

*May 28, 2014*

# **Overview of Closing Accounts of Fiscal 2013 and Prospective Performance of Fiscal 2014**

Fiscal 2013 [April 1, 2013 – March 31, 2014]

Representative Director and President Akio Kohri

1. Fiscal 2013 Consolidated Performance
2. Progress of the Mid-Term Management Plan  
“STEP 3000”
3. Fiscal 2014 Prospective Performance
4. Business Strategy

# **FISCAL 2013 CONSOLIDATED PERFORMANCE**

# Fiscal 2013 Consolidated Performance



Consolidated  
data

(Unit: 100 million yen)

	fiscal 2012	fiscal 2013	Increase/decrease	Increase/decrease ratio (%)
Sales	1,848	2,043	194	10.5
Operating profit	98	138	39	40.1
Current profit	113	159	46	40.9
Net profit of the term	76	91	15	20.2

Net profit per share (yen/share)	¥ 73.7	¥ 88.6
Dividend (yen/share)	¥22	¥22

- Sales reached a historical high; this record was driven by an increase in both revenue and profit thanks to steady growth in overseas sales of products for automobiles and cosmetics in our chemical business as well as steady sales in our food business.
- During this fiscal year, the second year of our medium-term management plan “STEP 3000,” we made various efforts to expand and reinforce business operations and made strategic overseas investments toward future growth. As examples, we have started operation of our subsidiary in Brazil and the Taipei office of our subsidiary in Taiwan, enhanced facilities for plastic antioxidants in China and for one-pack granule additives for polyolefin in the U.A.E., and promoted construction of plants for oils and fats in Malaysia.

# Trends in Consolidated Performance

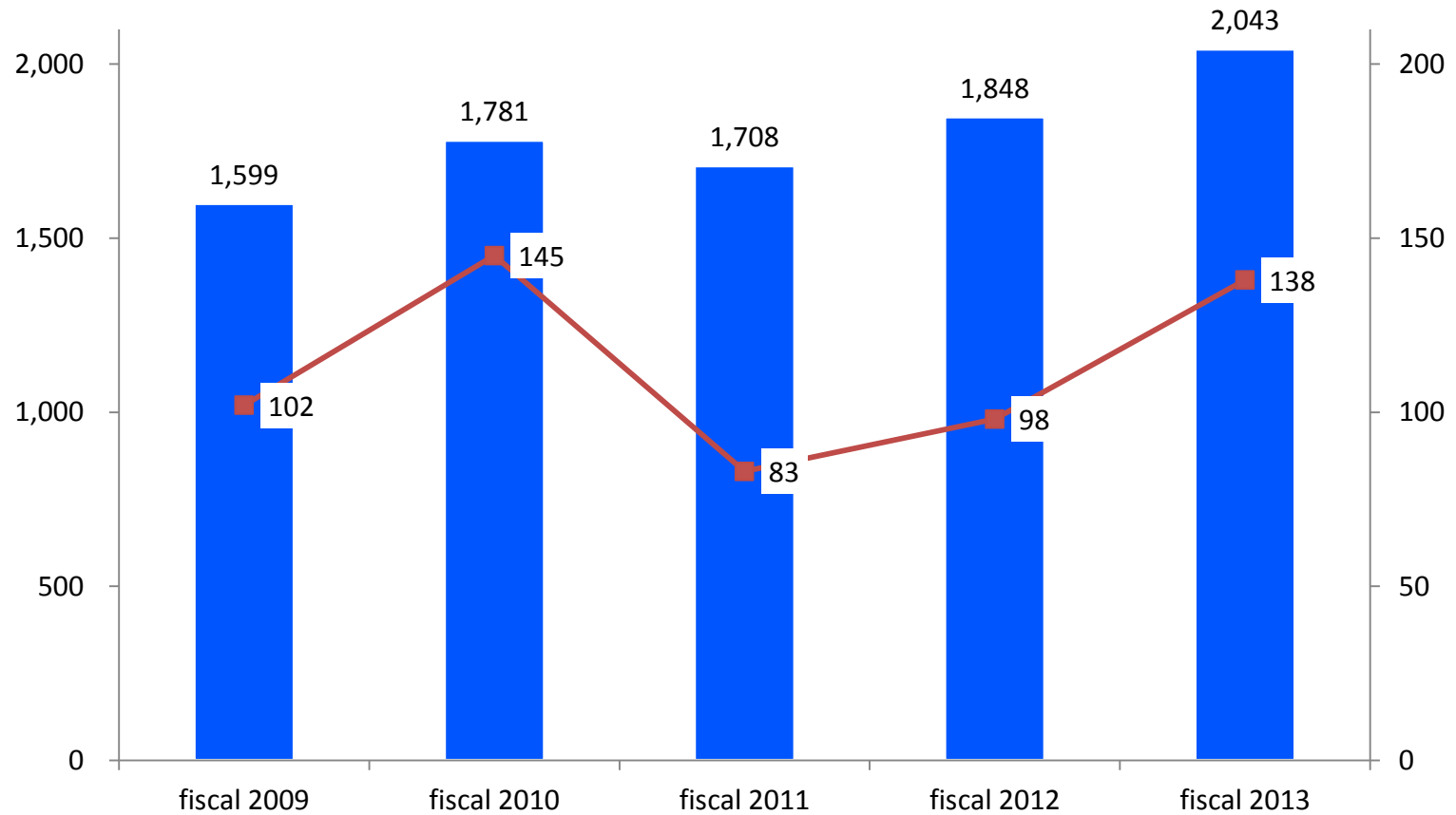


Consolidated data

Sales Operating profit

Sales:100 million yen

Operating profit:  
100 million yen



# Fiscal 2013 Consolidated Performance (Figures)



Consolidated  
data

(Unit: 100 million yen)

	fiscal 2012	fiscal 2013	Increase /decrease	Increase /decrease ratio (%)
<b>Sales</b>	1,848	2,043	194	10.5
Chemicals	1,259	1,435	176	14.0
Electronics and IT materials	200	206	6	3.0
Functional chemicals	886	1,047	161	18.2
Commodity chemicals	171	180	8	5.1
Food products	535	553	18	3.4
Other	53	54	0	1.1
<b>Operating profit</b>	98	138	39	40.1
Chemicals	73	108	34	46.8
Electronics and IT materials	27	36	9	33.0
Functional chemicals	49	78	29	60.1
Commodity chemicals	△ 3	△ 7	△ 4	-
Food products	19	23	4	24.2
Other	5	5	0	7.3

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

Consolidated  
data

## Electronics and IT materials ( increase in both sales and profit )

1. Semiconductor materials experienced strong growth throughout the period. In particular, high dielectric constant materials used in semiconductor memory drove growth thanks to growing demand for smartphones and other mobile phones.
2. Etchants for printed circuit boards suffered from poor sales due to decreasing domestic demand.
3. Competitive photosensitive material used for optical films and photoresist materials achieved sales growth, especially in overseas markets.

