

Integrated Report **2016**
(Annual Report)



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Editorial policy

Unicharm is striving to increase corporate value while also helping to make everyday life cleaner and more hygienic for people around the world. Given this objective, we publish Integrated Reports, which include more non-financial information than conventional Annual Reports, to help stakeholders gain a more detailed picture of the links between our strategies and the social impact of our business. For our Integrated Report 2016, we have selected the most important information about our management strategies, business activities, earnings performance, CSR programs and management structure, and presented it in an easy-to-understand format. We have also included basic information such as Unicharm's corporate history and key financial and non-financial data for the last 10 years.

Scope of report: Unicharm Corporation and its domestic and overseas consolidated subsidiaries, as well as information about some non-consolidated subsidiaries and affiliates



Paralym Art

We are a supporter of art created by people with disabilities.

Paralym Art aims to help artists with disabilities become financially independent by supporting their business activities.

Cover: "Sea, Sand and Flowers" by Tetsuya Koja

Tetsuya Koja was diagnosed with schizophrenia in senior high school. After being treated in hospital he returned to his studies. His illness prompted him to start going to church and he became a Christian.

After leaving senior high school, he changed jobs frequently, working as a construction worker for seven months, a carpenter for one year, a horticultural worker (ornamental plant cultivation company) for six years, a linen laundry worker for three and a half years, and an employee at a chain of dry cleaning shops for five years and nine months.

He then attended a vocational support center for about two years.

Message from the President

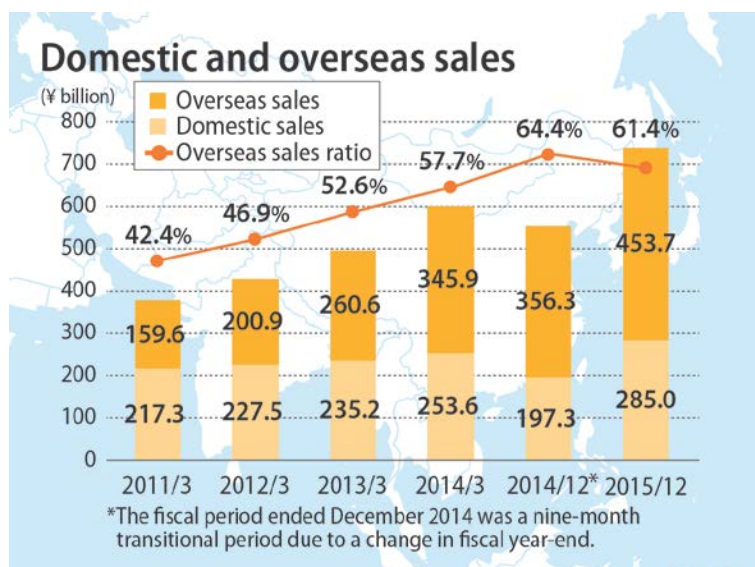
We constantly provide the world's No.1
and unprecedented products and services
to everybody around the globe,
and deliver comfort, impression and satisfaction.

Record net sales and operating income in real terms

In fiscal 2015, ended December 31, 2015, Unicharm reported net sales of ¥738.7 billion and operating income of ¥79.9 billion, marking the 14th straight year of record sales and the ninth successive year of record operating income in real terms. We also continued to grow our nonwoven fabric and absorbent material products business, with our global share reaching 10% in fiscal 2015 due to efforts to capture over one third of the market in Asia. However, profitability deteriorated due to a range of factors. In Indonesia, Thailand, Brazil and other emerging markets, we faced worsening macroeconomic conditions and weakening local currencies, which led to foreign currency translation losses and higher costs for imported raw materials. We also increased spending on marketing to address rapid changes in sales channels and rising demand for Japanese-made products in China. For fiscal 2016, ending December 31, 2016, we will push ahead with initiatives to improve profitability and do our part to raise living standards by rolling out products tailored to local markets, particularly in Asian emerging economies with good prospects for growth. Our goal is to achieve consolidated net sales of ¥1 trillion in fiscal 2018.



Takahisa Takahara
President and CEO



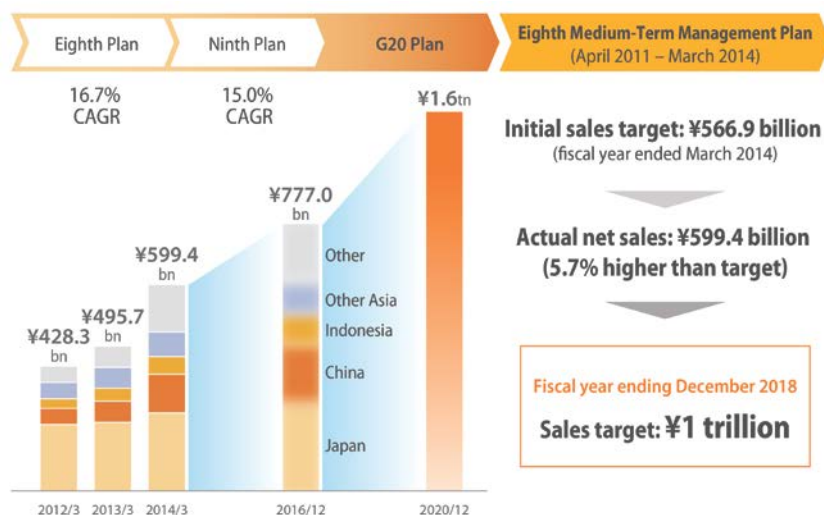
Progress toward goals in our ninth Medium-Term Management Plan and G20 Plan

We see the potential for continued strong growth in target business fields worldwide in both advanced and emerging markets. Supported by these conditions, we aim to accelerate the globalization of our business to drive rapid growth. This objective is incorporated into our ninth Medium-Term Management Plan and our long-term vision, the G20 Plan, both released in April 2014.

Under the G20 Plan, we are targeting consolidated net sales of ¥1.6 trillion, average annual sales growth of 15%, an operating margin of 15% and ROE of 15% by fiscal 2020. We plan to achieve those targets by extending our sales areas and developing new product categories in emerging markets, while also expanding our high-margin businesses, strengthening Unicharm brands to reduce our dependence on pricing, and growing e-commerce operations. We also aim to lift margins by improving productivity, mainly in manufacturing processes, and increase asset efficiency by adjusting inventory levels and automating and standardizing production processes.

As a stepping stone toward our targets in the G20 Plan, we are aiming for record consolidated net sales of ¥777 billion and record operating income of ¥87 billion in fiscal 2016.

We will continue to strengthen strategy implementation in our core business areas and regions in order to attain these management targets.



G20 Plan targets: ¥1.6 trillion in consolidated net sales in 2020



Building a stronger more global business structure

We are striving to make our business more global by transferring more authority to overseas subsidiaries. To support this approach, we need people who understand Unicharm's DNA and corporate culture and who can develop and implement new strategies. We are actively sending our best people, who often have over 20 years of experience working for Unicharm, to overseas business sites to ensure our corporate DNA takes root.

We are also reinforcing corporate governance to meet the expectations of all our stakeholders in Japan and overseas from a global perspective. We have already made progress in this area, such as introducing an executive officer system to separate management oversight and executive functions, and we adopted a "company with audit and supervisory committee" governance structure on May 1, 2015 following revisions to the Companies Act. Moreover, we have built a committee-based system to select candidates for senior management positions and determine pay levels (nomination committee and remuneration committee). More than half of the members that sit on these committees are outside directors. This has strengthened oversight of the executive functions of the Board of Directors and brought outside directors into the management process to increase transparency and efficiency.

Committed to stable returns for shareholders

At Unicharm, one of our top priorities is to return an appropriate level of profits to shareholders, which is also important from the standpoint of capital efficiency. We are committed to paying stable returns while at the same time strengthening the Company to boost earnings and actively investing in our business to drive growth.

For fiscal 2015, ended December 31, 2015, we paid a year-end dividend of ¥7.40 per share, the same amount as our initial dividend forecast.

In fiscal 2016, in accordance with our shareholder return policy, we will put priority on business investment to deliver sustained growth, while continuing to pay a stable and sustained dividend in line with medium- to long-term growth in consolidated earnings. Where necessary, we also intend to increase the total shareholder return ratio by conducting share buybacks on a flexible basis. We plan to pay a full-year dividend of ¥16.00 per share for fiscal 2016.

Co-existing with society

People aged 65 and older now account for a quarter of Japan's population. This aging of Japanese society is projected to continue. To support each other in our super-aging society, we need to build close-knit societies based on multi-generational communities that were common in the past, where people of all ages can live with humanity and mutual respect. We believe this will become increasingly important as societies age.

To make this vision a reality, we have to create new value and constantly evolve in order to offer new products and services that contribute to the creation of a co-existing society. Specifically, we will help people free themselves from social restraints so that they can take on new challenges in their lives, create products that enhance daily freedoms, protect time and lifestyles that contribute to our humanity, and empower people of all generations to realize their hopes and dreams and experience more fulfilling lives.

In Asia, where societies are projected to age at an even faster pace than in Japan, we plan to extend our Japanese care model across the region, leveraging our experience in the world's most rapidly aging society to create co-existing societies worldwide.

At Unicharm, our vision is to help people worldwide lead richer lives by offering a wide range of products for babies through to the elderly that make life easier by supporting the mind and the body. This is an integral part of our

corporate philosophy, NOLA & DOLA (Necessity of Life with Activities & Dreams of Life with Activities), and is embodied by our current product range: baby care products such as disposable diapers, feminine care products such as sanitary napkins and tampons, adult incontinence products for nursing care, cleaning products such as disposable mop wipes, wet wipes, three-dimensional face masks, and pet care products. All the products we supply play a vital role in making everyday life cleaner and more hygienic. Our mission is to provide these products to people worldwide to help enhance their quality of life. As part of efforts to develop our business globally, we declared our support for the United Nations Global Compact in 2006 and have been adhering to its principles ever since.

At Unicharm, we are committed to more than just supporting customers through our business activities. We are striving to realize sustained growth in corporate value by promoting sound business management that delivers value to all the stakeholders who support us: our shareholders, business partners, employees and society as a whole.

March 2016

Takahisa Takahara

President and CEO

A handwritten signature in black ink, appearing to read 'T. Takahara', with a long horizontal flourish extending to the right.



Unicharm: A Story of Sustained Growth

More than 50 years of continued growth

Unicharm was founded in 1961. In the space of just over 50 years, it has grown into a company with annual sales worth roughly ¥700 billion. That period has also seen successive years of record net sales and operating income. We realized early on that the domestic market was maturing, prompting us to actively start developing our overseas operations in the 1980s. Since then, we have established our presence in a wide range of overseas markets – advanced and emerging – which has supported steady growth in earnings.



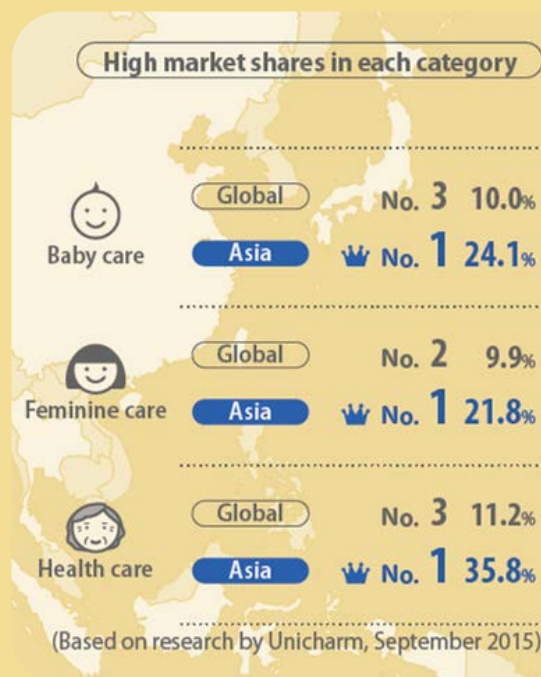
*1 Fiscal period ended March 1988: six-month transitional period due to a change in fiscal year-end

*2 Fiscal period ended December 2014: nine-month transitional period due to a change in fiscal year-end

Leading share in the fast-growing Asia market

Unicharm has positioned the fast-growing Asia region as its priority market. We have already built leading market shares in disposable diapers, feminine care products and adult incontinence care products in the region's key markets. Asia's high and sustained rate of growth has been the driver behind Unicharm's own expansion.

Unicharm channels its business resources into nonwoven fabric and absorbent material processing and molding technology. This means we can launch high-quality products that are popular with consumers in Japan and overseas ahead of competitors, thanks to our position as a specialist manufacturer.



Personal care and pet care businesses driving growth

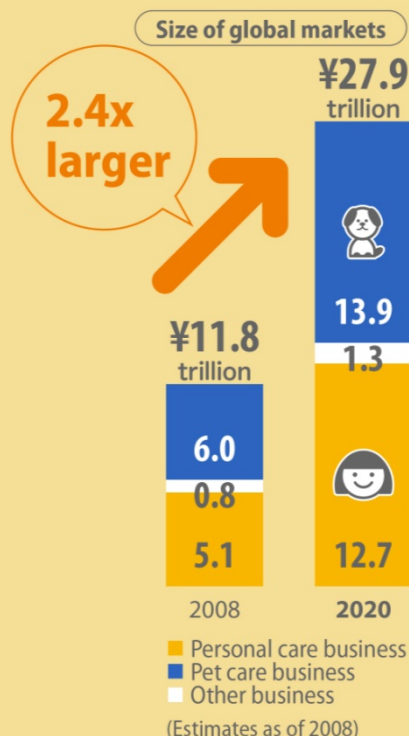
We see considerable room for growth in our target business fields.

Demand for feminine care products and disposable diapers is growing simultaneously in many emerging markets in Asia and elsewhere due to rising income levels. We see prospects for further growth in Africa and South America, as well as Asia, spurred by population growth in emerging markets.

Also, aging populations in advanced economies and some Asian countries are likely to support increased demand for adult incontinence care products and pet care products.

In particular, pet care markets continue to expand worldwide.

We expect this trend to drive growth in our pet care business, which is likely to rival our personal care business for size in the longer term.



Continuing to provide world-leading products and services

Unicharm supplies feminine care products, disposable baby diapers, adult incontinence products and a wide range of other products to consumers in Japan and overseas. In these business activities, we are guided by our NOLA & DOLA corporate philosophy, which incorporates our goal of making life more comfortable for people worldwide.

Delivering sustained growth in earnings is crucial, but more importantly, we strive to continue providing world-leading products and services that consistently satisfy the changing needs of consumers. All our employees are committed in thought and action to making life better and more comfortable for our customers.



Making life more comfortable for women and children

Unicharm started out in the 1960s as a manufacturer of feminine care products. At the time, sanitary napkins were primitive, made from several layers of thick paper which soon lost their absorbency. To overcome this problem, we started developing nonwoven fabric to replace the paper sheets, achieving incremental improvements in sanitary napkin absorbency. These advances gave women more independence during their periods, helping them to take a more active role in society.

In the 1980s, we started manufacturing and selling disposable diapers, leveraging the technologies we created for sanitary napkins. Our high-quality disposable diapers helped reduce the burden of child rearing for mothers, again helping to support the social advancement of women.



Creating a better society for the elderly and pets

Unicharm began actively moving into new business fields from the 1980s, when population estimates showed Japan's society was aging.

One of those business fields was health care. Motivated by a desire to help elderly people lead the lives they want for as long as possible, we began manufacturing and selling disposable adult diapers in 1987. Since then, we have consistently sought to help elderly people lead independent lives through adult incontinence care.

Another new business field was pet care. In 1986, we started manufacturing and selling pet care products with the aim of making it easier for people to care for pets in the areas of health and hygiene.

In recent years, as aging has become an issue for both pets and people, we have shifted our focus to creating a symbiotic society where pets and their owners can live together in comfort.



