ADEKA CORPORATION
Head Office: 7-2-35 Higashi-ogu, Arakawa-ku, Tokyo
contact information
Legal Affairs & Publicity Dept
TEL : +81-3-4455-2803  FAX : +81-3-3809-8210
e-mail : somu@adeka.co.jp
The ADEKA Group’s Management Policy and Code of Conduct

Management Policy

☐ Work hard to be a forward-looking organization by staying on the cutting edge
☐ Be a respected member of the world community

Code of Conduct

1. Abide by laws and regulations in all corporate activities and conduct fair business in an ethical manner
   We abide by domestic and overseas laws and regulations as well as corporate internal rules and conduct fair and transparent business in accordance with social ethics.
   \[\text{p}16-37 \text{ "CSR Management"}\]

2. Provide safe and high quality products and services
   We develop and provide products and services that truly contribute to the construction of a sound and wealthy society. We provide products and services of safe and high quality, giving first priority to customers' satisfaction and re assurance.
   \[\text{p}14-17 \text{ "Special Feature: Me Plant’s Initiatives to Improve its On-Site Capabilities"/ p}18-19 \text{ "Product Safety Initiatives"}\]

3. Be serious about preserving the environment
   We acknowledge that voluntary initiatives to the environmental efforts are essential for the existence and activities of the enterprise. We give special consideration to preservation of the environment by endeavoring to develop and provide environmentally friendly products intended for easy recycling, and tackling aggressively the conservation of resources including energy and waste minimization.
   \[\text{p}20-23 \text{ "Environmental Conservation Initiatives"}\]

4. Open and friendly communication and activities, to serve the interest of society and to maintain its trust
   We are willing to be a business enjoying the deep-seated trust widely from the public by emphasizing the dialogue with it. We highly esteem traditional culture and practices not only in Japan, but also in the countries where we are located, and make best efforts to contribute to development of communities in various aspects by participating in community activities, disaster relief services and other volunteerism.
   \[\text{p}30-31 \text{ "Initiatives Toward Community and Society"/ p}32 \text{ "Initiatives by Overseas Group Companies"}\]

5. Foster corporate transparency by truthfully and accurately disclosing information regarding our business activities
   We disclose business information that is useful for society in a timely and appropriate manner. We fully acknowledge the key relevance of protection of confidential information, including privacy of customers, and deal with such confidential information as customers' data stored with us in accordance with the provisions of house rules in an appropriate and rigorous way.
   \[\text{p}16-37 \text{ "CSR Management"}\]

6. Maintain a safe and healthy working environment for our employees
   We secure a safe and healthy working environment for employees, respect their human rights, give them impartial and equal treatment and realize their comfortable and wealthy life, thereby building a vibrant company that appreciates their uniquenesses and initiatives.
   \[\text{p}24-28 \text{ "Creating a Pleasant Working Environment"/ p}29 \text{ "Initiatives for Occupational Health and Safety"}\]

7. Not tolerate anti-social forces or behavior
   We totally exclude relationships with any anti-social forces and groups jeopardizing order and security in the civil society and put undue pressure on business activities, and reject their unreasonable demands aggressively.
   \[\text{p}16-37 \text{ "CSR Management"}\]

8. Strive to achieve sustainable growth and success for the benefit of our employees, shareholders, and society
   We seek for harmonization as well as co-existence and co-prosperity with the civil society, and strive for a sound and vital development and an increase of profitability through fair and transparent management and global and innovative business activities, thereby realizing an appropriate return of our results to the society.
   \[\text{p}8-9 \text{ "CSR and Medium- and Long-term Visions of the ADEKA Group"/ p}10-13 \text{ "Special Feature: Research & Development in the ADEKA Group"}\]
The ADEKA Group has set forth the aspiration (medium- to long-term vision) of becoming a Good Company that generates net sales of 300 billion yen by fiscal 2016, when we mark our 100th anniversary. To that end, we have been implementing our three-year Mid-Term Management Plan, “STEP 3000,” since fiscal 2012. “STEP 3000” is positioned as the period for creating the foundation to achieve our medium- to long-term vision. In line with the five basic policies (Global Operations, Technology, Creation of Value, Investment, and Human Resources), we are driving forward our growth strategies of expanding our overseas operations and developing new products.

As a “Warm-hearted and Good Company,” we take up the challenge of engaging in corporate activities that can create new values in society, through communicating with our stakeholders.

Looking Back on Fiscal 2013—Progress of the Mid-Term Management Plan “STEP 3000”

The ADEKA Group has set forth the aspiration (medium- to long-term vision) of becoming a Good Company that generates net sales of 300 billion yen by fiscal 2016, when we mark our 100th anniversary. To that end, we have been implementing our three-year Mid-Term Management Plan, “STEP 3000,” since fiscal 2012. “STEP 3000” is positioned as the period for creating the foundation to achieve our medium- to long-term vision. In line with the five basic policies (Global Operations, Technology, Creation of Value, Investment, and Human Resources), we are driving forward our growth strategies of expanding our overseas operations and developing new products.

Both the chemicals and foods businesses performed well in fiscal 2013. The strong overall performance of the Group, particularly in our overseas operations, led us to achieve sales of 200 billion yen for the first time. In recent years, we have also achieved progress in the full-scale expansion of our overseas operations through efforts such as setting up production and sales bases. In fiscal 2013, we also launched operations at our local corporation in Brazil and office in Taipei, Taiwan; established a new plant in China; and aggressively implemented measures in line with the five basic policies. In fiscal 2014, we plan to construct new production plants in Malaysia and the United Arab Emirates.

Transforming the Globalization Trend Into Opportunities for Creating New Values

In order to achieve our medium- to long-term vision of generating sales of 300 billion yen, we must become a Good Company that excels in all the following three aspects: Competence, Vigor, and Stability. This involves strengthening our technological prowess in research and development, production, quality management and other areas; enhancing our human capabilities that encompasses specialized knowledge, creativity, and leadership skills; securing the stable growth of our core businesses; and strengthening our management structure in order to build a sound financial foundation. It is also vital for us to raise the level of motivation among our employees, and be a vibrant and energetic organization.

In the areas of functional chemicals, as well as electronics and IT materials, the globalization has picked up at a dramatic pace in tandem with the rapid expansion of the market. We have entered an era in which it has become commonplace to formulate business strategies on a global scale. Hence, all employees of the ADEKA Group will also have increasing opportunities to come into contact with the global playing field as we move forward into the future. We perceive this development as an excellent chance for generating new values and energy, and will take active steps to develop an organizational culture and develop human resources who are able to respond to such changes in the operating environment.

While globalization has a positive aspect in the new business opportunities that it generates, it also creates new and unforeseen risks. Across the entire supply chain, it is necessary to deepen our understanding not only of human rights and compliance, but also of matters related to working styles and interaction with society, as well as local and global standards. On top of this, we have to put effort into ensuring that our corporate activities generate social value at a global level.

Toward Becoming a “Warm-hearted and Good Company”

ADEKA’s strength, both in the past and today, lies in the warmth of our people. Even though the lifespan of a corporation is generally said to be just 30 years, ADEKA has built up highly creative technological capabilities and passed down our “warm-hearted” corporate culture for close to a hundred years. This is the company’s strength, and we take great pride in it. However, it is also important for us to have the courage to break away from traditions and conventions, rather than to settle complacently into the status quo. In 2012, we withdrew from the electrolyte business that we have been engaged in since our founding days, making the significant decision of focusing the management resources on future growth sectors. We believe that such decisions also become the source of vitality for our company.

By communicating with our diverse group of stakeholders both in Japan and overseas, ADEKA will continue to overcome barriers and differences in ways of thinking as we strive to become a “warm-hearted and good company” that excels in all aspects of competence, vigor, and stability.

Akio Kohri, Representative Director and President
Throughout its history, ADEKA has been developing proven technologies, which are at work in diverse aspects of our everyday lives. The ADEKA Group is committed to assembling the best technologies in order to develop eco-friendly and socially responsible products and technologies for a healthy and enriched society.

Building infrastructure that is stronger and more robust
Water swelling sealing materials
Sealing materials used in concrete structures, to prevent water leakage, etc.

For healthy lives
Surfactants
Creams, emulsions, lotions, etc.
Propylene glycols
Detergents, shampoos, pharmaceutical products, etc.

On your cherished cars
Polymer additives
Reducing the weight of vehicles
Lubricant additives
Improving fuel efficiency and reducing exhaust emissions

In all corners of the office
Polymer additives (flame retardants)
Improving the flame retardant property of plastics
Hydrogen peroxide
Bleaching of raw materials used in papermaking, etc.

In delicious desserts too
Whipped cream
Improves the creamy texture and mouthfeel

Consolidated net sales
Food
Foods Business

Other
Other Business

Consolidated sales by business

ADEKA in Our Lifestyles
CSR REPORT 2014
ADEKA Overseas Network
As a company that consists in harmony with the world community, we are working together with our domestic and overseas networks to expand our business areas and aggressively develop our overseas operations.

Office
- Head Office
- Osaka Main Branch
- Fukuoka Branch
- Sendai Regional Office

Plants
- Kashima Plant
- Kashima Plant-West
- Chiba Plant
- Soma Plant
- Faj Plant
- Akashi Plant
- Soma Plant

R&D Laboratories
- Kuki R&D Laboratory
- Osaka R&D Laboratory
- Urawa R&D Laboratory
- Fukuoka R&D Laboratory

Domestic affiliated companies
- ADEKA CHEMICAL SUPPLY CORP.
- ADEKA CLEAN HD CORP.
- ADEKA FINE FOODS CORP.
- ADEKA ENGINEERING & CONSTRUCTION CORP.
- ORIOSTE CHEMICAL CORP.
- ADEKA FOODS SALES CORP.
- ADEKA LOGISTICS CORP.
- YONIC CO., LTD.
- ADEKA CHEMICALS CORP.
- KASUMI FOODS INDUSTRY CO., LTD.
- AMORINO KOSUGE CO., LTD.
- OBI-OPI CHEMICAL CO., LTD.
- ISEI ARCHITECTS OFFICE CO., LTD.
- KANDO SODIUM GLASS GLASS CO., LTD.
- YOKOHAMA ENVIRONMENTAL MEASUREMENT CENTER CO., LTD.
- MEISEIKIN PLASTICIZER CO., LTD.

