Dialogue on Human Capital

Enhancing corporate value with a dedicated approach to human capital management



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Based on the concept that its people are the source of value creation, the UACJ Group has taken steps to condense its human resources-related ideas and policies into a single roadmap. It is executing a human resources strategy designed to enhance the well-being of all employees while improving the capabilities of its people and organizations, thereby generating a virtuous cycle that increases the value of the Group for all stakeholders. At present, the Group is working to validate this approach on a trial basis while drawing on the expertise of an external research team.

To discuss the progress made thus far and the challenges that lie ahead, we interviewed Sachio Urayoshi, UACJ's executive officer in charge of human resources strategies, and Makiko Akabane, an outside director serving on the Company's Board.

Management's commitment to the UACJ People Statement

To begin, what was the background behind the decision to create the UACJ People Statement and your new framework for human capital management?

Urayoshi Internally, we had been applying numerous concepts related to human resources at the same time, such as employee engagement, well-being, and DE&I. Each of our initiatives was important, but it was difficult to envision a big picture of what we hoped to achieve as a group of companies with respect to human resources. President Shinji Tanaka wanted to place importance on enhancing the well-being of every employee, stressing that building the future starts with people, so we drafted a single policy to reflect that. When employees feel a greater sense of well-being, their working life can have a positive effect on their families, the people around them, their communities, and society. That positive effect is then reciprocated back to each employee, generating a cycle of well-being. Management is committed to this approach to spreading well-being, and we believe it is directly relevant for putting the UACJ Group Philosophy into practice.

Akabane Based on my experience of working at several foreign companies, I feel that UACJ's culture of developing individuals and uniting them as a team is exceptionally strong. Management's commitment to maintaining that strength is expressed in the UACJ People Statement, so I believe it marks a significant step forward.

Urayoshi Starting from the current fiscal year, the UACJ People Statement has been incorporated into the president's policies, and steps are being taken to make employees aware of the Group's

commitment. We have begun organizing meetings with employees, starting at UACJ's head office, and distributed a video for members of group companies. It is also important to note that when drafting the statement, we held numerous discussions with employees of subsidiaries in Thailand, the US, and other countries in order to get them involved, and we translated the statement into English. I believe that we have finally made progress as an international enterprise in extending our human capital management group-wide.

A human resources strategy organized into nine objectives to provide a strategic roadmap rather than a list of policies

What was the purpose of organizing UACJ's human resources strategy into nine objectives?

Urayoshi The nine objectives are arranged around three main pillars—organization building, human resources development, and workplace improvements—and integrate employee recruitment, placement, training, and compensation, as well as workplace conditions into the human resources management process. Importantly, we have specified a future vision for each area. By working backward from each vision to specific policies, we devised a roadmap for our management strategy rather than just a list of policies.

Akabane The policy's scope is important, of course, but I believe that one of UACJ's true strengths is the openness and flexibility of its management. When the Board of Directors held meetings offsite, I had in-depth discussions with you and other executives, and everyone was very receptive to suggestions and open to making changes. For example, they accepted my suggestion to change the wording in a main activities section of the policy from "successor training" to "leadership training." I find it highly reassuring to see how quickly and flexibly suggestions from outside directors are reflected in policies and actions.

Urayoshi What I have learned from you is that leadership is essentially about guiding organizations forward and inspiring people to take action through dialogue. This is especially relevant for a manufacturer with a multinational workforce and diverse workplaces, so we are reflecting this viewpoint in our training programs for both technical and administrative personnel. I think that directly reflecting advice from outside directors in our actions is a strong point of the Company's corporate governance.



Making a more effective human resources policy

What have you noticed when assessing the effectiveness of UACJ's initiatives?

Urayoshi We have been carrying out joint research with a team led by Nobuyuki Isagawa and Kazuo Yamada, a professor and associate professor, respectively, at Kyoto University. They have been conducting leading-edge research on measuring corporate value and human capital. By drawing on their expertise and analyzing the correlation between employee engagement survey results and human resources initiatives, we are finding that employee stock ownership plans and peer-to-peer recognition platforms*1 are positively correlated with employee well-being. In the past, we tended to implement as many human resources initiatives as we could all at once, but now we want to prioritize the most effective data-driven initiatives and implement them quickly. Evolving to that stage will be of immense importance in my view.

Akabane During my time at Starbucks Coffee Japan, I saw firsthand how a culture of peer-to-peer recognition and appreciation leads to higher employee retention, a sense of belonging, and better performance. Now we have started to observe this in research results—I think that is a really big step forward.

Urayoshi We are currently at the stage of identifying positive correlations, but our goal going forward is to empirically demonstrate the degree that corporate value can be raised by investing in human capital.

*1 The platform used in Japan, called Unipos, enables employees to express gratitude among each other using a point system.

Aiming to connect human resources initiatives with corporate value

How did you update key performance indicators?

Urayoshi The conventional key performance indicators (KPIs) used in our mid-term management plan did not provide a basis for determining the impact of human resources initiatives or a causal relationship between human capital and corporate value. Therefore, we set quantitative and qualitative criteria for our human resources portfolio, along with final KPIs for measuring the personal well-being of employees and the satisfaction they get from working individually and from working with colleagues. To apply these broad concepts in our operations, we precisely specified intermediary KPIs based on the results of our joint research. For example, we are using responses in our employee engagement survey as internal metrics, such as responses to a question about one's desire to take on challenges at work, which is highly correlated with satisfaction from working with colleagues.



