

DE&I as an Engine for Value Creation

— Creating a Spirited and Vibrant Organization —

MC established the Diversity, Equity, and Inclusion (DE&I) Working Group (DWG) as a step toward the realization of our vision as an organization in which diverse and versatile human resources can play a wider and more active role. We recently held a roundtable discussion with three members of the DWG, as well as an Independent Director and Independent Audit & Supervisory Board Member, both of whom are acting as advisors to the DWG. The discussion centered on MC's vision for its DE&I initiatives.

Note: The content of this section is based on a roundtable discussion held in July 2023.

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DWG Member

Yuko Kagawa

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Mari Sagiya

Independent Director
DWG Advisor

Mari Kogiso

Independent Audit & Supervisory Board Member
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Satoshi Sato

Senior Vice President
Industrial Machinery Div.
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DWG Leader

Establishment of the DWG

Sato: One of the themes of our Midterm Corporate Strategy 2024 is "optimizing the value of human capital." MC has been working to ensure diversity and inclusion for some time. We recognize the effective utilization of human capital as a vital management priority, and in March 2023 we established the DWG as a cross-organizational team with the mission of considering the measures needed to support more participation by diverse and versatile human capital. My observations within the division to which I am assigned suggest that there has been an increase in the percentage of employees dealing with diverse circumstances, and for that reason I feel a personal sense of responsibility toward these initiatives.

Hayashi: I am an example of an employee balancing work and

personal circumstances, since I took childcare leave after becoming a parent and am juggling my work and childcare responsibilities. Since returning to work after childcare leave, I have been able to achieve a balance between my work and childcare responsibilities by utilizing the daycare facility service provided by the Company when returning from childcare leave, and adjusting my work hours. I attribute my success in achieving this balance to these systems, and to the understanding of those around me. Before joining MC as a mid-career hire, I saw it as an organization with robust decision-making processes. Based on my experiences since then, I have come to appreciate that MC has many people with extremely flexible minds, and that we are an organization in which people accept and support each other and work together as a group, regardless of any differences in our experiences and backgrounds. I never really had the opportunity to express these



It is not enough to create comfortable working environments for employees. DE&I must lead to new business creation and improvements in business performance.

—Mari Kogiso

Ms. Kogiso is the CEO of SDG Impact Japan Inc. Previously, she gained practical experience at The Long-Term Credit Bank of Japan, Ltd. and the World Bank before serving as the global head of diversity and human rights at FAST RETAILING CO., LTD.

thoughts in the past, so when I was approached about becoming a DWG member, I accepted the offer out of a desire to express my gratitude and give something back to those around me.

Kagawa: To be honest, when I was approached about joining the DWG, my initial thought was that I couldn't handle the task, since I was already extremely busy. In addition to being responsible for a business affected by time zone differences, I also had childcare responsibilities and was struggling to find a balance with the limited time available to me. However, after learning the reasons for the establishment of the DWG, I saw that many aspects of its work overlapped with my own issues and decided that working as a member of this team would help me find solutions to my personal challenges. I therefore decided to accept the offer in the end.

Sagiya: Soon after the DWG was established, its members provided a report about the reasons for its creation to the Independent Members of the Board. That was when I learned that the President and CEO had taken personal responsibility for the initiative, the purpose of which was to provide management with recommendations about policy administration and other matters. This was when I realized that MC was truly committed to the process. When I looked at the issues identified in the documentation, I saw that the challenges faced by employees were being reported very frankly and openly. Knowing that this information would be shared with the President and CEO, I realized that MC had been even more successful than I had thought with regard to developing a corporate culture of openness and good communication.

Kogiso: The Independent Members of the Board became very enthusiastic about the initiative after receiving reports about the DWG's activities and reading the various comments that they contained. I felt that MC had the potential to become an even better Company by adopting DE&I perspectives at a time when society is becoming increasingly focused on human capital. I also recognized the significance of creating a forum in which people from different generations and with different attributes could come together to discuss DE&I issues and build a consensus on the characteristics of a corporate environment in which people would feel motivated about their work.

