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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, 2017
(January 1, 2017 through December 31, 2017); Flash Report
[IFRS]



February 16, 2018

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: **Atsushi Iwata, Senior 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 28, 2018**
 Planned Commencement Date of Dividend Payments: **March 7, 2018**
 Planned Filing Date of Securities Report: **March 29, 2018**
 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 are rounded to the nearest million yen)

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

(1) Consolidated financial results

(Figures in percentage represent increases or decreases from the previous fiscal year)

	Net Sales		Profit Before Tax		Profit for the Period		Profit Attributable to Owners of Parent		Total Comprehensive Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal Year Ended December 31, 2017	641,647	6.1	92,926	22.5	57,571	12.3	52,772	12.3	64,949	145.4
Fiscal Year Ended December 31, 2016	604,653	—	75,835	—	51,259	—	46,971	—	26,463	—

	Basic Earnings Per Share	Diluted Earnings Per Share	Return on Equity Attributable to Owners of Parent	Ratio of Profit Before Tax to Total Assets
	Yen	Yen	%	%
Fiscal Year Ended December 31, 2017	89.85	87.06	14.3	13.2
Fiscal Year Ended December 31, 2016	79.06	76.63	13.4	11.4

(Reference)

Share of profit of investments accounted for using equity method: As of December 31, 2017: ¥58 million
 As of December 31, 2016: ¥22 million

(2) Consolidated financial position

	Total Assets	Total Equity	Equity Attributable to Owners of Parent	Ratio of Equity Attributable to Owners of Parent	Equity Attributable to Owners of Parent per Share
	Millions of Yen	Millions of Yen	Millions of Yen	%	Yen
As of December 31, 2017	736,644	453,029	387,567	52.6	652.91
As of December 31, 2016	668,592	414,387	352,098	52.7	587.61

(3) Consolidated cash flows

	From Operating Activities	From Investing Activities	From Financing Activities	Cash and Cash Equivalents at End of Period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Fiscal Year Ended December 31, 2017	98,086	(38,778)	(30,582)	169,903
Fiscal Year Ended December 31, 2016	103,604	(42,612)	(21,540)	138,043

2. Cash Dividends

	Annual Dividends					Total Amount of Cash Dividends (annual)	Dividend Payout Ratio (consolidated)	Ratio of Dividends to Equity Attributable to Owners of Parent (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, 2016	—	8.00	—	8.00	16.00	9,494	20.2	2.7
Fiscal Year Ended December 31, 2017	—	9.00	—	11.00	20.00	11,715	22.3	3.2
Fiscal year ending December 31, 2018 (projection)	—	12.00	—	12.00	24.00		23.8	

3. Projected Consolidated Financial Results for the Fiscal Year Ending December 31, 2018 (January 1, 2018 through December 31, 2018)

(Figures in percentage represent increases or decreases from the corresponding period of the previous fiscal year)

	Net Sales		Core Operating Income		Profit Before Tax		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	322,000	6.6	42,000	7.9	41,500	8.0	26,000	3.2	44.39
Full Year	687,000	7.1	94,000	8.2	93,000	0.1	59,000	11.8	100.73

*** Notes**

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

(2) Changes in accounting policies or estimates

- (i) Changes in accounting policies required by IFRS: None
- (ii) Changes in accounting policies other than item (i) above: None
- (iii) Changes in accounting estimates: None

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

- (i) Number of issued and outstanding shares (including treasury shares):
 - As of December 31, 2017: 620,834,319 shares
 - As of December 31, 2016: 620,834,319 shares
- (ii) Number of treasury shares as of end of period:
 - As of December 31, 2017: 35,097,927 shares
 - As of December 31, 2016: 29,982,790 shares
- (iii) Average number of shares during the period (accumulated total):
 - Fiscal Year Ended December 31, 2017: 587,322,285 shares
 - Fiscal Year Ended December 31, 2016: 594,109,497 shares

(Reference) Summary of non-consolidated performance

**1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2017
(January 1, 2017 through December 31, 2017)**

(1) Non-consolidated financial results

(Figures in percentage represent increases or decreases from the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Profit	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal Year Ended December 31, 2017	338,846	3.4	35,249	0.7	43,056	11.1	35,554	121.7
Fiscal Year Ended December 31, 2016	327,775	6.5	35,013	13.8	38,741	4.9	16,036	(7.4)

	Earnings Per Share	Diluted Earnings Per Share
	Yen	Yen
Fiscal Year Ended December 31, 2017	60.54	57.38
Fiscal Year Ended December 31, 2016	26.99	24.97

(2) Non-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, 2017	411,372	249,899	60.4	424.47
As of December 31, 2016	370,713	236,137	63.6	399.07

(Reference) Equity: As of December 31, 2017: ¥248,629 million
As of December 31, 2016: ¥235,792 million

Note: Non-consolidated financial figures were prepared in accordance with accounting standards generally accepted in Japan (hereafter "JGAAP").

**2. Non-consolidated Financial Results for the Fiscal Year Ending December 31, 2018
(January 1, 2018 through December 31, 2018)**

Explanation regarding non-consolidated financial results is omitted since it is not considered to be material as investment information.

* Financial results reports are not required to be audited.

* Explanation regarding proper use of the projections of financial results and other notes

(1) The Group adopted the International Financial Reporting Standards (IFRS) beginning with the fiscal year ended in December 31, 2017.

The consolidated financial statements for the previous fiscal year are presented based on IFRS. Please refer to “3. Consolidated Financial Statements and Significant Notes Thereto, (5) Notes to the consolidated financial statements, 6. First-time adoption” on page 20 for information on the differences between IFRS and Japanese accounting standards as they pertain to consolidated financial figures.

(2) While the core operating income disclosed by the Company is not an indicator defined in IFRS, the Company voluntarily discloses this 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 that were judged to be valid as of the announcement date hereof, and are not intended to be a promise by the Company to achieve these projections. Therefore, actual results may differ for various factors. Please refer to “1. Overview of the Operating Results, Etc., (4) Outlook for the fiscal year ending December 31, 2018” section on page 8 for more information concerning the assumptions used for projections of financial results and other notes on proper use.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2017

Contents of Exhibit

1. Overview of the Operating Results, Etc.	2
(1) Overview of the operating results, etc. for the fiscal year under review	2
(2) Overview of the financial position for the fiscal year under review	6
(3) Overview of the cash flows for the fiscal year under review	7
(4) Outlook for the fiscal year ending December 31, 2018	8
(5) Basic policy regarding profit distribution and dividends for the fiscal year ended December 31, 2017 and the fiscal year ending December 31, 2018.	8
2. Basic Stance on Selecting Accounting Standards	9
3. Consolidated Financial Statements and Significant Notes Thereto	10
(1) Consolidated statement of financial position	10
(2) Consolidated statements of income and comprehensive income	12
(3) Consolidated statement of changes in equity	14
(4) Consolidated statement of cash flows	15
(5) Notes to the consolidated financial statements	17
1. Notes regarding the Company's position as going concern	17
2. Segment information	17
3. Selling, general and administrative expenses	19
4. Earnings per share	19
5. Significant subsequent events	19
6. First-time adoption	20

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2017

1. Overview of the Operating Results, Etc.

(1) Overview of the operating results, etc. for the fiscal year under review

Comparison with actual results for the previous fiscal year

	Fiscal Year Ended Dec. 31, 2016 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2017 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	604,653	641,647	36,994	6.1
Core operating income	79,116	86,838	7,722	9.8
Profit before tax	75,835	92,926	17,091	22.5
Profit attributable to owners of parent	46,971	52,772	5,801	12.3

Comparison with projected results

	Projection for Fiscal Year Ended Dec. 31, 2017 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2017 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	630,000	641,647	11,647	1.8
Core operating income	84,000	86,838	2,838	3.4
Profit before tax	77,000	92,926	15,926	20.7
Profit attributable to owners of parent	49,000	52,772	3,772	7.7

By region

	Net sales (Note)			Core operating income		
	Fiscal Year Ended Dec. 31, 2016 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2017 (Millions of Yen)	Difference (Millions of Yen)	Fiscal Year Ended Dec. 31, 2016 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2017 (Millions of Yen)	Difference (Millions of Yen)
Japan	253,544	266,010	12,466	51,082	57,718	6,636
China	82,944	83,058	114	8,866	7,904	(962)
Asia	171,428	192,254	20,825	13,368	15,968	2,600
Others	96,736	100,326	3,589	4,929	4,899	(30)

(Note) Net sales represent those to external customers.

