

Gentle care for life

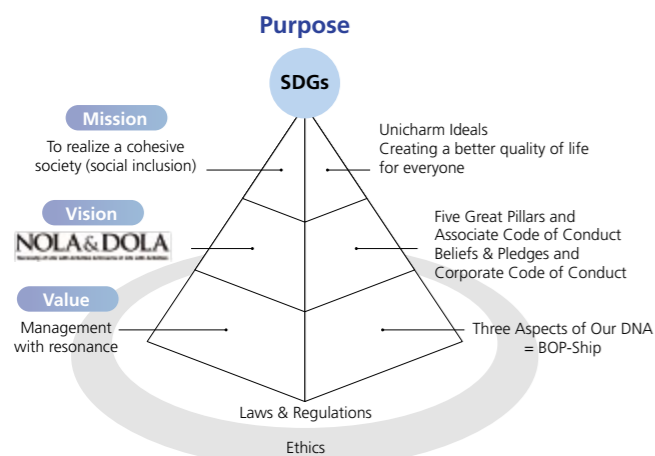
<https://www.unicharm.co.jp/en/home.html>

Unicharm
Group
Integrated Report
2022

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. 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 the 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 the joy of living and of pleasure and to fulfill their dreams.

Five Great Pillars and Associate Code of Conduct

Creativity & 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 taking on challenges to unlock the unlimited potential of employees.

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 all employees and their families to achieve happiness and attain pride and confidence.

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 on ceaselessly 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

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

Ownership

Ownership 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 an altruistic mind. 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 individual potential and live life to its fullest.
A society in which we comfortably coexist, helping each other while respecting mutual 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 by the family and neighborhood.
Feminine care that helps lift spirits during the monthly cycle.
Good hygiene that helps enhance and expand pleasant interactions for everyone.

This is the kindness we at Unicharm 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.

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

Unicharm continues 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 decade to come, we at Unicharm 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)
Our corporate philosophy: 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.



Publication of Integrated Report 2022

At Unicharm, our purpose is to contribute to the achievement of the SDGs. To that end, we will strive to help resolve the issues of the environment and society and help foster local communities through the sustainable growth of our business. With the aim of realizing these objectives, we formulated our medium- to long-term ESG goals, Kyo-sei Life Vision 2030, and our 11th Medium-Term Management Plan by backcasting to our purpose as the origin and have steadily pressed forward with these initiatives since January 2021.

Integrated Report 2022 is the result of our uncompromising efforts to provide readers with both financial and non-financial information on the details and progress of our two initiatives described above, including our value creation process, key strategies, and ESG information, in a detailed and

easy-to-understand manner. Moreover, the process for compiling the report and the contents thereof have been confirmed for their validity.

We hope the report helps provide shareholders, investors, and all other stakeholders with a better understanding of Unicharm's value creation story. The report will also be used as a valuable tool for engaging in and strengthening our dialogue with all stakeholders as well as for ensuring sustainable increases in our corporate value.

Kenji Ueda

Executive Officer and General Manager of ESG Division
(Officer responsible for disclosure of integrated reports)

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Editorial Policy

In compiling *Integrated Report 2022*, we referred to guidelines such as the International Integrated Reporting Framework of the Value Reporting Foundation (VRF),* which was revised in January 2021.

* A new organization established through a merger between the International Integrated Reporting Council (IIRC), which released the International Integrated Reporting Framework, and the Sustainability Accounting Standards Board (SASB) in June 2021.

Period and Scope of Coverage

Period of coverage: Fiscal 2021 (January 1, 2021 to December 31, 2021); however, the report also covers information on activities held prior to and after this period, in addition to future targets.

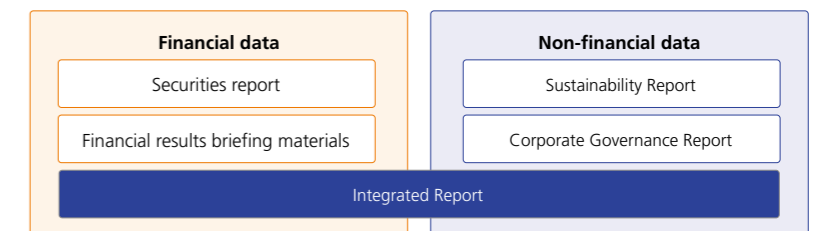
Scope of coverage: Primarily Unicharm Group companies (Unicharm Corporation and consolidated subsidiaries in Japan and overseas); however, the report also covers information on certain non-consolidated subsidiaries and affiliated companies. Moreover, in this report, "Unicharm" and "the Company" refer to the Unicharm Group.

Caution Regarding Forward-Looking Statements

In addition to factual information on our past and present performance and business activities, *Integrated Report 2022* also includes forward-looking statements on Unicharm's strategies, plans, results, etc. These statements have been prepared based on information available as of the time of writing. Therefore, due to a variety of factors, our actual business performance and activity results may differ significantly from the information contained in this report.

Information Disclosure System

We disclose our financial and non-financial data through the following channels.



Explanation of the Cover

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 collectively live their lives in the way they so wish. In an effort to realize this objective, we support Paralym Art in their efforts to foster social participation and financial independence. Accordingly, we have adopted works done by artists with disabilities on the covers of our integrated and sustainability reports. Unicharm has supported the efforts of Paralym Art since 2016, and 2022 marks its seventh year in this engagement.
Title: *Circle of Appreciation*
Artist: takahashi



Takahisa Takahara
President & CEO

Creating a Cohesive Society for the Future

A Cohesive Society for Realizing Social Inclusion

My earnest desire for the future of the world is to see the creation of a cohesive society. The vision I have is of a society where people throughout the world can coexist in equality, supporting each other while respecting one another's individuality, with no one left behind. In order for Unicharm to continue achieving further growth and development, I am convinced that all the products and services it creates in the future must contribute to the realization of a cohesive society.

Based on this belief, I found the Sustainable Development Goals (SDGs), the shared goals of the international community adopted unanimously at a United Nations summit in 2015 by all of its 193 member states, deeply compelling. In 2020, our interest led us to clearly define our purpose: contributing to the achievement of the SDGs. In addition, we broke down our purpose into **our mission, vision, and value** and specified what each and every employee should aim to achieve along with the actions they should take to that end, communicating these requirements to all employees.

As part of these efforts, we have adopted the realization of the aforementioned cohesive society as our mission. Our vision for a cohesive society entails realizing social inclusion. In other words, in a cohesive society 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 the situation. More than two years on from the codifying of our mission, all of our employees are engaged daily in activities with the aim of realizing a cohesive society.

Our purpose and its three components:
our mission, vision, and value **P1**

Unicharm's Course for Meeting the Expectations of Society

As of 2022, the third year of the COVID-19 pandemic, the suffering of people in various parts of the world continues. To navigate this unprecedented pandemic, we must cross a host of boundaries—national borders as well as linguistic, cultural, and other barriers—to help each other. There is much that companies can do to help realize people's expectations of a society where all people spend their lives in the way they so wish, becoming independent and helping each other. I believe that a global company such as Unicharm is in a position to engage in activities based on a spirit of altruism without being constrained by national interests. The fact that operating businesses around the world allows us to meet the expectations of a greater number of people reaffirms my belief in our potential.

Meeting the expectations of society through its business activities requires Unicharm's products and services to be the first choice of consumers throughout the world. To communicate this requirement internally, the Company has adopted the target of becoming the world's best company by 2030.

What is the criteria for becoming the best in the world? Capturing the leading shares in many product categories in the markets where we operate is one indicator, and we will certainly continue striving to offer products and services that differentiate us from our competitors. I am of the opinion, however, that market share is ultimately no more than a relative value that only exists as a comparison. To become the best in the world in the truest sense, Unicharm must clearly define the absolute value that only it can create. Our absolute value lies in helping to achieve a cohesive society by implementing **"NOLA & DOLA,"** our vision, and creating affluence by alleviating issues faced by society as a whole—that is, improving the quality of people's lives through our business activities. Continuously creating absolute value that only we can create will enable us to move toward becoming the world's best company.

"NOLA & DOLA" **P1**

Development of People and an Organization without Parallel through Management with Resonance

Unicharm promotes management with resonance, its unique management model, to align the direction and momentum of its employees in order to achieve the Group's shared goal of becoming the best company in the world by 2030. This management model 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 management perspectives, such as management policies and strategies, and management learning from the know-how of employees working on the front line at manufacturing sites. My ideal is for the perspectives of management and the capabilities of frontline employees to produce resonance, in the manner of a pendulum, facilitating each other's growth and the growth of the Group as a whole.

Ensuring that the autonomy of employees is prioritized in all of Unicharm's activities is vital in promoting management with resonance. I am of the opinion that people cannot readily take action when seeking to engage in an activity unless they can identify with the reason or sentiment behind the activity. Even if they were to take action, they could not do so

wholeheartedly. If all employees can relate to our Groupwide goals, each and every one will be able to act on their own initiative. The power generated in that process will gradually amass to strengthen Unicharm's organization as a whole. I believe, however, that simply waiting for employees to identify with such goals will not make them do so. This is because causing resonance comes before facilitating such a connection. Ultimately, management with resonance is a proactive approach that primarily seeks to make use of employee diversity to help employees relate to Groupwide goals, allowing them to more readily act on their own initiative.

I believe it is important for Unicharm, which has bases and employees worldwide, to resonate with and relate to the cultures, values, and work styles specific to different countries and regions by first embracing them. At the same time, I am keen for our employees to respect each other's diversity while firmly maintaining their own individual will and identity. This aspiration is based on the belief that doing so will bring out each and every employee's individuality, which could lead to Unicharm becoming a company with people and an organization without parallel.

Unicharm's Actions in Response to the Changes in Its Operating Environment in 2021

Attitudes and behavior related to consumption have undergone a complete change throughout the world since the outbreak of the COVID-19 pandemic. Prompted by the spread of remote work and a decline in opportunities for people to assemble or dine together in large numbers, time spent at home has increased, which has led to changes in a variety of attitudes, such as those toward childcare, nursing care, and partner animals (pets).

The increase in time spent alone has created more opportunities for self-reflection, leading to a growing trend in society as a whole for people to select products and services based on the essence of their value. For example, people are choosing safer and more reliable products and services that more accurately correspond to their own needs. In particular, with their keen interest in environmental and social issues, members of Generation Z—those born between the second half of the 1990s and the 2000s—are inclined to choose products and services that reflect their own values. In addition, personalization in the market is growing as influencer consumption—choosing products based on information shared by popular YouTubers, Instagrammers, and other social media figures—accelerates. Unlike the mass market, where products are mass-produced for large numbers of the general public, personalization represents a trend among consumers to seek products satisfying their diverse individual preferences. Rather than being confined to single-person households, the trend

among consumers to choose products that suit their personal needs can also be seen in the growing demand for a diverse range of products that reflect the various tastes of different people within the same household.

In addition to offering its traditional mainstay products, Unicharm has quickly grasped such changes among consumers and strengthened its lineup of products and services with completely new value that help enhance people's quality of life (QOL). We will strive to differentiate ourselves from our competitors by continuously developing premium products of a quality exceeding that of previous items, thereby creating higher value for the market as a whole.

Besides these changes in consumer attitudes, we expect the baby care and feminine care markets to see a decline in their target age groups globally. We will meet the market contraction that accompanies population decline with a combination of efforts to create premium products and maximize their lifetime value. Unicharm offers products and services tailored to the life stages of infants, young people, middle-aged people, and the elderly. The Company aims to remain the first choice of consumers by proposing new habits and common sense at its various contact points with them as they progress through life. In this way, enhancing added value and offering premium products and services will motivate consumers when they choose our products and services while allowing us to secure a high level of profitability per consumer over the long term.



Another major change triggered by COVID-19 has been the quickening of the popularization of digital technology. The promotion of digital transformation (DX) by countries and companies and the progress in the implementation of digital technology around the world has dramatically reduced the time required to ascertain consumer needs. The smartification of *monozukuri* (manufacturing) in various parts of the world is also progressing, leading to the steady development of efficient production systems. Viewing it as a way to explore insights into latent desires, of which even consumers themselves are unaware, Unicharm has ultimately positioned the purpose of DX promotion as being for developing new products, ascertaining how best to remodel existing products, and creating new product categories.

In 2019, we began operation of the Kyushu Factory, our first smart factory, where we are striving to thoroughly increase the efficiency of production processes by making extensive use of digital technology, including through the introduction of industrial robots and the utilization of systems using detection sensors for identifying the causes of declines in operating rates. Given that the purchasing behavior of consumers is becoming increasingly diverse, performing high-mix, low-volume production at low cost represents the key to *monozukuri* going forward. Accordingly, we will ramp up the promotion of DX to advance further efficiency in production.

In 2021, Unicharm established the DX Promotion Division to accelerate the construction of new business models leveraging digital technology. The division has developed the Digital Scrum System, which is used for carrying out online home visit surveys of regular households and collects video and audio information with the object of understanding consumers' lifestyles and actual product usage, and a system for digitally managing data on the remaining number of disposable diapers at nursery schools, which can automatically make orders when inventories run low. In addition, they have developed a system that automatically adjusts the delivery dates of disposable diapers to nearby nursery schools and works out efficient delivery routes. Unicharm has commercialized these diaper-related systems under the name of Hands-Free Commute, a subscription-based model for disposable diapers, with over 1,700 childcare facilities throughout Japan introducing the model as of February 2022. The Company will continue accelerating the promotion of DX, using the consumer insights it identifies to spur innovation and construct innovative business models. I believe that doing so will enable us to implement "NOLA & DOLA" more effectively and efficiently, thereby helping facilitate the realization of a cohesive society.

Efforts to Make Unicharm's Products and Services the First Choice of Many Consumers

To take action in light of the aforementioned changes in the operating environment and survive and thrive in the market, Unicharm must accurately identify the unique strengths and factors that may serve as a competitive advantage for the Company to differentiate itself from its competitors.

The most obvious of Unicharm's strengths is its **advanced technological capabilities focused on the nonwoven fabric and absorbent material fields**. The Company has exhaustively carried out research focused on nonwoven fabric and absorbent materials, developing and improving its processing and molding technologies and utilizing them to eliminate unpleasant experiences and offer more pleasant ones. The ability to apply these technologies to the development of high-value-added products is also a source of pride for the Company, which has led the market for almost 60 years.

Unicharm deals in products for which it is challenging to directly give ear to the requirements of actual users, such as babies, the elderly, and partner animals (pets). Accordingly, we place emphasis on accurately understanding non-verbalized needs when developing products. With our keen powers of observation, unshackled by preconceived ideas, **our ability to spur innovation based on new perspectives gained**

by exploring the essence of needs hidden deep within people's actual lifestyles and consumption patterns can be considered unique to Unicharm. The meticulous marketing based on our keen powers of observation and our frontier spirit in the fields of product development and production technology worthy of such marketing are created through the dissemination and thorough implementation of "NOLA & DOLA," our vision. I am convinced that these are strengths that only Unicharm can develop.

Furthermore, these two strengths are underpinned by Unicharm's first-rate implementation capabilities, one of its outstanding points. As I have already stated, management with resonance is a management model for encouraging all employees to act on their own initiative, and we are working to ensure that all employees are able to deploy their implementation capabilities. Our employees' first-rate **implementation capabilities** developed through management with resonance are indispensable for our growth.

Going forward, we will further reinforce these three strengths as our competitive edge to allow us to create the value that will be the choice of many consumers.

Acceleration of Growth through Kyo-sei Life Vision 2030 and the 11th Medium-Term Management Plan

In order to set a course for its growth and clarify the direction of its employees' behavior with the aim of realizing a cohesive society, Unicharm is steadily implementing two major management policies on a Groupwide basis. These policies are **Kyo-sei Life Vision 2030—For a Diverse, Inclusive, and Sustainable World** (hereafter Kyo-sei Life Vision 2030), which defines medium- to long-term goals from environmental, social, and governance (ESG) perspectives, and the 11th Medium-Term Management Plan, which formulates medium- to long-term strategies from a financial perspective.

Kyo-sei Life Vision 2030 covers four themes: "Safeguarding the well-being of individuals," "Safeguarding the well-being of society," "Safeguarding the well-being of our planet," and the Unicharm Principles. It encompasses a total of 20 key initiatives, indicators, and targets, five for each theme. Looking back on fiscal 2021, the first year of Kyo-sei Life Vision 2030, I am keenly aware of the importance of the initiatives it has set forth for safeguarding the well-being of individuals, society, and our planet.

First, in promoting Unicharm's commitment to "Safeguarding the well-being of individuals," population decline, accompanying a decrease in the birthrate, is becoming increasingly pronounced in Japan and elsewhere in Asia, where the Company has proactively led efforts to develop markets. For this reason, working on the Wellness Care

Realizing a Cohesive Society (Creating a Diverse, Inclusive, and Sustainable World)



Business, which contributes to "Extension of healthy life expectancy improvement of QOL," and on "Coexistence with partner animals (pets)" through the Partner Animal (Pet) Care Business will be crucial in terms of both our growth potential and earnings. Moreover, we will aim for further growth while realizing "Improvement of childcare," "Improvement of public hygiene," and "Support for a society where gender and sexual orientation do not restrict people's activities" by proactively developing markets where we have yet to make any inroads, such as those in Africa, where the population is projected to increase.

Second, to promote "Safeguarding the well-being of society," we must further evolve our products and services, customizing them to cater to markets that have become more fractionalized due to increasing personalization in such markets. Amid a shift in consumers' purchase motivations to seek products that express their own individuality and can help realize a society in which they can live in their own way, such efforts are required as consumers may no longer choose our products in the future unless we develop more high-value-added products. Combining our strengths of meticulous marketing based on keen powers of observation and digital technology will enable us to efficiently identify consumer insights. I am confident that proactively utilizing digital technology will create unparalleled products and services that help implement "NOLA & DOLA" in a more advanced manner, thereby contributing to the realization of a cohesive society.

Lastly, as the adoption of "Safeguarding the well-being of our planet" demonstrates, I believe that companies cannot grow without taking proactive action to solve environmental issues. As a company dealing in sanitary products whose meaning lies in the fact that they are disposable, we are advancing a project for recycling used disposable diapers in cooperation with local governments and other companies to realize a circular economy. The project oversees demonstration trials aimed at commercializing a horizontal recycling system. Ideally, we would only use recycled materials made from used disposable diapers as raw materials for disposable diapers in the future, without using new forest resources. Doing so

would enable us to realize the ultimate form of hygiene management, balancing harmony with nature and disposable products.

In these ways, Kyo-sei Life Vision 2030 clarifies the ways in which each and every employee must behave in specific terms through its 20 key initiatives, indicators, and targets. Unicharm will steadily advance these initiatives on a Groupwide basis and strengthen its response to ESG-related matters while accelerating its growth.

As of fiscal 2022, **the 11th Medium-Term Management Plan** is in its second year and executive officers and other executives are in charge of leading strategy execution for each of the five basic strategies formulated for the plan. Despite a challenging operating environment, steady execution of these strategies enabled Unicharm to achieve sales and profit growth in fiscal 2021, the first year of the plan. Specifically, the Company posted net sales of ¥782.7 billion, up ¥55.2 billion (7.6%) year on year, and core operating income of ¥122.5 billion, up ¥7.7 billion (6.7%). Unicharm is focusing Groupwide efforts on achieving the financial goals for fiscal 2023 set out in the 11th Medium-Term Management Plan. These goals call for consolidated net sales of ¥888.0 billion, a compound annual growth rate of 6.9% over the period of the plan, a core operating income ratio of 15.5%, and return on equity of 15.0%. Although it issues medium-term management plans every three years, the Company has adopted a rolling plan system whereby it analyzes current conditions and forecasts changes in the operating environment on an annual basis to allow it to constantly look three years ahead to anticipate change. While our ultimate destination of realizing a cohesive society remains the same, adopting such a system means that we are able to choose the best route at all times by quickly grasping changes in conditions. Reviewing key strategies annually and responding to changes contributes to the steady achievement of our goals.

Kyo-sei Life Vision 2030 ▶ P24-27
11th Medium-Term Management Plan ▶ P30-45

Achievement of Sustainable Growth

Formulating strategies based on our purpose is essential to achieving growth over the medium to long term. By continuing to formulate strategies that contribute directly to the achievement of the SDGs and create value that gives consumers a solid sense that purchasing and using Unicharm's products and services helps resolve environmental and social issues, I will transform attitudes so that the scale of such value

serves to motivate purchases by consumers. To draw closer to realizing a cohesive society, Unicharm will make every effort to ensure that the resolution of social issues is the driver of its growth.

June 2022
Takahisa Takahara
President & CEO

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. Following business diversification and business portfolio restructuring, the Company embarked on the diversification of its core businesses and the globalization of its specialized businesses, allowing it to make use of its high-level technological capabilities and other strengths in the nonwoven fabric and absorbent material fields for catering to society's needs in step with the times. Unicharm will continue to achieve further growth by refining the strengths it has fostered thus far to produce new value that contributes to the realization of a cohesive society.

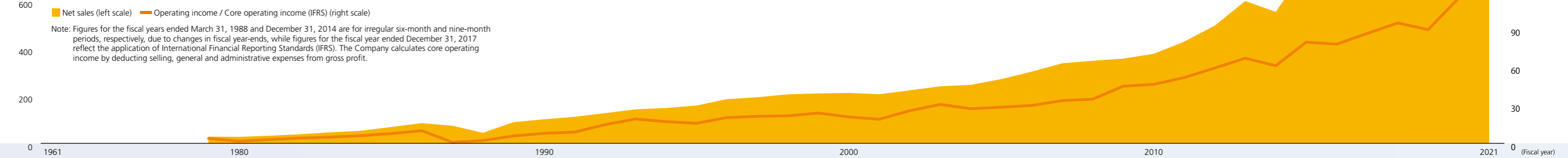


Technical Center (Kagawa)

Milestones in Business Portfolio Restructuring



Net Sales and Operating Income / Core Operating Income (IFRS)



1961 to Early 1980s

Started as Building Materials Company and Diversified Operations

Unicharm began producing and selling sanitary pads in 1963 after launching operations via the manufacture and sale of grained-cement boards in its Building Materials Business. We subsequently expanded our businesses to encompass those related to nonwoven fabrics and absorbent materials, thereby building a foundation for growth. The 1980s saw us diversify our operations to develop businesses in a variety of fields.



Kinsei Factory (Ehime) at the time of the Company's founding

Late 1980s to 1990s

Moved into Overseas Markets and Reinforced Presence in Asia

Predicting both population decline and the maturation of the nonwoven fabric and absorbent material markets in Japan ahead of time, Unicharm positioned Asia, where remarkable economic growth was expected, as a priority market. Based on this approach, we proactively pursued globalization by successively making inroads into various countries and regions in Asia, beginning with the establishment of a joint venture in Taiwan–Greater China in 1984.

Milestones in Overseas Expansion

- 1984** Established a joint venture in Taiwan–Greater China
- 1987** Established a joint venture in Thailand
- 1993** Established a joint venture in the Netherlands
Formed technology alliance for tape-type diapers in Saudi Arabia
- 1994** Established a joint venture in South Korea
- 1995** Established a joint venture in China (Shanghai)
- 1997** Established a wholly owned subsidiary in Malaysia
Established a joint venture in Indonesia

2000s

Diversified Core Businesses and Globalized Specialized Businesses

Unicharm restructured its business portfolio and sold off several of its businesses, including the Building Materials Business, the Company's original and oldest business. Positioning the nonwoven fabric and absorbent material businesses as our core businesses, we strengthened our business foundation by concentrating management resources in these businesses. Through these efforts, we advanced the globalization of highly distinctive and profitable products in particular to accelerate our expansion in Asia.

- 2002** Established a joint venture in the Philippines
- 2005** Gulf Hygienic Industries of Saudi Arabia was made a subsidiary
- 2006** Established a wholly owned subsidiary in Vietnam
Established a joint venture in South Korea
- 2008** Acquired Australian Pacific Paper Products and made it a wholly owned subsidiary
Established a wholly owned subsidiary in India
Wholly owned subsidiary established in Russia by joint venture Unicharm Mölnlycke Rus LLC
- 2009** Wholly owned subsidiary established in the U.S. by joint venture Unicharm Mölnlycke Rus LLC

2010 Onward

Stepping Up Growth through Further Globalization

Achieving rapid growth driven by the dramatic expansion of the Asian market, Unicharm broadened its regions of business operation to those outside of Asia. On the back of our solid management foundation in Asia, we are proactively entering markets during their growth phases, such as those in Africa and South America, which helps further the growth of the Company.

