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 65th fiscal year,
from January 1, 2024 to December 31, 2024)

Unicharm Corporation

(E00678)

The 65th Fiscal Year (from January 1, 2024 to December 31, 2024)

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

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【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 21, 2025
【Business Year】	The 65th Fiscal Year (from January 1, 2024 to December 31, 2024)
【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
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【Contact for Communications】	Hirotatsu Shimada, Senior Managing Executive Officer, General Manager of Accounting Control and Finance Division
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【Contact for Communications】	Hirotatsu Shimada, Senior Managing Executive Officer, General Manager of Accounting Control and Finance Division
【Place Where Available for Public Inspection】	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		61st	62nd	63rd	64th	65th
Year ended		December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023	December 31, 2024
Net sales	Millions of Yen	727,475	782,723	898,022	941,790	988,981
Core operating income	Millions of Yen	114,744	122,482	119,566	127,974	138,463
Profit before tax	Millions of Yen	95,849	121,977	115,708	132,308	134,537
Profit attributable to owners of parent	Millions of Yen	52,344	72,745	67,608	86,053	81,842
Comprehensive income attributable to owners of parent	Millions of Yen	36,248	97,670	98,094	120,371	119,743
Equity attributable to owners of parent	Millions of Yen	493,002	557,639	618,883	695,719	773,062
Total assets	Millions of Yen	893,413	987,655	1,049,218	1,133,627	1,239,973
Equity attributable to owners of parent per share	Yen	274.06	311.68	347.72	392.91	439.46
Basic earnings per share	Yen	29.20	40.59	37.87	48.47	46.41
Diluted earnings per share	Yen	29.15	40.56	37.86	–	–
Ratio of equity attributable to owners of parent	%	55.2	56.5	59.0	61.4	62.3
Return on equity attributable to owners of parent	%	10.8	13.8	11.5	13.1	11.1
Price earnings ratio	Times	55.8	41.0	44.6	35.1	28.1
Cash flows from operating activities	Millions of Yen	150,254	105,253	92,216	162,415	137,099
Cash flows from investing activities	Millions of Yen	(41,698)	(79,837)	(7,145)	(67,527)	(73,838)
Cash flows from financing activities	Millions of Yen	(35,239)	(45,180)	(61,652)	(67,007)	(66,794)
Cash and cash equivalents at end of fiscal period	Millions of Yen	199,522	187,547	217,153	253,770	261,054
Employees ( ) represents the average number of part-time employees not included in the above numbers	Persons	16,665 (1,776)	16,308 (1,786)	16,206 (1,775)	16,223 (1,724)	16,464 (1,617)

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

2. Effective January 1, 2025, the Company split its common shares at a ratio of three-for-one. Equity attributable to owners of parent per share, basic earnings per share, and diluted earnings per share are calculated on the assumption that this stock split was conducted at the beginning of the 61st fiscal year. The share price at the end of the 65th fiscal year was an ex-rights share price owing to this stock split. Hence, the ex-rights stock split ratio was taken into account to calculate the price earnings ratio for the 65th fiscal year.

3. The Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (hereinafter "IFRS").

4. Diluted earnings per share for the 64th and 65th fiscal years are not shown because the Company has no potential ordinary shares that have dilutive effects.

5. Core operating income information is a valuable benchmark for measuring the Group's recurring business performance. It is calculated by deducting selling, general and administrative expenses from gross profit.

(2) Non-consolidated financial data

Fiscal year		61st	62nd	63rd	64th	65th
Year ended		December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023	December 31, 2024
Net sales	Millions of Yen	366,203	382,210	344,281	348,740	369,638
Ordinary income	Millions of Yen	46,149	81,353	67,915	143,374	143,962
Profit	Millions of Yen	8,292	59,625	6,876	119,405	118,520
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	312,113	333,849	301,907	384,676	463,483
Total assets	Millions of Yen	455,280	474,130	414,114	493,120	568,175
Net assets per share	Yen	173.33	186.48	169.63	217.25	263.48
Cash dividends per share (Interim cash dividends included herein)	Yen (Yen)	32 (16)	36 (18)	38 (19)	40 (20)	44 (22)
Earnings per share	Yen	4.63	33.27	3.85	67.26	67.20
Diluted earnings per share	Yen	4.61	33.25	3.85	–	–
Ratio of shareholders’ equity	%	68.4	70.3	72.9	78.0	81.6
Earnings to shareholders’ equity	%	2.6	18.5	2.2	34.8	27.9
Price earnings ratio	Times	352.5	50.1	438.6	25.3	19.4
Dividend payout ratio	%	230.6	36.1	328.9	19.8	21.8
Employees ( ) represents the average number of part-time employees not included in the above numbers	Persons	1,466 (323)	1,465 (345)	1,433 (364)	1,457 (385)	1,404 (404)
Total shareholder return (Comparative indicator: TOPIX Total Return Index)	% (%)	133.1 (107.4)	136.9 (121.1)	139.8 (118.1)	141.7 (151.5)	40.3 (182.5)
Highest share price	Yen	5,316	5,208	5,323	5,958	5,408
Lowest share price	Yen	3,031	4,122	3,901	4,623	1,296

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

2. Effective January 1, 2025, the Company split its common shares at a ratio of three-for-one. Net assets per share, earnings per share and diluted earnings per share are calculated on the assumption that this stock split was conducted at the beginning of the 61st fiscal year. The number of shares issued, cash dividends per share, and dividend payout ratio are the ones before this stock split. Moreover, the share price at the end of the 65th fiscal year was an ex-rights share price owing to this stock split. Hence, the ex-rights stock split ratio was taken into account to calculate the price earnings ratio for the 65th fiscal year.

3. 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.

4. 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 years thereafter is presented as data, etc. after applying the accounting standard, etc.

5. Diluted earnings per share for the 64th and 65th fiscal years are not shown because the Company has no potential ordinary shares.

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 Co. 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, and pet care products.

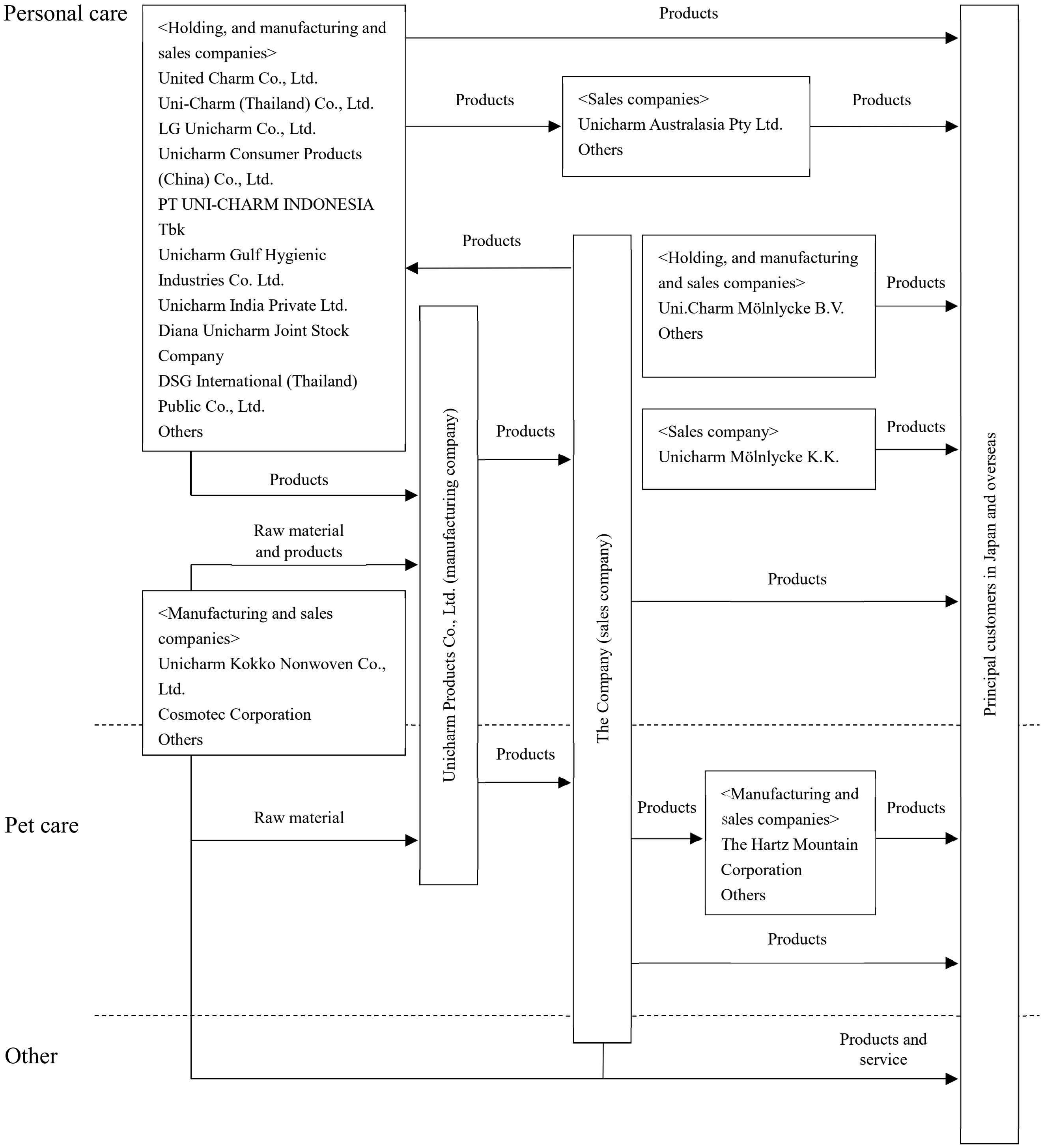
Organizational positioning and segment information of Group businesses are as follows.

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

Business category	Description of principal business	Principal companies
Personal care	Wellness care business Feminine care business Baby care business	The Company Unicharm Products Co., Ltd. Unicharm Kokko Nonwoven Co., Ltd. Cosmotec Corporation Unicharm Mölnlycke K.K. United Charm Co., Ltd. Uni.Charm (Thailand) Co., Ltd. Uni.Charm Mölnlycke B.V. LG Unicharm Co., Ltd. Unicharm Consumer Products (China) Co., Ltd. PT UNI-CHARM INDONESIA Tbk Unicharm Gulf Hygienic Industries Co. 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 Unicharm Gulf Hygienic Industries Co. Ltd. Other 4 companies Total 7 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
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	59.2	Sells products to Group companies
Unicharm Gulf Hygienic Industries Co. 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 40,222	Personal care	100.0	Interlocking executive: 1
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 1,025,000	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 (Note 2)	Socialist Republic of Vietnam	Thousands of VND 360,000,000	Personal care	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. (Note 3)	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	¥110,914 million
2) Profit before tax	¥9,206 million
3) Profit for the period	¥6,902 million
4) Total equity	¥55,097 million
5) Total assets	¥88,386 million

5. There is one other affiliate company.

5. Employees

(1) Consolidated companies

(As of December 31, 2024)

Reportable segment	Number of employees (Persons)
Personal care	15,278 (1,377)
Pet care	548 (94)
Other	502 (108)
Corporate (common)	136 (38)
Total	16,464 (1,617)

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, 2024)

Number of employees (Persons)	Average age (Years)	Average years of service (Years)	Average annual salary (Thousands of Yen)
1,404 (404)	40.9	14.9	8,621

Reportable segment	Number of employees (Persons)
Personal care	1,206 (350)
Pet care	62 (16)
Other	– (–)
Corporate (common)	136 (38)
Total	1,404 (404)

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 (%) (Notes 1, 4)				
		All employees	Regular employees	Part-time and fixed-term employees	Regular employees in management positions (employees in executive positions)	Regular employees in non-management positions
15.0	95.4	63.3	73.1	67.6	85.2	85.0

Fiscal year ended December 31, 2024						
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 (%) (Notes 1, 4)				
		All employees	Regular employees	Part-time and fixed-term employees	Regular employees in management positions (employees in executive positions)	Regular employees in non-management positions
18.6	104.7	65.0	74.9	66.2	89.0	86.8

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).

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).

Those seconded to positions at different companies are counted as employees of the company they were seconded to.

3. 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.

4. Factors in differences in wages differ between regular and non-regular employees. In the case of regular employees, contributing factors are low ratios of female employees and female managers, and fewer years of service by female employees, among others. Yet differences in wages between male and female managers (employees in executive positions), and between male and female employees in non-management positions, tend to decrease about 20% compared to differences between all male and female employees. (The difference in base salaries between regular male and female employees is 80.6%.) In the case of non-regular employees, on the other hand, contributing factors in differences in wages include high pay levels for a large number of male employees who have been reemployed after reaching the mandatory retirement age, fewer years of service by many female employees, and many part-time and lower paid positions are filled by women. The Company's salary policy and evaluation system do not stipulate any gender-based different treatment for regular and non-regular employees.

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 (%) (Notes 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

Fiscal year ended December 31, 2024					
Name of company	Ratio of female employees in managerial positions (%) (Note 1)	Ratio of male employees taking childcare leave (%) (Notes 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.	3.3	110.3	86.3	87.6	71.9
Unicharm Kokko Nonwoven Co., Ltd.	–	100.0	89.3	89.9	69.9
Unicharm Mölnlycke K.K.	51.4	–	98.0	100.1	85.8
Cosmotec Corporation	5.0	75.0	78.4	85.1	65.3
Peparlet Co., Ltd.	7.7	50.0	77.4	78.8	77.3

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).

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).

Those seconded to positions at different companies are counted as employees of the company they were seconded to.

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. 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.

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

The operating environment surrounding the Group evidenced variation in economic sentiment between countries/regions, and the future outlook remains difficult to predict. Overseas, there is lingering economic uncertainty in Asian countries, while in the wake of the impact of COVID-19, there is growing demand among consumers for affordable products, especially baby care products. The market environment is also changing rapidly, with emerging e-commerce channels experiencing rapid growth.

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 maximization of demand for Japanese-made goods, the response to rapid aging in Asia, and the expansion of product line-ups in relation to infection prevention and to meet customer insights. 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" by way of expanding total industrial assets by revitalizing the market.

During the fiscal year under review, the new mission-critical system in Japan went into operation in May 2024, resulting in problems such as inconsistencies in purchase/shipping information of products and errors in the integration of various data. The Group has worked to identify the causes of these problems and has taken both provisional and permanent actions, including system modifications and the introduction of additional supplementary internal controls, to avoid and mitigate the risk of material errors in related accounts and disclosures in the consolidated financial statements and other documents. To prevent similar events from occurring going forward, the Group will continue to strengthen internal controls over system development and operation.

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.

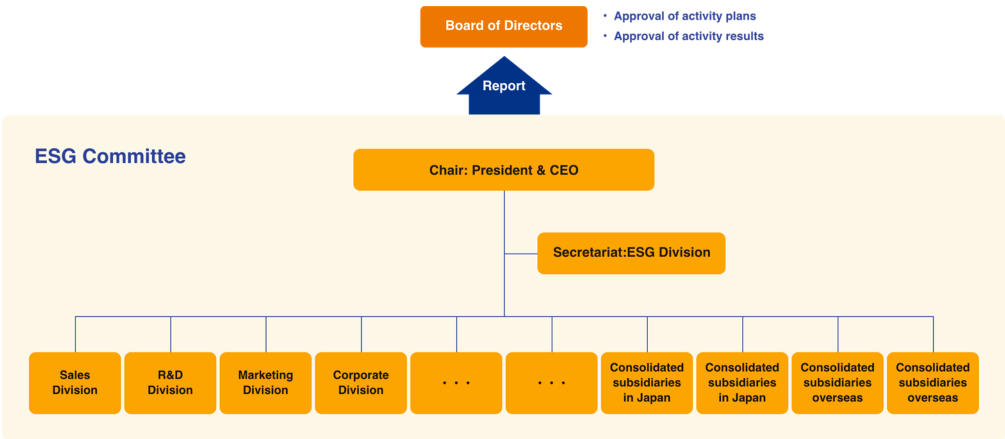
In the following, statements relating to the future are based on the judgment of the Group at the end of the fiscal year under review.

(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.

>> Sustainability 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 eco-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." The Group aims to contribute 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 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 will make continuous contributions not only to the resolution of natural environmental and social issues but also to consumers and communities.

>> Positioning of Kyo-sei Life Vision 2030

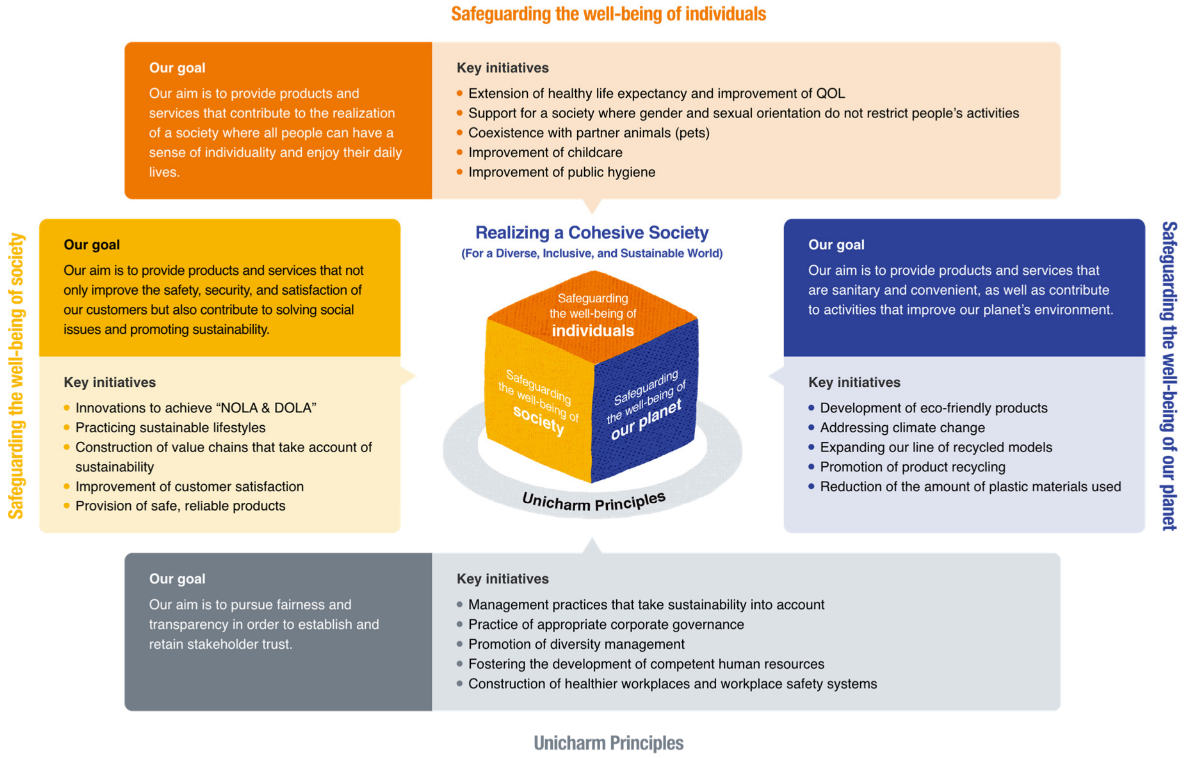
At the Group, we believe that our fundamental raison d'être, that is, our purpose, is to contribute to the achievement of the United Nations' Sustainable Development Goals (SDGs). To better delineate the substance of this purpose and to further its accomplishment, we have broken it down into three key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

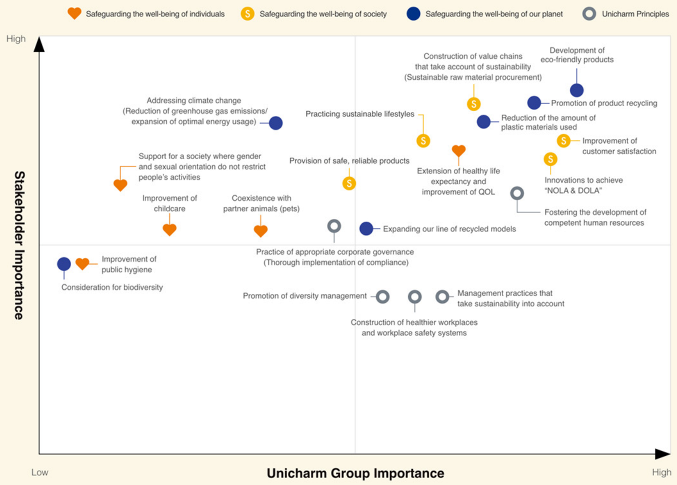
2 Internal assessment
We surveyed about 900 people associated with Unicharm, including members of the Board of Directors, executive officers, headquarters directors, subsidiary presidents, and managers.

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	
		2022	2023	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	10.5%	5.9%	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	Develop-ment ongoing	Develop-ment ongoing	Double (Compared with 2020)	2030

Key initiatives	Indicators	Results		Medium- to long-term goals	
		2022	2023	Target value	Target year
Improvement of customer satisfaction	Percentage of products and services supported by consumers (No. 1 market share)	23.7%	23.2%	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	2	2	10 or more	2030
Addressing climate change	Percentage of renewable energy used for business operations in total	11.0%	22.8%	100%	2030
Expanding our line of recycled models	Number of disposable paper diaper recycling facilities introduced	1	1	10 or more	2030
Promotion of product recycling	Material recycling of nonwoven products using recycling resources	Develop-ment ongoing	Develop-ment ongoing	Start of commercial usage	2030
Reduction of the amount of plastic materials used	Percentage of virgin plastics to total plastics	Develop-ment ongoing	Develop-ment 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	1 (revised)	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	23.2%	24.7%	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	89.2%	88.7%	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	7 employees (Japan)	9 employees (Japan)	Reduced by half (Compared with 2020)	2030

For FY2024 results, please refer to our Integrated Report 2025, which will be released in June 2025.

