

A decorative border composed of various red and blue geometric shapes, including triangles, squares, circles, and rectangles, arranged in a pattern around the edges of the page.

# CSR report 2021

ADEKA Group

DIGEST Version







Everything can be made better.  
We can add functionality to materials.  
We can add durability and  
environmental friendliness.  
This in turn makes our lives more  
enjoyable, convenient, and secure.  
We raise the value of materials.  
In doing so, we change the world.  
We are ADEKA.

## CONTENTS

Message from the President .....	3	Key Topic Research and Development.....	15
The ADEKA Group Value Co-Creation Story .....	7	Group-Wide Initiatives:	
Mid-Term Management Plan ADX 2023 .....	7	The Safety Quartet .....	17
CSR Management .....	9	Procurement .....	19
The ADEKA Group's Operations .....	11	Logistics .....	20
The ADEKA Group's Value Chain .....	13	ADEKA Group Products that Contribute to Society .....	21
		Environment .....	23
		Social .....	25
		Governance .....	29

## Corporate Profile

Name	ADEKA CORPORATION
Established	January 27, 1917
President and Chief Executive Officer	Hidetaka Shirozume
Head Office	7-2-35 Higashi-ogu, Arakawa-ku, Tokyo
Capital Stock	22.994 billion yen (As of March 31, 2021)
Shares Issued	103,714,442 (As of March 31, 2021)
Consolidated Employee Numbers	5,378 (As of March 31, 2021)
Business	Chemical, food, life sciences and other businesses

## Scope of This Report

Unless otherwise specified, all statements in this Report refer to the entire ADEKA Group. The scope of performance data is stated individually for each metric. The reporting organizations for environmental data are as follows.

## Period Covered by This Report

Fiscal 2020 (April 1, 2020 to March 31, 2021)  
Some parts of this report refer to recent activities taking place in fiscal 2021.

## Editorial Policy

The ADEKA Group publishes this annual CSR Report to communicate its efforts and future direction to realize a sustainable society, for a broad spectrum of stakeholders.  
The CSR Report 2021 highlights the ADEKA Group's priority initiatives in fiscal 2020. You can learn more about these initiatives by visiting the ADEKA Group CSR website.  
We aim to create a better and more comprehensible report so that we can reach more stakeholders.

## Reference Guidelines

Environmental Reporting Guidelines (Fiscal Year 2018 Version) of the Japan Ministry of the Environment  
Japanese Standards Association ISO 26000:2010 Guidance on social responsibility  
GRI Sustainability Reporting Standard  
Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry

## Published Date

November 2021 (next publication date: November 2022)

## Scope of Reporting Organizations for Environmental Data

### ADEKA

All Plants, R&D Laboratories, Offices

### Group Companies in Japan

- ADEKA CHEMICAL SUPPLY CORP.
- ADEKA LIFE-CREATE CORP.
- OXIRANE CHEMICAL CORP.
- ADEKA CLEAN AID CORP.
- ADEKA FINE FOODS CORP.
- ADEKA ENGINEERING & CONSTRUCTION CORP.
- ADEKA LOGISTICS CORP.
- ADEKA FOODS SALES CORP.
- YONGO CO., LTD.
- UEHARA FOODS INDUSTRY CO., LTD.
- TOKYO ENVIRONMENTAL MEASUREMENT CENTER CO., LTD.
- NIHON NOHYAKU CO., LTD.
- NICHINO SERVICE CO., LTD.

### Overseas Companies (Plants)

- ADEKA FINE CHEMICAL (SHANGHAI) CO., LTD.
- ADEKA FINE CHEMICAL (ZHEJIANG) CO., LTD.
- ADEKA FINE CHEMICAL (CHANGSHU) CO., LTD.
- ADEKA FOODS (CHANGSHU) CO., LTD.
- ADEKA FINE CHEMICAL TAIWAN CORP.
- ADEKA KOREA CORP.
- ADEKA FOODS (ASIA) SDN.BHD.
- ADEKA (SINGAPORE) PTE.LTD.
- ADEKA FINE CHEMICAL (THAILAND) CO.,LTD.
- ADEKA POLYMER ADDITIVES EUROPE SAS
- AMFINE CHEMICAL CORP.
- AM STABILIZERS CORP.
- ADEKA AL OTAIBA MIDDLE EAST LLC

■ Chemicals business ■ Food business ■ Life Sciences business ■ Other business

## How We Disclose CSR-Related Information



### CSR Report (Digest version)

This Report provides a clear explanation of the CSR activities of the ADEKA Group, with focus on the most important activities.



### CSR Report (PDF full version)

This booklet is a PDF file that includes the same content as the booklet, along with more detailed descriptions of activities and ESG data.



### Website

Visit the website to access previous CSR Reports, site reports for manufacturing facilities, the ADEKA Group Code of Conduct, and more.



### ADEKA CSR site

<https://www.adeka.co.jp/csr/en/index.html>



### Investor Relations site

<https://www.adeka.co.jp/en/ir/index.html>



### Main Content

- Site reports (in Japanese only)
- CSR-related policy, etc., and supplementary information
- GRI Guideline Reference Table
- Previous CSR Reports
- Chronological Table of CSR activities





With its finger on the pulse of changing times, the ADEKA Group is leveraging its strengths in materials to contribute to a sustainable society.

### Hidetaka Shirozume

President and Chief Executive Officer

#### Changes Wrought by COVID-19

The ADEKA Group mourns those who have lost their lives in the current COVID-19 pandemic and expresses its sincere condolences to their families. To those who are suffering from this disease, we wish you a full and speedy recovery.

In fiscal 2020, the ADEKA Group took measured steps to prevent the spread of COVID-19, always placing first priority on the safety of its employees. We implemented a range of emergency measures, including staggered shifts and use of remote work and online conferencing. To realize remote work and free-address workstyles, the Group launched the Remote Work Promotion Project, to furnish a workplace environment in which employees could work at home or at the office with no difference in performance while reducing the use of paper media Group-wide. We also launched the Business Digitalization Project, spearheaded by the president, which is working toward the achievement of digitalized business management.

Current circumstances are shifting markets into low or neutral gear while prompting rapid transformation of workstyles. Under these conditions the ADEKA Group is building a robust and responsive management structure to gain a keen grasp of these social changes and meet stakeholder expectations in a timely manner.

#### Enriching People's Lives Through Our Business

Guided by its management policies of striving "to be a company that is progressive and dynamic with a keen attitude towards the new changing tide" and "creating a better future for the people of the world," the ADEKA Group contributes to enriching people's lives by delivering innovative materials that respond to customer needs.

In July 2020, the ADEKA Group adopted the corporate slogan "Add Goodness," as a way of succinctly expressing its corporate stance. The slogan reflects the ADEKA Group's determination to be no mere supplier of materials, but a supplier that recognizes trends in the market environment early on and responds to those emerging needs by providing materials with value-added, enhanced by its technology, service and talented personnel.

A global trend is unfolding in which an array of forward-looking initiatives are being put into action at an accelerating pace. Surveying these developments, we at the ADEKA Group believe we have a momentous role to play in solving the issues humanity confronts, including curtailing the COVID-19 pandemic and achieving carbon neutrality, to bring about a stable and prosperous international society. As a good corporate citizen, the ADEKA Group is committed to its mission, unchanged since the Company's foundation, of contributing to the environment and society, practicing sound and transparent management, and continuously supplying customers with safe, dependable products of high performance and quality.

#### Looking Back on the Previous Mid-Term Management Plan and Gearing Up for the Next

In its previous mid-term management plan, BEYOND 300, the ADEKA Group adopted a core policy of becoming an excellent company with sales exceeding 300 billion yen.

For fiscal 2020, the final year of this Plan, the Group had set goals of consolidated net sales of over 300 billion yen from organic growth, operating profit ratio of 10%, ROE of 10% and payout ratio of 30% (target for the final year of a series of phased increases).

In fiscal 2020, the ADEKA Group attained consolidated net sales of 327 billion yen and a payout ratio of 30%. Despite the stagnation foisted on the economy by the COVID-19 pandemic, net sales, operating profit and ordinary profit all rose to all-time highs. However, the targets for net sales from organic growth and profit ratio were not met. The three years of the previous mid-term management plan were a period of careful groundwork in preparation for growth, through various measures and investments guided by the Group's three basic strategies: global expansion of three main businesses (polymer additives, chemicals and foods), entering new domains and enhancing our management foundation.

The ADEKA Group updated its mid-to-long-term targets in April 2021, drafting *ADEKA VISION 2030*, a vision for achieving the Group's management policies by 2030, and launching a fresh three-year mid-term management plan, *ADX 2023*. Focusing squarely on bolstering earnings, *ADX 2023* is positioned as the first stage of the Group's advance toward achieving an operating structure with a robust management base as envisioned in *ADEKA VISION 2030*.

#### **ADEKA VISION 2030**

**An Innovative Company Contributing to a Sustainable Future and Affluent Lifestyles**



Message from the President

To formulate *ADX 2023*, the ADEKA Group revised its fundamental CSR policy and identified new CSR priority issues, to respond to today's new social environment. The Group is integrating CSR into every facet of its management, by clarifying the relationships between high-priority CSR issues and SDGs targets and reflecting the high-priority CSR issues and KPIs in its measures for *ADX 2023*.

*ADX 2023* pursues both social and economic value, incorporating new social needs such as carbon-neutrality. It is the path by which ADEKA will transform itself into a robust, earnings-focused enterprise constitution that boosts enterprise value and contributes more than ever to achieving a sustainable society. By pursuing a fundamental strategy of transforming its revenue structure, achieving sustainable growth by expanding into new business domains and strengthening the management foundations of the Group, the ADEKA Group is moving ahead with efforts to achieve consolidated operating profit of 35 billion yen, consolidated net sales of 380 billion yen and ROE of 9% in fiscal 2023.

Toward a Sustainable Society

These days a great number of companies are realigning their management approaches to dovetail with goals such as sustainability and environmental, social and governance (ESG) concerns. ADEKA believes that CSR activities are the initiatives needed to achieve a sustainable society and that disclosing those activities to stakeholders is the surest way to earn the trust of society.

The ability to respond to the dramatic changes unfolding worldwide is the true test of companies today. But while ADEKA's engagement with CSR may seem new, in fact this challenge is already integral to the culture, spirit and management policies of ADEKA as well as the ADEKA Group Code of Conduct, handed down to the ADEKA Group since ADEKA's foundation. In 1917 this determination was inscribed by the Company's pioneers in its founding prospectus: "In the interest of Japan and its citizens, caustic soda production in Japan should be achieved as soon as possible." The very founding objectives of ADEKA constitute CSR itself.

