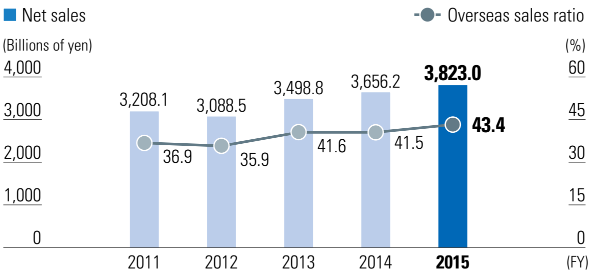
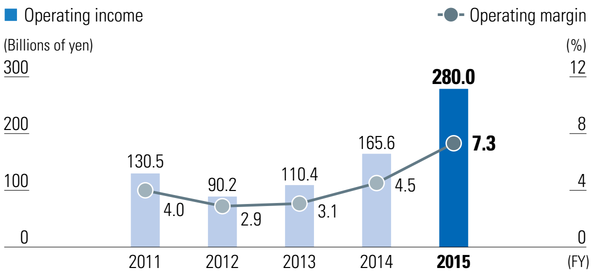
Financial/Non-Financial Highlights

Net Sales and Overseas Sales Ratio



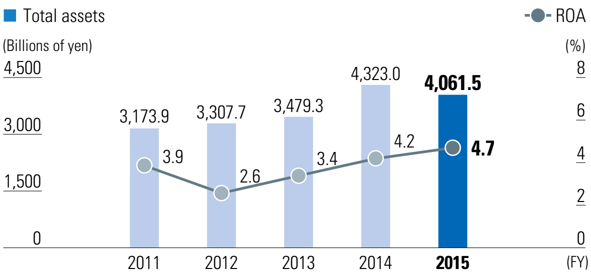
Net sales were up from fiscal 2014, influenced by the full-year consolidated sales of industrial gases. The overseas sales ratio reached 43.4% (+1.9 pp y/y), supported by a weaker yen (-¥9.6/US $ y/y) and gradual recovery of the global economy centered on Europe and the U.S.

Operating Income and Operating Margin



Operating income rose ¥114.3 billion (+69% y/y), owing to a wider gap between purchasing costs and sales prices in the Industrial Materials and Performance Products domains and increased royalty income in the Health Care domain. MCHC recorded its highest-ever operating income since its founding. The operating margin was 7.3%, up 2.8 pp from the previous fiscal year.

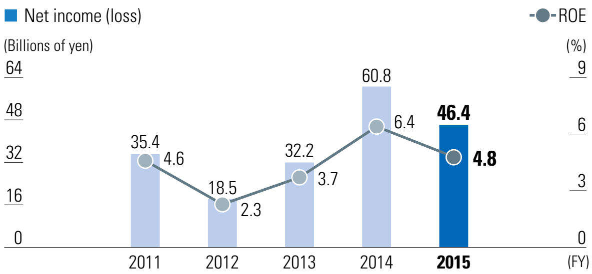
Total Assets and ROA*



* ROA = Income before income taxes/average amount of total assets

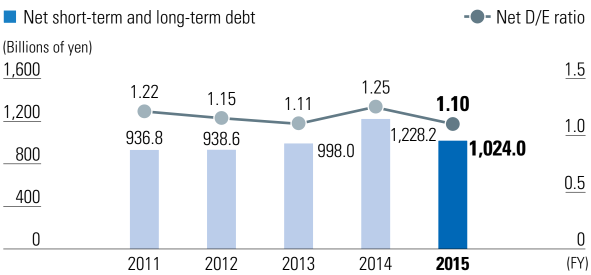
Total assets were ¥4,061.5 billion as of March 31, 2016, a decrease of ¥261.4 billion from the previous fiscal year-end, reflecting a stronger yen toward the year-end, decreased inventory assets and trade receivables, and fixed asset impairment loss. ROA increased to 4.7% (+0.5 pp y/y)

Net Income Attributable to Owners of the Parent and ROE



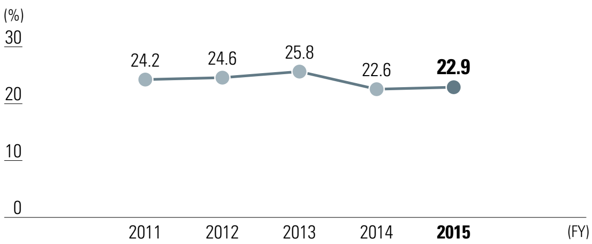
Net income attributable to owners of the parent was ¥46.4 billion (-¥14.4 billion or 23% y/y), mainly due to the recording of extraordinary losses of ¥110.6 billion including structural reform expenses and fixed asset impairment losses. ROE stood at 4.8% (FY 2014 6.4%)

Net Short-Term and Long-Term Debt and Net D/E Ratio



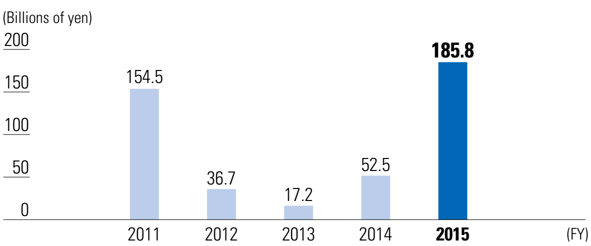
Net interest-bearing debt was ¥1,024.0 billion (–¥204.2 billion y/y). The net D/E ratio stood at 1.10, an improvement of 0.15 point from a year earlier.

