

03

Our Growth Strategy

- 28 Kyo-sei Life Vision 2030
For a Diverse, Inclusive, and Sustainable World
- 32 11th Medium-Term Management Plan (FY2021–FY2023)
 - 34 Financial Policy
 - 36 Strategy 1: Human Resources
 - 38 Strategy 2: Environment
 - 40 Strategy 3: Marketing
 - 42 Strategy 4: Digital Transformation
 - 44 Strategy 5: *Monozukuri* (Manufacturing)
- 46 Research and Development
- 48 Intellectual Property
- 50 Review of Operations
 - 52 Personal Care Business
 - 52 Wellness Care Products
 - 54 Feminine Care Products
 - 56 Baby Care and Childcare Products
 - 58 *Kirei* Care Products
 - 59 Partner Animal (Pet) Care Business



Kyo-sei Life Vision 2030

For a Diverse, Inclusive, and Sustainable World

At Unicharm, we are committed to helping resolve environmental and social issues as we work together to realize a cohesive society. With that in mind, the Unicharm Group's medium- to long-term environmental, social, and governance (ESG) goals, Kyo-sei Life Vision 2030—For a Diverse, Inclusive, and Sustainable World—(hereinafter referred to as Kyo-sei Life Vision 2030), were announced in October 2020. In formulating Kyo-sei Life Vision 2030, we first defined our vision of the desirable future in 2030, based on which we set specific key initiatives and targets. Through the implementation of Kyo-sei Life Vision 2030, we are confident that we can satisfy the needs of consumers and communities, while continuing to grow our business.

Positioning of Kyo-sei Life Vision 2030

At Unicharm, we believe that our fundamental raison d'être, that is, our purpose, is to help achieve 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 realize 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. In practical terms, 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," we hope to provide powerful, yet discreet and unobtrusive support for the minds and bodies of our customers, freeing them of some of their

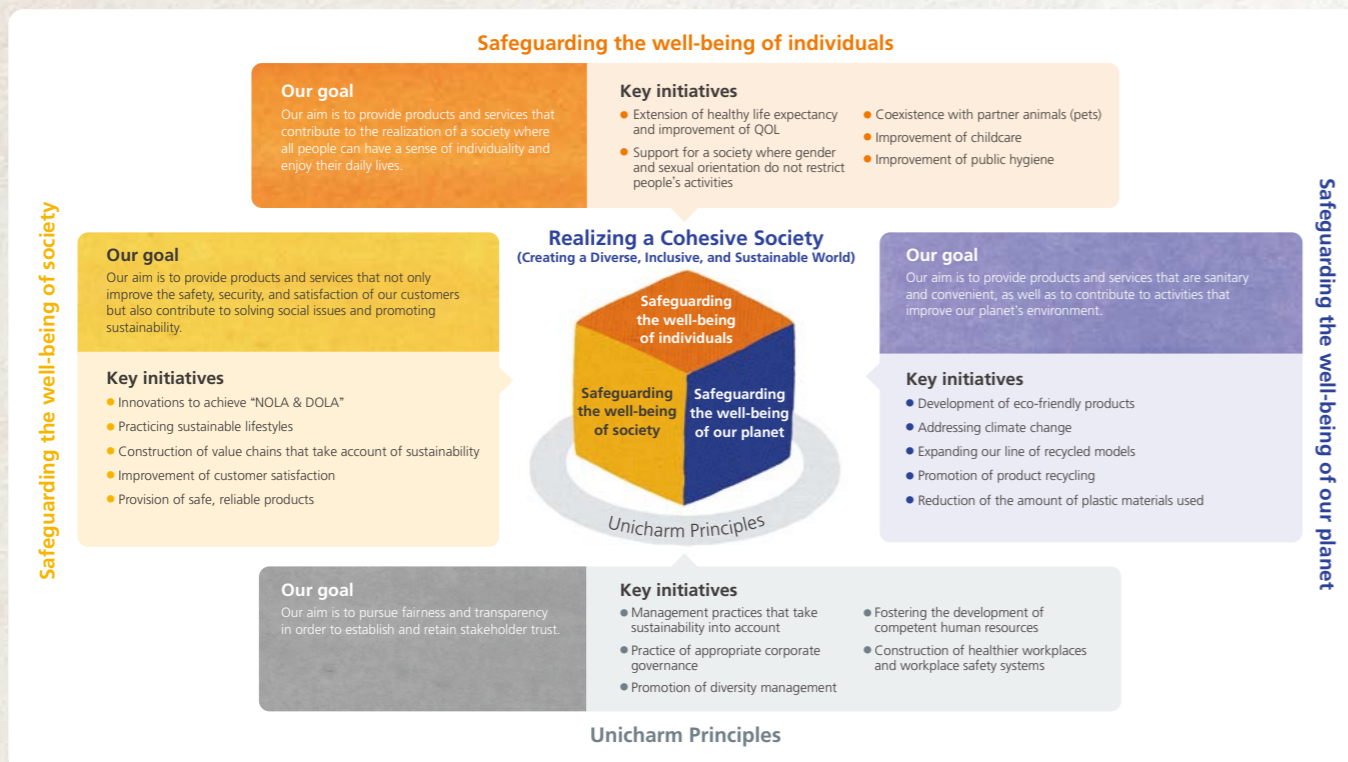
burdens and enabling them to better focus their efforts on fulfilling their dreams. "Value" is the ambition and sense of duty that underlies our mission and vision, bringing it all together to serve a common purpose. All Unicharm employees around the world are now pushing forward our standardized management 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, this report explains in detail the world we have envisioned for 2030 and describes how we hope to get there, highlighting the key initiatives and targets that we believe will make Kyo-sei Life Vision 2030 a reality.

We are committed to helping resolve environmental and social issues, while providing new value to consumers and communities and assuring steady business growth.

Our purpose and its three components: our mission, vision, and value [▶ Pages 8–9](#)

Kyo-sei Life Vision 2030 For a Diverse, Inclusive, and Sustainable World

In order to realize the world we envision, Unicharm upholds the following three commitments based on our corporate principles of fair and transparent management.



Our Approach to Realizing a Cohesive Society by 2050

As described under "Positioning of Kyo-sei Life Vision 2030," our mission is to realize 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.

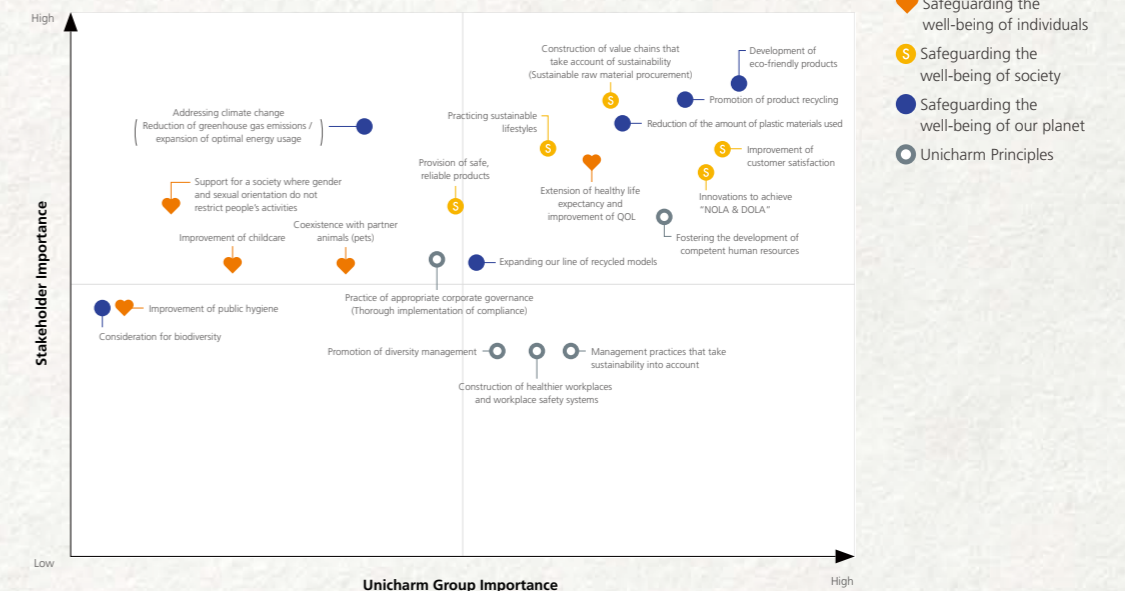
Realizing a Cohesive Society			
What the future might look like	Acceleration of aging society	Normalization of women's social advancement	Expansion of diversity
	Evolution of the IoT and AI	Destabilization of society due to abnormal weather and novel diseases	Diffusion of circular economy
	Socioeconomic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

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 Standards, the 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, general managers, 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**
We held workshops on the Sustainable Development Goals (SDGs) and other themes, at which executives offered their opinions about what society might look like in 2050 as well as possible directions the Company should take.
- 5 Defining of 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



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.

Key Initiatives, Indicators, Target Values, and Results

Key initiatives	Indicators	Results		Medium- to long-term goals	
		2021	2022	Target value	Target year
Safeguarding the well-being of individuals Our aim is to provide products and services that contribute to the realization of a society where all people can have a sense of individuality and enjoy their daily lives.					
Extension of healthy life expectancy and improvement of QOL	Percentage of products and services that contribute to the realization of a society where everyone can have a sense of individuality	100%	100%	100%	2030
Support for a society where gender and sexual orientation do not restrict people's activities	Percentage of products and services that contribute to a society where people around the world are free from discrimination by gender or sexual orientation (including products and services that contribute to the elimination of sexual discrimination still present in certain countries and regions)	100%	100%	100%	2030
Coexistence with partner animals (pets)	Percentage of products and services that contribute to the realization of a society where partner animals (pets) are welcomed by family members and community residents	100%	100%	100%	2030
Improvement of childcare	Percentage of products and services that contribute to the realization of a society where infants and their families can live healthily and happily	100%	100%	100%	2030
Improvement of public hygiene	Percentage of products and services that contribute to activities that can reduce the spread of preventable infectious diseases (contact transmission or droplet transmission)	100%	100%	100%	2030
Safeguarding the well-being of society Our aim is to provide products and services that not only improve the safety, security, and satisfaction of our customers but also contribute to solving social issues and promoting sustainability.					
Innovations to achieve "NOLA & DOLA"	Percentage of products and services that contribute to freedom from various burdens and finding enjoyment in life	100%	100%	100%	2030
Practicing sustainable lifestyles	Percentage of products and services suitable for the SDGs Theme Guideline, an internal guideline for contributing to sustainability	100%*	10.5%	50%	2030
Construction of value chains that take account of sustainability	Percentage of products and services that use raw materials procured from local production for local consumption, thereby contributing to local economies based on the perspectives of the environment, society, and human rights	Development ongoing	Development ongoing	Double (Compared with 2020)	2030
Improvement of customer satisfaction	Percentage of products and services supported by consumers (No. 1 market share)	23.4%	23.6%	50%	2030
Provision of safe, reliable products	Percentage of products to which a new internal guideline for safety and quality has been set and certification has been granted	100%	100%	100%	2030
Safeguarding the well-being of our planet Our aim is to provide products and services that are sanitary and convenient, as well as to contribute to activities that improve our planet's environment.					
Development of eco-friendly products	Number of products and services that implement "3Rs + 2Rs" based on Unicharm's unique approach	Development ongoing	2	10 or more	2030
Addressing climate change	Percentage of renewable energy used for business operations in total	7.3%	11.0%	100%	2030
Expanding our line of recycled models	Number of disposable paper diaper recycling facilities introduced	Development ongoing	1	10 or more	2030
Promotion of product recycling	Material recycling of nonwoven products using recycling resources	Development ongoing	Development ongoing	Start of commercial usage	2030
Reduction of the amount of plastic materials used	Percentage of virgin plastics to total plastics	Development ongoing	Development ongoing	Reduced by half (Compared with 2020)	2030
Unicharm Principles Our aim is to pursue fairness and transparency in order to establish and retain stakeholder trust.					
Management practices that take sustainability into account	Maintain and improve ratings by external evaluation agencies	—	—	Highest level	Every year starting from 2026
	Number of serious human rights violations in the value chain	zero	1 (revised)	zero	Every year
Practice of appropriate corporate governance	Number of serious compliance violations	zero	zero	zero	Every year
Promotion of diversity management	Percentage of female managers driven by the provision of various opportunities for women	22.5%	23.2%	30% or more	2030
Fostering the development of competent human resources	Percentage of positive answers received for the "Growth through Work" employee awareness survey	81.4% (Japan)	89.2%	80% or more	2030
Construction of healthier workplaces and workplace safety systems	Reduction in the percentage of employees on leave for mental or physical health reasons by improving the workplace environment so that employees can work with peace of mind and maintain mental and physical health	6 employees (Japan)	4 employees (Japan)	Reduced by half (Compared with 2020)	2030

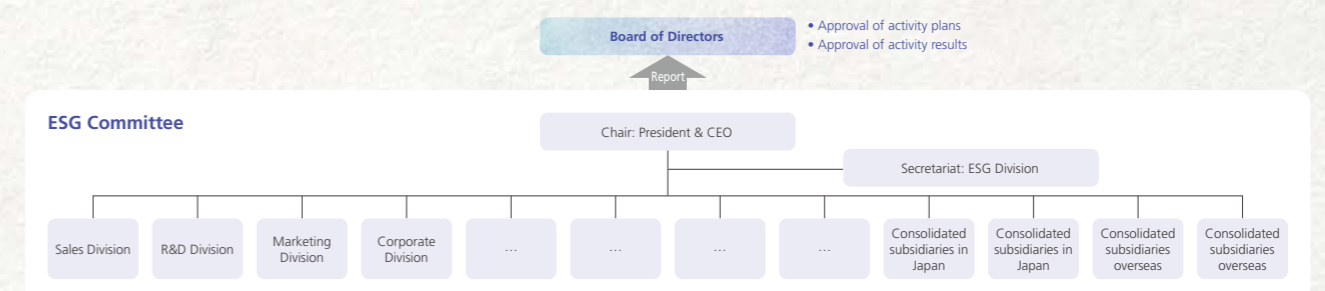
* The 2021 result for "practicing sustainable lifestyles" was changed from number of cases (products and services) to percentage of products and services conforming to the SDGs Theme Guideline.

Our Contributions to the SDGs

Key initiatives	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
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			●	●					●		●	●	●					
Support for a society where gender and sexual orientation do not restrict people's activities	●		●	●	●				●		●	●	●					
Coexistence with partner animals (pets)			●	●					●		●	●	●	●	●			●
Improvement of childcare			●	●	●				●		●	●	●					
Improvement of public hygiene			●	●		●			●		●	●	●					
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"	●		●						●				●	●	●			
Practicing sustainable lifestyles				●		●	●	●				●	●	●	●			
Construction of value chains that take account of sustainability	●			●		●	●	●	●	●	●	●	●	●	●			
Improvement of customer satisfaction				●	●							●						
Provision of safe, reliable products				●					●			●						
Safeguarding the well-being of our planet Our aim is to provide products and services that are sanitary and convenient, as well as to contribute to activities that improve our planet's environment.																		
Development of eco-friendly products						●	●	●				●	●	●	●			
Addressing climate change						●	●	●				●	●	●	●			
Expanding our line of recycled models						●	●	●				●	●	●	●			●
Promotion of product recycling						●	●	●				●	●	●	●			
Reduction of the amount of plastic materials used							●	●				●	●	●	●			
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	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Practice of appropriate corporate governance									●			●						●
Promotion of diversity management	●			●	●				●		●							
Fostering the development of competent human resources	●		●	●	●				●		●							
Construction of healthier workplaces and workplace safety systems			●	●	●				●		●							

ESG Promotion Structure

Kyo-sei Life Vision 2030 will be carried out with the following promotion structure, which is a cross-enterprise organizational system.



