unicharm

NOLA & DOLA

ANNUAL REPORT 2001

Profile

Unicharm Corporation's predecessor, Taisei Kako Co., Ltd., was founded as a manufacturer of construction materials in Ehime Prefecture in 1961. Two years later, in 1963, the Company introduced its first feminine napkin. Since then, Unicharm has developed a variety of technologies based on nonwoven and absorbent materials. Today, the expanding scope of our businesses includes baby and child care, feminine care, adult incontinence care and household care (the Clean & Fresh Business Division). In addition, Unicharm Group companies handle pet food and care products and building materials, as well as educational programs for infants and children. In the future, we will continue to enhance our core technologies, supporting people's lives everywhere and providing all of our stakeholders with maximal value.

Unicharm Ideals

- WE contribute to creating a better life for humankind by offering only the finest products and services to the customer, both at home and abroad.
- WE strive to pursue correct corporate management principles which bring together corporate growth, well-being among associates, and fulfilling our social responsibilities.
- WE bring forth the fruits of cooperation based on integrity and harmony, by respecting the independence of the individual, and striving to promote the Five Great Pillars.

Contents

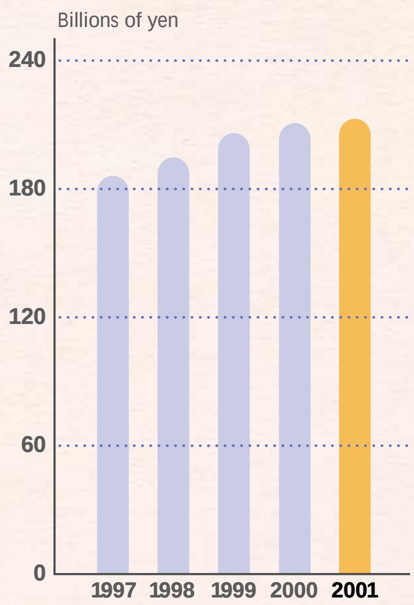
Important Note on Forward-Looking Statements

Statements made in this annual report with respect to Unicharm's current plans, estimates, forecasts and strategies are forward-looking statements representing the considered opinion of top management, and based on information and data available at the time of production. For these reasons, Unicharm cautions against the use of these statements as the sole foundation of forecasts of the Company's future performance. A number of important factors influencing Unicharm's business activities have the potential to cause wide variations between these statements and actual future results.

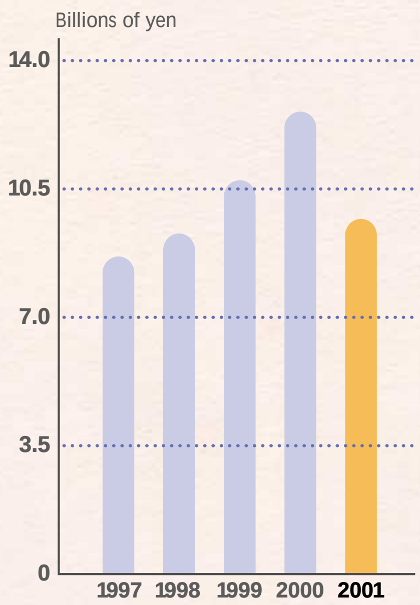
Financial Highlights

CONSOLIDATED	2001	2000	1999	2001
	Millions of yen			Thousands of U.S. dollars (Note 1)
For the year				
Net sales	**¥ 212,199**	¥ 210,200	¥ 206,347	**$1,711,282**
Operating income	**20,832**	23,935	21,652	**168,000**
Net income	**9,904**	12,563	10,788	**79,871**
At year-end				
Shareholders' equity	**¥ 104,156**	¥ 107,050	¥ 92,254	**$ 839,968**
Total assets	**177,396**	181,189	165,777	**1,430,613**
Per share data	Yen			U.S. dollars
Net income	**¥ 139.85**	¥ 177.29	¥ 150.55	**$ 1.13**
Cash dividends applicable to the year	**24.00**	19.00	17.00	**0.19**

Note: The United States dollar amounts in this report are given for convenience only and represent translation of Japanese yen at the rate of March 31, 2001 (¥124=U.S.$1). See Note 1 of Notes to Consolidated Financial Statements.



Net Sales



Net Income

To Our Shareholders

Keiichiro Takahara
Chairman and CEO

Takahisa Takahara
President and COO

A New Management System for the Next Generation

As we announced in last year's annual report, the success of Unicharm's Third Foundation is the most important issue we face in the 21st century. Earlier, during the Company's First Foundation, we entered the market for sanitary goods, while in the Second Foundation we began selling disposable diapers for babies.

Now, in the Third Foundation, Unicharm has targeted two major business opportunities. The first is to develop the Company's overseas business, mainly in Asia, where the market is developing rapidly thanks to the region's economic growth. The second opportunity is in the domestic Adult Incontinence (AI) business, a market that is expected to expand in line with the implementation of the Nursing Care Insurance System that was established in April 2000. We are working to ensure success in both of these business fields, and thereby launch a new stage of growth.

To achieve our objectives, we seek steady, step-by-step progress. To facilitate this, we overhauled the Group's management system in June 2001 to enhance our management capabilities and transmit them to the next generation. Keiichiro Takahara, Unicharm's founder and president, became chairman of the Board of Directors and will allocate the Company's management resources while serving as chief executive officer. Takahisa Takahara became president and will serve as chief operating officer responsible for the absorbent-related business, as well as help formulate the Company's overall business strategy and create a business model for the next generation.

While maintaining our focus on ensuring the success of our Third Foundation, we must manage the Company in a forward-looking manner to achieve our objectives.

For fiscal 2001, ended March 31, 2001—a period that marked the first step on the path to making the Third Foundation a success—Unicharm recorded net sales of ¥212.2 billion, up 1.0% year on year, operating income of ¥20.8 billion, down 13.0%, and net income of ¥9.9 billion, a drop of 21.2%. We were able to achieve a satisfactory degree of expansion in sales overseas, particularly in Asia, which is the key region in our management strategy. In the AI business, however, market growth stagnated in volume terms and prices fell due to fierce competition, which led to a substantial decline in earnings.

New Management Plan and CI Program

The year 2001 marked Unicharm's 40th anniversary, so in April we launched the Company's Fifth Three-Year Management Plan to accelerate the creation of new corporate value at this key stage in our history. As part of this plan, we aim to boost the Company's total market capitalization, becoming a "Life Support Industry with the No. 1 corporate value in Asia." Specific measures designed to help achieve this goal are detailed in the Q&A section of this annual report (please see pages 4–7).

In addition, we implemented a new corporate identity (CI) program in July 2001, a future-oriented strategy that will help us create a new corporate brand, spread the presence of Unicharm and help identify a new corporate mission. We wish to use the program as a means of accomplishing "self-renovation"—transforming ourselves into a new company.

The term "self-renovation" accurately summarizes Unicharm's corporate culture. Since our founding, we have grown by successfully reforming ourselves on a continual basis while paying careful attention to changes in society. This is a corporate culture of which we can be proud, and its preservation is a most important concern. We see each employee as the source of power needed to "renovate" the Company. By drawing on this power, we will strive to maintain this renovation.

Management Emphasis on Distribution of Profits

Unicharm views the distribution of profits to shareholders as an essential part of its management policy. To achieve this aim, we seek to enhance our corporate value by boosting cash flow. We plan to increase dividends in a stable and continuous manner, while bolstering our corporate structure and aggressively expanding operations. Regarding future cash flow, we will place first priority on using these funds to invest in business expansion, research and development, and upgraded information systems, to improve Unicharm's corporate value. We take a long-term view of this issue, which includes plans to buy back and retire a portion of the Company's stock.

As for corporate governance, in addition to the reform of the management system mentioned earlier, in October 2000 we eliminated the system under which directors were in charge of each division, implementing a new system that assigns directors to individual management functions in accordance with management strategy, management control, product value creation and customer value creation. With this change, we seek to enhance our managerial functions to help directors provide support and supervise operations, as well as strengthen the development of senior managers. At the same time, we are clarifying the roles and responsibilities of each executive director, and improving their operational capabilities. In addition, we have established the post of chief quality officer, who will be responsible for overall product quality and our environmental policies, to bolster the Group's product assurance and environmental policies.

To be a winner in today's increasingly tough global competition, we must establish a global brand that is recognized worldwide and build an efficient supply chain that satisfies international standards. Moreover, we must reform the Company so that it is better positioned to undertake business activities most appropriate to local needs. To achieve our aims, we are working to boost our capabilities—in technology, marketing, management, the international arena and information systems—to global levels, and differentiate our products to fully utilize our strengths and become Asia's No. 1 "Life Support Industry."

K. Takahara

July 2001
Keiichiro Takahara
Chairman and CEO

Takahisa Takahara
President and COO

Special Feature

The Fifth Three-Year Management Plan and Future Growth Strategies

To ensure the success of its Third Foundation, Unicharm has drawn up its Fifth Three-Year Management Plan, indicating a number of specific objectives. These are discussed below in an extract from an interview with the Company's new president, Takahisa Takahara, in which he explains the plan's purpose and content, as well as Unicharm's strategies for future growth.

UNICHARM

“Becoming the‘ Best of

Takahisa Takahara President and COO

Q What is the purpose of the newly initiated Fifth Three-Year Management Plan?

A The new management plan calls for“ becoming the‘ Best of the Best ’through vibrant management, ”with a vision of value creation in three fields: society, the Company and employees. With respect to society, we are promoting our NOLA & DOLA concept to help improve the lives of people in Asia by creating product value.

When we launched the baby diaper business in 1980, we established NOLA & DOLA as a corporate concept to express our philosophy in terms of the contribution to society. As shown below, the concept mainly targeted women. Since then, however, Unicharm's business domain has expanded from women to a framework that includes everyone. This idea has been incorporated in our new version of NOLA & DOLA.

Second, as a company, we are working to become a Category Champion in Asia with the No. 1 corporate economic value.

Third, we wish to contribute to society and fulfill our corporate values by giving employees a better feel for their work and a sense of pride, and helping them to enjoy the benefits of their labor.

In addition, as a management guideline to boost corporate value, we aim to expand the Company's market capitalization, becoming a “Life Support Industry with the No. 1 corporate value in Asia.”

N O L A & D O L A

Necessity of Ladies' Activities
&
Dream of Ladies' Activities

Necessity of Life with Activities
&
Dreams of Life with Activities

Q To achieve these goals, what fundamental policies do you have in mind?

A

To attain growth and improve profitability, we must devise fundamental policies to deal with three issues. First, we must focus our management resources on our core business—such as the babies/children and feminine care business including overseas operations—that constitutes the source of our growth and profits, as well as the Adult Incontinence (AI) business, thereby enhancing our competitive power and accelerating growth. To do so, we will hasten the development of new materials and next-generation products, while revising our cost structure to cope with fierce price competition, as well as speed up business expansion in Asia.

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"the Best ' through vibrant management"

Second, since we must establish a key structure for the new business that will drive future growth, we will devote a portion of management resources to creating and developing this key business structure for the future. In particular, the healthcare business was established in October 2000, and products that utilize nonwoven cloth for use at hospitals and medical facilities have been highly rated. Sales of these products are expected to reach ¥10 billion in the medium term, generating profits of more than ¥1 billion.

The third issue is the reassessment and restructuring of unprofitable operations that have become an impediment to improving corporate value. In September 2001, we will close our ***Gold Tower*** integrated amusement park operation, which is part of our leisure business, and we intend to draw up and implement a restructuring plan to fully maximize the value of the assets after the operation has been shut down in the first half of the fiscal year ending March 2002. We will accelerate the growth engine and restructure the Company to improve our global earnings capabilities.

Q What specific measures will be taken to implement the fifth three-year plan?

A

Five innovations will be used to develop and renovate the infrastructure for implementing this plan, as well as to maintain growth after the sixth three-year plan is established: product innovation, cost innovation, sales innovation, global innovation and management innovation.

In product innovation, we are training and allocating suitable staff in accordance with our business structure, and promoting a working environment where employees can concentrate on the Company's core operations. In addition, we are enhancing our technological platforms and increasing the value added to products through product development and improvement.

Regarding cost innovation, we are setting quantitative targets to ensure that we are globally competitive, are reducing production costs.

As for sales innovation, we are strengthening cooperation with retailers, implementing efficient store policies, and achieving "coexistence and co-prosperity" by forming partnerships with retailers, with the basic objective of understanding consumers and encouraging consumption. We are also establishing a system for concentrating our sales activities at stores.

Five Areas of Innovation
in the Fifth Three-Year Plan

- Coordinating the promotion of strategies throughout the Company
- Assigning appropriate management resources to achieve management plans

Q What about overseas operations and management, the priority strategy?