1. Overview of the overall earnings in the fiscal year under review

In the fiscal year under review, for overseas, the US and Asian economies showed signs of solid growth, but in our key target countries, including China, Indonesia, Thailand and India, competition remained harsh. In this environment, the Group proactively carried out sales activities of personal care products tailored to consumer needs, with a view to expanding its sales and market share.

In Japan, the modest economic growth continued, with signs of a recovery for personal spending, and the Group continued to make proposals offering new value to stimulate demand for high value-added personal care products. These efforts resulted in stable growth.

In these environments 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 unique non-woven fabric processing and forming technology, and products that meet the needs of consumers while working to create a “Cohesive Society” in which people from all generations can live while not feeling burdened by one another and with mutual respect for each other as people.

As a result, net sales in the fiscal year under review reached ¥641,647 million (up 6.1% year on year). In addition, looking at profits, the Company had posted foreign exchange losses in the previous fiscal year,

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2017

but recorded foreign exchange gains for the fiscal year under review. Profit before tax, profit for the period, and profit attributable to owners of parent in the fiscal year under review reached ¥92,926 million (up 22.5% year on year), ¥57,571 million (up 12.3% year on year), and ¥52,772 million (up 12.3% year on year), respectively.

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, 2016 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2017 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	523,116	555,388	32,272	6.2
Core operating income	71,355	77,177	5,822	8.2

(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 meet the needs for safety, is high, as well as to promote pants-type disposable diapers. In addition, the Company refined the *Mamy Poko* series, manufactured in China, with the use of Japanese technology. In India, where the use of disposable diapers is still quite low even among emerging countries, the Company expanded its sales area and market share while promoting pants-type disposable diapers.

In Japan, the Company assented to the Nihon Kotsu's "Jintsu Taxi Project (Labor Pain Taxi Project)" to support pregnant women, and provided them with the products as a maternity gift from the *moony* brand, which fits comfortably on the baby's skin while preventing leakage. The Company strengthened relations in the *Mamy Poko* series, which has a charming Disney character design and superior absorbency, as well as sub-category products such as *Oyasumi Man*, a brand exclusive for nighttime wear. In addition, the *Natural moony* series, which is Japan's first^{*1} disposable diaper that uses organic cotton for the top sheet making it a sensible choice for baby's skin, and a free app, "Potty Training with moony," developed with the Graduate School of Kyoto University, both won the Eleventh Kids Design Award^{*2} in the "Child Labor and Rearing Design category," sponsored by the Kids Design Award Association^{*3} (supported by the Ministry of Economics, Trade and Industry, the Consumer Affairs Agency and the Cabinet Office). *Natural moonyman*, a premium pants-type disposal diaper, was also launched to meet heightened demand for high quality products.

*1: Among the major domestic disposable baby diaper products (survey by Unicharm Corporation, in March 2016)

*2: An award that selects and recognizes impressive products, spaces, and services that support child-rearing.

*3: An NPO that brings together a wide range of companies and organizations in all industries to create a social environment that leads to the healthy growth and development of children for the next generation, based on its three design missions for kids design.

● 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 endeavoring to expand its sales area and further increase its market share for products tailored to customer needs in emerging countries such as Indonesia, Thailand and Vietnam.

In Japan, the Company updated the design of the package for the *SOFY Hada Omoi* series, which is gentle on sensitive skin, and introduced *SOFY Air Fit Slim - Happy Floral Bouquet Aroma*, an addition to the *SOFY Air Fit Slim* series of thin napkins that give users a new sense of comfort that they are not wearing a napkin. In the *Center-in* brand, familiar for its "IN the pouch, GO fashionable!," the Company created the *Center-in Fragrance - White Chabon Aroma* product to meet the need for fragrant products that is growing year after year. The Company refined the *SOFY Ultra Sound Sleep Fit 340*, which gives users the ultimate comfort as it allows users to enjoy the happiness of sleep, by adopting the world's first^{*1} "six

pack flexibly absorbent pad^{*2} to provide a new sense of comfort. The Company also launched *SOFY Hada Omoi Liner Clean Plus*, a panty liner with Japan's first^{*3} SIAA-certified 99% antibacterial sheet^{*4}. 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.

- *1: Among menstrual napkins manufactured by major global brands (survey by Unicharm Corporation, in October 2015)
- *2: A napkin with a flexible zone that can bend and stretch both vertically and horizontally is added to the absorbent section of the hip flap
- *3: The first in Japan to acquire SIAA certification in the panty liner category (survey by Society of International sustaining growth for Antimicrobial Articles, in September 2017)
- *4: Percentage reduction in bacteria compared to non-processed products; Inhibits the proliferation of bacteria on the surface of the antibacterial processed section, but does not prevent all bacteria.

- Health Care Products

Looking at overseas activities in Indonesia, a country in which the majority are Muslims and where the market for adult disposable diapers continues to expand, the Company obtained Halal certification that certifies its products are manufactured in conformity with Islamic Shariah Laws, in an effort to make products available to as many people as possible, so that they can feel assured in using the products.

In the domestic market, 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 the light incontinence care products line, the Company augmented its lineup in the *Lifree Comfortable Pads* series of incontinence care products for men that are designed to prevent stains on trousers and be inconspicuous, and the *Charm Nap* brand, which brings happiness to daily life with its absorbent care, so that users can select the right absorbency for their needs. In addition, the Company continued its efforts to remove resistance to using these products by conveying that anyone can have light incontinence. In addition, as there are many people who experience light fecal incontinence which, as with light urinary incontinence, is caused by the weakening of sphincter muscles, the Company sought to create a new market with the launch of Japan's first^{*1} pad specially designed for "slight bowel leaks^{*2}," the *Lifree Comfortable Pads for Slight Leaks*, which are available through on-line stores in a limited release. In the *Lifree* brand of adult disposable diapers and incontinence care products area, the Company introduced the *Lifree Elastic Thin-fit Adult Diaper with Tape Fasteners* that makes it easy for the user to sit up since sitting on a daily basis is part of rehabilitation, and the *Lifree Slim-fit Style Underwear*, which has separate designs for men and women and in which three patented technologies are used to enable users to look natural from behind so that they can enjoy long hours out of the house feeling secure and without having to worry about how they might look. In addition, the Company has promoted "Social walking^{*3}," a program which aims to phase out people who have confined themselves to their room by encouraging them to continue working purposefully with society, and supported people going outside through appropriate excretion care. The Company has worked to educate the elderly while partnering with local governments and related organizations with the aim of creating a more healthy society. 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.

- *1: Among major domestic manufacturers of pads to be placed in an undergarment to cover the anal area as a precaution against light fecal incontinence (survey by Unicharm Corporation, in March 2017)
- *2: "Slight bowel leaks" is defined as small fecal incontinence and a staining of the undergarment.
- *3: "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 Geriatric Hospital and Institute of Gerontology).

