



The 1st Half of the Fiscal 2010 [April 1, 2010 – September 30, 2010]

# Overview of Closing Accounts and Prospective Performance

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

President Kunihiko Sakurai

Nov. 2010

## 1. The 1st Half of the Fiscal 2010 Consolidated Performance

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- ③ The 1st Half of the Fiscal 2010 Consolidated Performance (Figures)
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Overview of The 1st Half of the Fiscal 2010

Non-consolidated and Consolidated Closing of Accounts

# The 1st Half of the Fiscal 2010 Consolidated Performance

# 1-01 Overview of The 1st Half of the Fiscal 2010 Consolidated Performance

## Consolidated data

(Unit: 100 million yen)

	The 1st Half of the Fiscal 2009	The 1st Half of the Fiscal 2010	Increase/Decrease	Increase/Decrease ratio (%)
S a l e s	768	860	92	12.0
O p e r a t i n g p r o f i t	41	73	31	76.4
C u r r e n t p r o f i t	37	70	32	86.6
NET profit of the Term	20	37	16	82.4

NET profit per share of the Term (yen/share)	19.8	36.1
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D i v i d e n d	¥9.00	¥11.00
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- The Company focused its efforts on Development of New Products and Overseas Business Expansion, which represent the Group's growth strategy.
- Growth for both sales and profit was achieved due to the increased sales of 24 strategic products, the further expansion of our overseas distribution network and the efforts for the implementation of various measures, such as cost reduction, on the back of recovering demand in the Group's major target areas (automotive, IT, and digital home appliance fields).

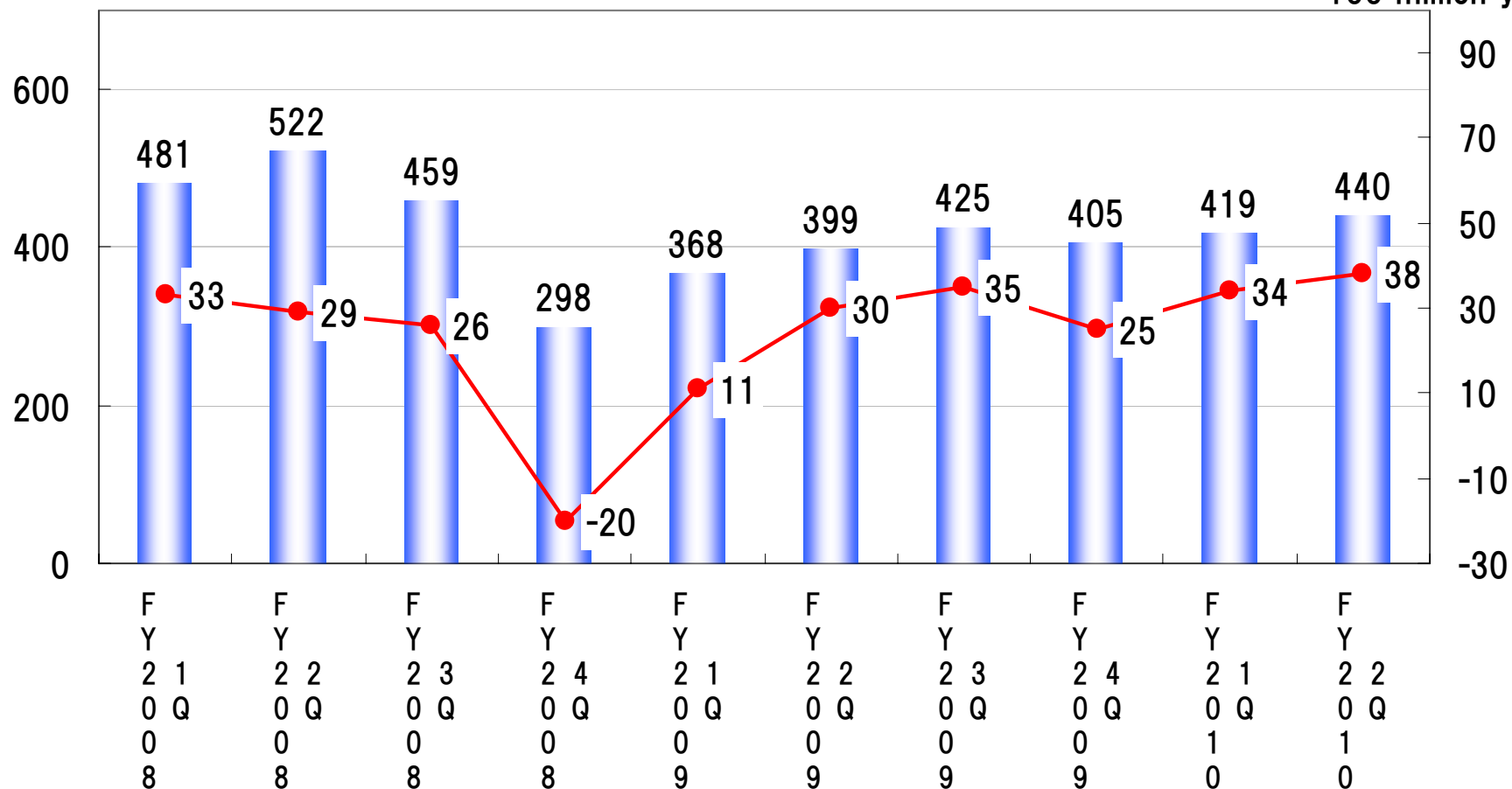
# 1-02 Trends in Quarterly Consolidated Performance

Consolidated data

Sals:100 million yen

■ Sales ● Operating profit

Operating profit:  
100 million yen



# 1-03 The 1st Half of the Fiscal 2010 Consolidated Performance (Figures)

**Consolidated  
data**

(Unit: 100 million yen)

	Consolidated closing of accounts			
	The 1st Half of the Fiscal 2009	The 1st Half of the Fiscal 2010	Increase/ Decrease	Increase/ Decrease ratio(%)
<b>Sales</b>	768	860	92	12.0
Electronics and IT materials	55	80	25	46.1
Functional chemicals	332	397	65	19.6
Commodity chemicals	101	118	17	16.7
Food products	250	246	△ 4	△ 1.8
Others	28	18	△ 10	△ 37.5
<b>Operating profit</b>	41	73	31	76.4
Electronics and IT materials	3	15	11	325.8
Functional chemicals	15	38	23	157.3
Commodity chemicals	4	6	2	57.0
Food products	16	10	△ 5	△ 34.5
Others	1	1	0	△ 25.6

The amounts are indicated after rounding off figures less than 100 million yen.

