

# Unicharm Group

## Integrated Report

### 2023



# Contents

## 01 Unicharm's Vision

---

- 2 Message from the President & CEO
- 8 The Unicharm Way
- 10 The Future We Envision

## 02 Overview of Our Value Creation

---

- 12 Unicharm's Growth Story
- 14 Unicharm's Business Expansion
- 16 Financial Highlights
- 17 Non-Financial Highlights
- 18 Unicharm's Value Creation Model
- 20 Value Creation Process
- 22 Strengthening the Source of Unicharm's Value Creation: Implementing Management with Resonance to Develop Resonant Personnel Who Act on Their Own Initiative to Address Issues

## 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

## 04 Strengthening Our Foundations for Growth

---

- 62 Environmental Initiatives
  - 63 Environmental Targets 2030
  - 64 Climate Change (Disclosure Based on the TCFD Recommendations)
- 66 Social Initiatives
  - 66 Human Rights
  - 67 Supply Chain Management
  - 68 Quality
  - 69 Community
- 70 Corporate Governance Initiatives
  - 70 Corporate Governance
  - 80 Directors and Executive Officers
  - 82 Messages from Outside Directors
  - 83 Compliance
  - 84 Risk Management

## 05 Financial and Non-Financial Data

---

- 88 Key Financial and Non-Financial Data for the Last 10 Years
- 90 Consolidated Statement of Financial Position
- 91 Consolidated Statement of Income / Consolidated Statement of Comprehensive Income
- 92 Consolidated Statement of Changes in Equity
- 93 Consolidated Statement of Cash Flows
- 94 Publication of *Integrated Report 2023*
  - 95 Editorial Policy / About the Cover / Information Disclosure System
- 96 External Evaluations
- 97 Overview of the Unicharm Group

# 01

## Unicharm's *Vision*

- 2 Message from the President & CEO
- 8 The Unicharm Way
- 10 The Future We Envision

# Message from the President & CEO



unicharm



**Takahisa Takahara**  
President & CEO

# Maximizing the Lifetime Value of People Across the Globe to Become the World's Best Company

## Unicharm's Vision for a Cohesive Society

Unicharm has defined its purpose as contributing to the achievement of the Sustainable Development Goals (SDGs). To ensure that all Group employees can steadily fulfill this purpose, we have given it concrete form through **our mission, vision, and value**. The first of these, our mission, is to realize a cohesive society.

Focused on social inclusion, the cohesive society envisioned by Unicharm entails a society that leaves no one behind, in which each person is independent yet supports others in a way that gives everyone just the right sense of distance between them. This will allow vulnerable members of society and those who are at a disadvantage—either temporarily or for an extended period due to aging, illness, childbirth, menstruation, or other factors—to spend their lives as they wish, regardless of their situation. I hope to realize such a cohesive society through Unicharm's business activities.

In recent years, however, the headlines have been dominated by environmental and social issues, such as climate change responses and business and human rights, that cannot be tackled without action across national borders by people with different perspectives. Furthermore, the business environment is increasingly marked by uncertainty, with the need to address infectious diseases, as exemplified by measures to tackle the COVID-19 pandemic, respond to geopolitical risks, dramatic currency fluctuations, and accelerating inflation.

Due in part to the impact of such profound change, many people are gradually realizing that the things they have taken for granted may not always be so, that the values they have held dear are faltering, and that safety and peace of mind are elusive. As evidenced by the shift from the accumulation of physical goods to the pursuit of fulfilling experiences, a transition is underway to a value system in which people take pleasure in and feel reassured by gaining approval for their actions from others rather than finding satisfaction in mere consumption. I believe that major changes in the times and among consumers are providing the right conditions for more people to reflect on the cohesive society Unicharm aims to realize.

How is Unicharm seeking to achieve the realization of a cohesive society? In my view, it comes down to increasing the number of customers who support our products and services. Since they are needed by people from every generation, I believe that our products and services can all act as bridges between people and support the realization of a society without divisions that accepts others unconditionally.

**Our purpose and its three components:  
our mission, vision, and value** ▶ Pages 8–9

## Becoming the Best Company in the World by 2030

Unicharm has adopted the goal of becoming the best company in the world by 2030 in order to realize a cohesive society. There are two meanings to “best:” best in terms of relative value and best in terms of absolute value.

First, becoming the best in terms of relative value means capturing the leading global share in the product and service categories in which we operate, and achieving net sales of ¥1.4 trillion and a core operating income ratio of 17% by 2030. In comparison, becoming the best in terms of absolute value means realizing “NOLA & DOLA,”<sup>▶</sup> our vision, while helping both alleviate various issues and turn people’s dreams into reality through products and services that only Unicharm

can create. Our ability to pursue absolute value depends on whether we can continuously evolve the value created by the goods and services we offer at a pace that keeps us ahead of our competitors.

If we are to realize a cohesive society, we must create value for all our stakeholders and gain recognition as an essential presence in society while achieving continuous growth through our business activities. Pursuing relative and absolute value simultaneously to lead the world in both is vital for the sustainability in a variety of areas including the environment, society, and Unicharm itself.

“NOLA & DOLA” <sup>▶</sup> Pages 8–9

## Medium- to Long-Term ESG Goals, Kyo-sei Life Vision 2030 and the 11th Medium-Term Management Plan

In 2020, Unicharm unveiled its **medium- to long-term environmental, social, and governance (ESG) goals, Kyo-sei Life Vision 2030**—<sup>▶</sup> For a Diverse, Inclusive, and Sustainable World—(hereinafter referred to as Kyo-sei Life Vision 2030), which was based on its aforementioned purpose and mission, vision, and value. Working on the assumption that Unicharm realizes a cohesive society by 2050, Kyo-sei Life Vision 2030 defined the Company’s desirable future in 2030 by backcasting with a cohesive society as the starting point and clarifying a path toward this goal.

The 11th Medium-Term Management Plan sets out our business strategy for the period from 2021 to 2023. Considering the operating environment in the “new normal” era of recent years, where change is part of everyday life, we determined that the source of our differentiated advantage lies in our human capital and set its development as our most important strategy. We have therefore devoted significant management resources to strengthening the development of our human capital. Employees are the embodiment of human capital. Any strategy, however, will come to nothing unless employees take the initiative in implementing it. Mindful of this, we are sensitive to the vision of each and every employee and focused on forecasting to create a medium-term management plan that is in sync with their ideas.

As a global company, Unicharm is strongly expected to fulfill its responsibilities to society in all its activities. It is therefore crucial for us to continuously act in accordance with Kyo-sei Life Vision 2030 across our entire value chain. Meanwhile, although the 11th Medium-Term Management Plan lasts three years, we have adopted a rolling plan system that allows us to revise it annually with a focus three years into the future. In this way, we continually revise the plan to take into account changes in our operating environment. Short-term financial performance, in particular, involves various complicated elements, including changes in the consumption patterns and purchasing behavior of consumers,

trends among competitors, and relationships with supply chain partners, so we cannot realize our plan unless we address these elements in a flexible way.

As I have outlined, Kyo-sei Life Vision 2030 emphasizes the pursuit of absolute value while the 11th Medium-Term Management Plan focuses on relative value. Nevertheless, implementing these two plans simultaneously means that we must pursue both relative and absolute value at the same time. I am convinced that accomplishing both these plans will enable us to steadily realize a cohesive society.

I would now like to introduce several of our initiatives from fiscal 2022. I will begin with the business for recycling used disposable diapers that we have been advancing since 2016. Through pilot projects with Shibushi City and Osaki Town in Kagoshima Prefecture, this business has already established technology for recycling used disposable diapers into hygienic and safe pulp that is of the same quality as unused pulp, using sterilizing and other technologies that deploy our in-house developed ozone technology. In May 2022, we manufactured adult disposable diapers using recycled materials in a portion of the absorbent materials therein, and started trialing the diapers at a selection of nursing facilities in Kagoshima Prefecture in June of the same year. Nursing facilities reported that the diapers compared favorably with regular products and said that using them allowed them to feel that they were helping tackle environmental issues. In light of this progress, we plan to commercialize the diapers in 2023.

Turning to the visualization of greenhouse gas (GHG) emissions per product, we launched a project to enable the visualization of GHG emissions in May 2022. We have developed an emissions calculation system that complies with the GHG Protocol, a global calculation standard, and plan to proceed with calculations on a trial basis in 2023. With the cooperation of our materials suppliers, we are working to calculate GHG emissions by product using primary data for

each material to calculate our overall GHG emissions in a more accurate and up-to-date way. We will complete the fine-tuning of our calculation rules and systems in 2023 with the aim of communicating information on our GHG emissions for a portion of our products to our stakeholders, including consumers, in 2024.

Looking at our **consolidated business performance for fiscal 2022** [▶](#), consolidated net sales rose 14.7%, to a record high of ¥898.0 billion, surpassing the fiscal 2023 target of ¥880.0 billion set when the 11th Medium-Term Management Plan was formulated. Although consolidated core operating income declined 2.4% to ¥119.6 billion, we achieved an increase in profitability in the second half of fiscal 2022 compared with the same period in fiscal 2021, improving steadily thanks to the success of strategies including the passing on of value, which saw us revise our prices upward in the face of skyrocketing raw materials prices and logistics costs to better reflect the added value we create.

In terms of **performance by region** [▶](#), Japan contributed significantly to the profitability of Unicharm as a whole, through efforts that included providing high added value centered on sanitary pads in feminine care products to secure a record-high market share. In *Kirei* care products, we invigorated the market by passing on value amid the growing consumer habit of using wet wipes due in part to growing awareness of sanitization, hygiene, and safety as a result of the COVID-19 pandemic. In the Partner Animal (Pet)

Care Business, efforts to pass on value with a focus on health-conscious foods for dogs and cats allowed us to maintain a high level of growth, thereby contributing to profits. While sales volumes of masks were down slightly, wellness care products continued to perform strongly as we proactively passed on value from the second half of the fiscal year, centered on pants-type adult disposable diapers and care products for light incontinence.

We performed solidly in Asia, with increased sales in countries including Indonesia and India, where we were able to proactively pass on value. In China, operating income was down in baby care and childcare products. However, this outcome reflected factors including an increase in costs caused by our shift from importing made-in-Japan products to promoting highly profitable, China-made premium products as part of structural reforms, and by inventory reductions centered on e-commerce companies. At the same time, despite disruption to logistics caused by lockdowns in cities, feminine care products in China continued to perform strongly, including high-value-added products such as those made of organic cotton and period underwear.

In other regions, the Partner Animal (Pet) Care Business in the United States drove an increase in sales and operating income. Products including cat treats and collars for keeping away fleas enabled the business to pass on value while enhancing added value, resulting in a significant improvement in profitability. In the Middle East, meanwhile, feminine



## Message from the President & CEO

and wellness care products—through which we have proactively developed the local market—maintained a high level of growth, continuing to expand net sales thanks to exports to neighboring countries, among other factors. In Brazil, although we were impacted by the COVID-19 pandemic in the first quarter of the fiscal year, we were able to make a turnaround toward a growth trajectory centered on baby care and childcare products from the second quarter by using e-commerce channels that had flourished during the pandemic.

For **specific results of the 11th Medium-Term Management Plan** [▶](#), please refer to the reports on each of the plan's five key strategies by personnel tasked with their

promotion, which start on page 36 of this report. We began incorporating targets linked to the key initiatives to be addressed in Kyo-sei Life Vision 2030 into the performance assessments of executive officers from fiscal 2021 to coincide with the unveiling of the plan in fiscal 2022 and will begin to incorporate targets from an ESG perspective into the assessments of all employees from fiscal 2023.

**Kyo-sei Life Vision 2030** [▶](#) Pages 28–31

**Consolidated business performance for fiscal 2022** [▶](#) Pages 34–35

**Performance by region** [▶](#) Pages 50–60

**Specific results of the 11th Medium-Term Management Plan**

[▶](#) Pages 36–45

## Instilling Management with Resonance

In aiming to become the best company in the world, promoting management with resonance—our value and unique management model—throughout the entire Group, instilling values, implementing action guidelines, and taking into account the insights of people in management positions are all of the utmost importance.

Management with resonance is a system for encouraging each and every employee to act on their own initiative to achieve various Companywide shared goals. These goals are achieved by employees communicating closely to learn from each other, with frontline employees learning the perspectives of people in management positions, such as management policies and strategies, and people in management positions learning from the know-how of employees working on the front lines at manufacturing sites. My ideal is for the capabilities of people in management positions and of frontline employees to create resonance, in the manner of a pendulum, facilitating each other's growth and the growth of the Group as a whole. People in management positions and frontline employees sharing their perspectives and know-how with each other enables everyone to align their direction to implement strategies. When the capabilities of all employees

are concentrated in the same direction, they provide a powerful force for the whole organization. If there are no gaps in awareness and know-how between people in management positions and frontline employees, everyone will understand our strategic aims and be able to act on their own initiative. Such independent action by employees will guide Unicharm to growth over the long term.

Unicharm secures more than 60% of its sales in countries and regions other than Japan, and Japanese citizens account for just 20% of all employees. Going forward, it will be essential for employees in every region to exercise even greater leadership than before if the Company is to further prevail in the face of global competition and become the best company in the world. To this end, Unicharm is entrusting management to local personnel as much as possible. Despite our decentralization, I believe that our employees across approximately 80 countries and regions are united rather than fragmented because management with resonance is so deeply instilled throughout the Group. Ultimately, we aim to facilitate locally led management by putting local human resources in charge of our subsidiaries in these countries and regions.

## Developing Human Resources Through Management with Resonance

To reiterate, an exploration of Unicharm's strengths reveals the involvement of human capital in all aspects of the Company's value creation. The development of outstanding human resources who lead innovation in various fields, such as research and development, technology, sales, and production, extends our strengths and accelerates our growth. At Unicharm, we call human resources who lead such innovation and think and act on their own initiative in everything they do **"resonant personnel,"** [▶](#) and all employees aim to grow to become such personnel. As symbolized by the word "grow," I believe that people cannot be forced to develop by others. People grow of their own

accord, and those around them can only provide support for their growth. For this reason, we have positioned management with resonance—a range of measures and systems that we believe are essential for all employees to consciously take charge of their own growth—at the core of our corporate management. Resonant personnel grow and are strengthened through the implementation of management with resonance. In other words, management with resonance is a system for both facilitating the growth of employees and implementing strategies.

In addition to the development of human resources, Unicharm also emphasizes the strengthening of digital



technology. We have differentiated ourselves by accurately identifying the latent needs of consumers and adding value to our products and services to meet them. Although we have previously relied on our long years of experience and our instinct in these endeavors, initiatives are underway to develop a scientific method using digital technology to enable more employees to make these insights more accessible. In these efforts, the appropriate use of digital technology will have a major bearing on the pace and quality of our

value creation going forward. Mindful of this, we are encouraging reskilling to promote the growth of employees with digital skills. With all employees using digital technology appropriately, we will enhance the pace and quality of the commercialization of value that meets the latent needs of consumers.

**Developing Resonant Personnel**  **Pages 22–26**

## Fiscal 2023: Prevailing Whether Entering Markets ahead of or behind Competitors

Lastly, I would like to discuss our forecast for fiscal 2023. The decline in our quickness to act—which had been one of our strengths—in various aspects of our activities, partly because we have not been able to have face-to-face discussions due to the COVID-19 pandemic, has given me cause for serious reflection. On the basis that getting things done is better than being slow and elaborate and that the first strike decides the battle, I aim to restore our quickness.

Foresight—in other words, the ability to quickly identify change—is the key to striking first. With that said, signs of change may sometimes be missed in the “new normal” era of recent years, where change is part of everyday life. Nevertheless, if we fail to strike first and lose ground to competitors, it may still be possible to regain this ground through a high level of responsiveness. With this in mind, the Group will work as one in fiscal 2023 to create value by improving its foresight and responsiveness whether entering markets ahead of or behind competitors.

Instituting an upward revision of the initial plan set out in the 11th Medium-Term Management Plan, we have adopted targets for net sales of ¥963.5 billion, an increase of 7.3%, and core operating income of ¥141.0 billion, an increase of 17.9%. With this revision, we plan to achieve record highs for both net sales and core operating income. We will also facilitate growth by quickly promoting strategies to help pass on value in various countries and regions. Unicharm believes that the appropriate return of profits is one of its most important management policies. We therefore steadfastly maintain a stable and consistent shareholder returns policy while proactively implementing investments aimed at strengthening our corporate structure for enhancing profitability and achieving growth. Regarding the return of profits in fiscal 2023, we plan to pay annual cash dividends per share of ¥40, up ¥2, while prioritizing business investments for realizing continuous growth. We will also maintain a total payout ratio of 50% by flexibly purchasing treasury shares if required.

In terms of strategies, we will continue striving to understand consumers and to create new markets. First, given its

exceptional importance from the perspective of ensuring our differentiated competitive advantage, we will prioritize strengthening our deep understanding of consumers. In particular, we will focus efforts on pursuing value that meets their latent needs, with an emphasis on members of Generation Z, who will lead future consumption patterns. Sometimes referred to as digital natives, members of Generation Z create a ripple effect on other generations with the advanced powers of communication they have developed through their command of various forms of digital media, including social networks. Highly conscious of environmental and social issues, Generation Z have also shown a strong interest in the SDGs and sustainability and a willingness to actively engage with these matters personally. Unicharm's efforts toward the pursuit of absolute value chime well with the interests of this generation. I am therefore convinced that members of Generation Z can help trigger the global expansion of our products and services.

In the creation of new markets, we will create new categories and aim to establish markets for them in wellness care, *Kirei* care, and partner animal (pet) care products. In our area strategy, we will proactively expand into Africa while leveraging our production bases in Egypt and Saudi Arabia.

Unicharm offers products and services needed by people of all ages, from babies to the elderly, and by partner animals (pets). Since women use sanitary pads over the long years from menarche to menopause, our products and services play an important role as a partner in their lives. I believe that standing shoulder to shoulder with each and every customer throughout their lives in this way is the key to our sustainability. I am certain, therefore, that Unicharm can become the best company in the world and realize a cohesive society by maximizing the lifetime value of people across the globe.

**Takahisa Takahara**

President & CEO

June 2023

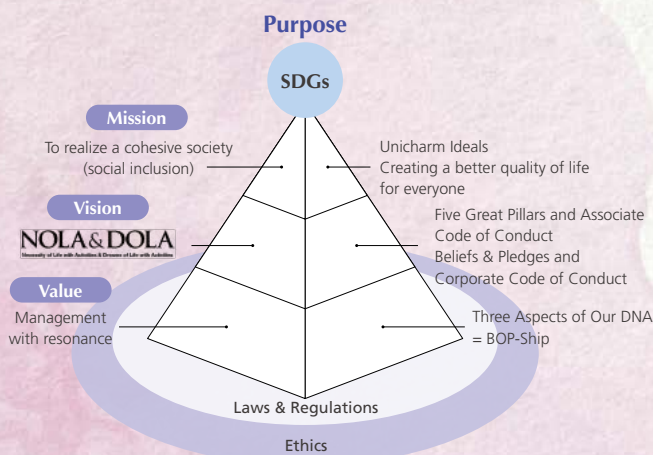
# The Unicharm Way

The Unicharm Ideals, established in 1974, declare Unicharm's commitment to developing together with society, which has served as the guiding principle of the Company's management ever since.

In 2020, Unicharm clarified its purpose (reason for existence) as contributing to the achievement of the United Nations Sustainable Development Goals (SDGs).

At the same time, we separated our purpose into our mission, vision, and value, while specifying what each and every employee should aim to achieve and the actions they should take to that end.

## Formulation of The Unicharm Way



## Purpose

The reason for our existence



Contributing to the achievement of the SDGs

## Mission

What we seek to accomplish

### To Realize a Cohesive Society (Social Inclusion)

The cohesive society (social inclusion) envisioned by Unicharm entails a society in which each person is independent while supporting others in a way that allows everyone to have just the right sense of distance so that, in addition to vulnerable members of society, those who are at a disadvantage either temporarily or for an extended period due to aging, illness, childbirth, menstruation, or other factors can spend their lives in the way they so wish regardless of their situation. Unicharm aims to realize the creation of such a society.

#### Unicharm Ideals

- We contribute to creating a better quality of life for everyone by offering only the finest products and services to the market and customers, both at home in Japan and abroad.
- We strive to pursue proper corporate management principles that combine corporate growth, employee well-being, and the fulfillment of our social responsibilities.
- We bring forth the fruits of cooperation based on integrity and harmony, by respecting the independence of the individual and striving to promote the Five Great Pillars.\*

(Established in 1974)

\* The Five Great Pillars: (1) Founder's spirit, (2) Enterprising spirit, (3) Spirit of simplicity and fortitude, (4) Spirit of collaboration, and (5) Spirit of respecting people

## Vision

How we aim to  
accomplish  
our mission

## Implementing “NOLA & DOLA”

“NOLA & DOLA,” Unicharm’s corporate philosophy, articulates the Company’s aim to supply all people, from newborns to the elderly, with products and services that provide mental and physical support through gentle care so that they may be free of their burdens and can fulfill their dreams. Offering value in terms of “NOLA & DOLA” will allow us to realize a cohesive society.

### NOLA

Necessity of Life with Activities

**Helping free people from various burdens to enable them to enjoy good health, both in mind and body**

“NOLA” embodies the dispelling of negativity, such as discomfort, inconvenience, and unsanitary conditions—in other words, the provision of value that aims to elevate people from negative to neutral living conditions.

### DOLA

Dreams of Life with Activities

**Contributing to fulfilling the dreams of each and every person**

“DOLA” expresses the creation of value that aims to raise people from neutral to positive living conditions, allowing them to experience pleasure and the joy of living and to fulfill their dreams.

#### Five Great Pillars and Associate Code of Conduct

##### Creativity and innovation

We will respect the creation of new social value and maintain a spirit that always seeks out innovation.

##### Ownership

We will follow in the footsteps of our founder and strive to identify and solve issues from a Companywide perspective to achieve our management targets.

##### Challenge

We will continue to transform our abilities without fear of failure and maintain a positive attitude based on our belief in the capacity of challenge to tap into unlimited potential.

##### Leadership

We will become leaders who are capable of motivating people with our own determination by clearly showing the way for the organization to move forward.

##### Fair business practice

We will carry out fair corporate activities that combine the spirit of respecting humanity and dignity with high ethical standards.

(Established in 1999)

#### Beliefs & Pledges and Corporate Code of Conduct

##### Pledge to our customers

We pledge to earn the full support of customers by always doing everything we can.

##### Pledge to our shareholders

We pledge to distribute industry-leading returns to shareholders.

##### Pledge to our business partners

We pledge to achieve mutual growth by maintaining fair and equitable relationships.

##### Pledge to our employees

We pledge to enable the happiness of employees and their family members by filling each of them with confidence and pride.

##### Pledge to society

We pledge to contribute to the economic and emotional fulfillment of the entire global population through our corporate activities.

(Established in 1999)

## Value

Our underlying  
aspiration

## Promoting Management with Resonance

Management with resonance is a unified management model promoted by all of Unicharm’s employees. This model serves as a framework for the senior management team and frontline employees to work as one toward a shared goal. All Unicharm employees aim to realize their shared goal of creating a cohesive society by aligning their direction while constantly thinking and acting for themselves.

### BOP-Ship and the Three Aspects of Our DNA

Forming the backbone of Unicharm’s activities, BOP-Ship—comprising Best Practice-ship, Ownership, and Partnership—represents a rewording of the Three Aspects of Our DNA, which itself embodies the corporate culture and spirit that has been passed down seamlessly since our founding, to enable employees in various countries and regions throughout the world to better understand the Three Aspects of Our DNA.

#### BOP-Ship

##### Best Practice-Ship

This refers to accumulating the best practices, abandoning past resolutions, constantly making updates, and incorporating best practices with an emphasis on speed.

##### Ownership

This refers to recognizing everything as “our own matter” and thinking and acting on our own initiative to overcome difficulties.

##### Partnership

Partnership entails always respecting collaboration with peers with a mind to altruism. Collaboration creates internal and external cross-organizational communication, and furthering such communication will lead to innovation.

#### Three Aspects of Our DNA

##### Create value through personal transformation

Changing yourself and achieving personal growth to create new value

##### Find reason within ourselves

Growing through learning from failures

##### Maintain our No. 1 position through continued and dedicated services

Always providing our customers with the highest satisfaction

# The Future We Envision

A society in which everyone can maximize their individual potential and live life to the fullest.  
A society in which people comfortably coexist, helping each other while retaining each other's independence.

Unicharm continually considers every moment of life.  
From birth to adulthood, and all the years in between.  
From this generation to the next, and many years into the future.

We endeavor to realize a diverse, inclusive, and sustainable world, protecting and supporting life  
for people and society through "kindness" in various forms.

Baby care that supports and comforts both infants and families.  
Nursing care that helps people live a full life at any age.  
Environments that ensure our partner animals (pets) a warm welcome from the family and neighborhood.  
Feminine care that helps lift spirits during menstrual cycles.  
Good hygiene that helps enhance and expand pleasant interactions for everyone.

This is the kindness we have always valued.

As we create and extend such kindness, we must emphasize not only the well-being of individuals  
but also the well-being of society and our planet as a whole.

When we picture the manufacturing that sustains local economies,  
we imagine the faces of people at work and their families.

When we consider the dynamic switch to renewable energy,  
we visualize a future with reduced global warming.

We strive for all of our business activities to reflect kindness,  
thereby contributing to a diverse, inclusive, and sustainable world for our future.

We continue to conduct business while championing the freedom of individuals  
to pursue their own way of life,  
based on our corporate philosophy of "NOLA & DOLA."\*

In the decades to come, we will continue to affirm this ideal,  
providing kindness and support at every moment,  
throughout every lifetime.

\* "NOLA & DOLA" (Necessity of Life with Activities & Dreams of Life with Activities): Unicharm aims to provide all people, from newborns to the elderly, with products and services that provide mental and physical support through gentle care so that they may be free of their burdens and can fulfill their dreams.



## 02

## Overview of Our Value Creation

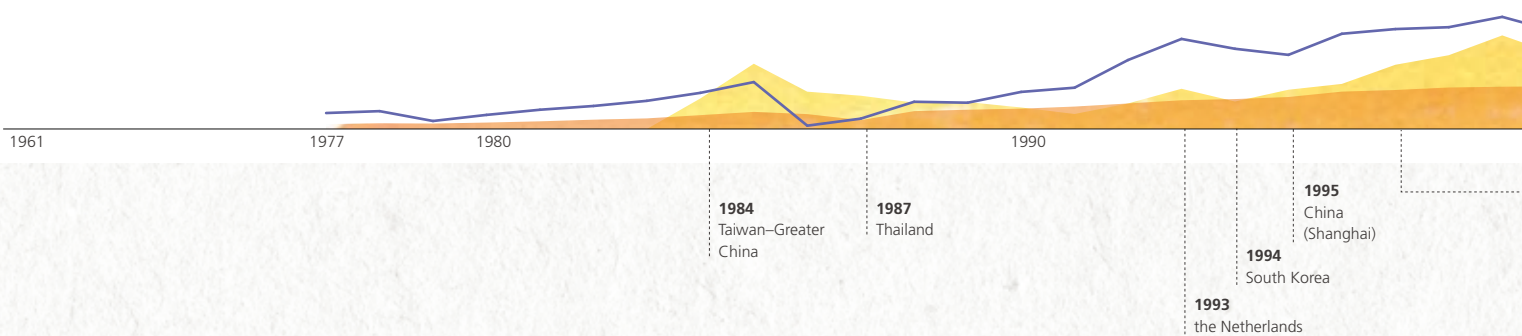
- 12 Unicharm's Growth Story
- 14 Unicharm's Business Expansion
- 16 Financial Highlights
- 17 Non-Financial Highlights
- 18 Unicharm's Value Creation Model
- 20 Value Creation Process
- 22 Strengthening the Source of Unicharm's Value Creation:  
Implementing Management with Resonance to Develop  
Resonant Personnel Who Act on Their Own Initiative to  
Address Issues

# Unicharm's Growth Story

Founded as a manufacturer and seller of building materials, Unicharm subsequently entered the market for sanitary pads and has since led the market as an industry pioneer by consistently launching revolutionary products that ingeniously process nonwoven fabrics. Accurately identifying society's needs, the Company creates new value that contributes to the realization of a cohesive society by leveraging its strengths to spur innovation.

## Changes in Market Capitalization, Net Sales, and Operating Income/ Core Operating Income (IFRS) and Milestones of Overseas Expansion

Note: Figures for the fiscal years ended March 31, 1988 and December 31, 2014 are for irregular six-month and nine-month periods, respectively, due to changes in fiscal year-ends, while figures for the fiscal year ended December 31, 2017 reflect the application of International Financial Reporting Standards (IFRS). The Company calculates core operating income by deducting selling, general and administrative expenses from gross profit.



## Social Issues and Unicharm's History of Spurring Innovative Solutions

### 1961 to Early 1980s (Japan)

- Changes in employment structure caused by rapid economic growth
- Acceleration in the advancement of women in society
- Improvements in living standards, with the majority of Japanese people feeling that they have attained middle-class status
- Advancement of the nuclear family



**1976**

#### Charm Nap Mini, Slim-Type Sanitary Pads

Challenging the widely accepted view at the time that a sanitary pad has to be thick to prevent leakage, Unicharm develops *Charm Nap Mini*, a slim-type sanitary pad approximately half the thickness of conventional sanitary pads. Slim-type sanitary pads with ample absorption capabilities play a significant role in facilitating the subsequent advancement of women in society.



**1981**

#### Moony, Disposable Baby Diapers

Against the backdrop of the advancement of women in society, Unicharm develops *Moony*, disposable baby diapers, from a desire to ease the burden of childcare in some small way. *Moony's* outstanding absorption capabilities trigger the rapid popularization of disposable diapers in Japan.

### Late 1980s to Early 1990s

- International initiatives for achieving gender equality (Establishment of Japan's Act on Equal Opportunity and Treatment between Men and Women in Employment)
- Increase in the number of dual-income households and decline in the population (Japan)
- Remarkable economic growth in Asia



**1992**

#### Moonyman, Pants-Type Disposable Diapers for Babies

The year 1992 sees Unicharm develop *Moonyman*, the world's first easy-to-change and comfortable pants-type disposable diapers for babies. By changing the thinking around diaper design from something caregivers put on babies to something babies can be helped to put on, the development of *Moonyman* facilitates the evolution of disposable diapers into the standard underwear for babies.



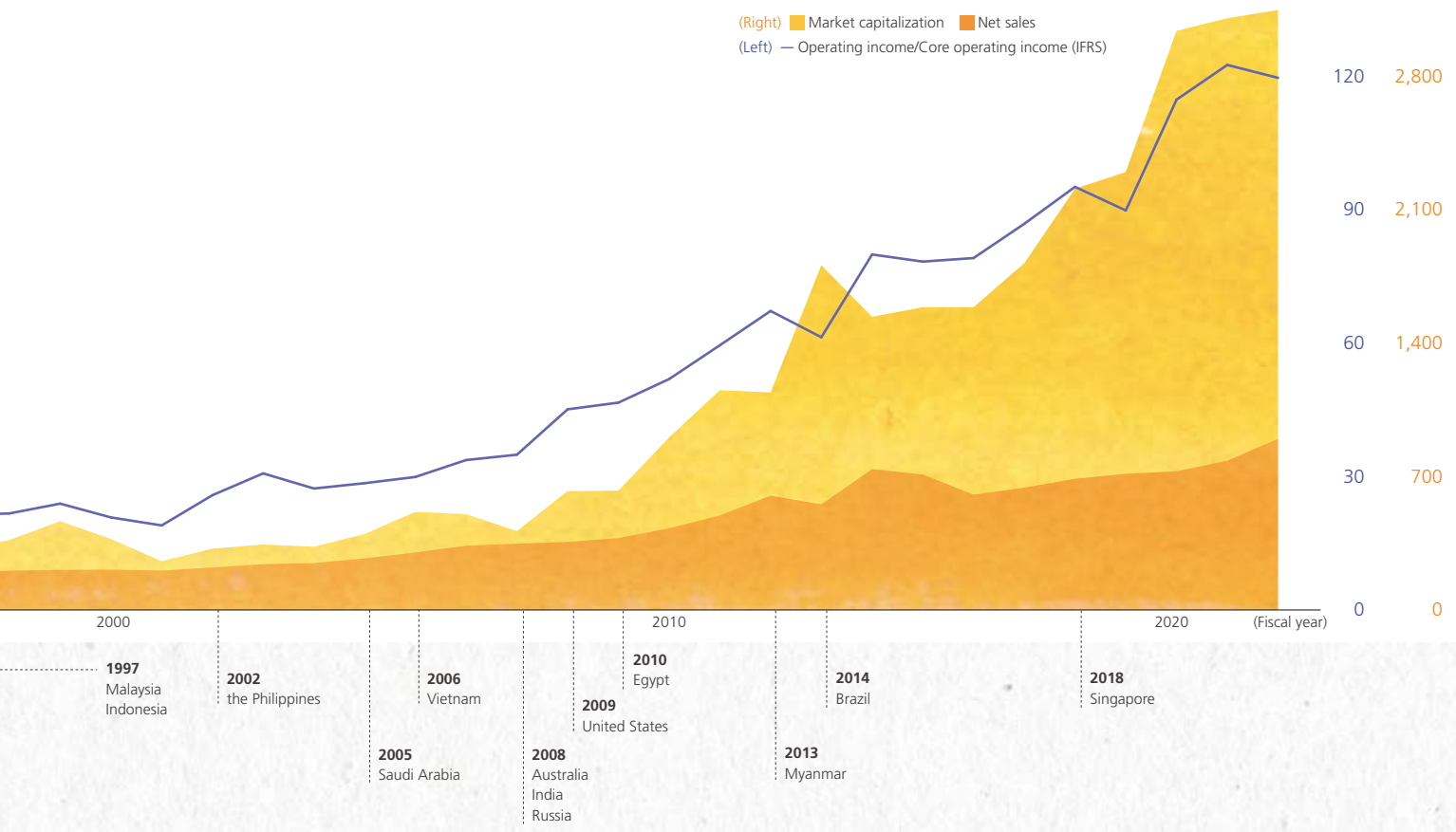
**1993**

#### Sofy Sara Side Gathered, Sanitary Pads with Three-Dimensional Gathers

Unicharm takes inspiration from the gathers used in disposable diapers to create a solution to alleviate people's anxieties about sideways leakages from sanitary pads during menstruation. An idea to create sanitary pads with side barriers made from three-dimensional gathers leads to the development of *Sofy Sara Side Gathered* sanitary pads, which use such three-dimensional gathers.

