

Third Quarter of Fiscal Year Ending December 31, 2019 Financial Performance Unicharm Investor Meeting Presentation Materials

November 8, 2019
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Unicharm Corporation

Projections stated in these materials include those based on the Company's currently obtained assumptions, forecasts and plans regarding the future. Therefore, actual results may differ significantly from projections due to risks and uncertainties associated with market competition, foreign exchange rates, etc.

Financial Performance Summary: Third Quarter of Fiscal Year Ending December 31, 2019

◆ Document notations

- BC: Baby Care Business**
- FC: Feminine Care Business**
- HC: Health Care Business**
- C&F: Clean & Fresh Business**
- PC: Pet Care Business**

Third quarter of fiscal year ending December 31, 2019

Financial Results Summary



- **Consolidated results**
 - ✓ Sales of 524.7 billion JPY (5.3% increase), core operating income 68.4 billion JPY (9.8% decrease).
 - ✓ Core operating income (COPM) 15.2% ➔ 13.0% (13.8% excluding the impact of rising raw material prices)
- **Japan performance (1.5% sales decrease, 24.1% core operating income decrease)**
 - ✓ In 3Q(Jul-Sep), increasing profit 6%, gradually recovering.
 - ✓ Continuing high growth of products for light & moderate degree care in HC.
 - ✓ Increasing sales because of continuing release of premium products and market-creation products in PC.
 - ✓ Improving profit in 3Q in spite of the impact of inventory adjustment of cross border EC and decreasing reseller in BC.
 - ✓ Decreasing profit due to the rising raw materials cost and logistics cost, start of operation for Kyushu factory and slow down of cross border EC.
 - ✓ In 4Q (Oct- Dec), launch new products on market and expecting recovery of cross border EC.
- **Overseas performance (10.0% sales increase, 7.6% core operating income increase)**
 - ✓ Asia; 11.6% sales increase, 5.1% profit increase. Core operating income (COPM) 12.6%
 - ✓ Main countries: In China, Indonesia, India and Middle East continue to perform well to drive revenue growth.
 - ✓ China: FC is continuing favorable. BC business has steadily improved and driven the growth of Asia revenue and profit.
 - ✓ India: Continuing high growth by aggressive marketing investing to BC and FC in advance.
- **Shareholder Return**
 - ✓ Dividends: Interim dividend increased by 2 yen to 14 yen as planned. Year-end dividend is scheduled as 14 yen.
 - ✓ Acquisition of own shares: 15 billion JPY, approx. 4.24 million shares acquired as of end of June, against maximum of 15 billion JPY, 5 million shares.

5.3% sales increase, 9.8% core operating income decrease New record high for net sales.



■ Consolidated account highlights

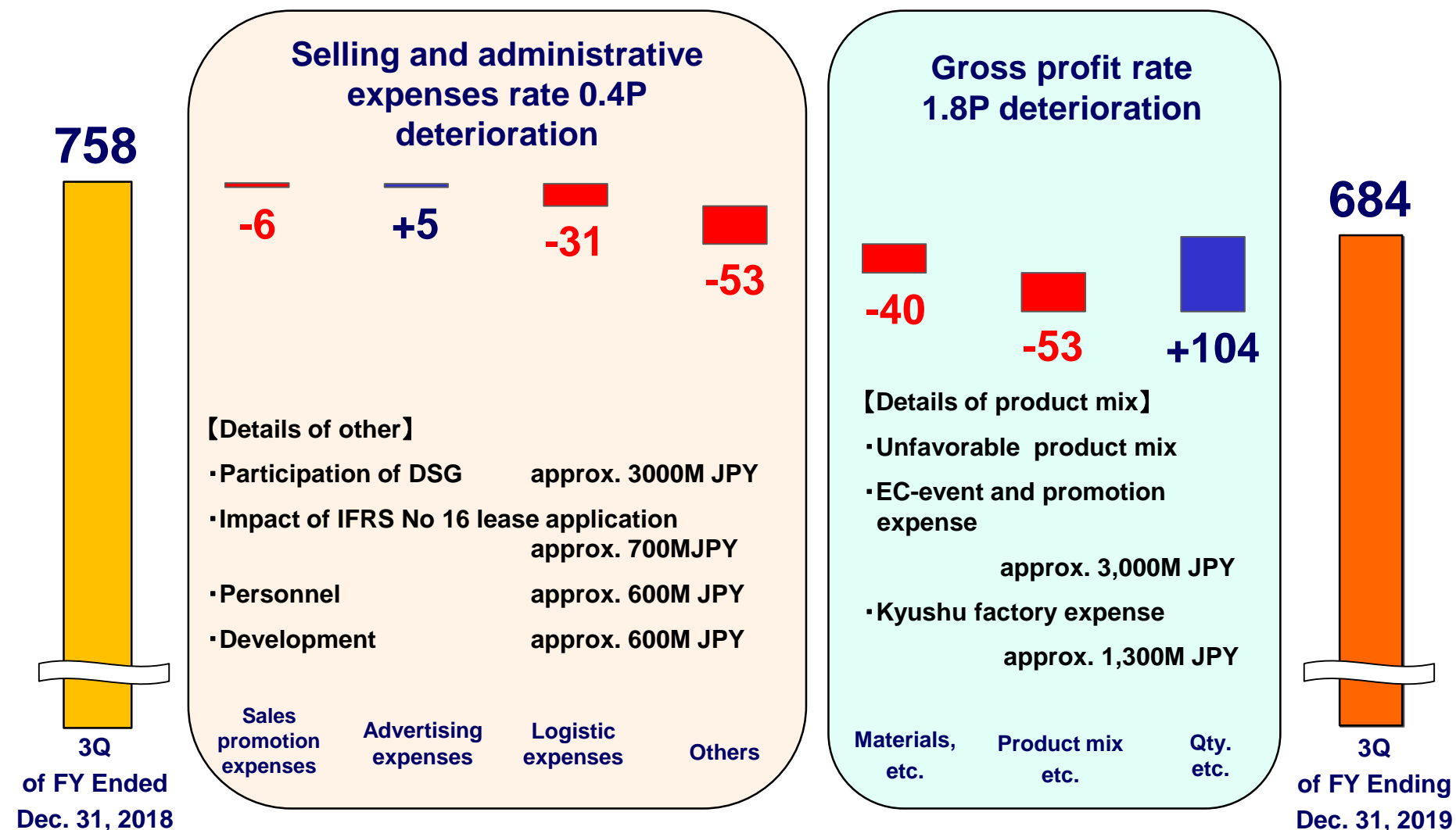
(Millions of yen)

	3Q of FY Ended Dec. 31, 2018	3Q of FY Ending Dec. 31, 2019	Difference	Difference (%)	(Forecast) FY Ending Dec. 31, 2019	Achievement Rate
Net sales	498,115	524,741	+26,626	+5.3%	730,000	71.9%
Core operating income (Core operating income margin)	75,808 (15.2%)	68,360 (13.0%)	-7,448	-9.8% (-2.2P)	100,000 (13.7%)	68.4%
Profit before tax (margin)	73,905 (14.8%)	67,597 (12.9%)	-6,308	-8.5% (-1.9P)	96,500 (13.2%)	70.0%
Profit attributable to owners of parent (margin)	47,086 (9.5%)	45,496 (8.7%)	-1,590	-3.4% (-0.8P)	63,500 (8.7%)	71.6%
EBITDA (Profit before tax + Depreciation and amortization)	96,003	96,594	+591	+0.6%	128,500	75.2%
Basic earnings per share (JPY)	79.85	76.49	-3.36	-4.2%	106.91	—
USD Rate (JPY)	109.61	109.15	-0.46	-0.4%	109.50	—
CNY Rate (JPY)	16.85	15.90	-0.95	-5.6%	15.90	—

7.4 billion JPY decrease in income in cumulative three quarters. However, due to improvement toward effects of raw material prices and cross-border EC, period profit of 3Q (July to September) increased YOY.

