

This notice has been translated from the original Japanese text of the timely disclosure statement dated August 4, 2023 and is for reference purposes only. In the event of any discrepancy between the original Japanese and this translation, the Japanese text shall prevail.

CAUTIONS REGARDING FORWARD-LOOKING STATEMENTS

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

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2023; Flash Report [IFRS]



MEMBERSHIP

August 4, 2023

Listed Company Name: **Unicharm Corporation**
 Listing: **Tokyo Stock Exchange**
 Code Number: **8113**
 URL: **<https://www.unicharm.co.jp/>**
 Company Representative: **Takahisa Takahara, Representative Director, President and Chief Executive Officer**
 Contact Person: **Hirotatsu Shimada, Managing Executive Officer, General Manager of Accounting Control and Finance Division**
 Telephone Number: **+81-3-3451-5111**
 Scheduled Date to Submit Quarterly Securities Report: **August 7, 2023**
 Scheduled Date to Commence Dividend Payments: **September 4, 2023**
 Preparation of Supplementary Material on Quarterly Financial Results: **Yes**
 Holding of Quarterly Financial Results Presentation Meeting: **Yes (Securities Analysts, Institutional Investors)**

(Amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2023 (January 1, 2023 through June 30, 2023)

(1) Consolidated financial results (Q2 cumulative total)

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

| | Net Sales | | Core Operating Income | | 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 | % | Millions of Yen | % |
| Q2 of Fiscal Year Ending December 31, 2023 | 453,937 | 7.7 | 58,747 | 6.0 | 60,989 | 8.2 | 40,609 | 10.9 | 34,667 | 9.1 | 81,407 | (16.5) |
| Q2 of Fiscal Year Ended December 31, 2022 | 421,614 | 11.8 | 55,421 | (10.3) | 56,372 | (12.9) | 36,625 | (19.9) | 31,764 | (20.5) | 97,549 | 48.3 |

(Note) Core operating income is calculated by deducting selling, general and administrative expenses from gross profit.

| | Basic Earnings Per Share | Diluted Earnings Per Share |
|--|--------------------------|----------------------------|
| | Yen | Yen |
| Q2 of Fiscal Year Ending December 31, 2023 | 58.47 | 58.47 |
| Q2 of Fiscal Year Ended December 31, 2022 | 53.26 | 53.25 |

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2023

(2) Consolidated financial position

| | Total Assets | Total Equity | Equity Attributable to Owners of Parent | Ratio of Equity Attributable to Owners of Parent |
|-------------------------|-----------------|-----------------|---|--|
| | Millions of Yen | Millions of Yen | Millions of Yen | % |
| As of June 30, 2023 | 1,102,237 | 749,721 | 661,221 | 60.0 |
| As of December 31, 2022 | 1,049,218 | 708,613 | 618,883 | 59.0 |

2. Cash Dividends

| | Annual Dividends | | | | |
|---|------------------|-----------|-----------|----------|-------|
| | 1st Q-End | 2nd Q-End | 3rd Q-End | Year-End | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal Year Ended December 31, 2022 | – | 19.00 | – | 19.00 | 38.00 |
| Fiscal Year Ending December 31, 2023 | – | 20.00 | | | |
| Fiscal Year Ending December 31, 2023 (forecast) | | | – | 20.00 | 40.00 |

(Note) Changes in dividend forecasts recently disclosed: None

**3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2023
(January 1, 2023 through December 31, 2023)**

(Figures in percentage represent increases or decreases from 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 |
| Full Year | 963,500 | 7.3 | 141,000 | 17.9 | 137,500 | 18.8 | 80,900 | 19.7 | 136.78 |

(Note) Changes in results forecasts recently disclosed: None

*** 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 and accounting estimates

(i) Changes in accounting policies required by IFRS: Yes

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

(iii) Changes in accounting estimates: None

(Note) For the details, please refer to “2. Condensed Consolidated Financial Statements and Significant Notes Thereto, (5) Notes to the condensed consolidated financial statements, 2. Material accounting policies” section on page 13.

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

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

As of June 30, 2023: 620,834,319 shares

As of December 31, 2022: 620,834,319 shares

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

As of June 30, 2023: 29,369,967 shares

As of December 31, 2022: 27,560,827 shares

(iii) Average number of shares during the period (accumulated total):

Q2 of Fiscal Year Ending December 31, 2023: 592,902,991 shares

Q2 of Fiscal Year Ended December 31, 2022: 596,397,559 shares

* The quarterly financial results report is exempt from quarterly review by certified public accountants or an auditing firm.