(Billions of yen)

150 3,500



## Late 1990s to the 2000s

- Transition from an aging society to a super-aging society (Japan)
- Globalization of environmental issues
- Turmoil in financial markets across the world following the September 11 terrorist attacks of 2001 and the 2008 global financial crisis



### 1995

#### Lifree Rehabilitation Pants, Pants-Type Disposable Diapers for Adults

Clarifying the mechanism by which people become bedridden, namely that they are confined to their beds, Unicharm develops *Lifree Rehabilitation Pants* from the viewpoint of not only caregivers but also care recipients. "Aiming for zero bedridden people," the attention-grabbing slogan used to advertise the product, becomes widely known throughout Japan.



### 2007

#### Indonesia MamyPoko Pants Standard

We develop *MamyPoko Pants Standard*, disposable baby diapers balancing high quality with low cost, by focusing on the functions required of them by consumers in Indonesia and other ASEAN countries. Serving as their first experience of disposable diaper use, *MamyPoko Pants Standard* garners the endorsement of a vast number of consumers in the region.

## 2010 Onward

- Dramatic expansion of the Asian market
- Growth of emerging markets, such as Africa and South America
- Increasing severity of environmental issues, including global warming and pollution caused by plastics



### 2011

#### Urine Diapers for Male Dogs, Incontinence Care Products for Dogs

Unicharm develops products that both facilitate the care of elderly dogs and address the concerns of owners, including measures against scent-marking. In this way, the Company drives the expansion of the partner animals (pets) disposable diaper market by bolstering the development of incontinence etiquette products for dogs.



### 2013

#### China Ultra-Sound-Sleep Peace-of-Mind Pants, Pants-Type Sanitary Pads for Night Use

Unicharm carries out an exhaustive survey and analyzes in detail the unfiltered views of customers. Based on these views, Unicharm develops a pants-type sanitary pad for night use with a similar feel to conventional underwear that allows people to manage menstruation with ease and peace of mind, features sought by younger customers. The Company launches this product as *Ultra-Sound-Sleep Peace-of-Mind Pants*, creating a new category—pants-type sanitary pads—in the sanitary pads market.

# Unicharm's Business Expansion

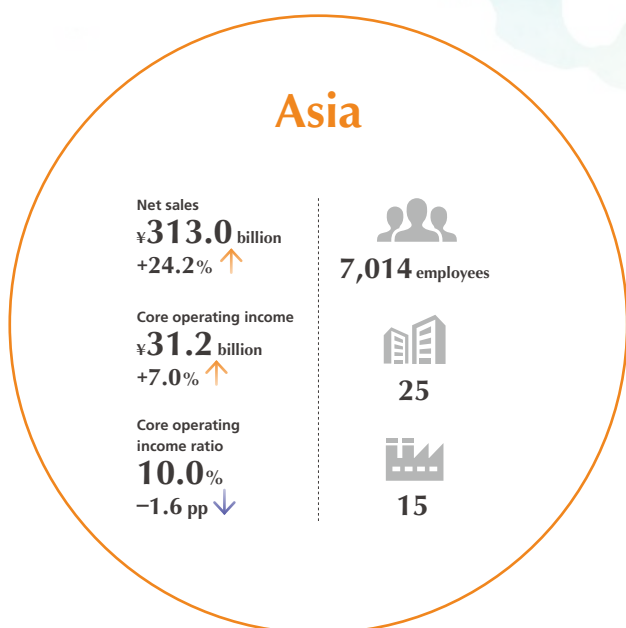
Unicharm's various products and services are seeing increasing demand in regions throughout the world thanks to their being indispensable for leading hygienic and healthy lives. We currently operate businesses in approximately 80 countries and regions globally, garnering high praise for our activities.

## Fiscal 2022 Distribution of net sales\*2 by country and region

\*2 Net sales to external customers



\*1 The main countries and regions of operation are North America, Saudi Arabia, Brazil, and the Netherlands.



18.1%

Net sales  
¥898.0 billion  
+14.7% ↑

Core operating income  
¥119.6 billion  
-2.4% ↓

Core operating income ratio  
13.3%  
-2.3 pp ↓

34.8%





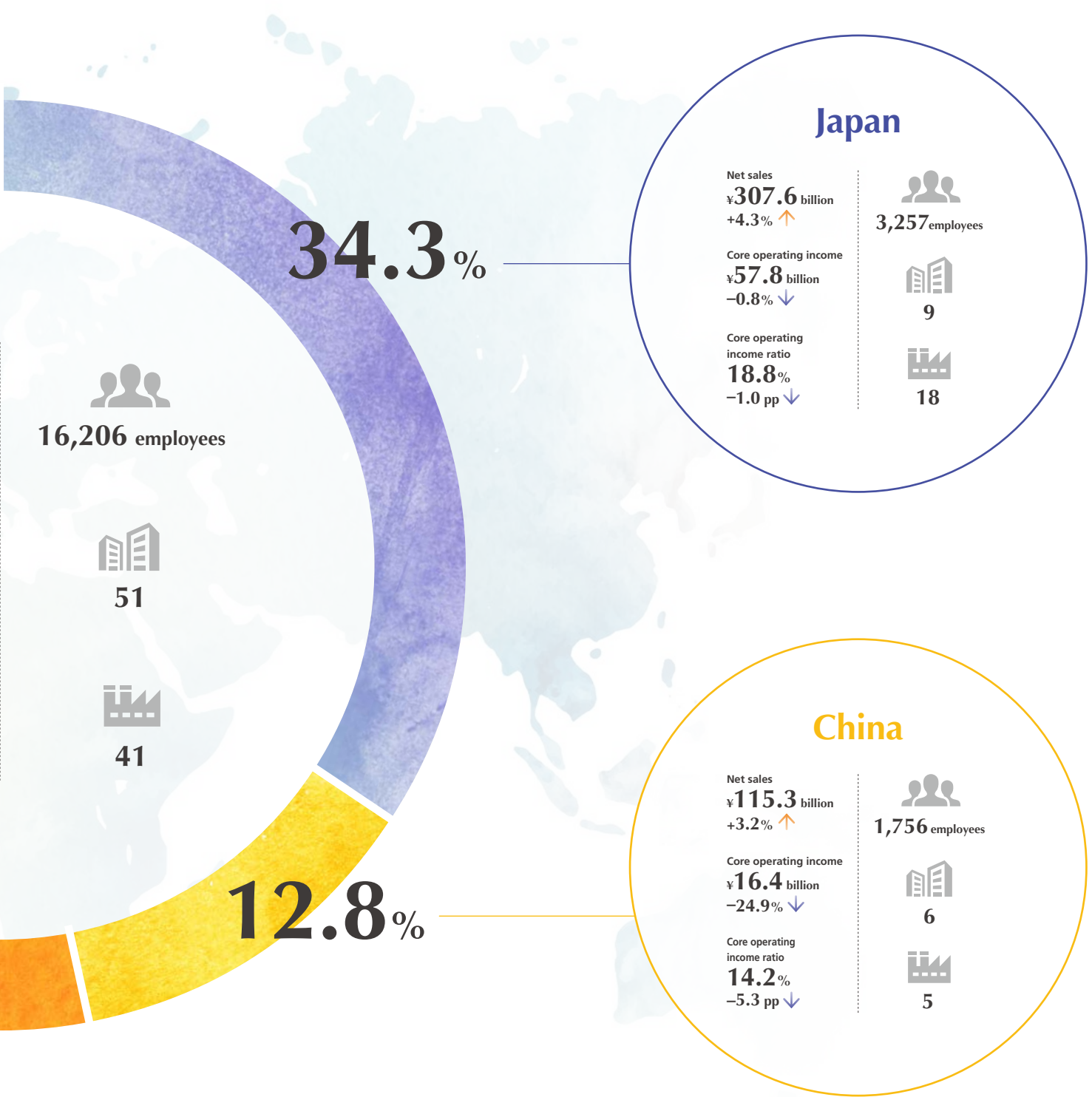
Number of employees



Number of Group companies



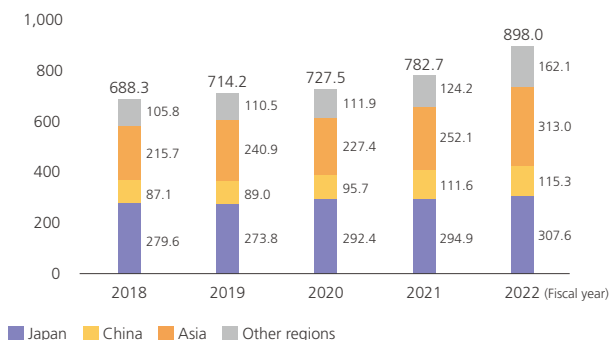
Number of factories



# Financial Highlights

## Net Sales by Geographical Region

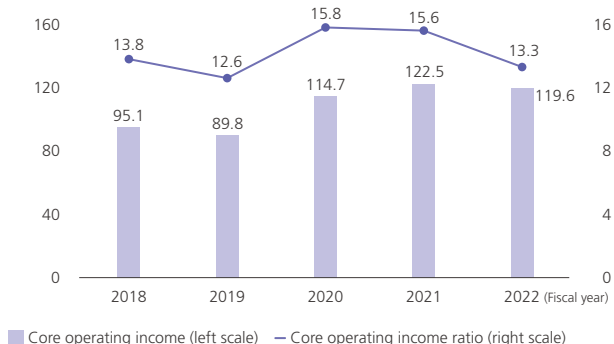
(Billions of yen)



In fiscal 2022, net sales increased 14.7% year on year, to ¥898.0 billion, reaching a record high for the sixth year in a row. In Japan, Unicharm's efforts to pass on value to customers led to a 4.3% increase in net sales amid a challenging operating environment. Despite the effects of lockdowns and other measures in China, overseas net sales—which accounted for 66.3% of total net sales—grew 21.0%, driven by results in other countries and regions including India, Indonesia, Vietnam, and North America.

## Core Operating Income\*1 / Core Operating Income Ratio

(Billions of yen)

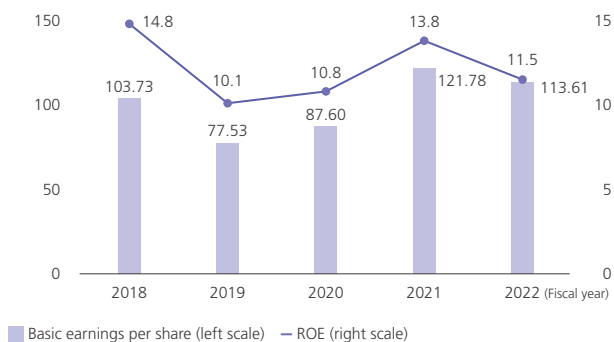


\*1 Core operating income is calculated by deducting selling, general and administrative expenses from gross profit.

Core operating income in fiscal 2022 came to ¥119.6 billion, down 2.4% year on year. Core operating income ratio fell 2.3 percentage points to 13.3%. While income decreased over the year as a whole, it increased in the second half of the year (July to December) in the face of soaring raw materials prices, rising logistics costs, and other headwinds as profitability trended steadily upward.

## Basic Earnings per Share / ROE\*2

(Yen)

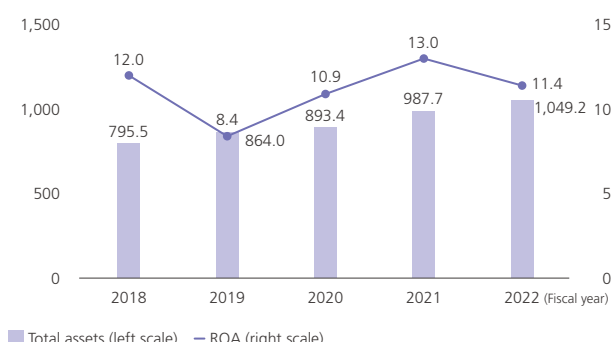


\*2 ROE: Return on equity

In fiscal 2022, basic earnings per share and ROE were ¥113.61 and 11.5%, respectively. ROE deteriorated year on year, reflecting the decrease in core operating income and an increase in financial costs.

## Total Assets / ROA\*3

(Billions of yen)

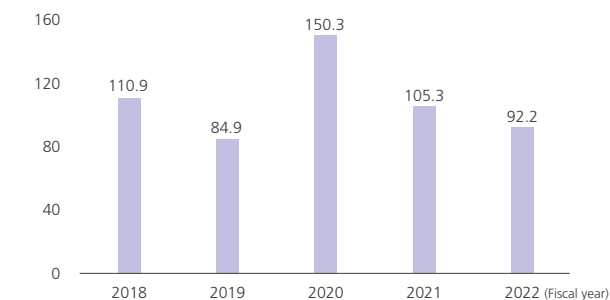


\*3 ROA: Return on assets

As of December 31, 2022, total assets stood at ¥1,049.2 billion, up ¥61.6 billion compared with December 31, 2021. This outcome was mainly attributable to increases of ¥29.6 billion in cash and cash equivalents, ¥27.8 billion in inventories, and ¥23.6 billion in trade and other receivables. The major decrease was ¥29.3 billion in other current financial assets mainly due to time deposits with deposit terms exceeding three months.

## Cash Flows from Operating Activities

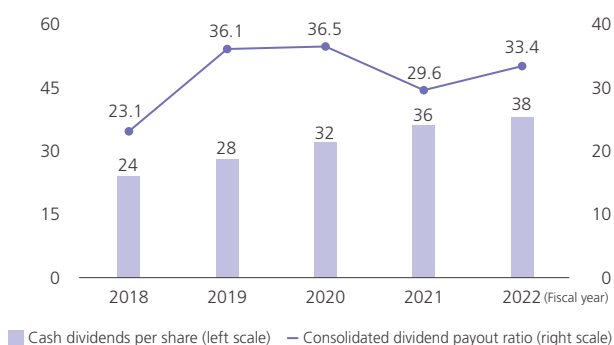
(Billions of yen)



In fiscal 2022, cash flows from operating activities amounted to a net-cash inflow of ¥92.2 billion. The chief sources of cash inflows were profit before tax and depreciation and amortization expenses, while the chief sources of cash outflows were income taxes paid and an increase in trade and other receivables.

## Cash Dividends per Share / Consolidated Dividend Payout Ratio

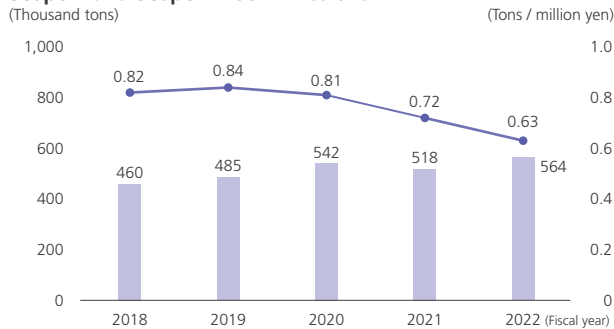
(Yen)



In fiscal 2022, annual cash dividends per share were ¥38, comprising a ¥19 per share dividend for the end of the second quarter and a year-end dividend of ¥19 per share, marking a dividend increase for the 21st consecutive year. Meanwhile, dividend on equity attributable to owners of parent (DOE) was 3.8% and the consolidated dividend payout ratio was 33.4%. Moreover, at Unicharm we aim to enhance shareholder returns with a total payout ratio of 50% through stable and consistent dividend increases and the purchase of treasury shares.

# Non-Financial Highlights

## Scope 1 and Scope 2\* CO<sub>2</sub> Emissions

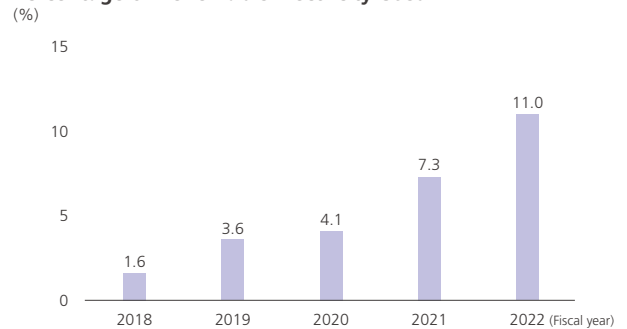


■ Total emissions (left scale) — Emissions intensity (right scale)

\* Scope 1: Direct emissions from Unicharm's factories, offices, vehicles, etc.  
Scope 2: Indirect emissions from the use of electricity and other energy sources by Unicharm

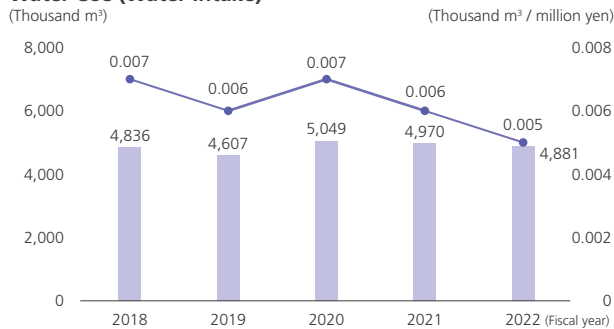
In fiscal 2022, total CO<sub>2</sub> emissions rose approximately 9%, due in part to the resumption of operations at the Neemrana Factory in India. However, we achieved a 13% reduction in CO<sub>2</sub> emissions intensity thanks to a variety of efforts. For Scope 1 emissions, these efforts included changing equipment and discontinuing the use of incinerator boilers; Scope 2 efforts included reducing electricity consumption by promoting energy saving and switching to renewable electricity. The scope of data collection included 34 of our 41 factories in fiscal 2018 and 2019, and has included all 41 since fiscal 2020.

## Percentage of Renewable Electricity Used



In fiscal 2022, the Saitama factory, the Mie factory, and the three factories of Peparlet Co., Ltd. in Japan, the Tianjin and Jiangsu factories in China, and Kawarang Factory No. 1 in Indonesia, began procuring renewable electricity, bringing the ratio of renewable electricity used by the Unicharm Group to 11.0%. We also created road maps for achieving a ratio of 100% by 2030 in each country and region, and we will promote the procurement of renewable electricity in accordance with the plans therein from fiscal 2023. Note: Data collection on the ratio of renewable electricity used began in 2020.

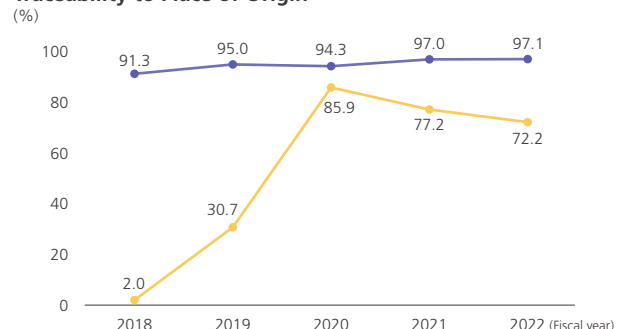
## Water Use (Water Intake)



■ Total water intake (left scale) — Water intensity (right scale)

In fiscal 2022, total water intake and water intensity both decreased from the previous fiscal year. The scope of data collection included 30 of our 41 factories in fiscal 2018 and 2019, 40 in fiscal 2020 and 2021, and all 41 in fiscal 2022. Note: Figures for previous years have been revised as those data for a portion of the factories previously included estimates.

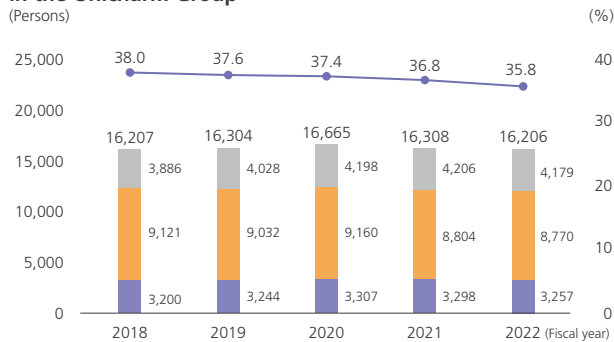
## Traceability to Place of Origin



— Forest-derived raw materials (pulp / tissue / separators / airlaid pulp)  
— Palm oil

Unicharm promotes the acquisition of chain of custody (CoC) certification, a management certification for fabrication and distribution processes, for forest-derived raw materials to ensure that it both procures certified materials and other supplies and demonstrates that it manages them appropriately in its manufacturing and other processes. As part of these efforts, in fiscal 2022 the Mie Factory (Japan) acquired CoC certification from the Programme for the Endorsement of Forest Certification (PEFC). Unicharm increased its use of small quantities of palm oil in amounts that make it more challenging to procure certified supplies of the commodity. This has led to an overall decline of five percentage points in our use of certified palm oil.

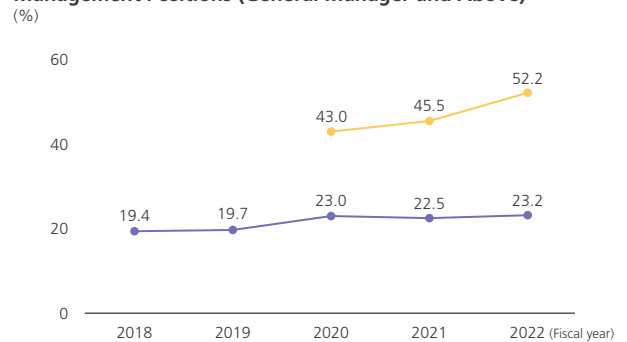
## Number of Group Employees / Ratio of Female Employees in the Unicharm Group



■ Japan (left scale) ■ Asia (left scale) ■ Other regions (left scale)  
— Ratio of female employees (right scale)

The total number of Group employees as of December 31, 2022, stood at 16,206, with 3,257 in Japan, 8,770 in Asia, and 4,179 in other countries and regions. The fiscal 2022 total represents a decrease of 102 persons (approximately 0.6%) from fiscal 2021. Meanwhile, the ratio of female employees was 35.8%, down 1.0 percentage point from fiscal 2021.

## Ratio of Female Managers / Ratio of Locally Hired Employees in Management Positions (General Manager and Above)



— Ratio of female managers  
— Ratio of locally hired employees in management positions (general manager and above)

In fiscal 2022, the ratio of female managers edged up 0.7 percentage point, to 23.2% for the Group as a whole. The ratio of locally hired employees in positions of general manager and above was 52.2%, exceeding 50% for the first time.

# Unicharm's Value Creation Model

Purpose

## Input Source of Unicharm's Value Creation

## Business Business Activities

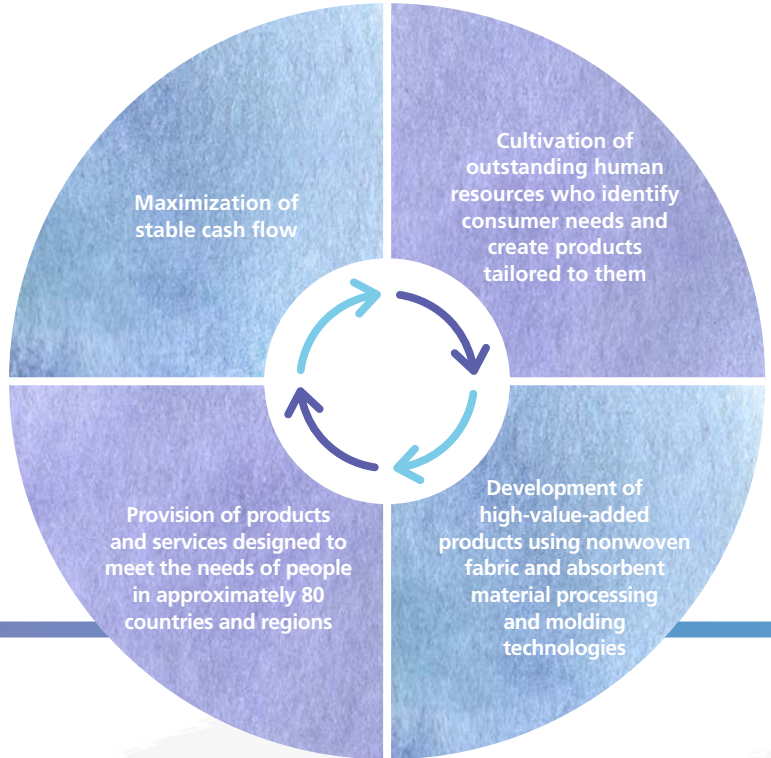
Social Issues / Changes in Society

**Our Strengths**

- 01 The ability to establish systems for aligning the direction of and continuously developing all employees while respecting their different cultures and values
- 02 Advanced technological capabilities focused on the nonwoven fabric and absorbent material fields
- 03 A frontier spirit backed by meticulous marketing based on keen powers of observation
- 04 Implementation capabilities

**Capabilities That Contribute to Our Strengths**

 <b>Individual capabilities</b> (Human capital) ▶ Pages 22–26 ▶ Pages 36–37	 <b>Ability to safeguard the well-being of our planet</b> (Natural capital) ▶ Pages 38–39
 <b>Networking capabilities</b> (Social capital) ▶ Pages 40–41	 <b>Monozukuri capabilities</b> (Production capital) ▶ Pages 44–45
 <b>Organizational capabilities</b> (Intellectual capital) ▶ Pages 42–43 ▶ Pages 46–49	 <b>Cash-generating capabilities</b> (Financial capital) ▶ Pages 34–35



11th Medium-Term Management Plan	▶ Pages 32–45
Kyo-sei Life Vision 2030	▶ Pages 28–31
Environmental Targets 2030	▶ Page 63
<hr/>	
Management with resonance	▶ Page 22
Corporate governance	▶ Pages 70–79
<hr/>	
"NOLA & DOLA," Unicharm's corporate philosophy	▶ Pages 8–9

# Contributing to the Achievement of the SDGs

## Output

### Outcomes of Our Business Activities

#### Products and Services

##### Wellness care products

- Adult diapers
- Urine absorption pads
- Light incontinence pads
- Cleanliness care products for nursing care
- Masks
- Commercial-use food packaging materials

##### Feminine care products

- Sanitary pads and additional absorption pads
- Menstrual cups
- Menstrual tampons
- Panty liners
- Incontinence liners, pads, and period underwear
- Period underwear
- Feminine wipes

##### Baby care and childcare products

- Disposable baby diapers
- Pants-type disposable diapers for night use
- Pants-type disposable diapers for toilet training
- Pants-type disposable diapers for playing in the water
- Baby wipes and cleansing wipes
- Nursing pads / Maternity pads

##### Kirei care products

- Cleaning wipes
- Paper towels
- Personal cleansing wipes
- Cosmetic cotton pads and facial towels

##### Partner animal (pet) care products

- Dog food
- Cat food
- Toilet-related products
- Animal healthcare products

#### Business Concept

Designing wellness and lifestyles

▶ Pages 52–53

Continuously unleashing the potential of women

▶ Pages 54–55

Making childcare a happy experience that brings surprise, inspiration, and joy now and into the future

▶ Pages 56–57

Aiming to create products that allow people to live their lives feeling both safe and secure and clean and fresh

▶ Page 58

Ensuring daily lives brimming with the joy of spending time with healthy and happy partner animals (pets)

▶ Pages 59–60

## Outcome

### Value Created

Realization of a cohesive society



**Individual capabilities**  
(Human capital)



**Networking capabilities**  
(Social capital)



**Monozukuri capabilities**  
(Production capital)



**Organizational capabilities**  
(Intellectual capital)

Improvement of corporate value  
Realization of a stable and continuous return of profits



**Cash-generating capabilities**  
(Financial capital)

Contribution to the creation of a circular economy



**Ability to safeguard the well-being of our planet**  
(Natural capital)

Consumption of resources  
Generation of waste

# Value Creation Process

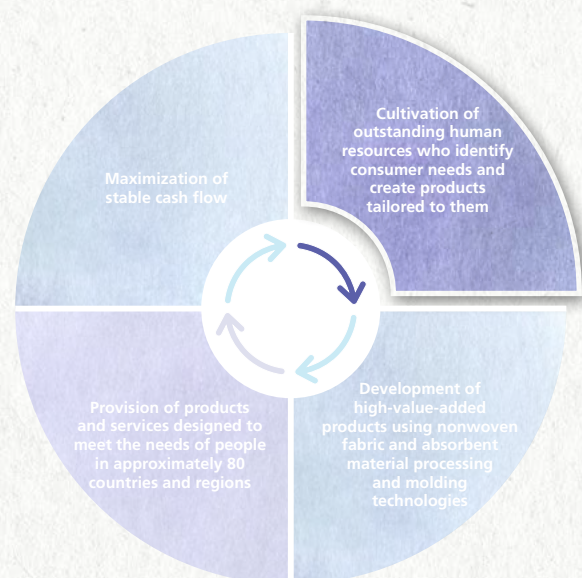
## Systems to Ensure That Unicharm Leverages the Unique Strengths That Are the Source of Its Value Creation in Its Business Activities

Realizing its mission to create a cohesive society through its business activities requires Unicharm's products and services to be the first choice of consumers throughout the world. We will not achieve a competitive advantage unless we go beyond offering products and services that reflect consumer needs to differentiating them by adding value that only we can create. Achieved by leveraging in our business activities the unique strengths that constitute the source of our value creation, a competitive advantage facilitates the creation of truly

unique value. To this end, determining and efficiently strengthening the capabilities needed to link our strengths to the development of our businesses and the improvement of our corporate value is of the utmost importance.

In this section, we outline the areas in which we leverage such strengths in our business activities and the capabilities that comprise them, and analyze and organize our value creation systems to identify the driving forces behind our efforts to create value.

### 01 The ability to establish systems for aligning the direction of and continuously developing all employees while respecting their different cultures and values



With operations in over 80 countries and regions worldwide, a diverse array of employees work at the Unicharm Group. The Company implements management with resonance, its unique management model, to enable employees with a variety of backgrounds to achieve shared goals. To implement this model, we have introduced the Observe–Orient–Decide–Act Loop (OODA Loop) methodology, a system for accurately identifying changes in the operating environment and quickly revising action plans to achieve goals. Applying the OODA Loop methodology allows us to reach performance goals and develop human resources.

Rate of introduction of KYOSHIN, our human resource development platform

**100%** (all local subsidiaries)

Ratio of locally hired employees (general manager and above)

**52.2%**

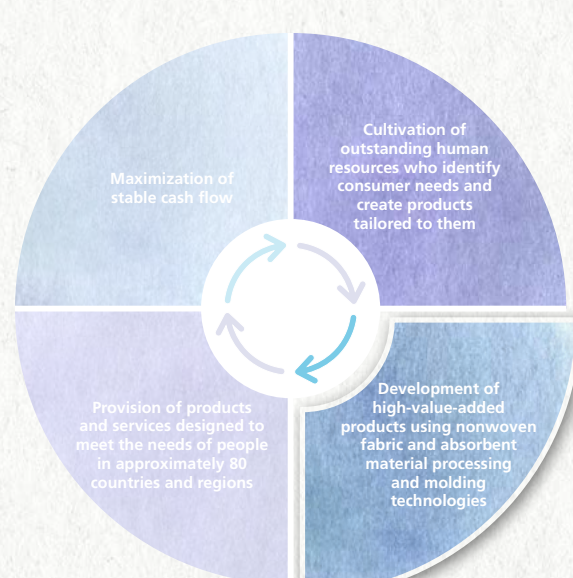
Ratio of female managers

**23.2%**

Training time per employee

**35 hours** (Unicharm Corporation)

### 02 Advanced technological capabilities focused on the nonwoven fabric and absorbent material fields



Unicharm conducts research and development (R&D) focused on nonwoven fabric and absorbent materials and exhaustively develops and improves the processing and molding technologies that are indispensable to mass production, using the results of these efforts to develop high-value-added products. We believe that a company's technological capabilities increase or decrease in accordance with the degree to which it combines the individual technical capabilities of its employees with organizational capabilities that make the best of use of such individual capabilities. With this in mind, we promote initiatives to improve our R&D and production systems and enhance productivity, strategically utilize our patents to improve our organizational capabilities, and endeavor to cultivate developers and engineers and build their individual technical capabilities.

Number of production bases

**41 factories**

Global patent application rate (2019)

**85%**

R&D expenses

**¥8,270 million**

Patent registration rate in Japan (2021)

**82%**

Capital expenditures

**¥42,627 million**

Number of overseas R&D bases (suboffices)

**6**

Thailand, Indonesia, China, India, Saudi Arabia, and Vietnam

## Value Creation Drivers

Analysis of Unicharm's value creation system reveals that the source of its strengths are the individual capabilities of its human resources and the organizational capabilities that make the best use of these individual capabilities. The Company believes that maximizing each of these capabilities will lead to efficient business growth. Since the ability to build a competitive advantage depends in large part on whether a

company has the organizational capabilities to leverage its outstanding human resources, Unicharm works to cultivate its human resources and create an organization that makes the best use of its personnel. For Unicharm, human resources are the key to maximizing competitiveness and driving value creation.

### 03 A frontier spirit backed by meticulous marketing based on keen powers of observation



The people who use and the people who buy many of Unicharm's products are different, for example, babies and their parents, care recipients and caregivers, and dogs and cats and their owners. For products where it is difficult to directly ask users about their wishes, Unicharm's ability to understand latent needs through observation and other means is vital. To this end, we strive to cultivate human resources with keen powers of observation who are free from preconceived ideas for every stage of our marketing activities, from product development to sales. At the same time, we are strengthening efforts to use digital technology to collect and analyze consumer data to ascertain the essence of needs inherent in people's lifestyles and consumption patterns.

To spur innovation based on new perspectives gained through such activities, we are cultivating inventive and passionate human resources and establishing a work environment that helps draw out the abilities of employees with innovative ideas.

Overseas sales ratio

**66.3%**

Growth rate of overseas sales

**21.0%**

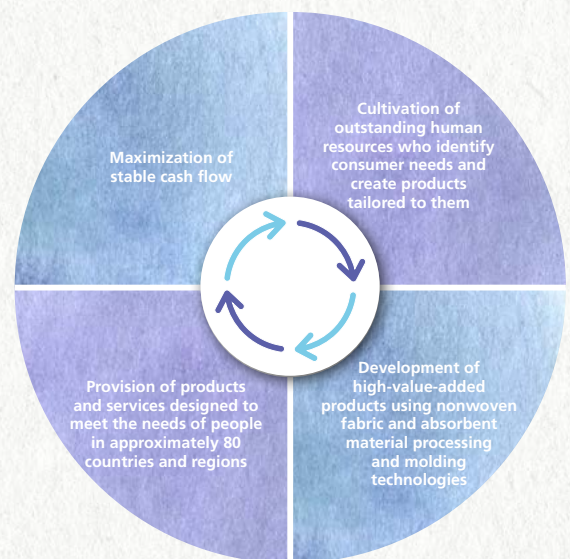
Asia sales ratio

**47.7%**

Growth rate of domestic sales

**4.3%**

### 04 Implementation capabilities



A plan will achieve nothing unless it is implemented, regardless of how well it is devised. Putting into practice management with resonance enables all Unicharm's employees to develop the ability to devise the highly effective plans the Company needs to achieve its goals and fosters the ability to implement them steadily to a successful conclusion. Employees demonstrate these first-rate implementation capabilities in every functional division, including R&D, production, marketing, and sales. Strengthening the implementation capabilities of employees every day by putting into practice management with resonance is an exceptionally important element for building a competitive advantage.

