

This notice has been translated from the original Japanese text of the timely disclosure statement dated August 4, 2021 and is for reference purposes only. In the event of any discrepancy between the original Japanese and this translation, the Japanese text shall prevail.

CAUTIONS REGARDING FORWARD-LOOKING STATEMENTS

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

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2021; Flash Report [IFRS]



MEMBERSHIP

August 4, 2021

Listed Company Name: **Unicharm Corporation**
 Listing: **First Section, Tokyo Stock Exchange**
 Code Number: **8113**
 URL: **https://www.unicharm.co.jp/**
 Company Representative: **Takahisa Takahara, Representative Director, President and Chief Executive Officer**
 Contact Person: **Hirotsu Shimada, Senior Executive Officer, General Manager of Accounting Control and Finance Division**
 Telephone Number: **+81-3-3451-5111**
 Scheduled Date to Submit Quarterly Securities Report: **August 5, 2021**
 Scheduled Date to Commence Dividend Payments: **September 2, 2021**
 Preparation of Supplementary Material on Quarterly Financial Results: **Yes**
 Holding of Quarterly Financial Results Presentation Meeting: **Yes (Securities Analysts, Institutional Investors)**

(Amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2021 (January 1, 2021 through June 30, 2021)

(1) Consolidated financial results (Q2 cumulative total)

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

	Net Sales		Core Operating Income		Profit Before Tax		Profit for the Period		Profit Attributable to Owners of Parent		Total Comprehensive Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Q2 of Fiscal Year Ending December 31, 2021	376,960	5.7	61,783	11.7	64,756	65.6	45,706	89.3	39,963	107.3	65,783	699.9
Q2 of Fiscal Year Ended December 31, 2020	356,553	4.1	55,327	41.1	39,093	0.2	24,140	(17.0)	19,278	(23.8)	8,224	(67.1)

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

	Basic Earnings Per Share	Diluted Earnings Per Share
	Yen	Yen
Q2 of Fiscal Year Ending December 31, 2021	66.77	66.71
Q2 of Fiscal Year Ended December 31, 2020	32.30	32.24

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2021

(2) Consolidated financial position

	Total Assets	Total Equity	Equity Attributable to Owners of Parent	Ratio of Equity Attributable to Owners of Parent
	Millions of Yen	Millions of Yen	Millions of Yen	%
As of June 30, 2021	940,833	594,903	524,536	55.8
As of December 31, 2020	893,413	562,653	493,002	55.2

2. Cash Dividends

	Annual Dividends				
	1st Q-End	2nd Q-End	3rd Q-End	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year Ended December 31, 2020	–	16.00	–	16.00	32.00
Fiscal Year Ending December 31, 2021	–	18.00			
Fiscal Year Ending December 31, 2021 (forecast)			–	18.00	36.00

(Note) Changes in dividend forecasts recently disclosed: None

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

(Figures in percentage represent increases or decreases from the previous fiscal year)

	Net Sales		Core Operating Income		Profit Before Tax		Profit Attributable to Owners of Parent		Basic Earnings Per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full Year	770,000	5.8	119,000	3.7	117,000	22.1	75,000	43.3	125.90

(Note) Changes in results forecasts recently disclosed: None

*** Notes**

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

(2) Changes in accounting policies and accounting estimates

- (i) Changes in accounting policies required by IFRS: None
- (ii) Changes in accounting policies other than item (i) above: None
- (iii) Changes in accounting estimates: None

(3) Number of issued and outstanding shares (common shares)

- (i) Number of issued and outstanding shares as of end of period (including treasury shares):
 - As of June 30, 2021: 620,834,319 shares
 - As of December 31, 2020: 620,834,319 shares
- (ii) Number of treasury shares as of end of period:
 - As of June 30, 2021: 25,122,669 shares
 - As of December 31, 2020: 21,742,676 shares
- (iii) Average number of shares during the period (accumulated total):
 - Q2 of Fiscal Year Ending December 31, 2021: 598,524,974 shares
 - Q2 of Fiscal Year Ended December 31, 2020: 596,763,858 shares

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

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

(1) While the core operating income disclosed by the Company is not an indicator defined in IFRS, the Company voluntarily discloses this as it is believed to be a valuable benchmark for measuring the Group's recurring business performance.

