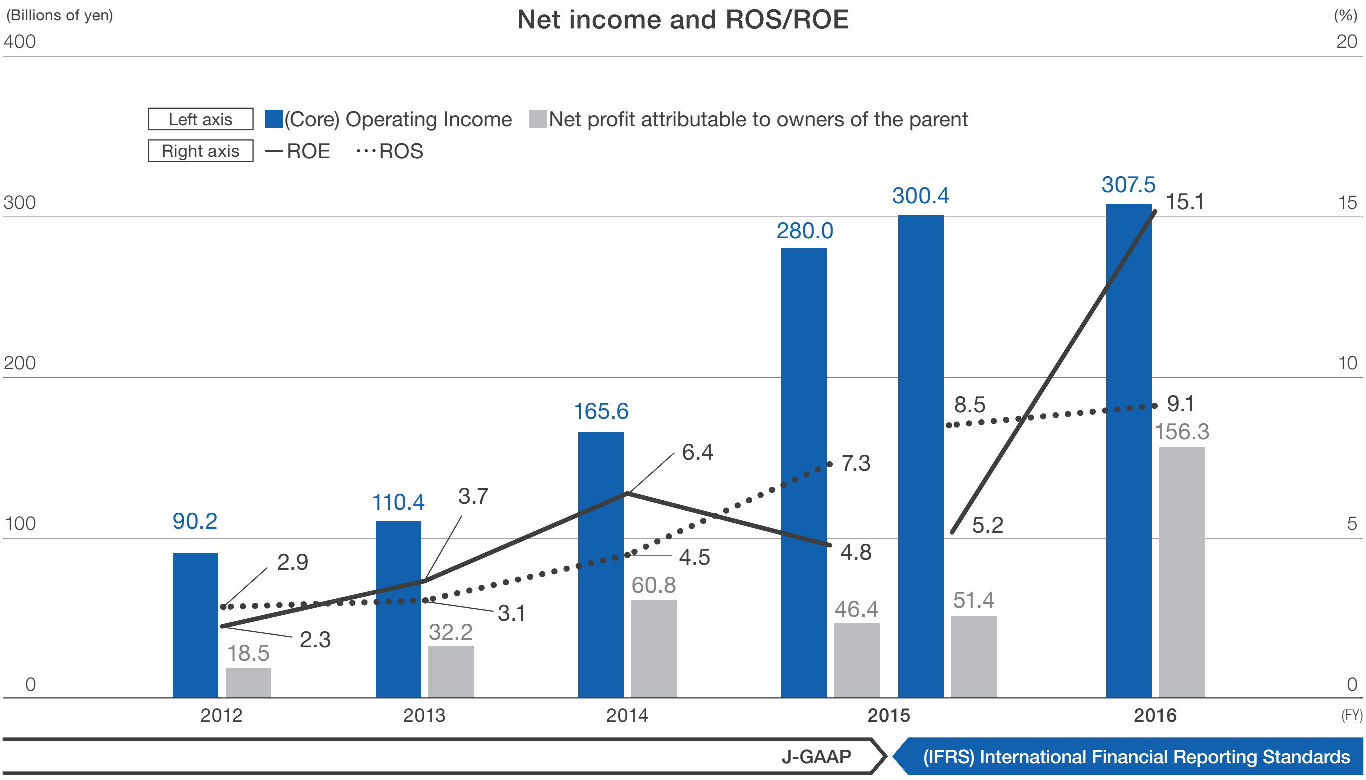
Financial/Non-Financial Highlights

Financial Index

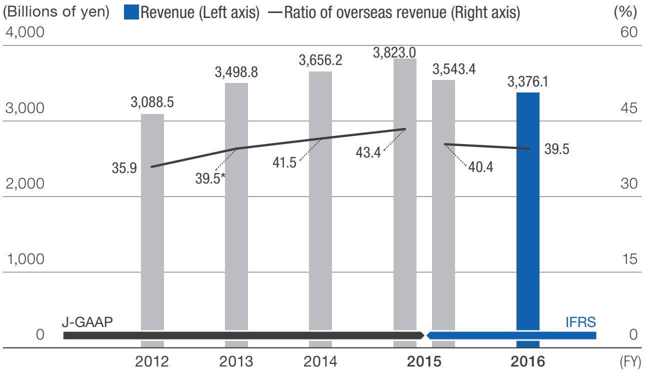
With the start of the new medium-term management plan *APTSIS 20*, we have adopted IFRS (International Financial Reporting Standards) beginning in fiscal 2016. For fiscal 2015, the IFRS-base figures are also indicated for comparison.

Core operating income is calculated as operating income (loss) excluding certain gains and expenses attributable to non-recurring factors (losses incurred by business withdrawal and contraction, etc.). We disclose core operating income as our unique gains/losses incurred by staged gains/losses, considering the comparability with the operating income of J-GAAP.



As a result of the business portfolio reforms along with the previous medium-term management plan *APTSIS 15* for the period from fiscal 2011 to fiscal 2015, we posted record operating income in fiscal 2015 based on the Japanese standards. In fiscal 2016, despite decreased profit associated with a stronger yen, the adverse effect of NHI drug price