A

This question relates to the fourth innovation: global innovation. By reestablishing a company-wide support system, we seek to become the No. 1 corporate value in Asia.

In line with this, first we will establish a structure in which employees are continually kept aware of globalization and encouraged to upgrade their skills, while transferring domestic expertise and setting up a global management system. We will allocate a person to take charge of global support for each division, and clarify their roles and responsibilities.

For overseas group companies, we will establish a system for transferring Unicharm's corporate tradition and culture at an early stage, while clarifying the Company's policies on capital and decision-making criteria.

As for management innovation, we will thoroughly train our executive officers, and employ strict promotion requirements to ensure that we identify and select the best people, placing primary emphasis on ability as a rule. In addition, we will expand our training so that experienced employees can transfer their knowledge, skills and culture to younger employees, as well as undertake education on an ongoing basis. And we will thoroughly improve our management skills using our management system called U-Amet (Unicharm Agile Management by Empowered Teams).

The purpose of U-Amet is to develop a corporate culture characterized by vitality, and enhance human resources. Under this system, a small group of about 10 people is formed, and group members voluntarily implement the necessary operational reforms under the team leader, to maximize the profit per hour. We are also considering various other measures and incentives, including stock options, to contribute to society and boost corporate value.

UNICHARM ANNUAL

“Achieving a global management system and

Q What is Unicharm doing to recast its earnings structure?

A

We are trying to improve the Company's earnings structure by reducing sales promotion expenses and cutting costs. In particular, we are implementing major changes in terms of sales promotion expenses and production logistics.

Because sales promotion expenses rose substantially in the second half of fiscal 2001, in April we carried out a drastic restructuring of the sales system. Specifically, because the increase in expenses and decrease in prices were caused primarily by a short-term expansion of sales to wholesalers, we changed our evaluation system by shifting the priority away from deliveries to wholesalers and toward sales to retailers, which will help us grow profits in a stable manner. In addition, we are considering a price structure well matched to the various changes in distribution, as well as a revision of the transaction system, while reassessing sales promotion expenses and the management in a comprehensive manner, to improve the administrative system.

As part of our structural reform in the area of production logistics, we integrated distribution centers with factories, to enable product delivery directly from latter. To bolster our competitive edge, we established three subsidiaries to replace the production division that handled products and materials, and shut down two factories. Concurrently, to further enhance supply chain management (SCM), we implemented U.S.-based Manugistics Co.'s “demand forest” system nationwide in October 2000, and are using this system as the basis for production. This software, which has made it possible to simulate reassessment of production plans according to fluctuations in demand, will help us reduce inventories substantially.

Q Please tell us about future strategies related to the AI business, which was stagnant in fiscal 2001.

A

This year, due to intense market competition, our sales decreased. But we expect steady growth in the future, prompted by the ongoing aging of society, so we will thoroughly update our products in the home care market and develop a product lineup that meets all the needs of senior citizens. We have implemented the ADL (activity of daily living) symbol, to show clearly a product's contents on its packaging. Moreover, we are enhancing store merchandising and have put in place a sales navigation system to enable consumers to choose the most suitable products. We will also form a sales team specializing in care facilities and hospital routes, to cultivate the market using consulting-type activities.

In the AI business, with the motto "Working So That No One Is Bedridden," we will develop and sell more comfortable products, thus contributing to society.

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competitive strength”

Q What is your view of the Company's product management?

A

In line with its motto "Continuing to serve our customers to be No. 1," Unicharm conducts high-level product management to provide superior products and services from the customer's perspective. To satisfy customer expectations for product quality, we have implemented the ISO 9000 series, an international standard for quality management. Currently, three domestic sites and five overseas production bases in the Unicharm Group have obtained this certification.

We will expand our efforts further throughout the Group, to maximize customer satisfaction and bolster our corporate credibility.

Q What measures has the Company taken as an environmentally friendly corporation?

A

In fiscal 2001, we established an environmental committee, linked directly to the Board of Directors and covering the entire Group. Led by the chief quality officer, four subcommittees specializing in products, production technology, disposal/recycling and environmental management are functioning actively. In addition, our major production bases are working to obtain ISO 14001 certification and utilize the environmental management system to reduce environmental loads.

The main issue for us is to provide high value-added products using a minimal amount of resources, and to continually update related policies. In July 2001, we issued our first environmental report on our environmental policies, environmental protection activities and future direction. As for environmental accounting, although its implemented range was limited in the first year, we will expand it to improve the efficiency of our environmental activities, and enhance the transparency of all relevant information.

A Stage of Transition toward a Future Leap in Growth

Since its founding in 1961, Unicharm has achieved remarkable success in its feminine care and disposable baby diaper businesses, and fostered world-class competitive technologies in nonwoven and absorbent materials. In fiscal 2001, the initial year of the 21st century, the Company sought new business opportunities and a leap in growth in line with its Third Foundation. In particular, we placed strategic emphasis on our Adult Incontinence (AI) business in Japan and our overseas operations in Asia as growth market segments.

However, the AI business was heavily affected during the year by intense sales competition and Japan's deflationary economy. This led to a slowdown in market growth in terms of sales volume as well as a significant drop in unit prices, and consequently brought about a substantial decline in earnings. But we cannot judge the future of our AI business from this year's outcome alone. Considering the market's potential, Unicharm sees fiscal 2001 as a stage of transition on the path to growth.

Thus, our basic operating policies are unchanged, and our key strategic goals remain capturing the No. 1 position both in the AI business and in overseas operations in growing Asian markets.

Winning the No. 1 Position in AI Products

In April 2000, the Nursing Care Insurance System was introduced in Japan. In the years to come, in line with the decreasing numbers of children and the expanding population of senior citizens, the markets for medical and welfare-related products will undoubtedly grow. In the field of AI products in particular, we anticipate solid medium- to long-term growth in sales volume in the home care, special facility and hospital markets. We foresee that companies both large and small will enter these markets. Given these circumstances, Unicharm's marketing strategy assumes that price competition will continue for some time, and focuses on two educational activities to pursue its corporate responsibility as the category leader.

First, since entering this market in 1986, we have developed products under the ***Lifree*** brand name with the motto of "Working So That No One is Bedridden." We have pioneered innovative concepts through products such as ***Incontinence Pads*** and ***Rehabili-Pants,*** which have gained overwhelming consumer support and become the de facto standard in the industry. Further, in spring 2000, we introduced ***Lifree Kokoro-to Ohada-no Care Pads,*** an incontinence pad designed for those who need nursing care, which made it possible to reduce the frequency of pad changes from seven to eight times per day to four times. This revolutionary product has overturned the previously common belief that pads should be changed as frequently as possible.

Second, in April 2001 Unicharm launched a campaign called "No Pad-Change at Night." Previously, it had been thought that pads must be changed as many times as possible. Frequent changes, however, disturb the sleep of the elderly and promote their bedridden status, and are an additional burden on care-givers. Accordingly, the Company's educational campaign to eliminate pad-changes at night was launched under the concept of "Incontinence Pads for Night and Long-Time Use." ***Lifree Incontinence Pads for Night and Long-Time Use,*** a product developed under the new concept, achieved a sales component ratio after slightly more than one year of nearly 10%, from 3% at the time of introduction. In addition, in March 2000 we introduced ***Lifree Kantan Sochaku Pads for Rehabili-Pants,*** a pants-type incontinence pad, which created a new category in the AI field. Since people can use the pad easily by themselves, the product has been favorably received as a tool to help raise the effectiveness of rehabilitation.

Supported by these strategic developments, sales volume in terms of units sold increased in fiscal 2001. Because of the stagnant market growth and drop in unit prices fueled by fierce price competition, however, net sales posted a slight decline. The sluggish results were caused by several factors. First, the naming of our new product was rather too image-oriented, and therefore its specific product features were not clearly understood. In addition, a shift of marketing emphasis from one brand to another was not made as smoothly as anticipated, and coordination between sales teams and field advisers was not sufficiently close.

In fiscal 2002, we aim to develop four main measures to revitalize our AI business. They are to review our product concept and improve the product features, reform the sales structure for professional use, enhance store merchandising, and build flexible facilities and structures capable of producing both small lots and large numbers of items. In reviewing the product concept and improving the product features, we will renew all aspects of the products and prepare a comprehensive line of products to address the condition of incontinence. Specifically, the ADL symbol has been introduced on product packages so that customers can identify a product that meets their needs at a glance. In reforming the sales structure for professional use, we will form special sales teams that specialize in the route of care facilities and hospitals, and create a market by utilizing consulting-type services with expert knowledge. In enhancing store merchandising, we will introduce a sales navigation system to guide customers, employing "step colors" and colored rails so that they can choose the most suitable products in the stores. In this way, we will provide consulting services for overall sales premises.

ADL Symbol

Can walk alone   Can walk with an aid   Can stand/Can sit   Spend most of the time in bed

Capturing the No. 1 Position in Growing Asian Markets

We have achieved steady sales growth in Asian markets—another strategically important area for our No. 1 Corporate Value plan.

In our feminine care operations, to boost the brand competitiveness of ***Sofy,*** we have reinforced marketing activities in the countries where we have already made market entry. In the People's Republic of China (PRC), whose outstanding growth has raised its prominence as a market with massive potential, we have gained a market share of 29% in Shanghai. We have also extended our market share to 20% and 16% in Beijing and Guangzhou, respectively. While market share was stagnant in the Republic of Korea (ROK) and Singapore, we posted steady growth in market share in Thailand, Taiwan, Indonesia and Malaysia. In particular, in Taiwan we are No. 1 in terms of market share, at 25.7%, and in Thailand our share now exceeds 27%. Since strong sales growth in feminine care products is anticipated in line with the rising standard of living in each Asian country, the markets will see further expansion.

In our disposable baby diaper business, we sought to increase the brand equity of ***Mamy Poko.*** Following a launch in Taiwan, we initiated production in Thailand in January 2000. Approximately one year later, by March 2001, we had achieved a market share of 13.2%. In addition, we launched sales in Malaysia and Singapore in March 2000, in the Shanghai region of the PRC in October and in Indonesia in December. We will make a timely entry into other regions, and seek the No. 1 position in each country, with a target of net sales per year of ¥100 billion from overseas operations by fiscal 2006.

Note: The source of share percentages are data from Unicharm.

PT Uni-Charm Indonesia (Indonesia)

United Charm Co., Ltd. (Taiwan)

Lifestyle Products

In fiscal 2001, sales of the Lifestyle Products Division rose 2.1% in comparison with the previous year, to ¥181.3 billion. Operating income decreased 9.8%, to ¥21.0 billion, as a result of slowing consumer spending and intense price competition.

Baby and Child Care

The Division at a Glance

We entered the domestic market for disposable baby diapers with the introduction of the *Moony* brand in 1981, and today we maintain nearly 50% of the market for these products. We offered *Moony Man*, the world's first disposable diaper pants, in 1992, creating new value and changing the structure of the market. Other originally developed products, such as *Oyasumiman* disposable underwear for kids, *Trepanman* training diaper pants and—in care products—***Moony Kids Wet Tissues*** opened still-new business categories that are contributing to the growth of the baby and child care market.

The Year in Review

In Japan, the division faced a very severe operating environment, caused by negative factors such as a market contraction reflecting the decreasing number of children, prolonged sluggishness in consumer spending and price-cutting prompted by intense sales competition. In these circumstances, Unicharm focused on providing high value-added products that satisfied consumer needs, as well as stimulating demand mainly through consumer-focused campaigns, to revitalize the stagnant market and boost profitability. As a result, sales of baby and child care products advanced by ¥1.7 billion, to ¥94.5 billion, of which sales in Japan amounted to ¥83.4 billion.

Since its introduction in 1992, ***Moony Man,*** a pants-type diaper product, has enjoyed a highly favorable reception. We further improved "breatheability" of this product by compounding natural cotton in its "dispersion-mesh." In our ***Moony*** line of tape-type disposable diapers, we upgraded the function of "no skin-rash" with our ***Soft Mesh Sheet*** made of improved absorbent materials and interwoven natural cotton. In addition to such functional improvements, as part of an effort to enhance brand loyalty we offered consumers a "lifestyle design" concept to promote happier and more enjoyable baby care. This involved introducing the character of "Pooh Bear" into our ***Moony Man*** and ***Moony*** line, so that changing diapers can become more fun. We also strengthened the qualitative function of ***Mamy Poko*** and ***Mamy Poko Pants,*** products that are well known to consumers because of their Disney "baby" characters.

In care products, we expanded the product lineup by launching ***Moony Kids Wet Tissues,*** a wet-tissue type product designed specifically for use by children, to encourage a sense of hygiene and let children initiate a habit of cleaning.