11th Medium-Term Management Plan (FY2021–FY2023)

Overview of 11th Medium-Term Management Plan Aimed at Achieving Unicharm's Mission

11th Medium-Term Management Plan				Desirable Future in 2030	SDGs Related to Kyo-sei Life Vision 2030
	FY2021 Results	FY2022 Results	FY2023 Plan		
Financial	<p>Net sales ¥782.7 billion</p> <p>CAGR +7.6%</p> <p>Core operating income ratio 15.6%</p> <p>ROE 13.8%</p>	<p>Net sales ¥898.0 billion</p> <p>CAGR +11.1%</p> <p>Core operating income ratio 13.3%</p> <p>ROE 11.5%</p>	<p>Net sales ¥963.5 billion</p> <p>CAGR +9.8%</p> <p>Core operating income ratio 14.6%</p> <p>ROE 12%–13%</p>	<p>Net sales ¥1.4 trillion</p> <p>CAGR +6.8%</p> <p>Core operating income ratio 17.0%</p> <p>ROE 17.0%</p>	<p>Management practices that take sustainability into account</p> <p>Practice of appropriate corporate governance</p>
Strategy 1 Human Resources	<p>Strengthen and spread human resource development</p> <p>Launch operation of global common human resources development platform, KYOSHIN and complete introduction at 22 affiliates; improve operational functions at 14 affiliates</p>	<p>Develop "resonant personnel" worldwide who embody BOP-Ship</p> <p>Promote use of human resources development platform, KYOSHIN; implement various measures to enhance employee job satisfaction and encourage growth</p>	<p>Link key strategies and human resource development centered on BOP-Ship</p> <p>Promote strengthening of human resources and establishment of organizational structure in line with 11th Medium-Term Management Plan strategy; implement measures aimed at increasing engagement</p>	<p>Promote human capital management responsive to diversity and changes in the business environment</p>	<p>Promotion of diversity management</p> <p>Fostering the development of competent human resources</p> <p>Construction of healthier workplaces and workplace safety systems</p>
Strategy 2 Environment	<p>Establish a recycling value chain</p> <p>Establish a recycling business for used disposable diapers and begin preparations for the reduction of environmental impacts throughout the value chain</p>	<p>Steadily implement efforts to achieve the Unicharm Group's medium- to long-term ESG goals, Kyo-sei Life Vision 2030</p> <p>Begin test use of disposable diapers made from recycled raw materials. Promote development of eco-friendly products and introduction of renewable energy</p>	<p>Further pursue the SDGs as a business in itself</p> <p>Demonstrate ethical leadership by commercializing the recycling of used disposable diapers and promoting the development of eco-friendly products</p>	<p>Build relationships with customers that go beyond purchase and use to include collection and recycling</p>	<p>Development of eco-friendly products</p> <p>Addressing climate change</p> <p>Expanding our line of recycled models</p> <p>Promotion of product recycling</p> <p>Reduction of the amount of plastic materials used</p>
Strategy 3 Marketing	<p>Focus on new growth pillars</p> <p>Spread pants-type disposable adult diapers and cat litter boxes to Asia; expand period underwear lineup and begin deploying to a wider range of countries</p>	<p>Achieve "NOLA," which underpins customers' lifestyles</p> <p>Promote enhancement of branding and value communication skills. Propose new value and develop high-value-added products tailored to countries, regions, and lifestyles</p>	<p>Advance portfolio centered on Persons</p> <p>Maintain advantages to become the world's best company by 2030; develop the post-pandemic mass market; and create new consumption with the Persons Group</p>	<p>Implementing "NOLA & DOLA" to realize maximum diversity and well-being</p> <p>Realizing social inclusion through the provision of product value</p>	<p>Extension of healthy life expectancy and improvement of QOL</p> <p>Support for a society where gender and sexual orientation do not restrict people's activities</p> <p>Coexistence with partner animals (pets)</p> <p>Improvement of childcare</p> <p>Improvement of public hygiene</p> <p>Practicing sustainable lifestyles</p>
Strategy 4 Digital Transformation	<p>Promote Digital Transformation and strengthen brands by exploring the deep psyche of customers</p> <p>Launch development and use of digital tools that collect, visualize, and analyze data, leading to the discovery of customer insights</p>	<p>Offer value in the form of product features and additional advantages catering to changes in customers' circumstances</p> <p>Promote the use of digital tools to collect and analyze data leading to customer understanding; acquire models for brand building; and engage in direct communication with customers</p>	<p>Ascertain customer changes to create value for individual customers</p> <p>Promote the creation of a system for capturing demographics across categories with points of contact centered on women's life stages</p>	<p>Sell social inclusion products, create various channels to meet minority needs</p>	<p>Innovations to achieve "NOLA & DOLA"</p>
Strategy 5 Monozukuri (Manufacturing)	<p>Analyze the principles of monozukuri (manufacturing) thoroughly to build optimal processes</p> <p>Build foundation for borderless supply and promote the creation of smart factories; develop monozukuri (manufacturing) human resources and systems</p>	<p>Promote measures for Creating the Ultimate Gemba, Vol. 2</p> <p>Build foundation for borderless supply and promote the creation of smart factories; continue developing monozukuri (manufacturing) human resources and systems</p>	<p>Maximize customer value through total manufacturing</p> <p>Revise development investment structure and establish supply system aligned with strategy; promote energy and labor savings using smart factories</p>	<p>Develop products and build supply chains that are eco-friendly</p>	<p>Construction of value chains that take account of sustainability</p> <p>Improvement of customer satisfaction</p> <p>Provision of safe, reliable products</p>

Mission

Realizing a Cohesive Society

11th Medium-Term Management Plan (FY2021–FY2023)

Financial Policy



Desirable Future in 2030

Achieve the top share of the nonwoven fabric and absorbent material businesses in the global market

Net sales	¥1.4 trillion
CAGR	+6.8%
Core operating income ratio	17.0%
ROE	17.0%

Hirotatsu Shimada
Managing Executive Officer, Co-CFO and
General Manager of Finance Head Office

Working to Realize Our Desirable Future in 2030

To achieve the top share of the nonwoven fabric and absorbent material businesses in the global market by 2030, Unicharm must continuously grow its net sales at a compound annual growth rate (CAGR) of approximately 7%. The Company has set forth targets of 17% for both core operating income ratio and return on equity (ROE) to achieve such business expansion using finite management resources. Accordingly, it must further improve its profitability and efficiency. However, the operating environment is becoming increasingly uncertain due to several factors, such as COVID-19, the emergence of geopolitical risks, rising inflation worldwide, and the accelerating global trend toward emphasizing initiatives for achieving the Sustainable Development Goals (SDGs) due to the spread of digital technology. As a result, along with strategic business investments, it is becoming extremely difficult to accomplish the strategies we projected in 2020 while balancing sales growth with profitability and efficiency.

Amid such circumstances, Unicharm has been implementing strategies tailored to addressing changes in each of its operating environments and accelerating the creation of new markets by making new value proposals during the period of the 11th Medium-Term Management Plan. In Asia, where the nursing care market is emerging, these efforts have included driving forward business development that contributes to the extension

of healthy life expectancy, and promoting partner animal (pet) care products in step with an increase in the number of dogs and cats being kept as pets. In this way, we are establishing a foundation for transforming our business and area portfolios into ones that anticipate changes in consumer behavior due to demographic dynamics and trends. In existing categories, for example, we are promoting and expanding period underwear and other new products in feminine care products globally, while in baby care and childcare products we are driving market growth through the provision of value-added products catering to the characteristics of customers in various countries and regions, such as mosquito-repellent disposable baby diapers and disposable baby diapers containing olive oil that are closely attuned to local lifestyle habits. In November 2022, we also formed a capital and business alliance with Jiangsu Jijia Pet Products Co., Ltd. (JIA PETS), a major pet food manufacturer in China, to promote the creation of new markets. With this alliance, the Company is establishing a foundation for the growth of the Partner Animal (Pet) Care Business in China.

We will continue to establish a foundation for continuous sales growth by making proactive investments to deliver new value and create new markets in accordance with the growth scenarios of each category in each country and region.

Financial Goals and Results of the 11th Medium-Term Management Plan

	FY2021 Results	FY2022 Results	FY2023 Medium-Term Management Plan	Revised FY2023 Plan	FY2030 Goals
Net sales	¥782.7 billion	¥898.0 billion	¥888.0 billion	¥963.5 billion	¥1.4 trillion
CAGR	+7.6%	+11.1%	+6.9%	+9.8%	+6.8%
Core operating income ratio	15.6%	13.3%	15.5%	14.6%	17.0%
ROE	13.8%	11.5%	15.0%	12%–13%	17.0%

Aiming to Continuously Maximize Unicharm's Equity Spread*

Under the 11th Medium-Term Management Plan, improvement activities designed to achieve financial targets, such as those pertaining to core operating income ratio and ROE, are striving to reduce the cost of capital and improve ROE by promoting sustainability-focused management aligned to environmental, social, and governance (ESG) goals and aiming to continuously maximize Unicharm's equity spread to improve capital efficiency.

I believe that using investor relations activities to proactively engage continuously with stakeholders, including shareholders and investors, and maintaining an awareness of the balance between cost of capital and debt centered on growth and emerging countries will play a vital

part in reducing the current cost of capital (approximately 3%). In light of the dramatic changes in the operating environment in recent years, Unicharm is endeavoring to further reduce the cost of capital by strengthening activities to bridge the gap in expectations with institutional investors through proactive information disclosure, including of non-financial information, and engagement.

Profitability and management of return on invested capital (ROIC) in accordance with the growth stages of countries, regions, and product category markets is essential for achieving ROE of 17%. In fiscal 2022, improving profitability by addressing the sharp upturn in costs that resulted from changes in the external environment was a pressing task.

In terms of key performance indicators (KPIs) for profitability, Unicharm worked to improve profitability by establishing six KPIs as management indicators, including for gross profit rate, variable cost rate, and product mix improvement. In addition to these KPIs, the Company will step up its efforts to manage profitability improvement more effectively using indicators for promotional investments, such as advertising and sales promotion expenses, and for efficiency, including non-operating profit

Cash Allocation Policy

I believe that we must strike a balance between implementing shareholder returns while promoting the maximization of our ability to generate operating cash flow and prioritize further growth investments in our nonwoven fabric and absorbent material businesses. Under the 11th Medium-Term Management Plan, Unicharm is focusing on the development of its human capital, which is essential for sustainable corporate growth, to contribute to the achievement of the SDGs. At present, we are investing in the construction of a system for KYOSHIN, our human resource development platform, to serve as a common global foundation for managing and cultivating resonant personnel who will carry on our corporate culture in each country and region. In Asia, which is an emerging region, we are expanding investments in growth markets, such as the nursing care and partner animal (pet) markets. In mature markets, on the other hand, we are proactively advancing investments in digital transformation that will lead to new value creation by leveraging digital technology to make extensive use of life science and data science.

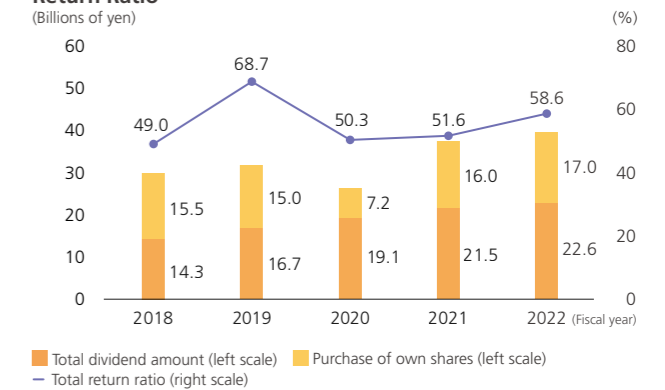
Unicharm maintains a policy of implementing continuous shareholder returns, aiming for a total payout ratio of 50%. The Company

and loss, capital conversion cycle, ROIC, and fixed asset turnover rate. By strengthening management in this way, we will further improve profitability while nimbly implementing strategies matched to changes in the operating environment to achieve our targets.

* Equity spread is an indicator for measuring the extent to which a company's profit margin exceeds the expectations of its shareholders.

will increase dividends to its shareholders on a stable and ongoing basis while prioritizing investments for realizing sustainable growth. In addition, we will purchase treasury shares if required, adopting a flexible approach.

Total Dividend Amount, Purchase of Own Shares, and Total Return Ratio



Review of Fiscal 2022

In fiscal 2022, although Unicharm's net sales reached a record of ¥898.0 billion, core operating income came to ¥119.6 billion, down 2.4% from the previous fiscal year, and the core operating income ratio was 13.3%. In terms of progress toward achieving the financial targets set forth in the 11th Medium-Term Management Plan, while net sales performed strongly, progress in improving the core operating income ratio is behind schedule. The reasons for the delay are the initially unanticipated changes in the global economic environment, such as rising prices for commodities of all kinds, including raw material and energy prices, and the fact that it took us time to comply with zero-COVID-19 measures in China. We steadily improved profitability from the second half of fiscal 2022 by promoting full-fledged activities for passing on value to ensure that we propose fair value when establishing product prices in order to expand total industry assets. Profitability,

however, deteriorated for the year, reflecting our inability to fully absorb sharp increases in costs. I believe that this point illustrates that we must further strengthen our abilities to identify, respond quickly to, and resolutely address sudden changes in the operating environment.

Meanwhile, as ROE decreased from the previous fiscal year to 11.5% in fiscal 2022, the equity spread also deteriorated. The decrease in ROE was mainly the result of delays in responding to the fast pace of the sharp upturn in costs, such as through the passing on of value, which led to a deterioration in profitability. At the same time, partly because of the aforementioned uncertain outlook, we endeavored to reduce the cost of capital by promoting understanding of changes in the operating environment through quarterly engagement activities which we used to show investors anticipated cost conditions between three and six months into the future.

Course for Fiscal 2023

In fiscal 2023, the final year of the 11th Medium-Term Management Plan, we are targeting net sales of ¥963.5 billion, exceeding the initial plan, and a core operating income ratio of 14.6%. We will significantly improve the core operating income ratio from fiscal 2022, working to achieve the initial target of 15.5% in fiscal 2024, albeit a year behind schedule. We will also continue to both pass on value and increase the sales volume of high-value-added products in each product category, which we have been strengthening since the second half of fiscal 2022, as well as accelerate sales expansion in growth markets and improve the product portfolio in the post-COVID-19 era. In addition, we will continuously implement cost structure reforms with an eye to the 12th Medium-Term Management Plan and proactively invest in

digital transformation and human capital to improve profitability as soon as possible.

Increasing uncertainties in the operating environment, such as the emergence of geopolitical risks, rising inflation, and supply chain disruption, will require careful attention going forward. It is precisely because we are in such an environment that we must proactively address such changes, rather than passively accepting them. With a belief in the importance of using the Observe–Orient–Decide–Act Loop (OODA Loop) methodology to quickly identify signs of change and spur innovation, we will work together to achieve our management targets for 2030.

Strategy 1: Human Resources



Desirable Future in 2030

Promote human capital management responsive to diversity and changes in the business environment

Naoe Hirooka

Co-Chief Inclusion Officer (CIO) and
General Manager of Global Marketing Communication Division

Positioning of Strategy 1 for Unicharm's Sustainable Growth

Developing "Resonant Personnel" Worldwide

In line with Unicharm's mission of realizing a cohesive society, we aim to grow into the world's top nonwoven fabric and absorbent material manufacturer by 2030. To steadily accomplish the goal of becoming number one in the world, locally hired employees born and raised in the countries and regions where we do business must take the initiative in managing local subsidiaries and resolving management issues. We call these employees "resonant personnel" who can identify issues on their own, then formulate and continue implementing solutions until completion. Through the development of such personnel, we intend to become number one in the world and realize a cohesive society. In developing resonant personnel, we utilize The Unicharm Way and encourage employees to embody the BOP-Ship required to promote management with resonance through on the job training (OJT), while accelerating the process through KYOSHIN, our human resource development platform, as described below.

KYOSHIN Human Resource Development Platform

Appropriate guidance from those in supervisory positions is essential for the development of resonant personnel. In fiscal 2021, to improve the quality of Groupwide guidance, we commenced operation of the KYOSHIN human resource development platform. Through the use of KYOSHIN, we are already rectifying inconsistencies in supervisor guidance and establishing a Groupwide system for verifying the growth paths of all employees. Further, KYOSHIN is used to break down semiannual goals into quarterly goals to confirm progress and provide feedback during quarterly interviews. Through these efforts, we are increasing the frequency and quality of communication between supervisors and subordinates, encouraging subordinates to understand and take on the challenge of lofty goals, and strengthening the human resource development capabilities of supervisors.

Toward Management Localization

Currently, 80% of our approximately 16,000 permanent employees are locally hired staff who conduct business activities in countries and regions outside of Japan. In promoting management localization, it is essential that human resource policies and training methods remain unchanged, even when top management and executives posted from Japan are replaced. To this end, we are promoting the unification of qualification, evaluation, and education systems throughout the Group

to instill The Unicharm Way in all local subsidiaries and develop well-balanced resonant personnel. In parallel with these efforts, the Human Resource Division Alliance was established in Japan with the aim of enhancing cooperation between the headquarters' Human Resources Division and human resource staff dispersed throughout various functions and business units. In fiscal 2023, this effort is already being extended to overseas subsidiaries to support the development of a common education program using KYOSHIN, as well as the nomination and training of successors.

Promotion of Diversity Management

The promotion of diversity management is one of the key initiative themes under Kyo-sei Life Vision 2030. We aim to grow into a Company where diverse human resources recognize and respect each other's differences in nationality, race, religion, gender, sexual orientation, age, family history, and disabilities, so they can maximize their individuality and capabilities and play active roles. As part of this effort, we have set the goal of raising the Groupwide female manager ratio to 30% by 2030 and are working to develop a workplace environment and human resource system in which all employees can always play an active role at any stage of their lives, regardless of their gender. As an example, in Japan, in fiscal 2021, we launched the Room L+ female mentoring program to support networking among female employees and strengthen efforts to promote women's advancement. Beginning in fiscal 2022, with the aim of dispelling or eliminating career and life concerns through mentoring and roundtable discussions, we have established Maternity Leave Room L+ for employees before they return from maternity leave, and Development Room L+ and Development Division D&I* Training, which are tailored to job categories, to provide female employees with opportunities to exchange information.

* Diversity and inclusion. Corporate organizations should include a wide variety of people, be accepting of diversity, and make the most of people's individual characteristics.

