



CORPORATE SOCIAL RESPONSIBILITY

CSR Report 2011



Editorial Policy

The Adeka Group pursues corporate activities with a commitment to corporate social responsibility (CSR) that is integrally aligned with its corporate principles and business strategies, in order to contribute to the health and enrichment of society.

The Adeka Group CSR Report 2011 opens with a section describing the crisis management of the Adeka Group in response to the Great East Japan Earthquake and efforts to restore Group operations, and also outlines the future direction for crisis management. There are two features: one focusing on the core food business, and the other focusing on international business development as an area of crucial strategic importance to the Group's business. These articles describe the concrete initiatives being taken by Adeka Group in an effort to make a social contribution through its business operations, and to raise its global presence.

This report omits the section tracing the flow of environmental impact that was included in last year's report. The reason for this is because the impact of the disaster on the Soma Factory made it impossible to tabulate the plant's data for the month of March 2011.

The pages of this report also contain important information that the Adeka Group wished to convey to readers. Additional detailed information, including environmental data, will be published online through our website¹ beginning in September 2011.

In striving to improve future CSR reports, the Adeka Group welcomes any candid feedback concerning the Group. The Adeka Group is committed to providing you with a better CSR Report, and welcomes any candid feedback or thoughts you may have.

Scope of This Report

10 Group companies:

- Adeka Chemical Supply Corp. • Adeka Clean Aid Corp.
- Adeka Fine Foods Corp. • Adeka Engineering & Construction Corp.
- Oxirane Chemical Corp. • Adeka Foods Sales Corp.
- Adeka Logistics Corp. • Yongo Co., Ltd.
- Tokyo Environmental Measurement Center Co., Ltd.
- Uehara Foods Industry Co., Ltd.

*In this report, "Adeka" and "the Company" refer to Adeka Corporation. "Adeka Group" and "the Group" refer to the entire Adeka Group.

†Some data in this report also encompasses the eight international affiliates and subsidiaries of the Adeka Group.

Period Covered by This Report

2010 Fiscal Year ended March 31, 2011

*Some parts of this report refer to recent activities taking place in fiscal 2011.

Reference Guidelines

- Environmental Reporting Guidelines (Fiscal Year 2007 Version) of the Japan Ministry of the Environment
- Sustainability Reporting Guidelines 2006 of the Global Reporting Initiative (GRI)

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Next publication date: July 2012

*Adeka Group CSR site: <http://www.adeka.co.jp/csr/en/index.html>

†Financial and economic data can be viewed at the Adeka Group Investor Relations site: <http://www.adeka.co.jp/en/ir/index.html>

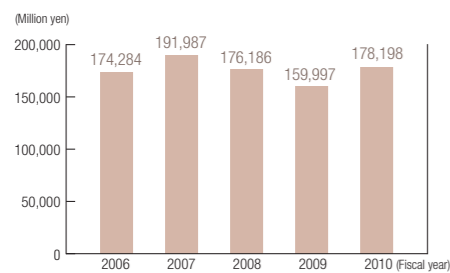


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Consolidated Business Results

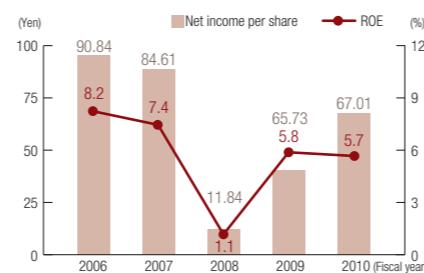
▶ Net Sales



▶ Operating Income, Operating Income Ratio



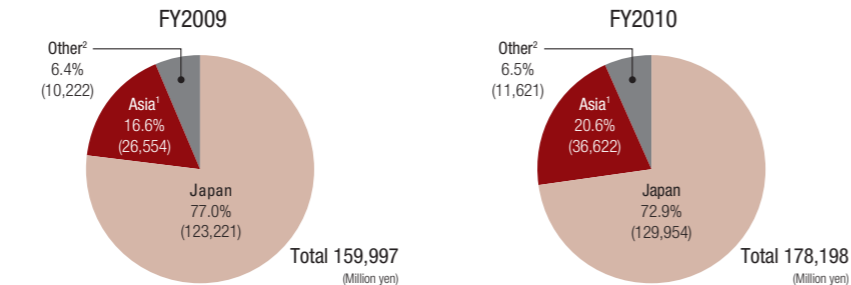
▶ Net Income per Share, Return on Equity (ROE)



▶ Overseas Sales Ratio



▶ Net Sales by Region



¹Asia: Including China, Taiwan, South Korea, and Singapore ²Other: US, Europe

Corporate Data

Name: Adeka Corporation

Established: January 27, 1917

Representative Director: Kunihiko Sakurai, President

Head Office: 7-2-35 Higashi-ogu, Arakawa-ku, Tokyo

Capital Stock: ¥22.899 billion (as of March 31, 2011)

Shares Issued: 103,651,442 (as of March 31, 2011)

Employees (consolidated): 2,853 (as of March 31, 2011)

Cover Photograph

Head Office of Adeka Corporation with Mount Fuji pictured in the background, taken from the direction of the Arakawa River, Tokyo.

United Toward a Rapid Recovery for the Growth of the Adeka Group

I would like to take this opportunity to extend my deepest sympathies to those affected by the Great East Japan Earthquake. My prayers go out for the swift reconstruction of disaster-affected areas.



The March 11 quake was measured at a magnitude of 9.0, making it the most powerful earthquake recorded to have hit Japan. The quake caused unprecedented damage throughout the Tohoku and Kanto regions, and left coastal areas devastated by the massive *tsunami*. In an instant, we witnessed the terrible loss of many precious people, as their peaceful lives were swept away.

Five Major Goals for a Rapid Recovery

Fortunately, no employees of the Adeka Group were injured in the disaster. However, the disaster interrupted our manufacturing and sales activities at the Soma Factory, Kashima Factory, Kashima Factory–West and Sendai Regional Office. The Fuji Factory was also forced to temporarily suspend manufacturing due to rolling blackouts.

Right after the quake hit, Adeka formed a temporary disaster response center headed by myself, and with all company directors serving as members. The center moved quickly to gather information and respond to the situation. Thanks to the hard work of all involved, including the employees at our plants, we were able to restore manufacturing operations to their pre-quake levels even sooner than expected.

The Adeka Group has set five major goals for all employees to pursue to achieve a rapid recovery that sets the Group on the path outlined in its business strategies.

Five Major Goals

- I. Achieve a rapid recovery
- II. Continue earning the confidence of stakeholders
- III. Carefully control the procurement of raw materials and manufacturing of our products
- IV. Expand sales by leveraging unaffected plants, product lines and affiliated companies, in order to make up for losses from the disaster
- V. Turn adversity into opportunity to achieve growth

Aiming to Generate ¥300 Billion in Net Sales

The Adeka Group has set a corporate goal of generating annual net sales of ¥300 billion by 2017, when we will mark our 100th anniversary. This goal also means that the Group must evolve into a corporate group whose business and social contributions are in line with generating ¥300 billion in net sales. As such, the Group is endeavoring to change the structure of its businesses under our medium-term management policies, so as to strengthen our business position as a stepping stone for growth.

The Group has chosen to pursue a strategy of further selectivity and increased business focus in order to become more competitive, and we are making a strong push to develop new products and expand the scale of international business as strategies for growth. We have positioned the polymer additives and food segments as core business segments. In these segments, we wield a competitive advantage in terms of the scale of our business and market share while enjoying a technology edge, and are pursuing measures under a growth strategy. Additionally, we have positioned the segment of IT and electronic chemicals as a growth segment, where we are leveraging our own technologies to develop next-generation products, and expanding this business so that it becomes our next core segment.

In addition to our existing areas of business, we are focusing on developing new areas of business in the fields of energy, environment and life sciences, as areas with growth potential. In these segments, we are bridging core technologies and developing new technologies.

Making Social Contributions through Our Business Operations

The Adeka Group will continue endeavoring to meet the expectations of stakeholders and be responsive to their needs, through a commitment to managing CSR and strengthening our corporate governance, and by making social contributions through our business operations. We will align the Group in the pursuit of shared management policies and a common vision, and develop global employees who are receptive to diverse values and different cultures.

The Adeka Group will strive to gain an even better grasp of shifting economic and social trends across the globe, so that we can better understand the needs of society. We will continually examine the value that we can offer through our products and our technologies and services, in order to continue being needed by society.

Overcoming Difficulties Together

The Adeka Group has overcome difficulties and crises throughout its corporate history, always marked by the positive and upbeat attitude of the employees who came before us. The recent disaster has truly tested the Japanese people, but it is times like these when it is important for all the employees of the Adeka Group to be united, and to display a positive and upbeat attitude in our actions.

I will personally take leadership in facing the challenges before us, and I promise that the Adeka Group will continue to do its part to help areas that have been affected by the disaster.

Kunihiko Sakurai

President

Response to Great East Japan Earthquake

Key Actions after Great East Japan Earthquake

- March 11**
 - Verified safety of all employees and damages immediately after the quake
 - Established temporary disaster response center and gathered information from Adeka Group offices
 - Evacuated employees under the direction of the highest manager at each office
 - Filed initial damage reports with supervising government authorities
 - Confirmed the status of employees stranded at work, and arranged employee accommodations for the night
 - Distributed blankets and emergency food supplies for employees spending the night at company offices
- March 12**
 - The temporary disaster response center rapidly issued necessary instructions based on gathered information.
 - Verified exact damages at offices in disaster areas
 - Restarted facilities as available, pending safety checks
- March 14**
 - Issued first corporate press release concerning disaster
 - Briefed customers and other stakeholders on the status of the Adeka Group
- March 15**
 - Verified damages at Soma Factory, and sent out a team to deliver relief supplies to the plant
 - Launched fund-raising campaign (management and labor union combined initiative)
- March 16**
 - Sales operations in Sendai temporarily transferred to Head Office, to provide support for customers normally served by the Sendai Regional Office
- March 18**
 - Transported relief supplies for employees of the affected Soma Factory



Truck departs to deliver relief supplies to Soma Factory

Adeka reacted immediately after the quake by setting up a temporary disaster response center to launch the Company's incident management plan (IMP) and business continuity plan (BCP). In addition to verifying the safety of employees, the disaster response center worked to resume production and marketing operations, as well as restore supply chains, including logistics capacity, and procurement of raw materials and ingredients.

Adeka also provided necessary customer support and issued press releases, and through these combined efforts was able to resume production and marketing operations with reasonable order.

Quake Damages and Recovery

Employee Safety

No employees of the Adeka Group were injured, although some employees suffered personal damage to their homes, including flooding damage.

Damage to Adeka Offices

The Sendai Regional Office and four out of seven manufacturing plants in Japan were damaged from the disaster. (See map below.)

Impact on Raw Material and Ingredient Procurement

The disaster affected Adeka's suppliers of raw materials and packaging materials. However, the impact on Adeka's manufacturing activities was minimized from having implemented initiatives to diversify purchasing sources and pursue overseas procurement with the cooperation of Adeka Group subsidiaries outside of Japan.

Sendai Regional Office (Sendai City, Miyagi Prefecture)

The functions of the office were temporarily transferred to the Head Office, due to infrastructure damage in Sendai City. Sales operations were resumed in early April.

Soma Factory (Soma City, Fukushima Prefecture)

Production was stopped due to *tsunami* damage to electrical equipment. The plant was able to continue shipping products due to back-up inventory that had been secured in accordance with the business continuity management system (BCMS). Production was resumed on July 1.

Kashima Factory (Kamisu City, Ibaraki Prefecture)

Production was temporarily stopped due to infrastructure damage, including to port berths at the Kashima complex and water service interruptions. As infrastructure was restored, chemicals production was partially resumed in early April and fully resumed in early May. Food production was fully resumed in May.

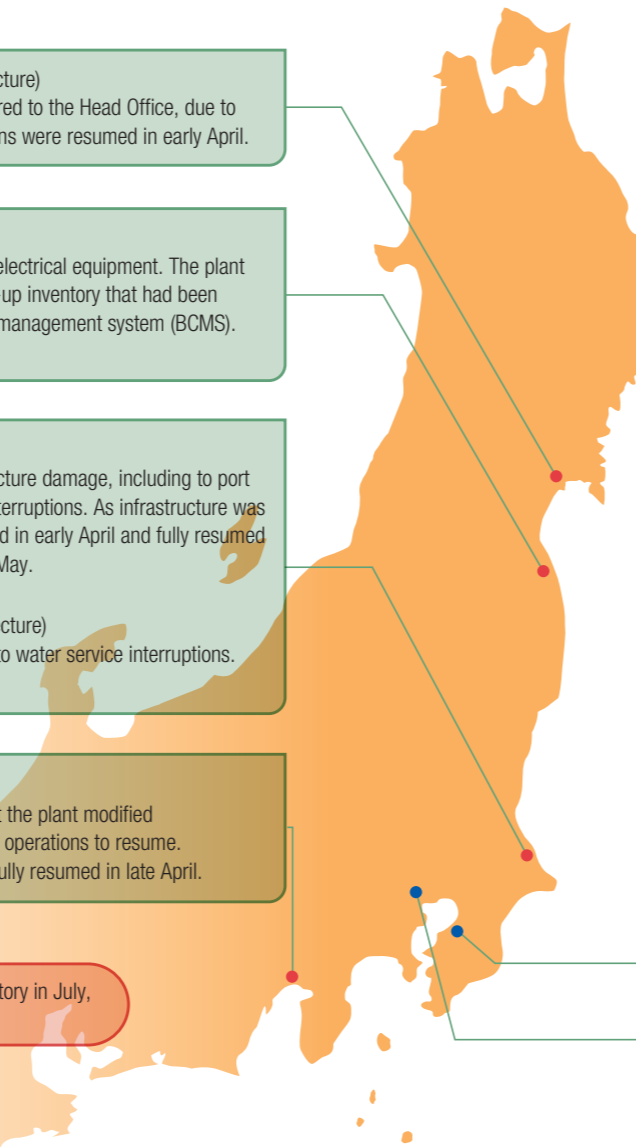
Kashima Factory-West (Kamisu City, Ibaraki Prefecture)

Production of some products was scaled down due to water service interruptions. Normal production was resumed in late April.

Fuji Factory (Fuji City, Shizuoka Prefecture)

Production was stopped due to rolling blackouts, but the plant modified its cogeneration system to secure power and enable operations to resume. Production was partially resumed in mid-April, and fully resumed in late April.

