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 64th fiscal year,
from January 1, 2023 to December 31, 2023)

Unicharm Corporation

(E00678)

The 64th Fiscal Year (from January 1, 2023 to December 31, 2023)

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

The 64th Annual Securities Report **Page**

【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 28, 2024
【Business Year】	The 64th Fiscal Year (from January 1, 2023 to December 31, 2023)
【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 Tokyo Mita Garden Tower, 3-5-19, Mita, Minato-ku, Tokyo, Japan
【Phone No.】	+81-3-3451-5111 (switchboard)
【Contact for Communications】	Hirotatsu Shimada, Managing Executive Officer, General Manager of Accounting Control and Finance Division
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【Contact for Communications】	Hirotatsu Shimada, Managing Executive Officer, General Manager of Accounting Control and Finance Division
【Place Where Available for Public Inspection】	Head Office, Unicharm Corporation (Sumitomo Fudosan Tokyo Mita Garden Tower, 3-5-19, 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		60th	61st	62nd	63rd	64th
Year ended		December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023
Net sales	Millions of Yen	714,233	727,475	782,723	898,022	941,790
Profit before tax	Millions of Yen	69,538	95,849	121,977	115,708	132,308
Profit attributable to owners of parent	Millions of Yen	46,116	52,344	72,745	67,608	86,053
Comprehensive income attributable to owners of parent	Millions of Yen	52,458	36,248	97,670	98,094	120,371
Equity attributable to owners of parent	Millions of Yen	473,073	493,002	557,639	618,883	695,719
Total assets	Millions of Yen	864,003	893,413	987,655	1,049,218	1,133,627
Equity attributable to owners of parent per share	Yen	791.25	822.19	935.03	1,043.17	1,178.73
Basic earnings per share	Yen	77.53	87.60	121.78	113.61	145.42
Diluted earnings per share	Yen	77.05	87.46	121.69	113.59	145.42
Ratio of equity attributable to owners of parent	%	54.8	55.2	56.5	59.0	61.4
Return on equity attributable to owners of parent	%	10.1	10.8	13.8	11.5	13.1
Price earnings ratio	Times	47.7	55.8	41.0	44.6	35.1
Cash flows from operating activities	Millions of Yen	84,936	150,254	105,253	92,216	162,415
Cash flows from investing activities	Millions of Yen	(69,235)	(41,698)	(79,837)	(7,145)	(67,527)
Cash flows from financing activities	Millions of Yen	(23,062)	(35,239)	(45,180)	(61,652)	(67,007)
Cash and cash equivalents at end of fiscal period	Millions of Yen	128,787	199,522	187,547	217,153	253,770
Employees ( ) represents the average number of part-time employees not included in the above numbers	Persons	16,304 (1,781)	16,665 (1,776)	16,308 (1,786)	16,206 (1,775)	16,223 (1,724)

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

2. The Group’s consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (hereinafter “IFRS”).

(2) Non-consolidated financial data

Fiscal year		60th	61st	62nd	63rd	64th
Year ended		December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023
Net sales	Millions of Yen	355,721	366,203	382,210	344,281	348,740
Ordinary income	Millions of Yen	40,217	46,149	81,353	67,915	143,374
Profit	Millions of Yen	35,119	8,292	59,625	6,876	119,405
Capital stock	Millions of Yen	15,993	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	316,040	312,113	333,849	301,907	384,676
Total assets	Millions of Yen	443,842	455,280	474,130	414,114	493,120
Net assets per share	Yen	527.99	519.99	559.44	508.88	651.74
Cash dividends per share (Interim cash dividends included herein)	Yen (Yen)	28 (14)	32 (16)	36 (18)	38 (19)	40 (20)
Earnings per share	Yen	59.04	13.88	99.82	11.55	201.77
Diluted earnings per share	Yen	58.43	13.84	99.74	11.55	201.77
Ratio of shareholders' equity	%	70.9	68.4	70.3	72.9	78.0
Earnings to shareholders' equity	%	11.4	2.6	18.5	2.2	34.8
Price earnings ratio	Times	62.7	352.5	50.1	438.6	25.3
Dividend payout ratio	%	47.4	230.6	36.1	328.9	19.8
Employees ( ) represents the average number of part-time employees not included in the above numbers	Persons	1,443 (286)	1,466 (323)	1,465 (345)	1,433 (364)	1,457 (385)
Total shareholder return (Comparative indicator: TOPIX Total Return Index)	% (%)	104.7 (118.1)	139.1 (126.8)	143.2 (143.0)	146.2 (139.5)	148.1 (178.9)
Highest share price	Yen	3,787	5,316	5,208	5,323	5,958
Lowest share price	Yen	2,905	3,031	4,122	3,901	4,623

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

2. The highest and lowest share prices are those quoted on the Tokyo Stock Exchange (First Section) on or before April 3, 2022, and on the Tokyo Stock Exchange (Prime Market) on or after April 4, 2022.

3. The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the 63rd fiscal year, and the key financial data, etc. for the 63rd fiscal year and the fiscal year thereafter is presented as data, etc. after applying the accounting standard, etc.

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 - Greater China
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 the shares of 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
April 2022	Moved stock listing from the First Section to the Prime Market of the Tokyo Stock Exchange due to the restructuring of market segments by the Tokyo Stock Exchange

3. Description of business

Unicharm Corporation (the "Company"), 50 subsidiaries and 8 affiliates (collectively, the "Group") is engaged chiefly in the manufacture and sale of wellness care products, feminine care products, baby care products, kirei care products, and pet care products.

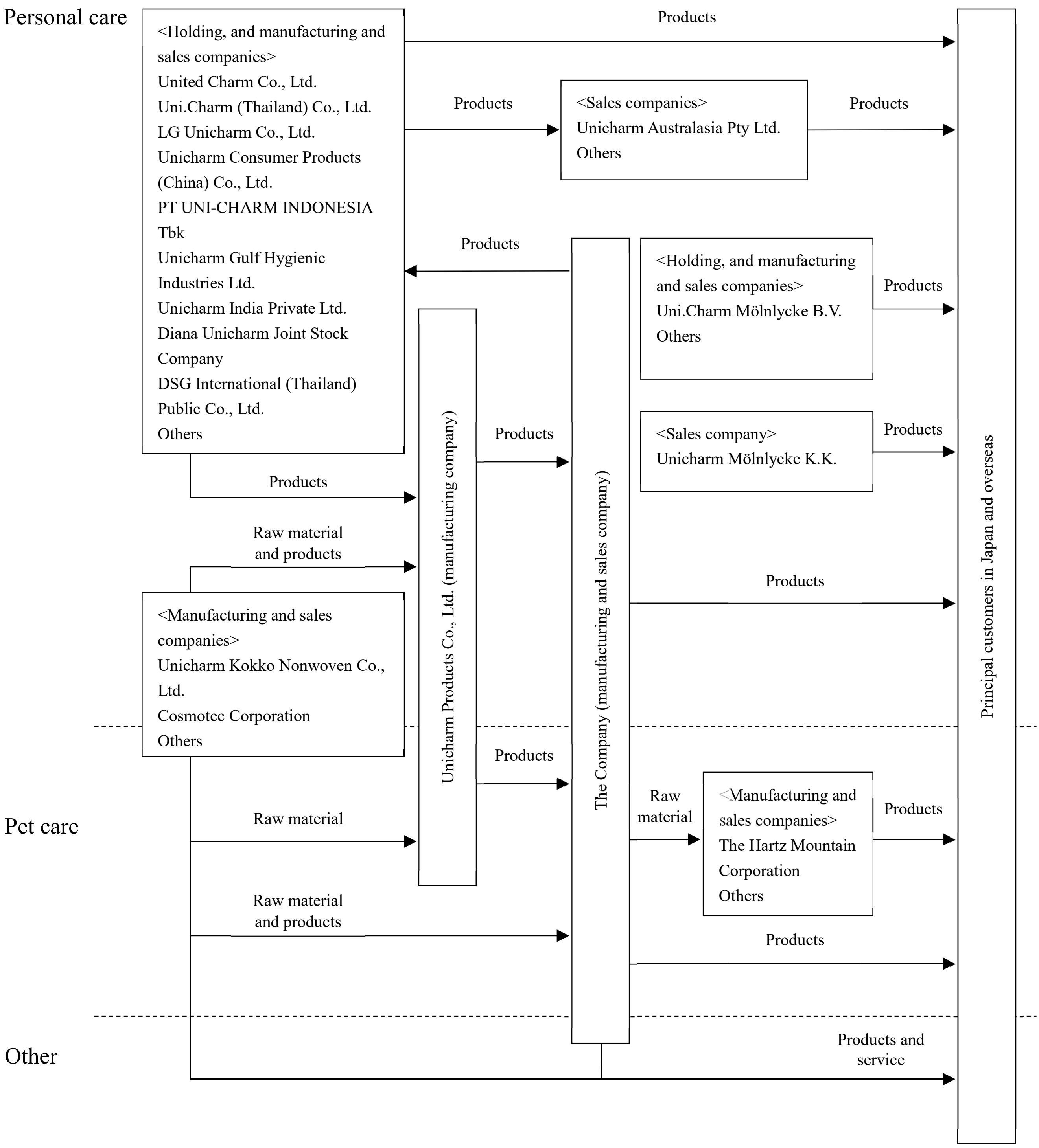
Organizational positioning and segment information of Group businesses are as follows.

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 Kirei 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 29 companies Total 45 companies
Pet care	Pet care business	The Company Unicharm Products Co., Ltd. Unicharm Kokko Nonwoven Co., Ltd. Cosmotec Corporation Peparlet Co., Ltd. The Hartz Mountain Corporation Other 11 companies Total 17 companies
Other		Unicharm Kokko Nonwoven Co., Ltd. Cosmotec Corporation Other 4 companies Total 6 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 - Greater China	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	100.0	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
PT UNI-CHARM INDONESIA Tbk (Note 2)	Republic of Indonesia	Millions of IDR 415,657	Personal care	59.4	Sells products to Group companies
Unicharm Gulf Hygienic Industries Ltd. (Note 2)	Kingdom of Saudi Arabia	Thousands of SAR 447,059	Personal care	85.0	Sells products to Group companies Interlocking executive: 1
Unicharm India Private Ltd. (Note 2)	Republic of India	Millions of INR 37,123	Personal care	100.0	
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 880,000	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	

Name of company	Location	Capital	Principal businesses (Note 1)	Percentage of voting rights held (%)	Business relationship
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
Uni-Charm Corporation Sdn. Bhd. (Note 2)	Malaysia	Thousands of MYR 132,230	Personal care	100.0	Sells products to Group companies
Diana Unicharm Joint Stock Company (Notes 2, 3)	Socialist Republic of Vietnam	Thousands of VND 360,000,000	Personal care	95.0 (95.0)	Sells products to Group companies Interlocking executive: 1
Other 34 companies	–	–	–	–	–
(Affiliates accounted for by the equity method) UBS Corporation	Minato-ku, Tokyo, Japan	Millions of JPY 30	Shared services	20.0	
Jiangsu Jijia Pet Products Co., Ltd.	People’s Republic of China	Thousands of CNY 19,630	Pet care	41.9 (41.9)	
Other 6 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	¥113,224 million
2) Profit before tax	¥9,847 million
3) Profit for the period	¥7,288 million
4) Total equity	¥57,982 million
5) Total assets	¥86,442 million

5. There is one other affiliate company.

5. Employees

(1) Consolidated companies

(As of December 31, 2023)

Reportable segment	Number of employees (Persons)
Personal care	14,988 (1,503)
Pet care	582 (92)
Other	524 (95)
Corporate (common)	129 (34)
Total	16,223 (1,724)

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, 2023)

Number of employees (Persons)	Average age (Years)	Average years of service (Years)	Average annual salary (Thousands of Yen)
1,457 (385)	41.3	15.9	8,431

Reportable segment	Number of employees (Persons)
Personal care	1,150 (326)
Pet care	178 (25)
Other	– (–)
Corporate (common)	129 (34)
Total	1,457 (385)

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.

(4) Ratio of female employees in managerial positions, ratio of male employees taking childcare leave, and differences in wages between male and female employees

1) The Company

Fiscal year ended December 31, 2023				
Ratio of female employees in managerial positions (%) (Note 1)	Ratio of male employees taking childcare leave (%) (Notes 2, 3)	Differences in wages between male and female employees (%) (Note 1)		
		All employees	Regular employees	Part-time and fixed-term employees
15.0	95.4	63.3	73.1	67.6

Notes: 1. Calculated based on the provisions of the Act on Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

When aggregating the data for the ratio of female employees in managerial positions, those seconded to positions at different companies are counted as employees of the company they were seconded to.

2. Calculated the percentage of male employees taking childcare leave, etc. provided for in Article 71-4, Item 1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

3. The percentage of male employees taking childcare leave is calculated by the formula: "male employees who took childcare leave in the fiscal year ⁄ male employees whose spouses gave birth in the fiscal year × 100." The percentage of male employees taking childcare leave may exceed 100% given that the number of male employees who took childcare leave includes those whose spouses gave birth in the prior year.

2) Consolidated subsidiaries

Fiscal year ended December 31, 2023					
Name of company	Ratio of female employees in managerial positions (%) (Note 1)	Ratio of male employees taking childcare leave (%) (Note 2, 4)	Differences in wages between male and female employees (%) (Note 1)		
		All employees	All employees	Regular employees	Part-time and fixed-term employees
Unicharm Products Co., Ltd.	4.3	106.3	88.8	90.2	78.3
Unicharm Kokko Nonwoven Co., Ltd.	–	50.0	87.2	94.9	63.5
Unicharm Mölnlycke K.K.	52.8	33.0	95.0	98.0	78.0
Cosmotec Corporation	5.0	25.0	77.3	81.6	68.3
Peparlet Co., Ltd.	8.3	–	78.0	77.0	82.0

Notes: 1. Calculated based on the provisions of the Act on Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

When aggregating the data for the ratio of female employees in managerial positions, those seconded to positions at different companies are counted as employees of the company they were seconded to.

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3. Information on other consolidated subsidiaries is omitted as they are outside the scope of the disclosure obligations stipulated by the provisions of the Act on Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015) and the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

4. The percentage of male employees taking childcare leave is calculated by the formula: "male employees who took childcare leave in the fiscal year ⁄ male employees whose spouses gave birth in the fiscal year × 100." The percentage of

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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 create a foundation for sustainable growth and 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 Group is now implementing the 12th Medium-term Management Plan, which covers the three-year period from January 2024 to December 2026. The details of the plan are described in the Presentation Materials for the Fiscal Year Ended December 2023, which was released on February 7, 2024.

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

In Japan and other countries and regions, the market was making a gradual recovery to return to the pre-pandemic level as the threat of COVID-19 subsided and social and economic activities were invigorated. However, the future outlook remains uncertain. Overseas, signs of a recovery from the economic deterioration caused by the spread of COVID-19 emerged in many of the target markets despite the variability of the market recovery. However, there is still uncertainty about the impact on the world economy of the soaring prices of raw materials and other resources, etc. as a result of the prolonged conflicts in Ukraine. In addition to the impact of COVID-19 and the prolonged conflicts in Ukraine, geopolitical risks, economy, finance and fluctuations of exchange rates in some countries and regions where we are rolling out business may considerably impact business in these countries and regions, and cause stagnant sales, price fluctuations in imported raw materials and products.

Meanwhile in Japan, although there is a strong demand for the wellness care and pet care products, 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 "Cohesive Society" 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. Approach to and initiatives on sustainability

The Group's approach to and initiatives on sustainability are as follows.

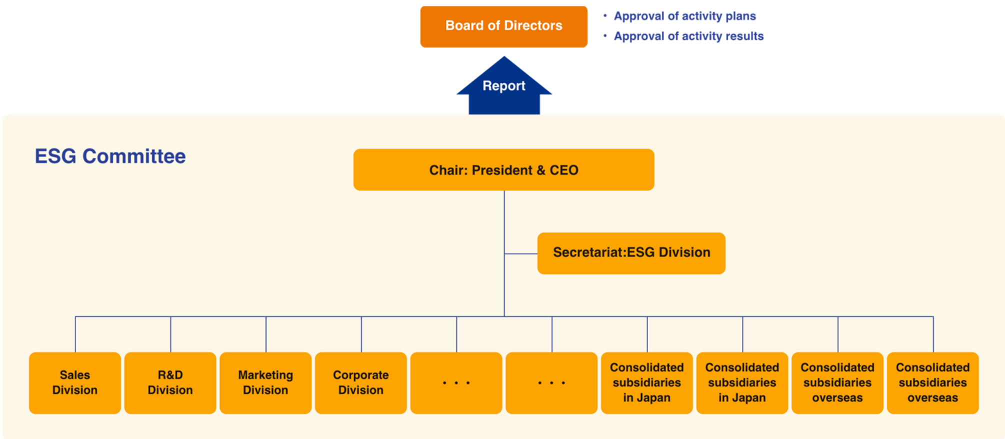
In the following, statements relating to the future are based on the judgment of the Group at the end of the fiscal year under review.

(1) Sustainability management

1) Governance

Presented below is the structure the Group has in place to seamlessly promote the sustainability initiatives that are expected by its stakeholders. The Group's ESG Committee is a cross-group structure chaired by the President & CEO for promoting ESG activities. The committee meets quarterly, four times a year, to discuss and determine policies and activities related to sustainability in general and governance and monitor their progress. The attendees of the ESG Committee include members of the management team, such as Directors and Executive Officers, and heads of Sales, R&D, Marketing, and Corporate Divisions, as well as consolidated subsidiaries both in Japan and overseas. We have thus established a structure that allows the Group to promptly carry out sustainability-related activities that have been determined. Details of the discussions held and decisions made at the ESG Committee are reported by the Executive Officer in charge of ESG to the Board of Directors at least once a year.

>> ESG promotion structure



>> Core themes and categories of ESG Committee initiatives

ISO 26000 Core Subjects	Organizational governance, human rights, labor practices, the environment, fair business practices, consumer issues, and community involvement and development
	Core Themes
E	• Climate change: Greenhouse gases, energy use management, and climate change-related risks • Water resources: Water use and its reduction • Pollution and resources: Waste disposal, resource usage, and recycling • Supply chain: Supplier policy, environmental issues, and sustainable procurement of forest resources and palm oil • Biodiversity • Development of environmentally friendly products
S	• Labor standards: Forbiddance of child and forced labor, prohibition of discrimination, freedom of association, collective bargaining rights, minimum wage, and prevention of harassment • Safety and health • Human rights: Due diligence, children's rights, forbiddance of child labor, community employment, and complaint handling • Society: Community investment and social contribution activities • Responsibilities to customers: Responsible advertising and marketing and customer satisfaction • Supply chain: Forbiddance of child and forced labor, prohibition of discrimination, freedom of association, collective bargaining rights, minimum wage, safety and health, due diligence, and capacity building • Product quality and safety
G	• Corruption prevention: Bribery prevention, insider trading, whistleblower hotline, education, and risk assessment • Corporate governance • Companywide risk management: Environment, society, corporate governance • Compliance • Tax transparency

2) Strategy

>> Medium- to long-term ESG goals, Kyo-sei Life Vision 2030

The Group's corporate mission is to contribute to the realization of a "Cohesive Society." As part of its efforts, the Group is committed to contributing to the solution of natural environmental and social issues through its business activities. To be specific, the medium- to long-term ESG goals, Kyo-sei Life Vision 2030—For a Diverse, Inclusive, and Sustainable World— (hereafter referred to as "Kyo-sei Life Vision 2030"), were announced in October 2020. In formulating Kyo-sei Life Vision 2030, the Company first defined its vision of the desirable future in 2030 and has conceived carefully focused approaches to draw closer to that vision from where it is today.

Through the steady implementation of Kyo-sei Life Vision 2030, the Group aims to resolve natural environmental and social issues and satisfy the needs of consumers and communities, while continuing to grow its business.

>> Positioning of Kyo-sei Life Vision 2030

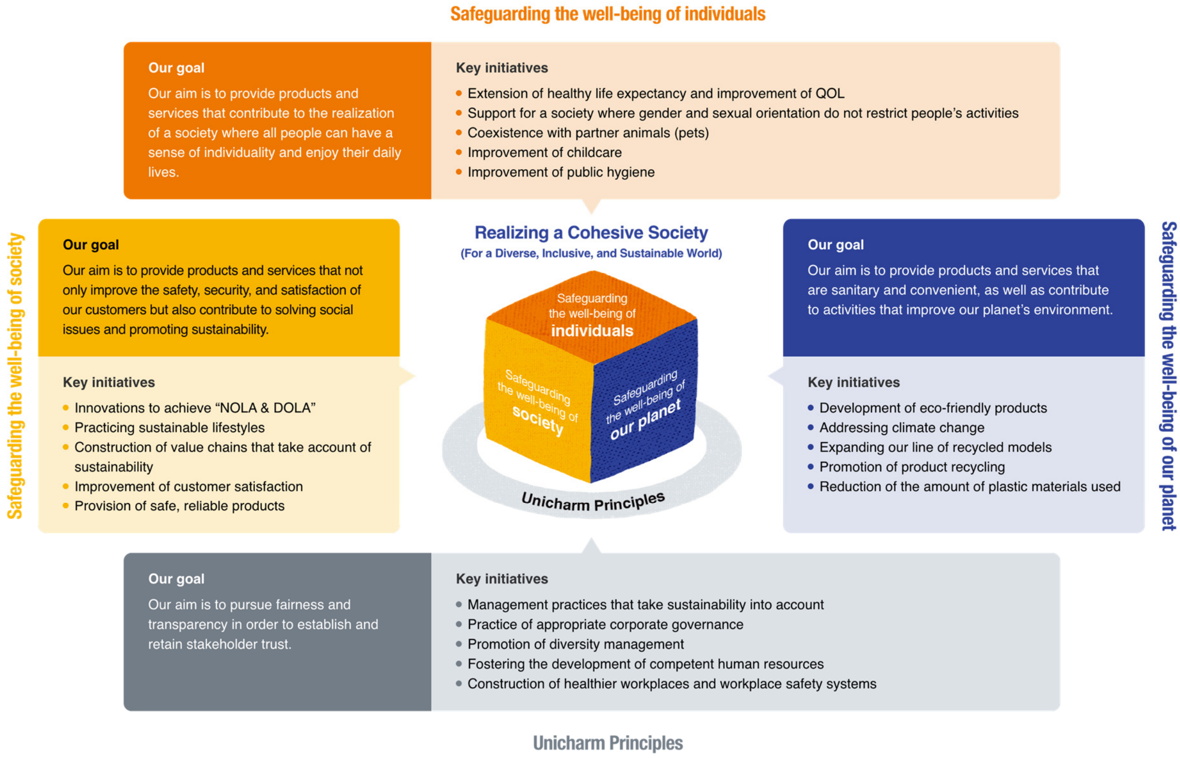
At the Group, we believe that our fundamental raison d'être, that is, our purpose, is to contribute to the achievement of the United Nations' Sustainable Development Goals (SDGs). To better delineate the substance of this purpose and to further its accomplishment, we have broken it down into three key components: mission, vision, and value.

"Mission" clarifies what we want to accomplish. More specifically, our mission is to contribute to the realization of a "Cohesive Society," a society that must inherently be diverse, inclusive, and sustainable. In this society, personal freedom will harmonize with social altruism, enabling people to be true to themselves and live lives of their own choosing, while at the same time helping others to achieve a better life.

Where purpose is the goal, vision is the means. "Vision" elucidates how we can realize a "Cohesive Society." It is the application of our corporate philosophy, which we like to call "NOLA & DOLA" (Necessity of Life with Activities & Dreams of Life with Activities). Through "NOLA & DOLA," we hope to provide powerful, yet discreet and unobtrusive support for the minds and bodies of our customers, freeing them of some of their burdens and enabling them to better focus their efforts on fulfilling their dreams.

"Value" is the ambition and sense of duty that underlies our mission and vision, bringing it all together to serve a common purpose. All Unicharm Group employees around the world are now pushing forward our standardized management model: management with resonance.

To understand and promote our purpose, which constitutes our mission, vision, and value, and to clarify how they work together to push forward that purpose, we have formulated Kyo-sei Life Vision 2030.



>> Our approach to realizing a "Cohesive Society" by 2050

As described under "Positioning of Kyo-sei Life Vision 2030," our mission is to contribute to the realization of a "Cohesive Society." With the year 2050 set as the target date for bringing such a society into being, we will strive to realize our vision of the company we aspire to be and have conceived carefully focused approaches to draw closer to that vision from where we are today.

Realizing a Cohesive Society

What the future might look like	Acceleration of aging society	Normalization of women's social advancement	Expansion of diversity
	Evolution of the IoT and AI	Destabilization of society due to abnormal weather and novel diseases	Diffusion of circular economy
	Socioeconomic growth in Africa	Collapse/reconstruction of supply chains due to changes in resource supply and demand	Global changes in demographic dynamics

Our vision of the company we aspire to be	**【 Society 】** A cohesive society where the well-being of individuals, society, and our planet is maintained in a balanced state	**【 Unicharm 】** A worldwide company that provides social infrastructure to support healthy bodies and minds for people–from newborns to the elderly–as well as partner animals (pets), while at the same time promoting the well-being of society and our planet

Our approach	Expansion throughout the world	Evolution of products and services	Personalization	Circular economy

>> Formulation of Kyo-sei Life Vision 2030

Phase 1 Defining our material issues

To define our material issues, we implemented the following steps. These steps helped us extract material issues and draw a matrix diagram.

1 Extraction of relevant issues
We extracted 513 relevant social issues from many literature sources. We categorized them into 44 groups (ISO 26000, GRI, SDGs, FTSE, MSCI, DJSI, etc.) based on four points of view.

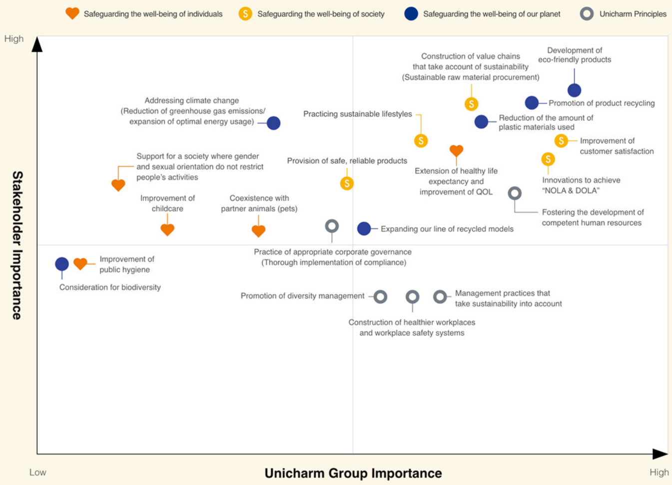
2 Internal assessment
We surveyed about 900 people associated with Unicharm, including members of the Board of Directors, executive officers, headquarters directors, subsidiary presidents, and managers.