Number of management with resonance practical meetings

**925**

Total number of meetings held between August 31, 2003, and December 19, 2022

Market share

**23.6%**

Products with leading market share (based on a 2022 in-house survey)

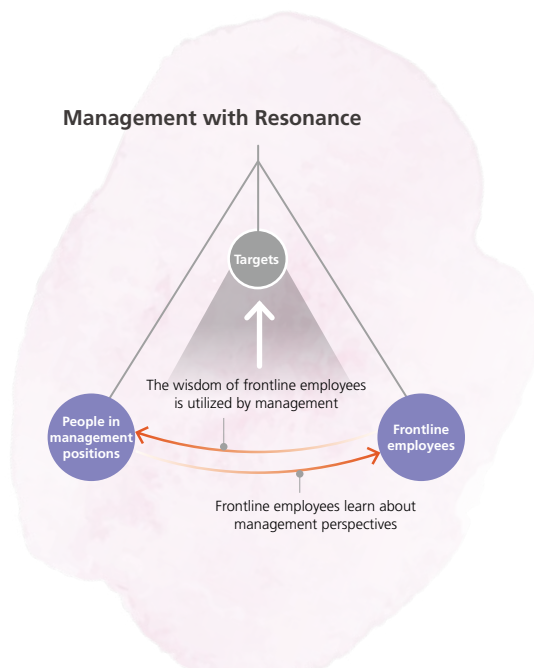
Japan	Asia	Other Regions
Adult incontinence care products, Masks, Sanitary pads, Disposable baby diapers, Baby wipes, Personal cleansing wipes, Makeup powder puffs, Toilet-related products for dogs, Toilet-related products for cats	Adult incontinence care products (Taiwan-Greater China, Thailand, Indonesia, and Vietnam) Sanitary pads (Taiwan-Greater China, Thailand, Indonesia, and Vietnam) Disposable baby diapers (Thailand, Indonesia, Singapore, and Vietnam)	Disposable baby diapers (Saudi Arabia) Animal healthcare products (United States)

## Strengthening the Source of Unicharm's Value Creation:

# Implementing Management with Resonance to Develop Resonant Personnel Who Act on Their Own Initiative to Address Issues

Unicharm implements management with resonance, its unique management model, through each of its Group employees. Management with resonance is a management methodology that facilitates the growth of every employee, and in turn the growth of Unicharm as a whole, by arming people in management positions with unfiltered information from frontline employees and making frontline employees aware of management's perspectives, outlooks, and targets. By implementing management with resonance, we aim to develop personnel who can identify issues on their own initiative, determine how to address these issues, and work continuously until they are resolved. We call employees who demonstrate such a mindset and behavioral traits "resonant personnel," which is how we define our ideal human resources.

In its implementation of management with resonance, Unicharm develops and uses its shared methodologies and tools, including The Unicharm Way and the Observe–Orient–Decide–Act Loop (OODA Loop) methodology. We also arrange sessions for employees to read our integrated report, hold The Unicharm Awards to recognize resonant personnel, and organize the Global OODA Caravan, which sees President & CEO Takahara visit the front lines, as part of our efforts to enhance employee engagement.



## The Unicharm Way and the OODA Loop Methodology: Key Elements in the Implementation of Management with Resonance

### The Unicharm Way

The Unicharm Way consolidates the values, action guidelines, important management statements, and other key information that needs to be shared throughout the Company. Besides the English and Japanese versions, we have translated and published The Unicharm Way into the languages of nine countries and regions. The Unicharm Terminology, which was published in 1986, was the forerunner of The Unicharm Way. In addition to the Unicharm Terminology, The

Unicharm Way comprises a total of 11 booklets, including the Handbook for Creating Objectives–Goals–Issues–Strategies–Measures–Action Plan (OGISM [A]), the Manual for Implementing Management with Resonance, the Management Handbook, and the Unicharm Group Charter of Actions. In 2021, we also launched an app version of The Unicharm Way that can be viewed on smartphones and other devices to encourage employees to consult it more often.

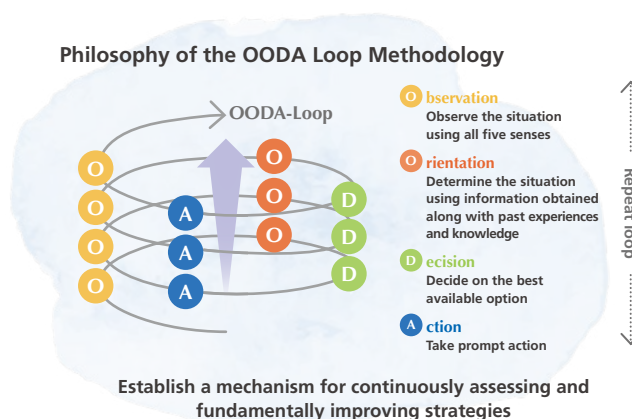
### OODA Loop Methodology

Since 2003, Unicharm has been operating the Schedule–Action–Performance–Schedule (SAPS) management model, through which employees work to achieve goals using their own initiative by actively operating a Plan–Do–Check–Act (PDCA) cycle, enhancing the strength of both employees and the organization. However, in the current "new normal" environment, where the business landscape is constantly changing, it became necessary to establish a model that flexibly accommodates these changes. Recognizing this need, we replaced the SAPS management model with the Observe–Orient–Decide–Act Loop (OODA Loop) methodology in 2019.

With the OODA Loop methodology, we quickly grasp unexpected changes by observing current business conditions, appropriately orient ourselves to the situation, reach a decision, and then take action. We repeat this cycle while constantly reviewing approaches and making fundamental changes. The OODA Loop methodology enables our employees to respond quickly to changes in the business environment,

orient themselves to the situation, make decisions, and take actions that lead to results.

### Philosophy of the OODA Loop Methodology



### The OGISM (A) Table

While the OODA Loop methodology emphasizes responding flexibly to changes in the operating environment without being constrained by initial plans, it by no means disregards such plans. In 1994, Unicharm introduced the OGISM (A) table, which standardizes the process for formulating plans, to make it easier for employees to refine their ability

to develop plans and communicate them more efficiently. The OGISM (A) table streamlines and consolidates the essential elements of a plan into objectives (targets to be achieved within a certain period), goals (numerical targets), issues, strategies, measures (determination criteria), and action plans.



## Accelerating Human Resource Development by Implementing the OODA Loop Methodology in "Scrum" Units

Unicharm works to utilize the OODA Loop methodology on a Groupwide basis. The most important aspect of its efforts is the implementation of the OODA Loop methodology through "scrum" meetings in small organizational units, such as sections or groups.

First, section heads or managers, who serve as scrum leaders, create an OODA Loop form that incorporates the strategies outlined in the

OGISM (A) table into weekly action plans. The content of these forms is then discussed at weekly scrum strategy meetings. Informed by these discussions, the scrum members consolidate their expertise to apply the OODA Loop effectively. Repeating this process every week enables scrums to achieve their goals more quickly and accelerates the growth of their members.

### Weekly Scrum Strategy Meeting Flow

#### Advance Preparations

Using the OGISM (A) table, each scrum puts together strategies and an action plan to achieve its goals while members engage in active dialogue with each other to ensure that they share the same overall vision. The contents of the OGISM (A) table are reviewed on a half-yearly or quarterly basis.



Guided by the action plan in the OGISM (A) table, scrum leaders use the OODA Loop form to identify priority issues for the following week and create specific action plans.



#### Fridays

Leaders share the completed OODA Loop form with scrum members, who refer to it to put together an action plan in 30-minute increments for the following week using the weekly action plan form.

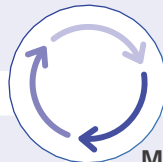


Leaders



Members

Share the OODA-Loop form



#### Daily Routine (Mondays to Fridays)

Members work based on their scrum's weekly action plan form, recording in it their accomplishments, unfinished matters, and other pertinent information at the end of the working day. Leaders keep track of the status of the work of members and offer appropriate advice while using the OODA Loop form to identify priority issues for the following week.



#### Mondays

At weekly scrum strategy meetings, members share the weekly action plan forms that each has formulated in response to their leader's explanation of the content of the scrum's OODA Loop forms. Thereafter, all participants discuss priority issues and revise the action plan as necessary.



Weekly action plan form

# Initiatives for Creating Resonance Between Management and Frontline Employees

## Reading Session of Integrated Report

In fiscal 2021, Unicharm began holding integrated report reading sessions to give employees the opportunity to see the results of their daily activities and to encourage them to pursue initiatives for achieving their further growth. In fiscal 2022, reading sessions were implemented by approximately 950 scrums in 15 countries and regions. During the sessions, participants read aloud important sections of the report, scrum leaders provide explanatory comments, and all members of a scrum engage in debate and discussion in accordance with the Guide for How to Proceed with Reading Session of Integrated Report, which are produced by the ESG Division. In this way, the sessions foster a deeper understanding of the content in the integrated report. Scrum members also deepen their understanding of Unicharm through the sessions, thereby enhancing their engagement with the Company.



Reading Session of Integrated Report (Indonesia)

## Steps for Implementing Reading Sessions

### STEP 1

Hold a workshop at the Management with Resonance Practical Meeting, which is attended by all scrum leaders. The ESG Division gives a lecture in accordance with the operating guidelines on how to read the report effectively.



### STEP 2

Scrum leaders hold reading sessions in their own scrums based on the lecture in Step 1. Over several sessions, every scrum member reads the integrated report, engaging in a series of discussions and deepening their understanding of the content.

## Comments from a Participant



**Tomonari Tamura**  
Japan Sales Head Office

Reading and discussing the integrated report with fellow scrum members gave everyone a better understanding of Unicharm's vision and current situation. Many of us were unfamiliar with the terminology used in the report, which prompted a lot of questions. This furthered our understanding and helped make the sessions worthwhile.

## The Unicharm Awards

Every year, the Company holds the Unicharm Awards to share on a global basis examples of the creation of significant added value through management with resonance and recognize employees and projects that have achieved excellent results to motivate employees and encourage their growth.

The goal of the Unicharm Awards is for employees to learn from case studies how management with resonance leads to value creation. The awards provide a learning experience for employees and offer an opportunity for them to commit to achieving their goals.

Through these awards, Unicharm will continue to encourage the growth of its employees, the Company, and society as a whole.



<p><b>The Unicharm Awards</b></p>	<p>The Unicharm Awards celebrate all members of teams that have achieved distinguished results by implementing management with resonance, which is informed by the insights of frontline employees. At the awards, teams nominated in the Country President Awards in various countries and regions make presentations and receive gold, silver, or bronze awards based on the results of a poll of all employees.</p>
<p><b>The Country President Awards</b></p>	<p>The Country President Awards provide an opportunity to raise awareness of and recognize the results of cross-divisional projects in various countries and regions. The presidents of local subsidiaries in these countries and regions decide on the gold, silver, or bronze awards and which teams to enter into the Unicharm Awards.</p>
<p><b>Cross-Divisional Projects</b></p>	<p>Cross-divisional projects are collaborative projects comprising multiple scrums, whereby employees from different organizational units form tight scrums to create new value and achieve novel results by accomplishing shared and mutually agreed goals.</p>

## Global OODA Caravan

Guided by the belief that a sense of connection is a force that drives people to act on their own initiative, President & CEO Takahara began holding the Global OODA Caravan in 2022, visiting Unicharm bases throughout the world and having in-depth discussions with employees. During these visits, President & CEO Takahara and local employees share and identify with each other's aspirations. With the aim of inspiring employees to work toward Unicharm's goal of becoming the world's best company by 2030, the activity schedule includes presentations by employees on their visions and the contributions they hope to make to Unicharm, which all participants can identify with.

To encourage them to act on their own initiative, all the scrum leaders in countries and regions visited by the Global OODA Caravan declare their commitment to achieving Unicharm's goal of becoming the world's best company by 2030. The visits also foster a sense of unity—all participants write their ambitions and resolutions on a flag featuring the Japanese kanji for "bond" to reaffirm their commitment and have their photograph taken with President & CEO Takahara. In

addition, get-togethers are held to deepen communication, giving participants the opportunity to share their aspirations with President & CEO Takahara and other participants while learning the aspirations of other employees. Following the visits, details of the Global OODA Caravan's activities are shared throughout Unicharm, enabling all employees to identify with the aspirations of their colleagues.

Unicharm will continue to promote both the visualization and sharing of the aspirations of its employees centered on communication with President & CEO Takahara and harness these efforts as a driving force for achieving its goals.



The Global OODA Caravan visits The Hartz Mountain Corporation in the United States.

## Comments from Participants



**Gregg Herman**  
The Hartz Mountain Corporation

I was honored to have the opportunity to meet Mr. Takahara and share our strategy for the Partner Animal (Pet) Care Business. I appreciated the feedback as well.



**Louisa Guo**  
The Hartz Mountain Corporation

Meeting Mr. Takahara provided a great opportunity for us to learn more about Unicharm's global business. Hartz is fortunate to operate under such a large parent company.

## Strategy Secretary to CEO Program for Developing Future Leadership Candidates

Unicharm believes that inspiration encourages people to grow. The Company therefore offers a variety of opportunities to its employees, including the Strategy Secretary to CEO program for developing leadership candidates.

Launched in 2014, the program sees mid-career employees who have worked at Unicharm for approximately a decade serve as the strategy secretary to President & CEO Takahara for a term of two months. Over 50 employees have been admitted to the program so far. During their term, program participants sit in with President & CEO Takahara on all his duties to learn how corporate managers carry themselves, speak, and behave. Participants also accompany him on business trips, including overseas, to witness personally the range of people he meets, the types of discussions he has, and the nature of

the decisions he makes, thereby gaining insight into the thinking and behavior of the Company's most senior manager. Unicharm uses these learning opportunities to cultivate among participants the mettle and decisiveness required of corporate managers and develop human resources who will play a central role in the management of the Company into the future.



A Strategy Secretary to CEO program participant performing his duties

## Comments from a Participant



**Shinichiro Sembo**  
51st Strategy Secretary to CEO

President & CEO Takahara explained to me that the Strategy Secretary to CEO program was designed to develop key human resources who will lead Unicharm into the future as accelerators—human resources who boost the Company's growth—in a variety of ways. For example, sometimes they will serve as interpreters who invigorate the Company as a whole; sometimes they will be leaders who align the direction of Unicharm's employees on a Companywide basis. I really feel that the two months I spent in the program served as an extremely valuable learning experience for me.

# Unicharm's Human Resource Policy: Giving Local Employees the Leading Role in Managing Local Operations

Unicharm aims to develop high-value-added products and services by focusing on highly differentiated technologies in the field of non-woven fabric and absorbent material processing and molding. The Company operates such business activities in Japan, the country of its founding, and in all the countries and regions where it has an existing footprint. In doing so, we carefully assess which markets to enter, determine optimum timing and price points to ensure effective product launches based on market, regional, and sales channel characteristics, and implement strategies accordingly.

Entrenching product development with a focus on regional cultures and living conditions requires the localization of the management of overseas operations. For this reason, proactively promoting and improving the skills of local human resources is essential. Today, our efforts to accelerate the development of resonant personnel overseas under the leadership of local human resources are ensuring the development of such personnel throughout the world.

## Developing Scrum Leaders in Egypt

Unicharm has been promoting the development of resonant personnel in Egypt since fiscal 2021, with fiscal 2023 marking phase five of these efforts. We have stipulated three requirements for local employees to become scrum leaders. Namely, they must be able to create the OGISM (A) table unaided, conduct weekly scrum strategy meetings effectively in accordance with the OODA Loop methodology, and

make full use of The Unicharm Way in their daily activities. In this way, we are focusing on strengthening the development of resonant personnel. When these efforts began in 2021, there were six scrum leaders in Egypt. The number of appointed and actively serving scrum leaders stood at 14 in fiscal 2022. We are advancing various measures to increase the number of scrum leaders to 32 in fiscal 2023.

### Strategy Implementation Road Map (Egypt)

Requirements for Becoming a Scrum Leader		Phase 1	▶ Phase 2	▶ Phase 3	▶ Phase 4	▶ Phase 5
Strategy Development Capabilities	Create the OGISM (A) table unaided	Japanese personnel train local employees to be instructors	Local employees learn from local instructors in the Human Resource Division how to provide instruction on creating the OGISM (A) table	Local instructors teach local employees how to create the OGISM table	The number of local instructors and the number of trainee instructors increases	The number of local instructors and the number of trainee instructors increases
		Two local employees are trained to be instructors in the Egypt Human Resources Division	The first batch of four local instructors is trained, bringing the total number to six	A second batch of eight instructors is trained, bringing the total number to 14	A third batch of 18 instructors is trained, bringing the total number to 32	A fourth batch of 27 instructors is trained, bringing the total number to 59
Strategy Implementation Capabilities	Conduct weekly scrum strategy meetings effectively in accordance with the OODA Loop methodology	Two local instructors in the Egypt Human Resources Division learn the OODA Loop Methodology	The Human Resources Division starts applying the OODA Loop methodology	The two local instructors from the Human Resources Division provide individual training for the first batch of four local instructors on how to apply the OODA Loop methodology	OODA Loop methodology study sessions begin (second batch of instructors) Weekly scrum strategy meetings are held (first batch of instructors)	Implementation and operation of OODA Loop methodology study sessions begins (third batch of 18 instructors)
	Make full use of The Unicharm Way in daily activities	Build understanding of MVV and create divisional MVV (Human Resources Division members in Egypt)	Two employees from the Human Resources Division provide OGISM (A) table study sessions to teach established methods for making citations	The sales and marketing divisions hold regular study sessions on The Unicharm Way	The Unicharm Terminology is reflected in all training materials. Program to explain the UTMSS begins (Manufacturing Division)	Regular study sessions are held for new members of the Human Resources Division (leader development)

NS: National staff

MVV: Mission, vision, and value

UTMSS: Unicharm Total Management Strategic System

UTMSS is Unicharm's unique approach and philosophy of promoting improvement activities to enhance management efficiency in business activities, from order receipt to production, delivery, and recovery.

## Strengthening Employee Engagement in Indonesia

Enhancing our cohesiveness as a Company to ensure a high level of employee engagement is integral to strengthening our human resources in relation to our purpose, which comprises our mission, vision, and value. In Indonesia, we have worked to strengthen employee engagement, through a range of measures. These measures include the centralization of personnel-related organizations—which were previously segmented by their roles, such as recruitment, employee benefits, and personnel management—into the Human Resources Business

Partner (HRBP). This arrangement has helped strengthen employee engagement in Indonesia by enabling evaluations and human resource placements that reflect frontline conditions and support the upskilling of employees. In fiscal 2022, following the assessment and monitoring of employee activities, we launched a program to help employees to upskill, which has resulted in four of them improving their performance as of February 2023.

## Comments from an Employee (Indonesia)



**Badai Banyu Negara**  
PT. UNI-CHARM INDONESIA Tbk

Monthly monitoring by three parties—the HRBP manager, the immediate superior of the program participants, and myself—revealed a significant improvement in the performance of approximately 80% of the participants. Moreover, the immediate superior stated that, in addition to the improvement in performance, the Group's stance of strengthening the development of human resources has helped enhance the motivation of participants, making for an extremely effective program.

## 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

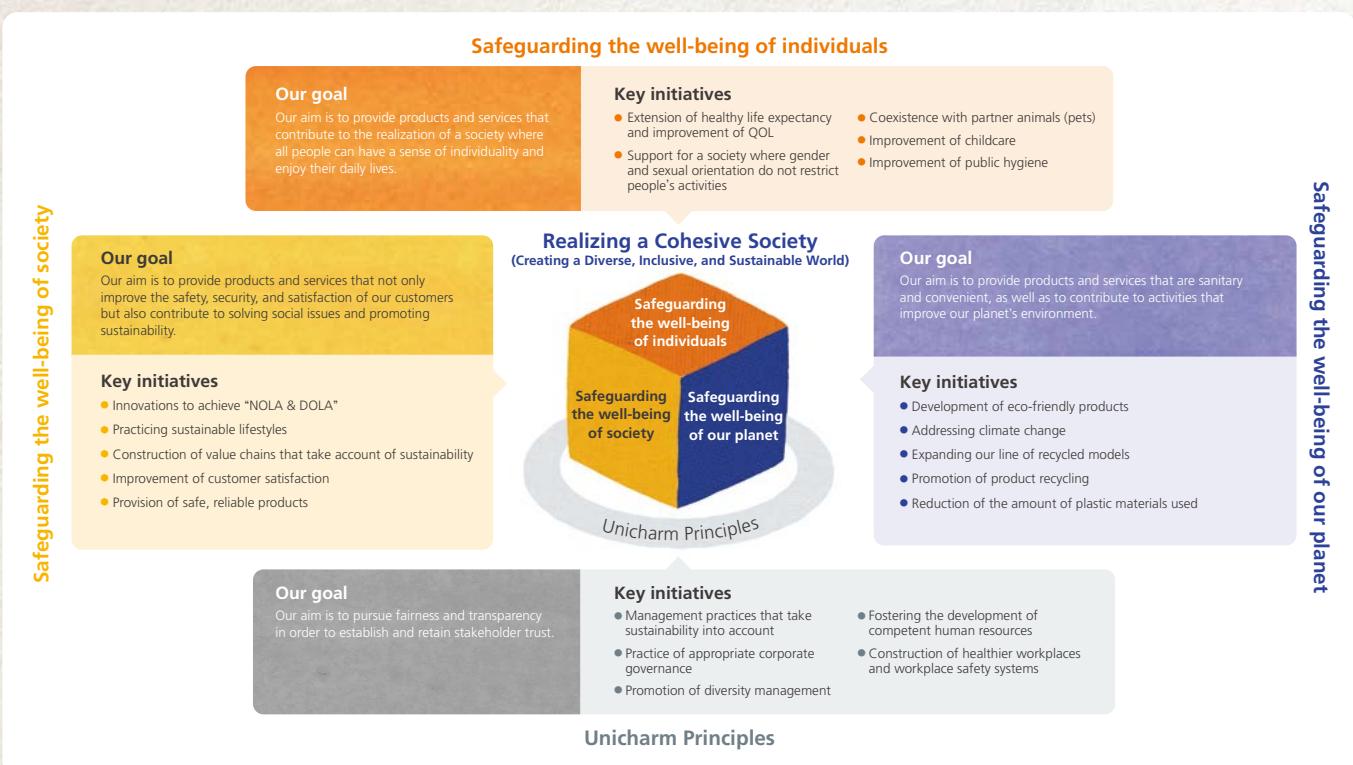
burdens and enabling them to better focus their efforts on fulfilling their dreams. "Value" is the ambition and sense of duty that underlies our mission and vision, bringing it all together to serve a common purpose. All Unicharm employees around the world are now pushing forward our standardized management 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.

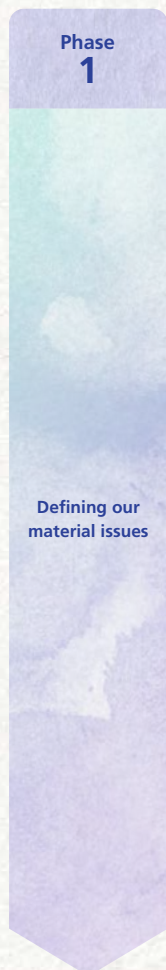


## Our Approach to Realizing a Cohesive Society by 2050

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	<b>Society</b> A cohesive society where the well-being of individuals, society, and our planet is maintained in a balanced state		<b>Unicharm</b> A worldwide company that provides social infrastructure to support healthy bodies and minds for people—from newborns to the elderly—as well as partner animals (pets), while at the same time promoting the well-being of society and our planet
Our approach	Expansion throughout the world	Evolution of products and services	Personalization Circular economy

## Formulation of Kyo-sei Life Vision 2030



Phase 1

Defining our material issues

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

### 1 Extraction of relevant issues

We extracted 513 relevant social issues from many literature sources. We categorized them into 44 groups (ISO 26000, GRI 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.

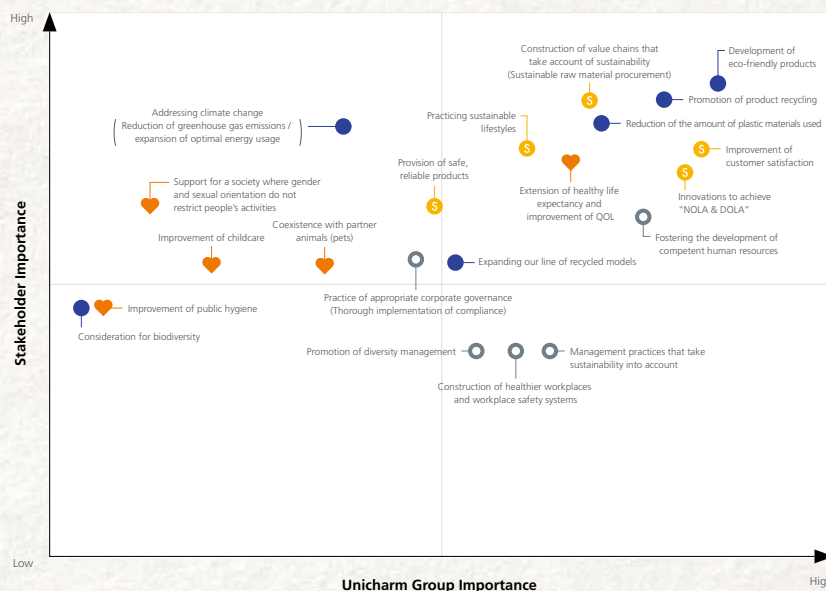
### 4 Workshop with executive officers

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



Phase 2

Formulating indicators linked to the material issues and target values

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

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

**2 Comparison between branding strategies of our products**

**3 Exchange of opinions with general managers and senior managers**

**4 Creation of indicators and initial proposals for targets**

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

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

## Key Initiatives, Indicators, Target Values, and Results

Key initiatives	Indicators	Results		Medium- to long-term goals	
		2021	2022	Target value	Target year
<b>Safeguarding the well-being of individuals</b>					
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
<b>Safeguarding the well-being of society</b>					
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
<b>Safeguarding the well-being of our planet</b>					
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
<b>Unicharm Principles</b>					
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.

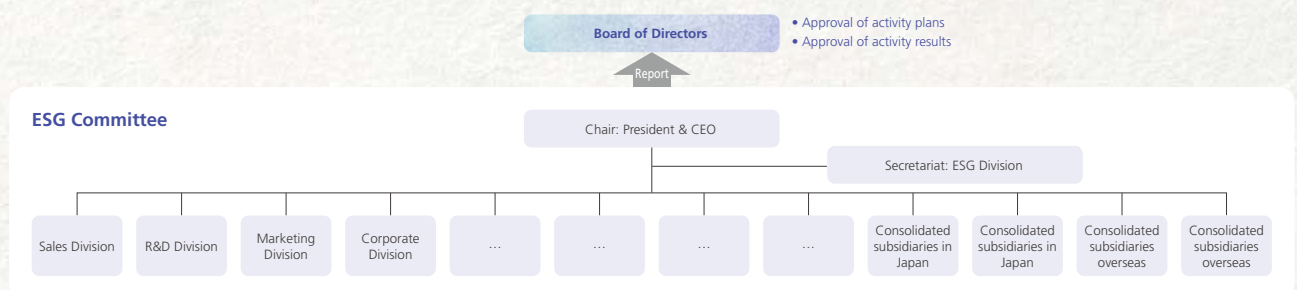


## Our Contributions to the SDGs

Key initiatives	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
<b>Safeguarding the well-being of individuals</b>																	
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			●	●		●		●			●	●	●		●		
<b>Safeguarding the well-being of society</b>																	
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			●					●				●					
<b>Safeguarding the well-being of our planet</b>																	
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							●		●			●	●	●	●		
<b>Unicharm Principles</b>																	
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						
FY2021 Results		FY2022 Results		FY2023 Plan		
Financial	Net sales	¥782.7 billion	Net sales	¥898.0 billion	Net sales	Revised Plan ¥963.5 billion
	CAGR	+7.6%	CAGR	+11.1%	CAGR	+9.8%
	Core operating income ratio	15.6%	Core operating income ratio	13.3%	Core operating income ratio	14.6%
	ROE	13.8%	ROE	11.5%	ROE	12%–13%
Strategy <b>1</b> Human Resources	<b>Strengthen and spread human resource development</b>	Launch operation of global common human resources development platform, KYOSHIN and complete introduction at 22 affiliates; improve operational functions at 14 affiliates	<b>Develop “resonant personnel” worldwide who embody BOP-Ship</b>	Promote use of human resources development platform, KYOSHIN; implement various measures to enhance employee job satisfaction and encourage growth	<b>Link key strategies and human resource development centered on BOP-Ship</b>	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
	Strategy <b>2</b> Environment	<b>Establish a recycling value chain</b>	Establish a recycling business for used disposable diapers and begin preparations for the reduction of environmental impacts throughout the value chain	<b>Steadily implement efforts to achieve the Unicharm Group’s medium- to long-term ESG goals, Kyo-sei Life Vision 2030</b>	Begin test use of disposable diapers made from recycled raw materials. Promote development of eco-friendly products and introduction of renewable energy	<b>Further pursue the SDGs as a business in itself</b>
Strategy <b>3</b> Marketing		<b>Focus on new growth pillars</b>	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	<b>Achieve “NOLA,” which underpins customers’ lifestyles</b>	Promote enhancement of branding and value communication skills. Propose new value and develop high-value-added products tailored to countries, regions, and lifestyles	<b>Advance portfolio centered on Persons</b>
	Strategy <b>4</b> Digital Transformation	<b>Promote Digital Transformation and strengthen brands by exploring the deep psyche of customers</b>	Launch development and use of digital tools that collect, visualize, and analyze data, leading to the discovery of customer insights	<b>Offer value in the form of product features and additional advantages catering to changes in customers’ circumstances</b>	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	<b>Ascertain customer changes to create value for individual customers</b>
Strategy <b>5</b> Monozukuri (Manufacturing)		<b>Analyze the principles of monozukuri (manufacturing) thoroughly to build optimal processes</b>	Build foundation for borderless supply and promote the creation of smart factories; develop monozukuri (manufacturing) human resources and systems	<b>Promote measures for Creating the Ultimate Gemba, Vol. 2</b>	Build foundation for borderless supply and promote the creation of smart factories; continue developing monozukuri (manufacturing) human resources and systems	<b>Maximize customer value through total manufacturing</b>

Desirable Future in 2030

SDGs Related to Kyo-sei Life Vision 2030

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

▶ Pages 34–35

Management practices that take sustainability into account



▶ Pages 62–69

Practice of appropriate corporate governance



▶ Pages 70–86

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

▶ Pages 36–37

Promotion of diversity management



Fostering the development of competent human resources



Construction of healthier workplaces and workplace safety systems



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

▶ Pages 38–39

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



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

Realizing social inclusion through the provision of product value

▶ Pages 40–41

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



Practicing sustainable lifestyles



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

▶ Pages 42–43

Innovations to achieve "NOLA & DOLA"



Develop products and build supply chains that are eco-friendly

▶ Pages 44–45

Construction of value chains that take account of sustainability



Improvement of customer satisfaction



Provision of safe, reliable products



Mission

Realizing a Cohesive Society

## Financial Policy



### Desirable Future in 2030

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

### Hirotatsu Shimada

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

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

### 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

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.

