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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, 2020
(January 1, 2020 through December 31, 2020); Flash Report
[IFRS]**



February 15, 2021

Listed Company Name: **Unicharm Corporation**
 Listing: **First Section, Tokyo Stock Exchange**
 Code Number: **8113**
 URL: **http://www.unicharm.co.jp/**
 Company Representative: **Takahisa Takahara, Representative Director, President and Chief Executive Officer**
 Contact Person: **Hirotatsu Shimada, Senior 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 26, 2021**
 Scheduled Date to Commence Dividend Payments: **March 8, 2021**
 Scheduled Date to Submit Securities Report: **March 29, 2021**
 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, 2020
(January 1, 2020 through December 31, 2020)**

(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, 2020	727,475	1.9	114,744	27.8	95,849	37.8	62,580	18.9	52,344	13.5	44,411	(22.2)
Fiscal Year Ended December 31, 2019	714,233	3.8	89,779	(5.6)	69,538	(24.1)	52,638	(21.7)	46,116	(24.8)	57,083	26.0

(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, 2020	87.60	87.46	10.8	10.9
Fiscal Year Ended December 31, 2019	77.53	77.05	10.1	8.4

(Reference)

Share of profit of investments accounted for using equity method: Fiscal Year Ended December 31, 2020:¥(43) million
 Fiscal Year Ended December 31, 2019:¥9 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, 2020	893,413	562,653	493,002	55.2	822.19
As of December 31, 2019	864,003	542,900	473,073	54.8	791.25

(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, 2020	150,254	(41,698)	(35,239)	199,522
Fiscal Year Ended December 31, 2019	84,936	(69,235)	(23,062)	128,787

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, 2019	–	14.00	–	14.00	28.00	16,662	36.1	3.7
Fiscal Year Ended December 31, 2020	–	16.00	–	16.00	32.00	19,136	36.5	4.0
Fiscal Year Ending December 31, 2021 (forecast)	–	18.00	–	18.00	36.00		28.8	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2021 (January 1, 2021 through December 31, 2021)

(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	770,000	5.8	119,000	3.7	117,000	22.1	75,000	43.3	125.19

*** 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, 2020: 620,834,319 shares
 - As of December 31, 2019: 620,834,319 shares
- (ii) Number of treasury shares as of end of period:
 - As of December 31, 2020: 21,742,676 shares
 - As of December 31, 2019: 24,604,939 shares
- (iii) Average number of shares during the period (accumulated total):
 - Fiscal Year Ended December 31, 2020: 597,508,259 shares
 - Fiscal Year Ended December 31, 2019: 594,854,057 shares

(Reference) Summary of non-consolidated performance

**1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2020
(January 1, 2020 through December 31, 2020)**

(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, 2020	366,203	2.9	31,282	16.3	46,149	14.8	8,292	(76.4)
Fiscal Year Ended December 31, 2019	355,721	(1.2)	26,906	(42.9)	40,217	(34.7)	35,119	(19.8)

	Earnings Per Share	Diluted Earnings Per Share
	Yen	Yen
Fiscal Year Ended December 31, 2020	13.88	13.84
Fiscal Year Ended December 31, 2019	59.04	58.43

(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, 2020	455,280	312,113	68.4	519.99
As of December 31, 2019	443,842	316,040	70.9	527.99

(Reference) Equity: As of December 31, 2020: ¥311,521 million
As of December 31, 2019: ¥314,802 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, 2021
(January 1, 2021 through December 31, 2021)**

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, 2021" section on page 6 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, 2019 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2020 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	714,233	727,475	13,242	1.9
Core operating income	89,779	114,744	24,965	27.8
Profit before tax	69,538	95,849	26,311	37.8
Profit attributable to owners of parent	46,116	52,344	6,227	13.5

Comparison with forecasts

	Forecasts for Fiscal Year Ended Dec. 31, 2020 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2020 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	760,000	727,475	(32,525)	(4.3)
Core operating income	100,000	114,744	14,744	14.7
Profit before tax	98,000	95,849	(2,151)	(2.2)
Profit attributable to owners of parent	63,000	52,344	(10,656)	(16.9)

