staff members whom they designate form a dedicated support team for the crisis management offices.

● **In Times of Disaster or Accident**

The disaster management system sets out in advance emergency reporting routes and organizations charged with responding when emergencies occur. Complementary to the emergency reporting routes, we have set up contact networks covering each internal company, business division and operating site to ensure quick internal reporting and information promulgation.

**In Times of Disaster or Accident**

Type of Command Center	Key Role	Location
Corporate Command Center	Set up in the event of a crisis that requires a Group-wide response; determines measures to be implemented throughout the Group and basic policy on action plans	Office that has not sustained any damage In principle, either the Kobe Head Office or the Tokyo Head Office
Integrated Plant Command Center	Determines issues that affect the works as a whole; coordinates with internal companies operating in the same works	Works that belong to several internal companies
Company Command Center	Provides an internal company support in areas devastated by disaster; determines response to affected suppliers and customers	Appropriate location at each internal company
Local Command Center	Determines measures, according to business segment and business office	Office that sustained damage

**Emergency Communication System**

The Kawasaki Group has introduced an emergency communication system applicable to all domestic Group companies to rapidly confirm the safety of employees when a disaster occurs. Tests are conducted every year to ensure that employees are familiar with the system and know how to use it.

**Business Continuity Plan**

A business continuity plan (BCP) is itself a management strategy. In addition to typical measures related to response immediately after a disaster, such as setting up disaster-prevention supplies and running evacuation drills, a BCP requires consideration of measures to maintain business with minimal interruption and fulfill the corporate mission.

The Kawasaki Group has formulated BCPs for major earthquakes, including earthquakes directly striking Tokyo or the Nankai Trough, and pandemics, such as the outbreak of a new strain of influenza.

● **Review of Business Continuity Plan**

The lessons learned in the Great Hanshin Earthquake, which hit the Kobe area in January 1995, formed the basis of the Group's disaster-prevention measures, and the outbreak of a new influenza virus in 2009 prompted the establishment of a BCP. However, with the Great East Japan Earthquake of March 2011, the BCP was revised to enhance the Group's ability to deal with the consequences of a large-scale earthquake.

**1. Basic Corporate Policy**

Determine course of action to be taken by the Kawasaki Group in the event of a large-scale earthquake.

**2. Head Office and Internal Company Priorities**

With the basic corporate policy in mind, designate functions to be maintained at the Head Office, internal companies and business divisions in the event of disaster.

We have identified priorities for the Head Office, internal companies and business divisions in line with our basic corporate policy and have designated certain functions that must be maintained even in the event of disaster with due consideration given to the different business content of each internal company and business divisions and the features inherent in products and services.

**3. Response in Time of Disaster and Preparation during Normal Time**

Consider responses appropriate in the wake of disaster and prepare for the eventuality of such events during normal times.

Many disaster scenarios indicate the possibility of a massive earthquake centered directly under Tokyo as well as a cascadelike triple megaquake event along the Tokai-Tonankai-Nankai segment of the Pacific Ocean coastline. Bearing these potential events in mind, we considered the responses necessary should such catastrophes occur and activities that could be undertaken during normal times to prepare for such eventualities.

We formulated a plan that designated specific divisions with a specific task, and outlined preparations necessary to achieve the desired objectives. Preparations are moving ahead in line with this plan.

**4. Drills and Revisions**

Drills are undertaken regularly and content is revised based on results.

We are constantly running BCP drills and revising BCP content based on how the drills were performed.

**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 U.S., 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.

**Focus Activities and Medium-term Targets**

● **Goal for the MTBP 2019**

- Consider implementing export management systems aimed at improving the quality of classification,\* making transaction screening more efficient, and better maintaining export control information and making it more accessible
- \* Classification refers to the process of determining or confirming whether a particular cargo or technology is a specified important cargo requiring export approval.

**Progress, Results and Challenges**

● **Goals for Fiscal 2018**

- Zero serious legal violations.
- Provide training: Executive training, Group-wide training, level-specific education (newly appointed senior staff officers and assistant managers), practical training (key departments, key departments of internal companies, officers) and training for employees working in overseas businesses

● **Fiscal 2018 Results**

- Zero serious legal violations.
- Provided training: Executive training (on August 22), Group-wide training (672 participants), level-specific education for newly appointed senior staff officers and assistant managers (290 participants) and e-learning for line managers (1,333 participants), practical training (349 participants), training for employees working in overseas businesses (33 participants) and support for obtaining CISTEC certification (103 successfully certificated)

● **Goals for Fiscal 2019**

- Zero serious legal violations.
- Provide training: Executive training, Group-wide training, level-specific education (newly appointed managerial staff and assistant managers), practical training (key departments, key departments of internal companies, officers), training for employees working in overseas businesses and e-learning for managerial staff

**Structure**

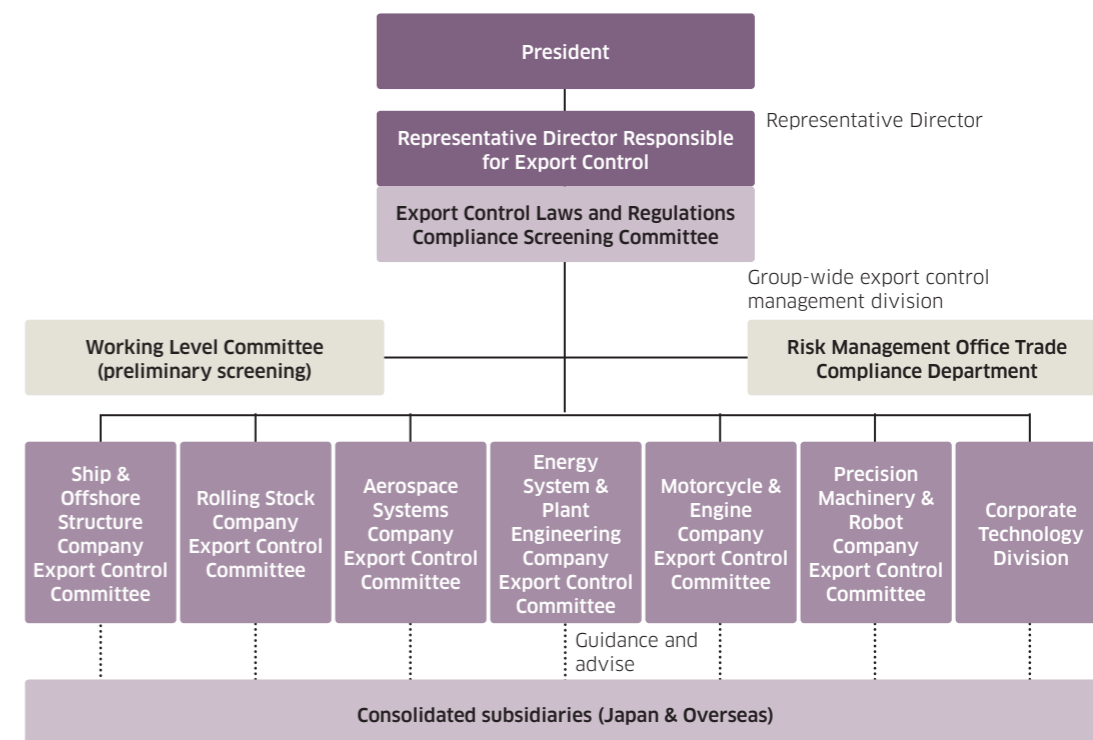
To ensure Group-wide compliance with export control laws and regulations, we have formulated a set of corporate export control regulations for goods and technologies relevant to security maintenance and have put in place an export control system in which a representative director acts as Chief Export Control Officer.

As a first measure, we set up the Export Control Laws and Regulations Compliance Screening Committee (“Screening Committee”), chaired by the Chief Export Control Officer, at the Head Office. The Screening Committee undertakes the final assessment of export transactions across the Group to confirm compliance with export control laws and regulations and provides guidance and supervision regarding the export control systems of the internal companies and business divisions. In addition, the Trade Compliance Department was set up within the Head Office Risk Management Office to provide secretariat services to the Screening Committee and to coordinate export control at the Group-wide level. In addition, we have established the Working Level Committee, comprising the departments responsible for export control of the internal companies and business divisions, under the control of the Screening Committee. The Working Level Committee undertakes preliminary screening ahead of final assessments by the Screening Committee, discusses matters delegated to it by the Screening Committee, reports to the Screening Committee, and undertakes the horizontal rollout of export control-related information.

Next, each internal company and business division operates an export control committee that screens all the export transactions of the company or division and refers the screening results to the Screening Committee for discussion.

Furthermore, to promote legal compliance, we have set up export control systems at consolidated subsidiaries in and outside Japan that engage in exporting through their respective overseeing internal companies or business divisions.

**Export Control Structure**



● **Responsible Officer**

Sukeyuki Namiki, Representative Director, Vice President and Senior Executive Officer

● **Responsible Executive Organ and Committee**

The Export Control Laws and Regulations Compliance Screening Committee undertakes the final assessment of export management matters across the Group. The Export Control Laws and Regulations Compliance Screening Committee meets once a month, in principle.

**Export Control Training and Guidance**

We provide export control training tailored to different personnel and objectives for the entire Group, including consolidated subsidiaries. To build awareness of export control compliance, we organize Group-Wide Export Control Training Meetings each year at the Akashi Works and other Group locations, with external lecturers invited from the Center for Information on Security Trade Control (CISTEC). In addition, to enhance the coverage and efficiency of export control, we began using e-learning in this area in fiscal 2018. Concurrently, each internal company offers export control training as part of its grade-specific training to impart the knowledge required by managers and other personnel to execute their operations. Furthermore, practical training on classification and transaction screening is provided for export control administrators and persons in charge of export control at each internal company.

With regard to export control audits, the Auditing Department and the Trade Compliance Department work together to perform individual audits of and provide guidance to all the internal companies and major consolidated subsidiaries in Japan once a year.

Moreover, overseas consolidated subsidiaries are subject to an annual questionnaire-based survey of their export control systems, export records and related matters. Based on the survey results, the Trade Compliance Department works with the relevant internal company to provide appropriate guidance and support on export control.

**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 development, implementation and use of information systems.

**Focus Activities and Medium-term Targets**

● **Goal for the MTBP 2019**

- Have in place a digital information platform that can handle cyber security issues.  
→Build a usage platform that balances the utility of evolving cloud services with information security.

**Progress, Results and Challenges**

● **Goals for Fiscal 2018**

- Strategically maintain internal organizational functions to respond to and protect the Group from increasingly sophisticated cyber attacks by criminal organizations.
- Maintain employees' moral sense as a first line of defense against accidental and deliberate information leaks and introduce and improve effective tools for information system-based protection.
- Provide information security training to 7,500 individuals.

● **Fiscal 2018 Results**

- Cyber attack response measures:
  1. Continued group education on cyber attacks.
  2. Launched portal websites for employees in and outside Japan and developed a system to block improper access.
- Prevention of information leaks from employees :
  1. Held e-learning sessions on management of taking information outside the Company.
  2. Introduced an information leak warning system that detects signs of improper behavior.
- 8,394 individuals received information security training.

● **Goals for Fiscal 2019**

- Implement information security and cyber security measures at overseas sites.
- Conduct periodic educational activities at sites in Japan.
- Provide information security training to 9,200 individuals.

● **Progress**

	(FY)	2014	2015	2016	2017	2018
Information security training participants		-	-	-	-	8,394

**Structure**

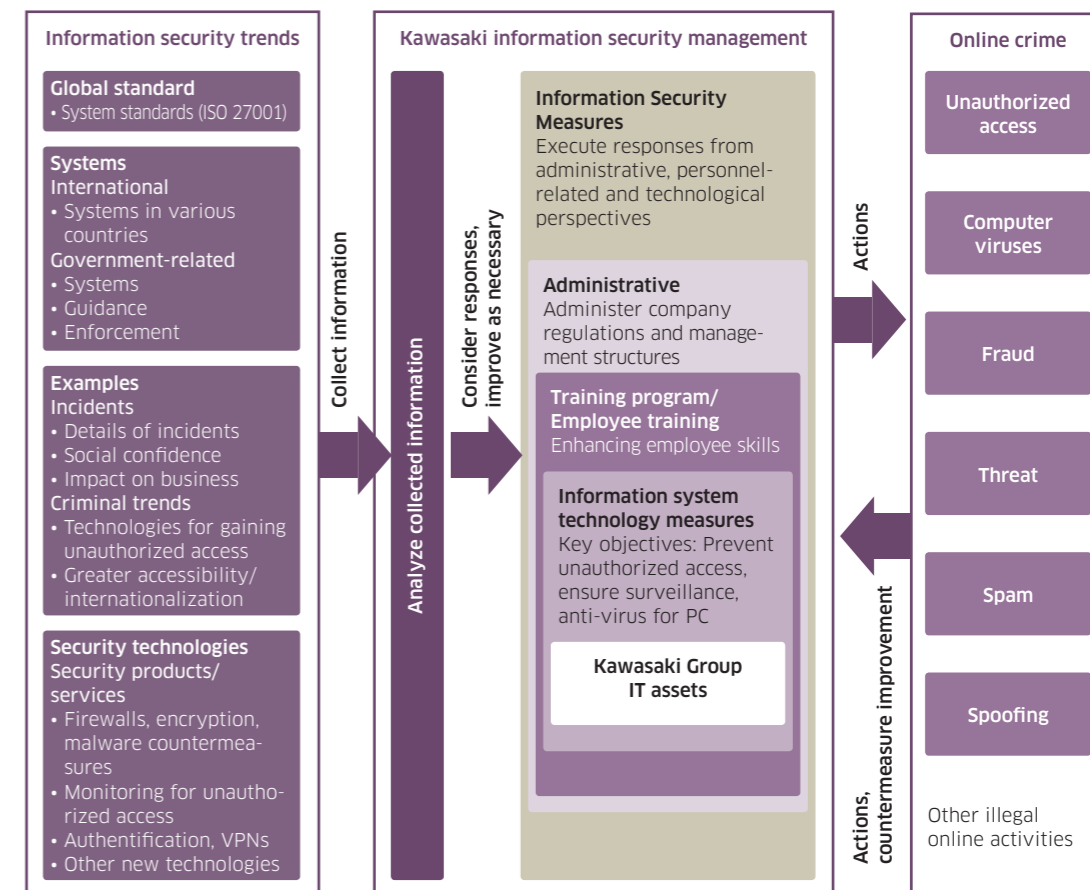
The Corporate Technology Division's IT Strategy Planning Center serves as the Group's coordinating department for information security. The center promotes the implementation of security measures throughout the Group, including at the Head Office, and provides guidance regarding information system operation- and management-related security measures implemented by the internal companies and business divisions. Each internal company and business division also has an information system department that implements security measures based on Company policy.

We have established a dedicated framework under the corporate risk management structure to handle information security management for the Group. We adhere to a management cycle with an emphasis on rules, training and technology measures to address constantly changing information security risks while systematically implementing, maintaining and enhancing information security measures.