Overseas affiliated companies
- USA
  - AMFRE CHEMICAL CORP.
  - JM STABILIZERS CORP.
  - ADEKA USA CORP.
- Brazil
  - ADEKA BRAZIL LTDA.
- Germany
  - ADEKA EUROPE GmbH
- France
  - ADEKA PALMAROLE SAS
- UAE
  - ADEKA AL GHURAIR ADDITIVES LLC
- China
  - ADEKA CHANGHAI CO., LTD.
  - ADEKA FINE CHEMICAL CHANGHAI CO., LTD.
  - ADEKA FINE CHEMICAL CHANGSHAN LTD.
  - ADEKA CHEMICALS CHANGSHAN LTD.
  - CHANG CHAI CHEMICAL CHANGHAI CO., LTD.
  - KUKDO CHEMICAL (KUNSHAN) CO., LTD.
- Taiwan
  - CHANG CHAI CHEMICAL (TAIWAN) CORP.
- South Korea
  - ADEKA KOREA CORP.
- Singapore
  - ADEKA (SINGAPORE) PTE LTD
  - ADEKA (JAY) PTE LTD
- Malaysia
  - EMIRITE FOODS & PRODUCTS SDN BHD
  - ADEKA FOODS (MALAYSIA) SDN BHD
- Thailand
  - ADEKA FINE CHEMICAL (THAILAND) CO., LTD.
- India
  - ADEKA INDIA PVT LTD

History of our business activities
- 1917: Established Head Office
- 1917: Established the production of caustic soda
- 1919: Started the production of hydrogenated oil
- 1920: Started the production of soaps
- 1929: Started the manufacture of RISU BRAND margarine
- 1954: Listed the production of sappanwood
- 1970: Started operation of Kashima Plant
- 2012: Acquired vinyl chloride stabilizer business from Hammond Snup, Inc.
- 2013: Completed new research center at the Urawa R&D Laboratory
- 2015: Completed a plant for high-performance antioxidants at ADEKA FINE CHEMICAL (CHANGSHU) CO., LTD in China
- 2016: Establishment of a new laboratory building for medical materials at Kashima Plant-West

Promotional poster issued at the time

Changes in consolidated results

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Consolidated Net Sales (100 million yen)</th>
<th>Operating Income (100 million yen)</th>
<th>Net Sales (100 million yen)</th>
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<tr>
<td>2013</td>
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<td>716</td>
<td>1,926</td>
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Changes in overseas sales

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<th>Fiscal Year</th>
<th>Overseas Sales (100 million yen)</th>
<th>Overseas Sales Ratio %</th>
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<tr>
<td>2009</td>
<td>250</td>
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</tr>
<tr>
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</tr>
<tr>
<td>2013</td>
<td>420</td>
<td>21.0</td>
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<tr>
<td>2013</td>
<td>420</td>
<td>21.0</td>
</tr>
</tbody>
</table>

Changes in overseas sales
CSR and Medium- and Long-term Visions of the ADEKA Group

Fundamental CSR Policy

Gentle Harmony between People and Technology

Harmony with Society

Mid-term Management Plan “STEP 3000”

Regular corporate activities

Corporate activity KPIs

Harmony with Society

Management Policies

Fundamental CSR Policy

ADEKA Group Code of Conduct

Gentle Harmony between People and Technology

Harmony with Society

Mid-term Management Plan “STEP 3000”

Regular corporate activities

Corporate activity KPIs

Harmony with Society

The ADEKA Group’s Key Stakeholders

We provide an open business environment and encourage business achievement, and we emphasize the importance of business ethics.

The ADEKA Group Code of Conduct

By engaging in fair competition with our competitors, in accordance with the law, we seek mutual benefits in terms of technology, capability, and price competitiveness, and to achieve sustainable development for the economy and the entire industry.

We provide shareholders with accurate business reports, and ensure appropriate return of profits.

We work with our suppliers to care for the environment.

We improve the capability and morale of our employees through a goal management system.

We strengthen our internal control system, including compliance system and risk management system.

We provide shareholders with accurate business reports and ensure appropriate return of profits.

We provide customers with high-quality products that meet their needs.

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We provide customers with high-quality products that meet their needs.
Contributing to the Sustainable Development of Society

Since the founding of the company, the ADEKA Group has developed proprietary fundamental technologies that can be utilized and applied to a diverse range of applications in the chemicals and food business divisions. In a society that has become increasingly demanding toward the aspects of convenience, comfort, safety, and security, we will take up the challenge of creating valuable products that are integrated with our proprietary technologies, and put our best efforts into solving social issues.

Plastics are used in various applications such as automobiles, home appliances, electronic device parts, construction materials, and packaging materials. Polymer additives play an indispensable part in improving the performance and functionality of these plastics.

ADK STAB NA-27 is a high-performance nucleating agent developed through research conducted on the emulsification structure of fresh cream. Our “Pure Blend Whip Series” of whipped cream, used in non-baked cakes and desserts, is a whipped cream with a fresh milky flavor, created through research conducted on how butterfat solidifies (crystallization property of oils and fats). This margarine is able to produce croissants with a juicy texture that is in no way inferior to the texture produced using butter. Both of these margarine products stand up to butter in terms of taste. In addition, the “Olympia Juicy Sheet Series” of margarine, used for kneading into croissants and Danish dough, was developed based on research conducted on how butterfat solidifies (crystallization property of oils and fats). This margarine is able to produce croissants with a juicy texture that is in no way inferior to the texture produced using butter. Both of these products have been highly appraised by our customers.

ADEKA’s technologies for creating good tastes are applied to a wide variety of food products, and contribute to a richer dietary life.

ADEKA continues to tackle the challenge of developing new technologies every day.

Making Food Taste Delicious Through Our Oils and Fats Products

R&D Laboratories that Provides Support for ADEKA’s Technologies
Photo initiators are key materials that provide support for improving the definition and brightness on LCD display screens used in LCD televisions, smartphones, and computers. They are also used in the production of color filters that bring out the beautiful and vivid colors of videos and photographs.

While IT and electronic equipment are becoming increasingly thin and lightweight, the trend in LCD screens is heading toward higher image quality and larger screens. Consequently, users are seeking lower power consumption and better color reproducibility for the color filters used in LCD displays.

By harnessing the technological capabilities for precision organic synthesis that we have developed in our Information Media Materials Laboratory, we have succeeded in developing photo initiators that show strong chemical reactions to light. Compared to conventional photo initiators, our products are highly sensitive to light, and contribute to improving the definition of color filters.

Color filters that make use of our photo initiators also have excellent transparency. As such, they make it possible for LCD displays to produce a high level of brightness and clarity, and enable the reproduction of beautiful colored images with just a small amount of light. In this way, they also contribute to energy conservation.

Going forward, we aim to further enhance our technological capability, build a stable supply system, and contribute to realizing a rich and comfortable society on a global scale.

Heat-Dissipating Insulation Sheets that Contribute to the Environment and Energy Sectors

The question of how to utilize limited energy resources in a current and global issue, and the development of technologies that can support energy conservation and an energy-conserving society has become crucial to our society.

In recent years, LED lighting that lasts longer while consuming less electricity as compared to incandescent light bulbs that produce the same degree of brightness, as well as SiC (silicon carbide) power semiconductors that are expected to produce a high level of heat resistance (above 300°C) in the industry. We are currently reviewing the possibility of applications in a wide range of fields, including domestic circuit board, parts, and final product manufacturers.

Going forward, we aim to develop and supply materials with high added value that can contribute to society in the environment and energy sectors.

Heat-dissipating insulation sheets developed by ADEKA have high heat dissipation properties, with thermal conductivity above 10W/mK. In addition, through our proprietary resin development, the sheets boast the highest level of heat resistance (above 300°C) in the industry. We are currently reviewing the possibility of applications in a wide range of fields, including domestic circuit board, parts, and final product manufacturers.

Heat-dissipating insulation sheets are indispensable for LED lighting and SiC power semiconductors. They serve the role of dissipating the heat generated from LED chips and semiconductor chips, protecting the electronics parts.

In recent years, countries around the world have been increasingly adopting the use of wind power generation as part of their measures to counter global warming. Wind power generation harnesses wind, a form of renewable energy, and is said to be highly effective in reducing the generation of greenhouse gases. On the other hand, as wind power generators must be placed in locations that have a good flow of wind, such as on mountain peaks or on the sea, one important issue to consider is how to prevent lightning and other factors from causing damage to the blades (wings).

We have developed epoxy resin that contributes to strengthening blades and improving power generation efficiency, by combining the resin composition and curing technologies that we have accumulated over the course of the company’s history. In tandem with the growing scale of wind power generation, there are also rising concerns about the increasing weight of blades. However, our epoxy resin product is able to reduce the weight of these blades by more than 20% stronger than previous products, thereby reducing the weight on components parts. In this way, it is expected to contribute to increasing power generation capacity.

As the resin hardens even at low temperatures conditions of about 5°C, it is possible to quickly repair wind power generator blades that have been damaged by lightning, thereby preventing losses in operation time. In this way, the resin is expected to improve power generation efficiency.

In order to contribute to the realization of a resource recycling-oriented society in the future, we aim to focus the research and development capabilities that we have built up to date on the renewable energy sector.
Aiming for “Monozukuri Without Mistakes” that Makes Customers Happy Through the 5S Activities

The Mie Plant has been implementing MKS’s (Mie Continuous Five Q—5Q) activities since fiscal 2011. MKS-5Q activities aim to achieve the thorough implementation of the 5Q (five ways of developing the production site), in order to bring about the four areas of safety that ADEKA has set forth as a company-wide policy — occupational safety, environmental safety, equipment safety, and quality safety.

The Mie Plant has been implementing SS activities continuously from early on since the plant commenced operations, and has achieved improvements through activities such as TPM and MPI-200 (Mie Plant Innovation, aimed at improving productivity by 200%).

As new activities aimed at revitalizing the initiative have not been put in place since the MPI-200 activities implemented up till fiscal 2008, and as many employees from the baby-boomer generation responsible for “cultural creation” at the production sites were beginning to leave the plant, Mie Plant began to initiate various efforts aimed at creation and passing down monozukuri culture through the lively revival of 5S activities as a fundamental strategy for improving the corporate value generated by a production plant.

Creating and Passing On Monozukuri Culture Through 5S Activities

The Mie Plant is a core production plant engaged in manufacturing cutting-edge chemicals products, including polymer additives. It also provides technological support to ADEKA’s overseas bases.

In order to gain the trust of customers amidst the increasing globalization of the business, it is most important to ensure accurate monozukuri (manufacturing) without mistakes, as well as proper compliance with the “fundamentals” of the manufacturing industry, which is to provide a stable supply of products with consistent quality in a safe manner, following a fixed set of procedures.

It is vital to raise the level of employees’ motivation in order to keep up with the implementation of 5S activities, and elevate these to the level of a “monozukuri culture” that cannot be replicated by other companies. At the same time, management is also required to put in even more creative effort than before.

5S Activities

SS activities are initiatives for improving work processes, based on five strategies that begin with S—<br>
- Seiri (sorting), Seiton (straightening), Seiso (sanitizing), Seiketsu (standardizing), and Shitsuke (sustaining).<br>Activities include discarding unwanted items; ensuring that shared objects and information can be accessed easily by all; diligently carrying out regular cleaning and inspection; maintaining organized, neat, and clean conditions; and maintaining the above 4S and complying with workplace rules and work procedures.

