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Diversity Management to Enhance the Competitiveness of Enterprises in Japan (Diversity Report)

April 2025

Study forum on corporate management leveraging diversity for business competitiveness

(Secretariat: Economic and Social Policy Office, Ministry of Economy, Trade and Industry)

Target readers and how to read this report

The readers targeted by the Diversity Report include the **boards of directors, the presidents/CEOs and other top management executives and those in charge of diversity management at Japanese companies that aim to generate innovations as well as Japanese companies that need to increase their international competitiveness.** However, the report has been summarized to be widely used for reference by those interested in corporate diversity management.

Diversity management has multiple aspects. Based on the assumption that elimination of discrimination, basic measures based on respect for human rights, and measures stipulated by laws and regulations (such as the Act on the Promotion of Women's Active Engagement in Professional Life) are promoted, this report especially focuses on the perspective of **“diversity as a means to enhance the competitiveness of companies”** and presents the **actions that will help Japanese companies meet challenges that they face when working on diversity management.**

This, however, **does not mean that the presented actions should directly be adopted to each company and promoted without practical changes.** Actions to be selected change depending on aspects, such as the company's management environment and challenges that they face.

For this reason, **we hope that readers utilize the contents of this report while imagining why these actions need to be promoted to enhance the competitiveness of companies, what kind of measures should be combined together, and what the most effective way is for companies to promote the measures by considering the challenges discussed in this report in terms of each company's situation.**

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1. Message to top management

Message to top management

Japanese companies are facing global competition. Direct overseas investments have also been increasing in the recent years, making organizations and management more complex. In order to maintain/enhance competitiveness, Japanese companies must formulate and execute strategies from various perspectives, including business strategy, financial strategy, promotion of digital transformation, and promotion of green transformation. **Diversity management** discussed in this report is **one of the means necessary to achieve such management strategies**.

Amid dramatic changes in the global business environment and the supply structure of the labor market, homogeneous organizations tend to lack the ability to respond flexibly to changes. They are prone to maintaining their own values and strategies without changes, and they **face risks** that make it difficult for them to succeed in competition on a medium- to long-term basis. Not only that, but **such stance may also limit their opportunities**.

Japanese companies will be able to **generate innovations to create value by growing out of the highly homogeneous constitution, establishing the environment where human resources with diverse knowledge/experiences necessary to achieve the management strategies can demonstrate their abilities, and cultivating the organizational culture**. The Ministry of Economy, Trade and Industry refers to such management “**diversity management**.”

As globalization and population decline will continue to accelerate in the future, it is inevitable that changes in employee nationalities and gender composition as well as diversified experiences and values will also accelerate in Japanese companies. Due to this, **management of diversity is also necessary** in that aspect.

When we consider the state of companies in Japan, companies have been making progress in the establishment of systems to empower diverse personnel to demonstrate their abilities, but many of them are finding it difficult to **leverage this implementation to enhance their corporate value**.

Particularly important points when promoting diversity management are the **understanding** that “management utilizing diversity” is the theme to be promoted by **the boards of directors as well as presidents/CEOs and other top management executives and their actions**. Execution of these points requires that **the board of directors itself possesses diverse knowledge/experiences**, allowing it to maintain the flexibility that is unrestricted by specific internal logics, as well as the **mindset to utilize the diversity in the organization** as it fulfills its roles. With such a foundation, it is important that **presidents/CEOs and other top management executives, who demonstrate their conviction through actions rather than words**, are selected, and that diversity promotion is discussed and authorized in **management meetings** as well.

Diversity, equity, and inclusion (DEI) has been actively discussed overseas, but **promotion of diversity for enhancement of competitiveness remains important for Japanese companies**, as this report covers the topic. It is important to pursue improvement of corporate value, which is the ultimate goal, by seeing promotion of diversity as **an opportunity for growth**.

Diversity management measures depend on the environment and business strategy of each company. We hope that readers would utilize this report to enhance competitiveness by considering the necessity of each of “Diversity,” “Equity,” and “Inclusion,” which are factors of “diversity management,” and the measures for each factor in the manner best suited for each company.

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Toward a Shift from Formality to Substance

There are probably many Japanese companies that started working on promotion of diversity with the establishment of systems after social demands, such as legal compliance and information disclosure.

In order to lead diversity to practical competitiveness, it is important to **promote measures that would lead to corporate value enhancement** (“But Also This” in the figure on the right), in addition to **establishment of systems** (“Not Only This” in the figure on the right). When promoting such efforts, it is important to see company’s diversity from the perspectives, such as **knowledge/experience required to realize the management strategy**, in addition to focusing on, for example, gender, age, disabilities, nationalities, and other aspects.

Promoting measures appropriate for the respective company’s situation will lead to the enhancement of the corporate value on a medium- to long-term basis.

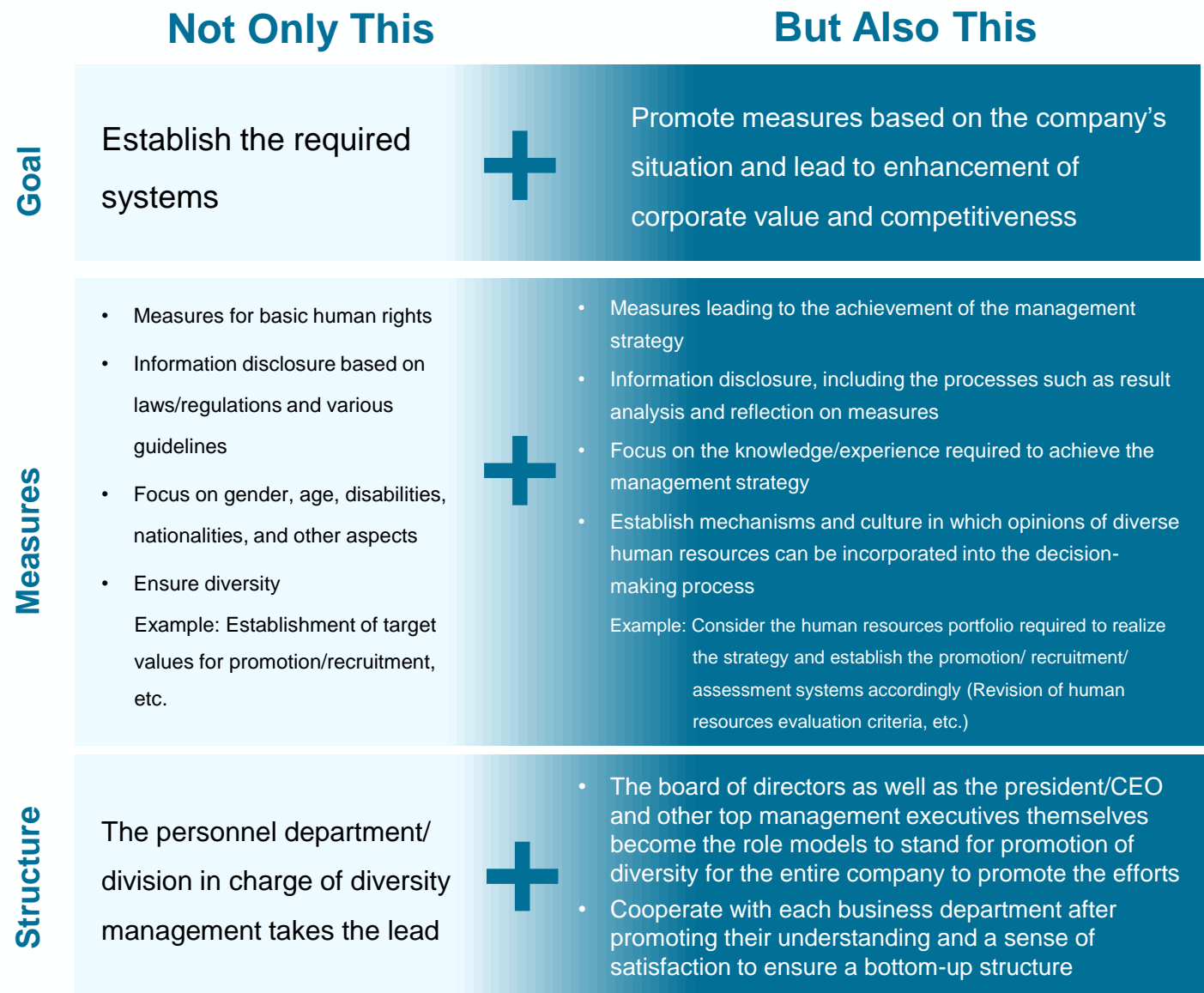


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Concept

Definition of diversity management in this study forum

Diversity management refers to management for generating innovations to create value by utilizing the diversity of human resources and bringing out their maximum abilities

“Diversity,” “Equity,” and “Inclusion,” which are factors of diversity management, are defined as shown on the right in this study forum.

When actually promoting measures in each company, it is necessary to promote measures that contribute to the creation of their value and enhancement of competitiveness while considering aspects, such as the significance and definition, of each measure for the respective company (Example is provided on P33).

Diversity

To establish a portfolio of diverse human resources with the knowledge/experience necessary to achieve the company’s management strategy without limiting gender, age, nationality, race, values, career, work style preferences, and such.

Equity

To provide appropriate opportunities*1 and support for human resources with the knowledge/ experience necessary to achieve the management strategy to fully demonstrate their capabilities and rectify any inhibiting factors in the systems or operation process and such*2.

*It is also necessary to keep in mind that measures necessary for each company depend on the workplace environment and how they promote their business activities, among other factors*3.

Inclusion

To create an environment where diverse human resources with the knowledge/experience necessary to achieve the company’s management strategy can have a sense of belonging to the organization while demonstrating their own strength and feel that they are contributing to the achievements of the workplace and company by fully demonstrating their capabilities.

*1 Example: Establish diverse assessment systems to assess diverse knowledges/experiences.

*2 Example: Arrange left-handed scissors for left-handed people when cutting fabric.

*3 Example: Scissors mentioned in *1 would not be necessary in the first place if there is an automatic cutting machine for cutting fabric.

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Case study

How Diversity Management Boosts Competitiveness(1/3)

The next 3 pages will introduce multiple examples of promotion of diversity leading to enhancement of competitiveness as one of the means necessary to achieve the management strategy.

Astellas Pharma Inc.

Management challenges

Sustainability considered by Astellas is to contribute to society through their core business first and to create a positive cycle that improves the sustainability of both society and Astellas, and they consider human resources diversity to be the most important foundation for the enhancement of corporate value. As the development of new drugs has been prolonging and becoming more difficult, it was becoming increasingly necessary for project managers to manage a large number of human resources, involve people with diverse backgrounds with project without guaranteed success, continue discussions in inclusive environments, and promote the projects over long periods. Interviews with employees brought to light that factors inhibiting innovation included “not taking on challenges of innovation because of the fear of failure,” “conservative goal setting,” “presence of old systems/processes that have lost flexibility,” and “concept of leadership to create innovative ideas is unclear.”