3 External assessment
We asked 56 organizations to participate in surveys to assess the degree of importance assigned to various issues from an external viewpoint (stakeholders' viewpoint) and received responses from 32 organizations.

4 Workshop with executive officers
A meeting of executive officers was held to study the SDGs, followed by a workshop where executives offered their opinions about what society might look like in 2050 as well as possible directions the Company should take.

5 Defining our material issues
We listed the main themes underlying where we wanted the Company to be in 2050 and the various approaches that we would have to take in order to achieve those goals; then we specified material issues. The results of these deliberations were subsequently approved by the ESG Committee.

Material Issue Matrix Diagram



Phase 2 Formulation of indicators linked to the material issues and target values

We examined various indicators and targets pertaining to the material issues as outlined below.

1 Implementation of research into ESG assessment institutions and competitors' benchmarks

2 Comparison between branding strategies of our products

3 Exchange of opinions with general managers and senior managers

4 Creation of indicators and initial proposals for targets

5 Discussions with the Marketing Division and the R&D Division

6 Finalization of indicators and target values
We formulated indicators linked to the material issues and target values. These were subsequently approved by the ESG Committee.

3) Risk management

At the Group, in order for steady promotion of the medium- to long-term ESG goals, Kyo-sei Life Vision 2030, our efforts are collectively managed and overseen by the ESG Committee, which is chaired by the President & CEO and operated under the Board of Directors. The implementation of the key initiatives, which closely relate to our day-to-day operations, is pursued independently by relevant departments and involves a Plan–Do–Check–Act (PDCA) cycle and gate control based on preset control points and key performance indicators (KPIs). The ESG Division is responsible for tasks such as understanding the progress of the key initiatives and it reports to the ESG Committee, which meets quarterly, four times a year. Information and discussion points arising in the ESG Committee are also reported by the Executive Officer in charge of ESG to the Board of Directors at least once a year.

The key initiatives of Kyo-sei Life Vision 2030 are translated into targets for each individual division and involve finely tuned activities such as individual targets and weekly action plans linked to each division.

4) Indicators and targets

>> Key initiatives, indicators, target values, and results of Kyo-sei Life Vision 2030

Key initiatives	Indicators	Results		Medium- to long-term goals	
		2021	2022	Target value	Target year
Safeguarding the well-being of individuals Our aim is to provide products and services that contribute to the realization of a society where all people can have a sense of individuality and enjoy their daily lives.					
Extension of healthy life expectancy and improvement of QOL	Percentage of products and services that contribute to the realization of a society where everyone can have a sense of individuality	100%	100%	100%	2030
Support for a society where gender and sexual orientation do not restrict people’s activities	Percentage of products and services that contribute to a society where people around the world are free from discrimination by gender or sexual orientation (including products and services that contribute to the elimination of sexual discrimination still present in certain countries and regions)	100%	100%	100%	2030
Coexistence with partner animals (pets)	Percentage of products and services that contribute to the realization of a society where partner animals (pets) are welcomed by family members and community residents	100%	100%	100%	2030
Improvement of childcare	Percentage of products and services that contribute to the realization of a society where infants and their families can live healthily and happily	100%	100%	100%	2030
Improvement of public hygiene	Percentage of products and services that contribute to activities that can reduce the spread of preventable infectious diseases (contact transmission or droplet transmission)	100%	100%	100%	2030
Safeguarding the well-being of society Our aim is to provide products and services that not only improve the safety, security, and satisfaction of our customers but also contribute to solving social issues and promoting sustainability.					
Innovations to achieve “NOLA & DOLA”	Percentage of products and services that contribute to freedom from various burdens and finding enjoyment in life	100%	100%	100%	2030
Practicing sustainable lifestyles	Percentage of products and services suitable for the SDGs Theme Guideline, an internal guideline for contributing to sustainability	100%*	10.5%	50%	2030
Construction of value chains that take account of sustainability	Percentage of products and services that use raw materials procured from local production for local consumption, thereby contributing to local economies based on the perspectives of the environment, society, and human rights	Development ongoing	Development ongoing	Double (Compared with 2020)	2030

Key initiatives	Indicators	Results		Medium- to long-term goals	
		2021	2022	Target value	Target year
Improvement of customer satisfaction	Percentage of products and services supported by consumers (No. 1 market share)	23.4%	23.6%	50%	2030
Provision of safe, reliable products	Percentage of products to which a new internal guideline for safety and quality has been set and certification has been granted	100%	100%	100%	2030
Safeguarding the well-being of our planet Our aim is to provide products and services that are sanitary and convenient, as well as contribute to activities that improve our planet's environment.					
Development of eco-friendly products	Number of products and services that implement "3Rs + 2Rs" based on Unicharm's unique approach	Development ongoing	2	10 or more	2030
Addressing climate change	Percentage of renewable energy used for business operations in total	7.3%	11.0%	100%	2030
Expanding our line of recycled models	Number of disposable paper diaper recycling facilities introduced	Development ongoing	1	10 or more	2030
Promotion of product recycling	Material recycling of nonwoven products using recycling resources	Development ongoing	Development ongoing	Start of commercial usage	2030
Reduction of the amount of plastic materials used	Percentage of virgin plastics to total plastics	Development ongoing	Development ongoing	Reduced by half (Compared with 2020)	2030
Unicharm Principles Our aim is to pursue fairness and transparency in order to establish and retain stakeholder trust.					
Management practices that take sustainability into account	Maintain and improve ratings by external evaluation agencies	–	–	Highest level	Every year starting from 2026
	Number of serious human rights violations in the value chain	Zero	1 (revised)	Zero	Every year
Practice of appropriate corporate governance	Number of serious compliance violations	Zero	Zero	Zero	Every year
Promotion of diversity management	Percentage of female managers driven by the provision of various opportunities for women	22.5%	23.2%	30% or more	2030
Fostering the development of competent human resources	Percentage of positive answers received for the "Growth through Work" section of the employee awareness survey	81.4% (Japan)	89.2%	80% or more	2030
Construction of healthier workplaces and workplace safety systems	Reduction in the percentage of employees on leave for mental or physical health reasons by improving the workplace environment so that employees can work with peace of mind and maintain mental and physical health	6 employees (Japan)	4 employees (Japan)	Reduced by half (Compared with 2020)	2030

For FY2023 results, please refer to our Integrated Report 2024, which will be released in June 2024.

(2) Responding to climate change

In the following, statements relating to the future are based on the judgment of the Group as of the date of filing of this Annual Securities Report.

1) Governance

At the Group, the President & CEO is responsible for evaluating risks and opportunities related to climate change and for setting and enforcing CO_2 reduction targets. The ESG Committee, chaired by the President & CEO and staffed by Directors and all Executive Officers, meets quarterly, four times a year, to report and deliberate on overall natural environmental activities including those related to climate change, including updates on the progress of the Group's medium- to long-term environmental targets, Environmental Targets 2030 and the medium-to long-term ESG goals, Kyo-sei Life Vision 2030, our response to social issues, and important issues for governance. For these committee meetings, the ESG Division—which is responsible for responding to Groupwide natural environmental issues—collects and checks natural environmental data and information on our activities every month for each site. The division discusses this information with the Executive Officer in charge of ESG and selects the agenda for the ESG Committee meetings.

The activities of the ESG Committee are then supervised by the Board of Directors, which receives reports on committee activities from the Executive Officer in charge of ESG at least once a year. The ESG Committee and the Board of Directors perform checks and provide guidance and instructions on these activities in accordance with the progression of Environmental Targets 2030 and Kyo-sei Life Vision 2030. To allow Unicharm to achieve its goals, we also set the term (years) for return on investment, deliberate on investment decisions on a case-by-case basis, implement the necessary measures, and aim to meet our targets. Following the recommendations of the TCFD[*1], we have publicly shared information about specific plans based on Environmental Targets 2030 and Kyo-sei Life Vision 2030 since 2021.

Moreover, in order to carry out and achieve ESG strategies and targets under the direction of Directors and Executive Officers, ESG criteria have been incorporated into the evaluation indicators for Directors (excluding Directors who are Audit & Supervisory Committee Members) and Executive Officers since 2020. ESG criteria were also added as evaluation indicators for general employees in 2023.

*1 TCFD: Task Force on Climate-related Financial Disclosures

2) Strategy

The Group considers risks and opportunities with reference to our situation year by year (the short term), in alignment with our management plan (the medium term, three to five years) and international prospects (the long term, 10 to 20 years, encompassing factors such as the SDGs and the Paris Agreement). We also use an ERM[*2] approach to identify risks to the Group as a whole and engage with climate change risks as one of these. In order to respond to the risks and opportunities identified, we are implementing the following course of action in conjunction with our financial plan.

>> Scenarios and planning

Unicharm uses RCP scenarios[*3] as a basis from which to calculate estimated physical impacts. These include risks related to factories in coastal zones with rising sea levels, operating risks linked to supply chain disruption caused by cyclones and other disasters, the risk of falling GDP in equatorial regions due to heat waves, and the impact of increased raw materials costs stemming from delays in harvests of agricultural and other products and the development of forest resources as a result of changes in terrestrial ecosystems. Global warming will have a significant impact not only on the global environment but also on our business development. In order to observe the Paris Agreement, we will continue to proceed with a range of initiatives in cooperation with various stakeholders. Moreover, we believe that this situation, in which global warming is becoming an increasingly urgent problem, is also an opportunity for Unicharm to showcase its used disposable diaper recycling technology. By means of this technology, we will contribute to efforts such as forest conservation and decarbonization.

We believe that the most significant climate change-related impact on our business strategy will be our participation in the scientific approach to the COP21 Paris Agreement's reduction targets aimed at keeping global warming below an increase of 2˚C. With our 2030 emissions reduction targets endorsed by the SBT[*4] initiative, environmental consciousness has been promoted as part of the Company's product development strategy within the Marketing and R&D Divisions, while plans incorporating both short- and long-term perspectives, including energy conservation activities and the adoption of renewable electricity, are being instituted as part of our strategy within the Manufacturing Division. We will continue to proceed with such measures to achieve the targets of Kyo-sei Life Vision 2030 by the year 2030 and Environmental Targets 2030 toward realizing our 2050 vision, the Company's vision for where it wants to be in 2050.

*2 ERM: Enterprise Risk Management

*3 RCP (Representative Concentration Pathway) scenarios set out several "representative concentration pathways" and predict the future climate for each pathway as well as allow the formulation of various socioeconomic scenarios that would lead to each of these concentration pathways.

*4 SBT: Science Based Targets

3) Risk management

At the Group, we also use an ERM approach to identify risks to the Group as a whole and engage with climate change risks as one of them. Groupwide climate-related risk assessment is conducted by the ESG Division. First, we run simulations of climate change impact that cover severity, scope, and transition risks (carbon pricing, energy prices, etc.) based on the recommendations of the TCFD and create multiple qualitative scenarios (2˚C (1.5˚C) target scenario and 4˚C scenario) for the period up to 2050, using information from sources such as the IPCC's[*5] Climate Change Report and the IEA's[*6] World Energy Outlook 2021.

These scenarios are then used, together with the estimated value of damage (calculated as part of site-level risk assessment), to estimate the total damage costs of Group companies. The results of this evaluation are reported to the ESG Committee and the Board of Directors and are then used in the formulation of our business strategy and business plan. In the event that the ESG Committee, in which the Directors and all Executive Officers participate, judges that the aforementioned scenarios would be impacted, a responsible task team will be established for developing a plan, with the ESG Division acting as a secretariat. This plan will then be approved at the next ESG Committee meeting, upon which the responsible team will implement it and report on progress at ESG Committee meetings.

*5 IPCC: Intergovernmental Panel on Climate Change

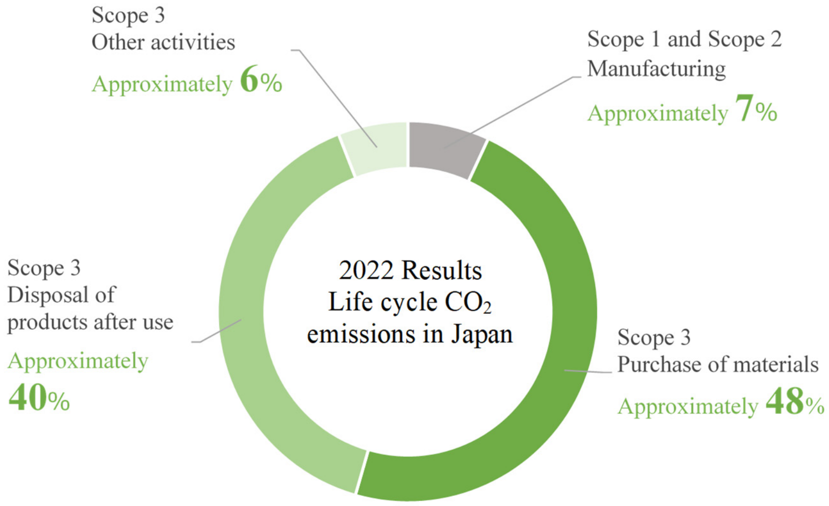
*6 IEA: International Energy Agency

4) Indicators and targets

To develop a specific action plan for mitigating climate change, the Group endorsed the international SBTi in May 2017 and formulated a CO_2 reduction plan up to 2045 by conducting simulations. In June 2018, Unicharm became the 17th company in Japan to have its reduction plan certified for consistency with the 2˚C target. Working toward these targets, we have set specific long-term CO_2 reduction targets for both Scope 1[*7] and Scope 2[*8]. Furthermore, we are looking to adopt the 1.5˚C target announced at COP26 in place of the current 2˚C target.

Moreover, the Group has established a medium- to long-term vision and targets for climate change in its 2050 vision and Environmental Targets 2030. "Reducing CO_2 emissions associated with raw materials procurement" (Scope 3, Category 1[*9]), "reducing CO_2 emissions in manufacturing" (Scope 1 and Scope 2), and "reducing CO_2 emissions associated with disposal of used products" (Scope 3, Category 12[*9]), which account for a large proportion of CO_2 emissions over the product life cycle, have been set as our targets for climate change response. For Scope 1 and Scope 2, we run energy conservation activities for the workplace with promoters of environmental activities at each site four times a year, and implement and monitor the progress of annual plans. For CO_2 emissions from purchased materials that form the bulk of our Scope 3 emissions, we perform LCAs[*10] to calculate CO_2 emissions for each product from the design phase onward, and product developers and the ESG Division discuss these emissions and consider countermeasures from the perspectives of product function and CO_2 emissions.

>> Overall picture of Scopes 1, 2, and 3 at the Group



>> Responding to climate change under Environmental Targets 2030

Implementation items		Base year	2021 results	2022 targets	2022 results	2023 targets	2030 targets	2050 vision
Reducing CO_2 emissions associated with raw materials procurement Scope 3, Category 1	Per unit of sales	2016	9.7% (Japan)	(3.4)%	(12.6)% (Japan)	(14.3)% (Japan)	(17)%	Realizing a society with net zero CO_2 emissions
Reducing CO_2 emissions in manufacturing Scope 1, Scope 2			(26.9)%	(28.0)%	(35.2)%	(38.6)%	(34)%	
Reducing CO_2 emissions associated with disposal of used products Scope 3, Category 12			23.7% (Japan)	(5.2)%	(11.6)% (Japan)	(14.2)% (Japan)	(26)%	

For FY2023 results, please refer to our Sustainability Report 2024, which will be released in June 2024.

>> GHG Emissions Visualization Project

In May 2022, the Group launched its comprehensive GHG Emissions Visualization Project, including Scope 3 emissions, with the aim of disclosing the GHG emissions from each Unicharm product to strengthen the initiatives that were declared in response to climate change in Environmental Targets 2030 and Kyo-sei Life Vision 2030.

For this project, we have teamed up with Wastebox, Inc., and obtained the support of Deloitte Tohmatsu Consulting LLC, a company with a wealth of knowledge and experience in providing comprehensive support for carbon neutrality.

In 2022, we developed a data visualization platform for GHG emissions and collected primary GHG emissions data for each material, serving as a benchmark for improving renewable energy efficiency and energy conservation. Under the slogan, “visualize, measure, and take action,” we will begin making specific calculations, disclose the GHG emissions for each Unicharm product, and promote measures aimed at generating effects to reduce GHG emissions.

*7 Scope 1: Direct emissions from our own factories, offices, vehicles, etc.

*8 Scope 2: Indirect emissions originating from energy consumed by us, such as electricity

*9 Scope 3: Indirect emissions not covered by Scopes 1 and 2 (emissions from other companies related to our business activities). Comprised of 15 categories that classify corporate activities. Category 1: Purchased goods and services, Category 12: End-of-life treatment of products after use.

*10 LCA: Life Cycle Assessment. A method to quantitatively assess the utilized resources, environmental burden, and their potential environmental impacts on the Earth and ecosystems throughout the lifecycle of a product, from the procurement of raw materials to production, distribution, use, and disposal.

(3) Human capital

In the following, statements relating to the future are based on the judgment of the Group as of the date of filing of this Annual Securities Report.

1) Governance

Under the direction of the Executive Officer in charge of human resources, the Global Human Resources & Administration Division takes the lead in reporting regularly to management on the global development of resonant personnel who can demonstrate BOP-Ship[*1]. Upon management approval, our human resource development strategies and measures are formulated and implemented throughout the Group, in conjunction with the human resource managers of the relevant divisions and the human resource departments of Group companies and affiliates.

*1 BOP-Ship: One of the values that underpin the foundation of the Group’s activities

Best Practice-ship: Accumulating best practices, abandoning past resolutions, constantly making updates, and incorporating best practices with an emphasis on speed

Ownership: Recognizing everything as “our own matter” and thinking and acting on our own initiative to overcome difficulties

Partnership: Always respecting collaboration with peers with a mind to altruism

2) Strategy

The Group maintains a basic policy on human resources of enabling each employee to pursue three aspects of wealth: aspirational wealth, economic wealth, and wealth of both mind and body. We believe that operating policies that strike a good balance between each of these types of wealth is of vital importance.

Employees who are wealthy in terms of their aspirations aim to contribute to society as a whole through their work while having an ambitious and broad outlook. Utilizing My Career Vision & Career Plan, a unique format created by Unicharm, each employee independently plans their own career development. To be specific, the employees formulate a career vision and career plan from a medium- to long-term perspective, such as “10 years from now” and “three years from now.” On this occasion, the Company encourages the employees to consider not only their personal growth through work, but also how they can contribute to society through their professional and personal life, and act from the both points of view. In addition, to help employees fulfill their personal goals, we enhance their appetite for learning and growth by expanding the scope of our training programs.

In pursuit of economic wealth, we have endeavored to foster and strengthen engagement with employees in several ways, such as through establishing and maintaining a consistently industry-leading compensation system while also introducing a restricted share-based remuneration plan to serve as a medium- to long-term incentive for employees.

For wealth of mind and body, we ensure that our employees maintain good health through various measures, such as providing health checkups once a year. In addition, through training programs on mental health awareness and stress checks to monitor the mental health of our employees, we do our utmost to provide an environment where they can work in good health, both mentally and physically, and with peace of mind.

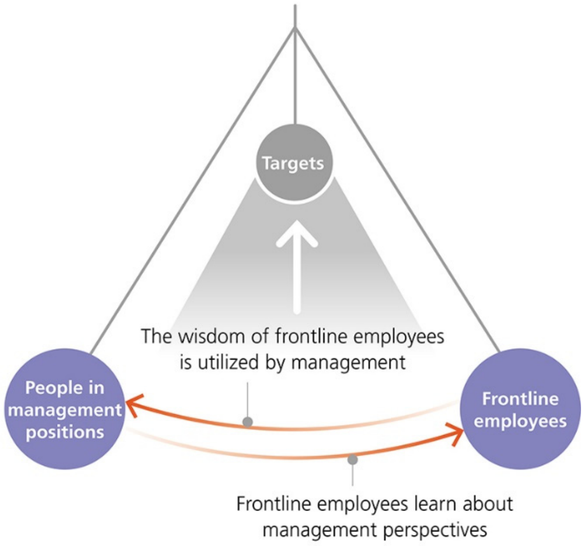
Unicharm will continue to engage in these and other measures along its path to becoming a workplace where diverse human resources are able to utilize their respective strengths to the fullest and work vigorously. At the same time, we will continue to remain devoted to investing in our human resources and enhancing our corporate value in the process.

>> Management with resonance: Unicharm’s unique management method

“The wisdom of the front line is utilized by management and the front line learns about management perspectives.”

At the Group, we call this unique management method “management with resonance.” More specifically, it is a business practice and creation of corporate culture that enable the industriousness of each and every employee to become the epicenter of change, increasing the resonance of individuals who then reverberate together to effect change across the entire Company and allow each employee to realize their respective visions. Through the implementation of this management method, people in management are able to come into direct contact with frontline employees and share information and honest opinions frequently and in a timely manner, while frontline employees are able to learn management perspectives, viewpoints, and time frames through dialogue with management. It thus facilitates better understanding on both sides. In this way, both management and frontline employees effectively share goals and objectives, fostering a sense of rigorous but comfortable unity. Daily ingenuity and wisdom therefore resonate and swing between the front line and management like a pendulum. This is what we aim for.

Management with Resonance



>> KYOSHIN human resource development platform

Ensuring that employees receive appropriate guidance from their supervisors is essential to their development. To enhance the leadership skills of supervisors across the Group, Unicharm has been utilizing the KYOSHIN human resource development platform since 2021. The use of KYOSHIN has enabled us to minimize variations in the leadership skills of supervisors and establish a system that allows us to track the development of each employee around the world. Specifically, employees create a goal-setting format on KYOSHIN every half year, and their supervisors have a meeting with them, check the content in the format, and approve it. After that, they monitor the employees’ progress and provide feedback at meetings every quarter. KYOSHIN has played an integral role in enhancing the frequency and quality of communication between supervisors and employees, as a result of which employees have become more motivated to pursue ambitious goals. It has also helped us to become systematically more adept at developing younger talent.

3) Risk management

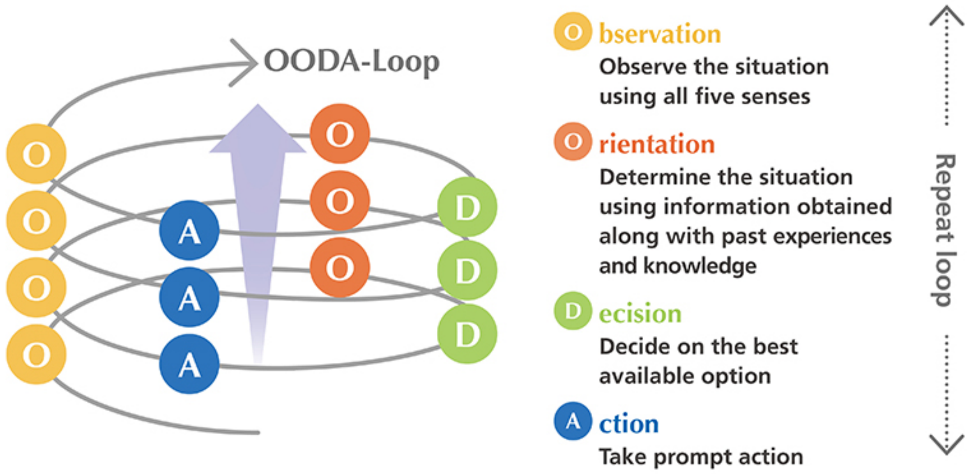
>> OODA Loop methodology

Since 2003, the Group has been operating the Schedule–Action–Performance–Schedule (SAPS) management model through which employees work to achieve goals using their own initiative by actively operating a PDCA cycle, enhancing the strengths of both employees and the organization. However, in the current “new normal” environment, where the business landscape is constantly changing, it became necessary to establish a model that flexibly accommodates such changes to the business environment.

Recognizing this need, we replaced the SAPS management model with the Observe–Orient–Decide–Act (OODA) Loop methodology in 2019.

With the OODA Loop methodology, we quickly grasp unexpected changes by observing current business conditions and appropriately orient ourselves to the situation and reach a decision, and then take action. This cycle is repeated like drawing a loop while constantly reviewing approaches and making fundamental changes. The OODA Loop methodology enables our employees to respond quickly to changes in the business environment, orient themselves to the situation, make decisions, and take actions that lead to results.

Philosophy of the OODA Loop Methodology



Establish a mechanism for continuously assessing and fundamentally improving strategies

4) Indicators and targets

>> Promotion of diversity and inclusion

In accordance with the Unicharm Group Charter of Actions, the Group aims to be a company where diverse human resources acknowledge and respect each other's differences in nationality, race, religion, gender, sexual orientation, age, ancestry, and disability, and are able to demonstrate and utilize their individuality and abilities to the fullest.

1. Promotion of women's empowerment

The Company is working to establish a workplace environment and a human resource system that enable our employees to constantly play an active role at any stage of their lives, regardless of gender. We are also strengthening our efforts to ensure that women are able to take on significant roles, such as through social events for young employees.

In FY2021, we launched our Room L+ mentorship system as a way to help female employees build networks as well as overcome and eliminate their career-related and personal concerns by sharing them in mentorships and discussions. The Maternity Leave Room L+ was also established, providing a venue to exchange information before returning from maternity leave or in accordance with the type of profession to foster a sense of safety after returning to work. We also introduced the Empowerment System, in which we provide individual support to women in department head positions or who are candidates for executive positions, as well as promote the development of Executive Officer candidates through information exchange meetings and one-on-one mentorships with Executive Officers who are not in charge of developing personnel. In 2023, we held a lunch meeting with the President and female leaders, creating an opportunity to learn management's perspective through direct dialogue with top management.

As a result of such efforts, 24.7% (15.4% in Japan, 30.7% overseas) of our management positions were held by women as of December 31, 2023.

