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# **First Half of the Fiscal Year Ending December 31, 2015 Unicharm Presentation Materials for Investor Meeting**

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**August 7, 2015  
Takahisa Takahara  
President and CEO  
Unicharm Corporation**

Projections stated herein include those based on the Company's assumptions, forecasts and plans as of August 7, 2015. Therefore, actual results may differ significantly from projections due to risks and uncertainties associated with market competition, foreign exchange rates, etc.

# Summary of Earnings Results



- **Effective 16.3% increase in sales and 4.7% gain in operating income in first half of the fiscal year ending December 31, 2015**  
Sales slightly exceeded the disclosed forecast, while income came in slightly below forecast  
In the second half, we expect sales and income to be in line with the forecasts disclosed for FY15 (full year) as a result of the effect of the strategic business expansion
- **Growth increased in priority markets due to aggressive marketing and development investments**  
Overseas sales ratio of 63%; emerging markets ratio of 46%  
New markets created in all segments in Japan, with success in capturing new needs
- **Key points for sales and operating income in first half of the fiscal year ending December 31, 2015**  
Japan  
Markets expanded due to aggressive capturing of inbound demand and proposals for high value-added products  
(Sales up 7.9% y-o-y, operating income up 20.3 % y-o-y)  
Asia  
Share of India's BC market expanded rapidly to 30.1% (May 2015)  
In China's rapidly growing EC market, growth surpassed market growth  
(+267% growth compared to 1H 2013)
- **Shareholder returns**  
Dividends per share increased 1.06 yen to 7.4 yen at the end of the first half of the fiscal year ending December 31, 2015
- **Corporate governance**  
Shift to company with an audit and supervisory committee governance structure from May 1, 2015  
Augment governance by strengthening audit functions of board of directors and through involvement of external directors in management

# **Financial Performance Summary: 1H of the Fiscal Year Ending December 31, 2015**

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# 1H of the FY ended Dec 31, 2014 (Previous term) is an irregular settlement of accounts



- ① 1H of the FY Ending Dec 31, 2015. (Afterward: “Financial report basis”)  
 1H of FY2014 ... ◆ Companies with FY Ending March: Apr-Sep 2014  
 ◆ Companies with FY Ending Dec: Jan-Sep 2014

	2015				2014			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Companies with fiscal year ending March	Six months					Six months		
Companies with fiscal year ending December	Six months				Nine months			

- ② Consolidated FY for comparison of pro forma amount.  
 (Afterward: “Adjusted basis” Compared boxes in red)

◆ 2015: Jan-Jun 2015

◆ 2014: Jan-Jun 2014

	2015				2014			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Companies with fiscal year ending March								
Companies with fiscal year ending December								

# 【Consolidated】Year-on-Year Comparison (Financial report basis)



(Millions of yen)

	1H of FY Ending Dec 31, 2015	1H of FY Ended Dec 31, 2014	Difference※	Difference (%)※	(Reference) 1H of FY Ending Dec 31, 2015 (Published value)	Achievement rate
Net sales	358,809	356,826	—	—	350,000	102.5%
Operating income Operating income margin	34,700 9.7%	36,708 10.3%	—	—	36,500 10.4%	95.1%
Ordinary income Ordinary income margin	32,952 9.2%	37,725 10.6%	—	—	34,500 9.9%	95.5%
Net income Net income margin	15,891 4.4%	22,692 6.4%	—	—	17,000 4.9%	93.5%
EPS (Yen)	26.44	37.62	—	—		

※Difference is not indicated due to irregular closing account for the previous fiscal year.

# Segment Information (Financial report basis)

## ■ Geographical Segment Information (Financial report basis)

(Millions of yen)

	Japan	Asia	Others	Total	Elimination/ Companywide	Consolidated
1H of FY Ended Dec 31, 2014						
Net sales	123,617	179,102	54,106	356,826	—	356,826
Operating income	15,827	19,742	1,213	36,783	-74	36,708
1H of FY Ending Dec 31, 2015						
Net sales	132,764	172,216	53,828	358,809	—	358,809
Operating income	18,304	15,447	1,141	34,892	-192	34,700

## ■ Business Segment Information (Financial report basis)

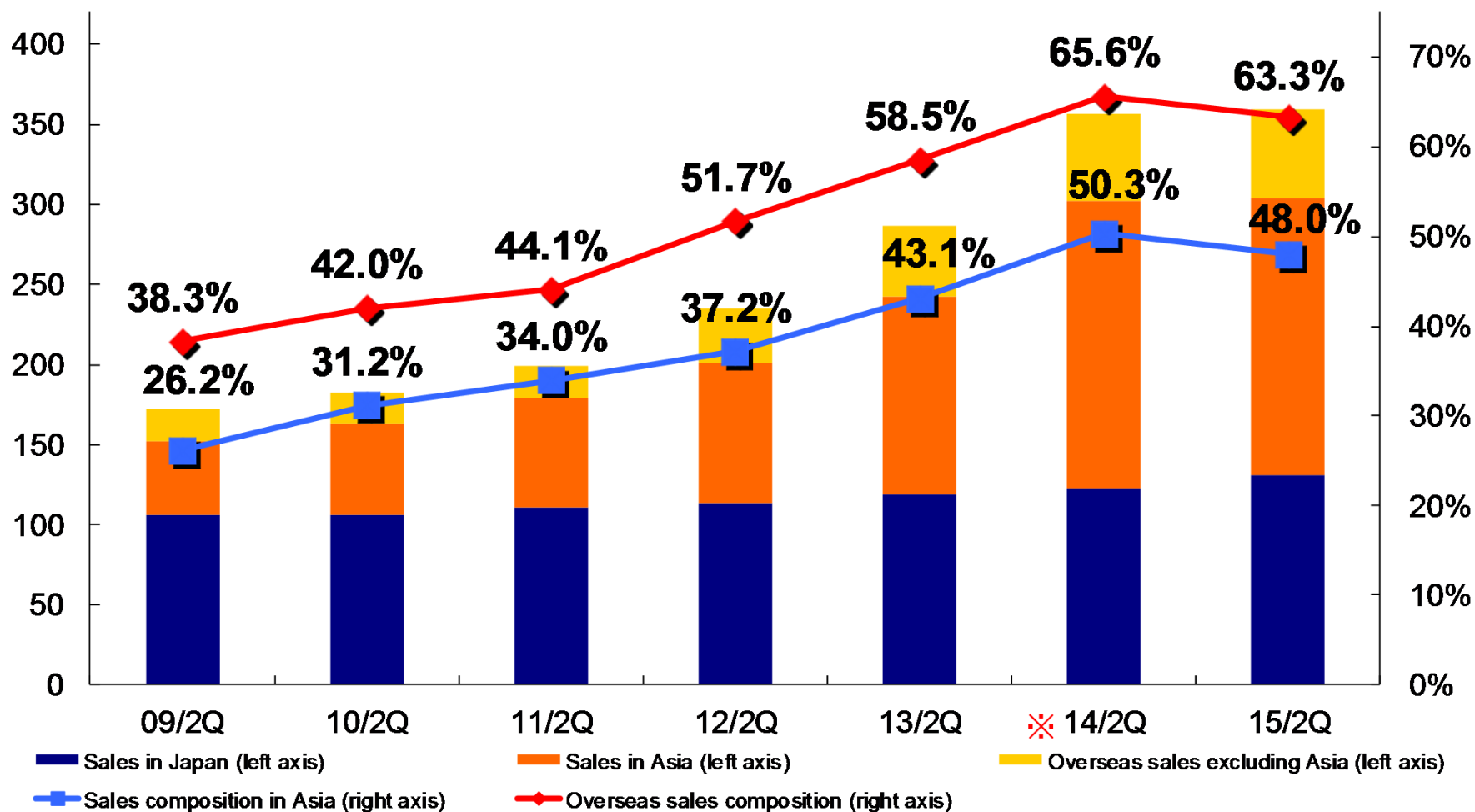
	Personal Care	Pet Care	Others	Total	Elimination/ Companywide	Consolidated
1H of FY Ended Dec 31, 2014						
Net sales	314,706	39,529	2,591	356,826	—	356,826
Operating income	34,762	1,839	107	36,708	0	36,708
1H of FY Ending Dec 31, 2015						
Net sales	315,956	40,277	2,576	358,809	—	358,809
Operating income	34,129	440	130	34,700	—	34,700

# Overseas sales composition reached 63.3%, a record high (previous fiscal year was an irregular accounting period).



## ■ Changes in Japan and Overseas Net Sales (Financial report basis)

(Billions of yen)



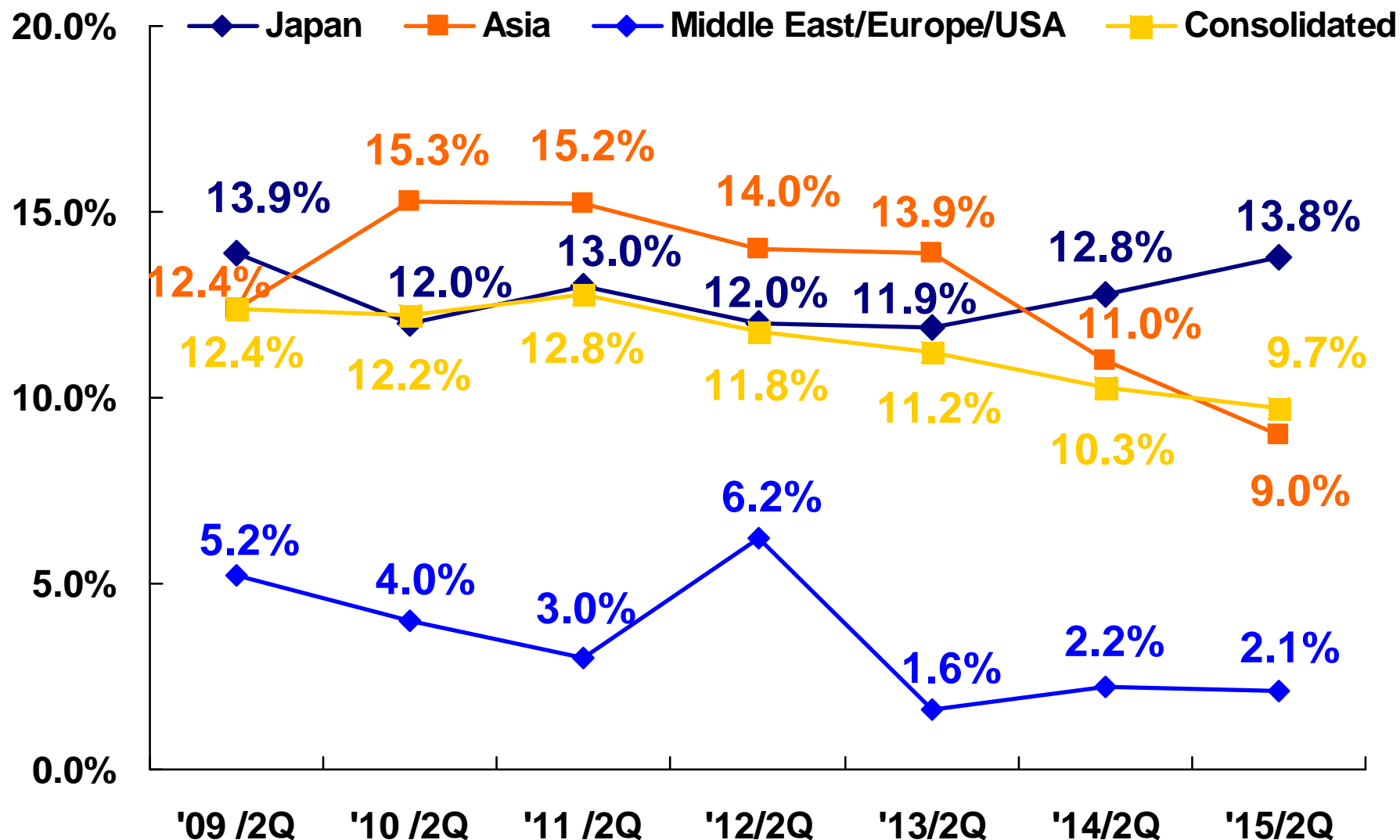
※Due to changes in the accounting period, the previous fiscal year was an irregular settlement of accounts.  
(After adjustment, overseas sales ratio was 60.1% and 45.1% for Asia.)

# Aggressive up-front marketing investments were made in Asia

## Consolidated operating income margin was 9.7%



■ Actual Operating Income Margin by Geographical Segment (Financial report basis)



**Aggressive marketing investments were made to expand the market**  
**Approximately 16% growth in net sales; operating income**  
**grew about 5% due to up-front investments**



■ Year-on-Year Comparison (Adjusted basis※ Jan-Jun 2015 vs Jan-Jun 2014) (Millions of yen)

	1H of FY Ending Dec 31, 2015 (Adjusted basis)	1H of FY Ended Dec 31, 2014 (Adjusted basis)	Difference	Difference (%)	Note
Net sales	358,809	308,624	50,185	16.3%	
Operating income Operating income margin	34,700 9.7%	33,137 10.7%	1,563	4.7%	

※Adjusted basis is management accounting basis.

