

# Human Capital (Human Resources and Organization)

## Strategic Points (FY2022)

- Establishment and expansion of systems enabling diverse and flexible work styles
- Examination of wage curve, and consideration of reviewing criteria for promotions and wage increases
- Consideration aimed at overhaul of education and training system, consideration of new training curriculum with a view to the next generation
- Establishment of the MGC Commons innovation center for realizing human resource development and human resource exchanges (starting operation in October 2023)
- Planned strengthening of personnel system aimed at improvement of research and development (career recruitment, expansion of recruitment of new graduates)
- Further diversification and improvement of measures to maintain and improve health based on the MGC Basic Policy on Health & Productivity Management

## Relevant Materiality

- Cultivating a corporate culture of job satisfaction
- Promotion of diversity and inclusion

## Basic Approach

The MGC Group's defining philosophy is "creating value to share with society," and the management concept includes "striving to create a place where there is job satisfaction and a dynamic group in which motivations and abilities are

respected." To realize this, Group companies are engaged in the establishment and expansion of systems, along with education, etc.

## Human Resource Development

Our people are our most important asset. With the aim of realizing our defining philosophy of "creating value to share with society," we have established a human resource development basic policy to enable employees to refine their individuality as professionals, improve their knowledge and capabilities and set high goals, and also to create workplaces that are infused with vibrancy for realizing self-improvement through the achievement of these. The human resource vision articulated in the policy is to be "autonomous and highly-motivated employees," "warm-hearted and sensitive employees" and "employees that think and learn through work," and we have established "development leveraging the characteristics of all employees" as our development policy as we engage in the establishment of a company environment enabling diverse employees to participate by utilizing their individuality.

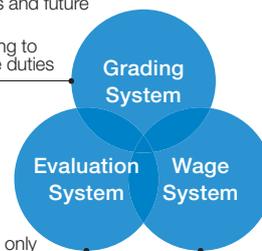
development. Specifically, this is made up of three components: a multi-stream vocation qualification grading system, an evaluation system, and a wage system clearly linked to these. We support all employees equally, providing them with a range of career opportunities in line with individual aspirations that meet their individual roles, achievements, and capabilities.

### Personnel System

The personnel system is characterized by individual management based on the aptitudes, skills and goals of each person, with an emphasis on human resource

### Concept of Personnel System

- Classification according to role expectations and future vision
- Ranking according to ability to execute duties



- Evaluation of not only results, but also motivation and processes
- Also utilized to determine direction and means of development

- Focused treatment according to grade and evaluation systems

## Cultivating a Corporate Culture of Job Satisfaction

MGC has identified "cultivating a corporate culture of job satisfaction" as a material priority, and our medium- to long-term goal is to enable each employee to utilize diverse and flexible work styles, in addition to providing opportunities and environments enabling them to refine their individuality and capabilities and extend their strengths, making a highly productive organization.

Job satisfaction could be viewed as a state in which satisfactory effects and rewards can be acquired through working. Said effects and rewards include a variety of components, such as monetary compensation, sense

of achievement at work, feeling of personal growth, recognition from surrounding people, and a sense of contributing to organization, and what factors lead to job satisfaction thus depends on the person. For this reason, we believe it is important to perform appropriate human resource management with an adequate understanding of what constitutes the job satisfaction of each employee.

Based on these, we foster the independent career development of each employee through measures such as the implementation of career interviews discussing medium- to long-term career formation with superiors, and