(Unit: ¥100 million)

	fiscal 2012	fiscal 2013	Increase/decrease
Sales	200	206	6
Operating profit	27	36	9

Consolidated  
data

## Functional chemicals ( increase in both sales and profit )

1. Polymer additives (mainly nucleating agents, light stabilizers and other high-performance additives) achieved steady sales growth thanks to the recovery of automobile production in Japan and North America. Furthermore, flame retardants for home appliances also recorded growth.
2. Surfactants used for cosmetic materials and paint additives achieved sales growth in both domestic and overseas markets.
3. Lubricant additives recorded significant growth, especially in overseas markets, thanks to their high evaluation with respect to fuel efficiency as engine oil additives for automobiles.
4. Waterborne resins enjoyed steady sales, but functional resins as a whole suffered from poor sales due to sluggish domestic demand.

(Unit: ¥100 million)

	fiscal 2012	fiscal 2013	Increase/decrease
Sales	886	1,047	161
Operating profit	49	78	29



Consolidated  
data

## Commodity chemicals ( increase in sales but operating loss )

1. Propylene glycols as well as hydrogen peroxide and its derivatives recorded loss due to a decrease in demand. This was despite our efforts to revise prices and reduce costs after a significant increase in the prices of raw materials and fuels.
2. Peroxide products recorded impairment loss of fixed assets.

(Unit: ¥100 million)

	fiscal 2012	fiscal 2013	Increase/decrease
Sales	171	180	8
Operating profit	△ 3	△ 7	△ 4

Consolidated  
data

## Food products ( increase in both sales and profit )

1. Despite increases in raw material prices caused by the weak yen and harsh business environment due to strict security and safety standards, we have made continuous efforts to reduce costs and increase sales of functional margarine (Aromarde and Olympia series) for bread, confectionery, and pastry production as well as fresh whipping creams that melt easily in the mouth.

(Unit: ¥100 million)

	fiscal 2012	fiscal 2013	Increase/decrease
Sales	535	553	18
Operating profit	19	23	4

# **PROGRESS OF THE MID-TERM MANAGEMENT PLAN “STEP 3000”**

【Plan name】 S T E P 3 0 0 0

【Slogan】 To achieve net sales of 300 billion yen by expanding and enhancing the business fields in which the Company

【Five basic policies】

Global operations, Technology, Creation of Value, Investment, Human Resources

[Vision]

- Take firm measures to become a “Good Company” in order to reach 300 billion yen in sales by FY2016 (the Company’s 100th anniversary).
- Promote the following growth strategies: “creation of new products” and “expansion of overseas business.”

[Targets] ( Fiscal2014 )

- Sales 240 billion
- Operating profit 17 billion
- Overseas sales 96 billion (Overseas sales ratio 40%)

# Progress towards Targets



(Unit: 100 million yen)

	fiscal 2012 (Actual)	fiscal 2013 (Actual)	fiscal 2014 (Forecast)	fiscal 2014 ( Value in mid-term management plan )
Sales	1,848	2,043	2,200	2,400
Operating profit	98	138	142	170
Operating margin	5.3%	6.8%	6.5%	7%

Overseas sales	636	820	900	960
Overseas sales ratio	34.4%	40.2%	40.9%	40%

- **Completion of a new research facility at the Urawa R&D Laboratory (January 2013)**
  - Enhancement of the center's role as the global technical center for our polymer additive business, which has been expanding all over the world.
  
- **Enhancement of our R&D center in South Korea (April 2013)**
  - Introduction of cutting-edge semiconductor characterization equipment and an increase in the number of personnel to enable the center to conduct R&D activities more swiftly than ever before.
  
- **New laboratory for medical materials (June 2014 schedule)**
  - Establishment of a new laboratory at the Kashima Plant-West which satisfies the GMP standards\*; implementation of equipment that enables safety testing of medical materials and provision of samples for clinical research in order to promote development of new products in the life science field.

\* GMP standards : GMP is an abbreviation of "Good Manufacturing Practice." These quality management standards for drugs have been established in Japan, the United States, and the EU.

## 【Energy】

### ➤ Materials for organic solar cells

- Our sensitizing dyes used as materials for organic solar cells have high photoabsorption efficiency, high absorption of titanium oxide electrodes, and good interaction with cobalt complex. They have approximately 20 to 30 percent more voltage than normal materials and one of the highest energy conversion efficiencies in the world (12.5%). Their usage indoors is expected to expand. These dyes will be sold in 10 vivid colors.



▲ Various colors of dyes

## 【Life Science】

### ➤ Fermented beta-glucan

- Our fermented beta-glucan derived from black yeast, which has found applications in the cosmetics and medical fields, has been found to be effective in preventing infections from candida and methicillin-resistant staphylococcus aureus (MRSA)\*. Future sales activities will include contacting medical institutions and nursing-care operators in order to discuss expansion of our activities into hospital diet and nursing-care supplementary foods.

\* The survey results were awarded the excellent paper award for 2013 from the Japanese Society for Medical Mycology.

### ➤ Barley beta-glucan

- As part of its food functional assessment project, the Japan Health and Nutrition Food Association gave a high evaluation to our barley beta-glucan for its role in suppressing the rise of postprandial blood glucose level, normalizing blood cholesterol and maintaining a sense of fullness.