Identifying what customers really want is key to creating distinctive products

Consumer needs are changing constantly. At Unicharm, we seek to pin down those needs as soon as possible to ensure we can continue developing products that exceed their expectations.

Our goal is to make everyday life easier and more hygienic for our customers. To achieve this aim, Unicharm staff conduct detailed research into local lifestyles in each market at the product development stage, helping us identify what consumers really need from our products.

By identifying these needs, we can develop distinctive products tailored to the specific needs of regional markets.



Transferring our winning patterns to other overseas markets

We aim to accelerate global expansion to support sustained growth. Our winning patterns overseas are based on good products, a strong sales network and skillful marketing.

We have built strong positions in over 80 countries by adapting our winning patterns in Japan to overseas markets. We have carefully analyzed the reasons for this success to the extent that we can now recreate similar conditions whenever and wherever we choose. Our achievements overseas are built on this rigorous self-assessment of Unicharm's strengths and weaknesses.



Management with Resonance based on close links with frontline operations

We have set ambitious growth targets for Japan and overseas markets. To ensure strategies to achieve those targets are implemented effectively, management and frontline employees need to work together toward shared goals.

To achieve our medium-term goals, we conduct in-depth discussions with frontline employees about detailed action plans for each product category and regional market. Once everyone is satisfied with the plans, they are incorporated into wider plans for approval by the Board of Directors. Through this process, managers gain first-hand information about frontline operations and employees gain insights into management's point of view.

This daily interaction of skills and knowledge between the frontline and management – which can be visualized as a pendulum – leads to Management with Resonance and feeds back into personnel development, which also supports Unicharm's growth.



Working to make life better for people everywhere

Unicharm is working to make life more comfortable for people worldwide. To achieve this, we offer products for babies, the elderly and even pets that make life easier by supporting the mind and the body.

Every region has different needs, with advanced economies facing the problem of aging societies and emerging economies needing to tackle hygiene issues. By integrating closely with local markets, we gain a clear understanding of what each region needs now and in the future.

Going forward, we will continue to tackle issues in society head on while using our brand of Management with Resonance to constantly provide the world's number one and unprecedented products and services to everybody around the globe, and deliver comfort, impression and satisfaction.



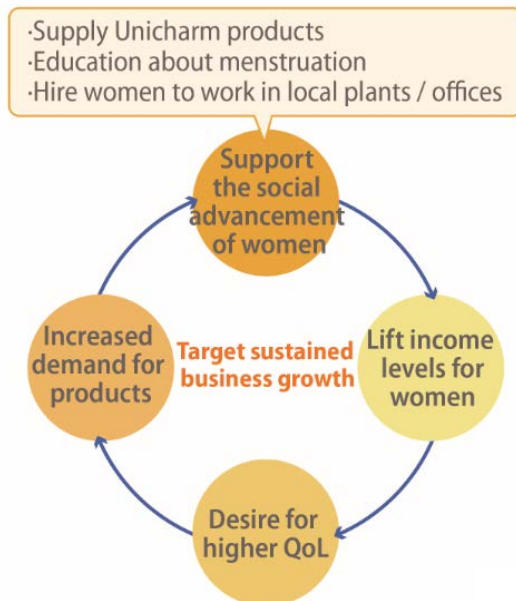


Challenges faced by women and babies

Creating markets that help women take a more active role in society

Our efforts to support the social advancement of women are now being implemented overseas. In emerging markets, we sell feminine care products and disposable diapers at a price point that makes them accessible for people on local incomes. We also actively hire women to work in our local plants and offices and educate them about the mechanism of menstruation and feminine care products.

Encouraging women to take an active role in society also helps to lift their income levels, which should ultimately translate into increased demand for our products and a stronger Unicharm brand.



Challenges faced by the elderly and pets

Offering new value propositions centered on creating a co-existing society

Our aim is to help create a co-existing society, where people of all ages live in comfort and individual independence is respected.

With societal aging now a growing issue worldwide, Unicharm has proposed a new approach to nursing care. Instead of restricting the elderly to bed, we have introduced the concept of rehabilitation through the use of disposable adult diapers. These products help the elderly live with more dignity and encourage them to be more independent, which also reduces the burden on their carers.

We are also putting more emphasis on the health of pets, which are increasingly seen as members of the family. We have expanded our lineup of pet food to include products with the right balance of ingredients for the changing bodies and appetites of aging dogs and cats.



Unicharm is working to create a co-existing society



Reducing environmental impact

Increasing the ratio of environmental-friendly products to reduce our impact on the environment

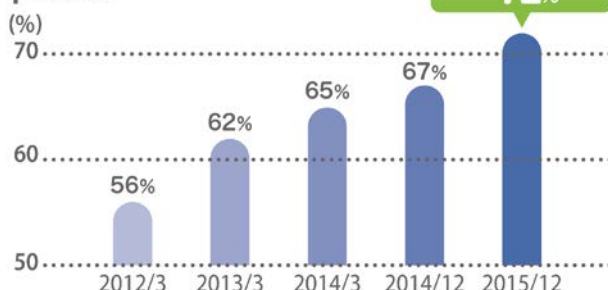
Unicharm's products have a close relationship with the environment. They play a key role in making everyday life more hygienic, but they are also disposable products that end up as waste.

That's why we have introduced strict environmental standards for our products. Based on these standards, we have changed the design of our products to reduce the volume of raw materials and cut waste in manufacturing processes to an absolute minimum. We are also cutting back the volume of waste in other areas to reduce the overall environmental impact of our business operations. In addition, 58 Unicharm product categories now have proprietary Eco Charming certification*, which is only awarded to products that satisfy strict criteria on reducing environmental impact and enhancing product value.

We are also pushing ahead with R&D aimed at further reducing environmental impact, as part of efforts to create new value in the environmental field and fulfill our responsibilities as a maker of consumer products.

* Eco Charming mark: Proprietary Unicharm certification only shown on labels of products that enhance value in areas such as convenience and comfort, while also reducing environmental impact compared with legacy products.

Ratio of environmental-friendly products



Reductions in CO₂ and waste



Detailed market research

Developing the best products for local needs

Our corporate philosophy incorporates our goal of making life more comfortable for people worldwide. To realize this vision, we need to develop products that are priced at a level that makes them accessible for people in emerging markets.

For example, after detailed local market research, we developed new disposable diapers that retain the basic leak-free, stuffiness-free qualities of our diapers, while also exhaustively scaling back costs in areas where value is less noticeable to consumers. Our efforts resulted in a range of diapers aimed at middle-class consumers that carefully balance quality and price. These diapers are now the leading products in Indonesia and China.



Striving to make life more comfortable for people worldwide

The Unicharm approach

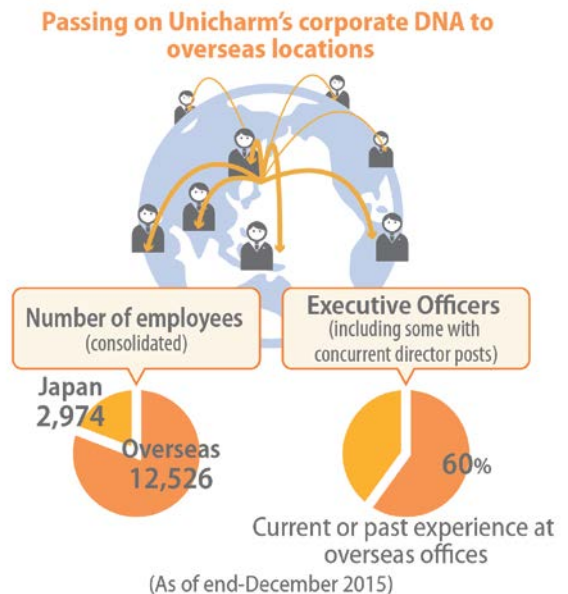
People who can turn ideas into reality

Dispatching our first-line players in Japan to overseas sites

To ensure our winning patterns also work overseas, we need people who can adapt our approach in Japan to the culture of local markets.

That's why we actively send our best people – often with over 20 years of experience – to overseas offices. To ensure there is a steady stream of highly capable people, we also later train employee cohorts and pass on Unicharm's corporate DNA to overseas locations.

Roughly 60% of Unicharm's Executive Officers are either currently overseas or have overseas work experience. We believe greater knowledge of overseas operations helps senior management make better choices when faced with tough decisions.



The Unicharm approach

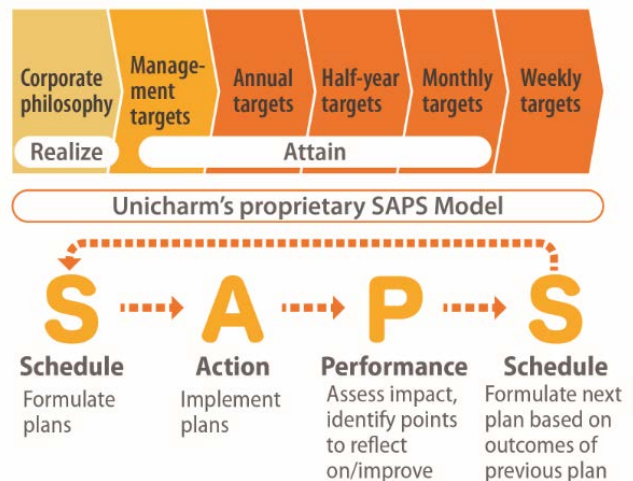
Management focused on frontline operations

Management with Resonance underpinned by our SAPS Model

Our management approach puts the highest priority on primary information and intuitive observations gathered directly from frontline operations.

Anybody can access secondary information from books or the internet, but it does not offer the same kind of insight as primary information. By visiting frontline operations and seeing conditions with our own eyes, we gain a better picture of the effectiveness and speed of strategy implementation.

However, visiting frontline operations is a time consuming process, so we introduced our SAPS Model to help managers use their valuable time more effectively. Under the SAPS Model, every employee channels their time and effort into resolving priority issues within their team, helping to eliminate unproductive activities from daily tasks.



Each division, group and individual channels efforts into resolving high-priority, high value-added issues

Financial and Non-Financial Highlights

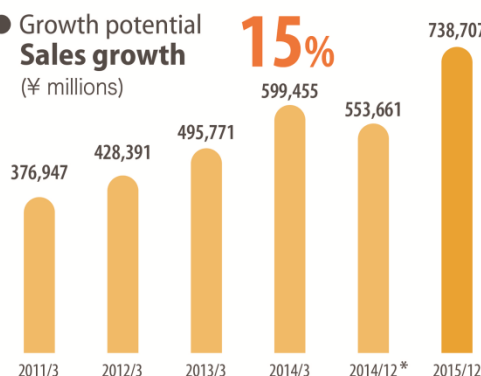


G20 Plan targets consolidated net sales of ¥1.6 trillion in 2020

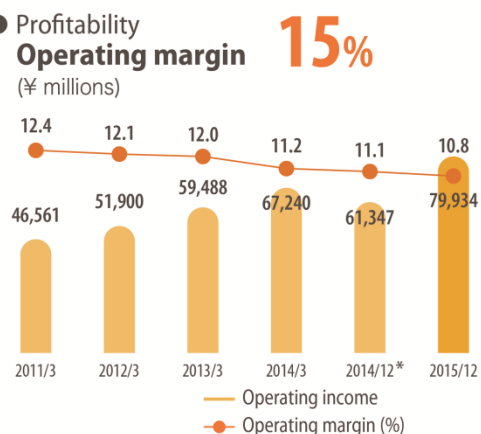
We aim to grow sales at an annual rate of 15% while also boosting profitability and capital efficiency.

● Performance Targets

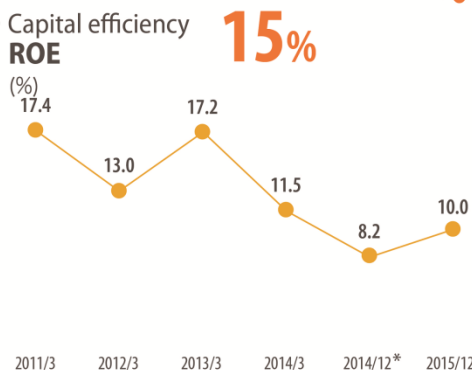
● Growth potential Sales growth (¥ millions)



● Profitability Operating margin (¥ millions)



● Capital efficiency ROE (%)



*The fiscal period ended December 2014 was a nine-month transitional period due to a change in fiscal year-end.

Unicharm's
Overseas
Expansion

We aim to build a dominant market share in Asia and enhance our presence in the global market.

We will actively channel management resources into growth markets.

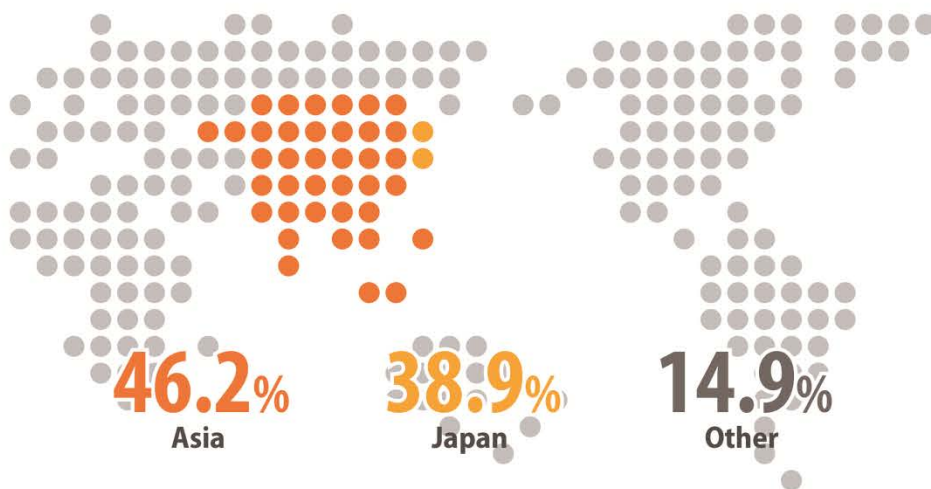
● Share of nonwoven fabric / absorbent material market

(As of end-September 2015)



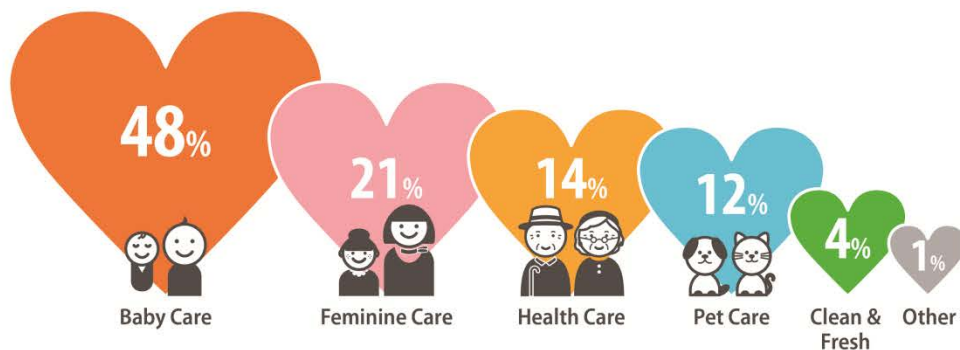
● Sales by geographical segment

(Fiscal year ended December 31, 2015)



● Sales by business segment

(Fiscal year ended December 31, 2015)

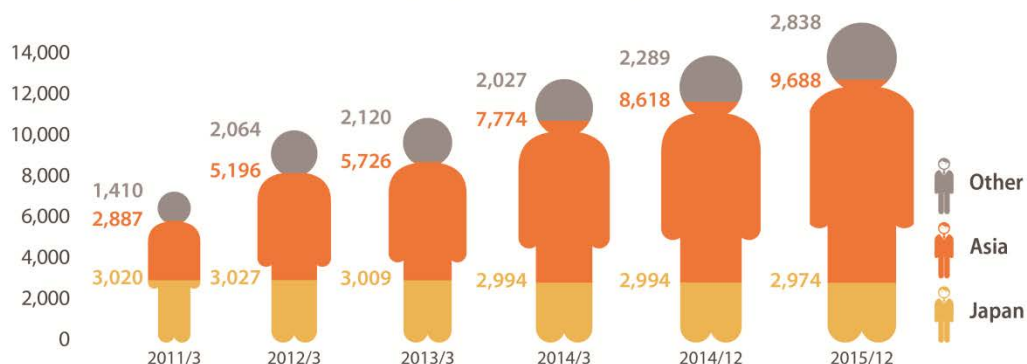


Unicharm's
People

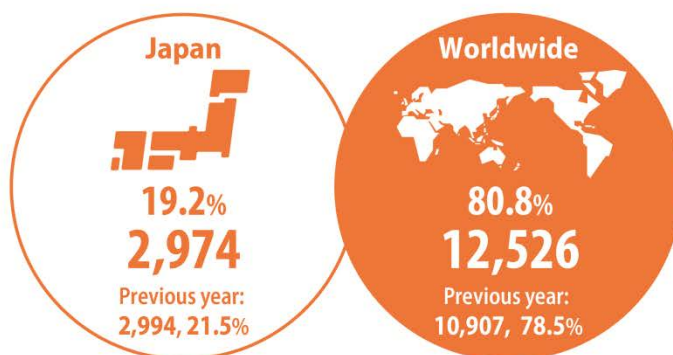
We will create a more diverse workforce to help tackle issues faced by global society.