■ Core operating income fluctuation

(100 millions of yen)



For Asia, China drove increase in sales and profits, India sustained rapid growth. For Japan, strong performance in cross-border EC from July to September compressed the decrease in sales. For others, Middle East, Brazil, U.S.A. are continuing strong performances.

■ Geographical segment information

(Millions of yen)

		3Q of FY Ended Dec 31, 2018	3Q of FY Ending Dec 31, 2019	Difference	Difference (%)	(Ref.) Actual difference
Japan	Net sales	200,430	197,399	-3,031	-1.5%	—
	Core operating income	41,944	31,844	-10,100	-24.1%	—
	(margin)	(20.9%)	(16.1%)		(-4.8P)	—
Asia	Net sales	219,910	245,495	+25,585	+11.6%	+15.1%
	Core operating income	29,530	31,029	+1,499	+5.1%	+8.2%
	(margin)	(13.4%)	(12.6%)		(-0.8P)	—
Others ^{*2}	Net sales	77,775	81,847	+4,072	+5.2%	+7.6%
	Core operating income	4,090	5,157	+1,067	+26.1%	+25.8%
	(margin)	(5.3%)	(6.3%)		(+1.0P)	—
Reconciling items, etc.	Net sales	—	—	—	—	—
	Core operating income	244	330	+86	+35.2%	—
	(margin)	—	—		—	—
Consolidated	Net sales	498,115	524,741	+26,626	+5.3%	+7.2%
	Core operating income	75,808	68,360	-7,448	-9.8%	-8.6%
	(margin)	(15.2%)	(13.0%)		(-2.2P)	—

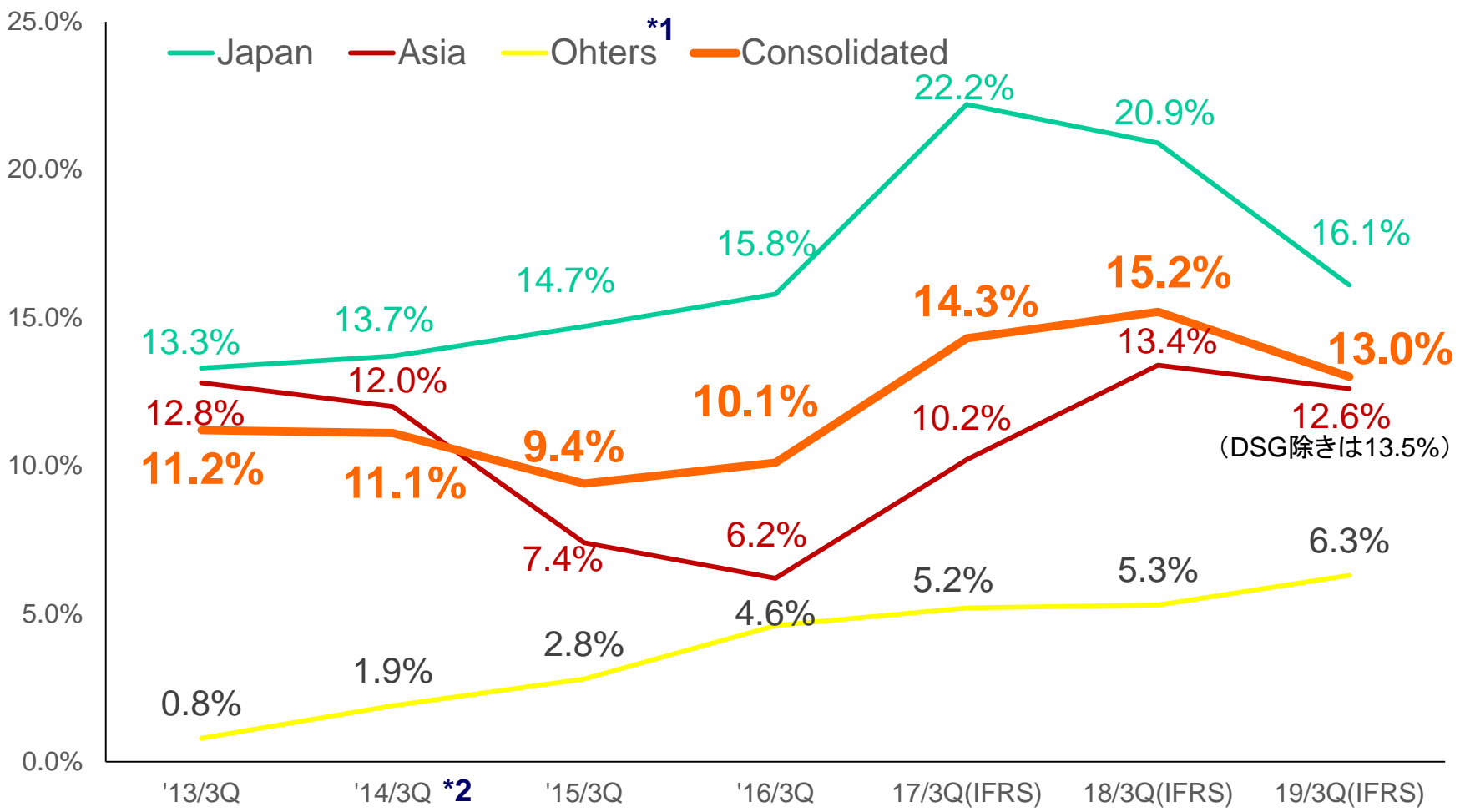
*1 : Actual difference rate except exchange effects.

*2 : Others: Main regions are U.S.A., Saudi Arabia, Brazil, the Netherlands

In 3Q(July to September), the profitability improved worldwide. In Japan, the profitability of cross-border EC improve moderately. In Asia, expanding areas and promoting high added value. It reflects profit after 2Q



■ Core operating income margin by geographical segment(from Jan. to Sep.)



*1 : Others: Main regions are U.S.A., Saudi Arabia, Brazil, the Netherlands

*2 : Irregular results due to change in settlement period

In personal care, FC and HC are favorable. However, slowing down cross-border EC growth and rising raw material price impact profit in spite of growing sales. In pet care, due to good performance in Japan, North America and Asia, increased in sales and income.



■ Business Segment Information

(Millions of yen)

