

A Message from the Executive Officer in Charge of Human Resources



Building a Sound Corporate Culture Is Key to Realizing “Our Philosophy”

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Everything Starts with the Quality of Our Senior Management

The strengthening of human capital is an integral component of our medium- to long-term human resource strategies. We believe that, to this end, it is important to enhance the quality of our senior management.

The example of (1) senior managers carrying out their duties to a high standard of quality will (2) motivate and empower employees to demonstrate higher capabilities, in turn leading to (3) increased employee engagement and (4) the overall improvement of job quality. This will enhance public appreciation of the Sumitomo Rubber Group for the robust quality of its products and services as well as roles it fulfills in society even as it (5) better positions us to satisfy the expectations of customers and society as a whole. Higher customer and stakeholder satisfaction will result in stronger operating results, enabling us to increase the volume of cash dividends and thus (6) improve shareholder satisfaction. I consider these six steps to constitute one virtuous cycle.

Knowing that to set the above cycle into motion, we had to start with enhancing the quality of senior managers, in 2020 we introduced a 360-degree feedback system to assess officer and manager performance. Individuals subject to this assessment system include President Yamamoto and other executives as well as all domestic employees assigned to manager or higher positions. Furthermore, each officer is assigned an executive coach to enable them to constantly reflect on their management styles in the course of presiding over the businesses, organizations and workplaces under their supervision.

Fostering a Sense of Unity with the Manufacturing Front Lines

Our new Midterm Plan was announced in February 2023. Following this announcement, President and other executives began visiting individual bases to host dialogue sessions and directly brief employees on the content of this plan.

The Sumitomo Rubber Group is a manufacturer. Because of this, we hope to make our group an even more vibrant organization in which those on the manufacturing front lines feel a close sense of unity with all other business units. To that end, we would like our frontline manufacturing operators who work in shifts to run their lines on an around-the-clock basis to facilitate the sharing of their insights. This, in turn, will inform our measures to develop into a more vibrant organization.

A visit from the President offering some words of encouragement

Developing a Framework for Systematically Nurturing Next-Generation Management Candidates

Another factor contributing to senior management quality is the systematic development of human resources equipped with broad perspectives backed by diverse business experience and the capability

As part of these efforts, the executive coaches also compile and mail out weekly magazines to all officers. These e-publications deliver articles on timely topics relevant to prevailing circumstances, with the aim of engaging executive in unfettered discussions regarding the management challenges they confront while ensuring they share the same vector. This, I believe, is a unique feature of our executive coaching system.

To speed up the pace and enhance the quality of decision making, we also made it a rule that the four internal directors convene regular meetings in 2023. Gathering all the internal Directors in one room facilitates open exchanges of frank opinions, and Executive Officers, who are charged with supervising various fields, are welcome to freely visit that room to share updates on the status of operations and consult with the Directors.

Due to these and other initiatives, we have seen the steady development of a sense of unity among senior managers. Currently, we are striving to familiarize the larger body of employees with what is now going on among senior managers regarding this growing sense of unity. Specifically, we host online discussion sessions attended by officers, including President, to let employees frankly share their thoughts on business challenges and their approach to work. The video recordings of these sessions are made available to all employees via streaming, garnering positive reviews from them.

Taking these circumstances into account, we are convinced that the abovementioned cycle will get on a steady track by 2025, the turning point of the new Midterm Plan.

and notifying them about the new business plan is hardly enough to spark the development of a sense of unity among employees. Instead of taking a simplistic approach like this, we start by sincerely listening to the voices of those working on the manufacturing front lines to get a better picture of what they really think about in the course of their day-to-day duties and their ideals regarding what our group should look like.

In this regard, I expect President Yamamoto to engage in robust dialogues and wholeheartedly communicate his expectations regarding his colleagues on the front lines to help them to see how the viability of the Sumitomo Rubber Group hinges on their dedication. I believe that a sense of unity will gradually develop if he and other executives succeed in winning employee support through such dialogue.

to identify paths toward business growth. In other words, we need to facilitate the systematic acquisition of robust experience to support the personal growth of our next-generation leader candidates. To

promote initiatives to this end, we must have a clear picture of, or visualization of, the status of our human resources. Accordingly, we will strive to identify promising candidates present at each division and assess their competencies to forecast when their potential is fully realized based on time frames of three, five and 10 years. Currently, we have identified around 100 candidates based on recommendations from more than 80 divisions. These individuals are expected to become optimal candidates for general manager posts in the next three years. If we cast our net a further ten years into the future, the overall number of candidates increases around threefold.