Kyo-sei Life Vision 2030: Key Initiatives	FY2022 Results	FY2030 Targets
Promotion of diversity management	Ratio of female managers: 23.2%	Percentage of female managers driven by the provision of various opportunities for women: 30% or more

Review of Fiscal 2022

Strategy Theme Develop "resonant personnel" worldwide who embody BOP-Ship

In fiscal 2022, the basic policy of Strategy 1 was defined as developing resonant personnel worldwide who embody BOP-Ship, with the formulation of three actions plans: (1) Accelerate human resource development with the establishment of OJT methods using The Unicharm Way; (2) Develop the digital skills of all employees through reskilling; and (3) Promote inclusion that recognizes people with potential.

In terms of specific initiatives, we established the Scrum Leader OJT Workshop for Scrum Leaders who manage the smallest organizational units, including sections and groups. This curriculum, which enables Scrum Leaders to learn behavioral changes aimed at executing strategies as well as realize human resource development, is planned for Groupwide deployment in the future. Additionally, to provide growth

opportunities for each and every employee, we introduced the LinkedIn learning online study platform that can be used anytime, anyplace, with approximately 3,400 employees globally having used this service. Further, as a measure for developing human resources with skills in digital transformation (DX) who will lead future generations, we conducted data science training centered on statistics and training on the basics of DX. In terms of D&I promotion measures, in addition to the aforementioned Room L+, we have introduced the Empowerment System to provide individual support and are promoting the development of female executive candidates through one-on-one mentoring and information exchange meetings with executive officers.

Action Plan	Achievements in FY2022
(1) Accelerate human resource development with the establishment of OJT methods using The Unicharm Way	Established Scrum Leader OJT Workshop with 245 participants in Japan
(2) Develop the digital skills of all employees through reskilling	Introduced LinkedIn learning in Japan and at 12 overseas subsidiaries, offering a total of 16,463 courses of study per year in which 3,400 employees participated
(3) Promote inclusion that recognizes people with potential	Established Maternity Leave Room L+ for employees before they return from maternity leave, and Development Room L+ tailored to job categories. Introduced Empowerment System to provide individual support and promote the development of female executive candidates

Course for Fiscal 2023

Strategy Theme Link key strategies and human resource development centered on BOP-Ship

In fiscal 2023, the Action Plan, which aims to make ongoing enhancements to resonant personnel development while promoting key strategies and increasing employee engagement, comprises three objectives: (1) Establish a system aimed at formulating and realizing self-directed career development; (2) Enhance competitive advantages through a deepening of BOP-Ship; and (3) Establish a human resource system in pursuit of values that can only be realized by Unicharm.

While first improving the content of the Scrum Leader OJT Workshop launched in 2022 in Japan, we will begin introducing this program to overseas subsidiaries. In addition, to develop a deeper understanding of increasingly complex logistics and consumer

diversification, create new value, and provide high-added-value products and services, it is important to develop insights into hidden desires that consumers themselves may be unaware of. To this end, we are launching a new initiative to strengthen insight development skills, particularly in the Marketing and R&D divisions.

In terms of human resource systems, having already introduced performance evaluations linked to Kyo-sei Life Vision 2030 for executive officers, this approach will be expanded to all employees in fiscal 2023. By incorporating ESG-related items into performance evaluations, we hope to increase employees' sense of contribution and encourage them to take on the challenge of achieving higher goals.

Action Plan	Target
(1) Establish a system aimed at formulating and realizing self-directed career development	Finalize Scrum Leader OJT Workshop content in Japan, expand to overseas subsidiaries
(2) Enhance competitive advantages through a deepening of BOP-Ship	Formulate guidelines to enhance insight development capabilities and disseminate to all overseas subsidiaries. Conduct monthly insight education program
(3) Establish a human resource system in pursuit of values that can only be realized by Unicharm	Establish Kyo-sei Life Vision 2030 items within performance evaluations for general employees. Begin provision of role-based benefits for employees responsible for resonant personnel development

Strategy 2: Environment



Desirable Future in 2030

Build relationships with customers that go beyond purchase and use to include collection and recycling

Yuki Noda

Associate Officer, Co-Chief Research & Development Officer (CDO) and Department Manager of Product Development Department, Global Research & Development Division

Positioning of Strategy 2 for Unicharm's Sustainable Growth

11th Medium-Term Management Plan and Kyo-sei Life Vision 2030

Many of the products and services provided by Unicharm are intended to be disposable to ensure maximum hygiene management and convenience, and their manufacture requires large quantities of natural resources. In light of these business characteristics, Unicharm considers it essential to enhance sustainability within its business development to contribute to the realization of a sustainable society; hence the 11th Medium-Term Management Plan, announced in 2020, set forth the strategic theme of establishing a recycling value chain. At the same time, we formulated the Unicharm Group's medium- to long-term ESG goals, Kyo-sei Life Vision 2030, which we announced in October 2020 and have been steadily implementing since fiscal 2021.

In fiscal 2022, to link these efforts with the aim of accelerating the resolution of environmental issues and contributing to sustainability, we revised this strategic theme to "Steadily implement efforts to achieve the Unicharm Group's medium- to long-term ESG goals, Kyo-sei Life Vision 2030." In fiscal 2023, in line with global trends surrounding sustainability, including circular economies, decarbonization, waste reduction, energy conservation, and the introduction of renewable electricity, we also established the theme of "Further pursue the SDGs as a business in itself" to promote value chain-wide initiatives that Unicharm, our entire supply chain, and even our competitors will proactively work toward.

About Kyo-sei Life Vision 2030

When formulating the Unicharm Group's medium- to long-term ESG goals, in light of our corporate purpose of contributing to the achievement of the SDGs, we organized our materiality in terms of initiatives focused on environmental and social issues and governance enhancement. We then surveyed a broad range of internal and external stakeholders to determine 20 key initiatives that must be implemented. Through this process, we also ascertained strong employee interest in resolving environmental and social issues, as well as high awareness of the need to contribute through business activities.

Unicharm believes that steady implementation of the Kyo-sei Life Vision 2030 will strengthen our organizational capability to create more added value with fewer resources. The action plan for this strategy, which calls for the recycling of used disposable diapers, the development of products free of virgin plastics, and a switch to renewable electricity, is part of these efforts.

Promoting ESG as a Competitive Advantage

As a company sincerely committed to resolving environmental and social issues, Unicharm views requests from various stakeholders regarding ESG issues as an opportunity to build relationships, rather than as an external pressure. This is because we believe that when problems arise, we can find some kind of solution through dialogue with stakeholders. We also accelerate growth by transforming the promotion of ESG into a competitive advantage based on a formula whereby the growth brought about by sales opportunities, long-term profit growth, and cost reductions resulting from ESG investments outweigh the risks of declining sales and increasing costs associated with maintaining the status quo. To this end, we believe it is important to develop new technologies that do not adversely impact the environment or people, transform customer awareness through active corporate initiatives, and engage in industry-wide efforts.

Review of Fiscal 2022

Strategy Theme Steadily implement efforts to achieve the Unicharm Group's medium- to long-term ESG goals, Kyo-sei Life Vision 2030

In fiscal 2022, we focused our efforts on the following three action plans: (1) **Recycle used disposable diapers**; (2) Develop products free of virgin plastics; and (3) Switch to renewable electricity. In terms of recycling used disposable diapers, in June 2022, some nursing care facilities in Kagoshima Prefecture began trial use of disposable diapers that utilize recycled pulp as part of the absorbent materials, resulting in horizontal recycling of used disposable diapers. In December, we distributed bags for the collection of used disposable diapers manufactured by C.I. TAKIRON Corporation, which contain plastic extracted through recycling in Osaki, Kagoshima Prefecture, and launched awareness activities focused on the collection of used disposable diapers. Further, since June 2022, we have been distributing information on the future of disposable diapers via note, a social media platform, to organize information for future customer relationship management (CRM)*1. In developing products free of virgin plastics, the

Development and Procurement departments work together to obtain various environmental materials from suppliers. Internally, we have also begun prototyping and evaluating new materials. With regard to adopting renewable electricity, we promoted the switch to renewable energy throughout the Group, and in May 2022, launched a comprehensive greenhouse gas emissions (GHG) volume visualization project that includes Scope 3*2 emissions with the aim of disclosing GHG emissions volumes associated with Unicharm products.

*1 CRM entails managing relationships and interactions with customers to comprehensively understand the relationship between a company's own employees and its customers.
*2 Indirect emissions other than Scope 1 and Scope 2 emissions (emissions from other companies' business activities).

Recycle used disposable diapers

- ▶ Page 47 Research and Development > Recycling for the Future (Reff) Project
- ▶ Page 49 Intellectual Property > Co-Creation with Other Companies Leveraging Our Intellectual Property

Action Plan	Target	Achievements in FY2021	Achievements in FY2022
(1) Recycle used disposable diapers	Complete preparations for operation of recycling facilities	Completed joint pilot projects with Shibushi City and Osaki Town in Kagoshima Prefecture	Launched trial use of disposable diapers utilizing recycled pulp as a portion of absorbent materials. Began provision of collection bags containing plastic derived from used disposable diapers
(2) Develop products free of virgin plastics	Select materials that are biomass-derived or use recycled plastics and other materials and examine their quality, performance, and other aspects	Progressed as planned regarding ensuring material suppliers comply with our environmental and other policies, gaining an understanding of plastic policies in various countries and regions, and producing preliminary ideas for product specifications	Obtained various environmental materials from suppliers. Internally, began prototyping and evaluating new materials
(3) Switch to renewable electricity	Have all local subsidiaries set fiscal year targets for switching to renewable electricity by fiscal 2030	All local subsidiaries completed the setting of the fiscal year targets at the end of November 2021. Prepared a plan for achieving renewable electricity rate of over 20% for the Group as a whole by the end of fiscal 2023	Promoted switch to renewable electricity throughout the Group, achieving renewable electricity utilization rate of 11% in fiscal 2022. Launched a GHG volume visualization project in May 2022

Course for Fiscal 2023

Strategy Theme Further pursue the SDGs as a business in itself

First, to increase participation in and awareness of the recycling of used disposable diapers throughout society that leads to changes in individual behavior, we will clarify fiscal 2023 activities from the perspectives of product value, customer value, and social value, and make preparations for the launch of a business recycling used disposable diapers at the Kagoshima Plant. Regarding the development of products that contain no petroleum-derived plastic, we will both promote

the development of products that have environmental value and incorporate additional advantages to meet customer needs. Finally, using the GHG emissions visualization platform, we will attempt to embed the effective use of materials that reduce environmental impacts while demonstrating our ethical leadership by building consensus with value chain stakeholders to enhance the social value of the industry overall.

Action Plan	Target
(1) Target establishment of CRM focused on Reff*3	To establish used disposable diaper recycling as the de facto standard*4, the Kagoshima plant will be used as a touchstone to create contacts with municipalities engaged in the SDGs, while conducting a series of standard model pilot projects for new municipalities.
(2) Steadily promote theme development leading to competitive environmental considerations	We will pursue environmental additional advantage value that anticipates customer needs through the development of sanitary pads and hybrid diapers that contain no petroleum-derived plastics. Additionally, we will promote SDGs Theme Guideline priority themes to ensure the steady promotion of themes that lead to reduced environmental impacts and the resolution of social issues.
(3) Restructure business industry-wide through Unicharm Ethical Leadership	We will improve the social value of the industry overall by partially operating a GHG emissions visualization platform, strategically incorporating materials with reduced environmental impacts, and building consensus with value chain stakeholders.

*3 Reff: Recycle for the Future

*4 Standards that have been widely adopted by competition in the marketplace, resulting in de facto standardization

Strategy 3: Marketing



Desirable Future in 2030

Implementing “NOLA & DOLA” to realize maximum diversity and well-being

Realizing social inclusion through the provision of product value

Kouichi Naoe

Executive Officer,
General Manager of Global Wellness Care Marketing Division

Positioning of Strategy 3 for Unicharm’s Sustainable Growth

Implementing the “NOLA & DOLA” Vision

While products and services offered by Unicharm, including disposable baby diapers, sanitary pads, adult incontinence care products, and partner animal (pet) care products are by no means flashy, they are all essential for a safe and secure daily life. This is exactly what is meant by the Necessity of Life with Activities (“NOLA”) within Unicharm’s vision “NOLA & DOLA”—offering gentle support for mind and body that frees people from various burdens. To continue providing these kinds of products and services, we believe it is important to have a solid understanding of cultures and lifestyles in different countries and regions leading to the discovery of new proposals and ongoing value creation that exceeds customer expectations.

The ability to maintain uninterrupted relationships with customers throughout their lives even while narrowing the focus of our business domains is a strength of Unicharm’s business portfolio. Unicharm products boast a long shelf life in all categories, with disposable baby diapers lasting about three years, sanitary pads lasting about 40 years, disposable adult diapers lasting about 10 years, and partner animal (pet) care products lasting about 20 years. We provide products and services at all contact points, tailored to each stage of life. Through the promotion of the fourth strategy, which integrates these products and services with digital transformation, and the continuous improvement of customer experience value, we are also contributing to each and every person fulfilling their dreams. This is what is meant by Dreams of Life with Activities (“DOLA”).

Marketing in the Age of the Individual

Unicharm marketing aims to promote business growth and contribute to the enrichment of society by providing satisfaction that exceeds the price paid by customers. To this end, we must actively identify changes in consumption and use, and continue proposing new value.

Further, by 2025, Generation Z will comprise approximately 20% of the global population (12% to 24% in the countries and regions where we do business), and this demographic will drive consumption trends. These are “digital natives” familiar with smartphones and social media from an early age who tend to value individuality and prefer

personalized products and services. In this sense, they can be seen as individualists.

In addition, the number of single-person households is expected to increase worldwide. Assuming that single-person households do not co-own or share with others, they tend to pursue their own individual tastes and preferences. Going forward, in targeting Generation Z and single-person households, we must rapidly bring to market highly appealing products that stand out for their distinctive sense of individuality in terms of design, feel, fragrance, and other attributes.

With this in mind, we have established “Advance portfolio centered on Persons” as our strategic theme for fiscal 2023. Based on Persons, a group of individuals categorized with a focus on the individuality of each person, we will promote product development based on ideas that break free from the economic constraints of the market size of a single country or region. We aim to create new markets in each country and region, such as the period underwear developed in China, and to evolve the portfolio of each local subsidiary.

Maintaining Our Competitive Edge to Become the World’s Best Company in 2030

To maintain our competitive edge, we must strengthen our brand power, our ability to communicate value, and our product capabilities. In strengthening our ability to communicate value, it is particularly important we develop human resources with marketing skills that enable them to ascertain consumer insights that are incorporated into the brand to enhance value. To this end, volunteers from marketing-related divisions hold marketing science study groups addressing each theme, to enhance each other’s skills.

Review of Fiscal 2022

Strategy Theme Achieve “NOLA,” which underpins customers’ lifestyles

In adult incontinence care products, the appeal of basic functions such as absorbency and no leakage is that they provide both the user of disposable diapers and their caregivers with peace of mind. At the same time, we promote the adoption of pants-type disposable diapers overseas mainly based on the value pants-type products provide in terms of the positive attitude users gain from wearing comfortable diapers that they can change themselves. This has resulted in an increase in pants-type users accounting for approximately 50% of overseas sales for this product. Led by Unicharm brands *Lifree*, *Caryn*, and *Certainty*, we have established a competitive advantage in pants-type disposable diapers, leading markets in five countries and regions with the top market share.

In partner animal (pet) care products, we achieved our target for sales of cat litter boxes due to measures aimed at meeting pet owner needs for strong deodorizing capabilities and an expanded lineup of replacement products. In fiscal 2022, sales of animal health products, including flea and tick prevention products in the United States, grew significantly, accounting for 45% of overseas sales.

In feminine care products, we strengthened Unicharm’s master brand *Sofy* through value propositions meeting needs in each country and region, maintaining high and stable growth while increasing market share.

Top market share in five countries and regions

▶ Page 52 Wellness Care Products > Business Development by Product Category

Top market share in animal health products

▶ Page 59 Partner Animal (Pet) Care Business > Business Development by Product Category

Increased market share

▶ Page 54 Feminine Care Products > Business Development by Product Category

Baby Care and Childcare Products > Business Development by Product Category ▶ Page 56

Kirei Care Products > Business Development by Product Category ▶ Page 58

Note: All references to market share figures are based on in-house research conducted by Unicharm in 2022.

