



**Integrated Report 2018**  
(Annual Report)



**unicharm**  
ユニチャーム

Gentle care for life

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### Editorial policy

Unicharm is striving to increase corporate value while also helping to solve issues faced by society worldwide. Given this objective, we publish Integrated Reports to provide more non-financial information, helping stakeholders gain a more detailed picture of the links between our strategies and the social impact of our business. With our Integrated Report 2018, we have overhauled report content to explain how our efforts to solve issues faced by society are connected to growth in Unicharm's corporate value. In principle, we do not produce hard copies of this report, which is only available on Unicharm's corporate website to minimize environmental impact.

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

\* Detailed financial information is disclosed in securities filings, while detailed non-financial information can be found in CSR Reports.



# 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: "Flowers of Iyo"

By Haruka

Haruka works at a company in Ehime Prefecture and enjoys creating pictures of flowers. Many of her pictures are collages or pencil drawings.

# Message

## from the President

Unicharm shall continue to supply the world-first and world-#1 product & services that can provide all people around the world with comfort, deep impression and joy for contributing to realize the “Cohesive Society” in which they can always be brightening through their independence and mutual support.

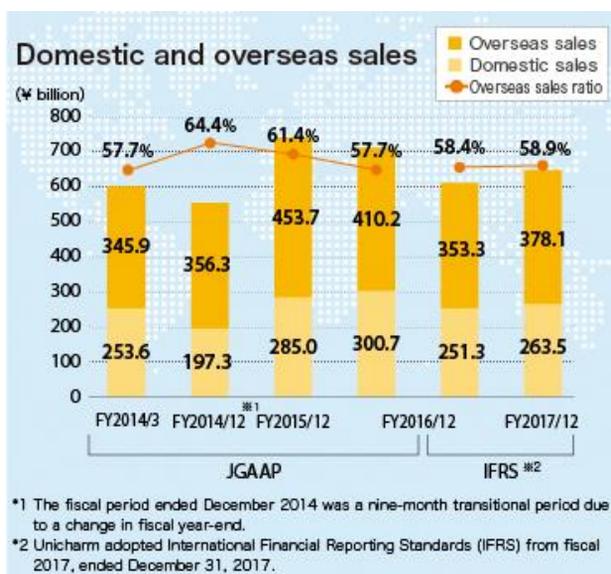
### Another year of record sales and profits

In fiscal 2017, ended December 31, 2017, we continued to rapidly expand our product lineup to satisfy customer needs. Overseas, we strengthened risk management while also aggressively moving into new sales areas and establishing our brands as category leaders in growth markets. In Japan, we worked to grow the sector as a whole by developing and offering new high value-added products that energize the market. Those efforts paid off, with net sales rising ¥37.0 billion (6.1%) year on year to ¥641.6 billion. Core operating income grew ¥7.7 billion (9.8%) year on year to ¥86.8 billion and profit attributable to owners of parent increased ¥5.8 billion (12.3%) to ¥52.8 billion. Sales and profits were new records.

Effective from fiscal 2017, Unicharm adopted International Financial Reporting Standards (IFRS), replacing the existing Japanese Generally Accepted Accounting Principles (J-GAAP). This decision was taken to facilitate international comparison of financial information and to improve the quality of business management.



Takahisa Takahara  
President and CEO



## Working toward our goals in the 10th Medium-term Management Plan

We see potential for strong growth in the Group's business fields worldwide in both emerging and developed markets. In 2016, we formulated our 10th Medium-term Management Plan. Under the plan, we aim to accelerate the globalization of our business to drive rapid growth, supported by expansion in our target markets worldwide. Under the plan, we are aiming for consolidated net sales of ¥800 billion, a net sales compound annual growth rate (CAGR) of 7%, a core operating income margin of 15% and ROE of 15% in 2020. As we work towards those goals, we have been making solid progress in India, where our local subsidiary, which was established in 2008, has steadily expanded its business and reported its first annual profit.

10th Medium-term Management Plan (Based on IFRS)



\* CAGR (compound annual growth rate) excludes exchange rate fluctuation.  
 \* Businesses with already high market share grow at average market growth rate.

## Unicharm's CSR is embodied by its NOLA & DOLA corporate philosophy

Advances in IT and globalization have spurred various changes worldwide that have far exceeded our imagination. Constant change is now the new normal. The world faces a diverse array of social challenges highlighted by the Sustainable Development Goals (SDGs) and COP21, such as aging populations and declining birthrates in Japan and other developed countries, global environmental issues, and poverty and hygiene issues in emerging countries. Helping to resolve these challenges through our core business by focusing on achieving sustainability with an emphasis on environmental, social and governance (ESG) factors coincides with efforts to fulfill our corporate philosophy of NOLA & DOLA (Necessity of Life with Activities & Dreams of Life with Activities), which represents our approach to CSR. NOLA & DOLA embodies our vision of helping 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. Our mission is to "continually support people's lives and dignity." One of the most important topics facing Unicharm is finding ways to achieve that mission.

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## Aiming to build cohesive societies

Forecasts indicate that 30% of Japan's population will be 65 years or older by the year 2025. Looking ahead, we must build cohesive societies where all generations live alongside each other, providing support and assistance. At Unicharm, we want to create societies where all people can live together normally by mutually respecting humanity and uniqueness, rather than supporting one another out of mutual obligation or burden.

Since entering the disposable adult diaper business in 1987, Unicharm has continually proposed novel approaches to nursing care. In 2016, we came up with a new dementia prevention program called Social Walking\* that promotes interaction with society. Many people have now taken part in the program after it was extended nationwide in 2017. Meanwhile, living with pets provides great comfort to many people in their daily lives, and it has also been shown that pets improve the mental and physical health of seniors and extend healthy life expectancy. Those insights prompted us to launch activities designed to improve quality of life (QOL) through pets. We are working to create cohesive societies by offering unique Unicharm products and services that enable pets and people of all genders and ages to live together in supportive, healthy communities.

\* As the name suggests, Social Walking is about socializing while walking, which is seen as an accessible, fun and easy way of preventing dementia. (Unicharm project run under the supervision of the Tokyo Metropolitan Institute of Gerontology)

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## Tackling global challenges

Unicharm's overseas expansion began in 1984 with the establishment of a subsidiary in Taiwan. Today we sell disposable diapers and feminine care products in roughly 80 countries and regions around the world. We are now rapidly expanding our business internationally, tailoring it to the lifestyles and business customs of each country and region based on product development capabilities and marketing abilities honed in Japan. Unicharm declared its support for the United Nations Global Compact in 2006, and since then we have been actively creating local sales and manufacturing jobs in the countries and regions where we operate. In 2007, we launched *MamyPoko Pants Standard* in the Indonesian market. With this product, we created a more affordable disposable diaper by stripping down product functions, giving many more families access to hygienic and safer conditions to raise their children. We are also pushing ahead with the construction of a new factory in Fukuoka Prefecture, Japan to address rising global demand for Japanese-made products. The entire company is working toward the start of operations at the new smart factory, which will be environmentally friendly and combine Unicharm's unique technologies and know-how with the latest advances in AI, IoT and robotics. In addition, we aim to do our part to solve a range of high-profile environmental issues, such as building sustainable societies that generate less waste, promoting sustainable procurement that takes into account resource use, and mitigating the impact of climate change across our entire value chain. In line with that thinking, we have established Eco Plan 2020 medium-term environmental targets. Concrete initiatives include a project to recycle used disposable diapers to support the creation of a sustainable, recycling-oriented society. Under the joint project with Hiroshima University, we have developed a new disposable diaper recycling process that extracts recyclable pulp fiber from used diapers while also using microbial fuel cells to generate electricity and purify waste water from the recycling process. We received a Japanese patent for the process in 2017. We are currently testing the process in a joint demonstration trial with the City of Shibushi in Kagoshima Prefecture with a view to establishing it as viable recycling system in Japan and overseas. Also in 2017, we formulated the Unicharm Group Policy on Human Rights and the Unicharm Group Sustainable Procurement Guidelines. Using those documents, we have started working with business partners to fulfill our corporate social responsibility.

In May 2015, Unicharm moved to an audit & supervisory committee corporate governance structure to reinforce supervision of executive actions by the Board of Directors and to meet the expectations of stakeholders from a global perspective by improving transparency and efficiency in management processes through greater involvement of outside directors. We will continue to reinforce corporate governance while also increasing objectivity in decision-making by the Nomination Committee and Remuneration Committee.

We are also working to develop and improve workplace environments across the Unicharm Group. In 2017, Unicharm declared its commitment to work-style reforms. We have introduced a work-from-home system that enables diverse work-styles, created workplaces where employees are encouraged to be more independent and proactive to improve productivity and creativity, and rolled out other personnel systems to support the health of our employees, such as an interval system that mandates a fixed period of rest between each working day, no overtime days and “Premium Fridays,” a system that encourages employees to leave work early on certain Fridays for private activities. We will continue to implement meaningful work-style reforms to reduce working hours, while also maintaining standards of living for our employees by paying them high levels of remuneration relative to peers in their regions and industries. Our goal is to become a company where each and every employee can thrive professionally in a healthy and motivating environment.

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## Paying stable returns to 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 the business to drive growth.

For fiscal 2017, ended December 31, 2017, we paid a year-end dividend of ¥11.00 per share, ¥2.00 higher than our initial dividend forecast (released November 10, 2017) and an increase of ¥3.00 from the previous fiscal year. The full-year dividend was ¥20.00 per share. We have now raised the dividend for 16 consecutive fiscal years.

In fiscal 2018, in accordance with our shareholder return policy, we will place 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 ¥24.00 per share for fiscal 2018, an increase of ¥4.00 from the previous fiscal year.

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. We look forward to your continued support in the year ahead.

March 2018

Takahisa Takahara

President and CEO



## Special Feature

### Interview with Outside Directors



Kimisuke Fujimoto  
Director, Audit & Supervisory  
Committee Member  
(Outside Director)

Takashi Mitachi  
Director, Audit & Supervisory  
Committee Member  
(Outside Director)

## Enhancing our ability to adapt to change – one of Unicharm’s strengths

### What role do outside directors play in discussions by management?

**Mitachi** Unicharm’s directors hold substantive discussions at board meetings. Two of the three members on the Audit & Supervisory Committee are outside directors, but because Unicharm has adopted the “company with audit and supervisory committee” governance structure, outside directors have numerous opportunities to provide advice from the perspective of shareholders. What’s your impression Mr. Fujimoto?

**Fujimoto** I’ve seen real changes in the approach of the Board of Directors since Unicharm moved to the new corporate governance structure in 2015. During meetings, President & CEO Takahisa Takahara and the executive officers are encouraged to speak freely. I join in the discussions if I think any points need to be clarified. My long career in the banking sector put me in contact with various types of companies, including companies from sectors other than household goods. My aim is to pass on insights gained from that experience to Unicharm’s Board of Directors.

**Mitachi** I agree. Outside directors participate in many strategic discussions within the Company, not just at board meetings. In my role as a business consultant, I’ve also seen how many domestic and international companies operate. Drawing on that experience, I can offer different perspectives to help Unicharm increase corporate value over the longer term.

### The risks and opportunities of sustained growth

**Mitachi** Unicharm has grown as a company by aggressively expanding into overseas markets, particularly in Asia. Even in other industries, there are few companies of Unicharm’s size that have captured leading market shares in Asia as Unicharm has done. That’s because management has taken risks, giving Unicharm the room to grow while taking on major competitors from Europe and the US. As outside directors, our job is to monitor whether those risks are appropriate, asking management to make sure they haven’t overlooked any risks and ensuring risk exposure does not approach dangerous levels, but also encouraging them to consider taking on more risk when appropriate.

**Fujimoto** As Unicharm extends its business reach globally, it faces an increased risk of unforeseen situations, such as natural disasters and geopolitical events. A case in point is the recent fire at one of our plants in India, suggesting we still have work to do to prepare for any situation.

**Mitachi** I completely agree. We need to develop manuals to help local teams deal with any accident. That said, I think Unicharm is good at bouncing back from unforeseen events. Avoiding risk by itself will not lead to growth. We need to prepare well for any situation and take risks when we need to. Striking the right balance is important. Unicharm also has to build a global supply chain as its operations spread worldwide. We've covered the risks of growth, but what about the opportunities?

**Fujimoto** Overseas in particular, Unicharm needs to expand its sales areas in markets where it already has a presence, such as China and Indonesia. Other markets such as Russia, other parts of Eastern Europe, and Africa offer significant growth potential.

**Mitachi** In those promising growth countries and regions, we have to move quickly ahead of competitors to capture high market shares. In areas outside Asia, Unicharm needs to think about how it plans to create new businesses in frontier markets. The e-commerce channel is growing worldwide, with cross-border e-commerce sales of Japanese products to China seeing very strong growth. That trend toward online sales is likely to gain momentum in emerging markets first, so the executive officers who steer the Unicharm ship will need to address those changes to deliver continued growth. My role as an outside director is to support those efforts.

**Fujimoto** What about the domestic market?

**Mitachi** Disposable adult diapers and pet care products are likely to drive growth in Japan, but as the market becomes more mature, simply selling products to consumers will not be enough to stand out. We are now at the point where service provision and the way those services are provided will determine the winners in our industry. For example, in the nursing care field, we need to build a new business model that combines IoT with products and services to dramatically reduce the burden on carers and those receiving care.

**Fujimoto** The elderly often seek comfort and support from pets, so demand for pet care products is likely to increase in Japan as the population ages. In recent years, we have seen dramatic changes in consumer needs, illustrated by changes in spending on pet care products. Accurately responding to those changing needs will support sustained growth, and also help to solve some of the issues faced by society today.

**Mitachi** According to forecasts from the United Nations, the global population is set to peak at 11.2 billion in 2100. Excluding India and countries in Sub-Saharan Africa, population aging will gain momentum worldwide from 2050. In Japan, where population aging is most advanced, we will establish new business models that address social issues and then roll them out overseas to tap into major business opportunities. Unicharm's experience in its home Japanese market will be a key strength in that process.

**Fujimoto** Even in mature market categories such as disposable baby diapers and feminine care products, there is still room for growth if we change our approach and create new needs for our products.

**Mitachi** I fully agree. A case in point is our *Natural moony* range of disposable baby diapers, the first in Japan to use organic cotton. The diapers have helped to uncover new needs for safer and more reliable baby care products. Also, by marketing our face masks as products to be used all year round, not just to protect against viruses in winter and hay fever in spring, sales have more than quadrupled over the last decade.



**Fujimoto** We can also create new needs by using IoT-based tools to analyze consumer in-store buying behavior and by overhauling store sales areas and merchandising methods. Through a process of trial and error in our pet care product range, we have identified clear changes in consumer behavior and we plan to leverage those insights in other types of products.

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## Creating a workforce to support growth

**Fujimoto** To expand Unicharm's overseas business further, we have to consider how best to deploy our personnel.

**Mitachi** Until now, we have actively posted experienced, high-achieving personnel overseas. They have successfully transferred Unicharm's winning patterns in Japan to overseas markets by tailoring them to local market conditions. But to accelerate the pace of overseas expansion, we need to promote locally hired personnel to management-level positions. Unicharm has completed several M&A deals, but in overseas markets we have used a start-up company approach based on a desire to build and expand our overseas operations organically. Personnel from Japan will continue to work with local staff to steadily build up our business overseas, but other aspects of our existing approach may change.

**Fujimoto** The ideal situation is to have local businesses managed by personnel who have a deep understanding of local language and customs, but for the time being, personnel from Japan will need to remain in leadership roles. To cultivate that type of employee, we need to send personnel overseas while they are still relatively young.

**Mitachi** Unicharm runs a unique project that brings together employees in the same age groups from across the Group, regardless of division, to discuss Unicharm's medium- and long-term strategy. I think the impact of the project could be enhanced by sending representatives from each age group to experience frontline operations in overseas markets. In that way, we could cultivate more non-Japanese and female employees to create a more diverse workforce, which would improve the Group's ability to adapt to change in the operating environment. Unicharm President Takahisa Takahara often talks about "Management with Resonance," and I believe one of Unicharm's characteristics is the close level of communication within the Company. At Unicharm, senior managers are regularly in contact with employees as part of exhaustive dialog about the best approaches to take. This has been part of Unicharm's culture since the earliest days of the Company. As Unicharm moves into more markets, a key challenge will be to maintain that close level of communication with employees from many different cultures. If we can do that, Unicharm will surely achieve true "Management with Resonance."

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## Ensuring future business leaders know how to respond to risk

**Fujimoto** What's your impression of Unicharm's senior management team?

**Mitachi** Unicharm has grown rapidly, so people who were appointed as managers when they were still young have been in charge for a long time. Those managers now have a detailed understanding of every corner of the Company. The risks they take rarely end with a major failure. That experience at management level is one of Unicharm's strengths. A key issue going forward will be to give the next generation of business leaders experience in emerging markets, where the political situation and other aspects of the operating environment can change without warning.

**Fujimoto** One of Unicharm's younger employees currently works as the President's secretary, providing valuable experience. That work experience system will increase the number of employees who understand how senior managers think and work.



**Mitachi** Many other companies that have achieved sustained global growth have similar systems, but Unicharm is one of the few companies in Japan to consciously encourage work experience at senior management level. We now need to expand the system across the Group's management grades. As part of that process, we increased the number of vice presidents to three in December 2017, up from one previously. Unicharm's growth has been supported by the foundations put in place by the Company's founder and the leadership of President Takahara. By passing on President Takahara's approach and Unicharm's DNA to the future generation of business leaders, we will ensure our ability to respond to risk is transferred to the next management team.



