

Promoting Human Capital Management

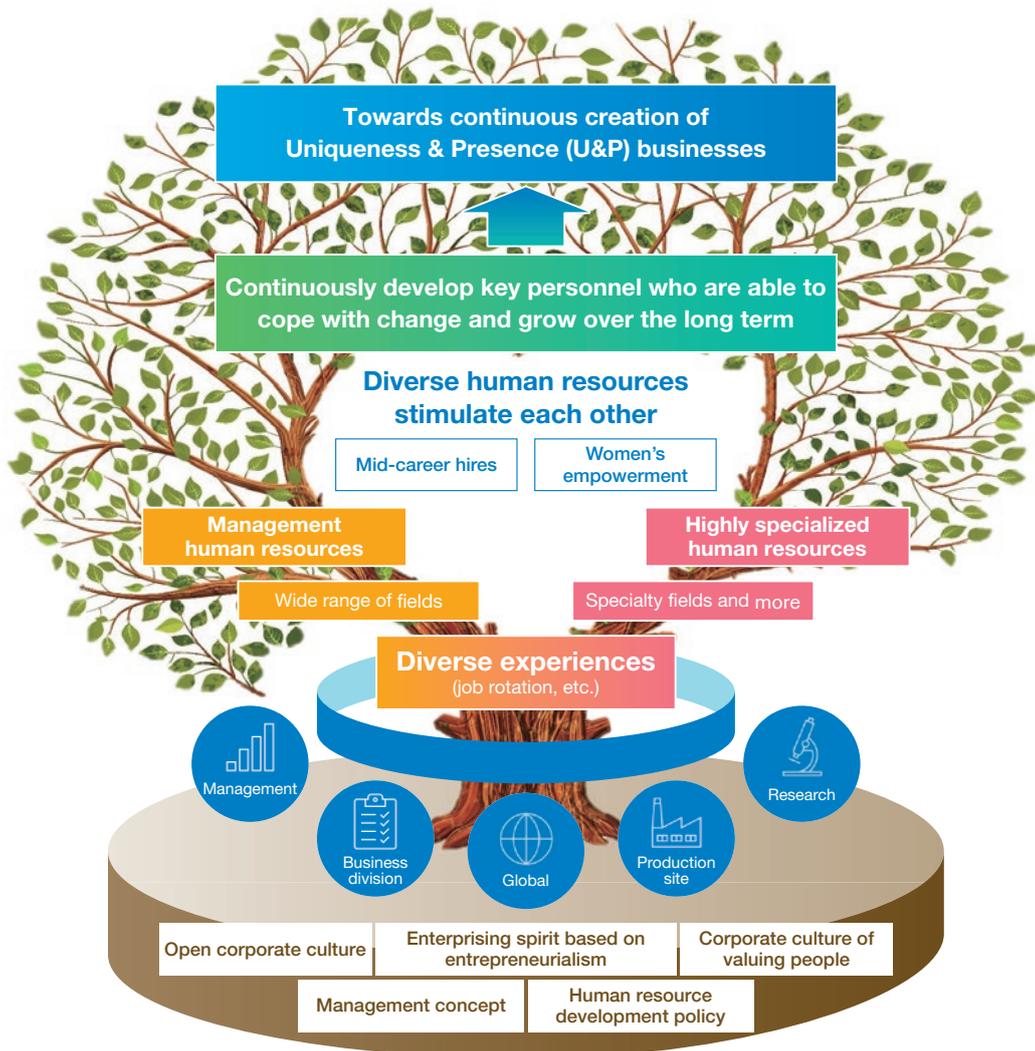
MGC's Human Capital Management

MGC's defining philosophy begins with "striving to create a place where there is job satisfaction and a dynamic group in which motivations and abilities are respected," and our management approach considers people to be the most important capital for value creation. The human resource vision articulated in our basic human resource development policy is one of "autonomous and highly motivated employees," "warmhearted and sensitive employees," and "employees that think and learn through work."

Enhancing human capital management is one of our policies for promoting sustainability management cited in the current Medium-Term Management Plan, which started in April 2024. To enhance human capital in coordination with our management strategy, we are promoting a human resource strategy of conducting optimal career formation and skills development of employees, while enhancing key personnel who are able to cope with change and grow over the long term.

