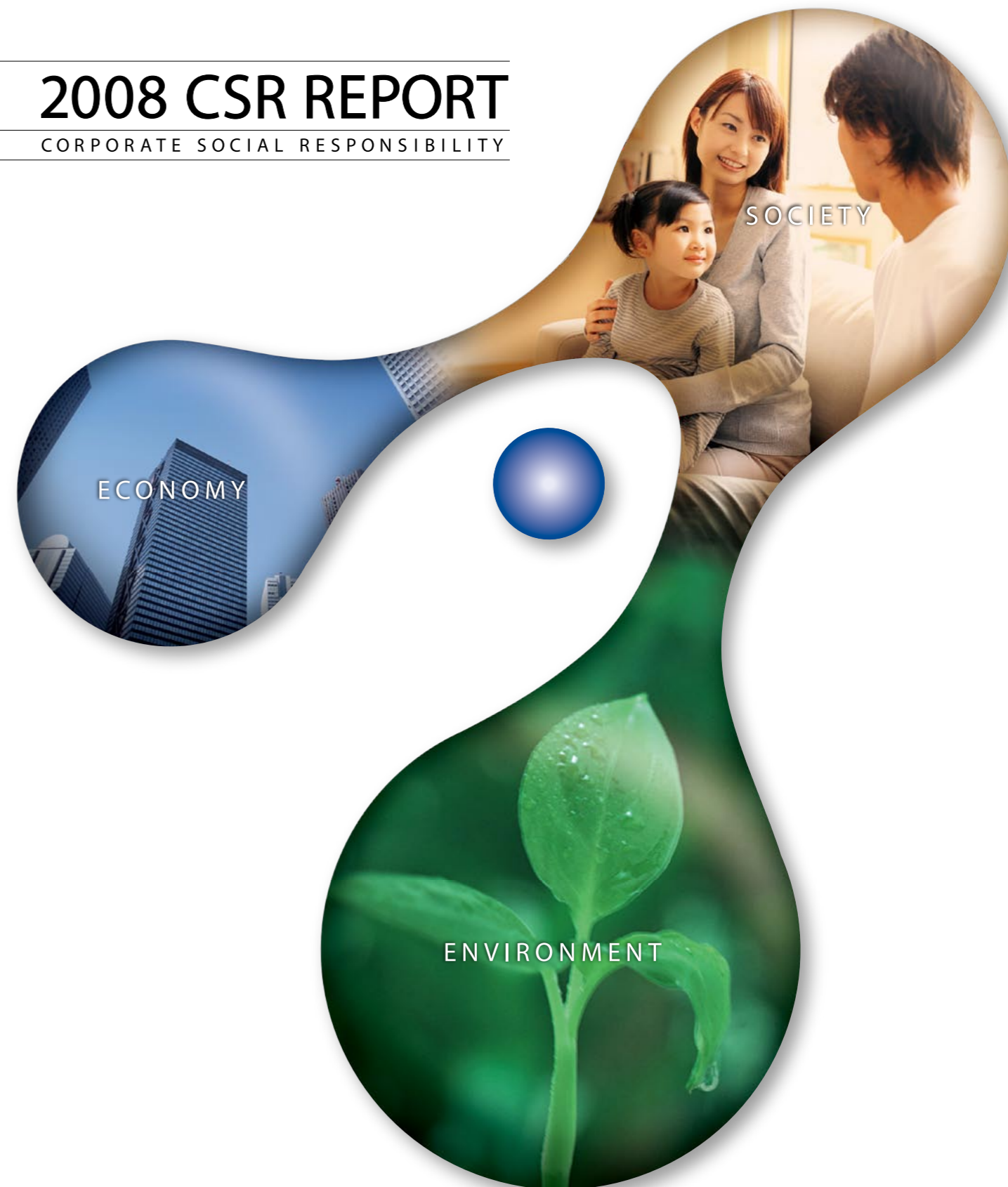


2008 CSR REPORT

CORPORATE SOCIAL RESPONSIBILITY



List of Offices and Factories

Domestic

Offices
Head Office
 7-2-35 Higashi-ogu, Arakawa-ku, Tokyo 116-8554
Osaka Branch
 4-2-21 Minami-Honmachi, Chuo-ku, Osaka-shi, Osaka 541-0054
Nagoya Branch
 1-20-12 Meieki Minami, Nakamura-ku, Nagoya-shi, Aichi 450-0003
Fukuoka Branch
 3-22-8 Hakata-ekimae, Hakata-ku, Fukuoka-shi, Fukuoka 812-0011
Sapporo Regional Office
 3-1-47 Kitasanjo-Nishi, Chuo-ku, Sapporo-shi, Hokkaido 060-0003
Sendai Regional Office
 2-3-20 Ichiban-cho, Aoba-ku, Sendai-shi, Miyagi 980-0811
Okayama Office
 1-4 Ekimotomachi, Okayama-shi, Okayama 700-0024

R&D Laboratories
Ogu R&D Laboratory
 7-2-34 Higashi-ogu, Arakawa-ku, Tokyo 116-8553
Urawa R&D Laboratory
 5-2-13 Shirahata, Minami-ku, Saitama-shi, Saitama 336-0022
Kuki R&D Laboratory
 20 Showanuma, Shoubu-machi, Minami-saitama-gun, Saitama 346-0101
Kansai Food Development Section
 2-6-8 Hon-cho, Chuo-ku, Osaka-shi, Osaka 541-0053
Nagoya Food Development Section
 1-20-12 Meieki Minami, Nakamura-ku, Nagoya-shi, Aichi 450-0003
Fuji Development Section
 Fujioka 580, Fuji-shi, Shizuoka 417-0841

Factories
Kashima Factory
 Toh-Wada 29, Kamisu-shi, Ibaraki 314-0102
Kashima West Factory
 Higashi-Fukashiba 5, Kamisu-shi, Ibaraki 314-0103
Chiba Factory
 Kitasode 3-1, Sodegaura-shi, Chiba 299-0266
Mie Factory
 Toicho Yamada 3701-1, Inabe-gun, Mie 511-0251
Fuji Factory
 Fujioka 580, Fuji-shi, Shizuoka 417-0841
Akashi Factory
 Inamicho Rokubun-ichi 1183-15, Kako-gun, Hyogo 675-1112
Soma Factory
 1-1-1 Koyo, Soma-shi, Fukushima 976-0005

Major Affiliated Companies
 Nihon Nohyaku Co., Ltd.
 Adeka Chemical Supply Corp.
 Kyokuyu Sangyo K.K.
 Adeka Life-Create Corp.
 Asahi Architects Office Co., Ltd.
 Oxirane Chemical Corp.
 Kashima Chlorine & Alkali Co., Ltd.
 Kashima Chemical Co., Ltd.
 Kanto Sodium Silicate Glass Co., Ltd.
 Adeka Clean Aid Corp.
 Tokyo Environmental Measurement Center Co., Ltd.
 CO-OP Clean Co., Ltd.
 Mizushima Plasticizer Co., Ltd.
 Nihon Epoxy Resin Co., Ltd.
 Adeka Fine Foods Corp.
 Adeka Engineering & Construction Corp.
 Adeka Logistics Corp.
 Adeka Foods Sales Corp.
 Yongo Co., Ltd.
 Uehara Foods Industry Co., Ltd.

Overseas

USA
 Amfine Chemical Corp.
 Adeka USA Corp.
Germany
 Adeka Europe GmbH
France
 Adeka Palmarole SAS
 Palmarole Compounds SA
South Korea
 Adeka Korea Corp.
China
 Adeka (Shanghai) Co., Ltd.
 Adeka Fine Chemical (Shanghai) Co., Ltd.
 Adeka Fine Chemical (Changshu) Co., Ltd.
 Adeka Foods (Changshu) Co., Ltd.
 Chang Chiang Chemical (Shanghai) Co., Ltd.
 Kukdo Chemical (Kunshan) Co., Ltd.
Taiwan
 Chang Chiang Chemical Co., Ltd.
 Adeka Fine Chemical Taiwan Corp.
Thailand
 Adeka Fine Chemical (Thailand) Co., Ltd.
Malaysia
 Felda Oil Products Sdn. Bhd.
 Palm-Oleo Sdn. Bhd.
Singapore
 Adeka (Singapore) Pte. Ltd.
 Adeka (Asia) Pte. Ltd.
India
 Adeka India Pvt. Ltd.

CONTENTS

Overview of the ADEKA Group

Company Profile	1
Commitment of Our Top Management	2
ADEKA is in our everyday lives	3
Description of Business	4

Special Feature

Taking Up the Challenge of Environmentally Conscious Technology — ADEKA's Environmentally Conscious Products —	5
Reports by ADEKA	10

Management Principles and CSR

ADEKA's Principles and CSR	11
----------------------------	----

Economic Reports

Overview of Account Settlement for the Current Term	17
---	----

Social Reports

Engagement with Our Customers	19
Engagement with Our Business Partners	21
Engagement with Shareholders and Investors	22
Engagement with Employees	23
Engagement with Society	25


Environmental Reports

Basic Environmental Policy/Environmental Action Plan/Environmental Action Goals	27
Material flow of business activities	28
Results of activities – Overview	29
Environmental data	29
Environmental management promotion organization and promotion activities	31
Status of management system activities	32
Environmental accounting	33
R&D and environmentally conscious technology	34
Promotion of CO ₂ emission reduction and energy conservation	35
Measures to deal with industrial waste (efforts made towards zero emissions)	37
Chemical substance management	39
Managing the emission of environmentally polluting substances	40
Logistics – Environmental conservation and safety activities	41
Promotion of green procurement	42
Legislative compliance	42
CSR activities of Group companies	43
Communication regarding the environment and safety	45

Third party opinion comments	46
List of Offices and Factories	Back cover

The "Chronology of CSR Activities" and "GRI Guideline Balance Sheet" can be viewed at the "Efforts for CSR" section of ADEKA's website (www.adeka.co.jp).

Company Profile

Name:  ADEKA CORPORATION

Established: January 27, 1917

Representative Directors: Hiroyuki Nakajima, Chairman and CEO
Kunihiko Sakurai, President and COO

Head Office: 7-2-35 Higashi-ogu, Arakawa-ku, Tokyo

Paid-in Capital: 22.899 billion yen (as of March 31, 2008)

Number of shares issued: 103,651,442 (as of March 31, 2008)

Employees(consolidated): 2,556 (as of March 31, 2008)

Editorial Policy

In order to provide an understanding of the ADEKA Group's CSR activities as a whole, in place of our previously published environmental report we have been issuing a CSR Report since FY2005 that substantially expands upon the information disclosed on economic and social fronts.

■ Period Covered by this Report

April 1, 2007 ~ March 31, 2008
(The content of activities from FY2008 has been included in certain sections of this report.)

■ Scope Covered by this Report

The scope covered by the environmental report within this report includes ADEKA CORPORATION and the 10 companies listed below from among the group's businesses. In some cases group businesses are not included, depending upon the item. In such cases the scope covered has been mentioned within the text.

Whenever ADEKA CORPORATION alone is being indicated within this report then "ADEKA" or "our company" is listed, and when the ADEKA Group as a whole is being referenced it is listed as the "ADEKA Group."

Targeted Group Company Names:

Adeka Chemical Supply Corp. / Adeka Clean Aid Corp. / Adeka Fine Foods Corp. / Adeka Engineering & Construction Corp. / Oxirane Chemical Corp. / Adeka Foods Sales Corp. / Adeka Logistics Corp. / Yongo Co., Ltd. / Tokyo Environmental Measurement Center Co., Ltd. / Uehara Foods Industry Co., Ltd.

■ Reference Guidelines

This report was prepared with reference to the Environmental Reporting Guidelines FY2007 Edition of the Ministry of the Environment and the GRI Guidelines FY2006 Edition.

Commitment of Our Top Management

Carrying on with our founding mentality of "pursuing the national interest and public welfare" in moving toward CSR management



President
COO

Kunihiko Sakurai

櫻井邦彦

Chairman
CEO

Hiroyuki Nakajima

中嶋宏元

ADEKA's Thoughts on CSR

As members of society, companies are being called upon to develop sustainably while aiming to achieve harmony with society, meet the expectations of their stakeholders, and make proactive contributions to society. The ADEKA Group for its part is strongly aware of the importance of the social responsibility held by companies.

"Working hard to be a forward-looking organization by staying on the cutting edge"

"Being a respected member of the world community"

Based upon these two management policies, we provide safe, high quality products and services which are suited to the needs of society with the intent of thereby contributing to the realization of a sound and affluent society.

The Unbroken Flow of Our Founding Mentality

If you were to view our company's history as a thread, you would see that it stretches back to 1917, when our predecessors established an electrolysis business originating from the mentality that "if your core business can be achieved a day earlier, then this can serve the interests of the nation and the welfare of the people a day sooner." This came on account of the export controls for caustic soda imposed on Japan by the British at the time, which put domestic industry in a difficult position. Put simply, the founding mentality for our company was full of ambition in aspiring to bring about gains by contributing to the nation and the people. In its current manifestation, this exists as "CSR management." We believe that this involves companies advancing the cause of benefiting society in a variety of ways, including promoting business while complying with laws and ordinances, hiring employees and safeguarding their livelihood, actively dealing with the environment, contributing to society and local communities, and more. Recently, changes in the environment surrounding companies have grown precipitous as a result of the globalization of business and advance of the IT society, as well as other factors such as the rise of newly emerging countries like China and India and the steep climbs in resource prices. Amidst such circumstances, our company's underlying identity of "pursuing the national interest and public welfare" has flown in an unbroken manner on the foundation of our company group as it currently carries out its business. We feel that this mentality is absolutely indispensable for the future as well.

CSR as the Center of Our Management

Our company group has positioned CSR as the center of our management. We have formulated the ADEKA Group Five Year Plan for CSR, which is centered around the Expert Panel for the Promotion of CSR that was established last year, with all of our companies working in unison to address CSR activities based upon this plan. Furthermore, we have also been striving to strengthen corporate governance, enhance and thoroughly ensure compliance and internal control systems, and further raise the soundness and transparency of management.

On the Product Recall of "Microwave-Heated Hot Water Bottles" and the Accident at Oxirane Chemical Corporation's Mie Factory

Accidents responsible for burns which were caused by our Microwave-Heated Hot Water Bottles, for which production and sales were suspended in December 1998, have arisen in this current fiscal year as well. We would like to offer our heartfelt apologies to everyone that was inconvenienced by this problem. For the future, we will aim to strengthen product recalls and strive to ensure product safety with the desire of taking all possible measures to prevent product accidents in advance. Moreover, we would like to offer our humble apologies for the rupture and fire accident that occurred in July 2007 at the Mie Factory of Oxirane Chemical Corporation, a group company, and for the enormous trouble and worry it engendered on everyone involved, including the victims and all of the surrounding residents. To ensure that such accidents do not occur again, our group is working toward thorough recurrence prevention measures and striving for safe factory management.

ADEKA is in our everyday lives.

ADEKA's products in both the fields of chemicals and foods have become integrated into the lives of the people across the entire spectrum of clothing, food, and shelter. They are goods that we casually acquire on an everyday basis and that we are involved with. In truth, it is here that ADEKA's "gentle harmony between people and technology" reverberates.



Computers

(Parts that are used)	(Our company's products that are used)
Housing, keyboard, wiring	Antioxidants, ultraviolet absorbers, flame retardant
display, printed board	Photo Curing resin, etching liquid
memory	Dielectric material, insulation film

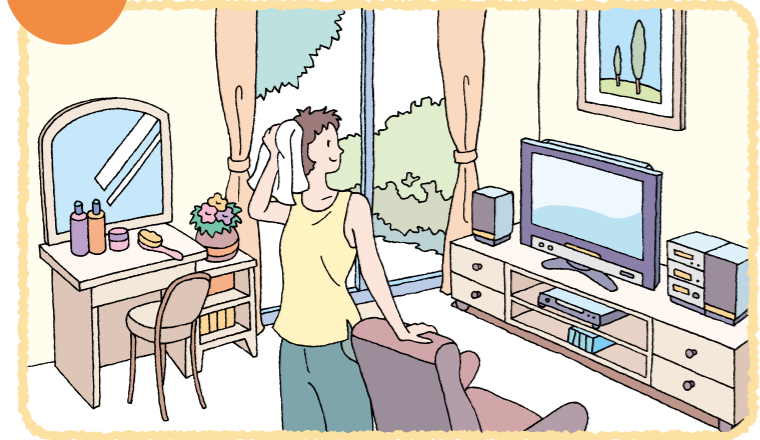
Work Desk work using computers forms the core of work.



We provide cutting-edge products that are used in computer semiconductors, including high induction materials, high purity gas, circuit materials, and photo curing resin.

- ADEKA is here as well!**
- Computers
 - CDs, DVD media
 - Flooring

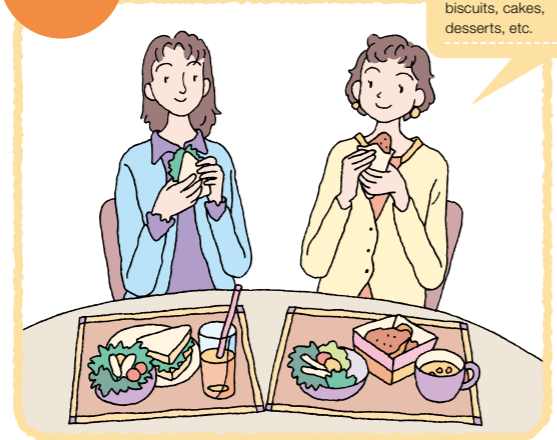
Home Personal grooming is the foundation of working adults.



We provide the raw materials for things like shampoos, cosmetics, kitchen products, and bath agents. ADEKA's technology contributes to goods that are indispensable in all of our lives. In addition, ADEKA's technology is also found in high-performance agents used in the large screen of liquid crystal displays and plasma displays.

- ADEKA is here as well!**
- Shampoos
 - Cosmetics
 - Liquid detergents
 - Hair care products
 - Flat-panel televisions
 - Extension cords

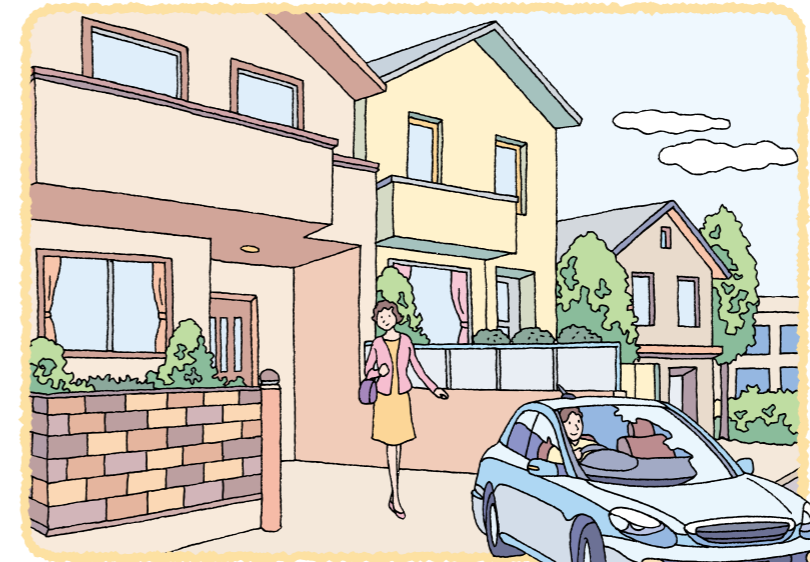
Food Japanese food is great, but we love bread.



Breads and sweets

(Foods that are used)	(Our company's products that are used)
Breads, sweetened buns, croissants, cookies, biscuits, cakes, desserts, etc.	Margarine, shortening, filling cream, whipping cream

- ADEKA's margarine, shortening, and other forms of processed fatty oils, fats, and creams are actively used in things like breads, cakes, and sweets, and are utilized in soup and mayonnaise as well.
- ADEKA is here as well!**
- Bread
 - Soup
 - Mayonnaise
 - Dressings



Driving The launch of earth-friendly eco-drive.

We support a pleasant car life by providing items like high performance additives for plastics that are used in car bumpers and interiors, as well as low fuel consumption engine oil additives. In addition, ADEKA's technology is also employed in things like roof tiles, building exteriors, rain gutters, and sashes for homes.

- ADEKA is here as well!**
- Automobiles
 - Wall materials
 - Roof tiles
 - Rain gutters
 - Garages
 - Paints
 - Adhesives

Cars

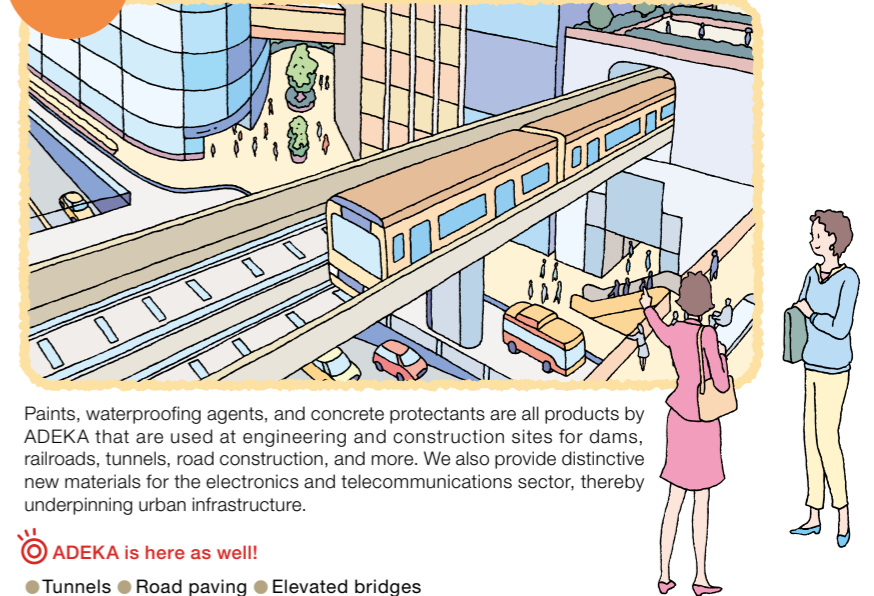
(Parts that are used)	(Our company's products that are used)
Wiring harnesses, dashboards, seats, bumpers, light related parts, exteriors, adhesives, exterior paint, engine oils	Stabilizers and plasticizers for Poly vinyl chloride, light stabilizers, ultraviolet absorbers, nucleating agent, epoxy resins, Polyurethane resins, lubricating oil additives



Nowadays many people use cell phones. These devices are loaded with technology from ADEKA, including the liquid crystal panels, cases, and internal circuit boards and memory.

- ADEKA is here as well!**
- Cell phones
 - Plastic bottles

City Time spent strolling idly through the city.

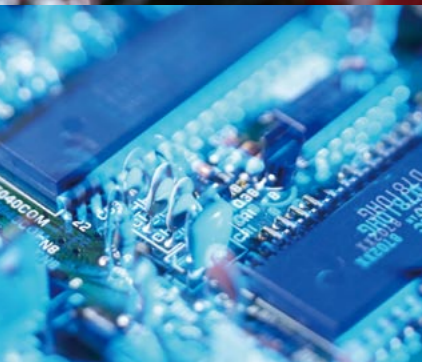
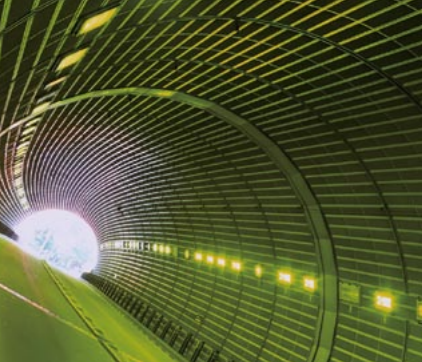


Paints, waterproofing agents, and concrete protectants are all products by ADEKA that are used at engineering and construction sites for dams, railroads, tunnels, road construction, and more. We also provide distinctive new materials for the electronics and telecommunications sector, thereby underpinning urban infrastructure.

