

This notice has been translated from the original Japanese text of the timely disclosure statement dated February 13, 2020 and is for reference purposes only. In the event of any discrepancy between the original Japanese and this translation, the Japanese text shall prevail.

CAUTIONS REGARDING FORWARD-LOOKING STATEMENTS

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

**Consolidated Financial Results for the Fiscal Year Ended December 31, 2019
(January 1, 2019 through December 31, 2019); Flash Report
[IFRS]**

February 13, 2020

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, 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 25, 2020**
 Scheduled Date to Commence Dividend Payments: **March 5, 2020**
 Scheduled Date to Submit Securities Report: **March 26, 2020**
 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, 2019
(January 1, 2019 through December 31, 2019)**

(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, 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
Fiscal Year Ended December 31, 2018	688,290	7.3	95,107	9.5	91,561	(1.5)	67,265	16.8	61,353	16.3	45,311	(30.2)

(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, 2019	77.53	77.05	10.1	8.4
Fiscal Year Ended December 31, 2018	103.73	101.44	14.8	12.0

(Reference)

Share of profit of investments accounted for using equity method: As of December 31, 2019: ¥9 million
 As of December 31, 2018: ¥89 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, 2019	864,003	542,900	473,073	54.8	791.25
As of December 31, 2018	795,483	503,670	441,456	55.5	736.39

(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, 2019	84,936	(69,235)	(23,062)	128,787
Fiscal Year Ended December 31, 2018	110,867	(113,400)	(27,723)	135,065

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, 2018	–	12.00	–	12.00	24.00	14,302	23.1	3.5
Fiscal Year Ended December 31, 2019	–	14.00	–	14.00	28.00	16,662	36.1	3.7
Fiscal Year Ending December 31, 2020 (forecast)	–	16.00	–	16.00	32.00		30.3	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2020 (January 1, 2020 through December 31, 2020)

(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	760,000	6.4	100,000	11.4	98,000	40.9	63,000	36.6	105.66

*** Notes**

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

(2) Changes in accounting policies and accounting estimates

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

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

(iii) Changes in accounting estimates: None

(Note) For the details, please refer to “3. Consolidated Financial Statements and Significant Notes Thereto, (5) Notes to the consolidated financial statements, 2. Significant accounting policies” section on page 19.

(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, 2019: 620,834,319 shares

As of December 31, 2018: 620,834,319 shares

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

As of December 31, 2019: 24,604,939 shares

As of December 31, 2018: 24,151,251 shares

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

Fiscal Year Ended December 31, 2019: 594,854,057 shares

Fiscal Year Ended December 31, 2018: 591,475,687 shares

(Reference) Summary of non-consolidated performance

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2019

(January 1, 2019 through December 31, 2019)

(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, 2019	355,721	(1.2)	26,906	(42.9)	40,217	(34.7)	35,119	(19.8)
Fiscal Year Ended December 31, 2018	359,961	6.2	47,131	33.7	61,545	42.9	43,774	23.1

	Earnings Per Share	Diluted Earnings Per Share
	Yen	Yen
Fiscal Year Ended December 31, 2019	59.04	58.43
Fiscal Year Ended December 31, 2018	74.01	71.52

(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, 2019	443,842	316,040	70.9	527.99
As of December 31, 2018	435,350	302,824	69.3	505.41

(Reference) Equity: As of December 31, 2019: ¥314,802 million
As of December 31, 2018: ¥301,571 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, 2020 (January 1, 2020 through December 31, 2020)

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, 2020" section on page 8 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, 2018 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2019 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	688,290	714,233	25,943	3.8
Core operating income	95,107	89,779	(5,328)	(5.6)
Profit before tax	91,561	69,538	(22,023)	(24.1)
Profit attributable to owners of parent	61,353	46,116	(15,236)	(24.8)

By region

	Net sales (Note)			Core operating income		
	Fiscal Year Ended Dec. 31, 2018 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2019 (Millions of Yen)	Difference (Millions of Yen)	Fiscal Year Ended Dec. 31, 2018 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2019 (Millions of Yen)	Difference (Millions of Yen)
Japan	279,589	273,773	(5,817)	56,334	43,372	(12,961)
China	87,145	89,025	1,880	9,872	14,106	4,234
Asia	215,721	240,910	25,189	22,948	24,688	1,740
Others	105,835	110,526	4,691	5,809	7,373	1,564

(Note) Net sales represent those to external customers.

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

In the fiscal year under review, while the operating environment of the Group overseas was affected by lingering uncertainties over the outlook of the global economy due to the US-China trade conflict and continued concerns over economic slowdown in our key target countries such as China, Indonesia and Thailand, the Group proactively carried out sales activities for personal care products tailored to consumer needs and achieved sustainable growth.

In Japan, although there was a succession of natural disasters and signs of bottoming out in inbound tourist consumption, the impact of the consumption tax increase was limited and personal spending was on a moderate upward trend. Therefore, the Group continued to make proposals offering new value to stimulate demand for high value-added personal care products and worked to expand its markets.