2. Hiring employees of diverse nationalities and promoting them to management positions

At our Group subsidiaries around the world, executive and management positions are held by locally hired employees who were born and raised in those countries and regions. Meanwhile, in Japan we also hire employees and promote them to managerial roles regardless of their nationality or race. We strive to create a system and foster a corporate culture in which all of our employees across the Group can engage and flourish regardless of nationality or race.

In FY2023, the percentage of locally hired employees in management positions (general manager and above) stood at 52.3%.

3. Hiring experienced personnel and promoting them to management positions

We actively recruit individuals with a wealth of experience and skills who are experts in their field. Employees who join the Company as experienced professionals are actively promoted to management positions upon determining their respective abilities and aptitude. We also promote the rehiring of employees who have left the Company for family or other reasons.

In FY2023, the number of mid-career hires was 43, and the percentage of mid-career hires in management positions stood at 33.5%.

4. Expanding our recruitment of people with disabilities

We actively employ highly motivated individuals, regardless of disability, and aim to provide them with a workplace where they can demonstrate their abilities and fulfill their ambition for growth. Specifically, we have set appropriate goals in accordance with their respective abilities and desires and established a corporate cultural environment that emphasizes team accomplishments in reflection of our expectations for their individual abilities. In 2023, we built a new massage room at our head office and hired a nationally certified dedicated anma massage shiatsu therapist who is visually impaired.

We strive to provide an appropriate workplace environment where each individual can demonstrate their talents in accordance with the characteristics of their disability, such as by installing slopes and handrails, enabling them to move freely and safely by removing obstacles, and giving due regard to providing work instructions by means of email or chat.

Moreover, at Unicharm’s satellite office in Mito City, Ibaraki Prefecture, employees with disabilities are engaged in scanning and other duties.

5. Creating a workplace for people of all ages

We have introduced the Re-Create System, in which employees in their 50s can apply for transfer to other departments by reflecting on their career to date and identifying what they would like to do, what they can do, and what they must do going forward. Moreover, the Company has developed an environment where employees who have reached retirement age can make full use of their abilities in order to pass on their skills and expertise to the next generation. Those who wish to continue working can remain employed as an “industry professional.”

Compensation is determined in accordance with the roles and responsibilities of their position, in which they can draw on their past experiences and existing skills and knowledge while making the most of their newly acquired skills and knowledge, ensuring that their compensation appropriately reflects the nature of their positions. When determining the compensation of industry professionals, we also refer to market assessments of their potential abilities. Also, the hiring of retirement-age personnel does not have any impact on our recruitment of young employees.

6. Expansion of regional employment through respect for different cultures and religions

Through its business activities, the Company is contributing to the expansion of employment opportunities in the various countries and regions in which it operates. By providing employment opportunities while respecting the characteristics and cultures of these countries and regions, we are uncovering potential human resources.

In Saudi Arabia, women were prohibited from sharing a room or speaking with men outside of their families due to cultural and religious reasons, which severely limited their employment opportunities and placed many restrictions on their activities. In light of such circumstances, in FY2012 the Company established a factory exclusively for women to provide them with employment opportunities while respecting the local culture. Today, a number of women are taking on significant roles not only at the factory but also as members of the promotion and product development departments.

7. Respect for sexual orientation

We respect the diversity of each employee, including their sexual orientation and gender identity, and provide a workplace environment where they can feel at ease and demonstrate their full potential. In 2022, we reviewed our Harassment Prevention Regulations and added a provision prohibiting SOGI (sexual orientation and gender identity) harassment, in addition to deepening understanding of sexual minorities by promoting awareness through e-learning and training according to levels and roles.

In 2023, as part of our diversity and inclusion education, we conducted e-learning to deepen basic knowledge about sexual minorities, e-learning to introduce specific examples of harassment and encourage participants to think about it as their own problem, and workshops in which participants watched videos about unconscious bias and discussed examples and how to respond to them in small groups. In addition, we introduced a “same-sex partnership system” so that sexual minorities can receive the same benefits as heterosexuals, and are promoting the creation of a workplace culture that leverages diversity.

>> Fostering the development of competent human resources

To continue to ensure that our people are the driving force behind corporate value as stated in the Unicharm Group Global Human Resources Philosophy, the Group must nurture the employees who will shape the future of our company. To this end, we are enhancing our human resource policies to enable each employee to pursue their own dreams and aspirations while respecting their independence by allowing them to receive training anywhere and anytime and strengthening our training programs by drawing on the use of digital technology. In the process, we will develop employees into individuals who have the ability to help resolve the issues of society and the natural environment through our business. To be specific, we conduct employee awareness surveys once a year at all Group companies to verify employee awareness and satisfaction toward work. The survey is translated into eight languages so we can receive responses from employees at our overseas subsidiaries and is conducted on an ongoing basis. It is used not only to motivate employees and facilitate organizational reform but also as a reference when considering various human resource and management policies. We aim to create a virtuous cycle in which employees develop through their work, which, in turn, leads to the growth of our business. For that reason, we have been monitoring the ratio of positive responses to the "Growth through Work" section of the employee awareness survey, which was 89.2% in 2022.

To provide employees with a stepping stone for further growth, we also implemented LinkedIn Learning, an online learning platform that allows employees to study at their own pace and without being bound by time or location, at our business sites in Japan and 12 subsidiaries overseas. In 2022, a total of 16,463 courses were held, which were utilized by around 3,400 employees, who spent an average of 1.9 hours on their studies in the year. We will continue to provide information in such ways to help employees maintain their desire to continue learning and acquire new skills.

In Japan, the Scrum[*2] Leader On-the-Job Training (OJT) Workshop was established and held for the first time in 2022, which was attended by 245 scrum leaders. The workshop is an opportunity for scrum leaders to learn about how behavioral changes can lead to the simultaneous achievement of strategy execution and human resource development. Through daily OJT, we aim to have leaders and members grow together and, going forward, this workshop will be expanded across the Group as mandatory training for new scrum leaders.

*2 Scrum: The Company's smallest organizational unit referring to a group or section

>> Construction of healthier workplaces and workplace safety systems

To fulfill our goal of contributing to the realization of a "Cohesive Society," it is essential that our employees are able to work in a vibrant and healthy manner. To this end, we are promoting a variety of health management initiatives, including employee health checks, balanced work-styles, and mental health awareness in order to create a workplace environment where employees can fully demonstrate their abilities while ensuring their physical and mental well-being.

To elaborate, we are working to maintain and help promote the health of our employees through measures, including health checks, physical fitness tests, and one-on-one stretching programs. In addition, each month, Unicharm issues its Healthy Lab Newsletter, which covers seasonal health-related themes, offers advice and information on ways to maintain good health and mental well-being, and recommends moderate exercises to prevent a lack of physical activity. We will continue to promote such activities to enhance the health literacy of our employees so that they are able to maintain and improve their health on their own. To advance one step further from managing employee health to preventing mental disorders and illnesses, Unicharm provides training programs on ways to maintain mental health and well-being as well as stress checks once a year. Whenever employees are identified as having high stress levels, they are strongly encouraged to consult with an industrial physician or a public health nurse immediately. In these ways, we strive to create a workplace environment where employees can work reassuringly while maintaining their mental and physical well-being.

3. 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. Furthermore, in the event that a material business risk arises, the Company will establish the Crisis Management Response Committee in accordance with the Crisis Communication Manual, which was established as rules for crisis management, and strive to take swift and appropriate action and achieve early recovery.

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 filing of this Annual Securities Report (March 28, 2024), 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 below, 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, countries and regions in which we operate, and achieve a stable business expansion. In addition to reducing the costs through reduction in the procurement costs and improving production efficiencies, 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 and regions in which the Company operates. Due to these kinds of demographic changes, there is a possibility that demand will decrease in such countries and regions 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 continuously 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 pets, by freeing them from the various burdens they face and enabling them to enjoy life in a balanced manner in all countries and regions 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, 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 these countries and regions, 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 or region 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, complying with environmental laws and regulations is just the starting point. Beyond that, manufacturing with consideration for the global environment is a critical issue. If the Company's efforts are deemed insufficient by stakeholders, it may affect the Company's social credibility.	We have been working on a project to recycle used disposable diapers since 2015, and have started the sale of disposable nursing care diapers using recycled pulp. The Company has also set numerical targets for environmental issues in "Kyo-sei Life Vision 2030," which is a set of medium- to long-term ESG goals, and "Environmental Targets 2030," and formulated and implemented specific measures to achieve these targets. In addition, we have established the Basic Environmental Policy and Guidelines in the Company's charter of action and had all employees read through them, thereby seeking to raise the awareness of the employees. We are also striving to design products and services that reduce environmental impact to the extent possible at each stage of the supply chain.
Risks regarding climate change	It is predicted that operating costs will increase due to the introduction of carbon pricing and rises in carbon prices as well as significant fluctuations in energy prices, and that procurement costs will also rise due to soaring prices of forest-derived raw materials, which are the main raw materials for the Company's products, and there is a possibility that Asia, which the Company is focusing on, will be considerably affected. In addition, if the Company's efforts to reduce GHG emissions, etc., which will lead to the curbing of temperature rise, and its information disclosure of such efforts are insufficient, it may lead to a decline in the Company's social credibility.	The Company aims 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," our medium- to long-term ESG goals. In addition, we have launched our comprehensive GHG Emissions Visualization Project, including Scope 3 emissions, and started the collection of primary GHG emissions data for each material, serving as a benchmark for improving renewable energy efficiency and energy conservation, and the operation to calculate specific figures. We have also been working toward disclosing the GHG emissions for each Unicharm product.

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.	In all processes from the procurement of raw materials to development, manufacturing, distribution, sales, and disposal of products after use, we not only comply with relevant laws and regulations but also comply with industry's self-regulatory standards set by industry organizations in various countries, and set and comply with our own strict standards to aim for better quality and safety of our products. Furthermore, in order to convey correct information, we are committed to complying with relevant laws and regulations, as well as striving to properly advertise and describe our products based on evidence. The Company has set up a framework to promptly investigate the cause of complaints on its products and address the problems, 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 any of its employees violates domestic or overseas anti-monopoly laws, unfair competition prevention laws, tax laws, or other laws and regulations, and, for example, makes improper demand in carrying out a transaction or offers bribe to facilitate administrative procedures and receives punishment, etc. from a competent authority, it may affect business performance and/or social credibility of the Company.	The Company's charter of action describes compliance with 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 misconduct. 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 incorporated compliance-related themes into the curriculums of training for new employees and employees posted overseas. We also provide compliance workshops for directors and executive officers, along with e-learning compliance-related courses for all employees, in order 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 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 by third parties through lawsuits and other means. We cooperate closely within the Company and work in coordination with administrative agencies in various countries and regions to strive to eliminate infringing or counterfeit products. Furthermore, we have been promoting the protection of and respect for the intellectual property of the Company and other companies by conducting investigations to prevent infringement in the product development phase and offering on-the-job training and e-learning programs regarding patents, trademarks, and the Premiums and Representations Act as part of our internal compliance training.

Risks	Details of risks and impact on the Company	Main measures taken by the Company
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 continuity plan (BCP) for coordinating manufacturing and distribution bases and for rapid recovery of information systems and administration functions. In the case of the fire at a plant of our subsidiary 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 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 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 underperforming with regards to the plan and, if necessary, revises the business plan to ensure that the planned earnings can be recovered. Subsequently, if it is anticipated that the planned earnings cannot be recovered, the Company recognizes impairment losses on assets in accordance with accounting standards.

Risks	Details of risks and impact on the Company	Main measures taken by the Company
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.	We have established the Information Security Policy and Information 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 Security Committee, which plans global, cross-group information security measures, provides employee education, and conducts ongoing monitoring. In addition, in order to quickly identify the actual situation and respond to minimize the impact when an incident arises, such as an information leak and a cyberattack, we have communicated our response policies globally and started the development of IT business continuity plans in preparation for incidents and disasters based on the Information Security Rules. 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 cyberattacks 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.

4. 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, 2022 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2023 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	898,022	941,790	43,768	4.9
Core operating income	119,566	127,974	8,408	7.0
Profit before tax	115,708	132,308	16,600	14.3
Profit attributable to owners of parent	67,608	86,053	18,445	27.3
Basic earnings per share (Yen)	113.61	145.42	31.81	28.0

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 ¥941,790 million (up 4.9% year on year), ¥127,974 million (up 7.0% year on year), ¥132,308 million (up 14.3% year on year), ¥97,982 million (up 25.0% year on year), and ¥86,053 million (up 27.3% year on year), respectively.

Operating results by segment are as follows.

(a) Personal Care Business

	Fiscal Year Ended Dec. 31, 2022 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2023 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	764,908	793,845	28,938	3.8
Core operating income	100,863	104,481	3,618	3.6

Note: Net sales represent those to external customers.

- Wellness Care Business

In overseas markets, the Company continued to actively invest in marketing particularly in China, where the population is aging even faster than in Japan and there is a large target market for adult excretion care products, in an effort to drive awareness and promote the use of these products.

In addition, in the Asian countries such as Thailand, India, Vietnam, and Indonesia, the Company has worked to expand its product lineup and promote the spread of the care model it has established in Japan in response to increasing demand for adult excretion care products.

As for adult excretion care products in Japan, the Company strengthened its extensive lineup of products in line with ADL[*1]. Therein, as new value proposals, the Company launched disposable pants that adopted an "ultrasonic bonding" related patented technology in the waist area of the pants and improved the comfort while simultaneously improving the delivery efficiency by increasing the compression ratio during packaging of the product and improving the loading efficiency, thereby contributing to a reduction in the environmental impact. In this way, the Company maintained its high market share as a result of steadily passing value along to customers with the rollout of new value-added products.

The Company responded to consumer needs with an enhanced lineup of the *Cho-kaiteki* and *Cho-rittai* brands in the face mask category, a market that had grown significantly until last year. However, the retail space underwent sudden changes, including changes in the interpretation of the law[*2] designed to prevent COVID-19 infections in the second quarter and a higher than usual temperature rise since the start of summer. Furthermore, despite the market contraction due in part to the consumption of household stocks of face masks stockpiled by consumers for COVID-19, the market remains larger than it was before the spread of COVID-19. The Company will continue to invigorate the market and expand its market share by continuously launching new products to meet consumer needs.

*1 An abbreviation for Activities of Daily Living, an indicator of the level of nursing care provided to those being cared for, which represents the basic activities necessary for daily living, such as excretion, eating, and bathing

*2 Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases

● Feminine Care Business

In China, the Company continued its efforts to expand its sales areas and the number of stores handling its products, mainly in coastal cities, amid the ongoing logistics instability due to the uncertain economic outlook. In addition, while bolstering sales through utilizing new e-commerce platforms, we continued to propose new values targeting the younger generation and worked to expand sales of high value-added products such as shorts-shaped napkins and napkins made of organic materials.

In the Asian countries of Thailand, Indonesia, and Vietnam, the Company continued to book strong sales for high value-added products, such as the new concept of cooling sanitary napkins that give users a feeling of freshness.

In the Middle East, the Company achieved high net sales growth as a result of steady domestic sales in Saudi Arabia as well as expanded exports to countries neighboring Saudi Arabia thanks to aggressive investment in marketing including for new products that contain olive oil tailored to local customs.

In Japan, despite a decrease in the target population, the Company grew sales by passing along more value to customers with high value-added products that cater to the growing emphasis on health and peace of mind and consumer needs, and by communicating with consumers via social media and the like. In addition, the Company endeavored to provide products and services that help realize dreams, by continuing to resolve the concerns faced by many people such as the launch of *Ninkatsu Orimono Sheet*, a pantyliner for checking the timing for pregnancy by reacting to discharge and enabling an easy method for predicting the timing for conception[*3] while letting women trying to conceive lead normal lives.

*3 A reference to the "approximate six days including the ovulation period" that is the best time to get pregnant

● Baby Care Business

In India, where the use of disposable diapers is still low, even compared to other emerging countries, as a result of endeavors to promote the use of pants type disposable diapers and expand the sales areas, the Company increased its market share and achieved higher-than-market growth in net sales.

In Vietnam, where market growth has been sluggish due to the spread of COVID-19 as well as a declining birth rate, the Company endeavored to invigorate the market, aiming to promote early conversion to pants type disposable diapers by launching the world's first[*4] pants type disposable diaper that can be opened and closed on one side to cater to the actual situation for consumers.

In China, where local companies are emerging and the birth rate continues to decline, the Company strategically adjusted its inventory for premium products made in Japan while accelerating a shift to the *moony* brand, a proprietary developed premium product made in China to meet the needs of the local population, to improve profitability.

In Japan, where the market is shrinking with lower birth rates, the Company continued to pass increasing costs on prices of its extensive lineup of new and high value-added products for *moony* and *Mamy Poko* series, and worked to give parents more enjoyment as they raise their babies, resulting in net sales growth.

*4 For brands of pants type disposable diapers for babies sold by major global manufacturers, this provides the ability to open and close the side of the girth, moreover, the structure has one side longer than the other. (Survey by Unicharm Corporation, October 2022)

● Kirei Care Business

In Japan, amid sluggish growth in the wet tissue market, the Company endeavored to expand its market share primarily by launching products with improved design features under the *Silcot* brand.

In the future, the Company aims to create environments where people from all around the world can enjoy safe and secure Kirei lifestyles by utilizing our unique non-woven fabric processing and forming technology cultivated in Japan to develop high value-added products that meet the usage habits and consumer needs not only of Japan but also of each country and region.

As a result, net sales and segment profit (core operating income) for the personal care business for the fiscal year under review were ¥793,845 million (up 3.8% year on year) and ¥104,481 million (up 3.6% year on year), respectively.

(b) Pet Care Business

	Fiscal Year Ended Dec. 31, 2022 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2023 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	125,312	139,446	14,134	11.3
Core operating income	18,352	23,083	4,732	25.8

Note: Net sales represent those to external customers.

In the pet food business in Japan, the Company has passed along value to customers for products for cats meeting the demand for increased health consciousness, such as hairball treatment products and products for reducing regurgitation of food, 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. As a result, the Company achieved high net sales growth. 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 North America, while the Company has steadily been passing along value to customers since last year by launching new high value-added products, it was affected by temporary inventory reduction by distributors concerned about consumer reluctance to spend due to intermittent inflation. However, net sales growth was steady, reflecting brisk sales of products incorporating Japanese technology and new concepts, such as wet-type snacks for cats. The Company will press forward with the launch of high value-added products by proposing new value to meet the needs of local consumers.

In China, the second largest regional market after North America that is expected to grow going forward, the Company entered into a capital alliance with Jiangsu Jijia Pet Products Co., Ltd. (hereinafter "JIA PETS") in November 2022. By combining the Group's manufacturing technology and know-how on production management, which have been endorsed by consumers in Japan, with JIA PETS' production and R&D capacities, as well as sales capabilities in its e-commerce channel, the Company aims for significant growth in its pet care business.

In the Asian countries such as Thailand and Indonesia, where we anticipate future market growth, the Company is striving to drive awareness and promote the use of products incorporating Japanese technology and to promote business growth.

As a result, net sales and segment profit (core operating income) for the pet care business for the fiscal year under review were ¥139,446 million (up 11.3% year on year) and ¥23,083 million (up 25.8% year on year), respectively.

(c) Other Businesses

	Fiscal Year Ended Dec. 31, 2022 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2023 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	7,802	8,498	697	8.9
Core operating income	351	409	58	16.6

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 ¥8,498 million (up 8.9% year on year) and ¥409 million (up 16.6% year on year), respectively.

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

	As of December 31, 2022 (Millions of Yen)	As of Dec. 31, 2023 (Millions of Yen)	Difference (Millions of Yen)
Total assets	1,049,218	1,133,627	84,410
Total liabilities	340,605	345,377	4,772
Total equity	708,613	788,250	79,637
Ratio of equity attributable to owners of parent (%)	59.0	61.4	–

Total assets as of the end of the fiscal year under review amounted to ¥1,133,627 million, up ¥84,410 million over the end of the previous fiscal year. The major increases were ¥36,617 million in cash and cash equivalents, ¥22,729 million in other current and non-current financial assets mainly due to available-for-sale securities, and ¥17,569 million in investments accounted for using equity method. Total liabilities were ¥345,377 million, up ¥4,772 million from the end of the previous fiscal year. The major increases were ¥10,666 million in other current liabilities including accrued expenses, and ¥1,543 million in borrowings, and the major decrease was ¥6,915 million in deferred tax liabilities. Total equity amounted to ¥788,250 million, up ¥79,637 million over the end of the previous fiscal year. The major increase was ¥86,053 million in profit attributable to owners of parent.

Consequently, the ratio of equity attributable to owners of parent increased from 59.0% as of the end of the previous fiscal year to 61.4% as of the end of the fiscal year under review.

2) Cash flows

	Fiscal Year Ended Dec. 31, 2022 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2023 (Millions of Yen)	Difference (Millions of Yen)
Cash flows from operating activities	92,216	162,415	70,199
Cash flows from investing activities	(7,145)	(67,527)	(60,382)
Cash flows from financing activities	(61,652)	(67,007)	(5,354)
Cash and cash equivalents at end of period	217,153	253,770	36,617

Cash and cash equivalents as of the end of the fiscal year under review were ¥253,770 million, an increase of ¥36,617 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 ¥162,415 million (¥92,216 million was provided in the previous fiscal year). The main inflows were due to profit before tax, and depreciation and amortization expenses, and the main outflow was due to income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was ¥67,527 million (¥7,145 million was used in the previous fiscal year). The main outflows were due to purchase of property, plant and equipment, and intangible assets, and purchase of debt instruments measured at fair value through other comprehensive income.

(Cash flows from financing activities)

Net cash used in financing activities was ¥67,007 million (¥61,652 million was used in the previous fiscal year). The main outflows were due to dividends paid to owners of parent, payments for purchase of treasury shares, purchase of investments in subsidiaries not resulting in change in scope of consolidation, and dividends paid to non-controlling interests.

3) Actual production, orders received and sales

(a) Actual production

Reportable segment	Production amount (Millions of Yen)	Year-on-year change (%)
Personal care	783,765	(1.2)
Pet care	128,576	(2.5)
Other	7,877	(4.7)
Total	920,217	(1.4)

Notes: 1. Intersegment transactions have been eliminated.
2. Production amount is based on selling prices.

(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	793,845	3.8
Pet care	139,446	11.3
Other	8,498	8.9
Total	941,790	4.9

Note:Intersegment transactions have been eliminated.

(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 returning to the pre-pandemic state with the ongoing gradual market recovery due to the invigoration of social and economic activities as the threat of COVID-19 subsided in Japan and other countries and regions. However, the future outlook remains uncertain with persistent inflation mainly owing to the impacts of elevated resource prices and forex volatility that have continued since last year as well as differences in the strength of economic recovery between countries/regions.

Overseas, signs of a recovery from the economic deterioration caused by the spread of COVID-19 emerged in many of the target markets despite the variability of the market recovery. In such circumstances, the Company proceeded to both improve consumer satisfaction and address rising costs by implementing value pass-through with product proposals that offer new added value to meet the needs of local customers.

In particular, in China, given was the sudden spread of COVID-19 since last year as well as inflation together with the future concerns about deflation, the economic conditions are unstable and the future outlook remains uncertain despite the moderate recovery in hygiene-related markets. In these circumstances, the Company has promoted the structural reform of the entire China business by stimulating demand for high value-added products and promoting the development of new sales channels.

In Japan, as business conditions continued to recover, the Company has gained the support of consumers and maintained its high market share by continuing to propose new values to stimulate demand for high value-added products in each category, while turning to pass-through.

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 have worked 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, 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 ¥941,790 million (up 4.9% year on year), ¥127,974 million (up 7.0% year on year), ¥132,308 million (up 14.3% year on year), ¥97,982 million (up 25.0% year on year), and ¥86,053 million (up 27.3% year on year), respectively.

(b) Risks materially affecting operating results

See “3. Business and other risks.”

(c) Analysis and assessment 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 ¥162,415 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, 2024.

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

The status of the key indicators targeted by the 11th Medium-term Management Plan, which ended in the fiscal year under review, and the 12th Medium-term Management Plan, which is currently underway, is as follows.

As for the 11th Medium-term Management Plan, the Company not only achieved but significantly exceeded its net sales target, even when the effects of foreign exchange rate fluctuations are excluded. This success was attributable to an increase in the Company's market share and favorable reception of its new products, which established a strong presence in the market. Core operating income margin, however, fell short of the target set in the Medium-term Management Plan as distribution cost and raw material prices soared and the Company's efforts to implement value shifting and move toward a more profitable product mix did not fully compensate for the impact of rising costs. ROE increased compared to the previous fiscal year as a result of an increase in other income due to fire insurance proceeds received in relation to a fire accident that took place at Ahmedabad Factory of Unicharm India Private Ltd. in addition to an increase in core operating income. However, ROE fell short of the target set in the Medium-term Management Plan.

The fiscal year ending December 31, 2024, the first year of the 12th Medium-term Management Plan, is expected to see persistent rises in raw material prices and changes in the market environment. The Company will strive to implement value shifting through the development of new products and the creation of markets that will meet consumer needs in order to achieve sustainable high growth. We also intend to invest further management resources in wellness care and pet care, which are high profit and high growth markets, and will work to reform our business structure.

	Fiscal Year Ended December 31, 2022	Fiscal Year Ended December 31, 2023	Target under the 11th Medium-term Management Plan (Fiscal year ended December 31, 2023)	Target under the 12th Medium-term Management Plan (Fiscal year ending December 31, 2026)
Net sales	¥898,022 million	¥941,790 million	¥888,000 million	¥1,150,000 million
Net sales growth rate	14.7% (YoY)	4.9% (YoY)	(Note) 6.9% Compound annual growth rate (CAGR)	(Note) 6.9% Compound annual growth rate (CAGR)
Core operating income margin	13.3%	13.6%	15.5%	15.8%
Return on equity attributable to owners of parent (ROE)	11.5%	13.1%	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 (e.g., the situation in Ukraine), trends in emerging economies, and volatility in financial markets. However, the Company expects the economy to recover in a moderate pace in the Asian countries and regions where it operates its business. In Japan, the economy is also expected to turn to a recovery trend despite concerns about persistent rises in prices of raw materials and rises in prices in general.