Unicharm has a high ratio of overseas employees, and many senior managers have worked at offices overseas. We are also offering more employment opportunities for women, and the number of women in management roles is increasing.

● Number of employees by geographical segment



● Number of employees (consolidated) (As of end-December 2015)



● Executive officers (including concurrent directors) (As of end-December 2015)



● Percentage of female managers (As of end-December 2015)



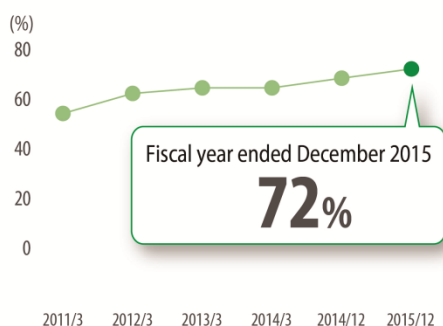


We will work to help create a sustainable society.

Unicharm is implementing initiatives to realize environmental improvements in two key areas: reducing environmental impact and achieving economic efficiency.

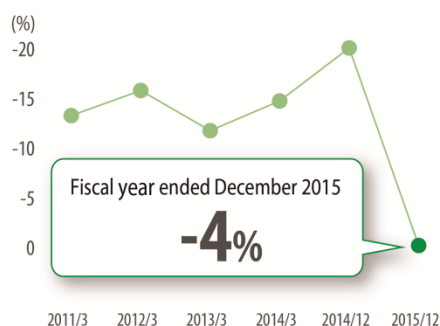
● Percentage of environmental-friendly products

75% by December 2016



● Reduction in industrial waste (at three main plants)

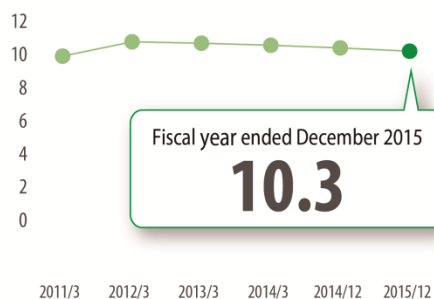
-14% by December 2016



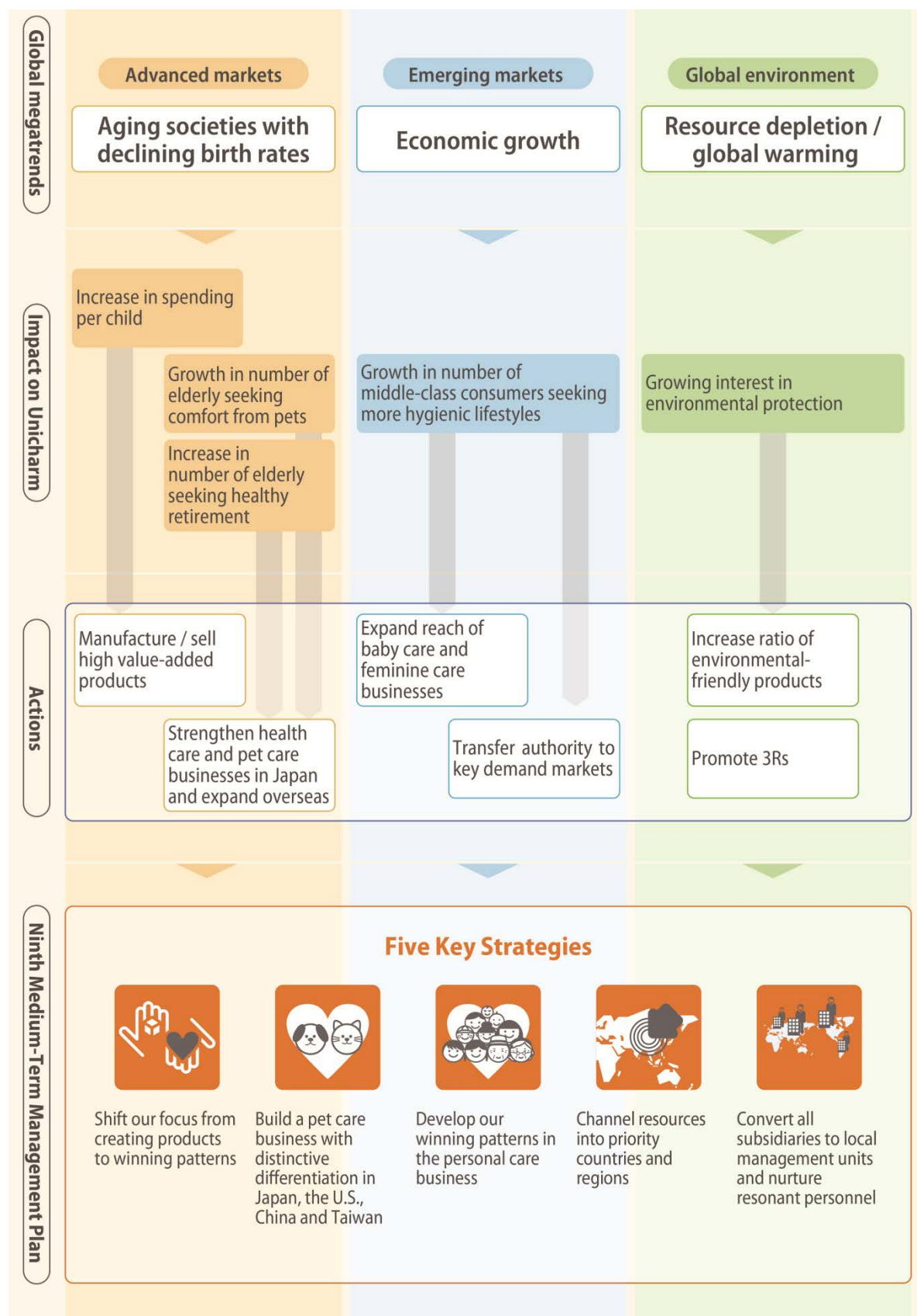
● CO₂ emissions volume

Unit energy consumption (GJ) / sales (¥ millions)

10.5 by December 2016



Unicharm and the Changing World



Five Key Strategies (1)

Channel resources into priority countries and regions

Emerging markets in Asia and other regions

Fiscal 2015 highlights

- Rising demand for Japanese-made disposable baby diapers and rapid growth in the e-commerce market in China
- Launched initiatives to boost profitability in Indonesia, where Unicharm is already the clear market leader
- Sales in the potentially vast Indian market continued to expand at a rapid rate, helping our local business become profitable in the final quarter of fiscal 2015
- Raised capital stake in our Saudi Arabia subsidiary to speed up decision-making in the Middle East, where our sales are growing rapidly.

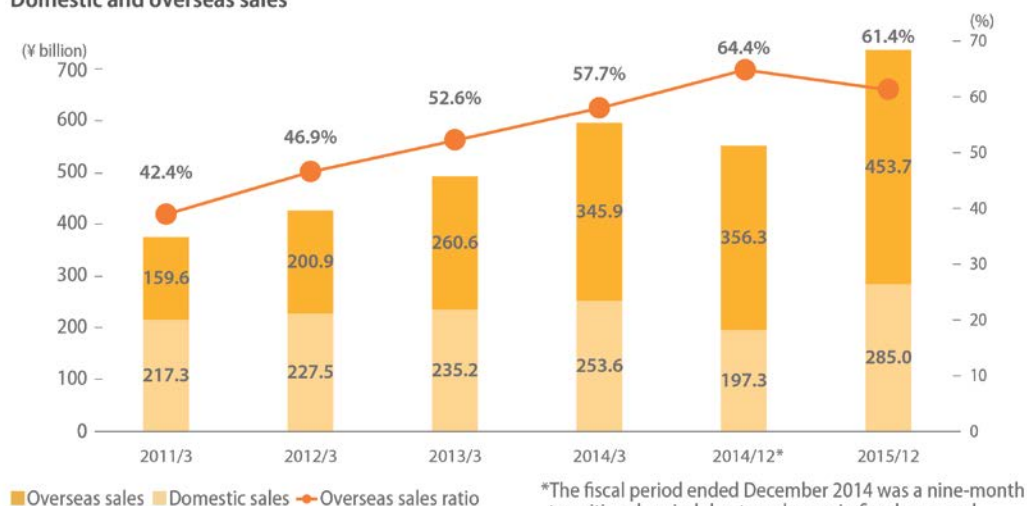
Sales continue to rise despite deteriorating economic conditions in Asia

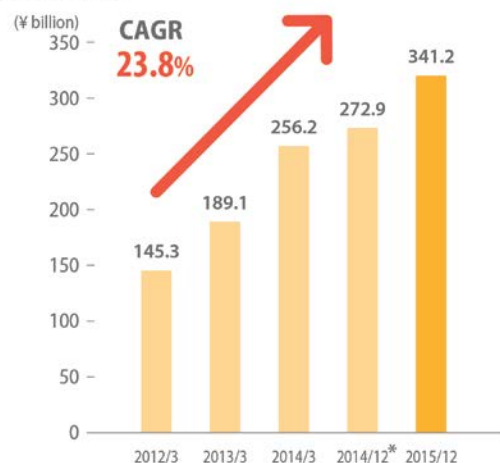
In fiscal 2015, ended December 31, 2015, economic conditions deteriorated in Indonesia, Thailand and other markets in Asia. Despite this backdrop, sales grew at a double-digit pace, rising 12% year on year to ¥341.2 billion. Overseas sales accounted for 61.4% of the Group's consolidated net sales.

Disposable baby diapers and feminine care products are still not widely used in Asia, including our priority markets of China and India. We are expanding sales areas in the Asia region while also promoting wider uptake by offering products tailored to the different regional cultures and lifestyles of each market.

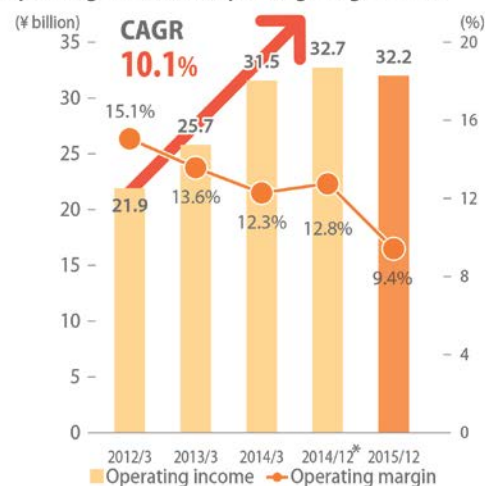
In Asia, Unicharm is also actively working to create job opportunities for local women and supporting efforts to improve hygiene, such as participating in programs that educate women about the mechanism of menstruation and that give them better knowledge about the types of feminine products that are available. We believe these efforts to help women take a more active role in society in emerging markets will contribute to the development of their countries and the Asia region as a whole. This should also translate into stronger demand for the daily necessities that we produce and raise awareness of the Unicharm brand in local markets.

Domestic and overseas sales

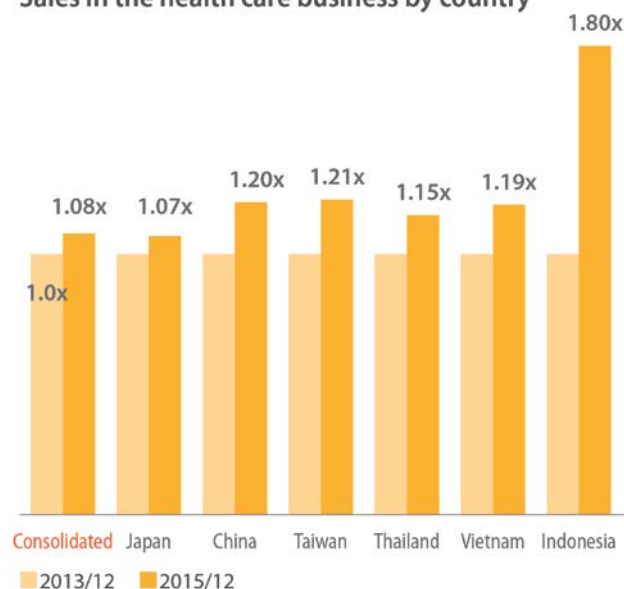


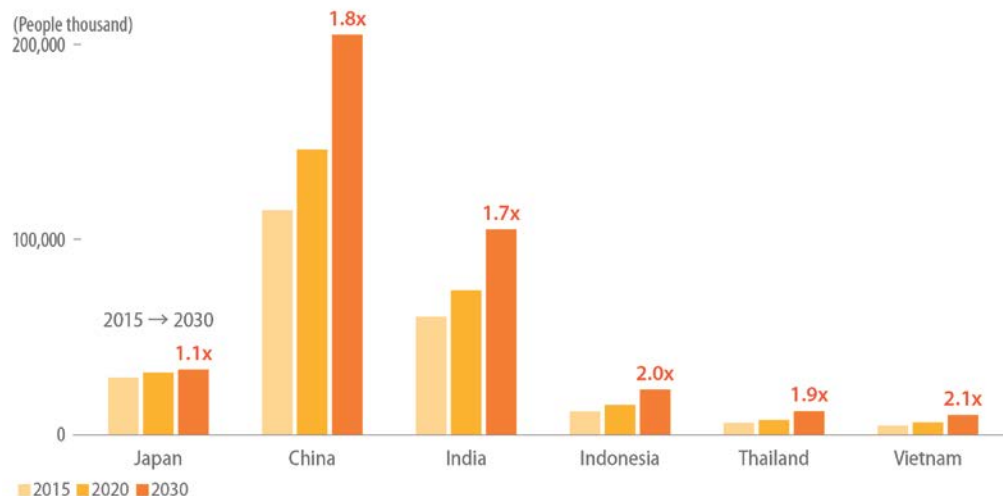
Sales in Asia

*The fiscal period ended December 31, 2014 was a transitional fiscal period due to a change in fiscal year-end.

Operating income and operating margin in Asia**Health care business: Raising awareness of aging issues to tap future demand**

The Asia region is currently aging at a faster rate than Japan, which is likely to spur rising demand for adult incontinence care products in the near term in countries such as Taiwan, Thailand, Indonesia and China. Given this outlook, we plan to extend our Japanese care model across the Asia region by leveraging our experience in Japan - the world's most rapidly aging society.