## MGC Education System

	Grade-specific education and training	Job-specific education and training	Self-development, other
Managerial level	<p><b>General manager level</b></p> <ul style="list-style-type: none"> <li>Organizational management training</li> </ul> <p><b>Manager level</b></p> <ul style="list-style-type: none"> <li>Mid-level manager training</li> <li>New manager training</li> </ul>	<ul style="list-style-type: none"> <li>Logical communication</li> <li>Problem-solving skills</li> <li>Negotiation strategy</li> <li>Facilitation</li> <li>Coaching skills</li> <li>Design thinking</li> <li>Global human resource development training</li> <li>Overseas short-term training</li> <li>Technology networking events (production, research and engineering departments)</li> <li>Patent study sessions (research promotion departments)</li> <li>Marketing education (research promotion departments)</li> <li>DX education (research promotion departments)</li> <li>Placements at research institutions, such as universities</li> <li>Safety and environmental management education (environment and safety departments)</li> <li>Quality management education (quality assurance departments)</li> <li>Other specialized education and in-house seminars</li> </ul>	<p><b>Self-development</b></p> <ul style="list-style-type: none"> <li>Language qualifications and language training (includes English, other languages, and theme-specific training)</li> <li>Business skills and management</li> <li>Finance, accounting, tax, and law</li> <li>Basic chemistry</li> <li>Basic safety technology</li> <li>Other online training</li> </ul> <p><b>Other</b></p> <ul style="list-style-type: none"> <li>Compliance and internal control education</li> <li>D&amp;I promotion education</li> <li>Education raising awareness for human rights</li> <li>Sustainability education</li> </ul>
Mid-level employees	<ul style="list-style-type: none"> <li>Manager candidate training</li> <li>Mid-level employee training</li> </ul> <p><b>5th year</b></p> <ul style="list-style-type: none"> <li>Course selector training</li> </ul>		
Junior employees	<p><b>2nd year</b></p> <ul style="list-style-type: none"> <li>Junior employee training</li> <li>New employee follow-up training</li> </ul> <p><b>When joining the Company</b></p> <ul style="list-style-type: none"> <li>New employee training</li> </ul>		

Note: The years for taking grade-specific education and training are in the case of technical employees (with a Master's degree) for reference

the promotion of the assignment of personnel according to individual skills. We are also engaged in strengthening human resource development through such means as improving education and training, and stimulating human resource exchanges inside and outside the Company. Furthermore, we are endeavoring to improve the management skills of managers such as by stimulating dialogue between managers and their subordinates, enhancing periodic interviews, and providing support for the enhancement of managers' personnel evaluation skills.

### Education and Training

In order to achieve MGC's defining philosophy, we are implementing various education measures based on goals with the aim of conducting human resource development for utilizing the individuality of all employees and enabling diverse participation.

In fiscal 2022, we introduced new programs related to organizational management for newly appointed managerial personnel, performance assessor training with a focus on development of subordinates, problem resolution and coaching skills. In addition, we are promoting the skill development and stimulation of motivation of all employees by expanding the lineup such as introducing career design training for specific groups including new employees and female employees. Furthermore, we are increasing the effectiveness of learning by expanding access, such as external training for the development of management personnel, dispatching participants to cross-industry social events and holding training with Group companies, in addition to focusing on increasing quality of the MGC Group.

### Promotion of Work Style Reforms

MGC promotes work style reforms as an initiative essential for improving both employee job satisfaction and productivity, and for the creation of innovation. Until now, we have implemented initiatives such as the reduction of working hours by reviewing workflow and shortening meeting times, and the creation of environments where

employees can choose their work locations and hours through the introduction of working from home and flextime without core hours in order to enable work styles that are diverse, flexible and do not rely on long work hours.

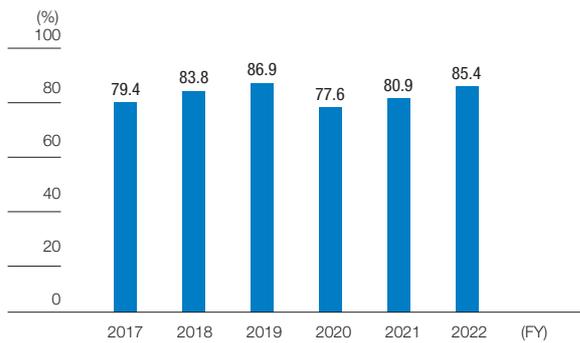
At the same time, we are promoting the improvement of efficiency as well as the digitalization of operations, and have confirmed the effect of reducing working hours and level of establishment of measures. In light of this, we have been engaged in the reduction of total labor time and the improvement of productivity.

In terms of work-life balance, MGC also endeavors to create an environment in which each employee can feel secure and motivated by their work, taking an active role over the long term in ways befitting their individual circumstances. MGC's percentage of taking annual paid leave is around 80 to 85 percent every year, and in order to raise employees' awareness of taking annual paid leave, we have established a KPI to measure the percentage of employees taking fewer than 10 days of annual paid leave, and are aiming for 0% in fiscal 2023. To achieve this, we are taking the following steps to foster employee awareness and establish an accommodating workplace environment.

