

Mid-term Management Plan
“BEYOND 300”
(FY2018 - FY2020)

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ADEKA Corporation

Stock Code: 4401

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1 . Review of STEP 3000-II

Overview (STEP 3000-II)

【Positioning of previous Mid-term Management Plan】

- A plan that will ensure we create “a Good Company” with annual sales of 300 billion
- The first three years toward achievement of ADEKA VISION 2025

【Targets*】

(Unit : billion yen)

	FY2017 Plan
Sales	300
Operating profit	24
Sales (Out side Japan)	150
Sales ratio (Out side Japan)	50%

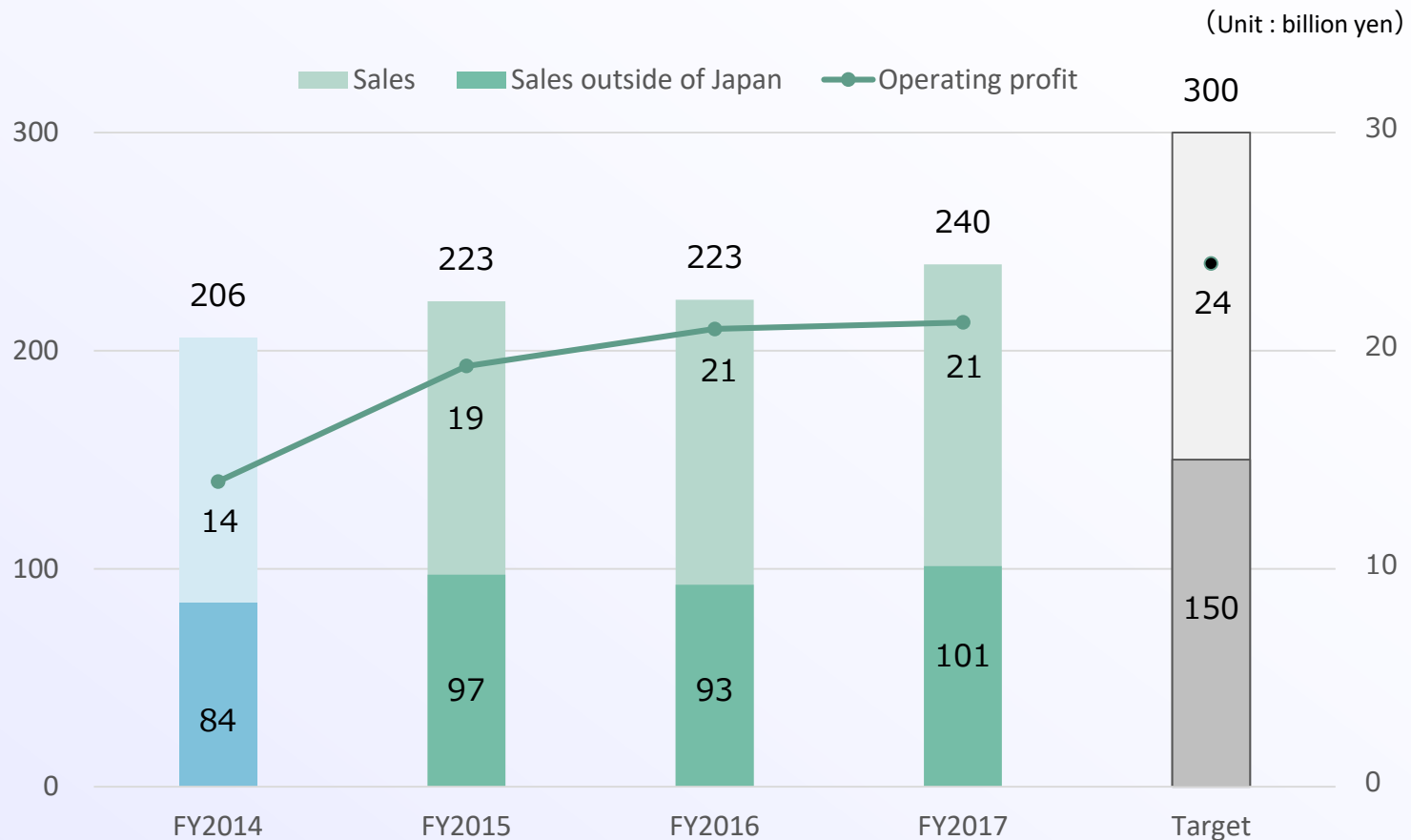
* Consolidated data

【Management Indexes】

- 8% of Operating Profit
- Cumulative investment of roughly 70 billion yen:
 - Capital investment planned at 40 billion yen total for the three years of the mid-term plan.
 - Additional 30 billion yen in M&A for expansion of operations and development of new businesses.

