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CAUTIONS REGARDING FORWARD-LOOKING STATEMENTS

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

**Consolidated Financial Results for the Fiscal Year Ended December 31, 2021
(January 1, 2021 through December 31, 2021); Flash Report
[IFRS]**



MEMBERSHIP

February 15, 2022

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: **Hirotatsu Shimada, Managing Executive Officer, General Manager of Accounting Control and Finance Division**
 Telephone Number: **+81-3-3451-5111**
 Scheduled Date of Ordinary General Meeting of Shareholders: **March 25, 2022**
 Scheduled Date to Commence Dividend Payments: **March 7, 2022**
 Scheduled Date to Submit Securities Report: **March 28, 2022**
 Preparation of Supplementary Material on Full Year Financial Results: **Yes**
 Holding of Full Year Financial Results Presentation Meeting: **Yes (Securities Analysts, Institutional Investors)**

(Amounts are rounded to the nearest million yen)

**1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2021
(January 1, 2021 through December 31, 2021)**

(1) Consolidated financial results

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

	Net Sales		Core Operating Income		Profit Before Tax		Profit for the Period		Profit Attributable to Owners of Parent		Total Comprehensive Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal Year Ended December 31, 2021	782,723	7.6	122,482	6.7	121,977	27.3	83,605	33.6	72,745	39.0	115,560	160.2
Fiscal Year Ended December 31, 2020	727,475	1.9	114,744	27.8	95,849	37.8	62,580	18.9	52,344	13.5	44,411	(22.2)

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

	Basic Earnings Per Share	Diluted Earnings Per Share	Return on Equity Attributable to Owners of Parent	Ratio of Profit Before Tax to Total Assets
	Yen	Yen	%	%
Fiscal Year Ended December 31, 2021	121.78	121.69	13.8	13.0
Fiscal Year Ended December 31, 2020	87.60	87.46	10.8	10.9

(Reference)

Share of profit of investments accounted for using equity method: Fiscal Year Ended December 31, 2021:¥(119) million
 Fiscal Year Ended December 31, 2020:¥(43) million

(2) Consolidated financial position

	Total Assets	Total Equity	Equity Attributable to Owners of Parent	Ratio of Equity Attributable to Owners of Parent	Equity Attributable to Owners of Parent per Share
	Millions of Yen	Millions of Yen	Millions of Yen	%	Yen
As of December 31, 2021	987,655	635,438	557,639	56.5	935.03
As of December 31, 2020	893,413	562,653	493,002	55.2	822.19

(3) Consolidated cash flows

	From Operating Activities	From Investing Activities	From Financing Activities	Cash and Cash Equivalents at End of Period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Fiscal Year Ended December 31, 2021	105,253	(79,837)	(45,180)	187,547
Fiscal Year Ended December 31, 2020	150,254	(41,698)	(35,239)	199,522

2. Cash Dividends

	Annual Dividends					Total Amount of Cash Dividends (annual)	Dividend Payout Ratio (consolidated)	Ratio of Dividends to Equity Attributable to Owners of Parent (consolidated)
	1st Q-End	2nd Q-End	3rd Q-End	Year-End	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Fiscal Year Ended December 31, 2020	–	16.00	–	16.00	32.00	19,136	36.5	4.0
Fiscal Year Ended December 31, 2021	–	18.00	–	18.00	36.00	21,454	29.6	4.1
Fiscal Year Ending December 31, 2022 (forecast)	–	19.00	–	19.00	38.00		29.0	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2022 (January 1, 2022 through December 31, 2022)

(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	850,000	8.6	127,000	3.7	126,000	3.3	79,200	8.9	132.85

*** Notes**

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

(2) Changes in accounting policies and accounting estimates

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

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

- (i) Number of issued and outstanding shares as of end of period (including treasury shares):
 - As of December 31, 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 December 31, 2021: 24,655,259 shares
 - As of December 31, 2020: 21,742,676 shares
- (iii) Average number of shares during the period (accumulated total):
 - Fiscal Year Ended December 31, 2021: 597,328,243 shares
 - Fiscal Year Ended December 31, 2020: 597,508,259 shares

(Reference) Summary of non-consolidated performance

**1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2021
(January 1, 2021 through December 31, 2021)**

(1) Non-consolidated financial results

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

	Net Sales		Operating Income		Ordinary Income		Profit	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal Year Ended December 31, 2021	382,210	4.4	41,410	32.4	81,353	76.3	59,625	619.1
Fiscal Year Ended December 31, 2020	366,203	2.9	31,282	16.3	46,149	14.8	8,292	(76.4)