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

(1) 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 Group’s recurring business performance.

(2) Forecasts 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 forecasts. Therefore, actual results may differ for various factors. Please refer to “1. Qualitative Information on Financial Results, (3) Explanation of future estimate information such as forecast of consolidated financial results” section on page 5 for more information concerning the assumptions used for forecasts of financial results and other notes on proper use.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2023

Contents of Exhibit

| | |
|---|----|
| 1. Qualitative Information on Financial Results | 2 |
| (1) Explanation of operating results | 2 |
| (2) Explanation of financial position | 4 |
| (3) Explanation of future estimate information such as forecast of consolidated financial results | 5 |
| 2. Condensed Consolidated Financial Statements and Significant Notes Thereto | 6 |
| (1) Condensed consolidated statement of financial position | 6 |
| (2) Condensed consolidated statement of income and Condensed consolidated statement of comprehensive income | 8 |
| (3) Condensed consolidated statement of changes in equity | 10 |
| (4) Condensed consolidated statement of cash flows | 11 |
| (5) Notes to the condensed consolidated financial statements | 13 |
| 1. Notes regarding going concern assumptions | 13 |
| 2. Material accounting policies | 13 |
| 3. Segment information | 13 |
| 4. Investments accounted for using equity method | 14 |
| 5. Selling, general and administrative expenses | 15 |

1. Qualitative Information on Financial Results

(1) Explanation of operating results

In the second quarter under review (January 1 to June 30, 2023), there was a gradual market recovery in the operating environment of the Group as the threat of COVID-19 subsided in Japan and other countries and regions. Still, the future outlook remains unpredictable due to persistent inflation owing to the impacts of mainly elevated resource prices and forex volatility since last year, as well as differences in the pace of economic recovery between countries/regions.

Overseas, with signs of a recovery from the economic deterioration caused by the spread of COVID-19 emerging in India, Indonesia, the Middle East, and other target markets, the Company proceeded to address rising costs by implementing value pass-through with product proposals that offer new added value to meet the needs of local customers.

In China, where the impacts of inventory reduction in distribution were felt from last year up until the first quarter of this fiscal year, the market recovered moderately, but the pace of that recovery still lacks vigor. In these circumstances, the Company has worked to ensure a stable supply of products and promoted the structural reform of the entire China business by stimulating demand for high value-added products and promoting the development of new channels.

In Japan, as business conditions continued to recover, the Company has maintained its high market share by continuing to propose new values to stimulate demand for high value-added products, including feminine care products, adult excretion care products and pet care products, while turning to pass-through.

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 have worked to create a “Cohesive Society” with social inclusion, as a society where people around the world are equal, unencumbered, respectful of each other’s individuality, and support each other with kindness, making heart-to-heart connections.

As a result, net sales, core operating income, profit before tax, profit for the period, and profit attributable to owners of parent in the second quarter under review reached ¥453,937 million (up 7.7% year on year), ¥58,747 million (up 6.0% year on year), ¥60,989 million (up 8.2% year on year), ¥40,609 million (up 10.9% year on year), and ¥34,667 million (up 9.1% year on year), respectively.

Financial results by segment are as described below.

1) Personal Care Business

● Wellness Care Business

In overseas markets, the Company continued to actively invest in marketing in China, where the population is aging even faster than in Japan and there is a large target market for adult excretion care products. Strong growth was achieved through efforts to drive awareness and promote the use of these products.

In addition, in regions such as India, Vietnam, and Indonesia, the Company has strived to expand its product lineup and promote the spread of the care model it has established in Japan in response to increasing demand for adult excretion care products, thereby achieving continued high net sales growth.

As for adult excretion care products in Japan, the Company continued to expand its extensive lineup of products in line with ADL*1 and managed to record strong growth in net sales and drive a market recovery as a result of steadily passing value along to customers with the rollout of new added-value products.