(2) Forecasts stated herein are based on the currently available information and the Company's assumptions that were judged to be valid as of the announcement date hereof, and are not intended to be a promise by the Company to achieve these forecasts. Therefore, actual results may differ for various factors. Please refer to "1. Qualitative Information on Financial Results, (3) Explanation of future estimate information such as forecast of consolidated financial results" section on page 4 for more information concerning the assumptions used for forecasts of financial results and other notes on proper use.

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Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2021

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1. Qualitative Information on Financial Results

(1) Explanation of operating results

In the second quarter of the fiscal year under review (January 1 to June 30, 2021), the operating environment of the Group, in the overseas markets, saw a continuous recovery from the economic downturn caused by the novel coronavirus disease (“COVID-19”) in China, which is a major market for the Group. On the other hand, while countries such as India, Indonesia, Vietnam, and Brazil have still been experiencing situations of uncertainty under more serious COVID-19 status, the Company has been striving to maintain stable supply of its products, as the Company’s products are daily necessities.

In Japan, economic conditions, mainly in personal spending, remained challenging partly due to the declaration of a state of emergency in April, for the third time, following the one in January, in response to the increased number of new COVID-19 cases. On the other hand, the Company has been striving to expand its market share by continuously proposing new values to stimulate demand for high value-added products, while demand for products that could help prevent the spread of the virus, such as masks, and pet-related products has been stable.

In these environments and under the banner “we constantly provide the world’s No. 1 and unprecedented products and services to everybody around the globe, and deliver comfort, impression, and satisfaction,” the Company and its group companies continued to develop unique non-woven fabric processing and forming technology, and products that meet the needs of consumers while working to create a “Cohesive Society” with social inclusion, as a society where people around the world are equal, unencumbered, respectful of each other’s individuality, and support each other with kindness, making heart-to-heart connections.

As a result, the Company’s net sales, core operating income, profit before tax, profit for the period, and profit attributable to owners of parent in the second quarter of the fiscal year under review reached ¥376,960 million (up 5.7% year on year), ¥61,783 million (up 11.7% year on year), ¥64,756 million (up 65.6% year on year), ¥45,706 million (up 89.3% year on year), and ¥39,963 million (up 107.3% year on year), respectively.

Financial results by segment are as described below.

1) Personal Care Business

● Wellness Care Business

In the overseas markets, as the boost in demand for adult excretion care products was expected in Asian regions including Thailand, Indonesia and Vietnam, as well as China where populations are aging even faster than in Japan, the Company promoted the spread of the care model established in Japan and formed a new Overseas Brand Management Department, as a result of which, the Company achieved high growth.

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, 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 products from Japanese manufacturers in terms of safety and security, the Company worked to bolster its supply and sales activities of the *Cho-kaiteki* and *Cho-rittai* mask brands, and the *Silcot* wet tissue brand, striving to expand market share. Despite such efforts, sales of the *Silcot* wet tissue brand were sluggish due to a pullback from the special demand related to COVID-19 last year.

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

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 grow with a view to strengthening of overseas expansion of masks.

● 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 to achieve high growth especially

in shorts-shaped sanitary napkins and sanitary napkins using organic cotton as a result of continuously proposing new values. The Company also continued in its efforts to expand its sales area and the number of stores as well as to enhance e-commerce channels. As a result, we achieved net sales exceeding those of the previous year in the China's 618 e-commerce shopping festival. The Company also achieved stable growth in other Asian regions due to the steady sales of cooling sanitary napkins that give a feeling of freshness.

In Japan, as the market shrinks due to a decrease in the target population, the Company made continuous efforts to revitalize the domestic market by offering products to meet growing calls for health and peace of mind and high value-added products to cater to different lifestyles of women.

- Baby Care Business

In Thailand and Indonesia, whose market polarization is advancing due to the impact of the COVID-19 pandemic, the Company achieved stable growth from our response 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, due to a supply shortage caused by a fire in a factory located in Western India last year, the Company imported disposable diapers from neighboring countries and increased production at its existing factories, striving to recover its sales area and market share while promoting pants-type disposable diapers. 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 and baby specialty stores.

In Japan, as the market shrinks with lower birth rate, the Company has strived to improve our brand value and worked 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* brands.