	Earnings Per Share	Diluted Earnings Per Share
	Yen	Yen
Fiscal Year Ended December 31, 2021	99.82	99.74
Fiscal Year Ended December 31, 2020	13.88	13.84

(2) Non-consolidated financial position

	Total Assets	Net Assets	Ratio of Shareholders' Equity	Net Assets Per Share
	Millions of Yen	Millions of Yen	%	Yen
As of December 31, 2021	474,130	333,849	70.3	559.44
As of December 31, 2020	455,280	312,113	68.4	519.99

(Reference) Equity: As of December 31, 2021: ¥333,526 million
As of December 31, 2020: ¥311,521 million

Note: Non-consolidated financial figures were prepared in accordance with accounting standards generally accepted in Japan.

2. Forecast of Non-consolidated Financial Results for the Fiscal Year Ending December 31, 2022 (January 1, 2022 through December 31, 2022)

Explanation regarding non-consolidated financial results is omitted since it is not considered to be material as investment information.

- * Financial results report is exempt from audit by certified public accountants or an auditing firm.
 - * Explanation regarding proper use of the forecasts of financial results and other notes
- (1) While the core operating income disclosed by the Company is not an indicator defined in IFRS, the Company voluntarily discloses this as it is believed to be a valuable benchmark for measuring the Group's recurring business performance.
 - (2) Forecasts stated herein are based on the currently available information and the Company's assumptions that were judged to be valid as of the announcement date hereof, and are not intended to be a promise by the Company to achieve these forecasts. Therefore, actual results may differ for various factors. Please refer to "1. Overview of the Operating Results, Etc., (4) Outlook for the fiscal year ending December 31, 2022" section on page 7 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 Fiscal Year Ended December 31, 2021

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Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2021

1. Overview of the Operating Results, Etc.

(1) Overview of the operating results for the fiscal year under review

Comparison with actual results for the previous fiscal year

	Fiscal Year Ended Dec. 31, 2020 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2021 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	727,475	782,723	55,248	7.6
Core operating income	114,744	122,482	7,739	6.7
Profit before tax	95,849	121,977	26,128	27.3
Profit attributable to owners of parent	52,344	72,745	20,401	39.0

Comparison with forecasts

	Forecasts for Fiscal Year Ended Dec. 31, 2021 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2021 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	770,000	782,723	12,723	1.7
Core operating income	119,000	122,482	3,482	2.9
Profit before tax	117,000	121,977	4,977	4.3
Profit attributable to owners of parent	75,000	72,745	(2,255)	(3.0)

By region

	Net sales (Note)			Core operating income		
	Fiscal Year Ended Dec. 31, 2020 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2021 (Millions of Yen)	Difference (Millions of Yen)	Fiscal Year Ended Dec. 31, 2020 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2021 (Millions of Yen)	Difference (Millions of Yen)
Japan	292,380	294,853	2,473	57,520	58,299	779
China	95,736	111,649	15,913	19,953	21,805	1,852
Asia	227,411	252,070	24,658	25,222	29,179	3,957
Others	111,947	124,151	12,204	11,574	12,852	1,279

(Note) Net sales represent those to external customers.

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

In the fiscal year under review, the operating environment of the Group remained tough partly due to supply chain disruptions and soaring resource prices under the impact of the spread of the novel coronavirus disease (“COVID-19”). In the overseas markets, each key target country such as Thailand, India, and Indonesia shows signs of recovery from economic deterioration caused by the COVID-19. Meanwhile, China continues to show uncertain economic conditions due to the COVID-19 resurgence. Against this backdrop, the Company took measures to maintain a stable supply of its products, as they are daily necessities, and met the demand.

In the domestic market, personal spending shows signs of recovery while the spread of COVID-19 slows, but there are growing concerns over the future due to the appearance of new variants. Amid such circumstances, the Company has been striving to expand its market share by continuously proposing new values to stimulate demand for high value-added products.

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.

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As a result, 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 ¥782,723 million (up 7.6% year on year), ¥122,482 million (up 6.7% year on year), ¥121,977 million (up 27.3 year on year), ¥83,605 million (up 33.6% year on year), and ¥72,745 million (up 39.0% year on year), respectively.