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 regions and aggressive sales activities. In Japan, the Company will promote value shifting in the personal care business by offering high value-added products reflecting consumer needs and lead the revitalization of the domestic market as it strives to improve profitability.

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

Please refer to "(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.

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

5. Important business contracts

Not applicable.

6. 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 ¥9,818 million (1.0% of consolidated net sales). Principal achievements were as follows.

(1) Personal Care

- Wellness Care Business

From *Lifree*, our adult excretion care brand, we launched *Lifree RefF Side Leak Prevention Tape-on* in size S and size L. This new product is partly made of pulp extracted from recycled used disposable pants and available in hospitals and nursing care facilities in the Kyushu area. In May 2022, we manufactured *Lifree RefF Side Leak Prevention Tape-on* in size M, which included recycled raw materials in the absorbent materials used therein, and a selection of nursing care facilities in Kagoshima Prefecture started using it in June of the same year. We have now expanded its size lineup to accommodate more users. We have developed a unique technology that uses ozone for sterilization, which has enabled the production of hygienic and safe pulp. With this innovation, we have been working to recycle used disposable pants with the aim of creating consumer products that can be reused.

In the pants-type category, we improved and launched *Lifree Thin Lightweight Pants*. By adopting ultrasonic bonding technology in the waist area, we have achieved a comfortable fit. Simultaneously, we have also worked to reduce environmental impact through increased delivery efficiency by increasing the compression ratio during packaging of disposable pants and improving the loading efficiency.

In the light incontinence category, we newly launched *Lifree Sawayaka Comfort Sheets for Men (3 cc/5 cc/10 cc)*, which are absorbent sheets for men that have a comfortable feel like underwear. To address urine leakage issues, we have achieved a thin and comfortable fit. The sheet features "perfect slits" for a fit that adjusts to your body movements and a "how to put on point guide" for correct placement.

Overseas, in Thailand, we newly launched *LIFREE Sanitary pants For use together*, urine absorbent pants that can be washed and used multiple times when used together with urine absorbent pads. In China, we newly launched *Lifree Long Time No Worries Pants-Type Diapers for Adults (M/L/XL/XXL)*, which are for long-time use, and *Lifree Light and Breathable Pants-Type Diapers for Adults (M-L/L-XL)*, which are thin and highly breathable, in the pants-type category and *Lifree Absorbent Pad Diapers for Adults (245 mm/285 mm/360 mm/one size fits all)* in the light incontinence category. In Indonesia, in the tape-type category, we newly launched *Lifree Daun Sirih (M/L/XL)*, which masks odors with the scent of daun sirih, and in the bed sheet category, *Lifree PAD Perlak Antibacterial*, which is unscented, and *Lifree PAD Perlak Daun Sirih*, which is scented with daun sirih. We have been working to invigorate the market by developing products that meet local needs at our development bases in various countries and expanding our product lineup.

In the face mask category, we newly launched *Cho-kaiteki® Mask Airlish Light Gray (Large).* The practice of wearing a face mask has become prevalent in daily life as part of the measures against droplets containing viruses, including the novel coronavirus. In this circumstance, not only functionality but also a good fit and design are required of face masks. In December 2022, we launched *Cho-kaiteki® Mask Airlish Light Gray,* which gives a sleek look on the face, and it has received widespread support. We have also received feedback from customers expressing an interest in a larger size. We have been striving to improve customer satisfaction and expand the face mask market by adding a larger size to enhance the lineup of the *Cho-kaiteki® Mask* brand.

● Kirei Care Business

From the *Silcot®* brand, we newly launched *Silcot® Facial Towel Suhada Omoi*, which feels like silk. As life with a face mask prolongs, interest in skincare that is gentle on the skin is growing. More people are now seeking sheets that are less irritating to the skin to wipe off the moisture left on the face after cleansing. Using fibers that are about 1/20th the thickness of the pile[*1] in towels made of typical cloth has reduced the friction on the skin.

In addition, in China, in the face mask category, we newly launched *Unicharm Silcot Firming and Repairing Mask* infused with the extract of centella, a type of herbs, and *Unicharm Silcot Firming and Brightening Mask* infused with the extract of prickly pear cactus.

We have been working to invigorate new markets by developing products that meet the needs in Japan and overseas.

*1 Round looped thread

● Feminine Care Business

From *Sofy*, a feminine sanitary product brand, we newly launched *Sofy Ninkatsu Orimono Sheet,* with which you can check your Ninkatsu timing[*1]. We have worked to develop a product and services that support the Ninkatsu[*2] to address the concerns of women who are trying to get pregnant. *Sofy* developed a unique bio-tester technology to detect a substance that indicates the Ninkatsu timing. When the tester in the orimono sheet reacts to discharge, and the substance is detected, two lines appear on the orimono sheet.

In addition, from *Sofy Hada Omoi Organic Cotton*[*3] *Ultra Thin Slim*, a popular sanitary napkin that is gentle on skin, we newly launched *Daytime Use for Especially Heavy Menstrual Flow 26 cm/Daytime Use for Especially Heavy Menstrual Flow 23 cm/For Light Menstrual Flow 17.5 cm*.

Overseas, in Indonesia, we launched *CHARM Daun Sirih + Herbal Bio* for a limited time in tandem with World Environment Day. To address the petroleum energy problem, we started launching feminine sanitary products made of environmentally friendly materials last year. This year, the surface sheet that touches the skin was made from "BIO MATERIAL"[*4] such as pressed sugarcane, limestone, botanical oil, and natural resins, in an effort to further reduce the use of petroleum-based materials. Furthermore, in China, we newly launched *Ultra Sound Sleep Antibacterial Series Ultra Thin Nighttime (35 cm/42 cm)*, which has an antibacterial effect that lasts for eight hours and gives you a worry-free sleep throughout the night. In addition, we have worked to improve customer satisfaction by developing products that meet local needs in each country and region where we have a presence.

*1 A reference to the "approximate six days including the ovulation period" that is the best time to get pregnant
*2 A reference to a series of activities, including gaining knowledge about pregnancy, having discussions with family, understanding one's current physical condition for getting pregnant, and undergoing medical infertility treatments
*3 The top layer, which comes into contact with the delicate zone, is made of 100% organic cotton.
*4 "BIO MATERIAL" is a biomass or materials made from bio mineral raw materials.

● Baby Care Business

From the *moony* series, a disposable diaper brand, we added a "bottom fit guide" feature in *moony Natural (NB3000g/NB5000g/S)* and *moony (NB3000g/NB5000g/S)* that helps you to easily and correctly place the diaper even if it is your first time to change diapers. The bottom fit guide mark shows where to correctly place the baby's bottom, making the diaper-changing process easy. Studies using an EEG have proven that the bottom fit guide reduces stress by 30% when compared to traditional products.

Furthermore, from the *Mamy Poko* series, a line of widely popular disposable diapers with an illustration of Doraemon printed on them, we newly launched *Mamy Poko Pants S size*, which is designed to be larger and usable for a long time with children up to 9 kg and *Mamy Poko Overnight Diapers M size*, which can be used with young children to prevent nighttime urine leakage with confidence.

Overseas, in Vietnam, from the *Bobby* brand, we newly launched the world's first[*1] one-sided opening baby diaper pants, *Bobby One side Open Pants (NB-S/S-M).* There is a prevalent belief among parents in Vietnam that lifting a baby's legs during diaper changes may risk dislocating the hip joint. The new product features a one-sided opening design in the waist area that allows for diaper changes without lifting the baby's legs while he/she is lying down. Furthermore, in Thailand, we newly launched *MamyPoko pants Antimos (S/M/L/XL)*, diapers infused with a lemongrass scent that repels mosquitoes, with the aim of preventing dengue fever infections from mosquito bites.

In addition, we have worked to improve quality and functionality mainly through our development bases in various countries, including Indonesia, India, and Saudi Arabia.

*1 For brands of pants type disposable diapers for babies sold by major global manufacturers, this provides the ability to open and close the side of the girth, moreover, the structure has one side longer than the other. (Survey by Unicharm Corporation, October 2022)

● Research achievements

As a result of joint research with Cranebio Co., Ltd. and Kyoto Nursing University, we have discovered that luteinizing hormone (LH)*1, which is necessary for predicting an ovulation day, is present in discharge, a secretion produced by women. Furthermore, it has been confirmed that the sensitivity*2 of determining an ovulation day through discharge is 86%, and that LH is secreted at a rate of 90% during the six days including the ovulation date*3. This research has been used to develop and test the *Ninkatsu Orimono Sheet*.

*1 A reference to the "approximate six days including the ovulation period" that is the best time to get pregnant
*2 Sensitivity refers to the ratio of correctly identifying positive cases as positive.
*3 A reference to the period when it is possible to get pregnant. Taking actions during these six days is crucial for Ninkatsu.

As a result of the above, research and development expenses in the personal care business for the fiscal year under review totaled ¥7,709 million.

(2) Pet Care

As for research and development activities in the pet-care business, based on a business philosophy of "Creating a life-style filled with full of happiness for living all along with the mentally and physically healthy pets," 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 category, as part of the *Grand Deli Frecious* series, a series made of grains baked in far-infrared rays and freeze-dried ingredients packaged in an aluminum-metallized film package with deoxidizing agent to give a delicious taste dogs will always enjoy, we launched *For weight care for spayed & neutered dogs*. Approximately 60% of pet dogs undergo spaying or neutering surgeries, which could lead to issues, such as obesity, insufficient exercise, and reduced muscle strength. We released this product to address these concerns of pet owners. Additionally, in response to pet owners' wishes to enjoy meals and snacks together with their dogs, we newly launched *Gran Deli MARIE Biscuit for Dogs*, which were jointly developed with Morinaga & Co., Ltd. as part of our efforts to expand the market for dog food.

In the cat food category, we started production in China of *All Well,* which is free of colorants and flavors and supports health with seven functions centered on the reduction of food regurgitation, to newly launch it as *Gaines Doubled Joy* to the Chinese market. In addition, from the *Silver Spoon Three-Star Gourmet* series, in response to the concerns of cat owners who worry about their pets being quick to tire of their food, we newly launched *Seasoned fish*, which is richly infused with the savory taste of fish. In response to the increasing interest in the nutritional balance of wet-type cat food, we launched eight SKUs of comprehensive nutritional products from *Silver Spoon Pouch*. Additionally, in Indonesia, we newly launched *Deli-Joy*, a cat treat made from 100% real fish as its ingredient utilizing the natural flavor blending technology we have cultivated in Japan. We used no colorants in this product. We also used no pork ingredients, which made it safe for Muslim consumers. We have thus worked to support the healthy and happy lives of pets in various countries around the world.

In the field of pet toiletry products, recognizing that people, primarily those in younger generations, are becoming more environmentally conscious, we newly launched *Deo-Toilet Bin for small kitten to cat weighing 5kg or less and Set of litter bin with hood cover*, which use biomass resources (plant-derived raw materials) as part of their raw materials, for a limited time.

Additionally, for owners who have multiple cats, we newly launched *Deo-Toilet Deodorizing/disinfecting sheets with fragrance for multiple cats (Natural garden fragrance/Natural soap fragrance)*, which features an enhanced deodorizing function. As the number of owners of multiple cats is increasing, and the market share of products containing deodorizing and fragrant components is rising, we have strived to improve customer satisfaction and expand the market for toilets for cats by expanding the lineup that meets the needs.

As for absorbent wear for pets, from our *Manner Wear for Cats*, which many owners have used to address cats' excretion issues, such as the so-called marking or excretion outside of the toilet, we newly launched *Manner Wear For cats L size*, which is designed to fit the physique of large cats.

In addition, as for dogs, in recent years, an increasing number of people have chosen ultra-small dog breeds as pets, which weigh between 1.0 to 2.5 kg as they are easier to care for in an apartment and other similar environment. However, as the previous *Manner Wear* did not have sizes suitable for the physique of ultra-small dogs or puppies, we were unable to satisfy customers in terms of the fit and other aspects. Therefore, we newly launched *Manner Wear SSSS size*, which was tailored for ultra-small dogs. Furthermore, we newly launched *Manner Wear Simple Design For male dogs (SSS/SS/S/M/L)/For female dogs (SSS/SS/S/M/L)*, which allow the owners to enjoy dressing up with their dogs. We have thus worked to revitalize the market by expanding the lineup of our *Manner Wear* brand.

As a result of the above, research and development expenses in pet care business for the fiscal year under review totaled ¥2,108 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 ¥1 million.

III. Equipment and Facilities

1. Overview of capital investments

Capital investments by segment for the fiscal year under review are as follows.
The amounts include investments in property, plant and equipment, intangible assets, and right-of-use assets.

(1) Personal care

Capital investments totaling ¥41,638 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 ¥9,689 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

Capital investments totaling ¥786 million were made for the purpose of strengthening and rationalizing production of industrial materials.

No significant 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, 2023)

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	1,157	1,406	397	156	3,116	32	444 (154)
Itami Plant (Itami-shi, Hyogo)	Pet care	Facilities for manufacture of pet foods, etc.	391	1,176	1,105	42	2,714	13	47 (13)
Mie Plant (Nabari-shi, Mie)	Pet care	Facilities for manufacture of pet toiletries, etc.	240	421	62	67	790	17	23 (3)
Saitama Plant (Kamisato-machi, Kodama-gun, Saitama)	Pet care	Facilities for manufacture of pet foods, etc.	310	446	146	9	911	8	23 (2)

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, 2023)

Company	Facilities (Location)	Segment	Description	Carrying amount (Millions of Yen)					Land area (Thousands of m²)	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.	3,238	6,116	1,255	8,298	18,907	99	435 (77)
	Fukushima Plant (Tanagura-cho, Higashi-shirakawa-gun, Fukushima)	Personal care	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.	3,413	8,640	2,139	94	14,286	128	317 (28)
	Shizuoka Plant (Kakegawa-shi, Shizuoka)	Personal care	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.	2,423	3,487	1,498	59	7,467	83	254 (30)
	Kyushu Plant (Kanda-machi, Miyako-gun, Fukuoka)	Personal care	Facilities for manufacture of disposable diapers	12,058	7,816	3,525	184	23,584	160	55 (1)

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, 2023)

Company	Facilities (Location)	Segment	Description	Carrying amount (Millions of Yen)					Land area (Thousands of m²)	Number of employees (Persons)
				Buildings and structures	Machinery, equipment and vehicles	Land	Other	Total		
Unicharm India Private Ltd.	(Republic of India)	Personal care	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.	12,364	18,003	–	7,197	37,564	540	1,046 (1)
Unicharm Gulf Hygienic Industries Ltd.	(Kingdom of Saudi Arabia)	Personal care	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.	7,079	16,487	384	697	24,648	117	2,659 (–)
PT UNI-CHARM INDONESIA Tbk	(Republic of Indonesia)	Personal care	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.	5,706	9,904	1,431	2,496	19,537	355	1,750 (709)
Unicharm Consumer Products (China) Co., Ltd.	(People's Republic of China)	Personal care	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.	3,670	6,748	–	4,535	14,952	133	1,276 (41)
Unicharm Consumer Products (Jiangsu) Co., Ltd.	(People's Republic of China)	Personal care	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.	5,053	4,540	–	1,991	11,584	220	147 (–)

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, 2023 are as follows.

Segment	Amount (Millions of Yen)	Description
Personal care	42,000	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.
Pet care	3,000	Facilities for manufacture of pet foods, pet toiletries, etc.
Total	45,000	–

Note: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 (Shares)
Common shares	827,779,092
Total	827,779,092

2) Number of shares issued

Type	Number of shares issued		Stock exchanges on which the Company is listed	Description
	As of December 31, 2023 (Shares)	As of March 28, 2024 (filing date of this Annual Securities Report) (Shares)		
Common shares	620,834,319	620,834,319	Prime Market 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

Not applicable.

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, 2023)

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		Individuals and other	Total	
					Other than individuals	Individuals			
Number of shareholders (Persons)	–	82	38	286	796	44	30,993	32,239	–
Number of shares held (Units)	–	1,498,656	42,740	1,995,397	2,003,229	149	666,715	6,206,886	145,719
Shareholding ratio (%)	–	24.15	0.69	32.15	32.27	0.00	10.74	100.00	–

Note: Treasury shares of 30,605,773 shares are included in “Individuals and other” at 306,057 units, and in “Shares less than one unit” at 73 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, 2023)

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	26.25
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	68,546	11.61
Takahara Kikin K.K.	3-2-34, Shirokanedai, Minato-ku, Tokyo	28,080	4.76
Custody Bank of Japan, Ltd. (Trust account)	1-8-12, Harumi, Chuo-ku, Tokyo	25,002	4.24
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	2.59
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	2.07
The Master Trust Bank of Japan, Ltd. (Retirement Benefit Account Trust/The Hiroshima Bank Account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	12,101	2.05
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)	11,520	1.95
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)	9,262	1.57
JP MORGAN CHASE BANK 385632 (standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (SHINAGAWA INTERCITY A, 2-15-1, Konan, Minato-ku, Tokyo)	8,187	1.39
Total	–	345,144	58.48

Notes: 1. The Company holds 30,606 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 1, 2023, 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., and First Sentier Investors (Hong Kong) Ltd. are listed as shareholders as of April 24, 2023, as detailed below. But the Company was unable to confirm the number of shares actually held by them as of December 31, 2023. 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	13,046,330	2.10
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	1-12-1, Yurakucho, Chiyoda-ku, Tokyo	3,428,800	0.55
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1-9-2, Otemachi, Chiyoda-ku, Tokyo	2,776,548	0.45
First Sentier Investors (Australia) IM Ltd.	Level 5, Tower Three International Towers Sydney, 300 Barangaroo Avenue, Barangaroo, NSW 2000, Australia	16,613,282	2.68
First Sentier Investors (Australia) RE Ltd.	Level 5, Tower Three International Towers Sydney, 300 Barangaroo Avenue, Barangaroo, NSW 2000, Australia	2,283,600	0.37
First Sentier Investors (Hong Kong) Ltd.	25th Floor, One Exchange Square, Central, Hong Kong	1,874,600	0.30

(7) Status of voting rights

1) Shares issued

(As of December 31, 2023)

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 30,605,700	–	Standard common shares of the Company without any restriction
Shares with full voting rights (Other)	Common shares 590,082,900	5,900,829	Same as above
Shares less than one unit	Common shares 145,719	–	Same as above
Total shares issued	620,834,319	–	–
Total voting rights held by all shareholders	–	5,900,829	–

Note: "Shares less than one unit" include 73 shares of treasury shares held by the Company.

2) Treasury shares, etc.

(As of December 31, 2023)

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	30,605,700	–	30,605,700	4.93
Total	–	30,605,700	–	30,605,700	4.93

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 8, 2023) (Period of acquisition: From February 9, 2023 to December 21, 2023)	3,900,000	17,000,000,000
Treasury shares acquired before the fiscal year under review	–	–
Treasury shares acquired during the fiscal year under review	3,079,500	16,999,981,183
Total number and value of remaining shares subject to the resolution	820,500	18,817
Percentage of un-exercised acquisition as of the last day of the fiscal year under review (%)	21.04	0.00
Treasury shares acquired during the period	–	–
Ratio of un-exercised acquisition as of the date of filing (%)	21.04	0.00

Classification	Number of shares (Shares)	Total amount (Yen)
Resolution at the Board of Directors meeting (February 7, 2024) (Period of acquisition: From February 8, 2024 to December 19, 2024)	4,500,000	19,000,000,000
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, 2024 to the filing date of this Annual Securities Report.

(3) Acquisition of treasury shares not based on a resolution at the General Meeting of 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	726	3,715,438
Treasury shares acquired during the period	58	294,002

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, 2024 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	41,860	103,545,280
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)	77,140	234,274,180	–	–
Treasury shares acquired that were cancelled	–	–	–	–
Treasury shares acquired for which transfer of shares was conducted in association with merger/share exchange/share delivery/company split	–	–	–	–
Other	–	–	–	–
Number of treasury shares held (Note 2)	30,605,773	–	30,605,831	–

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: 77,140, total disposition amount: ¥234,274,180).

2. 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, 2024 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. By expanding the scale of our business and improving profitability through aggressive capital investments, and investment in research and development for sustainable growth, we are working to achieve 17% ROE (return on equity attributable to owners of parent) in 2030, as stated in our 12th Medium-term Management Plan, which covers the three-year period from 2024 to 2026. 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 was ¥40, comprising a year-end dividend of ¥20 per share, in addition to a ¥20 per share dividend for the end of the second quarter. This is the 22nd consecutive period of an increase in dividends, with a dividend on equity attributable to owners of parent (DOE) being 3.6%.

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, 2023 are as follows:

Date of resolution	Total dividend amount (Millions of Yen)	Dividend per share (Yen)
August 4, 2023	11,829	20.0
February 7, 2024	11,805	20.0

4. Corporate governance

(1) Overview of corporate governance

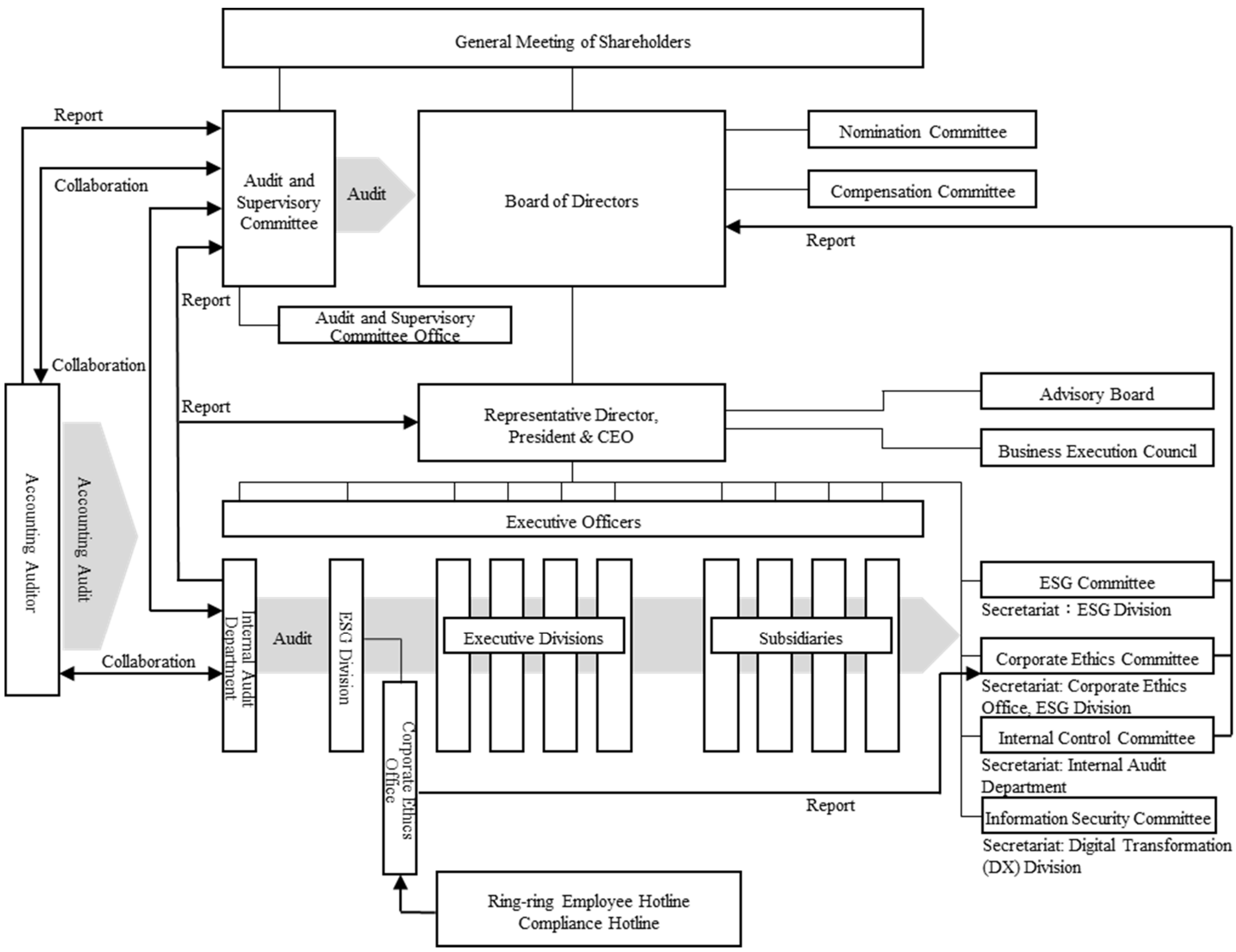
1) Basic corporate governance policy

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 six Directors, one of whom is a Representative Director, and two of whom are Outside Directors. 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	Toshifumi Hikosaka	
	Director	Kenji Takaku	
	Outside Director	Hiroaki Sugita	
	Outside Director	Noriko Rzonca	
	Director	Shigeru Asada	

The Board of Directors met nine times during the fiscal year under review to discuss the Medium-term Management Plan, budgets and financial results, organizational change, appointment and dismissal of Directors and Executive Officers, along with the activities, etc. of the ESG Committee, the Corporate Ethics Committee, the Internal Control Committee, and the Information Security Committee. The table below shows the attendance of the Directors.

Name	Number of meetings held (Note)	Number of meetings attended (Note)
Takahisa Takahara	9 times	9 times (100%)
Toshifumi Hikosaka	9 times	9 times (100%)
Kenji Takaku	6 times	6 times (100%)
Hiroaki Sugita	9 times	9 times (100%)
Noriko Rzonca	6 times	6 times (100%)
Shigeru Asada	9 times	9 times (100%)

Note: Based on the number of meetings held during their terms of office.

Audit and Supervisory Committee

The Audit and Supervisory Committee of the Company comprises three Directors, two of whom are Outside Directors, and one of whom 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	Hiroaki Sugita	
	Outside Director	Noriko Rzonca	
	Director	Shigeru Asada	(Chairperson of the Committee) (Full time)

For activities of the Audit and Supervisory Committee during the fiscal year under review, please refer to "(3) Audit 1) Audit by the Audit and Supervisory Committee II Activities of the Audit and Supervisory Committee."

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 deliberate on (1) proposals concerning appointment and dismissal of Directors to be submitted to General Meetings of Shareholders, (2) appointment and dismissal of Representative Directors, and (3) proposals concerning appointment and dismissal of Executive Officers and appointment and dismissal of Senior Executive Officers.