## Our vision for Unicharm

**Mitachi** Environmental, social and governance (ESG) investing has become a major trend worldwide. To be chosen as candidates for ESG investment, companies need to work in harmony with society and achieve sustainable growth while also creating value for investors. As a maker of consumer goods, Unicharm takes its responsibility as a supplier of disposable products very seriously. We consider the environment in our manufacturing processes. One example is our new technology that recycles materials from used disposable diapers.

**Fujimoto** Despite continued growth in disposable diaper production volume, the public is largely unaware of our new recycling technology, even though interest is likely to be high. That probably reflects a lack of promotion on our part.

**Mitachi** I agree. Unicharm may lack the scale of large competitors in Europe and the US, but we make up for that through relentless innovation that takes the Group into new and exciting areas.

**Fujimoto** Unicharm doesn't need to compete with large companies head on. Instead, we should play to our strengths. I want to do my part by leveraging my extensive experience in the banking sector.

**Mitachi** Unicharm's small size relative to competitors means it can rapidly adjust to changes in the operating environment. Ideas from senior management also reach every corner of the organization quickly, making it easier to create a corporate culture of innovation. That gives us an advantage in an industry where the pace of change is much faster than in the past. As an outside director, I want to contribute to a sustained increase in Unicharm's corporate value without limiting its strengths.



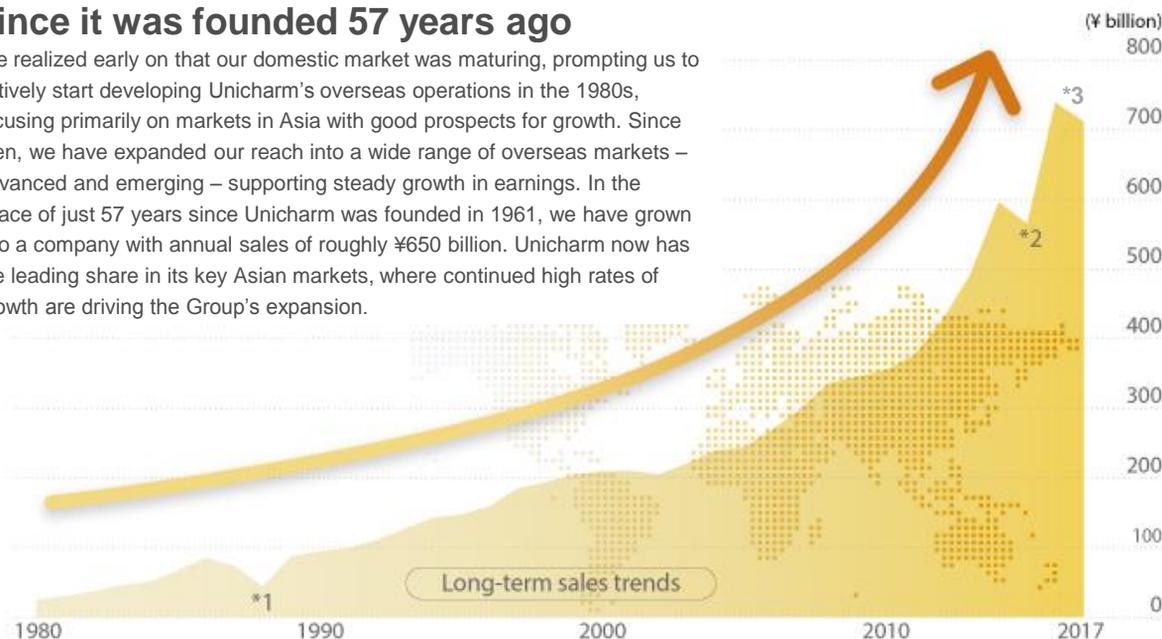
# Unicharm: A Story of Sustained Growth

Step 1

## Growth record and business overview

### Unicharm has grown continuously since it was founded 57 years ago

We realized early on that our domestic market was maturing, prompting us to actively start developing Unicharm's overseas operations in the 1980s, focusing primarily on markets in Asia with good prospects for growth. Since then, we have expanded our reach into a wide range of overseas markets – advanced and emerging – supporting steady growth in earnings. In the space of just 57 years since Unicharm was founded in 1961, we have grown into a company with annual sales of roughly ¥650 billion. Unicharm now has the leading share in its key Asian markets, where continued high rates of growth are driving the Group's expansion.



\*1 The fiscal period ended March 1988 was a six-month transitional period due to a change in fiscal year-end.

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

\*3 Unicharm adopted International Financial Reporting Standards (IFRS) from fiscal 2017, ended December 31, 2017.

### Supplying indispensable products to a wide range of customers in many regions worldwide

	Infants	Young Adults	Middle-aged	Elderly	Pets
<b>Personal Care Business</b>					
Baby Care	●				
Feminine Care		●	●		
Clean & Fresh	●	●	●	●	
Health Care			●	●	
<b>Pet Care Business</b>					●

We channel management resources into nonwoven fabric and absorbent material businesses, allowing us to launch products that accurately meet customer needs ahead of rivals, thanks to our position as a specialist manufacturer. Backed by powerful technical capabilities, we supply disposable baby diapers, feminine care products, adult incontinence care products, cleaning products and pet care products for pet owners and people of all ages – from babies to the elderly. That balanced product range is the source of Unicharm's sustained growth. Demand for disposable baby diapers and feminine care products is growing simultaneously across a number of emerging markets in Asia and other regions on the back of rising incomes and population growth. Markets for those products are also likely to expand in Africa and South America. In addition, we forecast rising demand for adult incontinence care products in Asia and emerging markets due to aging populations. That trend is also being mirrored among pets, which is likely to spur demand for pet hygiene and food products specifically designed for older pets.

## A presence in roughly 80 countries and regions worldwide



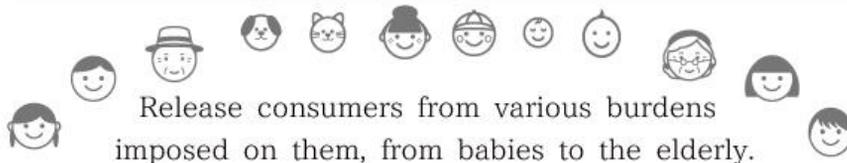
Unicharm has expanded its business globally and now has a presence in around 80 countries and regions worldwide. We divide our markets into two main types based on the business model we use: direct market participation and technical support. We are investing heavily in regions with the potential for long-term growth, such as Asia, the Middle East, North Africa and South America. In those regions, we are setting up our own manufacturing and sales operations and transferring management authority to local subsidiaries, giving us the ability to respond rapidly to changes in local consumer needs. In contrast, in the large but maturing markets of North America and Europe, we are generating stable earnings by minimizing our investment outlay through technology licensing agreements with local partners.

## Solving issues faced by society through our business activities

### Corporate Philosophy

# NOLA & DOLA

Necessity of Life with Activities & Dreams of Life with Activities



Guided by our corporate slogan, Necessity of Life with Activities & Dreams of Life with Activities (NOLA & DOLA), we have developed a range of original technologies and products that have consistently contributed to our pioneering lead in the sector. Unicharm was established to manufacture and sell sanitary napkins, based on a commitment to do whatever it could to make life better and more comfortable for women. Later on, we used the nonwoven fabric and absorbent material processing and molding technologies developed for feminine care products to move into new business fields such as baby care, health care, household cleaning and hygiene products and pet care. Today, Unicharm has a presence in a wide range of fields, supplying products for pets and people of all ages, from babies to the elderly. With many countries worldwide facing declining birthrates and aging populations, Unicharm aims to leverage its wide range of products and services for all ages to create "cohesive societies" where all generations live alongside one another, providing support and assistance.

Step 2

Strengths that support Unicharm's sustained growth

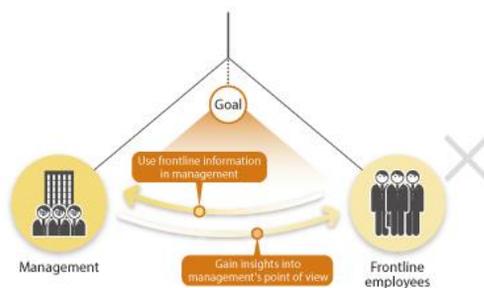
Identifying real needs and developing products tailored to local markets



The popularity of Unicharm products in many consumer markets around the world reflects our efforts to develop products tailored to the needs of local markets. As part of the product development process, we conduct detailed research into consumer lifestyles and consumption habits to identify the real and underlying needs of consumers. That research leads to product ideas that anticipate consumer needs. Also, by drawing on our nonwoven fabric and absorbent material processing and molding technologies and our position as a specialist manufacturer, we can provide distinctive high value-added products and launch products suited to consumer lifestyles ahead of competitors. Looking ahead, we aim to give customers greater enjoyment and satisfaction by providing new value. Specifically, we will rapidly identify changes in consumer needs and maximize our nonwoven fabric and absorbent material processing and molding technologies, which have been constantly improved since Unicharm was established.

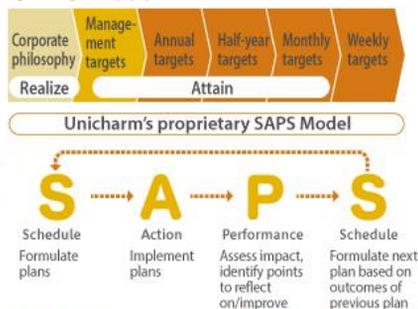
Implementing our strategies using “Management with Resonance” – close cooperation between management and frontline employees

Management with Resonance



Frontline employees and management share information to ensure they are working toward the same goals

SAPS Model



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

At Unicharm, management uses feedback from frontline operations to develop strategies that are carefully explained to employees, allowing our workforce to gain insights into management's point of view and act accordingly. This balanced approach to communication significantly improves the capacity of the whole organization, helping management and frontline employees work together towards shared goals. We call this “Management with Resonance,” and it is a major factor behind the Group's growth. To ensure our business strategies have a greater chance of success, we are also nurturing internationally minded “resonant personnel” who have a deep understanding of Unicharm's DNA, corporate culture and strategies, and actively sending them to positions overseas. Unicharm also needs to think and act more rapidly to respond to the fast-changing operating environment, so we are introducing our SAPS Model to ensure employees can use their time effectively. With the SAPS Model, we rapidly implement strategies, adjust them through a dynamic process of trial and error until they are on the right path, and rebuild them if necessary in a short space of time. This allows every employee to channel their time and effort into resolving priority issues within their team, helping to eliminate unproductive activities from daily tasks.

## Medium-term Management Plan to support sustained growth

In 2016 we formulated our 10th Medium-term Management Plan, which is designed to drive rapid growth by accelerating the globalization of our business. Under the plan, we aim to create cohesive societies and help solve issues faced by society while targeting consolidated net sales of ¥800 billion, average annual sales growth of 7%, a core operating income margin of 15% and ROE of 15%.

10th Medium-term Management Plan (Based on IFRS)

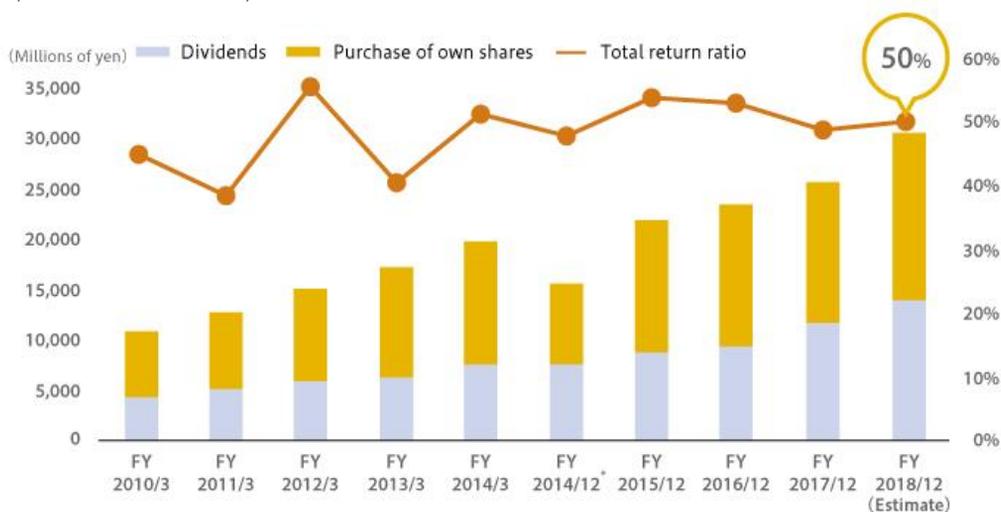


\* CAGR (compound annual growth rate) excludes exchange rate fluctuation.

\* Businesses with already high market share grow at average market growth rate.

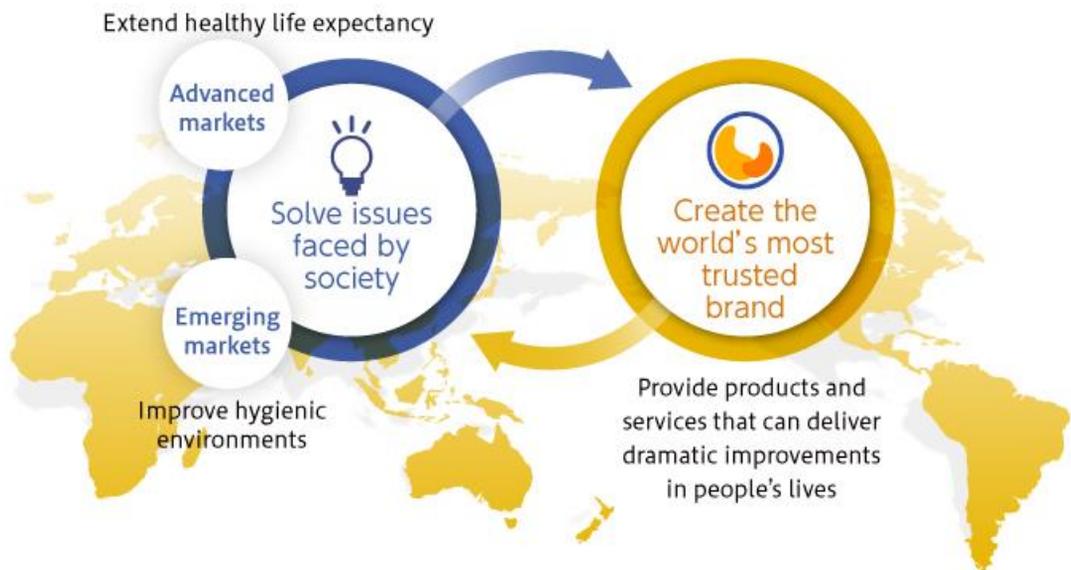
## Maintaining our policy of paying stable returns to shareholders

As part of our Beliefs and Pledges and Corporate Principles of Action, which form the Unicharm Group's Action Guidelines, we have made a clear commitment to shareholders to operate the business in a way that meets their expectations for growth and delivers industry-leading returns to shareholders. Our basic policy on shareholder returns, which is anchored by the Action Guidelines, emphasizes two key points: the need to invest in our business to support growth over the medium to long term, and paying stable dividends to shareholders. As a result of that policy, we have raised the dividend for 16 consecutive fiscal years through to fiscal 2017, ended December 31, 2017.



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

# Creating a brand that is trusted around the world



In emerging markets, hygienic environments are still lacking and low incomes mean people in many countries and regions do not have access to disposable diapers or feminine care products. In advanced markets, many countries are grappling with the challenge of extending healthy life expectancy as populations age. Responding to those challenges, our goal is to create a brand that is trusted worldwide by supplying products and services that help solve social issues and deliver dramatic improvements in people's lives. Going forward, we will continue to provide world-first and world-leading products and services and deliver comfort, impression and satisfaction, aiming to create a cohesive society where people everywhere lead independent lives and support each other.

# Financial and Non-Financial Highlights

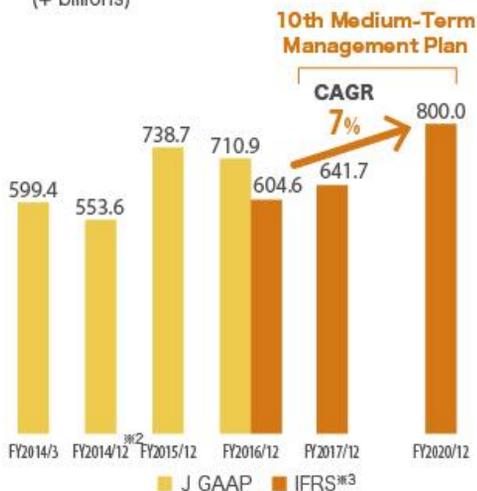
## Unicharm's Management Targets

**Under the 10th Medium-Term Management Plan, we are targeting consolidated net sales of ¥800 billion\*1 in 2020.**

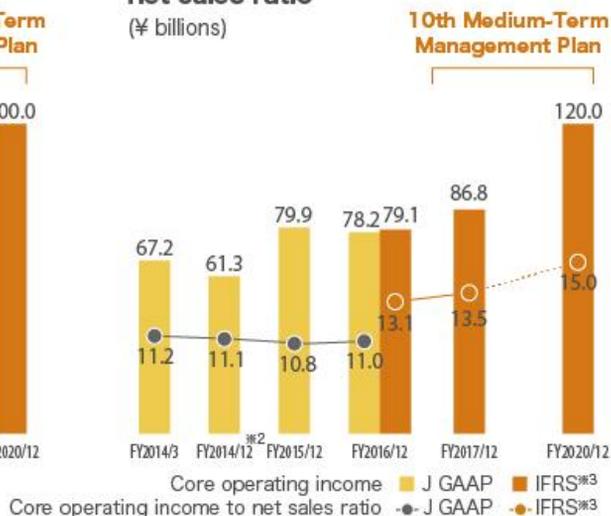
We aim to grow sales at an annual rate of 7% while also boosting profitability and capital efficiency.