In promotional activities, we carried out a "Summer Campaign" and "40th Anniversary Plan" for our ***Mamy Poko*** brand, to promote demand and stimulate the sluggish market. Overseas, we launched a taped-type version of ***Mamy Poko*** in Thailand in January 2000, Malaysia and Singapore in March, the Shanghai area of the People's Republic of China (PRC) in October and Indonesia in December. We achieved full-scale entry in East Asian markets, expanding our business smoothly and steadily through active marketing activities.

Feminine Care

The Division at a Glance

Unicharm commenced sales of its feminine napkins in 1963. Since then, under the theme of giving women the freedom to pursue their daily activities in comfort and with confidence, we have introduced a wide range of feminine napkins, tampons and panty liners as Japan's sole provider of a comprehensive line of feminine care products. We also lead these markets, with approximately 36% of the feminine napkin market and about 85% of the tampon market.

The Year in Review

In Japan, operations slowed because of the declining population of users of feminine care products. In areas with growth potential, however, such as tampons and panty-liners, we sought to upgrade products, renewing the product lineup, and also sought to stimulate the market. Sales of feminine care products totaled ¥54.6 billion, of which sales in Japan reached ¥40.6 billion.

In our sanitary napkin operation, we applied a "world-first" feature, "elastic ultra-dimension fitting gathers," to products to address concerns over leakage. As a result of this function, ***Sofy Active Support*** and ***Sofy Active Slim*** won favorable consumer support. In addition, our ***Sofy Bodyfit,*** which features nonwoven materials that are gentle to the skin and comfortable to wear, posted significant sales growth.

We also tried to expand the market for sanitary tampons, introducing ***Sofy Smooth and Slim Tampon*** for a person to use for the first time. In sanitary shorts, we overhauled the ***Sofy Shorts*** line to transform them into a new functional shorts product and added functions to respond to specific needs at the time of menstruation, which led to a rise in sales. We also launched ***Sofy Delicate Wet***, a wet-tissue product designed for use by women. This product, which promoted an innovative new concept of hygiene, resulted in the creation of a new market.

Along with these value-added features we improved on our products, implementing promotional activities such as a "Summer Present Campaign" and "40th Anniversary Plan" to reinforce brand competitiveness.

In overseas operations, the Company continued to place top priority on the PRC, and succeeded in posting steady sales growth in major areas such as Shanghai, Beijing and Guangzhou. In Thailand, Indonesia, Malaysia and Taiwan, where we had already established a solid presence in the market, we expanded sales through active promotional efforts.

Lifestyle Products

Adult Incontinence (AI) Care

The Division at a Glance

Since Unicharm successfully entered this market in 1986, the Company has expanded its business based on the philosophy "Pursue the Joy of Life" and with the aim of emphasizing respect for those involved in nursing care. In product development, we have offered world's firsts in new value through products such as incontinence pads and *Lifree Rehabili-Pants*, which reduce the physical, economic and mental burden of both users and the providers of care services.

Unicharm has also established the Excretion Care Research Center, where we work jointly with learned experts from outside the Company to develop the most appropriate excretion care system. Our staffs are qualified professionals such as nurses and care-workers. Together with our sales team, they stay in close touch with local hospitals and care facilities, and undertake educational and promotional activities for optimal excretion care that meets the requirements of both users and care-providers.

The Year in Review

In the aging society of Japan, the market has clearly increased on a sales unit basis. In this environment, the Company worked vigorously to develop and improve its ***Lifree*** brand, setting its sights on a goal expressed in the concept of "Bed-Ridden Neither in Mind nor Body." ***Lifree Kokoro-to Ohada-no Care Pads,*** a partial pad product, is indeed a landmark product, which greatly reduces the number of diaper changes and eases the physical and mental burden of both users and care-providers. We also released ***Lifree Kantan Sochaku Pads for Rehabili-Pants***, incontinence pads that users can attach by themselves. In addition to ***Lifree Rehabili-Pants***, we improved our lineup of products designed to encourage the concept of self-support, enabling users to dispense with for the assistance of others. In the category of light-incontinence liners, for which latent demand is high, our ***Lifree Sawayaka Pads*** posted solid growth and recorded steady progress in sales.

Clean & Fresh

The Division at a Glance

Unicharm released its first cotton puffs in 1974. In the years since, we have applied our core production and processing technologies for nonwoven materials to market products that promote clean, hygienic and fresh lifestyle environments. With the introduction of a business division structure in April 1998, this division added to its household products (sheets for general, kitchen and toilet cleaning, and wet tissues and cotton puffs) by commencing the development of products for commercial and medical use, and thus providing value in a variety of new fields.

The Year in Review

Unicharm promoted the concept of a “clean and fresh” lifestyle with ***Silcot Wet Tissues,*** a wet-tissue product for general use, as well as our household cleaning product, a ***Raku-na Heya-jyu Sumizumi Sukkiri Sheets,*** which we had improved and relaunched in the market. We also introduced high value-added cooking sheets under the brand name of ***Cook-Up Kitchen Sheets***, promoting a new cooking habit. Supported by these efforts to create new markets, sales leaped by more than 10% compared to the prior fiscal year.

Building Materials

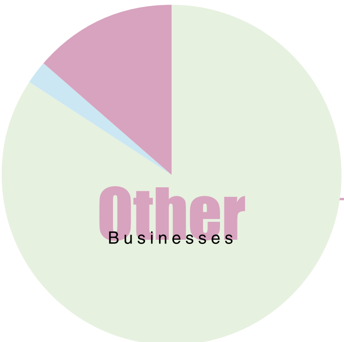
Unicharm's sales of building materials in fiscal 2001 decreased 20.3%, to ¥3.7 billion. Operating income, however, expanded to ¥110.0 million.

The Division at a Glance

Unicharm's operations in this business sector, which it entered in 1961, are currently handled by Uni-Heartous, a domestic subsidiary. The goal of this division is to propose more comfortable home and lifestyle environments by applying our expertise in processing technologies, consulting and high-quality system configuration around the core theme of "insulation."

The Year in Review

We worked all-out to restructure this business sector by reorganizing its businesses around highly profitable product categories while shifting the production base to our Saitama Factory.



Other Businesses

Sales of Unicharm's other businesses expanded 7.1% in fiscal 2001, to ¥31.5 billion.

Pet Care

The Division at a Glance

The Unicharm Group's pet care operations, which were commenced in 1986, are now the responsibility of Uniheartous. In addition to dry, wet and soft pet foods in our *Genki* and *Gaines* brands, we market pet sheets and kitty litter that take advantage of our non-woven and absorbent materials technologies. In this way, we are providing products and services that add value to the lifestyles of pets and people.

The Year in Review

The pet food and pet care business was severely affected by the contraction in Japan's food sector, resulting in price-cutting prompted by slow consumer spending as well as a shift to breeding of smaller dogs. While we reinforced brand competitiveness and strengthened the lineups for our pet foods, including the standard ***Genki*** brand and the premium ***Gaines*** brand, the contracting market nevertheless had a considerable effect on our operations. Selling expenses expanded owing to fierce price competition, and we sought to reduce inventory to improve product freshness. As a result, both sales and operating income decreased significantly.

On the other hand, our pet care products, ***Aiken Genki Deo-Sheets*** and ***Neko Genki Deo Sand***, posted steady sales increases, as we adapted features of nonwoven and absorbent materials—our core technological strength—into these products. In addition, we strove to further improve our product development, releasing new products under the brand name of ***Aiken Genki Deo Sheets Super Wide***.

Infant and Child Education

The Division at a Glance

Since we began these activities in 1986, we have opened education centers under the name of *Donchaka Saino Kyoshitsu* and provided various educational services. We have seen effective results from these services, which target children from infants to nine years of age and concentrate on establishing firm foundations in basic studies and abundance in basic skills.

The Year in Review

In this division, we manage 15 facilities. We implemented a variety of valuable education-related events throughout the year, such as visits to production plants and a summer camp program. We also reinforced our programs for entrance exam preparation, raising our rate of student acceptance to public and private elementary schools to 92%.

Leisure

The Division at a Glance

These operations started in 1988 and currently incorporate our management of *Gold Tower*, an integrated amusement park with a marine tower in Kagawa Prefecture, Japan.

The Year in Review

With the opening in May 1999 of Shimanami Kaido, a major access route to the island of Shikoku, the flow of tourists to Shikoku was expected to increase. However, consumer spending in Japan was weak owing to the country's economic recession, which negatively affected tourism and leisure services, and sales in this business sector progressed slowly. Accordingly, as a result of the reassessment of unprofitable operations, we will close down ***Gold Tower***, our integrated amusement park in Shikoku, as of September 30, 2001.

Board of Directors and Corporate Auditors

As of June 28, 2001

Chairman and Chief Executive Officer
Keiichiro Takahara

President and Chief Operating Officer
Takahisa Takahara

Managing Director
Shigeki Maruyama
Corporate Control
R&D, Production and Engineering
Chief Quality Officer

Managing Director
Takaaki Okabe
Marketing and Sales
General Manager, Adult In-continence Business Division

Director
Toshio Takahara
Chairman, Uniheartous Corporation

Note: Directors are also Executive Officers.

Internal Corporate Auditors
Masato Miyazaki
Hiroshi Takahara

Corporate Auditor
Masahiko Hirata

Executive Officers

As of July 1, 2001

Senior Executive Officer

Koji Inokuma
General Manager, Sales Division

Masamitsu Yamamoto
General Manager, R&D Division

Executive Officers

Takamitsu Igaue
Deputy General Manager, R&D Division

Hirohiko Muromachi
Senior Manager, Legal Department

Kennosuke Nakano
Regional Sales Manager, Tokyo Branch

Yoshihiro Miyabayashi
Senior Manager, National Account Department

Osamu Satomura
General Manager, Shanghai Uni-Charm Co., Ltd.

Eiji Ishikawa
General Manager, Engineering Division

Shigeo Moriyama
General Manager, Supply Chain Management Division

Hironori Nomura
Deputy General Manager, R&D Division

Shinji Mori
General Manager, Baby and Child Care Business Division

Shinya Takahashi
Senior Manager, Intellectual Property Department

Itsumi Matsuoka
General Manager, Feminine Care Business Division

Tadashi Mukai
Deputy General Manager, United Charm Co., Ltd.

Masakatsu Takai
General Manager, Production Division

Katsuhiko Sakaguchi
General Manager, Clean & Fresh Business Division

Norio Nomura
Senior Manager, Planning Department, Supply Chain Management Division

Takayuki Tanaka
Senior Manager, Accounting Control & Finance Department

Yasushi Akita
Senior Manager, Human Resource Development Department

Hidetoshi Yamamoto
Managing Director, Charm Industry Co., Ltd.

Financial Section

Six-Year Summary

Unicharm Corporation and Subsidiaries

	Millions of yen, except per share amounts					
	1996	1997	1998	1999	2000	**2001**
FOR THE FISCAL PERIOD						
Net sales	¥159,040	¥185,901	¥193,978	¥206,347	¥210,200	**¥212,199**
Cost of sales	96,648	109,457	113,108	116,445	115,765	**115,823**
Net income	7,017	8,666	9,206	10,788	12,563	**9,904**
As percentage of sales	4.4%	4.7%	4.7%	5.2%	6.0%	**4.7%**
Net income per share (yen)	¥ 112.34	¥ 119.66	¥ 126.92	¥ 150.55	¥ 177.29	**¥ 139.85**
Cash dividends per share applicable to the year (yen)	12.00	14.00	15.00	17.00	19.00	**24.00**
AT FISCAL PERIOD-END						
Total assets	¥136,777	¥161,433	¥163,182	¥165,777	¥181,189	**¥177,396**
Property, plant, and equipment	61,626	75,830	82,158	84,313	81,928	**69,388**
Long-term debt—less current maturities	8,295	2,754	2,395	4,524	4,633	**3,918**
Shareholders' equity	74,105	83,186	91,707	92,254	107,050	**104,156**
As percentage of total assets	54.2%	51.5%	56.2%	55.6%	59.1%	**58.7%**

Contents

Management Discussion and Analysis

Operating Results

Sales

In fiscal 2001, ended March 31, 2001, Unicharm's consolidated net sales increased by 1.0%, to ¥212.2 billion, from ¥210.2 billion a year ago. Sales in Japan decreased by 1.9%, to ¥186.1 billion, equivalent to 87.7% of sales including intersegment sales. In the core product areas of baby and child care products and feminine care products, the Company accelerated its operations to reinforce its product functions, in line with customer needs. The Company also implemented effective promotional activities to boost demand for these products. The market continued to contract, however, owing to persistently sluggish consumer spending and severe price competition. As a result, the increase in Unicharm's net sales was slight.

