

This notice has been translated from the original Japanese text of the timely disclosure statement dated February 15, 2017 and is for reference purposes only. In the event of any discrepancy between the original Japanese and this translation, the Japanese text shall prevail.

CAUTIONS REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements, such as Unicharm Corporation's current plans, strategies, and future performance. These forward-looking statements are based on judgments obtained from currently available information. Please be advised that, for a variety of reasons, actual results may differ materially from those discussed in the forward-looking statements. Events that might affect actual results include, but are not limited to, economic circumstances in which Unicharm Corporation operates, competitive pressures, relevant regulations, changes in product development, and fluctuations in currency exchange rates.

Consolidated Financial Results for the Fiscal Year Ended December 31, 2016
(January 1, 2016 through December 31, 2016); Flash Report
[J-GAAP]



February 15, 2017

Listed Company Name: **Unicharm Corporation**
 Listing: **First Section, Tokyo Stock Exchange**
 Code Number: **8113**
 URL: **http://www.unicharm.co.jp/**
 Company Representative: **Takahisa Takahara, President and Chief Executive Officer**
 Contact Person: **Shigeru Asada, Executive Officer, General Manager of Accounting Control and Finance Division**

Telephone Number: **+81-3-3451-5111**

Planned Date of Ordinary General Meeting of Shareholders: **March 30, 2017**

Planned Commencement Date of Dividend Payments: **March 9, 2017**

Planned Filing Date of Securities Report: **March 31, 2017**

Preparation of Any Additional Explanatory Documents for Full Year Financial Results: **Yes**

Holding of Any Briefing Session for Full Year Financial Results: **Yes**

(Securities Analysts, Institutional Investors)

(Amounts of less than one million yen have been truncated)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2016
(January 1, 2016 through December 31, 2016)

(1) Consolidated financial results

(Figures in percentages represent increases or decreases from the same period last year)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal Year Ended December 31, 2016	710,965	(3.8)	78,277	(2.1)	71,848	0.7	44,134	8.9
Fiscal Year Ended December 31, 2015	738,707	—	79,934	—	71,380	—	40,511	—

(Note) Comprehensive income: Fiscal Year Ended December 31, 2016: ¥24,634 million (-24.7%)
 Fiscal Year Ended December 31, 2015: ¥32,710 million (-%)

	Earnings Per Share	Earnings Per Share-diluted	Earnings to Shareholders' Equity	Ordinary Income to Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
Fiscal Year Ended December 31, 2016	74.29	70.64	11.4	10.2	11.0
Fiscal Year Ended December 31, 2015	67.55	66.51	10.0	10.2	10.8

(Reference) Equity method investment gain or loss: Fiscal Year Ended December 31, 2016: ¥22 million
 Fiscal Year Ended December 31, 2015: ¥22 million

TRANSLATION FOR REFERENCE PURPOSES ONLY

(Note) At the 54th Ordinary General Meeting of Shareholders held on June 25, 2014, a proposal for “partial amendments of the articles of incorporation” was approved. As a result, from the fiscal year ended December 31, 2014, the last day of the fiscal year was changed from March 31 to December 31. Accordingly, as the period for the fiscal year ended December 31, 2015 differs from the period for the fiscal year ended December 31, 2014 that serves as the comparative fiscal year, the rates of change over the previous fiscal year are omitted for the fiscal year ended December 31, 2015.

(2) Consolidated financial position

	Total Assets	Net Assets	Ratio of Shareholders' Equity	Net Assets Per Share
	Millions of Yen	Millions of Yen	%	Yen
As of December 31, 2016	711,541	449,974	54.4	655.50
As of December 31, 2015	702,601	451,091	55.1	649.98

(Reference) Equity: As of December 31, 2016: ¥387,303 million

As of December 31, 2015: ¥387,195 million

(3) Consolidated cash flows

	From Operating Activities	From Investing Activities	From Financing Activities	Cash and Cash Equivalents at End of Fiscal Year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Fiscal Year Ended December 31, 2016	103,604	(42,612)	(21,540)	138,042
Fiscal Year Ended December 31, 2015	85,009	(68,166)	(36,835)	101,966

2. Cash Dividends

	Annual Dividends					Total Amount of Cash Dividends (annual)	Dividend Payout Ratio (consolidated)	Ratio of Total Amount of Dividends to Shareholders' Equity (consolidated)
	1st Q-End	2nd Q-End	3rd Q-End	Year-End	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Fiscal Year Ended December 31, 2015	–	7.40	–	7.40	14.80	8,856	21.9	2.2
Fiscal Year Ended December 31, 2016	–	8.00	–	8.00	16.00	9,493	21.5	2.5
Fiscal year ending December 31, 2017 (projection)	–	9.00	–	9.00	18.00		21.7	

(Note) The dividend payout ratio (consolidated) for the fiscal year ending December 31, 2017 (projection) is determined based on the basic earnings per share that is calculated based on International Financial Reporting Standards (IFRS) as stated in the “Projected Consolidated Financial Results for the Fiscal Year Ending December 31, 2017” below.

3. Projected Consolidated Financial Results for the Fiscal Year Ending December 31, 2017 (January 1, 2017 through December 31, 2017)

(Figures in percentages represent increases or decreases from the preceding period)

	Net Sales		Core Operating Income		Profit Before Income Taxes		Profit Attributable to Owners of Parent		Basic Earnings Per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
First Half	299,000	0.5	34,000	(7.0)	32,000	3.8	20,800	5.7	35.20
Full Year	630,000	4.2	84,000	6.2	77,000	1.5	49,000	4.3	82.93

- (Notes)
1. Because the Group has voluntarily applied the International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending December 31, 2017, the projected consolidated financial results have been calculated based on IFRS (on a core operating income basis). Note that the IFRS results for the fiscal year ended December 31, 2016 used in the rate of change compared to the previous quarter and the same quarter of the previous fiscal year are approximate values.
 2. While the above “Core Operating Income” is not a benchmark defined in IFRS, it has been disclosed as it is believed to be a valuable benchmark for measuring the Company’s recurring business performance. Please refer to the “1. Analysis of Operating Results and Financial Position” section on page 2 for further details on the projected consolidated financial results.