### Performance Targets

■ Growth potential  
**Sales growth 7%**  
(¥ billions)



■ Profitability  
**Core operating income to net sales ratio 15%**  
(¥ billions)



■ Capital efficiency  
**ROE 15%**  
(%)

**10th Medium-Term Management Plan**



\*1 IFRS basis

\*2 The fiscal period ended December 31, 2014 was a nine-month transitional period due to a change in fiscal year-end.

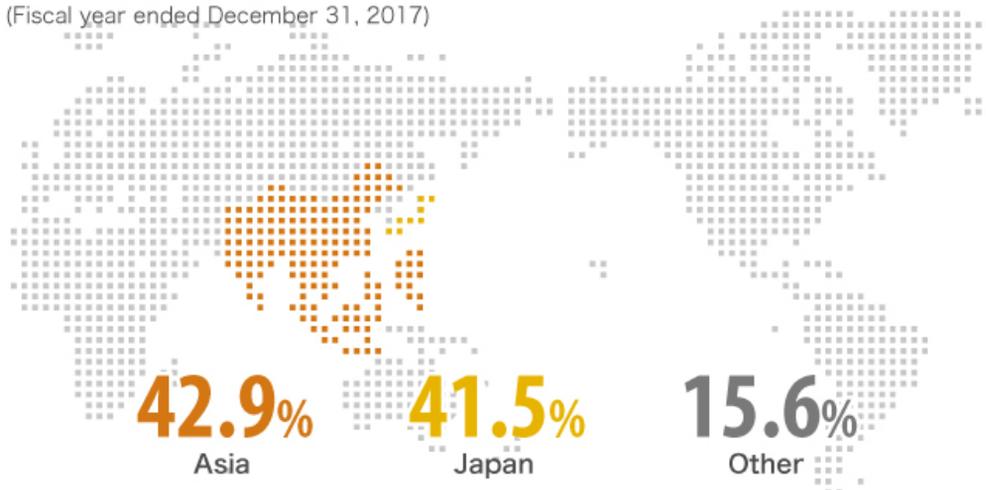
\*3 Unicharm voluntarily adopted International Financial Reporting Standards (IFRS) from fiscal 2017.

We plan to push ahead with the globalization of our business to support continued growth.

We will actively channel management resources into growth markets.

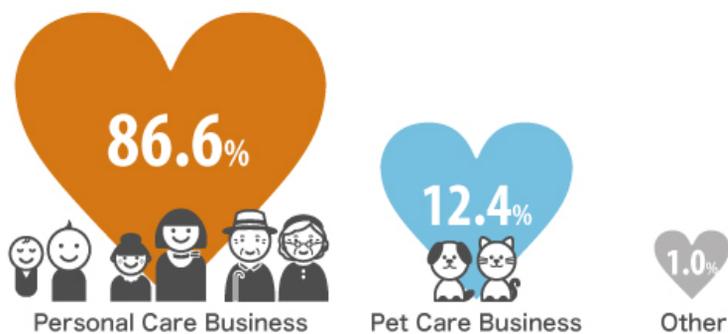
### Sales by geographical segment

(Fiscal year ended December 31, 2017)



### Sales by business segment

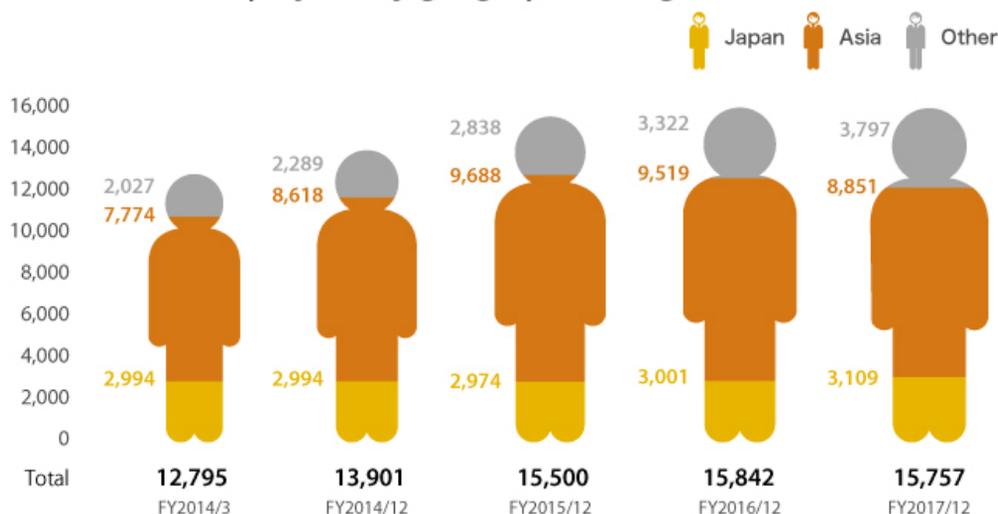
(Fiscal year ended December 31, 2017)



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

Overseas personnel account for a high ratio of Unicharm's workforce and we are creating more opportunities for women across our organization. The number of female managers is also increasing.

### Number of employees by geographical segment



### Total Unicharm Group employees

(Fiscal year ended December 31, 2017)



### Ratio of female employees in Unicharm Group

(Fiscal year ended December 31, 2017)



### Ratio of female managers in domestic operations

(Fiscal year ended December 31, 2017)



### Ratio of female managers in Asia (excluding Japan)

(Fiscal year ended December 31, 2017)

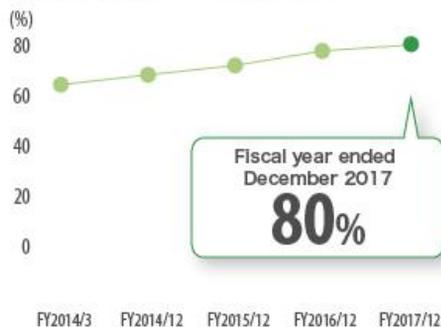


## We will work to help create a sustainable society.

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

### Percentage of environmental-friendly products

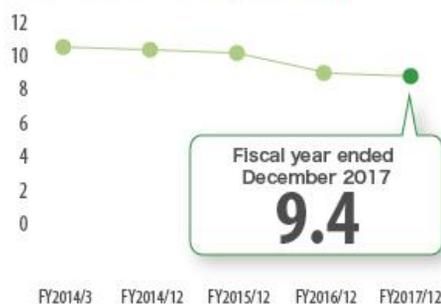
**80%** by December 2017



### CO<sub>2</sub> emissions volume

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

**10.0** by December 2017



### Eco Plan 2020

	Implementation Items	2015 results	2016 results	2017 targets	2017 results	Evaluation	2018 targets	2020 targets
1 Reduction of waste	Recovery technologies for used disposable diapers <span>Japan</span>	Established technologies	Starting with local governments	Trial operations	Start experiments	◎	Cycle model establishment	Full-scale operations
	Recycling of product loss <span>Overseas</span>	2,000 tons	2,600 tons	2,600 tons	2,600 tons	○	3,000 tons	4,000 tons
2 Procurement of sustainable materials	Third-party assurance of paper and pulp suppliers <span>Japan</span>	82%	80%	90%	94%	◎	95%	100%
	Third-party assurance of paper and pulp suppliers <span>Overseas</span>	-	84%	85%	87%	◎	90%	100%
	Third-party assurance of palm oil suppliers <span>Japan</span>	0%	Start of investigation	Understanding current status	Understanding completion	○	Performance achievement 10%	100%
3 Measures for climate change	Environmentally-friendly Products <span>Japan</span>	72%	78%	80%	80%	○	83%	100%
	Products with the Eco Charming* label <span>Japan</span>	50%	56%	58%	58%	○	60%	60%
	Products with the Eco Charming* label <span>Overseas</span>	0%	Survey	Understanding current status	Understanding completion	○	Operation start	10%
	CO <sub>2</sub> emissions base unit during manufacturing compared to 2015 <span>Japan</span>	Base year	-2.4%	-4%	-4%	○	-6%	-10%
	CO <sub>2</sub> emissions base unit during manufacturing compared to 2015 <span>Overseas</span>	Base year	-	-4%	-3%	△	-6%	-10%
	Collection of overseas site data <span>Compared to sales</span>	73%	77%	78%	81%	◎	83%	80%

\* 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.

- Regarding reduction of waste, the above assessment was made because in 2017 we started verification testing in the City of Shibushi and we were able to convert 2,600t/year of product loss generated during the manufacturing stage into cat continence care products.
- With the cooperation of our suppliers, the progress of Forest-derived Raw Materials Procurement that has obtained third-party assurance of sustainable paper and pulp has exceeded our plan for procurement of sustainable materials. Regarding palm oil suppliers, the above assessment was made because estimates were made to enable supply channel surveys and obtain third-party sustainability assurances.
- Regarding measures against climate change, we achieved our targets for environmentally-friendly Eco Charming products, but the above assessment was made because initiatives to reduce CO<sub>2</sub> emissions intensity at the manufacturing stage stalled at some of our overseas sites.

# Unicharm Value Creation Model

## Chapter 1

Unicharm Corporate Philosophy

### NOLA&DOLA

Release consumers from various burdens imposed on them, from babies, to the elderly.

## Chapter 2

Six Types of Capital at Unicharm



## Chapter 3

Key Issues Identified by Unicharm

### Supply world-first and world-leading products and service



Unicharm's Value Creation



## Chapter 4

Unicharm's Vision for Society (Unicharm's role in society)



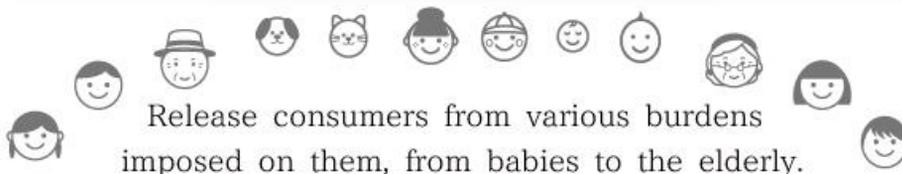
## Chapter 1

# Unicharm Corporate Philosophy

### Corporate Philosophy

# NOLA & DOLA

Necessity of Life with Activities & Dreams of Life with Activities

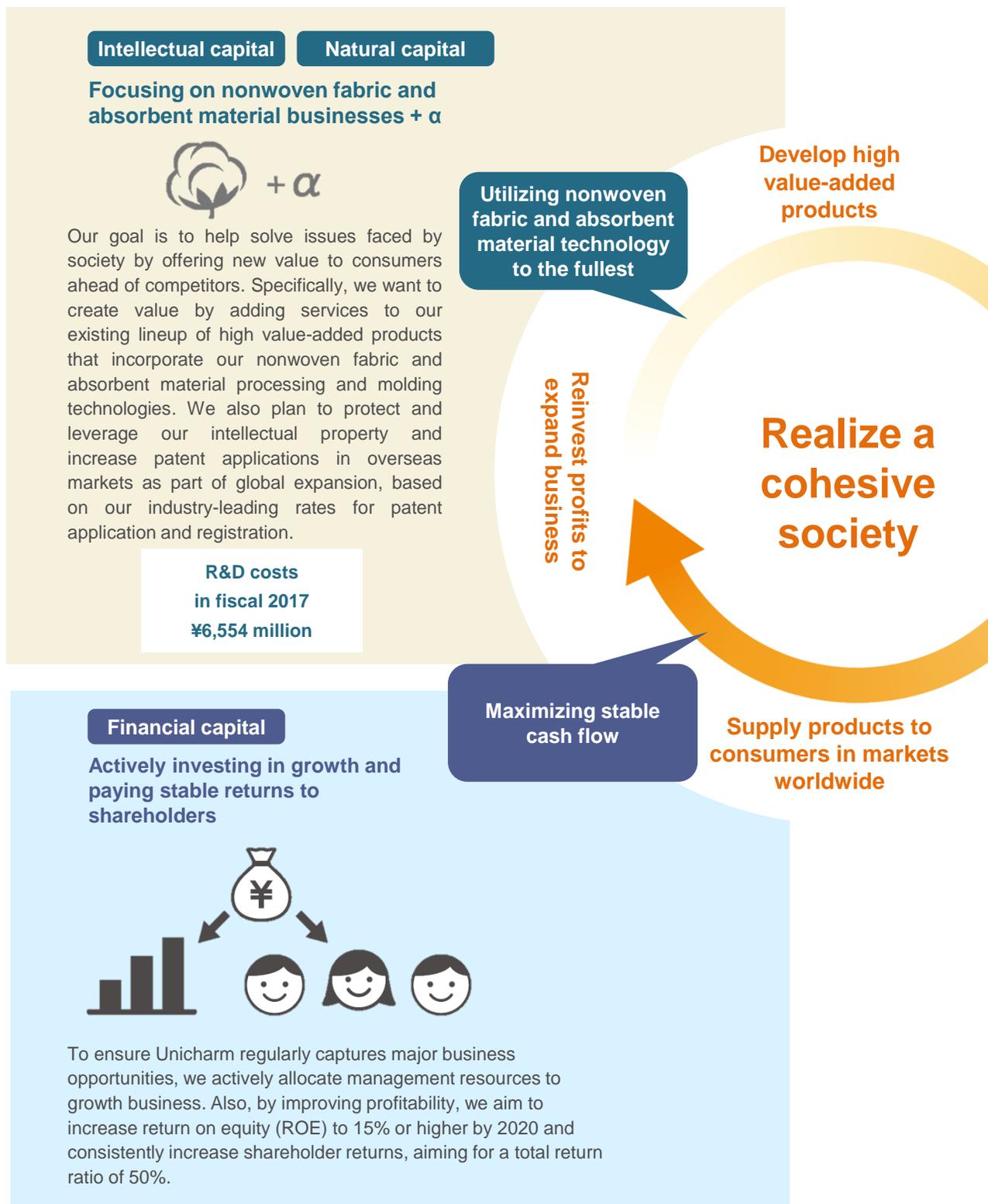


Guided by our corporate slogan, Necessity of Life with Activities & Dreams of Life with Activities (NOLA & DOLA), we have developed a range of original technologies and products that have consistently contributed to our pioneering lead in the sector. Unicharm was established to manufacture and sell sanitary napkins, based on a commitment to do whatever it could to make life better and more comfortable for women. Later on, we used the nonwoven fabric and absorbent material processing and molding technologies developed for feminine care products to move into new business fields such as baby care, health care, household cleaning and hygiene products and pet care. Today, Unicharm has a presence in a wide range of fields, supplying products for pets and people of all ages, from babies to the elderly. With many countries worldwide facing declining birthrates and aging populations, Unicharm aims to leverage its wide range of products and services for all ages to create “cohesive societies” where all generations live alongside one another, providing support and assistance.

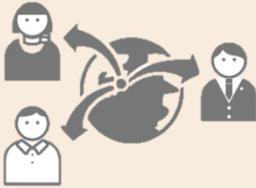
## Chapter 2

# Unicharm's Six Types of Capital and Business Model

We are working to create a cohesive society by maximizing and organically combining Unicharm's unique management resources.



### Human capital



### Appointing “resonant personnel” to overseas positions

To ensure our expansion into overseas markets has a greater chance of success, we are actively appointing internationally minded “resonant personnel” with a deep understanding of Unicharm’s DNA, corporate culture and strategies to positions overseas. Those personnel are increasing our chances of success overseas by transferring our winning patterns from Japan and adapting them to the cultures and needs of overseas markets.

A workforce of approximately 16,000 personnel with resonance creating value

### Human capital



### Actively using the insights of Millennials

The Millennial generation is a demographic cohort born between 1982 and 2000 and is seen as having distinctly different values. Also known as Millennials, this group is increasingly driving consumption in markets today. In response to that trend, we have selected a group of Unicharm employees in their 20s and 30s and are reflecting their unique insights in management strategy.

Launch products that match consumer needs

Building closer links with consumers in around 80 countries and territories

### Social capital

Raising brand visibility through efforts to empower women



In countries and regions where there is poor understanding about periods and a lack of social infrastructure, we are working with governments and local NGOs to help women play a greater role in society. Those efforts also help to increase recognition of the Unicharm name overseas and improve our brand image.

### Social capital

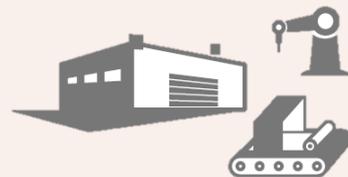
Teaming up with leading wholesalers overseas



We are rapidly expanding our sales areas overseas by building strong networks with leading wholesalers in local markets and promoting early uptake of our products.