- 2010** Established a consolidated subsidiary in Egypt
- 2011** Acquired Sumitomo Corporation's 51% stake in U.S. pet care products supplier The Hartz Mountain Corporation
Acquired Diana Joint Stock Company, a manufacturer and supplier of hygiene products in Vietnam
- 2013** Acquired Myanmar Care Products Limited, a manufacturer and supplier of hygiene products in Myanmar
- 2014** Established a joint venture in Brazil
- 2018** Acquired DSG (Cayman) Limited, which has business sites in Thailand, Malaysia, Indonesia, and Singapore
- 2019** PT. UNI-CHARM INDONESIA Tbk, an Indonesian subsidiary, was listed on the main board of the Indonesia Stock Exchange

Unicharm's Business Expansion

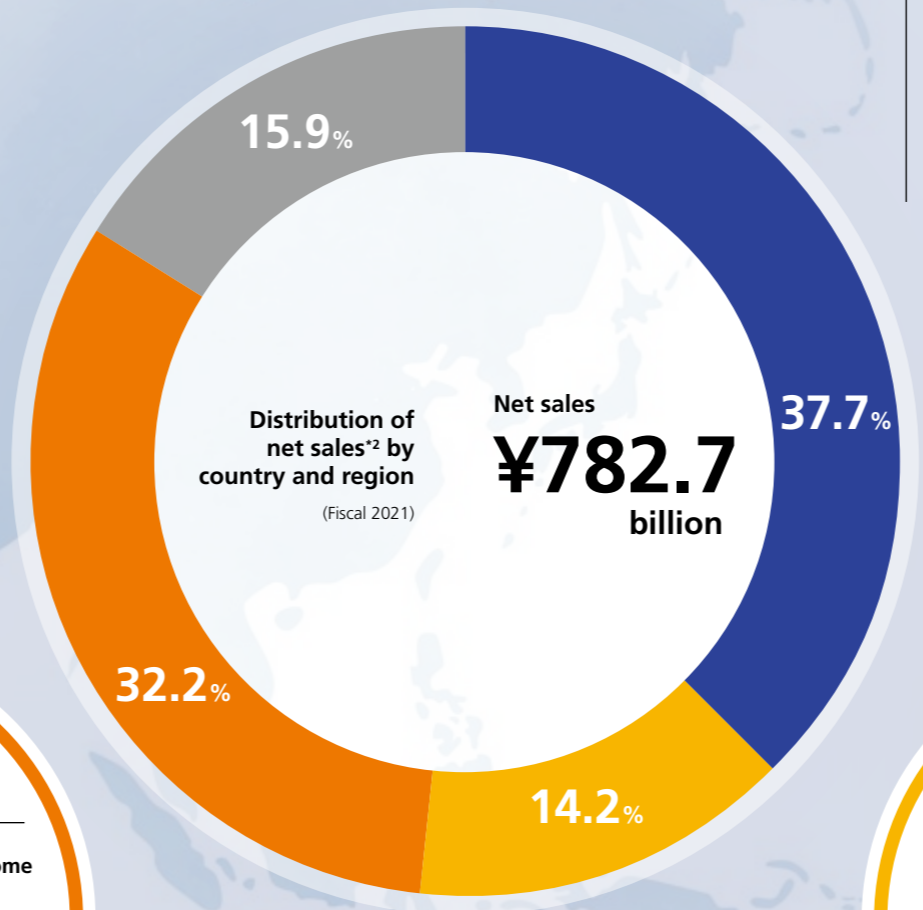
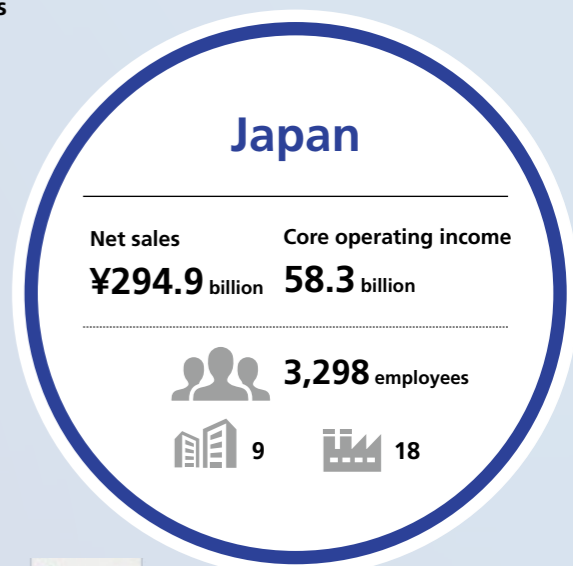
Unicharm's various products and services are seeing increasing demand in regions throughout the world thanks to their being indispensable for leading hygienic and healthy lives. We currently operate businesses in approximately 80 countries and regions globally, garnering high praise for our activities.



- #### Products with Leading Market Shares
- Personal Care Business**
 - Disposable baby diapers — Saudi Arabia
 - Partner Animal (Pet) Care Business**
 - Dog toiletries — The U.S.



- #### Products with Leading Market Shares
- Personal Care Business**
 - Adult incontinence care products
 - Masks
 - Wet tissues
 - Cosmetic cotton pads
 - Sanitary pads
 - Disposable baby diapers
 - Partner Animal (Pet) Care Business**
 - Cat toiletries
 - Dog toiletries



*2 Net sales to external customers

- #### Products with Leading Market Shares
- Personal Care Business**
 - Adult incontinence care products — Indonesia, Thailand, Taiwan—Greater China, and Vietnam*3
 - Sanitary pads — Indonesia, Thailand, Taiwan—Greater China, and Vietnam*4
 - Disposable baby diapers — Indonesia, Thailand, and Vietnam*4
- *3 Major cities: Hanoi, Hai Phong, Da Nang, Nha Trang, Ho Chi Minh City, and Can Tho
*4 114 major cities

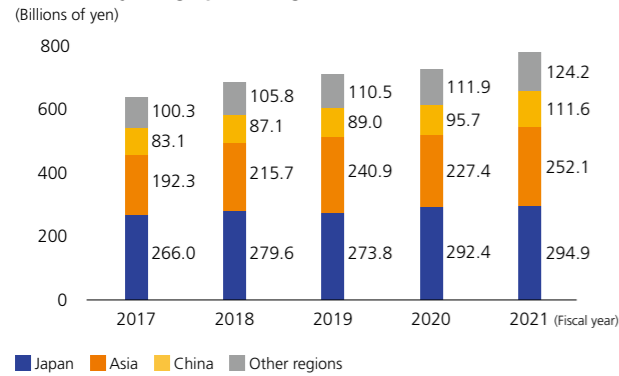


(Based on a 2021 in-house survey)



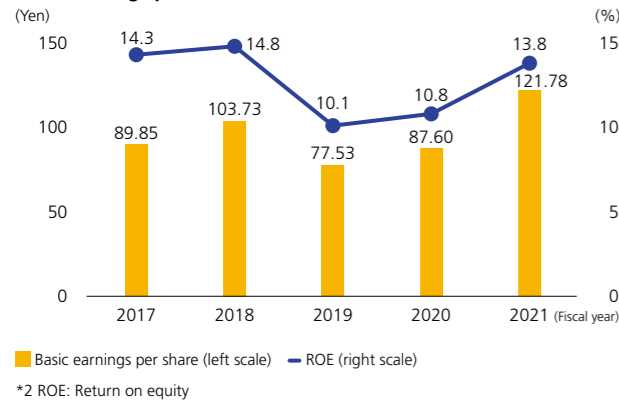
Financial Highlights

Net Sales by Geographical Region



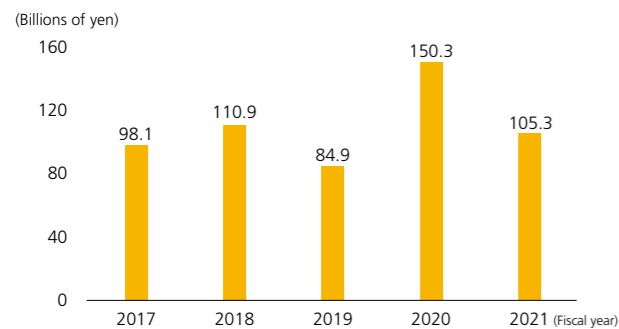
In fiscal 2021, net sales increased 7.6% year on year, to ¥782.7 billion, reaching a record high for the fifth year in a row. In Japan, sales remained brisk on the strength of efforts to provide additional value through our products, edging upward by 0.8% from the previous fiscal year. Meanwhile, overseas, which accounted for 62.9% of our net sales, we posted a 12.1% increase in sales by virtue of steady growth in all of our key markets, including China, Southeast Asia, India, the Middle East, and North America, despite the effects of COVID-19 and lockdowns being enforced as a result in certain regions.

Basic Earnings per Share / ROE*2



In fiscal 2021, basic earnings per share and ROE were ¥121.78 and 13.8%, respectively, improving substantially from the previous fiscal year on the back of our higher core operating income as well as reductions in other expenses and financial costs.

Cash Flows from Operating Activities



In fiscal 2021, cash flows from operating activities amounted to a net-cash inflow of ¥105.3 billion. The main sources of cash inflows were profit before tax, depreciation and amortization expenses, and an increase in trade and other payables, while the main sources of cash outflows were income taxes paid and an increase in inventories.

Note: We have been using International Financial Reporting Standards since fiscal 2017.

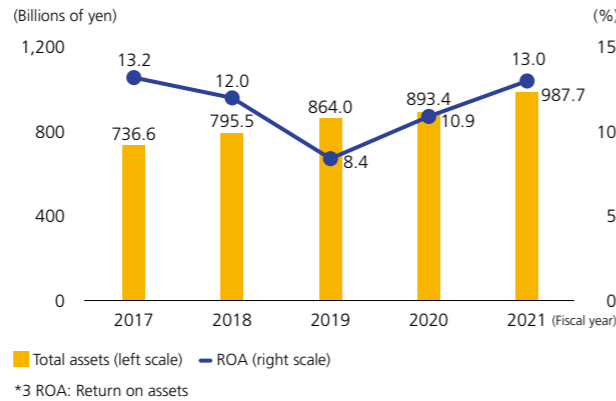
Core Operating Income*1 / Core Operating Income Ratio



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

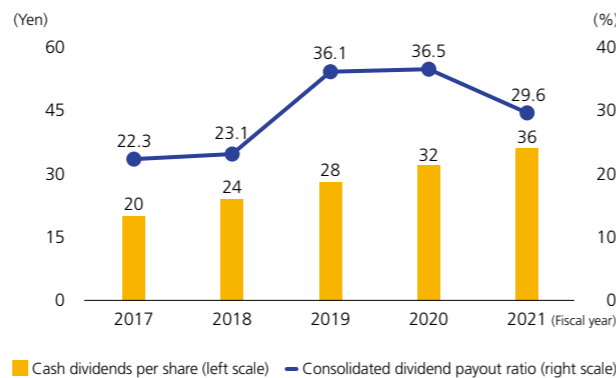
In fiscal 2021, core operating income amounted to a record-high ¥122.5 billion, owing to a 6.7% increase year on year. Core operating income ratio fell 0.2 percentage point to 15.6% as a result of soaring prices of raw materials, rising logistics costs, and other factors from the third quarter onward. However, we continued to secure a high level of profitability, mainly through improvements to our product portfolio and sustainable productivity as well as through the impact of higher sales in each of the countries and regions in which we operate.

Total Assets / ROA*3



As of December 31, 2021, total assets stood at ¥987.7 billion, an increase of ¥94.2 billion compared with December 31, 2020. This increase is mainly attributable to other current and non-current financial assets, primarily due to investment securities of ¥50.6 billion, inventories of ¥28.2 billion, and trade and other receivables of ¥16.7 billion.

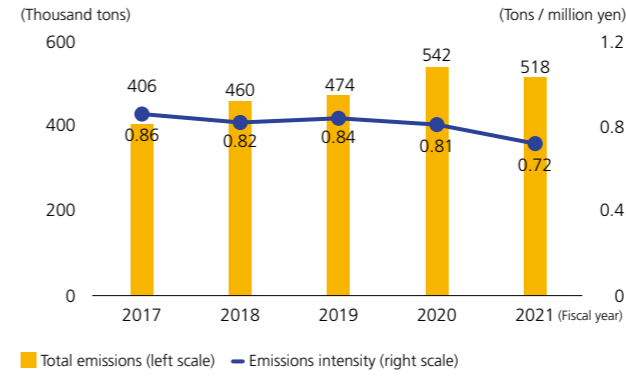
Cash Dividends per Share / Consolidated Dividend Payout Ratio



In fiscal 2021, annual cash dividends per share were ¥36, comprising a ¥18 per share dividend for the end of the second quarter and a year-end dividend of ¥18 per share, marking a dividend increase for the 20th consecutive year. Meanwhile, dividend on equity attributable to owners of parent (DOE) was 4.1% and the consolidated dividend payout ratio was 29.6%. 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.

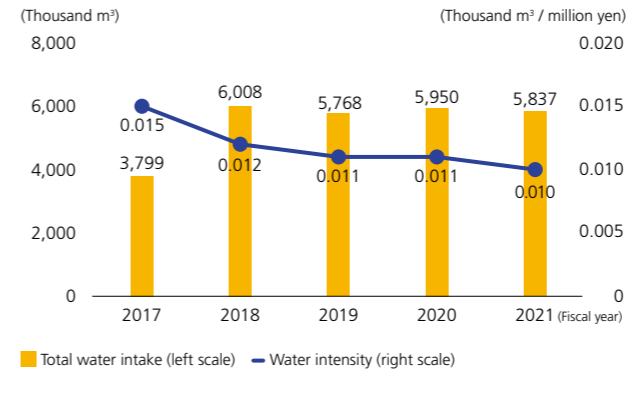
Non-Financial Highlights

CO₂ Emissions



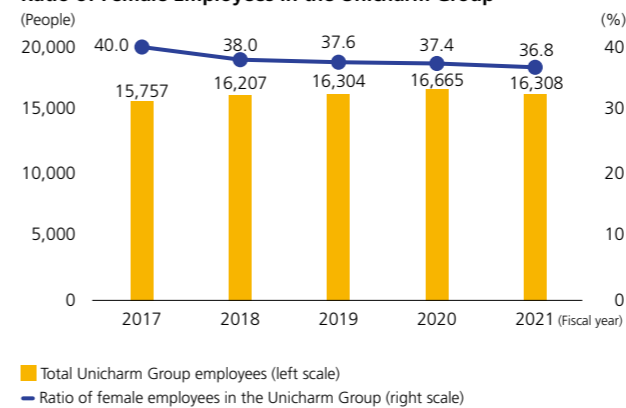
In fiscal 2021, total CO₂ emissions and CO₂ emissions intensity both decreased from the previous fiscal year as a result of our transition to the use of renewable electricity. Figures for fiscal 2017 cover Japan, Thailand (Uni-Charm (Thailand) Co., Ltd.), China, Indonesia, Vietnam, and Taiwan-Greater China. The scope of coverage was expanded in fiscal 2018 to include India and the United States and further in fiscal 2020 with the additions of South Korea, Saudi Arabia, Egypt, Myanmar, Brazil, Thailand (DSG International (Thailand) Public Co., Ltd.), and Malaysia.

Water Use (Water Intake)

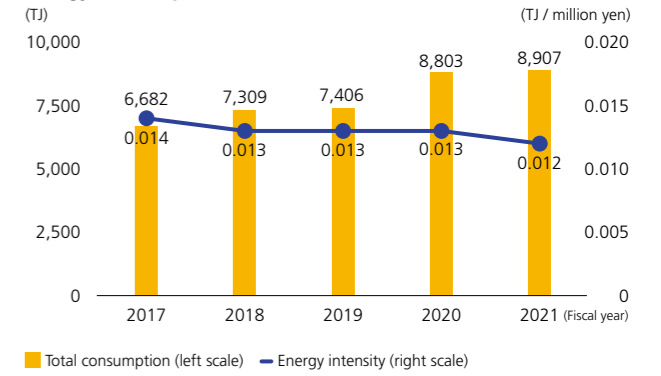


In fiscal 2021, total water intake and water intensity both decreased from the previous fiscal year. Figures for fiscal 2017 cover only Japan. The scope of coverage was expanded in 2018 to include Thailand, China, Indonesia, Vietnam, and the United States.

Total Unicharm Group Employees / Ratio of Female Employees in the Unicharm Group

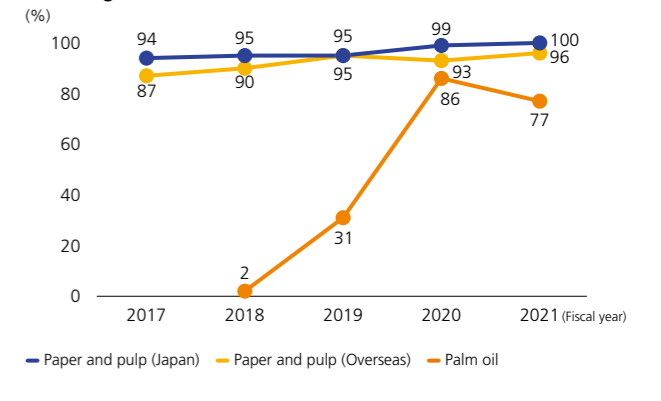


Energy Consumption



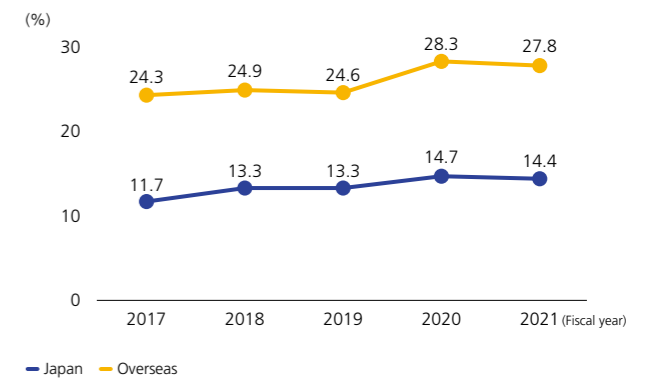
In fiscal 2021, energy intensity decreased from the previous fiscal year due to the success of energy-saving measures and other factors. Figures for fiscal 2017 cover Japan, Thailand (Uni-Charm (Thailand) Co., Ltd.), China, Indonesia, Vietnam, and Taiwan-Greater China. The scope of coverage was expanded in fiscal 2018 to include India and the United States and further in fiscal 2020 with the additions of South Korea, Saudi Arabia, Egypt, Myanmar, Brazil, Thailand (DSG International (Thailand) Public Co., Ltd.), and Malaysia.

Percentage of Forest-Certified Materials and Certified Palm Oil Used



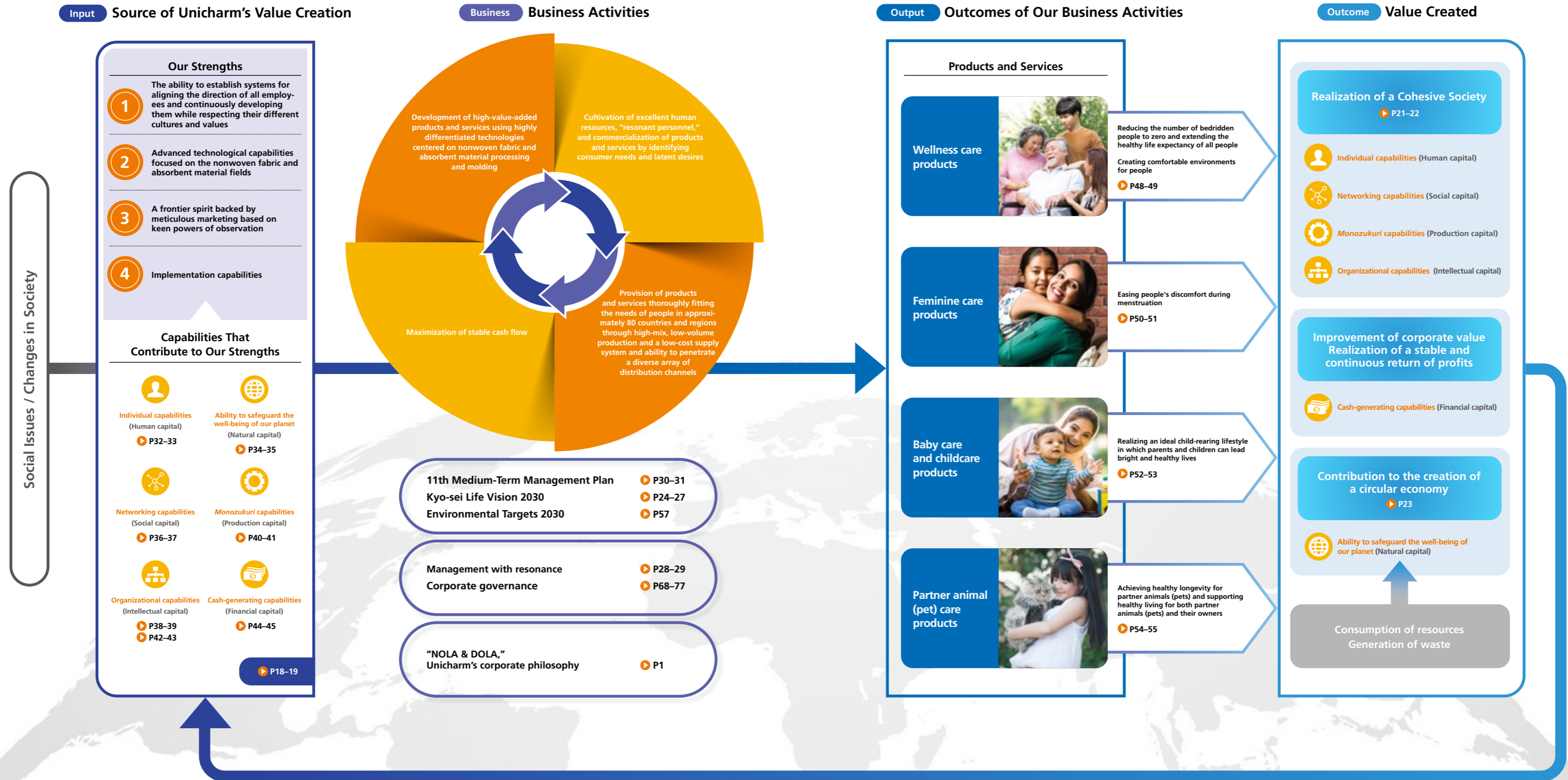
We continue to expand our procurement of forest-certified materials and certified palm oil to ensure that we do not contribute to deforestation. In addition to procuring more certified resources, we are proceeding with the acquisition of CoC (chain of custody) certification to demonstrate the appropriate management of our manufacturing processes.

Ratio of Female Managers



Unicharm's Value Creation Model

Purpose Contributing to the Achievement of the SDGs



Value Creation Process for Realizing a Cohesive Society

The Unicharm Way consolidates the values, philosophical framework, and action guidelines based on the spirit and culture of Unicharm, which have been passed down since its founding. We share The Unicharm Way throughout the Group with the aim of encouraging employees to work as one to realize our mission—creating a cohesive society. Constructing business models that leverage its own unique strengths, the Company continuously creates value that contributes to the realization of a cohesive society.

Background to Unicharm's Value Creation

Unicharm conducts business activities with The Unicharm Way as the starting point of value creation for all of its employees. We carefully assess the key forms of capital we have acquired over the course of our history of more than 60 years, improving them so that we can develop them into our own unique strengths. By constructing business models leveraging these strengths, we have created unparalleled value that no other company can match.

With nonwoven fabric and absorbent material processing and molding technologies as its core competencies, Unicharm conducts operations centered on businesses that originate from those technologies, concentrating funds in areas where it can meet with success. Dealing in various high-value-added products that meet the needs of a wide range of users, from infants to young people, middle-aged people, the elderly, and partner animals (pets), enables us to maximize lifetime value—the profit gained from individual customers throughout their lifetime—and secure earnings over the long term. We also maximize profits through efficient investments by refining market entry methods tailored to the growth and maturity of various products in different countries and regions.

Specifically, we skillfully use different strategies for different categories and markets. For example, while we proactively implement direct investments in categories with growth potential, we offer technical support in mature markets. To operate this system effectively and improve profitability, we carry out business activities in line with a variety of models, aims, and plans—such as **management with resonance**, **the Unicharm Group's medium- to long-term ESG goals, (Kyo-sei Life Vision 2030)**, and the **11th Medium-Term Management Plan**—growing continuously as a company by achieving our goals.

To continue achieving growth as a company, Unicharm will strengthen and further evolve the various capabilities that are the source of its strengths. We will remain a company that is needed throughout the world by striving to create further value that contributes to the creation of a cohesive society.

- Management with resonance** ▶ P28–29
- Kyo-sei Life Vision 2030** ▶ P24–27
- 11th Medium-Term Management Plan** ▶ P30–31

Unicharm's Unique Strengths

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

Unicharm, which operates in approximately 80 countries and regions, has employees with a diverse range of cultures and values. To embrace diversity and capitalize on it by bringing such cultures and values into harmony, Unicharm shares The Unicharm Way with employees throughout the Group, encouraging the transformation of their perspectives and ways of thinking and acting. Unicharm has established systems to enable employees with a variety of backgrounds to proceed toward a single goal while continuously evolving.

Individual capabilities
(Human capital)

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

Unicharm has established the technological capabilities for eliminating unpleasant experiences and offering more pleasant ones through nonwoven fabric and absorbent material processing and molding technologies, its core competencies. The Company has thoroughly implemented research focused on nonwoven fabric and absorbent materials and developed and improved its processing and molding technologies, garnering a strong global reception for its ability to use such technologies to develop high-value-added products.



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

Unicharm deals in products for which it is challenging to directly give ear to the requirements of actual users, such as babies, the elderly, and partner animals (pets). Accordingly, we place emphasis on accurately understanding non-verbalized needs when developing products. With our keen powers of observation, unshackled by preconceived ideas, our approach of spurring innovation based on new perspectives gained by exploring the essence of needs hidden deep within the true state of people's lifestyles and consumption patterns is a strength that cannot be imitated by other companies.



4 Implementation capabilities

In order to promote management with resonance, all employees utilize the **Observe–Orient–Decide–Act Loop (OODA Loop) methodology** to act on their own initiative. With an understanding of the true nature of specific conditions for individual situations based on first-hand information obtained on the front line, each and every employee determines the best course of action to take and acts on their own initiative while assessing circumstances, making extensive use of their own experience and knowledge.