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 ¥714,233 million (up 3.8% year on year), ¥89,779 million (down 5.6% year on year), ¥69,538 million (down 24.1% year on year), ¥52,638 million (down 21.7% year on year), and ¥46,116 million (down 24.8% 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, 2018 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2019 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	599,290	620,742	21,453	3.6
Core operating income	84,833	78,893	(5,940)	(7.0)

(Note) Net sales represent those to external customers.

● Baby Care Business

Overseas, business performance recovered moderately in China as the Company proactively sold the *moony* series, which are high value-added imports from Japan, through e-commerce channels in order to meet the needs for “safety, security and high quality.” However, demand for Japanese products has not grown as much as expected because of the recent extraordinary change in the economic environment and in consumer values in China. Moreover, against the backdrop of the intense competitive environment as a result of the rise of local manufacturers, the Company found it difficult to significantly increase sales volume in the near term, and an impairment loss was recorded. For the future, the Company is striving to develop products that capture the indications of change within consumers while utilizing digital information. The Company continued to pursue synergies to drive dramatic growth in the Southeast Asia region, where DSG (Cayman) Limited, which owns the *BabyLove*, *Fitti* and *PetPet* brands, operates. 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. In Saudi Arabia, the Company continued offering products tailored to consumer needs, in an effort to maintain the top share in the market*¹, which it achieved in the previous year.

In Japan, the Company carried out research on actions that motivate people regarding childcare by stirring up positive feelings, in collaboration with Professor Masako Myowa-Yamakoshi of Kyoto University Graduate School of Education. In addition to the Happy Notifications, whereby a positive message such as “Thank you” or “I love you” appears when the baby urinates on a *Natural moony**² (the first disposable diaper in Japan*³ to use organic cotton for the top sheet), the Company has been cooperating with customers to come up with thoughts and ideas to help both the global environment and the workplace environment, and to contribute to children’s future in support of the “ORGABITS project”*⁴ developed by Toyoshima & Co., Ltd. The *moony Air Fit* series, which fits comfortably on the baby’s skin while preventing leakage, and the *Natural moony* series, incorporate a design that applies “origami technology” and “mechanics,” so that anyone can put them on their babies well, even novice parents, regardless of their proficiency. These products earned acclaim for taking the stress out of childcare and won the Good Design Award in 2019. The Company also released the world’s smallest*⁵ disposable diaper, *moony flat type* for hospitals and maternity clinics nationwide, which was developed jointly with nurses for babies born weighing less than 1,000 g as a result of Unicharm’s efforts to allow a snug fit on every baby born. Furthermore, the Company has been continuing to execute the “Project for Supporting Tiny Lives” from last year in order to continually support babies in the NICU*⁶, their families, and medical professionals. In the *Mamy Poko* series, which has a charming design and superior absorbency, the Company has extended its design variations by adding the Doraemon design, which is very popular with children, as a new design. For sub-category brands such as *Trepanman* and *Oyasumi Man*, the Company started free distribution of the “Toilet Training with *moony*” app incorporating an *Oyasumi Man* mode to help prevent bed-wetting. The app is useful for parents helping their children start toilet training, a key period of development when they gain self-confidence and build trust with the people around them. The app helps children develop the habit of going to the toilet in the morning and evening. The Company also started a flat-rate service for disposable baby diapers for nursery schools in partnership with BABY JOB Co., Ltd., a supplier of childcare personnel services, in order to reduce the burden on the increasing number of dual-income households and to give parents more enjoyment as they raise their babies.

*1: Disposable baby diaper market within Saudi Arabia (cumulative sales amount from July 2018 to June 2019, survey by Nielsen)

*2: Applicable sizes: Newborn (Birth to 3,000 g), Newborn (Birth to 5,000 g), and S sizes

- *3: Surface sheets of leading disposable baby diaper products in Japan (survey by Unicharm Corporation, in March 2016)
- *4: A project started from the desire to contribute to the global environment bit by bit through organic cotton
- *5: Among disposable diapers for low-weight newborns manufactured by major global brands (survey by Unicharm Corporation, in March 2019)
- *6: Taken from the acronym for Neonatal Intensive Care Unit

- **Feminine Care Business**

For overseas markets, 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. In addition, the Company has been endeavoring to expand its sales area and further increase its market share for products tailored to customer needs in emerging countries such as Indonesia, Thailand, Vietnam and India.

In Japan, to meet heightened demand for health and peace of mind, the Company added the *SOFY Organic Cotton* series, which uses organic cotton, to the *SOFY* brand, which encourages women to spread their wings, as premium lines in the various categories of napkins, tampons, panty liners, and sanitary shorts. The Company also released the new *SOFY Ultra Sound Sleep Shorts*, which is a wearable, shorts-shaped napkin that realizes comfort, is highly breathable, and looks like underwear, which provides the assurance for women that they can sleep through the night without leakage, even on days with heavy menstruation. In the pantyliner business, the Company has strived to offer high value-added products utilizing its proprietary non-woven technology, such as with the release of the new pantyliner, *Kiyora Luxury Absorption* series, which absorbs both discharge and moisture. Moreover, with efforts such as by starting the “#NoBagForMe” project aimed at helping create a world in which everybody can feel free to talk about menstruation and sanitary products without hiding them, and by continuing with its support for the pink ribbon movement for 12 consecutive years since 2008, the Company strove to free women from their physical and emotional constraints and to realize a society in which all women can play an active role, leading healthier lives and expressing their individuality, while examining the structures of women's bodies and minds from a scientific perspective.

