



**The 148th Term [April 1, 2009 – March 31, 2010]**

# **Overview of Closing Accounts and Prospective Performance**

<http://www.adeka.co.jp>

**May, 2010**

## 1. Fiscal 2009 Consolidated Performance

- ① Overview of Fiscal 2009 Consolidated Performance
- ② Trends in half Consolidated Performance
- ③ Fiscal 2009 Consolidated Performance (Figures)
- ④ Segmental Information

## 2. Fiscal 2010 Prospective Performance

## 3. Management Measures

# Fiscal 2009 Consolidated Performance

# 1-01 Overview of Fiscal 2009 Consolidated Performance

## Consolidated data

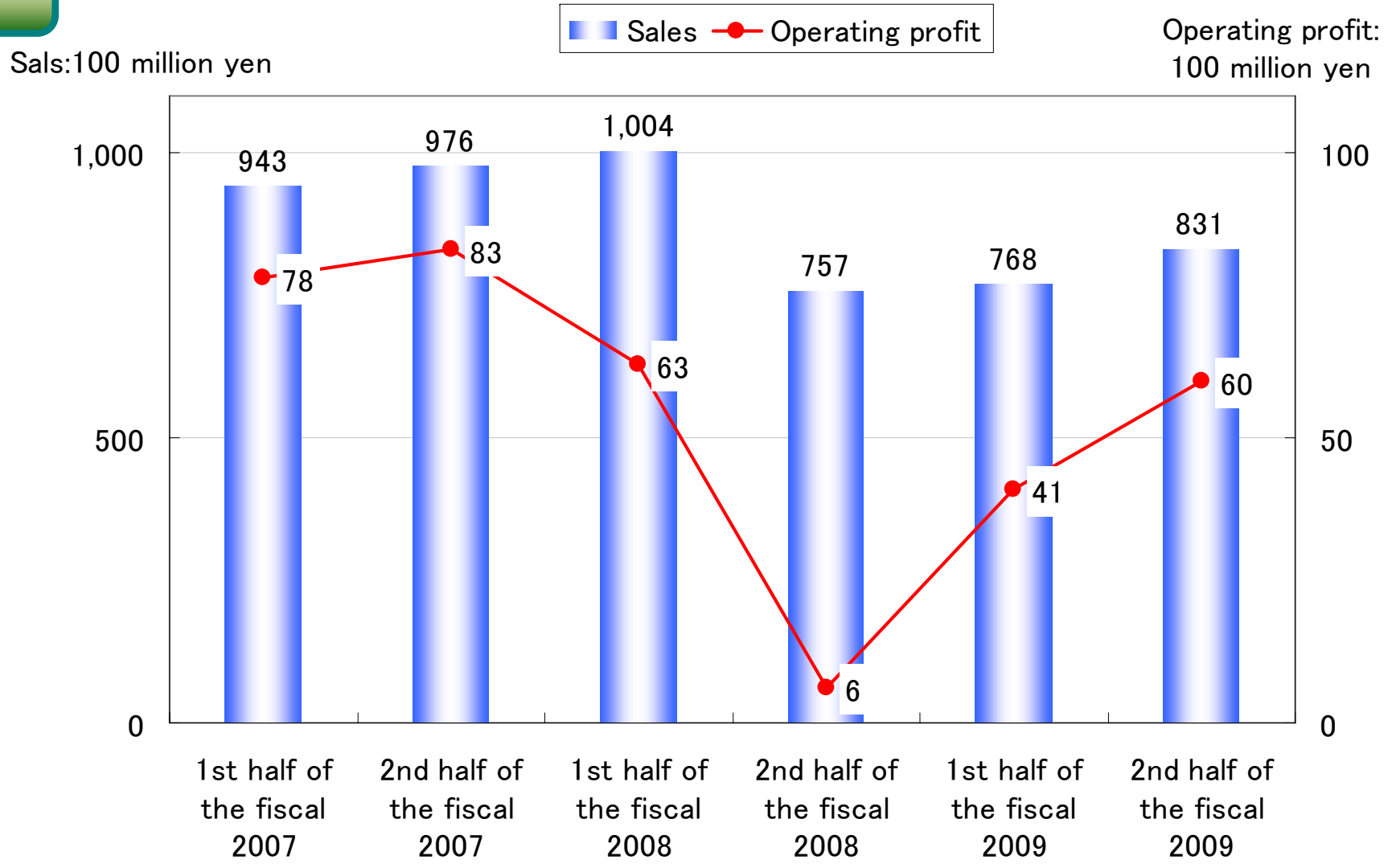
(Unit: 100 million yen)