- Clean and Fresh Products

In the domestic market for clean and fresh products, the Company developed products in line with the changes in living environments and lifestyle changes targeted at the increasing number of customers who wish to keep their living spaces always spick and span by cleaning their homes easily within the limited time they spend at home. The development includes the first major improvement^{*1} in eight years of the *Silcot Wet Tissues* series, which is a box of wipes and enables users to clean quickly with just one hand,

with the introduction of advanced airtightness and a sophisticated design that makes them easier to be pulled out. In addition, the Company found that approximately 79% of handy wiper users did not throw away the dirty sheet after their first cleaning, even though they felt that it was unsanitary, and addressed this by introducing antibacterial^{*2} EX fibers for the first time in the sheet cleaner category^{*3} into the *Wave* brand with its cleaning proposal that a single sheet of this product can clean the entire house. This helped revitalize the market. The product *Silcot Sponge Touch Moisturizing Cotton*, which makes skin amazingly moist with 50% less lotion^{*4}, won first place for the second consecutive year^{*5} in the @cosme Best Cosmetics Award in the Best Beauty Care Goods category. In addition, *Silcot Wiping Cotton Silky Cut*, made from Japan's first superfine filament^{*6}, which easily removes even microscopic dirt. These products have rejuvenated the diversifying market for cosmetic cotton.

*1: Period from improvements to container in March 2009

*2: Inhibits the proliferation of bacteria on the surface of the antibacterial processed section, but does not prevent all bacteria

*3: Among major throw-away handy wipers (survey by Unicharm Corporation, in August 2017)

*4: Compared to the Company's conventional products

*5: @cosme Best Cosmetics Award in the Best Beauty Care Goods category, 2016 and 2017

*6: The sheet covering the puff has a double-layered structure. The outer layer touching the skin consists of superfine filaments that are less than 10 μm in size and the inner part is made up of coarse cellulose fibers. The survey covered cosmetic cotton from major brands in Japan. (Survey by Unicharm Corporation, in October 2015)

As a result, net sales and segment profit (core operating income) for the personal care business for the fiscal year under review were ¥555,388 million (up 6.2% year on year) and ¥77,177 million (up 8.2% year on year), respectively.

2) Pet Care Business

	Fiscal Year Ended Dec. 31, 2016 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2017 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	75,390	79,847	4,456	5.9
Core operating income	7,342	9,684	2,342	31.9

(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 to support the lives of pets in an integrated manner in order to help create a "Cohesive Society" in which humans and pets can live together in comfort for a long time and in good health.

In the domestic pet toiletry business, with more families seeing their dog as a child or family member, the Company launched the *Deo Sheet Premium*, one rank higher-quality pet sheet that utilizes the four technologies granted patents from the *Deo Sheet* brand to provide an ultra-deodorizing effect and ultra-absorbency lasting 12 hours^{*1}. This improves the excretion care environment so that owners can live together with their dog in a more pleasant environment. Also, in response to the general preference for smaller dog breeds and a rise in health care needs, the Company introduced a new product, the *Karada-omoi-labo, bed gentle to the legs, loins and joints*, a bed for pets developed jointly with Toyobo Co., Ltd., and designed to reduce the physical burden on the pets. As such, the Company has endeavored to develop products that provide the daily care needed for pets to always be healthy and full of energy.

In the domestic pet food market, the Company actively promoted sales of the *Grand Deli* brand of dog food, which focuses on high-quality ingredients with a well-balanced colors and a balance of flavor, taste and nutrition, by using television commercials and the Internet. The Company also launched *Grand Deli Ottotto* for dogs or dog snacks with crispy texture jointly developed with Morinaga & Co., Ltd. In the cat food market, more pet cats are being kept inside the house and are thus physically closer to their owners. This has raised the owners' demand in serving delicious pet food, which the Company has met by augmenting the lineup in the *Silver Spoon Three-Star Gourmet* brand and meeting needs for preference and new flavors. In addition, the Company launched the *Silver Spoon Three-Star Gourmet Snack* brand of liquid snacks, luxurious single-portion snacks with a focus on quality ingredients from all around Japan. The Company also launched a campaign to thank our pets, conveying our appreciation to our pets that give us such happiness, on November 22, which has been designated "Pet Day" (in Japanese, the date

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2017

11/22 makes the sound of a dog's bark and a cat's meow). In these ways, the Company provides total support for a pet's entire life and the days we spend with them.

In the North American market, sales have remained steady in sheets for dogs with the use of Japanese technology and in wet-type snacks for cats, and preparations were made for future growth, including reinforcing Internet sales, which have grown significantly in recent years, and making overtures to pet specialty stores.

*1: Calculated based on the average urinary output of a small dog

*2: Snacks for dogs jointly developed for the first time by Unicharm Corporation and Morinaga & Co., Ltd. (as of March 2017)

As a result, net sales and segment profit (core operating income) for the pet care business for the fiscal year under review were ¥79,847 million (up 5.9% year on year) and ¥9,684 million (up 31.9% year on year), respectively.

3) Other Businesses

	Fiscal Year Ended Dec. 31, 2016 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2017 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	6,147	6,412	265	4.3
Core operating income	419	(23)	(443)	—

(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. The Company also began a new childcare video-streaming service and posted the start-up costs for this service.

As a result, net sales and segment profit (core operating income) in other businesses for the fiscal year under review were ¥6,412 million (up 4.3% year on year) and a loss of ¥23 million (segment profit (core operating income) was ¥419 million in the previous fiscal year).

(2) Overview of the financial position for the fiscal year under review

	As of December 31, 2016 (Millions of Yen)	As of December 31, 2017 (Millions of Yen)	Difference (Millions of Yen)
Total assets	668,592	736,644	68,052
Total equity	414,387	453,029	38,642
Ratio of equity attributable to owners of parent (%)	52.7	52.6	—

Total assets as of the end of the fiscal year under review were ¥736,644 million, up ¥68,052 million year on year. The major increases were ¥31,860 million in cash and cash equivalents and ¥28,425 million in other financial assets mainly due to time deposits with deposit terms exceeding three months. Total liabilities were ¥283,615 million, up ¥29,410 million year on year. The major increases were ¥15,354 million in deferred tax liabilities and ¥9,275 million in trade and other payables. Total equity was ¥453,029 million, up ¥38,642 million year on year. The major increase was ¥52,772 million in profit attributable to owners of parent, and the major decrease was ¥14,000 million in increase in treasury shares.

Consequently, the ratio of equity attributable to owners of parent decreased from 52.7% as of the end of the previous fiscal year to 52.6% 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, 2017

(3) Overview of the cash flows for the fiscal year under review

	Fiscal Year Ended Dec. 31, 2016 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2017 (Millions of Yen)	Difference (Millions of Yen)
Cash flows from operating activities	103,604	98,086	(5,518)
Cash flows from investing activities	(42,612)	(38,778)	3,834
Cash flows from financing activities	(21,540)	(30,582)	(9,042)
Cash and cash equivalents at end of period	138,043	169,903	31,860

Net cash provided by operating activities totaled ¥98,086 million (down ¥5,518 million from the previous fiscal year). Net cash used in investing activities totaled ¥38,778 million mainly due to payments into time deposits (down ¥3,834 million from the previous fiscal year). Net cash used in financing activities amounted to ¥30,582 million, mainly attributable to purchase of treasury shares (up ¥9,042 million from previous fiscal year).

As a result, cash and cash equivalents at end of the fiscal year under review amounted to ¥169,903 million, up ¥31,860 million over the end of the previous fiscal year.