- Renewal of definition and message of taking annual leave, and communication through organizational channels
- Strengthening of awareness-raising activities (publication of internal quarterly newsletter "WORK LIFE THINK" and display of posters)
- Promotion of taking consecutive leave in summer
- Establishing a day for encouraging taking annual leave
- Individual announcement to managers and other employees taking few days of leave

<b>Progress of KPIs in FY2022</b>	
<b>4.0%</b>	We are implementing multi-layered measures such as awareness raising activities and individual action with the aim of improving job satisfaction and productivity through "active resting."
Percentage taking fewer than 10 days of annual paid leave (non-consolidated)	

**Ratio of Taking Annual Paid Leave**



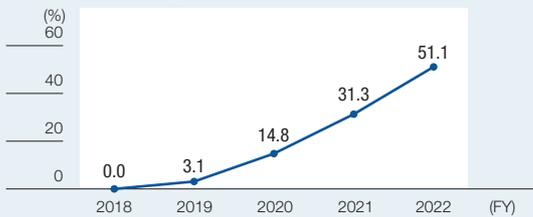
Quarterly internal newsletter



Display of posters

**COLUMN Promotion of Males Taking Parental Leave**

**Ratio of Males Taking Parental Leave (Non-consolidated)**



MGC has set targets for the percentage of males taking parental leave to be 40% or higher in fiscal 2023 and 80% or higher in fiscal 2030 and is promoting taking of leave due to the positive impact on employees and their families and increasing job satisfaction. As a result, the percentage of males taking parental leave was 51.1% and the average period of leave taken was approximately one month. Furthermore, to create a culture that supports the balance of work and family life throughout the entire workplace, we are engaged in expansion of pamphlets, etc. introducing systems and activities to raise awareness of taking parental leave among all employees.

**Improvement of Benefits for a Wide Range of Generations**

We are proceeding to review our personnel system with the aim of enabling all employees to participate more vibrantly.

In fiscal 2022, we implemented improvements to benefits particularly for junior employees and reemployed retired employees, such as raising base pay for all employees. Additionally, we are considering implementation of improvement of benefits contributing to activity by junior employees. For reemployed retired employees, we implemented improvement of benefits such as adding performance-based incentives, with the expectation of activity by a wide range of generations.

**Revitalization of Organizations**

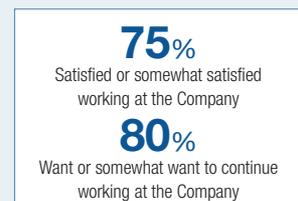
MGC is implementing a variety of measures to create revitalized organizations, enabling each employee to vibrantly and independently work toward the execution of the organization's goals. Specifically, we are promoting job rotation conscious of medium- to long-term career building and assignment of personnel according to their skills, leading to the improvement of organizational skills. We are engaged in the creation of a human resource management system for all employees, and are proceeding with the visualization of human resource information.

In addition, we will conduct facilitation skill training for promoting the revitalization of organizations, stress check group analysis for improving the workplace environment, and activities to foster D&I awareness for respecting each employee.

**COLUMN Utilization of Employee Awareness Surveys**

We conducted an employee awareness survey in July 2021 to investigate employees' thoughts and feelings on satisfaction working at MGC, job satisfaction, and the status of their workplace/work to facilitate the creation of a friendly working environment offering job satisfaction. Based on the survey results, we are conducting analyses of the status of employees and the workplace, and proceeding with effective initiatives.

Going forward, we will conduct periodic surveys, and utilize them in measures for further enhancing the fulfillment and satisfaction of employees.



Note: The subjects were all employees of MGC (non-consolidated), excluding those lent to subsidiaries (effective replies: 71.9%).

## Promotion of Diversity and Inclusion



**Emiko Yokose**  
 Manager,  
 D&I Promotion Department,  
 Administrative & Personnel Division

### Message from D&I Promotion Officer

#### Aiming to Be a Company Where Everyone Can Work Vibrantly

I have served as the D&I Promotion Officer since the Diversity Promotion Office was initially established within the Personnel Department in August 2019. In 2019, many companies perceived D&I promotion to be the promotion of activities of certain people such as women, foreign nationals and people with disabilities, but MGC believes it is important to utilize the individuality and diverse thinking, experiences and skills of each employee, and began D&I Promotion Activities in June 2020 as an initiative for promoting the activities of all employees including work style reforms, human resource development and promotion of health. Initially, it was commented that there were too many “activities for something,” but the activities have now gained understanding, and it feels like employees’ awareness of work styles has gradually changed, such as progress being made particularly with taking annual paid leave and males taking parental leave. Going forward, we would like to work on a variety of new initiatives to enable all people to work vibrantly in MGC.