	Fiscal 2009	Fiscal 2008	Increase/ Decrease	Increase/ Decrease ratio (%)
Sales	1,599	1,761	△ 161	△ 9.2
Operating profit	102	69	32	46.0
Current profit	102	61	41	68.2
NET profit of the Term	67	12	55	455.0
NET profit per share of the Term (yen/share)	65.7	11.8		
Dividend	¥20.00	¥20.00		

- In response to the rapid decrease in demand due to the global recession, company-wide efforts were made in 2009 to reduce cost and capital investment and to promote the maintenance and expansion of the Company's market share as well as the strengthening of sales of highly-competitive strategic products in the market. As a result of these efforts, profit significantly increased despite the decrease in revenue.
- In response to the improvement in business performance, the year-end dividend was raised from 9 yen to 11 yen, or 20 yen for the year.

# 1-02 Trends in half Consolidated Performance

**Consolidated data**



Consolidated  
data

(Unit: 100 million yen)

	Consolidated closing of accounts			
	Fiscal 2009	Fiscal 2008	Increase/ Decrease	Increase/ Decrease ratio(%)
<b>Sales</b>	1,599	1,761	△ 161	△ 9.2
Electronics and IT materials	130	136	△ 6	△ 4.8
Functional chemicals	697	744	△ 47	△ 6.3
Commodity chemicals	212	253	△ 41	△ 16.3
Food products	506	556	△ 50	△ 9.1
Others	53	69	△ 15	△ 22.6
<b>Operating profit</b>	102	69	32	46.0
Electronics and IT materials	9	9	0	0.6
Functional chemicals	43	42	1	4.1
Commodity chemicals	8	△ 1	9	—
Food products	35	11	24	220.1
Others	3	7	△ 3	△ 54.5

The amounts are indicated after rounding off figures less than 100 million yen.

Consolidated  
dataElectronics and  
IT materialsFunctional  
chemicalscommodity  
chemicals

Food products

Others

## Overview ( Decreased income and Flat profit)

- ① Sales of semiconductor memory materials, etchants for ultrafine circuit fabrication and photo curing resins expanded because the production of digital home appliances recovered due to the Chinese government's measures to popularize home electric appliances and domestic economic policies.
- ② Due to intensifying competition, sales prices of products including semiconductor memory materials remain at lower levels.

(Unit: 100 million yen)

	Fiscal 2009	Fiscal 2008	Increase/Decrease
Sales	130	136	△6
Operating profit	9	9	0

# 1-04 Segmental Information: Functional Chemicals

(Polymer additives, Organic chemicals, functional polymers)

**Consolidated data**

Electronics and IT materials

Functional chemicals

commodity chemicals

Food products

Others

Overview ( Decreased income and Slightly increase in profit)

- ① A recovery was seen in demand in the automotive and home appliance-related fields, and accordingly, the quantity of polymer additives shipped mainly to Asia began to increase in the middle of the fiscal 2009. However, business was still affected by production adjustments during the first half of the term.
- ② Sales of water borne resins, which are environmentally conscious products, steadily recovered, and sales of engine oil additives expanded mainly in overseas countries in response to increasing demand for lower fuel consumption.
- ③ Our affiliated companies in Europe and the U.S. recorded decreases in their profit because of the sluggish economy.