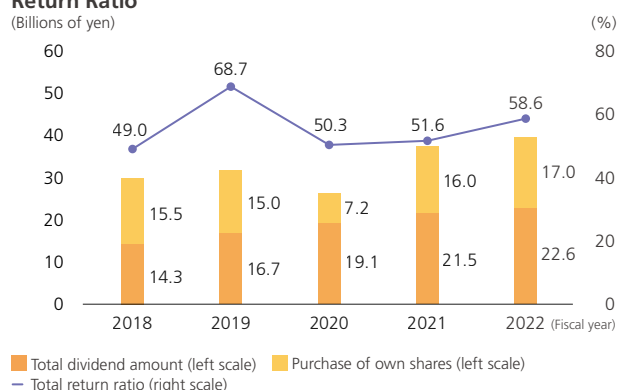
## Cash Allocation Policy

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

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
<b>Promotion of diversity management</b>	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
<b>(1) Recycle used disposable diapers</b>	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
<b>(2) Develop products free of virgin plastics</b>	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
<b>(3) Switch to renewable electricity</b>	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
<b>(1) Target establishment of CRM focused on ReFF*3</b>	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.
<b>(2) Steadily promote theme development leading to competitive environmental considerations</b>	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 <b>SDGs Theme Guideline</b>  to ensure the steady promotion of themes that lead to reduced environmental impacts and the resolution of social issues.
<b>(3) Restructure business industry-wide through Unicharm Ethical Leadership</b>	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

SDGs Theme Guideline  **Sustainability Report 2023 Page 023**

## 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	<b>Wellness care</b> Expand share among users of pants-type disposable diapers, create light incontinence care market
	<b>Partner animal (pet) care</b> Expand and conduct trials of unique product lines, create health and convenience value
	<b>Feminine care</b> Create high-value-added products with unique value propositions related to security, environment, sensation, and health
	<b>Baby care and childcare</b> Improve profitability through differentiation of standard products and reinforcement of pants-type disposable diapers for older infants and nighttime use
	<b>Kirei care</b> 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)\*<sup>2</sup>, 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
<b>(1) Build a global supply foundation</b>	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
<b>(2) Promote the creation of smart factories</b>	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
<b>(3) Develop human resources and create related systems</b>	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

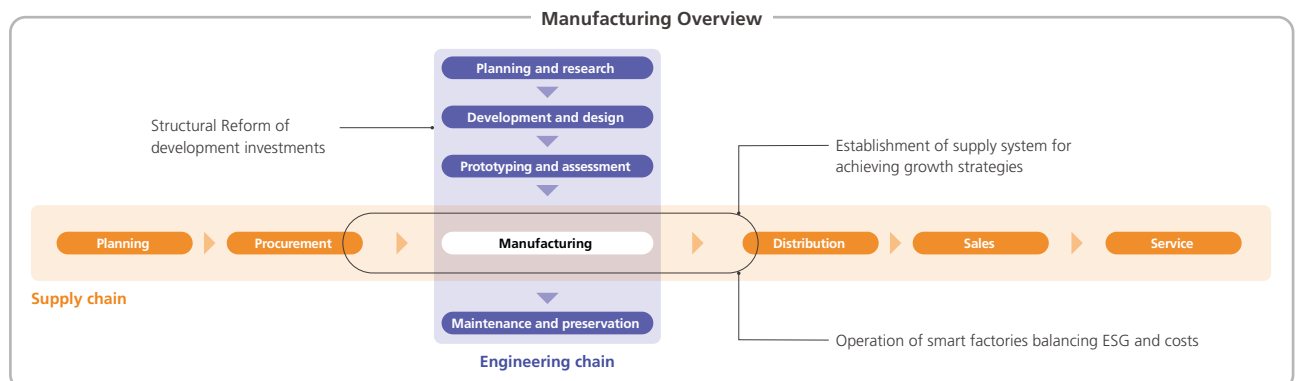
## Course for Fiscal 2023

### 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
<b>(1) Structural reform of development investments</b>	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.
<b>(2) Establishment of supply system for achieving growth strategies</b>	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%.
<b>(3) Operation of smart factories balancing ESG and costs</b>	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

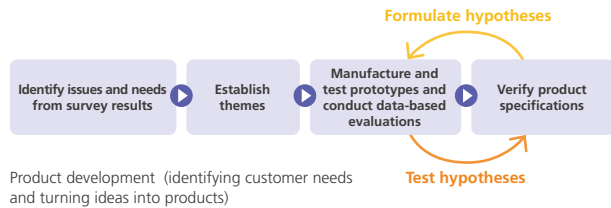
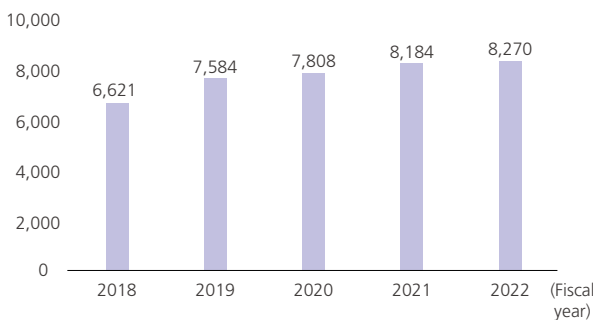
## Research and Development Vision

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.

### R&D Expenses

(Millions of Yen)



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.

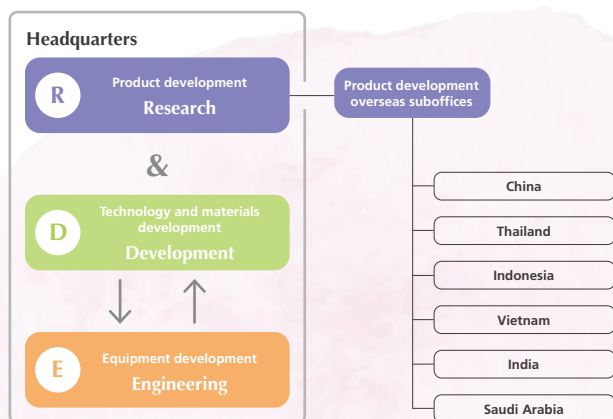
By meticulously observing customers' actual lifestyles and consumption patterns, Unicharm will strive to ascertain their true needs and continuously and swiftly take on new challenges without settling for the status quo or fearing failure.



An interview-based survey using the Digital Scrum System

## 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 Osaka 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	
<b>Mission</b> Mission and Goal	<b>Realizing a Cohesive Society</b>	→	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.
<b>Vision</b> Priority Business Domains	<b>Implementing “NOLA &amp; DOLA”</b>	→	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.”
<b>Value</b> Value Basis	<b>Promoting Management with Resonance</b>	→	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)



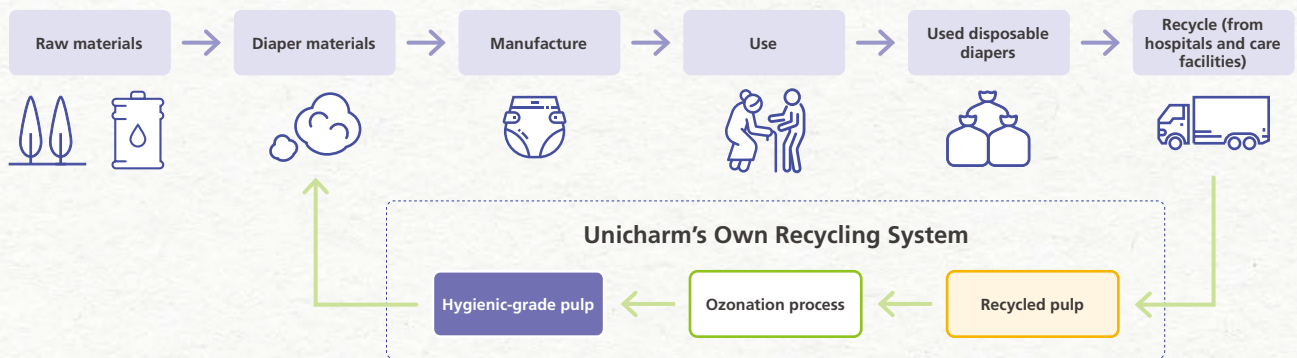
● **Recycling Used Disposable Diapers: Co-Creation with Other Companies Leveraging Our Intellectual Property**

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**

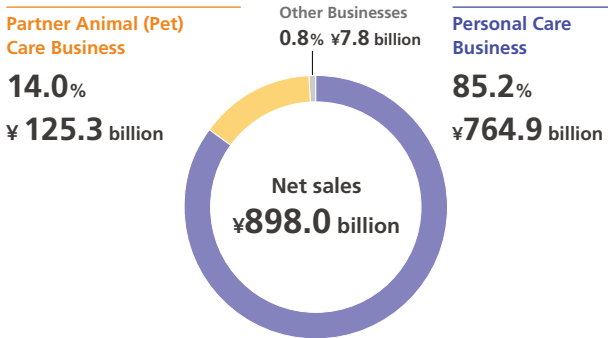
A subscription-based model for disposable diapers that helps alleviate the burden on both parents and childcare workers, Hands-Free Commute has been introduced in several childcare facilities throughout Japan. Under Hands-Free Commute, the Company developed a system that monitors data on the number of 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.



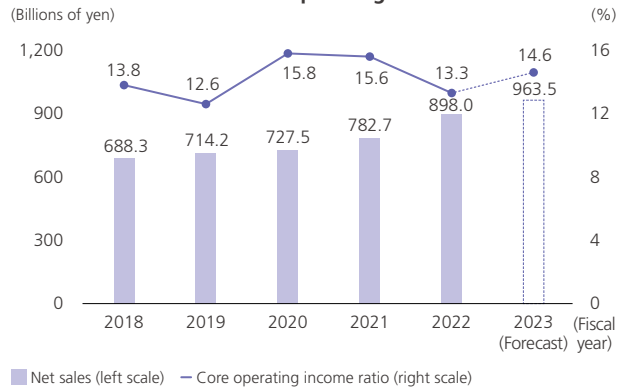
# Review of Operations

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

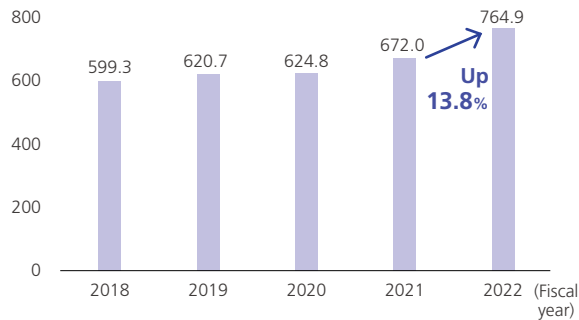
growth that outpace market growth to improve profitability through the continuous passing on of value by offering new value that meets the needs of each country and region. Meanwhile, in the Partner Animal (Pet) Care Business, we will increase the sales ratio of products featuring new concepts that incorporate 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 (Billions of yen)



### SWOT Analysis

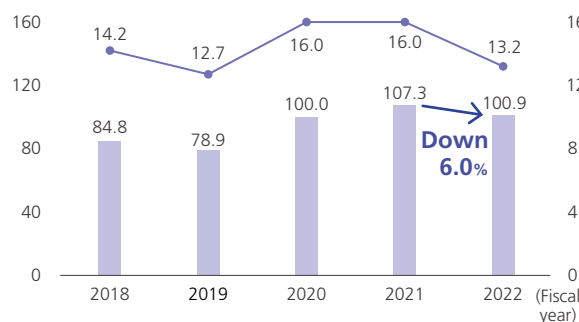
#### Strengths

- 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 (Billions of yen)



#### 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

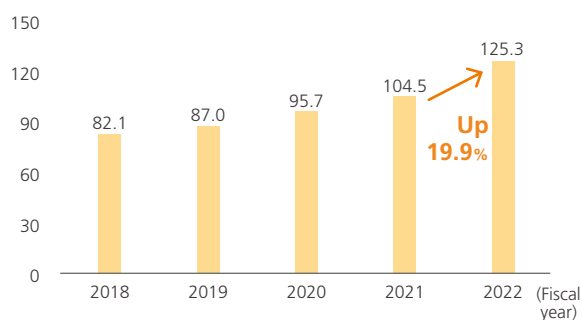
#### Threats

- 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

■ Core operating income (left scale) — Core operating income ratio (right scale)

## Partner Animal (Pet) Care Business

### Net Sales (Billions of yen)



### SWOT Analysis

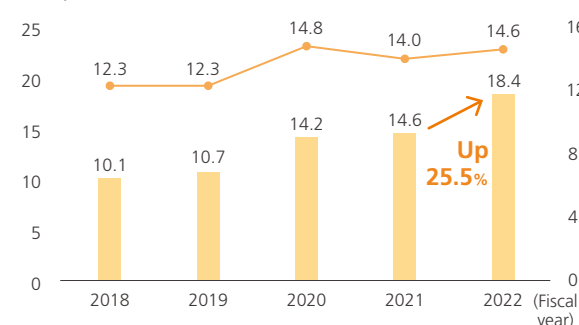
#### Strengths

- 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 (Billions of yen)



#### 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

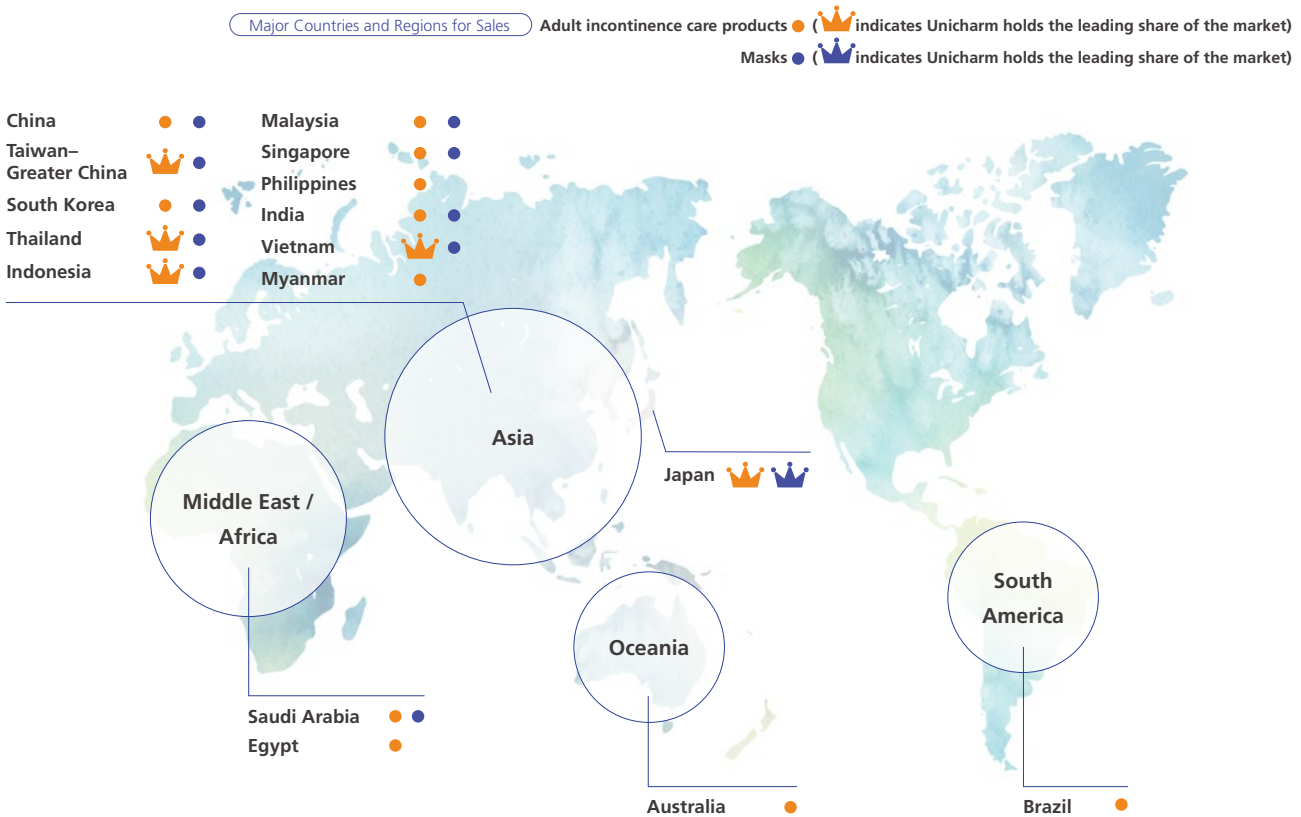
- Risks related to overseas business and foreign exchange
- Risks related to the reliability of products
- Risks related to intellectual property, including patents and trademarks
- Risks related to environmental problems
- Risk of market entrants from other sectors

■ Core operating income (left scale) — Core operating income ratio (right scale)

# 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*<sup>®</sup> 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.

#### 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\*<sup>1</sup> 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.\*<sup>2</sup>

\*<sup>1</sup> 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)

\*<sup>2</sup> 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.



### 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.

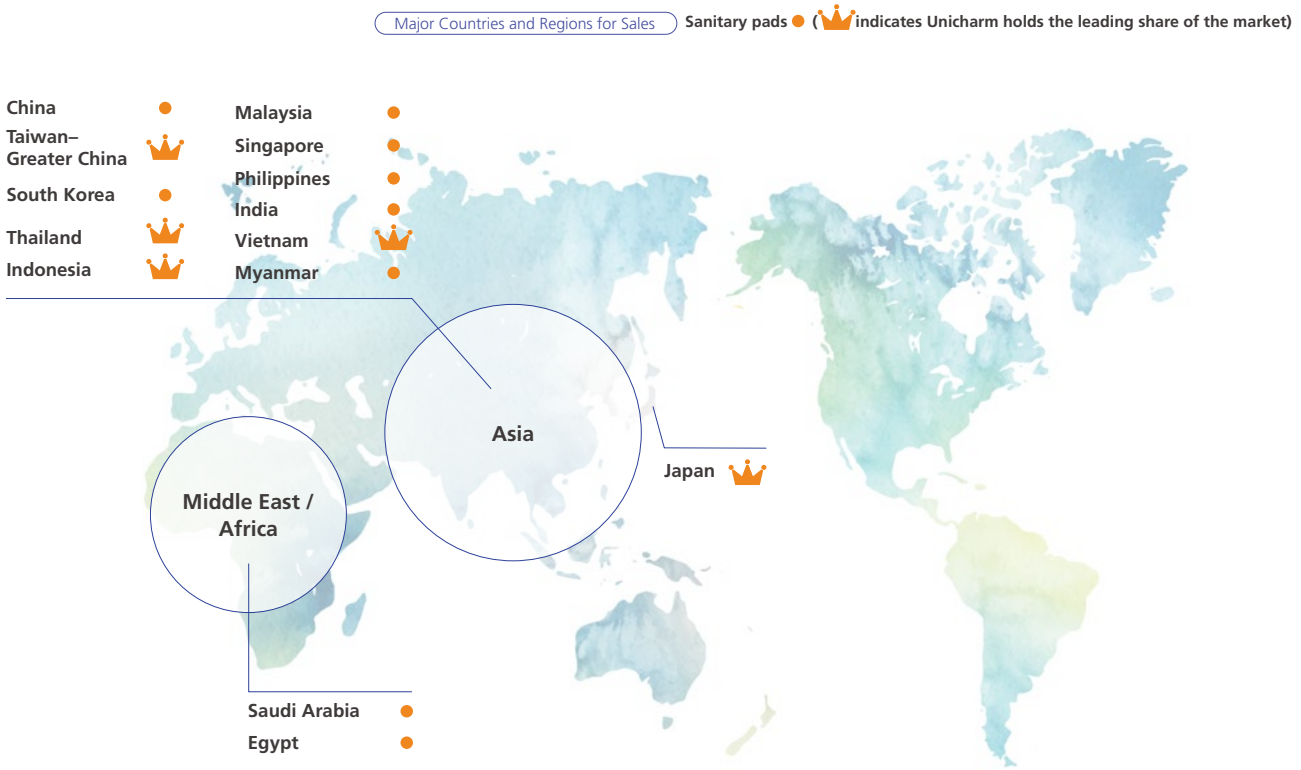
#### Passing On Value Lifree Night Pants (ADL1-3)

*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.



## 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.

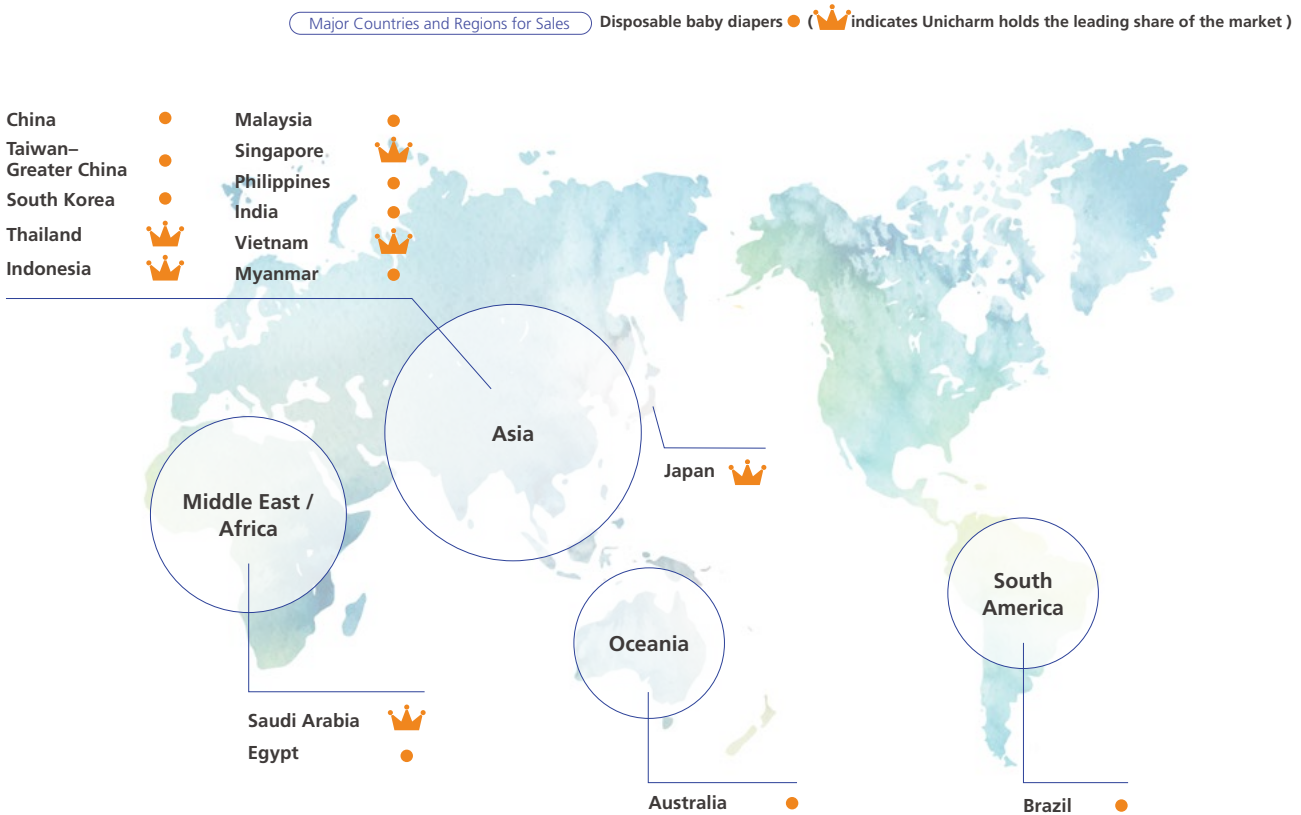
#### Passing On Value Diana THAN HOẠT TÍNH (Activated Carbon)

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.



## 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.

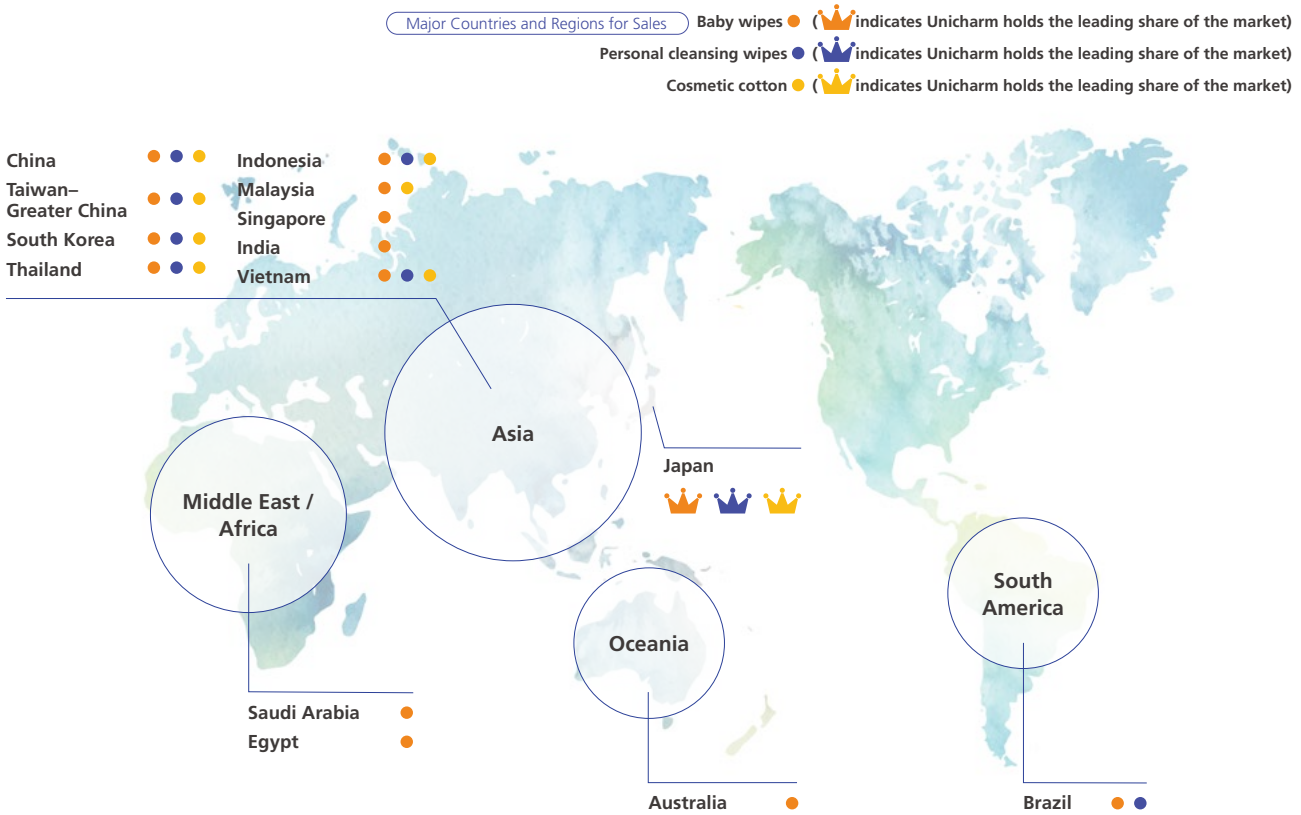
### Passing On Value MamyPoko Fralda-Cal çca

*MamyPoko Fralda-Cal çca* 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.



## 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.

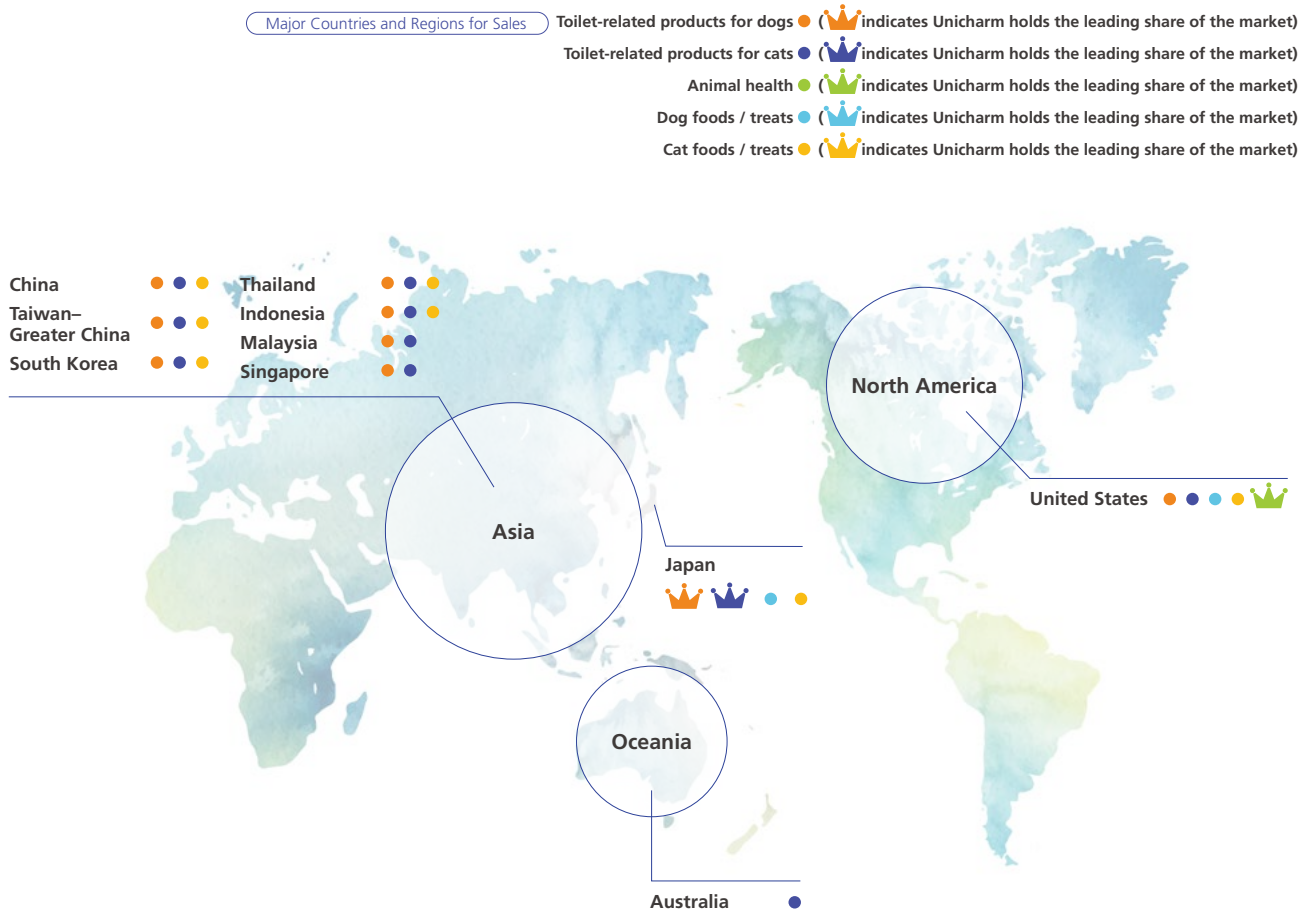
\*1 Does not sanitize all bacteria

\*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.

## 04

# Strengthening Our Foundations for Growth

- 62** Environmental Initiatives
  - 63** Environmental Targets 2030
  - 64** Climate Change (Disclosure Based on the TCFD Recommendations)
- 66** Social Initiatives
  - 66** Human Rights
  - 67** Supply Chain Management
  - 68** Quality
  - 69** Community
- 70** Corporate Governance Initiatives
  - 70** Corporate Governance
  - 80** Directors and Executive Officers
  - 82** Messages from Outside Directors
  - 83** Compliance
  - 84** Risk Management

# Environmental Initiatives

## Our Basic Approach and Strategy

The products and services that Unicharm provides are consumables essential to a clean and healthy lifestyle. At the same time, they are closely connected to the global environment in terms of use of resources and emissions of waste. Accordingly, as we expand operations globally with a focus on Asia, our role and responsibility in reducing environmental impact continues to increase year after year.

In order to pass on a beautiful Earth to future generations, we recognize that our role as a manufacturer of consumer goods is of major importance and we will contribute to the achievement of the Sustainable Development Goals (SDGs), the Paris Agreement, and other goals through our business, in accordance with the Unicharm Group Basic Environmental Policy.

We will also promote environmentally friendly manufacturing in all our business activities and provide products and services that bring comfort, excitement, and joy to people all over the world, thereby contributing to the realization of a sustainable society that protects the global environment and brings economic prosperity.

Under Environmental Targets 2030, formulated in May 2020, we set targets to achieve by 2030, based on our vision for 2050, for our response to three environmental issues: plastic waste, climate change, and deforestation. Meanwhile, in Kyo-sei Life Vision 2030, our medium- to long-term environmental goals announced in October 2020, we established initiatives under the theme of safeguarding the well-being of our planet and are taking the measures necessary to achieve these targets.

### Unicharm Group Basic Environmental Policy

In order to pass on a beautiful Earth to future generations, we recognize that we must play a significant role as a manufacturer of disposable products. We are committed to providing goods and services that bring comfort, excitement, and joy to people throughout the world and are determined to realize the sustainable development of a society that achieves a balance between environmental conservation and economic growth.

#### Basic Environmental Policy

##### 1. Development of Environmentally Friendly Products and Services

We design and provide consumers with products and services that reduce environmental impact (energy and resource conservation and waste reduction) to the extent possible at each stage of the supply chain, including concept planning, raw materials procurement, manufacturing and processing, distribution and sales, product use, and disposal and recycling.

##### 2. Response to Climate Change

With the aim of realizing a zero-carbon society, we work to prevent global warming by visualizing, accurately assessing, and reducing the amount of greenhouse gases along the value chain.

##### 3. Reduction of Waste and Use of Energy and Resources

In order to protect the global environment, we strive to develop technologies that are conducive to reducing waste and the use of energy and resources at the product development and design stages. We also make every effort to use resources and energy efficiently, reduce waste and emissions, and recycle in all of our activities along the value chain.

##### 4. Commitment to Local Communities and to Protecting the Natural Environment

When using forest and water resources in our activities along the value chain, we pay due consideration to biodiversity, strive to protect local communities and ecosystems, actively work to prevent wastewater and other forms of pollution, and act responsibly to ensure that we do not adversely impact these communities and the natural environment. If we realize that our business activities are having a negative impact on the environment, we will take corrective measures right away with the utmost priority.

##### 5. Compliance with Laws and Regulations

We will comply with relevant laws, regulations, and ordinances at all stages of the product life cycle, from the procurement of raw materials to the disposal of used products, while establishing voluntary standards of conduct and striving to protect the global environment.

##### 6. Strengthening of Communication with Society

We will contribute to the realization of a sustainable society by continuing to develop partnerships with suppliers and our various other stakeholders and becoming a company trusted by society.

#### Guidelines

##### 1. Development of Environmentally Friendly Products and Services

- We strive to procure and use raw materials that are attuned to local production for local consumption.
- We will reduce the use of petroleum-derived plastic in our raw materials.
- We will establish recycling systems for used products and introduce this system in an increasing number of countries and regions.

##### 2. Response to Climate Change

- We will accurately assess the amount of greenhouse gas emissions along the value chain, develop a plan to reduce them, and steadily put this plan into action.
- We will make active use of renewable electricity.

##### 3. Reduction of Waste and Use of Energy and Resources

- We will make effective use of energy and raw materials.
- We will strive to use fewer resources in our products (including packaging) and promote recycling.
- We will reduce waste from all activities along the value chain.

##### 4. Commitment to Local Communities and to Protecting the Natural Environment

- We strive to protect biodiversity and promote the development, use, and dissemination of technologies that contribute to sustainable use.
- We contribute to the protection and sustainable use of biodiversity at all stages of the value chain.
- We strive to use certified lumber and establish traceability to ensure that we do not contribute to forest destruction.
- We strive to monitor water risk and take appropriate measures when carrying out business activities in countries and regions with high water risk.
- We address water-related issues by making efficient use of water and preventing wastewater pollution.

##### 5. Compliance with Laws and Regulations

- We comply with environmental laws, regulations, and ordinances that pertain to the Company.
- We establish and comply with voluntary standards as necessary.
- We assess compliance with laws, regulations, ordinances, and voluntary standards regularly and take corrective action in the event that compliance is inadequate.

##### 6. Strengthening of Communication with Society

We will promote activities to protect the Earth's ecosystem together with suppliers, customers, local communities, external organizations, specialists, and all other stakeholders by engaging in sincere dialogue.

## Management Structure

Our environmental activities are collectively managed and overseen by the ESG Committee, which is chaired by the president & CEO and operated under the Board of Directors. The implementation of ISO 14001, which closely relates to our day-to-day operations, is pursued independently by each of our business locations and involves a Plan–Do–Check–Act (PDCA) cycle and gate control based on pre-set control points and key performance indicators (KPIs). The ESG Division is responsible for tasks such as understanding the environmental situation and it reports to the ESG Committee, which meets four times a year. Information and discussion points arising in the ESG Committee are also reported to the Board of Directors.