(2) Responding to climate change

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

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 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 pants (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 (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, in response to COP26, we have applied for a revision of the 1.5˚C target, which was approved by the SBT initiative in October 2024.

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 activities for the workplace to promote energy conservation and introduce renewable energy 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.

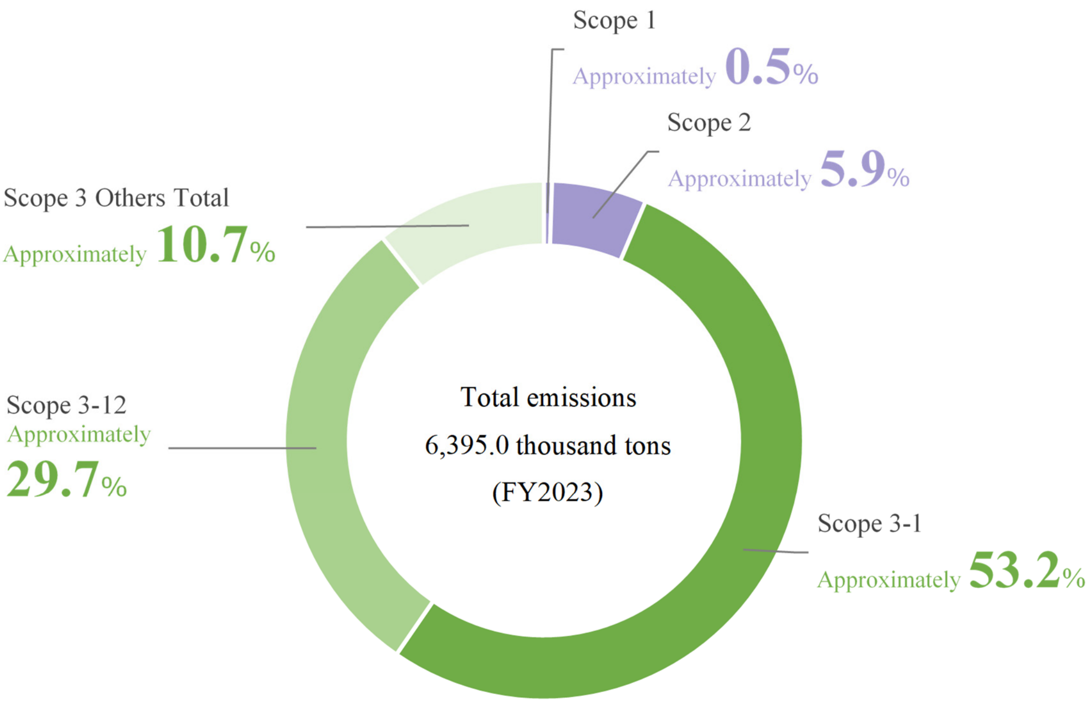
*7 Scope 1: Direct emissions from our own factories, offices, vehicles, etc.

*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.

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



>> Responding to climate change under Environmental Targets 2030

Implementation items		Base year	2022 results	2023 targets	2023 results	2024 targets	2030 targets	2050 vision
Reducing CO_2 emissions associated with raw materials procurement Scope 3, Category 1	Per unit of sales	2016	(12.6)% (Japan)	(14.3)% (Japan)	(4.1)%	(5.9)%	(17)%	Realizing a society with net zero CO_2 emissions
Reducing CO_2 emissions in manufacturing Scope 1, Scope 2			(35.2)%	(38.6)%	(55.4)%	(57.8)%	(34)%	
Reducing CO_2 emissions associated with disposal of used products Scope 3, Category 12			(11.6)% (Japan)	(14.2)% (Japan)	(35.1)%	(37.0)%	(26)%	

>> Kyo-sei Life Vision 2030 "Safeguarding the well-being of our planet"

Indicators	FY2021 results	FY2022 results	FY2023 results	FY2030 targets
Percentage of renewable energy used for business operations in total	7.3%	11.0%	22.8%	100%

>> CO_2 emissions at the Group by scope and category

(Thousands of tons)

Scope	Category	FY2021	FY2022	FY2023	Remarks
Scope 1	Direct emissions	35.5	31.6	29.2	
Scope 2	Indirect emissions originating from energy	465.2	454.5	376.9	
Scope 3 (Note 1)	1 Purchased goods and services	3,781.6	3,774.1	3,400.5	
	2 Capital goods	140.6	85.2	100.8	
	3 Fuel- and energy-related activities not included in Scope 1 or Scope 2	62.2	59.1	52.9	
	4 Upstream transportation and distribution	364.2	376.4	348.5	
	5 Waste generated in operations	43.1	45.0	28.7	
	6 Business travel	2.1	2.1	2.1	
	7 Employee commuting	12.5	12.7	13.1	
	8 Upstream leased assets	–	–	–	(Note 2)
	9 Downstream transportation and distribution	108.3	110.5	111.3	
	10 Processing of sold products	–	–	–	(Note 2)
	11 Use of sold products	–	–	–	(Note 2)
	12 End-of-life treatment of sold products	2,033.4	2,138.0	1,896.3	
	13 Downstream leased assets	–	–	–	(Note 2)
	14 Franchises	–	–	–	(Note 2)
	15 Investments	40.2	39.6	34.7	
	Total for Scope 3	6,588.2	6,642.7	5,988.9	
Total		7,088.9	7,128.8	6,395.0	

For FY2024 results, please refer to our Sustainability Report 2025, which will be released in May 2025.

Notes: 1. The overseas portion of 3-1, 3-2, 3-3, 3-5, 3-6, 3-7, and 3-12 are calculated based on activity level, while other categories are estimated based on sales weight.

2. Does not apply to any work process.

(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 President & CEO, 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. Specifically, the first step is to take stock of one's own values and what is important to them, and based on this, create a life vision and career vision of where one wants to be in three years or ten years. A career plan is then formulated to realize that vision. To help each and every employee fulfill their personal goals, we enhance their appetite for learning and growth by expanding the scope of our various 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.

Through the above efforts, we are promoting the strengthening of our investment in human capital to allow each and every one of our diverse human resources to contribute to the achievement of business results and the enhancement of corporate value by making the workplace a rewarding place to work where they can utilize their respective strengths to the fullest.

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

The Group has developed a unique management method known as "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 enter their goals in a format created 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

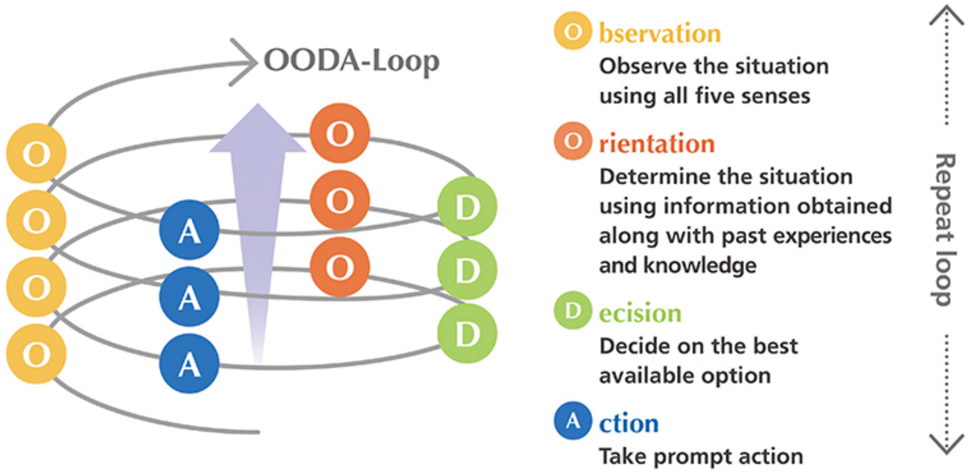
>> OODA Loop methodology

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 environment where the business landscape is constantly changing, it became necessary to establish a model that more 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 continuing to make fundamental reforms. The OODA Loop methodology enables us to develop employees who can take independent action based on their judgment of situations and decision-making that adapts quickly to changes in the business environment.

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 for employees preparing to return to work from maternity or childcare leave, providing a venue to exchange information 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 including conducting one-on-one meetings with Executive Officers who are not in charge of developing personnel (immediate supervisors). Since FY2023, we have held lunch meetings with the President and female leaders, creating opportunities to learn management's perspective through direct dialogue with top management.

>> Kyo-sei Life Vision 2030 "Unicharm Principles"

Indicators	FY2021 results	FY2022 results	FY2023 results	2030 targets
Percentage of female managers driven by the provision of various opportunities for women	22.5%	23.2%	24.7%	30% or more

>> Results related to the promotion of women's empowerment

	FY2021 results	FY2022 results	FY2023 results	2024 targets
Percentage of female employees	36.8%	35.8%	36.4%	–
Percentage of female Executive Officers	3.7%	3.4%	3.6%	3.4%
Number of female officers in Japan (Note)	2 persons	2 persons	2 persons	2 persons
Number of female officers overseas (Note)	14 persons	12 persons	10 persons	–

For FY2024 results, please refer to our Sustainability Report 2025, which will be released in May 2025.

Note: The subject officers are Directors and Auditors and are appointed officers that include Outside Directors and Outside Auditors both in Japan and overseas. However, for Japan, Executive Officers are included in accordance with the Basic Policy on Gender Equality and Empowerment of Women 2023 announced by the government in November 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 mainly held by local employees hired by our overseas subsidiaries. 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.

	FY2021 results	FY2022 results	FY2023 results
Percentage of local employees in executive positions (general manager and above) at overseas subsidiaries	45.5%	52.2%	52.3%

For FY2024 results, please refer to our Sustainability Report 2025, which will be released in May 2025.

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.

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. 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 scrums[*2]. In addition, in 2024 we introduced a "same-sex partnership system" so that sexual minorities can receive the same benefits as heterosexuals, and we held "unconscious bias workshops" to provide opportunities for each employee to review their own behavior by learning about the impact of unconscious bias on the organization, thereby promoting the creation of a workplace culture that leverages diversity.

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

>> 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 88.7% in 2023.

>> Kyo-sei Life Vision 2030 "Unicharm Principles"

Indicators	FY2021 results	FY2022 results	FY2023 results	2030 targets
Percentage of positive answers received for the "Growth through Work" section of the employee awareness survey	81.4%	89.2%	88.7%	80% or more

For FY2024 results, please refer to our Sustainability Report 2025, which will be released in May 2025.

>> Reskilling

In a VUCA (volatile, uncertain, complex, and ambiguous) world marked by drastic changes to both our business and the environment thereof, keeping up to date with the latest information has become more important than ever to creating new value.

To build a foundation and develop all employees into individuals who can resolve business issues using digital technology, in FY2023 we held the Python Intermediate Level Training for sales staff, 11 of whom completed the program. Moreover, to promote reskilling and thereby enhance IT literacy, develop more digital human resources, and acquire qualifications, we encourage employees to acquire IT Passport certification and provide allowances to those who get certified. In FY2023, over 200 employees acquired IT Passport certification.

Additionally, a DX e-learning seminar was held four times in FY2023 for employees to learn, in quiz-based format, basic ways to effectively use AI in their work. The seminar was attended by 72.5% of Unicharm employees and 61% of Group employees in Japan, and the use of generative AI continues to increase across the Group.

Moreover, 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, with more than 3,000 employees using the platform in FY2023 and an average learning time per employee of approximately 4.5 hours per year.

We will continue to provide information in such ways to help employees maintain their desire to continue learning and acquire new skills.

>> Time/costs allocated to employee skills development

	FY2021 results	FY2022 results	FY2023 results
Total training hours allocated to employee skills development	45,018 hours	49,824 hours	50,503 hours
Total training costs allocated to employee skills development	¥42.00 million	¥84.00 million	¥75.31 million
Training days per employee	3.9 days	4.4 days	3.5 days
Training hours per employee	31 hours	35 hours	28 hours
Training cost per employee	¥28,669	¥58,618	¥42,119

For FY2024 results, please refer to our Sustainability Report 2025, which will be released in May 2025.

>> 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.

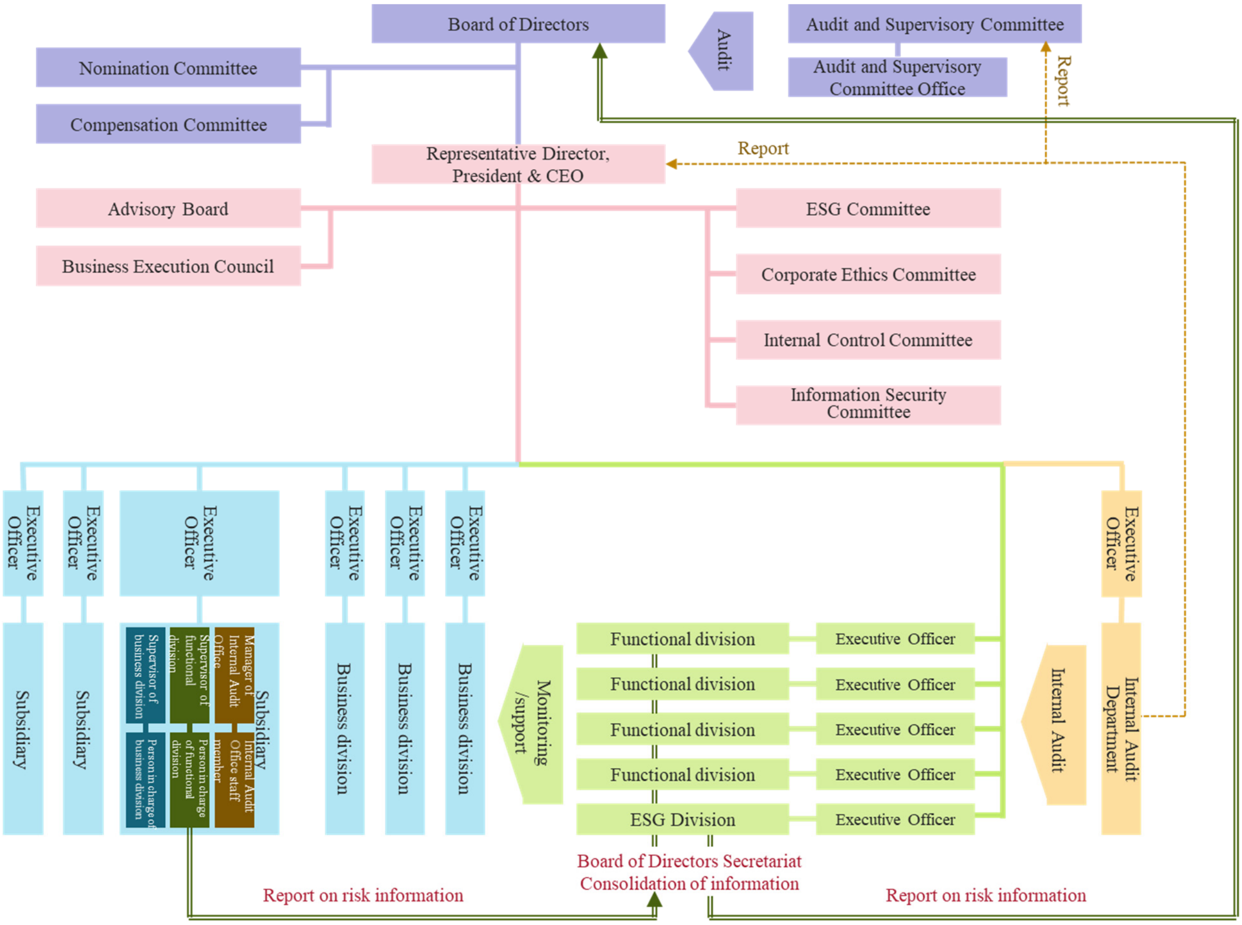
3. Business and other risks

The Group 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, defining risk as "uncertainties (events) that could affect corporate value" and classifying and managing risk into three categories: strategic risks, significant operational risks, and operational risks.

Classification	Definition	Management method
Strategic risks	Risks that may affect the decision or execution of management strategies, business plans and other important strategies and matters decided by the Board of Directors of Unicharm Corporation	The Board of Directors takes these risks into consideration when making decisions on important strategies and matters. The Board of Directors will monitor the situation after decisions are made on the basis of regular reports to the Board of Directors or through discussions by all Directors.
Significant operational risks	Risks that, if materialized, could significantly impede the execution of the Group's business or damage its reputation	The ESG Division will compile a list of the severity (impact × likelihood of occurrence) of these risks and the level of response readiness. The results of Control Self-Assessments (CSA) and business audits conducted by the Internal Audit Department are taken into consideration in determining the level of response readiness. The reports are made to the Board of Directors at least once a year following periodic review from the standpoint of changes in severity and whether there are any issues with the response readiness policy, and the Board of Directors monitors the situation.
Operational risks	Risks that can be prevented or mitigated to an acceptable extent through compliance with policies, rules, guidelines and operation processes established for daily business activities	The Executive Officer in charge shall be responsible for risk management and allocate management resources and execute management decisions based on these risks.

(1) Risk management system

The Group has established a risk management system as shown in the diagram below. Under the supervision of the Board of Directors of Unicharm Corporation, the Representative Director, President & CEO determines the basic policy for risk management of the Unicharm Group. In order to ensure effective and efficient risk management, Executive Officers of Unicharm Corporation are allocated the necessary authority, responsibilities, and management resources, and the ESG Division compiles risk information of the Group as a whole and reports regularly to the Board of Directors. In addition, an independent Internal Audit Department has been established to oversee these activities.



(2) Status of strategic risks and significant operational risks

Strategic risks and significant operational risks are reviewed at least once a year and reported to the Board of Directors. Strategic risks and significant operational risks identified during the fiscal year under review and the measures taken to address these risks are as follows.

1) Strategic risks

Strategic objectives	Drive growth in existing markets, expand market share, and secure revenue in existing markets
Risk events and impacts	Market contraction and loss of market share may impact sales and profit.
Factors	• Competitive market environment (e.g., lower-pricing tactics by competitors)
Risk appetite	We will avoid price competition that could lead to market contraction. We will promote a strategy of product and brand differentiation, even in cases where success or failure is uncertain, unless there is a risk of damage to our brand value.
Measures	• Differentiation of products and services • Improvement of cost efficiency

Strategic objectives	Enter new markets (new countries/regions and new business fields) and expand sales
Risk events and impacts	Failure to provide products suitable for specific countries/regions may result in the loss of sales opportunities.
Factors	• Dominance of existing competitors in new markets • Lack of expertise and necessary management resources (tangible and intangible) in new markets • Compliance with existing R&D and manufacturing standards
Risk appetite	We will carefully consider matters that may damage our brand value by taking into consideration the importance of our objectives and the impact on brand value. Our risk appetite for financial success upon entry into new markets is moderate.
Measures	• Careful scrutiny of target regions and entry categories • Development of unique products and improvement of development speed • Establishment of design and quality standards for customers in new markets

Strategic objectives	Strengthen our corporate brand
Risk events and impacts	Products, services and operations that fail to resonate with stakeholders (e.g., low quality, high environmental impact) may impact our brand value.
Factors	• Lack of consideration for stakeholders • Inappropriate marketing communication (e.g., greenwashing, etc.)
Risk appetite	We will carefully consider matters that may damage our brand value by taking into consideration the importance of our objectives and the impact on brand value. We will proactively allocate management resources to products, services and operations that enhance our brand value, even if the financial outcome is uncertain.
Measures	• Provision of products with women in mind • Expansion of our line of recycled models • Effective marketing communication

Strategic objectives	Maximize lifetime value (customer lifetime value)
Risk events and impacts	Inadequate cross-category and cross-brand marketing may impact customer retention, loyalty, and lifetime value.
Factors	• Gaps in product lineup • Lack of a business model that allows for the establishment of long-term relationships with customers
Risk appetite	We will carefully consider matters that may damage our brand value by taking into consideration the importance of our objectives and the impact on brand value. We will proactively allocate management resources to increasing customer retention, loyalty, and lifetime value, even in cases where the financial outcome is uncertain when viewed in isolation.
Measures	• Provision of new customer experience value through *Sofy Be*, a menstrual management app • R&D in new domains and creation of new segments • Development of marketing plans across categories and brands

Strategic objectives	Leverage digital technology and data
Risk events and impacts	Inferior utilization of digital technology and data may lead to competitive disadvantages.
Factors	• Lack of a business model that allows for data collection • Delay in the development of data infrastructure to analyze data owned and leverage it in decision-making
Risk appetite	We will work to minimize information security risks, risks related to leakage of personal information, etc. We will proactively allocate management resources to developing our data infrastructure, even if the financial outcome is uncertain.
Measures	• Establishment and improvement of data infrastructure

Strategic objectives	Ensure speed advantage
Risk events and impacts	Delays in decision-making and speed of execution may lead to competitive disadvantages.
Factors	• Lack of capability to discover individual insights • Lack of organizational capacity for expeditious execution
Risk appetite	We will take proactive action to gain a speed advantage over competitors.
Measures	• Human resource system that promotes diversity of experience • OODA Loop methodology • Upgrading of risk management framework

2) Significant operational risks

Significant operational risks are evaluated in terms of impact, likelihood of occurrence, and the level of response readiness, and are prioritized and addressed according to the status of residual risk.

Item	Cyber security					
Description	There is a risk that data leakages and system shutdowns or malfunctions due to cyberattacks may result in compensation claims, restoration and response costs, lost profits due to disruption or suspension of operations, and loss of trust over the medium to long term.					
Evaluation	Impact	3	Likelihood of occurrence	3	Residual risk	3
	Cyber security risk management is becoming increasingly important due to the worldwide increase in cyberattacks and the Company’s strategy to actively leverage data.					
Risk appetite	We will aim to minimize risk in accordance with the Unicharm Group Charter of Actions, which stipulates that “We will proactively work to build an advanced security management system for cyberspace.”					
Measures	We revised the Information Security Rules in January 2024 to clarify the standards that all Group companies in Japan and overseas are required to meet. We also established a new Information Security Department in July 2024. Throughout 2024, we updated our risk assessments for the Group as a whole and promoted measures that should be given top priority, such as security measures for web servers and the development of incident response manuals. In 2025, we will continue to promote measures such as strengthening the management of IT assets and configurations, enhancing early detection of problems, and reinforcing the risk management and incident response systems of Group companies. With regard to the management of these efforts, the Information Security Committee, which meets quarterly, will share security incidents, discuss the priority levels of measures and response policies, and report issues and the status of efforts to the Board of Directors at least once a year.					