(Unit: 100 million yen)

	Fiscal 2009	Fiscal 2008	Increase/Decrease
Sales	697	744	△ 47
Operating profit	43	42	1

# 1-04 Segmental Information: commodity Chemicals

**Consolidated data**



Overview ( Decreased income and Increased profit )

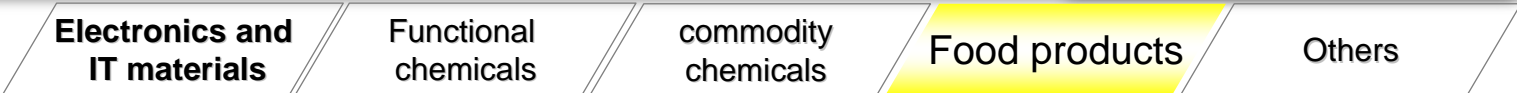
- ① Sales of propylene glycoles and peroxygen chemicals steadily recovered, but revenue decreased affected by the drastic production adjustments made by customers until last summer and weakening market conditions.
- ② Although business was significantly affected by price rises in crude oil and naphtha, profit increased owing to cost reduction and review of production process.

(Unit: 100 million yen)

	Fiscal 2009	Fiscal 2008	Increase/Decrease
Sales	212	253	△ 41
Operating profit	8	△ 1	9

# 1-04 Segmental Information: Food Products

**Consolidated data**



Overview ( Decreased income and Increased profit )

- ① Sales of both AROMARDE, our rich-butter-flavored margarine product line which was developed with the needs of the market in mind, and of vegetable whipped cream continued to be favorable. However, affected by conservative purchase by consumers due to the economic downturn, the quantity of sales did not exceed the previous year's, and revenue decreased due to sales price reductions.
- ② Expansion in new products significantly contributed to profit. Profit increased due to improvement in affiliated companies' earnings, integration of product classes and improvement in production and logistics efficiency.

(Unit: 100 million yen)

	Fiscal 2009	Fiscal 2008	Increase/Decrease
Sales	506	556	△ 50
Operating profit	35	11	24

# 1-04 Segmental Information:Others

**Consolidated data**

Electronics and IT materials

Functional chemicals

commodity chemicals

Food products

**Others**

## Overview ( Decreased income and profit )

- Affected by reductions in capital investment due to the global recession, orders of design and construction of equipment plants decreased compared with the previous year.

(Unit: 100 million yen)

	Fiscal 2009	Fiscal 2008	Increase/Decrease
Sales	53	69	△ 15
Operating profit	3	7	△ 3

# Fiscal 2010 Prospective Performance

# 2-01 Fiscal 2010 Prospective Consolidated Performance

## Consolidated data

(Unit: ¥100 million)

	forecast for Fiscal 2010		Result in fiscal 2009		Increase/Decrease
	First half of the term		First half of the term		
Sales	870	1,770	768	1,599	170
Electronics and IT materials	77	160	55	130	29
Functional chemicals	413	845	332	697	147
Commodity chemicals	105	210	101	212	△ 2
Food products	247	500	250	506	△ 6
Others	28	55	28	53	1
Operating profit	54	120	41	102	17
Electronics and IT materials	9	21	3	9	11
Functional chemicals	26	59	15	43	15
Commodity chemicals	4	8	4	8	0
Food products	13	28	16	35	△ 7
Others	2	4	1	4	0
Current profit	52	118	37	102	15
NET profit of the Term	31	74	20	67	6

NET profit per share of this Term		71.6		65.7
-----------------------------------	--	------	--	------

Dividend	¥11.00	¥22.00	¥9.00	¥20.00
----------	--------	--------	-------	--------

The amounts are indicated after rounding off figures less than 100 million yen.

## Prerequisites

The business areas of our customers as a whole will show a recovery in demand, but the future business environment will still remain uncertain.

- Concerns about rise in raw material costs such as crude oil, naphtha and palm oil
- The European economic downturn will continue
- Consumption stagnant
- Deflation
- Concerns including further appreciation of the yen against the dollar

Profit in electronics and IT materials doubles

- Input of new semiconductor-related materials
- Growth of etchants for ultrafine circuit fabrication

Expansion of functional chemicals

- Growth of polymer additives
- Growth of environmentally conscious products

A year-on-year increase of 2 yen is scheduled in 2010 in light of the comprehensive consideration of business performance recovery and future prospects.