With the resumption of production at the Soma Factory in July, operations were restored at all business locations.



Chiba Factory
Not affected

Head Office and R&D Laboratory
Not affected

Crisis Management Following the Quake

The Adeka Group adheres to an internal risk management manual that outlines both risk management in normal times, and crisis management during an emergency such as the recent quake in Japan. These measures are designed to prevent risks during normal business and secure damage control.

In addition, the Adeka Group has adopted disaster mitigation rules to be followed in a major quake or other disaster. These rules detail preventative steps to take in normal times, and basic guidelines for disaster mitigation in an emergency. The rules are designed to save lives and ensure the physical safety of employees and members of the community, and to contribute to the safety of neighboring communities and public safety as part of the community.

In response to the recent quake in Japan, the Adeka Group immediately formed a temporary disaster response center and sought to verify the safety of all employees, as well as grasp the damage to the Company. Additionally, the Head Office was guided by disaster mitigation rules and took necessary action during the emergency by issuing appropriate evacuation instructions and determining the status of stranded employees and making arrangements for them.

The Adeka Group will carefully analyze its crisis management in response to the quake, to identify problem areas and formulate better and more effective rules.

Review of Business Continuity Plan

The Adeka Group originally formulated its BCP in response to the influenza pandemic of 2009. Presently, the Adeka Group is revising the BCP to improve its usefulness for disasters. The current BCP outlines various procedures, including for employees to continue their work activities at home if a pandemic outbreak or other factors make it unfeasible to attend work, as well as company procedures for quake response. The revisions will enhance the BCP and build on lessons learned from the recent disaster.

Securing a Stable Supply of Products

The Adeka Group manufactures raw materials and intermediate materials that have a direct impact on the production activities of customers. The Adeka Group is united in its commitment to ensure a stable supply of products, and this commitment extends from research and purchasing to production and sales. The aim is to best position the Adeka Group to meet customer demand, even if there is a crisis involving catastrophic damage to its key production facilities.

Following the March 11 quake, the Adeka Group immediately sought to verify the status of inventory in its warehouses in disaster areas. The Adeka Group worked closely with various offices, including logistic partners, to reestablish a supply chain for Adeka products at the earliest juncture.

The affected Soma Factory had already secured back-up inventory of its products in accordance with the BCMS, so that it was able to continue filling orders for lubricant additives. The Adeka Group also continued to ship food products and fill orders by increasing production at the Akashi Factory to full production levels, to compensate for production interruptions at the affected Kashima Factory. In addition, the Adeka Group increased production of some food products at Adeka (Singapore) Pte. Ltd.

Operations at the Fuji Factory were temporarily suspended due to concerns over electricity service caused by the implementation of rolling blackouts. The plant scrambled to modify its existing cogeneration system in order to secure stable power service. The Adeka Group will continue taking steps to ensure that it can take swift action to ensure the stable supply of Adeka products.

Adeka Group Assistance to Disaster Areas

Total donations: ¥20 million

Breakdown of Donations

Amount	Receiving Organization
¥10 million	Central Community Chest of Japan Donors: Adeka Corporation (¥8 million), Adeka Group companies (10 companies, ¥2 million)
¥10 million	Soma City, Fukushima Prefecture Shinchi Town, Fukushima Prefecture

Donation of Relief Supplies

The Adeka Group donated 7,000 meals of instant curry, which are manufactured by its Uehara Foods Industry Co., Ltd. subsidiary, as relief supplies for Soma City and Shinchi Town in Fukushima Prefecture.

Loan of Land for Temporary Housing Sites

Adeka is lending idle land near the Soma Factory for Soma City to use as sites for temporary housing.

Properties	Details
	18-5 Aza-Karishikida, Niinuma, Soma City, Fukushima Prefecture (Land area: 6,007.19 m ²)
	1-54 Aza-Karishikida, Niinuma, Soma City, Fukushima Prefecture (Land area: 2,824.15 m ²)
	Total land area: 8,831.34 m ²

The Adeka Group embraces corporate social responsibility (CSR), aiming to both realize its management policies and have a positive social impact. These management policies outline the specific approach that the Adeka Group will take in order to be a socially responsible corporation, by executing its fundamental policies for management and CSR.

These policies are in turn embedded in the actual corporate strategy, so that they are reflected in day-to-day corporate activities. The Adeka Group will continue to actively pursue CSR initiatives, including the education of employees, to ensure that its CSR framework functions effectively.



Management Policies and Fundamental Business Policy

The Adeka Group affirms its management policies of “working hard to be a forward-looking organization by staying on the cutting edge” and “being a respected member of the world community.” The fundamental business policy of the Group is to leverage original and superior technologies in order to

supply cutting edge products that meet customer needs. As a member of the international community, the Adeka Group promises to actively meet the expectations of stakeholders, in harmony with society.

Management Policies and Fundamental CSR Policy

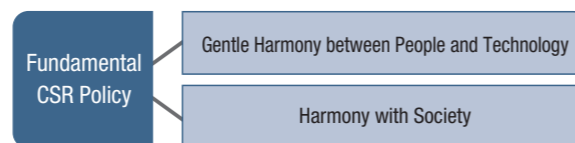
Adeka’s management policies represent an ideal vision for the Group. CSR provides an avenue to pursue corporate activities that bring the Adeka Group closer to its vision of being a forward-looking organization, by staying on the cutting edge and being a respected member of the world community through active synergies with stakeholders.

The fundamental CSR policy is a compass for the mindset and direction for pursuing actual corporate activities, so that the Adeka Group can work toward the vision it has outlined in its management policies.

The fundamental CSR policy of the Adeka Group is based around the core concepts of “gentle harmony between people and technology” and “harmony with society.”

In order to engage in corporate activities as a truly socially responsible corporation, the Group must secure fair profits and build a healthy business foundation. At the same time, the Group must achieve regulatory compliance and observe the rules of society, while engaging in honest information disclosure.

As a corporate entity whose aim is to develop products and technologies that contribute to the betterment of society through scientific advances, the greatest priority of the Adeka Group is to strive for harmony between people and technology. The Adeka Group will maintain a modest attitude without exclusive emphasis on corporate profits, while working hard to

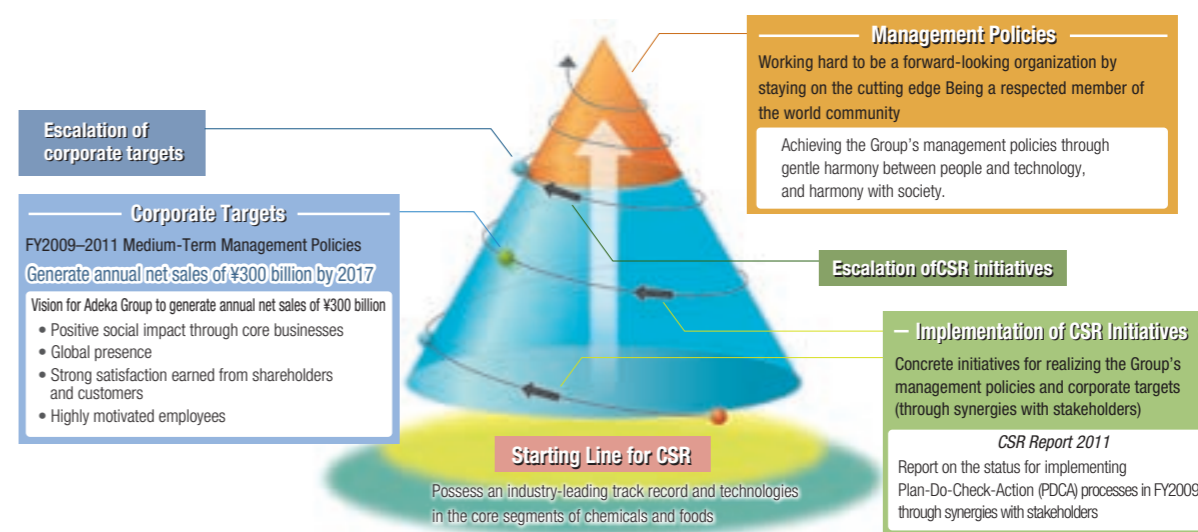


be a forward-looking organization. At the same time, the Group is committed to supplying new products and technologies that are eco-friendly and socially responsible, and which are truly needed by and valuable to society.

As a respected and standard-setting member of the world community, the Adeka Group endeavors to achieve harmony with society in addressing various environmental and social issues, such as preserving biodiversity and securing good working conditions. This is in addition to a commitment to develop products and technologies that have a positive social impact. The Group will continue to find solutions that offer value in constant partnership with stakeholders, driven by a strong interest and from a broad perspective.

It is this stance that is embodied in the fundamental CSR policy of the Adeka Group.

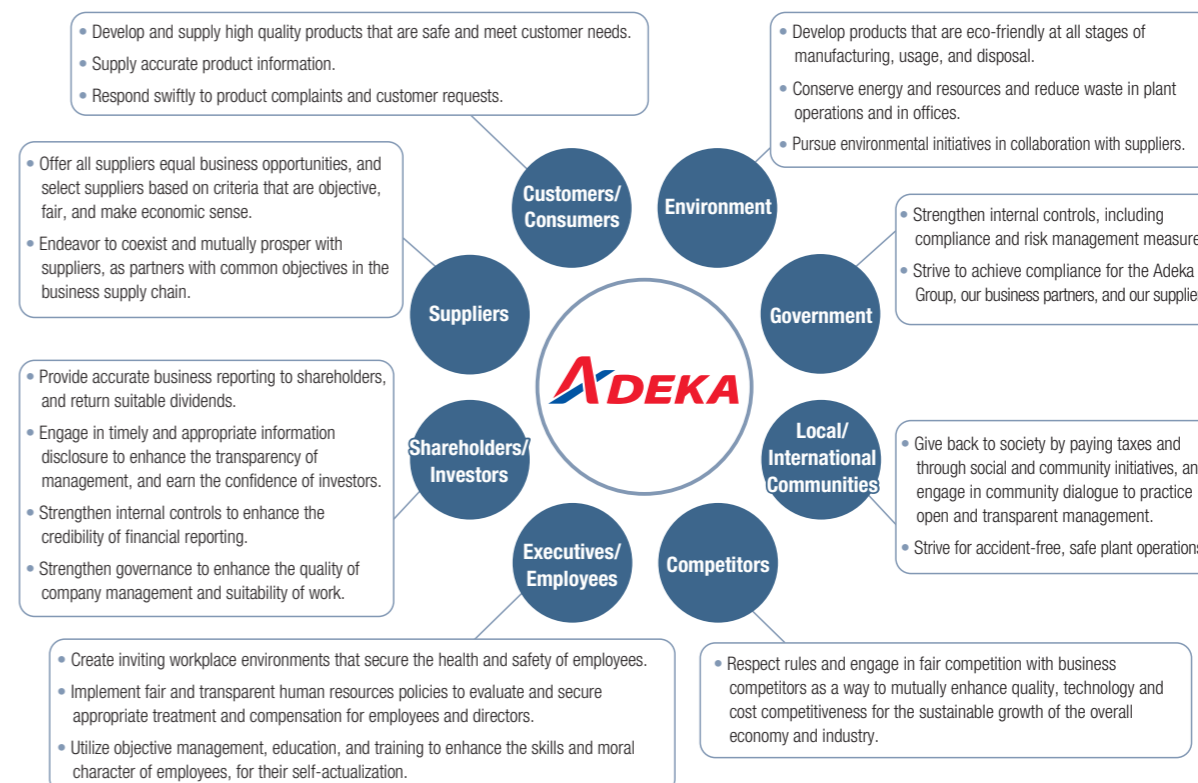
CSR Roadmap for Realizing the Group’s Management Policies



Adeka Group and Stakeholders

The Adeka Group is committed to building a healthy and enriched society through diverse synergies with stakeholders. This encompasses a promise to pursue active dialogue with stakeholders, in order to examine what the Group can do to

better meet its responsibilities as a corporation, and to find unique ways to have a positive impact and determine where its resources are best directed. This kind of dialogue will enable the Group to become more valuable to society.



FY2009–2011 Medium-Term Management Policies

The FY2009–2011 Medium-Term Management Policies of the Adeka Group outline a strategy for strengthening the Group's business platform to achieve growth that is responsive to shifting business conditions. The plan identifies the fiscal period from 2009–2011 as a period that sets the stage for the Group to head onto a path of growth, and to implement structural changes to enhance its business position.

The plan identifies six major agenda items for the Group to pursue, including an effort to strengthen corporate governance as a prerequisite for developing and enhancing human resources while raising the level of global management. The Group will also make changes in order to have the organizational capabilities in place to achieve ¥300 billion in net sales by 2017, when the Group marks its 100th anniversary.

The entire Group will pursue the following strategies:
1. Boost competitiveness in the core business segments of polymer additives and foods, based on a growth strategy.

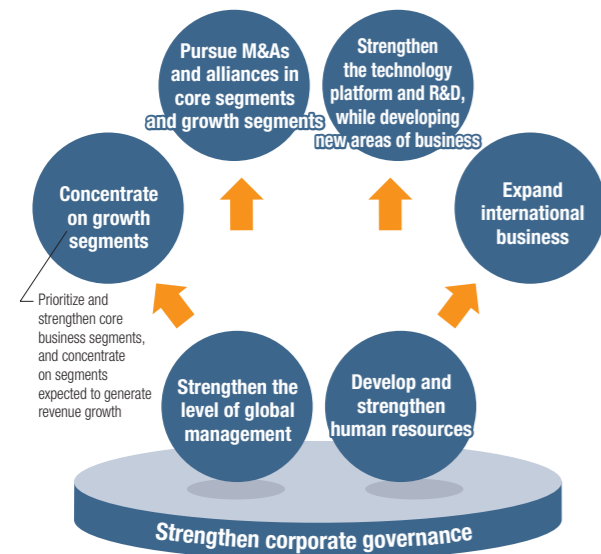
2. Position IT and electronic chemicals as a growth segment, and strengthen the development of next-generation products by leveraging the Adeka Group's own technology, in order to expand this segment and develop it into a third core segment.

3. Target the segments of energy, environment and life sciences as medium- and long-term targets, by accelerating the development of products that have a competitive advantage.

