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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, 2022; Flash Report
[IFRS]**



February 8, 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 of Ordinary General Meeting of Shareholders: **March 24, 2023**
 Scheduled Date to Commence Dividend Payments: **March 6, 2023**
 Scheduled Date to Submit Securities Report: **March 27, 2023**
 Preparation of Supplementary Material on Full Year Financial Results: **Yes**
 Holding of Full Year Financial Results Presentation Meeting: **Yes (Securities Analysts, Institutional Investors)**

(Amounts are rounded to the nearest million yen)

**1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2022
(January 1, 2022 through December 31, 2022)**

(1) Consolidated financial results

(Figures in percentage represent increases or decreases from the previous fiscal 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	%
Fiscal Year Ended December 31, 2022	898,022	14.7	119,566	(2.4)	115,708	(5.1)	78,375	(6.3)	67,608	(7.1)	114,631	(0.8)
Fiscal Year Ended December 31, 2021	782,723	7.6	122,482	6.7	121,977	27.3	83,605	33.6	72,745	39.0	115,560	160.2

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

	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, 2022	113.61	113.59	11.5	11.4
Fiscal Year Ended December 31, 2021	121.78	121.69	13.8	13.0

(Reference)

Share of profit of investments accounted for using equity method: Fiscal Year Ended December 31, 2022:¥(378) million
 Fiscal Year Ended December 31, 2021:¥(119) 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, 2022	1,049,218	708,613	618,883	59.0	1,043.17
As of December 31, 2021	987,655	635,438	557,639	56.5	935.03

(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, 2022	92,216	(7,145)	(61,652)	217,153
Fiscal Year Ended December 31, 2021	105,253	(79,837)	(45,180)	187,547

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, 2021	–	18.00	–	18.00	36.00	21,454	29.6	4.1
Fiscal Year Ended December 31, 2022	–	19.00	–	19.00	38.00	22,600	33.4	3.8
Fiscal Year Ending December 31, 2023 (forecast)	–	20.00	–	20.00	40.00		29.3	

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	136.36

*** 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: 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 as of end of period (including treasury shares):
 - As of December 31, 2022: 620,834,319 shares
 - As of December 31, 2021: 620,834,319 shares
- (ii) Number of treasury shares as of end of period:
 - As of December 31, 2022: 27,560,827 shares
 - As of December 31, 2021: 24,655,259 shares
- (iii) Average number of shares during the period (accumulated total):
 - Fiscal Year Ended December 31, 2022: 595,102,817 shares
 - Fiscal Year Ended December 31, 2021: 597,328,243 shares

(Reference) Summary of non-consolidated performance

**1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2022
(January 1, 2022 through December 31, 2022)**

(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, 2022	344,281	(9.9)	37,901	(8.5)	67,915	(16.5)	6,876	(88.5)
Fiscal Year Ended December 31, 2021	382,210	4.4	41,410	32.4	81,353	76.3	59,625	619.1

	Earnings Per Share	Diluted Earnings Per Share
	Yen	Yen
Fiscal Year Ended December 31, 2022	11.55	11.55
Fiscal Year Ended December 31, 2021	99.82	99.74

(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, 2022	414,114	301,907	72.9	508.88
As of December 31, 2021	474,130	333,849	70.3	559.44

(Reference) Equity: As of December 31, 2022: ¥301,907 million
As of December 31, 2021: ¥333,526 million

Note: Non-consolidated financial figures were prepared in accordance with accounting standards generally accepted in Japan.

**2. Forecast of Non-consolidated Financial Results for the Fiscal Year Ending December 31, 2023
(January 1, 2023 through December 31, 2023)**

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

- * Financial results report is exempt from audit 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. Overview of the Operating Results, Etc., (4) Outlook for the fiscal year ending December 31, 2023" section on page 7 for more information concerning the assumptions used for forecasts of financial results and other notes on proper use.

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1. Overview of the Operating Results, Etc.

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

Comparison with actual results for the previous fiscal year

	Fiscal Year Ended Dec. 31, 2021 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2022 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	782,723	898,022	115,299	14.7
Core operating income	122,482	119,566	(2,917)	(2.4)
Profit before tax	121,977	115,708	(6,268)	(5.1)
Profit attributable to owners of parent	72,745	67,608	(5,137)	(7.1)

Comparison with forecasts

	Forecasts for Fiscal Year Ended Dec. 31, 2022 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2022 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	850,000	898,022	48,022	5.6
Core operating income	127,000	119,566	(7,434)	(5.9)
Profit before tax	126,000	115,708	(10,292)	(8.2)
Profit attributable to owners of parent	79,200	67,608	(11,592)	(14.6)

By region

	Net sales (Note)			Core operating income		
	Fiscal Year Ended Dec. 31, 2021 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2022 (Millions of Yen)	Difference (Millions of Yen)	Fiscal Year Ended Dec. 31, 2021 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2022 (Millions of Yen)	Difference (Millions of Yen)
Japan	294,853	307,631	12,778	58,299	57,830	(470)
China	111,649	115,275	3,626	21,805	16,376	(5,429)
Asia	252,070	312,997	60,927	29,179	31,223	2,045
Others	124,151	162,118	37,968	12,852	13,949	1,097

(Note) Net sales represent those to external customers.