- ADEKA is here as well!**
- Tunnels
 - Road paving
 - Elevated bridges

Description of Business

Chemicals-Related Business	Food-Related Business	Other Business
<p>IT-related and electronics chemicals</p> <p>Materials for flat panel display, photo recording materials, photo curing resins, high-purity semiconductor materials, etching systems for electronic circuit board and etchant, etc.</p>	<p>Margarine, shortening, oils and fats for chocolate, edible oils, whipping cream, enriched milk products, fillings, frozen pie crusts, mayonnaise and dressing, retort-packed foods, etc.</p>	<p>Design of equipment plants, construction and construction management, maintenance of equipment, warehousing, leasing of vehicles, real estate and insurance business, etc.</p>
<p>Functional chemicals</p> <p>Additives for polyolefine, stabilizers and plasticizers for poly vinyl chloride, flame retardants, epoxy resins, polyurethane raw materials, water borne resins, water swelling sealants, surfactants, lubricating additives, kitchen cleaners, etc.</p>		
<p>Commodity chemicals</p> <p>Caustic soda, sodium derivatives, industrial fat derivatives, propylene glycol, hydrogen peroxide, etc.</p>		
<p>70.0% 134,468 million yen</p>	<p>26.5% 50,785 million yen</p>	<p>3.5% 6,733 million yen</p>
<p>FY2007 earnings (consolidated) 191,987 million yen</p>		



Special Feature Taking Up the Challenge of Environmentally Conscious Technology

ADEKA's Environmentally Conscious Products

Chemicals
Business
Compilation

As a member of the international community, ADEKA takes global environmental problems seriously and aims for a sustainable, affluent society and aspires to pass our global environment on to future generations.

Beneath such a vision, our research and development division, which is the lifeblood of any manufacturer, is moving forward with new product development based on the underlying notion of "not creating, using, nor emitting environmental contaminants." Furthermore, we have adopted measures for substituting goods and various reduction policies for those products for which there are concerns over their environmental impact from among our existing products.

Forms of environmentally conscious technology include those that restrain global warming, reduce dioxins, reduce VOC, and deal with environmental endocrine disrupters.

Of these, we have currently taken up four powerful products, and will describe our thoughts and attitudes in giving rise to environmentally conscious technologies and products.



Japan Petroleum Institute Award-Winning Ability

ADEKA SAKURA-LUBE

Our lubricating agent ADEKA SAKURA-LUBE is used in not only Japan, but is also exported to some 20 countries starting with the United States, and also including European countries, South Korea, China, Singapore, and Thailand, with the shipment ratio for these countries exceeding that for within Japan. Worldwide demand for Sakura-Lube is rising on account of its low fuel consumption effect and reduction of CO₂ emissions, among others. To meet this demand, we are setting our sights on further augmenting our existing facilities two-fold.

Contributing to the Reduction of CO₂ through its Low Fuel Consumption Effect

ADEKA SAKURA-LUBE is an agent that was developed through ADEKA's proprietary technology and is labeled as an "organic molybdenum lubricating agent." Adding it to vehicle engine oil reduces friction and abrasion within the engine and achieves low fuel consumption and reduced emissions of CO₂. In addition, it also other benefits like extending the operating life of engine oil by inhibiting oxidation and extending the life span of the machinery by preventing abrasion. Chief among these is its effect of reducing CO₂ emissions which is derived from its improvement of fuel consumption. This has been drawing attention from the

petroleum and automobile industries, and has been showing excellent results as demonstrated in the lower right graph. Progress on the development of this product began in 1976 through collaborative research with Professor Toshio Sakurai of the Tokyo Institute of Technology. Sales began three years later in 1979, culminating in its superiority being recognized in 1995 with the awarding of the Japan Petroleum Institute Award. The requirements placed upon engine oil by the Japanese and US automobile industries have been growing more stringent in recent years. There are also expectations from global markets that

the role played by ADEKA SAKURA-LUBE will be extremely significant when it comes to environmental responses. ADEKA SAKURA-LUBE occupies the No. 1 share worldwide for organic molybdenum lubricating agents.



Shield from winning the Japan Petroleum Institute Award

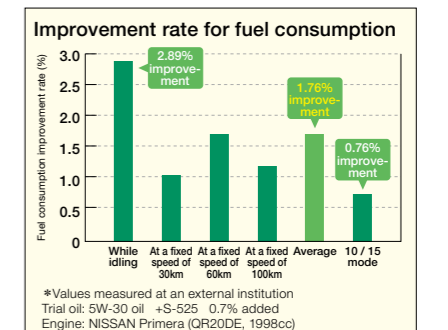
It's Only 1.76%, but an Important 1.76%

The fuel consumption values listed in catalogues for new cars are one indicator consumers use when making a purchase, and have therefore come to sway sales demand for cars. The context where this product is actively used most often is when new cars are shipped from Japan, where it is added to the engine oil. Adding ADEKA SAKURA-LUBE raises the fuel consumption improvement ratio by around 1.76% on average. While you may think of this as just a mere 1.76%, the fact is that its performance is highly regarded and demand is enormous when you consider that it is currently added to

over 90% of new cars. It is a product that we confidently offer and that is universally approved due to its ultimately reducing the burden on the environment. It currently occupies the top shipment rate to Western countries. Demand from China, India,



Verifying the results by using vehicle engines



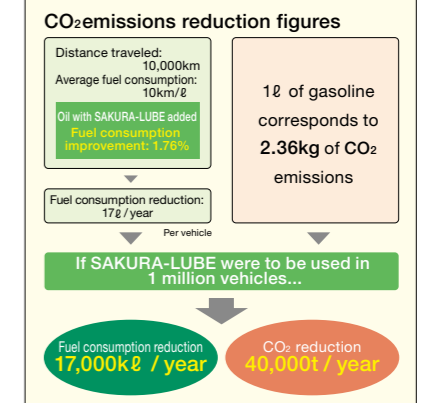
Our Desire is to Overcome Challenges and Make a Contribution through our Products

Hirokazu Nakamura, Manager, Lubricants Group, Organic Chemicals Sales Department



Since it has gone on sale, there have been periods where sales have been sluggish and periods where they have taken off with a bang. The six or seven years after moving to our Sohma Factory, which is devoted exclusively to SAKURA-LUBE, were trying, but things have been running smoothly since 2001. Moreover, after receiving ILSAC GF-4 (specifications related to engine oil) in 2004 overseas-oriented demand has increased, and we have begun to show favorable growth by expanding our sales volume by 1.5-fold.

Fuel consumption regulations, emissions regulations, and the like pose challenges for the lubricating oil industry. Car and petroleum manufacturers, as well as chemical manufacturers like us are moving forward with research and development, and through such work measures to reduce CO₂ and protect the earth's environment have become thoroughly ingrained in us. It is our wish to make a contribution through our group as a unified whole.



Cures quickly while decreasing of burdens on the environment

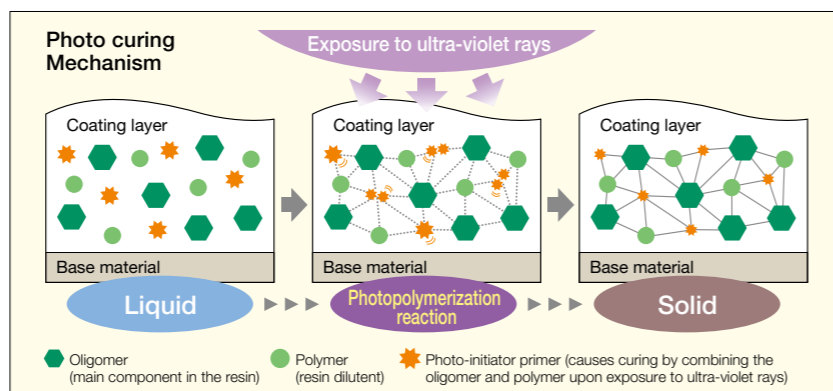
Photo Curing Resins

This resin cures from liquid state to solid state. The general method to cure the resin is to heating around 200° C. Meanwhile, there is resin which cure by irradiating light (Ultra-violet light) in stead of heating, which is called photo curing resin. While this technology has the advantage of raising production efficiently, it also contributes significantly on the environment point as well.

■ Environmental Contribution Born from the Light

Compared to thermal curing, photo curing resin has achieved a significant shortening curing time and improving in production efficiency. It also requires little in the way of space for installing the equipment for curing. Furthermore, since curing is achieved at low temperature, it can also apply to the material (base material) that are heat sensitive.

In addition to these benefits, compared to thermal curing the burden in terms of energy needed for curing is extremely low, and the CO₂ generation has been reduced. It also contribute to creating a pleasant working environment on both environmental and hygienic point since organic solvents are not used.



■ The Photo-initiator which is a Basic Ingredient is also Environmentally Conscious

What is more, ADEKA has not only developed photo curing technology, but also basic ingredients that are environmentally conscious product. Antimony, with its high sensitivity on curing and good stability, has conventionally been used as a component in our photo-initiator, which is one of the basic ingredients for photo curing. However, there have been fears and concerns over its toxicity and carcinogenic properties, ADEKA OPTOMER SP-300 is a photo-initiator that exhibits effects identical to conventional photo-initiators but not containing antimony.

ADEKA's Photo curing resin is used for the firm hard coatings, adhesion and forming the optical elements etc. which are mainly used in displays for liquid crystal and plasma televisions, among others. Aside from these, it is also ideally suited for the hard coating on ID cards and camera lens, as well as for adhesion of electronic parts. It can be expected that it will expand out into a broad array of field in the future.



It is sometimes shipped in containers like these



Researching combinations of photo-initiator



Pursuing further environmental contributions for photo curing

Satoyuki Chikaoka, General Manager, Photochemical Materials Department, Information Media Materials Department Laboratory

When it comes to photo curing, there are few cases where ready-made products are capable of meeting the customers' needs, so the material must be customized to suit their needs. The question of what elements should be combined and in what manner is a day to day struggle, but with ADEKA's technology and rich array of product varieties, we are able to meet a multiplicity of different requests.

It is believed that the move from thermal curing to photo curing will further increase in the future. Amidst such trends, we will pursue not only photo curing technology, but also further environmentally conscious products related to basic ingredients. We are constantly considering how we can contribute to the environment, as well as society, and will continue to offer new proposals.

This responds to environment!

- Curing resin through "light" rather than "heat"
- Able to harden using little energy and reduces CO₂
- Does not use organic solvents
- A line up of basic ingredients in initiator as environmentally conscious products

Contains no Lead Compounds and is Human and Environmentally-Friendly

Environmentally Conscious Poly Vinyl Chloride Stabilizers for Electrical Cables and Rigid Items

Stabilizers are necessary when processing or using poly vinyl chloride in order to reduce deterioration of the resin. Currently, lead compounds are often used as stabilizers for rigid items like window profiles and electrical cables. However, ADEKA is promoting the development of stabilizers that do not use lead compounds.

■ Poly Vinyl Chloride Stabilizers Requiring an Environmentally Consciousness

Poly vinyl chloride (PVC) are used for a variety of purposes, in everything from rigid products like pipes and window profiles to flexible products such as electrical cables and wrapping film.

Stabilizers are what provide these PVC products with their mold stability and

durability. The main ingredient within stabilizers is metallic salts, which are separately utilized according to the uses for PVC.

Lead compounds, which are classified as harmful heavy metals, have been used for many years in things like rigid items such

as pipes and window profiles, as well as wire covering and more. However, there is a growing international trend toward avoiding lead compounds due to concerns that they affect the human body and pollute the environment.

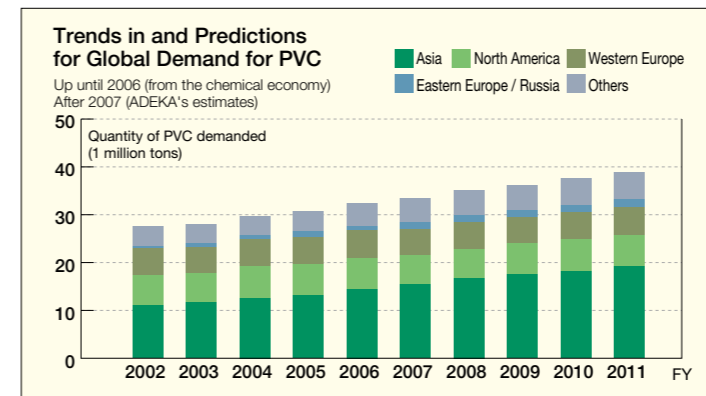
■ Technology that Avoids the Use of Lead Compounds and Contributes to Environmentally Consciousness for PVC Products

ADEKA has been a world leader in developing environmentally conscious wire coating extrusion stabilizers to be substituted for lead compounds, and our environmentally conscious stabilizers are among the top share of automotive electrical cables. We are also contributing

to electrical cable for consumer electronics and communications, as well as stabilizers for rigid items like window profiles.

For the future it is predicted that global demand for PVC will grow enormously, centered mainly on Asian countries like China and India. It is indispensable that

environmentally conscious stabilizers also expand in conjunction with this. ADEKA will contribute to environmental consciousness in global markets by utilizing the technology and global networks that we possess.



While discrepancies will arise for each region, growth of around 3 ~ 4% per year is predicted. In conjunction with this, it is also believed that the demand for stabilizers will continue to grow.



Testing samples at our laboratory



Desiring to Rise Above the Performance of Lead through ADEKA's Research and Development Power

Kiyotatsu Iwanami, General Manager, Stabilizers Department, Polymer Additives R&D Laboratory

Lead-based stabilizers, which have a long history as PVC stabilizers, possess an intrinsic functional capacity for stabilization that is exceptional. On the other hand, environmentally conscious stabilizers exhibit performance that is identical to that of lead-based stabilizers by utilizing composite technology from various raw materials.

Composite technology is the most important, and this is where ADEKA's technology comes into play. In addition, in order to meet the demands for high levels of durability, heat resistance, and so on, we are deepening research on searching for new raw materials in our desire to rise above.

This responds to environment!

- Technology that does not use lead compounds in the stabilizers needed for PVC
- Top share in environmentally conscious stabilizers for automotive electrical wiring
- Promoting the expansion of environmentally conscious stabilizers throughout the world

Reports by ADEKA

■ Reporting on and Safety Measures for the Rupture and Fire Accident at Oxirane Chemical Corporation's Mie Factory

On July 23, 2007 a rupture and fire accident occurred at the Mie Factory of Oxirane Chemical Corporation, a group company. We would like to offer our humble apologies for the enormous trouble and worry it engendered on everyone involved, including all of the surrounding residents. We will report outlining the rupture and fire accident, as well as safety measures and the resumption of operations.

Report on the Accident

A large accident occurred wherein a rupture occurred in the oil separator tank of the small-scale production plant at Oxirane Chemical Corporation's Mie Factory (adjacent to ADEKA's Mie Factory). Part of the tank collided with a hexane tank, setting the hexane on fire.

The accident was caused by the highly-concentrated hydrogen peroxide in the storage tank coming into contact with iron (rust), this resulted in the sudden generation of heat and disassembly which then led to the rupture of the tank.

Immediately following the accident we established the Accident Countermeasures Headquarters, and worked toward obtaining medical treatment for the injured, ensuring the safety of all of the surrounding residents, and collecting information and transmitting it both within and outside of the company. Furthermore, we held briefing sessions for the surrounding residents and conducted individual visits to apologize for and report on the accident.

One employee working on-site was injured due to the accident. They were hospitalized and received treatment, and have presently returned back to work.

Resumption of Operations and Future Safety Measures

Operations were suspended at all of our facilities after July 23, 2007. However, we have gained the understanding of various government agencies, as well as that of the residents in the surrounding towns and neighborhoods, and resumed operations at our factories in November 2007.

Based on the investigation to determine the causes of this recent accident and a total check of safety measures, we have taken the following measures to prevent a reoccurrence.

1. Facility and technical countermeasures
 - ① Reducing the concentration of hydrogen peroxide after a reaction
 - ② Measures to prevent corrosion (rust)
 - ③ Temperature control measures: Installing cooling functions and temperature sensors
2. Countermeasures through administrative operation
 - ① Reviews of facility management standards: Strengthening facility inspections
 - ② Reviews of trial standards: Revising the safety evaluation checklist
 - ③ Enhancement of comprehensive safety education: Reeducation in the handling of hydrogen peroxide and facility management

To ensure that an accident like this recent one does not occur again, we will work toward more thorough safety measures and to strengthen our crisis management structure, including the aforementioned measures to prevent a reoccurrence. We plan to make ongoing improvements in aiming for safer factories.

■ Report on the Response Status for the Product Recall of Microwave-Heated Hot Water Bottles

Our company has published recall advertisements in magazines and fliers and company announcements in national and local newspapers in conducting a recall of our Microwave-Heated Hot Water Bottles. However, as of the present uncollected products still remain, and unfortunately three new cases of product accidents occurred in FY2007. We take this matter seriously, and carry out activities like publishing company announcements in national and local newspapers and recall television commercials with the aim of enhancing our product recall.



Product Recall Status and Inquiry Status (As of March 31, 2008)

Percentage of recalled products out of the total number sold	Inquiries to our toll-free number
47.0%	1,716

Details on the Implementation of FY2007 Product Recall Activities

Date implemented	Implementation details
October 2007	Distribution of recall posters and requests to those involved with sales at sales destinations to put them up
January 2008	Sending of direct mail to 12,000 facilities across the country such as "retirement homes," "healthcare facilities for the elderly," and "medical facilities," and request for product recall posters to be put up Sending of product recall notifications to approximately 58,000 households by using post offices for designated delivery areas
February 2008	Publication of company announcements in two national papers and local papers ①The Yomiuri Shimbun, Tokyo-based edition (Delivery regions: Kanto, Tohoku, Hokkaido, Hoku-riku, Chubu) ②Asahi Shimbun, Tokyo-based edition (Delivery regions: Kanto, Tohoku, Koshinetsu, Hokkaido, Toyama Prefecture, eastern Shizuoka Prefecture) ③The Shinano Mainichi Shimbun (Delivery regions: Nagano Prefecture) ④Jomo Shimbun (Delivery regions: Gunma Prefecture) ⑤Shimotsuke Shimbun (Delivery regions: Tochigi Prefecture) Publication of company announcements in 44 local newspapers
March 2008	Implementation of survey and recall cooperation for stores listed as distributors on the recall questionnaires for customers complying with the product recall Broadcast of 458 recall TV commercials (15 seconds long) on two nationwide channels

Environmental Consciousness through "Water borne" Resins that are Earth and Human-Friendly

Water borne Epoxy Resin / Water borne Urethane Resin

Paints and adhesives, coating agents, protective films, and all sorts of adhesion for plastics... Epoxy resin and urethane resin are actively used in a variety of contexts. Organic solvents have traditionally been used because of their durability and economical nature, but their atmospheric pollution and damage to health are becoming apparent. ADEKA has been striving toward the development of "water borne resins" which take the environment and human body into consideration.

■ Resins that Reduce Atmospheric Pollution by Not Using Organic Solvents

"Water borne resins are materials with plastic-like properties." Put simply, these are "Water borne resins." The advantage to these is that they are non-hazardous materials. And through our proprietary technology the functional capacity unique to resins (polymers) can be furnished

simply by volatilizing water. They have been garnering attention as a resin that is gentle on the earth (does not pollute the atmosphere) and the human body (countermeasures against sick house syndrome), while also preserving the performance of organic solvent-based

resins and improving upon their anti-corrosion properties, pliability, and weather resistance.



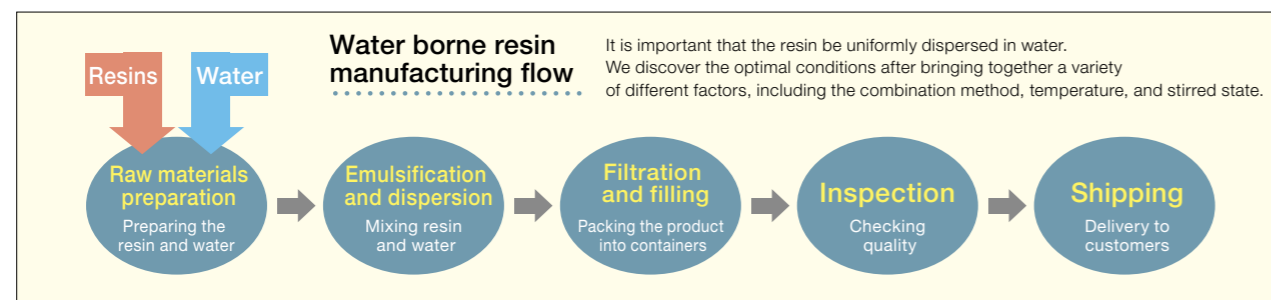
Research and development begins with upholding the four safety activities

■ Combining Technical Know-how Cultivated over Many Years

On the technological side, uniformly dispersing resin in water is difficult. ADEKA has combined its diverse technical know-how cultivated over many years; sought to discover optimal conditions from the perspective of the combination method, temperature, and stirred state; and promotes research and development before the commercialization of products. We are currently beginning to develop into broad areas through our VOC* countermeasure goods and environmentally conscious products.

At present, there is strong awareness when it comes to substitute items for organic solvent-based resins, with these remaining at around 10% of overall market share. Nevertheless, by placing considerations for the global environment and human body first and foremost, ADEKA aspires to hereafter continue raising production techniques for water borne resins, expand their sales channels, and mainstream them.

*VOC: Volatile Organic Compounds



Upholding the Four Safety Activities is Connected with CSR

Kazuhiro Kurosui, Manager, Technical Section, Production Department, Chiba Factory

The general flow for chemicals is from flask synthesis to a pilot study scale and then on-site (factory) scale. Recently we have had trouble establishing technology for dispersing in water while confirming the correlation between each scale, but were able to set up a stable production flow. Now, we would like to be able to expand our technical capabilities and productivity through our products. We are constantly giving consideration to the "four safety activities" (safety with regard to quality, the environment, the labor, and equipment). Successfully carrying out such activities is the very essence of CSR.

This responds to environment!

- VOC countermeasures that do not emit hazardous substances
- Compared to conventional resins, "water borne resins" are gentle on the human body and global environment
- Improves durability and extend the product's life cycle

ADEKA's Principles and CSR

Management Vision and CSR

The ADEKA Group's Management Principles

Working hard to be a forward-looking organization by staying on the cutting edge

Being a respected member of the world community

Expanding our business globally through a line-up of technically superior products that are competitive in international markets

With "working hard to be a forward-looking organization by staying on the cutting edge" and "being a respected member of the world community" as our management, the ADEKA Group is accelerating the global expansion of our businesses centering around a line-up of technically superior products that are competitive in international markets. We will continue to contribute to the world through our distinctive, superior technology, focusing on growth sectors and growth regions, and by providing products on the cutting edge of the age as well as those that are environmentally-friendly and suited to our customers' needs.

CSR 1 Basic Philosophy Behind Our Mid-Term Business Plan (FY2006~2008)

◎ Basic Philosophy

We have listed the following seven items in our basic philosophy in order to achieve the objectives in our Mid-Term Business Plan.

- Selection and concentration
- Establishing a foundation for growth through the creation of new businesses
- Further strengthening our technical prowess
- Expanding overseas business
- Fostering and strengthening human resources
- Strengthening group management
- Strengthening corporate governance

Of these, in order to establish foundations for increased growth, we will press forward with enhancing our business foundations and strengthening our businesses' competitive powers by means of expanding our overseas businesses and creating new businesses. Additionally, owing to the fact that human resources and organizational ability serve as the basis for the execution of the plan, we are also working to foster and strengthen human resources, strengthen corporate governance, and strengthen group management.

◎ Theme

In addition to further raising growth potential and profitability, we will also maximize value for our stakeholders and realize the "maximization of corporate value" by means of strengthening our initiatives for CSR.



■ "Harmony with Society"

We will continue to aspire toward highly transparent management that is open to society by not only observing laws and ordinances, but also through the timely and proper disclosure of information and friendly, proactive communication with stakeholders. Furthermore, we strive for harmony with society and coexistence with the environment by means of promoting activities that contribute to society and those that preserve the environment in regions where our company carries out business activities. The ADEKA Group seeks sound, sustainable development which takes the interests of various different stakeholders into consideration and pursues CSR on the three fronts (triple bottom line) of society, the environment, and the economy.

CSR 2 ADEKA Group CSR

◎ Basic Philosophy

The ADEKA Group positions CSR as the core of our management and aims to contribute to society on the basis of our main business under the watchwords of "gentle harmony between people and technology" and "unity with society."

■ "Gentle Harmony between People and Technology"

Developing and providing safe, high quality products which are environmentally friendly and meet our customers' needs through our proprietary, exceptional technology-in other words, devotion to our core business as a manufacturer-is the foundation of CSR, and we consider it to be the first step.