(Reference) Changes in cash flow-related financial indicators

	As of Dec. 31, 2016	As of Dec. 31, 2017
Ratio of equity attributable to owners of parent (%)	52.7	52.6
Ratio of equity attributable to owners of parent at market value (%)	226.0	232.9
Ratio of cash flows to interest-bearing debts (year)	0.2	0.2
Interest coverage ratio (times)	181.5	138.6

Ratio of equity attributable to owners of parent: $\text{Equity attributable to owners of parent} / \text{Total assets}$

Ratio of equity attributable to owners of parent at market value: $\text{Market capitalization} / \text{Total assets}$

Ratio of cash flows to interest-bearing debts: $\text{Interest-bearing debts} / \text{Cash flows}$

Interest coverage ratio: $\text{Cash flows} / \text{Payment of interest}$

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 statement of financial position.

Note 5: The date of transition to IFRS was January 1, 2016, and the Group adopted IFRS in the fiscal year ended December 31, 2017. Accordingly, data for the fiscal year ended on December 31, 2015 and prior periods are not provided.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2017

(4) Outlook for the fiscal year ending December 31, 2018

	Projected results for fiscal year ending Dec. 31, 2018 (Millions of Yen)	Actual results for fiscal year ended Dec. 31, 2017 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	687,000	641,647	45,353	7.1
Core operating income	94,000	86,838	7,162	8.2
Profit before tax	93,000	92,926	74	0.1
Profit attributable to owners of parent	59,000	52,772	6,228	11.8
Basic earnings per share (Yen)	100.73	89.85	10.88	12.1

Regarding the operating environment of the Group, the outlook remains uncertain due to factors such as geopolitical risks, trends in emerging economies, and volatility in financial markets. Under these conditions, the Company expects growth driven by domestic demand to continue in the Asian countries where it operates businesses. In Japan, personal spending is recovering amidst solid private-sector investment and foreign demand, and we expect the economic recovery to continue.

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 “personification of pet,” and achieve the creation of demand in response to a “Cohesive 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 tax, and profit attributable to owners of parent for the fiscal year ending December 31, 2018 are projected to be ¥687,000 million, ¥94,000 million, ¥93,000 million and ¥59,000 million, respectively, on a consolidated basis. Basic earnings per share will be ¥100.73.

In the meantime, the Company’s assumptions on foreign exchange rates for the main currencies are JPY110 to the U.S. dollar and JPY16.8 to the Chinese yuan.

(5) Basic policy regarding profit distribution and dividends for the fiscal year ended December 31, 2017 and the fiscal year ending December 31, 2018

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 aims for ROE (return on equity attributable to owners of parent) of 15% or higher being achieved by 2020 by expanding the business size as a result of proactive capital investment and investment in research and development for sustainable growth as well as by improving the profitability. We will increase dividends in a stable and continuous manner using ongoing gains in free cash flow, and work to augment profit return with the goal of a total payout ratio (by dividends and share repurchase) of 50%.

The annual dividend for the fiscal year under review will be ¥20, comprising a year-end dividend of ¥11 per share, in addition to a ¥9 per share dividend for the end of the second quarter. This will be the 16th consecutive period of an increase in dividends, with a dividend on equity attributable to owners of parent (DOE) of 3.2%.

Also, based on the resolution for purchase of the treasury shares passed at the Board of Directors’ meeting held on February 15, 2017, 5,115,000 shares were acquired, from February 16 to June 21, 2017, by the purchase on the Tokyo Stock Exchange for the total purchase amount of ¥14,000 million.

Based on the abovementioned profit distribution policy, the Company plans to make an annual dividend payment in the fiscal year ending December 31, 2018 of ¥24 per share, including a ¥12 per share dividend for the end of the second quarter, as we gradually increase dividend payouts toward 2020.

2. Basic Stance on Selecting Accounting Standards

The Group has applied the International Financial Reporting Standards (IFRS) from the fiscal year under review 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, 2017

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated statement of financial position

(Millions of Yen)

	Notes	Date of transition to IFRS (as of January 1, 2016)	Fiscal Year Ended December 31, 2016 (as of December 31, 2016)	Fiscal Year Ended December 31, 2017 (as of December 31, 2017)
Assets				
Current assets				
Cash and cash equivalents		101,966	138,043	169,903
Trade and other receivables		98,576	90,637	98,821
Inventories		64,029	57,403	60,529
Other current financial assets		36,589	38,938	59,119
Other current assets		13,509	14,615	18,805
Total current assets		314,669	339,637	407,176
Non-current assets				
Property, plant and equipment		239,692	236,629	228,521
Intangible assets		51,734	48,595	46,563
Deferred tax assets		13,067	8,955	9,451
Investments accounted for using equity method		204	705	733
Other non-current financial assets		25,615	25,388	33,631
Other non-current assets		11,218	8,684	10,568
Total non-current assets		341,531	328,955	329,467
Total assets		656,200	668,592	736,644

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2017

(Millions of Yen)

	Notes	Date of transition to IFRS (as of January 1, 2016)	Fiscal Year Ended December 31, 2016 (as of December 31, 2016)	Fiscal Year Ended December 31, 2017 (as of December 31, 2017)
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables		131,737	129,206	138,480
Bonds and borrowings		3,847	6,753	6,189
Income tax payables		7,668	9,337	11,070
Other current financial liabilities		174	65	239
Other current liabilities		26,199	31,600	38,001
Total current liabilities		169,624	176,962	193,979
Non-current liabilities				
Bonds and borrowings		59,623	61,190	58,000
Deferred tax liabilities		3,091	2,873	18,227
Retirement benefit liabilities		5,296	7,649	8,225
Other non-current financial liabilities		2,349	2,391	2,111
Other non-current liabilities		2,900	3,141	3,073
Total non-current liabilities		73,258	77,243	89,636
Total liabilities		242,883	254,205	283,615
Equity				
Equity attributable to owners of parent				
Capital stock		15,993	15,993	15,993
Share premium		—	—	421
Retained earnings		358,875	391,800	434,298
Treasury shares		(41,101)	(53,652)	(67,652)
Other components of equity		15,947	(2,042)	4,509
Total equity attributable to owners of parent		349,714	352,098	387,567
Non-controlling interests		63,604	62,289	65,461
Total equity		413,317	414,387	453,029
Total liabilities and equity		656,200	668,592	736,644

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2017

(2) Consolidated statements of income and comprehensive income

Consolidated statement of income

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)	Fiscal Year Ended December 31, 2017 (January 1, 2017 – December 31, 2017)
Net sales	2	604,653	641,647
Cost of sales		(376,842)	(393,101)
Gross profit		227,811	248,546
Selling, general and administrative expenses	3	(148,695)	(161,707)
Other income		1,832	2,163
Other expenses		(4,242)	(2,662)
Financial income		8,565	8,750
Financial costs		(9,436)	(2,163)
Profit before tax		75,835	92,926
Income tax expenses		(24,577)	(35,355)
Profit for the period		51,259	57,571
Profit attributable to			
Owners of parent		46,971	52,772
Non-controlling interests		4,288	4,800
Profit for the period		51,259	57,571
Earnings per share attributable to owners of parent			
Basic earnings per share (Yen)	4	79.06	89.85
Diluted earnings per share (Yen)	4	76.63	87.06

Reconciliation of changes from gross profit to core operating income

(Millions of yen)

Gross profit	227,811	248,546
Selling, general and administrative expenses	(148,695)	(161,707)
Core operating income (*)	79,116	86,838

* Core operating income comprises gross profit less selling, general and administrative expenses. While it is not an indicator defined in IFRS, the Company voluntarily discloses this in the consolidated statement of income and Note “(5) 2. Segment information” as the Company’s Board of Directors evaluates the performance of business segments based on core operating income, and it is believed to be a valuable benchmark for measuring the Company’s recurring business performance.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2017