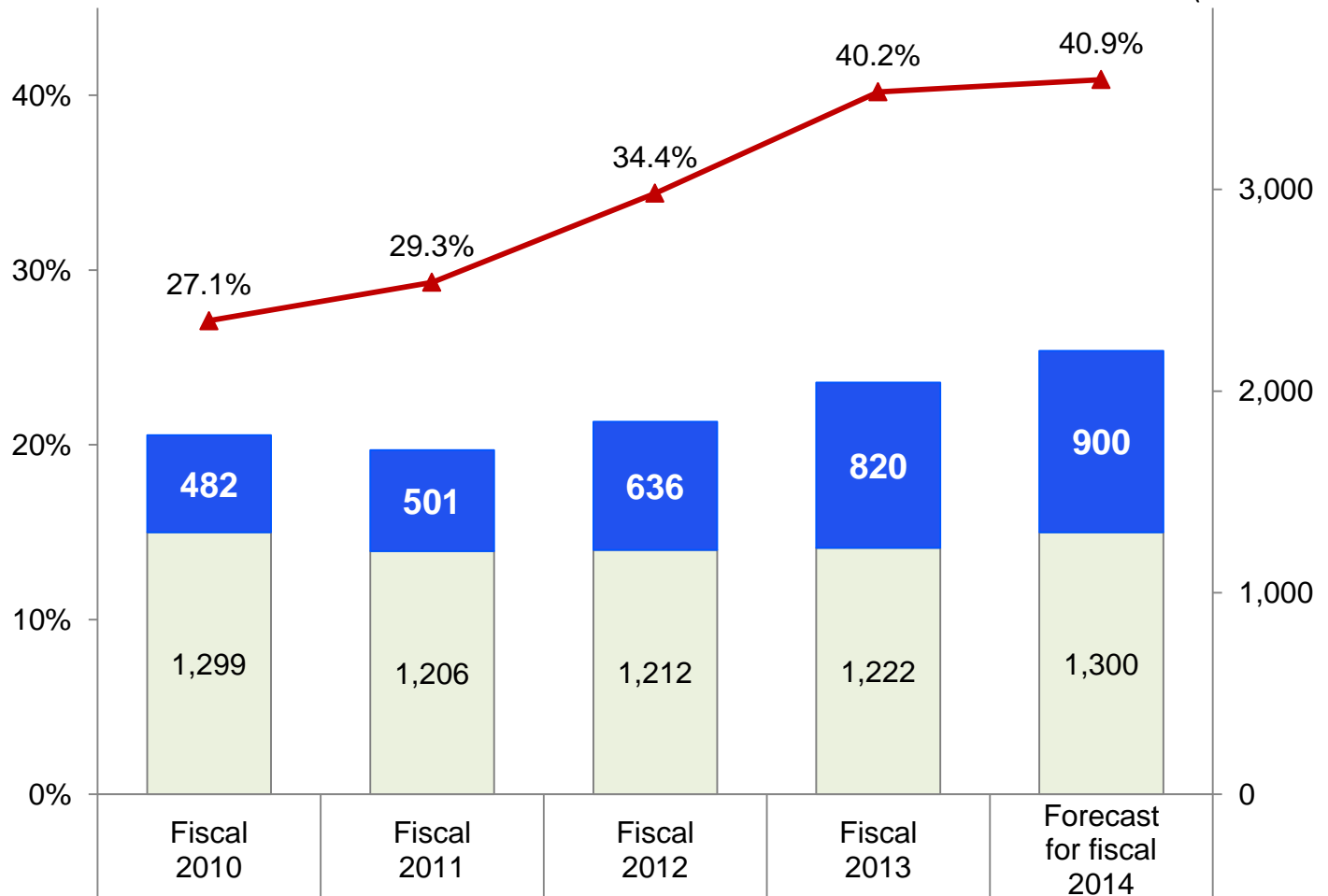
- **AM STABILIZERS 【USA】**
  - Establishment in May 2012 (manufacture and sales of polymer additives)
- **ADEKA KOREA 【KOREA】**
  - October 2012, Enhancement of a production system for semiconductor materials
- **ADEKA FOODS (ASIA) 【MALAYSIA】**
  - Establishment in November 2012 (manufacture and sales of margarine and shortening)  
Start of plant construction; expected completion: July 2014
- **ADEKA BRASIL 【BRAZIL】**
  - Start of business in April 2013 (sales assistance and market development of ADEKA group products, particularly polymer additives, lubricant additives and IT/electronics-related products)
- **ADEKA FINE CHEMICAL (CHANGSHU) CO.,LTD. 【CHINA】**
  - June 2013, Completion of a plant for high-performance antioxidants
- **ADEKA FINE CHEMICAL TAIWAN CORPORATION 【TAIWAN】**
  - October 2013, Establishment of the Taipei Office (sales of ADEKA group products)
- **ADEKA AL GHURAIR ADDITIVES 【UAE】**
  - June 2014 schedule, Enhancement of production equipment for one-pack granule additives for polyolefin



# Overseas Sales



(Unit: ¥ 100 million)



Overseas sales	482	501	636	820	900
Domestic sales	1,299	1,206	1,212	1,222	1,300
Overseas sales rate	27.1%	29.3%	34.4%	40.2%	40.9%
Sales	1,781	1,708	1,848	2,043	2,200

**FISCAL 2014**

**PROSPECTIVE PERFORMANCE**

Consolidated  
data

(Unit: 100 million yen)

	Forecast for fiscal 2014		Increase/decrease	Increase/decrease ratio (%)
	1st half			
Sales	1,050	2,200	156	7.7
Operating profit	63	142	3	2.8
Current profit	62	150	△ 9	△ 6.0
Net profit for the term	40	100	8	9.3
Net profit per share (yen/share)	38.7円	96.8円		
Dividend(yen/share)	12円	24円		

- Operating profits      Expected to increase. Decreased profits from food products due to an increase in the prices of raw materials will be covered by profits from the chemical business.
- Current profits        Expected to decrease due to the absence of foreign exchange gains from translation.
- Net profit for the term    Expected to increase driven by improvement of extraordinary gains and losses. No impairment loss was recorded in fiscal 2013.

		Fiscal 2014 Prerequisite
E x c h a n g e	¥/\$	103.00
	¥/€	138.00
N a p h t h a	¥/KL	72,000

# Fiscal 2014 Prospective performance (By segment)



Consolidated  
data

(Unit: 100 million yen)

	the 1st half (a)	the 2nd half (b)	Forecast for fiscal 2014 (a+b)	Increase /Decrease from previous year	Increase /decrease ratio (%)
<b>Sales</b>	1,050	1,150	2,200	156	7.7
Chemicals	745	835	1,580	144	10.1
Electronics and IT materials	100	120	220	13	6.4
Functional chemicals	560	610	1,170	122	11.7
Commodity chemicals	85	105	190	9	5.2
Food products	280	290	570	16	2.9
Other	25	25	50	△ 4	△ 8.3
<b>Operating profit</b>	63	79	142	3	2.8
Chemicals	55	67	122	13	12.7
Electronics and IT materials	17	23	40	3	8.6
Functional chemicals	38	43	81	2	2.7
Commodity chemicals	0	1	1	8	-
Food products	5	9	14	△ 9	△ 41.6
Other	3	3	6	0	1.7

# BUSINESS STRATEGY

## Electronics and IT Materials

- For semiconductor materials, maintenance of our large share of high dielectric constant materials for DRAM and enhancement of our production system for supplying next generation materials. Promotion of business expansion by development and sales expansion of materials for NAND flash memories and logic integrated circuit.
- For IT chemicals, sales expansion of materials for displays and semiconductors, focusing mainly on high-performance photosensitive materials used for optical films and photoresists.