In addition, the Group's data center has acquired ISO 27001 certification, an 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 as well as systems to check for illicit activity.

**Information Security Management System**



**Information Security Education and Training**

We conduct education and training specifically focused on information security for Kawasaki Group employees.

This instruction covers laws and social customs as well as corporate rules and examples of incidents, and course content is tailored by position, with content for newly hired employees, general employees and managerial staff. Training uses 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.

**Information Security Violations and Actions Taken**

The Kawasaki Group has had no incidents of information security-related corporate misconduct resulting in government action or sanction in the past five years.

### Personal Information Protection

Kawasaki abides by its Privacy Policy (Personal Information Protection Policy), a basic policy for protecting personal information. This policy is publicly disclosed.

Further, we control personal information and anonymously processed information by such means as appointing the personal information administrator, establishing company 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 each division, and preparing and regularly updating the personal data handling ledger in which the handling status of such personal data can be checked.

With regard to personal data in its possession, we have put in place a structure that ensures a prompt response from the employee concerned to individual requests on such uses of personal data, as disclosure, discontinuance of utilization, etc.

 **Privacy Policy**  
[https://global.kawasaki.com/en/privacy\\_policy/index.html](https://global.kawasaki.com/en/privacy_policy/index.html)

### Research and Development

### Management Approach

### Material Issues and Our Approach

To ensure sustainable improvement in the enterprise value of the Kawasaki Group, the internal companies, business divisions and 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 such development in the future in each internal company in addition to nurturing and reinforcing basic technologies needed to realize these new products and new businesses.

Engineers from the internal companies and business divisions 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, seeking always to achieve the overall optimization of management resources. The Corporate Technology Division acts as an intermediary, facilitating access to the technological core competences of each internal company so that they can be applied to products in other internal companies. This promotes the multifaceted expansion of technology and realizes major synergistic effects.

We will utilize this type of matrix-based operation to create technological synergies throughout the Kawasaki Group and further raise enterprise value.

### Focus Activities and Medium-term Targets

#### ● Goals for the MTBP 2019

- Reinforce the competitiveness of existing products and businesses.
- Build a platform that will support groundbreaking innovation that creates new value in response to rapid changes in society.
- Achieve process reforms by such means as strengthening system design and *monozukuri* manufacturing capabilities.
- Establish intellectual property action plans as part of business strategy and build a framework to allocate IP rights where needed or keep such property confidential in the form of internal expertise.
- Build a framework for carrying out IP rights infringement prevention checks through design reviews and other precautions taken at specific development stages.

### Progress, Results and Challenges

- We are working to create new products and business that leverage digital innovation. In particular, we are focusing efforts on service businesses that utilize ICT/IoT.
- We are working to build a supply chain for hydrogen, a form of clean energy.
- We are working toward process innovation using digital technologies.
- We are acquiring strategic intellectual property, mainly in robotics.
- Before commencing R&D, we carry out comprehensive examinations of preceding patents to avoid infringement.

### KPI

#### ● Progress

	(FY)	2014	2015	2016	2017	2018
R&D expenditures	Billion yen	41.6	43.6	43.6	45.4	48.7

### Structure

The internal companies carry out R&D in areas specific to their businesses, while the Corporate Technology Division handles forward-looking R&D on a Company-wide basis. In addition, the internal companies and Corporate Technology Division work together closely on projects.

The Corporate Technology Division comprises the Technical Institute, System Technology Development Center, Hydrogen Project Development Center, Manufacturing Improvement Center and IT Strategy Planning Center. All of these collaborate to advance R&D.

#### ● Responsible Officer

Hiroshi Nakatani, Managing Executive Officer, General Manager of Corporate Technology Division

#### ● Responsible Executive Organ and Committee

The internal companies and the Corporate Technology division meet regularly to share information about the market environment and business strategy and form consensus regarding development themes.

They also regularly take steps to concentrate technologies from across the Group to plan and follow up on important Group-wide R&D, facilitate the horizontal exchange and sharing of technologies, and promote synergy.

Research and Development

R&D Expenditures		(FY)	2014	2015	2016	2017	2018
Total		Billion yen	41.6	43.6	43.6	45.4	48.7
Breakdown by segment	Ship & Offshore Structure		1.0	0.8	0.8	0.8	1.1
	Rolling Stock		1.1	1.2	0.8	0.8	0.8
	Aerospace Systems		4.3	4.3	3.8	4.0	6.1
	Gas Turbine & Machinery		4.2	4.1	3.9	3.8	-
	Energy System & Plant Engineering		0.9	1.1	1.3	1.4	3.9
	Motor Cycle & Engine		12.9	13.3	14.3	15.8	15.6
	Precision Machinery & Robot		5.6	6.1	5.3	5.4	6.2
	Head Office, other		11.2	12.4	13.0	13.0	14.6
Percentage of sales	%		2.8	2.8	2.9	2.9	3.1
Number of employees engaged in R&D	Persons		1,766	1,791	1,868	1,888	1,941
	Scope		cg	cg	cg	cg	cg

Note: In April 2018, the former Aerospace Company and the jet engine business of the former Gas Turbine & Machinery Company were integrated into the newly established Aerospace Systems Company. The former Plant & Infrastructure Company and the energy and marine-related businesses of the former Gas Turbine & Machinery Company were integrated into the newly established Energy System & Plant Engineering Company. In addition, the former Precision Machinery Company was renamed to the Precision Machinery & Robot Company.

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, not simply sticking to in-house 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 at least not without overly large expenditures of cost and time.

Example of Open Innovation  
Building a CO<sub>2</sub>-Free Hydrogen Supply Chain

Four companies—Kawasaki, Iwatani Corporation, Shell Japan Ltd., and Electric Power Development Co., Ltd. (J-POWER)—have come together to form the CO<sub>2</sub>-free Hydrogen Energy Supply-chain Technology Research Association (HySTRA) to promote the building of a CO<sub>2</sub>-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 are bringing together their strengths to efficiently advance R&D and demonstration projects. The HySTRA demonstration projects consist of two technical components: brown coal gasification technology and technologies for the long-range mass transportation and cargo handling of liquefied hydrogen. The organization's goal is to demonstrate the technologies and identify challenges to commercialization for each of the two components by fiscal 2020.

An inexpensive and reliable supply of CO<sub>2</sub>-free hydrogen is critical to the future integration of hydrogen energy into society. To realize such a hydrogen supply chain, Kawasaki led a collaboration with Iwatani and J-POWER to propose a demonstration project that was accepted by NEDO (New Energy and Industrial Technology Development Organization) in June 2015 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, which is working toward realizing an international commercial liquefied hydrogen chain.

J-POWER, which is currently developing an integrated coal gasification combined cycle (IGCC) system in Japan, is primarily responsible for the demonstration of brown coal gasification technology leveraging its accumulated wealth of gasification technologies. Kawasaki, a supplier of cryogenic equipment that 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, the Japanese subsidiary of Royal Dutch Shell, which has a strong track record in LNG supply chains and carrier operation, are working together to demonstrate technologies for the long-range mass transportation and cargo handling of liquefied hydrogen.

In future societies, hydrogen gas turbines will play a key role in establishing environmentally friendly, hydrogen-fueled energy supply systems.

 **Kawasaki Hydrogen Road**  
<https://global.kawasaki.com/en/hydrogen/>

New Product and Business Development

New products and businesses that were in development or for which development was completed in fiscal 2018 are as follows.

- **Aerospace Systems**
  - H145//BK117 D-3
  - Training center for H145//BK117 helicopters
  - HTV\* (space station cargo transporter) small re-entry capsule
  - \* HTV: H-II Transfer Vehicle
- **Energy System & Plant Engineering**
  - Loading arm for the ship-to-shore transfer of liquid hydrogen
  - Stoker incinerator equipped with Smart-ACC\*
  - \* Smart-ACC: Proprietary, sophisticated combustion control technology designed to achieve more efficient and reliable power generation than conventional waste treatment facilities
  - The CK Mill, a high-efficiency roller mill that achieves the highest production capacity of Kawasaki mills
  - The world's highest gross output cement plant waste heat recovery power generation system
  - A cogeneration system powered by a M5A gas turbine boasting the world's highest efficiency in the 5 MW class
- **Precision Machinery & Robot**
  - Successor, a new robot system that enables skills transmission
  - duAro2, in the duAro series of collaborative Dual-Arm SCARA Robots
  - Medical robots
  - A high-pressure hydrogen regulator for Daimler AG
- **Transportation**
  - SOPass ship operation and performance analysis support system
  - New Panamax LNG carrier
  - LPG carrier equipped with sulfur oxide (SOx) scrubbers to remove SOx from exhaust gas
  - LNG carrier with twin engines and twin shafts
  - EEDI-compliant\* large LNG-fueled bulk carrier
  - \* EEDI: Energy Efficiency Design Index
  - Autonomous underwater vehicle (AUV) equipped with a robotic subsea pipeline inspection system
  - LNG floating power plant
  - Z400/Z400 SE/Z250 high power, lightweight super naked models
  - VERSYS 1000/VERSYS 1000 SE, with advanced electronic control technology
  - W800 STREET/W800 CAFE retro models
  - Ninja H2 SX SE+ high-grade model
  - Ninja ZX-6R ABS/Ninja ZX-6R, featuring improved riding performance
  - Ninja H2/Ninja H2 Carbon, with smartphone connectivity
  - Ninja H2R, with greater product marketability
  - KX450 motocross model



**Process Innovation**

Kawasaki uses a proprietary production system, the Kawasaki Production System (KPS) for its mass-produced products. The KPS was developed by Kawasaki based on the production system of Toyota Motor Corporation, known as the Toyota Production System (TPS). The system is aimed at thoroughly eliminating waste in production processes.

Using IT to provide detailed instructions for the work of each individual and analyze accumulated performance data, Kawasaki is expanding the scope of the KPS to include custom order products, as well.

**Effects of Process Innovation**

COGS statistics (indicating cost reduction effects) are calculated on a project by project basis. For example, by applying the KPS to individually ordered products, the Energy System & Plant Engineering Company reduced costs of turbine assembly by more than 20%.

**Environmental Innovation**

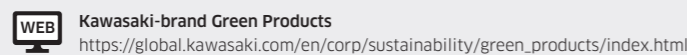
At Kawasaki, we have defined a set of in-house criteria to improve the environmental performance of our products through energy and resource conservation and to reduce our environmental footprint by reducing the amount of industrial waste produced and chemical substances used in our production processes. Products that meet these criteria are registered as Kawasaki-brand Green Products.

Kawasaki-brand 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. In 2018, nine products were newly registered, and the registrations of products for which the three-year registration limit expired were renewed, bringing the total number of registered Kawasaki-brand Green Products to 50.

**Effects of Environmental Innovation**

	(FY)	2014	2015	2016	2017	2018
Reduction in environmental footprint (CO <sub>2</sub> emissions) due to product-based contributions	kt	513	745	898	22,924	29,129

\*The calculation method was revised in fiscal 2017 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 CO<sub>2</sub> emissions between our products and standard grade products in the industry over this period of usage.



**Intellectual Property Management**

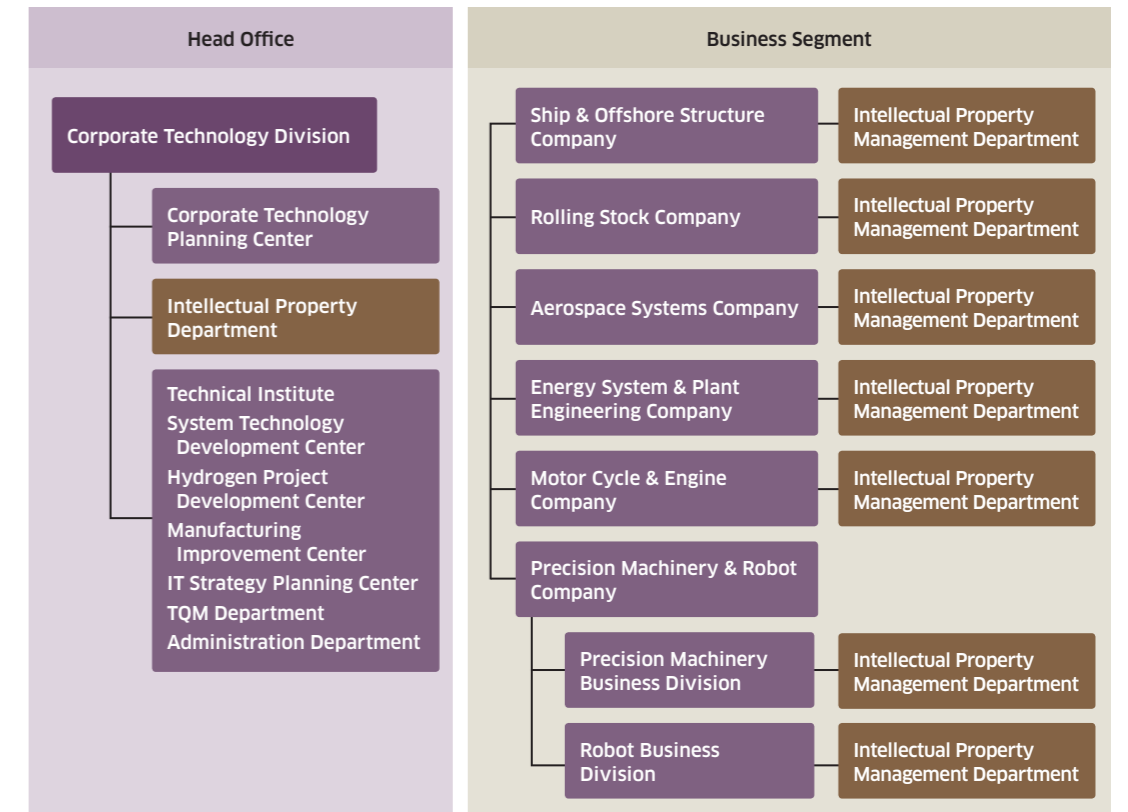
**Principles of Intellectual Property Management**

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.

**Structure**

To promote strategic intellectual property activities, we maintain a structure whereby the Intellectual Property Department in the Corporate Technology Division drafts and implements corporate measures and works with the intellectual property management departments of the internal companies and business divisions to provide support in line with each segment's business activities.

**Organizational Chart of Intellectual Property Protection Structure**



**Responsible Officer**

Sukeyuki Namiki, Representative Director, Vice President and Senior Executive Officer (in charge of technology)

**Responsible Executive Organ and Committee**

We periodically formulate operating and basic policies regarding Group-wide intellectual property activities.

**Counterfeit Product Countermeasures**

To handle counterfeit products that use Kawasaki Group brands and other similar products, we have in place appropriate countermeasures based on trademark and other rights. By further developing such activities, we will protect and further enhance market confidence in our brands.

**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.

**Employee Training**

Intellectual property is an important management resource for increasing our business competitiveness. As such, Kawasaki's basic policy is to secure and effectively utilize its own intellectual property while respecting the valid intellectual property rights of third parties. In line with this policy, we carry out grade-specific activities to foster correct awareness of intellectual property.

