TRANSLATION
Following is an English translation of the Report pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act. This Report is presented merely as supplemental information.

Annual Securities Report

(For the 61st fiscal year,
from January 1, 2020 to December 31, 2020)

Unicharm Corporation

(E00678)

The 61st Fiscal Year (from January 1, 2020 to December 31, 2020)

Annual Securities Report

This report is the Annual Securities Report submitted pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act via the Electronic Disclosure for Investors' Network ("EDINET") as set forth in Article 27-30-2 of the same Act, generated and printed with a Table of Contents and page numbers added.

Unicharm Corporation

Table of Contents

【Cover】

【Document Submitted】	Annual Securities Report (*“Yukashoken-Houkokusho”*)
【Article of the Applicable Law Requiring Submission of This Document】	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
【Filed to】	Director-General of the Kanto Local Finance Bureau
【Date of Filing】	March 29, 2021
【Business Year】	The 61st Fiscal Year (from January 1, 2020 to December 31, 2020)
【Company Name】	Unicharm Kabushiki-Kaisha
【Company Name (in English)】	Unicharm Corporation
【Position and Name of Representative】	Takahisa Takahara, Representative Director, President and Chief Executive Officer
【Location of Head Office】	182, Shimobun, Kinsei-cho, Shikokuchuo-shi, Ehime, Japan (The above address is the official registered location of the head office. Actual operations are based as follows.) Sumitomo Fudosan Mita Twin Bldg., West Wing, 3-5-27, Mita, Minato-ku, Tokyo, Japan
【Phone No.】	+81-3-3451-5111 (switchboard)
【Contact for Communications】	Hirotatsu Shimada, Senior Executive Officer, General Manager of Accounting Control and Finance Division
【Nearest Contact】	Sumitomo Fudosan Mita Twin Bldg., West Wing, 3-5-27, Mita, Minato-ku, Tokyo, Japan
【Phone No.】	+81-3-3451-5111 (switchboard)
【Contact for Communications】	Hirotatsu Shimada, Senior Executive Officer, General Manager of Accounting Control and Finance Division
【Place Where Available for Public Inspection】	Head Office, Unicharm Corporation (Sumitomo Fudosan Mita Twin Bldg., West Wing, 3-5-27, Mita, Minato-ku, Tokyo, Japan) Unicharm Kyoshinkan (Resonance Hall), Unicharm Corporation (131, Shimobun, Kinsei-cho, Shikokuchuo-shi, Ehime, Japan) Osaka Office, Unicharm Corporation (Sumitomo Nakanoshima Bldg., 3-2-18, Nakanoshima, Kita-ku, Osaka-shi, Osaka, Japan) Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan)

Part 1. Information on the Company

I. Overview of the Company

1. Key financial data and trends

(1) Consolidated financial data

Fiscal year		IFRS				
		57th	58th	59th	60th	61st
Year ended		December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020
Net sales	Millions of Yen	604,653	641,647	688,290	714,233	727,475
Profit before tax	Millions of Yen	75,835	92,926	91,561	69,538	95,849
Profit attributable to owners of parent	Millions of Yen	46,971	52,772	61,353	46,116	52,344
Comprehensive income attributable to owners of parent	Millions of Yen	25,604	58,849	43,016	52,458	36,248
Equity attributable to owners of parent	Millions of Yen	352,098	387,567	441,456	473,073	493,002
Total assets	Millions of Yen	668,592	736,644	795,483	864,003	893,413
Equity attributable to owners of parent per share	Yen	587.61	652.91	736.39	791.25	822.19
Basic earnings per share	Yen	79.06	89.85	103.73	77.53	87.60
Diluted earnings per share	Yen	76.63	87.06	101.44	77.05	87.46
Ratio of equity attributable to owners of parent	%	52.7	52.6	55.5	54.8	55.2
Return on equity attributable to owners of parent	%	13.4	14.3	14.8	10.1	10.8
Price earnings ratio	Times	32.3	32.6	34.3	47.7	55.8
Cash flows from operating activities	Millions of Yen	103,604	98,086	110,867	84,936	150,254
Cash flows from investing activities	Millions of Yen	(42,612)	(38,778)	(113,400)	(69,235)	(41,698)
Cash flows from financing activities	Millions of Yen	(21,540)	(30,582)	(27,723)	(23,062)	(35,239)
Cash and cash equivalents at end of fiscal period	Millions of Yen	138,043	169,903	135,065	128,787	199,522
Employees ( ) represents the average number of part-time employees not included in the above numbers	Persons	15,843 (1,796)	15,757 (1,802)	16,207 (1,794)	16,304 (1,781)	16,665 (1,776)

Notes: 1. Net sales are presented exclusive of consumption taxes.

2. The number of employees represents the number of full-time employees.

3. The Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (hereafter "IFRS") starting from the 58th fiscal year.

Fiscal year		J-GAAP	
		57th	58th
Year ended		December 31, 2016	December 31, 2017
Net sales	Millions of Yen	710,965	748,256
Ordinary income	Millions of Yen	71,848	84,077
Profit attributable to owners of parent	Millions of Yen	44,134	48,172
Comprehensive income	Millions of Yen	24,634	62,655
Net assets	Millions of Yen	449,974	487,013
Total assets	Millions of Yen	711,541	772,629
Net assets per share	Yen	655.50	717.40
Earnings per share	Yen	74.29	82.02
Earnings per share-diluted	Yen	70.64	78.13
Ratio of shareholders' equity	%	54.4	54.4
Earnings to shareholders' equity	%	11.4	11.9
Price earnings ratio	Times	34.4	35.7
Cash flows from operating activities	Millions of Yen	103,604	98,086
Cash flows from investing activities	Millions of Yen	(42,612)	(38,778)
Cash flows from financing activities	Millions of Yen	(21,540)	(30,582)
Cash and cash equivalents at end of fiscal period	Millions of Yen	138,042	169,903
Employees ( ) represents the average number of part-time employees not included in the above numbers	Persons	15,843 (1,796)	15,757 (1,802)

Notes: 1. Net sales are presented exclusive of consumption taxes.

2. The number of employees represents the number of full-time employees.

3. The 58th fiscal year J-GAAP figures have not been audited based on the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

4. The Group previously rounded down amounts of less than one million yen. However, it rounds to the nearest million yen starting from the 58th fiscal year.

(2) Non-consolidated financial data

Fiscal year		57th	58th	59th	60th	61st
Year ended		December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020
Net sales	Millions of Yen	327,775	338,846	359,961	355,721	366,203
Ordinary income	Millions of Yen	38,741	43,056	61,545	40,217	46,149
Profit	Millions of Yen	16,036	35,554	43,774	35,119	8,292
Capital stock	Millions of Yen	15,992	15,993	15,993	15,993	15,993
Number of shares issued	Shares	620,834,319	620,834,319	620,834,319	620,834,319	620,834,319
Net assets	Millions of Yen	236,137	249,899	302,824	316,040	312,113
Total assets	Millions of Yen	370,713	407,899	435,350	443,842	455,280
Net assets per share	Yen	399.07	424.47	505.41	527.99	519.99
Cash dividends per share (Interim cash dividends included herein)	Yen (Yen)	16 (8)	20 (9)	24 (12)	28 (14)	32 (16)
Earnings per share	Yen	26.99	60.54	74.01	59.04	13.88
Diluted earnings per share	Yen	24.97	57.38	71.52	58.43	13.84
Ratio of shareholders' equity	%	63.6	61.0	69.3	70.9	68.4
Earnings to shareholders' equity	%	6.7	14.7	15.9	11.4	2.6
Price earnings ratio	Times	94.7	48.4	48.1	62.7	352.5
Dividend payout ratio	%	59.3	33.0	32.4	47.4	230.6
Employees ( ) represents the average number of part-time employees not included in the above numbers	Persons	1,329 (291)	1,398 (280)	1,443 (269)	1,443 (286)	1,466 (323)
Total shareholder return (Comparative indicator: TOPIX Total Return Index)	% (%)	103.9 (100.3)	119.7 (122.6)	146.1 (103.0)	152.9 (121.7)	202.3 (130.7)
Highest share price	Yen	2,668	3,078	3,892	3,787	5,316
Lowest share price	Yen	2,001	2,436.5	2,767.5	2,905	3,031

Notes: 1. Net sales are presented exclusive of consumption taxes.

2. The number of employees represents the number of full-time employees.

3. The Company previously rounded down amounts of less than one million yen. However, it rounds to the nearest million yen starting from the 58th fiscal year.

4. The Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the 59th fiscal year, and the key financial data, etc. for the 58th fiscal year is presented as data, etc. after retrospectively applying the accounting standards.

5. The highest and lowest share prices are those quoted on the Tokyo Stock Exchange (First Section).

2. History

February 1961	Keiichiro Takahara established Taisei Kako Co., Ltd. Commenced the manufacture and sale of building materials
August 1963	Commenced manufacture and sale of feminine napkins
March 1974	The feminine napkin manufacturing business was transferred to Unicharm Industries Co., Ltd.
September 1974	Due to a change in the par value of shares, Okada Industries Co., Ltd. merged Taisei Kako Co., Ltd. by absorption, and changed the corporate name to Unicharm Corporation as surviving entity
August 1976	Listed stocks on the Second Section of the Tokyo Stock Exchange
August 1981	Launched disposable baby diapers
October 1984	Established United Charm Co., Ltd. (former United Charm Industries Co., Ltd.) in Taiwan
March 1985	Company stock designated to be listed on the First Section of the Tokyo Stock Exchange
July 1987	Established Uni-Charm (Thailand) Co., Ltd.
June 1993	Established Unicharm East Japan Corp.
November 1993	Established Uni.Charm Mölnlycke B.V.
December 1995	Established Shanghai Unicharm Co., Ltd.
June 1997	Established PT UNI-CHARM INDONESIA Tbk (PT Uni-Charm Indonesia at time of establishment)
October 1998	Transferred the pet businesses to Uni-Taisei Corp.
February 1999	Uni-Taisei Corp. changed its company name to Uni Heartous Corporation
May 1999	Established Unicharm Central Japan Corporation
October 1999	Transferred Central Japan Production Department to Unicharm Central Japan Corporation
November 2001	Established Unicharm Consumer Products (China) Co., Ltd.
January 2002	Unicharm East Japan Corp. and Unicharm Central Japan Corporation were merged by absorption, with Unicharm Industries Co., Ltd. as the surviving entity. The corporate name was changed to Unicharm Products Co., Ltd.
February 2002	Established Unicharm Consumer Products and Services (Shanghai) Co., Ltd.
October 2002	Uni Heartous Corporation changed its corporate name to Unicharm PetCare Corporation
October 2004	Unicharm PetCare Corporation stock listed on the Second Section of the Tokyo Stock Exchange
September 2005	Unicharm PetCare Corporation stock designated to be listed on the First Section of Tokyo Stock Exchange
December 2005	Acquired Unicharm Gulf Hygienic Industries Ltd.
February 2006	Launched joint venture business in South Korea at LG Unicharm Co., Ltd. (former Uni-Charm Co., Ltd.) with LG Household & Health Care Ltd.
July 2008	Established Unicharm India Private Ltd. (Unicharm India Hygienic Private Ltd. at time of establishment)
September 2008	After acquisition of all shares in APPP Parent Pty Ltd., corporate name was changed to Unicharm Australasia Holding Pty Ltd.
January 2009	Shanghai Unicharm Co., Ltd., Unicharm Consumer Products (China) Co., Ltd. and Unicharm Consumer Products and Services (Shanghai) Co., Ltd. merged to form Unicharm Consumer Products (China) Co., Ltd. as surviving entity
September 2010	Merged Unicharm PetCare Corporation by absorption
September 2011	Established Unicharm (China) Co., Ltd.
September 2011	Acquired 95% of the shares of Diana Unicharm Joint Stock Company (Diana Joint Stock Company at time of establishment)
December 2011	Acquired 51% of shares of The Hartz Mountain Corporation
July 2012	Established Unicharm Consumer Products (Jiangsu) Co., Ltd.
April 2013	Acquired all shares of CFA International Paper Products Pte. Ltd., holder of 88% of the shares of Myanmar Care Products Ltd.
August 2013	Acquired additional 10% of shares Myanmar Care Products Ltd. and the corporate name was changed to MYCARE Unicharm Co., Ltd.
September 2018	Acquired all shares of DSG (Cayman) Ltd.
December 2019	PT UNI-CHARM INDONESIA Tbk stock listed on the Main Board of the Indonesia Stock Exchange
November 2020	MYCARE Unicharm Co., Ltd. changed its corporate name to Unicharm Myanmar Company Limited

3. Description of business

Unicharm Corporation (the "Company"), 55 subsidiaries and 6 affiliates (collectively, the "Group") is engaged chiefly in the manufacture and sale of wellness care products, feminine care products, baby care products, and pet care products.

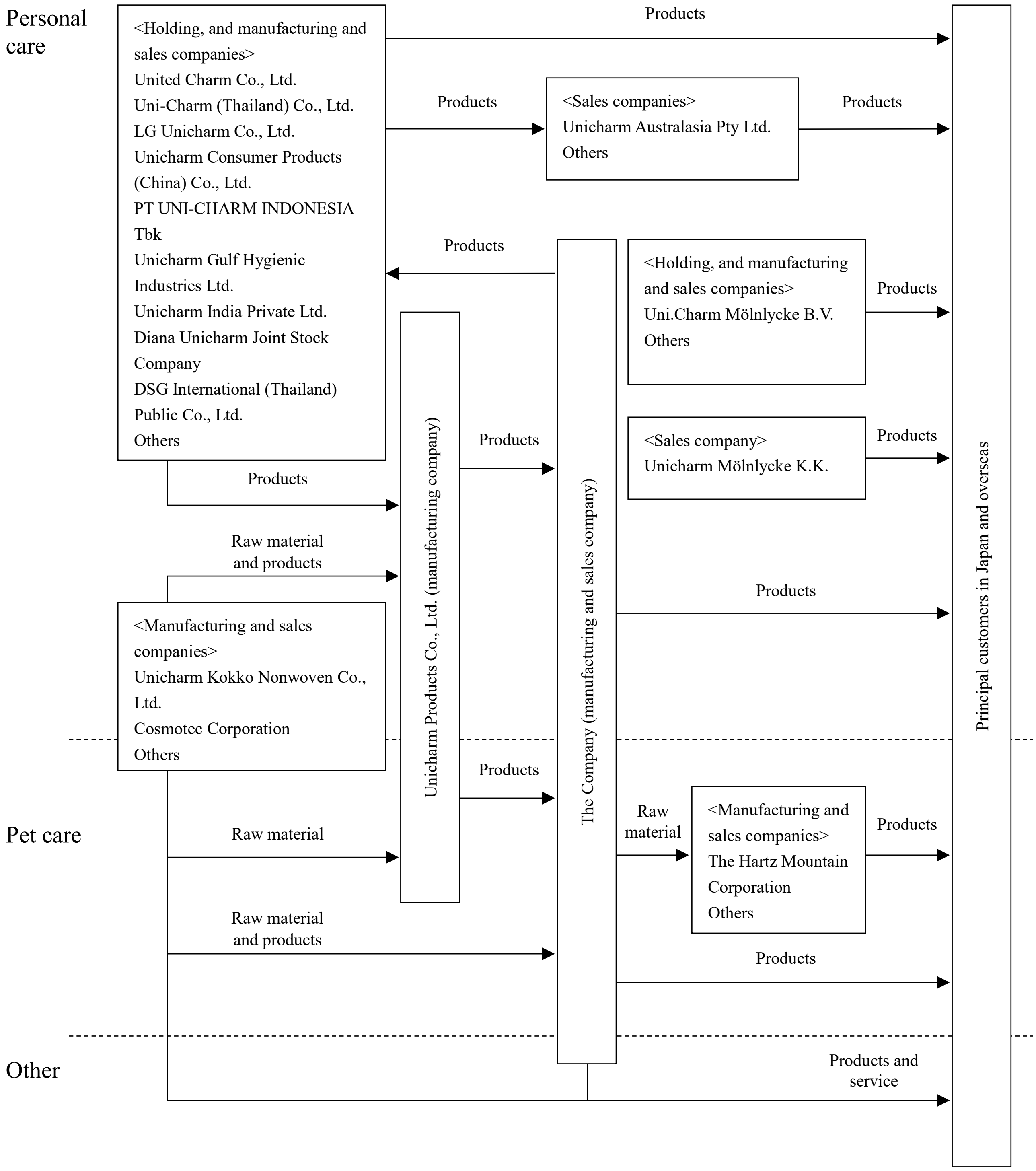
Organizational positioning and segment information of Group businesses are as follows.

The following business segmentation is harmonized with "V. Financial Information, 1. Consolidated Financial Statements (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements."

Business category	Description of principal business	Principal companies
Personal care	Wellness care business Feminine care business Baby care business	The Company Unicharm Products Co., Ltd. Unicharm Kokko Nonwoven Co., Ltd. Cosmotec Corporation Unicharm Mölnlycke K.K. United Charm Co., Ltd. Uni-Charm (Thailand) Co., Ltd. Uni.Charm Mölnlycke B.V. LG Unicharm Co., Ltd. Unicharm Consumer Products (China) Co., Ltd. PT UNI-CHARM INDONESIA Tbk Unicharm Gulf Hygienic Industries Ltd. Unicharm India Private Ltd. Unicharm Australasia Holding Pty Ltd. Diana Unicharm Joint Stock Company DSG International (Thailand) Public Co., Ltd. Other 33 companies Total 49 companies
Pet care	Pet care business	The Company Unicharm Products Co., Ltd. Unicharm Kokko Nonwoven Co., Ltd. Cosmotec Corporation The Hartz Mountain Corporation Other 9 companies Total 14 companies
Other		Unicharm Kokko Nonwoven Co., Ltd. Cosmotec Corporation Other 6 companies Total 8 companies

Note: In case a company operates several businesses, the company is included in each respective business category.

The organization chart of principal businesses is as follows.



4. Information on subsidiaries and affiliates

Name of company	Location	Capital	Principal businesses (Note 1)	Percentage of voting rights held (%)	Business relationship
(Consolidated subsidiaries)					
Unicharm Products Co., Ltd. (Note 2)	Shikokuchuo-shi, Ehime, Japan	Millions of JPY 200	Personal care	100.0	Sells products to Group companies Interlocking executives: 2 Cash loan relations: Yes
United Charm Co., Ltd. (Note 2)	Taiwan	Thousands of TWD 588,800	Personal care	52.6	Sells products to Group companies Interlocking executive: 1
Uni-Charm (Thailand) Co., Ltd. (Note 2)	Kingdom of Thailand	Thousands of THB 718,843	Personal care	94.2	Sells products to Group companies Cash loan relations: Yes
LG Unicharm Co., Ltd. (Note 2)	Republic of Korea	Millions of KRW 30,000	Personal care	51.0	Sells products to Group companies
Unicharm Consumer Products (China) Co., Ltd. (Notes 2, 3, 4)	People’s Republic of China	Thousands of USD 117,127	Personal care	75.0 (75.0)	Sells products to Group companies Cash loan relations: Yes
PT UNI-CHARM INDONESIA Tbk (Note 2)	Republic of Indonesia	Millions of IDR 415,657	Personal care	59.4	Sells products to Group companies Financial assistance: Yes
Unicharm Gulf Hygienic Industries Ltd. (Note 2)	Kingdom of Saudi Arabia	Thousands of SAR 400,000	Personal care	95.0	Sells products to Group companies Interlocking executive: 1 Financial assistance: Yes
Unicharm India Private Ltd. (Note 2)	Republic of India	Millions of INR 35,573	Personal care	100.0	Financial assistance: Yes
Unicharm Australasia Holding Pty Ltd. (Note 2)	Commonwealth of Australia	Thousands of AUD 60,000	Personal care	100.0	Financial assistance: Yes
Unicharm Middle East & North Africa Hygienic Industries Company S.A.E. (Note 2)	Arab Republic of Egypt	Thousands of EGP 750,000	Personal care	95.0	Sells products to Group companies Interlocking executive: 1 Financial assistance: Yes
The Hartz Mountain Corporation (Note 2)	United States of America	Thousands of USD 197,398	Pet care	51.0	Sells products to Group companies
Unicharm (China) Co., Ltd. (Note 2)	People’s Republic of China	Thousands of USD 280,346	Personal care	100.0	
UNICHARM DO BRASIL INDÚSTRIA E COMÉRCIO DE PRODUTOS DE HIGIENE LTDA. (Note 2)	Federative Republic of Brazil	Thousands of BRL 873,783	Personal care	80.1	
DSG International (Thailand) Public Co., Ltd. (Notes 2, 3)	Kingdom of Thailand	Thousands of THB 1,260,000	Personal care	99.3 (99.3)	Sells products to Group companies
Other 41 companies	–	–	–	–	–

Name of company	Location	Capital	Principal businesses (Note 1)	Percentage of voting rights held (%)	Business relationship
(Affiliates accounted for by the equity method) The Fun Co., Ltd.	Kita-ku, Sakai-shi, Osaka, Japan	Millions of JPY 200	Data storage and processing services	25.0	
Other 5 companies	–	–	–	–	–

Notes: 1. The “Principal businesses” column states the name of the segment in the segment information.

2. Companies indicated are specified subsidiaries.

3. The figures in parentheses in the “Percentage of voting rights held” column show the percentage of indirect voting interests, which is a part of the total voting interest.

4. Net sales (excluding intercompany sales within the Group) of Unicharm Consumer Products (China) Co., Ltd. exceeded 10% of consolidated net sales.

Principal financial data:

1) Net sales	¥106,629 million
2) Profit before tax	¥18,033 million
3) Profit for the period	¥13,482 million
4) Total equity	¥71,291 million
5) Total assets	¥100,433 million

5. There is one other affiliate company.

5. Employees

(1) Consolidated companies

(As of December 31, 2020)

Reporting segment	Number of employees (Persons)
Personal care	15,421 (1,483)
Pet care	632 (92)
Other	473 (180)
Corporate (common)	139 (21)
Total	16,665 (1,776)

Notes: 1. The number of employees represents the number of full-time employees.

2. The figures in parentheses represent the average number of part-time employees during a year, and are not included in the number of full-time employees.

3. The figures in parentheses include the number of contract and part-time employees.

(2) The Company

(As of December 31, 2020)

Number of employees (Persons)	Average age (Years)	Average years of service (Years)	Average annual salary (Thousands of Yen)
1,466 (323)	41.4	16.1	8,396

Reporting segment	Number of employees (Persons)
Personal care	1,104 (280)
Pet care	223 (22)
Other	– (–)
Corporate (common)	139 (21)
Total	1,466 (323)

Notes: 1. The number of employees represents the number of full-time employees.

2. The figures in parentheses represent the average number of part-time employees during a year, and are not included in the number of full-time employees.

3. The figures in parentheses include the number of contract and part-time employees.

(3) Trade union

Trade unions have been established at the Company and certain consolidated subsidiaries. There are no particular items concerning labor-management relations which require mentioning.

II. Business Overview

1. Management policies, management environment, and issues facing the Group

In the following, statements relating to the future are based on the judgment of the Group at the end of the fiscal year under review.

(1) Basic management policies

It is the Group's basic policy to conduct business activities with the aim of fulfilling its social responsibility and constantly striving for the creation of new value for stakeholders (customers, shareholders, clients, company employees and society). To achieve the aim, the Group has set forth a management philosophy "to contribute to creating a better quality of life for everyone by offering only the finest products and services to the market and customers, both at home in Japan and abroad."

(2) Target management indicators

The Group aims to build a highly capital-efficient management structure that can beat the global competition, by advancing the continuous growth of sales, profit and ROE.

(3) Medium- to long-term management strategy

The 10th Medium-term Management Plan, which covers the four-year period from January 2017 to December 2020, ended in the current fiscal year, and the Group is now implementing the 11th Medium-term Management Plan, which covers the three-year period from January 2021 to December 2023. The details of the plan are described in the Presentation Materials for the Fiscal Year Ended December 2016, which was released on February 15, 2017 and the Presentation Materials for the Fiscal Year Ended December 2020, which was released on February 15, 2021, respectively.

Said Presentation Materials can be viewed at the following URL.

The Company's website:

https://www.unicharm.co.jp/english/ir/library/investors/index.html

(4) Issues facing the Group

The novel coronavirus (hereinafter "COVID-19") has had a significant impact on economic activities both in Japan and overseas, and has brought about various changes in the way people behave, and uncertainty toward the future has not yet been resolved. As for overseas operations, the potential for high economic growth is expected to remain high in Asian countries, especially in emerging countries, and there are expectations that the change of administration in the US will resolve economic and trade issues with China and other countries, which may affect geopolitical risks, economy, finance and fluctuations of exchange rates in some countries where we are rolling out business; this may considerably impact business in these countries and cause stagnant sales, price fluctuations in imported raw materials and products, in addition to the impact of COVID-19. Meanwhile in Japan, although there is a strong demand for products in response to infection, in addition to a sense of uncertainty about the direction of the economy, the rising prices of imported raw materials resulting from exchange rates and the price of crude oil are causing anxiety in the fiercely competitive sales environment. The personal care business is also forecast to see a decline going forward in the target population for baby care and feminine care products.

In the midst of such issues, in accordance with the management philosophy of the Company and its group companies, the Group will strive to consistently create new markets and new value, and speedily promote the expansion of product line-ups in relation to infection prevention and meet customer insights by such means as maximizing demand for Japanese-made goods as well as responding to rapid aging in Asia. As for overseas operations, the Group will enhance its risk management while aggressively developing business areas and establishing a position as a category leader in growth markets; and in Japan, the Group will aim to realize a society where people and pets live symbiotically, and also expand total industrial assets by revitalizing the market. In these ways, the Group is striving to improve its business performance.

In order to further promote corporate reform in the future, in all businesses the Company will place greater emphasis on increasing value through continuous product innovation, and thoroughly pursue cost reduction and the efficient use of management resources.

Meanwhile, on the non-financial front, positioning environment (E), society (S), and governance (G) as important foundations for medium- to long-term sustainable improvement of corporate value, the Group will continue to promote policies, among other things, for environmental concerns and strengthening its governance system. Furthermore, to boost corporate management soundness and transparency, the Group will press forward with the improvement of procedures to verify the appropriateness of operation process concerning subsidiaries' internal controls in an effort to strengthen governance.

2. Business and other risks

The Group (hereinafter referred to collectively as the Company in this section) has positioned the prevention of risks and the minimization of their impact and prevention of recurrence as an important management issue by appropriately identifying various risks that may affect the performance and achievement of corporate activities as stated in the Company's basic management policy (please refer to "1. Management policies, management environment, and issues facing the Group (1) Basic management policies"). Based on this, we have established a risk management system for the Company as a whole and are implementing this system, as well as continuously reviewing and improving our business risk management.

The Board of Directors oversees the code of conduct and the code of ethics, and at the same time, deliberates and decides on improvement measures by analyzing and evaluating risks reported by the heads of each department. The Audit and Supervisory Committee Members fulfill their responsibilities by conducting various audits and other activities during their term of office as stipulated by law.

As of the end of the fiscal year under review, the ESG Committee has identified 12 main items that are considered to be potential business risks, and it discusses and takes appropriate action as necessary. In the event that urgent risks that do not fall under these items are identified, the ESG Committee will promptly discuss and take action.

While the following 12 major risks are important business risks that we recognize as having the potential to affect our financial position and business performance as of the date of submission of this Annual Securities Report (March 29, 2021), due to the effectiveness of various countermeasures, none of these risks have materialized to the point of having a significant impact on our business. The degree and timing of the possibility of such risks materializing in the future are yet to be determined. In addition to the major risks listed above, there are other risks that may affect the Company in the future, and these risks are not limited to those listed here.

Risks	Details of risks and impact on the Company	Main measures taken by the Company
Risks regarding the competitive sales environment	Competition in markets for the Company's core products both in Japan and overseas may possibly become even more severe in both price and product line, depending on the economy and market environment. Given the nature of consumer products, the Company's core products are constantly exposed to fierce competition and successive new product releases by competitors. The selling environment depends on changes in customer consumption activity and responses from competitors, in spite of the Company's efforts in marketing or reducing production costs and expenses, etc. In the event that the Company cannot respond suitably to this sales environment, there is a possibility that sales and profits and losses will be negatively affected.	We conduct thorough research on the actual living and consumption conditions in each country and region, develop products that match the culture and living environment, and strive to provide products that are not easily affected by the economy. We are also utilizing these research and market analysis methods to expand the areas and countries in which we operate, and achieve a stable business expansion. In addition to reducing the costs through reduction of the procurement costs and improving production efficiencies on the production front, in terms of production, as well as expanding our sales outlets, including online channels, in terms of sales, we are striving to strengthen our sales capabilities and maintain and improve our competitiveness by proposing to retailers ways to sell and buy products from the customer's perspective utilizing digital technology. Furthermore, we are delegating authority to our overseas subsidiaries to create a framework that can respond quickly to changes in customer consumption behavior.

Risks	Details of risks and impact on the Company	Main measures taken by the Company
Risks regarding changes in demographics	Due to Japan's declining birth-rate which has been continuing for an extended period of time, the percentage of babies and menstruating women in the domestic population has been continuing to decrease. Such decrease is also seen in some overseas countries in which the Company operates. Due to these kinds of demographic changes, there is a possibility that demand will decrease in such countries for baby care related products and feminine care related products, which are the Company's core business. In addition, the Company believes it necessary to strive to secure and develop indispensable human resources for business execution. On the other hand, following the trend of aging population and a decreasing birthrate in society, it is becoming increasingly difficult to secure human resources. If human resources are not secured or developed as planned, there is a possibility that our business activities will be affected.	Our mission is to contribute to the realization of a "cohesive society," a society in which all people around the world can live together as equals, without inconvenience, respecting each other's individuality, and supporting each other with kindness, and we aim to conduct corporate activities that are less susceptible to the effects of demographics by developing products and services that contribute to the satisfaction of all people, from babies to the elderly, and their partner animals (pets), by freeing them from the various burdens they face and enabling them to enjoy life in a balanced manner in all regions and countries of the world. In addition, we are striving to maintain and expand demand by diversifying our product lineup and promoting product value even when the target population decreases through product strategies that match the growth stage of the market. As a countermeasure to the decline in the working population, we are promoting the creation of a work environment where diverse human resources, regardless of nationality, gender, age, or disability, can utilize their strengths to play an active role and feel a sense of purpose in work. Specifically, we aim to produce human resources who can set and solve their own problems by providing opportunities for growth through development plans based on individual career visions and career plans, the allocation of the right personnel to the right jobs, and the implementation of quarterly evaluations and training by job level. In addition, to encourage employees to decide for themselves how and why they want to work, we are introducing remote work and eliminating core hours, increasing the number of options for where and when to work, and promoting flexible work styles that increase creativity and productivity. Furthermore, we are actively working to revitalize our senior human resources and promote the activities of women.
Risks regarding overseas business	The Company manufactures products in China, Indonesia, Thailand, India, the Middle East, and Brazil, etc. Expanding business overseas brings the possibility that raw material prices and equipment expenses will be considerably affected by changes in exchange rates. Depending on the regulations, economic environment, and situation for both society and politics in the related countries, there is a possibility that the markets will change greatly and the Company's business activity and values of assets held will be affected. In addition, the financial statements of overseas consolidated subsidiaries denominated in the currency of each country are translated into Japanese yen in the consolidated financial statements; as such, the financial standing and business performance of the Company will be negatively affected at the time of stronger yen.	In trade transactions, the Company strives to secure stable imports and exports and profits by changing the shipping bases in some cases from the viewpoint of profitability due to the operating status of manufacturing bases and exchange rates. As for foreign exchange fluctuations, we strive to minimize risk by hedging foreign currency transactions, including raw material purchases, and by comprehensively taking into account the receivables and payables we hold. In addition, in order to contribute to the stable return of profits to shareholders and the internal circulation of funds, we have established a system to control the negative impact of the appreciation of the yen on overseas assets by proactively paying dividends from overseas consolidated subsidiaries that hold funds in excess of their planned investments.

Risks	Details of risks and impact on the Company	Main measures taken by the Company
Risks regarding raw material price fluctuations	As a manufacturer, the Company directly faces fluctuation risks in the price of raw materials. The Company currently purchases raw materials from numerous outside suppliers on a cross-border basis, and especially procures pulp and certain other raw materials predominantly from overseas sources. These transactions with overseas sources are generally conducted on a U.S. dollar basis. Depending on the extent of the exchange rate fluctuation, there is a risk that the Company's raw materials-related costs could significantly increase. Fluctuations in the market prices of crude materials such as oil, naphtha, and pulp can also have an impact on material prices.	We analyze trends in the prices of major raw materials and forecast future prices, and make adjustments to our purchases and revise our cost forecasts on a regular basis to reflect them in our earnings management. In order to prepare for unforeseen circumstances where imports are interrupted and to control the risk of exchange rate fluctuations in import prices, we constantly develop local and preferential tariff country suppliers and strive to purchase raw materials in a stable manner from a comprehensive perspective. In addition, we are prepared for an increase in raw material costs due to foreign exchange by currency hedges as described in the section on overseas business risks. We are also conducting research to reduce the amount of raw materials used and enhance the functionality of materials.
Environmental Risks	Environmental concerns are increasing on a global scale, such as concerns about the depletion of resources, marine pollution caused by ocean plastics, etc., and the destruction of ecosystems, and efforts to protect the environment and reduce environmental impact are being promoted worldwide. For the Company, which manufactures disposable products such as disposable diapers and sanitary products, manufacturing in consideration of the global environment is an important issue that cannot be ignored. Although we strive to comply with environmental laws and regulations in Japan and overseas, inappropriate management of waste and other materials that violate laws, regulations, and rules may result in legal action such as production restrictions or affect our social credibility.	As a recycling model, we have been working on a project to recycle used disposable diapers since 2015, and have succeeded in recycling pulp and SAP (polymer absorbent material) and producing prototypes of disposable diapers and other products using recycled pulp. In addition, the Company has established "Eco Plan 2030" to replace "Eco Plan 2020" which will end in the current fiscal year, and set numerical targets for environmental issues in "Kyo-sei Life Vision 2030" announced in October 2020, and formulated and implemented specific measures to achieve these targets. In addition, we have established the Basic Environmental Policy and Environmental Action Guidelines to strengthen our environmental activities and to raise the environmental awareness of all employees, which will lead to compliance with environmental laws and regulations.
Risks regarding climate change	With the increasing severity of the effects of climate change, an agreement has been reached under the Paris Agreement to limit the rise in global average temperatures. In addition, the Task Force on Climate-related Financial Disclosure (TCFD) established by the Financial Stability Board (FSB) has made recommendations to encourage companies to disclose climate-related financial information. In the event that mitigation and adaptation measures against climate change, such as curbing the rise in average temperatures, are not taken globally, there is a possibility that the price of forest-derived raw materials, which are the main raw materials for the Company's products, will soar, energy prices will fluctuate significantly, and Asia, which the Company is focusing on, will be the most affected as pointed out by researchers. In addition, if the Company's efforts to reduce CO_2 emissions, etc., which will lead to the curbing of temperature rise, and its disclosure of such efforts are insufficient, it may lead to a decline in the Company's social credibility.	In order to contribute to the 2°C scenario of the Paris Agreement, in June 2018, the Company received certification from the SBT (Science-Based Targets) Initiative for its reduction plan by 2050. We have also expressed our support for the TCFD (Task Force on Climate-related Financial Disclosures) and are reporting in accordance with this framework. Meanwhile, the Representative Director, President & CEO will take the initiative in setting targets and managing progress toward the realization of a "Net Zero CO_2 Emission Society by 2050," and all employees will work together to achieve a 100% ratio of renewable electricity to all electricity used for business development, as set forth in the "Kyo-sei Life Vision 2030." In addition, the Company is actively encouraging all related persons in the supply chain to reduce emissions throughout the product life cycle.