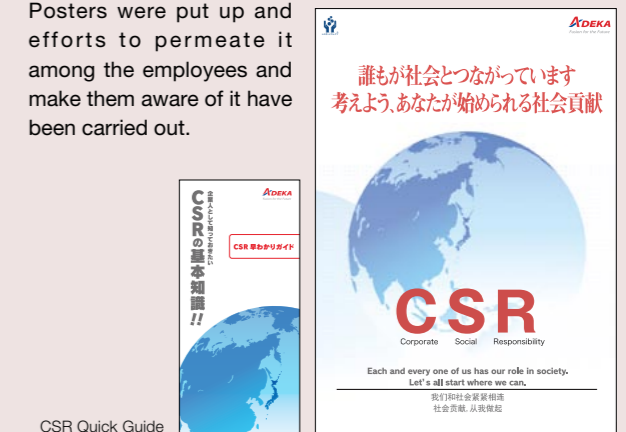
CSR 3 CSR Promotion Structure

The ADEKA Group's CSR structure is grounded in swift and effective corporate governance that is separated from the decision making and execution functions of management. It is comprised of compliance, risk management, and environmental conservation and quality safety. What is more, in order to continue making approaches to society in a more proactive manner, we established the Expert Committee on CSR Promotion in February 2007 and formulated the ADEKA Group's Five Year Plan for CSR as a set of medium to long-term CSR objectives. The Expert Committee on CSR Promotion is comprised of members from major divisions and is designed to put CSR activities into practice through our core business. To do this, it grasps the current status, extracts challenges, and performs examinations on future measures. A company-wide survey was performed in FY2007 to

grasp the current status of CSR activities. Based upon the results of this survey, it was deemed necessary to deepen understanding on the part of each employee over what CSR is, disseminate CSR throughout the ADEKA Group, and maintain a shared recognition. Therefore, in order to allow each employee to think about and take action on social contributions that they can initiate from their respective positions, we issued our CSR Report and distributed the CSR Quick Guide to all of our employees. In addition, to allow them to take action by feeling familiar with CSR and recognizing it as commonplace, CSR Educational Posters were put up and efforts to permeate it among the employees and make them aware of it have been carried out.

ADEKA Group's Five Year Plan for CSR

FY2007	Dissemination	Grasping the current status of CSR activities, orientation of initiatives, permeating it among employees and raising their awareness
FY2008	Verification	Verifying and evaluating CSR activities
FY2009	Planning	Enacting CSR principles
FY2010	Implementation	Implementation of unified CSR activities by the ADEKA Group (in Japan)
FY2011	Continuation	Expanding out to global activities (overseas affiliate companies)



CSR 4 Stakeholders Surrounding the ADEKA Group

◎ Initiatives and Policies by Stakeholder

The foundation of CSR is meeting the demands of various stakeholders. While conducting management that gives due consideration to balancing the interests of various different

stakeholders, the ADEKA Group intends to continue on as a company deemed necessary by society by persisting with sustainable growth.

	Demands from stakeholders	The ADEKA group's initiatives and policies	Corresponding pages
Customers and consumers	Providing high quality products and services, product safety, disclosing information	<ul style="list-style-type: none"> ● Develop and provide high quality, safe products suited to our customers' needs. ● Providing accurate information related to our products. ● Promptly dealing with product complaints and customers' demands. 	19~20
Business partners	Fair trade, equal business opportunities, and coexistence and co-prosperity	<ul style="list-style-type: none"> ● We provide all of our business partners with equal business opportunities, and select said partners by means of appointment through objective, fair, and economically rational standards. ● Among our business supply chains, we aim for coexistence and co-prosperity with our business partners as partners that have common objectives. 	21
Shareholders and investors	Returns to shareholders, timely disclosures of information, corporate governance	<ul style="list-style-type: none"> ● We provide accurate business reports to shareholders and return profits in an appropriate manner. ● Raising the transparency of management and ensuring the confidence of investors through timely and appropriate disclosures of information. ● Raising the confidence of financial reporting by strengthening internal control systems. ● Strengthening governance in order to raise the quality of company management and the propriety of services. 	22
Employees and executives	A safe workplace environment and appropriate treatment, remuneration, and self-actualization	<ul style="list-style-type: none"> ● Creating a comfortable workplace environment that takes the health and safety of employees into account. ● Conducting evaluations and determine proper treatment and remuneration based on a fair and transparent personnel system. ● Using objective management systems and education and training systems to increase employees' abilities and morals, thereby leading to their self-actualization. 	23~24
Competitors	Fair competition, coexistence and co-prosperity	<ul style="list-style-type: none"> ● Through fair competition with our competitors in accordance with the rules we mutually raise our quality, technical prowess, and price competitiveness and aim for the sustainable development of the economy and industry as a whole. 	—
Local and international community	Tax payments, contributions to society, welfare, regional exchange, dialogue, and the safety of factory operations	<ul style="list-style-type: none"> ● We return benefits to society through tax payments, contributions to society, and welfare activities while aiming for management that is open to society and increasing transparency through regional exchange and dialogue. ● We strive for safe, accident-free factory operations. 	25~26
Government	Compliance with laws and ordinances	<ul style="list-style-type: none"> ● Strengthening internal control systems, including compliance structures and risk management. ● The ADEKA Group has traditionally worked toward thorough compliance, which includes cooperative companies and business clients. 	14~16
Environment	Preserving the earth's environment	<ul style="list-style-type: none"> ● We develop products that are easy on the earth's environment at each stage of manufacturing, usage, and disposal. ● We strive to conserve energy and natural resources and reduce waste through the operation of our factories, as well as at our offices. ● We strive for environmental considerations in cooperation with our suppliers. 	27~45

CSR 5 Corporate Governance

The ADEKA Group recognizes that strengthening corporate governance is a managerial issue of top priority. Decision making performed by a Board of Directors council system and corporate governance conducted through a system of auditors is deemed to be the optimal system for allowing managerial functions to be effectively utilized, and we realize that the current structure is functioning effectively. We proactively work to reform and further strengthen this management structure by means of adding our own unique improvements to this. Specifically, we have introduced a chief officer system in order to expedite managerial decision making and clarify the roles (responsibility and authority) for the execution of business.

In addition, we have engaged in such initiatives as optimizing the number of directors, shortening their terms, and the full conversion to operating officers in the aim of further improving operating efficiency.

◎ Establishment of the Internal Inspection Branch

The Internal Inspection Branch was established in July 2005 on an independent footing from the management organization and under the direct control of the President. It was created in order to strengthen the functions for carrying out internal auditing from the perspective of the legality and propriety of the execution of business by every division based upon the auditing plan.

◎ Strengthening the Internal Control System

The Internal Control Promotion Committee was newly established in March 2007 under the direct control of the president. Furthermore, one external director was appointed by the regular General Shareholders' Meeting from June 2006 in the interest of strengthening the auditing function of the Board of Directors and ensuring transparency in management.

Furthermore, our company emphasizes dialogue with all of our stockholders, and aims for the running of open General Shareholders' Meetings in order to reflect their opinions in our management. Since 2000 we have been striving for the early holding of regular General Shareholders' Meetings.

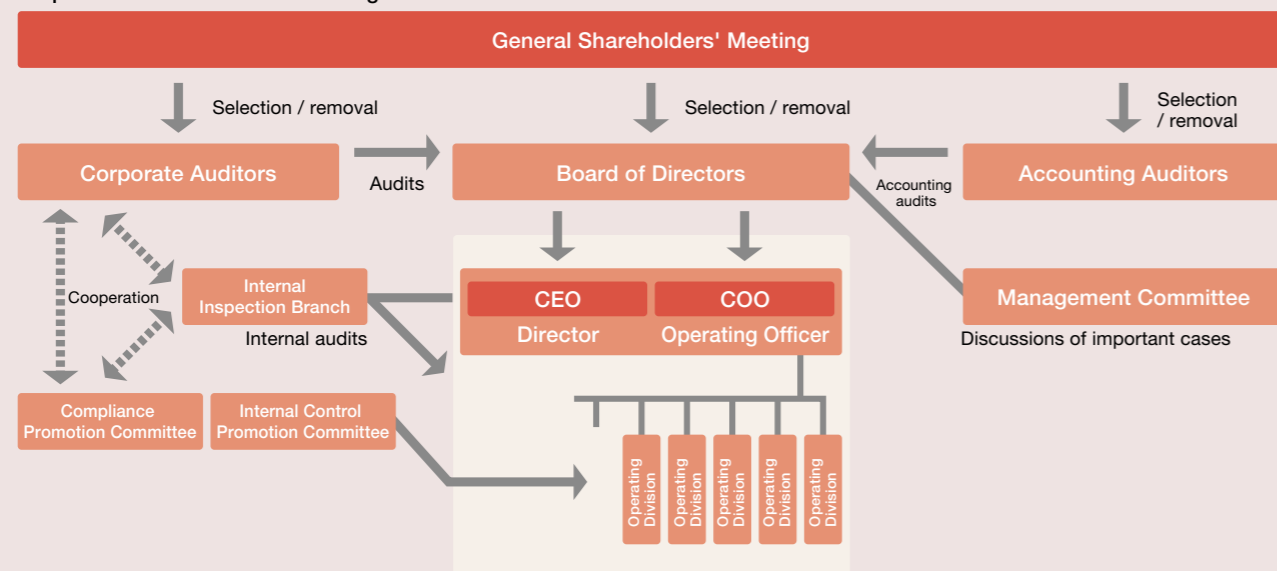
◎ Establishment of the Independent Committee

Our company established the Independent Committee in June 2007 as an institute for checking on management from an independent footing in order to raise our corporate value and ensure gains jointly with shareholders.

The Independent Committee is comprised of highly independent external experts and external officers. The committee is convened when a large-scale purchaser of company stock emerges in order to ensure transparency and objectivity in the response procedures taken by our company. Based on information provided by the large-scale purchaser, the Independent Committee conducts examinations on an objective and fair footing from the perspective of whether or not the purchase would contribute to our company's corporate value and joint gains with our shareholders. It then provides counsel on the matters like responses to the purchase proposal to our company's Board of Directors. The role of the Independent Committee is to set in place an environment in which appropriate decisions can be made by means of disclosing information in the form of opinions from a fair standpoint to shareholders.

Our company holds the Independent Committee twice a year.

Corporate Governance Structure Figure



CSR 6 Risk Management Structure

◎ Risk Management Committee

The Director in charge of Legal Affairs Publicity Department serves as the head of the Risk Management Committee, which uses the Legal Affairs Publicity Department as its secretariat. The committee is comprised of heads from major staff divisions as its members, and creates the risk management system, drafts the risk management manual, and conducts reviews of the risk management system.

◎ Risk Management Manual

The Risk Management Manual is established with the objective of minimizing damage by rapid and optimal measures in case of an emergency.

◎ Emergency Headquarters

The Emergency Headquarters will be established under the directors of the department in charge for cases with a particularly high degree of emergency and importance regarding the following 13 categories. Organizational measures will be taken in accordance with the Risk Management Manual.

- 1 Accident / disaster
- 2 Environment / pollution related matters
- 3 Transportation accident
- 4 Host computer trouble
- 5 Product related matters
- 6 Confidential data leak
- 7 Disrepute
- 8 Filing of suit
- 9 Crime against the corporation
- 10 Serious crime against executives / employees
- 11 Accident during business and related activities
- 12 Credit alarm
- 13 Overseas natural disaster and political instability, etc.

◎ Complying with the Personal Information Protection Law

The Information Management Panel was established as a subordinate body within the Compliance Promotion Committee in order to comply with the Personal Information Protection Law, which was entered into full force on April 1, 2005, and in the aim of strengthening safety management measures. In the same year we also formulated and released our Personal Information Protection Policy and newly established and revised several internal regulations related to the protection of personal information, such as the Regulations on the Management and Protection of Personal Information.

For the future we will continue to provide education for our employees and total management in terms of facilities and technology, while further moving forward with strengthening our responses to information security.

◎ Facilities Upgrade Plan

The deterioration of facilities is believed to carry considerable weight as a primary factor in the occurrence of major accidents and disasters. Since 1999 our company has formulated and implemented a plan which lists up upgrade investment cases.

In FY2007 we upgraded the food manufacturing and refrigeration equipment at our Kashima Factory and the extra high tension sub station at our Mie Factory, among others. In FY2008 we implemented the upgrade of equipment like the electrolytic facilities at our Fuji Factory, filling equipment at our Mie Factory, and process control computers at our Sohma Factory.

Viewing the progress by facility up through the end of FY2008, the schedule calls for the 100% completion of the upgrade of process control computers, up to 73% progress for sub stations following the implementation of the upgrade of the extra high tension sub station at the Mie Factory, and progress of up to 86% on production piping. In addition, there is planned progress of 55% by the end of FY2008 for production machinery and low voltage electrical equipment.



Upgraded food manufacturing facilities



CSR 7 Compliance Structure

◎ Code of Ethics and Action Guidelines

■ ADEKA Group's Code of Conduct

The Action Guidelines set down basic items in order for the executives and employees of the ADEKA Group to act properly based upon things like the ADEKA Group's management

principle, corporate ethics, and laws and ordinances. It is comprised of the eight articles below.

1 Abide by laws and regulations in all corporate activities and conduct fair business in an ethical manner

We comply with domestic and foreign laws and ordinances and internal regulations, while also conducting fair, transparent corporate activities that adhere to social mores.

2 Provide safe and high quality products and services

We develop and provide goods and services which are instrumental in realizing a sound and affluent society. In addition, we consider customer satisfaction and safety to be our number one priority, which is why we provide safe, high quality goods and services.

3 Be serious about preserving the environment

We strive to take environmental preservation into account, reduce the environmental burden, and to develop and provide products that are easy to recycle. We also proactively work toward conserving resources and energy and reducing waste.

4 Open and Friendly communication and activities, to serve the interest of society and to maintain its trust

We emphasize dialogue with the community and aspire to be a company that is widely trusted by the community. The ADEKA Group respects the cultures and customs of the various countries in which we carry out business activities and contribute to their regional development. We work to contribute broadly to society through efforts such as these, as well as by taking part in regional community activities and volunteer activities, among others.

5 Foster corporate transparency by truthfully and accurately disclosing information regarding our business activities

We provide corporate information useful to society in a timely and appropriate manner. Furthermore, we fully recognize the importance of safeguarding confidential information, including customer privacy, and the handling of customer data and other internal information is managed in an appropriate and exacting manner in accordance with our internal regulations.

6 Maintain a safe and healthy working environment for our employees

In order to ensure a safe environment that is conducive to work, we respect human rights and provide fair treatment. We have also achieved comfort and affluence for our employees and build vital companies which respect the individuality and independence of their employees.

7 Not tolerate anti-social forces or behavior

We reject any and all connection with antisocial forces and groups that threaten the order and safety of civil society and which place pressure on sound corporate activities by unequivocally refusing unreasonable requests.

8 Strive to achieve sustainable growth and success for the benefit of our employees, shareholders and society

With the goal of achieving harmony, coexistence, and co-prosperity with society, we aim for sound, vital development and to raise profitability while also looking to give back to society. This is done through fair and transparent management and innovative business activities on a global scale.

■ Compliance Action Guidelines

These compile and provide detailed explanations of matters which executives and employees must comply with for the actual execution of business separated out in relation to each stakeholder. They are designed to establish specific standards for conduct which are more closely related to practical affairs.

■ Case Books

The Case Books introduce specific cases of violations to laws and ordinances and scandals in accordance with the compilation of the aforementioned Compliance Action Guidelines. They are compilations of precedents designed for carrying out case studies within the workplaces.

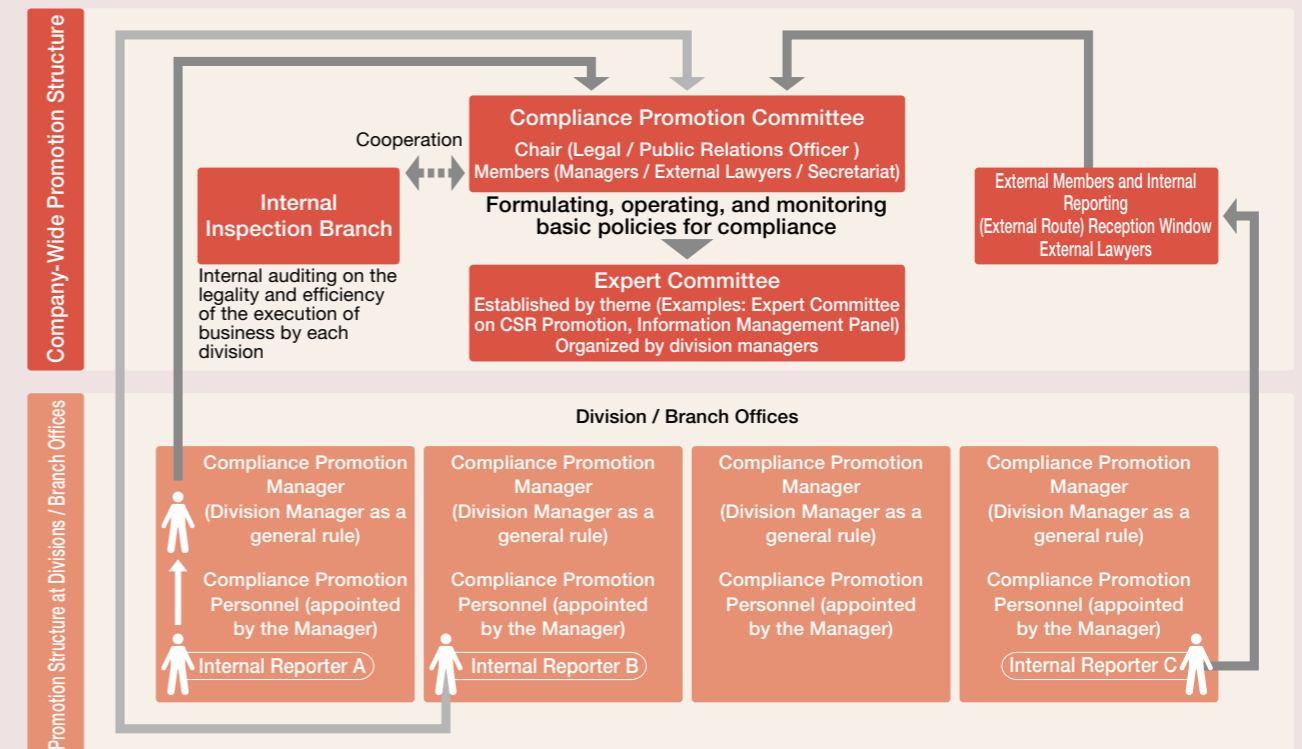


Action Charter, Action Guidelines, and Case Book

◎ Compliance Promotion Structure

ADEKA has been working to strengthen compliance and its internal control system by establishing a company-wide promotion structure led by the Compliance Promotion Committee and in cooperation with the Operational Auditing

Branch (established July 2005) and the International Control Promotion Committee (established March 2007). Furthermore, by introducing an internal reporting system with three routes, we are working to detect compliance violations in advance.



* In order to ensure thorough compliance throughout the ADEKA Group as a whole, a group compliance conference is held regularly and communications and information related to compliance is exchanged.

◎ Providing Compliance Education and Training

■ Stratified Training

Each year compliance training for new employees is held in April, training for newly appointed Directors and newly appointed Managers is held in May, and training for executives and Compliance Promotion Managers for each ADEKA Group company is held in July.

■ Legal and Subject Specific Training

(1) Insider Trading Regulation Seminar
Each year an Insider Trading Regulation Seminar is held for executives and division managers of each ADEKA Group company by inviting lecturers from the Trade Management Division of the Tokyo Stock Exchange (held in September in FY2007).

(2) Antitrust Legislation Seminar
Each year an Antitrust Legislation Seminar is held by lawyers for executives and division managers of each ADEKA Group company. What is more, in November of this year a lecturer was invited from the Fair Trade Institute to hold an Antitrust Legislation Seminar for sales managers from each ADEKA Group company (held in September in FY2007).

■ Introduction of Compliance e-Learning

Compliance e-Learning targeting all of our executives and employees and has been introduced starting in FY2007 with the goal of broadening compliance training and education and spreading awareness of compliance.

■ Introduction of Compliance Leader Training

Practical group training has been introduced through the case method starting in FY2008 with the goal of improving the skills of Compliance Promotion Managers and Compliance Promotion Personnel, who serve as key persons in promoting compliance at each workplace. The first group training for Compliance Promotion Managers was split up into two sessions that were held in February and March 2008.

■ Monitoring

In FY2007 a compliance awareness survey (April ~ June 2007) and internal reporting system questionnaire (September ~ November) were conducted, and measures to improve and strengthen compliance were drafted based on the results of the survey. Furthermore, feedback was provided numerous times on the results of the aforementioned questionnaire and hearings were conducted at each office and factory on future modalities for the internal reporting system in working toward PR and improvements for the system.

Economic Reports



Akira Iida
Director and Chief Financial Officer

ADEKA Group's performance in FY2007 was updated with record high earnings for the sixth consecutive term and went according to plan. However, we were significantly affected by external environmental changes such as the precipitous rises in the price of petroleum and the downturn in the US economy backed by the sub-prime loan problem, ending with the harsh result of showing a decrease in terms of profits.

Pursuing the "maximization of corporate value," which is a theme of our Mid-Term Business Plan, the ADEKA Group will hereafter strive to further increase our growth potential and profitability while also aiming to be a company deemed to be necessary by our stakeholders.

Moreover, we aim for timely disclosures of information, including performance and financial information, and to improve and strengthen our internal control system. We also strive to raise the transparency and efficiency of management and to gain accountability and confidence from each and every one of our stakeholders.

Overview of Account Settlement for the Current Term

Consolidated Results for the 146th Term

(April 1, 2007 ~ March 31, 2008)

Regarding the Japanese economy in the current term, the business climate moved moderately toward a general tone of expanded growth due to the increase in exports and underlying strength of capital investments. However, the sense that the business climate was decelerating spread rapidly after the beginning of the year owing to the impact from the deceleration of the US economy due to the growing severity of the sub-prime loan problem, the precipitous rise in the cost of petroleum, a tightening of corporate earnings due to the rapid appreciation of the yen, depreciating stocks, and other factors.

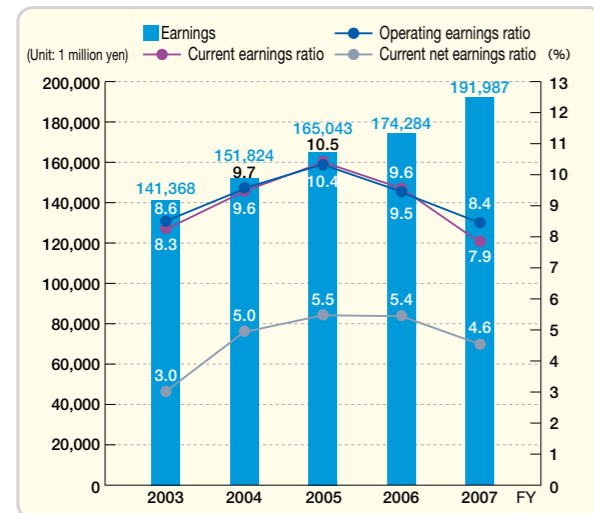
Amidst such an economic climate, the ADEKA Group worked toward improving profitability through efforts like enhancing the

focus on our core businesses of information media materials, electronic materials, and resin additives, enhancing and expanding our overseas businesses, and revising product prices and reducing costs. However, we were substantially affected by jumps in the prices of crude oil and naphtha and raw materials for fats, oils, and dairy products, as well as drops in the price of digital consumer electronics-related products.

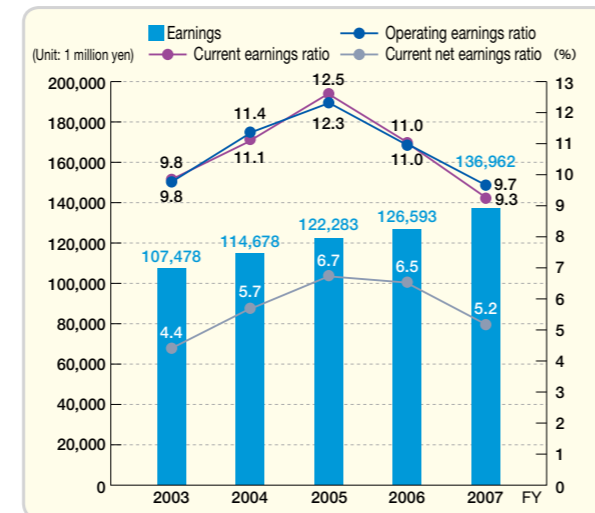
In terms of the results for this term, earnings came to 191,987 million yen (an increase of 17,703 million yen, or 10.2%, from the previous term), operating earnings were 16,213 million yen (a decrease of 411 million yen, or 2.5%, from the previous term), current earnings were 15,193 million yen (a decrease of 1,466 million yen, or 8.8%, from the previous term), and current net earnings came to 8,742 million yen (a decrease of 615 million yen, or 6.6%, from the previous term).