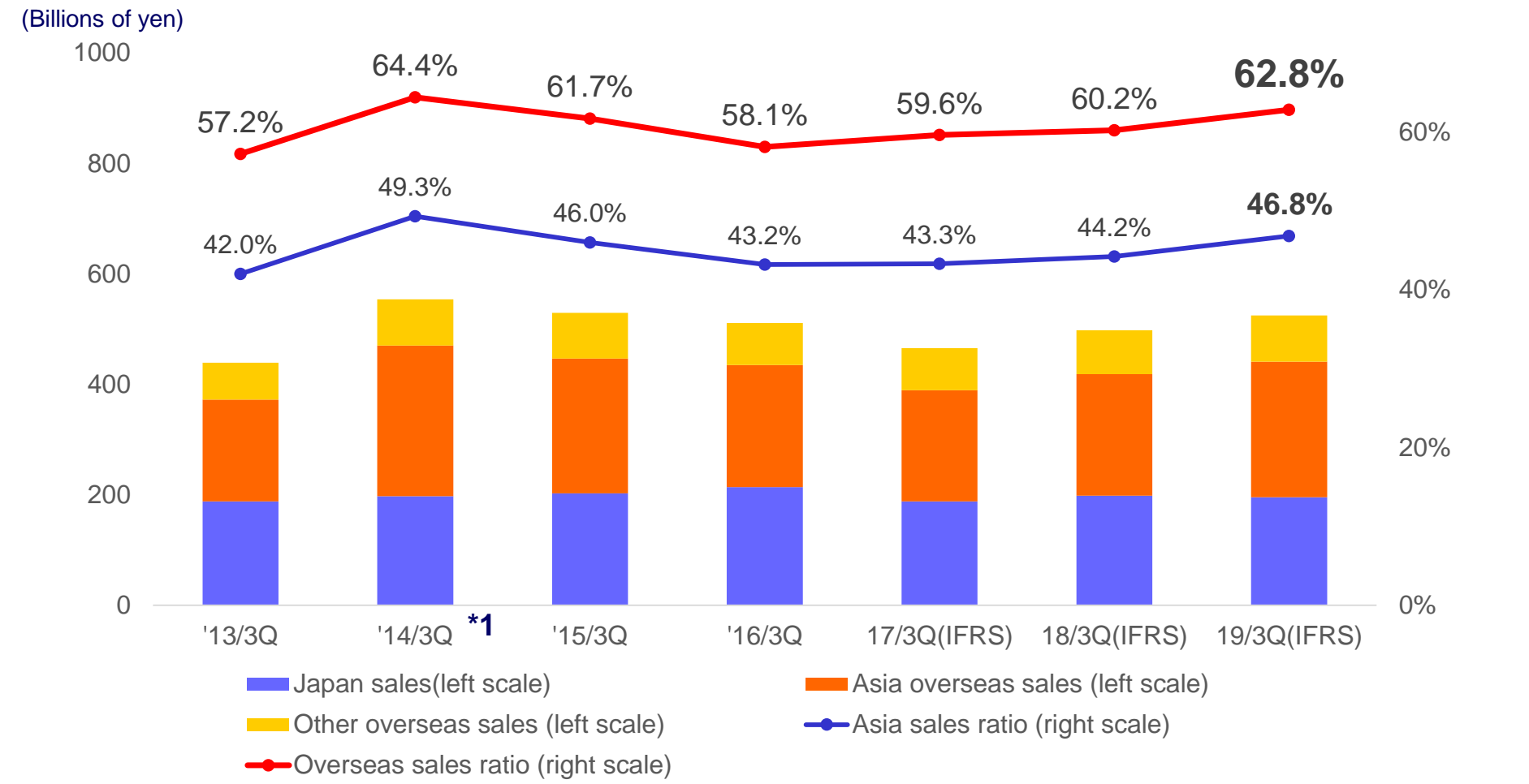
		3Q of FY Ended Dec. 31, 2018	3Q of FY Ending Dec. 31, 2019	Difference	Difference (%)
Personal Care	Net sales	434,760	457,298	+22,538	+5.2%
	Core operating income	68,791	60,687	-8,104	-11.8%
	(margin)	(15.8%)	(13.3%)		(-2.5P)
Pet Care	Net sales	58,251	62,703	+4,452	+7.6%
	Core operating income	6,950	7,576	+626	+9.0%
	(margin)	(11.9%)	(12.1%)		(+0.2P)
Others ^{*1}	Net sales	5,126	4,768	-358	-7.0%
	Core operating income	67	97	+30	+44.8%
	(margin)	(1.3%)	(2.0%)		(+0.7P)
Reconciling items, etc.	Net sales	-23	-28	-5	—
	Core operating income	0	0	0	—
	(margin)	—	—	—	—
Consolidated	Net sales	498,115	524,741	+26,626	+5.3%
	Core operating income	75,808	68,360	-7,448	-9.8%
	(margin)	(15.2%)	(13.0%)		(-2.2P)

*1 : Other products related to industrial materials, etc., child raising video streaming service.

Overseas sales composition ratio 62.8% (63.4% excluding foreign exchange impacts)



Domestic, overseas sales ratio (Jan to Sep)



*1: Irregular fiscal year due to settle settlement period changes.

Impacts of foreign exchange fluctuations. Approx. 9.4 billion JPY decrease in sales. Approx. 900 million JPY decrease in core operating income



■ Rate fluctuations by currency

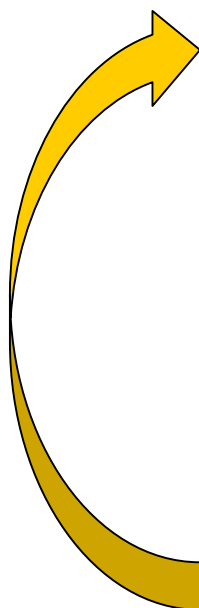
Currency	Exchange rate Jan-Sep 2018	Exchange rate Jan-Sep 2019	Change in rate
China (CNY)	16.85	15.90	-5.6%
Indonesia (IDR)	0.0078	0.0077	-1.3%
Thailand (THB)	3.41	3.49	+2.3%
India (INR)	1.65	1.57	-4.8%
Saudi Arabia (SAR)	29.27	29.14	-0.4%
Vietnam (VND)	0.0048	0.0047	-2.1%
USA (USD)	109.61	109.15	-0.4%
Netherlands (EUR)	130.97	122.66	-6.3%
Taiwan (TWD)	3.67	3.52	-4.1%
South Korea (KRW)	0.1006	0.0941	-6.5%
Australia (AUD)	83.11	76.35	-8.1%
Malaysia (MYR)	27.50	26.40	-4.0%
Brazil(BRL)	30.64	28.12	-8.2%
Egypt (EGP)	6.17	6.40	+3.7%
Russia (RUB)	1.79	1.68	-6.1%

Promote to expand businesses by aggressive investing activities and improve corporate value continually from maximizing free cash flow sustainability.

■ Free cash flow

(Millions of yen)

	3Q of FY Ended Dec. 31, 2018	3Q of FY Ending Dec. 31, 2019	Difference
Cash flow from operating activities	79,564	57,669	-21,895
Investment-related subjects in operating activities (Depreciation and amortization)	22,098	28,997	6,899
Cash flows from investing activities	-100,616	-42,121	58,495
Investment-related subjects in investing activities (Acquisition of property, plant and equipment and intangible assets)	-35,699	-36,109	-410
Free cash flow *1	-21,052	15,548	36,600



Action

Investment for sustainable growth

Shareholder return

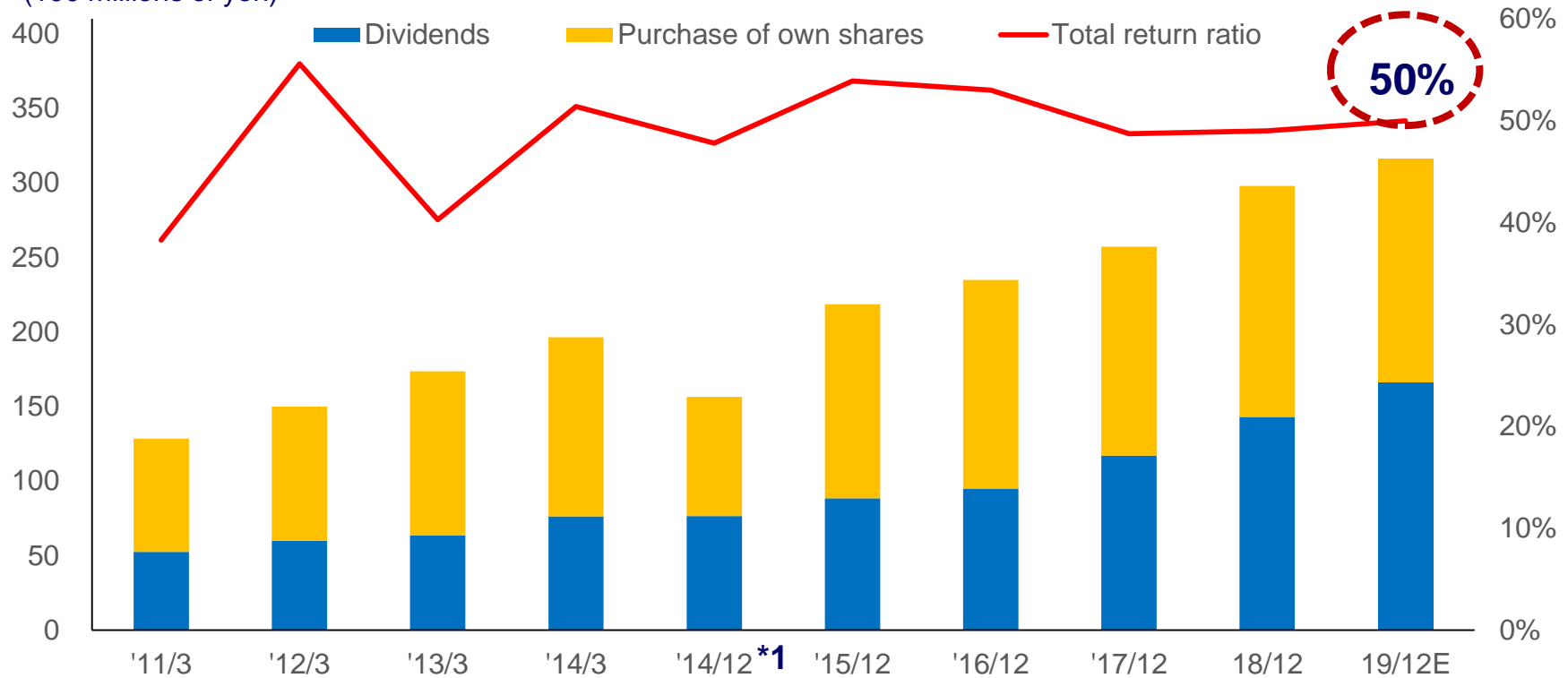
*1: Free cash flow = Cash flow from operating activities + Cash flows from investing activities