## Functional Chemicals

- For polymer additives, sales expansion of intumescent flame retardants in Europe, the United States and China as well as antioxidants in Asia. Also, focus on sales expansion of optical stabilizers for highly functional products for the automobile-related market and stabilizers used for vinyl chloride.
- Advancement of overseas business development for lubricant additives used for engine oils, reactive emulsifiers and cosmetics materials in order to expand sales.

## Commodity Chemicals

- Thorough management of profit margins in order to improve profitability of peroxide products and propylene glycols.
- Sales expansion of hydrogen peroxide derivatives.

## Food Products

- Enhancement of domestic bases through market share expansion in the bread, confectionery and pastry production markets. Sales expansion of new functional products in order to further accelerate business development alongside simultaneous implementation of product line consolidation and cost reduction efforts.
- Enhancement of local sales in Asia in cooperation with ADEKA's subsidiaries in China, Singapore and Malaysia.

# Supplementary Data for the Fiscal 2013 Closing of Accounts

- I . Supplementary Data for Consolidated Account Closing
- II . Management Indexes, etc.
- III . Reference Data
  - Overview of non-consolidated and consolidated account closing
  - Overview of the ADEKA Group  
(consolidated subsidiaries & equity method-applicable companies)
  - Core products of each business division

Director and Operating Officer Haruhiko Tomiyasu

## I -1. Consolidated Balance Sheet



(Unit: ¥ million)

(Unit: ¥ million)

	As of Mar 31, 2013	As of Mar 31, 2014	Annual increase
<b>Assets</b>			
Current assets ①	116,293	126,604	10,311
Fixed assets	106,311	116,137	9,826
Tangible fixed assets ②	71,983	73,826	1,842
Intangible fixed assets	3,471	3,649	178
Investment and other assets ③	30,856	38,661	7,804
Total assets	222,604	242,741	20,137
<b>Liabilities</b>			
Current liabilities ④	55,099	62,407	7,308
Long-term liabilities ⑤	30,277	32,535	2,258
Total liabilities	85,376	94,943	9,567
<b>Net assets</b>			
Shareholders' equity	128,260	135,038	6,777
Capital stock	22,899	22,899	—
Capital surplus	19,925	19,925	—
Retained earnings	85,660	92,438	6,778
Treasury stock	△ 224	△ 225	△ 0
Accumulated other comprehensive income	4,819	7,431	2,611
Valuation difference on available-for-sale securities	1,868	3,050	1,181
Reserve for land revaluation	3,697	3,794	97
Translation adjustment	△ 746	2,441	3,187
Adjustments for retirement Benefits	—	△ 1,854	△ 1,854
Minority interests	4,147	5,328	1,180
Total net assets	137,227	147,798	10,570
Total liabilities and net assets	222,604	242,741	20,137

## POINT①

Increase in current assets

Increase in cash and deposits 9,181

## POINT②

Increase in tangible fixed assets

Increase in buildings and structures 1,202

## POINT③

Increase in investments and other assets

Increase in investment securities 5,131

Increase in deferred tax assets 1,776

## POINT④

Increase in current liabilities

Increase in short-term debts payable 2,739

Increase in long-term loans payable within the year 2,173

## POINT⑤

Increase in long-term liabilities

Decrease in long-term debts payable △ 1,185

Increase in liabilities due to retirement benefits 3,387

(Note 1) Values are rounded to the nearest million yen.

(Note 2) The accumulated depreciation of tangible fixed assets is 146,893 million yen.



# I . Supplementary Data for the Consolidated Closing of Accounts

## I -2. Cash Flow Statement (Summary)



(Unit: ¥ million)

	<b>Fiscal 2012</b> (from April 1, 2012 to March 31, 2013)	<b>Fiscal 2013</b> (from April 1, 2013 to March 31, 2014)
Cash flows from operating activities ①	14,445	19,696
Cash flows from investing activities ②	△ 11,903	△ 10,519
Cash flows from financing activities	173	△ 1,074
Effect of exchange-rate changes on cash and cash equivalents	739	1,356
Net increase/decrease in cash and cash equivalents (increase)	3,455	9,459
Cash and cash equivalents at the beginning of period	25,755	29,210
Cash and cash equivalents at the end of period	29,210	38,670

POINT① An increase in funds due to operating activities was mainly a result of the fact that increases in net profit of the term before tax adjustment surpassed payments due to a decrease in accounts payable.

POINT② A decrease in funds by investment activities was mainly a result of the fact that increases in income due to the acquisition and redemption of investment securities surpassed payments for the purchase of investment securities.