OODA Loop methodology ▶ P28



Six Capabilities That Contribute to Our Strengths

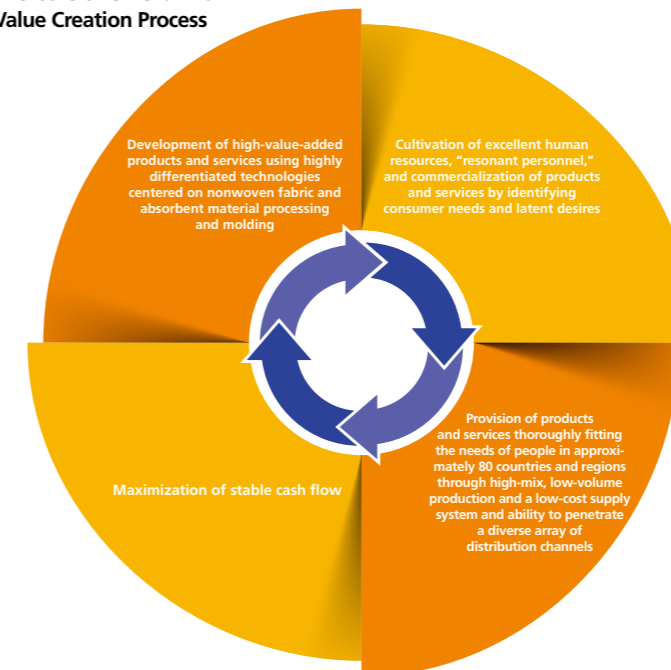
The following six capabilities serve as the source of Unicharm's strengths. Adopting our own unique measures to improve these capabilities, we continuously work to evolve each of them, further contributing to our strengths.

<p>Individual Capabilities (Human Capital)</p> <p>Human resources constitute a major capability of Unicharm. Developing human resources throughout the world based on The Unicharm Way enables us to align the direction of all of our employees and produce a host of outstanding human resources globally who have keen powers of observation and implementation capabilities.</p> <p>Improvement measures ▶ P32–33</p>	<p>Ability to Safeguard the Well-Being of Our Planet (Natural Capital)</p> <p>Unicharm uses pulp and other forest resources along with petroleum-derived raw materials to manufacture and offer products intended for disposable use. Mindful of this, the Company has taken on the challenge of spurring innovation that contributes to the practical use of recycling technology and the development of environmentally friendly products with the goal of not only promoting efforts to address climate change but also enabling its business activities to help solve environmental issues.</p> <p>Improvement measures ▶ P34–35</p>	<p>Networking Capabilities (Social Capital)</p> <p>As a company operating businesses globally, Unicharm is always working to build positive relationships with all of its partners. With its extensive connections with local distributors, the Company carries out marketing that closely reflects people's lifestyles, offering products and services tailored to local cultures and needs. We also contribute to the resolution of social issues through local activities, such as by promoting employment and supporting the empowerment of women.</p> <p>Improvement measures ▶ P36–37</p>
<p>Monozukuri Capabilities (Production Capital)</p> <p>Unicharm has production bases across the globe and has put in place a system to facilitate product development locally. In addition, our factories throughout the world work on improving productivity and quality using the Unicharm Total Management Strategic System (UTMSS),* our unique system for improving management activities, to ensure that we can continuously offer products with a consistently high level of quality.</p> <p>Improvement measures ▶ P40–41</p>	<p>Organizational Capabilities (Intellectual Capital)</p> <p>Unicharm is continuously evolving its nonwoven fabric and absorbent material processing and molding technologies and recycling technologies while making use of digital technology. In cooperation with the development and marketing departments, the Intellectual Property Division steadily applies for and gains legal protection for the intellectual property that is based on such development activities, thereby striving to maintain and bolster the competitive advantage of our businesses.</p> <p>Improvement measures ▶ P38–39 ▶ P42–43</p>	<p>Cash-Generating Capabilities (Financial Capital)</p> <p>Unicharm strives to allocate the funds it generates through its business activities with a focus on balancing proactive growth investments with stable and continuous shareholder returns.</p> <p>Improvement measures ▶ P44–45</p>

* The approach and philosophy, established uniquely by Unicharm, of promoting improvement activities aimed at enhancing management efficiency in business activities, ranging from order receipt to production, delivery, and recovery

Value That Contributes to the Achievement of the SDGs Yields New Earnings Opportunities

The Core of Unicharm's Value Creation Process



Unicharm facilitates the evolution of its four strengths by improving its six capabilities, allowing it to leverage these strengths with greater originality in its business activities. At all times, we carry out business activities with the aim of realizing our mission of creating a cohesive society, the concept of which is consistent with the Sustainable Development Goals (SDGs). Put simply, all the value that we create contributes to the achievement of the SDGs. Based on this approach, we will create new markets in response to various social issues and yield earnings opportunities by leveraging our unique strengths in our business activities.

- Specific examples of value creation** ▶ P20–23
- Risks identified by Unicharm and its response measures** ▶ P81–82



Unicharm's Multifaceted Approach to New Value Creation

Unicharm creates completely new value in the fields of nonwoven fabric and absorbent material processing and molding by spurring innovation through the use of various approaches derived from its own unique expertise.

Unicharm's mission acts as the springboard for its efforts to create new value. The Company conducts all of its business activities with the aim of realizing a cohesive society. Mindful of this aim, we identify solutions to various social issues while ensuring the Group as a whole understands that the value we create must be consistent with our purpose: contributing to the achievement of the Sustainable Development Goals (SDGs).

In what ways does Unicharm make use of its unique strengths to help resolve key issues while responding flexibly to changes in its operating environment through the promotion of management with resonance? How do we create new added value and use it to further improve our corporate value? This section will answer these questions by introducing three approaches to creating new value deployed by Unicharm.



CASE
1

Value Originating from Meticulous Marketing Based on Keen Powers of Observation and Implementation Capabilities

Protecting Babies from Dengue Fever

MamyPoko Extra Dry Protect—The World's First Diapers to Use Anti-Mosquito Capsules*

Issues Facing Society and the Background to Our Product Planning

The progression of global warming is one of the factors behind the expansion of the habitats of mosquitoes, which transmit a range of infectious diseases, giving rise to concerns about the spread of various diseases. In Asia and Africa in particular, the increasingly serious spread of dengue fever infections endangers the lives of infants. For example, dengue fever is a pressing issue in Malaysia and Singapore—where the number of infections has been increasing each year—with 182 lives lost to the disease in Malaysia in 2019.

MamyPoko Extra Dry Protect was born of a desire by a marketer working at our local subsidiary in Malaysia, who felt a sense of urgency about the encroaching threat posed by dengue fever, to protect infants from the disease. The idea that diapers, which are changed several times each day, could be used to help prevent avoidable diseases and death led to the commercialization of *MamyPoko Extra Dry Protect*.



A household survey visit in Malaysia

Commercialization Process and Value Creation

At the product planning stage, Unicharm's developers and marketers endeavor to acquire a deep understanding of conventional approaches to childcare—which vary according to cultures and customs—in a target country or region by immersing themselves in the lifestyles of its people. Unicharm also utilized this style of product development and marketing in Malaysia. Our developers and marketers visited many households in pursuit of insight, carefully observing the true state of people's lifestyles and consumption. We also focused on local measures for preventing infections and analyzed numerous mosquito repellents in circulation, firmly believing that communicating information on these products appropriately would raise awareness of measures for tackling dengue fever.

In this way, we developed disposable diapers for infants coated with a repellent derived from natural sources that is safe even when it comes into contact with an infant's skin.

The tape surface of these diapers is coated with microcapsules containing lemongrass extract, which repels mosquitoes. Fastening and unfastening the tape crushes the capsules, which keeps mosquitoes away from the infant.



MamyPoko Extra Dry Protect

Impact on Key Initiatives in Kyo-sei Life Vision 2030 and SDGs Contributions

Distributing *MamyPoko Extra Dry Protect* to many households and facilities, such as nurseries, in regions exposed to the threat of dengue fever contributes to the achievement of "Improvement of childcare" and "Improvement of public hygiene," two of the key initiatives in Kyo-sei Life Vision 2030. With regard to the 17 SDGs, this product also contributes to the achievement of **SDG 3, "Good Health and Well-Being,"** as it concerns reducing the risk of the preventable deaths of babies and infants due to an often-overlooked infectious disease. At the same time, *MamyPoko Extra Dry Protect* also contributes to the achievement of **SDG 12, "Responsible Consumption and Production,"** in that it minimizes any adverse impact on people's well-being and the environment by using an extract safe for a baby's skin.



Future Development and Further Value Creation

Efforts on the part of each and every individual to acquire accurate knowledge of infectious diseases and to take preventive measures will help create a society that is resilient to such diseases. In addition to holding a panel session with medical specialists in Kuala Lumpur, Malaysia, on the dangers of dengue fever and on preventive measures, we have launched a dedicated website for *MamyPoko Extra Dry Protect* to communicate accurate information on dengue fever. The website offers a range of information, including accounts from mothers who have experienced dengue fever with their babies and specific preventive measures incorporating the knowledge of specialists. Continuously communicating accurate information and raising people's awareness of the need to protect themselves from dengue fever will help enhance recognition of the Unicharm brand and increase sales of *MamyPoko Extra Dry Protect*.

 **Dedicated website for *MamyPoko Extra Dry Protect***
<https://www.mamypokoagainstdengue.com/>

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

Allowing People to Shine in the Future

Maximizing Lifetime Value through Menarche and Menstruation Education

Issues Facing Society and the Background to the Menarche and Menstruation Education Project

Hygienic menstruation care is generally not widespread in India, with the rate of sanitary pad use in the country at the 40% level in urban areas, which falls even lower in rural areas. As many people in India absorb the flow of menstrual blood by reusing pieces of rag and other materials, they feel anxious about hygiene and blood leakage. Many are also forced to endure restrictions on their activities during menstruation as a result of old customs. Furthermore, the reality is that many Indians are not aware of the existence of sanitary pads or how menstruation works. Despite the spread of sanitary pads in urban areas in the country in recent years, the choice of suitable products and information on how to use them properly are lacking.

Unicharm has extensively offered products and services to alleviate the anxiety and discomfort caused by blood leakage and to enable people to lead their lives in comfort as normal during menstruation. Our desire to facilitate healthier and more comfortable lives for people in India and to help them attend school and participate in society provided the inspiration to launch this project.



Female entrepreneurs who operate shops

Process Leading Up to the Project's Launch and Value Creation

As we proceeded with our entry into the sanitary pads market in India, we recognized the importance not only of popularizing sanitary pads but also ensuring that the users of such products are aware of the existence of said pads and clearly understand the process of menstruation.



Menarche education

With a focus on adolescent children, pupils, and students aged between 10 and 20 years old, we therefore began activities at the same time to change attitudes toward menstruation by communicating

Impact on Key Initiatives in Kyo-sei Life Vision 2030 and SDGs Contributions

Providing menarche and menstruation education in various parts of India and offering accurate information on menstruation contributes to the achievement of "Support for a society where gender and sexual orientation do not restrict people's activities," a key initiative in Kyo-sei Life Vision 2030. Concerning the 17 SDGs, the project also contributes to the achievement of **SDG 3, "Good Health and Well-Being,"** in terms of enabling all people to receive public health services and education regarding sex and childbirth and ensuring they have access to information in that regard. In addition, the project contributes to **SDG 4, "Quality Education,"** in that it furnishes people with the knowledge and skills required to create a sustainable society and to **SDG 5, "Gender Equality,"** in terms of eliminating all forms of discrimination against all gender identities.



information on menstruation and appropriate care. Launched in 2013, this project currently also uses online tools to provide education on menarche and menstruation to schools in various parts of India.

In rural areas, the project goes beyond spreading accurate information on menstruation and promotes activities for educating on and encouraging the use of sanitary pads. In such areas, the project allows people to empower themselves and generate income by selecting and educating female entrepreneurs who operate shops selling sanitary pads and other products.

Receiving menarche and menstruation education increases people's interest in and knowledge of their own bodies, providing an opportunity to improve their knowledge of hygiene in general. The spread of sanitary pads also enables people to attend school and boosts their social advancement by reducing restrictions on their activities during menstruation.

Future Development and Further Value Creation

The implementation of menarche and menstruation education has the potential to have a lasting, positive impact over the medium to long term in several ways. For example, the hygiene awareness levels of children, pupils, and students taking classes on menarche and menstruation will benefit their own children when they become parents. With education on menstruation serving as a foothold for Unicharm, the project is meaningful for the Company in that it enhances recognition of the Unicharm brand while cultivating latent future demand for disposable baby diapers. By continuing to roll out products via various sales channels and at price points accessible for users, we will achieve growth by creating demand for not only sanitary pads but also disposable baby diapers and adult diapers. We will also expand our activities to other regions where understanding of menstruation is not widespread, which will contribute to sustainable business growth.

Reusable Disposable Diapers

Activities Aimed at Realizing the Circular Recycling of Used Disposable Diapers Leveraging Ozone Treatment Technology, a World First*

Issues Facing Society and the Background to Our Development of Recycling Technology

In Japan, the majority of used disposable diapers are incinerated. However, incineration disposal poses challenges, in part due to the low combustibility of diapers as a result of their high moisture content, which is caused by absorbing urine and excrement. In addition, the incineration disposal of waste, including disposable diapers, impacts the environment in terms of carbon dioxide emissions.

As a manufacturer of disposable diapers, Unicharm has a responsibility to make their life cycle more sustainable so that such products do not impact the natural environment. Based on our belief that new technologies are required to achieve this goal, we took a step toward establishing a circular recycling system by initiating a project to recycle used disposable diapers in 2015.



Ozone treatment (sterilizing, bleaching, and deodorizing)

Process Leading Up to the Circular Recycling of the World's First* Used Disposable Diapers Using Ozone Treatment Technology

After establishing the recycling project in 2015, we began demonstration trials in 2016 aimed at recycling used disposable diapers in cooperation with Shibushi City, Kagoshima Prefecture, and the So Recycling Center, which recycles waste for the city. Moreover, Osaki Town, Kagoshima Prefecture, joined the trials in 2018. Employing an in-house developed sterilization process making use of ozone technology and other innovations that separate different materials, we have established recycling technology that sterilizes, bleaches, and deodorizes pulp to a degree, in terms of hygiene and safety, that allows it to be used in disposable diapers. We are also developing technology for recycling super absorbent polymer and types of film to the same degree.

Our efforts have confirmed that the quality of our recycled pulp,

in particular, is equal to or better than that of unused pulp. In this way, we have succeeded in developing circular recycling technology for manufacturing disposable diapers using recycled pulp and are currently in the final stages of demonstration trials for putting the technology to practical use.



Pulp before (left) and after (right) ozone treatment

Impact on Key Initiatives in Kyo-sei Life Vision 2030 and SDGs Contributions

Putting the circular recycling model for disposable diapers into action contributes to the achievement of "Expanding our line of recycled models" and "Promotion of product recycling," two of the key initiatives in Kyo-sei Life Vision 2030. With regard to the 17 SDGs, the project contributes to the achievement of **SDG 6, "Clean Water and Sanitation,"** and **SDG 14, "Life Below Water,"** in terms of protecting marine ecosystems, as well as to **SDG 9, "Industry, Innovation and Infrastructure,"** in terms of adopting environmentally friendly technologies more extensively. The project also helps realize **SDG 12, "Responsible Consumption and Production,"** in terms of significantly reducing waste volumes through recycling; **SDG 13, "Climate Action,"** in terms of reducing greenhouse gas emissions by recycling instead of incinerating; **SDG 15, "Life on Land,"** in terms of curbing deforestation through pulp recycling; and **SDG 17, "Partnerships for the Goals,"** in terms of advancing effective public, public-private, and civil society partnerships.



* In respect to applying horizontal recycling technology, which uses ozone treatment technology to make disposable diapers from used disposable diapers (based on a December 2020 in-house survey)

Future Development and Value Creation

In May 2022, we commercialized disposable diapers that use materials recycled from used disposable diapers in a portion of their raw materials. However, we need to overcome a host of issues, including separating and collecting as well as transporting used disposable diapers in order to commercialize circular recycling. To resolve these issues, in 2020 we partnered with Higashiyama City, Tokyo, to carry out demonstration trials with the cooperation of elderly care facilities, nurseries, and companies engaged in waste collection and transportation. These trials confirmed the feasibility of separating and collecting as well as transporting used disposable diapers. In October 2021, our joint venture with Odakyu Electric Railway Co., Ltd. was selected for a demonstration project advertised publicly by the Tokyo Metropolitan Government. The project has carried out demonstration trials on matters including the effective collection and transportation of waste from 2,500 households in Machida City. We aim to establish recycling facilities in 10 or more regions in Japan by 2030 while promoting collaboration with local governments and other companies on waste separation, collection, and transportation. Establishing a recycling system will help Unicharm realize production of sustainable disposable diapers unaffected by matters relating to the supply of raw materials.



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) was 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: our 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

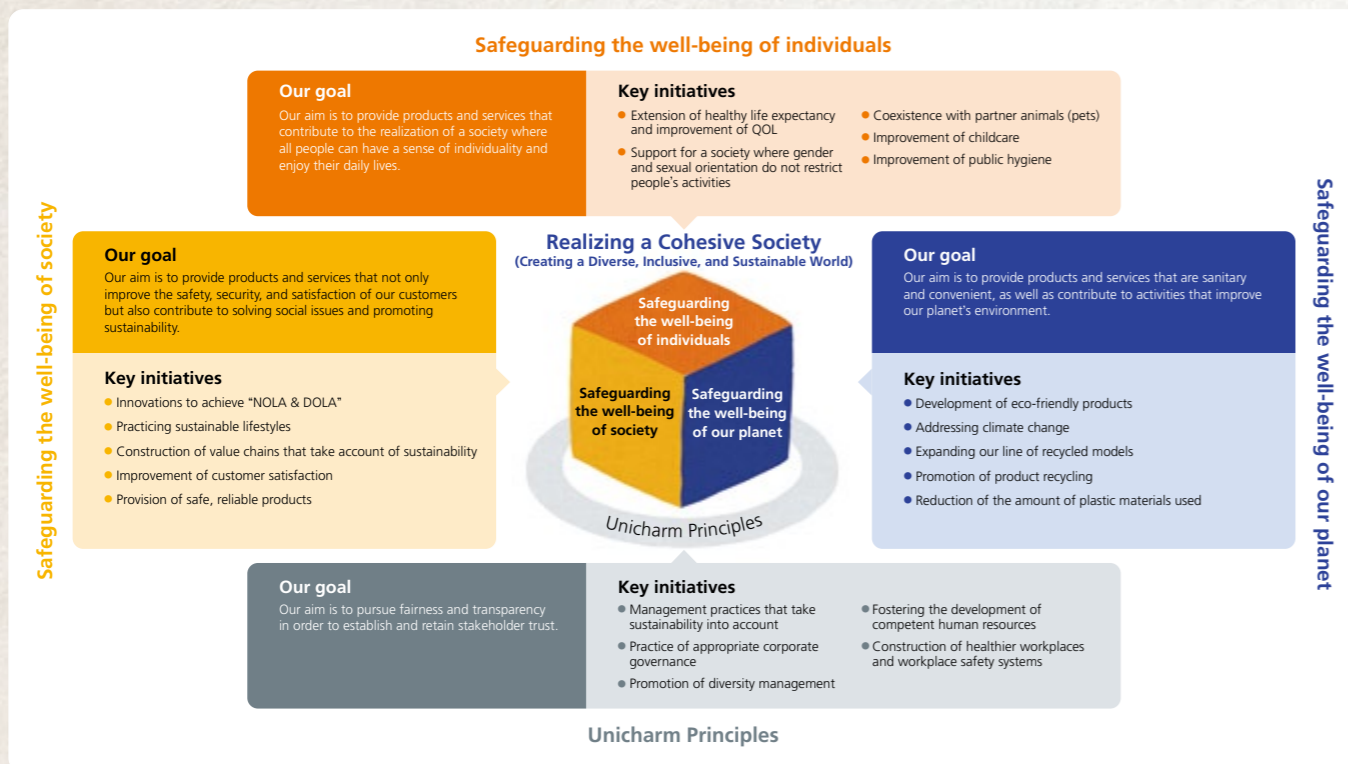
minds and bodies of our users, relieving them of some of the burdens of their lives and enabling them to better focus their efforts on making their dreams come true. "Value" is the ambition and sense of duty that underlies our mission and vision, bringing it all together to serve the common purpose. All Unicharm employees around the world are now pushing forward our standardized management model, management with resonance. To understand and promote our purpose, which comprises our mission, vision, and value, and to clarify how they work together to push forward that purpose, this document explains in detail the world we have envisioned in 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 P1

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.

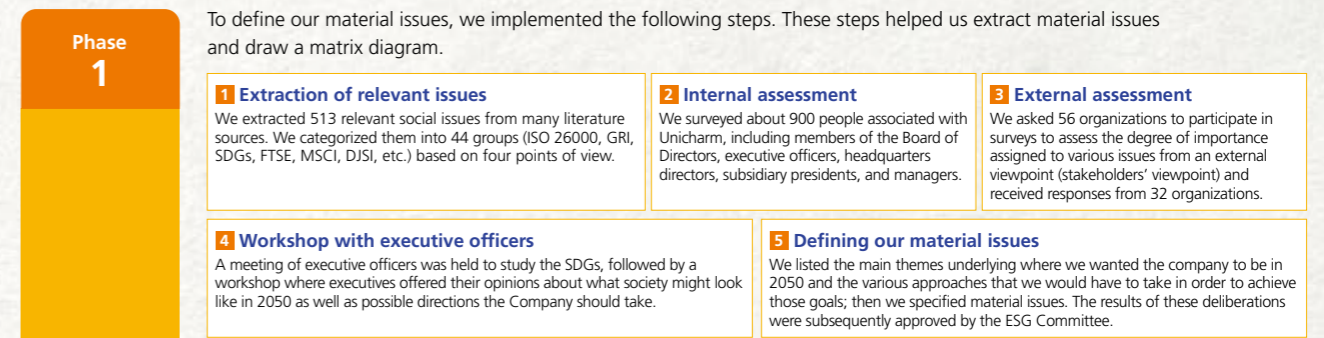


Our Approach to Realizing a Cohesive Society by 2050

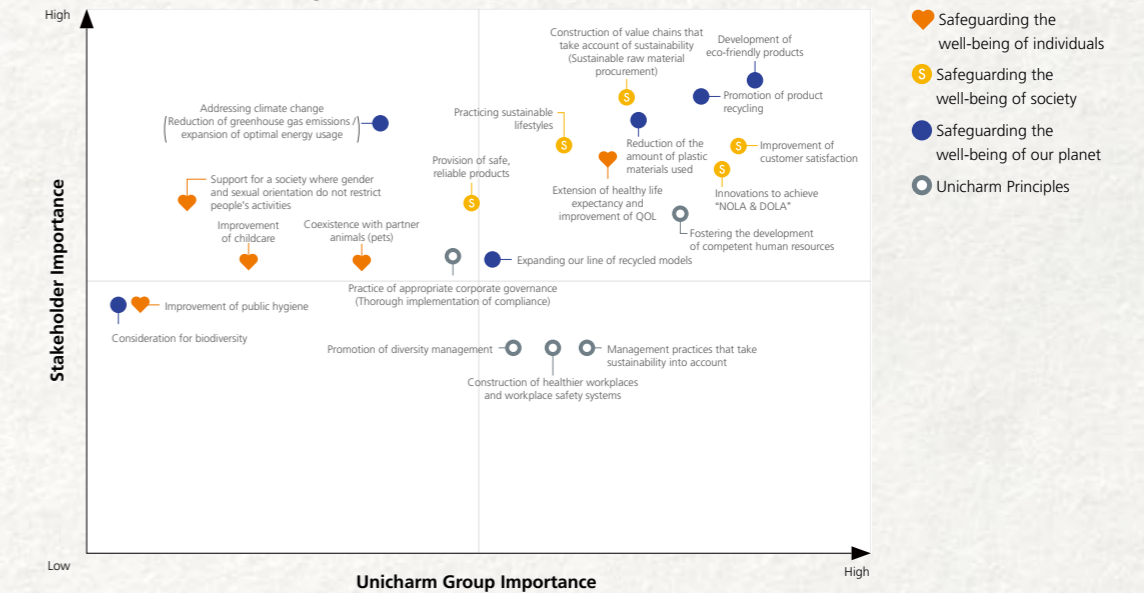
As described under "Positioning of Kyo-sei Life Vision 2030," our mission is to realize a cohesive society. With the year 2050 set as the target date for bringing such a society into being, we will strive to realize our vision of the company we aspire to be and have conceived carefully focused approaches 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 of the company we aspire to be	Society A cohesive society where the well-being of individuals, society, and our planet is maintained in a balanced state		Unicharm A worldwide company that provides social infrastructure to support healthy bodies and minds for people—from newborns to the elderly—as well as 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