Shareholder Return Policy

Through dividend and acquisition of own shares linked to business performance, aiming for total return ratio of 50% in 2019.

■ Shareholder return policy

(100 millions of yen)



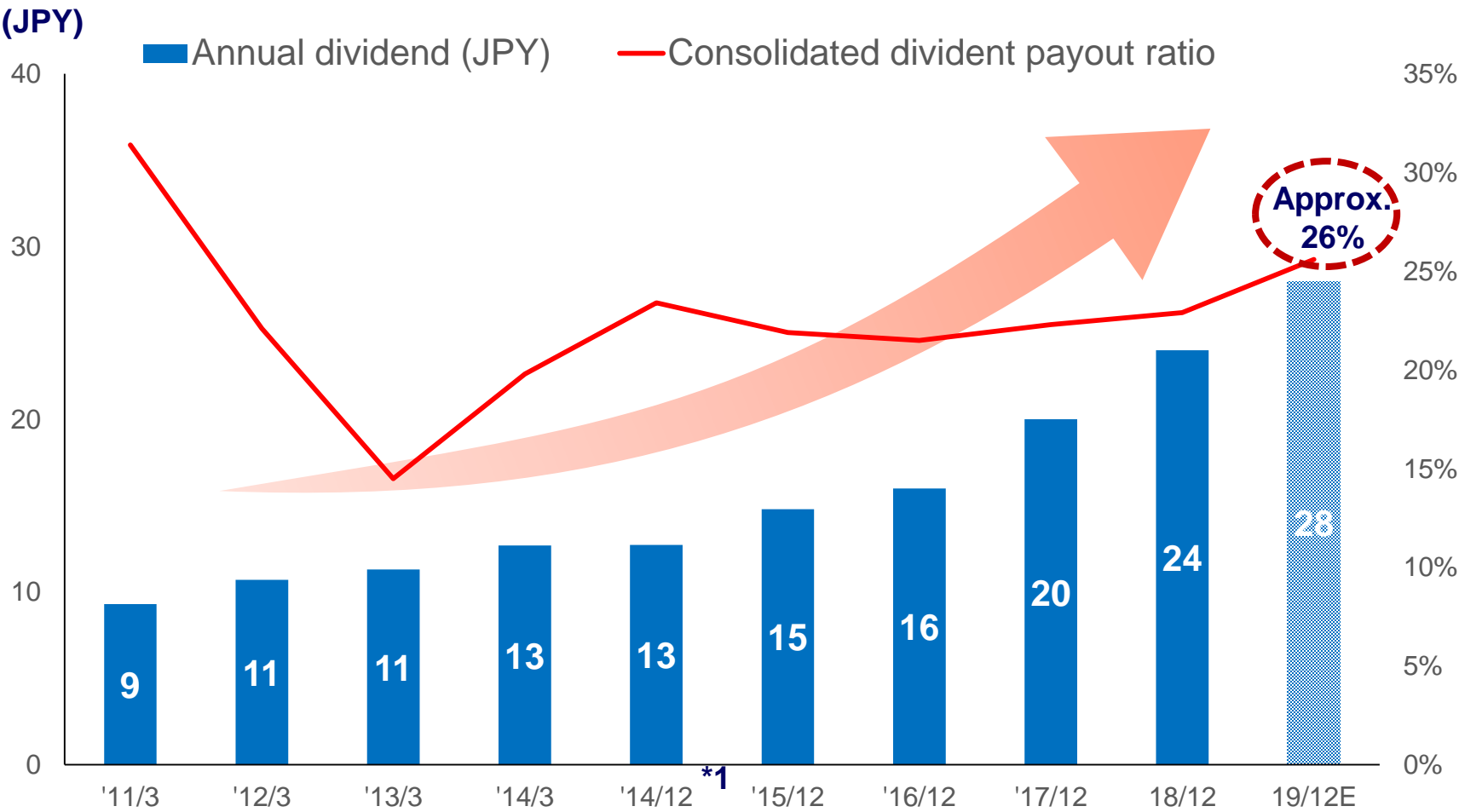
*1: Irregular fiscal year lasting nine months.

By prioritizing business investment in order to achieve continuous growth while paying out stable and continuous dividends based on the growth of mid-to-long term earnings, and carrying out the swift purchasing of our own shares if necessary, we plan on a profit return with a goal of **total return ratio of 50%** in addition to shareholder dividends and purchase of own shares.

Implemented steady and continuous dividend payments, on track for 18 consecutive periods of increased dividends. Raised dividend payout ratio.