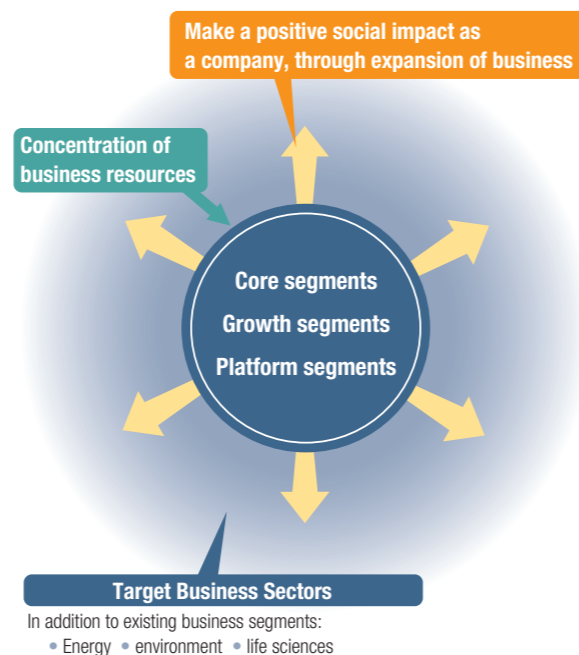
4. Pursue a strategy of further selectivity and increased business focus to enhance business competitiveness, making a strong push to develop new products and expand international business as strategies for growth.

In order to generate annual net sales of ¥300 billion, the Adeka Group will endeavor to have a positive social impact through its core business while developing a global presence, at the same time earning strong satisfaction from shareholders and customers, backed by a highly motivated workforce.

Six Agenda Items for FY2009–2011 Medium-Term Management Policies



Generate Annual Net Sales of ¥300 Billion

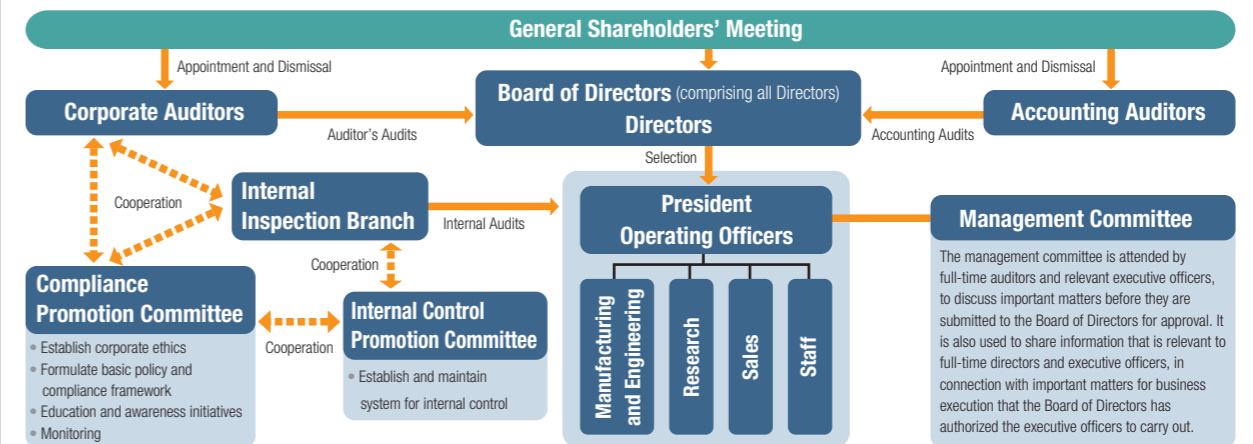


Corporate Governance

The Adeka Group has made it a top management priority to strengthen corporate governance. The framework for corporate governance is based on decision making through a consensus of the Board of Directors, and use of a system of auditors. Adeka has modified this basic framework to meet its own needs, and is taking active steps to improve and strengthen its management framework.

For example, Adeka appoints executive officers in order to expedite management decision making and clarify the responsibilities and authorities for business execution. Adeka has also changed the number of Directors and shortened the length of Director appointments in order to improve operational efficiency.

Framework for Corporate Governance (Business Management)



Internal Control

Adeka has been operating a committee for internal control since March 2007. The committee implements concrete initiatives that are focused on developing and operating Adeka's internal control system.

The Company also employs internal control policies, in accordance with the Companies Act, to enhance the level of corporate governance. In addition, Adeka works to establish and strengthen internal controls for the credibility of financial reporting, in accordance with the Financial Instruments and Exchange Act.

Enhancing Supervisory and Auditing Functions

Adeka has appointed one outside director as a way to strengthen the supervisory functions of the Board of Directors and improve management transparency.

Adeka also operates an Internal Inspection Branch that is independent from the management organization and carries out internal audits to monitor the legality and appropriateness of business execution by all parts of the Company.

Independent Committee

The Company established its Independent Committee in June 2007, whose purpose is to independently check on management from the perspectives of enhancing corporate value and serving the mutual interests of shareholders.

The members of the committee consist of outside experts and outside directors with a high degree of separation from the Company. The committee is convened when a party expresses an interest in purchasing a significant share of Adeka stock, and is responsible for ensuring the transparency and objectivity of the Company's handling of the proposed stock purchase.

The committee reviews information supplied by the prospective purchaser, to determine if the purchase is in the interests of enhancing corporate value and mutual interests of shareholders, from a fair and objective perspective. The committee then forwards its recommendations to the Board of Directors, recommending a course of action in response to the proposed purchase. The Independent Committee provides a framework for the Company to make appropriate decisions, through the fair and objective disclosure of recommendations to shareholders.

The committee is convened twice a year, regardless of circumstances. At the meetings, Adeka provides the committee members with management information and collects objective input and advice from the committee members.

Framework for Compliance

The Adeka Group operates a Group-wide framework for securing compliance, centering on the Compliance Promotion Committee. The committee collaborates with the Internal Inspection Branch and Internal Control Promotion Committee, working to strengthen compliance and the internal control system. The committee has established three defined routes for inquiries and internal reporting, so that the Group can quickly identify non-compliant behavior. The Adeka Group will continue taking steps to strengthen the level of compliance education and training, and enhance collaboration with Group companies both in and outside of Japan.

► Corporate Ethics and Conduct

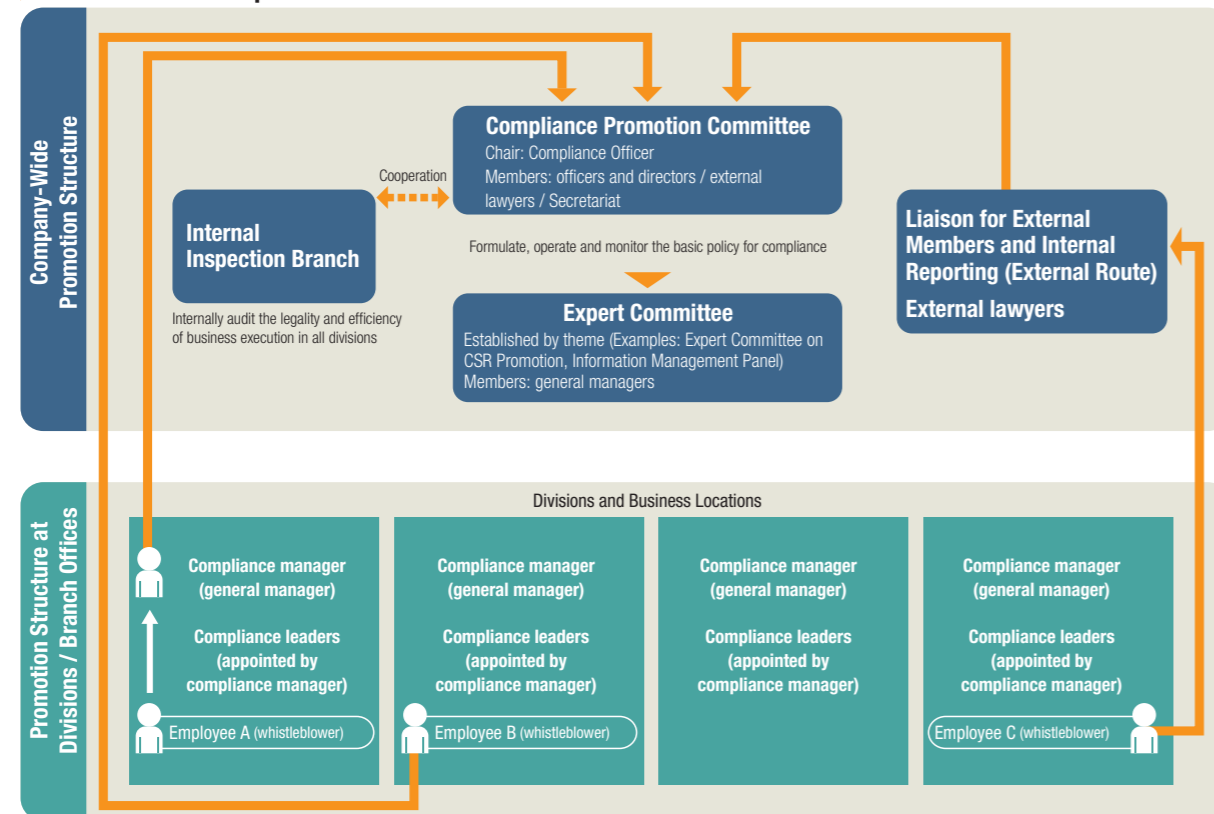
The Adeka Group Code of Conduct outlines eight rules to guide the proper conduct of officers and employees, consistent with the management policies and corporate ethics of the Group, and for regulatory compliance. In addition, the Group has prepared a set of compliance action guidelines that provide specific guidelines for officers and employees to follow during the actual execution of business.

The Group also distributes a compliance case book to educate officers and employees, providing specific examples of non-compliant and illegal behavior as well as corporate misconduct.

Adeka Group Code of Conduct

- 1 Fair and transparent corporate activities in accordance with regulations and morals
- 2 Provision of safe and quality goods and services
- 3 Environmental protection
- 4 Pro-active communication and social action activities
- 5 Fair and timely information disclosure
- 6 Good work environment
- 7 Elimination of antisocial forces and organizations
- 8 Sound and sustainable development and giving back to society

► Framework for Compliance



*To secure compliance throughout the Adeka Group, the Group Compliance Association is regularly convened to communicate and share information about compliance matters.

Framework for Risk Management

The Adeka Group engages in day-to-day risk management as a preventative measure.

The Group has strengthened its risk management, including developing a manual prescribing the standing risk management framework, and identifying the respective responsibilities of departments in the event of a crisis to facilitate a precise crisis response and minimize any losses.

► Risk Management Committee

The Risk Management Committee is headed by the risk management officer and is based in the Legal Affairs & Publicity Department. The committee is involved in formulating the Risk Management Manual, and developing and reviewing the risk management framework.

In fiscal 2009, in accordance with the previous fiscal year's mandate, the committee focused on earthquakes and pandemic crisis management, by establishing workgroups for each theme that report to the committee.

► Risk Management Manual

The Risk Management Committee has developed and operates a Risk Management Manual in order to facilitate a rapid and appropriate response to a crisis and minimize losses. The manual details risk management measures including risk prevention and control, and crisis management measures including emergency response and crisis containment and recovery measures.

► Business Continuity Management System

Incidents of a diverse nature can seriously affect business continuity, and can range from disasters and accidents to pandemics. A business continuity management system (BCMS) is necessary to secure rapid recovery in case of such incidents, and enable business continuity at a permissible level in consideration of both the impact on operations and Adeka's social responsibilities.

On March 8, 2010, the Soma Factory and Head Office acquired certification under BCM Standard BS 25999-2 for the implementation of a BCMS for the manufacturing of lubricant additives and cold forging oil additives. The certification is the first to be acquired by a Japanese chemical company, and only the 20th certification to be issued to a Japanese company.

► Protection of Confidential Information

In accordance with the Act on the Protection of Personal Information that came into effect in April 2005, the Adeka Group has outlined specific policies concerning personal information protection. The Group operates an Information Management Panel that is responsible for strengthening security control measures, guided by internal rules for personal information protection. The panel has also pursued initiatives to protect trade secrets including technical expertise and confidential business information, and established rules concerning management of trade secrets in October 2009.

► Emergency Headquarters

The Adeka Group has outlined an organizational response in the event of an emergency that falls under any one of 14 categories, particularly situations with a high degree of urgency or importance. In accordance with the Risk Management Manual and internal guidelines, the Group is prepared to establish an emergency headquarters, headed by the director in charge of the department having responsibility for the emergency.

In response to the Great East Japan Earthquake that occurred on March 11, 2011, Adeka immediately formed a temporary disaster response center to first verify the safety of all Group employees, and also verify damage and facilitate the rapid recovery of operations.

- 1 Accident or disaster
- 2 Environmental or pollution-related emergency
- 3 Logistics accident
- 4 Host computer failure
- 5 Product-related emergency
- 6 Leakage of confidential data
- 7 Emergency affecting corporate reputation
- 8 Legal action against the corporation
- 9 Criminal behavior targeting the corporation
- 10 Serious crime perpetrated against an officer or employee
- 11 An accident involving groups of employees
- 12 Credit concerns
- 13 Natural disaster or internal conflict outside of Japan
- 14 Pandemic (spread of infectious disease)

Summary of FY2010 Activities

To continue earning the trust of society, Adeka identifies specific areas of CSR to pursue in its business activities, and examines and assesses the results in an effort to continually improve its initiatives.

During fiscal 2010, Adeka continued pursuing a number of management-related initiatives, including efforts to expand the BCMS that was certified in fiscal 2009, as well as initiatives to enhance information security.

In terms of environmental performance, Adeka achieved the goal of reducing energy intensity by 2.2% year on year, but recorded a 4.3% increase in carbon dioxide (CO₂)

emissions from the previous year, which fell short of 1.0% reduction goal, due to increased production. Adeka achieved zero emissions of landfill waste for the second year in a row.

Adeka will continue to assess and enhance its CSR initiatives in fiscal 2011 and beyond, and further widen its scope of assessment.

CSR Initiatives in FY2010

In fiscal 2010, Adeka held a meeting of the Adeka Group Expert Committee on CSR Promotion, which is comprised of CSR managers from Adeka Group companies. The meeting was held in accordance with the annual plan outlined in the Adeka Group Five Year Plan for CSR, which summarizes the medium-and long-term CSR goals for the Group.

The expert committee sought to facilitate Group-wide initiatives by surveying the status of CSR initiatives by Adeka Group companies in Japan, as well as by identifying issues and examining future measures.