Working with  
SuppliersManagement  
Approach**Material Issues and Our Approach**

Suppliers are valuable business partners of the Kawasaki Group in its business activities. It is essential that our procurement activities are conducted in line with our stance toward CSR, which includes consideration for compliance, human rights, labor issues, occupational safety and health, and the global environment. To this end, we must work in cooperation with not only the entire Group but also our suppliers to actively promote CSR activities throughout the supply chain.

**Focus Activities and Medium-term Targets**

We are committed to recognizing CSR risks throughout our supply chains and responding to the demands of our customers and society by working with our suppliers to advance our CSR activities.

- **Goal for the MTBP 2019**

- Carry out CSR procurement surveys of major suppliers in and outside Japan and increase their concern regarding CSR.

**Progress, Results and Challenges**

- **Goals for Fiscal 2018**

- Carry out a CSR procurement survey of major overseas suppliers to understand their current CSR activities.
- Revise the CSR Procurement Guidelines and promote awareness of them among suppliers to increase their concern regarding CSR.
- Hold CSR briefings for suppliers and increase their concern regarding CSR.

- **Fiscal 2018 Results**

- Carried out a survey of major overseas suppliers (65 companies).
- Revised the CSR Procurement Guidelines in May 2018 and published them on the Company website. Planning to distribute the guidelines and the Kawasaki Group Code of Conduct to suppliers in fiscal 2019.
- Business briefings and study meetings held for the suppliers of internal companies and business divisions included a briefing titled “CSR Promotion with Business Partners.” This briefing was held 9 times for approximately 650 companies in fiscal 2018.

- **Goal for Fiscal 2019**

- Building on the revised CSR Procurement Guidelines and briefings held thus far, conduct a CSR procurement survey of major suppliers in Japan to understand their current CSR activities while working to raise awareness of Kawasaki Group CSR activities and CSR in general among suppliers.

**Structure**

Procurement activities in our daily operations are carried out under the responsibility and authority of each internal company or business division.

Once a year, the Procurement Division holds a cross-company Procurement Department Managers Meeting that the directors of procurement attend. At this meeting, participants follow up on the results for the previous year’s procurement-related KPIs set by each internal company or business division, share their activity plans for that fiscal year, and decide on common Group-wide procurement measures and policies, including those related to CSR procurement.

Working with  
Suppliers**Basic Policies for Material Procurement**

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, our Basic Policies for Material Procurement and the Policy Regarding Procurement of Conflict Minerals are disclosed on our website to inform business partners of our basic stance toward material procurement.

- **Scope of Policy Application**

The Kawasaki Group and our suppliers



Supply Chain Management, including Kawasaki’s Basic Policies for Material Procurement and Policy Regarding Procurement of Conflict Minerals  
<http://global.kawasaki.com/en/corp/sustainability/procurement/index.html>

**CSR Procurement****Basic Stance toward CSR Procurement**

In the Group’s business activities, it is essential that our procurement activities are conducted in line with our stance toward CSR, which includes consideration for compliance, human rights, labor issues, occupational safety and health and the global environment. To this end, we must work in cooperation with not only the entire Group but our suppliers to actively promote CSR activities throughout the supply chain.

**CSR Procurement Initiatives**

Kawasaki’s CSR Procurement Guidelines (established in 2012, amended in 2018), which outline the Company’s approach to CSR procurement and expectations for its suppliers, are published on the Company website. Additionally, in fiscal 2016, we conducted a survey of our domestic suppliers to assess their compliance with these guidelines. About 1,400 suppliers 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 fiscal 2018, we carried out a similar survey of 65 major overseas suppliers.

Moreover, from fiscal 2018, we are providing briefings to directly explain our approach to CSR to suppliers. At these briefings, we explain human rights, environmental, and other important issues in supply chain management and request that suppliers strengthen their CSR initiatives. In fiscal 2018, we held such briefings nine times, and a total of 650 suppliers participated. In addition, we hold lectures about CSR procurement as part of internal training for employees and are working to increase the CSR awareness of employees in relevant positions.

In addition, domestic and overseas Group companies that engage in material procurement disclose their CSR procurement policies on their websites in manners suitable to their specific businesses. Through such efforts, we pursue CSR procurement on a global and Group-wide basis. Going forward, the Kawasaki Group will continue to promote CSR initiatives throughout the supply chain in cooperation with its suppliers.



**CSR Procurement Guidelines**

[https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr\\_tyoutatsu\\_guideline.pdf](https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr_tyoutatsu_guideline.pdf)

### Supply Chain Risk Assessment

In fiscal 2016, Kawasaki conducted a survey of domestic suppliers to assess their compliance with our CSR Procurement Guidelines and received responses from roughly 1,400 suppliers. In fiscal 2018, we carried out a survey of major overseas suppliers (65 companies) to understand their current CSR activities. Moving forward, we will implement measures to strengthen CSR efforts throughout the supply chain based on the results of these surveys.

### Capacity Building and Incentives for Suppliers

The Kawasaki Group's six internal companies procure materials across a wide range of fields. Each internal company and business division provides training and implements recognition systems as needed to improve suppliers' quality and delivery performance.

### Thorough Compliance in Materials Procurement

Each year, Kawasaki holds group workshops for Group procurement divisions to ensure compliance with procurement-related laws and regulations, particularly the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (the Subcontractors' Act) and the Construction Industry Law. Of note, we maintain proactive measures not limited to procurement divisions to promote awareness and knowledge of the Subcontractors' Act, as outlined below.

- In October 2009, we published a collection of examples of Subcontractors' Act violations, citing actual cases in which other companies had contravened this law.
- In April 2013, we posted a checklist for compliance self-auditing pursuant to the Subcontractors' Act on the Company intranet. This checklist functions as a tool for checking and correcting administrative activities prone to violations of the Subcontractors' Act.
- Since fiscal 2011, we have held training sessions, mainly for design and manufacturing divisions at works and major affiliated companies. In fiscal 2018, these training sessions attracted 820 participants. To date, 5,936 people have attended the sessions.

### Conflict Minerals

In December 2013, the Kawasaki Group posted its Policy Regarding Procurement of Conflict Minerals on its website. This policy states that the Group 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.

We also ask our suppliers to take similar efforts in the CSR Procurement Guidelines.



**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](https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr_tyoutatsu_guideline.pdf)

### Human Rights Efforts in the Supply Chain

#### Efforts to Improve the Practices of Suppliers

The basic agreements that Kawasaki forms with its suppliers include provisions recognizing the importance of corporate social responsibility on the part of both parties and stating that they will independently and proactively engage in business and social activities with due consideration given to the sustainable development of the environment and society.

Furthermore, Kawasaki has created the CSR Procurement Guidelines, which outline its expectations for its suppliers, with the aim of promoting CSR, including human rights considerations, throughout the supply chain. These guidelines are published on Kawasaki's website and distributed to suppliers. To confirm the initiatives of suppliers, in fiscal 2016, Kawasaki conducted a survey of its domestic suppliers and received responses from roughly 1,400 companies. In fiscal 2018, we carried out a similar survey of 65 major overseas suppliers and received responses that were largely as expected.

In addition, from fiscal 2018, we are providing briefings to directly explain our approach to CSR to suppliers and requesting that they strengthen their CSR initiatives, including efforts to address human rights issues.



**CSR Procurement Guidelines**

[https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr\\_tyoutatsu\\_guideline.pdf](https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr_tyoutatsu_guideline.pdf)

### Efforts regarding Child Labor and Forced Labor in the Supply Chain

The CSR Procurement Guidelines require that all labor in the Kawasaki Group's supply chain be performed voluntarily, never by coercion, as well as the prohibition and elimination of all labor by children who have yet to reach employable age. The Guidelines further request that suppliers declare and guarantee their compliance with these requirements.



**CSR Procurement Guidelines**

[https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr\\_tyoutatsu\\_guideline.pdf](https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr_tyoutatsu_guideline.pdf)

## Product Liability

## Management Approach

**Material Issues and Our Approach**

As the Kawasaki Group's businesses involve the provision of many infrastructure products, ensuring that customers can use our products and services with confidence is a key management issue. The Kawasaki Group Code of Conduct includes a section titled "Quality and Safety of Products and Services" and states that we must provide high-performance, high-quality, safe products and services.

**Focus Activities and Medium-term Targets**● **Goals for the MTBP 2019**

- Create quality assurance and product safety systems Group-wide.
- Zero product safety law violations.

**Progress, Results and Challenges**● **Goals for Fiscal 2019**

- Survey the internal companies and business divisions.
- Establish a Kawasaki Group quality assurance policy.
- Build a Group-wide system for thorough quality management.

**Structure**

We have established a division that supervises quality assurance within the Corporate Technology Division to advance quality control assurance at the Group-wide level. We have also established divisions responsible for quality control within the internal companies and business divisions to advance quality assurance activities within the internal companies.

● **Responsible Officer**

Sukeyuki Namiki, Representative Director, Vice President and Senior Executive Officer (in charge of Quality Control)

● **Responsible Executive Organ and Committee**

We are formulating policies and plans for building and reinforcing a Group-wide total quality management (TQM) system that will include regular quality assurance activities.

## Product Liability

**Product Quality and Safety Policy**

The Kawasaki Group Code of Conduct includes a section titled "Quality and Safety of Products and Services" and states that "we must provide high-performance, high-quality, safe products and services."

● **Scope of Policy Application**

The Kawasaki Group



The Kawasaki Group Code of Conduct

<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

**Quality and Safety Management**

The internal companies and business divisions are reassessing their internal product safety rules to ensure that their product safety processes are compliant with the international standard ISO 12100. Doing so will better enable design divisions to carry out risk assessments and implement risk reduction measures appropriate to the magnitude of risks identified from the design stage.

● **Basic Safety Standards: Basic concepts applied to all types of machinery**

- ISO 12100 Safety of machinery—General principles for design—Risk assessment and risk reduction

● **Generic Safety Standards: Applied across a wide range of machinery**

- ISO 13849-1 Safety of machinery—Safety-related parts of control systems—Part 1: General principles for design
- IEC 62061 Safety of machinery—Functional safety of electrical, electronic and programmable electronic control systems
- IEC 60204-1 Safety of machinery—Electrical equipment of machines—Part 1: General requirements
- IEC 61000-6-4 Electromagnetic compatibility (EMC)—Part 6-4: Generic standards—Emission standard for industrial environments
- IEC 61000-6-2 Electromagnetic compatibility (EMC)—Part 6-2: Generic standards—Immunity for industrial environments

● **Machine Safety Standards: Detailed safety requirements for a particular machine or group of machines**

- ISO 10218-1 Robots and robotic devices—Safety requirements for industrial robots—Part 1: Robots

**Quality and Safety Education and Awareness Raising**

We hold information meetings on machinery safety and risk assessment seminars for technical divisions of the internal companies and business divisions, which are at the frontlines of realizing machine safety, to ensure that the idea and practice of machine safety reaches all affected employees.

**Quality and Safety Violations and Actions Taken**

On December 11, 2017, a major incident occurred in which a crack was discovered in the bogie frame of a series N700 Shinkansen railcar owned by West Japan Railway Company at Nagoya Station on the Tokaido Shinkansen Line.

Kawasaki established a Companywide Quality Control Committee to investigate the causes of this manufacturing defect and discuss responsive measures. The results of this investigation were promptly published on the Group's website and explained at press conferences and elsewhere.

Furthermore, to reinforce the Company-wide quality control system, in April 2019 we established a department to promote quality assurance activities at the Company-wide level, and we have implemented corrective measures to prevent recurrences.

### ISO 9001 Certification Status

Kawasaki acquires ISO 9001 certification at the internal company level.

- Head Office: Uncertified
- Ship & Offshore Structure Company: Certified (general merchant ships, offshore structures and AUVs business)
- Rolling Stock Company: Certified
- Aerospace Systems Company: Certified (JIS Q 9100 for aerospace and jet engine business)
- Energy System & Plant Engineering Company: Certified (plants, energy and marine business)
- Motorcycle & Engine Company: Certified (small engine business)
- Precision Machinery & Robot Company: Certified (also certified under the automotive industry standard IATF 16949 for the gas valve business)

### Policy on Defense-related Businesses

#### Initiatives to Prevent Human Rights Infringements in Defense-related Businesses

The Kawasaki Group Code of Conduct states that "We do not provide products and technologies for unethical purposes of use" and requires that Group members be aware of the ethical responsibilities associated with the provision of Group products and technologies.

#### Net Sales in Defense-related Businesses

	(FY)	2014	2015	2016	2017	2018
Net sales	(Millions of yen)	220,745	227,333	236,861	237,737	216,989
Percentage of total net sales	(%)	14.9	14.8	15.5	15.1	13.6
	Scope	CG	CG	CG	CG	CG

### Customer Relationship Management

#### Management Approach

#### Material Issues and Our Approach

The Kawasaki Group offers a vast variety of products to a wide range of domestic and international customers. The Group's products range from transportation equipment, such as ships, rolling stock and aircraft, to industrial machinery, such as gas turbines, engines, robots and industrial plants, and also include leisure products, such as motorcycles. A critical part of our business is to reflect our customers' demands in our products as quickly as possible.

The Kawasaki Group's six internal companies form a unique customer relationship management structure, wherein they share information to reflect in product designs and after-sales services as needed.

#### Focus Activities and Medium-term Targets

Because our lineup of products is highly diverse, and because of the differences between our B-to-B and B-to-C businesses, we base our business activities and goal setting for winning the confidence of our customers on the specific characteristics of each business. Key Group-wide activities are aimed at establishing and improving feedback systems. The Marketing Division reaches out to the internal companies and business divisions to gather feedback from customers and follow up on measures intended to enhance customer satisfaction. In the course of doing so, it also shares information and seeks to boost awareness of customer relationship management.

#### ● Goal for the MTBP 2019

- Further enhance each internal company and business division's awareness of customer engagement.

#### Progress, Results and Challenges

We have set up a contact page on our website that customers and other stakeholders can use to communicate their views to the Company.

Since fiscal 2013, the Marketing Division follows up with business divisions on the status of web surveys, questionnaires, and interviews associated with customer satisfaction on a yearly basis (in principle).

#### ● Goals for Fiscal 2018

- Build Company-wide mechanisms for receiving feedback.
- Increase awareness of customer relationship management.

#### ● Fiscal 2018 Result

- Rolled out customer satisfaction improvement initiatives at the Motorcycle and Engine Company and Precision Machinery Business division.

#### ● Goal for Fiscal 2019

- Roll out customer satisfaction improvement initiatives at all internal companies (once every three years after fiscal 2020).

## Customer Satisfaction

### Customer Satisfaction Survey

The Kawasaki Group's six internal companies supply products to customers across a wide range of fields. Since customer characteristics and business practices vary widely from business to business and product to product, each internal company or business division works to understand their customers' level of satisfaction using methodologies that best suit their businesses.