Earnings, operating earnings rate, current earnings rate, current net earnings rate

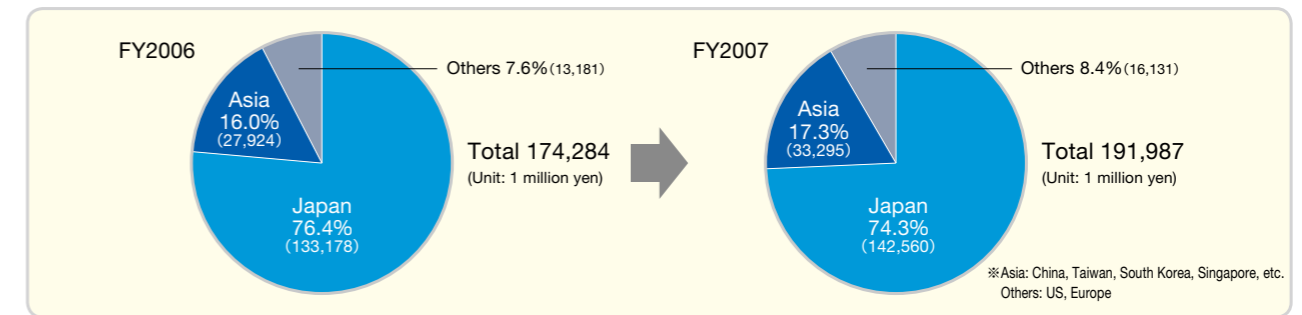
Consolidated accounting



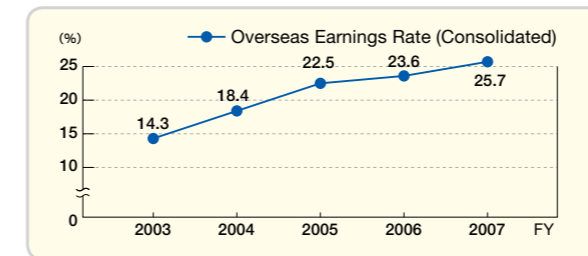
Unconsolidated accounting



Earnings by Region (Consolidated)



Overseas Earnings Rate (Consolidated)

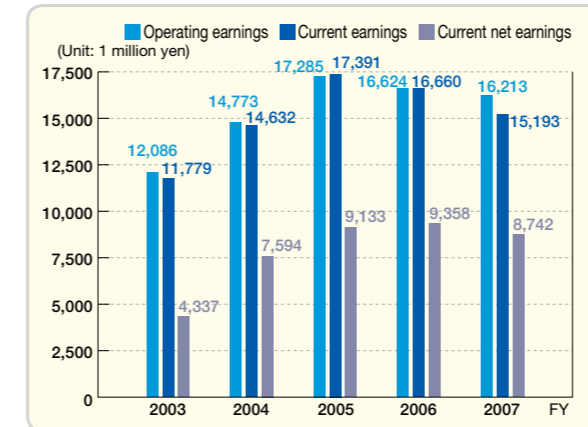


Export rate (unconsolidated)

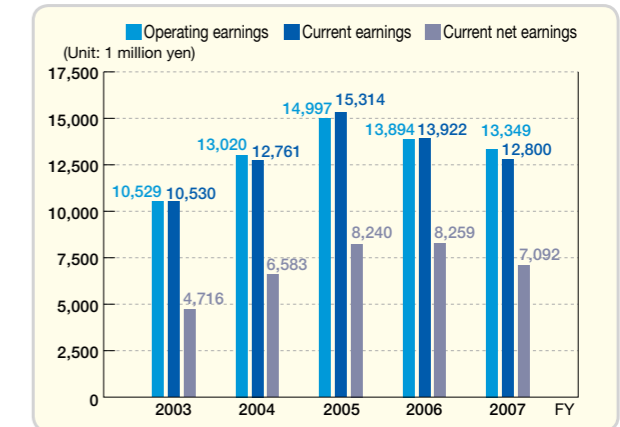


Operating Earnings, Current Earnings, Current Net Earnings

Consolidated accounting

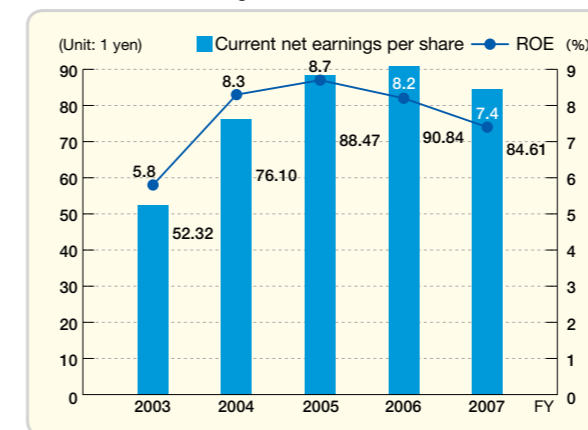


Unconsolidated accounting

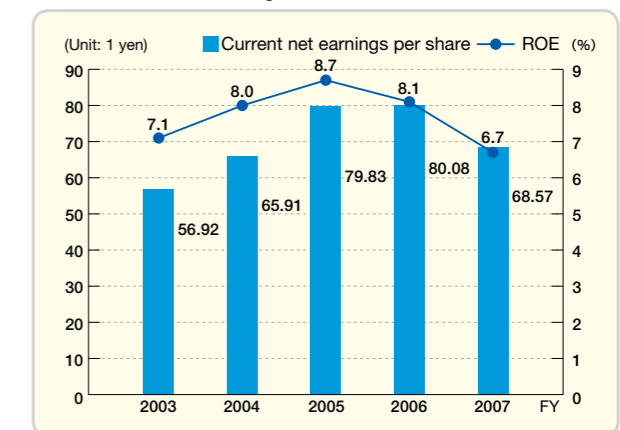


Profitability (current net earnings per share, return of equity [ROE])

Consolidated accounting



Unconsolidated accounting





Social Reports



Akira Iida
Director and Chief Financial Officer

The ADEKA Group considers meeting the demands of various stakeholders to be the foundation of CSR.

We aim to strengthen compliance management in order to improve our relationships of trust with stakeholders and to remain a company that continuously develops and grows together with the community. Moreover, we proactively promote CSR activities such as providing safe, high quality goods and services, disclosing information in a timely manner, appropriately returning profits to each of our shareholders, and community interaction.

In addition, we consider each and every one of our employees to be contact points with the community and strive to foster human resources under the basic principle of "developing reliable people."

Engagement with Our Customers

1. Quality Management and Assurance Structure

To realize product quality that meets customer demands and which can be used safely, we are moving forward with the establishment of a company-wide quality assurance system and the creation of structures that would allow us to provide services such as product information.

Quality Management and Assurance Structure

Our company has established the Quality Management / PL Council^{*1} as a company-wide organization, as well as Quality Management Committees in the factories based upon ISO9001^{*2}, ISO22000^{*3}, and HACCP^{*4}. This was done to set in place a structure in which products could be supplied safely and securely (see P. 32 regarding the certification acquisition status).



^{*1} Quality Management / PL Council: The Council is chaired by the Environment / Safety Measures Director and established with representative members from the Sales Division, Production Division, Research Division, and Management Division. It is held once each year with the objectives of: ① upgrading quality management and confirming quality assurance, and ② carrying out business in a continuous and effective manner in accordance with the basic policies for Product Liability (PL). It also sets the policy for the year and conducts confirmations of the annual PDCA.

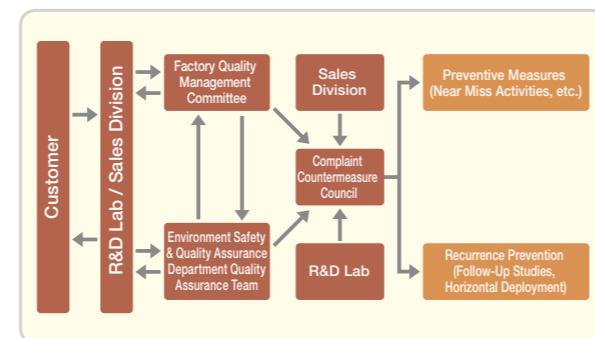
^{*2} ISO9001: These are international standards for quality management systems which were enacted in 1987 by the International Organization for Standardization. It is a structure for operational quality management for raising quality and service and increasing customer satisfaction by means of continuous improvements based on management by policies and objectives, and process approaches such as the PDCA cycle.

^{*3} ISO22000: This is a quality management system exclusive to foods which conducts concrete management of HACCP using methods from ISO9001.

^{*4} Hazard Analysis and Critical Control Point (HACCP): This is a sanitary management method for foods. It originated at the National Aeronautics and Space Administration (NASA) where it was developed with the objective of ensuring the safety of the foods eaten by astronauts. It is currently used throughout the world as the most logical sanitation management system for food.

Responding to Complaints

Complaint coping measures were established, such as immediate reporting rules and a structure to ensure immediate responses. When a product quality related complaint is filed by a customer with the Sales Division or R&D Labs, it is immediately reported to the Factory Quality Management Committee and Environmental Protection / Quality Assurance Department.



Moreover, company-wide Complaint Countermeasure Councils are held twice a year. In addition, the Factory Quality Management Committees at each factory promote activities to eradicate claims, such as strengthening prevention, thoroughly ensuring recurrence prevention measures, and conducting horizontal deployment.

PL Measures

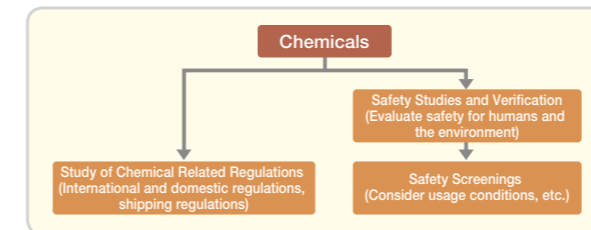
In FY2007 Product Liability (PL) audits were conducted on 24 posts with priority placed on company-wide compliance with the foreign exchange law, the compliance status by the Chemicals Division for legal revisions in the same year, and the grounds for establishing food expiration dates in the Foods Department, thus confirming that awareness had spread. Furthermore, legal briefings and study groups directly related to PL were held 19 times.

2. Product Safety

We work hard to assure our product safety under the principle that "ADEKA products shall contribute to the development of society, while contributing to human health and environmental protection."

Chemical Product Safety

In order to assess and determine chemical product safety and reduce risks, we examine chemical product safety and comply with the relevant international and domestic regulations. Various safety examinations of newly introduced chemical substances for new products are carried out in accordance with the Law Concerning the Examination and Regulation of Manufacture, etc. of Chemical Substances (Chemical Examination Law), with various safety trials performed based on the Industrial Safety and Health Law.



Food Product Safety

We have formulated basic principles and internal structures related to food product safety, and have also erected a system that upholds safety from ingredients to products.

1. Food Safety Basic Principles

Under the sub-brand slogan of "Best Partner for Good Taste and Reliability" we promote business activities which place emphasis on the perspectives of each of our consumers and users. We strive to provide foods which take food sanitation and the environment into account and that can be eaten safely and deliciously.



2. Internal Structure related to Food Safety

In addition to the Food Sanitation Management Committee, the Quality Management / PL Council and Compliant Countermeasures Council operate organically so as to further improve the level of quality management. In FY2007 we were commended by the Arakawa Food Sanitation Association as a facility with excellent food sanitation.



3. Safety from Ingredients to Products

We established a computer management system which is designed to improve the efficiency of product information management and the issuance of written product standards.



Proper Product Information Disclosures and Quality Labeling

Proper disclosures and quality labeling is performed with regard to chemical and food product information via the following initiatives.

1. Chemicals

ADEKA provides information on all chemical products which includes hazard and toxicity via product safety data sheets (MSDS^{*1}), product labeling, and technical documents in order to minimize the health impacts from handling said chemicals on consumers and workers and environmental impacts. In addition, we are moving forward with compliance for GHS^{*2}.

Means of Providing Information	Listed Contents
MSDS	Information such as international and domestic regulations, shipping regulations, and safety Domestic products: Approximately 3,800 (JIS Z7250 form) Exported products: Approximately 2,200 (abide by the regulations at the export destination)
Product Labels (International and Domestic Labels) and Export Indicators	Regulations, guidelines, international rules, and PL information Products subject to the Industrial Safety and Health Law handled through JIS Z7251
Packaging Yellow Card	Guide number, UN number, and emergency contact information affixed to the product label
Products catalogue	Information such as the product's representative aspects, properties, and optimal usage methods

^{*1} Material Safety Data Sheets (MSDS): Sheets that contain information like chemical information such as the name, properties, harm and toxicity, and cautions when handling.

^{*2} Globally Harmonized System of classification and labeling of chemicals (GHS): System that standardized various chemical classifications which used to differ in various countries and harmonized indicators (illustrations and warning language).

2. Food

Our strict quality management ensures "food safety and reliability." Products are labeled in accordance with three pieces of legislation on basic information for products (Food Sanitation Law, JAS Law (Law Concerning Standardization and Proper Labeling of Agricultural and Forestry Products), and Law for Preventing Unjustifiable Extra or Unexpected Benefit and Misleading Representation).

More detailed product information is provided for individual customers in the form of "written product standards." Detailed information is provided for sales division members through training using technical information materials such as sales manuals.

Information Provision	Listed Contents
Products Labeling	Basic information in accordance with legislation, such as expiration date, storage methods, allergy information, and the producer.
Written Product Standards	In addition to Product Labeling, more detailed information such as quality standards, sanitary standards, material mix, and nutritional analysis examples, etc.
Products Catalogue / Technical Services	Optimal usage of the product, examples of how the products are used, and other information is listed

Engagement with Our Business Partners

■ Procurement Policy, Fair Trade, and Related Measures

We provide all of our business partners with equal business opportunities, and select said partners by means of appointment through objective, fair, and economically rational standards. Among our business supply chains, we aim for coexistence and co-prosperity with our business partners as partners that have common objectives.

1. Procurement Policy

In order to procure the raw materials and ingredients which conform to the quality demanded, we select our business partners and conduct procurement on the basis of the following items.

- ① Excellent technical ability and superior quality must be ensured
- ② A stable supply must be ensured
- ③ Compliance must be established

2. Fair Trade

Under the general principle of fairness we provide equal business opportunities and conduct examinations from corporate information, analysis tables, samples, and similar data. We then set terms and conditions in accordance with our buying criteria.

3. Coexistence and Co-Prosperity

We conduct transactions at reasonable prices and build ongoing business relationships for the mutual development of both the buyer and the seller on the premise of carrying on with business relationships that are based on reciprocal trust.

■ Communication with Specified Agents and Users

We hold meetings for chemical specified agents and food specified agents once a year in order to make each of our specified agents aware of matters like our company's management principles and the principles of each of our sales divisions, new products, priority products, and so on.



RISU BRAND New Product Presentations



Food Specified Agents

1. Specified Agent Meetings

In FY2007 meetings for chemical specified agents were held on April 24 and 25, while those for food specified agents were held on September 19 and 20. Explanations from top management of business objectives for the fiscal year were among the activities carried out at these meetings.

2. New Food Product Presentations

The RISU BRAND New Product Presentation is held every year in April in order to meet the salesmen at specified agents. In April 2007 detailed explanations of sales policies and new products were conducted, and tasting events were held for breads, sweets, salads, and other trial products that are actually being used.

3. Risu University

Skills and lecture workshops on things like baking and confectionaries are held each year targeting specified agent salesmen in the Foods Division. These aim to increase awareness of ADEKA's products and strengthen the presentation abilities of the salesmen toward users.

■ Exhibitions

In Japan, we have participated in Finetech Japan^{*1}, the JPCA Show^{*2}, and SEMICON JAPAN^{*3}, and overseas we have exhibited at SEMICON WEST^{*4} in the United States and Chinaplas^{*5} and Bakery China^{*6} in China to conduct PR for our products.

What is more, at Chinaplas in China we conducted individual seminars on flame retardants, which served as the first trial run for such seminars, and worked toward spreading the ADEKA brand and developing new users.



Seminar on flame retardants at Chinaplas



SEMICON JAPAN

- *1 Finetech Japan: The display industry's largest exhibition
- *2 JPCA Show: The largest electronic circuit industry exhibition in Japan
- *3 SEMICON JAPAN: The world's largest international exhibition related to semiconductor manufacturing equipment and materials
- *4 SEMICON WEST: An international exhibition related to semiconductor manufacturing equipment and materials
- *5 Chinaplas: The most authoritative exhibition related to the plastics industry in China
- *6 Bakery China: Exhibition representative of the baking and confectionary industry in Asia

Engagement with Shareholders and Investors

Dividend Policy and Status

It is the basic policy of our company to determine the revenue to be distributed to shareholders and internal reserves in a reasonable manner by comprehensively taking factors like the management environment, business strategy, performance, and financial conditions into consideration. Hereafter, we will strive to further raise our growth potential and profitability, and have set unconsolidated dividends on equity (DOE) of 3% as our target when it comes to returning profits in a reasonable manner to our shareholders. Internal reserves are used preferentially for things like research and development and capital investments for next-generation growth businesses and our core businesses (information media materials, electronic materials, and resin additives) in the aim of strengthening our management culture. Annual dividends of 22 yen per share were implemented in FY2007.

Chart of Changes in Annual Dividends per Share and DOE

	FY2004	FY2005	FY2006	FY2007	Plan for FY2008
Dividends (yen)	14	20*	22	22	22
DOE (%)	1.6	2.1	2.2	2.2	2.1

* 2 yen of these are commemorative dividends

■ IR Activities

We hold main accounting briefings and midterm accounting briefings where we in upper management provide explanations on matters like our performance and management policies for the future.

Furthermore, we also hold individual meetings for securities analysts and institutional investors and respond to requests for data in a timely fashion, and also conduct inspection tours of the Kashima Factory, which is our flagship factory.



Accounting Briefings



Inspection tour at our Kashima Factory

■ General Shareholders' Meetings

We consider our General Shareholders' Meeting, which is held once annually, to be an important opportunity for communicating with all of our shareholders. In order to ensure the attendance of many of our shareholders we avoid holding the meeting on days when many companies hold their shareholder meetings and have devoted ourselves to creating an atmosphere that is conducive to making statements.

Beginning with our General Shareholders' Meeting in June 2007, we have uploaded notifications on the holding of the meeting to our company's website and have adopted the exercise of voting rights via the Internet to make it possible for more shareholders to offer their vote. Furthermore, we are committed to providing easy to understand explanations through the use of General Shareholders' Meeting business reports, slides, and narration. We hold an informal gathering for shareholders following the General Shareholders' Meeting in order to deepen exchange through direct dialogue between our company's executives and all of our shareholders.



General Shareholders' Meeting



Informal gathering of shareholders

■ Timely Disclosures of Information

We promptly disclose important means related to management, such as accounting information and business reports, after they have been determined or after they arise. This is done in accordance with the disclosure provisions of the Tokyo Stock Exchange in order to assist investors with their investment decisions.

Information disclosures are proactively provided of corporate information, financial information, and more through our company's homepage. Timely data disclosures, annual securities reports, brief accounting notes, notifications for the convening of the General Shareholders' Meetings, and press releases are among the types of information that is posted immediately to our website after the information has been disclosed.

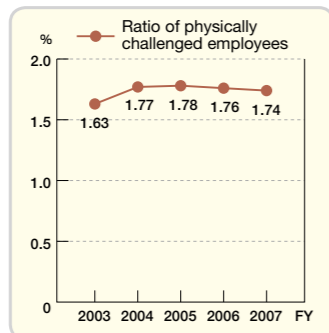
Website Address <http://www.adeka.co.jp>

Engagement with Employees

1. Human Rights and Equal Opportunity

■ Employment of Physically Challenged People

ADEKA acknowledges that creating an environment in which physically challenged people can live independently in society by employing them in professions suited to their abilities is a part of corporate social responsibility, and thus aims to expand the employment of physically challenged people. For FY2007 our ratio of physically challenged employees was 1.74%, and we are working to reach the legally designated ratio of 1.80%. In addition, we are also promoting the conversion to barrier-free facilities and striving to provide workplaces and outfit environments in which people with physical disabilities can move around with ease.



Trend in the ratio of physically challenged employees

■ Child Care Leave System

We have set up a system to support child care which allows those human resources with the ambition and capacity to balance their family and work lives. The number of people actually making use of this system in FY2007 came to four. Hereafter, our challenge will be to have male employees join the ranks of those making use of this system. In addition to our child care system, we have also adopted a flex-time system in order to allow parents to continue with child care and nursing care for children after they return to work.

1. Family Care Leave System

We have established a support system designed for family nursing care, such as for the parents of the employee themselves or of their spouse. The nursing care system was introduced in 1993, and we have set the number of days which can be acquired at 365, which surpasses the legally designated number (93 days). In addition, we have set up leave in which unused yearly paid leave can be accumulated and used for the sake of one's family while receiving pay (up to 20 days per person requiring nursing care).

2. Nursing Care Leave for Children

Employees raising children that have not yet entered elementary school are able to take special leave limited to five days per year in order to care for said children in the event that they are injured or become ill.

3. Refreshment Leave System

Employees that have attained a certain level of continuous service (30 years of continuous service or 55 years of age, whichever comes first) are allowed to take eight consecutive days of leave. This is intended to refresh both mind and body and to enable the employees to exercise improved diligence in their duties. In FY2007 there were eight people that took refreshment leave.

4. Volunteer Leave System

We support employees' volunteer activities conducted as members of the region and community. Employees can take up to seven days of special leave when they participate in various voluntary activities, such as emergency relief, cultural interaction, social welfare, and environmental protection. In 2001 procedures for obtaining leave were simplified at the division level to promote the use of leave by a broader range of employees.

■ Fringe Benefits

ADEKA has concluded agreements with the following facilities offering fringe benefits with the goal of promoting the health of our employees and their families and refreshing them in both body and mind.

Number of Users in FY2007 Figures in () are the results from the previous fiscal year

Central Sports Club	561 (384)
Laforet Club	465 (517)
C' est la vie Resort Izumigo	261 (235)

In addition, we offer various types of recreation which our employees take part in.



Soft ball game



Relay race commemorating ADEKA's founding

2. Developing and Utilizing Human Resources

■ Our Philosophy for Developing Human Resources is "Trust and Innovation"

Based upon the fundamental reasoning that human resources are "human capital," since 2007 we have set out to enhance them drastically. Our company promotes various measures for this, such as installing the Human Capital Development Group as a special post in May 2007, and establishing "Trust and Innovation" as our company's philosophy for developing human resources.

"Trust" refers to the merit of a "trustworthy ADEKA" that our company has continued to uphold since our founding and which we will continue to instill in each and every one of our employees as part of our unique and unchanging corporate culture. "Innovation" refers to not only responding to the changing times, but also continuing to develop the people (innovators) who serve as the source for our own transformations in order for our company to be a world leader in promptly creating original, high value-added products.



Philosophy for Developing Human Resources

■ Measures for Developing Human Resources

We are promoting the following measures on the basis of our philosophy for developing human resources of "Trust and Innovation."

1. Development through OJT

We have positioned an "objective interview system" at the center of our human capital development system out of the reasoning that OJT is the foundation for human capital development. Such interviews are intended for establishing and evaluating business goals, formulating a career development vision, providing feedback on the results of employee performance evaluations, and more through direct dialogue between superiors and their subordinates. We aim to create a climate in which the development of human resources can be actively conducted through day to day work by holding these objective interviews four times a year.



Human Resource Development System

2. Measures to "Develop Trustworthy People"

Self Leadership Training is conducted by external organizations through stratified training. For the future, we will continue to promote diffusion throughout the entire group through the introduction of internal lectures. Moreover, we are also promoting initiatives like volunteer clean-up activities in the areas surrounding offices (twice a month in the Ogu District). Our aim is to achieve a "service-oriented mindset" by having a large number of employees readily take part in activities which contribute to the community.