The Adult Incontinence (AI) business showed promise as one of the few growth segments, reflecting the decreasing number of young children and the rising population of senior citizens in Japan. Although the Nursing Care Insurance System has been introduced in Japan, market growth slowed in terms of sales volume, and intense competition reduced sales prices. Both of these factors affected sales significantly, which led to a drop in income. In pet food and pet care products, the reduced market for pet food and fierce sales competition led to a substantial decline in both sales and profits. However, the Company put great effort into developing and improving products for pet care, which added new value to its concept of "Life with Pets and People," and consequently sales of these products expanded.

In overseas operations centered in Asian countries, which Unicharm views as strategically important markets, sales increased favorably, supported by a rising share in existing markets for feminine care products, and by sales of disposable baby diapers in Thailand, Malaysia, Singapore, the Shanghai region of the People's Republic of China (PRC) and Indonesia. As a result, sales in Asia excluding Japan and other regions expanded by ¥5.1 billion, to ¥31.3 billion, or 14.8% of sales including intersegment sales, an increase from the prior year. In particular, in the growing countries of Asia the Company was able to achieve higher sales by entering the markets for feminine care products in the Republic of Korea and the Guangdong region of the PRC, and by boosting the market share of its existing products in other countries.

Cost of Sales and Selling, General and Administrative Expenses

Unicharm's cost of sales in fiscal 2001 totaled ¥115.8 billion, as a result of successful efforts to reduce materials costs and enhance productivity, which improved the Company's cost ratio by 0.5 percentage point. Reflecting the rise in net sales and the improved cost ratio, gross profit increased 2.1%, to ¥96.4 billion. Selling and general and administrative expenses rose 7.2%, to ¥75.5 billion. Due to the significant impact of a jump in selling expenses, particularly in the second half of the fiscal year, however, operating income dropped 13.0%, to ¥20.8 billion, and the operating margin fell 1.6 percentage points, to 9.8%.

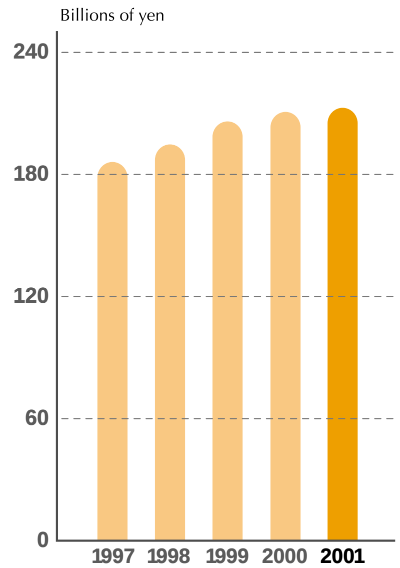
Research and Development

Unicharm's research and development expenses increased ¥1.5 billion, from ¥2.5 billion a year earlier, to ¥4.0 billion in the fiscal period under review.

Geographic Segments

Millions of yen

	2000	**2001**
Japan	¥189,728	**¥186,057**
Asia (excluding Japan)	16,321	**20,451**
Others	9,888	**10,892**
Eliminations	(5,737)	**(5,201)**
Total	¥210,200	**¥212,199**



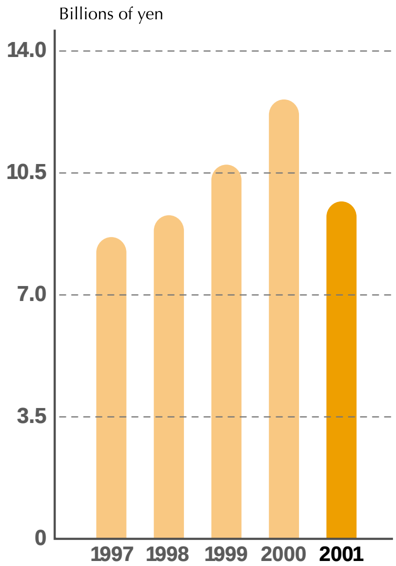
Net Sales

Industry Segments

	Millions of yen				
	1997	1998	1999	2000	**2001**
Net sales	¥185,901	¥193,978	¥206,347	¥210,200	**¥212,199**
Lifestyle products	157,652	163,668	174,108	177,450	**181,279**
Building materials	8,402	7,734	4,605	4,616	**3,676**
Other businesses	20,835	23,654	28,425	29,357	**31,453**
Eliminations	(988)	(1,078)	(791)	(1,223)	**(4,209)**

Segment Information

While sales of the Lifestyle Products Division advanced 2.1%, to ¥181.3 billion, operating income decreased 9.8%, to ¥21.0 billion, and the division's operating margin fell by 1.5 percentage points, to 11.6%. In the baby and child care and feminine care operation, owing to the severe operating environment—including a contraction in the market reflecting the changing population structure in Japan as well as intense competition—the Company worked to shift its sales efforts to high-value-added products and carry out promotional activities primarily in consumer-oriented campaigns. As a result, sales rose ¥1.7 billion, to ¥94.5 billion, of which sales in Japan amounted to ¥83.4 billion. In the growth segment of AI products, sales remained strong in quantitative terms, but profitability dropped substantially. In overseas markets, the division enjoyed favorable sales, achieving double-digit sales growth centered on feminine care products.



Net Income

The Building Materials Division continued to implement operational reforms, focusing on product areas offering higher profitability, and carrying out additional restructuring. Consequently, although sales fell by 20.4%, to ¥3.7 billion, the division succeeded in expanding operating income to ¥111 million.

Sales of the Other Products Division advanced 7.1%, to ¥31.5 billion. The pet food and pet care business faced a harsh operating environment, as the market for pet food contracted due to price-cutting prompted by sluggish consumer spending as well as a shift in dog breeding that favored smaller dogs. The division sought to take advantage of expanding market opportunities stemming from the decreasing population of young children and the rising population of senior citizens, and its efforts to improve brand strength and reinforce its product lineup contributed significantly to results. The operating loss was limited to ¥349 million, for a decline of ¥1.2 billion compared with the prior year.

Income and Expenses

In fiscal 2001, Unicharm placed the highest management priority on boosting its operating margin by improving the value-added features in its products, efficiently managing expenses—particularly selling expenses—and aggressively implementing cost-cutting measures. As a result, the Company recorded operating income of ¥20.8 billion for the fiscal year under review, and an operating margin of 9.8%.

Net non-operating expenses totaled ¥2.0 billion, a decline of ¥1.1 billion from the previous year. The Company's loss on disposals and sales of property, plant and equipment decreased ¥228 million, to ¥182 million.

In addition, the Company posted an extraordinary loss of ¥2.6 billion in connection with a change in accounting standards stemming from the introduction of retirement benefit accounting. Reflecting this change, income before income taxes amounted to ¥18.8 billion, compared with ¥23.0 billion a year earlier. Net income decreased 21.2%, to ¥9.9 billion. Net income per share declined ¥37.44, to ¥139.85.

Financial Position and Liquidity

Assets, Liabilities and Equity

Unicharm's total assets as of March 31, 2001 amounted to ¥177.4 billion, a drop of ¥3.8 billion from a year earlier.

In total current assets, cash and cash equivalents increased ¥3.9 billion, to ¥37.5 billion. On the other hand, marketable securities declined by ¥0.2 billion, to ¥1.3 billion. Trade notes and accounts receivable were up ¥1.6 billion, to ¥32.1 billion. Owing to the implementation of tax-effect accounting, the Company recorded deferred tax assets of ¥2.0 billion.

Reflecting an increase in accumulated depreciation, property, plant and equipment declined ¥12.5 billion, to ¥69.4 billion. In investments and other assets, software decreased ¥946 million, to ¥3.3 billion. With the implementation of tax-effect accounting, the Company recorded deferred tax assets of ¥1.1 billion and a write-down on revaluation of land of ¥4.2 billion.

Total current liabilities declined a slight 2.3%, to ¥57.7 billion. Long-term liabilities rose 2.2%, to ¥10.4 billion.

Retained earnings increased 5.3%, to ¥76.3 billion, reflecting the Company's net income and the introduction of tax-effect accounting. Total shareholders' equity fell 2.7%, to ¥104.2 billion, and the equity ratio decreased 0.4 percentage point, to 58.7%.

Capital Expenditures and Depreciation

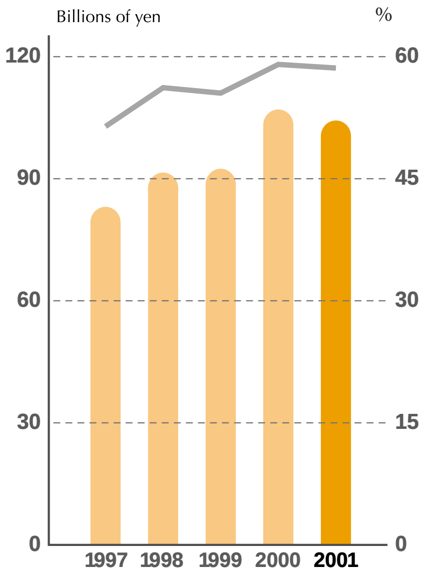
Unicharm's capital expenditures during fiscal 2001 amounted to ¥8.5 billion, a drop of ¥5.1 billion from the ¥13.5 billion recorded a year earlier. The expenditures consisted primarily of investments in additional facilities in line with the expansion of overseas operations, new product facilities for major businesses in Japan, and the remodeling of facilities in connection with product improvements.

Accumulated depreciation totaled ¥75.4 billion, up ¥9.0 billion from the ¥66.5 billion recorded the previous year. The increase was due mainly to depreciation posted in accordance with the launch of the new core operational system.

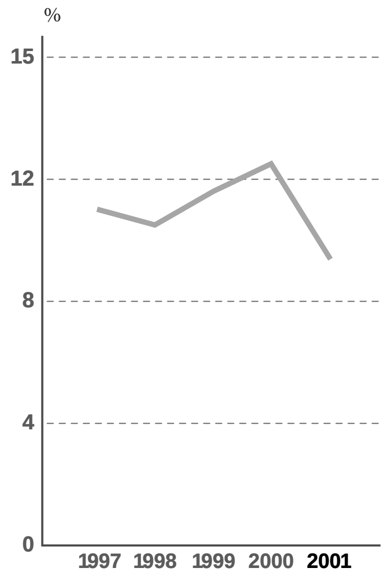
Cash Flows

Reflecting the Company's steady business performance, net cash and cash equivalents provided by operating activities were ¥19.4 billion, a decline of 10.0% from a year earlier.

Net cash and cash equivalents used in investing activities dropped 3.9%, to ¥9.2 billion. In this category, although capital expenditures decreased 22.4%, to ¥7.7 billion, purchases of marketable securities expanded significantly, to ¥3.5 billion. Funds for capital expenditures were raised entirely from operating activities.



Shareholders' Equity and Equity Ratio



ROE

Net cash and cash equivalents used in financing activities increased to ¥6.3 billion, from ¥2.3 billion the previous year. Proceeds from long-term debt more than doubled, to ¥1.2 billion, from ¥499 million a year earlier, and the repayments of long-term debt expanded to ¥1.9 billion, from ¥368 million a year before. The main factor behind the increase in net cash used in financing activities was the Company's repurchase of stock amounting to ¥4.5 billion, an operation that had not been carried out during the previous fiscal year. As a result, net cash and cash equivalents as of March 31, 2001 totaled ¥37.5 billion, up 11.7% from a year earlier.

Outlook for Fiscal 2002

We expect the Japanese economy to show signs of activity in some areas, as a result of the government's measures to stimulate the economy and stabilize the financial system, as well as the emergence of new business models created by applying information technology (IT) centered mainly on the Internet. Nevertheless, the overall economic outlook remains highly uncertain, given the negative factors that remain, such as a record-high unemployment rate.

Turning to Unicharm's operating environment, it is likely that the Company will continue to face severe market conditions in Japan, affected by the prolonged sluggishness in consumer spending. Furthermore, although market growth is accelerating in Asia, fierce competition among global brands is widely anticipated. In these circumstances, guided by its Fifth Three-Year Business Plan, the Company will continue to identify and understand precisely the needs of customers, implementing marketing activities coordinated with product development and enhanced technologies to create brand value and new markets. In this way, the Company will aim to aggressively expand its operations into prospective growth markets and achieve its sales targets.

One of the key strategic objectives of the Fifth Three-Year Business Plan is to boost operating efficiency by reviewing business operations that are unprofitable or outside the Company's main business areas. To help fulfill this objective, the Company will shut down ***Gold Tower***, the integrated amusement park operation that is part of its leisure business, on September 30, 2001.

In its baby and child care and feminine care operations in Japan, Unicharm will add new value by reinforcing its product development activities and bolster the strength of its brands through dynamic marketing. Accordingly, the Company will work all-out to revitalize sluggish markets and enhance operational profitability. In its AI operation, the Company will continue to reinforce its product strength and expand its product lineup. The Company will also focus on advancing into the home-nursing and institutional/hospital nursing markets, proposing an excretion care system of its own. As a result of these efforts, we expect to increase our sales and profits.

