

# **Fiscal Year Ended December 31, 2017**

## **Unicharm Presentation Materials for Investor Meeting**

February 16, 2018  
Takahisa Takahara  
President and CEO  
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: Fiscal Year Ended December 31, 2017**

## **◆ Document notations**

**BC: Baby Care Business**

**FC: Feminine Care Business**

**HC: Health Care Business**

**C&F: Clean & Fresh Business**

**PC: Pet Care Business**

# Fiscal Period Year Ended Dec. 31, 2017

## Financial Performance Summary



- **Consolidated results (New record high established)**
  - ✓ Sales of 641.6 billion JPY (6.1% increase), core operating profits 86.8 billion JPY (9.8% increase).
  - ✓ Achieved FY 2017 earnings forecast, and start the 10<sup>th</sup> Midterm Group Management Plan on a positive note.
- **Japan (4.9% sales increase, 13.0% core operating profit increase)**
  - ✓ HC: Development of added value products for light and medium incontinence products to drive the market and improve profitability.
  - ✓ BC: Exports such as cross-border EC in China increased and profitability continuously improved.
  - ✓ PC: Continuously introduced brand reinforcement, premium products, and market creation-type products to greatly improve profitability.
- **Overseas (7.0% sales increase, 5.4% core operating profit increase)**
  - ✓ Asia: 8.2% sales increase, 6.8% core operating profit increase. 8.7% core operating profit rate.
  - ✓ China: Development of FC products for younger market mainly in major cities improved favorably, driving China business. For BC, reinforcement of moony (imported disposable baby diapers) sales, and active implementation of marketing investment, etc. to create a transition from starter size diaper reinforcement to disposable baby diapers, and prepared a foundation of growth for FY 2018. Continuous rapid growth for sales channel EC.
  - ✓ Indonesia: Maintained overwhelming market share, improving profitability with product strength reinforcement, sales channel expansion, etc.
  - ✓ India: Rapid growth for both BC and FC, and businesses became profitable.
- **Shareholder return (16 consecutive periods of dividend increase, purchase of own shares)**
  - ✓ Purchase of own shares 14 billion JPY, 5,110,000 shares acquired
  - ✓ Year-end dividends: 2 yen increase from original forecast to 11 yen, yearly dividend 20 yen (4 yen increase).
  - ✓ While continuing dividend increases, raise dividend payout ratio.

# 6.1% sales increase, 9.8% core operating profit increase (both record highs)

## Sales and profit both reached earnings forecast

### ■ Consolidated account highlights

(Millions of yen)

	FY Ended Dec. 31, 2016 <sup>*1</sup>	FY Ended Dec. 31, 2017 <sup>*2</sup>	Difference	Difference (%)	(Forecast) FY Ended Dec. 31, 2017	Achievement Rate
Net sales	604,653	641,647	+36,994	+6.1%	630,000	101.8%
Core operating income (Core operating income margin)	79,116 (13.1%)	86,838 (13.5%)	+7,722	+9.8% (+0.4%P)	84,000 (13.3%)	103.4%
Profit before tax (margin)	75,835 (12.5%)	92,926 (14.5%)	+17,091	+22.5% (+2.0%P)	77,000 (12.2%)	120.7%
Profit attributable to owners of parent (margin)	46,971 (7.8%)	52,772 (8.2%)	+5,801	+12.3% (+0.4%P)	49,000 (7.8%)	107.7%
Basic earnings per share (JPY)	79.06	89.85	+10.79	+13.6%	—	—
USD Rate (JPY)	108.84	112.19	+3.35	+3.1%	110.00	—
CNY Rate (JPY)	16.37	16.63	+0.26	+1.6%	16.30	—

\*1 : Calculated based on IFRS.      \*2: Adoption of IFRS.

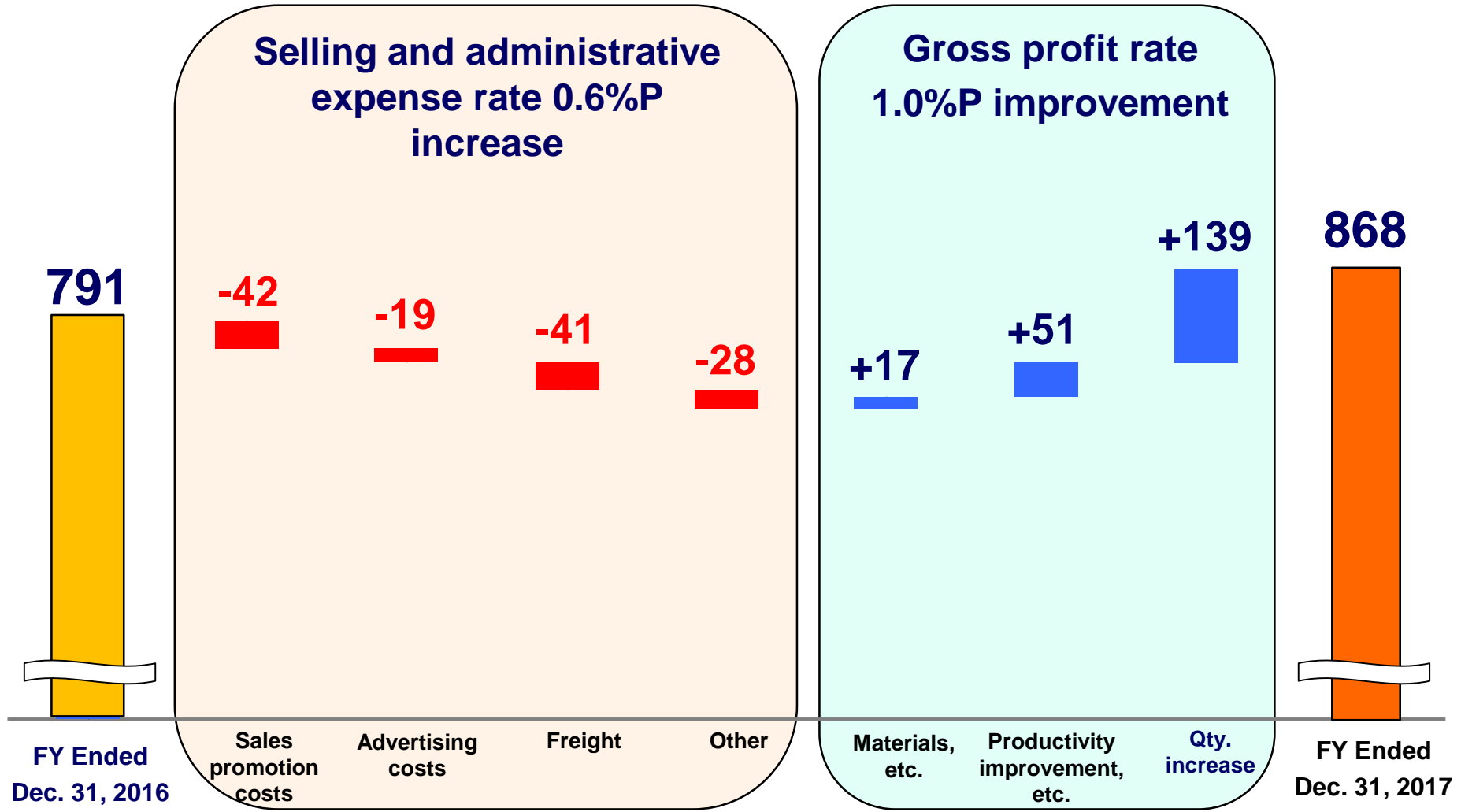
# Quantity sold increased due to effects of aggressive marketing investment