Training for newly Assistant Manager



Clean-up activities in the area surrounding offices

3. Measures to "Develop Innovation Leaders"

We launched an Overseas Training System in the second quarter of FY2007 with the goal of fostering "global organization human resources." Furthermore, we have increased the personnel for our Selective Training (dispatched to external educational institutions) conducted from before up to around 20 people. We have also expanded our support for language training through measures like Internal Chinese Language Courses in which employees serve as lecturers, as well as correspondence education, increasing language courses and openings in said courses, and the introduction of e-learning.



Internal Chinese Language Course

■ Reemployment System for People 60 or Older

Since July 1, 2006 we have instituted a new reemployment system which generally targets anyone who desires to be reemployed. This was done from not only the perspective of carrying out corporate social responsibility, but also in the interest of having the elderly pass down their skills and knowledge to future generations and ensuring capable human resources. Centering on persons who are sound in both mind and body, have an excellent work attitude, and can contribute to passing on skills and knowledge, the system allows people to continue with employment up until they have attained the age at which payments of the basic portion of their welfare pensions begin at the outset.

■ Labor and Management Counseling Center

In 2001 we established the Labor and Management Counseling Center and Counseling Office in order to put in place a structure in which all employees could easily and candidly discuss various personnel-related problems.

3. Employee Safety and Health Management

We promote activities in unison with group companies based around the mainstay of ensuring the "four safety activities," namely safety with regard to quality, the environment, the workplace, and our facilities



Stretching course



Measuring blood vessel age

■ Employee Health Management

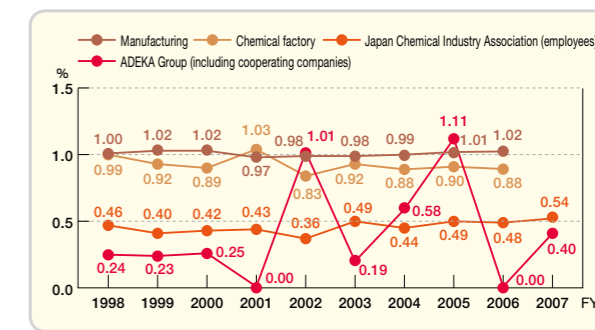
Regular physical examinations are held twice a year. Detailed health assistance is given to employees whose overtime exceeds certain levels, such as through advice from and interviews with employment medical advisors and completing a self check-up list, for example.

■ Mental Healthcare (Establishment of a Health Counseling Counter)

The Health Counseling Counter was established with regular working hours in our Health Management Division and adopts a structure whereby employees can receive advice from employment medical advisors any time. The number of employees who received advice in FY2007 came to 10 people.

■ Trends in Accidents Accompanied by Leave

In FY2007 this accounted for 0.4% of the amount of all leave (0% the previous fiscal year). Based on these results, we will give consideration to and strengthen countermeasures, such as by conducting questionnaires for the victims and implementing safe work.



Frequency of the occurrence of workplace accidents

1. Holding of Lecture Courses on Static Electricity (Headquarters Laboratory and Mie Factory)

Lectures which conduct static electricity experiments held by inviting external lecturers were designed to make employees understand the dangers when static electricity is generated, and get them to think about responses and countermeasures for when it is generated.



Lecture Course on Static Electricity

2. Creating Safety Videos

Safety videos have been created in the wake of chemical leaks from chemical factories and explosion and fire accidents within our group and at other companies. They have been created to make cautions for the handling of chemicals easy to understand and applicable for our company's factories, and as such are used in our internal safety education.

3. "Four Safety Activities" Presentations

This year overseas group companies were invited to take part in our fourth "Four Safety Activities" Presentation, with Adeka Fine Chemical Taiwan Corp. participating for the first time from overseas. Hereafter we will seek to further globalize our "Four Safety Activities" Presentations.

Engagement with Society

Activities that Contribute to Society

■ Community Interaction

We engage in the following activities as efforts to deepen interaction with people in the community.

1. Exhibitions in Community Industrial and Commercial Festivals

Our various offices and factories participate in industrial and commercial festivals conducted by the communities where they are located. These serve as good opportunities that allow us to deepen interaction with people from the community, and we will continue to participate in such events in the future as well.



Industrial festival, Kashima Factory

2. Cooperation for the Running of the Arakawa Ward High School Summit

In August 2007 the High School Summit for International Exchange was held in our company's conference room by high school students from 11 cities in 7 countries* who were promoting friendship and exchange with Arakawa Ward as part of commemorative events marking the 75th anniversary of the formation of Arakawa Ward.

The goal of exchange between all of the participants and the related parties was achieved, and this also served as a good opportunity for our company's facilities to be of use in the running of the summit.



Arakawa Ward High School Summit

* 11 cities in 7 countries participating in the High School Summit for International Exchange: Donaustadt District, Vienna, Austria; Zhongshan District, Dalian, People's Republic of China; Cheju, South Korea; Corvallis, Oregon State, United States; Singapore City, Republic of Singapore; Kota Kinabalu, Sabah State, Federation of Malaysia; Chichibu, Saitama Prefecture; Fukushima, Fukushima Prefecture; Kamogawa, Chiba Prefecture; Tsukuba, Ibaraki Prefecture, Arakawa Ward, Tokyo

■ Social Welfare

ADEKA proactively works toward the following activities in order to contribute to social welfare.

1. Contributions to the Community / Presentation of Frozen Cakes and Soups to Child Care Institutes

The Soma Factory contributes to Soma City and Shinchi Town. In December 2007 it made contributions to a welfare fund and education fund, while also presenting our company's frozen cakes and soups to child care institutes.

2. Exhibit at the Nice Heart Festival*

The Nice Heart Festival: Cultural Festival for the Physically Challenged was held in December 2007 under the sponsorship of Ibaraki Prefecture and the Ibaraki Prefecture Sports and Culture Association for the Physically Challenged. This marked our company's sixth time participating in the event, with our Kashima Factory offering them our company's frozen cakes as a present as they did the previous year. This is a significant opportunity for deepening interaction with the local community, and we intend to actively work on this event in the future as well.

* Nice Heart Festival: This is an event held in line with the general purpose of Disabled Person's Week and sponsored by Ibaraki Prefecture and the Ibaraki Prefecture Sports and Culture Association for the Physically Challenged. It is a cultural festival designed to improve the welfare of physically challenged people and to deepen understanding and awareness of such people in the prefecture.

3. Holding of a Traveling Mochi Pounding Convention

In October 2007 our Fuji Plant held a traveling mochi (rice cake) pounding convention at the Iwakura Academy welfare institute as part of its community volunteer activities.

At this event, they also took up the task of making strawberry-stuffed rice cakes together with children. The freshly-made mochi and pork miso soup were immensely popular, and the event served as an excellent opportunity to deepen interaction with those at the institute.



Traveling mochi pounding convention

Comments from an Employee that Participated in the Traveling Mochi Pounding Convention



Toshiki Ishimori, Section II, Manufacturing Division I, Fuji Factory

Through volunteer activities I have come to learn how important interaction with other people is, and the bright smiles of the children have left a very strong impression with me. If I have the opportunity to take part in volunteer activities again I would like to take the initiative of participating.

4. Participation in Interactive Bowling Classes

ADEKA participated in the Interactive Bowling Classes held in November 2007 through the joint sponsorship of the Ueno Ward Electric Power Association* and Tokyo Electric Power Company's Ueno branch office. The classes are held each year under with the slogan "Toward a City in which the Physically Challenged Can Lead Pleasant Lives." On the appointed day, some 40 participants had a good time bowling.



Interactive Bowling Class

* Ueno Ward Electric Power Association: This is a group comprised of electricity users and electricity providers in Taito Ward and Arakawa Ward. Director and Managing Operating Officer Kawada from our company serves as the group's chairman.

■ Sports Promotion and the Sound Nurturing of Youths

The Arakawa Ward Police Offices' Youth Judo and Kendo Competition, which began in 2000, was held for the eighth time.

Arakawa Ward Police Offices' Youth Judo and Kendo Competition (ADEKA Cup)

ADEKA and local police offices (Ogu, Arakawa, Minamisenjyu) co-sponsor martial arts competitions for young boys and girls at police offices. The competitions are held every year in November and are aimed at raising healthy boys and girls and preventing delinquency through martial arts competitions.

Hereafter, we plan to further expand the event in order to allow each and every one of the athletes to demonstrate the results of their day to day training.



ADEKA Cup (Kendo)



ADEKA Cup (Judo)

■ Measures to Improve Smoking Manners and Promote Environmental Beautification

We conduct initiatives calling for bans on smoking while walking and littering.

Creating Portable Ash Trays with the ADEKA Logo Affixed

Our Headquarters in the Ogu District has created portable ash trays with the ADEKA logo affixed and distributes them to visitors and people in the community with the goal of improving smoking manners and promoting environmental beautification.



Portable Ash Trays with the ADEKA Logo Affixed

■ Major Industry Groups to which We Belong and Their Activities

We mainly belong to the following industry groups, which carry out a variety of activities.

Major Industry Groups to which We Belong

- Nippon Keidanren
- Japan Soap and Detergent Association*
- Japan Margarine Industry Association*
- Japan Soda Industry Association
- Japan Chemical Industry Association

* In May 2007 Chairman and Chief Executive Officer Nakajima was appointed Chairman of the Japan Soap and Detergent Association, and President and Chief Operating Officer Sakurai was appointed Chairman of the Japan Margarine Industry Association. There are numerous challenges which industry associations must take up, and we will work with each of their members to further expand said industry associations.

1. Helping to Send Aid Supplies to Victims of the Chuetsu Earthquake

In August 2007 employee volunteers participated in packing the condolence packages* sent out as aid to the region afflicted by the Niigata Prefecture Chuetsu Earthquake by the Nippon Keidanren 1% Club.



Assistance in sending aid supplies to victims of the Chuetsu Earthquake

* Condolence packages: Packages which are packaged so that they can be delivered to each household once supplies deemed necessary for the people in the afflicted region have been collected outside of the prefecture.

2. Holding the Hand Wash Sticker Design Award Contest Sponsored by the Japan Soap and Detergent Industry Association

The Japan Soap and Detergent Industry Association holds the Earth Spick-and-Span Award to commend activities by elementary school students from around the country which made particular achievements in terms of beautifying the local environment, as well as the Hand Wash Sticker Design Award Contest which is designed to deepen interest in cleanliness and hygiene through the importance of hand washing. These are held as part of the association's yearly clean campaign under the slogan of "A Clean Japan, A Clean Soul."

As a member of the association, our company visited Genbi Elementary School in Ichinoseki City, Iwate Prefecture, which was the grand prize winning school, in December 2007 to present them with a certificate of commendation and commemorative gifts.



Award Ceremony for the Hand Wash Sticker Design Award Contest

Environmental Reports



Koji Kawada
Director and Managing Operating Officer
and General Manager, Environmental
Protection Division

While devoting maximum efforts to ensure the prevention of accidents and disasters, the conservation of the global environment and the safety of our products, the aim of our business activities is to minimize the burden we place on the environment while still striving to ensure people's health and safety. To that end, we promote the "4 safety activities" (safety with regard to quality, the environment, the labor and our equipment), taking this to a higher level with our concept of "safety with peace of mind" as we strive to gain a greater degree of trust from both our customers and society. Furthermore, based on the ISO Management System (quality, environment and workplace), we take a very thorough approach to quality assurance, food safety and chemical safety management. By consistently applying these management systems and further improving our manufacturing technology, we aim to create a safer society with peace of mind and an even greater degree of diversity. In addition, in FY2008 we aim to improve our crisis management.

Basic Environmental Policy/Environmental Action Plan/Environmental Action Goals

1. Basic Environmental Policy

(1) Corporate-wide global environmental conservation and pollution prevention efforts

Each one of us shall be highly conscious of environmental conservation, striving for harmony and integration with the environment in all aspects of our business activities. In order to carry out fair and sustainable activities, there shall be cooperation not only between departments within each company, as one would expect, but also in a broader sense with other companies in the group, as ADEKA adopts a comprehensive and organic approach to its efforts.

(2) Corporate responsibility

In order to prevent environmental pollution across the entire product life cycle, from research through to development, procurement, manufacturing, sales, logistics and waste disposal, in addition to making efforts in environmental burden reduction through the conservation of energy and natural resources, we are also promoting the development and provision of environmentally-friendly products and environmental conservation technology. Furthermore, we actively use products that are in keeping with environmental conservation, and we are making every effort to contribute to the realization of a sustainable society.

(3) Contributing to society

We are keenly aware of the fact that a corporation is a member of society and we comply with environmental laws and regulations. In addition to cooperating with government policy, we release environmental information and lend our support and cooperation to environmental conservation activities, both in society at large and the local community.

2. Environmental Action Plan

(1) Ensure health and safety and reduce the environmental burden by promoting the "4 safety activities."

"4 safety activities" logo



Labor safety	Ensure work safety and prevent disaster through risk assessment and KY activities.
Quality Safety	Provide appropriate information in handling chemical substances and products, and prevent quality complaints.
Equipment Safety	Prevent accidents by self-initiative protection activities, and systematic facility upgrades.
Environmental Safety	Promote energy conservation, waste reduction, and reduction of toxic waste generation.

(2) We promote a business management ethos that complies with legislation and social ethics.

(3) We actively promote communication, both within and outside the company.

(4) When moving into overseas markets, we actively address the issue of environmental conservation, as well as safety and quality assurance.

3. Environmental Action Goals

Action plan	Goal
1. Ensure safety	(1) Eradicate accidents in the workplace and while commuting to and from work – zero accidents. (2) Eradicate major accidents involving manufacturing facilities – zero accidents.
2. Constant improvement of environmental performance.	(1) Promotion of energy conservation ① Reduce basic units of energy by annual rate of over 1%. By FY2010, achieve a 10% improvement over the FY1990 level. ② Reduce CO ₂ emissions, with a 10% reduction by FY2010 over the FY1990 level. (2) Reduce industrial waste ① Reduce waste generation. Reduction by annual rate of 1% or more. ② Improve the waste recycling rate. Taking the FY1990 level as 100, by FY2010 improve the waste disposal outsourcing rate by 76%. ③ By FY2010, eliminate the volume of final landfill (an outsourced volume of less than 1%) (3) Track and reduce the volume of toxic chemical substance emissions (the company's manufacturing division) ① Reduce emission of PRTR substances by an annual rate of 10%. ② Develop activities for reducing the environmental burden arising from logistics.
3. Promote green procurement	Improve green procurement rate (of stationery and specified non-stationery items, by 80% or more)
4. Management systems	Expand and continuously promote the Environmental Management System (ISO14001) and the Occupational Health and Safety Management System (OHSAS18001). In addition, acquire certification for the Food Safety Management System (ISO22000).

Material flow of business activities

Material flow of environmental burden

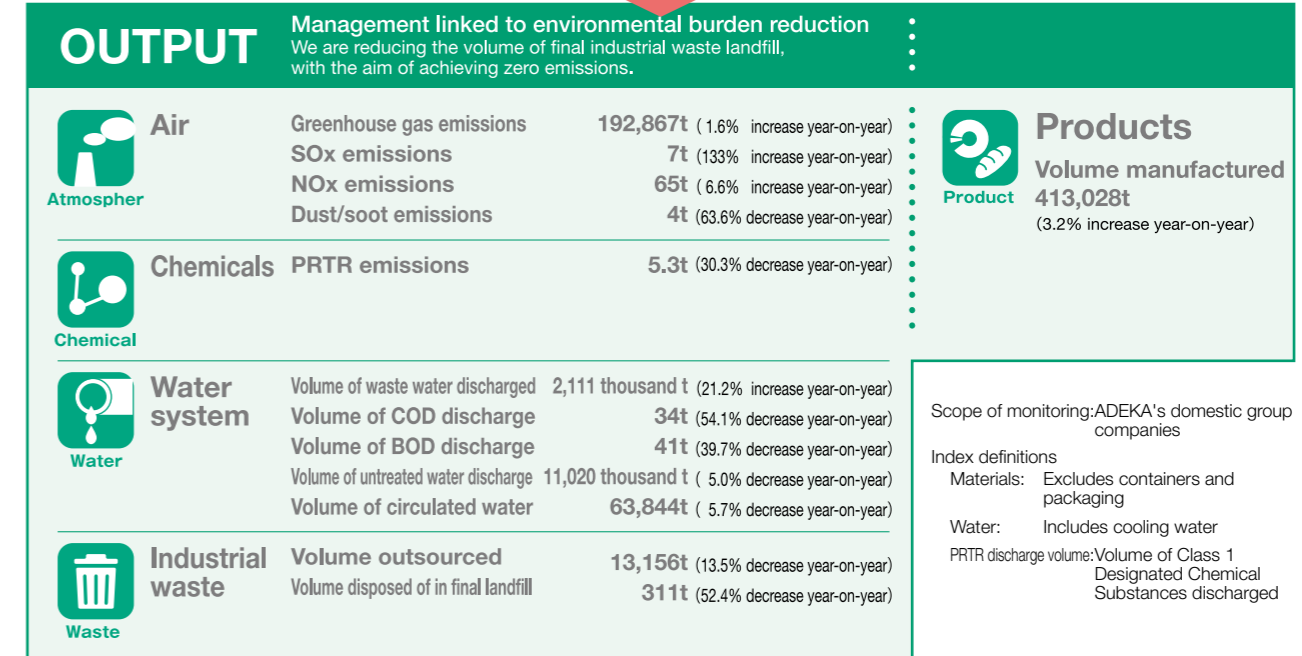
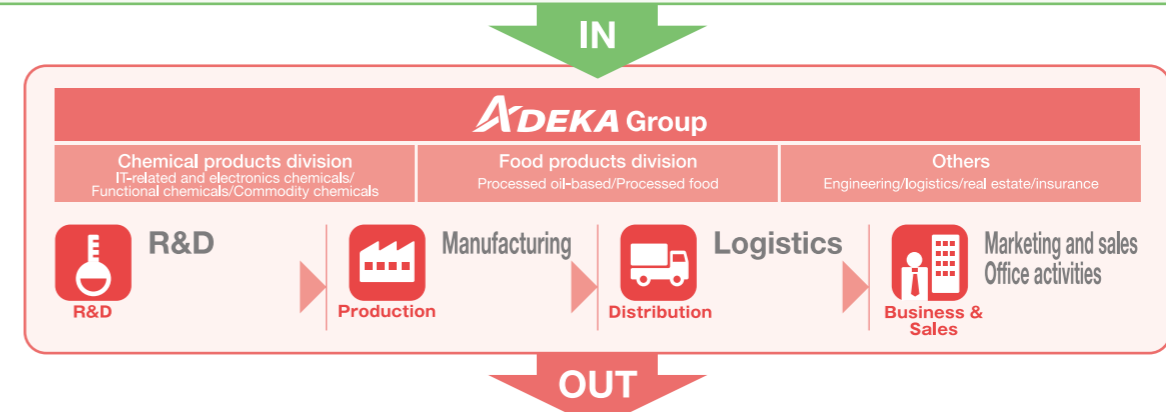
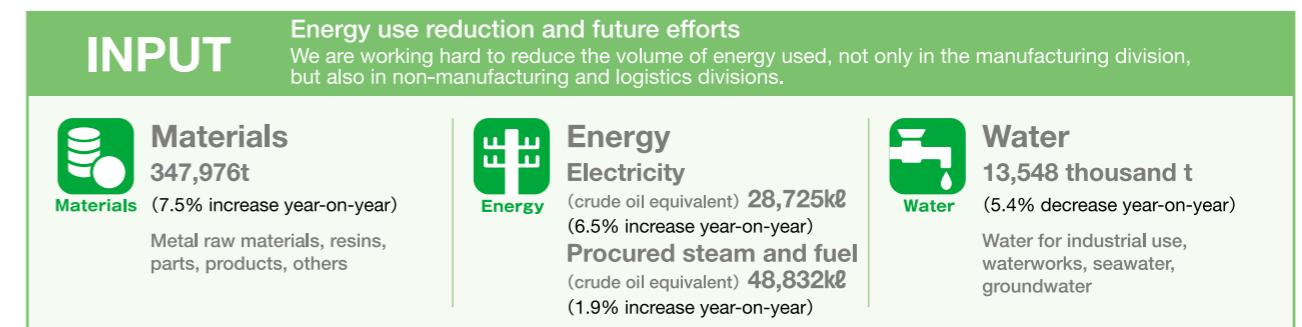
Tracking and managing environmental burden by using the "core set" of indices

From FY2002, we have been tracking the volume of input and output levels in order to manage material flow in our business activities.

This is a management system of 9 core indices* in terms of environmental flow (material balance). The purpose of

this system is to promote sustainable material cycles and countermeasures for global warming. Furthermore, the company tracks and manages the consolidated environmental burden of our entire business operation as a whole, by managing these core indices as one "core set."

* 9 core indices: The Ministry of the Environment's "Environmental Performance Measure Guideline for Business" (2002 edition) recommends indicating and managing input and output of business operations using the 9 indices.



Results of activities – Overview

FY2007 Attainment results with regard to environmental action goals

Having established numerical targets with regard to key areas for environmental conservation, we are moving forward with our activities. What follows are the attainment results for FY2007 with regard to each type of effort that has been made.