Consolidated statement of comprehensive income

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)	Fiscal Year Ended December 31, 2017 (January 1, 2017 – December 31, 2017)
Profit for the period		51,259	57,571
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Remeasurements related to net defined benefit liabilities (assets)		(2,975)	(281)
Subtotal		(2,975)	(281)
Items that may be reclassified to profit or loss			
Changes in fair value of available-for-sale financial assets		(3,974)	1,376
Changes in fair value of cash flow hedges		25	(53)
Exchange differences on translation in foreign operations		(17,871)	6,337
Subtotal		(21,820)	7,659
Total other comprehensive income, net of tax		(24,795)	7,378
Total comprehensive income		26,463	64,949
Total comprehensive income attributable to			
Owners of parent		25,604	58,849
Non-controlling interests		859	6,101
Total comprehensive income		26,463	64,949

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2017

(3) Consolidated statement of changes in equity

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

(Millions of yen)

	Notes	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at January 1, 2016		15,993	–	358,875	(41,101)	15,947	349,714	63,604	413,317
Profit for the period		–	–	46,971	–	–	46,971	4,288	51,259
Other comprehensive income		–	–	–	–	(21,367)	(21,367)	(3,429)	(24,795)
Total comprehensive income		–	–	46,971	–	(21,367)	25,604	859	26,463
Purchase of treasury shares		–	–	–	(14,000)	–	(14,000)	–	(14,000)
Disposal of treasury shares		–	(351)	–	1,449	(148)	950	–	950
Dividends		–	–	(9,175)	–	–	(9,175)	(2,610)	(11,785)
Change of scope of consolidation		–	–	(347)	–	–	(347)	–	(347)
Equity transactions with non-controlling interests		–	(1,222)	–	–	–	(1,222)	436	(786)
Share-based payments		–	–	–	–	575	575	–	575
Transfer from other components of equity to retained earnings		–	–	(2,950)	–	2,950	–	–	–
Transfer from retained earnings to share premium		–	1,574	(1,574)	–	–	–	–	–
Total transactions with owners		–	–	(14,046)	(12,551)	3,378	(23,220)	(2,174)	(25,394)
Balance at December 31, 2016		15,993	–	391,800	(53,652)	(2,042)	352,098	62,289	414,387

Fiscal Year Ended December 31, 2017 (January 1, 2017 – December 31, 2017)

(Millions of yen)

	Notes	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at January 1, 2017		15,993	–	391,800	(53,652)	(2,042)	352,098	62,289	414,387
Profit for the period		–	–	52,772	–	–	52,772	4,800	57,571
Other comprehensive income		–	–	–	–	6,077	6,077	1,301	7,378
Total comprehensive income		–	–	52,772	–	6,077	58,849	6,101	64,949
Purchase of treasury shares		–	–	–	(14,000)	–	(14,000)	–	(14,000)
Dividends		–	–	(9,998)	–	–	(9,998)	(2,715)	(12,714)
Change of scope of consolidation		–	–	(34)	–	–	(34)	–	(34)
Equity transactions with non-controlling interests		–	421	–	–	–	421	(213)	208
Share-based payments		–	–	–	–	233	233	–	233
Transfer from other components of equity to retained earnings		–	–	(241)	–	241	–	–	–
Total transactions with owners		–	421	(10,274)	(14,000)	474	(23,379)	(2,928)	(26,308)
Balance at December 31, 2017		15,993	421	434,298	(67,652)	4,509	387,567	65,461	453,029

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2017

(4) Consolidated statement of cash flows

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)	Fiscal Year Ended December 31, 2017 (January 1, 2017 – December 31, 2017)
Cash flows from operating activities			
Profit before tax		75,835	92,926
Depreciation and amortization		27,598	29,345
Impairment losses		1,355	886
Interest and dividend income		(2,383)	(2,869)
Interest expenses		853	928
Foreign exchange loss (gain)		5,833	(547)
Loss (gain) on sale and retirement of fixed assets		1,010	898
Loss (gain) on sale of available-for-sale financial assets		(5,066)	(4,937)
Decrease (increase) in trade and other receivables		2,188	(7,583)
Decrease (increase) in inventories		3,210	(5,241)
Increase (decrease) in trade and other payables		2,598	8,388
Increase (decrease) in other current liabilities		6,903	6,826
Other		(1,894)	(3,023)
Subtotal		118,039	115,999
Interest and dividends received		2,275	2,721
Interest paid		(571)	(708)
Income taxes refund		659	8
Income taxes paid		(16,798)	(19,934)
Net cash provided by (used in) operating activities		103,604	98,086
Cash flows from investing activities			
Payments into time deposits		(17,218)	(65,952)
Proceeds from withdrawal of time deposits		13,603	46,937
Purchase of property, plant and equipment, and intangible assets		(37,862)	(32,598)
Proceeds from sale of property, plant and equipment, and intangible assets		216	64
Purchase of available-for-sale financial assets		(6,500)	(17)
Proceeds from sale of available-for-sale financial assets		5,146	11,363
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation		–	1,424
Other		2	1
Net cash provided by (used in) investing activities		(42,612)	(38,778)

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2017

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)	Fiscal Year Ended December 31, 2017 (January 1, 2017 – December 31, 2017)
Cash flows from financing activities			
Net decrease (increase) in short-term borrowings		2,527	(3,334)
Proceeds from long-term borrowings		4,813	–
Repayments of long-term borrowings		(3,163)	(602)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation		(989)	–
Proceeds from sale of investments in subsidiaries not resulting in change in scope of consolidation		–	100
Payments for purchase of treasury shares		(14,000)	(14,000)
Dividends paid to owners of parent		(9,173)	(9,986)
Dividends paid to non-controlling interests		(2,610)	(2,715)
Capital contribution from non-controlling interests		232	–
Proceeds from exercise of employee share options		950	–
Other		(127)	(45)
Net cash provided by (used in) financing activities		(21,540)	(30,582)
Effect of exchange rate changes on cash and cash equivalents		(3,375)	3,135
Net increase (decrease) in cash and cash equivalents		36,076	31,860
Cash and cash equivalents at beginning of period		101,966	138,043
Cash and cash equivalents at end of period		138,043	169,903

(5) Notes to the consolidated financial statements

1. Notes regarding the Company's position as going concern

None.

2. Segment information

(1) Overview of reportable segments

The Group's reportable segments are part of its organizational units whose financial information is individually available, and are subject to regular review by its Board of Directors, the chief operating decision maker, for the purpose of deciding the allocation of its managerial resources and evaluating its business performance.

The Group 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 Group's reporting segments.

The personal care segment comprises the four core businesses of baby care products, feminine care products, health care products, and clean and fresh products, but is reported collectively given the similarities in the nature of the products, manufacturing processes and shipping methods and similarities also of the market characteristics of their respective marketing areas. In the pet care business, the Group manufactures and sells pet food products and pet toiletry products. In other businesses, the Group manufactures and sells business-use products, etc.