# 1-04 Segmental Information: Electronics and IT materials

**Consolidated  
data**

**Electronics and  
IT materials**

Functional  
chemicals

commodity  
chemicals

Food products

Others

## Overview ( Increased income and profit )

- ① Sales of semiconductor materials grew significantly both in Japan and overseas, mainly led by high-dielectric materials, as memories for PCs and other products experienced rising production volume and a further shift to high capacity and miniaturization.
- ② Various materials used for LCD flat panels (etchants for ultrafine circuit fabrication, photo curing resins and high-purity gas, among others) remained generally favorable, although they were affected by production adjustments in the latter part of the first half of fiscal 2010.

(Unit: 100 million yen)

	The 1st Half of the Fiscal 2009	The 1st Half of the Fiscal 2010	Increase/Decrease
<b>Sales</b>	<b>55</b>	<b>80</b>	<b>25</b>
<b>Operating profit</b>	<b>3</b>	<b>15</b>	<b>11</b>

# 1-04 Segmental Information: Functional Chemicals

(Polymer additives, Organic chemicals, functional polymers)

**Consolidated data**

Electronics and IT materials

**Functional chemicals**

commodity chemicals

Food products

Others

## Overview ( Increased income and profit )

- ① Polymer additives remained favorable in the early part of the first half of fiscal year 2010 due to rising demand for resins. Although from later summer 2010 there was a slowdown in some segments, affected by production adjustments, business performance was strong throughout the first half. Overseas subsidiaries showed favorable performance, recording significant year-on-year growth.
- ② Surface active agents grew mainly for cosmetic products and paints. Lubricant additives remained strong due factors including increasing production of environmentally-friendly automobiles.
- ③ Epoxy resins and environmentally-friendly water-borne resins grew, mainly supported by sales for paint use, as a result of rising demand for automobiles and steel products.

(Unit: 100 million yen)

	The 1st Half of the Fiscal 2009	The 1st Half of the Fiscal 2010	Increase/Decrease
<b>Sales</b>	<b>332</b>	<b>397</b>	<b>65</b>
<b>Operating profit</b>	<b>15</b>	<b>38</b>	<b>23</b>



# 1-04 Segmental Information: commodity Chemicals

**Consolidated  
data**

Electronics and  
IT materials

Functional  
chemicals

**commodity  
chemicals**

Food products

Others

## Overview ( Increased income and profit )

In spite of the effects of rising raw materials prices, sales of propylene glycoles and peroxygen chemicals remained strong due to a recovery in the chemical industry.

(Unit: 100 million yen)

	The 1st Half of the Fiscal 2009	The 1st Half of the Fiscal 2010	Increase/Decrease
<b>Sales</b>	<b>101</b>	<b>118</b>	<b>17</b>
<b>Operating profit</b>	<b>4</b>	<b>6</b>	<b>2</b>

# 1-04 Segmental Information: Food Products

**Consolidated  
data**

Electronics and  
IT materials

Functional  
chemicals

commodity  
chemicals

**Food products**

Others

## Overview ( Decreased income and profit )

- ① Sales of AROMARDE, our rich-butter-flavored margarine product line, grew substantially. Sales for the entire Food Products segment decreased due to a shift to lower-priced products, a trend established amid the deflationary environment, as well as due to declining demand caused by the 2010 summer heat wave.
- ② Despite the Company's continuous efforts to improve its subsidiaries' earnings and to reduce costs, profit decreased due to the effects of a further increase in raw materials prices as well as due to its actions to address the shift to lower-priced products.

(Unit: 100 million yen)

	The 1st Half of the Fiscal 2009	The 1st Half of the Fiscal 2010	Increase/Decrease
Sales	250	246	△ 4
Operating profit	16	10	△ 5

# 1-04 Segmental Information: Others

**Consolidated  
data**

Electronics and  
IT materials

Functional  
chemicals

commodity  
chemicals

Food products

**Others**

## Overview ( Decreased income and Flat profit)

Affected by reductions in capital investment, orders for design and construction of equipment plants decreased year on year.

(Unit: 100 million yen)

	The 1st Half of the Fiscal 2009	The 1st Half of the Fiscal 2010	Increase/Decrease
<b>Sales</b>	<b>28</b>	<b>18</b>	<b>△ 10</b>
<b>Operating profit</b>	<b>1</b>	<b>1</b>	<b>0</b>

# Fiscal 2010 Prospective Performance

# 2-01 Fiscal 2010 Prospective Consolidated Performance

## Consolidated data

(Unit: ¥100 million)

	Result in fiscal 2009		forecast for Fiscal 2010		Increase/Decrease
	First half of the term		First half of the term		
<b>Sales</b>	768	1,599	860	1,770	170
Electronics and IT materials	55	130	80	175	44
Functional chemicals	332	697	397	820	122
Commodity chemicals	101	212	118	230	17
Food products	250	506	246	495	△ 11
Others	28	53	18	50	△ 3
<b>Operating profit</b>	41	102	73	135	32
Electronics and IT materials	3	9	15	29	19
Functional chemicals	15	43	38	70	26
Commodity chemicals	4	8	6	10	1
Food products	16	35	10	22	△ 13
Others	1	4	1	4	0
<b>Current profit</b>	37	102	70	132	29
<b>NET profit of the Term</b>	20	67	37	75	7
<b>NET profit per share of this Term</b>	65.7		72.6		
<b>Dividend</b>	¥9.00	¥20.00	¥11.00	¥22.00	

## Prerequisites

Amid concerns over a potential downturn of the world economy, there is a risk of demand erosion in our customers' business areas as a whole, and the future business environment will remain uncertain.

- Consumption stagnant
- Deflation
- Protracted period of yen appreciation against the dollar
- Concerns about rises in raw material costs

The amounts are indicated after rounding off figures less than 100 million yen.