Area of effort	Mid-to-long-term goal	FY2007 goals	FY2007 results	Evaluation	FY 2008 goals	Covered on page(s)
Eradication of disasters and accidents	(1) Zero accidents in the workplace (2) Zero major accidents involving manufacturing facilities.	(1) Zero accidents in the workplace. Zero accidents while commuting to and from work (2) Zero major accidents involving manufacturing facilities	·With the occurrence of two accidents resulting in lost worktime, the situation has deteriorated since the previous year. ·Continuing to hold our "4 safety activities" presentations, we aimed to raise safety awareness. ·There were three accidents on the way either to or from work, one more than the previous year. ·There was an accident at the facility of the Oxirane Chemical Corporation (a Group company), so basic countermeasures have been developed with regard to prototypes.	×	(1) Zero accidents in the workplace Zero accidents while commuting to and from work (2) Zero major accidents involving manufacturing facilities	24
Promotion of energy conservation	(1) By FY2010, to achieve a 10% improvement over the FY1990 level of basic units of energy	(1) Reduce basic units of energy by annual rate of 1% year-on-year.	·Although there was an increase of 3.6% over the previous fiscal year in terms of the volume of energy used, there was no change year-on-year in terms of basic units of energy. ·Although we promoted a large number of energy conservation projects, all of which yielded results, there was a rise in the overall amount of energy used due to an increase in the manufacture of energy-intensive products. ·There was an improvement of 21% over FY2002 in terms of basic units of sales. ·As a result of post-Kyoto Protocol discussions, we decided to continue pursuing a 1% basic unit reduction target. ·A non-heat utilization energy conservation initiative, implemented at our Fuji Factory, led to a crude oil equivalent reduction of 326kℓ.	×	(1) A 1% year-on-year improvement in basic units of energy	35~36
Reduction of greenhouse gas emissions	(1) By FY2010, to achieve a 10% reduction over the FY1990 level of CO ₂ emissions	(1) To achieve a 1% improvement year-on-year in terms of the volume of CO ₂ emissions	·There was a 1.5% increase in CO ₂ emissions year-on-year ·Although we promoted energy conservation initiatives such as carrying out fuel-conversion upgrades on boilers so they can run on city gas, as well as installing exhaust heat recovery and high-efficiency refrigerators, the volume of CO ₂ emissions rose slightly. ·There has been a 2.2% reduction compared to FY1990 levels	×	(1) To achieve a 1% improvement year-on-year in terms of the volume of CO ₂ emissions	35~36
Reduction of industrial waste	(1) Achieve zero final landfill by FY2010 (zero emissions ^{*1}) (2) By FY2010 improve the waste disposal outsourcing rate by at least 76%.	(1) Reduce the annual rate of waste generation by 1% (2) Promote a zero emissions policy	·There was a 0.7% year-on-year reduction in the volume of waste generated, as well as an 8% drop in the volume outsourced to contractors. There was a 2% improvement in the recycling rate, up to 61%. ·With 192 tons of waste going to final landfill, there was a 70% reduction over the previous fiscal year. A zero emissions rate of 1.7% at ADEKA's six factories meant that there was a 3% improvement. ·Of the six ADEKA factories, four of them – Kashima, Chiba, Sohma and Fuji – have achieved zero emissions.	○	(1) Reduce the annual rate of waste generation by 1% (2) Promote zero emissions	37~38
Reduction of environmental burden substance emissions	(1) Manage the emission of environmental pollutants in the air and the water system (2) Reduce the emission of PRTR ^{*2} substances By FY2010 achieve a reduction of 40% over the FY2000 level (3) Reduce the volume of water discharged into the public water system	(1) Reduce the annual rate of PRTR substance emissions by 10%	·SOx ^{*3} , NOx ^{*4} , dust/soot, COD ^{*5} and BOD ^{*6} were all managed based on a self-regulated standard that goes beyond what is legally required. ·With 55 substances being officially designated as PRTR substances, the volume discharged was 2.7 tons – 1 ton less than the previous year, equating to a 27% reduction year-on-year.	○	(1) Reduce the annual rate of PRTR substance emissions by 10%	40

Evaluation criteria ○: FY2007 goals reached
×: FY2007 goals not yet reached

Environmental data

FY2007 Environmental performance results

No.	Item	Unit	Kashima Factory	Chiba Factory	Mie Factory	Fuji Factory	Akashi Factory	Soma Factory	
1	Energy and CO ₂	① Total amount of energy used in crude oil equivalent	kℓ	24,595	14,874	8,482	19,883	2,910	1,231
		② Total amount of crude oil equivalent above, in basic units	kℓ/t	0.112	0.187	0.494	0.357	0.155	0.676
		③ Volume of CO ₂ generated	t	56,668	34,753	16,587	64,579	4,640	3,074
		④ Volume of CO ₂ generated, in basic units	t/t	0.258	0.437	0.965	1.160	0.247	1.689
2	Air-related	① Volume of SOx emissions	t	2.16	0	0	0	0	0.32
		② Volume of NOx emissions	t	1.26	12.00	11.30	21.00	0	19.09
		③ Volume of dust/soot generated	t	0	0.60	1.00	0	0	2.39
3	Water system-related	① Total volume of water received	m ³	755,902	3,289,155	1,755,629	6,753,179	182,565	208,293
		② Total volume of water discharged	m ³	635,460	177,014	123,087	588,504	54,288	29,443
		③ Volume of COD generated	t	13.30	1.39	0.10	11.70	0.41	0.55
		④ Volume of BOD generated	t	13.40	0	1.40	19.70	0.55	0.48
4	Waste-related	① Volume of waste generated	t	3,007	16,303	11,517	87	5,175	3,277
		② Volume of waste outsourced	t	3,007	1,210	3,794	87	714	38
		③ Volume of final landfill	t	0	6	123	1	16	0
5	Toxic chemical substances	① Volume of PRTR emissions	t	0.1	1.4	0.2	0	0	0.7
		② Volume of PRTR transported	t	202	35	16	0	0	2

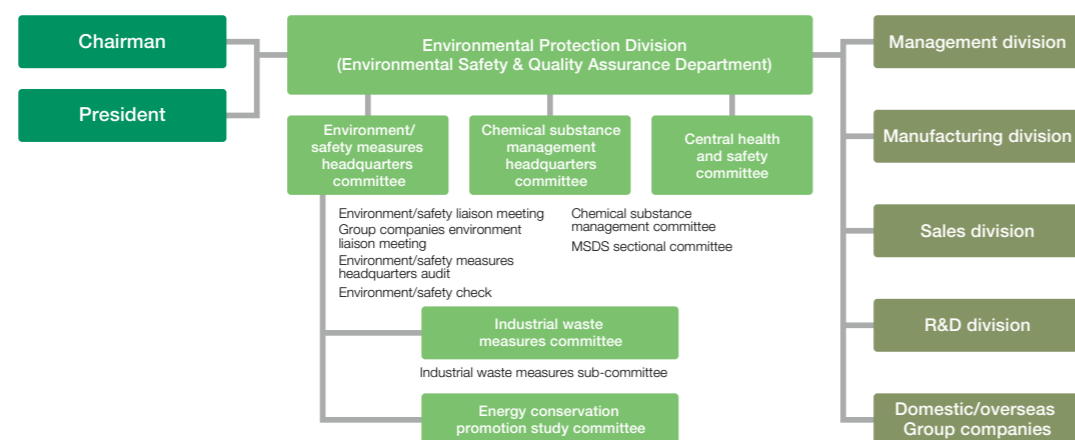
Factory sub-total	R&D lab sub-total	Head office sales division sub-total	Sub-total for ADEKA as a whole
71,975	1,867	811	74,653
0.183	—	—	—
180,301	2,973	1,146	184,420
0.460	—	—	—
2.48	0.05	—	2.53
64.65	0.04	—	64.69
3.99	0	—	3.99
12,944,723	45,499	10,147	13,000,369
1,607,796	15,789	—	1,623,585
27.45	1.50	—	28.95
35.53	2.60	—	38.13
39,366	320	225	39,911
8,850	320	225	9,395
146	16	79	241
2.4	0.3	—	2.7
255	8	—	263

ADEKA Fine Foods Corporation	Oxirane Chemical Corporation	Uehara Foods Industry Co., Ltd.	Other domestic Group companies	Group companies sub-total	Overseas Group companies sub-total	Grand total
431	1,089	1,072	311	2,903	15,437	92,993
0.116	0.101	0.169	—	—	0.286	—
946	2,661	591	454	4,652	31,330	220,402
0.256	0.248	0.093	—	—	0.580	—
0.21	0	4.32	—	4.53	4.60	11.66
0.15	0	0.78	—	0.93	1.50	67.12
0	0	0.21	—	0.21	1.07	5.26
69,355	380,783	89,365	7,752	547,255	252,451	13,800,075
31,347	80,513	50,020	—	161,880	156,477	1,941,942
1.56	1.22	2.10	—	4.88	7.30	41.13
0	0.55	2.80	—	3.35	5.70	47.18
142	3,751	499	288	4,679	18,778	63,367
142	2,925	407	288	3,761	628	13,784
0	3	7	59	69	108	418
—	2.6	—	—	2.6	—	5.3
—	6	—	—	6	—	269

Environmental management promotion organization and promotion activities

The Environment and Safety Measures Headquarters, headed by a Director from the Board of Executive Directors, controls chemical substance management, waste management, energy conservation promotion and so forth, and based on the instructions it gives, each office and factory develops environmental management activities.

1. Environmental management promotion organization



2. Environmental management progress

The Environment and Safety headquarters draws up an annual policy/mid-to-long-term plan ('Plan'), followed by policy implementation at each office and factory ('Do'), policy management check ('Check') and review ('Action'). In this way, management activities are developed as we aim for continuous improvement.

1 Planning (Plan): Formulation of annual policy and action plan

The headquarters committee draws up an annual policy and mid-to-long term plan for environment/safety and the management of chemical substances and industrial waste. In accordance with these, each office and factory draws up its own policy and plan.

2 Implementation (Do): Activities at each office & factory

In accordance with the annual policy, activities are promoted using ISO and OHSAS management techniques. Furthermore, in order to verify that activities are consistent with policy and to facilitate communication, the following meetings are held.

- Environment/safety liaison meeting: To verify consistency between headquarters policy and the activities carried out at offices and factories.
- Chemical substance management committee: Exchange of information on chemical substances, understanding of laws and regulations. Engages in employee education and development.
- Group companies environment liaison meeting: Deals with the exchange of information and checks the progress and communication of policies transmitted to Group companies



3 Check (Check): Checking of policy management (audit activities)

- President-level audit: Top management carries out an audit of the results of the year's activities at the six factories.
- Environment/safety measures headquarters audit: Once a year, headquarters carries out an audit, receiving reports from all domestic offices and factories on the progress of their activities, as well as on the operational progress of environment/occupational health and safety management systems. These reports are then evaluated. A safety audit is also carried out on overseas offices and factories.
- System audit: In addition to an internal audit, a regular audit, along with an analytical evaluation of results, are carried out by an independent auditor.

4 Review (Action): Review and continuous improvement

By reviewing the annual policy, as well as taking corrective and preventative action, we aim for continuous improvement.

Status of management system activities

1. Results of certification acquired

The results of certification acquired by ADEKA and its Group companies are given in the following table. In FY2008, ADEKA plans to obtain compliance with the Integrated Management System at its Kashima Factory, and with the Business Continuity Management System (BCMS) at the Adeka Fine Chemical Taiwan Corporation.

■ ADEKA

Factory	ISO14001	ISO9001	TPM Award wins	ISO22000	HACCP	OHSAS18001	Integrated Management System
Kashima Factory	March 1998	April 1996	2007 Award for Excellence (Special Award)	—	March 2002	November 2002	—
Chiba Factory	May 2000	July 1997	1994 Award for Excellence	—	—	October 2003	—
Mie Factory	December 1996	June 1993	1995 Award for Excellence	—	—	September 2001	—
Fuji Factory	April 2000	January 1997	—	—	—	December 2003	—
Soma Factory	September 2000	August 1998	—	—	—	November 2002	August 2004
Akashi Factory	March 2001	—	2004 Award for Excellence	April 2008	March 2004	March 2003	—

■ ADEKA Group (domestic)

Company	ISO14001	ISO9001	TPM Award wins	HACCP
Oxirane Chemical Corp.	March 2001	October 1997	1995 Award for Excellence	—
Adeka Clean Aid Corp.	—	October 1999	—	—
Tokyo Environmental Measurement Center Co., Ltd.	February 2003	August 2005	—	—
Adeka Fine Foods Corp.	—	—	—	January 1998
Adeka Engineering & Construction Corp.	—	March 2002	—	—
Uehara Foods Industry Co., Ltd.	—	November 2005	—	—

■ ADEKA Group (overseas)

Company	ISO14001	ISO9001	OHSAS18001	ISO22000
Amfine Chemical Corp.	September 2007	October 2004	—	—
Adeka Korea Corp.	January 2006	January 2004	—	—
Adeka Fine Chemical (Shanghai) Co., Ltd.	—	May 2005	—	—
Adeka Fine Chemical (Changshu) Co., Ltd.	July 2006	October 2005	—	—
Adeka Foods (Changshu) Co., Ltd.	—	—	—	April 2007
Kukdo Chemical (Kunshan) Co., Ltd.	—	March 2004	—	—
Adeka Fine Chemical (Taiwan) Corp.	February 2007	July 2006	June 2007*1	—
Adeka Fine Chemical (Thailand) Co., Ltd.	—	December 2006	—	—
Felda Oil Products Sdn. Bhd.	—	June 2006	—	—
Palm-Oleo Sdn. Bhd.	—	September 2003	—	—
Adeka (Singapore) Pte. Ltd.	—	April 2006	—	—

*1 OHSAS18001: Updated to 2007 version

2. Certification acquisition

In April 2008, the Akashi Factory was granted ISO22000 (Food Safety Management Systems) certification.

Introductory training	① Tracking of the operational status of ISO9001 at other factories. ② Introductory training given by a specialist consultant. ③ After study sessions in which the requirements of the standard were read through, introductory training activities were gradually implemented and there was a feeling that the information had been fully conveyed.
System structure promotion framework	A promotion team was put together, made up principally of mid-ranking supervisors. In the various kinds of discussions held, questions and problems were highlighted and system development was promoted, while problem areas with the existing HACCP system and the traditional way of doing things were remedied or improved.
Main review	The period from the 'kick-off' to the main review took approximately ten months. Although the intention was to have a full-scale system in place, at the main review stage several areas where improvement was needed were pointed out, as well as some areas where there was an opportunity for improvement. By rectifying those shortcomings in the appropriate manner, we were able to receive certification from the Japan Quality Assurance Organization. However, such certification is not the final objective of the Quality Management System (QMS). We shall make further improvements to the System to take it to a higher level, develop a fully-fledged Food Safety Management System with higher added-value, and continuously manage operations in an effective way.

Environmental accounting

1. Calculation methods and guidelines

The calculation methods and guidelines used in environmental accounting are described below.

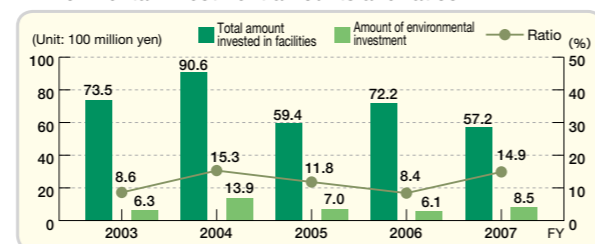
1. In adopting the Ministry of the Environment's Environmental Accounting Guidelines 2005, released in February 2005, its Environmental Conservation Cost Category Handbook 2003, as well as the Japan Chemical Industry Association's Environmental Accounting Guidelines for Chemical Companies, we attach great importance to reliability, comparability and verifiability.
2. "Deemed effect" and "risk avoidance" are not included in calculations.
3. Depreciation is taken into account based on statutory straight-line depreciation. The economic effect occurring during the five-year period of depreciation is taken into account.
4. The economic effect of the following has been included in the accounts: income acquired through recycling, cost reduction through energy conservation, the reduction of waste disposal costs resulting from recycling, and the reduction of logistical costs due to transport efficiency and cutting down on raw materials.

2. Summary of FY2007

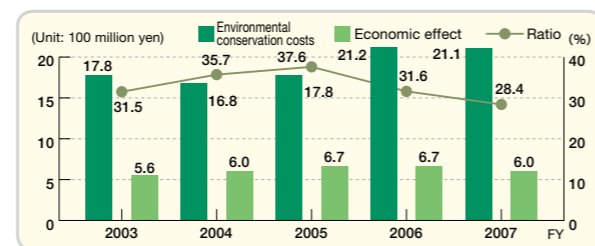
Out of a total of 5,720 million yen invested in the company's facilities in FY2007, 850 million yen went on environmental investment, representing 14.9% of the total amount spent on facilities.

Environmental conservation costs stood at 2,110 million yen, while the resulting economic effect was 600 million (28.4% of the total).

Environmental investment amounts and ratios



Environmental conservation costs and economic effect



3. Environmental accounting results

Environmental accounting results

Companies covered: ADEKA and domestic Group companies
Accounting period: 1 April 2007 ~ 31 March 2008

Category	Environmental conservation costs		Relevant page no.(s)		
	Scope of main activities	Amount invested			
(1) Costs within each business area	Cost of environmental conservation in order to reduce environmental burden	871	1,914		
Breakdown	① Pollution control costs	Maintenance of air/water pollution, soil contamination and noise pollution prevention facilities, levies	541	1,096	40
	② Global environmental costs	Maintenance and management of facilities to prevent global warming (energy conservation) and ozone layer depletion.	182	295	35~36
	③ Resource recycling costs	Measures to save resources, such as industrial waste reduction and recycling	148	523	37~38
(2) Upstream/downstream environmental burden reduction costs	Collection of containers and packaging, recycling costs, green procurement	0	41	42	
(3) Cost of management activities	Environmental education, ISO compliance, analysis and measurement costs, tree-planting etc., weed eradication	0	100	32	
(4) R&D costs	Costs arising from environmental conservation-related research and development.	0	49	34	
(5) Social activity costs	Tree-planting etc., weed eradication, information dissemination costs, association contribution fees	0	1	25~26	
(6) Environmental damage costs	Soil contamination etc, natural restoration	0	3	—	
Total		871	2,018	—	

4. Greenhouse gas reduction costs

The cost required to reduce 1 ton of greenhouse gases was 112 thousand yen. This represents a reduction of 31 thousand yen compared to the FY2006 figure of 143 thousand yen. This amount includes the reduced depreciation cost per ton arising from pre-existing investment in facilities.

5. Future direction

Based on "Environmental Accounting Calculation Standards," we shall further improve the calculation accuracy of each office and factory through internal verification. Furthermore, by introducing encoding, we aim to make accounting operations more efficient.

R&D and environmentally conscious technology

1. Research and development system

This is made up of R&D labs which are closely connected with current business activities, a hi-tech materials R&D lab – the exploratory division of business operations which will be critical for the future – and a research planning division which supports these other research facilities.



Ogu R&D Laboratory

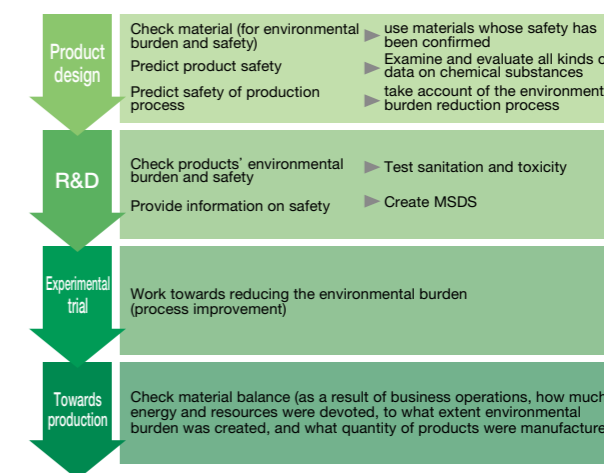
Research facility	Main products in development
Information Media Materials Development Laboratory	Recording materials, photo-reactive materials, imaging materials
Electronic Materials Development Laboratory	Semiconductor materials, etching agents, hyperoxidation products
Polymer Additives R&D Laboratory	Antioxidants, light stabilizers, stabilizers, plasticizing agents, nucleating agents, stain-proofing agents, antibacterial agents, flame retardant
Functional Chemicals Development	Surfactants, lubricants, epoxy resins, hardening agents, urethane resins, sealants
Food Development Laboratory	Margarine inserts for commercial use/margarine for kneading, filling cream, whipped cream, functional mayonnaise, frozen dough
Advanced Materials R&D Laboratory	Mevalonic acid, β-glucan, Nano hybrid silicone
Planning Department	R&D Support

2. Basic principles of R&D

R&D is the lifeblood of a manufacturer, and fully aware that new products and business are the driving force for company development, we focus on growth areas. In keeping with the strategy of each unit of our business, we promote the development of new products and technology and are moving forward with the development of sophisticated products that are original and keep pace with rapid technological innovation.

In terms of concrete examples of our R&D, in the area of chemical products there are next-generation semiconductor materials, chemicals for information and electronics which play a part in IT, and resin additive-related fields. When it comes to food products, one could cite bio, functional food, food products for the health-conscious and so forth, all of which are given emphasis as we move forwards with our R&D. Environmental issues constitute a major challenge for humankind. From the product design stage onwards, our underlying principle is "not to create, use or discharge environmentally damaging substances," and it is based on this idea that we develop new products. Furthermore, when it comes to conventional products that raise concerns about environmental issues, by being among the first to provide a substitute product and reduce the number of goods which have a harmful effect on the environment, we are making a contribution to society.

3. Environmentally sound design in R&D



4. Development of environmentally conscious products

Promotion of environmental conservation through the development of environmentally conscious products

Curbing global warming, dioxin reduction, VOC reduction and endocrine disruptor-free substances are some of the main environmentally conscious technologies we are developing. By developing and providing environmentally conscious products that make the most of original technology and ideas, we are tackling a diverse range of environmental problems.

5. Major environmentally conscious products

Halogen-free flame retardants for plastics

The ADK STAB FP Series are halogen-free flame retardants for plastics, used in PCs, televisions and so on. Not only do they reduce the fire spread of plastics when they burn, but they can also prevent the generation of harmful gases such as dioxins.



Flame retardant ADK STAB FP-2100

ADEKA SAKURA-LUBE

Photo Curing Resins

Environmentally conscious vinyl chloride stabilizers for electric cables and rigid items

Water-borne epoxy resins, water-borne urethane resins

Please see pages 5~9, where the four products listed above are covered in detail in a special feature.

Promotion of CO₂ emission reduction and energy conservation

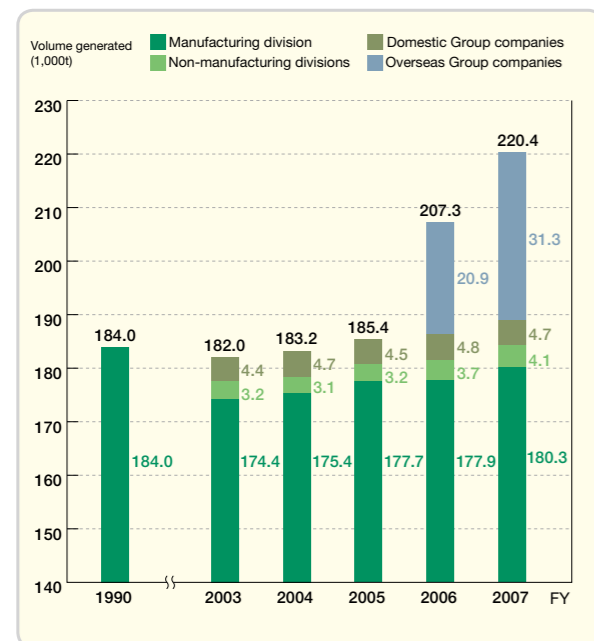
1. Promotion of CO₂ emission reduction in FY2007

We are making serious efforts to reduce the volume of CO₂ emissions as we move towards the goal for FY2010. From FY2006, figures from our overseas companies have been included in the calculations.

	Goal	Result
1	Reduce CO ₂ emissions by 10% over the FY1990 level by FY2010.	97.8% of the FY1990 level
2	Reduce basic units of energy by a rate of 1% year-on-year.	An increase of 0.5% year-on-year
3	By 2010, improve the amount of basic units of energy by 10% over the FY1990 level	98.0% of the FY1990 level

※ 1 and 3 are the results of activities in ADEKA's manufacturing division

Volume of CO₂ emissions



- The volume of CO₂ emissions in FY2007 was 220,402t, representing an increase of 13,145t (6.0%) over the FY2006 level.
- The volume of emissions in ADEKA's manufacturing division in FY2007 amounted to 180,301t, which was 97.8% of the FY1990 level.
- The volume of emissions of non-energy source CO₂ and the 6 greenhouse gas substances specified in the Global Warming Law^{*1} was 3,794t in CO₂ equivalent. The total volume of greenhouse gas emissions was 192,866t.

Global Warming Law^{*1}: A law concerned with the promotion of measures to cope with global warming, and whose goal is those measures, it set down in legislative form the Kyoto Protocol's Target Achievement Plan and was established in order to promote the reduction of emissions caused by social and economic activity.

2. Promotion of energy conservation

The ADEKA Group is actively pursuing energy conservation activities.

Energy conservation activities at each factory

Promotion of measures to cope with global warming
In FY2007, by installing a quantity control facility at our Chiba factory with a combination of an integrated series of cooling water pumps, and a variable speed pump installed with an inverter, we were able to reduce the amount of power used by 490MWh over the year.



An energy conservation promotion review meeting



Upgraded boilers at the Akashi factory

Management activities

1. Kashima factory

In addition to upgrading the refrigeration units of the fridges and freezers in the margarine product storehouse, the method by which storehouse temperature is monitored has been changed, leading to improved accuracy of temperature control. As a result, we have been able to change the temperature setting of the refrigeration units, and consequently there has been a 28 thousand kwh reduction in the annual amount of power used.

2. Mie factory

Based on the Judgment Standard for Businesses Regarding Rationalization of Energy Use notification given by the Ministry of Economy, Trade and Industry, a ranking was created for each facility at the factory on the basis of its energy consumption, and working our way from the most energy-intensive facilities downwards we have improved our energy conservation management standards.

Improvements to facilities

1. Akashi factory

As a result of fuel-converting existing boilers so that they run on city gas, which saves energy and contributes to environmental pollution control measures, CO₂ emissions were reduced by 850t, representing a reduction in crude oil equivalent of 75kℓ.

2. Fuji factory

With the assistance of an Energy Service Company^{*2} (ESCO), hydrogen plant exhaust heat recovery began operation in August 2007, and with approximately 320,000m³ of industrial gas used, this equated to a reduction of 326 kℓ in crude oil equivalent.