- **Health Care Business**

In the overseas markets, populations in Taiwan, Indonesia, Thailand, Vietnam and China are aging even faster than in Japan, which will boost the demand for adult excretion care products. The Company moved ahead with preparations to spread the care model established in Japan to Asian regions. In addition, the Company has conducted various initiatives aimed at accelerating the spread of such products in Thailand and Malaysia, where the Company is building a superior market position in the market for adult disposable diapers, and where DSG (Cayman) Limited, the manufacturer of the *Certainty* brand, operates.

In the domestic market, which continues to grow as Japan's population of the elderly increases, the Company has been working to educate the public about products that enable elderly people to continue with their current lifestyle as before, commercialize “used disposable diaper recycling technology” that recycles used disposable diapers through the Company's proprietary recycling system, build name recognition for “circular model,” and spread the adoption of the products. In the light incontinence care products line, in the *Charm Nap* series, which brings happiness to daily life with its absorbent care, the Company made additions to the lineup for the *Charm Nap Absorbent Sarafi* series, in the form of the *Charm Nap Absorbent Sarafi Organic Cotton 100%*^{*1}, which uses natural organic cotton material, as a product that combines natural comfort with reassurance in use. Together with the *Lifree Comfortable Pads* series of incontinence care products for men that are designed to prevent urine leakage and stains on trousers, the Company continued its activities aimed at removing resistance to using these products by conveying that anyone can have light incontinence. In the *Lifree* brand of adult disposable diapers and incontinence care products, the Company is working to support both those in care and their carers, as well as helping to extend healthy lifespans by equipping *Lifree Pants* series with our patented “easy stitches” technology that allows both sides of disposable pants to be torn with only a small amount of force, thus making the changes more convenient. The Company also offers NAVI for Adult Diapers, which uses an artificial intelligence chatbot^{*2} — the first in the adult diaper industry — to answer questions about excretion care 24 hours a day, 365 days a year. In these ways, the Company supports a healthy mentality and body. The Company is also working to combat social problems associated with an aging population, such as home confinement and dementia, by holding regular *Lifree* “Social Walking^{*3}” events, which is an initiative that helps prevent dementia by encouraging people to continue working purposefully with society through initiatives that everyone can participate in.

The Company has also actively promoted its products through TV commercials, on its website, during over-the-counter consultations at shops, and by creating shelf space at retailers based on daily activities to take the lead in the market for excretion care products.

In the *Cho-kaiteki* mask brand, which protects daily health and supports a safe and comfortable lifestyle, to respond to diversifying usage and needs, the Company launched *Cho-kaiteki Mask Stuffly-Free Type BLACK*, *Cho-kaiteki Mask Regular Size Pink* and *Cho-kaiteki Mask For Kids (for kindergartener) Oyako Animal Pattern*. In this way the Company strove to offer a range of masks suitable for comfortable year-round use by both children and adults, and to revitalize the market.

- *1: The top layer that comes in contact with skin uses 100% organic cotton
- *2: A program that engages in dialogue instead of a person (or a system that includes this function)
- *3: “Social walking” is a coined word that means “social participation and walking,” and it indicates a form of walking that helps preventing dementia in a manner that anyone can easily benefit from by walking while having a good time with other people (devised by the Company, under the supervision of Tokyo Metropolitan Geriatric Hospital and Institute of Gerontology).

- Clean and Fresh Business

In the domestic market for clean and fresh products, the Company developed products in line with the changes in living environments and lifestyle changes targeted at the increasing number of customers who wish to keep their living spaces always spick and span by cleaning their homes easily within the limited time they spend at home. The Company has responded to diversifying consumer needs by adding *Silcot Noroclear Antibacterial Wet Tissues*^{*1}, which contains safe and secure to use, 100% natural antivirus ingredient, Noroclear Protein, developed by Kewpie Corporation to the *Silcot Wet Tissues* series, which is a box of wipes that enables users to clean quickly with just one hand. As for the *Wave* brand with its cleaning proposal that a single sheet of this product can clean the entire house, the Company launched *Wave Floor Wiper* and *Wave Floor sheet (Wet or Dry-type)*, whose head automatically rotates to a vertical position just by pulling it upwards, so users can reach vertical gaps in furniture and appliances, to make the whole house spotless, and recommended ways to make daily life comfortable.

With regard to the *Silcot Cotton* series, which maintains the health of the skin as it changes on a daily basis and which makes everyday maintenance easier and more effective, the Company took steps to revitalize the increasingly diversified cosmetic cotton market through its products such as the *Silcot Sponge Touch Moisturizing Cotton* (winner of @cosme Best Cosmetics Awards three years in a row^{*2} and inducted into the Hall of Fame), which makes skin amazingly moist using 50% less lotion^{*3}, and the *Silcot Wiping Cotton Silky Cut* products, made from Japan’s first superfine filament^{*4}, which easily removes even microscopic dirt.