Item	Protection of personal information					
Description	There is a risk that external leakage of personal information may result in compensation claims and loss of trust over the medium to long term.					
Evaluation	Impact	3	Likelihood of occurrence	3	Residual risk	3
	The risk of external leakage of personal information is growing due to the worldwide increase in cyberattacks and the Company’s strategy to actively leverage data.					
Risk appetite	We will aim to minimize risk in accordance with the Unicharm Group Charter of Actions, which stipulates that “We will appropriately acquire, utilize, manage and dispose of our customers’ personal information in a manner that does not infringe on their privacy.”					
Measures	There are various factors that may result in external leakage of personal information, including carelessness, unauthorized transfer of personal information, and leakage attributable to contractors. In view of these, we have revised the Personal Information Handling Rules within the Group, investigated the status of handling of personal information at each Group company and rectified issues as necessary, and are strengthening individual measures at each Group company based on the relevant factors.					

<table>
<tr><td>Item</td><td colspan="6">Climate change</td></tr>
<tr><td>Description</td><td colspan="6">There is a risk that the introduction of a carbon tax, as well as higher tax rates and significant fluctuations in energy prices, may result in higher operating costs and higher procurement costs due to soaring raw material prices. In addition, there is a risk that product development that fails to take into consideration the reduction of greenhouse gas emissions may result in loss of trust over the medium to long term.</td></tr>
<tr><td rowspan="2">Evaluation</td><td>Impact</td><td>2</td><td>Likelihood of occurrence</td><td>2</td><td>Residual risk</td><td>2</td></tr>
<tr><td colspan="6">The frequency of extreme weather events is increasing worldwide due to global warming, and climate change risk management is becoming increasingly important from the standpoint of sustainable corporate growth.</td></tr>
<tr><td>Risk appetite</td><td colspan="6">We will aim to minimize risk in accordance with the Unicharm Group Charter of Actions, which stipulates that “We will visualize and correctly identify greenhouse gases in the value chain in order to mitigate global warming and work to reduce emissions with the aim of achieving net zero emissions.”</td></tr>
<tr><td>Measures</td><td colspan="6">We utilize primary GHG emissions data by material and promote product development that strikes a balance between the efficient use of materials and reduction of GHG emissions. We will also continue to develop and market products that conform to the SDGs Theme Guideline, an internal guideline for contributing to sustainability.
We will promote the reduction of energy consumption through the introduction of energy-saving equipment and efficient operation of such equipment, and continue to manage all Group company sites and plans for switching to renewable electricity with the aim of achieving a 100% ratio of renewable electricity to all electricity used for business development.</td></tr>
</table>

<table>
<tr><td>Item</td><td colspan="6">Exchange rate fluctuations</td></tr>
<tr><td>Description</td><td colspan="6">Depending on the regulations, economic environment, and situation for both society and politics in certain countries and regions, there is a risk that the markets may change greatly and the Company’s business activity and values of assets held may be affected. 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, there is a risk that the financial standing and business performance of the Company may be negatively affected at the time of stronger yen.</td></tr>
<tr><td rowspan="2">Evaluation</td><td>Impact</td><td>2</td><td>Likelihood of occurrence</td><td>2</td><td>Residual risk</td><td>2</td></tr>
<tr><td colspan="6">As overseas sales account for over 60% of our total sales, the impact of exchange rate fluctuations will affect the performance of the Group as a whole.</td></tr>
<tr><td>Risk appetite</td><td colspan="6">We will aim to minimize risk in accordance with the Unicharm Group Charter of Actions, which stipulates that “We will act with wisdom to improve profitability and meet the expectations of shareholders.”</td></tr>
<tr><td>Measures</td><td colspan="6">We will 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 will 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.</td></tr>
</table>

Item	Prevention of misconduct and corruption					
Description	Risks such as embezzlement, bribery, and fraudulent purchases may lead to a deterioration of corporate culture, decline in corporate value, and loss of trust over the medium to long term.					
Evaluation	Impact	2	Likelihood of occurrence	2	Residual risk	2
	As overseas sales account for over 60% of our total sales, human and financial losses due to misconduct at overseas subsidiaries could be expected to impact the Group as a whole.					
Risk appetite	We will aim to minimize risk in accordance with the Unicharm Group Charter of Actions, which stipulates that “We will carry out fair corporate activities that combine the spirit of respecting human life and dignity with high ethical standards.”					
Measures	We will strive to reduce the chance of misconduct by strengthening checks and balances through reviewing the systems and mechanisms for preventing misconduct at each subsidiary and by reinforcing the monitoring system at the head office. We will continuously improve the operation of our whistleblowing system to ensure that it functions effectively, and conduct periodic compliance surveys within the Group to determine the status of compliance.					

Item	Product reliability					
Description	The risks of product defects and poor design may result in brand damage and lower sales. In addition, the risks of misrepresentation and false advertising may result in compensation claims, criminal penalties, brand damage, and lower sales.					
Evaluation	Impact	2	Likelihood of occurrence	2	Residual risk	1
	In recent years, it has become more important than ever for companies to maintain product reliability as the speed of information transmission is growing with the spread of social media and the acceleration of digitalization, and as anyone can obtain information anywhere.					
Risk appetite	We will aim to minimize risk in accordance with the Unicharm Group Charter of Actions, which stipulates that “We will always pursue a high level of safety and provide products and services that customers can use with peace of mind. We will comply with laws and regulations, industry’s self-regulatory standards, and internal self-regulatory standards, and will not provide any information that is false or misleading.”					
Measures	In order to provide customers with products that comply with the laws and regulations of each country/region, we work close with our subsidiaries to establish stringent internal standards that address the laws and regulations of the respective countries/regions and ensure quality and product safety, while making sure that all Group companies comply with these standards. In order to convey correct information, we have established a system of gate meetings and labeling reviews and conduct strict checks to ensure compliance with relevant laws and regulations as well as evidence-based and appropriate advertising/labeling. 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 their impact, to ensure reliability of its products is not affected.					

Item	Infrastructure for responding to disasters, accidents, etc.					
Description	In the event of a large-scale natural disaster or accident, there is a risk of significant impact on management due to human and physical damages.					
Evaluation	Impact	2	Likelihood of occurrence	2	Residual risk	1
	Extreme weather events are increasing worldwide due to climate change, and it has become increasingly important to be prepared to ensure undisrupted manufacturing, secure raw materials, and ensure a stable supply of products in the event of a disaster or accident that is worse than expected.					
Risk appetite	We will aim to minimize risk in accordance with the Unicharm Group Charter of Actions, which stipulates that "We will take appropriate action in accordance with the established crisis management manuals in the event of risks such as disasters, infectious diseases, and terrorism."					
Measures	We will establish a response system for natural disasters and accidents, educate and raise awareness among employees, and conduct periodic drills. We will promote stronger BCP not only at our business sites in Japan but also overseas. With regard to facilities, we have established fire prevention standards globally and conduct checks while continuously improving the status of compliance with these standards at each of our business sites globally.					

Item	Patents, trademarks, and other intellectual property rights					
Description	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 risk that it may lose expected income. In addition, there is also the possibility that the Company may be unknowingly infringing upon the intellectual property rights of a third party, which may lead to large compensation claims or limitations imposed on the Company's business.					
Evaluation	Impact	2	Likelihood of occurrence	1	Residual risk	1
	As globalization and digitalization gain traction, competition among companies is intensifying and technological innovation is accelerating. In such an environment, intellectual property rights such as patents and trademarks have become increasingly important.					
Risk appetite	We will aim to minimize risk in accordance with the Unicharm Group Charter of Actions, which stipulates that "We will respect the intellectual property rights (patents, design rights, trademarks, copyrights, etc.) of other parties."					
Measures	We conduct investigations to prevent infringement during the phases of product development and communication development to ensure that we do not infringe on intellectual property rights such as patents, design rights, and trademarks of third parties and that our advertising materials do not violate labeling laws. We also conduct internal compliance training such as on-the-job training and workshops for our development and marketing departments on patents, designs, trademarks, labeling laws, etc. We take a firm stance against the infringement of our intellectual property rights by third parties and the unfair exercise of rights against the Company, including lawsuits.					

<Method of evaluating significant operational risks>

- Impact: Evaluated on a 3-point scale (3: serious impact, 2: certain level of impact, and 1: minor impact), in consideration of factors that include the impact on human resources, impact on tangible/intangible assets, financial impact and impact on reputation.
- Likelihood of occurrence: The frequency is evaluated on a 3-point scale (3: materialized, 2: may materialize within three years, and 1: likelihood of materializing is low).
- Residual risk: Evaluated on a 3-point scale, in consideration of the impact, likelihood of occurrence, and level of response readiness (the development of measures is inadequate, measures have been partially developed, and measures have been generally developed).

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

(1) Overview of operating results, etc.

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, 2023 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2024 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	941,790	988,981	47,191	5.0
Core operating income	127,974	138,463	10,489	8.2
Profit before tax	132,308	134,537	2,229	1.7
Profit attributable to owners of parent	86,053	81,842	(4,212)	(4.9)
Basic earnings per share (Yen)	48.47	46.41	(2.1)	(4.3)

Note: Effective January 1, 2025, the Company split its common shares at a ratio of three-for-one. Basic earnings per share has been calculated as if the split had taken place at the beginning of the previous fiscal year.

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 ¥988,981 million (up 5.0% year on year), ¥138,463 million (up 8.2% year on year), ¥134,537 million (up 1.7% year on year), ¥95,227 million (down 2.8% year on year), and ¥81,842 million (down 4.9% year on year), respectively.

Operating results by segment are as follows.

(a) Personal Care Business

	Fiscal Year Ended Dec. 31, 2023 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2024 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	789,238	826,100	36,862	4.7
Core operating income	103,368	110,883	7,516	7.3

Note: Net sales represent those to external customers.

- Wellness Care Business

  Looking at overseas markets, in countries in the Southeast Asian region such as Thailand, Indonesia, and Vietnam, where demand for adult excretion care products is rising, the Company has made efforts to expand its product lineup and promote the Japanese care model by using both pad-type products and disposable pants. In China, while the population is aging even faster than in Japan and there is a large target market for adult excretion care products, there is a lack of awareness and adoption of specialized products, and the Company continued to actively invest in marketing of product lineups that meet local needs.

  In Japan, under the concept of "Can increase what one can do, one by one," the Company has continued to meet the diverse needs of consumers with a wide range of products, focusing primarily on light to moderate incontinence products that help extend healthy life expectancy. Among these, the Company achieved high sales growth in light incontinence products in particular, as a result of adding overnight products to its lineup and its focus on raising awareness of light incontinence products. We also achieved high sales growth in moderate incontinence products. Our disposable pants featuring "ultrasonic bonding" related patented technology in the waist area continued to sell well, while we also launched the world's first[*1] overnight disposable pants featuring patented technology for "absorbent core that extends all the way to the leg cuffs"[*2], thus meeting a wide range of consumer needs.

  In the mask category, the Company revitalized the market by the various products lineup in both the *Chokaiteki* and *Cho-rittai* brands. The Company will continue to aim to expand its market share with a product lineup that meets consumer needs from autumn through spring, when demand for products related to infectious diseases and pollen increases.

*1 Among adult underpants-type diapers offered by major global brands (Survey by Unicharm Corporation, April 2024)

*2 A structure having a pair of colored areas overlapping the edge of each side of the absorbent core and a non-colored area in between them, with the absorbent core being wider at the horizontal center than the innermost end of the leak-preventing gathers in the width direction, and the quantity of sheet materials on the skin-facing side of the colored part of the colored area being less than that of the non-colored area

● Feminine Care Business

Overseas, we achieved high net sales growth by developing unique, high value-added products such as cooling sanitary napkins and shorts-shaped napkins, tailored to the characteristics and consumer needs of each region, and by gradually rolling out these products to other countries and regions.

In China, while the economic outlook remains uncertain, distribution inventories have remained stable at low levels. Under these circumstances, the Company continued to launch many new premium products, starting with the Women’s Day event on March 8. In particular, the new concept of a shorts-shaped napkin for daytime use was well received, and we achieved stable sales growth. In addition, in response to the growing demand for affordable products, particularly among young people facing a tough employment environment, we strengthened our response to consumer needs, such as by launching affordable shorts-shaped napkins. However, we were partially affected by media reports of concerns regarding the quality of sanitary products in November 2024 and the resulting cautious consumer purchasing behavior.

We will continue to promote product strategies that promptly and accurately respond to ever-changing consumer needs, and will focus on expanding retail sales areas and the number of stores selling our products, with a focus on coastal cities. Additionally, we will work to strengthen sales by utilizing new sales channels such as quick commerce, which is experiencing rapid growth, with the aim of improving consumer satisfaction and expanding our market share.

In the Asian countries of Thailand, Indonesia and Vietnam, we achieved steady net sales growth by expanding the offering of high value-added products, including cooling sanitary napkins that provide a cool and refreshing feeling of comfort and activated charcoal blended sanitary napkins.

In India, where the penetration rate of sanitary products remains low, we achieved substantial sales growth and improved our profit margins by offering a full lineup of products to meet local needs and expanding the number of stores selling our products. For example, we introduced products based on the concept of antibacterial care, mainly in urban areas, as well as flat-type products that take into account actual usage and economic conditions.

In the Middle East, domestic sales in Saudi Arabia remained steady and exports to countries neighboring Saudi Arabia expanded thanks to aggressive investments in marketing, like the promotion of new products containing olive oil that have been tailored to local customs.

In Japan, despite a decrease in the target population, the Company continued to develop high value-added products that cater to the growing emphasis on health and peace of mind. In addition to proposing in-store displays, we also promoted a strategy of continuous communication with consumers via social media. As a result, we achieved high net sales growth. We also launched the *Sofy Be* service, a menstrual management app that monitors health condition by focusing on hormonal changes. As the environment and values surrounding women change and lifestyles become more diverse, we aim to maximize the lifetime value of women by providing comprehensive support not only during their menstrual periods but throughout their daily lives, empowering each woman to manage her mind and body and thereby improve her health and quality of life.

● Baby Care Business

Overseas, we promoted the use of our products, particularly our pants-type disposable diapers, which are one of our strengths, as well as the deployment of unique products. In India, where the use of disposable diapers is still low, even compared to other target countries, as a result of endeavors to promote the use of pants-type disposable diapers and expand the sales areas, the Company achieved high net sales growth and improved profitability.

In markets such as Thailand, Vietnam and Indonesia, we continue to face price-based tactics from e-commerce driven startups, causing market growth to stagnate. Given this state of affairs, we promoted a two-brand strategy to develop products that cater to the needs of both premium-conscious and price-conscious consumers. We also worked to strengthen our e-commerce operations and ensure profits.

In Vietnam, we launched the world's first[*3] pants-type disposable diapers for newborns that can be opened and closed on one side in 2023, and implemented initiatives to raise awareness of disposable diapers and accelerate their earlier use. Furthermore, in August, we added products in larger sizes for older babies for price-conscious consumers, and responded to diverse needs with an extensive product lineup. We also opened an in-house streaming studio to accommodate the rapid growth of e-commerce.

In China, amid a continued severe competitive environment with a declining birth rate and emerging local companies, profitability improved as a result of a shift to the *moony* brand, a new concept of premium product made in China to meet the unique needs of the Chinese market. We aim to improve consumer satisfaction and profitability by continuing to offer products with unique value that meet the needs of Chinese consumers.

In the Middle East, where domestic sales in Saudi Arabia are strong and exports to neighboring countries are also steady, the Company achieved high net sales growth and market share expansion by continuing to invest aggressively in marketing including for new products that contain olive oil tailored to local customs.

In Japan, where the market is shrinking with lower birth rates, we have continued to convey our value through the two brands, *moony* and *Mamy Poko*, based on our business philosophy of "giving parents more enjoyment as they raise their babies." For *moony* series, the "bottom fit guide" introduced in S size products for newborns in 2023, which makes it easy for even first-time users to correctly put a diaper on a baby, has been well received, in addition to which, in our pants-type lineup, we launched products that are both "gentle on the skin" and "leak-prevent," thereby achieving high net sales growth. For *Mamy Poko* series, *MamyPoko Overnight Diapers* launched in 2022 continued to sell well, and baby care products in Japan achieved stable net sales growth and improved profitability.

We also actively worked to improve consumer satisfaction and reduce environmental impact through both products and services. For example, for nursery facilities that have introduced the *Tebura Toen* (Hands-free handbag-free nursery facilities)®[*4] service developed in collaboration with BABY JOB Inc., we promoted the introduction of the nursery facility-exclusive product that uses recycled pulp extracted from used paper diapers.

As a result, net sales and segment profit (core operating income) for the personal care business for the fiscal year under review were ¥826,100 million (up 4.7% year on year) and ¥110,883 million (up 7.3% year on year), respectively.

*3 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)

*4 *Tebura Toen*® is a flat-rate subscription service for nursery facilities designed to reduce the burden on both parents and childcare workers, including the need for parents to prepare disposable diapers and wipes, carry bulky items to the facility, and for childcare workers to manage disposable diapers and wipes.

● Kirei Care Business

From the fiscal year under review, the Company has abolished the Global Kirei Care Marketing Division. Up until now, the Company has promoted its business in Japan mainly through the *Silcot* brand. In the future, as the use of Kirei Care is expected to take root not only in Japan but also worldwide due to increased hygiene awareness, the functions of the Global Kirei Care Marketing Division will be transferred to the Wellness Care, Feminine Care, and Baby Care respective Marketing Divisions, aiming to accelerate global expansion.

(b) Pet Care Business

	Fiscal Year Ended Dec. 31, 2023 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2024 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	139,446	148,673	9,227	6.6
Core operating income	23,083	25,840	2,756	11.9

Note: Net sales represent those to external customers.

Under the slogan "More together, forever together," the pet care business aims to create a society where dogs and cats can live happy lives while staying connected to society.

In the pet food business in Japan, we responded to the growing demand among pet owners for their dogs and cats to enjoy a variety of textures and flavors, as well as the increased health consciousness, by offering treats that also serve as comprehensive nutritional products. We launched unique new products such as *Silver Spoon Treats Fish-flavored cream donuts* for cats, and *Gran Deli Sapporopotato for Dogs* for dogs, achieving high net sales growth with an extensive product lineup that meets diverse needs.

In the domestic pet toiletry business, we expanded our product lineup, including the launch of toilet systems for cats that respond to the growing demand for designs that harmonize with interior decor. In addition, we will continue the "GO WITH YOUR DOG Project" that we have been promoting since 2022, aiming to create a society where owners and their dogs can enjoy themselves together.

In addition, alongside our Q&A service for pets, *DOQAT*, we also launched *Food Matching* service, which utilizes AI to suggest cat food, and worked to revitalize the market through both our products and services.

In North America, the Company achieved high net sales growth as a result of continued brisk sales of products incorporating Japanese technology and new concepts, such as wet-type snacks for cats.

In China, which is the second largest market in the world after North America and is expected to continue to grow, in November 2022, our consolidated subsidiary in China entered into a capital and business alliance with Jiangsu Jijia Pet Products Co., Ltd. ("JIA PETS"), and we expanded our lineup of pet food products incorporating our original concepts.

By continuing to leverage 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 to achieve the No. 1 market share in the priority cities.

Also, in the Southeast Asia region, where future market growth is expected, the Company aims to achieve dramatic business growth by proactively investing management resources in both food and toiletries in the emerging pet care markets in Thailand, Indonesia, and Vietnam, etc.

As a result, net sales and segment profit (core operating income) for the pet care business for the fiscal year under review were ¥148,673 million (up 6.6% year on year) and ¥25,840 million (up 11.9% year on year), respectively.

(c) Other Businesses

	Fiscal Year Ended Dec. 31, 2023 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2024 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	13,106	14,208	1,102	8.4
Core operating income	1,522	1,740	217	14.3

Note: Net sales represent those to external customers.

In the category of business-use products mainly 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 ¥14,208 million (up 8.4% year on year) and ¥1,740 million (up 14.3% year on year), respectively.

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

	As of December 31, 2023 (Millions of Yen)	As of December 31, 2024 (Millions of Yen)	Difference (Millions of Yen)
Total assets	1,133,627	1,239,973	106,346
Total liabilities	345,377	366,263	20,885
Total equity	788,250	873,711	85,460
Ratio of equity attributable to owners of parent (%)	61.4	62.3	–

Total assets as of the end of the fiscal year under review amounted to ¥1,239,973 million, up ¥106,346 million over the end of the previous fiscal year. The major increases were ¥45,586 million in other current and noncurrent financial assets mainly due to investment securities, ¥18,168 million in inventories, ¥17,070 million in trade and other receivables and ¥13,260 million in other non-current assets mainly due to long-term prepaid taxes. Total liabilities were ¥366,263 million, up ¥20,885 million from the end of the previous fiscal year. The major increase was ¥20,434 million in trade and other payables. Total equity amounted to ¥873,711 million, up ¥85,460 million over the end of the previous fiscal year. The major increase was ¥81,842 million in profit attributable to owners of parent.

Consequently, the ratio of equity attributable to owners of parent increased from 61.4% as of the end of the previous fiscal year to 62.3% as of the end of the fiscal year under review.

2) Cash flows

	Fiscal Year Ended Dec. 31, 2023 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2024 (Millions of Yen)	Difference (Millions of Yen)
Cash flows from operating activities	162,415	137,099	(25,316)
Cash flows from investing activities	(67,527)	(73,838)	(6,311)
Cash flows from financing activities	(67,007)	(66,794)	213
Cash and cash equivalents at end of period	253,770	261,054	7,284

Cash and cash equivalents as of the end of the fiscal year under review were ¥261,054 million, an increase of ¥7,284 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 ¥137,099 million (¥162,415 million was provided in the previous fiscal year). The main inflow was due to profit before tax.