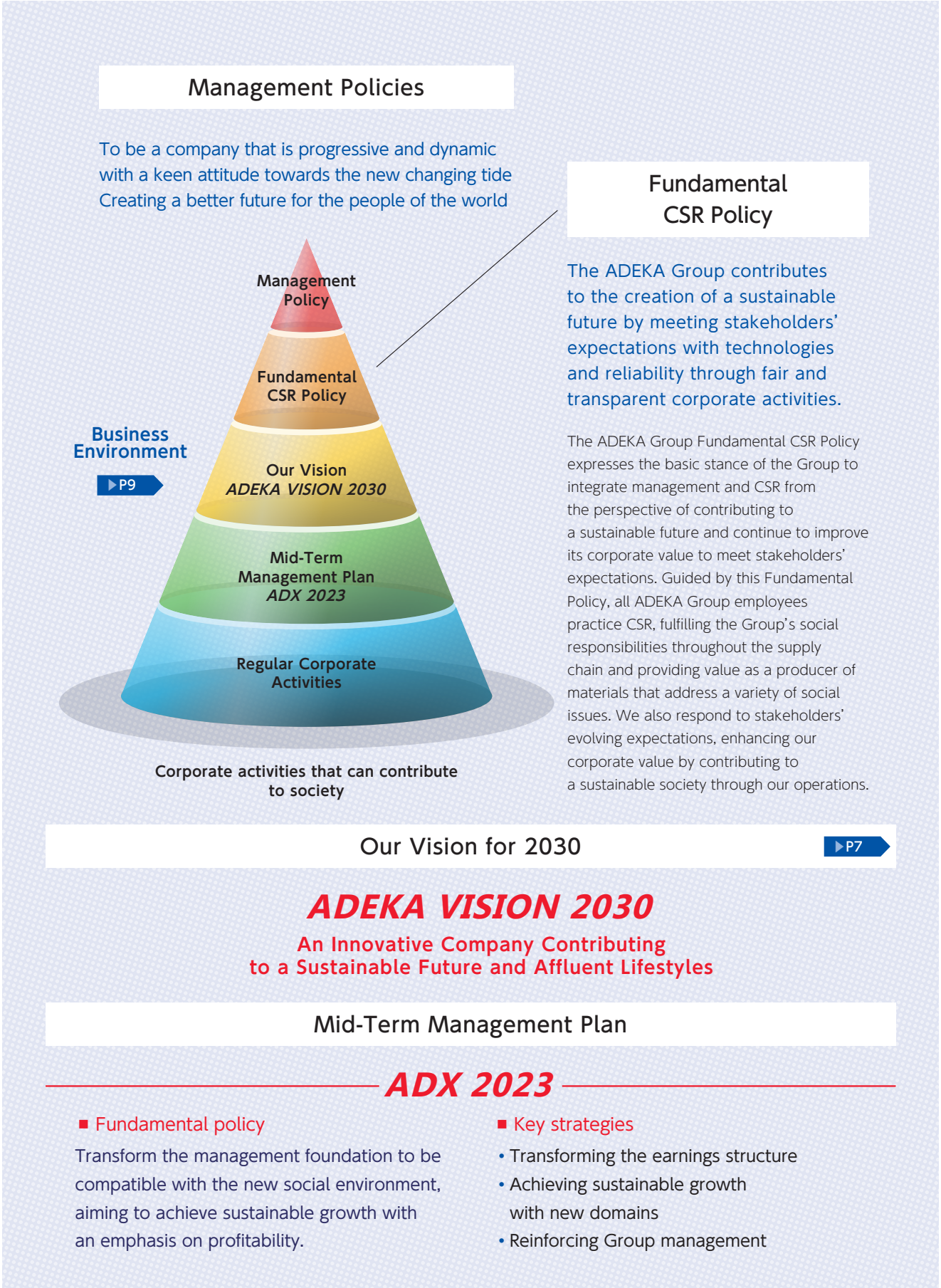
Furthermore, the management policies of

the ADEKA Group consist of two phrases: "[Striving] to be a company that is progressive and dynamic with a keen attitude towards the new changing tide" and "creating a better future for the people of the world." These phrases attest to the Group's resolute will to create products and services that society and individuals desire using original technologies, expand into a diverse range of fields and continuously tackle challenges in ways that respond flexibly to a changing environment. These management policies also encapsulate our desire to be a "global good company," not merely doing business on the global stage but working with communities to create value for society.

To guide the ADEKA Group in ongoing business activities with high sense of ethics, the ADEKA Group Code of Conduct enjoins ADEKA and its Group companies to obey their consciences, conducting business in a sound, transparent and impartial manner, complying strictly not only with laws and regulations but also with in-house regulations, social norms and corporate ethics, and to provide products and services of excellent quality, not only complying strictly with laws and regulations but also meeting the expectations of society. With each ADEKA Group officer and employee understanding and taking guidance from this Code of Conduct, the ADEKA Group is enhancing the reputation and trust it enjoys while working to achieve mutually prosperous coexistence with the communities in which it does business.

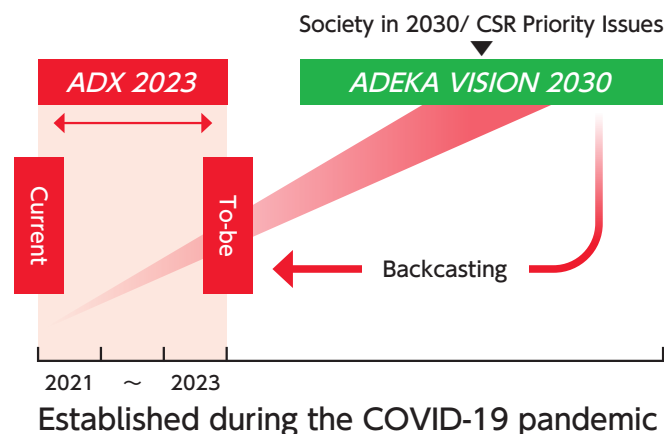
In April 2021 ADEKA signed the UN Global Compact. The ADEKA Group continues to conduct itself as a good corporate citizen, working hard to protect human rights, eliminate unjust labor conditions, address environmental concerns and prevent corruption. The Group also continuously generates excellent value, through products that contribute significantly to the environment and address social issues, and contributes through its operations to the achievement of the SDGs to which international society aspires.

The ADEKA Group will persevere more than ever to conduct management that achieves harmony with society while meeting the expectations of a wide range of stakeholders, including customers, shareholders, investors, business partners and regional communities.



# Mid-Term Management Plan ADX 2023 for FY2021 to FY2023

## The Idea of the Establishment

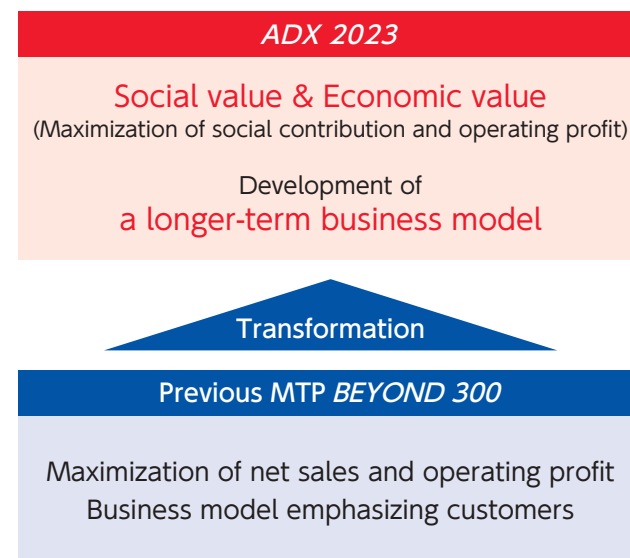
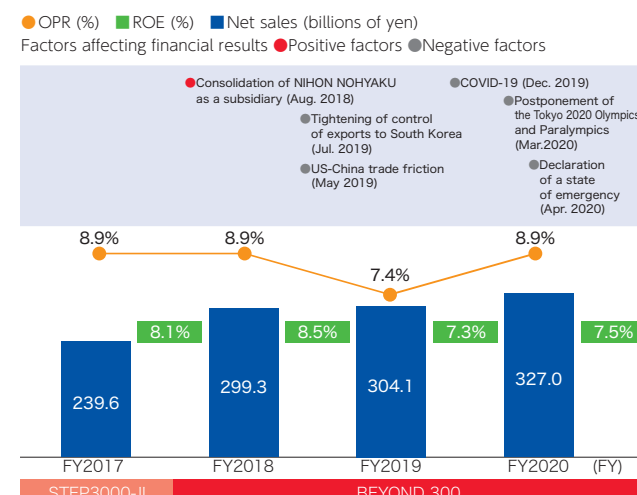


- Adaption to new social environments  
Post-COVID-19 society, carbon neutrality, etc.
- Determination that **ADEKA will transform itself**

## Mid-Term Management Plan BEYOND 300 (FY2018-2020)

BEYOND 300 committed the ADEKA Group to a series of management indexes for fiscal 2020, including net sales of over 300 billion yen, operating profit ratio of 10% and return on equity (ROE) of 10%. In terms of net sales, the Group exceeded its targets and achieved an increase in net sales for the ninth fiscal year in succession. However, the Group missed its profit targets, impacted by the worldwide economic downturn and COVID-19 pandemic from the second half of fiscal 2019.

### Trends in Financial Results



The ADEKA Group established ADEKA VISION 2030, its Vision for the Group to 2030, and formulated ADX 2023, its Mid-Term Management Plan covering the period from fiscal 2021 to fiscal 2023. This Vision and Plan commit the Group to strengthening its management base through a vigorous program of growth-oriented measures and investments, construction of a robust CSR framework, reinforcement of corporate governance and unification of the accounts of its overseas subsidiaries.

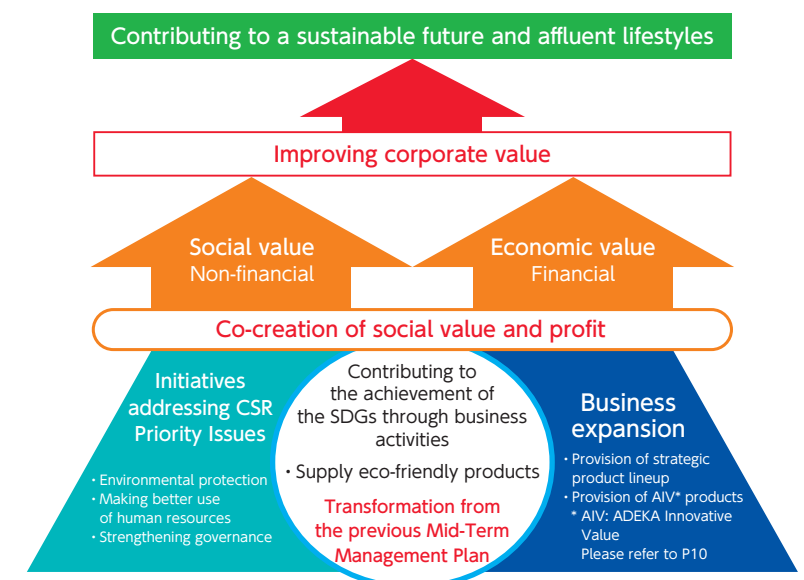
### Management Indexes and Performance

	FY2020 Targets of BEYOND 300	FY2020 Results of BEYOND 300	Evaluation
Net Sales	Over 300 billion yen	327.0 billion yen	○
Organic Growth		255.5 billion yen	×
OPR	10%	8.9%	×
ROE	10%	7.5%	×
Investments and Loans	100.0 billion yen/ 3-year total	69.5 billion yen/ 3-year total	-
Capital Investment	50.0 billion yen/ 3-year total	49.0 billion yen/ 3-year total	○
M&A Funds	50.0 billion yen/ 3-year total	19.7 billion yen/ 3-year total	-
Dividend Policy	Dividend payout ratio 30% (Target after incremental increases)	Dividend payout ratio 30.2%	○

## Management Targets of Mid-Term Management Plan ADX 2023 for FY2021 to FY2023

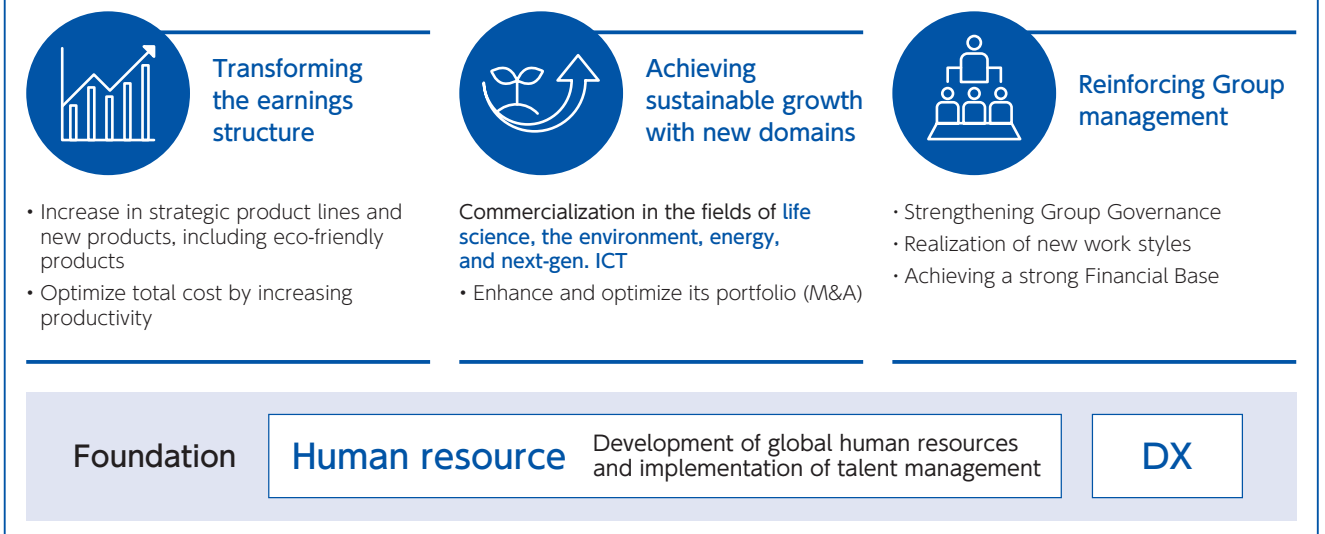
OP	35.0 billion yen (Net Sales: 380.0 billion yen)	ROE	9%
Capital Investment (3-year total)	50.0 billion yen	Dividend Policy (Dividend payout ratio)	Maintained at more than 30% Based on our comprehensive consideration of appropriate shareholder returns, maintaining stable dividends as our policy.