Financial Performance (STEP 3000-II)

Although target figures were not achieved, the ongoing trend during STEP 3000-II was for growth in both revenues and earnings (record sales and profits are being achieved).



Management Indexes (STEP 3000-II)

◆ Operating profit margin : 8 %

➤ Achieved (OPM in FY2017 was 8.9%)

◆ Cumulative investment of roughly 70 billion yen (3 years)

- Capital investment planned at 40 billion yen total for the three years of the mid-term plan.
- Additional 30 billion yen in M&A for expansion of operations and development of new businesses.
- Capital investments were generally implemented as planned, and the cumulative capital investment amount was 38 billion yen(95%).
- CROWN CO., LTD. (Kansai-area food wholesaler) was made a consolidated subsidiary through the acquisition of additional stock.
SHOWA KOSAN CO., LTD. (specialized trading company handling chemicals) was made an equity-method affiliate.

Summary (STEP 3000-II)

Major Implemented Measures		Factors for Deviation (Net Sales) from Plan
<ul style="list-style-type: none"> Production facility for ALD materials augmented at the Kashima Plant. New production plant for dielectric materials constructed in South Korea. Production and sales of black matrix resist consolidated to Taiwan. 	<p><u>Electronics and IT materials</u></p>	<p>In regard to semiconductor memory, there was growth in materials used for 3D-NAND, which exceeded the plan. However, high dielectric constant materials, for DRAMs for which high growth had been anticipated, were impacted by demand and producing technology and saw sluggish growth. photo (light) curing resins saw steady growth. However, the new adoption of initiators for photoresists did not fulfill the plan, leaving the sales volume target unachieved.</p>
<ul style="list-style-type: none"> ADEKA FINE CHEMICAL (ZHEJIANG) CO., LTD. established in China. Production facility augmented in the U.S. for high-functional additives, and in France for packaged granular additives. Production facility for high-functional polymer additives augmented at the Mie Plant. Construction of new production plant for special non-ionic surface-active agents launched at the Chiba Plant. 	<p><u>Functional chemicals</u></p>	<p>Although sales volume of polymer additives grew, it did not achieve the high growth anticipated in the plan. Flame retardants were among the additives that did not meet the plan. Surface specialties saw achievement of the plan in lubricant additives for engine oil, etc. and functional polymers generally grew according to plan. Cosmetic ingredients did not achieve the sales volume target.</p>
<ul style="list-style-type: none"> Ongoing, thorough cost reductions, such as streamlining of production and distribution, implemented. Production capacity for colloidal silica products increased. 	<p><u>Commodity chemicals</u></p>	<p>Industrial agents, peroxygen chemicals and the like performed almost according to plan. However, sales volume for industrial materials did not achieve the plan.</p>
<ul style="list-style-type: none"> Production line for processed food product added in China. New production line for processed food built in Singapore. 	<p><u>Food products</u></p>	<p>Kneading fats and fats and oils for chocolate were among the product items that did not achieve the sales volume plan. Progress was seen in the establishment of a Southeast Asian subsidiary structure. However, sales volume saw sluggish growth.</p>
<ul style="list-style-type: none"> Chinese operating company changed to holding company. Representative office established in Ho Chi Minh City, Vietnam. Kashima west section (organization) established with the objective of reinforcing the research structure for medical materials. Testing facilities for electrode materials, etc., newly built at the Soma Plant. 	<p><u>Corporate</u></p>	<p>—</p>

2 . ADEKA VISION 2025:

The ADEKA Envisioned for 2025

ADEKA VISION 2025

- ◆ ADEKA VISION 2025 was established with the desire to be a global corporation that contributes to society (affluent lifestyles) through its business activities—to expand, by 2025, beyond the current core businesses of chemicals and food products and be engaged in a wide range of businesses around the world, beginning to lead global technologies as a manufacturer.