Direction of solution

In the midst of these challenges, they raised three key goals of “Strategic Goals,” “Performance Goals,” and “Organizational Health Goals” in the “Corporate Strategic Plan 2021,” which they have been promoting since FY2021 to FY2025. They especially focus on establishing the environment and culture to achieve the management plan in the Organizational Health Goals.

In the People Strategy, they summarize that DEI is necessary for the organization to achieve its objectives by stating “diversity, equity and inclusion must be leveraged to unlock employee engagement, drive innovation, and improve patient outcomes.”

Practice

Human Resources introduced the leadership model required to achieve the management plan. Targeting the head level, they raised the acquisition of “Transformational Leadership,” “Result Driven,” and “Global Mindset.” With these standards, they implemented “Succession Planning” in which they select

the best candidates as successors, from both inside and outside the company on a global scale, and determine the actual placement based on fair competition and interviews. As of FY2022 and FY2023, approximately 60% of the head-level personnel are foreign nationals, and 40% are female.

Result

In the D&R Strategy, they changed the research organization structure from the conventional waterfall model function-led organization to the agile model research organization where individual drug discovery teams autonomously promote the discovery of innovative drugs under the supervision of the Chief Scientific Officer CCScO) for the purpose of further strengthening the activities in the research stage. Under this structure, units that are given the authority for each mission swiftly make decisions and autonomously promote activities, maximizing the synergy between divisions, through human resources with diverse expertise working together to aim for more sophisticated solutions through trial and error.

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Case study

How Diversity Management Boosts Competitiveness(2/3)

OMRON Corporation

Management challenges

To further promote the resolution of social issues, which OMRON Corporation states in the OMRON Principles, they aimed for the business model transformation from “products” to “products and services” in the Long-term Vision. They started promoting efforts with the awareness that there was an urgent need to drastically and sustainably enhance the capabilities to create innovations in order to achieve the transformation.

They defined innovation as “diverse people and capabilities merging together and existing knowledge and experiences making chemical reactions with the knowledge and experiences from different careers, backgrounds, and cultures, resulting in creation of new ideas.” It was necessary to form teams integrating diverse human resources and capabilities to aim for an organization/company where such diverse human resources can demonstrate their abilities, or to accelerate Diversity & Inclusion as a management strategy in other words, rather than only members with existing knowledge and experiences continuing to take on challenges. It was necessary for them to limit their own measures to accelerate Diversity & Inclusion and concentrate their resources in order to clarify how much new value creation was achieved and how the efforts ultimately led to the enhancement of the corporate value.

Direction of solution

The top management themselves declared that Diversity & Inclusion was one of the necessary management strategies to create innovations, and they promote measures in the field under the commitment of the management team.

To clarify the connection between the measures in the field and enhancement of the corporate value, they established “improvement in human creativity,” which is the “amount of value created and delivered by OMRON to its customers and markets (added value)” divided by the “total value of the working human resources (labor cost), as a KGI.”

They demonstrate internally and externally their efforts and the significance of the company and employees sustainably growing in creating even more added values by investing in human resources to increase added values. They also visualize the KPI and the measures in the field to enhance human creativity by using the concept of Down-Top ROIC Tree for reference with the aim of enhancing the sense of autonomy among employees who execute the measures.

Practice

They implemented eight human resource policies from the three perspectives of Headcount (optimum allocation of human resources), Capability (Acquisition and strengthening of capabilities), and Motivation and engagement (Demonstration of full potential), which are considered as the main factors to enhance human creativity. For example, they implemented measures such as “Promote localization of globally important positions” by considering their business environment in which they globally expand their business, as seen in the example of 60% of their business being of overseas. In FY2023, the ratio of locally hired globally important positions was over 80%.

They promote employees with a great sense of autonomy to work together as teams to take on challenges to resolve social issues and create values. They promote “TOGA (The OMRON Global Awards),” in which they share stories of how the OMRON Principles are practiced in daily operations with their companies worldwide to expand the circle of empathy and resonance toward practicing the OMRON Principles.

Result

By following the concept of Down-Top ROIC Tree, which is presented in “the Guidelines for Human Capital Visualization”, they conducted the correlation analysis to test the hypothesis of what kind of impacts their human resource-related indicators have on their financial indicators and how they are converted into corporate values. They confirmed that indicators, such as women’s share of managerial positions, have positive effects on ROIC. Looking at the performance in the past two years and the progress in human resources policies in the integrated report from 2024, they became aware that their eight human resource policies have been progressing steadily, but they must reflect seriously on the fact that this progress has not yet led to an adequate improvement in human creativity. Without changing the idea to pursue sustainable growth for the company and employees both, they promote transformation of organizational capabilities by reconstructing the portfolio of human resources with diverse experiences and capabilities that can withstand rapidly changing business environments.

Initiatives to Accelerate Diversity & Inclusion	FY2023 Performance Indicators and Targets	FY2023 Results
Global hiring of specialist human resources to lead value creation	Recruitment sufficiency rate	Fulfilled as planned
Promote localization of globally important positions	80% or more	80% or more
Implement and expand diverse career, employment status and work style options	Promoting resolution of issues in “operational efficiency” and “performance management”	Progressing as planned
Cultivate a workplace environment that supports personal growth and motivated individuals	360-degree evaluation related item scores	Achieved as planned
Initiatives and programs to share achievements of resolution of social issues	- Evolution of TOGA - Expansion of external partners	- Participative viewers/post-event viewers: 116% of previous year’s figure - 420% expansion in partners in wider society

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How Diversity Management Boosts Competitiveness(3/3)

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Hitachi, Ltd.

Management challenges

Hitachi started the transformation of their strategy after the management crisis in 2009. As part of this process, the top management emphasized the necessity to review the conventional human resources strategies. Based on this, they decided to position diversity, equity, and inclusion as key driver in the business strategy and take actions in order to appropriately respond to the needs of diverse customers in the global market.

Direction of solution

As a result of executing M&A plans in collaboration with existing businesses as part of the business growth strategy, they now have more global talent with diverse backgrounds. Approximately 60% of sales/profit and employee composition is overseas. They have established the “Diversity, Equity and Inclusion Strategy” and have been implementing activities to cultivate an inclusive culture where we can embrace the diverse perspectives of our more than 280,000 employees globally. And by doing so, drive the innovation needed for our sustainable growth.

Practice

Diversity, Equity, and Inclusion are important factors in the business strategy to drive innovation and ensure business growth. Since 2021, measures to advance diversity have evolved beyond a gender perspective into a global initiative that encompasses various aspects like generations, cultures and nationalities, people with disabilities and LGBTQIA+. Furthermore, based on the concept that organizations that can swiftly adapt to the ever-changing society are necessary, they have established a structure in which diverse talents can proactively execute operations through mutual collaboration between the countries, regions, and business entities. (See P35 for examples of their specific measures)

They also focus on improving the diversity among executive officers, under the strong leadership commitment. They have set the aspirational goal of making 30% of executive and corporate officers women and culturally/ethnically diverse people by FY2030, which they announced in 2021. The ratio of women executives as of June 2024 is 11.8%, and the ratio of culturally/ethnically diverse people among executives is 25%.

Result

Leveraging diverse perspectives is starting to produce some business results. For example, after acquiring railway company in Italy, the team of Italian and Japanese engineers embarked on a large-scale regional railway tender. Through deep discussions and sharing different approaches by the team members with different nationalities and backgrounds, the team was able to design an innovative and sustainable product. As a result, they won the bidding and established a new standard in the market. We can consider this to be a fine example of diverse talent going beyond the borders of countries and demonstrating its full capabilities as one team.



Car designed by a joint team of Italy and Japan



2. Solutions to problems faced by management team members with regard to the promotion of diversity

Problems that top management face regarding the need to foster diversity from the viewpoint of corporate management

It is not clear what kind of impact diversity of knowledge/experience has on corporate competitiveness.

There are many top management personnel, including boards of directors and presidents/CEOs, who question why diversity is necessary and what kind of impact diversity management has, among other aspects.

Some of the specific voices are as follows*:

Problems that top management faces

It is difficult to understand the necessity in terms of business

- They understand that diversity is important, but it's hard to know how it positively works on the business.
- Since the top management personnel themselves never experienced any specific inconvenience in the highly homogeneous organizational environment, they don't feel the need to ensure diversity.
- They have not been promoting measures from the perspective of business-driven necessity to respond to uncertainties and changes in the business environment.

Current efforts are limited to addressing diversity only from the perspectives of gender, age, disabilities, nationalities, etc.

- Efforts are solely based on aspects, such as gender, age, disabilities, and nationalities, rather than diversity & inclusion of knowledge/experience.

The path to enhancement of competitiveness is unclear

- It's hard to quantitatively measure the effects of measures for the promotion of diversity, so they are struggling to lead the effort to the enhancement of the corporate value.
- There are excessive expectations toward promotion of diversity, so it's hard to recognize that there are both positive and negative impacts on the workplace.

It is hard to understand that "ethical responses" are the basis for "diversity promotion measures as management rationale"

- The relationship between ethical responses (basic measures based on respect for human rights) and legally-required responses (establishment of systems and disclosure of information regarding specific indicators) and diversity promotion measures as management rationale are hard to comprehend

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Relationship between diversity of knowledge/experience and corporate value creation

As discussed before, **promotion of diversity** is **one of the various means to achieve the management strategy** for the purpose of maintaining/strengthening corporate competitiveness.

For example, when it comes to **situations such as responses to external environmental changes with great impacts on the business and drastic organizational/business restructuring**, **diversity management** is especially thought to be a great driving force for the achievement of the management strategy, while highly homogeneous organizational culture and habits may inhibit the achievement of the management strategy. (See P13 for details)

Establishing the environment where human resources with the knowledge/experience required to achieve the management strategy can demonstrate their abilities enhances the effects of other various business-related measures toward the achievement of the management strategy.

Through such efforts, **the purpose of the company and the purpose of individuals (self-actualization) match**, leading to corporate value creation through the achievements of missions/purposes for each.

