

●Promoting Biodiversity

In accordance with the ADEKA Group Biodiversity Policy, the Group will implement initiatives to promote the preservation of biodiversity and its sustainable use.

The Fuji Plant has been maintaining a biotope within its grounds since fiscal 2014. The biotope is naturally inhabited by 68 species of plants, including the Asian lizard's tail.

ADEKA Group Biodiversity Policy

1. Consider biodiversity when procuring naturally derived draw materials
2. Promote activities for conserving biodiversity at our business premises
3. Strive to develop biodiversity-oriented products
4. Work in collaboration with local communities

Promoting the Modal Shift toward Logistics with Higher Efficiency

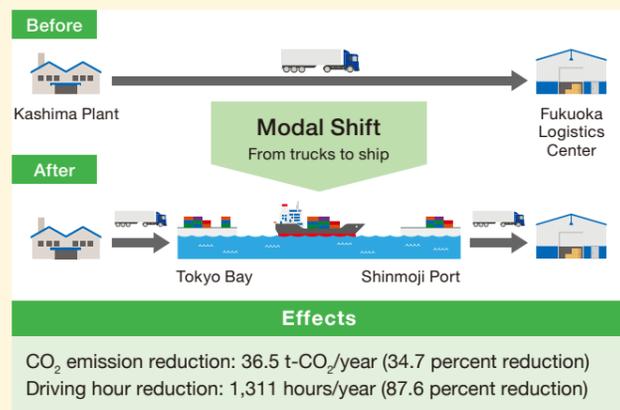
Since 2003, ADEKA and ADEKA LOGISTICS CORP. have promoted the Modal Shift (a government initiative to switch the modes of transportation from trucks to ships or railway) for the purposes of reducing impact on the environment and truck drivers and ensuring safe transportation.

In fiscal 2017, ADEKA in a joint effort with ADEKA LOGISTICS CORP. and SENKO Co., Ltd., switched the transport mode for food products manufactured at the Kashima Plant to ships equipped with refrigerators. As a result, 36.5 tonnes of CO₂ emissions and 1,311 hours of driving time were eliminated. This was recognized as a successful case based on the Act on Advancement of Integration and Streamlining of Distribution Business and won the Environmental Logistics Special Award of the Japan Association for Logistics and Transport.

ADEKA's modal shift rate* is 7.5% as of the end of fiscal 2017, and we are working toward the target rate of 10%.

*Proportion of goods transported by rail or sea among those transported for a distance of 500 kilometers or more.

▶ ADEKA's Modal Shift Outline

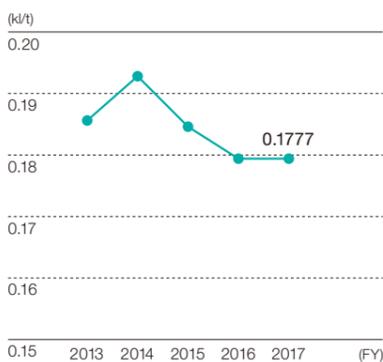


Environmental Logistics Special Award

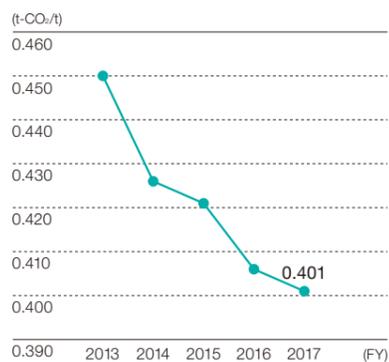
Environmental Data

Scope: (1) ADEKA (the manufacturing division alone)
(2) ADEKA and 11 Group companies in Japan

▶ (1) Energy Intensity Index



▶ (2) CO₂ emission Intensity Index (from energy consumption)



▶ (3) Zero Emissions Rate for Landfill Disposal of Industrial Waste



With Local Society



The ADEKA Group owes its existence to the local communities that have provided the company with a sense of understanding as well as cooperation. To be a good corporate citizen, the Group respects the culture and social environment of the countries or regions in and outside of Japan where it operates. Moreover, it seeks coexistence and co-prosperity with society by working alongside of and engaging in dialogue with it.

