Message from the President

Working with Stakeholders to Create Essential Value and Realize a Sustainable Society

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President and Chief Operating Officer

The ADEKA Group’s Vision for Excellence

Under the BEYOND 300 Mid-term Management Plan that we are implementing from fiscal 2018–2020, the ADEKA Group is aiming to become an excellent company with net sales of 300 billion yen. When we say excellent company, we mean a corporate group that creates new value together with its stakeholders.

The ADEKA Group is committed to contributing to society by developing and supplying advanced technologies and products that help to solve diverse social issues, which will enhance our corporate value. We believe that our target of exceeding 300 billion yen in consolidated net sales is achievable by contributing to society through our business.

Progress in Implementing BEYOND 300

ADEKA is implementing the BEYOND 300 plan, which outlines the management goals of exceeding 300 billion yen in consolidated net sales through organic growth by fiscal 2020. The Group is also seeking to realize an operating income margin of 10%, ROE of 10%, and a dividend payout ratio of 30% (gradually increasing the payout ratio to this percentage in fiscal 2020). In terms of investment and finance, we have planned for 100 billion yen in expenditures over the three years of the plan (comprising 50 billion yen each in capital investment and M&A funds).

The ADEKA Group acquired the Nihon Nohyaku Group in September 2018. As a result, it recorded consolidated net sales of 239.3 billion yen, up 24.9%; operating profit of 26.6 billion yen, up 24.9%; ordinary profit of 26.6 billion yen, up 19.1%; and profit attributable to owners of parent of 17.0 billion yen, up 11.1% (all percentages are year on year). Each of these results marks an all-time high. Although the consolidated net sales figure is close to the target that we set in the final year of the mid-term management plan, our actual aim is to record 300 billion yen in net sales through organic growth. We will increase our efforts to achieve the said goals by expanding our three main businesses of polymer additives, chemical products, and food products. In each business, we will designate strategic product lines through which we will accelerate our global contributions to society.

Practicing CSR and Setting Priority Issues to Strengthen the Management Platform

The ADEKA Group recognizes the importance of corporate social responsibility (CSR) next to its management policies. The BEYOND 300 plan directs the Group to promote CSR by incorporating it into the management policies, which will strengthen the management platform. We have therefore set out to prepare a framework for contributing to society in order to earn greater trust from all stakeholders throughout society.

In April 2019, we established a CSR Committee that comprises the full-time directors of ADEKA Corporation with me as chair and a CSR Promotion Subcommittee that comprises the division heads. We are currently in the process of identifying CSR priority issues that the Group will address. Factored into this process are the SDGs that were adopted by the United Nations in 2015 and the concept of environmental, social, and governance (ESG) initiatives. To identify the CSR priority issues, we are plotting the social issues on a matrix, with the importance to stakeholders (social demands) on one axis and the importance to the ADEKA Group’s business on the other axis. Once we have defined the priority issues, we will set out to address them through our business activities and create value through the sustainable growth of the ADEKA Group.

The next mid-term management plan will designate targets of each business division that are aligned with the CSR priority issues. The targets will be linked to the fiscal year plans, and we will execute plan-do-check-act (PDCA) cycles. Through these measures, we will strengthen the management platform, contribute to society, and earn greater trust from society.

Promoting Globalization and Localization to Create a Better Future for the People of the World

One of the management policies of the ADEKA Group is to “create a better future for the people of the world.” It means that, beyond simply developing our business globally, we will strive to be an excellent global company that creates corporate value and social value together with people in the communities that we do business in. BEYOND 300 calls for the ADEKA Group to expand globalization and accelerate localization. We are strengthening our Group governance and risk management, and developing and utilizing global human resources. In fact, this strategy has been carried out since the fiscal 2012–2014 mid-term management plan. During this time, we have been developing both our global human resources and local personnel. With their contributions, the percentage of consolidated net sales from markets outside of Japan increased to 46% in fiscal 2018, with more than 40% of our entire workforce based outside of Japan. We have also expanded our network of subsidiaries outside of Japan to 28 companies operating in 13 countries and regions, showing the progress we are making in pursuing further globalization.