The Company has been working on reducing food wastage in relation to fresh foods with products such as *Cook Up* cooking paper for uses from food preparation, cooking, and storage to kitchen wipes, as well as introducing convenient usage methods such as maintaining the freshness of fresh foods, and *Fresh Master* tray sheets, which absorb excess moisture and let air through to prevent deterioration and discoloration of fresh foods.

- *1: Does not eliminate all bacteria
- *2: @cosme Best Cosmetics Awards: Best in Category–Beauty Goods 2016, Best in Category–Beauty Goods 2017, Hall of Fame 2018
- *3: Compared to the Company’s conventional products
- *4: The sheet covering the puff has a double-layered structure. The outer layer touching the skin consists of superfine filaments that are less than 10 μm in size and the inner part is made up of coarse cellulose fibers. The survey covered cosmetic cotton from major brands in Japan. (survey by Unicharm Corporation, in October 2015)

As a result, net sales and segment profit (core operating income) for the personal care business for the fiscal year under review were ¥620,742 million (up 3.6% year on year) and ¥78,893 million (down 7.0% year on year), respectively.

2) Pet Care Business

	Fiscal Year Ended Dec. 31, 2018 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2019 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	82,073	86,977	4,904	6.0
Core operating income	10,123	10,667	543	5.4

(Note) Net sales represent those to external customers.

The Company has been working to develop products ranging from sanitary goods to food and create markets to support the lives of pets in an integrated manner in order to help create a “Cohesive Society” in which humans and pets can live together in comfort for a long time and in good health.

In the domestic pet toiletry business, with the proportion of elderly dogs increasing in the same way it has increased for humans in recent years, the Company has launched a new brand of the *Manner Wear Long Time Diaper*, which are fashionable, cute, can be worn almost like clothing, and have significantly improved resistance to slippage and twisting. It allows much-loved dogs to continue to live, play and walk as normal without being confined to their beds. For cats, the Company has improved the deodorizing power of the *Deo Toilet Deodorizing Sheet* series, designed to eliminate unpleasant odors, and worked to offer products enabling pets to live hygienically and comfortably.

In the domestic pet food market, the Company is committed to pursuing flavor and quality using near-natural ingredients by launching new products in the *Grand Deli* brand of dog food, which focuses on high-quality ingredients with well-balanced colors and a balance of flavor, taste, and nutrition such as the *Grand Deli Additive-free 100% Domestic Pouch* series, which retains the full flavor of the ingredients and is made with no additives*¹ and 100% domestic chicken meat, and a non-colored snack, the *Grand Deli Luxury Ingredient* series, which uses low-fat chicken breast topped with ingredients such as cheese and pumpkin. The Company also strove to expand the dog gourmet market by newly adding “soybean flakes with chicken breast*²,” which is a new flavor ingredient, to *Grand Deli Soft* and increasing the amount of ingredients to improve its texture. In the *Best Balance* brand of health food designed to give the best to each dog breed with a balance of nutrition, digestibility and taste, the Company has newly adopted new “multi-health support grain,” packed with nutrients necessary for maintaining much-loved dogs’ health, and supported dogs’ health according to the characteristics of each dog breed.

For cats, in the *Silver Spoon Three-Star Gourmet* brand, which is a premium food featuring luxurious tastes and smells, the Company launched *Silver Spoon Three-Star Gourmet Fish Cream with Three Assorted Flavors* in an assorted range that enables pets to enjoy a variety of flavors for each meal and also launched a wet food product, *Silver Spoon Three-Star Gourmet Pouch (Thick-style)*, that is delicious and easy to eat. In the *Silver Spoon Three-Star Gourmet Snack* series, bite-size snacks with specially selected, delicious ingredients that cats love and can enjoy freshly every day, the Company launched *Silver Spoon Three-Star Gourmet Snacks Rich Grain*, a snack for cats that enjoy a grainy texture of ingredients. In this way the Company was working to support a happy and healthy life for pets. In addition, the Company has worked to bring about a “Cohesive Society” in which humans and pets can live together by implementing campaigns to support “PANEL FOR LIFE,” a project launched by Christel Vie Ensemble Foundation, which offers various plans with the aim to increase awareness of the existence of rescued dogs and cats and to create a society where they can easily find a home.

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

*1: No food dye, seasoning, or coloring agents used

*2: Patent pending ingredient that combines flakes that use soybeans as the main ingredient and chicken breast that dogs love

As a result, net sales and segment profit (core operating income) for the pet care business for the fiscal year under review were ¥86,977 million (up 6.0% year on year) and ¥10,667 million (up 5.4% year on year), respectively.

3) Other Businesses

	Fiscal Year Ended Dec. 31, 2018 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2019 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	6,927	6,514	(413)	(6.0)
Core operating income	151	219	68	45.1

(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 ¥6,514 million (down 6.0% year on year) and ¥219 million (up 45.1% year on year), respectively.