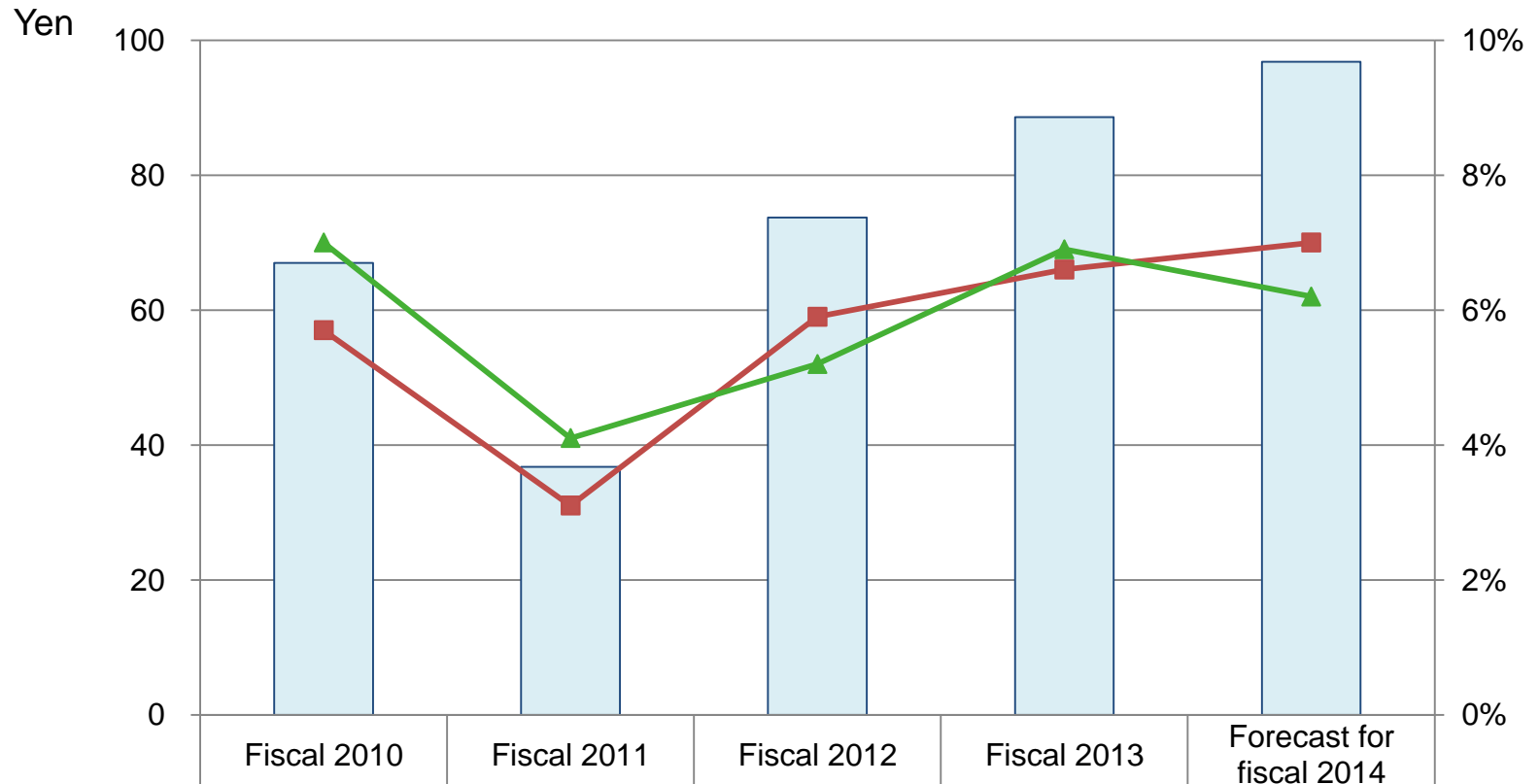
(Note) values are rounded to the nearest million yen.

