

This notice has been translated from the original Japanese text of the timely disclosure statement dated August 5, 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 Second Quarter of the Fiscal Year Ending December 31, 2020 (January 1, 2020 through June 30, 2020); Flash Report [IFRS]



MEMBERSHIP

August 5, 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: **Hirotsu Shimada, Executive Officer, General Manager of Accounting Control and Finance Division**
 Telephone Number: **+81-3-3451-5111**
 Scheduled Date to Submit Quarterly Securities Report: **August 11, 2020**
 Scheduled Date to Commence Dividend Payments: **September 2, 2020**
 Preparation of Supplementary Material on Quarterly Financial Results: **Yes**
 Holding of Quarterly Financial Results Presentation Meeting: **Yes (Securities Analysts, Institutional Investors)**

(Amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2020 (January 1, 2020 through June 30, 2020)

(1) Consolidated financial results (Q2 cumulative total)

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

	Net Sales		Core Operating Income		Profit Before Tax		Profit for the Period		Profit Attributable to Owners of Parent		Total Comprehensive Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Q2 of Fiscal Year Ending December 31, 2020	356,553	4.1	55,327	41.1	39,093	0.2	24,140	(17.0)	19,278	(23.8)	8,224	(67.1)
Q2 of Fiscal Year Ended December 31, 2019	342,498	5.2	39,220	(17.0)	39,002	(14.1)	29,077	(11.8)	25,298	(15.7)	24,970	32.8

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

	Basic Earnings Per Share	Diluted Earnings Per Share
	Yen	Yen
Q2 of Fiscal Year Ending December 31, 2020	32.30	32.24
Q2 of Fiscal Year Ended December 31, 2019	42.51	42.19

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2020

(2) Consolidated financial position

	Total Assets	Total Equity	Equity Attributable to Owners of Parent	Ratio of Equity Attributable to Owners of Parent
	Millions of Yen	Millions of Yen	Millions of Yen	%
As of June 30, 2020	853,439	534,581	469,888	55.1
As of December 31, 2019	864,003	542,900	473,073	54.8

2. Cash Dividends

	Annual Dividends				
	1st Q-End	2nd Q-End	3rd Q-End	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year Ended December 31, 2019	—	14.00	—	14.00	28.00
Fiscal Year Ending December 31, 2020	—	16.00			
Fiscal Year Ending December 31, 2020 (forecast)			—	16.00	32.00

(Note) Changes in dividend forecasts recently disclosed: None

**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	105.54

(Note) Changes in results forecasts recently disclosed: None

*** Notes**

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

(2) Changes in accounting policies and accounting estimates

- (i) Changes in accounting policies required by IFRS: 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 June 30, 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 June 30, 2020:	23,917,992 shares
As of December 31, 2019:	24,604,939 shares
- (iii) Average number of shares during the period (accumulated total):

Q2 of Fiscal Year Ending December 31, 2020:	596,763,858 shares
Q2 of Fiscal Year Ended December 31, 2019:	595,114,432 shares

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

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

- (1) While the core operating income disclosed by the Company is not an indicator defined in IFRS, the Company voluntarily discloses this as it is believed to be a valuable benchmark for measuring the Group's recurring business performance.
- (2) Forecasts stated herein are based on the currently available information and the Company's assumptions that were judged to be valid as of the announcement date hereof, and are not intended to be a promise by the Company to achieve these forecasts. Therefore, actual results may differ for various factors. Please refer to "1. Qualitative Information on Financial Results, (3) Explanation of future estimate information such as forecast of consolidated financial results" section on page 4 for more information concerning the assumptions used for forecasts of financial results and other notes on proper use.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2020

Contents of Exhibit

1. Qualitative Information on Financial Results	2
(1) Explanation of operating results	2
(2) Explanation of financial position	4
(3) Explanation of future estimate information such as forecast of consolidated financial results	4
2. Condensed Consolidated Financial Statements and Significant Notes Thereto	5
(1) Condensed consolidated statement of financial position	5
(2) Condensed consolidated statement of income and Condensed consolidated statement of comprehensive income	7
(3) Condensed consolidated statement of changes in equity	9
(4) Notes to the condensed consolidated financial statements	11
1. Notes regarding going concern assumptions	11
2. Significant accounting policies	11
3. Segment information	11
4. Selling, general and administrative expenses	12
5. Fire accident at Unicharm India Private Ltd.'s Ahmedabad Factory	12

1. Qualitative Information on Financial Results

(1) Explanation of operating results

In the second quarter of the fiscal year under review (January 1 to June 30, 2020), the operating environment of the Group was affected by the spread of the novel coronavirus disease (COVID-19) across the world, with restrictions on travel and stay-at-home orders imposed in various countries and regions, as well as store closures, causing stagnation in consumer spending and economic activities.