The Company also endeavored to revitalize the market with an enhanced lineup of the *Cho-kaiteki* and *Cho-rittai* brands to meet consumer needs in the mask category, a market that has grown significantly until last year. However, this market contracted in response to consumer awareness and sudden changes in the retail space owing to major changes in the operating environment for masks, including warmer weather and changes in the interpretation of the law*2 designed to prevent COVID-19 infections. The Company will continue to invigorate the market and expand its market share by continuously launching new products to meet consumer needs as the peak demand season of autumn and winter approaches.

*1 An abbreviation for Activities of Daily Living, an indicator of the level of nursing care provided to those being cared for, which represents the basic activities necessary for daily living, such as excretion, eating, and bathing

*2 Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases

- Feminine Care Business

In China, despite the impacts of inventory reduction in distribution that lasted from last year through to the first quarter of this fiscal year, there were signs of a recovery as conditions in the logistics sector started to level out. The Company continued to work on expanding its sales areas and the number of stores handling its products mainly in coastal cities. In addition, while bolstering sales through utilizing new e-commerce platforms, high value-added products such as shorts-shaped napkins continued to grow as a result of continuing to propose new values targeting the younger generation. In the Asian countries of Thailand, Indonesia, and Vietnam, the Company continued to book strong sales for high value-added products, such as the new-concept of cooling sanitary napkins that give users a feeling of freshness. In the Middle East, the Company achieved stable growth as a result of exports to countries neighboring Saudi Arabia, as well as the launch of new products that contain olive oil tailored to local customs and domestic sales in Saudi Arabia, thanks to aggressive investment in marketing.

In Japan, even though the market is shrinking due to a decrease in the target population, the Company strived to pass along more value to customers with high value-added products that cater to the growing emphasis on health and peace of mind, as well as lifestyle, and endeavored to communicate with consumers via social media and the like. As a result, the Company maintained its high market share.

- Baby Care Business

In India, where the use of disposable diapers is still low, even compared to other emerging countries, the Company strived to expand its sales area and recover its market share while promoting the use of pants-type disposable diapers. As a result, it achieved high growth in net sales. In Thailand, where the market had been polarized by COVID-19 and a declining birth rate, the Company maintained its strong market share by deploying a two-brand strategy that leverages synergies with DSG (Cayman) Limited, a company it acquired in 2018 for the purpose of accommodating the broad-ranging needs of consumers.

In China, where local companies are emerging and the birth rate continues to decline, the Company strategically adjusted its inventory for premium products made in Japan while accelerating a shift to the *moony* brand, a proprietary developed premium product made in China to meet the needs of the local population. In Vietnam, the Company launched new products based on the concept of reliable product quality at affordable prices and continued to meet the wide-ranging needs of consumers.

In Japan, where the market is shrinking with lower birth rates, the Company passed increasing costs on prices of its new and high-value added product lineups for *moony* and *Mamy Poko* series, and worked to give parents more enjoyment as they raise their babies.

- Kirei Care Business

In Japan, amid sluggish growth in the wet tissue market, the Company endeavored to expand its market share primarily by launching products with improved design features under the *Silcot* brand.

A similar increase in hygiene consciousness and the regular use of the product are anticipated in the future, not only in Japan but also worldwide, and the Company aims to create environments where people from all around the world can enjoy safe and secure Kirei lifestyles by utilizing our unique non-woven fabric processing and forming technology cultivated in Japan to develop high value-added products that meet the usage habits and consumer needs of each country and region.

As a result, net sales and segment profit (core operating income) for the personal care business for the fiscal period under review were ¥384,684 million (up 6.6% year on year) and ¥48,195 million (down 0.1% year on year), respectively.

2) Pet Care Business

In the pet food business in Japan, the Company worked to improve consumer satisfaction by bolstering the sale of products for cats meeting the demand for increased health consciousness, products for dogs tailored to the physical characteristics and ages of each breed, food products for building bodies with a new concept of maintaining muscle health, and other products. In the pet toiletry business, the Company generated strong growth by selling improved replacement sand for cat toilet systems that deliver even better deodorizing effects.

In North America, where the Company has steadily passed along value to customers since last year by launching new high added-value products, despite the partial impact of economic deterioration owing to rising inflation, net sales growth was steady, reflecting brisk sales of products incorporating Japanese technology and new concepts, such as wet-type snacks for cats and high-quality toiletry sheets for dogs.

The Company will press forward with the launch of high added-value products by proposing new value to meet the needs of local consumers.