5S Activities

1. Creating a site with no accidents or disasters
2. Creating a site that does not generate pollution
3. Creating a site that does not produce defective or inferior products
4. Creating a site where work processes are not suspended
5. Creating a site that can improve the plant’s contribution margin

ADEKA Mie Plant

As a production base for stabilizers, additives, and specialty plasticizers used in polymers, the Mie Plant of ADEKA Argus Chemicals Co., Ltd. began operation in the suburbs of Kuwana, Mie Prefecture in 1965. After the merger in 1990 and the change of the company name in 2006, it changed its name to ADEKA Mie Plant. The plant plays an important role by supplying various high-end resin additives and information media materials used in automobile parts and construction materials.

Certification Acquired


TPM Awards Received

“Handmade Reform” That Harnesses the “Implicit Knowledge” of Experienced Employees

A characteristic of the MCFS-5G activities is that they do not rely on assistance from experts such as consultants, but rather, are implemented through a “handmade reform” that focuses on mid- and lower-level employees who have developed “implicit knowledge” over their years of work and experience of improvement activities at the Mie Plant, including SS. It is essential to ensure a combination of “top-down” and “bottom-up” management in activities such as SS, which call for an awareness of various matters at the work site. The implementation of “handmade reform” can have the effect of nurturing positive ideas among employees, including young employees, of independently creating a workplace that customers and others recognize as being “characteristically Mie Plant,” and of aiming to be the best at something once you decide to do it.

“Handmade” MCFS-5G Activity Promotion System

The MCFS Task Force coordinates the nine task forces and subcommittees, and serves as the “pilot” for guiding employees in MCFS-5G activities. The monthly joint meeting is attended by the respective chairpersons of the task forces and subcommittees, as well as plant managers, general managers, and production managers. During the meeting, attendees verify the progress status of the activities and discuss improvement measures for problems. All members conduct cross-organizational inspections simultaneously, and communication is carried out immediately across various organizations. By doing so, employees are introduced and inspired by the initiatives undertaken by other departments, and this in turn drives them to make improvements to their own activities.

Passing Down Plant Revitalization Activities as a “Reliable Plant”

The improvement activities that the Mie Plant has implemented to date have been highly appreciated by the customers. In fiscal 2013, the Production Divisions Receive Awards at the ADEKA-wide Presentation Seminar for Case Studies of Improvements Achieved.

In order to supply products that can provide even greater value to society, win the trust of customers, and overcome intense competition, it is important to manage work sites by picking up even the smallest ideas and proposals on-site without fail. ADEKA takes a proactive stance toward safety, putting in place initiatives such as the Presentation Seminar for Case Studies of Improvements Achieved (July) and the Presentation Seminar for Case Studies of Improvements Achieved in the “Four Areas of Safety” (December) held every year for all offices, including overseas bases. In fiscal 2013, Production Dep, Second Four of the Mie Plant was awarded the Excellence Award in the Presentation Seminar for Case Studies of Improvements Achieved, while Section Two received the Excellence Award in the Presentation Seminar for Case Studies of Improvements Achieved in the “Four Areas of Safety.” The steady progress of work revitalization activities carried out at Mie Plant, including MCFS-5G activities, are beginning to show results.

10th Presentation Seminar for Case Studies of Improvements Achieved in the “Four Areas of Safety”

Case Studies that Received the Excellence Award

Taking on the slogan of “Reborn Section Two,” all members of Production Dep, Section Two took up the challenge of implementing improvements in a wide range of areas, based on new ideas that have never been tried before.

As a result of improvement initiatives that placed focus on enhancing security capabilities, such as capturing new educational information including safety and quality improvement “Know-Why” through voluntary maintenance activities, as well as training to deal with the leakage of hazardous substances, on DAV and using it in educational activities, the Division succeeded in maintaining a level of zero accidents and disasters in all four areas of safety.

With regard to activities pertaining to the usage (sanitary) aspect of the SS activities, the Division took top place for the second time running in the 5S Competition held at Mie Plant. This success was achieved by upgrading equipment and reviewing cleaning methods for model areas that have aged, and where it had become difficult to recover residues. The results of these activities were highly appraised by customers who had visited the areas on plant tours and audit inspections.

In the aspect of occupational safety, the Division has put in place measures to ensure faithful compliance with various management standards. One example of this is the implementation of measures, undertaken by all employees, in the lowering of the hazardous substance parakemaldehyde by suppressing the generation of dust to a level that does not exceed the management concentration stipulated under the Industrial Safety and Health Act, the Division succeeded in stabilizing loading speed.

Other divisions and departments were also greatly inspired by the success of Production Dep, Sections Two and Four that led to these awards. They are now establishing and implementing unique and creative measures, with the aim of being the next division or department to receive the awards.

“Four Areas of Safety” Award ceremony

Yasuhiro Yamakita
Manager of the MCFS Task Force, Mie Plant (Manager, Section Three: Production Dep)
Product Safety Initiatives

Message from the Representative

Contribution to society through the provision of safe, high-quality products and services is considered to be the first step in CSR. To that end, we are undertaking activities based on our unique concept of "quality safety," which captures the ideas of quality assurance and product safety as one.

Going forward, we aim to promote quality safety activities that form the foundation for satisfying all our stakeholders, and strengthen our system for providing product information and services.

Junya Takeuchi
General Manager, Environment Safety & Quality Assurance Department

Quality Safety Policy for Fiscal 2013

1. Investigate the “true cause” for defective quality, and take prior measures to prevent them from occurring and to prevent recurrences.
2. Establish a system for supply chain management, from raw materials to the use and disposal of the completed product, and take continuous steps to improve the system.
3. From the perspective of food defense, carry out overall inspections of production sites and management conditions in order to enhance food safety.

Targets and Actual Results for Fiscal 2013

<table>
<thead>
<tr>
<th>Item</th>
<th>Targets</th>
<th>Actual results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance with PL*</td>
<td>Compliance with GHS* for imported products</td>
<td>Completed introduction of the NSGS* automatic creation system that is compliant with overseas laws and regulations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Achieved compliance with GHS in Korea and Indonesia</td>
</tr>
<tr>
<td>Management of chemicals</td>
<td>Compliance with related laws and regulations in Japan and abroad</td>
<td>Completed compliance with laws related to chemical regulations in Japan and abroad</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Completed registration of REACH substances for 2013 (live substances)</td>
</tr>
<tr>
<td>Safety and assurance for food products</td>
<td>Keep up efforts to provide information to customers</td>
<td>Provided product information through product specifications manuals, etc.</td>
</tr>
<tr>
<td></td>
<td>Compliance with related laws and regulations in Japan</td>
<td>Added descriptions of allergens items recommended for display on product labels</td>
</tr>
</tbody>
</table>

Examples of Activities for Fiscal 2013

Quality Management System

The Adeka Group strives to ensure thorough management of quality safety, and to secure product safety and improve quality.

In order to promote quality safety activities throughout the company, the respective research, production, sales, and staff departments and divisions conduct activities by following the PDCA cycle, based on the Quality Safety Policy formulated by the Environmental Protection Division every fiscal year.

The final results are reported at the quality management and PL meetings, and efficacy and horizontal development of the activities are verified. After that, the Quality Safety Policy for the next fiscal year is formulated.

Quality and PL Audits

Quality safety activities that are implemented by the respective research, production, sales, & other departments and divisions are audited by the Environment Safety and Quality Assurance Department, which oversees quality matters. Periodic checks are conducted to ensure that the quality safety system is properly implemented.

In Fiscal 2013, quality and PL audits were conducted for 27 chemicals divisions and 46 foods divisions. Continuous improvements are carried out for quality safety activities through feedback on the audit results.

TOPICS

CSR Audits Conducted by Customers

In order to ensure that customers can use our products with peace of mind, we promptly respond to customers for CSR investigations and audits. In Fiscal 2013, AMFINCHEMICAL CORP. in the United States, which was subjected to a supplier audit by a customer, was highly appraised for its safety and health management initiatives, as well as in improvement activities. We aim to continue raising the bar for our management levels.

 

Food Traceability Management

At each stage from procurement to sales, we maintain records of our suppliers and customers, as well as production methods, and store these in a centralised manner. The adoption of such a traceable system allows us to track the history of events, deduce the cause of problems quickly, and take appropriate measures in the event that a problem arises.

We are able to track the lot number printed on products and capture information about the production plant, date and time of production, and materials used. At the same time, we also put our utmost effort into ensuring a stable supply by creating links to the warehouse management system.

Targets for Fiscal 2014

<table>
<thead>
<tr>
<th>Item</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance with PL*</td>
<td>Timely import of MSDS for imported products, in line with the laws and regulations of each country</td>
</tr>
<tr>
<td></td>
<td>Ensuring construction of the NSGS automatic creation system compliant with international laws and regulations</td>
</tr>
<tr>
<td></td>
<td>Ensuring improvements and greater efficiency in the traceability management system</td>
</tr>
<tr>
<td>Management of chemicals</td>
<td>Compliance with related laws and regulations in Japan and abroad</td>
</tr>
<tr>
<td></td>
<td>Achieved compliance with REACH in South Korea, and with chemical laws in Taiwan; investigating the situation for the revised TSCA law*6 (United States)</td>
</tr>
<tr>
<td>Safety and assurance for food products</td>
<td>Keep up efforts to provide information to customers</td>
</tr>
<tr>
<td></td>
<td>Maintain compliance with related laws in Japan and continue to collect information</td>
</tr>
</tbody>
</table>

* Abbreviation for “Product Liability” * A System for applying the global classification standards for chemical substances, and for raising awareness about the labelling of such substances
* Chemical Substance Safety Data Sheet
* General term for comprehensive management regulations for chemical substances as indicated by the ES
* Abbreviation for the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.
* Abbreviation for the United States’ “Toxic Substances Control Act,” which regulates hazardous substances

Quality Management Training for Employees

Briefing sessions and seminars about laws related to product liability and chemical substances are conducted, mainly for employees who are involved in work at the production sites. The efforts are made to ensure that information on laws and regulations are widely disseminated, and to improve the level of understanding for individual employees. In Fiscal 2013, lessons were conducted on security trade management and the Chemical Substances Act*5. These were attended by 329 employees.

Management of Chemical Substances

We recognise that chemical substances may have an impact on the environment and on human health, even while they bring us greater convenience in our lives. As such, we strive to ensure proper and appropriate management of chemical substances.

Specifically, we have put in place initiatives across the entire supply chain, from the procurement of raw materials through to the production processes, and the use and disposal of the completed products. These include the collection of information by obtaining the NSGS of the raw materials that we purchase, minimizing discharge into the environment at the production phase, giving consideration to the health of employees, and conducting safety assessment tests on products.