Sales in the health care business by country

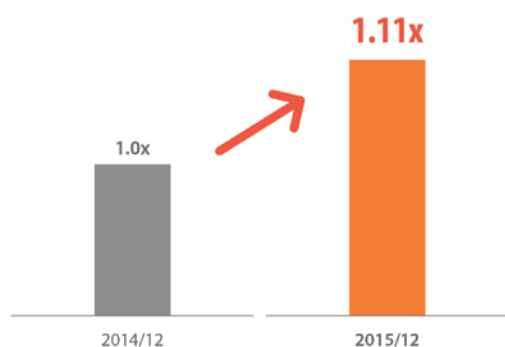
Number of elderly people in Asia (65 and older)**China: Rising demand for high value-added products and growth in the e-commerce market**

In China, where the personal care market is roughly four times larger than Japan's, demand for disposable baby diapers and feminine care products is growing as income levels rise. There have also been rapid changes in the market environment in recent years. Demand for high value-added products is rising and consumers are switching from retail stores to e-commerce channels to buy disposable baby diapers. We have steadily adapted to these changes and sales in China are now growing at a double-digit pace.

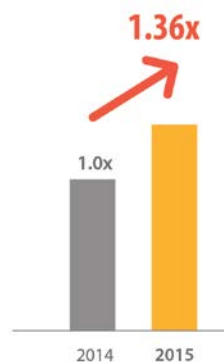
• Baby care business

In China's urban markets, a growing number of mothers are taking the health and safety of their babies more seriously. This is spurring demand for our premium *Moony* range of high-quality, Japan-made disposable baby diapers. Unicharm's sales in the e-commerce channel are rising at around 50% year on year, outstripping the 40% growth in China's e-commerce market. The *Moony* brand is already popular with Japanese mothers, winning the Best Mother Award for the third year running. We plan to increase demand for our products in China by actively marketing through the e-commerce channel and by stepping up imports of products from Japan.

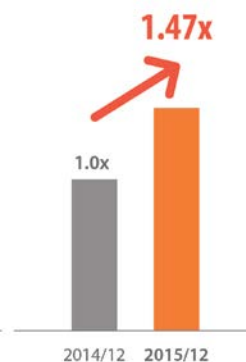
Sales in Unicharm's baby care business in China
(real terms, including inbound demand, local currency basis)



Growth in China's baby care e-commerce market
(local currency basis)



E-commerce sales in Unicharm's baby care business in China
(local currency basis)

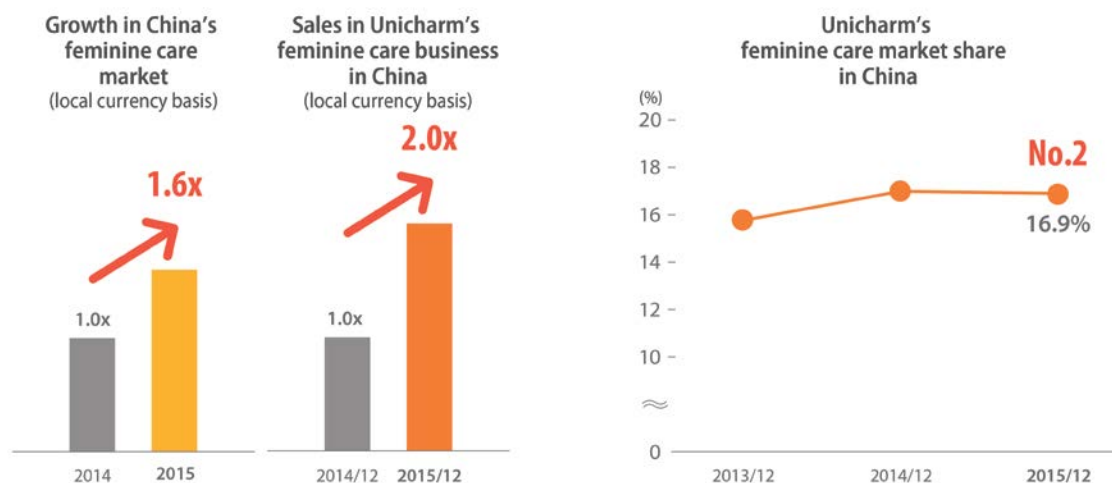


In Japan, we have captured a large share of the market using a two-brand strategy based on our premium *Moony* range and our standard *Mamy Poko* range. We expect demand for standard disposable baby diapers to rise in China as well, partly due to China's decision to end its one-child policy. Leveraging the advantages of our two-brand strategy, we aim to generate demand for our premium and standard products by encouraging uptake among consumers who have never used disposable diapers.



• Feminine care business

In our feminine care business in China, where the market is roughly five times larger than Japan's, the attractive designs and high quality of our products have proved popular with younger women in China, helping us secure second spot in China's feminine care market. New product categories and high value-added product ideas incorporating unique Unicharm proprietary technologies, such as our shorts-type sanitary napkins, have become particularly popular in China, helping to drive growth and lift profitability across our entire feminine care business. The Unicharm brand is also gaining ground in China's major cities. The number of cities where Unicharm is now the top brand in the feminine care market has risen from three in 2011 to 15 in 2015.



Sales of our feminine care products are also rising in the fast-growing e-commerce channel, helping us secure the leading share in that market segment. We plan to increase our market share further by rolling out marketing campaigns for premium products and by raising brand awareness.

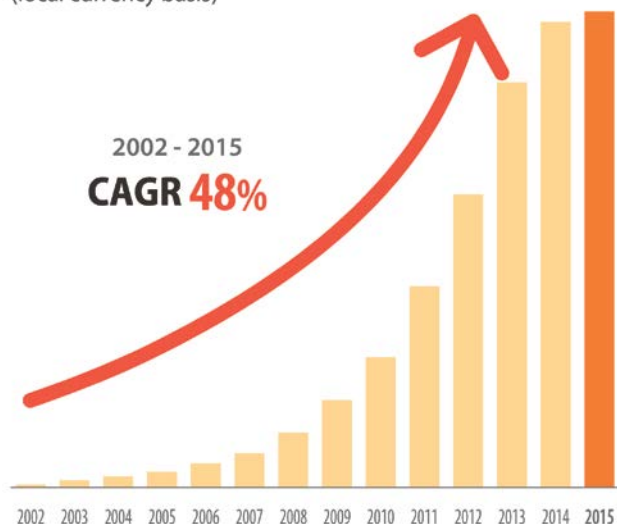


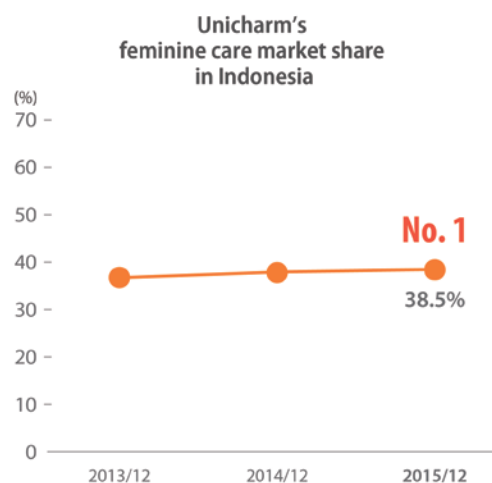
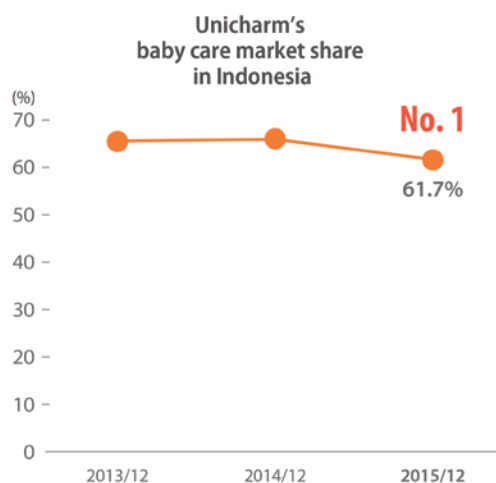
Indonesia: Rising market share and new initiatives to improve profitability

Profitability has deteriorated in Indonesia amid a downturn in the economy, leading to slower growth in volumes and a weaker local currency, which pushed up our raw material procurement costs. However, our baby care business remains the clear market leader with a share of more than 60%, and our feminine care business also still has the top position in the market.

Against this backdrop, we are implementing initiatives to boost market share further and improve profitability in order to deliver stable growth. To increase market share, we are actively moving out of our core market in Jakarta into untapped areas in the East of the country and outlying islands. And to lift profitability, we are addressing currency fluctuations by settling more of our business in local currency and bringing more work in-house, while also improving the efficiency of logistics and introducing labor-saving facilities.

Sales in Indonesia
(local currency basis)





Thailand: Increasing market share by launching products tailored to the local market

Unicharm has already built a dominant market position in Thailand. Our baby care business has more than 60% of the market and our feminine care business has around 50%. We will continue to target growth in market share by expanding our lineup of disposable baby diapers designed for local consumers, while also extending our sales area.



Vietnam: Continuing to grow market share with high value-added product proposals

In Vietnam, our baby care business and feminine care business have both captured more than 40% of the market. In the baby care business, we are targeting further growth in market share by rolling out sales campaigns that link TV commercials with in-store promotions and by promoting wider uptake of pants-type diapers.

In the feminine care business, we are also working to increase brand value by strengthening links between advertising and in-store promotions.

In the health care business, our high value-added products remain popular, helping us build a dominant position with over 70% of the market.

Vietnam is the ASEAN region's third largest country, with a population of around 86 million. We see potential for continued strong economic growth and rising consumption. Given this outlook, we plan to step up business expansion in Vietnam by working closely with Diana, a local company acquired in 2011. We are combining our product development capabilities, manufacturing technology and marketing expertise with Diana's sales network and understanding of local consumers.

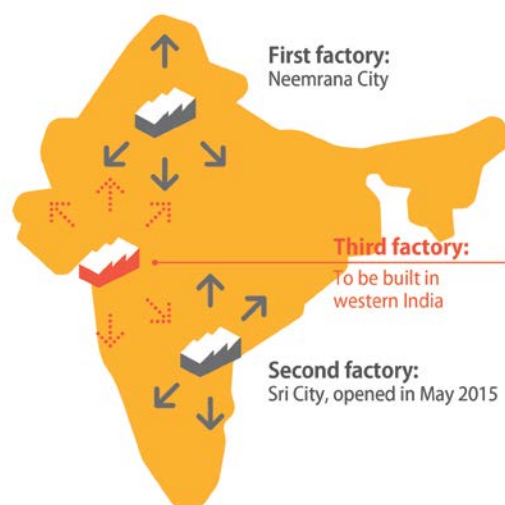
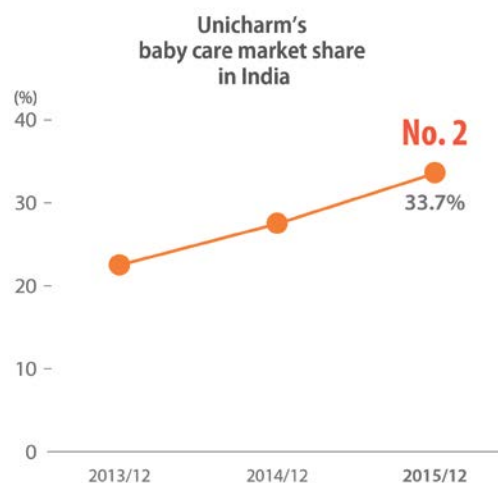


India: Accelerating growth by creating a market for pants-type diapers

Since launching disposable baby diapers in India in 2009, we have seen sales nearly double each year on the back of successful efforts to promote pants-type diapers. Our local operations became profitable in the final quarter of fiscal 2015 and we expect our India business to make a positive contribution to consolidated annual profits from fiscal 2016. We have been expanding our sales area in India and moving into more cities. As of December 2015, the number of stores selling our products was more the double the level in 2013. This has lifted our market share to over 30% and we are steadily closing in on the top spot.

India has a vast population of around 1.2 billion and the number of newborn infants is roughly 23 times the level in Japan. Consequently, in the future, we think India has the potential to become an even larger market than China. Even compared with other emerging markets, the uptake rate for disposable baby diapers is still low in India. We therefore plan to target further growth by promoting our pants-type disposable baby diapers, a category where Unicharm already has a strong position, and by expanding our sales area and retail store coverage. At the same time, we will work to encourage wider uptake of feminine care products.

With demand expected to grow sharply, we are currently increasing production capacity and building a distribution network to cover all areas of India. In 2015, we started operation of our second factory in India – located in the southern city of Sri – and plan to build a third factory in the west of the country.



Myanmar: Expanding our business through synergies with Mycare

In 2013, we acquired Mycare, a leading manufacturer and distributor of hygiene products in Myanmar. Since then, we have built dominant positions in the local markets for disposable baby diapers and feminine care products, with shares of over 60% and 50%, respectively. Myanmar has a population of roughly 62 million, about the same as Thailand's, and we see real potential for further growth in the market going forward. We are aiming to expand our business in Myanmar by combining our product development capabilities, manufacturing technology and marketing expertise with Mycare's highly visible brands.



Brazil: Shifting to pants-type diapers to stand out in the market and build market share

In spring 2014, we started production at our new factory in the state of Sao Paulo. Our disposable baby diapers are now sold in around 1,000 supermarkets, mainly aimed at wealthy and middle-class consumers. We are using our strong position in pants-type diapers to stand out in the market, which is driving growth in our market share.

Brazil is an attractive market for Unicharm. The target market for disposable baby diapers is roughly 8 million users, more than twice the size of Japan's market, and demand is rising on the back of growth in Brazil's middle class. We expect the market to continue expanding.

Middle East: Aiming to boost earnings by increasing our equity stake in a local subsidiary

In the MENA region, where the population is growing at an even faster rate than in China and India, we have acquired additional shares in our consolidated subsidiary in Saudi Arabia, Unicharm Gulf Hygienic Industries Ltd. MENA is an attractive market, as consumer spending is projected to remain at high levels over the long term.

By increasing our equity stake in the subsidiary, we aim to speed up decision-making and boost our earnings capabilities in the Middle East.

Africa: Expanding our presence in the region to tap into emerging demand

Some countries in Africa are mired in long-term conflicts and are politically unstable, but we believe Africa offers real growth potential. At the moment, we cover markets in North Africa from our operating base in Egypt, but we began sales in Johannesburg, South Africa in March 2015 to drive further growth. In future, we plan to move into markets in Sub-Saharan Africa to accelerate growth.

Japan

Fiscal 2015 Highlights

- Baby care business and feminine care business both delivered stable growth, centered on high value-added products
- Health care business expanded its markets by continuing to have education campaigns for health issues and offering new product ideas

Baby care business: Leveraging the strengths of two brands to revitalize the market

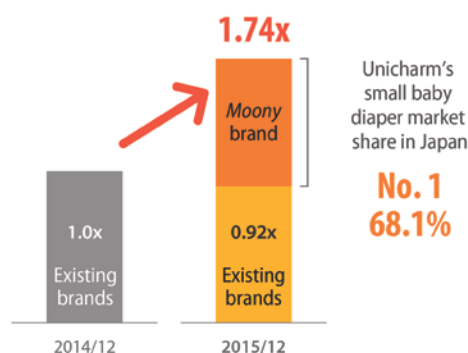
Unicharm has captured a high share of the market in Japan by leveraging the strengths of two brands - *Moony*, which has the highest levels of quality in our disposable baby diaper range, and *Mamy Poko*, which offers an excellent balance between quality and price. As the domestic diaper market has matured, we have continued to offer innovative value propositions and having education campaigns of hygiene and comfort issues, helping us achieve sales growth ahead of the market average and significantly boost profitability. In our premier *Moony* range, we are delivering growth in Japan's mature baby diaper market by offering new product ideas and stepping up sales activities.