Business units with many regular or ongoing customers conduct customer satisfaction surveys over time to monitor changes in satisfaction and use these findings to make necessary improvements. The Motorcycle & Engine Company's customers include consumers. As such, in addition to direct interview-style questionnaires, the company uses online surveys to measure the satisfaction of large numbers of customers around the world.

### Responding to Customer Feedback and Complaints

Because customer characteristics and business practices vary widely from business to business and product to product, each internal company and business division responds to customer feedback and complaints in ways that best suit their businesses. For example, the Motorcycle & Engine Company handles feedback and complaints from customers in Japan at a customer consultation office, centrally manages the information gleaned from such offices and uses it to inform product development. The company has a similar system in place overseas.

### Customer Information Management

Because customer characteristics and business practices vary widely from business to business and product to product, each internal company and business division manages customer information in ways that best suit their businesses.

### Online Strategy

Because customer characteristics and commercial practices vary widely from business to business and product to product, each internal company and business division provides services in ways that best suit their businesses. At the Group-wide level, we are using social media to provide information about the Group.

The Motorcycle & Engine Company is working to increase customer satisfaction using services provided through "RIDEOLGY THE APP", an official smartphone application that links to supported motorcycle models.

## Corporate Promotion

### Responsible Corporate Promotion

The Kawasaki Group seeks to accurately communicate the content of its business activities, which are based on its corporate philosophy, to stakeholders. To this end, we carefully check information prior to disclosure from various stakeholder perspectives, including checks for factualness and potential legal issues. Furthermore, we endeavor to avoid using specialized terminology or expressions likely to be misunderstood. We utilize such media as press releases, Group websites, social media, corporate promotional publications and advertisements, selecting the form to use with due regard to how it impacts society. We engage in corporate promotion with a constant awareness of not only of increasing the public awareness of the Group, but also the need to communicate the Group's contributions to solving social issues through its businesses and products. In addition, to fulfill our duty of accountability regarding the Shinkansen bogie frame manufacturing defect discovered in February 2018, we worked with quality management experts to determine the causes of the problem and consider solutions, after which the president held a press conference in September 2018.

### Advertisement Violations and Actions Taken

There were no violations of laws pertaining to advertising in fiscal 2018.

## Diversity

### Management Approach

### Material Issues and Our Approach

Kawasaki sees employees as its most important asset for achieving its Group Mission and business targets. 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 human resources who participate in its businesses around the world understand and share the Group Mission and Kawasaki Value, and vigorously engage in their daily operations in a manner that accords with the Kawasaki Group Action Guidelines, regardless of their nationality, gender, age, religion or disability. In particular, to achieve new heights in technology, as stated in the Kawasaki Value, we believe that it is imperative to train and educate human resources based on a long-term perspective.

To this end, we engage in human resource development based on the Kawasaki Group Management Principles, which state that "The Kawasaki Group's corporate culture is built on integrity, vitality, organizational strength and mutual respect for people through all levels of the Group. We nurture a global team for a global era." Specifically, in line with the core principle of respect for the life and health of human beings, we strive to create environments where human resources are able to energetically work with a sense of pride, safety and security, and to train and educate human resources who are able to contribute to a better environment and a brighter future for generations to come.

### Focus Activities and Medium-term Targets

In order to further the global reach of our businesses and expand toward solutions-oriented businesses, we must promote the development of globally capable 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 order to increase earnings capacity, accomplish our growth strategies, and increase enterprise value over the medium- to long-term, all employees will need to fully utilize their capabilities and increase their productivity. To this end, we are working to enhance diversity management and focusing on our Kawasaki Workstyle Innovation (K-Win) activities aimed at transforming the workstyles of our administrative and technical employees.

#### ● Goals for the MTBP 2019

- Decrease the voluntary turnover rate for female employees in administrative and technical positions to 1.4% (fiscal 2016-2018 average: 2.8%).
- Increase options designed for LGBT employees.
- Hold presentations for senior managers and section managers on timely, diversity-related topics.

### Progress, Results and Challenges

In May 2016, Kawasaki received Eruboshi (2nd level) certification, which is given to companies in recognition of outstanding efforts in promoting the active participation of women in the workplace. In addition, on March 29, 2018, 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 for promoting the active and ongoing employment of persons with disabilities, as well as its progressive efforts to provide working environments that support their long-term employment.

As part of our efforts to promote diversity, going forward, we will also carry out awareness building activities to provide employees with correct knowledge about and deepen their understanding of LGBT individuals.

#### ● Goals for Fiscal 2018

- Discuss extending the retirement age for ordinary employees with the labor union and revise related systems (parent company).
- Support the success of diverse employees (women, employees with disabilities, non-Japanese nationals, etc.).

#### ● Fiscal 2018 Results

- Extended the retirement age for general employees to 65, effective 2019.
- Implemented measures to support the success of women and non-Japanese nationals (4U Café for women; seminars for employees returning from childcare leave and their managers; seminars for non-Japanese nationals).
- Number of female managers and percentage of management positions held by women: 43/1.10% (April 2018) → 49/1.22% (April 2019).
- Percentage of employees with disabilities: 2.42% (March 2018) → 2.45% (March 2019).

### ● Goals for Fiscal 2019

- Implement measures to promote the retention and success of women, non-Japanese nationals, people with disabilities and other minorities within the Group.
- Foster LGBT-friendly work environments and revise internal systems to allow employees to make choices that align with their gender identity.
- Enhance education for managers to foster workplaces where all employees can work with enthusiasm and pride.

### Personnel-related Structures

Group-wide policies on human resource development and utilization with significant potential impact on corporate management are discussed and reviewed at the Group-wide HR Committee. With the president as its presiding officer, the Group-wide HR Committee comprises primarily internal company presidents. The committee discusses and reviews matters regarding 1) cultivating corporate managers, 2) the application of human resources in key strategies and 3) the assignment of human resources to new business and new product operations.

In addition, the Head Office Human Resources Division maintains various meetings and committees in which division managers in charge of human resources and labor at the internal companies and business divisions convene to gather views and opinions on the drafting of detailed of human resource initiatives and communicate Group-wide policies.

### ● Human Resource Committees and Meetings

Body	Purpose	Attendees	Meeting frequency
Group-wide HR Committee	To discuss and consider Group-wide policies on human resource development and related matters with the potential to significantly impact corporate management	<ul style="list-style-type: none"> <li>• President, Vice President, and Internal Company President</li> <li>• General Manager of the Corporate Technology Division</li> <li>• General Manager of the Corporate Planning Division</li> <li>• General Manager of the Head Office Human Resources Division</li> </ul>	As needed
Group-wide Meeting of the Head Office Human Resources Division*	To share information on policy and operations related to personnel & labor administration	<ul style="list-style-type: none"> <li>• The Head Office Labor Administration Department (host)</li> <li>• Managers of personnel &amp; labor administration sections of internal companies and business divisions, and offices</li> <li>• Managers of personnel &amp; labor administration section of Group companies</li> <li>• Related departments</li> </ul>	Four times a year
Meeting of managers in charge of human resources	To exchange views about and discuss the operations of human resource departments	<ul style="list-style-type: none"> <li>• The Head Office Human Resources Department (host)</li> <li>• Managers of personnel &amp; labor administration sections of internal companies and business divisions, and offices</li> </ul>	As needed (approximately twice a year)
Meeting of managers in charge of human capital development	To exchange views about and discuss the operation of human capital development departments	<ul style="list-style-type: none"> <li>• The Head Office Human Capital Development Department (host)</li> <li>• Managers in charge of human capital development of internal companies and business divisions, and personnel &amp; labor administration section of offices</li> <li>• Managers of human capital development sections of the Group companies</li> </ul>	Twice a year
Meeting of managers in charge of labor administration	To exchange views about and discuss the operation of labor administration departments	<ul style="list-style-type: none"> <li>• The Head Office Labor Administration Department (host)</li> <li>• Managers of personnel &amp; labor administration sections of internal companies and business divisions, and offices</li> </ul>	Twice a year
Meeting of managers in charge of safety & health management	To exchange views about and discuss the operation of safety & health management departments	<ul style="list-style-type: none"> <li>• The Head Office Safety &amp; Health Management Department (host)</li> <li>• Managers of the safety &amp; health management section of each business location</li> </ul>	Four times a year

\* Meetings of managers serve as venues for discussion, while the Group-wide Meeting of the Head Office Human Resources Division serves as a venue for sharing information and communicating policy.

### ● Responsible Officer

Group-wide HR Committee: Yoshinori Kanehana, Representative Director, President and Chief Executive Officer

Other various HR meeting bodies: Managers from the Head Office Human Resources Division

### ● Responsible Executive Organ and Committee

Group-wide HR Committee

## Diversity

### Employee Breakdown

#### Number of Employees (non-consolidated) <sup>1</sup>

		(FY)	2014	2015	2016	2017	2018
Number of employees		Persons	15,508	15,911	16,162	16,423	16,899
	Male	Persons	14,600	14,964	15,159	15,303	15,533
		%	94.1	94.0	93.8	93.2	91.9
	Female	Persons	908	947	1,003	1,120	1,366
		%	5.9	6.0	6.2	6.8	8.1
Managerial staff		Persons	–	–	3,386	3,473	3,593
	Male	Persons	–	–	3,362	3,445	3,549
	Female	Persons	–	–	24	28	44
General employees		Persons	–	–	12,776	12,950	13,306
	Male	Persons	–	–	11,797	11,858	11,984
	Female	Persons	–	–	979	1,092	1,322
Average age		Years old	38.5	38.3	38.1	38.4	39.3
	Male	Years old	38.1	38.0	38.0	38.3	39.2
	Female	Years old	39.4	39.9	39.9	39.9	40.9
By age	29 and younger	Persons	3,668	3,775	3,867	3,870	3,826
		%	23.7	23.7	23.9	23.6	22.6
	Male	Persons	3,476	3,592	3,674	3,655	3,595
	Female	Persons	192	183	193	215	231
30 to 39		Persons	4,204	4,512	4,718	4,960	5,225
		%	27.1	28.4	29.2	30.2	30.9
	Male	Persons	3,984	4,264	4,449	4,645	4,849
	Female	Persons	220	248	269	315	376
40 to 49		Persons	3,969	4,123	4,206	4,198	4,329
		%	25.6	25.9	26.0	25.6	25.6
	Male	Persons	3,653	3,790	3,855	3,814	3,849
	Female	Persons	316	333	351	384	480
50 to 59		Persons	2,051	2,062	2,142	2,452	2,812
		%	13.2	13.0	13.3	14.9	16.6
	Male	Persons	1,919	1,923	2,002	2,285	2,582
	Female	Persons	132	139	140	167	230
60 and above		Persons	1,616	1,439	1,229	943	707
		%	10.4	9.0	7.6	5.7	4.2
	Male	Persons	1,568	1,395	1,179	903	658
	Female	Persons	48	44	50	40	49
By position	Director, Audit & Supervisory Board Member	Persons	16	16	17	17	17
		%	100	100	94.1	88.2	88.2
	Male	Persons	16	16	16	15	15
	Female	Persons	0	0	1	2	2
		%	0	0	5.9	11.8	11.8
Executive officer and above		Persons	23	23	27	24	24
	Male	Persons	23	23	27	24	24
		%	100	100	100	100	100
	Female	Persons	0	0	0	0	0
		%	0	0	0	0	0

		(FY)	2014	2015	2016	2017	2018	
By position	Senior manager equivalent <sup>2</sup>	Persons	756	776	820	869	917	
		Male	Persons	753	770	813	862	910
		%	99.6	99.2	99.1	99.2	99.2	
	Female	Persons	3	6	7	7	7	
		%	0.4	0.8	0.9	0.8	0.8	
	Manager equivalent	Persons	2,254	2,402	2,402	2,456	2,461	
		Male	Persons	2,243	2,389	2,385	2,435	2,427
		%	99.5	99.5	99.3	99.1	98.6	
		Female	Persons	11	13	17	21	34
	%		0.5	0.5	0.7	0.9	1.4	
Assistant manager equivalent	Persons	1,789	1,823	1,795	1,873	2,147		
	Male	Persons	1,724	1,745	1,708	1,769	2,034	
	%	96.4	95.7	95.2	94.4	94.7		
	Female	Persons	65	78	87	104	113	
		%	3.6	4.3	4.8	5.6	5.3	
	Scope	nc	nc	nc	nc	nc		

1. Number of employees as of fiscal year-end (includes temporary employees).

2. Senior Manager equivalents include positions up to associate officer.

#### Number of Employees (consolidated)\*

		(FY)	2014	2015	2016	2017	2018
Total employees	Persons	35,471	34,605	35,127	35,805	35,691	
	Domestic group	Persons	26,019	25,897	26,348	26,747	26,171
		%	73.4	74.8	75.0	74.7	73.3
	Overseas group	Persons	9,452	8,708	8,779	9,058	9,520
%		26.6	25.1	25.0	25.3	26.7	
By region	Japan	Persons	26,019	25,897	26,348	26,747	26,171
		%	73.4	74.8	75.0	74.7	73.3
	Europe	Persons	698	685	681	704	750
		%	2.0	2.0	1.9	2.0	2.1
	Americas	Persons	3,495	3,447	3,469	3,557	3,639
		%	9.9	10.0	9.9	9.9	10.2
	Asia	Persons	5,259	4,576	4,629	4,758	5,092
		%	14.8	13.2	13.2	13.3	14.2
	Australia	Persons	Included in Asia		39	39	
		%			0.1	0.1	
	Scope	cg	cg	cg	cg	cg	

\* Number of employees as of fiscal year-end.

#### Promoting the Employment and Active Participation of Non-Japanese Nationals

Kawasaki launched a regular hiring program for non-Japanese new graduates in fiscal 2012 and continues to recruit from countries around the globe, including Korea, China, Sweden and India. To improve communication between non-Japanese employees and their supervisors and co-workers, as well as to enable supervisors and co-workers to better understand non-Japanese employees who have different educational, cultural and other backgrounds, Kawasaki creates and distributes guidebooks for workplaces that non-Japanese employees will be joining and organizes seminars on multicultural understanding for supervisors as well as training programs to help employees from other countries understand the Japanese business environment.

#### Number of Foreign National Employees

	(FY)	2015	2016	2017	2018	2019
Number of foreign national employees*	Persons	23	29	34	35	36
	Scope	nc	nc	nc	nc	nc


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

#### Promoting the Active Participation of Women

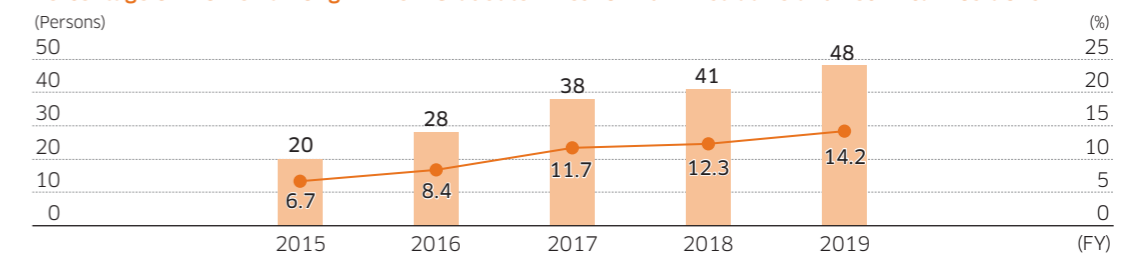
Kawasaki's efforts to promote the active participation of women begin with proactive hiring. The number of women employed and the number in managerial positions have been increasing year by year. Particularly with respect to hiring, about 30 percent of new college graduates in administrative positions are women.