Activities for Local Communities

●Dialogue with Local Communities

At the ADEKA Group, we actively participate in social events because we believe that interacting with people in the communities results in valuable opportunities for dialogue.



Supporting a local NGO through a fund (AMFINE CHEMICAL CORP., U.S.A.)



Donating to a welfare organization (Kashima Plant)



A Christmas cake, made using our products, is given to a welfare organization (Akashi Plant)

Dialogue with Overseas Governments

Aiming to globalize further, the ADEKA Group has joined hands with its overseas Group companies in 12 countries or regions and pursues coexistence and co-prosperity with each of the communities in which those organizations are based.

ADEKA AL GHURAIR ADDITIVES LLC is the only Japanese manufacturer operating in Abu Dhabi, capital of the United Arab Emirates, and its plant and warehouse are equipped with cutting-edge technologies. By actively sharing information and knowhow with the UAE government, the Company is seeking to expand its business in the Middle East and contribute to the UAE's development under the guidance of the Japanese Embassy and amid ongoing negotiations between the two countries over bilateral investment treaties.

VOICE

From the UAE to the rest of the world, we are seeking prosperous coexistence with the UAE government



Mohamed Sayed
Mohamed ElGouhari
ADEKA AL GHURAIR ADDITIVES LLC

At the Company, we are receiving many people from the UAE government, and they have shown great interest in our 5S and other management systems as well as our state-of-the-art production lines and warehouse. Our sharing of information with them is highly recognized by the country's labor ministry, which raised our grade from C2 to B2. The B2 grade is the highest rank that can be granted to a company having fewer than 100 employees and whose parent company is located outside the UAE. We also had the honor of receiving visits from high-ranking officers of the executive office, including the president, who evaluated the Company with a high regard and great interest, and we were more than honored and delighted with that response.

We make our best efforts to improve our business quality and contribute to society.

Security and Disaster Prevention

Security and disaster prevention are the most important responsibilities of ADEKA Group production sites that handle hazardous and toxic materials. To gain the trust of the local community, we not only comply with relevant laws and regulations but also rigorously manage processes, facility maintenance and voluntary safety.

▶ Drills conducted at major sites in fiscal 2017

Sites	Drill themes
Kashima Plant	Response to intrusion by suspicious people, night-time disaster, fire
Chiba Plant	Earthquake, chemical substance leakage, blackout
Mie Plant	Earthquake, fire
Fuji Plant	Response to the potential occurrence of the Tokai Earthquake
Akashi Plant	Blackout, fire-fighting
Soma Plant	Emergency evaluation, fire-fighting



Drill against a vapor explosion (ADEKA FOODS (SHANGHAI) CO., LTD., China)



Extinguisher-handling procedure contest (Mie Plant)

For Children Who Carry the Future on Their Shoulders

The ADEKA Group engages in a broad range of activities in the hope of contributing to the healthy development of children as they head into the future. Also, in fiscal 2017 we actively supported students, who share in our quest for science, through a donation of 20.7 million yen.



Receiving neighborhood high school students as interns (AMFINE CHEMICAL CORP., U.S.A.)



Baking class with Japanese students (ADEKA (FOODS) ASIA SDN. BHD., Malaysia)

Support for Areas Affected by Heavy Rains in July 2018

We donated 10 million yen through the Japanese Red Cross Society for the relief and reconstruction of areas damaged by heavy rains in July 2018.

We sincerely hope that these areas will see an early recovery.

Third Party Opinion

Making Extraordinary Environmental and Social Considerations through Our Core Business

Takeshi Mizuguchi

Professor, Faculty of Economics, Takasaki City University of Economics

Professor, Faculty of Economics, Takasaki City University of Economics
 Obtained a PhD from the School of Business Administration (Meiji University). Specializes in responsible investment and non-financial information disclosure. He assumed his current position in 2008 after becoming a lecturer in the Faculty of Economics at Takasaki City University of Economics in 1997, and then an Associate Professor in the same faculty. He worked in successive positions as Director of the Society for Environmental Economics and Policy Studies, Chair of the Green Bonds Working Group (Ministry of the Environment), and member of the ESG Financial Workshop (Ministry of the Environment). His publications include *ESG Investing—New Form of Capitalism* (Nikkei Publishing Inc.) and *Responsible Investment—Changing the Future through the Flow of Capital* (Iwanami Shoten, Publishers).