Members	Outside Director	Hiroaki Sugita	(Chairperson)
	Outside Director	Noriko Rzonca	
	Representative Director	Takahisa Takahara	
	Director	Shigeru Asada	

The Nomination Committee met once during the fiscal year under review to discuss candidates for Directors and Executive Officers, among other items. The table below shows the attendance of the Committee Members.

Name	Number of meetings held	Number of meetings attended
Hiroaki Sugita	1 time	1 time (100%)
Noriko Rzonca	1 time	1 time (100%)
Takahisa Takahara	1 time	1 time (100%)
Shigeru Asada	1 time	1 time (100%)

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 to deliberate on (1) proposals concerning remuneration, etc. of Directors to be submitted to General Meetings of Shareholders, (2) policies concerning decisions on remuneration, etc. for individual Directors (excluding Directors who are Audit and Supervisory Committee Members) and Executive Officers, and (3) evaluation indicators and evaluation results concerning decisions on remuneration, etc. for individual Directors (excluding Directors who are Audit and Supervisory Committee Members) and Executive Officers.

Members	Outside Director	Hiroaki Sugita	(Chairperson)
	Outside Director	Noriko Rzonca	
	Representative Director	Takahisa Takahara	
	Director	Shigeru Asada	

The Compensation Committee met once during the fiscal year under review to discuss Director and Executive Officer performance evaluation, and remuneration for Directors and Executive Officers, among other items. The table below shows the attendance of the Committee Members.

Name	Number of meetings held (Note)	Number of meetings attended (Note)
Hiroaki Sugita	1 time	1 time (100%)
Noriko Rzonca	0 times	0 times
Takahisa Takahara	1 time	1 time (100%)
Shigeru Asada	1 time	1 time (100%)

Note: Based on the number of meetings held during their terms of office.

<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 Unicharm Ideals 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 Overview, etc. of a liability insurance contract for directors and officers, etc.

The Company has entered into a liability insurance contract with an insurance company for directors and officers, etc., as stipulated in Article 430-3, Paragraph 1 of the Companies Act, to cover damages that may arise from the insured, including Directors of the Company, assuming responsibility for the execution of their duties or receiving claims related to the pursuit of such responsibility. However, the coverage excludes the events of the insured receiving private profits or benefits illegally, criminal acts by the insured, acts of the insured carried out with recognition of a violation of a law, and other events. The Company pays all insurance premiums, and in effect the insured is not responsible for the insurance premium.

III 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.

IV 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.

V 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.

VI 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 the 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 June 1995 April 1996 June 1997 April 1998 October 2000 June 2001 June 2004	Joined the Company Director Director, General Manager of Procurement Division and Deputy General Manager of International Division Senior Director Senior Director, General Manager of Feminine Hygiene Business Division Senior Director, Responsible for Management Strategy Representative Director, President Representative Director, President & CEO (to present)	(Note 2)	3,817.9
Director, Executive Managing, Production, Development, Chief Quality Officer (CQO)	Toshifumi Hikosaka	August 20, 1960	February 1982 April 2008 April 2010 April 2012 January 2016 January 2020 January 2022 March 2022 March 2023 April 2023 December 2023	Joined the Company Department Manager of Engineering Development Department, Global Research & Development Division Department Manager of Product Innovation Development Department, Global Research & Development Division Department Manager of Blue Sky Project, Global Research & Development Division Executive Officer, Deputy General Manager of Global Research & Development Division Senior Executive Officer and General Manager of Global Research & Development Division Managing Executive Officer, Co-Chief Research & Development Officer (CDO), General Manager of Global Research & Development Division, Department Manager of Blue Sky Project, and General Manager of Intellectual Property Division Director, Senior Managing Executive Officer, Co-Chief Research & Development Officer (CDO), General Manager of Global Research & Development Division, Department Manager of Blue Sky Project, and General Manager of Intellectual Property Division, Responsible for Standardization Director, Executive Managing, Production, Development, Responsible for Standardization Director, Executive Managing, Production, Development, Chief Quality Officer (CQO), Responsible for Standardization Director, Executive Managing, Production, Development, Chief Quality Officer (CQO), Responsible for Standardization, Responsible for New World Project (to present)	(Note 2)	16.1

Title	Name	Date of birth	Career profile		Term of office	Number of shares owned (Thousands)
Director, Senior Managing Executive Officer, Marketing, Sales, Co-Chief Marketing Officer (CMO)	Kenji Takaku	October 5, 1960	April 1983	Joined the Company	(Note 2)	26.2
			April 1997	Marketing Director of Sanitary Business Group, Marketing Division		
			October 2000	Director of Marketing Department, Baby Care Business Division		
			April 2002	Deputy Managing Director and General Manager of Marketing Department, Shanghai Unicharm Co., Ltd.		
			October 2005	Deputy General Manager of Global Marketing Division and Department Manager of Feminine Care SBU		
			April 2008	Executive Officer and General Manager of Global Marketing Division		
			December 2014	Managing Executive Officer and General Manager of Global Marketing Division, Country President, UNICHARM DO BRASIL INDÚSTRIA E COMÉRCIO DE PRODUTOS DE HIGIENE LTDA.		
			July 2017	Managing Executive Officer, Managing Director, Unicharm India Private Ltd.		
			January 2022	Senior Managing Executive Officer, Co-Chief Marketing Officer (CMO) (to present), Chairman, Unicharm India Private Ltd. (to present), Responsible for Unicharm Gulf Hygienic Industries Ltd. and Unicharm Middle East & North Africa Hygienic Industries Company S.A.E. (to present)		
			March 2023	Director, Senior Managing Executive Officer, Marketing, Sales (to present)		
			July 2023	Director, Senior Managing Executive Officer, Responsible for Lifetime Value Promotion Department (to present)		
			January 2024	Director, Senior Managing Executive Officer, Responsible for Uni-Charm Corporation Sdn. Bhd. (to present)		
Director (Audit and Supervisory Committee Member)	Hiroaki Sugita	February 14, 1961	April 1983	Joined JAPAN TRAVEL BUREAU Inc. (currently JTB Corp.)	(Note 3)	6.0
			April 1994	Joined the Boston Consulting Group (currently Boston Consulting Group LLC)		
			January 2001	Partner & Managing Director		
			November 2006	Supervisor of Japan Office		
			May 2007	Senior Partner & Managing Director		
			January 2014	Asia Pacific Client Team Leader		
			January 2016	Japan Co-chair		
			January 2021	Managing Director & Senior Partner		
			March 2021	Outside Director of the Company (Audit and Supervisory Committee Member) (to present)		
			March 2022	Outside Director of Kaizen Platform, Inc. (to present)		
			January 2023	Senior Advisor, Boston Consulting Group LLC (to present)		

Title	Name	Date of birth	Career profile		Term of office	Number of shares owned (Thousands)
Director (Audit and Supervisory Committee Member)	Noriko Rzonca	July 16, 1968	November 2000	Joined Allstate Insurance Company in the U.S.	(Note 3)	2.0
			May 2005	Associate Market Manager at Marketing Analytics, W.W. Grainger, Inc. in the U.S.		
			June 2006	Deputy Head of Marketing Business Analytics, CFJ G.K.		
			May 2008	Head of Consumer Marketing Business Analytics Department, Nikko Citi Business Services Inc. (currently Citigroup Services Japan G.K.)		
			September 2008	Vice President of Decision Management at Retail Banking Division, Citibank Japan Ltd. (dissolved in October 2017)		
			May 2014	Marketing Director, Aegon Direct and Affinity Marketing Services Co., Ltd. (currently Aegon Insight Japan Co., Ltd.)		
			May 2015	AVP, Head of Advanced Data Analytics Department, MetLife Insurance K.K.		
			November 2017	Executive Officer, Head of Data Analytics Department and Responsible for CX Design Department, Sony Bank Incorporated		
			June 2019	Executive Officer, Head of Marketing Science Department and Responsible for Content Planning Department		
			April 2020	Executive Officer, Responsible for DX Strategy Department and Content Planning Department		
			April 2021	Executive Officer, Head of Content Planning Department and Responsible for DX Strategy Department		
			November 2021	Executive Officer, Chief Digital Officer (CDO), Head of Corporate DX Strategy Department, Cosmo Energy Holdings Co., Ltd.		
			April 2022	Senior Executive Officer, Chief Digital Officer (CDO), Responsible for Corporate DX Strategy Department, Corporate Communication Department, and IT Initiative Department (to present)		
			March 2023	Outside Director of the Company (Audit and Supervisory Committee Member) (to present)		

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)	2.0
Total						3870.2

Notes: 1. Directors (Audit and Supervisory Committee Members) Hiroaki Sugita and Noriko Rzonca are Outside Directors.

2. For one year from the conclusion of the Ordinary General Meeting of Shareholders held on March 27, 2024

3. For two years from the conclusion of the Ordinary General Meeting of Shareholders held on March 24, 2023

2) Outside Directors

The Company appoints two Outside Directors. No interpersonal, capital- or transaction-based, or any other noteworthy conflicts of interest exist between the Company and 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 Director, 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 is a certified public accountant (or certified tax accountant), or member, partner or employee of auditing firm (or tax accounting firm), that has once been 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 person 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 or partner 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 of 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 auditor 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.

Audit and Supervisory Committee Member, Outside Director Hiroaki Sugita has long-standing experience in the use of knowledge in corporate management and corporate governance. He served as Japan Co-chair and Managing Director & Senior Partner of the Boston Consulting Group, a leading foreign consulting firm where he still works as a Senior Advisor, and is an Outside Director of Kaizen Platform, Inc., among other positions he has held. He has ample insight into corporate management and corporate governance.

Audit and Supervisory Committee Member, Outside Director Noriko Rzonca has secular experiences overseas and at major foreign subsidized financial institutions in Japan both at hands-on and management levels. She has a high level of insight in corporate management strategy and corporate governance.

Chairperson of the Audit and Supervisory Committee, 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, in addition to the experience as the head of the internal audit department and the tax department of global headquarters, and as an officer in charge of accounting of overseas subsidiaries, at Panasonic Corporation, 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. Specific details of 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, reappointment/non-reappointment of the Accounting Auditor, agreement on compensation, etc. of the Accounting Auditor, audit report by the Audit and Supervisory Committee, etc.

Reports: Prior confirmation of the draft of the Board of Directors' meeting, audit plans and audit reports by the Accounting Auditor, internal control and audit reports by the Internal Audit Department, reports on strategies, financial statuses, and business restructurings of domestic and overseas subsidiaries

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

Name	Number of meetings held (Note)	Number of meetings attended (Note)
Hiroaki Sugita	11 times	11 times (100%)
Noriko Rzonca	9 times	9 times (100%)
Shigeru Asada	11 times	11 times (100%)

Note: Based on the number of meetings held during their terms of office.

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 seven 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

KPMG AZSA LLC

II Continuous audit period

1 year

III Certified public accountant who performed the service

Designated Limited Liability and Engagement Partner: Takashi Kondo
Designated Limited Liability and Engagement Partner: Daika Azuma

IV Assistants to the audit service

Assistants to the accounting audit service for the Company comprised 16 Certified Public Accountants and 49 others.

V Policy on and reason for selecting the auditing firm

When selecting Accounting Auditor, the Audit and Supervisory Committee of the Company makes decisions in consideration of audit systems, independence, specialization, etc. of Accounting Auditor.

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.

At the 63rd Ordinary General Meeting of Shareholders held on March 24, 2023, KPMG AZSA LLC was newly appointed as the Company's Accounting Auditor. For reasons for selecting this auditing firm, please refer to the matters stated in the Extraordinary Report, which are presented in "VII Change of the auditing firm."

VII Change of the auditing firm

At the Ordinary General Meeting of Shareholders held on March 24, 2023, the Company resolved to appoint an Accounting Auditor as follows.

The 63rd fiscal year (January 1, 2022 to December 31, 2022) (Consolidated and non-consolidated): PricewaterhouseCoopers Japan LLC

The 64th fiscal year (January 1, 2023 to December 31, 2023) (Consolidated and non-consolidated): KPMG AZSA LLC
PricewaterhouseCoopers Aarata LLC, which retired, merged with PricewaterhouseCoopers Kyoto and changed its name to PricewaterhouseCoopers Japan LLC on December 1, 2023

The matters stated in the Extraordinary Report are as follows.

(1) Names of the Certified Public Accountants, etc. for audits who are subject to the change

(i) Name of the Certified Public Accountant, etc. for audits to be appointed

KPMG AZSA LLC

(ii) Name of the retiring Certified Public Accountant, etc. for audits

PricewaterhouseCoopers Japan LLC

(2) Date of the change

March 24, 2023

(3) Date on which the retiring Certified Public Accountant, etc. for audits became the Certified Public Accountant, etc. for audits

June 24, 2009

(4) Matters concerning opinions, etc. in the audit reports, etc. prepared by the retiring Certified Public Accountant, etc. for audits in the last three years

Not applicable.

(5) Reasons and the background that led to the decision to make the change

The terms of office of the Company's Accounting Auditor, PricewaterhouseCoopers Japan LLC expired upon the conclusion of the 63rd Ordinary General Meeting of Shareholders held on March 24, 2023. The Audit and Supervisory Committee took into consideration the number of years the current Accounting Auditor had been auditing the financial statements of the Company, received proposals from multiple auditing firms, and examined the content of those proposals. The Audit and Supervisory Committee has determined that it can expect KPMG AZSA LLC to offer new perspectives on audit. In addition, after reviewing comprehensively the firm's global auditing structure, independence, expertise and quality control system, the Committee has concluded that the firm upholds a framework to ensure adequacy in conducting accounting audit.

(6) Opinions on the reasons and the background stated in (5) above

(i) Opinions of the retiring Certified Public Accountant, etc. for audits

We have received a response that they have no particular opinions.

(ii) Opinions of the Audit and Supervisory Committee

The change is in line with the review process and results of the Audit and Supervisory Committee. The Committee thus believes that it is appropriate.

4) Content of audit fees

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

(Millions of Yen)

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	129	–	128	–
Consolidated subsidiaries	8	–	8	–
Total	138	–	136	–

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

(Millions of Yen)

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	–	19	–	17
Consolidated subsidiaries	276	65	269	7
Total	276	84	269	24

Non-audit services in the previous and current fiscal years related to the above remuneration consist primarily of tax 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. Method of deciding policies for determining individual executive remuneration

With the objective of ensuring transparency and objectivity of determination processes, the Company's policies for determining individual executive remuneration are decided 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.

[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%.

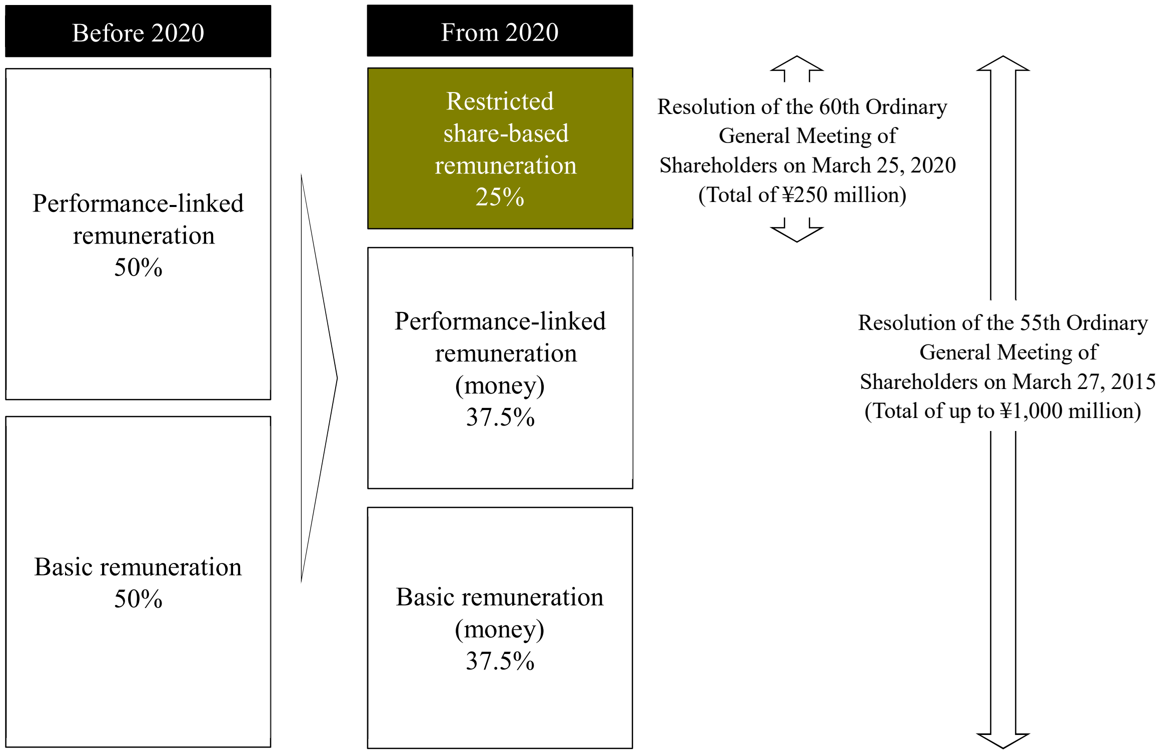
2. Overview of the policies for determining individual executive remuneration

The overview of the policies for determining remuneration for individual Directors of the Company are as follows.

1) Overview of the executive remuneration plan

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, which would apply to eight Directors, 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, which would apply to three Directors, 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), which would apply to three Directors, was approved.

[Composition of executive remuneration]



• Basic remuneration (money):	The objective of this basic remuneration is to ensure that the Company remains competitive in the market. The remuneration is determined according to the benchmark for each position in line with responsibilities and paid as a fixed monthly remuneration.
• Performance-linked remuneration (money):	As a short-term (one year) incentive, performance-linked remuneration amounts are set in the range of 0% to 200% (on a scale of 1 to 10) of the basic remuneration amount depending on performance results for the period. 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 (four items and eight initiatives that include ESG evaluation) 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. In the fiscal year ended December 31, 2022, these efforts led to the designation of FTSE4Good Index Series for the fourth consecutive year, reception of the Bronze Prize in the Environment Sustainable Category of the ESG Finance Awards Japan hosted by the Ministry of the Environment (MOE), reception of the highest rank of four stars in the Nikkei Smart Work Management Survey, reception of four stars in the Nikkei SDGs Management Survey, and designation of the Bloomberg Gender-Equality Index for the third consecutive year, among others, which increased the Company's corporate value. In 2023, the Company actively advanced "Kyo-sei Life Vision 2030," a medium- to long-term ESG goal, and enhanced DX initiatives. As a result, it has made the following achievements: selected as a component stock of five ESG indices that have been applied by the GPIF; selected for Noteworthy DX Companies 2023 as part of the selection of DX Stocks 2023; selected as No.1 in all six categories and as an All-Star status for the second consecutive year by Institutional Investor's "2023 Japan Executive Team Rankings," among others. We have worked to further enhance corporate value by accelerating integration of the businesses with ESG.

No.	Evaluation indicator	Accountability	Evaluation weight	Target	Result	Evaluation
1	Company-level performance (management plan)	1-1 Company-level sales	20-50%	¥963,500 million (+7.3% YoY)	¥941,790 million (+4.9% YoY)	97.7%
		1-2 Company-level core operating income		¥141,000 million (+17.9% YoY)	¥127,974 million (+7.0% YoY)	90.8%
		1-3 Profit attributable to owners of parent		¥80,900 million (+19.7% YoY)	¥86,053 million (+27.3% YoY)	106.4%
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 Restrictions are 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) Method of determining the amount of remuneration for each individual Director

The amount of remuneration for each individual Director is determined by the Representative Director (Takahisa Takahara), 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.

3) Policies for determining the ratios and amounts of fixed remuneration, bonuses, and restricted share-based remuneration

At the Compensation Committee meeting held on February 22, 2021, the calculation method and ratio of fixed remuneration, performance-linked remuneration and share-based payments, timing of granting each type of remuneration, and decision delegator and details 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.

3. Reason for the Board of Directors’ decision that the details of remuneration for individual Directors for the fiscal year under review are in line with the policies for determining the details of remuneration for individual Directors

The Board of Directors confirmed that the method of determining the details of remuneration for individual Directors for the fiscal year under review, along with the details of the remuneration determined, are consistent with the policies for determining remuneration resolved by the Board of Directors, and that the report from the Compensation Committee is respected. Thus, the Board of Directors decided that the remuneration is in line with the said policies for determining remuneration.

4. 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	Non-monetary remuneration Restricted share-based remuneration	
Directors (excluding Directors who are Audit and Supervisory Committee Members) (excluding Outside Directors)	562	196	196	171	4
Directors (Audit and Supervisory Committee Members) (excluding Outside Directors)	8	8	–	–	1
Outside Directors	21	21	–	–	3

Notes: 1. The above figures include the amounts of remuneration related to the one Director (excluding Directors who are Audit and Supervisory Committee Members) and one Outside Director who retired upon the conclusion of the 63rd Ordinary General Meeting of Shareholders held on March 24, 2023.

2. The total amount of remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members) includes the expense of ¥171 million recorded in relation to restricted share-based remuneration that was granted to three Directors (excluding Directors who are Audit and Supervisory Committee Members) and one Director (excluding Directors who are Audit and Supervisory Committee Members) who retired.

3. 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. 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	Non-monetary remuneration Restricted share-based remuneration	
Takahisa Takahara	Representative Director, President & CEO	The Company	150	120	130	400

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 are 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	14	426
Equity securities other than unlisted equity securities	22	14,860

(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; acquisition of shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations
Equity securities other than unlisted equity securities	4	13	Acquisition of shares through the shareholding association of business partners; acquisition of shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations

(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	–	–
Equity securities other than unlisted equity securities	1	34

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, 2023	Fiscal Year Ended December 31, 2022	Holding purpose, overview of business alliance, etc., 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)		
Sumitomo Realty & Development Co., Ltd.	1,219,000	1,219,000	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
	5,112	3,804		
ZUIKO CO., LTD.	980,400	980,400	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.	Yes
	1,769	731		
ARATA CORPORATION	451,090	225,545	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
	1,403	946		
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
	1,095	804		
Mitsui Chemicals, Inc.	237,800	237,800	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
	1,018	707		
Iyogin Holdings, Inc.	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
	964	728		
AEON CO., LTD.	249,835	246,342	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
	787	686		

Shares	Fiscal Year Ended December 31, 2023	Fiscal Year Ended December 31, 2022	Holding purpose, overview of business alliance, etc., 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)		
Hirogin Holdings, Inc.	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
	756	554		
FP Corporation	159,000	159,000	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
	472	603		
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
	368	366		
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
	259	204		
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
	184	198		
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
	145	108		
MatsukiyoCocokara & Co.	51,000	17,000	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
	127	112		
CB GROUP MANAGEMENT Co., Ltd.	19,708	19,289	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
	97	60		

Shares	Fiscal Year Ended December 31, 2023 Number of shares (Shares) Amount recorded in the balance sheet (Millions of Yen)	Fiscal Year Ended December 31, 2022 Number of shares (Shares) Amount recorded in the balance sheet (Millions of Yen)	Holding purpose, overview of business alliance, etc., quantitative effect of holding and reason for increase in the number of shares	Cross-holding of the Company's shares
KOHNAN SHOJI Co., Ltd.	20,000 79	20,000 68	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 77	55,000 36	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
HARIMA-KYOWA CO., LTD.	26,400 60	26,400 42	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 53	20,000 45	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
UNQ Holdings Limited	598,400 14	598,400 18	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
MINISTOP Co., Ltd.	6,611 10	6,295 9	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
Encho Co., Ltd.	9,840 10	9,249 9	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, 2023	Fiscal Year Ended December 31, 2022	Holding purpose, overview of business alliance, etc., 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)		
Sanyo Chemical Industries, Ltd.	–	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
	–	112		

Note: 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 2023 based on whether the holding purpose is diluted and whether the benefits and risks resulting from the holding are proportionate to the capital cost.