Diagram: Relationship between diversity and inclusion of knowledge/experience and corporate value creation

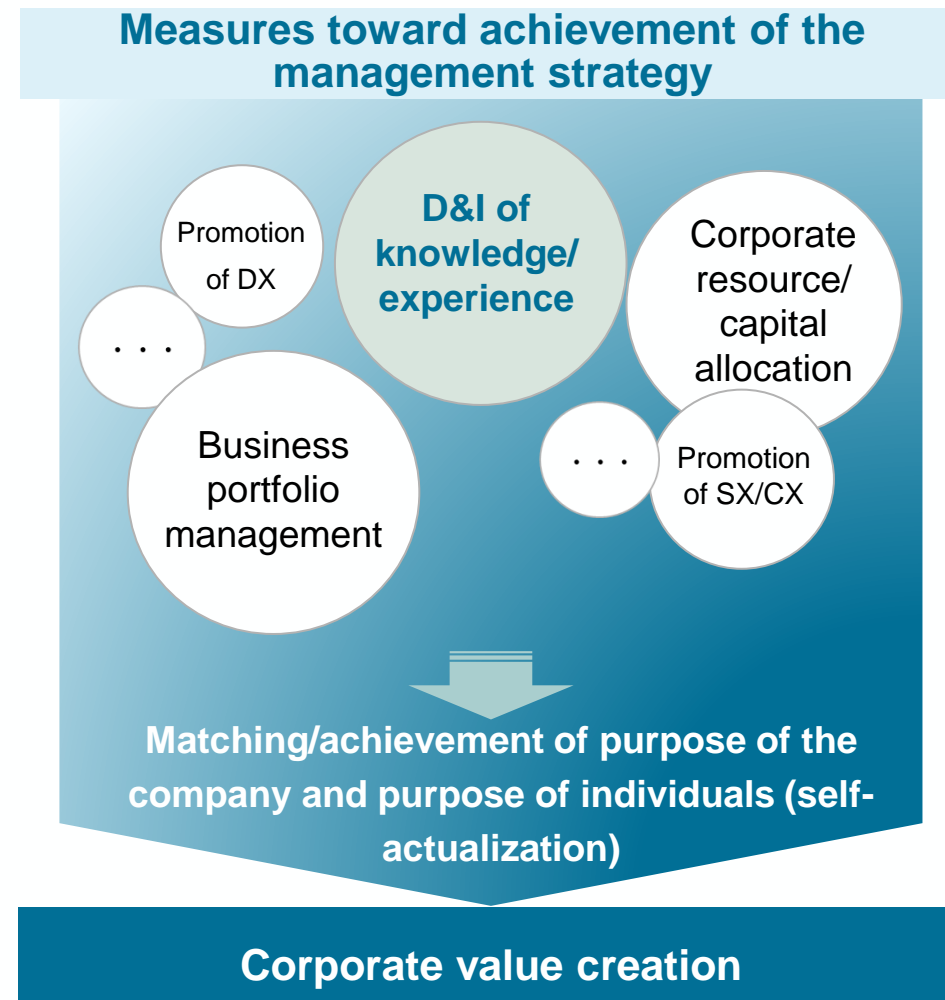


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Examples where diversity is an important factor for the achievement of the management strategy

Based on examples of domestic/overseas companies, cases where diversity is considered to be an important factor in achieving the management strategy have been summarized as examples (*). However, value-creation stories of different companies and how they position promotion of diversity differ for each, and it is assumed that there are cases other than these examples where promotion of diversity is an important factor in achieving the management strategy.

Examples where diversity is an important factor for the achievement of the management strategy

New entry to product/service markets and responses to external environments and such that have great impacts on the existing business, etc.

- A BtoC manufacturers has successfully captured customer needs even more by diversifying their own product development perspectives, in response to customer needs becoming more and more diversified. They see promotion of diversity “as a means to achieve business goals.”
- In order to survive the intensifying industry competitions, they felt a limit to following the extension of the past process (past successful experience). Considering co-creation of values with diverse stakeholders to be necessary, they have positioned promotion of diversity as a measure to transform the organizational culture that can respond to such changes.
- They promote system establishment, such as mid-career recruitment and treatment systems for digital human resources through digitalization of the business.

Entry to/expansion in/withdrawal from specific region/global market

- In response to the overseas market ratio in sales exceeding 70% and the increase in foreign-national employees, they positioned promotion of diversity as one of the management challenges to be promoted to change the business and established a globally standard mechanism to assess managerial levels.

Organizational restructuring, such as M&A, and major business restructuring, etc. through selection and concentration

- When two companies were merged in a major restructuring of the industry, they aimed for an equal merger, resulting in a management challenge that required promotion of diversity in order to resolve conflicts and such by companies with different corporate cultures and working styles, among other aspects.
- With businesses that cover a wide scope, they shifted to a business company system according to the management policy to respect expertise. Under the DEI policy for the entire group, they established the policy/structure for each business company regarding detailed operations and have been promoting diversity promotion measures while coordinating with the management policy.

Internal challenges

- Considering that the cause of a scandal was the culture to follow past examples, they took measures to transform the culture of the company itself.
- When business strategies, human resources strategies, etc. did not succeed or when various corporate risks come to light due to causes, such as the rigidity or homogeneousness of the organization, they use the opportunities to redefine/reconsider what Diversity, Equity, and Inclusion mean to their own company.

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*Summarized based on disclosed information of domestic/overseas companies, interviews, and discussions in the study forum.

Steps to consider diversity management policies

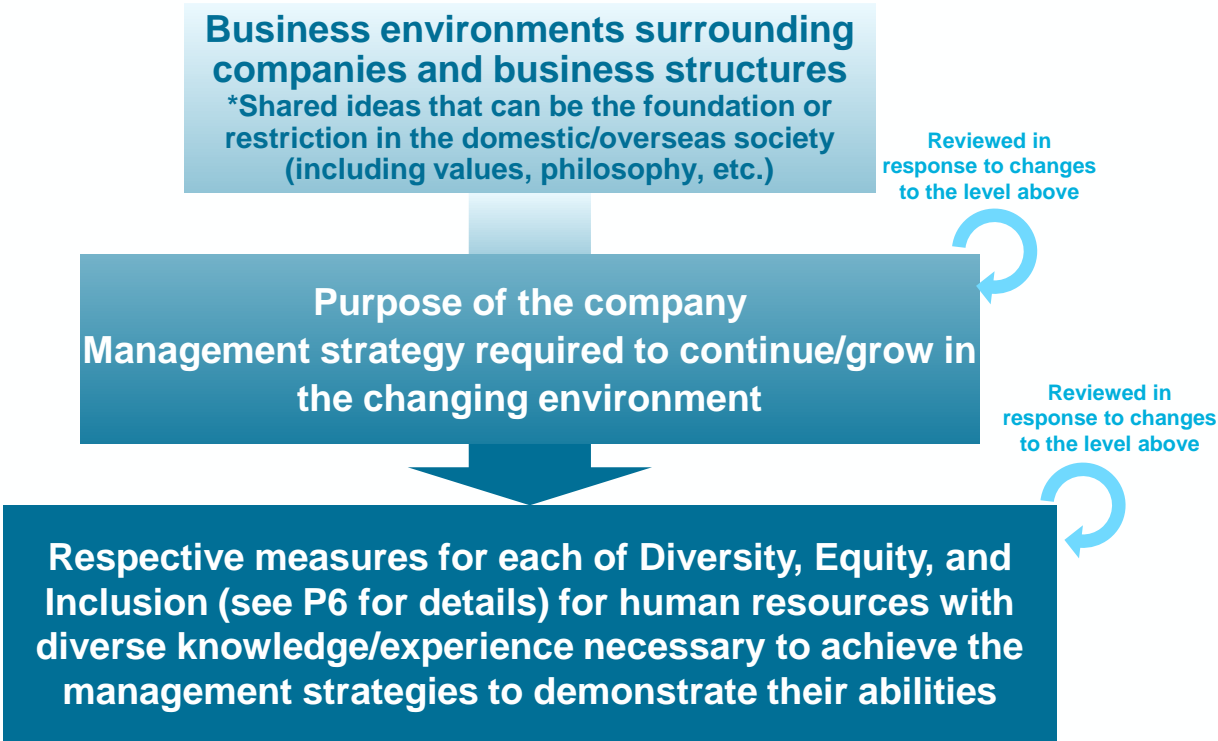
Corporate management strategies differ depending on the business structure of each company and shared ideas that can be the foundation or restriction in the domestic/overseas society where the business is promoted, and they are also prone to changes.

Due to this, it is necessary to design, as hypotheses, the ideal human resource profiles required to achieve the management strategy and the respective measures for each of Diversity, Equity, and Inclusion in the mechanism where these human resources create values. Such hypotheses must be **continuously reviewed** depending on the changing environment.

Next, it is necessary to **refine the significance, objectives, and necessity of Diversity, Equity, and Inclusion** for each company, clarify the principles according to the actual situation, and **share/disseminate it throughout the group**. Sharing of missions and purposes is also necessary to enhance the unifying force of the organization with diverse human resources possessing the knowledge/experience required to achieve the management strategy.

Pages 23-25 and the column on P36 discuss the importance of the assignment/selection process for the board of directors as well as the president/CEO and other top management executives for this purpose, as well as the practical actions.

Diagram: Steps to consider diversity management policies



With diversity, it goes without saying that responses required of companies based on social agreement from the perspective of respect for basic human rights are necessary.

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Column

Changes in environments surrounding companies in Japan

Situations surrounding companies' diversity management have been drastically changing in recent years.

Demands and expectations by stakeholders toward companies in Japan have been expanding, and global trends must also be closely followed.