# Management Measures and Efforts for Fiscal 2010

## 【Status of efforts】

polymer  
additives

- Organizational restructuring underway
  - Shift to a headquarters system based on the integration of sales, research and planning functions (June 2010)
- Building an optimal production system by making capital investment at overseas plants with the aim of expanding global market share and enhancing competitiveness
  - Awaiting the upcoming completion of the new plant for flame retardants for polyolefin in China (coming into operation in January 2011)
  - Extending the plant for Hindered Amine light stabilizers (HALS) used for automobiles in South Korea (coming into operation in September 2011)
- Decided to build a new research wing (Polymer Additives Research and Development Center) (to be completed in May 2012)



▲Research and development base for the polymer additives business (conceptual drawing of the building completed)

## 【Status of efforts】

### Foods

- Raising our sales market share by expanding the product lineup for AROMARDE, our rich-butter-flavored margarine product line
- Expanding the use of functional food materials
- Strengthening capability to promote sales in the Chinese and South East Asian markets by collaborating with our business units in China and Singapore
- Improving the earnings of consolidated subsidiaries
- Continuing to reduce trans fat acids further



▲AROMARDE and bread made with it



## 【Status of efforts】

Electronics  
And  
IT materials

- Focusing our efforts on strengthening our capability to meet major users' needs in the industry as well as on strengthening our relationships with such users
- Expanding the sales of dielectric materials for semiconductor memory
- Etchants for ultrafine circuit fabrication continuing to grow
- Opened a R&D center in South Korea (October 2010)
- A new plant for copper plating liquid used for semiconductors came into operation in South Korea (October 2010)



▲ADEKA KOREA CORP.

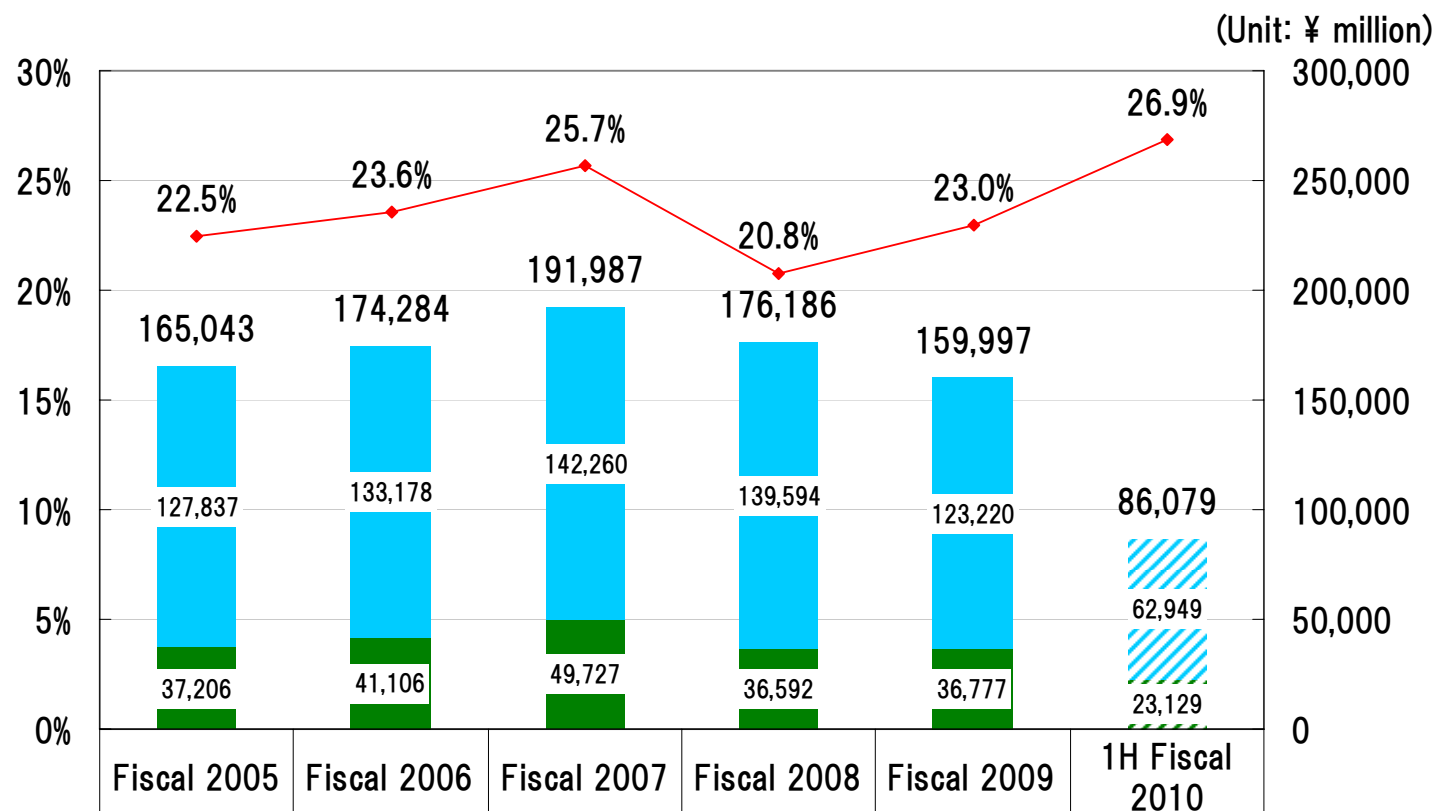
- Promoting the sales of the strategic group of 24 highly competitive products, with the goal of achieving sales exceeding 30 billion yen for fiscal 2011(sales for the first half of fiscal 2010: 10 billion yen, up by a fifth year-on-year)
- Development of new dielectric materials
- Putting photo polymerization initiators on the market
- Accelerating market penetration of flame retardant for polyolefin
- Development of products for addressing soil contamination
- Expanding our beta-glucan business
  - Putting Beta-Glucan CPV on the market as a new nutrition supplement product
  - Fermentation beta-glucan has been adopted for cosmetic lotion use
- Concluded an joint research agreement with a foreign university regarding medical care materials



▲Beta-Glucan CPV

# 3-05 Growth Strategy —Expansion of Overseas Sales —

**Aim to raise overseas sales rate to 30% of overall sales as quickly as possible**



Domestic sales	127,837	133,178	142,260	139,594	123,220	62,949
Overseas sales	37,206	41,106	49,727	36,592	36,777	23,129
Overseas sales rate	22.5%	23.6%	25.7%	20.8%	23.0%	26.9%
Sales	165,043	174,284	191,987	176,186	159,997	86,079

1. Expand size of business and gain market share swiftly by allocating corporate resources to core businesses (polymer additives, food) and to growth businesses (electronics and IT materials) in a continuous and aggressive manner
2. Continue to make efforts to expand the strategic group of 24 highly competitive products
3. Accelerate the development of new products with superior competitiveness by specifying four target areas: Electronics and IT materials, Energy, Environment and Life science
4. Strengthen production and sales structures, with the Asian region positioned as the most important market, by focusing on overseas business development as a growth strategy