The key initiatives established for Safeguarding the well-being of our planet under Environmental Targets 2030 and Kyo-sei Life Vision 2030, which have been positioned as our key environmental targets, are translated into targets for each individual division and involve finely tuned activities such as individual targets and weekly action plans linked to each division. The key initiatives in Kyo-sei Life Vision 2030 center on the achievement of certain targets by 2030 while Environmental Targets 2030 focuses on ensuring results year after year.



## Environmental Targets 2030

In order to formulate Environmental Targets 2030, in April 2019 we held open discussions with the World Wide Fund for Nature (WWF) Japan, identified our material issues, and established fixed targets. We continue to promote internal discussions aimed at achieving our targets.

**Suggestions from the open discussions and material environmental issues** [▶ Sustainability Report 2023 Page 034](#)

### Environmental Targets 2030

	Implementation Items	Base Year	FY2021 Results	FY2022 Targets	FY2022 Results	FY2023 Targets	FY2030 Targets	FY2050 Vision
Responding to the problem of plastic waste	Reducing usage of plastic in packaging materials	Per unit of sales	2019*1	-0.2%	-6.0%	-12.3%	-14.0%	-30%
	Selling products that do not contain petroleum-derived plastic	—	—	Development ongoing	Development ongoing	Development ongoing	Development ongoing	10 or more stock-keeping units (SKU) sold
	Raising awareness about proper disposal of used products	—	—	38% (6 countries and regions)	45%	50% (8 countries and regions)	56%	Rolled out at all Group companies
	Eliminating the use of plastic in sales promotional items	—	2019	-8.9% (Japan)	-20.0%	-81.8% (Japan)	-30.0%	In principle, reduced to zero at all Group companies
Responding to climate change	Reducing CO <sub>2</sub> emissions associated with raw materials procurement	Per unit of sales	2016	9.7% (Japan)	-3.4%	-12.6% (Japan)	-14.3% (Japan)	-17%
	Reducing CO <sub>2</sub> emissions in manufacturing	Per unit of sales	2016	-26.9%	-28.0%	-35.2%	-38.6%	-34%
	Reducing CO <sub>2</sub> emissions associated with disposal of used products	Per unit of sales	2016	23.7% (Japan)	-5.2%	-11.6% (Japan)	-14.2% (Japan)	-26%
Helping prevent deforestation (response to procurement-related issues)	Ensuring traceability to pulp and palm oil production locations (country/region)	Forest-derived raw materials*2	—	97.0%	98.0%	97.1%	98.0%	Completed
		Palm oil	—	77.2%	80.0%	72.2%	80.0%	Completed
	Expanding the use of certified pulp (PEFC-*3 and CoC-certified)	Percentage of certified factories*4	—	52.0%	60.0%	56.0%	64.0%	100%
		Percentage of certified materials procured	—	76.0%	75.0%	72.3%	75.0%	100%
	Expanding the use of certified palm oil (RSPO-certified*5)	—	—	77.2%	80.0%	72.2%	80.0%	100%
	Promoting the recycling of used disposable diapers	—	—	Development ongoing	Development ongoing	2*6	2	Rolled out in at least 10 municipalities

\*1 We have updated our base year from 2016 to 2019 following a review in 2020.

\*2 Percentage of raw materials derived from forest resources for which traceability has been established to their place of origin (country and region), in addition to third-party certified materials. Forest-derived raw materials include pulp, tissue, separators, and airlaid pulp.

\*3 Programme for the Endorsement of Forest Certification

\*4 Percentage of Unicharm factories that have acquired CoC (chain of custody) certification

\*5 Roundtable on Sustainable Palm Oil

\*6 In fiscal 2022, we operated recycling facilities in two municipalities, Shibushi City and Osaki Town of Kagoshima Prefecture (demonstration trials on the collection of used disposable diapers conducted in Higashiyamato City in 2020 and Machida City in 2021).

### 2022 Results

#### Responding to the problem of plastic waste

- Reducing usage of plastic in packaging materials: We reduced the amount of plastic used in packaging materials by 12.3% (per unit of sales), compared with 2019 standards, by minimizing the laminated areas of packaging and using paper packaging instead.
- Selling products that do not contain petroleum-derived plastic: We continue to promote the development of products that are free of petroleum-derived plastic in the countries and regions in which we operate.
- Raising awareness about proper disposal of used products: The packaging used for Unicharm's products in eight countries and regions contains information on the proper way to dispose of used products. We also promote efforts such as conducting classes on waste separation and recycling for children, who will pave the way for the future of our planet.
- Eliminating the use of plastic in sales promotional items: In fiscal 2022, we reduced the amount of plastic used in sales promotional items by 81.8%, compared with 2019 standards, by switching from plastic to paper materials for sales promotional items used in product displays, with priority placed on our business in Japan.

#### Plastic Waste Reduction Measures

[▶ Sustainability Report 2023 Page 041](#)

#### Responding to climate change

- Reducing CO<sub>2</sub> emissions associated with raw materials procurement: We reduced the amount of CO<sub>2</sub> emissions from our procurement of raw materials by 12.6% (in Japan, per unit of sales), compared with 2016 standards, by promoting the development of lighter, slimmer products and thinner packaging.
- Reducing CO<sub>2</sub> emissions in manufacturing: We achieved our 2030 targets ahead of schedule by reducing CO<sub>2</sub> emissions by 35.2%

compared with 2016 standards by switching to renewable power sources.

- Reducing CO<sub>2</sub> emissions associated with disposal of used products: We reduced the amount of CO<sub>2</sub> emissions from the disposal of used products by 11.6% (in Japan, per unit of sales), compared with 2016 standards, by promoting the development of lighter, slimmer products and thinner packaging, in the same manner as our raw materials procurement activities.

**Zero-Carbon Society** [▶ Sustainability Report 2023 Page 045](#)

#### Helping prevent deforestation (response to procurement-related issues)

- Ensuring traceability to pulp and palm oil production locations (country/region), expanding the use of certified pulp (PEFC- and CoC-certified), and expanding the use of certified palm oil (RSPO-certified): While we were unable to achieve our fiscal 2022 target for pulp, we expect to achieve the 2030 target through efforts such as the conclusion of a memorandum of understanding with the Sustainable Green Ecosystem Council (SGEC) and PEFC Japan on the joint promotion of sustainable forest use and conservation. In addition, we were unable to achieve our fiscal 2022 target for palm oil due to an overall decline in the use of certified palm oil stemming from the increased use of smaller amounts of certified palm oil, which can be difficult to procure.
- Promoting the recycling of used disposable diapers: We operated recycling facilities in the two municipalities of Shibushi City and Osaki Town in Kagoshima Prefecture.

**Biodiversity Conservation** [▶ Sustainability Report 2023 Page 055](#)

# Climate Change (Disclosure Based on the TCFD Recommendations)

## Governance

The president & CEO is responsible for evaluating risks and opportunities related to climate change and for setting and enforcing CO<sub>2</sub> reduction targets. The ESG Committee, chaired by the president & CEO and staffed by directors and all executive officers, meets quarterly to report and deliberate on overall environmental activities including those related to climate change, updates on the progress of Environmental Targets 2030 and Kyo-sei Life Vision 2030, our response to social issues, and important issues for governance. For these committee meetings, the ESG Division—which is responsible for responding to Groupwide environmental issues—collects and checks environmental data and information on our activities every month for each site. This information is discussed with the executive officer in charge of environmental, social and governance (ESG)-related issues and forms the agenda for the ESG Committee meetings.

The activities of the ESG Committee are then supervised by the Board of Directors, which receives reports on committee activities from the executive officer in charge of ESG at least once a year. The ESG Committee and the Board of Directors perform checks and provide guidance and instructions on these activities in accordance with the

progression of Environmental Targets 2030 and Kyo-sei Life Vision 2030. To allow Unicharm to achieve its goals, we also set the term (years) for return on investment, deliberate on investment decisions on a case-by-case basis, implement the necessary measures, and aim to meet our targets. Following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we publicly share information about specific plans based on Environmental Targets 2030 and Kyo-sei Life Vision 2030.

Moreover, in order to carry out and achieve ESG strategies and targets under the direction of directors and executive officers, ESG criteria have been incorporated into the evaluation indicators for directors (excluding those who are Audit & Supervisory Committee members) and executive officers. ESG criteria were also added as evaluation indicators for general employees in fiscal 2023.



## Strategy

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

### Scenarios and Planning

Unicharm uses Representative Concentration Pathway (RCP) scenarios\*<sup>1</sup> as a basis from which to calculate estimated physical impacts. These include risks related to factories in coastal zones with rising sea levels, operating risks linked to supply chain disruption caused by cyclones and other disasters, the risk of falling GDP in equatorial regions due to heat waves, and the impact of increased raw materials costs stemming from delays in harvests of agricultural and other products and the development of forest resources as a result of changes in terrestrial ecosystems.

Global warming will have a significant impact not only on the global environment but also on our business development. In order to observe the Paris Agreement, we will continue to proceed with a range of initiatives in cooperation with various stakeholders. Moreover, we believe that this situation, in which global warming is becoming an

increasingly urgent problem, is also an opportunity for Unicharm to showcase its used disposable diaper recycling technology. By means of this technology, we will contribute to efforts such as forest conservation and decarbonization.

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

\*<sup>1</sup> These are a series of scenarios setting out several "representative concentration pathways" and predicting the future climate for each pathway as well as allowing the formulation of various socioeconomic scenarios that would lead to each of these concentration pathways.

### Risks and Scenarios Envisioned by the Company Based on the TCFD Recommendations

▶ [Sustainability Report 2023 Pages 051–053](#)

## Risk Management

We use an enterprise risk management (ERM) approach to identify risks to the Group as a whole and engage with climate change risks as one of them. Groupwide climate-related risk assessment is conducted by the ESG Division. First, we run simulations of climate change impact that cover severity, scope, and transition risks (carbon pricing, energy prices, etc.) based on the recommendations of the TCFD and create multiple qualitative scenarios (2°C [1.5°C] target scenario and 4°C scenario) for the period up to 2050, using information from sources such as the IPCC's\*<sup>2</sup> *Climate Change Report* and the IEA's\*<sup>3</sup> *World Energy Outlook 2021*.

These scenarios are then used, together with the estimated value of damage (calculated as part of site-level risk assessment), to estimate the total damage costs of Group companies. The results of this

evaluation are reported to the ESG Committee and the Board of Directors and are then used in the formulation of our business strategy and business plan. In the event that the ESG Committee, in which the Board of Directors and all executive officers participate, judges that the aforementioned scenarios would be impacted, a responsible task team will be established for developing a plan, with the ESG Division acting as a secretariat. This plan will then be approved at the next ESG Committee meeting, upon which the responsible team will implement it and report on progress at ESG Committee meetings.

\*<sup>2</sup> Intergovernmental Panel on Climate Change

\*<sup>3</sup> International Energy Agency

## Benchmarks and Targets

To develop a specific action plan for mitigating climate change, Unicharm endorsed the international initiative SBTi in May 2017 and formulated a CO<sub>2</sub> reduction plan up to 2045 by conducting simulations. In June 2018, Unicharm became the 17th company in Japan to have its reduction plan certified for consistency with the 2°C target. Working toward these targets, we have set specific long-term CO<sub>2</sub> reduction targets for both Scope 1 (direct emissions: from our own factories, offices, vehicles, etc.) and Scope 2 (indirect energy-related emissions: energy consumed by Unicharm, such as electricity). Furthermore, we are looking to adopt the 1.5°C target announced at COP26 in place of the current 2°C target.



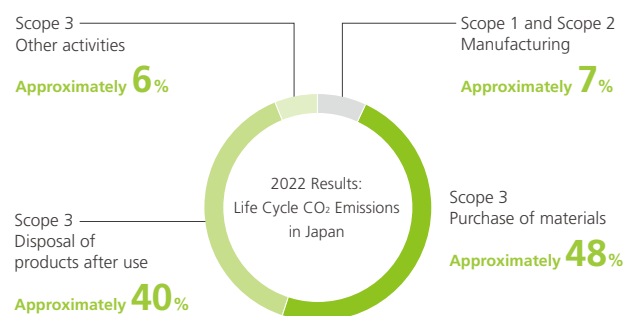
### SBTi CO<sub>2</sub> Emissions Reduction Targets

By 2030, Unicharm aims to achieve reductions of 90% for Scope 1\*<sup>4</sup> and 30% for Scope 2\*<sup>5</sup>, both compared with 2016 levels. These targets function as our management indicators.

Achieving the aforementioned goals will enable us to prepare for the following risks.

- 1) Costs for electric power companies, manufacturing sites, and suppliers may rise if regulations are strengthened in order to achieve the goals of the Paris Agreement and it becomes necessary to develop energy-saving measures and purchase emissions credits.
- 2) With the increase in electricity prices in Japan of approximately 10% on average due to carbon taxes and the cost structure for purchasing renewable electricity, operating costs could rise by 10% if carbon taxes are introduced in all the overseas countries and regions where Unicharm manufactures products or if the cost structure for purchasing renewable electricity does not improve.

Unicharm has established a medium- to long-term vision and targets for climate change in its 2050 Vision and Environmental Targets 2030. "Reducing CO<sub>2</sub> emissions associated with raw materials procurement" (Scope 3, Category 1\*<sup>6</sup>), "reducing CO<sub>2</sub> emissions in manufacturing" (Scope 1 and Scope 2), and "reducing CO<sub>2</sub> emissions associated with disposal of used products" (Scope 3, Category 12\*<sup>6</sup>), which account for a large proportion of CO<sub>2</sub> emissions over the product life cycle, have been set as our targets for climate change response. For Scope 1 and Scope 2, we run energy conservation activities for the workplace with promoters of environmental activities at each site four times a year and implement and monitor the progress of annual plans. For CO<sub>2</sub> emissions from purchased materials that form the bulk of our Scope 3 emissions, we perform life cycle assessments\*<sup>7</sup> (LCAs) to calculate CO<sub>2</sub> emissions for each product from the design phase onward, and product developers and the ESG Division discuss these emissions and consider countermeasures from the perspectives of product function and CO<sub>2</sub> emissions.



\*<sup>4</sup> Direct emissions from Unicharm's factories, offices, vehicles, etc.

\*<sup>5</sup> Indirect emissions from the use of electricity and other energy sources by Unicharm

\*<sup>6</sup> Indirect emissions other than Scope 1 and Scope 2 emissions (emissions from other companies' business activities). Scope 3 emissions comprise 15 categories of business activities. Category 1 covers purchased goods and services and category 12 covers end-of-life treatment of sold products.

\*<sup>7</sup> A method used to quantitatively assess the potential environmental impact on our planet and ecosystem of the resources used and CO<sub>2</sub> emissions generated throughout a product's life cycle, encompassing raw materials procurement, production, logistics, use, and disposal

# Social Initiatives

## Human Rights

### Policy and Framework

Since the founding of Unicharm, we have included “respecting humanity and dignity” in our management policy and always believed in a mindset that is respectful of human rights. In fact, the spirit of respecting human rights and a mutually respectful human perspective are elements of the Unicharm Group Charter of Actions and our Global Human Resources Philosophy. Due to the existence of various human rights issues throughout the world and the importance of respecting human rights in global business according to international human rights standards, in 2017 we established the **Unicharm Group Policy on Human Rights** [▶](#), which aligns with the tenets and aims of the Universal Declaration of Human Rights (adopted in 1948 by the United Nations General Assembly), demonstrating our commitment to fulfilling our responsibility to respect human rights in all of our business activities. This human rights policy is also included in the Unicharm Group Charter of Actions, a statement of corporate ideals that all of the Group’s employees adhere to. To ensure that its business partners and suppliers also uphold and comply with this policy, the Group will work together with them to promote respect for human rights.

In this context, the Unicharm Group CSR Procurement Guidelines, which were upgraded to the **Basic Purchasing Policy** [▶](#) in 2017, and the **Unicharm Group Sustainable Procurement Guidelines** [▶](#) were formulated and implemented in 2009 and 2017, respectively, for the purpose of maintaining fair and impartial relationships with all our suppliers. Through these and other measures, we make every effort to

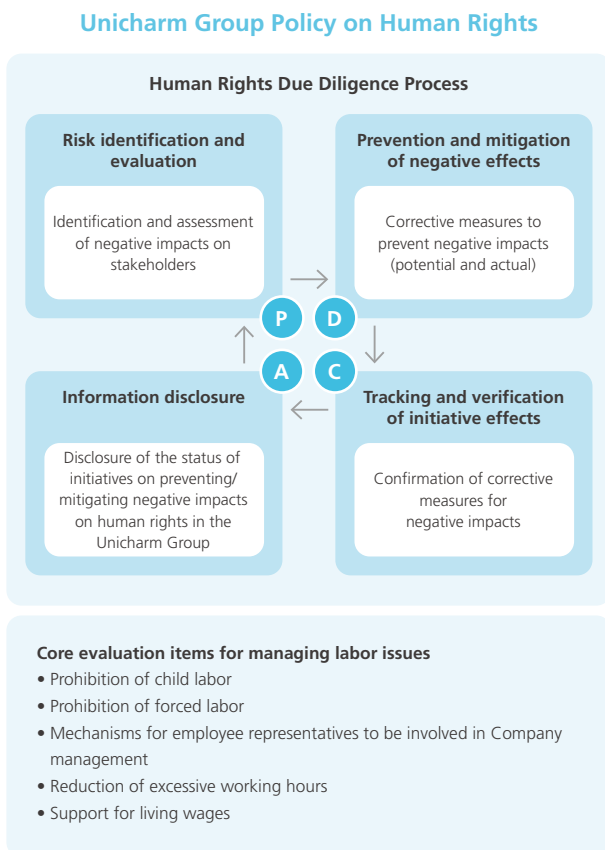
respect children’s rights by eliminating forced and child labor and never discriminate against people on the basis of nationality, race, religion, gender, sexual preference, age, family background, disability, or any other factors. We also guarantee freedom of association and collective bargaining and pay attention to the reduction of excessive work hours and rights to a minimum wage.

Since it is necessary to have a variety of departments involved in human rights, the Global Human Resources & Administration Division and the ESG Division take the lead, under the direction of the general manager of the Global Human Resources & Administration Division who is the executive-level officer assigned responsibility for human rights, in collaborating with the relevant departments and Group companies inside and outside Japan that handle purchasing and auditing and in reporting to the ESG Committee. In terms of our human rights initiatives for suppliers, which are led by the Procurement Department, the Basic Purchasing Policy and the Unicharm Group Sustainable Procurement Guidelines are distributed to our suppliers in an effort to ensure compliance with them.

**Unicharm Group Policy on Human Rights**  
[▶ Sustainability Report 2023 Page 082](#)

**Basic Policy of Procurement and Unicharm Group Sustainable Procurement Guidelines**  
[▶ Sustainability Report 2023 Pages 102–103](#)

### Human Rights Due Diligence Process



### Assessing Human Rights Risks

Unicharm uses Sedex\* to assess human rights risks in its value chain. In fiscal 2022, 40 (18 in Japan and 22 overseas) of our 41 factories calculated their risk scores by completing a self-assessment questionnaire (SAQ). The risk score consists of the inherent risk score, which is calculated based on the factory’s country and region of operation and its business segment, and the site characteristic risk score, which is calculated on the basis of the SAQ results. These scores are used as a reference to conduct an even more in-depth analysis of high-risk factories and formulate other risk mitigation measures.

As of December 31, 2022, approximately 76% of our materials suppliers and contract manufacturers have agreed to use the Sedex platform, facilitating access to risk-related information. Of these factories, 88% have agreed to share their inherent risk scores while 68% have consented to sharing their site characteristic risk scores. Going forward, we will examine our approach to suppliers using these scores as a reference point.

\* Sedex is a global membership organization, leading in responsible sourcing practices. Sedex provides companies with technology and insight for building a responsible business and supply chain, including the world’s largest platform for sharing supply chain data on labor standards, health and safety, the environment, and business ethics. Over 74,000 business members in 170 countries and regions use Sedex solutions to manage supply chain risk, meet compliance requirements, and demonstrate measurable impact.

## Supply Chain Management

### Policy and Framework

In 2017, Unicharm established the **Basic Policy of Procurement** and the **Unicharm Group Sustainable Procurement Guidelines** in response to increased expectations of the sustainability initiatives of global companies and to prevent human rights and labor problems throughout the supply chain. With their establishment, the Company expressed its commitment to initiatives and other efforts for the prohibition of child labor, forced labor, and discrimination; the protection of the right to freedom of association and the right to collective bargaining; reductions in excessive working hours; compliance with minimum wage laws; consideration of health and safety; and the prevention of corruption. Additionally, in terms of working hours in proper employment, we strive to reduce the overtime work of our employees and comply with the working hours stipulated by the local laws and regulations in each country and region. In terms of the minimum wage, we exceed the local minimum wage, with a basic policy of paying a salary above the living wage. The policy and guidelines cover all business partners around the world that conduct business with us. We will continue promoting initiatives in order to fulfill our social responsibilities throughout the supply chain.

To address social issues such as employee health and safety and labor standards along the supply chain, quarterly meetings are held by

the managers of the ESG Division, the Global Development Division, which manages the material suppliers and contract manufacturers, the Pet Care Manufacturing Division, and the Strategic Sourcing Division of Unicharm Products Co., Ltd. to discuss and determine the areas of foremost priority and specific courses of action while monitoring the progress of ongoing measures and seeking solutions to various issues.

Given the close relationship between our business operations—which entail the offering of consumer goods—and the global environment, including our use of natural resources and generation of waste, we recognize that our role in and responsibility for mitigating environmental impact is significant and increases year by year. Accordingly, for forest-derived resources such as the paper and pulp used in our mainstay products and the palm oil added in small quantities to our partner animal (pet) food, we believe it is important to use certified sustainable materials. This led to the establishment of our **Forest-Derived Raw Materials Procurement Guidelines** in 2015.

**Basic Policy of Procurement,  
Unicharm Group Sustainable Procurement Guidelines,  
Forest-Derived Raw Materials Procurement Guidelines**  
▶ *Sustainability Report 2023 Pages 102–104*

### Key Initiatives

#### Medium- to Long-Term Policy Briefing Session for Suppliers

Unicharm had been holding regular quality policy briefing sessions with suppliers since 2002 with the aim of ensuring consistent quality of materials and raising awareness of its procurement policies and guidelines. These briefing sessions were put on hold from 2020 due to the COVID-19 pandemic but reconvened with the medium- to long-term policy briefing session in October 2022, which shared with suppliers the direction Unicharm aims to take going forward. Attended by 234 people from 69 companies, including online participants, the briefing session highlighted our procurement policies and guidelines that declare our stance on human rights, labor, and environmental issues relating to procurement, and on ensuring consistent quality. Through this briefing, we also asked for greater cooperation from suppliers on the GHG Emissions Visualization Project and in our work with supply chain platform Sedex as we proceed along the path to achieving Kyo-sei Life Vision 2030 and Environmental Targets 2030.

#### Supplier Monitoring

We monitor the activities of suppliers using the results of Sedex Members Ethical Trade Audits (SMETA)\* by means of the Sedex platform. In fiscal 2022, a SMETA audit was carried out in 31 different scenarios, serving as a source of information on 333 cases of violations. The detected violations are classified according to four ratings, Business Critical, Critical, Major, and Minor, subject to Sedex's SMETA Non-Compliance Guidance. For violations classified as either Business Critical or Critical that have yet to be amended three months after the date of audit, we contact the supplier to verify the status and course

of action toward improvement. In fiscal 2022, of the 41 cases classified as critical, 13 violations (nine suppliers) that were not confirmed as amended within three months were discussed with suppliers, 10 violations were confirmed as amended, and the remaining three were confirmed as being amended. In addition, we confirmed one Business Critical violation at a facility of a nonwoven fabric supplier, which we confirmed as amended after discussions with the supplier.

\* A social auditing methodology developed by Sedex. It enables businesses to assess their sites and suppliers to understand working conditions in their supply chain across the areas of labor standards, health and safety, the environment, and business ethics.

**Supplier Audits: No. of Audits and Evaluations**  
▶ *Sustainability Report 2023 Page 105*

#### Country of Origin Traceability

Unicharm has confirmed that the pulp used as an absorbent material in a portion of its products is made from conifers grown in Forest Management (FM)-certified forests in North and South America and that its absorbent paper is made from timber felled in FM-certified forests in North America, China, and Indonesia.

Regarding the palm oil used in our partner animal (pet) foods, we joined the Roundtable on Sustainable Palm Oil (RSPO) in 2017. As a member, we collect information for promoting sustainable procurement and strive to ensure traceability by using Fuji Oil Holdings Inc.'s RSPO-certified oil. The Fuji Oil Group is working to improve the traceability of its palm oil up to the oil mills and plantations of its suppliers.

**Non-Financial Highlights > Traceability to Place of Origin** ▶ *Page 17*

## Quality

### Policy and Framework

Since many of our products used by customers come into direct contact with their skin, we believe it is important not only to enhance quality and safety but also to use proper labeling, in order to provide correct information that allows them to use our products with peace of mind.

#### Policy on Animal Testing

From an animal welfare perspective, Unicharm is eliminating animal testing as a means to verify and prove the impact of chemical substances on health and the global environment. We no longer conduct experiments on animals, including outsourced testing, to check the safety of our products, nor do we plan to in the future. This is in exception of cases where Unicharm was held accountable toward society on safety issues or met with demands from local administrations in certain countries and regions. Whenever animal testing is unavoidable, we will minimize its use based on the 3R Principle for animal experiments established by the Central Institute for Experimental Animals (CIEA): the “replacement” of animals with alternative testing methods, the “reduction” of the number of animals used, and the “refinement” of animal experiments to alleviate the pain and distress of animals.

#### Policy on Management of Chemical Substances

To provide safe products and services that are of the high standards it sets for itself from a customer and environmental perspective, Unicharm is committed to ensuring safety throughout the entire product life cycle, from material procurement to product development, manufacturing, customer use, and disposal. In addition, we conduct comprehensive product risk assessments, including chemical analyses, as we believe it is our corporate social responsibility to be accountable to customers for the safety of our products. The Unicharm Group uses its Material Safety Guidelines to minimize the impact of chemical substances in our products on the human body and the environment,

and applies a policy for managing chemical substances that ultimately eliminates all harmful impacts found in the raw materials we use.

Accordingly, collecting information extensively from a global perspective, we have developed a list of approximately 4,000 chemical substances highlighting potentially harmful substances, toxic pigments, preservatives, modifiers, surfactants, and other substances to determine which substances to reduce the use of. At the same time, based on the information we receive from suppliers about the chemical substances present in their materials they provide us with, we conduct product risk assessments that measure the toxicity of these substances.

#### Quality Management System

At Unicharm, our quality management system is verified for compliance and effectiveness to ensure the highest levels of quality and, to that end, is audited internally and externally, primarily by the Global Quality Assurance Department under the direction of the chief quality officer (CQO). While taking corrective and preventive measures, the Global Quality Assurance Department, the Pet Care Manufacturing Division’s Quality Assurance Department, Unicharm Products Co., Ltd.’s Quality Control Department, and the Customer Communication Center jointly conduct management reviews on a regular basis and report the results to the CQO, which are reflected in our ongoing efforts to enhance quality on a Companywide basis.

Certain business sites in Japan and overseas have obtained ISO 9001 certification, the international standard for quality management systems, and operate a quality management system based on this standard. Relevant business sites in Japan and overseas have acquired ISO 13485 certification, the international standard for quality management systems specific to medical devices.

The Unicharm Group’s ISO Certifications [▶ Sustainability Report 2023 Page 064](#)

### Key Initiatives

#### Quality Management Initiatives in Manufacturing

Unicharm provides information it receives from customers on product defects to its production sites and promotes quality management initiatives through the Unicharm Total Management Strategic System (UTMSS). Using this system, phenomena at production sites are viewed in terms of the three “gen” principles—*genba* (actual place), *genbutsu* (actual item or product), and *genjiten* (actual time)—and actions are taken to eliminate the true causes of product defects. By standardizing, maintaining, and monitoring manufacturing conditions, we aim to improve the consistency of our product quality by minimizing the variations stemming from individually performed tasks.

In addition to the UTMSS improvement measures, Unicharm’s production sites in Japan are forging ahead with digital transformation to realize a workplace that is free of product defects. For instance, cameras, electronic measurement devices, and other digital technologies are now being used in product inspections that were formerly conducted manually, which has led to improvements in the frequency and accuracy of inspections. By strengthening our production management system in this way, we continue to improve the consistency of our product quality and the efficiency of our production activities, thereby reducing product defects and maximizing customer satisfaction.

#### Measures to Ensure Appropriate Product Labeling

To provide accurate information to its customers, Unicharm has created its own voluntary standard for its marketing communications, such as product packaging and advertising materials. This standard is based on the Pharmaceutical and Medical Devices Act, the Act against Unjustifiable Premiums and Misleading Representations, and the Containers and Packaging Recycling Law, and the industry standards set by the Japan Hygiene Products Industry Association. In addition to confirming compliance with these standards, we are working to realize optimal and accurate labeling by verifying that it will not lead to misunderstandings, misuse, or other issues on the part of customers. We update our voluntary standards in response to changes in our internal and external business environment and ensure that the relevant departments are made aware of the updates.

Additionally, at the product design stage and the packaging design stage, we have established the communication assurance meetings to serve as a gate check on labeling. At the product design stage, we verify that the information on product labels is based on scientific evidence, while at the packaging design stage, we confirm whether the labeling is appropriate from the viewpoint of our customers through the participation of members from our Customer Communication Center.

## Community

### Policy and Framework

Based on its policy of contributing to society through its business activities, Unicharm operates its business by underscoring the importance of both business activities and social contribution activities. By providing products and services that are tailored to the distinctive features of each country and region, particularly those in which it operates, the Company will resolve the issues of society, create employment opportunities, and contribute to each region through other means, in its quest to become a company that is loved by people across the globe.

In Japan, each division and Group company takes the initiative in running its business activities. Overseas, local subsidiaries in each country and region lead community-based social contribution activities. The ESG Committee, chaired by the president & CEO, discusses and decides on the Group's policies for social contributions.

### Key Initiatives

Health

#### Pink Ribbon Activities

Pink Ribbon activities, which have spread throughout the world, help raise awareness about the importance of the early detection and proper treatment of breast cancer and are supported by Unicharm at a global level.

Fiscal 2022 was Unicharm's 15th year of supporting Pink Ribbon activities in Japan. We set up a special Pink Ribbon website that provides basic information about breast cancer and self-examination methods for early detection. In addition, a portion of the sales from products marked with a specially designed Pink Ribbon logo was used to cosponsor symposiums and other Pink Ribbon activities. Internally, to facilitate our employees' physical and mental health and productivity, we designated October of each year as Pink Ribbon Month when employees wear Pink Ribbon badges to raise awareness of breast cancer with their families and those close to them. As an early prevention measure for breast cancer, Unicharm provides all female employees with an annual breast cancer screening, which is paid for in full by the Company. Meanwhile, our subsidiary in Indonesia has collaborated with a local breast cancer foundation and the country's Ministry of Health to support local Pink Ribbon activities. Through the packaging of *Charm* brand sanitary pads and our corporate website, we encourage customers to conduct self-checks regularly after menstruation, widely communicating the importance of early detection and appropriate treatment of breast cancer. This importance is also stressed to our employees, for whom we hold briefings on periodic self-checks.

Regional Contributions

#### Supporting the Financial Independence of Women (India)

In 2021, our subsidiary in India collaborated with PURE India Trust, a local NGO, to launch Project Jagriti\*<sup>1</sup> in support of women living in rural areas of the country. Along with raising awareness about the use of sanitary pads, the project aims to promote the financial independence of women by creating employment opportunities through Unicharm's products. In fiscal 2022, the project selected and supported 130 female entrepreneurs in the Bulandshahr district of Uttar Pradesh and the city of Sikar in Rajasthan.

### Policy on Social Contribution Activities

At Unicharm, we recognize the importance of coexisting with local communities through our business activities. Therefore, particularly in fields, countries, and regions where we have fostered deep connections through our business activities, we will help resolve regional issues and achieve sustainability by earnestly confronting the issues in each region and promoting various social contribution activities that benefit these communities.

### Key Areas of Social Contribution Activities

- Health
- Regional contributions
- Support for disaster-affected areas

Moreover, as part of this project, those selected as entrepreneurs hold workshops to build understanding of menstruation among women in these places. In fiscal 2022, over 9,800 women and young women were able to learn about how menstruation works and how to use sanitary pads correctly.



Shops established by female entrepreneurs

\*1 The meaning of Jagriti is "to awaken."

Support for Disaster-Affected Areas

#### Matching Fund

Our Matching Fund\*<sup>2</sup> and Super Cool Biz and Warm Biz employee dress code activities were launched immediately after the 2011 Great East Japan Earthquake to provide ongoing support for disaster relief and to reduce environmental impacts through electricity conservation and eco-friendly activities that employees can undertake themselves. In the 12 years up to 2022, a total of 25,982 employees have participated in these activities. To date, the Matching Fund donations have been used to provide assistance to areas affected by the Great East Japan Earthquake, donations and supplies to various other disaster-stricken areas around the world, and support to Ukraine.

\*2 An employee participation initiative whereby Unicharm provides a donation equivalent to the amount paid by employees to purchase Unicharm-branded items of clothing, including polo shirts and jumpers that can be worn at work.

Major Social Contribution Activities in Fiscal 2022

▶ [Sustainability Report 2023 Page 109](#)

# Corporate Governance Initiatives

## Corporate Governance

### Our Basic Approach and Strategy

Unicharm believes that working to achieve sustainable growth and create medium- to long-term corporate value by cooperating appropriately with stakeholders to become a company that is recognized and trusted by society will lead to the promotion of sound corporate management, as stated in the Unicharm Ideals. To that end, our basic policy on corporate governance is to achieve highly transparent, timely, and decisive management through frank and proactive engagement

that will gain the support of various stakeholders, initiatives that sufficiently address ESG issues, and the further development of an environment that enables management to make appropriate decisions without missing out on opportunities.