### Production capital

Building a production framework to meet rising demand



We are expanding our production sites and optimizing our manufacturing framework to address rising demand for our products. We are also pushing ahead with the development of smart factories, which will combine Unicharm’s unique technologies and know-how with the latest advances in AI, IoT and robotics.

Capital outlay in fiscal 2017  
¥33,397 million

## Chapter 3

# Unicharm's Value Creation and Key Challenges

### Megatrends

Aging societies in advanced markets

Economic growth in emerging markets, rising global population

Resource depletion, global warming

Advances in AI, IoT and other technologies

Increasingly diverse values

Globalized society

### Impact on Unicharm

#### Opportunities

Increase in spending per child

Rising demand for products and services that make life easier for women

Increase in elderly people aiming for healthy retirement

More people seeking comfort from pets

Growth in middle-class consumers seeking more hygienic lifestyles

Rising demand for safe products that offer peace of mind

Greater pressure on companies to help solve social issues

#### Risks

Risks related to sales environment in competition

Risks related to the population structure

Overseas business risk

Raw materials price fluctuation risks

Risks related to the reliability of products

Risks related to intellectual property including patents and trademarks

Risks related to environmental problems

Risks related to disasters and accidents

Risks related to acquisition, partnership, business consolidation, etc.

Information leakage risks

## Unicharm's Approach

Create value and solve key challenges through our business activities

### Unicharm's key challenges

1. Lengthening healthy life expectancy



2. Supporting women's independence and improving hygiene in emerging countries



3. Contribute to the global environment



4. Contributing to Global Environment



5. Strengthen the company's organization and ensure fair business practices

### Company initiatives

**E**

- Reduce environmental impact
- Cut waste in manufacturing



P.26

**S**

- Exist in harmony with local communities
- Supply chain management



P.32

**G**

- SAPS management model / Management with resonance
- Compliance / Quality management



P.34

### Business initiatives

#### • Baby Care

Create ideal child-raising lifestyles that are positive and healthy for parents and children



P. 40

#### • Clean & Fresh

Create clean and fresh environments that are comfortable for people



P. 46

#### • Feminine Care

Changing women's "discomfort" during menstruation into "comfort"



P. 42

#### • Pet Care

Realizing a long and healthy life for pets



P. 47

#### • Health Care

Reduce the number of bedridden elderly to zero

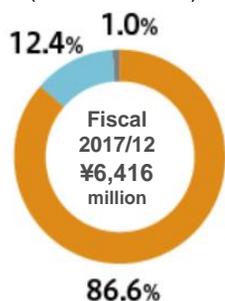


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# Unicharm's Value Creating Businesses and Market Presence

## Net Sales by Business Segment

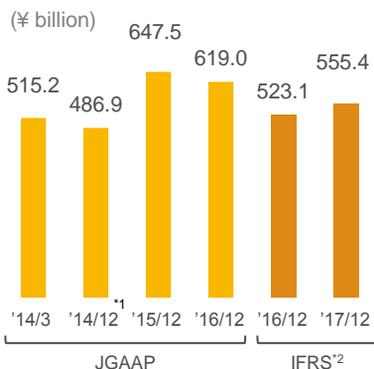
(Fiscal 2017/12)



- Personal Care Business
- Pet Care Business
- Other

## Personal Care Business

### Net Sales



### Core Operating Income



\*1 Fiscal period ended December 2014: nine-month transitional period due to a change in fiscal year-end

\*2 Unicharm adopted IFRS from fiscal 2017, ended December 31, 2017.

## Personal Care Business

### Baby Care Business

Major products

Disposable baby diapers



©Disney

### Feminine Care Business

Major products

Feminine care products



Market share in key regions



\*6 major cities: Hanoi, Hai Phong, Danang, Nha Trang, Ho Chi Minh City and Cantho

Market share in key regions



\*114 major cities

## Pet Care Business

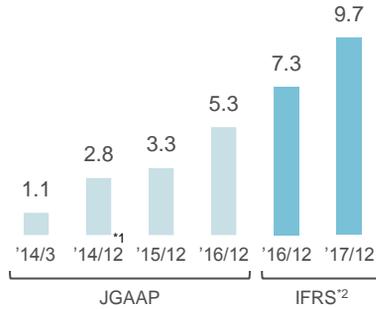
### Net Sales

(¥ billion)



### Core Operating Income

(¥ billion)



### Health Care Business

Major products

Adult incontinence care products



Market share in key regions



### Clean & Fresh Business

Major products

Home care products



Market share in key regions



## Pet Care Business



Major products

Pet food and pet toilet care products



Market share in key regions



(Unicharm research, 2017)

# Unicharm's Approach

~Create value and solve key challenges through our business activities~

## Company initiatives

### E Environment

#### Our basic approach and strategy

Most of Unicharm's products are consumables essential to a clean and healthy lifestyle, which closely relates to the global environment through our use of resources and emission of waste. As we have expanded our operations globally centered on Asia in order to provide better products to consumers around the world, our role and responsibility for reducing our environmental impact has also increased with each passing year.

All of our employees are committed to environmental activities following the Basic Environmental Policy and the Environmental Action Guidelines developed based on our corporate philosophical framework (Unicharm Ideals, "Beliefs and Pledges" and Corporate Principles of Action). We carefully monitor the impact our business activities have on the environment, and we are promoting initiatives to reduce our environmental impacts and improve our economic efficiency aimed at achieving a sustainable society.

#### Basic Environmental Policy

##### Unicharm Group Basic Environmental Policy

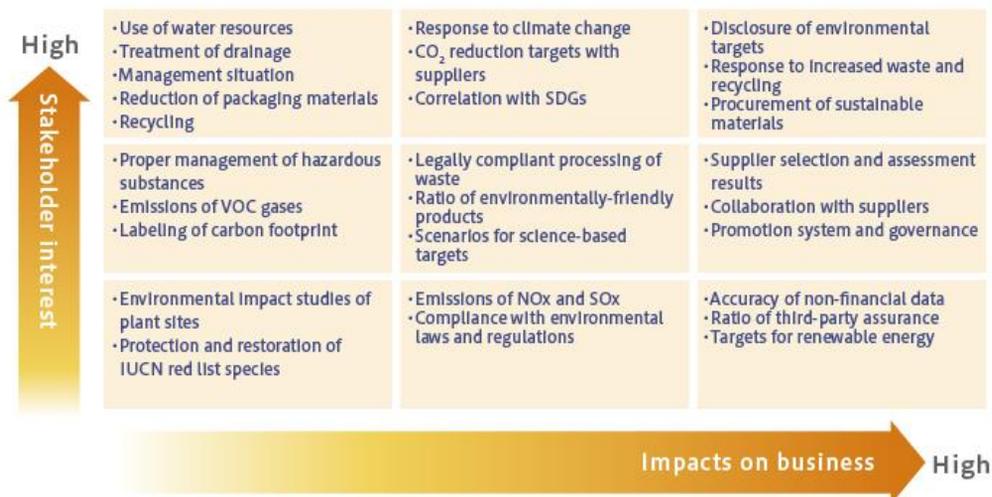
As a company that engages in the manufacture and sale of disposable products, we recognize the extent of our responsibility to the global environment. Through our corporate activities we strive to create environmentally friendly products so that we may in the future pass on a beautiful earth to future generations.

We are committed to providing goods and services that bring comfort, excitement, and joy to people throughout the world and we are determined to realize the sustainable development of a society that achieves a balance between environmental conservation and economic growth.

#### Validation of Environmental Protection Activities

Our company identified environmental materiality through meetings with investors and NGOs in 2016 and, based on these findings, drafted Eco Plan 2020 as a set of medium-term environmental targets for 2020. In 2017, we made plans to revise the content of Eco Plan 2020 activities in order to further improve its effectiveness.

Environmental materiality which Unicharm identified



## ■ Eco Plan 2020

	Implementation Items	2015 results	2016 results	2017 targets	2017 results	Evaluation	2018 targets	2020 targets
1 Reduction of waste	Recovery technologies for used disposable diapers <span style="border: 1px solid black; padding: 0 2px;">Japan</span>	Established technologies	Starting with local governments	Trial operations	Start experiments	◎	Cycle model establishment	Full-scale operations
	Recycling of product loss <span style="border: 1px solid black; padding: 0 2px;">overseas</span>	2,000 tons	2,600 tons	2,600 tons	2,600 tons	○	3,000 tons	4,000 tons
2 Procurement of sustainable materials	Third-party assurance of paper and pulp suppliers <span style="border: 1px solid black; padding: 0 2px;">Japan</span>	82%	80%	90%	94%	◎	95%	100%
	Third-party assurance of paper and pulp suppliers <span style="border: 1px solid black; padding: 0 2px;">overseas</span>	-	84%	85%	87%	◎	90%	100%
	Third-party assurance of palm oil suppliers <span style="border: 1px solid black; padding: 0 2px;">Japan</span>	0%	Start of investigation	Understanding current status	Understanding completion	○	Performance achievement 10%	100%
3 Measures for climate change	Environmentally-friendly Products <span style="border: 1px solid black; padding: 0 2px;">Japan</span>	72%	78%	80%	80%	○	83%	100%
	Products with the Eco Charming* label <span style="border: 1px solid black; padding: 0 2px;">Japan</span>	50%	56%	58%	58%	○	60%	60%
	Products with the Eco Charming* label <span style="border: 1px solid black; padding: 0 2px;">overseas</span>	0%	Survey	Understanding current status	Understanding completion	○	Operation start	10%
	CO <sub>2</sub> emissions base unit during manufacturing compared to 2015 <span style="border: 1px solid black; padding: 0 2px;">Japan</span>	Base year	-2.4%	-4%	-4%	○	-6%	-10%
	CO <sub>2</sub> emissions base unit during manufacturing compared to 2015 <span style="border: 1px solid black; padding: 0 2px;">overseas</span>	Base year	-	-4%	-3%	△	-6%	-10%
	Collection of overseas site data <span style="border: 1px solid black; padding: 0 2px;">Compared to sales</span>		73%	77%	78%	81%	◎	83%

\* 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.

- Regarding reduction of waste, the above assessment was made because in 2017 we started verification testing in the City of Shibushi and we were able to convert 2,600t/year of product loss generated during the manufacturing stage into cat continence care products.
- With the cooperation of our suppliers, the progress of Forest-derived Raw Materials Procurement that has obtained third-party assurance of sustainable paper and pulp has exceeded our plan for procurement of sustainable materials. Regarding palm oil suppliers, the above assessment was made because estimates were made to enable supply channel surveys and obtain third-party sustainability assurances.
- Regarding measures against climate change, we achieved our targets for environmentally-friendly Eco Charming products, but the above assessment was made because initiatives to reduce CO<sub>2</sub> emissions intensity at the manufacturing stage stalled at some of our overseas sites.

## Meetings with stakeholders to exchange views during the drafting process of Eco Plan 2020

### Holding meetings to exchange opinions on environmental activities

In 2017, in order to understand world environmental issues correctly and utilize this understanding in business activities, we held meetings with three researchers of The Institute for Global Environmental Strategies (IGES), which is an international research institute for the study of global environmental issues, and managers at our company who are responsible for marketing, development and CSR in order to exchange opinions on expectations for our company's future environmental activities.

We received high rating from IGES for our procurement of sustainable materials initiative and our extremely ambitious target of achieving 100% third party certification of paper and pulp by 2020 (Japan and overseas) and 100% third-party certification of palm oil suppliers (Japan). Regarding securing sustainable materials, when we said that it was difficult to ensure FSC etc. due to factors including cost, they pointed out the importance of putting effort into this at an early stage in terms of securing raw materials, since the value of forest certification is increasing and recently the New York Declaration on Forests\* has come to be thought of as a means of climate change mitigation.

IGES pointed out that while momentum for measures against climate change has increased with the signing of the Paris Agreement, CDP is also raising the bar for what is required of corporations. IGES also said that CSR departments must keep up with world trends and communicate them to business and financial departments and, as GDP of countries where the company is running the business is forecasted to be impacted due to the intensification of global warming, the possibility exists that it will have an impact on our company's operations as well. In the course of discussion of climate change issues, we had a renewed awareness of the importance of measures against climate change, as expressed in the opinions from our side, who said that we felt such measures required a variety of people working hand-in-hand, across industry sectors.

Also, during the process of creating its medium-term environmental targets called Eco Plan 2020, representatives from the Unicharm Group visited WWF Japan, a global environmental conservation group, to discuss expectations placed in the Unicharm Group regarding its future environmental activities so that it can address global environmental issues correctly through its business activities.

With regards to "Measures against climate change", WWF Japan explained that this issue cannot be addressed by a single company but rather the long-term process used by each company to realize ambitious targets aimed at a carbon-free society will lead to new innovations which will spur on society as a whole to work together toward the same end. WWF Japan also viewed "Sustainable procurement of materials" in a favorable light because of the extremely ambitious target of achieving 100% third party certification of paper, pulp and palm oil. WWF Japan further noted that the steps to completing Eco Plan 2020 should be established and disclosed in detail using a step by step process which will make it easier to monitor progress. Also suggested was that awareness should be raised through the value chain to encourage innovation by sharing long-term targets for 2030 and 2050 at an early stage.

\* In 2014, the importance of forests to measures against climate change was confirmed at the United Nations Climate Change Conference and the various stakeholders such as corporations, citizens, NGOs and governments pledged a declaration to cooperate on these initiatives.



Meetings to exchange opinions on environmental activities

## [Japan] Initiatives to reduce CO<sub>2</sub> through products

Our company has set a target ratio for environmentally-friendly products as part of its environmental goal and is working on product development by having an environmentally-friendly mind.

Products with improved environmental performance are defined as environmentally friendly products based on an evaluation of whether environmental impacts are successfully reduced within the life cycle from the baseline figures of FY2005. Certification is performed by the CSR Division, which is independent from development, by calculating LCA (Life Cycle Assessment). In 2017, we achieved our goal of 80% environmentally-friendly products. In 2018, we will work to further increase this percentage. Additionally, Eco Charming products are a further evolved version of environmentally friendly products defined as top tier products that help contribute to the realization of a sustainable society. As of today, a total of 146 items fulfilled this definition (certification was extended to pet care products and institutional-use products in addition to personal care products starting in 2017). Going forward, we will continue to introduce environmentally-friendly products as a means to lowering CO<sub>2</sub> emissions of procured materials and reducing CO<sub>2</sub> emissions during product disposal after use.

\* Please see Eco Plan 2020 for detailed targets.



An example of Eco Charming products



## [Japan and overseas] Initiatives to reduce waste at production sites

At our overseas subsidiary in Thailand, we installed facilities to crush and separate out-of-scope products from the production process, with more than 90% of the waste generated at the site being recycled. In conjunction with domestic recycling activities, we have achieved zero landfill waste.



## Activities towards recycling disposable diapers

Unicharm launched its used disposable diaper recycling program starting from 2015. Previously, Unicharm has already been extracting plastic pulp and low-grade pulp from some used disposable diapers and plastic pulp had been recycled as Refuse Paper and Plastic Fuel (RPF). The challenge was to bring the cost of recycling down to around the same level as the cost of disposal by incineration and to enhance the value of the recycled product.

By improving processing efficiency while taking into account the needs of sustainable operation, Unicharm succeeded in developing a unique recycling system that reduces the cost of recycling to a similar level to that of incineration and which generates recycled pulp that is of the same quality as virgin pulp.

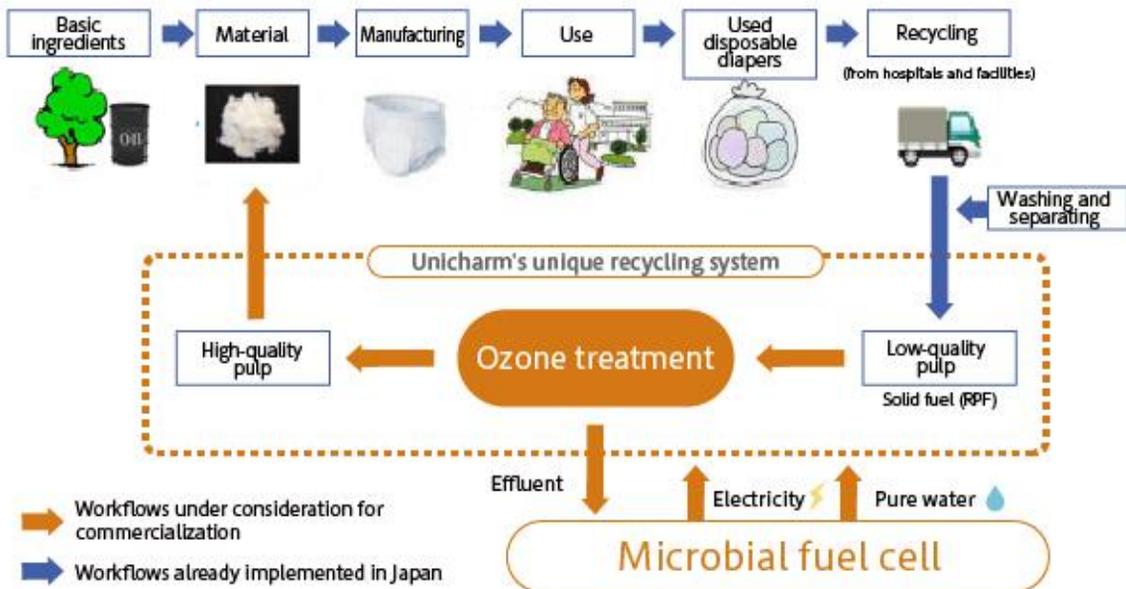
- About Unicharm's unique, improved recycling system

The recycling system that we developed in 2015 applies a unique ionization process to the low-grade pulp that we extract from used disposable diapers by means of cleaning and separation; the ionization process destroys the bacteria contained in the excretion. In this way, recycling is able to generate high-quality pulp that is just as hygienic and safe as virgin pulp.