The Formulation of Kyo-sei Life Vision 2030

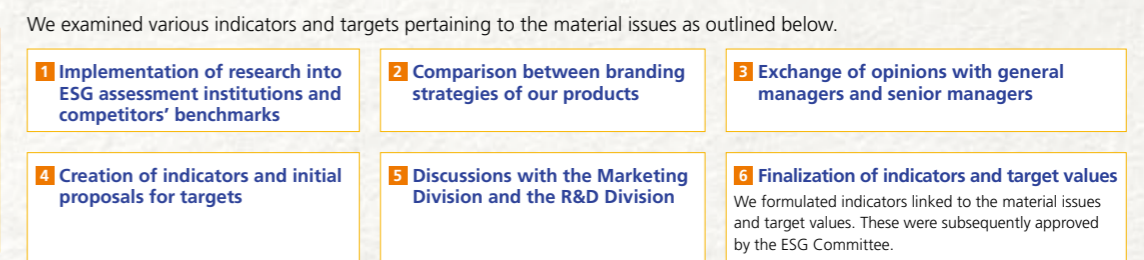


Material Issue Matrix Diagram



Phase 2

Formulation of indicators linked to the material issues and target values



Key Initiatives, Indicators, Target Values, and Results

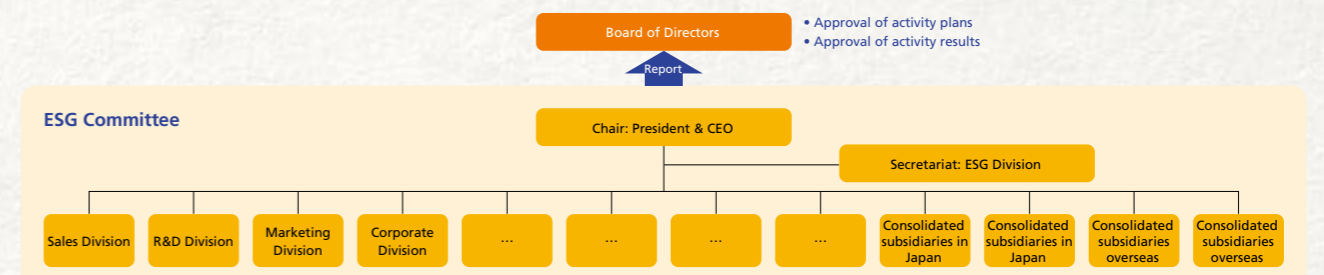
Key initiatives	Indicators	Results		
		2021	Target value	Medium- to long-term goals Target year
Safeguarding the well-being of individuals Our aim is to provide products and services that contribute to the realization of a society where all people can have a sense of individuality and enjoy their daily lives.				
Extension of healthy life expectancy and improvement of QOL	Percentage of products and services that contribute to the realization of a society where everyone can have a sense of individuality	100%	100%	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%	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%	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%	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%	2030
Safeguarding the well-being of society Our aim is to provide products and services that not only improve the safety, security, and satisfaction of our customers but also contribute to solving social issues and promoting sustainability.				
Innovations to achieve "NOLA & DOLA"	Percentage of products and services that contribute to freedom from various burdens and finding enjoyment in life	100%	100%	2030
Practicing sustainable lifestyles	Percentage of products and services suitable for the SDGs Theme Guideline, an internal guideline for contributing to sustainability	9 cases	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	Double (Compared with 2020)	2030
Improvement of customer satisfaction	Percentage of products and services supported by consumers (No. 1 market share)	23.4%	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%	2030
Safeguarding the well-being of our planet Our aim is to provide products and services that are sanitary and convenient, as well as contribute to activities that improve our planet's environment.				
Development of eco-friendly products	Number of products and services that implement the "3Rs + 2Rs" based on Unicharm's unique approach	Development ongoing	10 or more	2030
Addressing climate change	Percentage of renewable energy used for business operations in total	7.3%	100%	2030
Expanding our line of recycled models	Number of disposable paper diaper recycling facilities introduced	Development ongoing	10 or more	2030
Promotion of product recycling	Material recycling of nonwoven products using recycling resources	Development ongoing	Start of commercial usage	2030
Reduction of the amount of plastic materials used	Percentage of virgin plastics to total plastics	Development ongoing	Reduced by half (Compared with 2020)	2030
Unicharm Principles Our aim is to pursue fairness and transparency in order to establish and retain stakeholder trust.				
Management practices that take sustainability into account	Maintain and improve ratings by external evaluation agencies	—	Highest level	Every year starting from 2026
	Number of serious human rights violations in the value chain	Zero	Zero	Every year
Practice of appropriate corporate governance	Number of serious compliance violations	Zero	Zero	Every year
Promotion of diversity management	Percentage of female managers driven by the provision of various opportunities for women	Japan: 14.4% Overseas: 27.8%	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%	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	Reduced by half (Compared with 2020)	2030

Contributing to the SDGs

Key initiatives	SDG Icons																
Safeguarding the well-being of individuals Our aim is to provide products and services that contribute to the realization of a society where all people can have a sense of individuality and enjoy their daily lives.																	
Extension of healthy life expectancy and improvement of QOL																	
Support for a society where gender and sexual orientation do not restrict people's activities																	
Coexistence with partner animals (pets)																	
Improvement of childcare																	
Improvement of public hygiene																	
Safeguarding the well-being of society Our aim is to provide products and services that not only improve the safety, security, and satisfaction of our customers but also contribute to solving social issues and promoting sustainability.																	
Innovations to achieve "NOLA & DOLA"																	
Practicing sustainable lifestyles																	
Construction of value chains that take account of sustainability																	
Improvement of customer satisfaction																	
Provision of safe, reliable products																	
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Reduction of the amount of plastic materials used																	
Unicharm Principles Our aim is to pursue fairness and transparency in order to establish and retain stakeholder trust.																	
Management practices that take sustainability into account																	
Practice of appropriate corporate governance																	
Promotion of diversity management																	
Fostering the development of competent human resources																	
Construction of healthier workplaces and workplace safety systems																	

ESG Promotion Structure

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



Basic Management Policy

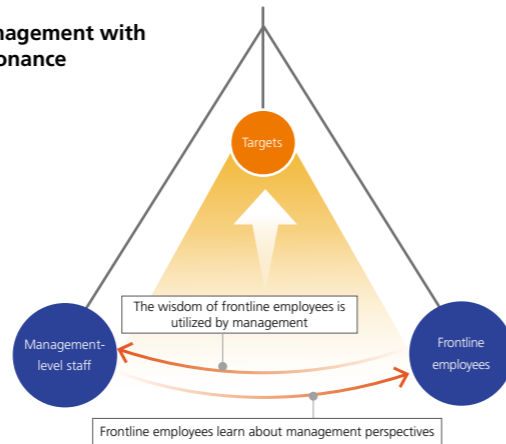
The Unicharm Group has been promoting management with resonance as its unified management model since 2001. With a focus on this management model, the Company concentrates management resources on its nonwoven fabric and absorbent material businesses, while expanding highly distinctive and profitable products from these businesses overseas to facilitate the diversification of its core businesses and the globalization of its specialized businesses.

Promotion of Management with Resonance

Defining Management with Resonance

Unicharm defines management with resonance as a management model to be promoted by all of its employees. This model seeks to have management-level and frontline employees work as one to achieve goals with the aim of implementing the Company's strategies. The most important purpose of management with resonance is to allow management to bring frontline employee expertise to bear in their management activities, while enabling those on the front lines to understand management's perspective and act based on a clear understanding of management policies and strategies. Achieving this purpose requires ample discussions between management-level and frontline employees to thoroughly align their goals so that all employees work toward a shared objective. Unicharm believes that achieving its goals and contributing to improved business performance will lead to the growth of all management personnel and employees, thereby facilitating the growth of the Group as a whole.

Management with Resonance



When reviewing plans, team leaders create an OODA Loop form to review teams' activities in accordance with OODA procedures and share their feedback with members of each team. Having understood the content of the OODA Loop form, all team members put together an action plan in 30-minute increments for the following week using the standard weekly action plan form. After action plans have been finalized, teams hold "scrum" meetings on a weekly basis. A scrum is a small organizational unit of employees, such as a group or section. At these meetings, all members discuss the content of the OODA Loop form and their own weekly action plan, which they refine and revise.

The holding of weekly scrum meetings as well as divisional and management meetings to share insight drawn from these three resources and discuss action plans helps foster human resource development and an organizational culture in which all employees can determine the best course of action to take and act on their own initiative while assessing circumstances on a daily basis.

* The OGISM (A) table is a strategic framework consolidated into a single table that is used to formulate an action plan consisting of targets to be achieved within the plan's period. Objectives (targets to be achieved within the period) → Goals (numerical targets) → Issues → Strategies → Measures (determination criteria) → Action Plan

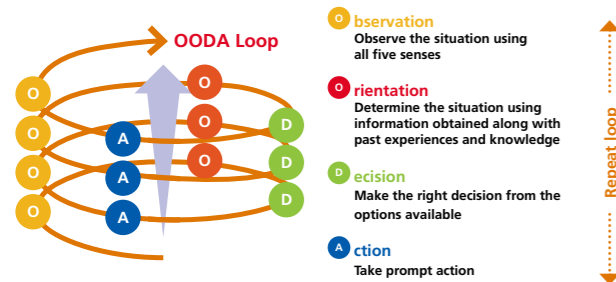
Procedure for Aligning Goals throughout the Unicharm Group

Management with Resonance Practical Meeting
The Management with Resonance Practical Meeting is chaired either by the president & CEO or an executive officer and attended by division heads and scrum leaders or above. At meetings of this body, an address by the president & CEO is followed by progress reports by those responsible for promoting key Companywide strategies and a discussion involving all those in attendance.

Divisional Scrum Meeting
A divisional scrum meeting is chaired by a division head and attended by scrum leaders. These meetings are held after the Management with Resonance Practical Meeting to share information on the agenda items raised, following which participants discuss their OODA Loop forms and weekly action plans while offering each other advice.

Weekly Scrum Strategy Meeting
Chaired by a scrum leader, each scrum team holds a weekly scrum strategy meeting. Held following the divisional scrum meeting, those attending the weekly scrum strategy meeting can share information on the agenda items discussed at the aforementioned divisional meeting while a scrum leader gives a presentation on the OODA Loop form. All members present their weekly action plan based on a thorough understanding of the OODA Loop form, checking for areas requiring improvement and revising their action plans as necessary.

Philosophy of the OODA Loop Methodology



Establish a mechanism via which approaches are constantly reviewed and fundamental changes are made

Instilling The Unicharm Way

"Instilling The Unicharm Way" represents another initiative for implementing management with resonance. As part of its efforts to instill The Unicharm Way, the Company converts tacit knowledge—such as Unicharm Terminology, which includes values, action guidelines, and important statements from management to be shared throughout the Group—into explicit knowledge. Although we used to distribute information on The Unicharm Way to all employees in the form of a personal organizer, we currently operate an in-house app. Shifting to an app has allowed us to establish an environment where all employees can access information on The Unicharm Way anytime, anywhere. We believe that employees can more easily adopt our values, approaches, and codes of conduct by consulting the app in the course of their daily work and using it as the basis for their decision-making.

The Unicharm Way App



Overseas Expansion

Diversifying Unicharm's Core Businesses and Globalizing its Specialized Businesses

Unicharm has succeeded in developing high-value-added products and services by concentrating management resources in nonwoven fabric and absorbent material processing and molding technologies—its core competencies—and specializing in highly distinctive products that make use of these technologies. The Company has realized the diversification of its core businesses and the globalization of its specialized businesses by positioning distinctive products from its core businesses that are capable of penetrating overseas markets as part of its specialized businesses. In this way, Unicharm has proactively expanded overseas.

Formulating and Executing Strategies for Different Regions and Market Growth Stages

In expanding overseas, Unicharm takes meticulous measures for different regions and stages of market growth. Specifically, the Company classifies market growth stages as "introduction," "growth," "maturity," and "decline," implementing **strategies attuned to regional characteristics** by determining market entry methods tailored to each growth stage and by carefully assessing product needs.

For example, we enter introduction-stage and growth-stage regions such as Asia, the Middle East, North Africa, and South America directly, establishing sales and production bases when doing so. In maturity-stage and decline-stage regions such as North America and Europe, meanwhile, we limit our market entry to business alliances and technology transfers using M&As, thereby securing stable earnings with minimal investments.

We also alter our product offerings and prices for different markets and sales channels. Based on in-house analysis indicating consumer spending on care products rises when per capita gross domestic product reaches a certain level, we strive to popularize products and increase earnings through methods that are suited to regional, market, and sales channel characteristics by carefully assessing market entrances and appropriate product launch timings and price points.

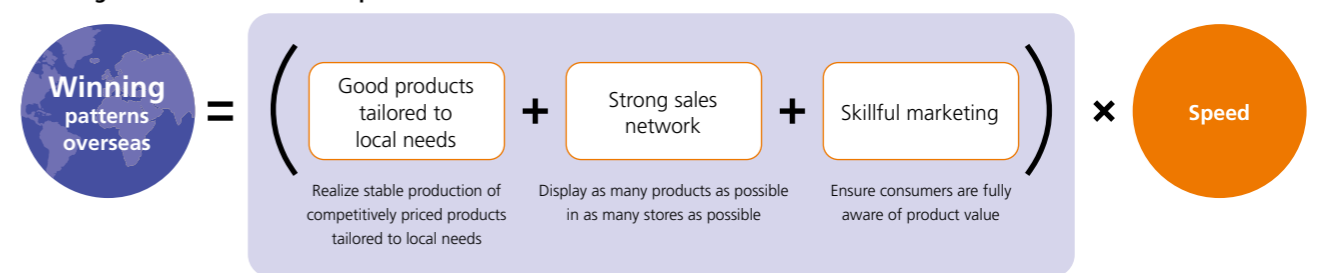
Strategies attuned to regional characteristics ▶ 46-55

Establishing, Instilling, and Evolving Winning Patterns

One of the objectives of thoroughly implementing the OODA Loop methodology for establishing a system that enables all employees to think and act independently is to create "winning patterns" by developing and verifying hypotheses on the requirements and actions to be taken for Unicharm to win out globally and to universalize and accelerate the process for refining such patterns. When making inroads into overseas markets, the Company's efforts are not confined to dispatching "resonant personnel" from Japan overseas or to the areas of product development, production, and marketing. Instead, said efforts extend to thoroughly entrenching and instilling Unicharm's own management style—including management with resonance—and meticulously researching various aspects of a region, including the true state of local lifestyles and consumption. Based on such research, we seek out localization that reflects the culture and living environment of a region while constantly evolving winning patterns transplanted from Japan and from overseas subsidiaries.

"Resonant personnel" ▶ P32-33

Winning Patterns for Overseas Expansion



11th Medium-Term Management Plan

Envisaging a future in which our mission of creating a cohesive society has been achieved, the 11th Medium-Term Management Plan is a three-year plan covering the period from fiscal 2021 to fiscal 2023 with policies and strategies formulated by backcasting from this future. The plan has set a path forward for the Unicharm Group and established its Desirable Future in 2030, a set of goals to be realized by 2030, which the Group is working to realize.

Positioning of the 11th Medium-Term Management Plan

To fulfill our mission of realizing a cohesive society, we have adopted the achievement of net sales of ¥1.4 trillion, a core operating income ratio of 17%, and return on equity (ROE) of 17% by fiscal 2030 as medium- to long-term management goals. We set about formulating a medium-term management plan by backcasting based on these medium- to long-term goals, and are currently driving forward the 11th Medium-Term Management Plan, which covers the period from fiscal 2021 to fiscal 2023. In accordance with management with resonance, we revise our medium-term management plans—which we formulate once every three years—on a rolling basis, analyzing current conditions and predicting changes in the operating

environment annually to determine our next course of action in response to such changes and revise our policies. We then give in-depth consideration to each of the key strategies of the revised policies at meetings of the Advisory Board Meeting, which is held on a half-yearly basis, and incorporate the policies into the strategies of each local subsidiary. Meanwhile, when implementing the plan, all employees deploy the Observe–Orient–Decide–Act Loop (OODA Loop) methodology to revise and implement their own action plans in accordance with the goals incorporated by individual teams, moving forward while making repeated course corrections to achieve the target profile for the entire Group.

Strategy Revisions Resulting from the First Rolling Update

As outlined, Unicharm reviews and revises its medium-term management plans annually. When carrying out such reviews and revisions, we revise our strategies using the feedforward concept, asking ourselves what actions must be taken to achieve our future goals, without wedding ourselves to our initial plan.

Desirable Future in 2030	Strategies in the Initial 11th Medium-Term Management Plan	Strategies Following the First Rolling Review
Foster “resonant personnel” around the world to shift to management mainly composed of locals	Strengthen and spread human resource development	Strategy ① Develop “resonant personnel” worldwide who embody BOP-Ship
Resolve social issues and coexist with the earth	Establish a recycling value chain	Strategy ② Steadily implement efforts to achieve the Unicharm Group’s medium- to long-term ESG goals, Kyo-sei Life Vision 2030
Achieve the top share of the nonwoven fabric and absorbent material businesses in the global market	Focus on new growth pillars	Strategy ③ Achieve “NOLA,” which underpins customers’ lifestyles
Maximize lifetime value by developing products that win the hearts and minds of customers	Promote DX and strengthen brands by exploring the deep psyche of customers	Strategy ④ Offer value in the form of product features and additional advantages catering to changes in customers’ circumstances
Realize the ultimate <i>Gemba</i> (Total optimization / smartification / Continuous improvement of the Group)	Analyze the principles of <i>monozukuri</i> (manufacturing) thoroughly to build optimal processes	Strategy ⑤ Promote measures for Creating the Ultimate <i>Gemba</i> , Vol. 2

Revisions to Goals and Strategies in the First Rolling Update

Strategy ① : Develop “resonant personnel” worldwide who embody BOP-Ship

Target: Increase the ratio of locally hired employees in management positions (general manager and above) to **55%** by fiscal 2022 and **80%** by fiscal 2030

Based on our view that employee growth is integral to realizing our purpose, we have adopted human resource development as our most important strategy. Resonant personnel are human resources who put into practice Unicharm’s management model while also embodying Best Practice-ship, Ownership, and Partnership (BOP-Ship). Leveraging KYOSHIN, our human resource development platform, we aim to achieve human resource development that facilitates the growth of those implementing training and those being trained.

Strategy ② : Steadily implement efforts to achieve the Unicharm Group’s medium- to long-term ESG goals, Kyo-sei Life Vision 2030

Targets: In fiscal 2022, launch sales of disposable diapers using pulp extracted and recycled from used disposable diapers
In fiscal 2022, promote the development of plastic products that do not use newly mined petroleum
Increase the ratio of renewable electricity used by the Group as a whole to **20%** by the end of fiscal 2023

Unicharm believes that steadily implementing the Unicharm Group’s medium- to long-term ESG goals, Kyo-sei Life Vision 2030, which includes the recycling of used disposable diapers and the promotion of product recycling, will enable it to create more added value with fewer resources. As a company dealing in products that help people realize more hygienic and enriched lifestyles, we will further emphasize the conservation and recycling of resources as we promote business models based on sustainability.

Strategy ③ : Achieve “NOLA,” which underpins customers’ lifestyles

Targets: Create a new market in Asia for pants-type disposable adult diapers that will help increase healthy life expectancy
Popularize the new habit of using cat litter boxes in Asia
Secure new users of pants-type sanitary pads by expanding the product lineup

While the products and services offered by Unicharm—such as adult incontinence care products, disposable diapers, sanitary pads, and partner animal (pet) care products—are by no means flashy, they are all essential to safe and secure daily life. With the aim of becoming the best company in the world by 2030, we will continuously create value that exceeds the expectations of consumers in order to address increasingly diverse markets and customers and achieve Necessity of Life with Activities (NOLA) for people living in all of the countries and regions where we operate businesses.

Strategy ④ : Offer value in the form of product features and additional advantages catering to changes in customers’ circumstances

Targets: Strengthen customer relationship management (CRM)*1 to discern changes in customers’ circumstances (promotion of Sofy and Sofy Girl apps in fiscal 2022)
Promote in-store digital transformation (DX) leveraging Unicharm’s strengths (introduction at two companies in fiscal 2022)
Promote direct-to-consumer (D2C)*2 sales aimed at addressing individual needs (reform of D2C system for promoting sales of the *Unicharm Face Visible Mask* and identifying further insights in fiscal 2022)

*1 CRM entails managing relationships and interactions with customers in order to comprehensively understand the relationship between a company’s own employees and its customers.
*2 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 employs D2C from the standpoint of engagement with customers).

In order to offer products and services that capture the interest of customers, we must provide value with additional advantages not only by promoting DX in technological areas but also by leveraging digital technology in the area of customer service, such as in stores and through D2C. Sharing the stance that all forms of DX should help spur innovation—which is our objective of promoting DX—throughout the Group, we will discern the latent needs of customers based on data while promoting DX in a variety of fields, which will allow us to offer new value that motivates them to make purchases.

Strategy ⑤ : Promote measures for Creating the Ultimate *Gemba*, Vol. 2

Target: Enhance management efficiency by improving KPIs, such as the fixed asset turnover rate and equipment operating rate

Unicharm has offered new value and contributed to changes in lifestyles by quickly identifying changing needs and making extensive use of the nonwoven fabric and absorbent material processing and molding technologies it has cultivated throughout its history to develop new, market-leading products. Going forward, as we adapt flexibly to changes in the operating environment, we will create the ultimate *gemba* (manufacturing site) for maintaining a sustainable supply system by promoting new initiatives that include digital technologies.

Human Resources

Building Individual Capabilities

Relevant Principal Kyo-sei Life Vision 2030 Targets

Unicharm Principles

Promotion of diversity management

Percentage of female managers driven by the provision of various opportunities for women

30% or more by 2030



Fostering the development of competent human resources

Percentage of positive answers received for the "Growth through Work" employee awareness survey

80% or more by 2030



Strategies and Targets in the First Rolling Framework of the 11th Medium-Term Management Plan

Strategy ①: Develop "resonant personnel" worldwide who embody BOP-Ship

Target: Increase the ratio of locally hired employees in management positions (general manager and above) to 55% by fiscal 2022 and 80% by fiscal 2030

Unicharm's approximately 16,000 Group employees drive efforts to realize its purpose of contributing to the achievement of the Sustainable Development Goals (SDGs). We cannot realize our purpose unless our employees grow. Based on this conviction, we have adopted human resource development as our most important management strategy in the 11th Medium-Term Management Plan.

When developing human resources, Unicharm holds up resonant personnel as models of excellence. Specifically, they are human resources with a deep understanding of **The Unicharm Way**, which consolidates perspectives and ways of thinking and acting that are unique to Unicharm. These human resources put into practice the Company's management model, under which they solve issues and achieve goals by formulating plans on their own initiative using the Objectives–Goals–Issues–Strategies–Measures–Action Plan (OGISM (A)) table while advancing such plans autonomously using **the Observe–Orient–Decide–Act Loop (OODA Loop) methodology**. We also

expect resonant personnel to embody **Best Practice-ship, Ownership, and Partnership (BOP-Ship)**, values that have been passed on ceaselessly since our founding.

Appropriate guidance from those in supervisory positions is essential to the development of resonant personnel. In 2021, to improve the quality of guidance throughout the Group as a whole, we began operating KYOSHIN, a human resource development platform. Unicharm aims to accelerate the development of resonant personnel by leveraging KYOSHIN to make the quality of guidance consistent among those in supervisory positions and establish a structure for properly verifying the growth paths of all employees.

The Unicharm Way P1, P29
OODA Loop methodology P28
BOP-Ship P1

Progress in Fiscal 2021

Action Plan	Target	Achievements in FY2021	Future Issues and Initiatives
Introduce KYOSHIN	Introduce at 22 affiliates	Completed introduction at 22 affiliates	Improvement of operational functions at each affiliate
Introduce KYOSHIN assessment functions	Introduce at 14 affiliates	Completed introduction at 14 affiliates	Expansion to eight other affiliates
Introduce KYOSHIN training functions	Introduce at 14 affiliates	Completed introduction at 14 affiliates	Expansion to eight other affiliates

Basic Policy on Human Resources

With the aim of establishing a virtuous cycle, Unicharm maintains a basic policy on human resources of enabling each employee to pursue three aspects of wealth: aspirational wealth, economic wealth, and wealth of both mind and body. In this cycle, employees develop through their work, which in turn leads to the Company's business expansion. We believe that operating policies that strike a good balance between each of these types of wealth is of vital importance.

Employees who are wealthy in terms of their aspirations aim to contribute extensively to society as a whole through their work while having an ambitious and broad outlook. Utilizing My 10-Year Career Vision and Plan, a framework created by Unicharm, the Company has encouraged employees to consider how they can contribute to society and what actions they can take through their own personal growth

and work over the medium- and long-term periods of three years and 10 years, respectively. In pursuit of economic wealth, we have endeavored to foster and strengthen engagement with employees in several ways, such as through establishing and maintaining a consistently industry-leading compensation system while also introducing a restricted share-based remuneration plan to serve as a medium- to long-term incentive for employees. For wealth of both mind and body, we encourage all employees to undergo an annual health checkup. The Company has maintained a 100% checkup rate among employees since 2009.

Through these initiatives, Unicharm endeavors to be a company that conducts management with respect for people.

Promoting management with resonance based on the idea that the source of a company's value lies in its people, who are the drivers of corporate value, we will seek to earn the trust of all employees by engaging fairly and reasonably with them as they pursue the three aspects of wealth and seek fulfillment through work.

Tetsuya Shite

General Manager, Global Human Resources & Administration Division
 Senior Managing Executive Officer



Implementing Three Action Plans under Our Basic Strategy to "Develop 'Resonant Personnel' Worldwide Who Embody BOP-Ship"

In its 11th Medium-Term Management Plan, Unicharm has been implementing the following three action plans and carrying out its basic strategy to "Develop 'resonant personnel' worldwide who embody BOP-Ship." Preparation of the basic strategy and the action plans was premised on what we believe to be a key factor to human resource development, which is the desire for growth of both those implementing training and those being trained. To that end, we place emphasis on encouraging both parties to maintain their desire.

① Developing global human resources through on-the-job training based on The Unicharm Way

Viewing on-the-job training (OJT) as an opportunity for both those implementing training and those being trained to achieve growth, we have realized on-site human resource development by creating structures and resources based how we can effectively carry out OJT.