 **Corporate Governance Report**  
<https://www.unicharm.co.jp/en/company/corporate-governance.html>

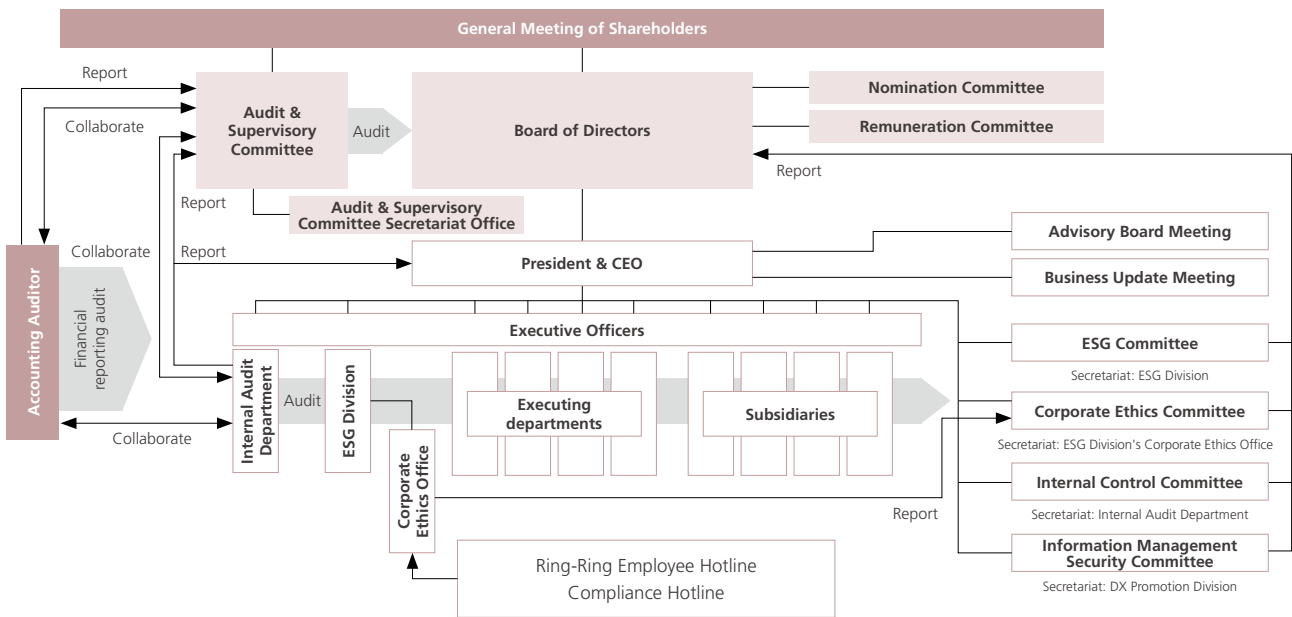
### Management Structure

In May 2015, we became a company with an audit and supervisory committee governance structure to meet the expectations of all stakeholders, in Japan and overseas, from a global perspective. We achieved this by strengthening the oversight function of the Board of Directors in regard to management and bringing outside directors into the management process to increase transparency and efficiency. Members of the independent Audit & Supervisory Committee have voting rights on the Board of Directors, and the committee actively uses the internal control system to carry out audits. This has enabled the Company to not only comply with laws and regulations but to also strengthen the

audit and supervisory functions of management from an outsider's perspective, with the aim of maintaining collaborative relationships with stakeholders and fostering an organizational culture and climate that respect healthy and ethical business practices. Moreover, to ensure transparency and objectivity in making nomination- and remuneration-related decisions concerning prospective directors and executive officers, the Nomination Committee and the Remuneration Committee were established as discretionary bodies in December 2015.

### Corporate Governance Structure

(As of March 24, 2023)





## Board of Directors and Committees

<b>Board of Directors</b>	The Board of Directors comprises one representative director, two executive directors, one non-executive director other than outside directors, and two outside directors. It has the authority to determine basic management policies, decide on the establishment of the internal control system, and execute other important duties. It also fulfills a supervisory role in monitoring the formulation and execution of the medium- to long-term direction, ensuring an environment that enables management to make appropriate decisions without missing out on opportunities.
<b>Audit &amp; Supervisory Committee</b>	The Audit & Supervisory Committee consists of one non-executive director other than an outside director and two outside directors. The one non-executive director is the full-time member of the Audit & Supervisory Committee who is selected for this role to increase the effectiveness of audits performed by the Audit & Supervisory Committee based on information obtained by a person highly familiar with the Company's internal situation. This person gains information through attending important meetings other than those of the Board of Directors and close collaboration with the internal auditing departments.
<b>Nomination Committee</b>	The Nomination Committee is a discretionary body established for the purpose of nominating director candidates and ensuring the transparency and objectivity of the selection of executive officers. The Nomination Committee has the authority to (1) propose ideas on the appointment and dismissal of directors to submit to the general meeting of shareholders, (2) select and dismiss the representative director, and (3) discuss proposals on the selection and dismissal of executive officers as well as executive officers with line responsibility.
<b>Remuneration Committee</b>	Unicharm has established the Remuneration Committee, a discretionary body with the purpose of securing transparency and objectivity regarding the remuneration of directors (excluding directors who are Audit & Supervisory Committee members) and executive officers. The Remuneration Committee has the authority to deliberate on (1) proposals concerning remuneration of directors to be submitted to the general meeting of shareholders, (2) the policy for determining remuneration of individual directors (excluding directors who are Audit & Supervisory Committee members) and executive officers, and (3) the evaluation criteria and results used to determine the remuneration of individual directors (excluding directors who are Audit & Supervisory Committee members) and executive officers.
<b>Advisory Board Meeting</b>	The Advisory Board Meeting is chaired by the representative director and the president & CEO. It is attended by all directors with the exception of outside directors, executive officers, and the leaders of relevant business units. Outside directors also attend the meeting as necessary. The meeting convenes to deliberate on how to achieve the strategies in the medium-term management plan as well as the business plans and strategies of Group companies.
<b>Business Update Meeting</b>	The Business Update Meeting is attended by all directors with the exception of outside directors, executive officers and the leaders of relevant business units. The president & CEO chairs this meeting. In principle, the meeting convenes monthly to provide reports on the execution of operations, and discussions are held on material issues in terms of business execution selected by the chair for prompt resolution.
<b>ESG Committee</b>	The ESG Committee is chaired by the president & CEO and the ESG Division serves as its secretariat. The committee discusses the progress of activities and countermeasures for issues related to the medium-term management plan and medium- to long-term ESG goals.
<b>Corporate Ethics Committee</b>	The Corporate Ethics Committee is chaired by the executive officer in charge of the Corporate Ethics Office. All Audit & Supervisory Committee members serve as full-time members of this committee, which promotes a system for ethics and legal compliance.
<b>Internal Control Committee</b>	The Internal Control Committee is chaired by the executive officer in charge of the Internal Audit Department, which serves as its secretariat. The committee is responsible for ensuring that the internal control system related to financial reporting is appropriately assessed by management and audited by an audit firm.
<b>Information Management Security Committee</b>	The Information Management Security Committee is chaired by the executive officer in charge of the DX Promotion Division, which serves as its secretariat. The committee functions as a system for ensuring information security.
<b>Accounting Auditor</b>	The Audit & Supervisory Committee approves the accounting auditor based on its auditing system, independence, and expertise.

## Composition of the Board of Directors and the Audit & Supervisory Committee

### Policies and Procedures for the Nomination of Director Candidates and the Appointment and Dismissal of Executive Officers

#### Policies

Candidates for both internal and outside directors are nominated from those possessing outstanding characteristics and comprehensive management knowledge, with an emphasis on their capacity to appropriately fulfill the duties of a prudent manager and on their loyalty and contributions to the Company's sustained growth and increased corporate value. Internal directors are appointed based on the periodic assessment of their cultivation of successors and implementation of supervision by the directors, the Nomination Committee, and the Board of Directors. Moreover, with respect to the nomination of director candidates, the Board of Directors must, on the whole, have a good balance of essential knowledge, experience, and skills, embrace diversity, and be of an appropriate size. Executive officers are appointed from those with outstanding characteristics who are familiar with the Group's businesses and practice the Five Great Pillars and

Associate Code of Conduct established as the Group's Charter of Actions for both executives and employees, with an emphasis on the ability to appropriately execute business activities. To ensure objectivity and transparency, the evaluation criteria for directors and executive officers are clearly defined per role and disclosed. When receiving an evaluation below standard for two consecutive years, the director or executive officer will be subject to review by the Nomination Committee and dismissed or not reappointed by the Board of Directors following a comprehensive evaluation based on the advice and recommendations from the committee. Please refer to the "Director Remuneration" section on page 76 for specific evaluation criteria.

#### Procedures

The nomination of candidates for directors and the appointment of executive officers are both determined by the Board of Directors based

### Composition and Attendance at Meetings of the Board of Directors, Audit & Supervisory Committee, and Other Committees and Relevant Expertise of Directors

(As of March 24, 2023)

	Tenure	Composition and Attendance at Meetings of the Board of Directors, Audit & Supervisory Committee, and Other Committees*1			
		Board of Directors	Audit & Supervisory Committee	Nomination Committee	Remuneration Committee
Takahisa Takahara President & CEO	27 years, 9 months	◎ 100% (10/10 times)	—	○ 100% (1/1 time)	○ 100% (2/2 times)
Toshifumi Hikosaka Senior Executive Director in Charge of Production and Development	1 year	○ 100% (7/7 times)*2	—	—	—
Kenji Takaku Director, Senior Managing Executive Officer In Charge of Marketing and Sales	—*3	○ —	—	—	—
Hiroaki Sugita Director, Audit & Supervisory Committee Member <span>Outside</span> <span>Independent</span>	2 years	○ 100% (10/10 times)	○ 90.9% (10/11 times)	◎ 100% (1/1 time)	◎ 100% (2/2 times)
Noriko Rzonca Director, Audit & Supervisory Committee Member <span>Outside</span> <span>Independent</span>	—*3	○ —	○ —	○ —	○ —
Shigeru Asada Director, Audit & Supervisory Committee Member	4 years	○ 100% (10/10 times)	◎ 100% (11/11 times)	○ 100% (1/1 time)	○ 100% (2/2 times)

Note: Under "Composition of the Board of Directors and Audit & Supervisory Committee," ◎ denotes chair and ○ denotes members.

Outside Outside director Independent Independent director

\*1 Attendance at meetings in fiscal 2022

\*2 Appointed on March 25, 2022

\*3 Appointed on March 24, 2023

\*4 The environment and quality

on deliberations by the Nomination Committee, which is chaired by an independent outside director and consists of the president & CEO, two independent outside directors, and one non-executive director, in order to secure transparency and objectivity. The Nomination Committee deliberates on the policy concerning the nomination of candidates for directors and the appointment of executive officers as

necessary. Decisions on candidates for directors who are Audit & Supervisory Committee members are made by the Board of Directors based on a draft formulated after deliberation by the Nomination Committee in accordance with the policy of the Audit & Supervisory Committee, with prior consent from the same committee.

### Resolution Requirements for the Appointment of Directors

The Articles of Incorporation stipulate that a resolution on the appointment of a director is reached when more than one-third of shareholders with exercisable voting rights are in attendance and pass the proposal with a majority vote, with directors separated by those who are and

who are not members of the Audit & Supervisory Committee. In addition, the Articles of Incorporation stipulate that the resolution on the appointment of directors shall not use cumulative voting.

### Avoiding Conflicts of Interest

The Company obtains the prior approval of the Board of Directors when conducting either direct or indirect business with its directors (Audit & Supervisory Committee members included) or their relatives. With regard to transactions between Group companies, a legal check is

conducted in advance to verify the validity of transactional conditions and their method of determination, as well as careful deliberation being conducted by the Board of Directors, including multiple independent outside directors, when conducting important transactions.

	Relevant Expertise of Directors										
	Corporate management	Finance and accounting	Corporate governance	Risk management	Human resource development	Overseas business	Marketing	Distribution strategy	Development and production	Sustainability*4	Digital transformation
	■	■	■	■	■	■	■			■	
	■			■	■				■	■	
	■			■	■	■	■	■			
	■	■	■	■	■		■	■		■	■
	■		■	■	■	■	■			■	■
	■	■	■	■	■	■					

Views on the Balance between Knowledge, Experience, and Skills of the Board of Directors and Diversity and Size Thereof  
 ▶ Sustainability Report 2023 Pages 117–118

### Selection Standards for Independent Directors

The selection standards for independent directors are presented on the following page of our corporate website.



**Selection Standards for Independent Directors**  
<https://www.unicharm.co.jp/ja/company/corporate-governance.html> (in Japanese only)

### Support System for Outside Directors

A designated secretary supports outside directors while the Board of Directors' secretariat coordinates between outside directors and the Board of Directors and distributes meeting documents four business days before the meeting, in principle, in an effort to ensure adequate time for reviewing proposals in advance.

Support is also provided to ensure that outside directors can make appropriate decisions by providing information on the Company's important strategies, even if there is no direct correlation to the matters of the resolution.

In addition, support staff of the Audit & Supervisory Committee Secretariat Office provide assistance for the two outside directors who are Audit & Supervisory Committee members. The full-time Audit & Supervisory Committee member also supports outside directors by providing preliminary explanations of agenda items for the Board of Directors and setting up meetings with relevant departments as necessary.

### Audit Status of the Audit & Supervisory Committee

#### Organization and Personnel

The Audit & Supervisory Committee consists of three members, including one full-time member who is a non-executive director and two members who are outside directors.

Hiroaki Sugita has experience as the Japanese representative of the major foreign capital consulting firm Boston Consulting Group and in other roles where he has utilized his considerable knowledge of corporate management and corporate governance. Noriko Rzonca, who serves as outside director and Audit & Supervisory Committee member, has years of experience in management positions at major overseas and foreign-affiliated financial institutions through which she has acquired a high level of insight into corporate management strategies and corporate governance. Shigeru Asada, who serves as a full-time member

of the Audit & Supervisory Committee, has sufficient knowledge of finance and accounting from his experience as the executive director and general manager of the Accounting Control & Finance Division of the Company, in addition to his experience as the head of the internal audit and tax departments and as the officer in charge of accounting for overseas businesses at Panasonic Corporation's global headquarters.

The Audit & Supervisory Committee conducts systematic audits based on reports from departments, including the Internal Audit Department, and other internal control systems and may require further reports and the sharing of opinions as needed.

#### Activity Status of the Audit & Supervisory Committee

##### Meeting frequency:

Meetings of the Audit & Supervisory Committee are generally held once a month and from time to time as needed.

##### Main meeting agenda:

The following resolutions and reports were made in fiscal 2022.

**Resolutions:** Audit plan and the sharing of the duties of the Audit & Supervisory Committee, reappointment and non-reappointment of the accounting auditor, agreement on the remuneration of the accounting auditor, Audit & Supervisory Committee audit reports, etc.

**Reports:** Prior confirmation of the Board of Directors' agenda items, audit plan and audit report of the accounting auditor, internal control and audit reports on the Internal Audit Department, strategies of domestic and overseas subsidiaries, reports on financial position and business restructuring, etc.

##### Attendance of Audit & Supervisory Committee members:

Please see "Composition of the Board of Directors, Audit & Supervisory Committee, and Other Committees and Relevant Expertise of Directors" on page 72 for the attendance record at meetings of the Audit & Supervisory Committee held in fiscal 2022. The average duration of Audit & Supervisory Committee meetings was approximately 90 minutes.

##### Activities of the full-time Audit & Supervisory Committee member:

The full-time Audit & Supervisory Committee member shares information with part-time outside directors who are Audit & Supervisory Committee members, while auditing the appropriateness of the operational status of the internal control system through (1) collecting information internally, (2) monitoring information dissemination from Company management, (3) attending regularly held business update meetings and advisory meetings that deliberate on the Company's master plan and management plan of each subsidiary company in Japan and overseas, (4) auditing business reports, financial documents, consolidated financial statements, and supplemental schedules, (5) perusing important approval documents and contracts, (6) receiving reports from the Internal Audit Department in a timely manner, and (7) verifying the appropriateness of the methods and results of the accounting auditor and confirming whether an internal control system is in place through regular meetings with said auditor.

## Evaluation of the Effectiveness of the Board of Directors

### Analysis and Evaluation Process

The Company conducts a survey of all directors every year and also hosts a discussion on the results of this survey, which is attended by all directors. Through this discussion, the Company seeks to improve Board effectiveness by analyzing and evaluating the results of the overall effectiveness of the Board of Directors.

### Analysis and Evaluation Results

1. At meetings of the Board of Directors, various opinions are expressed by the directors and agenda items are duly deliberated through active discussions. In addition, in the analysis and evaluation for fiscal 2022, specific steps have been made to improve the following points found to require further efforts. Accordingly, the Company can evaluate that the Board of Directors meeting functions effectively.
  - (1) In addition to ongoing discussions on matters concerning Groupwide strategy themes stipulated in the medium-term management plan, the agenda for the Board of Directors' meetings is set by placing emphasis on improving the effectiveness of these meetings by allocating time for reporting on ESG-related issues and the progress of actions taken against such issues.
  - (2) The Board of Directors' secretariat cooperates with the applicant to revise the content and the volume of materials for approval to ensure that they are clear and appropriate.
  - (3) In cases where a report on the progress of the Board of Directors becomes necessary after approval, measures are taken such as requesting a report from the Application Department via the Board of Directors' secretariat.
2. In order to further improve the effectiveness of the Board of Directors, the Company will consider promotion of the following initiatives:
  - (1) Further enhance the IT- and DX-related expertise of the Board of Directors
  - (2) Further improve the quality of preparations and follow-up responses made by the Board of Directors' secretariat
  - (3) Continue to conduct the one-on-one meetings with directors and executive officers held in fiscal 2022 on a regular basis

## Evaluating Audit & Supervisory Committee Effectiveness

The Company's Audit & Supervisory Committee, in principle, meets monthly. During these meetings, the Audit & Supervisory Committee conducts preliminary confirmation of agenda items for Board meetings and develops an understanding of issues by reviewing the audit plan summary and report from the accounting auditor, the audit report from the Internal Audit Department (including internal control), performance projections and reports concerning issues from the Accounting Control & Finance Division, and activity reports from each department

(as needed). In addition to the above, outside Audit & Supervisory Committee members receive reports on various issues obtained from audit reports prepared by the full-time Audit & Supervisory Committee member, exchange opinions and information, attend important meetings other than Board meetings, and work in close partnership with the internal auditing sections. Through these activities, the Company seeks to improve the effectiveness of audits conducted by the Audit & Supervisory Committee.

## Director Remuneration

### Method of Determining the Policy for Decisions on Individual Remuneration of Directors

To ensure transparency and objectivity in the process for determining individual remuneration of directors, remuneration of directors is deliberated by the Remuneration Committee, which consists of the president & CEO (one person), a non-executive director (one person), and independent outside directors (two persons), with the independent outside directors comprising half of the seats on the committee, which is chaired by an independent outside director. Based on these deliberations, the results are then conferred for approval with the Board of Directors.

Our Basic Policy	Basic Policy on Director Remuneration	Director Remuneration Policy
<p>Remuneration for directors (excluding directors who are Audit &amp; Supervisory Committee members) and executive officers of the Company and related policies are determined based on a comprehensive evaluation of their motivation to improve Unicharm's performance and corporate value and the securing of excellent human resources, in order to ensure that the level of remuneration is commensurate with the roles and responsibilities of their position. Basic policies on their remuneration—aimed at promoting growth-oriented management, accomplishing management strategy, and fulfilling management plans—are as indicated on the right.</p>	<ol style="list-style-type: none"> <li>Contributes to the sustainable growth and medium- to long-term increase of corporate value</li> <li>Remuneration structure is linked closely with performance and motivates the fulfillment of management plans and the achievement of results</li> <li>Remuneration level that can attract and retain human resources who can assume the role of management</li> <li>Highly transparent and objective process for determining remuneration</li> </ol>	<ol style="list-style-type: none"> <li>Remuneration is set to match director remuneration levels in the same industry in Japan and overseas and in companies of the same scale in other industries in order to promptly cope with the changes in the external environment and market conditions.</li> <li>The target value of monetary compensation is set within the top 25th percentile and that of combined stock option compensation from a medium- to long-term perspective is set within the top 10th percentile.</li> </ol>

### Overview of the Policy for Decisions on Individual Remuneration of Directors

The following is an overview of the Company's policy for decisions on the individual remuneration of directors:

#### Overview of Director Remuneration System

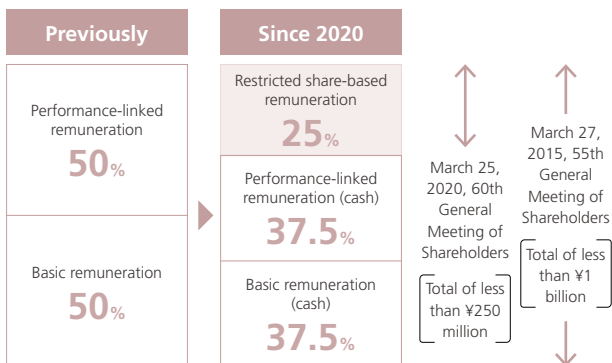
Remuneration for directors (excluding directors who are Audit & Supervisory Committee members) and executive directors consists of basic remuneration (cash) and performance-linked remuneration. Performance-linked remuneration consists of monetary compensation as a short-term incentive and restricted share-based remuneration as a medium- to long-term incentive. In addition, basic remuneration for each position is determined based on the extent of job responsibility.

Independent outside directors, coming from a stance independent of business execution, and directors who are Audit & Supervisory

Committee members receive only fixed remuneration, given their roles to provide supervision and advice on the Company's management from an objective perspective.

The total amount of annual remuneration was approved to be within ¥1 billion for directors (applicable to eight members and excluding those who are Audit & Supervisory Committee members) and within ¥100 million for directors who are Audit & Supervisory Committee members (applicable to three members) at the 55th General Meeting of Shareholders held on March 27, 2015. The total annual amount of restricted share-based remuneration was approved to be within ¥250 million (applicable to three members and remaining within the aforementioned ¥1 billion limit) at the 60th General Meeting of Shareholders held on March 25, 2020.

#### Composition of Remuneration



#### Basic remuneration (cash):

To ensure the Company's competitiveness in the marketplace, basic remuneration is determined based on benchmarks set according to the extent of the roles and responsibilities for each position and paid in the form of monthly fixed compensation.

#### Performance-linked remuneration (cash):

As a short-term (one year) incentive, performance-linked remuneration is set in the range of 0% to 200% (consisting of 10 remuneration levels) of the basic remuneration amount depending on performance results for that period. It is paid out from the following April to March of the following year based on the results of the fiscal year under evaluation (preceding January to December).

#### Restricted share-based remuneration:

As an incentive to increase corporate value over the medium to long term, the Company allocates in April of the following year the restricted shares equivalent to 33% to 100% of the basic remuneration amount according to the performance results of the fiscal year under evaluation (preceding January to December). Restricted share-based remuneration has a transfer restriction period set at three years.

### Evaluation Criteria for and Basic Policy on Executive Remuneration and Fiscal 2022 Remuneration Targets and Results

The evaluation criteria (consisting of eight themes in four categories, including ESG assessment) used to determine performance-linked remuneration (cash) and restricted share-based remuneration of directors (excluding those who are also Audit & Supervisory Committee members) and executive officers as well as the targets and results for remuneration in fiscal 2022 are presented below. Moreover, weightings for evaluation criteria are assigned to each position in line with the extent of responsibilities. For example, evaluation weightings for the representative director are set at 50% each for the Group's performance and key strategies. For executive officers responsible for line function departments, the weightings are 30% each for the performance of the Group and the departments of which they are in charge and 20% each for the key strategies of the Group and the departments of which they are in charge.

In addition, ESG assessment was added as a part of the evaluation criteria from fiscal 2020. Criteria such as "inclusion in the FTSE Blossom Japan Index" or "improvement of ESG score" are used in an effort to conduct quantitative assessment to the extent possible. Owing to this effort, the Company was selected for the FTSE4Good Index Series for the third year in a row and for the Bloomberg Gender-Equity Index (GEI). It was also awarded the Special Prize in the Environmentally Sustainable Company category at the Ministry of the Environment's 2nd ESG Finance Awards Japan, the Ministry of Economy, Trade and Industry (METI) Minister's Award at the Green Logistics Partnership Conference, and four stars, the highest rating, in Nikkei's Smart Work Management Survey. From fiscal 2022, each executive officer will be assigned specific themes from the 20 themes stipulated in the medium- to long-term ESG goals, Kyo-sei Life Vision 2030, announced in October 2020, which are incorporated into their evaluation criteria.

No.	Evaluation Criteria	Accountability	Assessment Weighting	Target	Result	Assessment
1	Group performance (business plan)	1-1 Consolidated net sales	20%–50%	¥850.0 billion (up 10.4% YoY)	¥898.0 billion (up 14.7% YoY)	105.6%
		1-2 Consolidated core operating income		¥127.0 billion (up 6.7% YoY)	¥119.6 billion (down 2.4% YoY)	94.1%
		1-3 Profit attributable to owners of parent		¥79.2 billion (up 5.6% YoY)	¥67.6 billion (down 7.1% YoY)	85.4%
2	Department performance	2-1 Sales in applicable business division	0%–40%	(Each department)	(Each department)	—
		2-2 Profits in applicable business division		(Each department)	(Each department)	—
3	Group key strategy	3-1 Priority strategies for each role	20%–50%	(Each director)	(Each director)	—
		3-2 ESG assessment (specialist rating agency evaluation, etc.)		(Each director)	(Each director)	—
4	Department key strategy	4 Priority strategy in applicable business division	0%–40%	(Each department)	(Each department)	—

#### Overview of key assessment indicators

1. Performance-based indicators for Company efforts
2. Performance-based indicators for individual director and executive officer efforts
3. Assessment indicators for company priority strategies (including qualitative assessments)
4. Assessment indicators for individual director and executive officer priority strategies (including qualitative assessments)

## Corporate Governance Initiatives

### Conditions in the Agreement on the Allotment of Restricted Share-Based Remuneration

Restricted share-based remuneration means that eligible directors and executive officers receive monetary claims as their remuneration, all of which are then contributed to the Company. Finally, the Company disposes of treasury shares in exchange for these contributions. The Company and each of the eligible directors and executive officers conclude an agreement on the allotment of restricted shares.

1	Restriction period	The eligible directors and executive officers are prohibited from assigning, pledging as collateral, or disposing ("transfer restriction") of these shares ("allotted shares") for three years from the date of the allotment ("restriction period").
2	Handling of retirement	If an eligible director or executive officer resigns or retires from the position of director, executive officer, or another position stipulated in advance by the Board of Directors before the restriction period ends, the Company shall automatically acquire the allotted shares without contribution unless there are justifiable reasons for the retirement from office such as expiration of the term of office or death.
3	Removal of transfer restriction	The Company will remove the transfer restriction for all of the allotted shares when the restriction period ends on the condition that the eligible directors and executive officers serve in the position of director, executive officer, or another position stipulated in advance by the Board of Directors throughout the restriction period. However, if an eligible director or executive officer resigns or retires from the position of director, executive officer, or another position stipulated in advance by the Board of Directors before the end of the restriction period due to justifiable reasons for the retirement from office, such as expiration of the term of office or death as outlined in "2" above, the Company will reasonably adjust as needed the number of allocated shares for removal of the transfer restriction and the timing of when to remove the transfer restriction. Also, the Company will automatically acquire without contribution the allotted shares for which the transfer restriction has yet to be removed as of the point in time immediately after the removal of the transfer restriction period following the above rules.
4	Clawback provision	The eligible directors and executive officers shall return all or part of the accumulated allotted shares without contribution in the event of material accounting fraud or substantial losses to take responsibility for such occurrences.
5	Other matters	Other matters concerning the agreement on the allotment of restricted shares shall be determined by the Board of Directors.

#### Method for Determining Individual Remuneration of Directors

In order to properly assess individual remuneration amounts based on the contribution performance of each director, the evaluation results based on each key performance indicator (KPI) are reported to and deliberated by the Remuneration Committee with a decision made by the representative director entrusted in a resolution of the Board of Directors meeting.

#### Policy Regarding Decisions on the Composition and Amount of Fixed Remuneration, Bonuses, and Restricted Share-Based Remuneration

A Remuneration Committee meeting was held on February 22, 2021, to deliberate on matters concerning the calculation method, composition, timing of payment, and details and delegation of authority for the determination of fixed remuneration, performance-linked remuneration, and share-based remuneration. After discussions on the matters that should be resolved by the Board of Directors, decisions were made according to the resolutions of the Board of Directors meeting held on the same day.

#### Reasons for the Board of Directors' Decision to Ensure That Individual Compensation of Directors in Fiscal 2022 Is Consistent with the Policy for Decisions on Individual Remuneration of Directors

The policy and method of determining director remuneration, approved at the Board of Directors meeting held on February 22, 2021, remain unchanged, and the policy for determining individual remuneration of directors was reapproved at the Remuneration Committee meeting held on February 22, 2023. Based on the approval

being made without objection, we have determined that the method for determining remuneration and the determined amounts of remuneration are consistent with the policy for determining remuneration approved by the Board of Directors.



### Total Remuneration for Each Director and Executive Officer, Total for Each Type of Remuneration, and Number of Eligible Directors and Executive Officers

Role	Total Remuneration (Millions of Yen)	Totals for Each Type of Remuneration (Millions of Yen)			Number of Directors Receiving Remuneration
		Basic remuneration	Performance-linked remuneration	Non-monetary remuneration Restricted share-based remuneration	
Directors (excluding Audit & Supervisory Committee members and outside directors)	546	190	190	166	4
Directors (Audit & Supervisory Committee members) (excluding outside directors)	8	8	—	—	1
Outside directors	21	21	—	—	2

#### Notes:

- The amounts above include those for the remuneration of one director (who did not serve as an Audit & Supervisory Committee member) who resigned as of the end of the 62nd General Meeting of Shareholders held on March 25, 2022.
- Total amount of remuneration of directors (excluding Audit & Supervisory Committee members) includes amounts recorded as expenses of ¥166 million for restricted share-based remuneration of four directors (excluding Audit & Supervisory Committee members).
- Following the enforcement of the Companies Act, the Company's shareholders approved a resolution to abolish the retirement benefit system for directors and executive officers at the 47th Annual General Meeting of Shareholders held on June 26, 2007. Directors and executive officers now only receive annual compensation.

## Development of an Internal Control System

The Company formulated its Basic Policy for Establishing an Internal Control System in accordance with the Companies Act and established the Internal Control Committee in compliance with the Internal Control and Reporting System (J-SOX) of the Financial Instruments and Exchange Act.

The Internal Control Committee conducts an annual reassessment of risks for each Group company, reviews target countries and regions

for J-SOX assessment, and revises the scope of assessment for business processes. The committee also monitors the development and operational status of the internal control system and works to ensure the reliability of financial reports. The Company is making ongoing improvements to this internal control system from a global perspective by taking into account the regulatory developments in countries where the Group operates and through other means.

## Policy on Cross-Shareholdings

The Company holds the minimum number of shares in other companies necessary for the purpose of maintaining and strengthening its business relationships. In such cases, the Company shall determine whether to invest or not based on whether such investment would contribute to an increase in the corporate value of the Company, comprehensively taking into account the benefits that can be gained by maintaining and improving dividends and business relationships, as well as risks, capital costs, and other factors.

Each year, the Board of Directors verifies the appropriateness of each cross-shareholding, based on whether the purpose of the cross-shareholding has become insubstantial relative to the time of its acquisition

and whether the risks and benefits are commensurate with capital costs. Shares that are deemed as unreasonable to hold based on this verification are sold as appropriate, taking into consideration the overall impact on the market and other factors.

With respect to the exercising of voting rights, the Company shall appropriately exercise voting rights upon a careful examination of proposals and determination of whether or not these proposals contribute to the improvement of shareholder value. The Company shall not vote for any proposals that may damage shareholder value, regardless of whether they are submitted by the companies or their shareholders.

## Directors and Executive Officers

### Directors (As of March 24, 2023)



**Takahisa Takahara**  
President & CEO

#### Career Summary

April	1991	Joined the Company
June	1995	Director
April	1996	Director, General Manager of Procurement Division, and Deputy General Manager of International Division
June	1997	Senior Director
April	1998	Senior Director, General Manager of Feminine Hygiene Business Division
October	2000	Senior Director, Responsible for Management Strategy
June	2001	Representative Director, President
June	2004	Representative Director, President & CEO (to present)

#### Reasons for Appointment

Takahisa Takahara has steered Unicharm's global strategy since 2001, when he was appointed representative director & president. In that time, the Unicharm Group has seen dramatic growth in its earnings, underscoring his capabilities as a business leader. In addition, as chairman of the Board of Directors, he has enhanced the decision-making capabilities of the Board. As such, Mr. Takahara is deemed to be suitable to support sustained growth in the Company's corporate value.



**Toshifumi Hikosaka**  
Senior Executive Director in Charge of Production and Development and Responsible for Standardization

#### Career Summary

February	1982	Joined the Company
April	2008	Manager of Engineering Development Department, Global Research & Development Division
April	2010	Manager of New Platform Center, Global Research & Development Division
April	2012	Department Manager of Blue Sky Project, Global Research & Development Division
January	2016	Executive Officer, Deputy General Manager of Global Research & Development Division
January	2020	Managing Executive Officer and General Manager of Global Research & Development Division
January	2022	Senior Managing Executive Officer, Co-Chief Research & Development Officer, General Manager of Global Research & Development Division, Department Manager of Blue Sky Project, and General Manager of Intellectual Property Division
March	2022	Director, Senior Managing Executive Officer, Responsible for Standardization, Co-Chief Research & Development Officer, General Manager of Global Development Division, Blue Sky Project Director, and General Manager of Intellectual Property Division
March	2023	Senior Executive Director in Charge of Production and Development and Responsible for Standardization

#### Reasons for Appointment

With many years of experience in the manufacturing equipment development department, Toshifumi Hikosaka has used his high level of expertise to achieve results in developing cutting-edge equipment, building a global production system, and enhancing production quality. In the product development field, he also performs an important role in furthering Unicharm's purpose of contributing to the achievement of the SDGs, including proposing added value that anticipates consumer needs in various areas from a medium- to long-term perspective and working to reduce the Company's environmental impact. Accordingly, Mr. Hikosaka is deemed to be suitable to support sustained growth in the Company's corporate value.