■ Dividends per share

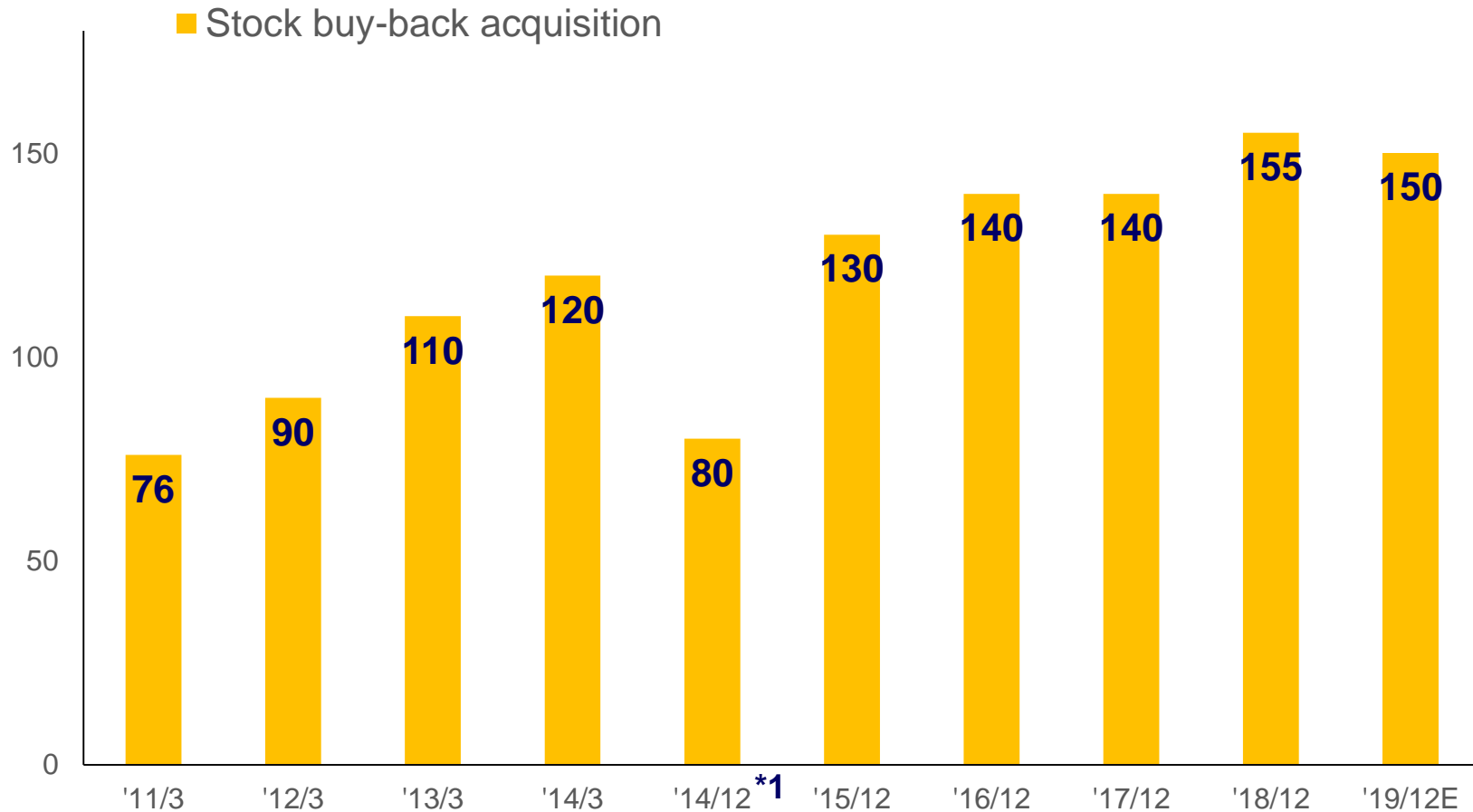


*1: Irregular fiscal year lasting nine months.

Swiftly acquire stocks through buy-back based on cash conditions. Acquired approx. 15 billion JPY in FY19

■ Stock buy-back acquisition graph

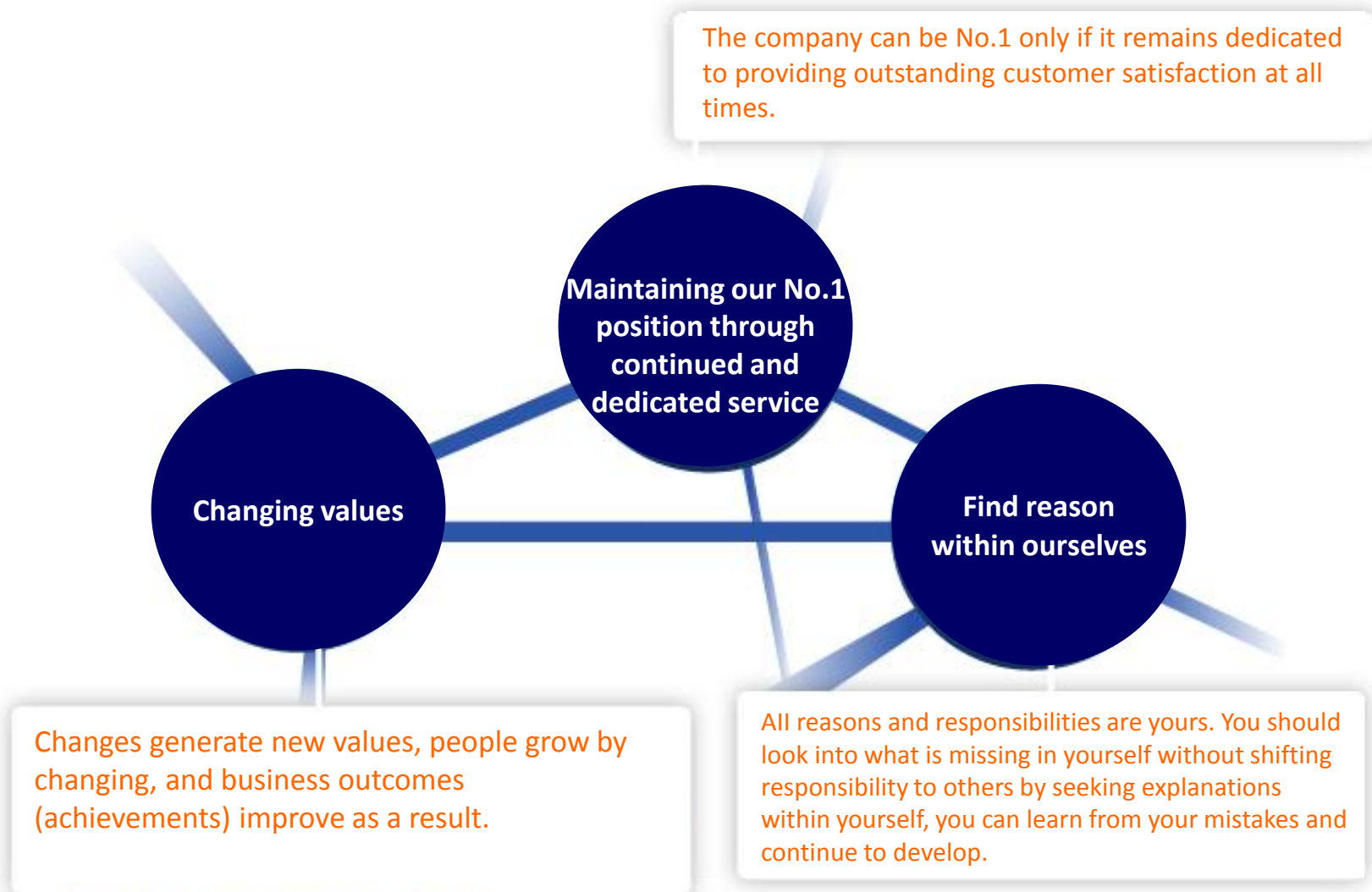
(100 millions of yen)



*1: Irregular fiscal year lasting nine months.

Improvement of Corporate Value

【DNA】 Unicharm corporate culture



Best
Practice-ship

**We learn the best
practice worldwide and
adopt the best one at
that time with speed.**






Ownership

**Taking everything as
one's own work and
breaking through
hardships spontaneously
by taking the initiative.**

Partnership

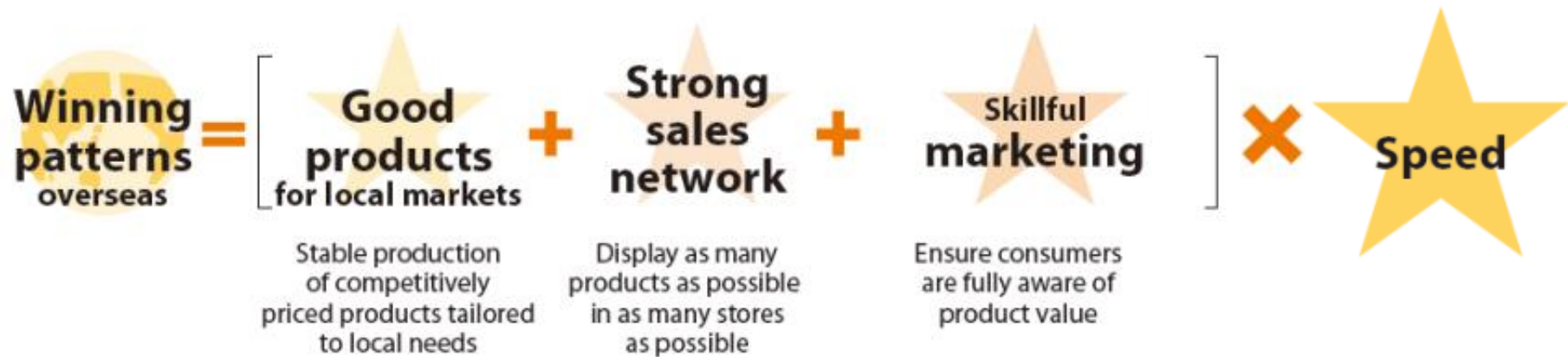
**Without any selflessness
and
always respecting
the collaboration
between colleagues,
family, and clients**