(Cash flows from investing activities)

Net cash used in investing activities was ¥73,838 million (¥67,527 million was used in the previous fiscal year). The main outflow was due to purchase of financial assets.

(Cash flows from financing activities)

Net cash used in financing activities was ¥66,794 million (¥67,007 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, 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	851,342	8.6
Pet care	159,021	23.7
Other	14,784	87.7
Total	1,025,146	11.4

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	826,100	4.7
Pet care	148,673	6.6
Other	14,208	8.4
Total	988,981	5.0

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

During the fiscal year under review, the operating environment surrounding the Group evidenced variation in economic sentiment between countries/regions, and the future outlook remains difficult to predict.

Overseas, there is lingering economic uncertainty in Asian countries, while in the wake of the impact of COVID-19, there is growing demand among consumers for affordable products, especially baby care products. The market environment is also changing rapidly, with emerging e-commerce channels experiencing rapid growth. The Company has developed strategies to respond flexibly and promptly to these changes and has worked to achieve its targets.

In Japan, although there were concerns about issues such as the 2024 problem in logistics, sales growth has remained strong because the products the Company handles are daily necessities, and the Company has implemented successive proposals of high value-added products that meet consumers' need as well as raised prices.

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," and taking the opportunity to create a new corporate brand essence, “Love Your Possibilities” in the fiscal year ended December 31, 2024, the first year of the 12th Medium-term Management Plan, 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 ¥988,981 million (up 5.0% year on year), ¥138,463 million (up 8.2% year on year), ¥134,537 million (up 1.7% year on year), ¥95,227 million (down 2.8% year on year), and ¥81,842 million (down 4.9% 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 ¥137,099 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, 2025.

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

The status of key indicators targeted by the 12th Medium-term Management Plan, which was launched in the fiscal year under review, is as follows.

The fiscal year under review, which is the first year of the Medium-term Management Plan, witnessed record highs for net sales and core operating income due to the promotion of value shifting and reduction of raw materials-related costs, but they fell short of the targets of the Medium-term Management Plan due to soaring distribution costs and the impact of price-based tactics by startups in Asian countries. ROE deteriorated from the previous fiscal year due to an increase in the tax rate.

For the fiscal year ending December 31, 2025, the Company will strive to develop and create markets for hygiene-related products that meet consumer needs in order to achieve sustainable high growth amid expected changes in the market environment. We also intend to implement business strategies suited to the economic level and demographics of the countries and regions in which we operate in order to achieve the targets set in the Medium-term Management Plan.

	Fiscal Year Ended December 31, 2023	Fiscal Year Ended December 31, 2024	Target under the 12th Medium-term Management Plan (Fiscal year ending December 31, 2026)
Net sales	¥941,790 million	¥988,981 million	¥1,150,000 million
Net sales growth rate	4.9% (YoY)	5.0% (YoY)	(Note) 6.9% Compound annual growth rate (CAGR)
Core operating income margin	13.6%	14.0%	15.8%
Return on equity attributable to owners of parent (ROE)	13.1%	11.1%	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

The operating environment surrounding the Group evidenced variation in economic sentiment between countries/regions, and the future outlook remains difficult to predict. However, in key target markets, despite lingering economic uncertainty, a gradual economic recovery is expected.

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 the personal care business in Japan, to respond to anticipated cost increases related to inflation, the Company will promote value-shifting by offering high value-added products reflecting consumer needs as it strives to achieve stable growth and improve the 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 ¥10,304 million (1.0% of consolidated net sales). Principal achievements were as follows.

(1) Personal Care

● Wellness Care Business

We launched *Lifree Peace of Mind Pants Absorbs (M/L)* under *Lifree*, an excretion care brand for adults. Focusing on muscle weakness around the legs from aging, we adopted the world's first[*1] patented technology for an "absorbent core that extends all the way to the leg cuffs."[*2] By making the absorbent core in the inseam around twice as wide and designing it to fit around the legs, the absorbent core adheres to the skin without leaving any gaps, preventing leakage during the night and allowing not only the elderly user but also the family members caring for them to sleep with peace of mind.

We also launched an improved version of *Lifree Nobiru Fit Thin Lightweight Tape-on (S-M/L)*, which adopts the use of a "Waist Tape Stop Position Mark" that allows for correct and easy wear even with the body shape and sleeping posture of elderly individuals.

We also launched *Lifree Bottom Cleaning Solution Essence* exclusively for nursing care facilities and hospitals. By raising the concentration of the solution to 1.5 times that of existing products, the amount used has been reduced by approximately 60%, while still maintaining high cleaning power along with a compact container that saves space. The product also has the cleaning power of natural sunflower oil soap, the moisturizing power of *Phellodendron Amurense* bark extract, and the skin-protecting function of LIPIDURE® (Polyquaternium-51, a registered trademark of NOF CORPORATION), thereby supporting efficient excretion care without the need for rinsing.

Overseas, we launched the *SofyAile Light incontinence pad (30 cc)*, a light incontinence pad so thin and supple that it does not feel like the user is wearing it, in Thailand. In Vietnam, we launched *Caryn tape Day&Night*, a mint-scented tape-type diaper, and *Caryn Pants Day&Night*, a pants-type diaper that can be easily pulled up in 5 seconds. In Indonesia, we launched *Certainty popok celana (M/L/XL)*, a fully breathable pants-type diaper that does not irritate the skin. In India, we relaunched *Lifree Extra Absorb Super Pants 12H (S/M/L/XL)* and *Lifree Extra Absorb Pants 10H (S/M/X/XL)* with improved product dimensions to meet the usage needs of Indian customers. 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.

*1 Among adult underpants-type diapers offered by major global brands (Survey by Unicharm Corporation, April 2024)
*2 A structure having a pair of colored areas overlapping the edge of each side of the absorbent core and a non-colored area in between them, with the absorbent core being wider at the horizontal center than the innermost end of the leak-preventing gathers in the width direction, and the quantity of sheet materials on the skin-facing side of the colored part of the colored area being less than that of the non-colored area

● Kirei Care Business

From the *Silcot®* brand, we newly launched the *Silcot® Additive-Free Facial Towel. Silcot® Facial Towel Suhada Omoi*, which was released last year, became a hot topic on social media especially among young people. On the other hand, many young people suffer from rough skin and acne, and the new additive-free version of this product uses soft and gentle sheets that can be used with peace of mind even by those with delicate and sensitive skin.[*1] It is also free of additives and contains no petrochemical-derived raw materials, having passed[*3] non-comedogenic testing.[*2]

In China, we also launched the *Unicharm Silcot 1/2 Stretchable Cotton Pad* in the facial cotton pad category. This cotton pad is stretchable and can be adjusted to the desired length, allowing it to fit the shape of the face and overlay the entire face.

We have been striving to improve customer satisfaction as well as to expand and revitalize new markets by enhancing our brand lineups both in Japan and overseas.

*1 The state of impaired skin barrier function after cleansing
*2 The term "comedones" refers to early-stage acne and clogged pores, while the term "non-comedogenic testing" refers to tests that determine whether a product is unlikely to trigger the formation of comedones.
*3 This does not imply that comedones (the cause of acne) will not occur in all users.

● Feminine Care Business

From *Sofy*, a feminine sanitary product brand, we newly launched *Sofy Chojukusui Oyasumi Premium (36 cm/40 cm/42 cm)*. Against the backdrop that women are prone to sleep deprivation[*1] and many are anxious about menstrual blood leakage during menstruation, we adopted an ultra-thick[*2] cushion that is the thickest in the series to provide peace of mind when sleeping and prevent leakage through gaps by increasing adhesion to the body. The speed of absorption is also twice that of existing products, offering peace of mind all night through the quick absorption of menstrual blood and the product's shape which fits from the stomach to the back.

Overseas, in China, we newly launched the *Sofy Naked Feel S Extra Thin Silky Pads (25 cm/29 cm)*, which has an ultra-thin absorbent structure only 0.06 cm thick, and the *Sofy New Day Overnight Disposable Underwear (M/L)*, a shorts-shaped napkin with a removable opening flap that can be easily changed without completely removing the pants, even when outside. In Indonesia, we added new versions with varying lengths to our lineup for *CHARM Daun Sirih (35 cm/42 cm)*, which features the use of daun sirih, an herb with deodorizing properties, and *Sleep protect+ (L-XL)*, a shorts-shaped napkin. In Thailand, we newly launched *Sofy Mamy Pants (M-L/L-XL/XL-XXL)*, a shorts-type maternity pad to be used during the special period before and after childbirth. This product is made with soft, organic cotton material that is gentle on skin which is extremely sensitive after childbirth and is capable of absorbing a large amount of lochia. In addition, we have worked to improve quality and functionality mainly through our development bases in India, Vietnam, and Saudi Arabia.

*1 OECD survey, Nishikawa White Paper on Sleep 2023

*2 Central component of the absorbent core of the current *Ultra Sound Sleep* series

● Baby Care Business

From the *moony* series of disposable diapers, we newly launched the *Moonyman Marshmallow-like skin feel, peace of mind from leaks (M (standing)/L/XL)* amid the backdrop of growing needs among parents who want to prevent problems such as skin problems and leakage for their infants as the number of households with two working parents increases. This product is designed to be both gentle on the skin and leakage-free by employing stretchable non-woven fabric that is exceptionally soft like marshmallow and a design that gently hugs the baby's body, thereby preventing stress on the skin and leakage by ensuring that no gaps are formed around the stomach and legs.

From the *Mamy Poko* brand, we launched the environmentally friendly disposable pants *Mamy Poko RefF*[*1] *(L/XL)* exclusively in certain areas and stores. This product features the use of pulp recycled from used disposable pants. The RefF project[*1], which generates high-quality recycled pulp using our proprietary ozone technology, was started in 2015, and by 2022, our disposable pants for adults made from recycled raw materials were well received. We have been working to realize a sustainable society by expanding the project to include baby care products.

Overseas, we newly launched *MamyPoko Pants All Night Absorb (NB/S/M/XL/XXL)* in India. By adding a product lineup boasting up to 12 hours of absorption to the expanding market of standard-priced products, we have been striving to expand and revitalize markets. In China, we launched *moony Little Window (L/XL/XXL)*, which contains large 24 mm heart-shaped ventilation holes around the waist. In Saudi Arabia, we launched the *Baby Joy Swim Pants (3-4/4-5/5-7)*, pants for playing in water, marking our entry into the market for pants for playing in water mainly used in summer.

In the category of bottom wipes, we launched both *Bobby Antimos Wipes* and *Baby Love Wet Wipes* in Vietnam. *Antimos Wipes* are bottom wipes scented with lemongrass, which functions as a mosquito repellent to prevent the transmission of dengue fever through mosquito bites. We have worked to improve customer satisfaction and revitalize markets by developing products that meet local needs.

*1 Acronym for "Recycle for the Future" and the brand name of Unicharm's horizontal recycling initiative. We are committed to recycling aimed at creating a future where used disposable pants are not simply thrown away, in order to contribute to the realization of a sustainable society.

● Research achievements

At the 77th Conference of the Japan Society of Research on Early Childhood Care and Education, we announced the results of a verification study from joint research conducted with BABY JOB Inc., Showa University and the University of Tokyo on the importance of the toilet training initiation index based on the growth and development of children at nursery facilities as well as cooperation between childcare workers and parents. As a result of the comparative verification between the intervention group and the control group using the "Toilet Training Initiation Decision Chart," the study found that the duration of implementation of toilet training was significantly shortened in the intervention group, thereby reducing the anxiety and burden experienced by parents. This is believed to be attributable to the fact that childcare workers were able to build relationships of trust by understanding specific plans of action and to explain them to parents in a rational manner. On the basis of this, we have strived to create childcare environments that are more enjoyable and full of smiles.

As a result of the above, research and development expenses in the personal care business for the fiscal year under review totaled ¥8,444 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.

In the cat food category, in response to the growing number of pet owners who are conscious of their pets' health, we newly launched *Silver Spoon Nyan Spoon (comprehensive nutritional product/kidney health maintenance)*, a snack for cats, from the *Silver Spoon Nyan Spoon* series of wet snacks in spoon containers that are popular for being easy for cats to eat and for owners to keep the contents from spilling out. Both versions of the product are free of colorants and designed to maintain the health of cats. In addition, we also launched *Silver Spoon Three-Star Gourmet Japan Select (kidney health maintenance)*. This product contains adjusted amounts of phosphorus and sodium to reduce the burden on the kidneys. From the *AllWell* brand of functional health food for cats, we newly launched *AllWell Knee and Joint Health Maintenance*, which supports healthy knees and joints for cats. This product contains DHA and EPA to support healthy movement.

In the dog food category, we newly launched *Grand Deli Frecious, Designed to Reduce Rapid Eating (Contains Chicken & Beef)*, aimed at dogs for which rapid eating is a problem. Featuring a unique shape that resembles bundles of straw, this product reduces rapid eating and encourages proper chewing through the size and thickness of individual pieces. In addition, in response to the growing desire among pet owners to enjoy meals and snacks alongside their dogs, we also launched *Gran Deli Sapporopotato for Dogs (Tsubutsubu vegetables/Tsubutsubu vegetables (cheese flavors)/barbecue flavors/barbecue flavors (cheese flavors))*, which was jointly developed with Calbee, Inc.

Overseas, we newly launched *GINNO FOR ADULT CAT CHICKEN AND TUNA FLAVOR*, a cat food, in Thailand. This product is a comprehensive nutritional product containing a high level of proteins (33%) that maintains healthy skin, coat, and eyes, and strengthens the immune system. In Indonesia, we launched several wet-type snacks for cats: *Deli-Joy Stick 2Pack Creamy Tuna & Salmon*; *Deli-Joy Stick 2Pack Creamy Tuna*; *Deli Joy Stick Variety Pack Creamy Tuna-Salmon, Tuna-Katsuo, Tuna-Ayam*; and *Deli Joy Stick Variety Pack Creamy Tuna, Tuna-Salmon, Jelly Tuna*.

In the field of pet toiletry products, we newly launched *Deo Toilet® Deodorizing fan+*, a toilet system for cats. Targeting the odor immediately after excretion of cats, which is a source of concern for cat owners, the suction fan mounted with high-density activated charcoal filters continuously absorbs the odor of fresh feces to eliminate their odor. For dog owners who are unable to change toilet sheets for an extended period of time, we have also launched *Deo Sheet Deodorant lab*, a toilet system for dogs. This toilet system does not smell bad even if it is not changed for three days[*1] and features a two-layer structure with an antibacterial dry filter[*2] that inhibits the growth of odor-causing bacteria and a deodorizing mat with powerful absorption that quickly absorbs urine to eliminate odors over extended periods of time.

As for absorbent wear for pets, we launched *Manner Wear Insect Repellent Diapers (for Male Dogs/for Female Dogs) (SS/S/M)* as a summer-only product. By infusing the diapers with gentle botanical herbal fragrances that repel insects, the product allows owners to take comfortable walks with their pets by repelling insects during the summer months. We also launched *Deo Sheet Kirei Pad (S/M)*. This new type of pet sheets can be simply pasted over the urine residue of dogs, eliminating the need to replace the entire sheet. Using this product promotes effective use of pet sheets and reduces the amount of waste generated by approximately 25%[*3].

Overseas, we newly launched *Gaines Cat Litter for Smart Fully-Automatic Trays*, a cat litter that is ideal for fully automatic cat toilets, which are growing in use in China. This cat litter hardens quickly, does not stain walls, and eliminates odor for a period of 16 days within the storage container. In Indonesia, we launched *Deo Toilet Non Cover (Ivory) Set*, a toilet system for cats, and *MannerWear Anti Bocor (for Male Dogs/for Female Dogs) (SS/S/M)*, diapers for dogs.

We have thus worked to expand our product lineup in countries around the world in order to support the healthy and happy lives of pets around the world.

*1 When absorbing urine of one pet dog (regular: for dogs weighing 4 kg or less; wide: for dogs weighing 10 kg or less), based on a survey by Unicharm Corporation

*2 Odor-causing bacteria refers to bacteria that trigger the release of ammonia from urine. Results are from an antibacterial test conducted by a third-party organization. Not all bacteria are inhibited.

*3 Based on a survey by Unicharm Corporation (in the case of *Deo Sheet No-fail Super-Absorbent, Regular Size*; see typical examples from advance product tests for the number of sheets used)

As a result of the above, research and development expenses in the pet care business for the fiscal year under review totaled ¥1,857 million.

(3) Other

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

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

III. Equipment and Facilities

1. Overview of capital investments

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

The amounts include investments in property, plant and equipment, intangible assets, and right-of-use assets.

(1) Personal care

Capital investments totaling ¥33,841 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 ¥10,005 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 ¥636 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, 2024)

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	1,114	1,163	397	139	2,813	32	434 (163)

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, 2024)

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.	3,179	7,371	1,255	7,814	19,620	99	443 (60)
	Fukushima Plant (Tanagura-cho, Higashi-shirakawa-gun, Fukushima)	Personal care	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.	3,238	7,417	2,139	169	12,962	128	311 (36)
	Shizuoka Plant (Kakegawa-shi, Shizuoka)	Personal care	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.	2,385	2,755	1,498	32	6,671	83	253 (29)
	Kyushu Plant (Kanda-machi, Miyako-gun, Fukuoka)	Personal care	Facilities for manufacture of disposable diapers	11,541	7,893	3,525	388	23,346	160	57 (1)
	Itami Plant (Itami-shi, Hyogo)	Pet care	Facilities for manufacture of pet foods, etc.	389	1,124	1,105	56	2,673	13	53 (9)
	Mie Plant (Nabari-shi, Mie)	Pet care	Facilities for manufacture of pet toiletries, etc.	219	338	62	137	756	17	23 (2)
	Saitama Plant (Kamisato-machi, Kodama-gun, Saitama)	Pet care	Facilities for manufacture of pet foods, etc.	274	427	146	8	855	8	23 (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, 2024)

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.	19,715	21,368	–	5,337	46,419	540	1,110 (–)
Unicharm Gulf Hygienic Industries Co. Ltd.	(Kingdom of Saudi Arabia)	Personal care	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.	7,425	16,954	428	3,874	28,681	119	2,665 (–)
PT UNI-CHARM INDONESIA Tbk	(Republic of Indonesia)	Personal care	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.	5,399	10,034	1,525	2,037	18,995	355	1,946 (579)
Unicharm Consumer Products (China) Co., Ltd.	(People's Republic of China)	Personal care	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.	3,543	6,524	–	6,067	16,135	133	1,253 (28)
Unicharm Consumer Products (Jiangsu) Co., Ltd.	(People's Republic of China)	Personal care	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.	5,131	4,159	–	1,997	11,287	220	143 (–)

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, 2024 are as follows.

Segment	Amount (Millions of Yen)	Description
Personal care	55,000	Facilities for manufacture of disposable diapers and feminine sanitary products, etc.
Pet care	2,000	Facilities for manufacture of pet foods, pet toiletries, etc.
Total	57,000	–

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

Note: Based on a resolution at the Board of Directors meeting held on December 6, 2024, changes were made to the Company's Articles of Incorporation as of January 1, 2025 to be in line with the stock split. The number of shares authorized to be issued increased by 1,655,558,184 shares to 2,483,337,276 shares.

2) Number of shares issued

Type	Number of shares issued		Stock exchanges on which the Company is listed	Description
	As of December 31, 2024 (Shares)	As of March 21, 2025 (filing date of this Annual Securities Report) (Shares)		
Common shares	620,834,319	1,862,502,957	Prime Market of the Tokyo Stock Exchange	The number of shares constituting a unit is 100
Total	620,834,319	1,862,502,957	–	–

Note: On January 1, 2025, the Company split its common shares at a ratio of three-for-one.

(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 1)	413,889,546	620,834,319	–	15,993	–	18,591

Notes: 1. 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.

2. The number of shares issued increased by 1,241,668,638 shares with a three shares per one stock split of common shares undertaken on January 1, 2025.

(5) Details by shareholder classification

(As of December 31, 2024)

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)	–	85	35	376	773	88	45,224	46,581	–
Number of shares held (Units)	–	1,404,783	104,548	1,998,315	1,955,385	396	742,580	6,206,007	233,619
Shareholding ratio (%)	–	22.64	1.68	32.20	31.50	0.01	11.97	100.00	–

Notes: 1. Treasury shares of 34,464,582 shares are included in “Individuals and other” at 344,645 units, and in “Shares less than one unit” at 82 shares. The number of shares held by substantial shareholders as of the last day of the fiscal period is the same.

2. On January 1, 2025, the Company split its common shares at a ratio of three-for-one. The above numbers of shares held by the shareholders are those before the stock split.

(6) Major shareholders

(As of December 31, 2024)

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	26.43
The Master Trust Bank of Japan, Ltd. (Trust account)	Akasaka Intercity AIR, 1-8-1, Akasaka, Minato-ku, Tokyo	63,751	10.87
Takahara Kikin K.K.	3-2-34, Shirokanedai, Minato-ku, Tokyo	28,080	4.79
Custody Bank of Japan, Ltd. (Trust account)	1-8-12, Harumi, Chuo-ku, Tokyo	24,153	4.12
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	2.61
NORTHERN TRUST CO.(AVFC) RE UKUC UCITS CLIENTS NON LENDING 10PCT TREATY ACCOUNT (standing proxy: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UNITED KINGDOM (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	12,355	2.11
Nippon Life Insurance Company (standing proxy: The Master Trust Bank of Japan, Ltd.)	1-6-6, Marunouchi, Chiyoda-ku, Tokyo (Akasaka Intercity AIR, 1-8-1, Akasaka, Minato-ku, Tokyo)	12,189	2.08
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)	10,501	1.79
STATE STREET BANK AND TRUST COMPANY 505001 (standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	ONE CONGRESS STREET, SUITE1, BOSTON, MASSACHUSETTS (SHINAGAWA INTERCITY A, 2-15-1, Konan, Minato-ku, Tokyo)	8,132	1.39
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)	8,044	1.37
Total	–	337,461	57.55

Notes: 1. The Company holds 34,465 thousand shares of treasury shares. As they have no voting rights, those shares are excluded from the above list of major shareholders.