By region

	Net sales (Note)			Core operating income		
	Fiscal Year Ended Dec. 31, 2019 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2020 (Millions of Yen)	Difference (Millions of Yen)	Fiscal Year Ended Dec. 31, 2019 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2020 (Millions of Yen)	Difference (Millions of Yen)
Japan	273,773	292,380	18,608	43,372	57,520	14,148
China	89,025	95,736	6,712	14,106	19,953	5,847
Asia	240,910	227,411	(13,499)	24,688	25,222	534
Others	110,526	111,947	1,421	7,373	11,574	4,201

(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 was as follows. Overseas, while in key target country China, the economy has shown signs of recovery from the economic deterioration due to the novel coronavirus disease (COVID-19), the harsh condition remained due to lockdowns carried out in some regions such as India, Indonesia, and Thailand. The Company has been striving to maintain stable supply of its products, as the Company's products are daily necessities.

In Japan, although economic conditions remain challenging due to the impact of the COVID-19, the Company achieved sustainable growth, thanks to continuously increased demand for products that could help prevent the spread of the virus, such as masks and wet tissues.

In these environments and under the banner "we constantly provide the world's No. 1 and unprecedented products and services to everybody around the globe, and deliver comfort, impression, and satisfaction," the Company and its group companies continued to develop unique non-woven fabric processing and forming technology, and products that meet the needs of consumers while working to create a "Cohesive Society" in which people from all generations can live while not feeling burdened by one another and with mutual respect for each other as people.

As a result, the Company's 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 ¥727,475 million (up 1.9% year on

year), ¥114,744 million (up 27.8% year on year), ¥95,849 million (up 37.8% year on year), ¥62,580 million (up 18.9% year on year), and ¥52,344 million (up 13.5% 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, 2019 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2020 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	620,742	624,758	4,015	0.6
Core operating income	78,893	100,005	21,112	26.8

(Note) Net sales represent those to external customers.

● Wellness Care Business

As of April 1, 2020, the Company has integrated the Health Care Business and the Clean and Fresh Business as the Wellness Care Business. This is intended, against a backdrop of aging populations with an ever faster speed mainly in Japan and Asian regions, not merely from a perspective of old age in the traditional sense, but also to create a rich and healthy society, a Cohesive Society, in which people can have happier and fulfilling lives.

Amid such circumstances, in the overseas markets, as the boost in demand for adult excretion care products is expected in Asian regions including Thailand, Indonesia and Vietnam, as well as China where populations are aging even faster than in Japan, the Company has been promoting the spread of the care model established in Japan.

In the domestic market, which continues to grow as Japan's population of the elderly increases, amid increased attention toward infection prevention causing people to refrain from going out, the Company achieved stable growth from our expanded lineup of products including a newly launched product with a new concept tailored to daily activities, centered on mild and moderate products that help to extend healthy life-spans.

In addition, in response to consumers' increased attention toward infection prevention following the COVID-19 outbreak, as well as increased needs for made-in-Japan products in terms of safety and security, the Company worked to bolster its supply of the *Cho-kaiteki* and *Cho-rittai* mask brands, and the *Silcot* wet tissue brand, which resulted in sales growth.

In response to an expected increase in hygiene consciousness and infection prevention awareness in the future, not only in Japan but also worldwide, the Company will strive to further strengthen the supply system with a view to overseas expansion of masks and wet tissues.

● Feminine Care Business

In China, the Company's high-quality products featuring charming designs remain highly popular with the younger generation. Under such circumstances, the Company continued in its efforts to expand its sales area and the number of stores as well as to enhance e-commerce channels, and achieved high growth. The Company also achieved stable growth in other Asian regions.

In Japan, the Company made efforts to revitalize the domestic market by expanding sales of high value-added products to cater to women's different lifestyles, such as the *SOFY Organic Cotton* series, which uses organic cotton to meet growing calls for health and peace of mind, as well as the *SOFY SPORTS* series, which was launched as a new product. Despite such efforts, the Company saw slower sales due to the impact of COVID-19, which lowered the number of those products consumed mainly owing to reduced opportunities of outings.