Our human resource strategy promotion is rooted in the principles that the Company has cultivated an open corporate culture, an enterprising spirit based on entrepreneurialism, and a corporate culture of valuing people, based on the belief that it is autonomous human resources and organizations that lead to a robust company able to respond to changes in the business environment. We have used the term "key personnel" to refer to management and highly specialized human resources who will lead each business division based on the Company's overall policy and individual business strategies amid accelerating changes in society. By allowing human resources to accumulate diverse experience and stimulate each other, we will draw out their full potential, continuously producing key personnel and creating U&P businesses with the aim of increasing corporate value over the medium to long term.

Overall Image of Human Resource Strategy



Human Resource Diversification and Career Formation for the Sustainable Development of Key Personnel

The defining characteristics of the MGC Group are the broad scope of its business domains and its business expansion in the global market. Since the previous Medium-Term Management Plan, we have been working to increase the number of researchers. Our policy is to conduct recruitment with an awareness of medium- to long-term business expansion, and we plan to continue increasing recruitment of new graduates and mid-career hires going forward.

We conduct career recruitment for securing diverse human resources through flexible year-round recruitment according to the experience of the candidates. We also use methods such as alumni recruitment.*¹ Moreover, in initiatives aimed at promoting women's empowerment, we are continuously implementing proactive recruitment of women as new graduates and mid-career hires with an eye to forming a population that will become a group of future management candidates. In conjunction with this, we have created an environment where diverse human resources can thrive, including the revision of our personnel systems

in fiscal 2023 to ensure that promotion opportunities are not affected by life events and to enable early selection.

Career-track employees experience overseas assignments and projects while they are young to form careers based on an understanding of their individuality, while technical employees are also deliberately rotated through jobs in sales, corporate planning, and management divisions. This is to provide opportunities for them to accumulate diverse experiences by making use of the Group's characteristic of wide-ranging business domains. Furthermore, in addition to career formation through ordinary work, we also implement grade-specific and job-specific education and training curricula to promote skills development and stimulate ambition.

By forming careers through the abovementioned diverse experiences and training, we have created a system for continuously developing key personnel.

*¹ A method of recruitment that involves approaching people who have retired from the Company and re-hiring them as a workforce ready for immediate deployment.

MGC Education System

	Grade-specific education	Job-specific and specialist education	Self-development, other
Managerial level	<ul style="list-style-type: none"> Organizational management training Mid-level manager training New manager training 	<ul style="list-style-type: none"> Business skills (Logical communication, problem-solving skills, negotiation strategy, facilitation, coaching skills, design thinking) GLOBALIS Management School MGC Group cross-industry social events Mitsubishi Marketing Association Global human resource development DX education Marketing education Engineer development Patent study sessions Environmental management, quality management, and health and safety education HAZOP*² Placements at research institutions, such as universities Other specialized education and seminars 	<p>Self-development</p> <ul style="list-style-type: none"> Languages Business skills Management Technology and skills Other online training <p>Other</p> <ul style="list-style-type: none"> Compliance and internal control education Education raising awareness for human rights Sustainability education diversity, equity, and inclusion (DE&I) promotion education Others
Mid-level employees	<ul style="list-style-type: none"> Manager candidate training Mid-level employee training 		
Junior employees	<ul style="list-style-type: none"> Junior employee training Follow-up training New employee basic training New employee training 		

*² An acronym for Hazard and Operability Studies, a technique for identifying risks for complex processes and equipment

Fiscal 2024 DE&I Promotion Activity Plan

Basic policies	Item promoted	Challenges and targets
Promoting awareness about respect for diverse values and ways of thinking	Fostering awareness	<ul style="list-style-type: none"> Improvement of understanding of promotion of DE&I within the Company Improvement of awareness of DE&I throughout the entire MGC Group
	Raising awareness for human rights* ³	<ul style="list-style-type: none"> Promotion of human rights awareness activities Strengthening of measures to prevent harassment
Creating an environment that ensures diverse work styles	Work style reforms	<ul style="list-style-type: none"> Reduction of total working hours and improvement of productivity Enhancement of systems enabling diverse and flexible work styles Improvement of safety net
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"> Promotion of career development support for female employees Promotion of support for balancing work and home life
	Diversification of human resources	<ul style="list-style-type: none"> Diversification of hiring formats (year-round hiring of experienced candidates for career-track positions) Promotion of more opportunities to people with disabilities
Developing human resources able to demonstrate individual strengths	Development of organizations and human resources	<ul style="list-style-type: none"> Improvement of organizational performance Promotion of development of human resources able to exhibit their individual strengths
Promoting mental and physical health (health and productivity management)	Promotion of health (improvement of nutrition, exercise, and rest)	<ul style="list-style-type: none"> Improvement of health awareness and knowledge Establishment of exercise habits
	Disease prevention	<ul style="list-style-type: none"> Enhancement of measures to address lifestyle diseases Promotion of measures to address mental health Reduction of the smoking rate among employees

*³ For details on "Respect for Human Rights," please refer to "Risk Management" on page 40.