With positive effects of product mix improvement and raw material price fluctuation, etc., core operating profit increased by 7.7 billion yen

## ■ Core operating income fluctuation

(100 millions of yen)



# In Japan, BC, HC, PC drive performance

## In Asia, India became profitable and profitability improved mainly due to Indonesia

### ■ Geographical segment information

(Millions of yen)

		FY Ended <sup>*1</sup> Dec. 31, 2016	FY Ended <sup>*2</sup> Dec. 31, 2017	Difference	Difference (%)	(Ref.) <sup>*3</sup> Actual difference
Japan	Net sales	253,544	266,010	+12,466	+4.9%	—
	Core operating income	51,082	57,718	+6,636	+13.0%	—
	(margin)	(20.1%)	(21.7%)		(+1.6%P)	—
Asia	Net sales	254,372	275,311	+20,939	+8.2%	+4.5%
	Core operating income	22,384	23,901	+1,517	+6.8%	+2.4%
	(margin)	(8.8%)	(8.7%)		(-0.1%P)	—
<sup>*4</sup> Others	Net sales	96,736	100,326	+3,589	+3.7%	+2.6%
	Core operating income	4,929	4,899	-30	-0.6%	-6.4%
	(margin)	(5.1%)	(4.9%)		(-0.2%P)	—
Reconciling items, etc.	Net sales	—	—	—	—	—
	Core operating income	720	319	-401	—	—
	(margin)	—	—		—	—
Consolidated	Net sales	604,653	641,647	+36,994	+6.1%	+4.4%
	Core operating income	79,116	86,838	+7,722	+9.8%	+8.2%
	(margin)	(13.1%)	(13.5%)		(+0.4%P)	—

\*1 : Calculated based on IFRS.    \*2: Adoption of IFRS.    \*3 Actual difference rate except exchange effects.

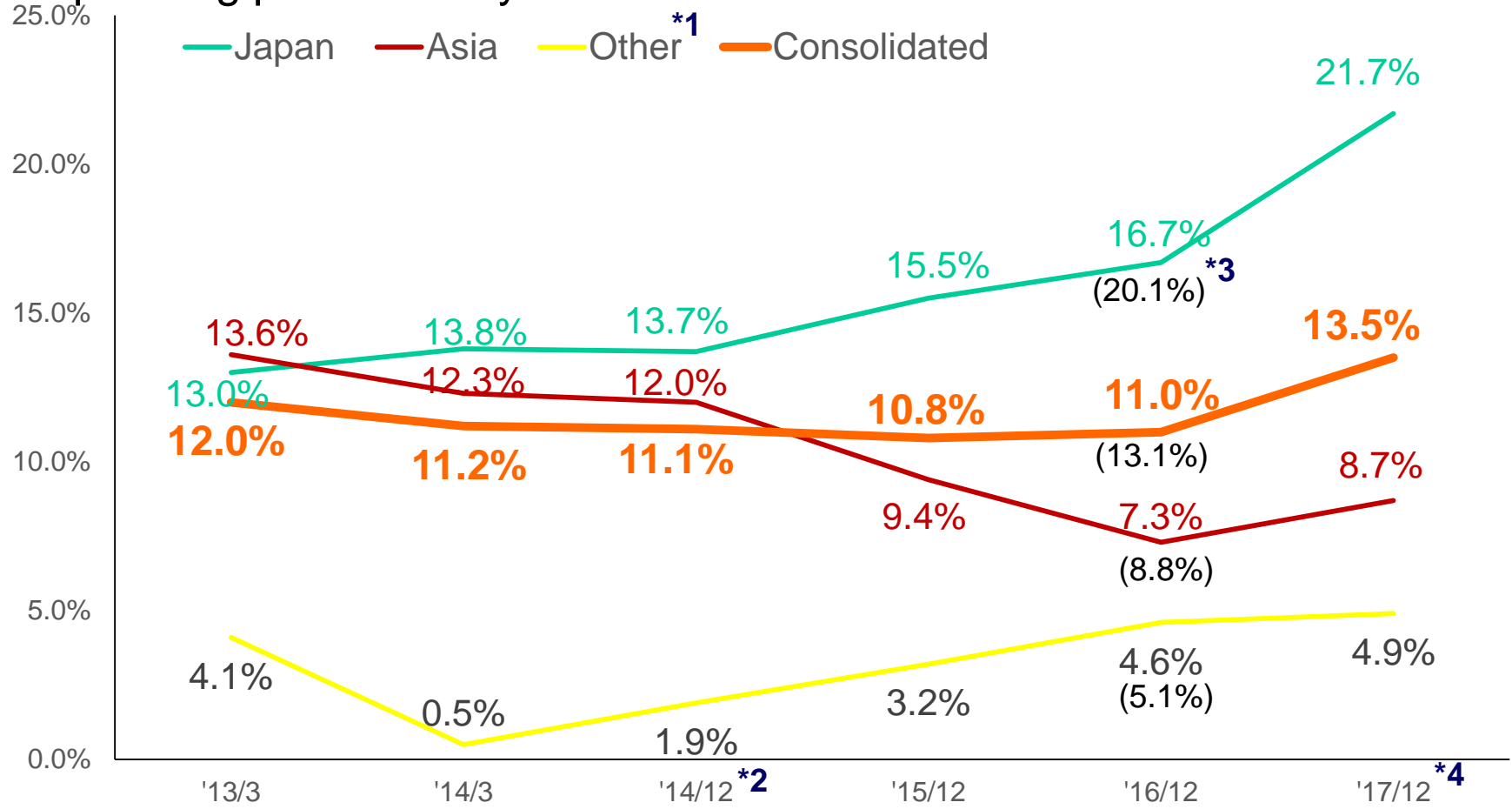
\*4 Others: Main regions are U.S.A., Saudi Arabia, Brazil, the Netherlands