*** Notes**

(1) Change in major subsidiaries during the period (or any change of specified subsidiaries accompanying a change in the scope of consolidation): None

(2) Change in accounting policies or estimates and retrospective restatements

(i) Change in accounting policies in accordance with revision of accounting standards: None

(ii) Change in accounting policies other than item (i) above: None

(iii) Change in accounting estimates: None

(iv) Retrospective restatements: None

(3) Number of issued and outstanding shares (common shares)

(i) Number of issued and outstanding shares (including treasury shares):

As of December 31, 2016: 620,834,319 shares

As of December 31, 2015: 620,834,319 shares

(ii) Number of treasury shares as of end of period:

As of December 31, 2016: 29,982,790 shares

As of December 31, 2015: 25,131,639 shares

(iii) Average number of shares during the period:

Fiscal Year Ended December 31, 2016: 594,109,497 shares

Fiscal Year Ended December 31, 2015: 599,691,440 shares

* Presentation regarding status of audit procedures

This Consolidated Financial Results for the Fiscal Year Ended December 31, 2016 is not subject to the audit procedures under the Financial Instruments and Exchange Act, and as of the date of disclosure hereof, the audit procedures for financial statements under the Financial Instruments and Exchange Act are being carried out.

* Explanation regarding proper use of the projected results and other notes

(1) The Company has voluntarily applied the International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending December 31, 2017. The IFRS results for the fiscal year ended December 31, 2016 used in the rate of change compared to the previous quarter and the same quarter of the previous fiscal year are approximate values.

(2) While the core operating income disclosed by the Company is not a benchmark defined in IFRS, it has been disclosed as it is believed to be a valuable benchmark for measuring the Company's recurring business performance.

(3) Projections stated herein are based on the currently available information and the Company's assumptions and beliefs that were judged to be valid as of the announcement date hereof. Therefore, actual results may differ for various factors. Please refer to the "1. Analysis of Operating Results and Financial Position" section on page 2 for further details on the conditions that form the basis for financial results projections and their use.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

Contents of Exhibit

1. Analysis of Operating Results and Financial Position	2
(1) Analysis of operating results	2
(2) Analysis of financial position	7
(3) Basic policy regarding profit distribution and dividends for the fiscal year ended December 31, 2016 and the fiscal year ending December 31, 2017	8
2. Management Policy	10
(1) Basic management policy of the Company	10
(2) Targeted business indicators	10
(3) Medium- and long-term management strategy of the Company	10
(4) Issues facing the Group	10
3. Basic Stance on Selecting Accounting Standards.....	11
4. Consolidated Financial Statements, Etc.	12
(1) Consolidated balance sheet	12
(2) Consolidated statements of income and comprehensive income	14
(3) Consolidated statement of changes in shareholders' equity	16
(4) Consolidated statement of cash flows	18
(5) Notes to consolidated financial statements	19
(Note regarding the Company's position as a going concern).....	19
(Material accounting policies concerning the preparation of consolidated financial statements)	19
(Changes in presentation methods)	19
(Additional information)	19
(Consolidated balance sheet)	20
(Consolidated statement of income)	20
(Segment information, etc.)	21
(Per-share information)	23
(Significant subsequent events)	24

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

1. Analysis of Operating Results and Financial Position

(1) Analysis of operating results

Comparison with actual results for the previous fiscal year

	Fiscal Year Ended Dec. 31, 2015 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2016 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	738,707	710,965	(27,741)	(3.8)
Operating income	79,934	78,277	(1,657)	(2.1)
Ordinary income	71,380	71,848	468	0.7
Profit Attributable to Owners of Parent	40,511	44,134	3,622	8.9

Comparison with projected results

	Projection for Fiscal Year Ended Dec. 31, 2016 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2016 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	720,000	710,965	(9,034)	(1.3)
Operating income	83,000	78,277	(4,722)	(5.7)
Ordinary income	70,000	71,848	1,848	2.6
Profit Attributable to Owners of Parent	42,000	44,134	2,134	5.1

(Note) The projection for fiscal year ended December 31, 2016 is the figures from the “Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2016 (January 1, 2016 through June 30, 2016); Flash Report [J-GAAP]” released on August 5, 2016.

By region

	Net sales (Note)			Operating income		
	Fiscal Year Ended Dec. 31, 2015 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2016 (Millions of Yen)	Difference (Millions of Yen)	Fiscal Year Ended Dec. 31, 2015 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2016 (Millions of Yen)	Difference (Millions of Yen)
Japan	287,135	302,851	15,716	44,499	50,487	5,988
China	132,160	107,830	(24,329)	13,939	9,525	(4,414)
Others	319,411	300,283	(19,128)	21,732	17,508	(4,224)

(Note) Net sales represent those to external customers.

1. Overview of the overall earnings in the period under review

In light of the management environment surrounding the Company and its group companies during the fiscal year under review, the outlook overseas became increasingly uncertain due to turmoil in the global economy stemming from the results of a referendum in the UK on leaving the EU and the presidential election in the US. There was robust economic growth in emerging countries, albeit inconsistent in some regions, and the Group proactively carried out sales promotion activities to popularize its personal care products that meet consumer needs.

Meanwhile in Japan, though inbound consumption showed signs of calming, against a backdrop of a gradual economic recovery, the Company continued to make proposals offering new value that succeeded in stimulating demand for high value-added personal care-related products, which resulted in stable growth.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

In this environment and under the banner “we constantly provide the world’s No.1 and unprecedented products and services to everybody around the globe, and deliver comfort, impression, and satisfaction,” the Company and its group companies continued to develop products to meet the needs of consumers using unique non-woven fabric processing and forming technology and endeavor to foster a society in which everyone can live together with mutual respect for individuality, without a sense of burden among the generations.

As a result, the Company’s net sales, operating income, ordinary income, and profit attributable to owners of parent for the fiscal year under review respectively reached ¥710,965 million (down 3.8% over the previous consolidated fiscal year), ¥78,277 million (down 2.1% over the previous consolidated fiscal year), ¥71,848 million (up 0.7% over the previous consolidated fiscal year), and ¥44,134 million (up 8.9% over the previous consolidated fiscal year).

2. Overview of the operation by main business segment

Financial results by segment are as described below.

1) Personal Care Business

	Fiscal Year Ended Dec. 31, 2015 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2016 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	647,573	619,047	(28,526)	(4.4)
Operating income	76,254	72,514	(3,739)	(4.9)

(Note) Net sales represent those to external customers.