Long-term revenue model that targets a wide range customers for business development

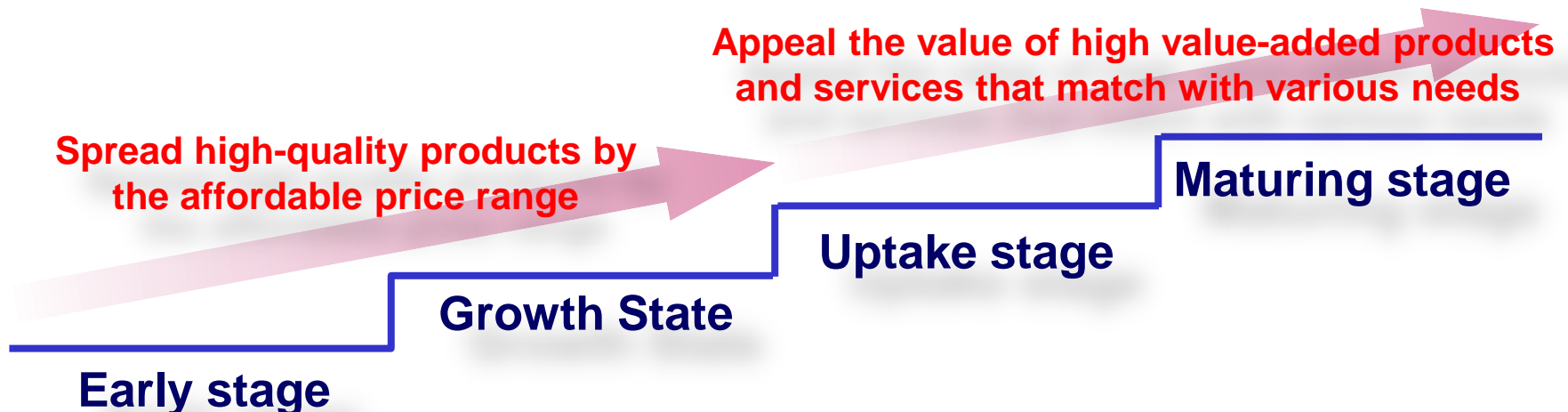
	 Infants	 Young Adults	 Middle-aged	 Elderly	 Pets
Personal Care Business					
Baby Care	●				
Feminine Care		●	●		
Clean & Fresh	●	●	●	●	
Health Care			●	●	
Pet Care Business					●

Strength of support sustainable growth

◆ Evolution of our "winning patterns"

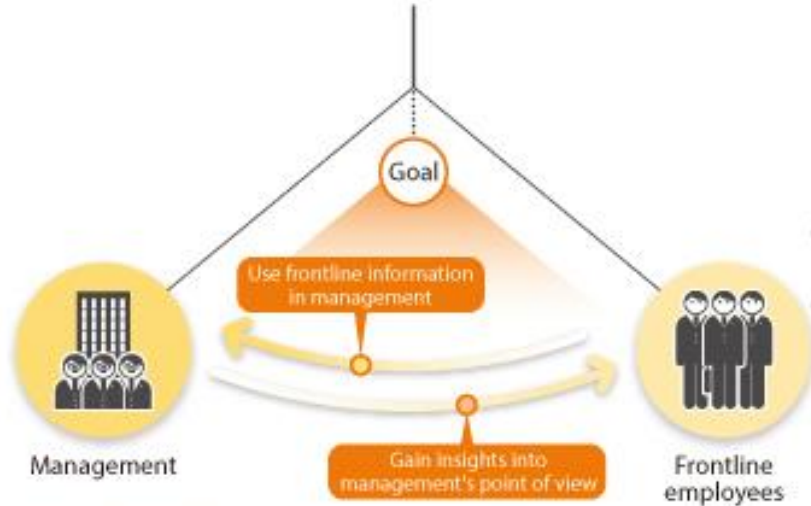


◆ Expand market by strategy according to the each stage of each country and business



Structure of support to sustainable growth

◆ Management with Resonance

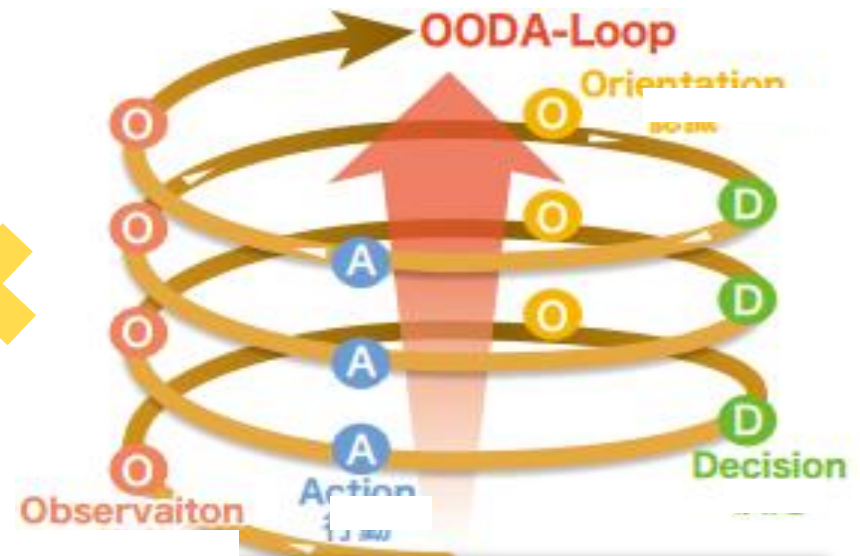


Frontline employees and management share information to ensure they are working toward the same goals



All employees continue to make changes by demonstrating 【 BOP-ship 】

◆ OODA-Loop method



【An environment where change has become normal (new normal)】

Observation: Observe the situation by five senses

Orientation: Orient by obtaining information and past experience and knowledge.

Decision: Decide what needs to be done by thought-out options

Action: Action promptly (repeat loop)

1. **B**est Practice-ship 2. **O**wnership 3. **P**artnership

Approach to realize a “Cohesive Society”

Through our initiatives to achieve Unicharm's envisioned "Cohesive Society", resolve important issues and achieve sustainable growth

【Unicharm's Key Challenges】

1. Lengthening Healthy Life Expectancy

2. Supporting Women's Independence and Improving Hygiene

3. Contribution to Global Environments

4. Contributing to the Community・Human respect

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



Initiatives to address important issues

- E** Reducing environmental impact
Cut waste in manufacturing
- BC** Realizing improvement of the child-rearing life
- C&F** Creating a comfortable environment such as "healthy beauty and cleanliness"

- S** Co-creation symbiosis with regional society
Supply chain management
- FC** Scientifically studying women's comfort and creating freedom
- PC** Providing pets with a healthy, clean and comfortable life

- G** OODA-Loop・Management with resonance
Compliance・Quality management
- HC** Pursuing quality of life

Unicharm's Vision for Society

All people can be always brightening through their independence and mutual support



Realize a cohesive society

【Corporate Policy】
NOLA & DOLA

Necessity of Life with Activities & Dreams of Life with Activities



Lengthening Healthy Life Expectancy



◆Supporting healthy life expectancy with “Lifree”

- Contributing to lengthening healthy life expectancy with Lifree “Social Walking”*

* A neologism formed by combining societal participation and walking, this is a walking program implemented to prevent dementia through interaction and having fun with people, and making it easier for seniors to walk. (Formulized under the super vision of the Tokyo Metropolitan Institute of Gerontology, a local incorporated administrative agency)



“Social Walking” participants

1,572 in total

- Start collaboration with Lion Corporation with a nursing care product “Rakutasu Care”



◆Supporting rescued dogs and cats

- Support "Panel for Life" project led by Christel vie Ensemble Foundation to support rescued dogs and cats