Risks	Details of risks and impact on the Company	Main measures taken by the Company
Risks regarding product reliability	As a manufacturer and distributor of consumer products, ever since the Company was founded, it has not experienced any substantial compensation claims which would greatly affect the Company's business in terms of product quality and safety. However, in the event that an unforeseen, serious problem occurs regarding quality or safety at the time of product manufacture or sale, there is a possibility that the reliability of the Company's products will decline significantly.	Because many of our products come into direct contact with the skin, we strive to improve the quality and safety of our products and to properly describe them in order to convey correct information so that our customers can use them with peace of mind. In addition, we not only comply with relevant laws and regulations but also set our own strict standards to check the safety of our products in all processes from procurement of raw materials to development, manufacturing, sales, and disposal. The Company has set up a framework to promptly investigate and address complaints on its products, if any, regardless of its impact, to ensure reliability of its products are not affected.
Risks regarding failure to comply with laws and regulations	In the event that the Company or its employees violate domestic or overseas anti-monopoly laws, unfair competition prevention laws, tax laws, or other laws and regulations, for example, makes improper demand in carrying out a transaction or offers bribe to facilitate administrative procedures in violation of laws and regulations and receives punishment, etc. from a competent authority, it may affect business performance and/or social credibility of the Company.	The Unicharm Group Charter of Action describes the laws and regulations that apply to the actions to be taken in order to realize the pledge to each stakeholder, and raises awareness of compliance such as prevention of corruption. We also monitor these issues through annual employee awareness surveys. In addition, for the purpose of raising awareness of compliance with laws and regulations and preventing the occurrence of problems, we have taken up compliance-related themes in training for new employees and employees posted overseas, and have also established compliance-related courses through e-learning for all employees to ensure thorough compliance with laws and regulations.
Risks regarding intellectual property rights such as patents and trademarks	Regarding the intellectual property rights in the Company's possession, in the event that it receives some sort of infringement by a third party, there is a possibility that it will suffer large damages such as losing expected income. At the same time, there is also the possibility that the Company may be unknowingly infringing upon the intellectual property rights of a third party, which may lead to large compensation claims or limitations imposed on the Company's business.	We take a firm stance against infringement or unfair exercise of rights by third parties, through lawsuits and other means, and we work closely within the Company as well as with the governments of other countries to eliminate infringing or counterfeit products. On the other hand, we have been promoting the protection of and respect for the intellectual property of the Company and other companies through a combination of off-the-job training, on-the-job training, and e-learning in our internal compliance education regarding patents, trademarks, and the Premiums and Representations Act.
Disaster and accident risk	To minimize losses due to interruption of production or marketing following a major earthquake or large-scale natural disaster, fire or accident, the Company lays out a system based on its business contingency plan for coordinating manufacturing and distribution bases and for rapid recovery of information systems and administration functions. In the case of the fire at our plant in India in June 2020, the BCP functioned and we were able to minimize the drop in sales due to the fire by quickly establishing a supply system not only from our domestic plant in India but also from plants in other countries. However, unexpectedly severe disasters or accidents could jeopardize continued production, securing of raw materials or a stable supply of products.	A business continuity plan (BCP) consists of (1) basic requirements, (2) securing the safety and confirming the safety of employees and their families, (3) specific measures to continue business, (4) important matters to be addressed along with business continuity, and (5) necessary measures for operation. As part of the drills specified in (5), we continuously conduct evacuation drills assuming emergency situations based on scenarios. In addition, in Japan, the Company has newly constructed the Kyushu Plant as a risk diversification and alternative base, which has been in operation since the fiscal year ended December 31, 2019.

Risks	Details of risks and impact on the Company	Main measures taken by the Company
Risks related to business acquisitions, tie-ups, divestitures, integrations, and other measures	The Company continuously aims to maximize corporate value through the effective use of management resources. Based on this goal, there is the possibility that in the course of its corporate activities, the Company will engage in business acquisitions and capital subscriptions, tie-ups with other companies, business divestitures and integrations, and/or rationalizations and spin-offs. However, after execution, there is a risk of losses, etc., caused by to falling values of risk assets held such as goodwill due to market changes or policy outcomes falling short of expectations.	When considering acquisitions, alliances, and business integrations, the Board of Directors makes decisions after gathering sufficient information, carefully planning for future recovery, and thoroughly confirming with the relevant departments that the possibility of future impairment of goodwill and other fixed assets to be recorded is small. After implementation, the Company assesses the risk of impairment by determining the signs of impairment in a timely manner, analyzes the causes for business companies under-performing with regards to the plan and, if necessary, revises the business plan to ensure that the planned earnings can be recovered.
Risks related to leakage of confidential information and knowhow	The Company is in possession of a variety of information that includes not only data generated within the Company but personal and other information gained through confidentiality agreements or with the consent of customers and clients. In the event of information leakage that calls into question the Company's legal responsibility with regard to information management, the Company may lose credibility and its business performance may be affected.	We have established the Information Security Policy and Information Management Security Rules, and for the personal information we have obtained, we have established Personal Information Protection Rules and Specific Personal Information Handling Rules to strictly manage and prevent leakage. In order to strictly enforce these rules, we have established the Information Management Security Committee, which plans cross-company information management and security measures, provides employee education, and conducts ongoing monitoring. On the other hand, as a physical measure to prevent information leakage due to the loss or theft of terminals, we have adopted personal computers that cannot store data, and we are fully equipped with a cloud environment where data and systems can only be used on servers. To prevent external cyber-attacks on public websites, we have taken various security measures in cooperation with outside experts, including appropriate server construction, anti-phishing measures, anti-virus measures, password and ID management, and introduction and monitoring of security devices. In addition, we have prepared for incidents such as information leaks by incorporating them into the company-wide crisis communication manual so that we can quickly identify the actual situation and respond to minimize the impact.

3. Management's analysis of financial position, operating results and cash flows

(1) Overview of operating results, etc.

The Group has adopted IFRS, replacing the previous Japanese accounting standards, in the fiscal year ended December 31, 2017, in order to improve the international comparability of financial information and the quality of business management.

Core operating income comprises gross profit less selling, general and administrative expenses. While this 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.

1) Financial position and operating results

	Fiscal Year Ended Dec. 31, 2019 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2020 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	714,233	727,475	13,242	1.9
Core operating income	89,779	114,744	24,965	27.8
Profit before tax	69,538	95,849	26,311	37.8
Profit attributable to owners of parent	46,116	52,344	6,227	13.5
Basic earnings per share (Yen)	77.53	87.60	10.07	13.0

The Company's net sales, core operating income, profit before tax, profit for the period, and profit attributable to owners of parent in the fiscal year under review reached ¥727,475 million (up 1.9% year on year), ¥114,744 million (up 27.8% year on year), ¥95,849 million (up 37.8% year on year), ¥62,580 million (up 18.9% year on year), and ¥52,344 million (up 13.5% year on year), respectively.

Operating results by segment are as follows.

(a) Personal Care Business

	Fiscal Year Ended Dec. 31, 2019 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2020 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	620,742	624,758	4,015	0.6
Core operating income	78,893	100,005	21,112	26.8

Note: Net sales represent those to external customers.

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

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

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

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

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

- Feminine Care Business

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

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

- Baby Care Business

In Thailand and Indonesia, whose market polarization is advancing due to the impact of COVID-19, the Company has responded to a wide range of customers' needs by utilizing synergies with DSG (Cayman) Limited, a subsidiary the Company acquired in 2018. In India, where the use of disposable diapers is still low even among emerging countries, the Company expanded its sales area and market share while promoting pants-type disposable diapers. Meanwhile, the Company imported disposable diapers from neighboring countries and increased production at its existing factories due to a supply shortage caused by a fire in a factory located in Western India. The Company has also responded to diversified needs of consumers in China, where demand for made-in-Japan products declines, through the efforts to strengthen sales of the high value-added *moony* series made in China, mainly through e-commerce channels. On the other hand, in the Middle East remaining politically unstable, the Company achieved stable growth as a result of steady exports from Saudi Arabia to neighboring Middle Eastern countries, as well as domestic sales in Saudi Arabia.

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

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

(b) Pet Care Business

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

Note: Net sales represent those to external customers.

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

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

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

(c) Other Businesses

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

Note: Net sales represent those to external customers.

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

As a result, net sales and segment profit (core operating income) in other businesses for the fiscal year under review were ¥7,024 million (up 7.8% year on year) and ¥565 million (up 157.6% year on year), respectively.

The overview of the financial position for the fiscal year under review is as follows.

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

Total assets as of the end of the fiscal year under review amounted to ¥893,413 million, up ¥29,410 million over the end of the previous fiscal year. The major increases were ¥70,735 million in cash and cash equivalents and ¥6,201 million in other current and non-current financial assets mainly due to time deposits with deposit terms exceeding three months, and the major decreases were ¥25,292 million in property, plant and equipment, ¥9,086 million in trade and other receivables, ¥5,354 million in other current assets mainly due to prepaid consumption taxes, and ¥4,156 million in intangible assets. Total liabilities were ¥330,760 million, up ¥9,658 million over the end of the previous fiscal year. The major increases were ¥13,419 million in other current liabilities mainly due to accrued expenses and ¥9,142 million in income tax payables, and the major decreases were ¥4,691 million in trade and other payables, ¥4,689 million in bonds and borrowings and ¥3,990 million in other current and non-current financial liabilities mainly due to lease liabilities. Total equity amounted to ¥562,653 million, up ¥19,752 million over the end of the previous fiscal year. The major increase was ¥52,344 million in profit attributable to owners of parent, and the major decreases were ¥17,898 million in dividends paid to owners of parent and ¥16,709 million in other components of equity mainly due to exchange differences on translation in foreign operations.
Consequently, the ratio of equity attributable to owners of parent increased from 54.8% as of the end of the previous fiscal year to 55.2% as of the end of the fiscal year under review.

2) Cash flows

	Fiscal Year Ended Dec. 31, 2019 (Millions of Yen)	Fiscal Year Ended Dec 31, 2020 (Millions of Yen)	Difference (Millions of Yen)
Cash flows from operating activities	84,936	150,254	65,318
Cash flows from investing activities	(69,235)	(41,698)	27,537
Cash flows from financing activities	(23,062)	(35,239)	(12,177)
Cash and cash equivalents at end of period	128,787	199,522	70,735

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

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

3) Actual production, orders received and sales

(a) Actual production

Reportable segment	Production amount (Millions of Yen)	Year-on-year change (%)
Personal care	627,103	3.2
Pet care	89,265	2.3
Other	9,871	51.2
Total	726,239	3.6

Notes: 1. Intersegment transactions have been eliminated.
2. Production amount is based on selling prices.
3. Production amount is presented exclusive of consumption taxes.

(b) Actual orders received

Make-to-order-based production is not undertaken, so this item does not apply.

(c) Actual sales

Reportable segment	Sales amount (Millions of Yen)	Year-on-year change (%)
Personal care	624,758	0.6
Pet care	95,693	10.0
Other	7,024	7.8
Total	727,475	1.9

Notes: 1. Intersegment transactions have been eliminated.
2. Sales amount is presented exclusive of consumption taxes.

(2) Analysis and assessment of operating results, etc. from a management's perspective

Recognition, analysis and assessment of the Group's operating results, etc. from a management's perspective are as follows.

In the following, statements relating to the future are based on the judgment at the end of the fiscal year under review.

1) Recognition, analysis and assessment of operating results, etc.

(a) Analysis of operating results

In the fiscal year under review, the operating environment of the Group was as follows. Overseas, while in key target country China, the economy has shown signs of recovery from the economic deterioration due to COVID-19, the harsh condition remained in some regions such as Indonesia, Thailand, and India. The Company has been striving to maintain stable supply of its products, as the Company's products are daily necessities.

Against this backdrop, a fire accident took place on June 24, 2020 at Ahmedabad Factory of Unicharm India Private Ltd., a subsidiary of the Company, and a total of ¥15,929 million was recorded in other expenses as the amount of damage.

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

The cost of sales ratio decreased due to a fall in the price of petroleum-based raw materials in particular, which had increased in the last fiscal 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 selling, general and administrative 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 Group companies continued to develop unique non-woven fabric processing and forming technology, and products that meet the needs of consumers while working to create a "Cohesive Society" in which people from all generations can live while not feeling burdened by one another and with mutual respect for each other as people.

As a result, the Company's net sales, core operating income, profit before tax, profit for the period, and profit attributable to owners of parent in the fiscal year under review reached ¥727,475 million (up 1.9% year on year), ¥114,744 million (up 27.8% year on year), ¥95,849 million (up 37.8% year on year), ¥62,580 million (up 18.9% year on year), and ¥52,344 million (up 13.5% year on year), respectively.

(b) Risks materially affecting operating results

See "2. Business and other risks."

(c) Analysis and discussion of the status of cash flows and information related to sources of capital and liquidity of funds

In the fiscal year under review, the Company's main source of funds was operating cash flow (inflow of ¥150,254 million in the fiscal year under review), except for external borrowing by some overseas consolidated subsidiaries to reduce foreign exchange risks. In addition, the Company strives to ensure sufficient liquidity of funds so that it can use its own funds as much as possible to meet the demand for funds for business activities, investments, and the return of profits to shareholders including purchase of treasury shares.

Please refer to "(1) Overview of operating results, etc. 2) Cash flows" for the cash flow analysis for the fiscal year under review.

Own funds will be appropriated for the funds for capital investment for the fiscal year ending December 31, 2021.

(d) Objective indicators, etc. to determine the achievement of management policies, strategies and targets

The status of the key indicators targeted by the 10th Medium-term Management Plan, which ended in the fiscal year under review, and the 11th Medium-term Management Plan, which is currently underway, is as follows. With regard to the targets of the 10th Medium-term Management Plan, we achieved the target for the core operating margin in the fiscal year under review, but failed to achieve the other targets due to lower-than-expected sales of baby care and the impact of the loss caused by the fire in India. In the fiscal year ending December 31, 2021, the first year of the 11th 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 wellness care and pet care, which are high profit, high growth markets, and will work to reform our business structure.

	Fiscal Year Ended December 31, 2019	Fiscal Year Ended December 31, 2020	Target under the 10th Medium-term Management Plan (Fiscal Year Ended December 31, 2020)	Target under the 11th Medium-term Management Plan (Fiscal Year Ending December 31, 2023)
Net sales	¥714,233 million	¥727,475 million	¥800,000 million	¥888,000 million
Net sales growth rate	3.8% (YoY)	1.9% (YoY)	(Note) 7.0% Compound annual growth rate (CAGR)	(Note) 6.9% Compound annual growth rate (CAGR)
Core operating income margin	12.6%	15.8%	15.0%	15.5%
Return on equity attributable to owners of parent (ROE)	10.1%	10.8%	15.0%	15.0%

Note: The target figures for the net sales compound annual growth rate (CAGR) are set excluding impacts from foreign exchange rate fluctuations.

(e) Current state of and prospects for management strategy

Regarding the operating environment of the Group, the outlook remains uncertain due to factors such as geopolitical risk, trends in emerging economies, and volatility in financial markets. Under these conditions, the Company expects growth driven by domestic demand to recover in the Asian countries where it operates its business if the effects of COVID-19 begin to subside. In Japan, the economy is expected to turn to a recovery trend as consumption and private investment will be supported by the effects of the government’s financial support policies.

In overseas, within this environment, we intend to grow with a speed exceeding that of the market and strive for revitalization through offering products that meet individual needs in the target countries and aggressive sales activities. 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.

(f) Recognition, analysis and assessment of the financial position and operating results by segment

Please refer to “3. Management’s analysis of financial position, operating results and cash flows (1) Overview of operating results, etc.”

2) Significant accounting estimates and assumptions used in making such estimates

The Group’s consolidated financial statements are prepared in accordance with IFRS.

Significant accounting policies and estimates are presented in “V. Financial Information, 1. Consolidated financial statements, (1) Consolidated financial statements, Notes to the consolidated financial statements.”

4. Important business contracts

Not applicable.

5. Research and development activities

Based on the corporate philosophy of "Maintain our No. 1 position through continued and dedicated service" and focus on continued creation of new values from technology innovation, the research and development activities of the Group are centered on the Kagawa Technical Centre and Engineering Centre in Kanonji-shi, Kagawa. The Company is committed to fostering category-leading products and improving efficiency by shortening the time required from product development to market introduction, through steady development and improvement of expertise in non-woven fabric and super-absorbent polymer technologies as well as paper and pulp.

During the fiscal year under review, overall research and development expenses totaled ¥7,808 million (1.1% of consolidated net sales). Principal achievements were as follows.

(1) Personal Care

- Wellness Care Business

  In the pants-type category, the Company launched a new product, *Lifree Walking Assist Underwear (M/L)*, which supports the body's trunk and enables a well-balanced walk, from *Lifree*, which is highly popular among customers as disposable diapers for adults. By adopting three patented technologies, "Pelvic Support Fit*1," "inseam stretch*2," and "supple Slim outer*3," we have been striving to improve customer satisfaction by supporting the pelvis, supporting the trunk, and maintaining balance, thereby reducing walking anxiety and supporting walking independence.

  In the pad type category, the Company launched a new product, *Lifree No Slipping, No Worries Paper Pants Pads (6 times absorbent/8 times absorbent)*, a pad for paper pants that prevents leakage even when lying on your side at night, allowing you to sleep soundly and peacefully all night long.

  In the light incontinence category, *Charm Nap*, a leading brand of light incontinence care products for women, launched a new product, *Charm Nap Slim Absorbent Guard (25cc for small amounts of relief/60cc for medium amounts of relief)*, which offers reliable absorbency and is 3mm*4 thin for a comfortable fit. In addition, the Company relaunched *Lifree Comfortable Pad for Slight Leaks*, a special pad for handling slight bowel leaks, under the *Lifree Comfortable Pad* brand, which is popular among many customers as a special product for light incontinence.

  Overseas, in China, the Company launched a new product, *Lifree Long-Lasting Safety Pants-Type Diapers for Adults (M/L/XL)* with improved absorbent parts, and added a lower-priced lineup by reviewing the balance between cost and quality. In addition, the Company launched improved versions of a tape type disposable diaper *Lifree Tape-Type Diaper for Adults (M/L)* with a breathable back sheet, and a new bed sheet *Lifree Adult Pad* with an improved size.

  *1 The front side is convexly curved toward the inseam, and the back side is convexly curved toward the waist edge.
  *2 Absorber structure with low-fiber-content sections arranged diagonally across the absorber, where the low-fiber-content sections overlap with the stretch area.
  *3 Waist structure with intermittent ultrasonic bonding of stretchable nonwoven fabric sandwiched between non-stretchable nonwoven fabric.
  *4 Thinness of 25cc for small volume is approximately 3mm, and thinness of 60cc for medium volume is approximately 3.5mm.

  In the *Wave* brand, we launched improved versions of the *Wave Super Moisturizing Wet Sheet (fragrance-free/lightly scented/non-alcohol sanitizing)* series. The uneven mesh sheet makes it easy to feel that dirt has been removed, and the sheet's high water-holding capacity allows you to clean the floor with light pressure. We have been working to revitalize the market for disposable cleaning products, as more and more people are spending more time at home due to the fight against infections, and as more and more people are becoming concerned about even the slightest dirt in their rooms and cleaning more frequently.

  Overseas, the Company has worked to expand its product lineup with the new launch of *Fressi care cool*, a facial wet sheet, in Vietnam.

- Feminine Care Business

  From the *Sofy* brand, which continues to offer the idea of leading a normal life with peace of mind and comfort even during menstruation, the *Sofy SPORTS* series of sanitary napkins and panties, which conform to the body's shape even during sudden movements and help prevent napkin slippage and leakage during menstruation, has been newly launched in the napkin and panty categories (*Sofy SPORTS Napkins (without wings/with wings)* and *Sofy SPORTS Dynamic Shorts (M/L)*).

  In addition, in response to the needs of women who are concerned about safe and secure products for their bodies due to the growing health consciousness in recent years, the Company has launched new products *Sofy Hada Omoi Organic Cotton Nighttime (29/36cm)* and *Sofy Organic Cotton Warm Underwear (M/L)* from the *Sofy Organic Cotton* series, which are popular for being gentle to the skin and resistance to rashes.

  In the panty liner category, from the *Sofy Kiyora Luxury Absorption* series, a series of sanitary pads that can deal with both discharge and incontinence, we launched a new product *Sofy Kiyora Luxury Absorption White Floral (for heavy use)* in response to requests for a slightly larger size that can absorb more. We also launched a new product, *Sofy Luxurious Absorption Ag Fragrance-Free (for normal use)*, which is equipped with sheets with both antibacterial and deodorant properties.

  Overseas, in China, we focused on menstrual pain and launched a new product, *Sofy HOT Warmth Daytime Napkin (light warmth/heavy warmth)*, which contains peony and mugwort in the warmth-sensitive portion, *SOFY Naked Feeling S Aristocratic (25/29cm)*, which is the "first product in China" to add a post-processing disposal function that allows easy, one-step wrapping, and *SOFY Naked Feel S Aristocrat Series Nighttime Napkin (35/42cm)*, which provides a luxurious night's sleep with its 100% cotton surface material. In Egypt and Saudi Arabia, we launched new products, *Sofy Antibacterial (23/29cm)* and *Sofy Antibacterial MUSK (29cm)*, which have antibacterial functions and a musk scent, respectively. The Company also took measures to improve quality and functionality, to revitalize the sanitary napkin market in each country.

- Baby Care Business

  Under the *moony* series, the Company launched improved versions of *moony Air Fit (Newborns/S)*, which is equipped with a patented technology called the "loose stool stopper" to prevent loose stool from leaking onto the back of the baby in order to reduce the burden on childcare providers. The new product has been improved in terms of quality and function to prevent leakage that often occurs from the back as babies' stool becomes loose during the S size period (3 to 6 months).

  From the *Mamy Poko* series, we have strengthened the functions for "leakage" and "skin-friendliness," and launched improved version of *Mamy Poko*, which has been the No. 1 selling pants-type product*, to satisfy more customers. To meet the changing body shape of babies right after they start using the pants type product, we have incorporated two new improvements, "triple block gathering" and "a super soft waist," to improve customer satisfaction.

  Overseas, in China, the Company launched a new product, *Unicharm Precious moony (Newborn/S/M/L)* tape-type disposable diapers with a surface sheet coated with conchiolin amino acid (a skin moisturizing ingredient), "pearl extract," extracted from Japanese pearl oysters (Akoya oysters). In addition, we launched new products, *Unicharm moony Breezy (L/XL/XXL)* a pants type diaper with 5 times higher air permeability than the conventional type, and *Mamy Poko Happy Pants Day & Night Comfort Slim (S/M/L/XL/XXL)*, which is thinner and more flexible than existing low-cost pants-type diapers in Thailand. In addition to this, we have been working to revitalize the market by developing products that meet local needs, such as improving quality functions and expanding product lineups in each country where we have a presence, mainly through our development bases in each country.

  * Intage SRI data, sales amount of disposable baby diapers (pants-type market) in Japan from September 2019 to August 2020

- Research achievements

  At the 25th congress of the European Sleep Research Society (web-based), we presented a study on "application-based sleep care for infants based on sleep-wake rhythm," and announced that it is important to reduce the variability of the bedtime routine in the first two months of life, when the infant's sleep-wake rhythm has not yet been established.

  We also made a poster presentation at the 2020 Society for Affective Science Conference on "the effects of mother-child interaction during diaper changes on postpartum depression and daily emotions." The presentation presented the view that the use of the diaper-changing song during diaper changes may help mothers feel more positive about their daily emotions, which in turn may improve their tendency toward postpartum depression.

As a result of the above, research and development expenses in the personal care business for the fiscal year under review totaled ¥6,703 million.

(2) Pet Care

As for research and development activities in the pet-care business, based on a business philosophy of "Supporting pets' healthy and happy days for life," the Company develops pet food products at the Itami Plant of the Company in Hyogo, while pet toiletry products are developed in Kanonji-shi in Kagawa.

Development in pet food focused on the realization of products that feature the nutritional balance needed to meet the particular needs of individual pets, depending on age and physique, ensuring a long and healthy life and that the food is tasty making the pets happy.

In the dog food, the *Grand Deli* brand of dog food, which focuses on high-quality ingredients with a well-balanced colors and a balance of flavor, taste and nutrition, we newly launched the *Grand Deli Tori Purun* series, a series of very tasty, ingredient-rich snacks made from 100% domestically produced and freshly cooked chicken meat, and added a new flavor of "flake with chicken break*1" to the *Grand Deli Soft Type: Small and Easy to Chew* to increase the amount of ingredients as part of efforts to expand the market for gourmet dog food. In the cat food category, we launched, *All Well*, a new product that is free of colorants and flavors and supports health with seven functions centered on the reduction of food regurgitation, and by using two types of real ingredients, we aimed to create a healthy and delicious meal. In addition, in order to meet the diversifying needs of customers, we have been working to support healthy and happy living for cats by launching new products *Silver Spoon Pouch Ground Type* and *Silver Spoon Three-Star Gourmet Snacks Rich Grain* series, including *Silver Spoon Three-Star Gourmet Snack Pururich* and *Silver Spoon Three-Star Gourmet Snack Japan Select Additive-Free**2 *Tororich.*

In the field of pet toiletry products, we launched a new product, *Manner Wear for Cats (SS/S/M)*, Japan's first "absorbent wear for cats," which is designed based on research on the cat's body and eliminates cat waste problems. We have been working on proposing products that allow people to play with their pets, which are members of the family, in the same way as before, and to continue living indoors. In addition, we have launched a new product, *Home Urine Check Kit*, which helps cat owners to manage their cats' health condition at home by making it easy to check the color and volume of their cat's urine, urine protein and collect urine. We have been striving to offer products that enable people to live in health and comfort with their pets.

*1 Patent pending ingredient that combines flakes that use soybeans as the main ingredient and chicken breast that dogs love
*2 No seasoning or food dye used

As a result of the above, research and development expenses in pet care business for the fiscal year under review totaled ¥1,102 million.

(3) Other

The Company expanded product lines for business-use featuring non-woven fabric and absorbent material technologies.

As a result of the above, research and development expenses in other businesses for the fiscal year under review totaled ¥3 million.

III. Equipment and Facilities

1. Overview of capital investments

Capital investments by segment for the fiscal year under review are as follows.

(1) Personal Care

Capital investments totaling ¥32,019 million were made for the purposes of strengthening and rationalizing production of disposable diapers and feminine sanitary items, etc.

No significant disposals or sales, etc. of major facilities took place.

(2) Pet Care

Capital investments totaling ¥1,786 million were made for the purpose of strengthening and rationalizing production of pet care-related products.

No significant disposals or sales, etc. of major facilities took place.

(3) Other

No significant capital investments or disposals or sales, etc. of major facilities took place.

2. Major facilities

Major facilities of the Group are as follows.

Carrying amounts are presented in conformity with IFRS.

(1) The Company

(As of December 31, 2020)

Facilities (Location)	Segment	Description	Carrying amount (Millions of Yen)					Land area (Thousands of m^2)	Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land	Other	Total		
Kagawa Technical Centre Engineering Centre (Kanonji-shi, Kagawa)	Personal care Pet care	R&D facilities	1,052	2,098	397	160	3,707	32	432 (134)
Itami Plant (Itami-shi, Hyogo)	Pet care	Facilities for manufacture of pet foods, etc.	372	1,287	1,105	34	2,798	13	48 (14)
Mie Plant (Nabari-shi, Mie)	Pet care	Facilities for manufacture of pet toiletries, etc.	206	545	62	80	894	17	23 (3)
Saitama Plant (Kamisato-machi, Kodama-gun, Saitama)	Pet care	Facilities for manufacture of pet foods, etc.	409	626	146	3	1,184	8	21 (–)

Notes: 1. “Other” includes right-of-use assets.

2. The figures in parentheses represent the average number of part-time employees during a year, and are not included in the number of full-time employees.

(2) Domestic subsidiaries

(As of December 31, 2020)

Company	Facilities (Location)	Segment	Description	Carrying amount (Millions of Yen)					Land area (Thousands of m^2)	Number of employees (Persons)
				Buildings and structures	Machinery, equipment and vehicles	Land	Other	Total		
Unicharm Products Co., Ltd.	Shikoku Plant (Kanonji-shi, Kagawa)	Personal care	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.	3,943	8,718	1,541	12,218	26,420	125	563 (68)
	Fukushima Plant (Tanagura-cho, Higashi-shirakawa-gun, Fukushima)	Personal care	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.	2,657	7,078	2,139	63	11,938	128	322 (15)
	Shizuoka Plant (Kakegawa-shi, Shizuoka)	Personal care	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.	2,763	5,514	1,498	54	9,831	83	260 (25)
	Kyushu Plant (Kanda-machi, Miyako-gun, Fukuoka)	Personal care	Facilities for manufacture of disposable diapers	12,597	7,765	3,525	772	24,658	160	61 (–)

Notes: 1. “Other” includes right-of-use assets.

2. The figures in parentheses represent the average number of part-time employees during a year, and are not included in the number of full-time employees.

(3) Overseas subsidiaries

(As of December 31, 2020)

Company	Facilities (Location)	Segment	Description	Carrying amount (Millions of Yen)					Land area (Thousands of m^2)	Number of employees (Persons)
				Buildings and structures	Machinery, equipment and vehicles	Land	Other	Total		
Uni-Charm (Thailand) Co., Ltd.	(Kingdom of Thailand)	Personal care	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.	4,509	6,332	1,183	303	12,326	110	1,131 (32)
PT UNI-CHARM INDONESIA Tbk	(Republic of Indonesia)	Personal care	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.	6,114	8,703	1,151	3,806	19,774	355	1,798 (554)
Unicharm Gulf Hygienic Industries Ltd.	(Kingdom of Saudi Arabia)	Personal care	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.	5,379	11,398	280	1,464	18,521	95	2,599 (–)
Unicharm India Private Ltd.	(Republic of India)	Personal care	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.	3,504	6,463	–	4,310	14,277	540	902 (1)
Unicharm Consumer Products (Jiangsu) Co., Ltd.	(People’s Republic of China)	Personal care	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.	4,878	5,356	–	1,225	11,459	220	174 (–)

Notes: 1. “Other” includes right-of-use assets.

2. The figures in parentheses represent the average number of part-time employees during a year, and are not included in the number of full-time employees.

3. Plans for new additions or disposals

(1) New additions and renovations

With business operations in various countries, as of the end of the fiscal period under review, the Group has not made case-by-case decisions regarding construction and expansion of facilities per project. For this reason, figures are disclosed on a segment basis.

The Group's capital investment plans (new construction and expansion, etc.) for the following fiscal year as of December 31, 2020 are as follows.

Segment	Amount (Millions of Yen)	Description
Personal care	48,000	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.
Pet care	2,000	Facilities for manufacture of pet foods and pet toiletries, etc.
Total	50,000	–

Notes: 1. The above amounts do not include consumption taxes, etc.
2. Own funds will be appropriated for the above plans.

(2) Disposals and sales

Except for disposals and sales for renewing equipment and facilities on a recurring basis, there is no plan for significant disposals or sales.

IV. Corporate Information

1. Information on the Company's shares

(1) Total number of shares and other

1) Total number of shares

Type	Number of shares authorized to be issued
Common shares	827,779,092
Total	827,779,092

2) Number of shares issued

	Number of shares issued		Stock exchanges on which the Company is listed	Description
	As of December 31, 2020	As of March 29, 2021 (filing date of this Annual Securities Report)		
Common shares	620,834,319	620,834,319	First Section of the Tokyo Stock Exchange	The number of shares constituting a unit is 100
Total	620,834,319	620,834,319	–	–

(2) Status of the share acquisition rights

1) Stock option plans

Stock options

The Company issued share acquisition rights pursuant to the Companies Act as follows:

Date of resolution	April 16, 2015
Category and number of individuals covered by the stock options (Persons)	Directors who are not Audit and Supervisory Committee Members of the Company: 8 Employees of the Company: 1,783 Employees of the subsidiaries: 1,316
Number of share acquisition rights*	14,381 [13,800] units (Note 1)
Class, details and number of shares to be issued upon the exercise of the share acquisition rights*	Common shares: 1,438,100 [1,380,000] shares (Note 1)
Amount to be paid in upon the exercise of the share acquisition rights*	¥2,901 per share (Note 2)
Exercise period of the share acquisition rights*	From June 1, 2017 to May 31, 2022
Upon the exercise of the share acquisition rights, issue price and amount per share to be credited to capital stock*	Issue price: ¥2,901 Amount per share to be credited to capital stock: ¥1,451
Conditions for the exercise of the share acquisition rights*	(1) Any person who has been allotted the share acquisition rights may not exercise such rights unless the closing price of the Company's common shares at the Tokyo Stock Exchange is ¥4,030 per share ("condition price") or over on at least one occasion during the period from the allotment date through February 28, 2021. In cases where the exercise price is adjusted, the condition price shall be also adjusted in a uniform manner. (Note 3) (2) Any person who has been allotted the share acquisition rights must be, even at the time of exercise of such rights, a Director who is not an Audit and Supervisory Committee Member or an employee of the Company or a Director or an employee of the Company's subsidiary, except in cases where he or she has resigned from the position as Director who is not an Audit and Supervisory Committee Member of the Company or Director of the Company's subsidiary due to expiration of term of office or retired as employee of the Company or its subsidiary due to reaching the mandatory retirement age. (3) Notwithstanding (2) above, in the event that any person who has been allotted the share acquisition rights passed away, his/her successor may exercise the rights.
Matters relating to transfer of share acquisition rights*	Any and all transfers of share acquisition rights must be approved by the Board of Directors of the Company.
Matters relating to the issuance of share acquisition rights as a result of organizational restructuring action*	–

* Presented are the details as of the last day of the fiscal year under review (December 31, 2020). Changes during the period from the last day of the fiscal year under review to the end of the month prior to the filing date of this Annual Securities Report (February 28, 2021) are stated in the parentheses with the details as of the end of the month prior to the filing date, and other matters have not changed since the last day of the fiscal year under review.