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

In the fiscal year under review, the operating environment of the Group remained unpredictable due to a steep rise in resource prices, as well as the impact of foreign exchange fluctuations, caused by rising geopolitical risk, with factors including the deterioration of the situation in Ukraine, which has caused growing concern about the acceleration of inflation. Moreover, the pace of economic recovery varied by country and region as a result of different responses to the novel coronavirus disease (COVID-19).

In the overseas markets, each key target country such as Thailand, India, and Indonesia shows signs of recovery from economic deterioration caused by COVID-19. Meanwhile, the economic situation in China remains uncertain, as the major easing of the zero-COVID policy in early December has been followed by a resurgence of COVID-19. Amid such circumstances, the Company took measures to maintain a stable supply of its products, as they are daily necessities. Accordingly, in North America, Indonesia, and other regions, the Company has passed on surging costs through the launch of new products and existing product renewals.

In Japan, as business conditions continued to recover, the Company has striven to expand its market share by proposing new values to stimulate demand for high value-added 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 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” 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 fiscal year under review reached ¥898,022 million (up 14.7% year on year), ¥119,566 million (down 2.4% year on year), ¥115,708 million (down 5.1% year on year), ¥78,375 million (down 6.3% year on year), and ¥67,608 million (down 7.1% 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, 2021 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2022 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	672,039	764,908	92,869	13.8
Core operating income	107,322	100,863	(6,458)	(6.0)

(Note) Net sales represent those to external customers.

● Wellness Care Business

In the overseas markets, the Company developed new products to meet local needs in China, where the population is aging even faster than in Japan and there is a large target market for adult excretion care products. The Company has engaged in expanding recognition and promoting the spread of its adult excretion care products through these new products and active investment in marketing. In the Southeast Asian region, including Thailand, Indonesia, Vietnam, and Malaysia, where demand is increasing for adult excretion care products, the Company has striven to expand its product lineup and promote the spread of the care model it has established in Japan, thereby achieving continued high growth.

The Japanese market, which continues to grow as the elderly population increases, was back on course for recovery partly as people have become accustomed to the living environment under the COVID-19 pandemic and activity restrictions have been relaxed in line with an increased vaccination rate. Amid such circumstances, the Company made efforts to enhance its proposed value for pants-type disposable diapers targeted at moderate-level users by bolstering the “Pelvic Support Fit” function that alleviates the burden on legs and lower back, thereby achieving stable growth.

The Company also endeavored to revitalize the market by enhancing the lineup with a stable supply of the *Cho-kaiteki* and *Cho-rittai* brands and with new products that meet consumers’ need, amid rising demand for masks from Japanese manufacturers from the perspectives of safety and security as wearing a mask has become part of consumers’ daily practice.

During this time when masks have become indispensable as an infection preventive measure, we released see-through face masks, *clear face mask*, that allow a user’s mouth and facial expressions to be seen, while blocking droplets. This product was designed for those who feel uneasy about communication as typical masks hinder their ability to read lips and see facial expressions. Through this release, the Company worked to create a “Cohesive Society” with social inclusion, as a society where all people are equal and can live without inconvenience.

While growth of the mask market is predicted to slow down as consumers adapt to coexistence with COVID-19, the Company will keep striving to activate the market and expand market share, including through the launch of new products.

● Feminine Care Business

In China, the Company expands its sales areas and number of stores handling its products and bolsters sales through utilizing new e-commerce platforms mainly in coastal cities. In certain regions including major cities, temporary COVID-19 lockdowns were imposed and affected supply to a limited extent. As a result of taking initiatives toward a stable supply, however, the Company continued to grow mainly in shorts-shaped napkins, its high value-added product.

In the Southeast Asian region, including Thailand, Indonesia, and Vietnam, the Company also recorded steady sales of cooling sanitary napkins, or its new concept, which give a feeling of freshness, and other

high value-added products. Moreover, in the Middle East, the Company achieved stable growth as a result of exports from Saudi Arabia to neighboring Middle Eastern countries, 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, where the market is shrinking due to a decrease in the target population, the Company strived to improve brand value by offering high value-added products to cater to different lifestyles of women and utilizing social media and other forums to communicate with consumers, amid an increasing emphasis on health and peace of mind. As a result, it recorded steady sales and achieved high growth.

● Baby Care Business

In Thailand, where market polarization was advancing due to the impact of the spread of COVID-19, the Company has responded to a wide range of customers' needs by utilizing synergies with DSG (Cayman) Limited, a subsidiary the Company acquired in 2018. In India, the use of disposable diapers is still low, even compared to other emerging countries. The Company recommenced operations at its factory in northern India, strengthened production at its existing factories, and imported products from neighboring countries, striving 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 China, where local companies are emerging and the birth rate continues to decline, the supply side was affected by lockdowns under the Zero-COVID policy, resulting in a slowdown in net sales. The Company adjusted its inventory for premium products made in Japan to accelerate a shift to the *moony* brand, a series of highly profitable premium products made in China.

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

The Company has merged the wipes and cosmetic cotton from its Wellness Care Business and Baby Care Business to form the Kirei Care Business. The name "Kirei," a phonetic representation of the Japanese word meaning "nice and clean," refers not only to physical beauty and cleanliness but also to the beauty that people contain inside themselves. Launched worldwide as a broad concept and common expression, this new business embodies the Company's aspiration to create environments where all people can enjoy safe and secure Kirei lifestyles.