② Developing all employees into digital human resources through reskilling

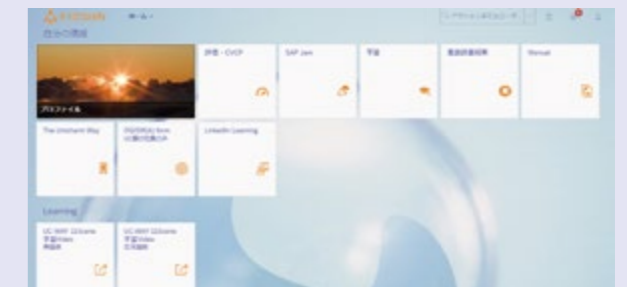
By using reskilling to develop employees with the digital skills required to promote digital transformation (DX), we enable them to choose work styles and rewarding work suited to their own life stages. These efforts simultaneously develop human resources through DX and accelerate our business growth.

③ Promoting inclusion that recognizes people with potential

We accelerate human resource development and revitalize our organization by harnessing the strengths of a diverse array of human resources in terms of gender, nationality, age, and other characteristics who overcome language and distance barriers to work as one.

Unicharm aims to integrate the aforementioned three action plans by using KYOSHIN, its human resource development platform. KYOSHIN features five major functions: assessment, training, personal profiling, succession planning, and employee awareness surveys. Specifically, the assessment function has common assessment criteria and resources while the training function has shared content and resources. We prioritized usability in our efforts to develop apps for the various types of content and resources. To firmly establish KYOSHIN, we are ensuring that we introduce it in stages, taking into account the conditions at each Group company, rather than operating it uniformly. To this end, the Global Human

Resources & Administration Division is bolstering cooperation by maintaining close contact with those in charge of personnel matters at Group companies. Based on the aforementioned key factor of our human resource development, this division is also developing content and resources with an emphasis on two fronts: growth achieved through employees' intrinsic motivation, such as a desire for growth, and growth resulting from extrinsic motivation, such as the guidance of others, including superiors and senior employees.



KYOSHIN

Future Developments

As previously outlined, Unicharm seeks to create and improve opportunities for encouraging effective OJT and self-learning by building content, resources, and structures for both those overseeing and those undergoing training. As part of these efforts, we will define specific training objectives and methods for those tasked with its implementation. In addition, we will define standards of thought and behavior and create and operate a Plan–Do–Check–Act cycle. Using this cycle, we will enforce these standards and utilize them in our training after monitoring how well they have taken hold and to what degree they have helped employees accomplish their targets. We will also use the preparation of My 10-Year Career Vision and Plan to specify to those undergoing training the ideal profile of the human resources we seek and to promote initiatives to encourage self-motivation for achieving that goal. At the same time, Unicharm will foster an open attitude toward learning based on understanding the thinking of those in supervisory positions and of senior employees.

Contribution to Environmental Protection through Our Business Activities

Strengthening Our Ability to Safeguard the Well-Being of Our Planet

Relevant Principal Kyo-sei Life Vision 2030 Targets

Safeguarding the well-being of our planet

Development of eco-friendly products

Number of products and services that implement the "3Rs + 2Rs" based on Unicharm's unique approach | **10 or more by 2030**



Addressing climate change

Percentage of renewable energy used for business operations in total | **100% by 2030**



Expanding our line of recycled models

Number of disposable diaper recycling facilities introduced | **10 or more by 2030**



Promotion of product recycling

Material recycling of nonwoven products using recycling resources | **Begin commercial use of recycled products by 2030**



Reduction of the amount of plastic materials used

Percentage of virgin plastics to total plastics | **Halve by 2030 (compared with 2020)**



Targets and Strategies in the First Rolling Framework of the 11th Medium-Term Management Plan

Strategy ②: Steadily implement efforts to achieve the Unicharm Group's medium- to long-term ESG goals, Kyo-sei Life Vision 2030

Targets: In fiscal 2022, launch sales of disposable diapers using pulp extracted and recycled from used disposable diapers
 In fiscal 2022, promote the development of plastic products that do not use newly mined petroleum
 Increase the ratio of renewable electricity used by the Group as a whole to **20%** by the end of fiscal 2023

The products and services offered by Unicharm require large quantities of natural resources. For reasons of convenient hygiene management, many of these products are intended for disposable use. In light of such business characteristics, Unicharm has been promoting the construction of a recycling value chain that contributes to protecting the natural environment.

In October 2020, Unicharm formulated and unveiled the Unicharm Group's medium- to long-term ESG goals, Kyo-sei Life Vision 2030. This vision organizes our initiatives for addressing environmental and social issues and strengthening corporate governance in line with our purpose—contributing to the achievement of the Sustainable

Development Goals (SDGs)—while taking into account our ongoing initiatives.

Unicharm believes that steadily implementing Kyo-sei Life Vision 2030 will help strengthen its organizational capacity to create more added value with fewer resources. Recycling used disposable diapers, developing products free of virgin plastics, and shifting to renewable electricity constitute some of our efforts.

We will continue striving to promote Kyo-sei Life Vision 2030, certain that contributing to the creation of a sustainable society will strengthen the sustainability of our business operations.

Progress in Fiscal 2021

Action Plan	Targets	Achievements in FY2021	Future Issues and Initiatives
Recycle used disposable diapers	Complete preparations for operation of recycling facilities	Completed preparations for operation of facilities to advance joint demonstration trials with Shibushi City and Osaki Town in Kagoshima Prefecture	Construction of a system for the stable separation and collection of used disposable diapers from regular households
Develop products free of virgin plastics	Select materials that are biomass-derived or use recycled plastics and other materials and examine their quality, performance, and other aspects	Progressed as planned regarding ensuring consistency of material suppliers with our environmental and other policies, gaining an understanding of plastic policies in various countries and regions, and producing preliminary ideas for product specifications	Selection of raw materials and development of product specifications that will not compromise the leak-free, steam-free, soft texture, and other features required of products
Switch to renewable electricity	Have all local subsidiaries set fiscal year targets for switching to renewable electricity by fiscal 2030	All local subsidiaries completed the setting of the fiscal year targets at the end of November 2021. Prepared a plan for switching to renewable electricity that exceeds 20% for the Group as a whole by the end of fiscal 2023	Overcoming of issues in terms of stable procurement and cost, given that logistics conditions for renewable electricity vary by country and region

Promoting the Unicharm Group's medium- to long-term ESG goals, Kyo-sei Life Vision 2030, will allow the Company to simultaneously contribute to the resolution of environmental and social issues and improve its sustainability.



Toshifumi Hikosaka
 General Manager of Global Research & Development Division
 and General Manager of Intellectual Property Division
 Director, Senior Managing Executive Officer

Making the Establishment of a Recycling Value Chain Our Second Groupwide Key Strategy

In 2020, Unicharm unveiled the second of its Groupwide strategies: "Establish a recycling value chain." While solving environmental and social issues has always been a priority for Unicharm, I believe that setting the establishment of a Groupwide recycling value chain as a strategy has expanded our approach to addressing such issues. In addition, as many of our employees from the younger demographic—millennials and those in Generation Z—are highly conscious of environmental and social issues, the adoption of our Groupwide key strategies has met with their approval and boosted our human resource development efforts, such as by motivating them to proactively engage in various activities.

Formulating the Unicharm Group's Medium- to Long-Term ESG Goals, Kyo-sei Life Vision 2030

In parallel with efforts to promote the establishment of a recycling value chain, the Unicharm Group advanced the formulation of its medium- to long-term ESG goals. To define our material issues, we carefully examined a long list of 513 issues, eventually narrowing them down to 44. Of the 44 selected issues, we examined which of them to prioritize. As part of this process, we also canvassed the opinions of external stakeholders and of all of the approximately 900 management-level employees at Group companies around the world. The results of this examination confirmed that employees have a keen interest in solving environmental and social issues and believe that Unicharm should contribute to their resolution through its business activities.

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

In October 2020, Unicharm followed the aforementioned formulation process by unveiling the Unicharm Group's medium- to long-term ESG goals, Kyo-sei Life Vision 2030. In tandem with this move, we revised the 11th Medium-Term Management Plan and established a new strategy: "Steadily implement efforts to achieve the Unicharm Group's medium- to long-term ESG goals, Kyo-sei Life Vision 2030." With this revision, we aim to solve social and environmental issues and accelerate our sustainability efforts, going further than our initial plan of establishing a recycling value chain.

I am of the opinion that all of our stakeholders have responded favorably to this more ambitious aim, which represents nothing less than the promotion of "NOLA & DOLA," our corporate philosophy.

Reducing Our Environmental Impact without Compromising Product Advantages

As the individual themes we are tackling under this strategy are extremely challenging, none can be solved without great effort. For the recycling of used disposable diapers, Unicharm is engaged in initiatives aimed at ensuring these diapers have a level of hygiene quality allowing them to be used as disposable diapers and other products, a world first, for which the Company must clear high standards in terms of safety, quality, and cost. To this end, we have developed sterilizing technology using ozone and are currently advancing joint demonstration trials with Shibushi City and Osaki Town in Kagoshima Prefecture in order to commence sales of products using recycled pulp in a portion of their raw materials in 2022.

Unicharm's frontline employees are working tirelessly on a variety of fronts. For example, they must seek ways to utilize plastics that are not dependent on newly mined petroleum resources and to facilitate our switch to renewable electricity without compromising the convenience of customers or carelessly bringing about cost increases.

Fostering an Organizational Climate That Encourages Employees to Work toward Achieving Kyo-sei Life Vision 2030

While its business activities may at times diverge from its environmental and social initiatives, Unicharm puts a special emphasis on contributing to the achievement of the SDGs through these activities. We have defined our purpose as contributing to the achievement of the SDGs and placed due importance on fostering an organizational climate that endeavors to reach performance goals and improve our capabilities by practicing management with resonance, with all employees embodying the values of "NOLA & DOLA" and fully understanding our efforts to help create a cohesive society. As a member of management, I am fully committed to promoting the fostering of a better organizational climate and culture at Unicharm.

Marketing Improving Our Networking Capabilities

Relevant Principal Kyo-sei Life Vision 2030 Targets

Safeguarding the well-being of individuals

Extension of healthy life expectancy and improvement of QOL



Support for a society where gender and sexual orientation do not restrict people's activities



Safeguarding the well-being of society

Practicing sustainable lifestyles



Coexistence with partner animals (pets)



Improvement of childcare



Improvement of public hygiene



Strategies and Targets in the First Rolling Framework of the 11th Medium-Term Management Plan

Strategy 3: Achieve "NOLA," which underpins customers' lifestyles

Targets: Create a new market in Asia for pants-type disposable adult diapers that will help increase healthy life expectancy
 Popularize the new habit of using cat litter boxes in Asia
 Secure new users of pants-type sanitary pads by expanding the product lineup

Necessity of Life with Activities & Dreams of Life with Activities ("NOLA & DOLA") is Unicharm's corporate philosophy. "NOLA" embodies the spirit of helping to free people from various burdens to enable them to enjoy good health both in mind and body. The products and services offered by Unicharm—such as adult incontinence care products, disposable diapers, sanitary pads, and partner animal (pet) care products—are by no means flashy. Nevertheless, they are all essential to safe and secure daily life. For this reason, it is vital that we look for ideas to make new proposals based on a wide range of lifestyles and values that differ by country and region and continuously create value that exceeds the expectations of consumers, thereby enabling us to contribute to enriched lifestyles.

Unicharm has made it its goal to become the best company in the world by 2030. Becoming the best in the world through our nonwoven fabric and absorbent material businesses—encompassing adult incontinence care products, disposable diapers, sanitary pads, and other items—means our products and services will bring joy to the greatest number of consumers in the world, representing nothing less than the achievement of "NOLA" for people living in the countries and regions where we operate. We are of the opinion that such efforts constitute a contribution to the achievement of Sustainable Development Goal (SDG) 3, "Good Health and Well-Being."

Progress in Fiscal 2021

Action Plan	Target	Achievements in FY2021	Future Issues and Initiatives
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	Making of Unicharm's pants-type disposable adult diapers synonymous with pants-type disposable diapers by promoting the appeal of pants-type diapers that can be put on without assistance
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	Expansion in the number of sales countries and in the product lineup of cat litter boxes and promotion of communication in local languages
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	Proposals of advanced, high-value-added products targeting the younger demographic, centered on members of Generation Z

Basic Marketing Policy

Unicharm holds the leading share in the nonwoven fabric and absorbent material processing and molding technologies fields in Japan and in many other countries and regions, centered on Asia. It is my belief that this achievement is thanks to our efforts to continuously offer products and services that bring the most joy by identifying—based on lifestyle habits and values that differ according to countries and regions—needs that are not being met despite expectations of consumers and needs that consumers themselves are not conscious of, while focusing on making meticulous new proposals.

Earning recognition from consumers by continuously making new proposals, Unicharm aims to create strong brands and bolster its ties with consumers through the steady accumulation of such efforts. To this end, it is important to clearly define how we want consumers to

perceive a given brand, based on a thorough understanding of such consumers, and to develop products and services fulfilling this desire ahead of other companies. It is also important to communicate the value of such products and services in a unique way. Moreover, a company cannot become a leading manufacturer without listening to the unfiltered opinions of consumers and observing them to understand the underlying desires that they themselves may not be fully aware of.

Guided by its wholehearted commitment to contributing to society, Unicharm constantly carries out marketing with consideration for the consumers of the country or region in question with their happy faces in mind.

Pursuing "NOLA & DOLA" enables Unicharm to simultaneously achieve business growth and contribute to the resolution of environmental and social issues.



Chikara Oka
 General Manager, Overseas Marketing Division
 Senior Executive Officer

Review of Initiatives in Fiscal 2021

In Asia, which has seen ongoing population and economic growth, Unicharm's area of focus had been its former Baby Care Business. However, a downward trend in the number of births in many countries and regions in Asia has been compounded by the impact of the COVID-19 pandemic. With their progressively declining birthrates and aging populations, many countries and regions are experiencing increasingly serious shortages in their nursing care capabilities, similar to Japan. As a result, efforts to spread and popularize pants-type disposable adult diapers that facilitate the independence of care recipients have become an urgent priority. Unicharm is therefore expanding its lineup of products tailored to local care needs, such as breathable and easy-to-change diapers as well as diapers in a variety of sizes.

Meanwhile, in addition to a rise in the number of cats being raised, particularly in urban areas in Asia, a decline in opportunities for going outdoors due to COVID-19 has led to an increase in the time owners are spending together with their cats indoors. In light of this change in the operating environment, Unicharm is proposing a new type of cat litter box, which is driving market growth. Proposals include cat litter boxes that preserve a clean and pleasant indoor environment through a feature that simplifies the maintenance of said litter boxes and a deodorizing function.

In addition, the acceleration in consumption driven by influencer marketing through social media across Asia has given rise to increasingly diverse purchasing behavior patterns. This development means that making value proposals catering to different countries and regions has become even more important. In particular, needs for sanitary pads centered on the younger demographic have suddenly become increasingly diversified. Accordingly, Unicharm has promoted new value proposals and improvements in terms of quality and functionality, such as enhancing its lineup of pants-type sanitary pads and developing pads equipped with cooling and deodorizing functions as well as pads deploying natural materials that focus on offering peace of mind.

Contributing to the Achievement of the Unicharm Group's Medium- to Long-Term ESG Goals, Kyo-sei Life Vision 2030

In its medium- to long-term ESG goals, Kyo-sei Life Vision 2030, the Unicharm Group has set out key initiatives under the theme of "Safeguarding the well-being of individuals": "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," and "Improvement of public hygiene." The third strategy in the 11th Medium-Term Management Plan—"Achieve 'NOLA,' which underpins customers' lifestyles"—is nothing less than a strategy for offering products and services that contribute to these five key initiatives. In fiscal 2022, we will continue to accurately discern changes in consumer needs and in purchasing behavior to continuously make new proposals through our unique products and services while monitoring changes in our operating environment throughout the world brought about by COVID-19 and its various impacts on our business domains.

Going forward, in addition to quality and functionality, products will be expected to take into account environmental and social issues. With this in mind, Unicharm formulated the SDGs Theme Guideline as a road map for the planning and development of new products that will contribute to the practical implementation of sustainable lifestyles. Guided by our goals of "the simultaneous achievement of a 10% reduction in resources used and a 10% increase in value created and the promotion of themes that contribute to the achievement of the SDGs," we create more added value with fewer resources while also aiming to offer products and services that contribute to the achievement of the SDGs. To this end, we are promoting initiatives such as those for the procurement of raw materials in a way that supports sustainability and the utilization of recycled materials. We will continue strengthening these initiatives with the aim of striking a balance between achieving "NOLA" for as many people as possible and resolving environmental and social issues.

Offering Customer Experience Value throughout People's Lives

Maintaining uninterrupted relationships with customers throughout their lives while focusing on its business domains is one of the strengths of Unicharm's business portfolio. With disposable baby diapers being used over a period of approximately three years, sanitary pads for approximately 40 years, disposable adult diapers for approximately 10 years, and partner animal (pet) care products for approximately 20 years, our categories all entail long periods of product usage. Standing shoulder to shoulder with customers at their respective life stages, we offer products and services that achieve "NOLA" at each and every one of our contact points with them. We sustainably enhance customer experience value by integrating such products and services with digital transformation, which we are advancing under our fourth strategy in the 11th Medium-Term Management Plan, thereby also helping each and every person to fulfill their dreams, which is what is meant by Dreams of Life with Activities (DOLA).

Digital Transformation (DX)

Reinforcing Organizational Capabilities and Additional Advantages

Relevant Principal Kyo-sei Life Vision 2030 Targets

Safeguarding the well-being of society

Innovations to achieve “NOLA & DOLA”

Percentage of products and services that contribute to freedom from various burdens and finding enjoyment in life

100% by 2030



Strategies and Targets in the First Rolling Framework of the 11th Medium-Term Management Plan

Strategy ④: Offer value in the form of product features and additional advantages catering to changes in customers’ circumstances

Targets: Strengthen customer relationship management (CRM) to discern changes in customers’ circumstances (promotion of Sofy and Sofy Girl apps in fiscal 2022)
 Promote in-store digital transformation (DX) leveraging Unicharm’s strengths (introduction at two companies in fiscal 2022)
 Promote direct-to-consumer (D2C) sales aimed at addressing individual needs (reform of D2C system for promoting sales of the *Unicharm Face Visible Mask* and identifying further insights in fiscal 2022)

On the strength of its nonwoven fabric and absorbent material processing and molding technologies, Unicharm aims to offer new value from the standpoints of both Necessity of Life with Activities (NOLA) and Dreams of Life with Activities (DOLA). This new value is the type of value that is truly sought after by customers and helps enhance the quality of life of customers all over the world.

However, as people’s values continue to diversify, fulfilling the specific needs of each and every customer is certainly no easy task. At Unicharm, we have worked to develop products and services that capture the hearts of customers by visualizing the data generated from the

abundance of information accumulated to date and using this data to identify customer insights. Remaining aware of not only the circumstances of our customers but also of the appropriateness of the timing and location, we provide the best possible product at the perfect time and place so that our customers become even more attached to our products. Through these and other efforts, we will continue to provide products and other forms of value by ensuring that our products and services relate closely to a wide range of generations, from babies to the elderly, and even partner animals (pets), and that they are used for a lifetime.

Progress in Fiscal 2021

Action Plan	Target	Achievements in FY2021	Future Issues and Initiatives
Strengthen CRM: Promote cross-brand collaboration with a focus on female customers through the establishment of the Unicharm Wellness Care Model	Visualize data on menstruation through the Sofy apps, the first apps created by Unicharm. Continuously enhance user experience by frequently collecting data on users	Launched the Sofy apps and expanded the number of users with contents that address their menstruation-related concerns	Develop and propose products and services incorporating data obtained from the increasing number of users and apps
Communicate value through guidance tools that identify the insights of both offline and online stores	Encourage purchases through guidance tools that help customers select the best possible product	Launched Sofy Perfect Diagnosis and Lifree Product Recommendation Analysis, online services that relate to customers’ concerns over selecting which product to purchase	Continue to develop and roll out guidance tools that help customers feel at ease when making purchases and identify customer insights
Acquire behavior- and purchase-related information through D2C sales. Address the wide range of consumer needs	Relate closely to concerns over making purchases through our D2C business for all product categories, provide features in the form of product trials, and improve our knowledge of consumers. Address the needs of a small customer base for specific products through D2C sales	Addressed the needs of a small customer base, including people who are hard of hearing, through sales of the <i>Unicharm Face Visible Mask</i> . Expanded user count of the Unicharm Direct Shop by 1.5 times by enhancing our customer service capabilities for seniors	Continue to develop and provide specific products and roll out products into all product categories based on behavior- and purchase-related information of consumers acquired through D2C sales

Overview of Measures to Promote DX

At Unicharm, we promote DX with the purpose of identifying consumer insights that help us discern when to develop new products, renew existing products, update product specifications, create new product categories, and improve other areas of our product development. In other words, creating *monozukuri* (manufacturing) innovation is what promoting DX is all about, and to do so, we are developing software and apps that allow us to forge closer ties with customers through the use of digital technology.

In order to clearly illustrate this objective, we have systematized our ongoing DX-related projects, such as human resource development tools and content technology that uncovers a “switch” to make customers’ dreams come true, and classified them into a format consisting of the core of our DX and three measures that facilitate the realization of this core.

The Core of Our DX: *Monozukuri* Innovation

Develop and invent unprecedented products and services by utilizing our cutting-edge technology to visualize data on the five human senses (sight, sound, smell, taste, and touch) and creating the best possible product

DX Measure ①: Promote contents that uncover a “switch” to make customers’ dreams come true

Provide moving experiences directly to customers and use data obtained from websites, apps, sensors, devices, and other sources in our *monozukuri*

DX Measure ②: Leverage the evolving digital infrastructure

Promote advancements in manufacturing technology and methods for collecting and analyzing data through infrastructure development, digitalization, smartification, and other technological advancements and utilize them in our *monozukuri*

DX Measure ③: Nurture DX Specialists

Accelerate DX by using digital technology to effectively nurture our human resources into experts capable of successfully promoting DX.

While increasing customer engagement, we will promote DX and draw on customer insights to continue to create innovation and establish an innovative business model.



Nobuyuki Sakamoto

Deputy Director
Acting General Manager of DX Promotion Division

Establishment of the DX Promotion Division and System Development

In January 2021, the DX Promotion Division was established to accompany the start of Unicharm’s 11th Medium-Term Management Plan. This move enabled us to systematize DX-related projects by centrally managing their progress. In order to create *monozukuri* (manufacturing) innovation, which has been framed as the true essence of our DX, we are developing a range of digital content for which we are carrying out various measures while putting in place the necessary infrastructure to compile and analyze customer feedback and insight. For example, we have introduced a disposable diaper subscription service for nursery schools called Hands-Free Commute, whereby preregistered data on children is used to keep track of the inventory of disposable diapers at nursery schools and additional diapers are automatically ordered when inventory is low. In addition, Unicharm has developed a system that automatically adjusts the delivery date for neighboring facilities to determine the most efficient delivery route.

Furthermore, a DX alliance has been formed by the representatives of Group companies, with the DX Promotion Division at the helm, to promote DX through a concerted Groupwide effort that includes managing the progress of their respective initiatives and developing employees into DX specialists.

Review of and Initiatives Aimed at the Achievement of Targets in Fiscal 2021

With respect to strengthening CRM to discern changes in customers’ circumstances, one of the targets of the 11th Medium-Term Management strategy to “Offer value in the form of product features and additional advantages catering to changes in customers’ circumstances,” we are advancing our approach to users of our Sofy-brand sanitary products. Specifically, we are developing a range of content that relates to and helps overcome the stress and physical effects of menstruation. Our new Sofy Menstruation-Period Management app was developed and launched in 2021 to complement our preexisting **Sofy First Body Navi**, a website offering useful information that helps educate users on menarche, and the Sofy Girl app, which helps users deal with their worries over their first menstruation experience and puberty. This new app is designed for use by anyone, including adults who are dealing with menstruation disorders, as it offers advice on concerns over menstrual cramps, premenstrual syndrome (PMS),* and other causes of discomfort based on a diagnosis of 24 types of physical conditions under the supervision of a physician.

Moreover, in December 2021, our Adult Diaper Counseling Service was introduced to help consumers select the right disposable adult diapers in the best-suited size. Combining LINE’s chat-based diagnostic feature and Bodygram AI technology, which enables measurements to be made through the use of a smartphone camera, this service serves as a guidance tool for customers so that they can select products at stores easily without any hesitation. Going forward, we will continue to develop similar product selector tools in an effort to promote in-store digital transformation.

Furthermore, with the release of the **Unicharm Face Visible Mask** in April 2021, we were able to create a product that caters to a specific need and make it directly available via the Unicharm Direct Shop to customers who are a valuable part of our directly operated e-commerce site. In addition, for customers who are unsure about ordering online due to a lack of computer skills, the Unicharm Direct Shop continues to offer the option of placing orders by phone or through its catalogue. We believe that addressing such specific needs will entail maintaining constant communication with customers and providing the best possible products and services through our D2C business.

* The emotional and physical symptoms, such as irritation, stomach pains, and headaches, that are experienced before a period.

Looking Ahead

The information we continue to acquire on our customers through the growth of our business will be used to further enhance the quality and quantity of the products and services sought after by our customers. If we are to provide customers with additional value, it is imperative that we continue to increase our points of contact with them. For instance, in the case of CRM, we will visualize data pertaining to pregnancy and menopause, stages of people’s lives when they experience immense changes to their lifestyle and physical condition, and propose new products with the intent of boosting their lifetime value. Meanwhile, in terms of our D2C business, the information and data we acquire on our customers will be used not only to facilitate the selection of the best possible products and services through our guidance tools and to address specific needs, but also to create *monozukuri* innovation and expand the scope of our products and services, thereby continuing to increase our engagement with customers.