Also, amid changes in women's lifestyles, such as a growing tendency to marry and have children later in life, more babies are being born with lower birth weights. In response to this trend, we have launched new products such as *Moony Airfit Small Newborns*, which was specially designed for smaller babies. This wider range of baby diapers means we can now better address demand for babies of different sizes. Amid the shift to fewer children and nuclear families in Japan, another trend we are seeing is the growing number of women who have concerns about child birth and raising children and who also want accurate information and peace of mind about products for their babies. We try to stand in their shoes and do what we can to alleviate those concerns. We provide useful information to new and expectant mothers and develop safe and reliable baby products, an approach that has helped our *Moony* brand win the Best Mother Award for three straight years. We will continue to increase brand value and strengthen our presence in sub-categories such as training pants and swim diapers in order to energize the domestic diaper market.

In recent years, Japan has seen a large number of Asian visitors, many of whom buy high-quality Japanese disposable baby diapers during their stay. We are also successfully capturing demand from these customers.

Going forward, we will continue to put priority on delivering stable supplies of our products and actively work to enhance the appeal of our brand to ensure customers in Japan continue to select Unicharm products.

Small baby diaper market in Japan





Moony product features praised highly by many Japanese mothers

The Moony brand has won the Best Mother Award* for the third year in a row. The prize, run by the Japan Mothers Association, is awarded based on the highest number of votes from 10,000 Japanese mothers currently raising children and their view of features such as usability and convenience.

Motivated by this prize, we will work to further improve our products and services to help create a society that makes it is easier for women to raise children.

* Awarded by the Japan Mothers Association as part of its efforts to support child rearing and mothers, based on votes from mothers.

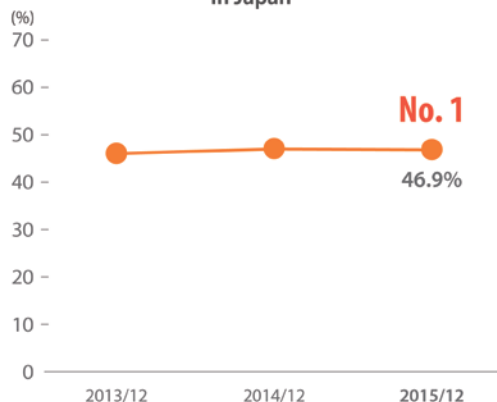


Feminine care business: Launching high value-added products in growth segments

Despite a maturing market, our feminine care business is growing by continuing to offer new value propositions tailored to women's changing lifestyles and by leveraging our nonwoven fabric technology to launch high value-added products.

In Japan, women are taking a more active role in society due to changing lifestyles and an increase in the number of working women. This is spurring growing demand for well-designed feminine care products that are kinder on

Unicharm's
feminine care market share
in Japan

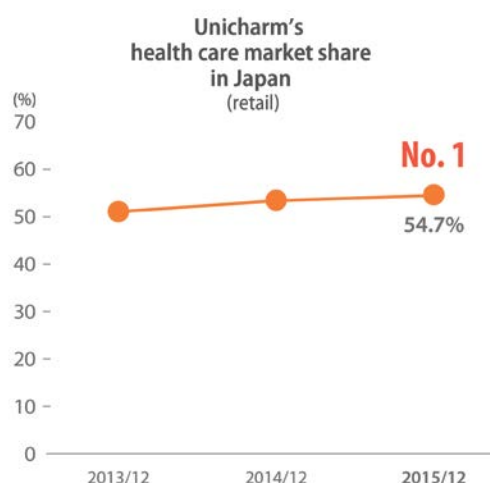


the skin, more comfortable and absorbent. Against this backdrop, we have made improvements to our *Sofy Hadaomoi* range of sanitary napkins that are kind on the skin. The upgraded products, launched in March 2015, use a finer top-sheet mesh material that is even softer on the skin.

In our *Center-In Compact* range, a popular lineup of compact sanitary napkins with cute designs, we have improved the design and absorbency of our products by incorporating a new top-sheet material developed jointly with the Faculty of Design at Okayama Prefectural University and by increasing the volume of absorbent polymer. Unicharm has continued to create a steady stream of innovative products by carefully monitoring women's concerns and trends in their increasingly diverse lifestyles. This approach has helped us generate stable growth and support our market-leading position. Going forward, we plan to launch high value-added products in growth segments in order to further increase market share and lift profitability.

Health care business: Market expansion taking off, driving domestic earnings

Since moving into the disposable adult diaper market in 1987, Unicharm has worked to develop products that address consumer needs in both the moderate and light adult incontinence categories while also creating new markets. As a result, the health care business has built a dominant position in the retail market with a share of over 50%. Unicharm has also led the industry in promoting wider use of adult incontinence products for excretion care. The target market for incontinence care products is likely to expand further in Japan. To tap into this growth, we aim to clearly stand out in the market by offering a wider choice of products and new value propositions in order to strengthen our already dominant position in the market and generate sustained growth.



• Moderate incontinence products

To encourage even wider user of disposable adult diapers, we are working with retail stores to create sales areas that make it easier for shoppers to select products. Also, through partnerships with many retailers, we provide advice to shoppers about how best to use our products.



In May 2015, we launched new improved versions of our popular range of adult disposable diapers, *Lifree Rehabili-Pants*. The upgraded products now have waistbands like the ones on our *Lifree Thin Light & Comfortable Incontinence Pants* launched in 2014, which make it easier to pull them up.

We have also improved our *Lifree Kind on Skin All Night Pads*, which are designed to reduce skin problems and help users sleep better during the night. The new versions now have the highest absorbency performance making them our driest pads yet, reducing the likelihood of skin irritation. We will continue to work on building a unique position in the market by improving our products so that people receiving incontinence care can lead more comfortable and independent lives.

• Light incontinence products

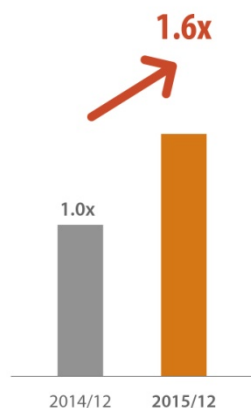
In the light incontinence and urinary incontinence care market, Unicharm is leading market growth in Japan with two brands - the liner-type *Charm Nap* range and the napkin-type *Lifree* range. The urinary incontinence care market is expanding, spurred by recent growth in the number of active seniors who take part in leisure activities. Until recently, the light incontinence market was focused on women, but a large number of men also suffer from this problem. To address this demand, we launched *Lifree Comfortable Thin Pads for Men* in April 2014. This product, which is specially designed to be discreet and prevent staining, is aimed at men who avoid going out due to concerns about light incontinence. Our hope is that *Lifree Sawayaka Slim-type Pads for Men* will give users more confidence to lead normal lives. We expanded our lineup for men in October 2015 with the launch of *Lifree Sawayaka Thin Pads for Men Extra Absorbency*, giving users more options to select the best product for their needs. These products are driving growth in the male light incontinence market, with Unicharm's sales in this category growing at over 60% year on year.

We also expanded our lineup of *Charm Nap Funwari Hada* pantyliners with new products that are longer and offer extra absorbency. With more women entering the workforce in Japan, these products are designed to be easier on the skin than other pantyliners and are aimed at alleviating skin irritation experienced by many women, helping to make their working day more comfortable.

Since 2013, we have also worked to change the way the activities of daily living (ADLs) are defined, proposing a new group of activities called ADL-0 (zero) that include light incontinence. This is just one way we are working to help extend the healthy life expectancy of elderly people in Japan.

Going forward, we will continue to offer new value propositions for unmet needs and promote wider uptake by using retail stores, TV commercials and the internet to increase acceptance of the idea that light incontinence is a common problem and communicate the benefits of our incontinence care products.

Unicharm's domestic sales of
light incontinence products for men



Manufacturing Framework

Fiscal 2015 Highlights

- Third factory to be built in India to tap projected strong growth in demand
- Progress made in reinforcing our manufacturing framework in the MENA region, Africa and South America, as well as Asia
- Pushed ahead with plans to automate and standardize production activities in our factories to reduce costs

Upgrading our production sites worldwide to meet rising demand

Demand for disposable diapers, feminine care products and adult incontinence care products is projected to continue rising, so we are actively increasing production capacity and optimizing our manufacturing framework.

In Indonesia, which is an aging society, we have started production of adult incontinence care products, allowing us to offer products that local people can afford.

In India, where demand is projected to grow dramatically, we started operations at our second factory, which supplies the south of the country, in 2015. We also plan to build our third factory in India, which will be located in the west of the country.

Over the medium and long term, we also forecast rising demand for disposable baby diapers, feminine care products and adult incontinence care products in emerging markets outside Asia. We are therefore strengthening our manufacturing framework in the MENA region, Africa and South America to supply those markets, while also upgrading our facilities through automation and standardization to allow us to supply high-quality products at low cost.

Building an optimum global manufacturing network



Five Key Strategies (2)

Shift our focus from creating products to winning patterns

Secure unrivaled support from consumers

Domestic and overseas markets for nonwoven fabric and absorbent material products are becoming much more competitive. That means companies need to develop innovative products that accurately address consumer needs.

At Unicharm, we are using an approach in all our domestic and overseas markets that is designed to secure unrivaled support from consumers so they continue to purchase our products.



< Targeting real needs >

Asking all our customers directly what they think about Unicharm products is not possible, so Unicharm staff conduct detailed research into local lifestyles in each market, helping us uncover what consumers really need from our products. We also take into account different regional cultures and lifestyles before developing products that are tailored to the needs of each market.

< Developing products tailored to local needs >

We use the nonwoven fabric and absorbent material processing and molding technologies developed since the first days of Unicharm to constantly improve the basic functions of our products: kindness on the skin, leak-free, stuffiness-free qualities, and looser fit. In overseas markets, we are actively launching high-quality products developed with domestic nonwoven fabric and absorbent material processing and molding technologies, aiming to stand out in the market by emphasizing premium levels of quality.

Consumer needs are constantly changing, so we will work to identify future needs ahead of competitors and develop a steady stream of innovative new products to ensure we consistently exceed consumer expectations.

Also, as part of our efforts to help improve the global environment, we are developing new technology to recycle used disposable diapers.

Case study (1): Disposable baby diapers for emerging markets

Demand for disposable baby diapers is growing rapidly in emerging markets, particularly in Asia, but disposable diapers are still out of reach for many people because incomes are still low. As a result, baby diapers have not penetrated the market.

At Unicharm, our mission is to deliver comfort, impression and satisfaction to everybody around the globe. To achieve this goal, we are supplying disposable diapers to emerging markets at a price local people can afford. We are doing this by exhaustively scaling back functions that are not essential to local markets while retaining the basic leak-free, stuffiness-free qualities of our diapers. These products are already on sale in countries such as Indonesia, China and India, where they have proved to be very popular with many consumers. In India, where disposable baby diapers are still not widely used, we are working to encourage uptake by carefully explaining the benefits of disposable diapers, such as the better sleep babies have at night and improvements in hygiene. We are also launching diapers for low birth weight babies in many countries. In Taiwan, our diapers provided support for one mother who gave birth to an extremely premature baby boy of 339g in just her 24th week of pregnancy.

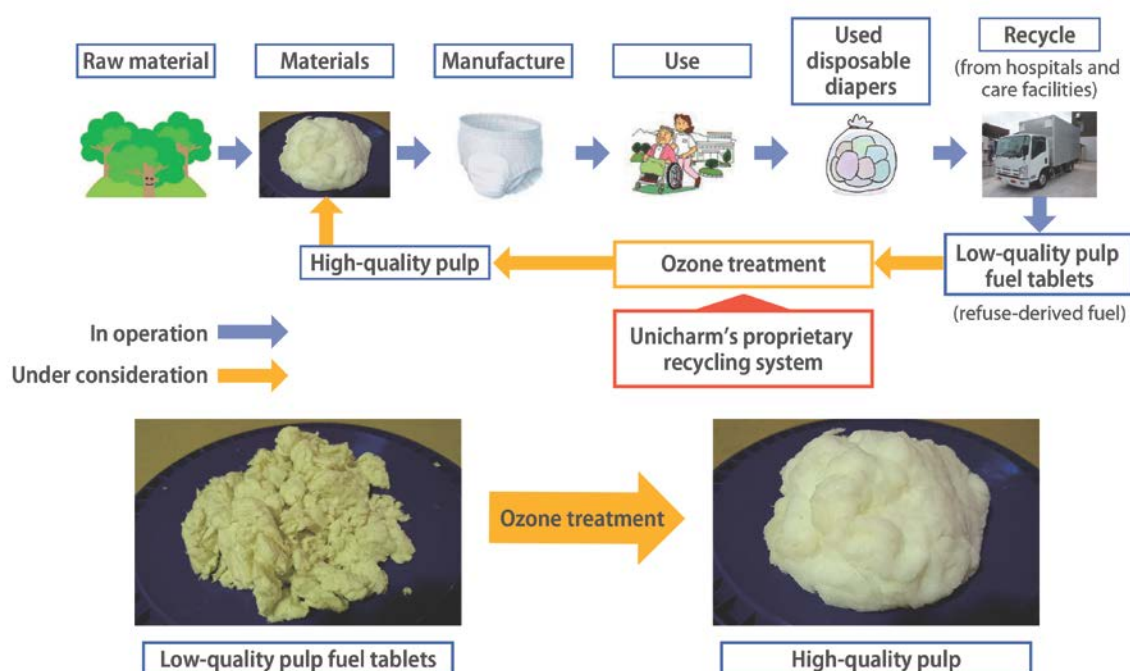
Case study (2): Adult incontinence care products for Japan

In Japan, where the population is aging rapidly, we offer incontinence care products in three categories – light, moderate and heavy – for different levels of incontinence and lifestyles. Our goal is to help elderly people lead independent and comfortable lives for as long as possible. Until recently, the light incontinence market was centered on women, but a large number of men also suffer from this problem. To address this demand, we launched *Lifree Sawayaka Slim-type Pads for Men* to help sufferers make an early intervention through self-care.

Case study (3): Recycling used disposable diapers

Some disposable diapers are already recycled, but potentially infectious bacteria contained in human waste has prevented the reuse of low-quality paper pulp in new disposable diapers. Also, superabsorbent polymers (SAP) contained in disposable diapers make recycling difficult, as they tend to clog up recycling equipment. As a maker of consumer products, Unicharm is working to protect the environment by developing a recycling system that uses proprietary ozone treatment technology to hygienically extract high-quality pulp from used diapers. In the initial stage, low-quality pulp is extracted from the diapers. This pulp is then treated with our ozone system, which oxidizes the SAP and separates it into water and carbon dioxide. The resulting high-quality pulp is as clean and hygienic as virgin pulp, allowing it to be reused in new products.

Our vision for a disposable diaper recycling system



< Actively communicating product value >

To encourage consumers to buy Unicharm products, we have to make sure they fully understand the value of our products so that they take an initial interest in them at retail stores. At Unicharm, we first build a close understanding of culture and customs in each market and region, using that information to develop communication strategies that strike a chord with local consumers. We then use those strategies in in-store sales campaigns that are tied in with TV advertising.

We are working to build an even larger base of customers who feel comfortable about consistently choosing Unicharm products. We are doing this by communicating the compelling value of our products to create a powerful brand that consumers can relate to.

< Supplying products to all corners of the market >

Disposable baby diapers and feminine care products are used in ever-growing numbers in emerging markets, but many countries and regions lack proper infrastructure for product distribution. To ensure faster market uptake, we need to efficiently sell our products to the millions of small retail stores scattered across emerging markets, so that as many stores as possible stock as many Unicharm products as possible.