**Kenji Takaku**  
Director, Senior Managing Executive Officer, in Charge of Marketing and Sales

#### Career Summary

April	1983	Joined the Company
April	1997	Marketing Director of Sanitary Business Group, Marketing Division
October	2000	Director of Marketing Department, Baby Care Business Division
April	2002	Vice President and General Manager of Marketing Department, Shanghai Unicharm Co., Ltd.
October	2005	Deputy General Manager of Global Marketing Division and General Manager of Feminine Care Strategic Business Unit (SBU)
April	2008	Executive Officer and General Manager of Global Marketing Division
December	2014	Managing Executive Officer and General Manager of Global Marketing Division, Country President of UNICHARM DO BRASIL INDÚSTRIA E COMÉRCIO DE PRODUTOS DE HIGIENE LTDA.
July	2017	Managing Executive Officer and Managing Director of Unicharm India Private Ltd.
January	2022	Senior Managing Executive Officer, Co-Chief Marketing Officer, Chairman of Unicharm India Private Ltd., Responsible for Unicharm Gulf Hygienic Industries Ltd. and for Unicharm Middle East & North Africa Hygienic Industries Company S.A.E
March	2023	Director, Senior Managing Executive Officer, in Charge of Marketing and Sales, Co-Chief Marketing Officer, Chairman of Unicharm India Private Ltd., Responsible for Unicharm Gulf Hygienic Industries Ltd. and for Unicharm Middle East & North Africa Hygienic Industries Company S.A.E

#### Reasons for Appointment

With overall responsibility for the Marketing Division, Kenji Takaku has contributed to the enhancement of the brand value of both Unicharm and its products by providing strong leadership in the planning and implementation of highly differentiated and systematic marketing strategies from a customer perspective. Alongside his marketing capabilities, he has demonstrated superb management ability as the person responsible for Unicharm's subsidiaries in China and India, playing a key role in realizing the Company's vision of becoming both a global and a marketing company. Accordingly, Mr. Takaku is deemed to be suitable to support sustained growth in the Company's corporate value.

### List of Executive Officers (As of March 24, 2023)

President & CEO	<b>Takahisa Takahara</b>	Managing Executive Officer	<b>Tsutomu Watanabe</b>	Senior Executive Officer	<b>Masanori Murakami</b>
Senior Managing Executive Officer	<b>Kenji Takaku</b>	Senior Executive Officer	<b>Tetsuo Ukai</b>	Senior Executive Officer	<b>Takeshi Oda</b>
Senior Managing Executive Officer	<b>Tetsuya Shite</b>	Senior Executive Officer	<b>Satoru Kiuchi</b>	Senior Executive Officer	<b>Tsutomu Kido</b>
Senior Managing Executive Officer	<b>Tadashi Nakai</b>	Senior Executive Officer	<b>Chikara Oka</b>	Senior Executive Officer	<b>Yuji Ishii</b>
Managing Executive Officer	<b>Hirotatsu Shimada</b>	Senior Executive Officer	<b>Shinobu Seki</b>	Executive Officer	<b>Hiroe Inaba</b>



## Hiroaki Sugita

Director, Audit & Supervisory  
Committee Member (Outside Director)

### Career Summary

April	1983	Joined JAPAN TRAVEL BUREAU Inc. (currently JTB Corp.)
April	1994	Joined The Boston Consulting Group (currently Boston Consulting Group)
January	2001	Partner and Managing Director of The Boston Consulting Group
November	2006	Supervisor of Japan Office of The Boston Consulting Group
May	2007	Senior Partner and Managing Director of The Boston Consulting Group
January	2014	Asia Pacific Client Team Leader of The Boston Consulting Group
January	2016	Japan Co-Chair of The Boston Consulting Group
January	2021	Managing Director and Senior Partner of Boston Consulting Group (to present)
March	2021	Director, Audit & Supervisory Committee Member of the Company (to present)
January	2023	Senior Advisor, Boston Consulting Group

### Reasons for Appointment

With his background as a Japanese representative of a major overseas consulting firm, Hiroaki Sugita possesses a high level of insight and is highly experienced in finance and accounting as well as in management strategies pertaining to business management, particularly globalization strategy, digitalization, and transformation. The Company determined that he is qualified to further its global expansion and provide appropriate advice on both governance and management strategies.



## Noriko Rzonca

Director, Audit & Supervisory  
Committee Member (Outside Director)

### Career Summary

November	2000	Joined Allstate Insurance Company in the United States
May	2005	W. W. Grainger, Inc. (United States)
June	2006	CFJ G.K.
September	2008	Citibank Japan Ltd.
May	2015	MetLife Insurance K.K.
November	2017	Executive Officer, Sony Bank Incorporated
November	2021	Executive Officer and Chief Digital Officer, Cosmo Energy Holdings Co., Ltd.
April	2022	Senior Executive Officer and Chief Digital Officer, Cosmo Energy Holdings Co., Ltd.
March	2023	Director, Audit & Supervisory Committee Member of the Company (to present)

### Reasons for Appointment

Having served in management over many years at major overseas and foreign-affiliated financial institutions, Noriko Rzonca has extensive insight into management strategies and governance. The Company believes that Ms. Rzonca can use her cross-industrial experience to contribute to areas including reform of management using digital technology, marketing, and the development of digital talent. Given her insight and experience, the Company determined that Ms. Rzonca is capable of providing appropriate advice on both its sustainable management and digital strategies.



## Shigeru Asada

Director, Audit & Supervisory  
Committee Member (full time)

### Career Summary

April	1973	Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation)
March	1994	Managing Director, Chief Financial Officer of Panasonic Do Brasil Limitada
April	1999	General Manager (Tax) of Corporate Accounting Department of Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation)
April	2004	Managing Director, Chief Financial Officer of Panasonic Europe Co., Ltd.
April	2006	Director, General Manager of Internal Auditing Department of Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation)
April	2009	Standing Corporate Auditor of IPS Alpha Technology, Ltd. (currently Panasonic Liquid Crystal Display Co., Ltd.)
February	2013	Advisor for the Office of Audit and Supervisory Committee Member of the Company
April	2013	Executive Officer, General Manager of Accounting and Finance Division of the Company
March	2017	Director, Audit & Supervisory Committee Member (full time)
April	2019	Advisor, Audit & Supervisory Committee Member
March	2021	Director, Audit & Supervisory Committee Member (full time, to present)

### Reasons for Appointment

Shigeru Asada has continuously served in the Accounting Department at Panasonic Corporation and possesses great insight into accounting and financing related to global management. Further, Mr. Asada has demonstrated his business administration skills at Unicharm as executive officer, general manager of the Accounting and Finance Division since 2013, and as a director and Audit & Supervisory Committee member between 2017 and 2019 and again since 2021. The Company has determined that he is suitable to supervise the management of the Company given his track record.

Executive Officer **Takumi Terakawa**

Executive Officer **Takahiro Okada**

Executive Officer **Kouichi Naoe**

Executive Officer **Masahiro Kashiwagi**

Executive Officer **Toru Fujita**

Executive Officer **Shigeto Yamanaka**

Executive Officer **Eijun Sato**

Executive Officer **Masanori Yano**

Executive Officer **Kenji Ueda**

Executive Officer **Daisuke Iguchi**

Executive Officer **Yoshinori Tanaka**

Executive Officer **Hideo Kato**

Executive Officer **Toru Morita**

## Messages from Outside Directors



### Looking Forward to Unicharm Further Refining Its Management Agenda and Implementation Capabilities to Realize Its Overarching Vision

**Hiroaki Sugita**

Outside Director and Audit & Supervisory Committee Member

Guided by its medium- to long-term environmental, social, and governance (ESG) goals, Kyo-sei Life Vision 2030—For a Diverse, Inclusive, and Sustainable World—, which was unveiled in October 2020, I believe that Unicharm is working steadily to fulfill its stated purpose of contributing to the achievement of the Sustainable Development Goals (SDGs). In addition to examining whether a product contributes to the achievement of the SDGs as a key assessment criterion in its product development efforts, it is clear to me that Unicharm is evolving and steadily implementing initiatives that strongly emphasize this criterion in every aspect of the value chain of its corporate activities. Management's strong commitment to and ongoing promotion of the project for recycling used disposable diapers is a notable example.

Such initiatives will not make progress under a solely top-down approach; it is key to link them to the Company's mission to realize a cohesive society, its vision of "NOLA & DOLA," and its value of

management with resonance, and to raise awareness among and encourage employees to take ownership of initiatives through clear communication. People in management positions at headquarters and in each of the countries where we operate are working to raise employee awareness in various countries, as well as in Japan. I credit these efforts with generating a powerful driving force for the realization of Kyo-sei Life Vision 2030. I believe that Unicharm has made significant progress in terms of diversity and inclusion over the last few years, with employees at overseas subsidiaries coming together to play a vital role as part of a truly global team.

To realize its overarching vision, I look forward to the Company further refining its management agenda and implementation capabilities to further accelerate its progress and remain an indispensable part of global society.

### Steadily Addressing Everyday Business Issues to Realize and Accelerate the Implementation of "NOLA & DOLA"

**Noriko Rzonca**

Outside Director and Audit & Supervisory Committee Member

Fiscal 2023 marks my first year as an outside director of Unicharm. My discussions with members of the management team have given me insights into unique strengths of the Company I had previously been unaware of when looking from the outside, and I feel a sense of anticipation and excitement about how the Company will achieve growth going forward.

Today, companies need to quickly identify and act in response to dramatic changes in global society if they are to further grow their businesses and create new value. Unicharm must strengthen its use of digital technology and data, which will be indispensable to businesses going forward, to capitalize on the organizational capabilities, frontier spirit, and implementation capabilities that are its unique strengths.

Using digital technology and data accelerates the pace of business activities and facilitates proper decision-making, regardless of business division. The ability to use digital technology and data is therefore a skill that every employee should take the initiative to master. For

example, those with digital skills will have insights into the most appropriate media and tools to use to facilitate smoother communication with customers, the types of data to use to anticipate demand and understand customer needs more accurately, and the kinds of apps that would be easy to use on a daily basis. The list goes on.

Further use of digital technology and data in risk management divisions would also enable more accurate decision-making on risks and strengthen corporate governance. Steadily addressing such everyday business issues will further realize and accelerate the implementation of "NOLA & DOLA."

I look forward to seeing further promotion of fast-paced transformation based on the twin pillars of human resource development, which will serve as a source of value creation into the future, and the unique strengths that have allowed Unicharm to grow from a Japanese company into a first-rate global one.



## Compliance

### Strategy and Management Structure

Our management policy is expressed in the Unicharm Ideals, which state “we strive to pursue proper corporate management principles that combine corporate growth, employee well-being, and the fulfillment of our social responsibilities.” Unicharm has established the Unicharm Group Charter of Actions to ensure that directors and employees maintain the highest ethical standards and comply with laws and regulations and the Articles of Incorporation. We prevent bribery, excessive entertainment and gifts, improper political contributions, insider trading, money laundering, and corruption that would lead to other forms of misconduct by ensuring that all employees comply with the Unicharm Group Charter of Actions. We also strive to comply with labor standards and other laws and regulations. With all executive officers, led by the president & CEO, continuously communicating the spirit set forth in the Unicharm Group Charter of Actions to all employees, we endeavor to raise awareness of corporate ethics and ensure that all our corporate activities are based on compliance.

The ESG Committee monitors and supervises all activities related to social responsibility centered around a framework of quality, safety, and the environment. Specifically, the ESG Committee ensures the legality, fairness, and soundness of corporate activities and reports regularly to the Board of Directors. Moreover, the Compliance Hotline has been established as a consultation and whistleblowing contact point for violations of laws and regulations, internal regulations, and major corporate ethics while the Ring-Ring Employee Hotline has been established for problems in the workplace, such as internal harassment acts and interpersonal issues, as part of efforts to develop and enhance the compliance structure. The Corporate Ethics Office has

been established within the ESG Division as the contact point for the management of these bodies. In the event of a serious problem, the executive officer in charge of the Corporate Ethics Office takes the helm to resolve the issue by convening the Corporate Ethics Committee, which consists of all members of the Audit & Supervisory Committee. The Corporate Ethics Committee reports on the actions it has taken to the Board of Directors so that the effectiveness of the committee can be verified on a regular basis.

In addition, in order to conduct audits on whether business execution in each division is being conducted appropriately in accordance with laws and regulations, and to provide advice as necessary, the Internal Audit Department has been established to serve as an internal auditing section that is independent from each business execution division and is directly supervised by the president & CEO and to conduct internal audits on all Group companies.

#### Compliance Promotion Structure



### Key Initiatives

#### Whistleblowing System

The Compliance Hotline has been established for Group employees, both within and outside Japan, as a consultation and whistleblowing contact point for the violation of laws and regulations, violation of internal regulations and acts of corruption such as the taking and receiving of bribes, or major corporate ethics violations. The Ring-Ring Employee Hotline has been established for employees to report or receive consultation on their concerns over human rights issues, acts of harassment, and workplace interpersonal issues. In principle, the system is available to all executives and employees\* of the Company and its subsidiaries and affiliates, who can then remain anonymous when reporting or receiving consultation. These matters are handled in accordance with the Consultation and Whistleblowing Management Regulations of the Corporate Ethics Office and the results are shared with both whistleblowers and employees receiving consultation, with the exception of those who requested anonymity. The privacy of employees who use this system is respected and every effort possible is made to ensure that both whistleblowers and employees receiving consultation are protected from harm. In addition, if it becomes necessary to involve a third party, the whistleblower's consent to this will be sought. Along with the Compliance Hotline and the Ring-Ring Employee Hotline, Unicharm has also put in place a system that makes it easy for employees and their families to consult with external organizations. Outside of Japan, similar hotlines have been established and are being operated at Unicharm's subsidiaries in China,

Taiwan—Greater China, Thailand, Indonesia, India, Brazil, South Korea, the United States, Vietnam, Saudi Arabia, and Egypt.

\* Includes contract, part-time, temporary, and dispatched employees, and former employees who resigned within a year

#### Anti-Corruption Measures

The Board of Directors has established policies to prevent all forms of corruption including unreasonable demands and bribery and such efforts are also being conducted in conjunction with the related departments. For example, The Unicharm Group Charter of Actions, which is utilized by all Group employees, states the behaviors that should be kept in mind in order to achieve our pledge to each stakeholder and, through the recital of this charter, we are working to improve awareness of compliance in relation to issues such as corruption prevention. In addition, compliance-related questions have been added to the employee survey, which is conducted across the Group each year, to prevent acts of fraud, enhance awareness of legal compliance, and monitor compliance awareness.

In addition, the **Unicharm Group Sustainable Procurement Guidelines** [▶](#), which aim to maintain fair relationships with suppliers and prevent acts of corruption in transactions, clearly indicate the necessity of compliance with laws, regulations, and social norms and fair trade, as well as the prohibition of bribery and kickbacks, and promote the comprehensive prevention of corruption in transactions.

**Unicharm Group Sustainable Procurement Guidelines**  
[▶ Sustainability Report 2023 Page 103](#)

## Risk Management

### Strategy and Management Structure

The Unicharm Ideals state, “We contribute to creating a better quality of life for everyone by offering only the finest products and services to the market and customers, both at home in Japan and abroad.” The basis of our business activities is to fulfill our responsibility to society by constantly striving to create new value for our stakeholders. For that reason, gaining an appropriate understanding of the various risks that could affect our business activities and the realization of these objectives, and preventing or minimizing the impact of such risks when they occur, are positioned as important management issues. In view of this, the Company has established a Groupwide risk management system, which is being operated while continuously reviewing and improving risk management.

At the same time as overseeing the code of conduct and code of ethics, the Board of Directors analyzes and evaluates major risks that are reported by each unit leader, in order to deliberate and decide on improvement measures. Audit & Supervisory Committee members fulfill their roles by implementing various audits during their statutory term of office.

The 12 business risks that could impact the Company are significant risks that could impair the Company's financial standing and management results. Thanks to the effects of various response measures, at present, these risks have not emerged to a degree where they would have serious impacts on management.

In addition, the timing and extent to which these risks could emerge in the future are unknown. Furthermore, there are risks other than those mentioned above. Risks that could impact the Company in the future are not necessarily restricted to those matters appearing here.

#### Basic Policy

- Clarify roles and responsibilities related to risk management.
- Give due consideration to possible risks during the decision-making process.
- Establish a system for implementing Groupwide countermeasures against important risks facing management.
- Develop organizations, systems, and plans related to crisis response.
- Conduct audits of the risk management process.

### Response to Business Risks

If a major crisis occurs, the Crisis Management Response Committee will convene and endeavor to respond quickly and appropriately to achieve a prompt recovery based on the Groupwide Crisis Communication Manual, which was established as internal rules for crisis management. An emergency in which the above business risks are realized is considered a crisis and Unicharm identifies the 12 items below as serious crises. When such a crisis occurs, Unicharm fulfills its social responsibility by assessing the situation swiftly and accurately in

accordance with the Groupwide Crisis Communication Manual, working to prevent further damage and communicating appropriately with stakeholders. A handy manual has been distributed to every employee for the purpose of responding promptly when an ESG risk has emerged or a crisis has occurred.

**Serious Crises and Framework in Response to the Occurrence of a Crisis**  
[▶ Sustainability Report 2023 Page 131](#)

### Business Continuity Plan

Aiming to strengthen risk management since 2005, Unicharm has formulated a business continuity plan (BCP)\* to help prepare for major emergencies that could occur in Japan, such as an earthquake directly underneath Tokyo or a large-scale interconnected earthquake involving the Tokai, Tonankai, and Nankai plates. As a specific example, we assumed the scenario of an earthquake with its epicenter under the Tokyo metropolitan area (with an intensity of approximately upper 6 on the JMA Seismic Intensity Scale), which includes the head office, adjacent factories, and sales offices, and prepared impact assessments and damage assumptions, while considering alternative measures and establishing organizational and backup structures to ensure the safety

of employees and their families for business continuity if an actual emergency occurs. We also conduct ongoing evacuation drills assuming the occurrence of such an emergency based on this scenario.

Unicharm has established procedures to recover important operations, particularly head office functions, immediately so that its products, which are necessities for daily living, can be delivered to people in disaster-affected areas as well as to those who require them as soon as possible.

\* A plan that facilitates the swift recovery and continuation of core operations in the wake of emergencies

### Rigorous Information Security

To ensure rigorous information security, Unicharm has set out information security principles and procedures such as the Information Security Policy and Information Management Security Rules. We also have the Personal Information Protection Regulations and Specific Personal Information Handling Regulations in place to safeguard our customers' personal information, and we strictly manage this information and take precautions to prevent information leaks. To ensure these rules are strictly observed and to prevent information leaks, Unicharm has

established the Information Management Security Committee. One day of each month has been earmarked as an information management day on which we highlight a different security topic to remind employees about the risks of specific information leaks. We continue to develop such measures, provide employee training, and monitor progress to improve the security of information management across the Group.

## The 12 Business Risks That Could Impact the Company

Risks	Details of Risks and Impacts on the Company	The Company's Main Response
<b>Intense competition in the sales environment</b>	<p>Competition for the Company's main products could become even more severe in Japanese and overseas markets in terms of price and product line depending on the economic and market environments.</p> <p>Given their consumer-oriented purpose, the Company's main products are always exposed to severe price competition, and competitors also regularly release new products. The selling environment is also influenced by changes in the consumption behavior of customers and the response of competitors regardless of the Company's efforts to lower manufacturing costs, cut overheads, or enhance marketing. If the Company is unable to respond appropriately to the selling environment, its sales and profits could be adversely impacted.</p>	<p>The Company strives to thoroughly research the living conditions and consumption situations of individual countries and regions, develop products tailored to local cultures and living environments, and provide products that are not susceptible to economic impact. The Company seeks to increase earnings in a stable manner by using this research and market analysis methodology to expand its area, country, and region of coverage. In addition, in terms of production, the Company is reducing costs by lowering procurement costs and improving production efficiency. In terms of sales and marketing, it strives to increase buyers of its products including through the use of online channels. The Company endeavors to maintain and improve competitiveness and reinforce its marketing capabilities by proposing to retailers how to purchase and sell products with a customer-oriented perspective using digital technology.</p> <p>Furthermore, the Company is working to decentralize its authority and delegate responsibilities to its overseas subsidiaries, creating a system where it can respond swiftly to changes in the consumption behavior of customers</p>
<b>Changes in population structure</b>	<p>In Japan, the number of births will continue to decline over a long period of time and the population of infants and menstruating women will decline, too. In addition, a similar trend is seen in some countries and regions overseas where the Company engages in business. Through these changes in population dynamics, there is a possibility that demand for baby care and childcare products and feminine hygiene products, the core businesses of the Company, could decline in these countries and regions.</p> <p>Furthermore, the Company believes it must continue to strive to secure and develop the talented human resources required for the execution of business. Meanwhile, the difficulty of securing human resources is increasing as a result of the declining birthrate and aging population. If it cannot secure or develop human resources as planned, the Company's business activities could be impacted.</p>	<p>Under its mission of contributing to the realization of a cohesive society—an affluent society where all people live equally and freely, respect one another's humanity, and are kind to one another and emotionally connected—the Company aims for business activities that are less susceptible to the impacts of population dynamics. It achieves this by using well-balanced business development of its products and services in every country and region of the world, contributing to the satisfaction found in the enjoyment of life, where all consumers, from infants to seniors, and partner animals (pets) are liberated from various burdens, thereby supporting people to live independently and as they see fit through mutual aid. Additionally, the Company uses product strategy based on market growth stage in an effort to maintain and increase demand even with a declining target population, by diversifying its lineup and communicating the value of products.</p> <p>As one way to counter the declining working population, the Company is promoting the creation of workplace environments where diverse human resources, regardless of nationality, gender, age, or disability, can use their strengths to achieve a sense of purpose by playing an active role. Specifically, the Company provides opportunities for growth by creating a development plan based on individual career vision and career plans, allocating the right people to the right position, conducting quarterly evaluations, and offering rank-based training, with the aim of producing human resources who can identify and resolve issues on their own. To encourage employees to determine their own work styles and sense of purpose, the Company has introduced working from home, eliminated core hours, and increased the options to select where and when to work to achieve flexible work styles that elevate creativity and productivity. Furthermore, the Company is actively working to utilize senior citizens and to promote the empowerment of women.</p>
<b>Overseas business</b>	<p>The Company manufactures products in China, Indonesia, Thailand, India, the Middle East, and Brazil, among other countries. Business development overseas could involve considerable impacts on raw materials prices and equipment costs caused by fluctuations in exchange rates. There is also a possibility that major changes in markets could impact the Company's business activities or the value of its assets depending on the regulations, economic environment, and social and political conditions of each country and region. In addition, the balance sheets of overseas consolidated subsidiaries denominated in the currency of their respective country or region are converted to Japanese yen when preparing the consolidated financial statements. As a result, yen appreciation will have a negative impact on the Company's financial situation and management results.</p>	<p>In terms of international trading, the Company is working to secure stable export and import transactions and earnings by choosing shipment locations according to the situation, from the perspective of manufacturing base utilization and exchange rate-related profitability. In response to fluctuations in exchange rates, the Company strives to minimize risks by using hedging based on a comprehensive review of foreign currency transactions including raw materials procurement along with outstanding credits and liabilities. Also, to contribute to stable shareholder returns and the flow of internal funds, the Company actively uses dividends from overseas consolidated subsidiaries that have cash in excess of planned investments and is building a mechanism to curtail negative impacts on overseas assets when the yen is strong.</p>
<b>Raw materials price volatility</b>	<p>As a manufacturer, the Company directly faces the risk of fluctuations in the prices of raw materials. The Company purchases raw materials across borders from many different suppliers. In particular, raw materials such as pulp are procured from overseas suppliers typically using U.S. dollar transactions.</p> <p>Depending on exchange rate volatility, the cost of raw materials could increase significantly. Also, fluctuations in market prices for commodities such as oil, naphtha, and pulp, among others, could impact the prices of raw materials.</p>	<p>The Company analyzes trends in the prices of major raw materials, forecasts future prices, uses adjustment of purchasing, and regularly revises its cost projections to manage earnings. It also strives to purchase raw materials in a stable manner using a comprehensive perspective by continuously engaging suppliers locally and in countries with preferential tariffs to prepare for unforeseen situations that block imports and for curtailing the risk of fluctuations in import prices attributed to exchange rates. In addition, the Company prepares for large increases in raw materials expenses due to exchange rates using the foreign exchange hedging mentioned above in "Overseas business." It also conducts research to reduce the quantities of raw materials used and increase their functionality.</p>
<b>Environmental issues</b>	<p>Environmental issues are growing at a global level, including concerns about the depletion of resources, marine pollution caused by marine plastics, and the destruction of ecosystems. As a result, initiatives to conserve the environment and reduce environmental impact are underway around the world. For the Company, which manufactures disposable products such as disposable diapers and feminine hygiene products, manufacturing that is considerate of the environment is a critical issue that cannot be neglected. In addition, the Company strives to comply with environmental laws and regulations in Japan and overseas. If, however, the Company's management of waste is inappropriate and violates laws and regulations, it could face legal sanctions such as production restrictions and its social trust could be impacted.</p>	<p>As part of its recycling-oriented business model, the Company has implemented recycling projects for used disposable diapers since 2015. It has also successfully recycled pulp and super absorbent polymers (SAPs) as well as conducting demonstration tests on disposable diapers made from recycled pulp. Furthermore, it has set numerical targets for the environmental issues identified in Environmental Targets 2030 and the "Safeguarding the well-being of our planet" theme, a key initiative of Kyo-sei Life Vision 2030, announced in October 2020. The Company is formulating and implementing specific initiatives for achieving these objectives. In addition, it is stepping up efforts to facilitate environmental activities by establishing the Basic Environmental Policy as a part of the Unicharm Group Charter of Actions, and having all employees read them through together. The Company is now working to foster compliance with environmental laws and regulations by increasing employees' awareness of the environment.</p>

## Corporate Governance Initiatives

Risks	Details of Risks and Impacts on the Company	The Company's Main Response
<b>Climate change</b>	<p>The severity of impact caused by climate change continues to increase every year. The Paris Agreement represents an agreement to rein in increases in the worldwide average temperature, and, at the 26th Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26) held in November 2021, 1.5°C was set as the target for limiting global warming. The Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Services Board (FSB), has issued recommendations encouraging companies to disclose climate-related financial information. The need for information disclosure in Japan continues to increase as the shift to the Prime Market of the Tokyo Stock Exchange will call for disclosures that are in line with the recommendations of the TCFD.</p> <p>If mitigation of and adaptive measures for climate change such as reining in worldwide average temperature increases are not taken, we foresee such impacts as soaring prices of forest-derived raw materials, one of the main raw materials used in the Company's products, and major fluctuations in energy prices while significant consequences may be in store for Asia, a priority region for Unicharm. In addition, should the Company's initiatives to reduce CO<sub>2</sub> in order to curb temperature increases and its relevant disclosures prove to be inadequate, the Company's social trust could decline as a result.</p>	<p>To contribute to the Paris Agreement's 2°C scenario, in June 2018 the Company received certification for its carbon reduction plan up to 2045 from the Science Based Targets initiative (SBTi). Also, it has stated its endorsement of the TCFD's recommendations and is now reporting information following this framework.</p> <p>With the aim of realizing a "zero-carbon society in 2050," the president &amp; CEO is taking the lead in target setting and progress management and the Company aims for 100% of the electricity used to power its operations to come from renewable sources, as indicated in Kyo-sei Life Vision 2030, through the efforts of all employees. It is actively encouraging all stakeholders involved in the supply chain to ensure that emissions are reined in across the entire product life cycle.</p>
<b>Product reliability</b>	<p>As a manufacturer and seller of consumer products, the Company has not experienced the payment of large sums of compensation impacting management related to product quality or safety since it was founded. Nevertheless, if a serious problem involving quality or safety were to occur that could not be foreseen during the manufacture or sale of the products, the reliability of its products could decline greatly.</p>	<p>As many of our products come into direct contact with people's skin, we strive toward proper labeling for conveying correct information and improving product quality and safety so as to provide peace of mind to consumers. Also, products are checked for both quality and safety during all processes, from the procurement of raw materials to development, manufacturing, distribution, sales, and disposal after use, based not only on compliance with relevant laws and regulations but also our own in-house strict standards. If a complaint is made regarding one of its products, the Company has a system in place to swiftly identify the cause and address the matter to prevent a decline in the product's reliability, regardless of how big or small the complaint may be.</p>
<b>Legal compliance violations</b>	<p>If the Company or its employees violate laws or regulations in Japan or overseas—such as the Anti-monopoly Act, the Unfair Competition Prevention Act, or tax laws—and, for example, they are subject to formal sanctions for making unreasonable demands during a transaction or engaging in bribery to facilitate or expedite official procedures, the Company's performance or social trust could be impacted.</p>	<p>The Unicharm Group Charter of Actions contains the laws and regulations pertaining to the actions that should be taken into consideration by employees to fulfill the Company's pledge to all stakeholders as a way to improve awareness of compliance including the prevention of misconduct. The Company also conducts monitoring every year using an employee survey. An array of initiatives are also being carried out with the purpose of raising awareness about legal compliance and preventing the occurrence of compliance violations. These include training programs for new employees and employees assigned to work overseas based on a curriculum that covers compliance themes, compliance workshops tailored to directors and executive officers, and e-learning programs aimed at all employees featuring seminars on compliance-related topics. In this manner, the Company thoroughly promotes compliance with laws and regulations.</p>
<b>Intellectual property including patents and trademarks</b>	<p>If the Company's intellectual property rights are infringed upon in some way or another by a third party, the Company could incur large damage such as a loss of expected earnings. In contrast, if the Company unknowingly infringes upon the intellectual property rights of a third party, it may be forced to pay a large sum of damages or have its business activities restricted.</p>	<p>The Company takes a resolute stance including litigation in response to infringement of its intellectual property rights by third parties or unfair exercising of these rights. It will use close collaboration internally and coordination with the government of each country to stop products that violate its intellectual property rights and counterfeits. At the same time, it combines off-the-job training, on-the-job training, and e-learning in internal compliance training on patents, trademarks, and the Act against Unjustifiable Premiums and Misleading Representations to ensure the safeguarding and protection of intellectual properties of the Company and other parties.</p>
<b>Disasters and accidents</b>	<p>In order to minimize losses due to interruptions to manufacturing or sales caused by a major earthquake, large-scale natural disaster, fire, or accident, the Company has established a system that enables collaboration between manufacturing and distribution points and the swift restoration of IT systems and management functions pursuant to its BCP. Following a fire at a Company factory in India in June 2020, the BCP functioned to swiftly establish a supply system not only from other factories in India but also from factories in other countries, making it possible to minimize any downturn in sales due to the fire. The Company could, however, experience problems in sustaining manufacturing, securing raw materials, and providing a stable supply of products due to the occurrence of a disaster or accident that exceeds its predictions.</p>	<p>The BCP comprises the following: (1) basic requirements, (2) ensuring and confirming the safety of employees and their families, (3) specific measures for sustaining operations, (4) important matters to address together with business continuity, and (5) measures required to implement the BCP.</p> <p>Training exercises for (5) include evacuation drills using the example of an emergency situation based on various scenarios and are conducted regularly. In addition, in Japan, the Kyushu Factory was constructed and put into operation in 2019 in order to disperse risk and to be used as a substitute base.</p>
<b>Acquisitions, partnerships, business consolidation, etc.</b>	<p>The Company strives to pursue the maximization of corporate value, believing that it must always administer management resources efficiently. In the future, within this process, it could consider acquisitions of other businesses, investments in our partnerships with other companies, mergers and the elimination of businesses, and streamlining and spin-offs. After execution, however, market changes could occur or the results of these measures could fall below expectations, potentially causing losses due to falling prices of risk assets such as goodwill.</p>	<p>When considering acquisitions, partnerships, and business consolidation, the Company decides through the Board of Directors after fully confirming with relevant departments that the possibility of the impairment of goodwill and other fixed assets that are recorded is marginal, based on the gathering of sufficient information and the careful planning of future investment recovery plans. After execution, for target companies that fall short of the plan following the confirmation of risks of impairment after judging the impairment outlook in a timely manner, the Company analyzes these factors and reviews the business plan as needed, in an effort to ensure the recoverability of planned profits.</p>
<b>Information leaks</b>	<p>The Company retains a large amount of information, including personal information obtained pursuant to agreements with business partners such as customers and to confidentiality agreements, not just information generated internally. If some form of information leak were to occur, the Company could be held legally responsible for information management or lose the trust of its customers.</p>	<p>The Company has established the Information Security Policy and Information Management Security Rules. Personal information that it obtains is managed rigorously according to the Personal Information Protection Regulations and Specified Personal Information Handling Regulations and efforts are made to prevent leakage. To ensure the rigorous implementation of regulations, the Company has established the Information Management Security Committee, which continuously implements employee training and monitoring along with information management security measures covering the entire Group.</p> <p>As physical countermeasures to prevent information leaks associated with the loss or theft of devices, the Company uses computers that cannot store data and a complete cloud environment where data and systems can only be used via a server.</p> <p>As countermeasures against external cyberattacks on our websites, we work closely with external experts to implement various security measures, including building the most appropriate servers, preventing phishing and viruses, ensuring proper password and ID management, and installing and monitoring by means of security devices.</p> <p>In addition, we have included information in the Groupwide Crisis Communication Manual to ensure that we respond promptly to identify a situation and minimize impacts during an incident, such as an information leak.</p>



## 05

# Financial and Non-Financial Data

- 88 Key Financial and Non-Financial Data for the Last 10 Years
- 90 Consolidated Statement of Financial Position
- 91 Consolidated Statement of Income / Consolidated Statement of Comprehensive Income
- 92 Consolidated Statement of Changes in Equity
- 93 Consolidated Statement of Cash Flows
- 94 Publication of *Integrated Report 2023*
  - 95 Editorial Policy / About the Cover / Information Disclosure System
- 96 External Evaluations
- 97 Overview of the Unicharm Group

## Key Financial and Non-Financial Data for the Last 10 Years

	FY2013 (JGAAP)	FY2014 (JGAAP)* <sub>2</sub>	FY2015 (JGAAP)
<b>For the Fiscal Period:</b>			
Net sales	599,455	553,661	738,707
Overseas sales to net sales ratio	57.7%	64.4%	61.4%
Cost of sales	331,807	308,421	406,521
Gross profit	267,648	245,240	332,186
Selling, general and administrative expenses	200,407	183,892	252,250
Operating income/Core operating income* <sub>5</sub> (IFRS)	67,240	61,347	79,934
Current profit/Profit attributable to owners of parent (IFRS)	38,216	32,731	40,511
Earnings per share/Basic earnings per share* <sub>1</sub> (IFRS) (Yen)	64.10	54.33	67.55
Annual cash dividends per share* <sub>1</sub> (Yen)	12.67	12.73	14.80
Consolidated dividend payout ratio	19.8%	23.4%	21.9%
Cash flows from operating activities	95,659	68,892	85,009
Cash flows from investing activities	(58,220)	(36,741)	(68,166)
Free cash flow	37,439	32,151	16,843
Capital expenditures	51,908	41,756	47,993
Depreciation* <sub>3</sub>	22,101	20,393	27,343
Amortization of goodwill	9,203	3,769	4,640
Research and development expenses	5,265	4,248	5,993
<b>Fiscal Year-End:</b>			
Total assets/Total assets (IFRS)	620,419	699,108	702,601
Property, plant and equipment	204,417	240,082	247,808
Current portion of long-term debt/Corporate bonds and borrowings (IFRS)	21,000	5,420	10,757
Net assets/Total equity (IFRS)	432,152	492,844	451,091
Equity ratio/Ratio of equity attributable to owners of parent (IFRS)	60.3%	60.0%	55.1%
Number of employees (Persons)	12,795	13,901	15,500
Japan (Persons)	2,994	2,994	2,974
Overseas (Persons)	9,801	10,907	12,526
<b>Performance Indicators:</b>			
Operating profit margin/Core operating income ratio (IFRS)	11.2%	11.1%	10.8%
Profit margin/Profit attributable to owners of parent ratio (IFRS)	6.4%	5.9%	5.5%
Gross profit percentage	44.6%	44.3%	45.0%
SG&A ratio	33.4%	33.2%	34.1%
ROE: Return on equity/Return on equity attributable to owners of parent (IFRS)	11.5%	8.2%	10.0%
ROA: Return on assets/Total profit margin before tax on assets (IFRS)	11.8%	9.9%	10.2%
<b>Business Segments:</b>			
Personal Care Business	515,253	486,960	647,573
Partner Animal (Pet) Care Business	78,672	62,564	85,624
Other Businesses	5,530	4,136	5,508
<b>Geographical Regions:</b>			
Japan	255,767	198,745	287,135
Asia	256,253	272,904	341,240
Other regions	87,435	82,011	110,331
<b>Non-Financial Indicators:</b>			
CO <sub>2</sub> emissions intensity* <sub>6</sub> (tons per millions of yen)	0.70	0.69	0.94
Recycling rate of industrial waste at four main plants in Japan* <sub>7</sub>	99.4%	99.5%	99.5%
Ratio of traceable forest-derived raw materials* <sub>8</sub>	—	—	82.0%
Ratio of traceable palm oil	—	—	—

Note: JGAAP amounts have been truncated and IFRS amounts have been rounded off.