● Baby Care Products

For overseas, the Company continued to strengthen its internet sales and worked to build name recognition for the *Moony* series in China, where demand for high value-added imports from Japan, which meets the needs for safety, is high, as well as to promote pants-type disposable diapers. In India, where the use of disposable diapers is still quite low even among emerging countries, the Company expanded its sales area and market shares while promoting pants-type disposable diapers.

In Japan, the Company newly launched the *Natural moony* series of disposable diapers aiming for top quality that is gentle on the baby’s skin through the use of organic cotton for the top sheet of disposable diapers under the *Moony* brand that fits comfortably on the baby’s skin while preventing leakage, which has been well received by many mothers in Japan who are raising children for its functionality, simplicity, and convenience. This series pursues comfort for babies and offers peace of mind with a soft texture like the hands of a mother, based on scientific evidence. The Company also endeavored in creating a powerful lineup and strengthening relations in sub-category products such as the *Mamy Poko* series with a charming Disney character design and superior absorbency, pants-type products for children with bed-wetting problems and training pants.

● Feminine Care Products

For overseas, in China the Company’s high-quality products featuring charming designs remain highly popular with the younger generation. In addition, the Company has been actively expanding its sales area for products tailored to customer needs in emerging countries such as Indonesia, Thailand and Vietnam, further endeavoring to increase its market share.

In Japan, the Company newly released the *Sofy Air Fit Slim* series of thin napkins that give the user the sense that they are not wearing a napkin and made product improvements for the *Sofy Ultra Sound Sleep* series that allows users to enjoy the happiness of sleep and the *Sofy Hada Omoi Liner* series that is gentle on sensitive skin. With these products, the Company endeavored to free women from physical and emotional constraints while examining the structures of women’s bodies and minds from a scientific perspective. The Company also actively engaged in social contribution activities through a Pink Ribbon Campaign.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

● Health Care Products

In the domestic market for healthcare products, which continues to grow as Japan's population of the elderly grows, the Company has been working to educate the public about products that enable elderly people to continue with their current lifestyle as before. In incontinence care products line, the Company expands the line-up of the *Lifree Comfortable Pads* series, including products for women that are fast-absorbing and prevent leakage and products for men that are designed to prevent urine leakage and stains on trousers, to allow the selection of absorption quantity depending on the conditions and continued its efforts to remove resistance to using these products by conveying that everyone has light incontinence, together with the *Charm Nap* series, which brings happiness to daily life with its absorbent care. In nursing care products, along with the *Lifree* series, the Company has also actively promoted its products through TV commercials, on its website, during over-the-counter consultations at shops, and by creating shelf space at retailers based on daily activities to take the lead in the market for excretion care products. In addition, the Company has promoted "Social walking*" that encourages the people to have a social life with purpose and avoids confining themselves in the room, supported them going outside through appropriate excretion care, and commenced initiatives to prevent dementia.

*"Social walking" is a coined word that means "social participation and walking," and it indicates a form of walking that helps preventing dementia in a manner that anyone can easily benefit from by walking while having a good time with other people (devised by the Company, under the supervision of Tokyo Metropolitan Institute of Gerontology).

● Clean and Fresh Products

In the domestic market for clean and fresh products, *Silcot Sponge Touch Moisturizing Cotton* that makes skin amazingly moist with 50% less lotion^{*1} satisfied and enjoyed high levels of support from many customers, *Silcot Wiping Cotton Silky Cut* was newly launched by the Company, made from Japan's first^{*2} superfine filament, which easily removes even microscopic dirt to make skin care easier, more comfortable, and effective, and the Company made efforts to revitalize the diversifying cosmetic cotton market. In addition, the Company has worked to promote sales in the *Silcot Wet Tissues* series that enables users to clean quickly with just one hand and revitalize the market.

As a result, net sales and segment income (operating income) for the personal care business for the fiscal year under review were ¥619,047 million (down 4.4% over the previous consolidated fiscal year) and ¥72,514 million (down 4.9% over the previous consolidated fiscal year), respectively.

*1: Compared to the Company's conventional products

*2: The outer layer touching the skin consists of extremely fine fibers that are less than 10 μm in size and the inner part is made up of coarse cellulose fibers. The survey covers cosmetic cotton from major brands in Japan was covered. (survey by Unicharm Corporation, in October 2015)

2) Pet Care Business

	Fiscal Year Ended Dec. 31, 2015 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2016 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	85,624	85,756	131	0.2
Operating income	3,329	5,347	2,018	60.6

(Note) Net sales represent those to external customers.

The Company has been working to develop products ranging from sanitary goods to food and create markets in order to support the lives of pets in an integrated manner in order to help create a society in which humans and pets can live together in comfort for a long time and in good health.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

In the domestic pet toiletry business, absorbing sheets^{*1} were adopted for the *Deo Sheet* brand, and significant improvements were made to the speed of excretion absorption and reversal. Also, the Company newly released the *Deo Clean Blessing of the Forest* series composed of ClearForest Functional Tree Extract Liquid^{*2} that excels in air purifying and deodorizing effects and proposed means for creating clean and comfortable living spaces where users and pets live together. In addition, the Company newly launched the *Unicharm Pet Pro* series for veterinary hospitals as Japan's first pet nursing care system^{*3} in response to the needs for the care for dogs that require nursing care, which are on the rise with the advance of aging.

In the domestic pet food market, the Company newly released *Best Balance Soft and Easy* as a dog food that is soft and easy to eat and available in different varieties depending on the type and age of the dog in consideration of the health maintenance of increasing elderly dogs, as well as *Low Fat Grand Deli Dog Food for Dogs Nearing Age 7* as a healthy dog food in response to obesity. For cats, the Company expanded its lineup under the *Silver Spoon* brand to include *Silver Spoon Meal Regurgitation Suppression Food* as the first cat food in the world^{*4} to use a newly developed type of dietary fiber that suppresses meal regurgitation, *Silver Spoon Three-Star Gourmet Pouches: Domestically Produced Premium* that was developed jointly together with Higoromo Foods Corporation that uses the high-quality flakes of 100% natural tuna fished in Japan in response to growing needs for health and peace of mind, and released *Silver Spoon Three-Star Gourmet* dry cat food that lets cats enjoy an assortment of four flavors in one box to create a high value-added market.