Overseas, in the Group's key target countries such as China, Saudi Arabia, and India, distribution and consumer spending were depressed due to the spread of COVID-19 and subsequent lockdowns. Under these conditions, the Group achieved sustainable growth by acquiring preferential permissions for production from respective governments in the light of indispensable nature of the Company's products for consumers' daily life and promptly resuming production and by bolstering sales activities for personal care products tailored to the market environment and consumer needs.

The Group also achieved growth in Japan by strengthening its production system and expanding supply while stimulating demand for high value-added products including pet care products, although the COVID-19 pandemic drove demand for products that could help prevent the spread of the virus, such as masks and wet tissues, and caused an increased urge for consumers to stockpile, resulting in temporary shortages in stores.

In addition, the cost of sales ratio decreased due to a fall in the price of petroleum-based raw materials in particular, which had increased last year, and efforts to improve production efficiency in Japan and abroad. The core operating income ratio also increased following successful efforts to curb growth in other expenses.

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 second quarter of the fiscal year under review reached ¥356,553 million (up 4.1% year on year), ¥55,327 million (up 41.1% year on year), ¥39,093 million (up 0.2% year on year), ¥24,140 million (down 17.0% year on year), and ¥19,278 million (down 23.8% year on year), respectively.

Financial results by segment are as described below.

1) Personal Care Business

● 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 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.

In the overseas markets, anticipating the boost in demand for adult excretion care products in Asian regions including Taiwan, Indonesia, Thailand, Vietnam and China where populations are aging even faster than in Japan, the Company moved ahead with preparations to spread the care model established in Japan to such regions. In addition, in Thailand and Malaysia, where the Company has built a superior market position in the market for adult disposable diapers, and where it operates the *Certainty* brand acquired in 2018, the Company has conducted various initiatives aimed at accelerating the spread of such products, and achieved sales growth.

In the domestic market, which continues to grow as Japan's population of the elderly increases, although there was a temporary stagnation in the market due to increased attention toward infection prevention causing people to refrain from going out, the Company continued to achieve stable growth by gaining market share 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 the increased demand by consumers for products that could help to prevent infection and the increased urge for consumers to stockpile following the COVID-19 outbreak, the Company worked to bolster its supply for the *Cho-kaiteki* and *Cho-rittai* mask brands as well as for all wet

tissues, especially alcohol-based antibacterial wet tissues, by around-the-clock operations, as a result of which it achieved sales growth.

- Feminine Care Business

For overseas markets, although the COVID-19 pandemic did have negative impact in some countries and regions, 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.

In Japan, the Company achieved growth by promoting sales of high-value-added products such as the *SOFY Organic Cotton* series, which uses organic cotton to meet demand from an increase in female workers and growing calls for health and peace of mind, as well as *SOFY SPORTS*, a new product launched to cater to different lifestyles.

- Baby Care Business

In Thailand and Indonesia, whose markets are in the trend toward polarization 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 the Middle East remaining politically unstable, the Company continuously gained the top market share* in Saudi Arabia by advertising its product values through expansion of sales channels and proactive sales activities. Exports from Saudi Arabia to neighboring Middle Eastern countries remained stable, and the Company continued to achieve high growth.

Meanwhile, the Company achieved sales growth in China, where it promotes sales of the high value-added *moony* series, mainly through e-commerce channels, although the COVID-19 pandemic temporarily had a negative impact.

In Japan, the Company achieved growth as a result of 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*.