Notes: 1. Number of shares to be issued per share acquisition right is 100.

2. In the case that the Company conducts a share split or a reverse stock split after the allotment date, the exercise price shall be adjusted by applying the following formula with the resulting fractions of less than ¥1 to be rounded up.

$$\text{Adjusted exercise price} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of stock split / reverse stock split}}$$

If the Company issues shares or disposes of its treasury shares at prices less than the then-current market price (excluding cases of the exercise of share acquisition rights) after the allotment date, the exercise price shall be adjusted by applying the following formula with the resulting fractions of less than ¥1 to be rounded up.

$$\text{Paid-in amount after adjustment} = \text{Paid-in amount before adjustment} \times \frac{\text{Number of shares already issued} + \dfrac{\text{Number of shares to be issued} \times \text{Paid-in amount per share}}{\text{Market price per share}}}{\text{Number of shares already issued} + \text{Number of shares to be increased due to issuance}}$$

"Number of shares already issued" in the above formula is the figure after deduction of treasury shares from the total number of shares issued. In case of disposal of treasury shares, "Number of shares to be issued" is considered to be replaced by "Number of shares to be disposed of."
In addition to the above, in any event adjustment to the exercise price is indispensable, including a merger or company split, the Company may adjust the exercise price within a reasonable range.

3. On March 30, 2020, the closing price of one share of the Company's common shares in regular trading on the Tokyo Stock Exchange was higher than the conditional price, and the relevant exercise conditions were met.

2) Right plans

Not applicable.

3) Status of other share acquisition rights

Not applicable.

(3) Exercise status of bonds with share acquisition rights containing a clause for exercise price adjustment

Not applicable.

(4) Changes in the number of shares issued and the amount of capital stock and other

Period	Changes in the total number of shares issued (Shares)	Balance of the total number of shares issued (Shares)	Changes in capital stock (Millions of Yen)	Balance of capital stock (Millions of Yen)	Changes in legal capital surplus (Millions of Yen)	Balance of legal capital surplus (Millions of Yen)
October 1, 2014 (Note)	413,889,546	620,834,319	–	15,993	–	18,591

Note: The total number of shares issued increased by 413,889,546 shares with a three shares per one stock split of common shares undertaken on October 1, 2014.

(5) Details by shareholder classification

(As of December 31, 2020)

Classification	Status of shares (1 unit = 100 shares)								Shares less than one unit
	National and local governments	Financial institutions	Japanese financial instruments business operators	Other corporations	Foreign shareholders: Other than individuals	Foreign shareholders: Individuals	Individuals and other	Total	
Number of shareholders (Persons)	–	94	41	258	823	26	30,201	31,443	–
Number of shares held (Units)	–	1,573,259	69,432	2,023,759	1,952,113	97	588,728	6,207,388	95,519
Shareholding ratio (%)	–	25.34	1.12	32.60	31.45	0.00	9.49	100.00	–

Note: Treasury shares of 21,742,676 shares are included in "Individuals and other" at 217,426 units, and in "Shares less than one unit" at 76 shares. The number of shares held by substantial shareholders as of the last day of the fiscal period is the same.

(6) Major shareholders

(As of December 31, 2020)

Name	Address	Number of shares held (Thousands of shares)	Number of shares held as a percentage of total shares issued (excluding treasury shares) (%)
Unitec Corporation	4087-24, Kawanoe-cho, Shikokuchuo-shi, Ehime	154,957	25.87
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	39,082	6.52
Takahara Kikin K.K.	3-2-34, Shirokanedai, Minato-ku, Tokyo	28,080	4.69
Custody Bank of Japan, Ltd. (Trust account)	1-8-12, Harumi, Chuo-ku, Tokyo	22,261	3.72
The Master Trust Bank of Japan, Ltd. (Retirement Benefit Account Trust/The Hiroshima Bank Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	17,287	2.89
The Iyo Bank. Ltd. (standing proxy: Custody Bank of Japan, Ltd.)	1, Minamihoribata-cho, Matsuyama-shi, Ehime (1-8-12, Harumi, Chuo-ku, Tokyo)	15,300	2.55
Nippon Life Insurance Company (standing proxy: The Master Trust Bank of Japan, Ltd.)	1-6-6, Marunouchi, Chiyoda-ku, Tokyo (2-11-3 Hamamatsucho, Minato-ku, Tokyo)	12,189	2.03
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS (standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	240 GREENWICH STREET NEW YORK, NEW YORK 10286 U.S.A. (SHINAGAWA INTERCITY A, 2-15-1, Konan, Minato-ku, Tokyo)	11,361	1.90
BNYMSANV RE MIL RE FIRST SENTIER INVESTORS ICVC - STEWART INVESTORS ASIA PACIFIC LEADERS SUSTAINABILITY FUND (standing proxy: MUFG Bank, Ltd.)	FINSBURY CIRCUS HOUSE, 15 FINSBURY CIRCUS LONDON EC2M 7EB (2-7-1 Marunouchi, Chiyoda-ku, Tokyo)	10,395	1.74
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS (standing proxy: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	9,722	1.62
Total	—	320,634	53.52

Notes: 1. The Company holds 21,743 thousand shares of treasury shares. As they have no voting rights, those shares are excluded from the above list of major shareholders.

2. In the report on major shareholders made public on May 8, 2020, MUFG Bank, Ltd. and its joint owners Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., First Sentier Investors (Australia) IM Ltd., First Sentier Investors (Australia) RE Ltd., First State Investments (Hong Kong) Limited, First State Investments International Limited, First State Investment Management (UK) Limited, and First State Investments (Singapore) are listed as shareholders as of April 27, 2020, as detailed below.

But the Company was unable to confirm the number of shares actually held by them as of December 31, 2020. Accordingly, details of these major shareholders are not included here.

Reported details of these major shareholders are as follows.

Name of company	Location	Number of shares held (Shares)	Ratio of shares held (%)
MUFG Bank, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo	2,707,452	0.44
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	16,587,900	2.67
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	1-12-1, Yurakucho, Chiyoda-ku, Tokyo	2,250,200	0.36
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	2-5-2, Marunouchi, Chiyoda-ku, Tokyo	3,356,074	0.54
First Sentier Investors (Australia) IM Ltd.	Level 5, Tower Three International Towers Sydney, 300 Barangaroo Avenue, Barangaroo, NSW 2000, Australia	14,489,500	2.33
First Sentier Investors (Australia) RE Ltd.	Level 5, Tower Three International Towers Sydney, 300 Barangaroo Avenue, Barangaroo, NSW 2000, Australia	1,815,200	0.29
First State Investments (Hong Kong) Limited	25th Floor, One Exchange Square, Central, Hong Kong	2,950,100	0.48
First State Investments International Limited	23 St Andrew Square, Edinburgh, EH2 1BB, Scotland	1,198,182	0.19
First State Investment Management (UK) Limited	23 St Andrew Square, Edinburgh, EH2 1BB, Scotland	781,300	0.13
First State Investments (Singapore)	39 Beach Road, #06-11 South Beach Tower, Singapore, 189767	4,224,100	0.68

3. In the report on major shareholders made public on May 22, 2020, Capital Research and Management Company and its joint owners Capital Bank and Trust Company, Capital International Inc., Capital International Sarl and Capital International KK are listed as shareholders as of May 15, 2020, as detailed below. But the Company was unable to confirm the number of shares actually held by them as of December 31, 2020. Accordingly, details of these major shareholders are not included here.

Reported details of these major shareholders are as follows.

Name of company	Location	Number of shares held (Shares)	Ratio of shares held (%)
Capital Research and Management Company	333 South Hope Street, Los Angeles, CA 90071, U.S.A.	13,558,728	2.18
Capital Bank and Trust Company	6455 Irvine Center Drive, Irvine, California 92618, U.S.A.	826,851	0.13
Capital International Inc.	11100 Santa Monica Boulevard, 15th Fl., Los Angeles, CA 90025, U.S.A.	3,342,964	0.54
Capital International Sarl	3 Place des Bergues, 1201 Geneva, Switzerland	885,188	0.14
Capital International KK	Meiji Yasuda Life Building, 14th Floor, 2-1-1, Marunouchi, Chiyoda-ku, Tokyo	6,204,900	1.00

(7) Status of voting rights

1) Shares issued

(As of December 31, 2020)

Classification	Number of shares (Shares)	Number of voting rights (Units)	Description
Non-voting shares	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares) Common shares 21,742,600	–	Standard common shares of the Company without any restriction
Shares with full voting rights (Other)	Common shares 598,996,200	5,989,962	Same as above
Shares less than one unit	Common shares 95,519	–	Same as above
Total shares issued	620,834,319	–	–
Total voting rights held by all shareholders	–	5,989,962	–

Note: "Shares less than one unit" include 76 shares of treasury shares held by the Company.

2) Treasury shares, etc.

(As of December 31, 2020)

Shareholders	Addresses of shareholders	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total shares held (Shares)	% of interest in number of shares issued (%)
(Treasury shares) Unicharm Corporation	182, Shimobun, Kinsei-cho, Shikokuchuo-shi, Ehime	21,742,600	–	21,742,600	3.50
Total	–	21,742,600	–	21,742,600	3.50

2. Acquisition of treasury shares

Class of shares: Acquisition of common shares under Article 155, Item 3, Article 155, Item 7, and Article 155, Item 13 of the Companies Act

(1) Acquisition of treasury shares based on a resolution at the General Meeting of Shareholders

Not applicable.

(2) Acquisition of treasury shares based on a resolution by the Board of Directors

Acquisition under Article 155, Item 3 of the Companies Act

Classification	Number of shares (Shares)	Total amount (Yen)
Resolution at the Board of Directors meeting (February 13, 2020) (Period of acquisition: From February 14, 2020 to December 23, 2020)	4,200,000	12,500,000,000
Treasury shares acquired before the fiscal year under review	–	–
Treasury shares acquired during the fiscal year under review	1,785,800	7,191,996,392
Total number and value of remaining shares subject to the resolution	2,414,200	5,308,003,608
Percentage of un-exercised acquisition as of the last day of the fiscal year under review (%)	57.48	42.46
Treasury shares acquired during the period	–	–
Ratio of un-exercised acquisition as of the date of filing (%)	57.48	42.46

Classification	Number of shares (Shares)	Total amount (Yen)
Resolution at the Board of Directors meeting (February 15, 2021) (Period of acquisition: From February 16, 2021 to December 23, 2021)	4,000,000	16,000,000,000
Treasury shares acquired before the fiscal year under review	–	–
Treasury shares acquired during the fiscal year under review	–	–
Total number and value of remaining shares subject to the resolution	–	–
Percentage of un-exercised acquisition as of the last day of the fiscal year under review (%)	–	–
Treasury shares acquired during the period	–	–
Ratio of un-exercised acquisition as of the date of filing (%)	100.00	100.00

Notes: 1. Treasury shares acquired are stated on a transfer date basis.

2. Treasury shares acquired during the period does not include the number of shares acquired pursuant to the resolution during the period from March 1, 2021 to the filing date of this Annual Securities Report.

(3) Acquisition of treasury shares not based on a resolution at the General Meeting of the Shareholders or on a resolution by the Board of Directors

Acquisition under Article 155, Item 7 of the Companies Act

Classification	Number of shares (Shares)	Total amount (Yen)
Treasury shares acquired during the fiscal year under review	118	572,058
Treasury shares acquired during the period	–	–

Note: Treasury shares acquired during the period does not include the number of shares less than one unit purchased during the period from March 1, 2021 to the filing date of this Annual Securities Report.

Acquisition under Article 155, Item 13 of the Companies Act

Classification	Number of shares (Shares)	Total amount (Yen)
Treasury shares acquired during the fiscal year under review	6,400	15,667,200
Treasury shares acquired during the period	–	–

Note: The treasury shares acquired during the fiscal year under review was acquired through the restricted share-based remuneration plan.

(4) Current status of the disposition and holding of acquired treasury shares

Classification	Fiscal year under review		The Period	
	Number of shares (Shares)	Total disposition amount (Yen)	Number of shares (Shares)	Total disposition amount (Yen)
Treasury shares acquired for which subscribers were solicited (Note 1)	1,641,900	4,019,371,200	–	–
Treasury shares acquired that was cancelled	–	–	–	–
Treasury shares acquired for which transfer of shares was conducted in association with merger/share exchange/share delivery/company split	–	–	–	–
Other (Note 2)	3,012,681	7,385,208,664	58,100	145,831,000
Number of treasury shares held (Note 3)	21,742,676	–	21,684,576	–

Notes: 1. The detail of the disposition for the fiscal year under review is the disposal of treasury shares as restricted share-based remuneration (number of shares: 1,641,900, total disposition amount: ¥4,019,371,200).
Treasury shares disposed of during the period does not include the decrease in the number of shares due to transfer by sale of shares less than one unit during the period from March 1, 2021 to the filing date of this Annual Securities Report.

2. The detail of the disposition for the fiscal year under review is due to the exercise (conversion) of convertible bond-type bonds with share acquisition rights (number of shares: 1,452,881; total disposal amount: ¥3,510,064,964) and the exercise of share acquisition rights (stock options) (number of shares: 1,559,800; total disposal amount: ¥3,875,143,700).
Treasury shares disposed of during the period does not include the decrease in the number of shares due to transfer by sale of shares less than one unit during the period from March 1, 2021 to the filing date of this Annual Securities Report.

3. Number of treasury shares held during the period does not include the increase and decrease in the number of shares due to acquisition of shares, and purchase and transfer by sale of shares less than one unit from March 1, 2021 to the filing date of this Annual Securities Report.

3. Dividend policy

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, by expanding the scale of our business and improving profitability through aggressive capital investments, and investment in research and development for sustainable growth, we have set the goal of achieving 15% ROE (return on equity attributable to owners of parent) in our 10th Medium-term Management Plan, which covered the four-year period ended in 2020. 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%.

Based on Article 459, Paragraph 1, Item 4 of the Companies Act, the details of distribution of surplus, etc., are decided by resolution of the Board of Directors, as provided in the Articles of Incorporation, and the Board of Directors handles decision-making regarding dividend payments. The basic policy of the Company is to pay dividends from surplus twice annually, at the end of the second quarter and the end of the fiscal year.

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

Note: Dividends from surplus based on a resolution approved by the Board of Directors for which the record date belongs to the fiscal year ended December 31, 2020 are as follows:

Date of resolution	Total dividend amount (Millions of Yen)	Dividend per share Yen
August 5, 2020	9,551	16.0
February 22, 2021	9,585	16.0

4. Corporate governance

(1) Overview of corporate governance

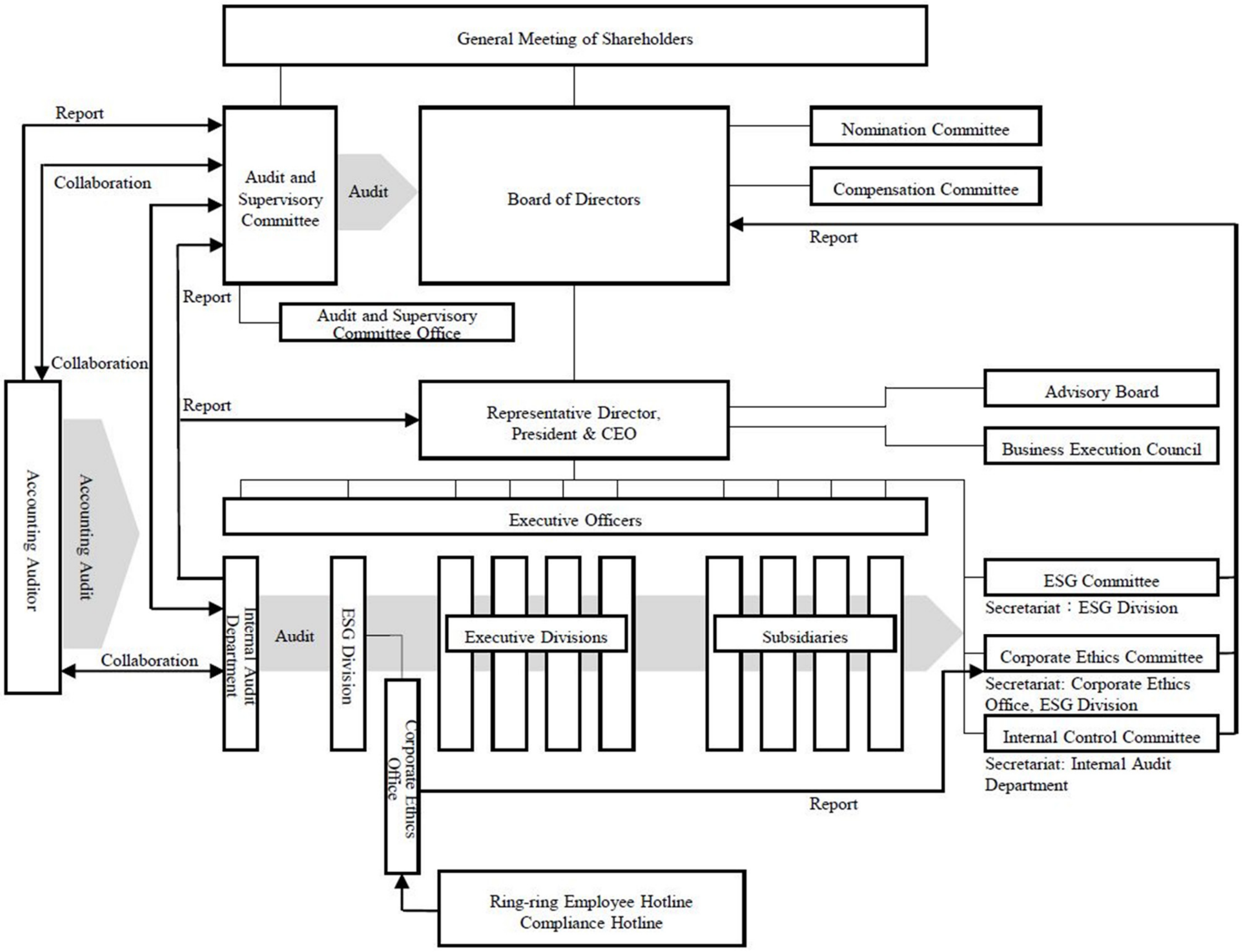
1) Basic corporate governance policy

The Group strives to achieve "sound corporate management" through its commitment to Unicharm Ideals. We aim to achieve sustainable growth and create medium and long-term corporate value through appropriate collaboration with stakeholders and secure the esteem and trust of society.

In order to realize these objectives, we have established a basic policy of corporate governance that achieves transparent, fair, expeditious and decisive management by conducting honest and active dialogue to obtain support from various stakeholders and work to improve ESG and a corporate environment where management can make appropriate decisions at the right time.

2) Overview of corporate governance system and reasons for adopting thereof

As a company with audit and supervisory committee, the Company has established the Board of Directors and the Audit and Supervisory Committee. In addition, the Company has voluntarily established the Nomination Committee and the Compensation Committee. Indicated below is a diagram of the corporate governance system of the Company.



Board of Directors

The Board of Directors of the Company comprises one Representative Director, three non-executive Directors who are not Outside Directors, and two Outside Directors. The only Director who is concurrently serving as an Executive Officer is the Representative Director who is concurrently serving as President & CEO. The Board of Directors has the authority on such matters as decisions on the basic management policies, establishment of internal control systems and other major decision-making in business execution and establishes an environment where management can make appropriate decisions at the right time by playing the functions such as decisions on the medium- to long-term direction and the supervision on execution.

Members	Representative Director	Takahisa Takahara	(Chairperson)
	Director	Eiji Ishikawa	
	Director	Shinji Mori	
	Outside Director	Hiroko Wada	
	Outside Director	Hiroaki Sugita	
	Director	Shigeru Asada	

Audit and Supervisory Committee

The Audit and Supervisory Committee of the Company comprises one non-executive Director who is not Outside Director and two Outside Directors. The one non-executive Director is a full-time Audit and Supervisory Committee Member. The reason for the appointment of a full-time Audit and Supervisory Committee Member is that the effectiveness of audits carried out by the Audit and Supervisory Committee will be enhanced based on information obtained through having someone well-versed in internal matters participate in major meetings, etc. other than the Board of Directors meetings, and closely cooperate with the internal auditing department, etc.

Members	Outside Director	Hiroko Wada	(Chairperson)
	Outside Director	Hiroaki Sugita	
	Director	Shigeru Asada	

Nomination Committee

The Company has voluntarily established the Nomination Committee for the purpose of ensuring transparency and objectivity of the nominations of Director candidates and the appointments of Executive Officers. The Nomination Committee has the authority to submit (1) proposals concerning appointment and dismissal of Directors to be submitted to General Meetings of Shareholders, and (2) proposals concerning appointment and dismissal of Representative Directors and (3) appointment and dismissal of Executive Officers and appointment and dismissal of Senior Executive Officers to the Board of Directors.

Members	Representative Director	Takahisa Takahara	
	Outside Director	Hiroko Wada	(Chairperson)
	Outside Director	Hiroaki Sugita	
	Director	Shigeru Asada	

Compensation Committee

The Company has voluntarily established the Compensation Committee for the purpose of ensuring transparency and objectivity of remuneration of Directors (excluding Directors who are Audit and Supervisory Committee Members) and Executive Officers. The Compensation Committee has the authority on (1) suggestions to the Board of Directors of proposals concerning remuneration, etc. of Directors to be submitted to General Meetings of Shareholders, (2) suggestions to the Board of Directors on the details of remuneration, etc. for individual Directors (excluding Directors who are Audit and Supervisory Committee Members), and (3) decisions on the details of remuneration, etc. for individual Executive Officers.

Members	Representative Director	Takahisa Takahara	
	Outside Director	Hiroko Wada	(Chairperson)
	Outside Director	Hiroaki Sugita	
	Director	Shigeru Asada	

<Reasons for adopting the system>

In May 2015, the Company adopted a “company with audit and supervisory committee” structure to meet expectations of stakeholders worldwide from a global perspective by strengthening oversight of the executive functions of the Board of Directors and increasing transparency and efficiency of processes through involvement of Outside Directors in management.

Independent Audit and Supervisory Committee Members have voting rights at meetings of the Board of Directors, and the Audit and Supervisory Committee performs audits by proactively utilizing the internal control system. This will enable the Company not only to comply with the laws and regulations, but also to strengthen audit and supervisory functions of management monitored by the Outside Directors with aims to maintain appropriate collaborative relationships with stakeholders, and to foster organizational culture and climate that respects healthy and ethical business practices.

In addition, the Company voluntarily established the Nomination Committee and the Compensation Committee in December 2015 to ensure transparency and objectivity in the nomination of candidates for Directors and Executive Officers and in the determination of their compensation.

3) Other matters concerning corporate governance

I Status of establishment of internal control systems

The Company has the internal control system in place in accordance with the following basic policy.

1. Compliance System
   - In company policies and the charter of action, the policy for compliance shall be specified.
   - Training shall be provided so that officers and employees can acquire necessary knowledge.
   - Regular monitoring on compliance awareness shall be conducted.
   - Audits by the Internal Audit Department independent of the audited department shall be conducted.
   - Whistleblowing contacts shall be established for problem recognition at an early stage.
   - The Company shall cut off any relationships with anti-social forces. The Company shall also strive to prevent any forms of corruption, including extortion and bribery.

2. System of Retention and Management of Information
   - Information about the execution of duties of Directors shall be properly retained and managed, considering confidentiality, integrity and availability, and compliance with laws and regulations, if they are enacted.

3. Risk Management System
   - Roles and responsibilities related to risk management shall be clarified.
   - Proper consideration shall be made for assumed risks in decision-making.
   - Regarding the material risks of management, the Company shall construct a system to handle countermeasures across the entire company.
   - The Company shall prepare organizations and systems and plan for corresponding risks.
   - Audits of risk management process shall be conducted.

4. System to Ensure Efficiency of Performance of Duties
   - By clarifying the roles and responsibilities related to the performance of duties, duplication shall be eliminated and expeditious decision-making shall be realized.
   - Management approaches ensuring efficiency of performance of duties shall be adopted and carried out.
   - Consistent strategies and plans shall be developed at various levels from the entire Group to field sites.
   - Management strategies shall be flexibly reviewed, corresponding to changes in the business environment.
   - Streamlining of business shall be vigorously promoted.

5. Group Management System
   - It shall be the basic policy for domestic and overseas Group companies to carry out autonomous management at their own responsibility.
   - Regarding the compliance system, risk management system, system to ensure the efficiency of performance of duties, the matters to be commonly applied to the domestic and overseas Group companies shall be clarified and such systems shall be constructed.
   - Matters to be reported to the Company by domestic and overseas Group companies and to obtain approval of the Company shall be clearly specified.
   - Transactions among the Group companies shall be made properly.
   - Proper monitoring and supervision of the domestic and overseas Group companies shall be conducted.
   - Effective audits of the domestic and overseas Group companies shall be conducted.

6. Employee Assigned to Assist the Audit and Supervisory Committee
   - An employee assisting the Audit and Supervisory Committee shall be assigned to assist the duties of the Audit and Supervisory Committee.
   - Independence of the employee assisting the Audit and Supervisory Committee from Directors other than the Audit and Supervisory Committee Members shall be ensured.

- Effectiveness of instructions of the Audit and Supervisory Committee on the employee assisting the Audit and Supervisory Committee shall be ensured.

7. Systems of Reporting to the Audit and Supervisory Committee
   - Systems in which the Audit and Supervisory Committee can receive reports from the related persons and the Audit and Supervisory Committee can obtain cooperation of the related persons when the Audit and Supervisory Committee Members investigate the status of business and assets, shall be established.
   - Systems for reporting to the Audit and Supervisory Committee of facts which might cause significant damage to the Company shall be established.
   - Systems for reporting to the Audit and Supervisory Committee by the full-time Audit and Supervisory Committee Member shall be established.
   - Systems for reporting to the Audit and Supervisory Committee by Accounting Auditor and Internal Audit Department shall be established.
   - Systems which ensure that the person reporting to the Audit and Supervisory Committee shall not be unfairly treated shall be established.

8. Other Systems to Ensure the Effectiveness of Audit by the Audit and Supervisory Committee
   - Access to the internal information by the Audit and Supervisory Committee Members shall be ensured.
   - Collaboration among an Accounting Auditor, Internal Audit Department and Auditors of Group companies shall be ensured.
   - Exchanges of information and opinions with officers other than the Audit and Supervisory Committee Members shall be conducted.
   - Expenses required for performance of duties of the Audit and Supervisory Committee Members shall be borne by the Company.
   - Collaboration with external experts shall be made possible as necessary.

II Number of Directors

The Company stipulates in its Articles of Incorporation that the number of Directors of the Company (excluding Audit and Supervisory Committee Members) shall be fifteen or less and Directors who are Audit and Supervisory Committee Members of the Company shall be three or less.

III Requirement of a resolution for electing Directors

The Company stipulates in its Articles of Incorporation that a resolution for the election of Directors, in distinction between Directors who are Audit and Supervisory Committee Members and Directors who are not, shall be adopted by a majority vote of shareholders present holding not less than one-third (1/3) of the shares with voting rights held by shareholders entitled to exercise their voting rights. In addition, the Company stipulates in its Articles of Incorporation that a resolution for the election of Directors shall not be adopted by a cumulative vote.

IV Requirement of a special resolution at the General Meeting of Shareholders

For the purpose of ensuring that the General Meeting of Shareholders is operated smoothly, the Company stipulates in its Articles of Incorporation that a special resolution at the General Meeting of Shareholders, stipulated in Article 309, Paragraph 2 of the Companies Act, shall be adopted by a two-thirds (2/3) vote of shareholders present holding not less than one-third (1/3) of the shares with voting rights held by shareholders entitled to exercise their voting rights.

V Decision-making body for dividend of surplus, etc.

To ensure flexible capital and dividend policy, the Company stipulates in its Articles of Incorporation that dividends from surplus and other matters laid down in Article 459, Paragraph 1 of Companies Act are subject to resolution of the Board of Directors, not of the General Meeting of Shareholders, except where special provisions laid down by laws and regulations apply.

(2) Directors

1) List of Directors

5 males, 1 female (female ratio of 16.7%)

Title	Name	Date of birth	Career profile		Term of office	Number of shares owned (Thousands)
Representative Director, President & CEO	Takahisa Takahara	July 12, 1961	April 1991	Joined the Company	(Note 2)	3,731.7
			June 1995	Director		
			April 1996	Director, General Manager of Procurement Division and Deputy General Manager of International Division		
			June 1997	Senior Director		
			April 1998	Senior Director, General Manager of Feminine Hygiene Business Division		
			October 2000	Senior Director, Responsible for Management Strategy		
			June 2001	Representative Director, President		
			June 2004	Representative Director, President & CEO (to present)		
Director, Vice President overseeing Production, Research & Development	Eiji Ishikawa	October 19, 1955	February 1980	Joined the Company	(Note 2)	37.1
			October 1996	Department Manager of Production Planning Office, Production Division		
			April 1998	General Manager of Production Division		
			June 1999	Executive Officer		
			July 2003	Senior Executive Officer		
			July 2004	Senior Executive Officer (Change in Japanese only; English unchanged)		
			June 2005	Director, Senior Executive Officer		
			April 2010	Director, Managing Executive Officer		
			January 2018	Director, Vice President and Managing Executive Officer Chief Quality Officer and General Manager of Global Research & Development Division Representative Director President & CEO of Unicharm Products Co., Ltd.		
			January 2020	Director, Vice President overseeing Production, Research & Development (to present)		

Title	Name	Date of birth	Career profile		Term of office	Number of shares owned (Thousands)
Director, Vice President overseeing Sales	Shinji Mori	June 17, 1956	April 1979 April 1994 April 1998 June 1999 June 2000 July 2003 July 2004 June 2005 October 2005 April 2010 January 2014 October 2016 January 2017 January 2018 January 2020	Joined the Company Branch Manager of the Hiroshima Branch, Sales Division Branch Manager of the Osaka Branch, Sales Division Deputy Executive Officer Executive Officer Senior Executive Officer Senior Executive Officer (Change in Japanese only; English unchanged) Director, Senior Executive Officer Director, Senior Executive Officer, General Manager of Sales Division Director, Managing Executive Officer Director, Managing Executive Officer, President of Unicharm PetCare Company Director, Managing Executive Officer, President of Unicharm PetCare Company and General Manager of Japan Sales Head Office Director, Managing Executive Officer, General Manager of Japan Sales Head Office Director, Vice President and Managing Executive Officer General Manager of Japan Sales Head Office Director, Vice President overseeing Sales (to present)	(Note 2)	62.9
Director (Audit and Supervisory Committee Member)	Hiroko Wada	May 4, 1952	April 1977 February 1995 January 1998 March 2001 April 2004 November 2004 May 2009 March 2019	Joined Procter & Gamble Sun Home Co., Ltd. (currently Procter & Gamble Company of Japan) General Manager, responsible for paper products division and new business development of Procter & Gamble Far East Inc. (currently same as above) Vice President, Responsible for Corporate New Venture Asia of US Procter & Gamble Representative Director and President of Dyson KK President and Representative Director, and Chief Operating Officer of Toys“R”Us-Japan, Ltd. Established Office WaDa, Representative (to present) Outside Director of Aderans Holdings Company Limited (currently Aderans Company Limited) Outside Director of the Company (Audit and Supervisory Committee Member) (to present)	(Note 3)	–
Director (Audit and Supervisory Committee Member)	Hiroaki Sugita	February 14, 1961	April 1983 April 1994 January 2001 November 2006 May 2007 January 2014 January 2016 January 2021 March 2021	Joined JAPAN TRAVEL BUREAU Inc. (currently JTB Corp.) Joined the Boston Consulting Group Partner & Managing Director Supervisor of Japan Office Senior Partner & Managing Director Asia Pacific Client Team Leader Japan Co-chair Managing Director & Senior Partner (to present) Outside Director of the Company (Audit and Supervisory Committee Member) (to present)	(Note 3)	–

Title	Name	Date of birth	Career profile		Term of office	Number of shares owned (Thousands)
Director (Audit and Supervisory Committee Member)	Shigeru Asada	March 20, 1949	April 1973 March 1994 April 1999 April 2004 April 2006 April 2009 February 2013 April 2013 March 2017 April 2019 March 2021	Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation) Managing Director Chief Financial Officer of Panasonic Do Brasil Limitada General Manager (tax) of Corporate Accounting Department of Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation) Managing Director Chief Financial Officer of Panasonic Europe Co., Ltd. Director General Manager of Internal Auditing Department of Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation) Standing Corporate Auditor of IPS Alpha Technology, Ltd. (currently Panasonic Liquid Crystal Display Co., Ltd.) Advisor for the Office of Audit and Supervisory Committee Member of the Company Executive Officer, General Manager of Accounting Control and Finance Division Director (Audit and Supervisory Committee Member) Advisor, Audit and Supervisory Committee Office Director (Audit and Supervisory Committee Member) (to present)	(Note 3)	1.0
Total						3,832.7

Notes: 1. Directors (Audit and Supervisory Committee Members) Hiroko Wada and Hiroaki Sugita are Outside Directors.
2. For one year from the conclusion of the Ordinary General Meeting of Shareholders held on March 26, 2021
3. For two years from the conclusion of the Ordinary General Meeting of Shareholders held on March 26, 2021

2) Outside Directors

The Company appoints two Outside Directors. No interpersonal, capital- or transaction-based, or any other noteworthy conflicts of interest exist between these Outside Directors or any other company where these Outside Directors may serve as executives.