FY2007	Proliferation and education	Grasp the current state of CSR initiatives, establish the CSR approach, and educate and raise employee awareness
FY2008	Assessment	Assess and evaluate CSR initiatives
FY2009	Planning	Establish CSR principles
FY2010	Implementation	Adeka Group implements unified CSR initiatives (in Japan)
FY2011	Continuation	Expand CSR initiatives to global activities (international affiliates)

Internal grading: ◎ Exceeded expectations ○ Met expectations △ Below expectations

Area of Activity	FY2010 Goals	FY2010 Results	Internal Grading	Initiatives in FY2011 and Beyond
Corporate Governance	Improve the health, transparency and objectivity of management	Appointed one outside director to strengthen the supervisory functions of the Board of Directors and ensure management transparency	○	Make rational management decisions and ensure proper operations
		Appointed three statutory auditors (out of a total of five auditors) to enhance management monitoring and checks	○	
	Prepare and strengthen systems for internal control	Reviewed measures related to internal control systems, and continued operating internal control systems	○	Continue to prepare, operate and assess internal control systems
Risk Management	Strengthen BCMS	Revised BCP to account for major earthquakes, and conducted drills	○	Continue to expand BCMS
		Adopted BCP for influenza pandemic	○	
	Strengthen measures for confidentiality and information security	Banned all automatic e-mail forwarding to external addresses to prevent information leaks	○	Implement diversified initiatives to enhance the execution of risk management measures
Compliance	Strengthen compliance	Convened two meetings by the Group Compliance Association, to exchange information on the compliance framework and associated issues	○	Continue implementing measures to secure compliance
Shareholders and Investors	Increase regular information disclosure and enhance information provision for shareholders and investors	Expanded website content	○	Expand information disclosure for shareholders and investors, and increase level of communication
		Continued to conduct IR briefing sessions and IR meetings	○	
Human Resources Development	Continue to enhance human resources development	Sent trainees to international subsidiaries	○	Continue sending trainees to international subsidiaries and conducting group training for mid-career employees
		Continued to conduct management training for officers, general managers and section managers	○	
Occupational Safety	Eliminate occupational accidents, accidents during commuting, and serious accidents involving production facilities	Recorded two occupational accidents requiring work absences and 11 occupational accidents not requiring work absences	△	Continue enhancing risk reduction activities to eliminate occupational accidents, accidents during commuting and accidents involving production facilities
		Conducted occupational safety training, and implemented environmental and safety audits at six plants and three research laboratories in Japan	○	
Energy Conservation	Reduce energy intensity by 1.0% or more from previous year	Achieved 2.2% reduction in energy intensity from previous year	◎	Reduce energy intensity by 1.0% or more from previous year, and reduce by 20% compared with FY1990 levels by FY2020
	Reduce CO ₂ emissions by 1.0% or more from previous year	Recorded 4.3% increase in CO ₂ emissions from previous year	△	Reduce CO ₂ emissions by 1.0% or more from previous year, and reduce by 25% compared with FY1990 levels by FY2020
Reduction of Industrial Waste	Reduce industrial waste output by 1.0% or more from previous year	Recorded 11.2% increase in industrial waste output from previous year	△	Reduce industrial waste output by 1.0% or more from previous year
	Continue achieving zero emissions ¹ of landfill waste	Generated 39,700 tonnes of waste, and achieved zero emissions of landfill waste (36 tonnes)	○	Continue achieving zero emissions of landfill waste, and aim for complete elimination of landfill waste ²
Reduction of Toxic Chemicals Emissions	Reduce emissions of pollutant release and transfer register (PRTR) substances by 10% from previous year	Recorded 3.5 tonnes of emissions, resulting in a 28.5% increase in emissions of PRTR substances from previous year, with adjusted emissions of 27.7 tonnes when including new substances covered under revised legislation	△	Enhance management practices for reducing emissions of PRTR substances

¹Adeka defines "zero emissions" as landfill waste that amounts to less than 0.5% of the volume of industrial waste output

²Adeka defines "complete elimination" as landfill waste that amounts to less than 0.1% of the volume of industrial waste output

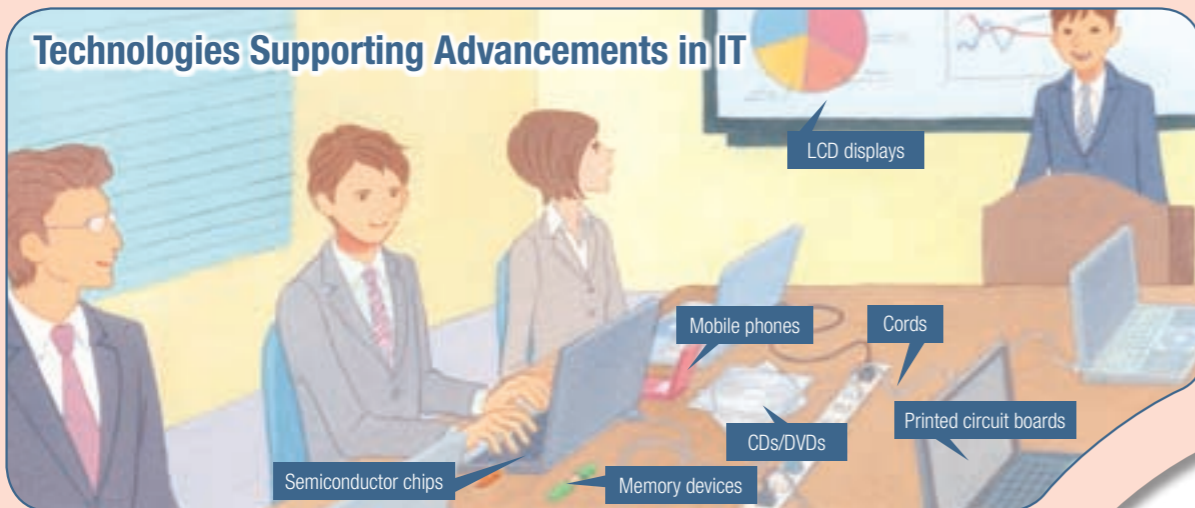
ADEKA in Our Lifestyles

Throughout its history, Adeka has been developing proven technologies for chemicals and foods, which are at work in diverse aspects of our everyday lives. With the corporate slogan of "Fusion for the Future" and a belief that science is most vital when it helps people and society, the Adeka Group is committed to assembling the best technologies in order to develop eco-friendly and socially responsible products and technologies for a healthy and enriched society.

Product Applications	Adeka Group Products	Product Applications	Adeka Group Products
LCD displays (televisions)	Imaging materials, light curing resins, high purity chlorine, circuit materials	Engine oils	Lubricant additives
Memory devices	Dielectric materials, insulating film materials	Dashboards	PVC stabilizers, plasticizers
Mobile phones	Imaging materials, light curing resins, epoxy resins	Electronic components	Circuit materials, semiconductor materials
Plastics, cords	Antioxidants, ultraviolet (UV) absorbers, flame retardants	Dams, tunnels, roads, bridge undercarriages	Water swelling materials, concrete protective materials, grouting materials, epoxy resins, hardeners
CDs, DVDs	Optical recording materials	Cables and wires	Stabilizers, metal deactivators, UV absorbers, antioxidants
Personal computers	Flame retardants, antioxidants, UV absorbers	Industrial wastewater treatment, water and sewer services	Neutralizer agents
Semiconductor chips, printed circuit boards	Light curing resins, circuit mounting materials	Soil enrichment	Soil improvers
Foods (breads, cookies, pies, donuts)	Margarine, shortening, pastry fillings, whipping cream, frying oils and fats, mayonnaise	Photovoltaic cells	Wavelength conversion materials, dye-sensitized solar cell materials
Car seats	PVC stabilizers, water-borne polyurethane	Disinfectants and antiseptics	Alcohol-based solutions, peroxides
Car bumpers	Light stabilizers, UV absorbers, nucleating agents	Cosmetics and hair care products	Surfactants
Exterior paints	Water-borne resins, polyurethane raw materials	Liquid detergents and bleaches	Propylene glycol
		Health foods	Beta-glucan

Adeka Group Products at Work

Technologies Supporting Advancements in IT



Technologies Supporting Social Infrastructure and Public Safety



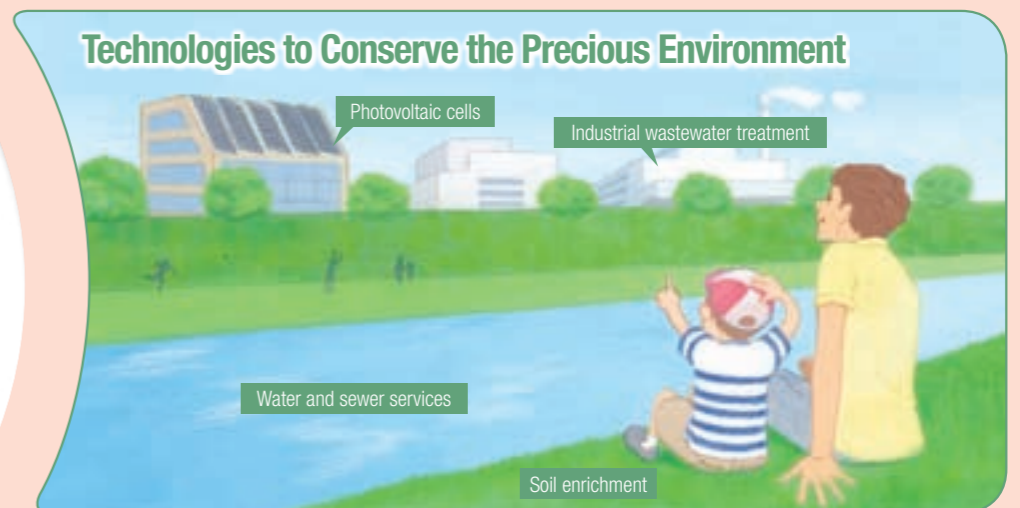
Technologies for Safe and Delicious Foods



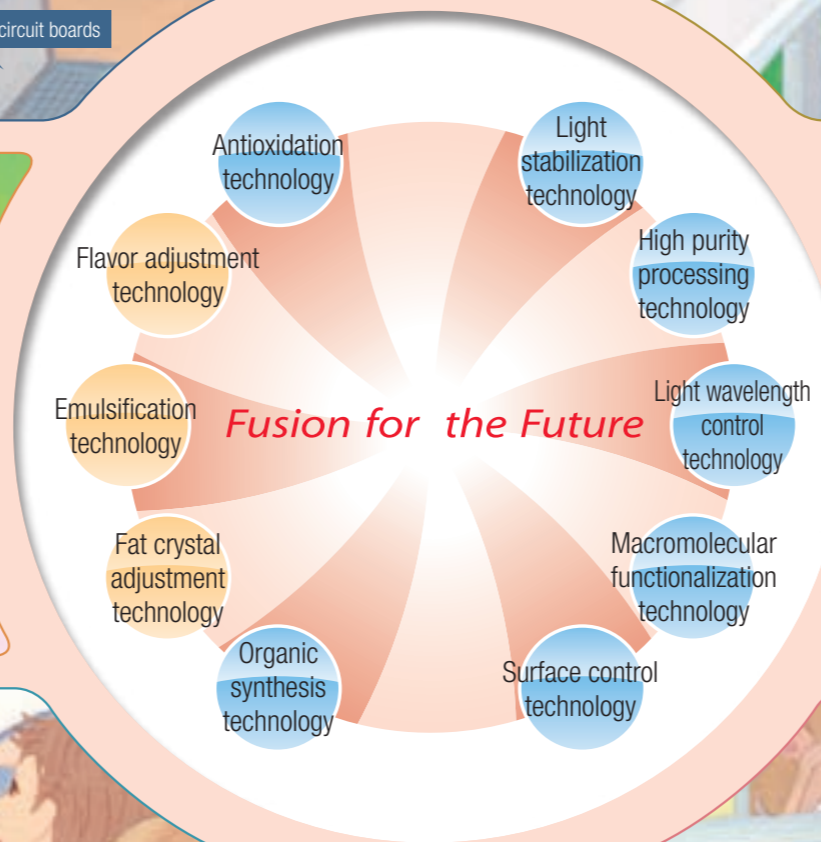
Technologies Supporting Car Safety and Amenities



Technologies to Conserve the Precious Environment



Technologies to Support Healthy Lifestyles





The Delicious Taste
You Can Rely On
**RISU
BRAND**

Food Business of Adeka Group

The Risu brand has been in existence for 82 years and is the trademark brand of the Adeka Group's food business. Guided by the slogan, "The Delicious Taste You Can Rely On," the Group develops and supplies products that enrich our food culture while delivering food safety and reassurance together with good taste and health.

Products Made Using Aroma Gold Margarine



Brioche tarte



Hotel bread



Aroma Gold uses a proprietary method to achieve ultra-fine fat crystals for a broad working temperature range and ease of handling. The result is a margarine that is free of emulsifying agents and low in trans fats.

Origins of the Risu Brand

Manufacturing and Marketing Margarine

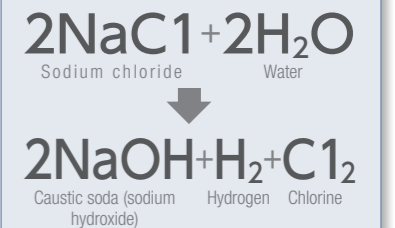
Margarine as we know it today was developed in response to a request by Emperor Louis Napoleon III of France, who offered a prize for the development of a butter substitute amid shortages of butter during the Franco-Prussian War of 1870–1871. This margarine first reached Japanese shores in 1887.

Adeka was later founded in 1917 to pioneer the manufacturing of caustic soda for the market in Japan. To make effective use of by-product hydrogen produced during caustic soda manufacturing, Adeka developed a process to hydrogenate fish and other liquid oils to form them into solids. Adeka first started manufacturing hydrogenated oils in 1919, and began manufacturing margarine in 1929.

Adeka made improvements to the quality and taste of margarine, through basic quality enhancements made possible by the refinement of rapid cooling techniques. A sharp rise in butter prices in 1932 enabled Adeka to rapidly expand its market share and record significant sales growth in the margarine market. At the time, margarine helped to supplement the diet of the Japanese people by providing a valuable source of fats.

About Caustic Soda

The chemical name for caustic soda is sodium hydroxide. Caustic soda is obtained through electrolysis of an aqueous solution of sodium chloride (salt), which produces hydrogen and chlorine byproducts. Caustic soda is highly alkaline, and its caustic properties and ability to be made into soap make it an important base industrial chemical for a wide range of uses.