● Baby Care Business

In Thailand and Indonesia, whose market polarization is advancing due to the impact of the COVID-19 pandemic, 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, where the use of disposable diapers is still low even among emerging countries, the Company expanded its sales area and market share while promoting pants-type disposable diapers. Meanwhile, the Company imported disposable diapers from neighboring countries and increased production at its existing factories due to a supply shortage caused by

a fire in a factory located in Western India. The Company has also responded to diversified needs of consumers in China, where demand for made-in-Japan products declines, through the efforts to strengthen sales of the high value-added *moony* series made in China, mainly through e-commerce channels. On the other hand, in the Middle East remaining politically unstable, the Company achieved stable growth as a result of steady exports from Saudi Arabia to neighboring Middle Eastern countries, as well as domestic sales in Saudi Arabia.

In Japan, the Company experienced sluggish sales due to the impact of COVID-19, which reduced opportunities of outings and other related causes, while striving to improve our brand value and working to give parents more enjoyment as they raise their babies by way of our expanded lineup of products including high value-added products such as *moony* and *Natural moony*.

As a result, net sales and segment profit (core operating income) for the personal care business for the fiscal year under review were ¥624,758 million (up 0.6% year on year) and ¥100,005 million (up 26.8% year on year), respectively.

2) Pet Care Business

	Fiscal Year Ended Dec. 31, 2019 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2020 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	86,977	95,693	8,716	10.0
Core operating income	10,667	14,174	3,507	32.9

(Note) Net sales represent those to external customers.

The COVID-19 pandemic resulted in an increase of opportunities for consumers to have contact with pets, in addition to an increase in the number of pets living with humans. In the domestic pet food market, the Company worked to improve consumer satisfaction by launching new products for dogs tailored to the physical characteristics and ages of each breed as well as other products for cats meeting the demand for increased health consciousness. Also, in the domestic pet toiletry business, sales have remained steady for pet sheets for dogs and toilet systems for cats. In addition, the Company launched a new line of pet diapers for cats from the *Manner Wear* pet diaper brand, and worked to create new markets, resulting in the achievement of high growth.

Also, in the North American market, while the COVID-19 pandemic led to an increase in the number of pets living with humans and an increase of opportunities for consumers to have contact with pets, sales have remained steady for sheets for dogs that use Japanese technology and for wet-type snacks for cats with a new concept that have never seen in the market. In addition, preparations were made for further growth, including reinforcing e-commerce channels, which have grown significantly in recent years, and making overtures to pet specialty stores and dollar stores, single-price stores that are specific to the U.S., expanding our sales channel. Consequently, high growth was achieved.

As a result, net sales and segment profit (core operating income) for the pet care business for the fiscal year under review were ¥95,693 million (up 10.0% year on year) and ¥14,174 million (up 32.9% year on year), respectively.

3) Other Businesses

	Fiscal Year Ended Dec. 31, 2019 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2020 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	6,514	7,024	511	7.8
Core operating income	219	565	346	157.6

(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 ¥7,024 million (up 7.8% year on year) and ¥565 million (up 157.6% year on year), respectively.

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

	As of December 31, 2019 (Millions of Yen)	As of December 31, 2020 (Millions of Yen)	Difference (Millions of Yen)
Total assets	864,003	893,413	29,410
Total liabilities	321,102	330,760	9,658
Total equity	542,900	562,653	19,752
Ratio of equity attributable to owners of parent (%)	54.8	55.2	-