The Company appoints Independent Outside Directors who meet the “Standards for Appointment of Independent Directors” stipulated by the Company as Outside Directors who are Audit and Supervisory Committee Members. The details of the “Standards for Appointment of Independent Directors” of the Company are as follows.

1. In order for a Director of the Company to be recognized as being independent (hereinafter, “Independent Director”), the Director must not be an executive Director, Executive Officer, manager or other employee of the Company (collectively, “Executive Directors, etc.”) and must not be an Executive Director, etc. of the Company during the past 10 years before assuming office (however, for any Director who has once been a non-executive Director (meaning a Director who is not executive director; hereinafter the same shall apply), Auditor, or accounting advisor of the Company at any time during the past 10 years before assuming office, during the past 10 years before assuming such a position).
2. In order for a Director of the Company to be recognized as Independent Director, the Director must not be an Executive Directors, etc. of any current subsidiary of the Company and must not be an Executive Director, etc. of the subsidiary during the past 10 years before assuming office (however, for any Director who has once been a non-executive director, auditor, or accounting advisor of the subsidiary at any time during the past 10 years before assuming office, during the past 10 years before assuming such a position).
3. In order for a Director of the Company to be recognized as Independent Director, the Director must not fall under any of the following items:
   (i) a current principal shareholder of the Company or any of its subsidiaries (meaning a shareholder who holds 10% or more of the voting rights; hereinafter the same shall apply), or, if the principal shareholder is a corporation, director, auditor, accounting advisor, operating officer, associate officer, executive officer, or manager or other employee of the principal shareholder, its parent company, or important subsidiary;
   (ii) a person who has once been a director, auditor, accounting advisor, operating officer, associate officer, executive officer, or manager or other employee of a current principal shareholder, its parent company or important subsidiary of the Company or any of its subsidiaries in the recent five years; or

(iii) a director, auditor, accounting advisor, operating officer, executive officer, or manager or other employee of a corporation for which the Company or any of its subsidiaries is currently a principal shareholder.

4. In order for a Director of the Company to be recognized as Independent Director, the Director must not fall under any of the following items:
   (i) an entity whose major business partner is the Company or any of its subsidiaries (meaning an entity that has received payments from the Company or any of its subsidiaries, equivalent to 2% or more of its annual consolidated gross sales for the most recent fiscal year; hereinafter the same shall apply) or its parent company or important subsidiary, or, if any of the foregoing is a corporation, its executive director, operating officer, executive officer, or manager or other employee;
   (ii) an entity whose major business partner was the Company or any of its subsidiaries (meaning an entity that received payments from the Company or any of its subsidiaries, equivalent to 2% or more of its annual consolidated gross sales for the most recent fiscal year; hereinafter the same shall apply) or its parent company or important subsidiary, or, if any of the foregoing is a corporation, its executive director, operating officer, executive officer, or manager or other employee, in any fiscal year among the three fiscal years prior to the most recent fiscal year;
   (iii) an entity who is a major business partner of the Company or any of its subsidiaries (meaning an entity that has made payments to the Company or its subsidiaries, equivalent to 2% or more of annual consolidated gross sales for the most recent fiscal year of the Company; hereinafter the same shall apply) or its parent company or important subsidiary, or, if any of the foregoing is a corporation, its executive director, operating officer, executive officer, or manager or other employee;
   (iv) an entity who was a major business partner of the Company or any of its subsidiaries (meaning an entity that made payments to the Company or its subsidiaries, equivalent to 2% or more of annual consolidated gross sales for the most recent fiscal year of the Company; hereinafter the same shall apply) or its parent company or important subsidiary, or, if any of the foregoing is a corporation, its executive director, operating officer, executive officer, or manager or other employee, in any fiscal year among the three fiscal years prior to the immediately preceding fiscal year; or
   (v) an associate officer (limited to a person who executes business) or other person who executes business (meaning an officer, member or employee who executes business of an organization described below; hereinafter the same shall apply) of the organization (for example, public interest incorporated foundation, public interest incorporated association, non-profit corporation, etc.) which has received donation or grants from the Company or any of its subsidiaries exceeding a certain amount (an annual amount of ¥10 million on average for the past three fiscal years or 30% of the average annual total expenses of the said organization, whichever is larger).
5. In order for a Director of the Company to be recognized as Independent Director, the Director must not be a director, auditor, accounting advisor, operating officer or executive officer of a corporation, its parent company, or subsidiary which has accepted any director from the Company or any of its subsidiaries (regardless of whether on a full-time or part-time basis).
6. In order for a Director of the Company to be recognized as Independent Director, the Director must not fall under any of the following items:
   (i) a director, auditor, accounting advisor, operating officer, executive officer, or manager or other employee of a financial institution or other large creditor (hereinafter, "Large Creditor, etc.") or its parent company or important subsidiary which is indispensable for the Company or any of its subsidiaries in its fund raising and on which the Company or any of its subsidiaries relies to the extent that there is no alternative; or
   (ii) a person who has once been a director, auditor, accounting advisor, operating officer, executive officer, or manager or other employee of a current Large Creditor, etc. or its parent company or important subsidiary of the Company or any of its subsidiaries in the recent three years.
7. In order for a Director of the Company to be recognized as Independent Director, the Director must not fall under any of the following items:
   (i) a person who is a certified public accountant (or certified tax accountant), or member, partner or employee of auditing firm (or tax accounting firm), that is the accounting auditor or accounting advisor of the Company or any of its subsidiaries;
   (ii) a person who has once been a certified public accountant (or certified tax accountant), or member, partner or employee of auditing firm (or tax accounting firm), that is the accounting auditor or accounting advisor of the Company or any of its subsidiaries, and was actually engaged in the audit service for the Company or any of its subsidiaries (excluding, however, supportive involvement) (including any persons who is already retired or resigned) in the recent three years;
   (iii) a person who is a lawyer, certified public accountant, certified tax accountant, or other consultant who does not fall under Item (i) or (ii) above and has received money or other property benefit from the Company or any of its subsidiaries in the annual amount of ¥10 million or more on average for the past three fiscal years, aside from executive remuneration; or
   (iv) a person who is a member, partner, associate, or employee of a law firm, auditing firm, tax accounting firm, or consulting firm or other professional advisory firm which does not fall under Item (i) or (ii) above and is

a firm whose major business partner is the Company or any of its subsidiaries (meaning a firm that has received payments from the Company or any of its subsidiaries, equivalent to 2% or more of consolidated gross sales on average for the past three fiscal years of the firm; hereinafter the same shall apply).

8. In order for a Director of the Company to be recognized as Independent Director, the Director must not fall under any of the following items:
   (i) a spouse, relative within the second degree of consanguinity or cohabiting relative of a director, executive officer, or manager or other important employee of the Company or any of its subsidiaries;
   (ii) a spouse, relative within the second degree of consanguinity or cohabiting relative of a person who has once been a director, executive officer, or manager or other important employee of the Company or any of its subsidiaries in the recent five years;
   (iii) a spouse, relative within the second degree of consanguinity or cohabiting relative of a current principal shareholder of the Company or any of its subsidiaries or its director, auditor, accounting advisor, operating officer, associate officer, or executive officer;
   (iv) a spouse, relative within the second degree of consanguinity or cohabiting relative of a person who has once been a principal shareholder of the Company or any of its subsidiaries, or its director, auditor, accounting advisor, operating officer, associate officer, or executive officer, in the recent five years;
   (v) a spouse, relative within the second degree of consanguinity or cohabiting relative of a director, auditor, accounting advisor, operating officer, or executive officer of a corporation for which the Company or any of its subsidiaries is currently a principal shareholder;
   (vi) a spouse or relative within the second degree of consanguinity or cohabiting relative of a person (an individual) whose major business partner is the Company or any of its subsidiaries, or, a spouse or relative within the second degree of consanguinity or cohabiting relative of an executive director, operating officer or executive officer of a corporation whose major business partner is the Company or any of its subsidiaries;
   (vii) a spouse or relative within the second degree of consanguinity or cohabiting relative of a person (an individual) whose major business partner has once been the Company or any of its subsidiaries in any fiscal year among the recent three fiscal years, or, a spouse or relative within the second degree of consanguinity or cohabiting relative of an executive director, operating officer or executive officer of a corporation whose major business partner has once been the Company or any of its subsidiaries in any fiscal year among the recent three fiscal years;
   (viii) a spouse or relative within the second degree of consanguinity or cohabiting relative of a person (an individual) who is a major business partner of the Company or any of its subsidiaries, or, a spouse or relative within the second degree of consanguinity or cohabiting relative of an executive director, operating officer or executive officer of a corporation which is a major business partner of the Company or any of its subsidiaries;
   (ix) a spouse or relative within the second degree of consanguinity or cohabiting relative of a person (an individual) who has once been a major business partner of the Company or any of its subsidiaries in any fiscal year among the recent three fiscal years, or, a spouse or relative within the second degree of consanguinity or cohabiting relative of an executive director, operating officer or executive officer of a corporation which has once been a major business partner of the Company or any of its subsidiaries in any fiscal year among the recent three fiscal years;
   (x) a spouse, relative within the second degree of consanguinity or cohabiting relative of an associate officer (limited to a person who executes business) or other person who executes business of the organization (for example, public interest incorporated foundation, public interest incorporated association, non-profit corporation, etc.) which has received donation or grants from the Company or any of its subsidiaries exceeding a certain amount (an amount of ¥10 million on average for the past three years or 30% of the annual total expenses of the said organization, whichever is larger);
   (xi) a spouse, relative within the second degree of consanguinity or cohabiting relative of a director, auditor, accounting advisor, operating officer, or executive officer of a current Large Creditor, etc. of the Company or any of its subsidiaries;
   (xii) a spouse, relative within the second degree of consanguinity or cohabiting relative of a person who has once been a director, auditor, accounting advisor, operating officer, or executive officer of a current Large Creditor, etc. of the Company or any of its subsidiaries in the recent three years;
   (xiii) a person whose spouse, relative within the second degree of consanguinity or cohabiting relative falls under the category of a certified public accountant (or certified tax accountant), or member, partner or employee of auditing firm (or tax accounting firm), that is the accounting auditor or accounting advisor of the Company or any of its subsidiaries;
   (xiv) a person whose spouse, relative within the second degree of consanguinity or cohabiting relative falls under the category of a certified public accountant (or certified tax accountant), or employee of auditing firm (or tax accounting firm), that is the accounting auditor or accounting advisor of the Company or any of its subsidiaries, and is currently and actually engaged in the audit service for the Company or any of its subsidiaries (excluding, however, supportive involvement);

(xv) a person whose spouse, relative within the second degree of consanguinity or cohabiting relative falls under the category of a certified public accountant (or certified tax accountant), or member, partner or employee of auditing firm (or tax accounting firm), that is the accounting auditor or accounting advisor of the Company or any of its subsidiaries, and was actually engaged in the audit service for the Company or any of its subsidiaries (excluding, however, supportive involvement) in the recent three years; or

(xvi) a person whose spouse or relative within the second degree of consanguinity or cohabiting relative is a lawyer, certified public accountant, certified tax accountant, or other consultant who does not fall under Item (i) or (ii) of above Paragraph 8 and has received money or other property benefit from the Company or any of its subsidiaries in the annual amount of ¥10 million or more on average for the past three fiscal years, aside from executive remuneration, or, a person who falls under the category of member or partner of a law firm, auditing firm, tax accounting firm, or consulting firm or other professional advisory firm which does not fall under Item (i) or (ii) of above Paragraph 8 and whose major business partner is the Company or any of its subsidiaries.

9. In order for a Director of the Company to be recognized as Independent Director, the Director is otherwise required to be, on a permanent basis, a person with no possibility of substantial conflict of interests with the Company's public shareholders as a whole caused by any reason other than those considered in Paragraphs 1 through 8 above.
10. Even if the person falls under any of the Paragraphs 3 through 8 above, when the Company believes that he or she is appropriate for Independent Director in light of the personality, insight, etc. of the said person, the Company may designate the said person as Independent Director of the Company on the condition that the said person satisfies the requirements for outside directors stipulated in the Companies Act and the Company publicly explains the reasons why it believes that he or she is appropriate for Independent Director of the Company.
11. When an incumbent Independent Director of the Company to be reappointed as Independent Director, his or her cumulative total term off office needs to be 10 years or less.

The Company has appointed Outside Directors with insight into and experience of corporate management, and believes that they play an effective role.

3) Mutual collaboration between supervision and internal audit by Outside Directors, audit by the Audit and Supervisory Committee, and accounting audit, as well as the relationship with internal control departments

The Outside Directors of the Company are Audit and Supervisory Committee Members and carry out their role as auditors, etc. as part of Audit and Supervisory Committee. In addition, the Outside Directors of the Company play a role in supervising the performance of duties by Directors and in major decision-making, etc. in business execution, as members of the Board of Directors. Please refer to "(3) Audit 2) Internal audit" for mutual collaboration between internal audit and accounting audit and the relationship with internal control departments.

(3) Audit

1) Audit by the Audit and Supervisory Committee

I Organization and personnel

The Audit and Supervisory Committee of the Company comprises three members, one full-time Audit and Supervisory Committee Member who is a non-executive Director and two Audit and Supervisory Committee Members who are Outside Directors.

Chairperson of the Audit and Supervisory Committee, Outside Director Hiroko Wada has years of experience in the use of financial and accounting knowledge such as serving as an officer at the headquarters of major foreign firm Procter & Gamble, as well as the president of Japanese subsidiaries of foreign-owned enterprises, and has ample insight into financial and accounting matters.

Audit and Supervisory Committee Member, Outside Director Hiroaki Sugita has long-standing experience in the use of corporate finance and accounting knowledge such as serving as Japan Co-chair of the Boston Consulting Group, a leading foreign consulting firm, and has ample insight into financial and accounting matters.

Full-time Audit and Supervisory Committee Member Shigeru Asada has experience as Executive Officer, General Manager of Accounting Control and Finance Division of the Company, and has ample insight into finance and accounting matters.

Based on reporting from the Internal Audit Department and other internal control systems, the Audit and Supervisory Committee systematically organizes audits, including requests for separate reports and expressions of opinions.

II Activities of the Audit and Supervisory Committee

1. Frequency of meetings
   The Audit and Supervisory Committee of the Company basically meets once a month, and also meets as needed.

2. Main items for discussion
   The following resolutions and reports were made during the fiscal year under review.

   Resolutions: Audit plan and division of duties of the Audit and Supervisory Committee, evaluation and reappointment/non-reappointment of the Accounting Auditor, agreement on compensation, etc. of the Accounting Auditor, draft audit report, etc.

   Reports: Prior confirmation of the draft of the Board of Directors' meeting, audit plan report, internal control and audit report by the Audit & Supervisory Management Department, report on special cases such as misconduct, report on the financial status of domestic and overseas subsidiaries, etc.

3. Attendance at meetings of the Audit and Supervisory Committee Member
   Attendance at meetings of the Audit and Supervisory Committee held during the fiscal year under review is as follows.

Name	Number of meetings held	Number of meetings attended
Takashi Mitachi	12 times	12 times (100%)
Hiroko Wada	12 times	12 times (100%)
Gumpei Futagami	12 times	12 times (100%)

   The average time required for the Audit and Supervisory Committee meetings is approximately 60 minutes.

4. Activities of full-time Audit and Supervisory Committee Members
   The full-time Audit and Supervisory Committee Members of the Company make efforts to collect information within the Company, monitor the dissemination of information by the management, attend regular meetings of the Business Execution Council and Advisory Board, which deliberates on the Company's corporate strategy and the management plans of each domestic and overseas subsidiary, audit business reports, financial statements, consolidated financial statements and supplementary schedules, inspect important approval documents and contracts, and listen to the reports from the Internal Audit Department. Through regular meetings with the Accounting Auditor, members confirm whether the methods and results of the Accounting Auditor's audit are appropriate and whether the Accounting Auditor's internal control system is in place. They also examine the status of the internal control system to audit its appropriateness while sharing the information with part-time Outside Audit and Supervisory Committee Members.

2) Internal audit

The Company has established the Internal Audit Department comprising five members directly under the

Representative Director, President & CEO as its internal auditing department. The Internal Audit Department, in cooperation with the Audit and Supervisory Committee, conducts internal audits of business divisions and creates internal audit reports in which findings and necessary remedial measures are described. These reports are submitted to the Company's Representative Director, President & CEO, the Audit and Supervisory Committee, and the business divisions that have been audited. In the event that issues requiring remediation and/or deficiencies are identified, remedial measures are formulated and implemented. The Internal Audit Department monitors the outcomes of the remedial measures.

The Internal Audit Department, Audit and Supervisory Committee and Accounting Auditor hold regular meetings for exchange of information and opinions, etc. Audits carried out by these units also cover establishment and operational status of internal control systems by internal control departments.

3) Audit of financial statements

I Name of auditing firm
PricewaterhouseCoopers Aarata LLC

II Continuous audit period
12 years

III Certified public accountant who performed the service
Designated Limited Liability and Engagement Partner: Tsuyoshi Saito
Designated Limited Liability and Engagement Partner: Mamoru Honda
Designated Limited Liability and Engagement Partner: Toshihiro Taniguchi

IV Assistants to the audit service
Assistants to the accounting audit service for the Company comprised four Certified Public Accountants and 18 others.

V Policy on and reason for selecting the auditing firm
When selecting Accounting Auditor, the Audit and Supervisory Committee of the Company make decisions in consideration of audit systems, independence, specialization, etc. of Accounting Auditor. Based on this policy, the Company determined that it is appropriate to reappoint PricewaterhouseCoopers Aarata LLC as Accounting Auditor for the fiscal year under review.

In addition, if Accounting Auditor is determined to be falling under any of the items of Article 340, Paragraph 1 of the Companies Act, the Audit and Supervisory Committee will dismiss Accounting Auditor based on the unanimous consent of its members. Whether to approve reappointment of Accounting Auditor will be examined each fiscal year with the considerations of the suitability, independence, performance of services, etc. of Accounting Auditor in mind. If it is determined that the refusal of reappointment is appropriate as a result of such examination, the Audit and Supervisory Committee will decide on the content of a proposal concerning the refusal of reappointment of Accounting Auditor to be submitted to the General Meeting of Shareholders.

VI Evaluation of the auditing firm by the Audit and Supervisory Committee
In order to ensure the appropriateness and reliability of accounting audit, the Audit and Supervisory Committee verifies and evaluates whether Accounting Auditor maintains fair attitude and independence and conducts appropriate audit as a professional.

4) Content of audit fees

I Remuneration to the Certified Public Accountants engaged in the financial statements audit

Category	Previous fiscal year		Fiscal year under review	
	Remuneration for audit certification work	Remuneration for non-audit services	Remuneration for audit certification work	Remuneration for non-audit services
The Company	102	–	120	3
Consolidated subsidiaries	8	4	8	–
Total	110	4	128	3

Non-audit services in the previous and current fiscal years related to the above remuneration consist of various advisory services for the digitalization of business auditing.

II Remuneration to the same network (PricewaterhouseCoopers) as the Audit Certified Public Accountants, etc. (excluding I)

Category	Previous fiscal year		Fiscal year under review	
	Remuneration for audit certification work	Remuneration for non-audit services	Remuneration for audit certification work	Remuneration for non-audit services
The Company	–	44	–	41
Consolidated subsidiaries	190	126	193	37
Total	190	170	193	78

Non-audit services in the previous and current fiscal years related to the above remuneration consist of various advisory services.

III Contents of remuneration for other important audit certification services
This information has been omitted as there is no material remuneration to be disclosed.

IV Policy on determining the audit fee
None existed in the previous fiscal year and the fiscal year under review, but the audit fee is decided after consideration of scale, characteristics and number of days needed for audits, etc.

V The Audit and Supervisory Committee's reason for agreeing to the remuneration, etc. for Accounting Auditor
The Audit and Supervisory Committee conducted necessary examination on whether the contents of the audit plan, performance of accounting audit services, the basis for the calculation of remuneration estimates, etc. of Accounting Auditor are appropriate. As a result, the Audit and Supervisory Committee determined that the independence, audit quality, and effectiveness of Accounting Auditor are secured, and agreed to the amount of remuneration, etc. for Accounting Auditor.

(4) Remuneration paid to Executives

1) Policies for the determination of the amount of or calculation method for executive remuneration

a. Basic policies
Remuneration, etc. for Directors (excluding Directors who are Audit and Supervisory Committee Members) and Executive Officers of the Company and policies thereof shall be determined, comprehensively considering the motivation for improvement of performance and corporate value and securing excellent human resources, etc., which shall be a level appropriate to their roles and responsibilities.

Basic policies on remuneration to promote growth-oriented management and to accomplish management strategy and fulfill management plan are as follows.

[Basic executive remuneration principles]

1)	Remuneration contributable to the sustainable growth and medium to long-term increase of corporate value
2)	Remuneration plan that is linked closely with performance and motivates the fulfillment of management plans and the achievement of results of the Company
3)	Remuneration level which attracts and retains “talented personnel” who are capable of company management
4)	Highly transparent and objective process for determining remuneration

[Executive remuneration levels]

1)	In order to swiftly cope with the changes in external and market circumstances, the Company benchmarks the remuneration levels of executive members of other domestic and foreign companies in the same and different industries with the size equivalent to the Company and sets remuneration standard based on the Company’s financial condition.
2)	The Company sets the target value for monetary remuneration as top 25% and the target value for monetary remuneration with the addition of share-based payments from a medium- to long-term perspective as top 10%.

[Executive remuneration, etc. and the policy determination processes as well as the activities during the fiscal year under review]

With the objective of ensuring transparency and objectivity of determination processes, decisions are made by the Board of Directors, based on deliberations by the Compensation Committee comprising one Representative Director, one non-executive Director, and two Independent Outside Directors, a majority of which is comprising Independent Outside Directors and chaired by an Independent Outside Director.

For the fiscal year under review, the “Compensation Committee” meeting held on February 21, 2020, and deliberated on the detailed design of share-based payments.

At the “Compensation Committee” meeting held on February 22, 2021, the following were designated as matters to be decided by the Board of Directors and the details were resolved at the Board of Directors meeting held on the same day.

1) Calculation method of fixed remuneration, performance-linked remuneration and share-based payments

2) Ratio of the above

3) Timing of granting each type of remuneration

4) Decision delegator and details

In addition, the amount of remuneration for each individual Director is determined by the Representative Director, who is entrusted with the resolution by the Board of Directors, after reporting the results of evaluation based on each index to the Compensation Committee for deliberation, with the aim of ensuring correct evaluation based on the actual contribution result of each Director.

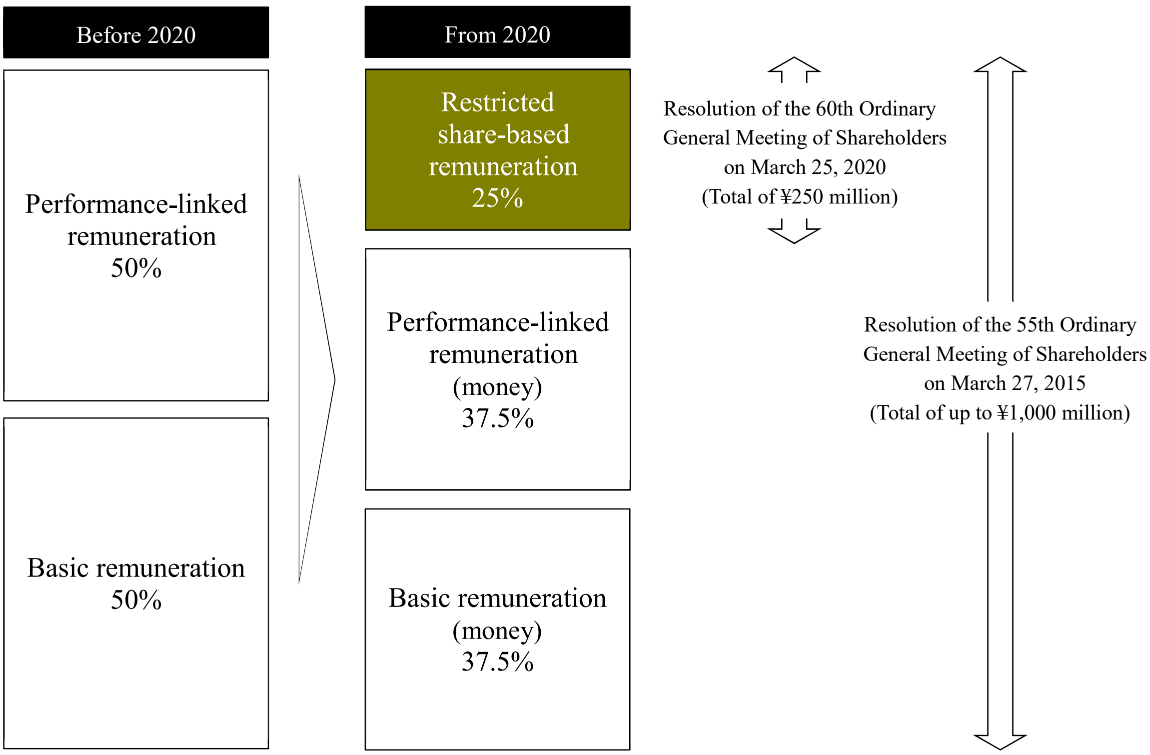
b. Composition of and evaluation indicators for executive remuneration

The remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members) and Executive Officers of the Company comprises basic remuneration (money) and performance-linked remuneration, and the performance-linked remuneration comprises monetary remuneration which is a short-term incentive and restricted share-based remuneration which is a medium- to long-term incentive. In addition, the basic remuneration is determined for each managerial position according to the magnitude of their job responsibilities.

Remuneration for Independent Outside Directors and Directors who are Audit and Supervisory Committee Members who are independent from business execution comprises fixed remuneration only, taking into consideration their supervisory and advisory roles on management of the Company from an objective standpoint.

In addition, at the 55th Ordinary General Meeting of Shareholders held on March 27, 2015, the proposal that the maximum amount of remuneration, etc. for Directors (excluding Directors who are Audit and Supervisory Committee Members) of the Company (total amount) is to be in the amount of ¥1,000 million per year and that the maximum amount of remuneration, etc. for Directors who are Audit and Supervisory Committee Members (total amount) is to be in the amount of ¥100 million per year was approved, and at the 60th Ordinary General Meeting of Shareholders held on March 25, 2020, the proposal that the total maximum amount of restricted share-based remuneration is to be in the amount of ¥250 million per year (however, the amount is included in the aforementioned ¥1,000 million) was approved.

[Composition of executive remuneration]



- Basic remuneration (money): Basic remuneration is fixed remuneration which is determined for each position in line with responsibilities and is paid as a fixed monthly remuneration.
- Performance-linked remuneration (money): As a short-term incentive, performance-linked remuneration amounts are set in the range of 0% to 200% of the basic remuneration amount depending on performance results for one year. An amount based on the performance during an evaluation year (January - December) will be paid in monthly installments over the period from April the next year to March the following year.
- Restricted share-based remuneration: As an incentive to increase corporate value over the medium to long term, the Company allocates restricted shares equivalent to 33% to 100% of the basic remuneration amount according to the performance results of an evaluation year (January - December) in the April of the following year. There will be a transfer-restriction period of three years.

[Evaluation indicators and basic approaches to the executive remuneration and targets and results for the fiscal year under review]

Evaluation indicators and the targets and results for the fiscal year under review concerning the performance results, which are used to determine the performance-linked remuneration (money) and restricted share-based remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members) and Executive Officers of the Company, are as follows.

The evaluation weight is set for each managerial position according to the magnitude of their job responsibilities. For example, the weight for Representative Director is company-level performance of 50% and company-level focal strategies of 50%, and for Senior Executive Officer in charge of front-line divisions, company-level performance and department-level performance of 30% each and company-level focal strategies and department-level focal strategies of 20% each.

As for ESG evaluation, which was newly added to our index from the fiscal year ended December 31, 2020, we are striving to evaluate ESG quantitatively as much as possible by adopting the FTSE Blossom Japan Index and improving the ESG score.

No.	Evaluation indicator	Accountability	Evaluation weight	Target	Result	Evalua-tion
1	Company-level performance (management plan)	1-1 Company-level sales	20-50%	¥760,000 million (+6.4% YoY)	¥727,475 million (+1.9% YoY)	95.7%
		1-2 Company-level core operating income		¥100,000 million (+11.4% YoY)	¥114,744 million (+27.8% YoY)	114.7%
		1-3 Profit attributable to owners of parent		¥63,000 million (+36.6% YoY)	¥52,344 million (+13.5% YoY)	83.1%
2	Department-level performance	2-1 Department-level sales	0-40%	(By department)	(By department)	–
		2-2 Department-level income		(By department)	(By department)	–
3	Company-level focal strategies	3-1 Priority strategies executed by officers themselves	20-50%	(By officer)	(By officer)	–
		3-2 Ratings of ESG agencies, etc.		(By officer)	(By officer)	–
4	Department-level focal strategies	4 Highest priority strategies of departments	0-40%	(By department)	(By department)	–

* Basic approaches to each evaluation indicator
1. Indicator for evaluating the Company’s efforts from a performance perspective
2. Indicator for evaluating the efforts of each officer from a performance perspective
3. Indicator for evaluating the Company’s efforts on the priority strategies (including qualitative evaluation)
4. Indicator for evaluating the efforts of each officer on the priority strategies (including qualitative evaluation)

[Details of an agreement on the allotment of restricted shares]
"Restricted share-based remuneration" is a system in which Eligible Directors and Executive Officers shall pay all monetary claims to be provided to them by the Company, in the form of property contributed in kind, and shall, in return, receive common shares of the Company that shall be issued or disposed of by the Company. The Company and each of Eligible Directors and Executive Officers shall sign an agreement on the allotment of restricted shares.

1	Restricted Period	The Eligible Directors and Executive Officers shall be prohibited from transfers, creation of security interest, or any other disposal (hereinafter, "Transfer Restrictions") of the allotted shares of the Company (hereinafter, "Allotted Shares") for three years from the date of the allotment (hereinafter, "Restriction Period").
2	Treatment on retirement from the position	If an Eligible Director or Executive Officer resigns or retires from the position of Director or Executive Officer of the Company or other positions prescribed by the Board of Directors before the Restriction Period expires, the Company shall automatically acquire such Allotted Shares without contribution unless there are justifiable reasons for the retirement or resignation from office, such as expiration of the term of his or her office or death.
3	Lifting of Transfer Restrictions	The Company shall lift the Transfer Restrictions of all of the Allotted Shares upon the expiration of the Restriction Period, on the condition that the Eligible Directors and Executive Officers have remained in the position of Director or Executive Officer of the Company or other positions prescribed by the Board of Directors during the Restriction Period. However, if an Eligible Director or Executive Officer resigns or retires from the position of Director or Executive Officer of the Company or other positions prescribed by the Board of Directors before the expiration of the Restriction Period due to expiration of the term of his or her office, death, or other justifiable reasons specified in (2) above, the Company shall rationally adjust the number of the Allotted Shares for which the Transfer Restriction is to be lifted and the timing of lifting as necessary. In addition, immediately after the Transfer Restrictions are lifted in accordance with the above provisions, the Company shall automatically acquire the Allotted Shares whose Transfer Restrictions have not been lifted without contribution.
4	Clawback provision	The Eligible Directors and Executive Officers shall return all or part of the Allotted Shares without contribution in the event of material accounting frauds or substantial losses, to take responsibility for such occurrences.
5	Other items	Other matters concerning an agreement on the allotment of restricted shares shall be determined by the Board of Directors of the Company.

2) Total amount of remuneration and remuneration by type and number of recipients, by class of executive

Category	Total remuneration (Millions of Yen)	Total remuneration by remuneration type (Millions of Yen)			Number of Executives (Persons)
		Basic remuneration	Performance-linked remuneration	Restricted share-based remuneration	
Directors (excluding Directors who are Audit and Supervisory Committee Members) (excluding Outside Directors)	431	194	132	106	3
Directors (Audit and Supervisory Committee Members) (excluding Outside Directors)	26	26	–	–	1
Outside Director	21	21	–	–	2

Note: At the 47th Ordinary General Meeting of Shareholders held on June 26, 2007, in line with the enactment of the Companies Act, a resolution was passed to incorporate executive bonuses within remuneration, with abolition of retirement benefits for Directors, and to only pay an annual remuneration total.

3) Total amount of remuneration to individuals whose remuneration is ¥100 million or more

Name	Category	Company	Total remuneration by remuneration type (Millions of Yen)			Total amount of consolidated remuneration (Millions of Yen)
			Basic remuneration	Performance -linked remuneration	Restricted share-based remuneration	
Takahisa Takahara	Representative Director, President & CEO	The Company	111	89	75	275

Note: At the 47th Ordinary General Meeting of Shareholders held on June 26, 2007, in line with the enactment of the Companies Act, a resolution was passed to incorporate executive bonuses within remuneration, with abolition of retirement benefits for Directors, and to only pay an annual remuneration total.

(5) Status of shares held

1) Criteria for and basic approaches to the classification of shares for investment

As for classification of shares for investment, the Company classifies shares for investment held solely for the purpose of obtaining profits from the fluctuation of share value or the receipt of dividends as shares for investment for pure investment purposes, and shares for investment for the other purposes as shares for investment for purposes other than pure investment purposes.

2) Shares for investment held for any purposes other than pure investment purposes

I Method of examining the rationality of the holding policy and the holding, and the details of the examination by the Board of Directors, etc. concerning the appropriateness of the holding of individual securities

The Company holds minimum necessary shares of other companies, comprehensively taking into consideration dividends, benefits and risks that can be obtained or arising from the maintenance and strengthening of the trade relations, etc. and capital costs, among other things, from a perspective of whether the holding would contribute to an increase in corporate value of the Company.