Employee Well-Being

We aim to be a company where employees feel “a sense of well-being.” To achieve this goal, we strive to balance individual employees’ sense of achievement and growth in their work and the Company’s sustainable growth. By offering opportunities and an environment where people can refine their individuality and capabilities and build on their strengths, and allowing employees to engage in diverse work styles, we aim to become an organization with higher productivity over the medium to long term. In addition, we assign personnel according to individual skills and work to enhance our education and training programs to encourage autonomous career formation. In conjunction with these efforts, we also seek to promote co-creation with various partners while making use of the MGC Commons innovation center, which was established in 2023 as a space to provide opportunities for further internal and external human resource exchanges, with the end goal of creating new businesses and products.

In terms of work-life balance, MGC also endeavors to create systems and an environment in which each employee can maintain their motivation for work, taking an active role over the long term in ways befitting their individual circumstances. Until now, we have focused on the reduction of working hours by reviewing workflows and shortening meeting times to enable work styles that

are diverse, flexible, and do not rely on long work hours. Recently, we have been digitalizing our business processes and accelerating operational efficiency improvement through measures such as DX with regard to R&D activities. At the same time, we are checking to see how well established these measures are, while working to reduce total working hours and improve productivity. In addition, we have also built systems regarding working spaces and times in stages, through the introduction of flextime without core time and working from home, which became a permanent part of our systems in 2023. Another feature of the Company is its full-range of employee benefits, such as a housing allowance to relieve the economic burden on employees, creating an environment where they are able to work with a sense of security. In 2023 and again in 2024, we took steps to improve working conditions such as wages, with increases in base salaries, including for employees rehire after retirement. For young employees in particular, we focused on improving compensation to reward them for the roles expected of them.

We will promote the above measures for increasing employee well-being in conjunction with our DE&I initiatives designed to leverage the individuality and diverse approaches, experiences, and abilities of each employee.

COLUMN

Opening of the MGC Commons Innovation Center

On December 1, 2023, the MGC Commons innovation center opened in Koto Ward, Tokyo. Preparations for its opening started in 2020 as a project to commemorate the 50th anniversary of the Company’s founding. The MGC Commons is designed as a facility for connecting diverse internal and external people and organizations and developing human resources to create innovation. The center offers various spaces to promote spontaneous exchanges between users by inspiring their creativity and sense of playfulness, with meeting rooms of various sizes, an information dissemination space, and an activity-based, open working spaces. Through free collaboration across organizational boundaries, the Company aims to make it a place for developing people beyond the conventional scope of human resource development and nurturing the seeds of innovation. At the opening ceremony, astronaut Soichi Noguchi was invited to give a commemorative lecture on the theme of “Taking Bold Challenges with Free Ideas.” Approximately 800 people attended the ceremony on-site and online.



MGC Commons innovation center (Kiba, Koto Ward, Tokyo)



Opening ceremony: A lecture by Soichi Noguchi

COLUMN**Promotion of Male Employees Taking Parental Leave**

MGC believes that male employees taking parental leave have a positive impact on themselves and their families, leading to higher job satisfaction. Accordingly, it has set a target of 40% or higher in fiscal 2023 to encourage them to use their leave. As a result, 74% took leave, achieving the target, with the average period of leave being around two months. Furthermore, to create a culture that supports the balance of work and family life throughout the entire workplace, we are engaged in providing a range of pamphlets, etc. introducing systems, as well as activities, to raise awareness of taking parental leave among all employees.

57 days

Average number of days of parental leave taken by male employees (non-consolidated) (fiscal 2023)

COLUMN**Encouraging the Taking of Annual Paid Leave**

Previously, MGC's ratio of annual paid leave taken was around 80 to 85% every year. In order to increase employees' awareness of taking annual paid leave, we established a KPI in the previous Medium-Term Management Plan to measure the percentage of employees taking fewer than 10 days of annual paid leave, and aiming for 0% in fiscal 2023. As a result of measures to foster employee awareness and promote an accepting workplace environment, such as issuing internal company newsletters and putting up posters, we achieved this target, and the ratio of annual paid leave taken also rose to 90%.