As a result, net sales and segment profit (core operating income) for the personal care business for the fiscal period under review were ¥325,364 million (up 5.4% year on year) and ¥54,514 million (up 11.6% year on year), respectively.

2) Pet Care Business

In Japan, due to the spread of COVID-19 since last year which increased the number of hours spent at home, the number of pets kept has increased as well as opportunities for contact with pets. Amid such circumstances, in the pet food business, the Company worked to improve consumer satisfaction by providing products for dogs tailored to the physical characteristics and ages of each breed and products for cats meeting the demand for increased health consciousness. Also, in the pet toiletry business, the Company achieved high growth as a result of steady sales of pet sheets for dogs and toilet systems for cats.

In the North American market, while the COVID-19 pandemic led to an increase in the number of pets living with humans and an increase of opportunities for consumers to have contact with pets, sales have remained steady in sheets for dogs equipped with Japanese technology and wet-type snacks for cats, a new concept that is new to the market. In addition, to achieve further growth, we strengthened our efforts in the e-commerce channel, which has grown significantly in recent years, and on pet specialty stores and dollar stores, single-price stores that are specific to the U.S., and expanded our sales channel. Consequently, we achieved high growth in the North American market as well as in Japan.

As a result, net sales and segment profit (core operating income) for the pet care business for the fiscal period under review were ¥48,587 million (up 9.5% year on year) and ¥6,949 million (up 12.4% year on year), respectively.

3) Other Businesses

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

As a result, net sales and segment profit (core operating income) in other businesses for the fiscal period under review were ¥3,009 million (down 14.0% year on year) and ¥320 million (up 11.1% year on year), respectively.

(2) Explanation of financial position

1) Status of assets, liabilities and equity

(Assets)

Total assets as of the end of the second quarter were ¥940,833 million (up 5.3% compared with the end of the previous fiscal year). The major increases were ¥16,011 million in cash and cash equivalents, ¥14,304 million in other current and non-current financial assets mainly due to investment securities, and ¥11,442 million in inventories.

(Liabilities)

Total liabilities as of the end of the second quarter were ¥345,929 million (up 4.6% compared with the end of the previous fiscal year). The major increases were ¥17,108 million in trade and other payables and ¥7,425 million in borrowings, and the major decreases were ¥6,139 million in other current liabilities mainly due to accrued consumption taxes and ¥3,164 million in income tax payables.

(Equity)

Total equity as of the end of the second quarter was ¥594,903 million (up 5.7% compared with the end of the previous fiscal year). The major increases were ¥39,963 million in profit attributable to owners of parent and ¥15,908 million in other components of equity mainly due to exchange differences on translation in foreign operations, and the major decreases were ¥15,383 million in increase in treasury shares and ¥9,585 million in dividends paid to owners of parent.

(Ratio of equity attributable to owners of parent)

Ratio of equity attributable to owners of parent as of the end of the second quarter was 55.8%.

2) Status of cash flows

Cash and cash equivalents as of the end of the second quarter were ¥215,534 million, an increase of ¥16,011 million from the end of the previous fiscal year. The respective cash flow positions for the second quarter under review were as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥61,581 million (¥74,826 million was provided in the same period of the previous fiscal year). The main inflows were due to profit before tax, and depreciation and amortization expenses, and the main outflows were due to income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was ¥26,144 million (¥20,370 million was used in the same period of the previous fiscal year). The main outflows were due to purchase of property, plant and equipment, and intangible assets, and purchase of equity instruments measured at fair value through other comprehensive income.

(Cash flows from financing activities)

Net cash used in financing activities was ¥23,703 million (¥16,708 million was used in the same period of the previous fiscal year). The main outflows were due to purchase of treasury shares.

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

Regarding forecast of full-year financial results, there were no changes from the announcement made on February 15, 2021.