# II . Management Indexes, etc.

## II - 1. Profitability



Consolidated data

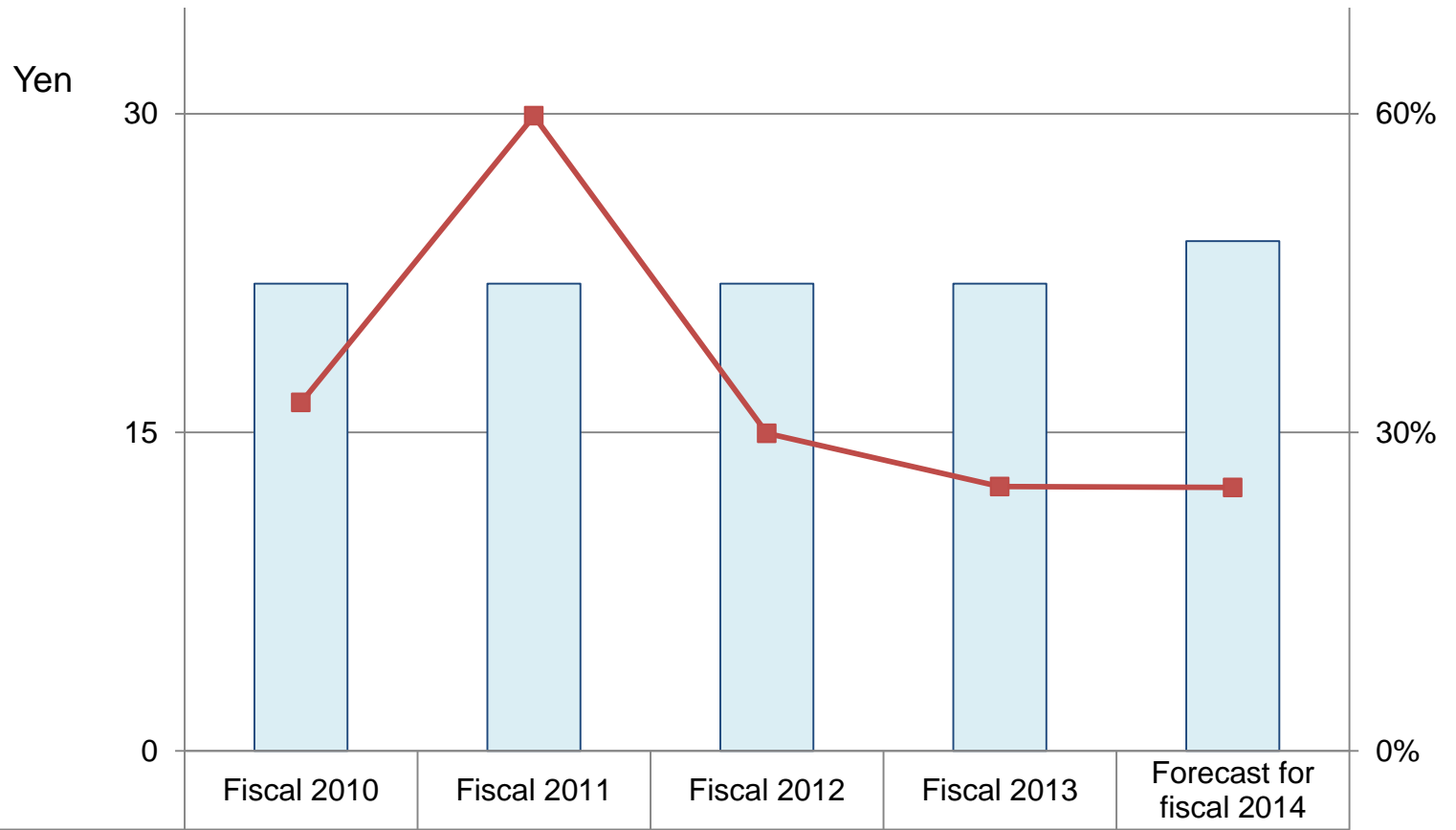


EPS (¥)	67.0	36.8	73.7	88.6	96.8
ROE	5.7%	3.1%	5.9%	6.6%	7.0%
ROA	7.0%	4.1%	5.2%	6.9%	6.2%

# II - 2. Dividend payout ratio and dividends



Consolidated data

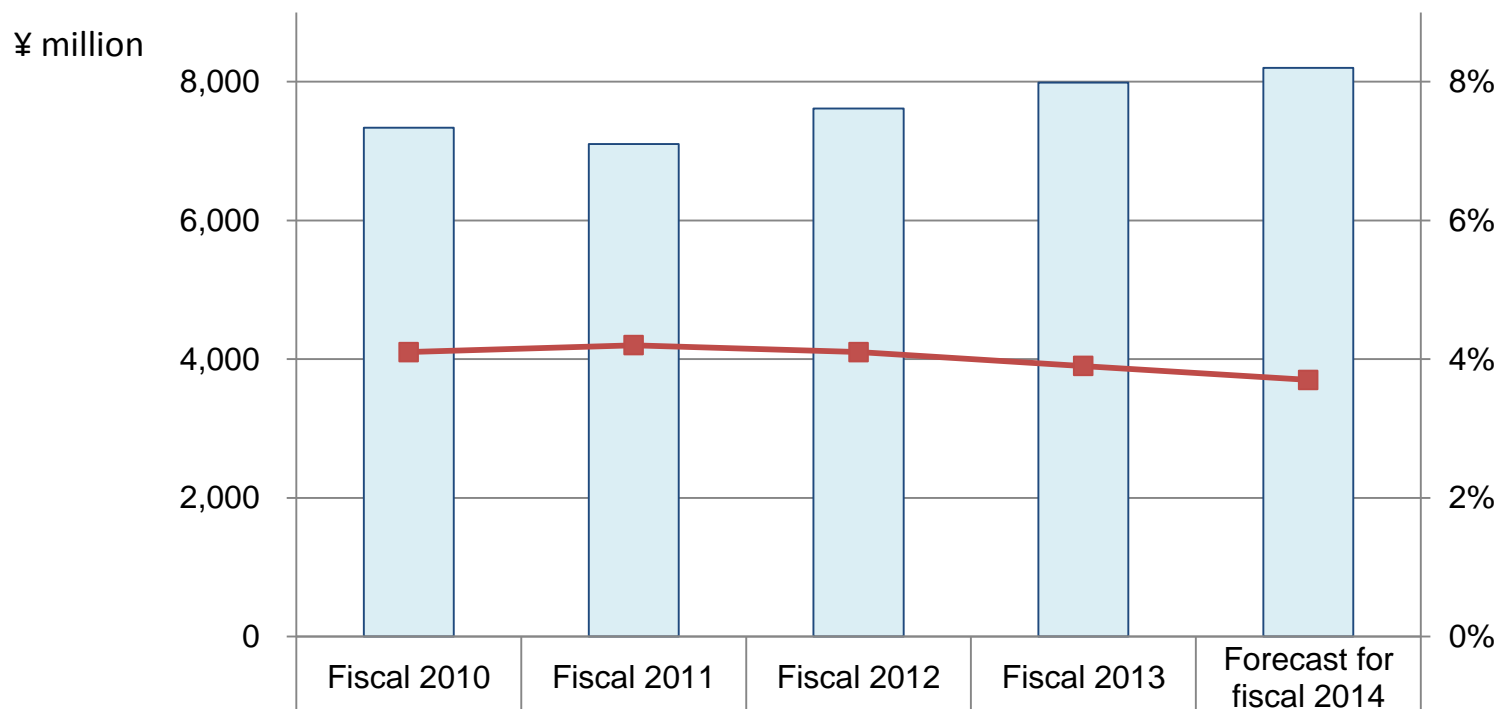


Dividend ( ¥ )	22	22	22	22	24
Dividend payout ratio	32.8%	59.8%	29.9%	24.9%	24.8%