2. On January 1, 2025, the Company split its common shares at a ratio of three-for-one. The above numbers of shares held are those before the stock split.

3. In the report on major shareholders made public on April 30, 2024, MUFG Bank, Ltd. and its joint owners Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Asset Management Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., First Sentier Investors (Australia) IM Limited, First Sentier Investors (Australia) RE Limited, First Sentier Investors International IM Limited, and First Sentier Investors (UK) IM Limited are listed as shareholders as of April 22, 2024, as detailed below. But the Company was unable to confirm the number of shares actually held by them as of December 31, 2024. 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	10,087,000	1.62
Mitsubishi UFJ Asset Management Co., Ltd.	1-9-1, Higashi Shinbashi, Minato-ku, Tokyo	3,593,200	0.58
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1-9-2, Otemachi, Chiyoda-ku, Tokyo	3,074,618	0.50
First Sentier Investors (Australia) IM Limited	Level 5, Tower Three International Towers Sydney, 300 Barangaroo Avenue, Barangaroo, NSW 2000, Australia	12,427,700	2.00
First Sentier Investors (Australia) RE Limited	Level 5, Tower Three International Towers Sydney, 300 Barangaroo Avenue, Barangaroo, NSW 2000, Australia	1,982,200	0.32
First Sentier Investors International IM Limited	23 St Andrew Square, Edinburgh, EH2 1BB, Scotland	705,900	0.11
First Sentier Investors (UK) IM Limited	23 St Andrew Square, Edinburgh, EH2 1BB, Scotland	1,753,382	0.28

(7) Status of voting rights

1) Shares issued

(As of December 31, 2024)

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 34,464,500	–	Standard common shares of the Company without any restriction
Shares with full voting rights (Other)	Common shares 586,136,200	5,861,362	Same as above
Shares less than one unit	Common shares 233,619	–	Same as above
Total shares issued	620,834,319	–	–
Total voting rights held by all shareholders	–	5,861,362	–

Notes: 1. "Shares less than one unit" include 82 shares of treasury shares held by the Company.

2. On January 1, 2025, the Company split its common shares at a ratio of three-for-one. The above numbers are based on the number of shares before this stock split.

2) Treasury shares, etc.

(As of December 31, 2024)

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	34,464,500	–	34,464,500	5.55
Total	–	34,464,500	–	34,464,500	5.55

Note: On January 1, 2025, the Company split its common shares at a ratio of three-for-one. The above numbers are based on the number of shares before this stock split.

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 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 (Note 3)	3,898,400	18,999,667,666
Total number and value of remaining shares subject to the resolution	601,600	332,334
Percentage of un-exercised acquisition as of the last day of the fiscal year under review (%)	13.37	0.00
Treasury shares acquired during the period	–	–
Ratio of un-exercised acquisition as of the date of filing (%)	13.37	0.00

Classification	Number of shares (Shares)	Total amount (Yen)
Resolution at the Board of Directors meeting (February 13, 2025) (Period of acquisition: From February 14, 2025 to December 18, 2025)	25,000,000	22,000,000,000
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	2,436,400	2,783,200,660
Ratio of un-exercised acquisition as of the date of filing (%)	90.25	87.35

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, 2025 to the filing date of this Annual Securities Report.

3. On January 1, 2025, the Company split its common shares at a ratio of three-for-one. The above figures for treasury shares acquired during the fiscal year under review are the ones before this stock split.

(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	169	863,022
Treasury shares acquired during the period	1,004	1,269,442

Notes: 1. Treasury shares acquired during the period does not include the number of shares less than one unit purchased during the period from March 1, 2025 to the filing date of this Annual Securities Report.

2. On January 1, 2025, the Company split its common shares at a ratio of three-for-one. Therefore, the above figure for treasury shares acquired during the fiscal year under review is the one before the stock split, and the figure for treasury shares acquired during the period is the one after the split.

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	44,080	115,291,440
Treasury shares acquired during the period	7,020	5,743,440

Notes: 1. The treasury shares acquired during the fiscal year under review was acquired through the restricted share-based remuneration plan.

2. On January 1, 2025, the Company split its common shares at a ratio of three-for-one. Therefore, the above figure for treasury shares acquired during the fiscal year under review is the one before the stock split, and the figure for treasury shares acquired during the period is the one after the split.

(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)	83,840	275,498,240	–	–
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)	34,464,582	–	105,838,170	–

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: 83,840, total disposition amount: ¥275,498,240).

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, 2025 to the filing date of this Annual Securities Report.

3. On January 1, 2025, the Company split its common shares at a ratio of three-for-one. Therefore, the above figure for treasury shares acquired during the fiscal year under review is the one before the stock split, and the figure for treasury shares acquired during the period is the one after the split.

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 interim period and the end of the fiscal year.

The annual dividend for the fiscal year under review was ¥44, comprising a year-end dividend of ¥22 per share, in addition to a ¥22 per share dividend for the end of the interim period. This is the 23rd consecutive period of an increase in dividends, with a dividend on equity attributable to owners of parent (DOE) being 3.5%.

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, 2024 are as follows:

Date of resolution	Total dividend amount (Millions of Yen)	Dividend per share (Yen)
August 6, 2024	12,901	22.0
February 13, 2025	12,900	22.0

Note: Effective January 1, 2025, the Company split its common shares at a ratio of three-for-one. Cash dividends per share by the resolution at the meetings of the Board of Directors held on August 6, 2024, and February 13, 2025 are the cash dividend amounts before the stock split.

4. Corporate governance

(1) Overview of corporate governance

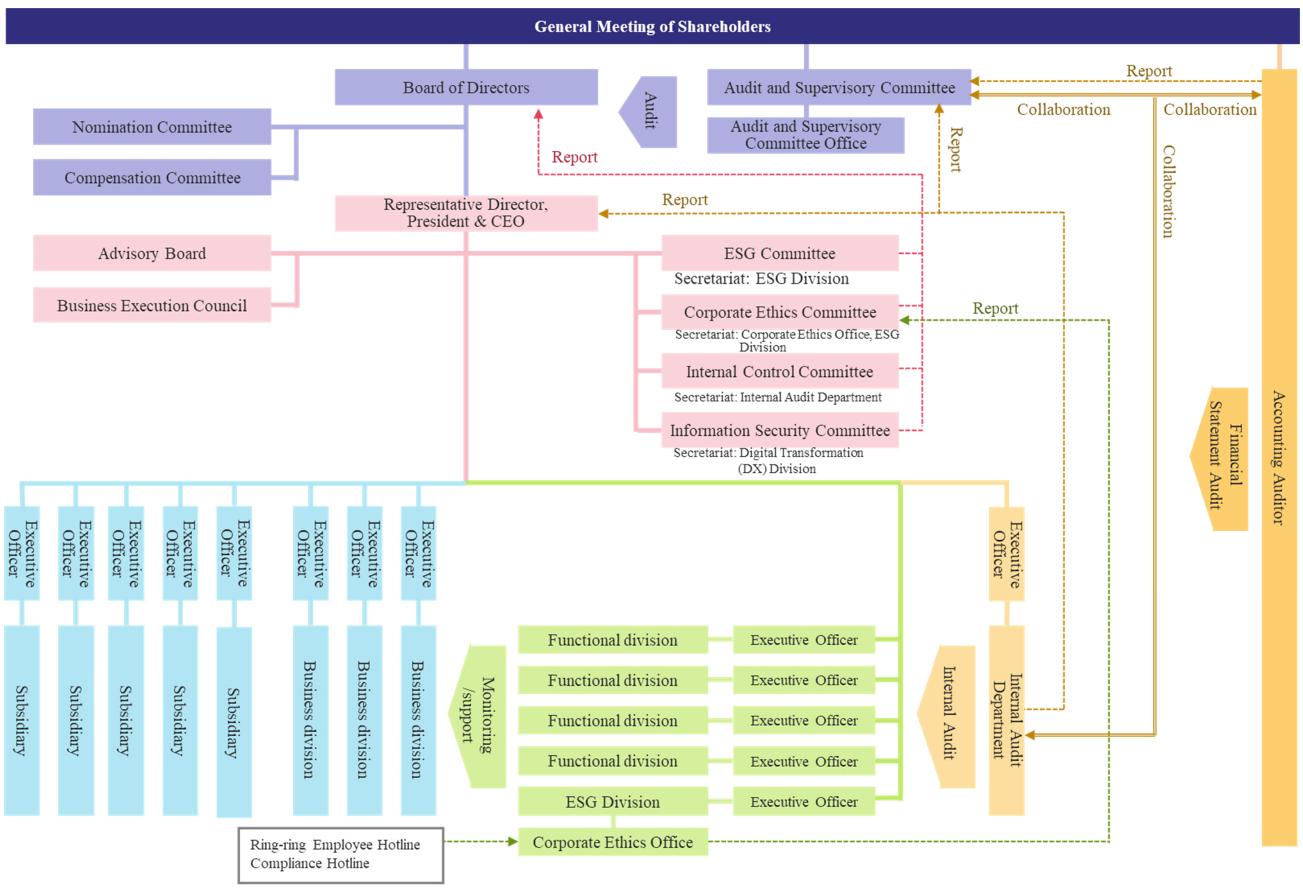
1) Basic corporate governance policy

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, and by offering advice from various internal and external perspectives.

Members	Representative Director	Takahisa Takahara	(Chairperson)
	Director	Kenji Takaku	
	Director	Tetsuya Shite	
	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	Number of meetings attended
Takahisa Takahara	9 times	9 times (100%)
Toshifumi Hikosaka	9 times	9 times (100%)
Kenji Takaku	9 times	9 times (100%)
Hiroaki Sugita	9 times	9 times (100%)
Noriko Rzonca	9 times	9 times (100%)
Shigeru Asada	9 times	9 times (100%)

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	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%)

<Reasons for adopting the system>

(Role of the Board of Directors)

The Company believes that the following functions performed by the Board of Directors will lead to the establishment of an environment where the management can make appropriate decisions at the right time, and eventually to greater corporate value.

- Decision-making on medium- to long-term directions
- Offering advice to the management from various internal and external perspectives
- Supervising transparent and fair decision-making processes through major decision-making in business execution and deliberations on reported matters

The Company has Internal Directors and Executive Officers who on the whole are highly skilled professionals in its business domains. With the premise that these Internal Directors and Executive Officers have technical discussions, the Board of Directors supervises each of the discussion processes. It also makes decisions on medium- to long-term directions and offers advice from various perspectives, thereby performing the functions in its role.

(Composition of the Board of Directors)

The Board of Directors is composed to be an appropriate size in order to ensure thorough deliberations so that it plays the role stated above. The Company focuses on appointing Outside Directors whose forte is in the fields that are strategically important for the Company, and whose advice offered from an external perspective has particularly great significance. We also believe that having a certain proportion of Internal Directors appointed prevents any impediment to proper risk-taking and an incentive to provide information to the Board of Directors, leading to stronger decision-making and advisory functions. We focus on supervising the transparency and fairness of our decision-making process to establish suitable supervision by Internal Directors and Outside Directors in collaboration.

(Audit and Supervisory Committee)

A company with audit and supervisory committee is where Audit and Supervisory Committee Members are involved in decision-making and offering advice as Directors. The Company has decided that having the committee is right for it because the system is suitable for the Board of Directors to supervise transparent and fair decision-making processes. The Company's Articles of Incorporation do not prescribe that major decision-making in business execution may be delegated to Directors according to Article 399-13, Paragraph 6 of the Companies Act, and thus any major decision-making in business execution is proposed to the Board of Directors.

(Nomination Committee and Compensation Committee)

The Company has voluntarily established the Nomination Committee and the Compensation Committee to ensure transparency and objectivity in the nomination of candidates for Directors and Executive Officers and in the determination of their compensation. To prevent any impediment to proper risk-taking and an incentive to provide information to the Board of Directors while ensuring the transparency and objectivity of appointment and remuneration, we have decided that the current Committee chaired by an Outside Director has the right composition, with Internal Directors and Outside Directors comprising 50% each.

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)	11,535.4
Director, Senior Management, Marketing, Sales, Co-Chief Marketing Officer (CMO)	Kenji Takaku	October 5, 1960	April 1983 April 1997 October 2000 April 2002 October 2005 April 2008 December 2014 July 2017 January 2022 March 2023 July 2023 January 2024 January 2025	Joined the Company Marketing Director of Sanitary Business Group, Marketing Division Director of Marketing Department, Baby Care Business Division Deputy Managing Director and General Manager of Marketing Department, Shanghai Unicharm Co., Ltd. Deputy General Manager of Global Marketing Division and Department Manager of Feminine Care SBU Executive Officer and General Manager of Global Marketing Division Managing Executive Officer and General Manager of Global Marketing Division, Country President, UNICHARM DO BRASIL INDÚSTRIA E COMÉRCIO DE PRODUTOS DE HIGIENE LTDA. Managing Executive Officer, Managing Director, Unicharm India Private Ltd. Senior Managing Executive Officer, Co-Chief Marketing Officer (CMO), Chairman, Unicharm India Private Ltd., Responsible for Unicharm Gulf Hygienic Industries Co. Ltd. and Unicharm Middle East & North Africa Hygienic Industries Company S.A.E. Director, Senior Managing Executive Officer, Marketing, Sales Director, Senior Managing Executive Officer, Responsible for Lifetime Value Promotion Department Director, Senior Managing Executive Officer, Responsible for Uni-Charm Corporation Sdn. Bhd. Director, Senior Management, Co-Chief Marketing Officer (CMO), Marketing, Sales (to present)	(Note 2)	91.8

Title	Name	Date of birth	Career profile		Term of office	Number of shares owned (Thousands)
Director, Senior Managing Executive Officer, Co-Chief Inclusion Officer (CIO)	Tetsuya Shite	August 16, 1962	April 1985	Joined the Company	(Note 2)	55.2
			April 1993	Sales Division, Sales Planning Department		
			April 2010	Deputy General Manager of Global Human Resources & Administration Division		
			January 2016	Executive Officer, General Manager of Global Human Resources & Administration Division		
			January 2019	Executive Officer, General Manager of Global Human Resources & Administration Division, General Manager of CSR Division, Department Manager of Corporate Ethics Office		
			January 2021	Managing Executive Officer, Chief Quality Officer (CQO), General Manager of Global Human Resources & Administration Division, Responsible for ESG Division, Customer Communication Center and Global Quality Assurance Department		
			January 2022	Senior Managing Executive Officer, Co-Chief Inclusion Officer (CIO), General Manager of Corporate Planning Division, Responsible for Customer Communication Center and Global Quality Assurance Department		
			January 2024	Senior Managing Executive Officer, Co-Chief Inclusion Officer (CIO), General Manager of Global Human Resources & Administration Division, Responsible for Secretary Office (to present)		
			March 2025	Director, Senior Managing Executive Officer, Co-Chief Inclusion Officer (CIO) (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)	18.0
			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)		
			October 2024	Independent Director, Luup, Inc. (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 May 2005 June 2006 May 2008 September 2008 May 2014 May 2015 November 2017 June 2019 April 2020 April 2021 November 2021 April 2022 March 2023	Joined Allstate Insurance Company in the U.S. Associate Market Manager at Marketing Analytics, W.W. Grainger, Inc. in the U.S. Deputy Head of Marketing Business Analytics, CFJ G.K. Head of Consumer Marketing Business Analytics Department, Nikko Citi Business Services Inc. (currently Citigroup Services Japan G.K.) Vice President of Decision Management at Retail Banking Division, Citibank Japan Ltd. (dissolved in October 2017) Marketing Director, Aegon Direct and Affinity Marketing Services Co., Ltd. (currently Aegon Insight Japan Co., Ltd.) AVP, Head of Advanced Data Analytics Department, MetLife Insurance K.K. Executive Officer, Head of Data Analytics Department and Responsible for CX Design Department, Sony Bank Incorporated Executive Officer, Head of Marketing Science Department and Responsible for Content Planning Department Executive Officer, Responsible for DX Strategy Department and Content Planning Department Executive Officer, Head of Content Planning Department and Responsible for DX Strategy Department Executive Officer, Chief Digital Officer (CDO), Head of Corporate DX Strategy Department, Cosmo Energy Holdings Co., Ltd. Senior Executive Officer, Chief Digital Officer (CDO), Responsible for Corporate DX Strategy Department, Corporate Communication Department, and IT Initiative Department (to present) Outside Director of the Company (Audit and Supervisory Committee Member) (to present)	(Note 3)	6.0

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. (Dissolved in September 2023) 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)	6.0
Total						11,712.4

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 19, 2025

3. For two years from the conclusion of the Ordinary General Meeting of Shareholders held on March 19, 2025

4. On January 1, 2025, the Company split its common shares at a ratio of three-for-one. The numbers of shares of the Company owned are the ones after this stock split.

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.

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	11 times	11 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

2 years

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 21 Certified Public Accountants and 60 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. Based on this policy, the Company determined that it is appropriate to reappoint KPMG AZSA LLC as Accounting Auditor for the fiscal year under review.

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

VI Evaluation of the auditing firm by the Audit and Supervisory Committee

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

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	128	–	179	–
Consolidated subsidiaries	8	–	14	–
Total	136	–	194	–

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	–	17	–	20
Consolidated subsidiaries	269	7	285	6
Total	269	24	285	25

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

III Contents of remuneration for other important audit certification services

This information has been omitted as there is no material remuneration to be disclosed.

IV Policy on determining the audit fee

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

V The Audit and Supervisory Committee's reason for agreeing to the remuneration, etc. for Accounting Auditor

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

(4) Remuneration paid to Executives

1. 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%.

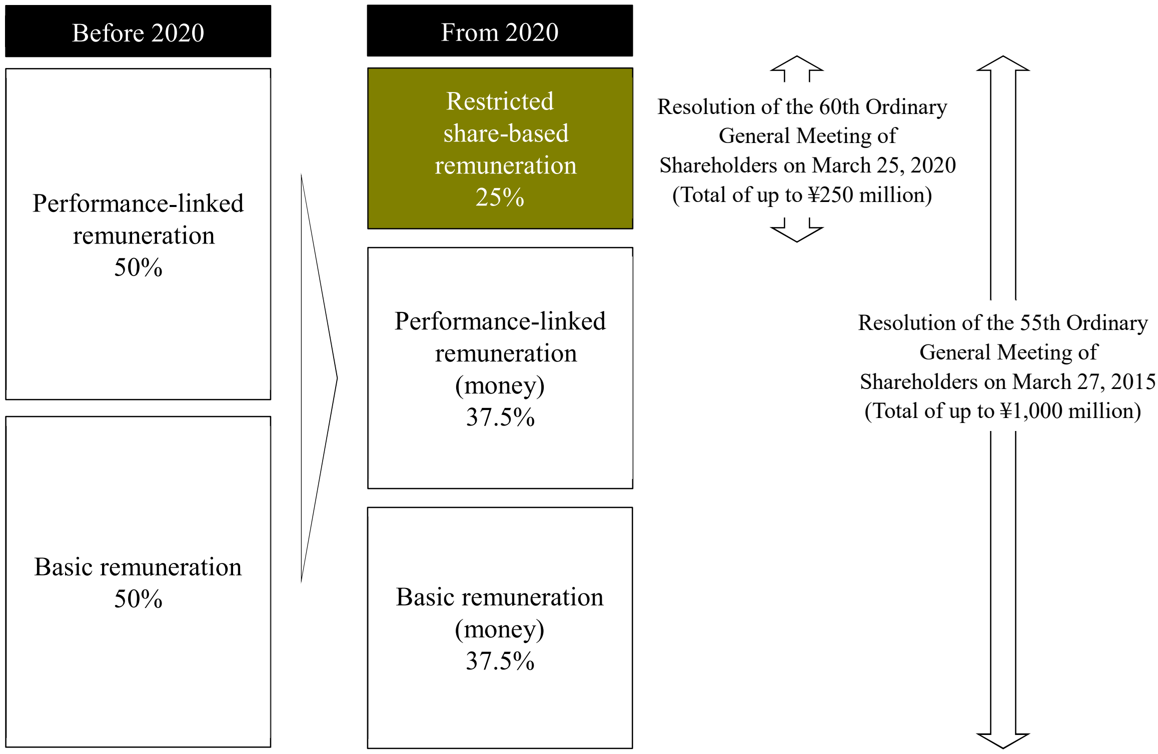
2. Overview of the policies for determining individual executive remuneration

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. As part of this effort, 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; and selected for Noteworthy DX Companies 2023 as part of the selection of DX Stocks 2023. Both have enhanced our corporate value. In 2024, the Company was selected as a component stock of all ESG indices applied by the GPIF, an SX (Sustainability Transformation) Brand, an Environmentally Sustainable Company for the 5th ESG Finance Awards Japan, and a component stock of the Sompo Sustainability Index, and was recognized as a BEST WORKPLACE by D&I AWARD 2024 for the third time, 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%	¥1,006,000 million (+6.8% YoY)	¥988,981 million (+5.0% YoY)	98.3%
		1-2	Company-level core operating income		¥144,000 million (+12.5% YoY)	¥138,463 million (+8.2% YoY)	96.2%
		1-3	Profit attributable to owners of parent		¥90,000 million (+4.6% YoY)	¥81,842 million (-4.9% YoY)	90.9%
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

<table>
<tr><th rowspan="3">Category</th><th rowspan="3">Total remuneration (Millions of Yen)</th><th colspan="3">Total remuneration by remuneration type (Millions of Yen)</th><th rowspan="3">Number of Executives (Persons)</th></tr>
<tr><th rowspan="2">Basic remuneration</th><th rowspan="2">Performance-linked remuneration</th><th>Non-monetary remuneration</th></tr>
<tr><th>Restricted share-based remuneration</th></tr>
<tr><td>Directors (excluding Directors who are Audit and Supervisory Committee Members) (excluding Outside Directors)</td><td>557</td><td>194</td><td>194</td><td>170</td><td>3</td></tr>
<tr><td>Directors (Audit and Supervisory Committee Members) (excluding Outside Directors)</td><td>8</td><td>8</td><td>–</td><td>–</td><td>1</td></tr>
<tr><td>Outside Directors</td><td>21</td><td>21</td><td>–</td><td>–</td><td>2</td></tr>
</table>

Notes: 1. The total amount of remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members) includes the expense of ¥170 million recorded in relation to restricted share-based remuneration that was granted to three Directors (excluding Directors who are Audit and Supervisory Committee Members).