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

	As of December 31, 2018 (Millions of Yen)	As of December 31, 2019 (Millions of Yen)	Difference (Millions of Yen)
Total assets	795,483	864,003	68,520
Total liabilities	291,813	321,102	29,289
Total equity	503,670	542,900	39,231
Ratio of equity attributable to owners of parent (%)	55.5	54.8	-

Total assets as of the end of the fiscal year under review amounted to ¥864,003 million, up ¥68,520 million over the end of the previous fiscal year. The major increases were ¥43,477 million in property, plant and equipment, ¥25,249 million in other current and non-current financial assets mainly due to time deposits with deposit terms exceeding three months and ¥21,625 million in trade and other receivables, and the main decrease was ¥7,913 million in other non-current assets mainly due to long-term prepaid expenses. Total liabilities were ¥321,102 million, up ¥29,289 million over the end of the previous fiscal year. The major increase was ¥44,653 million in other current and non-current financial liabilities mainly due to lease liabilities, and the main decreases were ¥6,538 million in income tax payables, ¥3,487 million in trade and other payables and ¥2,396 million in bonds and borrowings. Total equity amounted to ¥542,900 million, up ¥39,231 million over the end of the previous fiscal year. The major increase was ¥46,116 million in profit attributable to owners of parent, and the major decreases were ¥15,475 million in dividends paid to owners of parent and ¥5,993 million in increase in treasury shares.

Consequently, the ratio of equity attributable to owners of parent decreased from 55.5% as of the end of the previous fiscal year to 54.8% 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, 2018 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2019 (Millions of Yen)	Difference (Millions of Yen)
Cash flows from operating activities	110,867	84,936	(25,932)
Cash flows from investing activities	(113,400)	(69,235)	44,165
Cash flows from financing activities	(27,723)	(23,062)	4,662
Cash and cash equivalents at end of period	135,065	128,787	(6,278)

Net cash provided by operating activities totaled ¥84,936 million (down ¥25,932 million from the previous fiscal year). Net cash used in investing activities totaled ¥69,235 million mainly due to purchase of property, plant and equipment, and intangible assets (down ¥44,165 million from the previous fiscal year). Net cash used in financing activities amounted to ¥23,062 million, mainly attributable to dividends paid to owners of parent (down ¥4,662 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 ¥128,787 million, down ¥6,278 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
Ratio of equity attributable to owners of parent (%)	52.7	52.6	55.5	54.8
Ratio of equity attributable to owners of parent at market value (%)	226.0	232.9	267.0	255.3
Ratio of cash flows to interest-bearing debts (year)	0.2	0.2	0.4	1.0
Interest coverage ratio (times)	181.5	138.6	194.3	55.2

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

Note 6: 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, 2020

	Actual results for fiscal year ended Dec. 31, 2019 (Millions of Yen)	Forecasts for fiscal year ending Dec. 31, 2020 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	714,233	760,000	45,767	6.4
Core operating income	89,779	100,000	10,221	11.4
Profit before tax	69,538	98,000	28,462	40.9
Profit attributable to owners of parent	46,116	63,000	16,884	36.6
Basic earnings per share (Yen)	77.53	105.66	28.14	36.3

In the fiscal year ending December 31, 2020, the final year of the Medium-term Management Plan, the Company will strive to develop new products and to create markets that meet consumer needs in order to achieve sustainable high growth while market environment is changing more rapidly than expected. We also intend to invest further management resources in feminine care, health care and pet care, which are high profit, high growth markets, and will work to reform our business structure.

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 (feminine care), India (baby care and feminine care) and Southeast Asia (feminine care and health care), 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 products equipped with Japanese technology in North America, and expand sales networks. In Asian markets, the Company is strengthening product lineups in China, Korea, etc.

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Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2019

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, 2020 are forecast to be ¥760,000 million, ¥100,000 million, ¥98,000 million and ¥63,000 million, respectively, on a consolidated basis. Basic earnings per share will be ¥105.66.

In the meantime, the Company's assumptions on foreign exchange rates for the main currencies are JPY109.00 to the U.S. dollar and JPY15.50 to the Chinese yuan.

- (5) Basic policy regarding profit distribution and dividends for the fiscal year ended December 31, 2019 and the fiscal year ending December 31, 2020

The Company recognizes that one of its most important management policies is to return profits to shareholders, and it is striving to increase corporate value by generating cash flows to achieve this goal. In addition, the Company aims for ROE (return on equity attributable to owners of parent) of 15% being achieved by expanding the business size as a result of proactive capital investment and investment in research and development for sustainable growth as well as by improving the profitability. We will increase dividends in a stable and continuous manner using ongoing gains in free cash flow, and work to augment profit return with the goal of a total payout ratio (by dividends and share repurchase) of 50%.

The annual dividend for the fiscal year under review will be ¥28, comprising a year-end dividend of ¥14 per share, in addition to a ¥14 per share dividend for the end of the second quarter. This will be the 18th consecutive period of an increase in dividends, with a dividend on equity attributable to owners of parent (DOE) of 3.7%.