Name	ADX 2023 (ADX is pronounced "ādēks")
Positioned	<ul style="list-style-type: none"> <li>1st stage for achieving ADEKA VISION 2030</li> <li>Build a robust corporate structure while pursuing profit.</li> <li>Aim to transform itself through the implementation of ADX 2023 and respond to the new social environment</li> </ul>
Fundamental policy	Transform the management foundation to be compatible with the new social environment, aiming to achieve sustainable growth with an emphasis on profitability



## Foundation

Recognizing new imperatives in the social environment, such as the drive toward carbon neutrality, the ADEKA Group declares that "ADEKA is changing." To maximize both social and economic value, the Group is transforming its revenue structure, achieving sustainable growth by expanding into new business areas and reinforcing Group management foundations. To underpin the execution of its basic strategy, the Group is moving forward with its personnel and DX strategies.





# CSR Management

To energize our contribution to the achievement of a sustainable society and grow toward fulfillment of our ideal state, since 2018 we in the ADEKA Group have been strengthening our management base through advancement of CSR, building a framework capable of addressing vital social issues. Responding to the newly emerging social environment, the ADEKA Group has revised its Fundamental CSR Policy and identified new CSR priority issues. The mid-term management plan drafted in 2021 reflects these CSR priority issues in a series of measures, aiming to integrate CSR into Group management.

## CSR Organization

In April 2019, the Group established a CSR Committee to make decisions on important CSR policies, and a CSR Promotion Subcommittee that is responsible for promoting Group-wide CSR initiatives. As a first step, the Group is currently working to identify CSR priority issues that prioritize the social issues that the Group will address.

### CSR Committee and CSR Promotion Subcommittee

The CSR Committee met six times in fiscal 2020, three times in H1 and three times in H2, deliberating and reaching decisions on the CSR priority issues, KPIs and Fundamental CSR Policy. The CSR Promotion Subcommittee convened 11 times in fiscal 2020.



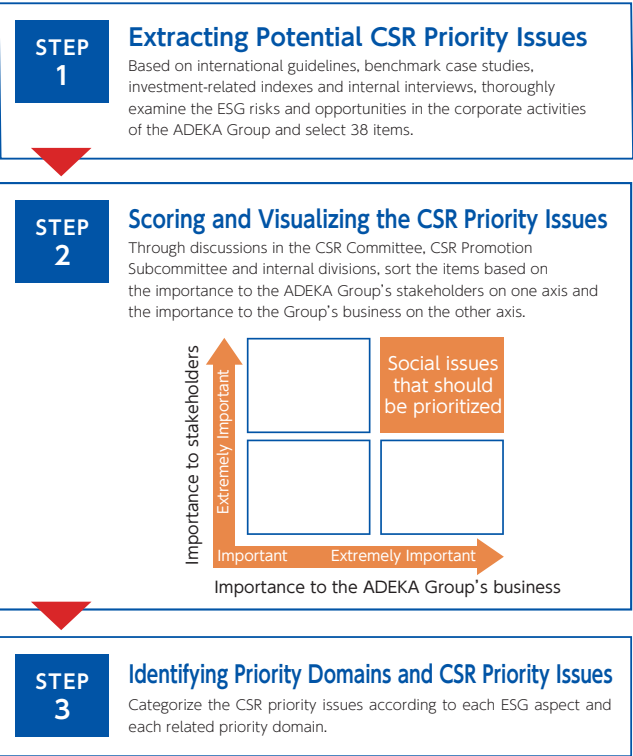
## Decision-Making Process for CSR Priority Issues

Determined to achieve sustainable growth as a good corporate citizen, the ADEKA Group recognizes the importance of addressing social issues through its business activities and contributing proactively to the advancement of society.

To share this commitment Group-wide and execute these efforts as a team, the ADEKA Group has identified a series of CSR priority issues. The CSR priority issues were selected in light of their importance to internal and external stakeholders as well as to the Group's business.

### Expected features of the business environment in 2030

- Evolution of mobility (CASE)
- Population growth and rapid urbanization of developing countries
- Responses to sustainable development in the plastics industry
- Reduction of food waste
- Society connected through ICT
- Shortages of food and scarce resources
- Development of new materials
- Sustainable procurement of raw materials
- Fusion of real and virtual spaces
- Decarbonized society
- Responses to advanced medical technologies
- Use of clean energy
- Aging population
- Global warming
- Supply of alternative foods and nutrients
- Environmental protection



## CSR Priority Issues and KPIs

The Group identified seven CSR priority issues in four priority domains and specified a series of key performance indicators (KPIs) for realizing ADEKA VISION 2030. Going forward, the Group will use the KPIs in managing its business activities, as it strives to realize its targets.

	Priority Domains	CSR Priority Issues for 2030	
			KPIs in 2030
E	Environment	Conserving the global environment	• Gather ideas from all members of ADEKA to achieve carbon neutrality by 2050 2030: Reduce CO <sub>2</sub> emissions by 12% from 2013 (Scope 1+2)
		Supply of eco-friendly products	• Net sales of eco-friendly products: Increase to triple the level of 2019
S	Better living conditions and communication	Creating value that meets society's expectations	• Number of ADEKA Innovative Value (AIV) certifications: twice the number in 2019
		Dialogue with stakeholders	• Establish methods and opportunities for communication with each stakeholder
	Human rights and human resources	Respect for human rights	• Establish and disseminate ADEKA Group Human Rights Policy
		Expanding opportunities for utilizing human resources	• Promote Diversity and Inclusion (D&I): <b>Human Resource Portfolio:</b> Female manager percentage of 10% (non-consolidated) Diversity of personnel in management positions <b>Develop Climate:</b> Increase employee satisfaction D&I-related educational training, etc. • Promote Health Management: Obtain certification for Health & Productivity Management Outstanding Organization (White 500)
G	Governance	Strengthening Group governance and risk management	• Spread awareness of the Group Code of Conduct and the strengths unique to ADEKA • Implement Group BCP

### Eco-friendly products

The Group defines "eco-friendly products" as products that contribute to reducing environmental impact throughout all phases of their life-cycles, from resource gathering to final disposal.

Currently 13 product lines

### AIV (ADEKA Innovative Value)

ADEKA certifies its products whose value is recognized by the public both in name and practice based on recommendations from external parties, net sales, profitability, etc.

Currently 14 products

ADEKA Group Products That Contribute to Society ▶ P21

## Response to Various Initiatives

ADEKA is a signatory to the United Nations Global Compact (UNGC), which covers 10 principles in four fields: Human rights, labor, the environment and anti-corruption. The Group registered as a corporate participant on April 6, 2021. In tandem with this move, ADEKA joined Global Compact Network Japan, an association of Japanese companies and others that are UNGC signatories.



## Educational and Training Initiatives to Raise Awareness within the Group

### Questionnaire survey of ADEKA employees

To measure the effects of its SDGs measures and provide feedback for considering improvements, the Group circulated a questionnaire survey in December 2020. The survey gauged employees' awareness of social issues and identified issues and key points for internal communications.

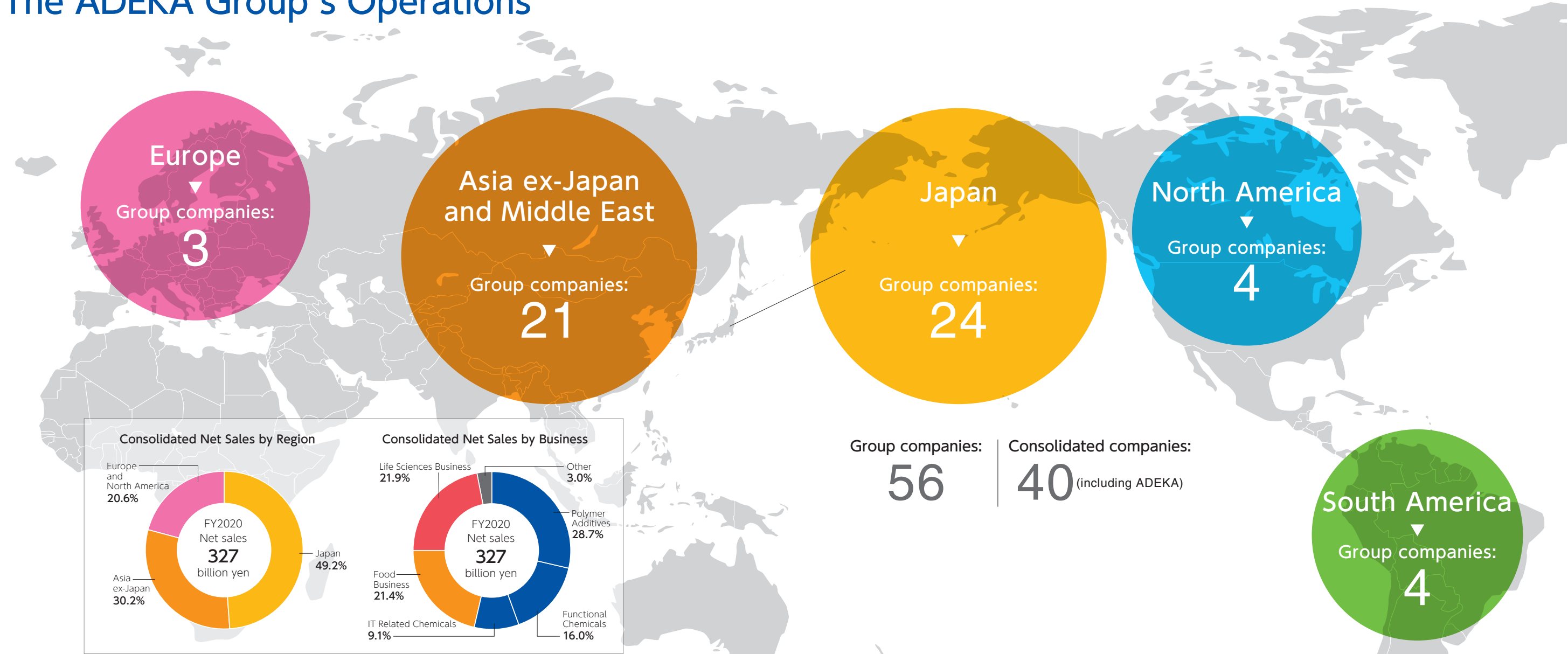
### SDGs video viewing seminars

In a series of SDGs seminars conducted from March to May 2020, members of the CSR Promotion Subcommittee watched a video on the theme of "SDGs as a Strategy for Business Growth and Creating a Better Society."

### e-learning courses

In May 2021, a course was offered to all Group employees on the topic of boosting corporate value through efforts toward the SDGs.

# The ADEKA Group's Operations



## Chemical Business

### Polymer Additives

The ADEKA Group provides a variety of additives indispensable for boosting the performance, working life and recyclability of plastics.

### Products

Additives for polyolefins, plasticizers/PVC stabilizers, flame retardants, etc.

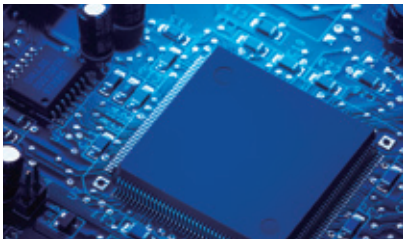


### IT Related Chemicals

The Group provides products that apply leading-edge technologies that are indispensable for today's ICT-driven society.

### Products

Semiconductor materials, display materials, etc.



### Functional Chemicals

The Group provides high-value-added products used in a wide swath of fields, from infrastructure to cosmetics and toiletries.

### Products

Waterborne resins, cosmetic ingredients, lubricant additives, propylene glycol, etc.



## Food Business

By providing processed oils and foods, the Group contributes to safe, dependable and richly varied diets.

### Products

Margarine, shortenings, whipping cream, fats and oils for chocolate, frozen pie crusts, etc.



## Life Sciences Business

The Group provides agrochemicals, pharmaceuticals, animal healthcare products and other life-science-related products. We also conduct research and development focusing on regenerative and preventive medicine and improvement of the quality of life.

### Products

Agrochemicals, pharmaceuticals, quasi-pharmaceutical products, animal healthcare products, wood chemicals, medical materials, etc.



## Other

Our other business primarily includes the maintenance of ADEKA Group plants and facilities, the design of various kinds of plants, logistics, and an insurance-agency business.