We have continued to improve the technology in order to be able to use this system for volume production. By reusing the treatment water used when washing and separating the used disposable diapers, we have been able to make processing more efficient and also reduce the amount of waste water that is discharged. In addition, through collaborative research with Hokkaido University, we have developed technology for recovering calcium hydrogenphosphate dihydrate (DCPD)\*, a type of nutrient salt, from high-concentration waste water and for the recycling of superabsorbent polymer. In collaborative research with Hiroshima University, we have undertaken experiments on purifying recycled high-concentration waste water to use it in the generation of electricity. In September 2017, Unicharm was granted an original patent for microbial fuel cell processing.

By combining Unicharm's accumulated technology development and research with universities' know-how and research capabilities, we have been able to undertake the development of unique recycling systems.

\* Nutrient salt function as "fertilizer" in the oceans and is a key factor in the growth of certain types of plankton.



### Evaluated by CDP Japan 500\* for disclosure of climate change information

Unicharm cooperates with a survey of 500 companies selected for their inclusion in the FTSE Japan Index as part of its efforts to address CDP climate change. In 2017, Unicharm received a disclosure score of B. This indicates that the PDCA cycle for climate change is functioning at a high level to address our company's overall efforts. Unicharm was also recognized for moving forward with information disclosures to shareholders. Going forward, Unicharm will continue to carry out activities that are even more mindful of climate change.

\* Carbon Disclosure Project: An international NGO that works to realize a sustainable society by conducting global surveys on the environment and by disclosing information

### Promoting environmentally-friendly supply chain management

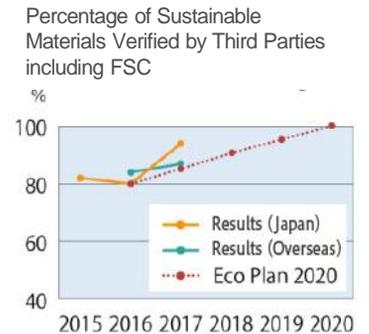
Amid mounting climate change risk over the past few years, Unicharm has been striving to reduce its environmental impact and to conserve the environment with the aim of building a sustainable society. We have also been promoting supply chain management that gives consideration to the needs of biodiversity. By 2020, Unicharm aims to switch to recycled paper or certified sustainable forest-derived products for the paper and pulp used in the company's absorbent products. We have also instructed our suppliers not to use raw materials sourced from High Conservation Value Forests (HCVFs), which have a significant impact on biodiversity, and High Carbon Stock Forests (HCSFs). Starting in 2016, we expanded the scope of activities for the procurement of sustainable materials to include local overseas suppliers.

Also, we became a member of the Roundtable on Sustainable Palm Oil and began collecting information and establishing traceability aimed at sustainable procurement given our focus on environmental issues directly related to palm oil.

### Obtaining B rating in CDP\* forests program

Unicharm supports efforts to address the CDP forests program and cooperates with a survey of companies selected for inclusion in the FTSE Japan Index. In 2017, Unicharm received a B rating for timber materials, a B rating for palm oil and a B- rating for livestock cattle. This indicates that the PDCA cycle for forest-derived resources is functioning at a high level company-wide and that Unicharm was recognized for moving forward with information disclosures to stakeholders. Going forward, Unicharm will continue to carry out activities that are even more mindful of climate change.

\* Carbon Disclosure Project: An international NGO that works to realize a sustainable society by conducting global surveys on the environment and by disclosing information



The mark of responsible forestry  
FSC® N002492



See below for more details about E (Environment).

<http://www.unicharm.co.jp/english/csr/environment/index.html>

## Company initiatives

# S

## Social

### Human rights initiatives

#### Our basic approach and strategy

Since the founding of Unicharm, we have always believed in respecting human rights, as seen from the prominent mention of respect for people in our management policy and in the declarations of respect for people and the human perspective in the opening statements of The Unicharm Way Action Guidelines and Human Resource Philosophy. Various human rights issues exist throughout the world and because special attention must be paid to protecting human rights in global business based on international human rights standards, we uphold the Universal Declaration of Human Rights adopted in 1948 by the United Nations General Assembly, and in 2017 we enacted the Unicharm Group Policy on Human Rights and demonstrate our continued efforts to fulfill our responsibility to respect human rights in all of our activities. Furthermore, we distribute our human rights policy to all Group employees as part of the Unicharm Group Action Guidelines.

We will not tolerate child labor and forced or compulsive labor and we will never discriminate against people based on race, religion, gender, age, family background, disability or any other factors. We will guarantee freedom of association and freedom of collective bargaining and we confirm that excessive work hours have been reduced and that the right to minimum wages is upheld.

#### Approach to materials procurement

Unicharm has operated the business in line with the Unicharm Group CSR Procurement Guidelines which were established in 2009 for the purpose of maintaining fair and impartial relationships with all suppliers. The guidelines incorporate provisions relating to applicable laws, human rights, industrial relations, environment and product safety such as “the abolition of child labour,” “the elimination of discrimination” and “the promotion of measures against global warming” as stated in the U.N. Global Compact.

By working closely together through mutual communication with suppliers, we are sharing and establishing an understanding of Unicharm’s CSR approach, philosophy, specific activities and requests for cooperation towards safety and the environment.

At our overseas locations, only rolling out best practices from Japan is not sufficient given more dramatic changes in awareness and regulations on safety and the environment. So we are also gathering information from the local market and promoting materials procurement closely in tune with the local market as well, and thus aiming to build business relationships that fulfill the quality, functionality, safety, environmental and service requirements of product lines in overseas markets. In addition, we are promoting procurement activities with a particular emphasis on crisis management. When starting new business transactions overseas, we make efforts to establish a sound understanding and dissemination of Unicharm’s stance and approach toward procurement including compliance with laws and social imperatives and due consideration to human rights and labor and thus call for the cooperation of the partners in environmental and ethical areas.

In 2016, we established an International Labor Standards (ILS) Promotion Office in Unicharm Products to help promote our social responsibilities through the whole supply chain, and, in October 2017, we established the Basic Policy of Procurement promoted from the Unicharm Group CSR Procurement Guidelines in response to increased expectations towards the CSR initiatives of global companies and to prevent human rights and labor problems throughout the supply chain. The Unicharm Group Sustainable Procurement Guidelines were established as a subdivision of this Basic Policy of Procurement to express our intentions towards the prevention of child labor and forced labor, the prohibition of discrimination, the right to the freedom of association, the right to collective bargaining, reductions in excessive working hours, minimum wages, health and safety standards and the prevention of corruption. These policy and guidelines cover all business partners that conduct business with the Unicharm Group around the world and will be translated into other languages besides Japanese and English provided at the time of establishment as required.

We will work towards safe and secure procurement based on legal compliance going forwards so that suppliers can understand the intent of these policy and guidelines.

## Management structure

Although Unicharm avoids various risks by closely communicating with business partners, it also implements procurement activities with a focus on crisis management in addition to communication in supply chains throughout the world in response to dramatic changes in awareness and regulations relating to human rights and the environment. In addition, Unicharm conducts a supplier risk assessment when starting new business transactions overseas to determine in advance whether it is an appropriate business partner. While regularly monitoring labor environment after business transactions are commenced, we are ready to establish a sound understanding and dissemination of Unicharm's stance and approach toward procurement including compliance with laws and social imperatives and due consideration to human rights and labor and thus call for the cooperation of the partners in environmental and ethical areas.

## Initiatives

### Implementation of human rights and labor monitoring

The Unicharm Group regularly conducts monitoring on suppliers regarding ESG using the Sustainable Procurement Guidelines for the purpose of identifying risks. Improvement activities are conducted together with suppliers if any risks are identified.

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## Our Attitude toward Social Contribution and its Structures

### Our basic approach and strategy

Unicharm believes that its business activities have a highly positive impact on society. We feel a strong sense of pride and joy in providing comfort, emotion and pleasure to people not only in Japan, but also in Asia and other parts of the world. Through our involvement in a variety of social contribution activities directly related to our business while expanding products and services suited to each country and region's characteristics, we are working to become a company that makes contributions to society through the creation of employment and one that is welcomed and trusted by people in these societies.



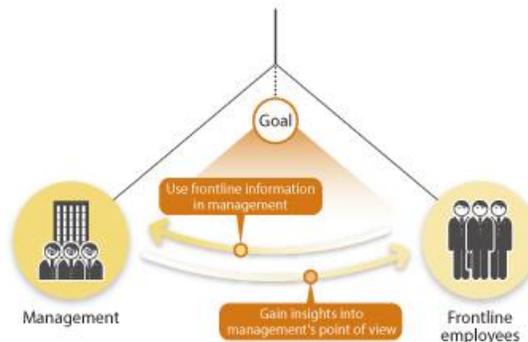
See below for more details about S (Social).

<http://www.unicharm.co.jp/english/csr/society/index.html>



### Unicharm's unique management method

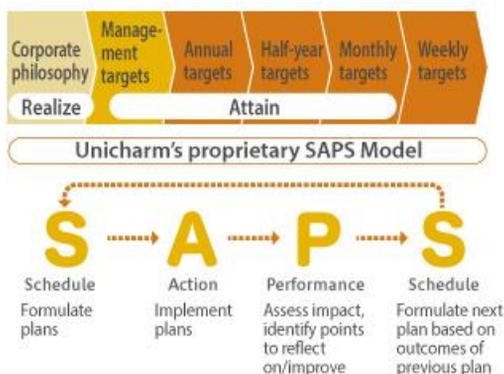
In order to realize the corporate philosophy, the industriousness of each and every employee becomes the epicenter of change, increasing the resonance of individuals who then reverberate together to effect change across the entire company and allow each employee to realize their vision. We call this business practice and creation of such corporate culture "Management with Resonance". We believe that management-level staff are able to come in first-hand contact with front-line information and share viewpoints. Meanwhile, through dialogue with management-level staff, front-line employees are able to learn management viewpoints, standpoints and time horizons to develop mutual understanding while still working to solving conflicts. In this way, both management and the front line work towards a shared goal, fostering a sense of comfortable unity even under strict conditions in the company. Daily ingenuity and wisdom therefore swings resonates between the front line and management like a pendulum. This is indeed the "Management with Resonance" in which the wisdom of the front line is utilized by management and the front line learns about management perspectives.



### SAPS methodology: Emphasis on respect for people and a sense of accomplishment

The purpose of the SAPS methodology, which has been in operation at Unicharm since 2004, is to make our employees utilize their precious time more effectively and spend their life with happiness by focusing their time and activities on high-priority (value-added) issues. One of these initiatives is the SAPS Management Model. It is a type of PDCA cycle in which all employees build a plan with a flow of their top goals to be broken down into monthly targets to achieve their six-month targets and weekly targets to achieve the monthly targets. Doing so allows the employee to assign a purpose to each item of work and clarify work priorities. For example, even if work does not proceed as planned, progress can be visualized to determine the current situation and the plan can be shared with superiors and coworkers to receive advice which will lead to improvements. In order to make that happen, we get together as a company-wide group to work on and implement the 6 key essentials of the SAPS methodology based on which we aim at respecting the independence of individuals having diverse values and bringing out each other's capability so that we can share the joy of growth of the organization as a whole. Through SAPS methodology, we proceed toward the realization of "wealth in three aspects": "aspiration," "economy," and "mind and body."

The SAPS management model: Unicharm's unique management method that maximizes time



#### Six essentials of SAPS methodology

- 1) Respect for people
- 2) Emphasis on a sense of accomplishment
- 3) Emphasis on time competitiveness  
(Time-based management)
- 4) Knowledge management
- 5) Emphasis on curiosity and entrepreneurship
- 6) Mentality change

## Employee survey

We conducted “employee surveys” twice a year at all group companies in Japan and overseas, in order to verify employees’ satisfaction/fulfillment and sense of accomplishment. This sequential surveying enables us to implement various measures in management and human resources, and also encourages employees and organizational operations to be more proactive.

Permanent employee satisfaction indicators

- Employee surveys

\*Average mark across five levels



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## Compliance

### Our basic approach and strategy

#### Our attitude towards compliance

Our management policy is expressed in the Unicharm Ideals which state “we strive to pursue proper corporate management principles which combine corporate growth, associate well-being and the fulfillment of our social responsibilities.” 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 and the Articles of Incorporation. In addition, Unicharm works to prevent acts that would lead to corruption including bribery, excessive entertainment and gifts through corporate activities, improper political contributions and insider trading. The President & CEO and executives continue to communicate the spirit set forth in The Unicharm Way to employees around the world in an effort to improve and instill an awareness of corporate ethics and ensure that all corporate activities are based on compliance.

#### Management structure

Unicharm has established a CSR Committee for the purpose of activity monitoring of all matters related to social responsibility centered around a framework of quality, safety and the environment in order to ensure the legality, fairness and soundness of corporate activities. A Compliance Hotline has been established as a consultation and whistle-blowing contact point for violation of laws and regulations, violations of internal regulations and major corporate ethics violations while the Ring-Ring Employee Hotline has been established as a consultation and whistle-blowing contact point for problems at the workplace such as internal harassment acts and human relationship issues as part of efforts to develop and enhance the compliance structure. A Corporate Ethics Office has been established as the contact point for the management of these bodies and, when a serious problem occurs, the President & CEO who serves as the chairman convenes a Corporate Ethics Committee with the standing members of the deputy chairman and members of the Audit and Supervisory Committee to resolve the issue. In addition, in order to conduct audits on whether business execution in each division is being conducted appropriately in accordance with laws, regulations, etc., and to provide advice as necessary, an Internal Audit Division that is independent from each business execution division and directly supervised by the President & CEO has been established and it conducts internal audits on Unicharm and subsidiaries.

In addition, the Board of Directors has established policies for efforts to prevent all forms of corruption including demands and bribery and such efforts are also being conducted at related departments. In addition, the Sustainable Procurement Guidelines that aim to maintain fair relationships and prevent acts of corruption in transactions with suppliers clearly indicate the necessity of compliance with laws, regulations and social norms and fair trade as well as the prohibition of bribery and kickbacks and promote the comprehensive prevention of corruption in transactions.

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## Risk Management

### Our basic approach and strategy

Unicharm pledges to continuously improve corporate value through global business activities and to sincerely conduct business activities in order to gain the trust of all stakeholders including customers, shareholders, business partners and local communities. In order to achieve this, Unicharm has established the Unicharm Ideals, the Five Great Pillars and Associate Principles of Action, the Beliefs and Pledges and Corporate Principles of Action and the Unicharm Group’s Action Guidelines.

Gaining an appropriate understanding of the various risks that could have an effect to the realization of these objectives and preventing and minimizing the impact of such risks when they occur are positioned as important management issues. The Group has established a risk management system for the entire group that is implemented while continuously reviewing and improving ESG risk management.

The Board of Directors analyzes and evaluates material ESG risks that are regularly reported by each department manager in order to deliberate and decide on improvement measures that are implemented by the Board of Directors independently from the Audit and Supervisory Committee.

In addition, the CSR Committee learns about the importance of crisis management based on the theme of risk management. The main items that could become a business risk have been defined as follows and are deliberated by the CSR Committee.

### Major risks

- |  |  |
|--|--|
| 1. Risks related to sales environment in competition | 6. Risks related to intellectual property including patents and trademarks |
| 2. Risks related to the population structure         | 7. Risks related to environmental problems                                 |
| 3. Overseas business risk                            | 8. Risks related to disasters and accidents                                |
| 4. Raw materials price fluctuation risks             | 9. Risks related to acquisition, partnership, business consolidation, etc. |
| 5. Risks related to the reliability of products      | 10. Information leakage risks  |

For the management of these risks, Unicharm uses the ISO framework that also incorporated quality and environmental risks as important business risks as a manufacturer. In addition, individual management is conducted for risks including business continuity at the time of disasters.

### Protecting intellectual property

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 in an aim to put in practice an IP landscape in which intellectual property is useful for management decision making.

As a patent application strategy, we intend to protect and utilize business and developmental results as intellectual property, along with reinforcing overseas patent applications in line with the global development of our business. As a result, we have captured a top-class share in the industry with the application rate for global patents at approximately 80% (2014) and the registration rate for Japanese patents at 94.8% (2016) (taken from the Patent Administration's Annual Report 2017). In addition, as Unicharm is focusing on the development of environment-friendly products and technologies, it has acquired patents related to the basic technologies for obtaining sanitary and safe high-quality pulp from used disposable diapers and patents related to processing methods that enable water purification at the same time as power generation using waste-fueled microbial fuel cells in the pulp acquisition process. Going forward, Unicharm will work to protect and use intellectual property at the same time as the development of technologies for practical application. Meanwhile, 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 order to raise the quality of our intellectual property rights, we actively use the Japan Patent Office's Collective Examination for IP Portfolio Supporting Business Strategy, we have signed up as the first user worldwide of the ASEAN Patent Examination Cooperation (ASPEC) program and we have acquired the first registration for the Patent Prosecution Highway Plus agreed to by the Japan Patent Office and the Brunei Darussalam Intellectual Property Office. For trademarks, we have acquired registration in Japan and China for *moony* and *Sofy* audio and signed up as the first user worldwide in Thailand as part of efforts in Japan and overseas to enhance our ability to build a portfolio of intellectual property such as patents and trademarks.