In the North American market, sales have remained steady in sheets for dogs and clay-type cat litter products that use Japanese technology, and preparations were made for deploying innovations in cat litter and dog snacks, including consumer tests, in conjunction with television commercials, in the northeast area with *Hartz Delectables*, a wet-type snack for cats, which are the first of its kind in America. In addition, preparations were made for future growth, including strengthened Internet sales that have grown significantly in recent years and increased sales to pet specialty stores.

As a result, net sales and segment income (operating income) for the pet care business for the fiscal year under review were ¥85,756 million (up 0.2% over the previous consolidated fiscal year) and ¥5,347 million (up 60.6% over the previous consolidated fiscal year), respectively.

*1 Absorbing sheets fit both the regular and wide models.

*2 ClearForest is a common brand of products utilizing functional tree extract liquid with outstanding air purification effects that has been extracted from the sakhalin fir, jointly developed by the Japan Aroma Laboratory Co., Ltd. of The S.T. Group and the Forestry and Forest Products Research Institute.

*3 Among the major pet nursing care products in Japan (survey by Unicharm Corporation, in October 2016)

*4 Dry pet food soaked in a pH 2.5 solution for 10 minutes until at least 60% of grains had a hardness of no more than 2.5 kgw/scope includes pet foods of major global brands (survey by Unicharm Corporation, in March 2016).

3) Other Businesses

	Fiscal Year Ended Dec. 31, 2015 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2016 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	5,508	6,161	652	11.9
Operating income	330	414	83	25.4

(Note) Net sales represent those to external customers.

In the category of business-use products utilizing its core non-woven fabric and absorber processing and forming technology, the Company focused on promoting the sales of industrial materials.

As a result, net sales and segment income (operating income) in other businesses for the fiscal year under review were ¥6,161 million (up 11.9% over the previous consolidated fiscal year) and ¥414 million (up 25.4% over the previous consolidated fiscal year), respectively.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

3. Projected results for the fiscal year ending December 31, 2017

	Projected results for fiscal year ending Dec. 31, 2017 (Millions of Yen)	Actual results for fiscal year ended Dec. 31, 2016 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	630,000	604,652	25,348	4.2
Core operating income	84,000	79,116	4,884	6.2
Profit before income taxes	77,000	75,835	1,165	1.5
Profit attributable to owners of parent	49,000	46,970	2,030	4.3
Basic earnings per share (Yen)	82.93	79.06	3.87	4.9

(Notes) 1. Because the Group has voluntarily applied the International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending December 31, 2017, the projected consolidated financial results for the fiscal year ending December 31, 2017 have been calculated based on IFRS (on a core operating income basis). Note that the results for the fiscal year ended December 31, 2016 are approximate values based on IFRS.

2. While core operating income is the income after deducting selling, general and administrative expenses from gross profit and not a benchmark defined in IFRS, it has been disclosed as the Company's Board of Directors assesses the performance of each business segment based on core operating income and it is believed to be a valuable benchmark for measuring the Company's recurring business performance.

In light of the management environment surrounding the Company and its group companies, while a full-scale economic recovery is not expected in Asian countries where business is being rolled out, we do expect moderate growth led by internal demand to continue over the near term. Meanwhile in Japan, while economic recovery can be expected to continue due to the positive effect of an increase in public investment stemming from the government's economic policies, consumption expenditure is expected to be soft due to weakness in disposable income caused by factors including an increase in social insurance contributions. In Overseas, within this environment, we intend to grow with a speed exceeding that of the market and strive for vitalization through offering products that meet individual needs in the target countries and aggressive sales activities. In Japan, we continue to offer high value-added products reflecting consumer needs and lead the revitalization of the domestic market in the personal care business area. In the pet care business, the Company will work to develop products and revitalize the market linked to the four major trends among pet owners of "indoor pet keeping," "popularity of small dogs," "aging of pets," and "anthropomorphic pet," and achieve the creation of demand in response to a society in which humans and pets can live together and the trend of aging population and a decreasing birthrate.

As a result of the aforementioned efforts, net sales, core operating income, profit before income taxes, and profit attributable to owners of parent for the fiscal year ending December 31, 2017 are projected to be ¥630,000 million, ¥84,000 million, ¥77,000 million and ¥49,000 million, respectively, on a consolidated basis. Basic earnings per share will be ¥82.93.

In the meantime, the Company's assumptions on foreign exchange rates for the main currencies are JPY110 to the U.S. dollar and JPY16.30 to the Chinese yuan.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

(2) Analysis of financial position

	Fiscal Year Ended Dec. 31, 2015 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2016 (Millions of Yen)	Difference (Millions of Yen)
Total assets	702,601	711,541	8,939
Net assets	451,091	449,974	(1,117)
Ratio of shareholders' equity (%)	55.1	54.4	-

	Fiscal Year Ended Dec. 31, 2015 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2016 (Millions of Yen)	Difference (Millions of Yen)
Cash flows from operating activities	85,009	103,604	18,594
Cash flows from investing activities	(68,166)	(42,612)	25,554
Cash flows from financing activities	(36,835)	(21,540)	15,295
Cash and cash equivalents at end of period	101,966	138,042	36,076

Total assets as of the end of the fiscal year under review were ¥711,541 million, up ¥8,939 million year on year. This was mainly due to an increase of ¥37,239 million in cash and deposits, a decrease of ¥6,991 million in notes and accounts receivable - trade, a decrease of ¥6,617 million in raw materials and supplies, a decrease of ¥5,283 million in goodwill, a decrease of ¥3,762 million in deferred tax assets, a decrease of ¥3,346 million in buildings and structures, net, and a decrease of ¥1,883 million in net defined benefit asset. Total liabilities were ¥261,567 million, up ¥10,057 million year on year. This was mainly due to an increase of ¥2,906 million in short-term loans payable, an increase of ¥2,864 million in other current liabilities mainly reflecting an increase in accrued expenses, and an increase of ¥2,353 million in net defined benefit liability. Net assets were ¥449,974 million, down ¥1,117 million year on year. This was mainly due to an increase of ¥44,134 million in profit attributable to owners of parent, a decrease of ¥14,426 million in foreign currency translation adjustment, a decrease of ¥12,551 million due to the purchase of treasury shares, a decrease of ¥9,175 million due to dividends of surplus, and a decrease of ¥4,116 million in valuation differences on available-for-sale securities.