In China, the second largest regional market after North America that is expected to grow going forward, the Company entered into a capital alliance with Jiangsu Jijia Pet Products Co., Ltd. (hereinafter “JIA PETS”) in November 2022. By combining the Group’s product technology and know-how on production management with JIA PETS’ production and R&D capacities, as well as sales capabilities in its e-commerce channel, the Company aims for significant growth in its pet care business.

As a result, net sales and segment profit (core operating income) for the pet care business for the fiscal period under review were ¥65,130 million (up 14.3% year on year) and ¥10,475 million (up 49.4% year on year), respectively.

3) Other Businesses

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

As a result, net sales and segment profit (core operating income) in other businesses for the fiscal period under review were ¥4,123 million (up 12.4% year on year) and ¥77 million (down 56.9% year on year), respectively.

(2) Explanation of financial position

1) Status of assets, liabilities and equity

(Assets)

Total assets as of the end of the second quarter were ¥1,102,237 million (up 5.1% compared with the end of the previous fiscal year). The major increases were ¥26,566 million in cash and cash equivalents, ¥17,389 million in investments accounted for using equity method, ¥17,287 million in property, plant and equipment, and ¥5,700 million in intangible assets, and the major decrease was ¥17,170 million in trade and other receivables.

(Liabilities)

Total liabilities as of the end of the second quarter were ¥352,516 million (up 3.5% compared with the end of the previous fiscal year). The major increases were ¥7,767 million in borrowings, ¥2,951 million in deferred tax liabilities, ¥1,242 million in other current liabilities including accrued expenses, ¥951 million in other current and non-current financial liabilities mainly due to lease liabilities, and ¥890 million in retirement benefit liabilities, and the major decrease was ¥2,661 million in income tax payables.

(Equity)

Total equity as of the end of the second quarter was ¥749,721 million (up 5.8% compared with the end of the previous fiscal year). The major increases were ¥34,667 million in profit attributable to owners of parent, and ¥34,494 million in other components of equity mainly due to exchange differences on translation in foreign operations, and the major decreases were ¥11,272 million in dividends paid to owners of parent, and ¥9,821 million in increase in treasury shares.

(Ratio of equity attributable to owners of parent)

Ratio of equity attributable to owners of parent as of the end of the second quarter was 60.0%.

2) Status of cash flows

Cash and cash equivalents as of the end of the second quarter were ¥243,719 million, an increase of ¥26,566 million from the end of the previous fiscal year. The respective cash flow positions for the second quarter under review were as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥80,847 million (¥49,446 million was provided in the same period of the previous fiscal year). The main inflows were due to profit before tax, a decrease in trade and other receivables, depreciation and amortization expenses, and a decrease in inventories, and the main outflows were due to income taxes paid, and a decrease in trade and other payables.

(Cash flows from investing activities)

Net cash used in investing activities was ¥26,881 million (¥4,541 million was used in the same period of the previous fiscal year). The main inflows were due to proceeds from sale and redemption of financial assets measured at amortized cost, and proceeds from sale and redemption of financial assets measured at fair value through profit or loss, and the main outflows were due to purchase of financial assets measured at fair value

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2023

through profit or loss, purchase of property, plant and equipment, and intangible assets, purchase of debt instruments measured at fair value through other comprehensive income, and purchase of shares of subsidiaries and associates.

(Cash flows from financing activities)

Net cash used in financing activities was ¥37,068 million (¥3,154 million was used in the same period of the previous fiscal year). The main inflow was an increase in short-term borrowings, and the main outflows were due to purchase of investments in subsidiaries not resulting in change in scope of consolidation, dividends paid to owners of parent, purchase of treasury shares, and dividends paid to non-controlling interests.