MGC defines diversity and inclusion (D&I) as all employees utilizing their individuality to diversely work together while recognizing one another and promotes D&I aimed at balancing the sustained growth of organizations and the self-actualization of individual employees.

#### Vision for D&I Promotion Activities

By promoting D&I, we are engaged in maximizing the performance of people and organizations through activities, in which diverse human resources fully exhibit their skills, and engendering innovation and improving decision-making quality through collaboration among human resources with diverse values, approaches, views and knowledge. Furthermore, by promoting not only diversification of human resources, but also work style reforms, human resource development and health together as one, we aim to foster a culture of diversity and inclusion utilizing the individuality of all employees with the aim of resolving management issues in step with changes in society. Initiatives aimed at the realization of the envisaged

organizational culture lead to the materiality of “cultivating a corporate culture of job satisfaction.”

#### D&I Promotion Initiatives

The “Diversity and Inclusion Basic Policy” was formulated in 2020, and companywide diversity and inclusion promotion activities based on the basic policy began. Through these activities, we selected fostering awareness, raising awareness for human rights, work style reforms, women’s



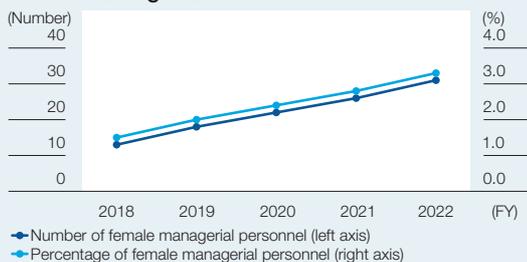
Networking event for female employees

### COLUMN Initiatives Aimed at Promoting Women’s Empowerment

Promotion of women’s empowerment is considered to be essential to be a company able to achieve sustained growth, and we are proceeding with career development support for female employees such as various training for female employees and the managers handling their development. Furthermore, we are actively hiring women and also working to improve accommodating environments and systems for female employees.

The current number and percentage of female managerial personnel is steadily increasing, such as almost doubling compared to fiscal 2018. Furthermore, in contrast to the percentage of female managerial personnel (general managers, managers) which lies at 3.3%, the percentage of female assistant managers who are potential managerial personnel is approximately 15%, and the percentage of female managerial personnel is expected to increase in the future. Although there is a difference in the average wages of men and women throughout the Company as a whole, this is mainly due to a difference in the distribution of grades, and there is no difference in wages for the same work.