2. Overview of the operation by main business segment

Financial results by segment are as described below.

1) Personal Care Business

	Fiscal Year Ended Dec. 31, 2020 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2021 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	624,758	672,039	47,281	7.6
Core operating income	100,005	107,322	7,317	7.3

(Note) Net sales represent those to external customers.

● 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 formed a new Overseas Brand Management Department and promoted the spread of the care model established in Japan. As a result, the Company achieved high growth.

In the domestic market, which continues to grow as Japan's population of the elderly increases, an increased attention toward infection prevention caused people to refrain from going out, but the market was back on course for recovery partly because people have become accustomed to the living environment under the COVID-19 pandemic and more people received a vaccination. Amid the circumstances, the Company achieved stable growth from its 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. Net sales of the *Silcot* wet tissue brand were sluggish due to a pullback from the special demand related to COVID-19 last year, but have grown compared to pre-COVID-19 levels.

During this time when masks have become indispensable as an infection preventive measure, we released new see-through face masks, *clear face mask*, that allow a 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 its overseas mask sales.

● Feminine Care Business

In China, the Company was temporarily affected by the spread of COVID-19, including a plant suspension. Despite such circumstances, the Company's high-quality products featuring charming designs remain highly popular with the younger generation. 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. In addition, the Company took the initiative in expanding the sales areas and the number of stores handling its products, bolstering sales through utilizing new e-commerce platforms, and other activities. 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, etc. Moreover, in the Middle East, the Company achieved high growth as a result of steady exports from Saudi Arabia to neighboring Middle Eastern countries, as well as domestic sales in Saudi Arabia.

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In Japan, as the market shrinks due to a decrease in the target population and fewer opportunities for going out, etc., the Company made continuous efforts to revitalize the domestic market by offering high value-added products and the like to cater to different lifestyles while calls for health and peace of mind grew. As a result, the Company realized stable growth.

● Baby Care Business

In Thailand and Indonesia, whose market polarization has been advancing since last year due to the impact of the spread of COVID-19, the Company achieved stable growth as a result of responding to a wide range of customers' needs by utilizing synergies with DSG (Cayman) Limited, a subsidiary the Company acquired in 2018. In India, the use of disposable diapers is still low even among emerging countries. In response 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 the number of children and the demand for made-in-Japan products decline, 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 the Middle East, the Company achieved stable growth by launching new products containing olive oil that cater to local cultures and customs.

In Japan, as the market shrinks with lower birth rate, the Company has strived to improve its brand value and worked to give parents more enjoyment as they raise their babies by way of its expanded lineup of products including high value-added products such as *moony* and *Natural moony* brands. However, net sales growth was sluggish due to the impact of decreasing sales in cross-border e-commerce with China, owing to the declining demand for made-in-Japan products.

As a result, net sales and segment profit (core operating income) for the personal care business for the fiscal year under review were ¥672,039 million (up 7.6% year on year) and ¥107,322 million (up 7.3% year on year), respectively.

2) Pet Care Business

	Fiscal Year Ended Dec. 31, 2020 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2021 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	95,693	104,541	8,848	9.2
Core operating income	14,174	14,619	445	3.1

(Note) Net sales represent those to external customers.

In Japan, the spread of COVID-19 since last year increased the number of hours people spent at home, which in turn has increased the number of pets kept as well as opportunities for contact with pets. Amid such circumstances, in the pet food business, the Company bolstered the sale of products for dogs tailored to the physical characteristics and ages of each breed, food products for building bodies with a new concept of maintaining muscle health, and other products. The Company also worked to improve consumer satisfaction by providing products for cats meeting the demand for increased health consciousness and the like. Also, in the pet toiletry business, the Company achieved stable growth as a result of steady sales of pet sheets for dogs, toilet systems for cats, etc.

In the North American market, with the spread of COVID-19 leading 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, wet-type snacks for cats, a new concept that is new to the market, etc. The Company achieved high growth though there was some impact of a shortage of containers for maritime transportation mainly in the North American region.

As a result, net sales and segment profit (core operating income) for the pet care business for the fiscal year under review were ¥104,541 million (up 9.2% year on year) and ¥14,619 million (up 3.1% year on year), respectively.

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3) Other Businesses

	Fiscal Year Ended Dec. 31, 2020 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2021 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	7,024	6,143	(882)	(12.5)
Core operating income	565	542	(23)	(4.1)

(Note) Net sales represent those to external customers.