# In Japan, improved profitability with high value-added products and expanding exports



# In Asia, active marketing investment implemented in main countries

Operating profit ratio by location



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

\*2 : Irregular results due to change in settlement period

\*3 : Figures displayed in ( ) are IFRS-based core operating profit.

\*4 : Core operating income margin based on IFRS.

# PC profitability greatly improved

For Japan PC, profitability improved due to high value-added product increasing unit price

For North America PC, shift to high value-added products improved profitability



## ■ Business Segment Information

(Millions of yen)

		*1 FY Ending Dec31, 2016	*2 FY Ending Dec31, 2017	Difference	Difference (%)
Personal Care	Net sales	523,116	555,388	+32,272	+6.2%
	Core operating income (margin)	71,355 (13.6%)	77,177 (13.9%)	+5,822	+8.2% (+0.3%P)
Pet Care	Net sales	75,390	79,847	+4,457	+5.9%
	Core operating income (margin)	7,342 (9.7%)	9,684 (12.1%)	+2,342	+31.9% (+2.4%P)
*3 Others	Net sales	6,147	6,412	+265	+4.3%
	Core operating income (margin)	419 (6.8%)	-23 —	-443	— —
Reconciling items, etc.	Net sales	-35	-30	+5	—
	Core operating income (margin)	— —	— —	— —	— —
Consolidated	Net sales	604,653	641,647	+36,994	6.1%
	Core operating income (margin)	79,116 (13.1%)	86,838 (13.5%)	+7,722	9.8% (+0.4%P)

\*1: Calculated based on IFRS.    \*2: Adoption of IFRS.

\*3: Other products related to industrial materials, etc., child raising video streaming service.