Sofy First Body Navi
<https://jp.sofygirls.com/ja/girls.html> (in Japanese only)
Unicharm Face Visible Mask



Production Bolstering Our *Monozukuri* Capabilities

Relevant Principal Kyo-sei Life Vision 2030 Targets

Safeguarding the well-being of society

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

Double by 2030
(compared with 2020)



Improvement of customer satisfaction

Percentage of products and services chosen by consumers (No. 1 market share)

Increase to 50% by 2030



Provision of safe, reliable products

Percentage of products for which a new internal guideline for safety and quality has been set and a certification has been granted

Increase to 100% by 2030



Strategies and Targets in the First Rolling Framework of the 11th Medium-Term Management Plan

Strategy 5: Promote measures for Creating the Ultimate Gemba, Vol. 2

Target: Enhance management efficiency by improving KPIs, such as the fixed asset turnover rate and equipment operating rate

Throughout its history, Unicharm has maintained production bases in its countries and regions of operation with the intention of achieving local production for local consumption, in order to provide safe products that offer peace of mind. Today, however, as constant change becomes the norm, efficient asset utilization is essential for ensuring continuous, sustainable growth. Meanwhile, focusing on making investments on our own not only entails investment return risks but may also threaten our financial flexibility. In view of such changes in the operating environment, we have decided to move away from our previously held principle of self-sufficiency and analyze our *monozukuri* (manufacturing) to develop an optimal process. Accordingly, we adopted our fifth strategy of the 11th Medium-Term Management Plan: "Promote measures for Creating the Ultimate Gemba, Vol. 2."

In order to execute this plan, we must solve a host of old and new issues, all of which remain unsolved on account of their high difficulty. We have added "Vol. X" to the end of our designation for this strategy—Creating the Ultimate *Gemba*—to articulate our determination to tenaciously tackle these issues while continuing our efforts until we see results. Unicharm will focus specifically on building a global supply foundation, promoting smart factories, and developing human resources and creating related systems while striving to improve its fixed asset turnover rate and equipment operating rate. In this way, the Company will aim to create a sustainable *monozukuri* process by integrating people, know-how (Unicharm Total Management Strategic System (UTMSS)), and equipment to address ever-shortening product life cycles and increasingly diverse customer needs.

Progress in Fiscal 2021

Action Plan	Target	Achievements in FY2021	Future Issues and Initiatives
Build a global supply foundation	Complete preparations for building a foundation for borderless supply	Created a global specification standard for pants-type disposable diapers. Promoted the standardization of materials by strengthening resilience in material procurement	Improvement of global compatibility for product and equipment design in all categories. Ongoing strengthening of resilience in material procurement
Promote smart factories	Build the technological foundation for realizing safe, secure, high-quality, highly efficient smart factories with low environmental impact	Embarked on the development of elemental technologies that contribute to predicting abnormalities and raising quality. Began building a foundation for collecting and analyzing data from model equipment. Started installing energy-saving devices in new production and auxiliary equipment	Development and practical implementation of advisory technology and proactive deployment of assistive technology. Enhancement of production efficiency through the utilization of production equipment data. Maximization of benefits of energy-saving devices through promotion of their use in existing equipment
Develop human resources and create related systems	Develop trainers who educate human resources on taking the right course of action in an appropriate manner. Formulate and deploy disaster preparedness standards for the Group	Completed preparations to launch a trainer development program in cooperation with other companies. Completed formulation of disaster preparedness standards (hard and soft aspects) incorporating global standards	Launch of trainer development program and individual profiling. Assessment of risks using disaster preparedness standards and reduction of disaster risk level through action to correct shortcomings

Creating New Value through Technological Innovation and Human Resource Development

Unicharm is committed to offering customers inspiring, safe, and reliable products. Based on that commitment, the Company engages in *monozukuri* with the aim of becoming the strongest group of specialists by making extensive use of the world's most advanced nonwoven fabric and absorbent material processing and molding technologies. As our lifestyles change with the times, customer needs are becoming increasingly sophisticated and diverse. Quickly identifying changing needs, Unicharm has made extensive use of the nonwoven fabric and absorbent material processing and molding technologies it has cultivated throughout its history to develop new, market-leading products, garnering a strong global reception for its efforts. While Unicharm has offered new value and contributed to changing lifestyles through these new products and services, developing initiatives

in response to a raft of issues will become a priority going forward. These issues include shorter product life cycles, enhanced safety and environmental standards, the transfer of technical skills accompanying the globalization of production bases, and digitalization. Improving technological capabilities and maintaining human resource development capabilities that can steadily address these issues will become more important. Unicharm will work to create value over the medium to long term by making use of its *monozukuri* capabilities (production capital), including through the establishment of human resource development capabilities and core technologies that will be required in the future, optimization of its production system, and the promotion of smart factories, while improving quality and bolstering its cost competitiveness.

Unicharm will aim to create **inspiring, safe, and reliable *monozukuri*** by boldly taking on the challenge of **Creating the Ultimate *Gemba*** through the integration of people, know-how (UTMSS), and equipment.



Tetsuo Ukai
Senior Executive Officer and General Manager,
Global Supply Chain Division, Managing Executive Officer,
Unicharm Products Co., Ltd.

Looking Back on Efforts for Creating the Ultimate Gemba Thus Far

Today, when constant change is the norm, a variety of infrastructure is seeing dramatic upheaval on a global scale and a diverse array of social issues are emerging. Unicharm's operating environment is similarly challenging, with conditions remaining harsh. These include supply chain disruptions triggered by COVID-19 and a sharp rise in material prices. Despite such an operating environment, the nature of its business in the daily necessities field requires Unicharm to ensure stable supply at all times. This means the Company must maintain a sustainable supply system.

Efficiency and flexibility are of vital importance for maintaining this sustainable supply system. With this in mind, the Manufacturing Division adopted **Creating the Ultimate Gemba, Vol. 1**, as one of the key strategies in the 11th Medium-Term Management Plan, which was launched in January 2021.

In specific terms, our efforts under this strategy include working to ensure that equipment is operational at all times without interruption for maintenance or other reasons, that all employees are able to work safely regardless of their age or gender, and that overseas operations are wholly managed by local employees from the countries or regions in question. In these efforts, we are proactively utilizing Internet of Things (IoT) technology to promote prudent capital expenditures and cost control in several ways, such as by enhancing the equipment operating rate and the fixed asset turnover rate. To promote further improvements in management efficiency, we also believe that we must accelerate our efforts to curb excess investments, inventory, and personnel.

Accelerating the Implementation of the 11th Medium-Term Management Plan and Realizing the Unicharm Group's Medium- to Long-Term ESG Goals, Kyo-sei Life Vision 2030

Amid uncertainty in the operating environment, expectations are growing that Unicharm will contribute to the resolution of environmental and social issues. I believe that meeting these expectations will at the same time enable us to capture business opportunities.

Having taken into consideration the accomplishments and shortcomings of fiscal 2021's **Creating the Ultimate Gemba, Vol. 1**, Unicharm began tackling **Creating the Ultimate Gemba, Vol. 2** in fiscal 2022. Meanwhile, the advancement of digital technologies has allowed the Company to make good use thereof on manufacturing sites to achieve labor savings. Furthermore, use of IoT technology

has enabled us to better analyze the vast amounts of data constantly being accumulated on manufacturing sites. I believe that verifying the effectiveness of these technologies and further deploying and accelerating them will be critical going forward.

It is my belief that these efforts are closely related to "Construction of value chains that take account of sustainability," "Improvement of customer satisfaction," and "Provision of safe, reliable products," three of the key initiatives set out for achieving the goal of "Safeguarding the well-being of society" in Kyo-sei Life Vision 2030. Unicharm will aim to achieve the goals in Kyo-sei Life Vision 2030 by accelerating its efforts for **Creating the Ultimate Gemba, Vol. 2**.

Establishing Smart Factories Integrating People, Know-How (UTMSS), and Equipment

COVID-19 has significantly affected the way we all live, with lockdowns and restrictions on transportation having an impact on manufacturing sites. Unicharm views offering products to consumers around the world as the mission of its *monozukuri* sites and considers it its social responsibility. Based on this approach, the Company engages in a wide range of activities.

As COVID-19 has significantly changed people's lifestyles, ways of working, and values, the post-pandemic manufacturing industry will not go back to what it was before the COVID-19 pandemic. In this environment, the Unicharm Group has quickly set about utilizing digital transformation to open the Kyushu Factory as its first smart factory.

The Kyushu Factory aims to become a manufacturing site that rectifies previous *monozukuri* issues by enhancing operations based on the UTMSS approach, rather than simply by replacing people with systems and robots to perform tasks that previously depended on manual labor. In specific terms, these efforts entail reducing tasks involving heavy objects—including transporting and setting materials—and introducing a system and other innovations capable of tracing materials through to commercialization. Going forward, we will aim to realize a cohesive society through sustainable *monozukuri* by promoting reforms to our production system at an unprecedented speed, such as through the further utilization of digital technologies to leverage the vast volumes of data output from equipment and AI cameras.

Research and Development and Intellectual Property

Reinforcing Organizational Capabilities

Relevant Principal Kyo-sei Life Vision 2030 Targets

Safeguarding the well-being of society

Innovations to achieve “NOLA & DOLA”

Percentage of products and services that contribute to freedom from various burdens and finding enjoyment in life | **100% by 2030**



Research and Development

Basic Policy

At Unicharm, we have been developing new products and revamping existing ones through R&D&E, an R&D structure that spans our five product categories (healthcare, clean and fresh, feminine care, partner animal (pet) care, and baby care and childcare) and closely coordinates research into products that provide new value to customers, the development of materials and technology necessary for proposing new value, and the engineering of equipment to produce these. Furthermore, for Unicharm, which is expanding business on a global scale, rolling out products based on the characteristics of each country and region is vital. Accordingly, we have established satellite offices of the R&D Division at major overseas subsidiaries and created a structure that enables local development of products that meet the needs of each country and region.

Additionally, under the basic development policy to “continue creating new value through technology innovation,” we are continuously carrying out research related to our core material, nonwoven fabrics, super absorbent polymers, paper, and pulp, as well as the development and improvement of processing technology, with a constant awareness of innovation. We are also working to improve efficiency by shortening the lead time from development to project launch.

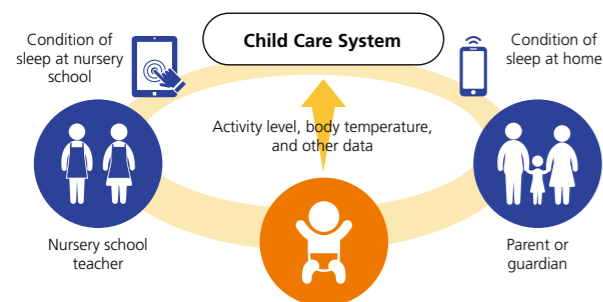
To this end, it is important that we thoroughly observe the actual conditions and consumption patterns in consumers’ lives, determine the true needs that drive them, and continue to take on new challenges in a swift manner, without becoming content with the status quo or fearing failure.

Example Cases of Strengthening Research and Development to Improve Corporate Value

Utilization of Digital Technology

Collaborative Research with a Focus on the Development of New Businesses

In 2021, Unicharm began collaborative research with CHaiLD, a company that plans and develops operational support systems for nursery schools, in pursuit of quality sleep care for infants. The objective of this collaborative research is to find what is needed for a good sleeping environment and appropriate care by utilizing CHaiLD’s Child Care System (CCS) and the CCS Sensor, which is used to collect data during naps, to understand the sleep conditions of infants at nursery school or at home. We will utilize the data obtained from this collaborative research to help prevent sudden infant death syndrome (SIDS) and reduce the burden of child rearing and childcare work.



Promotion of Industry–Academia Cooperation

“Kyo-sei” Social Lab

At Unicharm, we established the “Kyo-sei” Social Lab within the R&D Division to discover a product’s true value based on the body’s reactions, such as brain waves, voices, and movements; recognition; and emotional reactions. At the “Kyo-sei” Social Lab, together with university researchers, we carry out verification of technology developed by Unicharm to scientifically clarify the internal and external factors that impact the sound growth and health of the minds and bodies of all consumers, from new born babies or infants to the elderly, and propose new products and services. In collaboration with Kagawa University and Kagawa Prefectural University of Health Sciences, the center researched the impact of the warming technology*¹ used in *Sofy Hot Dan* °C sanitary pads, launched in China in 2020, on menstrual cramps and the mental burden they can cause. At the 49th meeting of the Japanese Society of Psychosomatic Obstetrics and Gynecology (June 2021), it was announced that menstrual cramps were reduced by 74%.*²



*1 Warming technology refers to the front section of elongated sanitary pads that covers the lower abdomen, the warming agent, and the scent of mugwort.

*2 The percentage of people who did not take painkillers that responded that their menstrual cramps were “reduced” or “greatly reduced” due to the warming technology of the pads.

Column Production of Further Added Value through Close Cooperation with the Marketing Division

Provision of Comfortable Lives for Everyone through the Unicharm Face Visible Mask

The lingering impacts of COVID-19 and the increased prevalence of mask-wearing have presented difficulties for deaf people due to people’s mouths being hidden by masks. To address this, we began research to understand the difficulties faced by deaf people.

When using sign language, the movements of people’s mouths are also a vital method of communication. As such, if the mouth is hidden, as with regular masks, they are unable to communicate properly. During development, we deliberated specifications from the perspective of how much of the mouth needs to be shown to communicate easily. Additionally, the gestures people tend to unconsciously make to correct a mask that has slipped could be mistaken for sign language. A slip-free shape is important in terms of both the hygiene aspect of ensuring a close-fitting form that keeps viruses out and the aspect of not obstructing communication. With these points in mind, we created over 40 prototypes at the development phase

and made numerous improvements after visiting local deaf and hard of hearing associations to ask their opinions.

During the research, development, and sale of the *Unicharm Face Visible Mask*, everyone involved shared the common goal of quickly providing customers with a new product, and we were swiftly able to create new value.



Intellectual Property

Basic Policy

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 in an aim to put in practice an IP landscape in which intellectual property is useful for management decision-making. Specifically, the Group 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 through steadily applying and acquiring intellectual property rights through these R&D activities. 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.

As part of our efforts to build and strengthen our intellectual property portfolio in Japan and overseas, we actively use the Japan Patent

Office’s Patent Prosecution Highway program in order to raise the quality of our intellectual property rights as well as work on acquiring rights, such as sound trademarks in Japan and overseas, and advance the acquisition of rights with accelerated review application. Furthermore, we seek to provide advice on and influence international policy with respect to intellectual property by actively exchanging opinions with the patent offices in Japan and Asia.

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

Example Case of Intellectual Property Strategy Initiatives That Enhance Corporate Value

At Unicharm, we are actively utilizing 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.

One target is deterring entry into premium products, namely acquiring patents for new technologies to prevent other companies from following suit and to differentiate between products. The other target is deterring similar low-price products. Our brand power is particularly strong in Asia, where cheap products with similar appearances and appeal points to our own have been appearing on the market. Accordingly, we utilize our trademarks, designs, and utility

models to deter similar products from entering the market. For example, in the case of our *Ultra-Comfort Mask*, our patents and designs protect the shape of the ear elastic, which is comfortable even if the mask is worn for long periods of time, and our trademarks protect terms such as “ultra comfort.” Through such initiatives, the focus of our strategy is to protect the added value provided to customers with intellectual property.



Ultra-Comfort Mask

Financial Policy

Strengthening Unicharm's Cash-Generating Capabilities

Unicharm will respond with agility to changes in its operating environment in various countries and regions to achieve the goals of the 11th Medium-Term Management Plan.

Hirotsu Shimada

General Manager of the Corporate Planning Division and the Accounting Control and Finance Division
Managing Executive Officer



Progress toward Achieving the Goals of the 11th Medium-Term Management Plan

Unicharm formulated strategies for the 11th Medium-Term Management Plan based on ideas developed by backcasting from its Desirable Future in 2030, a set of goals to be realized by 2030. The plan established five basic strategies to enable Unicharm to fulfill its purpose of contributing to the achievement of the Sustainable Development Goals (SDGs), and set the achievement of net sales of ¥888.0 billion, a core operating income ratio of 15.5%, and return on equity (ROE) of 15.0% by fiscal 2023 as financial goals. These goals represent a milestone in our march toward realizing net sales of ¥1.4 trillion and securing the leading global share in the nonwoven fabric and absorbent material businesses by 2030.

Creating a foundation for sustainable sales growth is the top financial priority in the 11th Medium-Term Management Plan, the key to which is maintaining growth at a pace that facilitates a compound annual growth rate (CAGR) of 6.9% over the three years of the plan. To achieve this goal, we must focus our efforts on maintaining or improving profitability throughout the Unicharm Group by implementing effective upfront investments tailored to the special characteristics of different countries and regions while pressing ahead with the transformation of our product category portfolio.

The prolonged impact of the COVID-19 pandemic in fiscal 2021—the first year of the 11th Medium-Term Management Plan—led to a temporary market contraction, due in part to lockdowns in certain countries and regions and disruption to the supply chain. Additionally, challenges on the cost front included a sharp rise in raw material prices and logistics costs. Nevertheless, with its safe, secure, and hygienic

lineup of product offerings that provide support for people's lives, Unicharm absorbed the drastic increase in costs by achieving growth in highly profitable categories centered on overseas markets. As a result, the Company posted a 7.6% increase in net sales, year on year, and a 6.7% rise in core operating income, both record highs. We also paid an annual dividend of ¥36 per share to our shareholders, marking the 20th consecutive year of dividend increases.

Responding with agility to changes in the operating environment in various countries and regions—including rapid changes in consumer preferences and purchasing behavior, and in the social and economic environment—will be indispensable for achieving the goals of the 11th Medium-Term Management Plan. Issues such as global inflation and the acceleration of the declining birthrate and aging population in Japan and other countries are matters of particular concern. Unicharm will absorb costs by developing solid brands and securing sales volume through the pursuit of customer satisfaction. To achieve this satisfaction, we will remove unpleasant experiences in the daily lives of each and every person and continuously propose value (products and services) that underpins their comfort and unique individuality, standing shoulder to shoulder with consumers. In particular, in the nursing care category in Asia—with a focus on China—we will create a new market and propose new value by utilizing the expertise we have developed in Japan, a front-runner in terms of aging societies, and by implementing proactive marketing investments. Thus, we will promote business expansion and seek to achieve the goals of the 11th Medium-Term Management Plan.

Financial Goals of the 11th Medium-Term Management Plan and Fiscal 2021 Results

	FY2021 Results	FY2023 Plan	FY2030 Goals
Net sales	¥782.7 billion	¥888.0 billion	¥1.4 trillion
CAGR	+7.6% (year on year)	+6.9%	+6.8%
Core operating income ratio	15.6%	15.5%	17.0%
ROE	13.8%	15.0%	17.0%

Approach to Cost of Capital

Setting the goal of achieving ROE of 15.0%, significantly higher than the cost of capital of 3.0% (fiscal 2021), the 11th Medium-Term Management Plan aims to continuously reduce the cost of capital and

maximize Unicharm's equity spread*1 in a sustainable manner. I am of the opinion that ongoing and proactive engagement (in the form of investor relations activities) with stakeholders, most notably our

shareholders and investors, helps reduce our cost of capital. Since fiscal 2020, the COVID-19 pandemic has dramatically changed people's living conditions, which has forced change in the corporate operating environment. Under such unprecedented conditions, predicting the behavior of countries, regions, individuals, and companies becomes increasingly more challenging. In response, Unicharm will further reduce its cost of capital by bridging the gap in expectations between the Company and its institutional investors through proactive information disclosure and engagement to establish relationships of trust, with a focus on improving corporate value over the medium to long term.

I believe that managing profitability and return on investment in line with the growth stages of countries, regions, and the markets for each product category is crucial. Determining hurdle rates for cost of capital and additional costs for each country and region, Unicharm makes

investment decisions by establishing financial goals for each investment project using the net present value method and the payback method, as well as return on invested capital. Following the market launch of a product or service, we make use of the OODA Loop methodology to carefully assess changes in the operating environment compared with when the product strategy was initially formulated. At the same time, we seek to achieve our financial goals by revising our action plan with agility and executing it quickly. It is my belief that steadily recovering invested capital according to plan helps realize efficient investment and, in turn, improves ROE.

Unicharm will continue improving its investment efficiency by implementing management with an emphasis on maximizing equity spread.

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

Approach to Cash Allocation

I believe that we must strike a balance between implementing shareholder returns and prioritizing further growth investments in our nonwoven fabric and absorbent material businesses, with the aim of maximizing our ability to generate operating cash flow to maintain and improve the sound financial standing that underpins our business strategies.

Under the 11th Medium-Term Management Plan, Unicharm will endeavor to continuously strengthen its earnings power by implementing strategic growth investments aimed at achieving sustainable improvements in corporate value, with the objective of contributing to the achievement of the SDGs. Specifically, the Company will proactively invest annually in business fields with significant growth potential that has not yet materialized, using operating cash flow that exceeds ¥100.0 billion. These fields include markets related to the

elderly in Asia, the partner animal (pet) market, and countries and regions where significant economic growth can be expected. In mature business fields, we will also invest in areas where we can expect to create new business value by making extensive use of life science and data science through digital transformation and other innovations. In each of these fields, we will work at investing in a timely manner by carefully assessing conditions in respective countries, regions, and businesses while also keeping in mind mergers and acquisitions.

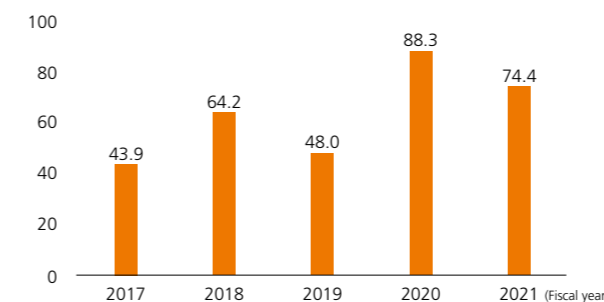
Unicharm maintains a policy of implementing continuous shareholder returns, aiming for a total payout ratio of 50%. The Company will increase dividends to its shareholders on a stable and continuous basis while prioritizing investments for realizing sustainable growth. In addition, we will purchase treasury shares if required, adopting a flexible approach.

Growth Investment Plan and Figures for Fiscal 2021

Growth Investments	FY2021 Figures		Period of the 11th Medium-Term Management Plan (Three Years, from FY2021 to FY2023)
	Capital expenditures	¥36.6 billion	From ¥120.0 billion to ¥150.0 billion (From ¥40.0 to ¥50.0 billion per year on average)
Research and development expenses	¥8.2 billion	From ¥25.0 billion to ¥37.0 billion (Sales ratio of 1.0% to 1.5%)	

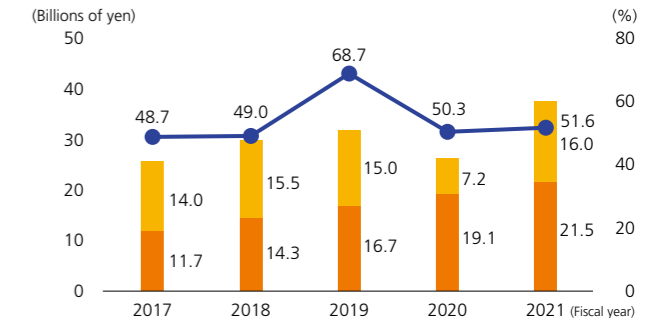
Free Cash Flow*2

(Billions of yen)



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

(Billions of yen) (left scale) (%) (right scale)



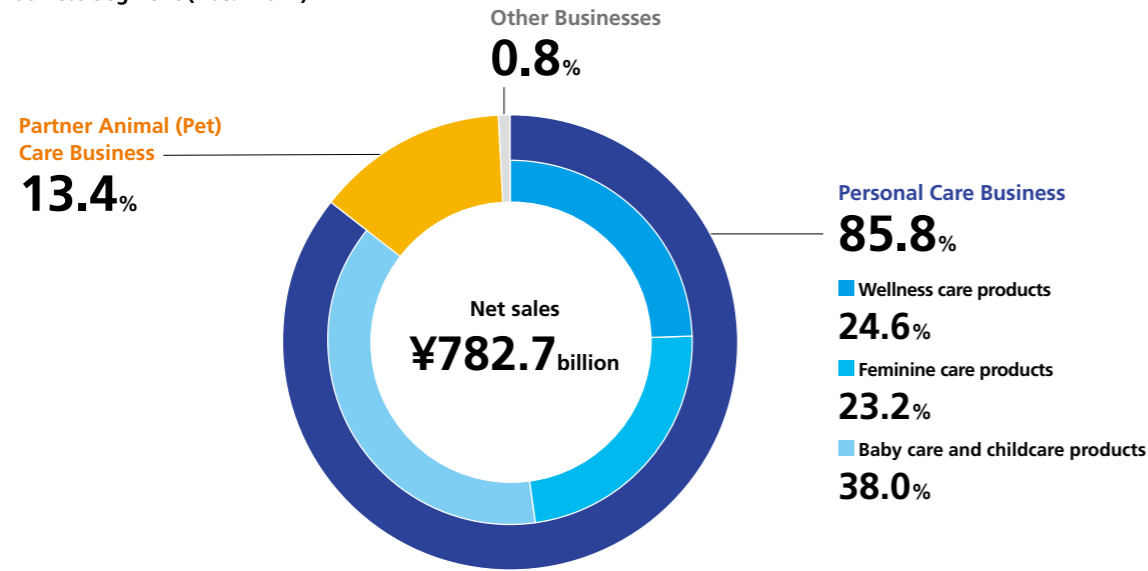
*2 Free cash flow is calculated as core operating income after tax + depreciation + increases and decreases in operating funds + capital expenditures

■ Total dividend amount (left scale) ■ Purchase of own shares (left scale) — Total return ratio (right scale)

Review of Operations

Notes: 1. We have been using International Financial Reporting Standards since Fiscal 2017
2. Based on in-house research conducted by Unicharm in 2021

Net Sales by Business Segment (Fiscal 2021)



Overview of Overall Performance in Fiscal 2021

In fiscal 2021, Unicharm's operating environment remained tough, partly due to supply chain disruptions and soaring resource prices under the impact of the spread of COVID-19. In the overseas markets, each key target country and region, such as Thailand, India, and Indonesia, is showing signs of recovery from economic deterioration caused by COVID-19. Meanwhile, China continues to show uncertain economic conditions due to COVID-19's resurgence. Against this backdrop, the Company took measures to maintain a stable supply of its products, as they are daily necessities, and met the demand.