In the Clean & Fresh Business Division, we aim to bolster sales by reinforcing the lineup of products such as ***Silcot Wet Tissues***. In the pet food and pet care business, we will expand the sales of care-related products that utilize the technology of nonwoven fabric and absorbent materials, and attempt to make a recovery in sales by reducing the product lineup and cutting costs.

In the health care business, the Company launched its surgical gown/ware and surgical products under the ***Fine Care*** brand name in March 2001, targeting hospitals and other medical facilities. These products should contribute to the Company's profitability.

In overseas operations, Unicharm will continue to accelerate the growth of its feminine care business in major East Asian countries with its ***Sofy*** brand. In baby and child care operations, the Company will use dynamic marketing campaigns to boost its ***Mamy Poko*** baby diaper brand, which was introduced during the fiscal year under review in Thailand, Malaysia, Singapore, the Shanghai region of the PRC and Indonesia. This strategy is part of the Company's efforts to pursue full-scale operations in Asia.

On the income side, the Company foresees a severe situation, stemming from factors such as price cuts due to intense competition and a rise in marketing expenses. The Company will drastically reform its profitability structure, to boost profitability by curtailing total supply chain-related costs, and more efficiently manage expenses, particularly selling expenses. We will also thoroughly implement profit management by division so that each division takes responsibility to enhance profitability, utilizing our U-Amet management system. In this way, Unicharm will strive to increase its net income during the fiscal year and regain an operating margin of 10%.

Consolidated Balance Sheets

Unicharm Corporation and Subsidiaries
March 31, 2001, 2000 and 1999

ASSETS	Millions of yen 2001	2000	1999	Thousands of U.S. dollars (Note 1) 2001
CURRENT ASSETS:				
Cash and cash equivalents	**¥ 37,533**	¥ 33,590	¥ 24,038	**$ 302,685**
Marketable securities (Note 3)	**1,286**	1,507	2,054	**10,371**
Notes and accounts receivables:				
Trade	**32,061**	30,418	28,284	**258,556**
Due from affiliates			4	
Others		562	491	
Allowance for doubtful accounts	**(181)**	(153)	(203)	**(1,460)**
Inventories (Note 4)	**10,096**	9,870	10,517	**81,419**
Deferred tax assets (Note 10)	**1,994**	1,488		**16,081**
Other current assets	**3,401**	3,129	2,697	**27,428**
Total current assets	**86,190**	80,411	67,882	**695,080**
PROPERTY, PLANT AND EQUIPMENT:				
Land (Note 5)	**15,807**	25,826	25,958	**127,476**
Buildings and structures	**45,180**	44,341	43,457	**364,355**
Machinery and equipment	**78,154**	73,723	68,934	**630,274**
Furniture and fixtures	**3,541**	3,460	3,315	**28,557**
Construction in progress	**2,128**	1,081	4,184	**17,161**
Total	**144,810**	148,431	145,848	**1,167,823**
Accumulated depreciation	**(75,422)**	(66,503)	(61,535)	**(608,242)**
Net property, plant and equipment	**69,388**	81,928	84,313	**559,581**
INVESTMENTS AND OTHER ASSETS:				
Investment securities (Note 3)	**10,273**	6,438	6,882	**82,847**
Investments in and advances to affiliates	**109**		1	**879**
Software	**3,264**	4,210	1,793	**26,323**
Intangibles	**321**	238	215	**2,589**
Deferred tax assets (Note 10)	**1,081**	2,190		**8,717**
Deferred tax assets—land revaluation (Note 5)	**4,246**			**34,242**
Other assets	**3,246**	3,470	3,520	**26,178**
Allowance for doubtful accounts	**(722)**	(91)	(100)	**(5,823)**
Foreign currency translation adjustments		2,395	1,271	
Total investments and other assets	**21,818**	18,850	13,582	**175,952**
TOTAL	**¥177,396**	¥181,189	¥165,777	**$1,430,613**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2001	2000	1999	Thousands of U.S. dollars (Note 1) 2001
CURRENT LIABILITIES:				
Short-term bank loans (Note 6)	**¥ 1,796**	¥ 1,891	¥ 1,927	**$ 14,484**
Current portion of long-term debt (Note 6)	**561**	98	981	**4,524**
Notes and accounts payables:				
Trade	**45,584**	47,172	46,451	**367,613**
Others	**786**	919	614	**6,339**
Income taxes payable	**4,561**	5,475	4,677	**36,782**
Accrued expenses	**4,000**	3,305	3,441	**32,258**
Other current liabilities	**437**	241	1,287	**3,524**
Total current liabilities	**57,725**	59,101	59,378	**465,524**
LONG-TERM LIABILITIES:				
Long-term debt (Note 6)	**3,918**	4,633	4,524	**31,597**
Retirement benefits (Note 7)	**4,006**	2,874	2,873	**32,306**
Guarantee deposits from customers	**2,141**	2,190	1,849	**17,266**
Other long-term liabilities	**364**	508	161	**2,936**
Total long-term liabilities	**10,429**	10,205	9,407	**84,105**
MINORITY INTERESTS	**5,086**	4,833	4,738	**41,016**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12 and 14)				
SHAREHOLDERS' EQUITY (Notes 8 and 15):				
Common stock, ¥50 par value—authorized, 197,354,711 shares in 2001, 198,275,711 shares in 2000 and 1999; issued and outstanding, 69,945,891 shares in 2001, 70,866,891 shares in 2000 and 70,858,259 shares in 1999	**15,993**	15,993	15,979	**128,976**
Additional paid-in capital	**18,591**	18,591	18,577	**149,927**
Land revaluation difference, net of tax (Note 5)	**(5,864)**			**(47,290)**
Retained earnings	**76,302**	72,467	57,698	**615,339**
Unrealized gain on available-for-sale securities, net of tax (Note 3)	**1,081**			**8,718**
Foreign currency translation adjustments	**(1,946)**			**(15,694)**
Total	**104,157**	107,051	92,254	**839,976**
Treasury stock—at cost	**(1)**	(1)		**(8)**
Total shareholders' equity	**104,156**	107,050	92,254	**839,968**
TOTAL	**¥177,396**	¥181,189	¥165,777	**$1,430,613**

Consolidated Statements of Income

Unicharm Corporation and Subsidiaries
Years Ended March 31, 2001, 2000 and 1999

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2001	2000	1999	**2001**
NET SALES	**¥212,199**	¥210,200	¥206,347	**$1,711,282**
COST OF SALES	**115,823**	115,765	116,445	**934,056**
Gross profit	**96,376**	94,435	89,902	**777,226**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 9)	**75,544**	70,500	68,250	**609,226**
Operating income	**20,832**	23,935	21,652	**168,000**
OTHER INCOME (EXPENSES):				
Interest and dividend income	**313**	491	321	**2,524**
Interest expense	**(387)**	(361)	(260)	**(3,121)**
Exchange gain (loss)	**(117)**	(366)	241	**(943)**
Sales discounts	**(353)**	(359)	(322)	**(2,848)**
Loss on disposals and sales of property, plant and equipment	**(182)**	(410)	(810)	**(1,468)**
Loss on write-down of investment securities	**(165)**	(467)	(410)	**(1,331)**
Equity in net earnings (losses) of affiliates	**126**	(32)	(13)	**1,016**
Charge for transitional obligation for employees' retirement benefits (Note 7)	**(1,282)**			**(10,338)**
Other—net	**31**	592	105	**251**
Other expenses—net	**(2,016)**	(912)	(1,148)	**(16,258)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**18,816**	23,023	20,504	**151,742**
INCOME TAXES (Note 10)**:**				
Current	**9,027**	9,909	9,322	**72,798**
Deferred	**(269)**	137		**(2,169)**
Total	**8,758**	10,046	9,322	**70,629**
MINORITY INTERESTS IN NET INCOME	**154**	414	394	**1,242**
NET INCOME	**¥ 9,904**	¥ 12,563	¥ 10,788	**$ 79,871**

	Yen			U.S. dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2.o)**:**				
Net income	**¥ 139.85**	¥ 177.29	¥ 150.55	**$ 1.13**
Diluted net income			150.55	
Cash dividends applicable to the year	**24.00**	19.00	17.00	**0.19**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Unicharm Corporation and Subsidiaries

Years Ended March 31, 2001, 2000 and 1999

	Millions of yen							
	Number of shares of common stock	Common stock	Additional paid-in capital	Land revaluation difference, net of tax	Retained earnings	Unrealized gain on available-for-sale securities, net of tax	Foreign currency translation adjustments	Treasury stock at cost
BALANCE, APRIL 1, 1998	72,573,916	¥15,966	¥18,563		¥57,179			¥(1)
Net income					10,788			
Cash dividends, ¥16.00 per share					(1,147)			
Bonuses to directors and corporate auditors					(138)			
Exercise of stock purchase warrants	8,632	13	14					
Treasury stock sold—net								1
Repurchase of the Company's stock	(1,724,289)				(8,984)			
BALANCE, MARCH 31, 1999	70,858,259	15,979	18,577		57,698			
Adjustment of retained earnings for the adoption of deferred tax accounting method					3,623			
Net income					12,563			
Cash dividends, ¥18.00 per share					(1,276)			
Bonuses to directors and corporate auditors					(141)			
Exercise of stock purchase warrants	8,632	14	14					
Treasury stock acquired—net								(1)
BALANCE, MARCH 31, 2000	70,866,891	15,993	18,591		72,467			(1)
Net income					9,904			
Cash dividends, ¥20.00 per share					(1,417)			
Bonuses to directors and corporate auditors					(139)			
Land revaluation difference, net of tax				¥(5,864)				
Unrealized gain on available-for-sale securities, net of tax						¥1,081		
Foreign currency translation adjustments							¥(1,946)	
Repurchase of the Company's stock	(921,000)				(4,513)			
BALANCE, MARCH 31, 2001	**69,945,891**	**¥15,993**	**¥18,591**	**¥(5,864)**	**¥76,302**	**¥1,081**	**¥(1,946)**	**¥(1)**

	Thousands of U.S. dollars (Note 1)						
	Common stock	Additional paid-in capital	Land revaluation difference, net of tax	Retained earnings	Unrealized gain on available-for-sale securities, net of tax	Foreign currency translation adjustments	Treasury stock at cost
BALANCE, MARCH 31, 2000	$128,976	$149,927		$584,411			$(8)
Net income				79,871			
Cash dividends, $0.16 per share				(11,427)			
Bonuses to directors and corporate auditors				(1,121)			
Land revaluation difference, net of tax			$(47,290)				
Unrealized gain on available-for-sale securities, net of tax					$8,718		
Foreign currency translation adjustments						$(15,694)	
Repurchase of the Company's stock				(36,395)			
BALANCE, MARCH 31, 2001	**$128,976**	**$149,927**	**$(47,290)**	**$615,339**	**$8,718**	**$(15,694)**	**$(8)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Unicharm Corporation and Subsidiaries
Years Ended March 31, 2001, 2000 and 1999

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2001	2000	1999	**2001**
OPERATING ACTIVITIES:				
Income before income taxes and minority interests	**¥ 18,816**	¥ 23,023	¥ 20,504	**$151,742**
Adjustments for:				
Income taxes—paid	**(9,942)**	(9,111)	(11,109)	**(80,177)**
Depreciation and amortization	**10,635**	10,353	9,479	**85,766**
Provision for (reversal of) doubtful accounts	**657**	(58)	(105)	**5,298**
Net periodic retirement benefit costs	**1,059**	1	324	**8,541**
Loss on disposals and sales of property, plant and equipment	**182**	410	810	**1,468**
Loss on write-down of investment securities	**165**	467	410	**1,331**
Equity in net losses (earnings) of affiliates	**(126)**	32	13	**(1,016)**
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:				
Increase in trade receivables	**(1,639)**	(2,134)	(937)	**(13,218)**
Decrease (increase) in inventories	**(225)**	647	(1,793)	**(1,815)**
Decrease in trade payables	**(2,242)**	(1,489)	(2,285)	**(18,081)**
Other—net	**2,030**	(611)	(465)	**16,371**
Total adjustments	**554**	(1,493)	(5,658)	**4,468**
Net cash provided by operating activities	**19,370**	21,530	14,846	**156,210**
INVESTING ACTIVITIES:				
Proceeds from sales of marketable securities	**2,190**	2,445	1,847	**17,661**
Purchases of marketable securities	**(3,464)**	(1,899)	(10)	**(27,935)**
Capital expenditures	**(7,659)**	(9,876)	(12,847)	**(61,766)**
Payment for purchase of investment securities	**(1,801)**	(468)	(559)	**(14,524)**
Proceeds from sales of investment securities	**1,085**	178	443	**8,750**
Decrease in other assets	**414**	14	769	**3,338**
Net cash used in investing activities	**(9,235)**	(9,606)	(10,357)	**(74,476)**
FORWARD	**¥ 10,135**	¥ 11,924	¥4,489	**$ 81,734**