Christel
Vie Ensemble



◆Continuing participation in "Pink Ribbon activities" Japan and abroad

- Cheer the importance of early detection and early detection of breast cancer screening in "Pink Ribbon activities" for 12 consecutive years since 2008



◆Products' development for the realization of a Cohesive Society for pets

- Creating life more comfortable for aging pets which need caregiving and providing happiness until the end of their lives





Supporting Women's Independence and Improving Hygiene



◆ Effort to eliminate

“I can't go to school because I am menstruating”

- Expansion of first menstruation educational programs in India, Indonesia, and Myanmar
- Lecture on first menstruation educational programs for developing countries' relevant parties



First menstruation educational programs in India



"School health training" for developing countries relevant parties



Menarche educational material developed for Myanmar

◆ Job Support at a Women-Only Factory in Saudi Arabia

- Further expanding a friendly working environment
- ✓ Providing nurseries and rest areas to fulfill children's needs
- ✓ Female employees assigned as a leader position and improving factory operations
- ✓ Started activity for sales promotion by women's salesperson



◆ Support for low-birth-weight baby

- Support to baby, family and medical organization for low-birth-weight baby (low-birth-weight baby: under 2,500g). It won “consumer-oriented activities” award.
- Released the world's smallest diaper “moony flat type” which is for babies under 1,000g.

※ Unicharm survey as of March 2019



◆ Launch SOFY “#NoBagForMe” Project

- Launch the project with aim of achieving the society in which people can feel free to talk about menstruation and feminine care products without hiding them.

#NO Bag For Me



Supporting Women's Independence and Improving Hygiene



◆ Efforts to lighten the burden of double-income households and nursery school teachers

- Launched baby diaper subscription service (flat rate billing) at nurseries where parents normally bring diapers with them

moony





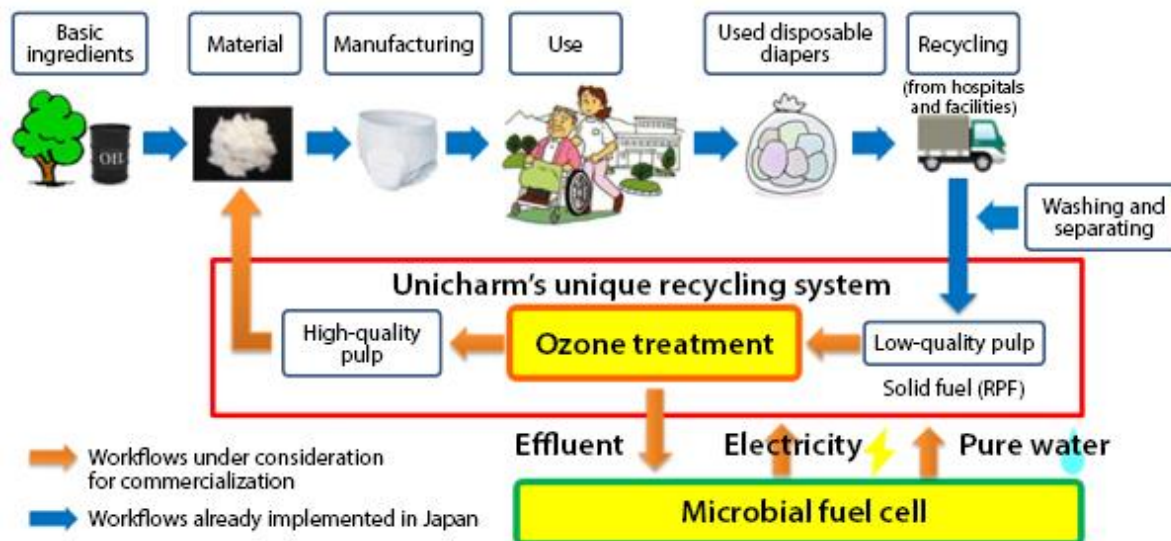
Contribution to Global Environment



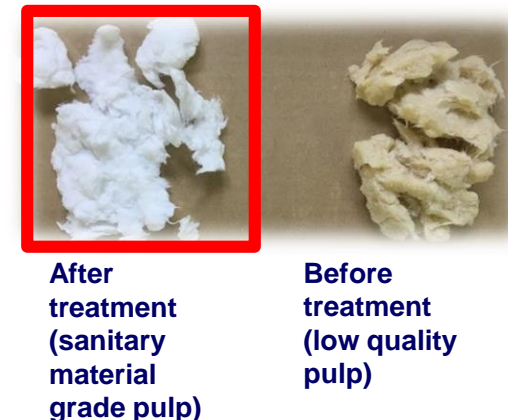
◆ Unicharm aimed diaper recycling model

- Realization of a system to recycle pulp to the same level as unused materials while keeping processing costs at the same level as incineration by improving processing efficiency.
- ✓ Recycled to the same level of sanitation and safety as virgin pulp by washing and segregating used disposable diapers by removing bacteria of feces with original ozone treatment .
- ✓ Realized operational efficiency and reducing drainage volume with reuse of treated water in washing and segregating.
- ✓ Developed power generation by depurating regenerative concentrated drainage with Hiroshima university.. We obtained dominant patent of microbial fuel cell in 2017.

■ Unicharm's recycling-oriented model for disposable diapers



【Pulp of ozone processing 】





Contribution to Global Environment



◆Activity for commercializing “recycle technology for used disposable diapers”

- Establish “Opening Office for Recycle Business” in October 2019 and ESG Division in January 2020.
- Was successful in the manufacturing of disposable diapers by using recycled pulp and macromolecular polymer (SAP) as a materials.
- Manufacturing prototypes such as toilet paper, notepad and paper file.



※Survey by Unicharm



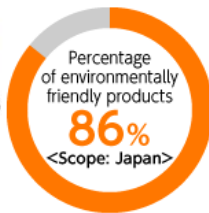
Contribution to Global Environment



◆ Efforts to reduce CO₂ emission through products

- Eco-charming products are defined as top products that further promotes adaptation to a sustainable society by further developing the concept of environmentally-friendly products with improved environmental performance. There were 158 products that cleared this criteria. (As of December 2018)

■ Framework of environmentally-friendly products



◆ Efforts to reduce waste in factories

- Realized zero landfill waste by commercializing waste generated in diaper manufacturing process
- Achieved zero landfill waste at the Thailand factory



◆ Efforts to reduce food waste in relation to fresh food

- "Fresh Master" prevents deterioration and discoloration by absorbing only excess fluids and letting air pass through. It contributes to decreasing food waste of processed meat (3 days) and fresh fish (6 days).



Beef discoloration test - after three days of storage (showing the underside of the meat)
(Left) Fresh Master (Right) Unicharm's meat paper product



Bluefin tuna that has been stored for six days
(Upper left and bottom left) Fresh Master (Upper right and bottom right) Unicharm's kitchen paper product

◆ Achieved 100% renewable energy at the Brazil factory

- As efforts to tackle climate change, use renewable energy and promote activities to reduce CO₂ emission





Contributing to the Community



◆Activities for “Support of Disaster-Affected Areas”

■ Continuing the Matching Fund* which combines Disaster-Affected Area Support and energy-saving initiatives

- ✓ A total of 17,321 people participated in Super Cool Biz / Warm Biz activities over 8 years
- ✓ Utilized as donations and supplies to Disaster-Affected Area



*Created for the “Support of Disaster-Affected Areas”. and “promotion of energy conservation”, original polo shirts, jackets, and goods are sold to employees. Through this system, we double the money collected and donate it to charity.

■ Provide supplies to flood victims in India

■ Provide supplies to “Heavy rains of July 2018” victims

■ Provide donation and supplies to victims against typhoon No. 15 and No.19, heavy rains in 2019.

◆Local Revitalization Support

■ Comprehensive Partnership Agreement with Kakegawa City, Shizuoka Prefecture in 7 fields such as disaster measures, child-raising support, health promotion, etc.

■ “Agreement Regarding Cooperation with Provision of Supplies in the Event of a Disaster” with Fukushima, Kagawa, Fukushima and Kumamoto.