In Japan, the Company ensured the stable supply of *Silcot* brand wet tissues while endeavoring to expand its market share. As a result, it achieved stable growth. 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.

As a result, net sales and segment profit (core operating income) for the personal care business for the fiscal year under review were ¥764,908 million (up 13.8% year on year) and ¥100,863 million (down 6.0% year on year), respectively.

2) Pet Care Business

	Fiscal Year Ended Dec. 31, 2021 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2022 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	104,541	125,312	20,771	19.9
Core operating income	14,619	18,352	3,733	25.5

(Note) Net sales represent those to external customers.

In Japan, the number of hours people spend at home has increased since the spread of COVID-19 starting from 2020, leading to more opportunities to interact with pets. Amid such circumstances, the Company strengthened its lineup by launching new and renewed products and turned to pass-through for some products leveraging their added value. In the pet food business, the Company worked to improve consumer satisfaction by providing products for cats meeting the demand for increased health consciousness. Moreover, the Company bolstered the sale of 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 achieved stable growth as a result of steady sales of pet sheets for dogs, toilet systems for cats, etc.

In the North American market, the spread of COVID-19 led to a larger number of pets living with humans and more opportunities for consumers to have contact with pets. In this environment, the Company had to set selling prices that covered recent rapidly rising costs for some of its products. Nevertheless, sales remained strong for products equipped with Japanese technology such as wet-type snacks for cats and high-quality toiletry sheets for dogs, which embody new concepts. As a result, the Company achieved high growth and improved profitability.

In China, the second largest regional market after North America, the Company entered into a capital alliance with Jiangsu Jijia Pet Products Co., Ltd. (hereinafter “JIA PETS”). 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 to significantly expand its pet care business in the Chinese market.

As a result, net sales and segment profit (core operating income) for the pet care business for the fiscal year under review were ¥125,312 million (up 19.9% year on year) and ¥18,352 million (up 25.5% year on year), respectively.

3) Other Businesses

	Fiscal Year Ended Dec. 31, 2021 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2022 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	6,143	7,802	1,659	27.0
Core operating income	542	351	(191)	(35.2)

(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.

As a result, net sales and segment profit (core operating income) in other businesses for the fiscal year under review were ¥7,802 million (up 27.0% year on year) and ¥351 million (down 35.2% year on year), respectively.

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

	As of Dec. 31, 2021 (Millions of Yen)	As of Dec. 31, 2022 (Millions of Yen)	Difference (Millions of Yen)
Total assets	987,655	1,049,218	61,563
Total liabilities	352,217	340,605	(11,612)
Total equity	635,438	708,613	73,175
Ratio of equity attributable to owners of parent (%)	56.5	59.0	—

Total assets as of the end of the fiscal year under review amounted to ¥1,049,218 million, up ¥61,563 million over the end of the previous fiscal year. The major increases were ¥29,606 million in cash and cash equivalents, ¥27,780 million in inventories, and ¥23,604 million in trade and other receivables. The major decrease was ¥29,339 million in other current and non-current financial assets mainly due to time deposits with deposit terms exceeding three months. Total liabilities were ¥340,605 million, down ¥11,612 million from the end of the previous fiscal year. The major increase was ¥3,794 million in trade and other payables, and the major decreases were ¥11,292 million in borrowings and ¥6,603 million in other current and non-current financial liabilities mainly due to lease liabilities. Total equity amounted to ¥708,613 million, up ¥73,175 million over the end of the previous fiscal year. The major increases were ¥67,608 million in profit attributable to owners of parent and ¥30,975 million in other components of equity mainly due to exchange differences on translation in foreign operations, and the major decrease was ¥22,059 million in dividends paid to owners of parent.

Consequently, the ratio of equity attributable to owners of parent increased from 56.5% as of the end of the previous fiscal year to 59.0% as of the end of the fiscal year under review.

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

	Fiscal Year Ended Dec. 31, 2021 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2022 (Millions of Yen)	Difference (Millions of Yen)
Cash flows from operating activities	105,253	92,216	(13,037)
Cash flows from investing activities	(79,837)	(7,145)	72,692
Cash flows from financing activities	(45,180)	(61,652)	(16,472)
Cash and cash equivalents at end of period	187,547	217,153	29,606

Cash and cash equivalents as of the end of the fiscal year under review were ¥217,153 million, an increase of ¥29,606 million from the end of the previous fiscal year. The respective cash flow positions for the fiscal year under review were as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥92,216 million (¥105,253 million was provided in the previous fiscal year). The main inflows were due to profit before tax and depreciation and amortization expenses, and the main outflows were due to income taxes paid and an increase in trade and other receivables.

(Cash flows from investing activities)

Net cash used in investing activities was ¥7,145 million (¥79,837 million was used in the previous fiscal year). The main inflows were due to proceeds from withdrawal of time deposits and proceeds from sale and redemption of financial assets measured at fair value through profit or loss. Meanwhile, the main outflows were due to payments into time deposits, purchase of property, plant and equipment as well as intangible assets, purchase of financial assets measured at fair value through profit or loss, and purchase of financial assets measured at amortized cost.