Risu Brand Logo Over the Years

Risu is the Japanese word for "squirrel." The current Risu brand logo features the outline of a squirrel set against a square background. The logo symbolizes the brand's commitment to breaking out of the mold and adapting to modern needs. The Risu Mark officially became the Risu brand in 2006, as part of the Adeka Group's efforts to globalize the brand.



Risu Brand History

- 1927 Purchased Osaki Butter K.K.
- 1929 Launched manufacturing of margarine
- 1952 Marketing poster
- 1956 Launched *Kin* (Gold) Risu and *Gin* (Silver) Risu margarines
- 1972 Stopped production of margarine for home use
- 2008 ~ Launched Aromarde line of margarine for commercial use

The Delicious Taste You Can Rely On

From Risu Mark to Risu Brand

In 2006, the Adeka Group changed the Risu Mark name that had been a fixture for more than 75 years. The renamed Risu brand continues to uphold the hallmark values of the Risu Mark, by delivering food safety and reassurance together with good taste.

The food business of the Adeka Group is comprised of two major segments—processed fat products and processed foods, as shown in the list at right. The Group leads the Japanese market for processed fat products, which are made by refining and processing animal or vegetable fats. The Group also offers a wide variety of processed food products that are used in many foods, including breads, confections, pastries and frozen foods.

The Adeka Group teaches its employees to embrace a commitment to delivering good taste and reassurance. The Group will continue striving to supply products that deliver food safety and reassurance together with universal good taste.

Processed Fat Products

- Fats for breads and confectionaries
Aromarde, Marche Bretagne
- Frying fats
Risu Oil, Americana
- Fats for pies and pastries
Olympia, Currenty Sheet
- Fats for buttercream
Chester, Silver Short
- Fats for fillings
Risu Parle, Risu Serena
- Fats for chocolate
Phantom, Chariot

Processed Food Products

- Whipping creams
Trois Whip, Torois Ganache
- Condensed creams
Horn, Prime
- Pastry fillings
Parrish, Keffy Cream
- Sheet fillings
Taste Sheet, Regina Sheet
- Mayonnaise
Restaurant Mayonnaise, Range-de-OK
- Frozen puff pastry
Pie Peaks, Pie Ace

Foods with a Health Appeal

Product Development and Joint Research

The rising emphasis on health today in Japanese society is the reflection of a new set of lifestyle values, and is more than just a short-term trend. The health market is growing today, and the Adeka Group is working to develop new businesses that are health-oriented.

The key challenge for the food business today is to develop foods with a health appeal. The Adeka Group pursues joint research with universities and other external research bodies as part of its diverse and ongoing product development efforts.

One way of making food products healthier is by removing risk factors, such as lowering trans fats and eliminating allergens. Food products can also be made more nutritious by adding useful concentrated compounds extracted from raw material foods. The Adeka Group has developed new products such as barley beta-glucan and fermented beta-glucan, which are extracted from barley and black yeast respectively to derive the useful compounds.

Filing for Health Food Designation of Beta-Glucan Products

The Adeka Group has filed with the Japanese Ministry of Health, Labour and Welfare to gain approval for barley beta-glucan granules to receive designation as a health food, citing various tests which show that barley beta-glucan lowers blood sugar.



Enhancing Food Safety

Developing Products with Lower Trans Fats

One of the strengths of the Adeka Group is its ability to supply diverse products that leverage the Company's basic technologies for fats, combined with expertise in applying emulsifying and flavor-enhancing techniques. This is all made possible by Adeka's long experience in the foods business. Adding to these strengths is an R&D framework that enables the Company to swiftly respond to the diversifying and shifting needs of customers.

Epidemiological studies in other countries have shown that excessive consumption of trans fats¹ can increase the level of bad LDL cholesterol, increasing the risk of developing heart disease. The Adeka Group is leading the processed fats industry in an effort to reduce trans fats in products.

The Food Safety Commission of the Cabinet Office in Japan conducted a study to examine the consumption of trans fats among Japanese. The study found that the average daily consumption of trans fats was lower in Japan than in other countries, but noted the importance of having a well-balanced diet. More and more customers today are seeking products with lower trans fats, fueled by rising concern over food safety and changes such as guidelines by the Consumer Affairs Agency for the disclosure of trans fats data.

The Adeka Group is responding to these needs through the comprehensive development of products such as margarines and whipping creams that offer great taste and ease of use, while being lower in trans fats. These products are highly regarded by customers.

¹Trans fats (trans fatty acids) are unsaturated fats that are extensively generated in the process of hydrogenating fats. Trans fats also exist in nature.

Key Product Lines Offering Reduced Trans Fats

Sociel additive-free margarine

Adeka's first additive-free margarine, developed based on the fresh concept of a margarine that enhances the flavors of other ingredients, such as flour, nuts and fruits.



Aromarde Clear margarine with sweet butter flavor

Enables bakeries to produce goods that replicate the natural aroma and hearty flavor of Breton sweet butter.



Ace Whip whipping creams for pastries

Whipping creams with a clean mouth feel that are perfect for blending with jams and fruits.



In Pursuit of Good Taste

Development of Aroma Gold Kneading Margarine for Bread and Confectionary Baking

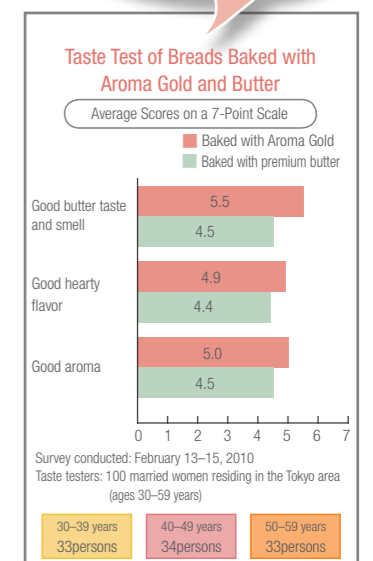
Everyone enjoys tasting a bit of luxury in their everyday lives. Eating tasty foods in moderation can be mentally uplifting, and is also the secret to staying healthy.

Consumers today prefer products that taste like real butter. Breads and confections that are based on traditional baking methods and use premium butters are popular with consumers. Cultured butters imported from Europe are highly prized for their excellent flavor, but their price can be prohibitive for everyday use.

In 2008, the Adeka Group introduced Aromarde margarine with butter flavor compounds, which quickly gained a loyal following in the marketplace. The Group introduced Aroma Gold margarine in 2010, which delivers the same lingering natural sweetness of premium butter through the use of Adeka's flavoring technologies combined with patent-pending culturing techniques. Customers have given high marks to Aroma Gold for its good taste and butter flavor that remains for days after baking.

Inevitably, the taste of margarine is always compared with butter. The Adeka Group will continue to develop margarines that are even better tasting and more affordable to satisfy customers.

Consumers Prefer Taste of Aroma Gold Over Butter

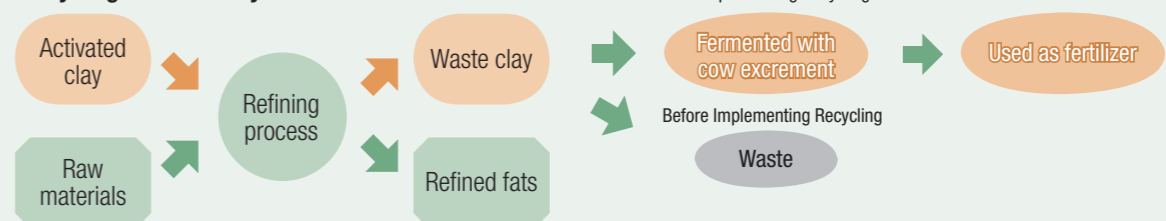


Recycling Waste Clay for Fertilizer

The Adeka Group embraces the 3R principles of "reduce, reuse and recycle," with the understanding that there is an environmental impact from waste produced at its plants. These principles in turn guide initiatives to reduce resource consumption and lower waste emissions.

Since 2001, the Kashima Factory has recycled waste activated clay that is used in refining processes for food oil manufacturing. The waste clay is used as an accelerant for the fermentation of livestock excrement, through a product that was developed in collaboration with a local fertilizer equipment company. In fiscal 2007, the Kashima Factory recycled all waste clay produced at the plant.

Recycling of Waste Clay





ADEKA

Network Expands Across Asia

Reinforcing and Localizing Adeka Standards

International Business Development of Adeka Group

Adeka has made it a management priority to expand its business overseas, and has formulated a comprehensive strategy that includes exploring business tie-ups and M&A activity. The global network of the Adeka Group currently encompasses 19 international subsidiaries, in addition to companies in Japan. These companies dynamically collaborate to expand the Company's scope of business and aggressively pursue international business development.

All Adeka Group companies implement initiatives in the four areas of occupational safety, quality safety, environmental safety and equipment safety. Adeka Group companies also

use certification systems to reinforce Adeka's global standards (Adeka standards). With countries increasingly moving to adopt global standards and strengthen their labor and environmental regulations, there is a need to raise the motivation of local employees in order to perform at a high level and secure regulatory compliance.

For this feature article, senior executives from international subsidiaries in the chemicals business and foods business describe what their companies are doing to reinforce Adeka standards.

Featured International Subsidiaries

Subsidiary	Employees	Management Standards	Awards and Recognition
1 Adeka Korea Corp.	119 (including 4 Japanese employees)	ISO14001 ISO9001	Best Supplier Award from Samsung Electronics Co., Ltd. (January 2011) Jeollabuk-do outstanding small and medium business (SMB) supplier award for FY2010 (June 2011)
2 Adeka Fine Chemical (Shanghai) Co., Ltd.	151 (including 6 Japanese employees)	ISO14001 ISO9001	Acquisition of safety standardization system (Chinese version of OHSAS) (March 2009) Outstanding supplier award from Chinese subsidiary of Kyowa Leather Cloth Co., Ltd. (January 2009)
3 Adeka (Singapore) Pte. Ltd.	115 (including 5 Japanese employees)	ISO9001	Gold award for food safety from Agri-Food and Veterinary Authority of Singapore (July 2010)
4 Adeka Foods (Changshu) Co., Ltd.	72 (including 5 Japanese employees)	ISO14001 OHSAS18001 ISO22000	Certificate of distinction for production safety for FY2009, Changshu Economy Development Zone (January 2010) Selected as green corporation by Changshu City for FY2009

¹ISO 14001 is an international standard for environmental management systems.
²ISO 9001 is an international standard for quality assurance systems.
³OHSAS 18001 is an international standard for occupational health and safety management systems.
⁴ISO 22000 is an international standard for food safety management systems for all organizations in the food chain.

Advancing the Chemicals Business—Adeka Korea and Adeka Fine Chemical (Shanghai)

1 Adeka Korea Corp. (est. November 1991)



Opening an R&D center near Seoul to meet the advanced needs of customers

Director
Kenji Nakazawa

The Adeka Group's core business segments are polymer additives and foods. IT and electronic chemicals are positioned as a promising growth segment that we hope to develop into a third core segment to further sustain the business of the Adeka Group.

In fiscal 2010, the Adeka Group recorded strong earnings from additives, such as those used in the automotive and consumer electronics sectors. The Group also recorded significant growth in the IT and electronic chemicals segment, driven by vigorous demand for high dielectric materials in high-

tech applications. Although these segments are expected to grow further, Adeka Korea must facilitate this growth as a key manufacturing and marketing arm for these products.

Adeka Korea has in recent years grown to become a key manufacturing and marketing arm for semiconductor materials. In fiscal 2010, we received a Best Supplier Award from Samsung Electronics (page 25) and increased our market share for polymer additives. This enabled us to double our total net sales in fiscal 2010 from the previous year.

As the scope of our business has grown, we have aggressively pursued capital investment projects. This included opening a manufacturing plant for copper plating solutions used in IT and electronic chemicals applications at the Jeonju Factory in October 2010.

At the same time, we also opened an R&D center that improves the flexibility and speed with which we can meet the advanced needs of our customers in the semiconductor materials sector. The R&D center is staffed with research personnel from Japan and South Korea, who work alongside their counterparts at the Jeonju Factory and other Adeka research facilities to develop even better products.

2 Adeka Fine Chemical(Shanghai)Co.,Ltd.(est. August 2002)



Global marketing of eco-friendly and safe intumescent flame retardants

Director and President
Yoshio Yamada

Adeka Fine Chemical (Shanghai) manufactures and markets a wide range of products for the Chinese market, including polymer additives and functional chemicals, as well as chemicals for the IT, electronics and food engineering sectors. In March 2011, we finished construction of a manufacturing plant for intumescent flame retardants, which will be marketed globally. These products are currently in the process of customer evaluation.

Most deaths from fires are caused by carbon monoxide poisoning. Intumescent flame retardants will help to save lives because they generate less smoke and toxic substances, including carbon monoxide, during combustion since they are non-halogenated. Intumescent flame retardants also have excellent processability and physical properties, and are mainly added to polyolefin resins. Polyolefin resins with intumescent flame retardants can be used to replace polyvinyl chloride (PVC) in cables and wires, and are likely to eventually be used in all kinds of parts and materials that require flame retardancy, such as consumer electronics and building materials.

Intumescent flame retardants are safe and eco-friendly, and our intention is to market them globally. Once the results from our customers' evaluations are received, the Adeka Group will launch global marketing and sales activities for intumescent flame retardants, which we will support as a manufacturing arm.

Future Capital Investment Projects by Adeka Group International Subsidiaries

2010	2011	2012	2013
October Start production of copper plating solutions (South Korea)	March Start production of polyolefin flame retardants (China)	January Start production of materials for next generation semiconductors (South Korea)	April Start production of antioxidants (China)
October Open R&D center (South Korea)	April Establish manufacturing and marketing joint venture in Middle East, with plant to be completed in August (United Arab Emirates)		
	September Start production of light stabilizers (South Korea)		

Advancing the Foods Business—Adeka (Singapore) and Adeka Foods (Changshu)

③ Adeka (Singapore) Pte. Ltd. (Est. July 1988)



Expanding marketing reach by acquiring *halal* certification for more than 50 types of products

Managing Director
Akitoshi Saito

Seventy percent of our business at Adeka Singapore is to Japan, with the remaining 30% to local markets. Ever since we were established, Adeka Singapore has functioned as a cost center by importing dairy products from North America and Europe, which we process locally and export to Japan. Presently, we are working to develop markets in Southeast Asia as part of our mission to provide tasty foods. For instance, we have acquired *halal* certification for some 50 types of products, in an effort to capitalize on the ¥50 trillion market for Muslim foods.