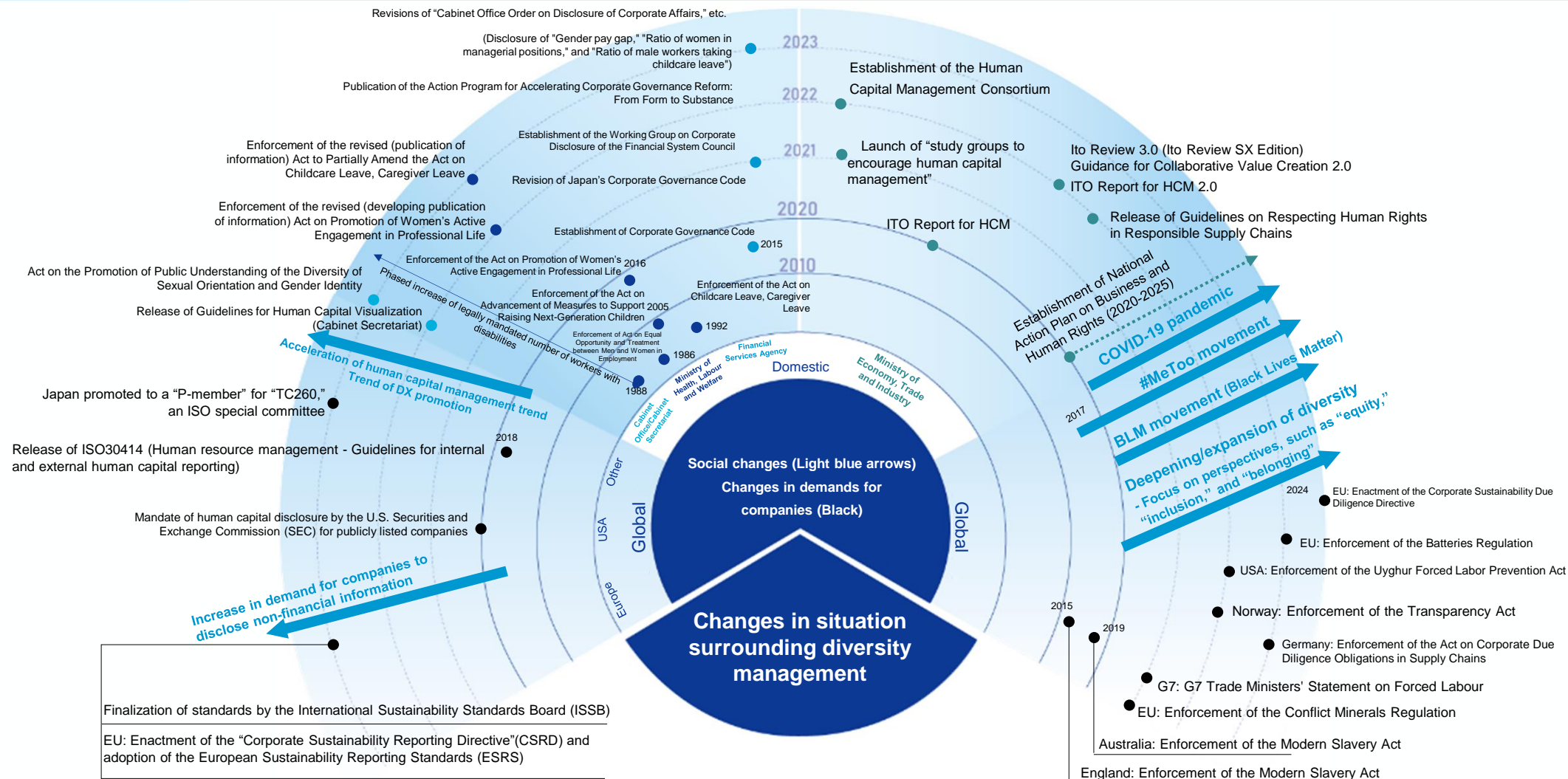


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Column

Significance of promotion of diversity from the perspective of Japanese social background

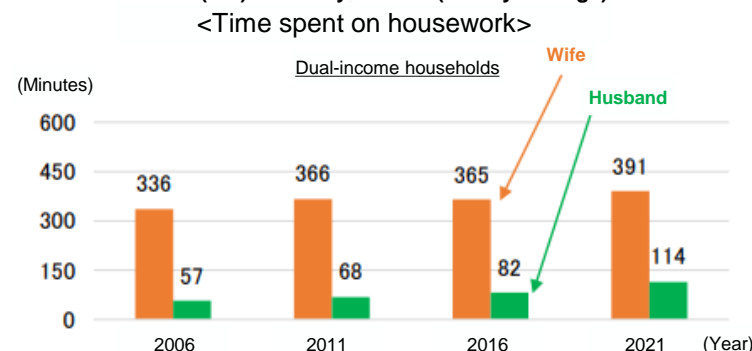
The topic of “promotion of diversity” always brings up the question of “doesn’t that mean lowering the bar for minorities?” For example, some would say proactively recruiting women for managerial positions and providing training opportunities to do so are “measures to recruit them just for being minorities even if they don’t meet the recruitment standard.”

However, **based on the historical background in Japan, various policies to promote women to demonstrate their abilities are not for the purpose of favorably treating women. They are the measures to rectify the situation where opportunities for women to work and demonstrate their abilities were limited caused by the deep-rooted social value that “work is for men and childcare and housework are for women” and the reality as a result (see diagram). This is perceived as appropriate provision of the “opportunities for women to demonstrate the capabilities” that they already possess by finding different assessment systems, rather than lowering the recruitment standard for women.**

Such measures are also useful from the aspect of competitiveness enhancement for Japanese companies. In other words, it is necessary to establish an environment where human resources with the knowledge/experience required for the company can be promoted and demonstrate their abilities, regardless of the gender, nationality, age, and other factors. **If the system or norm based on the conventional social structure** (as mentioned before) **is an inhibiting factor for the human resources to demonstrate their capabilities, rectifying it** will allow the company to fully bring out the potential of the human resources, who had been unable to fully demonstrate their capabilities.

For example, required management styles change according to the changes of the social environment, minds of workers, employment customs, and other aspects. When it happens, using new assessment systems in accordance with the changed management style, instead of the conventional assessment system, will allow diverse human resources, including women and those who would not have been recruited in the conventional way, to be recruited for managerial positions.

Figure: Time spent on housework by wives and husbands with child(ren) under 6 years old (weekly average)





Column

Diversity management in terms of labor market

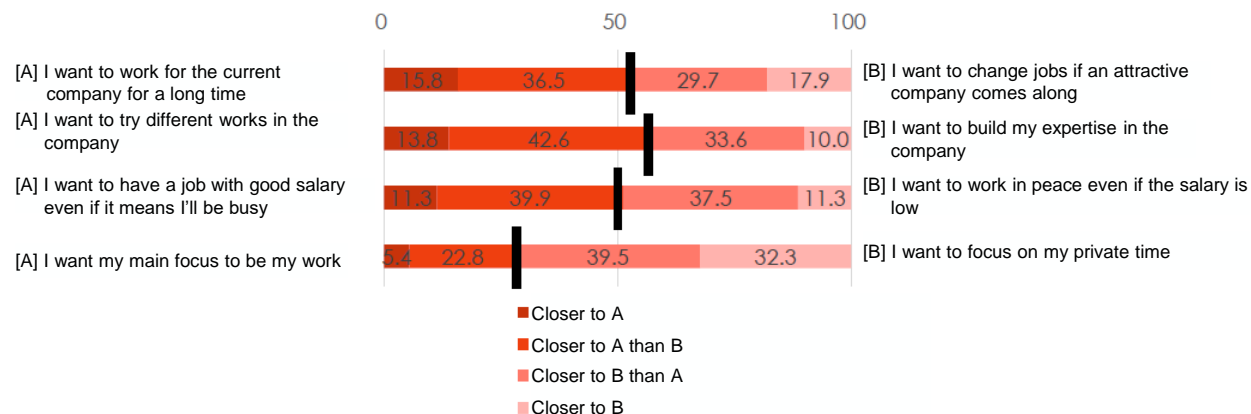
It is expected that it will change from society in which excess and deficiency of workers are determined based on the shifts on the demand side, such as industry condition and corporate performance, to **society in which labor force provision is restricted, where labor force provision itself will bottleneck, by 2040. The recruitment sufficiency rate for new graduates in 2024 was the lowest in 11 years***1.

Under such difficult circumstances, **working environments for employees have been improving** through measures by Japanese companies who are also considering the trend for recent young employees to focus on work-life balance*2*3.

On the other hand, **working life values for young employees in the future seem to be becoming multipolarized** in aspects other than work-life balance, as the diagram below shows*4. As values are becoming more diversified in all generations and not just for young people, we must consider how we can fully utilize each individual.

In order for Japanese companies to maintain the business and continue growing, **it is also important for them to reconsider the stance of promoting human resources by utilizing them through means, such as yearly-based management by academic background, with the basis of employing new graduates.** It is also necessary **to create the environment within the workplace where each and every employee with diversified values to be able to realize their own purpose in the future.**

Diagram: Multipolarized values of young employees



Source: *1 Saiyo mitoshi chosa (Shinsotsu: 2026 nen sotsu) (in Japanese) [Recruitment Outlook Study (New Graduates: Graduated in 2026)] by Recruit Works Institute (Issued on December 20, 2024)

*2 Daigakusei, daigakuinsei no hatarakitai soshiki no tokutyo (in Japanese) [Characteristics of Organizations Where University/Graduate School Students Want to Work: Those Graduated in 2024] by Shushoku Mirai Institute (2023)

*3 Comparison according to Japanese Panel Study of Employment Dynamics by Recruit Works Institute

*4 Wakate ikusei jokyo kensho chosa (in Japanese) [Study on Training Situations of Young Employees] by Recruit Works Institute (2022) The figure is an excerpt from the material mentioned on the left.

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Diversity management in terms of capital market

In the Guidelines for Human Capital Visualization released by the Cabinet Secretariat, **disclosure involving diversity** is regarded important in both perspectives of “**risk**” management by companies for social responsibilities and strategic “**value enhancement**,” such as innovation and productivity. (See figure below)

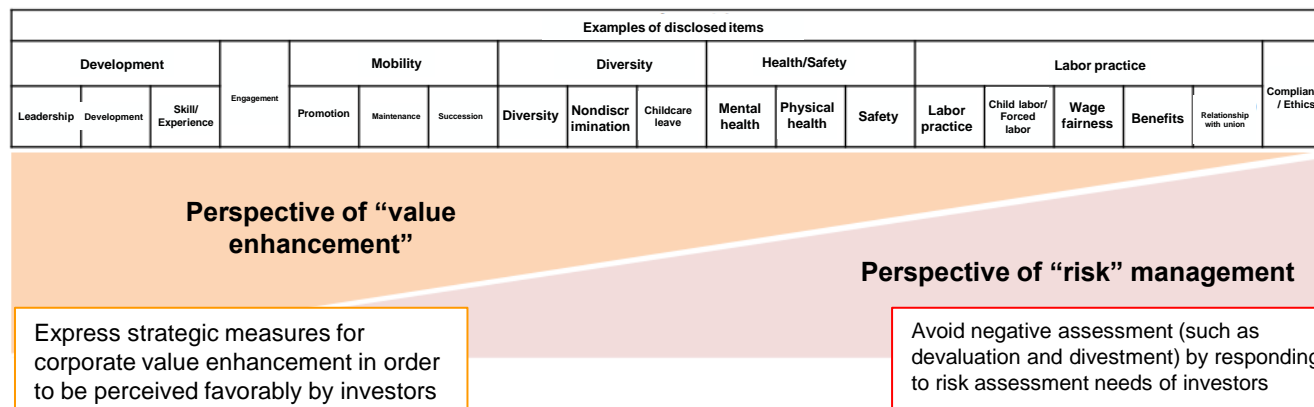
The Japan’s Corporate Governance Code (June 2021 version) also presents the ideas for **directors to ensure diversity for the purpose of sustainable corporate growth**.

In fact, institutional investors see **diversity management as key themes in dialogs/voting**. In the general meeting in June 2022, the **average opposition rate of domestic/overseas investors drastically increased when there were zero “female executives” as well as “female directors.”**

Based on this situation, companies need to explain to investors not only through the indicator data corresponding to their own situation but also through disclosure and dialogs including narratives regarding **how diversity leads to their own value creation, how they perceive the current state in order to achieve this, and what kind of measures they will promote**. (See the column on P37 for details)

Furthermore, the means of dialogs and investment decisions would differ for different investors, depending on the operation method. Moreover, some investors have also been changing policies regarding handling of diversity. **It is important to consider how to appeal (disclose) to what kind of investors for what purpose**, rather than seeing the capital market as a single group of “investors.”