# II - 3. Research and development costs



Consolidated data

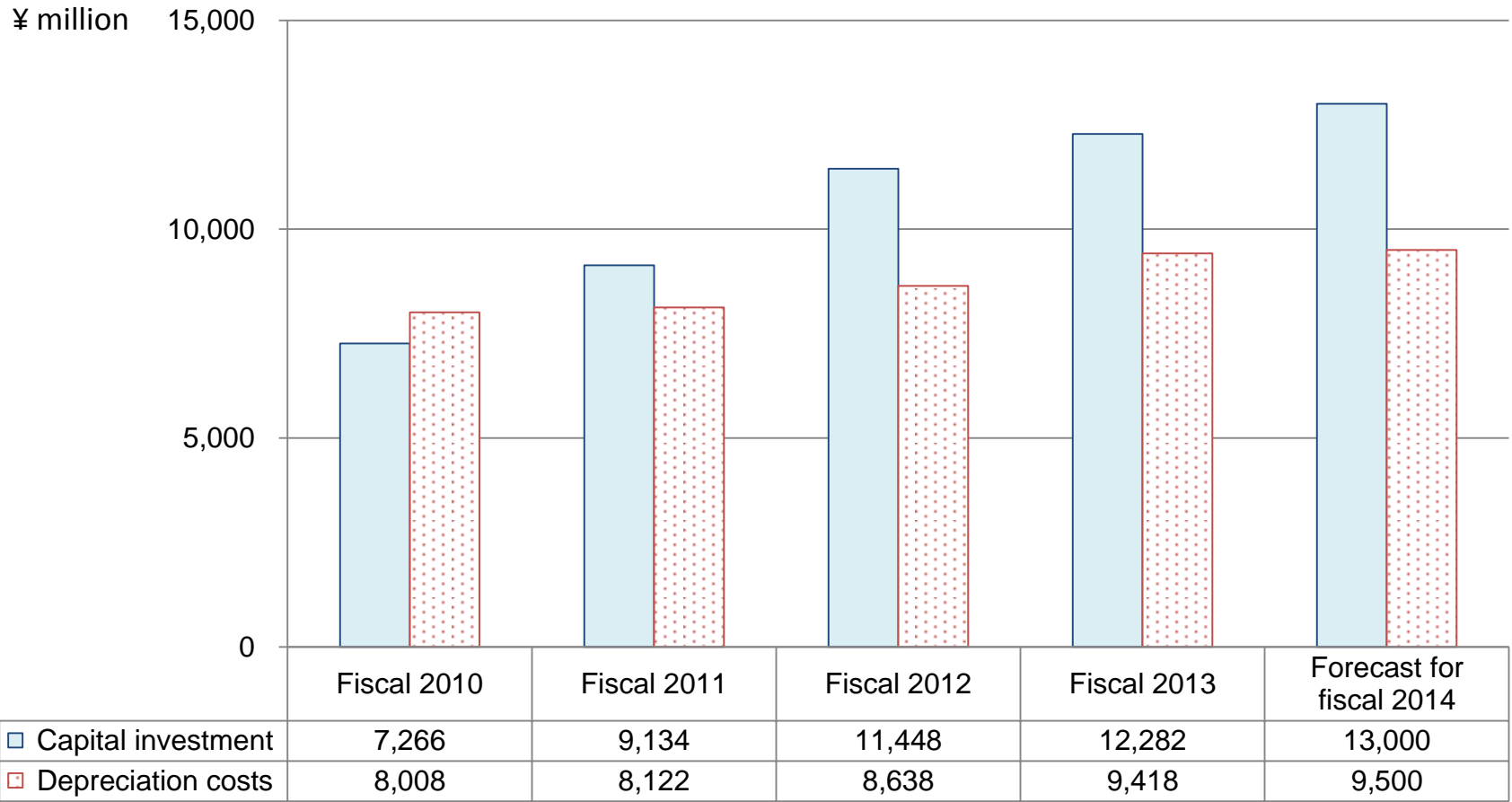


Research and development costs	7,339	7,101	7,614	7,988	8,200
Rate of research and development costs to sales	4.1%	4.2%	4.1%	3.9%	3.7%

# II - 4. Capital investment



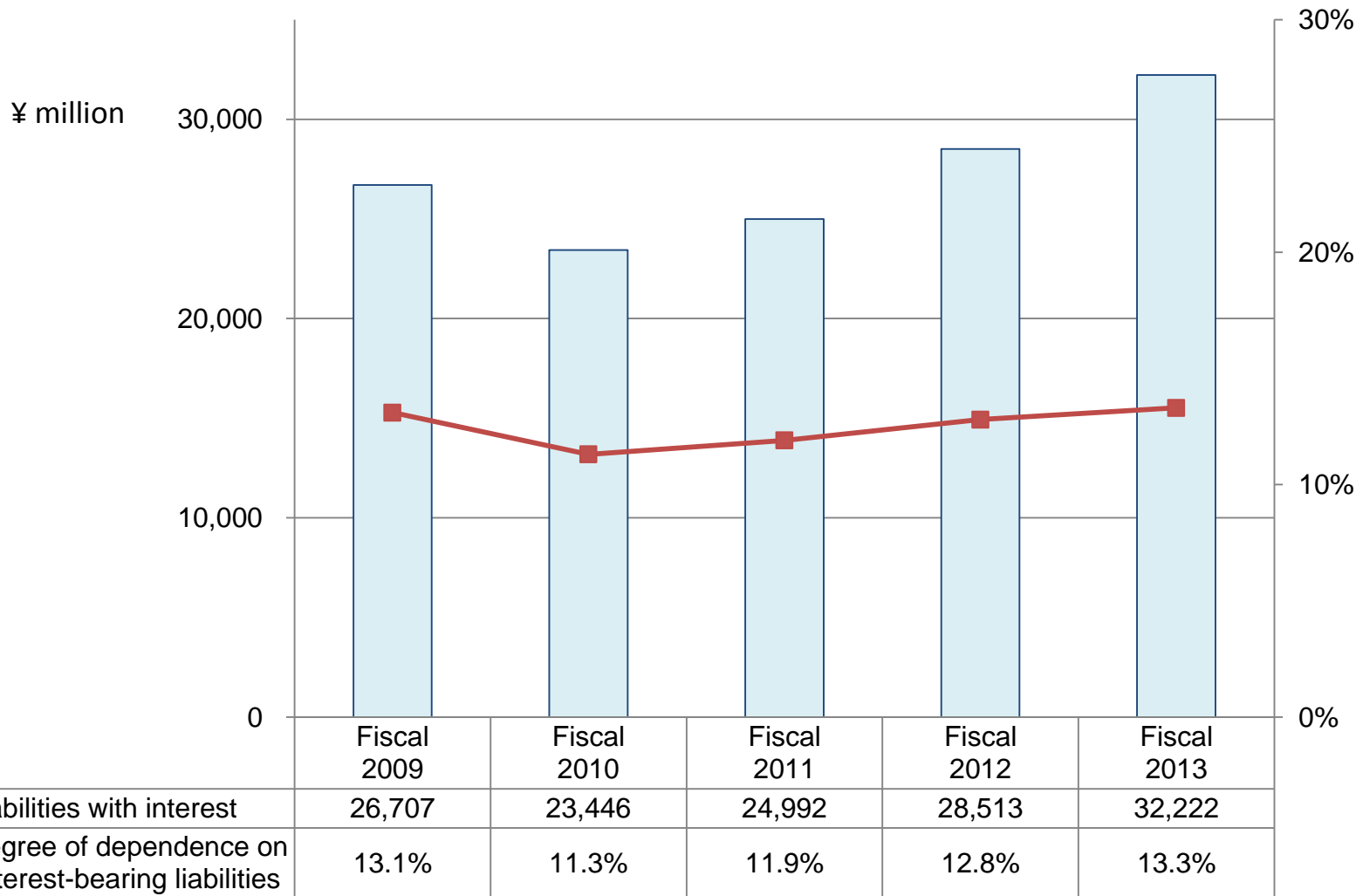
Consolidated data



# II - 5. Interest-bearing liabilities



Consolidated data



### III. for your reference

#### III-1. Overview of non-consolidated and consolidated closing accounts



(Unit: ¥100 million)

Non-consolidated closing of accounts				
	Results in fiscal 2012	Results in fiscal 2013	Increase/decrease	Increase/decrease ratio(%)
Sales	1,133	1,171	37	3.3
Operating profit	61	77	16	26.1
Current profit	74	93	19	25.9
NET profit for the Term	47	45	△1	△3.2
NET profit per share for the Term	45.9	44.4		