2. 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

<table>
<tr><th rowspan="3">Name</th><th rowspan="3">Category</th><th rowspan="3">Company</th><th colspan="3">Total remuneration by remuneration type (Millions of Yen)</th><th rowspan="3">Total amount of consolidated remuneration (Millions of Yen)</th></tr>
<tr><th rowspan="2">Basic remuneration</th><th rowspan="2">Performance-linked remuneration</th><th>Non-monetary remuneration</th></tr>
<tr><th>Restricted share-based remuneration</th></tr>
<tr><td>Takahisa Takahara</td><td>Representative Director, President & CEO</td><td>The Company</td><td>150</td><td>120</td><td>130</td><td>400</td></tr>
</table>

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	13	302
Equity securities other than unlisted equity securities	22	15,640

(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	813

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, 2024 Number of shares (Shares) Amount recorded in the balance sheet (Millions of Yen)	Fiscal Year Ended December 31, 2023 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
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
	6,022	5,112		
Mitsubishi UFJ Financial Group, Inc.	904,500	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
	1,669	1,095		
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
	1,562	964		
ARATA CORPORATION	451,090	451,090	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
	1,430	1,403		
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
	1,253	1,769		
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
	974	756		
AEON CO., LTD.	252,824	249,835	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
	934	787		

Shares	Fiscal Year Ended December 31, 2024 Number of shares (Shares) Amount recorded in the balance sheet (Millions of Yen)	Fiscal Year Ended December 31, 2023 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
FP Corporation	159,000 444	159,000 472	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
PLANET, INC.	300,800 376	300,800 368	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
TSURUHA HOLDINGS INC.	20,000 175	20,000 259	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
CREATE SD HOLDINGS CO., LTD.	60,000 169	60,000 184	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
Valor Holdings Co., Ltd.	59,504 130	59,504 145	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
MatsukiyoCocokara & Co.	51,000 118	51,000 127	The issuer engages in product sales transactions and the Company holds the shares for the purpose of facilitating business activities and maintaining and strengthening the trade relations.	No
CB GROUP MANAGEMENT Co., Ltd.	20,042 102	19,708 97	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
KOHNAN SHOJI Co., Ltd.	20,000 72	20,000 79	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

Shares	Fiscal Year Ended December 31, 2024 Number of shares (Shares) Amount recorded in the balance sheet (Millions of Yen)	Fiscal Year Ended December 31, 2023 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
ECHO TRADING CO., LTD.	55,000 51	55,000 77	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 51	20,000 53	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 51	26,400 60	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 19	598,400 14	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
BABY JOB Inc.	155,780 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.	6,895 12	6,611 10	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.	10,491 9	9,840 10	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

<table>
<tr><td rowspan="3">Shares</td><td>Fiscal Year Ended December 31, 2024</td><td>Fiscal Year Ended December 31, 2023</td><td rowspan="3">Holding purpose, overview of business alliance, etc., quantitative effect of holding and reason for increase in the number of shares</td><td rowspan="3">Cross-holding of the Company’s shares</td></tr>
<tr><td>Number of shares (Shares)</td><td>Number of shares (Shares)</td></tr>
<tr><td>Amount recorded in the balance sheet (Millions of Yen)</td><td>Amount recorded in the balance sheet (Millions of Yen)</td></tr>
<tr><td rowspan="2">Mitsui Chemicals, Inc.</td><td>–</td><td>237,800</td><td rowspan="2">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.</td><td rowspan="2">Yes</td></tr>
<tr><td>–</td><td>1,018</td></tr>
</table>

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 2024 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, 2023	
	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	21,710	2	18,377

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	574	–	(4,589)

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 312 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, 2024 (January 1, 2024 – December 31, 2024) were audited by KPMG AZSA LLC, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

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

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

(1) The Company has become a member of the Financial Accounting Standards Foundation (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, 2023 (as of December 31, 2023)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
Assets			
Current assets			
Cash and cash equivalents	7, 32	253,770	261,054
Trade and other receivables	8, 32	151,561	168,631
Inventories	9	102,965	121,133
Other current financial assets	32	107,194	107,695
Other current assets		23,412	12,528
Total current assets		638,902	671,040
Non-current assets			
Property, plant and equipment	10, 12	285,585	293,230
Intangible assets	11	95,727	101,091
Deferred tax assets	15	13,894	16,263
Investments accounted for using equity method	14	18,165	18,649
Other non-current financial assets	32	72,486	117,571
Other non-current assets	19	8,868	22,129
Total non-current assets		494,726	568,933
Total assets		1,133,627	1,239,973

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	18, 32	210,965	231,399
Borrowings	16, 32	14,977	20,994
Income tax payables		15,607	17,020
Other current financial liabilities	17, 32	6,362	7,367
Other current liabilities	20	22,164	24,806
Total current liabilities		270,073	301,585
Non-current liabilities			
Borrowings	16, 32	13,588	5,857
Deferred tax liabilities	15	18,025	14,051
Retirement benefit liabilities	19	12,340	13,490
Other non-current financial liabilities	17, 32	25,084	25,765
Other non-current liabilities		6,267	5,514
Total non-current liabilities		75,304	64,678
Total liabilities		345,377	366,263
Equity			
Equity attributable to owners of parent			
Capital stock	21	15,993	15,993
Share premium	21	10,259	11,405
Retained earnings	21	710,792	766,342
Treasury shares	21	(100,572)	(119,412)
Other components of equity	21	59,246	98,734
Total equity attributable to owners of parent		695,719	773,062
Non-controlling interests		92,531	100,649
Total equity		788,250	873,711
Total liabilities and equity		1,133,627	1,239,973

2) Consolidated statements of income and comprehensive income

Consolidated statement of income

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Net sales	6, 23	941,790	988,981
Cost of sales	25	(590,261)	(599,072)
Gross profit		351,528	389,909
Selling, general and administrative expenses	24, 25	(223,555)	(251,446)
Other income	26	8,655	1,872
Other expenses	13, 14, 26	(5,920)	(5,572)
Financial income	27	6,603	9,716
Financial costs	27	(5,004)	(9,942)
Profit before tax		132,308	134,537
Income tax expenses	15	(34,326)	(39,309)
Profit for the period		97,982	95,227
Profit attributable to			
Owners of parent		86,053	81,842
Non-controlling interests		11,929	13,386
Profit for the period		97,982	95,227
Earnings per share attributable to owners of parent			
Basic earnings per share (Yen)	29	48.47	46.41
Diluted earnings per share (Yen)	29	–	–

Reconciliation of changes from gross profit to core operating income

(Millions of Yen)

Gross profit	351,528	389,909
Selling, general and administrative expenses	(223,555)	(251,446)
Core operating income	127,974	138,463

Consolidated statement of comprehensive income

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Profit for the period		97,982	95,227
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	3,180	2,191
Remeasurements related to net defined benefit liabilities (assets)	28	3,050	(1,806)
Subtotal		6,230	385
Items that may be reclassified to profit or loss			
Net changes in debt instruments measured at fair value through other comprehensive income	28	(57)	(131)
Changes in fair value of cash flow hedges	28	3	0
Exchange differences on translation in foreign operations	28	33,204	42,759
Share of other comprehensive income of investments accounted for using equity method	14, 28	806	1,507
Subtotal		33,955	44,136
Total other comprehensive income, net of tax		40,185	44,521
Total comprehensive income		138,167	139,749
Total comprehensive income attributable to			
Owners of parent		120,371	119,743
Non-controlling interests		17,796	20,006
Total comprehensive income		138,167	139,749

3) Consolidated statement of changes in equity

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

Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)

(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, 2024		15,993	10,259	710,792	(100,572)	59,246	695,719	92,531	788,250
Profit for the period		–	–	81,842	–	–	81,842	13,386	95,227
Other comprehensive income	28	–	–	–	–	37,901	37,901	6,620	44,521
Total comprehensive income		–	–	81,842	–	37,901	119,743	20,006	139,749
Purchase of treasury shares	21	–	–	–	(19,001)	–	(19,001)	–	(19,001)
Dividends	22	–	–	(24,705)	–	–	(24,705)	(12,000)	(36,706)
Equity transactions with non-controlling interests		–	37	–	–	–	37	112	149
Share-based payment transactions	21	–	1,109	–	160	–	1,269	–	1,269
Transfer from other components of equity to retained earnings	21	–	–	(1,587)	–	1,587	–	–	–
Total transactions with owners		–	1,146	(26,292)	(18,840)	1,587	(42,400)	(11,889)	(54,288)
Balance at December 31, 2024		15,993	11,405	766,342	(119,412)	98,734	773,062	100,649	873,711

4) Consolidated statement of cash flows

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Cash flows from operating activities			
Profit before tax		132,308	134,537
Depreciation and amortization expenses		43,253	46,538
Impairment losses		3,560	912
Interest income		(5,758)	(8,768)
Dividend income		(831)	(948)
Interest expenses		3,195	2,864
Foreign exchange loss (gain)		458	2,394
Loss (gain) on sale and retirement of fixed assets		686	785
Decrease (increase) in trade and other receivables		8,268	(9,381)
Decrease (increase) in inventories		20,694	(12,127)
Increase (decrease) in trade and other payables		(9,354)	15,718
Increase (decrease) in other current liabilities		317	4,341
Decrease (increase) in other non-current assets		(879)	(128)
Other, net		3,298	1,012
Subtotal		199,214	177,749
Interest received		5,641	8,431
Dividends received		871	985
Interest paid		(3,172)	(2,673)
Income taxes refund		868	1,103
Income taxes paid		(41,007)	(48,496)
Net cash provided by (used in) operating activities		162,415	137,099

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Cash flows from investing activities			
Payments into time deposits		(129,921)	(188,389)
Proceeds from withdrawal of time deposits		129,900	182,398
Purchase of property, plant and equipment, and intangible assets		(38,412)	(39,326)
Proceeds from sale of property, plant and equipment, and intangible assets		802	76
Long-term loan advances		(39)	(47)
Purchase of financial assets		(47,314)	(68,320)
Proceeds from sale and redemption of financial assets		28,020	39,484
Purchase of shares of subsidiaries and associates		(11,117)	–
Other, net		554	286
Net cash provided by (used in) investing activities		(67,527)	(73,838)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	16	(428)	(5,577)
Proceeds from long-term borrowings	16	–	2,901
Repayments of long-term borrowings	16	–	(1,213)
Repayments of lease liabilities		(6,728)	(7,194)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation		(12,090)	–
Payments for purchase of treasury shares	21	(17,004)	(19,001)
Dividends paid to owners of parent		(23,095)	(24,704)
Dividends paid to non-controlling interests		(7,744)	(12,006)
Proceeds from share issuance to non-controlling interests		81	–
Net cash provided by (used in) financing activities		(67,007)	(66,794)
Effect of exchange rate changes on cash and cash equivalents		8,736	10,816
Net increase (decrease) in cash and cash equivalents		36,617	7,284
Cash and cash equivalents at beginning of period	7	217,153	253,770
Cash and cash equivalents at end of period	7	253,770	261,054

Notes to the consolidated financial statements

1. Reporting entity

The Group is engaged in the manufacture and sale of wellness care, feminine care, baby care and other products of personal care business, and pet care products, which are its mainstay business lines, with core operations in the Asian markets. The Group is strengthening its global production facilities in response to growing demand for 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 312 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 19, 2025.

(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) Early adoption of new accounting standards

There are no accounting standards, etc. early adopted.

(5) Changes in the presentation method

(Consolidated statement of financial position)

Receivables such as interest receivable were included in "other current assets" in the fiscal year ended December 31, 2023, but from the fiscal year ended December 31, 2024, they are included in "other financial assets" to present the actual situation more clearly. As a result, "other financial assets" of ¥106,445 million and "other current assets" of ¥24,160 million presented under current assets in the fiscal year ended December 31, 2023, have been restated as "other financial assets" of ¥107,194 million and "other current assets" of ¥23,412 million.

Liabilities related to sales promotion expenses, advertising expenses, and labor costs, etc., which were included in "other current liabilities" in the fiscal year ended December 31, 2023, are now included in "trade and other payables" to present the actual situation more clearly: from the first quarter of the fiscal year ended December 31, 2024; for liabilities related to sales promotion expenses, and; from the fiscal year ended December 31, 2024, for those related to advertising expenses and labor costs, etc. As a result, "trade and other payables" of ¥168,867 million and "other current liabilities" of ¥64,261 million presented under current liabilities in the fiscal year ended December 31, 2023, have been restated as "trade and other payables" of ¥210,965 million and "other current liabilities" of ¥22,164 million.

(Consolidated statement of cash flows)

Liabilities related to sales promotion expenses, advertising expenses, and labor costs, etc., which were included in "increase (decrease) in other current liabilities" under cash flows from operating activities in the fiscal year ended December 31, 2023, are now included in "increase (decrease) in trade and other payables" to present the actual situation more clearly: from the first quarter of the fiscal year ended December 31, 2024, for liabilities related to sales promotion expenses, and; from the fiscal year ended December 31, 2024, for those related to advertising expenses and labor costs, etc. As a result, ¥(12,330) million presented as "increase (decrease) in trade and other payables" and ¥3,293 million presented as "increase (decrease) in other current liabilities" under cash flows from operating activities in the fiscal year ended December 31, 2023, have been restated as "increase (decrease) in trade and other payables" of ¥(9,354) million and "increase (decrease) in other current liabilities" of ¥317 million.

"Purchase of financial assets measured at amortized cost," "purchase of financial assets measured at fair value through profit or loss," "purchase of equity instruments measured at fair value through other comprehensive income," and "purchase of debt instruments measured at fair value through other comprehensive income," which were presented separately under cash flows from investing activities in the fiscal year ended December 31, 2023, have been combined and presented as "purchase of financial assets" from the six months ended June 30, 2024 in order to clarify the presentation. In addition, "proceeds from sale and redemption of financial assets measured at amortized cost," "proceeds from sale and redemption of financial assets measured at fair value through profit or loss," "proceeds from sale and redemption of equity instruments measured at fair value through other comprehensive income," and "proceeds from sale and redemption of debt instruments measured at fair value through other comprehensive income," which were presented separately under cash flows from investing activities in the fiscal year ended December 31, 2023, have been combined and presented as "proceeds from sale and redemption of financial assets" from the six months ended June 30, 2024 in order to clarify the presentation. To reflect these changes in presentation, the consolidated financial statements for the fiscal year ended December 31, 2023 have been restated. As a result, in the consolidated statement of cash flows for the fiscal year ended December 31, 2023, "purchase of financial assets measured at fair value through profit or loss" of ¥(23,158) million, "purchase of equity instruments measured at fair value through other comprehensive income" of ¥(16) million, and "purchase of debt instruments measured at fair value through other comprehensive income" of ¥(24,140) million under cash flows from investing activities were reclassified as "purchase of financial assets" of ¥(47,314) million under cash flows from investing activities. In addition, in the consolidated statement of cash flows for the fiscal year ended December 31, 2023, "proceeds from sale and redemption of financial assets measured at amortized cost" of ¥7,900 million, "proceeds from sale and redemption of financial assets measured at fair value through profit or loss" of ¥9,000 million, "proceeds from sale and redemption of equity instruments measured at fair value through other comprehensive income" of ¥120 million, and "proceeds from sale and redemption of debt instruments measured at fair value through other comprehensive income" of ¥11,000 million under cash flows from investing activities were reclassified as "proceeds from sale and redemption of financial assets" of ¥28,020 million under cash flows from investing activities.

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 is 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 is 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 is 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. Cost is primarily calculated by the gross average method. 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 – 22 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, and baby 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

The adoption of IFRS 18 "Presentation and Disclosure in Financial Statements" issued in April 2024 will be mandatory for fiscal years beginning on or after January 1, 2027, and the Group plans to adopt this standard from the fiscal year ending December 31, 2027. IFRS 18 replaces IAS 1 "Presentation of Financial Statements," which will be repealed.

IFRS 18 establishes new provisions for the presentation and disclosure of financial results, primarily in the statements of net income. IAS 7 "Statement of Cash Flows" has also been revised in conjunction with the issuance of IFRS 18.

We are currently reviewing the impact of the adoption of these standards on the consolidated financial statements.

We have also determined that no other accounting standards, etc., not yet adopted have a material impact on the Group's consolidated financial statements.

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, and baby care products. In the pet care business, the Group manufactures and sells pet food products and pet toiletry products. In other businesses, the Group manufactures and sells industrial materials related products, etc. The accounting policies for the reportable segments are the same as for the consolidated financial statements.

(Matters related to changes in reportable segments)

From the six months ended June 30, 2024, the paper-related business operated by some of our overseas Group companies, which was previously included in the “personal care business,” is now included in the “other businesses” due to a review of performance management categories within the Group.

The segment information for the fiscal year ended December 31, 2023 is disclosed based on the reportable segments classification after the change.

(2) Sales and results by reportable segment

Sales and results by reportable segment are as follows.

(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	789,238	139,446	13,106	941,790	–	941,790
Sales across segments (Note)	–	–	357	357	(357)	–
Total segment sales	789,238	139,446	13,463	942,147	(357)	941,790
Segment profit (Core operating income)	103,368	23,083	1,522	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	38,503	4,104	646	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

(Millions of Yen)

	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)					
	Reportable segments				Adjustments	Amounts reported in consolidated financial statements
	Personal care	Pet care	Other	Total		
Sales to external customers	826,100	148,673	14,208	988,981	–	988,981
Sales across segments (Note)	–	–	114	114	(114)	–
Total segment sales	826,100	148,673	14,322	989,095	(114)	988,981
Segment profit (Core operating income)	110,883	25,840	1,740	138,463	–	138,463
Other income						1,872
Other expenses						(5,572)
Financial income						9,716
Financial costs						(9,942)
Profit before tax						134,537
Others						
Depreciation and amortization expenses	40,764	5,081	693	46,538	–	46,538
Impairment losses	734	178	–	912	–	912
Increase in property, plant and equipment and intangible assets	33,841	10,005	636	44,483	–	44,483

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, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Japan	321,847	339,922
China	106,743	107,324
Asia	331,409	335,790
Other	181,790	205,944
Total	941,790	988,981

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, 2023 (as of December 31, 2023)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
Japan	127,616	122,649
China	40,504	41,236
Asia	159,824	188,681
Other	58,460	62,182
Total	386,404	414,747

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, 2023 (as of December 31, 2023)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
Cash and deposits	334,375	353,942
Time deposits with maturities over three months	(80,605)	(92,888)
Total	253,770	261,054

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, 2023 (as of December 31, 2023)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
Notes and accounts receivable - trade	152,306	169,491
Accounts receivable - other	2,255	2,631
Allowance for doubtful accounts	(3,000)	(3,491)
Total	151,561	168,631

9. Inventories

The details of inventories are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
Merchandise and finished goods	54,331	66,082
Raw materials and supplies	47,678	53,041
Work in process	956	2,010
Total	102,965	121,133

The amount of inventories recognized as an expense is primarily included in cost of sales.

The write-down of inventories recognized as an expense totaled ¥722 million and ¥751 million for the previous fiscal year and the fiscal year under review, respectively, which is included in the amount of inventories recognized as an expense above.

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, 2023 (as of December 31, 2023)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
Property, plant and equipment	251,507	258,730
Right-of-use assets	34,078	34,501
Total	285,585	293,230

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, as well as the carrying amounts, are as follows.

(Millions of Yen)

Cost	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance at January 1, 2023	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
Purchase	211	1,810	–	29,211	1,351	32,583
Reclassification, etc.	13,031	21,801	–	(39,249)	1,710	(2,707)
Disposal	(333)	(8,848)	–	(16)	(889)	(10,086)
Effect of exchange rate changes	8,186	22,603	328	65	2,139	33,321
Balance at December 31, 2024	196,527	453,198	19,177	10,736	38,033	717,672

(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, 2023	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
Depreciation	7,004	22,693	–	–	2,695	32,392
Impairment losses	122	83	–	–	–	205
Reclassification, etc.	(1)	(50)	–	–	(59)	(110)
Disposal	(293)	(8,105)	–	–	(826)	(9,224)
Effect of exchange rate changes	3,978	16,950	–	–	1,696	22,625
Balance at December 31, 2024	97,950	331,283	15	–	29,694	458,942

(Millions of Yen)

Carrying amount	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance at January 1, 2023	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
Balance at December 31, 2024	98,577	121,915	19,162	10,736	8,339	258,730

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 and statement of intangible assets

Details of intangible assets, cost and changes in accumulated amortization and accumulated impairment losses of intangible assets, as well as the carrying amounts, are as follows.