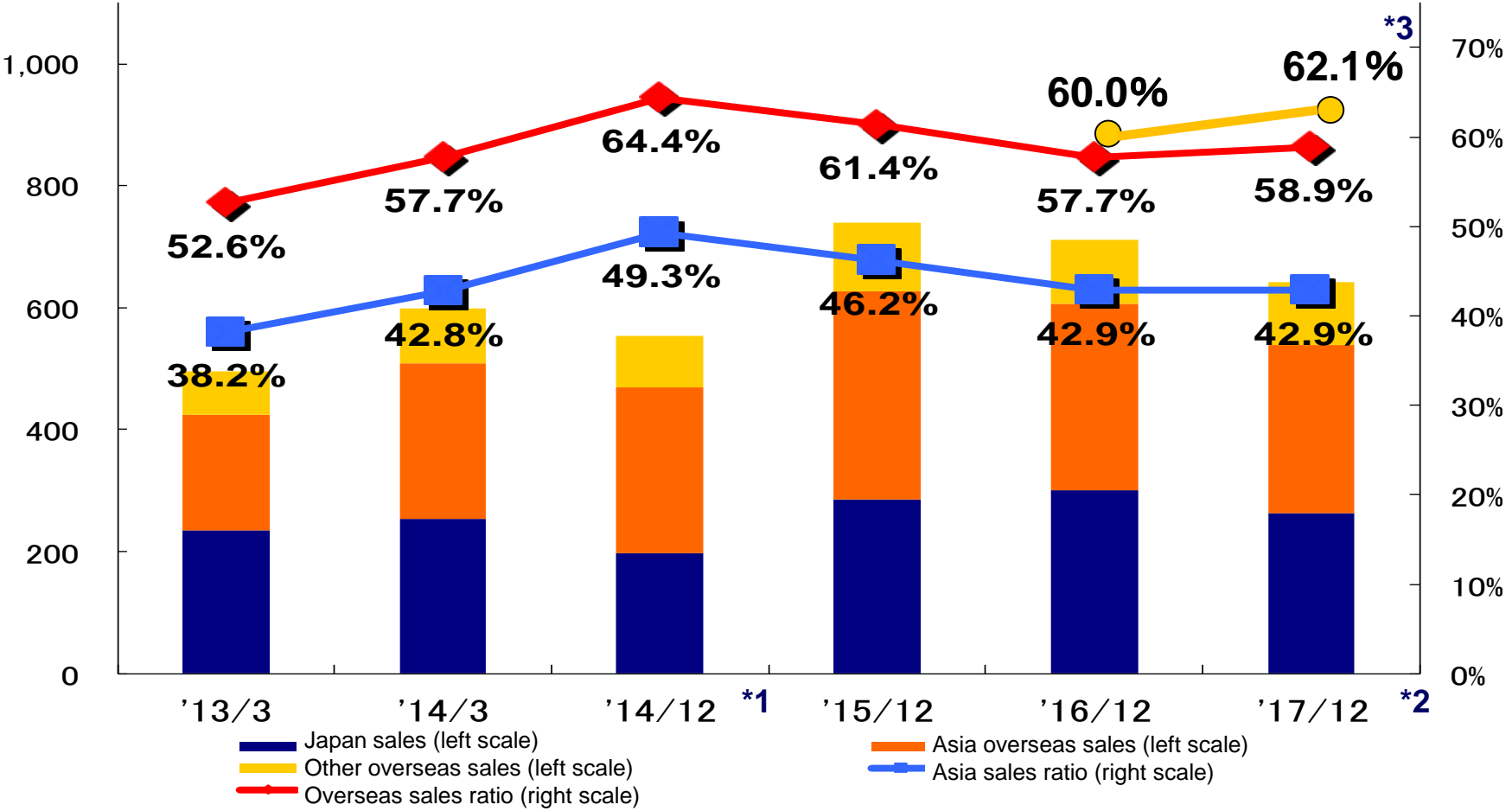


# Overseas sales composition ratio 58.9% (58.2% excluding exchange effects)



## Domestic / overseas sales

(Billions of yen)



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

\*2: Adoption of IFRS. \*3: When exports such as cross-border EC, etc. from Japan is considered overseas sales

# Effects of exchange fluctuations

Approx. 10.5 billion yen increase in sales

Approx. 1.3 billion yen increase in core operating profit



## ■ Rate fluctuations by currency

Currency	Exchange rate for 2016	Exchange rate for 2017	Rate change
China (CNY)	16.37	16.63	+1.6%
Indonesia (IDR)	0.0082	0.0084	+2.4%
Thailand (THB)	3.09	3.31	+7.1%
Saudi Arabia (SAR)	29.07	29.96	+3.1%
India (INR)	1.63	1.74	+6.7%
Vietnam (VND)	0.0049	0.0049	±0.0%
USA (USD)	108.84	112.19	+3.1%
Taiwan (TWD)	3.38	3.69	+9.2%
Netherlands (EUR)	120.33	126.67	+5.3%
South Korea (KRW)	0.0938	0.0994	+6.0%
Australia (AUD)	80.82	86.01	+6.4%
Malaysia (MYR)	26.27	26.11	-0.6%
Egypt (EGP)	11.60	6.29	-45.8%
Brazil(BRL)	31.31	35.15	+12.3%
Russia (RUB)	1.63	1.93	+18.4%

# **Summary of Business Plan; Fiscal Year Ending December 31, 2018**

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# FY initiatives to achieve goals of the 10<sup>th</sup> Midterm management plan (G20)

**FY 2020** 800 billion JPY Core operating profit 15% ROE15%

## FY 2018 Initiatives

- **Ensure approx. 7% for sales growth CAGR (annual growth rate)**
  - ✓ With low prevalence rates and use rates for disposable baby diapers and feminine hygiene products in India, etc., speedily develop activities to increase users and further increase sales areas.
  - ✓ As a response to demand for Japan-made products mainly in Asia, first, reinforce organizational systems of collaboration between Japan and China, make preparations for the realization of smart factories, and endeavor to expand supply systems that are compassionate towards people.
- **Foundation building for aging societies in Asia**
  - ✓ Launch of global health care business.
  - ✓ By reinforcing systems to make products more prevalent in adult toilet care, a new growth category in Asia, advance maximization of lifetime value, which will lead to rapid growth.
  - ✓ Products are becoming more prevalent and seeing rapid growth in Taiwan, Thailand, Indonesia, Vietnam, etc. We will reinforce development in China as well, where there is high potential.
- **Digital marketing reinforcement**
  - ✓ Reinforce organizational systems and make marketing investment more efficient to further improve customer satisfaction.

# Fiscal year ended December 31, 2018

## Consolidated summary of business plan



### ● Sales/core operating profit main points

**Consolidated (sales 687 bn. JPY + 7.1%, core operating profits 94 bn. JPY +8.2%, profitability 0.2% improvement)**

- ✓ Financial impact due to exchange rate fluctuations decreased by 2.9 billion JPY for sales, and 200 million JPY decreased for core operating profit.
- ✓ Raw material price fluctuation effects estimated at annual 4 billion JPY profit decrease.

**Japan (5-10% income increase, rise in raw material prices, etc. worsens profitability)**

- ✓ HC: Stable growth planned mainly through continuous new value proposal.
- ✓ Mainly BC: Increased reinforcement to response to Japan-made demand (continued BC rapid growth, plan to start operations for Kyushu factory).

**Asia (10-15% income increase, profitability improvement)**

- ✓ China BC: Reinforce increased premiumization promotion, EC channel and BC specialized shop reinforcement to improve profitability
- ✓ Indonesia: Sales channel expansion and increase efficiency of sales promotion expenses to improve profitability.
- ✓ India: Increased area expansion and market share acquisition to stabilize profit.
- ✓ Principal countries sales growth (local currency base)
  - China +10~15%    Indonesia +10~15%    Thailand +5~10%
  - India +20~25%    Vietnam +5~10%

**Shareholder return (total return ratio 50%)**

- ✓ Annual dividends per share increased by 4 yen to 24 yen, dividend payout ratio of 24%, 17 consecutive periods of increased dividends.
- ✓ Acquisition of own shares conducted flexibly.