Activities of the DWG

Sato: It was decided that the DWG would be active over a period of approximately six months, which would be divided into two phases. In the first phase, DWG members would identify current DE&I issues and develop a vision through debate and discussion. In the second phase, the DWG would provide recommendations to the Company in the form of a roadmap outlining the measures needed to address the issues identified. For the first phase, the DWG was divided into three discussion groups. The first discussed the need for DE&I activities. The second looked at related systems and structures and considered whether they were being utilized effectively. The third focused on the organizations and people needed to link these systems and structures.

Kagawa: I was part of the group that discussed the need for DE&I. It was clear that MC understood this need as a company, so our first step was to ascertain whether employees also understood this need. When we conducted an internal survey about this issue, most MC employees agreed that DE&I was necessary, but not many responded positively when asked if they had personally experienced diversity's strengths. This suggested that employees understood the need for DE&I on an intellectual level, but few seemed to see it as a high priority. We need to ensure that all MC employees understand the linkage between corporate strategy and DE&I, in the sense that evolution and transformation of existing businesses and new business creation are only possible when people can pool diverse knowledge to generate ideas and innovations. Ultimately, I believe that we must pursue an approach that will link this concept to behavioral change by embedding it into our corporate culture as something that all employees understand on an emotional as well as intellectual level.

Kogiso: I think that people prefer to belong to a homogeneous group. As long as they're in their comfort zone as part of a group of people with similar characteristics, people feel that everything is going well. However, it is said that groups that are not entirely homogeneous actually produce superior results. I believe that it is not enough for companies to create comfortable working environments for their employees. They also need to link their HR strategies with their corporate strategies in ways that lead to new business creation and improvements in business performance. I see DE&I as a concept with extremely profound implications for people. The question of why these things are necessary is a fundamental aspect of our work.

Sato: Approximately 90% of all MC employees submitted responses to the survey mentioned by Ms. Kagawa. The most noticeable feature of the survey results was the fact that responses from younger employees



I want us to demonstrate how DE&I is linked to where MC is heading, and create behavioral change by ensuring employees understand deeply the necessity for DE&I.

—Yuko Kagawa

I look forward to a movement to be formed to proceed DE&I within the Company, triggered by sharing the ideals discussed in DWG.



—Mari Sagiya

Ms. Sagiya has held senior management positions at multiple global IT companies, including an executive role at IBM Japan, Ltd. She has also been involved in initiatives aimed at empowering women within these companies.

tended to show greater divergence in inverse proportion to the percentage of positive responses from management-level employees. For some questions, the level of divergence approached 30%, which I saw as indicative of significant variations in perceptions of DE&I. While carrying out the survey, we also conducted individual interviews.

Whenever someone told us that they had an excellent manager, we met with that person and carried out 360-degree interviews that included both their superiors and subordinates. The DWG sub-group focused on systems and structures, and also conducted a survey that interviewed people about issues with current systems.

Hayashi: I agree. I was part of the group that discussed system operations. To deepen our understanding of how employees view systems from the perspective of their individual mindsets, we interviewed employees responsible for operating these systems, as well as those with experience using them. We also spoke to people, including some from other companies, who could serve as role models in relation to system operations. At the same time, members of our group refreshed their knowledge about systems. As someone with experience of using systems, this revision process confirmed to me that MC's systems are well designed. However, when we actually interviewed internally, we found that each Business Group had different ideas about how systems should be operated, and that values varied according to age. In the past, systems were operated on the basis that people with special circumstances should receive consideration. I've come to the conclusion that we need to shift to a perspective of how to operate systems on the assumption that everyone has their own circumstances.

Sato: As we worked through various issues, all three sub-groups encountered cases that led to the identification of similar issues. I saw this development as evidence that the activities of the DWG were organically linked. I was in the group that looked at organizations and individuals. As we conducted interviews, we discovered teams made up of employees with diverse backgrounds that could serve as role models for the achievement of excellent results. I felt that we could create better organizations by spreading these best practices throughout MC. Another important perspective was whether superiors and subordinates were able to build relationships in which all parties could express their thoughts and ideas. We discussed whether there was room for improvement in

MC's organizational culture in relation to this perspective.