* No. 1 market share in Saudi Arabia for disposable baby diaper market (from July 2019 to June 2020, survey by Unicharm)

As a result, net sales and segment profit (core operating income) for the personal care business for the fiscal period under review were ¥308,698 million (up 3.3% year on year) and ¥48,858 million (up 41.1% year on year), respectively.

2) Pet Care Business

In the domestic pet food market, the Company launched new products for dogs tailored to the physical characteristics and ages of each breed, working to improve consumer satisfaction. The Company also launched new products meeting demand for increased health consciousness in the cat food market, which is growing due to an increase in the number of pet cats, expanding its share*.

Also, in the domestic pet toiletry business, the Company expanded its share by launching diapers for cats.

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 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 US, expanding our sales channel. In addition, high growth was achieved as proactive sales activities and the increased urge for consumers to stockpile inspired by the COVID-19 pandemic resulted in demand being brought forward.

* Survey by Unicharm Corporation, in December 2019

As a result, net sales and segment profit (core operating income) for the pet care business for the fiscal period under review were ¥44,354 million (up 9.9% year on year) and ¥6,182 million (up 36.2% year on year), respectively.

3) Other Businesses

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

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2020

As a result, net sales and segment profit (core operating income) in other businesses for the fiscal period under review were ¥3,500 million (up 9.0% year on year) and ¥288 million (up 457.7% year on year), respectively.

(2) Explanation of financial position

(Assets)

Total assets as of the end of the second quarter were ¥853,439 million (down 1.2% compared with the end of the previous fiscal year). The major increase was ¥40,424 million in cash and cash equivalents, and the major decreases were ¥22,919 million in property, plant and equipment, ¥22,004 million in trade and other receivables, and ¥5,915 million in other current assets mainly due to prepaid consumption taxes.

(Liabilities)

Total liabilities as of the end of the second quarter were ¥318,859 million (down 0.7% compared with the end of the previous fiscal year). The major increase was ¥4,183 million in income tax payables, and the major decreases were ¥3,179 million in bonds and borrowings, ¥2,129 million in trade and other payables and ¥1,046 million in other current and non-current financial liabilities mainly due to lease liabilities.

(Equity)

Total equity as of the end of the second quarter was ¥534,581 million (down 1.5% compared with the end of the previous fiscal year). The major increase was ¥19,278 million in profit attributable to owners of parent, and the major decreases were ¥14,259 million in other components of equity mainly due to exchange differences on translation in foreign operations, ¥8,347 million in dividends paid to owners of parent and ¥5,134 million in non-controlling interests.

(Ratio of equity attributable to owners of parent)

Ratio of equity attributable to owners of parent as of the end of the second quarter was 55.1%.

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

Regarding forecast of full-year financial results, there were no changes from the announcement made on February 13, 2020.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2020

2. Condensed Consolidated Financial Statements and Significant Notes Thereto

(1) Condensed consolidated statement of financial position

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Q2 of Fiscal Year Ending December 31, 2020 (as of June 30, 2020)
Assets			
Current assets			
Cash and cash equivalents		128,787	169,211
Trade and other receivables		121,784	99,780
Inventories		65,240	64,995
Other current financial assets		86,418	89,522
Other current assets		24,891	18,976
Total current assets		427,120	442,484
Non-current assets			
Property, plant and equipment		284,105	261,187
Intangible assets		94,162	91,558
Deferred tax assets		13,141	12,902
Investments accounted for using equity method		939	1,317
Other non-current financial assets		42,342	41,967
Other non-current assets		2,193	2,025
Total non-current assets		436,882	410,956
Total assets		864,003	853,439

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2020

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Q2 of Fiscal Year Ending December 31, 2020 (as of June 30, 2020)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables		150,007	147,879
Bonds and borrowings		10,264	6,486
Income tax payables		7,041	11,224
Other current financial liabilities		5,998	6,709
Other current liabilities		43,557	44,964
Total current liabilities		216,868	217,261
Non-current liabilities			
Bonds and borrowings		27,601	28,201
Deferred tax liabilities		20,682	19,711
Retirement benefit liabilities		10,173	10,234
Other non-current financial liabilities		40,500	38,743
Other non-current liabilities		5,279	4,708
Total non-current liabilities		104,234	101,598
Total liabilities		321,102	318,859
Equity			
Equity attributable to owners of parent			
Capital stock		15,993	15,993
Share premium		14,960	16,189
Retained earnings		513,066	524,076
Treasury shares		(58,769)	(59,934)
Other components of equity		(12,177)	(26,436)
Total equity attributable to owners of parent		473,073	469,888
Non-controlling interests		69,827	64,693
Total equity		542,900	534,581
Total liabilities and equity		864,003	853,439