Consequently, the ratio of shareholders' equity decreased from 55.1% as of the end of the preceding fiscal year to 54.4% as of the end of the fiscal year under review.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

Net cash provided by operating activities totaled ¥103,604 million mainly due to ¥73,794 million in profit before income taxes, ¥ 26,750 million in depreciation and ¥16,798 million in income taxes paid.

Net cash used in investing activities totaled ¥42,612 million mainly as a result of ¥37,861 million in the purchase of property, plant and equipment and intangible assets, ¥17,218 million in payments into time deposits, and ¥13,603 million in proceeds from withdrawal of time deposits.

Net cash used in financing activities amounted to ¥21,540 million mainly due to ¥14,000 million in purchase of treasury shares, ¥9,173 million in cash dividends paid, ¥3,163 million in repayments of long-term loans payable, and ¥4,812 million in proceeds from long-term loans payable.

As a result, cash and cash equivalents at end of period amounted to ¥138,042 million, up ¥36,076 million over the end of the preceding fiscal year.

(Reference) Changes in cash flow-related financial indicators

	As of March 31, 2013	As of March 31, 2014	As of December 31, 2014	As of December 31, 2015	As of December 31, 2016
Ratio of shareholders' equity (%)	54.2	60.3	60.0	55.1	54.4
Ratio of shareholders' equity at market value (%)	198.2	178.9	250.3	210.0	212.4
Ratio of cash flows to interest-bearing debts (year)	1.2	0.3	0.5	0.2	0.2
Interest coverage ratio (times)	213.1	275.5	286.5	124.3	181.5

Ratio of shareholders' equity: Equity/Total assets

Ratio of shareholders' equity at market value: Market capitalization/Total assets

Ratio of cash flows to interest-bearing debts: Interest-bearing debts/Cash flows

Interest coverage ratio: Cash flows/Payment of interest

Note 1: All the above indicators are calculated using consolidated financial figures.

Note 2: Market capitalization is calculated using the Company's total shares outstanding excluding treasury shares.

Note 3: Cash flows from operating activities are used for calculations.

Note 4: Interest-bearing debts cover all debts for which interest is paid among those that are included in the consolidated balance sheet.

(3) Basic policy regarding profit distribution and dividends for the fiscal year ended December 31, 2016 and the fiscal year ending December 31, 2017.

The Company recognizes that one of its most important management policies is to return profits to shareholders, and it is striving to increase corporate value by generating cash flows to achieve this goal. In addition, the Company will aim to achieve 15% or higher ROE (return on equity) and maintain its policy of increasing dividend payments in a stable and continuous manner in terms of both cash flow and profit, while making efforts to aggressively expand business investment for strengthening and growing corporate structure to improve profitability.

The annual dividend for the fiscal year under review will be ¥16, comprising a year-end dividend of ¥8 per share, in addition to a ¥8 per share dividend for the end of the second quarter. This will be the 15th consecutive period of an increase in dividends, with a dividend on equity rate (DOE) of 2.5%.

Also, based on the resolution for acquisition of the treasury shares passed at the Board of Directors' meeting held on May 13, 2016, from August 12 to September 28, 2016, 5,717,500 shares were acquired by the "purchase on the Tokyo Stock Exchange" for the total acquisition amount of ¥13,999 million.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

In regard to our shareholder return policy for the next fiscal year and onwards, we will make stable and ongoing dividend payments based on medium- and long-term consolidated earnings growth, while prioritizing business investments to realize continual growth. We are targeting a total shareholder return of 50% for both shareholder dividends and the acquisition of treasury shares, by flexibly acquiring treasury shares as required.

Based on the abovementioned profit distribution policy, we plan to make an annual dividend payment in the next fiscal year of ¥18 per share, including a ¥9 per share dividend for the end of the second quarter.

2. Management Policy

(1) Basic management policy of the Company

The Unicharm Group has established the management philosophy that “we contribute to creating a better quality of life for everyone by offering only the finest products and services to the market and customers, both at home in Japan and abroad,” and it will strive to consistently create new value and promote corporate activities with the aim of ensuring the best value for its stakeholders, specifically its customers, shareholders, business partners, associates and society.

(2) Targeted business indicators

The Company aims to develop a management structure with high capital efficiency that enables it to survive the global competition through continuous growth in sales and profit, as well as increase in ROE.

(3) Medium- and long-term management strategy of the Company

The Company and its group companies are currently implementing the Tenth Medium-Term Management Plan for the four fiscal years from January 2017 to December 2020. The details of this Plan are described in the “Fiscal Year Ended December 31, 2016 Unicharm Presentation Materials for Investor Meeting” released on February 15, 2017.

These materials can be accessed at the following URL.

Website of the Company:

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

(4) Issues facing the Group

As for overseas operations, high levels of economic growth are expected to continue primarily in emerging countries in Asia. However, there are uncertainties such as the impact of the economic policies of the new US President and Brexit, and economic, financial and social conditions are causing fluctuations in the exchange rates of some emerging countries where we are rolling out business; this is considerably impacting business in these countries and raising concerns over the risk of price fluctuations in imported raw materials and products. Meanwhile in Japan, in addition to a sense of uncertainty about the direction of the economy, the rising prices of imported raw materials resulting from exchange rates and the price of crude oil are causing anxiety in the fiercely competitive sales environment. The personal care business is also forecast to see a decline going forward in the target population for baby care and feminine care products.

In the midst of such issues, in accordance with the management philosophy of the Company and its group companies, we will strive to consistently create new value and speedily promote the expansion of product line-ups to meet customer needs. As for overseas, we will enhance our risk management while aggressively developing business areas and establishing our position as a category leader in growth markets; and in Japan we will expand our business by revitalizing the market. In these ways, the Company is striving to improve its business performance.

In order to further promote corporate reform in the future, in all businesses we will place greater emphasis on increasing added value through continuous product innovation, and thoroughly pursue cost reduction and the efficient use of management resources.