(Cash flows from financing activities)

Net cash used in financing activities was ¥61,652 million (¥45,180 million was used in the previous fiscal year). The main outflows were due to dividends paid to owners of parent, repayment of long-term loans payable, and purchase of treasury shares.

(Reference) Changes in cash flow-related financial indicators

	Fiscal Year Ended Dec. 31, 2018	Fiscal Year Ended Dec. 31, 2019	Fiscal Year Ended Dec. 31, 2020	Fiscal Year Ended Dec. 31, 2021	Fiscal Year Ended Dec. 31, 2022
Ratio of equity attributable to owners of parent (%)	55.5	54.8	55.2	56.5	59.0
Ratio of equity attributable to owners of parent at market value (%)	267.0	255.3	328.0	301.8	286.6
Ratio of cash flows to interest-bearing debts (year)	0.4	1.0	0.5	0.7	0.6
Interest coverage ratio (times)	194.3	55.2	112.8	79.0	39.6

Ratio of equity attributable to owners of parent: Equity attributable to owners of parent/Total assets

Ratio of equity attributable to owners of parent at market value: Market capitalization/Total assets

Ratio of cash flows to interest-bearing debts: Interest-bearing debts/Cash flows

Interest coverage ratio: Cash flows/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 Group has adopted IFRS 16 “Leases” from the fiscal year ended December 31, 2019. As a result, lease liabilities are newly recorded, and part of lease payments are recorded as interest expenses.

(4) Outlook for the fiscal year ending December 31, 2023

	Actual results for fiscal year ended Dec. 31, 2022 (Millions of Yen)	Forecasts for fiscal year ending Dec. 31, 2023 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	898,022	963,500	65,478	7.3
Core operating income	119,566	141,000	21,434	17.9
Profit before tax	115,708	137,500	21,792	18.8
Profit attributable to owners of parent	67,608	80,900	13,292	19.7
Basic earnings per share (Yen)	113.61	136.36	22.75	20.0

In the fiscal year ending December 31, 2023, which is the final year of its 11th Medium-term Management Plan, the Company forecasts that while uncertain economic conditions will continue in key target countries, partly due to the emergence of new COVID-19 variants and high resource prices, the business conditions will recover moderately. With regards to foreign exchange rates, while the appreciation of the yen has a negative impact in currency translations, it has a positive impact in purchasing of raw materials, etc. Amid such circumstances, the Company strives to develop hygiene-related products that meet consumer needs and create markets through promoting DX, and will continue to implement business strategies in line with the economic level and demographics of target countries toward achieving a sustainable high growth.

Among the overseas markets of the personal care business, as China’s economy gradually recovers due to the lifting of the Zero-COVID policy, the Company will lead the market by promoting premium lines mainly of feminine care products. Particularly in India and Southeast Asia, the Company will continue to offer new values according to the needs in each country and region to outperform market growth and improve profitability. In the pet care business, in North America, the Company will work to increase the sales ratio of products with new concepts equipped with Japanese technology, including sheets for dogs and wet-type snacks for cats. In Asian markets, the Company will strengthen product lineups in China, Thailand, Indonesia, etc.

In Japan, the Company continues to offer high value-added products reflecting consumer needs and lead the revitalization of the domestic market in the personal care business. In the pet care business, the Company will work to develop products to support the lives of pets in an integrated manner and create new markets.

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, 2023 are forecast to be ¥963,500 million, ¥141,000 million, ¥137,500 million and ¥80,900 million, respectively, on a consolidated basis. Basic earnings per share will be ¥136.36. The Company’s assumptions on foreign exchange rates for the main currencies are JPY130 to one U.S. dollar and JPY19.2 to one Chinese yuan.

(5) Basic policy regarding profit distribution and dividends for the fiscal year ended December 31, 2022 and the fiscal year ending December 31, 2023

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, for the 11th Medium-term Management Plan, which covers a period of three years from 2021 to 2023, the Company will continue to aim for ROE (return on equity attributable to owners of parent) of 15% being achieved as the previous Medium-term Management Plan 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. The Company will increase dividends in a stable and continuous manner using ongoing gains in free cash flow, and work to augment profit return with the same goal of a total payout ratio (by dividends and purchase of treasury shares) of 50% as the previous fiscal year.

The annual dividend for the fiscal year under review will be ¥38, comprising a year-end dividend of ¥19 per share, in addition to a ¥19 per share dividend for the end of the second quarter. This will be the 21st consecutive period of an increase in dividends, with a dividend on equity attributable to owners of parent (DOE) of 3.8%.

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Also, based on the resolution for purchase of the treasury shares passed at the Board of Directors' meeting held on February 15, 2022, 3,596,600 shares were acquired, in the period from February 16 to September 2, 2022, by the purchase on the Tokyo Stock Exchange for the total purchase amount of ¥17,000 million.

Based on the abovementioned profit distribution policy, the Company plans to increase the annual dividend payment from the fiscal year under review by ¥2 per share, to make an annual dividend payment in the fiscal year ending December 31, 2023 of ¥40 per share, including a ¥20 per share dividend for the end of the second quarter.