Halal certification requires strict checks against the contamination of pork products and alcohol in food and drugs for Muslim consumers. The Asian market is home to more than half of the 1.8 billion Muslim followers across the world, and as part of our business development in the Asian market we are trying to expand our sales of *halal* products.

In neighboring countries such as Thailand, Malaysia and Indonesia, we are seeing a steady increase in consumers who are willing to pay slightly more for safe, tasty foods. In response to this demand, we will endeavor to progressively advance their food culture by supplying foods that thoroughly meet Adeka's standards for quality. We will have to work even harder as a company to accomplish this. We will endeavor to offer safe and tasty Adeka products that deliver excellent benefits, so that we can build sales channels and eventually sell more to local markets than we currently export to Japan.

④ Adeka Foods (Changshu) Co., Ltd. (est. May 2004)



Adapting products to the local market to expand sales across China

Director and President
Noriyasu Kakuta

Adeka Foods (Changshu) manufactures and markets processed fats such as margarines, and processed foods such as whipping creams, primarily for the Chinese market. We have acquired *halal* certification for all our products, and market our products to China and select markets in Asia.

We actively market our products to Chinese customers and have signed on many Chinese companies as distributors. Our main marketing efforts are focused on coastal areas, but we are also developing new customers among major users in

inland markets that have rapid growth. We organize an annual event for our Chinese distributors that is a key part of our marketing efforts. There, we brief distributors on the business strategy of the Adeka Group and tell them about our new products, in a continuing effort to better educate distributors about Adeka products.

Chinese food products typically have bold flavors, such as the traditional Chinese moon cake. Therefore, it is important to modify the flavor of our products to accommodate Chinese preferences for bold flavors. Our sales and product development departments work closely with our distributors to adapt Adeka products for the Chinese market.

When we go and conduct product demonstrations at our customers, they are often quite surprised at the airy texture that is achieved from using Adeka margarines, and the level of moistness achieved. Chinese share the same preference for airy texture and moistness that Japanese find desirable, so our Chinese customers are very interested in finding out what kind of breads are currently popular in Japan. This means that there are many possibilities for selling high quality Adeka products.

Developing Better, More Local Products

Reinforcing Adeka Standards

Manufacturing is built on the principles of consistently producing the same quality using fixed methods. Adeka's standards must remain consistent, whether in or outside of Japan. Each of the international subsidiaries profiled here uses sophisticated manufacturing techniques to adhere to Adeka standards, while also securing compliance with regulations in their respective countries.

When a new plant or product is launched, certain variables always exist such as initial variations in quality. Manufacturing systems must be adaptable and incorporate the engineering capabilities to address these variables. Local employees are critical to these efforts and play an important role on the production floor.

The Adeka Group actively promotes local employees to key management positions at international subsidiaries, including as company directors, and takes steps to reinforce Adeka standards for safety, quality and the environment. The Adeka Group provides comprehensive support when opening an international subsidiary, by training local employees at plants in Japan and sending experts from Japan.

To launch the plant for intumescent flame retardants in Shanghai, China, a group of 20 employees from various departments of Adeka Fine Chemical (Shanghai) were hand-picked to receive training at the Fuji Factory. In addition, Adeka engineers from Japan have been sent to the plant in Shanghai, to further reinforce Adeka standards at the plant.



Outstanding SMB supplier award given to Adeka Korea



Adeka Fine Chemical (Shanghai) exhibited at the Bakery China trade show

Earning the Pride of Local Employees

Training and development of local employees plays a key role in reinforcing Adeka standards at international subsidiaries, and requires raising employees' enthusiasm toward manufacturing.

International subsidiaries of the Adeka Group use employee policies that reward effort, while also incorporating employee appraisals and suggestion systems that are used in Japan. Employees are offered extensive benefits to encourage them to do better work and contribute to the company. The Adeka Group's international subsidiaries have a very low job turnover rate, even in countries such as Singapore and China where job hopping is prevalent.

Employees of the Adeka Group's international subsidiaries can take pride in working for a company that makes positive contributions to their own country, and can feel proud in front of their family and friends. Adeka Group subsidiaries are genuinely appreciated for creating jobs and supplying excellent products while contributing to the local community.

International subsidiaries of the Adeka Group are strongly committed to community initiatives, and are viewed positively by local governments while consistently earning corporate awards. (For more information, refer to page 20.)



Employee trip to Kuala Lumpur by staff of Adeka Singapore
All four subsidiaries featured in this section organize annual group trips for their employees. At Adeka Singapore, employees are offered meal options during employee trips to accommodate diverse preferences and religious food restrictions.



Involvement in dragon boat race (Duanwu Festival) by staff of Adeka Fine Chemical (Shanghai)
Adeka Fine Chemical (Shanghai) organizes employee involvement in fun events like these.

CSR Highlights in FY2010

The Adeka Group is guided by its management policies and fundamental CSR policy to pursue CSR initiatives as a good corporate citizen that achieves sustainable growth through business practices that respect its diverse stakeholders. In fiscal 2010, Adeka Group companies and offices were actively involved in CSR initiatives that reflected their respective qualities and stakeholders.

Plant Tour for Investors

The Adeka Group conducts plant tours to educate visitors on the Group's environmental initiatives, and to highlight the Group's productivity and quality assurance framework that delivers safety and reassurance. In fiscal 2010, the Group conducted a plant tour for institutional investors and securities analysts, along with a Q&A session, to help them better understand the Group's business.



Investors toured the Kashima Factory

Environmental Measurement Workshop for Customers

Adeka subsidiary Tokyo Environmental Measurement Center Co., Ltd. provides measurement and analysis services to facilitate improvements in environmental performance. The company provides customers with up-to-date information on measurement technologies and revised environmental legislation, in addition to stressing the importance of environmental measurement and providing swift, reliable services.



Workshop for Adeka Group customers conducted by subsidiary Tokyo Environmental Measurement Center

Baking Workshop for Customers in the Food Industry

In August 2010, the Adeka Group conducted a workshop for 50 bakers. The workshop was led by Takaaki Nishikawa, master baker of Boulangerie Comme-Chinois, a popular bakery in Kobe, Japan. Nishikawa demonstrated baking techniques and talked about baking recipes, focusing on the theme of creating satisfying breads.



Bakers practiced their craft at a workshop organized by the Adeka Group

ISO 22000 Certification

Adeka Fine Foods Corp. acquired ISO 22000 certification for its food safety management systems in April 2010. Adeka Fine Foods will continue to pursue food safety and implement thorough quality control, as part of its dedication to providing customers with reassuring products.



Employees of Adeka Fine Foods attended a study workshop for ISO 22000 certification

Donation to Social Welfare and Youth Development Organizations

The Kentucky plant of US subsidiary Amfine Chemical Corp. celebrated its 10th year of operations in October 2010. Amfine Chemical marked the achievement by making a \$10,000 donation to four local organizations involved in social welfare and youth efforts in the town of Hopkinsville, where the Kentucky plant is located.



Amfine Chemical celebrated 10 years of operations at the Kentucky plant with a large donation to local organizations

Adeka Korea Receives Best Supplier Award

Adeka Korea Corp. of South Korea received a 2010 Best Supplier Award from Samsung Electronics, a leading manufacturer of semiconductors. The award is in recognition of Adeka Korea's consistent quality and supply record for products used in semiconductors. The Adeka Group will continue making a concerted effort to earn a strong global reputation.



Best Supplier Award bestowed on Adeka Korea by Samsung Electronics

Plant Tours and Work Visits

The Adeka Group opens its plants and offices to students, in order to highlight the importance of working and educate students about the work that the Adeka Group does and its social contributions. Students take plant tours and visit workplaces to see the production floor and laboratories, and experience the actual work that is done.



Local senior high school students toured the Amfine Chemical plant



Local elementary school students learned about the work that is done at the Adeka Kansai Food Development Section

Supplier and Business Partner Safety Education and Internal Self-Audits

The Adeka Group conducts safety education for suppliers and implements internal self-audits as part of a push for safety and risk reduction. In June 2010, the Chiba Factory conducted a safety education workshop for suppliers, focusing on crisis response and plant safety rules. Adeka Logistics Corp. conducts self-audits using internal checklists, and implements regulatory education for areas of the company that are subject to audits, and raises awareness for regulatory compliance.



Safety education workshop conducted by the Chiba Factory for suppliers

Evacuation Drills and Defibrillator Training

Adeka organizes training for the use of life-saving automated external defibrillators (AEDs) as part of its evacuation drills. In fiscal 2010, staff of the Ogu Fire Department trained employees of the Head Office and Ogu R&D Laboratory on using AEDs. Adeka keeps AEDs on standby at 11 business locations in Japan for use in life-threatening emergencies.



Adeka employees received training on automated external defibrillators

Training of International Employees at the Fuji Factory

In July 2010, eight employees of Adeka Fine Chemical (Shanghai) flew in from China to receive training at the Fuji Factory. The training focused on securing quality and safety in manufacturing, and providing the employees with skills related to manufacturing techniques and equipment management. The participants received hands-on training based on case studies and lectures to improve their knowledge.



Employees of Adeka Fine Chemical (Shanghai) received training at the Fuji Factory



Environmental Initiatives

Adeka is committed to conservation of the global environment and pursues company-wide environmental initiatives, guided by a basic environmental policy and environmental action goals based on international standards for management system such as ISO 14001. These initiatives include efforts to reduce the environmental impact of business activities, to manage chemical substances, and to conserve ecosystems.¹

¹Additional detailed information including environmental data will be published online beginning in September 2011.

Basic Environmental Policy

◆ Corporate-wide global environmental conservation and pollution prevention efforts

Each one of us must be highly conscious of environmental conservation, striving for harmony and integration with the environment in all aspects of our business activities. In order to carry out fair and sustainable activities, there must be cooperation, not only between departments within each company, but also in a broader sense with other companies in the group as Adeka adopts a comprehensive and organic approach to its efforts.

◆ Corporate responsibility

Adeka endeavors to reduce the environment impact of its business activities throughout the life cycle—from research, development and procurement through to manufacturing,

sales, logistics and disposal. These initiatives focus on conserving energy and resources, as well as reducing, reusing and recycling industrial waste, in order to reduce the impact on the environment. In addition, Adeka develops and supplies eco-friendly products and environmental technologies, and endeavors to use eco-friendly products in contributing to a sustainable society.

◆ Contributing to society

We are keenly aware of the fact that a corporation is a member of society and we steadfastly comply and cooperate with environmental regulations and government policies, We also disclose environmental information and lend support and cooperation to environmental conservation activities, both in society at large and in the local community.

Environmental Action Plan

◆ Reduce environmental impact and secure health and safety through safety initiatives in the four areas of quality/logistics, the environment, occupational health, and facilities.

Enhance safety in each of the four areas so that each is a source of reassurance that earns increased confidence from society and customers.

◆ We promote compliance with legislation and social ethics.

◆ We actively promote communication, both within and outside the company.

◆ When expanding into overseas markets, we address the issue of environmental conservation, as well as safety and quality assurance.

Environmental Action Goals

Summary of Adeka's environmental goals and performance.

Area of Activity	FY2010 Goals		FY2010 Results		Internal Grading	Main Initiatives in FY2011 and Beyond
Continual improvement of environmental performance	Promotion of energy conservation	Reduce energy intensity from manufacturing by 1.0% or more year on year, and reduce by 10% compared with FY1990 levels by FY2010	Achieved energy intensity of 0.181 kiloliters per tonne (2.2% reduction from previous year), and reduced energy intensity by 3.2% compared with FY1990 levels	△	Reduce energy intensity by 1.0% or more year on year, and reduce by 20% compared with FY1990 levels by FY2020	
		Reduce CO ₂ emissions from manufacturing by 1.0% or more year on year, and reduce by 10% compared with FY1990 levels by FY2010	Generated 155,998 tonnes of CO ₂ emissions (4.3% increase from previous year), and reduced CO ₂ emissions by 15.4% compared with FY1990 levels	△	Reduce CO ₂ emissions by 1.0% or more year on year, and reduce by 25% compared with FY1990 levels by FY2020	
	Reduction of industrial waste	Reduce industrial waste output by 1.0% or more year on year	Generated 39,700 tonnes of industrial waste (11.2% increase from previous year)	△	Reduce industrial waste output by 1.0% or more year on year	
		Improve the rate of outsourced recycling for industrial waste to 76% compared with FY1990 levels by FY2010	Recycled 6,511 tonnes out of 11,454 tonnes of externally processed waste, achieving a 56.8% recycling rate	△	Increase recycling rate for externally processed waste to 80% by FY2020	
		Achieve zero emissions ¹ of landfill waste generated from industrial waste (below 0.5%) by FY2010	Generated 39,700 tonnes of industrial waste, and achieved zero emissions of landfill waste (36 tonnes)	◎	Continue to achieve zero emissions of landfill waste through FY2020, and aim for complete elimination of landfill waste ²	
	Track and reduce the volume of toxic chemical substance emissions from manufacturing	Reduce emissions of PRTR substances by 10% year on year.	Recorded 27.7 tonnes of emissions of PRTR substances including new substances under revised legislation, with adjusted emissions of 3.5 tonnes (28.5% increase from previous year) for substances under previous legislation	△	Enhance management for reducing emissions of PRTR substances	
Implement initiatives to reduce the environmental impact of logistics		Industrial waste transported: 11,989 tonnes (34.6% increase from previous year); energy consumption from logistics: 1,859 gigajoules (22.3% increase from previous year); CO ₂ emissions from transport: 127 tonnes (23.3% increase from previous year)	○			
Promote green purchasing	Increase green purchasing to 80% or more of stationery and specified non-stationery items		Achieved green purchasing for 76.0% of stationery items (960 out of 1,263 items), and green purchasing for 63.0% of designated non-stationery items (290 out of 460 items)	△	Achieve green purchasing for 80% or more of stationery items and designated non-stationery items by FY2020	
Management systems	Expand and continuously promote environmental management systems (ISO14001) and occupational health and safety management systems (OHSAS18001), and acquire certification for integrated management systems (IMS).		Continued operating ISO 14001 and OHSAS 18001 at six Adeka plants in Japan; implemented initiatives for acquisition of integrated management system (IMS) conformance	◎	Acquire IMS conformance and FSSC 22000 ³ certification	

¹Adeka defines "zero emissions" as landfill waste that amounts to less than 0.5% of the total volume of industrial waste output.