With regard to the visualization of the status of our candidates, we will take a multilateral approach to determine their areas of strength, for example, logical thinking and personal relationship capabilities based on results of various assessments and 360-degree feedback

Tirelessly Improving Our Organizational Culture

Since September 2020, the Sumitomo Rubber Group has conducted in-house questionnaire-based surveys regarding the status of its organizational culture. These questionnaires consist of approximately 20 questions with a six-grade rating system, and a score of four or higher is deemed a positive answer. Based on this rating system, we are targeting raising the ratio of employees who see our organizational culture in a positive light to 80% or more. We also publish the results of surveys undertaken in each division so that all employees can view them.

These surveys were initiated by our keen awareness of the issues associated with our group's organizational culture, including an environment unsupportive of those taking on challenges, boundaries inhibiting communications, outdated leadership styles and stagnant profitability due to an insufficient employee understanding of business strategies. We have thus aimed to create a quantitative visualization of the status of these issues and a means of scientifically verifying the degree of improvement through these surveys.

In March 2020, we launched a task force charged with spearheading the improvement of our organizational culture based on survey results. Specifically, Task Force Ambassadors were appointed from each division to tackle organizational issues confronting that division. As a result, 50 ambassadors have been at work and their activities have started with discussions of why we must improve our organizational culture and how such an improvement connects to operating results. Over the course of approximately six months, they have deliberated on these and other matters to develop employee motivation and to ensure we all share the same vector. The time and resources spent on these discussions have now yielded results, enabling the task force to steadily get on track.

As a result of these initiatives, the ratio of positive answers to questions like “is your workplace environment is supportive of those taking on challenges” surpassed 80%. Taking these and other outcomes into account, we feel that our corporate culture has changed and now has an atmosphere that commends those taking on challenges

Toward the Realization of “Our Philosophy”

Lastly, I believe that the realization of “Our Philosophy” is largely dependent on the creation of a sound corporate culture.

As expressed in Peter Drucker's famous quote, “Culture Eats Strategy,” a good corporate culture is essential to realizing a good strategy.

Then, what makes a corporate culture good? I believe that a sound sense of discipline and purposefulness makes a good corporate culture. I think that the strongest organization is one composed of individuals who strive day in and day out to make improvements and take on challenges even as they thoroughly review their own conduct to identify how to make tomorrow better than today. Accordingly, we must develop an environment in which employees who maintain and act on such a sound sense of discipline and purposefulness are properly rewarded. If the corporate culture encourages everyone to

sessions. We will also provide training and other programs to help them enhance their competencies in areas of weakness. Furthermore, we will conduct personnel transfers in a way that supports their personal growth and helps them enhance practical skills in the course of engaging in new roles and positions. We believe that, in these ways, our candidates will grow into leaders capable of achieving robust results even in operations outside their areas of specialty.

As such, we deem it extremely important to develop a talent management framework for systematically nurturing core human resources and have devised a combination of lectures and hands-on experience. Also, we have not put the actual execution of this framework simply in the hands of business divisions. The status of the framework will be deliberated by the Human Resources Committee with input from Directors and other individuals in top management positions.

regardless of success or failure, instead of reprimanding or awarding demerit marks to those who have taken on challenges but failed.

That being said, there is room for improvement in terms of addressing issues arising from low productivity. Also, the organizational culture can change rapidly depending on the external environment, the status of human resources or a combination of both. Therefore, we believe that our efforts to improve must not end.

The improvement of an organizational culture can also lead to the creation of a sustainable workplace, which, in turn, will attract a great number of high-quality human resources and help maintain business continuity. With this in mind, we will continuously engage in dialogue and implement other initiatives to ensure that our vision is robustly communicated to those working on the front lines and ensure we all share the same vector.

Building on the outcomes of our initiatives thus far to improve organizational culture, we launched the Corporate Transformation (CX) Project Office. Although executional capabilities are essential to accomplishing the Midterm Plan, we consider such capabilities to be a result of a combination of techniques, skills and motivations. In sum, we believe that these elements together support employees' drive to accomplish the plan. With this in mind, the CX Project Office is addressing the foremost issue of how to inspire employees to develop their drives.

We also deem it important to maintain organizational discipline. To foster a sound sense of discipline, we will update a diverse range of conventional human resources systems. For example, we will transition to an evaluation system that properly awards higher ratings to high performers and pays them accordingly. Furthermore, we will take on DX-driven operational reforms to develop mechanisms designed to enhance productivity.

We will thus strive to transform ourselves into a more innovative organization through the drastic reform of our conventional business and organizational management models.

develop a sense of discipline and autonomously do their best to effect improvements, those employees will be naturally motivated to take on challenges.

We also know that our initiatives to realize a corporate culture of this kind need to be updated as circumstances evolve. We have positioned the results of the aforementioned questionnaires as a barometer for measuring the effectiveness of these initiatives. Utilizing quantitative scores as KPIs, we will periodically monitor the status of our initiatives and make necessary corrections or adjustments.

I believe that, if we assiduously implement the initiatives discussed above to achieve reforms and improvement even as we move forward toward the realization of “Our Philosophy,” our group will naturally flourish in terms of financial results.