revision in the Health Care domain and expansion of the scale of periodic repairs in the Industrial Materials domain, we increased core operating income further from fiscal 2015 thanks to the increase in sales volume mainly in the Performance Products domain. As a result, we increased core operating income by ¥7.1 billion (+2.4% y/y) to ¥307.5 billion and improved ROS by 0.6% y/y to 9.1%. Net profit attributable to owners of the parent increased by ¥104.9 billion (+204.3% y/y), to ¥156.3 billion, partly due to much lower taxes associated with the recording of deferred tax assets. As a result, ROE rose substantially to 15.1%.

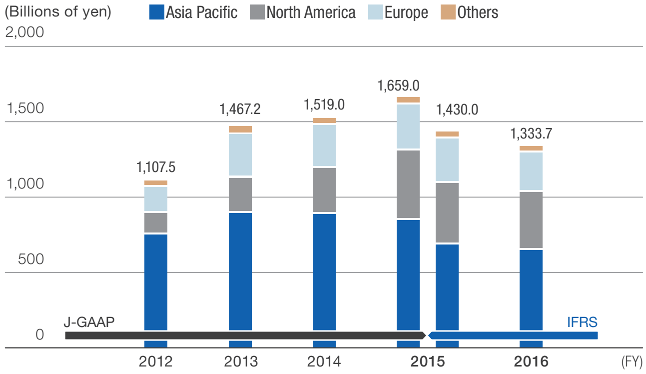
Revenue and ratio of overseas revenue



Revenue decreased by ¥167.3 billion (-5% y/y), primarily because sales prices fell due to lower raw material prices and impacts of the strong yen (-11.5¥/$ y/y). The ratio of overseas revenue also decreased to 39.5% (-0.9% y/y).

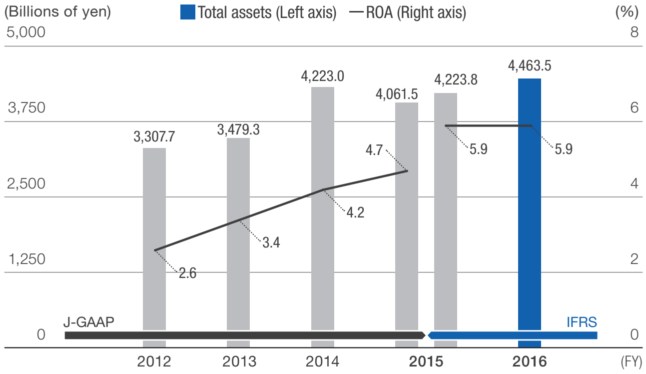
* The influence of ¥145.6 billion due to the unification of the accounting period is excluded.