# Record highs for 2018 as well in preparation for 2020

## Profitability improved mainly in Asia



### ■ Consolidated earnings forecast

(Millions of yen)

	FY Ended Dec. 31, 2017	FY Ending Dec. 31, 2018	Difference	Difference (%)	(Ref.) Actual difference <sup>*1</sup>
Net sales	641,647	687,000	+45,353	+7.1%	+7.5%
Core operating income (margin)	86,838 (13.5%)	94,000 (13.7%)	+7,162	+8.2% (+0.2%P)	+8.5%
Profit before tax (margin)	92,926 (14.5%)	93,000 (13.5%)	+74	+0.1% (-1.0%P)	—
Profit attributable to owners of parent (margin)	52,772 (8.2%)	59,000 (8.6%)	6,228	+11.8% (+0.4%P)	—
Basic earnings per share (JPY)	89.85	100.73	+10.88	+12.1%	—
USD Rate (JPY)	112.19	110.00	-2.19	-2.0%	—
CNY Rate (JPY)	16.63	16.80	+0.17	+1.0%	—

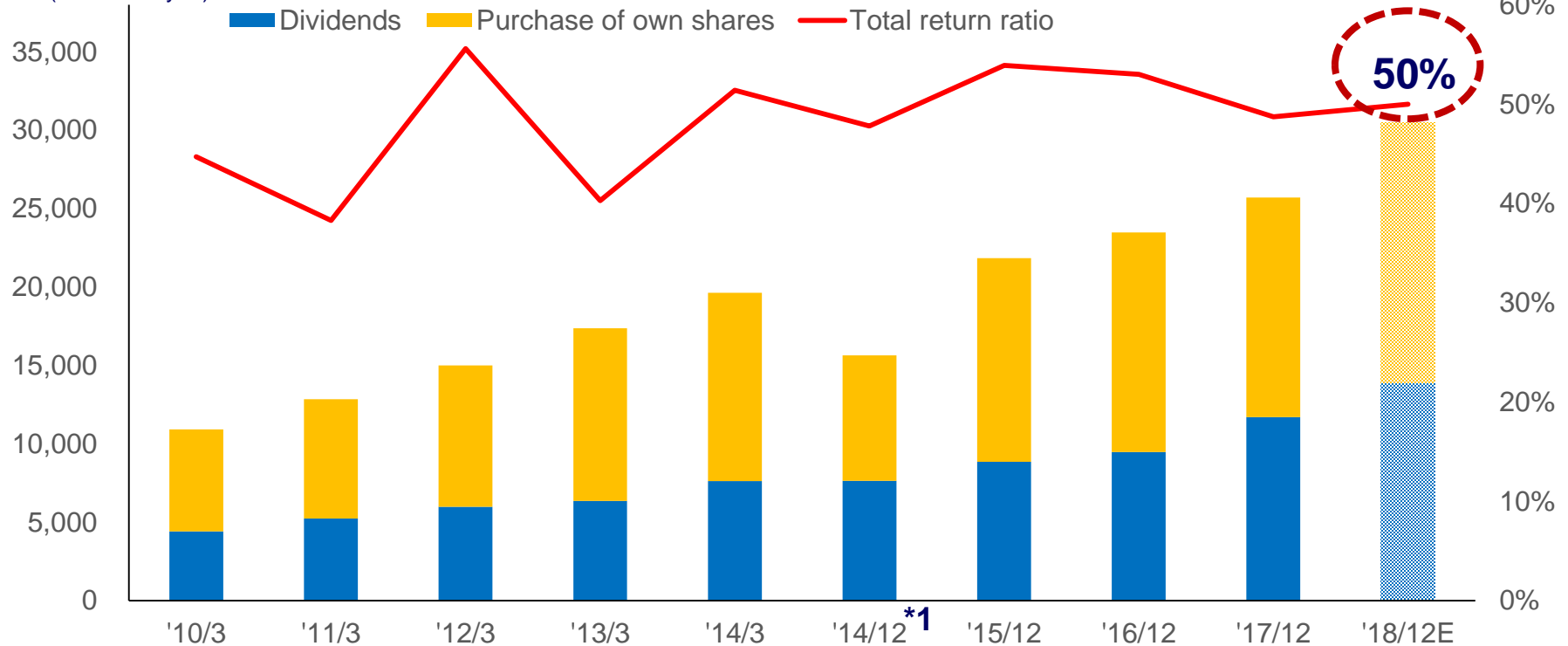
\*3: Actual difference rate except exchange effects.

# Shareholder Return Policy

# Continued dividend increase in FY 2018 and total return ratio of 50% scheduled through the purchase of own shares and dividends linked to business performance

## Shareholder return policy

(Millions of yen)



\*1: Fiscal year ended Dec. 31, 2014 is an 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%** (raise the dividend payout ratio in stages) in addition to shareholder dividends and purchase of own shares.

