

Progress Report on Mid-term Management Plan “STEP 3000-II”

The ADEKA Group formulated ADEKA VISION 2025 as a mid- to long-term vision for becoming a company as expressed in “Envisioned for 2025.” To achieve its objectives, the company launched the mid-term management plan STEP 3000-II in 2015 to guide the plan’s first three years. In fiscal 2017, the final year of STEP 3000-II, we will pursue initiatives based on our Basic Strategies and Three Basic Policies toward our goal of becoming “a good company” with 300 billion yen in net sales.

Envisioned for 2025

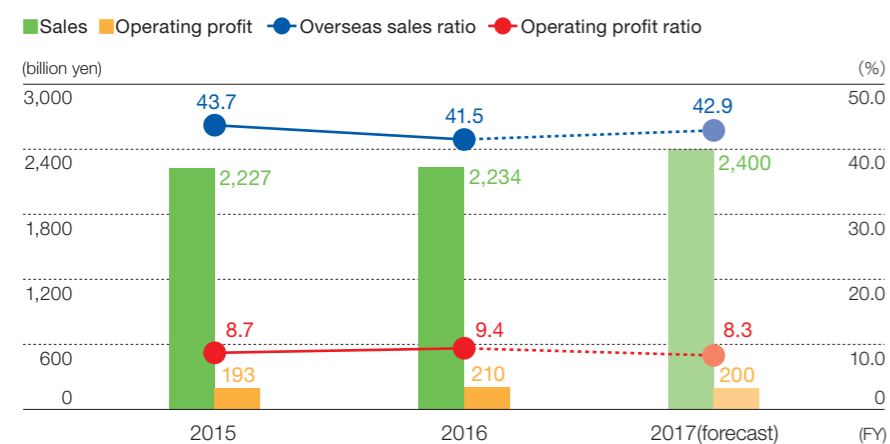
ADEKA VISION 2025

A global company that creates value for tomorrow and contributes to affluent lifestyles through innovative technologies



Progress Report on Management Targets

Results



FY2017 Targeted results

Item	Target
Sales	300 billion yen
Overseas sales ratio	50.0%
Operating profit	24 billion yen
Operating profit ratio	8.0%

Results of Major Initiatives

Basic Strategies

1. Expand business with a special focus on core businesses

- Polymer additives**
- Expanded business bases, including the establishment of a representative office in Ho Chi Minh City, Vietnam, and ADEKA FINE CHEMICAL (ZHEJIANG) CO., LTD., a manufacturing and sales subsidiary of chemical products in China.
 - Increased production capacity, mainly in the United States and France.
- Food products**
- Completed a new manufacturing plant for processed oils and fat products at the Kashima Plant.
 - Turned CROWN CO., LTD. into a consolidated subsidiary and strengthened its sales system.
 - Expanded production capacity in China and Southeast Asia.
 - Established the Overseas Food Development Office in the ADEKA Food Development Laboratory to develop food products for overseas markets.

2. Develop a third core business

- Electronics and IT materials**
- Established the R&D department at ADEKA FINE CHEMICAL TAIWAN CORP. and strengthened its technical service system.
- IT materials**
- Increased production capacity for materials used in semiconductor memory in Japan and South Korea.
 - Promoted development of next-generation semiconductors that meet high definition requirements.

3. Create new businesses and expand into other fields

- Life sciences**
- Developed products including next-generation material for decellularized regenerative medicine and adjuvants for nasal absorbing vaccine, which prevents influenza infection.
- Environment and energy**
- Acquired an exclusive license to use a patented production technique for graphene from the University of Tokyo and began supplying samples.
 - Participated in NEDO’s “Advanced research program for energy and environmental technologies” and developed an epoxy resin that may be applied to fiber-reinforced plastics for the blades of large-scale, next-generation windmills.

Basic Policies

Strengthened Global Accounting
Began operating a global consolidated business management system that provides centralized control of business data for the entire Group, enabling rapid monitoring of business data at consolidated subsidiaries.
Developed a global procurement system. ▶ P. 36

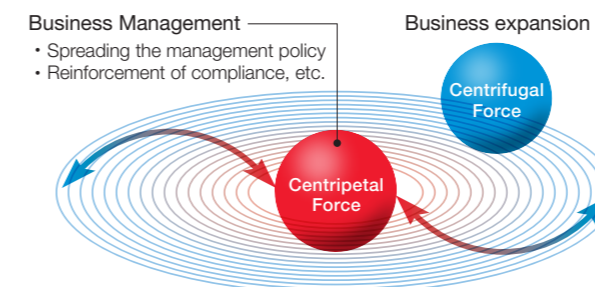


Introduced Stage-Gate for research management
Shared in-house technology through themed discussion sessions.
Established a dedicated division for strengthening marketing functions. ▶ P. 17

Developed global human resources (cultivating global human resources through selected employees and an overseas training program).
Cultivated locally hired employees (training for locally hired employees in Japan). ▶ P. 32

Strengthening Global Business Management

In order to strengthen the increasingly complex management of the ADEKA Group in tandem with the growth of our business, we adopted a two-pronged approach of pursuing an expansion strategy (centrifugal force) and tightening the reins of business management (centripetal force).



Spreading ADEKA’s Management Policies and Unique Strengths

We distributed posters, cards, and booklets in eight languages to all Group locations and employees to

enhance understanding of the Management Policies, which outline the Group’s universal and absolute values, its direction and reason for existence, and the unique strength of ADEKA, which is called “ADEKA *rashisa*” representing our positive corporate culture.

Reinforcing Compliance

We translated the ADEKA Group Code of Conduct into eight languages and distributed posters, cards, and booklets in eight languages to all Group locations and employees to cultivate an organizational culture that prevents misconduct. Also, we formulated the ADEKA Group Management Regulations and confirmed the current status of internal regulations at each affiliated company, and then identified regulations to be shared among all Group companies. Looking ahead, we will support affiliated companies in Japan and overseas to establish their regulations in an effort to optimize operational management across the Group.