Action Plan	Target	Achievements in FY2021	Achievements in FY2022
(1) Create a new market in Asia for disposable adult diapers that will help increase healthy life expectancy	Achieve an average annual sales growth rate of 10% in the disposable adult diapers category	Recorded a year-on-year increase of 8.6% in annual sales growth in the disposable adult diapers category	Recorded a year-on-year increase of 11% in annual sales growth in the disposable adult diapers category
(2) Popularize the use of a new type of cat litter box in Asia	Achieve annual global sales of 750,000 cat litter boxes	Recorded annual global sales of 1,080,000 cat litter boxes	Recorded annual global sales of 900,000 cat litter boxes
(3) Secure new users of pants-type sanitary pads by expanding the product lineup	Increase the number of countries offering pants-type sanitary pads. Expand the product lineup	Rolled out sales in five countries. Launched slim-type, cool, sensitive skin-type, and extra-large size pants-type sanitary pads	Rolled out sales in 12 countries and regions. Incorporated use of organic cotton, expanded lineup of standard type and other products

Course for Fiscal 2023

Strategy Theme Advance portfolio centered on Persons

The action plan established for fiscal 2023 comprises three points: (1) maintain advantages to become the world’s best company by 2030; (2) “NOLA”: Develop the post-pandemic mass market; and (3) “DOLA”: Create new consumption with the Persons Group. In terms of maintaining advantages to become the world’s best company by 2030, we aim to achieve targets in each product category by strengthening our brand power, our ability to communicate value, and our product capabilities. In developing the new post-pandemic mass

market, amid drastic changes in the world, we will deploy one of our successful strategies, Globalized Specialized Businesses, and link this to strategies in the 12th Medium-Term Management Plan, which starts in fiscal 2024. In terms of creating new consumption with the Persons Group, rather than focusing on a single country or region, we will continue responding to customer needs and challenges in a broader geographic area and begin developing new products and services that will contribute to the achievement of the SDGs, which is our purpose.

Action Plan	Target
(1) Maintain advantages to become the world’s best company by 2030	Wellness care Expand share among users of pants-type disposable diapers, create light incontinence care market
	Partner animal (pet) care Expand and conduct trials of unique product lines, create health and convenience value
	Feminine care Create high-value-added products with unique value propositions related to security, environment, sensation, and health
	Baby care and childcare Improve profitability through differentiation of standard products and reinforcement of pants-type disposable diapers for older infants and nighttime use
	Kirei care Develop product strategies for a return to growth in overseas markets
(2) “NOLA”: Develop the post-pandemic mass market	Establish new mass markets taking into account market potential, market maturity, product platforms, cross-border needs, and local needs
(3) “DOLA”: Create new consumption with the Persons Group	In addition to grouping Persons across national borders by creating a benefit technologies menu combined with value creation based on local insights, from fiscal 2023, create products and services centered on realizing our purpose

Strategy 4: Digital Transformation



Desirable Future in 2030

Sell social inclusion products, create various channels to meet minority needs

Chikako Nagai

Department Manager of Feminine Care Brand Management Department, Japan Marketing Division

Positioning of Strategy 4 for Unicharm's Sustainable Growth

Facilitating the Realization of Customer "DOLA"

To embody Unicharm's "NOLA & DOLA" vision, we must continue to provide new value, both in the "NOLA" domain, which aims to dispel negativity, as well as the "DOLA" domain, which aims to fulfill people's dreams. Unicharm believes the continued provision of new value is nothing less than the ongoing pursuit of "value that is truly sought after by customers," which contributes to improving quality of life (QOL) for customers around the world.

However, in today's world of diversifying values, it is not easy to satisfy the individual needs of each customer. By visualizing various data accumulated up to now, we strive to gain consumer insights and develop products and services that attract the interest of customers. With an understanding of customers' mental and physical condition, as well as the timing and location of product usage, we aim to provide products offering the highest value, at the optimal time and place, using the most convenient methods to heighten customer attachment to our products and services.

Maximizing Lifetime Value

Many of the products and services Unicharm provides are used by customers over long periods of time. Among these, women may use sanitary pads over a period of approximately 40 years, from menarche until menopause. For this reason, we are focused in particular on users of our Sofy sanitary pads brand. We attempt to increase brand engagement with Sofy by eliminating many of the negatives associated with menstruation while heightening customer experience value. We also visualize a variety of information from Sofy users and increase their points of contact with Unicharm by proposing appropriate products and services for different life stages including pregnancy, childbirth, childcare, postmenopausal incontinence care, and even nursing care and partner animal (pet) care. We believe these initiatives enable us to contribute to improved QOL for each individual customer and help maximize lifetime value for people throughout the world.

Promoting Global Digital Transformation

In conjunction with the launch of the 11th Medium-Term Management Plan, the Digital Transformation (DX) Promotion Division was established and strengthened as a structure for centrally managing and promoting DX-related projects. The primary objective in promoting DX is to link DX to *monozukuri* (manufacturing) innovation. To this end, we are developing a variety of digital content and implementing measures to collect and analyze customer feedback to develop consumer insights. At the same time, we are also developing digital infrastructure. To facilitate the global deployment of advanced CRM and direct-to-consumer (D2C)*1 initiatives that have already achieved success in Japan and Thailand, a DX alliance led by the DX Promotion Division comprising Group company representatives has been formed to share and discuss the status of respective projects and the development of DX human resources.

*1 D2C is a business model for offering products and services directly to consumers through such means as a company's own e-commerce website. Unicharm uses D2C initiatives for customer engagement.

Review of Fiscal 2022

Strategy Theme Offer value in the form of product features and additional advantages catering to changes in customers' circumstances

In fiscal 2022, we stepped up efforts targeting Sofy users, which included the creation of additional content for the Sofy Girl app, an online menstrual period management tool for the onset of menstruation and puberty that teaches users about menarche and menstruation through manga-based videos. We also added new features to the Sofy Menstruation—Period Management app, which supports users affected by menstrual cramps, premenstrual syndrome (PMS)*2, and other menstrual problems, making it easier for users to manage their health outside of menstruation by recording their body weight and basal body temperature, among other things. Further, offline activities included the corporate training program, Education on Menstruation for Everyone, held at approximately 160 companies and organizations to promote mutual understanding of menstruation in the workplace.

In terms of leveraging the unique characteristics of digital technologies to communicate value, we collaborate on apps provided by retailers to recommend optimal products for addressing customers' menstrual concerns and problems, even before they go shopping. We also launched new initiatives, including working in conjunction with retailer sales floors to stimulate purchases.

D2C efforts utilizing the Unicharm Direct Shop included the deployment of new services that match the purchasing behavior of individual customers, focused on buyers of our nursing care products. These included the *Iki Iki Otoku Bin* regular delivery service and the distribution of catalogs for telephone orders.

*2 PMS: The emotional and physical symptoms, such as irritability, abdominal pain, and headaches, that some people experience before their menstrual period

Action Plan	Achievements in FY2022
(1) Eliminating negative aspects common across women's life stages	Sofy Girl and Sofy app reaches 1.5 million users with additional content. Education on Menstruation for Everyone held at approximately 160 companies and organizations
(2) Proactive value communication leveraging digital characteristics	Launched new service in collaboration with retailer shopping apps to communicate value to customers before they visit stores
(3) D2C implementation to respond to individual consumer needs based on behavior and purchase information	Developed a regular delivery service, catalog sales, and product sampling for Unicharm Direct Shop members

Course for Fiscal 2023

Strategy Theme Ascertain customer changes to create value for individual customers

For fiscal 2023, three action plans have been formulated: (1) Create continuous contact with schools and companies centered on menstruation; (2) Establish open innovation structures within and outside the Company; and (3) Transform D2C through integration with CRM. Under the first action plan, Education on Menstruation for Everyone will be expanded from companies to schools to increase contact with the Sofy brand and develop new women's support programs focused on menstrual care. Under the second action plan, we will utilize knowledge from within and outside the Company and gain insights

from the analysis of accumulated individual customer behavioral data to create a new system directly linked to the development of products and services. Under the third action plan, as a new D2C initiative, we plan to further advance CRM for Unicharm Direct Shop to increase contact with customers at the entry point of each product category and select products that best meet their individual needs and lead to purchases, as well as to add a full lineup of products and begin handling eco-friendly products.

Action Plan	Target
(1) Create continuous contact with schools and companies centered on menstruation	Develop a new women's support program by extending continuous contact with Sofy users, in locations from storefronts to schools and businesses
(2) Establish open innovation structures within and outside the Company	Create a system for generating ideas for new products and services that circulates between purchases and experiences based on the analysis of individual customer behavior data
(3) Transform D2C through integration with CRM	Create D2C integrated with CRM that captures the moment when a customer's intention to purchase increases

Strategy 5: *Monozukuri* (Manufacturing)



Desirable Future in 2030

Develop products and build supply chains that are eco-friendly

Takashi Kan
Associate Officer, Co-Chief Supply Chain Officer (CSO) and General Manager of Production Management Division, Unicharm Products Co., Ltd.

Positioning of Strategy 5 for Unicharm's Sustainable Growth

Strengthening *Monozukuri* (Manufacturing)

We engage in daily manufacturing with the desire to create products that customers can use with confidence and that also deliver excitement and peace of mind. To this end, we aim to grow into the most advanced specialist group, making full use of the world's most advanced nonwoven fabric and absorbent material processing and molding technologies.

However, the external environment surrounding Unicharm has been rapidly changing in recent years, and in order to maintain stable provision in the daily necessities field, we must be flexible and responsive at all times. Thus, when formulating the 11th Medium-Term Management Plan in 2020, we devised a strategy for strengthening manufacturing as the fifth Companywide priority theme to move away from our previously held principle of self-sufficiency and reanalyze manufacturing to develop optimal processes and rebuild as the ultimate *gemba* (manufacturing site).

The Ultimate *Gemba*

Having engaged in thorough analysis of manufacturing principles and the establishment of optimal processes in fiscal 2021, we continued these efforts in fiscal 2022 with the promotion of measures for Creating the Ultimate *Gemba*, Vol. 2, and engaged in various global manufacturing site improvements. To improve the fixed asset turnover rate and equipment operating rate, we will take three specific actions: (1) Build a global supply foundation, (2) Promote the creation of smart factories, and (3) Develop human resources and create related systems. These activities will lead to the creation of medium- and long-term value through stable and improved quality, enhanced cost competitiveness, and the development of human resources required for future

manufacturing sites. The ultimate *gemba*, which combines flexibility and efficiency realized through these improvements, will meet high standards, including consideration of environmental impacts, and enable the provision of safe products that offer peace of mind, thereby increasing customer satisfaction and contributing to the achievement of Kyo-sei Life Vision 2030.

Manufacturing and Human Resource Development

Unicharm is making efforts to conserve labor and manpower at manufacturing sites through the promotion of smart factories that utilize digital technologies. The human resources freed up through labor and manpower conservation are devoted to developing people with the ability to accurately impart the philosophy that comprises the foundation of our manufacturing. Through these efforts, we cultivate a culture of teaching and being taught, and are working to develop human resources who will support our Companywide goal of becoming the world's best company by 2030.

For example, in creating education content focused on four areas comprising safety, Unicharm Total Management Strategic System (UTMSS), technology, and management, and at the same time, developing trainers who have mastered the skills they teach, we aim to maintain and improve the quality of education. Further, with regard to digital technologies critical for onsite improvements, we will adopt a two-pronged approach aimed at developing specialized human resources and increasing digital literacy among new hires and other staff as part of our plans to use digital technologies to make improvements and develop human resources able to solve problems.

Review of Fiscal 2022

Strategy Theme Promote measures for Creating the Ultimate *Gemba*, Vol. 2

As already mentioned, in fiscal 2022, we worked to (1) Build a global supply foundation, (2) Promote the creation of smart factories, and (3) Develop human resources and creating related systems. In terms of building a global supply foundation, we restructured our materials procurement system to address future raw materials procurement risks,

established the Manufacturing Partnership Promotion Group at Unicharm Products Co., Ltd., and commenced operation of a new system for selecting contract manufacturers that will be the core of the Fab Light*1 concept. With regard to promoting the creation of smart factories, despite a standstill caused by the pandemic, we accelerated

Supervisory Control and Data Acquisition (SCADA)*2, collaborative robots, and other DX-related initiatives that are indispensable for collaborations with many external associate companies. We are also promoting a balanced energy strategy integrating energy conservation and renewable energy, which we had previously pursued separately. In

developing human resources, we have launched specific initiatives aimed at "teaching those who teach."

*1 Maintains a minimal in-house manufacturing scale without large capital investments while outsourcing the majority of manufacturing to outside businesses
*2 Supervisory control system that controls processes and centralizes monitoring in manufacturing and industrial settings

Action Plan	Target	Achievements in FY2021	Achievements in FY2022
(1) Build a global supply foundation	Complete preparations for building a foundation for borderless supply	Created a global specification standard for pants-type disposable diapers. Promoted the standardization of materials by strengthening resilience in material procurement	Improved Groupwide facility capacity utilization through initiatives focused on absolute capacity utilization. Established the Manufacturing Partnership Promotion Group to promote Fab Light efforts
(2) Promote the creation of smart factories	Build technological foundation for realizing safe, secure, high-quality, and highly efficient smart factories with low environmental impact	Embarked on the development of elemental technologies that contribute to predicting abnormalities in and raising the quality of equipment. Began building a foundation for collecting and analyzing data from model equipment. Started installing energy-saving devices in new production and auxiliary equipment	Made steady progress in technological developments aimed at maximizing uptime. Completed preliminary preparations for SCADA, launched trial operations in April 2022. Verified fan inverters, which are highly effective for conserving energy
(3) Develop human resources and create related systems	Develop trainers who educate human resources on taking the right course of action in an appropriate manner. Formulate and deploy disaster preparedness standards for the Group	Completed preparations to launch a trainer development program in cooperation with other companies. Completed formulation of disaster preparedness standards (hard and soft aspects) incorporating global standards	Determined timing of in-house workplace training in cooperation with other companies. Created disaster prevention standards and prepared roll out at all factories

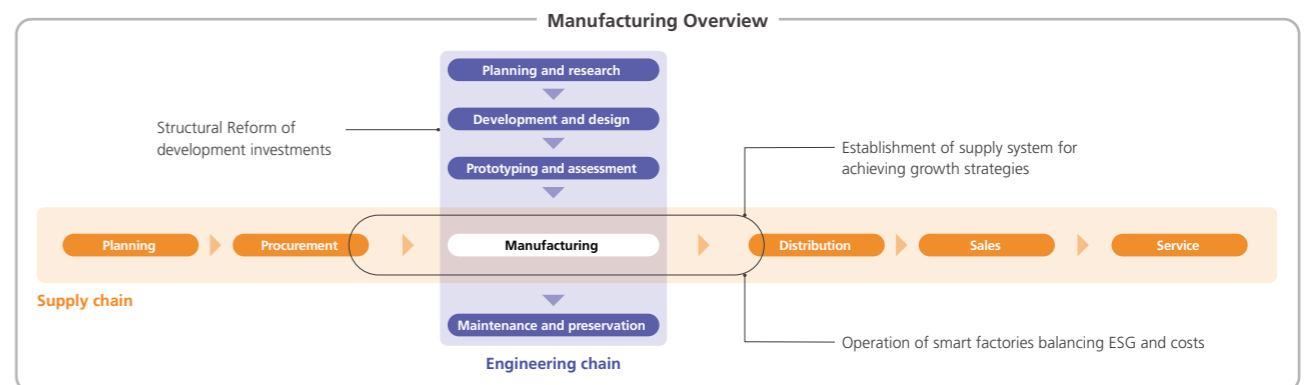
Course for Fiscal 2023

Strategy Theme Maximize customer value through total manufacturing

Up to fiscal 2022, the 11th Medium-Term Management Plan's fifth strategy aimed to improve costs and make production sites smarter by focusing on the supply chain through the Procurement, Engineering, and Production divisions. In fiscal 2023, we established a four-division cooperative structure, including the Product Development Division, to respond to anticipated ongoing sharp rises in raw material and logistics costs, as well as to build a structure enabling us to provide products and services in a timely manner, with the aim of maximizing customer value throughout the entire manufacturing process without being bound by conventional frameworks. Specific action plans and targets for achieving these goals are as follows.

In the structural reform of development investments, we will develop differentiated plugs, improve logistics modules, and engineer equipment in line with demand, thereby shortening payback periods and improving asset efficiency. In the establishment of a supply system for achieving growth strategies, we will utilize contract manufacturers and promote the utilization of facilities with low-capacity utilization in conjunction with business strategies in high-growth countries such as India, Indonesia, and Egypt. With regard to the operation of smart factories balancing ESG and costs, we will steadily promote the introduction of fan inverters, collaborative robots, and SCADA.

Action Plan	Target
(1) Structural reform of development investments	To provide value that meets diversifying needs in the new normal, an era of constant change, we will achieve product differentiation and the timely provision of products and services based on new competitive focal points.
(2) Establishment of supply system for achieving growth strategies	To enhance supply system sustainability and keep pace with growth strategies, we will achieve a fixed asset turnover rate of 230% and an absolute capacity utilization rate of 45.2%.
(3) Operation of smart factories balancing ESG and costs	To promote manufacturing that considers both employees and the global environment, we will achieve a renewable electricity rate of 50% while simultaneously implementing energy conservation measures.



Research and Development

Research and Development Vision

Under its basic policy on development of continuously creating new value through technological innovation, Unicharm conducts ongoing research into nonwoven fabrics, super absorbent polymers, paper, and pulp and develops and improves its processing technology, always with a focus on innovation. The Company also works to reduce the lead time between the initiation of research themes and the launch of product sales.