To achieve this aim, we are building close relationships with leading wholesalers in each region and conducting regular training seminars to explain sales methods and product features. We have already made progress in creating strong networks with leading wholesalers, helping us create distribution systems that allow us to supply every corner of local markets. This is one factor behind our high share in emerging markets.

A long-term approach to raising brand awareness and growing the user base

In Asia, Unicharm is actively working to create job opportunities for local women and supporting efforts to improve hygiene, such as participating in programs that educate women about the mechanism of menstruation and that also give them better knowledge about the types of feminine products that are available. We believe our efforts to help women in emerging markets take a more active role in society will contribute to the development of their countries and the region as a whole. This should also translate into stronger demand for the daily necessities that we produce and raise awareness of the Unicharm brand in local markets.

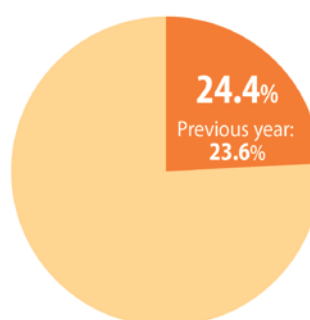
• Creating more job opportunities for women in Asia and the Middle East

Since 1984, when we set up a joint venture in Taiwan, we have worked to create more employment opportunities for local women. As a result of this approach, women now make up a high proportion of the workforce on our production lines in Asia, and through visits to retail stores, our female sales personnel make a significant contribution to improving understanding about our products and ensuring customers are accurately informed. A large number of women also work in managerial positions.

Three years ago, in 2012, we opened a factory in Saudi Arabia's capital Riyadh that employs only women. In accordance with Islam's strict rules in Saudi Arabia, we have put elaborate measures in place to ensure men only come into contact with women at our factory indirectly when they need to hand over documents or products. On the factory floor, these measures include specially designated areas with shutters that prevent direct contact between men and women but allow items to be exchanged. We have increased the number of employees, expanded the production line and hired women to manage the factory floor. Productivity is also rising sharply.



Female manager ratio in Asia



*Ratio of managerial positions in Asia (excluding Japan) that are filled by women (as of December 31, 2015)

• Helping women in emerging markets take a more active role in society

In emerging markets in Asia and elsewhere, the use of hygiene products such as disposable baby diapers and feminine care products is still in its early stages. Also, poor understanding about menstruation and a lack of social infrastructure limits opportunities for women, preventing them from participating fully in society in many countries and regions. In addition to supplying feminine care products and disposable diapers, Unicharm also works to improve understanding about menstruation and hygiene as part of wider efforts to help women in emerging markets take a more active role in society.

In India, we have been working with local NGOs since 2013 to educate women about the mechanisms of menstruation and the types of products that are available to them. We have also introduced this program into Indonesia and plan to do the same in Myanmar.



Educating schoolgirls about menstruation in India



Educating schoolgirls about menstruation in Indonesia

Five Key Strategies (3)

Develop our winning patterns in the personal care business

Unicharm is expanding its sales area for disposable baby diapers and feminine care products, mainly in emerging markets, where demand for nonwoven fabric and absorbent material products is rising. In order to continue delivering profitable growth in the face of intensifying competition worldwide, we are flexibly adapting our winning patterns in Japan to the different local needs and cultures of overseas markets.

Moving into growth markets and rapidly increasing market share

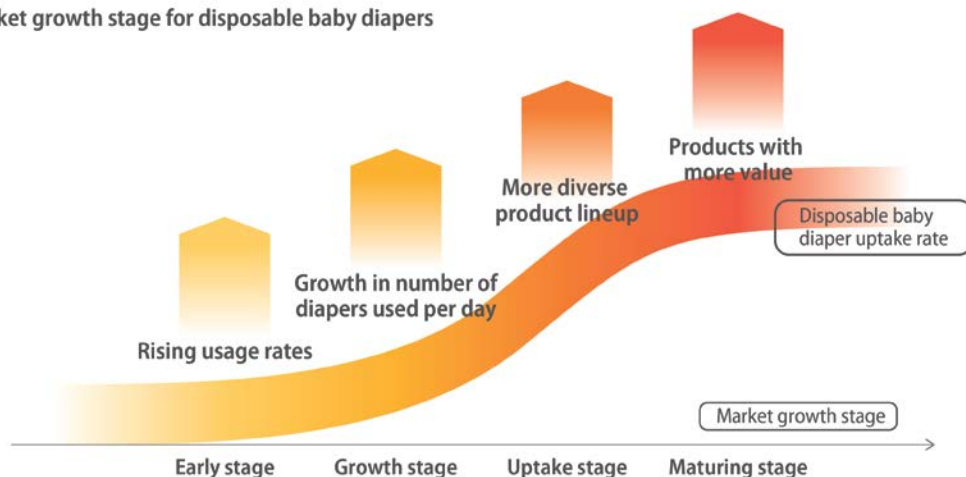
Going forward, we aim to secure strong market positions in promising growth markets to create new markets and build local production and sales networks rapidly. There is a close correlation between market uptake rates for nonwoven fabric and absorbent material products and per capita GDP in each country. Our research shows that uptake rates for disposable baby diapers jump sharply when per capita GDP exceeds \$3,000. When per capita GDP reaches a high level, uptake for disposable baby diapers hits a ceiling, but market uptake increases for adult diapers.

Implementing strategies for each phase of market growth

Unicharm implements clear strategies tailored to each stage of market growth: early stage, growth stage, uptake stage and matured stage. Based on careful analysis of these growth phases, we work to boost market uptake and maximize profits by launching the right products at the right time in each market.

The global market is becoming more complex and faster moving. In this context, we aim to deliver further growth while constantly adapting our winning patterns.

Market growth stage for disposable baby diapers



Five Key Strategies (4)

Build a pet care business with distinctive differentiation in Japan, the U.S., China and Taiwan

Fiscal 2015 Highlights

- In Japan, launched new toilet care products for dogs with clothing designs and promoted the idea of responsible pet ownership
- In the U.S., used our technologies developed in Japan to launch new products, supporting steady growth in sales

The pet care market is growing worldwide

The pet care market continues to expand worldwide. We forecast growth in advanced economies, as well as in emerging markets in South America and Asia, particularly China, where rising incomes and aging societies are likely to drive market expansion.

In Japan, Unicharm has the leading share in all pet food and pet toiletry segments where it has a market presence. We aim to expand the pet care business further by building on this strong position in Japan and accelerating expansion overseas.

Japan: Revitalizing the market through product segmentation

Our goal is to create a symbiotic society where people and their pets can live long and rich lives. To realize this goal, we are developing new products to address consumer needs and creating new markets in order to revitalize the market and boost sales.

Pets are living longer, but growth in pet ownership has stagnated in Japan. In this environment, we are launching pet food for specific segments based on categories such as pet gender, age and health condition. We have also created new product categories such as *Hot Meal Kitchen*, a range of dog food that can be warmed up in the microwave.

In pet toiletry products, we are using the nonwoven fabric and absorbent material processing and molding technologies developed since the early days of Unicharm to actively create new markets. Since launching our first disposable pet diapers in 2001 ahead of competitors, we have rolled out a number of new products in the segment, such as *Male Dog Diapers*, a toilet care product for dogs, in 2011, and *Manner Wear for Male Dogs*, special toilet care products with clothing-type designs for dog walks, in 2014. After receiving a positive response to



our *Manner Wear* range from a large number of pet owners, we launched *Manner Wear for Female Dogs* in March 2015. In Japan, many owners enjoy going out for walks with their dogs, but there are fewer places to take them compared with other advanced markets such as the U.S. and Europe. Our goal is to promote a new type of lifestyle for dogs and their owners that puts more emphasis on responsible pet ownership, making it easier for large numbers of pets and owners to share the same spaces.

Also, with the focus of pet ownership shifting from outdoor spaces to inside homes, we have expanded our lineup of dog and cat deodorizing products to address the growing number of owners who have pet toilets in living areas. Going forward, we will continue to use the technologies developed since the first days of Unicharm to develop new products with unique functionality.

North America: Targeting growth through synergies with Hartz

In the U.S. pet care market, which accounts for roughly 40% of the global market, we acquired The Hartz Mountain Corporation in 2011 to expand our business in North America. The U.S. pet care market is the world's largest, estimated to be worth around \$30 billion, and we forecast continued strong growth of around 4-5% annually. We intend to boost profitability and expand our pet care business in the U.S. by combining our technological and product development capabilities in pet toiletry and pet food products with the brand power, marketing expertise and selling power of Hartz.

We already have launched new products such as wet-type snacks for cats – a first for the U.S. market – and expanded our lineup with products that are already popular in Japan, such as dog toilet sheets and deodorizing litter for cats. This wider choice of products, coupled with efforts to build our brand and create new markets, is supporting steady sales growth in North America. We will continue to use Unicharm's portfolio of legacy technologies to accelerate our move into the North American market.



Five Key Strategies (5)

Convert all subsidiaries to local management units (LMUs) and nurture resonant personnel

Accelerate strategy implementation by delegating more authority to overseas subsidiaries

Aiming to become a more global company, Unicharm is transferring more authority to overseas subsidiaries as part of efforts to create an operating structure that supports faster strategy implementation.

Demand for nonwoven fabric and absorbent material products is rising worldwide, but we also face intensifying competition. In order to accelerate overseas business expansion under these conditions, we need to integrate closely with local markets to rapidly identify changes in the operating environment and trends at our competitors, helping us make decisions about the best time to launch products and strengthen our manufacturing framework. As part of this approach, we are delegating authority for product development and marketing to local subsidiaries in markets where sales have been growing strongly.

In China and India, we have transferred those functions to local subsidiaries, which are now responsible for developing individual sales strategies for specific regions, ensuring we can respond rapidly to changes in consumer needs in small sales areas. We also plan to delegate more authority to local subsidiaries in Thailand, Indonesia and other markets.



Actively sending our brightest people to overseas sites

Another way we are working to become a more global company is by transferring and adapting our winning patterns in Japan to the cultures and needs of overseas markets. To do this, we need people who have a deep understanding of Unicharm's DNA, corporate culture and business strategy. We are therefore actively sending our brightest people – who have over 20 years of experience working for Unicharm – to overseas business sites to ensure our corporate DNA takes root. We are also cultivating the next generations of Unicharm personnel to fill this role in the future.

Management Structure and Corporate Governance

Ideal vision

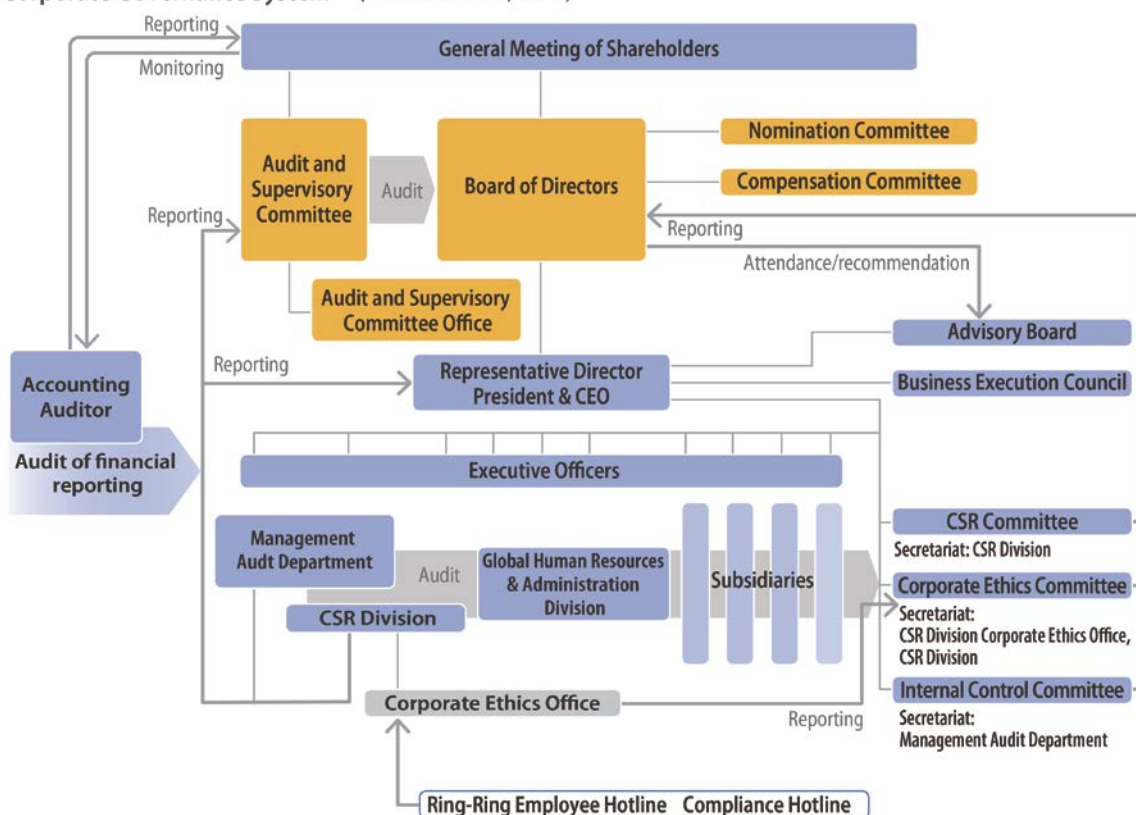
We aim to achieve growth and fulfill our social responsibilities through transparent management and proactive information disclosure.

Corporate Governance

Unicharm strives to pursue proper corporate management through the Unicharm Ideals. We aim to secure the support and trust of society by delivering sustainable growth and long-term corporate value through business activities based on close cooperation between management and executive divisions, and by working closely and appropriately with all our stakeholders.

In 1999, we introduced an executive officer system to separate management oversight and executive functions, and in May 2015 we moved to a “company with audit and supervisory committee” governance structure to meet the expectations of all our stakeholders in Japan and overseas from a global perspective. This new system has strengthened oversight of the executive functions of the Board of Directors and brought outside directors into the management process to increase transparency and efficiency.

Corporate Governance System (As of March 31, 2016)



Under this structure, members of the independent Audit and Supervisory Committee have voting rights on the Board of Directors and the committee actively uses the Company's internal control system to carry out audit. This has strengthened audit and oversight of management by outside directors, helping to create a corporate culture and climate spirit based on compliance, appropriate collaborative relationships with stakeholders and sound business ethics. All this underpins our fundamental stance on corporate governance as a global company: conduct business activities balanced between growth and discipline.

Our internal control system

The Unicharm Group formulated its Basic Policy for Establishing an Internal Control System in accordance with the Companies Act and established an Internal Control Committee to respond to the Internal Control and Reporting System (JSOX) of the Financial Instruments and Exchange Act.

The Internal Control Committee conducts an annual reassessment of risks for each company in the Unicharm Group, reviews target countries for J-SOX assessment and revises the scope of business processes requiring evaluation. At the same time, the committee works to improve the reliability of financial reporting by promoting the establishment and operation of an internal control system and effective assessments.

We are making ongoing improvements to this internal control system from a global perspective by taking into account regulatory developments in countries overseas where the Group operates.

Compliance

Our stance on compliance

Our management policy is expressed in the Unicharm Ideals, which state: "we strive to pursue proper corporate management principles which combines corporate growth, associate well-being and the fulfillment of our social responsibilities."

Initiatives to raise compliance awareness

Unicharm has created a booklet called The Unicharm Way, which includes the Group's Code of Conduct and other important compliance documents. The booklet forms the basis of our compliance system and is designed to remind all directors and employees to hold themselves to the highest ethical standards and comply with all rules and regulations.

We also run regular training programs to raise awareness of compliance among directors and employees and educate them about specific laws and regulations relevant to their respective work duties. As part of these efforts, we make sure our personnel understand that bribing public officials and making facilitating payments are banned and emphasize the importance of upholding antitrust laws. In Japan, Group employees can consult on compliance issues by phoning our Ring-Ring Employee Hotline. In fiscal 2015, we received 16 requests for advice. We also operate similar hotlines in China and Thailand. In addition to the Ring-Ring Employee Hotline, an internal whistle-blowing hotline called the Compliance Hotline has been available to employees since April 2014 to support compliance management.