Total assets as of the end of the fiscal year under review amounted to ¥893,413 million, up ¥29,410 million over the end of the previous fiscal year. The major increases were ¥70,735 million in cash and cash equivalents and ¥6,201 million in other current and non-current financial assets mainly due to time deposits with deposit terms exceeding three months, and the major decreases were ¥25,292 million in property, plant and equipment, ¥9,086 million in trade and other receivables, ¥5,354 million in other current assets mainly due to prepaid consumption taxes, and ¥4,156 million in intangible assets. Total liabilities were ¥330,760 million, up ¥9,658 million over the end of the previous fiscal year. The major increases were ¥13,419 million in other current liabilities mainly due to accrued expenses and ¥9,142 million in income tax payables, and the major decreases were ¥4,691 million in trade and other payables, ¥4,689 million in bonds and borrowings and ¥3,990 million in other current and non-current financial liabilities mainly due to lease liabilities. Total equity amounted to ¥562,653 million, up ¥19,752 million over the end of the previous fiscal year. The major increase was ¥52,344 million in profit attributable to owners of parent, and the major decreases were ¥17,898 million in dividends paid to owners of parent and ¥16,709 million in other components of equity mainly due to exchange differences on translation in foreign operations.

Consequently, the ratio of equity attributable to owners of parent increased from 54.8% as of the end of the previous fiscal year to 55.2% 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, 2019 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2020 (Millions of Yen)	Difference (Millions of Yen)
Cash flows from operating activities	84,936	150,254	65,318
Cash flows from investing activities	(69,235)	(41,698)	27,537
Cash flows from financing activities	(23,062)	(35,239)	(12,177)
Cash and cash equivalents at end of period	128,787	199,522	70,735

Net cash provided by operating activities totaled ¥150,254 million (up ¥65,318 million from the previous fiscal year). Net cash used in investing activities totaled ¥41,698 million mainly due to purchase of property, plant and equipment, and intangible assets (down ¥27,537 million from the previous fiscal year). Net cash used in financing activities amounted to ¥35,239 million, mainly attributable to dividends paid to owners of parent (up ¥12,177 million from the previous fiscal year).

As a result, cash and cash equivalents including effect of exchange rate changes at end of the fiscal year under review amounted to ¥199,522 million, up ¥70,735 million over the end of the previous fiscal year.

(Reference) Changes in cash flow-related financial indicators

	As of Dec. 31, 2016	As of Dec. 31, 2017	As of Dec. 31, 2018	As of Dec. 31, 2019	As of Dec. 31, 2020
Ratio of equity attributable to owners of parent (%)	52.7	52.6	55.5	54.8	55.2
Ratio of equity attributable to owners of parent at market value (%)	226.0	232.9	267.0	255.3	328.0
Ratio of cash flows to interest-bearing debts (year)	0.2	0.2	0.4	1.0	0.5
Interest coverage ratio (times)	181.5	138.6	194.3	55.2	112.8

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, 2021

	Actual results for fiscal year ended Dec. 31, 2020 (Millions of Yen)	Forecasts for fiscal year ending Dec. 31, 2021 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	727,475	770,000	42,525	5.8
Core operating income	114,744	119,000	4,256	3.7
Profit before tax	95,849	117,000	21,151	22.1
Profit attributable to owners of parent	52,344	75,000	22,656	43.3
Basic earnings per share (Yen)	87.60	125.19	37.59	42.9

In the fiscal year ending December 31, 2021, the first year of the new Medium-term Management Plan, the Company will strive to develop hygiene-related products that meet consumer needs utilizing DX and create markets, and will continue to implement business strategies in line with the economic level and demographics of target countries, in order to achieve sustainable high growth, as a moderate economic recovery is expected with the stable condition of the COVID-19 in the Group's key target countries.

For overseas markets, within this environment, we intend to grow with a speed exceeding that of the market and strive for vitalization through offering products that meet individual needs in the target countries, focusing on the key countries of China, India and Southeast Asia, and aggressive sales activities in the personal care business. In the pet care business, the Company is working to increase the composition of sales of cat snacks and other products equipped with Japanese technology and to expand sales networks through specialty stores, e-commerce, and other similar channels in North America. In Asian markets, the Company is strengthening product lineups in China, Korea, etc.

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

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, 2021 are forecast to be ¥770,000 million,

¥119,000 million, ¥117,000 million and ¥75,000 million, respectively, on a consolidated basis. Basic earnings per share will be ¥125.19.