# Management Measures

## 1. Slogan

- Strengthening the base for the growth corresponding to the changes in the business environment

## 2. Agenda

- ① Further expansion of the core business and examination of the M&A and alliance strategy
- ② Strengthening and promotion of concentration (selection and concentration) to growing areas
- ③ Building up the technology base corresponding to the changes in the business environment, strengthening R&D capacity, and creating new businesses
- ④ Further promotion of overseas businesses
- ⑤ Strengthening the governance which is necessary to the global management and promotion of strategy
- ⑥ Fostering/strengthening human resources

## 3-02 Priority Measures for FY 2009

Corresponds to the sudden decrease of demand of the global recession.

measure	efforts
1. Increasing the market share, without losing any part of it	<ul style="list-style-type: none"><li>· Strengthening of customer relationships</li><li>· Pricing in response to circumstances</li></ul>
2. Cost reduction	<ul style="list-style-type: none"><li>· Establishment of an emergency project team and thorough cost reduction efforts by the whole group</li><li>· Start of consolidation of not only food product types but also chemical product types</li></ul>
3. Rapid development and expansion of the strategic group of 24 highly competitive products	<ul style="list-style-type: none"><li>· Promotion of creating actual demand for competitive products early</li><li>· Expansion of overseas sales channels based on cooperation with overseas offices</li></ul>

FY 2011 sales target for the strategic group of 24 highly competitive products: more than 30 billion yen

## Further expansion of the core businesses

- Seek to expand the size of the business speedily across the world by positioning polymer additives and food products as our core businesses and focusing managerial resources on these businesses.

### Polymer additives

- Drastically restructure the organization to make it match our business environment and strategy. Consolidate sales, research and planning functions, adopt a headquarters system, and accelerate business expansion.
- Aggressively carry out an M&A and alliance strategy to achieve business expansion.

### Food products

- In order to obtain stable earnings from our food business, establish upstream strategies on a global basis, accelerate efforts to develop new products and technologies, and strengthen cooperation among group companies.

### Strengthening and expansion of growing business

- By positioning the electronics and IT materials business as a growing business that will drive the next generation of growth and by focusing managerial resources on it, develop it into our third core business.

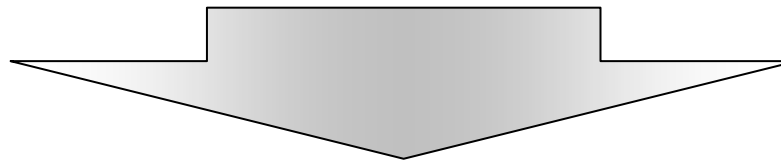
#### Electronics and IT materials

- In order to develop full-fledged sales strategies in growth areas, restructure the organization and expand business earnings to realize higher-dimensional organizational fusion and improve business performance in consideration of product purposes and users.
- Promote the development of new products, develop the market and expand business areas.

### 1. Overseas expansion

Upgrade and expand production facilities and sales offices and develop new global markets

Global strategy with a focus on production facilities in Japan and 9 foreign countries and 17 sales offices