3. Basic Stance on Selecting Accounting Standards

The Group has voluntarily applied the International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending December 31, 2017 in order to improve the international comparability of financial information and the quality of business management.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

4. Consolidated Financial Statements, Etc.

(1) Consolidated balance sheet

(Millions of Yen)

	Fiscal Year Ended December 31, 2015 (as of December 31, 2015)	Fiscal Year Ended December 31, 2016 (as of December 31, 2016)
Assets		
Current assets		
Cash and deposits	138,503	175,742
Notes and accounts receivable - trade	95,476	88,484
Securities	-	29
Merchandise and finished goods	30,169	30,792
Raw materials and supplies	32,499	25,881
Work in process	1,360	728
Deferred tax assets	17,024	12,613
Other	16,809	18,651
Allowance for doubtful accounts	(148)	(674)
Total current assets	331,693	352,250
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	76,428	73,081
Machinery, equipment and vehicles, net	130,254	133,119
Land	18,549	17,815
Construction in progress	16,123	15,031
Other, net	6,452	5,277
Total property, plant and equipment	* 247,808	* 244,325
Intangible assets		
Goodwill	67,359	62,075
Other	22,468	21,006
Total intangible assets	89,828	83,082
Investments and other assets		
Investment securities	23,611	23,675
Deferred tax assets	2,195	2,843
Net defined benefit asset	2,160	276
Other	5,393	5,178
Allowance for doubtful accounts	(91)	(90)
Total investments and other assets	33,270	31,883
Total non-current assets	370,907	359,290
Total assets	702,601	711,541

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

	(Millions of Yen)	
	Fiscal Year Ended December 31, 2015 (as of December 31, 2015)	Fiscal Year Ended December 31, 2016 (as of December 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	93,799	93,257
Short-term loans payable	3,846	6,753
Accounts payable - other	40,683	40,573
Income taxes payable	7,667	9,337
Provision for bonuses	5,514	6,090
Other	17,117	19,982
Total current liabilities	168,630	175,994
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	54,421	53,441
Long-term loans payable	10,757	12,084
Deferred tax liabilities	8,160	9,093
Net defined benefit liability	5,295	7,648
Other	4,243	3,304
Total non-current liabilities	82,878	85,572
Total liabilities	251,509	261,567
Net assets		
Shareholders' equity		
Capital stock	15,992	15,992
Capital surplus	6,858	5,586
Retained earnings	366,777	401,388
Treasury shares	(41,101)	(53,652)
Total shareholders' equity	348,527	369,316
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,164	7,047
Deferred gains or losses on hedges	(6)	4
Revaluation reserve for land	(157)	(157)
Foreign currency translation adjustment	33,804	19,378
Remeasurements of defined benefit plans	(6,136)	(8,286)
Total accumulated other comprehensive income	38,667	17,987
Subscription rights to shares	276	345
Non-controlling interests	63,619	62,325
Total net assets	451,091	449,974
Total liabilities and net assets	702,601	711,541

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

(2) Consolidated statements of income and comprehensive income

Consolidated statement of income

(Millions of Yen)

	Fiscal Year Ended December 31, 2015 (January 1, 2015 – December 31, 2015)	Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)
Net sales	738,707	710,965
Cost of sales	406,521	376,510
Gross profit	332,185	334,455
Selling, general and administrative expenses	*1, *2 252,250	*1, *2 256,178
Operating income	79,934	78,277
Non-operating income		
Interest income	1,750	3,006
Dividend income	435	356
Gain on valuation of derivatives	–	1,115
Subsidy income	765	1,003
Gain on sales of scraps	761	326
Gain on forfeiture of unclaimed dividends	1,052	8
Other	880	359
Total non-operating income	5,646	6,176
Non-operating expenses		
Interest expenses	588	611
Sales discounts	4,271	1,762
Foreign exchange losses	7,979	8,499
Other	1,362	1,732
Total non-operating expenses	14,201	12,605
Ordinary income	71,380	71,848
Extraordinary income		
Gain on sales of non-current assets	54	157
Gain on sales of investment securities	4,214	5,066
Subsidy income	2,249	–
Total extraordinary income	6,518	5,223
Extraordinary losses		
Loss on disposal of non-current assets	557	1,167
Impairment loss	–	*3 1,355
Settlement related expenses	–	754
Total extraordinary losses	557	3,277
Profit before income taxes	77,340	73,794
Income taxes - current	16,128	17,135
Income taxes - deferred	12,724	7,956
Total income taxes	28,852	25,092
Profit	48,488	48,702
Profit attributable to non-controlling interests	7,976	4,568
Profit attributable to owners of parent	40,511	44,134

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

Consolidated statement of comprehensive income

(Millions of Yen)

	Fiscal Year Ended December 31, 2015 (January 1, 2015 – December 31, 2015)	Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)
Profit	48,488	48,702
Other comprehensive income		
Valuation difference on available-for-sale securities	(164)	(4,116)
Deferred gains or losses on hedges	(146)	24
Foreign currency translation adjustment	(13,536)	(17,845)
Remeasurements of defined benefit plans, net of tax	(1,930)	(2,130)
Total other comprehensive income	(15,778)	(24,068)
Comprehensive income	32,710	24,634
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	27,769	23,453
Comprehensive income attributable to non-controlling interests	4,941	1,180

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

(3) Consolidated statement of changes in shareholders' equity

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

(Millions of Yen)

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

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

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

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

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	15,992	6,858	366,777	(41,101)	348,527
Changes of items during period					
Dividends of surplus			(9,175)		(9,175)
Profit attributable to owners of parent			44,134		44,134
Purchase of treasury shares				(14,000)	(14,000)
Disposal of treasury shares		(351)		1,449	1,097
Change of scope of consolidation			(347)		(347)
Purchase of shares of consolidated subsidiaries		(920)			(920)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(1,271)	34,611	(12,551)	20,788
Balance at end of current period	15,992	5,586	401,388	(53,652)	369,316

	Accumulated other comprehensive income						Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	11,164	(6)	(157)	33,804	(6,136)	38,667	276	63,619	451,091
Changes of items during period									
Dividends of surplus									(9,175)
Profit attributable to owners of parent									44,134
Purchase of treasury shares									(14,000)
Disposal of treasury shares									1,097
Change of scope of consolidation									(347)
Purchase of shares of consolidated subsidiaries									(920)
Net changes of items other than shareholders' equity	(4,116)	11	–	(14,426)	(2,149)	(20,680)	68	(1,294)	(21,906)
Total changes of items during period	(4,116)	11	–	(14,426)	(2,149)	(20,680)	68	(1,294)	(1,117)
Balance at end of current period	7,047	4	(157)	19,378	(8,286)	17,987	345	62,325	449,974