3. Kashima factory

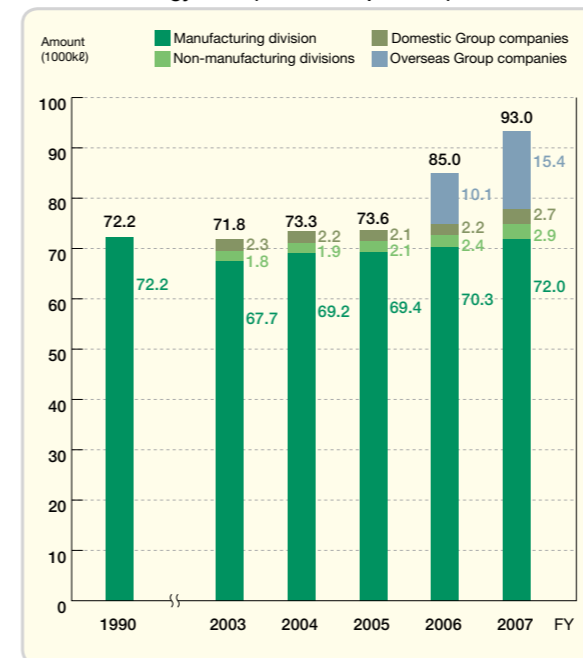
We have upgraded the old and decrepit refrigeration used in the margarine production machinery, replacing it with a high-efficiency energy conservation type. As a result, annual power consumption has fallen by 241 thousand kwh.

^{*2} Engaging in energy conservation as a private company, an Energy Service Company is a business which provides a comprehensive range of energy services to its clients. Beginning with energy-related diagnoses, it provides an across-the-board range of services, such as design and construction required to introduce new measures, maintenance of newly installed facilities, procurement of enterprise funds and the like.

Amount of energy used, in crude oil equivalent

In FY 2007, the amount of energy consumed, in terms of crude oil equivalent, was 92,993kℓ. Compared to the FY2006 figure of 84,929kℓ, this was an increase of 8,064kℓ (or 8.7%). The actual figure, due to improvement of facilities and tightening of management practices, was a reduction in crude oil equivalent of 1,305kℓ (1.7%).

Amount of energy used (crude oil equivalent)



Manufacturing division

① Crude oil equivalent in basic units

(Crude oil equivalent amount of energy used (kℓ) / production volume (t))

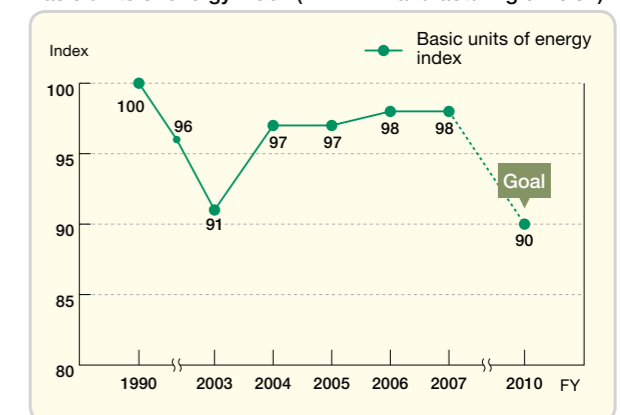
In FY2007, crude oil equivalent in basic units stood at 0.180 kℓ/t, which meant there was no change from the previous fiscal year.

② Basic units of energy index (ADEKA manufacturing division)

Compared to the base year (taking FY1990 to be 100), the basic units of energy index for FY2007 was 98, representing a deterioration of 0.5% over the previous fiscal year.

In FY2010, we aim to reach a figure of 90 in terms of the basic units of energy index.

Basic units of energy index (ADEKA manufacturing division)

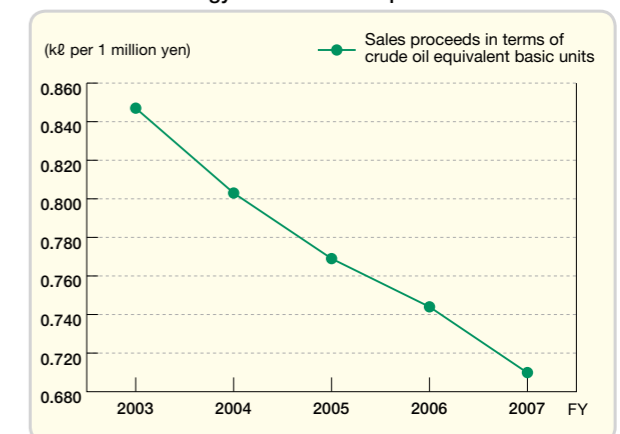


※ In FY2003, production of low-energy consumption products was halted, hence the deterioration in basic units.

Ratio of basic units of energy to sales proceeds

From FY2001 onwards, basic units of energy based on sales proceeds have risen every year by approximately 5%, with an overall improvement of 21% over the 6-year period.

Basic units of energy based on sales proceeds



Group companies

The volume of crude oil equivalent used by domestic Group companies in FY2007 was 2,903kℓ, while the corresponding figure for overseas companies was 15,437kℓ.

Group companies are also moving forwards towards a 1% annual rate reduction target.

Measures to deal with industrial waste (efforts made towards zero emissions)

1. Industrial waste reduction in FY2007

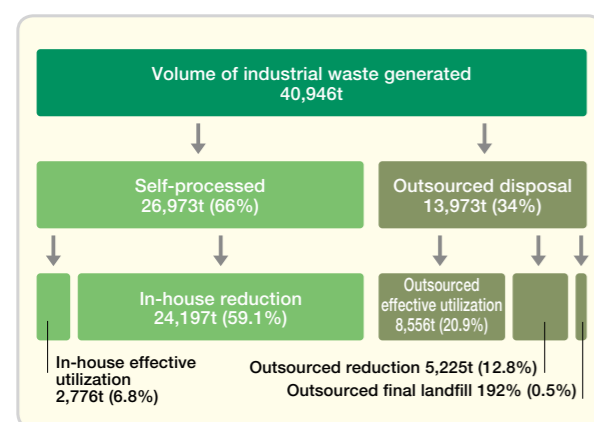
While production volume in FY2007 rose by 1.8% year-on-year, the volume of industrial waste generated fell by 0.7%. There was a reduction of 8% in the amount of waste outsourced to contractors, and we were able to reduce the amount of final landfill by 70%.

It should be noted that although the 9 Group companies are included in company reports from the 2004 edition onwards (performance results for FY2003), from FY2006 onwards Uehara Foods Industry Co. Ltd. along with 7 overseas production sites have also been included, and from FY2007 one other overseas company has been added. Therefore, the figures given cover a total of 8 overseas production sites.

Goal	Result
① To achieve zero final landfill by 2010	Final landfill volume: 192t (a reduction of 455t year-on-year)
② By FY2010, to increase the rate of recycling outsourced to contractors by 1.5 times the FY1990 level (i.e. 76%)	Rate of recycling: 61% (a 2% increase year-on-year)

2. Overview of industrial waste generation and disposal

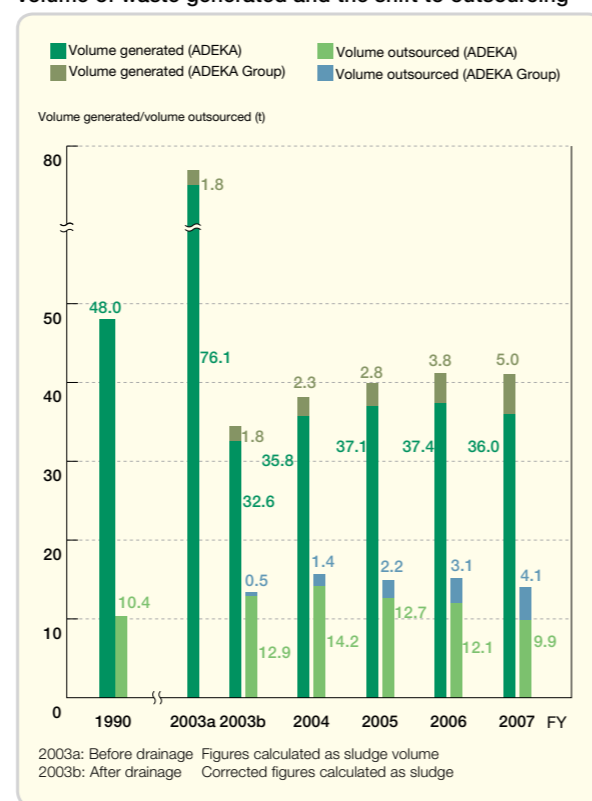
Although 40,946 tons of industrial waste were generated domestically during FY2007, 66% was disposed of on our own premises, with the remaining 34% being outsourced to a contractor. The volume of outsourced final landfill was 192t, or 0.5% of the total amount of waste generated.



3. Waste generation prevention and volume reduction

The volume of industrial waste generated domestically in FY2007 was 40,946t, representing a 0.7% (283t) decrease year-on-year. The volume of industrial waste generated by the 8 overseas companies, figures for which began to be calculated the previous year, was 4,212t, which amounted to a year-on-year increase of 25% (or 832t). The amount outsourced to contractors fell by approximately 1,200t (8%).

Volume of waste generated and the shift to outsourcing



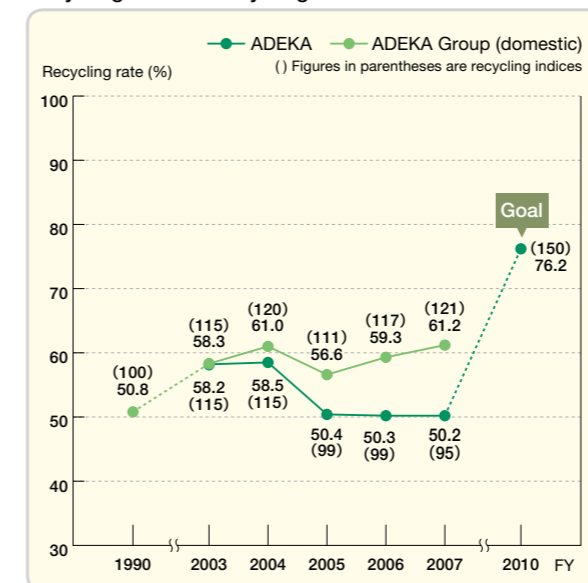
A change in the way the volume of industrial waste is calculated

From the FY2004 performance results onwards, based on national guidelines, the volume of discharged sludge generated has been revised so it now refers to the volume of sludge after drainage.

4. Recycling

We were able to recycle 8,556 tons of waste, making effective use of it as soil conditioner, cement, paving material and heat. This figure represents 61% of the 13,973 tons that was outsourced to private contractors. This equates to a figure of 120 compared to the base year (FY1990, where the recycling rate of 50.8% is taken as 100).

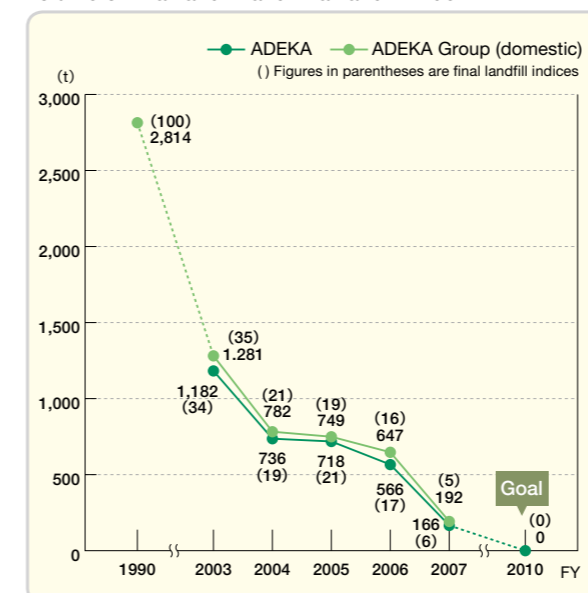
Recycling rate and recycling index



5. Volume of final landfill

The volume of final landfill was 192t, meaning a reduction of 456t (70%) year-on-year. With the goal of achieving zero final landfill by 2010, we are continuing to look into disposal methods.

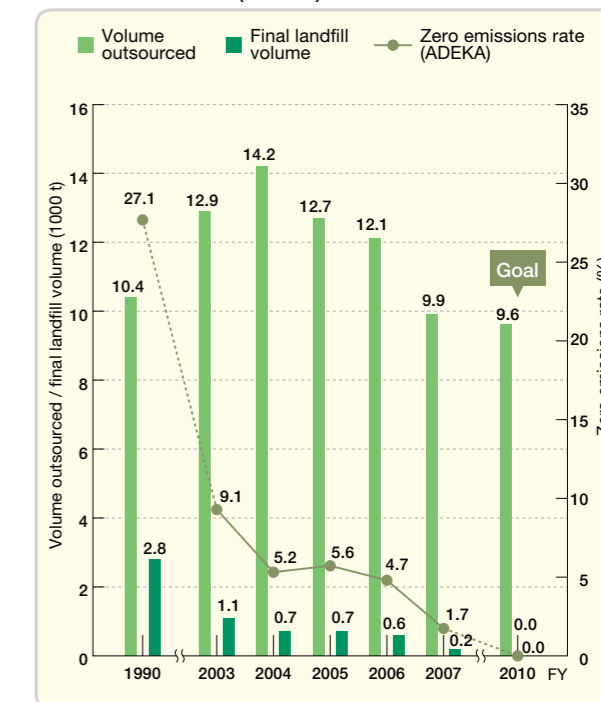
Volume of final landfill and final landfill index



6. The challenge of achieving zero emissions

ADEKA defines zero emissions as "the volume of final landfill being less than 1% of the volume of waste outsourced to contractors for disposal," and the entire company is engaged in activities to achieve zero emissions. In FY2007, the zero emissions rate of all factories improved to the level of 1.7% (as opposed to 4.7% the previous year).

Zero emissions rate (ADEKA)



7. Compliance with the Food Recycling Law

The Food Recycling Law was revised in FY2007, and for each sector of the food industry, implementation rate goals were set for recycling. The FY2012 goal for the food manufacturing industry is expected to be 85%. ADEKA's recycling implementation rate in FY2007 was 92%.

Chemical substance management

At the Chemical Substance Management Headquarters Committee, a policy for chemical substance management is drawn up, based on which each office and factory promotes its own activities.

1. Chemical substance policy

Our chemical substance management policy, drawn up at the Chemical Substance Management Headquarters Committee, is as follows.

1.Environmental burden reduction

Prevent environmental pollution, reduce burden, promote waste recycling

2.R&D

Promote research and development of products with low toxicity

3.Legislative compliance

Comply with relevant national and international legislation

4.Training of staff to ensure safe handling

Gather the latest information and take a thorough approach to safety management

5.Provision and release of information, interaction with the local community

Publicly disclose management practices and engage in dialogue with the local community

2. Chemical substance management activities

In the area of chemical substance risk assessment, ADKEA participates in the Chemical Control Law 'Japan Challenge Program'^{*1} (a program for the gathering and transmission of safety information on existing chemical substances, which is a joint initiative between government and industry), as well as safety tests for high production volume (HPV) chemical substances, an initiative of the International Council of Chemical Associations (ICCA) within the framework of the OECD's international efforts. The company also takes part in activities such as the Long-Range Research Initiative (LRI), regarding the effects that chemical substances exert on people's health and the environment.

■ Japan Challenge Program (beginning in June 2005)

HPV substances	Progress
Bisphenol-A propylene oxide adduct (ADK POLYETHER BPX-11)	Consortium ^{*2} set up, activities underway
Condensed phosphoric acid ester series flame retardant (ADK STAB FP-600, 700)	Consortium set up, activities underway

■ ICCA-HPV testing program

HPV substances	Progress
Hydrogen peroxide	SIAM ^{*3} completed (SIAM9)
Tris 2-ethylhexyl trimellitate (ADK CIZER C-8)	SIAM completed (SIAM9)
Ammonium persulfate, potassium persulfate, sodium persulfate	Attended a technical conference in Belgium in July 2004 SIAM completed (SIAM20)
Sodium percarbonate	SIAM completed (SIAM20)
Bumetrizole (ADK STAB LA-36)	Transition from the Japan Challenge Program Consortium set up, activities underway

^{*1} Chemical Control Law Japan Challenge Program: A joint initiative between government and industry, this is a program for the gathering and transmission of safety information on existing chemical substances. The list of substances covered by Japan's own HPV safety tests, which specialize in low molecular organic compounds, is now even more comprehensive, with 166 substances deemed as priority information gathering substances.

^{*2} Consortium: A gathering of companies, or groups, involved in the manufacture of the same substances.

^{*3} SSIAM (SIDS Initial Assessment Meeting. 'SIDS' is the Screening Information Data Sheet): An initial assessment meeting within the OECD, held to determine the potential hazardousness of existing chemical substances.

■ Setting up and training the Chemical Substance Management Committees

Chemical substance management committees have been set up in six factories and three R&D labs, all of which carry out study and training on chemical substances.

Instructors are sent out from the environmental conservation and quality assurance departments to give talks and lead study sessions.

■ Chemical substance export management

With the expansion in the export of chemical products, we operate an "Export regulation-compliant shipping system."

In the area of chemical exports, we need to comply with our own domestic legislation (export trade control ordinances), as well as with the rules and regulations of the nation we export to. In light of the fact that international enforcement of legislation has become very strict, due to regional conflict and terrorist attacks, with this computer system we have established a reliable and comprehensive system of checks at the stage when shipping preparations are made.

■ Compliance with 'REACH'

REACH^{*4}, Europe's new chemical product regulation, came into force on 1 June 2007, becoming operational on 1 June 2008. It requires that management be carried out through a supply chain of shared information, from upstream users to those downstream. Moreover, risk management has also become a requirement, and by envisaging different exposure scenarios for each kind of application, users now have to carry out a risk assessment appropriate for each scenario. Preliminary registration began on 1 June 2008.

In order to approach this new legislation with a comprehensive system in place, we have set up a study committee within the company and are working hard with our REACH efforts.

^{*4} REACH (Registration, Evaluation and Authorization of Chemicals): The generic name given to a comprehensive chemical substance management system in the EU, it is made up of four procedures: registration, evaluation, authorization and restriction. Unlike previous regulations, it does not make a distinction in its legislation between existing chemical substances and new ones, and it also includes chemical substances included in finished products.

Managing the emission of environmentally polluting substances

1. Managing the emission of hazardous chemical substances (related to the PRTR Law)

As a member of the Japan Chemical Industry Association (JCIA), we began our study activities in FY1997, and we continue to carry out studies into 480 PRTR substances classed as such by JCIA, of which 354 are officially designated as PRTR.

The volume of these substances discharged into the air was 5.2 tons – a drop of 2.6t (33%) year-on-year – while the volume discharged into the water system was 0.02t, representing a year-on-year decrease of 0.04t. There were no emissions into the soil. The volume transported stood at 270t, equating to a reduction of 59t (18%). The table below shows the 9 substances that had the highest level of emission/transported volume.

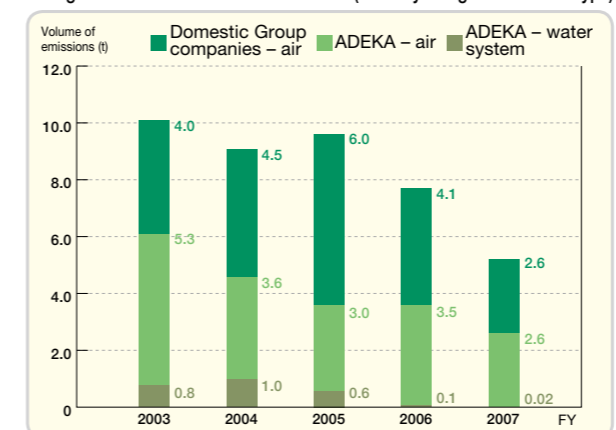
Calculations have been made from figures taken from FY2004 onwards (performance results for FY2003), covering ADEKA's 6 factories, plus data for 3 area research facilities and the Oxirane Chemical Corporation.

Due to the revision of the Air Pollution Control Law in April 2006, VOC emission controls have been strengthened. Although there are no facilities within the ADEKA Group that fall within the remit of the legislation, as a member of the Japan Chemical Industry Association, we shall make voluntary efforts in this regard.

Emission volume/transported volume of Class 1 designated chemical substances covered by the PRTR law (tons/year)

Substance	FY2007 performance results			
	Volume of emissions			Transported volume
Air	Water system	Soil		
Toluene	3.9	0.00	0.0	15.6
Molybdenum compound	0.1	0.01	0.0	1.6
Chloromethane (methyl chloride)	0.2	0.00	0.0	0.0
Xylene	0.1	0.00	0.0	96.1
Epichlorohydrin	0.2	0.00	0.0	0.1
Dichloromethane	0.5	0.00	0.0	27.0
Phenol	0.0	0.00	0.0	56.1
Ethyl benzene	0.1	0.00	0.0	59.2
Pyridine	0.1	0.00	0.0	2.1
Other	0.0	0.01	0.0	11.9
Total (t)	5.2	0.02	0.0	269.7

Changes in the volume of PRTR emissions (officially designated Class 1 type)



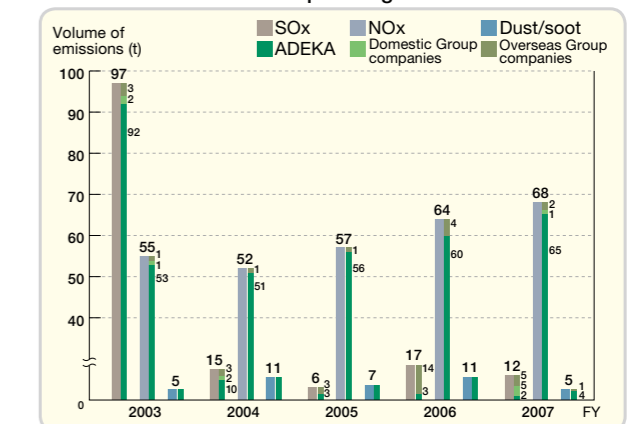
2. Managing the emission of environmentally polluting substances (related to the PRTR Law)

We are making efforts to reduce the volume of environmentally polluting substances discharged into the air and water system. The results for FY2007 are shown below.

■ Managing the emission of air polluting substances

Changes in the volume of emissions of the air polluting substances SOx, NOx, and dust/soot are shown in the following graph.

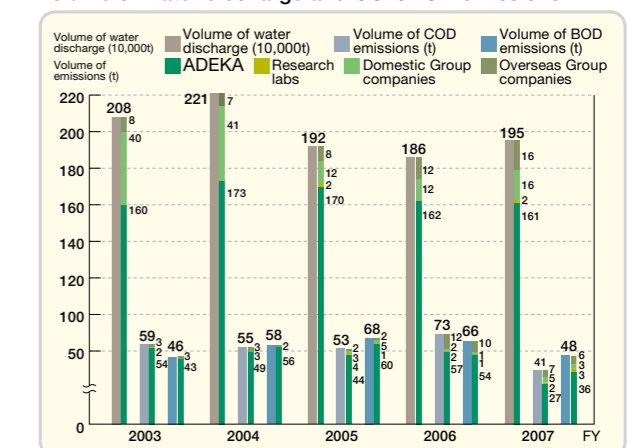
Volume of emissions of air polluting substances



■ Managing water discharge volume and COD/BOD

In order to preserve the water quality of Tokyo Bay, Ise Bay and the Seto Inland Sea, a "water quality total emission control" has been established. This regulates the volume of water and sewage flow from factories, businesses and households, owing to the fact that the overall volume of water discharge is high in areas where there is a dense concentration of businesses and population. Based on this, every domestic office and factory is making efforts to reduce their overall volume of water discharge. As can be seen from the graph below, although the volume of water discharge has risen slightly, there has been a reduction in the volume of both COD and BOD discharged into the water system. The reductions made by the Kashima factory are a key factor behind this.

Volume of water discharge and COD/BOD emissions



Logistics – Environmental conservation and safety activities

1. Environmental conservation activities of logistics

■ Compliance with the revised Energy Conservation Law

Based on the coming into force of the Kyoto Protocol, which is concerned with preventing global warming, the Energy Conservation Law was revised in April 2006. Since ADEKA falls under the category of "specified shipper," it is obliged to submit an energy conservation plan and engage in energy conservation activities.

We implemented a policy in order to reduce by 1% the volume of CO₂ emissions – 19,200t – arising from all the transportation of our companies' products in FY2006, and in FY2007 we reduced CO₂ emissions by 153t (79.7%).