In addition, the Board of Directors examines the rationality of the holding of individual securities every year from the perspectives of whether the holding purpose is diluted and whether the benefits and risks resulting from the holding are proportionate to the capital cost. The shares determined to have no rationality in the holding as a result of the examination will be sold appropriately according to the overall judgment on market impact, etc.

II Number of securities and amount recorded in the balance sheet

	Number of securities (Securities)	Total amount recorded in the balance sheet (Millions of Yen)
Unlisted equity securities	13	575
Equity securities other than unlisted equity securities	22	11,457

(Securities for which the number of shares increased during the fiscal year under review)

	Number of securities (Securities)	Total amount of acquisition cost associated with the increase in the number of shares (Millions of Yen)	Reason for the increase in the number of shares
Unlisted equity securities	1	3	Acquisition of shares through the shareholding association of business partners
Equity securities other than unlisted equity securities	4	13	Acquisition of shares through the shareholding association of business partners

(Securities for which the number of shares decreased during the fiscal year under review)

	Number of securities (Securities)	Total amount of sales price associated with the decrease in the number of shares (Millions of Yen)
Unlisted equity securities	1	–
Equity securities other than unlisted equity securities	–	–

Note: There is no sales value because the decrease in unlisted equity securities was caused by dissolution of a company.

III Information concerning the number of specific shares for investment by securities, the amount recorded in the balance sheet, etc.

Specific shares for investment

Shares	Fiscal Year Ended December 31, 2020 Number of shares (Shares) Amount recorded in the balance sheet (Millions of Yen)	Fiscal Year Ended December 31, 2019 Number of shares (Shares) Amount recorded in the balance sheet (Millions of Yen)	Holding purpose, quantitative effect of holding and reason for increase in the number of shares	Cross-holding of the Company's shares
Sumitomo Realty & Development Co., Ltd.	1,219,000 3,878	1,219,000 4,647	The issuer engages in lease transactions, etc. of real estate facilities and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations.	Yes
ZUIKO CO., LTD.	980,400 1,113	245,100 968	The issuer engages in equipment purchase transactions and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations. The number of shares increased due to a stock split.	Yes
ARATA CORPORATION	225,545 1,105	225,545 1,022	The issuer engages in product sales transactions and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations.	Yes
AEON CO., LTD.	239,102 809	235,322 531	The issuer engages in product sales transactions and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations. The number of shares increased due to the acquisition of shares through the shareholding association.	No
Mitsui Chemicals, Inc.	237,800 719	237,800 637	The issuer engages in raw material purchase transactions and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations.	Yes
FP Corporation	159,000 689	79,500 516	The issuer engages in product sales transactions and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations. The number of shares increased due to a stock split.	No

Shares	Fiscal Year Ended December 31, 2020	Fiscal Year Ended December 31, 2019	Holding purpose, quantitative effect of holding and reason for increase in the number of shares	Cross-holding of the Company's shares
	Number of shares (Shares)	Number of shares (Shares)		
	Amount recorded in the balance sheet (Millions of Yen)	Amount recorded in the balance sheet (Millions of Yen)		
THE IYO BANK, Ltd.	1,017,640	1,017,640	The issuer engages in fund transactions such as fund procurement and settlement and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations.	Yes
	658	631		
Hirogin Holdings, Inc. (Note 2)	837,550	837,550	The issuer engages in fund transactions such as fund procurement and settlement and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations.	Yes
	486	449		
PLANET, INC.	300,800	300,800	The issuer engages in contracted development of product distribution systems, among other things, and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations.	No
	438	469		
Mitsubishi UFJ Financial Group, Inc.	904,050	904,050	The issuer engages in fund transactions such as fund procurement and settlement and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations.	Yes
	412	536		
TSURUHA HOLDINGS INC.	20,000	20,000	The issuer engages in product sales transactions and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations.	No
	294	280		
CREATE SD HOLDINGS CO., LTD.	60,000	60,000	The issuer engages in product sales transactions and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations.	No
	233	168		
Valor Holdings Co., Ltd.	59,504	59,504	The issuer engages in product sales transactions and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations.	No
	157	127		
Sanyo Chemical Industries, Ltd.	27,720	27,720	The issuer engages in raw material purchase transactions and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations.	Yes
	153	150		

Shares	Fiscal Year Ended December 31, 2020 Number of shares (Shares) Amount recorded in the balance sheet (Millions of Yen)	Fiscal Year Ended December 31, 2019 Number of shares (Shares) Amount recorded in the balance sheet (Millions of Yen)	Holding purpose, quantitative effect of holding and reason for increase in the number of shares	Cross-holding of the Company's shares
cocokara fine Inc.	10,000 76	10,000 63	The issuer engages in product sales transactions and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations.	No
CAWACHI LTD.	20,000 59	20,000 44	The issuer engages in product sales transactions and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations.	No
CB GROUP MANAGEMENT Co., Ltd.	18,143 54	17,528 56	The issuer engages in product sales transactions and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations. The number of shares increased due to the acquisition of shares through the shareholding association.	Yes
HARIMA-KYOWA CO., LTD.	26,400 46	26,400 44	The issuer engages in product sales transactions and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations.	No
ECHO TRADING CO., LTD.	55,000 37	55,000 31	The issuer engages in product sales transactions and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations.	No
The Hyakujushi Bank, Ltd.	15,225 23	15,225 33	The issuer engages in fund transactions such as fund procurement and settlement and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations.	Yes
Encho Co., Ltd.	8,068 10	7,447 8	The issuer engages in product sales transactions and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations. The number of shares increased due to the acquisition of shares through the shareholding association.	No

Shares	Fiscal Year Ended December 31, 2020 Number of shares (Shares) Amount recorded in the balance sheet (Millions of Yen)	Fiscal Year Ended December 31, 2019 Number of shares (Shares) Amount recorded in the balance sheet (Millions of Yen)	Holding purpose, quantitative effect of holding and reason for increase in the number of shares	Cross-holding of the Company's shares
MINISTOP Co., Ltd.	5,659 8	5,353 8	The issuer engages in product sales transactions and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations. The number of shares increased due to the acquisition of shares through the shareholding association.	No

Notes: 1. Information about quantitative effect of holding of securities is omitted, since it is difficult in practice to provide such information. The rationality of the holding was examined at the Board of Directors meeting held in November 2020 based on whether the holding purpose is diluted and whether the benefits and risks resulting from the holding are proportionate to the capital cost.

2. The Hiroshima Bank, Ltd. established a holding company, Hirogin Holdings, Inc. on October 1, 2020 through a share transfer. As a result of this share transfer, one share of common stock of Hiroshima Bank, Ltd. was allotted for each share of common stock of Hirogin Holdings, Inc.

Shares subject to deemed holding

Not applicable.

3) Shares for investment held for pure investment purposes

Classification	Fiscal year under review		Fiscal Year Ended December 31, 2019	
	Number of securities (Securities)	Total amount recorded in the balance sheet (Millions of Yen)	Number of securities (Securities)	Total amount recorded in the balance sheet (Millions of Yen)
Unlisted equity securities	–	–	–	–
Equity securities other than unlisted equity securities	1	11,992	2	17,627

Classification	Fiscal year under review		
	Total amount of dividend income (Millions of Yen)	Total amount of gain (loss) on sale (Millions of Yen)	Total amount of gain (loss) on valuation (Millions of Yen)
Unlisted equity securities	–	–	–
Equity securities other than unlisted equity securities	284	1,020	691

V. Financial Information

1. Basis of preparation of the consolidated and non-consolidated financial statements

(1) The consolidated financial statements of the Company are prepared in conformity with IFRS in accordance with Article 93 of the Ministry of Finance Ordinance No. 28, 1976 “Regulations Concerning the Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (hereafter “Regulations for Consolidated Financial Statements”).

(2) The non-consolidated financial statements of the Company are prepared in accordance with the Ministry of Finance Ordinance No. 59, 1963 “Regulations Concerning the Terminology, Forms and Preparation Methods of Non-Consolidated Financial Statements” (hereafter “Regulations for Non-Consolidated Financial Statements”).

As the Company falls under the category of a company filing financial statements prepared in accordance with special provisions, the non-consolidated financial statements of the Company are prepared in accordance with Article 127 of the Regulations for Non-Consolidated Financial Statements.

2. Auditing and certification

The consolidated and the non-consolidated financial statements for the fiscal year ended December 31, 2020 (January 1, 2020 – December 31, 2020) were audited by PricewaterhouseCoopers Aarata LLC, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Particular efforts to secure the appropriateness of the consolidated financial statements and establishment of system that enables preparation of appropriate consolidated financial statements in conformity with IFRS

The Company is making particular efforts to ensure the appropriateness of the consolidated financial statements while developing systems to prepare those documents in conformity with IFRS as follows.

(1) The Company has become a member of the Financial Accounting Standards Foundation (hereafter “Foundation”) and participates in seminars and other programs sponsored by the Foundation in order to have an appropriate understanding about the contents of the accounting standards, etc., and establish a system so that the Company might be able to properly respond to the changes in the accounting standards, etc.

(2) In order to prepare appropriate consolidated financial statements, the Company develops group accounting policies and guidelines in conformity with IFRS and applies them in its accounting treatment.

1. Consolidated financial statements

(1) Consolidated financial statements

1) Consolidated statement of financial position

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
Assets			
Current assets			
Cash and cash equivalents	6, 30	128,787	199,522
Trade and other receivables	7, 30	121,784	112,698
Inventories	8	65,240	61,617
Other current financial assets	30	86,418	97,588
Other current assets		24,891	19,536
Total current assets		427,120	490,962
Non-current assets			
Property, plant and equipment	9, 11	284,105	258,814
Intangible assets	10, 11	94,162	90,006
Deferred tax assets	13	13,141	13,078
Investments accounted for using equity method		939	1,262
Other non-current financial assets	30	42,342	37,372
Other non-current assets	17	2,193	1,920
Total non-current assets		436,882	402,451
Total assets		864,003	893,413

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	16, 30	150,007	145,316
Bonds and borrowings	14, 30	10,264	8,975
Income tax payables		7,041	16,183
Other current financial liabilities	15, 30	5,998	5,765
Other current liabilities	18	43,557	56,976
Total current liabilities		216,868	233,215
Non-current liabilities			
Bonds and borrowings	14, 30	27,601	24,202
Deferred tax liabilities	13	20,682	21,116
Retirement benefit liabilities	17	10,173	11,483
Other non-current financial liabilities	15, 30	40,500	36,743
Other non-current liabilities		5,279	4,001
Total non-current liabilities		104,234	97,545
Total liabilities		321,102	330,760
Equity			
Equity attributable to owners of parent			
Capital stock	19	15,993	15,993
Share premium	19	14,960	13,208
Retained earnings	19	513,066	547,259
Treasury shares	19	(58,769)	(54,572)
Other components of equity	19	(12,177)	(28,886)
Total equity attributable to owners of parent		473,073	493,002
Non-controlling interests		69,827	69,651
Total equity		542,900	562,653
Total liabilities and equity		864,003	893,413

2) Consolidated statements of income and comprehensive income

Consolidated statement of income

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Net sales	5, 21	714,233	727,475
Cost of sales	23	(447,495)	(434,866)
Gross profit		266,738	292,609
Selling, general and administrative expenses	22, 23	(176,959)	(177,865)
Other income	24	2,324	2,664
Other expenses	12, 24	(22,358)	(21,818)
Financial income	25	3,385	4,152
Financial costs	25	(3,593)	(3,893)
Profit before tax		69,538	95,849
Income tax expenses	13	(16,900)	(33,268)
Profit for the period		52,638	62,580
Profit attributable to			
Owners of parent		46,116	52,344
Non-controlling interests		6,521	10,237
Profit for the period		52,638	62,580
Earnings per share attributable to owners of parent			
Basic earnings per share (Yen)	27	77.53	87.60
Diluted earnings per share (Yen)	27	77.05	87.46

Reconciliation of changes from gross profit to core operating income

(Millions of Yen)

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

* Core operating income comprises gross profit less selling, general and administrative expenses. While it is not an indicator defined in IFRS, the Company voluntarily discloses this in the consolidated statement of income and Note 5 "Segment information" as the Company's Board of Directors evaluates the performance of business segments based on core operating income, and it is believed to be a valuable benchmark for measuring the Group's recurring business performance.

Consolidated statement of comprehensive income

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Profit for the period		52,638	62,580
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Net changes in equity instruments measured at fair value through other comprehensive income	26	766	(310)
Remeasurements related to net defined benefit liabilities (assets)	26	958	(972)
Subtotal		1,724	(1,282)
Items that may be reclassified to profit or loss			
Net changes in debt instruments measured at fair value through other comprehensive income	26	–	(1)
Changes in fair value of cash flow hedges	26	(15)	(10)
Exchange differences on translation in foreign operations	26	2,737	(16,859)
Share of other comprehensive income of investments accounted for using equity method	26	–	(16)
Subtotal		2,722	(16,887)
Total other comprehensive income, net of tax		4,446	(18,169)
Total comprehensive income		57,083	44,411
Total comprehensive income attributable to			
Owners of parent		52,458	36,248
Non-controlling interests		4,625	8,163
Total comprehensive income		57,083	44,411

3) Consolidated statement of changes in equity

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

(Millions of Yen)

	Notes	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at January 1, 2019		15,993	13,058	480,457	(52,776)	(15,276)	441,456	62,214	503,670
Cumulative effects of changes in accounting policies		–	–	(530)	–	–	(530)	(23)	(554)
Restated balance at January 1, 2019		15,993	13,058	479,927	(52,776)	(15,276)	440,926	62,190	503,116
Profit for the period		–	–	46,116	–	–	46,116	6,521	52,638
Other comprehensive income	26	–	–	–	–	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	19	–	–	–	(15,001)	–	(15,001)	–	(15,001)
Conversion of convertible bond-type bonds with share acquisition rights	19	–	867	–	9,008	(745)	9,130	–	9,130
Dividends	20	–	–	(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	19	–	–	2,497	–	(2,497)	–	–	–
Total transactions with owners		–	1,902	(12,978)	(5,993)	(3,242)	(20,310)	3,011	(17,299)
Balance at December 31, 2019		15,993	14,960	513,066	(58,769)	(12,177)	473,073	69,827	542,900

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

(Millions of Yen)

	Notes	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at January 1, 2020		15,993	14,960	513,066	(58,769)	(12,177)	473,073	69,827	542,900
Profit for the period		–	–	52,344	–	–	52,344	10,237	62,580
Other comprehensive income	26	–	–	–	–	(16,095)	(16,095)	(2,074)	(18,169)
Total comprehensive income		–	–	52,344	–	(16,095)	36,248	8,163	44,411
Purchase of treasury shares	19	–	–	–	(7,193)	–	(7,193)	–	(7,193)
Disposal of treasury shares	19	–	1,230	–	3,875	(580)	4,525	–	4,525
Conversion of convertible bond-type bonds with share acquisition rights	19	–	280	–	3,510	(286)	3,504	–	3,504
Dividends	20	–	–	(17,898)	–	–	(17,898)	(8,822)	(26,720)
Change in scope of consolidation		–	–	–	–	–	–	7	7
Equity transactions with non-controlling interests		–	(283)	–	–	–	(283)	475	192
Share-based payment transactions	19	–	(2,979)	–	4,004	–	1,025	–	1,025
Transfer from other components of equity to retained earnings	19	–	–	(253)	–	253	–	–	–
Total transactions with owners		–	(1,752)	(18,151)	4,196	(614)	(16,320)	(8,339)	(24,659)
Balance at December 31, 2020		15,993	13,208	547,259	(54,572)	(28,886)	493,002	69,651	562,653

4) Consolidated statement of cash flows

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Cash flows from operating activities			
Profit before tax		69,538	95,849
Depreciation and amortization expenses		38,676	36,165
Impairment losses		19,654	–
Loss due to fire		–	15,929
Interest and dividend income		(3,380)	(3,836)
Interest expenses		2,296	1,330
Foreign exchange loss (gain)		265	849
Loss (gain) on sale and retirement of fixed assets		626	593
Decrease (increase) in trade and other receivables		(20,264)	5,395
Decrease (increase) in inventories		6,700	(419)
Increase (decrease) in trade and other payables		(6,763)	(967)
Increase (decrease) in other current liabilities		50	16,959
Other, net		3,469	2,405
Subtotal		110,866	170,252
Interest and dividends received		3,489	3,470
Interest paid		(1,540)	(1,331)
Proceeds from insurance income		2,025	–
Income taxes refund		13	–
Income taxes paid		(29,919)	(22,136)
Net cash provided by (used in) operating activities		84,936	150,254

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Cash flows from investing activities			
Payments into time deposits		(66,717)	(52,232)
Proceeds from withdrawal of time deposits		34,092	41,101
Purchase of property, plant and equipment, and intangible assets		(44,017)	(35,507)
Proceeds from sale of property, plant and equipment, and intangible assets		760	2,115
Purchase of financial assets measured at fair value through profit or loss		–	(6,100)
Purchase of equity instruments measured at fair value through other comprehensive income		(4,015)	(3,014)
Purchase of debt instruments measured at fair value through other comprehensive income		–	(401)
Proceeds from sale and redemption of financial assets measured at amortized cost		–	1,000
Proceeds from sale and redemption of financial assets measured at fair value through profit or loss		4,000	3,000
Proceeds from sale and redemption of equity instruments measured at fair value through other comprehensive income		6,850	8,019
Other, net		(188)	323
Net cash provided by (used in) investing activities		(69,235)	(41,698)

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	14	(6,869)	25
Proceeds from long-term borrowings	14	23,000	725
Repayments of long-term borrowings	14	(9,503)	(1,341)
Repayments of lease liabilities		(5,933)	(5,149)
Payments for purchase of treasury shares	19	(15,001)	(7,193)
Dividends paid to owners of parent		(15,482)	(17,895)
Dividends paid to non-controlling interests		(2,179)	(8,822)
Proceeds from share issuance to non-controlling interests		8,904	30
Proceeds from exercise of employee share options	19	–	4,525
Other, net		–	(144)
Net cash provided by (used in) financing activities		(23,062)	(35,239)
Effect of exchange rate changes on cash and cash equivalents		1,083	(2,583)
Net increase (decrease) in cash and cash equivalents		(6,278)	70,735
Cash and cash equivalents at beginning of period	6	135,065	128,787
Cash and cash equivalents at end of period	6	128,787	199,522

Notes to the consolidated financial statements

1. Reporting entity

The Group is engaged in the manufacture and sale of wellness care, feminine care, baby care and other products of personal care business, and pet care products, which are its mainstay business lines, with core operations in the Asian markets. The Group is strengthening its global production facilities in response to growing demand for feminine napkins and disposable diapers for babies in emerging regions, notably in Asia, the Middle East, North Africa, and Latin America.

The Company is headquartered in Japan and is listed on the Tokyo Stock Exchange. The registered location of its head office is Shikokuchuo-Shi in Ehime Prefecture.

2. Basis of preparation

(1) Conformity with IFRS

The Group's consolidated financial statements meet the requirements for a "Specified Company under Designated International Accounting Standards" as stipulated in Article 1-2 of the Regulations for Consolidated Financial Statements. Hence, they are prepared in conformity with IFRS in accordance with Article 93 of the Regulations.

The Group's consolidated financial statements for the fiscal year under review were approved at the Board of Directors meeting held on March 26, 2021.

(2) Basis of measurement

The Group's consolidated financial statements are prepared using the historical cost basis except for financial instruments and other items measured at fair value, as presented in Note 3 "Significant accounting policies."

(3) Functional currency and presentation currency

Items in the financial statements of each of the Group companies are measured using the currency of the primary economic environment where the companies operate (hereafter "functional currency").
The Group's consolidated financial statements are presented in Japanese yen, which is the Company's functional currency. Amounts of less than one million yen are rounded to the nearest million yen.

(4) Early adoption of new accounting standards

There are no accounting standards, etc. early adopted.

(5) Accounting standards and interpretations not yet adopted

There are no accounting standards and interpretations having a material impact, among those that have been published by the date of approval for the consolidated financial statements and that have not been adopted by the Group as of December 31, 2020.

3. Significant accounting policies

Significant accounting policies applied to the consolidated financial statements are as follows. Unless otherwise noted, the policies are applied continuously to all the periods presented.

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities over which the Group has control.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to influence those returns through its power over the entity. Decisions as to whether or not the Group has power are based on a consideration of various elements, including the existence of potential voting rights that are exercisable at the present point in time. Financial statements of the subsidiaries are consolidated into the Group's consolidated financial statements from the date of acquisition of control to the date of loss of control. Adjustments to the financial statements of subsidiaries are made as necessary to bring them into conformity with the Group's accounting policies. When the fiscal closing date of subsidiaries is different from that of the Company for consolidation, provisional closing is made at the consolidated closing date for such subsidiaries.

When the ownership interest in a subsidiary changes and the control over the subsidiary is maintained, any difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized as equity transactions directly in equity attributable to owners of the parent.

All intra-group transactions, balances, and unrealized gains and losses are eliminated in consolidation.

2) Associates

An associate is an entity over which the Group has significant influence on the entity's decisions related to operational and financial policies, but does not have control. Significant influence is presumed to exist when the Group has 20% or more but 50% or less of the voting rights of the entity concerned.

Investments in associates are initially recognized at cost on acquisition and are subsequently accounted for using the equity method from the date when the Company obtains significant influence to the date when such influence is lost.

(2) Business combinations

The Group applies the acquisition method to business combinations. The consideration transferred in a business combination includes the fair value of the assets transferred by the Company to former owners of the acquiree, the liabilities incurred, the equity interests issued by the Company, and the liabilities resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. The identifiable assets acquired and the liabilities assumed as a result of the business combination are measured at fair value on the acquisition date. The amount of non-controlling interests in the acquiree is recognized either at fair value or based on the proportionate share of the non-controlling interests in the identifiable net asset amounts for each business combination transaction.

(3) Foreign currency translation

1) Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency of the Group using the exchange rate as of the date of the transaction, or in cases in which items in the financial statements are to be remeasured, the exchange rate at the date of such evaluation. Exchange differences arising from the settlement of these transactions, exchange differences arising from translation of monetary assets and liabilities denominated in foreign currencies at the closing rate at the end of the fiscal period, and exchange differences arising from translation into functional currency of non-monetary assets and liabilities carried at fair value at the rate prevailing on the date when the fair value was measured, are recognized in profit or loss.

2) Foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen at the closing rate at the end of the fiscal period. Revenues and expenses are translated into Japanese yen using the average rate for the fiscal period unless there are significant changes in the exchange rate. Resulting exchange differences are recognized in other comprehensive income.

(4) Financial instruments

1) Non-derivative financial assets

(a) Initial recognition and measurement

The Group classifies financial assets which it holds into the following categories: (i) financial assets measured at amortized cost, (ii) debt instruments measured at fair value through other comprehensive income, (iii) equity instruments measured at fair value through other comprehensive income and (iv) financial assets measured at fair value through profit or loss. This classification is determined at initial recognition of the financial assets.

The Group initially recognizes trade and other receivables on the date of occurrence. Other financial assets are recognized initially on the trade date at which the Group becomes a party to the contract. At initial recognition, all financial assets are measured at fair value. However, in the case of a financial asset that is not classified as a financial asset measured at fair value through profit or loss, it is measured at the fair value plus any transaction costs directly attributable to the acquisition of the financial asset. The transaction costs of financial assets measured at fair value through profit or loss are recognized in profit or loss.

(i) Financial assets measured at amortized cost

Of the financial assets held by the Group, those that meet both of the following conditions are classified as financial assets measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method. Amortization using the effective interest method and gains or losses arising in the event of derecognition are recognized in profit or loss of the reporting period.

(ii) Debt instruments measured at fair value through other comprehensive income

Financial assets that meet both of the following conditions are classified as debt instruments measured at fair value through other comprehensive income.

- Financial assets are held in a business model where the objective is achieved through both the collection and sale of contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, the financial assets are measured at fair value and changes in the fair value excluding impairment loss are recognized in other comprehensive income. In the event of derecognition of the relevant financial asset, the cumulative amount of gains or losses recognized through other comprehensive income is directly transferred to profit or loss.

Interest income based on the effective interest method related to the relevant financial asset are recognized in profit or loss.

(iii) Equity instruments measured at fair value through other comprehensive income

Of the financial assets other than those measured at amortized cost, equity instruments for which the Group made an irrevocable election at initial recognition to present subsequent changes in the fair value in other comprehensive income are classified as equity instruments measured at fair value through other comprehensive income.

Subsequent to initial recognition, the financial assets are measured at fair value and changes in the fair value are recognized in other comprehensive income. In the event of derecognition of the relevant financial asset, the cumulative amount of gains or losses recognized through other comprehensive income is directly transferred to retained earnings.

Dividends from the relevant financial asset are recognized in profit or loss.

(iv) Financial assets measured at fair value through profit or loss

Financial assets, other than financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, and equity instruments measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss.

Subsequent to initial recognition, the financial assets are measured at fair value and changes in the fair value are recognized in profit or loss.

(b) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights to the cash flows from the financial assets expire, or when the contractual rights to receive the cash flows from the financial assets are assigned and substantially all the risks and rewards of ownership of the financial assets are transferred.

(c) Impairment of financial assets

With respect to impairment of financial assets that are measured at amortized cost and debt instruments, etc. that are measured at fair value through other comprehensive income, allowance for doubtful accounts are recognized for expected credit losses on the relevant financial assets. At the end of each reporting period, the Group assesses whether there has been any significant increase in credit risk associated with the financial assets since initial recognition.

If credit risk of a financial instrument has not increased significantly since initial recognition, the allowance for doubtful accounts associated with the relevant financial instrument is measured at an amount equal to twelve-month expected credit losses. If credit risk of a financial instrument has increased significantly since initial recognition, the allowance for doubtful accounts associated with the relevant financial instrument is measured at an amount equal to lifetime expected credit losses.

However, with respect to trade receivables etc. that do not contain significant financing component, allowance for doubtful accounts are always measured at an amount equal to lifetime expected credit losses.

Estimation of expected credit losses on financial instruments is calculated using a method that reflects the following:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, where such information is available without undue cost or effort at the end of a reporting period

The amount relating to such measurement is recognized in profit or loss. If an event occurs after recognition of an impairment loss that results in a decrease of the impairment loss, such decrease is reversed in profit or loss.

2) Non-derivative financial liabilities

Non-derivative financial liabilities that the Group holds include interest-bearing debts and trade and other payables, which are initially recognized on the transaction date on which the Group becomes a party to the contract. These financial liabilities are initially recognized at fair value net of direct transaction costs, and subsequent to initial recognition, are measured at amortized cost using the effective interest method.

The Group derecognizes financial liabilities when the obligation is satisfied, or when the contractual obligation is discharged, canceled, or expires.

3) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

4) Derivatives and hedge accounting

(a) Derivatives

The Group utilizes primarily foreign exchange forward contracts, non-deliverable forwards and currency swaps for hedging foreign exchange fluctuation risk. Derivatives are initially recognized at fair value on the date when the derivative contracts are entered into and are subsequently measured at fair value at the end of each fiscal period. Changes in the fair value of a derivative are recognized in profit or loss immediately unless the derivative is designated as a hedging instrument or the hedging is effective.

(b) Hedge accounting

The Group designates certain derivative transactions as hedging instruments and accounts for them as cash flow hedges.

At the inception of the hedge, the Group documents the hedge relationship qualifying for hedge accounting, as well as its risk management objectives and strategies for undertaking hedge transactions. Additionally, at the inception of the hedge and on an ongoing basis, the Group evaluates whether an economic relationship exists between the hedging instrument and the relevant hedged item to offset changes in the fair value or cash flows of the hedged item during the underlying period.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in other components of equity. The amounts related to hedging instruments that are recognized in other components of equity are reclassified to profit or loss in the same period when the hedged items affect profit or loss.

When the hedged forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains or losses previously recognized in accumulated other comprehensive income are reclassified and included in measuring the cost of the non-financial asset or the non-financial liability at initial recognition.

The application of hedge accounting is discontinued in cases where the hedging instrument expires, is sold, terminated, or exercised, or in cases where the hedge ceases to meet the hedge effectiveness requirement. When hedge accounting is discontinued, any gains or losses recognized in accumulated other comprehensive income remain in equity and are reclassified to profit or loss when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the amount related to the hedging instrument recognized in other components of equity is immediately recognized in profit or loss.

5) Compound financial instruments

Compound financial instruments that the Group issues are convertible bond-type bonds with share acquisition rights, which is a type of bond that may be converted into shareholders' equity at the option of the bondholders. The number of shares to be issued will not change even if the fair value of the relevant bonds changes.

The liability portion of the compound financial instrument is initially posted at the fair value of similar liabilities without equity conversion options. The equity portion is initially recognized as the total fair value of the instrument less the fair value of the liability portion. Costs directly related to bond issuance are prorated according to the ratio of the initial carrying amounts of liability and equity portions.

Subsequent to initial recognition, the liability portion of the instrument is measured at amortized cost using the effective interest method. The equity portion of the instrument is not remeasured subsequent to initial recognition, except on the conversion or due date.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and other highly liquid short-term investments with original maturities of three months or less.

(6) Inventories

Inventories are stated at the lower of cost or net realizable value. Costs are calculated by the gross average method for merchandise, finished goods, work in process, and supplies, and by the moving-average method for raw materials. The cost of finished goods and work in process is comprised of costs of raw materials, direct labor and other direct costs, and related manufacturing overhead (based on normal capacity of production facilities). Net realizable value is the estimated selling price in the ordinary course of business less related estimated selling expenses.

(7) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to the acquisition of qualifying assets and borrowing costs directly attributable to acquisition, construction, and production of qualifying assets.

Expenses subsequent to acquisition are included in the carrying amount of the relevant asset or are separately recognized as an asset where appropriate, if it is highly probable that associated future economic benefits will flow into the Group and if such expenditures can be estimated reasonably. The carrying amount of the replaced portion is derecognized.

Except for land and other assets that are not depreciated, depreciation is calculated using the straight-line method, with the depreciable amount, which is the cost less its residual value, allocated over the asset's useful life as given below.

Buildings and structures	2 – 50 years
Machinery, equipment and vehicles	2 – 20 years

The depreciation method, residual value, and useful life of an asset are reviewed at the end of each fiscal year and revised as necessary.

(8) Goodwill and intangible assets

1) Goodwill

Goodwill is the excess of the cost of acquisition over the fair value, on the acquisition date, of the Group's share of the identifiable net assets of the acquiree. Goodwill arising from acquisition of subsidiaries is included in intangible assets and is recorded at cost less accumulated impairment losses. Goodwill is not amortized and is allocated to each cash-generating unit that is identified based on the region or category of operations.

2) Intangible assets

Intangible assets acquired separately are measured at cost at initial recognition.

Development expenditures directly related to designing and testing of identifiable original software products managed by the Group are recognized as intangible assets only if they can be reliably measured, it is technically and commercially feasible to complete the product or the process, it is highly probable that future economic benefits will be generated, and the Group has the intention and adequate resources to complete the development and to use or sell the assets.

Intangible assets acquired in a business combination and recognized separately from goodwill at initial recognition are measured at fair value on the acquisition date.

Major intangible assets with finite useful lives are amortized using the straight-line method over the estimated useful lives as given below.

Software	5 years
Trademarks (with finite useful lives)	10 – 30 years
Customer-related assets (with finite useful lives)	20 years

The amortization method, residual value, and useful life of an asset are reviewed at the end of each fiscal year and revised as necessary.

(9) Leases

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.

(10) Impairment of non-financial assets

An impairment assessment is performed for property, plant and equipment, right-of-use assets, and intangible assets when there are any events or changes in circumstances indicating that the carrying amount may not be recoverable. The excess of the carrying amount of an asset over its recoverable amount is recognized as impairment losses. The recoverable amount is the higher of the fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the time value of money and the risks specific to the asset. In performing impairment assessments, the assets are grouped together into the smallest identifiable group of assets that can generate cash flows (cash-generating unit).

Goodwill, intangible assets with indefinite useful lives, and intangible assets that are not yet available for use are not amortized, but are assessed for impairment annually or whenever there is an indication of impairment by estimating the recoverable amount of the asset and comparing it to the carrying amount.

For non-financial assets other than goodwill for which impairment losses were recognized in prior periods, a re-assessment is performed at the end of each fiscal period for any possibility that the impairment may be reversed.

Any impairment losses for goodwill are recognized in profit or loss and are not reversed in subsequent periods.

(11) Employee benefits

1) Short-term employee benefits

Short-term employee benefits are recognized as an expense when the employees render the related service. For bonus payments and cost of compensated absences, a liability is recognized for the amount expected to be paid under the relevant benefit plan if the Group has legal or constructive obligations to make the payments as a result of past service rendered by the employees, and if the obligations can be estimated reliably.

2) Retirement benefits

The Group has adopted defined contribution plans and defined benefit plans for its current and retired employees.

Defined contribution plans are retirement benefit plans under which an employer pays fixed contributions into an independent entity and will have no legal or constructive obligations to pay further contributions. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans. As long as the contributions are paid, the Group will not be subject to any additional obligations. Contributions are recognized as employee benefit expenses during the period in which the employees render the related service.

Defined benefit plans are retirement benefit plans other than defined contribution plans. Liabilities recognized in respect of the defined benefit plans are the present value of the defined benefit obligations less the fair value of plan assets after adjusting for the effect of asset ceiling, as necessary, considering available economic benefits. The defined benefit obligations are calculated each year using independent actuaries and the projected unit credit method. The discount rate used in the calculation is determined by reference to market yields of high quality corporate bonds at the end of each fiscal year consistent with the discount period. The discount period is determined based on the term to the estimated dates of future benefit payments.

Of retirement benefit expenses, service cost and net interest on net defined benefit liabilities (assets) are recognized in profit or loss. Remeasurements, which include actuarial gains and losses in experience adjustments as well as actuarial gains and losses due to changes in actuarial assumptions, are recognized in other comprehensive income for the period of occurrence and are transferred to retained earnings immediately from other components of equity. Past service cost is recognized in net profit or loss at the earlier of the date when a plan amendment or curtailment occurs and when the Group recognizes any related restructuring costs or termination benefits.