We are also REACH-compliant, and have completed registration of five substances by the registration deadline for 2013.
Environmental Conservation Initiatives

Message from the Representative

The ADEKA Group recognizes the impact that corporate activities have on the environment, and is taking steps to prevent air, water, and soil pollution, as well as to reduce the burden on the environment.

In fiscal 2013, in addition to activities related to conserving resources and energy that we have been implementing from the past, we also injected effort into developing environmentally friendly products, suppressing the generation of food waste, and implementing activities based on the Biodiversity Policy (enacted in fiscal 2012). We seek to maintain harmony with the environment across all our corporate activities, and strive to conserve the environment and ensure the safety and health of people in the local community and of our employees in order to contribute to the development of a sustainable society.

Yutaka Furusawa
Operating Officer and General Manager, Environmental Protection Division

Basic Environmental Policy

In order to raise awareness of environmental issues and respond to societal needs towards environmental conservation, we have revised the basic guidelines we formulated in 2006.

1. Strive to conserve resources and energy, recycle resources, and reduce the generation of waste, in order to prevent environmental pollution.
2. Comply with domestic and foreign laws and regulations related to the environment, and at the same time strive to strengthen voluntary management and achieve further environmental conservation.
3. Be aware that corporate activities are dependent upon the blessings produced through biodiversity, and seek to protect biodiversity.
4. Take a proactive stance in preserving raw materials that impose a low burden on the environment, and contribute to the realization of a recycling-oriented society.
5. Disclose the results of environmental conservation activities to society.
6. Communicate with stakeholders and provide support to society and local communities in environmental conservation activities.

Targets and Actual Results for Fiscal 2013

Summary targets: ADEKA and 10 main affiliated companies in Japan

<table>
<thead>
<tr>
<th>Scope</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promote energy conservation</td>
<td>Reduce energy intensity by 1% or more year on year</td>
</tr>
<tr>
<td></td>
<td>Reduce CO2 emissions by 1% or more year on year</td>
</tr>
<tr>
<td>Reduce industrial waste output by 1% or more year on year</td>
<td></td>
</tr>
<tr>
<td>Reduce industrial waste output by 1% or more year on year</td>
<td></td>
</tr>
<tr>
<td>Achieve 100% recycling rate (tonnes generated)/year by fiscal 2020</td>
<td></td>
</tr>
<tr>
<td>Achieve landfil disposal volume of zero by fiscal 2020</td>
<td></td>
</tr>
<tr>
<td>Achieve landfil disposal volume of zero by fiscal 2020</td>
<td></td>
</tr>
<tr>
<td>Improve green purchasing rate by 80% or more for stationery and non-stationery items by fiscal 2020</td>
<td></td>
</tr>
<tr>
<td>Improve green purchasing rate by 80% or more for stationery and non-stationery items by fiscal 2020</td>
<td></td>
</tr>
<tr>
<td>Establish a management system</td>
<td>Head Office and Soma Plant</td>
</tr>
<tr>
<td></td>
<td>Acquire ISO 22000:2012 accreditation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scope</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Achieved energy intensity of 0.1798 kiloliters per tonne (3.9% reduction from previous year)</td>
</tr>
<tr>
<td></td>
<td>Generated 145,219 tonnes of CO2 emissions (3.6% increase from previous year)</td>
</tr>
<tr>
<td></td>
<td>Generated 39,144 tonnes of industrial waste (1.3% reduction from previous year)</td>
</tr>
<tr>
<td></td>
<td>Generated 12,279 tonnes out of 5,238 tonnes of externally processed waste.</td>
</tr>
<tr>
<td></td>
<td>Achieved a 43% recycling rate (Recycled 12,279 tonnes out of 5,238 tonnes of externally processed waste.</td>
</tr>
<tr>
<td></td>
<td>Landfil disposal volume of 21 tonnes (0.8% of industrial waste generated). Achieve zero emissions*</td>
</tr>
<tr>
<td></td>
<td>Stationery items/totally 99% (3,439 items out of 3,489 items, Designated non-stationery items. 47% (542 items out of 1,159 items)</td>
</tr>
<tr>
<td></td>
<td>Acquire ISO 22000:2012 certification in December 2013</td>
</tr>
<tr>
<td></td>
<td>Review and revision of BCP at each plant</td>
</tr>
</tbody>
</table>

* ADEKA defines “complete elimination” as landfill waste that amounts to less than 0.1% of the total volume of industrial waste output.

Environmental Initiatives System

Under the policy set by Environmental Protection Division headed by an operating officer, each business office formulates an execution plan and makes efforts for continuous improvement of environmental management activities by implementing PDCA cycle.
Examples of Activities for Fiscal 2013

Waste Reduction and Resource Recycling

Under the Law Concerning Promotion to Recover and Utilize Recyclable Food Resources, business operators in the food industry are required to suppress the generation of food waste and make effective use of waste as resources. The target implementation rate for recycling and reuse has been set at 85%.

ADEKA has implemented cross-functional activities across the production, management, sales, and other departments and divisions, and is actively promoting the recycling of waste and the suppression of food waste generation. In fiscal 2013, as a result of efforts to improve production efficiency in the production department and strengthen warehouse management in the sales department, we achieved a food recycling rate of 86.6%.

Initiatives Toward the Utilization of Natural Energy

ADEKA is putting effort into reducing CO2 emissions from its corporate activities, and has introduced a solar power generation system to some of our offices.

In fiscal 2013, we installed 62 new solar panels, each measuring 1.1m², at our employees’ dormitory at the Mie Plant. The power generation capacity of the facility is expected to reach 11,272 kWh per year, and we are taking active steps to ensure the effective utilization of natural energy.

Conservation of Water Resources

The ADEKA Group makes use of clean water and industrial water, as well as groundwater, in our production processes. We have put in place measures to ensure the effective use of water and the management of the quality of water that is discharged. With regard to reducing the amount of water used, we put effort into recycling and reusing water that has previously been used to cool equipment such as tanks and pipes in the plants. In the case of water discharged from our plants, we also strive to prevent water pollution by discharging this water to public sewers and rivers only after it has been cleaned and treated through the wastewater treatment facilities in our plants.

Greening Activities Within the Office Premises

ADEKA is actively promoting greening activities within our office premises with the aim of helping to conserve the natural environment in the region that the office is situated in, whether in Japan or overseas.

At the Chiba Plant, approximately 1400m² of the land within the premises has been converted into a grass-covered car park as part of greening efforts within the plant. Adopting a construction method that protects grass from the excessive weight of vehicles, we are keeping up efforts to maintain the health and beauty of the green area.

Environmentally Friendly Products

ADEKA’s R&D Division promotes research and development activities that place emphasis on not producing or discharging environmental pollutants from the product design phases. In 2010, we established the Guidelines on Environmentally Friendly Products as part of our efforts to promote the development of products that impose a low burden on the environment.

In fiscal 2013, due to the strong performance of our engine oil additives that reduce the emission of CO2, and intumescent flame retardants that are able to suppress the generation of carbon monoxide during combustion, the sales ratio of our environmentally friendly products reached 7.6% (as compared to 6.5% in fiscal 2012).

Consideration for the Environment During Production

Survey target: ADEKA Production Department

<table>
<thead>
<tr>
<th>Year</th>
<th>Greenhouse gas emissions (1,000t-CO2)</th>
<th>Energy consumption (1,000kWh)</th>
<th>Water consumption (1,000ℓ)</th>
<th>Amount of industrial waste generated (1,000t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>156.4</td>
<td>63.8</td>
<td>20</td>
<td>67.5</td>
</tr>
<tr>
<td>2011</td>
<td>144.6</td>
<td>60.3</td>
<td>15</td>
<td>37.9</td>
</tr>
<tr>
<td>2012</td>
<td>150.7</td>
<td>61.5</td>
<td>20</td>
<td>38.6</td>
</tr>
<tr>
<td>2013</td>
<td>145.2</td>
<td>62.2</td>
<td>20</td>
<td>38.6</td>
</tr>
</tbody>
</table>

Targets for fiscal 2014

<table>
<thead>
<tr>
<th>Scope</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green energy conservation</td>
<td>Reduce energy intensity by 1% or more year-on-year in the production department</td>
</tr>
<tr>
<td>Reduce industrial waste generated</td>
<td>Reduce industrial waste generated by 1% or more year-on-year</td>
</tr>
<tr>
<td>Achieve 100% recycling rate for outsourced volumes by fiscal 2020</td>
<td></td>
</tr>
<tr>
<td>Amenity</td>
<td>Reduce energy intensity by 1% or more year-on-year in the production department</td>
</tr>
<tr>
<td>Achieve 100% recycling rate for outsourced volumes by fiscal 2020</td>
<td></td>
</tr>
<tr>
<td>Amenity</td>
<td>Reduce energy intensity by 1% or more year-on-year in the production department</td>
</tr>
<tr>
<td>Achieve 100% recycling rate for outsourced volumes by fiscal 2020</td>
<td></td>
</tr>
<tr>
<td>Amenity</td>
<td>Improve green purchasing rate by 10% or more for stationary and non-stationary items by fiscal 2020</td>
</tr>
<tr>
<td>Amenity</td>
<td>Gain a good understanding of customers’ needs and promote continuous improvements in management systems</td>
</tr>
<tr>
<td>Amenity</td>
<td>Gain a good understanding of customers’ needs and promote continuous improvements in management systems</td>
</tr>
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</tr>
<tr>
<td>Amenity</td>
<td>Gain a good understanding of customers’ needs and promote continuous improvements in management systems</td>
</tr>
</tbody>
</table>
Creating a Pleasant Working Environment

Message from the Representative

In fiscal 2013, we put our best efforts into ensuring a safe and pleasant working environment where human rights are respected, and continued to promote work-life balance and diversity.

We respect the diversity of our employees, and seek to promote the development of human resources who can lead future generations, as well as the creation of a secure workplace for our employees.

Susumu Yasuda
General Manager, Human Resources Department

ADEKA Human Resources Principles

- Respect the human and personal qualities of employees
- Develop human capital who have a positive social impact
- Support self-realization by employee
- Develop employees with initiative

Targets and Actual Results for Fiscal 2013

<table>
<thead>
<tr>
<th>Targets</th>
<th>Actual results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extension of the maternity leave system (Leave that can be taken when an employee’s partner gives birth)</td>
<td>Extension of number of days of maternity leave from two days to three days. Utilized by 48 employees.</td>
</tr>
<tr>
<td>Enrichment of the short working hours system for childcare and nursing care providers</td>
<td>Change in the rate of using the short working hours system from one-hour units to 30-minute units. Extension of childcare leave to a maximum of two years</td>
</tr>
</tbody>
</table>

Human Resources Data

<table>
<thead>
<tr>
<th>Item</th>
<th>Fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
</tr>
<tr>
<td>(1) No. of employees</td>
<td>2,520</td>
</tr>
<tr>
<td>(2) No. of employees</td>
<td>1,518</td>
</tr>
<tr>
<td>(3) Average age of employees</td>
<td>38.1</td>
</tr>
<tr>
<td>(4) Ratio of female employees (%)</td>
<td>12.7</td>
</tr>
<tr>
<td>(5) Ratio of female managers (%)</td>
<td>1.7</td>
</tr>
<tr>
<td>(6) Re-employment rate (%)</td>
<td>94.7</td>
</tr>
<tr>
<td>(7) Employment rate for people with disabilities (%)</td>
<td>1.95</td>
</tr>
</tbody>
</table>

Promoting Diversity

We promote diversity in order to ensure that all employers can take a broad perspective in their career.