■ Comparison by Quarter

	Jan-Mar 2015	Jan-Mar 2014	Difference (%)	Apr-Jun 2015	Apr-Jun 2014	Difference (%)
Net sales	177,558	158,900	11.7%	181,251	149,724	21.1%
Operating income Operating income margin	17,049 9.6%	18,623 11.7%	-8.5%	17,651 9.7%	14,514 9.7%	21.6%

# Steady growth in Japan even excluding inbound Up-front investments made to expand markets in Asia



## ■ Geographical Segment Information (Adjusted basis Jan-Jun 2015 vs Jan-Jun 2014)

(Millions of yen)

	Japan	Asia	Others	Total	Elimination/ Companywide	Consolidated
1H of FY Ended Dec 31, 2014						
Net sales	123,051	139,115	46,459	308,624	—	308,624
Operating income	15,219	16,830	1,088	33,137	—	33,137
1H of FY Ending Dec 31, 2015						
Net sales	132,764	172,216	53,828	358,809	—	358,809
Operating income	18,304	15,447	1,141	34,892	-192	34,700
Difference						
Net sales	9,713	33,101	7,369	50,185	—	50,185
Operating income	3,085	-1,383	53	1,755	-192	1,563
Difference (%)						
Net sales	7.9%	23.8%	15.9%	16.3%	—	16.3%
Operating income	20.3%	-8.2%	4.9%	5.3%	—	4.7%

# Proactive expansion of high value-added products in Japan in the pet care business to expand industry's total assets and improve revenue in pet business in North America



## ■ Business Segment Information (Adjusted basis Jan-Jun 2015 vs Jan-Jun 2014)

(Millions of yen)

	Personal Care	Pet Care	Others	Total	Elimination/ Companywide	Consolidated
1H of FY Ended Dec 31, 2014						
Net sales	267,580	38,329	2,715	308,624	—	308,624
Operating income	31,985	1,017	134	33,137	—	33,137
1H of FY Ending Dec 31, 2015						
Net sales	315,956	40,277	2,576	358,809	—	358,809
Operating income	34,129	440	130	34,700	—	34,700
Difference						
Net sales	48,376	1,948	-139	50,185	—	50,185
Operating income	2,144	-577	-4	1,563	—	1,563
Difference (%)						
Net sales	18.1%	5.1%	-5.1%	16.3%	—	16.3%
Operating income	6.7%	-56.7%	-3.0%	4.7%	—	4.7%

# Impact of exchange rate fluctuations on sales and income (adjusted basis)

## Impact boosted net sales by about ¥23.5 billion and operating income by ±0 compared to previous year



Currency	Exchange rate for 1H of FY Ending Dec 31, 2015	Exchange rate for 1H of FY Ended Dec 31, 2014	Change in rate
Taiwan (TWD)	3.86	3.40	+13.5%
Thailand (THB)	3.65	3.15	+15.9%
South Korea (KRW)	0.1096	0.0979	+12.0%
Indonesia (IDR)	0.0093	0.0088	+5.7%
Malaysia (MYR)	33.07	31.58	+4.7%
Netherlands (EUR)	134.17	140.43	-4.5%
China (CNY)	19.32	16.65	+16.0%
Philippines (PHP)	2.72	2.33	+16.7%
Saudi Arabia (SAR)	32.10	27.28	+17.7%
India (INR)	1.93	1.72	+12.2%
USA (USD)	120.23	102.16	+17.7%
Russia (RUR)	2.10	2.93	-28.3%
Australia (AUD)	94.03	93.71	0.3%
Vietnam (VND)	0.0056	0.0048	+16.7%

## **Financial Results Forecasts for Fiscal Year Ending December 31, 2015**

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# Double-digit gains in sales and income in fiscal year ending Dec 31, 2015

## Take up challenge of setting new effective record



(Millions of yen)

	FY Ending Dec 31, 2015 (Published value)	1H of FY Ending Dec 31, 2015 (Actual)	Achievement Rate (%)	Reference	
				1H of FY Ending Dec 31, 2015 (Published value)	Over FY Ending Dec. 31, 2015 (Published value)
Net sales	760,000	358,809	47.2%	350,000	46.1%
Operating income Operating income margin	86,000 11.3%	34,700 9.7%	40.3%	36,500 10.4%	42.4%
Ordinary income Ordinary income margin	80,000 10.5%	32,952 9.2%	41.2%	34,500 9.9%	43.1%
Net income Net income margin	44,000 5.8%	15,891 4.4%	36.1%	17,000 4.9%	38.6%

# Impact of 1% depreciation of yen against the local currency boosts sales by about ¥5.0 billion and operating income by about ¥500 million



Currency	Assumed rate for FY Ending Dec 31, 2015	Impact of a 1% change (depreciation of yen) (Millions of yen)	
		Net sales	Operating income
Consolidated Total		5,000	500
Taiwan (TWD)	3.67		
Thailand (THB)	3.54		
South Korea (KRW)	0.1060		
Indonesia (IDR)	0.0091		
Malaysia (MYR)	31.81		
Netherlands (EUR)	130.66		
China (CNY)	18.50		
Saudi Arabia (SAR)	30.67		
India (INR)	1.87		
USA (USD)	115.00		
Australia (AUD)	92.43		
Vietnam (VND)	0.0052		

\*Cost of imported raw materials: 1% depreciation of the yen vis-à-vis U.S. dollar increases costs by about 100 to 200 million yen.

# Growth Strategy

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(Information and data noted here is from Unicharm)

# To 10% of Global Market Share



## Accelerate growth utilizing strength of **No.1** position in Asia

As of June 2015



World

No.3

9.5%

Asia



**No.1**

**25.7%**



Baby care



Feminine care



Health care

World

No.3

9.4%

No.4

9.2%

No.3

10.7%

Asia



**No.1**

**25.7%**



**No.1**

**22.1%**



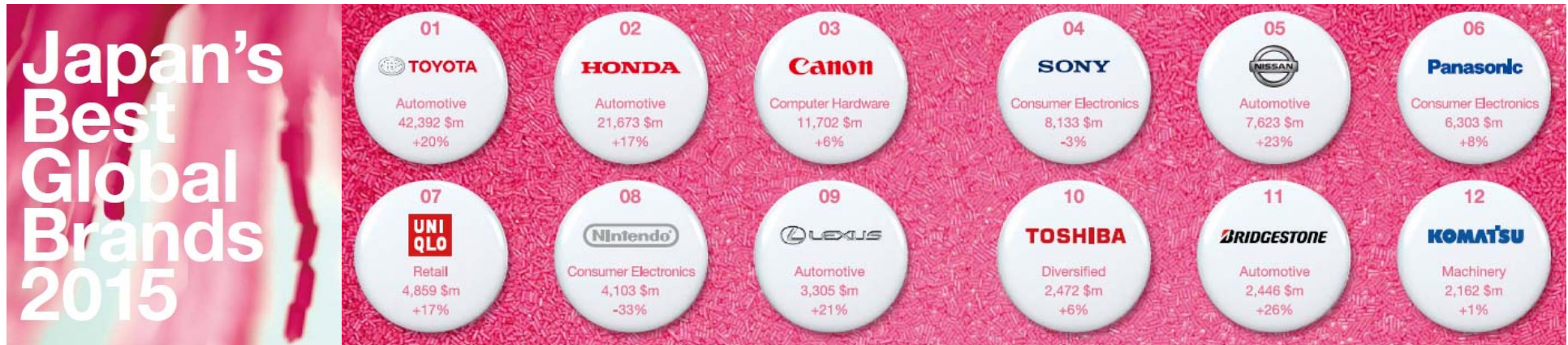
**No.1**

**35.2%**

# Unicharm ranked 23rd in Japan's Best Global Brands 2015



Source: Interbrand



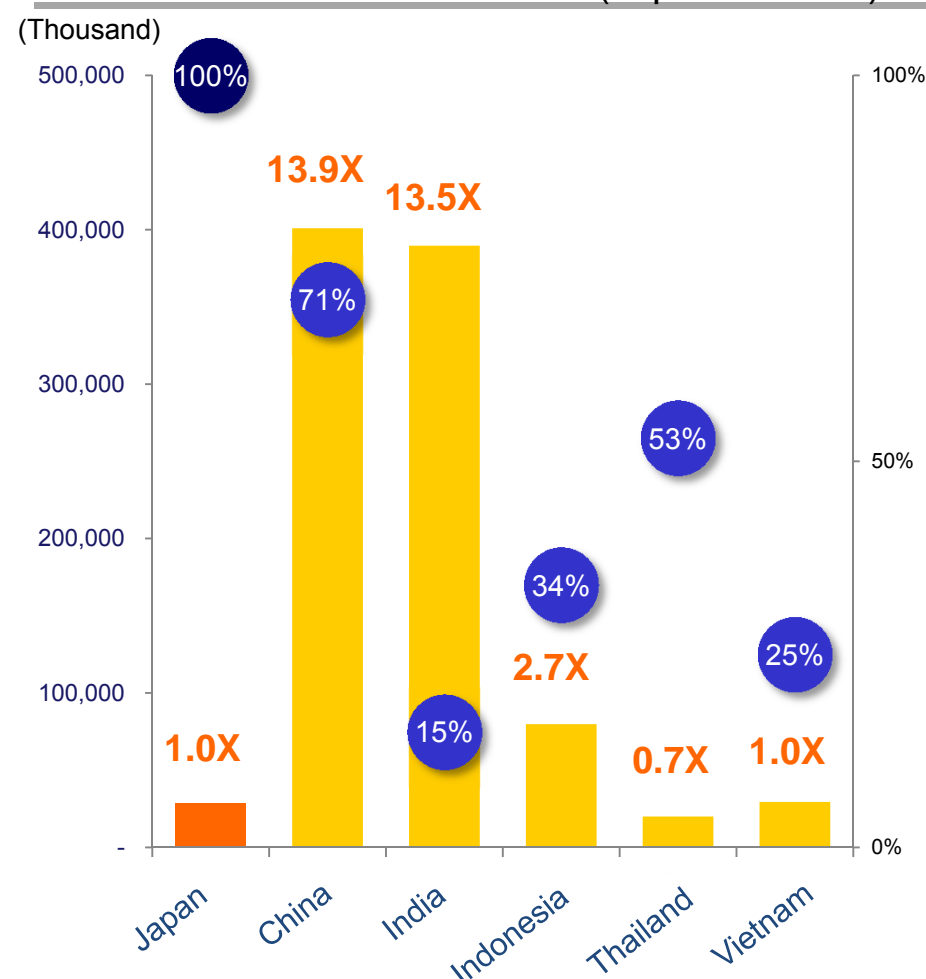
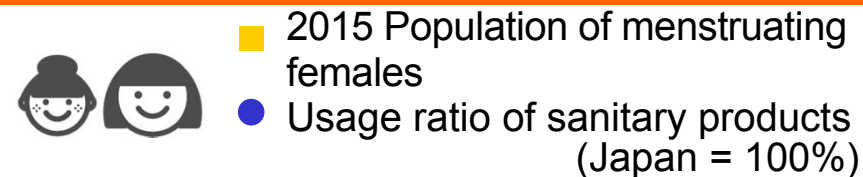
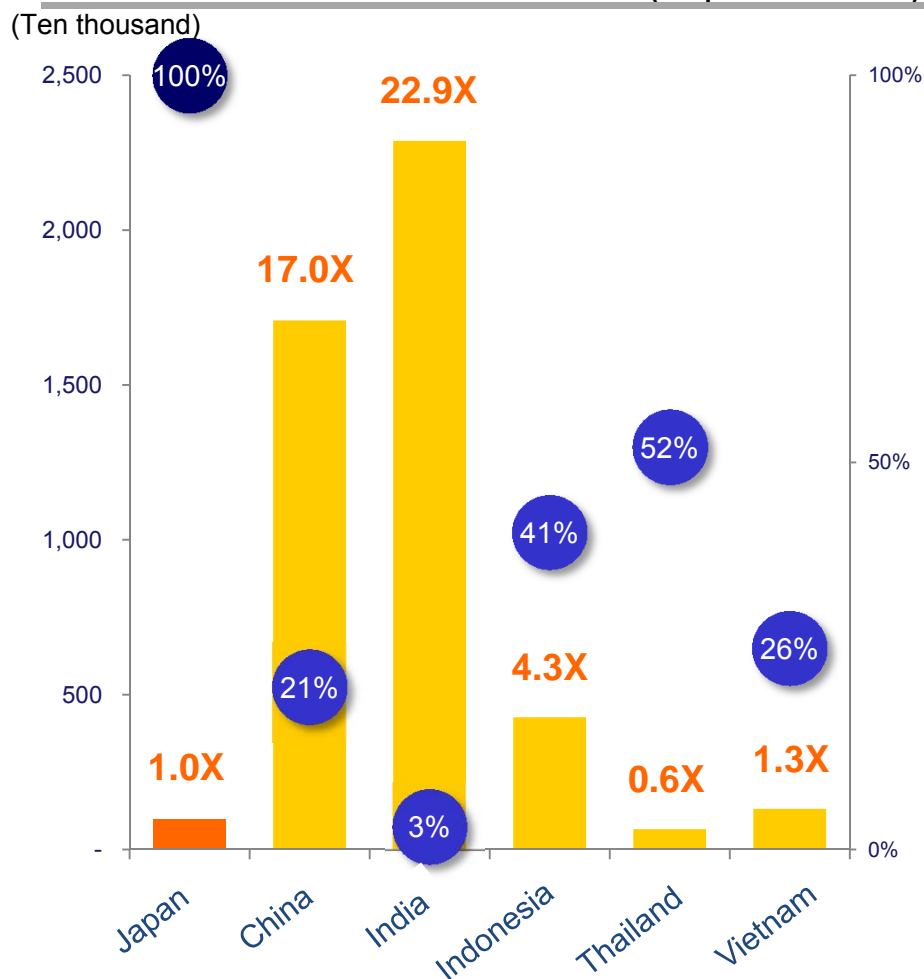
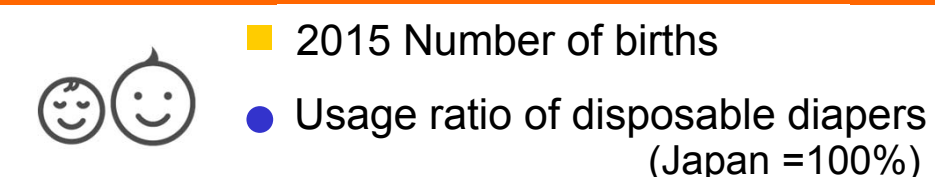
**23 Unicharm**