2. Basic Stance on Selecting Accounting Standards

The Group has adopted the International Financial Reporting Standards (IFRS) from the fiscal year ended December 31, 2017, in order to improve the international comparability of financial information and the quality of business management.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated statement of financial position

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2021 (as of December 31, 2021)	Fiscal Year Ended December 31, 2022 (as of December 31, 2022)
Assets			
Current assets			
Cash and cash equivalents		187,547	217,153
Trade and other receivables		129,367	152,971
Inventories		89,811	117,590
Other current financial assets		119,752	90,450
Other current assets		21,266	25,592
Total current assets		547,743	603,756
Non-current assets			
Property, plant and equipment		271,689	271,662
Intangible assets		85,407	90,523
Deferred tax assets		13,911	14,860
Investments accounted for using equity method		1,029	597
Other non-current financial assets	8	65,789	65,753
Other non-current assets		2,086	2,067
Total non-current assets		439,912	445,462
Total assets		987,655	1,049,218

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(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2021 (as of December 31, 2021)	Fiscal Year Ended December 31, 2022 (as of December 31, 2022)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables		167,241	171,035
Borrowings		33,882	10,787
Income tax payables		13,639	14,600
Other current financial liabilities		5,455	6,645
Other current liabilities		54,233	53,596
Total current liabilities		274,450	256,663
Non-current liabilities			
Borrowings		4,432	16,235
Deferred tax liabilities		24,285	24,940
Retirement benefit liabilities		11,973	12,687
Other non-current financial liabilities		32,727	24,934
Other non-current liabilities		4,349	5,146
Total non-current liabilities		77,767	83,942
Total liabilities		352,217	340,605
Equity			
Equity attributable to owners of parent			
Capital stock		15,993	15,993
Share premium		14,801	15,209
Retained earnings		599,946	644,859
Treasury shares		(68,646)	(83,699)
Other components of equity		(4,454)	26,521
Total equity attributable to owners of parent		557,639	618,883
Non-controlling interests		77,799	89,730
Total equity		635,438	708,613
Total liabilities and equity		987,655	1,049,218

(2) Consolidated statements of income and comprehensive income

(Consolidated statement of income)

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)
Net sales	4	782,723	898,022
Cost of sales		(469,078)	(569,422)
Gross profit		313,645	328,600
Selling, general and administrative expenses	6	(191,162)	(209,034)
Other income		3,235	3,052
Other expenses	5	(7,445)	(7,395)
Financial income		5,211	4,628
Financial costs		(1,507)	(4,143)
Profit before tax		121,977	115,708
Income tax expenses		(38,372)	(37,333)
Profit for the period		83,605	78,375
Profit attributable to			
Owners of parent		72,745	67,608
Non-controlling interests		10,860	10,767
Profit for the period		83,605	78,375
Earnings per share attributable to owners of parent			
Basic earnings per share (Yen)	7	121.78	113.61
Diluted earnings per share (Yen)	7	121.69	113.59

Reconciliation of changes from gross profit to core operating income

(Millions of Yen)

Gross profit	313,645	328,600
Selling, general and administrative expenses	(191,162)	(209,034)
Core operating income (*)	122,482	119,566

* 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 “4. 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.

(Consolidated statement of comprehensive income)

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)
Profit for the period		83,605	78,375
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		(4,108)	(2,191)
Remeasurements related to net defined benefit liabilities (assets)		316	81
Subtotal		(3,792)	(2,109)
Items that may be reclassified to profit or loss			
Net changes in debt instruments measured at fair value through other comprehensive income		(19)	(16)
Changes in fair value of cash flow hedges		25	(25)
Exchange differences on translation in foreign operations		35,729	38,399
Share of other comprehensive income of investments accounted for using equity method		13	7
Subtotal		35,748	38,365
Total other comprehensive income, net of tax		31,956	36,256
Total comprehensive income		115,560	114,631
Total comprehensive income attributable to			
Owners of parent		97,670	98,094
Non-controlling interests		17,890	16,537
Total comprehensive income		115,560	114,631

(3) Consolidated statement of changes in equity

Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)

(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, 2021		15,993	13,208	547,259	(54,572)	(28,886)	493,002	69,651	562,653
Profit for the period		–	–	72,745	–	–	72,745	10,860	83,605
Other comprehensive income		–	–	–	–	24,925	24,925	7,031	31,956
Total comprehensive income		–	–	72,745	–	24,925	97,670	17,890	115,560
Purchase of treasury shares		–	–	–	(16,001)	–	(16,001)	–	(16,001)
Disposal of treasury shares		–	360	–	1,784	(244)	1,900	–	1,900
Dividends		–	–	(20,308)	–	–	(20,308)	(9,659)	(29,967)
Change in scope of consolidation		–	–	–	–	–	–	48	48
Share-based payment transactions		–	1,232	–	144	–	1,376	–	1,376
Transfer from other components of equity to retained earnings		–	–	250	–	(250)	–	–	–
Other		–	–	–	–	–	–	(132)	(132)
Total transactions with owners		–	1,592	(20,058)	(14,073)	(494)	(33,033)	(9,742)	(42,775)
Balance at December 31, 2021		15,993	14,801	599,946	(68,646)	(4,454)	557,639	77,799	635,438

Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 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		–	–	67,608	–	–	67,608	10,767	78,375
Other comprehensive income		–	–	–	–	30,485	30,485	5,771	36,256
Total comprehensive income		–	–	67,608	–	30,485	98,094	16,537	114,631
Purchase of treasury shares		–	–	–	(17,001)	–	(17,001)	–	(17,001)
Disposal of treasury shares		–	223	–	1,832	(146)	1,909	–	1,909
Dividends		–	–	(22,059)	–	–	(22,059)	(9,743)	(31,802)
Equity transactions with non-controlling interests		–	(1,003)	–	–	–	(1,003)	5,136	4,133
Share-based payment transactions		–	1,189	–	115	–	1,305	–	1,305
Transfer from other components of equity to retained earnings		–	–	(635)	–	635	–	–	–
Total transactions with owners		–	409	(22,695)	(15,053)	490	(36,849)	(4,607)	(41,456)
Balance at December 31, 2022		15,993	15,209	644,859	(83,699)	26,521	618,883	89,730	708,613

(4) Consolidated statement of cash flows

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)
Cash flows from operating activities			
Profit before tax		121,977	115,708
Depreciation and amortization expenses		37,926	41,486
Impairment losses		4,757	4,312
Interest and dividend income		(3,592)	(4,577)
Interest expenses		1,276	2,462
Foreign exchange loss (gain)		1,154	3,065
Loss (gain) on sale and retirement of fixed assets		(18)	653
Decrease (increase) in trade and other receivables		(4,718)	(22,910)
Decrease (increase) in inventories		(23,153)	(22,474)
Increase (decrease) in trade and other payables		14,182	(1,265)
Increase (decrease) in other current liabilities		(5,374)	(5,624)
Increase (decrease) in other non-current assets		415	10,099
Other, net		(5,759)	6,242
Subtotal		139,073	127,177
Interest and dividends received		4,286	4,769
Interest paid		(1,332)	(2,327)
Income taxes refund		2,082	164
Income taxes paid		(38,856)	(37,567)
Net cash provided by (used in) operating activities		105,253	92,216
Cash flows from investing activities			
Payments into time deposits		(51,454)	(72,673)
Proceeds from withdrawal of time deposits		47,376	111,679
Purchase of property, plant and equipment, and intangible assets		(34,671)	(32,950)
Proceeds from sale of property, plant and equipment, and intangible assets		769	38
Long-term loan advances		(21)	(2,875)
Purchase of financial assets measured at amortized cost		(8,330)	(6,766)
Purchase of financial assets measured at fair value through profit or loss		(13,000)	(18,000)
Purchase of equity instruments measured at fair value through other comprehensive income		(13,191)	(642)
Purchase of debt instruments measured at fair value through other comprehensive income		(12,673)	(2,118)
Proceeds from sale and redemption of financial assets measured at amortized cost		–	1,000
Proceeds from sale and redemption of financial assets measured at fair value through profit or loss		5,000	12,100
Proceeds from sale and redemption of equity instruments measured at fair value through other comprehensive income		37	30
Proceeds from sale and redemption of debt instruments measured at fair value through other comprehensive income		400	4,000
Purchase of shares of subsidiaries and associates		(318)	–
Proceeds from sale of shares of subsidiaries and associates		213	–
Other, net		26	34
Net cash provided by (used in) investing activities		(79,837)	(7,145)

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(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		7,115	4,481
Proceeds from long-term borrowings		–	4,032
Repayments of long-term borrowings		(3,000)	(20,507)
Repayments of lease liabilities		(5,235)	(5,641)
Payments for purchase of treasury shares		(16,001)	(17,001)
Dividends paid to owners of parent		(20,301)	(22,053)
Dividends paid to non-controlling interests		(9,659)	(9,743)
Proceeds from share issuance to non-controlling interests		–	2,870
Proceeds from exercise of employee share options		1,900	1,909
Net cash provided by (used in) financing activities		(45,180)	(61,652)
Effect of exchange rate changes on cash and cash equivalents		7,789	6,186
Net increase (decrease) in cash and cash equivalents		(11,975)	29,606
Cash and cash equivalents at beginning of period		199,522	187,547
Cash and cash equivalents at end of period		187,547	217,153

(5) Notes to the consolidated financial statements

1. Notes regarding going concern assumptions

None.

2. Significant accounting policies

Significant accounting policies adopted for these consolidated financial statements are the same as those adopted to the consolidated financial statements for the fiscal year ended December 31, 2021.

3. Additional information

(Impact of the spread of COVID-19)

With regard to the impact of the spread of COVID-19, although it is difficult to predict how it will spread going forward, when it will come under control, etc., the Group has prepared accounting estimates based on information available as of the end of the fiscal year under review, and judged that the impact on the fiscal year under review will be insignificant.

4. 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 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.