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Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2021

2. Condensed Consolidated Financial Statements and Significant Notes Thereto

(1) Condensed consolidated statement of financial position

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)	Q2 of Fiscal Year Ending December 31, 2021 (as of June 30, 2021)
Assets			
Current assets			
Cash and cash equivalents		199,522	215,534
Trade and other receivables		112,698	109,146
Inventories		61,617	73,060
Other current financial assets		97,588	100,529
Other current assets		19,536	19,449
Total current assets		490,962	517,717
Non-current assets			
Property, plant and equipment		258,814	266,873
Intangible assets		90,006	90,397
Deferred tax assets		13,078	13,729
Investments accounted for using equity method		1,262	1,395
Other non-current financial assets		37,372	48,736
Other non-current assets		1,920	1,985
Total non-current assets		402,451	423,116
Total assets		893,413	940,833

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Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2021

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)	Q2 of Fiscal Year Ending December 31, 2021 (as of June 30, 2021)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables		145,316	162,424
Borrowings		8,975	16,206
Income tax payables		16,183	13,019
Other current financial liabilities		5,765	5,346
Other current liabilities		56,976	50,838
Total current liabilities		233,215	247,833
Non-current liabilities			
Borrowings		24,202	24,395
Deferred tax liabilities		21,116	22,304
Retirement benefit liabilities		11,483	12,252
Other non-current financial liabilities		36,743	35,103
Other non-current liabilities		4,001	4,043
Total non-current liabilities		97,545	98,097
Total liabilities		330,760	345,929
Equity			
Equity attributable to owners of parent			
Capital stock		15,993	15,993
Share premium		13,208	13,820
Retained earnings		547,259	577,656
Treasury shares		(54,572)	(69,955)
Other components of equity		(28,886)	(12,977)
Total equity attributable to owners of parent		493,002	524,536
Non-controlling interests		69,651	70,367
Total equity		562,653	594,903
Total liabilities and equity		893,413	940,833

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Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2021

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

(Condensed consolidated statement of income)

(Millions of Yen)

	Notes	Q2 of Fiscal Year Ended December 31, 2020 (January 1, 2020 – June 30, 2020)	Q2 of Fiscal Year Ending December 31, 2021 (January 1, 2021 – June 30, 2021)
Net sales	3	356,553	376,960
Cost of sales		(214,092)	(221,885)
Gross profit		142,461	155,075
Selling, general and administrative expenses	4	(87,133)	(93,293)
Other income		1,931	1,980
Other expenses	5	(17,692)	(1,279)
Financial income		1,908	2,957
Financial costs		(2,380)	(684)
Profit before tax		39,093	64,756
Income tax expenses		(14,953)	(19,050)
Profit for the period		24,140	45,706
Profit attributable to			
Owners of parent		19,278	39,963
Non-controlling interests		4,862	5,744
Profit for the period		24,140	45,706
Earnings per share attributable to owners of parent			
Basic earnings per share (Yen)		32.30	66.77
Diluted earnings per share (Yen)		32.24	66.71

Reconciliation of changes from gross profit to core operating income

(Millions of Yen)

Gross profit	142,461	155,075
Selling, general and administrative expenses	(87,133)	(93,293)
Core operating income (*)	55,327	61,783

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

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Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2021

(Condensed consolidated statement of comprehensive income)

(Millions of Yen)

	Notes	Q2 of Fiscal Year Ended December 31, 2020 (January 1, 2020 – June 30, 2020)	Q2 of Fiscal Year Ending December 31, 2021 (January 1, 2021 – June 30, 2021)
Profit for the period		24,140	45,706
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		(502)	(1,297)
Remeasurements related to net defined benefit liabilities (assets)		(85)	19
Subtotal		(587)	(1,279)
Items that may be reclassified to profit or loss			
Net changes in debt instruments measured at fair value through other comprehensive income		–	1
Changes in fair value of cash flow hedges		32	14
Exchange differences on translation in foreign operations		(15,460)	21,335
Share of other comprehensive income of investments accounted for using equity method		99	6
Subtotal		(15,329)	21,355
Total other comprehensive income, net of tax		(15,916)	20,077
Total comprehensive income		8,224	65,783
Total comprehensive income attributable to			
Owners of parent		5,777	55,952
Non-controlling interests		2,447	9,831
Total comprehensive income		8,224	65,783

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2021

(3) Condensed consolidated statement of changes in equity

Second Quarter of the Fiscal Year Ended December 31, 2020 (January 1, 2020 – June 30, 2020)

(Millions of Yen)