Unicharm set a record high for net sales for the twelfth straight year and for operating income for the seventh straight year in the fiscal year ended in March 2014. In the Japanese market, we expect sales growth for disposable diapers in the high price bracket, while in Asia the personal care business will drive results with strong earnings to account for over 60% of overseas sales.

The baby care business in China, our most important market, is a solid performer as it launches the highest-quality disposable diapers for babies utilizing proprietary non-woven cloth processing and molding technology.

Such products match consumers' emphasis on high quality, which has resulted from higher income levels in China. In India, the number of cities we operate in has steadily increased due to the expansion of our sales area and higher penetration rate, with sales doubling over the previous year. To meet the goal in our long-term vision of 1.6 trillion yen in sales by 2020, we will accelerate the pace of our overseas expansion while exercising Group synergies, and work for further growth from the personal care business and the pet care business, the Group's two pillars.

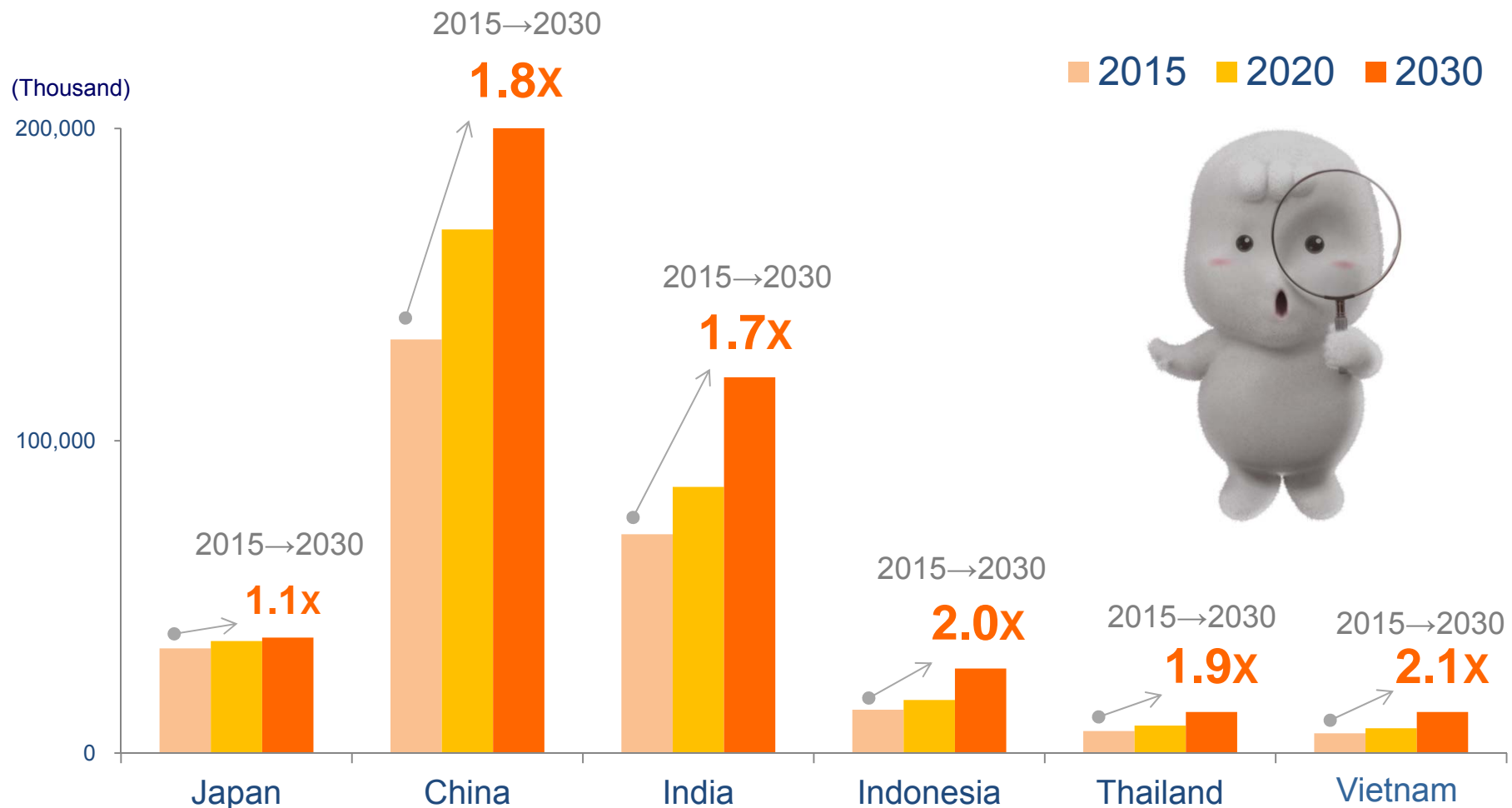
In Asia, usage rates for disposable diapers and sanitary products are low, and we aim to popularize these products while expanding our area of operation



# In Asia, populations are aging at a faster pace than in Japan We will endeavor to spread the care model established in Japan



## Number of elderly persons (aged 65 years and over)



# GDP per capita is expected to increase as economies grow

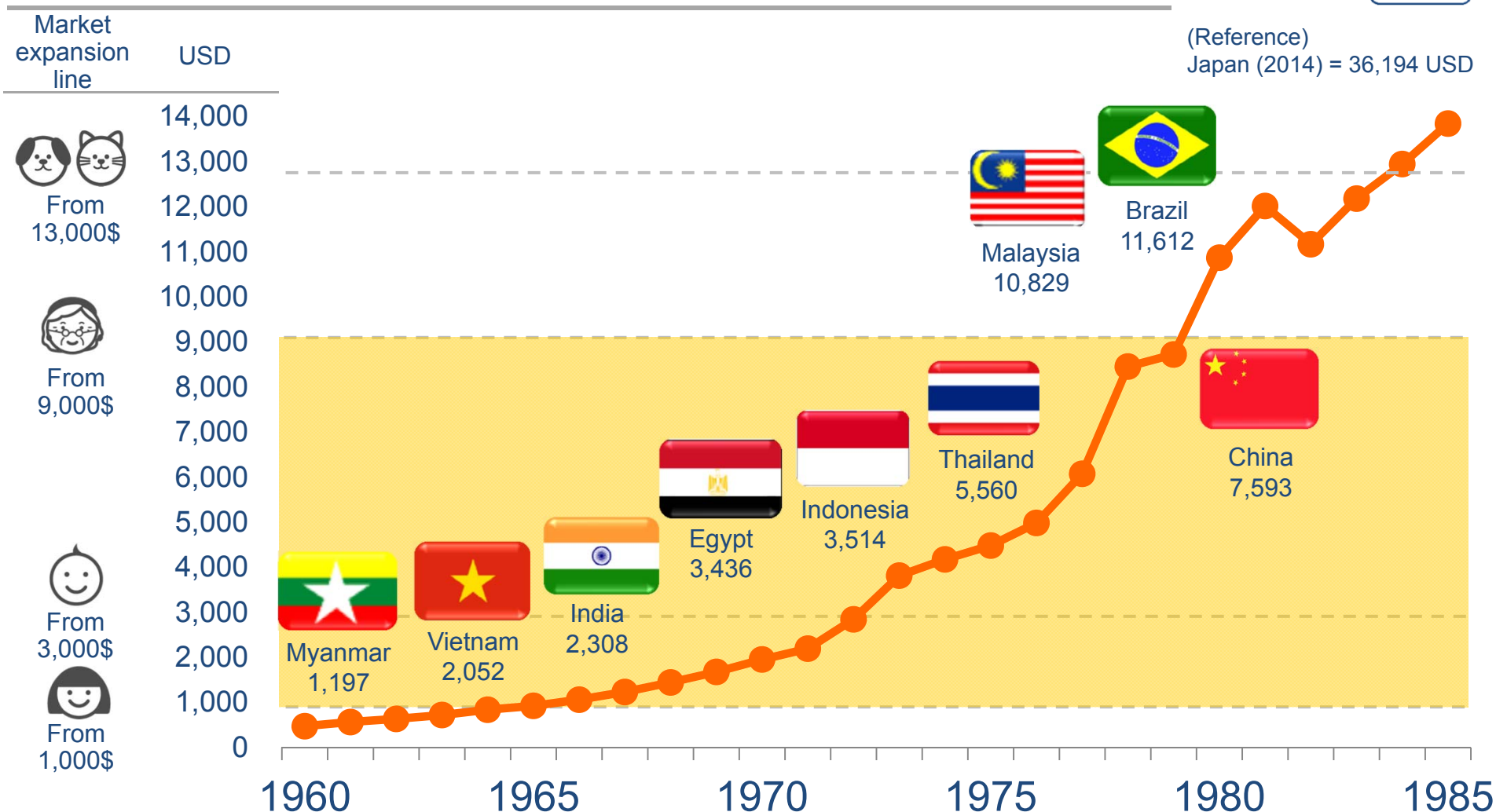
## Management resources will be aggressively invested in advance