To promote the retention and career success of women, we implement 4U (For You) Network activities to facilitate the active participation of women in the workplace through friendly competition. These activities help women find role models they can learn from in the Company and allow them to share ideas on how to balance their work with life events. 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 the goal of tripling the number of women working in managerial positions (section manager equivalent or above) from the fiscal 2014 level by 2020.

In recognition of these efforts, in 2016 Kawasaki received Eruboshi (2nd level) certification in recognition of outstanding efforts in promoting the active participation of women in the workplace. The Eruboshi system uses a three-level scale to evaluate companies' achievements in five areas: 1) hiring, 2) continued employment, 3) working hours and other conditions, 4) ratio of female managers and 5) diverse career paths. Kawasaki has met the conditions for certification in areas 1), 2), 3) and 5).

 Kawasaki's page in the Ministry of Health, Labour and Welfare's database of companies promoting the active participation of women (Japanese only)  
<http://positive-ryouritsu.mhlw.go.jp/positivedb/detail?id=2392>

#### New Graduate Female Hires for Administrative and Technical Positions\* and Percentage of Women among All New Graduate Hires for Administrative and Technical Positions



■ New graduate female hires for administrative and technical positions (left scale)  
 ● Percentage of women among all new graduate hires for administrative and technical positions (right scale)

\* As of April 1 of each fiscal year.

Scope: nc



### Number of Women in Managerial Positions<sup>1,2</sup>

	(FY)	2015	2016	2017	2018	2019
Number of women in managerial positions*	Persons	23	26	29	43	52
	Scope	nc	nc	nc	nc	nc

1. As of April 1 of each fiscal year.

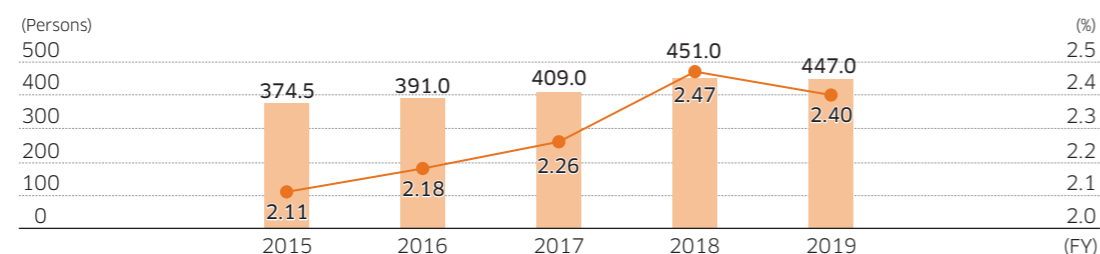
2. Section head or above. Figures include staff on external postings and staff on leave.

### 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.

### Employees with Disabilities<sup>1,2</sup> and Percentage of Employees with Disabilities



■ Employees with disabilities (left scale) ● Percentage of employees with disabilities (right scale)

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 person with a severe disability is counted as two persons. Scope: Kawasaki and Kawasaki Heartfelt Service Co., Ltd.

### Employing Seniors

Kawasaki extended its mandatory retirement age well before such changes were mandated by the amended Older Persons' Employment Stabilization Law. We extended the retirement age of general employees from 60 to 63 in April 2006, and then to 65 in April 2019. In addition, we have adopted a Pro-Senior System, under which interested employees in management positions can, in principle, be re-hired until the age of 65. These initiatives allow many veteran employees to remain involved in active operations where they can use their accumulated experience and pass down their skills. Employees approaching age 55 are invited to participate in a Lifestyle Design Awareness Seminar, where they can learn more about our programs for postponed retirement and reemployment and consider their post-reemployment lifestyle options.

	(FY)	2014	2015	2016	2017	2018
Number of reemployed persons	Persons	167	214	243	183	140
	Scope	nc	nc	nc	nc	nc

### Remuneration

#### Average Annual Remuneration

	(FY)	2014	2015	2016	2017	2018
All employees	Millions of yen	–	–	7.4	7.1	7.1
Male	Millions of yen	–	–	7.5	7.2	7.2
Female	Millions of yen	–	–	5.4	5.2	5.2
Average for managerial staff (basic pay only)	Millions of yen	–	–	7.6	7.6	7.6
Male	Millions of yen	–	–	7.6	7.6	7.6
Female	Millions of yen	–	–	7.3	7.2	7.0
Average for managerial staff (basic pay plus bonuses, etc)	Millions of yen	–	–	12.1	11.4	11.3
Male	Millions of yen	–	–	12.1	11.4	11.4
Female	Millions of yen	–	–	11.7	10.7	10.2
Average for general employees (basic pay only)	Millions of yen	–	–	4.4	4.5	4.5
Male	Millions of yen	–	–	4.5	4.5	4.6
Female	Millions of yen	–	–	3.7	3.7	3.7
	Scope	–	–	nc	nc	nc

### Other Initiatives

#### Diversity Symbol

Kawasaki has adopted a diversity symbol. This symbol imagines Kawasaki as a tree, made up of a great number of diverse individuals. For this tree to grow healthily, its leaves and fruit becoming more colorful and rich, we who work at Kawasaki see value in expressing our diverse colors—our unique personalities and skills—and seek to do so together within Kawasaki to grow as individuals and as a company. This is the message conveyed by the diversity symbol.



#### Diversity Promotion Website

We have set up a diversity promotion website on the Company intranet. This website offers an overview of diversity at the Kawasaki Group alongside workplace examples and information about systems related to facilitating a healthy work-life balance.

#### External Collaboration

To accelerate social shifts related to diversity and work-life balance, we proactively look beyond the framework of the Company to encourage employees to participate in outside seminars and advance activities together with other organizations and companies. One example is a work-life balance and diversity promotion study project being jointly implemented by the Chuo University Graduate School of Strategic Management and private companies. This project broadly promotes the concept of healthy work-life balance in society through surveys and research. Kawasaki has taken part in the project since 2013, serving as a model company by implementing such internal measures as work-life balance training for managers. We are also a member of the Diversity Western-Japan Study Group. In this group, diversity officers at companies in the Kansai region meet to share ideas and good examples of diversity in action and advocate for diversity-related measures within their companies and to the government.

Human Resource  
DevelopmentManagement  
Approach**Material Issues and Our Approach**

Kawasaki sees employees as its most important asset. We provide consistent training and development programs for all different staff grades with the aim of realizing the ideal six human resource 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 and Medium-term Targets**

In order to further the global reach of our businesses and extend them to solutions-oriented businesses, we must promote the 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.

**● Goals for the MTBP 2019**

- Build electrical skills training programs and create and implement new training.
- Steadily implement succession plans (job rotation, reinforcing training, etc.).
- Implement early leader training and suitability reviews (utilize multifaceted observation surveys).
- Introduce a training management system. Shift from focusing on group training to optimized learning modes including e-learning, text-based study and group training

**Progress, Results and Challenges****● Goals for Fiscal 2018**

- Work to create environments and mindsets that foster learning.
- Enhance executive development measures.
- Initiate projects to innovate the Company organization and culture.
- Develop and utilize global human resources.
- Promote the transfer of engineering and other technical skills and expertise, developing and utilizing knowledgeable, experienced human resources, including project managers.

**● Fiscal 2018 Results**

- Formulated succession plans, considered training reinforcement measures.
- Initiated corporate culture improvement projects, president gave lecture on corporate culture improvement to all 1,400 line managers (13 occasions).
- Dispatched employees overseas for training (5 individuals), dispatched overseas employees to Japan for basic mechanical design training (24 individuals).
- Implemented surveys and drafted measures to reinforce human resources with electrical skills (jointly implemented with the Corporate Technology Division).
- Provided information related to human resource development via the internal newsletter and Company intranet.

**● Goals for Fiscal 2019**

- Foster human resources with electrical skills in line with business strategy.
- Implement systematic executive development.
- Reinforce management.
- Introduce operational reforms to training (utilizing IT).

**Structure**

Common Group-wide education and training, such as level-specific development for junior employees, top management or other levels and training to foster globally capable human resources, is planned and executed by the Head Office Human Resources Division. In addition, the internal companies and business divisions each plan and execute education and training related to the particular abilities and skills required in their respective areas of business.

Human Resource  
Development**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 specific targets 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 resource 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 resource education.
- Human resource 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 Resource 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 skills 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 designed 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 to enhance 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**

		(FY)	2014	2015	2016	2017	2018
New employee training	Participants	–	–	332	325	338	
	Total hours	–	–	14,608	14,300	14,872	
Training for new section managers	Participants	–	–	95	91	91	
	Total hours	–	–	7,600	7,280	5,533	
Training for new division managers	Participants	–	–	40	44	50	
	Total hours	–	–	2,240	2,464	2,464	
Kawasaki executive coaching program	Participants	–	–	9	9	9	
	Total hours	–	–	1,152	1,152	1,152	
Kawasaki management seminars	Participants	–	–	34	51	23	
	Total hours	–	–	136	204	81	
Scope		–	–	cd*	cd*	cd*	

### Strengthening On-site Capabilities (Training for Production Specialists)

In the area of production specialist training, we are promoting the transmission and enhancement of front-line production skills through a variety of programs, including the Skills and Qualification Early Acquisition Incentive Program for younger employees and the Grand Master System, in which production specialists with a high level of special expertise are recognized as grand masters and work to systematically pass down their skills to younger employees. In fiscal 2019, 10 new grand masters have been recognized, bringing the current total of active grand masters to 20.

In addition, we also participate actively in outside skills competitions. In the Skill Grand Prix held in March 2019, one of our employees won the Fighting Spirit Prize in the machine finishing category, and at the Hyogo Monozukuri (production) Skill Competition held in November 2018, Kawasaki employees took third place in the welding category as well as second and third places in the lathe category in the younger workers' skills division, while in the advanced skills division, one of our employees took third place in the lathe category.

To reinforce the leadership of production site supervisors, we provide site manager training and team leader training. For young employees, we provide basic training programs on KPS\* and quality control in which they learn about Kawasaki's production systems.

\* KPS: The Kawasaki Production System, a proprietary production system developed by Kawasaki.

### Other Initiatives to Strengthen On-site Capabilities

#### ● Technical Skill Contest

In recent years, with Japan's baby boomer generation retiring in great numbers, ensuring that their skills are passed down to the next generation has become a pressing issue, and Kawasaki is focusing efforts on education and developing the skills of young employees. Every year, young employees from production sites in and outside Japan gather at the Akashi Works for the Technical Skill Contest to compete against one another using skills they have honed at their work sites. In fiscal 2018, young technicians from Japan and three other countries demonstrated their skills to the fullest, competing with and learning from each other. Going forward, we will continue such efforts to maintain and improve technical skills across the Group.

#### ● Creating Opportunities to Pass down Skills

Aggressively promoting the transfer of technical skills to enhance production capabilities, the bedrock of our business activities, is essential. To this end, we opened *Takumi Juku*, a professional trade skills training center at the Harima Works, in 2012, and *Manabiya*, a manufacturing skills creation center at the Akashi Works, in 2014. Through synergies between existing skills training systems and the creation of opportunities to pass down technical skills, these centers are delivering results in terms of not only transferring skills, but also of acquiring new skills, quickly developing skills and instructors, and enabling employees to teach and improve one another's capabilities.

### Developing Global Human Resources

Since 2008, we have been implementing measures for global human resource development aimed at supporting business expansion worldwide. Specifically, we provide overseas business management seminars designed to promote a readiness to engage in business from a global perspective while imparting useful skills in addition to enhanced cross-cultural responsiveness training, which is designed to instill a practical and systematic understanding of differences in ever-diversifying value perceptions.

Furthermore, we work to enhance global human resource development, for example, offering an overseas internship system aimed at globalizing domestic human resources, an Asia business training program and training support for local engineering employees at overseas sites.

### ● Performance of Major Training Programs Associated with Global Human Resources Organized by Head Office

		(FY)	2014	2015	2016	2017	2018
Overseas business training	Participants		–	–	39	39	33
	Total hours		–	–	2,964	2,964	1,584
Cross-cultural training	Participants		–	–	90	61	20
	Total hours		–	–	720	488	160
English skill series <sup>1</sup>	Participants		–	–	40	30	15
	Total hours		–	–	864	648	324
English writing series <sup>2</sup>	Participants		–	–	36	32	39
	Total hours		–	–	576	512	624
Scope			–	–	cd*	cd*	cd*

1. English skills series: Meeting-based (Reading aloud and practical exercises), presentation and negotiation training

2. English writing series: Courses on technical writing and business writing

Note: Language programs are also provided at each location.

### Project Manager Training

In recent years, we have seen a rise in project-oriented businesses with contracts for entire systems, including peripheral facilities, as opposed to standalone products. Accordingly, we introduced new training programs in fiscal 2016 to secure project managers able to execute such projects. The entire Group is working to enhance its project management capabilities, to this end holding Project Manager Seminars to which we invite individuals from inside and outside the company with previous experience in large-scale projects as lecturers to impart the know-how required to lead projects to success. In addition we have implemented an internal study program involving the transfer of employees to other internal companies to acquire experience in large-scale projects.

### Amounts Invested in Human Resource Development

#### Education and Training Expenses

	(FY)	2014	2015	2016	2017	2018
Education and training expenses per employee	Yen/FTE*	42,000	38,000	33,000	33,000	35,000
Education and training hours per employee	Hours/FTE*	31	33	33	33	38
Scope		nc	nc	nc	nc	nc

\* FTE: Full-Time Equivalent

#### ROI from Human Resources

	(FY)	2014	2015	2016	2017	2018
Sales (a)	Millions of yen	1,486,123	1,541,096	1,518,830	1,574,242	1,594,743
Sales expenses (b)	Millions of yen	1,398,864	1,445,099	1,472,869	1,518,317	1,530,720
Employee-related expenses (c)*	Millions of yen	160,396	163,385	158,303	158,072	161,131
ROI from human resources (a-(b-c)) /c	%	1.54	1.59	1.29	1.35	1.40
Scope		cg	cg	cg	cg	cg

\* Salaries, bonuses, and welfare expenses

**Securing and Retaining Human Resources Management Approach**

**Material Issues and Our Approach**

When recruiting human resources, rather than simply filling the gaps left by outgoing retirees, we seek to secure individuals with the necessary skills in the required numbers from a medium- to long-term perspective. Recently, in light of a growing need for more employees due to business expansion, we are actively recruiting not only new graduates but also individuals with career experience. In April 2019, we extended the retirement age of general employees to 65. We also have adopted a Pro-Senior System, under which employees in management positions can be re-hired until the age of 65. As a result, many veteran employees are actively involved in operations.