Our product development can chiefly be classified into personal care and partner animal (pet) care. The development of personal care products entails conceiving and commercializing new products for every stage of people's lives, based on our mission to create products that transform unpleasant experiences into pleasant ones. Providing support for the well-being of dogs and cats, our partner animal (pet) care product development sees us meticulously develop products tailored to the breed, age, and other attributes of partner animals (pets) to facilitate their coexistence with the families who care for them and with society. In both categories of product development, we place emphasis on listening to the views of people on the ground. Identifying needs by visiting the living spaces of customers all over the world, Unicharm's developers turn ideas into products through the formulation and testing of hypotheses. Once product specifications have been decided, our developers work together with the many divisions involved in the development process, including those that arrange production equipment and procure materials, to ensure product quality in the mass production phase.



Product development (identifying customer needs and turning ideas into products)

In recent years, due to the COVID-19 pandemic, Unicharm was unable to conduct in-person interview-based customer surveys or make local visits. However, the Company has advanced new initiatives to maintain global research and development (R&D) activities whatever the circumstances.

One of these initiatives is the Digital Scrum System, which allows us to make online home visits to understand customers' lifestyles and their actual product usage and collect real-life video and audio information. Moreover, since the system lets us observe behavior remotely—including that of partner animals (pets)—in everyday living spaces 24 hours a day, we believe that it helps us gain fresh insights. It also enables us to offer technological guidance and instruction to our overseas production floors to refine products and improve equipment.

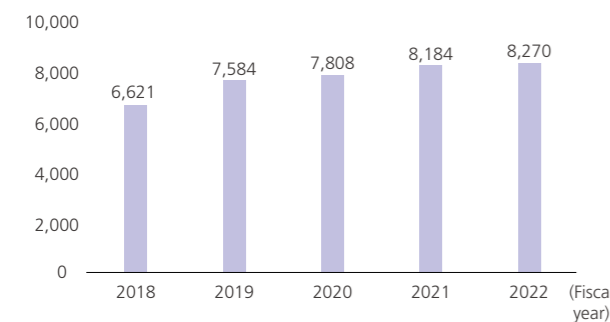
By meticulously observing customers' actual lifestyles and consumption patterns, Unicharm will strive to ascertain their true needs and continuously and swiftly take on new challenges without settling for the status quo or fearing failure.



An interview-based survey using the Digital Scrum System

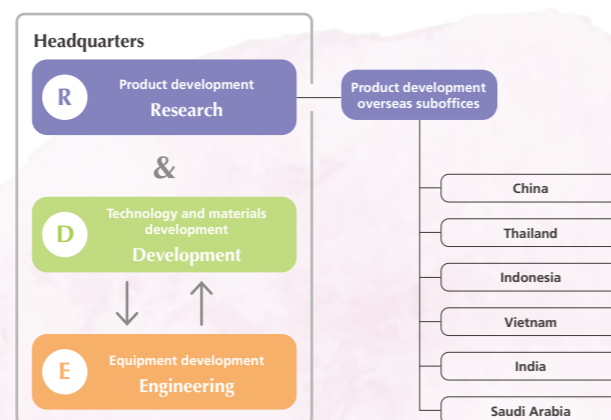
R&D Expenses

(Millions of Yen)



Promotion Structure

Unicharm has created an R&D structure spanning its five product categories (wellness care, feminine care, baby care and childcare, *Kirei* care, and partner animal (pet) care). Under this structure, the Company develops products and revamps existing ones through research, development, and engineering (R&D&E) efforts that closely coordinate the development of products that offer new value to customers (research), the development of new materials and technologies required for offering new value (development), and the development of equipment for producing them. Meanwhile, for Unicharm, which is expanding its business activities on a global scale, rolling out products that take into account the characteristics of the countries and regions where it operates is vital. To achieve this goal, the Company has established product development suboffices at its major overseas subsidiaries, thereby putting in place a structure to facilitate the development of products tailored to the needs of each country and region.



Developing Content to Help Parents Improve Their Babies' Sleep Patterns

At its "Kyo-sei" Social Lab, Unicharm carries out a variety of activities with researchers from universities and other organizations. These activities include scientifically determining the internal and external factors that affect the healthy growth and physical and mental well-being of all people from newborns to the elderly, proposing new products and services, and testing technologies developed by Unicharm. In fiscal 2022, the lab carried out joint research into sleep, which plays an integral part in the healthy growth of babies, with Professor Mitsuo Hayashi from the Graduate School of Humanities and Social Sciences at Hiroshima University and Professor Masako Ohira from the Faculty of Education at Shiga University. The findings of this research, which concluded that creating a relaxing environment suited to both the rhythms of daily life and to sleep is invaluable for helping babies learn

to fall asleep by themselves, were presented at the Japanese Society of Sleep Research's 47th academic conference in June/July 2022. Reflecting on these findings, we developed content to help parents navigate their babies' sleep patterns based on our original algorithm that analyzes information recorded by parents on their babies' daily sleeping habits, such as when they wake up and go to sleep. This content has been incorporated into the Team Moony Point Program app.



Recycling for the Future Project: Horizontal Recycling for Disposable Diapers

The Recycling for the Future (Reff) Project is a Companywide initiative established by Unicharm to achieve a waste-free world by creating consumer products that can be reused through horizontal recycling, which takes used products and reuses them as a raw material to make similar products. As the first step in this project, we began initiatives for the horizontal recycling of used disposable diapers in 2015.

Thereafter, we expanded our efforts to include demonstration trials with Shibushi City, Kagoshima Prefecture and the So Recycling Center, which recycles waste for the city, in 2016, and with Osaki Town, Kagoshima Prefecture in 2018. Using a technology that separates

different materials and our in-house developed ozone technology, we developed a recycling technology that sterilizes, bleaches, and deodorizes pulp from used diapers, so that it can be reused safely and hygienically in new diapers. In May 2022, we manufactured *Lifree* disposable diapers, which include recycled raw materials in the absorbent materials used therein, and started trialing the diapers at a selection of nursing facilities in Kagoshima Prefecture in June of the same year.



Contributing to the Happiness of Cats and Their Owners

Different Unicharm divisions worked together on a project to develop new products that address the age-old problem of cats regurgitating their food. These divisions include product design, marketing and sales strategies, and packaging design. Our in-house developed technology for blending dietary fiber into partner animal (pet) food was key to the development of the new products. This technology allows us to carefully blend dietary fiber into a dried food for cats that quickly softens and breaks down in their stomachs, thereby alleviating the problem of regurgitation. Recognizing that the food needed to be palatable as well as functional for cats to enjoy it, we also completely reworked the blend of ingredients in relation to taste, formulating and testing hypotheses to establish an optimal blend that balances health functions with appealing taste. We also focused uncompromisingly on packaging, introducing

individual packs made from aluminum, the first time we have packaged dried food products in large packs.

Although the project was our first foray into the health food category, our efforts resulted in sales that exceeded our initial plan by 200%. The launch of the *AllWell* series of products saw us take our first step toward realizing our aspiration for all cats to achieve wellness—to be full of life and radiant with good health—which is the vision behind the *AllWell* brand name.



Using Insights to Develop New Products in Saudi Arabia

The expansion of women's rights in Saudi Arabia in recent years led to the lifting in 2020 of restrictions that had made it mandatory to wear the abaya, a traditional black garment for women that covers their whole bodies. The relaxation of these restrictions has made it possible to conduct interview-based surveys of women in Saudi Arabia.

Viewing this change in the operating environment as a business opportunity, employees engaged in developing women's products and those charged with marketing at Unicharm's local subsidiary teamed up to investigate consumer needs and develop distinctive products. In fiscal 2021, they interviewed more than 100 women, discovering that, informed by guidance in the Qu'ran, the women were using olive oil to treat skin problems around their genital areas. In response to this

finding, we used our knowledge about the development of disposable baby diapers to create and launch sales of our first sanitary pads containing skin-moisturizing olive oil. Following the product launch, we used women to promote sales through one-to-one activities, earning a reception from women in Saudi Arabia that exceeded our expectations.



Intellectual Property

Basic Policy

Unicharm focuses on the development of products, services, and technology useful to the realization of the philosophy of "NOLA & DOLA." Therefore, it strives to ensure its continued superiority in business by steadily applying and acquiring intellectual property rights through its R&D activities. The responsibility for planning and implementing intellectual property strategies is shouldered principally by the Intellectual Property Division.

The Intellectual Property Division centralizes the management of the Unicharm Group's intellectual property assets and formulates and executes intellectual property strategies linked to its business and development strategies with the aim of putting in practice an intellectual property landscape in which intellectual property is useful for management decision-making. Specifically, Unicharm has applied for and secured trademarks that protect its brands in more than 160 countries around the world and is also protecting its rights to proprietary packaging.

Along with raising the quality of our intellectual property rights, we are also working to establish and strengthen our intellectual property portfolio. To this end, our efforts include actively using the Japan Patent Office's Patent Prosecution Highway Program and acquiring trademark rights through accelerated review applications in Japan and overseas. Furthermore, we influence international policy on intellectual property through active dialogue with patent offices in Japan and Asia.

Meanwhile, Unicharm also takes a firm stance on protecting its intellectual property rights, including filing lawsuits to tackle infringement or unauthorized use. Its Intellectual Property Division cooperates closely with the Marketing and R&D divisions as well as overseas subsidiaries and works with local government agencies to eliminate unauthorized and counterfeit products in Japan and overseas markets, including Asia.

The Three Components of the Intellectual Property Division's Purpose: Mission, Vision, and Value

Purpose		Contributing to the achievement of the SDGs
Mission Mission and Goal	Realizing a Cohesive Society	→ The Intellectual Property Division will underpin the ongoing growth of Unicharm's corporate value and contribute to the realization of a cohesive society by enhancing the value of the Company's intellectual property to maximize customer lifetime value.
Vision Priority Business Domains	Implementing "NOLA & DOLA"	→ In addition to respecting Unicharm's intellectual property, the Intellectual Property Division will strengthen the Company's foundations for creating, protecting, and utilizing intellectual property that supports the maximization of customer lifetime value and maximizes the value of intellectual property in relation to products and services that facilitate the implementation of "NOLA & DOLA."
Value Value Basis	Promoting Management with Resonance	→ Making use of the intellectual property regimes of various countries and regions and its specialist capabilities in intellectual property, the Intellectual Property Division will promote proposal-based and proactive intellectual property activities that generate business success through Unicharm's intellectual property rights and data.

Intellectual Property Strategy

At Unicharm, we actively use intellectual property to protect our high-value-added products and services. One of the most important areas of focus is the intellectual property mix, which provides multifaceted protection of products and services with multiple intellectual properties, including patents, utility models, designs, and trademarks. We have two targets in this area. The first is deterring entry into premium products, namely acquiring patents for new technologies to prevent other companies from imitating us and to differentiate between products. The second is deterring the development of lower-priced copies of products. As our brand power is particularly strong in Asia, where lower-priced imitations modeled on the appearance and appeal points of our own products have been appearing on the market, we utilize

our trademarks, designs, and utility models to minimize any potential damage to our sales.

We also employ the aforementioned intellectual property landscape to analyze and understand the positioning of our intellectual property in comparison with that of other companies. Objectively viewing the strengths of our intellectual property, we communicate this information to senior management, business divisions, and the R&D Division.

Through such initiatives, our strategy focuses on using our intellectual property to protect the added value we provide to customers.

Promotion Structure

Independent of the R&D Division and business divisions, the Intellectual Property Division manages cross-divisional matters regarding intellectual property both in Japan and overseas. Through regular meetings with the relevant divisions and subsidiaries, the Intellectual Property Division devises countermeasures after holding consultations on how best to secure intellectual property to establish competitive advantages for Unicharm.

Coupled with these efforts, we have established the Digital Transformation (DX) Group within the Intellectual Property Division to promote DX. Comprising human resources with intellectual property and digital knowledge, the DX Group specializes in handling digital-related themes for the entire Unicharm Group. With responsibility for promoting themes in the area of DX, the DX Group provides comprehensive support to the front lines, from verifying contracts with IT vendors and checking open-source software to registering patents.

MamyPoko Extra Dry Protect: Multifaceted Protection through Patents and Trademarks

The world's first disposable baby diapers that use anti-mosquito capsules,* MamyPoko Extra Dry Protect was born of a desire by a marketer working at Unicharm's local subsidiary in Malaysia to protect infants from dengue fever. MamyPoko Extra Dry Protect contains microcapsules with a naturally derived lemongrass extract that repels mosquitoes. The tape on the disposable diapers is coated with the microcapsules. Rubbing the tape when fastening and unfastening the diapers crushes the capsules, which keeps mosquitoes away by releasing the lemongrass extract. Unicharm has patented the technology for the anti-mosquito capsules and acquired the rights for the AMTIMOS trademark.

We will continue to protect as intellectual property the new technologies, trademarks, and other features of products that meet local needs.

* A structure in which the tape surface is coated with microcapsules—both crushed and uncrushed—containing a fragrance. Covers all disposable infant diapers offered by major global brands (based on a February 2020 in-house survey)



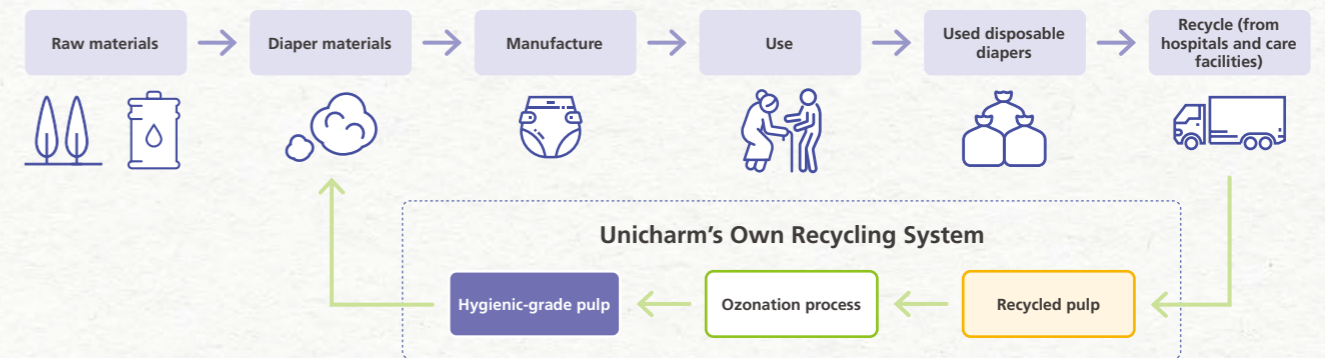
Recycling Used Disposable Diapers: Co-Creation with Other Companies Leveraging Our Intellectual Property

Mindful of hygiene management issues in the use and disposal of products, Unicharm has long been committed to building a circular recycling model for natural resources. As part of these efforts, we are advancing a project for recycling used disposable diapers (see pages 38–39 and page 47) with local governments and other companies. Activities are underway to commercialize this project, which aims to realize horizontal recycling, whereby raw materials for new disposable diapers are extracted from used ones. In addition, rather

than making our numerous patents for recycling used disposable diapers proprietary, we intend to make the related technologies available to interested companies and organizations to drive forward circular recycling.

In this way, we are using our intellectual property to underpin co-creation with other companies and promoting innovation by flexibly allowing them to use our patents.

Circular Recycling Model for Disposable Diapers



Hands-Free Commute: Protecting Business Models with Patents

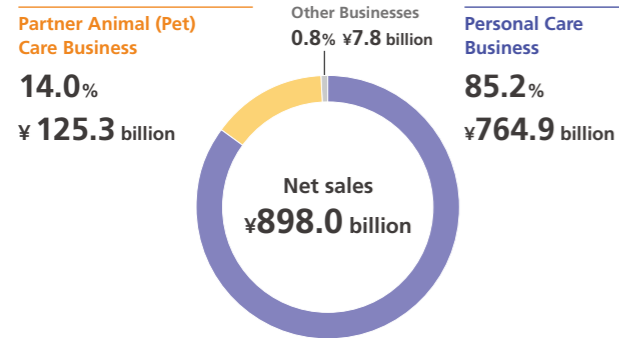
A subscription-based model for disposable diapers that helps alleviate the burden on both parents and childcare workers, Hands-Free Commute has been introduced in several childcare facilities throughout Japan. Under Hands-Free Commute, the Company developed a system that monitors data on the number of disposable diapers and baby-wipes at nursery schools and automatically orders new stock when inventories run low. We have also acquired several business model patents in relation to the Hands-Free Commute system with our business partner, BABY JOB Inc.



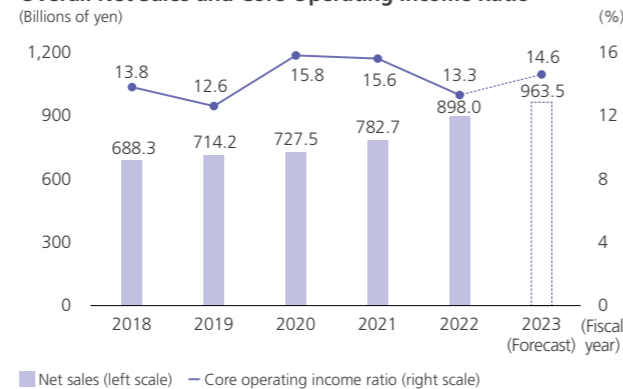
Review of Operations

Note: All references to market share figures are based on in-house research conducted by Unicharm in 2022.