Also, based on the resolution for purchase of the treasury shares passed at the Board of Directors' meeting held on February 14, 2019, 4,235,100 shares were acquired, from February 15 to May 16, 2019, by the purchase on the Tokyo Stock Exchange for the total purchase amount of ¥15,000 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, 2020 of ¥32 per share, including a ¥16 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, 2018 (as of December 31, 2018)	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)
Assets			
Current assets			
Cash and cash equivalents		135,065	128,787
Trade and other receivables		100,159	121,784
Inventories		71,939	65,240
Other current financial assets		53,520	86,418
Other current assets		23,758	24,891
Total current assets		384,441	427,120
Non-current assets			
Property, plant and equipment	2	240,628	284,105
Intangible assets		100,121	94,162
Deferred tax assets		9,418	13,141
Investments accounted for using equity method		778	939
Other non-current financial assets		49,991	42,342
Other non-current assets	2	10,106	2,193
Total non-current assets		411,042	436,882
Total assets		795,483	864,003

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 Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2019

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2018 (as of December 31, 2018)	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables		153,494	150,007
Bonds and borrowings		18,834	10,264
Income tax payables		13,579	7,041
Other current financial liabilities	2	633	5,998
Other current liabilities		44,959	43,557
Total current liabilities		231,498	216,868
Non-current liabilities			
Bonds and borrowings		21,428	27,601
Deferred tax liabilities		21,084	20,682
Retirement benefit liabilities		11,358	10,173
Other non-current financial liabilities	2	1,212	40,500
Other non-current liabilities		5,233	5,279
Total non-current liabilities		60,316	104,234
Total liabilities		291,813	321,102
Equity			
Equity attributable to owners of parent			
Capital stock		15,993	15,993
Share premium		13,058	14,960
Retained earnings		480,457	513,066
Treasury shares		(52,776)	(58,769)
Other components of equity		(15,276)	(12,177)
Total equity attributable to owners of parent		441,456	473,073
Non-controlling interests		62,214	69,827
Total equity		503,670	542,900
Total liabilities and equity		795,483	864,003

(2) Consolidated statements of income and comprehensive income

Consolidated statement of income

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2018 (January 1, 2018 – December 31, 2018)	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)
Net sales	3	688,290	714,233
Cost of sales		(423,005)	(447,495)
Gross profit		265,286	266,738
Selling, general and administrative expenses	5	(170,178)	(176,959)
Other income		1,783	2,324
Other expenses	4	(4,364)	(22,358)
Financial income		3,310	3,385
Financial costs		(4,275)	(3,593)
Profit before tax		91,561	69,538
Income tax expenses		(24,295)	(16,900)
Profit for the period		67,265	52,638
Profit attributable to			
Owners of parent		61,353	46,116
Non-controlling interests		5,913	6,521
Profit for the period		67,265	52,638
Earnings per share attributable to owners of parent			
Basic earnings per share (Yen)	6	103.73	77.53
Diluted earnings per share (Yen)	6	101.44	77.05

Reconciliation of changes from gross profit to core operating income

(Millions of Yen)

Gross profit	265,286	266,738
Selling, general and administrative expenses	(170,178)	(176,959)
Core operating income (*)	95,107	89,779

* 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 “3. Segment information” as the Company’s Board of Directors evaluates the performance of business segments based on core operating income, and it is believed to be a valuable benchmark for measuring the Group’s recurring business performance.

Consolidated statement of comprehensive income

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2018 (January 1, 2018 – December 31, 2018)	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)
Profit for the period		67,265	52,638
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		120	766
Remeasurements related to net defined benefit liabilities (assets)		(2,208)	958
Subtotal		(2,089)	1,724
Items that may be reclassified to profit or loss			
Changes in fair value of cash flow hedges		50	(15)
Exchange differences on translation in foreign operations		(19,916)	2,737
Subtotal		(19,866)	2,722
Total other comprehensive income, net of tax		(21,955)	4,446
Total comprehensive income		45,311	57,083
Total comprehensive income attributable to			
Owners of parent		43,016	52,458
Non-controlling interests		2,294	4,625
Total comprehensive income		45,311	57,083

(3) Consolidated statement of changes in equity

Fiscal Year Ended December 31, 2018 (January 1, 2018 – December 31, 2018)

(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, 2018		15,993	421	434,298	(67,652)	4,509	387,567	65,461	453,029
Profit for the period		–	–	61,353	–	–	61,353	5,913	67,265
Other comprehensive income		–	–	–	–	(18,336)	(18,336)	(3,618)	(21,955)
Total comprehensive income		–	–	61,353	–	(18,336)	43,016	2,294	45,311
Purchase of treasury shares		–	–	–	(15,500)	–	(15,500)	–	(15,500)
Conversion of convertible bond-type bonds with share acquisition rights		–	10,250	–	30,376	(3,057)	37,569	–	37,569
Dividends		–	–	(13,585)	–	–	(13,585)	(8,162)	(21,747)
Change of scope of consolidation		–	–	–	–	–	–	179	179
Equity transactions with non-controlling interests		–	2,388	–	–	–	2,388	2,442	4,830
Transfer from other components of equity to retained earnings		–	–	(1,609)	–	1,609	–	–	–
Total transactions with owners		–	12,637	(15,193)	14,876	(1,448)	10,872	(5,542)	5,330
Balance at December 31, 2018		15,993	13,058	480,457	(52,776)	(15,276)	441,456	62,214	503,670