(3) Explanation of future estimate information such as forecast of consolidated financial results

Regarding forecast of full-year financial results, there were no changes from the announcement made on February 8, 2023.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2023

2. Condensed Consolidated Financial Statements and Significant Notes Thereto

(1) Condensed consolidated statement of financial position

(Millions of Yen)

| | Notes | Fiscal Year Ended December 31, 2022 (as of December 31, 2022) | Q2 of Fiscal Year Ending December 31, 2023 (as of June 30, 2023) |
|---|-------|---|--|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 217,153 | 243,719 |
| Trade and other receivables | | 152,971 | 135,801 |
| Inventories | | 117,590 | 114,428 |
| Other current financial assets | | 90,450 | 84,035 |
| Other current assets | | 25,592 | 24,903 |
| Total current assets | | 603,756 | 602,886 |
| Non-current assets | | | |
| Property, plant and equipment | | 271,662 | 288,949 |
| Intangible assets | | 90,523 | 96,223 |
| Deferred tax assets | | 14,860 | 15,369 |
| Investments accounted for using equity method | 4 | 597 | 17,986 |
| Other non-current financial assets | | 65,753 | 74,727 |
| Other non-current assets | | 2,067 | 6,097 |
| Total non-current assets | | 445,462 | 499,351 |
| Total assets | | 1,049,218 | 1,102,237 |

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2023

(Millions of Yen)

| | Notes | Fiscal Year Ended December 31, 2022 (as of December 31, 2022) | Q2 of Fiscal Year Ending December 31, 2023 (as of June 30, 2023) |
|---|-------|---|--|
| Liabilities and equity | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 171,035 | 170,925 |
| Borrowings | | 10,787 | 16,821 |
| Income tax payables | | 14,600 | 11,939 |
| Other current financial liabilities | | 6,645 | 6,082 |
| Other current liabilities | | 53,596 | 54,838 |
| Total current liabilities | | 256,663 | 260,604 |
| Non-current liabilities | | | |
| Borrowings | | 16,235 | 17,967 |
| Deferred tax liabilities | | 24,940 | 27,891 |
| Retirement benefit liabilities | | 12,687 | 13,578 |
| Other non-current financial liabilities | | 24,934 | 26,448 |
| Other non-current liabilities | | 5,146 | 6,027 |
| Total non-current liabilities | | 83,942 | 91,911 |
| Total liabilities | | 340,605 | 352,516 |
| Equity | | | |
| Equity attributable to owners of parent | | | |
| Capital stock | | 15,993 | 15,993 |
| Share premium | | 15,209 | 9,435 |
| Retained earnings | | 644,859 | 668,298 |
| Treasury shares | | (83,699) | (93,519) |
| Other components of equity | | 26,521 | 61,015 |
| Total equity attributable to owners of parent | | 618,883 | 661,221 |
| Non-controlling interests | | 89,730 | 88,501 |
| Total equity | | 708,613 | 749,721 |
| Total liabilities and equity | | 1,049,218 | 1,102,237 |

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2023

(2) Condensed consolidated statement of income and Condensed consolidated statement of comprehensive income

(Condensed consolidated statement of income)

(Millions of Yen)

| | Notes | Q2 of Fiscal Year Ended December 31, 2022 (January 1, 2022 – June 30, 2022) | Q2 of Fiscal Year Ending December 31, 2023 (January 1, 2023 – June 30, 2023) |
|---|-------|--|---|
| Net sales | 3 | 421,614 | 453,937 |
| Cost of sales | | (264,458) | (289,291) |
| Gross profit | | 157,156 | 164,646 |
| Selling, general and administrative expenses | 5 | (101,735) | (105,899) |
| Other income | | 536 | 1,234 |
| Other expenses | | (1,635) | (964) |
| Financial income | | 4,737 | 3,432 |
| Financial costs | | (2,688) | (1,460) |
| Profit before tax | | 56,372 | 60,989 |
| Income tax expenses | | (19,747) | (20,380) |
| Profit for the period | | 36,625 | 40,609 |
| Profit attributable to | | | |
| Owners of parent | | 31,764 | 34,667 |
| Non-controlling interests | | 4,861 | 5,943 |
| Profit for the period | | 36,625 | 40,609 |
| Earnings per share attributable to owners of parent | | | |
| Basic earnings per share (Yen) | | 53.26 | 58.47 |
| Diluted earnings per share (Yen) | | 53.25 | 58.47 |

Reconciliation of changes from gross profit to core operating income

(Millions of Yen)

| | | |
|--|-----------|-----------|
| Gross profit | 157,156 | 164,646 |
| Selling, general and administrative expenses | (101,735) | (105,899) |
| Core operating income (*) | 55,421 | 58,747 |

* 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 condensed consolidated statement of income and Note “3. 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 Group’s recurring business performance.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2023

(Condensed consolidated statement of comprehensive income)