In the Japanese market, personal spending is showing signs of recovery while the spread of COVID-19 slows, but there have been growing concerns over the future due to the appearance of new variants. Amid such circumstances, the Company has been striving to

expand its market share by continuously proposing new value to stimulate demand for high-value-added products.

In these environments and under the banner "we constantly provide the world's unprecedented, No. 1 products and services to everybody around the globe, and deliver comfort, excitement, and satisfaction," the Company and its Group companies continued to develop unique nonwoven fabric and absorbent material processing and molding technologies and products that meet the needs of consumers. At the same time, we are working to create a cohesive society with social inclusion, where people around the world are equal, unencumbered, respectful of each other's individuality, and support each other with kindness, making heart-to-heart connections and realizing prosperity.

Outlook for the Future of Unicharm's Overall Operations

The future of our business landscape remains obscure due to geopolitical risks, such as the ongoing crisis in Ukraine, developments in emerging economies, and financial market volatility, among other factors. However, the Asian countries and regions in which we operate will likely return to a growth trajectory, driven by domestic demand, if and when the effects of COVID-19 are contained. Against this backdrop, Unicharm will strive to develop while creating new markets for sanitary products that resonate with the needs of consumers by making use of digital transformation as well as enact business strategies in line with the economic situations and demographics of target countries and regions. In this way, we will work to ensure high levels of growth going forward.

Meanwhile overseas, the Personal Care Business will provide and actively promote sales of products that address the local needs of consumers, mainly in China, India, and Southeast Asia, with the aim

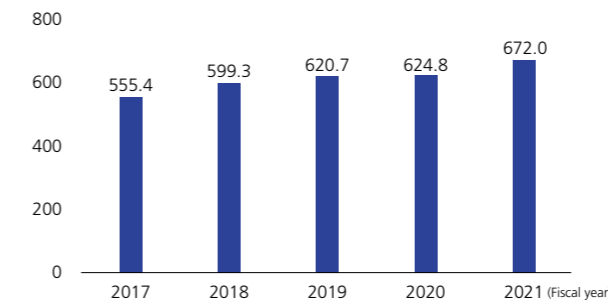
of revitalizing the market and achieving high levels of sales growth that outpaces market growth. For the Partner Animal (Pet) Care Business, in North America we will increase the ratio of net sales accounted for by absorbent sheets for incontinence, incorporating Japanese technology; wet snacks for cats, which represent an unprecedented new concept; and other products for this market. We will also expand our line of products in the Asian market, including China, Thailand, and Indonesia.

As for Japan, the Personal Care Business will continue to spearhead efforts to revitalize the market by offering high-value-added products that accommodate the needs of consumers. In the Partner Animal (Pet) Care Business, we will strive to develop while creating new markets for products that help ensure a positive lifestyle overall for all dogs and cats.

Personal Care Business

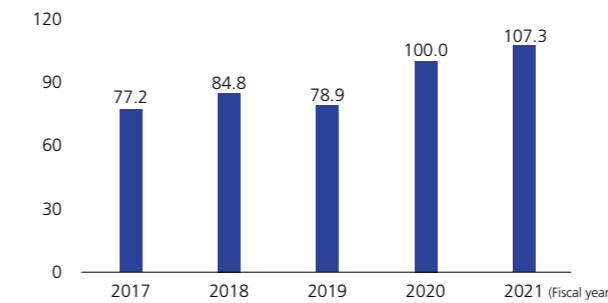
Net Sales

(Billions of yen)



Core Operating Income

(Billions of yen)



SWOT Analysis

Strength

- Leading position in Asian market
- Nonwoven fabric and absorbent material processing and molding technologies
- Product range targeting a wide range of users, 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

Weakness

- Responsibility for resource depletion (disposable products)
- High ratio of materials derived from crude oil
- Lack of personnel skilled in digital technologies

Opportunity

- Rising income levels and emerging needs for improved hygiene in emerging markets
- Rising demand for safe products that offer peace of mind and for high-value-added products
- Increase in elderly people aiming for healthy retirement (extended healthy life expectancy)

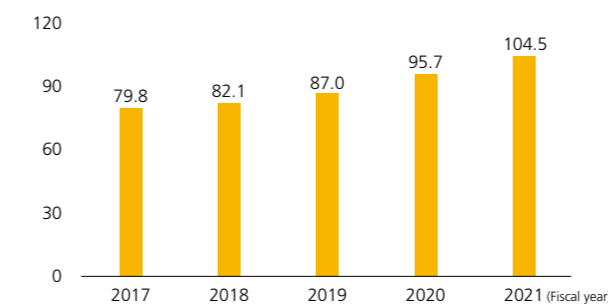
Threat

- Risks related to the population structure
- Overseas business risk and forex risk
- Risks related to the reliability of products
- Risks related to intellectual property, including patents and trademarks
- Risks related to environmental problems
- Risks of market entrants from other sectors

Partner Animal (Pet) Care Business

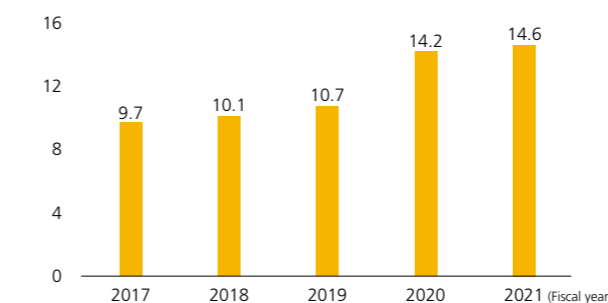
Net Sales

(Billions of yen)



Core Operating Income

(Billions of yen)



SWOT Analysis

Strength

- Nonwoven fabric and absorbent material processing and molding technologies
- Broad range of products from partner animal (pet) food to toiletries
- Product development capabilities that anticipate consumer needs
- Rapid strategy implementation
- Overseas business development capabilities

Weakness

- Responsibility for resource depletion (disposable products)
- High ratio of materials derived from crude oil
- Lack of personnel skilled in digital technologies

Opportunity

- Growth in number of partner animals (pets) due to rising income levels in emerging countries
- Rising demand for safe products that offer peace of mind and for high-value-added products
- More people seeking comfort from partner animals (pets)
- Rising demand for toiletries due to growing trend of raising partner animals (pets) indoors

Threat

- Overseas business risk and forex risk
- Risks related to the reliability of products
- Risks related to intellectual property, including patents and trademarks
- Risks related to environmental problems
- Risks of market entrants from other sectors

Personal Care Business

Wellness Care Products

Relevant Principal Kyo-sei Life Vision 2030 Targets

Safeguarding the well-being of individuals

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% by 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% by 2030



Core Products and Services in Japan

Healthcare-Related Products

Our *Lifree* brand features a comprehensive lineup consisting of light-incontinence pads, pants-type diapers, tape-type diapers, urine absorption pads, and other adult incontinence care products that can be combined for optimal use. Moreover, through Unicharm's Continence-Care Navi website, we help improve knowledge of and introduce methods for proper incontinence care among seniors requiring nursing care and nursing care workers.

The *Charm Nap* brand offers a series of specially designed incontinence panty liners that are as soft as sanitary napkins, helping women manage incontinence as comfortably as possible. Meanwhile, our Urinary Incontinence Care Navi website offers useful information in the form of self-check and training exercises to help improve knowledge of and introduce methods for proper incontinence care among women dealing with urinary incontinence.

Unicharm's *Ultra-3D-Shape Mask* and *Ultra-Comfort Mask* brands of nonwoven masks were developed through the technology cultivated in commercial-use medical masks and were released in the wake of the rising cases of hay fever and infections in recent years. Available in three sizes, these nonwoven masks offer a comfortable fit for all users.



Lifree Feel-at-Ease Pad for Use with Daily Underwear



Charm Nap Liquid Absorption Sarafi



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

Clean and Fresh-Related Products

For nearly four decades, *Silcot Velvet Touch Cotton* has been a long-standing staple of the *Silcot* brand of cosmetic cotton pads and wet wipes, while receiving high ratings on the rankings of popular cosmetics-related websites. *Silcot Wet Wipes*, meanwhile, are wet wipes that accommodate various aspects of our life, as they come available in both alcohol and non-alcohol types as well as stationary and portable types.

For the *Moony* brand, we offer baby wipes that are as soft on the skin as cashmere as well as wet wipes for the hands and mouth that are safe even for babies in their weaning period.

For our *Wave* line of home care products, we offer cleaning sheets that keep your room clean with little to no effort and come in both portable and floor types (for use on floor wipers and available in wet and dry sheets).

Our *CookUp* kitchen care products provide users with comfortable, convenient, and hygienic solutions for the entire cooking process, from the preparation of dishes to after-meal cleanup.



Silcot Velvet Touch Cotton



Silcot Pure Water Wet Wipes



Natural Moony Baby Wipes



Wave Handy Wiper



CookUp Cooking Paper

Review of Fiscal 2021

In the overseas markets, as a boost in demand for adult incontinence care products was expected in Asian regions—including Thailand, Indonesia, and Vietnam, as well as China, where populations are aging even faster than in Japan—the Company formed a new Overseas Brand Management Department and promoted the spread of the care model established in Japan. As a result, the Company achieved high growth.

In the Japanese market, which continues to grow as Japan's elderly population rises, increased attention toward infection prevention due to the spread of COVID-19 caused people to refrain from going out, but the market was back on course for recovery, partly because people have become accustomed to the lifestyle under the COVID-19 pandemic and more people have been vaccinated. Amid these circumstances, the Company achieved stable growth from its expanded lineup of products, centered on mild and moderate incontinence care products that help to extend healthy life expectancy.

In addition, in response to consumers' increased attention toward infection-prevention measures following the COVID-19 outbreak, as well as increased needs for products from Japanese manufacturers in terms of safety and security, the Company worked to bolster the

supply and sales activities of the *Ultra-3D-Shape Mask* and *Ultra-Comfort Mask* brands and the *Silcot* wet wipe brand, striving to expand our market share. Net sales of the *Silcot* wet wipe brand were sluggish due to a pullback from the special demand related to COVID-19 in fiscal 2020, but have grown compared with pre-COVID-19 levels.

During this time when masks have become indispensable as an infection-prevention measure, we released the new *Unicharm Face Visible Mask* that allows a user's mouth and facial expressions to be seen while preventing droplet infection. This product was designed for those who feel uneasy about communication, as typical masks hinder their ability to read lips and see facial expressions. Through this release, the Company worked toward the creation of a cohesive society with social inclusion, a society where all people are equal and can live without inconvenience.

In response to an expected increase in hygiene consciousness and awareness of infection-prevention measures in the future, not only in Japan but also worldwide, the Company will continue to strive to grow with a view to strengthening its overseas mask sales.

Business Strategies by Region

Japan

In Japan, where the population continues to decline and society continues to age, we have been committed to developing and creating markets for adult incontinence care products that resonate with the needs of consumers. As a result, our sales growth has outpaced market growth and our in-store market share stands at approximately 60%. We have also seen an increase in sales of products centered on hospitals and other facilities through our ongoing developments of new sales channels. We will continue to present to retailers new ideas on sales areas that facilitate the selection of products as well as provide services that enable customers to select the right product and to understand how best to use our products. Through these ongoing efforts, Unicharm will continue to support the nursing care sector and encourage even more widespread use of its incontinence care products.

Demand for sanitary products has been trending upward among Japanese manufacturers due to the needs of consumers for greater safety and peace of mind and infection-prevention measures in light of COVID-19. Unicharm has addressed this demand through the supply of masks and wet wipes, products for which it holds the highest in-store market share. Going forward, emphasis on hygiene and infection prevention will likely continue to grow not only in Japan but across the globe and, for that reason, we will look to expand our business overseas to be fully capable of meeting this expected increase in demand.

China

In China, where society is aging at an even higher rate than in Japan, we are actively investing in our marketing to raise awareness and promote the widespread use of adult incontinence care products. By actively allocating our management resources in the highly promising adult incontinence care products market in China, we will look to expedite the growth of our business in this country.

Southeast Asia

Other areas of Asia, such as Thailand, Indonesia, and Vietnam, are also expected to see higher demand for adult incontinence care products due to their aging populations. Accordingly, we have set our sights on extending our global reach and realizing exponential growth in these regions. In September 2018, we acquired shares of DSG (Cayman) Limited (hereafter DSGCL), which manufactures and sells disposable baby diapers and disposable adult diapers, with bases in Thailand, Malaysia, Indonesia, and Singapore. DSGCL boasts a solid market share and strong brand recognition for disposable adult diapers in Southeast Asia. In Southeast Asia, whose immense potential rivals that of China, we will pursue cost reductions and other measures by enhancing our product lineups, solidifying our market position, and integrating operations, such as logistics functions, in addition to promoting the widespread use of adult incontinence care products.

Feminine Care Products

Relevant Principal Kyo-sei Life Vision 2030 Targets

Safeguarding the well-being of individuals

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% by 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% by 2030



Core Products and Services in Japan

To accommodate diverse menstruation-related needs, the Sofy brand offers an extensive lineup of sanitary pads that are uniquely designed to suit a range of preferences, such as the settings in which they are used, thickness, materials, and length. In this way, our Sofy brand products enable users to live comfortably and with peace of mind, even during menstruation. In 2006, we added the *Center-in* brand to our line of sanitary pads and have been expanding the lineup ever since. Moreover, all of Unicharm's tampons are sterilized, helping to promote awareness of the benefits of tampons among as many people as possible and ensure that they can be used safely and with peace of mind. Our *Sofy Panty Liner* series, which helps prevent discharge stains on undergarments and other unpleasant experiences, offers a range of sanitary pads that are tailored to various needs and preferences, such as fragranced, fragrance-free, and sensitive-skin types. For our customers in Japan, our lineup also consists of a panty liner with a new function

that helps people manage urinary incontinence and discharge at the same time, which has gained significant recognition.

Sofy First Body Navi, our website dedicated to menarche education, provides youth and their parents, as well as school teachers, with information that helps foster a proper understanding of menstruation and how their body works. We also offer the Sofy Girl app, which was launched in 2018 to enable young people experiencing menarche to monitor their menstruation with their parents.

Moreover, the Sofy Menstruation-Period Management app was launched in 2021 to help alleviate concerns over menstrual discomfort while monitoring one's menstrual cycle. In addition to keeping track of one's menstrual period, this app offers advice to adults in regard to their concerns over menstrual discomfort, based on a diagnosis of 24 types of physical conditions.



Sofy Ultra-Sound-Sleep Pants



Sofy Synchro Fit



Sofy Soft Tampon Organic 100%



Sofy Kiyora White Floral Fragrance



Sofy First Body Navi (menarche education website)



Sofy Menstruation-Period Management app

Review of Fiscal 2021

In China, the Company was temporarily affected by the spread of COVID-19, resulting, in part, in a halt to its factory operations. Despite such circumstances, the Company's high-quality products featuring charming designs remain highly popular with the younger generation. The Company continued to achieve high growth, especially in pants-type and regular sanitary pads using organic cotton, as a result of continuously proposing new value. In addition, the Company took the initiative in expanding the sales areas and the number of stores handling its products and bolstering sales by utilizing new e-commerce platforms, among other activities. The Company also achieved stable growth in other Asian regions due to the steady sales of cool-type

sanitary pads that give a feeling of freshness, etc. Moreover, in the Middle East, the Company achieved high growth as a result of steady exports from Saudi Arabia to neighboring Middle Eastern countries, as well as domestic sales in Saudi Arabia.

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

Business Strategies by Region

Japan

Despite the declining menstruation-aged population and the maturing market for sanitary pads in Japan, our sales growth has outperformed market growth owing to the rollout of high-value-added products that are tailored to diversifying lifestyles and the provision of services that make use of digital technologies. We continue to hold the leading market share, at around 50%, while maintaining high profitability. Moving ahead, Unicharm will continue to introduce new high-value-added products and services that help reduce psychological stresses and thereby continue to increase its market share in Japan.

China

We have continued to strengthen the Unicharm brand in China through the introduction of revolutionary high-value-added products, such as pants-type sanitary pads, primarily to our younger-generation customers in Shanghai, Guangzhou, Beijing, and other urban areas. These efforts have orchestrated the growth of our business in China, as sales have increased at a higher rate than the market and profitability has consistently remained at a high level. While securing the second highest in-store market share, at around 18%, we are constantly working to expand our network of retailers and e-commerce business. Going forward, we will continue to introduce revolutionary high-value-added products in China to ensure that our sales growth continues to surpass market growth and our profitability remains at a high level. By doing so, Unicharm will look to capture the leading market share in China.

Indonesia

In Indonesia, Unicharm released an array of high-value-added products, including cool-type sanitary pads that offer a refreshing sensation, which were first introduced in the Thai market, and pants-type pads for night use, which were initially launched in China. By virtue of these efforts, we continued to drive sales upward in excess of market growth and maintained the leading market share, at around 43%. The average in-store unit price has also risen steadily. Through the ongoing rollout of high-value-added products, we will continue to bolster our profitability in Indonesia.

Thailand

While the market for sanitary pads is maturing in a similar manner to Japan, our sales in Thailand have increased in excess of market growth owing to the release of cool-type sanitary pads that offer a refreshing sensation and other high-value-added products that reflect the needs of consumers. As a result, we continue to boast the highest share in this market, at around 57%, and achieve high levels of profitability. We will continue to effectively allocate resources into our marketing activities and introduce high-value-added products that accommodate the needs of consumers to ensure high levels of sales and profitability in Thailand going forward.

Vietnam

While the market remains sluggish due to the impact of COVID-19, our sales in Vietnam have increased in excess of market growth on the strength of the releases of high-value-added products, such as cool-type sanitary pads that offer a refreshing sensation, which first made its mark in Thailand. We hold the highest share in this market, at around 56%, and continue to achieve high levels of profitability. Through our ongoing releases of new high-value-added products, we will continue to ensure high levels of sales and profitability in Vietnam moving forward.

India

While the market boasts a high menstruation-aged population and tremendous growth potential, the uptake rate for sanitary pads remains relatively low in India. For that reason, we have been offering menarche education to improve knowledge of menstruation and sanitary pads with the aim of increasing their use. Despite a fire accident that took place at a factory in western India in June 2020, which resulted in a supply shortage, we were able to gradually restore supplies owing to imports from neighboring countries and expand production capacity at existing factories, among other measures. In addition, our factory in northern India is slated to resume operations in fiscal 2022. We will continue to raise awareness of sanitary pads and promote their widespread use in India going forward.

Baby Care and Childcare Products

Relevant Principal Kyo-sei Life Vision 2030 Targets

Safeguarding the well-being of individuals

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% by 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% by 2030



Core Products and Services in Japan

Unicharm offers two brands of disposable baby diapers that reflect the needs of consumers, *Moony* and *MamyPoko*. *Moony*-brand diapers are designed to prevent leaks, maintain dryness, and be gentle on the skin, and offer a range of other features that are tailored to each stage of a child's development. *Natural Moony* is a premium line of diapers that incorporate a top sheet made of organic cotton and minimize irritation to the skin. Our *Moonyman* pants-type disposable diapers offer benefits to parenting as they are easy to remove and put on,

providing convenience to parents and comfort to babies. *MamyPoko Pants* are a line of reasonably priced pants-type disposable diapers that help ease the transition from tape-type disposable diapers to pants-type disposable diapers. Our lineup of pants-type disposable diapers also includes *Trepanman* diapers that facilitate toilet training and *Oyasumi-Man* night-time diapers that help manage urinary incontinence at night.



Natural Moony



Moonyman



MamyPoko Pants
©Fujiko-Pro, Shogakukan, TV-Asahi, Shin-ei, and ADK



Oyasumi-Man

Review of Fiscal 2021

In Thailand and Indonesia, where we have seen a polarization of markets since 2020 between higher-priced products and cost-effective products due to the impact of the spread of COVID-19, the Company achieved stable growth as a result of responding to a wide range of customers' needs by utilizing synergies with DSGCL, a subsidiary the Company acquired in September 2018. In India, the use of disposable diapers is still low, even among emerging countries. In response to a supply shortage caused by a fire in a factory located in western India in June 2020, the Company imported disposable diapers from neighboring countries and increased production at its existing factories, striving to recover its sales area and market share while promoting pants-type disposable diapers. The Company has also responded to diversified needs of consumers in China, where the number of children and the

demand for made-in-Japan products is in decline, through efforts to strengthen sales of the high-value-added *Moony* series made in China, mainly through e-commerce channels and baby specialty stores. In the Middle East, the Company achieved stable growth by launching new products containing olive oil that cater to local cultures and customs.

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

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 by means of technological innovation and place emphasis on our communication with consumers leveraging our digital technologies. Owing to such commitments, Unicharm has maintained the leading market share in Japan, at approximately 39%. While consumers in China tended to favor made-in-Japan products for their quality, safety, and reliability in the past, their preferences have shifted to simply good products that offer quality regardless of where they are made. As such, Unicharm is shifting its strategic focus from cross-border e-commerce in the Chinese market to high-value-added products made in China. Moving ahead, we will strive to continue to boost profitability and invigorate the Japanese market by introducing innovative products that offer new value and services that facilitate childcare.

Indonesia

Amid the rising demand for disposable baby diapers in Indonesia, we continue to release new products that cater to a wide range of consumers, including those that are affordably priced as well as those in the mid- to high-price range. Thanks to these efforts, Unicharm has maintained the leading position in market share, at upwards of around 43%. Moving forward, we will look to further expand our market share and enhance our profitability in Indonesia by encouraging wider use of pants-type disposable diapers, which represent an area of strength for Unicharm.

Vietnam

In light of the impacts of COVID-19, we drew on our strengths in pants-type disposable diapers to revise and release a product that offers exceptional absorbency capabilities. By virtue of this, Unicharm continues to hold the highest share in this market, at around 41%. Going forward, we will look to continue expanding our market share and raise our profitability to new heights by promoting greater use of pants-type disposable diapers, where we have developed a competitive edge.

Saudi Arabia

In Saudi Arabia, we released new products containing olive oil to accommodate the needs of its local cultures and customs. Through such efforts, we maintained the leading position in market share, at around 51%. In addition, the growth of our e-commerce network and the consistently sound results of our imports to neighboring countries in the Middle East spurred an increase in sales, outperforming market growth. Moving forward, we will aim to continue expanding our share of the market while realizing steady growth by introducing new products that respect local cultures and customs and actively promoting initiatives that allow women to realize their full potential.

China

While the number of births continues to decline, consumer preferences in China are now shifting from high-quality, safe, and reliable products made in Japan to simply good products offering high quality, regardless of production region. Because of that, Unicharm is placing greater emphasis on the sales of high-value-added products made in China. Going forward, we will continue to raise our profitability to new heights in this market by providing high-value-added products that draw on our competitive advantages in pants-type disposable diapers while identifying and adapting to changes in consumer values.

Thailand

In Thailand, we have seen a polarization of demand among consumers between higher-priced products and cost-effective products due to the effects of COVID-19. Under these circumstances, we have continued to accommodate the wide-ranging needs of consumers with Unicharm's highly competitive products and the reasonably priced products of DSGCL, which we acquired in September 2018. As a result, Unicharm has captured an overwhelming share of the market, at around 91%. Moreover, exports to Laos, Cambodia, and other neighboring countries of Thailand have produced brisk results and sales have increased in excess of market growth. Looking ahead, we will work to achieve consistent growth in this market by leveraging our synergies from the development of our two brands.

India

The use of disposable baby diapers remains relatively low in India, but this market boasts tremendous potential for growth. For that reason, we are harnessing our strengths in pants-type disposable diapers to foster greater use of these products while expanding our sales network. Meanwhile, in June 2020 a fire broke out at our factory in western India, which resulted in a supply shortage. However, we were able to gradually restore supplies by importing products from neighboring countries and expanding production capacity at our existing factories. As a result of such measures, our sales growth has outpaced market growth in India. We have also made significant strides in our profitability, as we are now back in the black. Moving forward, we will work to address the expected increase in demand for disposable baby diapers by continuing to enhance supply through resuming operations of our factory in northern India, which is slated for fiscal 2022.

Brazil

Since our foray into the Brazilian market in May 2014, we have been relying on our competence in pants-type disposable diapers to promote wider use of these products while expanding our sales network. In Brazil, disposable baby diapers are used until a relatively late age; however, the use of pants-type disposable diapers has yet to catch on in this market. This has inspired us to promote greater awareness of the convenience of pants-type disposable diapers when it comes to removing and putting them on, in hopes of expanding this market and continuing to improve our profitability.