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

As a result, net sales and segment profit (core operating income) in other businesses for the fiscal year under review were ¥6,143 million (down 12.5% year on year) and ¥542 million (down 4.1% year on year), respectively.

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

	As of December 31, 2020 (Millions of Yen)	As of December 31, 2021 (Millions of Yen)	Difference (Millions of Yen)
Total assets	893,413	987,655	94,242
Total liabilities	330,760	352,217	21,457
Total equity	562,653	635,438	72,785
Ratio of equity attributable to owners of parent (%)	55.2	56.5	-

Total assets as of the end of the fiscal year under review amounted to ¥987,655 million, up ¥94,242 million over the end of the previous fiscal year. The major increases were ¥50,581 million in other current and non-current financial assets mainly due to investment securities, ¥28,194 million in inventories, and ¥16,669 million in trade and other receivables. Total liabilities were ¥352,217 million, up ¥21,457 million over the end of the previous fiscal year. The major increases were ¥21,925 million in trade and other payables and ¥5,137 million in borrowings, and the major decrease was ¥4,326 million in other current and non-current financial liabilities mainly due to lease liabilities. Total equity amounted to ¥635,438 million, up ¥72,785 million over the end of the previous fiscal year. The major increases were ¥72,745 million in profit attributable to owners of parent and ¥24,431 million in other components of equity mainly due to exchange differences on translation in foreign operations, and the major decrease was ¥20,308 million in dividends paid to owners of parent.

Consequently, the ratio of equity attributable to owners of parent increased from 55.2% as of the end of the previous fiscal year to 56.5% as of the end of the fiscal year under review.

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(3) Overview of the cash flows for the fiscal year under review

	Fiscal Year Ended Dec. 31, 2020 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2021 (Millions of Yen)	Difference (Millions of Yen)
Cash flows from operating activities	150,254	105,253	(45,001)
Cash flows from investing activities	(41,698)	(79,837)	(38,139)
Cash flows from financing activities	(35,239)	(45,180)	(9,942)
Cash and cash equivalents at end of period	199,522	187,547	(11,975)

Cash and cash equivalents as of the end of the fiscal year under review were ¥187,547 million, a decrease of ¥11,975 million from the end of the previous fiscal year. The respective cash flow positions for the fiscal year under review were as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥105,253 million (¥150,254 million was provided in the previous fiscal year). The main inflows were due to profit before tax, depreciation and amortization expenses, and an increase in trade and other payables, and the main outflows were due to income taxes paid and an increase in inventories.

(Cash flows from investing activities)

Net cash used in investing activities was ¥79,837 million (¥41,698 million was used in the previous fiscal year). The main outflows were due to purchase of property, plant and equipment, and intangible assets, purchase of equity instruments measured at fair value through other comprehensive income, purchase of financial assets measured at fair value through profit or loss, purchase of debt instruments measured at fair value through other comprehensive income, and purchase of financial assets measured at amortized cost.

(Cash flows from financing activities)

Net cash used in financing activities was ¥45,180 million (¥35,239 million was used in the previous fiscal year). The main outflows were due to dividends paid to owners of parent, purchase of treasury shares, and dividends paid to non-controlling interests.

(Reference) Changes in cash flow-related financial indicators

	As of Dec. 31, 2017	As of Dec. 31, 2018	As of Dec. 31, 2019	As of Dec. 31, 2020	As of Dec. 31, 2021
Ratio of equity attributable to owners of parent (%)	52.6	55.5	54.8	55.2	56.5
Ratio of equity attributable to owners of parent at market value (%)	232.9	267.0	255.3	328.0	301.8
Ratio of cash flows to interest-bearing debts (year)	0.2	0.4	1.0	0.5	0.7
Interest coverage ratio (times)	138.6	194.3	55.2	112.8	79.0

Ratio of equity attributable to owners of parent: Equity attributable to owners of parent/Total assets

Ratio of equity attributable to owners of parent at market value: Market capitalization/Total assets

Ratio of cash flows to interest-bearing debts: Interest-bearing debts/Cash flows

Interest coverage ratio: Cash flows/Payment of interest

Note 1: All the above indicators are calculated using consolidated financial figures.

Note 2: Market capitalization is calculated using the Company's total shares outstanding excluding treasury shares.