The accounting policies for the reportable segments are the same as for the consolidated financial statements. The segment profit is the core operating income (comprising gross profit less selling, general and administrative expenses), which is the key performance indicator based on which the Board of Directors evaluates the performance of business segments.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2017

(2) Sales and results by reportable segment

Sales and results by reportable segment are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)					
	Reportable segment				Adjustments	Amounts reported in consolidated financial statements
	Personal care	Pet care	Other	Total		
Sales to external customers	523,116	75,390	6,147	604,653	–	604,653
Sales across segments (Note)	–	–	35	35	(35)	–
Total segment sales	523,116	75,390	6,182	604,688	(35)	604,653
Segment profit (Core operating income)	71,355	7,342	419	79,116	–	79,116
Other income						1,832
Other expenses						(4,242)
Financial income						8,565
Financial costs						(9,436)
Profit before tax						75,835
Others						
Depreciation and amortization	24,736	2,763	99	27,598	–	27,598
Impairment losses	1,355	–	–	1,355	–	1,355
Increase in property, plant and equipment and intangible assets	37,218	1,938	281	39,437	–	39,437

(Millions of Yen)

	Fiscal Year Ended December 31, 2017 (January 1, 2017 – December 31, 2017)					
	Reportable segment				Adjustments	Amounts reported in consolidated financial statements
	Personal care	Pet care	Other	Total		
Sales to external customers	555,388	79,847	6,412	641,647	–	641,647
Sales across segments (Note)	–	–	30	30	(30)	–
Total segment sales	555,388	79,847	6,442	641,677	(30)	641,647
Segment profit (Core operating income)	77,177	9,684	(23)	86,838	–	86,838
Other income						2,163
Other expenses						(2,662)
Financial income						8,750
Financial costs						(2,163)
Profit before tax						92,926
Others						
Depreciation and amortization	26,249	2,964	131	29,345	–	29,345
Impairment losses	817	69	–	886	–	886
Increase in property, plant and equipment and intangible assets	31,629	1,545	222	33,397	–	33,397

(Note) Sales across segments are based on prevailing market prices.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2017

3. Selling, general and administrative expenses

The breakdown of selling, general and administrative expenses is as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)	Fiscal Year Ended December 31, 2017 (January 1, 2017 – December 31, 2017)
Freight-out expenses	37,783	41,923
Promotion expenses	19,577	23,817
Advertising expenses	20,914	22,830
Employee benefits expense	31,988	33,514
Depreciation and amortization expense	4,732	5,075
Research and development expense	6,071	6,554
Others	27,630	27,995
Total	148,695	161,707

4. Earnings per share

(1) Basic earnings per share

Basic earnings per share and the calculation basis therefor are as follows.

	Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)	Fiscal Year Ended December 31, 2017 (January 1, 2017 – December 31, 2017)
Profit attributable to owners of parent (Millions of Yen)	46,971	52,772
Weighted-average number of ordinary shares (Thousands of shares)	594,109	587,322
Basic earnings per share (Yen)	79.06	89.85

(2) Diluted earnings per share

Diluted earnings per share and the calculation basis therefor are as follows.

	Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)	Fiscal Year Ended December 31, 2017 (January 1, 2017 – December 31, 2017)
Profit attributable to owners of parent (Millions of Yen)	46,971	52,772
Adjustment of profit used to calculate diluted earnings per share (Millions of Yen)	167	167
Profit used to calculate diluted earnings per share (Millions of Yen)	47,138	52,939
Weighted-average number of ordinary shares (Thousands of shares)	594,109	587,322
Impact of dilutive potential ordinary shares		
Increase in the number of ordinary shares from exercise of convertible bond-type bonds with subscription rights to shares (Thousands of shares)	20,755	20,755
Increase in the number of ordinary shares from exercise of stock options (Thousands of shares)	279	—
Weighted-average number of diluted ordinary shares (Thousands of shares)	615,143	608,077
Diluted earnings per share (Yen)	76.63	87.06

5. Significant subsequent events

None.

6. First-time adoption

These consolidated financial statements are the Group's first set of financial statements prepared in conformity with International Financial Reporting Standards. The most recent consolidated financial statements prepared in accordance with JGAAP are for the fiscal year ended December 31, 2016. The date of transition to IFRS is January 1, 2016.

(1) Exemptions under IFRS 1

IFRS 1 requires that, in principle, an entity adopting IFRS for the first time must apply the procedures required by IFRS retrospectively. However, IFRS 1 also provides that first-time adopters may apply optional exemptions to certain procedures required by IFRS. Stated below are the exemptions under IFRS 1 that the Group has elected to apply in the transition from JGAAP.

(i) Business combinations

IFRS 1 allows IFRS 3 "Business Combinations" (hereafter "IFRS 3") provisions to be applied to previous business combinations from a certain date prior to the transition to IFRS to all later combinations. The Group has elected to apply IFRS 3 retrospectively to business combinations that occurred on or after September 1, 2010. IFRS 3 therefore is not applied to business combinations that occurred on or before August 31, 2010.

(ii) Cumulative exchange differences on translation in foreign operations

IFRS 1 allows cumulative exchange differences on translation in foreign operations to be reset to zero as of the date of transition to IFRS. The Group has elected to reset the cumulative exchange differences on translation in foreign operations to zero as of the date of transition to IFRS.

(iii) Leases

IFRS 1 allows first-time adopters to determine whether an arrangement contains a lease as of the date of transition to IFRS. The Group has elected to determine whether an arrangement contains a lease based on the facts and conditions that exist on the date of transition to IFRS.

(iv) Deemed cost

IFRS 1 allows first-time adopters to use the fair value of property, plant and equipment as of the date of transition to IFRS as a deemed cost. The Group uses the fair value as of the date of transition to IFRS as the deemed cost for certain items of property, plant and equipment.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2017

(2) Reconciliation from JGAAP to IFRS

In preparing the consolidated financial statements in conformity with IFRS, the Group has made the necessary adjustments to amounts previously reported in its consolidated financial statements prepared in accordance with JGAAP. The effect of the transition from JGAAP to IFRS is presented in the following reconciliation charts.

(i) Reconciliation of equity as of the date of transition to IFRS (as of January 1, 2016)

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi- cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	138,503	(36,537)	—	101,966		Cash and cash equivalents
Notes and accounts receivable – trade	95,476	3,100	—	98,576		Trade and other receivables
Merchandise and finished goods	30,169	(30,169)	—	—		
Raw materials and supplies	32,499	(32,499)	—	—		
Work in process	1,360	(1,360)	—	—		
	—	64,029	—	64,029		Inventories
Deferred tax assets	17,024	(17,024)	—	—		
	—	36,589	—	36,589		Other current financial assets
Other	16,809	(3,300)	—	13,509		Other current assets
Allowance for doubtful accounts	(148)	148	—	—		
Total current assets	331,693	(17,024)	—	314,669		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	247,808	(5,670)	(2,446)	239,692	G	Property, plant and equipment
Intangible assets	89,828	—	(38,094)	51,734	A, J	Intangible assets
Investment securities	23,611	(23,611)	—	—		
Deferred tax assets	2,195	17,024	(6,153)	13,067	E	Deferred tax assets
Net defined benefit asset	2,160	(2,160)	—	—		
	—	204	—	204		Investments accounted for using equity method
	—	25,254	361	25,615	C	Other non-current financial assets
Other	5,393	5,893	(68)	11,218		Other non-current assets
Allowance for doubtful accounts	(91)	91	—	—		
Total non-current assets	370,907	17,024	(46,401)	341,531		Total non-current assets
Total assets	702,601	—	(46,401)	656,200		Total assets