(Millions of Yen)

Cost	Goodwill	Trademarks	Customer-related assets	Other	Total
Balance at January 1, 2023	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
Purchase	–	–	–	4,101	4,101
Reclassification, etc.	–	–	–	81	81
Disposal	–	–	–	(1,430)	(1,430)
Effect of exchange rate changes	5,885	3,757	4,850	1,443	15,936
Balance at December 31, 2024	61,131	46,629	45,011	41,026	193,796

(Millions of Yen)

Accumulated amortization and accumulated impairment losses	Goodwill	Trademarks	Customer-related assets	Other	Total
Balance at January 1, 2023	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
Amortization	–	759	2,167	4,151	7,078
Impairment losses	682	–	–	25	707
Reclassification, etc.	–	–	–	–	–
Disposal	–	–	–	(1,393)	(1,393)
Effect of exchange rate changes	413	3,505	2,068	946	6,932
Balance at December 31, 2024	11,015	32,984	24,566	24,140	92,705

(Millions of Yen)

Carrying amount	Goodwill	Trademarks	Customer-related assets	Other	Total
Balance at January 1, 2023	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
Balance at December 31, 2024	50,116	13,645	20,445	16,886	101,091

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 ¥1,660 million and ¥1,687 million as of the end of the previous fiscal year and the end of the fiscal year under review, respectively.

(2) 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 ¥15,578 million and ¥16,315 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 15 years and 14 years, respectively.

12. Right-of-use assets

Details of right-of-use assets, cost and changes in accumulated depreciation and accumulated impairment losses of right-of-use assets, as well as the carrying amounts, are as follows.

(Millions of Yen)

Cost	Buildings and structures	Machinery, equipment and vehicles	Land	Other	Total
Balance at January 1, 2023	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
Purchase	7,218	412	–	169	7,799
Other	(1,922)	(789)	643	(98)	(2,166)
Balance at December 31, 2024	53,052	1,863	8,579	503	63,996

(Millions of Yen)

Accumulated depreciation and accumulated impairment losses	Buildings and structures	Machinery, equipment and vehicles	Land	Other	Total
Balance at January 1, 2023	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
Depreciation	6,373	434	199	62	7,069
Other	(1,286)	(612)	159	(119)	(1,858)
Balance at December 31, 2024	26,458	1,162	1,702	174	29,496

(Millions of Yen)

Carrying amount	Buildings and structures	Machinery, equipment and vehicles	Land	Other	Total
Balance at January 1, 2023	25,449	971	7,639	352	34,412
Balance at December 31, 2023	26,385	899	6,593	202	34,078
Balance at December 31, 2024	26,594	701	6,877	329	34,501

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, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Goodwill	2,739	682
Property, plant and equipment	821	205
Intangible assets (other than goodwill)	–	25
Total impairment losses	3,560	912

(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, 2023 (January 1, 2023 – December 31, 2023)

The main impairment losses 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.

Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)

The main impairment losses 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., UNI-CHARM MALAYSIA TRADING SDN. BHD., etc., 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, as in the previous fiscal year, the carrying amount of “goodwill” related to the business in the country was reduced to the recoverable amount, and a reduction of ¥682 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 ¥9,713 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 (12.6%). The growth rate is estimated as 2.0% 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.

* Disposable Soft Goods (Malaysia) SDN BHD. changed its name to UNI-CHARM MALAYSIA TRADING SDN. BHD. as of January 29, 2024.

(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, 2023 (as of December 31, 2023)		Fiscal Year Ended December 31, 2024 (as of December 31, 2024)	
		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.	24,420	–	27,436	–
Vietnam	Diana Unicharm Joint Stock Company	16,765	–	18,698	–
Australia	Unicharm Australasia Holding Pty Ltd.	352	1,660	352	1,687
Malaysia	Uni-Charm Corporation Sdn. Bhd. DSG Malaysia Sdn. Bhd. UNI-CHARM MALAYSIA TRADING SDN. BHD.	1,942	–	1,784	–
Others		1,846	–	1,846	–
Total		45,325	1,660	50,116	1,687

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 (11.0-16.7% for the fiscal year ended December 31, 2023; 9.5-14.5% for the fiscal year ended December 31, 2024). 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 (1.9-3.4% for the fiscal year ended December 31, 2023; 2.0-3.4% for the fiscal year ended December 31, 2024).

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.

The ownership interest of Unicharm (China) Co., Ltd., a consolidated subsidiary fully owned by the Company, in Jiangsu Jijia Pet Products Co., Ltd., was 41.85% in both the previous fiscal year and 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)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
Current assets	12,071	9,158
Non-current assets	1,762	9,751
Current liabilities	5,592	8,558
Non-current liabilities	3,922	7,518
Total equity	4,320	2,833
The Group's share of total equity	1,808	1,186
Amounts equivalent to goodwill and consolidation adjustments	15,536	16,860
Carrying amount of investments	17,344	18,046

(Millions of Yen)

	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Net sales	24,672	39,704
Profit for the period	(215)	(1,896)
Other comprehensive income	205	321
Comprehensive income	(9)	(1,574)

The Group's equity

(Millions of Yen)

	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Profit for the period	(89)	(794)
Other comprehensive income	805	1,494
Comprehensive income	715	700

(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, 2023 (as of December 31, 2023)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
Investments accounted for using equity method	821	603

(Millions of Yen)

	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Share of profit (loss) of investments accounted for using equity method (Note)	(237)	(194)
Share of other comprehensive income of investments accounted for using equity method	1	14
Total	(235)	(180)

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, 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)

Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)

(Millions of Yen)

	January 1, 2024	Recognized as profit or loss	Recognized as other comprehensive income	Other	December 31, 2024
Deferred tax assets					
Accrued bonuses	1,422	(74)	–	19	1,367
Accrued sales promotion expenses	6,313	357	–	300	6,971
Retirement benefit liabilities	2,897	(852)	924	74	3,043
Tax loss carry-forwards	3,099	(73)	–	196	3,223
Share-based payment expenses	1,139	588	–	–	1,727
Other	22,653	2,039	0	–	24,692
Total deferred tax assets	37,524	1,986	924	589	41,023
Deferred tax liabilities					
Depreciation and amortization expenses	(6,207)	358	–	(464)	(6,313)
Net defined benefit asset	(1,185)	804	(166)	–	(548)
Equity instruments measured at fair value through other comprehensive income	(1,728)	–	(958)	162	(2,524)
Undistributed earnings	(19,720)	3,505	–	–	(16,215)
Intangible assets	(4,165)	424	–	(534)	(4,274)
Other	(8,650)	(287)	0	–	(8,937)
Total deferred tax liabilities	(41,656)	4,804	(1,124)	(836)	(38,811)
Net deferred tax assets (liabilities)	(4,131)	6,790	(200)	(247)	2,212

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, 2023 (as of December 31, 2023)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
Deductible temporary differences	68,561	66,007
Tax loss carry-forwards	32,468	31,447
Total	101,029	97,454

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, 2023 (as of December 31, 2023)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
In one year or less	425	–
After one year through five years	8,716	296
After five years	23,327	31,151
Total	32,468	31,447

Total temporary differences associated with investments in subsidiaries which are not recognized as deferred tax liabilities were ¥54,696 million and ¥84,276 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, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Current tax expenses	42,939	45,904
Deferred tax expenses	(8,613)	(6,595)
Total income tax expenses	34,326	39,309

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 ¥2,346 million and ¥777 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, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Effective statutory tax rate	30.6%	30.6%
Changes in unrecognized deferred tax assets	(1.6)%	(0.6)%
Dividend income, etc.	1.0%	1.5%
Lower income tax rates applicable to income in certain foreign countries	(4.1)%	(4.4)%
Effect of tax reforms	0.0%	0.0%
Tax credits	(1.2)%	(1.3)%
Tax effects on undistributed earnings	0.2%	2.6%
Other	1.0%	0.8%
Actual effective tax rate	25.9%	29.2%

(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, 2023	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
New borrowings	3,562	–	3,562	2,901	2,901	6,463
Transfer	–	11,526	11,526	(11,526)	(11,526)	–
Repayment	(9,139)	(1,213)	(10,352)	–	–	(10,352)
Effect of exchange rate changes	783	499	1,282	893	893	2,175
Balance at December 31, 2024	6,300	14,694	20,994	5,857	5,857	26,851
Average interest rate (Note 1)	7.47%	7.86%	–	6.09%	–	–
Maturity (Note 2)	–	–	–	2026 – 2027	–	–

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, 2023 (as of December 31, 2023)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
In one year or less	6,562	7,430
After one year through five years	17,239	18,417
After five years	8,976	9,129
Total	32,777	34,976
Future finance costs	2,817	3,520
Present value of lease liabilities	29,960	31,456
Average interest rate (Note)	2.14%	2.66%

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, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Short-term lease payments	286	265
Small lease payments	311	317

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, 2023 (as of December 31, 2023)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
Notes and accounts payable - trade	125,156	131,333
Accounts payable - other and accrued expenses	85,809	100,066
Total	210,965	231,399

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, 2023 (as of December 31, 2023)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
Present value of funded defined benefit obligations	44,812	45,141
Fair value of plan assets	(55,997)	(60,739)
Subtotal	(11,184)	(15,598)
Effect of asset ceiling (Note 1)	9,585	18,006
Present value of unfunded defined benefit obligations	10,163	9,379
Net retirement benefit liabilities (defined benefit assets)	8,563	11,787
Amounts in the consolidated statement of financial position		
Retirement benefit liabilities	12,340	13,490
Net defined benefit assets (Note 2)	(3,777)	(1,703)

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, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Present value of defined benefit obligations at beginning of period	53,822	54,975
Current service cost	3,006	3,163
Interest expenses	1,104	1,243
Remeasurements		
Actuarial differences arising from changes in demographic assumptions	276	308
Actuarial differences arising from changes in financial assumptions	(1,176)	(3,447)
Actuarial differences arising from performance adjustments	(45)	206
Past service cost	4	29
Retirement benefits paid	(2,596)	(2,808)
Effect of exchange rate changes	584	850
Other	(4)	0
Present value of defined benefit obligations at end of period	54,975	54,520

Note: Weighted-average duration of defined benefit obligations was 14.6 years and 13.8 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, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Fair value of plan assets at beginning of period	51,433	55,997
Interest income	831	1,006
Remeasurements		
Gain on plan assets	2,762	2,752
Contribution from employers	1,907	2,092
Retirement benefits paid	(1,087)	(1,198)
Effect of exchange rate changes	151	90
Fair value of plan assets at end of period	55,997	60,739

Note: Employers are expected to contribute ¥1,687 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, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Effect of asset ceiling at beginning of period	10,170	9,585
Restrictions on interest income	166	172
Remeasurements		
Changes in the effect of asset ceiling	(751)	8,248
Effect of asset ceiling at end of period	9,585	18,006

5) Details of plan assets

The details of plan assets are as follows.

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.

Fiscal Year Ended December 31, 2024 (as of December 31, 2024)

(Millions of Yen)

	Quoted in an active market	Unquoted in an active market	Total
Debt instruments	–	24,770	24,770
Equity instruments	–	16,635	16,635
Cash and cash equivalents	–	1,129	1,129
Life insurance company general account	0	5,215	5,215
Other	–	12,989	12,989
Total plan assets	0	60,739	60,739

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, 2023 (as of December 31, 2023)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
Discount rate	2.0%	2.9%

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, 2023 (as of December 31, 2023)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
Discount rate	0.5% increase	¥3,481 million decrease	¥3,210 million decrease
	0.5% decrease	¥3,946 million increase	¥3,624 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 ¥5,657 million and ¥5,891 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, 2023 (as of December 31, 2023)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
Accrued bonuses	7,497	7,826
Accrued consumption taxes, etc.	4,182	6,630
Accrued compensated absences	2,851	3,341
Other	7,633	7,010
Total	22,164	24,806

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, 2023	827,779	620,834
Increase during the period	–	–
Decrease during the period	–	–
Balance at December 31, 2023	827,779	620,834
Increase during the period	–	–
Decrease during the period	–	–
Balance at December 31, 2024	827,779	620,834

Note: The Company split its common shares at a ratio of three-for-one, effective January 1, 2025, but the above items are based on the number of shares prior to this stock split.

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, 2023	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
Increase due to purchase of treasury shares based on a resolution by the Board of Directors	3,898	19,000
Increase due to purchase of shares of less than one unit	0	1
Acquisition through restricted share-based remuneration plan	44	115
Decrease due to disposal as restricted share-based remuneration	(84)	(275)
Balance at December 31, 2024	34,465	119,412

Note: The Company split its common shares at a ratio of three-for-one, effective January 1, 2025, but the above items are based on the number of shares prior to this stock split.

(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 of other comprehensive income of associates accounted for using equity method	Total
Balance at January 1, 2023	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
Other comprehensive income	2,191	(131)	0	36,177	(1,844)	1,507	37,901
Equity transactions with non-controlling interests	–	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	(257)	–	–	–	1,844	–	1,587
Balance at December 31, 2024	6,211	(224)	(6)	90,438	–	2,316	98,734

22. Dividends

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, 2024 and whose effective date is in the fiscal year ending December 31, 2025

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

Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)

(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 7, 2024	Common shares	11,805	20.0	December 31, 2023	March 7, 2024
Board of Directors meeting on August 6, 2024	Common shares	12,901	22.0	June 30, 2024	September 3, 2024

(2) Dividends whose record date is in the fiscal year ended December 31, 2024 and whose effective date is in the fiscal year ending December 31, 2025

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on February 13, 2025	Common shares	12,900	22.0	December 31, 2024	February 27, 2025

Note: The Company split its common shares at a ratio of three-for-one, effective January 1, 2025, but the above items are based on the number of shares prior to this stock split.

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, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Personal care		
Japan	228,774	246,388
China	106,121	106,586
Asia	329,656	333,536
Other	124,686	139,591
Subtotal	789,238	826,100
Pet care (Note 1)	139,446	148,673
Other (Note 2)	13,106	14,208
Total	941,790	988,981

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 other businesses are mainly those in Japan and the Middle East region (the region categorized into Other).

(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, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Freight-out expenses	60,343	67,884
Sales promotion expenses	29,373	33,408
Advertising expenses	30,807	36,300
Employee benefit expenses	49,189	53,852
Depreciation and amortization expenses	11,137	13,525
Research and development expenses	9,818	10,304
Others	32,888	36,175
Total	223,555	251,446

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, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Salaries and bonuses	66,033	71,845
Employee and legal benefits expenses	7,204	6,905
Retirement benefit expenses	8,867	9,432
Share-based payment expenses	1,294	1,029
Other	823	1,497
Total	84,221	90,708

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, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Other income		
Subsidy income	88	559
Gain on sales of scraps	533	490
Fire insurance proceeds (Note 1)	6,369	–
Other	1,665	823
Total other income	8,655	1,872
Other expenses		
Loss on disposal of non-current assets	1,116	855
Impairment losses (Note 2)	3,560	912
EPCG-related costs (Note 3)	–	1,848
Other	1,245	1,957
Total other expenses	5,920	5,572

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.”

3. Unicharm India Private Ltd., a subsidiary of the Company, was 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, due to the change in the sales strategy, the application of the EPCG scheme was partially suspended. The expenses mainly for the reduced amount of tariffs to be paid as a result of the suspension are included in “Other expenses” of the consolidated statement of income.

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, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Financial income		
Interest income (Note 1)	5,758	8,768
Dividend income (Note 2)	831	948
Other	14	–
Total financial income	6,603	9,716
Financial costs		
Interest expenses		
Financial liabilities measured at amortized cost (Note 3)	3,195	2,864
Foreign exchange losses	1,409	6,518
Loss on valuation of derivatives	88	183
Other	312	377
Total financial costs	5,004	9,942

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 ¥702 million and ¥929 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, 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

Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)

(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	3,207	–	3,207	(1,015)	2,191
Remeasurements related to net defined benefit liabilities (assets)	(2,564)	–	(2,564)	758	(1,806)
Subtotal	643	–	643	(258)	385
Items that may be reclassified to profit or loss					
Net changes in debt instruments measured at fair value through other comprehensive income	(188)	–	(188)	58	(131)
Changes in fair value of cash flow hedges	99	(99)	(0)	0	0
Exchange differences on translation in foreign operations	42,759	–	42,759	–	42,759
Share of other comprehensive income of investments accounted for using equity method	1,507	–	1,507	–	1,507
Subtotal	44,177	(99)	44,078	58	44,136
Total other comprehensive income	44,820	(99)	44,721	(200)	44,521

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, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Profit attributable to owners of parent (Millions of Yen)	86,053	81,842
Profit not attributable to common shareholders of parent (Millions of Yen)	–	–
Profit used to calculate basic earnings per share (Millions of Yen)	86,053	81,842
Weighted-average number of common shares (Thousands of Shares)	1,775,324	1,763,570
Basic earnings per share (Yen)	48.47	46.41

Note: Effective January 1, 2025, the Company split its common shares at a ratio of three-for-one.
Basic earnings per share have been calculated as if the split had taken place at the beginning of the previous fiscal year.

(2) Diluted earnings per share

Diluted earnings per share are equal to basic earnings per share because there are no potential shares that have dilutive effects.

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, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Increase in right-of-use assets pertaining to lease transactions	7,527	7,799

31. Share-based payments

(1) 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 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, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Date of grant	March 24, 2023	March 27, 2024
Number of shares granted	77,140	83,840
Restriction period	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 1) (Note 3)	Of the number of restricted shares allocated, 72,540 shares will be restricted from the date of allocation until April 23, 2027, and 11,300 shares will be restricted from the date of allocation until July 1, 2025. (Note 2) (Note 3)
Fair value at grant date (Yen)	5,269	4,773

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, 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.

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, 2025,

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, 2025, 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.
4. The Company split its common shares at a ratio of three-for-one, effective January 1, 2025, but the above does not reflect the effect of this stock split.

(2) Share-based payment expenses

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

(Millions of Yen)

	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Equity-settled	1,324	1,357
Cash-settled	328	77
Total	1,652	1,435

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 ¥903 million and ¥920 million as of the end of the previous fiscal year and the end of the fiscal year under review, respectively.

(3) 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, 2023 (as of December 31, 2023)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
<Financial assets>		
Financial assets measured at amortized cost		
Cash and cash equivalents	253,770	261,054
Trade and other receivables	151,561	168,631
Other current financial assets	81,787	94,992
Other non-current financial assets	5,570	13,629
Financial assets measured at fair value through profit or loss		
Other current financial assets	25,407	12,703
Other non-current financial assets	8,712	7,395
Equity instruments measured at fair value through other comprehensive income		
Other non-current financial assets	34,506	38,914
Debt instruments measured at fair value through other comprehensive income		
Other non-current financial assets	23,697	57,632
Total	585,010	654,950
<Financial liabilities>		
Financial liabilities measured at amortized cost		
Trade and other payables	210,965	231,399
Borrowings	28,565	26,851
Other current financial liabilities (Note 1)	5,965	6,701
Other non-current financial liabilities (Note 2)	25,084	25,765
Financial liabilities measured at fair value through profit or loss		
Other current financial liabilities	396	666
Total	270,975	291,382

Notes: 1. Other current financial liabilities include current lease liabilities, which amounted to ¥5,965 million and ¥6,701 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 ¥23,994 million and ¥24,754 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, 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

Fiscal Year Ended December 31, 2024 (as of December 31, 2024)

(Millions of Yen)

Shares	Fair value
Kao Corporation	17,826
Sumitomo Realty & Development Co., Ltd.	6,022
Pigeon Corporation	3,884
Mitsubishi UFJ Financial Group, Inc.	1,669
Iyogin Holdings, Inc.	1,562
Others	7,951
Total	38,914

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, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Fair value	120	813
Cumulative gains	83	529

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 ¥83 million and ¥529 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, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Financial assets derecognized during the period	2	34
Financial assets held as of the last day of the period	828	913
Total	831	948

(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, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Equity attributable to owners of parent (Millions of Yen)	695,719	773,062
Return on equity attributable to owners of parent (ROE) (%)	13.1	11.1

(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, 2023 (as of December 31, 2023)			Fiscal Year Ended December 31, 2024 (as of December 31, 2024)		
	Contract amount		Fair value	Contract amount		Fair value
		Due after one year			Due after one year	
Foreign exchange forward contracts: Selling USD	7,953	–	(256)	10,818	–	(589)
Foreign exchange forward contracts: Buying USD	11,404	–	(77)	3,330	–	89
Foreign exchange forward contracts: Buying EUR	200	–	(4)	8	–	0
Foreign exchange forward contracts: Buying JPY	539	–	20	10	–	(0)
Foreign exchange forward contracts: Selling JPY	36	–	11	46	–	1
Foreign exchange forward contracts: Buying THB	166	–	(2)	–	–	–
Foreign exchange forward contracts: Selling AUD	553	–	2	528	–	(1)
Non-deliverable forwards: Buying USD	2,818	–	(75)	4,765	–	(71)
Futures transactions: Buying USD	21	–	(0)	13	–	1
Total	23,691	–	(382)	19,518	–	(570)

Derivatives to which hedge accounting is applied

(Millions of Yen)

	Major hedged item	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)				Fiscal Year Ended December 31, 2024 (as of December 31, 2024)			
		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	588	–	(5)	JPY151.62 /USD	–	–	–	JPY– /USD
Foreign exchange forward contracts: Buying EUR	Trade payables	590	–	9	JPY139.08 /EUR	–	–	–	JPY– /EUR
Foreign exchange forward contracts: Selling CAD	Trade payables	637	–	(3)	CAD0.75 /USD	–	–	–	CAD– /USD
Total		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, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
USD	(45)	791
CNY	6	10
Total	(38)	802

(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, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Other comprehensive income, after tax effect	(2,306)	(2,590)

(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, 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	–	–	–	–	–

Fiscal Year Ended December 31, 2024 (as of December 31, 2024)

(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)	172,122	154,852	9,572	1,766	744	237	4,951
Allowance for doubtful accounts	(3,491)	(301)	(32)	(2)	(384)	(2)	(2,771)
Trade and other receivables (net)	168,631	154,551	9,541	1,763	360	235	2,180
Other current financial assets (total)	166,254	166,254	–	–	–	–	–
Allowance for doubtful accounts	–	–	–	–	–	–	–
Other current financial assets (net)	166,254	166,254	–	–	–	–	–

(b) Analysis of changes in allowance for doubtful accounts

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

Fiscal Year Ended December 31, 2024 (as of December 31, 2024)

(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, 2024	–	–	–	3,000	3,000
Increase during the period	–	–	–	363	363
Decrease during the period resulting from settlement	–	–	–	(62)	(62)
Decrease during the period due to reversal	–	–	–	(19)	(19)
Others due to foreign currency translation adjustments, etc.	–	–	–	209	209
Balance as of December 31, 2024	–	–	–	3,491	3,491

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, 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	210,918	22	25	–	–	0	210,965
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	234,922	19,867	4,811	3,960	2,748	10,066	276,374

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.