Unicharm also takes a firm stance on protecting its intellectual property rights, including filing lawsuits against their infringements or unauthorized use. Its IP division closely cooperates with business and product development divisions as well as overseas subsidiaries and works with local governments to eliminate unauthorized and counterfeit products in Japan and overseas such as Asia, ASEAN, the Middle East and Africa and online in e-commerce. 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 internal compliance issues related to such things as patents, trademarks and misleading representations, etc.

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. We have formulated a business continuity plan (BCP) to help us prepare for a major emergency that could occur in Japan such as an earthquake directly underneath Tokyo or a large-scale interconnected earthquake involving the Tokai, Tonankai and Nankai plates. We have assumed the scenario of an earthquake (intensity of approximately upper 6) with an epicenter under the Tokyo metropolitan area in an area that includes the head office, adjacent plants and sales offices, prepared impact assessments and damage assumptions, etc., considered alternative measures and established organization structures and backup structures to ensure the safety of employees and their families and continue business if an actual emergency occurs and conducted ongoing evacuation drills assuming the occurrence of such an emergency based on this scenario.

### Overview of the business continuity plan (BCP)

#### (1) Basic requirements

Basic policy/Assumed risks/Impact assessment/Assumed damage/Main elements

#### (2) Confirmation of safety and well-being of employees and their family members

Ensuring and saving lives

#### (3) Concrete measures for business continuity

Organizational structure and command structure/Securing important bases/External information/Dissemination and information sharing/Backup/Provision of products and services

#### (4) Important items that should be supported along with business continuity

Cooperation with and contributing to the community

#### (5) Measures necessary for implementing the business continuity plan (BCP)

Education and training/Inspections, corrective action and reviews

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 distribute a disaster response pocket manual for immediate reference during an emergency to all employees. We have put systems in place that allow us to contact employees using smartphones, which they must carry at all times, to help us to confirm their safety and maintain business continuity during emergencies. In addition, we conduct disaster training drills at each business site, hold basic first aid courses and provide training that is tailored to the function of each division and 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.

In 2017, we conducted ongoing training and drills including drills assuming the nighttime evacuation of production bases. Going forward, we will develop systems for responding to all incidents that can be assumed by strengthening risk countermeasures on a global level that incorporate risks such as uprisings or terrorism overseas.

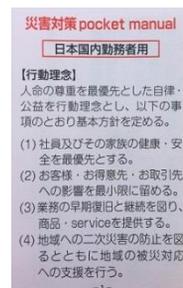
\* BCP: Plan for the continued operation and rapid recovery of core business activities after an emergency



Crisis response training



First aid course at the head office



Disaster response pocket manual

See below for more details about G (Governance).

<http://www.unicharm.co.jp/english/csr/management/index.html>

# Unicharm's Approach

~Create value and solve key challenges through our business activities~

## Business initiatives



### Baby Care Business

Create ideal child-raising lifestyles that are positive and healthy for parents and children

## Japan

### Basic business strategy

As Japan's diaper market matures and the birthrate declines, we will continue to offer innovative value proposals and raise awareness about hygiene and comfort issues, aiming to make childcare easier and more enjoyable.

### Concrete initiatives

#### Supply high-quality diapers that are gentle on babies' skin

In Japan's maturing diaper market, there is a growing need for high-quality diapers that are gentle on babies' skin. In response to that trend, we launched a range of premium disposable diapers with improved levels of comfort called *Natural moony*. Launched in 2016, the *Natural moony* range has Japan's first-ever\*<sup>1</sup> organic cotton surface sheets – the part that touches the baby's skin – dramatically increasing softness. By using a purely plant-derived hydrophilic agent, we have created a surface sheet that is only mildly acidic, matching the natural level of skin acidity. Also, amid a growing shift to quality in the diaper market, we launched a new range of premium pants-type disposable diapers called *Natural moonyman* in October 2017. The diapers, which are simply gentle on the skin, feature a new world-first 3D design\*<sup>2</sup> that reduces leakage from the back area of the diaper by 50%\*<sup>3</sup>.

We have launched these products in other markets across Asia to tap into growing demand for disposable baby diapers with the same high quality as those sold in Japan.

\*1 Surface sheets of leading disposable baby diaper products in Japan (Unicharm research, March 2016)

\*2 New design has an outward facing pocket on the rear of the diaper with vertical and horizontal tabs; based on pants-type disposable baby diapers sold by major global brands (Unicharm research, September 2015).

\*3 Reduction in leakage is for loose bowel movements; changes in thickness under compression, compared with existing Unicharm products.

#### Diapers for the rising number of low birth weight babies

An increasing number of babies are being born with low birth weights (below 2,500g). In response to that trend, we launched *moony air fit* newborn preemie for hospitals in Japan in 2014. We upgraded the range in February 2018 amid rising needs for even gentler and safer diapers for babies with especially delicate skin. The updated products have softer waist tapes and narrower absorbent panels. These improvements to make *moony air fit* newborn preemie diapers even softer have been very popular with mothers and midwives, and the diapers are now used in more than 50% of neonatal intensive care units (NICU) in Japan.

#### Encouraging communication between parents and infants

Our *MamyPoko* brand, which offers an excellent balance between quality and price, has been popular in Japan for many years, ranking as the top-selling diaper for the last 10 years\*<sup>4</sup>. That popularity has been built on the brand's cute Disney character designs, accessible price point and good absorbency. In May 2017, we launched a free toilet training app developed with Kyoto University Graduate School. The app, which features the Moony-chan character, is linked to our *Trepanman* range of training pants and is designed to give children independence and confidence when they start toilet training, an important development milestone for encouraging awareness and building trust.

\*4 Based on Intage SRI data for cumulative sales of disposable baby diapers (pants type), July 2007 to June 2017.



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The Moony-chan birth story  
[http://www.unicharm.co.jp/moony/moony\\_chan/story.html](http://www.unicharm.co.jp/moony/moony_chan/story.html)



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## Asia

### Basic business strategy

Amid growing demand for hygiene products, which is being spurred by rising incomes, we will play our part in creating healthy, hygienic environments for raising children by launching products tailored to local needs.

#### – Regions with high market uptake rates for disposable diapers

We will roll out high value-added products already sold in Japan to help make life more comfortable and reduce the burden of raising children.

#### – Regions with low market uptake rates for disposable diapers

We will expand our sales areas, mainly for economy-type products, which offer a good balance between quality and price, aiming to improve hygiene conditions and reduce the burden of raising children.

### Concrete initiatives

#### Supplying high-quality disposable diapers made in Japan

In China in particular, there is growing demand for reliable, high-quality disposable diapers made in Japan. In response, we are stepping up sales of our *moony* brand through cross-border e-commerce channels by supplying products from Japan. To meet projected growth in demand, we are also building a smart factory in Kyushu, which is scheduled to start operations in fiscal 2019.

#### Encouraging wider use of easy-to-wear pants-type diapers

In overseas markets, we are also promoting pants-type diapers, which are easier to put on, as part of our efforts to reduce the burden of raising children. In India, where disposable diapers are not widely used, we started selling disposable baby diapers in 2009 and focused on increasing uptake rates for pants-type products. Those efforts are paying off, with sales growing steadily at an average annual rate of 56% over the last five years. We are also working to increase uptake rates for pants-type products in China and Vietnam.

#### Promoting uptake of disposable baby diapers with a good balance between price and quality

Demand for disposable baby diapers is growing in Asia on the back of rising incomes, but in many cases, low incomes still put disposable diapers out of reach for many consumers. In response, we are promoting the uptake of disposable baby diapers that offer an excellent balance between price and quality. In China, we have improved our locally made *MamyPoko*-branded products by incorporating the latest Japanese technology, while in Indonesia we have upgraded our diaper range to improve absorbency and dryness.

#### Building sales channels to make our products more accessible

To increase uptake of disposable baby diapers, we are teaming up with leading local wholesalers to create sales channels that make it easier for local consumers to buy products tailored to their needs. In China, where the e-commerce market is growing strongly, we are strengthening our presence in online retail. In 2017, *moony* was the top-selling brand in the disposable diaper category during a sales campaign run by a leading e-commerce company in China. In Indonesia, we are extending our sales network into traditional small retailers and specialist baby goods stores. Meanwhile, in Thailand, we are overhauling our distribution system to expand our local sales channels.



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## Business initiatives



### Feminine Care Business

Changing women's "discomfort" during menstruation into "comfort"

## Japan

### Basic business strategy

Backed by scientific research, we will provide products and services that empower women, allowing them to lead normal, comfortable lives without physical and mental barriers.

### Concrete initiatives

#### Provide new value proposals and high value-added products for women's increasingly diverse lifestyles

With more women leading active work and social lives, we are adapting our *Sofy* sanitary napkins to meet their increasingly diverse and sophisticated needs. Our range includes *Sofy Hadaomoi* for sensitive skin, *Sofy Air Fit Slim*, which are so comfortable they are almost unnoticeable, and the stylish *Sofy Center-in* range. This broad choice of *Sofy* products for different situations and with various thicknesses, materials and lengths, ensures women can select the best product for their needs, helping to make their periods more comfortable.

Also, amid rising demand for sanitary napkins with fragrances, we have launched *Sofy Air Fit Slim Happy Floral Bouquet Aroma* in the *Sofy Air Fit Slim* range and *Center-in Compact Fragrance White Soap Scent* in the *Center-in* range. Another new product in our sanitary napkin lineup is *Chojyukusui Gokujuyo Fit Slim 340*, which offers increased comfort for the best sleep possible, thanks to the world's first\*<sup>1</sup> flexible absorbency pad\*<sup>2</sup> with six separate sections.

\*1 Sanitary napkins sold by major global brands (Unicharm research, October 2015)

\*2 Sanitary napkins with flexible curved zones that run vertically and horizontally on the absorbency pad in the rear section

#### Supply pantyliners in response to rising awareness about cleanliness

In recent years, rising awareness about cleanliness among consumers has led to increased use of pantyliners on an everyday basis, not just for periods. To address this trend, we launched *Sofy Hadaomoi Pantyliner Clean Plus* in October 2017. The new product incorporates Japan's first-ever\*<sup>3</sup> SIAA-certified 99% antibacterial surface sheet\*<sup>4</sup>, preventing the spread of bacteria and ensuring the clean feeling from a fresh pantyliner continues to last.

\*3 First product in the pantyliner category in Japan to receive certification from the SIAA (SIAA research, September 2017)

\*4 Reduction in bacteria compared with non-treated products; controls the spread of bacteria in treated surface areas; does not prevent growth of all types of bacteria

#### Support women by providing useful information about periods and health

Unicharm works to provide accurate information about periods and women's health. One way we are doing this is through a free *Sofy* app, which is designed to help mothers prepare their daughters for their first period by teaching them about menstruation, predicting the timing of periods and managing their menstrual cycle. We have also set up a website called the *Sofy Body Guide* to provide guidance to girls and their guardians and teachers about first periods. This is part of our wider efforts to inform girls about menstruation and make their everyday lives easier.



Sofy Body Guide  
<http://www.unicharm.co.jp/girls/index.html>



## Asia

### Basic business strategy

**Demand for feminine care products is growing in Asia on the back of rising incomes. In response, we will launch products designed for local needs and provide information about periods to help women play a more active role in society and support the region's economic development.**

#### – Regions with low market uptake rates for feminine care products

We will launch feminine care products designed for local needs and expand sales areas, as well as provide ongoing education programs about first periods to help women secure job opportunities and take a more active role in society.

#### – Regions with high market uptake rates for feminine care products

We will launch high value-added products designed for local needs and build sales channels to make our products more accessible, aiming to make periods easier for women.

### Concrete initiatives

#### Provide new value proposals and high value-added products tailored to local needs

In Asia, we are seeing dramatic growth in demand for feminine care products amid rising incomes in the region. Unicharm products are selling well in the vast Chinese market, particularly among young women, thanks to the cute designs and high quality of our feminine care products. New high value-added product ideas that leverage our unique technology, such as shorts-type sanitary napkins, are proving to be very popular among Chinese women.

#### Expand sales areas and build sales channels to make our products more accessible

We are working with leading wholesalers in each market and expanding our sales areas to drive uptake of feminine care products. In China, we are increasing shipments, mainly to coastal cities. Going forward, we plan to step up shipments to regional farming communities in inland areas as well. We are also actively reinforcing online sales of feminine care products, mirroring the approach we have taken in disposable baby diapers. In other parts of Asia, particularly Indonesia, India and Vietnam, we are actively expanding our sales areas to drive uptake of feminine care products, aiming to improve hygienic environments and help make periods easier for women.

#### Increase understanding and awareness of feminine care products through educational programs about first periods

In some parts of Asia, the use of feminine care products is not widespread due to a lack of education and understanding about periods. In those areas, many girls miss school during their period, leading to an impact on their learning, which has wider issues for society. To address those problems, we started a program in India in 2013 to educate women about the mechanism of menstruation and to provide accurate information about feminine care products, aiming to improve personal hygiene during periods and empower women. We have since extended the program to Indonesia and Myanmar. We believe our efforts to empower women in emerging markets and help them take a more active role in society will contribute to the development of their countries and the region as a whole, which should also translate into stronger demand for the daily necessities that we supply and raise awareness of the Unicharm brand in local markets.



Educating about menstruation

## Business initiatives



### Health Care Business

Reduce the number of bedridden elderly to zero

## Japan

### Basic business strategy

Our goal is to ensure our loved ones can live their lives with dignity. We will supply products and develop new ideas such as exercise programs to prevent dementia, aiming to help extend health life expectancy and reduce the burden on those being cared for and their carers.

### Concrete initiatives

#### Activities to raise awareness about the widespread issue of incontinence

The urinary incontinence care market is growing, spurred by the rising number of people who have to deal with incontinence issues due to old age or after childbirth. Recently, we have seen particularly strong growth in demand for incontinence care products for men, as well as women. To address this demand, we are expanding our *Lifree Sawayaka Pad* range for men. Our products, which are specially designed to be discreet and prevent staining, help men with incontinence to lead normal lives by giving them confidence to go out more. We have also added more products to our *Charm Nap* range to offer consumers the best choice of absorbency for their level of incontinence.

As with light incontinence, many people suffer in silence from light soiling caused by a weak sphincter. In response, we launched *Lifree Sawayaka Light Soiling Pad*, Japan's first-ever\*1 product specifically designed to address the problem of very light soiling\*2. The product is only available through online sales channels.

\*1 Pads inserted in underwear to cover the anal area and prevent light soiling, sold by leading domestic manufacturers (Unicharm research, March 2017).

\*2 Defined as light soiling or soiling that leaves marks on underwear



#### Help seniors maintain, recover and increase their ability to perform daily tasks

Amid rapid growth in the number of seniors in Japan, we believe it is important to help older people do whatever they can by themselves to reduce the burden on carers. In October 2017, we launched *Lifree Stretch-Fit Slim Diapers with Tape* that are comfortable to wear while sitting up, which is part of some rehabilitation programs for seniors.

Meanwhile, it is now widely understood that a lack of time outside leads to a higher rate of walking problems and dementia in the elderly. To address those issues, we launched *Lifree Low Profile Pants-type Diapers* in April 2017. The pants incorporate three patented technologies and are designed to look discreet from behind for both men and women, giving them the confidence to enjoy long periods outside without worrying about their appearance.



#### Drastically reduce the number of housebound seniors

Housebound seniors and dementia are becoming serious social issues as Japan's population ages. In response, we started a new initiative in 2016 called *Social Walking*\*3, which is designed to give elderly people more contact with the outside world through walking. Also, as part of our efforts to create a cohesive society where people and pets support each other, we launched a new animal therapy program to motivate and lift the mood of seniors to encourage them to keep going with their rehabilitation programs.

\*3 As the name suggests, the program is about socializing while walking, which is seen as a fun, easy and effective way of preventing dementia disease (Unicharm project run under the supervision of the Tokyo Metropolitan Institute of Gerontology).



Social Walking\*3

### Help seniors choose the best diaper for their needs

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

Meanwhile, in a first for the industry, we launched a Disposable Adult Diaper Selection Guide on our *Lifree* website that uses an artificial intelligence-powered virtual assistant\*4 called Maki-san. The system provides 24-hour support throughout the year to help people choose the right disposable adult diaper, a product category about which we receive many inquiries.

\*4 A type of computer program or system that conducts conversations instead of people



Disposable Adult Diaper Selection Guide  
<http://www.unicharm.co.jp/lifree/adult/choose/navi/index.html>



### Train personnel and build systems to create a cohesive society

In 2010, we introduced a nursing care practical learning module to training courses for new employees. The module gives our employees the opportunity to spend time with customers to learn more about their everyday lives. The experience gives them a better understanding of how our products are used, which they can then use in their work at Unicharm. In April 2017, we also added the Dementia supporter learning module to training courses for new employees and for advisors who work in our Customer Support Center. The module is designed to deepen understanding about dementia and provide insights into preventative measures and care approaches to cultivate personnel who can make a meaningful contribution to society. Our ultimate goal is to create a workforce that can help realize our vision for a cohesive society. In addition, we have established a Global Health Care Business at Head Office to address rising demand for adult incontinence care products in Asia.