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

(4) Consolidated statement of cash flows

(Millions of Yen)

	Fiscal Year Ended December 31, 2015 (January 1, 2015 – December 31, 2015)	Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)
Cash flows from operating activities		
Profit before income taxes	77,340	73,794
Depreciation	27,343	26,750
Impairment loss	–	1,355
Amortization of goodwill	4,640	4,519
Interest and dividend income	(2,186)	(3,362)
Interest expenses	588	611
Foreign exchange losses (gains)	7,203	5,832
Loss (gain) on sales and retirement of non-current assets	503	1,010
Loss (gain) on sales of investment securities	(4,214)	(5,066)
Decrease (increase) in notes and accounts receivable - trade	(12,315)	1,953
Decrease (increase) in inventories	(4,356)	3,209
Increase (decrease) in notes and accounts payable - trade	5,064	2,680
Increase (decrease) in other current liabilities	(336)	6,066
Other, net	(1,706)	(1,316)
Subtotal	97,569	118,039
Interest and dividend income received	2,019	2,274
Interest expenses paid	(683)	(570)
Income taxes refund	1,064	658
Income taxes paid	(14,959)	(16,798)
Net cash provided by (used in) operating activities	85,009	103,604
Cash flows from investing activities		
Payments into time deposits	(36,035)	(17,218)
Proceeds from withdrawal of time deposits	9,280	13,603
Purchase of property, plant and equipment and intangible assets	(46,575)	(37,861)
Proceeds from sales of property, plant and equipment and intangible assets	690	216
Purchase of investment securities	(15)	(6,500)
Proceeds from sales of investment securities	4,467	5,146
Other, net	20	2
Net cash provided by (used in) investing activities	(68,166)	(42,612)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,678)	2,527
Proceeds from long-term loans payable	6,000	4,812
Repayments of long-term loans payable	(22,200)	(3,163)
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares	54,750	–
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(50,742)	(988)
Purchase of treasury shares	(13,000)	(14,000)
Cash dividends paid	(8,284)	(9,173)
Dividends paid to non-controlling interests	(1,500)	(2,609)
Proceeds from share issuance to non-controlling shareholders	117	232
Proceeds from exercise of share options	427	949
Other, net	(723)	(127)
Net cash provided by (used in) financing activities	(36,835)	(21,540)
Effect of exchange rate change on cash and cash equivalents	(5,085)	(3,375)
Net increase (decrease) in cash and cash equivalents	(25,078)	36,076
Cash and cash equivalents at beginning of period	127,044	101,966
Cash and cash equivalents at end of period	101,966	138,042

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

(5) Notes to consolidated financial statements

(Note regarding the Company's position as a going concern)

Not applicable

(Material accounting policies concerning the preparation of consolidated financial statements)

Matters related to the scope of consolidation

Number of consolidated subsidiaries: 46

(Changes in presentation methods)

(Changes according to application of Accounting Standard for Business Combinations, etc.)

In application of the provisions of Paragraph 39 of the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22; September 13, 2013), the presentation method of net income, etc. has been changed and the presentation of minority interests has been changed to non-controlling interests. The consolidated financial statements for the previous consolidated fiscal year have been reclassified to reflect these changes in presentation.

(Additional information)

(Revision of amounts of deferred tax assets and deferred tax liabilities due to changes in corporate tax rate, etc.)

The Act for Partial Revision of the Income Tax Act, etc. (Act No. 15 of 2016) and the Act for Partial Revision of the Local Tax Act, etc. (Act No. 13 of 2016) were passed in the Diet on March 29, 2016.

As a result, the corporate tax rate, etc. will be lowered beginning with the consolidated fiscal years beginning on or after April 1, 2016. Accordingly, the effective statutory tax rates used to measure deferred tax assets and deferred tax liabilities will be changed from 32.26% that was used in calculations for the previous consolidated fiscal year to 30.86% for temporary differences expected to be eliminated in the fiscal years beginning on or after January 1, 2017. Additionally, the effective statutory tax rate used to measure deferred tax assets and deferred tax liabilities will be changed to 30.62% for temporary differences expected to be eliminated in the fiscal years beginning on or after January 1, 2018.

The impact of these changes on the consolidated financial statements is immaterial.

(Guidance on Recoverability of Deferred Tax Assets)

The "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) is made applicable to the consolidated financial statements at the end of fiscal year under review, and effective from the fiscal year under review, the Company has applied the said guidance.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

(Consolidated balance sheet)

* Accumulated depreciation of property, plant and equipment

(Millions of Yen)

Fiscal Year Ended December 31, 2015 (as of December 31, 2015)		Fiscal Year Ended December 31, 2016 (as of December 31, 2016)	
Accumulated depreciation of property, plant and equipment	221,646	Accumulated depreciation of property, plant and equipment	226,796

(Consolidated statement of income)

*1 The main expense items and amounts of selling, general and administrative expenses are as follows.

(Millions of Yen)

Fiscal Year Ended December 31, 2015 (January 1, 2015 – December 31, 2015)		Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)	
Freight-out expenses	38,646		37,782
Promotion expenses	119,598		124,127
Advertising expenses	21,082		20,913
Employees' salaries and bonuses	21,803		21,700
Provision for bonuses	1,836		1,921
Retirement benefit expenses	1,978		2,674
Depreciation	3,231		3,184

*2 Research and development expenses included in general and administrative expenses are as follows.

(Millions of Yen)

Fiscal Year Ended December 31, 2015 (January 1, 2015 – December 31, 2015)		Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)	
	5,993		6,070

*3 Impairment loss

The Group posted impairment losses on the asset groups below for the fiscal year under review.

Use	Type	Location	Impairment loss (Millions of Yen)
Idle assets	Machinery, equipment and vehicles, etc.	People's Republic of China	1,355

The Group's business assets are grouped by the business department based on the assessed profits and losses on managerial accounting, and the Group's rental assets and idle assets are grouped by each asset. During the current consolidated fiscal year, idle assets not expected to be used in the future due to changes in the business structure were reduced from their carrying amount to the recoverable amount, and this reduction was recorded as an impairment loss (¥1,355 million) under extraordinary losses. Note that while the recoverable amount of these asset groups is measured based on value in use, the value in use is zero as no future cash flows are expected.