### Comparison of GDP per capita in Asian countries and GDP fluctuations in Japan



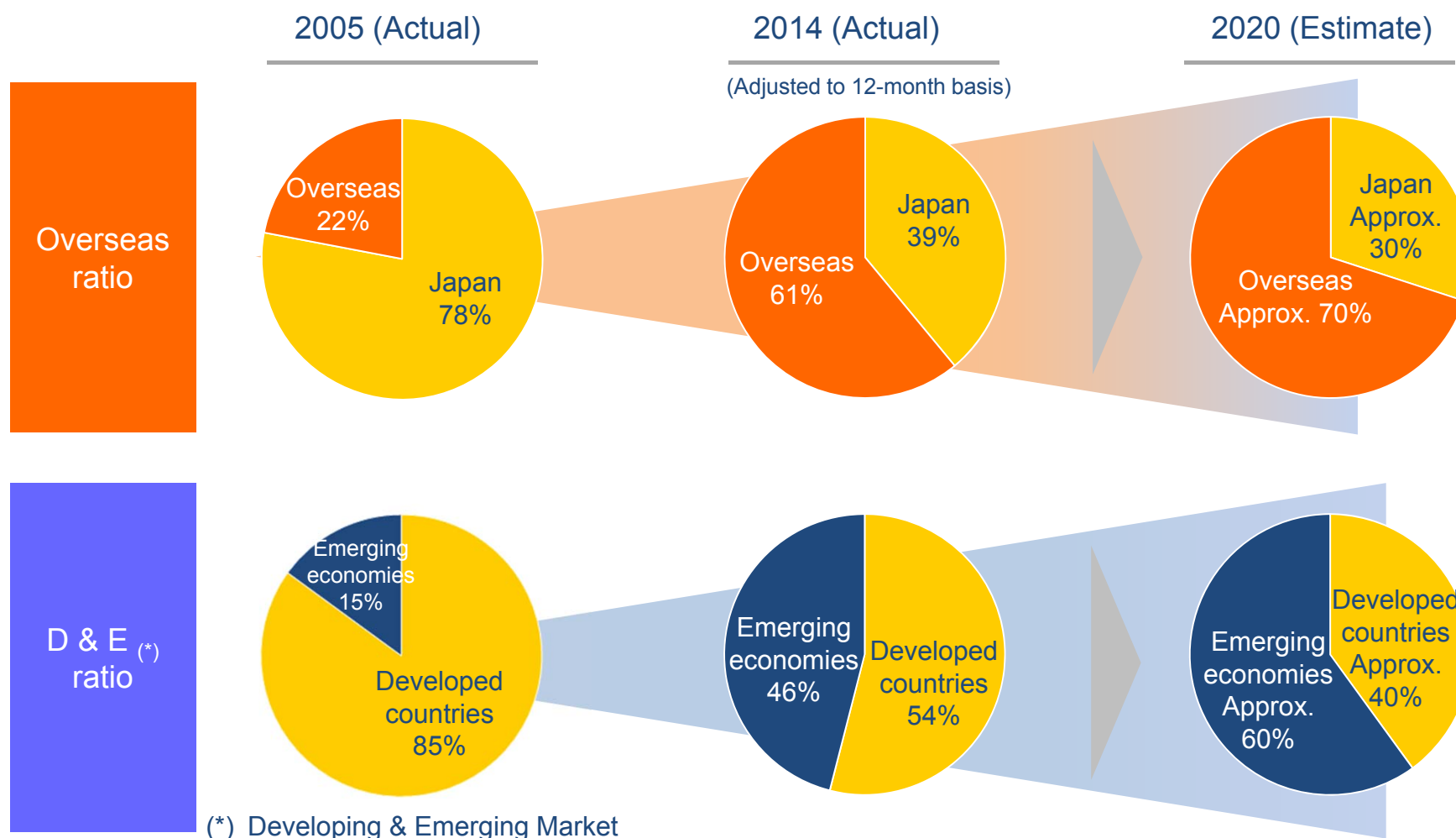
(Reference)  
Japan (2014) = 36,194 USD



# Capture growth markets by developing new markets in emerging economies and rapidly expanding product promotion



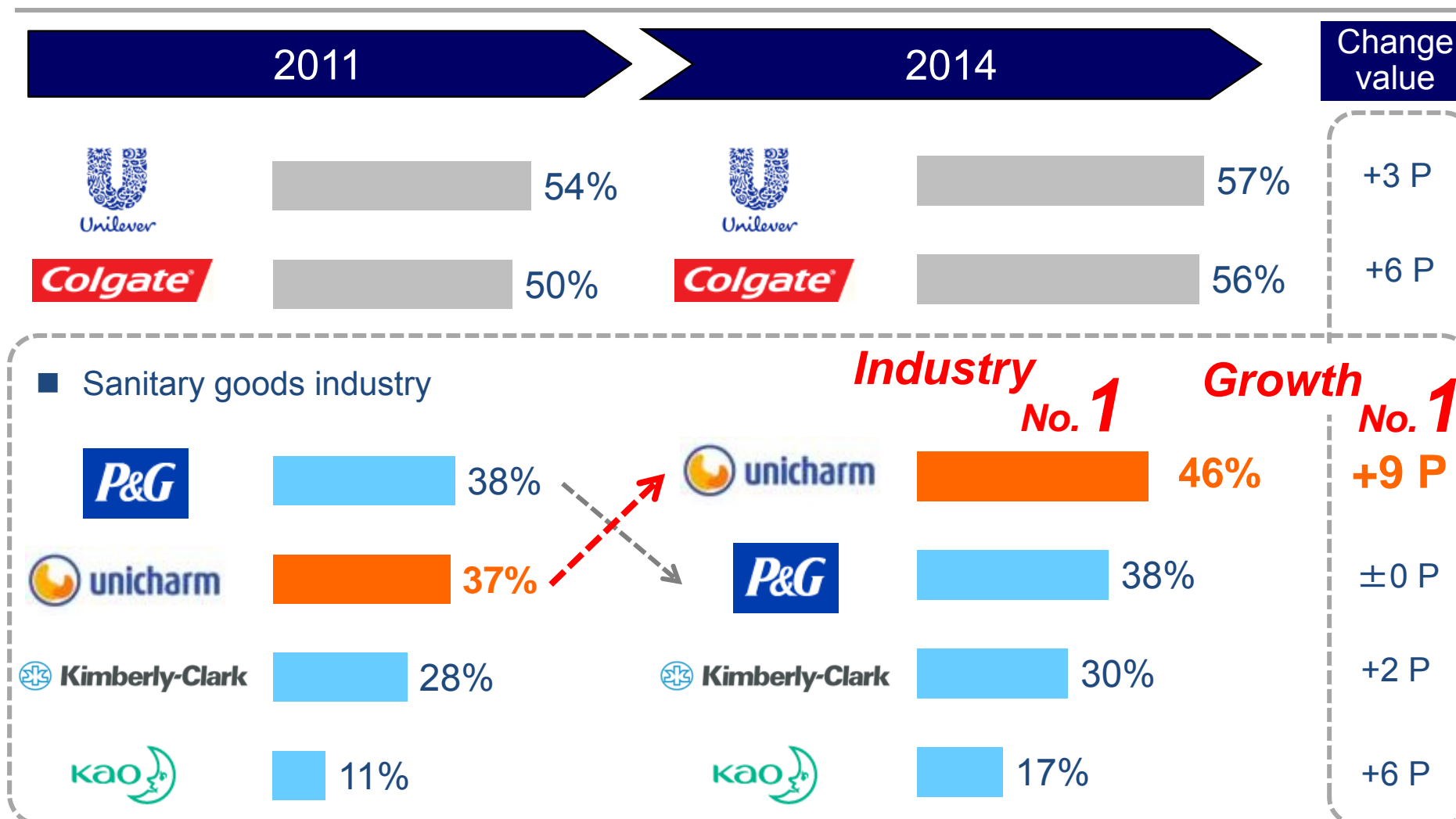
## ■ Sales Composition



# Unicharm has the highest D & E Ratio in the sanitary goods industry



## ■ D & E Ratio / Growth





Japan

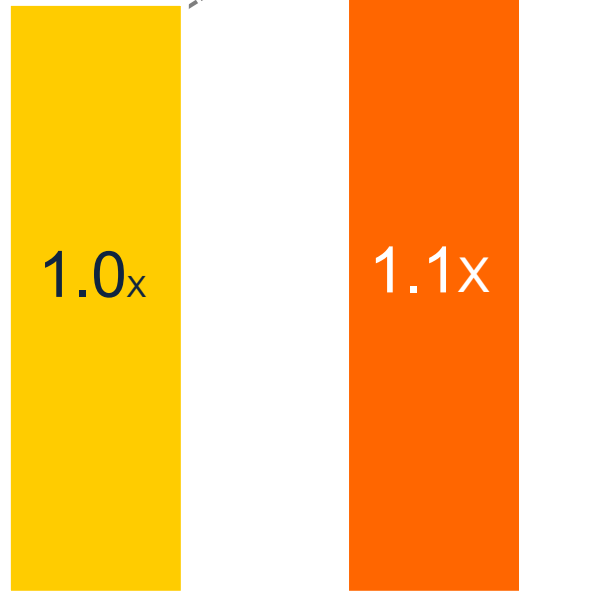
Stable supply to meet inbound demand  
Promote premium brands in Japan to achieve  
10% growth (excluding inbound)



Change in breakdown of  
baby care (BC) sales

Ongoing expansion expected

Inbound  
Demand-side  
sales



13 1H

15 1H

- ✓ Promote that the brand won Best Mother Award in Japan
- ✓ Improve brand recognition
- ✓ Strengthen supply to meet growing demand
- ✓ Raise capacity utilization of domestic capital



Released on  
December 1, 2014

- ✓ Improve product mix by addressing premium needs in Japan

Purely  
domestic  
sales



Moony brand ratio

2013 1H	2015 1H
46%	58%

- ✓ Expand sales channels to maternity hospitals by augmenting 5S-3S sizes and line-ups
- ✓ Strengthen relation to value-added products





Japan

Dominant No. 1 share through ongoing value proposals  
We expect continuous growth in new market creation due to aging population.



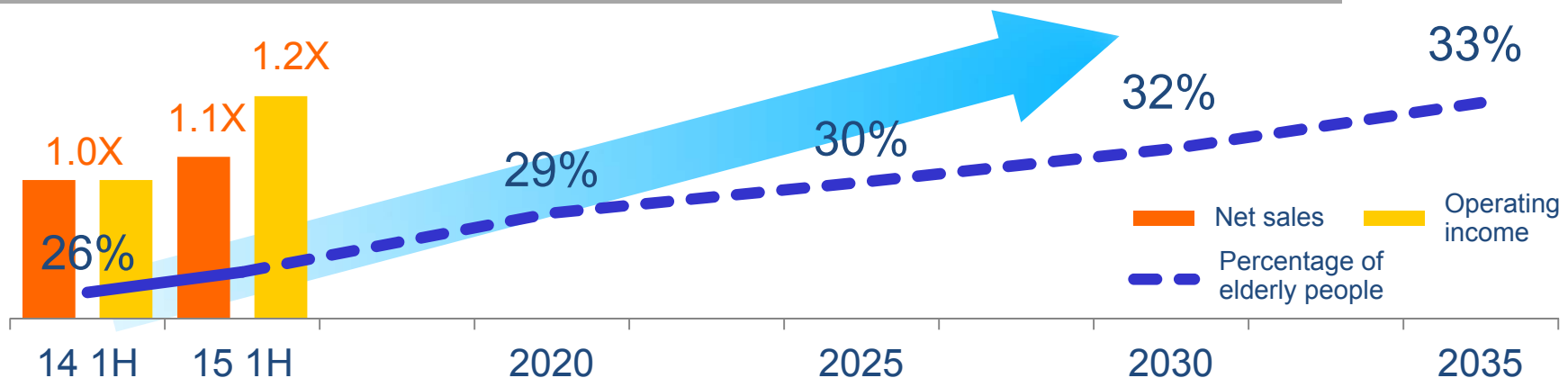
Track record in new market creation from long-term store share trends



**No.1**  
53.8%



Actual growth/Forecasts for percentage of elderly people (aged 65 years and above) in population

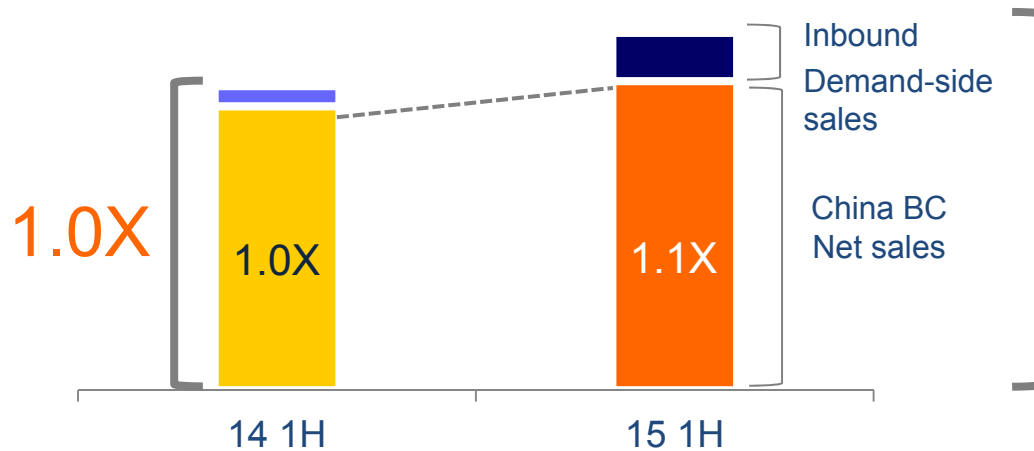




Strong EC sales with 10% growth, primarily for imported goods and pants-type products  
Actual growth of about 20% due to response to inbound demand



Actual growth in sales in baby care (BC) (Local currency base)



**China BC  
Net sales  
Effective  
growth  
1.2X**

- ✓ Strengthen EC channels
- ✓ Reinforce import sales from Japan
- ✓ Strengthen supply to meet inbound demand
- ✓ Raise Japanese brand recognition
- ✓ Promote shift to pants-type