0%

Percentage of employees taking fewer than 10 days of annual paid leave (fiscal 2023)

⇒ For details on the ratio of male employees taking parental leave and the ratio of annual paid leave taken, please refer to "Performance Data" on pages 79-80.

Promoting Health and Productivity Management

MGC established the Basic Policy on Health & Productivity Management in October 2022 to further promote the creation of an environment in which employees can work in good physical and mental health. Based on this policy, we are further diversifying, expanding, and improving the effectiveness of measures to maintain and improve health.

The checkup compliance rate for regular health checkups of all officers and employees was over 99% in fiscal 2023. 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. In addition, with a view to preventing illnesses while people are still young, we have reinforced the regular checkup for younger employees by adding relevant items to it.

A 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 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 2024 (large enterprise category) by the Japan Health Council and the Ministry of Economy, Trade and Industry for the fifth 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

With 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 1,892 labor union members as of the end of March 2024. Average employee tenure was 18.5 years (19.0 years for men, 13.9 years for women).^{*4}

^{*4} Including employees seconded to subsidiaries

Focus

Implementing Strategic Rotations

Development Leveraging the Characteristics of All Employees

With the aim of realizing our Group Mission of “creating value to share with society,” we have established a basic human resource development policy to create vibrant workplaces where employees achieve self-fulfillment by refining their individuality, improving their knowledge and capabilities, consciously setting high goals, and achieving these goals.

Our basic human resource development policy includes the development policy “development leveraging the characteristics of all employees,” and we believe that we should leverage and utilize the strengths of all employees,

focusing on each person’s characteristics through the development process. However, for career-track employees in particular, one of the distinctive programs of MGC is job rotations for long-term career formation. The MGC Group is distinguished by the broad scope of its business domains. By accumulating diverse experiences in these domains and broadening their perspective, employees can grow to become key personnel—management or highly specialized human resources. Moreover, mutual stimulation between employees who have gained experience leads to increased long-term organizational capabilities.

Employee Comments

Strategic Job Rotations Provide an Excellent Opportunity to Understand the Many Facets of the Company’s Organization

Sachiko Arie — General Manager, Public Relations Department, Administrative & Personnel Division



When I joined the Company as a technical employee, my initial thought was only to contribute to the Company through research. However, as my work changed through job rotations, I became involved with other roles in the organization that I had not seen before. As a result, I gained an excellent opportunity to acquire new perspectives, business skills and human networks. In particular, when I was transferred to a division dealing with sustainability during my time working at the Niigata Plant, while there was a technology-related aspect to the position, I had more opportunities to discuss problem setting and solution methods with a strong social awareness, which gave me a new perspective.

My current assignment is in the Public Relations Department of the Administrative & Personnel Division, where we use diverse communication channels and strive to communicate the Company’s distinctive businesses and strengths in a clear way to stakeholders. Through these efforts, I hope to increase the circle of people who identify with the Company’s philosophy and value propositions, some of whom may wish to become business partners or employees of the Company, or support us in other ways, and cooperate with them to form a positive flow of interaction that “creates value to share with society.”

1. Corporate Research Laboratory (Tsukuba), Niigata Research Laboratory (7.5 years)

Here I worked on development and research of a new catalyst for methylamine and special amino acids. From my supervisor and senior colleagues at this time, I learned about the importance of reliable test results, testing and reporting methods, and many other essential work skills for laboratory work.

2. Planning & Development Division, former Natural Gas Chemicals Company (3.5 years)

In this position, I was responsible for each phase of commercialization from new needs exploration to prototyping, overseas legal compliance and other aspects, for various products under development. Collaboration with team members from in and outside the company was essential and I worked hard to build relationships of trust.

3. R&D Department, Niigata Plant (8.5 years)

I worked for the first time in the area of chemical plant design. In construction projects, I worked on scheduling, budget management, and negotiation with engineering companies. During this time, I was promoted to manager, and I also took just over two years of leave following childbirth.

4. SX Department, Niigata Plant (2 years)

In this newly established department, I worked on transforming the facility into a sustainable plant, through carbon neutrality and other initiatives. I was assigned as Carbon Neutral Group Leader, and then as General Manager of the SX Department.