(2) Sales and results by reportable segment

Sales and results by reportable segment are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)					
	Reportable segments				Adjustments	Amounts reported in consolidated financial statements
	Personal care	Pet care	Other	Total		
Sales to external customers	672,039	104,541	6,143	782,723	–	782,723
Sales across segments (Note)	–	–	58	58	(58)	–
Total segment sales	672,039	104,541	6,200	782,780	(58)	782,723
Segment profit (Core operating income)	107,322	14,619	542	122,482	–	122,482
Other income						3,235
Other expenses						(7,445)
Financial income						5,211
Financial costs						(1,507)
Profit before tax						121,977
Others						
Depreciation and amortization expenses	34,310	3,270	346	37,926	–	37,926
Impairment losses	4,757	–	–	4,757	–	4,757
Increase in property, plant and equipment and intangible assets	34,460	1,011	1,082	36,552	–	36,552

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)					
	Reportable segments				Adjustments	Amounts reported in consolidated financial statements
	Personal care	Pet care	Other	Total		
Sales to external customers	764,908	125,312	7,802	898,022	–	898,022
Sales across segments (Note)	–	–	187	187	(187)	–
Total segment sales	764,908	125,312	7,989	898,209	(187)	898,022
Segment profit (Core operating income)	100,863	18,352	351	119,566	–	119,566
Other income						3,052
Other expenses						(7,395)
Financial income						4,628
Financial costs						(4,143)
Profit before tax						115,708
Others						
Depreciation and amortization expenses	37,411	3,674	400	41,486	–	41,486
Impairment losses	4,312	–	–	4,312	–	4,312
Increase in property, plant and equipment and intangible assets	35,701	6,524	402	42,627	–	42,627

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

5. Impairment of non-financial assets

The types and details of assets for which impairment losses were recognized are as follows.

Impairment losses by segment are indicated in “4. Segment information” of the Notes to the consolidated financial statements.

	Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)
Goodwill	4,757	2,202
Property, plant and equipment	–	1,806
Intangible assets	–	304
Total impairment losses	4,757	4,312

(Millions of Yen)

(1) Cash-generating unit

The Group categorizes cash-generating units into the smallest units that have individually identifiable cash flows, while idle assets are grouped by individual asset.

(2) Impairment losses

Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)

As the excess earnings power assumed at the time of the acquisition declined for the business belonging to the personal care segment of Unicharm Australasia Holding Pty Ltd., a subsidiary of the Company, partly due to soaring raw material prices and worsening foreign exchange rates, the carrying amount of “goodwill (intangible assets)” related to the business in the country was reduced to the recoverable amount, and a reduction of ¥4,757 million was recorded as an impairment loss in “other expenses.”

The recoverable amount of such asset group of ¥3,675 million is measured by the value in use. Value in use is obtained by discounting the future cash flows based on the business plan and growth rate approved by the management to the present value using the discount rate calculated based on the pre-tax weighted average cost of capital (7.3%). The growth rate is estimated as 2.0% by taking into account the assumed average growth rates in each market.

Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)

As the excess earnings power assumed at the time of the acquisition declined for the business belonging to the personal care segment of Unicharm Australasia Holding Pty Ltd., a subsidiary of the Company, partly due to soaring raw material prices and worsening foreign exchange rates, the carrying amount of “goodwill (intangible assets)” related to the business in the country was reduced to the recoverable amount, and a reduction of ¥1,258 million was recorded as an impairment loss in “other expenses.”

The recoverable amount of such asset group of ¥3,280 million is measured by the value in use. Value in use is obtained by discounting the future cash flows based on the business plan and growth rate approved by the management to the present value using the discount rate calculated based on the pre-tax weighted average cost of capital (13.4%). The growth rate is estimated as 2.0% by taking into account the assumed average growth rates in each market.

As the excess earnings power assumed at the time of the acquisition declined for the business belonging to the personal care segment of Uni-Charm Corporation Sdn. Bhd., DSG Malaysia Sdn. Bhd., and Disposable SoftGoods (Malaysia) Sdn. Bhd., subsidiaries of the Company, partly due to soaring raw material prices and increased rates of discount, the carrying amount of “goodwill” related to the business in the country was reduced to the recoverable amount, and a reduction of ¥945 million was recorded as an impairment loss in “other expenses.”

The recoverable amount of such asset group of ¥9,200 million is measured by the value in use. Value in use is obtained by discounting the future cash flows based on the business plan and growth rate approved by the management to the present value using the discount rate calculated based on the pre-tax weighted average cost of capital (14.9%). The growth rate is estimated as 3.9% by taking into account the assumed average growth rates in each market.

As further use of certain assets classified as property, plant and equipment or intangible assets owned by DSG International (Thailand) Public Co., Ltd. and Unicharm Molnlycke Rus L.L.C. (Russia) were deemed unlikely, their carrying amounts were reduced to the recoverable amounts. As a result, DSG International (Thailand) Public Co., Ltd. recorded a reduction of ¥1,215 million, and Unicharm Molnlycke Rus L.L.C. (Russia) recorded a reduction of ¥895 million, as impairment losses in “other expenses.” While the recoverable amounts are measured by value in use, when property, plant and equipment or intangible assets are deemed unlikely to be further used, the value in use of assets is recorded as zero.

(3) Impairment test for goodwill and intangible assets with indeterminable useful life

The breakdown of goodwill and intangible assets with indeterminable useful life by cash-generating unit (after recognizing impairment loss) are as follows. All of the assets below are allocated to the personal care business.