- **New capital investment**

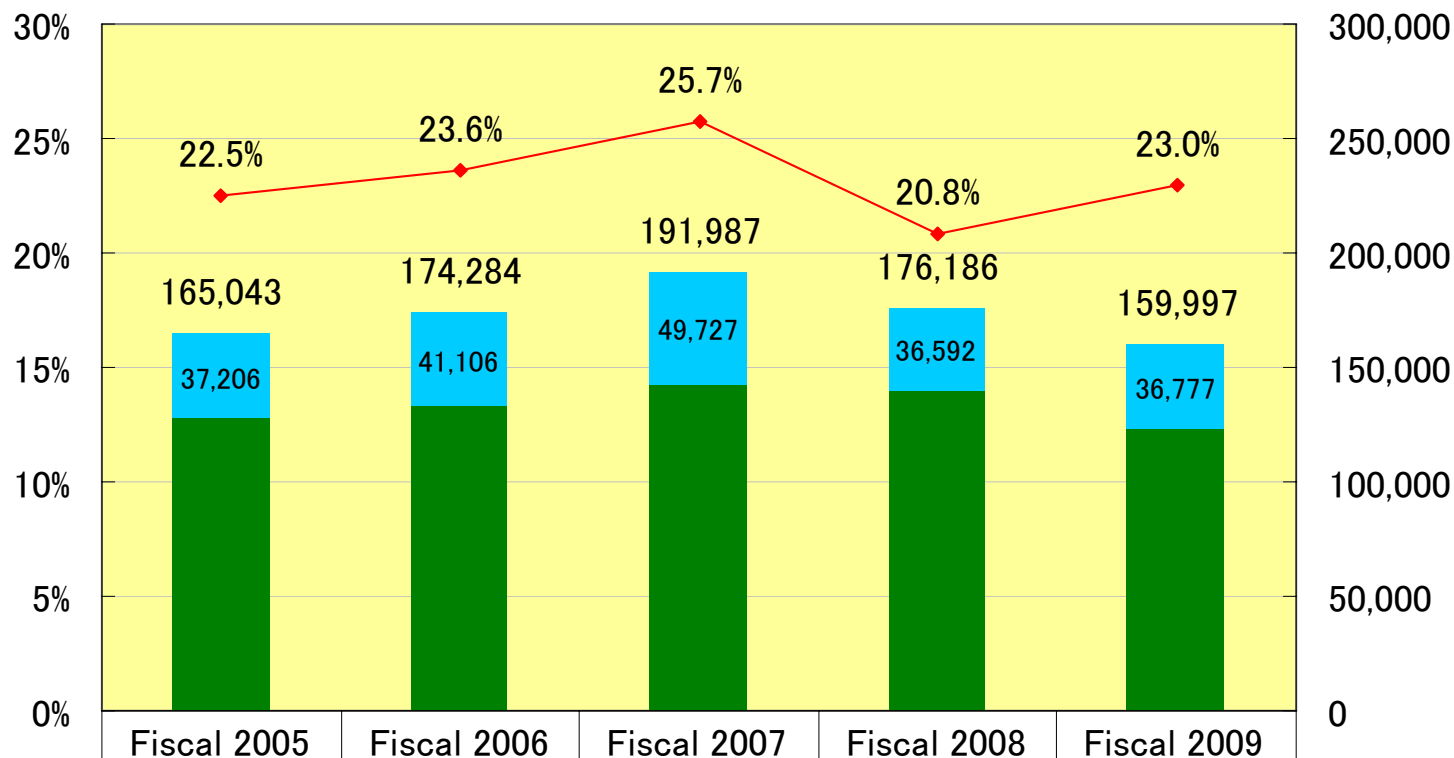
Construction of a new plant for intumescent flame retardants (to be operated from January 2011)

- **Sales expansion to emerging countries including Middle East**

# 3-04 Growth Strategy ①

## Overseas sales rate

(Unit: ¥ million)



	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009
Overseas sales	37,206	41,106	49,727	36,592	36,777
Domestic sales	127,837	133,178	142,260	139,594	123,220
Overseas sales rate	22.5%	23.6%	25.7%	20.8%	23.0%
Sales	165,043	174,284	191,987	176,186	159,997