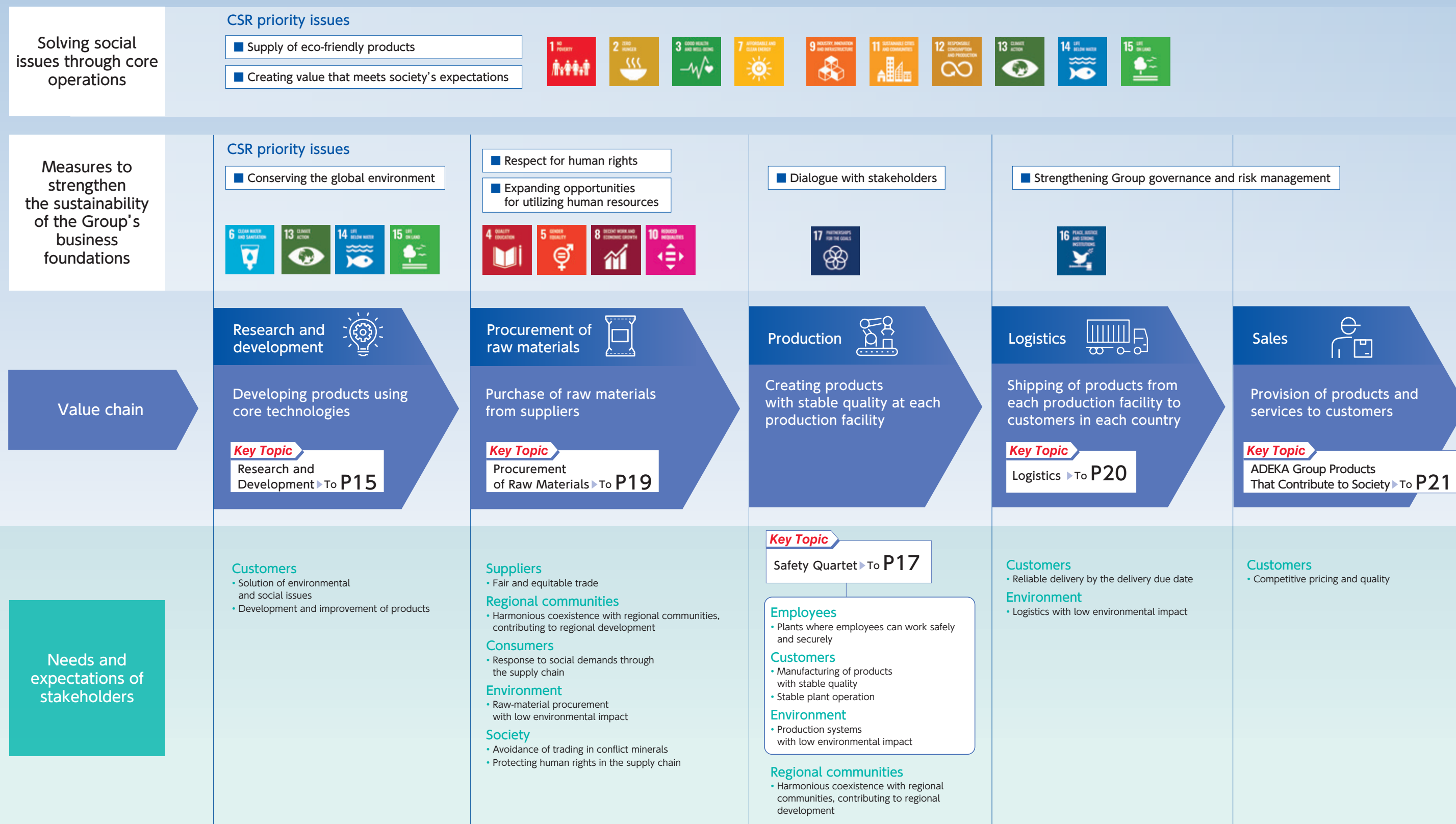
### Services

Plant design and construction management, real estate, logistics, insurance agency services, etc.



# The ADEKA Group Value Chain

At the ADEKA Group, we recognize that our generation of products and services through a series of business processes impacts our stakeholders in myriad ways. The Group generates social value through its value chain by meeting the needs and expectations of stakeholders in each process, thereby fulfilling its social responsibilities. By optimizing this social value, the ADEKA Group seeks to contribute to the formation of a sustainable society.

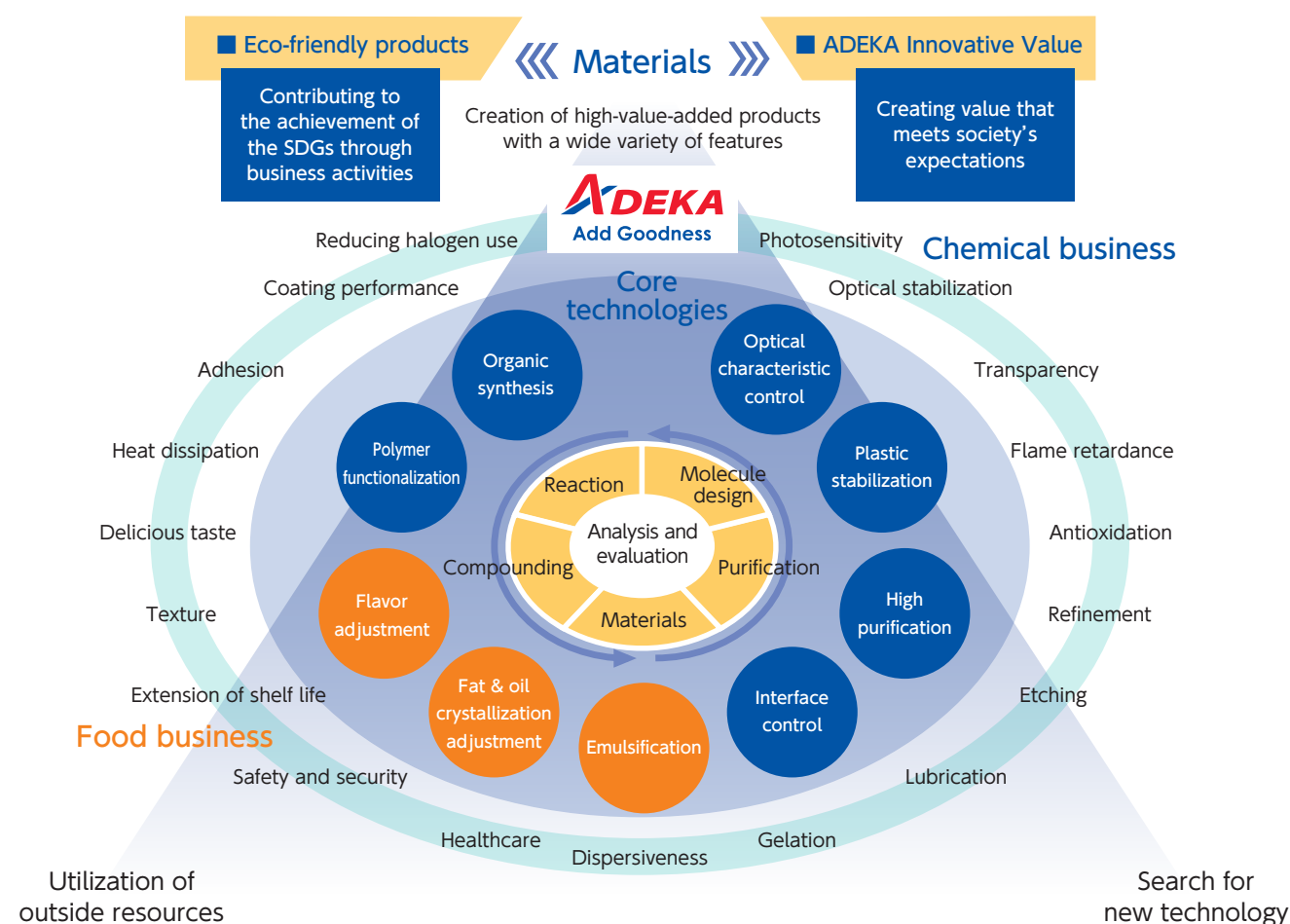




## Key Topic Research and Development

### R&D Vision

ADEKA's R&D Division has characterized its target state for 2030 as "contributing to a sustainable society and the enrichment of people's lives by continually developing and providing innovative materials and solutions." By fusing technologies developed over the Company's more than a century of history, and by actively adopting technologies it lacks from outside resources, ADEKA delivers products offering ADEKA Innovative Value (AIV), bringing comfort, convenience and affluence to people around the world. In the same way, ADEKA creates a wide range of eco-friendly products, contributing to the protection of the Earth's environment. Through these efforts, ADEKA's R&D Division seeks to fulfill its vision of the future of R&D: "Blazing a trail for the future of humanity through technology."



**Atsuya Yoshinaka**  
Director and Operating Officer  
General Manager,  
Research & Development Division

### Contributing to a sustainable society and the enrichment of people's lives

As a materials manufacturer, the ADEKA Group adopts a B2B business model for many of its products. As such, we have fewer opportunities than other companies to gauge directly how our R&D products contribute to society. In our discussion of CSR, we examined two of the Group's CSR priority issues, "supply of eco-friendly products" and "creating value that meets society's expectations," adopting "net sales of eco-friendly products" and "number of AIV-certified products" as key performance indicators (KPIs). Through this approach, we are rendering visible the degree to which our R&D activities contribute to a sustainable society and enrich people's lives, providing valuable motivation to individual researchers. Nothing would please us more than to demonstrate that our products and technologies are playing a role in achieving the SDGs by 2030.

### Research and Development Policy

To fulfill its R&D vision, the Group has established policies on three topics: 1) selection of research themes and basic stance; 2) expansion of existing businesses; and 3) creation of novel businesses.

#### 1) We are working diligently on research and development that contributes to a sustainable society and the enrichment of people's lives.

When we select research themes, we orient ourselves toward product development that contributes to society on a wide range of ways and levels, such as bringing comfort and richness to people's lives (AIV products) and protecting the Earth's environment (eco-friendly products). From the R&D stage onward, we are focused on product design and supply-chain construction that are friendly to people and the Earth (raw materials and production processes used). To these ends, the R&D division coordinates closely with relevant departments and sections in-house on matters such as purchasing logistics and production technology.



Intermediate testing equipment for developing production processes

#### 2) We are concentrating our efforts on market and product development focused on strategic products, to achieve further expansion of operations.

To achieve further expansion of existing businesses, the ADEKA Group pursues timely product development, by accurately grasping changes in the market environment and user needs and sharing the information in-house. For this purpose, it is essential that we reinforce our marketing capabilities through close coordination within ADEKA and the ADEKA Group. Each Group facility around the globe is equipped with its own development lab, which serves as a front-line base for apprising local trends early. The R&D Division coordinates closely with overseas facilities and ADEKA's Sales Department, while conducting rapid development with solid backing from marketing.

Developing and delivering the materials and solutions the world needs requires close familiarity with leading-edge evaluation and analytical technologies at the same level as the Group's users. In addition to installing large evaluation and analytical equipment, the Division works hard to establish appropriate testing environments (such as clean rooms, temperature and humidity management and lighting techniques for development of photoreactive materials).



ADEKA (CHINA) CO., LTD.  
Innovation Center (China)



ADEKA KOREA CORPORATION  
R&D Center (South Korea)



ADEKA FINE CHEMICAL TAIWAN CORPORATION  
Research Center (Taiwan)

#### 3) The ADEKA Group is moving forward with the creation of businesses in frontier domains such as energy, the environment, next-generation ICT and the life sciences.

The R&D Division leverages the strengths of the ADEKA Group to create novel businesses by fusing technologies in ways that transcend the traditional barriers between organizations. In R&D in frontier domains, the division first draws a development roadmap, taking into account society's needs and the time-frame available, with a clear image of its goals. The division then shares that roadmap with all related persons, so that all participants move in unison toward commercialization.

The division also maintains active dialogues with universities, research facilities and companies in Japan and around the world, using open innovation to accelerate the creation of novel businesses. For example, the division has established a segment for joint research with Kyushu Institute of Technology on novel polymer materials, located on the Institute's campus. This segment is engaged in the development of semiconductor photoresist materials and novel adhesives for automobiles and electronic components.



Kyushu Institute of Technology Molecular Engineering Institute, a joint-research segment with Kyushu Institute of Technology, located on the Institute's campus

Key Topic

# Group-Wide Initiatives: The Safety Quartet

### About the Safety Quartet

The Safety Quartet is a concept unique to the ADEKA Group. The term refers to harmoniously and organically interwoven safety activities in four categories of safety: occupational safety, environmental safety, product quality safety and equipment safety. To advance its globalization, in April 2020 the ADEKA Group launched the Global Regulations on the Safety Quartet, broadening the scope of the Safety Quartet to its overseas bases.

Advancing the Safety Quartet on the basis of fundamental principles, the ADEKA Group applies the PDCA cycle (plan, do, check, act) to drive continuous improvement, constantly raising the level of performance. At the beginning of each fiscal year, subject to confirmation by relevant departments in the Environmental and Safety Division, ADEKA sets the Division's policies and specific measures based on them. Each department then formulates and executes annual plans based on the Divisional policies and measures. The status of implementation is confirmed by means of audits and presentations of improvement case studies and reviewed at fiscal year-end in the Safety Quartet Review Meeting and at the Safety Quartet Group Company Liaison Meeting. Further improvements are then incorporated in formulating Divisional policies and measures for the following fiscal year.