(12) Share-based payments

As equity-settled share-based compensation, the Group has introduced a stock option plan and restricted share-based remuneration plan, as well as cash-settled share-based compensation. Equity-settled share-based compensation is measured at fair value at the date of grant. The fair value of stock options is calculated using the Black-Scholes model, and the fair value of restricted stock is calculated using the stock price on the date of grant. The fair value determined at the date of grant is recognized as an expense over the vesting period based on an estimate of the number of stock options or restricted stock that are expected to be ultimately vested, and an equal amount is recognized as an increase in equity. The terms and conditions are reviewed periodically and the estimate of the number of vested options is revised as necessary. Cash-settled share-based compensation is measured at the fair value of the liability incurred. The fair value of such liabilities is remeasured at the end of the period and at the settlement date, with changes in fair value recognized in profit or loss.

(13) Equity

Common shares are classified as equity.

Costs directly attributable to the issuance of new shares (common shares) or stock options, net of tax effects, are recognized as a deduction from equity.

In case of purchasing treasury shares, the consideration paid, including any directly attributable transaction costs (net of tax), is deducted from equity until disposal or cancellation of the shares. The difference between the carrying amount and the consideration at sale is recognized as share premium.

(14) Revenue recognition

The Group recognizes revenue based on the following five step approach.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group is mainly engaged in the manufacture and sale of products for personal care, which includes wellness care business, feminine care business, baby care business, and for pet care. For the sale of such products, because the customer obtains control of the products at the time of delivery, the Group judges that its performance obligation is satisfied and recognizes revenue at the time of product delivery. Revenue is recognized at the amount of consideration to which the entity expects to be entitled in exchange for transfer of goods to customers, and is measured at the amount after deduction of trade discounts, rebates, value-added tax, or other taxes. Variable consideration in the form of discounts and rebates is included in the transaction price only to the extent that it is highly probable that a subsequent resolution of the uncertainty relating to such variable consideration will not result in a material reversal of the accumulated amount of revenue recognized.

(15) Income taxes

Income tax expenses comprise current tax expenses and deferred tax expenses. These are recognized in the consolidated statement of income except for those recognized in relation to business combinations, recognized in other comprehensive income, or recognized directly in equity.

Current income tax expenses are measured at the amount expected to be paid to or refunded from the tax authorities, using the tax laws that have been enacted or substantively enacted as of the end of each fiscal period in the country in which the Company and its subsidiaries operate and in which taxable profit is generated.

Temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, based on the asset liability approach, and tax loss and tax credit carryforwards, are recognized as deferred tax assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the relevant deferred tax asset is realized or the deferred tax liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each fiscal period. A deferred tax asset is recognized only if it is likely to generate future taxable profit. However, deferred tax assets and liabilities are not recognized in the following circumstances.

- Temporary difference arising from the initial recognition of an asset or liability in a transaction other than a business combination which, on the transaction date, affects neither the accounting profit and loss nor the taxable profit (loss);
- Taxable temporary difference arising from the initial recognition of goodwill;
- Taxable temporary difference associated with investments in subsidiaries and associates of which the Group is able to control the timing of the reversal and which is unlikely to reverse in the foreseeable future;
- Deductible temporary difference associated with investments in subsidiaries and associates that is not likely to generate sufficient future taxable profit against which the temporary difference may be utilized, or that is not likely to reverse in the foreseeable future

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and if the deferred tax assets and liabilities relate to income taxes imposed by the same tax authorities on the same taxable entity or different taxable entities that intend to make a settlement on a net basis.

(16) Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to owners of parent by the weighted-average number of common shares outstanding for the period, after adjusting for treasury shares. Diluted earnings per share are calculated by adjusting for the impact of all dilutive potential shares.

4. Significant accounting estimates and judgments

In preparing the Group's consolidated financial statements, the management makes judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, and expenses. However, actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Impacts of the revisions to accounting estimates are recognized in the period in which the estimate is revised and the future periods affected by such revisions.

Estimates and judgments made by the management as having a significant effect on the amounts reported in the Group's consolidated financial statements are as follows:

(1) Impairment of non-financial assets

The Group performs an impairment assessment of non-financial assets where there are indications of impairment.

The impairment assessment is performed by comparing the carrying amount of an asset with its recoverable amount. If the recoverable amount is less than the carrying amount, an impairment loss is recognized.

In the calculation of the recoverable amount, estimates are conducted on future cash flows to be generated from use of the asset and estimated future cash flows from final disposal, discounted to the present value. While these estimates are made using the management's best judgment, they may differ from actual results due to changes in economic conditions given future uncertainties.

(2) Income taxes

The Group is engaged in business operations in many countries around the world. Amounts that are estimated to be paid to the respective country's tax authorities are assessed reasonably in accordance with the related laws and regulations, and are recorded as income tax payables and income tax expenses.

In the calculation of income tax payables and income tax expenses, estimates and judgments are required on various factors, including interpretation of the provisions of tax statutes by both the entities subject to taxation and the tax authorities, as well as circumstances of past tax examinations.

Consequently, the amounts of income tax payables and income tax expenses that have been recorded may differ from the actual payment amounts.

Also, deferred tax assets are provided within the extent of taxable profit likely to be generated against which temporary differences may be utilized. In the judgment on the possibility of taxable profit, the timing at which such taxable profit will be generated and the amount are estimated based on the business plans. Whilst these estimates are made using the management's best judgment, they may differ from actual results due to changes in economic conditions given future uncertainties.

(3) Retirement benefits

The Group operates defined contribution plans and defined benefit plans for its current and retired employees. The present values of defined benefit obligations, service cost, and other items are calculated based on various actuarial assumptions. The actuarial assumptions include estimates based on various factors, such as the discount rate, future payments, future plan leavers, and the average life expectancy of plan participants. While these estimates are made using the management's best judgment, they may differ from actual results due to such factors as changes in economic conditions given future uncertainties, and amendments to and publication of related laws and regulations.

5. Segment information

(1) Overview of reportable segments

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

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

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

In the personal care business, the Group manufactures and sells wellness care products, feminine care products, and baby care products. In the pet care business, the Group manufactures and sells pet food products and pet toiletry products. In other businesses, the Group manufactures and sells industrial materials related products, etc.

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

(2) Sales and results by reportable segment

Sales and results by reportable segment are as follows.

(Millions of Yen)

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

(Millions of Yen)

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

Note: Sales across segments are based on prevailing market prices.

(3) Information on products and services

Information on products and services is omitted, since it is the same as reportable segments.

(4) Geographical information

Sales to external customers by region are as follows. Sales are classified by country or region based on the location of consolidated companies.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Japan	273,773	292,380
China	89,025	95,736
Asia	240,910	227,411
Other	110,526	111,947
Total	714,233	727,475

The details of non-current assets by region (excluding financial instruments, deferred tax assets, and net defined benefit asset, etc.) are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
Japan	127,039	129,192
China	36,051	36,881
Asia	160,156	134,053
Other	57,182	50,576
Total	380,428	350,701

Note: Major countries or regions which belong to Asia are Indonesia, Thailand, Vietnam, and India.

(5) Information about major customers

Information about major customers is omitted, since there is no particular external customer to whom sales are 10% or more of the net sales recorded in the consolidated statement of income.

6. Cash and cash equivalents

The details of cash and cash equivalents are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
Cash and deposits	211,147	291,868
Time deposits with maturities over three months	(82,359)	(92,346)
Total	128,787	199,522

The balance of cash and cash equivalents as of the end of the previous fiscal year and the end of the fiscal year under review in the consolidated statement of financial position is identical to the balance of cash and cash equivalents presented in the consolidated statement of cash flows.

7. Trade and other receivables

The details of trade and other receivables are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
Notes and accounts receivable - trade	120,474	112,994
Accounts receivable - other	3,230	1,672
Allowance for doubtful accounts	(1,920)	(1,968)
Total	121,784	112,698

8. Inventories

The details of inventories are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
Merchandise and finished goods	37,884	34,963
Raw materials and supplies	26,506	25,833
Work in process	850	822
Total	65,240	61,617

The write-down of inventories recognized as an expense totaled ¥450 million and ¥408 million for the previous fiscal year and the fiscal year under review, respectively, which is included in cost of sales.

9. Property, plant and equipment

(1) Details of property, plant and equipment

The details of "property, plant and equipment" in the consolidated statement of financial position are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
Property, plant and equipment	236,240	214,885
Right-of-use assets	47,865	43,928
Total	284,105	258,814

Please refer to Note "11. Right-of-use assets" for the statement of right-of-use assets.

(2) Statement of property, plant and equipment

Cost and changes in accumulated depreciation and accumulated impairment losses of property, plant and equipment are as follows.

(Millions of Yen)

Cost	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance at January 1, 2019	131,008	318,352	13,628	22,402	21,078	506,467
Effect of adoption of IFRS 16	–	–	1,198	–	(428)	770
Balance at January 1, 2019 (adjusted)	131,008	318,352	14,826	22,402	20,650	507,238
Purchase	615	1,793	12	38,076	1,537	42,034
Reclassification, etc.	15,147	27,949	107	(48,940)	1,179	(4,558)
Disposal	(934)	(9,482)	(83)	(42)	(656)	(11,196)
Effect of exchange rate changes	318	80	75	(748)	(356)	(631)
Balance at December 31, 2019	146,155	338,692	14,937	10,748	22,354	532,886
Purchase	313	828	112	27,348	1,218	29,818
Reclassification, etc.	1,246	16,251	2,067	(24,366)	1,062	(3,738)
Disposal	(4,911)	(13,767)	–	(1,669)	(704)	(21,050)
Decrease due to change in scope of consolidation	–	–	–	–	(7)	(7)
Effect of exchange rate changes	(3,217)	(7,633)	(218)	(617)	(254)	(11,939)
Balance at December 31, 2020	139,586	334,371	16,898	11,444	23,670	525,970

Following the adoption of IFRS 16 starting from January 1, 2019, the Group has transferred the amount of leases recorded, which was included in the cost of property, plant and equipment, to be included in the cost of the right-of-use assets.

(Millions of Yen)

Accumulated depreciation and accumulated impairment losses	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance at January 1, 2019	56,630	192,421	15	673	16,101	265,839
Effect of adoption of IFRS 16	–	–	–	–	(285)	(285)
Balance at January 1, 2019 (adjusted)	56,630	192,421	15	673	15,815	265,554
Depreciation	5,491	21,844	–	–	1,703	29,037
Impairment losses	32	11,840	–	–	414	12,285
Reclassification, etc.	(304)	(323)	–	–	95	(532)
Disposal	(632)	(8,729)	–	–	(644)	(10,004)
Effect of exchange rate changes	65	341	–	155	(256)	306
Balance at December 31, 2019	61,282	217,393	15	829	17,127	296,646
Depreciation	5,267	19,215	–	–	1,672	26,153
Reclassification, etc.	(99)	(530)	–	17	144	(469)
Disposal	(876)	(5,403)	–	–	(640)	(6,919)
Decrease due to change in scope of consolidation	–	–	–	–	(3)	(3)
Effect of exchange rate changes	(902)	(3,267)	–	(43)	(112)	(4,325)
Balance at December 31, 2020	64,672	227,408	15	802	18,188	311,085

Following the adoption of IFRS 16 starting from January 1, 2019, the Group has transferred the amount of leases recorded, which was included in accumulated depreciation and accumulated impairment losses under property, plant and equipment, to be included in accumulated depreciation and accumulated impairment losses under right-of-use assets.

(Millions of Yen)

Carrying amount	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance at January 1, 2019	74,378	125,931	13,613	21,728	4,977	240,628
Balance at December 31, 2019	84,873	121,299	14,922	9,919	5,227	236,240
Balance at December 31, 2020	74,915	106,963	16,883	10,642	5,482	214,885

Depreciation is recorded in “Cost of sales” and “Selling, general and administrative expenses.”

Disposal for the fiscal year under review includes buildings, facilities, etc. of the Ahmedabad Factory of Unicharm India Private Ltd., the Company’s subsidiary, which were destroyed by a fire accident on June 24, 2020. The impact of the fire on profit or loss is presented in Note 24 “Other income and other expenses.”

There are no property, plant and equipment which are subject to restrictions on their ownership or pledged as collateral for liabilities.

10. Intangible assets

(1) Details of intangible assets

The details of “intangible assets” in the consolidated statement of financial position are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
Intangible assets	94,156	89,786
Right-of-use assets	6	220
Total	94,162	90,006

Please refer to Note “11. Right-of-use assets” for the statement of right-of-use assets.

(2) Statement of intangible assets

Cost and changes in accumulated amortization and accumulated impairment losses of goodwill and other intangible assets are as follows.

(Millions of Yen)

Cost	Goodwill	Trademarks	Customer-related assets	Other	Total
Balance at January 1, 2019	47,937	36,598	32,586	14,864	131,984
Effect of adoption of IFRS 16	–	–	–	(13)	(13)
Balance at January 1, 2019 (adjusted)	47,937	36,598	32,586	14,851	131,971
Purchase	–	–	–	2,628	2,628
Reclassification, etc.	–	–	–	587	587
Disposal	–	–	–	(114)	(114)
Effect of exchange rate changes	1,117	(601)	1,295	(43)	1,768
Balance at December 31, 2019	49,054	35,997	33,881	17,908	136,840
Purchase	–	1	–	4,003	4,004
Reclassification, etc.	–	–	–	(81)	(81)
Disposal	–	–	–	(180)	(180)
Effect of exchange rate changes	(2,021)	(1,342)	(1,804)	(350)	(5,517)
Balance at December 31, 2020	47,032	34,656	32,077	21,301	135,067

Following the adoption of IFRS 16 starting from January 1, 2019, the Group has transferred the amount of leases recorded, which was included in the cost of intangible assets, to be included in the cost of the right-of-use assets.

(Millions of Yen)

Accumulated amortization and accumulated impairment losses	Goodwill	Trademarks	Customer-related assets	Other	Total
Balance at January 1, 2019	–	15,999	5,228	10,636	31,863
Effect of adoption of IFRS 16	–	–	–	(3)	(3)
Balance at January 1, 2019 (adjusted)	–	15,999	5,228	10,633	31,860
Amortization	–	1,862	1,604	1,179	4,646
Impairment losses	1,498	329	4,712	–	6,538
Reclassification, etc.	–	–	–	(9)	(9)
Disposal	–	–	–	(113)	(113)
Effect of exchange rate changes	–	(116)	(48)	(73)	(238)
Balance at December 31, 2019	1,498	18,074	11,497	11,616	42,684
Amortization	–	1,921	1,174	1,525	4,620
Reclassification, etc.	–	–	–	2	2
Disposal	–	–	–	(179)	(179)
Effect of exchange rate changes	–	(1,047)	(512)	(289)	(1,848)
Balance at December 31, 2020	1,498	18,948	12,159	12,676	45,280

Following the adoption of IFRS 16 starting from January 1, 2019, the Group has transferred the amount of leases recorded, which was included in accumulated amortization and accumulated impairment losses under intangible assets, to be included in accumulated depreciation and accumulated impairment losses under right-of-use assets.

(Millions of Yen)

Carrying amount	Goodwill	Trademarks	Customer-related assets	Other	Total
Balance at January 1, 2019	47,937	20,598	27,358	4,228	100,121
Balance at December 31, 2019	47,556	17,923	22,384	6,292	94,156
Balance at December 31, 2020	45,535	15,709	19,918	8,625	89,786

Amortization is recorded in “Cost of sales” and “Selling, general and administrative expenses.”

There are no intangible assets which are subject to restrictions on their ownership or pledged as collateral for liabilities.

Some of the trademarks are deemed to have indefinite useful lives since they will basically remain as long as the business is continued. The carrying amounts of trademarks with indefinite useful lives were ¥1,310 million and ¥1,350 million as of the end of the previous fiscal year and the end of the fiscal year under review, respectively.

11. Right-of-use assets

Cost and changes in accumulated depreciation and accumulated impairment losses of right-of-use assets are as follows.

(Millions of Yen)

Cost	Buildings and structures	Machinery, equipment and vehicles	Land	Other	Total
Balance at January 1, 2019	–	–	–	–	–
Effect of adoption of IFRS 16	36,830	1,925	9,074	200	48,029
Balance at January 1, 2019 (adjusted)	36,830	1,925	9,074	200	48,029
Purchase	7,913	213	4	132	8,261
Other	(1,957)	(69)	(69)	(47)	(2,141)
Balance at December 31, 2019	42,786	2,069	9,008	286	54,149
Purchase	5,416	291	71	366	6,144
Other	(1,581)	(139)	(2,811)	(52)	(4,582)
Balance at December 31, 2020	46,622	2,222	6,268	600	55,711

Following the adoption of IFRS 16 starting from January 1, 2019, the Group recognizes the right-of-use assets concerning all leases, in principle, and has transferred the amount of leases recorded, which was included in the cost of property, plant and equipment or intangible assets, to be included in the cost of the right-of-use assets.

(Millions of Yen)

Accumulated depreciation and accumulated impairment losses	Buildings and structures	Machinery, equipment and vehicles	Land	Other	Total
Balance at January 1, 2019	–	–	–	–	–
Effect of adoption of IFRS 16	261	231	660	56	1,208
Balance at January 1, 2019 (adjusted)	261	231	660	56	1,208
Depreciation	4,155	552	189	96	4,993
Other	169	(67)	(1)	(23)	77
Balance at December 31, 2019	4,585	716	848	129	6,278
Depreciation	4,662	469	136	124	5,392
Other	128	34	(239)	(30)	(107)
Balance at December 31, 2020	9,376	1,219	744	224	11,563

Following the adoption of IFRS 16 starting from January 1, 2019, the Group recognizes the right-of-use assets concerning all leases, in principle, and has transferred the amount of leases recorded, which was included in accumulated depreciation and accumulated impairment losses under property, plant and equipment or intangible assets, to be included in accumulated depreciation and accumulated impairment losses under right-of-use assets.

(Millions of Yen)

Carrying amount	Buildings and structures	Machinery, equipment and vehicles	Land	Other	Total
Balance at January 1, 2019	36,569	1,694	8,413	145	46,821
Balance at December 31, 2019	38,201	1,353	8,160	157	47,871
Balance at December 31, 2020	37,246	1,002	5,523	376	44,148

12. Impairment of non-financial assets

The details of assets by type for which impairment losses are recognized are as follows.

The details of impairment losses by segment are presented in Note “5. Segment information.”

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Buildings and structures	32	–
Machinery, equipment and vehicles	11,840	–
Right-of-use assets	831	–
Other	414	–
Total property, plant and equipment	13,116	–
Goodwill	1,498	–
Trademarks	329	–
Customer-related assets	4,712	–
Total intangible assets	6,538	–
Total impairment losses	19,654	–

(1) Cash-generating unit

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

(2) Impairment loss

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

The main impairment losses recorded in the fiscal year under review are as follows.

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

In addition, as the profit projected at the time of the acquisition is now not expected at Unicharm Myanmar Company Limited (former trade name: MYCARE Unicharm Co., Ltd.), a subsidiary of the Company based in Myanmar, the carrying amount of property, plant and equipment such as “machinery, equipment and vehicles,” “goodwill” and “trademarks” 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 “right-of-use assets” and “customer-related assets” that are recognized at the subsidiary based in Indonesia was reduced to their recoverable amount, and a reduction of ¥5,543 million was recorded as an impairment loss in “other expenses.”

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

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

None.

(3) Impairment assessments on goodwill and intangible assets with indefinite useful lives

The details of goodwill and intangible assets with indefinite useful lives by cash-generating unit are as follows (after impairment loss recognition). They are allocated to the personal care segment.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)		Fiscal Year Ended December 31, 2020 (as of December 31, 2020)	
	Goodwill	Intangible assets with indefinite useful lives	Goodwill	Intangible assets with indefinite useful lives
Thailand	21,464	–	20,340	–
Vietnam	12,951	–	12,234	–
Australia	6,366	1,310	6,366	1,350
Malaysia	4,929	–	4,748	–
Other	1,846	–	1,846	–
Total	47,556	1,310	45,535	1,350

Recoverable amounts used for impairment assessments on goodwill and intangible assets with indefinite useful lives are calculated based on value in use. Value in use is calculated by discounting estimated future cash flows for three years, which are based on the business plans approved by the management, to their present value at a discount rate calculated based on the pre-tax weighted-average capital cost (previous fiscal year: 4.4%-10.4%, fiscal year under review: 6.9%-8.5%). Business plans are created based on the evaluation of future projections of the business by the management and the past results, upon aligning external information and internal information.

Cash flows for a period exceeding the period of business plans are estimated by taking into account average growth rates forecast in each market (0.0%-5.7%), and other factors.

Please refer to Note "12. Impairment of non-financial assets (2) Impairment loss" for the details of goodwill and intangible assets with indefinite useful lives recognized in the previous fiscal year. If future cash flows which are the major assumptions used for impairment assessments decrease or if the discount rates increase, additional impairment losses may arise.

Impairment losses on goodwill or intangible assets with indefinite useful lives were not recognized in the fiscal year under review. The Group considers that significant impairment losses are unlikely to be incurred even if major assumptions used for impairment assessments change within a reasonably foreseeable range.

13. Income tax

(1) Deferred tax assets and deferred tax liabilities

The major details of deferred tax assets and liabilities are as follows.

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

(Millions of Yen)

	January 1, 2019	Cumulative amount of impact from application of new accounting standards	Recognized as profit or loss	Recognized as other comprehensive income	Other	December 31, 2019
Deferred tax assets						
Accrued bonuses	1,405	–	(23)	–	–	1,382
Accrued sales promotion expenses	5,567	–	(21)	–	–	5,546
Retirement benefit liabilities	2,744	–	(29)	(486)	–	2,228
Tax loss carryforwards	4,470	–	(821)	–	–	3,649
Other	10,415	65	(430)	–	–	10,051
Total deferred tax assets	24,601	65	(1,325)	(486)	–	22,855
Deferred tax liabilities						
Depreciation and amortization expenses	(5,829)	–	4,330	–	–	(1,500)
Net defined benefit asset	(0)	–	(13)	2	–	(11)
Equity instruments measured at fair value through other comprehensive income	(3,573)	–	658	(338)	–	(3,253)
Undistributed earnings	(18,691)	–	(868)	–	–	(19,559)
Convertible bond-type bonds with share acquisition rights	(143)	–	130	–	–	(14)
Intangible assets	(6,998)	–	1,827	–	–	(5,171)
Other	(1,032)	189	(54)	7	–	(889)
Total deferred tax liabilities	(36,267)	189	6,009	(328)	–	(30,396)
Net deferred tax assets (liabilities)	(11,666)	255	4,685	(815)	–	(7,541)

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

(Millions of Yen)

	January 1, 2020	Recognized as profit or loss	Recognized as other comprehensive income	Other	December 31, 2020
Deferred tax assets					
Accrued bonuses	1,382	38	–	–	1,419
Accrued sales promotion expenses	5,546	545	–	–	6,091
Retirement benefit liabilities	2,228	(179)	374	–	2,422
Tax loss carryforwards	3,649	(1,076)	–	–	2,573
Other	10,051	4,438	–	–	14,489
Total deferred tax assets	22,855	3,765	374	–	26,994
Deferred tax liabilities					
Depreciation and amortization expenses	(1,500)	(3,760)	–	–	(5,259)
Net defined benefit asset	(11)	0	(2)	–	(13)
Equity instruments measured at fair value through other comprehensive income	(3,253)	–	131	312	(2,809)
Undistributed earnings	(19,559)	(1,661)	–	–	(21,221)
Convertible bond-type bonds with share acquisition rights	(14)	14	–	–	–
Intangible assets	(5,171)	748	–	–	(4,423)
Other	(889)	(412)	(7)	–	(1,308)
Total deferred tax liabilities	(30,396)	(5,071)	122	312	(35,032)
Net deferred tax assets (liabilities)	(7,541)	(1,306)	496	312	(8,038)

Differences between total amounts recognized as profit or loss and deferred tax expenses are attributable to the effect of exchange rate changes.

In evaluating the recoverability of deferred tax assets, the Group takes into account the scheduled reversal of deferred tax liabilities, estimated future taxable profit, and tax planning. As a result of evaluation on the recoverability of deferred tax assets, deferred tax assets are not recorded for part of deductible temporary differences and tax loss carryforwards.

Deductible temporary differences and tax loss carryforwards for which deferred tax assets are not recognized are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
Deductible temporary differences	7,757	3,230
Tax loss carryforwards	19,385	37,846
Total	27,142	41,076

The details of expiration of tax loss carryforwards for which deferred tax assets are not recognized are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
In one year or less	459	1,401
After one year through five years	5,905	4,573
After five years	13,021	31,871
Total	19,385	37,846

Total temporary differences associated with investments in subsidiaries which are not recognized as deferred tax liabilities were ¥8,122 million and ¥8,129 million at the end of the previous fiscal year and the end of the fiscal year under review, respectively.

Deferred tax liabilities are not recognized for these temporary differences since the Group is able to control the timing of the reversal of the temporary differences and the reversal is unlikely to occur in the foreseeable future.

(2) Income tax expenses

The details of income tax expenses are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Current tax expenses	20,961	31,415
Deferred tax expenses	(4,060)	1,853
Total income tax expenses	16,900	33,268

Current tax expenses include benefits arising from previously unrecognized tax losses, tax credits, and temporary differences for prior periods. A decrease in current tax expenses due to the above factor was ¥21 million and ¥260 million for the previous fiscal year and the fiscal year under review, respectively.

The relationship between the effective statutory tax rate and the actual effective tax rate of the Group is as follows. The effective statutory tax rate is calculated based on a national corporate tax, an inhabitant tax, and an enterprise tax of Japan. Overseas subsidiaries are subject to local corporate and other taxes.

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Effective statutory tax rate	30.6%	30.6%
Changes in unrecognized deferred tax assets	1.4%	7.9%
Dividend income, etc.	0.3%	0.1%
Lower income tax rates applicable to income in certain foreign countries	(5.3)%	(5.0)%
Effect of tax reforms	0.0%	(0.0)%
Tax credits	(2.1)%	(0.1)%
Tax effects on undistributed earnings	2.4%	1.7%
Loss on share transfer of subsidiaries following capital reduction	(3.6)%	–
Other	0.5%	(0.5)%
Actual effective tax rate	24.3%	34.7%

14. Bonds and borrowings

The details of bonds and borrowings are as follows.

(Millions of Yen)

	Short-term borrowings	Current portion of long-term borrowings	Current portion of bonds	Subtotal of current items	Bonds	Long-term borrowings	Subtotal of non-current items	Total
Balance at January 1, 2019	13,402	5,432	–	18,834	12,507	8,921	21,428	40,262
New borrowings	4,553	–	–	4,553	–	23,000	23,000	27,553
Transfer	–	863	8,644	9,507	(8,644)	(863)	(9,507)	–
Repayment or redemption	(11,422)	(6,051)	–	(17,473)	–	(3,452)	(3,452)	(20,925)
Conversion of convertible bond-type bonds with share acquisition rights	–	–	(5,339)	(5,339)	(3,726)	–	(3,726)	(9,066)
Effect of exchange rate changes	(28)	27	–	(1)	–	(5)	(5)	(6)
Other	–	–	184	184	(137)	–	(137)	47
Balance at December 31, 2019	6,506	270	3,489	10,264	–	27,601	27,601	37,866
New borrowings	6,137	–	–	6,137	–	725	725	6,862
Transfer	–	3,000	–	3,000	–	(3,000)	(3,000)	–
Repayment or redemption	(6,113)	(253)	–	(6,366)	–	(1,088)	(1,088)	(7,453)
Conversion of convertible bond-type bonds with share acquisition rights	–	–	(3,491)	(3,491)	–	–	–	(3,491)
Effect of exchange rate changes	(556)	(17)	–	(573)	–	(37)	(37)	(610)
Other	–	–	3	3	–	–	–	3
Balance at December 31, 2020	5,975	3,000	–	8,975	–	24,202	24,202	33,176
Average interest rate (Note 1)	5.11%	0.25%	(Note 3)	–	(Note 3)	0.28%	–	–
Maturity (Note 2)	–	–	(Note 3)	–	(Note 3)	2021 – 2026	–	–

Notes: 1. The average interest rate represents the weighted-average interest rate applicable to the balance at the end of the fiscal year under review.

2. The maturity represents the maturity applicable to the balance at the end of the fiscal year under review.

3. The terms and conditions of bond issuance are summarized as follows.

(Millions of Yen)

Company	Series	Date of issuance	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)	Inter-est rate	Maturity
Unicharm Corporation	Zero Coupon Convertible Bonds due 2020	September 25, 2015	3,489	—	—	September 25, 2020

The “130% call option provision” is affixed to the above bonds. If the closing price of the Company’s common shares is 130% or more of the conversion price applicable to each transaction date for 30 consecutive transaction dates on or after September 25, 2018, the Company may make advanced redemption of all (not part) of the outstanding bonds at 100% of face value upon prior written notice.

15. Lease liabilities

The Group has rented multiple offices and vehicles, etc.

Lease payments not paid as of the end of the previous fiscal year and the fiscal year under review are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
In one year or less	5,782	5,737
After one year through five years	18,609	17,589
After five years	24,067	20,487
Total	48,459	43,813
Future finance costs	3,765	2,914
Present value of lease liabilities	44,693	40,899
Average interest rate (Note)	1.06%	1.50%

Note: The average interest rate represents the weighted-average interest rate applicable to the balance at the end of the fiscal year.

The details of gains and losses concerning leases are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Short-term lease payments	230	250
Small lease payments	338	287

Depreciation of right-of-use assets and the increase in right-of-use assets, as well as the carrying amount of right-of-use assets are presented in Note “11. Right-of-use assets,” interest expenses associated with lease liabilities are presented in Note “25. Financial income and financial costs,” and the total amount of cash outflows concerning leases are presented in the consolidated statement of cash flows.

16. Trade and other payables

The details of trade and other payables are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
Notes and accounts payable - trade	106,225	101,354
Accounts payable - other	43,783	43,962
Total	150,007	145,316

17. Employee benefits

(1) Overview of retirement benefit plans

The Company and some of its subsidiaries have defined benefit corporate pension plans and lump-sum benefit plans (funded and unfunded) as defined benefit plans. The amounts of benefits are determined based on evaluation factors, including the number of years of service, ability and job grades, and position.

The Company’s defined benefit corporate pension plans are managed by the Unicharm corporate pension fund (hereafter “pension fund”) that is separate from the Company in accordance with relevant laws and regulations. The administrative board of the pension fund and the pension management entrusted organization are required by laws and regulations to take actions by giving top priority to the interests of plan participants, and bear the responsibility to manage plan assets based on given policies. Employers are obliged to make contributions to the fund.

The pension fund outsources the management of plan assets to a financial institution and prepares a portfolio for the purpose of securing stable returns under acceptable risks in order to ensure future payments based on retirement benefit corporate pension plans. The portfolio is reviewed if necessary when the original premises or other items change significantly.

The Company's lump-sum benefit plans may pay retirement benefits from trust assets mainly based on retirement benefit trust contracts. They outsource liquid and low risk management centered on debt securities to a financial institution in order to make payments according to funding needs for future lump-sum benefit payments.

Plan assets are exposed to investment risk relating to financial instruments, and defined benefit obligations, which are measured based on various actuarial assumptions, such as discount rates, are exposed to risk resulting from changes in these assumptions.

In addition to defined benefit plans, the Company and some of its subsidiaries have defined contribution plans.

(2) Defined benefit plans

1) Amounts recognized in the consolidated statement of financial position

The relationship between defined benefit obligations and plan assets, and amounts recognized in the consolidated statement of financial position is as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
Present value of funded defined benefit obligations	55,145	49,288
Fair value of plan assets	(51,869)	(48,474)
Subtotal	3,275	814
Effect of asset ceiling (Note 1)	1,522	4,365
Present value of unfunded defined benefit obligations	5,343	6,266
Net retirement benefit liabilities (defined benefit asset)	10,140	11,446
Amounts in the consolidated statement of financial position		
Retirement benefit liabilities	10,173	11,483
Net defined benefit asset (Note 2)	(33)	(38)

Notes: 1. Asset ceiling is calculated based on the present value of economic benefits available in the form of a decrease in future contributions to plans, taking into account minimum fund requirements.

2. Net defined benefit asset is included in other non-current assets in the consolidated statement of financial position.

2) Reconciliation of the present value of defined benefit obligations

Changes in the present value of defined benefit obligations are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Present value of defined benefit obligations at beginning of period	55,536	60,487
Current service cost	3,075	3,155
Interest expenses	622	456
Remeasurements		
Actuarial differences arising from changes in demographic assumptions	(103)	362
Actuarial differences arising from changes in financial assumptions	3,155	(1,283)
Actuarial differences arising from performance adjustments	371	621
Past service cost	119	2
Retirement benefits paid	(2,112)	(1,727)
Effect of exchange rate changes	(149)	(314)
Change due to transition to a defined contribution plan	–	(6,358)
Other	(27)	154
Present value of defined benefit obligations at end of period	60,487	55,555

Note: Weighted-average duration of defined benefit obligations was 18.0 years and 17.5 years for the previous fiscal year and the fiscal year under review, respectively.

3) Reconciliation of the fair value of plan assets

Changes in the fair value of plan assets are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Fair value of plan assets at beginning of period	47,263	51,869
Interest income	331	257
Remeasurements		
Gain on plan assets	3,278	1,192
Contribution from employers	1,869	1,936
Retirement benefits paid	(784)	(851)
Effect of exchange rate changes	(88)	(50)
Change due to transition to a defined contribution plan	–	(5,879)
Fair value of plan assets at end of period	51,869	48,474

Note: Employers are expected to contribute ¥1,953 million to defined benefit plans in the following fiscal year.

4) Reconciliation of the effect of asset ceiling

Changes in the effect of asset ceiling are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Effect of asset ceiling at beginning of period	3,084	1,522
Restrictions on interest income	24	9
Remeasurements		
Changes in the effect of asset ceiling	(1,587)	2,835
Effect of asset ceiling at end of period	1,522	4,365

5) Details of plan assets

The details of plan assets are as follows.