Net Sales by Business Segment (Fiscal 2022)



Overall Net Sales and Core Operating Income Ratio



Overview of Overall Performance in Fiscal 2022

Passing On Value Through New Value Proposals

In fiscal 2022, conditions remained unpredictable in Unicharm's operating environment. These included soaring materials prices resulting from rising geopolitical risks, such as Russia's invasion of Ukraine, and accelerating inflation stemming from the impact of exchange rate fluctuation and other factors. In addition, responses to the COVID-19 pandemic varied significantly depending on countries and regions, the impact of which resulted in major differences in the pace of their business recovery.

Looking first at operations overseas, while signs of recovery from the economic deterioration triggered by the spread of COVID-19 were evident in Unicharm's major overseas markets, such as Thailand, India, and Indonesia, uncertain economic conditions persisted in China due to the effect of restrictions on movement, as exemplified by lockdowns in Shanghai. Despite such an unstable economic environment, the Company maintained efforts to ensure the consistent supply of its products given their role as daily necessities. We also passed on value

in countries and regions including North America and Indonesia by proactively launching new and updated products at raised prices, which enabled us to address sharp increases in our costs.

In Japan, amid a recovery in business conditions, we endeavored to expand our market share by continuously proposing new value to stimulate demand for high-value-added products while passing on value.

In this operating environment, Unicharm adopted a basic policy of continuously offering unprecedented and world-leading products and services that bring comfort, excitement, and joy to people throughout the world. Under this basic policy, the Company worked to realize a cohesive society—where all people live equally and freely, respect one another's humanity, and are kind to each other and emotionally connected—by striving to develop original nonwoven fabric processing and molding technologies and products that meet the needs of consumers.

Outlook for the Future of Unicharm's Overall Operations

Promoting Digital Transformation to Develop Hygiene-Related Products and Create Markets for Them

In fiscal 2023, the final year of the 11th Medium-Term Management Plan, although materials prices are likely to continue to fluctuate at a high level and uncertain economic conditions will persist in Unicharm's major overseas markets, the Company expects the transition back to normality from the years marked by the COVID-19 pandemic to bring about a moderate recovery in business conditions. In addition, even if exchange rates do not fluctuate as wildly as they did in fiscal 2022, we believe that they will still need to be monitored closely as the appreciation of the yen will have a negative effect on currency translations but a positive effect in terms of procurement.

In this environment, we will strive to develop hygiene-related products that meet consumer needs and create markets for them by promoting digital transformation while implementing business strategies in line with the economic conditions and demographic dynamics of the countries where we operate to achieve continuous high growth.

Regarding overseas markets for the Personal Care Business, in China, where the lifting of zero-COVID-19 policies has brought about a moderate recovery in business conditions, Unicharm will drive sales by promoting premium lines centered on feminine care products. Focusing on India and Southeast Asia, we will achieve high levels of

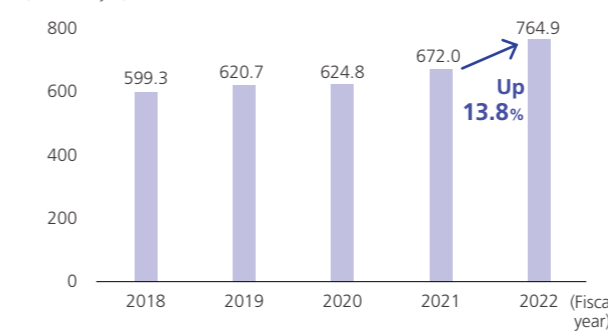
growth that outpace market growth to improve profitability through the continuous passing on of value by offering new value that meets the needs of each country and region. Meanwhile, in the Partner Animal (Pet) Care Business, we will increase the sales ratio of products featuring new concepts that incorporate technology developed in Japan, such as wet treats for cats and incontinence sheets for dogs. We will also expand our product lineup in the Asian market, which includes China, Thailand, and Indonesia.

In the Personal Care Business in Japan, we will continue to spearhead efforts to revitalize the market and improve profitability by passing on value through the provision of high-value-added products that meet consumer needs. In the Partner Animal (Pet) Care Business, we will pass on value through the development of products that support all aspects of coexistence with dogs and cats and the creation of new markets for these products.

Through these efforts, we expect to achieve consolidated net sales of ¥963.5 billion, core operating income of ¥141.0 billion, profit before tax of ¥137.5 billion, and profit attributable to owners of parent of ¥80.9 billion for fiscal 2023, with basic earnings per share projected to be ¥136.36.

Personal Care Business

Net Sales



SWOT Analysis

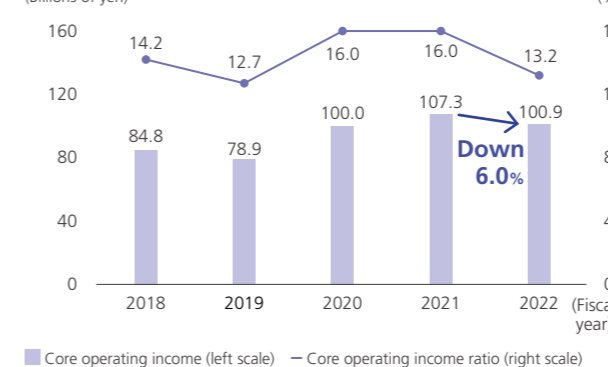
Strengths

- Leading position in Asian market
- Nonwoven fabric and absorbent material processing and molding technologies
- Product range targeting a wide range of people, from infants to the elderly
- Product development capabilities that anticipate consumer needs
- Rapid strategy implementation
- Overseas business development capabilities
- Geographical risk hedging with operations in a broad range of regions, from emerging markets to developed economies
- Industry-leading patent application and registration rates

Weaknesses

- Increasing sense of guilt among consumers about using disposable products
- High percentage of fossil fuel-based raw materials
- Lack of personnel skilled in digital technologies

Core Operating Income / Core Operating Income Ratio



Opportunities

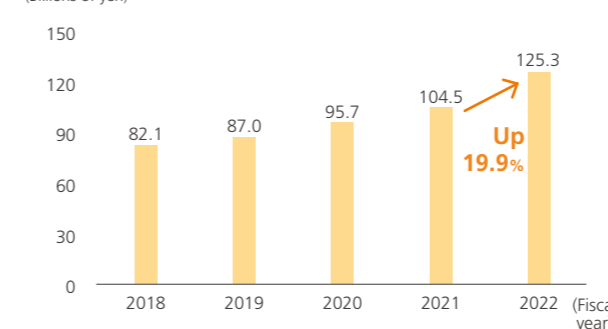
- Rising income levels and emerging needs for improved hygiene in emerging markets
- Growth in the number of people receiving nursing care in developed countries
- Increase in elderly people aiming for healthy retirement (extended healthy life expectancy)
- Greater awareness of the importance of preventing infections
- Rising demand for safe products that offer peace of mind
- Upsurge in demand for high-value-added products

Threats

- Risks accompanying changes in demographic dynamics, such as declining birthrates
- Risks stemming from fluctuations in the price of raw materials
- Geopolitical risks
- Risks related to foreign exchange
- Risks related to intellectual property, including patents and trademarks
- Risks related to environmental problems
- Risk of market entrants from other sectors

Partner Animal (Pet) Care Business

Net Sales



SWOT Analysis

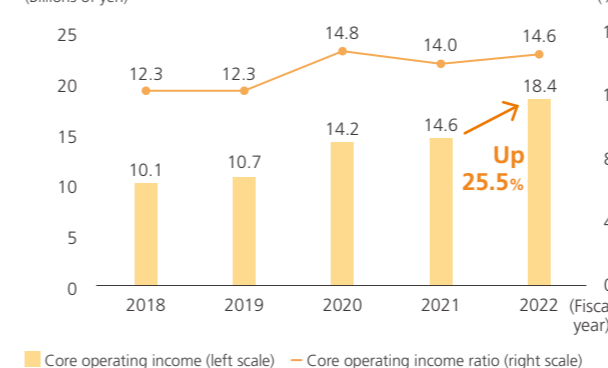
Strengths

- Nonwoven fabric and absorbent material processing and molding technologies
- Extensive product lineup encompassing everything from food to toilet-related products
- Product development capabilities that anticipate consumer needs
- Rapid strategy implementation
- Overseas business development capabilities

Weaknesses

- Increasing sense of guilt among consumers about using disposable products
- High percentage of raw materials based on fossil fuels
- Lack of personnel skilled in digital technologies

Core Operating Income / Core Operating Income Ratio



Opportunities

- Growth in the size of the partner animal (pet) population due to an increase in the number of single- and two-person households
- More people seeking comfort from partner animals (pets)
- Rising demand for safe products that offer peace of mind and for high-value-added products
- Rising demand for pet toiletries due to growing trend of raising partner animals (pets) indoors
- Increasing longevity of partner animals (pets) as a result of advances in medical care and technology

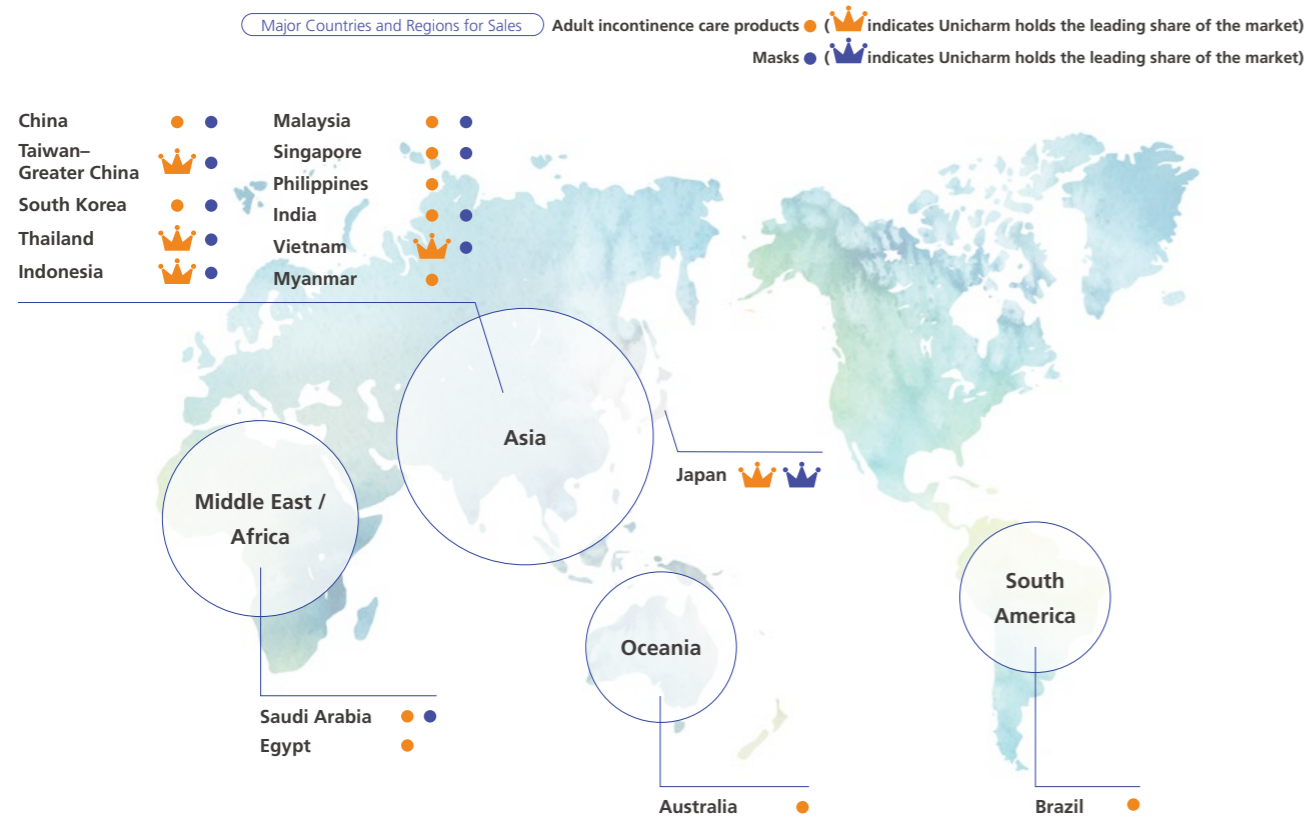
Threats

- Risks related to overseas business and foreign exchange
- Risks related to the reliability of products
- Risks related to intellectual property, including patents and trademarks
- Risks related to environmental problems
- Risk of market entrants from other sectors

Personal Care Business

Wellness Care Products

Business Development by Product Category



Review of Fiscal 2022

The aging of populations in many countries and regions is proceeding even faster than in Japan. In China, Unicharm worked to raise awareness and promote the widespread use of adult incontinence care products by launching new products tailored to local needs and actively investing in marketing. Meanwhile, in Southeast Asian countries, such as Thailand, Indonesia, Vietnam, and Malaysia, the Company continued to realize a high level of growth by expanding its product lineup and promoting the spread of the care model it established in Japan.

The Japanese market, which continues to grow as the elderly population increases, transitioned to recovery, due in part to people becoming accustomed to life under COVID-19 and the lifting of restrictions on movement thanks to the progress of vaccination programs. We achieved stable growth for pants-type disposable diapers by working to offer added value, for example by improving the functionality of *Pelvic Support Fit*[®] to lessen the burden on a wearer's legs and lower back.

As mask-wearing became the norm, we saw an upsurge in demand for masks made by Japanese manufacturers from consumers seeking greater safety and peace of mind. We therefore strove to invigorate the market by improving our lineup of the *Ultra-Comfort* brand through new products ensuring stable supply and meeting consumer needs. While they have become an essential part of measures to prevent infection, masks make some people feel ill at ease when communicating as they cannot see the mouths or facial expressions of others. To address these concerns, we launched the Unicharm Face Visible Mask, which allows people to see the mouths and facial expressions of wearers while still blocking virus droplets. Through this initiative, we are contributing to the realization of a cohesive society where all people live equally and freely. Despite projections of sluggish growth in the mask market as COVID-19 infections become part of everyday life, we will continuously strive to invigorate the market and expand our share of it through the launch of new products and other initiatives.

Business Strategies by Region

Japan

In Japan, where the birthrate is declining and the population is aging, Unicharm has passed on value through efforts that include the development of adult incontinence care products that meet consumer needs. As a result, the Company's net sales growth rate has outpaced the market and its in-store market share of sales has reached approximately 60%. We have also achieved a high growth rate in sales of products for hospitals and other facilities through the ongoing development of new sales channels. We will continue to offer support for a pleasant nursing care environment in various ways, such as by proposing sales floor layouts to the retail industry that make it easier for consumers to choose incontinence care products, and by using digital technology to provide information on how to select appropriate products and use them correctly.

Sales of masks have grown sharply owing to demand resulting from measures to prevent COVID-19 infections in recent years. With Japanese manufacturers continuing to experience strong demand based on the safety and peace of mind offered by their masks, Unicharm has maintained its leading share of in-store sales through its efforts to further invigorate the market. Going forward, market growth is expected to become sluggish as the COVID-19 pandemic comes to an end and society reconsiders where and when to wear masks. Nevertheless, we will aim to achieve stable growth by continuing to develop products tailored to the needs of all consumers and by addressing issues related to the wearing of masks, which have become an established measure for preventing the spread of infection.

China

In China, where society is aging even faster than in Japan, the lack of awareness of adult incontinence care products is an issue for Unicharm. We are therefore investing in raising awareness and promoting the widespread use of such products and allocating management resources to China's highly promising adult incontinence care products market to boost the growth of our business there.

Passing On Value Lifree Light and Comfortable Skin Pants-Type Diapers

Along with improving and launching the medium and large sizes of *Lifree Light and Comfortable Skin Pants-Type Diapers*, we have also launched them in new extra- and extra-extra-large sizes to accommodate customer needs. We have also improved the lineup of this product with the launch of *Lifree Comfortable and Dry Tapes-Type Diapers (Thick Type)*.



Southeast Asia

In countries including Thailand, Indonesia, and Vietnam, demand for adult incontinence care products is increasing in step with the aging of their populations. Against this backdrop, Unicharm is increasing synergies through the solid market share and strong brand recognition of DSG (Cayman) Limited (DSGCL)—a company acquired by Unicharm in September 2018 that manufactures and sells disposable adult diapers—and reducing costs through operational integration with DSGCL's logistics and other functions. In this way, we aim to achieve dramatic growth in Southeast Asia, which has similar potential to China, by further strengthening our market position through the promotion of an expanded product lineup of adult incontinence care products.

Passing On Value Lifree Night Pants (ADL1-3)

Lifree Night Pants, sold in Thailand, are pants-type disposable diapers for night use that fit perfectly and feature absorption capabilities that prevent overnight leakage. We have worked to make the product more comfortable for wearers so that they can sleep through the night with peace of mind.