Making a Positive Impact through Products

The most impressive part of the report was the Special Feature 1 “ADEKA’s chemicals are people and environment-oriented.” Volatile Organic Compounds (VOCs) used in paints and adhesives are often considered to be the cause of problems such as sick house syndrome. However, these risks can be reduced by using water-based epoxy resin paints and adhesives that do not include organic solvents. Heavy metals are used as stabilizers for PVC, which is not widely known among consumers. Nevertheless, replacing it with metal-free PVC can prevent the continued accumulation of metals in the environment.

These are excellent efforts to reduce various health risks and positively impact society through products. I hope to see ADEKA continue to broaden and expand these efforts. Organic solvents such as toluene and heavy metals are regulated under PRTR law, and I believe that ADEKA could work toward eliminating the use of all these substances in its products.

Companies often refer to CSR as their business itself; I believe this is not merely about contributing to society by providing products to the market. Obviously, companies will do well if they can make products that are helpful by meeting the needs of society. But what ADEKA is striving to further achieve is contributing to addressing environmental and social issues by minimizing the negative risks and impacts that the company might otherwise exert on them. I think this is what it means to practice CSR through the business, which is described with actual examples in the Special Feature of the report.

Heightening Interest among ESG Investors

There has been a growing trend of ESG investing through which investors consider the environmental and social sustainability efforts of companies that are directly linked to business in their investment decision-making. In ESG investing, investors focus not only on the so-called social contributions outside of companies main business but also on the environmental and social impacts of their main businesses. This is because these impacts are linked to regulatory and reputational risks as well as

market risks, such as being screened out of the supply chain.

Therefore, it is important that companies engage in CSR at a deeper level that goes beyond merely preparing CSR reports as part of public or investor relations. This involves developing strategies and management plans that serve as the prerequisite for successful CSR implementation. And from this point of view, I think that ADEKA made the right decision to strengthen its organizational structure by identifying “promoting CSR and developing together with society” as one of the basic strategies of the current mid-term management plan. In future, I would like ADEKA to continue working toward achieving “integrated management” in which environmental and social considerations are linked to corporate value.

Taking Action at a Global Level

Taking action to respond to global issues is indispensable from the viewpoint of ESG investing. For example, in the summer of 2018, a series of extreme weather events, including heavy rainfall and abnormally high temperatures, occurred in Japan and around the globe. Climate change is now the most serious global environmental threat. I understand that ADEKA has been working to achieve its energy saving goals and promote a modal shift in its logistics, which I heartily approve, but the severity of the problem is increasing to a level where steadily saving energy may no longer be enough. I think that it is time for ADEKA to consider participating in initiatives such as Science Based Target (SBT) and RE100, which I mentioned last year, and responding to the recommendations issued last year by the Task Force on Climate-related Financial Disclosures (TCFD), formed by the Financial Stability Board.

Deforestation linked to palm oil production is also a serious global issue. I think that becoming an RSPO member last year and being approved under the RSPO Supply Chain Certification System this year represented significant progress. Though, even including the RSPO, there is no one-size-fits-all solution to the problem. As other companies are extending their improvement activities to include the local primary refining companies under their procurement policy to achieve zero deforestation, I expect that ADEKA will also make further progress.

Response to Third Party Opinion

Koji Tajima Director and Managing Operating Officer

I would like to express my gratitude for your valuable opinions on the ADEKA Group’s CSR activities. As a materials manufacturer, we are committed to creating sound products for all our customers and consumers and further promoting business activities that can be linked to the resolution of social issues through our products. To do so, we will make a Group-wide effort to disseminate the practice of “CSR through business” throughout the Group in order to raise the awareness of every employee.

Our stakeholders, including customers, have recently been

demanding specific measures to address social issues. We will clearly identify the issues that we need to address and establish “ADEKA’s CSR,” such as by considering participation in specific initiatives to become a company that can meet stakeholder expectations.

To address social issues at the global level, the ADEKA Group included “promotion of CSR” as a basic strategic measure of the mid-term management plan. In fiscal 2018, we will prioritize issues and develop measures and systems to raise corporate value.