**Achieve at all costs growth for both sales and profit for fiscal 2010  
and lay the groundwork for growth**

# For Your Reference

# 4-01 Overview of The 1st Half of the Fiscal 2010 Non-consolidated and Consolidated Closing of Accounts

(for your reference)

Fusion for the Future **ADEKA**

(Unit: ¥100 million)

Non-consolidated closing of accounts				
	1H Fiscal 2009	1H Fiscal 2010	Increase/Decrease	Increase/Decrease rate(%)
S a l e s	536	604	68	12.8
Operating profit	34	56	21	62.8
Current profit	34	56	21	61.9
NET profit of the Term	20	28	8	40.6
NET profit per share of the Term	19.8	27.8		

Domestic companies (10)				
	1H Fiscal 2009	1H Fiscal 2010	Increase/Decrease	Increase/Decrease rate(%)
S a l e s	323	333	9	2.9
Operating profit	2	5	2	79.2

Overseas companies (13)				
	1H Fiscal 2009	1H Fiscal 2010	Increase/Decrease	Increase/Decrease rate(%)
S a l e s	177	266	88	49.8
Operating profit	5	13	7	149.8

Consolidation adjustment accounts (deleted)		
	1H Fiscal 2009	1H Fiscal 2010
S a l e s	△268	△343
Operating profit	△1	△1

The amounts are indicated after rounding off figures less than 100 million yen.

# The 1st Half of the Fiscal 2010 Supplementary Data of Closing Accounts



- I . Supplementary Data for the Consolidated Closing of Accounts
- II . Management Indexes, etc.
- III . For Your Reference
  - Overview of the ADEKA Group  
(consolidated company & Affiliated company)
  - Core products of each business category

Director and Operating Officer Haruhiko Tomiyasu

# I . Supplementary Data for the Consolidated Closing of Accounts

## I -1. Consolidated Balance Sheet

(Unit: ¥ million)

	As of September 30, 2010	As of March 31, 2010	Annual increase
<b>Assets</b>			
Current assets ①	105,789	99,567	6,222
Fixed Assets	100,680	103,641	△ 2,960
Tangible fixed assets ②	68,243	69,903	△ 1,660
Intangible fixed assets	3,662	3,705	△ 42
Investments and other assets ③	28,774	30,032	△ 1,257
Total	206,469	203,208	3,261
<b>Liabilities</b>			
Current liabilities ④	54,685	52,257	2,427
Long-term liabilities	27,022	27,791	△ 768
Total	81,707	80,049	1,658
<b>Net Assets</b>			
Shareholders Equity	119,130	116,542	2,587
Capital stock	22,899	22,899	—
Capital surplus	19,925	19,925	—
Retained earnings	76,529	73,940	2,588
Treasury stock	△ 224	△ 223	△ 0
Valuation and Exchange Differential	2,400	3,386	△ 985
Valuation difference on available-for-sale securities	728	1,278	△ 550
Reserve for land revaluation	3,333	3,333	—
Translation adjustments	△ 1,660	△ 1,226	△ 434
Minority interests	3,230	3,230	0
Total	124,762	123,159	1,602
Total liabilities and Net assets	206,469	203,208	3,261

(Note 1) The amounts are indicated after rounding off figures less than 1million yen.

(Note 2) Accumulated depreciation of tangible fixed assets 120,609 million

**POINT①**

Increase in current assets

Increase in bills receivables and accounts receivable	2,336 million
Increase in marketable securities	1,410 million

**POINT②**

Decrease in Tangible fixed assets

Decrease in machine equipment and vehicles	1,125 million
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**POINT③**

Decrease in investment and other assets was caused by decrease in investment securities.

**POINT④**

Increase in Long-term liabilities

Increase of notes and payables	2,498 million
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# I . Supplementary Data for Consolidated Closing of Accounts

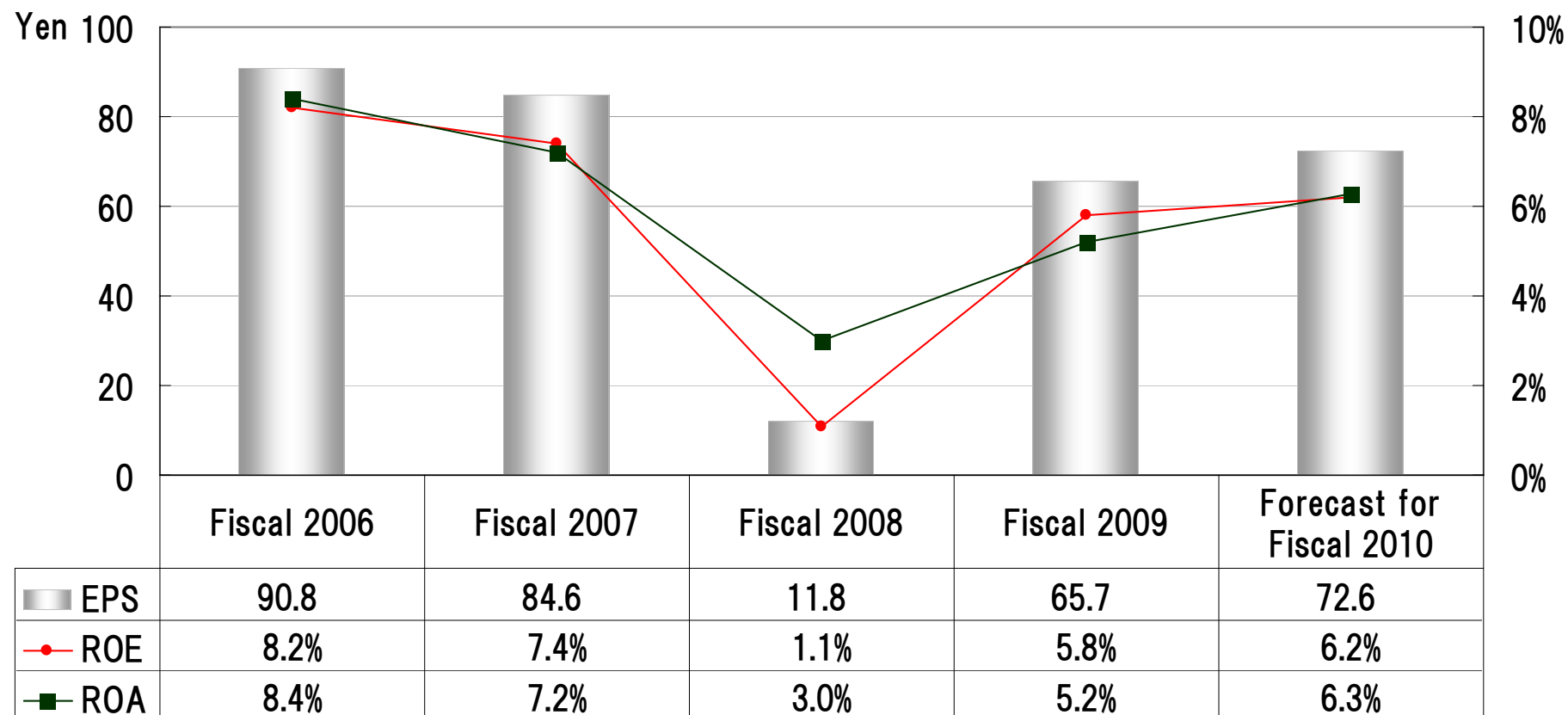
## I -2. Cash Flow Statement (Summary)