	Notes	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at January 1, 2020		15,993	14,960	513,066	(58,769)	(12,177)	473,073	69,827	542,900
Profit for the period		–	–	19,278	–	–	19,278	4,862	24,140
Other comprehensive income		–	–	–	–	(13,501)	(13,501)	(2,415)	(15,916)
Total comprehensive income		–	–	19,278	–	(13,501)	5,777	2,447	8,224
Purchase of treasury shares		–	–	–	(7,192)	–	(7,192)	–	(7,192)
Disposal of treasury shares		–	813	–	2,381	(397)	2,797	–	2,797
Conversion of convertible bond-type bonds with share acquisition rights		–	278	–	3,448	(281)	3,444	–	3,444
Dividends		–	–	(8,347)	–	–	(8,347)	(7,628)	(15,975)
Change in scope of consolidation		–	–	–	–	–	–	7	7
Equity transactions with non-controlling interests		–	(13)	–	–	–	(13)	40	27
Share-based payment transactions		–	151	–	198	–	349	–	349
Transfer from other components of equity to retained earnings		–	–	79	–	(79)	–	–	–
Total transactions with owners		–	1,228	(8,268)	(1,166)	(758)	(8,963)	(7,581)	(16,544)
Balance at June 30, 2020		15,993	16,189	524,076	(59,934)	(26,436)	469,888	64,693	534,581

Second Quarter of the Fiscal Year Ending December 31, 2021 (January 1, 2021 – June 30, 2021)

(Millions of Yen)

	Notes	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at January 1, 2021		15,993	13,208	547,259	(54,572)	(28,886)	493,002	69,651	562,653
Profit for the period		–	–	39,963	–	–	39,963	5,744	45,706
Other comprehensive income		–	–	–	–	15,990	15,990	4,087	20,077
Total comprehensive income		–	–	39,963	–	15,990	55,952	9,831	65,783
Purchase of treasury shares		–	–	–	(16,001)	–	(16,001)	–	(16,001)
Disposal of treasury shares		–	121	–	422	(62)	481	–	481
Dividends		–	–	(9,585)	–	–	(9,585)	(9,038)	(18,623)
Change in scope of consolidation		–	–	–	–	–	–	48	48
Share-based payment transactions		–	490	–	196	–	687	–	687
Transfer from other components of equity to retained earnings		–	–	20	–	(20)	–	–	–
Other		–	–	–	–	–	–	(125)	(125)
Total transactions with owners		–	612	(9,566)	(15,383)	(81)	(24,418)	(9,114)	(33,533)
Balance at June 30, 2021		15,993	13,820	577,656	(69,955)	(12,977)	524,536	70,367	594,903

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2021

(4) Condensed consolidated statement of cash flows

(Millions of Yen)

	Notes	Q2 of Fiscal Year Ended December 31, 2020 (January 1, 2020 – June 30, 2020)	Q2 of Fiscal Year Ending December 31, 2021 (January 1, 2021 – June 30, 2021)
Cash flows from operating activities			
Profit before tax		39,093	64,756
Depreciation and amortization expenses		18,160	18,789
Loss due to fire		16,148	–
Interest and dividend income		(1,908)	(1,740)
Interest expenses		668	575
Foreign exchange loss (gain)		768	674
Loss (gain) on sale and retirement of fixed assets		82	123
Decrease (increase) in trade and other receivables		18,901	6,832
Decrease (increase) in inventories		(3,349)	(8,769)
Increase (decrease) in trade and other payables		(5,839)	5,534
Increase (decrease) in other current liabilities		(2,390)	(7,251)
Other, net		3,718	(228)
Subtotal		84,052	79,296
Interest and dividends received		1,712	2,071
Interest paid		(696)	(622)
Income taxes refund		–	1,644
Income taxes paid		(10,243)	(20,807)
Net cash provided by (used in) operating activities		74,826	61,581
Cash flows from investing activities			
Payments into time deposits		(19,940)	(22,804)
Proceeds from withdrawal of time deposits		14,215	31,185
Purchase of property, plant and equipment, and intangible assets		(15,723)	(15,883)
Proceeds from sale of property, plant and equipment, and intangible assets		1,333	58
Purchase of financial assets measured at amortized cost		–	(4,313)
Purchase of financial assets measured at fair value through profit or loss		(2,600)	(7,000)
Purchase of equity instruments measured at fair value through other comprehensive income		(3,005)	(11,080)
Proceeds from sale and redemption of financial assets measured at fair value through profit or loss		3,000	3,600
Proceeds from sale and redemption of equity instruments measured at fair value through other comprehensive income		2,339	–
Proceeds from sale and redemption of debt instruments measured at fair value through other comprehensive income		–	400
Purchase of shares of subsidiaries and associates		(16)	(318)
Other, net		28	11
Net cash provided by (used in) investing activities		(20,370)	(26,144)