■ Continuous support and interaction for Indonesian child care center.

■ Preparing sanitary information during disasters with entire family, “My Style Disaster prevention”

■ Sponsorship to “ITF Unicharm Trophy Ehime International Open”



Unicharm Indonesia visiting child care center



My style Disaster prevention
<http://www.unicharm.co.jp/csr-eco/mystylebosai/index.html>



Parties related and Unicharm Takahara

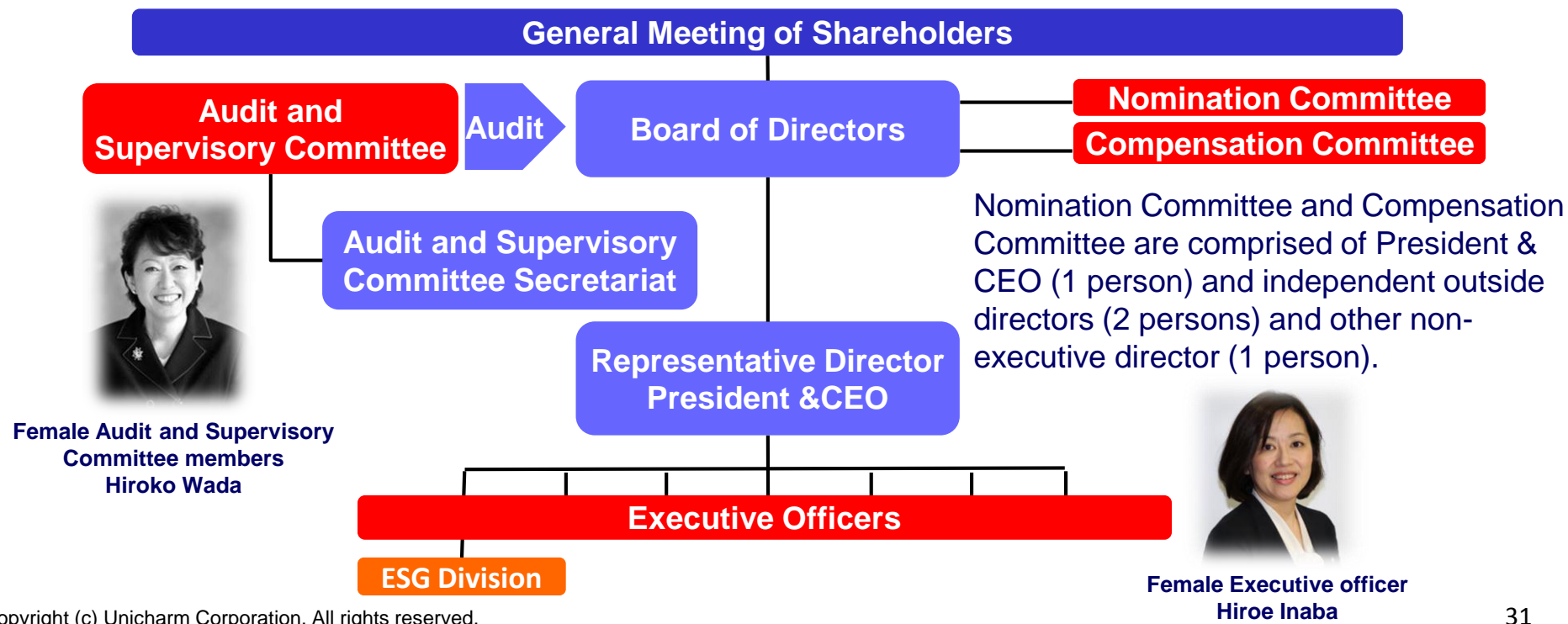


Strengthen the company's organization and ensure fair business practices



◆ Maintain governance and enhancement: Transparency · Objectivity · Fairness

- Chairman (Nomination Committee · Compensation Committee) changed from Representative Director President Executive Officer to Independent outside directors.
- Of the six directors, selected 2 people from Independent outside directors (including 1 woman). Enhancement for board of directors' decision making and improvement of Supervisory function.
- Establish ESG Division in January 2020.
- Participation “30% Club Japan” which is supporting women’s success.
- Agree “Male childcare leave 100%” which work-life-b.co is promoting to create the work place such as all employees being able to be brightening and worthwhile.



Activities of digital transformation (DX); corporate vision “Nola&Dola (dreams come true for consumers)”



◆Establishment “Kyo-sei” Social Lab

■ Discovery real value to obtain bio-information



◆“Adult diaper Navi” utilizing AI

- First in adult disposable diaper industry! Utilizing AI, advises selecting suitable diapers



◆Pick up the seeds of consumers' worries, provide resolvable information

- Child-rearing Video Media “Babily” in China
- App that supports child's going toilet independently “toilet training with moony”
- First management of menstruation “Easy with Sofy: Mother & Daughter!”



◆Aiming for smart factory with collaboration of human, knowledge and equipment

- Introduction of advanced AI technology. Automated to strengthen enhancement of safety and productivity, and to decrease burdens. Place importance on being gentle to environment and cohesiveness with local society



Evaluation from and cooperation with external agencies

Included in 3 ESG Investment Indices Selected by GPIF

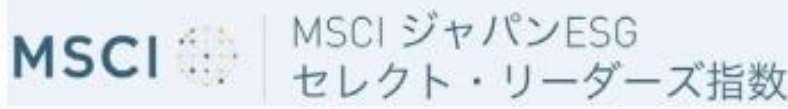
Integrated indices

Selected



FTSE Blossom
Japan

Rank up to A



Thematic indices

Selected



Selected



Other SRI indices

Selected



FTSE4Good



N/A

Evaluation from and cooperation with external agencies



■ Science Base Targets



- ✓ In June 2018, the company was certified as the 17th target setting company in Japan.
- ✓ Set the target of the reduce amount for CO2.

■ RSPO



- ✓ Started using certified palm oil (Mass Balance) in 2018 with the aim of procuring responsible palm oil

■ JCI (Japan Climate Initiative)



- ✓ Develop best practices for advanced groups as an initial member

■ CDP Japan 500



- ✓ Functioned PDCA cycle for forest resource management at a high level. Received a A- rating (There were only 4 companies in Japan that received a rating higher than A-).

■ FSC (Forest stewardship council)



- ✓ Use the pulp preferentially that pass the the strictest certification standards in forest certification.
- ✓ Agreed to the Vancouver Declaration to promote SDG's

Evaluation from and cooperation with external agencies

■ TCFD

(Task Force on Climate-related Financial Disclosure)



- ✓ Agree to “TCFD declaration” and join TCFD consortium



- ✓ Improve the plan based on Paris Agreement and special report of IPCC (Intergovernmental Panel on Climate Change) such as “1.5°C Global warming” , visualize the impact/effect and promote to reflect financial information.

Evaluation from and cooperation with external agencies

■ Sedex



- ✓ For UC Group Factories, registered 19 factories in Japan, principle countries in Asia, Saudi Arabia at Sedex, confirming effectiveness of conventional audit and thus contributed to social sustainability

■ White 500



- ✓ Recognized the efforts in work style reform, acknowledgement continued in 2019

■ Platinum Kurumin



- ✓ Earned the right to use the Platinum Kurumin logo mark as a company with excellent childhood support practices.

■ Male childcare leave 100%



- ✓ Support “Male childcare leave 100%” which work-life-balance company is promoting to create the work place where all employees are able to shine and having work that is rewarding.

■ Ecorailmark



- ✓ Promote modal shift from truck to ship or train
- ✓ Self declaration of “white logistics” promoting activity

■ Competitive IT strategy company



- ✓ Selected as a competitive IT strategy company

■ Awarded for excellence in the 7th Corporate Value Improvement Award



- ✓ Awarded as a listed company that realizes improving corporate value by engaging in management that recognize investors' perspectives including capital cost

■ 35th Corporate PR Award “Corporate PR management Award”



- ✓ Awarded for the demonstrating high performance of successful globalization continual since the funder.



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