Note 3: Cash flows from operating activities are used for calculations.

Note 4: Interest-bearing debts cover all debts for which interest is paid among those that are included in the consolidated statement of financial position.

Note 5: The Group has adopted IFRS 16 "Leases" from the fiscal year ended December 31, 2019. As a result, lease liabilities are newly recorded, and part of lease payments are recorded as interest expenses.

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Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2021

(4) Outlook for the fiscal year ending December 31, 2022

	Actual results for fiscal year ended Dec. 31, 2021 (Millions of Yen)	Forecasts for fiscal year ending Dec. 31, 2022 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	782,723	850,000	67,277	8.6
Core operating income	122,482	127,000	4,518	3.7
Profit before tax	121,977	126,000	4,023	3.3
Profit attributable to owners of parent	72,745	79,200	6,455	8.9
Basic earnings per share (Yen)	121.78	132.85	11.07	9.1

In the fiscal year ending December 31, 2022, the Company forecasts that key target countries will continue to show uncertain economic conditions partly due to the appearance of new COVID-19 variants and soaring resource prices, but the business conditions will recover moderately. Amid such circumstances, the Company strives to develop hygiene-related products that meet consumer needs and create markets through promoting DX, and will continue to implement business strategies in line with the economic level and demographics of target countries toward achieving a sustainable high growth.

For overseas markets, the Company intends to achieve high growth with a speed exceeding that of the market and strive for vitalization through offering products that meet individual needs in the target countries, focusing on China, India and Southeast Asia, and aggressive sales activities in the personal care business. In the pet care business, the Company will work to increase the sales ratio of the sheets for dogs equipped with Japanese technology and wet-type snacks for cats, a new concept that is new to the market, in North America. In Asian markets, the Company will strengthen product lineups in China, Thailand, Indonesia, etc.

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

As a result of the aforementioned efforts, net sales, core operating income, profit before tax, and profit attributable to owners of parent for the fiscal year ending December 31, 2022 are forecast to be ¥850,000 million, ¥127,000 million, ¥126,000 million and ¥79,200 million, respectively, on a consolidated basis. Basic earnings per share will be ¥132.85. In the meantime, the Company's assumptions on foreign exchange rates for the main currencies are JPY113.50 to one U.S. dollar and JPY17.50 to one Chinese yuan.

(5) Basic policy regarding profit distribution and dividends for the fiscal year ended December 31, 2021 and the fiscal year ending December 31, 2022

The Company recognizes that one of its most important management policies is to return profits to shareholders, and it is striving to increase corporate value by generating cash flows to achieve this goal. In addition, for the 11th Medium-term Management Plan, which covers a period of three years from 2021 to 2023, the Company will continue to aim for ROE (return on equity attributable to owners of parent) of 15% being achieved as the previous Medium-term Management Plan by expanding the business size as a result of proactive capital investment and investment in research and development for sustainable growth as well as by improving the profitability. The Company will increase dividends in a stable and continuous manner using ongoing gains in free cash flow, and work to augment profit return with the same goal of a total payout ratio (by dividends and purchase of treasury shares) of 50% as the previous fiscal year.

The annual dividend for the fiscal year under review will be ¥36, comprising a year-end dividend of ¥18 per share, in addition to an ¥18 per share dividend for the end of the second quarter. This will be the 20th consecutive period of an increase in dividends, with a dividend on equity attributable to owners of parent (DOE) of 4.1%.

Also, based on the resolution for purchase of the treasury shares passed at the Board of Directors' meeting held on February 15, 2021, 3,623,200 shares were acquired, from February 16 to June 23, 2021, by the purchase on the Tokyo Stock Exchange for the total purchase amount of ¥16,000 million.

Based on the abovementioned profit distribution policy, the Company plans to increase the annual dividend payment from the fiscal year under review by ¥2 per share, to make an annual dividend payment in the fiscal

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year ending December 31, 2022 of ¥38 per share, including a ¥19 per share dividend for the end of the second quarter.

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2. Basic Stance on Selecting Accounting Standards

The Group has adopted the International Financial Reporting Standards (IFRS) from the fiscal year ended December 31, 2017, in order to improve the international comparability of financial information and the quality of business management.