Additionally, to facilitate overseas business expansion and promote diversity, since fiscal 2012 we have been working to hire new overseas college graduates and foreign national students in Japan.

After hiring, we seek to develop human resources using on- and off-the-job training and transfer individuals in line with their specific aptitudes, seeking to put the right people in the right places in order to make maximum use of our human resources' abilities.

**Focus Activities and Medium-term Targets**

**Workstyle Reform**

Since fiscal 2016, the Kawasaki Group has embraced 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 coordinated effort in the three areas of transformation, namely, operational transformation, organizational and corporate culture transformation, and system transformation.

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.

**● Goal for the MTBP 2019**

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

**Progress, Results and Challenges**

**Securing Human Resources**

Administrative and technical positions are characterized by a prevalence of team-based operations. As such, finding team players who can engage in friendly competition with their colleagues is a major focus in hiring. Making this focus more concrete, and to ensure our ability to secure excellent talent, in 2017 we established a vision for the kind of human resources we seek, and have been proceeding accordingly. Specifically, administrative employees should be able to fulfill their given missions by proactively interacting with those around them 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. We are implementing similar initiatives for technical employees, seeking to secure talent that is even more outstanding.

**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.

**● Goals for Fiscal 2018**

- Formulate and execute measures based on the results of the employee satisfaction survey.
- Implement activities aimed at communicating basic policies to Group companies.

**● Fiscal 2018 Results**

- The results of the fiscal 2018 employee satisfaction survey (of the parent company and domestic subsidiaries and affiliated companies) indicated work environment improvements from the previous survey, in fiscal 2015, in terms of a) perceived appropriateness of work hours, b) use of paid leave, c) work-life balance. However, the fairness of promotion systems and the objectivity and transparency of evaluation systems were rated poorly by employees, with levels of satisfaction varying by internal company (on par with the results of the previous survey). In addition, ratings of workplace openness, harassment prevention, and the woman-friendliness of the workplace fell from the previous survey. Based on the survey results, we will implement specific measures from fiscal 2019 onward.

- Communicated Group policy on response to the amended Workstyle Reform Law to consolidated subsidiaries via the internal companies. Planning to check on the state of response at consolidated subsidiaries in fiscal 2019.

**● Goals for Fiscal 2019**

- Carry out measures related to improving corporate culture and business restructuring, which are pillars of K-Win Activities (specifically, provide support for the active utilization of one-on-one meetings, follow up on the activities of internal companies, promote operational process streamlining, etc.).
- Establish an external consultation point for harassment- and mental health-related issues.
- Formulate and carry out measures to flexibly activate human resources, such as personnel rotation.
- Revise personnel and compensation systems.

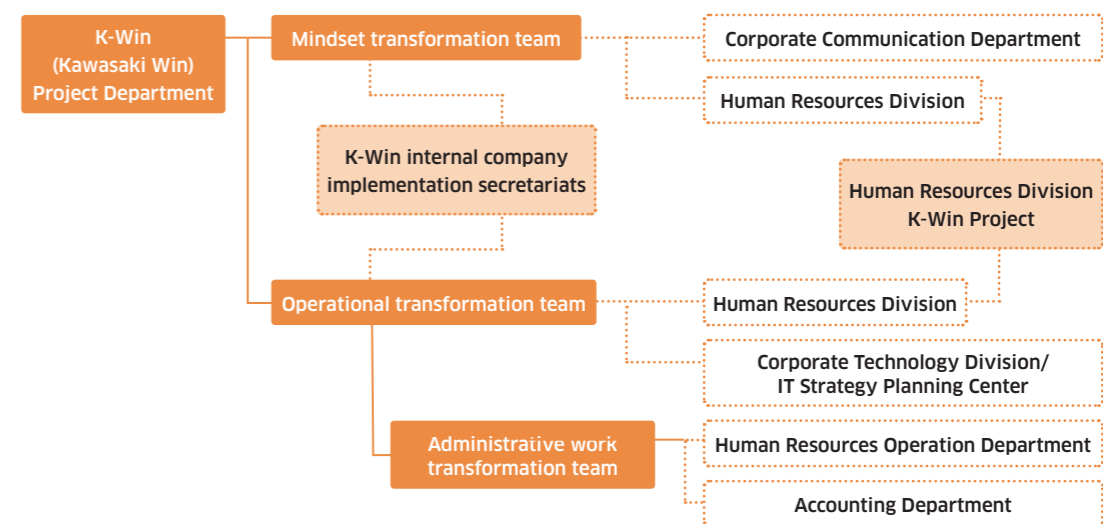
**Structure**

We have formed an Implementation Secretariat for K-Win Activities, primarily comprising the Corporate Planning Division's K-Win Project Department. Three teams operate under the Implementation Secretariat: an organizational culture transformation team, an operational transformation team and an administrative work transformation team. These teams are responsible for the following activities:

- Organizational culture transformation team: Fostering exchange in and outside the Company to promote the diversity of knowledge, fostering a culture of encouraging taking on challenges and acknowledging and learning from failure, and building an open organizational and corporate culture
- Operational transformation team: Increasing productivity (promoting effective work methods in terms of maximizing results and judicious task selection, and promoting efficient work methods in terms of minimizing required inputs)
- Administrative work transformation team: Digitizing the handling of travel and other expenses and invoices, improving administrative work platforms and making management information more accessible

Additionally, implementation secretariats have been established at the internal companies and works to promote workstyle reforms across the Company. Four times a year, the Head Office K-Win Implementation Secretariat and the implementation secretariats at internal companies and works hold a Company-wide K-Win Implementation Secretariat Conference to share information and promote workstyle reform implementation on a Company-wide basis.

**K-Win Implementation Structure**



**● Responsible Officer**

Satoshi Morikawa, Manager, K-Win(Kawasaki Win) Project Department, Corporate Planning Division

**● Responsible Executive Organ and Committee**

K-Win Activities Implementation Secretariat

## Securing and Retaining Human Resources

### Employee Evaluations

#### Human Resource 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 professionalism 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

	(FY)	2014	2015	2016	2017	2018
Evaluation based on target management <sup>1</sup>	%	–	–	100	100	100
Multifaceted performance evaluations <sup>2</sup>	%	–	–	21	21	21
Evaluations for ranking employees within their category	%	–	–	100	100	100
Others	%	–	–	–	–	–
	Scope	–	–	nc	nc	nc

1. Evaluations based on targets and other criteria agreed to by the Line Manager.

2. 360° evaluations, etc.

### Long-term Incentives

#### Overview of Long-term Incentives for Employees

Kawasaki provides a retirement payment system where employees can receive payment in a lump sum or as a pension. Kawasaki offers defined contribution corporate pensions in addition to defined benefit pensions which allow employees to choose their contribution amounts to suit their life plans and put them to good use in their long-term asset building plans.

#### Assessment Criteria

Years of service, age, work qualifications, work performance

#### Period for Assessment

Three years or more

#### Scope of Policy Application

All employees

### Hiring

#### Number of Hired Employees

	(FY)	2015	2016	2017	2018	2019
New graduates hired*	Persons	526	577	538	538	562
	Male	500	546	495	492	507
	Female	26	31	43	46	55
Administrative and technical positions	Persons	299	333	325	332	338
	Male	279	305	287	291	290
	Female	20	28	38	41	48
Production specialists	Persons	227	244	213	206	224
	Male	221	241	208	201	217
	Female	6	3	5	5	7
Mid-career hires	Persons	452	230	251	417	–
	Male	424	184	145	297	–
	Female	28	46	106	120	–
Administrative and technical positions	Persons	284	177	138	162	–
	Male	265	162	125	152	–
	Female	19	15	13	10	–
Production specialists	Persons	163	20	19	148	–
	Male	159	19	19	140	–
	Female	4	1	0	8	–
Partner	Persons	5	33	94	107	–
	Male	0	3	1	5	–
	Female	5	30	93	102	–
Average years of service	Years	13.4	13.3	13.5	13.6	–
	Male	–	13.5	13.5	13.7	–
	Female	–	13.3	13.5	12.3	–
Average hiring cost per hire	Thousands of yen	–	900	–	–	–
	Scope	nc	nc	nc	nc	nc

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

### Resignations

#### Number of People Resigning

	(FY)	2014	2015	2016	2017	2018
Number and Rate <sup>1,2</sup>	Persons	71	73	145	187	220
	%	0.5	0.5	0.9	1.2	1.3
	Male	58	66	129	166	200
29 and younger	%	0.4	0.5	0.9	1.1	1.3
	Female	13	7	16	21	20
	%	1.5	0.8	1.7	2.0	1.6
30 to 39	Persons	45	44	75	78	111
	%	1.1	1.1	2.7	2.3	2.9
	Male	34	40	68	68	101
40 and older	%	0.9	1.0	2.6	2.1	2.8
	Female	11	4	7	10	10
	%	3.8	1.9	5.3	5.6	4.4
50 and older	Persons	14	17	43	75	76
	%	0.4	0.4	0.9	1.5	1.5
	Male	14	14	39	67	70
60 and older	%	0.4	0.4	0.8	1.4	1.5
	Female	0	3	4	8	6
	%	0.0	1.4	1.5	2.7	1.7

	(FY)	2014	2015	2016	2017	2018
40 to 49	Persons	5	10	19	25	16
	%	0.1	0.3	0.5	0.6	0.4
Male	Persons	3	10	16	22	13
	%	0.1	0.3	0.4	0.6	0.3
Female	Persons	2	0	3	3	3
	%	0.8	0.0	1.0	0.9	0.7
50 and above	Persons	7	2	8	9	17
	%	0.2	0.1	0.2	0.3	0.5
Male	Persons	7	2	6	9	16
	%	0.2	0.1	0.2	0.3	0.6
Female	Persons	0	0	2	0	1
	%	0.0	0.0	0.9	0.0	0.4
	Scope	nc	nc	nc	nc	nc

1. Age of resigning employees is shown as of April 1 of each fiscal year.

2. Number of resigning people does not include retirees and executive transfers.

## Employee Satisfaction

### Employee Satisfaction Surveys

Kawasaki conducts periodic employee satisfaction surveys to gauge employee perceptions of 1) company visions, 2) compliance, 3) personnel matters, 4) work-life balance and 5) loyalty to and satisfaction with the Company.

Employee responses are analyzed, with salient correlations taken into account, and the results are utilized in a wide range of measures. Survey results are also disclosed to employees on the Company intranet.

### Employee Satisfaction Survey Results

	(FY)	2014	2015	2016	2017	2018
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	cd	–	o*	–	cd

\* Implemented for certain executives and managers at Group companies outside Japan

## Work-Life Balance Support

### Supporting Employees Balancing Work with Childcare and Nursing Care

Kawasaki provides support in a number of ways to enable employees to continue working actively while balancing work with childcare and nursing care. Many related systems go beyond national government standards, such as a system of childcare leave available until employees' children reach age three; a reduced working hours system available until employees' children graduate from elementary school; nursing care leave available for up to three years; and a system that lets employees take time off in one-hour units as needed for childcare or family nursing care. In recognition of these systems, in 2010 Kawasaki was certified as a company supporting childcare and awarded the Kurumin Mark.

Other initiatives include the Supplementary Work Day Nursery Service, which provides temporary childcare services within the Company for employees working on days that they would normally have off; the Childcare Rescue System, offering Company-designated baby-sitter services that employees can use when their children are sick or recovering or when they are working overtime or on business trips; a concierge service to help employees find nursery schools; seminars to support employees taking childcare leave who wish to return to work; and career seminars for dual-income married couples. We continue working to enhance such initiatives for employees with children.

### Usage of Work-Life Balance Programs

	(FY)	2014	2015	2016	2017	2018	
Employees using the childcare leave	Persons	43	37	51	49	59	
	Male	Persons	4	9	8	6	7
	Female	Persons	39	28	43	43	52
Employees using the care leave	Persons	2	2	0	4	3	
	Male	Persons	2	2	0	2	3
	Female	Persons	0	0	0	2	0
Return rate after childcare leave	%	94	100	98	98	100	
Retention rate after childcare leave	%	100	100	100	98	–*	
	Scope	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 2018.

### Support Systems (non-consolidated)

Parental leave before and after birth	Maternity/paternity leave	Employees may take leave until a child reaches the age of three. There is no limit on the number of leaves taken.
	Nursery school enrollment concierge	Provides services to help employees taking childcare leave enroll their children in a nursery school.
	Leave to care for sick/injured child	Employees 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)
	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.
Family (Nursing care)	Use of flextime system	Employees may work on a flextime basis as necessary when looking after a young child (up to completion of elementary school) or when morning sickness interferes with job duties.
	Limits on out-of hours work and work on days off	Employees may be exempted from out-of-hours work and work on days off until a child completes elementary school.
	Reduced working hours system to care for young child	Standard working hours can be reduced up to a maximum of three hours a day until a child completes elementary school.
	Nursing care leave	Employees may take leave up to three times for one person requiring nursing care (three years at longest).
Other	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.
Other	Use of flextime system	Employees may work on a flextime basis as necessary when looking after an ailing or elderly family member.
	Reduced working hours system for nursing care	Employees may shorten their working hours for at longest two hours a day (up to two times in three years).
Other	Request for reemployment	Employees who resign to care for a child or an ailing/elderly family member may apply to be rehired when a change in their situation allows them to return to work.

\* Accumulated leave refers to an accumulation of unused annual paid vacation days that cannot be carried over to the next year but can be taken in special circumstances.

**Work-Life Balance**

**Encourages Employees to Take Their Annual Paid Leaves**

Kawasaki encourages our employees to take their annual paid leave to enable employees to mentally and physically refresh themselves and to draw a clear line between work and private life by taking their leaves in a planned manner. To this end, Kawasaki implements two programs: the Two Consecutive Holidays and the Anniversary Holiday programs. Under these programs, employees designate a total of three paid leave days at the beginning of the fiscal year and can take these days off without fail.

Additionally, based on a labor agreement, three annual paid leave days that the Company designates are taken at once generally by all employees in August. This midsummer break, which includes other Company holidays and a national holiday, adds up to nine consecutive vacation days.

Furthermore, the labor union and management have agreed to define one day per week as an on-time exit day since fiscal 2006. By defining this on-time exit day, employees are able to achieve a well-controlled workstyle, which helps in improving their work-life balance.

● **Annual Paid Leave Usage**

	(FY)	2014	2015	2016	2017	2018
Number of used paid leaves*	Days/person	14.9	15.0	15.2	15.4	15.8
Paid leave usage rate	%	67.7	68.2	69.0	70.0	71.8
Total annual work hours	Hours/person	2,078	2,070	2,075	2,065	2,047
Total annual overtime hours	Hours/person	303.4	340.0	307.2	303.8	303.6
	Scope	nc	nc	nc	nc	nc

\* 22 days given per year.