■ Tape-type

■ Pants-type

■ EC channel composition trend of net sales

Premium



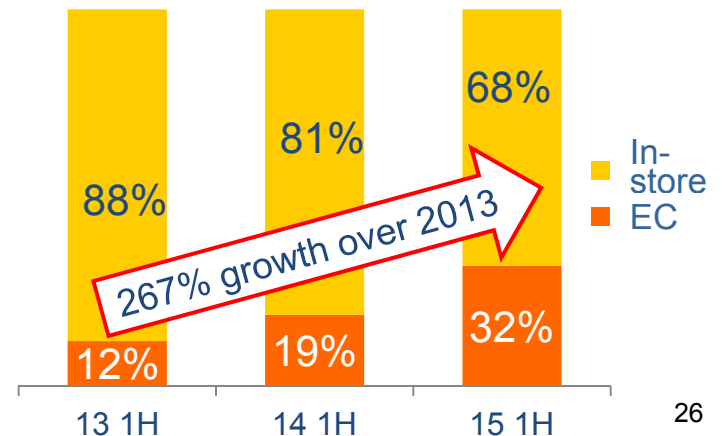
Standard



Economy



- ✓ Growth exceeding EC market growth





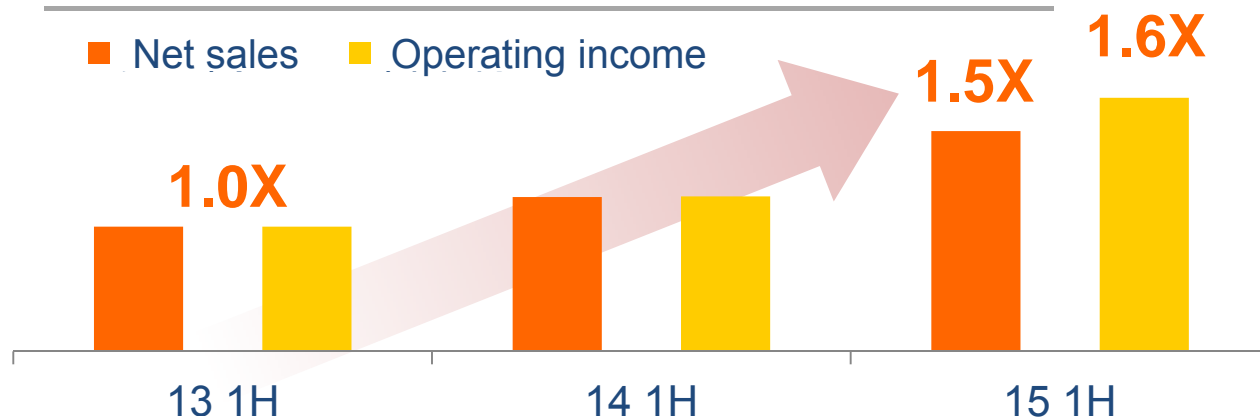
China

Promote shift to premium products and sustain high growth  
Expand market share by proposing new value and target No.1 spot



## Feminine care (FC) (Local currency base)

Net sales Operating income



- ✓ Ongoing double-digit growth in both sales and income
- ✓ Product development and proposals tailored to market needs
- ✓ Shift to premium products promoted
- ✓ Realized faster speed in improving profitability rate!



Strong product proposal capacity as evidenced by long-term share trends





Maintain dominant No.1 market share,  
fill vacuum in regional cities and  
aim for further growth

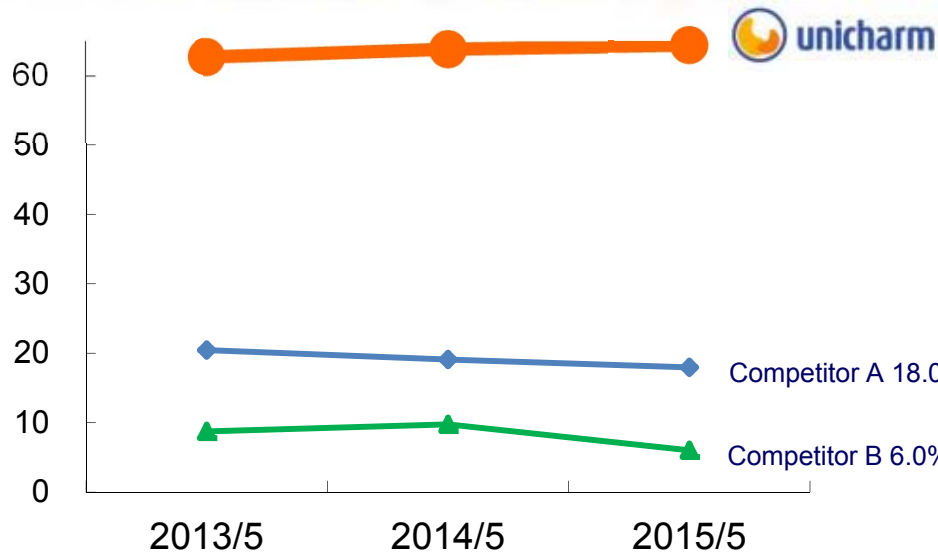


Baby care (BC) share



No.1

64.4%

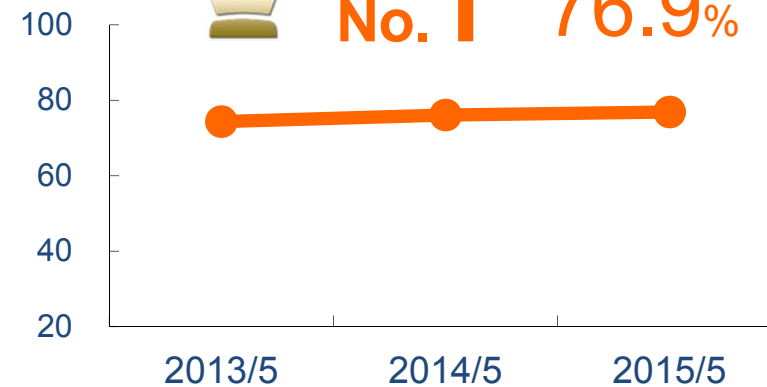


Share in Jakarta



No.1

76.9%

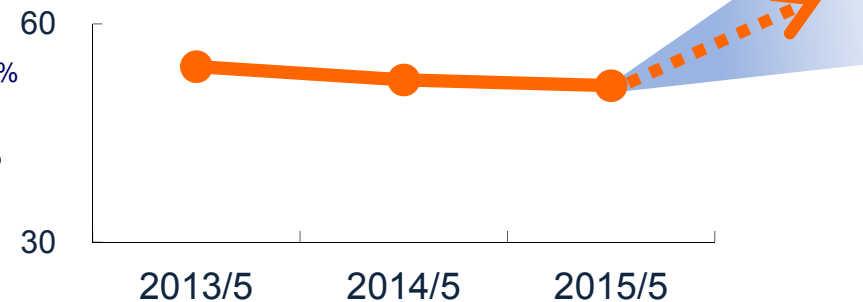


Share in regional cities



No.1

51.5%





Develop BC products meeting needs and maintain dominant No.1 spot  
Promote shift to high-value-added FC products and aim for higher share

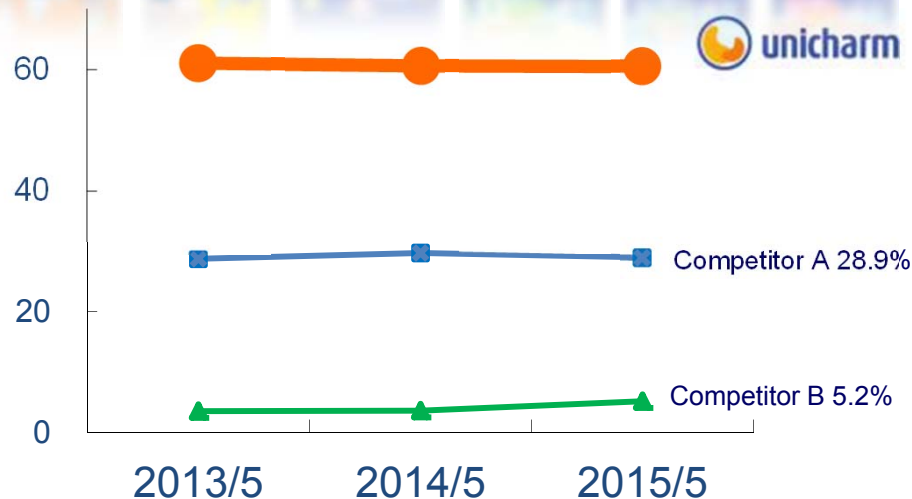


Baby care share (BC)



No.1

60.5%

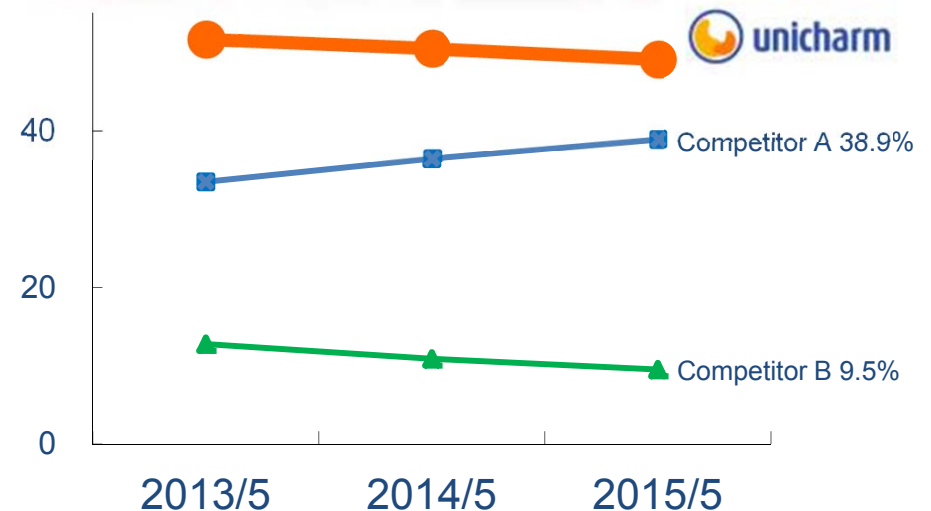


Feminine care share (FC)



No.1

49.1%





India

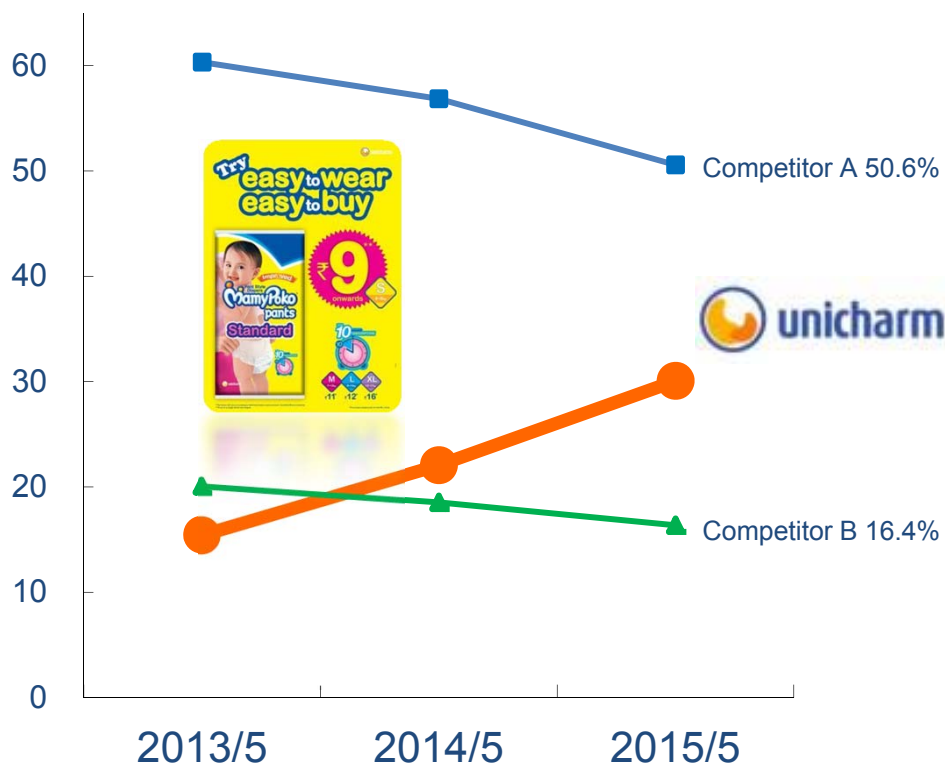
Achieved 30% just seven years after market entry  
by promoting pants-type baby diapers  
Expected to make contribution to revenue from 2016