Fiscal Year Ended December 31, 2024 (as of December 31, 2024)

(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	230,597	636	149	3	0	14	231,399
Borrowings	22,208	236	5,993	–	–	–	28,438
Lease liabilities (Note)	7,430	6,434	5,236	3,902	2,844	9,129	34,976
Other financial liabilities	–	–	–	–	–	1,011	1,011
Derivative liabilities							
Cash outflows	666	–	–	–	–	–	666
Total	260,900	7,306	11,379	3,905	2,844	10,154	296,489

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, 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

(Millions of Yen)

	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)			
	Level 1	Level 2	Level 3	Total
<Financial assets>				
Financial assets measured at fair value through profit or loss				
Debt securities	–	–	18,057	18,057
Derivative assets	–	96	–	96
Other	–	109	1,835	1,945
Equity instruments measured at fair value through other comprehensive income				
Shares	37,333	–	1,557	38,890
Other	–	–	23	23
Debt instruments measured at fair value through other comprehensive income				
Debt securities	–	57,632	–	57,632
Total	37,333	57,838	21,473	116,644
<Financial liabilities>				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	666	–	666
Total	–	666	–	666

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.

Debt securities

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

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

Derivative assets and derivative liabilities

The fair value of foreign exchange forward contracts and non-deliverable forwards is calculated based on the forward exchange rate at the end of each fiscal period.

Shares

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

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

(Millions of Yen)

	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Balance at beginning of period	21,413	35,263
Total gains or losses	(317)	283
Profit or loss (Note 1)	(91)	(26)
Other comprehensive income (Note 2)	(226)	309
Purchase	23,167	10,327
Sale and settlement	(8,998)	(24,400)
Balance at end of period	35,263	21,473

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, 2023 (as of December 31, 2023)		Fiscal Year Ended December 31, 2024 (as of December 31, 2024)	
	Carrying amount	Fair value	Carrying amount	Fair value
<Financial assets>				
Debt securities	–	–	7,002	6,984
<Financial liabilities>				
Borrowings	28,565	28,565	26,851	26,851

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	59.2
Unicharm Gulf Hygienic Industries Co. 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	Socialist Republic of Vietnam	Personal care	95.0

Notes: 1. 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.

2. There are no significant changes in the "Major subsidiaries" and the "Percentage of voting rights held."

34. Related parties

(1) Transactions with related parties

Transactions between the Group and related parties are as follows.

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

Not applicable.

Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)

Not applicable.

(2) Key management personnel compensation

Key management personnel compensation is as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Basic remuneration and performance-linked remuneration	421	416
Restricted share-based remuneration	171	170
Total	591	586

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, 2023 (as of December 31, 2023)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
Property, plant and equipment	4,005	3,745
Intangible assets	629	213
Total	4,634	3,958

36. Subsequent events

(Stock split and amendment to the Articles of Incorporation)

Based on a resolution of the Board of Directors meeting held on December 6, 2024, on January 1, 2025, the Company conducted a stock split and made an amendment to the Articles of Incorporation associated with the stock split.

(1) Purpose of the stock split

The purpose of the stock split is to lower the stock price per investment unit to develop a more investor-friendly environment, encouraging the expansion of our investor base and an increase in liquidity of the Company's stock.

(2) Outline of stock split

1) Method of stock split

Each share of common stock owned by shareholders listed or recorded in the register of shareholders on the record date of December 31, 2024, was split into three shares. Since this date falls on a nonbusiness day of the administrator of the register of shareholders, the actual record date was December 30, 2024.

2) Number of shares increased by stock split

Total number of issued shares before the stock split:	620,834,319 shares
Number of shares increased by the stock split:	1,241,668,638 shares
Total number of issued shares following the stock split:	1,862,502,957 shares
Total number of issuable shares following the stock split:	2,483,337,276 shares

3) Schedule for stock split

Public notice of record date:	December 16, 2024
Record date:	December 31, 2024
Effective date:	January 1, 2025

4) Other

There is no change in the amount of stated capital as a result of the stock split.

(3) Amendment of Articles of Incorporation

1) Purpose of the amendment

In connection with the stock split, a related provision of the Articles of Incorporation was amended, effective as of January 1, 2025, in accordance with Article 184, Paragraph 2 of the Companies Act.

2) Details of amendment

The details of the amendment are as follows:

(Underlining indicates amendment)

Current Articles of Incorporation	Following the amendment
Article 6. (Total Number of Issuable Shares) The total number of shares that can be issued by the Company shall be <u>827,779,092</u> shares.	Article 6. (Total Number of Issuable Shares) The total number of shares that can be issued by the Company shall be <u>2,483,337,276</u> shares.

3) Schedule for amendment

Effective date: January 1, 2025

(4) Year-end dividend

As the stock split takes effect on January 1, 2025, the year-end dividend for the fiscal year ended December 31, 2024, which has a dividend record date of December 31, 2024, will be paid based on the shares before the stock split.

(5) Impact on per share information

The impact on per share information is stated in the relevant section.

(Purchase of treasury shares)

At the meeting of the Board of Directors of the Company held on February 13, 2025, 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: 25 million shares (upper limit)
(Ratio of total number of issued shares (excluding treasury shares): 1.42%)

3) Total share acquisition cost: ¥22,000 million (upper limit)

4) Acquisition period: February 14, 2025 – December 18, 2025

5) Acquisition method: Purchases including purchases through the Off-Auction Own Share Repurchase Transaction (ToSTNeT-3) on the Tokyo Stock Exchange

(2) Other

Six-month financial information for the fiscal year under review

Cumulative period		Six months ended June 30, 2024	Fiscal Year Ended December 31, 2024
Net sales	(Millions of Yen)	487,729	988,981
Profit before tax	(Millions of Yen)	73,360	134,537
Profit attributable to owners of parent	(Millions of Yen)	39,628	81,842
Basic earnings per share	(Yen)	22.42	46.41

Note: Effective January 1, 2025, the Company split its common shares at a ratio of three-for-one. Basic earnings per share have been calculated as if the split had taken place at the beginning of the fiscal year under review.

2. Non-consolidated financial statements

(1) Non-consolidated financial statements

1) Non-consolidated balance sheet

(Millions of Yen)

		Fiscal Year Ended December 31, 2023 (as of December 31, 2023)		Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
Assets				
Current assets				
Cash and deposits		88,714		106,600
Notes and accounts receivable - trade		50,116		51,950
Securities		32,400		18,648
Merchandise and finished goods		4,140		–
Raw materials and supplies		5,244		2,855
Short-term loans receivable		1,854		2,092
Other		9,530		21,317
Allowance for doubtful accounts		–		(9)
Total current assets	*1	191,999	*1	203,454
Non-current assets				
Property, plant and equipment				
Buildings and structures		5,045		3,883
Machinery, equipment and vehicles		5,330		3,044
Tools, furniture and fixtures		1,158		1,204
Land		2,424		1,111
Construction in progress		1,158		958
Other, net		118		23
Total property, plant and equipment		15,234		10,223
Intangible assets				
Goodwill		18,075		15,299
Trademarks		2,897		2,371
Software		4,868		13,236
Other		9,324		1,128
Total intangible assets		35,164		32,035
Investments and other assets				
Investment securities		65,461		107,787
Investments in shares and capital of subsidiaries and affiliates		159,353		191,572
Long-term loans receivable		10,812		12,628
Prepaid pension cost		7,076		7,487
Deferred tax assets		3,594		3,449
Other		4,505		1,588
Allowance for doubtful accounts (non-current)		(76)		(2,049)
Total investments and other assets	*1	250,724	*1	322,463
Total non-current assets		301,121		364,721
Total assets		493,120		568,175

(Millions of Yen)

	Fiscal Year Ended December 31, 2023 (as of December 31, 2023)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	40,890	32,730
Short-term borrowings	34,440	31,440
Accounts payable - other	18,745	21,184
Income taxes payable	6,153	8,810
Provision for bonuses	2,200	2,023
Other	2,394	5,962
Total current liabilities	*1 104,822	*1 102,148
Non-current liabilities		
Provision for retirement benefits	1,579	1,094
Other	2,043	1,450
Total non-current liabilities	3,622	2,544
Total liabilities	108,444	104,692
Net assets		
Shareholders' equity		
Capital stock	15,993	15,993
Capital surplus		
Legal capital surplus	18,591	18,591
Other capital surplus	40,408	40,472
Total capital surplus	58,999	59,063
Retained earnings		
Legal retained earnings	1,992	1,992
Other retained earnings		
Reserve for open innovation promotion	200	200
Retained earnings brought forward	404,655	500,724
Total retained earnings	406,847	502,916
Treasury shares	(100,572)	(119,412)
Total shareholders' equity	381,266	458,560
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,567	5,080
Revaluation reserve for land	(157)	(157)
Total valuation and translation adjustments	3,410	4,923
Total net assets	384,676	463,483
Total liabilities and net assets	493,120	568,175

2) Non-consolidated statement of income

(Millions of Yen)

		Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)		Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Net sales	*2	348,740	*2	369,638
Cost of sales	*2	242,952	*2	256,799
Gross profit		105,788		112,839
Selling, general and administrative expenses	*1, *2	63,104	*1, *2	64,959
Operating income		42,684		47,880
Non-operating income				
Interest income		617		688
Dividend income		100,952		95,486
Other		372		707
Total non-operating income	*2	101,942	*2	96,881
Non-operating expenses				
Interest expenses		183		158
Derivative expenses		272		344
Foreign exchange losses		748		258
Other		48		38
Total non-operating expenses	*2	1,252	*2	798
Ordinary income		143,374		143,962
Extraordinary income				
Gain on sale of non-current assets		0		–
Gain on sales of investment securities		82		529
Total extraordinary income		82		529
Extraordinary losses				
Loss on disposal of non-current assets		160		159
Provision of allowance for doubtful accounts		–		1,973
Loss on valuation of investments in shares and capital of subsidiaries and affiliates		1,575		1,487
Loss on valuation of investment securities		–		109
Loss on waiver of receivables of subsidiaries and affiliates		–		203
Total extraordinary losses		1,735		3,931
Profit before income taxes		141,721		140,560
Income taxes - current		22,688		22,522
Income taxes - deferred		(372)		(482)
Total income taxes		22,316		22,040
Profit		119,405		118,520

3) Non-consolidated statement of changes in shareholders' equity
Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)

(Millions of Yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for open innovation promotion	Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
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)
Increase by corporate division										–
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)
Increase by corporate division				–
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

Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)

(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	40,408	58,999	1,992	200	404,655	406,847	(100,572)	381,266
Changes of items during period										
Dividends of surplus							(24,705)	(24,705)		(24,705)
Profit							118,520	118,520		118,520
Purchase of treasury shares									(19,001)	(19,001)
Increase by corporate division							2,254	2,254		2,254
Share-based payment transactions			64	64					160	224
Net changes of items other than shareholders' equity										
Total changes of items during period	–	–	64	64	–	–	96,069	96,069	(18,840)	77,293
Balance at end of current period	15,993	18,591	40,472	59,063	1,992	200	500,724	502,916	(119,412)	458,560

	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	3,567	(157)	3,410	384,676
Changes of items during period				
Dividends of surplus				(24,705)
Profit				118,520
Purchase of treasury shares				(19,001)
Increase by corporate division				2,254
Share-based payment transactions				224
Net changes of items other than shareholders' equity	1,513	–	1,513	1,513
Total changes of items during period	1,513	–	1,513	78,806
Balance at end of current period	5,080	(157)	4,923	463,483

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 – 16 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, and baby 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 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, 2023	Fiscal Year Ended December 31, 2024
Investments in shares and capital of subsidiaries and affiliates	159,353	191,572
Loss on valuation of investments in shares and capital of subsidiaries and affiliates	1,575	1,487

Of the above amounts, the losses on valuation of investments in shares and capital of subsidiaries and affiliates that were recorded for the fiscal year ended December 31, 2023 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.

Of the above amounts, the 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, 2024
Loss on valuation of shares of Unicharm Middle East & North Africa Hygienic Industries Company S.A.E.	1,487

With regard to the shares of ¥1,487 million in Unicharm Middle East & North Africa Hygienic Industries Company S.A.E., a subsidiary that mainly manufactures and sells products in Egypt, the loss on valuation of investments in shares and capital of subsidiaries and affiliates of ¥1,487 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, 2023 (as of December 31, 2023)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
Short-term monetary receivables	17,847	30,937
Long-term monetary receivables	10,292	10,702
Short-term monetary payables	56,137	60,178

*2 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, 2023 (as of December 31, 2023)		Fiscal Year Ended December 31, 2024 (as of December 31, 2024)	
Unicharm India Private Ltd.	12,728	Unicharm India Private Ltd.	13,764
Uni.Charm Mölnlycke B.V.	1,989	Uni.Charm Mölnlycke B.V.	1,356
Onedot Inc.	400	Onedot Inc.	400
UcM Inco USA, Inc.	340	UcM Inco USA, Inc.	380
Total	15,458	Total	15,899

(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, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Sales promotion expenses	3,686	4,548
Advertising expenses	7,637	8,942
Miscellaneous fees	5,708	6,785
Salaries and bonuses to employees	6,912	7,284
Provision of allowance for bonuses	1,571	1,402
Depreciation and amortization expenses	6,331	8,144
Research and development expenses	9,189	9,681
Share of selling expenses out of selling, general and administrative expenses	36%	34%

*2 Transactions with subsidiaries and affiliates

(Millions of Yen)

	Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)
Operating transactions	235,743	282,322
Non-operating transactions	100,813	95,219

(Securities)
Shares of subsidiaries and affiliates
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

Fiscal Year Ended December 31, 2024 (as of December 31, 2024)

(Millions of Yen)

Category	Amount recorded in the balance sheet	Fair value	Difference
Shares of subsidiaries	3,088	18,327	15,239

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, 2024 (as of December 31, 2024)
Shares of subsidiaries	152,524
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, 2023 (as of December 31, 2023)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
Deferred tax assets:		
Provision for bonuses	674	619
Loss on valuation of investments in shares and capital of subsidiaries and affiliates	37,574	37,877
Accrued sales promotion expenses	2,731	3,226
Provision for retirement benefits	1,784	1,644
Share-based payment expenses	958	1,130
Allowance for doubtful accounts	–	630
Other	3,454	3,425
Subtotal	47,176	48,551
Valuation allowance	(39,546)	(40,434)
Total deferred tax assets	7,629	8,117
Deferred tax liabilities:		
Prepaid pension cost	(2,167)	(2,293)
Valuation difference on available-for-sale securities	(1,455)	(2,123)
Other	(413)	(253)
Total deferred tax liabilities	(4,035)	(4,668)
Net deferred tax assets (liabilities)	3,594	3,449

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, 2023 (as of December 31, 2023)	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)
Effective statutory tax rate	30.6%	30.6%
Reconciliations:		
Non-taxable items such as dividend income, etc.	(20.7)%	(19.7)%
Amortization of goodwill	0.6%	0.6%
Valuation allowance	0.3%	0.7%
Tax credit	(1.1)%	(1.1)%
Loss on share transfer of subsidiaries following capital reduction	–	(0.3)%
Withholding tax on dividends at overseas subsidiaries	6.0%	5.0%
Other	(0.1)%	(0.2)%
Actual effective tax rate after the application of tax-effect accounting	15.7%	15.7%

(Significant subsequent events)

(Stock split and amendment to the Articles of Incorporation)

This note has been omitted as the same information is given under “36. Subsequent events” in the notes to the consolidated financial statements.

(Purchase of treasury shares)

This note has been omitted as the same information is given under “36. Subsequent events” in the notes to the consolidated financial statements.

(Matters relating to business combinations, etc.)

Transactions under the common control of the Company

The Company transferred, through a company split taking effect on May 1, 2024, part of its rights and obligations regarding the production and logistics functions of its pet care business to Unicharm Products Co., Ltd. (hereinafter "Unicharm Products"), a consolidated subsidiary of the Company.

(1) Outline of the transaction

1) Name of the business and its activities subject to the transaction
Production and logistics functions of the Company's pet care business

2) Date of business combinations
May 1, 2024

3) Legal form of the business combinations
An absorption-type company split in which the Company will be the splitting company and Unicharm Products will be the successor company.

4) Name of the company after the business combination
Unicharm Products

5) Other matters relating to the outline of the transaction
- The Group is committed to realizing the increase of its overall flexibility by integrating its production and logistics functions with Unicharm Products, and ensuring the resilience of the value chain under the "New Normal" environment in which changes have become normalized.
- The Group will realize the strengthening of human capital, which is indispensable for global development, by unifying the training and promotion of the human resources who are engaged in production and logistics functions.
- The Group will realize the creation of new added value by fusing the differing knowledge of non-woven fabric and absorber processing and forming technology possessed by Unicharm Products with the pet food production technology possessed by Pet Care Production Division of the Company.

(2) Outline of the accounting treatment for the business combination

Pursuant to the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), the Company has adopted the accounting treatment for a transaction under common control.

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, 2024	Increase in the fiscal year ended December 31, 2024	Decrease in the fiscal year ended December 31, 2024	Depreciation and amortization for the fiscal year ended December 31, 2024	Balance at the end of the fiscal year ended December 31, 2024	Accumulated depreciation and amortization
Property, plant and equipment	Buildings and structures	5,045	102	914	350	3,883	4,224
	Machinery, equipment and vehicles	5,330	1,275	2,153	1,408	3,044	4,086
	Tools, furniture and fixtures	1,158	474	178	251	1,204	2,468
	Land	2,424 [(157)]	–	1,313	–	1,111 [(157)]	139
	Construction in progress	1,158	882	1,082	–	958	–
	Other	118	13	96	12	23	24
	Total	15,234	2,747	5,736	2,021	10,223	10,941
Intangible assets	Goodwill	18,075	–	–	2,776	15,299	–
	Trademarks	2,897	–	–	526	2,371	–
	Software	4,868	11,890	22	3,500	13,236	–
	Software in progress	9,320	3,707	11,914	–	1,113	–
	Other	3	13	0	0	15	–
	Total	35,164	15,609	11,937	6,802	32,035	–

Notes: 1. The increases in the fiscal year ended December 31, 2024 are mainly as follows.

Machinery, equipment and vehicles	Development machines for pet care business	¥98 million
Machinery, equipment and vehicles	Development machines for baby care business	¥531 million
Machinery, equipment and vehicles	Development machines for feminine care business	¥287 million
Machinery, equipment and vehicles	Development machines for wellness care business	¥318 million
Software	New mission-critical system and other DX development related	¥11,890 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.

4. Decrease in the fiscal year ended December 31, 2024 includes the following decreases due to an absorption-type company split involving Unicharm Products Co., Ltd.

Buildings and structures	¥914 million
Machinery, equipment and vehicles	¥1,987 million
Tools, furniture and fixtures	¥156 million
Land	¥1,313 million
Construction in progress	¥166 million
Other (property, plant and equipment)	¥96 million

Detailed schedule of allowances

(Millions of Yen)

Classification	Balance at the beginning of the fiscal year ended December 31, 2024	Increase in the fiscal year ended December 31, 2024	Decrease in the fiscal year ended December 31, 2024	Balance at the end of the fiscal year ended December 31, 2024
Allowance for doubtful accounts	76	1,982	–	2,058
Provision for bonuses	2,200	2,023	2,200	2,023

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/ja/ir/e-announcement
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, 2024 and the date when this Annual Securities Report (Yukashoken-Houkokusho) was filed.

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

The 64th Fiscal Year (from January 1, 2023 to December 31, 2023)
Submitted to the Director-General of the Kanto Local Finance Bureau on March 28, 2024.

(2) Internal Control Report and Accompanying Documents

Submitted to the Director-General of the Kanto Local Finance Bureau on March 28, 2024.

(3) Quarterly Securities Reports and Confirmation Notes

The 1st Quarter of 65th Fiscal Year (from January 1, 2024 to March 31, 2024)
Submitted to the Director-General of the Kanto Local Finance Bureau on May 8, 2024.

(4) Semi-annual Securities Reports and Confirmation Notes

The 65th Fiscal Year (from January 1, 2024 to June 30, 2024)
Submitted to the Director-General of the Kanto Local Finance Bureau on August 9, 2024.

(5) Extraordinary Report

Submitted to the Director-General of the Kanto Local Finance Bureau on March 28, 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 12 of the Cabinet Office Order on Disclosure of Corporate Affairs
Submitted to the Director-General of the Kanto Local Finance Bureau on June 24, 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 12 of the Cabinet Office Order on Disclosure of Corporate Affairs
Submitted to the Director-General of the Kanto Local Finance Bureau on July 2, 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 12 of the Cabinet Office Order on Disclosure of Corporate Affairs
Submitted to the Director-General of the Kanto Local Finance Bureau on November 29, 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 12 of the Cabinet Office Order on Disclosure of Corporate Affairs
Submitted to the Director-General of the Kanto Local Finance Bureau on February 3, 2025.

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 21, 2025.

(6) Reporting on status of purchase of treasury shares

Reports were submitted to the Director-General of the Kanto Local Finance Bureau on January 12, 2024, March 15, 2024, April 11, 2024, May 14, 2024, June 13, 2024, July 12, 2024, August 15, 2024, September 13, 2024, October 11, 2024, November 13, 2024, December 11, 2024, January 15, 2025, March 14, 2025.

Part 2. Information on Guarantors for the Company

Not applicable.