Diagram: Concept of disclosed items in the Guidelines for Human Capital Visualization



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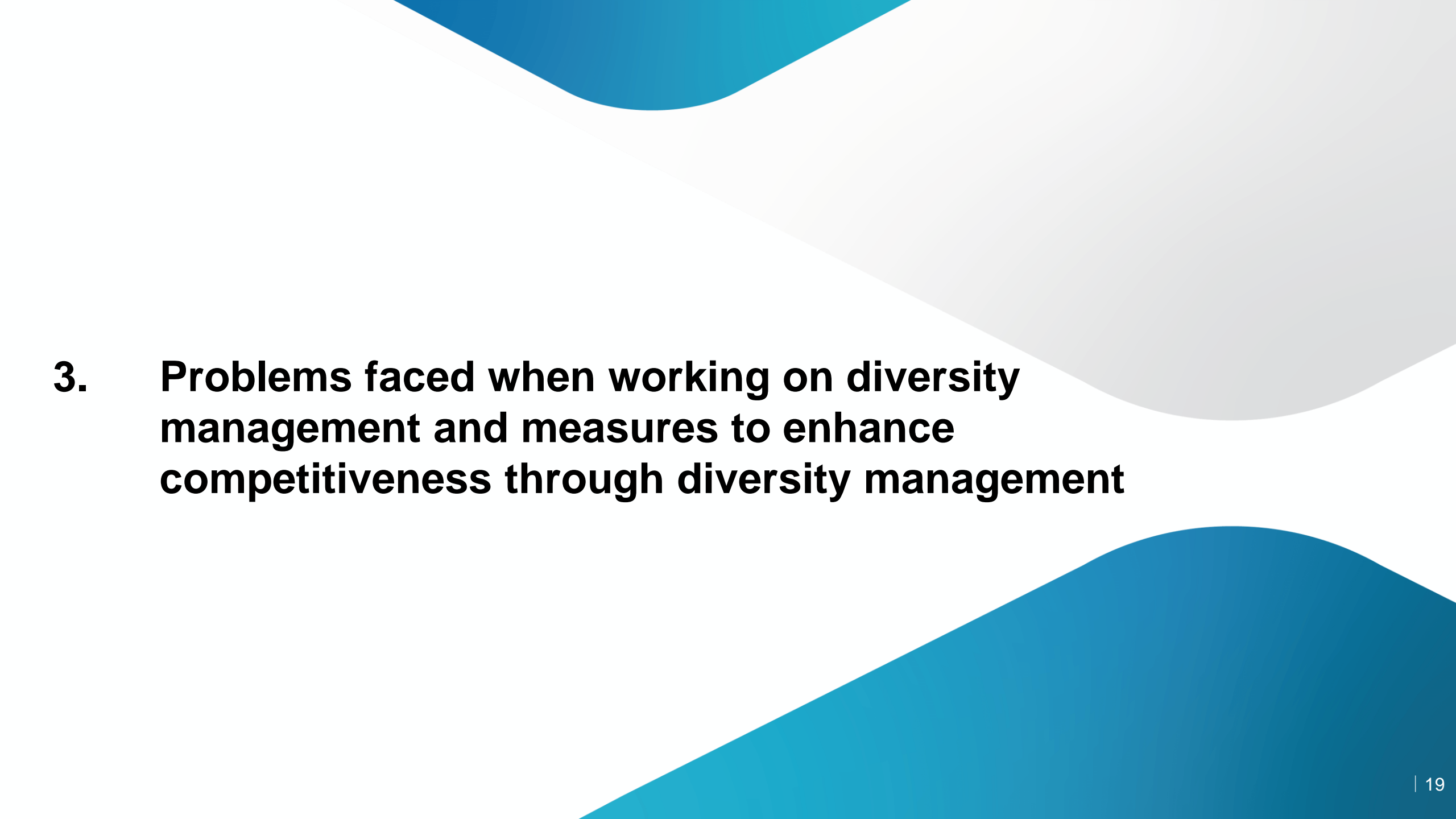
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(Reference)
Company initiative examples related to actions, columns



3. Problems faced when working on diversity management and measures to enhance competitiveness through diversity management

Problems that directors and others in charge of diversity management face when implementing specific measures

So far, the significance of diversity management has been explained as a means to achieve the management strategy for the purpose of maintaining/strengthening corporate competitiveness.

However, directors and others in charge of diversity management face various problems when actually promoting diversity management for the purpose of corporate value enhancement. Some of the specific voices are as follows*:

Problems that directors and others in charge of diversity management face

Uniform initiatives at the group/business level alone are insufficient to achieve meaningful impact.

- Diversity is different in each group company/region.
- Necessity to ensure diversity also differs between departments and occupations.

In some cases, the concept of diversity management itself is not well understood.

- There is the difficulty to make a change in the HR system and operation process, which have been built based on Japan's own customs and the idea of following precedents.
- There are still many people saying that focusing the system/process on specific groups would exclude other groups.
- The relations between ethical responses (basic measures based on respect for human rights) and legally-required responses (establishment of systems and disclosure of information regarding specific indicators) and diversity promotion measures as management rationale are hard to comprehend, making it difficult to promote coordination.
- There are excessive expectations toward promotion of diversity. Measures are being promoted without realizing that there are positive and negative impacts on the workplace.
- What kind of stance/response should be taken when the positioning of diversity management may change due to stagnation of ESG investment and overseas trend, among other aspects?

It is difficult to prioritize initiatives.

- Since there are too many matters to promote as a company, it's difficult to determine how much commitment and resource should be allocated to diversity management.
- Long-term goals in diversity management promotion are easy to establish, but medium-term targets for the range of several years are difficult to establish.

Fragmented HR management within corporate groups poses challenges to promoting diversity management across group and global operations.

- Personnel departments in different bases of the group had not coordinated with each other before, including the data aspect.

It is difficult to change actions/mindset of each employee.

- Information disseminated by the leader and their daily speech and behavior are not consistent.
- Leader leading the global team has insufficient capabilities.
- Employees themselves fix their own roles and would not voluntarily utilize the environment where they can utilize diverse knowledge/experience.
- There are a certain number of people who consider diversity management as "something that doesn't affect them."

Increasing diversity has led to additional costs.

- Trying to unify the intentions of diverse human resources is difficult, causing the organization to be prone to lacking a sense of unity.
- There are communication costs involved where diverse human resources exchange opinions and ideas.

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*Representative problems were summarized based on disclosed information of domestic/overseas companies, interviews, and discussions in the study forum.

Measures to enhance competitiveness through diversity

Based on the problems that companies face when promoting diversity management, which had been discussed up to the previous page, **we present the recommended “actions” for companies** as the tips to consider the necessity of each of “Diversity,” “Equity,” and “Inclusion” **in the manner best suited for the company** and to take corresponding measures, **starting on the next page.**

This, however, does not mean that the presented actions should directly be adopted to each company and promoted without practical changes. Actions to be selected change depending on aspects, such as the company’s management environment and challenges that they face. We hope that readers will utilize this material by carefully considering the necessity of each action and pick and choose in order to enhance the company competitiveness.

The actions presented here are those presented in the “Diversity 2.0 Action Guidelines” (*), which was released in March 2017, as actions required for companies to practice diversity management, which have been revised and summarized based on the discussions of this study forum.








Before readers proceed to the actions, it should also be discussed the importance of establishing the so-called “inclusive” culture that can accept **diversity of human resources. Establishment and transformation of culture cannot be achieved overnight. They are only achieved through the process of diversity management measures (specific actions (0) through (6) provided starting on the next page) being disseminated and maturing within the company. They will be the driving forces to further accelerate corporate diversity management.**

[Examples of challenges and action measures]

- Group/business departments only promoting uniform measures do not produce effects => See mainly actions (0), (1), (2), and (3)
- Human resource management within the group is divided, and the environment is not sufficient to start diversity management on a global scale as a whole. => See mainly (0), (1), and (2)
- Prioritizing measures is difficult => See mainly (0), (1), (6)
- The concept of diversity management itself is difficult to be comprehended in some cases => See mainly (1), (4), and (5)
- Changes in the actions/mindset of each employee are difficult => See mainly (4), (5), and column on P36
- Increased diversity is creating more cost => See mainly (0), (3), (4), and (5)

Recommended actions for companies

(Revisions of actions in Diversity 2.0 Action Guidelines)

Action		Description
(0) Establishing foundation to promote actions		It is important for the board of directors as well as the president/CEO and other top management executives to ensure diversity of knowledge/experience and have the strong belief to utilize diversity. Based on that, define the human resources portfolio necessary for the achievement of the management strategy by considering the business environment and business structure that differ for each company, and aim to disseminate it, including the purpose. Also establish the foundation, including the systems required for the human resources to demonstrate their abilities. The company fulfills the corporate responsibility to respect human rights as the basis for them.
(1) Establishing diversity management policies		Under the strong commitment of the board of directors as well as the president/CEO and other top management executives, consider the necessity and concepts for Diversity and Equity and how Inclusion should be in order for human resources required to achieve the management strategy to demonstrate their abilities. Based on this, clarify the diversity management policies and aim to disseminate them throughout the organization. Furthermore, formulate KPIs/roadmap and track/manage the progress through data to continue refining the measures.
(2) Building the structure and framework		To continuously promote diversity management company-wide, establishing the (top-down) structure in which the board of directors as well as the president/CEO and other top management executives are responsible for execution, and ensuring the (bottom-up) framework in which employees are involved with diversity management measures and their voices are delivered to the board of directors as well as the president/CEO and other top management executives.
(3) Establishing environments and rules that reflect business and regional characteristics		Keeping in mind the fact that ways of Diversity, Equity, and Inclusion are diverse depending on the nature of the business and region, review operation processes and systems so that employees with various knowledge/experiences working in each department, country, and region can demonstrate their abilities.
(4) Action/awareness reform of managerial positions		Develop/recruit managers who can utilize employee diversity through means, such as assessment of their efforts/creativity.
(5) Action/awareness reform of employees		Establish diverse career paths and develop career ownership to help each and every employee take autonomous actions and grow in order to encourage employees to sympathize with the company's (organization's) purpose and contribute to the realization of the purpose by utilizing their unique strengths. Establish the environment and provide support so that each and every employee is involved with diversity management measures and performs daily operations with the awareness for the concepts of Diversity, Equity, and Inclusion.
(6) Information Dissemination and Dialogue with the labor market/capital market		<div>(6)-1 (Labor market) Formulate/execute consistent human resources strategies to secure human resources required to achieve the management strategy and effectively transmit the details, monitoring results, and achievements to the labor market.</div> <div>(6)-2 (Capital market) Proactively transmit to investors the policies/measures for diversity management that would lead to enhancing corporate value via appropriate media and hold dialogs.</div>

*The process of actions (0) to (6) above spreading/maturing within the company promotes the cultivation of inclusive culture where diverse human resources can demonstrate their abilities.

*New/old comparison with Diversity 2.0 Action Guidelines has been summarized in Attachment 1. *The Ministry of Economy, Trade and Industry is scheduled to summarize/add specific measures and release as attachment 2 in FY2025 or later.