(Unit: ¥ million)

	The 1st half of the fiscal 2010 (from April 1, 2010 to September 30, 2010)	The 1st half of the fiscal 2009 (from April 1, 2009 to September 30, 2009)	
<b>Cash flows from operating activities:</b>			<p>(Cash flow from operational activities) An increase in funds due to operating activities was due mainly to increase in income due to higher income before income taxes, depreciation and amortization, and trade payables, which more than offset the decrease in income due to higher trade receivables and inventories.</p>
Income before income taxes, etc.	6,258	3,375	
Depreciation and amortization	3,945	3,802	
Increase/decrease in trade receivables (increase)	△2,815	△2,868	
Increase/decrease in inventories (increase)	△1,987	4,272	
Increase/decrease in trade payables (decrease)	2,993	△1,695	
<b>Total</b>	<b>6,045</b>	<b>7,042</b>	
<b>Cash flows from investing activities:</b>			<p>(Cash flow from investment activities) Payment from funds due to investing activities was due mainly to payment for time deposits and payment for the acquisition of tangible fixed assets.</p>
Payments for time deposits	△2,336	—	
Payments for the acquisition of tangible fixed assets	△2,593	△2,216	
<b>Total</b>	<b>△6,040</b>	<b>△7,649</b>	
<b>Cash flows from financing activities:</b>			<p>(Cash flow from financing activities) Payment from funds due to financing activities was due mainly to payment of dividends.</p>
Dividends paid	△1,139	△932	
<b>Total</b>	<b>△678</b>	<b>4,716</b>	
Effect of exchange rate changes on cash and cash equivalents	△291	123	
<b>Net decrease in cash and cash equivalents (decrease)</b>	<b>△964</b>	<b>4,233</b>	
Cash and cash equivalents at beginning of period	23,507	17,862	
Increase in cash and cash equivalents for new consolidated subsidiaries	—	183	
<b>Cash and cash equivalents at end of period</b>	<b>22,542</b>	<b>22,278</b>	