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Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2021

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated statement of financial position

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)	Fiscal Year Ended December 31, 2021 (as of December 31, 2021)
Assets			
Current assets			
Cash and cash equivalents		199,522	187,547
Trade and other receivables		112,698	129,367
Inventories		61,617	89,811
Other current financial assets		97,588	119,752
Other current assets		19,536	21,266
Total current assets		490,962	547,743
Non-current assets			
Property, plant and equipment		258,814	271,689
Intangible assets		90,006	85,407
Deferred tax assets		13,078	13,911
Investments accounted for using equity method		1,262	1,029
Other non-current financial assets		37,372	65,789
Other non-current assets		1,920	2,086
Total non-current assets		402,451	439,912
Total assets		893,413	987,655

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Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2021

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)	Fiscal Year Ended December 31, 2021 (as of December 31, 2021)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables		145,316	167,241
Borrowings		8,975	33,882
Income tax payables		16,183	13,639
Other current financial liabilities		5,765	5,455
Other current liabilities		56,976	54,233
Total current liabilities		233,215	274,450
Non-current liabilities			
Borrowings		24,202	4,432
Deferred tax liabilities		21,116	24,285
Retirement benefit liabilities		11,483	11,973
Other non-current financial liabilities		36,743	32,727
Other non-current liabilities		4,001	4,349
Total non-current liabilities		97,545	77,767
Total liabilities		330,760	352,217
Equity			
Equity attributable to owners of parent			
Capital stock		15,993	15,993
Share premium		13,208	14,801
Retained earnings		547,259	599,946
Treasury shares		(54,572)	(68,646)
Other components of equity		(28,886)	(4,454)
Total equity attributable to owners of parent		493,002	557,639
Non-controlling interests		69,651	77,799
Total equity		562,653	635,438
Total liabilities and equity		893,413	987,655

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Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2021

(2) Consolidated statements of income and comprehensive income

(Consolidated statement of income)

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)	Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)
Net sales	4	727,475	782,723
Cost of sales		(434,866)	(469,078)
Gross profit		292,609	313,645
Selling, general and administrative expenses	6	(177,865)	(191,162)
Other income		2,664	3,235
Other expenses	5, 7	(21,818)	(7,445)
Financial income		4,152	5,211
Financial costs		(3,893)	(1,507)
Profit before tax		95,849	121,977
Income tax expenses		(33,268)	(38,372)
Profit for the period		62,580	83,605
Profit attributable to			
Owners of parent		52,344	72,745
Non-controlling interests		10,237	10,860
Profit for the period		62,580	83,605
Earnings per share attributable to owners of parent			
Basic earnings per share (Yen)	8	87.60	121.78
Diluted earnings per share (Yen)	8	87.46	121.69

Reconciliation of changes from gross profit to core operating income

(Millions of Yen)

Gross profit	292,609	313,645
Selling, general and administrative expenses	(177,865)	(191,162)
Core operating income (*)	114,744	122,482

* Core operating income comprises gross profit less selling, general and administrative expenses. While it is not an indicator defined in IFRS, the Company voluntarily discloses this in the consolidated statement of income and Note “4. Segment information” as the Company’s Board of Directors evaluates the performance of business segments based on core operating income, and it is believed to be a valuable benchmark for measuring the Group’s recurring business performance.

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Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2021

(Consolidated statement of comprehensive income)

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)	Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)
Profit for the period		62,580	83,605
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		(310)	(4,108)
Remeasurements related to net defined benefit liabilities (assets)		(972)	316
Subtotal		(1,282)	(3,792)
Items that may be reclassified to profit or loss			
Net changes in debt instruments measured at fair value through other comprehensive income		(1)	(19)
Changes in fair value of cash flow hedges		(10)	25
Exchange differences on translation in foreign operations		(16,859)	35,729
Share of other comprehensive income of investments accounted for using equity method		(16)	13
Subtotal		(16,887)	35,748
Total other comprehensive income, net of tax		(18,169)	31,956
Total comprehensive income		44,411	115,560
Total comprehensive income attributable to			
Owners of parent		36,248	97,670
Non-controlling interests		8,163	17,890
Total comprehensive income		44,411	115,560

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Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2021

(3) Consolidated statement of changes in equity

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

(Millions of Yen)

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

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Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2021

Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 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		–	–	72,745	–	–	72,745	10,860	83,605
Other comprehensive income		–	–	–	–	24,925	24,925	7,031	31,956
Total comprehensive income		–	–	72,745	–	24,925	97,670	17,890	115,560
Purchase of treasury shares		–	–	–	(16,001)	–	(16,001)	–	(16,001)
Disposal of treasury shares		–	360	–	1,784	(244)	1,900	–	1,900
Dividends		–	–	(20,308)	–	–	(20,308)	(9,659)	(29,967)
Change in scope of consolidation		–	–	–	–	–	–	48	48
Share-based payment transactions		–	1,232	–	144	–	1,376	–	1,376
Transfer from other components of equity to retained earnings		–	–	250	–	(250)	–	–	–
Other		–	–	–	–	–	–	(132)	(132)
Total transactions with owners		–	1,592	(20,058)	(14,073)	(494)	(33,033)	(9,742)	(42,775)
Balance at December 31, 2021		15,993	14,801	599,946	(68,646)	(4,454)	557,639	77,799	635,438

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Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2021

(4) Consolidated statement of cash flows

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)	Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)
Cash flows from operating activities			
Profit before tax		95,849	121,977
Depreciation and amortization expenses		36,165	37,926
Impairment losses		–	4,757
Loss due to fire		15,929	–
Interest and dividend income		(3,836)	(3,592)
Interest expenses		1,330	1,276
Foreign exchange loss (gain)		849	1,154
Loss (gain) on sale and retirement of fixed assets		593	(18)
Decrease (increase) in trade and other receivables		5,395	(4,718)
Decrease (increase) in inventories		(419)	(23,153)
Increase (decrease) in trade and other payables		(967)	14,182
Increase (decrease) in other current liabilities		16,959	(5,374)
Other, net		2,405	(5,344)
Subtotal		170,252	139,073
Interest and dividends received		3,470	4,286
Interest paid		(1,331)	(1,332)
Income taxes refund		–	2,082
Income taxes paid		(22,136)	(38,856)
Net cash provided by (used in) operating activities		150,254	105,253
Cash flows from investing activities			
Payments into time deposits		(52,232)	(51,454)
Proceeds from withdrawal of time deposits		41,101	47,376
Purchase of property, plant and equipment, and intangible assets		(35,507)	(34,671)
Proceeds from sale of property, plant and equipment, and intangible assets		2,115	769
Purchase of financial assets measured at amortized cost		–	(8,330)
Purchase of financial assets measured at fair value through profit or loss		(6,100)	(13,000)
Purchase of equity instruments measured at fair value through other comprehensive income		(3,014)	(13,191)
Purchase of debt instruments measured at fair value through other comprehensive income		(401)	(12,673)
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		3,000	5,000
Proceeds from sale and redemption of equity instruments measured at fair value through other comprehensive income		8,019	37
Proceeds from sale and redemption of debt instruments measured at fair value through other comprehensive income		–	400
Purchase of shares of subsidiaries and associates		(106)	(318)
Proceeds from sale of shares of subsidiaries and associates		–	213
Other, net		429	5
Net cash provided by (used in) investing activities		(41,698)	(79,837)

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Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2021

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)	Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		25	7,115
Proceeds from long-term borrowings		725	–
Repayments of long-term borrowings		(1,341)	(3,000)
Repayments of lease liabilities		(5,149)	(5,235)
Payments for purchase of treasury shares		(7,193)	(16,001)
Dividends paid to owners of parent		(17,895)	(20,301)
Dividends paid to non-controlling interests		(8,822)	(9,659)
Proceeds from share issuance to non-controlling interests		30	–
Proceeds from exercise of employee share options		4,525	1,900
Other, net		(144)	–
Net cash provided by (used in) financing activities		(35,239)	(45,180)
Effect of exchange rate changes on cash and cash equivalents		(2,583)	7,789
Net increase (decrease) in cash and cash equivalents		70,735	(11,975)
Cash and cash equivalents at beginning of period		128,787	199,522
Cash and cash equivalents at end of period		199,522	187,547

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Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2021

(5) Notes to the consolidated financial statements

1. Notes regarding going concern assumptions

None.

2. Significant accounting policies

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

3. Additional information

(Impact of the spread of COVID-19)

With regard to the impact of the spread of COVID-19, although it is difficult to predict how it will spread going forward, when it will come under control, etc., the Group has prepared accounting estimates based on information available as of the end of the fiscal year under review, and judged that the impact on the fiscal year under review will be insignificant.

4. Segment information

(1) Overview of reportable segments

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

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

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

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Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2021

(2) Sales and results by reportable segment

Sales and results by reportable segment are as follows.