²Adeka defines "complete elimination" as landfill waste that amounts to less than 0.1% of the total volume of industrial waste output.

³FSSC 22000 is a certification scheme for food safety systems that are compliant with some parts of standards for food safety management systems.

Main Initiatives in FY2010

▶ Development of roadmap for 25% reduction of CO₂ emissions

Adeka developed a roadmap to reduce its CO₂ emissions by 25%, compared with fiscal 1990 levels, by fiscal 2020. To reduce Adeka's environmental impact and achieve the 25% reduction goal, the Company will focus on switching to natural gas as a main source of energy, and eliminate wasteful energy use by making energy use more transparent, as well as through measures such as the adoption of LED lighting.

▶ Supporting ISO 22000 acquisition by affiliates

Adeka organized in-house workshops and employee study sessions for the acquisition of ISO 22000 certification by Japanese subsidiary Adeka Fine Foods. The subsidiary completed registration of ISO 22000 certification on

May 23, 2010, to join the Akashi Factory as the first two business locations of the Adeka Group in Japan to acquire ISO 22000 certification.

▶ Business continuity management seminars

In fiscal 2010, Adeka organized five seminars to facilitate the continuous improvement of BCMS. The seminars covered topics ranging from influenza pandemics to training on the use of AEDs.

Adeka received a continuity review for recertification of its BCSM in January 2011, in order to facilitate cooperation across organizational boundaries beyond the persons and departments that directly oversee the business continuity plans. The review found no nonconformances and three opportunities for improvement in recertifying the continuity and operation of the management system.

Framework for Environmental Initiatives



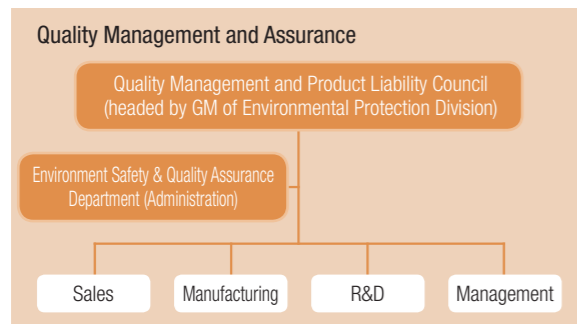
Product and Occupational Safety

The Adeka Group implements the strictest quality control measures for the safety and assurance of all its products and services. The Group is guided by an integrated approach to quality assurance and safety that is referred to as “quality safety,” while endeavoring to manufacture safe products with high quality.

Product Safety

Framework for Product Safety

Adeka engages in company-wide quality control initiatives through the implementation of quality standards and quality targets, and through meetings on quality management and product liability, as well as for customer complaint measures. This framework enables Adeka to supply high quality products that satisfy customer needs.



Communication with Customers

The Adeka Group uses a framework in which sales and R&D immediately relay any inquiries and complaints they receive from customers to the Environment Safety & Quality Assurance Department and quality control committees at plants. This ensures that the Group swiftly attends to customers.

Initiatives in the Chemicals Business

Adeka uses internal policies for chemical substances management that are consistent with the guidelines of the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. and other regulations. The policies guide the implementation of quality safety initiatives at individual business locations.

Chemical Substances Management Policies

- I. Environmental impact reduction: Prevent environmental pollution, reduce environmental impact, and recycle waste
- II. R&D: Develop products with low toxicity
- III. Regulatory compliance: Secure regulatory compliance with Japanese and international regulations
- IV. Safe handling of chemical substances and human resources development: Gather current information and implement comprehensive safety management.
- V. Information sharing and disclosure; community dialogue: Disclose information about chemical substance management, and engage in community dialogue

Enhancing Product Safety

The Adeka Group pursues educational initiatives to ensure full awareness of safety laws and regulations throughout the Group. In addition to conducting briefing sessions and workshops on safety regulations, the Group implements education on quality safety, and conducts regular audits to ensure that safety initiatives are consistently executed.

Topics

Securing Quality Safety in Every Process

The Adeka Group implements strict quality control in every manufacturing process. In an effort to maintain quality control at an even higher level, the Group is comprehensively pursuing the acquisition of ISO 9001 and Hazard Analysis and Critical Control Point (HACCP) certifications, as well as adopting total productive maintenance (TPM) practices that involve all employees in maintaining equipment. The Fuji Factory received an Award for TPM Excellence, Category A in FY2010.



Award for TPM Excellence bestowed on the Fuji Factory

Topics

Handbook for Dangerous Substances and High-Pressure Gases

Adeka Logistics Corp. has prepared a handbook summarizing technical standards for poisonous and dangerous substances, as well as high-pressure gases, which the company also distributes and sells to its logistics partners. The illustrated handbook is accessibly written and describes precautions for the transport and storage of these substances and gases as part of comprehensive safety initiatives.



Handbook and safety badge prepared by Adeka Logistics

Initiatives in the Food Business

Adeka uses internal policies for food products that constitute its framework for food safety, whereby quality management is pursued at every stage from raw materials to finished products.

Traceability of Foods

Adeka uses product lot numbers to enable the tracing of raw materials and manufacturing conditions, as well as product deliveries. This system enables the comprehensive management of products, and is also used in production planning and inventory management to rigorously manage the freshness of food products.

Topics

Adeka Policies for Food Products

Under the brand slogan “The Delicious Taste You Can Rely On,” the Adeka Group pursues its food business by incorporating the perspectives of consumers and customers in its business activities. In addition to ensuring food hygiene, the Group endeavors to provide foods that are safe, delicious, and eco-friendly.



Occupational Safety

The Adeka Group implements initiatives in the four areas of occupational safety, quality safety, environmental safety and equipment safety, and acquires OHSAS 18001 certification for occupational health and safety management systems in order to prevent occupational accidents.

In fiscal 2010, the Adeka Group set a goal of eliminating occupational accidents and accidents during commuting. The Group recorded no accidents involving production facilities in fiscal 2010, but recorded two accidents requiring work absences and 11 accidents not requiring work absences.

The Adeka Group will continue working to achieve its goal of zero accidents.

Safety and Fire Prevention Initiatives

In fiscal 2010, the Adeka Group reviewed its rules to reinforce safe forklift operations and the wearing of protective eyewear in an effort to prevent accidents requiring work absences. The Group conducted investigations of accident sites and similar workplaces, and sought to reinforce Group-wide safety through the implementation of environmental and safety audits, and by holding safety conferences.

Topics

Responsible Care Award Received for Improvements in Working Conditions

The Mie Factory and its business partner Mie Processing Services K.K., received the 4th Responsible Care Award bestowed by the Japan Responsible Care Council (JRCC) at a JRCC gathering in July 2010.

The Responsible Care Award is given to individuals or organizations that contribute to raising awareness of or implementing responsible care initiatives. The Mie Factory and Mie Processing Services were recognized for their work in reducing the physical burden of factory work and improving dust control and other working conditions issues.



Mie Processing Services received a Responsible Care Award at the JRCC meeting

Recall of Microwave-Heated Hot Water Bottles

Adeka has implemented a product recall for microwave-heated hot water bottles that were discontinued in December 1998. However, some of the recalled hot water bottles remain in circulation, and in fiscal 2010 there were additional reports of consumers who received burns from using the recalled hot water bottles.

Adeka wishes to extend its sincerest apologies regarding the product recall, and is making every effort to collect any recalled hot water bottles that remain in circulation. Adeka is committed to continually enhancing quality and will do everything it can to prevent future accidents in connection with its products.



Employee Initiatives

Adeka's human resources principles guide the pursuit of working conditions that enable all employees to flourish at work, and also respect the diverse lifestyles and values of each employee. Adeka seeks to develop a corporate culture that respects diversity while fairly evaluating and compensating individuals, and develop human resources as well as offer safe and attractive working conditions for all employees.

Adeka Human Resources Principles

Adeka embraces four human resources principles in an effort to create working conditions that enable employees to flourish at work and fully leverage their talents.

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

Respect for Human Rights

The Adeka Group Code of Conduct outlines the importance of regulatory compliance and the need to respect basic human rights and eliminate discrimination. The code also prohibits human rights transgressions, such as the use of child or forced labor in supply chains in and outside of Japan.

Employees are also directed to refrain from behavior that fails to respect the individual, such as the use of discriminatory language, or engaging in sexual harassment or abuse of power. The Adeka Group is committed to developing a vibrant corporate culture that shows respect for diverse personal values as well as privacy and individuality.

▶ Preventing Sexual Harassment in the Workplace

Adeka has guidelines in place to prevent sexual harassment in the workplace, which is strictly forbidden. Under the guidelines, complaints and consultations regarding

sexual harassment are received by the Human Resources Department and labor relations sections at individual business locations. Adeka takes steps to protect the privacy of employees involved, and to ensure that employees who come forth are not penalized for their actions. Adeka rapidly investigates these cases, and if it is confirmed that sexual harassment has occurred, deals with the individuals in accordance with employment rules.

▶ Sexual Harassment and Abuse of Power Training

Newly appointed managers and newly appointed assistant section managers receive training to prevent and respond to incidents of sexual harassment and abuse of power. This training is integrated into Adeka's job level-specific training program, and uses lectures and videos to provide the participants with the information and knowledge they need to prevent sexual harassment and abuse of power.

Work-Life Balance

Adeka values the work-life balance of employees and offers different programs to give employees the flexibility to adopt diverse work styles and work hours.

Under the Act on Advancement of Measures to Support Raising Next-Generation Children, Adeka has developed an action plan that is aimed at providing employees who are raising children with working conditions that enable them to balance work and parenting.

▶ Adeka Action Plan (April 1, 2010 to March 31, 2013) Developed under Act on Advancement of Measures to Support Raising Next-Generation Children

- I. Aim for at least three male employees and at least 80% of female employees with newborn children to take child care leave.
- II. Make it easier for employees to take advantage of the child care leave program.
- III. Expand the programs offered to support the work-life balance of employees.
- IV. Pursue initiatives to reduce overtime work.
- V. Continue to involve employees in community clean-up activities to develop a positive mindset among employees.

▶ Employee Use of Child Care Program

In fiscal 2010, Adeka revised the rules for its child care leave program, in accordance with the action plan developed under the Act on Advancement of Measures to Support Raising Next-Generation Children. Specifically, the qualification rule for taking reduced working hours was expanded to include employees with children aged up to grade four, where previously children in grade one and later were excluded.

The revised rules offer employees greater flexibility to balance their work and child-rearing responsibilities. Fifteen employees took advantage of the child care leave program in fiscal 2010, including one male employee.

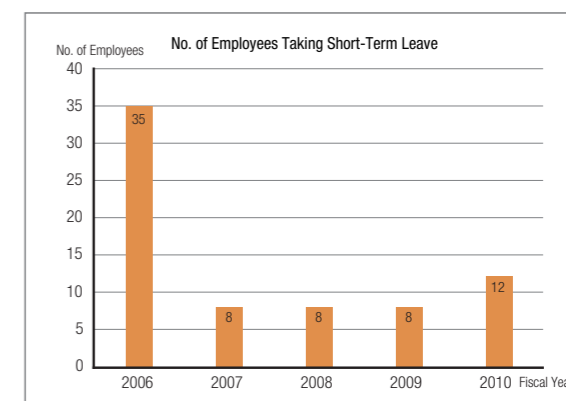


Adeka acquired Kurumin mark certification in June 2010 from the Ministry of Health, Labour and Welfare, recognizing an active commitment to supporting parenting

▶ Short-Term Leave and Volunteering Leave

Employees who have been employed for 30 continuous years or who have reached the age of 50 are eligible to take a short-term leave of up to eight consecutive days. The leave is provided so that employees can take a break and return to their duties with renewed enthusiasm.

Employees can also take up to seven days of leave to engage in diverse volunteer activities, such as for disaster relief and social work.



Topics

Resuming Work with Renewed Dedication

I am grateful to my bosses, as well as senior colleagues and co-workers in the laboratory and related departments, for their cooperation in enabling me to take two months of leave for the birth of my son. Thanks to their support, I was able to spend precious time with my family when my wife gave birth to our twins in her hometown of Fukuoka, which is quite far from Tokyo and the reason I took the leave.

Assisting with the birth of our twins and attending to them around the clock was hard, but working through it as a couple has really given us confidence moving forward. I will do my best at work to return the favor to my colleagues.



Kenji Yamamoto
Functional Chemicals Development Laboratory,
Adeka Corporation

Human Capital Development and Communication

Guided by its principles for human capital development, Adeka operates employee training programs to help employees develop their skills and perform their jobs. These programs are tailored according to the job level, business segment, and job description of employees.

▶ Human Capital Development Anchored by Trust and Innovation

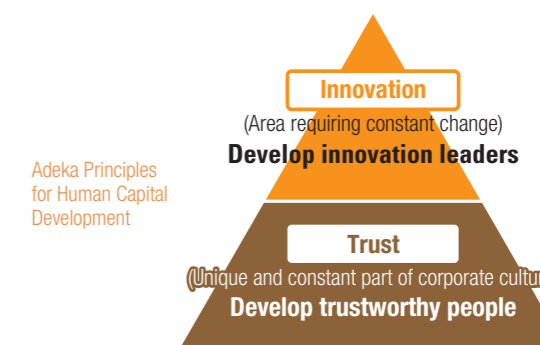
Adeka's principles for human capital development are built on the concept of "Trust and Innovation," and the basic belief that human resources are human capital. The Human Resources Development Group implements initiatives to fundamentally strengthen Adeka's human capital development.

"Trust" signifies the trustworthy reputation that Adeka has continued to earn since its founding, and which has remained a unique and constant part of the corporate culture that Adeka instills in every employee. "Innovation" signifies Adeka's commitment to develop innovators who drive change above and beyond simply reacting to modern developments.

▶ Company-Wide Management Training

Adeka operates a company-wide management training program to facilitate the development of a corporate culture that complements its corporate goal of generating annual net sales of ¥300 billion.

The training program encompasses all 250 or so managers at Adeka, and has already delivered major benefits. The program focuses on enabling managers to engage in direct dialogue with the senior management team, helping to reinforce the direction set by senior management. The program has also enhanced the level of on-the-job training and improved efforts by managers to develop their staff, as well as helped to build stronger horizontal ties between managers.



Social Initiatives

The Adeka Group pursues active and positive communications with its stakeholders, in order to be an open and transparent organization. Adeka business locations and Group companies engage in social and environmental initiatives in the regions that they do business in, to coexist with communities and the global environment. Social initiatives are closely grounded in the community and reflect the unique qualities of each business location and Group company.