**Topic**

**Enhancing On-site Nursery Facilities**

A nursery opened at Kawasaki Motors Enterprise (Thailand) Co., Ltd. in April 2010. The nursery provides temporary care for employees' children between the ages of one and four. As of March 2017, the nursery cares for the children of about 30 employees on a daily basis. Several 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.



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


**Occupational Safety and Health**

**Management Approach**

**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 enterprise 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 occupational 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.

 **Kawasaki Safety and Health Philosophy, Safety and Health Declaration and Basic Policy (in Japanese only)**  
[https://www.khi.co.jp/sustainability/social/employee/pdf/safety\\_idea.pdf](https://www.khi.co.jp/sustainability/social/employee/pdf/safety_idea.pdf)

**Focus Activities and Medium-term Targets**

The 2019–2021 Three-Year Plan for Safety and Health Management defines the following targets and focus activities:

**I. Targets**

**Top-priority Targets**

1. Zero serious occupational accidents
2. Zero new cases of occupational illness

**Safety Management Targets**

1. Reduce the frequency of lost-worktime accidents by at least 9%
2. Reduce the total number of occupational accidents by at least 9%

**Sanitation Management Targets**

1. Reduce days lost to illness or injury resulting in four or more days of lost time by at least 5%
2. Reduce the proportion of workplaces with overall health risk scores of 120 or above as determined by group analyses of stress checks by at least 3 percentage points

**Health Management Targets**

1. Reduce the proportion of employees 40 years old or above with metabolic syndrome or pre-metabolic syndrome at least 5 percentage points
2. Reduce the proportion of employees under 40 years old with high body fat by at least 5 percentage points
3. Complete the separation of smoking and non-smoking areas in indoor spaces by the end of 2021

Note: All the above targets are for 2021 (the final year of the plan); target changes are as compared with 2018 results.

**II. Focus Activities**

**Safety Management**

1. Continuous improvement in the occupational health and safety management system
2. Thorough enforcement and strengthening of measures to prevent serious occupational accidents and similar accidents
3. Disaster prevention measures at construction sites

**Sanitation Management**

1. Preventive measures against occupational diseases
2. Mental health measures

**Health Management**

1. Lifestyle disease countermeasures
2. Second-hand smoke preventive measures
3. Health maintenance and improvement measures

**Progress, Results and Challenges**

**Safety Management**

1. We have built safety and health management systems compliant with OSHMS standards and carry out safety and health initiatives.
2. We regularly review past occupational accidents, work to eliminate risks of danger or harm, and implement education and training to prevent serious occupational accidents and similar accidents.
3. We are working to prevent accidents at construction sites through such measures as establishing an overarching safety management system and implementing education and patrols.

**Sanitation Management**

1. We are implementing working environment management, work management, health management and chemical substance countermeasures to prevent work-related illnesses.
2. We are implementing mental health measures, including line-of-command care and self-care, coordinating between the divisions to which employees belong, safety and health divisions, and mental health medical specialists, and establishing a follow-up system.

**Health Management**

1. We are implementing lifestyle disease countermeasures through such means as health education and guidance for affected employees.
2. We are working to completely separate smoking and non-smoking areas in indoor spaces and encouraging smokers to quit.
3. We are advancing collaborative health measures, such as implementing health measures with health insurance unions based on check-up data.

● **2018 Results (Scope: nc)**

- Total number of occupational accidents: 48 (-9)
- Frequency of lost-worktime accidents: 0.42 (+0.14)
- Days lost to illness or injury resulting in four or more days of lost time: 28,959 (+1,932)
- Percentage of high-stress workplaces: 5.8% (-0.5 percentage points)
- Percentage of employees with metabolic syndrome (including pre-metabolic syndrome): 27.6% (-1.9 percentage points)

Note: Figures in parenthesis indicate year-on-year change.

● **Goals for 2019 (Scope: nc)**

- Reduce the total number of occupational accidents (46 or fewer).
- Reduce the frequency of lost-worktime accidents (0.40 or lower).
- Reduce days lost to illness or injury resulting in four or more days of lost time (28,466 or fewer).
- Reduce the percentage of high-stress workplaces (4.8% or lower).
- Reduce the percentage of employees with metabolic syndrome (including pre-metabolic syndrome) (25.9% or lower).

**KPI**

Company-wide frequency rate of lost-time injuries

● **Goal for 2019**

9% lower than 2018

● **Progress**

	(Jan.-Dec.)	2014	2015	2016	2017	2018
Company-wide frequency rate of lost-time injuries		0.39	0.33	0.30	0.29	0.42

**KPI**

Company-wide rate of sick leave for four days or longer

● **Goal for 2019**

5% lower than 2018

● **Progress**

	(Jan.-Dec.)	2014	2015	2016	2017	2018
Company-wide rate of sick leave for four days or longer		5.9	4.9	6.2	5.1	5.6

**Structure**

Kawasaki defines a set of Safety and Health Management Rules, and establishes safety and health structures both Company-wide and at individual works based on these rules.

We actively implement measures in a planned manner to ensure the safety and health of our employees and staff seconded from partners, improve their health, and create comfortable working environments.

Specifically, our safety and health activities are carried out at different works under the supervision and management of Managers of Safety and Health based on Company-wide measures defined by the General Manager of Safety and Health.

● **Responsible Officer**

Company-wide: Kouzou Tomiyama, Executive Officer, General Manager of Human Resources Division (General Manager of Safety and Health)  
Each works: Managers of Safety and Health

● **Responsible Executive Organ and Committee**

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 works: Regional Safety and Health Committee

**Occupational Safety and Health**

**Policy on Occupational 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 health-care 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.

● **Scope of Policy Application**

Officers, employees, and staff seconded from partners under the management of Kawasaki

 **Safety and Health Declaration and Basic Policy (in Japanese only)**  
[https://www.khi.co.jp/sustainability/social/employee/pdf/safety\\_idea.pdf](https://www.khi.co.jp/sustainability/social/employee/pdf/safety_idea.pdf)

**Occupational Safety and Health Management**

**Occupational Safety and Health Management Systems**

Based on our occupational safety and health management systems, we implement systematic safety and health management activities as well as improvements through ongoing PDCA cycles and internal audits at workplaces. By doing so, we seek to create a virtuous cycle of improvement in these systems, prevent 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 and reduce risks. The safety and health management systems at all of our business sites are at the level of Occupational Safety and Health Management System (OSHMS) third-party certification.

Kawasaki's KSKY Campaign and awareness building efforts are key aspects of its occupational accident prevention efforts. The letters comprising this acronym stand for Japanese words that describe the different elements of the campaign: K (*kihon*), creating a disciplined workplace that observes the basic safety rules; S (*shisa koshou*), making sure to identify and call out to confirm breaks and other crucial points in each work operation; and KY (*riken yochi*), working to further improve danger prediction abilities. The purpose of the campaign is to encourage employees to take a more active role in safety measures and thereby create a workplace in which all can openly caution one another about potential issues.

**Status of Consultations between Management and Labor on Occupational Safety and Health Issues (Status of the Safety and Health Committee, etc.)**

Kawasaki has concluded a labor agreement with the 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 in Japan.

#### Education and Awareness on Occupational 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 hazard prediction training based on our Safety and Health Education Standards. Moreover, we also use the 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.

#### ● Safety Dojo Participants

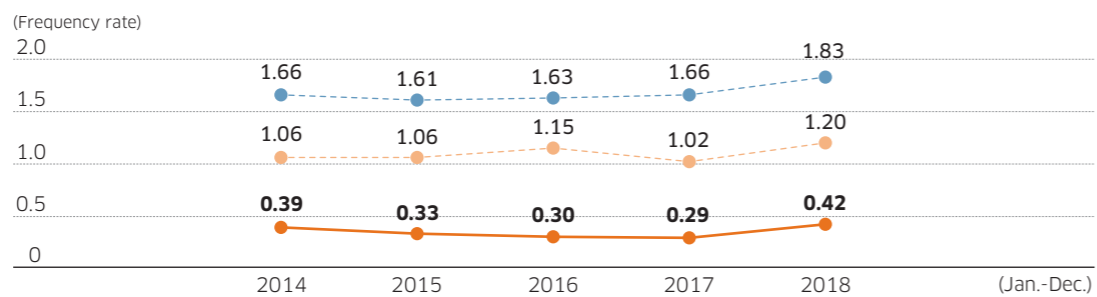
	(FY)	2014	2015	2016	2017	2018
Safety Dojo Participants	Persons	–	663	3,687	2,778	2,668
	Scope	–	nc	nc	nc	cd*

#### Status of Labor Accidents and Work-related Illnesses

		(Jan.-Dec.)	2014	2015	2016	2017	2018
Number of labor accidents	Number of incidents		64	52	42	57	48
Number of fatalities in the course of duty	Under Kawasaki's overall supervision	Persons	0	0	0	0	0
	Employees	Persons	0	0	0	0	0
	Internal transfer staff*	Persons	0	0	0	0	0
Frequency rate of sick leave (frequency rate)	Employees		5.9	4.9	6.2	5.1	5.6
Frequency rate of lost-time injuries (frequency rate)	Under Kawasaki's overall supervision		0.39	0.33	0.30	0.29	0.42
	Employees		0.28	0.31	0.12	0.3	0.21
	Internal transfer staff*		0.72	0.49	0.85	0.24	1.04
	Scope		nc	nc	nc	nc	nc

\* Internal transfer staff under overall supervision of Kawasaki (temporary staff, and contract staff in shipbuilding and construction)

#### ● Frequency Rate of Lost-time Injuries (frequency rate)



● Under Kawasaki's overall supervision ● (Reference) Industry average\* ● (Reference) Manufacturing industry average\*

\* Data source: Ministry of Health, Labor and Welfare, Labor Accident Trend Survey 2018

## 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.

#### ● Implementation of Physical Checkups

Kawasaki implements various physical checkups as required by laws and regulations such as checkups upon beginning employment, regular checkups, checkups for employees engaging in specific operations and those on overseas assignment. Health guidance is provided by industrial physicians for employees who are diagnosed with an ailment via these checkups.

#### ● Mental Health Initiatives

We provide regular line-of-command care education for supervisors and self-care education for general employees. This education teaches correct knowledge about mental health care and ways to handle related issues.

In addition, stress checks are carried out once a year, and employees found to have a high stress level may request an interview with and guidance from a professional.

Furthermore, on May 1, 2019, we began operating an external consultation hotline to which Kawasaki employees can bring concerns related to harassment or mental health.

#### ● 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 Company-wide Total Health Promotion (THP) activities, we support employees in improving their mental and physical health by offering classes aimed at the prevention of lifestyle diseases. These include an Eating Habit Improvement Seminar, an Exercise Seminar and seminars for female employees.

#### ● Health Education Participants (Head Office)

	(FY)	2014	2015	2016	2017	2018
Mental health education	Persons	–	–	–	1,323	1,290
Level-specific education (for new hires, etc.)	Persons	–	–	–	1,051	1,040
Other health educations (education for female employees, etc.)	Persons	–	–	–	622	640

#### ● Actions for Preventing Lifestyle Diseases

	(FY)	2014	2015	2016	2017	2018
Percentage taking designated checkups	%	97.6	96.3	95.6	92.8	96.2
Percentage taking designated health guidance	%	60.2	63.6	65.4	62.7	62.5
	Scope	cd*	cd*	cd*	cd*	cd*

#### ● Health Management KPI

	(FY)	2014	2015	2016	2017	2018
Percentage taking regular physical checkups	%	99.7	99.0	99.3	99.0	99.0
	Scope	nc	nc	nc	nc	nc

Business and  
Human RightsManagement  
Approach**Material Issues and Our Approach**

As value chains expand on a global scale, ensuring respect for the human rights of employees, suppliers, and all the other people involved in our businesses has become a more important focus that, in turn, increases the necessity of understanding and dealing with the human rights risks in Group-wide business activities.

The Kawasaki Group has enshrined respect for human rights in its business activities in the Kawasaki Group Code of Conduct. In fiscal 2019, we adopted the Kawasaki Group Human Rights Policy. The Group supports and respects international rules and norms regarding human rights and labor, including the International Bill of Human Rights, International Labour Organization's core labor standards, the United Nations Guiding Principles on Business and Human Rights and the International Bill of Human Rights.

**Focus Activities and Medium-term Targets**

Based on the United Nations Guiding Principles on Business and Human Rights, the Kawasaki Group is implementing initiatives to ensure respect for human rights in its business activities in the following processes.

1. Find and itemize human rights issues in the value chains of the Group's businesses
2. Identify and determine the priority of human rights issues → Determine priority areas and methods for initiatives going forward
3. Establish human rights policy
4. Formulate and implement risk reduction measures for key risks  
(For example, local surveys, improving labor environments, implementing human rights training, etc.)
5. Disclose information about human rights initiatives
6. Repeat 1 through 5 (in a PDCA cycle)

**Goals for the MTBP 2019**

- Implement fact-finding surveys regarding identified human rights risks (at subsidiaries and suppliers).
- Increase human rights awareness among employees.

**Progress, Results and Challenges****Goals for Fiscal 2018**

- Establish a Kawasaki Group human rights policy.
- Carry out human rights assessments to identify parts of business processes that entail human rights risks and the specific types of risk.

**Fiscal 2018 Results**

- The Kawasaki Group human rights policy remains under consideration.
- Identified human rights risks in business activities.

**Goals for Fiscal 2019**

- Establish a Kawasaki Group human rights policy and disclose it publicly.
- Carry out human rights training for employees.

**Structure**

The Kawasaki Group Human Rights Policy states that the executive officer in charge of CSR and the CSR Department are responsible for human rights-related management and issues.

The CSR Department analyzes and monitors human rights risks, and the Corporate CSR Committee is responsible for deliberating on human rights related efforts and receiving reports on these activities.

**Responsible Officer**

Ikuhiro Narimatsu, Managing Executive Officer (in charge of CSR and Compliance)

**Responsible Executive Organ and Committee**

Corporate CSR Committee

**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.



**The Kawasaki Group Code of Conduct**  
<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>  
**The Kawasaki Group Human Rights Policy**  
[https://global.kawasaki.com/en/corp/sustainability/employee/pdf/policy\\_e.pdf](https://global.kawasaki.com/en/corp/sustainability/employee/pdf/policy_e.pdf)

Business and  
Human Rights**Human Rights Policy**

The Kawasaki Group has enshrined respect for the human rights of all people in its business activities in the Kawasaki Group Code of Conduct and strives to ensure respect for the human rights of stakeholders affected by its business activities.

Furthermore, in fiscal 2019, we established the Kawasaki Group Human Rights Policy to complement the Kawasaki Group Code of Conduct.