In the meantime, the Company's assumptions on foreign exchange rates for the main currencies are JPY103.50 to one U.S. dollar and JPY15.80 to one Chinese yuan.

- (5) Basic policy regarding profit distribution and dividends for the fiscal year ended December 31, 2020 and the fiscal year ending December 31, 2021

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 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 ¥32, comprising a year-end dividend of ¥16 per share, in addition to a ¥16 per share dividend for the end of the second quarter. This will be the 19th consecutive period of an increase in dividends, with a dividend on equity attributable to owners of parent (DOE) of 4.0%.

Also, based on the resolution for purchase of the treasury shares passed at the Board of Directors' meeting held on February 13, 2020, 1,785,800 shares were acquired, from February 14 to December 23, 2020, by the purchase on the Tokyo Stock Exchange for the total purchase amount of ¥7,192 million.

Based on the abovementioned profit distribution policy, the Company plans to increase the annual dividend payment in the fiscal year under review by ¥4 per share, to make an annual dividend payment in the fiscal year ending December 31, 2021 of ¥36 per share, including a ¥18 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, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
Assets			
Current assets			
Cash and cash equivalents		128,787	199,522
Trade and other receivables		121,784	112,698
Inventories		65,240	61,617
Other current financial assets		86,418	97,588
Other current assets		24,891	19,536
Total current assets		427,120	490,962
Non-current assets			
Property, plant and equipment		284,105	258,814
Intangible assets		94,162	90,006
Deferred tax assets		13,141	13,078
Investments accounted for using equity method		939	1,262
Other non-current financial assets		42,342	37,372
Other non-current assets		2,193	1,920
Total non-current assets		436,882	402,451
Total assets		864,003	893,413

TRANSLATION FOR REFERENCE PURPOSES ONLY
Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2020

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables		150,007	145,316
Bonds and borrowings		10,264	8,975
Income tax payables		7,041	16,183
Other current financial liabilities		5,998	5,765
Other current liabilities		43,557	56,976
Total current liabilities		216,868	233,215
Non-current liabilities			
Bonds and borrowings		27,601	24,202
Deferred tax liabilities		20,682	21,116
Retirement benefit liabilities		10,173	11,483
Other non-current financial liabilities		40,500	36,743
Other non-current liabilities		5,279	4,001
Total non-current liabilities		104,234	97,545
Total liabilities		321,102	330,760
Equity			
Equity attributable to owners of parent			
Capital stock		15,993	15,993
Share premium		14,960	13,208
Retained earnings		513,066	547,259
Treasury shares		(58,769)	(54,572)
Other components of equity		(12,177)	(28,886)
Total equity attributable to owners of parent		473,073	493,002
Non-controlling interests		69,827	69,651
Total equity		542,900	562,653
Total liabilities and equity		864,003	893,413

(2) Consolidated statements of income and comprehensive income

(Consolidated statement of income)

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Net sales	4	714,233	727,475
Cost of sales		(447,495)	(434,866)
Gross profit		266,738	292,609
Selling, general and administrative expenses	6	(176,959)	(177,865)
Other income		2,324	2,664
Other expenses	5, 7	(22,358)	(21,818)
Financial income		3,385	4,152
Financial costs		(3,593)	(3,893)
Profit before tax		69,538	95,849
Income tax expenses		(16,900)	(33,268)
Profit for the period		52,638	62,580
Profit attributable to			
Owners of parent		46,116	52,344
Non-controlling interests		6,521	10,237
Profit for the period		52,638	62,580
Earnings per share attributable to owners of parent			
Basic earnings per share (Yen)	8	77.53	87.60
Diluted earnings per share (Yen)	8	77.05	87.46

Reconciliation of changes from gross profit to core operating income

(Millions of Yen)

Gross profit	266,738	292,609
Selling, general and administrative expenses	(176,959)	(177,865)
Core operating income (*)	89,779	114,744