Overseas revenue by region



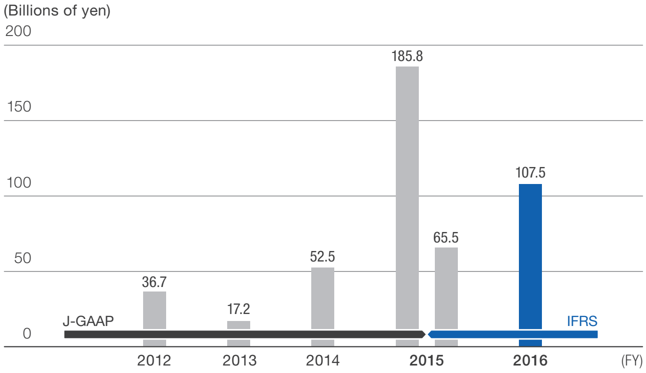
Despite the increase of revenue due to acquisitions in the industrial gases business and growth of the MMA business mainly in Asia, as well as the increase in sales volume principally in the Performance Products domain, overseas revenue decreased from the year earlier, primarily because of the huge impact of exchange loss on foreign currency due to a stronger yen.

Total assets and ROA



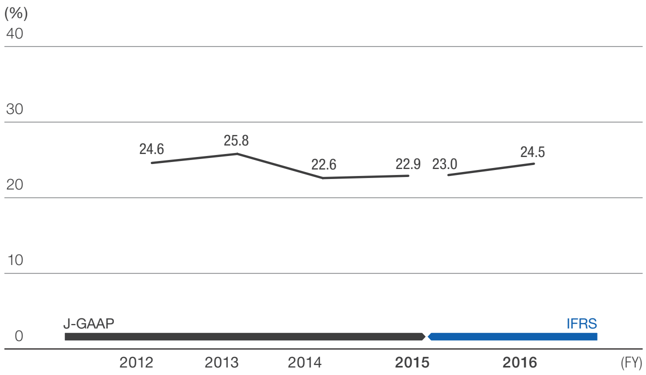
Total assets were ¥4,463.5 billion, rising ¥239.7 billion from the year earlier, primarily because of the increase in assets due to acquisitions in the industrial gases business. ROA was 5.9%, about the same level as in the previous fiscal year, due to the increase in income.

Free cash flow



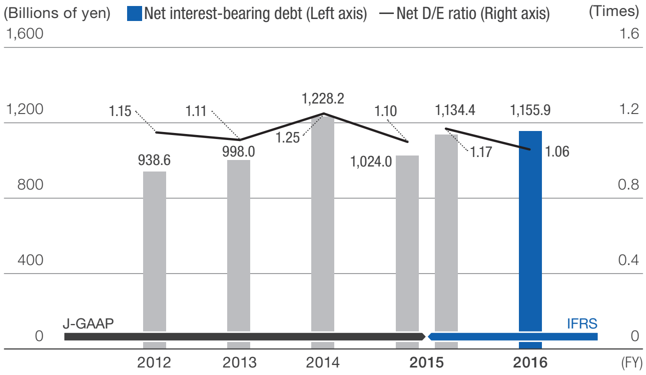
As a result of the increase in profit before tax, cash flows from operating activities improved. In cash flows from investing activities, outflows increased due to investments and loans and capital expenditures associated with M&A mainly in the industrial gases business, but FCF improved by ¥42 billion y/y to ¥107.5 billion, exceeding the target of ¥100 billion at the beginning of the fiscal year.