(Millions of Yen)

| | Notes | Q2 of Fiscal Year Ended December 31, 2022 (January 1, 2022 – June 30, 2022) | Q2 of Fiscal Year Ending December 31, 2023 (January 1, 2023 – June 30, 2023) |
|---|-------|--|---|
| Profit for the period | | 36,625 | 40,609 |
| Other comprehensive income, net of tax | | | |
| Items that will not be reclassified to profit or loss | | | |
| Net changes in equity instruments measured at fair value through other comprehensive income | | (2,057) | 1,084 |
| Remeasurements related to net defined benefit liabilities (assets) | | 125 | 72 |
| Subtotal | | (1,932) | 1,156 |
| Items that may be reclassified to profit or loss | | | |
| Net changes in debt instruments measured at fair value through other comprehensive income | | (20) | 24 |
| Changes in fair value of cash flow hedges | | 34 | 35 |
| Exchange differences on translation in foreign operations | | 62,829 | 38,762 |
| Share of other comprehensive income of investments accounted for using equity method | | 13 | 820 |
| Subtotal | | 62,856 | 39,641 |
| Total other comprehensive income, net of tax | | 60,924 | 40,797 |
| Total comprehensive income | | 97,549 | 81,407 |
| Total comprehensive income attributable to | | | |
| Owners of parent | | 82,383 | 67,816 |
| Non-controlling interests | | 15,166 | 13,591 |
| Total comprehensive income | | 97,549 | 81,407 |

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2023

(3) Condensed consolidated statement of changes in equity

Second Quarter of the Fiscal Year Ended December 31, 2022 (January 1, 2022 – June 30, 2022)

(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, 2022 | | 15,993 | 14,801 | 599,946 | (68,646) | (4,454) | 557,639 | 77,799 | 635,438 |
| Profit for the period | | – | – | 31,764 | – | – | 31,764 | 4,861 | 36,625 |
| Other comprehensive income | | – | – | – | – | 50,619 | 50,619 | 10,304 | 60,924 |
| Total comprehensive income | | – | – | 31,764 | – | 50,619 | 82,383 | 15,166 | 97,549 |
| Purchase of treasury shares | | – | – | – | (2,936) | – | (2,936) | – | (2,936) |
| Disposal of treasury shares | | – | 223 | – | 1,832 | (146) | 1,909 | – | 1,909 |
| Dividends | | – | – | (10,731) | – | – | (10,731) | (9,175) | (19,906) |
| Equity transactions with non-controlling interests | | – | (1,003) | – | – | – | (1,003) | 5,086 | 4,082 |
| Share-based payment transactions | | – | 469 | – | 200 | – | 669 | – | 669 |
| Transfer from other components of equity to retained earnings | | – | – | (655) | – | 655 | – | – | – |
| Total transactions with owners | | – | (312) | (11,386) | (904) | 510 | (12,093) | (4,089) | (16,182) |
| Balance at June 30, 2022 | | 15,993 | 14,489 | 620,323 | (69,550) | 46,675 | 627,929 | 88,875 | 716,804 |

Second Quarter of the Fiscal Year Ending December 31, 2023 (January 1, 2023 – June 30, 2023)

(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, 2023 | | 15,993 | 15,209 | 644,859 | (83,699) | 26,521 | 618,883 | 89,730 | 708,613 |
| Profit for the period | | – | – | 34,667 | – | – | 34,667 | 5,943 | 40,609 |
| Other comprehensive income | | – | – | – | – | 33,149 | 33,149 | 7,648 | 40,797 |
| Total comprehensive income | | – | – | 34,667 | – | 33,149 | 67,816 | 13,591 | 81,407 |
| Purchase of treasury shares | | – | – | – | (10,001) | – | (10,001) | – | (10,001) |
| Dividends | | – | – | (11,272) | – | – | (11,272) | (7,684) | (18,956) |
| Equity transactions with non-controlling interests | | – | (6,262) | – | – | 1,389 | (4,873) | (7,137) | (12,010) |
| Share-based payment transactions | | – | 488 | – | 180 | – | 668 | – | 668 |
| Transfer from other components of equity to retained earnings | | – | – | 44 | – | (44) | – | – | – |
| Total transactions with owners | | – | (5,774) | (11,228) | (9,821) | 1,345 | (25,478) | (14,820) | (40,298) |
| Balance at June 30, 2023 | | 15,993 | 9,435 | 668,298 | (93,519) | 61,015 | 661,221 | 88,501 | 749,721 |