* 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, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Profit for the period		52,638	62,580
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		766	(310)
Remeasurements related to net defined benefit liabilities (assets)		958	(972)
Subtotal		1,724	(1,282)
Items that may be reclassified to profit or loss			
Net changes in debt instruments measured at fair value through other comprehensive income		–	(1)
Changes in fair value of cash flow hedges		(15)	(10)
Exchange differences on translation in foreign operations		2,737	(16,859)
Share of other comprehensive income of investments accounted for using equity method		–	(16)
Subtotal		2,722	(16,887)
Total other comprehensive income, net of tax		4,446	(18,169)
Total comprehensive income		57,083	44,411
Total comprehensive income attributable to			
Owners of parent		52,458	36,248
Non-controlling interests		4,625	8,163
Total comprehensive income		57,083	44,411

(3) Consolidated statement of changes in equity

Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)

(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, 2019		15,993	13,058	480,457	(52,776)	(15,276)	441,456	62,214	503,670
Cumulative effects of changes in accounting policies		–	–	(530)	–	–	(530)	(23)	(554)
Restated balance at January 1, 2019		15,993	13,058	479,927	(52,776)	(15,276)	440,926	62,190	503,116
Profit for the period		–	–	46,116	–	–	46,116	6,521	52,638
Other comprehensive income		–	–	–	–	6,341	6,341	(1,896)	4,446
Total comprehensive income		–	–	46,116	–	6,341	52,458	4,625	57,083
Purchase of treasury shares		–	–	–	(15,001)	–	(15,001)	–	(15,001)
Conversion of convertible bond-type bonds with share acquisition rights		–	867	–	9,008	(745)	9,130	–	9,130
Dividends		–	–	(15,475)	–	–	(15,475)	(2,211)	(17,686)
Equity transactions with non-controlling interests		–	1,036	–	–	–	1,036	5,222	6,257
Transfer from other components of equity to retained earnings		–	–	2,497	–	(2,497)	–	–	–
Total transactions with owners		–	1,902	(12,978)	(5,993)	(3,242)	(20,310)	3,011	(17,299)
Balance at December 31, 2019		15,993	14,960	513,066	(58,769)	(12,177)	473,073	69,827	542,900

Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)

(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, 2020		15,993	14,960	513,066	(58,769)	(12,177)	473,073	69,827	542,900
Profit for the period		–	–	52,344	–	–	52,344	10,237	62,580
Other comprehensive income		–	–	–	–	(16,095)	(16,095)	(2,074)	(18,169)
Total comprehensive income		–	–	52,344	–	(16,095)	36,248	8,163	44,411
Purchase of treasury shares		–	–	–	(7,193)	–	(7,193)	–	(7,193)
Disposal of treasury shares		–	1,230	–	3,875	(580)	4,525	–	4,525
Conversion of convertible bond-type bonds with share acquisition rights		–	280	–	3,510	(286)	3,504	–	3,504
Dividends		–	–	(17,898)	–	–	(17,898)	(8,822)	(26,720)
Change in scope of consolidation		–	–	–	–	–	–	7	7
Equity transactions with non-controlling interests		–	(283)	–	–	–	(283)	475	192
Share-based payment transactions		–	(2,979)	–	4,004	–	1,025	–	1,025
Transfer from other components of equity to retained earnings		–	–	(253)	–	253	–	–	–
Total transactions with owners		–	(1,752)	(18,151)	4,196	(614)	(16,320)	(8,339)	(24,659)
Balance at December 31, 2020		15,993	13,208	547,259	(54,572)	(28,886)	493,002	69,651	562,653