### Basic Principles

1. Leadership

2. Compliance with laws, regulations and rules

3. Advancement of 5S

4. Communication
5. Life-cycle evaluation and analysis

6. Overview of the supply chain

7. Contribution to a sustainable social structure

8. Pursuit of new technologies

### Safety Quartet Promotional Framework



### Topics

#### Receipt of the 2019 Good Risk Sense Award

In recognition of "practice of a business continuity management system based on the Safety Quartet and continuous accident-free record since the opening of Soma Plant," ADEKA won the 2019 Good Risk Sense Award (Chemical Daily Award). The Good Risk Sense Award is presented annually by the Risk Sense Research Society.



### Foundations of safety

Rules, management, frameworks

### Safety culture

Workplace awareness and culture oriented toward compliance with laws, rules and regulations

## Plan

### FY2020 policy of the Environmental and Safety Division

The ADEKA Group is promoting the Safety Quartet (occupational, environmental, product quality, equipment) on a global basis, striving for zero incidents on all four members of the Safety Quartet\*. The Group is proud to contribute as a global corporate Group to the achievement of a sustainable society.

\* Zero labor accidents, zero environmental accidents, zero quality complaints and product accidents and zero major equipment failures.

## Do

### Executed in FY2020 based on Divisional policy

- 1) Cultivation of safety culture  
Advancement of 5S activities, activities against near-miss accidents, etc.
- 2) Strengthening of the foundations of safety
  - Video training on safety awareness
  - Updating and dissemination of the Basic Actions\*
  - Compliance with the Product Inspection Record Management Standards, a framework for preventing tampering with quality data
  - Start of application of the New Chemical Management System
  - Start of application of the Receiving Specifications Management System (Chemicals)
  - Preparation for introduction of the Quality Information Management System (Foodstuffs)
  - Response to the positive-list system for food receptacles, containers, and packaging as provided under the Food Sanitation Act (deadline extended to May 2025)
  - Convening of first Equipment Safety Conference (sharing of management information from each workplace)

\* A collection of explanations of basic actions for safety management in plants and research activities, illustrated with photos for easy comprehension. As of April 2021, 44 examples have been collected.

## Check

### Safety Quartet audits and presentations of improvement case studies

- 1) Audits of safety culture (audits by the Environmental and Safety Division, conducted from October to December)  
Thoughts of senior management at each workplace on the Safety Quartet; organizational culture; efforts to explain the thoughts of senior management to people at each workplace; confirmation of 5S at each workplace
- 2) Audit of foundations of safety (PL audit, trade management audit, RSPO audit, conducted from October to December)  
Status of compliance with rules on quality safety was confirmed, based on the Safety Quartet Checksheet.
- 3) Presentations of improvement case studies on the Safety Quartet (December)  
12 teams (including three overseas teams) shared examples and case studies of Safety Quartet activities (FY2020).

## Act

### Formulation of policy and measures for the next fiscal year based on results from each workplace

- 1) Safety Quartet Review Meeting (February)
- 2) Safety Quartet Group Company Liaison Meeting (February)



**Jun Sasaya**  
Senior General Manager  
General Manager, Environmental and Safety Division

### Strengthening measures on environmental issues in the Safety Quartet to achieve carbon neutrality

Guided by the Safety Quartet, the ADEKA Group's original concept on the environment and safety, the Group marshals its Group-wide capabilities to ensure stable production and improve quality. As it strives to achieve carbon neutrality, an issue of global importance, the ADEKA Group is moving forward with a Safety Quartet featuring reinforced measures on environmental issues. Through global conferences and other awareness-raising measures, the Group is working hard to instill this Safety Quartet at overseas production sites. The ADEKA Group is proud to contribute to society by supplying products that satisfy customers and taking action on the environment. In this way the Group aims to become a corporate Group that is essential to society.



## Key Topic Procurement

The ADEKA Group sources raw materials from business partners in every part of the world. To address social issues of global concern, the Group works closely with business partners throughout its supply chain, contributing to the development of a sustainable society.

### Socially Responsible Procurement

In July 2020, the ADEKA Group formulated the ADEKA General Purchase Policy and the ADEKA Purchase Guidelines.

To spread awareness of the Policy and Guidelines within the Group, the Group is posting them on in-house message-board sites, explaining their key points and familiarizing employees with their content.

Meanwhile, the Group is asking its business partners to submit certificates of agreement to the Guidelines. As of March 31, 2021, a total of 226 business partners, accounting for 75% of the Group's purchases by value, have agreed to their provisions. The ADEKA Group is continuing to obtain business partners' understanding of the Policy and Guidelines, while striving to conduct sustainable procurement activities.

Also, as part of its Business Continuity Plan (BCP), the Group is working hard to strengthen its supply chain against risk, by retaining multiple suppliers for main raw materials and making successive amendments to the supply chain.

#### ADEKA General Purchase Policy

1. We will provide just and equitable business opportunities to all our business partners. When conducting transactions, we will comprehensively take into consideration not only the quality, price, and supply ability but also the effort in ensuring inventiveness, ecological standards as well as safety work environment. We will agilely keep up with changes in the market and the environment to build a mutually growing relationship.
2. In conducting procurement activities, we will comply with all relevant legislation and rules and will not violate social norms or corporate ethics. Through consideration for the global environment and respect for social rights, we will contribute with our procurement activities toward a society with sustainable development. Furthermore, we will fulfill our social responsibilities as a corporation.

#### ADEKA Purchase Guidelines

We establish these ADEKA Purchase Guidelines in order to enable business partners to further comprehend the ADEKA General Purchase Policy. In terms of purchase activities, there is increasing demand from society that a company should actively make efforts to fulfill its corporate social responsibility (CSR).

For the promotion of CSR, it is indispensable to cooperate with our business partners, to pursue ADEKA's efforts with them. We ask you to conduct your activities in line with these Guidelines and to endeavor to do the same with your business partners.

1. Just and equitable transactions
2. Mutual growth with business partners
3. Corporate ethics and compliance
4. Contribution toward sustainable society
5. Respect for human rights and securing of appropriate labor environments

### Sustainable Procurement of Palm Oil

Palm oil is used in a dizzying array of products, notably including foodstuffs (such as edible oils and margarine) and chemical products (such as soap, detergents and cosmetics). Because it is highly efficient to produce and significantly cheaper than other oils, demand for palm oil is rising sharply, driving the development of large-scale oil-palm plantations. This trend has fomented a number of problems, including environmental degradation from logging and burning of rainforests, poor working environments on the plantations and violations of human rights.

In July 2017, the ADEKA Group joined the Roundtable on Sustainable Palm Oil (RSPO), an NPO dedicated to the sustainable production and use of palm oil, as a full member. The ADEKA Group obtained RSPO certification for its supply chain in April 2018 and began production and sale of certified products in its food business

in October 2018. Later, the circle of certified ADEKA Group production sites widened, extending to ADEKA FOODS (Asia) SDN. BHD. in Malaysia in April 2019 and ADEKA (Singapore) PTE. LTD. in Singapore in April 2020. In cosmetics operations, Chiba Plant acquired supply-chain certification in June 2020 and began supplying certified products.

The ADEKA Group is committed to sustainable sourcing of palm oil. In addition to accepting surveys and audits of its palm plantations and oil-expression plants, the Group is taking a range of further measures with a view to enhancing traceability in its supply chain.



### Conflict Minerals

As a company that seeks mutually beneficial coexistence with communities, ADEKA does not purchase raw materials that contain conflict minerals, due to their deleterious impact on human rights and other problems. To determine the status of conflict-mineral use by each supplier, we ask suppliers to complete and return the Environmentally Hazardous Substance Survey for each raw material when concluding a quality warranty agreement.



Haruhiko Tomiyasu  
Director and Senior Managing  
Executive Officer

## Key Topic Logistics

In recognition of its CSR, the ADEKA Group works closely with its logistics partners, led by ADEKA Logistics Corporation, to achieve sustainable logistics. The partners maintain thorough compliance, consider the environment in all phases of their operations and work to ensure safety and security.

### Participation in Efforts to Promote "White-Glove Logistics"<sup>1</sup>

In September 2020 the ADEKA Group proclaimed a Declaration of Independent Action aimed at promoting "white-glove logistics." The purpose of the Declaration, as detailed below, was to reduce burdens on drivers and enhance efficiency, thereby ensuring the continuity of safe transport of ADEKA products.

#### 1. Cooperation on proposals to improve logistics

When business partners or logistics operators request improvements for streamlining, etc. in logistical operations, the Group confers in good faith on the matter and works diligently to develop its own proposals.

#### 2. Use of pallets

Pallets and other tools are used to make cargo handling less burdensome and time-consuming.

#### 3. Modal shift<sup>2</sup> toward use of ships and rail

In long-distance shipping, the Group is continuing to switch from truck logistics to use of ferries, RORO ships<sup>3</sup> and rail.

#### 4. Promotion of written shipping contracts

The Group is further promoting the use of written shipping contracts.

#### 5. Consideration of compliance status when selecting contractors

When selecting logistical operators, the Group considers prospective contractors' records in terms of compliance.

#### 6. Suspension and cancellation of operation during unusual weather, etc.

When unusual weather such as typhoons, torrential rain or heavy snowfall occurs or is expected, the ADEKA Group confers with logistical operators to suspend or cancel operation, thereby ensuring drivers' safety.

#### 7. Promotion of joint shipping

The ADEKA Group promotes joint shipping with other companies, increasing logistical efficiency by improving loading ratios, reducing the number of vehicles used, etc.

1. White-glove logistics movement: A movement to achieve 1) improved productivity in truck shipping with greater logistical efficiency and 2) safe, clean, strain-free work environments in the logistics industry that are amenable to women and operators 60 years of age and older. The purpose of this movement is to ensure the stable logistics required by modern living and industrial activities and support economic growth. (Citation and source: website for the movement to promote white-glove logistics)
2. Modal shift: Switch of cargo shipping from trucks and the like to low-environmental-impact modes of transportation such as rail and marine shipping
3. RORO ship: A roll-on, roll-off (RORO) ship is a ship on which trucks and trailers laden with cargo can drive directly on and off ships, carrying their cargo without loading and unloading.

### Reducing Environmental Impact in Logistics

To bolster cost-competitiveness while implementing eco-friendly logistics, ADEKA is conducting a modal shift and joint shipping with other companies.

Modal-shift rate  
FY2020 result:  
**15.6%**  
(Target for FY2020: 20%)

Joint-shipping rate  
FY2020 result:  
**0.9%**  
(Target for FY2020: 1.5%)

For the modal-shift rate, ADEKA set a target of 20% by fiscal 2020. The Company worked vigorously to shift its cargo shipments to marine shipping and rail. However, in fiscal 2020, due to the COVID-19 pandemic, marine and railway container shipping volume declined, resulting in a modal-shift rate of 15.6%.

Similarly, ADEKA set a target of reaching a joint-shipping rate of 1.5% by fiscal 2020, holding discussions and coordinating with other companies to increase the use of joint shipping. In the fiscal 2020 results, however, despite stepping up sales efforts such as searching for new partners, the joint-shipping rate was 0.9%.

### Building Quality and Safety into Logistics

The ADEKA Group holds annual discussions with its logistics partners about safety. At these safety conferences, participants trade case-study reports of accidents, complaints and other trouble and attend expert lectures, developing a shared awareness of safety issues. In fiscal 2020, in view of the COVID-19 pandemic, the safety conference was cancelled in favor of sharing information by dissemination of written materials.

Working through ADEKA Logistics, the ADEKA Group conducts regular interviews with and various audits of logistics partners. By means of these ongoing efforts, the ADEKA Group is striving to boost the quality of its logistics.

#### Procurement and Logistical Activities with Sustainability in Mind

As its operations expand in scale, the ADEKA Group is intensifying cooperation with bases overseas to optimize material procurement globally.

Recent changes in the social environment have increased demands that companies advance CSR through sustainable procurement and logistical activities, using renewable energy,

biochemical feedstocks and the like. By bolstering cost-competitiveness, building synergies with stakeholders and boosting the resilience of supply chains, the ADEKA Group will make doubly sure to obtain stable procurement of materials and guarantee logistics.