Fiscal Year Ended December 31, 2019 (as of December 31, 2019)

(Millions of Yen)

	Quoted in an active market	Unquoted in an active market	Total
Debt instruments	2,992	22,797	25,789
Equity instruments	1,892	9,199	11,092
Cash and cash equivalents	188	738	926
Life insurance company general account	–	4,695	4,695
Other	1,029	8,338	9,367
Total plan assets	6,102	45,767	51,869

Notes: 1. All of the amounts classified as debt instruments with no quoted market price in an active market are held in commingled trusts. The investments in commingled trusts are mainly domestic bonds and bond investment trusts.

2. All of the amounts classified as equity instruments with no quoted market price in an active market are held in commingled trusts. The investments in commingled trusts are mainly domestic bonds and overseas listed stocks.

3. Cash and cash equivalents are mainly held in commingled trusts.

4. All of the amounts of plan assets classified as others with no quoted market price in an active market are held in commingled trusts.

Fiscal Year Ended December 31, 2020 (as of December 31, 2020)

(Millions of Yen)

	Quoted in an active market	Unquoted in an active market	Total
Debt instruments	–	23,899	23,899
Equity instruments	–	10,961	10,961
Cash and cash equivalents	283	333	616
Life insurance company general account	–	4,820	4,820
Other	–	8,179	8,179
Total plan assets	283	48,192	48,474

Notes: 1 All debt instruments are held in commingled trusts. The investments in commingled trusts are mainly domestic bonds and bond investment trusts.

2. All equity instruments are held in commingled trusts. The investments in commingled trusts are mainly domestic bonds and overseas listed stocks.
3. Cash and cash equivalents are mainly held in commingled trusts.
4. All amounts of plan assets classified as other are held in commingled trusts.

6) Actuarial assumptions

Major actuarial assumptions (weighted-average) used are as follows.

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
Discount rate	0.8%	1.0%

7) Sensitivity analysis

The effect of a change in actuarial assumptions on the present value of defined benefit obligations is as follows. This analysis assumes that the other variables are constant. There are no changes from the method and assumptions used for preparing the sensitivity analysis for the previous fiscal year.

	Change	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
Discount rate	0.5% increase	¥4,151 million decrease	¥4,089 million decrease
	0.5% decrease	¥4,753 million increase	¥4,681 million increase

(3) Defined contribution plans

Expenses for defined contribution plans are recognized as an expense during the period in which the employees render the related service, and contributions payable are recognized as obligations. The expenses were ¥4,221 million and ¥4,151 million for the previous fiscal year and the fiscal year under review, respectively.

18. Other current liabilities

The details of other current liabilities are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
Accrued expenses	28,748	36,865
Accrued bonuses	6,661	7,348
Accrued consumption taxes, etc.	3,500	7,133
Accrued compensated absences	2,031	2,525
Other	2,617	3,105
Total	43,557	56,976

19. Equity

(1) Capital stock and share premium

Changes in the total number of shares authorized and the number of outstanding shares are as follows.

	Total number of shares authorized (Thousands of Shares)	Number of outstanding shares (Thousands of Shares)
Balance at January 1, 2019	827,779	620,834
Increase during the period	–	–
Decrease during the period	–	–
Balance at December 31, 2019	827,779	620,834
Increase during the period	–	–
Decrease during the period	–	–
Balance at December 31, 2020	827,779	620,834

All shares issued by the Company are no-par common shares. All outstanding shares were fully paid in.

Share premium consists of legal capital surplus and other capital surplus. The Companies Act of Japan prescribes that at least 50% of the payment in or delivery relating to the issuance of shares must be incorporated into capital stock and the remaining amount must be incorporated into legal capital surplus.

The Act also prescribes that legal capital surplus may be incorporated into capital stock upon resolution at the General Meeting of Shareholders.

If share premium is negative due to a difference between additional equity in subsidiaries and additional investment, share premium is treated as zero and the remaining amount is reduced from retained earnings.

(2) Retained earnings

Retained earnings consist of legal retained earnings and other retained earnings. The Companies Act prescribes that 10% of any appropriation to shareholders from retained earnings must be set aside as legal capital surplus or legal retained earnings until the total amount of legal capital surplus and legal retained earnings reaches 25% of capital stock.

Legal retained earnings set aside may be appropriated for deficit disposition. Moreover, legal retained earnings may be reversed upon resolution at the General Meeting of Shareholders.

(3) Treasury shares

Changes in treasury shares are as follows.

	Number of shares (Thousands of Shares)	Amount (Millions of Yen)
Balance at January 1, 2019	24,151	52,776
Increase due to purchase of treasury shares based on a resolution by the Board of Directors	4,235	15,000
Increase due to purchase of shares of less than one unit	0	1
Decrease due to conversion of convertible bond-type bonds with share acquisition rights	(3,782)	(9,008)
Balance at December 31, 2019	24,605	58,769
Increase due to purchase of treasury shares based on a resolution by the Board of Directors	1,786	7,192
Increase due to purchase of shares of less than one unit	0	1
Decrease due to conversion of convertible bond-type bonds with share acquisition rights	(1,453)	(3,510)
Decrease due to exercise of stock option rights	(1,560)	(3,875)
Acquisition through restricted share-based remuneration plan	6	16
Decrease due to disposal as restricted share-based remuneration	(1,642)	(4,019)
Balance at December 31, 2020	21,743	54,572

(4) Other components of equity

Changes in other components of equity are as follows.

(Millions of Yen)

	Net changes in equity instruments measured at fair value through other comprehensive income	Net changes in debt instruments measured at fair value through other comprehensive income	Changes in fair value of cash flow hedges	Exchange differences on translation in foreign operations	Remeasure-ments related to net defined benefit liabilities (assets)	Share acquisition rights	Share of other comprehensive income of associates accounted for using equity method	Total
Balance at January 1, 2019	8,352	–	4	(25,696)	–	2,064	–	(15,276)
Other comprehensive income	766	–	(8)	4,591	992	–	–	6,341
Conversion of convertible bond-type bonds with share acquisition rights	–	–	–	–	–	(745)	–	(745)
Transfer from other components of equity to retained earnings	(1,491)	–	–	–	(992)	(14)	–	(2,497)
Balance at December 31, 2019	7,627	–	(3)	(21,105)	–	1,304	–	(12,177)
Other comprehensive income	(310)	(1)	(5)	(14,800)	(963)	–	(16)	(16,095)
Disposal of treasury shares	–	–	–	–	–	(580)	–	(580)
Conversion of convertible bond-type bonds with share acquisition rights	–	–	–	–	–	(286)	–	(286)
Transfer from other components of equity to retained earnings	(708)	–	–	–	963	(2)	–	253
Balance at December 31, 2020	6,609	(1)	(8)	(35,905)	–	436	(16)	(28,886)

20. Dividends

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

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting on February 25, 2019	Common shares	7,160	12.0	December 31, 2018	March 6, 2019
Board of Directors meeting on August 8, 2019	Common shares	8,315	14.0	June 30, 2019	September 2, 2019

(2) Dividends whose record date is in the fiscal year ended December 31, 2019 and whose effective date is in the fiscal year ended December 31, 2020

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting on February 21, 2020	Common shares	8,347	14.0	December 31, 2019	March 5, 2020

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

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting on February 21, 2020	Common shares	8,347	14.0	December 31, 2019	March 5, 2020
Board of Directors meeting on August 5, 2020	Common shares	9,551	16.0	June 30, 2020	September 2, 2020

(2) Dividends whose record date is in the fiscal year ended December 31, 2020 and whose effective date is in the fiscal year ending December 31, 2021

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting on February 22, 2021	Common shares	9,585	16.0	December 31, 2020	March 8, 2021

21. Revenue

Net sales of the Group comprise revenue generated from goods transferred to a customer at a certain point in time. Net sales of each reportable segment are broken down based on the locations of consolidated companies. The breakdown of the net sales is as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Personal care		
Japan	208,569	221,719
China	88,438	95,133
Asia	240,477	226,894
Other	83,259	81,011
Subtotal	620,742	624,758
Pet care (Note 1)	86,977	95,693
Other (Note 2)	6,514	7,024
Total	714,233	727,475

Notes: 1. Net sales for the pet care business are mainly those in Japan and the North American region (the region categorized into Other).

2. Net sales for the other businesses are mainly those in Japan.

22. Selling, general and administrative expenses

The details of selling, general and administrative expenses are as follows.

(Millions of Yen)

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

23. Employee benefits expenses

The details of employee benefits expenses included in cost of sales and selling, general and administrative expenses are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Salaries and bonuses	51,106	54,478
Employee and legal benefits expenses	5,917	5,856
Retirement benefit expenses	7,291	7,255
Share-based payment expenses	–	1,027
Other	1,169	1,020
Total	65,484	69,636

24. Other income and other expenses

The details of other income and other expenses are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Other income		
Subsidy income	518	284
Gain on sales of scraps	324	456
Other	1,482	1,924
Total other income	2,324	2,664
Other expenses		
Loss on disposal of non-current assets	786	620
Impairment losses (Note 1)	19,654	–
Other (Note 2)	1,917	21,198
Total other expenses	22,358	21,818

Notes: 1. Impairment losses are presented in Note “12. Impairment of non-financial assets.”

2. A fire accident took place on June 24, 2020 at Ahmedabad Factory of Unicharm India Private Ltd., a subsidiary of the Company. In the fiscal year under review, the total amount of damage was ¥15,929 million, totaling ¥13,072 million of property, plant and equipment such as buildings and equipment of the factory, ¥1,906 million of inventories, and ¥951 million of other related expenses. This damage amount is recorded as “other expenses” in the consolidated statement of income. The overseas subsidiary had fire insurance for the damaged assets, but since the receipt of insurance proceeds has not been determined as of the end of the fiscal year under review, insurance income is not recorded.

25. Financial income and financial costs

The details of financial income and financial costs are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Financial income		
Interest income (Note 1)	2,911	3,331
Dividend income (Note 2)	469	505
Gain on valuation of derivatives	–	316
Other	4	0
Total financial income	3,385	4,152
Financial costs		
Interest expenses		
Financial liabilities measured at amortized cost (Note 3)	2,296	1,330
Foreign exchange losses	780	2,334
Loss on valuation of derivatives	195	–
Other	322	229
Total financial costs	3,593	3,893

Notes: 1. Interest income was generated from financial assets measured at amortized cost, cash and cash equivalents, loans, and receivables.

2. Dividend income was generated from equity instruments measured at fair value through other comprehensive income.

3. Interest expenses on financial liabilities measured at amortized cost include interest expenses associated with lease liabilities, which amounted to ¥514 million and ¥655 million for the previous fiscal year and the fiscal year under review, respectively.

26. Other comprehensive income

Amounts arising during the period, reclassification adjustments, and tax effects concerning other comprehensive income are as follows.

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

(Millions of Yen)

	Amount arising during the period	Reclassification adjustment	Before tax effect adjustment	Tax effects	After tax effect adjustment
Items that will not be reclassified to profit or loss					
Net changes in equity instruments measured at fair value through other comprehensive income	1,104	–	1,104	(338)	766
Remeasurements related to net defined benefit liabilities (assets)	1,442	–	1,442	(484)	958
Subtotal	2,546	–	2,546	(822)	1,724
Items that may be reclassified to profit or loss					
Changes in fair value of cash flow hedges	(30)	8	(22)	7	(15)
Exchange differences on translation in foreign operations	2,737	–	2,737	–	2,737
Subtotal	2,707	8	2,715	7	2,722
Total other comprehensive income	5,253	8	5,260	(815)	4,446

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

(Millions of Yen)

	Amount arising during the period	Reclassification adjustment	Before tax effect adjustment	Tax effects	After tax effect adjustment
Items that will not be reclassified to profit or loss					
Net changes in equity instruments measured at fair value through other comprehensive income	(441)	–	(441)	131	(310)
Remeasurements related to net defined benefit liabilities (assets)	(1,344)	–	(1,344)	372	(972)
Subtotal	(1,785)	–	(1,785)	503	(1,282)
Items that may be reclassified to profit or loss					
Net changes in debt instruments measured at fair value through other comprehensive income	(1)	–	(1)	0	(1)
Changes in fair value of cash flow hedges	7	(10)	(3)	(7)	(10)
Exchange differences on translation in foreign operations	(16,651)	(208)	(16,859)	–	(16,859)
Share of other comprehensive income of investments accounted for using equity method	(16)	–	(16)	–	(16)
Subtotal	(16,662)	(218)	(16,880)	(7)	(16,887)
Total other comprehensive income	(18,447)	(218)	(18,665)	496	(18,169)

27. Earnings per share

(1) Basic earnings per share

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

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

(2) Diluted earnings per share

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

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

28. Cash flow information

Significant non-cash transactions (investment and financial transactions that do not require use of cash and cash equivalents) are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Conversion of convertible bond-type bonds with share acquisition rights	10,139	3,904
Increase in right-of-use assets pertaining to lease transactions	8,261	6,144

29. Share-based payments

(1) Stock option

1) Details of stock options

The Company offers a stock option plan, the details of which are as follows.

Company	Unicharm Corporation
Date of resolution	April 16, 2015
Category and number of persons granted (Persons)	Directors who are not Audit and Supervisory Committee Members of the Company: 8 Employees of the Company: 1,783 Employees of the subsidiaries: 1,316
Class and number of shares granted (Note 1)	3,202,500 common shares
Date of grant	June 1, 2015

Conditions for vesting	1) Any person who has been allotted the share acquisition rights may not exercise such rights unless the closing price of the Company's common shares at the Tokyo Stock Exchange is ¥4,030 per share ("condition price") or over on at least one occasion during the period from the allotment date through February 28, 2021. In cases where the exercise price is adjusted, the condition price shall be also adjusted in a uniform manner. (Note 2) 2) Any person who has been allotted the share acquisition rights must be, even at the time of exercise of such rights, a Director who is not an Audit and Supervisory Committee Member or an employee of the Company or a Director or an employee of the Company's subsidiary, except in cases where he or she has resigned from the position as Director who is not an Audit and Supervisory Committee Member of the Company or Director of the Company's subsidiary due to expiration of term of office or retired as employee of the Company or its subsidiary due to reaching the mandatory retirement age. 3) Notwithstanding 2) above, in the event that any person who has been allotted the share acquisition rights passed away, his/her successor may exercise the rights.
Service period	June 1, 2015 – May 31, 2017
Exercise period	June 1, 2017 – May 31, 2022

Notes: 1 The number of stock options is presented by converting into the number of shares.

2. On March 30, 2020, the closing price of one share of the Company's common shares in regular trading on the Tokyo Stock Exchange was higher than the condition price, and the relevant exercise conditions were met.

2) Size and changes of stock options

The number and weighted-average exercise price of stock options are as follows. The number of stock options is presented by converting into the number of shares.

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)		Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)	
	Number of shares (Shares)	Weighted-average exercise price (Yen)	Number of shares (Shares)	Weighted-average exercise price (Yen)
Non-vested:				
January 1 - Outstanding	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
December 31 - Outstanding	–	–	–	–
Vested:				
January 1 - Outstanding	3,042,300	2,901	3,003,900	2,901
Vested	–	–	–	–
Exercised	–	–	(1,559,800)	2,901
Forfeited	(38,400)	2,901	(6,000)	2,901
December 31 - Outstanding	3,003,900	2,901	1,438,100	2,901

The weighted-average remaining contract period of outstanding stock options was 2.4 years and 1.4 years at the end of the previous fiscal year and the fiscal year under review, respectively.

The weighted average share price as of the date of exercise for the fiscal year under review was ¥4,364 as of the date of exercise.

(2) Restricted share-based remuneration plan

1) Outline of the restricted share-based remuneration plan

The Group has introduced a restricted share-based remuneration plan for the purpose of providing incentives for the sustainable enhancement of corporate value and sharing shareholder value.

Under this plan, monetary compensation claims are granted to allocate restricted shares to Directors of the Company other than Outside Directors and Directors who are Audit and Supervisory Committee Members, Executive Officers and Associate Officers who do not concurrently serve as Directors (hereafter, the “Eligible Directors, etc.”), and employees of the Group (hereafter, the “Eligible Employees”), and the Company issues or disposes of the Company’s common shares to the Eligible Directors, etc. and the Eligible Employees through the contribution in kind of such monetary compensation claims, and allows them to hold such shares.

The Company has entered into an allotment agreement of restricted shares with the Eligible Directors, etc. and the Eligible Employees, which includes that the Eligible Directors, etc. and the Eligible Employees may not transfer, grant security interests or otherwise dispose of the Company’s common shares delivered under the allotment agreement (hereafter, the “Allotted Shares”) during the transfer restriction period stipulated in the allotment agreement and that the Company will acquire the Allotted Shares without consideration if certain events occur.

Restrictions on transfer of all of the Allotted Shares will be lifted at the expiration of the restriction period, provided that the eligible Director continues to hold the position of Director of the Company during the period from the disposal date to the time immediately preceding the conclusion of the first Ordinary General Meeting of Shareholders thereafter (hereafter, the “Service Period”). Restrictions on transfer of all of the Allotted Shares will be lifted at the expiration of the restriction period, provided that the eligible Executive Officers and Associate Officers continuously hold the position of Director, Executive Officer not concurrently serving as Director, or Associate Officer of the Company during the period of the mandate agreement (hereafter, the “Mandate Agreement Period”) for the fiscal year to which the disposal date belongs. Restrictions on transfer of all of the Allotted Shares will be lifted at the expiration of the restriction period, provided that the eligible employee continues to hold one of the positions of employee of the Company or its subsidiaries or any other equivalent position during the restriction period.

However, the Company will acquire the Allotted Shares whose transfer restrictions have not been lifted at the expiration of the restriction period, without contribution.

2) Number and fair value of shares granted during the period

	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Date of grant	March 25, 2020
Number of shares granted	1,641,900
Restricted Period	Of the number of restricted shares allocated, 80,800 shares will be restricted from the date of allocation until April 23, 2023, and 1,561,100 shares will be restricted from the date of allocation until July 1, 2025.
Fair value at grant date (yen)	3,631

Notes: 1. As a general rule, if an eligible Director, etc. resigns or retires from the position of Director, etc. of the Company due to expiration of the Service Period, expiration of term of office, mandatory retirement age or any other justifiable reason (except in the case of resignation or retirement due to death), the restrictions on transfer will be lifted at the time immediately after the resignation or retirement of the eligible Director, etc. or on April 1, 2021, whichever is later. In the case of retirement or resignation due to death, the restrictions on transfer will be lifted at a time separately determined by the Board of Directors after the death of the eligible Director, etc. However, notwithstanding the above provisions, if the eligible Director, etc. resigns or retires due to death by the time immediately preceding April 1, 2021, the Company will naturally acquire all of the Allotted Shares held at that time for no consideration.

2. If an eligible employee retires (including retirement due to death) due to mandatory retirement age or other legitimate reasons, even from the position of employee of the Company or its subsidiaries or any other equivalent position, the restriction on transfer of all of the Allotted Shares will be lifted as of the time immediately following the eligible employee’s retirement.

(3) Share-based payment expenses

The details of share-based payment expenses are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Equity-settled	864
Cash-settled	163
Total	1,027

Note: Cash-settled share-based payments are cash payments to Eligible Directors, etc. and Eligible Employees who are overseas residents in an amount equal to a predetermined number of shares multiplied by the share price on the vesting date. The book value of liabilities arising from the cash-settled share-based payment plan was ¥163 million at the end of the fiscal year under review.

(4) Method for calculating the fair value of stock options granted during the period

None.

30. Financial instruments

(1) Categorization of financial instruments

The details of financial instruments by category are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
<Financial assets>		
Financial assets measured at amortized cost		
Cash and cash equivalents	128,787	199,522
Trade and other receivables	121,784	112,698
Other current financial assets	83,363	92,347
Other non-current financial assets	11,806	10,798
Financial assets measured at fair value through profit or loss		
Other current financial assets	3,055	5,241
Other non-current financial assets	123	1,208
Equity instruments measured at fair value through other comprehensive income		
Other non-current financial assets	30,413	24,967
Debt instruments measured at fair value through other comprehensive income		
Other non-current financial assets	–	399
Total	379,331	447,180
<Financial liabilities>		
Financial liabilities measured at amortized cost		
Trade and other payables	150,007	145,316
Bonds and borrowings	37,866	33,176
Other current financial liabilities	5,298	5,206
Other non-current financial liabilities	40,500	36,743
Financial liabilities measured at fair value through profit or loss		
Other current financial liabilities	700	559
Total	234,371	221,001

(2) Equity instruments measured at fair value through other comprehensive income

Equity instruments held by the Group are mainly shares related to businesses or capital alliances with business partners and shares acquired as part of management of surplus funds under the low interest rate environment, and include no equity instruments held for short-term trading. As such, they are designated as equity instruments measured at fair value through other comprehensive income.

1) Fair value of major shares

Fair value of major shares is as follows.

Fiscal Year Ended December 31, 2019 (as of December 31, 2019)

(Millions of Yen)

Shares	Fair value
Kao Corporation	13,579
Sumitomo Realty & Development Co., Ltd.	4,647
Pigeon Corporation	4,048
ARATA CORPORATION	1,022
ZUIKO CO., LTD.	968

Fiscal Year Ended December 31, 2020 (as of December 31, 2020)

(Millions of Yen)

Shares	Fair value
Kao Corporation	11,992
Sumitomo Realty & Development Co., Ltd.	3,878
ZUIKO CO., LTD.	1,113
ARATA CORPORATION	1,105
AEON CO., LTD.	809

2) Derecognized equity instruments measured at fair value through other comprehensive income

The Group has disposed of equity instruments measured at fair value through other comprehensive income through sale due to revisions to relationships with business partners, etc. and derecognized them. Fair value as of the date of derecognition of equity instruments measured at fair value through other comprehensive income derecognized during the period and their cumulative gains or losses are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Fair value	6,850	8,019
Cumulative gains	2,149	1,020

The Group transfers cumulative gains or losses due to changes in fair value of equity instruments measured at fair value through other comprehensive income, when derecognizing them, directly from other components of equity to retained earnings. Cumulative gains of other comprehensive income directly transferred to retained earnings during the previous fiscal year and the fiscal year under review were ¥2,149 million and ¥1,020 million, respectively.

3) Dividend income

The details of dividend income pertaining to equity instruments measured at fair value through other comprehensive income are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Financial assets derecognized during the period	53	81
Financial assets held as of the last day of the period	416	424
Total	469	505

(3) Capital management

The Group's basic policy on capital management is to maintain its optimum capital structure which secures financial soundness and flexibility while improving capital efficiency in order to achieve sustainable corporate value improvement and stably distribute dividends of surplus to owners of parent through the aforementioned improvement.

The Group appropriately monitors equity attributable to owners of parent and return on equity attributable to owners of parent (ROE) as significant management guidelines indicating profitability and investment efficiency in businesses.

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Equity attributable to owners of parent (Millions of Yen)	473,073	493,002
Return on equity attributable to owners of parent (ROE) (%)	10.1	10.8

(4) Financial risk management

The Group's activities are exposed to various financial risks, such as market risk (including foreign exchange risk, price risk, and interest rate risk), credit risk, and liquidity risk. The Group uses derivative transactions in order to hedge foreign exchange risk. Derivative transactions consist of foreign exchange forward contracts, non-deliverable forwards and currency swaps for hedging exchange rate change risk related to foreign currency-denominated receivables and obligations. These transactions are executed and managed in accordance with internal rules and limited to transactions based on actual demand.

The Group is not exposed to material concentration risk in relation to financial instruments.

1) Market risk

(a) Foreign exchange risk

The Group manufactures and sells products overseas and engages in foreign currency transactions for the import of materials and products and export of products. The Group is exposed to foreign exchange risk as a result of its overseas business operations. Foreign exchange risk arises from forward exchange transaction and recognized assets and liabilities.

The Group uses foreign exchange forward contracts, non-deliverable forwards and currency swaps for hedging cash flow exchange rate change risk captured by currency.

Derivatives

The outline of major derivatives executed by the Group for controlling exchange rate change risk is as follows. Derivative assets or liabilities are included in other financial assets or liabilities in the consolidated statement of financial position.

Derivatives to which hedge accounting is not applied

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)			Fiscal Year Ended December 31, 2020 (as of December 31, 2020)		
	Contract amount	Contract amount due after one year	Fair value	Contract amount	Contract amount due after one year	Fair value
Foreign exchange forward contracts: Selling USD	4,341	–	(7)	4,511	–	(39)
Foreign exchange forward contracts: Buying USD	1,971	–	(26)	1,775	–	(31)
Foreign exchange forward contracts: Buying EUR	82	–	(1)	64	–	(1)
Foreign exchange forward contracts: Buying JPY	23	–	(1)	10	–	(0)
Foreign exchange forward contracts: Selling JPY	15,243	–	55	15,329	–	217
Foreign exchange forward contracts: Buying THB	1,387	–	(6)	251	–	(7)
Foreign exchange forward contracts: Selling AUD	536	–	(3)	538	–	(2)
Non-deliverable forwards: Buying USD	19,906	–	(0)	643	–	4
Non-deliverable forwards: Buying JPY	379,041	–	(49)	458	–	(6)
Currency swaps: Received in USD Paid in IDR	–	–	–	522	–	7
Currency swaps: Received in CNY Paid in JPY	10,969	10,969	(603)	11,116	–	(456)
Futures transactions Buying USD	–	–	–	13	–	(1)
Others Others JPY	–	–	–	2	–	(0)
Total	433,498	10,969	(642)	35,233	–	(316)

Derivatives to which hedge accounting is applied

(Millions of Yen)

	Major hedged item	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)				Fiscal Year Ended December 31, 2020 (as of December 31, 2020)			
		Contract amount		Fair value	Average rate	Contract amount		Fair value	Average rate
			Due after one year				Due after one year		
Foreign exchange forward contracts: Buying USD	Trade payables	–	–	–	–	436	–	(3)	JPY104.04 /USD
Foreign exchange forward contracts: Buying EUR	Trade payables	–	–	–	–	360	–	12	JPY123.09 /EUR
Foreign exchange forward contracts: Selling CAD	Trade payables	501	–	(2)	CAD0.76 /USD	712	–	(12)	CAD0.76 /USD
Total		501	–	(2)	–	1,508	–	(3)	–

Foreign exchange sensitivity analysis

The foreign exchange sensitivity analysis indicates the impact of a 10% (1% in the previous fiscal year) appreciation of the Japanese yen on profit before tax in the consolidated statement of income with respect to net foreign exchange risk exposures as of the reporting date. This analysis assumes that all the other variables are constant. The major exposures are to the U.S. dollar and the Chinese yuan. If the Japanese yen were to depreciate by 10% (1% in the previous fiscal year), it would have the opposite effect in the same amount as shown in the table below.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
USD	25	(822)
CNY	111	1,116
Total	136	294

(b) Price risk

Equity instruments held by the Group are mainly shares related to businesses or capital alliances with business partners and shares acquired as part of management of surplus funds under the low interest rate environment, and include no equity instruments held for short-term trading. Equity instruments include listed and unlisted shares and are exposed to market price fluctuation risk. The Group periodically captures fair values, financial conditions of issuers, and other factors, and manages its holdings by reviewing them in consideration of its relationships with counterparties.

Sensitivity analysis

The following table shows the impact on other comprehensive income (before tax effect) in the consolidated statement of comprehensive income of a 10% decline in the share price of listed shares held by the Group.

This analysis assumes that the other variables are constant.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Other comprehensive income, before tax effect	(2,905)	(2,344)

(c) Interest rate risk

In conducting business activities, the Group pays interest accrued for raising working capital and funds necessary for capital investments and others. Part of the interest is exposed to interest rate fluctuation risk because it is subject to variable interest rates. However, cash and cash equivalents exceeding interest-bearing debts are maintained. Interest rate risk is small since the impact of interest payments on the Group is currently immaterial.

2) Credit risk

Credit risk is financial loss risk to be taken by the Group if a customer or a financial instruments business partner fails to perform its contractual obligations.

The Group determines whether there has been a significant increase in credit risk based on changes in the risk of default occurring, and in making this determination, the Group considers factors such as deterioration in the business performance of the counterparty and information on the passage of due dates.

With respect to cash and cash equivalents, derivatives, financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, etc., the credit risk is minimal because the Company only transacts with financial institutions that it judges to have high creditworthiness.

Trade and other receivables are exposed to customer credit risk. With respect to such risk, the sales administration department is monitoring major business partners' status periodically, controlling collection due dates and outstanding balances per business partner in order to identify and reduce doubtful receivables resulting from deterioration of business partners' financial positions at an early stage in accordance with the Sales Administration Regulations. Credit risk is not concentrated on any particular business partner.

These financial assets are considered to be credit-impaired financial assets when they are considered to be in default, such as when they are significantly past due.

When all or part of a financial asset is assessed to be uncollectible and the Group determines that it is appropriate to amortize the asset as a result of a credit check, the Group directly amortizes the carrying amount of the financial asset.

The carrying amount of financial assets presented in the consolidated financial statements after impairment is the Group's maximum credit risk exposures without considering the valuation of collateral acquired.

(a) Credit risk exposure

Credit risk exposure of trade and other receivables, other current financial assets, as well as an analysis of the allowance for doubtful accounts for these by maturity is as follows.

Fiscal Year Ended December 31, 2019 (as of December 31, 2019)

(Millions of Yen)

	Total	Before maturity	Amount past maturity date				
			In 30 days or less	After 30 days through 60 days	After 60 days through 90 days	After 90 days through 120 days	After 120 days
Trade and other receivables (total)	123,704	107,823	6,945	1,613	1,057	2,228	4,037
Allowance for doubtful accounts	(1,920)	(264)	(17)	(5)	(3)	(64)	(1,566)
Trade and other receivables (net)	121,784	107,559	6,928	1,608	1,054	2,165	2,471
Other current financial assets (total)	125,660	125,582	–	–	–	–	78
Allowance for doubtful accounts	(78)	–	–	–	–	–	(78)
Other current financial assets (net)	125,582	125,582	–	–	–	–	–

Fiscal Year Ended December 31, 2020 (as of December 31, 2020)

(Millions of Yen)

	Total	Before maturity	Amount past maturity date				
			In 30 days or less	After 30 days through 60 days	After 60 days through 90 days	After 90 days through 120 days	After 120 days
Trade and other receivables (total)	114,666	103,251	5,915	824	475	177	4,025
Allowance for doubtful accounts	(1,968)	(285)	(20)	(6)	(45)	(12)	(1,600)
Trade and other receivables (net)	112,698	102,966	5,895	818	429	165	2,425
Other current financial assets (total)	128,518	128,510	–	–	–	–	7
Allowance for doubtful accounts	(7)	–	–	–	–	–	(7)
Other current financial assets (net)	128,510	128,510	–	–	–	–	–

(b) Analysis of changes in allowance for doubtful accounts

Fiscal Year Ended December 31, 2019 (as of December 31, 2019)

(Millions of Yen)

	Allowance for doubtful accounts measured at an amount equal to twelve-month expected credit losses	Allowance for doubtful accounts measured at an amount equal to lifetime expected losses			Total
		Financial assets that are not credit-impaired	Financial assets that are credit-impaired	Trade and other receivables	
Balance as of January 1, 2019	–	–	–	1,548	1,548
Increase during the period	–	–	76	401	477
Decrease during the period resulting from settlement	–	–	–	(49)	(49)
Decrease during the period due to reversal	–	–	–	(20)	(20)
Others due to foreign currency translation adjustments, etc.	–	–	2	40	42
Balance as of December 31, 2019	–	–	78	1,920	1,998

Fiscal Year Ended December 31, 2020 (as of December 31, 2020)

(Millions of Yen)

	Allowance for doubtful accounts measured at an amount equal to twelve-month expected credit losses	Allowance for doubtful accounts measured at an amount equal to lifetime expected losses			Total
		Financial assets that are not credit-impaired	Financial assets that are credit-impaired	Trade and other receivables	
Balance as of January 1, 2020	–	–	78	1,920	1,998
Increase during the period	–	–	–	366	366
Decrease during the period resulting from settlement	–	–	(66)	(153)	(219)
Decrease during the period due to reversal	–	–	–	(17)	(17)
Others due to foreign currency translation adjustments, etc.	–	–	(4)	(147)	(151)
Balance as of December 31, 2020	–	–	7	1,968	1,975

3) Liquidity risk

Liquidity risk refers to the risk that the Group will not be able to fulfill its obligations related to financial liabilities such as trade payables and borrowings.

To address this liquidity risk, the Group invests temporary surpluses in low risk financial assets for fund management. It raises funds through measures selected based on financial conditions and market environments. Moreover, the Group manages liquidity risk by maintaining liquidity on hand, as well as having the Accounting Control & Finance Division timely prepare and update cash management plans based on reports, etc. from each department.

Financial liabilities by maturity are as follows. The amounts presented are contractual non-discounted cash flows.

Fiscal Year Ended December 31, 2019 (as of December 31, 2019)

(Millions of Yen)

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Trade and other payables	149,823	184	1	–	–	–	150,007
Bonds and borrowings	10,276	4,155	20,000	–	3,446	–	37,877
Lease liabilities (Note)	5,298	5,068	4,611	4,252	3,306	22,158	44,693
Other financial liabilities	–	–	–	–	–	1,105	1,105
Derivative liabilities							
Cash inflows	(386)	(386)	(11,355)	–	–	–	(12,127)
Cash outflows	700	–	11,806	–	–	–	12,505
Total	165,711	9,021	25,063	4,252	6,752	23,263	234,061

Note: The maturities of lease liabilities for the fiscal year ended December 31, 2019 are up to 2054. Lease liabilities are included in “Other financial liabilities” in the consolidated statement of financial position.

Fiscal Year Ended December 31, 2020 (as of December 31, 2020)

(Millions of Yen)

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Trade and other payables	145,157	139	19	0	0	0	145,316
Bonds and borrowings	12,475	20,000	–	3,492	710	–	36,676
Lease liabilities (Note)	5,737	5,307	4,719	4,067	3,496	20,487	43,813
Other financial liabilities	–	–	–	–	–	1,050	1,050
Derivative liabilities							
Cash inflows	(391)	(11,507)	–	–	–	–	(11,898)
Cash outflows	559	11,806	–	–	–	–	12,364
Total	163,536	25,745	4,739	7,559	4,207	21,538	227,322

Note: The maturities of lease liabilities for the fiscal year under review are up to 2054. Lease liabilities are included in “Other financial liabilities” in the consolidated statement of financial position.