(4) Consolidated statement of cash flows

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Cash flows from operating activities			
Profit before tax		69,538	95,849
Depreciation and amortization expenses		38,676	36,165
Impairment losses		19,654	–
Loss due to fire		–	15,929
Interest and dividend income		(3,380)	(3,836)
Interest expenses		2,296	1,330
Foreign exchange loss (gain)		265	849
Loss (gain) on sale and retirement of fixed assets		626	593
Decrease (increase) in trade and other receivables		(20,264)	5,395
Decrease (increase) in inventories		6,700	(419)
Increase (decrease) in trade and other payables		(6,763)	(967)
Increase (decrease) in other current liabilities		50	16,959
Other, net		3,469	2,405
Subtotal		110,866	170,252
Interest and dividends received		3,489	3,470
Interest paid		(1,540)	(1,331)
Proceeds from insurance income		2,025	–
Income taxes refund		13	–
Income taxes paid		(29,919)	(22,136)
Net cash provided by (used in) operating activities		84,936	150,254
Cash flows from investing activities			
Payments into time deposits		(66,717)	(52,232)
Proceeds from withdrawal of time deposits		34,092	41,101
Purchase of property, plant and equipment, and intangible assets		(44,017)	(35,507)
Proceeds from sale of property, plant and equipment, and intangible assets		760	2,115
Purchase of financial assets measured at fair value through profit or loss		–	(6,100)
Purchase of equity instruments measured at fair value through other comprehensive income		(4,015)	(3,014)
Purchase of debt instruments measured at fair value through other comprehensive income		–	(401)
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		4,000	3,000
Proceeds from sale and redemption of equity instruments measured at fair value through other comprehensive income		6,850	8,019
Other, net		(188)	323
Net cash provided by (used in) investing activities		(69,235)	(41,698)

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 Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2020

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		(6,869)	25
Proceeds from long-term borrowings		23,000	725
Repayments of long-term borrowings		(9,503)	(1,341)
Repayments of lease liabilities		(5,933)	(5,149)
Payments for purchase of treasury shares		(15,001)	(7,193)
Dividends paid to owners of parent		(15,482)	(17,895)
Dividends paid to non-controlling interests		(2,179)	(8,822)
Proceeds from share issuance to non-controlling interests		8,904	30
Proceeds from exercise of employee share options		–	4,525
Other, net		–	(144)
Net cash provided by (used in) financing activities		(23,062)	(35,239)
Effect of exchange rate changes on cash and cash equivalents		1,083	(2,583)
Net increase (decrease) in cash and cash equivalents		(6,278)	70,735
Cash and cash equivalents at beginning of period		135,065	128,787
Cash and cash equivalents at end of period		128,787	199,522

(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, 2019.

3. Additional information

(Accounting estimates associated with the spread of COVID-19)

Considering the impact of COVID-19 as an event with high uncertainty, the Group has prepared accounting estimates based on information available as of the end of the fiscal year under review.

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 reporting segments.

In the personal care business, the Group manufactures and sells wellness care products, feminine care products, and baby 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.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2020

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)					
	Reportable segments				Adjustments	Amounts reported in consolidated financial statements
	Personal care	Pet care	Other	Total		
Sales to external customers	620,742	86,977	6,514	714,233	–	714,233
Sales across segments (Note)	–	–	38	38	(38)	–
Total segment sales	620,742	86,977	6,551	714,271	(38)	714,233
Segment profit (Core operating income)	78,893	10,667	219	89,779	–	89,779
Other income						2,324
Other expenses						(22,358)
Financial income						3,385
Financial costs						(3,593)
Profit before tax						69,538
Others						
Depreciation and amortization expenses	35,489	3,035	151	38,676	–	38,676
Impairment losses	19,654	–	–	19,654	–	19,654
Increase in property, plant and equipment and intangible assets	54,089	1,488	445	56,022	–	56,022

(Millions of Yen)

	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)					
	Reportable segments				Adjustments	Amounts reported in consolidated financial statements
	Personal care	Pet care	Other	Total		
Sales to external customers	624,758	95,693	7,024	727,475	–	727,475
Sales across segments (Note)	–	–	42	42	(42)	–
Total segment sales	624,758	95,693	7,066	727,516	(42)	727,475
Segment profit (Core operating income)	100,005	14,174	565	114,744	–	114,744
Other income						2,664
Other expenses						(21,818)
Financial income						4,152
Financial costs						(3,893)
Profit before tax						95,849
Others						
Depreciation and amortization expenses	32,786	3,140	240	36,165	–	36,165
Increase in property, plant and equipment and intangible assets	37,452	1,787	393	39,632	–	39,632

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

5. Impairment of non-financial assets

(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 loss

Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)

The main impairment losses recorded in the fiscal year ended December 31, 2019 are as follows.