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2020

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

(Condensed consolidated statement of income)

(Millions of Yen)

	Notes	Q2 of Fiscal Year Ended December 31, 2019 (January 1, 2019 – June 30, 2019)	Q2 of Fiscal Year Ending December 31, 2020 (January 1, 2020 – June 30, 2020)
Net sales	3	342,498	356,553
Cost of sales		(217,563)	(214,092)
Gross profit		124,935	142,461
Selling, general and administrative expenses	4	(85,715)	(87,133)
Other income		1,395	1,931
Other expenses	5	(801)	(17,692)
Financial income		1,628	1,908
Financial costs		(2,439)	(2,380)
Profit before tax		39,002	39,093
Income tax expenses		(9,926)	(14,953)
Profit for the period		29,077	24,140
Profit attributable to			
Owners of parent		25,298	19,278
Non-controlling interests		3,779	4,862
Profit for the period		29,077	24,140
Earnings per share attributable to owners of parent			
Basic earnings per share (Yen)		42.51	32.30
Diluted earnings per share (Yen)		42.19	32.24

Reconciliation of changes from gross profit to core operating income

(Millions of Yen)

Gross profit	124,935	142,461
Selling, general and administrative expenses	(85,715)	(87,133)
Core operating income (*)	39,220	55,327

* Core operating income comprises gross profit less selling, general and administrative expenses. While it is not an indicator defined in IFRS, the Company voluntarily discloses this in the condensed consolidated statement of income and Note “3. Segment information” as the Company’s Board of Directors evaluates the performance of business segments based on core operating income, and it is believed to be a valuable benchmark for measuring the Group’s recurring business performance.

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2020

(Condensed consolidated statement of comprehensive income)

(Millions of Yen)

	Notes	Q2 of Fiscal Year Ended December 31, 2019 (January 1, 2019 – June 30, 2019)	Q2 of Fiscal Year Ending December 31, 2020 (January 1, 2020 – June 30, 2020)
Profit for the period		29,077	24,140
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		(457)	(502)
Remeasurements related to net defined benefit liabilities (assets)		8	(85)
Subtotal		(449)	(587)
Items that may be reclassified to profit or loss			
Changes in fair value of cash flow hedges		(34)	32
Exchange differences on translation in foreign operations		(3,623)	(15,460)
Share of other comprehensive income of investments accounted for using equity method		–	99
Subtotal		(3,657)	(15,329)
Total other comprehensive income, net of tax		(4,106)	(15,916)
Total comprehensive income		24,970	8,224
Total comprehensive income attributable to			
Owners of parent		22,718	5,777
Non-controlling interests		2,252	2,447
Total comprehensive income		24,970	8,224

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2020

(3) Condensed consolidated statement of changes in equity

Second Quarter of the Fiscal Year Ended December 31, 2019 (January 1, 2019 – June 30, 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		–	–	25,298	–	–	25,298	3,779	29,077
Other comprehensive income		–	–	–	–	(2,580)	(2,580)	(1,527)	(4,106)
Total comprehensive income		–	–	25,298	–	(2,580)	22,718	2,252	24,970
Purchase of treasury shares		–	–	–	(15,000)	–	(15,000)	–	(15,000)
Conversion of convertible bond-type bonds with share acquisition rights		–	356	–	3,505	(291)	3,570	–	3,570
Dividends		–	–	(7,160)	–	–	(7,160)	(1,751)	(8,912)
Equity transactions with non-controlling interests		–	–	–	–	–	–	253	253
Transfer from other components of equity to retained earnings		–	–	1,506	–	(1,506)	–	–	–
Total transactions with owners		–	356	(5,654)	(11,495)	(1,797)	(18,590)	(1,498)	(20,089)
Balance at June 30, 2019		15,993	13,414	499,571	(64,271)	(19,653)	445,054	62,944	507,998