We are accelerating localization through strategies that bring us closer to our customers. This approach centers on localization through the establishment of local development centers, manufacturing facilities, and sales offices to serve customers who need ADEKA’s products and in areas where there is demand, so that we can provide more detailed support. On the development side in particular, we established technical service centers for both the chemicals and foods businesses. They have enabled us to respond more quickly and precisely to customer requests, and this service has been praised by customers. Local personnel are critical to ensuring that we can speak to customers in their language and adhere to their customs so that we can precisely understand and respond to customer requests. We are transferring skills and knowledge to local staff by sending personnel from our head office and having them work alongside local staff.

Generally speaking, job hopping is more prevalent outside of Japan, and staff retention rates are lower. In contrast, we have high retention rates among local staff working for our overseas subsidiaries. When I visit our overseas subsidiaries, I am amazed at how motivated our local staff is. Their passion is evident when they tell me that they want to increase their skills, meet the requests of their customers and have a positive social impact on their country through their work in the ADEKA Group. One of my major tasks is to ensure that we have an environment and systems in place where positive-minded and motivated local employees can dedicate themselves to their work.

Accelerating localization in a broad sense requires adapting to the local area. We must have an understanding of such things as the culture, religions, living customs, and national traits to execute production activities that have a positive effect on that country or region. The ADEKA Group will continue working to earn recognition for its positive contributions to local communities in different countries.
Identifying New Tides by Taking a Broader View of the Supply Chain

The other managing policy of the ADEKA Group is to “be a company that is progressive and dynamic with a keen attitude toward the new changing tide.” To identify these changes, we must take a broad view of the entire supply chain and understand the business platform that we are standing on. Furthermore, we must adopt a broader view that encompasses the customers and end users beyond our direct customers—a view that also encompasses all the suppliers who are involved in providing raw materials. If we can then conduct our business activities knowing the markets for a given product as well as its value proposition and to whom it offers value, together with how it is useful to society, we will naturally come to recognize the changing tide.

For example, ADEKA Sakura-Lube used as a simple engine oil additive realizes a 1.7% improvement in fuel economy on average, without modifying how internal combustion engines work. If we shift our perspective beyond simply improving fuel economy, to look at the positive contribution to society from reducing CO₂ emissions, then we can realize that ADEKA Sakura-Lube annually saves the equivalent of roughly six times the entire CO₂ emissions of all the production facilities of the ADEKA Group.

By changing our perspective of a product from that of improving fuel economy to a product that can immediately help to reduce CO₂ emissions, we can see that the platform we stand on can help to address a global-scale social issue. However, ADEKA Sakura-Lube is only used in 10% of all vehicles. If every vehicle were to use engine oil containing ADEKA Sakura-Lube, it would save CO₂ emissions every year that are equivalent to more than 5,000 times the volume of the Tokyo Dome, a major-sized stadium.

We are in the midst of a tidal shift from gasoline engine vehicles to electric vehicles (EVs) and fuel cell vehicles, and ADEKA is developing and supplying innovative materials to realize this tidal shift. At the same time, it will take a very long time before gasoline engine vehicles completely disappear. In the meantime, we have an important responsibility to ensure that we do whatever we can to contribute to society. The issue is whether we are seeing things from such a perspective and whether we are conducting our business activities while being fully conscious of the need to contribute to society.

The ADEKA Group supplies diverse products to diverse markets. For some products, like with ADEKA Sakura-Lube, we have already adopted a broad view of the supply chain and have a grasp of the business platform. At the same time, we have many businesses in which our perspective only extends to the direct suppliers and customers that we deal with, due to our focus on B2B business.

This past year, I have repeatedly emphasized that we must take a broader view of the supply chain for our products, while fully recognizing the business platforms that we stand on. I have also emphasized that we must share this recognition with the entire business unit rather than keeping it to ourselves, and that we must contribute to society.

We are not even halfway there yet, but I am starting to see signs within the company that things are changing and that we are beginning to use this approach to conduct our business activities. If we take the small changes that we are making individually within the ADEKA Group and apply them to our entire business activities and then to the entire supply chain, we can bring about major change and contribute greatly to society.