Ratio of equity attributable to owners of the parent



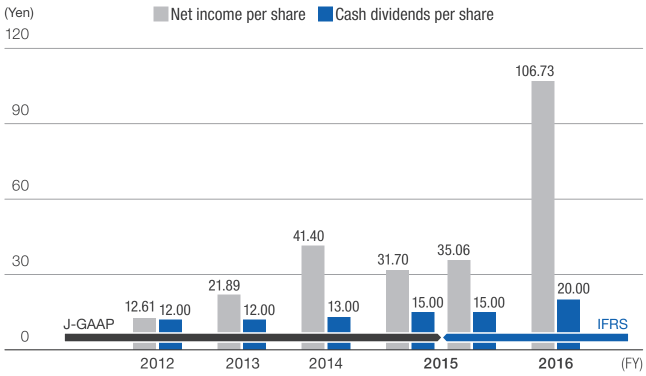
As a result of increase in income, of total liabilities and assets, equity attributable to owners of the parent increased by ¥119.2 billion from the previous fiscal year to ¥1,091.4 billion. Consequently, the ratio of equity attributable to owners of the parent was 24.5%, up 1.5% from the previous fiscal year. We will continuously aim to achieve 30%, the target set in the *APTSIS 20*.

Net interest-bearing debt and Net D/E ratio



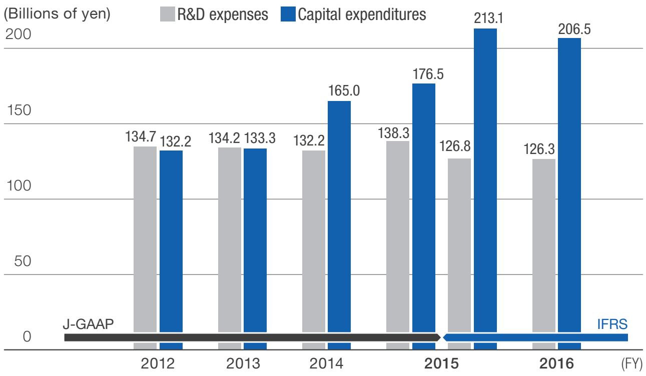
Net interest-bearing debt stood at ¥1,155.9 billion. It was up by ¥21.5 billion y/y because of asset purchases in the industrial gases business, however, partly because of the increase in equity attributable to owners of the parent due to the increase in income, the net D/E ratio was 1.06, improving by -0.11 y/y. We will continue our efforts to achieve the target of 0.8 set in the *APTSIS 20*.

Net income per share and cash dividends per share



Net income per share was ¥106.73, primarily because of growth in income. Cash dividends per share was ¥20 per year, up ¥5 y/y, based on a comprehensive evaluation of our financial situation, future business development and improving shareholder returns.