Figures for CO₂ emissions reduction measures

Volume of CO ₂ emissions in FY2006	19,200t-CO ₂
FY2007 CO ₂ reduction goal	192t-CO ₂
Actual reduction performance result	153t-CO ₂
Goal achievement rate	79.7%

Principle reduction measure: Promotion of modal shift

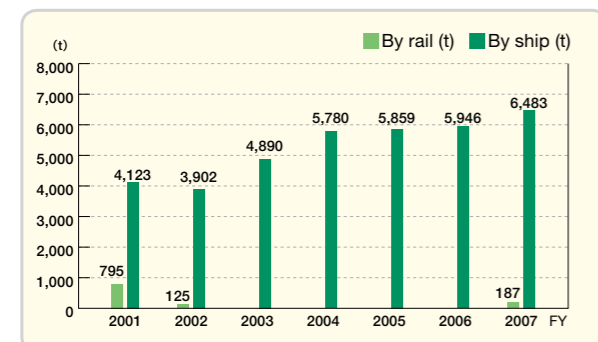
■ Promotion of modal shift

We are promoting a modal shift in our logistics, which consists of switching from the use of trucks to domestic cargo vessels, as a measure of the revised Energy Conservation Law.

As a new policy from FY2007 onwards, we have made a transition in our arterial transport routes, from the Kashima factory to Fukuoka and Sapporo, switching from road haulage to container ship.

The company has also developed a new arterial route, from its Chiba factory to the Kansai area, and this too marks a switch from truck-based transportation to that by container ship.

Modal shift transition



※ The figures shown are the performance results of the switch from truck transportation to that by JR (ie rail) and ship. Figures for goods that have been transported by JR and ship since before the statistics start (2001) have not been included.

2. Safety activities in logistics

■ Holding various kinds of meetings and conferences

By holding the National Safety Conference (twice a year) for cooperating transport companies, and the National SP ('stock point' = storage company) Conference (once a year each for chemical and food companies; twice a year in total) for cooperating storage companies, we are working on countermeasures to eliminate accidents.

1. The National Safety Conference

In June and October of FY2007, the National Safety Conference was held, aimed at cooperating transport companies. At the June conference there were 36 transport companies represented and 58 participants in attendance, while the figures for the October conference were 34 and 52 respectively. With "How to deal with trouble" as the theme, there were presentations from each company explaining the state of their accident prevention measures and activities, as well as discussions on measures to eliminate accidents.



A scene at the National Safety Conference

2. The National SP Conference

Aimed at cooperating storage companies, in June 2007 a Food Products SP conference was held, while November was the month for the Chemical Products SP conference.

At the Food Products SP conference there were presentations on the efforts each storage company was making with regard to the Management Standards for Food Storage (AIB-compliant), established by ADEKA Logistics Corporation, as well as presentations on what happens when accidents/trouble occur, and preventive measures to counter them.

At the Chemical Products SP conference, there was a lively discussion among the storage companies about the acceptance criteria for goods whose outer appearance is defective when they arrive for storage.



A scene at the Food Products SP Conference



A scene at the Chemical Products SP Conference

■ Activities to ensure food safety

Enforcement of the Management Standards for Food Storage (AIB-compliant)

From October to November of FY2007, we visited food storage companies all over the country and carried out audit inspections based on the Management Standards for Food Storage (AIB-compliant), established by ADEKA Logistics Corporation. Those storage companies which didn't meet the standards were given guidance on how to improve. It is expected that another inspection will be carried out in the autumn of 2008.

Reference:

The following are the storage companies on which audit inspections were carried out in autumn 2007.

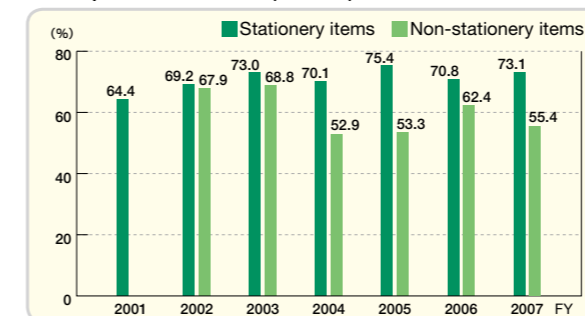
- Mihashi Group Misato Food Delivery Center
- Nippon Express Co., Ltd. (Nippon Tsūun) New Sapporo Distribution Center
- Nippon Express Co., Ltd. North Miyagino Warehouse
- Nippon Express Co., Ltd. Kawasaki North Logistics Center
- Nippon Express Co., Ltd. Urae Warehouse
- Kamigumi Co., Ltd. Himeji Branch
- Kawai Ice & Cold Storage Co., Ltd.

Promotion of green procurement

■ Green procurement rate

The FY2007 green procurement rate for stationery was 73.1%, a 2.3% increase year-on-year. With the aim of firmly establishing green procurement to include the Group companies as well, ADEKA will continue to promote the raising of the procurement rate. The green procurement rate for non-stationery items was 55.4% (a 7% drop year-on-year). With the aim of expanding the range of items covered, our goal is to increase the procurement rate.

Green procurement rate (ADEKA)



※ Green procurement rate = the number of eco-products / the overall number of items purchased

■ Review of recycled paper and recycled plastic products

We are currently carrying out a review of the existing pulp mixture rate of recycled paper, as well as recycled plastic products.

Although until now we have mainly purchased recycled paper that is displayed as having a pulp mixture rate of 70% or 80%, henceforth we shall make an effort to choose recycled paper, having taken into account the whiteness and preservative quality required, according to the use for which the paper is intended. Furthermore, we are considering purchasing products that carry forest certification.

As for recycled plastic products, we are making efforts to buy products based on the "3Rs" principle (reduce, reuse and recycle), regardless of the recycled plastic compound rate.

■ Introduction of low-emission vehicles

Out of a total of 229 vehicles used in FY2007, 166 were hybrids and low exhaust emission vehicles – a rate of 72%.

Legislative compliance

1. Verification of industrial waste management

■ Review of contracts with private waste disposal contractors

With the increase in the number of listed items in contracts, due to the revision of the Waste Disposal and Public Cleaning Law in July 2006, the relevant offices and factories reviewed and revised contracts, and made revisions to the industrial waste management regulations during FY2007.

■ Calculation and reporting of energy consumption and CO₂ emissions arising from the transportation of industrial waste, upon the enactment of the revised Energy Conservation Law

Since ADEKA falls under the category of "specified shipper," it is legally obliged to submit reports. In addition to energy consumption and CO₂ emissions arising from product transportation, we also need to gather figures on the volume emitted through transporting industrial waste, and we comply with calculation methods based on the manifesto data of each office and factory.

■ Storage management of equipment containing PCBs (polychlorinated biphenyl)

As of March 2008, storage management in accordance with the law is being implemented at Fuji factory, Mie factory, Akashi factory and Ogu Central R&D Lab. Regarding equipment held at the four establishments mentioned above, prompt registration of the detoxification treatment of PCB waste with the Japan Environmental Safety Corporation (JESCO) has already been completed. Regarding the tiny amount of PCB mixed in with the equipment at the Kuki R&D Lab, until the government's guidelines become clear on the matter, we shall manage storage in the same way as that for PCB-containing equipment.

■ The revised Food Recycling Law

In light of the revisions, we are implementing countermeasures to prevent products exceeding their expiry date, with the amount of waste disposed of in FY2007 being 279 tons, in volume terms. We plan to put structures in place in order to comply with the obligation we have to report performance results for FY2008 onwards.

2. Compliance with the revised Industrial Health and Safety Law

■ Substitution of asbestos products

We are currently carrying out verification tests on possible substitute products for those containing asbestos, and from a technological standpoint, prospects are good that substitutes will be found by the substitution period.

CSR activities of Group companies

■ Adeka Chemical Supply Corp.

Description of business: Sale of chemical products. Development, production, and sale of metal processing oils etc.

1. Compliance with the green mark and eco mark for stationery items

In FY2007, out of a total of 278 items, 208 (75%) were changed to those bearing the green/eco mark. In FY2008, we aim to achieve a procurement rate of 80%.

FY	No. of relevant items	No. of items changed	Procurement rate (%)
FY2006	212	148	70
FY2007	278	208	75
FY2008 goal	-	-	80

2. Introduction of low emission vehicles

We have switched one of our lease cars to a low emission version (4 stars).

■ Adeka Clean Aid Corp.

Description of business: Development and sale of detergents for commercial kitchens and industrial detergents.

1. Expansion of the range of crushable containers

We have now started using these kinds of containers for 4 types of product, including new products and those in which there has been a change in the packaging style.

2. Making products phosphate-free

We have changed one of our products – an existing anti-bacterial detergent – to a phosphate-free compound.

3. Compliance with the Industrial Health and Safety Law and GHS

After making changes to the composition of one of our products which contained ingredients whose display is required by law, that product is now free of those ingredients.

4. Reuse of poly containers

The number of containers which are reused has exceeded 100,000 per year, and this contributes to waste reduction and environmental conservation.

■ Adeka Fine Foods Corp.

Description of business: Manufacture and sale of dressing and processed fishery products.

1. Energy conservation efforts

- By boosting productivity through small group efforts, and increasing refrigeration efficiency with the overhaul of our fridges and freezers, we have been able to reduce the amount of electricity used by 2.1%, in terms of basic units.
- By improving the methods used to dissolve materials and reducing the amount of steam used, we have reduced the volume of Bunker A oil used by 0.8%, equating to a 7% reduction in basic units.

- Sludge (mayonnaise sachets): From April 2007 onwards, using incineration and waste heat boilers to operate steam turbines, we have introduced a thermal recycling process, with a residual rate of 0.3%.
- Waste plastic, wood and paper debris: From April 2007 onwards, having been compressed and solidified into RPF products, these have been recycled as fuel for boilers. The residual rate is 0%.
- Others: drained sludge and non-drained sludge (common mayonnaise) continues to be used as compost, as before (effective utilization).

2. Achieving zero emissions through the 3Rs (reduce, reuse and recycle)

- Sludge (mayonnaise sachets): From April 2007 onwards, using incineration and waste heat boilers to operate steam turbines, we have introduced a thermal recycling process, with a residual rate of 0.3%.
- Waste plastic, wood and paper debris: From April 2007 onwards, having been compressed and solidified into RPF products, these have been recycled as fuel for boilers. The residual rate is 0%.
- Others: drained sludge and non-drained sludge (common mayonnaise) continues to be used as compost, as before (effective utilization).

- Sludge (mayonnaise sachets): From April 2007 onwards, using incineration and waste heat boilers to operate steam turbines, we have introduced a thermal recycling process, with a residual rate of 0.3%.
- Waste plastic, wood and paper debris: From April 2007 onwards, having been compressed and solidified into RPF products, these have been recycled as fuel for boilers. The residual rate is 0%.
- Others: drained sludge and non-drained sludge (common mayonnaise) continues to be used as compost, as before (effective utilization).

- Sludge (mayonnaise sachets): From April 2007 onwards, using incineration and waste heat boilers to operate steam turbines, we have introduced a thermal recycling process, with a residual rate of 0.3%.
- Waste plastic, wood and paper debris: From April 2007 onwards, having been compressed and solidified into RPF products, these have been recycled as fuel for boilers. The residual rate is 0%.
- Others: drained sludge and non-drained sludge (common mayonnaise) continues to be used as compost, as before (effective utilization).

3. Green procurement rate for stationery and non-stationery eco products

FY	No. of relevant items	No. of items changed	Procurement rate (%)
FY2007	116	77	66.4

■ Adeka Engineering & Construction Corp.

Description of business: Design, construction, construction management, and maintenance of equipment and plants, environmental clean-up activities

1. Environmental clean-up activities

We are developing soil and groundwater clean-up activities, waste water processing and water recycling activities.

2. Soil and groundwater clean-up activities

Developing countermeasures to deal with soil and groundwater contaminated with harmful chlorinated volatile organic compounds, we have achieved the best results in the industry in the field of microbial treatment.

3. Waste water processing

In addition to existing bio-treatment, we are developing and applying membrane and chemical processing technologies.

4. Water recycling activities

We continue our business of processing and recycling waste water from airports and city hotels, as well as engaging in maintenance activities.



Soil and groundwater clean-up activities: Processing work involving microbial agent infusion

■ Oxirane Chemical Corp.

Description of business: Manufacture and sale of epoxy plasticizers and acetic acid conductors.

1. Reporting of an explosion and fire, and the subsequent process

Following the explosion of a tank, and the subsequent fire, at the Mie factory in July 2007, we undertook an investigation into the cause of the accident and implemented countermeasures to prevent a future recurrence. After developing safety measures at all levels and restoring damaged production equipment, production resumed in November.

Henceforth, we are committed that all employees shall work together as we strive to continually improve our safety activities, as well as our environmental (EMS) and quality (QMS) management systems, in order to realize the company's management ethos of "high quality, low price, and a stable supply."

2. Goals for FY2008

We aim to promote energy conservation activities for which goals were not reached in FY2007, such as the introduction of energy saving vacuum apparatus, and the effective utilization of hot water.

■ Adeka Foods Sales Corp.

Description of business: Sale of edible oil & fats, and ingredients for confectionery, bakery and other food-related industries.

1. Promotion of the introduction of low-emission vehicles

We have completed the replacement of 25 out of a total of 29 business vehicles, and these are now the low-emission type. As for the remaining 6 vehicles, with the lease contract having come to an end, we are considering making the switch over to low-emission models.

2. Implementation of energy conservation campaign in company offices

We continue to be committed to conserving energy through the setting of the temperature control.

3. Consideration of products bearing the eco/green mark, and recycled products

We have finished making the switch to using recycled paper for photocopy paper. From now on, we will actively try to use the reverse side of paper. We are also promoting the switch to using stationery products that carry the green mark.

4. Industrial waste

We are implementing the practice of separating rubbish generated within buildings. In addition, by reusing the reverse side of photocopied paper, we are reducing the amount of paper that is produced and thrown away.

5. Safety management

Continuing to hold training sessions on safe driving for when employees have to drive company cars on business, we take a very thorough approach to the instruction of safe driving.

■ Adeka Logistics Corp.

Description of business: Logistics control for Adeka Corporation, warehousing

1. Establishment of management standards for food storage, and inspection of food and other product storage facilities

We have established and put into effect the Management Standards for Food Storage, which comply with the inspection standards of the AIB's Consolidated Standards for Food Safety. Our goal is to ensure food safety in food storage facilities through such activities as pest control, environmental maintenance, facility maintenance and operational safety. In the autumn of 2007, we carried out an inspection of the main storage companies which store our food and other products. It is expected that in the future, such an inspection will be performed once a year.

2. Energy conservation measures (CO₂ reduction measures)

Promoting a modal shift by, for example, making a switch from land-based transportation to domestic sea routes, we are implementing policies to reduce the volume of CO₂ emissions by 1%.

■ Yongo Co., Ltd.

Description of business: Sale of edible oil & fats, and ingredients for confectionery, bakery and other food-related industries.

1. Health promotion measures

By moving smoking areas from inside to outside, we have reduced the level of secondhand smoke.

2. Environmental measures

In October we started a cleaning initiative, in which company employees clean up company premises, car parks and surrounding areas (picking up litter such as cigarette butts, sweeping and so on) before their working day begins. Although this is only a once-a-month activity, it is proving to be effective, with a noticeable reduction in the amount of litter lying around the company's premises.

3. Future plans

In September 2008 we plan to upgrade the computer system we use, which has passed its serviceable life. As a result of this upgrade, we aim to strengthen our stock management, and reduce the quantity of products which exceed their expiry date.

■ Tokyo Environmental Measurement Center Co., Ltd.

Description of business: Environmental studies of air and water quality, and study/analysis of occupational hygiene.

1. Asbestos analysis and soil contamination studies

Based on the requests of our clients, we carry out analyses of asbestos and soil contamination studies, and in so doing, contribute to the creation of a safe society with peace of mind.

2. Improvement in the recycling rate of paper products

Confidential documents are sent to paper manufacturers, where they are used to make recycled paper. We have achieved a 100% recycling rate of cardboard boxes.

3. Company vehicles

When we upgraded the fleet, we chose models that had low fuel consumption.

■ Uehara Foods Industry Co., Ltd.

Description of business: Manufacture and sale of basic ingredients for confectionery and bread, and retort-packed foods.

1. Paper recycling

We started recycling paper in October, using shredders to dispose of waste paper generated in our factory office buildings (amount shredded: 1,960kg; profit: 8,040 yen).

In addition, we have been separating newsprint, cardboard boxes, catalogues, pamphlets, books etc., in our efforts to achieve a recycling rate of 100%.

By differentiating the way in which ordinary and recycled types of photocopy paper are used (but counting A4 and A3 sizes together), and starting to manage the photocopy paper ordering process, we have been able to eliminate problems such as surplus stock and stock running out.

2. Emissions reduction

We have upgraded 3 of the petrol-driven forklift trucks on our premises to electric models, and are reducing exhaust emissions. Moreover, by using separate days for deliveries on two of our inefficient product delivery routes and consolidating them into just one delivery vehicle, we have achieved a reduction in terms of fuel consumption.

■ Amfine Chemical Corp.

Description of business: Manufacture and sale of polymer additives.

1. Winning the Small Business Award

In February 2007, our Kentucky factory received the Small Business Award from the local Hopkinsville Chamber of Commerce. Since the factory opened, all its employees have been actively involved in Hopkinsville events, and such activities, along with financial donations the company has made to the Local United Way Fund and the city of Hopkinsville, have been highly praised, contributing to the award win.



Winning the Small Business Award (on the left: Steve, Factory Manager)

2. Acquisition of ISO14001 certification

In September 2007, the Kentucky factory was granted ISO14001 certification. In addition to sending a clear message about product quality for customers and environmental awareness, this certification is a significant step forward, demonstrating that all factory employees have realized the extent to which they have to respond to environmental challenges, and how much action they must individually take.

■ Adeka Fine Chemical Taiwan Corp.

Description of business: Manufacture and sale of chemicals for liquid crystal displays.

Acquisition of OHSAS18001 certification

Following on from the granting of ISO9001 and ISO14001 certification in July 2006 and February 2007 respectively, in June 2007 the company was awarded OHSAS18001 certification, meaning that in just 18 months, 3 management systems for large factories were successfully implemented.

We shall be making every effort to ensure that all production runs smoothly, and that the management systems implemented live up to their name in terms of their effectiveness.



■ Adeka Foods (Changshu) Co., Ltd.

Description of business: Manufacture and sale of edible oil products and processed foods.

Acquisition of ISO22000 certification

This was granted in April 2007. Making continuous improvements, in the months and years ahead we shall operate our factories paying attention to food hygiene, naturally, but also to environmental issues, making every effort to provide tasty food products that are safe to eat.



Communication regarding the environment and safety

1. Internal communication

■ Implementation of ISO Reciprocal Internal Audits

Carrying out Reciprocal Internal Audits in which internal auditors from each factory take part in internal audits of other factories, we held discussion meetings to evaluate their effectiveness.

Date	Factory	Specific issues discussed
20 June	Fuji Factory	Evaluation of the effectiveness of training – it was felt there was a need for quantitative evaluation, rather than the current system of awarding points from 1 to 3.
29 August	Chiba Factory	It was felt there was a need for more questions and discussions to explore the validity and effectiveness of corrective and preventative actions
15 November	Mie Factory	With few 'areas for improvement' items resulting from internal audits, it was felt there was a need for further improvement in effectiveness audits, similar to compatibility audits

2. External communication

■ Presentation at the Japan Responsible Care Council

Holding discussion forums with the National Federation of Consumer Groups, in December 2007 ADEKA gave a presentation entitled "Copper-containing waste recycling activities," and fielded questions relating to the processing of waste water after recovery.

■ Participation in the "Much Ado About Eco" event

In July 2007, the Department of International Relations at Tsuda College, which is a member body of the specified non-profit organization AIESEC Japan, hosted an environmental event aimed at students, entitled "Much Ado About Eco," in which ADEKA participated, along with two other companies and around 30 students.

The main point of the Much Ado About Eco event was to give students the chance to hear directly from companies about the environmental activities they were pursuing, and for those companies to talk about their efforts. At the same time, the idea was that participants would then develop the stance they wished to take with regard to environmental issues in their own field when the time came for them to join a company. At the event, ADEKA talked about its environmental activities.

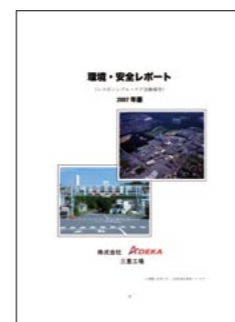
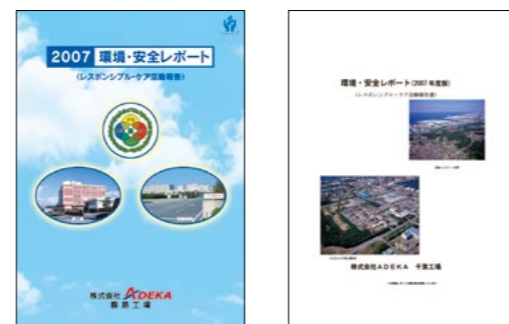


The Much Ado About Eco environmental event

■ Publication of site reports

Site reports (booklets) are published by the six ADEKA factories, as well as Oxirane Chemical Corporation's Mie Factory.

These also appear on ADEKA's website, and every year we disclose information on an ongoing basis regarding each factory's environmental/occupational health and safety policies, as well as its activities and performance results in the areas of environment, health and safety, maintenance and disaster prevention.



Third party opinion comments



Read the "ADEKA group 2008 CSR Report"

Katsuhiko Kokubu Professor, Graduate school of Business Administration

Professor Katsuhiko Kokubu received a Ph. D in business administration from Osaka City University. He has been a professor at the Graduate School of Business Administration, Kobe University since 2001, and in 2003 established the Institute for Environmental Management Accounting, a vehicle for utilizing research achievements. Professor Kokubu chaired a committee of the Ministry of Economy, Trade and Industry on development and promotion of material flow cost accounting and served as a member of a committee of the Ministry of the Environment on environmental reporting guidelines.

CSR as the Heart of Management

In the ADEKA group, CSR is positioned at the heart of management to touch the commitment of top management. Preparing CSR's management structure and by establishing the CSR 5yr plan are considered to be the reflection of their CSR policy. Therefore, in the ADEKA group, the formation of a fundamental framework for CSR management is highly evaluated.

Efforts towards Environmentally Conscious Technology

In this year's report, the explanation of ADEKA's Environmentally conscious products is substantial. Usually not an obvious point, the efforts for the development of product technology contributing to the environment are specifically understandable in this report and are highly reputed. Hereafter, within ADEKA, if there is an explanation from a companywide viewpoint, on how technology development for environmentally conscious products is systematically done, etc. Then it would be good to clearly express the position of the company.

Environmental reports and long term viewpoints

The ADEKA group's environmental reports gave the impression of solid writing conforming to a management system. The efforts for advancing sound

measures for environmental preservation could be seen. Hereafter, if there are points for improvement in the actions of the ADEKA group from the long term viewpoint of global environmental problems, the business situation will become clearer as a part of the company.

CSR of group activities

In the ADEKA group reports, the CSR activities of the group business are introduced across 2 pages (p. 43-44). While a majority of these are environmental protection activities, it will be important to include CSR activities as well. In order to do this, sharing knowledge regarding ADEKA's CSR and a place to mutually examine problems is considered necessary for the whole group.

Setting of CSR targets

As mentioned above, CSR has been fixed at the center of management in the ADEKA group, however in transferring from a philosophy to specific actions. First of all, even if they are qualitative, the results should be released some targets of CSR should be established and in order to do this, it would be effective to get a wide range of opinions from stakeholders and attach priorities to the actions. The development from now on is expected to be from the heart.

A third party opinion

Akira Iida Director and Chief Financial Officer

As a manufacturer of the measures for environmental problems, we comprehend these are important problems. In the past, we have put our strength into developing products considering the environment, our CSR reports also initially began with measures for environmental preservation (environment reports). As there is usually no opportunity for general customers to see our products, being an intermediate materials manufacturer, CSR reports for this time convey our measures for environment technology in an even more understandable way and a special section for our representative environmentally conscious products was run.

We established an expert committee on promoting CSR in 2007 and actions based on the CSR 5yr plan are promoted, however the current situation is that CSR has still not sufficiently penetrated each individual member of staff, and we are getting to the level of finding out how to specify the recognition CSR holds for business in daily operations. Also, the communal knowledge in the whole of the ADEKA group is insufficient, and the need to further breakdown the CSR 5yr plan is being considered.

To point this out, forming specific action targets relating to CSR philosophy, tackling them for the whole group and releasing these results is considered to be the route our efforts should take.

We would like to make the most of the opinions put forward this time in the CSR expansion as of next year.