(Millions of Yen)

	Cash-generating unit or cash-generating unit group (business belonging to the personal care segment of each group company)	As of December 31, 2021		As of December 31, 2022	
		Goodwill	Intangible assets with indeterminable useful life	Goodwill	Intangible assets with indeterminable useful life
Thailand	Uni-Charm (Thailand) Co., Ltd. DSG International (Thailand) Public Co., Ltd.	20,281	–	22,469	–
Vietnam	Diana Unicharm Joint Stock Company	13,596	–	15,686	–
Australia	Unicharm Australasia Holding Pty Ltd.	1,609	1,428	352	1,534
Malaysia	Uni-Charm Corporation Sdn. Bhd. DSG Malaysia Sdn. Bhd. Disposable Soft Goods (Malaysia) Sdn. Bhd.	5,113	–	4,626	–
Others		1,846	–	1,846	–
Total		42,446	1,428	44,979	1,534

The recoverable amounts of goodwill and intangible assets with indeterminable useful life are calculated based on value in use. Value in use is obtained by discounting the future cash flows for the coming three years based on the business plan approved by the management to the present value using the discount rate calculated based on the pre-tax weighted average cost of capital (6.2-11.6% for the fiscal year ended December 31, 2021; 11.0-17.3% for the fiscal year ended December 31, 2022). The business plan is based on the management’s evaluation of future predictions and past performance of each business while ensuring alignment with external and internal information.

Cash flows beyond the period of the business plan are estimated while taking into account the average growth rate predicted for each market (2.0-4.4% for the fiscal year ended December 31, 2021; 2.0-3.9% for the fiscal year ended December 31, 2022).

There is the possibility of additional impairment loss in case the main assumptions used in the impairment test fluctuate, namely when the future cash flow decreases, or when the discount rate increases.

For the other cash-generating unit groups where impairment loss was not recognized for goodwill or intangible assets with indeterminable useful life, the Company has determined that the likelihood of significant impairment is low, even in the case the main assumptions used in the impairment test change within a rationally predictable range.

6. Selling, general and administrative expenses

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

(Millions of Yen)

	Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)
Freight-out expenses	54,111	62,892
Sales promotion expenses	24,052	27,572
Advertising expenses	28,283	26,083
Employee benefit expenses	40,834	45,641
Depreciation and amortization expenses	10,532	10,359
Research and development expenses	8,184	8,270
Others	25,167	28,218
Total	191,162	209,034

7. 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, 2021 (January 1, 2021 – December 31, 2021)	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)
Profit attributable to owners of parent (Millions of Yen)	72,745	67,608
Profit not attributable to common shareholders of parent (Millions of Yen)	–	–
Profit used to calculate basic earnings per share (Millions of Yen)	72,745	67,608
Weighted-average number of common shares (Thousands of shares)	597,328	595,103
Basic earnings per share (Yen)	121.78	113.61

(2) Diluted earnings per share

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

	Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)
Profit used to calculate basic earnings per share (Millions of Yen)	72,745	67,608
Adjustments to profit for the year (Millions of Yen)	–	–
Profit used to calculate diluted earnings per share (Millions of Yen)	72,745	67,608
Weighted-average number of common shares (Thousands of shares)	597,328	595,103
Impact of dilutive potential common shares		
Share acquisition rights (Thousands of shares)	453	86
Weighted-average number of diluted common shares (Thousands of shares)	597,781	595,188
Diluted earnings per share (Yen)	121.69	113.59
Description of potential shares that were not included in the calculation of diluted earnings per share because of their anti-dilutive effect	–	–

8. Significant subsequent events

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

On October 8, 2022, Unicharm (China) Investment Co., Ltd., a consolidated subsidiary fully owned by the Company, agreed to form a capital alliance with Jiangsu Jijia Pet Products Co., Ltd. (hereafter “JIA PETS”), a major pet food company in China. On November 30, 2022, Unicharm Consumer Products (China) Co., Ltd., the Company’s consolidated subsidiary, agreed to form a business alliance with JIA PETS. The acquisition of the equity interest from the former shareholders of JIA PETS (for which RMB316 million (JPY6,015 million) of the consideration was paid during the fiscal year ended December 31, 2022 and is included in other financial assets (non-current assets) in the consolidated statement of financial position as of December 31, 2022), as well as capital increase through third-party allotment by JIA PETS, were completed with payment on January 6, 2023. The total consideration for the acquisition is RMB875 million (JPY16,632 million). Unicharm (China) Investment Co., Ltd. obtains a 41.85% stake in JIA PETS, which will become the Company’s affiliate from the fiscal year ending December 31, 2023.

(Purchase of treasury shares)

At the meeting of the Board of Directors of the Company held on February 8, 2023, the Company resolved to purchase treasury shares under the provision of the Company’s Articles of Incorporation based upon Article 459 (I) (i) of the Companies Act as follows.

(1) Reason for conducting purchase of treasury shares

To deliver even more returns to shareholders and to enable a flexible capital policy in response to changes in the business environment.

(2) Details of the share acquisition

1. Type of shares to be acquired: Company’s common shares
2. Total number of shares to be acquired: 3.9 million shares (upper limit)
(Ratio of total number of issued shares (excluding treasury shares): 0.66%)
3. Total share acquisition cost: ¥17,000 million (upper limit)
4. Acquisition period: February 9, 2023 – December 21, 2023
5. Acquisition method: Purchase on the Tokyo Stock Exchange