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2023

(4) Condensed consolidated statement of cash flows

(Millions of Yen)

| | Notes | Q2 of Fiscal Year Ended December 31, 2022 (January 1, 2022 – June 30, 2022) | Q2 of Fiscal Year Ending December 31, 2023 (January 1, 2023 – June 30, 2023) |
|---|-------|--|---|
| Cash flows from operating activities | | | |
| Profit before tax | | 56,372 | 60,989 |
| Depreciation and amortization expenses | | 20,104 | 20,646 |
| Interest and dividend income | | (1,649) | (2,605) |
| Interest expenses | | 1,004 | 1,346 |
| Foreign exchange loss (gain) | | 3,065 | 348 |
| Loss (gain) on sale and retirement of fixed assets | | 229 | 524 |
| Decrease (increase) in trade and other receivables | | 8,923 | 26,317 |
| Decrease (increase) in inventories | | (13,463) | 10,624 |
| Increase (decrease) in trade and other payables | | (6,998) | (12,184) |
| Increase (decrease) in other current liabilities | | 73 | (3,517) |
| Increase (decrease) in other non-current assets | | 4,024 | (963) |
| Other, net | | (4,504) | (1,219) |
| Subtotal | | 67,179 | 100,305 |
| Interest and dividends received | | 1,826 | 2,836 |
| Interest paid | | (1,019) | (1,309) |
| Income taxes refund | | 49 | 803 |
| Income taxes paid | | (18,588) | (21,790) |
| Net cash provided by (used in) operating activities | | 49,446 | 80,847 |
| Cash flows from investing activities | | | |
| Payments into time deposits | | (37,757) | (36,024) |
| Proceeds from withdrawal of time deposits | | 49,588 | 46,675 |
| Purchase of property, plant and equipment, and intangible assets | | (15,420) | (15,667) |
| Proceeds from sale of property, plant and equipment, and intangible assets | | 18 | 34 |
| Long-term loan advances | | (2,863) | (13) |
| Purchase of financial assets measured at amortized cost | | (603) | – |
| Purchase of financial assets measured at fair value through profit or loss | | (7,000) | (19,400) |
| Purchase of equity instruments measured at fair value through other comprehensive income | | (507) | (6) |
| Purchase of debt instruments measured at fair value through other comprehensive income | | (2,118) | (12,476) |
| Proceeds from sale and redemption of financial assets measured at amortized cost | | 1,000 | 7,300 |
| Proceeds from sale and redemption of financial assets measured at fair value through profit or loss | | 10,100 | 7,000 |
| Proceeds from sale and redemption of debt instruments measured at fair value through other comprehensive income | | 1,000 | 6,300 |
| Purchase of shares of subsidiaries and associates | 4 | – | (10,617) |
| Other, net | | 20 | 14 |
| Net cash provided by (used in) investing activities | | (4,541) | (26,881) |

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2023

(Millions of Yen)

| | Notes | Q2 of Fiscal Year Ended December 31, 2022 (January 1, 2022 – June 30, 2022) | Q2 of Fiscal Year Ending December 31, 2023 (January 1, 2023 – June 30, 2023) |
|---|-------|--|---|
| Cash flows from financing activities | | | |
| Net increase (decrease) in short-term borrowings | | 10,175 | 4,538 |
| Proceeds from long-term borrowings | | 3,888 | – |
| Repayments of long-term borrowings | | (717) | – |
| Repayments of lease liabilities | | (2,820) | (3,260) |
| Purchase of investments in subsidiaries not resulting in change in scope of consolidation | | – | (12,090) |
| Payments for purchase of treasury shares | | (2,936) | (10,001) |
| Dividends paid to owners of parent | | (10,729) | (11,269) |
| Dividends paid to non-controlling interests | | (1,925) | (5,067) |
| Proceeds from share issuance to non-controlling interests | | – | 81 |
| Proceeds from exercise of employee share options | | 1,909 | – |
| Net cash provided by (used in) financing activities | | (3,154) | (37,068) |
| Effect of exchange rate changes on cash and cash equivalents | | 12,742 | 9,668 |
| Net increase (decrease) in cash and cash equivalents | | 54,493 | 26,566 |
| Cash and cash equivalents at beginning of period | | 187,547 | 217,153 |
| Cash and cash equivalents at end of period | | 242,040 | 243,719 |

(5) Notes to the condensed consolidated financial statements

1. Notes regarding going concern assumptions

None.