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2017

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi- cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Liabilities and net assets						Liabilities and equity
Current liabilities						Current liabilities
Notes and accounts payable – trade	93,799	37,937	–	131,737		Trade and other payables
Short-term loans payable	3,846	–	–	3,847		Bonds and borrowings
Accounts payable – other	40,683	(40,683)	–	–		
Income taxes payable	7,667	–	–	7,668		Income tax payables
Provision for bonuses	5,514	(5,514)	–	–		
	–	174	–	174		Other current financial liabilities
Other	17,117	7,944	1,138	26,199	B	Other current liabilities
Total current liabilities	168,630	(144)	1,138	169,624		Total current liabilities
Non-current liabilities						Non-current liabilities
Convertible bond-type bonds with subscription rights to shares	54,421	(54,421)	–	–		
Long-term loans payable	10,757	54,421	(5,557)	59,623	I	Bonds and borrowings
Deferred tax liabilities	8,160	144	(5,214)	3,091	E	Deferred tax liabilities
Net defined benefit liability	5,295	–	–	5,296		Retirement benefit liabilities
	–	2,349	–	2,349		Other non-current financial liabilities
Other	4,243	(2,349)	1,006	2,900	B	Other non-current liabilities
Total non-current liabilities	82,878	144	(9,764)	73,258		Total non-current liabilities
Total liabilities	251,509	–	(8,627)	242,883		Total liabilities
Shareholders' equity						Equity attributable to owners of parent
Capital stock	15,992	–	–	15,993		Capital stock
Capital surplus	6,858	49,074	(55,933)	–	A	Share premium
Retained earnings	366,777	(49,074)	41,173	358,875	J	Retained earnings
Treasury shares	(41,101)	–	–	(41,101)		Treasury shares
Valuation difference on available-for-sale securities	11,164	(11,164)	–	–		
Deferred gains or losses on hedges	(6)	6	–	–		
Revaluation reserve for land	(157)	157	–	–		
Foreign currency translation adjustment	33,804	(33,804)	–	–		
Remeasurements of defined benefit plans	(6,136)	6,136	–	–		
Subscription rights to shares	276	(276)	–	–		
	–	38,945	(22,998)	15,947	C, D F, I	Other components of equity
	387,472	–	(37,759)	349,714		Total equity attributable to owners of parent
Non-controlling interests	63,619	–	(16)	63,604		Non-controlling interests
Total net assets	451,091	–	(37,775)	413,317		Total equity
Total liabilities and net assets	702,601	–	(46,401)	656,200		Total liabilities and equity

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2017

(ii) Reconciliations of equity as of the end of the fiscal year ended December 31, 2016 (as of December 31, 2016)

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi- cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	175,742	(37,700)	—	138,043		Cash and cash equivalents
Notes and accounts receivable – trade	88,484	2,152	—	90,637		Trade and other receivables
Securities	29	(29)	—	—		
Merchandise and finished goods	30,792	(30,792)	—	—		
Raw materials and supplies	25,881	(25,881)	—	—		
Work in process	728	(728)	—	—		
	—	57,403	—	57,403		Inventories
Deferred tax assets	12,613	(12,613)	—	—		
	—	38,938	—	38,938		Other current financial assets
Other	18,651	(4,036)	—	14,615		Other current assets
Allowance for doubtful accounts	(674)	674	—	—		
Total current assets	352,250	(12,614)	—	339,637		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	244,325	(5,250)	(2,446)	236,629	G	Property, plant and equipment
Intangible assets	83,082	—	(34,487)	48,595	A, J	Intangible assets
Investment securities	23,675	(23,675)	—	—		
Deferred tax assets	2,843	12,614	(6,502)	8,955	E	Deferred tax assets
Net defined benefit asset	276	(276)	—	—		
	—	705	—	705		Investments accounted for using equity method
	—	24,847	540	25,388	C	Other non-current financial assets
Other	5,178	3,559	(54)	8,684		Other non-current assets
Allowance for doubtful accounts	(90)	90	—	—		
Total non-current assets	359,290	12,614	(42,949)	328,955		Total non-current assets
Total assets	711,541	—	(42,949)	668,592		Total assets

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2017

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi- cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Liabilities and net assets						Liabilities and equity
Current liabilities						Current liabilities
Notes and accounts payable – trade	93,257	35,948	–	129,206		Trade and other payables
Short-term loans payable	6,753	–	–	6,753		Bonds and borrowings
Accounts payable – other	40,573	(40,573)	–	–		
Income taxes payable	9,337	–	–	9,337		Income tax payables
Provision for bonuses	6,090	(6,090)	–	–		
	–	65	–	65		Other current financial liabilities
Other	19,982	10,438	1,179	31,600	B	Other current liabilities
Total current liabilities	175,994	(213)	1,179	176,962		Total current liabilities
Non-current liabilities						Non-current liabilities
Convertible bond-type bonds with subscription rights to shares	53,441	(53,441)	–	–		
Long-term loans payable	12,084	53,441	(4,336)	61,190	I	Bonds and borrowings
Deferred tax liabilities	9,093	213	(6,433)	2,873	E	Deferred tax liabilities
Net defined benefit liability	7,648	–	–	7,649		Retirement benefit liabilities
	–	2,391	–	2,391		Other non-current financial liabilities
Other	3,304	(2,391)	2,227	3,141	B	Other non-current liabilities
Total non-current liabilities	85,572	213	(8,542)	77,243		Total non-current liabilities
Total liabilities	261,567	–	(7,362)	254,205		Total liabilities
Shareholders' equity						Equity attributable to owners of parent
Capital stock	15,992	–	–	15,993		Capital stock
Capital surplus	5,586	50,648	(56,235)	–	A	Share premium
Retained earnings	401,388	(50,648)	41,059	391,800	J	Retained earnings
Treasury shares	(53,652)	–	–	(53,652)		Treasury shares
Valuation difference on available-for-sale securities	7,047	(7,047)	–	–		
Deferred gains or losses on hedges	4	(4)	–	–		
Revaluation reserve for land	(157)	157	–	–		
Foreign currency translation adjustment	19,378	(19,378)	–	–		
Remeasurements of defined benefit plans	(8,286)	8,286	–	–		
Subscription rights to shares	345	(345)	–	–		
	–	18,333	(20,375)	(2,042)	C, D, F, I	Other components of equity
	387,648	–	(35,551)	352,098		Total equity attributable to owners of parent
Non-controlling interests	62,325	–	(36)	62,289		Non-controlling interests
Total net assets	449,974	–	(35,587)	414,387		Total equity
Total liabilities and net assets	711,541	–	(42,949)	668,592		Total liabilities and equity

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2017

(iii) Reconciliations of comprehensive income for the previous fiscal year (January 1, 2016 – December 31, 2016)

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifications	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Net sales	710,965	–	(106,313)	604,653	H	Net sales
Cost of sales	376,510	2	329	376,842	B, D	Cost of sales
Gross profit	334,455	(2)	(106,642)	227,811		Gross profit
Selling, general and administrative expenses	256,178	676	(108,160)	148,695	A, B, D, H	Selling, general and administrative expenses
	–	1,855	(24)	1,832		Other income
	–	6,011	(1,769)	4,242		Other expenses
	–	9,545	(980)	8,565		Financial income
	–	9,194	242	9,436		Financial costs
Non-operating income	6,176	(6,176)	–	–		
Non-operating expenses	12,605	(12,605)	–	–		
Extraordinary income	5,223	(5,223)	–	–		
Extraordinary losses	3,277	(3,277)	–	–		
Profit before income taxes	73,794	–	2,041	75,835		Profit before tax
Total income taxes	25,092	–	(515)	24,577	E	Income tax expenses
Profit	48,702	–	2,556	51,259		Profit for the period
						Profit attributable to
Profit attributable to non-controlling interests	4,568	–	(281)	4,288		Non-controlling interests
Profit attributable to owners of parent	44,134	–	2,837	46,971		Owners of parent

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifications	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Profit	48,702	–	2,556	51,259		Profit for the period
Other comprehensive income						Other comprehensive income, net of tax
Valuation difference on available-for-sale securities	(4,116)	–	142	(3,974)	C	Changes in fair value of available-for-sale financial assets
Deferred gains or losses on hedges	24	–	–	25		Changes in fair value of cash flow hedges
Foreign currency translation adjustment	(17,845)	–	(25)	(17,871)		Exchange differences on translation in foreign operations
Remeasurements of defined benefit plans, net of tax	(2,130)	–	(845)	(2,975)	D	Remeasurements related to net defined benefit liabilities (assets)
Total other comprehensive income	(24,068)	–	(727)	(24,795)		Total other comprehensive income, net of tax
Comprehensive income	24,634	–	1,829	26,463		Total comprehensive income

(iv) Notes on reconciliation of equity and comprehensive income

1) Reclassifications

Reclassifications are made to comply with IFRS provisions. The main reclassifications are as follows.