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	2	–	–	(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

(4) Consolidated statement of cash flows

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2018 (January 1, 2018 – December 31, 2018)	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)
Cash flows from operating activities			
Profit before tax		91,561	69,538
Depreciation and amortization expenses		30,353	38,676
Impairment losses		2,182	19,654
Interest and dividend income		(3,309)	(3,380)
Interest expenses		2,280	2,296
Foreign exchange loss (gain)		728	265
Loss (gain) on sale and retirement of fixed assets		598	626
Decrease (increase) in trade and other receivables		(85)	(20,264)
Decrease (increase) in inventories		(9,872)	6,700
Increase (decrease) in trade and other payables		15,994	(6,763)
Increase (decrease) in other current liabilities		4,434	50
Other, net		(3,281)	3,469
Subtotal		131,582	110,866
Interest and dividends received		3,224	3,489
Interest paid		(571)	(1,540)
Proceeds from insurance income		–	2,025
Income taxes refund		1,283	13
Income taxes paid		(24,652)	(29,919)
Net cash provided by (used in) operating activities		110,867	84,936
Cash flows from investing activities			
Payments into time deposits		(21,697)	(66,717)
Proceeds from withdrawal of time deposits		28,607	34,092
Purchase of property, plant and equipment, and intangible assets		(43,303)	(44,017)
Proceeds from sale of property, plant and equipment, and intangible assets		313	760
Purchase of financial assets measured at amortized cost		(1,004)	–
Purchase of financial assets measured at fair value through profit or loss		(8,500)	–
Purchase of equity instruments measured at fair value through other comprehensive income		(13,931)	(4,015)
Proceeds from sale and redemption of financial assets measured at fair value through profit or loss		1,500	4,000
Proceeds from sale and redemption of equity instruments measured at fair value through other comprehensive income		802	6,850
Purchase of investments in subsidiaries resulting in change in scope of consolidation		(56,606)	–
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation		411	–
Other, net		7	(188)
Net cash provided by (used in) investing activities		(113,400)	(69,235)

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(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2018 (January 1, 2018 – December 31, 2018)	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		7,434	(6,869)
Proceeds from long-term borrowings		1,223	23,000
Repayments of long-term borrowings		(3,530)	(9,503)
Repayments of lease liabilities		(49)	(5,933)
Proceeds from sale of investments in subsidiaries not resulting in change in scope of consolidation		4,746	–
Payments for purchase of treasury shares		(15,500)	(15,001)
Dividends paid to owners of parent		(13,592)	(15,482)
Dividends paid to non-controlling interests		(8,455)	(2,179)
Proceeds from share issuance to non-controlling interests		–	8,904
Net cash provided by (used in) financing activities		(27,723)	(23,062)
Effect of exchange rate changes on cash and cash equivalents		(4,582)	1,083
Net increase (decrease) in cash and cash equivalents		(34,837)	(6,278)
Cash and cash equivalents at beginning of period		169,903	135,065
Cash and cash equivalents at end of period		135,065	128,787

(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, 2018 with the exception of the changes in accounting policies described hereunder.

The following is the accounting standard adopted by the Group from the fiscal year ended December 31, 2019.

Standard number	Standard title	Overview of new and revised standards
IFRS 16	Leases	Revisions of accounting procedures relating to lease transactions

The adoption of other new standards and interpretations has no material impact on the consolidated financial statements.

In accordance with the transitional provisions of IFRS 16 “Leases” (hereafter “IFRS 16”), the Group has not restated the consolidated financial statements for the previous fiscal year.

Adoption of IFRS 16

The Group has changed its accounting policies relating to leases as follows.

At the lease commencement date, the right-of-use asset is measured at acquisition cost and the lease liability is measured at the present value of the lease payments not paid as of the lease commencement date.

Right-of-use assets are depreciated over the useful life of the right-of-use asset or the period of the lease, whichever is shorter, from the lease commencement date, and are included in property, plant and equipment or intangible assets in the consolidated statement of financial position.

Lease liabilities are measured at amortized cost using the effective interest method and are shown in other financial liabilities in the consolidated statement of financial position. Lease payments are allocated between financial costs and the amount of the lease liability remaining to be repaid, so that there is a fixed interest rate on the balance of the lease liability. Financial costs are shown separately from depreciation of right-of-use assets in the consolidated statement of income.

At the start of the contract, the Group identifies whether a contract meets the definition of a lease or includes a lease, based on the substance of the contract. If the contract transfers the right to control the use of an identified asset for a period of time in exchange for a consideration, the contract is deemed to be a lease or to contain a lease.

In the case of short-term leases and leases of low value underlying assets with lease terms of less than twelve months, the Group does not recognize right-of-use assets and lease liabilities. The Group recognizes the total lease payments in profit or loss using the straight-line method over the lease term.