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Establishing foundation to promote actions

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Details (Repeated)

It is important for the board of directors as well as the president/CEO and other top management executives to ensure diversity of knowledge/experience and have the strong belief to utilize diversity. Based on that, define the human resources portfolio necessary for the achievement of the management strategy by considering the business environment and business structure that differ for each company, and aim to disseminate it, including the purpose. Also establish the foundation, including the systems required for the human resources to demonstrate their abilities. The company fulfills the corporate responsibility to respect human rights as the basis for them.

Measure

Enhancing the supervision function of the board of directors, selection of the president/CEO and other top management executives

Formulating the management strategy based on the business environment and other aspects that differ for each company, dissemination of the purpose, and definition of the ideal human resource profiles required to achieve them

Formulating consistent human resources strategies

Establishing fundamental mechanisms, such as human resources systems to accept human resources with the knowledge/experience required to achieve the management strategy

Measures to respect human rights

Detailed description

Members **who are not restricted by internal logics** take the lead to review the structure of the board of directors in order to enhance the supervision function of the board of directors. When doing so, selections are made by considering the promotion of **knowledge/experience diversity and growing out of homogeneousness according to the business model of the respective company**. Based on that, the president/CEO and other top management executives, **who demonstrate their conviction through actions in addition to words**, are selected.

In order to continue and maintain growth in the changing environment, formulate the management strategy with the **appropriate awareness toward the business environment and business structure of the respective company** and disseminate the company's purpose throughout the organization **to ensure the unifying force for the organization**. Clarify the desired ideal human resource profiles from the perspective of **what kind of human resources are required to achieve them**.

Consider/organize the "human resources portfolio (optimal constitution of human resources)" to be achieved over medium- to long-term, **based on the desired ideal human resource profiles**. Formulate and execute the human resources strategy, which is **consistent throughout the steps of promotion, development, recruitment, and retention**.

Change the conventional human resources assessment system into a multiaxial one after clarifying the jobs **so that human resources with the knowledge/experience required to achieve the management strategy can be appropriately assessed**. Also promote the establishing foundation, **which perceives the entire global scale as one company**, by establishing a global grading system and key positions, visualizing human resources, and creating a database, among other efforts.

Declare the commitment to **fulfill the corporate responsibility to respect human rights** and take measures to prevent, stop, and mitigate negative impacts on human rights.



Establishing diversity management policies

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Details (Repeated)

Under the strong commitment of the board of directors as well as the president/CEO and other top management executives, consider the necessity and concepts for Diversity and Equity and how Inclusion should be in order for human resources required to achieve the management strategy to demonstrate their abilities. Based on this, clarify the diversity management policies and aim to disseminate them throughout the organization. Furthermore, formulate KPIs/roadmap and track/manage the progress through data to continue refining the measures.

Measure

Detailed description

Clarifying diversity management policies

Considering the company's management strategy and stakeholders, define the necessity and concepts for Diversity and Equity and how Inclusion should be **for the respective company** and clearly present the policies for the measure to promote diversity management **that would lead to enhancing corporate value**. Share the policies throughout the organization and disseminate them so that measures based on the above are taken **in all aspects of corporate activities**. *It is also possible to consider diversity promotion policies from the perspectives of maintaining/strengthening the supply chain in addition to one's own company.

Formulating KPIs/road map

Establish the "goals" (KPIs) based on the diversity management policies and formulate the road map required to achieve them. When doing so, the value goals and the road map should consider the current diversity status of the company and **its business domains and regional characteristics**.

Measuring and tracking the progress

Collect/analyze/share data by utilizing databases and other means to continuously monitor the current state and challenges of diversity management promotion from both quantitative and qualitative aspects **under the supervision of the board of directors** and review the goals/policies as necessary. Proactively disclose information to internal/external stakeholders. At the same time, promote the measures while monitoring the KPIs **by the units of business and department in the appropriate manner for the company**.

Commitment by both the board of directors as well as the president/CEO and other top management executives

The board of directors as well as the president/CEO and other top management executives themselves commit to the dissemination of diversity management policies and execution of the KPIs/road map and continuously review the contents **through repeated discussions in management meetings as well**.



Building the structure and framework

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Details (Repeated)

To continuously promote diversity management company-wide, establishing the (top-down) structure in which the board of directors as well as the president/CEO and other top management executives are responsible for execution, and ensuring the (bottom-up) framework in which employees are involved with diversity management measures and their voices are delivered to the board of directors as well as the president/CEO and other top management executives.

Measure

Detailed description

Establishing the
structure on the
management level

In order for the board of directors as well as the president/CEO and other top management executives to promote diversity management throughout the company in a continuous and effective manner, establish the structure **incorporating the top management**. It is especially important that the **president/CEO and other top management executives take responsibility for the execution of measures**. Also organize the coordination structure and division of roles with holding companies and major affiliated companies to promote the measures throughout the group.

Establishing the bottom-
up framework

Establish the framework **that allows two-way communication with employees** so that the board of directors as well as the president/CEO and other top management executives can properly comprehend the differences in challenges and progress regarding Diversity, Equity, and Inclusion due to differences in the **business domain and region** and execute the measures.

Coordinating with
business departments

Departments promoting diversity management coordinate with each business department to encourage the **business departments to execute the measures** based on the strategy **by taking initiatives**.

Assessment of the
president/CEO and other top
management executive

In order to enhance the effectiveness of diversity management, include assessment criteria, which take **promotion of diversity and growing out of homogeneousness** into consideration, **in the assessment indicators for the president/CEO and other top management executives in charge of executing the business strategy**.



Establishing environments and rules that reflect business and regional characteristics

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Details (Repeated)

Keeping in mind the fact that ways of Diversity, Equity, and Inclusion are diverse depending on the nature of the business and region, review operation processes and systems so that employees with various knowledge/experiences working in each department, country, and region can demonstrate their abilities.

Measure

Realization of diverse and flexible working styles

Review of operation processes

Detailed description

Review systems and such that would allow flexible and diverse working styles for **employees, including managerial positions**, so that human resources with the knowledge/experience required to achieve the management strategy can demonstrate their abilities in various situations, as people's awareness toward working styles is becoming more diverse.

Establish an environment where human resources with the knowledge/experience required to achieve the management strategy can demonstrate their abilities by reviewing all of the existing operation processes and re-establishing the functions, operation flows, organizations, information systems, and other aspects **through DX and other efforts**.



Action/awareness reform of managerial positions

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Details (Repeated)

Develop/recruit managers who can utilize employee diversity through means, such as assessment of their efforts/creativity.

Measure

Establishing the mechanism to update and promote management by managerial positions

Development/recruitment of leaders that can perceive changes as opportunities and respond accordingly

Promotion of management to help diverse human resources to demonstrate their abilities

Detailed description

Promote the management of diverse human resources by managerial positions by including **multiaxial** standards for assessment of managerial positions themselves and human resources assessment/job assignment of subordinates and items taking promotion of diversity under consideration. Having a multiaxial assessment system would also become an incentive for managerial positions with diverse knowledge/experience.

Promote understanding among managerial positions of various departments regarding the significance of diversity promotion in terms of the management strategy as well as the roles of managerial positions. Develop and recruit managerial position people who can incorporate diverse opinions of their subordinates, **lead them to organizational changes, and create innovations as the result.**

Help managerial positions gain management capabilities that would allow them to have dialogs with subordinates to deepen each other's understanding and establish an environment with a high level of psychological safety where they can discuss questions and ideas without hesitation.
Also help them gain management capabilities to help human resources with diverse knowledge/experience to demonstrate their abilities by promoting diverse working styles **within the respective department** and reviewing operational designs.



Action/awareness reform of employees

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Details (Repeated)

Establish diverse career paths and develop career ownership to help each and every employee take autonomous actions and grow in order to encourage employees to sympathize with the company's (organization's) purpose and contribute to the realization of the purpose by utilizing their unique strengths. Establish the environment and provide support so that each and every employee is involved with diversity management measures and performs daily operations with the awareness for the concepts of Diversity, Equity, and Inclusion.

Measure

Establishing diverse
career paths

Developing career
ownership

Provision of opportunities to
help people understand the
significance, necessity, and
importance of Diversity, Equity,
and Inclusion

Provision of learning
opportunities to remove
unconscious bias

Detailed description

Develop not only uniform career paths but also “diverse career paths” where human resources with different lifestyles and values can demonstrate their abilities.

Develop the ownership for the career of individuals also to refine the strength of each person through employee assignment and career support. Also cultivate the workplace environment to help employees to enhance **their own** diversity by accumulating diverse experiences in work as well as private, such as self-improvement and childcare leaves, and accept and collaborate with **diverse people** with different attributes and values than themselves.

Provide learning opportunities for each employee to understand the significance of Diversity, Equity, and Inclusion and practice them **in daily operations** while demonstrating leadership in order to realize it, as well as opportunities for them to be involved with various measures.

Provide opportunities for them to realize and reflect whether or not they have **unconscious** bias based on past experiences and observation.



(6)-1 Information Dissemination and Dialogue with the Labor Market

(6)-2 Information Dissemination and Dialogue with the Capital Market

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(6)-1 Information Dissemination and Dialogue with the Labor Market

Details (Repeated)

Formulate/execute consistent human resources strategies to secure human resources required to achieve the management strategy and effectively transmit the details, monitoring results, and achievements to the labor market.

Measure

Effective dissemination and dialogue with the labor market

Detailed description

Practice creativity through recruitment means, timing, and other aspects, effectively transmit information regarding the measures for diverse employees to fully demonstrate their capabilities, such as the company's human resources strategies and systems for diverse and flexible working styles, and deepen communication with the information recipients so that these points can be appealed to human resources desired by the company.

(6)-2 Information Dissemination and Dialogue with the Capital Market

Details (Repeated)

Proactively transmit to investors the policies/measures for diversity management that would lead to enhancing corporate value via appropriate media and hold dialogs.

Measure

Effective dissemination and dialogue with the capital market

Detailed description

Proactively transmit information to and communicate with investors through disclosure, dialogs, engagement, and other means. Especially provide explanations regarding diversity measures, including **knowledge/experience diversity of the boards of directors**, and the **connection between promotion of diversity and corporate value enhancement**. The desirable information transmission media include materials disclosed in medium-term management plans, annual reports, corporate governance reports, and securities report (MD&A), which are utilized by investors for investment surveys and such.

3. (Reference) Company initiative examples related to actions, columns

- The next and following pages will introduce examples of action-related measures by companies (prepared by the Secretariat) as well as columns
- Please read the examples of measures from the perspective of **why these measures are being promoted based on the necessity in terms of management strategies.**



Case study

Establishing foundation to promote actions

Action (0)



Astellas Pharma Inc.

Develop leaders who can perceive changes as opportunities and respond accordingly and operate in a unified manner throughout the group on a global scale in order to achieve the management strategy

(*Also related to Action (4))

Management strategy, management challenges (P7)

As the development of new drugs has been prolonging and becoming more difficult, it was becoming increasingly necessary for project managers to manage a large number of human resources, involve people with diverse backgrounds with project without guaranteed success, continue discussions in inclusive environments, and promote the projects over long periods.