Passing On Value Lifree Ultra-Thin Pants (Double Absorption/Quadruple Absorption)

Unicharm has developed a light and comfortable product with a flexible feel by halving*¹ the thickness of the fabric in the waist section. By offering a product that feels like ordinary underwear, we believe that we are supporting people who wish to live active daily lives and helping prevent them from becoming frail.*²



*1 The thickness of the nonwoven fabric around the hip area, not including the absorbent material (in comparison with Unicharm products with the same absorption levels)

*2 The stage between being healthy and requiring nursing care

Passing On Value Ultra-Comfort Mask for Kids (for Upper Elementary School Students)

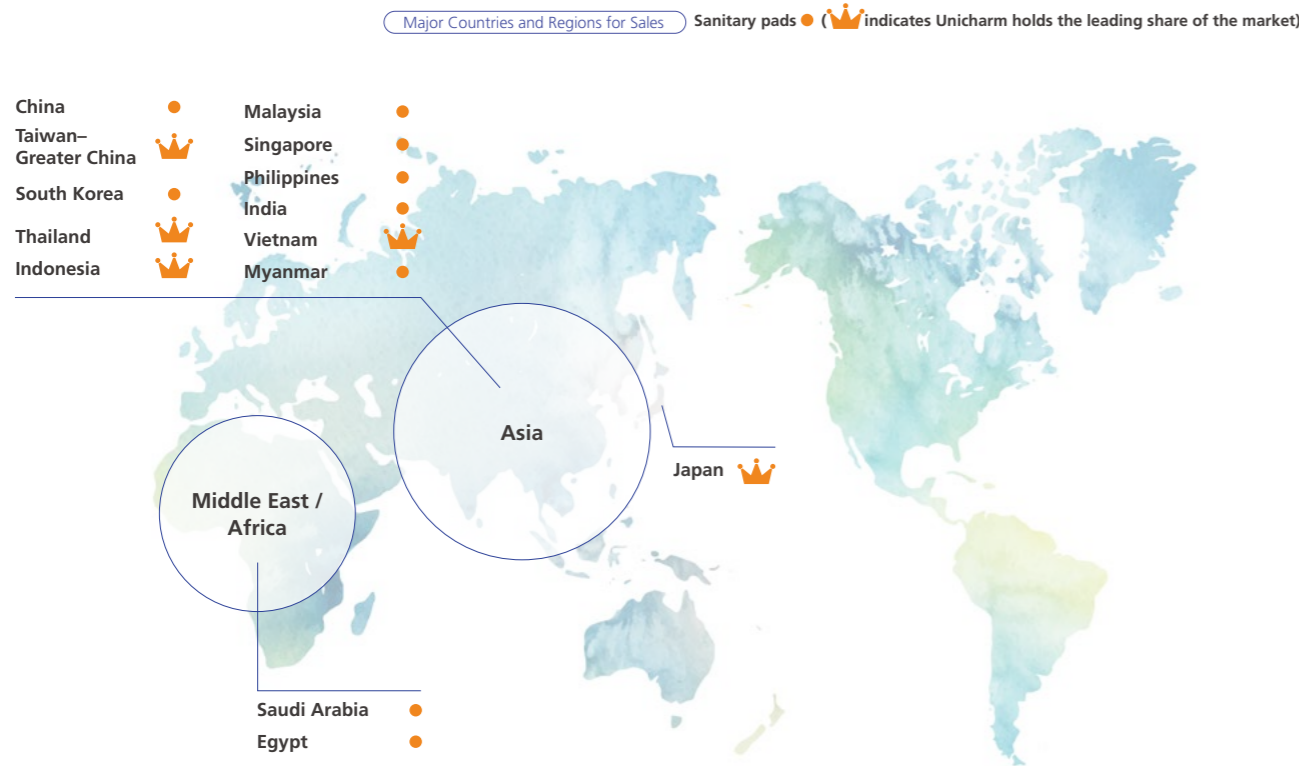
We introduced this type of mask, which is designed to fit perfectly on the faces of upper elementary school students, as part of our efforts to enhance the *Ultra-Comfort Mask* brand product lineup, improve customer satisfaction, and expand the market for masks.



Personal Care Business

Feminine Care Products

Business Development by Product Category



Review of Fiscal 2022

In China, Unicharm worked to expand its sales areas and the number of stores selling its products and strengthen its e-commerce sales with a focus on coastal cities. Despite the adverse impact on supply of intermittent lockdowns due to ongoing zero-COVID-19 measures, the Company continued to achieve growth centered on period underwear and related products by continuously implementing new value proposals targeting the younger demographic.

In countries in Southeast Asia, including Thailand, Indonesia, and Vietnam, sales of high-value-added products, such as cooling sanitary pads that give wearers a cool and fresh feeling—a new concept—

performed favorably. In the Middle East, we recorded stable growth thanks to proactive marketing investments in new products containing olive oil, which led to sales in Saudi Arabia and exports to neighboring countries in the region.

In Japan, despite the decrease in the target population for sanitary pads, we expanded our market share to achieve strong growth. This outcome was thanks to our efforts to offer high-value-added products attuned to women's lifestyles and enhance brand value through communication with consumers using social media and other forums, amid an increasing emphasis on health and peace of mind.

China



Sofy Skin-Touch S Noble Cotton Reliable Pants

Saudi Arabia



SOFY Olive

Japan



Sofy Ultra-Sound-Sleep Pants ORGANIC®

Business Strategies by Region

Japan

Despite a decline in the size of the target population and the maturation of the market for sanitary pads, Unicharm has grown its net sales faster than the market to secure a market share of more than 50%, maintaining its leading position by offering high-value-added products designed for the increasingly diverse lifestyles of women and providing services using digital technology. The Company has also maintained a high level of profitability by offering a variety of products tailored to the market, such as high-value-added products packaged for bulk buying. We will aim to capture a greater market share by offering high-value-added products and services that lighten the mental and physical burden of menstruation on women.

Indonesia

Unicharm steadily increased the retail price of its products by passing on value through high-value-added products that meet consumer needs. These include herbal sanitary pads, cooling sanitary pads that give wearers a cool and fresh feeling, which were first introduced in Thailand, and period underwear for night use that prevents leakages and offers peace of mind when used for long periods of time while sleeping. As a result, we achieved a high level of growth for net sales and maintained a leading market share of approximately 40%. We will aim to further improve profitability in Indonesia by continuing to offer high-value-added products.

Passing On Value CHARM Herbal Ansept+ Bio

Unicharm has adopted a biomaterial* that uses bagasse, which used to be discarded, as a raw material for a range of products including sheets that come into contact with people's skin, rear sheets used in period underwear, and various kinds of packaging, including for individual items. Through the launch of environmentally friendly products, we are reducing the amount of petroleum-derived plastic we consume and encouraging consumers in Indonesia to contribute to the reduction of plastic waste.



* A material in which a portion of the plastic material has been replaced with bioplastic, a biodegradable plastic made or derived from biological materials

India

In India, which has a large target population for sanitary pads and significant potential for market expansion, the percentage of women using sanitary pads remains low. To address this issue, Unicharm engages in awareness-raising activities offering accurate knowledge about menstruation, sanitary pads, and related matters. Since fiscal 2019, we have been holding sessions for mothers and daughters to browse a website about menstruation together, giving them the opportunity to learn about and discuss the topic with each other. In addition, we are expanding activities for developing and supporting female entrepreneurs who operate shops selling our products to facilitate the financial independence of women who live in agricultural regions. Through such activities, we have realized a high rate of growth in the double digits by expanding sales of products that meet consumer needs. Going forward, we will continue working to raise awareness and promote the widespread use of sanitary pads.

China

In China, Unicharm strengthened the Sofy brand by offering innovative high-value-added products, such as period underwear, targeting the younger demographic in Shanghai, Guangzhou, Peking, and other cities. Despite the adverse impact of lockdowns in Shanghai and pressure on inventories, we are maintaining stable growth and a high level of profitability to drive operations forward in China as a whole. At approximately 19%, we have the second largest market share for in-store sales. Going forward, in addition to expanding the number of brick-and-mortar stores selling our products, we will work to increase the volume we sell through e-commerce. We will maintain both sales growth that outpaces the market and a high level of profitability by continuously strengthening our offerings of innovative high-value-added products to achieve the leading share of the Chinese market.

Thailand

While the market for sanitary pads is maturing in Thailand in a similar way to Japan, Unicharm has grown its sales faster than the market by meeting consumer needs and offering high-value-added products, such as cooling sanitary pads that give wearers a cool and fresh feeling and activated carbon sanitary pads. Unicharm holds the leading market share in Thailand at approximately 58% and maintains a high level of profitability despite adverse conditions including soaring raw materials prices, rising logistics costs, and currency depreciation. We will continue aiming to improve net sales growth and profitability by offering high-value-added products that meet consumer needs and implementing effective investments in marketing.

Vietnam

With a market share of approximately 57%, Unicharm maintained its leading position in Vietnam by realizing a high level of growth in the double digits for net sales by offering high-value-added products, including cooling sanitary pads that give wearers a cool and fresh feeling, which were first introduced in Thailand. In addition, in-store prices have steadily risen thanks to our efforts to pass on value through sanitary pads for night use and cooling sanitary pads, enabling us to maintain a high level of profitability despite soaring raw materials prices, rising logistics costs, and other adverse factors. We will continue to strive to improve net sales growth and profitability by offering high-value-added products.

Passing On Value Diana THAN HOẠT TÍNH (Activated Carbon)

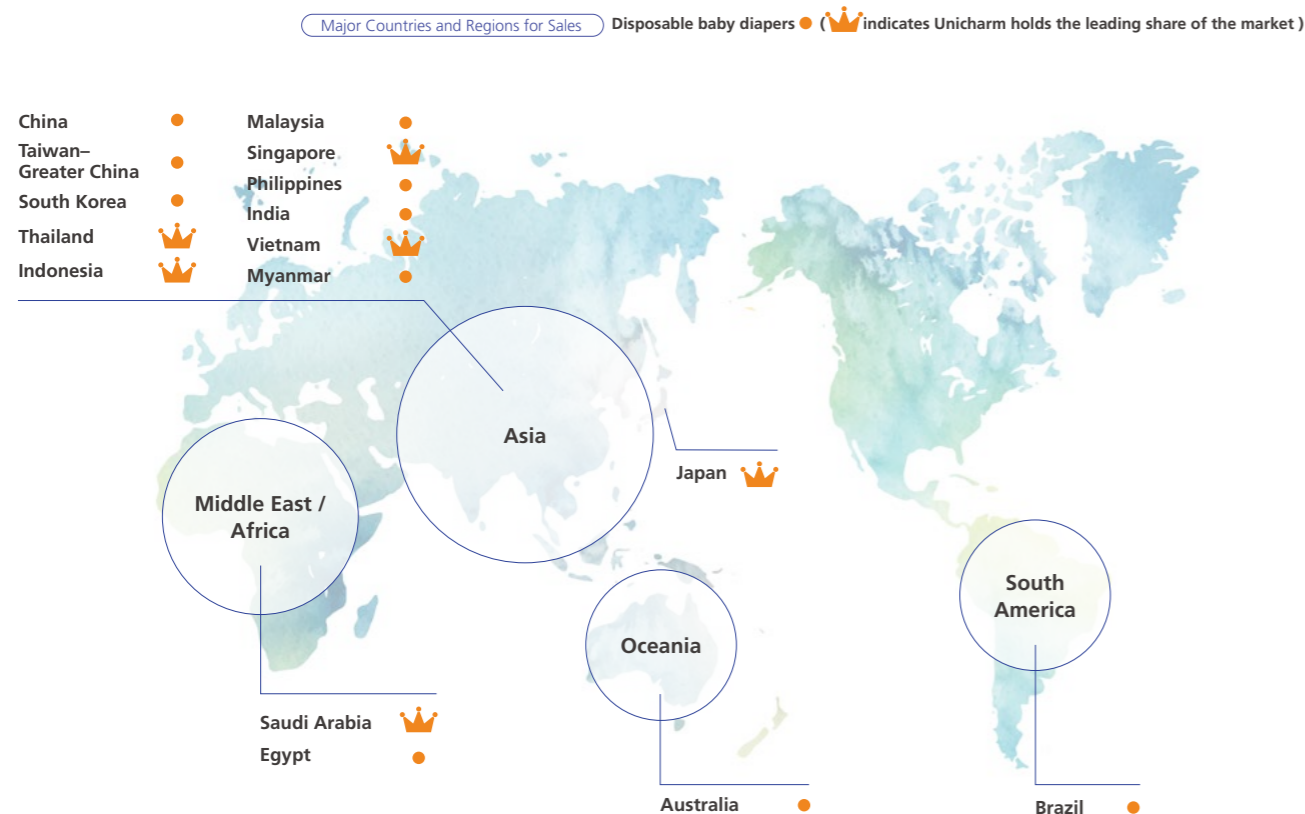
In March 2023, we launched the first activated carbon sanitary pads, which address demand for antimicrobial and deodorizing products that is growing year by year, so that customers in Vietnam can lead their lives comfortably and with confidence. Activated carbon and Nano AG+ maintain hygiene to control unpleasant odors during menstruation.



Personal Care Business

Baby Care and Childcare Products

Business Development by Product Category



Review of Fiscal 2022

In Thailand, where the market had become polarized due to the impact of the COVID-19 pandemic, Unicharm is addressing the needs of a wide range of customers through synergies with DSGCL, a subsidiary acquired by the Company in 2018. In India, where the use of disposable baby diapers is not widespread, even in comparison with other emerging countries, we achieved a high level of growth as a result of our efforts to expand our sales area and recover our market share by promoting the use of pants-type disposable diapers. These efforts included recommencing operations at our factory in northern India, strengthening production at our existing factories, and importing products from neighboring countries. In China, where local

companies are emerging, birthrates are declining, and the population is aging, the supply side was affected by intermittent lockdowns under the zero-COVID policy, resulting in a slowdown in net sales. In response, we adjusted inventories of premium products made in Japan to focus instead on the *Moony* brand, a series of highly profitable premium products made in China.

In Japan, where the market is contracting as birthrates decline and the population ages, we passed on value and worked to bring smiles to the faces of everyone engaged in childcare by improving our product lineup with new added value for both the *Moony* and *MamyPoko* brands.

Business Strategies by Region

Japan

Despite the declining number of births and the maturing market for disposable baby diapers in Japan, we continue to roll out high-value-added products backed by technological innovation and to emphasize communication with consumers leveraging digital technology. Thanks to these efforts, Unicharm has maintained the leading market share in Japan, at approximately 39%. While consumers in China previously favored made-in-Japan products for the quality, safety, and peace of mind they offer, the Company has strategically reduced its exports to China in light of a shift in their preferences to simply good products that offer quality regardless of their country of origin. Moving ahead, we will strive to continue to boost profitability and invigorate the Japanese market by introducing both innovative products that offer new value and services that facilitate childcare.

China

Consumers in China previously favored made-in-Japan products for the quality, safety, and peace of mind they offer. However, amid the declining birth rate, Unicharm is working to strengthen sales of high-value-added products made in China that meet consumer needs, following a shift in local consumer preferences to good products that offer quality regardless of their country of origin. In fiscal 2022, despite the adverse impact of issues including lockdowns in Shanghai and pressure on inventories, we implemented structural reform shifting our focus from offering high-value-added products made in Japan to offering high-value-added products made in China. We will continue to improve profitability by strengthening our promotion of high-value-added products made in China while identifying changes in consumer values.

Indonesia

Amid rising demand for disposable baby diapers in Indonesia, Unicharm has maintained a leading market share of approximately 42% by offering products at various price points—from affordable to mid- and high-priced products—catering to a wide range of consumers. Despite the adverse impact of factors including soaring raw materials prices and currency depreciation, in-store prices of our products rose steadily on the back of efforts to pass on value centered on high-quality disposable diapers that are both well-fitting and gentle on the skin, thereby enabling us to absorb higher costs. We will continue to further expand our market share and improve profitability in Indonesia by promoting the use of pants-type disposable diapers, which are one of our strengths, and offering high added value.

Passing On Value MamyPoko Pants X-tra Kering

The waist section of these disposable baby diapers is made using a new technology developed by Unicharm. While still allowing babies to move freely, the design prevents these diapers from slipping out of place, thereby protecting a baby's skin, which is more delicate than that of an adult, from chapping and itchiness.



Thailand

In Thailand, the impact of the COVID-19 pandemic has led to a polarization in demand among consumers between high-priced and cost-efficient products. Despite these circumstances, Unicharm has maintained a dominant market share of 87% through market development combining Unicharm's high-priced and DSGCL's affordably priced products. As the birthrate declines and the market for disposable baby diapers matures, we will continue to create synergies through the promotion of the two brands to achieve stable growth of net sales and improve profitability.

India

Disposable baby diapers are not widely used in India, so the market boasts significant potential. To tap this potential, we are promoting the use of pants-type disposable diapers, which are one of our strengths, and expanding our sales area. We addressed supply shortages stemming from a factory fire by restarting operations at our factory in Northern India to achieve a strong net sales growth rate in the double digits as a result of efforts to pass on value centered on disposable diapers with improved absorption capabilities, including absorption speed. In addition, despite the adverse impact of soaring raw materials prices, currency depreciation, and other factors, in-store prices rose steadily, which improved profitability and allowed us to move into profitability. We will continue to work toward our goal of capturing the leading market share in India by promoting the use of pants-type disposable diapers, which are one of our strengths, and expanding our sales areas.