Risk Management

Rigorous information security

To ensure rigorous information security, the Unicharm Group has set out information security principles and procedures, such as the Information Security Policy and the Information Management Security Rules. We also have Personal Information Protection Rules in place to safeguard personal information provided by our customers, and we strictly manage this information and take precautions to prevent information leaks. To ensure these rules are strictly observed and to prevent information leaks, Unicharm has established an Information Security Committee, which develops Groupwide information management security initiatives and carries out employee education and ongoing monitoring. In fiscal 2015, we ran five courses about information security through our e-learning portal. Through the courses, participants confirmed security procedures that they are required to follow. One day every month is also earmarked as an information management day, when we highlight a different security topic each month to remind employees about the risk of specific information leaks.

Protecting intellectual property

In 2015, we reorganized the Legal & Intellectual Property Group and renamed it the Intellectual Property Division to strengthen the Group's intellectual property functions. This is part of our wider goal of building a powerful competitive advantage that differentiates us from other companies in the medium and long term.

The Intellectual Property Division centralizes the management of the Group's intellectual property assets and formulates and executes intellectual property strategies linked to Unicharm's business and development strategies. Based on our patent application strategy, we have been protecting and using our business and product development results as intellectual property. Strengthening international patent applications as part of our global expansion also put Unicharm into 111th place for international patent applications in 2014, a high ranking in global terms (based on WIPO data). In order to raise the quality of our patent applications, we use the Japan Patent Office's Collective Examination for IP Portfolio Supporting Business Strategy and we have signed up as the first user worldwide of the ASEAN Patent Examination Cooperation (ASPEC) program. By actively applying for patents at an early stage in Japan and overseas, we are enhancing our ability to build a portfolio of intellectual property such as patents, utility models, designs and trademarks.

Unicharm has applied for and secured trademarks that protect the Group's brands in more than 160 countries around the world, and we are also protecting our rights to proprietary packaging. In 2015, we also secured the rights to the "unicharm" and "Moony" moving trademarks under the Japan Patent Office's system for new types of trademarks. Unicharm was the first company in the disposable diaper sector to apply for trademarks under this new system.

Unicharm also takes a firm stance on protecting its intellectual property, including filing lawsuits against infringements or unauthorized use. Our business and product development divisions cooperate closely with overseas subsidiaries and work with local governments to eliminate unauthorized and counterfeit products in Japan and overseas such as Asia, ASEAN, the Middle East and Africa. Unicharm is committed to cultivating a corporate culture that promotes the respect and protection of intellectual property rights of Unicharm and other companies, as articulated in the Unicharm Action Guidelines, by conducting employee training through a combination of on-the-job training, off-the-job training and e-learning to ensure that employees in Japan and overseas are fully aware of how to handle intellectual property rights.

As part of our public activities, we seek to provide advice on and influence international policy with respect to intellectual property by actively exchanging opinions with patent offices in Japan, Asia and the ASEAN area.

Business Continuity Plan (BCP*)

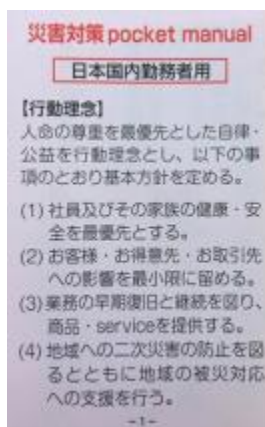
Unicharm has been strengthening risk management since fiscal 2005. Our BCP Manual describes steps to ensure the safety of our employees and their families, deliver Unicharm products that are necessities for daily living to people in disaster-affected areas, as well as to those people who require them as soon as possible, and recover important corporate operations of Unicharm, particularly head office functions.

We are working to further enhance workplace safety through various initiatives. Specifically, we conduct e-learning sessions for all employees to raise awareness and encourage proactive responses, and we require all employees to carry a disaster response pocket manual for immediate reference during an emergency. We have also put systems in place that allow us to contact employees using smartphones, which they must carry at all times. This helps us to confirm their safety and maintain business continuity during emergencies.

In addition, we conduct disaster training drills at each business site, hold basic survival courses and provide training that is tailored to the function of each division. We also hold a BCP training exercise called 3/11 Comprehensive Company-Wide Drill to help us prepare for a major earthquake directly underneath Tokyo or a large-scale interconnected earthquake involving the Tokai, Tonankai and Nankai plates. We carry out first response drills with an emphasis on confirming employee safety and the capabilities of disaster response headquarters, including checking the safety of all Unicharm employees in Japan. Collectively, these ongoing education and training initiatives are designed to reinforce our ability to respond to earthquakes, new strains of influenza and other emergencies. Since fiscal 2014, we have conducted crisis communication activities for different situations depending on the type of emergency, based on the premise of disclosing information to minimize damage. This includes conducting training with each internal division based on different pre-selected crisis situations, allowing us to confirm the effectiveness of our crisis response manuals on an ongoing basis.

Going forward, we will strengthen our global risk management capabilities to prepare for civil unrest, terrorism and other incidents to ensure we are prepared to handle any unforeseen events.

*BCP: Plan for the continued operation and rapid recovery of core business activities after an emergency



Crisis response pocket manual



Crisis response training



Training exercise at the Shizuoka Factory

Officers (as of March 30, 2016)

Directors



Keiichiro Takahara
Director, Founder



Takahisa Takahara
President & CEO



Gumpei Futagami
Director, Vice President and
Managing Executive Officer
Chairman of Unicharm PetCare
Company
Chairman, President and CEO of
The Hartz Mountain Corporation



Eiji Ishikawa
Director, Managing Executive Officer
Chief Quality Officer, General
Manager of Global Research &
Development Division
Representative Director,
President & CEO of Unicharm
Products Co., Ltd.



Shinji Mori
Director, Managing Executive Officer
President of Unicharm PetCare
Company



Kennosuke Nakano
Director, Managing Executive Officer
General Manager of Sales Division



Masakatsu Takai
Director, Senior Executive Officer
General Manager of Production
Division of Unicharm PetCare
Company



Yoshihiro Miyabayashi
Director, Senior Executive Officer
Chairman, President of Unicharm
(China) Co., Ltd.
Chairman, President of Unicharm
Consumer Products (China) Co., Ltd.
Chairman of PT Uni-Charm Indonesia
Chairman of Unicharm India Private Ltd.
President of UniCharm (Philippines)
Corp.



Masahiko Hirata

Director, Audit & Supervisory
Committee Member
(Outside Director)

Reasons for Appointment

Mr. Masahiko Hirata possesses significant expertise in finance and accounting due to previous positions as Executive Vice President (in charge of accounting and finance) and Corporate Auditor at Matsushita Electric Industrial Co., Ltd. (now Panasonic Corporation).

Main Activities

Since his appointment on May 1, 2015, Mr. Hirata has attended all 13 meetings of the Board of Directors and all 13 meetings of the Audit and Supervisory Committee, drawing on his wealth of experience to ask appropriate questions and provide advice.



Kimisuke Fujimoto

Director, Audit & Supervisory
Committee Member
(Outside Director)

Reasons for Appointment

Mr. Kimisuke Fujimoto has a long track record working for financial institutions and a broad understanding of finance.

Main Activities

Since his appointment on May 1, 2015, Mr. Fujimoto has attended 11 out of 13 meetings of the Board of Directors and 12 out of 13 meetings of the Audit and Supervisory Committee, providing appropriate advice about agenda points and other topics of discussion as required.



Shigeki Maruyama

Director, Audit & Supervisory
Committee Member
(Outside Director)

Reasons for Appointment

Mr. Shigeki Maruyama has extensive knowledge about finance and accounting due to his experience as the Company's Director in charge of finance.

Please scan the QR code
to view career summary bios.



<http://www.unicharm.co.jp/english/about/overview/index.html>

Executive Officers

President and

Chief Executive Officer

Vice President and

Managing Executive Officer

Managing Executive Officer

Managing Executive Officer

Managing Executive Officer

Senior Executive Officer

Senior Executive Officer

Senior Executive Officer

Senior Executive Officer

Senior Executive Officer

Takahisa Takahara

Gumpei Futagami

Eiji Ishikawa

Shinji Mori

Kennosuke Nakano

Masakatsu Takai

Yoshihiro Miyabayashi

Hiromitsu Kodama

Kenji Takaku

Yukihiro Kimura

Executive Officer

Executive Officer

Executive Officer

Executive Officer

Executive Officer

Executive Officer

Executive Officer

Executive Officer

Executive Officer

Executive Officer

Atsushi Iwata

Masaaki Takahashi

Toshiro China

Shigeru Asada

Seiichi Motoi

Toshifumi Hikosaka

Tadashi Nakai

Shinobu Seki

Tetsuya Shite

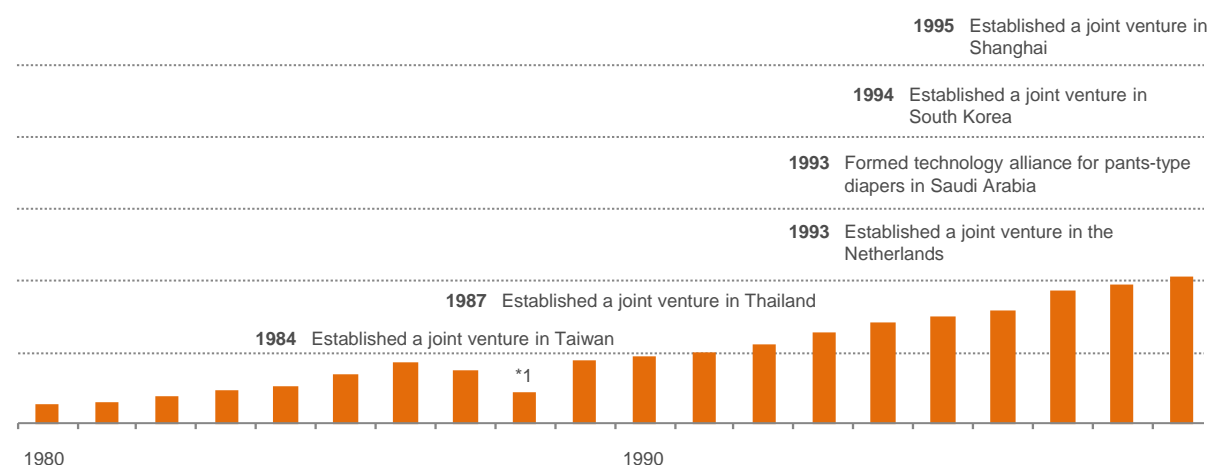
Masayuki Daiyo

Unicharm Corporate History

A growth story focused on Asia

Unicharm started to actively develop its business overseas from the 1980s and now has operations in more than 80 countries worldwide. With advanced economies facing aging societies and emerging markets needing to tackle hygiene issues, Unicharm has the opportunity to make a difference in a growing number of areas.

Net sales



*1 The fiscal period ended March 1998 was a six-month transitional period due to a change in fiscal year-end.

Business Topics

- | | | |
|---|--|--|
| 1974 Founded Unicharm Corporation | 1985 Company stock designated to be listed on the First Section of the Tokyo Stock Exchange | |
| 1976 Listed stocks on the Second Section of the Tokyo Stock Exchange | 1986 Commenced pet care business | 1994 Technical Center completed – base for research and development |
| | | 1996 Obtained ISO9002 certification for the factory in Taiwan |
| | | 1997 Commenced procedures for acquiring ISO14001 certification |

Products

- | | | |
|---|---|---|
| 1963 Commenced manufacture and sale of feminine napkins | 1981 Launched <i>Moony</i> , disposable diapers | 1990 Launched <i>Trepanman</i> , training pants |
| 1976 Launched <i>Charm Nap Mini</i> , slim napkins |  | 1991 Launched <i>Oyasumi Man</i> , pants for bed-wetting children |
|  | 1982 Launched <i>Sofy</i> , shaped feminine napkins | 1992 Launched <i>Moony Man</i> pants-type diapers |
| 1980 Launched <i>Charm Soft Tampon</i> | 1983 Launched <i>Mamy Poko</i> , disposable diapers |  |
| | 1987 Launched <i>Lifree</i> , disposable diapers for adults | 1993 Launched <i>Mamy Poko</i> , diapers designed with Disney characters |
| | 1988 Launched <i>Lifree Nyotori Pad</i> , incontinence pads | |

Please scan the QR code
to view corporate history bios.



<http://www.unicharm.co.jp/english/about/history/index.html>

2014 Commenced manufacture and sale in Brazil

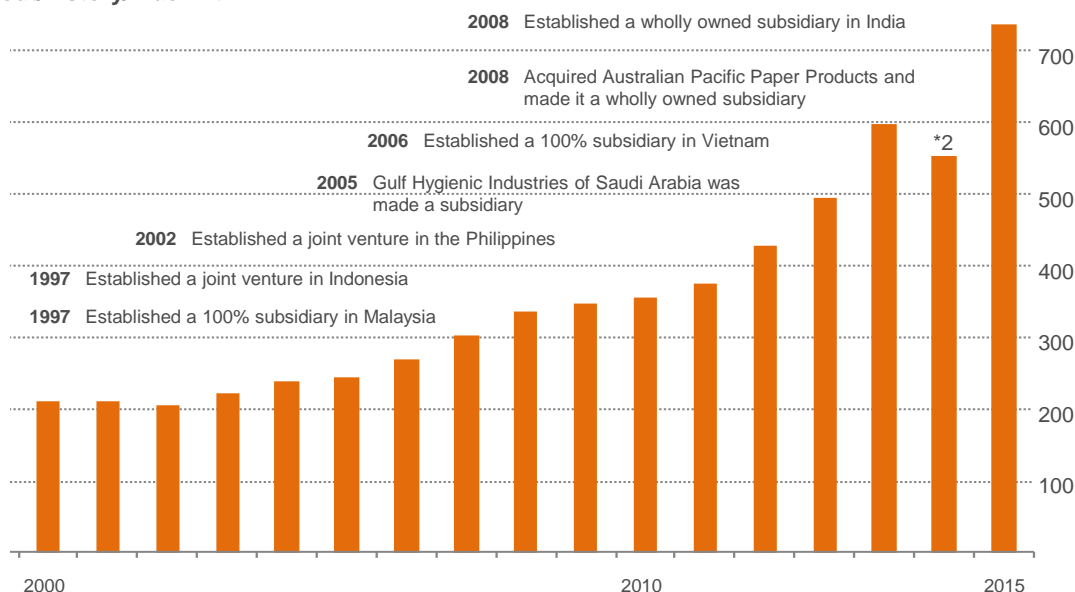
2013 Acquired a hygiene products company in Myanmar

2011 Acquired a hygiene products company in Vietnam

2011 Acquired a major pet-care products supplier in USA

2011 Established a holding company in China

2010 Established a consolidated subsidiary in Egypt (¥ billion)



*2 The fiscal period ended December 2014 was a nine-month transitional period due to a change in fiscal year-end.