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, 2022	
	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	2	18,377	2	17,591

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	518	–	(5,922)

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" (hereinafter "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" (hereinafter "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, 2023 (January 1, 2023 – December 31, 2023) were audited by KPMG AZSA LLC, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

The Company's auditing firm was changed as follows.
The 63rd fiscal year: PricewaterhouseCoopers Japan LLC
The 64th fiscal year: KPMG AZSA LLC

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 (hereinafter "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, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Assets			
Current assets			
Cash and cash equivalents	7, 32	217,153	253,770
Trade and other receivables	8, 32	152,971	151,561
Inventories	9	117,590	102,965
Other current financial assets	32	90,450	106,445
Other current assets		25,592	24,160
Total current assets		603,756	638,902
Non-current assets			
Property, plant and equipment	10, 12	271,662	285,585
Intangible assets	11, 12	90,523	95,727
Deferred tax assets	15	14,860	13,894
Investments accounted for using equity method	14	597	18,165
Other non-current financial assets	32	65,753	72,486
Other non-current assets	19	2,067	8,868
Total non-current assets		445,462	494,726
Total assets		1,049,218	1,133,627

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	18, 32	171,035	168,867
Borrowings	16, 32	10,787	14,977
Income tax payables		14,600	15,607
Other current financial liabilities	17, 32	6,645	6,362
Other current liabilities	20	53,596	64,261
Total current liabilities		256,663	270,073
Non-current liabilities			
Borrowings	16, 32	16,235	13,588
Deferred tax liabilities	15	24,940	18,025
Retirement benefit liabilities	19	12,687	12,340
Other non-current financial liabilities	17, 32	24,934	25,084
Other non-current liabilities		5,146	6,267
Total non-current liabilities		83,942	75,304
Total liabilities		340,605	345,377
Equity			
Equity attributable to owners of parent			
Capital stock	21	15,993	15,993
Share premium	21	15,209	10,259
Retained earnings	21	644,859	710,792
Treasury shares	21	(83,699)	(100,572)
Other components of equity	21	26,521	59,246
Total equity attributable to owners of parent		618,883	695,719
Non-controlling interests		89,730	92,531
Total equity		708,613	788,250
Total liabilities and equity		1,049,218	1,133,627

2) Consolidated statements of income and comprehensive income

Consolidated statement of income

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Net sales	6, 23	898,022	941,790
Cost of sales	25	(569,422)	(590,261)
Gross profit		328,600	351,528
Selling, general and administrative expenses	24, 25	(209,034)	(223,555)
Other income	26	3,052	8,655
Other expenses	13, 14, 26	(7,395)	(5,920)
Financial income	27	4,628	6,603
Financial costs	27	(4,143)	(5,004)
Profit before tax		115,708	132,308
Income tax expenses	15	(37,333)	(34,326)
Profit for the period		78,375	97,982
Profit attributable to			
Owners of parent		67,608	86,053
Non-controlling interests		10,767	11,929
Profit for the period		78,375	97,982
Earnings per share attributable to owners of parent			
Basic earnings per share (Yen)	29	113.61	145.42
Diluted earnings per share (Yen)	29	113.59	145.42

Reconciliation of changes from gross profit to core operating income

(Millions of Yen)

Gross profit	328,600	351,528
Selling, general and administrative expenses	(209,034)	(223,555)
Core operating income (*)	119,566	127,974

* 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 6 “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, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Profit for the period		78,375	97,982
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	28	(2,191)	3,180
Remeasurements related to net defined benefit liabilities (assets)	28	81	3,050
Subtotal		(2,109)	6,230
Items that may be reclassified to profit or loss			
Net changes in debt instruments measured at fair value through other comprehensive income	28	(16)	(57)
Changes in fair value of cash flow hedges	28	(25)	3
Exchange differences on translation in foreign operations	28	38,399	33,204
Share of other comprehensive income of investments accounted for using equity method	14, 28	7	806
Subtotal		38,365	33,955
Total other comprehensive income, net of tax		36,256	40,185
Total comprehensive income		114,631	138,167
Total comprehensive income attributable to			
Owners of parent		98,094	120,371
Non-controlling interests		16,537	17,796
Total comprehensive income		114,631	138,167

3) Consolidated statement of changes in equity

Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)

(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, 2022		15,993	14,801	599,946	(68,646)	(4,454)	557,639	77,799	635,438
Profit for the period		–	–	67,608	–	–	67,608	10,767	78,375
Other comprehensive income	28	–	–	–	–	30,485	30,485	5,771	36,256
Total comprehensive income		–	–	67,608	–	30,485	98,094	16,537	114,631
Purchase of treasury shares	21	–	–	–	(17,001)	–	(17,001)	–	(17,001)
Disposal of treasury shares	21	–	223	–	1,832	(146)	1,909	–	1,909
Dividends	22	–	–	(22,059)	–	–	(22,059)	(9,743)	(31,802)
Equity transactions with non-controlling interests		–	(1,003)	–	–	–	(1,003)	5,136	4,133
Share-based payment transactions	21	–	1,189	–	115	–	1,305	–	1,305
Transfer from other components of equity to retained earnings	21	–	–	(635)	–	635	–	–	–
Total transactions with owners		–	409	(22,695)	(15,053)	490	(36,849)	(4,607)	(41,456)
Balance at December 31, 2022		15,993	15,209	644,859	(83,699)	26,521	618,883	89,730	708,613

Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)

(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, 2023		15,993	15,209	644,859	(83,699)	26,521	618,883	89,730	708,613
Profit for the period		–	–	86,053	–	–	86,053	11,929	97,982
Other comprehensive income	28	–	–	–	–	34,318	34,318	5,867	40,185
Total comprehensive income		–	–	86,053	–	34,318	120,371	17,796	138,167
Purchase of treasury shares	21	–	–	–	(17,004)	–	(17,004)	–	(17,004)
Dividends	22	–	–	(23,101)	–	–	(23,101)	(7,738)	(30,839)
Equity transactions with non-controlling interests		–	(6,142)	–	–	1,389	(4,753)	(7,257)	(12,010)
Share-based payment transactions	21	–	1,192	–	131	–	1,323	–	1,323
Transfer from other components of equity to retained earnings	21	–	–	2,981	–	(2,981)	–	–	–
Total transactions with owners		–	(4,950)	(20,120)	(16,873)	(1,592)	(43,535)	(14,995)	(58,530)
Balance at December 31, 2023		15,993	10,259	710,792	(100,572)	59,246	695,719	92,531	788,250

4) Consolidated statement of cash flows

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Cash flows from operating activities			
Profit before tax		115,708	132,308
Depreciation and amortization expenses		41,486	43,253
Impairment losses		4,312	3,560
Interest income		(3,800)	(5,758)
Dividend income		(777)	(831)
Interest expenses		2,462	3,195
Foreign exchange loss (gain)		3,065	458
Loss (gain) on sale and retirement of fixed assets		653	686
Decrease (increase) in trade and other receivables		(22,910)	8,268
Decrease (increase) in inventories		(22,474)	20,694
Increase (decrease) in trade and other payables		(1,265)	(12,330)
Increase (decrease) in other current liabilities		(5,624)	3,293
Decrease (increase) in other non-current assets		10,099	(879)
Other, net		6,242	3,298
Subtotal		127,177	199,214
Interest received		3,930	5,641
Dividends received		839	871
Interest paid		(2,327)	(3,172)
Income taxes refund		164	868
Income taxes paid		(37,567)	(41,007)
Net cash provided by (used in) operating activities		92,216	162,415

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Cash flows from investing activities			
Payments into time deposits		(72,673)	(129,921)
Proceeds from withdrawal of time deposits		111,679	129,900
Purchase of property, plant and equipment, and intangible assets		(32,950)	(38,412)
Proceeds from sale of property, plant and equipment, and intangible assets		38	802
Long-term loan advances		(2,875)	(39)
Purchase of financial assets measured at amortized cost		(6,766)	–
Purchase of financial assets measured at fair value through profit or loss		(18,000)	(23,158)
Purchase of equity instruments measured at fair value through other comprehensive income		(642)	(16)
Purchase of debt instruments measured at fair value through other comprehensive income		(2,118)	(24,140)
Proceeds from sale and redemption of financial assets measured at amortized cost		1,000	7,900
Proceeds from sale and redemption of financial assets measured at fair value through profit or loss		12,100	9,000
Proceeds from sale and redemption of equity instruments measured at fair value through other comprehensive income		30	120
Proceeds from sale and redemption of debt instruments measured at fair value through other comprehensive income		4,000	11,000
Purchase of shares of subsidiaries and associates	14	–	(11,117)
Other, net		34	554
Net cash provided by (used in) investing activities		(7,145)	(67,527)

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	16	4,481	(428)
Proceeds from long-term borrowings	16	4,032	–
Repayments of long-term borrowings	16	(20,507)	–
Repayments of lease liabilities		(5,641)	(6,728)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation		–	(12,090)
Payments for purchase of treasury shares	21	(17,001)	(17,004)
Dividends paid to owners of parent		(22,053)	(23,095)
Dividends paid to non-controlling interests		(9,743)	(7,744)
Proceeds from share issuance to non-controlling interests		2,870	81
Proceeds from exercise of employee share options	21	1,909	–
Net cash provided by (used in) financing activities		(61,652)	(67,007)
Effect of exchange rate changes on cash and cash equivalents		6,186	8,736
Net increase (decrease) in cash and cash equivalents		29,606	36,617
Cash and cash equivalents at beginning of period	7	187,547	217,153
Cash and cash equivalents at end of period	7	217,153	253,770

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, Kirei 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 disposable diapers and feminine napkins in emerging regions, notably in Asia, the Middle East, North Africa, and South 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 27, 2024.

(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 "Material 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 (hereinafter "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) Changes in accounting policies

Application of Amendments to IAS 12

The Group has adopted the "Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)" issued on May 7, 2021 from the fiscal year under review. The adoption of this standard does not have a significant impact on the consolidated financial statements of the Group except for the impact on "15. Income tax (1) Deferred tax assets and deferred tax liabilities." Because the Amendments to IAS 12 have been adopted retrospectively, the previous fiscal year's amounts for "15. Income tax (1) Deferred tax assets and deferred tax liabilities" have been restated.

In addition, the Group has adopted the "International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)" issued on May 23, 2023 from the fiscal year under review. Pursuant to the exception for the standard, the Group does not recognize deferred tax assets and liabilities related to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD).

(5) Early adoption of new accounting standards

There are no accounting standards, etc. early adopted.

(6) Changes in the presentation method

(Consolidated statement of cash flows)

"Interest income" and "dividend income," which were included in "interest and dividend income" under cash flows from operating activities for the previous fiscal year, have been presented separately from the fiscal year under review to enhance clarity. Moreover, "interest received" and "dividends received," which were included in "interest and dividends received" under cash flows from operating activities for the previous fiscal year, have been presented separately from the fiscal year under review to enhance clarity.

"Interest and dividend income" for the previous fiscal year included "interest income" of ¥(3,800) million and "dividend income" of ¥(777) million. "Interest and dividends received" for the previous fiscal year included "interest received" of ¥3,930 million and "dividends received" of ¥839 million.

3. Material accounting policies

Material 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. However, translation differences arising from financial assets measured through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

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, trade and other receivables that do not contain significant financing component are measured at transaction prices.

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 and non-deliverable forwards 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) 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 group of 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 indeterminable useful lives, and intangible assets that are not yet available for use are not amortized, but are tested for impairment at a certain time each year and 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.

Goodwill related to an investment in an associate that is included as part of the carrying amount of an investment in an associate is not separated from the other portions of the investment and the investment is considered to be a single asset and subject to impairment.

(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 Kirei care business, and for pet care business. 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. The consideration for performance obligations is received within one year from the fulfillment of the obligations and does not contain any significant financing component.

(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 countries or regions in which the Company and its subsidiaries operate and in which taxable income 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 carry-forwards, 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), and, at the time of the transaction, does not give rise to taxable temporary differences and deductible temporary differences in equal amounts;
- 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) Valuation of goodwill and intangible assets with indeterminable useful lives

With regard to goodwill and intangible assets with indeterminable useful lives, the recoverable amounts of the assets are estimated for comparison with the carrying amounts thereof at a certain time each year and whenever there is an indication of impairment. Recoverable amounts are measured by value in use in the group of cash-generating unit that includes goodwill and intangible assets with indeterminable useful lives. Value in use is calculated as the present value of estimated future cash flows. Estimated future cash flows are based on a three-year business plan approved by the management and, for the period after the three years, they are estimated on the assumption that they will gradually increase at a certain growth rate, taking into account average growth rates forecast in each market.

The major assumptions used to estimate value in use are estimates of future cash flows during the period covered by the business plan, the growth rate after the period, and the discount rate calculated based on the weighted-average capital cost.

While the management uses their best judgment to estimate future cash flows in the business plan for the next three years and a growth rate used for the period beyond the years covered by the business plan, these estimates 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 and regions around the world. Amounts that are estimated to be paid to the respective country's and region's tax authorities are assessed reasonably in accordance with the related laws and regulations, and are recorded as income tax payables, income tax expenses and deferred tax assets.

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 deductible 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. In regard to defined benefit plans, 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. New accounting standards and interpretations not yet adopted

There are no new accounting standards and new interpretations having a material impact, among those that have been established or revised by the date of approval for the consolidated financial statements and that have not been adopted by the Group as of December 31, 2023.

6. 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, baby care products, and Kirei 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, 2022 (January 1, 2022 – December 31, 2022)					
	Reportable segments				Adjustments	Amounts reported in consolidated financial statements
	Personal care	Pet care	Other	Total		
Sales to external customers	764,908	125,312	7,802	898,022	–	898,022
Sales across segments (Note)	–	–	187	187	(187)	–
Total segment sales	764,908	125,312	7,989	898,209	(187)	898,022
Segment profit (Core operating income)	100,863	18,352	351	119,566	–	119,566
Other income						3,052
Other expenses						(7,395)
Financial income						4,628
Financial costs						(4,143)
Profit before tax						115,708
Others						
Depreciation and amortization expenses	37,411	3,674	400	41,486	–	41,486
Impairment losses	4,312	–	–	4,312	–	4,312
Increase in property, plant and equipment and intangible assets	35,701	6,524	402	42,627	–	42,627

(Millions of Yen)

	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)					
	Reportable segments				Adjustments	Amounts reported in consolidated financial statements
	Personal care	Pet care	Other	Total		
Sales to external customers	793,845	139,446	8,498	941,790	–	941,790
Sales across segments (Note)	–	–	357	357	(357)	–
Total segment sales	793,845	139,446	8,856	942,147	(357)	941,790
Segment profit (Core operating income)	104,481	23,083	409	127,974	–	127,974
Other income						8,655
Other expenses						(5,920)
Financial income						6,603
Financial costs						(5,004)
Profit before tax						132,308
Others						
Depreciation and amortization expenses	38,617	4,104	533	43,253	–	43,253
Impairment losses	3,560	–	–	3,560	–	3,560
Increase in property, plant and equipment and intangible assets	41,638	9,689	786	52,112	–	52,112

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, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Japan	307,631	321,847
China	115,275	106,743
Asia	312,997	331,409
Other	162,118	181,790
Total	898,022	941,790

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

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Japan	112,361	127,616
China	41,895	40,504
Asia	154,583	159,824
Other	55,285	58,460
Total	364,124	386,404

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.

7. Cash and cash equivalents

The details of cash and cash equivalents are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Cash and deposits	292,953	334,375
Time deposits with maturities over three months	(75,801)	(80,605)
Total	217,153	253,770

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.

8. Trade and other receivables

The details of trade and other receivables are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Notes and accounts receivable - trade	153,067	152,306
Accounts receivable - other	2,300	2,255
Allowance for doubtful accounts	(2,395)	(3,000)
Total	152,971	151,561

9. Inventories

The details of inventories are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Merchandise and finished goods	62,581	54,331
Raw materials and supplies	53,801	47,678
Work in process	1,208	956
Total	117,590	102,965

The write-down of inventories recognized as an expense totaled ¥991 million and ¥722 million for the previous fiscal year and the fiscal year under review, respectively, which is included in cost of sales.

10. 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, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Property, plant and equipment	237,458	251,507
Right-of-use assets	34,205	34,078
Total	271,662	285,585

Please refer to Note "12. 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, 2022	154,528	358,107	17,276	17,791	28,078	575,780
Purchase	316	2,053	940	24,969	1,579	29,857
Reclassification, etc.	6,535	24,532	–	(32,858)	1,323	(468)
Disposal	(263)	(10,013)	(0)	(180)	(427)	(10,884)
Effect of exchange rate changes	5,755	17,473	409	1,047	1,491	26,174
Balance at December 31, 2022	166,871	392,152	18,624	10,769	32,044	620,460
Purchase	1,140	1,532	–	32,940	1,289	36,901
Reclassification, etc.	4,440	15,697	(137)	(23,191)	1,292	(1,900)
Disposal	(3,430)	(11,935)	(286)	(150)	(2,352)	(18,154)
Effect of exchange rate changes	6,412	18,386	649	358	1,449	27,253
Balance at December 31, 2023	175,432	415,832	18,850	20,725	33,722	664,561

(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, 2022	72,480	250,241	15	811	21,128	344,675
Depreciation	6,477	22,608	–	–	2,422	31,507
Impairment losses	–	1,802	–	–	4	1,806
Reclassification, etc.	–	(708)	–	–	(4)	(712)
Disposal	(244)	(9,515)	–	(142)	(419)	(10,320)
Effect of exchange rate changes	2,547	12,320	–	86	1,093	16,046
Balance at December 31, 2022	81,260	276,749	15	755	24,223	383,002
Depreciation	6,465	22,253	–	–	2,726	31,444
Impairment losses	–	323	–	–	498	821
Reclassification, etc.	(157)	(1,604)	–	(802)	(15)	(2,579)
Disposal	(3,323)	(11,405)	–	–	(2,296)	(17,023)
Effect of exchange rate changes	2,895	13,395	–	48	1,052	17,389
Balance at December 31, 2023	87,140	299,711	15	–	26,188	413,054

(Millions of Yen)

Carrying amount	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance at January 1, 2022	82,047	107,866	17,261	16,979	6,951	231,104
Balance at December 31, 2022	85,610	115,404	18,610	10,014	7,820	237,458
Balance at December 31, 2023	88,292	116,121	18,835	20,725	7,534	251,507

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

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

11. 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, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Intangible assets	90,316	95,727
Right-of-use assets	207	–
Total	90,523	95,727

Please refer to Note “12. 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, 2022	47,425	36,496	33,094	24,222	141,236
Purchase	–	–	–	4,502	4,502
Reclassification, etc.	–	10	–	(19)	(9)
Disposal	–	–	–	(530)	(530)
Effect of exchange rate changes	4,736	4,157	4,065	1,163	14,121
Balance at December 31, 2022	52,160	40,663	37,159	29,338	159,321
Purchase	–	0	–	7,684	7,684
Reclassification, etc.	–	–	–	87	87
Disposal	–	–	–	(937)	(937)
Effect of exchange rate changes	3,085	2,208	3,002	658	8,953
Balance at December 31, 2023	55,245	42,872	40,161	36,830	175,108

(Millions of Yen)

Accumulated amortization and accumulated impairment losses	Goodwill	Trademarks	Customer-related assets	Other	Total
Balance at January 1, 2022	4,979	21,642	14,064	15,422	56,108
Amortization	–	780	1,922	2,394	5,097
Impairment losses	2,202	–	–	304	2,506
Reclassification, etc.	–	–	–	(64)	(64)
Disposal	–	–	–	(441)	(441)
Effect of exchange rate changes	–	3,454	1,376	969	5,800
Balance at December 31, 2022	7,181	25,876	17,363	18,584	69,004
Amortization	–	987	588	3,513	5,088
Impairment losses	2,739	–	–	–	2,739
Reclassification, etc.	–	–	1,288	(1,288)	0
Disposal	–	–	–	(935)	(935)
Effect of exchange rate changes	–	1,857	1,092	536	3,485
Balance at December 31, 2023	9,920	28,720	20,332	20,410	79,381

(Millions of Yen)

Carrying amount	Goodwill	Trademarks	Customer-related assets	Other	Total
Balance at January 1, 2022	42,446	14,854	19,029	8,800	85,128
Balance at December 31, 2022	44,979	14,787	19,796	10,754	90,316
Balance at December 31, 2023	45,325	14,152	19,829	16,421	95,727

Amortization is recorded in "Cost of sales" and "Selling, general and administrative expenses" and impairment losses are recorded in "Other 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 indeterminable useful lives since they will basically remain as long as the business is continued. The carrying amounts of trademarks with indeterminable useful lives were ¥1,534 million and ¥1,660 million as of the end of the previous fiscal year and the end of the fiscal year under review, respectively.

(3) Individually material intangible assets

Individually material intangible assets are "customer-related assets" recorded in connection with the acquisition of the shares of DSG (Cayman) Ltd., with the carrying amount of ¥15,305 million and ¥15,578 million as of the end of the previous fiscal year and the end of the fiscal year under review, respectively, and the remaining amortization period of 16 years and 15 years, respectively.

12. 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, 2022	47,281	2,248	7,021	693	57,244
Purchase	9,398	313	1,465	179	11,354
Other	(13,595)	(581)	438	(311)	(14,049)
Balance at December 31, 2022	43,085	1,979	8,924	561	54,549
Purchase	7,068	277	–	182	7,527
Other	(2,397)	(17)	(988)	(311)	(3,712)
Balance at December 31, 2023	47,756	2,240	7,936	432	58,363

(Millions of Yen)

Accumulated depreciation and accumulated impairment losses	Buildings and structures	Machinery, equipment and vehicles	Land	Other	Total
Balance at January 1, 2022	13,988	1,176	961	256	16,380
Depreciation	4,217	446	185	34	4,882
Other	(569)	(614)	138	(82)	(1,125)
Balance at December 31, 2022	17,636	1,008	1,284	208	20,137
Depreciation	6,054	464	157	47	6,721
Other	(2,318)	(132)	(98)	(25)	(2,573)
Balance at December 31, 2023	21,371	1,341	1,343	230	24,285

(Millions of Yen)

Carrying amount	Buildings and structures	Machinery, equipment and vehicles	Land	Other	Total
Balance at January 1, 2022	33,294	1,072	6,060	437	40,863
Balance at December 31, 2022	25,449	971	7,639	352	34,412
Balance at December 31, 2023	26,385	899	6,593	202	34,078

13. 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 “6. Segment information.”

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Goodwill	2,202	2,739
Property, plant and equipment	1,806	821
Intangible assets (other than goodwill)	304	–
Total impairment losses	4,312	3,560

(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, 2022 (January 1, 2022 – December 31, 2022)

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 increased rates of discount, the carrying amount of “goodwill” related to the business in the country was reduced to the recoverable amount, and a reduction of ¥1,258 million was recorded as an impairment loss in “other expenses.”

The recoverable amount of such asset group of ¥3,280 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 (13.4%). The growth rate is estimated as 2.0% by taking into account the assumed average growth rates in each market.

As the excess earnings power assumed at the time of the acquisition declined for the business belonging to the personal care segment of Uni-Charm Corporation Sdn. Bhd., DSG Malaysia Sdn. Bhd., and Disposable Soft Goods (Malaysia) Sdn. Bhd., subsidiaries of the Company, partly due to soaring raw material prices and increased rates of discount, the carrying amount of “goodwill” related to the business in the country was reduced to the recoverable amount, and a reduction of ¥945 million was recorded as an impairment loss in “other expenses.”

The recoverable amount of such asset group of ¥9,200 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 (14.9%). The growth rate is estimated as 3.9% by taking into account the assumed average growth rates in each market.

As further use of certain assets classified as property, plant and equipment or intangible assets owned by DSG International (Thailand) Public Co., Ltd. and Unicharm Molnlycke Rus L.L.C. (Russia) were deemed unlikely, their carrying amounts were reduced to the recoverable amounts. As a result, DSG International (Thailand) Public Co., Ltd. recorded a reduction of ¥1,215 million, and Unicharm Molnlycke Rus L.L.C. (Russia) recorded a reduction of ¥895 million, as impairment losses in “other expenses.” While the recoverable amounts are measured by value in use, when property, plant and equipment or intangible assets are deemed unlikely to be further used, the value in use of assets is recorded as zero.

Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)

The main impairment losses in the fiscal year under review occurred when, as the excess earnings power assumed at the time of the acquisition declined for the business belonging to the personal care segment of Uni-Charm Corporation Sdn. Bhd., DSG Malaysia Sdn. Bhd., and Disposable Soft Goods (Malaysia) Sdn. Bhd., subsidiaries of the Company, as a result of reviewing the business plans used to calculate the value in use in response to changes in the business environment, the carrying amount of “goodwill” related to the business in the country was reduced to the recoverable amount, and a reduction of ¥2,739 million was recorded as impairment losses in “other expenses.”

Impairment losses have been recorded in “other expenses” because they are considered to be expenses that are not connected with any of the functions, such as expenses that cover all management activities.

The recoverable amount of such asset group of ¥8,875 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 (14.2%). The growth rate is estimated as 1.9% by taking into account the assumed average growth rates in each market. There is the possibility of additional impairment loss in case the main assumptions used in the impairment test fluctuate, namely when the future cash flow decreases, or when the discount rate increases.

(3) Impairment test for goodwill and intangible assets with indeterminable useful life

The breakdowns of goodwill and intangible assets with indeterminable useful life by cash-generating unit (after recognizing impairment loss) are as follows. All of the assets below are allocated to the personal care business.

(Millions of Yen)

	Cash-generating unit or cash-generating unit group (business belonging to the personal care segment of each group company)	Fiscal Year Ended December 31, 2022 (as of December 31, 2022)		Fiscal Year Ended December 31, 2023 (as of December 31, 2023)	
		Goodwill	Intangible assets with indeterminable useful life	Goodwill	Intangible assets with indeterminable useful life
Thailand	Uni.Charm (Thailand) Co., Ltd. DSG International (Thailand) Public Co., Ltd.	22,469	–	24,420	–
Vietnam	Diana Unicharm Joint Stock Company	15,686	–	16,765	–
Australia	Unicharm Australasia Holding Pty Ltd.	352	1,534	352	1,660
Malaysia	Uni-Charm Corporation Sdn. Bhd. DSG Malaysia Sdn. Bhd. Disposable Soft Goods (Malaysia) Sdn. Bhd.	4,626	–	1,942	–
Others		1,846	–	1,846	–
Total		44,979	1,534	45,325	1,660

The recoverable amounts for the impairment test of goodwill and intangible assets with indeterminable useful life are calculated based on value in use. Value in use is obtained by discounting the future cash flows for the coming three years based on the business plan approved by the management to the present value using the discount rate calculated based on the pre-tax weighted average cost of capital (11.0-17.3% for the fiscal year ended December

31, 2022; 11.0-16.7% for the fiscal year ended December 31, 2023). The business plan is based on the management's evaluation of future predictions and past performance of each business while ensuring alignment with external and internal information.

Cash flows beyond the period of the business plan are estimated while taking into account the average growth rate predicted for each market (2.0-3.9% for the fiscal year ended December 31, 2022; 1.9-3.4% for the fiscal year ended December 31, 2023).

For the other cash-generating unit groups where impairment loss was not recognized for goodwill or intangible assets with indeterminable useful life, the Company has determined that the carrying amount is not likely to exceed the recoverable amount, even in the case the main assumptions used in the impairment test change within a rationally predictable range.

14. Investments accounted for using equity method

(1) Material associates

A material associate is Jiangsu Jijia Pet Products Co., Ltd., a major pet food company in China. On January 6, 2023, Unicharm (China) Investment Co., Ltd., a consolidated subsidiary fully owned by the Company acquired 41.85% equity share in Jiangsu Jijia Pet Products Co., Ltd. for the price of RMB 875 million (¥16,632 million). The amount recorded for the investments in the aforementioned company is included in "Investments accounted for using equity method" for the fiscal year under review. The condensed consolidated financial information of the aforementioned company is as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Current assets	12,071
Non-current assets	1,762
Current liabilities	5,592
Non-current liabilities	3,922
Total equity	4,320
The Group's share of total equity	1,808
Amounts equivalent to goodwill and consolidation adjustments	15,536
Carrying amount of investments	17,344

(Millions of Yen)

	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Net sales	24,672
Profit for the period	(215)
Other comprehensive income	205
Comprehensive income	(9)

The Group's equity

(Millions of Yen)

	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Profit for the period	(89)
Other comprehensive income	805
Comprehensive income	715

(2) Immaterial associates

The carrying amounts of investments and financial information for equity-method associates which are individually immaterial are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Investments accounted for using equity method	597	821

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Share of profit (loss) of investments accounted for using equity method (Note)	(378)	(237)
Share of other comprehensive income of investments accounted for using equity method	7	1
Total	(371)	(235)

Note: Share of profit (loss) of investments accounted for using equity method is included in "other expenses."