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2020

Second Quarter of the Fiscal Year Ending December 31, 2020 (January 1, 2020 – June 30, 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		–	–	19,278	–	–	19,278	4,862	24,140
Other comprehensive income		–	–	–	–	(13,501)	(13,501)	(2,415)	(15,916)
Total comprehensive income		–	–	19,278	–	(13,501)	5,777	2,447	8,224
Purchase of treasury shares		–	–	–	(7,192)	–	(7,192)	–	(7,192)
Disposal of treasury shares		–	813	–	2,381	(397)	2,797	–	2,797
Conversion of convertible bond-type bonds with share acquisition rights		–	278	–	3,448	(281)	3,444	–	3,444
Dividends		–	–	(8,347)	–	–	(8,347)	(7,628)	(15,975)
Change in scope of consolidation		–	–	–	–	–	–	7	7
Equity transactions with non-controlling interests		–	(13)	–	–	–	(13)	40	27
Share-based payment transactions		–	151	–	198	–	349	–	349
Transfer from other components of equity to retained earnings		–	–	79	–	(79)	–	–	–
Total transactions with owners		–	1,228	(8,268)	(1,166)	(758)	(8,963)	(7,581)	(16,544)
Balance at June 30, 2020		15,993	16,189	524,076	(59,934)	(26,436)	469,888	64,693	534,581

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2020

(4) Notes to the condensed consolidated financial statements

1. Notes regarding going concern assumptions

None.

2. Significant accounting policies

Significant accounting policies adopted for these condensed consolidated financial statements are the same as those adopted to the consolidated financial statements for the fiscal year ended December 31, 2019.

Quarterly income tax is calculated based on the estimated annual average effective tax rate.

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

(2) Sales and results by reportable segment

Sales and results by reportable segment are as follows.

(Millions of Yen)

	Q2 of Fiscal Year Ended December 31, 2019 (January 1, 2019 – June 30, 2019)					
	Reportable segments				Adjustments	Amounts reported in condensed consolidated statements
	Personal care	Pet care	Other	Total		
Sales to external customers	298,923	40,362	3,212	342,498	–	342,498
Sales across segments (Note)	–	–	18	18	(18)	–
Total segment sales	298,923	40,362	3,231	342,516	(18)	342,498
Segment profit (Core operating income)	34,630	4,538	52	39,220	–	39,220
Other income						1,395
Other expenses						(801)
Financial income						1,628
Financial costs						(2,439)
Profit before tax						39,002

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2020

(Millions of Yen)

(millions of yen)

	Q2 of Fiscal Year Ending December 31, 2020 (January 1, 2020 – June 30, 2020)					Amounts reported in condensed consolidated statements
	Reportable segments				Adjustments	
	Personal care	Pet care	Other	Total		
Sales to external customers	308,698	44,354	3,500	356,553	–	356,553
Sales across segments (Note)	–	–	26	26	(26)	–
Total segment sales	308,698	44,354	3,526	356,578	(26)	356,553
Segment profit (Core operating income)	48,858	6,182	288	55,327	–	55,327
Other income						1,931
Other expenses						(17,692)
Financial income						1,908
Financial costs						(2,380)
Profit before tax						39,093

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

4. Selling, general and administrative expenses

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

(Millions of Yen)

	Q2 of Fiscal Year Ended December 31, 2019 (January 1, 2019 – June 30, 2019)	Q2 of Fiscal Year Ending December 31, 2020 (January 1, 2020 – June 30, 2020)
Freight-out expenses	23,652	23,248
Sales promotion expenses	11,085	11,606
Advertising expenses	11,059	12,078
Employee benefits expenses	18,492	19,299
Depreciation and amortization expenses	4,853	5,226
Research and development expenses	3,536	3,730
Others	13,038	11,946
Total	85,715	87,133

5. 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 second quarter of the fiscal year under review, the total amount of damage was ¥16,148 million, totaling ¥13,252 million of property, plant and equipment such as buildings and equipment of the factory, ¥1,932 million of inventories, and ¥964 million of other related expenses. This damage amount is recorded as “other expenses” in the condensed 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 second quarter, insurance income is not recorded.