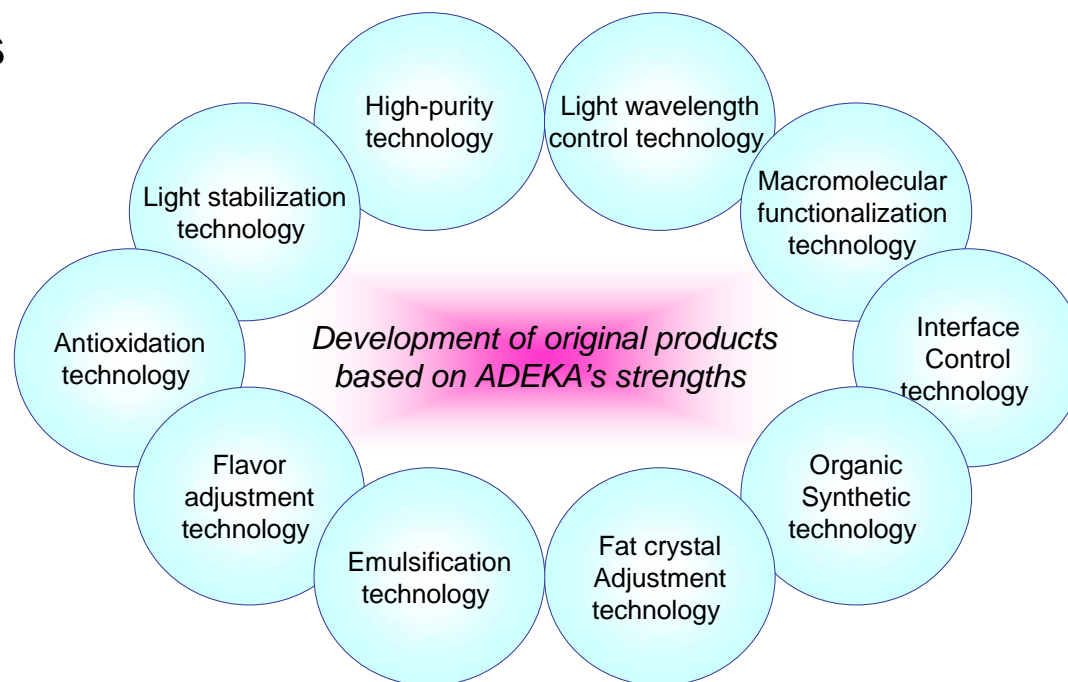
## 2. Expansion of new products

Development and expansion of new products based on specified targets and unique ADEKA technologies

<target areas >

- **Electronics and IT materials**
- **Energy**
- **Environment**
- **Life science**

<Unique ADEKA technologies>



# For Your Reference

# Overview of Fiscal 2008 Non-consolidated and Consolidated

## 4-01 Closing of Accounts (for your reference)

### Non-consolidated closing of accounts

(Unit: ¥100 million)

	Non-consolidated closing of accounts			
	Fiscal 2009	Fiscal 2008	Increase/Decrease	Increase/Decrease rate(%)
Sales	1,122	1,250	△ 128	△ 10.2
Operating profit	81	44	36	80.5
Current profit	81	46	35	75.2
NET profit of the Term	56	6	49	714.3
NET profit per share of the Term	54.8	6.7		

(Unit: ¥100 million)

### Domestic companies (10)

	Fiscal 2009	Fiscal 2008	Increase/Decrease	Increase/Decrease rate
Sales	658	765	△ 106	△ 13.9%
Operating profit	8	7	0	1.9%

### Overseas companies (13)

	Fiscal 2009	Fiscal 2008	Increase/Decrease	Increase/Decrease rate
Sales	397	460	△ 63	△ 13.7%
Operating profit	13	14	△ 0	△ 4.0%

※Starting from fiscal 2009, a subsidiary in China was consolidated.

### Consolidation adjustment accounts (deleted)

	Fiscal 2009	Fiscal 2008
Sales	△ 577	△ 714
Operating profit	△ 0	2

The amounts are indicated after rounding off figures less than 100 million yen.

### 1. Investment 【oversea】

- ① Enhancing our facilities for retardants for engineering plastics.
  - Expanded the production capacity  
【 ADEKA FINE CHEMICAL (CHANGSHU) CO., LTD. (April 2009)】
  - Improving our quality and production capability in three areas  
(Japan, China and Taiwan).
- ② Establishing a new production facility for polyester specialty plasticizer.  
【ADEKA FINE CHEMICAL (THAILAND)CO.,LTD.(to become operational in February 2010)】
- ③ Start of full-fledged production facilities for intumescent flame retardants  
【ADEKA FINE CHEMICAL (SHANGHAI) CO.LTD.(To be completed in January 2011 )】

### 【Japan】

- ① Expanding production capacity for etching chemicals for electronic circuits.  
【Kashima Factory (April 2009)】
- ② Launching operations for one-pack-type composite polymer additives.  
【Mie Factory (April 2009)】
- ③ Expanding production capacity for special additives for the film for liquid crystal displays.  
【Mie Factory (December 2009)】
- ④ Establishing a new facilities for next-generation semiconductor materials  
【Kashima Factory (July 2009)】

### 2. Organization

- Establishing a new Photovoltaic Cell Materials Laboratory, Cosmetics Project Team, Exploration Team.
- Okayama Office combine operation with Osaka main branch west japan foods sales department

### 3. Others

- Soma factory and head office obtained BS25999-2 certification, an international standard for business continuity management systems (BCMS).

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