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2001	2000	1999	**2001**
FORWARD	**¥ 10,135**	¥ 11,924	¥ 4,489	**$ 81,734**
FINANCING ACTIVITIES:				
Increase (decrease) in short-term bank loans	**368**	(969)	438	**2,968**
Proceeds from long-term debt	**1,151**	499	3,290	**9,282**
Repayments of long-term debt	**(1,866)**	(368)	(1,514)	**(15,048)**
Cash dividends paid	**(1,418)**	(1,276)	(1,147)	**(11,435)**
Investment from minority interests	**209**			**1,685**
Exercise of stock purchase warrants		27	26	
Repurchase of the Company's stock	**(4,513)**		(8,984)	**(36,395)**
Cash dividends paid to minority interests	**(276)**	(212)	(235)	**(2,226)**
Net cash used in financing activities	**(6,345)**	(2,299)	(8,126)	**(51,169)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**154**	(102)	(56)	**1,241**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,944**	9,523	(3,693)	**31,806**
CASH AND CASH EQUIVALENTS INCREASED BY CONSOLIDATION OF PREVIOUSLY UNCONSOLIDATED SUBSIDIARIES		29	29	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**33,589**	24,038	27,702	**270,879**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 37,533**	¥ 33,590	¥ 24,038	**$302,685**
NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Assets increased by consolidation of subsidiaries previously unconsolidated		¥101	¥3,030	
Liabilities increased by consolidation of subsidiaries previously unconsolidated		101	2,074	
Warrants transferred to additional paid-in capital		1	1	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Unicharm Corporation and Subsidiaries
Years Ended March 31, 2001, 2000 and 1999

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In accordance with accounting procedures generally accepted in Japan, certain comparative disclosures are not required to be and have not been presented herein.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Unicharm Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥124 to $1, the approximate rate of exchange at March 31, 2001. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements include the accounts of the Company and all 26 (26 in 2000 and 20 in 1999) subsidiaries (together, the "Group").

Effective April 1, 1999, the Group changed its consolidation scope of subsidiaries and affiliates from the application of the ownership concept to the control or influence concept in accordance with the new accounting standard for consolidation. Under the control or influence concept, those companies in which the Parent, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method. The effect of changes of consolidation scope to the consolidated financial statements was not material.

Investments in 2 affiliates (1 in 2000 and 3 in 1999) are accounted for by the equity method.

The excess of the cost of the Company's investments in subsidiaries and affiliates accounted for by the equity method, over its equity in the net assets at the respective dates of acquisition, is being amortized over a period of five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

The scope of cash and cash equivalents in 1999 was changed to conform with the presentation in 2001 and 2000. The effect of the change was to increase cash and cash equivalents from ¥17,452 million to ¥24,038 million in 1999.

c. Inventories

Inventories are stated at cost substantially determined by the average method, except for construction work in progress which is determined by the specific identification method.

d. Marketable and Investment Securities

Prior to April 1, 2000, current and non-current marketable securities were stated at the cost or market. Other investments were stated at cost. Cost was determined by moving-average method. Effective April 1, 2000, the Group adopted a new accounting standard for financial instruments, including marketable and investment securities.

The standard requires all applicable securities to be classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and (2) available-for-sale securities, which are not classified as held-to-maturity securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

The effect of adoption of the new standard was to decrease income before income tax and minority interests by ¥163 million ($1,315 thousand).

Marketable securities classified as current assets decreased ¥1,464 million ($11,806 thousand) and investment securities increased by the same amount as of April 1, 2000.

e. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998 and the property, plant and equipment of foreign subsidiaries. The range of useful lives is principally from 2 to 50 years for buildings and structures, from 2 to 15 years for machinery and equipment and from 2 to 20 years for furniture and fixtures.

f. Bond with Warrants

The proceeds of bonds with warrants are allocated between a bond portion, resulting in a bond discount and a warrant portion. Bond discounts are amortized over the term of the related bonds. The amounts ascribed to warrants are stated as other current liabilities.

g. Retirement and Pension Plans

Prior to April 1, 2000, the Company and its domestic subsidiaries stated the liability for employees' retirement benefits at 40% of the amount required if all employees voluntarily terminated their employment at each balance sheet date. The accrued provision was not funded. The policy for the trusteed pension plan was to fund and charge to income when paid.

Effective April 1, 2000, the Company and its domestic subsidiaries adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

The transitional obligation of ¥6,458 million ($52,081 thousand) at the beginning of the year is being amortized over five years and the annual amortization is presented as other expense in the consolidated statements of income. As a result, net periodic benefit costs as compared with the prior method, increased by ¥1,572 million ($12,677 thousand) and income before income taxes and minority interests decreased by ¥1,562 million ($12,597 thousand).

The Company also provided for retirement benefits to directors and corporate auditors determined based on their pertinent rules which are calculated as the estimated amount to be paid if all directors and corporate auditors retired at each balance sheet date.

h. Research and Development Costs

Research and development costs are charged to income as incurred.

i. Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

j. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

Effective April 1, 1999, the Group adopted the new accounting standard for interperiod allocation of income taxes based on the asset and liability method. The cumulative effect of the application of interperiod tax allocation in prior years in the amount of ¥3,623 million ($34,179 thousand) is included as an adjustment to retained earnings as of April 1, 1999. Such cumulative effect is calculated by applying the income tax rate stipulated by enacted tax laws as of April 1, 1999.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes.

k. Appropriations of Retained Earnings

Appropriations of retained earnings at each year end are reflected in the financial statements for the following year upon shareholders' approval.

l. Foreign Currency Transactions

Prior to April 1, 2000, short-term receivables and payables denominated in foreign currencies were translated into Japanese yen at the current exchange rates at each balance sheet date, while long-term receivables and payables denominated in foreign currencies were translated at historical rates.

Effective April 1, 2000, the Group adopted a revised accounting standard for foreign currency transactions. In accordance with the revised standard, all short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

The effect of adoption of the revised standard was to decrease income before income taxes and minority interests by ¥32 million ($259 thousand).

m. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Prior to April 1, 2000, differences arising from such translation were shown as "Foreign currency translation adjustments" as either all asset or liability in the balance sheet. Effective April 1, 2000, such differences are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity in accordance with the revised accounting standard for foreign currency transactions.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

n. Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts and currency swaps are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes.

Effective April 1, 2000, the Group adopted a new accounting standard for derivative financial instruments and a revised accounting standard for foreign currency transactions. These standards require that: (a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement of raw materials from import purchases. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting. Forward contracts applied for forecasted transactions are measured at the fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

Long-term debt denominated in foreign currencies for which currency swaps are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting.

o. Per Share Information

The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year, retroactively adjusted for stock splits. The weighted average number of common shares used in the computation was 70,821,367 shares for 2001, 70,862,093 shares for 2000 and 71,653,806 shares for 1999.

Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Diluted net income per share for the years ended March 31, 2001 and 2000, is not disclosed because it is anti-dilutive.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities at March 31, 2001, 2000 and 1999, consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2001	2000	1999	**2001**
Current:				
Marketable equity securities		¥ 160	¥ 59	
Government and corporate bonds	**¥ 287**	47		**$ 2,315**
Trust fund investments and other	**999**	1,300	1,995	**8,056**
Total	**¥ 1,286**	¥1,507	¥2,054	**$10,371**
Non-current:				
Marketable equity securities	**¥10,258**	¥5,932	¥6,390	**$82,726**
Government and corporate bonds	**15**	14	14	**121**
Trust fund investments and other		492	478	
Total	**¥10,273**	¥6,438	¥6,882	**$82,847**

Information regarding each category of the securities, available-for-sale and held-to-maturity at March 31, 2001, was as follows:

	Millions of yen				Thousands of U.S. dollars			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Available-for-sale—Equity securities	¥7,968	¥3,145	¥1,280	¥9,833	$64,258	$25,363	$10,323	$79,298
Held-to-maturity	302	4		306	2,436	32		2,468

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2001, were as follows:

	Carrying Amount	
	Millions of yen	Thousands of U.S. dollars
Available-for-sale—Equity securities	¥ 425	$ 3,427
Held-to-maturity	999	8,057
Total	¥1,424	$11,484

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2001, are as follows:

	Millions of yen		Thousands of U.S. dollars	
	Available for Sale	Held to Maturity	Available for Sale	Held to Maturity
Due in one year or less	¥1,998	¥278	$16,113	$2,242
Due after one year through five years		15		121
Total	¥1,998	¥293	$16,113	$2,363

The carrying amounts and aggregate market values of current and non-current marketable equity securities included in marketable securities and investments securities at March 31, 2000 and 1999, were as follows:

	Millions of yen	
	2000	1999
Current:		
Carrying amount	¥ 160	¥ 59
Aggregate market value	4,209	2,755
Unrealized gain	¥ 4,049	¥ 2,696
Non-current:		
Carrying amount	¥ 5,932	¥ 6,390
Aggregate market value	7,643	8,129
Unrealized gain	¥ 1,711	¥ 1,739

4. INVENTORIES

Inventories at March 31, 2001, 2000 and 1999, consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2001	2000	1999	**2001**
Merchandise and finished products	**¥ 6,501**	¥7,252	¥ 6,304	**$52,427**
Work in process	**191**	165	184	**1,540**
Construction work in progress	**259**	259	245	**2,089**
Raw materials	**2,898**	2,039	1,388	**23,371**
Supplies	**247**	155	2,396	**1,992**
Total	**¥10,096**	¥9,870	¥10,517	**$81,419**

5. LAND REVALUATION

Under the "Law of Land Revaluation," promulgated on March 31, 1998 and revised on March 31, 1999 and 2001, the Company elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2001.

The resulting "land revaluation diminish" represents unrealized appreciation of land and is stated, net of income taxes, as a component of shareholders' equity. There is no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation diminish account and related deferred tax assets. The details of the one-time revaluation as of March 31, 2001, were as follows:

Land before revaluation: ¥19,138 million
Land after revaluation: ¥ 9,028 million
Land revaluation diminish: ¥ 5,864 million (net of income taxes of ¥4,246 million)

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2001, 2000 and 1999, consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.8% to 7.7%, 0.6% to 15.2% and 1.6% to 16.0% at March 31, 2001, 2000 and 1999, respectively.

Long-term debt at March 31, 2001, 2000 and 1999, consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2001	2000	1999	**2001**
Unsecured 2.21% bonds, due July 2003	**¥1,000**	¥1,000	¥1,000	**$ 8,065**
Unsecured 2.35% bonds, due July 2005	**1,000**	1,000	1,000	**8,065**
Loans from banks and municipal corporation, due serially to 2007 with interest rates ranging from 0.0% to 7.7% in 2001, 2000 and 1999	**2,479**	2,731	3,505	**19,991**
Total	**4,479**	4,731	5,505	**36,121**
Less current portion	**(561)**	(98)	(981)	**(4,524)**
Long-term debt, less current portion	**¥3,918**	¥4,633	¥4,524	**$31,597**

Annual maturities of long-term debt at March 31, 2001, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2002	¥ 561	$ 4,524
2003	362	2,919
2004	362	2,919
2005	300	2,420
2006	300	2,420
2007 and thereafter	2,594	20,919
Total	¥4,479	$36,121

As is customary in Japan, the Company maintains substantial deposit balances with banks with which it has borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt-payable to the banks. The Company has never been requested to provide any additional collateral.

7. RETIREMENT AND PENSION PLANS

The Company and certain subsidiaries have severance payment plans for employees, directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age. The liability for retirement benefits at March 31, 2001, includes retirement benefits for directors and corporate auditors of ¥1,105 million ($8,911 thousand). The retirement benefits for the Company's directors and corporate auditors are paid subject to the approval of the shareholders.

Effective April 1, 2000, the Company and certain subsidiaries adopted a new accounting standard for employees' retirement benefits. The liability for employees' retirement benefits at March 31, 2001, consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligation	¥21,747	$175,379
Fair value of plan assets	(9,914)	(79,952)
Unrecognized transitional obligation	(5,176)	(41,742)
Unrecognized actuarial loss	(3,756)	(30,290)
Net liability	¥ 2,901	$ 23,395

The components of net periodic benefit costs are as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost	¥1,347	$10,863
Interest cost	546	4,403
Expected return on plan assets	(399)	(3,218)
Amortization of transitional obligation	1,282	10,339
Extra payments	206	1,661
Net periodic benefit costs	¥2,982	$24,048

Assumptions used for the year ended March 31, 2001, are set forth as follows:

Discount rate	2.5%
Expected rate of return on plan assets	4.0%
Recognition period of actuarial gain/loss	10 years
Amortization period of transitional obligation	5 years
Divide of projected benefit obligation	The straight-line method

Total charges to income for the retirement and pension plans were ¥1,959 million and ¥1,933 million for the years ended March 31, 2000 and 1999, respectively.