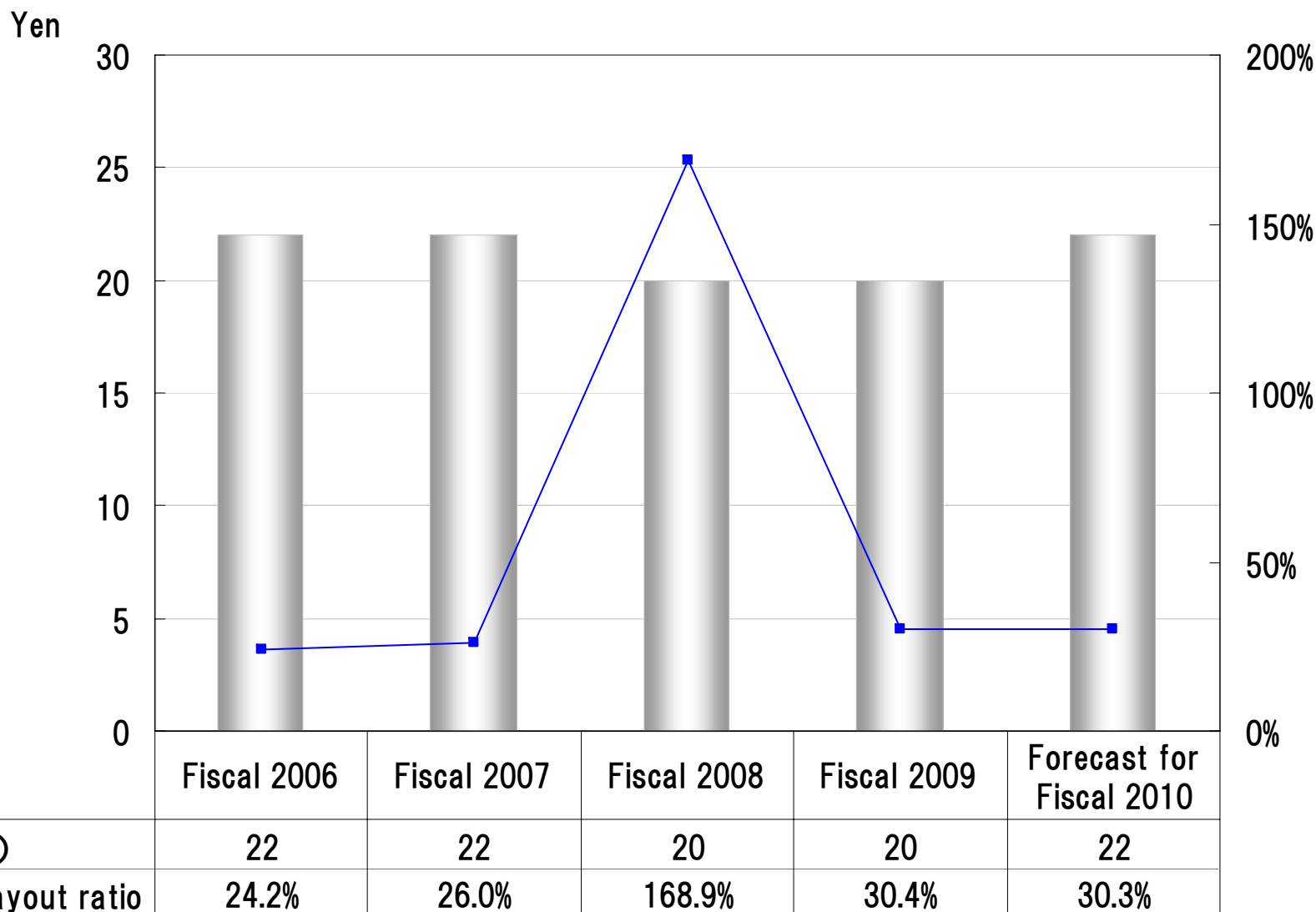
## II - 1. Profitability

Consolidated  
data



## II - 2. Dividend payout ratio and dividends

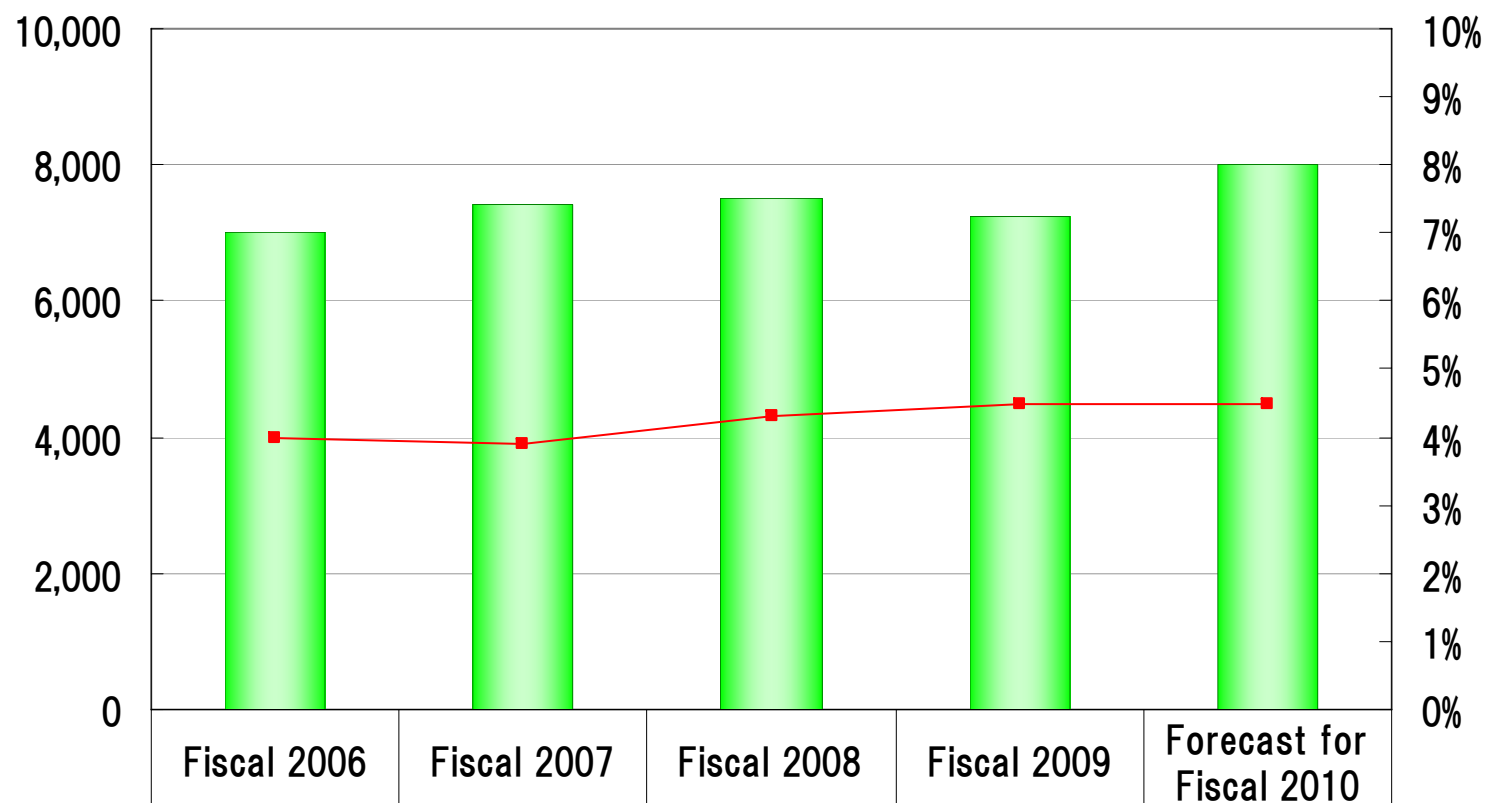
Consolidated data



## II - 3. Research and development costs

Consolidated  
data

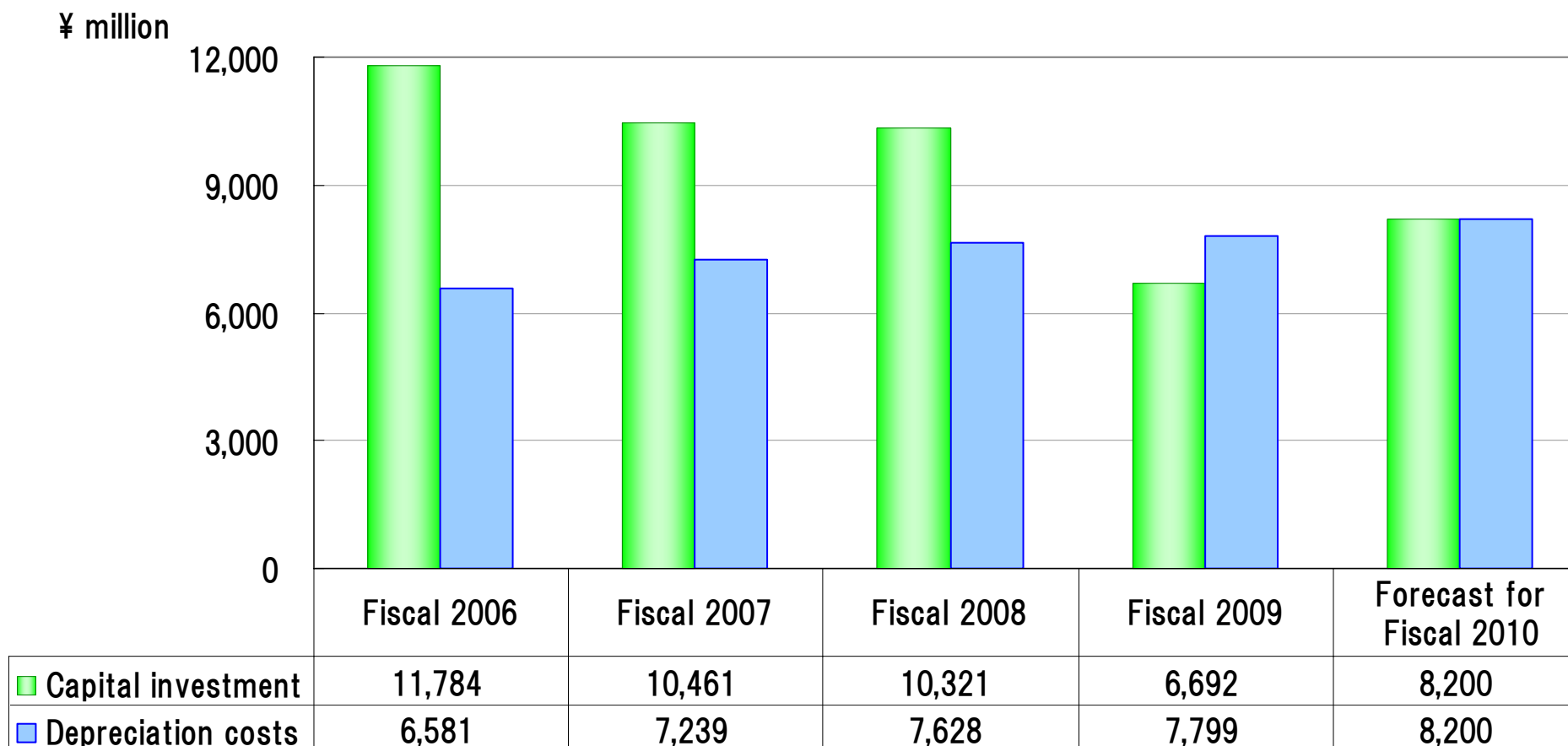
¥ million



Research and development costs	7,014	7,414	7,507	7,251	8,000
Rate of research and development costs to sales	4.0%	3.9%	4.3%	4.5%	4.5%

## II - 4. Capital investment

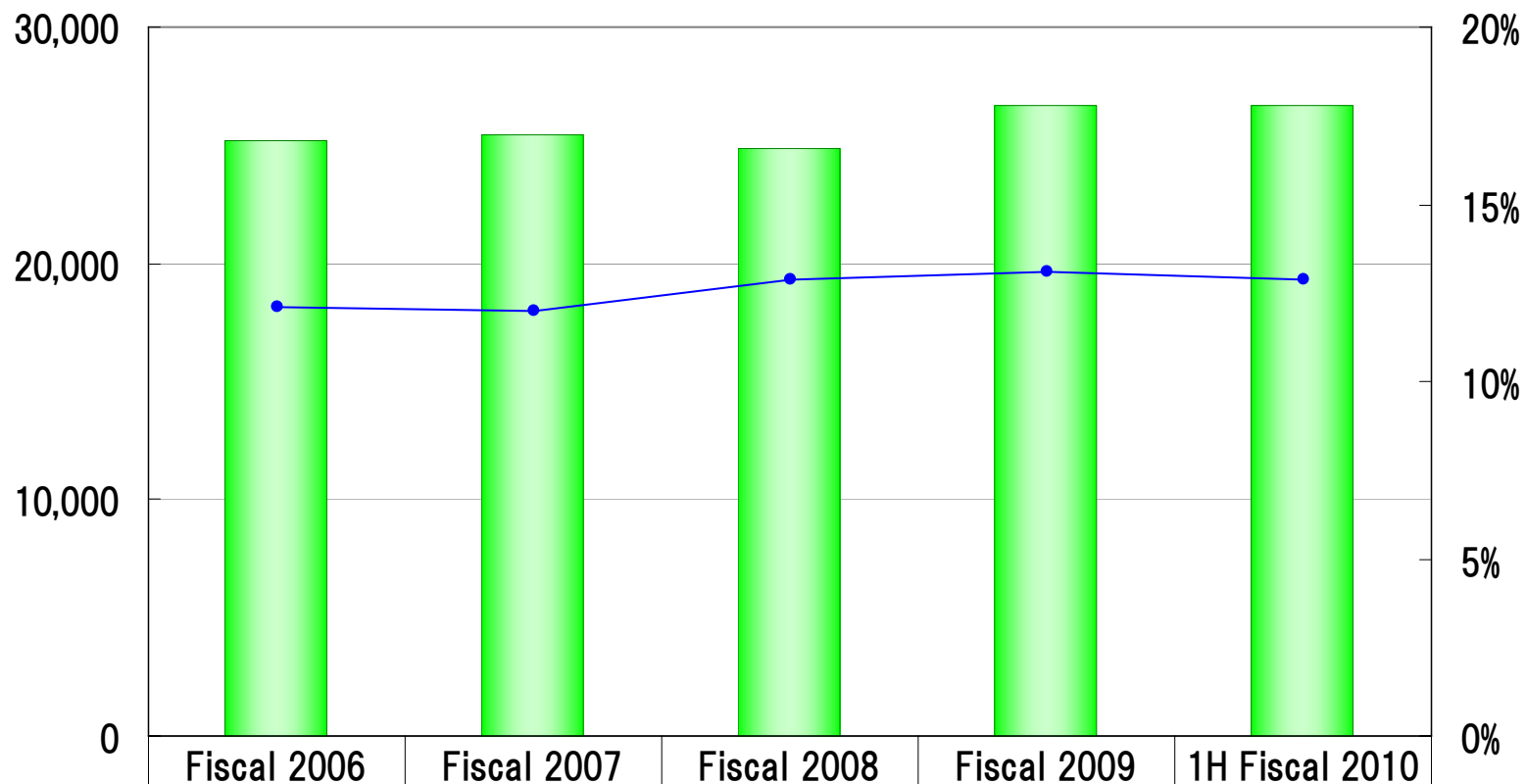
Consolidated  
data



## II - 5. Interest-bearing liabilities

Consolidated  
data

¥ million



<span style="color: green;">■</span> Liabilities with interest	25,172	25,407	24,887	26,707	26,662
<span style="color: blue;">—●—</span> Degree of dependence on interest-bearing liabilities	12.1%	12.0%	12.9%	13.1%	12.9%

### III. For Your Reference III-1. Fiscal 2010 Consolidated Subsidiaries (10 companies in Japan)

The amounts are indicated after rounding off figures less than the unit shown.