The carrying amount of property, plant and equipment was reduced to the recoverable amount to reflect the impact of declining profitability as a result of the change in the business situation in China. A reduction of ¥11,987 million was recorded as an impairment loss in “other expenses.”

In addition, as the profit projected at the time of the acquisition is now not expected at Unicharm Myanmar Company Limited (former trade name: MYCARE Unicharm Co., Ltd.), a subsidiary of the Company based in Myanmar, the carrying amount of property, plant and equipment, goodwill and intangible assets related to the business in Myanmar was reduced to their recoverable amount, and a reduction of ¥2,029 million was recorded as an impairment loss in “other expenses.”

Furthermore, as the business prospect of a subsidiary based in Indonesia, one of the group companies of DSG (Cayman) Ltd., a subsidiary of the Company, has deviated significantly from the future growth plan projected at the time of the acquisition because of business restructuring in Indonesia, the carrying amount of property, plant and equipment and intangible assets that are recognized at the subsidiary based in Indonesia was reduced to their recoverable amount, and a reduction of ¥5,543 million was recorded as an impairment loss in “other expenses.”

The recoverable amounts of these groups of assets are measured by their value in use. Value in use is obtained by discounting the future cash flows based on the business plan approved by the Board of Directors to the present value using the discount rate calculated based on the pre-tax weighted average cost of capital (4.4%-10.2%).

Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)

None.

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, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Freight-out expenses	49,701	48,074
Sales promotion expenses	22,896	23,026
Advertising expenses	23,123	26,079
Employee benefits expenses	36,310	39,490
Depreciation and amortization expenses	9,781	10,670
Research and development expenses	7,584	7,808
Others	27,564	22,720
Total	176,959	177,865

7. Fire accident at Unicharm India Private Ltd.’s Ahmedabad Factory

A fire accident took place on June 24, 2020 at Ahmedabad Factory of Unicharm India Private Ltd., a subsidiary of the Company. In the fiscal year under review, the total amount of damage was ¥15,929 million, totaling ¥13,072 million of property, plant and equipment such as buildings and equipment of the factory, ¥1,906 million of inventories, and ¥951 million of other related expenses. This damage amount is recorded as “other expenses” in the consolidated statement of income.

The overseas subsidiary had fire insurance for the damaged assets, but since the receipt of insurance proceeds has not been determined as of the end of the fiscal year under review, insurance income is not recorded.

8. 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, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Profit attributable to owners of parent (Millions of Yen)	46,116	52,344
Weighted-average number of common shares (Thousands of shares)	594,854	597,508
Basic earnings per share (Yen)	77.53	87.60

(2) Diluted earnings per share

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

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Profit attributable to owners of parent (Millions of Yen)	46,116	52,344
Adjustment of profit used to calculate diluted earnings per share (Millions of Yen)	33	2
Profit used to calculate diluted earnings per share (Millions of Yen)	46,149	52,345
Weighted-average number of common shares (Thousands of shares)	594,854	597,508
Impact of dilutive potential common shares		
Increase in the number of common shares from exercise of convertible bond-type bonds with share acquisition rights (Thousands of shares)	4,096	313
Increase in the number of common shares from exercise of share acquisition rights (Thousands of shares)	–	696
Weighted-average number of diluted common shares (Thousands of shares)	598,950	598,517
Diluted earnings per share (Yen)	77.05	87.46
Description of potential shares that were not included in the calculation of diluted earnings per share because of their anti- dilutive effect	Resolved at the Board of Directors meeting held on April 16, 2015 Stock option	–

9. Significant subsequent events

(Purchase of treasury shares)

At the meeting of the Board of Directors of the Company held on February 15, 2021, 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: 4.0 million shares (upper limit)
(Ratio of total number of issued shares (excluding treasury shares): 0.67%)
3. Total share acquisition cost: ¥16,000 million (upper limit)
4. Acquisition period: February 16, 2021 – December 23, 2021
5. Acquisition method: Purchase on the Tokyo Stock Exchange
(through discretionary investment by a securities company)