8. SHAREHOLDERS' EQUITY

The Japanese Commercial Code (the "Code") requires at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital.

The Code also requires companies to appropriate from retained earnings to a legal reserve an amount equal to at least 10% of all cash payments which are made as an appropriation of retained earnings until such reserve equals 25% of stated capital. This reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders.

The Code permits to transfer portions of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits to transfer portions of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Under the Code, the Company may issue new common shares to existing shareholders without consideration as a stock split pursuant to resolution of the Board of Directors. The Company may make such a stock split to the extent that the aggregate par value of the shares outstanding after the stock split does not exceed the stated capital. However, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split cannot be less than ¥500.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code. Under the Code, the amount available for dividends is based on the Company's recorded retained earnings. At March 31, 2001, the amount available for dividends was ¥53,960 million ($435,161 thousand) which is available for future dividends subject to the approval of the shareholders and legal reserve requirement.

Under the Articles of Incorporation, the Company is authorized to repurchase, with resolution of the Board of Directors, up to 6,279 thousand shares of Company's stock for the purpose of canceling the shares by charging such amounts to retained earnings.

During 2001, the Company repurchased 921 thousand shares of the Company's stock at resolution of the Board of Directors for the purpose of canceling the shares by charging such amounts to retained earnings. During 1999, the Company repurchased 1,724 thousand shares of the Company's stock at management's discretion upon requiring authorization of the Company's shareholders meeting held on June 26, 1998, for the purpose of canceling the shares by charging such amounts to retained earnings.

In addition, at the Company's shareholders meeting held on June 28, 2001, the Company is authorized to repurchase, at management's discretion, up to 1 million shares of the Company's stock (to an aggregate amount of ¥5 billion) until the end of the following general shareholders meeting to be held in June 2002, for the purpose of canceling the shares by charging such amounts to retained earnings.

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2001, 2000 and 1999, consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2001	2000	1999	**2001**
Sales promotion	**¥25,741**	¥21,348	¥23,494	**$207,589**
Advertising	**8,212**	9,336	8,453	**66,226**
Shipping and storage expenses	**9,901**	10,231	9,681	**79,847**
Employees' salaries	**8,559**	7,975	8,419	**69,024**
Depreciation	**1,666**	1,866	1,066	**13,435**
Other	**21,465**	19,744	17,137	**173,105**
Total	**¥75,544**	¥70,500	¥68,250	**$609,226**

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42%, 42% and 48% for the years ended March 31, 2001, 2000 and 1999, respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2001 and 2000, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Deferred tax assets:			
Pension and severance costs	**¥1,160**	¥1,028	**$ 9,335**
Accrued expenses	**1,129**	728	**9,105**
Investment securities	**591**	383	**4,766**
Unrealized gain	**403**	473	**3,250**
Land	**206**	420	**1,661**
Tax loss carryforwards of subsidiaries	**186**		**1,500**
Other	**1,141**	692	**9,202**
Valuation allowance	**(370)**		**(2,984)**
Total	**4,446**	3,724	**35,855**
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	**789**		**6,363**
Undistributed earnings of subsidiaries	**244**	30	**1,968**
Property and equipment	**13**	16	**105**
Other	**325**		**2,621**
Total	**1,371**	46	**11,057**
Net deferred tax assets	**¥3,075**	¥3,678	**$24,798**
Deferred tax assets—Land revaluation	**¥4,246**		**$34,242**

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2001, and the actual effective tax rates reflected in the accompanying consolidated statement of income is as follows:

	2001
Normal effective statutory tax rate	42.1%
Expenses not deductible for income tax purposes	0.8
The resident's tax burden equally	0.3
Valuation allowance	2.0
Other—net	1.3
Actual effective tax rate	46.5%

For the year ended March 31, 2000, a reconciliation is not required to be disclosed because the difference between the rates is less than 5%.

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥3,957 million ($31,911 thousand), ¥2,539 million and ¥2,560 million for the years ended March 31, 2001, 2000 and 1999, respectively.

12. LEASES

The Group leases certain machinery, computer equipment, office space and other assets.

Total rental expenses for the years ended March 31, 2001, 2000 and 1999, were ¥951 million ($7,669 thousand), ¥1,004 million and ¥965 million, respectively, including ¥596 million ($4,806 thousand), ¥596 million and ¥538 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2001, 2000 and 1999, were as follows:

	Millions of yen			Thousands of U.S. dollars
	Furniture and Fixtures			Furniture and Fixtures
	2001	2000	1999	**2001**
Acquisition cost	**¥2,357**	¥3,115	¥2,426	**$19,008**
Accumulated depreciation	**953**	1,482	1,407	**7,685**
Net leased property	**¥1,404**	¥1,633	¥1,019	**$11,323**

The amount of acquisition cost includes the imputed interest expense portion.

Obligations under finance leases for the years ended March 31, 2001, 2000 and 1999, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2001	2000	1999	**2001**
Due within one year	**¥ 462**	¥ 521	¥ 494	**$ 3,726**
Due after one year	**942**	1,112	525	**7,597**
Total	**¥1,404**	¥1,633	¥1,019	**$11,323**

The amount of obligations under finance leases includes the imputed interest expense portion.

Depreciation expense, which is not reflected in the accompanying statements of income, computed by the straight-line method was ¥596 million ($4,806 thousand), ¥596 million and ¥538 million for the years ended March 31, 2001, 2000 and 1999.

13. DERIVATIVES

The Group enters into foreign exchange forward contracts and currency swaps to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

All derivative transactions are entered into to hedge foreign currency exposures incorporated with its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Group does not hold or issue derivatives for trading purposes.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

Foreign currency forward contracts which qualify for hedge accounting for the year ended March 31, 2001 and such amounts which are assigned to the associated assets or liabilities and are recorded on the balance sheet at March 31, 2000 and 1999, are excluded from the disclosure of market value information.

The Group had the following derivatives contracts outstanding at March 31, 2001, 2000 and 1999:

	Millions of yen									Thousands of U.S. dollars		
	2001			2000			1999			**2001**		
	Contract Amount	Fair Value	Unrealized Gain/Loss	Contract Amount	Fair Value	Unrealized Gain/Loss	Contract Amount	Fair Value	Unrealized Gain/Loss	Contract Amount	Fair Value	Unrealized Gain/Loss
Forward currency forward contracts—												
Buying U.S.$				¥514	¥514		¥388	¥384	¥ (4)			
Currency options:												
Written U.S. dollar put				300								
(Option premiums on balance sheet)				(3)								
(The fair value of the option written)					(8)	¥(11)						
Currency swaps:												
U.S. dollars payment yen receipt	**¥218**	**¥(19)**	**¥(19)**							**$1,758**	**$(153)**	**$(153)**
Thai baht payment U.S. dollar receipt	**218**	**8**	**8**							**1,758**	**65**	**65**

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

14. CONTINGENT LIABILITIES

At March 31, 2001, the Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees of bank loans	¥200	$1,613

15. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2001, were approved at the Company's shareholders meeting held on June 28, 2001:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥14 ($0.11) per share	¥979	$7,895
Bonuses to directors and corporate auditors	118	952

In addition, the Company is authorized to repurchase, at management's discretion, up to 1 million shares of the Company's stock (to an aggregate amount of ¥5 billion) until the end of the next general shareholders meeting to be held in June 2002, for the purpose of canceling the shares by charging such amounts to retained earnings.

16. SEGMENT INFORMATION

The Group operates in the following industries:

Industry A consists of baby and child care, feminine hygiene and elderly care.
Industry B consists of building materials.
Industry C consists of pet care and others.
Information about industry segments, geographic segments and foreign customers of the Group is as follows:

(1) Industry Segments

a. Sales and Operating Income (Loss)

	Millions of yen				
	2001				
	Industry A	Industry B	Industry C	Eliminations	Consolidated
Sales to customers	**¥179,008**	**¥ 3,674**	**¥29,517**	**—**	**¥212,199**
Intersegment sales	**2,271**	**2**	**1,936**	**¥(4,209)**	
Total sales	**181,279**	**3,676**	**31,453**	**(4,209)**	**212,199**
Operating expenses	**160,308**	**3,565**	**31,802**	**(4,308)**	**191,367**
Operating income (loss)	**¥ 20,971**	**¥ 111**	**¥ (349)**	**¥ 99**	**¥ 20,832**

b. Assets, Depreciation and Capital Expenditures

	Millions of yen				
	2001				
	Industry A	Industry B	Industry C	Corporate	Consolidated
Assets	**¥110,515**	**¥2,030**	**¥27,837**	**¥37,014**	**¥177,396**
Depreciation	**9,781**	**30**	**824**	**—**	**10,635**
Capital expenditures	**7,709**	**29**	**729**	**—**	**8,467**

a. Sales and Operating Income (Loss)

	Thousands of U.S. dollars				
	2001				
	Industry A	Industry B	Industry C	Eliminations	Consolidated
Sales to customers	**$1,443,613**	**$29,629**	**$238,040**	**—**	**$1,711,282**
Intersegment sales	**18,315**	**16**	**15,613**	**$(33,944)**	**—**
Total sales	**1,461,928**	**29,645**	**253,653**	**(33,944)**	**1,711,282**
Operating expenses	**1,292,806**	**28,750**	**256,468**	**(34,742)**	**1,543,282**
Operating income (loss)	**$ 169,122**	**$ 895**	**$ (2,815)**	**$ 798**	**$ 168,000**

b. Assets, Depreciation and Capital Expenditures

	Thousands of U.S. dollars				
	2001				
	Industry A	Industry B	Industry C	Corporate	Consolidated
Assets	**$891,250**	**$16,371**	**$224,492**	**$298,500**	**$1,430,613**
Depreciation	**78,879**	**242**	**6,645**	**—**	**85,766**
Capital expenditures	**62,169**	**234**	**5,879**	**—**	**68,282**

a. Sales and Operating Income (Loss)

	Millions of yen				
	2000				
	Industry A	Industry B	Industry C	Eliminations	Consolidated
Sales to customers	¥177,099	¥4,606	¥28,495	—	¥210,200
Intersegment sales	351	10	862	¥(1,223)	
Total sales	177,450	4,616	29,357	(1,223)	210,200
Operating expenses	154,192	4,519	28,506	(952)	186,265
Operating income (loss)	¥ 23,258	¥ 97	¥ 851	¥ (271)	¥ 23,935

b. Assets, Depreciation and Capital Expenditures

	Millions of yen				
	2000				
	Industry A	Industry B	Industry C	Corporate	Consolidated
Assets	¥120,791	¥2,996	¥22,182	¥35,220	¥181,189
Depreciation	9,492	91	770	—	10,353
Capital expenditures	12,923	24	573	—	13,520

a. Sales and Operating Income (Loss)

	Millions of yen				
	1999				
	Industry A	Industry B	Industry C	Eliminations	Consolidated
Sales to customers	¥174,021	¥4,598	¥27,728	—	¥206,347
Intersegment sales	87	7	697	¥(791)	
Total sales	174,108	4,605	28,425	(791)	206,347
Operating expenses	152,773	4,681	28,004	(763)	184,695
Operating income (loss)	¥ 21,335	¥ (76)	¥ 421	¥ (28)	¥ 21,652

b. Assets, Depreciation and Capital Expenditures

	Millions of yen				
	1999				
	Industry A	Industry B	Industry C	Corporate	Consolidated
Assets	¥115,110	¥5,336	¥18,960	¥26,371	¥165,777
Depreciation	8,787	82	610	—	9,479
Capital expenditures	10,146	105	2,596	—	12,847