Shareholders' Equity Ratio



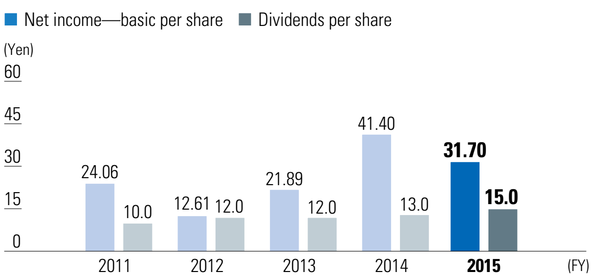
The shareholders' equity ratio improved by 0.3 pp from a year earlier to 22.9%, mainly reflecting a reduction in total assets, despite a decline in shareholders' equity with a simultaneous decrease in accumulated other comprehensive income (AOCI).

Free Cash Flow



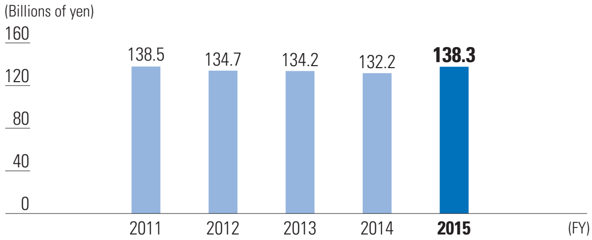
Free cash flow finished at ¥185.8 billion, far above the initial target, supported by improved cash flow from operating activities associated with decreased working capital, and from investment activities in connection with sales of cross-shareholders.

Net Income—Basic Per Share and Dividends Per Share



Net income per share declined by ¥9.70 from a year earlier, due to a recorded extraordinary loss. However, MCHC paid an annual dividend of ¥15 per share (+¥2 y/y), after comprehensively taking into consideration the achievement of record-high operating income and the enhancement of shareholder returns.

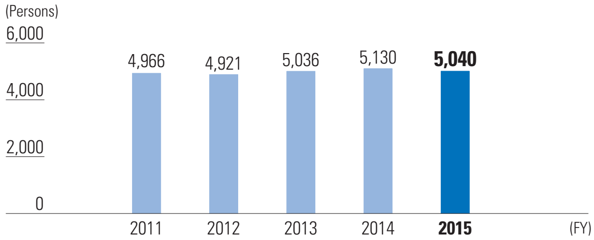
R&D Expenditures*



* Including corporate R&D expenditures

Although total R&D expenditures fell below the amount planned for *APTSIS 15* (¥700.0 billion over five years), R&D expenditures of over ¥130.0 billion were made every year during the *APTSIS 15* period. R&D activities were implemented to upgrade existing technologies and develop new ones.

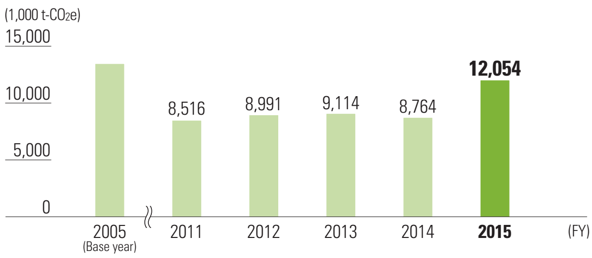
Number of R&D Personnel*



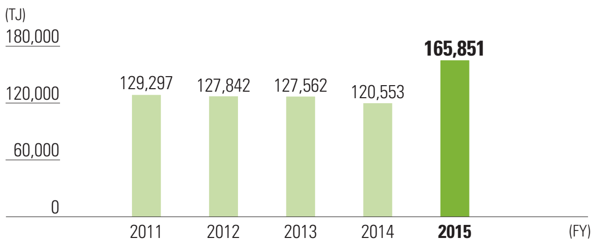
* Including corporate R&D personnel

When Medicago and TNSC joined the Group in fiscal 2013 and fiscal 2014, respectively, the number of R&D employees had significantly exceeded 5,000, yet the number has now decreased to 5,040 as quite a few employees were transferred to technical services with the launch of new products in fiscal 2015.