ADEKA VISION 2025

A global company
that creates value for Tomorrow
and contributes to affluent Lifestyles
through innovative technologies

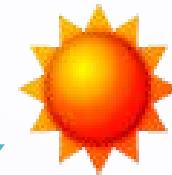
3 . Outline of BEYOND 300

Positioning of BEYOND 300

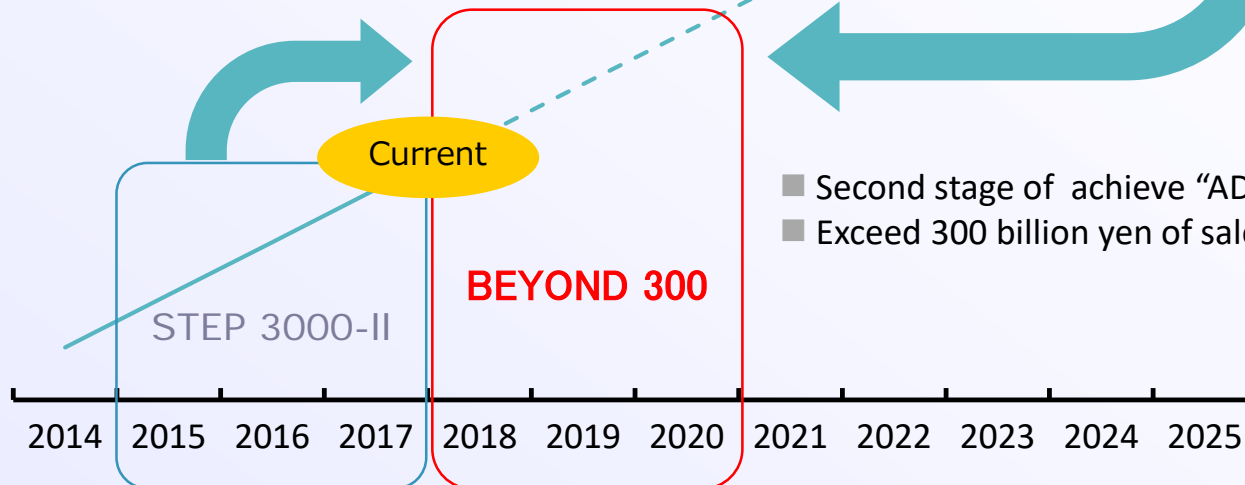
ADEKA VISION 2025

A global company
that creates value for Tomorrow
and contributes to affluent Lifestyles
through innovative technologies

“Become an excellent company
with sales exceeding 300 billion yen”



Vision for
ADEKA in FY2025



- Second stage of achieve “ADEKA VISION 2025”
- Exceed 300 billion yen of sales with organic grow.

Management Target of BEYOND 300

	FY2020
Net Sales	Over 300 billion yen (organic growth)
Operating profit margin	10%
ROE	10%
Investments and loans	<p>Total investment and finance : 100 billion yen (Three-year total)</p> <p>◆ Breakdown Capital investment: 50 billion yen (Three-year total) M&A funds: Prepared with 50 billion yen as the limit (Three-year total)</p>
Dividend	<p>Dividend payout ratio: 30% (target for the final year of the mid-term plan after incremental increases) Appropriate shareholder returns decided after comprehensive consideration.</p>

Basic Policies

“ Become an excellent company with sales exceeding 300 billion yen ”

Basic Strategies

- Global expansion of three main businesses

Globally expand sales of strategic products defined for each of our three main businesses; Polymer additives, Chemical products, and Food products.

- Entering new domains

Build business models and promote commercialization in the target domains of Life sciences, Environment, and Energy.

- Enhancing our management foundation

Promote CSR to increase our contribution to society and trust from society.

Enhance mutual cooperation within the ADEKA Group to leverage our comprehensive ability.

Five Measures

Corporate management: Enhancing group corporate management

Cultivate common values for the ADEKA Group, establish systems and structures, etc., and enhance group corporate management.

Global business development: Expanding globalization and accelerating localization

Further expand globalization of procurement, production, and sales, while accelerating growth of individual overseas subsidiaries.