(2) Geographic Segments

a. Sales and Operating Income

	Millions of yen				
	2001				
	Japan	Asia (Excluding Japan)	Other	Eliminations	Consolidated
Sales to customers	**¥184,607**	**¥18,543**	**¥ 9,049**	**—**	**¥212,199**
Intersegment sales	**1,450**	**1,908**	**1,843**	**¥(5,201)**	**—**
Total sales	**186,057**	**20,451**	**10,892**	**(5,201)**	**212,199**
Operating expenses	**166,981**	**19,300**	**10,446**	**(5,360)**	**191,367**
Operating income	**¥ 19,076**	**¥ 1,151**	**¥ 446**	**¥ 159**	**¥ 20,832**

b. Assets

	Millions of yen				
	2001				
	Japan	Asia (Excluding Japan)	Other	Corporate	Consolidated
Assets	**¥126,309**	**¥16,293**	**¥7,667**	**¥27,127**	**¥177,396**

a. Sales and Operating Income

	Thousands of U.S. dollars				
	2001				
	Japan	Asia (Excluding Japan)	Other	Eliminations	Consolidated
Sales to customers	**$1,488,766**	**$149,540**	**$72,976**	**—**	**$1,711,282**
Intersegment sales	**11,694**	**15,387**	**14,863**	**$(41,944)**	**—**
Total sales	**1,500,460**	**164,927**	**87,839**	**(41,944)**	**1,711,282**
Operating expenses	**1,346,621**	**155,645**	**84,242**	**(43,226)**	**1,543,282**
Operating income	**$ 153,839**	**$ 9,282**	**$ 3,597**	**$ 1,282**	**$ 168,000**

b. Assets

	Thousands of U.S. dollars				
	2001				
	Japan	Asia (Excluding Japan)	Other	Corporate	Consolidated
Assets	**$1,018,621**	**$131,395**	**$61,831**	**$218,766**	**$1,430,613**

a. Sales and Operating Income

	Millions of yen				
	2000				
	Japan	Asia (Excluding Japan)	Other	Eliminations	Consolidated
Sales to customers	¥187,404	¥14,883	¥7,913	—	¥210,200
Intersegment sales	2,324	1,438	1,975	¥(5,737)	—
Total sales	189,728	16,321	9,888	(5,737)	210,200
Operating expenses	167,063	15,441	9,398	(5,637)	186,265
Operating income	¥ 22,665	¥ 880	¥ 490	¥ (100)	¥ 23,935

b. Assets

	Millions of yen				
	2000				
	Japan	Asia (Excluding Japan)	Other	Corporate	Consolidated
Assets	¥133,081	¥16,532	¥8,235	¥23,341	¥181,189

a. Sales and Operating Income

	Millions of yen				
	1999				
	Japan	Asia (Excluding Japan)	Other	Eliminations	Consolidated
Sales to customers	¥186,523	¥12,165	¥7,659	—	¥206,347
Intersegment sales	2,211	126	1,607	¥(3,944)	—
Total sales	188,734	12,291	9,266	(3,944)	206,347
Operating expenses	167,972	11,571	9,021	(3,869)	184,695
Operating income	¥ 20,762	¥ 720	¥ 245	¥ (75)	¥ 21,652

b. Assets

	Millions of yen				
	1999				
	Japan	Asia (Excluding Japan)	Other	Corporate	Consolidated
Assets	¥128,161	¥15,422	¥5,839	¥16,355	¥165,777

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2001 and 2000, amounted to ¥27,802 million ($224,210 thousand) and ¥23,870 million, respectively. Sales to foreign customers for the year ended March 31, 1999, represented less than 10% of consolidated sales of the year. Accordingly, sales to foreign customers are not required to be disclosed.

Independent Auditors' Report

Tohmatsu & Co.
MS Shibaura Building,
13-23, Shibaura 4-chome,
Minato-ku, Tokyo 108-8530, Japan
Tel: +81-3-3457-7321
Fax: +81-3-3769-8508
www.tohmatsu.co.jp

Deloitte Touche Tohmatsu

To the Board of Directors of Uni-Charm Corporation:

We have examined the consolidated balance sheets of Uni-Charm Corporation and subsidiaries as of March 31, 2001, 2000 and 1999, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2001, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Uni-Charm Corporation and subsidiaries as of March 31, 2001, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2001, in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 2, effective April 1, 2000, the consolidated financial statements have been prepared in accordance with new accounting standards for employees' retirement benefits and financial instruments and a revised accounting standard for foreign currency transactions. Effective April 1, 1999, the consolidated financial statements have been prepared in accordance with new accounting standards for interperiod allocation of income taxes.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 28, 2001

Subsidiaries and Affiliated Companies

As of March 31, 2001

SUBSIDIARIES

		Major Operations	Date Established	Percentage of Equity
Japan	Charm Industry Co., Ltd.	Production of baby care, feminine care and other products	1974	100%
	Unicharm East Japan Co., Ltd.	Production of baby care, feminine care and other products	1993	100
	Unicharm Central Japan Co., Ltd.	Production of baby care, feminine care and other products	1999	100
	Unicharm Material Co., Ltd.	Production of nonwoven and other materials	1999	100
	Kokko Paper Mfg. Co., Ltd.	Production of paper, nonwoven and other materials	1974	100
	Cosmotec Corporation	Processing and sales of photographic printing plates	1996	100
	Uniheartous Corporation	Production and sales of pet care products, and production, processing, sales and installation of building materials	1979	51
	Unicare Co., Ltd.	Processing and sales of various products	1986	100
	UBS Co., Ltd.	Consignment of administrative tasks	1999	100
	Unifinance Co., Ltd.	Finance	1988	100
	Gold Tower Co., Ltd.	Operation and management of leisure facilities	1993	100
Taiwan	United Charm Co., Ltd.	Production and sales of baby care, feminine care and other products	1984	53
Thailand	Uni-Charm (Thailand) Co., Ltd.	Production and sales of baby care, feminine care and other products	1987	94
	Siam Uni-Charm Co., Ltd.	Sales of feminine care and other products	1996	100
	MRD Machinery Co., Ltd.	Production, sales, repair and maintenance of machinery	1999	100
	Uni-Heartous (Thailand) Co., Ltd.	Production and sales of building materials	1996	(49) *2
PRC	Shanghai Uni-Charm Co., Ltd.	Production and sales of baby care, feminine care and other products	1995	75
ROK	Uni-Charm Co., Ltd.	Production and sales of baby care, feminine care and other products	1994	90
Indonesia	PT Uni-Charm Indonesia	Production and sales of baby care, feminine care and other products	1997	74
Malaysia	Uni-Charm Corporation Sdn. Bhd.	Sales of baby care, feminine care and other products	1997	100
Singapore	Uni-Charm (Singapore) Pte Ltd.	Finance	1997	100
Europe	Uni-Charm Mölnlycke B.V.	Holding company	1993	60
	Uni-Charm Mölnlycke Baby B.V.	Production of baby care products	1998	(100) *3
	Uni-Charm Mölnlycke Incontinence B.V.	Production of adult incontinence care products	1998	(100) *3
	Uni-Charm Finance Company (Netherlands) B.V.	Finance	1994	(100) *4
United States	Uni-Heartous Pet Products USA, Inc.	Production and sales of pet food	1996	(100) *5

AFFILIATED COMPANIES

		Major Operations	Date Established	Percentage of Equity
Japan	Unicharm Mölnlycke K.K.	Sales of adult incontinence care products	1997	50%
	the FAN Co., Ltd.	Development and sales of system software	2000	25

Notes: 1. Percentages in parentheses indicate Unicharm's indirect share of each company (through other group companies).

2. Uniheartous Co., Ltd., a Unicharm subsidiary in Japan, holds 49% of the shares of this company. Because this is a majority holding, giving management control to Uniheartous Co., Ltd., Uni-Heartous (Thailand) Co., Ltd., is listed as a Unicharm subsidiary.

3. Uni-Charm Mölnlycke B.V. holds 100% of the shares of Uni-Charm Mölnlycke Baby B.V. and Uni-Charm Mölnlycke Incontinence B.V.

4. Unicharm holds 75% of the shares of this subsidiary; Unifinance Co., Ltd., holds the remaining 25%.

5. Unicharm holds 100% of the shares of Uniheartous Corporation.

Investor Information

As of March 31, 2001

Fiscal Year-End	March 31, 2001
Annual Shareholders' Meeting	June 28, 2001
Common Stock	Authorized: 197,354,711 Issued: 69,945,891
Number of Shareholders	16,850, up 970 from the previous fiscal year-end
Date of Listing	August 1976
Stock Exchange Listing	First Section, Tokyo Stock Exchange
Transfer Agent	Japan Securities Agents, Ltd. 2-4 Kayaba-cho, 1-chome, Nihonbashi, Chuo-ku, Tokyo 103-0025, Japan
Auditor	Deloitte Touche Tohmatsu

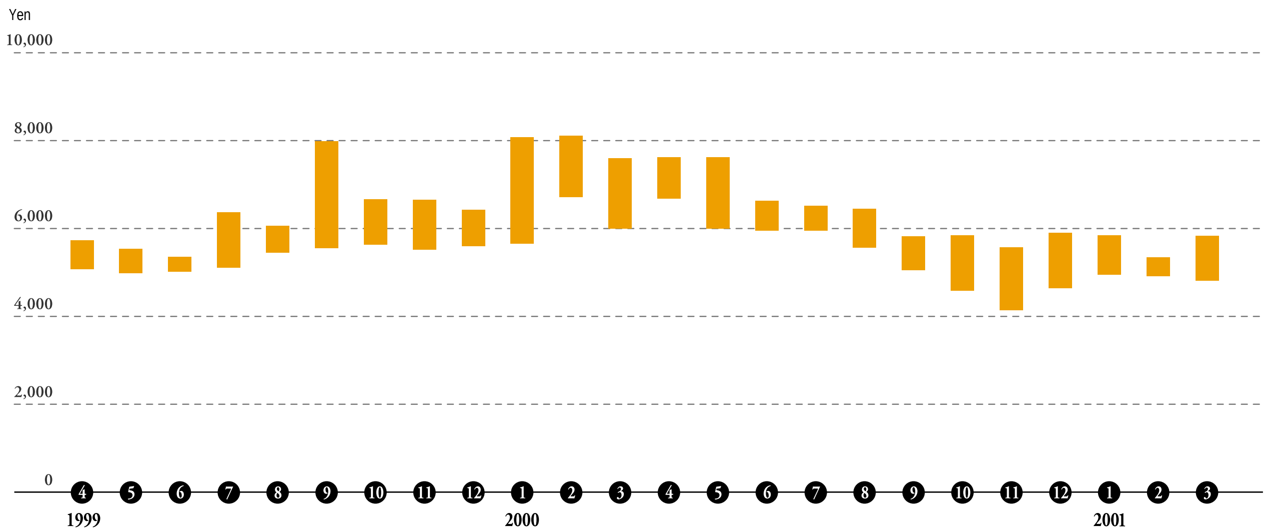
Principal Shareholders (Top 10)

Shareholder	Number of shares (Thousands)	Percentage
Unitec Corporation	12,822	18.33%
Takahara Kosan K.K.	3,918	5.60
Makoto Shoji Yugengaisha	3,120	4.46
The Chase Manhattan Bank N.A. London	2,957	4.23
Nippon Life Insurance Company	2,772	3.96
The Hiroshima Bank, Ltd.	2,420	3.46
Japan Trustee Services Bank, Ltd. (Trust Account)	2,093	2.99
The Sanwa Bank, Ltd.	1,957	2.80
The Fuji Fire and Marine Insurance Co., Ltd.	1,796	2.57
The Mitsubishi Trust and Banking Co., Ltd. (Trust Account)	1,730	2.47

Equity Policy

March 2001	Repurchase and retirement of shares (921,000 shares purchased at ¥4,900 per share)
July 1999	Sales of shares in Japan and overseas (2,400,000 shares and 300,000 shares green shoe) (Price: ¥6,128; Purchasers: The Tokai Bank, Ltd., Takahara Shinko K.K., The Fuji Bank, Ltd.)
August 1998	Repurchase and retirement of shares (1,724,289 shares purchased at ¥5,210 per share)

Common Stock Price Range



Corporate Data

As of March 31, 2001

Registered Office of the Company	182 Shimobun Kinsei-cho, Kawanoe-shi, Ehime 799-0111, Japan
Head Office	Keikyu 2nd Building 25-23 Takanawa 3-chome Minato-ku, Tokyo 108-8575, Japan Tel : +81-3-3447-5111 Fax: +81-3-5488-7327
URL	http: // www.unicharm.co.jp
Date of Establishment	February 10, 1961
Paid-In Capital	¥15,992 million
Number of Associates	952 (4,492 on a consolidated basis)
Information	Corporate Planning Department Keikyu 2nd Building 25-23 Takanawa 3-chome Minato-ku, Tokyo 108-8575, Japan Tel : +81-3-3449-2858 Fax: +81-3-3449-0496

unicharm
NOLA&DOLA

http://www.unicharm.co.jp

Unicharm's New Corporate Identity (CI)

Unicharm's new logo expresses the Company's stance of embracing people wholeheartedly and helping them lead healthy, comfortable lives. Of the colors in the logo, "Science Blue" represents trust and technology, which provides scientific support for daily life. "Human Orange" signifies human warmth and vigor, while "Life Yellow" stands for the vitality and radiance of consumers' lives.

The Eco mark of JEA

Printed in Japan on recycled paper approved by the Japan Environment Association (JEA)