GHG Emissions*



Energy Consumption*

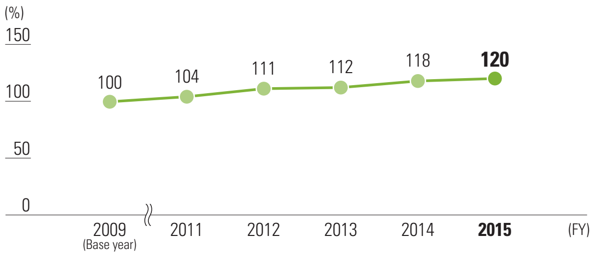


* Figures from domestic operations of the five operating companies (MCC, MTPC, MPI, MRC, and LSII) and their group companies for fiscal 2011 to fiscal 2014. The base year and fiscal 2015 include TNSC and its group companies. Please refer to page 61 for the calculation methods.

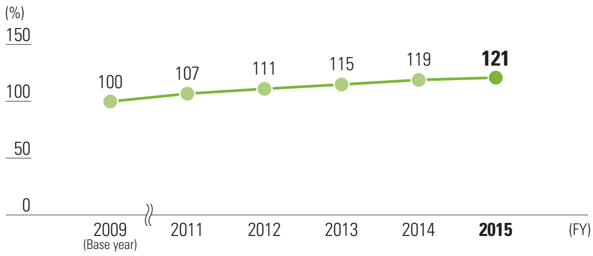
The integration of TNSC raised total GHG emissions to 12,054 thousand t-CO_2e (+3,290 thousand t-CO_2e y/y) while the emissions from the five operating companies other than TNSC decreased by 80 thousand t-CO_2e from a year earlier.

The integration of TNSC raised the total energy consumption to 165,851 TJ (+45,298 TJ y/y) while the emissions from the five operating companies other than TNSC decreased by 123 TJ from a year earlier.

Contribution to Medical Treatment*1, *2



Trends in the Number of People Taking Diagnostic Tests*1



*1 One of the MOS Indices, the Group's proprietary indices developed to provide a visualization of the degree of contribution to sustainability by the Group's corporate activities. Each index represents changes from the base-year result, which is regarded as 100%.
*2 Contribution to medical treatment is equal to the degree of difficulty to treat diseases multiplied by the number of administered patients.

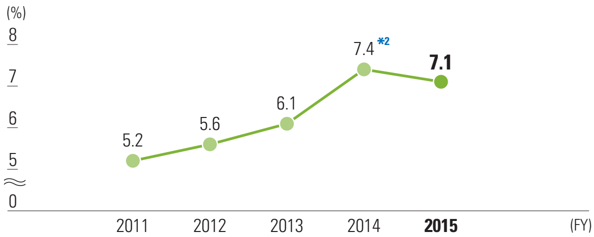
Resulted in a 2-point year-on-year increase to 120%. Due to rapid growth of the generic drugs market, the achievement rate of the assigned MOS Indices was only 40%, where the final target had been set at 150%.

MOS Indices: H-1

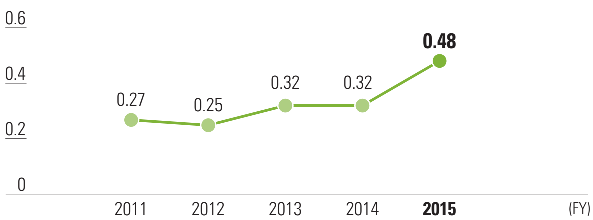
Resulted in a 2-point year-on-year increase to 121%. The achievement rate of the assigned MOS Indices was 96%, where the final target had been set at 126%.

MOS Indices H-3-2

Percentage of Female Managers*1, *2



Lost-Time Injuries Frequency Rate (LTIFR)*1, *3



*1 Until fiscal 2013, figures are those employed by the four operating companies (MCC, MTPC, MPI and MRC) excluding those seconded to other companies but including those seconded from other companies. Employees of the four operating companies in fiscal 2014, and those of the original four and TNSC in fiscal 2015, respectively include those seconded to other companies but exclude those seconded from other companies. LSII has no employees other than those seconded from the Group.

*2 Until *KAITEKI* Report 2015, proprietarily indexed figures were disclosed as "the percentage of female employees to employees at assistant manager level and above." However, from this report, we have changed to the actual percentage of female assistant managers. Due to this change, the figure for fiscal 2014 is restated.

*3 LTIFR is the number of lost-time injuries and fatalities per million hours worked, calculated using the following equation: (Number of lost-time injuries x 1 million)/(total hours worked in accounting period)

Despite having implemented measures toward greater empowerment of female employees, the percentage decreased to 7.1%, a decline of 0.3 points compared to the previous fiscal year due to the change in the range of people covered in reporting.

LTIFR deteriorated by 0.16 of a points from the previous fiscal year to 0.48, mainly due to an increase in the number of lost-time injuries. We will continue working to reduce the risk of those injuries by promoting various measures including stabilizing facilities and processes and ensuring work safety.

Please refer to pages 53-55 for an explanation of the MOS Indices and information on results other than the indices presented here. The figures with a tick mark ☑ have been independently assured by a third-party organization. Please refer to page 62 for the details.