## Key Topic ADEKA Group Products that Contribute to Society

Reactive Emulsifiers to Lessen Environmental Impact by Decreasing Emissions of VOCs

### ADEKA REASOAP Series

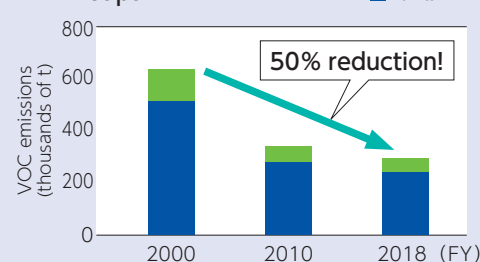


ADEKA developed its first reactive emulsifiers in the 1980s, for use in producing high-quality acrylic-plastic emulsions for water-based paints. Sales of these products expanded, as the emulsifiers bolstered water-based paints' performance. Thanks to these reactive emulsifiers, Japan leads other countries in switching from solvent-based to water-based paints, attaining a 50% drop in emissions of volatile organic compounds (VOCs) since fiscal 2000. This technology has not only spread to China, South Korea and various European countries but is also the world's only series of reactive emulsifiers approved by the US Food and Drug Administration (FDA). As a result, the market for this series has expanded to applications in water-based adhesives for packaging and labels used in contact with food, thereby contributing to the global environment.

Application: Adhesive (for food packaging and labels)



Trend in VOC emissions in Japan



By supplying eco-friendly products that reduce energy consumption and environmental impact and ADEKA Innovative Value (AIV) products that contribute to rich and fulfilling lifestyles, as well as high-value-added products tailored to the needs of the market, ADEKA is contributing to the enrichment of people's lives and a sustainable society.

Industrial Margarines that Support Good Flavor and Reduce Food Loss

### Marvelous



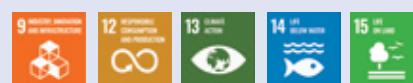
Marvelous is a bread-baking margarine whose unique combination of yeast mixture and high-dispersion oil formula knead functional properties into bread. This product preserves the unmistakable moistness and texture of freshly baked bread and extends its shelf life by 50% (according to a comparison by ADEKA). Marvelous requires no oil-temperature management and is easy to knead into bread dough, enhancing the stability and efficiency of the bread-baking process.

This new approach serves to reduce food loss, which is a major problem for society. In recognition of this benefit, Marvelous won the Nikkei Marketing Journal Award of the 2020 Nikkei Superior Products and Services Awards, sponsored by Nikkei.



Plastic Additives that Contribute to a Recycling Society

### ADK CYCLOAID Series



With pollution from waste plastic remaining a persistent social problem, the plastics industry is called on to deliver further enhancements to functionality, as part of the march toward a recycling-oriented society. To scale back environmental impact while enriching people's lives, ADEKA is developing environment-friendly plastics that afford the same or better functionality as conventional plastics, under the brand ADK CYCLOAID.

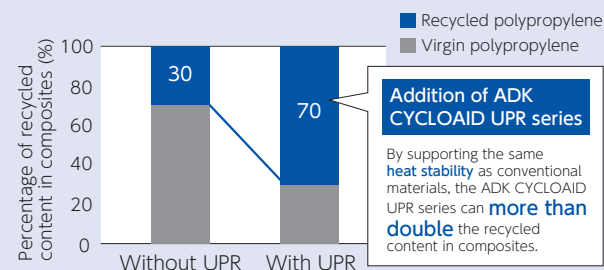
Applications: Automotive parts (interior and exterior)



Additives That Enhance the Performance of Recycled Plastics

### ADK CYCLOAID UPR Series

These additives contribute to the easing of environmental impact by boosting the recycled content of composite materials, thereby reducing consumption of scarce resources and slowing the growth of landfills.



Environment-Friendly PVC

### ADK CYCLOAID PNB Series

Mainly targeting polyvinyl chloride (PVC), this polyester-based plasticizer\* is biomass-based, providing a good fit for a recycling-oriented society. Made from natural plant materials, this series contributes to the achievement of a low-carbon society. In particular, ADK CYCLOAID PNB-205 is certified by the Japan Organics Recycling Association as a Biomass Mark product (No. 200253).

\* Plasticizer  
An additive that is added to polymers to make them more supple and easier to process.



Highly Safe Insect Growth Regulator for Paddy-Rice Pest Insects

### APPLAUD®



In the 1970s, demand for increased yield and quality in paddy rice was burgeoning in Japan, as the nation pursued a policy of reducing acreage under production for this staple crop. One problem farmers confronted was the huge damage done at harvest time by derbidiae and leafhoppers, two groups of insect pests, and great hope was placed in the development of high-performance pesticides to counteract them. Nihon Nohyaku's APPLAUD (active ingredient: buprofezin) became the world's first growth regulator for paddy-rice pest insects developed to provide greater safety and labor-saving effectiveness than the organic-phosphate-based and carbamate chemicals then prevalent.

APPLAUD inhibits molting of the target insects in the larval stage, restrains egg-laying by the adult females and interferes with the hatching of eggs, reducing the population density of the forthcoming generation of insects. This unique action mechanism sustains the pest-control effect over long periods. Moreover, APPLAUD is highly species-selective, only slightly affecting honeybees, which are the pests' natural enemies, and other beneficial insects. This sharply reduced impact on biodiversity is one of the superior qualities that makes APPLAUD such a standout product.

In addition to protecting paddy rice, APPLAUD has found a stable market as a pesticide against horticultural pests such as scale insects and whiteflies, which are damaging to fruit and vegetable crops. In recent years, Nihon Nohyaku has begun deploying APPLAUD in new treatment methods in Central and South America, as an insecticide against scale insects that infest banana plantations. Having served as a core pest insecticide for over 30 years, APPLAUD is expected to continue to contribute to agricultural production worldwide as environmentally harmonious pest-control agent.

\* Nihon Nohyaku: A consolidated subsidiary of ADEKA



- 1988 Recipient of the Okochi Memorial Technology Prize
- 1990 Recipient of the Science and Technology Agency's Director General's Award
- 1992 Recipient of the Medal of Honor with Purple Ribbon (awarded by the government of Japan for academic and artistic accomplishments)



# Environment

The ADEKA Group, which uses chemical substances and palm oil as raw materials, cares about the environment throughout the process of procurement and from production to disposal. Toward realizing a sustainable society, we are developing products with less environmental impact and engaging in energy-saving initiatives.

## Targets and Results for Fiscal 2020 and Targets for Fiscal 2021

Self-evaluation: ○ Roughly according to plan △ Below plan

Item	Targets for FY2020	Results for FY2020	Self-evaluation	Targets for FY2021
Promote energy conservation (ADEKA manufacturing division alone)	● Reduce energy intensity by 1.0% or more year on year	● Energy intensity of 0.2016KJ/t 3.4 points below target	△	—
	● Reduce CO <sub>2</sub> emission intensity by 1.0% or more year on year	● CO <sub>2</sub> emission intensity of 0.4322t-CO <sub>2</sub> /t 1.9 points below target	△	● CO <sub>2</sub> intensity in existing products Improvement of 1% or more from previous year ● 12% reduction in 2030 from FY2013 (ADEKA Group, Scope 1 + 2)
Reduce industrial waste (ADEKA)	● Promote and maintain complete zero emissions (less than 0.1%) through recycling	● Landfill disposal volume of 44.0 t (0.09% of industrial waste generated)	○	● Promote and maintain complete zero emissions through recycling
	● Promote appropriate disposal of industrial waste	● Confirm appropriate management of waste by audit	○	● Promote appropriate treatment of industrial waste
	● Achieve 95% or higher rate of food recycling by FY2020 (target for food manufacturers)	● 95.5%	○	● Achieve 95% or higher rate of food recycling by FY2021 (target for food manufacturers)

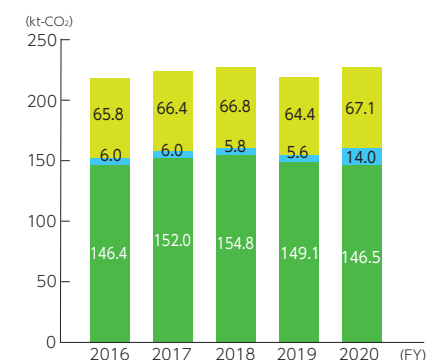
## Initiatives on Global Warming Prevention

### Initiatives for Reducing CO<sub>2</sub> Emissions

ADEKA is committed to maintaining a stable supply of products while slashing CO<sub>2</sub> emissions and improving indices such as production efficiency. To confirm the progress of these efforts, the president conducts plant audits and the Environmental and Safety Division conducts audits of its own.

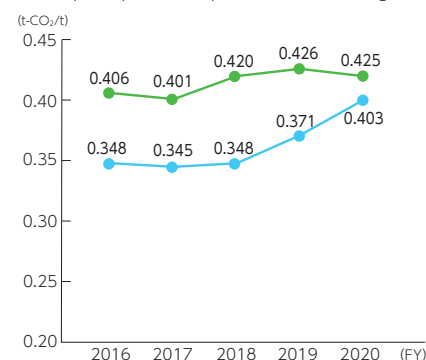
#### Greenhouse Gas Emissions

■ ADEKA ■ Group companies in Japan ■ Overseas companies

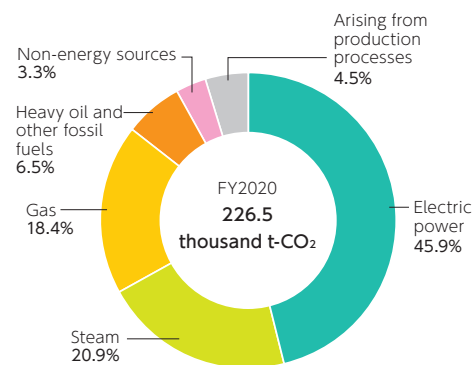


#### Greenhouse Gas Emission Intensity Index (from energy consumption)

■ ADEKA (the manufacturing division) ■ Group companies in Japan (the manufacturing division)