Passing On Value MamyPoko Extra Absorb

A wide crisscross sheet, 50% bigger than before, absorbs urine quickly without becoming heavy, offering peace of mind through to the morning.



Vietnam

In Vietnam, market growth has slowed due to a decline in the birthrate resulting from the impact of the COVID-19 pandemic, raw materials prices have soared, and logistics costs have risen. Despite these and other challenging conditions, in-store prices of our products have increased, and we have maintained a leading market share of approximately 38% thanks to our efforts to pass on value, including through the launch of disposable diapers that combine thinness and absorption capabilities. Going forward, we will continue working to expand our market share and further improve our profitability by promoting the use of pants-type disposable diapers, which are one of our strengths.

Passing On Value Bobby Tape and Bobby Pants

With absorbent material just 3 mm thick, the *Bobby* series of disposable diapers are breathable and the use of natural rice oil in their inner surface sheets makes them even gentler on the skin. These features keep babies bottoms smooth and dry.



Saudi Arabia

Despite the adverse impact of a decline in the birthrate due to the COVID-19 pandemic, pressure on inventories, and soaring raw materials prices and personnel and other costs, Unicharm has maintained its leading position in Saudi Arabia with a market share of approximately 52%. The Company achieved this position by passing on value through disposable diapers that contain olive oil and disposable diapers that give peace of mind by preventing nighttime leakages. Despite intense competition in the domestic market in Saudi Arabia, exports from there to various neighboring countries in the Middle East have performed favorably. We will continue working to develop products that respect local cultures and customs and actively promote the advancement of women to further expand our market share and achieve stable growth.

Passing On Value BabyJoy Olive

In the Arab world, the belief that olive oil is good for the skin is ingrained in the culture, so we have used its moisturizing properties in our *BabyJoy Olive* diapers, in the surface sheets that come into contact with a baby's skin.



Brazil

Since entering the Brazilian market in May 2014, Unicharm has worked to promote the use of pants-type disposable diapers and expand its sales area. Despite the adverse impact of factors including soaring raw materials prices and logistics costs and currency depreciation, in-store prices of our products have risen steadily, and we have realized strong growth in net sales as a result of efforts to pass on value centered on disposable baby diapers that offer peace of mind by preventing nighttime leakages. Although disposable baby diapers are used until a relatively late age in Brazil, the use of pants-type disposable diapers remains low. We will work to improve profitability by communicating to customers the convenience of changing pants-type disposable diapers, which is one of their strengths.

Passing On Value MamyPoko Fralda-Cal ça

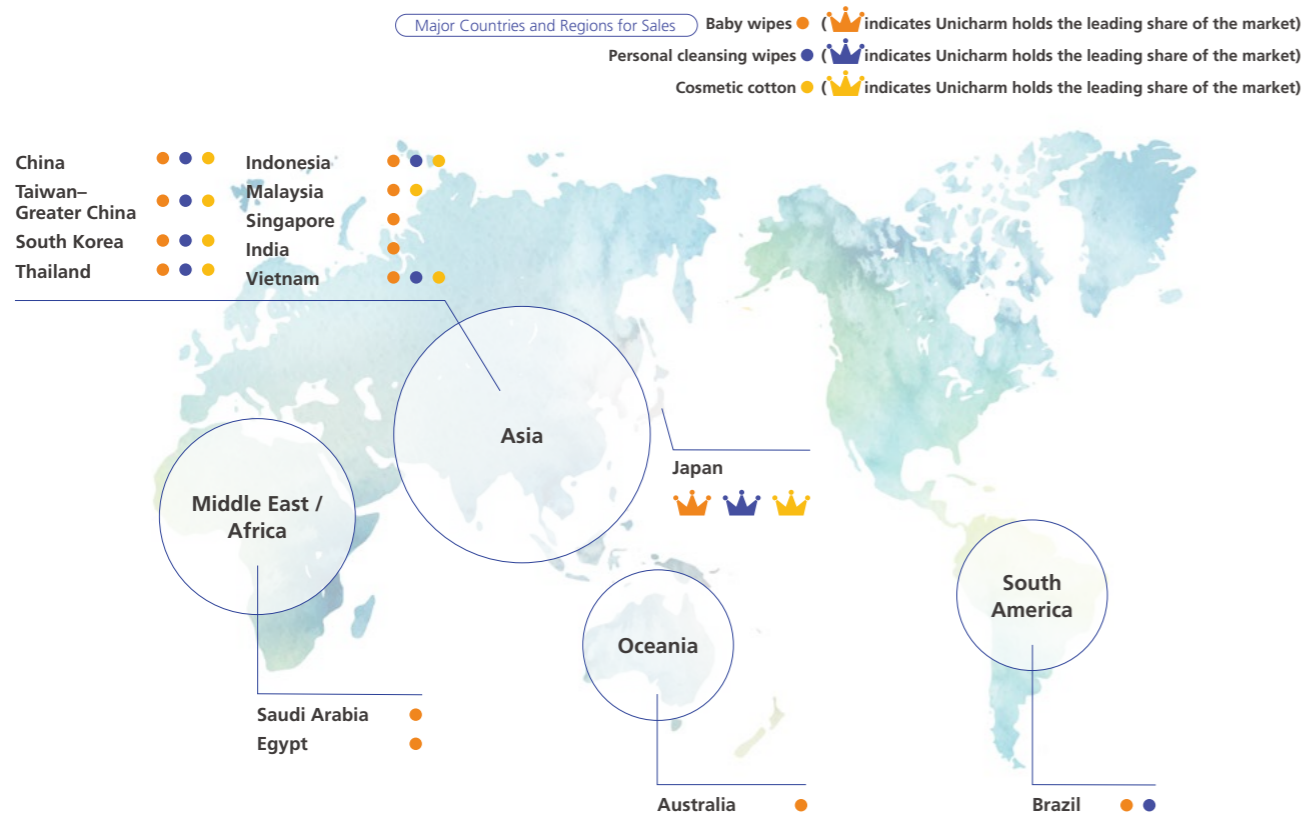
MamyPoko Fralda-Cal ça are pants-type disposable diapers with air vents that make them breathable in addition to having absorbency that gives peace of mind by preventing leakages throughout the night. These features keep babies bottoms smooth and dry throughout the night.



Personal Care Business

Kirei Care Products

Business Development by Product Category



Review of Fiscal 2022

Unicharm has merged the wipes and cosmetic cotton from its Wellness care products and Baby care and childcare products to form *Kirei* care products. The name "*Kirei*," a phonetic representation of the Japanese word meaning "nice and clean," refers not only to physical beauty and cleanliness but also to inner beauty. Launched worldwide as a broad concept and common expression, this new business embodies the Company's aspiration to create environments where all people can enjoy safe and secure *Kirei* lifestyles.

In Japan, the Company ensured the stable supply of *Silcot* brand wet wipes while endeavoring to expand its market share. As a result, it achieved stable growth. Going forward, we expect to see increasing awareness of hygiene and growing use of hygiene-related products both in Japan and globally. With this in mind, we will aim to realize societies that enable all people throughout the world to lead safe and secure *Kirei* lifestyles.

Business Strategies by Region

Japan

Sales of wet wipes have grown as the habit of using them has spread in step with a sharper focus on sanitization, hygiene, and safety in measures to prevent COVID-19 infections. Despite the impact of soaring raw materials prices, rising logistics costs, and other adverse factors, Unicharm maintained its leading position in the wet wipes market with a share of approximately 41% and achieved a net sales growth rate in the double digits by passing on value through new value proposals. We will aim to achieve stable growth by continuing to make proposals for the use of wet wipes in various lifestyle settings and develop products for infection prevention measures.

Passing On Value Silcot® 99.99% Sanitizing*1 and Antibacterial Plus*2 Wet Wipes

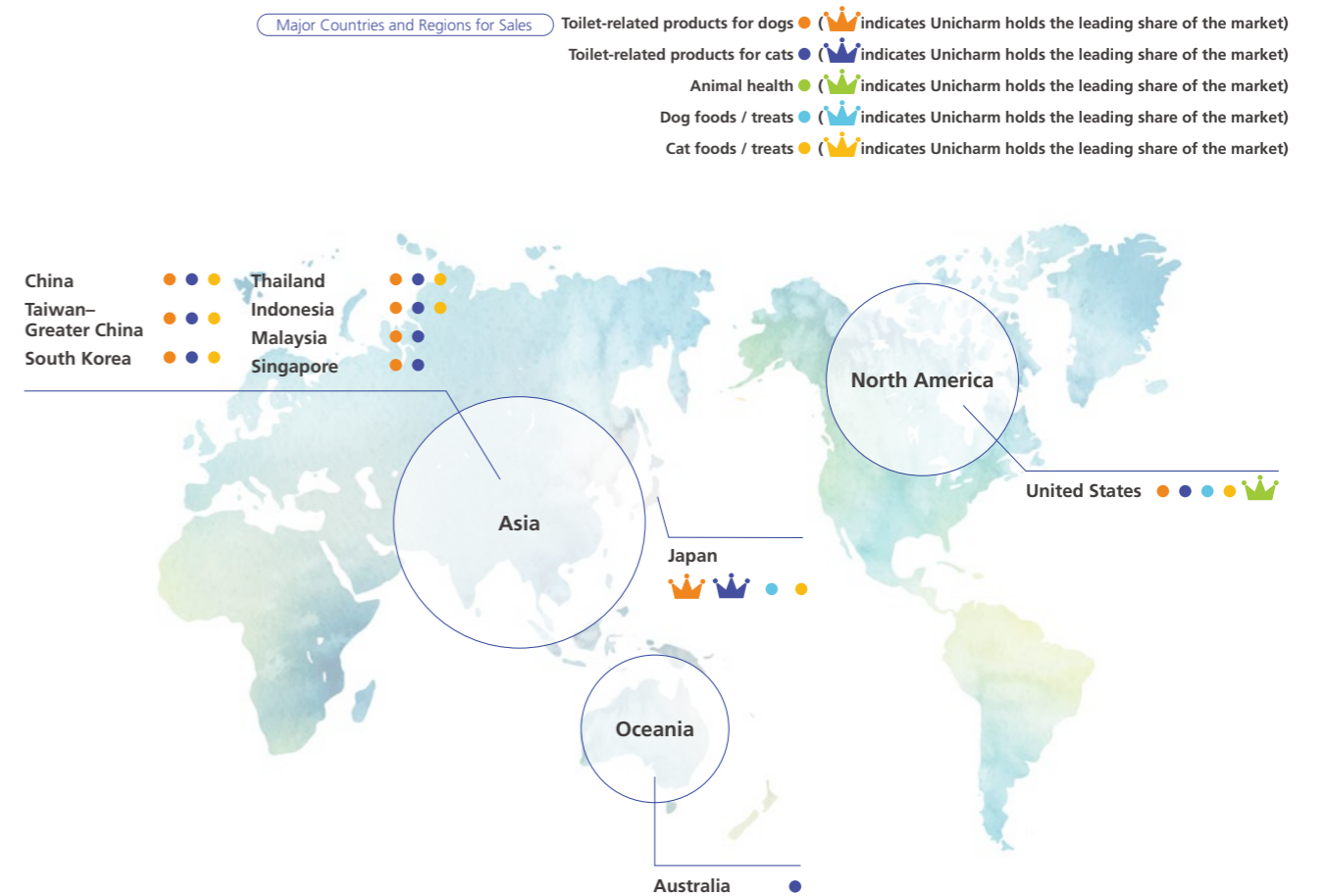
Simply wiping a surface with these wet wipes, which combine the three plant-derived ingredients of capric triglyceride, glyceryl undecylenate, and glyceryl ricinoleate in an antibacterial agent, inhibits the proliferation of bacteria for 24 hours.

*1 Does not sanitize all bacteria
 *2 Inhibits the proliferation of bacteria on surfaces wiped with *Silcot*® wet wipes; does not eliminate all bacteria



Partner Animal (Pet) Care Business

Business Development by Product Category



Review of Fiscal 2022

In Japan, with people spending more time at home due to the COVID-19 pandemic, which has continued since 2020, opportunities for people to interact with their partner animals (pets) have increased. Based on this trend, Unicharm addressed sharp increases in its costs by improving its product lineup through new and updated products and by passing on value. In partner animal (pet) food, we worked to enhance customer satisfaction with cat food through products that reflect the increasing health consciousness of cat owners. In addition, we strengthened sales of dog food catering to a range of physical characteristics and age groups depending on the breed, as well as dog food embodying our new concept of helping maintain healthy muscles. Our solid performance in incontinence sheets for dogs, cat litter boxes, and other products contributed to a steady growth in sales of toilet-related products.

In the North American market also, both the population of partner animals (pets) and opportunities for people to interact with their partner animals (pets) increased as a result the COVID-19 pandemic. Against this backdrop, we recorded a high level of growth and improved profitability thanks to efforts to pass on value to address recent sharp increases in costs and to favorable sales of wet treats for cats based on a new concept using Japanese technology, high-quality incontinence sheets for dogs, and other products.

In China, our second largest market after North America, we formed a capital and business alliance with Jiangsu Jijia Pet Products Co., Ltd. (JIA PETS). With this alliance, we will aim to dramatically expand the Partner Animal (Pet) Care Business in China by combining our product technology and production management know-how, which have won the support of consumers in Japan, with JIA PETS' strengths, including its production system, research and development, and sales capabilities in e-commerce channels.

Business Strategies by Region

Japan

In Japan, the partner animal (pet) population has increased due to the declining birthrate and aging population, and people are spending more time with their partner animals (pets). Despite the adverse impact of soaring raw materials prices, Unicharm grew its net sales of partner animal (pet) food faster than the market—with cat food, treats, and related products registering particularly high levels of growth—by meeting the demand for bulk buying of high-value-added, health-conscious products to pass on value using large packages. In addition, the strong performance of our toilet-related products, which use the nonwoven fabric and absorbent material processing and molding technologies cultivated since our founding, have enabled us to maintain a leading share of the market for these products. We will continue working to develop products that support all aspects of life with partner animals (pets) and to create new markets for these products to achieve stable growth and improve profitability.

Passing On Value AllWell Fish-Flavored, Ground Small Fish and Chicken Breast with Freeze-Dried Powder for Indoor Cats, 2.5 kg

The spread of COVID-19 has prompted more people to plan their shopping carefully to minimize the frequency and duration of their shopping visits. Approximately 40% of people have begun buying in bulk so that they can go shopping less often.* To address the demand for bulk buying that has resulted from these changes in shopping behavior, we launched large packages of various partner animal (pet) foods that reduce the time and effort of shopping and provide value for money.



*Source: Prepared by adapting the Survey on Changes in the Shopping Behavior and Values of Consumers Resulting from the Impact of COVID-19 by KREO CO., LTD.'s Lifestyle Behavior Research Office

North America

The impact of the COVID-19 pandemic has spurred an increase in the partner animal (pet) population in North America. Since acquiring The Hartz Mountain Corporation (Hartz) in 2011, we have offered toilet-related products for partner animals (pets) that draw on our nonwoven fabric and absorbent material processing and molding technologies, wet treats for cats made using Japanese technology based on a concept originating in the United States, and other high-value-added products.

In fiscal 2022, despite the adverse impact of soaring raw materials prices and logistics costs and other factors, we achieved a high level of net sales growth and improved profitability thanks to our efforts to pass on value through an improved lineup of treats for cats and similar products. We will continue working to expand the scope of our Partner Animal (Pet) Care Business in the United States by combining our product development and manufacturing capabilities in toilet-related products and foods for partner animals (pets) with Hartz's brand power, marketing know-how, and sales capabilities.

Passing On Value Delectables Wet Cat Treats

Delectables, wet cat treats that are so delicious cats lick the bowl clean, feature a lineup of products in pouches for serving in a bowl as well as in tubes for feeding by hand, which helps encourage bonding between owners and their cats. In addition to offering a diverse array of textures and flavors, Hartz also sells products tailored to the life stages of kittens and fully-grown and elderly cats as well as variety packs that allow cats to enjoy a wide range of flavors.



China and Southeast Asia

In China and cities in Southeast Asia, demand for partner animal (pet) care products is increasing in step with rising income levels and the aging of their populations.

Particularly in China, our second largest market after North America, the increase in the partner animal (pet) population, chiefly in cities, has led to a striking expansion in demand for care products, such as foods and toilet-related products. Accordingly, we expect growth to continue at a high level. With this in mind, our local subsidiary in China formed a capital and business alliance with JIA PETS in November 2022. Since its establishment in 2013, JIA PETS has become a major food manufacturer, achieving rapid growth in the Chinese market. We will aim to

dramatically expand the Partner Animal (Pet) Care Business in China by combining our product development, manufacturing technology, and production management know-how, which have won the support of consumers in Japan, with JIA PETS's strengths, including its production system, and sales capabilities in e-commerce channels.

In addition, we will aim to accelerate business growth by actively investing management resources in the Partner Animal (Pet) Care Business in Southeast Asia.