Respect for Human Rights

The ADEKA Group Code of Conduct lays out respect for fundamental human rights, and is distributed in English and Chinese to all Group employees in order to raise awareness of human rights.

We also take a firm stance against discrimination and acts of violence, as well as sexual harassment, based on the company’s rules of employment. With the aim of preventing moral harassment at the workplace and raising awareness amongst employees, we have continued to conduct training courses for each employee level and office. In fiscal 2013, 227 employees attended these courses.

Recruitment of Global Human Resources

We also take a proactive stance toward the employment of fresh graduates who are foreigners, including foreign students, as well as retirees. Decisions pertaining to employment, benefits, and promotion are made without making any distinction between different nationalities. Two of the 54 fresh graduates who joined the company in April 2014 were of foreign nationality and retirees.

We respect the values held by diverse human resources, and are committed to developing a pleasant working environment for all our employees by engaging them in work suited to their individual capabilities and skills.

Promoting Female Employment

The ADEKA Group promotes the creation of a working environment where each individual employee is able to maximize his or her capabilities, regardless of gender.

We have put effort into employing female recruits. The number of female recruits in April 2014 was seven out of 54 fresh graduates who joined the company at this time. With regard to promotion examinations, the doors to managerial and general positions are open to all employees, regardless of gender.

The ratio of female managers has improved from 6.7% since fiscal 2012.

Employment of Retirees

Since fiscal 1992, we have introduced a system for the continued employment of retirees. Since fiscal 2013, we have also re-employed retirees who wish to be employed up to age 65, with the inclusion of cases where we are unable to do so due to special circumstances.

We have developed flexible employment styles, including full-time work similar to what employers experienced prior to retirement, as well as part-time work of three days a week or less. In these ways, we are committed to creating a space where we can continue to tap into the knowledge, experience, and expertise of our employees even after their retirement.

In fiscal 2013, we re-employed all retirees who submitted applications for re-employment (13 employees).

Employment of People with Disabilities

The ADEKA Group has developed an employment environment and expanded the occupations available in order to bring out the potential in people with disabilities and help them achieve self-fulfillment.

As of the end of fiscal 2013, the employment rate for people with disabilities stood at 1.87%. Although this was below the legal employment rate of 2% after the revision enforced in April 2013, we will increase employment to reach the quota going forward.

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Human Resource Development

The ADEKA Group recognizes that employees are an important management resource for a corporation. We regard human resources as assets, respecting the motivation and aspirations of each individual, and put effort into developing human resources who can lead future generations.

Enhancing the System for Developing Global Human Resources

Each of our offices in Japan has adopted a system providing employees with support to attend external language schools, or which hires foreign lecturers to conduct language lessons in-house (English and Chinese). In fiscal 2013, 115 employees made use of this system.

In addition, as part of a system to give employees the opportunity to experience language acquisition and work experience overseas, an overseas training system was launched in fiscal 2007. Under this system, employees, with a focus on young employees, are dispatched to countries such as the United States, China, and Singapore. In fiscal 2013, five employees were dispatched overseas.

These training attend local language schools and undergo training at overseas affiliates. Through this system, we aim to foster employees who can play active roles in the global community, we created an environment that allows employees to familiarize themselves with local business environments and practices.

Career Development for Employees

We provide support for the development of our employees’ abilities, having prepared training by employee level that contributes to the acquisition of a wide range of knowledge and skill development.

We have also adopted a business school model for motivated employees who wish to study under external institutions on a curriculums for working adults, which equips employees with marketing theories, the construction of logical thinking, and other topics. Through these means, we strive to raise the capability of our employees.

Introduction of Mentoring System

For research jobs, we have introduced a mentoring system effective from fiscal 2013. Under this system, the workplace and the company joins hands to provide new employees with education and guidance. Each new employee is assigned a mentor (a good counselor) of supervisory level. The aim of the system is to provide new employees with planned, continuous support in the workplace through work guidance that is provided based on the OJT Training Manual.

The mentoring system was adopted across the company effective from fiscal 2014, and efforts are being made to develop and guide new employees alongside efforts to ensure that their mental health is taken care of.

System for Listening to Employee Opinions (Self-Reporting System)

We have established a self-reporting system that allows employees to discuss their own future career paths with the company. Reports are made yearly through individual interviews with their supervisors, where employees talk about the work they are responsible for, the work they wish to engage in, and their work locations.

Initiatives Toward the Development of Global Human Resources

Development of Human Resources Who Can Play an Active Role Across the Boundaries of Countries and Regions

The ADEKA Group is engaged in corporate activities in 12 countries and regions around the world, including Asia, the United States, and Europe.

Amidst the situation of increasing globalisation of the business, we have set the growth strategy of expanding our overseas operations in our Mid-Term Management Plan “STEP 3000.”

In order to venture close to each region and develop our business quickly, we are putting effort into actively recruiting human resources overseas, as well as developing global human resources who can play an active role across the national and regional borders.

Developing Management Personnel at Each Base and Speeding Up the Globalization of Management

At our overseas bases, in all areas including production management, sales, and financial strategy, we have put in place initiatives aimed at developing local employees into becoming management personnel.

For instance, at ADEKA FOODS (ASIA) SDN. BHD., which was set up in fiscal 2012 as a production and sales company for processed oils and fats, Japanese staff provide training internally for local employees. Local employees are encouraged to participate in external seminars and training conducted by external lecturers, with the aim of raising the skill level of employees.

Furthermore, we conduct practical training at our food production subsidiary company in Singapore, our Foods R&D Laboratory, and our Kajima Plant which is the flagship plant for our foods business, as part of efforts to create training opportunities in collaboration with the various bases. This serves to deepen employees’ knowledge of their work, as well as to share the management philosophy and values of the ADEKA Group.

Going forward, we will continue to develop global human resources who can serve as a connection between Japan and other countries by absorbing our technologies and knowhow, and spreading these to local communities.

Voice

Seeking to Apply the Knowledge and Skills Learnt in Training to My Work

I am grateful to have gained the opportunity to work at the foods processing plant, which I have never experienced before. I joined the company in January this year, and underwent intensive training at ADEKA bases in Japan and abroad. One month after joining the company, I was given the chance to learn food hygiene management at a foods production company in Singapore, and experienced production processes on-site.

In my training at the Kajima Plant and Foods R&D Laboratory, I had an extremely enjoyable time in my first experience making bread. I also deepened my friendship with all the people who served as my teachers, making the experience even more meaningful for me.

I hope that the knowledge and experience I have gained through my training will play a useful role in my work in establishing the ADEKA FOODS (ASIA) Sdn. Bhd. plant, and I wish to join efforts with everyone to make it an important plant for the ADEKA Group.

Ong Yee Huat
Manager, Production Dept, ADEKA FOODS (ASIA) SDN. BHD.
**Work-Life Balance**

We place an emphasis on work-life balance, which aims to fully draw out the individual capability of each employee. To that end, we have put in place systems to allow for flexible and diverse working styles.

**Keeping a balance between work and childcare/nursing care**

We have introduced childcare leave systems, as well as short-time work systems, with the aim of providing support for employees striving to balance work life and family life. In fiscal 2013, we extended the childcare leave period and increased the number of days of maternity leave. In addition, 21 employees made use of the short working hours system.

In addition, we have incorporated items pertaining to activities to raise awareness and the enhancement of systems to promote the taking of childcare leave by male employees into the Second Action Plan (fiscal 2013 - 2015), based on the Act on Advancement of Measures to Support Raising Next-Generation Children, and are implementing these initiatives.

**Regulating the Number of Working Hours**

Efforts are being made to set aside days for leaving work on time (once a week) and to regulate the number of working hours by setting up a Committee to Improve the Setting of Working Hours Through Labor-Management Discussions. The work attendance of employees is managed through the combined use of an online system with a system that records the time they enter and leave the building through a card-reader. These are a part of efforts to prevent employees from working long hours and putting in unpaid overtime work.

In fiscal 2013, the average number of overtime work hours per month was 14.2 hours (increase of 0.1 hours as compared to fiscal 2012), and the rate of annual paid leave taken was 65.9% (0.9 points decline from the previous business year in which calculations were made). These showed that the number of actual working hours increased.

**Maintaining the Health of Employees**

The ADEKA Group conducts regular health examinations for all employees twice a year. The consultation rate also reached 100% for fiscal 2013. Occupational doctors and nurses provided follow-up checks for individual employees when re-examination was necessary, or findings were detected. In addition to providing vaccinations for employees who wish to receive them as a preventive measure against influenza, a financial assistance plan targeted at dependent family members of employees has also been established.

We have also set up a system allowing employees to consult with doctors easily by setting up a health consultation counter within the clinic that is open at all times.

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**Initiatives Toward Community and Society**

**Initiatives Toward Nurturing the Next Generation**

**Work Experience Learning Programs, Accepting Visitors for Plant Tours**

We wish to play even the smallest role in helping to develop a career and work perspective for young people. To that end, each of the offices takes a proactive stance in accepting junior and senior high school students for work experience learning programs and plant tours. In work experience learning programs, our program not only grants students the opportunity to visit the research and production sites, but also ensures that they have the chance to communicate with employees and get to experience actual jobs and work.

**Lessons Conducted by Employees**

We have been conducting chemical experiment classes for elementary school students in the vicinity of the head office since fiscal 2011.

We put effort into designing each lesson so that young people can participate in the experiments while gaining a deeper understanding of chemistry. We have received feedback from the students saying that they wish to work in the field of chemistry in the future, and that they enjoyed themselves very much.

**Holding Judo and Kendo Competitions**

The ADKEX Cup Judo and Kendo Competitions for elementary and junior high school students who attend judo and kendo classes at the police stations in Arakawa Ward, where our head office is located. The 13th Competition was held in fiscal 2013, and a total of 75 students, ranging from first year of elementary school to third year of junior high school, participated in the Competitions. We will continue to hold these events and put effort into making them enjoyable, so that more children from the local community will partake in the future.

**Initiatives Toward Child Welfare**

We donate to children’s welfare facilities and participate in volunteer activities in the regions where our primary production facilities are located. To date, the respective offices have donated cakes during the Christmas season, held rice cake-making events, and interacted with the local community as employees visit the facilities directly for such activities.