Sagiya: I was a member of a diversity working group at another company for which I worked previously, and I'd like to speak briefly about that experience. The company concerned was a global IT company with a reputation for being progressive when it came to diversity, but we actually spent much of our time talking about the necessity of DE&I. The company's management philosophy included a long-standing commitment to DE&I as the natural state of things. However, it was decided to create a forum in which people could freely share their views about whether the company had really achieved DE&I in ways that reflected the present state of the world. The results of these discussions mirrored Ms. Kogiso's earlier comment, as we concluded that in an era when companies are making new transformations part of their medium- to long-term management policies, corporate growth is not possible unless people from all backgrounds can sit together at the same table and express their views on an equal footing. After these discussions, we frankly presented the views of all concerned, regardless of their seniority level in the company. The company's management recognized that they needed to change their values and courses of action, while employees realized that they needed to speak their minds. The formation of our own consensus about the need for change is vital, and communication itself can be a driving force for that. I am looking forward to a movement to be formed to proceed DE&I within the Company, triggered by sharing the ideals discussed in DWG.

Kogiso: I think the basic idea behind Ms. Sagiya's comments is that people are not really contributing unless they speak their minds, regardless of their position. I see this as the core focus of DE&I. I think the mindset that expressing your opinions is itself a form of contribution that will be extremely important in the future as diverse people work together to create value by leveraging DE&I.

Spreading the DE&I Message

Sato: I have found my work as a member of the DWG continually stimulating and enlightening, and I feel that it has changed me on a fundamental level. Even in day-to-day work-related conversations with employees or people outside of the Company, I am sometimes surprised to realize that the topic has shifted to DE&I. In fact, everyone seems to be getting more engaged in conversations about DE&I. My impression is that many people view DE&I as something that is important to them on a personal level, including not only people coping with a variety of circumstances, but also people of my generation, who are less burdened with childcare and other responsibilities. Ideally, I believe that discussing DE&I themes should become the norm for



It is ideal for DE&I to spread naturally without having to explain its necessity.

—Satoshi Sato

people at all seniority levels, so that they come to adopt DE&I concepts, and the philosophy can spread naturally without the need to explain the necessity of it. To help achieve this goal, I would like to contribute to the spread of DE&I, including the ideas that we developed through our DWG activities, within MC, including the management organization.

Hayashi: I already knew what the term "DE&I" meant before I participated in DWG activities. However, those activities have given me the opportunity to listen to input from a wide range of people, and I am now able to talk about DE&I concepts in terms that reflect my own personal experiences. One comment that left a particularly strong impression on me was that "one's personal life and career are two sides of the same coin." Most people are likely to encounter challenging situations as they go through life, but still have to develop their careers while coping with those challenges. This is the core idea behind DE&I, and I believe that the long-term goal of the DWG should be to bring about changes in our basic thinking.

Kagawa: I want everyone to have a sense of ownership toward these activities. Our efforts shouldn't be limited to a small group of people. Instead, everyone should approach DE&I activities as a way to build their careers as they progress through life. That will require long-term initiatives rather than temporary measures. We are still in the initial phase of our activities, but I hope that all 16 DWG members will work toward the creation of mechanisms that will sustain these initiatives over the next 10 or 20 years. I have two daughters, and when they enter the workforce 20 years from now, I want it to be in a world in which people can realize their full potential by challenging the limits of their own abilities. I also want MC to contribute value toward the creation of that society. That is my motivation. I feel like I've changed since joining the DWG, and now think more about the kind of future that I'd like to see, and what I can do now to help realize that future. I also sense that the other DWG members, including those who had no previous experience in the DE&I field, have changed as a result of what



We need to think about how to operate systems on the assumption that everyone has their own circumstances.

—Hiroaki Hayashi

they have learned and discussed. If we could increase the number of people who have had this experience throughout the Company, I believe that MC could become an even better organization. I look forward to working together to build a brighter future.

Kogiso: DE&I concepts are often discussed in other forums, including at the Board of Directors. I believe that different companies will have different DE&I visions. Through these discussions, you have sought to identify the approach to DE&I that will best enable individual MC employees to play active roles and realize the collective capabilities of the Company. I believe that your work will be a driving force for the improvement of corporate value.

Sagiya: I sense that MC's management team really cares about the employees, and that MC compares favorably with other companies in this regard. For their part, MC employees have a strong sense of engagement and are deeply committed to the Company. You have all expressed your true thoughts through your DWG activities, and you have presented the results of your work objectively. I am sure that other employees will be very interested in your work. Indeed, some members of MC's management team are actively expressing their views about human capital. I hope that the activities of the DWG will inspire many more people to lend their support and help to accelerate future initiatives.