### Supply face masks tailored to changing uses and needs

More people in Japan are using face masks throughout the year and reasons for using masks are becoming more diverse. Consumers also want masks that do not hurt their ears if they use them for long periods of time, are gentle on the skin and do not restrict breathing. We have expanded our lineup of mask products in response to those trends and needs.



## Asia

### Basic business strategy

In Asia, where demand for adult incontinence care products is growing, we are introducing our Japanese care model to reduce the burden on those being cared for and their carers.

### Concrete initiatives

#### Develop and promote products adapted to local cultures

In Indonesia, where a large proportion of the population is Muslim, we are taking every step to ensure our products can be used with confidence by as many people as possible, such as securing halal certification for our disposable adult diapers to show they are manufactured in accordance with the rules of Islam. We are also actively promoting our products through supermarkets and other modern trading channels. In the future, we plan to secure halal certification for other products such as disposable baby diapers and feminine care products.



#### Increase product visibility and shipments to drive market uptake

In key countries and territories such as Taiwan, Thailand, Indonesia and Vietnam, which are also projected to experience population aging, we are holding incontinence care seminars and increasing shipments of disposable adult diapers to hospitals and other facilities to support the roll out of our Japanese care model in the region.



## Business initiatives



### Clean & Fresh Business

Create clean and fresh environments that are comfortable for people

## Japan

### Basic business strategy

Our goal is to help make everyday life more productive and comfortable by offering products in tune with changing living environments and lifestyles.

### Concrete initiatives

#### Provide wet wipes and cleaning products in response to rising interest in cleanliness

Amid rising awareness about cleanliness, more people are using wet wipes in the home and when they go out. In response to that trend, we relaunched our *Silcot Wet Tissue* range of box-type wet wipes in July 2017. With this first major revamp of the product in eight years\*1, we have created better airtight containers and adopted new stylish designs that make people less reluctant to use the wet wipe box in public.

Also, with more people being forced to do quick house cleans due to lack of time, our research indicates that roughly 79% of people who use handy wiper cleaning products do not change the dusty used sheet after one use, which they feel is unhygienic. Based on that feedback, we launched the first-ever\*2 disposable cleaning sheets with EX antibacterial fiber\*3 under our *Wave* cleaning brand.

\*1 Last redesign of the container was in March 2009

\*2 Based on disposable handy cleaning products sold by major brands (Unicharm research, August 2017)

\*3 Prevents the spread of bacteria on the antibacterial treated surface only, not bacteria in general

#### Utilize our technology to offer a choice of different cotton materials and effective products

Skin can be damaged by a range of factors inside and outside the home, such as ultraviolet light and dryness caused by air conditioners. Many women therefore want effective skincare products to protect their skin. Our *Silcot* brand was created to keep women's ever-changing skin healthy by giving them an easy and effective daily skincare regime. Our range includes *Silcot Uruuru Sponge Facial Cotton Sheets*, which feel incredibly moist\*4 even when using half the previous amount of skincare lotion. In the annual @cosme awards, the facial sheets have won the top prize in the best beauty products category for two straight years\*5. Our *Silcot* products are popular with consumers, who often use them with other products in the range such as *Silcot Silky Cotton Wipes*, which are made with cotton specially designed to wipe away dirt at the micron level thanks to Japan's first-ever ultrafine long fibers\*6.

\*4 Compared with previous Unicharm products

\*5 Winner in @cosme awards best beauty products category in 2016 and 2017

\*6 Two-layer sheet structure with a puffy covering; the outer sheet layer that touches the skin is made with ultrafine long fibers with diameters of 10µm or less, while the inner sheet layer is made from coarse cellulose fibers; based on cosmetic cotton products sold by major brands in Japan (Unicharm research, October 2015)



Advice on effective use of Wave products  
<http://www.unicharm.co.jp/wave/house/index.html>



Surprising uses for cotton – see some secret tips from beauty researchers

<http://www.unicharm.co.jp/silcot/skincare/howto.html>



## Business initiatives



### Pet Care Business

Realizing a long and healthy life for pets

## Japan

### Basic business strategy

Aging is a growing issue for pets, as well as people. To increase healthy life expectancy and create a cohesive society where pets and people can live long and rich lives together, we will work to create new markets and develop products that support all aspects of pets' lives.

### Concrete initiatives

#### Ideas to help pets lead healthy, long and rich lives

As aging becomes a growing issue for pets, we are offering healthy pet food choices for specific segments based on requirements such as breed, age and health condition. In recent years, we have also seen rising demand for fun and safe pet treats. To address that trend, we have expanded our *Grand Deli* range of pet foods and treats that offer flavor, texture and balanced nutritional intake. In a partnership with Japanese confectionery maker Morinaga & Co., Ltd., we have developed\*1 and launched *Grand Deli Ototo Crackers for Dogs*, a special dog version of Morinaga's popular crunchy snack.

In the cat food category, more cat owners are keeping their pets indoors, bringing their everyday lives even closer together. That trend is leading to growth in the number of cat owners who want to give their pets tastier food. In response, we have expanded our *Silver Spoon Premium Three-Star Gourmet* cat food range and launched *Silver Spoon Premium Three-Star Gourmet Treats*, a new range of tasty soft treats made with ingredients from various regions in Japan.

\*1 Unicharm and Morinaga & Co., Ltd. developed the first-ever snack specifically designed for dogs (as of March 2017).

#### Create environments where people and pets can live together comfortably

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 create clean and hygienic environments for owners and their pets, whenever and wherever they need them. Owners increasingly see dogs as part of the family, caring for them as they would children. To address that trend, we are expanding our lineup of *Deo-Sheet* products that improve pet toilet conditions in the home. One example is *Deo-Sheet Premium*, launched in September 2017. Incorporating four patented technologies, the upgraded toilet sheets are superabsorbent, ensuring odors disappear for up to 12 hours\*2. Unicharm is working to provide a full range of support for pets every day and throughout their whole lives, illustrated by our efforts to promote a campaign on Pet Day (November 22) to express gratitude for the enjoyment and companionship that pets give us.

\*2 Calculated based on the average urine volume of a small dog



### Reduce the physical burden on small dogs that are kept indoors

As the ratio of pets kept indoors increases, more people are choosing to own small dogs. But that is leading to growing concerns among dog owners about the effects of lack of mobility. In response, we have developed a new bed for dogs that is kind on backs and joints, helping to reduce the physical effects of being kept indoors. Dogs need nearly double the amount of sleep as humans, so their sleeping environments are particularly important. Given those needs, we are working to develop products that support the daily health of pets so that they can lead long and healthy lives with their owners.



### Provide support for aging pets and reduce the impact on owners

Aging is a growing issue for pets, as well as people. For dogs that become immobile and need care as they become older, we want to ensure they can live happily with their owners for as long as possible. Based on feedback from vets and people who have looked after aging pets, we have developed and launched Japan's first-ever pet nursing care system\*<sup>3</sup>, *Unicharm Pet Pro*, aimed at veterinary hospitals. Using experience and technologies gained from the development of disposable diapers for humans and pet toilet sheets, we aim to help solve various issues related to the care of aging pets, while at the same time reducing the burden on pets receiving care and their owners.



\*<sup>3</sup> In major pet nursing care product categories in Japan (Unicharm research, October 2016)

## North America

### Basic business strategy

We supply a wide range of high value-added pet food and pet toiletry products incorporating Unicharm technologies from Japan, helping to improve health and hygiene for people living with pets.

### Concrete initiatives

#### Supply high value-added products incorporating technology from Japan

In the U.S., we supply a range of products that improve health and hygiene for people living with pets. These products combine our technical and product development capabilities in pet toiletry and pet food products, developed since the first days of the company, with the brand power, marketing expertise and selling power of The Hartz Mountain Corporation, which Unicharm acquired in 2011.

Our popular range of high value-added products includes mainstay flea and tick control products, as well as toilet sheets for dogs and wet-type snacks for cats based on Unicharm technologies from Japan.



#### Build sales channels to make our products more accessible

Sales channels in the U.S. are rapidly changing. In response, we are reinforcing our presence in the fast-growing online retail category and in the specialist pet store channel. By building sales channels that match consumer needs, we are helping to improve health and hygiene for people living with pets.

## Chapter 4

### Unicharm's Vision for Society (Unicharm's Role in Society)

**All people lead independent lives and support each other**



In Japan, where society is aging faster than anywhere else in the world, 30% of the population is projected to be 65 or older by 2025. In the near future, other Asian countries such as Taiwan, Thailand, Indonesia and China are also expected to see their populations age, but at an even faster rate than Japan's.

Against that backdrop, we believe it is important to create cohesive societies where all people can live normally with humanity and mutual respect, replacing the current emphasis on sharing the load.

We stand on the verge of a dramatic and unprecedented change in society – a period of "mutation." We aim to exploit that turning point by moving into new business fields where we can combine digital technology with nonwoven fabric technology to convert discomfort for consumers into comfort. Our ultimate goal is to create a cohesive society.

## Officers (as of March 28, 2018)

### Directors



**Keiichiro Takahara**  
Director, Founder



**Takahisa Takahara**  
President & CEO



**Gumpei Futagami**  
Director, Vice President and  
Managing Executive Officer  
Chairman of The Hartz Mountain  
Corporation



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



**Shinji Mori**  
Director, Vice President and  
Managing Executive Officer  
General Manager of Japan Sales  
Head Office



**Kennosuke Nakano**  
Director, Managing Executive Officer  
General Manager of Japan Pro-care  
Sales Head Office



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



**Yoshihiro Miyabayashi**  
Director, Senior Executive Officer  
Chairman, President of Unicharm  
(China) Co., Ltd.  
Chairman, President of Unicharm  
Consumer Products (China) Co., Ltd.  
President of UniCharm (Philippines)  
Corp.



### **Kimisuke Fujimoto**

Director, Audit & Supervisory  
Committee Member  
(Outside Director)

#### **Reasons for Appointment**

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

#### **Main Activities**

Mr. Fujimoto has attended 18 out of 18 meetings of the Board of Directors and 17 out of 17 meetings of the Audit and Supervisory Committee, providing appropriate advice about agenda points and other topics of discussion as required.



### **Takashi Mitachi**

Director, Audit & Supervisory  
Committee Member  
(Outside Director)

#### **Reasons for Appointment**

Mr. Mitachi has a long track record working for a consulting company and a broad understanding of corporate management strategy.

#### **Main Activities**

Mr. Mitachi has attended 14 out of 14 meetings of the Board of Directors and 12 out of 12 meetings of the Audit and Supervisory Committee, providing appropriate advice about agenda points and other topics of discussion as required.



### **Shigeru Asada**

Director, Audit & Supervisory  
Committee Member

#### **Reasons for Appointment**

Mr. Asada has a long track record working for the financial management division and a broad understanding of finance and accounting.

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  
Vice President and  
Managing Executive Officer  
Vice President and  
Managing Executive Officer  
Managing Executive Officer  
Senior Executive Officer

**Takahisa Takahara**  
**Gumpei Futagami**  
**Eiji Ishikawa**  
**Shinji Mori**  
**Kenosuke Nakano**  
**Masakatsu Takai**  
**Yoshihiro Miyabayashi**  
**Hiromitsu Kodama**  
**Kenji Takaku**  
**Yukihiro Kimura**  
**Atsushi Iwata**  
**Seiichi Motoi**

Executive Officer  
Executive Officer

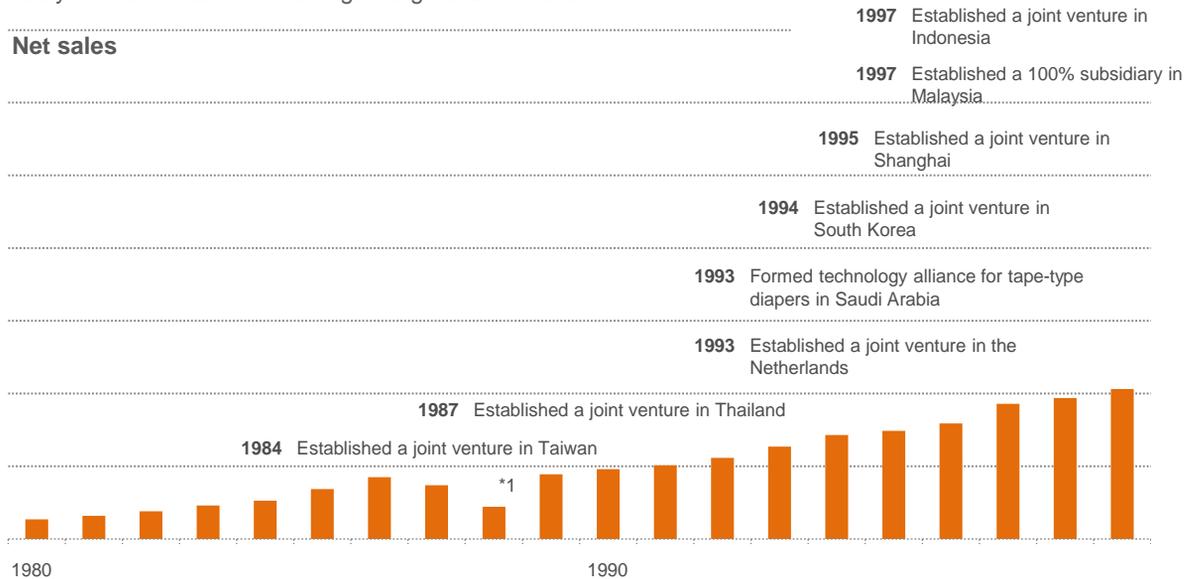
**Toshiro China**  
**Toshifumi Hikosaka**  
**Tadashi Nakai**  
**Masaaki Takahashi**  
**Shinobu Seki**  
**Tetsuya Shite**  
**Masayuki Daiyo**  
**Tetsuo Ukai**  
**Satoru Kiuchi**  
**Takahiro Bato**  
**Tsutomu Kido**

# 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 1988 was a six-month transitional period due to a change in fiscal year-end.

## Business Topics

- 1974 Founded Unicharm Corporation
- 1976 Listed stock on the Second Section of the Tokyo Stock Exchange
- 1985 Company stock designated to be listed on the First 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

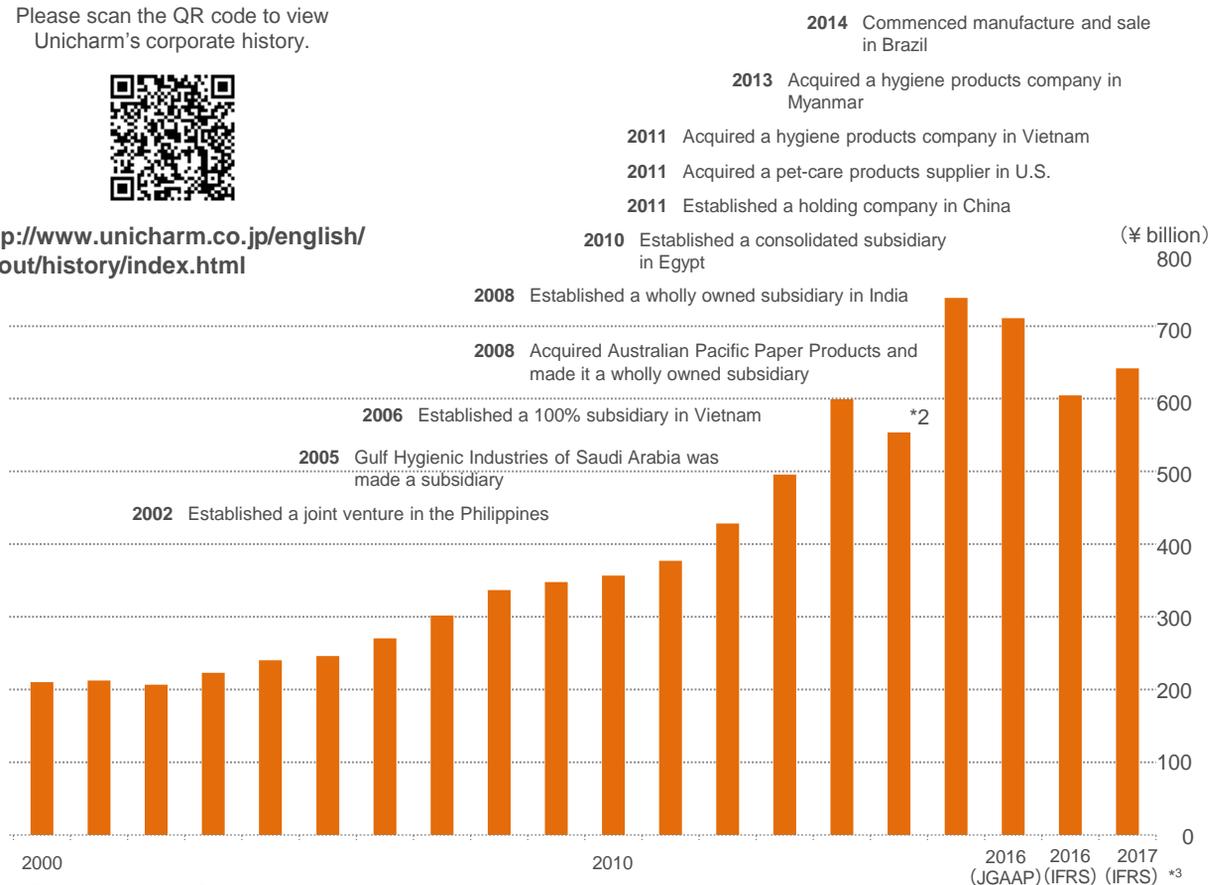
- 1963 Commenced manufacture and sale of feminine napkins
- 1976 Launched *Charm Nap Mini*, slim napkins
- 1980 Launched *Charm Soft Tampon*
- 1981 Launched *moony*, disposable diapers
- 1982 Launched *Sofy*, shaped feminine napkins
- 1983 Launched *MamyPoko*, disposable diapers
- 1987 Launched *Lifree*, disposable diapers for adults
- 1988 Launched *Lifree Urine Absorption Pad*, incontinence pads
- 1990 Launched *Trepanman*, training pants
- 1991 Launched *Oyasumi Man*, pants for bed-wetting children
- 1992 Launched *moony man* pants-type diapers
- 1993 Launched *MamyPoko*, diapers designed with Disney characters



Please scan the QR code to view Unicharm's corporate history.