(5) Fair value of financial instruments

1) Financial assets and financial liabilities measured at fair value

The Group categorizes the fair value hierarchy into the following three levels according to the observability of inputs used for fair value measurements in the market.

Level 1: Unadjusted quoted price of identical assets or identical liabilities in an active market
Level 2: Directly or indirectly observable input which does not belong to Level 1
Level 3: Unobservable input

Financial assets and financial liabilities measured at fair value on a recurring basis by the Group are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)			
	Level 1	Level 2	Level 3	Total
<Financial assets>				
Financial assets measured at fair value through profit or loss				
Debt securities	–	–	3,000	3,000
Derivative assets	–	55	–	55
Other	–	123	–	123
Equity instruments measured at fair value through other comprehensive income				
Shares	29,046	–	1,343	30,389
Other	–	–	23	23
Total	29,046	178	4,367	33,590
<Financial liabilities>				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	700	–	700
Total	–	700	–	700

(Millions of Yen)

	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)			
	Level 1	Level 2	Level 3	Total
<Financial assets>				
Financial assets measured at fair value through profit or loss				
Debt securities	–	–	5,496	5,496
Derivative assets	–	240	–	240
Other	–	112	600	712
Equity instruments measured at fair value through other comprehensive income				
Shares	23,448	–	1,495	24,943
Others	–	–	23	23
Debt instruments measured at fair value through other comprehensive income				
Debt securities	–	399	–	399
Total	23,448	752	7,615	31,815
<Financial liabilities>				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	559	–	559
Total	–	559	–	559

The Group transfers the fair value hierarchy between levels when it recognizes an event or a change in conditions which causes the transfer.

There were no transfers among Level 1, Level 2, and Level 3 in the fiscal year ended December 31, 2019.

In the third quarter of the fiscal year under review, a transfer from Level 1 to Level 2 had been made due to the delisting (as of September 29, 2020) of stocks held by the Company in connection with the transition to a holding company structure (as of October 1, 2020), and as of the end of the fiscal year under review, a transfer from Level 2 to Level 1 had been made due to the listing of the holding company (as of October 1, 2020).

Fair value calculation methods are as follows.

Debt securities

The fair value of debt securities is calculated using valuations presented by creditor financial institutions.

The quoted valuations are calculated using the discounted cash flow method with discount rate inputs that take into account market interest rates and credit spreads.

Derivative assets and derivative liabilities

The fair value of foreign exchange forward contracts and non-deliverable forwards is calculated based on the forward exchange rate at the end of each fiscal period. The fair value of currency swaps is calculated based on observable market data, such as interest rates presented by creditor financial institutions and other parties.

Shares

The fair value of marketable shares is calculated based on the market price at the end of each fiscal period. The fair value of unlisted shares is calculated using appropriate valuation techniques, such as the comparable company analysis method.

Changes in financial instruments categorized in Level 3 during each fiscal year are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Balance at beginning of period	8,413	4,367
Total gains or losses	(44)	146
Profit or loss (Note 1)	4	(4)
Other comprehensive income (Note 2)	(48)	149
Purchase	3	6,103
Sale and settlement	(4,006)	(3,000)
Balance at end of period	4,367	7,615

Notes: 1. Gains or losses included in profit or loss pertain to financial assets measured at fair value through profit or loss. The profit and loss are included in “Financial income” and “Financial costs.”

2. Gains or losses included in other comprehensive income pertain to equity instruments measured at fair value through other comprehensive income, and are included in “Net changes in equity instruments measured at fair value through other comprehensive income” and “Exchange differences on translation in foreign operations” in the consolidated statement of comprehensive income.

Financial instruments categorized in Level 3 are mainly composed of debt securities and unlisted shares.

Significant unobservable inputs for financial instruments categorized in Level 3 are mainly credit risk and illiquidity discounts, and the fair value decreases (increases) with higher (lower) credit risk or illiquidity discounts. Changes in the fair value in the case where unobservable inputs are replaced by reasonably possible alternative assumptions are not material.

The department in charge determines the valuation methods for each asset and measures fair value in accordance with valuation policies and procedures for fair value measurements. The results of fair value measurements are approved by the appropriate person in charge.

2) Carrying amount and fair value of financial assets and financial liabilities measured at amortized cost

The carrying amount and fair value of financial instruments measured at amortized cost as of each closing date are as follows. The following table does not include financial instruments whose carrying amount reasonably approximates their fair value (mainly trade and other receivables, time deposits with maturities over three months, and trade and other payables).

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)		Fiscal Year Ended December 31, 2020 (as of December 31, 2020)	
	Carrying amount	Fair value	Carrying amount	Fair value
<Financial assets>				
Debt securities	1,001	998	–	–
<Financial liabilities>				
Bonds and borrowings	37,866	37,869	33,176	33,169

Note: The fair value of debt securities and borrowings is Level 2. The fair value of the bond portion of convertible bond-type bonds with share acquisition rights is Level 3.

Fair value calculation methods are as follows.

Debt securities

The fair value of debt securities is calculated using valuations presented by creditor financial institutions.

The quoted valuations are calculated using the discounted cash flow method with discount rate inputs that take into account market interest rates and credit spreads.

Bonds and borrowings

The fair value of the bond portion of convertible bond-type bonds with share acquisition rights is calculated by deducting the amount equivalent to share acquisition rights from the market price of convertible bond-type bonds with share acquisition rights. The amount equivalent to share acquisition rights is calculated reflecting historical volatility and credit spreads. The fair value of borrowings is estimated by discounting future cash flows to the present value with an interest rate applicable to similar new borrowings by the Group. Bonds and borrowings with variable interest rates have a carrying amount which approximates their fair value since the interest rates are revised periodically.

31. Major subsidiaries

Information on the Group's major subsidiaries as of the end of the fiscal year under review is as follows.

Company	Location	Reportable segment	Percentage of voting rights held (%)
Unicharm Products Co., Ltd.	Shikokuchuo-shi, Ehime	Personal care	100.0
United Charm Co., Ltd.	Taiwan	Personal care	52.6
Uni-Charm (Thailand) Co., Ltd.	Kingdom of Thailand	Personal care	94.2
LG Unicharm Co., Ltd.	Republic of Korea	Personal care	51.0
Unicharm Consumer Products (China) Co., Ltd. (Note)	People's Republic of China	Personal care	75.0 (75.0)
PT UNI-CHARM INDONESIA Tbk	Republic of Indonesia	Personal care	59.4
Unicharm Gulf Hygienic Industries Ltd.	Kingdom of Saudi Arabia	Personal care	95.0
Unicharm India Private Ltd.	Republic of India	Personal care	100.0
Unicharm Australasia Holding Pty Ltd.	Commonwealth of Australia	Personal care	100.0
Unicharm Middle East & North Africa Hygienic Industries Company S.A.E.	Arab Republic of Egypt	Personal care	95.0
The Hartz Mountain Corporation	United States of America	Pet care	51.0
Unicharm (China) Co., Ltd.	People's Republic of China	Personal care	100.0
UNICHARM DO BRASIL INDÚSTRIA E COMÉRCIO DE PRODUTOS DE HIGIENE LTDA.	Federative Republic of Brazil	Personal care	80.1
DSG International (Thailand) Public Co., Ltd. (Note)	Kingdom of Thailand	Personal care	99.3 (99.3)

Note: The figure in parentheses in the "Percentage of voting rights held" column shows the percentage of indirect voting interests, which is a part of the total voting interests.

32. Related parties

(1) Transactions with related parties

Transactions between the Group and related parties are as follows.

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

(Millions of Yen)

Type	Name	Transactions	Transaction amount (Note 4)	Outstanding balance (Note 4)
Other related parties	Takahara Kosan K.K. (Note 2)	To insure	118	75
		Rent of land	98	–
	Unitec Corporation (Note 3)	Rent of land	11	–

Notes: 1. Terms and conditions of transactions and decisions thereon

(1) Insurance premiums are determined at the general insurance premium rate after designating the insured amount.
(2) The rent of real estate is reviewed every year based on the surrounding market circumstances.

2. The voting rights of Takahara Kosan K.K. are owned 29.0% directly and 67.6% indirectly by Mr. Takahisa Takahara, CEO of the Company, and 2.0% directly and 1.4% indirectly by his close relatives.
3. The voting rights of Unitec Corporation are owned 95.6% indirectly by Mr. Takahisa Takahara, CEO of the Company, and 4.4% indirectly by his close relatives.
4. The above amounts do not include consumption and other taxes.

Fiscal Year Ended December 31, 2020 (January 1, 2019 – December 31, 2020)

(Millions of Yen)

Type	Name	Transactions	Transaction amount (Note 5)	Outstanding balance (Note 5)
Other related parties	Takahara Kosan K.K. (Note 2)	To insure	124	27
		Rent of land	42	–
		Purchase of real estate	1,876	–
	Unitec Corporation (Note 3)	Rent of land	5	–
		Purchase of real estate	129	–
	Takahara Sangyo K.K. (Note 4)	Purchase of real estate	19	–
Key management	Takahisa Takahara	Purchase of real estate	20	–

Notes: 1. Terms and conditions of transactions and decisions thereon

(1) Insurance premiums are determined at the general insurance premium rate after designating the insured amount.
(2) The rent of real estate is reviewed every year based on the surrounding market circumstances.
(3) The purchase price of real estate (land) is determined based on the appraisal value by a real estate appraiser.

2. The voting rights of Takahara Kosan K.K. are owned 29.0% directly and 67.6% indirectly by Mr. Takahisa Takahara, CEO of the Company, and 2.0% directly and 1.4% indirectly by his close relatives.
3. The voting rights of Unitec Corporation are owned 95.6% indirectly by Mr. Takahisa Takahara, CEO of the Company, and 4.4% indirectly by his close relatives.
4. The voting rights of Takahara Sangyo K.K. are owned 98.8% indirectly by Mr. Takahisa Takahara, CEO of the Company, and 1.2% indirectly by his close relatives.
5. The above amounts do not include consumption and other taxes.

(2) Key management personnel compensation

Key management personnel compensation is as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Basic remuneration and performance-linked remuneration	449	373
Restricted share-based remuneration:	–	106
Total	449	478

33. Commitments

Capital expenditures which have been contracted but have not yet been generated as of the end of each fiscal year are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2019)
Property, plant and equipment	4,948	3,853
Intangible assets	239	336
Total	5,187	4,189

34. Contingent liabilities

Unicharm India Private Ltd., a subsidiary of the Company, is subject to import tariff exemption applied under the Export Promotion Capital Goods (EPCG) scheme set forth in the foreign trade policy of the Indian Government. However, the said scheme requires achievement of exports calculated by multiplying the amount of exempted tariffs by a certain rate within a set period of time and we are required to pay later the amount of exempted tariffs, etc. corresponding to any portion of the said requirements that is not achieved.

As a result of the fire at the subsidiary's plant in June 2020, the Company has recorded ¥5,189 million in "Other current liabilities" as the obligation to make subsequent payments of customs duty reductions and exemptions and interest on overdue payments for the portion of the condition that cannot be met until 2022.

The Company believes that it is highly likely that it will be able to achieve all of the other parts of exports between 2023 and 2025, according to the projected export volume of products based on the business plan. The Company estimates that the potential amount to be paid in the event that it is not possible to achieve these exports will be ¥1,644 million.

35. Additional information

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

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

36. Subsequent events

(Purchase of treasury shares)

At the meeting of the Board of Directors of the Company held on February 15, 2021, the Company resolved to purchase treasury shares under the provision of the Company's Articles of Incorporation based upon Article 459, Paragraph 1, Item 1 of the Companies Act as follows.

(1) Reason for conducting purchase of treasury shares

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

(2) Details of the share acquisition

1) Type of shares to be acquired:	Company's common shares
2) Total number of shares to be acquired:	4.0 million shares (upper limit) (Ratio of total number of issued shares (excluding treasury shares): 0.67%)
3) Total share acquisition cost:	¥16,000 million (upper limit)
4) Acquisition period:	February 16, 2021 – December 23, 2021
5) Acquisition method:	Purchase on the Tokyo Stock Exchange (through discretionary investment by a securities company)

(2) Other

Quarterly financial information for the fiscal year under review

Cumulative period		First Quarter	Second Quarter	Third Quarter	Full Year
Net sales	(Millions of Yen)	183,788	356,553	534,474	727,475
Profit before tax	(Millions of Yen)	27,910	39,093	72,671	95,849
Profit attributable to owners of parent	(Millions of Yen)	19,215	19,278	40,073	52,344
Basic earnings per share	(Yen)	32.19	32.30	67.12	87.60

Each quarter		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Basic earnings per share	Yen	32.19	0.11	34.80	20.49

2. Non-consolidated financial statements

(1) Non-consolidated financial statements

1) Non-consolidated balance sheet

(Millions of Yen)

		Fiscal Year Ended December 31, 2019 (as of December 31, 2019)		Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
Assets				
Current assets				
Cash and deposits		46,851		96,451
Notes and accounts receivable - trade	*2	45,104	*2	48,040
Securities		4,001		7,000
Merchandise and finished goods		2,762		2,750
Raw materials and supplies		5,504		6,032
Short-term loans receivable		2,865		3,224
Other		9,925		3,892
Allowance for doubtful accounts		(10)		–
Total current assets	*1	117,002	*1	167,389
Non-current assets				
Property, plant and equipment				
Buildings and structures		2,592		2,599
Machinery, equipment and vehicles		5,690		5,178
Tools, furniture and fixtures		593		583
Land		2,249		2,400
Construction in progress		875		1,217
Other, net		17		22
Total property, plant and equipment		12,017		11,998
Intangible assets				
Goodwill		29,178		26,402
Trademarks		4,990		4,465
Software		2,877		4,421
Other		1,791		2,100
Total intangible assets		38,836		37,389
Investments and other assets				
Investment securities		29,618		25,524
Investments in shares and capital of subsidiaries and affiliates		236,390		218,290
Long-term loans receivable		34,400		4,188
Prepaid pension cost		6,250		6,042
Deferred tax assets		461		1,883
Other		1,513		6,555
Allowance for doubtful accounts		(118)		(118)
Allowance for loss on valuation of investment in subsidiaries and affiliates		(32,526)		(23,859)
Total investments and other assets	*1	275,988	*1	238,504
Total non-current assets		326,841		287,891
Total assets		443,842		455,280

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)		Fiscal Year Ended December 31, 2020 (as of December 31, 2020)	
Liabilities				
Current liabilities				
Notes and accounts payable - trade		35,905		35,729
Current portion of convertible bond-type bonds with share acquisition rights		3,543		–
Short-term loans payable		28,240		42,210
Accounts payable - other		17,912		19,908
Income taxes payable		231		5,523
Provision for bonuses		2,235		2,250
Other		3,226		3,725
Total current liabilities	*1	91,292	*1	109,345
Non-current liabilities				
Long-term loans payable		33,969		31,116
Provision for retirement benefits		1,795		1,931
Other		747		774
Total non-current liabilities	*1	36,511	*1	33,821
Total liabilities		127,803		143,167
Net assets				
Shareholders' equity				
Capital stock		15,993		15,993
Capital surplus				
Legal capital surplus		18,591		18,591
Other capital surplus-		36,083		39,333
Total capital surplus		54,674		57,924
Retained earnings				
Legal retained earnings		1,992		1,992
Other retained earnings				
Retained earnings brought forward		294,024		284,418
Total retained earnings		296,016		286,410
Treasury shares		(58,769)		(54,572)
Total shareholders' equity		307,914		305,754
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		7,046		5,924
Revaluation reserve for land		(157)		(157)
Total valuation and translation adjustments		6,889		5,766
Share acquisition rights		1,238		592
Total net assets		316,040		312,113
Total liabilities and net assets		443,842		455,280

2) Non-consolidated statement of income

(Millions of Yen)

		Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)		Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Net sales	*2	355,721	*2	366,203
Cost of sales	*2	219,680	*2	220,709
Gross profit		136,041		145,494
Selling, general and administrative expenses	*1, *2	109,136	*1, *2	114,212
Operating income		26,906		31,282
Non-operating income				
Interest income		1,148		703
Dividend income		15,800		16,224
Derivative revenue		—		196
Other		180		265
Total non-operating income	*2	17,128	*2	17,389
Non-operating expenses				
Interest expenses		538		546
Sales discounts		1,875		1,156
Derivative expenses		357		–
Foreign exchange losses		967		784
Other		80		36
Total non-operating expenses	*2	3,817	*2	2,522
Ordinary income		40,217		46,149
Extraordinary income				
Gain on sales of investment securities		2,149		1,020
Other		16		2
Total extraordinary income		2,165		1,023
Extraordinary losses				
Loss on disposal of non-current assets		159		95
Provision of allowance for loss on valuation of investments in subsidiaries and affiliates		611		4,928
Loss on valuation of shares of subsidiaries and affiliates		–		23,337
Other		2		11
Total extraordinary losses		772		28,371
Profit before income taxes		41,610		18,802
Income taxes - current		6,249		11,442
Income taxes - deferred		242		(932)
Total income taxes		6,491		10,510
Profit		35,119		8,292

3) Non-consolidated statement of changes in shareholders' equity
Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)

(Millions of Yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings: Retained earnings brought forward	Total retained earnings		
Balance at beginning of current period	15,993	18,591	35,815	54,406	1,992	274,380	276,372	(52,776)	293,994
Changes of items during period									
Dividends of surplus						(15,475)	(15,475)		(15,475)
Profit						35,119	35,119		35,119
Purchase of treasury shares								(15,001)	(15,001)
Conversion of convertible bond-type bonds with share acquisition rights			268	268				9,008	9,276
Net changes of items other than shareholders' equity									
Total changes of items during period	–	–	268	268	–	19,644	19,644	(5,993)	13,919
Balance at end of current period	15,993	18,591	36,083	54,674	1,992	294,024	296,016	(58,769)	307,914

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at beginning of current period	7,734	(157)	7,577	1,253	302,824
Changes of items during period					
Dividends of surplus					(15,475)
Profit					35,119
Purchase of treasury shares					(15,001)
Conversion of convertible bond-type bonds with share acquisition rights					9,276
Net changes of items other than shareholders' equity	(688)	–	(688)	(16)	(704)
Total changes of items during period	(688)	–	(688)	(16)	13,216
Balance at end of current period	7,046	(157)	6,889	1,238	316,040

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

(Millions of Yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings: Retained earnings brought forward	Total retained earnings		
Balance at beginning of current period	15,993	18,591	36,083	54,674	1,992	294,024	296,016	(58,769)	307,914
Changes of items during period									
Dividends of surplus						(17,898)	(17,898)		(17,898)
Profit						8,292	8,292		8,292
Purchase of treasury shares								(7,193)	(7,193)
Disposal of treasury shares			1,292	1,292				3,875	5,168
Conversion of convertible bond-type bonds with share acquisition rights			23	23				3,510	3,533
Share-based payment transactions			1,935	1,935				4,004	5,939
Net changes of items other than shareholders' equity									
Total changes of items during period	–	–	3,250	3,250	—	(9,606)	(9,606)	4,196	(2,159)
Balance at end of current period	15,993	18,591	39,333	57,924	1,992	284,418	286,410	(54,572)	305,754

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at beginning of current period	7,046	(157)	6,889	1,238	316,040
Changes of items during period					
Dividends of surplus					(17,898)
Profit					8,292
Purchase of treasury shares					(7,193)
Disposal of treasury shares					5,168
Conversion of convertible bond-type bonds with share acquisition rights					3,533
Share-based payment transactions					5,939
Net changes of items other than shareholders' equity	(1,122)	–	(1,122)	(645)	(1,767)
Total changes of items during period	(1,122)	–	(1,122)	(645)	(3,927)
Balance at end of current period	5,924	(157)	5,766	592	312,113

Notes to Non-consolidated Financial Statements

(Significant accounting policies)

1. Valuation standards and methods for securities
(1) Held-to-maturity debt securities
Amortized cost method (straight-line method)

(2) Shares of subsidiaries and affiliates
Cost method by the moving-average method

(3) Available-for-sale securities
Those with market value:

Market value method based on the market price, etc. as of the fiscal closing date
(the valuation difference is directly included in net assets, and cost of sales is determined by the moving-average method.)

Those without market value:

Cost method by the moving-average method

2. Valuation methods for derivative financial instruments
Market value method

3. Valuation standards and methods for inventories
Inventories held for ordinary selling purpose:

Valuation standard is cost method (carrying amount is written down due to decreased profitability)

(1) Merchandise and finished goods
Gross average method

(2) Supplies
Specific identification method

(3) Raw materials
Moving-average method

4. Depreciation of non-current assets
(1) Property, plant and equipment (excluding leased assets)
Straight-line method

Major useful lives are as follows:

Buildings and structures	2 – 50 years
Machinery, equipment and vehicles	2 – 17 years

(2) Intangible assets (excluding leased assets)
Straight-line method

As major useful lives, goodwill is amortized within 20 years after incurred, trademarks are amortized over 10 years, and software (for internal use) is amortized over the internally estimated useful lives (5 years).

(3) Leased assets
Leased assets related to finance lease transactions which do not transfer ownerships to the lessee

Leased assets are depreciated over the lease terms as useful lives using the straight-line method without any residual value.

5. Translation of foreign currency denominated assets and liabilities into Japanese yen
Foreign currency denominated monetary receivables and payables are translated into Japanese yen using the spot exchange rate on the closing date and the translation difference is charged or credited to income.

6. Accounting standards for reserves and allowances

(1) Allowance for doubtful accounts

In order to prepare for possible credit losses on receivables, the Company records the estimated amount of non-recoverable receivables based on the historical loss rate for general receivables and specific collectability for specific doubtful receivables.

(2) Allowance for loss on valuation of investments in subsidiaries and affiliates

In order to provide for a decline in the value of investments in subsidiaries and affiliates, an amount according to the decline in actual value is recorded.

(3) Provision for bonuses

In order to prepare for payments of bonuses to the employees, the estimated payable amount attributable to the fiscal year under review is recorded as provision for bonuses.

(4) Provision for retirement benefits

In order to prepare for employees' retirement benefits, provision for retirement benefits is recoded based on the retirement benefit obligations and estimated plan assets as of the current fiscal year-end.

1) Period attribution method for estimated retirement benefits

In calculating retirement benefit obligations, the method of attributing the estimated amount of retirement benefits to the periods up to the end of the fiscal year under review is based on the benefit formula basis.

2) Accounting method for actuarial difference and past service cost

Past service cost is expensed at the amount divided proportionally using the straight-line method over a period of definite years (5 years) within the employees' average remaining service years when incurred.

Actuarial difference is expensed at the amount divided proportionally using the straight-line method over a period of definite years (10 years) within the employees' average remaining service years in each fiscal year when it is incurred, commencing from the fiscal year following the fiscal year in which the difference is incurred.

7. Other significant accounting policies concerning the preparation of financial statements

(1) Accounting for retirement benefits

The accounting methods of unrecognized actuarial gain and loss and unrecognized past service cost differ from those of the consolidated financial statements.

(2) Accounting for consumption taxes

Transactions subject to consumption taxes and local consumption taxes are recorded at amounts exclusive of consumption taxes.

(Additional information)

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

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

(Balance sheet)

*1 Monetary receivables from and payables to subsidiaries and affiliates (except for those separately disclosed)

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
Short-term monetary receivables	18,229	13,134
Long-term monetary receivables	34,400	6,129
Short-term monetary payables	50,175	60,547
Long-term monetary payables	10,969	11,116

*2 Notes maturing at the fiscal year-end are accounted for as if they were settled at the maturity date. The following notes matured at the fiscal year-end are excluded from the balance at the fiscal year-end since the fiscal year-end fell on a bank holiday:

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
Notes receivable - trade	61	46

*3 Guarantee obligation

The Company provides guarantee of obligations concerning the borrowings from financial institutions of the following subsidiaries and affiliates.

(Millions of Yen)

Fiscal Year Ended December 31, 2019 (as of December 31, 2019)		Fiscal Year Ended December 31, 2020 (as of December 31, 2020)	
Uni.Charm Mölnlycke B.V. (Netherlands)	1,551	Uni.Charm Mölnlycke B.V. (Netherlands)	1,607
Unicharm India Private Ltd.	1,155	Unicharm Mölnlycke Rus L.L.C. (Russia)	917
Unicharm Mölnlycke Rus L.L.C. (Russia)	690	UcM Inco USA, Inc. (U.S.A.)	488
UcM Inco USA, Inc. (U.S.A.)	516	Onedot Inc.	400
		UNICHARM DO BRASIL INDÚSTRIA E COMÉRCIO DE PRODUTOS DE HIGIENE LTDA.	202
Total	3,913	Total	3,613

(Statement of income)

*1 The main expense items and amounts of selling, general and administrative expenses are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Sales promotion expenses	53,331	56,157
Advertising expenses	9,050	10,231
Miscellaneous fees	5,027	5,184
Salaries and bonuses to employees	7,231	7,962
Provision of allowance for bonuses	1,696	1,701
Depreciation and amortization expenses	5,267	5,721
Share of selling expenses out of selling, general and administrative expenses	69%	72%

*2 Transactions with subsidiaries and affiliates

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)
Operating transactions	221,163	218,000
Non-operating transactions	16,409	16,555

(Securities)
Shares of subsidiaries and affiliates
Fiscal Year Ended December 31, 2019 (as of December 31, 2019)

(Millions of Yen)

Category	Amount recorded in the balance sheet	Fair value	Difference
Shares of subsidiaries	3,088	36,352	33,264

Fiscal Year Ended December 31, 2020 (as of December 31, 2020)

(Millions of Yen)

Category	Amount recorded in the balance sheet	Fair value	Difference
Shares of subsidiaries	3,088	26,767	23,679

Note: The amounts of shares of subsidiaries and affiliates recorded in the balance sheet for which it is deemed extremely difficult to determine the fair value.

(Millions of Yen)

Category	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
Shares of subsidiaries	183,876	163,341
Investments in capital of subsidiaries	48,884	50,299
Shares of affiliates	541	1,561

The above figures have not been included in the table “Shares of subsidiaries and affiliates” above because market values of above items are not available and these items are deemed to be extremely difficult to determine their fair values.

(Tax-effect accounting)

1. Major components of deferred tax assets and liabilities

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
Deferred tax assets:		
Provision for bonuses	684	689
Loss on valuation of shares of subsidiaries and affiliates	1,339	12,648
Accrued sales promotion expenses	2,387	2,554
Allowance for loss on valuation of investments in subsidiaries and affiliates	9,960	7,306
Provision for retirement benefits	1,844	1,890
Other	996	2,103
Subtotal	17,210	27,190
Valuation allowance	(11,625)	(20,746)
Total deferred tax assets	5,585	6,444
Deferred tax liabilities:		
Prepaid pension cost	(1,914)	(1,850)
Valuation difference on available-for-sale securities	(2,995)	(2,506)
Other	(214)	(205)
Total deferred tax liabilities	(5,123)	(4,560)
Net deferred tax assets (liabilities)	461	1,883

2. The reconciliation between the effective statutory tax rate and the actual effective tax rates after the application of tax-effect accounting

	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
Effective statutory tax rate	30.6%	30.6%
Reconciliations:		
Non-deductible items such as entertainment expenses, etc.	0.2%	0.1%
Non-taxable items such as dividends received, etc.	(10.8)%	(24.8)%
Amortization of goodwill	2.0%	4.5%
Valuation allowance	(0.7)%	46.1%
Tax credit	(2.9)%	(5.6)%
Loss on share transfer of subsidiaries following capital reduction	(4.8)%	–
Withholding tax on dividends at overseas subsidiaries	1.9%	5.2%
Others	0.1%	(0.2)%
Actual effective tax rate after the application of tax-effect accounting	15.6%	55.9%

(Significant subsequent events)

(Purchase of treasury shares)

At the meeting of the Board of Directors of the Company held on February 15, 2021, the Company resolved to purchase treasury shares under the provision of the Company’s Articles of Incorporation based upon Article 459, Paragraph 1, Item 1 of the Companies Act as follows.

(1) Reason for conducting purchase of treasury shares

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

(2) Details of the share acquisition

1) Type of shares to be acquired: Company's common shares

2) Total number of shares to be acquired: 4.0 million shares (upper limit)

(Ratio of total number of issued shares (excluding treasury shares): 0.67%)

3) Total share acquisition cost: ¥16,000 million (upper limit)

4) Acquisition period: February 16, 2021 – December 23, 2021

5) Acquisition method: Purchase on the Tokyo Stock Exchange

(through discretionary investment by a securities company)

4) Non-consolidated supplemental schedules

Detailed schedule of property, plant and equipment

(Millions of Yen)

Classification	Type of assets	Balance at the beginning of the fiscal year ended December 31, 2020	Increase in the fiscal year ended December 31, 2020	Decrease in the fiscal year ended December 31, 2020	Depreciation and amortization for the fiscal year ended December 31, 2020	Balance at the end of the fiscal year ended December 31, 2020	Accumulated depreciation and amortization
Property, plant and equipment	Buildings and structures	2,592	226	7	213	2,599	4,825
	Machinery, equipment and vehicles	5,690	1,695	202	2,006	5,178	9,877
	Tools, furniture and fixtures	593	199	3	208	583	2,973
	Land	2,249 [(157)]	151	–	–	2,400 [(157)]	139
	Construction in progress	875	1,010	668	–	1,217	—
	Other	17	9	–	4	22	11
	Total	12,017	3,290	879	2,430	11,998	17,826
Intangible assets	Goodwill	29,178	–	–	2,776	26,402	–
	Trademarks	4,990	1	–	526	4,465	–
	Software	2,877	2,772	1	1,226	4,421	–
	Other	1,791	3,189	2,879	0	2,100	–
	Total	38,836	5,961	2,880	4,528	37,389	–

Notes: 1 The increases in the fiscal year ended December 31, 2020 are mainly as follows.

Machinery, equipment and vehicles	Manufacturing machines for pet care business	¥456 million
Machinery, equipment and vehicles	Development machines for baby care business	¥376 million
Machinery, equipment and vehicles	Development machines for feminine care business	¥230 million
Machinery, equipment and vehicles	Development machines for wellness care business	¥172 million
Software	DX development related	¥1,436 million
Others	Other (software in progress)	¥3,188 million

2. [ ] denotes revaluation difference of land which was revalued in accordance with the Act of Revaluation of Land (1998 Act No. 34).
3. The amount of accumulated depreciation and amortization includes the amount of accumulated impairment loss.

Detailed schedule of allowances

(Millions of Yen)

Classification	Balance at the beginning of the fiscal year ended December 31, 2020	Increase in the fiscal year ended December 31, 2020	Decrease in the fiscal year ended December 31, 2020	Balance at the end of the fiscal year ended December 31, 2020
Allowance for doubtful accounts	128	118	128	118
Provision for bonuses	2,235	2,250	2,235	2,250
Allowance for loss on valuation of investments in subsidiaries and affiliates	32,526	4,959	13,626	23,859

The reasons for accounting the allowances and calculation method thereof are stated in “6. Accounting standards for reserves and allowances” in “Significant accounting policies.”

(2) Details of major assets and liabilities

This information is omitted because the Company prepares consolidated financial statements.

(3) Other

Not applicable.

VI. Information on Transfer and Repurchase of the Company's Shares

Fiscal year	From January 1 to December 31
Ordinary General Meeting of Shareholders	March
Record date	December 31
Record date for dividend	June 30 (interim dividend) and December 31 (year-end dividend)
Number of shares per unit of the Company	100 shares
Repurchase of shares less than one unit	
Address where repurchases are processed	(Special account) 1-2-4, Nihonbashi Kayabacho, Chuo-ku, Tokyo JAPAN SECURITIES AGENTS, LTD.
Administrator of shareholders' register	(Special account) 1-4-5, Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Offices available for repurchase	–
Charges for repurchase	No charge
Method of public notice	Public notice of the Company shall be given by electronic means; provided, however, that in the event accidents or other unavoidable reasons prevent public notice by electronic means, the notice can be given in the Nihon Keizai Shimbun. URL for public notice https://www.unicharm.co.jp/ir/
Special benefits to shareholders	Not applicable.

Note: The Company's shareholders with shares of less than one unit are not able to exercise their rights other than the rights as following:

(1) The rights stipulated in each Item of Article 189, Paragraph 2 of the Companies Act;

(2) The right to make a claim in accordance with Article 166, Paragraph 1 of the Companies Act; and

(3) The right to subscribe for new shares or new share acquisition rights in proportion to the number of the shares owned by said shareholder.

VII. Reference Information on the Company

1. Information on the parent company or equivalent of the Company

The Company has no parent company or equivalent.

2. Other reference information

The Company filed the following documents between the beginning of the fiscal year ended December 31, 2020 and the date when this Annual Securities Report (Yukashoken-Houkokusho) was filed.

(1) Annual Securities Report and Accompanying Documents and Confirmation Note

The 60th Fiscal Year (from January 1, 2019 to December 31, 2019)
Submitted to the Director-General of the Kanto Local Finance Bureau on March 26, 2020.

(2) Internal Control Report and Accompanying Documents

Submitted to the Director-General of the Kanto Local Finance Bureau on March 26, 2020.

(3) Quarterly Securities Reports and Confirmation Notes

The 1st Quarter of 61st Fiscal Year (from January 1, 2020 to March 31, 2020)

Submitted to the Director-General of the Kanto Local Finance Bureau on May 15, 2020.

The 2nd Quarter of 61st Fiscal Year (from April 1, 2020 to June 30, 2020)

Submitted to the Director-General of the Kanto Local Finance Bureau on August 11, 2020.

The 3rd Quarter of 61st Fiscal Year (from July 1, 2020 to September 30, 2020)

Submitted to the Director-General of the Kanto Local Finance Bureau on November 10, 2020.

(4) Extraordinary Report

The Extraordinary Report according to the provision of Article 19, Paragraph 2, Items 12, 13 and 19 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

Submitted to the Director-General of the Kanto Local Finance Bureau on August 5, 2020.

(5) Reporting on status of purchase of treasury shares

Reports were submitted to the Director-General of the Kanto Local Finance Bureau on April 13, 2020, May 15, 2020, June 12, 2020, July 10, 2020, August 11, 2020, September 11, 2020, October 12, 2020, November 10, 2020, December 10, 2020, January 14, 2021 and March 12, 2021.

Part 2. Information on Guarantors for the Company

Not applicable.