Interviews with employees brought to light that challenges inhibiting innovation included “not taking on challenges of innovation because of the fear of failure,” “conservative goal setting,” “presence of old systems/processes that have lost flexibility,” and “concept of leadership to create innovative ideas is unclear.”

Action linked to the challenge above

Based on these challenges, they established the three factors of “Transformational Leadership,” “Result Driven,” and “Global Mindset” for the required leader figure and select successors by requiring that they are equipped with these factors.

They promote succession planning with the policies of “completely integrated global succession planning,” “inclusion of succession candidates from outside, not just from inside,” “free competition,” and “always having the right people for the right positions through annual reviews” in order to promote/develop/appoint leaders equipped with the factors above.

Action result

The succession planning operation result shows 70% of new appointments to division head level

positions in FY2023 were from the succession plan. Among these, 81% of the appointments are from the successor stage “Ready Now” (state in which they have the expertise and leadership required in the necessary positions).

12% were from outside of the company. Starting with the succession planning in FY2023, they mandated that human resources from outside of the company were included in successors, building the structure that allows them to appoint the optimal human resources from not only within the company but also outside of the company.

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Establishing foundation to promote actions

Action (0)



MITSUI & CO., LTD.

Establishing the human resource management structure linked to the global matrix structure of Business/Function and Region, positioning the factor of diversity promotion as one of the global talent management policies(*Also related to actions (2) and (4))

Management strategy, management challenges

To continue creating value by responding flexibly and drastic changes in the business environment, it is important to develop people who can quickly adapt to such changes and create effective strategies for the future, and to fully realize their respective potential.

With the purpose of further promoting globalization, they are establishing the management structure rooted in their bases throughout the world to always have the right people for the right positions on a global scale, regardless of where they are hired and they are accelerating sophistication of talent management on a global basis, the development of professionals and the success in various overseas regions by strengthening the foundation.

It is necessary to continuously transform the wide range of global business portfolio in order to provide cross-industry real solutions to increasingly complex social issues and create economic and social values.

Management strategy, actions linked to challenges

They promote a “global matrix structure” that enables flexible and agile collaboration along business/function and regional axes. By lowering organizational boundaries between business units, corporate staff divisions and regions, they aim to create new value by combining their cross-industry strengths with various overseas regions and group companies.

Their human resource management is also promoted in linkage with this global matrix structure. They develop human resources strategies, practices and environments by collaborating across business/function and regional axes to train employees and support the success of people that create value on a global basis.

In order to put their concept of talent management into words and to draw up a common vision for both individual employees and the company as a whole, they formulated the “Global Talent Management Policy” in 2024 for the entire group on a global scale.

In the “Global Talent Management Policy,” they summarize their HR strategy from the perspectives of “corporate culture” and “development and opportunities” and describe the ideal characteristics of employees that they seek to cultivate.

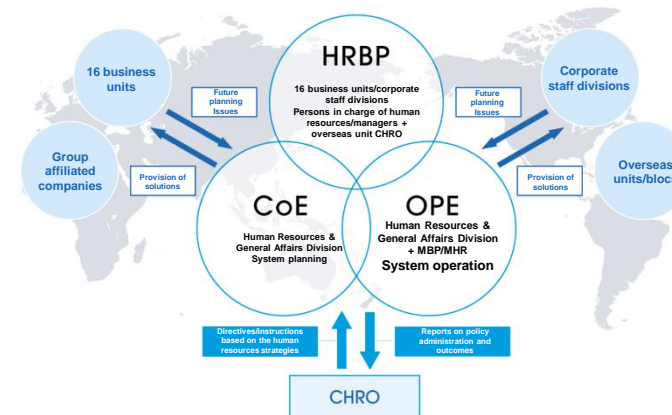
They position “Striving for inclusive culture” as one of the factors for their vision of employees and state that strive for “Individuals who can think freely and accept different viewpoints in an open-minded corporate culture and work with colleagues to turn diversity into a force for innovation in an inclusive environment.”

Action result

They have introduced “Bloom,” which is their original human resource foundation that can be utilized globally and allow them to understand the framework of human affairs and

appraisals as well as understanding individuals to support the autonomous career formation of our employees and to allow the right people to excel in the right places regardless of their location or attributes.

As of July 1, 2024, the ratio of line managers among regionally hired employees at Mitsui & Co. overseas locations is 18%.



HRBP	Human Resource Business Partner	Employee support
CoE	Center of Excellence	System planning
OPE	Operational Excellence	System operation
MBP	Mitsui & Co. Business Partners Ltd.	Shared services
MHR	Mitsui & Co. HRD Institute	Human resources development/training

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Establishing diversity management policies

Action (1)



Astellas Pharma Inc. | OMRON Corporation

Astellas Pharma Inc.

Management strategy, management challenges (P7)

As the development of new drugs has been prolonging and becoming more difficult, it was becoming increasingly necessary for project managers to manage a large number of human resources, involve people with diverse backgrounds with project without guaranteed success, continue discussions in inclusive environments, and promote the projects over long periods.

Interviews with employees brought to light that challenges inhibiting innovation included “not taking on challenges of innovation because of the fear of failure,” “conservative goal setting,” “presence of old systems/processes that have lost flexibility,” and “concept of leadership to create innovative ideas is unclear.”

Management strategy, actions linked to challenges

Based on the challenges above, they have defined the necessity and concepts for Diversity and Equity and how Inclusion should be for the respective company to enhance corporate value as follows.

Significance of Engagement	<ul style="list-style-type: none">When people are treated with respect and valued for who they are and what talent they bring, they speak up and share brave ideas in unimaginable ways.
Significance of Diversity	<ul style="list-style-type: none">When organizations have diverse people, leaders and suppliers, they more fully represent the patient community, are better positioned to understand and address patients' unmet needs and create sustainability in all its forms.
Significance of Equity	<ul style="list-style-type: none">When people are seen and treated as the individuals they are, barriers are eliminated, and their unique needs are met, they can enjoy optimal health and the fullness of the value they bring is unleashed.
Significance of Inclusion	<ul style="list-style-type: none">When we foster inclusive environments that create psychological safety, a sense of belonging, and empowerment, there is high-quality and efficient collaboration, problem-solving, decision-making, innovation and ultimately, VALUE creation.

OMRON Corporation

Management strategy, management challenges (P8)

They started promoting efforts with the awareness that there was an urgent need to drastically and sustainably enhance the capabilities to create innovations.

They defined innovation as “diverse people and capabilities merging together and existing knowledge and experiences making chemical reactions with the knowledge and experiences from different careers, backgrounds, and cultures, resulting in creation of new ideas.” It was necessary to form teams integrating diverse human resources and capabilities to aim for an organization/company where such diverse human resources can demonstrate their abilities, or to accelerate Diversity & Inclusion as a management strategy in other words, rather than only members with existing knowledge and experiences continuing to take on challenges.

It was necessary for them to limit their own measures to accelerate Diversity & Inclusion and concentrate their resources in order to clarify how much new value creation was achieved and how the efforts ultimately led to the enhancement of the corporate value.

Management strategy, actions linked to challenges

Based on the challenges above, they have defined the necessity and concepts for Diversity and Equity and how Inclusion should be for the respective company to enhance corporate value as follows, in the manner that allows the company to have inspirations for their actions, rather than stating what they seek in employees.

Definition of Diversity	Attract diverse people who will take on the challenges of the creation of a better society
Definition of Inclusion	Unleash the passion and ability of each individual, create innovation by bringing our diverse personalities together and share the fruits of our labor

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Building the structure and framework

Action (2)



Mercari, Inc.

Establishing a cross-organizational internal committee to consider I&D measures in order to achieve the group mission, chaired by the CEO

Management strategy, management challenges

In order to achieve their mission of “Circulate all forms of value to unleash the potential in all people”, Mercari holds that it is important to establish an environment where talent with diverse perspectives and skills can work with ease in order to strengthen the foundation for creating innovation.

Based on the above thinking, I&D (Inclusion & Diversity) activities were started by employee volunteers in March 2018. It launched as an official organization led by HR-related departments in February of 2019. Since then, they have promoted various initiatives, including improving HR policies to create an environment where anyone can work authentically, and cultivating communities for employees to support each other. The initiative accelerated internal diversity as a result, approximately 50% of the engineering organization in Mercari Tokyo office consists of non-Japanese nationalities (as of January 2021). Beyond promoting diversity in terms of nationality, Mercari thought that in order to ensure competitive advantage, but the entire company needed to also further enhance I&D as one of the key management strategies.

Management strategy, actions linked to issues

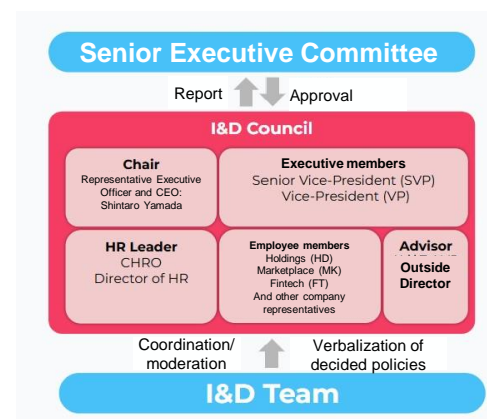
With Yamada Shintaro, the Director, Representative Executive Officer, and CEO of Mercari, as the chairperson, Mercari established the “I&D Council”, an internal committee for cross-organizational discussions focusing on the most prevalent topics surrounding I&D challenges for the Mercari Group.

The organizational structure is directly overseen by the CEO. Under his strong leadership, people involved or in charge of various I&D policies promote measures. They also share the progress of policies with representative Vice Presidents, while comprehending the I&D challenges of each department, which are issued by top management personnel through representative Vice Presidents. Specific measures include establishing medium- to long-term goals by through creating the I&D Roadmap, company-wide discussions on prioritizing I&D policies based on the needs of business, organizational growth, and human resources development, identification of I&D-related challenges in each organization as well as promotion of I&D policies, and monitoring/assessment of individual goals related to I&D for top management.

Past discussions include the positioning of I&D in light of the updated mission, the ideal vision of “all people” and “diverse organization,” in the mission and policies to enact them ,and formulation of the Basic Human Rights Policy.

Action result

The efforts have helped guarantee continuous commitment to internal inclusion & diversity by the top management, creating a structure that allows them to make cross-organizational decisions in a swift and bold manner.



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Establishing environments and rules that reflect business and regional characteristics

Action (3)



Hitachi, Ltd.

Establish a Group-wide strategy, along with aspirational goals and governance structures tailored to each business and region, based on their industry focus and market.

Management strategy, management challenges

Hitachi started the transformation of their business strategy after the management crisis in 2009. As part of this process, the top management emphasized the necessity to review the conventional human resources strategies. Based on this, they needed to position diversity, equity, and inclusion as important key drivers in the business strategy and take actions in order to appropriately respond to the needs of diverse customers in the global market. There were originally no unified Diversity, Equity, and Inclusion strategy or policy for the group or on the global level. Each business and region were formulating their own policies and implementing specific initiatives. While each region was able to respond to its unique characteristics and business environment, measures were fragmental and lacked uniformity. They were feeling the need to effectively operate management-related governance.