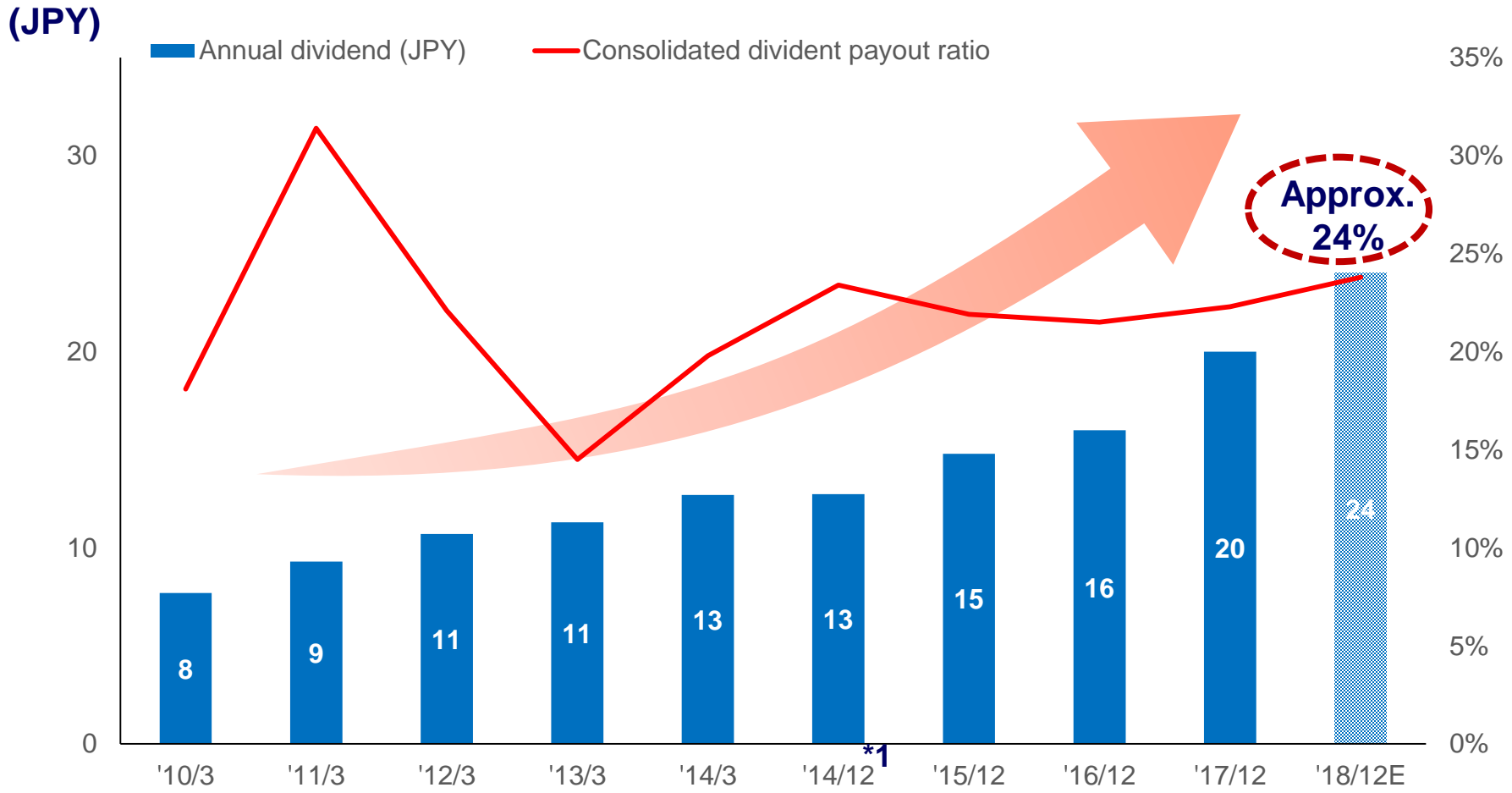


# Steady and continuous dividend payments, on track for 17 consecutive periods of increased dividends

## Raise dividend payout ratio by stages



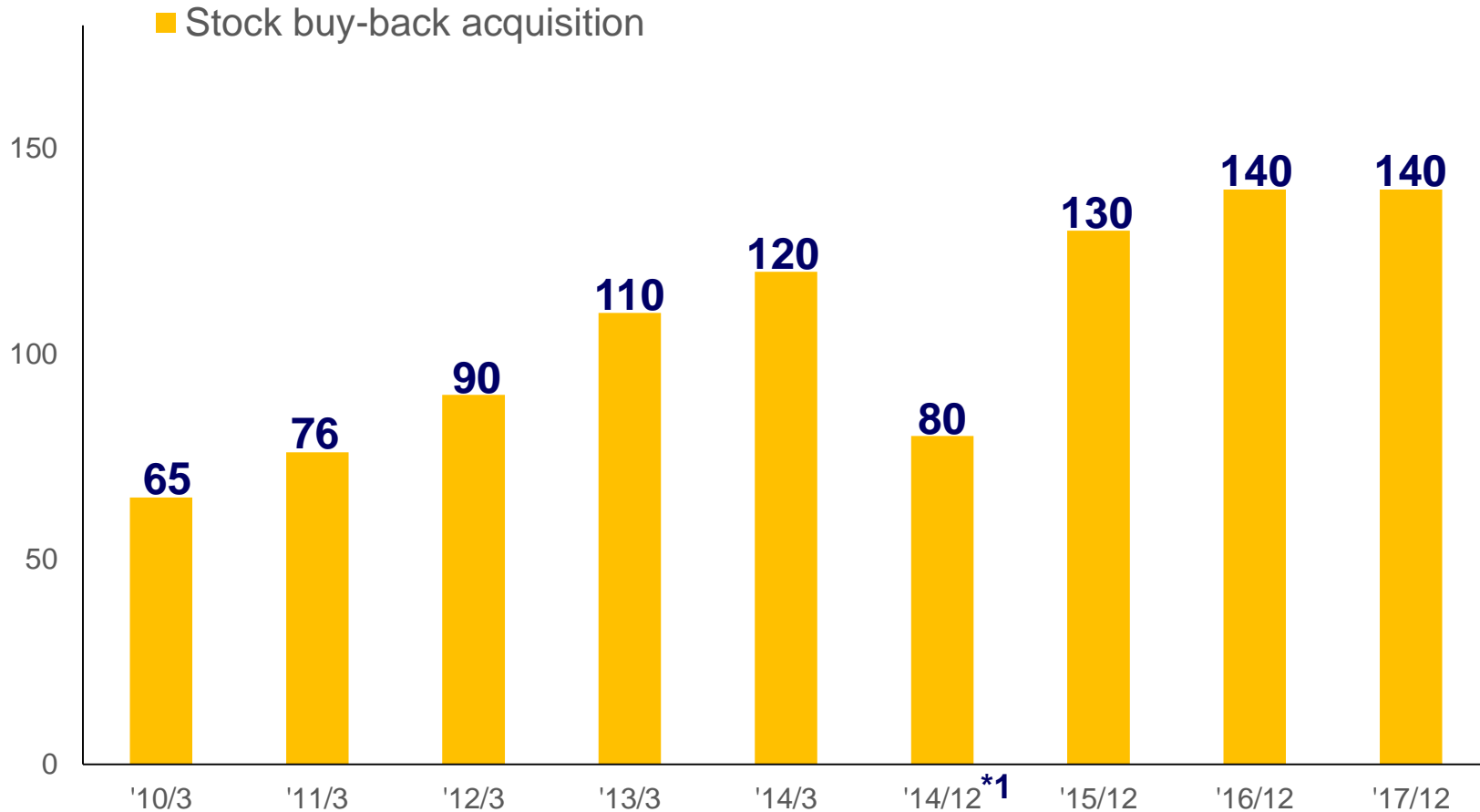
### Dividends per share



\*1: Fiscal year ended Dec. 31, 2014 is an irregular fiscal year lasting nine months.