Segment	Consolidated subsidiary	Capital	Controlling share(%)	Line of business
Chemicals	ADEKA CHEMICAL SUPPLY CORP.	¥104 million	97.94 (Indirect ownership: 3.61)	Sales of chemical products, and the development, manufacturing and sales of metal processing oils, etc.
Chemicals	ADEKA CLEAN AID CORP.	¥140 million	100.00	Development and sales of kitchen detergents for commercial use, industrial detergents, etc.
Chemicals	OXIRANE CHEMICAL CORP.	¥600 million	50.00	Manufacturing and sales of epoxy elasticizers, etc.
Food products	ADEKA FOOD SALES CORP.	¥42 million	100.00	Sales of edible processed oils and fats for confectionary and breads, and sales of other foodstuffs, etc.
Food products	YONGO CO.,LTD.	¥18 million	89.69	Sales of edible processed oils and fats for confectionary and breads, and sales of other foodstuffs, etc.
Food products	ADEKA FINE FOODS CORP.	¥50 million	100.00	Manufacturing and sales of mayonnaise products, oil and fat processed food products and processed products using seafood.
Food products	UEHARA FOOD INDUSTRY CO.,LTD.	¥70 million	100.00	Manufacturing and sales of flour paste products, bean-jams and retort pouch foods.
Others	ADEKA LOGISTICS CORP.	¥50 million	100.00	General and principal contracting of logistics for the company, warehousing, leasing of vehicles, etc.
Others	ADEKA ENGINEERING & CONSTRUCTION CORP.	¥130 million	100.00	Design, construction, and construction supervision of facility plants, and facilities maintenance.
Others	ADEKA LIFE-CREATE CORP.	¥65 million	90.00 (Indirect ownership: 10.00)	Trading, intermediation and management of fixed properties, damage insurance agent, and sales of OA equipment.

### III. For Your Reference III-2. Fiscal 2010 Consolidated Subsidiaries (13 overseas companies)

The amounts are indicated after rounding off figures less than the unit shown.

Segment	Consolidated subsidiary	Capital	Controlling share(%)	Line of business
Chemicals	AMFINE CHEMICAL CORP.	US\$7.5 million	60.00	Manufacturing and sales of polymer additives.
Chemicals	CHANG CHIANG CHEMICAL CO., LTD.	NT\$30.0 million	50.00	Sales of polymer additives, special elasticizers and similar products.
Chemicals	ADEKA KOREA CORP.	₩15 billion	100.00	Manufacturing and sales of polymer additives, electrochemical materials and similar products.
Chemicals	ADEKA(ASIA)PTE.LTD.	US\$0.8 million	100.00	Sales of chemical products.
Chemicals	ADEKA Europe GmbH	€0.5 million	100.00	Sales of chemical products.
Chemicals	ADEKA PALMAROLE SAS	€3.0 million	90.00 (Indirect ownership: 90.00)	Sales of polymer additives.
Chemicals	ADEKA FINE CHEMICAL TAIWAN CORP.	NT\$200.0 million	100.00	Manufacturing and sales of chemicals relating to liquid crystal panels.
Chemicals	ADEKA (SHANGHAI) CO., LTD	US\$1.0 million	100.00	Sales of chemical products.
Chemicals	ADEKA FINE CHEMICAL (SHANGHAI) CO., LTD	US\$20.5 million	100.00	Manufacturing and sales of polymer additives, functional resins, electrochemical materials and similar products.
Chemicals	ADEKA FINE CHEMICAL (CHANGSHU) CO., LTD	US\$15.7 million	50.00	Manufacturing and sales of polymer additives.
Chemicals	ADEKA FINE CHEMICAL (THAILAND) CO., LTD.	฿350.0 million	81.00	Sale of polymer additives and other chemicals.
Food products	ADEKA(SINGAPORE)PTE.LTD.	S\$8.0 million	90.00 (Indirect ownership: 90.00)	Manufacturing and sales of edible processed oils and fats, frozen piecrusts and related food products.
Food products	ADEKA FOODS (CHANGSHU) CO., LTD.	US\$1,500 million	70.00	Manufacture and sale of edible oil products and processed foods.



### III. For Your Reference

## III-3. Equity method-applicable companies

The amounts are indicated after rounding off figures less than the unit shown.

Three equity method-applicable companies	Capital	Controlling share	Line of business
NIHON NOHYAKU CO., LTD.	¥10,939 million	23.75%	Manufacturing and sales of agrichemicals and other products.
KASHIMA CHEMICAL CO., LTD.	¥1,000 million	39.38%	Manufacturing and sales of epichlorohydrin, arylchloride, etc.
CO-OP CLEAN CO., LTD.	¥80 million	45.00%	Development and sales of soap, detergents and similar products.

Note: There has been no change in the number of equity method-applicable companies.

### III. For Your Reference

## III-4. Core products of each business category

Business category		Core products
Chemical products business	Electronics and IT materials	Imaging materials, Optical recording materials, Optical hardening resins, High-purity materials for semiconductors, AFES System and etching agents, and others.
	Functional chemicals	Additives for polyolefins, PVC stabilizers, Flame retardants, Epoxy resins, Polyurethanes, Water-borne resins, Surfactants, Lubricant, Metal working fluid, and others.
	Commodity chemicals	Caustic soda, Silicate-induced products, Water-swelling sealing materials, Industrial fats and oil-induced products, Polypropylene glycol, Hydrogen peroxide, and others.
Food products business		Margarines, Shortenings, Oil and fats for chocolate, Oils and fats for frying, Whipping cream, Enriched milk products, Fillings, Frozen pie crusts, Mayonnaise dressing, and others.
Other business		Designing of equipment plants, Construction and construction management, Maintenance of equipment, Logistic services, Warehousing, Leasing of vehicles, Real estate and insurance business, and others.

**The forecast performance and business plans specified in this document have been prepared based on information available as of the date of publication, as well as on various prerequisites; therefore, the actual results may differ from these forecasts or plans depending on various factors that may arise hereafter.**