(Segment information, etc.)

[Segment Information]

1. Outline of reporting segments

(1) How to decide reporting segments

The Company's reporting segments shall be part of its organizational units whose financial information is individually available, and shall be subject to regular review by its Board of Directors for the purpose of deciding the allocation of its managerial resources and evaluating its business performance.

The Company is composed of three businesses, namely the personal care business, the pet care business and other businesses, as its basic units, and has been engaged in its business activities by comprehensively developing domestic and overseas strategies by business unit.

Therefore, the "personal care business," the "pet care business," and "other businesses" constitute the Company's reporting segments.

(2) Type of products and services for each reporting segment

The Company has manufactured and sold baby care products, feminine care products, health care products, and clean-and-fresh products in the "personal care business." In the "pet care business," the Company has manufactured and sold pet food products and pet toiletry products. In "other businesses," the Company has manufactured and sold business-use products, etc.

2. Methods of calculating the amount of sales, profits/losses, assets, liabilities, and other items by reporting segment

Accounting methods for reporting segments are nearly the same as those of "material matters affecting the preparation of consolidated financial statements" in the most recent securities report (Securities Report, filed March 31, 2016).

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

3. Information concerning the amount of sales, profits/losses, assets, liabilities and other items by reporting segment

Fiscal year ended December 31, 2015 (January 1, 2015 – December 31, 2015)

(Millions of Yen)

	Reporting segment				Elimination or company-wide	Consolidation
	Personal care	Pet care	Other	Total		
Sales						
Sales to external customers	647,573	85,624	5,508	738,707	–	738,707
Internal sales or transfers across segments	–	–	23	23	(23)	–
Total	647,573	85,624	5,531	738,730	(23)	738,707
Segment income (Operating income)	76,254	3,329	330	79,914	20	79,934
Segment assets	586,249	68,739	4,637	659,625	42,975	702,601
Others						
Depreciation	24,279	2,972	92	27,343	–	27,343
Amortization of goodwill	1,864	2,775	–	4,640	–	4,640
Increase in property, plant and equipment and intangible assets	46,273	1,514	205	47,993	–	47,993

Fiscal year ended December 31, 2016 (January 1, 2016 – December 31, 2016)

(Millions of Yen)

	Reporting segment				Elimination or company-wide	Consolidation
	Personal care	Pet care	Other	Total		
Sales						
Sales to external customers	619,047	85,756	6,161	710,965	–	710,965
Internal sales or transfers across segments	–	–	35	35	(35)	–
Total	619,047	85,756	6,196	711,000	(35)	710,965
Segment income (Operating income)	72,514	5,347	414	78,277	–	78,277
Segment assets	593,115	63,628	4,948	661,692	49,848	711,541
Others						
Depreciation	23,887	2,763	99	26,750	–	26,750
Amortization of goodwill	1,743	2,775	–	4,519	–	4,519
Impairment loss	1,355	–	–	1,355	–	1,355
Increase in property, plant and equipment and intangible assets	37,217	1,938	280	39,436	–	39,436

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

(Per-share information)

(Yen)

Fiscal Year Ended December 31, 2015 (January 1, 2015 – December 31, 2015)	Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)
Net assets per share 649.98	Net assets per share 655.50
Earnings per share 67.55	Earnings per share 74.29
Earnings per share–diluted 66.51	Earnings per share–diluted 70.64

(Note 1) The calculation basis for earnings per share and earnings per share-diluted is as follows:

	Fiscal Year Ended December 31, 2015 (January 1, 2015 – December 31, 2015)	Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)
Earnings per share–basic:		
Profit attributable to owners of parent (Millions of Yen)	40,511	44,134
Amount not attributable to common shareholders (Millions of Yen)	–	–
Profit attributable to owners of parent relevant to common shares (Millions of Yen)	40,511	44,134
Average number of common shares during period (Thousands of shares)	599,691	594,109
Earnings per share–diluted		
Adjustment for profit attributable to owners of parent (Millions of Yen)	(211)	(677)
(Of which interest income)	(211)	(677)
Increase in the number of common shares (Thousands of shares)	6,279	21,034
(Of which the number of convertible bond-type bonds with subscription rights to shares)	5,572	20,755
(Of which the number of subscription rights to shares)	706	279
Outline of potential stock which, due to the absence of any dilutive effect, was not included in the computation of the amount of earnings per share after adjustment for residual income	Resolution on stock options passed at the Ordinary General Meeting of Shareholders on March 27, 2015 Subscription rights to shares: 32,025 Common shares: 3,202,500	Resolution on stock options passed at the Ordinary General Meeting of Shareholders on March 27, 2015 Subscription rights to shares: 31,224 Common shares: 3,122,400

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

(Note 2) Calculation basis for net assets per share is as follows:

	Fiscal year ended December 31, 2015 (as of December 31, 2015)	Fiscal year ended December 31, 2016 (as of December 31, 2016)
Total of net assets reported in the consolidated balance sheet (Millions of Yen)	451,091	449,974
Main items of the difference (Millions of Yen)		
Of which subscription rights to shares	276	345
Of which non-controlling interests	63,619	62,325
Net assets relevant to common shares (Millions of Yen)	387,195	387,303
Number of common shares used to calculate net asset per share (Thousands of shares)	595,702	590,851

(Significant subsequent events)

(Purchase of treasury shares)

At the meeting of the Board of Directors of the Company held on February 15, 2017, the Company resolved to purchase treasury shares under the provision of the Company's Articles of Incorporation based upon Article 459 (I) (i) of the Companies Act as follows.

(1) Reason for conducting purchase of treasury shares

To deliver even more returns to shareholders and to enable a flexible capital policy in response to changes in the business environment.

(2) Details of the share acquisition

1. Type of shares to be acquired: Company's common shares
2. Total number of shares to be acquired: 8 million shares (upper limit)
(Ratio of total number of issued shares (excluding treasury shares): 1.35%)
3. Total share acquisition cost: 14 billion yen (upper limit)
4. Acquisition period: February 16, 2017 – June 30, 2017
5. Acquisition method: Purchase on the Tokyo Stock Exchange
(through discretionary investment by a securities company)