R&D expenses and capital expenditures

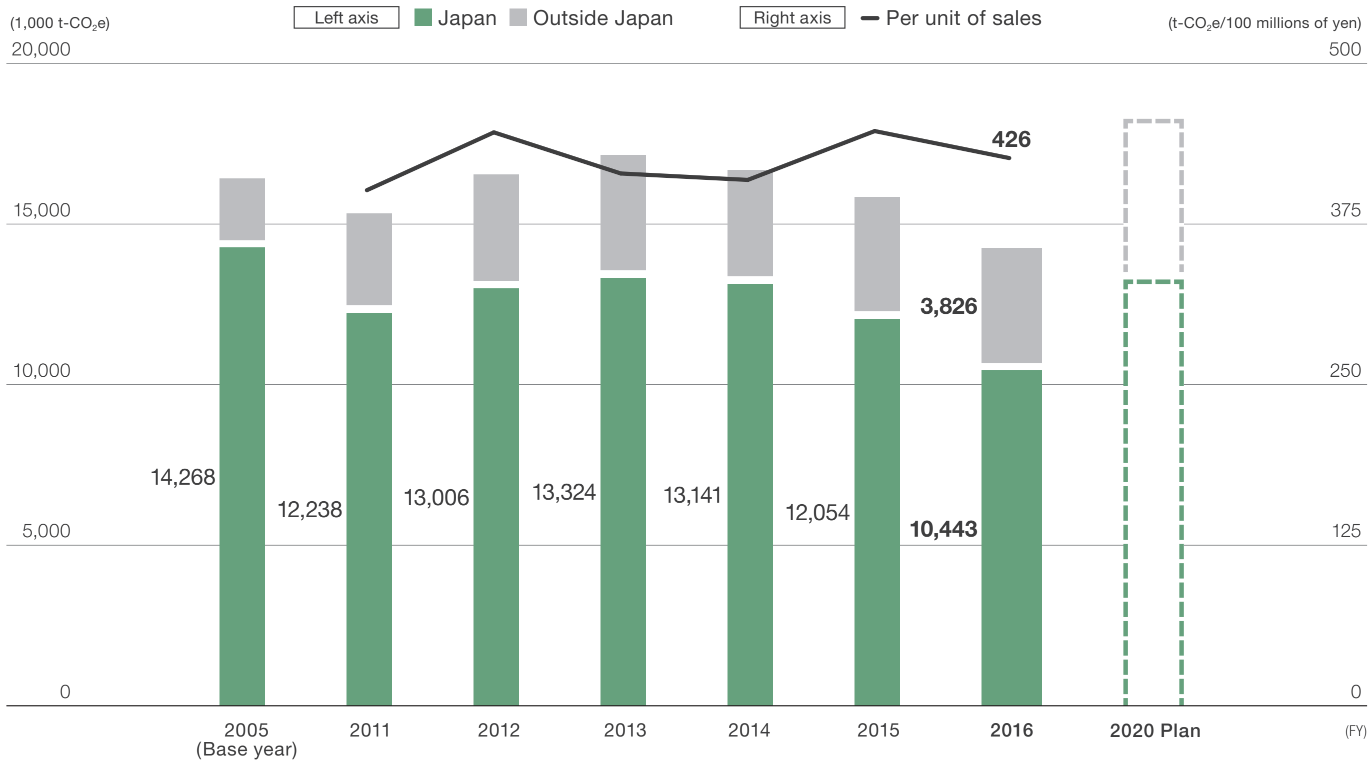


R&D expenses were ¥126.3 billion and we continued to work on improving our current technologies and on developing new technologies. Capital expenditures decreased by ¥6.6 billion y/y, which had recorded an increase in capital expenditures for the introduction of technologies in the Health Care domain in the preceding period. In total, capital expenditures reached ¥206.5 billion, mainly reflecting the maintenance and updating of facilities, especially in the Industrial Materials domain, as well as the construction of a new plant in the Middle East in the MMA business.

Financial/Non-Financial Highlights

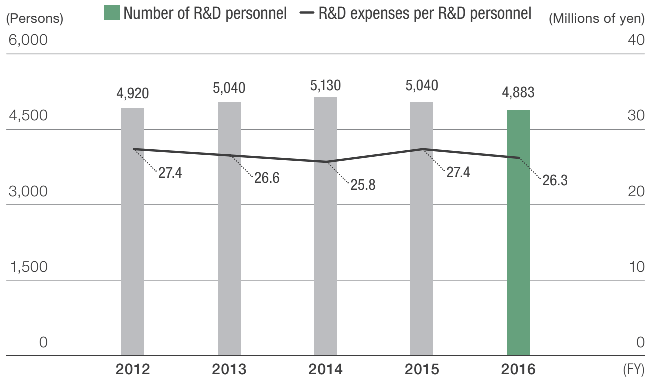
Non-Financial Index

GHG emissions



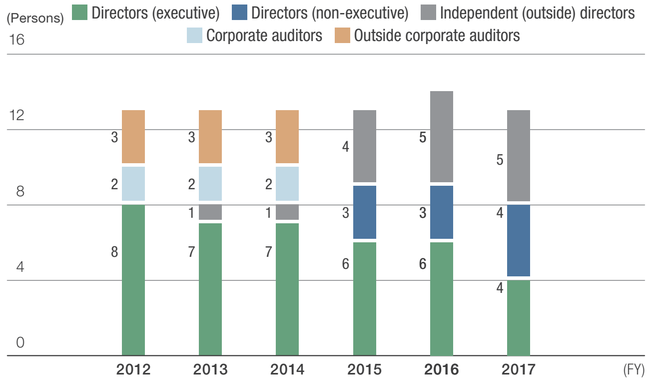
GHG emissions in fiscal 2016 (Scope 1 + Scope 2) were 14,269,000 t-CO_2e, per unit of sales was 426t-CO_2e/100 millions of yen. Emissions from the four main operating companies and their domestic groups was 10,443,000 t-CO_2e, and 1,611,000 t-CO_2e decreased from the previous fiscal year. During fiscal 2016, in the course of smooth operations, we steadily implemented measures including energy conservation efforts to reduce GHG emissions, and contributed to reducing overall Group emissions by restructuring the Mizushima naphtha cracker, withdrawing from the terephthalic acid business (in India and China), and so on. Toward achieving the 2030 reduction targets set by the Paris Agreement adopted at COP21, we have devised and promoted measures to reduce GHG emissions.