2. Material accounting policies

Material accounting policies adopted for these condensed consolidated financial statements are the same as those adopted to the consolidated financial statements for the fiscal year ended December 31, 2022, except for the following item.

Application of Amendments to IAS 12

The Group has applied the “International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)” (hereinafter “Amendments to IAS 12”) from the fiscal period under review.

Pursuant to the exception for Amendments to IAS 12, the Group does not recognize deferred tax assets and liabilities related to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD).

3. 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 reportable segments.

In the personal care business, the Group manufactures and sells wellness care products, feminine care products, baby care products, and Kirei care products. 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 industrial materials related products, etc.

The accounting policies for the reportable segments are the same as for the condensed 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 Second Quarter of the Fiscal Year Ending December 31, 2023

(2) Sales and results by reportable segment

Sales and results by reportable segment are as follows.

(Millions of Yen)

| | Q2 of Fiscal Year Ended December 31, 2022 (January 1, 2022 – June 30, 2022) | | | | | |
|---|--|----------|-------|---------|-------------|--|
| | Reportable segments | | | | Adjustments | Amounts reported in condensed consolidated statements |
| | Personal care | Pet care | Other | Total | | |
| Sales to external customers | 360,983 | 56,962 | 3,668 | 421,614 | – | 421,614 |
| Sales across segments (Note) | – | – | 62 | 62 | (62) | – |
| Total segment sales | 360,983 | 56,962 | 3,730 | 421,675 | (62) | 421,614 |
| Segment profit (Core operating income) | 48,228 | 7,013 | 180 | 55,421 | – | 55,421 |
| Other income | | | | | | 536 |
| Other expenses | | | | | | (1,635) |
| Financial income | | | | | | 4,737 |
| Financial costs | | | | | | (2,688) |
| Profit before tax | | | | | | 56,372 |

(Millions of Yen)

| | Q2 of Fiscal Year Ending December 31, 2023 (January 1, 2023 – June 30, 2023) | | | | | |
|---|---|----------|-------|---------|-------------|--|
| | Reportable segments | | | | Adjustments | Amounts reported in condensed consolidated statements |
| | Personal care | Pet care | Other | Total | | |
| Sales to external customers | 384,684 | 65,130 | 4,123 | 453,937 | – | 453,937 |
| Sales across segments (Note) | – | – | 329 | 329 | (329) | – |
| Total segment sales | 384,684 | 65,130 | 4,452 | 454,266 | (329) | 453,937 |
| Segment profit (Core operating income) | 48,195 | 10,475 | 77 | 58,747 | – | 58,747 |
| Other income | | | | | | 1,234 |
| Other expenses | | | | | | (964) |
| Financial income | | | | | | 3,432 |
| Financial costs | | | | | | (1,460) |
| Profit before tax | | | | | | 60,989 |

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

4. Investments accounted for using equity method

(Acquisition of equity in Jiangsu Jijia Pet Products Co., Ltd.)

On January 6, 2023, Unicharm (China) Investment Co., Ltd., a consolidated subsidiary fully owned by the Company acquired 41.85% equity share in Jiangsu Jijia Pet Products Co., Ltd., a major pet food company in China for the price of RMB 875 million (¥16,632 million). The amount recorded for the investments in the aforementioned company are included in “Investments accounted for using equity method.”

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2023

5. Selling, general and administrative expenses

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

(Millions of Yen)

| | Q2 of Fiscal Year Ended December 31, 2022 (January 1, 2022 – June 30, 2022) | Q2 of Fiscal Year Ending December 31, 2023 (January 1, 2023 – June 30, 2023) |
|--|---|--|
| Freight-out expenses | 29,851 | 29,086 |
| Sales promotion expenses | 13,725 | 14,002 |
| Advertising expenses | 12,918 | 13,966 |
| Employee benefit expenses | 22,357 | 24,019 |
| Depreciation and amortization expenses | 5,448 | 5,222 |
| Research and development expenses | 4,111 | 4,382 |
| Others | 13,325 | 15,222 |
| Total | 101,735 | 105,899 |