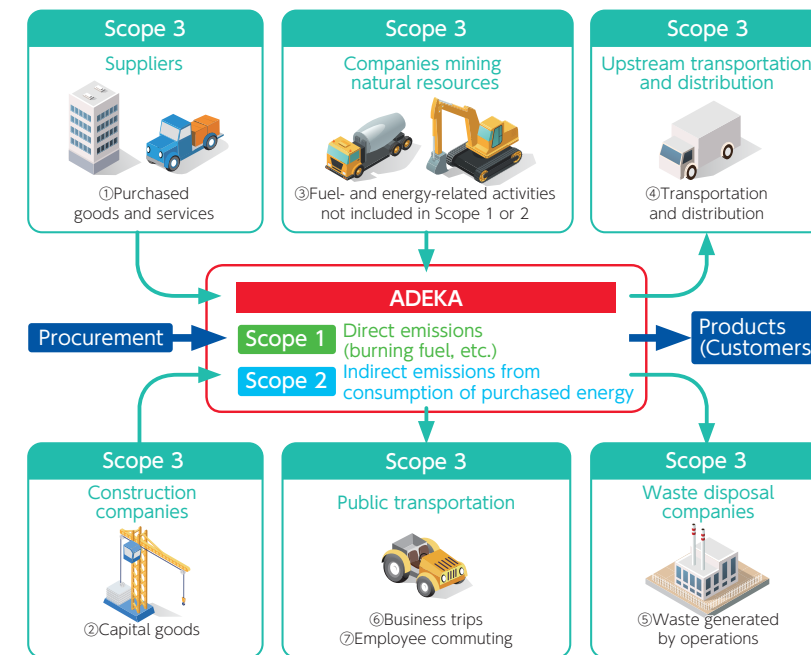


#### Breakdown of Greenhouse-Gas Emission Volumes (CO<sub>2</sub> equivalents)



Note: Not including 0.5% CFCs

## Flow Chart of ADEKA's Scope 3 Emissions



## CO<sub>2</sub> Emissions and Scope 3 Breakdown (Scope: ADEKA)

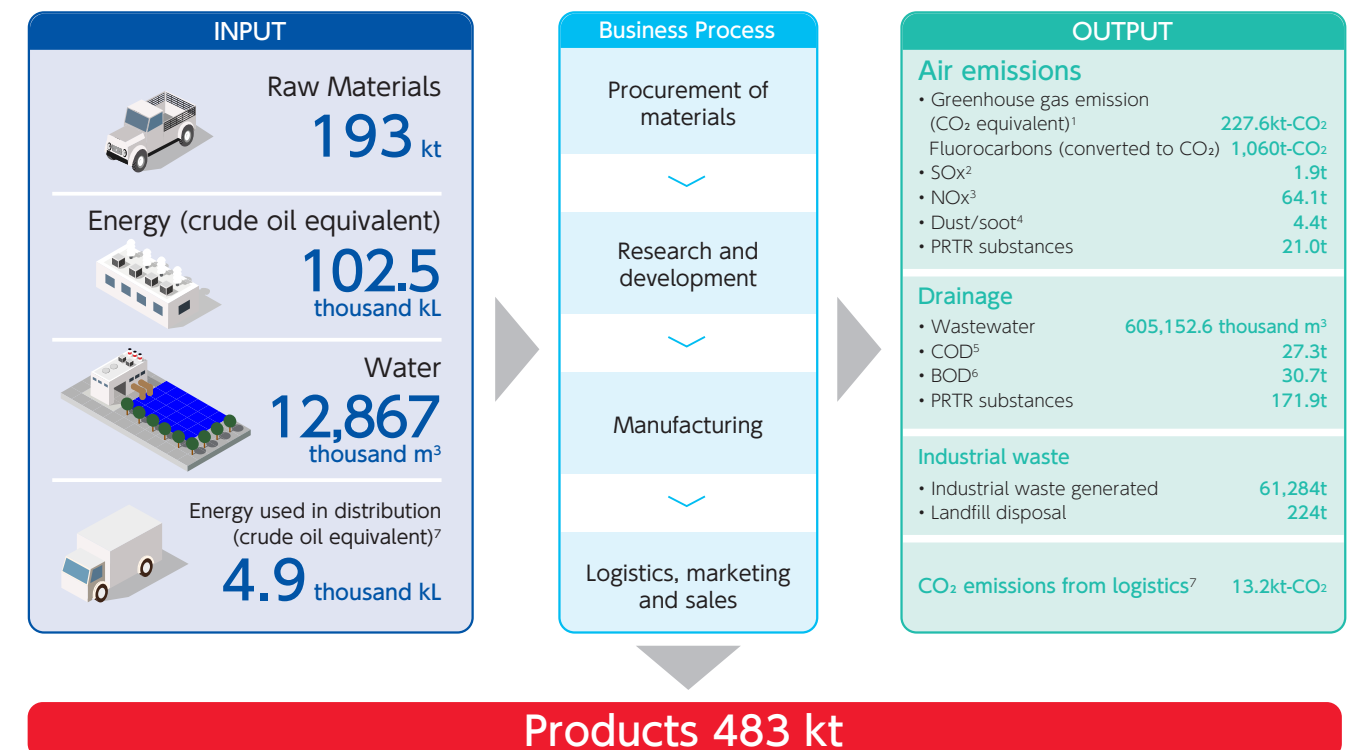
Scope category	Emissions (kt-CO <sub>2</sub> )
Scope 1	60.9
Scope 2	84.5
Scope 3	557.8
Category① Purchased goods and services	476.1
Category② Capital goods	25.8
Category③ Fuel- and energy-related activities not included in Scope 1 or 2	30.0
Category④ Transportation and distribution	13.2
Category⑤ Waste generated by operations	14.3
Category⑥ Business trips	0.3
Category⑦ Employee commuting	0.7
<b>Total</b>	<b>703.2 kt-CO<sub>2</sub></b>

(Scope: Consolidated figures for ADEKA)

Scope category	Emissions (kt-CO <sub>2</sub> )
Scope 1	74.5
Scope 2	152.0

## Material Flow

Material Flow in Business Activities (scope: ADEKA and 11 Group companies in Japan)



1. Total emissions arising from energy sources, non-energy sources and processes
2. Sulfur oxides generated during the use of fuels that contain sulfur
3. Nitrogen oxide generated during combustion in plant boilers and incinerators
4. Fine particles generated during the combustion of fuels and other materials
5. Amount of oxygen consumed during the oxidation of organic substances
6. Amount of oxygen required during the mineralization and gasification of contaminants in river water and industrial wastewater by microorganisms
7. Scope: ADEKA

# Society

The ADEKA Group coexists harmoniously and in mutual benefit with society through business activities that respond to the needs and expectations of each stakeholder. With the aim of achieving a sustainable society, the Group strives to create systems and products that solve a wide range of issues with which society is grappling.



## Better Living Conditions and Communication

### Creating Value That Meets Society's Expectations: Quality Safety and Responsible Procurement

#### Strengthening Our Quality Control Framework

##### Promoting Quality Improvement Efforts

To ensure that customers can use ADEKA Group products with confidence, the ADEKA Group has acquired certification under the ISO 9001 quality management system at 22 Group companies in Japan and overseas and is continuously maintaining and improving its quality assurance system. At its food production sites, the Group has acquired certification under FSSC 22000 (seven sites) and HACCP (three sites). The ADEKA Group is expending great efforts on food safety management and quality assurance.

##### Equipment Safety

ADEKA and its Group companies in Japan established a definition for "major equipment failure"\* in December 2018 and are operating on that basis. Since that time, these companies have upheld a status of zero major equipment failures. In fiscal 2020 the Group launched the practice of holding Equipment Safety Conferences, at which each place of operation shares information about equipment safety at its facilities.

\* Definition of major equipment failure: Failure resulting in cessation of production for one week or more.

#### AIB food-safety guidance and auditing system

The American Institute of Baking (AIB) food-safety guidance and auditing system is the foundation of a robust system of food-safety management. This food-safety management system is based on Good Manufacturing Practice (GMP), which in turn is linked to the general hygiene-management program that underpins Hazard Analysis and Critical Control Points (HACCP).

Each month, employees conduct autonomous inspections at their own plants, with the aim of eliminating potential harm to foodstuffs, particularly by reducing contamination incidents. A key requirement of this practice is the uncovering of deficient points and areas for improvement.

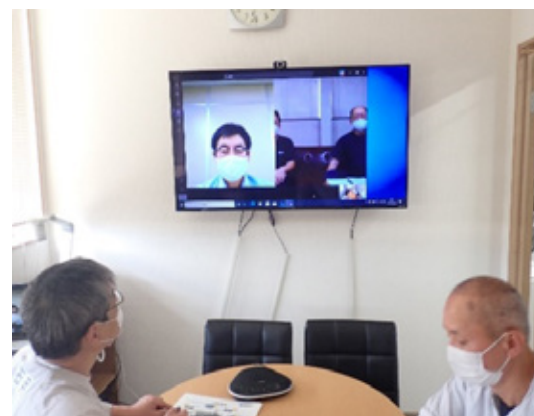


AIB inspection by the Japan Institute of Baking (Akashi Plant)

##### Construction of Sustainable Supply Chains

ADEKA is committed to the construction of a sustainable supply chain. To this end, Kashima Plant joined the Supplier Ethical Data Exchange (Sedex)\* in August 2019 and underwent the Sedex Members Ethical Trade Audit (SMETA), an auditing scheme provided by Sedex, in February 2020. Sedex is the world's largest platform for managing risk related to ethical business customs in supply chains (work environment, human rights, health and safety, the natural environment, compliance, etc.). Going forward, the ADEKA Group will continue to encourage the use of Sedex in its plants, to eliminate risk related to labor practices and promote the building of sustainable supply chains.

- 2019: Response to self-assessment questionnaire (SAQ) by Kashima Plant (East)
- 2020: SMETA audit of Kashima Plant (East), response to SAQ by Chiba Plant



Remote auditing of raw-material and packaging-material manufacturers (Akashi Plant)

\* Sedex is a nonprofit organization (NPO) established in the United Kingdom in 2004. It is the world's largest platform for managing and sharing supply-chain data online for the purpose of achieving ethical business practices across global supply chains.

## Dialogue with Stakeholders

The ADEKA Group achieves sustainable growth by advancing its business activities in good faith, meeting the needs and expectations of stakeholders.

### Local Society

The ADEKA Group takes pride in the harmonious relations it fosters with regional communities. To this end, the ADEKA Group creates a variety of opportunities to communicate with communities, including presentation of special events. The Group is also an enthusiastic participant in local beautification activities.



Participation in a regional-community support program (Amfine Chemical Corporation)



Presentation of a regional personnel training scholarship fund to Wanju County, North Jeolla Province, South Korea (ADEKA Korea Corporation)



Area cleaning activities around Mie Plant

### Security and Disaster Preparedness

Security and disaster preparedness 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 strictly with relevant laws and regulations but also strive day and night to conduct effective process control and equipment maintenance.



Firefighting training (Soma Plant)



Demonstration-training on handling leaks of hazardous waste (ADEKA Foods (Changshu) Co., Ltd.)



Training in preventing accidents that can occur at night (Kashima Plant)

### Shareholders and Investors

The ADEKA Group conducts appropriate and impartial disclosure while intensifying constructive dialogue with shareholders and investors, striving for medium-to-long-term improvement in corporate value.

#### Proper Disclosure of Information

ADEKA strives to disclose accurate corporate information in a fair and timely manner to all stakeholders under its disclosure policy. ADEKA imposes a specified "silent period" before the date of disclosure of the financial statements, in which the Company refrains from commenting on the accounts and does not convey any information that is pending before settlement of the accounts. ADEKA discloses appropriately any information about its accounts that may significantly impact the investment decisions of shareholders and investors.

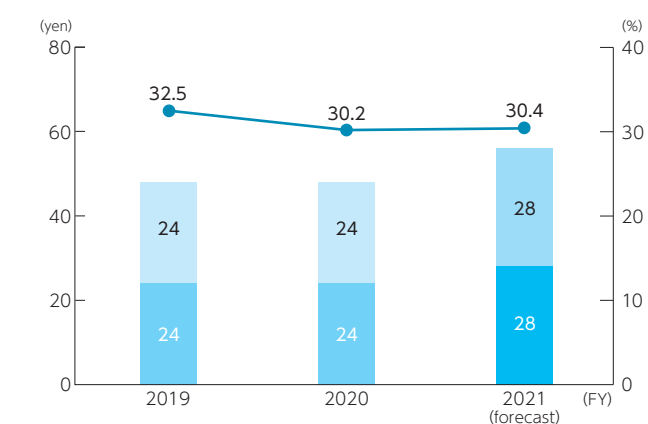
#### Returning Profits to Shareholders

ADEKA redistributes its profits to shareholders based on an overall consideration of the management environment, business performance and financial condition.

With the understanding of its shareholders, ADEKA applies its internal reserves by placing priority on strengthening its management base and investing in growth businesses from a mid-to-long-term perspective.

#### Annual Cash Dividends

■ H1 (yen) ■ H2 (yen) ● Dividend payout ratio (%)





## Human Rights and Human Resources

### Expanding Opportunities for Utilizing Human Resources

#### Promoting a Work-Life Balance

The ADEKA Group emphasizes the importance of a work-life balance, which encourages each employee to demonstrate their capabilities fully. Also, ADEKA is introducing a system to support flexible and diverse working styles and foster awareness. In April 2021, the Group officially introduced a telework system and reduced the core-time portion of its flex-time system, loosening the bonds between work and particular times and places.

##### ● Optimizing Working Hours

As part of its efforts to provide employees with a healthy, dynamic and supportive work climate, ADEKA is striving to reduce long work hours Company-wide. For example, the Company is establishing days when everyone leaves work at a set time. The Company is also adjusting work hours through the labor-management committee. In fiscal 2020, average overtime clocked in at 12.8 hours per month, compared with 14.6 hours per month in the previous fiscal year.

In fiscal 2019 Japanese companies were required to provide at least five days of annual paid leave to their employees. ADEKA had begun encouraging this practice in the previous fiscal year. In fiscal 2020, the rate at which employees took paid leave was 64%. All employees took five days paid leave or more.

#### Promoting Diversity

The ADEKA Group is overhauling its fields of work activity to ensure that individual employees can put their unique capabilities to work regardless of nationality, age, gender, ethnicity or disability, in aspects such as recruitment, hiring and promotions.

##### ● Active Roles for Women in the Workplace

The ADEKA Group is a strong advocate of active roles for women in the workplace. Of the 70 fresh graduates the Group hired in April 2020, 16 were women. The Company employs 279 female employees, comprising 15.4% of the Company workforce. For those on childcare leave, the Group provides interested individuals with support in upgrading knowledge and skills for use after they return

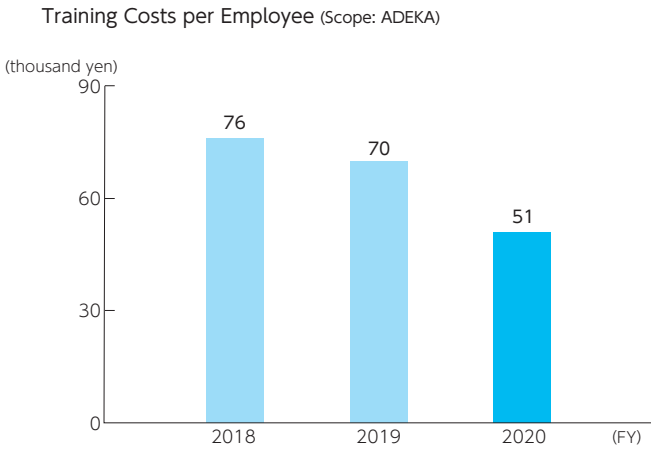
to work; in fiscal 2020, 10 employees made use of this program. In April 2021, the Group launched in-house "task teams" to advance active roles for women. The Group is continuing to reinforce its efforts and add new measures to cultivate a workplace culture in which women can realize their potential.