Technology: Creating innovation and enhancing competitiveness

In order to perpetually create products required by society, enhance R&D, promote new business development, and intensify/inherit production technologies.

Human resources: Expanding global human resources and leaders

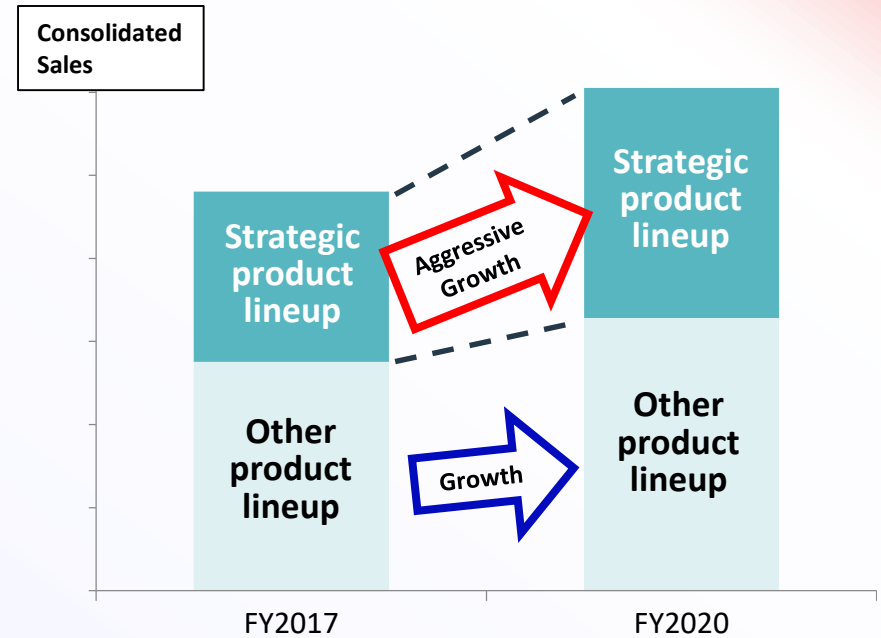
Continuously invest in the human resources as our corporate asset to expand global human resources and leaders.

Corporate value: Promoting CSR and developing together with society

Improve our CSR promotion system, contribute to the solving of problems in society via our business, and utilize these efforts to achieve continuous growth.

Toward Growth

- The speed of growth will be aggressively accelerated under BEYOND 300 by establishing “Strategic product lineups” and injecting managerial resources.



【strategic products Group】

General-purpose antioxidant

Intumescent type flame retardant

Nucleating/clarifying agents

⋮

Polymer Additives segment

ALD materials
(Semiconductor material)

Photo (light) curing resins

photoinitiator

Chemicals for display

⋮

IT Chemicals

Cosmetic ingredient

Water-based coating material

Water borne resins

Lubricants

⋮

Advanced Chemicals

Margarines

Whipping cream

fillings

Functional food

⋮

Food products segment

Business Strategy (Polymer additives)

Expand both sales and profits in a wide range of areas,
from functional polymer additives to high-volume products

- Global expansion of strategic product lineup
 - Further expansion of sales volume of general-purpose products
 - Acceleration of the speed of developing markets for new products and high-functional products

- To develop new products that will lead the global market
 - Organizational reform of the Polymer Additives R&D Laboratory
 - Clearly separate market development and new product development
 - Reinforce the capacity for the deep investigation of market needs and information collection

Business Strategy (IT Chemicals)

Propose materials that are indispensable for the advancement of IoT, artificial intelligence and other digital technologies as well as expand the semiconductor and display peripheral materials businesses

■ Information media materials

- Make full use of organic synthesis and photoregulation technologies, propose solutions, and expand the use of photo (light) curing resins, and PAGs as display materials and semiconductor materials.

■ Electronic materials

- Further expansion of business domains, such as in memories (DRAM and NAND) and logic semiconductors, and the launch of new products including etching materials for displays and thermal conductive insulation sheets for power devices
- Expansion of targeted devices and ongoing generation of new products

Business Strategy (Advanced Chemicals)

Global growth through expanded sales of strategic products in strategic markets (automotive, personal care, electronic parts and social infrastructure)

■ Functional polymers

- water borne resins: expand sales of urethane and epoxy resins, with a focus on the market moving away from volatile organic compounds (VOCs)
- Automotive materials: Expansion of applications for epoxy resin adhesives
- Resins for electrical materials: develop new resin materials as well as expand applications related to adhesives

■ Surface specialties

- Water-based coating materials: expand sales of reactive emulsifiers and develop uses for water borne urethane blends
- Lubricants: expansion of the sales of lubricant additives for automotive engine oil
- Cosmetic ingredients: expansion of the sales of new glycol-based moisturizers and gelling agents

■ Industrial agents, peroxide products, etc.