Baby care (BC) share



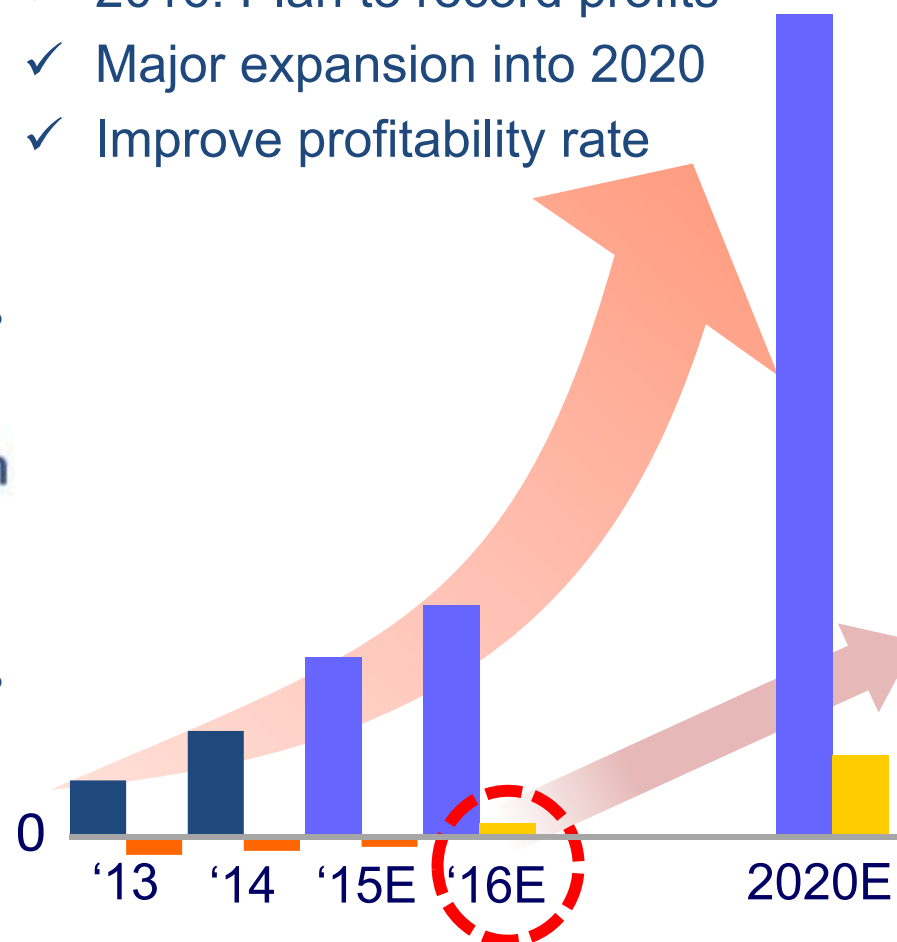
**No.2 30.1%**



■ Net sales ■ Operating income

(Local currency base)

- ✓ 2016: Plan to record profits
- ✓ Major expansion into 2020
- ✓ Improve profitability rate





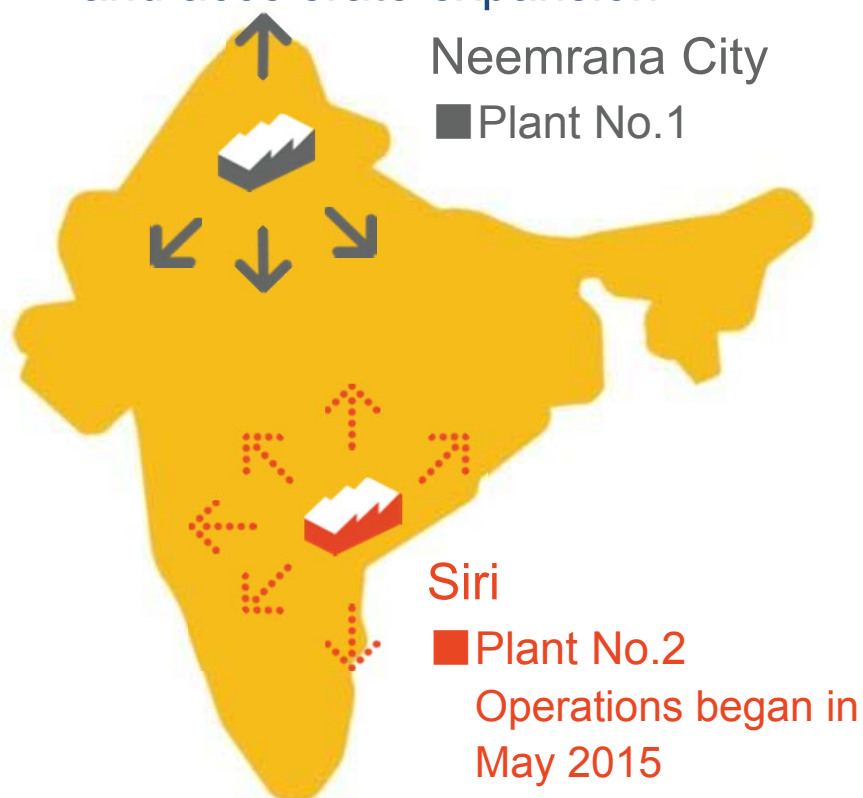
India

Aim for speedy expansion in area while strengthening supply capacity as demand is actualized



## ■ Operations began at Plant No.2

- ✓ Sharp increase in supply capacity and distribution efficiency
- ✓ Plan to build additional third factory and accelerate expansion



## ■ Significant expansion in number of cities entered





# New value proposals made on an ongoing basis for BC, FC and HC Win No. 1 market share



Baby care (BC) share



Feminine care (FC) share



Health care (HC) share



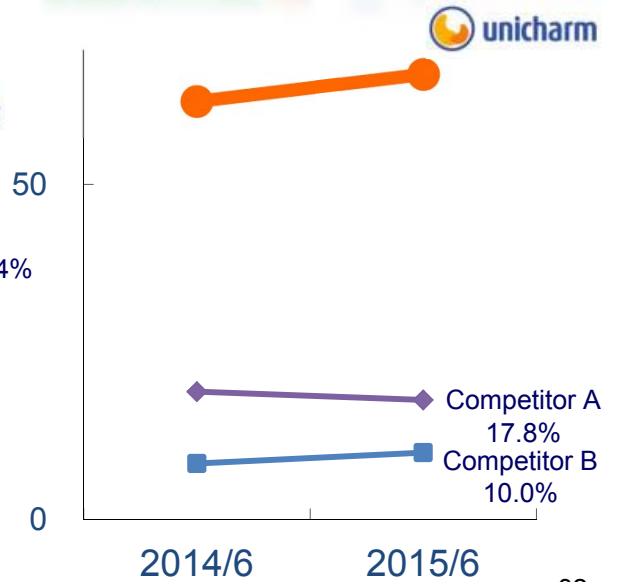
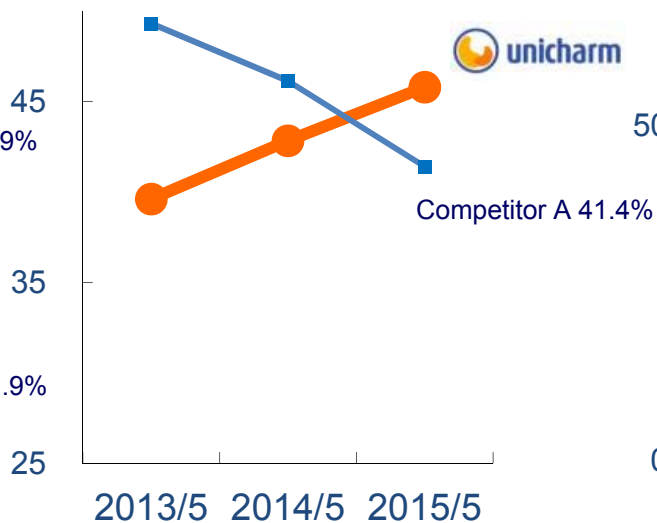
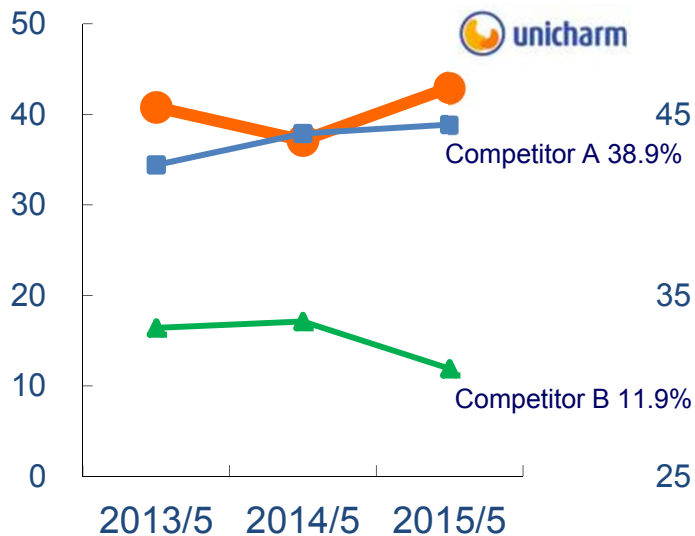
**No.1 43.0%**



**No.1 45.8%**



**No.1 66.4%**



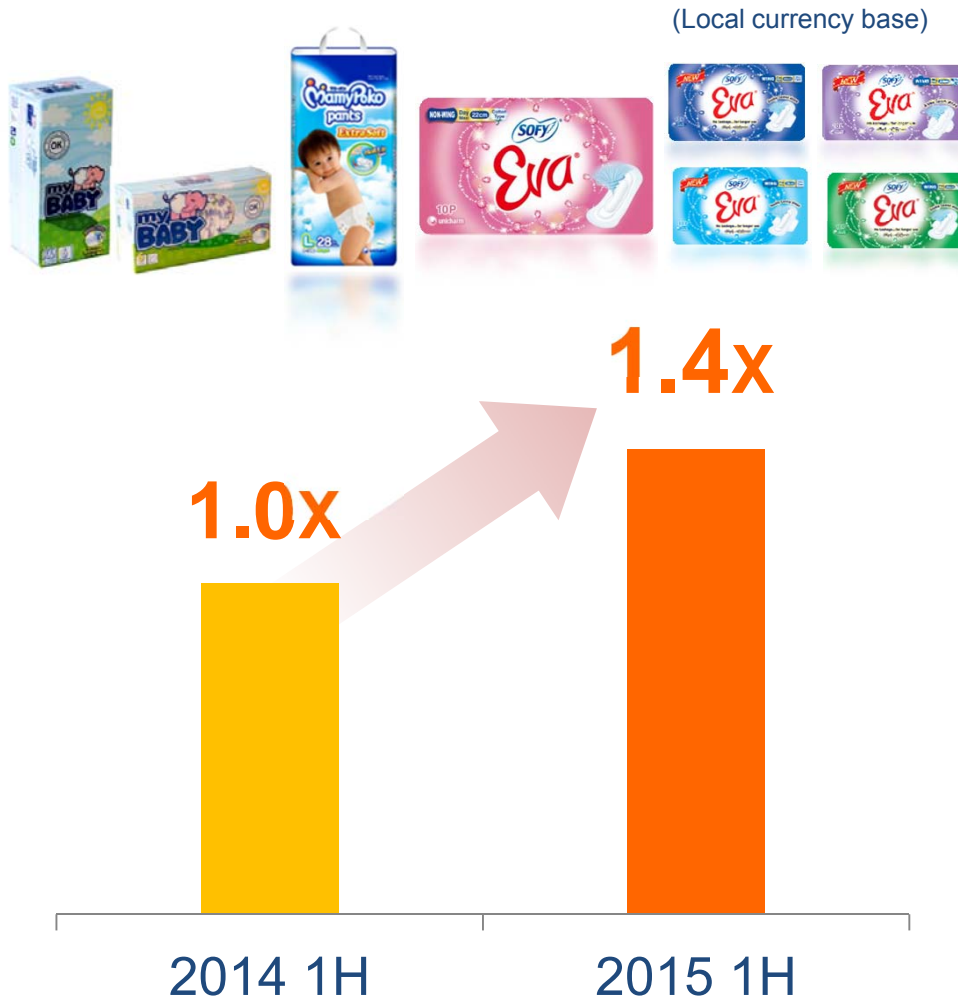


Myanmar

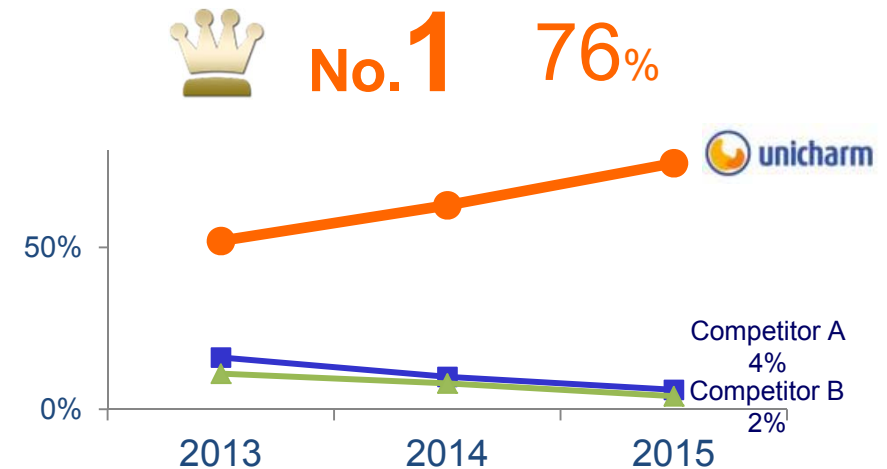
# Steady and accelerated growth after acquisition Build up overwhelming dominance for both BC and FC