# Swiftly acquire stocks through buy-back based on cash conditions

■ Stock buy-back acquisition graph  
(100 millions of yen)



\*1: 9-month FY irregular settlement

# Raising Corporate Value

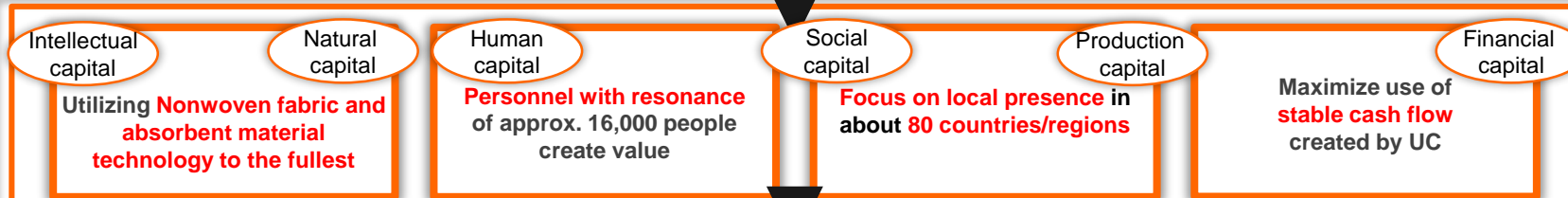
# With 6 types of UC-style capital, as we work to resolve social issues, raise “Earning Potential” and promote “Realizing a cohesive society”

## ■ Unicharm Value creation model

Unicharm corporate principles

**NOLA&DOLA**  
From babies, to the elderly, and pets, reducing burden carried with a diversity of lifestyles

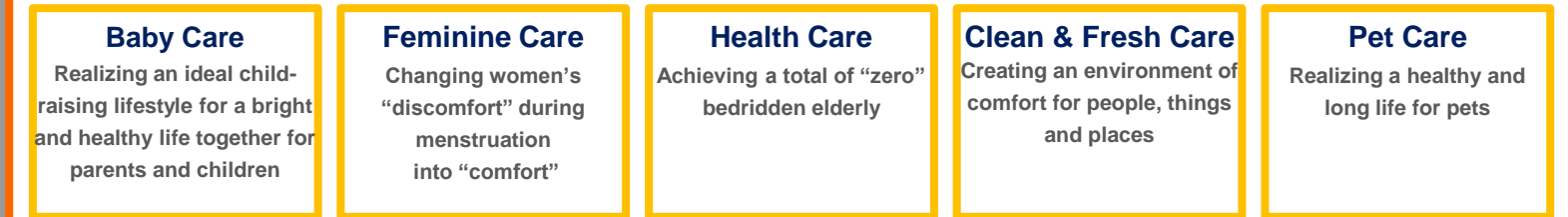
6 types of capital, Unicharm-style



Important issues that support creation of value



Unicharm's creation of value



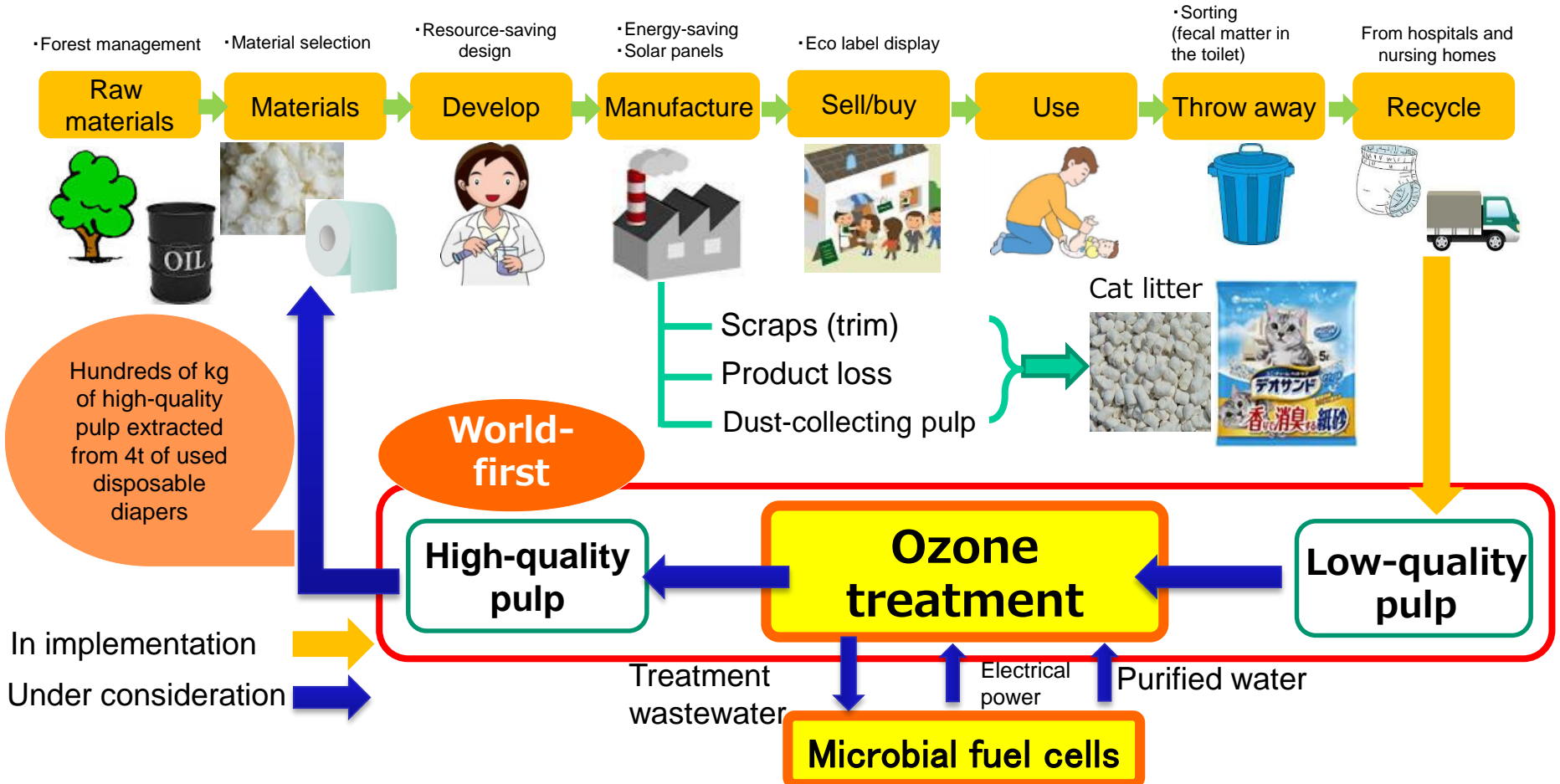
World that Unicharm aims for (Meaning of existence of Unicharm)