15. 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, 2022 (January 1, 2022 – December 31, 2022)

(Millions of Yen)

	January 1, 2022	Recognized as profit or loss	Recognized as other comprehensive income	Other	December 31, 2022
Deferred tax assets					
Accrued bonuses	1,480	2	–	–	1,482
Accrued sales promotion expenses	6,211	59	–	–	6,270
Retirement benefit liabilities	3,031	259	(192)	–	3,098
Tax loss carry-forwards	1,902	(1,177)	–	–	725
Share-based payment expenses	525	253	–	–	778
Other	26,150	(16)	8	–	26,142
Total deferred tax assets	39,299	(620)	(183)	–	38,495
Deferred tax liabilities					
Depreciation and amortization expenses	(5,173)	496	–	–	(4,676)
Net defined benefit asset	(43)	1	(3)	–	(44)
Equity instruments measured at fair value through other comprehensive income	(1,601)	–	623	(745)	(1,723)
Undistributed earnings	(24,957)	(3,069)	–	–	(28,026)
Intangible assets	(3,985)	(191)	–	–	(4,176)
Other	(13,914)	3,983	1	–	(9,931)
Total deferred tax liabilities	(49,672)	1,221	621	(745)	(48,575)
Net deferred tax assets (liabilities)	(10,373)	600	438	(745)	(10,080)

Note: As stated in “2. Basis of preparation (4) Changes in accounting policies,” the Amendments to IAS 12 have been adopted retrospectively, and, accordingly, amounts of the previous fiscal year have been restated.

Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)

(Millions of Yen)

	January 1, 2023	Recognized as profit or loss	Recognized as other comprehensive income	Other	December 31, 2023
Deferred tax assets					
Accrued bonuses	1,482	(82)	–	22	1,422
Accrued sales promotion expenses	6,270	(137)	–	180	6,313
Retirement benefit liabilities	3,098	1,910	(2,231)	120	2,897
Tax loss carry-forwards	725	2,315	–	59	3,099
Share-based payment expenses	778	361	–	–	1,139
Other	26,142	(2,013)	(1,345)	(130)	22,653
Total deferred tax assets	38,495	2,354	(3,576)	251	37,524
Deferred tax liabilities					
Depreciation and amortization expenses	(4,676)	(1,283)	–	(248)	(6,207)
Net defined benefit asset	(44)	(2,054)	913	–	(1,185)
Equity instruments measured at fair value through other comprehensive income	(1,723)	–	(31)	25	(1,728)
Undistributed earnings	(28,026)	8,306	–	–	(19,720)
Intangible assets	(4,176)	11	–	–	(4,165)
Other	(9,931)	1,280	1	–	(8,650)
Total deferred tax liabilities	(48,575)	6,260	883	(222)	(41,656)
Net deferred tax assets (liabilities)	(10,080)	8,613	(2,693)	28	(4,131)

Note: As stated in “2. Basis of preparation (4) Changes in accounting policies,” the Amendments to IAS 12 have been adopted retrospectively, and, accordingly, amounts of the previous fiscal year have been restated.

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 carry-forwards.

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

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Deductible temporary differences	6,103	68,561
Tax loss carry-forwards	37,114	32,468
Total	43,216	101,029

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

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
In one year or less	1,459	425
After one year through five years	1,760	8,716
After five years	33,894	23,327
Total	37,114	32,468

Total temporary differences associated with investments in subsidiaries which are not recognized as deferred tax liabilities were ¥11,090 million and ¥54,696 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, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Current tax expenses	37,325	42,939
Deferred tax expenses	8	(8,613)
Total income tax expenses	37,333	34,326

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 ¥134 million and ¥2,346 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, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Effective statutory tax rate	30.6%	30.6%
Changes in unrecognized deferred tax assets	0.5%	(1.6)%
Dividend income, etc.	0.2%	1.0%
Lower income tax rates applicable to income in certain foreign countries	(4.1)%	(4.1)%
Effect of tax reforms	0.4%	0.0%
Tax credits	(0.8)%	(1.2)%
Tax effects on undistributed earnings	4.1%	0.2%
Other	1.3%	1.0%
Actual effective tax rate	32.3%	25.9%

(3) Global minimum tax

On March 28, 2023, the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 3 of 2023) was enacted in Japan, where the Company is located, to introduce a global minimum tax system in line with Pillar Two model rules. This act comes into effect for the Company from the fiscal year beginning January 1, 2025.

Based on an assessment of the potential impact of the application of the global minimum tax system based on the most recent tax returns, country by country reports, and financial statements of each of the component entities subject to the system, the Company does not anticipate any material exposure to Pillar Two income taxes.

16. Borrowings

The details of borrowings are as follows.

(Millions of Yen)

	Short-term borrowings	Current portion of long-term borrowings	Subtotal of current items	Long-term borrowings	Subtotal of non-current items	Total
Balance at January 1, 2022	13,882	20,000	33,882	4,432	4,432	38,314
New borrowings	11,088	–	11,088	4,032	4,032	15,120
Repayment	(6,608)	(20,000)	(26,608)	(507)	(507)	(27,114)
Effect of exchange rate changes	825	–	825	(123)	(123)	702
Other	(8,400)	–	(8,400)	8,400	8,400	–
Balance at December 31, 2022	10,787	–	10,787	16,235	16,235	27,022
New borrowings	5,216	–	5,216	–	–	5,216
Transfer	–	3,769	3,769	(3,769)	(3,769)	–
Repayment	(5,643)	–	(5,643)	–	–	(5,643)
Effect of exchange rate changes	735	113	848	1,123	1,123	1,970
Balance at December 31, 2023	11,094	3,883	14,977	13,588	13,588	28,565
Average interest rate (Note 1)	8.40%	4.50%	–	8.37%	–	–
Maturity (Note 2)	–	–	–	2025 – 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.

17. 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, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
In one year or less	6,866	6,562
After one year through five years	15,661	17,239
After five years	12,035	8,976
Total	34,562	32,777
Future finance costs	4,461	2,817
Present value of lease liabilities	30,101	29,960
Average interest rate (Note)	1.96%	2.14%

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, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Short-term lease payments	224	286
Small lease payments	265	311

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 “12. Right-of-use assets,” interest expenses associated with lease liabilities are presented in Note “27. Financial income and financial costs,” and the total amount of cash outflows concerning leases is presented in the consolidated statement of cash flows.

There are no material leases not yet commenced to which the Group is committed as of the end of the fiscal year under review.

18. Trade and other payables

The details of trade and other payables are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Notes and accounts payable - trade	127,870	125,156
Accounts payable - other	43,165	43,712
Total	171,035	168,867

19. 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 (hereinafter "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, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Present value of funded defined benefit obligations	44,702	44,812
Fair value of plan assets	(51,433)	(55,997)
Subtotal	(6,731)	(11,184)
Effect of asset ceiling (Note 1)	10,170	9,585
Present value of unfunded defined benefit obligations	9,120	10,163
Net retirement benefit liabilities (defined benefit assets)	12,559	8,563
Amounts in the consolidated statement of financial position		
Retirement benefit liabilities	12,687	12,340
Net defined benefit assets (Note 2)	(128)	(3,777)

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, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Present value of defined benefit obligations at beginning of period	58,131	53,822
Current service cost	3,399	3,006
Interest expenses	592	1,104
Remeasurements		
Actuarial differences arising from changes in demographic assumptions	455	276
Actuarial differences arising from changes in financial assumptions	(7,271)	(1,176)
Actuarial differences arising from performance adjustments	468	(45)
Past service cost	4	4
Retirement benefits paid	(2,333)	(2,596)
Effect of exchange rate changes	724	584
Other	(347)	(4)
Present value of defined benefit obligations at end of period	53,822	54,975

Note: Weighted-average duration of defined benefit obligations was 15.8 years and 14.6 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, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Fair value of plan assets at beginning of period	52,649	51,433
Interest income	375	831
Remeasurements		
Gain on plan assets	(2,260)	2,762
Contribution from employers	1,967	1,907
Retirement benefits paid	(976)	(1,087)
Effect of exchange rate changes	(193)	151
Other	(129)	–
Fair value of plan assets at end of period	51,433	55,997

Note: Employers are expected to contribute ¥1,776 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, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Effect of asset ceiling at beginning of period	6,316	10,170
Restrictions on interest income	45	166
Remeasurements		
Changes in the effect of asset ceiling	3,809	(751)
Effect of asset ceiling at end of period	10,170	9,585

5) Details of plan assets

The details of plan assets are as follows.

Fiscal Year Ended December 31, 2022 (as of December 31, 2022)

(Millions of Yen)

	Quoted in an active market	Unquoted in an active market	Total
Debt instruments	–	23,902	23,902
Equity instruments	–	13,253	13,253
Cash and cash equivalents	168	348	515
Life insurance company general account	0	5,098	5,098
Other	–	8,664	8,664
Total plan assets	168	51,265	51,433

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 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.

Fiscal Year Ended December 31, 2023 (as of December 31, 2023)

(Millions of Yen)

	Quoted in an active market	Unquoted in an active market	Total
Debt instruments	–	23,593	23,593
Equity instruments	–	14,070	14,070
Cash and cash equivalents	–	741	741
Life insurance company general account	0	5,151	5,151
Other	–	12,442	12,442
Total plan assets	0	55,996	55,997

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 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, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Discount rate	1.9%	2.0%

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, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Discount rate	0.5% increase	¥3,347 million decrease	¥3,481 million decrease
	0.5% decrease	¥3,788 million increase	¥3,946 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. These expenses were ¥5,255 million and ¥5,657 million for the previous fiscal year and the fiscal year under review, respectively.

20. Other current liabilities

The details of other current liabilities are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Accrued expenses	36,486	41,957
Accrued bonuses	7,050	7,497
Accrued consumption taxes, etc.	4,891	4,182
Accrued compensated absences	2,594	2,851
Other	2,574	7,773
Total	53,596	64,261

21. 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, 2022	827,779	620,834
Increase during the period	–	–
Decrease during the period	–	–
Balance at December 31, 2022	827,779	620,834
Increase during the period	–	–
Decrease during the period	–	–
Balance at December 31, 2023	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, 2022	24,655	68,646
Increase due to purchase of treasury shares based on a resolution by the Board of Directors	3,597	17,000
Increase due to purchase of shares of less than one unit	0	1
Decrease due to exercise of stock option rights	(658)	(1,832)
Acquisition through restricted share-based remuneration plan	67	164
Decrease due to disposal as restricted share-based remuneration	(100)	(279)
Balance at December 31, 2022	27,561	83,699
Increase due to purchase of treasury shares based on a resolution by the Board of Directors	3,080	17,000
Increase due to purchase of shares of less than one unit	1	4
Acquisition through restricted share-based remuneration plan	42	104
Decrease due to disposal as restricted share-based remuneration	(77)	(234)
Balance at December 31, 2023	30,606	100,572

(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	Remeasurements 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, 2022	2,565	(19)	5	(7,192)	–	192	(4)	(4,454)
Other comprehensive income	(2,191)	(16)	(13)	32,599	99	–	7	30,485
Disposal of treasury shares	–	–	–	–	–	(146)	–	(146)
Transfer from other components of equity to retained earnings	781	–	–	–	(99)	(46)	–	635
Balance at December 31, 2022	1,155	(36)	(8)	25,407	–	–	3	26,521
Other comprehensive income	3,180	(57)	2	27,465	2,924	–	806	34,318
Equity transactions with non-controlling interests	–	–	–	1,389	–	–	–	1,389
Transfer from other components of equity to retained earnings	(58)	–	–	–	(2,924)	–	–	(2,981)
Balance at December 31, 2023	4,277	(94)	(6)	54,261	–	–	809	59,246

22. Dividends

Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on February 24, 2022	Common shares	10,731	18.0	December 31, 2021	March 7, 2022
Board of Directors meeting on August 4, 2022	Common shares	11,328	19.0	June 30, 2022	September 2, 2022

(2) Dividends whose record date is in the fiscal year ended December 31, 2023 and whose effective date is in the fiscal year ending December 31, 2024

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on February 8, 2023	Common shares	11,272	19.0	December 31, 2022	March 6, 2023

Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on February 8, 2023	Common shares	11,272	19.0	December 31, 2022	March 6, 2023
Board of Directors meeting on August 4, 2023	Common shares	11,829	20.0	June 30, 2023	September 4, 2023

(2) Dividends whose record date is in the fiscal year ended December 31, 2023 and whose effective date is in the fiscal year ending December 31, 2024

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on February 7, 2024	Common shares	11,805	20.0	December 31, 2023	March 7, 2024

23. Revenue

(1) Breakdown of 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, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Personal care		
Japan	225,547	228,774
China	114,597	106,121
Asia	311,720	329,656
Other	113,045	129,294
Subtotal	764,908	793,845
Pet care (Note 1)	125,312	139,446
Other (Note 2)	7,802	8,498
Total	898,022	941,790

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.

(2) Receivables and contract liabilities that arise from contracts with customers

Receivables that arise from contracts with customers are notes and accounts receivable - trade included in “Trade and other receivables.” At the end of the previous fiscal year and in the fiscal year under review, the amounts of contract liabilities as well as the amount of revenue recognized upon fulfillment of performance obligations during prior periods have no materiality. The contract liabilities are included in “Other current liabilities.”

(3) Transaction prices allocated to remaining performance obligations

The Group has no material transactions whose expected agreement period each is more than one year. Hence, a practical expedient is applied so that information about remaining performance obligations is omitted. There is no material amount of a consideration arising from a contract with a customer that is not included in transaction prices.

(4) Assets recognized from costs needed to secure or fulfill contracts with customers

At the end of the previous fiscal year and in the fiscal year under review, the amounts of assets recognized from costs needed to secure or fulfill contracts with customers have no materiality. When the amortization period for assets that should be recognized is one year or less, a practical expedient is applied so that the increase in the cost of securing a contract is recognized as an expense as incurred.

24. Selling, general and administrative expenses

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

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Freight-out expenses	62,892	60,343
Sales promotion expenses	27,572	29,373
Advertising expenses	26,083	30,807
Employee benefit expenses	45,641	49,189
Depreciation and amortization expenses	10,359	11,137
Research and development expenses	8,270	9,818
Others	28,218	32,888
Total	209,034	223,555

25. Employee benefit expenses

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

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Salaries and bonuses	61,198	66,033
Employee and legal benefits expenses	6,971	7,204
Retirement benefit expenses	8,442	8,867
Share-based payment expenses	1,187	1,294
Other	1,245	823
Total	79,043	84,221

26. Other income and other expenses

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

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Other income		
Subsidy income	127	88
Gain on sales of scraps	426	533
Fire insurance proceeds (Note 1)	–	6,369
Other	2,499	1,665
Total other income	3,052	8,655
Other expenses		
Loss on disposal of non-current assets	687	1,116
Impairment losses (Note 2)	4,312	3,560
Other	2,396	1,245
Total other expenses	7,395	5,920

Notes: 1. Fire insurance proceeds of ¥6,369 million were received in relation to a fire accident took place on June 24, 2020, at Ahmedabad Factory of Unicharm India Private Ltd., a subsidiary of the Company, and they are included in other income of the consolidated statement of income.

2. Impairment losses are presented in Note “13. Impairment of non-financial assets.”

27. Financial income and financial costs

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

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Financial income		
Interest income (Note 1)	3,800	5,758
Dividend income (Note 2)	777	831
Other	51	14
Total financial income	4,628	6,603
Financial costs		
Interest expenses		
Financial liabilities measured at amortized cost (Note 3)	2,462	3,195
Foreign exchange losses	–	1,409
Loss on valuation of derivatives	1,342	88
Other	339	312
Total financial costs	4,143	5,004

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 ¥679 million and ¥702 million for the previous fiscal year and the fiscal year under review, respectively.

28. 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, 2022 (January 1, 2022 – December 31, 2022)

(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	(2,807)	–	(2,807)	616	(2,191)
Remeasurements related to net defined benefit liabilities (assets)	279	(3)	276	(195)	81
Subtotal	(2,527)	(3)	(2,531)	422	(2,109)
Items that may be reclassified to profit or loss					
Net changes in debt instruments measured at fair value through other comprehensive income	(24)	–	(24)	7	(16)
Changes in fair value of cash flow hedges	6	(39)	(34)	9	(25)
Exchange differences on translation in foreign operations	38,354	45	38,399	–	38,399
Share of other comprehensive income of investments accounted for using equity method	7	–	7	–	7
Subtotal	38,343	6	38,349	16	38,365
Total other comprehensive income	35,816	3	35,818	438	36,256

Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)

(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	4,579	–	4,579	(1,399)	3,180
Remeasurements related to net defined benefit liabilities (assets)	4,368	–	4,368	(1,318)	3,050
Subtotal	8,947	–	8,947	(2,717)	6,230
Items that may be reclassified to profit or loss					
Net changes in debt instruments measured at fair value through other comprehensive income	(83)	–	(83)	25	(57)
Changes in fair value of cash flow hedges	86	(82)	5	(2)	3
Exchange differences on translation in foreign operations	33,204	–	33,204	–	33,204
Share of other comprehensive income of investments accounted for using equity method	806	–	806	–	806
Subtotal	34,013	(82)	33,931	24	33,955
Total other comprehensive income	42,960	(82)	42,878	(2,693)	40,185

29. 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, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Profit attributable to owners of parent (Millions of Yen)	67,608	86,053
Profit not attributable to common shareholders of parent (Millions of Yen)	–	–
Profit used to calculate basic earnings per share (Millions of Yen)	67,608	86,053
Weighted-average number of common shares (Thousands of Shares)	595,103	591,775
Basic earnings per share (Yen)	113.61	145.42

(2) Diluted earnings per share

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

	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Profit used to calculate basic earnings per share (Millions of Yen)	67,608	86,053
Adjustments to profit for the year (Millions of Yen)	–	–
Profit used to calculate diluted earnings per share (Millions of Yen)	67,608	86,053
Weighted-average number of common shares (Thousands of Shares)	595,103	591,775
Impact of dilutive potential common shares		
Share acquisition rights (Thousands of Shares)	86	–
Weighted-average number of diluted common shares (Thousands of Shares)	595,188	591,775
Diluted earnings per share (Yen)	113.59	145.42
Description of potential shares that were not included in the calculation of diluted earnings per share because of their anti-dilutive effect	–	–

30. 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, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Increase in right-of-use assets pertaining to lease transactions	11,354	7,527

31. 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 and the rights were exercised.

2) Size and changes of stock options

The numbers 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.

There were no unvested or un-exercised balances at the end of the previous fiscal year.

	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)		Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)	
	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	783,000	2,901	–	–
Vested	–	–	–	–
Exercised	(658,200)	2,901	–	–
Forfeited	(124,800)	2,901	–	–
December 31 - Outstanding	–	–	–	–

The weighted average share price as of the date of exercise of the stock options exercised in the previous fiscal year was ¥4,394.

(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 (hereinafter the “Eligible Directors, etc.”), and employees of the Group (hereinafter 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 (hereinafter 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 (hereinafter 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 Directors, Executive Officers and Associate Officers who do not concurrently serve as Directors of the Company during the period of the mandate agreement (hereinafter 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, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Date of grant	March 25, 2022	March 24, 2023
Number of shares granted	100,360	77,140
Restriction period	Of the number of restricted shares allocated, 72,700 shares will be restricted from the date of allocation until April 21, 2025, and 27,660 shares will be restricted from the date of allocation until July 1, 2025. (Note 1) (Note 3)	Of the number of restricted shares allocated, 60,700 shares will be restricted from the date of allocation until April 20, 2026, and 16,440 shares will be restricted from the date of allocation until July 1, 2025. (Note 2) (Note 3)
Fair value at grant date (Yen)	4,260	5,269

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, 2023, 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, 2023, the Company will naturally acquire all of the Allotted Shares held at that time for no consideration.

2. 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, 2024, 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, 2024, the Company will naturally acquire all of the Allotted Shares held at that time for no consideration.

3. 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, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Equity-settled	937	1,324
Cash-settled	250	328
Total	1,187	1,652

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 were ¥629 million and ¥903 million as of the end of the previous fiscal year and the end of the fiscal year under review, respectively.

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

Not applicable.

32. 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, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
<Financial assets>		
Financial assets measured at amortized cost		
Cash and cash equivalents	217,153	253,770
Trade and other receivables	152,971	151,561
Other current financial assets	83,372	81,038
Other non-current financial assets	11,992	5,570
Financial assets measured at fair value through profit or loss		
Other current financial assets	7,078	25,407
Other non-current financial assets	13,030	8,712
Equity instruments measured at fair value through other comprehensive income		
Other non-current financial assets	30,032	34,506
Debt instruments measured at fair value through other comprehensive income		
Other non-current financial assets	10,697	23,697
Total	526,325	584,262
<Financial liabilities>		
Financial liabilities measured at amortized cost		
Trade and other payables	171,035	168,867
Borrowings	27,022	28,565
Other current financial liabilities (Note 1)	6,276	5,965
Other non-current financial liabilities (Note 2)	24,934	25,084
Financial liabilities measured at fair value through profit or loss		
Other current financial liabilities	369	396
Total	229,636	228,877

Notes: 1. Other current financial liabilities include current lease liabilities, which amounted to ¥6,276 million and ¥5,965 million as of the end of the previous fiscal year and the end of the fiscal year under review, respectively.

2. Other non-current financial liabilities include non-current lease liabilities, which amounted to ¥23,825 million and ¥23,994 million as of the end of the previous fiscal year and the end of the fiscal year under review, respectively.

(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, 2022 (as of December 31, 2022)

(Millions of Yen)

Shares	Fair value
Kao Corporation	14,665
Sumitomo Realty & Development Co., Ltd.	3,804
Pigeon Corporation	2,926
ARATA CORPORATION	946
Mitsubishi UFJ Financial Group, Inc.	804
Others	6,887
Total	30,032

Fiscal Year Ended December 31, 2023 (as of December 31, 2023)

(Millions of Yen)

Shares	Fair value
Kao Corporation	16,185
Sumitomo Realty & Development Co., Ltd.	5,112
Pigeon Corporation	2,192
ZUIKO CO., LTD.	1,769
ARATA CORPORATION	1,403
Others	7,845
Total	34,506

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 are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Fair value	30	120
Cumulative gains	15	83

The Group transfers cumulative gains 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 ¥15 million and ¥83 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, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Financial assets derecognized during the period	–	2
Financial assets held as of the last day of the period	777	828
Total	777	831

(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, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Equity attributable to owners of parent (Millions of Yen)	618,883	695,719
Return on equity attributable to owners of parent (ROE) (%)	11.5	13.1

(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 futures transactions 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 and non-deliverable forwards 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, 2022 (as of December 31, 2022)			Fiscal Year Ended December 31, 2023 (as of December 31, 2023)		
	Contract amount		Fair value	Contract amount		Fair value
		Due after one year			Due after one year	
Foreign exchange forward contracts: Selling USD	5,890	–	43	7,953	–	(256)
Foreign exchange forward contracts: Buying USD	3,791	–	(96)	11,404	–	(77)
Foreign exchange forward contracts: Buying EUR	107	–	5	200	–	(4)
Foreign exchange forward contracts: Buying JPY	5	–	0	539	–	20
Foreign exchange forward contracts: Selling JPY	14,991	–	(173)	36	–	11
Foreign exchange forward contracts: Buying THB	282	–	12	166	–	(2)
Foreign exchange forward contracts: Selling AUD	538	–	2	553	–	2
Non-deliverable forwards: Buying USD	7,042	–	(84)	2,818	–	(75)
Non-deliverable forwards: Selling USD	7,037	–	0	–	–	–
Futures transactions: Buying USD	49	–	0	21	–	(0)
Total	39,733	–	(289)	23,691	–	(382)

Derivatives to which hedge accounting is applied

(Millions of Yen)

	Major hedged item	Fiscal Year Ended December 31, 2022 (as of December 31, 2022)				Fiscal Year Ended December 31, 2023 (as of December 31, 2023)			
		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	1,066	–	(8)	JPY130.39 /USD	588	–	(5)	JPY151.62 /USD
Foreign exchange forward contracts: Buying EUR	Trade payables	–	–	–	–	590	–	9	JPY139.08 /EUR
Foreign exchange forward contracts: Selling CAD	Trade payables	588	–	5	CAD0.74 /USD	637	–	(3)	CAD0.75 /USD
Total		1,653	–	(3)		1,814	–	1	

Foreign exchange sensitivity analysis

The foreign exchange sensitivity analysis indicates the impact of a 10% appreciation of the Japanese yen on profit 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%, it would have the opposite effect in the same amount as shown in the table below.

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
USD	163	(45)
CNY	4	6
Total	167	(38)

(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 (after 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, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Other comprehensive income, after tax effect	(1,980)	(2,306)

(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 Company'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 are as follows.