With the adoption of IFRS 16, the former distinction between traditional operating leases and finance leases no longer applies, and in principle all right-of-use assets and lease liabilities are recognized. The lease liability is measured as the present value of the lease payments not paid at the date of initial adoption, which is discounted using the Group’s incremental borrowing rate as of January 1, 2019. The weighted average of the lessee’s incremental borrowing rates is 1.1%.

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Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2019

The main impact on the consolidated statement of financial position is as follows. The impact on the consolidated statement of income is insignificant.

(Millions of Yen)

IAS 17 (as of December 31, 2018)		Changes in recognition, presentation and classification	IFRS 16 (as of January 1, 2019)	
Property, plant and equipment	240,628	47,865	288,493	Property, plant and equipment
Intangible assets	100,121	2	100,123	Intangible assets
Deferred tax assets	9,418	65	9,484	Deferred tax assets
Other non-current assets	10,106	(7,125)	2,981	Other non-current assets
Total assets	795,483	40,808	836,291	Total assets
Other current financial liabilities	633	4,749	5,382	Other current financial liabilities
Other current liabilities	44,959	(64)	44,895	Other current liabilities
Deferred tax liabilities	21,084	(189)	20,895	Deferred tax liabilities
Other non-current financial liabilities	1,212	37,001	38,214	Other non-current financial liabilities
Other non-current liabilities	5,233	(136)	5,097	Other non-current liabilities
Retained earnings	480,457	(530)	479,927	Retained earnings
Non-controlling interests	62,214	(23)	62,190	Non-controlling interests
Total liabilities and equity	795,483	40,808	836,291	Total liabilities and equity

3. Segment information

(1) Overview of reportable segments

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

The Group is composed of three businesses, namely the personal care business, the pet care business and other businesses as its basic units, and has been engaged in its business activities by comprehensively developing domestic and overseas strategies by business unit.

Therefore, the "personal care business," the "pet care business," and "other businesses" constitute the Group's reporting segments.

In the personal care business, the Group manufactures and sells baby care products, feminine care products, health care products, and clean and fresh 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 business-use products, etc.

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

(2) Sales and results by reportable segment

Sales and results by reportable segment are as follows.

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Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2019

(Millions of Yen)

	Fiscal Year Ended December 31, 2018 (January 1, 2018 – December 31, 2018)					
	Reportable segments				Adjustments	Amounts reported in consolidated financial statements
	Personal care	Pet care	Other	Total		
Sales to external customers	599,290	82,073	6,927	688,290	–	688,290
Sales across segments (Note)	–	–	29	29	(29)	–
Total segment sales	599,290	82,073	6,956	688,319	(29)	688,290
Segment profit (Core operating income)	84,833	10,123	151	95,107	–	95,107
Other income						1,783
Other expenses						(4,364)
Financial income						3,310
Financial costs						(4,275)
Profit before tax						91,561
Others						
Depreciation and amortization expenses	27,358	2,841	154	30,353	–	30,353
Impairment losses	2,167	15	–	2,182	–	2,182
Increase in property, plant and equipment and intangible assets	72,101	1,283	304	73,688	–	73,688

(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

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

4. 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

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 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%).

5. Selling, general and administrative expenses

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

(Millions of Yen)

	Fiscal Year Ended December 31, 2018 (January 1, 2018 – December 31, 2018)	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)
Freight-out expenses	46,538	49,701
Promotion expenses	22,574	22,896
Advertising expenses	24,324	23,123
Employee benefits expenses	35,514	36,310
Depreciation and amortization expenses	5,853	9,781
Research and development expenses	6,621	7,584
Others	28,754	27,564
Total	170,178	176,959

6. 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, 2018 (January 1, 2018 – December 31, 2018)	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)
Profit attributable to owners of parent (Millions of Yen)	61,353	46,116
Weighted-average number of common shares (Thousands of shares)	591,476	594,854
Basic earnings per share (Yen)	103.73	77.53

(2) Diluted earnings per share

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

	Fiscal Year Ended December 31, 2018 (January 1, 2018 – December 31, 2018)	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)
Profit attributable to owners of parent (Millions of Yen)	61,353	46,116
Adjustment of profit used to calculate diluted earnings per share (Millions of Yen)	113	33
Profit used to calculate diluted earnings per share (Millions of Yen)	61,466	46,149
Weighted-average number of common shares (Thousands of shares)	591,476	594,854
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)	14,473	4,096
Weighted-average number of diluted common shares (Thousands of shares)	605,949	598,950
Diluted earnings per share (Yen)	101.44	77.05
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	Resolved at the Board of Directors meeting held on April 16, 2015 Stock option

7. Significant subsequent events

(Purchase of treasury shares)

At the meeting of the Board of Directors of the Company held on February 13, 2020, 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: 4.2 million shares (upper limit)
(Ratio of total number of issued shares (excluding treasury shares): 0.70%)
3. Total share acquisition cost: 12,500 million yen (upper limit)
4. Acquisition period: February 14, 2020 – December 23, 2020
5. Acquisition method: Purchase on the Tokyo Stock Exchange
(through discretionary investment by a securities company)