**Scope of Policy Application**

The Kawasaki Group



**The Kawasaki Group Code of Conduct**  
<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

**The Kawasaki Group Human Rights Policy**  
[https://global.kawasaki.com/en/corp/sustainability/employee/pdf/policy\\_e.pdf](https://global.kawasaki.com/en/corp/sustainability/employee/pdf/policy_e.pdf)

**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**

The Kawasaki Group clearly states in its Code of Conduct that it will not tolerate human rights 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. As the Kawasaki Group, we are also adopting CSR Procurement Guidelines, which cover respect for human rights, and calling on business partners to work with us as a team to uphold these guidelines.



**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](https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr_tyoutatsu_guideline.pdf)

**Confirmation and Declaration of the Abolition of Forced Labor and Child Labor**  
[https://global.kawasaki.com/en/corp/sustainability/overview/child\\_labor.pdf](https://global.kawasaki.com/en/corp/sustainability/overview/child_labor.pdf)

**Harassment Prevention**

To create a comfortable working environment where employees can perform their jobs free from harassment, Kawasaki offers grade-specific training to provide proper guidance and increase awareness. In principle, all employees receive harassment awareness training.

In addition to the Compliance Reporting and Consultation System, in fiscal 2016 we established consultation points throughout the Company that employees, including temporary staff, can use. As necessary, we also hold meetings with employees seeking advice or help and respond fairly to incidents while remaining committed to respecting their privacy.

In addition, from fiscal 2019, we have begun operation of an external consultation point that employees of Kawasaki can access for consultation regarding issues related to harassment and mental health.

**Right to Organize and Right to Collective Bargaining**

**Labor-management Discussions**

The Kawasaki Group Human Rights Policy states that the Group shall respect employees' freedom of association and right to collective bargaining.

Kawasaki employs a union shop system, meaning that all general employees are members of the labor union.

The right to collective bargaining is recognized in our labor agreement, and two days' notice must be given before commencing collective bargaining with respect to such matters as corporate cost-cutting actions and significant changes in labor conditions. However, as both parties strive, in principle, to reach amicable resolutions by holding labor-management meetings (on an as-needed basis) in good faith prior to commencing collective bargaining, Kawasaki has seen no labor dispute actions over the past 40 years.

In addition, Kawasaki has concluded a labor agreement with the labor union and actively exchanges views with the union via a range of regular meetings. These include meetings of the Corporate Management Council (at least twice a year Company-wide, and at least twice a year at internal companies) to explain our corporate management policies and state of management; the Safety and Health Council (at least once a year) to explain basic policies on safety and health; the Regional Safety and Health Council (at least once monthly) to deliberate on measures for preventing hazards and health impediments to employees; and the Company-wide Environmental Preservation Committee (once a year) to explain Company measures related to environmental preservation.

**● Labor Union Data**

	(FY)	2014	2015	2016	2017	2018
Number of union members	Persons	11,412	12,414	12,541	12,823	12,949
Labor union makeup*	%	74.2	75.6	75.8	76.9	79.2
Number of labor discussions with the union	Number	-	-	-	26	31
	Scope	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.

**Human Rights Due Diligence**

**Human Rights Risk Assessments and Impact Assessments**

In fiscal 2018, the Kawasaki Group implemented human rights risk assessments and impact assessments of its main businesses in cooperation with the U.S.-based nonprofit Business for Social Responsibility (BSR).

In implementing these risk assessments and impact assessments, Kawasaki referenced international rules and principles regarding human rights, namely, the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the International Bill of Human Rights and the United Nations Guiding Principles on Business and Human Rights.

**● Scope of Human Rights Risk Assessments and Impact Assessments (businesses, value chains, countries and regions, stakeholder groups)**

Businesses covered: The Kawasaki Group's main business (the six internal companies)

Countries and regions covered: The countries and regions in which the Kawasaki Group does business (Japan, China, the United States, the United Kingdom, Brazil, Thailand, the Philippines, Singapore, Malaysia, Indonesia, Australia, Germany, the Netherlands, Russia)

Stakeholders covered: Customers, employees, employees in the supply chain, local residents, etc.

**● Assessment Results and Corrective Measures**

As a result of the risk assessments and impact assessments, we found that the following nine areas in particular present significant human rights risks.

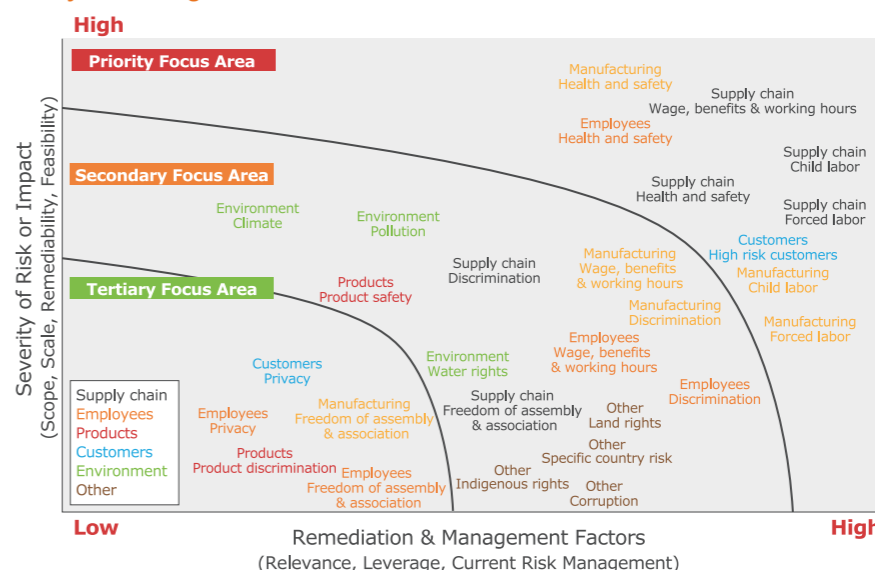
- Safety and health of employees
- Safety and health at manufacturing sites
- Child labor at manufacturing sites
- Forced labor at manufacturing sites
- Safety and health in supply chains
- Wages, benefits, and work hours in supply chains

- Child labor in supply chains
- Forced labor in supply chains
- High-risk customers

**● Responses and Challenges Going Forward**

In light of the above results, the Kawasaki Group will formulate and implement risk reduction measures for key risks within the Group.

**Priority Human Rights Risks**



**Mechanism for Addressing Human Rights Related Grievances**

**Mechanisms for Addressing Employee Grievances**

Under Kawasaki's labor agreement, if a problem arises that cannot be resolved within the workplace, Kawasaki sets 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 the health management and safety of union members, incidents of abuse of authority or sexual harassment, and matters related to personnel transfers. Kawasaki promises that no employee will suffer disadvantageous treatment for voicing a grievance.

Furthermore, we have established an email consultation point within the Head Office Human Resources Division that accepts consultations from employees at any time regarding issues related to harassment in the workplace, including sexual harassment, abuse of authority, and maternity-related harassment. In addition, from fiscal 2019, we have begun operation of an external consultation point that employees of Kawasaki can use for consultation regarding issues related to harassment and mental health (both of the above systems cover only Kawasaki itself).

Employees can also use the Compliance Reporting and Consultation System to consult with outside lawyers (this system covers Kawasaki and domestic Group companies).

- **Scope**  
Kawasaki (including certain domestic Group companies)

- **Grievances and Responses Taken**  
In fiscal 2018, five cases were brought to harassment consultation points.  
For more information about the number of cases processed by the Compliance Reporting and Consultation System, please refer to "Whistle-blowing System and Consultation Contact Points" on page 26.

- **Mechanisms for Addressing Outside Grievances (from suppliers, local communities, etc.)**  
We do not have a dedicated contact point for human-rights related grievances from outside the Group. However, our website includes general contact forms. Inquiries received through the website are directed to the relevant divisions and handled appropriately.

## Engagement Regarding Human Rights

### Engagement with Stakeholders

The Kawasaki Group Human Rights Policy, established in fiscal 2019, states that the Group will fulfill its responsibilities related to respecting the human rights of the stakeholders impacted by the Group's business activities.

In fiscal 2018, we worked with Business for Social Responsibility (BSR) to identify stakeholders impacted by the Group's business activities as well as areas of significant human rights risk.

Going forward, we will formulate and implement risk reduction measures for key risks within the Group. By implementing a PDCA cycle of initiatives to ensure respect for human rights, we are advancing efforts to address risks to the human rights of our stakeholders.

For more details, please refer to "Human Rights Due Diligence" on page 82.



#### The Kawasaki Group Human Rights Policy

[https://global.kawasaki.com/en/corp/sustainability/employee/pdf/policy\\_e.pdf](https://global.kawasaki.com/en/corp/sustainability/employee/pdf/policy_e.pdf)

## Addressing Modern Slavery

### The United Kingdom's Modern Slavery Act

Our UK-based subsidiary Kawasaki Precision Machinery (UK) Ltd. issues statements in accordance with the United Kingdom's Modern Slavery Act.



#### Kawasaki Precision Machinery (UK) Ltd. "Slavery and Human Trafficking Statement"

<http://www.kpm-eu.com/About-KPM/Slavery-Human-Trafficking-Statement.aspx>

## Topic

### 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)



Halal Bi Halal



Female employees wearing a headscarf



## Social Contribution Activities

## Management Approach

### 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 the SDGs 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 and Medium-term Targets

#### ● Goals for the MTBP 2019

- Promote activities based on the Policy on Social Contribution Activities.
- Implement phase 2 of the handicraft and experiment courses.
- Continue events at Kawasaki Good Times World.
- Continue to run Kawasaki Robostage.
- Run the Kawasaki Good Times Foundation with an emphasis on efficacy.
- Continue forest conservation activities.

### Progress, Results and Challenges

#### ● Goals for Fiscal 2018

- Establish a policy on social contribution activities.
- Develop and implement a seventh handicraft and experiment courses program (jet engine business; all internal companies will have participated as of fiscal 2018) and consider programs for fiscal 2019 onward.
- Continue to run Kawasaki Good Times World, Kawasaki Robostage and the Kawasaki Good Times Foundation.
- Continue forest conservation activities.

#### ● Fiscal 2018 Results

- Established the Policy on Social Contribution Activities.
  1. Social contribution activity spending: ¥571 million
  2. Kawasaki Good Times World guests: 227,000
  3. Handicraft and experiment course participants: 519
- Developed materials for and held the seventh handicraft and experiment courses program (jet engine business).
- Continued to run Kawasaki Good Times World, Kawasaki Robostage and the Kawasaki Good Times Foundation.
- Carried out forest conservation activities.

#### ● Goals for Fiscal 2019

- Promote activities based on the Policy on Social Contribution Activities.
- Implement phase 2 of the handicraft and experiment courses.
- Continue events at Kawasaki Good Times World.
- Continue to run Kawasaki Robostage.
- Run the Kawasaki Good Times Foundation with an emphasis on efficacy.
- Continue forest conservation activities.

### Structure

For more information about related structures, please refer to “CSR Promotion System” under “CSR Framework” on page 2.

- **Responsible Officer**  
Ikuhiro Narimatsu, Managing Executive Officer (in charge of CSR and Compliance)
- **Responsible Executive Organ and Committee**  
Corporate CSR Committee



**Within Contribution to local communities: Kawasaki Good Times Foundation—Operating Social Contribution Fund in U.S.**  
[https://global.kawasaki.com/en/corp/sustainability/contribution/local\\_communities.html](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](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](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>

**Within Contribution to local communities: Conclusion of disaster prevention agreement with local communities**  
[https://global.kawasaki.com/en/corp/sustainability/contribution/local\\_communities.html](https://global.kawasaki.com/en/corp/sustainability/contribution/local_communities.html)

**Kawasaki Good Times World**  
<https://www.khi.co.jp/kawasakiworld/english/#wrapper>

**Kawasaki Robostage**  
<https://robotics.kawasaki.com/ja1/robostage/en.html>

### 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 key areas of our social contribution activities are as 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.

#### ● Scope of Policy Application

The Kawasaki Group



**Policy on Social Contribution Activities**  
[https://global.kawasaki.com/en/corp/sustainability/contribution/policy\\_on\\_social\\_contribution.html](https://global.kawasaki.com/en/corp/sustainability/contribution/policy_on_social_contribution.html)

#### Key Areas in Our Social Contribution Activities

##### Key Area 1

#### ● 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 works. 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

Through these activities, we contribute to the sustenance and development of local communities.

##### Key Area 2

#### ● 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 improve employees' communication abilities and motivation while improving the Group's brand reputation.

##### ● Effects on Society

By carrying out these science education programs on a regular basis, we contribute to building children's interest in science.

##### Key Area 3

#### ● 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 CO<sub>2</sub> absorbed through these forestation activities.

### Social Contribution Activities by Type

	(FY)	2014	2015	2016	2017	2018
Donations and philanthropy	%	34.19	40.78	42.18	47.34	34.86
Investments (ongoing partnerships with NGOs, etc.)	%	48.36	29.17	31.20	32.62	45.71
Advertising and marketing (support funding, campaigns, etc.)	%	17.45	30.06	26.61	20.03	19.42
Total	%	100	100	100	100	100
	Scope*	cg*	cg*	cg*	cg*	cg*

\* Scope: Kawasaki (non-consolidated) and Kawasaki Good Times Foundation in the United States

### Social Contribution Activity Expenditure

	(FY)	2014	2015	2016	2017	2018
Total	Millions of yen	759	605	697	670	653
Breakdown by category						
Vitalization of industry and economy	Millions of yen	231	64	95	100	178
Communities	Millions of yen	236	258	300	266	154
Education	Millions of yen	148	126	136	173	216
Culture, sports	Millions of yen	73	121	121	73	59
Welfare and humanitarian aid (including disaster relief)	Millions of yen	34	20	22	38	22
Others (including environmental safety, and disaster prevention)	Millions of yen	37	16	23	20	24
Expenditure type						
Provision of funds	Millions of yen	177	194	238	191	155
Provision of goods	Millions of yen	234	220	239	234	236
Employee volunteer activities	Millions of yen	347	191	220	245	262
Indirect management costs	Millions of yen	0	0	0	0	0
Percentage of current earnings	%	0.90	0.65	1.90	1.55	1.73
	Scope*	cg*	cg*	cg*	cg*	cg*

Note: 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.

\* Scope: Kawasaki (non-consolidated) and Kawasaki Good Times Foundation in the United States

### Measuring the Effects of Our Social Contribution Activities

#### Effects of Our Social Contribution Activities (output, outcome, and impact)

We quantify the performance of main activities in the key 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

	(FY)	2014	2015	2016	2017	2018
Social contribution expenses for communities	Millions of yen	236	258	300	266	154
Kawasaki Good Times World visitors	Thousands of people	225	221	219	247	227
Handicraft experiment courses	Participants	324	365	415	435	519
	Events held	15	16	21	24	25
	Scope	cd	cd	cd	cd	cd

(Fiscal 2018)

Forest conservation activities		Taka, Hyogo prefecture	Niyodogawa, Kochi prefecture
Participants	Persons	237	66
Activities per year	Number of activities	3	1
Area	ha	0.7	0.3
CO <sub>2</sub> absorption amount	t-CO <sub>2</sub>	1.26	13.8
Tree planting	Trees	71	–
	Scope	cd	cd