**Donations Toward Welfare Events**

The Kashima Plant in the Nice Heart Fureai Festival, organized by the Ibaraki Prefectural Government, and the Ibaraki Prefecture Sports and Cultural Association for the Disabled, held in December every year in which we participated in fiscal 2013, we continued to donate the frozen cakes made by our company. We also donated 880 Christmas cakes to eight facilities for the disabled in Kashiwa, Kashima, and Inakura cities in Ibaraki Prefecture.

**Local Exchange Through Exhibitions and Events**

We create various opportunities for communication with the aim of building goodwill relationships with the local communities where our offices are located, such as by participating in local events and inviting local residents to summer festivals organized by the company.

**Participation in Activities to Beautify the Environment**

The ADKEX Group puts effort into beautifying the areas around our offices, and periodically carries out cleaning activities. We also participate actively in environmental conservation activities and initiatives to pick up litter organized by the local government, and strive to keep the environment beautiful while interacting with the local community.
Initiatives by Overseas Group Companies

AMFINE CHEMICAL CORP.

Visiting Lessons Conducted by Employees
AMFINE CHEMICAL CORP. conducts visiting lessons for elementary school students in the vicinity of the company, with employees serving as teachers. The aim is to communicate the fun of chemistry to the children who will lead future generations, and nurture their interest in science and technology. They also hold field trips for high school students from schools in the neighborhood, and engage actively in education of the next generation.

ADEXCHEMICAL TAIWAN CORP.

Received the Excellent Corporation Award from Taiwan's Ministry of Finance
ADEXCHEMICAL TAIWAN CORP. was one of the best companies in the ADEX Group to acquire the ISO 22301 certification for its business continuity management system. With the aim of delivering better products and services to its customers, it also carries out risk management for business continuity on a regular basis.

In fiscal 2013, the company was highly appraised for its management and administrative work carried out to date, including the issuance and submission of Taiwan's official invoice known as “uniform invoices,” and received the award for Excellent Corporation for the Implementation and Management of Uniform Invoices from Taiwan’s Ministry of Finance.

Donating Stationery to Elementary Schools
Visitng Hua Hin, where the company tour was held.

Providing Scholarships for Students
ADEXCHEMICAL TAIWAN CORP. provides continuous schooling support to students confronted with financial problems by providing scholarships.

In fiscal 2013, the company continued to provide scholarships to outstanding students in Wanju-gun, where the production plant is located. It also provided a one-year scholarship to a high school student in the vicinity of its Seoul office.

Providing Training on Subcontract Partnerships
The ADEX Group provides employees with training on subcontractor partnerships, in order to build sound relationships with our subcontractors through fair trading activities in compliance with laws and regulations.

We are also committed to raising awareness among our employees. In fiscal 2013, we held a seminar on the Act Against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors for employees of our affiliates.

Compliance with Relevant Procurement Laws
In 2002, we formulated the Procurement Management Standards. In line with these, we carry out procurement activities in a fair and just manner based on a relationship of cooperation and trust with our business partners, and with consideration given to the environment.

we undertake a wide range of IR activities that include briefing sessions on the Mid-Term Management Plan for institutional investors and analysts, visits to our production bases and R&D laboratories, and individual meetings. We hold briefing sessions, after the release of our year-end and second-quarter financial results. During these sessions, the top management is present to provide reports directly to stakeholders about our performance, causes, forecasts for the whole period, and forecasts for the next period.

Ir Activities

Strengthening the Partnerships with Our Business Partners

We have established a basic dividend policy that takes into consideration overall factors such as operating environment, performance, and financial situation, when determining an appropriate level of internal reserves and profit allocation.

With regard to the return of profits, we take a stance that focuses on stability while maintaining a medium- to long-term perspective. Dividends are determined based on an overall consideration of factors including the performance for each period, R&D and investment plans, financial situation, and operating environment.

Disclosure Policy

We communicate with all our shareholders and investors, in line with our Disclosure Policy. In addition to the scope of disclosure stipulated by laws and regulations, we take a proactive stance in disclosing important management information, such as financial results and business plans.

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Relationships of Trust with Shareholders and Investors

Building Partnerships

We are also committed to raising awareness amongst our employees. In fiscal 2013, we held a seminar on the Act Against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors for employees of our affiliates.

To that end, we create opportunities to provide business partners and retailers with information about business policies from top management every year, and put effort into strengthening the relationships and deepening mutual understanding by exchanging information and opinions on a regular basis.

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Continued Support Toward Recovery from the Great East Japan Earthquake

It has been more than three years since the Great East Japan Earthquake struck on March 11, 2011. We would like to take this opportunity to extend our heartfelt condolences to all victims of the disaster and their families.

While there are still lingering concerns about the impact of the disaster, such as inadequate power supply, we will provide a report about the ADEKA Group’s efforts to assist in the recovery of affected areas, and the business continuity management activities that we have undertaken to date in our position as a “disaster-resilient company.”

Rehabilitation and Support Activities Undertaken by the ADEKA Group

The ADEKA Group is involved in various aspects of rehabilitation and support activities. These include having donated money toward relief efforts immediately after the earthquake struck, providing relief supplies and leasing land for the constitution of temporary housing at recharge, and leasing out a part of the Soma Plant premises for use as a stockyard for wave-dispersing blocks. In fiscal 2013, we concluded a memorandum of agreement with Fukushima Prefecture on land-rental lease rights for business purposes in the recovery of fishery research and production facilities that were damaged in the earthquake disaster. Approximately 2.7 hectares of land on the premises of the Soma Plant will be leased to Fukushima Prefecture as part of our support toward the recovery of the fishery industry in Fukushima Prefecture.

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The Prime Minister of Japan, other relevant parties to set up our production systems as soon as possible.

Agricultural and Forestry Office as a stockyard for wave-dissipating blocks.

Leased a part of the Soma Plant at no charge to the Fukushima Prefectural Agricultural and Forestry Office as a stockyard for wave-dissipating blocks.

We have kept up efforts to further meet the expectations of our customers. In November 2011, the business continuity management systems established by the head office and the Soma Plant were accorded the international ISO 22301 certification.

In November 2013, the business continuity management systems established by the head office and the Soma Plant were accorded the international ISO 22301 certification.

Going forward, we will continue with our activities to fulfill our mission of providing stable supplies of our products, while responding flexibly to the various changes that we expect will take place in the environment, as well as to the demands of society.

Main support activities undertaken by the ADEKA Group

- Donated relief funds (total of 20 million yen) to Japan Business Federation, the Soma City Hall, and Shinchi Town Hall.
- Provided Soma City Hall and Shinchi Town Hall with relief supplies (7,000 portions of curry produced by Uehara Foods Industry Co., Ltd.)
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- Concluded a memorandum of agreement with the Soma Plant’s site as a temporary storage area for soil used to build embankments.
- Leased idle land (Soma City) at no charge to Soma City for constructing temporary housing.
- Leased a part of the premises at the Soma Plant to the Soma Quarry Union as a stockyard for crushed stone used for reconstructing Soma Port and the coastal areas (extension).
- Concluded a memorandum of agreement with Fukushima Prefecture on fixed term land lease rights for business purposes for relocating a fishery research facility and fishery culture and seedling production facility on a part of the Soma Plant, for the recovery of fishery seedling research and production facilities that were damaged in the earthquake disaster.
- Approximately 2.7 hectares of land on the premises of the Soma Plant will be leased to Fukushima Prefecture as part of our support toward the recovery of the fishery industry in Fukushima Prefecture.

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ADEKA Group’s Emergency Response, and Initiatives to Strengthen Our BCP

During the Great East Japan Earthquake, we established an emergency headquarters swiftly after the earthquake struck, in line with the Crisis Management Manual. The emergency contact networks and safety verification systems were initialized, and the top priority was verifying the safety of all employees, families, and related personnel. The training activities conducted based on our BCP functioned effectively, and helped to prevent fatal chaos amidst the serious damage incurred.

After the earthquake disaster, as part of our countermeasures in the event of a large-scale earthquake and in preparation for times of emergency, we formulated a disaster manual for disasters that strike in the night or on holidays, laying out basic policies for those who are unable to return home and response measures for local residents. We also enhanced our preparedness toward emergency rationing. In addition to storing food and water supplies, blankets, and portable toilets, we also introduced satellite telephones that can be used to secure telecommunication connections with all our offices. Through these initiatives, we strengthened our crisis management system in preparation for unforeseen situations and emergencies.

Indisputably, the most important mission that we fulfill is to provide customers with supplies of our products. After the earthquake disaster, we took immediate steps to check our warehouses in the affected areas and our stock situation, and worked closely with our logistics partner companies, and the relevant parties to set up our production systems as soon as possible.

Damage to the electrical facilities as a result of the tsunami caused serious damage to the Soma Plant. However, thanks to the management system we established as part of the BCM certification we obtained in March 2010, we were able to minimize the impact from the suspension of operations and restore supplies of our products to customers in about three months after the earthquake struck.

2011

March

- Donated relief funds (total of 20 million yen) to Japan Business Federation, the Soma City Hall, and Shinchi Town Hall.
- Provided Soma City Hall and Shinchi Town Hall with relief supplies (7,000 portions of curry produced by Uehara Foods Industry Co., Ltd.)

April

- Leased idle land (Soma City) at no charge to Soma City for constructing temporary housing.

2012

March

- Leased a part of the premises at the Soma Plant to the Soma Quarry Union as a stockyard for crushed stone used for reconstructing Soma Port and the coastal areas (extension).

April

- Concluded a memorandum of agreement with Fukushima Prefecture on fixed term land lease rights for business purposes for relocating a fishery research facility and fishery culture and seedling production facility on a part of the Soma Plant, for the recovery of fishery seedling research and production facilities that were damaged in the earthquake disaster.
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- Donated relief funds (total of 20 million yen) to Japan Business Federation, the Soma City Hall, and Shinchi Town Hall.

September

- Concluded a memorandum of agreement with the Soma Plant’s site as a temporary storage area for soil used to build embankments.

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November

- Concluded a memorandum of agreement with Fukushima Prefecture on fixed term land lease rights for business purposes for relocating a fishery research facility and fishery culture and seedling production facility on a part of the Soma Plant premises. (Operations scheduled to commence in July 2015)
Corporate Governance

Overview of Corporate Governance (Structure of Management System)

Remuneration System for Operating Officers

<table>
<thead>
<tr>
<th>Designation</th>
<th>Year-end of remuneration, etc.</th>
<th>No. of officers paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director (excluding external director)</td>
<td>244 million yen</td>
<td>10</td>
</tr>
<tr>
<td>Audit Supervisory Board Member (excluding external auditor)</td>
<td>41 million yen</td>
<td>2</td>
</tr>
<tr>
<td>External-operating officer</td>
<td>18 million yen</td>
<td>4</td>
</tr>
</tbody>
</table>

External-operating officer

Boad Member

Audit Supervisory Board Member (excluding external auditor)

Remuneration for operating officers for fiscal 2013

Our remuneration system for operating officers comprises two components—remuneration as compensation for execution of duties, and a bonus that is tied to the company’s performance for the business year in question. Remuneration for directors is paid out in line with remuneration standards approved by the board of directors, and lies within a range that has been approved at the General Shareholders’ Meeting. Remuneration for auditors is paid out in consultation with the auditors.