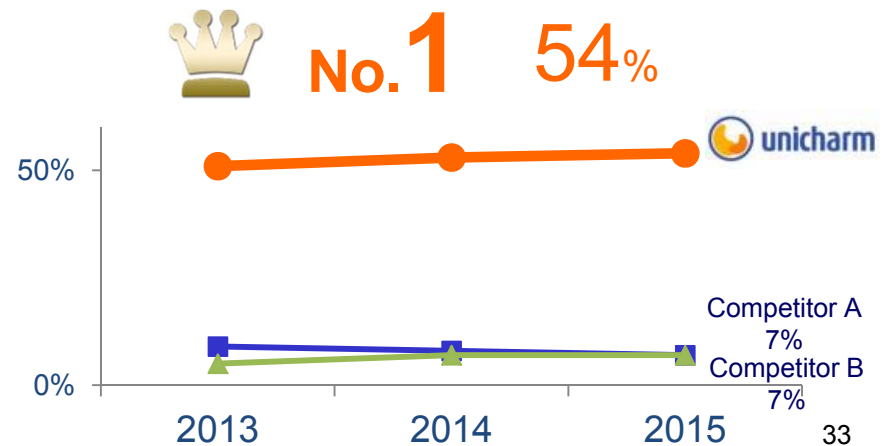
## Net sales



## Baby care (BC) share



## Feminine care (FC) share





Maintain No.1 share in Japan by continuously creating new markets

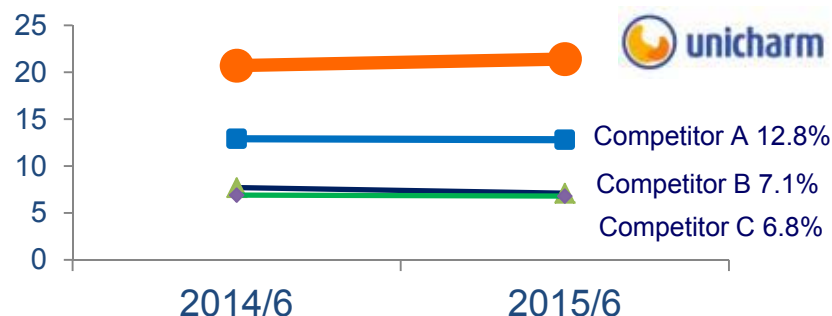
Steady progress for priority products in North America



Overall share of Japanese pet care (PC)



**No.1** 21.4%



North America pet care (PC) business

■ Flea and tick market share



■ Dog Pad market share



■ Food products



- ✓ Launch of first pet food in the world to be warmed on a cooking range
- ✓ Create new markets
- ✓ Accelerate shift to premium products

■ Toiletry



- ✓ Create new market for manner ware
- ✓ Contribute to creation of society in which pets coexist
- ✓ Accelerate differentiation

■ Accelerate US expansion of Japanese technology

Sale of soup and gel-type wet cat treats for the first time in U.S.



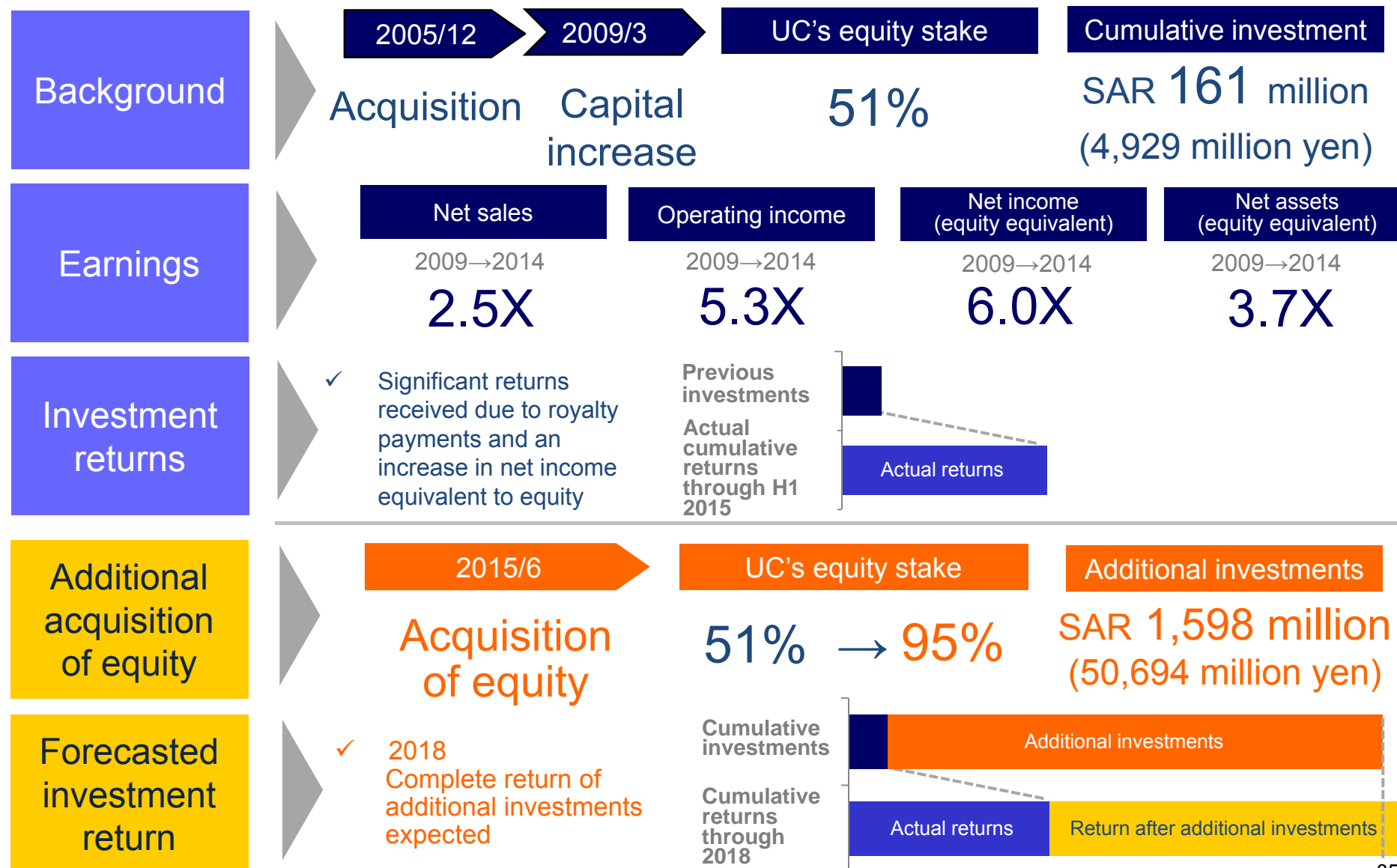
Start of sales in U.S. of deodorizing beads that are successful in Japan



Saudi Arabia

# Augment capital and speeding up decision-making in growing markets

## Aim for further increase in profitability



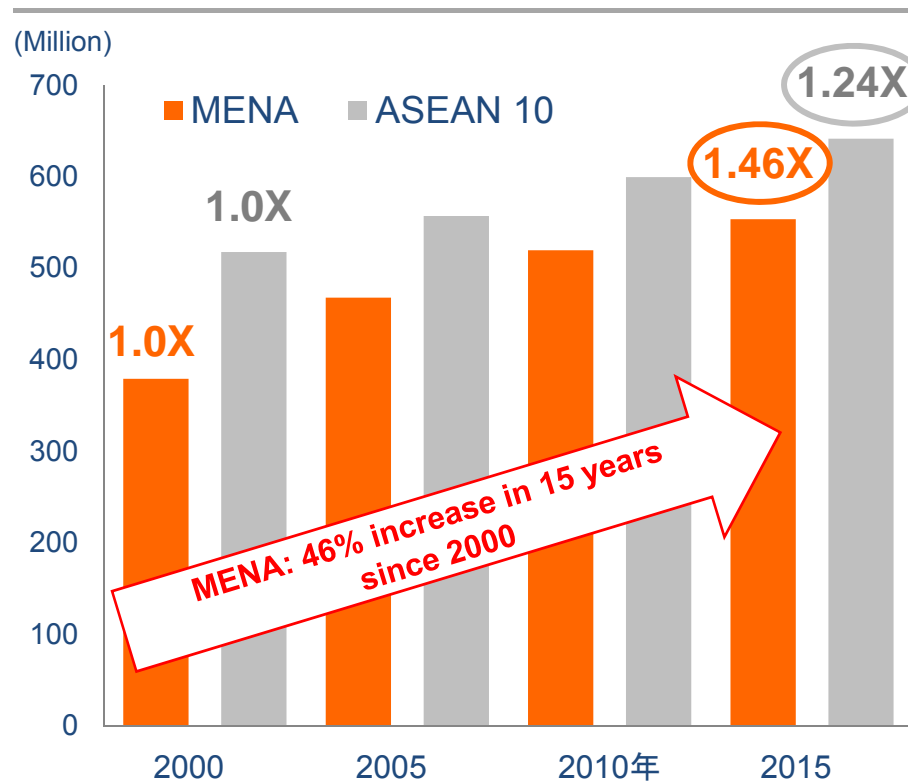


The MENA (Middle East and North Africa) region is home to cities with the world's highest populations Saudi Arabia growth rates, exceeding those in Asian cities.



- ✓ Population grew by 46% in the 15 years since 2000, far surpassing the EU (4.9%), ASEAN (23.9%), India (24.2%) and China (8.5%).
- ✓ The working population will reach a peak around 2030 so the consumption is expected to be strong over the long term.

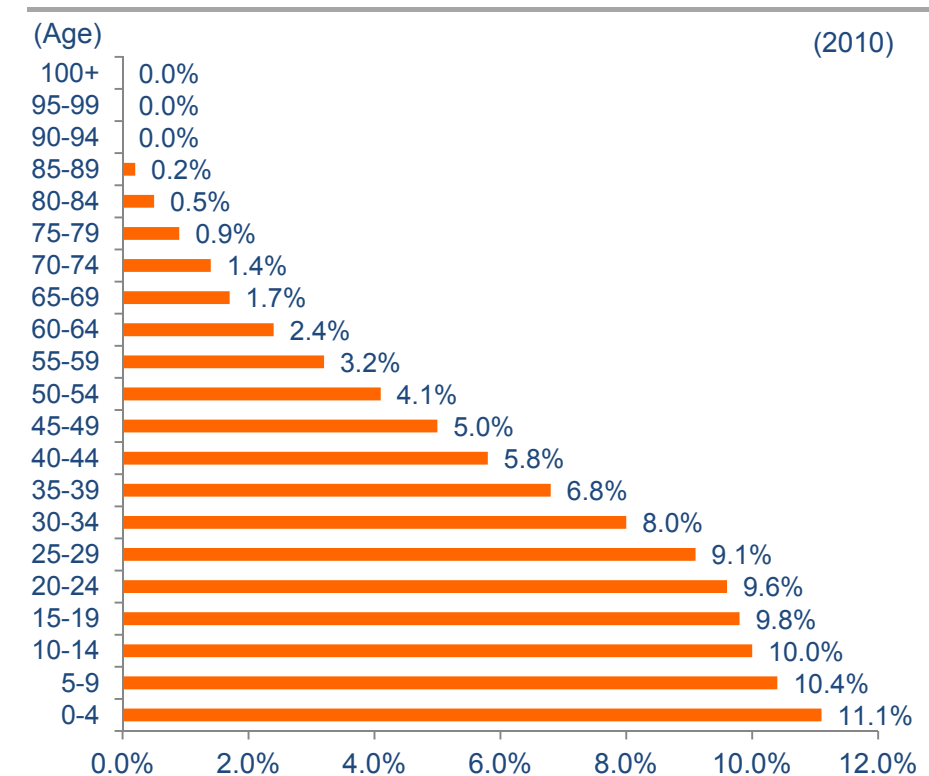
#### ■ Trends in population growth in MENA region



MENA: Middle East and North Africa

ASEAN10: Singapore, Malaysia, Thailand, Indonesia, Myanmar, Vietnam, Brunei, Laos, Cambodia, Philippines