\*<sub>1</sub> The Company conducted 1-for-3 stock splits on October 1, 2010 and on October 1, 2014.

Per-share data has been adjusted retroactively to reflect the impact of the stock splits.

\*<sub>2</sub> Fiscal 2014 was a nine-month transitional period due to a change in the accounting period.

\*<sub>3</sub> Depreciation includes amortization of goodwill.

\*<sub>4</sub> Unicharm adopted IFRS starting fiscal 2017 (ended December 31, 2017).

\*<sub>5</sub> Core operating income refers to gross profit after deducting sales, general and administrative expenses.

(Millions of Yen)

FY2016 (JGAAP)	FY2016 (IFRS)*4	FY2017 (IFRS)*4	FY2018 (IFRS)*4	FY2019 (IFRS)*4	FY2020 (IFRS)*4	FY2021 (IFRS)*4	FY2022 (IFRS)*4
710,965	604,653	641,647	688,290	714,233	727,475	782,723	<b>898,022</b>
57.7%	58.4%	58.9%	59.8%	62.1%	60.5%	62.9%	<b>66.3%</b>
376,510	376,842	393,101	423,005	447,495	434,866	469,078	<b>569,422</b>
334,455	227,811	248,546	265,285	266,738	292,609	313,645	<b>328,600</b>
256,178	148,695	161,707	170,178	176,959	177,865	191,162	<b>209,034</b>
78,277	79,116	86,838	95,107	89,779	114,744	122,482	<b>119,566</b>
44,134	46,971	52,772	61,353	46,116	52,344	72,745	<b>67,608</b>
74.29	79.06	89.85	103.73	77.53	87.60	121.78	<b>113.61</b>
16.00	16.00	20.00	24.00	28.00	32.00	36.00	<b>38.00</b>
21.5%	20.2%	22.3%	23.1%	36.1%	36.5%	29.6%	<b>33.4%</b>
103,604	103,604	98,086	110,867	84,936	150,254	105,253	<b>92,216</b>
(42,612)	(42,612)	(38,778)	(113,400)	(69,235)	(41,698)	(79,837)	<b>(7,145)</b>
60,992	60,992	59,308	(2,533)	15,701	108,556	25,416	<b>85,071</b>
39,436	39,437	33,397	73,688	56,022	39,632	36,552	<b>42,627</b>
26,750	27,598	29,345	30,353	38,676	36,165	37,926	<b>41,486</b>
4,519	—	—	—	—	—	—	<b>—</b>
6,070	6,071	6,554	6,621	7,584	7,808	8,184	<b>8,270</b>
711,541	668,592	736,644	795,483	864,003	893,413	987,655	<b>1,049,218</b>
244,325	236,629	228,521	240,628	284,105	258,814	271,689	<b>271,662</b>
12,084	61,190	58,000	21,428	27,601	24,202	4,432	<b>16,235</b>
449,974	414,387	453,029	503,670	542,900	562,653	635,438	<b>708,613</b>
54.4%	52.7%	52.6%	55.5%	54.8%	55.2%	56.5%	<b>59.0%</b>
15,843	15,843	15,757	16,207	16,304	16,665	16,308	<b>16,206</b>
3,001	3,001	3,109	3,200	3,244	3,307	3,298	<b>3,257</b>
12,842	12,842	12,648	13,007	13,060	13,358	13,010	<b>12,949</b>
11.0%	13.1%	13.5%	13.8%	12.6%	15.8%	15.6%	<b>13.3%</b>
6.2%	7.8%	8.2%	8.9%	6.5%	7.2%	9.3%	<b>7.5%</b>
47.0%	37.7%	38.7%	38.5%	37.3%	40.2%	40.1%	<b>36.6%</b>
36.0%	24.6%	25.2%	24.7%	24.8%	24.4%	24.4%	<b>23.3%</b>
11.4%	13.4%	14.3%	14.8%	10.1%	10.8%	13.8%	<b>11.5%</b>
10.2%	11.4%	13.2%	12.0%	8.4%	10.9%	13.0%	<b>11.4%</b>
619,047	523,116	555,388	599,290	620,742	624,758	672,039	<b>764,908</b>
85,756	75,390	79,847	82,073	86,977	95,693	104,541	<b>125,312</b>
6,161	6,147	6,412	6,927	6,514	7,024	6,143	<b>7,802</b>
302,851	253,544	266,010	279,589	273,773	292,380	294,853	<b>307,631</b>
305,099	254,372	275,311	302,866	329,934	323,147	363,719	<b>428,272</b>
103,014	96,736	100,326	105,835	110,526	111,947	124,151	<b>162,118</b>
0.97	0.97	0.86	0.82	0.84	0.81	0.72	<b>0.63</b>
99.5%	99.5%	99.5%	99.4%	99.3%	99.6%	99.5%	<b>99.3%</b>
83.0%	83.0%	88.8%	91.3%	95.0%	94.3%	97.0%	<b>97.1%</b>
—	—	—	2.0%	30.7%	85.9%	77.2%	<b>72.2%</b>

\*6 CO<sub>2</sub> emissions intensity is calculated as CO<sub>2</sub> emissions (tons) per unit of sales (millions of yen).

The Company has steadily expanded the number of countries where it calculates CO<sub>2</sub> emissions.

(The scope of data collection included 19 of our 41 factories in fiscal 2013 and 2014, 28 in fiscal 2015, 30 in fiscal 2016, 31 in fiscal 2017, 34 in fiscal 2018 and 2019, and has included all 41 since fiscal 2020.)

\*7 Through fiscal 2018, the recycling rate reflected the three main plants in Japan.

\*8 The ratio of traceable forest-derived raw materials for fiscal 2016 is for Japan only. Forest-derived raw materials include pulp, tissue, separators, and airlaid pulp.

# Consolidated Statement of Financial Position

(Millions of Yen)

	Fiscal Year Ended December 31, 2021 (As of December 31, 2021)	Fiscal Year Ended December 31, 2022 (As of December 31, 2022)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	187,547	217,153
Trade and other receivables	129,367	152,971
Inventories	89,811	117,590
Other current financial assets	119,752	90,450
Other current assets	21,266	25,592
<b>Total current assets</b>	<b>547,743</b>	<b>603,756</b>
<b>Non-current assets</b>		
Property, plant and equipment	271,689	271,662
Intangible assets	85,407	90,523
Deferred tax assets	13,911	14,860
Investments accounted for using equity method	1,029	597
Other non-current financial assets	65,789	65,753
Other non-current assets	2,086	2,067
<b>Total non-current assets</b>	<b>439,912</b>	<b>445,462</b>
<b>Total assets</b>	<b>987,655</b>	<b>1,049,218</b>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	167,241	171,035
Borrowings	33,882	10,787
Income tax payables	13,639	14,600
Other current financial liabilities	5,455	6,645
Other current liabilities	54,233	53,596
<b>Total current liabilities</b>	<b>274,450</b>	<b>256,663</b>
<b>Non-current liabilities</b>		
Borrowings	4,432	16,235
Deferred tax liabilities	24,285	24,940
Retirement benefit liabilities	11,973	12,687
Other non-current financial liabilities	32,727	24,934
Other non-current liabilities	4,349	5,146
<b>Total non-current liabilities</b>	<b>77,767</b>	<b>83,942</b>
<b>Total liabilities</b>	<b>352,217</b>	<b>340,605</b>
<b>Equity</b>		
<b>Equity attributable to owners of parent</b>		
Capital stock	15,993	15,993
Share premium	14,801	15,209
Retained earnings	599,946	644,859
Treasury shares	(68,646)	(83,699)
Other components of equity	(4,454)	26,521
<b>Total equity attributable to owners of parent</b>	<b>557,639</b>	<b>618,883</b>
<b>Non-controlling interests</b>	<b>77,799</b>	<b>89,730</b>
<b>Total equity</b>	<b>635,438</b>	<b>708,613</b>
<b>Total liabilities and equity</b>	<b>987,655</b>	<b>1,049,218</b>

## Consolidated Statement of Income

(Millions of Yen)

	Fiscal Year Ended December 31, 2021 (January 1, 2021– December 31, 2021)	Fiscal Year Ended December 31, 2022 (January 1, 2022– December 31, 2022)
Net sales	782,723	<b>898,022</b>
Cost of sales	(469,078)	<b>(569,422)</b>
<b>Gross profit</b>	313,645	<b>328,600</b>
Selling, general and administrative expenses	(191,162)	<b>(209,034)</b>
Other income	3,235	<b>3,052</b>
Other expenses	(7,445)	<b>(7,395)</b>
Financial income	5,211	<b>4,628</b>
Financial costs	(1,507)	<b>(4,143)</b>
<b>Profit before tax</b>	121,977	<b>115,708</b>
Income tax expenses	(38,372)	<b>(37,333)</b>
<b>Profit for the period</b>	83,605	<b>78,375</b>
<b>Profit attributable to</b>		
Owners of parent	72,745	<b>67,608</b>
Non-controlling interests	10,860	<b>10,767</b>
<b>Profit for the period</b>	83,605	<b>78,375</b>
<b>Earnings per share attributable to owners of parent</b>		
Basic earnings per share (Yen)	121.78	<b>113.61</b>
Diluted earnings per share (Yen)	121.69	<b>113.59</b>

## Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Fiscal Year Ended December 31, 2021 (January 1, 2021– December 31, 2021)	Fiscal Year Ended December 31, 2022 (January 1, 2022– December 31, 2022)
<b>Profit for the period</b>	83,605	<b>78,375</b>
<b>Other comprehensive income, net of tax</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Net changes in equity instruments measured at fair value through other comprehensive income	(4,108)	<b>(2,191)</b>
Remeasurements related to net defined benefit liabilities (assets)	316	<b>81</b>
Subtotal	(3,792)	<b>(2,109)</b>
<b>Items that may be reclassified to profit or loss</b>		
Net changes in debt instruments measured at fair value through other comprehensive income	(19)	<b>(16)</b>
Changes in fair value of cash flow hedges	25	<b>(25)</b>
Exchange differences on translation in foreign operations	35,729	<b>38,399</b>
Share of other comprehensive income of investments accounted for using equity method	13	<b>7</b>
Subtotal	35,748	<b>38,365</b>
Total other comprehensive income, net of tax	31,956	<b>36,256</b>
<b>Total comprehensive income</b>	115,560	<b>114,631</b>
<b>Total comprehensive income attributable to</b>		
Owners of parent	97,670	<b>98,094</b>
Non-controlling interests	17,890	<b>16,537</b>
<b>Total comprehensive income</b>	115,560	<b>114,631</b>

## Consolidated Statement of Changes in Equity

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

(Millions of Yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
<b>Balance as of January 1, 2021</b>	15,993	13,208	547,259	(54,572)	(28,886)	493,002	69,651	562,653
Profit for the period	—	—	72,745	—	—	72,745	10,860	83,605
Other comprehensive income	—	—	—	—	24,925	24,925	7,031	31,956
Total comprehensive income	—	—	72,745	—	24,925	97,670	17,890	115,560
Purchase of treasury shares	—	—	—	(16,001)	—	(16,001)	—	(16,001)
Disposal of treasury shares	—	360	—	1,784	(244)	1,900	—	1,900
Dividends	—	—	(20,308)	—	—	(20,308)	(9,659)	(29,967)
Change in scope of consolidation	—	—	—	—	—	—	48	48
Share-based payment transactions	—	1,232	—	144	—	1,376	—	1,376
Transfer from other components of equity to retained earnings	—	—	250	—	(250)	—	—	—
Other	—	—	—	—	—	—	(132)	(132)
Total transactions with owners	—	1,592	(20,058)	(14,073)	(494)	(33,033)	(9,742)	(42,775)
<b>Balance as of December 31, 2021</b>	<b>15,993</b>	<b>14,801</b>	<b>599,946</b>	<b>(68,646)</b>	<b>(4,454)</b>	<b>557,639</b>	<b>77,799</b>	<b>635,438</b>

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

(Millions of Yen)

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

## Consolidated Statement of Cash Flows

(Millions of Yen)

	Fiscal Year Ended December 31, 2021 (January 1, 2021– December 31, 2021)	Fiscal Year Ended December 31, 2022 (January 1, 2022– December 31, 2022)
<b>Cash flows from operating activities</b>		
Profit before tax	121,977	115,708
Depreciation and amortization expenses	37,926	41,486
Impairment losses	4,757	4,312
Interest and dividend income	(3,592)	(4,577)
Interest expenses	1,276	2,462
Foreign exchange loss (gain)	1,154	3,065
Loss (gain) on sale and retirement of fixed assets	(18)	653
Decrease (increase) in trade and other receivables	(4,718)	(22,910)
Decrease (increase) in inventories	(23,153)	(22,474)
Increase (decrease) in trade and other payables	14,182	(1,265)
Increase (decrease) in other current liabilities	(5,374)	(5,624)
Increase (decrease) in other non-current assets	415	10,099
Other, net	(5,759)	6,242
Subtotal	139,073	127,177
Interest and dividends received	4,286	4,769
Interest paid	(1,332)	(2,327)
Income taxes refund	2,082	164
Income taxes paid	(38,856)	(37,567)
Net cash provided by (used in) operating activities	105,253	92,216
<b>Cash flows from investing activities</b>		
Payments into time deposits	(51,454)	(72,673)
Proceeds from withdrawal of time deposits	47,376	111,679
Purchase of property, plant and equipment, and intangible assets	(34,671)	(32,950)
Proceeds from sale of property, plant and equipment, and intangible assets	769	38
Long-term loan advances	(21)	(2,875)
Purchase of financial assets measured at amortized cost	(8,330)	(6,766)
Purchase of financial assets measured at fair value through profit or loss	(13,000)	(18,000)
Purchase of equity instruments measured at fair value through other comprehensive income	(13,191)	(642)
Purchase of debt instruments measured at fair value through other comprehensive income	(12,673)	(2,118)
Proceeds from sale and redemption of financial assets measured at amortized cost	—	1,000
Proceeds from sale and redemption of financial assets measured at fair value through profit or loss	5,000	12,100
Proceeds from sale and redemption of equity instruments measured at fair value through other comprehensive income	37	30
Proceeds from sale and redemption of debt instruments measured at fair value through other comprehensive income	400	4,000
Purchase of shares of subsidiaries and associates	(318)	—
Proceeds from sale of shares of subsidiaries and associates	213	—
Other, net	26	34
Cash flows from investing activities	(79,837)	(7,145)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	7,115	4,481
Proceeds from long-term borrowings	—	4,032
Repayments of long-term borrowings	(3,000)	(20,507)
Repayments of lease liabilities	(5,235)	(5,641)
Payments for purchase of treasury shares	(16,001)	(17,001)
Dividends paid to owners of parent	(20,301)	(22,053)
Dividends paid to non-controlling interests	(9,659)	(9,743)
Proceeds from share issuance to non-controlling interests	—	2,870
Proceeds from exercise of employee share options	1,900	1,909
Cash flows from financing activities	(45,180)	(61,652)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	7,789	6,186
<b>Net increase (decrease) in cash and cash equivalents</b>	(11,975)	29,606
<b>Cash and cash equivalents at beginning of period</b>	199,522	187,547
<b>Cash and cash equivalents at end of period</b>	187,547	217,153

## Publication of *Integrated Report 2023*



Unicharm has defined its purpose as contributing to the achievement of the Sustainable Development Goals (SDGs). To that end, the Company aims to contribute to local communities by addressing environmental and social issues through the sustainable growth of its businesses. Framing this purpose more specifically in terms of achieving our desirable future of a cohesive society, we used backcasting to formulate medium- to long-term environmental, social, and governance (ESG) goals and Kyo-sei Life Vision 2030, which we are promoting in concert with the 11th Medium-Term Management Plan.

With a focus on the contents and progress of the targets and initiatives set forth in Kyo-sei Life Vision 2030 and the 11th Medium-Term Management Plan, *Integrated Report 2023* presents our value creation process, key strategies, and financial and non-financial information, such as ESG-related information, in a detailed and easy-to-understand manner to give stakeholders a better understanding of our current situation. In particular, on the topic of human resources (human capital)—the source of our value creation—the report describes in detail our Groupwide training programs and efforts to become an organization that makes the best use of our human resources. Presenting the activities of employees, Unicharm's human resources, in their own words gives readers a sense of the Company's sustainability. Such accounts are designed to show readers that Unicharm is developing the next generation of human resources to lead the Company into the future under an organizational climate, culture, and system that continuously develops human resources who will open new avenues going forward.

*Integrated Report 2023* was produced with the cooperation of a wide range of departments within the Company from both financial and non-financial perspectives, led by the ESG Promotion Department. In my capacity as the executive officer in charge of ESG matters with responsibility for compiling the report, I have confirmed the validity of the compilation process and the contents thereof. I hope the report will serve to strengthen dialogue with all of our stakeholders, including shareholders and investors, by communicating how we address social issues and seek to continuously improve our corporate value while contributing to society. We welcome your candid opinions and requests regarding the report.

Going forward, we expect unpredictable conditions, such as soaring raw materials prices, accelerating inflation, and global financial instability, to persist in the external environment. Despite these challenges, we will contribute to the creation of a sustainable society and achieve growth over the medium to long term by steadily promoting efforts to address environmental and social issues.

### **Kenji Ueda**

Executive Officer and General Manager of ESG Division  
(Executive officer in charge of ESG matters with responsibility for compiling *Integrated Report 2023*)



## Editorial Policy

In compiling *Integrated Report 2023*, we referred to the International Integrated Reporting Framework\* of the International Financial Reporting Standards Foundation (IFRS Foundation), the Guidance for Collaborative Value Creation 2.0 issued by Japan's Ministry of Economy, Trade and Industry, and other guidelines.

Environment  
Social  
Governance

Guidance for  
Collaborative  
Value Creation

\* This framework was published by Value Reporting Foundation (VRF), which was formed by the merger of the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB). The VRF has now consolidated into the IFRS Foundation.

## Period and Scope of Coverage

**Period of coverage:** Fiscal 2022 (January 1, 2022 to December 31, 2022). However, the report also covers information on activities held prior to and after this period, in addition to future targets.

**Scope of coverage:** Primarily Unicharm Group companies (Unicharm Corporation and consolidated subsidiaries in Japan and overseas). However, the report also covers information on certain non-consolidated subsidiaries and affiliated companies. Moreover, in this report, "Unicharm" and "the Company" refer to the Unicharm Group. Company names are listed individually when there is a need to specify the scope.

## Caution Regarding Forward-Looking Statements

In addition to factual information on the Unicharm Group's past and present performance and business activities, *Integrated Report 2023* includes forward-looking statements on strategies, plans, results, and other matters. These statements have been prepared based on information available as of the time of writing. Please be aware that, due to a variety of factors, our actual business performance and activity results may differ significantly from the information presented in this report.

## About the Cover

 **Paralym Art**<sup>®</sup>  
障がい者アートを応援しています



As a company that helps ensure the mental and physical well-being of each consumer, Unicharm aims to contribute to the realization of a cohesive society in which people of all ages can live their lives together in the way that they wish. To help further this objective, we support Paralym Art in their efforts to foster social participation and financial independence. Accordingly, we have used artwork created by artists with disabilities on the covers of our integrated and sustainability reports. Unicharm has supported Paralym Art since 2016, and 2023 marks the eighth year of this partnership.

**Title:** Spring

**Artist:** KOTO

"In *Spring*, I used the warmth of colored pencils to depict the flowers and fruits of the season and various creatures coming to life. I hope that this picture puts those who look at it into a spring-like mood of softness and warmth."

## Information Disclosure System

### Investor Relations

#### Investor Relations

<https://www.unicharm.co.jp/en/ir.html>

#### Annual Securities report

<https://www.unicharm.co.jp/en/ir/library/securities.html>

#### Presentation Materials for Investors

<https://www.unicharm.co.jp/en/ir/library/investors.html>

### Integrated Report

<https://www.unicharm.co.jp/en/ir/report.html>

### ESG / Sustainability

#### Sustainability

<https://www.unicharm.co.jp/en/csr-eco.html>

Kyo-sei Life Vision 2030 <https://www2.unicharm.co.jp/english/csr/kyoseilifevision/index.html>

GRI Standards Comparison Table <https://www.unicharm.co.jp/en/csr-eco/gri.html>  
SASB Content Index <https://www.unicharm.co.jp/en/csr-eco/sasb.html>

#### Sustainability Report

<https://www.unicharm.co.jp/en/csr-eco/report.html>

#### Corporate Governance Report

<https://www.unicharm.co.jp/en/company/corporate-governance.html>



















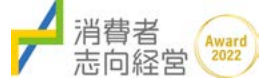
## External Evaluations

Unicharm has been included as a constituent of indexes of Japanese stocks\* selected and adopted by the Government Pension Investment Fund (as of March 31, 2023).

The Company will continue working to exercise appropriate business management and endeavoring to communicate highly transparent information on the outcomes of its business activities to ensure its consistent inclusion in major environmental, social, and governance (ESG) indexes. Through these efforts, we will strive to achieve the sustainable growth in our corporate value that all our stakeholders expect.

### Inclusion in ESG Indexes and Evaluations (As of March 31, 2023)

\* ◆ indicates the relevant indexes

<p>◆ FTSE4Good Index Series</p>  <p>FTSE4Good</p>	<p>An index developed by FTSE Russell that selects companies that demonstrate specific ESG practices  <a href="https://www.ftserussell.com/products/indices/ftse4good">https://www.ftserussell.com/products/indices/ftse4good</a></p>	<p>◆ CDP 2022 Supplier Engagement Leader</p> 	<p>Companies responding to the CDP climate change questionnaire that have achieved the highest Supplier Engagement Rating scores are recognized as supplier engagement leaders.</p>
<p>◆ FTSE Blossom Japan Index</p>  <p>FTSE Blossom Japan</p>	<p>An index developed by FTSE Russell that selects Japanese companies that demonstrate specific ESG practices  <a href="https://www.ftserussell.com/products/indices/blossom-japan">https://www.ftserussell.com/products/indices/blossom-japan</a></p>	<p>◆ SOMPO Sustainability Index</p>  <p>Sompo Sustainability Index</p>	<p>An index operated by Sompo Asset Management Co., Ltd. that selects approximately 300 Japanese companies with consistently strong ESG practices for use in its SOMPO Sustainable Management investment product</p>
<p>◆ FTSE Blossom Japan Sector Relative Index</p>  <p>FTSE Blossom Japan Sector Relative Index</p>	<p>A new index developed by FTSE Russell in March 2022 that selects Japanese companies based on their ESG ratings, giving particular weight to the climate governance and climate change efforts of those with high greenhouse gas emissions  <a href="https://www.ftserussell.com/products/indices/blossom-japan">https://www.ftserussell.com/products/indices/blossom-japan</a></p>	<p>◆ JPX-Nikkei Index 400</p>  <p>JPX-NIKKEI 400</p>	<p>Comprising companies with high appeal for investors that meet requirements of global investment standards, such as efficient use of capital and investor-focused management perspectives, this stock price index was developed to promote Japanese companies both in Japan and overseas and invigorate the stock market.</p>
<p>FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Unicharm Corporation has been independently assessed, and has satisfied the requirements to become a constituent member of the FTSE4Good Index Series, the FTSE Blossom Japan Index, and the FTSE Blossom Japan Sector Relative Index. Created by the global index provider FTSE Russell, these indices were designed to measure the performance of companies demonstrating strong environmental, social, and governance practices, and are used by a wide variety of market participants to create and assess responsible investment funds and other financial products.</p>			
<p>◆ MSCI ESG Leaders Indexes</p> 	<p>Indexes created by MSCI Inc. of the United States that select companies with high ESG ratings  <a href="https://www.msci.com/msci-esg-leaders-indexes">https://www.msci.com/msci-esg-leaders-indexes</a></p>	<p>◆ ESG Finance Awards Japan</p> 	<p>Unicharm was selected as an Environmentally Sustainable Company in the Fourth ESG Finance Awards, sponsored by the Ministry of the Environment. As well as assessing and recognizing investors, institutional investors, and other entities that have engaged proactively in ESG finance and green projects and made outstanding social and environmental impacts, these awards also assess and recognize companies that have incorporated key environment-related opportunities and risks into their management strategies both to enhance corporate value and achieve positive outcomes for the environment.</p>
<p>◆ MSCI Japan ESG Select Leaders Index</p> 	<p>An index that selects Japanese companies with relatively high ESG ratings within their respective industries  <a href="https://www.msci.com/documents/10199/5c0017c6-3dd9-41a5-ac67-a8ffa1356121">https://www.msci.com/documents/10199/5c0017c6-3dd9-41a5-ac67-a8ffa1356121</a></p>	<p>◆ DX-Certified Operator</p> 	<p>Under this program, the Ministry of the Environment certifies companies that are ready to promote digital transformation (DX) and that have a vision and systems in place for realizing society transformation through digital technology. Unicharm achieved its status as a DX-Certified Operator in 2022.</p>
<p>◆ MSCI Japan Empowering Women Index (WIN)</p> 	<p>An index that selects Japanese companies with high gender diversity scores and that promote women's participation and advancement  <a href="https://www.msci.com/eqb/methodology/methods/MSCI_Japan_Empowering_Women_Index_Methodology_Apr2018.pdf">https://www.msci.com/eqb/methodology/methods/MSCI_Japan_Empowering_Women_Index_Methodology_Apr2018.pdf</a></p>	<p>◆ Sports Yell Company 2023</p> 	<p>The Japan Sports Agency awards this title to companies that proactively support and encourage sports activities to promote the health of employees.</p>
<p>The inclusion of Unicharm Corporation in any MSCI index, and the use of MSCI logos, trademarks, service marks, or index names herein, does not constitute a sponsorship, endorsement, or promotion of Unicharm Corporation by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.</p>			
<p>◆ S&amp;P/JPX Carbon Efficient Index</p> 	<p>Developed by S&amp;P Dow Jones Indices and Japan Exchange Group, Inc. the S&amp;P/JPX Carbon Efficient Index measures the performance of companies in the Tokyo Stock Price Index, overweighting or underweighting companies based on their disclosure of environmental information and their carbon efficiency (carbon emissions per unit of revenue).</p>	<p>◆ 2023 Certified Health &amp; Productivity Management Outstanding Organizations Recognition Program (Large Enterprise Category)</p> 	<p>The Ministry of Economy, Trade and Industry and NIPPON KENKO KAIGI certifies companies that practice excellent health and productivity management.</p>
<p>◆ Bloomberg Gender-Equality Index (GEI)</p> 	<p>An index by Bloomberg L.P. of the United States that selects companies committed to information disclosure on gender and to efforts to achieve gender equality</p>	<p>◆ Human Capital Leaders 2022</p> 	<p>These comprise companies with outstanding human capital management initiatives and information disclosure selected from the 500 enterprises that responded to the Human Capital Survey 2022 conducted jointly by HR Research Institute, HR Technology Consortium, and MS&amp;AD InterRisk Research &amp; Consulting, Inc. between October 7, 2022, and December 2, 2022.</p>
<p>◆ CDP</p> 	<p>Ratings by CDP, an international not-for-profit charity that strives to create sustainable societies by conducting questionnaires and disclosing information on the environment for investors, companies, cities, states, and regions.</p>	<p>◆ 4th Platinum Career Awards</p> 	<p>Unicharm received the Excellence Award at the 4th Platinum Career Awards sponsored by Mitsubishi Research Institute's Initiative for Co-creating the Future. The Platinum Career Awards recognize companies that support the development of "platinum careers" that allow employees to learn autonomously and refine and use their skills in their own careers while addressing social issues.</p>
<p>◆ Awards for Good Practices of Consumer-Oriented Management</p> 			
<p>Unicharm received the Minister of State's Commendation Award at the 2022 Awards for Good Practices of Consumer-Oriented Management in recognition of its development of Unicharm Face Visible Mask and MamyPoko Extra Dry Protect and its horizontal recycling initiatives for disposable diapers.</p>			

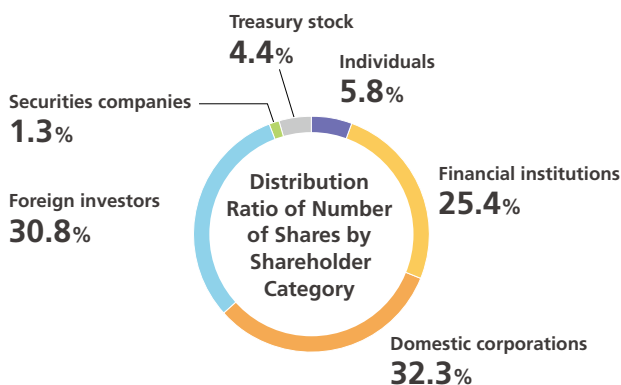
## Overview of the Unicharm Group

### Company Profile (As of December 31, 2022)

<b>Corporate Name</b>	Unicharm Corporation
<b>Date of Establishment</b>	February 10, 1961
<b>Capital</b>	¥15,993 million
<b>Head Office</b>	Sumitomo Fudosan Mita Twin Bldg. West Wing, 3-5-27, Mita, Minato-ku, Tokyo, Japan (until June 2023) Sumitomo Fudosan Tokyo Mita Garden Tower, 3-5-19, Mita, Minato-ku, Tokyo (from July 2023)
<b>Registered Company Office</b>	182 Shimobun, Kinsei-cho, Shikokuchuo-City, Ehime, Japan
<b>Number of Employees</b>	16,206 (on a consolidated basis)
<b>Major Business Lines</b>	Wellness care products Partner animal (pet) care products Feminine care products Baby care and childcare products <i>Kirei</i> care products Commercial-use food packaging materials
<b>URL</b>	<a href="https://www.unicharm.co.jp/en/home.html">https://www.unicharm.co.jp/en/home.html</a>

### Stock Information (As of December 31, 2022)

<b>Listed Stock Exchange</b>	Prime Market of the Tokyo Stock Exchange
<b>Securities Code</b>	8113
<b>Total Number of Stocks Authorized</b>	827,779,092
<b>Total Number of Stocks Issued</b>	620,834,319 (including 27,560,827 shares of treasury stock)
<b>Transfer Agent</b>	Mitsubishi UFJ Trust and Banking Corporation
<b>Independent Auditor</b>	PricewaterhouseCoopers Aarata LLC KPMG AZSA LLC replaced PricewaterhouseCoopers Aarata LLC on March 24, 2023 following the conclusion of the latter's term of office.
<b>Total Number of Shareholders</b>	32,220 people



### Primary Consolidated Subsidiaries and Affiliates (As of December 31, 2022)

<b>Japan</b>	Unicharm Products Co., Ltd. Unicharm Kokko Nonwoven Co., Ltd. Cosmotec Corporation Uni-charm Mölnlycke K.K. Unicare Corporation Peparlet Co., Ltd.
<b>Asia (Excluding Japan)</b>	United Charm Co., Ltd. Uni-Charm (Thailand) Co., Ltd. LG-Unicharm Co., Ltd. Unicharm Consumer Products (China) Co., Ltd. PT. UNI-CHARM INDONESIA Tbk Uni-Charm Corporation Sdn. Bhd. Unicharm India Private Limited Diana Unicharm Joint Stock Company DSG International (Thailand) Public Co., Ltd.
<b>Others</b>	Uni.Charm Mölnlycke B.V. Unicharm Gulf Hygienic Industries Co. Ltd. Unicharm Australasia Holding Pty Ltd. The Hartz Mountain Corporation
<b>Total</b>	51 subsidiaries and affiliates

### Major Shareholders

Shareholder Name	No. of Shares Held (Thousands of Shares)	Ratio of Shareholding (%)
UNITEC CORPORATION	154,957	26.1
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	69,585	11.7
TAKAHARA FUND LTD	28,080	4.7
CUSTODY BANK OF JAPAN LTD. (TRUST ACCOUNT)	24,743	4.2
THE IYO BANK, LTD	15,300	2.6
NIPPON LIFE INSURANCE COMPANY	12,189	2.1
THE MASTER TRUST BANK OF JAPAN, LTD. (RETIREMENT BENEFIT ACCOUNT TRUST / HIROSHIMA BANK ACCOUNT)	12,101	2.0
BNYMSANV RE MIL RE FIRST SENTIER INVESTORS ICVC-STEWART INVESTORS ASIA	10,893	1.8
PACIFIC LEADERS SUSTAINABILITY FUND		
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS	9,206	1.6
JP MORGAN CHASE BANK 385632	7,112	1.2

#### Notes:

- The number of shares was rounded off for shareholdings less than 1,000.
- The shareholdings ratio was calculated by deducting treasury shares (27,560,827) shares.