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2021

(Millions of Yen)

	Notes	Q2 of Fiscal Year Ended December 31, 2020 (January 1, 2020 – June 30, 2020)	Q2 of Fiscal Year Ending December 31, 2021 (January 1, 2021 – June 30, 2021)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		342	6,808
Proceeds from long-term borrowings		735	–
Repayments of long-term borrowings		(257)	–
Repayments of lease liabilities		(2,503)	(2,664)
Payments for purchase of treasury shares		(7,192)	(16,001)
Dividends paid to owners of parent		(8,346)	(9,581)
Dividends paid to non-controlling interests		(2,211)	(2,745)
Proceeds from exercise of employee share options		2,797	481
Other, net		(72)	–
Net cash provided by (used in) financing activities		(16,708)	(23,703)
Effect of exchange rate changes on cash and cash equivalents		2,675	4,278
Net increase (decrease) in cash and cash equivalents		40,424	16,011
Cash and cash equivalents at beginning of period		128,787	199,522
Cash and cash equivalents at end of period		169,211	215,534

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2021

(5) Notes to the condensed consolidated financial statements

1. Notes regarding going concern assumptions

None.

2. Significant accounting policies

Significant accounting policies adopted for these condensed consolidated financial statements are the same as those adopted to the consolidated financial statements for the fiscal year ended December 31, 2020.

3. Segment information

(1) Overview of reportable segments

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

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

Therefore, the "personal care business," the "pet care business," and "other businesses" constitute the Group's 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 condensed consolidated financial statements. The segment profit is the core operating income (comprising gross profit less selling, general and administrative expenses), which is the key performance indicator based on which the Board of Directors evaluates the performance of business segments.

(2) Sales and results by reportable segment

Sales and results by reportable segment are as follows.

(Millions of Yen)

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

TRANSLATION FOR REFERENCE PURPOSES ONLY

Unicharm Corporation (8113) Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2021

(Millions of Yen)

	Q2 of Fiscal Year Ending December 31, 2021 (January 1, 2021 – June 30, 2021)					
	Reportable segments				Adjustments	Amounts reported in condensed consolidated statements
	Personal care	Pet care	Other	Total		
Sales to external customers	325,364	48,587	3,009	376,960	–	376,960
Sales across segments (Note)	–	–	21	21	(21)	–
Total segment sales	325,364	48,587	3,030	376,981	(21)	376,960
Segment profit (Core operating income)	54,514	6,949	320	61,783	–	61,783
Other income						1,980
Other expenses						(1,279)
Financial income						2,957
Financial costs						(684)
Profit before tax						64,756

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

4. Selling, general and administrative expenses

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

(Millions of Yen)

	Q2 of Fiscal Year Ended December 31, 2020 (January 1, 2020 – June 30, 2020)	Q2 of Fiscal Year Ending December 31, 2021 (January 1, 2021 – June 30, 2021)
Freight-out expenses	23,248	25,457
Sales promotion expenses	11,606	12,015
Advertising expenses	12,078	14,374
Employee benefits expenses	19,299	20,411
Depreciation and amortization expenses	5,226	5,366
Research and development expenses	3,730	3,932
Others	11,946	11,739
Total	87,133	93,293

5. Fire accident at Unicharm India Private Ltd.'s Ahmedabad Factory

Q2 of Fiscal Year Ended December 31, 2020 (January 1, 2020 – June 30, 2020)

A fire accident took place on June 24, 2020 at Ahmedabad Factory of Unicharm India Private Ltd., a subsidiary of the Company. In the second quarter of the fiscal year under review, the total amount of damage was ¥16,148 million, totaling ¥13,252 million of property, plant and equipment such as buildings and equipment of the factory, ¥1,932 million of inventories, and ¥964 million of other related expenses. This damage amount is recorded as “other expenses” in the condensed consolidated statement of income.

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

Q2 of Fiscal Year Ending December 31, 2021 (January 1, 2021 – June 30, 2021)

None.