2000 Established research institute for toileting care

2006 Announced participation in the United Nations Global Compact

2001 Keiichiro Takahara assumed the office of Chairman and Representative Director
Takahisa Takahara assumed the office of President and Representative Director

2009 Established Unicharm Humancare Corporation
Unicharm Humancare Corporation releases *Humany*, a urine aspirator.

2010 Merged Unicharm PetCare Corporation

2005 Unicharm PetCare Corporation stock designated to be listed on the First Section of the Tokyo Stock Exchange

2012 Approved as a member of "Business Call to Action (BCtA)" led by United Nations Development Programme (UNDP)

1995 Launched *Lifree Rehabili-Pants*, pants-type diapers for adults



1997 Launched *Charm Nap Sawayaka Liners*, special incontinence panty liners



1999 Launched *Lifree Sawayaka Pads* for light incontinence

2001 Launched *Moony Man Hai-Hai-yo*, pants-type diapers for crawling babies
Launched *Pet Diapers*

2004 Launched *Moony Man Mizu-Asobi Pants*, pants-type diapers for children to use when playing with water

2007 Launched *Sofy Hadaomoi*, feminine napkins for sensitive skin prone to irritation

2010 Launched *Moony Pants Shitagijitate*, pants-type disposable for babies
Launched a new disposable diaper for adults, *Lifree Ultra-Thin Underwear-like Pant-Diaper*

2013 Launched *Moony AirFit*, the world-first disposable baby diaper that smoothly fits to round-shaped skeletal structure of infant



2014 Launched a new incontinence-care product for dogs, *Manner Wear*

Key Financial and Non-Financial Data for the Last 10 Years

	2007/3	2008/3	2009/3	2010/3
For the Fiscal Period:				
Net sales	301,880	336,864	347,849	356,825
Overseas sales to net sales ratio	32.4%	36.9%	37.1%	38.5%
Cost of sales	173,238	196,130	206,209	193,012
Selling, general and administrative expenses	98,711	107,002	106,756	118,747
Operating income	29,929	33,731	34,883	45,066
Net income	15,058	16,683	17,127	24,463
Net income per share (¥) *2	25.81	28.82	29.81	42.85
Cash dividends per share (¥) *2	4.89	5.11	6.00	7.67
Consolidated payout ratio	18.9%	17.7%	20.1%	18.1%
Net cash provided by operating activities	28,357	45,308	21,978	55,032
Net cash used in investing activities	(20,328)	(10,091)	(44,316)	(22,239)
Free cash flows	8,029	35,217	(22,338)	32,793
Capital expenditures	21,306	17,370	14,573	24,750
Depreciation and amortization	13,431	15,040	17,101	16,393
Amortization of goodwill	N/A	N/A	N/A	N/A
Research and development costs	4,331	4,504	4,459	4,558
Fiscal Year-end:				
Total assets	268,763	275,435	278,313	307,773
Property, plant and equipment	86,725	86,463	84,247	95,356
Long-term debt—less current maturities	1,738	1,451	1,206	943
Net assets	177,049	179,170	185,590	207,413
Equity ratio	60.0%	58.9%	60.2%	59.7%
Number of employees	6,265	6,461	6,904	7,108
(including overseas employees)	3,264	3,441	3,875	4,055
Ratios:				
Operating income to net sales	9.9%	10.0%	10.0%	12.6%
Net income to net sales	5.0%	5.0%	4.9%	6.9%
Gross profit to net sales	42.6%	41.8%	40.7%	45.9%
SG&A expenses to net sales	32.7%	31.8%	30.7%	33.3%
ROE	9.6%	10.3%	10.4%	13.9%
ROA (Ordinary income to assets)	11.6%	11.9%	11.4%	15.6%
Stock Prices:				
High (¥) *2	852	884	959	1,024
Low (¥) *2	644	693	638	639
Environment-related Ratios:				
Reduction in CO ₂ emissions volume *4	12.1	12.1	11.8	11.3
Reduction in industrial waste at three main plants	-3.5%	-2.1%	-13.6%	-11.9%
Recycling rate in industrial waste at three main plants	98.0%	99.0%	99.0%	98.9%
Percentage of environmental-friendly products	—	—	36%	59%

(Notes) 1. Amounts have been rounded down.

2. The Company conducted 1-for-3 stock splits on October 1, 2010 and on October 1, 2014. Per share data have been adjusted retroactively to reflect the impact of the stock splits.

3. Fiscal 2014, ending December 31, 2014, was a nine-month transitional period due to a change in fiscal year-end.

4. Energy usage (GJ) / net sales (¥ millions)

(Millions of yen)					
2011/3	2012/3	2013/3	2014/3	2014/12 *3	2015/12
376,947	428,391	495,771	599,455	553,661	738,707
42.4%	46.9%	52.6%	57.7%	64.4%	61.4%
203,394	233,936	268,743	331,807	308,421	406,521
126,991	142,554	167,539	200,407	183,892	252,250
46,561	51,900	59,488	67,240	61,347	79,934
33,560	26,981	43,121	38,216	32,731	40,511
59.37	48.32	77.92	64.10	54.33	67.55
9.33	10.67	11.33	12.67	12.73	14.80
31.4%	22.1%	14.5%	19.8%	23.4%	21.9%
(17,239)	59,570	68,758	95,659	68,892	85,009
(69,527)	(58,861)	(53,304)	(58,220)	(36,741)	(68,166)
(86,766)	709	15,454	37,439	32,151	16,843
82,655	69,498	52,340	51,908	41,756	47,993
14,620	13,257	16,814	22,101	20,393	27,343
2,760	3,899	4,239	9,203	3,769	4,640
4,953	4,733	5,098	5,265	4,248	5,993
444,015	472,497	535,055	620,419	699,108	702,601
98,389	116,821	163,129	204,417	240,082	247,808
47,354	35,219	23,000	21,000	5,420	10,757
219,632	243,207	329,201	432,152	492,844	451,091
45.5%	45.1%	54.2%	60.3%	60.0%	55.1%
7,317	10,287	10,855	12,795	13,901	15,500
4,297	7,260	7,846	9,801	10,907	12,526
12.4%	12.1%	12.0%	11.2%	11.1%	10.8%
8.9%	6.3%	8.7%	6.4%	5.9%	5.5%
46.0%	45.4%	45.8%	44.6%	44.3%	45.0%
33.7%	33.3%	33.8%	33.4%	33.2%	34.1%
17.4%	13.0%	17.2%	11.5%	8.2%	10.0%
11.5%	10.6%	12.9%	11.8%	9.9%	10.2%
1,148	1,473	1,877	2,230	3,010	3,398
897	997	1,345	1,683	2,359	2,045
11.4	11.0	10.8	11.0	10.5	10.3
-11.9%	-15.3%	-11.4%	-8.9%	-13.3%	-3.5%
99.2%	99.2%	99.1%	99.4%	99.5%	99.5%
55%	55%	56%	62%	67%	72%

Consolidated Balance Sheets

(Millions of yen)

	2014/12	2015/12
Assets		
Current assets		
Cash and deposits	138,781	138,503
Notes and accounts receivable – trade	88,563	95,476
Merchandise and finished goods	30,654	30,169
Raw materials and supplies	29,972	32,499
Work in process	1,806	1,360
Deferred tax assets	17,165	17,024
Other	14,950	16,809
Allowance for doubtful accounts	(121)	(148)
Total current assets	321,772	331,693
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	74,355	76,428
Machinery, equipment and vehicles, net	123,235	130,254
Land	19,697	18,549
Construction in progress	16,149	16,123
Other, net	6,644	6,452
Total property, plant and equipment	240,082	247,808
Intangible assets		
Goodwill	72,148	67,359
Other	24,030	22,468
Total intangible assets	96,178	89,828
Investments and other assets		
Investment securities	24,942	23,611
Deferred tax assets	7,313	2,195
Net defined benefit asset	3,828	2,160
Other	5,081	5,393
Allowance for doubtful accounts	(91)	(91)
Total investments and other assets	41,074	33,270
Total non-current assets	377,336	370,907
Total assets	699,108	702,601

Please scan the QR code
to view financial results bios.



<http://www.unicharm.co.jp/english/ir/library/earnings/index.html>

(Millions of yen)

	2014/12	2015/12
Liabilities		
Current liabilities		
Notes and accounts payable – trade	91,586	93,799
Short-term loans payable	27,979	3,846
Accounts payable – other	41,583	40,683
Income taxes payable	5,428	7,667
Provision for bonuses	5,027	5,514
Other	18,578	17,117
Total current liabilities	190,183	168,630
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	—	54,421
Long-term loans payable	5,420	10,757
Deferred tax liabilities	2,082	8,160
Net defined benefit liability	4,348	5,295
Other	4,229	4,243
Total non-current liabilities	16,081	82,878
Total liabilities	206,264	251,509
Net assets		
Shareholders' equity		
Capital stock	15,992	15,992
Capital surplus	46,358	6,858
Retained earnings	334,558	366,777
Treasury shares	(28,667)	(41,101)
Total shareholders' equity	368,242	348,527
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,329	11,164
Deferred gains or losses on hedges	65	(6)
Revaluation reserve for land	(157)	(157)
Foreign currency translation adjustment	44,426	33,804
Remeasurements of defined benefit plans	(4,254)	(6,136)
Total accumulated other comprehensive income	51,410	38,667
Subscription rights to shares	238	276
Minority interests	72,952	63,619
Total net assets	492,844	451,091
Total liabilities and net assets	699,108	702,601

Consolidated Statement of Income

(Millions of yen)

	2014/12	2015/12
Net sales	553,661	738,707
Cost of sales	308,421	406,521
Gross profit	245,240	332,185
Selling, general and administrative expenses	183,892	252,250
Operating income	61,347	79,934
Non-operating income		
Interest income	1,280	1,750
Dividend income	363	435
Foreign exchange gains	4,015	—
Subsidy income	373	765
Gain on sales of scraps	543	761
Gain on forfeiture of unclaimed dividends	8	1,052
Other	1,091	880
Total non-operating income	7,675	5,646
Non-operating expenses		
Interest expenses	287	588
Sales discounts	2,947	4,271
Foreign exchange losses	—	7,979
Other	261	1,362
Total non-operating expenses	3,496	14,201
Ordinary income	65,527	71,380
Extraordinary income		
Gain on sales of non-current assets	28	54
Gain on sales of investment securities	—	4,214
Subsidy income	—	2,249
Compensation for transfer	5,009	—
Total extraordinary income	5,037	6,518
Extraordinary losses		
Loss on disposal of non-current assets	536	557
Total extraordinary losses	536	557
Income before income taxes and minority interests	70,027	77,340
Income taxes – current	14,262	16,128
Income taxes – deferred	14,604	12,724
Total income taxes	28,867	28,852
Income before minority interests	41,160	48,488
Minority interests in income	8,428	7,976
Net income	32,731	40,511

Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	2014/12	2015/12
Income before minority interests	41,160	48,488
Other comprehensive income		
Valuation difference on available-for-sale securities	2,270	(164)
Deferred gains or losses on hedges	118	(146)
Foreign currency translation adjustment	30,944	(13,536)
Remeasurements of defined benefit plans, net of tax	(65)	(1,930)
Total other comprehensive income	33,267	(15,778)
Comprehensive income	74,428	32,710
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	58,237	27,769
Comprehensive income attributable to minority interests	16,190	4,941

Consolidated Statement of Changes in Shareholders' Equity

Fiscal Year Ended December 31, 2014 (April 1, 2014 – December 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	15,992	46,385	306,974	(21,110)	348,242
Cumulative effects of changes in accounting policies			2,682		2,682
Restated balance	15,992	46,385	309,657	(21,110)	350,925
Changes of items during period					
Dividends of surplus			(7,830)		(7,830)
Net income			32,731		32,731
Purchase of treasury shares				(8,008)	(8,008)
Disposal of treasury shares		(27)		451	424
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(27)	24,901	(7,556)	17,317
Balance at end of current period	15,992	46,358	334,558	(28,667)	368,242

	Accumulated other comprehensive income						Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	9,058	2	(157)	21,118	(4,128)	25,893	295	57,719	432,152
Cumulative effects of changes in accounting policies								9	2,692
Restated balance	9,058	2	(157)	21,118	(4,128)	25,893	295	57,729	434,844
Changes of items during period									
Dividends of surplus									(7,830)
Net income									32,731
Purchase of treasury shares									(8,008)
Disposal of treasury shares									424
Net changes of items other than shareholders' equity	2,270	63	—	23,308	(126)	25,516	(57)	15,223	40,681
Total changes of items during period	2,270	63	—	23,308	(126)	25,516	(57)	15,223	57,999
Balance at end of current period	11,329	65	(157)	44,426	(4,254)	51,410	238	72,952	492,844

Fiscal Year Ended December 31, 2015 (January 1, 2015 – December 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	15,992	46,358	334,558	(28,667)	368,242
Changes of items during period					
Dividends of surplus			(8,293)		(8,293)
Net income			40,511		40,511
Purchase of treasury shares				(13,000)	(13,000)
Disposal of treasury shares		(72)		566	493
Purchase of shares of consolidated subsidiaries		(39,426)			(39,426)
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	(39,499)	32,218	(12,434)	(19,715)
Balance at end of current period	15,992	6,858	366,777	(41,101)	348,527

	Accumulated other comprehensive income						Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	11,329	65	(157)	44,426	(4,254)	51,410	238	72,952	492,844
Changes of items during period									
Dividends of surplus									(8,293)
Net income									40,511
Purchase of treasury shares									(13,000)
Disposal of treasury shares									493
Purchase of shares of consolidated subsidiaries									(39,426)
Net changes of items other than shareholders' equity	(164)	(72)	—	(10,622)	(1,882)	(12,742)	38	(9,332)	(22,036)
Total changes of items during period	(164)	(72)	—	(10,622)	(1,882)	(12,742)	38	(9,332)	(41,752)
Balance at end of current period	11,164	(6)	(157)	33,804	(6,136)	38,667	276	63,619	451,091

Consolidated Statement of Cash Flows

(Millions of yen)

	2014/12	2015/12
Cash flows from operating activities		
Income before income taxes and minority interests	70,027	77,340
Depreciation	20,393	27,343
Amortization of goodwill	3,769	4,640
Interest and dividend income	(1,643)	(2,186)
Interest expenses	287	588
Foreign exchange losses (gains)	(6,314)	7,203
Loss (gain) on sales and retirement of non-current assets	508	503
Loss (gain) on sales of investment securities	—	(4,214)
Compensation for removal	(5,009)	—
Decrease (increase) in notes and accounts receivable – trade	(13,584)	(12,315)
Decrease (increase) in inventories	(5,568)	(4,356)
Increase (decrease) in notes and accounts payable – trade	8,349	5,064
Increase (decrease) in other current liabilities	2,928	(336)
Other, net	(61)	(1,706)
Subtotal	74,083	97,569
Interest and dividend income received	1,656	2,019
Interest expenses paid	(240)	(683)
Proceeds from insurance income	1,154	—
Proceeds from compensation for removal	6,205	—
Income taxes refund	719	1,064
Income taxes paid	(14,685)	(14,959)
Net cash provided by (used in) operating activities	68,892	85,009
Cash flows from investing activities		
Payments into time deposits	(1,602)	(36,035)
Proceeds from withdrawal of time deposits	5,579	9,280
Purchase of property, plant and equipment and intangible assets	(42,664)	(46,575)
Proceeds from sales of property, plant and equipment and intangible assets	879	690
Purchase of investment securities	(2,722)	(15)
Proceeds from sales of investment securities	3,790	4,467
Other, net	(2)	20
Net cash provided by (used in) investing activities	(36,741)	(68,166)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	174	(1,678)
Proceeds from long-term loans payable	5,508	6,000
Repayments of long-term loans payable	(1,000)	(22,200)
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares	—	54,750
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(50,742)
Purchase of treasury shares	(8,008)	(13,000)
Cash dividends paid	(7,834)	(8,284)
Cash dividends paid to minority shareholders	(1,552)	(1,500)
Proceeds from share issuance to minority shareholders	525	117
Proceeds from exercise of share options	367	427
Other, net	(233)	(723)
Net cash provided by (used in) financing activities	(12,054)	(36,835)
Effect of exchange rate change on cash and cash equivalents	9,449	(5,085)
Net increase (decrease) in cash and cash equivalents	29,546	(25,078)
Cash and cash equivalents at beginning of period	97,498	127,044
Cash and cash equivalents at end of period	127,044	101,966