- Under JGAAP, time deposits with maturities over three months were presented as “Cash and deposits.” Under IFRS, they are presented as “Other current financial assets.”
- Under JGAAP, “Allowance for doubtful accounts” was presented as a separate component and accounts receivable-other was included in “Other (current assets).” Under IFRS, they are included in “Trade and other receivables.”
- Under JGAAP, “Merchandise and finished goods,” “Raw materials and supplies,” and “Work in process” were presented as separate components. Under IFRS, they are all presented as “Inventories.”
- Under JGAAP, “Deferred tax assets” and “Deferred tax liabilities” were classified as current items. Under IFRS, they are presented as non-current items.
- Under JGAAP, land was presented as “Property, plant and equipment.” Under IFRS, a portion of land is presented as “Other non-current assets.”
- Under JGAAP, “Accounts payable - other” was presented as a separate component. Under IFRS, this is presented as “Trade and other payables.”
- Under JGAAP, “Convertible bond-type bonds with subscription rights to shares” and “Loans payable” were presented as separate components. Under IFRS, they are presented as “Bonds and borrowings.”
- Under JGAAP, “Provision for bonuses” was presented as a separate component. Under IFRS, this is presented as “Other current liabilities.”
- Under IFRS, “Other financial assets” and “Other financial liabilities” are presented as separate components.
- For items that were presented as “Non-operating income,” “Non-operating expenses,” “Extraordinary income” and “Extraordinary losses” under JGAAP, reclassification under IFRS entails finance related items to be presented as “Financial income” or “Financial costs,” and all other items as “Other income” or “Other expenses.”
- Adjustments to IFRS resulted in a negative balance in share premium, hence the transfer was made from “Retained earnings” to “Share premium.”

2) Adjustments of recognition and measurement

A. Goodwill

Under JGAAP, goodwill was amortized over the periods in which the economic benefits of the goodwill were reasonably expected to be realized. Under IFRS, goodwill is not amortized and impairment assessments are performed periodically.

Under JGAAP, transaction costs related to business combinations that occurred prior to the early adoption, on December 31, 2015, of “Accounting Standards for Business Combinations” (Corporate Accounting Standards No. 21 of September 13, 2013; hereafter “Accounting Standards for Business Combination”) were recorded as assets for any portion for which consideration was recognized.

As the Group elected to apply IFRS 3 retrospectively to business combinations that occurred on or after September 1, 2010, transaction costs directly attributable to such business combinations are expensed as incurred.

With respect to the additional acquisition of equity in subsidiaries, under JGAAP before early adoption of Accounting Standard for Business Combinations, the difference between additional investment and additional equity was recorded as goodwill. Under IFRS, the difference is recorded as share premium.

As a result, goodwill decreased by ¥43,635 million on the date of transfer to IFRS and by ¥38,926 million in the fiscal year ended December 31, 2016. Selling, general and administrative expenses decreased by ¥4,519 million in the fiscal year ended December 31, 2016.

B. Liabilities related to compensated absences etc.

Under JGAAP, unused compensated absences and long-term employee benefits were not recognized. Under IFRS, estimated amounts of liabilities related to these items are recognized as other current liabilities or other non-current liabilities.

As a result, other current liabilities increased by ¥1,138 million on the date of transition to IFRS, and by ¥1,179 million in the fiscal year ended December 31, 2016, while other non-current liabilities increased by ¥1,006 million on the date of transition to IFRS and by ¥2,227 million in the fiscal year ended December 31, 2016.

C. Evaluation of unlisted shares

Under JGAAP, unlisted shares were measured based on their historical costs and declare impairment as necessary. Under IFRS, these are measured at their fair values.

D. Defined benefit liabilities

Under JGAAP, actuarial gains and losses were recognized at the time of occurrence in other comprehensive income, amortized by the straight-line method over a period within the average remaining service years of employees and allocated proportionately, and recognized in profit or loss from the fiscal year following the respective fiscal year of occurrence. Under IFRS, these are immediately transferred to retained earnings through other comprehensive income.

Under JGAAP, past service cost was recognized in other comprehensive income when incurred, amortized by the straight-line method over a period within the average remaining service years of employees and allocated proportionately, and recognized in profit or loss from the fiscal year of occurrence. Under IFRS, these are recognized in profit or loss when incurred.

As a result, the cost of sales and selling, general and administrative expenses combined decreased by ¥1,206 million in the fiscal year ended December 31, 2016.

E. Tax effects

Changes in deferred tax amounts reflecting tax effects show the impact of adjustments made to deferred tax amounts that were required in the transition to IFRS. Under JGAAP, tax effects on elimination of unrealized gains were calculated based on the effective tax rates of selling entities. Under IFRS, these are calculated based on the effective tax rates of acquiring entities. Furthermore, following a review of the recoverability of deferred income tax assets on the basis of IFRS, additional deferred tax assets are recognized.

F. Cumulative exchange differences on translation in foreign operations

By applying the exemptions as a first-time adopter of IFRS as mentioned above, the Group has transferred the total amount of cumulative exchange differences on translation in foreign operations (¥33,723 million) to retained earnings on the date of transition to IFRS.

G. Deemed cost

By applying the exemption as a first-time adopter of IFRS as mentioned above, the Group uses the fair values, as of the date of transition to IFRS, of a portion of property, plant and equipment (land) as deemed costs. The fair values are assessed based on appraisal valuations, etc., performed by third parties and evaluated using a method judged to be appropriate by the management. It is classified as Level 3.

The fair value of property, plant and equipment using deemed cost at the date of transition to IFRS is ¥2,870 million, while the carrying amount under JGAAP was ¥5,449 million.

H. Net sales

Under JGAAP, part of rebates, etc., were presented as selling, general and administrative expenses. Under IFRS, the amount is deducted from net sales.

As a result, net sales decreased by ¥106,313 million in the fiscal year ended December 31, 2016.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2017

I. Convertible bond-type bonds with subscription rights to shares

Under JGAAP, consideration was not separately recognized for corporate bonds and the subscription rights embedded in such bonds, which were recognized as a whole. Under IFRS, they are presented separately as compound financial instruments for the liability component and the equity component. Accordingly, of the amount that was recognized as liabilities under JGAAP, the amount related to the subscription rights is recognized in equity under IFRS.

As a result, bonds and borrowings decreased by ¥5,557 million on the date of transfer to IFRS and by ¥4,336 million in the fiscal year ended December 31, 2016.

J. Retained earnings

The effect on retained earnings arising from the transition to IFRS is as follows.

(Millions of Yen)

	Date of transition to IFRS (as of January 1, 2016)	End of the Previous Fiscal Year (as of December 31, 2016)
Adjustments related to amortization of goodwill (Refer to Note A)	18,854	23,373
Adjustments related to cumulative exchange differences on translation in foreign operations (Refer to Note F)	33,723	33,723
Adjustments related to unused compensated absences, etc. (Refer to Note B)	(2,144)	(3,407)
Adjustments related to tax effects on elimination of unrealized gains and losses (Refer to Note E)	(202)	(241)
Adjustments related to defined benefit liabilities (Refer to Note D)	(6,024)	(7,799)
Adjustments related to deemed cost of property, plant and equipment (Refer to Note G)	(2,578)	(2,578)
Transfer from retained earnings to share premium	(49,074)	(50,648)
Others	(455)	(2,011)
Total adjustments to retained earnings	(7,902)	(9,589)

The above adjustment items are based on the impact before the consideration of tax effects. The impact of tax effects is included in Others.

(v) Reconciliations of the consolidated cash flow statement for the previous fiscal year (from January 1, 2016 - December 31, 2016)

There are no important discrepancies in the consolidated cash flow statement presented under IFRS and the consolidated cash flow statement presented under Japanese GAAP.