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



\*2 Fiscal period ended December 2014 was a nine-month transitional period due to a change in fiscal year-end.  
 \*3 Unicharm adopted IFRS from fiscal 2017, ended December 31, 2017.

**2000** Established Continenace Support Research Institute

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

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

**2006** Announced participation in the United Nations Global Compact

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

**2010** Merged Unicharm PetCare Corporation

**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 diapers for babies  
 Launched a new disposable diaper for adults, *Lifree Ultra-Thin Underwear-like Pant-Diaper*

**2013** Launched *moony air fit*, a world-first disposable baby diaper that smoothly fits to round-shaped skeletal structure of infants



**2014** Launched *Lifree Sawayaka Pad for Men*, a new incontinence-care product for men  
 Launched a new incontinence-care product for dogs, *Manner Wear*

**2016** Launched *Natural moony*, premium disposable diapers with organic cotton-based surface sheets

**2017** Launched *Natural moony man*, high-quality premium pants-type disposable baby diapers

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

	2009/3 (JGAAP)	2010/3 (JGAAP)	2011/3 (JGAAP)	2012/3 (JGAAP)
<b>For the Fiscal Period:</b>				
Net sales (IFRS)	347,849	356,825	376,947	428,391
Overseas sales to net sales ratio (IFRS)	37.1%	38.5%	42.4%	46.9%
Cost of sales	206,209	193,012	203,394	233,936
Selling, general and administrative expenses	106,756	118,747	126,991	142,554
Operating income/Core operating income* <sup>5</sup> (IFRS)	34,883	45,066	46,561	51,900
Profit attributable to owners of parent (IFRS)	17,127	24,463	33,560	26,981
Basic earnings per share* <sup>1</sup> (yen)	29.81	42.85	59.37	48.32
Cash dividends per share* <sup>1</sup> (yen)	6.00	7.67	9.33	10.67
Consolidated dividend payout ratio	20.1%	18.1%	31.4%	22.1%
Cash flows from operating activities	21,978	55,032	-17,239	59,570
Cash flows from investing activities	-44,316	-22,239	-69,527	-58,861
Free cash flows	-22,338	32,793	-86,766	709
Capital expenditures	14,573	24,750	82,655	69,498
Depreciation* <sup>3</sup>	17,101	16,393	14,620	13,257
Amortization of goodwill	N/A	N/A	2,760	3,899
Research and development expense	4,459	4,558	4,953	4,733
<b>Fiscal Year-end:</b>				
Total assets	278,313	307,773	444,015	472,497
Property, plant and equipment	84,247	95,356	98,389	116,821
Long-term debt—less current maturities	1,206	943	47,354	35,219
Shareholders' equity/Total equity (IFRS)	185,590	207,413	219,632	243,207
Equity ratio/Ratio of equity attributable to owners of parent (IFRS)	60.2%	59.7%	45.5%	45.1%
Number of employees	6,904	7,108	7,317	10,287
(including overseas employees)	3,875	4,055	4,297	7,260
<b>Ratios:</b>				
Operating income to net sales ratio/Core operating income to net sales ratio (IFRS)	10.0%	12.6%	12.4%	12.1%
Net income to net sales ratio/Profit attributable to owners of parent to net sales ratio (IFRS)	4.9%	6.9%	8.9%	6.3%
Gross profit to net sales ratio	40.7%	45.9%	46.0%	45.4%
SG&A expenses to net sales ratio	30.7%	33.3%	33.7%	33.3%
ROE: Profit attributable to owners of parent to net assets/ Return on equity attributable to owners of parent (IFRS)	10.4%	13.9%	17.4%	13.0%
ROA: Ordinary income to assets/ Ratio of profit before tax to total assets (IFRS)	11.4%	15.6%	11.5%	10.6%
<b>Stock Prices:</b>				
High* <sup>1</sup> (yen)	959	1,024	1,148	1,473
Low* <sup>1</sup> (yen)	638	639	897	997
<b>Environment-related Ratios:</b>				
Reduction in CO <sub>2</sub> emissions volume* <sup>6</sup>	11.8	11.3	11.4	11
Reduction in industrial waste at three main plants	-13.6%	-11.9%	-11.9%	-15.3%
Recycling rate in industrial waste at three main plants	99.0%	98.9%	99.2%	99.2%
Percentage of environmental-friendly products	36%	59%	55%	55%

(Note) JGAAP amounts have been rounded down, IFRS amounts have been rounded off.

\*1 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.

\*2 Fiscal 2014, ended December 31, 2014, was a nine-month transitional period due to a change in fiscal year-end.

\*3 Depreciation includes goodwill amortization costs.

\*4 Unicharm adopted IFRS from fiscal 2017, ended December 31, 2017.

\*5 Core operating income is gross profit after deducting selling, general and administrative expenses.

\*6 Energy usage (GJ) / net sales (yen millions)

							(Millions of yen)
2013/3 (JGAAP)	2014/3 (JGAAP)	2014/12 (JGAAP)*2	2015/12 (JGAAP)	2016/12 (JGAAP)	2016/12 (IFRS)*4	2017/12 (IFRS)*4	
495,771	599,455	553,661	738,707	710,965	604,653	641,647	
52.6%	57.7%	64.4%	61.4%	57.7%	58.4%	58.9%	
268,743	331,807	308,421	406,521	376,510	376,842	393,101	
167,539	200,407	183,892	252,250	256,178	148,695	161,707	
59,488	67,240	61,347	79,934	78,277	79,116	86,838	
43,121	38,216	32,731	40,511	44,134	46,971	52,772	
77.92	64.1	54.33	67.55	74.29	79.06	89.85	
11.33	12.67	12.73	14.80	16.00	16.00	20.00	
14.5%	19.8%	23.4%	21.9%	21.5%	20.2%	22.3%	
68,758	95,659	68,892	85,009	103,604	103,604	98,086	
-53,304	-58,220	-36,741	-68,166	-42,612	-42,612	-38,778	
15,454	37,439	32,151	16,843	60,992	60,992	59,308	
52,340	51,908	41,756	47,993	39,436	39,437	33,397	
16,814	22,101	20,393	27,343	26,750	27,598	29,345	
4,239	9,203	3,769	4,640	4,519	-	-	
5,098	5,265	4,248	5,993	6,070	6,071	6,554	
535,055	620,419	699,108	702,601	711,541	668,592	736,644	
163,129	204,417	240,082	247,808	244,325	236,629	228,521	
23,000	21,000	5,420	10,757	12,084	61,190	59,623	
329,201	432,152	492,844	451,091	449,974	414,387	453,029	
54.2%	60.3%	60.0%	55.1%	54.4%	52.7%	52.6%	
10,855	12,795	13,901	15,500	15,843	15,843	15,757	
7,846	9,801	10,907	12,526	12,842	12,842	12,648	
12.0%	11.2%	11.1%	10.8%	11.0%	13.1%	13.5%	
8.7%	6.4%	5.9%	5.5%	6.2%	7.8%	8.2%	
45.8%	44.6%	44.3%	45.0%	47.0%	37.7%	38.7%	
33.8%	33.4%	33.2%	34.1%	36.0%	24.6%	25.2%	
17.2%	11.5%	8.2%	10.0%	11.4%	13.4%	14.3%	
12.9%	11.8%	9.9%	10.2%	10.2%	11.4%	13.2%	
1,877	2,230	3,010	3,398	2,668	2,668	3,078	
1,345	1,683	2,359	2,045	2,001	2,001	2,436.50	
10.8	11	10.5	10.3	9.5	9.5	9.4	
-11.4%	-8.9%	-13.3%	-3.5%	-22.1%	-22.1%	-9.7%	
99.1%	99.4%	99.5%	99.5%	99.5%	99.5%	99.5%	
56%	62%	67%	72%	78%	78%	80%	

# Consolidated statement of financial position

(Millions of yen)

	Fiscal Year Ended December 31, 2016 (as of December 31, 2016)	Fiscal Year Ended December 31, 2017 (as of December 31, 2017)
Assets		
Current assets		
Cash and cash equivalents	138,043	169,903
Trade and other receivables	90,637	98,821
Inventories	57,403	60,529
Other current financial assets	38,938	59,119
Other current assets	14,615	18,805
Total current assets	339,637	407,176
Non-current assets		
Property, plant and equipment	236,629	228,521
Intangible assets	48,595	46,563
Deferred tax assets	8,955	9,451
Investments accounted for using equity method	705	733
Other non-current financial assets	25,388	33,631
Other non-current assets	8,684	10,568
Total non-current assets	328,955	329,467
Total assets	668,592	736,644

Please scan the QR code  
to view financial results.



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

(Millions of yen)

	Fiscal Year Ended December 31, 2016 (as of December 31, 2016)	Fiscal Year Ended December 31, 2017 (as of December 31, 2017)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	129,206	138,480
Bonds and borrowings	6,753	6,189
Income tax payables	9,337	11,070
Other current financial liabilities	65	239
Other current liabilities	31,600	38,001
Total current liabilities	176,962	193,979
Non-current liabilities		
Bonds and borrowings	61,190	58,000
Deferred tax liabilities	2,873	18,227
Retirement benefit liabilities	7,649	8,225
Other non-current financial liabilities	2,391	2,111
Other non-current liabilities	3,141	3,073
Total non-current liabilities	77,243	89,636
Total liabilities	254,205	283,615
Equity		
Equity attributable to owners of parent		
Capital stock	15,993	15,993
Share premium	—	421
Retained earnings	391,800	434,298
Treasury shares	(53,652)	(67,652)
Other components of equity	(2,042)	4,509
Total equity attributable to owners of parent	352,098	387,567
Non-controlling interests	62,289	65,461
Total equity	414,387	453,029
Total liabilities and equity	668,592	736,644

## Consolidated statement of income

(Millions of yen)

	Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)	Fiscal Year Ended December 31, 2017 (January 1, 2017 – December 31, 2017)
Net sales	604,653	641,647
Cost of sales	(376,842)	(393,101)
Gross profit	227,811	248,546
Selling, general and administrative expenses	(148,695)	(161,707)
Other income	1,832	2,163
Other expenses	(4,242)	(2,662)
Financial income	8,565	8,750
Financial costs	(9,436)	(2,163)
Profit before tax	75,835	92,926
Income tax expenses	(24,577)	(35,355)
Profit for the period	51,259	57,571
Profit attributable to		
Owners of parent	46,971	52,772
Non-controlling interests	4,288	4,800
Profit for the period	51,259	57,571
Earnings per share attributable to owners of parent		
Basic earnings per share (Yen)	79.06	89.85
Diluted earnings per share (Yen)	76.63	87.06

## Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)	Fiscal Year Ended December 31, 2017 (January 1, 2017 – December 31, 2017)
Profit for the period	51,259	57,571
Other comprehensive income, net of tax		
Items that will not be reclassified to profit or loss		
Remeasurements related to net defined benefit liabilities (assets)	(2,975)	(281)
Subtotal	(2,975)	(281)
Items that may be reclassified to profit or loss		
Changes in fair value of available-for-sale financial assets	(3,974)	1,376
Changes in fair value of cash flow hedges	25	(53)
Exchange differences on translation in foreign operations	(17,871)	6,337
Subtotal	(21,820)	7,659
Total other comprehensive income, net of tax	(24,795)	7,378
Total comprehensive income	26,463	64,949
Total comprehensive income attributable to		
Owners of parent	25,604	58,849
Non-controlling interests	859	6,101
Total comprehensive income	26,463	64,949

## Consolidated statement of changes in equity

Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)

(Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at January 1, 2016	15,993	–	358,875	(41,101)	15,947	349,714	63,604	413,317
Profit for the period	–	–	46,971	–	–	46,971	4,288	51,259
Other comprehensive income	–	–	–	–	(21,367)	(21,367)	(3,429)	(24,795)
Total comprehensive income	–	–	46,971	–	(21,367)	25,604	859	26,463
Purchase of treasury shares	–	–	–	(14,000)	–	(14,000)	–	(14,000)
Disposal of treasury shares	–	(351)	–	1,449	(148)	950	–	950
Dividends	–	–	(9,175)	–	–	(9,175)	(2,610)	(11,785)
Change of scope of consolidation	–	–	(347)	–	–	(347)	–	(347)
Equity transactions with non-controlling interests	–	(1,222)	–	–	–	(1,222)	436	(786)
Share-based payments	–	–	–	–	575	575	–	575
Transfer from other components of equity to retained earnings	–	–	(2,950)	–	2,950	–	–	–
Transfer from retained earnings to share premium	–	1,574	(1,574)	–	–	–	–	–
Total transactions with owners	–	–	(14,046)	(12,551)	3,378	(23,220)	(2,174)	(25,394)
Balance at December 31, 2016	15,993	–	391,800	(53,652)	(2,042)	352,098	62,289	414,387

Fiscal Year Ended December 31, 2017 (January 1, 2017 – December 31, 2017)

(Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at January 1, 2017	15,993	–	391,800	(53,652)	(2,042)	352,098	62,289	414,387
Profit for the period	–	–	52,772	–	–	52,772	4,800	57,571
Other comprehensive income	–	–	–	–	6,077	6,077	1,301	7,378
Total comprehensive income	–	–	52,772	–	6,077	58,849	6,101	64,949
Purchase of treasury shares	–	–	–	(14,000)	–	(14,000)	–	(14,000)
Dividends	–	–	(9,998)	–	–	(9,998)	(2,715)	(12,714)
Change of scope of consolidation	–	–	(34)	–	–	(34)	–	(34)
Equity transactions with non-controlling interests	–	421	–	–	–	421	(213)	208
Share-based payments	–	–	–	–	233	233	–	233
Transfer from other components of equity to retained earnings	–	–	(241)	–	241	–	–	–
Total transactions with owners	–	421	(10,274)	(14,000)	474	(23,379)	(2,928)	(26,308)
Balance at December 31, 2017	15,993	421	434,298	(67,652)	4,509	387,567	65,461	453,029

# Consolidated statement of cash flows

(Millions of yen)

	Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)	Fiscal Year Ended December 31, 2017 (January 1, 2017 – December 31, 2017)
Cash flows from operating activities		
Profit before tax	75,835	92,926
Depreciation and amortization	27,598	29,345
Impairment losses	1,355	886
Interest and dividend income	(2,383)	(2,869)
Interest expenses	853	928
Foreign exchange loss (gain)	5,833	(547)
Loss (gain) on sale and retirement of fixed assets	1,010	898
Loss (gain) on sale of available-for-sale financial assets	(5,066)	(4,937)
Decrease (increase) in trade and other receivables	2,188	(7,583)
Decrease (increase) in inventories	3,210	(5,241)
Increase (decrease) in trade and other payables	2,598	8,388
Increase (decrease) in other current liabilities	6,903	6,826
Other	(1,894)	(3,023)
Subtotal	118,039	115,999
Interest and dividends received	2,275	2,721
Interest paid	(571)	(708)
Income taxes refund	659	8
Income taxes paid	(16,798)	(19,934)
Net cash provided by (used in) operating activities	103,604	98,086
Cash flows from investing activities		
Payments into time deposits	(17,218)	(65,952)
Proceeds from withdrawal of time deposits	13,603	46,937
Purchase of property, plant and equipment, and intangible assets	(37,862)	(32,598)
Proceeds from sale of property, plant and equipment, and intangible assets	216	64
Purchase of available-for-sale financial assets	(6,500)	(17)
Proceeds from sale of available-for-sale financial assets	5,146	11,363
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	–	1,424
Other	2	1
Net cash provided by (used in) investing activities	(42,612)	(38,778)
Cash flows from financing activities		
Net decrease (increase) in short-term borrowings	2,527	(3,334)
Proceeds from long-term borrowings	4,813	–
Repayments of long-term borrowings	(3,163)	(602)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	(989)	–
Proceeds from sale of investments in subsidiaries not resulting in change in scope of consolidation	–	100
Payments for purchase of treasury shares	(14,000)	(14,000)
Dividends paid to owners of parent	(9,173)	(9,986)
Dividends paid to non-controlling interests	(2,610)	(2,715)
Capital contribution from non-controlling interests	232	–
Proceeds from exercise of employee share options	950	–
Other	(127)	(45)
Net cash provided by (used in) financing activities	(21,540)	(30,582)
Effect of exchange rate changes on cash and cash equivalents	(3,375)	3,135
Net increase (decrease) in cash and cash equivalents	36,076	31,860
Cash and cash equivalents at beginning of period	101,966	138,043
Cash and cash equivalents at end of period	138,043	169,903