Number of R&D personnel and R&D expenses per R&D personnel



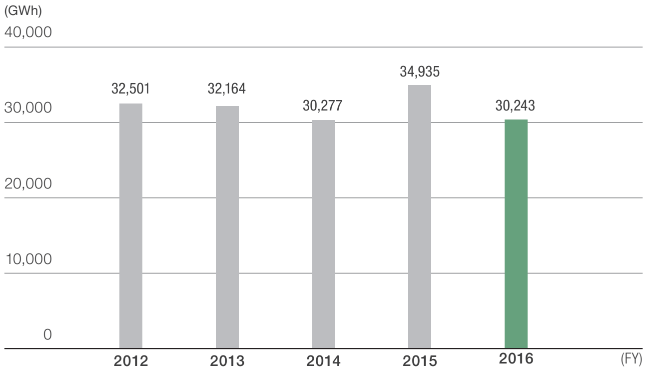
The number of R&D personnel in fiscal 2016 was 4,883, a reduction of 157 from the previous fiscal year. R&D expenses per personnel were ¥26.3 million, a decrease of ¥1.1 million.

Number of directors and outside directors



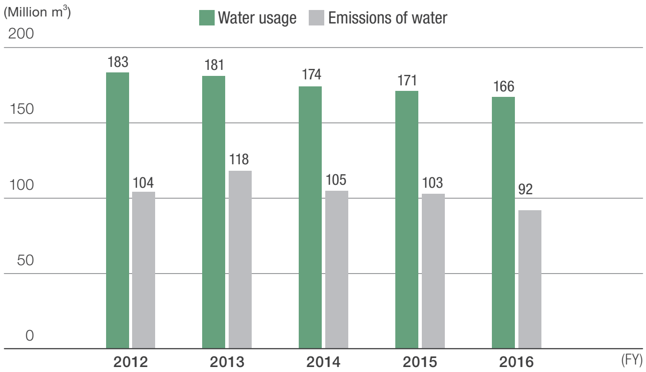
MCHC transitioned to a company with a nominating committee, etc. in June 2015.

Energy consumption



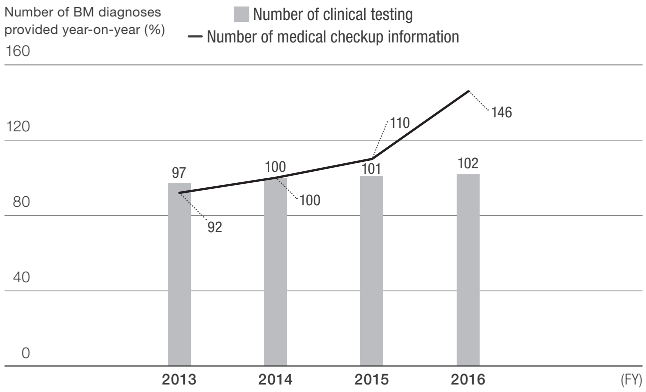
In fiscal 2016, energy consumption in Japan was 30,243GWh. By promoting the stable operation of processes together with energy-saving measures, we will further accelerate the reduction in energy consumption. In fiscal 2016, the calculation method is revised to respond to global standard. Regarding previous period's results, the recalculated figures are plotted in the graph.