#### Number and Percentage of Female Managerial Personnel

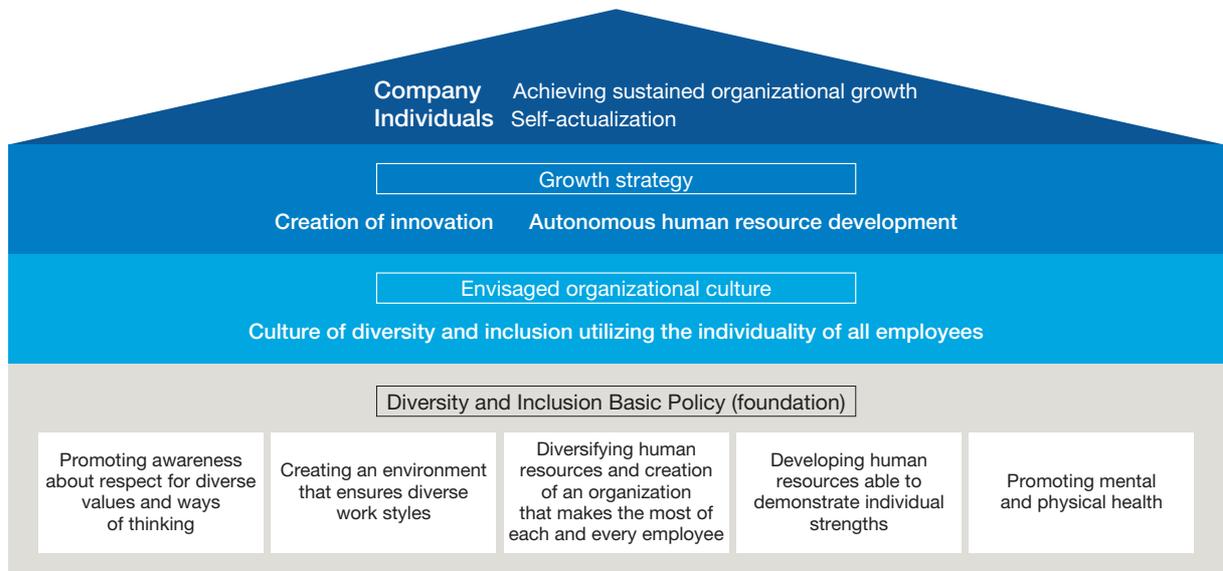


Note: The percentage of female employees in personnel being promoted to managerial positions in the past five years excluding those lent to subsidiaries is 8.9%, and the average age at the time of promotion is the same for men and women.

empowerment, diversification of human resources, organization development, human resource development, promotion of health, and disease prevention as the nine items required for the realization of D&I, established challenges and targets for each initiative, and implemented specific measures to those ends.

In fiscal 2022, we held a D&I lecture meeting for the purpose of promoting understanding and fostering awareness of D&I. As initiatives for promoting the

important theme within D&I of women’s empowerment, we conducted training under the themes of “leadership training for women,” “training for balancing childcare and career” and “diversity management training for managers.” Furthermore, networking events for female employees are held for the purpose of identifying issues for the creation of networks of female employees spanning workplaces and the creation of accommodating workplaces for women.



**Fiscal 2022 D&I Promotion Activity Plan**

Basic Policy	Item Promoted	Challenges and Targets
Promoting awareness about respect for diverse values and ways of thinking	Fostering awareness	<ul style="list-style-type: none"> <li>Improvement of understanding of promotion of diversity and inclusion (D&amp;I) within the Company</li> <li>Improvement of awareness of D&amp;I throughout the entire MGC Group</li> </ul>
	Raising awareness for human rights	<ul style="list-style-type: none"> <li>Promotion of human rights awareness activities</li> <li>Strengthening of measures to prevent harassment</li> </ul>
Creating an environment that ensures diverse work styles	Work style reforms	<ul style="list-style-type: none"> <li>Reduction of total working hours and improvement of productivity</li> <li>Enhancement of systems enabling diverse and flexible work styles</li> <li>Improvement of safety net</li> </ul>
Diversifying human resources and creation of an organization that makes the most of each and every employee	Women’s empowerment	<ul style="list-style-type: none"> <li>Promotion of career development support for female employees</li> <li>Promotion of support for balancing work and home life</li> </ul>
	Diversification of human resources	<ul style="list-style-type: none"> <li>Promotion of hiring of foreign human resources</li> <li>Diversification of hiring formats</li> <li>Promotion of more opportunities to people with disabilities</li> </ul>
Developing human resources able to demonstrate individual strengths	Development of organizations and human resources*1	<ul style="list-style-type: none"> <li>Improvement of organizational performance</li> <li>Promotion of development of human resources able to exhibit their individual strengths</li> </ul>
Promoting mental and physical health (health management)	Promotion of health (improvement of nutrition, exercise and rest)	<ul style="list-style-type: none"> <li>Improvement of health awareness and knowledge</li> <li>Establishment of exercise habits</li> </ul>
	Disease prevention	<ul style="list-style-type: none"> <li>Enhancement of measures to address lifestyle diseases</li> <li>Promotion of measures to address mental health</li> </ul>

\*1 Related to the two basic policies of “creating organizations” and “developing human resources”

**Respect for Human Rights**

At our Company, we adhere to strict MGC Corporate Behavior Principles and the MGC Group Code of Conduct, which call for us to respect individual personality and human rights, while not discriminating on the basis of race, gender, nationality, age, religion, or place of origin, as well as not harming the dignity of others. Our Code

of Conduct also stipulates that sexual harassment and power harassment are prohibited. These guidelines and codes – along with the five fundamental principles\*2 of the International Labor Organization (ILO) – have also been communicated to our Group companies overseas. Furthermore, in April 2020, MGC signed the United

Nations Global Compact (UNGC), and was registered as a participating company. With the signing of the UNGC, we indicated our will to promote responsible business practices by ensuring our strategy and execution conform with the ten UNGC principles\*<sup>3</sup> on “protection of human rights,” “elimination of unjust labor,” “support for the environment” and “anticorruption.”