Fiscal Year Ended December 31, 2022 (as of December 31, 2022)

(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)	155,366	140,444	9,468	1,080	557	194	3,623
Allowance for doubtful accounts	(2,395)	(237)	(14)	(2)	(53)	(105)	(1,984)
Trade and other receivables (net)	152,971	140,207	9,454	1,078	504	89	1,639
Other current financial assets (total)	136,094	136,094	–	–	–	–	–
Allowance for doubtful accounts	–	–	–	–	–	–	–
Other current financial assets (net)	136,094	136,094	–	–	–	–	–

Fiscal Year Ended December 31, 2023 (as of December 31, 2023)

(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)	154,561	141,034	7,932	1,321	611	239	3,425
Allowance for doubtful accounts	(3,000)	(330)	(16)	(1)	(325)	(33)	(2,295)
Trade and other receivables (net)	151,561	140,704	7,916	1,320	286	206	1,130
Other current financial assets (total)	110,306	110,306	–	–	–	–	–
Allowance for doubtful accounts	–	–	–	–	–	–	–
Other current financial assets (net)	110,306	110,306	–	–	–	–	–

(b) Analysis of changes in allowance for doubtful accounts

Fiscal Year Ended December 31, 2022 (as of December 31, 2022)

(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, 2022	–	–	–	2,257	2,257
Increase during the period	–	–	–	196	196
Decrease during the period resulting from settlement	–	–	–	(7)	(7)
Decrease during the period due to reversal	–	–	–	(199)	(199)
Others due to foreign currency translation adjustments, etc.	–	–	–	148	148
Balance as of December 31, 2022	–	–	–	2,395	2,395

Fiscal Year Ended December 31, 2023 (as of December 31, 2023)

(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, 2023	–	–	–	2,395	2,395
Increase during the period	–	–	–	703	703
Decrease during the period resulting from settlement	–	–	–	(11)	(11)
Decrease during the period due to reversal	–	–	–	(148)	(148)
Others due to foreign currency translation adjustments, etc.	–	–	–	60	60
Balance as of December 31, 2023	–	–	–	3,000	3,000

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 and 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, 2022 (as of December 31, 2022)

(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	170,986	22	26	–	–	1	171,035
Borrowings	10,787	3,516	12,719	–	–	–	27,022
Lease liabilities (Note)	6,276	4,559	3,905	3,284	2,589	9,488	30,101
Other financial liabilities	–	–	–	–	–	1,109	1,109
Derivative liabilities							
Cash outflows	369	–	–	–	–	–	369
Total	188,418	8,097	16,649	3,284	2,589	10,598	229,636

Note: The maturities of lease liabilities for the fiscal year under review are up to 2057. Lease liabilities are included in “Other financial liabilities” in the consolidated statement of financial position.

Fiscal Year Ended December 31, 2023 (as of December 31, 2023)

(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	168,820	22	25	–	–	0	168,867
Borrowings	17,046	14,100	–	–	–	–	31,146
Lease liabilities (Note)	6,562	5,745	4,786	3,960	2,748	8,976	32,777
Other financial liabilities	–	–	–	–	–	1,090	1,090
Derivative liabilities							
Cash outflows	396	–	–	–	–	–	396
Total	192,824	19,867	4,811	3,960	2,748	10,066	234,276

Note: The maturities of lease liabilities for the fiscal year under review are up to 2041. 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, 2022 (as of December 31, 2022)			
	Level 1	Level 2	Level 3	Total
<Financial assets>				
Financial assets measured at fair value through profit or loss				
Debt securities	–	–	19,921	19,921
Derivative assets	–	79	–	79
Other	–	108	–	108
Equity instruments measured at fair value through other comprehensive income				
Shares	28,541	–	1,468	30,009
Other	–	–	23	23
Debt instruments measured at fair value through other comprehensive income				
Debt securities	–	10,697	–	10,697
Total	28,541	10,884	21,413	60,838
<Financial liabilities>				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	369	–	369
Total	–	369	–	369

(Millions of Yen)

	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)			
	Level 1	Level 2	Level 3	Total
<Financial assets>				
Financial assets measured at fair value through profit or loss				
Debt securities	–	–	33,435	33,435
Derivative assets	–	13	–	13
Other	–	111	559	671
Equity instruments measured at fair value through other comprehensive income				
Shares	33,237	–	1,245	34,483
Other	–	–	23	23
Debt instruments measured at fair value through other comprehensive income				
Debt securities	–	23,697	–	23,697
Total	33,237	23,821	35,263	92,322
<Financial liabilities>				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	396	–	396
Total	–	396	–	396

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 previous fiscal year and the fiscal year under review.

Fair value calculation methods are as follows.

<u>Debt securities</u>

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.

<u>Derivative assets and derivative liabilities</u>

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.

<u>Shares</u>

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, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Balance at beginning of period	15,209	21,413
Total gains or losses	(326)	(317)
Profit or loss (Note 1)	(70)	(91)
Other comprehensive income (Note 2)	(256)	(226)
Purchase	18,630	23,167
Sale and settlement	(12,100)	(8,998)
Balance at end of period	21,413	35,263

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).

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (as of December 31, 2022)		Fiscal Year Ended December 31, 2023 (as of December 31, 2023)	
	Carrying amount	Fair value	Carrying amount	Fair value
<Financial assets>				
Debt securities	13,918	13,913	–	–
<Financial liabilities>				
Borrowings	27,022	27,022	28,565	28,565

Note: The fair value of debt securities and borrowings is Level 2 and 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.

Borrowings

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. Borrowings with variable interest rates have a carrying amount which approximates their fair value since the interest rates are revised periodically.

33. 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 - Greater China	Personal care	52.6
Uni.Charm (Thailand) Co., Ltd.	Kingdom of Thailand	Personal care	100.0
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	85.0
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)
Uni-Charm Corporation Sdn. Bhd.	Malaysia	Personal care	100.0
Diana Unicharm Joint Stock Company (Note)	Socialist Republic of Vietnam	Personal care	95.0 (95.0)

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.

34. Related parties

(1) Transactions with related parties

Transactions between the Group and related parties are as follows.

Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)

(Millions of Yen)

Type	Name	Transactions	Transaction amount	Outstanding balance
Key management	Takahisa Takahara (Note 1)	Exercise of stock options (Note 2)	12	–

Notes: 1. Mr. Takahisa Takahara, Representative Director, President & CEO of the Company, owns 0.6% of the voting rights of the Company directly and 30.2% of the voting rights of the Company indirectly.

2. Stock options that had been granted based on a resolution at the Board of Directors meeting held on April 16, 2015 were exercised in the fiscal year under review.

Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)

Not applicable.

(2) Key management personnel compensation

Key management personnel compensation is as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Basic remuneration and performance-linked remuneration	409	421
Restricted share-based remuneration	166	171
Total	575	591

35. 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, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Property, plant and equipment	5,100	4,005
Intangible assets	529	629
Total	5,629	4,634

36. 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.

The Company believes that it is highly likely that it will be able to achieve the requirements over the period between 2024 and 2030 according to the projected export volume of products based on the business plan. The Company estimates that the potential amount of customs duty reductions and exemptions and interest on overdue payments to be paid in the event that the requirements are not achieved will be ¥1,904 million.

37. Subsequent events

(Purchase of treasury shares)

At the meeting of the Board of Directors of the Company held on February 7, 2024, 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: 4.5 million shares (upper limit)
(Ratio of total number of issued shares (excluding treasury shares): 0.76%)
3) Total share acquisition cost: ¥19,000 million (upper limit)
4) Acquisition period: February 8, 2024 – December 19, 2024
5) Acquisition method: Purchase on the Tokyo Stock Exchange

(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)	220,839	453,937	687,431	941,790
Profit before tax	(Millions of Yen)	28,206	60,989	101,042	132,308
Profit attributable to owners of parent	(Millions of Yen)	16,516	34,667	60,993	86,053
Basic earnings per share	(Yen)	27.84	58.47	102.99	145.42

Each quarter		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Basic earnings per share	(Yen)	27.84	30.63	44.55	42.46

2. Non-consolidated financial statements

(1) Non-consolidated financial statements

1) Non-consolidated balance sheet

(Millions of Yen)

		Fiscal Year Ended December 31, 2022 (as of December 31, 2022)		Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Assets				
Current assets				
Cash and deposits		57,545		88,714
Notes and accounts receivable - trade	*2	48,870	*2	50,116
Securities		21,302		32,400
Merchandise and finished goods		4,116		4,140
Raw materials and supplies		4,284		5,244
Short-term loans receivable		1,236		1,854
Other		8,311		9,530
Total current assets	*1	145,663	*1	191,999
Non-current assets				
Property, plant and equipment				
Buildings and structures		3,516		5,045
Machinery, equipment and vehicles		4,873		5,330
Tools, furniture and fixtures		984		1,158
Land		2,424		2,424
Construction in progress		1,251		1,158
Other, net		134		118
Total property, plant and equipment		13,183		15,234
Intangible assets				
Goodwill		20,851		18,075
Trademarks		3,424		2,897
Software		5,245		4,868
Other		3,604		9,324
Total intangible assets		33,124		35,164
Investments and other assets				
Investment securities		53,264		65,461
Investments in shares and capital of subsidiaries and affiliates		149,623		159,353
Long-term loans receivable		11,446		10,812
Prepaid pension cost		6,437		7,076
Deferred tax assets		4,639		3,594
Other		5,132		4,505
Allowance for doubtful accounts		(76)		(76)
Allowance for loss on valuation of investments in subsidiaries and affiliates		(8,321)		–
Total investments and other assets	*1	222,143	*1	250,724
Total non-current assets		268,451		301,121
Total assets		414,114		493,120

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	36,233	40,890
Short-term borrowings	45,740	34,440
Accounts payable - other	16,178	18,745
Income taxes payable	6,379	6,153
Provision for bonuses	2,254	2,200
Other	2,543	2,394
Total current liabilities	*1 109,327	*1 104,822
Non-current liabilities		
Provision for retirement benefits	1,834	1,579
Other	1,045	2,043
Total non-current liabilities	2,880	3,622
Total liabilities	112,207	108,444
Net assets		
Shareholders' equity		
Capital stock	15,993	15,993
Capital surplus		
Legal capital surplus	18,591	18,591
Other capital surplus	40,288	40,408
Total capital surplus	58,879	58,999
Retained earnings		
Legal retained earnings	1,992	1,992
Other retained earnings		
Reserve for open innovation promotion	200	200
Retained earnings brought forward	308,351	404,655
Total retained earnings	310,543	406,847
Treasury shares	(83,699)	(100,572)
Total shareholders' equity	301,716	381,266
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	348	3,567
Revaluation reserve for land	(157)	(157)
Total valuation and translation adjustments	190	3,410
Total net assets	301,907	384,676
Total liabilities and net assets	414,114	493,120

2) Non-consolidated statement of income

(Millions of Yen)

		Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)		Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Net sales	*2	344,281	*2	348,740
Cost of sales	*2	247,094	*2	242,952
Gross profit		97,187		105,788
Selling, general and administrative expenses	*1, *2	59,286	*1, *2	63,104
Operating income		37,901		42,684
Non-operating income				
Interest income		569		617
Dividend income		28,756		100,952
Foreign exchange gains		2,039		–
Other		273		372
Total non-operating income	*2	31,637	*2	101,942
Non-operating expenses				
Interest expenses		545		183
Derivative expenses		1,034		272
Foreign exchange losses		–		748
Other		45		48
Total non-operating expenses	*2	1,624	*2	1,252
Ordinary income		67,915		143,374
Extraordinary income				
Gain on sale of non-current assets		3		0
Gain on sales of investment securities		15		82
Gain on reversal of share acquisition rights		51		–
Total extraordinary income		69		82
Extraordinary losses				
Loss on disposal of non-current assets		189		160
Provision of allowance for loss on valuation of investments in subsidiaries and affiliates		2,845		–
Loss on valuation of investments in shares and capital of subsidiaries and affiliates		44,273		1,575
Loss on valuation of investment securities		791		–
Total extraordinary losses		48,098		1,735
Profit before income taxes		19,886		141,721
Income taxes - current		14,568		22,688
Income taxes - deferred		(1,558)		(372)
Total income taxes		13,010		22,316
Profit		6,876		119,405

3) Non-consolidated statement of changes in shareholders' equity
Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)

(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		Total retained earnings		
						Reserve for open innovation promotion	Retained earnings brought forward			
Balance at beginning of current period	15,993	18,591	39,878	58,469	1,992	75	323,660	325,727	(68,646)	331,543
Changes of items during period										
Dividends of surplus							(22,059)	(22,059)		(22,059)
Provision of reserve for open innovation promotion						125	(125)	–		–
Profit							6,876	6,876		6,876
Purchase of treasury shares									(17,001)	(17,001)
Disposal of treasury shares			348	348					1,832	2,181
Share-based payment transactions			62	62					115	177
Net changes of items other than shareholders' equity										
Total changes of items during period	–	–	410	410	–	125	(15,308)	(15,183)	(15,053)	(29,827)
Balance at end of current period	15,993	18,591	40,288	58,879	1,992	200	308,351	310,543	(83,699)	301,716

	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	2,141	(157)	1,983	323	333,849
Changes of items during period					
Dividends of surplus					(22,059)
Provision of reserve for open innovation promotion					–
Profit					6,876
Purchase of treasury shares					(17,001)
Disposal of treasury shares					2,181
Share-based payment transactions					177
Net changes of items other than shareholders' equity	(1,793)	–	(1,793)	(323)	(2,115)
Total changes of items during period	(1,793)	–	(1,793)	(323)	(31,942)
Balance at end of current period	348	(157)	190	–	301,907

Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)

(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		Total retained earnings		
						Reserve for open innovation promotion	Retained earnings brought forward			
Balance at beginning of current period	15,993	18,591	40,288	58,879	1,992	200	308,351	310,543	(83,699)	301,716
Changes of items during period										
Dividends of surplus							(23,101)	(23,101)		(23,101)
Profit							119,405	119,405		119,405
Purchase of treasury shares									(17,004)	(17,004)
Share-based payment transactions			120	120					131	250
Net changes of items other than shareholders' equity										
Total changes of items during period	–	–	120	120	–	–	96,303	96,303	(16,873)	79,550
Balance at end of current period	15,993	18,591	40,408	58,999	1,992	200	404,655	406,847	(100,572)	381,266

	Valuation and translation adjustments			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	348	(157)	190	301,907
Changes of items during period				
Dividends of surplus				(23,101)
Profit				119,405
Purchase of treasury shares				(17,004)
Share-based payment transactions				250
Net changes of items other than shareholders' equity	3,219	–	3,219	3,219
Total changes of items during period	3,219	–	3,219	82,770
Balance at end of current period	3,567	(157)	3,410	384,676

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
   Securities other than shares, etc. with no market price

   Market value method

   (The valuation difference is directly included in net assets, and cost of sales is determined by the moving-average method.)

   Shares, etc. with no market price

   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 (The 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 recorded 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. Accounting standards for revenue and expenses
   The Company is mainly engaged in the sale of products for personal care, which includes wellness care business, feminine care business, baby care business and Kirei care business, and the manufacture and sale of products for pet care business. For the sale of such products, because the customer obtains control of the products at the time of delivery, the Company 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 and sales discounts. Variable consideration in the form of discounts, rebates and sales discounts 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. The consideration for performance obligations is received within one year from the fulfillment of the obligations and does not contain any significant financing component.

8. Other significant accounting policies concerning the preparation of financial statements
   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.

(Significant accounting estimates)

Valuation of investments in shares and capital of subsidiaries and affiliates

(1) Amounts recorded in the non-consolidated financial statements

(Millions of Yen)

	Fiscal Year Ended December 31, 2022	Fiscal Year Ended December 31, 2023
Investments in shares and capital of subsidiaries and affiliates	149,623	159,353
Allowance for loss on valuation of investments in subsidiaries and affiliates	8,321	–
Loss on valuation of investments in shares and capital of subsidiaries and affiliates	44,273	1,575

Of the above amounts, the major losses on valuation of investments in shares and capital of subsidiaries and affiliates that were recorded for the fiscal year ended December 31, 2022 are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2022
Shares of DSG (Cayman) Ltd. (after recording of loss on valuation)	7,910
Loss on valuation of shares of DSG (Cayman) Ltd.	43,414

With regard to the shares of ¥7,910 million in DSG (Cayman) Ltd., which we acquired in September 2018 in order to grow in the Southeast Asia region, we considered that the excess earnings power expected at the time of share acquisition had decreased. Since the actual value that reflects the decrease in excess earnings power has significantly declined, the loss on valuation of investments in shares and capital of subsidiaries and affiliates of ¥43,414 million was recorded, with the amount based on the net assets per value as the actual value.

DSG (Cayman) Ltd. is the holding company of DSG International (Thailand) Public Co., Ltd., which manufactures and sells disposable diapers for babies and adults.

Of the above amounts, the major losses on valuation of investments in shares and capital of subsidiaries and affiliates that were recorded for the fiscal year under review are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2023
Loss on valuation of shares of Unicharm Middle East & North Africa Hygienic Industries Company S.A.E.	1,575

With regard to the shares of ¥10,709 million in Unicharm Middle East & North Africa Hygienic Industries Company S.A.E., a subsidiary that manufactures and sells mainly personal care products in Egypt, the allowance for loss on valuation of investments in subsidiaries and affiliates of ¥8,321 million was reversed, and the loss on valuation of investments in shares and capital of subsidiaries and affiliates of ¥1,575 million was recorded, with the amount based on the net assets per value as the actual value, since the actual value has significantly declined and future business plans will unlikely help it recover.

(2) Information about the details of significant accounting estimates pertaining to identified items

Investments in shares and capital of subsidiaries and affiliates with no market price are the value at acquisition cost presented on the balance sheet. If the actual value calculated based on net assets significantly declines due to deterioration of the financial position of the company that has issued these shares, the value of these investments are considerably reduced so that the valuation difference is recognized as a loss for the fiscal year under review, except when the possibility of recovery is supported by ample evidence such as business plans. As for shares acquired at a value higher than the net assets per share that are obtained from the financial statements as a reflection of excess earnings power, if the excess earnings power is considered to have been decreased, the actual value reflects the said decrease.

When the actual value dropped to a certain extent while it has not significantly declined, and when a significant decline in the actual value was not recorded as impairment because the value is expected to recover, an amount that is equivalent to the decline is processed as an allowance for loss on valuation of investments in subsidiaries and affiliates.

When investments in shares and capital of subsidiaries and affiliates are valued, certain assumptions, such as net sales growth rate, are set for estimates in business plans, among others.

As for the valuation of investments in shares and capital of subsidiaries and affiliates, whether the actual value will likely recover is judged and excess earnings power is assessed based on an analysis that is grounded on a comparison between business plans and actual results. The valuation may be affected by changes in economic conditions given future uncertainties. If the business environment of subsidiaries and affiliates worsens due to unforeseen circumstances, the amounts of investments in shares and capital of subsidiaries and affiliates and of allowance for loss on valuation of investments in subsidiaries and affiliates in the financial statements for the following fiscal year may be materially affected.

(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, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Short-term monetary receivables	15,923	17,847
Long-term monetary receivables	8,928	10,292
Short-term monetary payables	67,760	56,137

*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, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Notes receivable - trade	30	41

*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, 2022 (as of December 31, 2022)		Fiscal Year Ended December 31, 2023 (as of December 31, 2023)	
Uni.Charm Mölnlycke B.V. (Netherlands)	1,791	Uni.Charm Mölnlycke B.V. (Netherlands)	1,989
Unicharm India Private Ltd. (India)	12,075	Unicharm India Private Ltd. (India)	12,728
UcM Inco USA, Inc. (U.S.A.)	318	UcM Inco USA, Inc. (U.S.A.)	340
Onedot Inc.	400	Onedot Inc.	400
Total	14,584	Total	15,458

(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, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Sales promotion expenses	3,884	3,686
Advertising expenses	6,086	7,637
Miscellaneous fees	5,631	5,708
Salaries and bonuses to employees	7,020	6,912
Provision of allowance for bonuses	1,583	1,571
Depreciation and amortization expenses	6,353	6,331
Research and development expenses	7,819	9,189
Share of selling expenses out of selling, general and administrative expenses	38%	36%

*2 Transactions with subsidiaries and affiliates

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)
Operating transactions	247,061	235,743
Non-operating transactions	28,632	100,813

(Securities)

Shares of subsidiaries and affiliates

Fiscal Year Ended December 31, 2022 (as of December 31, 2022)

(Millions of Yen)

Category	Amount recorded in the balance sheet	Fair value	Difference
Shares of subsidiaries	3,088	22,903	19,815

Note: Amount recorded in the balance sheet of shares, etc. with no market price that are not included in the above

(Millions of Yen)

Category	Fiscal Year Ended December 31, 2022 (as of December 31, 2022)
Shares of subsidiaries	111,075
Investments in capital of subsidiaries	34,827
Shares of affiliates	633

Fiscal Year Ended December 31, 2023 (as of December 31, 2023)

(Millions of Yen)

Category	Amount recorded in the balance sheet	Fair value	Difference
Shares of subsidiaries	3,088	22,638	19,550

Note: Amount recorded in the balance sheet of shares, etc. with no market price that are not included in the above

(Millions of Yen)

Category	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Shares of subsidiaries	120,304
Investments in capital of subsidiaries	34,827
Shares of affiliates	1,133

(Tax-effect accounting)

1. Major components of deferred tax assets and liabilities

(Millions of Yen)

	Fiscal Year Ended December 31, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Deferred tax assets:		
Provision for bonuses	690	674
Loss on valuation of investments in shares and capital of subsidiaries and affiliates	34,082	37,574
Accrued sales promotion expenses	2,391	2,731
Allowance for loss on valuation of investments in subsidiaries and affiliates	2,548	–
Provision for retirement benefits	1,866	1,784
Share-based payment expenses	778	958
Other	3,557	3,454
Subtotal	45,913	47,176
Valuation allowance	(37,729)	(39,546)
Total deferred tax assets	8,185	7,629
Deferred tax liabilities:		
Prepaid pension cost	(1,971)	(2,167)
Valuation difference on available-for-sale securities	(1,382)	(1,455)
Other	(193)	(413)
Total deferred tax liabilities	(3,546)	(4,035)
Net deferred tax assets (liabilities)	4,639	3,594

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, 2022 (as of December 31, 2022)	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)
Effective statutory tax rate	30.6%	30.6%
Reconciliations:		
Non-deductible items such as entertainment expenses, etc.	0.1%	0.0%
Non-taxable items such as dividend income, etc.	(41.6)%	(20.7)%
Amortization of goodwill	4.3%	0.6%
Valuation allowance	73.7%	0.3%
Tax credit	(4.8)%	(1.1)%
Loss on share transfer of subsidiaries following capital reduction	(4.6)%	–
Withholding tax on dividends at overseas subsidiaries	8.3%	6.0%
Other	(0.7)%	(0.1)%
Actual effective tax rate after the application of tax-effect accounting	65.4%	15.7%

(Significant subsequent events)

(Purchase of treasury shares)

This note has been omitted as the same information is given under “37. Subsequent events” in the consolidated financial statements.

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, 2023	Increase in the fiscal year ended December 31, 2023	Decrease in the fiscal year ended December 31, 2023	Depreciation and amortization for the fiscal year ended December 31, 2023	Balance at the end of the fiscal year ended December 31, 2023	Accumulated depreciation and amortization
Property, plant and equipment	Buildings and structures	3,516	1,972	103	340	5,045	5,430
	Machinery, equipment and vehicles	4,873	2,352	191	1,704	5,330	10,155
	Tools, furniture and fixtures	984	452	13	266	1,158	3,214
	Land	2,424 [(157)]	–	–	–	2,424 [(157)]	139
	Construction in progress	1,251	2,455	2,548	–	1,158	–
	Other	134	3	–	20	118	53
	Total	13,183	7,234	2,854	2,330	15,234	18,991
Intangible assets	Goodwill	20,851	–	–	2,776	18,075	–
	Trademarks	3,424	–	–	526	2,897	–
	Software	5,245	1,864	354	1,887	4,868	–
	Software in progress	3,601	7,588	1,869	–	9,320	–
	Other	3	1	0	0	3	–
	Total	33,124	9,453	2,223	5,190	35,164	–

Notes: 1. The increases in the fiscal year ended December 31, 2023 are mainly as follows.

Machinery, equipment and vehicles	Manufacturing machines for pet care business	¥226 million
Machinery, equipment and vehicles	Development machines for baby care business	¥784 million
Machinery, equipment and vehicles	Development machines for feminine care business	¥435 million
Machinery, equipment and vehicles	Development machines for wellness care business	¥904 million
Software in progress	Mission-critical business system	¥4,065 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 losses.

Detailed schedule of allowances

(Millions of Yen)

Classification	Balance at the beginning of the fiscal year ended December 31, 2023	Increase in the fiscal year ended December 31, 2023	Decrease in the fiscal year ended December 31, 2023	Balance at the end of the fiscal year ended December 31, 2023
Allowance for doubtful accounts	76	–	–	76
Provision for bonuses	2,254	2,200	2,254	2,200
Allowance for loss on valuation of investments in subsidiaries and affiliates	8,321	–	8,321	–

Note: 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) 1-4-5, Marunouchi, Chiyoda-ku, Tokyo Stock Transfer Agency, Mitsubishi UFJ Trust and Banking Corporation
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 of 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, 2023 and the date when this Annual Securities Report (Yukashoken-Houkokusho) was filed.

(1) Annual Securities Report and Accompanying Documents and Confirmation Note

The 63rd Fiscal Year (from January 1, 2022 to December 31, 2022)
Submitted to the Director-General of the Kanto Local Finance Bureau on March 27, 2023.

(2) Internal Control Report and Accompanying Documents

Submitted to the Director-General of the Kanto Local Finance Bureau on March 27, 2023.

(3) Quarterly Securities Reports and Confirmation Notes

The 1st Quarter of 64th Fiscal Year (from January 1, 2023 to March 31, 2023)
Submitted to the Director-General of the Kanto Local Finance Bureau on May 9, 2023.

The 2nd Quarter of 64th Fiscal Year (from April 1, 2023 to June 30, 2023)
Submitted to the Director-General of the Kanto Local Finance Bureau on August 7, 2023.

The 3rd Quarter of 64th Fiscal Year (from July 1, 2023 to September 30, 2023)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 8, 2023.

(4) Extraordinary Report

The Extraordinary Report according to the provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 3 of the Cabinet Office Order on Disclosure of Corporate Affairs
Submitted to the Director-General of the Kanto Local Finance Bureau on May 8, 2023.

The Extraordinary Report according to the provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 12 of the Cabinet Office Order on Disclosure of Corporate Affairs
Submitted to the Director-General of the Kanto Local Finance Bureau on May 31, 2023.

The Extraordinary Report according to the provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 12 of the Cabinet Office Order on Disclosure of Corporate Affairs
Submitted to the Director-General of the Kanto Local Finance Bureau on December 21, 2023.

The Extraordinary Report according to the provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 2-2 of the Cabinet Office Order on Disclosure of Corporate Affairs
Submitted to the Director-General of the Kanto Local Finance Bureau on March 27, 2024.

The Extraordinary Report according to the provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Order on Disclosure of Corporate Affairs
Submitted to the Director-General of the Kanto Local Finance Bureau on March 28, 2024.

(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, 2023, May 12, 2023, June 14, 2023, July 13, 2023, August 10, 2023, September 13, 2023, October 13, 2023, November 14, 2023, December 14, 2023, January 12, 2024, March 15, 2024.

Part 2. Information on Guarantors for the Company

Not applicable.