5. Head Office Public Relations Department (1 year)

I have worked to disseminate information about the Company’s activities, both internally and externally, through news releases, advertising, and company newsletters. In this department it is essential to be attuned to employee engagement while also taking a companywide perspective.

Strategic Rotations Tailored to Each Person's Individuality

The Company consciously conducts job rotations that offer wide-ranging experience in multiple business locations and divisions to help employees form their careers over the medium to long term. For example, there are cases of young employees experiencing overseas assignments or projects and technical employees working not only in laboratories and plants, but also in sales, corporate planning, and management divisions. Few companies in the chemical industry conduct this kind of cross-divisional human resource transfer, and it is a distinctive characteristic of MGC. By conducting diverse rotations, human resources gather a wide range of experience without becoming set in one mold. This helps to draw out their individual qualities and potential, leading them to be active in various fields in the future while confirming their own career aspirations. The Company also provides one or more opportunities each year for employees to consider career formation through consultation with their supervisor, during which they set personal targets and check on

the status of achievement. In the setting of work targets, there is an emphasis on taking on new challenges, and on promoting personal growth while staying conscious of the long-term goals of the Company. Managers who conduct consultations as supervisors undergo training to make them aware of guiding their subordinates to growth and for acquiring management capabilities.

While conducting strategic personnel rotations, we also take steps to continuously develop more diverse human resources. We proactively recruit diverse human resources, including new graduates, people with experience at other companies, women, non-Japanese people and so forth, without concern for such attributes, seeking to further enhance our human capital. Looking ahead, we will take a more systematic approach to human resource development and advance management of key position successors and so forth, including visualization of human resource information.

Employee Comments

On Track to Become a Specialist in Design and Construction through Diverse Experience

Hidemi Hirashima — MGC PURE CHEMICALS AMERICA, INC. (Construction Manager)



My first assignment was at the Yokkaichi Plant, where I worked on process inspection. My life as a working professional was one where every day brought about a different experiment. In my third year, I was selected to work in the future on designing plant expansions. To acquire the necessary skills, I was transferred to an engineering team at the Tokyo Research Laboratory, where I spent one year learning about the work of plant design. That experience was an opportunity for me to develop further expertise in the field of construction and design.

My first overseas assignment was a polyacetal plant expansion project in Thailand. It made a deep impression on me, and when this plant whose design and construction I had been in charge of started operating without any problems, I shared a moment of joy with the local employees who had worked with me. Using these diverse experiences in Japan and overseas, and what I have learned from our excellent local partners, I am now managing overall construction for the expansion of a semiconductor chemical plant at the Texas Plant in the United States. It is quite a challenge to build a new facility adjacent to a facility that is operating, and I feel a tremendous responsibility and sense of mission every day. MGC has plans to make investments to expand various facilities going forward. I will use my own experience to contribute to the construction of competitive plants.

1. Basic skills acquisition at Yokkaichi Plant and Tokyo Research Laboratory (7 years)

I learned about the basics of process inspection while working at the plant, and about plant design while working at the laboratory. After that I was responsible for design and construction of a hybrid chemical manufacturing plant at the plant, and experienced the whole process from creating specifications to commissioning.

2. Challenge of overseas work, from Yokkaichi Plant to an overseas site (2.5 years)

I participated in a polyacetal plant construction project in Thailand. After approximately one year working in detailed design work with the project team for the Yokkaichi Plant, I was assigned to Thailand to take charge of construction management, on-site inspections, and commissioning.

3. Accumulation of diverse experience, from Niigata Plant to an overseas site (4 years)

I participated in a methanol and DME plant construction project in Trinidad and Tobago. After familiarizing myself with the equipment at the Niigata Plant and Saudi Methanol Company (AR-RAZI) in Saudi Arabia, I was assigned to the area. I was responsible for overall project management and technical inspections by the government.

4. Providing technical support from the Tokyo Research Laboratory (3 years)

We considered increasing production at the Thailand Plant, and have constructed a pilot plant in the laboratory to support the research themes it has undertaken.

5. Promoting construction management at an overseas site (1.5 years)

I was assigned to MGC PURE CHEMICALS AMERICA, INC., where I work on a project to expand the Texas Plant. I cooperate with local employees to carry out the construction project with a team mainly comprising members on assignment from MGC. I am responsible for overall management of the project, including construction schedule and budget management.