We strive to reinforce these principles on a day-to-day basis through training sessions, internal communications, and Human Rights Week, and have also established a special consultation desk. Furthermore, we are engaged in the improvement of knowledge and the collection of information through membership in the Mitsubishi Human Rights Enlightenment Council and through participating in

a variety of training and information exchange meetings on human rights. In addition, in fiscal 2022, we organized human rights risks in key value chains and selected significant human rights issues as preparation for the implementation of human rights due diligence compliant with the UN Guiding Principles on Business and Human Rights.



\*2 (i) Freedom of association and the right to collective bargaining, (ii) elimination of forced labor, (iii) effective abolition of child labor, (iv) elimination of discrimination in respect of employment and occupation, and (v) safe and healthy working environment  
\*3 The Ten Principles of the UN Global Compact (external website) <https://www.unglobalcompact.org/what-is-gc/mission/principles>

## Promoting Health Management

MGC made a renewed declaration that “health of working colleagues and family members is more important than anything else” to further promote the creation of an environment in which employees can work in good physical and mental health, and established the Basic Policy on Health & Productivity Management in October 2022 for the purpose of instilling awareness that health and productivity management is a companywide activity. Based on this policy, we are further diversifying, expanding and improving the effectiveness of measures to maintain and improve health with the aim of realizing “cultivating a corporate culture of job satisfaction.”

The checkup compliance rate for regular health checkups of all officers and employees was over 99% in fiscal 2022; industrial physicians and public health nurses actively provide guidance when the results of tests indicate the need for retesting or in the event that there are any specific findings.

Health promotion activities include each business site holding various sports classes and health seminars, participation in walking events and health programs hosted by local governments, abolishing smoking areas and establishing days banning smoking during working hours.

The comprehensive Employee Assistance Program (EAP), including a stress check, is implemented to ensure mental well-being, providing employees with an environment in which they can freely consult outside specialists regarding their concerns. Furthermore, we endeavor to continuously improve our workplace environment and raise employee

awareness by providing appropriate feedback of Group analysis results of the stress checks to each organization head, and holding workshops on self-care and line care (consulting with managers and supervisors) at each business site and through e-learning, as well as by implementing mental health training at the time of entry into the Company and when a promotion is earned.

In recognition of the initiatives implemented to date, MGC was certified as a Health & Productivity Management Outstanding Organization (large enterprise category) by the Japan Health Council and the Ministry of Economy, Trade and Industry in fiscal 2022 for the fourth successive year.

## Ensuring the Safety of, and Providing Medical Support for, Employees Traveling or Posted Overseas

By engaging an outside consultant for security and medical assistance, and receiving advice based on analysis of threats to safety by country, we are able to promptly acquire accurate information, and, when necessary, provide that information to employees posted, or traveling on business, overseas, as well as using it to determine whether it is advisable to travel or not, and on appropriate safety measures for travel.

In terms of medical care, we have established a comprehensive support system for employees posted, or traveling on business, overseas, including referrals to local hospitals, telephonic consultations with doctors in Japanese, preventive advice on local infectious diseases, and arrangement of medical transport in case of emergencies.

## Union and Labor-Management Relations

Under a positive relationship of mutual trust and respect, labor and management at MGC work together to address a variety of issues. We hold regular management council meetings with the aim of sharing our understanding of management policies and the business environment, including such key topics as work styles, employee benefits, and treatment, and meetings of the Personnel System Review Committee for joint labor-management discussion of various programs throughout the year.

Together, we have revised the personnel system, the reemployment system, and our retirement plans. Other issues such as wages and bonuses are determined through yearly collective bargaining and administrative negotiations.

Note that there were 1,888 labor union members as of the end of March 2023. Average employee tenure was 18.7 years (19.1 years for men, 14.5 years for women)\*<sup>4</sup>.

\*4 Including employees seconded to subsidiaries