Akabane I feel that the meticulous attention UACJ has paid to its human resources policy has not been sufficiently recognized by stakeholders. The Company has been refining the concepts, initiatives and KPIs related to the policy, but these efforts are rarely appreciated externally.

Urayoshi We can disclose some of the internal metrics, so we will consider sharing them with investors.

Identifying quality gaps in the human resources portfolio

What did you discover from the data on the human resources portfolio?

Urayoshi We reviewed our human resource portfolio at the operational and corporate levels in fiscal 2025. We had tracked quantitative data in the past as part of personnel planning, but this was the first time we clearly specified the kind of people we need in each operational and corporate organization, and quantitatively identified gaps between the people we currently have and the people we need. Being able to clarify that so precisely was a major advance.

Akabane Almost 300 items for the current and desired states of the portfolio were specified and analyzed, uncovering patterns that were not immediately apparent from the data. From my viewpoint as an outside director, I was very impressed by the meticulous work that went into this. This process revealed both the Company's strengths and the challenges it faces. Its conscientiousness, teamwork, curiosity, respect for others, analytical approach, and ability to execute projects are all strengths. It's as if the organizational capabilities it built up over so many years as a manufacturer were quantified. Still, the biggest gaps identified were related to employees' ambitiousness and ability to take action. Giving promotions to young people earlier on and assigning job rotations more frequently and quickly are effective ways for bridging these gaps. This was discussed by the Board of Directors in its meetings, including offsite meetings.

Urayoshi Gaps in the quality of our international workforce represent our biggest challenge, especially given that over 60% of the Group's sales come from outside Japan. We openly recognize this shortage of human capital, so we are revamping internal training programs, which include redesigning training systems abroad.

Akabane As it was strongly pointed out in Board meetings, measures should be taken at each operational and functional level rather than on an all-inclusive level.

The kind of people that are needed differs by each business, so measures must be designed accordingly.

Urayoshi In response to that, we appointed personnel in the Human Resources Strategy Department to facilitate initiatives taken within the Company's business divisions, with a view to making them human resource business partners*2 in the future. Deliberations by the Board led directly to this action, and that process demonstrates the strength of the Company's corporate governance.

*2 Individuals or organizations responsible for formulating and executing strategic organizational and personnel policies in partnership with management and various business units and organizations

Ensuring employee retention by achieving all nine objectives of our human resources strategy

How do you position employee retention within the human resources strategy?

Urayoshi For UACJ, as a materials manufacturer, employee retention is directly related to management's responsibility for maintaining safety, ensuring quality, and transferring skills. When people who have been trained leave their jobs, the Company loses its investment in that training. For that reason, achieving all nine objectives of our human resources strategy will be of the utmost importance for employee retention. If we can enhance the well-being of employees, it follows that they will more likely want to remain in their workplaces. At present, employee turnover is higher among technical personnel than administrative staff. To address this, we have set up a committee tasked with enhancing workplace well-being in cooperation with operational and corporate departments, and introduced practical initiatives that are relevant for specific workplaces, including heat stroke prevention procedures and employee welfare facilities like rest spaces.

Akabane I was impressed by the rest space at a factory I visited. It made the factory more comfortable for the women working there. Careful consideration was given to every aspect of the space, which reflects the higher importance UACJ places on employees in the workplace compared with other companies. We can rest assured that UACJ will do everything that needs to be done. To formulate the next mid-term management plan, I think that integrating employee engagement results into the remuneration system for officers is worth discussing, so I will propose this to the Board of Directors and the Nomination and Remuneration Advisory Committee in the future.

Raising employee engagement is the best way to attract talent

What are UACJ's strengths when it comes to recruiting talent?

Urayoshi On an operational level, the Group's ability to supply products globally, promote a circular economy, and develop technologies for producing high-added-value products makes it attractive for talent, because all of those capabilities provide opportunities for people to develop and experience various career paths. Our challenge going forward, however, will be to design personnel systems that can accommodate diverse career aspirations, including those that focus on specific regions or specialized jobs.

Akabane The fact that UACJ operates businesses around the world from its headquarters in Japan is another strength. Actually, compared with foreign firms in Japan, UACJ offers even more opportunities for young people to take on challenges internationally. I think this advantage is not being sufficiently promoted when recruiting.

Urayoshi Moreover, if we can enhance employee engagement, employees are more likely to tell their friends and family members what a great company this is. That can have a big impact on recruiting. There are indeed cases of family members of employees joining the Company. I have come to believe that raising employee engagement is the best way to attract talent.

Linking the human resources strategy to corporate value

Finally, what are your goals going forward?

Urayoshi Our goal is to put the Company's human resources strategy on a path to creating corporate value, and reach a point when investment in human resources generates value rather than incurring costs.

Akabane From my viewpoint as an outside director, the Company stands out in terms of its dedication and flexibility. It has an effective process for executing practical initiatives directly derived from discussions of the Board of Directors in on-site and off-site meetings. We are beginning to see some evidence that its human resources strategy is contributing to results, the price-to-book ratio, and corporate value, so now is an opportune time to disclose more information and share it with investors and the public.