

# The New Economy Is Here !

## We will materialize discontinuous growth by accelerating portfolio transformation

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### Awareness of the times

Through the technological innovation such as digital transformation (DX) and “data-ism,” our society and business environment are being transformed at speed that exceeds what most people have imagined. Looking at the dramatic changes in a short period of time, we feel as if the future society in the 22nd century has already begun in 2019.

On the other hand, efforts to implement a sustainable society in the field of energy, resources, and food-problem are accelerating on a global scale. At the same time, awareness of, and interest in the environmental protection issues such as microplastics problem and carbon dioxide emissions are growing and spreading rapidly worldwide. With the Old Economy, a conventional and obsolete materials and solutions getting less competitive, companies that fail to move into the New Economy are at risk to withdraw from their markets.

### Kaneka’s purpose

What is Kaneka’s purpose, its *raison d’être* (meaning of existence) ?

Kaneka is making a fresh start from this point of view.

Discontinuous growth is the only path for companies to survive by speeding up the innovation and the social implementation of new businesses. Companies must propose and provide solutions to crucial social issues by anticipating the future society needs and changes, not merely solving the existing problems.

We’ve defined our purpose (meaning of existence) as “to solve social issues and realize a sustainable society by providing innovative materials as solutions through the break-through technology and global network.”

Based on our key strength: “highly competitive technological and global development capabilities to create innovative products continuously” we will solve social issues by identifying future social needs and proposing solutions.

### Management strategies to realize the purpose

We aim for the goal of “Wellness First” to make the world healthy.

- We’ve identified three areas in which the world faces crises: “Environment / Energy”, “Food”, and “Wellness”.
- We will generate cash flow from core businesses and invest it to drive R&D and create new businesses. In this way, we will reform our portfolio.

## Top Message

### Issues of portfolio transformation (Accelerating the implementation of goals)

#### Earthology Chemical Solution

“We bring innovation to lifestyles and the environment by harnessing the unlimited potential of chemical materials to help communities achieve sustainability.”

We will promote social implementation of PHBH and solar technology to launch large-scale of new businesses.

- We're strengthening the profitability of core businesses: Vinyls and Chlor-Alkali SV, Performance Polymers (MOD) SV, and Performance Polymers (MS) SV. Foam& Residential Techs SV will strengthen its profitability and offer a line of products to meet the weight reduction needs of automobiles and so on. We'll keep and enlarge the profitability of Performance Fibers SV.
- E & I Technology SV will improve quality of life by providing new solutions to intelligent and multifunctional devices for automobiles, homes, medicine, and telecommunications infrastructure.

#### Active Human Life Solution

“By adopting a unified approach to food and medicine that is defined by a focus on chemistry, we provide innovative solutions that empower people to live healthier lives.”

- Foods & Agris SV will transform itself to adapt the New Economy by launching and growing new businesses such as dairy products and create innovative products to deliver nutritional value in collaboration with our supplement business.
- Medical Devices SV will enlarge its business globally and attain high profitability. We will hasten the social implementation of regenerative medicine and cell therapy.
- Pharma & Supplemental Nutrition SV will develop global API market and grow bio-pharmaceuticals business centered on Kaneka Eurogentec S.A.

### Strengthening the management platform (measures to accelerate discontinuous growth)

Transformation of the management system is a significant theme that management is working on. We are achieving the results of this approach with the progress of new businesses, trying a large number of things and putting in place the ones that work. I've been urging employees to move forward quickly to transform our portfolio, by saying “Change with Purpose, Grow with Result.” This phrase reflects my belief in the importance of the following priorities:

- “Backcasting” from our vision and target to focus on what we need to do now.
- “Confidence (everyone believes we will win);” “Strategy (refine a detailed game plan);” “One Team (form a scrum of connected teammates);” and “Momentum (challenge a high goal courageously and create a strong momentum for a big leap).”

#### Kaneka Tower

- Kaneka Tower is a fundamental structure of our management model. We're taking advantage of the strengths (DNA) we've cultivated since our founding to evolve our ability to create businesses (inner strengths) and to develop markets (outward strengths) with our excellent execution capability at the frontline so that business innovation can be carried out autonomously in response to changing times.
- We will inspire all employees facing the actual business fields through two workshops (Change and Growth Triangle, and Kaneka 1on1).

#### The Triple Package as Management System Transformation

This is our business philosophy platform for realizing change and growth. We will boost effectiveness by docking our management hardware and software.

### Change and Growth Triangle

The triangle of an awareness of the times, actions, and goal precisely embodies the framework of our management plan. We will clearly define results by identifying objectives, measures to achieve goals including technological innovation, and operate them considering the importance of scale and speed.

#### Reforms of R&B structures

- In 2019, we reorganized our R&D organization to R&B Division in an attempt to transform R&D into R&B (Research & Business). The purpose of research at Kaneka is to create major new businesses by delivering solutions to social issues. We've been focusing on obtaining the breakthrough technologies necessary to achieve that goal.

To that end, we will:

- Accelerate the speed of social implementation of new businesses.
- Improve the productivity of R&B significantly by grouping research themes into clusters based on the degree of difficulty and the speed.
- Bring in state-of-the-art technologies and combine them with Kaneka's own technologies to advance themes and sales of new products. We will allocate more resources for research of life science and electronics business fields.

#### Work Culture Innovation: Kaneka 1on1

- The concept of the “Human Driven Company” forms the backbone of our management philosophy. Kaneka 1on1 is a workshop for facilitating personal growth through work. It's also the backbone of the “Trial & Error experiment driven company” that supports our ability to pursue business innovation through the Kaneka Tower.
- We're working urgently to redesign operations that is suitable for this new era and reform our work culture. We will develop a highly productive organization and people to improve operation efficiency by utilizing digital tools.
- We will promote production innovations such as automation and manpower saving through

the use of IoT and robotics to create a Human Driven Company and a community, where algorithms and human power resonate, and improve the competitiveness of manufacturing.

### Enhancing our corporate governance

We are committed to “Wellness First” health management, in which each and every employee is mentally and physically healthy, and our corporate activities and attitudes are sound. What is important for top management is to discern and commit a vision of what a society should be, improve corporate attitude, and realize corporate governance in response as necessary.

Strengthening business executive functions is a key point amid the ongoing paradigm shift and our growing business. We will make innovation a “scope of compass” and settle the health management at the frontline of business to open up the unknown. To that end, we will reinforce the executive functions to monitor and find choke points, while each function reflecting the “perspective knowledge”.

I believe that it is crucial to continue self-reformation of management and establish series of structures to achieve our management goals and take our corporate governance to the next level.

Our goal is to realize a type of “governance system of Federal States”.