Water usage and emissions of water



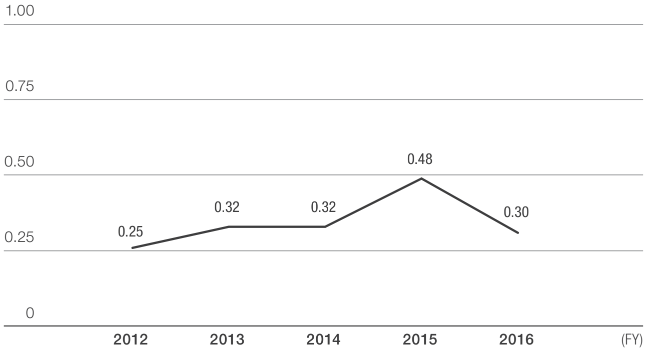
In fiscal 2016, we used 166 million m^3 of water and discharged 92 million m^3 of water in Japan, a reduction of 5 million m^3 and 11 million m^3 from the previous fiscal year, respectively. We will make progress with efforts to effectively utilize water resources and reduce consumption in our corporate activities, and continue to contribute to the improved sustainability of water resources.

Number of clinical testing and medical checkups / Heath information



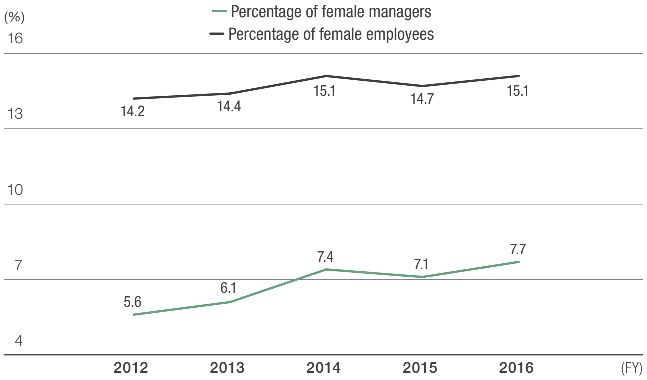
The number of clinical testings and health checkups or health information provided was 102% and 146% respectively for each MOS Indices compared with BM year (fiscal 2014). We will appropriately respond to the rising interest in health and trends such as increased self-medication, and aim to achieve the fiscal 2020 targets set as MOS Indices.

Lost-time injuries frequency rate (LTIFR)



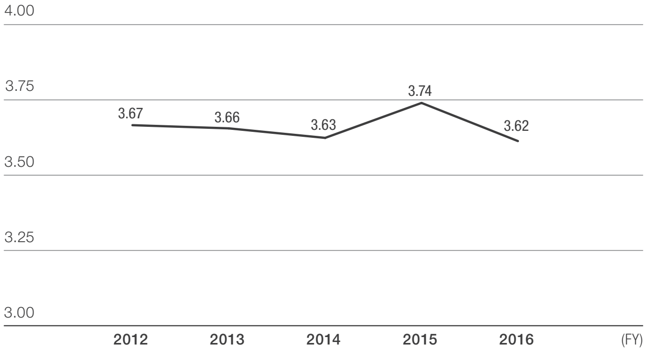
Due to a decrease in the number of lost-time accidents, the index reached 0.30 point, improving by 0.18 point from the previous fiscal year. By thoroughly enforcing measures to prevent recurrence and employing various measures to ensure work safety, we are striving to reduce the risks of accidents and the number of occurrence.

Percentage of female employees / Percentage of female managers



The percentages of female employees and female managers were 15.1%, an increase of 0.4%, and 7.7%, an increase of 0.6% respectively, compared to the previous fiscal year. We have continued to promote a range of measures aimed at female empowerment, and in recent years the percentage of female employees among those joining main career track positions has trended upwards.

Employee satisfaction



Employee satisfaction was 3.62 points, a 0.12 point drop compared to the previous fiscal year. Since fiscal 2011, employee satisfaction has remained at a largely favorable level. We will seek to further improvement by actively promoting related measures including health management and workstyle reform.