#### ■ Population breakdown by age in MENA region



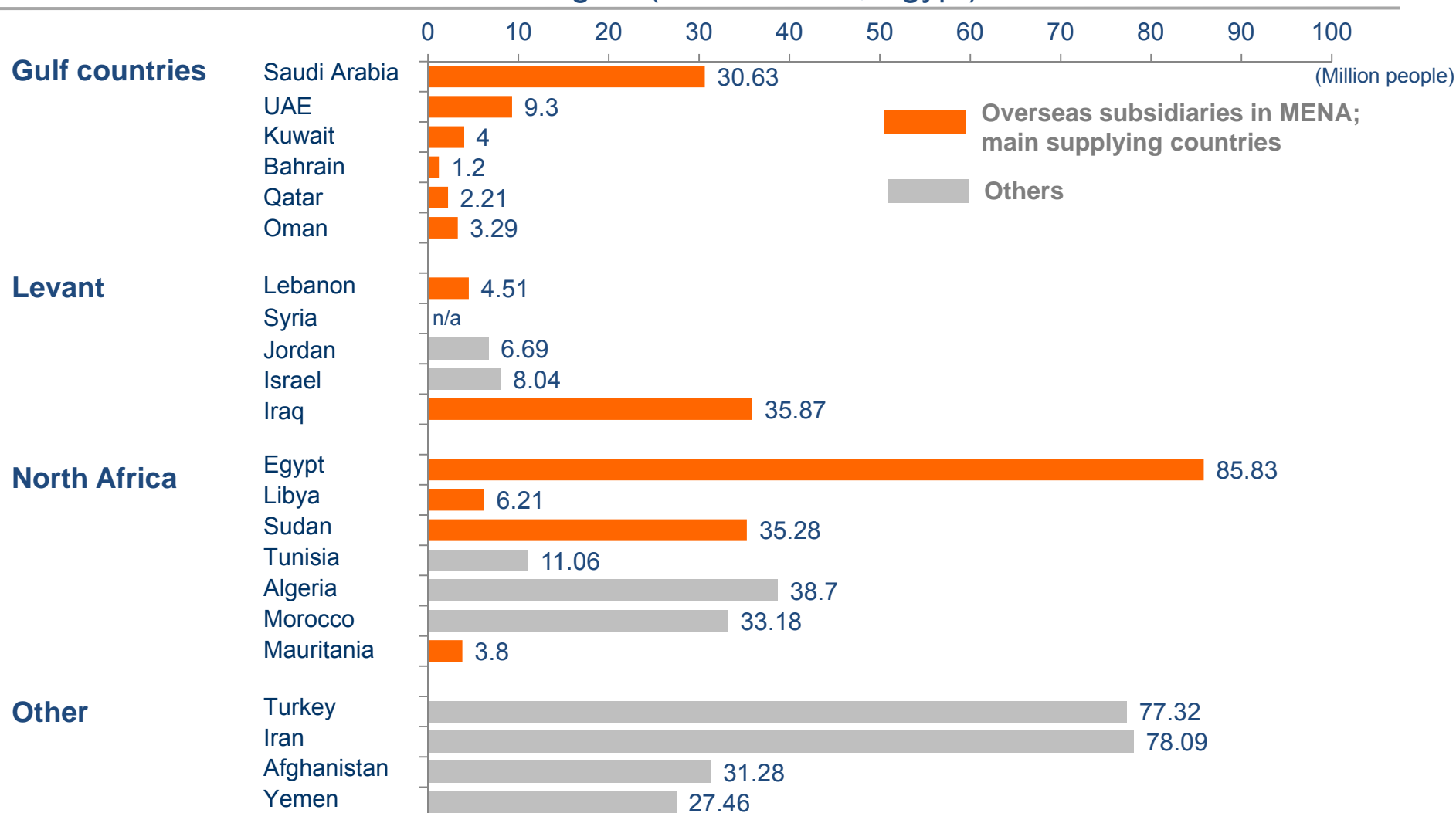


Saudi Arabia

# Vacuum in MENA region presents promising potential



- Population by region and country in MENA/Main supplying countries from overseas subsidiaries in MENA region (Saudi Arabia, Egypt)



# Start of operations in Brazil and South Africa; Full-scale entry into Latin America and Sub-Saharan Africa region

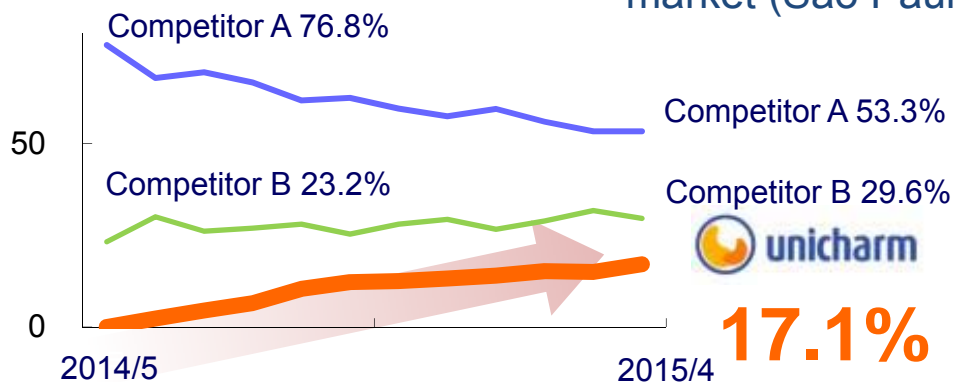


## ■ Brazil

- ✓ Start of sales in May 2014
- ✓ Share of pants-type baby diaper market in Sao Paulo jumped to **17.1%**



### ■ Trends in share of pants-type baby diaper market (Sao Paulo)



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## ■ South Africa

- ✓ Start of sales in March 2015
- ✓ Shipments increasing, primarily to local top-ranked baby care specialty stores

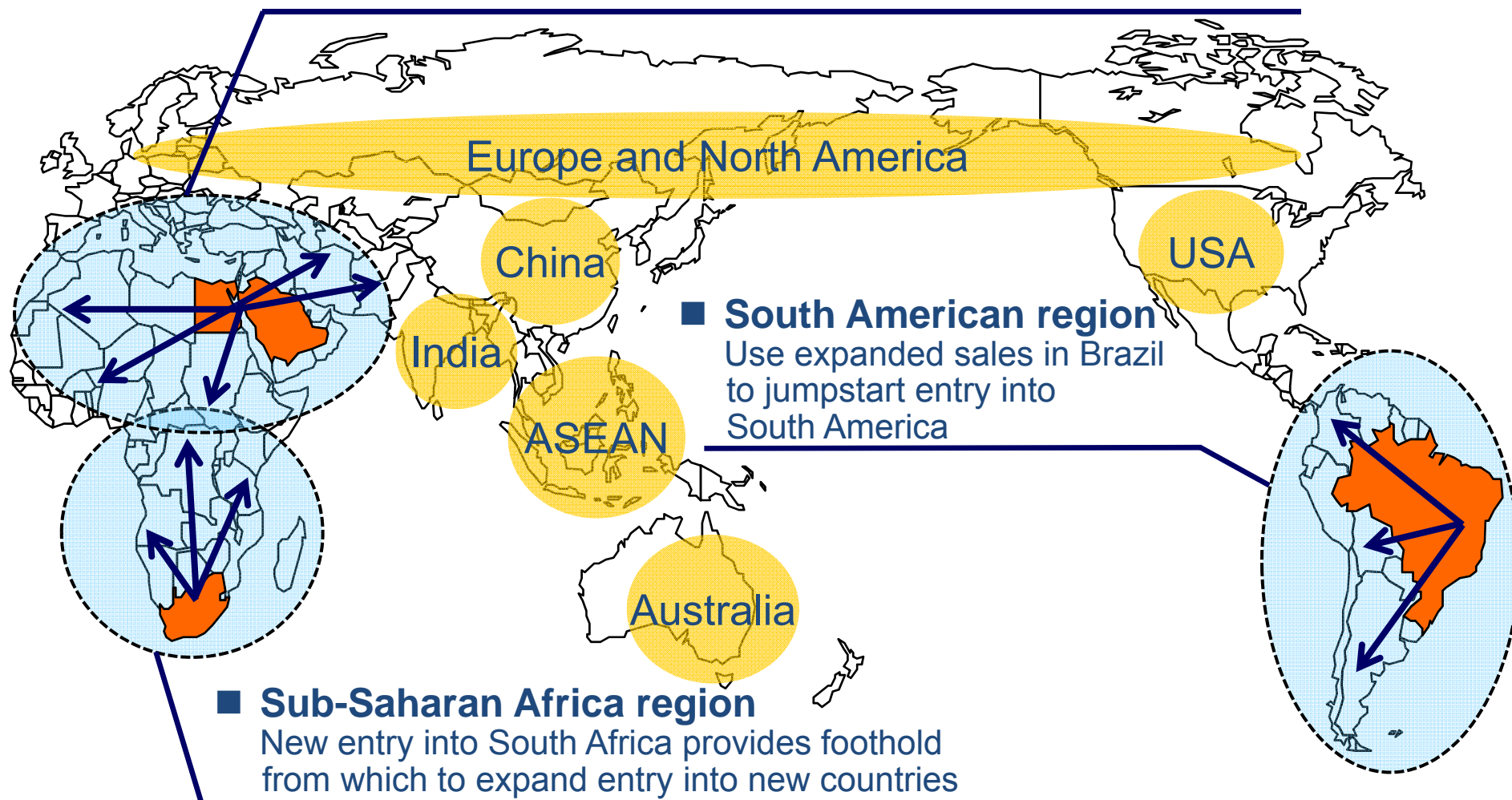


# Full-scale start of foray into South America and Africa Continue breaking into new countries and creating new markets, while picking up pace of growth



## ■ Countries neighboring Middle East, North Africa and India

Progress in dominating neighboring regions with focus on Saudi Arabia and Egypt



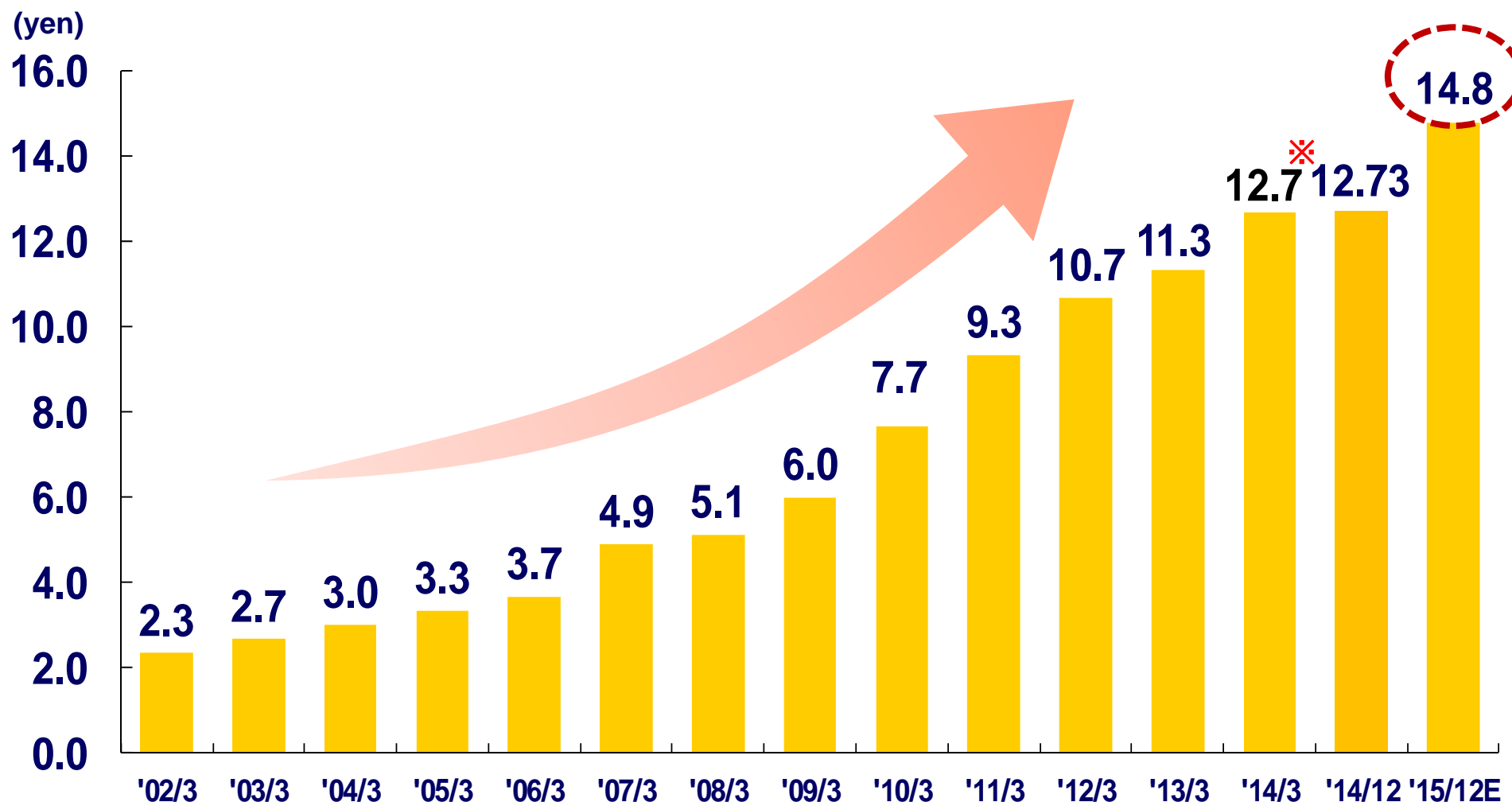
## **Shareholder Return Policy**

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# Steady and continual dividend payments On track for 14 consecutive periods of increased dividends!



## ■ Change in dividends



※Fiscal year ended Dec. 31, 2014 was an irregular fiscal year lasting nine months.

# Thank you very much.