Survey on Compliance Awareness

We periodically conduct compliance awareness surveys on all employees with the aim of gaining a quantitative understanding of their compliance awareness levels, and to identify and improve on the problems uncovered through the survey. The fiscal 2013 survey covered awareness, knowledge, and behavior in relation to compliance, the effectiveness of compliance measures, and the subjects of compliance activities. The survey was conducted on all 1,723 ADEKA employees with a response rate of 94.7%. The survey found that employees appreciated the ADEKA Group’s Code of Conduct (hereinafter referred to as “the Code of Conduct”).

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Third Opinion Comments

Reading the ADEKA Group CSR Report 2014
Kazuhiko Kojibata
President, Graduate School of Business Administration, Osaka City University

The ADEKA Group has incorporated CSR activities into its Mid-Term Management Plan, and recognizes that these activities are closely tied to its core business. In particular, the four-layered pyramid shown on page 8, which shows “Management Philosophy, Fundamental CSR Policy, Mid-Term Management Plan, and Regular Corporate Activities,” is a good way of presenting this relationship. In addition, the ADEKA Group CSR Report 2014 contains information about research and development activities, and contains feature articles that facilitate understanding on how the ADEKA Group aims to realize certain social issues. These activities play an extremely important role in the creation of social value, and I hope that they will continue to develop in a way that is constantly tied to the ADEKA corporate goals.

Global CSR Management
Fiscal 2013 marks the second year in the Mid-Term Management Plan “STEP 3000.” The 14 items of important issues forming the five basic policies are progressing smoothly, and are ready for reporting in the final period of the plan. Reading through the 14 items, I gained a clear sense that the company is expanding and driving forward corporate activities, even at the global stage, based on its fundamental CSR policy, and that CSR is positioned as the foundation for the business activities undertaken by the ADEKA Group. This Report also introduces the activities undertaken by the Group’s local companies.

Receiving Third Opinion Comments

Thank you for your invaluable feedback and comments about the ADEKA Group CSR Report. The report contains special feature articles, as we had intended to convey our initiatives in creating values that can contribute to solving various social issues by providing our customers with quality products that are highly functional, produced through our proprietary R&D activities at our production sites.

Aiming to Become a Warm-hearted and Good Company
With regards to the Great East Japan Earthquake, the Report describes the support that the company has continued to provide even in the aftermath of the disaster. Although many articles were published immediately after the disaster, I felt a renewed sense of encouragement when I saw that support and crisis management activities had been sustained and continued even three years after the disaster. The second feature focused on the creation and passing down of monocular culture, and reminds us that it is possible to create major waves by building up individual activities that appear to be insignificant and humble by themselves. This is the aspect of ADEKA Group as a “Warm-hearted and Good Company.” It is my hope that many people will come to know about the realization of this aspect of the company.

Financial Statements

Changes in consolidated sales and operating profit

Consolidated sales by business

Sales by region

Changes in R&D expenditure

Changes in capital investment

Changes in depreciation and amortization

Changes in consolidated number of employees
1. Strive to conserve resources and energy, recycle resources, and reduce the generation of waste, in order to prevent environmental pollution.

2. Comply with domestic and foreign laws and regulations related to the environment, and at the same time strive to strengthen voluntary management and achieve further environmental conservation.

3. Be aware that corporate activities are dependent upon the blessings produced through biodiversity, and seek to protect biodiversity.

4. Take a proactive stance in procuring raw materials that impose a low burden on the environment, and contribute to the realization of a recycling-oriented society.

5. Disclose the results of environmental conservation activities to society.

6. Communicate with stakeholders and provide support to society and local communities in environmental conservation activities.

*In order to raise awareness of environmental issues and respond to societal needs towards environmental conservation, we have revised the basic guidelines we formulated in 2006.

Environmental Initiatives System

Under the policy set by Environmental Protection Division headed by an operating officer, each business office formulates an execution plan and makes efforts for continuous improvement of environmental management activities by implementing PDCA cycle.

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Contact information

ADEKA Corporation Legal Affairs & Publicity Dept
7-2-35 Higashi-ogu, Arakawa-ku, Tokyo
TEL: +81-3-4455-2803 FAX: +81-3-3809-8210 Mail Address: somu@adeka.co.jp
# Environmental Action Goals, Plans

ADEKA has established quantitative targets for important items related to environmental conservation, and we conduct our business activities toward achieving these targets. In fiscal 2013, we revised our medium- to long-term targets to correspond with greenhouse gas reduction targets announced by the government. As the Company has already achieved the target of reducing greenhouse-gases by 3.8% by 2020, against fiscal 2005 figures, we will continue with the single-year target of an annual reduction rate of 1% for CO$_2$ emissions in our production divisions.

Scope of quantitative assessment: ADEKA Corporation

<table>
<thead>
<tr>
<th>Category</th>
<th>Scope</th>
<th>Medium- and Long-term Goals</th>
<th>FY2013 Goals</th>
<th>Performance in FY2013</th>
<th>Future Tasks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promote energy conservation</td>
<td>Production division</td>
<td>Reduce energy intensity by 7% by FY2020, compared with FY1990 levels</td>
<td>Reduce energy intensity by 1% or more year on year</td>
<td>• Achieved energy intensity of 0.9128 kiloliters per tonne (Reduced energy intensity by 2.9% compared with FY1990 levels; 3.9% reduction from previous year)</td>
<td>• Strengthen management toward reduction of fixed energy with a focus on electricity and steam</td>
</tr>
<tr>
<td>Reduction of Greenhouse Gas Emissions</td>
<td>Production division</td>
<td>Reduce CO$_2$ emissions by 3.8% by FY2020, compared with FY2005 levels</td>
<td>Reduce CO$_2$ emissions by 1% or more year on year</td>
<td>• Generated 145,219 tonnes of CO$_2$ emissions (Reduced CO$_2$ emissions by 18.3% compared with FY2005 levels; 3.6% increase from previous year)</td>
<td>• Change fuels, for example, from heavy oil to city gas</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Discover new highly efficient equipment/energy-saving equipment, etc.</td>
</tr>
<tr>
<td>Reduce industrial waste generated</td>
<td>All ADEKA Offices</td>
<td>Achieve landfill disposal volume of zero by fiscal 2020</td>
<td>Reduce industrial waste output by 1% or more year on year</td>
<td>• Achieved zero emissions</td>
<td>• Curb generation of waste through improvements in production technology</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Curb the generation of long-term stock-in-hand and surplus products through production planning and sales planning</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Explore channels to convert things into valuable resources, and recycle waste</td>
</tr>
<tr>
<td>Reduce Environmental Pollutant Emissions</td>
<td>Production division and R&amp;D division</td>
<td>Reduce emission of PRTR*5 substances by 28% compared with FY2010 levels by FY2020</td>
<td>Serve to reduce emissions of PRTR substances, while managing them</td>
<td>• Air emissions: 6.4 tonnes (27% fall from previous fiscal year)</td>
<td>• Enhance management for reducing emissions of PRTR substances</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Emissions into public water: 3.0 tonnes (96% fall from previous fiscal year)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• PRTR transferred amount: 146 tonnes (14% fall from previous fiscal year)</td>
</tr>
<tr>
<td>Promote green purchasing</td>
<td>All ADEKA Offices</td>
<td>Improve green purchasing rate by 80% or more for stationery and non-stationery items by fiscal 2020</td>
<td></td>
<td></td>
<td>• Promote green purchasing while striking a balance with cost</td>
</tr>
<tr>
<td>Management systems</td>
<td>Head Office and Soma Plant</td>
<td>Develop IMS<em>2 and ECM</em>3</td>
<td>Acquire ISO 22301:2012 accreditation</td>
<td>Acquired ISO 22301:2012 certification in December 2013</td>
<td>• Understand customer’s needs and continuously improve management systems</td>
</tr>
<tr>
<td></td>
<td>Production division</td>
<td>Keep up continuous improvements in ECM and BCP</td>
<td>Review and revision of BCP at each plant</td>
<td></td>
<td>• Review and revision of BCP at each plant</td>
</tr>
</tbody>
</table>

Notes:
- *1 An objective indicator for production efficiency. Refers to the energy needed to produce a unit quantity of products (crude oil equivalent).
- *2 Defined as the percentage of industrial waste of all industrial waste that is treated by external contractors, which is effectively utilized through means such as recycling and reuse, resource recovery, and heat recovery (as defined by ADEKA Corporation).
- *3 Defined as landfill waste that amounts to less than 0.5% of the volume of industrial waste output (as defined by ADEKA Corporation).
- *4 Defined as landfill waste that amounts to less than 0.1% of the volume of industrial waste output (as defined by ADEKA Corporation).
- *5 A system in which the Japanese government, together with business operators and other bodies, observes, computes, and publishes data on the sources and amounts of toxic chemical substances released in the environment, and amounts externally transferred in waste.
- *6 Comprehensive management system
- *7 Business continuity management system

*Achieved energy intensity of 0.9128 kiloliters per tonne (Reduced energy intensity by 2.9% compared with FY1990 levels; 3.9% reduction from previous year)
*Generated 145,219 tonnes of CO$_2$ emissions (Reduced CO$_2$ emissions by 18.3% compared with FY2005 levels; 3.6% increase from previous year)
*Achieved zero emissions

- Recycling rate: 43% (3 points down from previous fiscal year)
Environmental Accounting

The ADEKA Group calculates and verifies costs required for environmental conservation and its effect in order to facilitate environmental management.

Survey Target: ADEKA Corporation and the main 11 domestic affiliated companies

Material Flow

The ADEKA Group has put in place initiatives to reduce and recycle the volume of waste material generated through our production processes.