Management strategy, actions linked to challenges

Understanding that an inclusive corporate culture is a core driver for global and sustainable business growth, they have strengthened its global and regional structures under the leadership of the Chief Sustainability Officer and CDEIO. Hitachi, which operates businesses in various industries and markets, recognizes the importance of Diversity, Equity, and Inclusion in addressing social issues and enhancing customer support. They have adopted the philosophy of global localization (think global, act local)

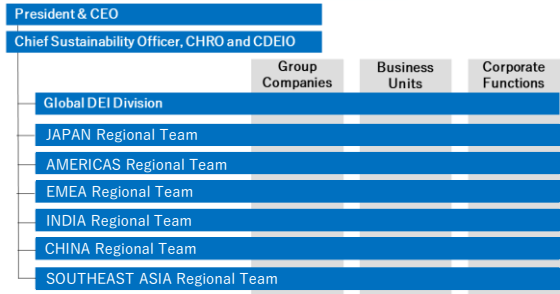
and established the unified strategy and policy for the group to determine the common goal and direction. Specific practices and progress are tailored by each business and region in accordance with their specific needs and priorities. To execute the strategy, they have appointed Regional Diversity, Equity, and Inclusion Leaders to six regions of USA, EMEA, India, China, Southeast Asia, and Japan. Their role is to effectively execute the initiatives in collaboration with Business Unit (BU), group companies, and corporate functions. On a global scale, discussions are held both at the executive level and the on-site level to ensure a common understanding of policies and initiatives. For this purpose, Senior and Global Councils, which consist of representatives from different BU and regions, cooperate and execute the global strategy in collaboration with HR departments. The Senior Council is responsible for setting and reviewing the global strategy, and the Global Council focuses on prioritizing the topics and setting actions to execute the strategy. Key challenges are also discussed in executive meetings and reported to the board meetings as necessary.

Action result

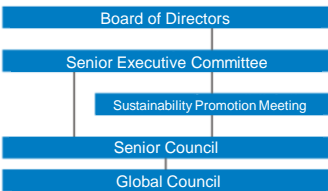
Under the common understanding that all employees, without exception, must recognize the importance of treating each other with respect, and act accordingly, each region is responsible for determining the most effective strategy for implementation.

With LGBTQIA+ inclusion, for example, they are making efforts to support LGBTQIA+ communities and employees while recognizing the unique circumstances in a specific region or country. This has also led to the establishment of a working group to swiftly respond to recent overseas trends on Diversity, Equity and inclusion in a specific manner. Through these efforts, they have been strengthening their human capital foundation to respond to diverse customer needs of the global market by updating the global Diversity and Inclusion policy and implementing initiatives suitable for each regional characteristic, in line with the global strategy.

Promotion structure image



Global Diversity Management Structure



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Mind/action changes required in top management/managerial positions/individual employees

Not only establishment of the environment as a company but also mind/action changes in each level, including the top management, managerial positions, and individual employees, are required in order for measures rooted in each of “Diversity,” “Equity,” and “Inclusion” to be practiced in all phases of corporate activities and for the idea to be fully disseminated throughout the entire organization. Some of the expected mind/action transformation examples are shown on the right.

What we need to keep in mind here is that individual minds themselves cannot be changed so quickly. However, in some cases, we can first change the “actions” of individuals through company rules and such to trigger mind changes as a result. It may be an effective measure to first start with creating incentives (motives) through rules and such in order to change minds.

Examples of minds/actions required

Top management	Proactive transmissions of messages Transmit messages to promote diversity management with one’s own words as a means to demonstrate the commitment by the management to employees
	Listen to diverse opinions and utilize them for management decisions Understand the situations in the field to make diversity management more effective. Listen to diverse opinions in management meetings, such as board of directors meetings, as well as company-wide meetings, such as town hall meetings, to utilize them for management decisions and achievement of the management strategy, assess the opinions, and provide feedback.
Managerial positions	Self-disclosure and comprehension of current situations of employees Understand the strengths and intentions of each member and comprehend the current situation through dialogs in order to establish an environment where diverse human resources can demonstrate their abilities. In order to do so, it is also effective to disclose oneself. An example would be to “admit to the limit of knowledge that one currently has.”
	Notice one’s own challenges Promote efforts such as learning to notice and address one’s own unconscious bias that is inhibiting diversity management promotion.
	Clarification of the range of actions by subordinates Not only promote dialogs to ensure psychological safety but also communicate to subordinates what are expected of them, what they can decide on their discretion, and what they should not make flexible adjustments among other things and take the stance to treat any actions, which are still unacceptable, with fairness.
Employees	Mindset to understand/respect the knowledge/experience of individuals Develop the mindset to understand/respect the knowledge/experience of diverse individuals to create an inclusive workplace.
	Self-understanding and transmission of strengths Understand that one’s own knowledge and experience are important factors to build the workplace diversity, deepen self-understanding in the workplace, and proactively transmit his/her strengths. At the same time, refine and improve one’s strengths through the experience of utilizing the knowledge/experience and demonstrating the abilities. Based on that, communicate with diverse individuals with different attributes and values than one’s own in a smooth manner, accept diversified values. and collaborate with them.
	Bottom-up information sharing and issue raising Share information and raise issues in a bottom-up manner in order to enhance the execution force of diversity management. Also support/participate in measures promoted by one’s own company.

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Useful indicators when a company objectively measures the link between diversity management and corporate value enhancement

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When a company connects their own diversity management to corporate value enhancement, **(1) What kind of indicators should they choose? (2) How should they analyze their challenges and reflect them on measures (PDCA)?, and (3) How should they connect them to dialogs (such as information disclosure and engagement) with the capital market and labor market?** Examples of possible indicators are shown in the table below. However, this does not mean that all a company needs to do is to disclose these indicators and monitor the shifts in their numbers. It is important to **choose/disclose the indicators that are expected to be useful from the perspective of “D&I of knowledge/experience” based on their own management strategy, analyze their own challenges behind these data, reflect them on measures, and connect them to dialogs (such as information disclosure and engagement) with the capital market and labor market.**

For example, if using “Ratio of women in managerial positions” as a KPI, it is effective to not only pay attention to the shifts in their own numbers but also compare the number against the industry average, compare the number against past women’s employment rates, and analyze the cause for the gaps. It is also effective to pay attention to engagement scores not only based on the average value but also in terms of dispersion and attributes. Furthermore, it is also important **for business managers themselves to disclose the message of “how they are establishing the hypothesis of what kind of contributions promotion of diversity will have in their value creation story, what kind of indicators will be chosen as management decisions, and how the company wishes to connect the actual results to its own corporate value”** while indicators and paths, which ensure that the efforts will lead to corporate value enhancement without fail, have not been established. In other words, **how such information is disclosed as narratives instead of only as numbers** will be important for stakeholders, such as investors.

From the perspective of relationship with corporate value enhancement, on the topic of “Ratio of women in managerial positions” (which is one of the elective items for publication of information in Japan), for example, there has been research finding that the larger the share of women in managerial positions among all female employees, the higher companies’ productivity tends to be (Nishihata/Yamamoto (2021)). With “employee engagement,” which is not necessarily a mandatory disclosure item, there has been research suggesting that promotion of diversity in companies can lead to the improvement of financial values and corporate value, such as the research indicating the possibility that promotion of inclusion improves engagement and contributes to the improvement of operating margin and labor productivity as a result (Kinoshita and others (2022), Link and Motivation Inc. (2018)). However, it must be kept in mind that simply improving the women’s share of managerial positions does not necessarily improve the company’s productivity.

●: Indicators required to be disclosed

Diagram: Examples of representative

Categorization of indicators for diversity progress level/indicators linked to promotion of diversity	Laws/regulations for disclosure items in Japan (*)		Global disclosure framework, etc.		
	Act on Promotion of Women's Active Engagement in Professional Life, and Act on Childcare Leave, Caregiver Leave	Cabinet Office Order on Disclosure of Corporate Affairs	ISO30414	CSRD/ESRS	FTSE
Gender (Ratio of women in managerial positions, etc.)	● (Only the Act on Promotion of Women's Active Engagement in Professional Life)	●	●	●	●
Promotion/transfer/separation from service (internal recruitment rate, etc.)			●	●	●
Wage (gender pay gap, etc.)	● (Only the Act on Promotion of Women's Active Engagement in Professional Life)	●		●	
Organizational climate (employee engagement, etc.)			●		
Diverse working styles/benefits (the status of childcare leave taken , etc.)	●	●		●	

*Including elective indicators. Obligation to publicize information based on the Act on Promotion of Women's Active Engagement in Professional Life is applied only to companies with 101 or more employees. Obligation to publicize information based on the Act on Childcare Leave, Caregiver Leave is applied only to companies with more than 300 employees (starting in April 2025). Companies required to disclose information in annual securities reports based on the Cabinet Office Order on Disclosure of Corporate Affairs are those who disclose information based on the Act on Promotion of Women's Active Engagement in Professional Life and the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members.

Source: - The Relationship between Female Employment and Firm Performance Taking Biases in Reporting into Account by Masaya NISHIHATA and Isamu YAMAMOTO, 2021
- Jugyoin no waku engeijimento ni okeru soshiki yoin no eikyo - Shinsoteki daibasiti wo ukeireru fudo to ridashippu ni chakumoku site - [Impact of organizational factors in employees' work engagement - Focusing on climate accepting diversity in depth and leadership -] by Mirai Kinoshita, 2022

- Link and Motivation Inc. „2018 Research result on 'Relationship between Engagement and Corporate Performance' released - Improvement of engagement score has a positive impact on both operating margin and labor productivity -

List of committee members for the study forum on corporate management leveraging diversity for business competitiveness (As of March 2025)

Chairperson: Mami Taniguchi, Professor of International Business, Graduate School of Commerce, Waseda University

Chairs: Jesper Edman, Professor of International Management, School of Commerce, Waseda University

Nozomi Sakurai, Partner, Deloitte Tohmatsu Consulting LLC

Hiroki Sato, Professor Emeritus, University of Tokyo

Katsuyoshi Sugita, Representative Director, Executive Vice President, Chief People Officer and Chief Ethics & Compliance Officer (CPO & CECO), Astellas Pharma Inc.

Toru Terasawa, Executive ESG Advisor, Investment DIV., Asset Management One

Masahiko Tomita, Director, Senior Managing Executive Officer, CHRO at OMRON Corporation

Takuro Horikawa, General Manager at Recruit Works Institute, Recruit Co., Ltd.

Yumiko Murakami, General Partner, MPower Partners Fund L.P.

Secretariat: Economic and Social Policy Office, Economic and Industrial Policy Bureau, the Ministry of Economy, Trade and Industry

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