(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

(Millions of Yen)

	Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)					
	Reportable segments				Adjustments	Amounts reported in consolidated financial statements
	Personal care	Pet care	Other	Total		
Sales to external customers	672,039	104,541	6,143	782,723	–	782,723
Sales across segments (Note)	–	–	58	58	(58)	–
Total segment sales	672,039	104,541	6,200	782,780	(58)	782,723
Segment profit (Core operating income)	107,322	14,619	542	122,482	–	122,482
Other income						3,235
Other expenses						(7,445)
Financial income						5,211
Financial costs						(1,507)
Profit before tax						121,977
Others						
Depreciation and amortization expenses	34,310	3,270	346	37,926	–	37,926
Impairment losses	4,757	–	–	4,757	–	4,757
Increase in property, plant and equipment and intangible assets	34,460	1,011	1,082	36,552	–	36,552

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

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Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2021

5. Impairment of non-financial assets

(1) Cash-generating unit

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

(2) impairment losses

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

None.

Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)

As the excess earnings power assumed at the time of the acquisition declined for the business belonging to the personal care segment of Unicharm Australasia Holding Pty Ltd., a subsidiary of the Company, partly due to soaring raw material prices and worsening foreign exchange rates, the carrying amount of “goodwill (intangible assets)” related to the business in the country was reduced to the recoverable amount, and a reduction of ¥4,757 million was recorded as an impairment loss in “other expenses.”

The recoverable amount of such asset group of ¥3,675 million is measured by the value in use. Value in use is obtained by discounting the future cash flows based on the business plan and growth rate approved by the management to the present value using the discount rate calculated based on the pre-tax weighted average cost of capital (7.3%). The growth rate is estimated as 2.0% by taking into account the assumed average growth rates in each market.

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Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2021

6. Selling, general and administrative expenses

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

(Millions of Yen)

	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)	Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)
Freight-out expenses	48,074	54,111
Sales promotion expenses	23,026	24,052
Advertising expenses	26,079	28,283
Employee benefit expenses	39,490	40,834
Depreciation and amortization expenses	10,670	10,532
Research and development expenses	7,808	8,184
Others	22,720	25,167
Total	177,865	191,162

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

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

Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)

None.

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Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2021

8. Earnings per share

(1) Basic earnings per share

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

	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)	Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)
Profit attributable to owners of parent (Millions of Yen)	52,344	72,745
Profit not attributable to common shareholders of parent (Millions of Yen)	–	–
Profit used to calculate basic earnings per share (Millions of Yen)	52,344	72,745
Weighted-average number of common shares (Thousands of shares)	597,508	597,328
Basic earnings per share (Yen)	87.60	121.78

(2) Diluted earnings per share

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

	Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)	Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)
Profit used to calculate basic earnings per share (Millions of Yen)	52,344	72,745
Adjustments to profit for the year (Millions of Yen)	2	–
Profit used to calculate diluted earnings per share (Millions of Yen)	52,345	72,745
Weighted-average number of common shares (Thousands of shares)	597,508	597,328
Impact of dilutive potential common shares		
Convertible bond-type bonds with share acquisition rights (Thousands of shares)	313	–
Share acquisition rights (Thousands of shares)	696	453
Weighted-average number of diluted common shares (Thousands of shares)	598,517	597,781
Diluted earnings per share (Yen)	87.46	121.69
Description of potential shares that were not included in the calculation of diluted earnings per share because of their anti-dilutive effect	–	–

9. Significant subsequent events

(Purchase of treasury shares)

At the meeting of the Board of Directors of the Company held on February 15, 2022, the Company resolved to purchase treasury shares under the provision of the Company's Articles of Incorporation based upon Article 459 (I) (i) of the Companies Act as follows.

(1) Reason for conducting purchase of treasury shares

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

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Unicharm Corporation (8113) Consolidated Financial Results for the Fiscal Year Ended December 31, 2021

(2) Details of the share acquisition

1. Type of shares to be acquired: Company's common shares
2. Total number of shares to be acquired: 4.2 million shares (upper limit)
(Ratio of total number of issued shares (excluding treasury shares): 0.70%)
3. Total share acquisition cost: ¥17,000 million (upper limit)
4. Acquisition period: February 16, 2022 – December 22, 2022
5. Acquisition method: Purchase on the Tokyo Stock Exchange