Survey Target: ADEKA Corporation and the main 11 domestic affiliated companies

Environmental Accounting Costs

<table>
<thead>
<tr>
<th>Category</th>
<th>Description of Main Initiatives</th>
<th>Cost of Environmental Initiatives (millions of yen)</th>
<th>Amount of Investment (millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Business area cost</td>
<td>All environmental conservation activities aimed at limiting environmental impact</td>
<td>1,500</td>
<td>1,500</td>
</tr>
<tr>
<td>(1) Pollution prevention costs</td>
<td>Prevention of air, water, and soil pollution, and of noise, odors, and land subsidence</td>
<td>1,081</td>
<td>471</td>
</tr>
<tr>
<td>(2) Global environmental conservation costs</td>
<td>Preventing global warming (conserving energy), preventing damage to the ozone layer</td>
<td>317</td>
<td>180</td>
</tr>
<tr>
<td>Resource recycling costs</td>
<td>Reducing and recycling resources, and minimizing the generation of waste material</td>
<td>435</td>
<td>96</td>
</tr>
<tr>
<td>2. Upstream/downstream cost</td>
<td>Effluent treatment and reducing the environmental burden imposed by containers and packaging</td>
<td>14</td>
<td>0.7</td>
</tr>
<tr>
<td>3. Administration cost</td>
<td>Environmental ISO, disclosure of environmental information, environmental impact monitoring, recycling, etc.</td>
<td>94</td>
<td>45</td>
</tr>
<tr>
<td>4. R&amp;D cost</td>
<td>R&amp;D expenses for environmental conservation</td>
<td>312</td>
<td>15</td>
</tr>
<tr>
<td>5. Social activity cost</td>
<td>Greening and beautification of areas outside the offices and plants,</td>
<td>6</td>
<td>0.2</td>
</tr>
<tr>
<td>6. Environmental remediation cost</td>
<td>Purification efforts to improve water quality and prevent soil pollution, restoration of nature</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>2,062</td>
<td>870</td>
</tr>
</tbody>
</table>

Environmental Accounting Material Flow

<table>
<thead>
<tr>
<th>Input Raw Materials</th>
<th>265 thousand tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>67.6 thousand kV</td>
</tr>
<tr>
<td>Water</td>
<td>12,108 thousand kV</td>
</tr>
<tr>
<td>Energy used in distribution</td>
<td>4,8 thousand kV</td>
</tr>
</tbody>
</table>

Environmental Performance Indicators

<table>
<thead>
<tr>
<th>Details of effects</th>
<th>Quantity of specific managed substances input (1)</th>
<th>Quantity of containers and packaging used (2)</th>
<th>Quantity of products transported (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase by recycling, profit from the use of valuable resources, etc.</td>
<td>152</td>
<td>7738</td>
<td>111,619 thousand tons (km)</td>
</tr>
<tr>
<td>Reduction in costs through introducing resources within the environment into business activities</td>
<td>259</td>
<td>6,254</td>
<td>7,9011</td>
</tr>
<tr>
<td>Reduction in waste impacting business, on the environment and costs related to the generation of waste material</td>
<td>54</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction in costs related to dealing with environmental damage</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction in distribution cost and other costs</td>
<td>14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>478</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note:
1) Total emissions from energy sources, non-energy sources, and processes
2) Sulfur oxides emitted during the use of sulfur-containing fuels
3) Nitrogen oxide emitted during the use of nitrogen-containing fuels
4) Particulate matter emitted from combustion of fuels and other matter
5) The amount of charges that is consumed during the stabilization of organic compounds
6) The amount of charges that is converted to biological organisms to remineralize or partly organic pollutants in a body of water or plant ecosystem
Prevention of Global Warming

With the aim of realizing a sustainable society through our business activities, ADEKA Group promotes energy conservation by improving processes, implements plans that include the conversion from the use of heavy oil to city gas, and reduces the consumption of various forms of energy that are used in our production activities.

Energy Consumption by Grade Of Equivalent

CO2 Emissions

Chemical Oxygen Demand Emissions

Biological Oxygen Demand Emissions

Air Pollution Prevention

As part of environmental conservation measures put in place by our production and R&D divisions, the ADEKA Group strives constantly to prevent air pollution, and is committed to efforts to minimize the emission of SOx, NOx, dust and soot into the air.

Prevention of Water Pollution

The ADEKA Group collects, recycles, and reuses wastewater from production processes, with the aim of preventing water pollution and the conservation of water resources, which are vital for a recycling-based society. The Group is also committed to reducing the environmental effects of wastewater, in accordance with various laws and regulations.

Usage of Water

Waste Water Discharge

SOx emissions

NOx emissions

Soot/Dust emissions
Reducing Industrial Waste

The ADEKA Group has put in place the 3R system that involves reducing, reusing, and recycling industrial waste, and is promoting the efficient use of resources.

Zero emission is defined as less than 0.1% of landfill disposal as a percentage of industrial waste generated. We have achieved zero emission for six consecutive years since fiscal 2007.


The entire flow of recycling and disposal of waste.

Industrial waste generated 44,168 t

- Volume recycled internally 29,021 t (65.7%)
- Volume for outsourced disposal 13,315 t (30.1%)
- Volume of exhausted recycling 5,784 t (13.1%)
- External landfill waste 40.5 t (0.09%)

Volume recycled internally 1,832 t (4.3%)
### Reducing Emissions of Chemical Substances

ADEKA Group began conducting studies on PRTR in fiscal 1997. The main to ensure appropriate management by carrying out quantitative assessments of the quantity of target chemicals used on as well as the quantity generated through its product processes.

With the revision of the law for PRTR, the number of target substances in the fiscal 2011 report was 462. For fiscal 2013, we will report on 77 of these 462 substances.

Survey Target: ADEKA Corporation (production and research divisions), Douse Chemical Co.

<table>
<thead>
<tr>
<th>Substance</th>
<th>(tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-Alkyloxy-2,4-epoxypropane</td>
<td>0.0</td>
</tr>
<tr>
<td>Alkyl or acryloxypropyl phenol</td>
<td>0.0</td>
</tr>
<tr>
<td>Ethylene oxide</td>
<td>0.0</td>
</tr>
<tr>
<td>Epichlorohydrin</td>
<td>0.0</td>
</tr>
<tr>
<td>Formaldehyde</td>
<td>0.0</td>
</tr>
<tr>
<td>Hydrochloric acid</td>
<td>0.0</td>
</tr>
<tr>
<td>Xylenes</td>
<td>0.1</td>
</tr>
<tr>
<td>Chlorobenzene</td>
<td>0.2</td>
</tr>
<tr>
<td>Chloroform</td>
<td>0.0</td>
</tr>
<tr>
<td>Chloroethylene</td>
<td>0.0</td>
</tr>
<tr>
<td>Acrylonitrile</td>
<td>0.0</td>
</tr>
<tr>
<td>Acrylamide</td>
<td>0.1</td>
</tr>
<tr>
<td>Acrylate</td>
<td>0.0</td>
</tr>
<tr>
<td>Water-soluble copper salt</td>
<td>0.0</td>
</tr>
<tr>
<td>Sodium</td>
<td>0.0</td>
</tr>
<tr>
<td>Calcium carbonate</td>
<td>0.0</td>
</tr>
<tr>
<td>Nonphosphate</td>
<td>0.0</td>
</tr>
<tr>
<td>Phosphate</td>
<td>0.0</td>
</tr>
<tr>
<td>Butyl-2-ethylhexyl phthalate</td>
<td>0.0</td>
</tr>
<tr>
<td>Sulfuric acid</td>
<td>4.0</td>
</tr>
<tr>
<td>Water-soluble salts of peroxyacetic acid</td>
<td>0.0</td>
</tr>
<tr>
<td>Basic compounds</td>
<td>0.0</td>
</tr>
<tr>
<td>Poly (acrylamide)</td>
<td>0.0</td>
</tr>
<tr>
<td>Polystyrene</td>
<td>0.0</td>
</tr>
<tr>
<td>Chlorinated hexafluorinated derivatives</td>
<td>0.0</td>
</tr>
<tr>
<td>Polyethylene and its compounds</td>
<td>0.0</td>
</tr>
<tr>
<td>NBR/NBR (NBR/NICR)</td>
<td>0.0</td>
</tr>
<tr>
<td>Other substances (44 types)</td>
<td>0.0</td>
</tr>
<tr>
<td>Total (E)</td>
<td>12.3</td>
</tr>
</tbody>
</table>

**Note:** (tonnes) *Basics Unit: 1000.*

### Acquisition of Management System Certification

**ISO 14001 (Environmental Management Systems)**
- Aike Plant (December 1994)
- Kashima Plant (March 1998)
- Fuj Plant (April 2000)
- Chiba Plant (May 2000)
- Soma Plant (September 2006)
- Aike Plant (May 2001)
- OXIRANE CHEMICAL CO. LTD. (March 2001)
- JABAO ENVIRONMENTAL MEASUREMENT CENTER CO., LTD. (February 2001)
- ADEKA KOREA CORP. (March 2000)
- ADEKA CHEMICAL TAIWAN CORP. (February 2007)
- ADEKA CHEMICAL (SHANGHAI) CO., LTD. (July 2007)
- AMINE CHEMICAL CORP. (September 2007)
- ADEKA FOODS (SHANGHAI) CO., LTD. (August 2009)

**QHRS 16001 (Occupational Health and Safety Management Systems)**
- Aike Plant (September 2001)
- Soma Plant (November 2002)
- Kashima Plant (November 2002)
- Aike Plant (March 2001)
- Chiba Plant (October 2001)
- Fuj Plant (December 2001)
- ADEKA CHEMICAL TAIWAN CORP. (June 2007)
- ADEKA CHEMICAL (SHANGHAI) CO., LTD. (August 2009)

**ISO 22000 (Certification for Food Safety)**
- ADEKA FOODS (SHANGHAI) CO., LTD. (January 2008)
- Aike Plant (April 2008)
- ADEKA FOODS (SHANGHAI) CO., LTD. (March 2008)

**FSSC 22000 (Certification for Food Safety)**
- Kashima Plant (May 2008)
- Aike Plant (March 2006)

**ISO 14064-1 (Standard concerning calculations, reporting, and verification of greenhouse gas emissions)**
- ADEKA CHEMICAL TAIWAN CORP. (March 2010)

**TQM (Receives Total Productive Maintenance）**
- OXIRANE CHEMICAL CO. LTD. (August 2000)
- Fuj Plant (December 2001)
- Chiba Plant (July 2011)

**IPM (Integrated Management System)**
- Soma Plant (August 2008)
- Fuj Plant (July 2009)
- Chiba Plant (October 2011)

**Kashima Plant: 2007 Excellence Award**

**Kashima Plant and Mie Plant: 1995 Excellence Award**

**Oxirane Chemical Corp.: 1995 Excellence Award**

**-reported to ADEKA (SINGAPORE) PTE LTD. (April 2006)"**

**Improvement Department System**

- Soma Plant (August 2008)
- Fuj Plant (December 2001)
- OXIRANE CHEMICAL CO. LTD. (February 2001)
- OXIRANE CHEMICAL CO. LTD. (October 1997)
- ADEKA CHEMICAL TAIWAN CORP. (March 2002)
- ADEKA CHEMICAL (SHANGHAI) CO., LTD. (August 2006)
- ADEKA CHEMICAL (SHANGHAI) CO., LTD. (October 2005)
- ADEKA CHEMICAL (TAIWAN) CO., LTD. (December 2006)

**IMS (Integrated Management System)**
- Soma Plant (August 2008)
- Fuj Plant (December 2001)
- Chiba Plant (July 2011)