(Unit: ¥100 million)

Domestic companies (10)				
	Results in fiscal 2012	Results in fiscal 2013	Increase/decrease	Increase/decrease ratio(%)
Sales	693	717	23	3.4
Operating profit	10	13	3	33.7

Overseas companies (14)				
	Results in fiscal 2012	Results in fiscal 2013	Increase/decrease	Increase/decrease ratio(%)
Sales	789	1,017	228	29.0
Operating profit	30	51	20	68.2

Consolidation adjustment accounts (deleted)		
	Results in fiscal 2012	Results in fiscal 2013
Sales	△767	△862
Operating profit	△3	△4

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

## III-2. Consolidated Subsidiaries (10 companies in Japan)



Segment	Consolidated subsidiary	Capital	Controlling share(%)	Line of business
Chemicals	ADEKA CHEMICAL SUPPLY CORP.	¥104million	98.04 (Indirect ownership: 3.61)	Sales of chemical products, and the development, manufacturing and sales of metal processing oils, etc.
Chemicals	ADEKA CLEAN AID CORP.	140million	100.00	Development and sales of kitchen detergents for commercial use, industrial detergents, etc.
Chemicals	OXIRANE CHEMICAL CORP.	600million	50.00	Manufacturing and sales of epoxy elasticizers, etc.
Food products	ADEKA FOOD SALES CORP.	42million	100.00	Sales of edible processed oils and fats for confectionary and breads, and sales of other foodstuffs, etc.
Food products	YONGO CO.,LTD.	18million	90.69	Wholesaling of ingredients for confectionery and bakery business use
Food products	ADEKA FINE FOODS CORP.	50million	100.00	Manufacturing and sales of mayonnaise products, oil and fat processed food products and processed products using seafood.
Food products	UEHARA FOOD INDUSTRY CO.,LTD.	70million	100.00	Manufacturing and sales of flour paste products, bean-jams and retort pouch foods.
Others	ADEKA LOGISTICS CORP.	50million	100.00	General and principal contracting of logistics for the company, warehousing, leasing of vehicles, etc.
Others	ADEKA ENGINEERING & CONSTRUCTION CORP.	130million	100.00	Design, construction, and construction supervision of facility plants, and facilities maintenance.
Others	ADEKA LIFE-CREATE CORP.	65million	90.00 (Indirect ownership: 10.00)	Trading, brokerage and management of real estate, property and life insurance agency, sales in the OA equipment area, and management of buildings and company-owned apartments



# III-3. Consolidated Subsidiaries (14 overseas companies)



Segment	Country	Consolidated subsidiary	Capital	Controlling share (%)	Line of business
Chemicals	U.S.	AMFINE CHEMICAL CORP.	US\$16 million	60.00	Manufacturing and sales of polymer additives.
Chemicals	TAIWAN	CHANG CHIANG CHEMICAL CO., LTD.	NT\$30.0 million	50.50	Sales of polymer additives, special elasticizers and similar products.
Chemicals	SOUTH KOREA	ADEKA KOREA CORP.	₩15 billion	100.00	Manufacturing and sale of chemical products
Chemicals	SINGAPORE	ADEKA (ASIA) PTE.LTD.	US\$0.8 million	100.00	Sales of chemical products.
Chemicals	GERMANY	ADEKA Europe GmbH	€0.5 million	100.00	Sales of chemical products.
Chemicals	FRANCE	ADEKA PALMAROLE SAS	€3.0 million	90.00 (Indirect ownership:90.00)	Sales of polymer additives.
Chemicals	TAIWAN	ADEKA FINE CHEMICAL TAIWAN CORP.	NT\$200.0 million	100.00	sales of ADEKA group products
Chemicals	CHINA	ADEKA (SHANGHAI) CO., LTD.	US\$1.0 million	100.00	Sales of chemical products.
Chemicals	CHINA	ADEKA FINE CHEMICAL (SHANGHAI) CO., LTD.	US\$20.5 million	100.00	Manufacturing and sales of polymer additives, functional resins, electrochemical materials and similar products.
Chemicals	CHINA	ADEKA FINE CHEMICAL (CHANGSHU) CO., LTD.	US\$21.54 million	50.00	Manufacturing and sales of polymer additives.
Chemicals	THAILAND	ADEKA FINE CHEMICAL (THAILAND) CO., LTD.	฿350.0 million	81.00	Manufacturing and sale of chemical products
Chemicals	U.S.	AM STABILIZERS CORP.	US\$8.5 million	60.00 (Indirect ownership:60.00)	Manufacturing and sales of polymer additives.
Food products	SINGAPORE	ADEKA(SINGAPORE)PTE.LTD.	S\$8.0 million	90.00	Manufacturing and sales of edible processed oils and fats, frozen piecrusts and related food products.
Food products	CHINA	ADEKA FOODS (CHANGSHU) CO., LTD.	US\$1,500 million	70.00	Manufacture and sale of edible oil products and processed foods.

## III-4. Equity method-applicable companies



Two equity method-applicable companies	Capital	Controlling share	Line of business
<b>NIHON NOHYAKU CO., LTD.</b>	¥10,939 million	24.17%	Manufacturing and sales of agrichemicals and other products.
<b>CO-OP CLEAN CO., LTD.</b>	¥80 million	46.88%	Development and sales of soap, detergents and similar products.

※ There was no change in the number of equity method-applicable companies.

# III-5. Core products of each business category



Business category		Core products
reportable segment	Electronics and IT materials	High-purity materials for semiconductors, AFES System and etching agents, Optical hardening resins, Optical recording materials, Imaging materials, and others.
	Functional chemicals	Additives for polyolefins, PVC plasticizers/stabilizers, Flame retardants, Epoxy resins, Polyurethanes, Water-borne resins, Surfactants, Lubricant, Metal working fluid, Cosmetic materials, and others.
	Commodity chemicals	Polypropylene glycol, Hydrogen peroxide, Industrial fats and oil-induced products, Water-swelling sealing materials, and others.
	Food products business	Margarines, Shortenings, Oil and fats for chocolate, Oils and fats for frying, Whipping cream, Enriched milk products, Fillings, Frozen pie crusts, Mayonnaise dressing, functional foods, and others.
Other business		Designing of equipment plants, Construction and construction management, Maintenance of equipment, Logistic services, Warehousing, Leasing of vehicles, Real estate and insurance business, and others.

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.