Community Dialogue

Adeka Fine Chemical (Shanghai) is involved in community safety conferences in Shanghai, China. These conferences provide a means for building relations and exchanging information with other companies regarding workplace safety and crisis control measures for disasters.

The Kashima Factory participated in the Kashima area dialogue meeting on responsible care in February 2011, under the auspices of the Responsible Care Committee of the Japan Chemical Industry Association. The dialogue was the seventh such meeting in the Kashima area, and Kashima Factory employees gave presentations on the topics of environmental conservation, security and disaster prevention, and community relations.



Safety conference organized by Shanyang Town in the Jinshan District of Shanghai, China

Community Fairs Featuring Local Businesses and Industry

Adeka participates in community fairs that showcase local businesses and industries, operating booths to reach out to members of the community.

The booths sell Adeka Group products or display corporate information, which help to educate community residents about the Group's industrial activities.



The Soma Factory participated in a community fair highlighting local industry in Shinchi Town, Fukushima Prefecture



The Mie Factory participated in a community fair showcasing local agricultural businesses

Environmental and Community Clean-Up Initiatives

The Adeka Group is committed to environmental and clean-up activities in the communities in which it operates. Adeka was awarded a community clean-up award by Arakawa-ku in Tokyo, with the endorsement of the neighborhood community association in the area where the Head Office and Ogu R&D Laboratory are located. These clean-up activities have been ongoing since 2007.

Adeka Korea Corp. is involved in river clean-up efforts near its plant, as part of the company's community environmental initiatives. In addition, Adeka Korea is involved in an ecosystem clean-up initiative in partnership with the Jeonju Regional Environmental Office. The subsidiary's active involvement in these clean-up efforts earned the company a corporate award of recognition for environmental stewardship in fiscal 2010.



Head Office employees helping clean up the community



Employees of Adeka Korea involved in clean-up efforts

Core Business and Social Initiatives

Adeka invited students of Sai-no-Kuni Ikigai University, a learning initiative for Saitama Prefecture residents aged 60 years or above, to take a baking class at the Risu Techno Plaza. The participants learned about fats and baked breads, and rated the experience highly.



Saitama Prefecture residents learned to make croissants

Volunteering for Disaster Relief

Adeka participated in a relief effort for people affected by the Great East Japan Earthquake, under the One-Percent Club initiative of Nippon Keidanren (the Japan Business Federation). The effort involved sending relief supplies such as stationery and foods as well as words of encouragement to children affected by the disaster.



Organizing relief supplies for persons affected by the Great East Japan Earthquake

Youth Education

Adeka organizes science classes taught by employees for elementary school students, to stir their interest in science and facilitate science learning.

The program was expanded to more schools in fiscal 2010, enabling 87 students ranging from grades four to six to take part in the classes and learn about science in a fun environment. In addition, Adeka organized a baking class for 24 students from a local elementary school and their parents.



Grade six students of Ogu-nishi Elementary School in Arakawa Ward learned about science



Kids and their parents attended a baking class organized by Adeka

Supporting Community Cultural Events

Adeka is a corporate sponsor for an annual peace concert held in connection with the anniversary of the World War II aerial bombing raids on Arakawa-ku, Tokyo, which had a significant historical impact on Arakawa-ku.

The purpose of the concert is to educate younger generations about the events at the time and stress the importance of peace by having community residents recollect their experiences during the war. The concert featured a brass band performance by local junior high school students.



Brass band students of Oguhachiman Junior High School in Arakawa-ku, Tokyo performed at a peace concert



Adeka organized a community concert at its Head Office for community residents with disabilities

Shareholder and Business Partner Initiatives

The Adeka Group is actively involved in public relations and investor relations, endeavoring to provide timely information disclosure as a way to inform shareholders and investors about its corporate activities. The Group is also committed to enhancing corporate value by improving its business results.

Communication with Shareholders and Investors

► Timely and Accurate Information Disclosure

Adeka is committed to practicing information disclosure in accordance with the regulatory requirements of the Financial Instruments and Exchange Act and other regulations, as well as practicing timely disclosure as required for public corporations under stock exchange rules. It is Adeka's basic policy to provide shareholders and investors with necessary information to make rational investment decisions, even above and beyond legal and regulatory disclosure requirements, and to provide this information in a consistent and timely manner.

► Bringing Openness to the Annual General Meeting of Shareholders

Adeka schedules its annual general meeting of shareholders to avoid overlapping with the annual general meetings of other companies. Adeka considers it important to engage in dialogue with shareholders and receive their input on how the Company is run. Adeka aims to bring a level of openness to general shareholder meetings, in order to facilitate communication with shareholders and enhance their understanding.



148th annual general meeting of Adeka shareholders held on June 22, 2010

► Adeka Group and Investor Relations Investor Briefing Sessions

Adeka holds briefing sessions for its interim and year-end earnings results, every May and November respectively. The briefing sessions are a way for senior management to directly brief Japanese and international institutional investors and securities analysts, as well as mass media outlets, on corporate earnings, business strategy and the future earnings outlook.

► Meetings with Institutional Investors and Securities Analysts

Adeka conducts some 150 individual meetings each year with institutional investors and securities analysts. The meetings enable investor relations staff to brief investors and analysts on the details of earnings results and management strategy, and to gain input from investors to increase the level of mutual communication.



Briefing session on Adeka's earnings results held on May 28, 2010

Communication with Suppliers

► Fairness in Procurement

Adeka employs internal standards for procurement management that outline its basic policy toward purchasing, guiding the Company to develop and maintain fair relations with suppliers and to choose suppliers fairly. Under the standards, Adeka places a priority on procurement practices that emphasize consistency and safety as well as compliance.

Adeka explores and pursues the global procurement of ingredients and intermediate materials in collaboration with international Group subsidiaries, engaging in procurement that is socially responsible.

► In Partnership with Suppliers

Adeka organizes annual conventions for distributors of Adeka chemicals and Risu Brand food distributors respectively. The conventions serve as a platform to brief distributors on Adeka's business plans, including its management direction and sales division strategy, and to strengthen Adeka's partner relationship with its distributors.

In its food business, Adeka continued conducting training sessions for employees of distributors in fiscal 2010, to improve their knowledge and marketing skills.



Risu University baking class for distributors

CSR Initiatives at Adeka Group Companies

Adeka Group companies in and outside of Japan engage in CSR initiatives that are rooted in the community and their businesses.

Environmental Initiatives

Oxirane Chemical Corp. of Japan established a project team in fiscal 2010 for the deployment of energy-efficient equipment and to pursue waste reduction initiatives. The project netted an annual reduction of 600 tonnes of externally processed waste.

Uehara Foods Industry has switched from using heavy oil to city gas for boiler fuel, which resulted in a significant reduction of CO₂ emissions.

Outside of Japan, Adeka Fine Chemical Taiwan Corp. received an ISO 14064-1 inspection from a private

inspection organization in March 2011. ISO 14064-1 is an international standard for the quantification and reporting of greenhouse gas emissions and removals.

Adeka Group companies across the world will continue to build on their environmental initiatives and performance, in conformance with international standards.



Members of the waste reduction project of Oxirane Chemical



Adeka Fine Chemical Taiwan received an ISO 14064-1 inspection in March 2011

Safety Initiatives

Adeka Fine Chemical (Changshu) has established safety standards groups in each of its workplaces to pursue initiatives to improve production safety.

Adeka Fine Chemical (Changshu) implements work standardization initiatives using a combination of small group activities and hazard prediction training that is practiced in Japan. The subsidiary also conducts training and drills to enhance workplace safety and prevent accidents.



Developing safety standards at Adeka Fine Chemical (Changshu)

Employee Initiatives

The Adeka Group implements initiatives to provide employees with healthy and comfortable working conditions, and supports mental health care of employees.

In fiscal 2010, Adeka Life-Create Corp. and Adeka Clean Aid Corp. of Japan organized lectures by an industrial physician to educate their employees about mental health and better equip them to manage their own mental health.



An industrial physician gave a lecture on mental health for employees of Adeka Life-Create and Adeka Clean Aid

Community Initiatives

Adeka Group companies are actively involved with members of the community and engage in community clean-up and maintenance activities.

Amfine Chemical Corp. participates in community events and volunteer efforts. Employees averaged some 10 hours in community service each year, such as providing meals for after-hours classes and participating in community clean-up efforts.



An employee of Amfine Chemical gives back to the community

Third Party Opinion Comments

Reading the Adeka Group CSR Report 2011

Katsuhiko Kokubu

Professor, Graduate School of Business Administration, Kobe University

Professor Katsuhiko Kokubu received a PhD in business administration from Osaka City University. He has been in his current position since 2001. In 2003, he established the Institute for Environmental Management Accounting, a vehicle for utilizing research achievements.

Professor Kokubu chaired a committee of the Ministry of Economy, Trade and Industry on the development and promotion of material flow cost accounting, and served as a member of a committee of the Ministry of the Environment on environmental reporting guidelines. His published work includes *Kankyo Keiei Kaikei* (Environmental Management and Accounting) from Yuhikaku Publishing.



► Response to Great East Japan Earthquake

The *Adeka Group CSR Report 2011* provides detailed information about Adeka's response to the Great East Japan Earthquake, describing the extent of damages and recovery, as well as its crisis management and efforts to secure a stable supply of products. In March 2010, Adeka became the first Japanese chemicals company to acquire certification for the implementation of a BCMS, as part of its active efforts to implement risk management.

No Adeka employees were injured in the disaster, despite the fact that some plants sustained heavy damage, such as from the *tsunami*. This is a notable achievement, since the BCMS places the highest priority on protecting lives immediately after a disaster.

In addition, Adeka took swift steps after the disaster to secure the stable supply of its products, based on the BCMS, and was able to continue meeting demand from customers. Adeka deserves high marks for its risk management in response to the disaster.

► Adeka Group Five Year Plan for CSR

Fiscal 2010 marks the fourth year of the Adeka Group's five-year CSR plan, which guides the sure implementation of CSR initiatives and is enabling the Group to successfully develop its framework for CSR. The *Adeka Group CSR Report 2011* outlines

the Group's initiatives to communicate with shareholders, investors and stakeholders. Moving forward, it will be important for the Group to actively communicate with stakeholders in order to gain a clearer grasp of the social expectations for the Group.

Fiscal 2011 will mark the final year of the five-year CSR plan. In addition to pursuing global CSR initiatives under the existing plan, I look forward to seeing the Adeka Group formulate a follow on plan that further develops the Group's CSR initiatives.

► Grading of CSR Management

The report now includes the Adeka Group's internal grading of the performance of its CSR and environmental initiatives, which is something that is essential for implementing Plan-Do-Check-Action (PDCA) cycles. The Group deserves praise for its management of CSR.

Moving forward, the Adeka Group needs to identify concrete goals for CSR initiatives, so as to address social needs, and decide on a direction for its CSR initiatives. In addition, the Group should develop a framework that enables an objective grading of the performance of its CSR initiatives. I look forward to the Adeka Group making great strides with its future CSR initiatives.

Response to Third Party Opinion

I would like to thank Professor Kokubu for his valuable feedback.

The *Adeka Group CSR Report 2011* highlights our response to the Great East Japan Earthquake and the steps we took to rapidly recover from the disaster. It is encouraging to be recognized for the actions we took, and we will endeavor to further enhance our risk and crisis management.

Professor Kokubu has identified the need for Adeka to clearly identify goals for our CSR initiatives, and

Haruhiko Tomiyasu

Director and Operating Officer in charge of Legal Affairs & Publicity Department, Finance & Accounting Department, and Information System Department; Chairman of Internal Control Promotion Committee

to develop a framework to grade our performance. We recognize that these are important tasks in order to make further strides with the CSR initiatives of the Adeka Group, and will incorporate this advice into our future planning.

I feel that the Adeka Group is reaping steady results from the five-year CSR plan. In fiscal 2011, we will endeavor to expand our CSR initiatives to our global subsidiaries through a collaborative effort. In addition, we will increase our dialogue with stakeholders, in order to expand our socially responsible corporate activities.

Adeka Group Network

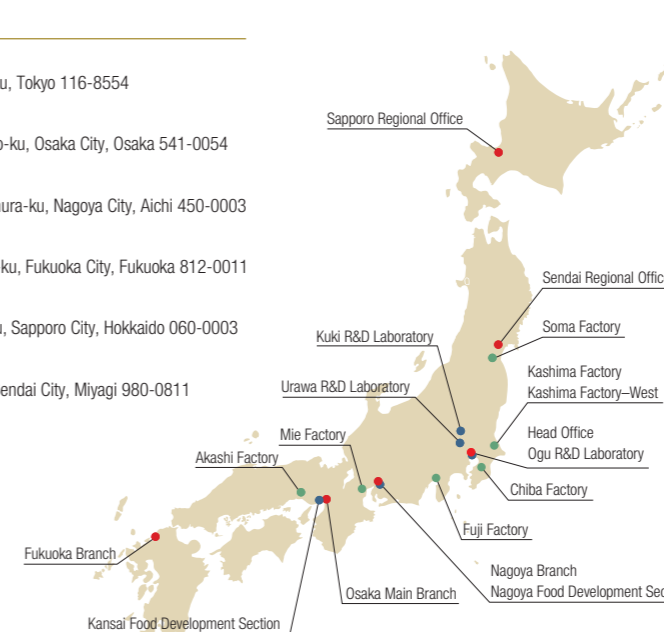
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Major Affiliated Companies

- | | |
|--|--|
| Nihon Nohyaku Co., Ltd. | CO-OP Clean Co., Ltd. |
| Adeka Chemical Supply Corp. | Mizushima Plasticizer Co., Ltd. |
| Adeka Life-Create Corp. | Nihon Epoxy Resin Co., Ltd. |
| Asahi Architects Office Co., Ltd. | Adeka Fine Foods Corp. |
| Oxirane Chemical Corp. | Adeka Engineering & Construction Corp. |
| Kashima Chlorine & Alkali Co., Ltd. | Adeka Logistics Corp. |
| Kashima Chemical Co., Ltd. | Adeka Foods Sales Corp. |
| Kanto Sodium Silicate Glass Co., Ltd. | Yongo Co., Ltd. |
| Adeka Clean Aid Corp. | Uehara Foods Industry Co., Ltd. |
| Tokyo Environmental Measurement Center Co., Ltd. | |

International Subsidiaries