#### Cultivating Human Resources

The ADEKA Group recognizes employees as key company resources. We therefore view employees as assets and respect the aspirations of each individual while striving to cultivate human resources that will lead the next generation. In fiscal 2020 the Group moved many of its training programs online, as part of efforts to counteract the COVID-19 pandemic. Depending on the nature of each program, some programs are now conducted in real time using online conferencing systems, while others consist of on-demand distribution of prepared content. The Group aims to provide training that is flexible in terms of both time and space.

**ADEKA Human Resources Principles**

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



## Occupational Health and Safety

The ADEKA Group recognizes safety as its most important issue. To improve employees' safety awareness and create safe workplaces, the Group has switched over to the ISO 45001 occupational health and safety management system and is conducting activities via the Health and Safety Committees and the Zero Accidents Committees in each workplace.

##### ● Health and Productivity Management Measures

The ADEKA Group is committed to supporting sound Health and Productivity Management. To further galvanize its efforts on this front, in April 2021 the ADEKA Group announced the ADEKA Group Health and Productivity Management Declaration, both in-house and to the general public. The Group also assembled a project team to promote Health and Productivity Management under the direct supervision of the president.

To promote these efforts, the Human Resources Department, infirmaries and health-insurance associations work together, coordinating with labor unions, to implement measures and strengthen systems for health management and improvement.



##### ● Measures Against Infectious Diseases

ADEKA takes decisive measures against infectious diseases. Inoculation against influenza is offered in-house every year, with the Company and the health-insurance society bearing a part of the cost. In addition to encouraging employees actively to get inoculated, the Company instructs employees to report any infections to ADEKA immediately and to stay home for a certain amount of time if they have contracted a disease. Reminders are routinely sent to related departments and sections. In these and other ways, ADEKA makes great efforts to prevent the spread of infectious diseases.

Amid the ongoing COVID-19 pandemic, ADEKA exercises an array of initiatives to keep its employees safe. Employees are encouraged to work from home where possible, or to stagger their work hours. Restrictions on travel, both domestic and international, are currently in force. Alcohol dispensers are placed throughout ADEKA worksites for hand sanitation, and employees are encouraged to wash and sanitize their hands. Coughing etiquette is taught and temperature checks are carried out. In these and other ways, ADEKA has stepped up its thoroughgoing efforts to manage employee health. Some parents may need to take their children out of school temporarily to prevent the spread of COVID-19. In such cases the Company takes a flexible approach to support employees who are raising children. The scope of sick/injured childcare leave may be temporarily expanded. If the employee is needed at work, measures such as changing days off may be considered according to the employee's home situation.

Placing first priority on safety, the Company takes measures to continue business operations while preventing the spread of the coronavirus.

#### Promoting Upgrading of Work Environments

ADEKA positions its labor unions as vital stakeholders. Fundamentally recognizing that cordial labor-management relations based on mutual understanding and trust are vital for the development of the Group and the support and improvement of work conditions, ADEKA confers with its labor unions on an equal footing.

##### Key Labor-Management Meetings

Labor-management councils	12 times a year
Management councils	Twice a year
ADEKA Group labor-management conference	Once a year
Management conference	Once a year

### Respect for Human Rights

#### Respect for Human Rights and Fair Treatment

The ADEKA Group conducts its operations with respect for each person's character, human rights and individuality, as set forth in "Respect for Human Rights" in the ADEKA Group Code of Conduct.

The ADEKA Group is committed to the eradication of unfair discrimination on the basis of gender, nationality, age, ethnicity, race, religion, creed, physical disability, etc., and the elimination of bullying and sexual harassment. We strive to treat people fairly, respecting their individual aptitudes and skills.

The ADEKA Group strives to eliminate all violations of human rights, such as child labor and forced labor, not only from all ADEKA Group companies but also from the entire ADEKA Group supply chain in Japan and around the world.

# Governance

The ADEKA Group, under its management policies of “contributing to society through our business” and “harmonious and mutually beneficial coexistence with communities,” strives to meet public expectations and demands. At the same time, the ADEKA Group is consistently enhancing its brand and corporate value by reinforcing its corporate governance and rigorously managing compliance.

## Corporate Governance

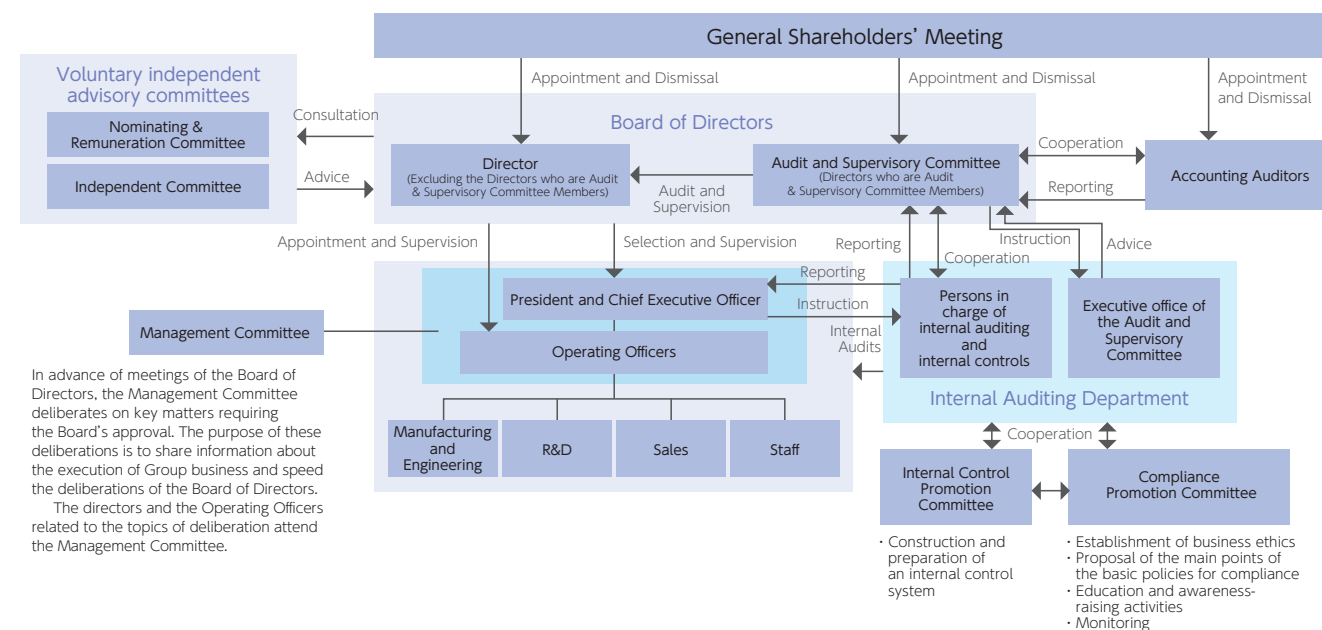
### Basic Stance on Corporate Governance

The ADEKA Group places top priority on the strengthening of corporate governance in order to realize its mission and management policies, as well as to achieve sustainable growth and enhance its mid-to-long-term corporate value.

ADEKA has repeatedly implemented innovations in governance to enable timely management decision-making and clarify roles (responsibilities and powers) in the execution of operations. To buttress the supervisory functions and framework of the Board

of Directors, at the ordinary general meeting of shareholders for fiscal 2020 convened on June 18, 2021, the Company resolved to revise its Articles of Incorporation, changing the structure of ADEKA from a “Company with Audit & Supervisory Board” to a “Company with Audit and Supervisory Committee.” Going forward, ADEKA will continue to take committed action to reform its management structure and strengthen corporate governance.

Structure of Management System as of June 18, 2021



### Overview of Corporate Governance

ADEKA's decision-making follows a process of flexible and thorough scrutiny in combination with the deliberations of the ordinary meetings of the Board of Directors, held once a month; extraordinary meetings of the Board of Directors, convened as necessary; and the Management Committee, which gathers several times a month. In fiscal 2020, the Board of Directors conducted 12 ordinary meetings and seven extraordinary meetings for a total of 19 meetings.

To clarify executive responsibilities and powers and provide

timely decision-making and efficient management, ADEKA has introduced an operating-officer system. ADEKA has also established a number of committees, such as the Internal Control Promotion Committee, the Compliance Promotion Committee and the Risk Management Committee. These bodies conduct deliberations necessary for execution of operations, implementing Company-wide measures for enhanced governance, compliance and risk management while striving for appropriate and rational management judgement.

### Strengthening Corporate Governance

The ADEKA Group is moving forward with the construction of a highly effective corporate-governance system, based on the ADEKA Group Corporate Governance Guidelines. This system is crafted so that every organization, including the Board of Directors, Management Committee and voluntary advisory committees (Nomination and Remuneration Committee and Independent Committee), as well as all officers and employees, can fulfill their roles in a coordinated fashion.

### Progress of the Corporate Governance System

2006	Nomination of one external director
2008	Revision of the officer-remuneration system, including elimination of the officer retirement benefit system
2015	Creation of the Corporate Governance Guidelines Adoption of a system of two external directors
2017	Introduction of stock compensation plan using restricted stock compensation
2020	Establishment of the Nomination and Remuneration Committee
2021	Reorganization as a Company with Audit and Supervisory Committee; adoption of a system of six external directors

### Nomination and Remuneration Committee

To ensure transparency and fairness in the processes for nominating director candidates and determining officer remuneration, in November 2020 ADEKA established the Nomination and Remuneration Committee as a voluntary, independent advisory body. The Nomination and Remuneration Committee is composed of two independent external directors and the president and CEO. In response to requests for advice from the Board of Directors, the Nomination and Remuneration Committee deliberates and advises the Board of Directors on matters such as nomination of director candidates and director compensation.

Corporate Governance Overview as of June 30, 2021

Item	ADEKA
Governance structure	Company with Audit and Supervisory Committee
Chairman of the board of directors	President and Chief Executive Officer
No. of directors (of which: Audit and Supervisory Committee members)	17 (5)
Independent external directors (of which: Audit and Supervisory Committee members)	6 (3)
Number of female directors	1
Term of directors who are not Audit and Supervisory Committee members	1 year
Term of directors who are Audit and Supervisory Committee members	2 years
No. of operating officers	17
Of which: Also serving as directors	9

## Compliance

### Strengthening Group Compliance

In fiscal 2020, one-on-one interviews were conducted with the representatives and compliance officers of affiliates in Japan. Feedback was provided on the results of a survey of compliance awareness conducted in fiscal 2019, along with proposals for improvement.

#### Main Topics

- Sharing and creating awareness of ADEKA Group management policies and the Group Code of Conduct
- Strengthening of Group compliance systems
  - Feedback of results of surveys on compliance awareness
  - Educational support to affiliated companies
- Response to global compliance risk

### Compliance with Fair Business Practices and Prevention of Corruption

#### Fair Business Practices

#### (Anti-Monopoly Act, Subcontract Act)

Each year the ADEKA Group offers seminars on the Anti-Monopoly Act and Subcontract Act, presented by specialists in the field. Employees are also individually encouraged to improve their knowledge of these topics through e-learning.

#### Preventing Bribery

Around the world, the legal framework concerning bribery and corruption is being steadily tightened. Examples of pertinent legislation include the Foreign Corrupt Practices Act in the United States, the United Kingdom Bribery Act in the United Kingdom and Japan's Unfair Competition Prevention Act. As exposure of bribery and corruption intensifies, the ADEKA Group is providing employee training and conducting risk assessment and other measures, based on the ADEKA Group Basic Policy Against Corruption, related regulations and the ADEKA Group Anti-Bribery Guidelines.

## Risk Management

### Basic Stance on Risk Management

As business risks increase in the management environment, the ADEKA Group seeks to prevent incidents and minimize the damage they can cause. In one approach, the Group outlined a system for managing risks in the ADEKA Group Risk Management Manual, focusing on prevention and countermeasure efforts.

### Business Continuity Management

The Business Continuity Management (BCM) Committee takes the initiative on business continuity management for minimizing any damage to business assets and enabling the continuation or early recovery of business activities in the event of an emergency.





## **ADEKA CORPORATION**

7-2-35 Higashi-ogu, Arakawa-ku, Tokyo  
<https://www.adeka.co.jp/en/index.html>

### **Contact Information**

Legal Affairs & Publicity Department  
TEL: +81-3-4455-2802 FAX: +81-3-3809-8210  
e-mail: [adeka-csr@adeka.co.jp](mailto:adeka-csr@adeka.co.jp)