- Hydrogen peroxide derivatives: Expansion into high added-value applications

Business Strategy (Food products)

■ Strengthen the domestic business foundation in Japan

- Increase market share by strengthening sales of oils and fats for kneading or inserting (including margarine and shortening) for breads, sweets and confectionary and processed foods (such as whipping cream) as well as improve profitability by increasing the ratio of new products and implementing cost reductions

■ Accelerate the speed of overseas expansion

- Expand the scale of the business (double sales) in China and Southeast Asia by promoting sales of oils and fats for kneading or inserting, fat spreads, paste for bread, etc.

Business Strategy (Commercialization of new domains)

Life science

◆ Regenerative medicine

Decellularized tissue

◆ Preventive medicine

Nasal vaccine absorption promoter

◆ Improvement of the quality of life

☆ Functional food ingredients

(support for health maintenance)

Beta-glucan

Alkylphospholipid

☆ Functional cosmetic ingredients

(moisturizing, aging care, bacteriostatic action, etc.)

Mevalonolactone

Beta-glucan

Novel glycolic moisturizer

Environment/energy

◆ Low environmental load and energy efficient

☆ Secondary battery materials (lithium-ion batteries and next-generation batteries)

Electrode material

Conductive agent

Electrolyte additives

☆ Materials for wind turbines

Materials for fiber-reinforced plastic

☆ Additives for fuel-efficient engine oil

Organic molybdenum additives

◆ Aqueous chemicals (non-solvent)

Water borne resin material

◆ Alternative energy materials

Shale-gas related materials

□ Reinforce personnel and enrich facilities to accelerate development of materials and aim for prompt supply.

Enhancing of the management foundation through CSR promotion

- Promote CSR to increase contribution to and the confidence of society

Consider changing the organization promoting CSR in order to create a structure that can promote CSR management and the resolution of social challenges

Ensure familiarity with and thorough adherence to the Fundamental CSR Policy of the ADEKA Group

Capital Investment Plan

Total investment (in three years): 50 billion yen

[Major investments]

- Construction of a new plant in China (ADEKA FINE CHEMICAL (ZHEJIANG) CO.,LTD.)
- Addition of new production facilities for high-function polymer additives (Mie Plant)
- Augmentation of semiconductor material production facilities (ADEKA KOREA CORP.)
- Increase of production capacity for lubricant additives (Soma Plant)
- Addition of new production facilities for special non-ionic surface-active agents (Chiba Plant)
- Construction of new food product manufacturing wing and increase of production capacity (ADEKA FOODS (CHANGSHU) CO., LTD.)

Dividend Policy

- ADEKA will increase corporate value by expanding its business through investment, etc., in business growth areas, which will be made from a medium- to long-term perspective and for enhancement of the management foundation. At the same time, with the continuation of stable dividends as the basis, the Company will carry out the appropriate return of profits to shareholders after comprehensive consideration of the business environment, the Company's performance and financial standing.
- The policy in regard to dividends is for medium- to long-term increases in level, with a consolidated dividend payout ratio target of 30% for FY2020 (the final year of the Mid-term Management Plan "Beyond 300") after incremental increases.

For your reference (Consolidated Net Sales by segment)

(Unit : billion yen)

	Fiscal 2017 (Actual Results)	Fiscal 2020 (Final year)
Net sales	239.6	300.0
Chemicals	158.5	200.0
<i>Polymer Additives</i>	82.5	103.0
<i>IT Chemicals</i>	23.3	33.0
<i>Advanced Chemicals</i>	52.7	64.0
Food products	69.8	86.0
Other	11.1	14.0

Premise
[exchange rate]
¥ 110/US\$
¥ 125/€

* Consolidated data

Notice on Forecast Performance and Business Plans

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