## Waste reduction

## Recycling system in development by Unicharm



✓ **Acquire patents** related to treatment methods that make allow **simultaneous water purification and electricity generation** using microbial fuel cells in the process of recycling disposable diapers



## Response to climate changes

Product creation that aimed for reduction in use of raw materials

Approx. 3/4 reduction compared to 25 years ago



## Cut waste in manufacturing

Making products by using waste

ECO CHARMING Mark product ratio



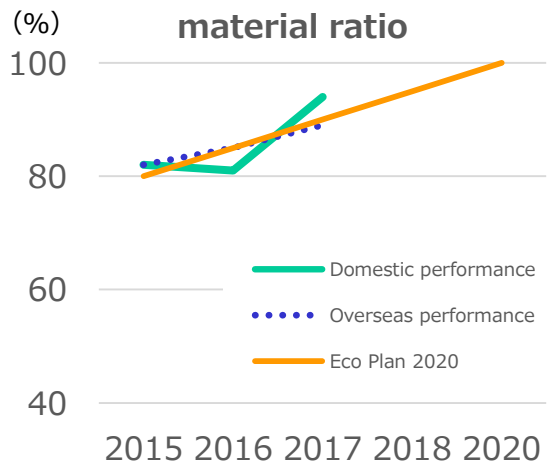
\*1 Using original standards in comparison to conventional products, only displayed on products that were able to improve their product values such as convenience and comfort while reducing their environmental load



## Sustainable procurement of raw materials

### Paper/pulp

Third party certified material ratio



### Palm oil

- Palm oil (kernel oil/fruit oil)
- Primary processed products (glycerin, etc.)
- Secondary processed products (emulsifiers, etc.)
- English company information based on Certified copy of register

Submit

Joined RSPO in March 2017



Effort to mitigate its environmental impacts and conserve the environment, and promote the management of supply chain considering biodiversity

## Initiative for climate change

### Environmentally-friendly products

【日本】商品を調達した際のCO<sub>2</sub>削減取組の取り組み

ユニチャームでは、環境対策の中に環境配慮型商品の比率を数値化し、環境を考慮した商品開発に取り組んでいます。2005年度を基準年としてライフサイクルで環境負荷低減を推進できているが評価し、環境性能が向上した商品を「環境配慮型商品」と定義しています。2018年度は、環境配慮型商品比率を79%に押し上げ79%を達成しました。2017年度は、39%の拡大を目標として、2018年度からは、取組内容から商品の環境配慮状況を随時、確認しています。

また、「環境配慮型商品」の概念をさらに発展させて持続可能な社会への貢献を推進する上仕向品を、「エコカーボン」向け商品として定義しています。この基準をクリアした商品も現在では10品目により増え（本年度より、パーソナルケア用品に加えベビー用品、食品向け商品に付しても認定も行いました）。

今後も、環境配慮型商品のさらなる導入による調達先からのCO<sub>2</sub>排出量削減や、従来品削減時のCO<sub>2</sub>排出量削減を推進していきます。

「CDP Climate Change」で環境配慮型商品に関する取組を評価

CDPへの環境配慮に関する取組報告に賛同し、FTSEジャパンインシテックに該当する企業も基本に選定した400社対象の調査に協力しています。2018年度はA-の高い評価も得ることができました。これはユニチャーム全体で環境配慮に関するSDGの取り組みが評価されたことによるものです。今後も、環境配慮型商品のさらなる導入による調達先からのCO<sub>2</sub>排出量削減を推進していきます。

Received a disclosure score of A- from CDA due to promoting CO<sub>2</sub> reduction management

## Engage in social contributions that make use of Unicharm's positive image to increase number of UC fans



- 1 貧困をなくそう
- 3 すべての人に健康と福祉を
- 4 誰の思いも届くように
- 5 ジェンダー平等を實現しよう

### ◆BC Achieving an ideal child-rearing environment for parents and children

App to supporting toilet training for children

KIDS DESIGN AWARD 2017

App Store | Google Play

トイトレ アプリ

Natural moony

### ◆FC Changing women's "discomfort" during menstruation into "comfort"

もうすぐ大人になる女の子へ♡

はじめてからだナビ

こころとからだのことを勉強して 毎日をハッピーにすごせる女の子になろう♪

Sofy's Pink Ribbon

Pink Ribbon Action by Sofy

### ◆HC Achieving a total of "zero" bedridden elderly

ライフフリー

ソーシャルウォーキング!

社会参加 + 健康歩行

笑顔と意欲を引き出す アニマルセラピー活動

～動物介在活動と動物介在療法のご紹介～

### ◆PC Realizing a healthy and long life for pets

からだ思いラボ

足腰・関節にやさしいベッド

獣医師推奨

Veterinarian recommended





# Reinforcement of initiatives with the goal of employee health maintenance and productivity improvement



Telecommuting system  
Avg 2 days/month

Interval work shift system  
Approx. 25% improvement



Health checkup rate  
100%



Establish the  
“Work-style reform development office”  
and the  
“Health care Development Department”  
to create a positive working  
environment

Income system revised  
Salary raised about 5%



Premium Friday  
implementation rate  
Approx. 25%



\*All categories for employees in Japan.

# Revitalization of Japan markets for all categories

## ■ New products for FY 2018 spring (Japan)





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.