Partner Animal (Pet) Care Business

Relevant Principal Kyo-sei Life Vision 2030 Targets

Safeguarding the well-being of individuals

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% by 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% by 2030



Core Products and Services in Japan

Our *Aiken Genki*, *Neko Genki*, *Gran-Deli*, *Best Balance*, *Silver Spoon*, and *Silver Plate* brands of partner animal (pet) food are nutritionally balanced to suit the various ages, body types, physical conditions, tastes, and other characteristics of dogs and cats. Our *AllWell* brand of cat food helps maintain the health of cats by offering seven functions that center on reducing vomiting. The *Physicalife* brand of dog and cat food, which we released in 2021, helps ensure that dogs and cats can be active for the duration of their lifetime, from their growth period to old age stage, by building strong and healthy bodies. In 2021, we also unveiled our new *Gran-Deli Precious* brand of dog food that underscores the importance of deliciousness, quality, and health.

In the area of partner animal (pet) toiletries, we offer products based on the concept of ensuring a clean and comfortable lifestyle for partner animals (pets). Our lineup of toiletry products for dogs includes *Deo Sheet* incontinence sheets, *Manner-Wear* absorption diapers, and *Manner-Wear Diaper for Extended Use* extra-absorbent diapers. Meanwhile, our toiletry lineup for cats consists of *Deo-Sand* cat litter, *Deo-Toilet* cat toilets, *Deodorizing Beads for Sprinkling Fragrance on Cat Litter*, and *Manner-Wear for Cats* absorption diapers (which help manage excretion issues, such as spraying to mark surfaces with their own odor and accidents that occur away from the toilet). In addition, our *Deo-Clean* series features products that help ensure a clean and comfortable lifestyle for both partner animals (pets) and their families.



Gran-Deli



Silver Spoon Three-Star Gourmet



AllWell



Physicalife



Gran-Deli Precious



Manner-Wear



Manner-Wear for Cats



Deo-Clean Moist Towelette with 99% Pure Water Wet Wipes

Review of Fiscal 2021

In Japan, the number of partner animals (pets) in households and the amount of time spent together by partner animals (pets) and their owners have increased since 2020, a result of people spending more time at home due to COVID-19. Based on this trend, we placed emphasis on the sales of dog food catering to a range of age groups and physical characteristics depending on the breed, as well as dog food embodying our new concept of helping maintain healthy muscles. We also worked to enhance customer satisfaction with cat food through products that reflect the increasing health consciousness of cat owners. Moreover, our solid performance in incontinence sheets, cat litter boxes, and other products contributed to a steady growth in sales of toiletries.

Increases in the partner animal (pet) population and the amount of time spent together by partner animals (pets) and their owners in the wake of COVID-19 are also noticeable in North America. As a result, we posted favorable results in sales of incontinence sheets made from Japanese technology, wet snacks for cats based on an unprecedented new concept, and other products. Despite the impact of a shortage in shipping containers that mainly affected the North American region, we were able to achieve considerable growth in this market.

Business Strategies by Region

Japan

As the partner animal (pet) population and the time spent together by partner animals (pets) and their owners continue to rise in Japan due to its declining birthrate and aging population as well as the effects of COVID-19, we have increased our sales in excess of market growth and maintained high profitability through the introduction of high-value-added products. Among these products, our cat food and treats have performed particularly well in terms of sales. Moreover, our

partner animal (pet) toiletry products—made from Unicharm’s nonwoven fabric and absorbent material processing and molding technologies, which have been cultivated since its founding—have flourished, boasting the leading shares in this market. Going forward, we will aim to steadily grow in this market by developing and creating markets for products that help ensure a better lifestyle overall for our partner animals (pets).

North America

The impact of COVID-19 has also spurred an increase in the partner animal (pet) population of North America. In 2011, we acquired The Hartz Mountain Corporation (hereafter Hartz). Since then, we have achieved solid growth and improved profitability in this region through the release of partner animal (pet) toiletry products made from Unicharm’s nonwoven fabric and absorbent material processing and molding technologies, which have been cultivated since our founding,

wet snacks for cats made from Japanese technology based on a U.S.-born concept, and other high-value-added products. Moving ahead, we will look to continue expanding the scope of our Partner Animal (Pet) Care Business in the U.S. by integrating Unicharm’s technological and product development capabilities in the fields of partner animal (pet) toiletries and food and Hartz’s brand power, marketing know-how, and sales capabilities.

China and Southeast Asia

The demand for partner animal (pet) care products has been trending upward in China and the metropolitan areas of Southeast Asia, due to their rising levels of income and aging population. Our sales in these markets have increased as a result of the growing demand for cat toiletries and food stemming from the rising number of partner animal

(pet) cats, mainly among the younger generation in China’s urban centers. Going forward, we will aim to speed up the growth of our business in these regions by actively allocating our management resources in the Partner Animal (Pet) Care Business in China and Southeast Asia, promising markets for business growth.

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. In order to provide better products to consumers around the world, we are expanding our operations globally while retaining a focus on Asia. As we do this, our role in and responsibility for reducing our environmental impact have also increased with each passing year.

All of our employees are committed to environmental activities following the Unicharm Group Basic Environmental Policy and Environmental Action Guidelines, which were developed based on our corporate philosophical framework, consisting of the Unicharm Ideals and "Beliefs & Pledges" and Corporate Code of Conduct. We carefully monitor the impact our business activities have on the environment and are promoting initiatives to realize our two environmental goals of reducing our environmental impact and improving economic efficiency with the aim of achieving a sustainable society.

Unicharm Group Basic Environmental Policy

As a company that engages in the manufacture and sale of disposable products, we recognize the extent of our responsibility to the global environment. Through our business activities, we strive to create environmentally friendly products so that we may in the future pass on a beautiful Earth to our future generations. 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.

Unicharm Group Environmental Action Guidelines

- Abide by all laws and regulations!
- Eliminate waste!
- Enhance productivity!
- Reduce the use of natural resources!
- Make sound choices for the environment!
- Learn more about environmental issues!
- Share efforts for helping to improve the environment!

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 integrated implementation of ISO 14001 and ISO 9001, both closely related 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.

Unicharm's Environmental Targets 2030 and medium- to long-term ESG goals, Kyo-sei Life Vision 2030, which include key initiatives aimed

at safeguarding the well-being of our planet, were formulated in 2020. They determine our key environmental targets, are translated into targets for each individual division, and involve more 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. In addition, ESG assessment was added to the Groupwide core strategy, which has been one of the metrics used to evaluate executive remuneration since 2020, and we are striving to accomplish the ESG strategies and targets under the leadership of directors and executive officers.

Environmental Management Structure



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 material issues, and established fixed targets. We continue to promote internal discussions aimed at achieving our targets.

Suggestions from the open discussion

(1) Company vision

- When setting and sharing environmental targets for 2030, first set out the Company's vision for where it wants to be in 2050.
- Once this 2050 vision has been established, consider what must be achieved by 2030 as part of the process of realizing this overarching vision.

(2) Raising issues

- In consideration of its areas of activity, Unicharm must actively address the following three issues.

Plastic pollution

- Follow the 3Rs (reduce, reuse, recycle) in sequence to promote the reduction of the quantity of materials consumed and the effective use of recycled materials.
- Consider the adoption of the 5Rs (the 3Rs with the addition of refuse and replace) and take actions to make steady progress in this area.
- Take proactive steps in sharing information.

Responding to climate change

- Declare measures aimed at realizing a zero-emission society by 2050 and proactively promote initiatives in pursuit of a renewable-energy based society

Sustainable procurement of forest resources

- Conduct thorough surveys of production areas and share relevant information publicly.
- Expand the scope of coverage of the Forest-Derived Raw Materials Procurement Guidelines to include not only raw materials of products but also office furniture, handout materials, and other articles derived from forest resources

Environmental Materiality Identified by Unicharm for the Period Leading up to 2030

Stakeholder Interest	High	<ul style="list-style-type: none"> • Effective utilization of water resources • Responding to environmental air pollution (NOx/SOx) • Compliance with laws and regulations 	<ul style="list-style-type: none"> • Effective utilization of forest resources • Promotion of environmentally friendly products • Promoting measures to safeguard marine resources • Promoting efficient production activities 	<ul style="list-style-type: none"> • Tackling the problem of plastic waste polluting the oceans • Responding to climate change • Promoting a recycling society • Enhancing the quality of information disclosure • Appropriate management of chemical substances
	Medium			
	Low			
Impact on Unicharm				High

Environmental Targets 2030

	Implementation Items	Base Year	2021 Targets	2021 Results	2022 Targets	2030 Targets	2050 Vision
Responding to the problem of plastic waste	Reducing usage of packaging materials	Per unit of sales	2019*1	-3%	-0.2%	-6%	-30%
	Selling products that contain no petroleum-derived plastic	—	—	—	Developments ongoing	Developments ongoing	10 or more stock-keeping units (SKU) sold
	Raising awareness about proper disposal of used products	—	—	30%	38% (6 countries)	45%	Rolled out at all Group companies
	Eliminating the use of plastic in sales promotional items	Per unit of sales	—	-10%	-8.9% (Japan)	-20%	In principle, reduced to zero at all Group companies
Responding to climate change	Reducing CO ₂ emissions associated with raw materials procurement	Per unit of sales	2016	-1.7%	9.7% (Japan)	-3.4%	-17%
	Reducing CO ₂ emissions in manufacturing	Per unit of sales	2016	-3.4%	-26.9%	-28.0%	-34%
	Reducing CO ₂ emissions associated with disposal of used products	Per unit of sales	2016	-2.6%	23.7% (Japan)	-5.2%	-26%
Not contributing to deforestation (response to procurement-related issues)	Ensuring traceability to pulp and palm oil production locations (country/region)	—	—	Forest-derived raw materials: 98%*2 Palm oil: 80%	Forest-derived raw materials: 97%*2 Palm oil: 77%	Forest-derived raw materials: 98%*2 Palm oil: 80%	Completed
	Expanding the use of certified pulp (PEFC*3 - and CoC-certified)	—	—	Percentage of certified factories: 50%*4 Percentage of certified materials procured: 60%*5	Percentage of certified factories: 52%*4 Percentage of certified materials procured: 70%*5	Percentage of certified factories: 60%*4 Percentage of certified materials procured: 75%*5	100%
	Expanding the use of certified palm oil (RSPO*6 -certified)	—	—	80%	77%	80%	100%
	Promoting the recycling of used disposable diapers	—	—	—	Developments ongoing	Developments ongoing	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 Percentage of forest-derived raw materials including pulp, tissue, separators, and airlaid pulp that have acquired third-party certification.

*6 Roundtable on Sustainable Palm Oil

Environmental Initiatives

Climate Change (Disclosure Based on the TCFD*1 Recommendations)

Governance

The president & CEO is responsible for evaluating risks and opportunities related to climate change and for setting and enforcing CO₂ 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 ESG and forms the agenda for the ESG Committee. The activities of the ESG Committee are then supervised by the Board of Directors, which receives reports on committee activities from the executive officer in charge of ESG at least once a year. The ESG Committee and the Board

of Directors perform checks and provide guidance and instructions on these activities in accordance with the progression of Environmental Targets 2030 and Kyo-sei Life Vision 2030. To allow Unicharm to achieve its goals, we also set the term (years) for return on investment, deliberate on investment decisions on a case-by-case basis, implement the necessary measures, and aim to meet our targets. Following the recommendations of the TCFD, we publicly share information about specific plans based on Environmental Targets 2030 and Kyo-sei Life Vision 2030.

In 2020, ESG evaluation was added to the metrics used to determine executive remuneration, thereby synchronizing our commitment to achieving sustainable growth and medium- to long-term increases in corporate value with our dedication to helping overcome environmental and social issues.

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

Strategy

Unicharm, in 2018, independently estimated the financial impact of energy based on the 450 Scenario of the IEA*2 and the operational impact due to physical risk based on the RCP 2.6 Scenario*3 of the IPCC. *4 Moreover, in 2021, Unicharm analyzed the NZE,*5 APS,*6 and STEPS,*7 three scenarios that were disclosed in the World Energy Outlook 2021 (WEO2021).

Unicharm considers risks and opportunities on the basis of its yearly progress (short term), the status of progress on its management plan (medium term; three to five years), and its outlook from an international perspective (long term; 10 to 20 years, in view of the SDGs, the Paris Agreement, and other global initiatives), and the risks and opportunities identified as a result are addressed in conjunction with its financial plan.

Scenarios and planning

Unicharm uses the RCP scenarios 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 material 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 warming below an increase of 2°C. With our 2030 reduction targets endorsed by the SBTi,*8 environmental consciousness has been promoted as part of the Company's product development strategy within our operations and development divisions, while plans incorporating both short- and long-term perspectives, including energy conservation activities and adoption of renewable energy, are being instituted as part of our strategy within our Manufacturing Division. In addition, we are looking to adopt the 1.5°C target announced at COP26 in place of the current 2°C target.

*2 IEA: International Energy Agency

*3 The RCP (Representative Concentration Pathway) scenarios 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. The RCP 2.6 Scenario is a scenario whereby CO₂ emissions are stabilized at the lowest possible level, developed with the objective of limiting the future increase in global average temperature to below 2°C.

*4 IPCC: Intergovernmental Panel on Climate Change

*5 NZE: Net Zero Emissions by 2050 Scenario

*6 APS: Announced Pledges Scenario

*7 STEPS: Stated Policies Scenario

*8 SBTi: Science Based Targets initiative

Unicharm's Envisaged Scenarios
Sustainability Report 2022 P42-43

Risk Management

We use an ERM*9 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 Climate Change Report and the IEA's 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.

*9 ERM: Enterprise risk management

Risk assessment based on TCFD
Sustainability Report 2022 P44-45

Benchmarks and Targets

In terms of Unicharm's CO₂ emissions reduction targets, our plan for reductions by 2045 was certified by the Science Based Targets initiative (SBTi) in June 2018. Working toward these targets, we have set specific long-term CO₂ reduction targets for both Scope 1*10 and Scope 2*11.

SBTi CO₂ Emissions Reduction Targets

By 2030, Unicharm aims to achieve reductions of 90% for Scope 1 and 30% for Scope 2, both compared with 2016 levels. These targets function as our management indicators.

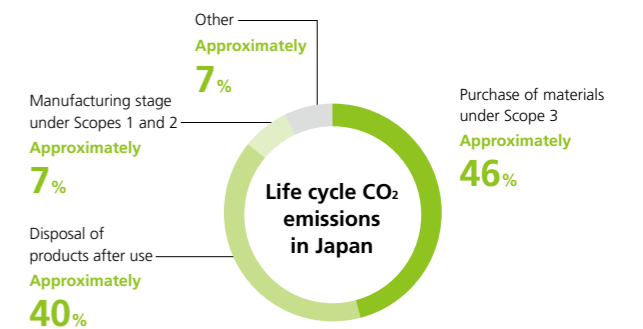
By achieving these goals, we will also be preparing for the following risks:

- 1) If regulations are strengthened in order to achieve the goals of the Paris Agreement, there is a risk that the development of energy-saving measures and the purchase of emissions credits will become necessary and that costs will rise for electric power companies, manufacturing sites, and suppliers.
- 2) Electricity prices in Japan have risen by approximately 10% on average due to carbon taxes and the cost structure for purchasing renewable energies. If carbon taxes are introduced in all of the overseas countries and regions where Unicharm carries out manufacturing or the cost structure for purchasing renewable energies is not improved, operating costs could rise by 10%.

Contributions to life cycle CO₂ emissions in Japan are, from highest to lowest, approximately 46% for materials purchased within Scope 3,*12 approximately 40% for the disposal of products after use, and approximately 7% for the manufacturing stage under Scopes 1 and 2, with other transport and business activities accounting for the remaining approximately 7%.

For Scopes 1 and 2, we run energy conservation activities for the workplace with EMS activity promoters at each site four times a year, and implement and monitor the progress of annual plans. For CO₂ emissions from raw materials that form the bulk of our Scope 3 emissions, we perform LCA*13 to calculate CO₂ 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 CO₂ emissions.

*10 Direct emissions from Unicharm's factories, offices, vehicles, etc.
*11 Indirect emissions from the use of electricity and other energy sources by Unicharm
*12 Indirect emissions other than Scope 1 and Scope 2 emissions (emissions from other companies' business activities)
*13 Life cycle assessment: A method used to quantitatively assess the potential environmental impact on our planet and ecosystem of the resources used and CO₂ emissions generated throughout a product's life cycle, encompassing raw materials procurement, production, logistics, use, and disposal



Social Initiatives

Human Rights

Relevant Principal Kyo-sei Life Vision 2030 Targets

Unicharm Principles

Management practices that take sustainability into account

Number of serious human rights violations in the value chain **Zero occurrences every year**



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 clearly stated in the Unicharm Group Charter of Actions and in the opening of our Global Human Resource Philosophy. Paying due consideration to protecting human rights in accordance with international human rights standards is essential to the global expansion of our business, so we uphold the Universal Declaration of Human Rights adopted in 1948 by the United Nations General Assembly. In 2017, we formulated the **Unicharm Group Human Rights Policy**, demonstrating our continued efforts to fulfill 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, which forms part of The Unicharm Way, to ensure that it is ingrained in all of our executives and employees. The Group will also require its business partners and suppliers to uphold and comply with this policy and work together with them to promote respect for human rights.

Moreover, in order to maintain fair and impartial relationships with all of our suppliers, we formulated and implemented the Unicharm Group CSR Procurement Guidelines in 2009, which were then upgraded to **the Basic Purchasing Policy** in October 2017, and **the Unicharm Group Sustainable Procurement Guidelines** in

2017. We will respect children's rights by eliminating forced and child labor and will never discriminate against people on the basis of nationality, race, religion, gender, sexual preference, age, family background, disability, or any other factors. We will also guarantee freedom of association and collective bargaining and pay attention to the reduction of excessive work hours and rights to a minimum wage.

Under the direction of the general manager of the Global Human Resources & Administration Division, who is the executive-level officer in charge of human rights, the Global Human Resources & Administration Division and the ESG Division take the lead in working alongside the relevant departments and Group companies in Japan and overseas and reporting to the ESG Committee. Meanwhile, in regard to the human rights initiatives of our suppliers, the Procurement Department plays a central role in encouraging suppliers to uphold human rights while distributing and explaining the Basic Policy of Procurement and the Unicharm Group Sustainable Procurement Guidelines.

Unicharm Group Human Rights Policy
Sustainability Report 2022 P74

The Basic Purchasing Policy and the Unicharm Group Sustainable Procurement Guidelines
Sustainability Report 2022 P89-90

Key Initiatives

Assessing human rights risks

At Unicharm, Sedex's* risk assessment tool is used to assess human rights risks throughout the Group. A self-evaluation survey called the Self-Assessment Questionnaire (SAQ) is conducted (with a 100% response rate) by our 40 factories spanning 14 countries and regions around the world, the results of which are then used along with Sedex's risk assessment tool to calculate a risk score. 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.

Risk assessments at our suppliers' factories are carried out in the same manner using Sedex's risk assessment tool. As of December 31, 2021, approximately 50% of our materials suppliers and contract manufacturers have agreed to use the Sedex platform, facilitating access to risk-related information.

* 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 65,000 business members in 170 countries use Sedex solutions to manage supply chain risk, meet compliance requirements, and demonstrate measurable impact.

Human rights education

Employees are provided with education and training so that each person will acquire proper knowledge on respect for human rights and prevention of human rights-related risks. For example, role-based and new leader training sessions are used to provide employees with specific examples of bullying and harassment, methods for preventing them, and guidance on how to tackle harassment when it occurs.

Meanwhile, Unicharm is working together with its Australian subsidiary, Unicharm Australasia Pty Ltd., to carry out a training program on the risks of and measures against modern human slavery for suppliers across the globe, particularly for suppliers of materials used in products for the Australian market. This training program was held for 24 suppliers in 2021.

Unicharm Australasia Pty Ltd.'s Modern Slavery Statement 2020
<https://modernslaveryregister.gov.au/statements/file/59b19a0c-6a1b-4372-99d6-8cc57a266cef/>

Development of Workplace Environments

Relevant Principal Kyo-sei Life Vision 2030 Targets

Unicharm Principles

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

Reduced by half by 2030
 (Compared with 2020)



Policy and Framework

Unicharm will hire and evaluate people in a fair and equitable manner, respect the human rights of each employee, and create a workplace that makes the most of each person's individuality and abilities, with a view to respecting diversity and providing equal opportunities. As an occupational health and safety initiative, Unicharm strives to ensure health and safety management in the workplace through the Group's Beliefs and Pledges & Corporate Code of Conduct, in order to realize our pledge to employees to prevent workplace accidents and ensure that our employees can work safely and securely.

Basic Policy for Health Management

1. Employees give priority to primary prevention and strive to improve lifestyle habits based on the idea of “protecting our health on our own”.
2. The Company provides a safe and comfortable environment so that employees can enjoy a fulfilling workplace and fully exercise their abilities.
3. The Human Resources Division properly uses and manages personal information, such as medical examination results, and promotes health management with collaborators inside and outside the Company.

We have implemented an occupational safety and health management system (OSHMS) focused on manufacturing in order to continuously maintain and improve our health and safety activities and we have a specified PDCA process to promote ongoing health and safety management on an autonomous basis. This helps to prevent workplace accidents, promote worker health, create a comfortable work environment, and enhance health and safety standards. Our OSHMS aims to ensure the health and safety of all personnel at Unicharm (executives, employees, contingent staff, and part-timers) and at associate companies (contractors and outsourced companies working on our premises). Moreover, our OSHMS operations ensure that all employees at manufacturing factories have set objectives for health and safety activities with clear roles and responsibilities. Along with regular checks by the factory manager, who is responsible for overall health and safety management at the factory, this system allows the identification of latent risks for occupational injuries and diseases and the revision of health and safety activities.

Key Initiatives

Health and safety risk assessment

As a global corporation with a business presence in various countries and regions around the world, Unicharm maintains a risk management information website on our corporate intranet, which focuses on potential risks to the lives of Unicharm employees working within and outside Japan. The site specifies clear guidelines and criteria for responding to natural disasters, pandemics, occupational accidents, large-scale equipment accidents, kidnapping, intrusion into and damaging of company facilities, terrorist attacks, riots, coups d'état, and civil wars. The intranet is updated daily with information provided by the Ministry of Foreign Affairs of Japan (MOFA) and a risk management company contracted to provide its services and shares information, alerts, business trip restrictions, and measures for dealing with serious injuries and illnesses. In these ways, we carry out risk assessments by means of education and information dissemination and monitoring of the labor environment.

Building a healthy and active workplace environment

Unicharm is committed to being a company where employees can fully experience motivation in their work based on fulfillment in all aspects of their life including career, homelife, and health. Based on this commitment, we are working to reduce excessive overtime work hours and usher in work-style reforms. We are promoting an active workplace environment where employees can be both physically and mentally healthy. We use remote work, communicate with consideration for others (e.g., by prohibiting work calls and emails on holidays), and encourage employees to systematically take at least five days of paid leave each year. The goal of this is to ensure all employees follow the Working Interval Rule, taking at least eight hours off between shifts, and maintain work-life balance whereby they can fulfill their childcare or family obligations. In addition, we are designing and building a fair compensation evaluation system so that our diverse workforce with its varied employment formats is highly motivated to play an active role at the Company.

Programs to support diverse work styles: Case study from Unicharm Corporation

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Social Initiatives

Quality

Relevant Principal Kyo-sei Life Vision 2030 Targets

Safeguarding the well-being of society

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% by 2030



Policy and Framework

Since many of Unicharm's products come into direct contact with skin, we strive to provide products that consumers can use with confidence. We therefore believe it is important to not only enhance quality and safety but to also use proper labeling to convey correct information to consumers.

Policy on animal testing

Unicharm does not conduct experiments involving animals for its safety checks, including outsourced testing, nor do we plan to in the future. (Not applicable in any cases where Unicharm was held accountable toward society on safety issues or met with demands from local administrations in certain countries.)

Policy on management of chemical substances

The Unicharm Group uses its Material Safety Guidelines to minimize any direct or indirect environmental impacts on the body from chemical substances used in our products and applies a policy for managing chemical substances that ultimately eliminates all harmful impacts found in the raw materials we use. To achieve this, we have defined harmful substances, developed a substance list of approximately 3,800 materials, and determined target substances for reduction. At the same time, we receive full disclosure of all components in the supplied materials from each supplier and conduct toxicity risk assessments of the chemical substances they contain.

Key Initiatives

Global safety initiatives

Since safety initiatives are necessary in all locations where Unicharm runs business, we have been operating a Groupwide safety-check framework since April 2007. Currently, our local subsidiaries in China, South Korea, Taiwan–Greater China, Thailand, Indonesia, and Vietnam are spearheading the initiatives. We strive to share experiences and information through meetings that involve the persons in charge of safety in each local subsidiary and also in regular individual meetings. In addition, we visit suppliers, testing partners, and government institutions around the world to step up communication in order to deliver safe and reliable products to our customers. We have been rolling out our chemical management system overseas since 2018 and have fully implemented it in six countries and regions, including Japan, as of December 31, 2021.

Quality management system

Under the direction of the chief quality officer (CQO), the Global Quality Assurance Department is spearheading efforts to promote internal and external audits that assure the conformity and effectiveness of our quality management system. While taking corrective and preventive measures, the four departments responsible for quality assurance (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) regularly conduct management reviews, which are presented to the CQO, and the results of these discussions are reflected in our product development. In this way, Unicharm is constantly working to enhance the quality of its products through the collective efforts of everyone in the organization.

All our business locations have **obtained ISO 9001 and ISO 14001 certifications**, based on which we operate our quality management system (QMS) and environmental management system (EMS).

Unicharm Group Companies with ISO 9001, ISO 14001, and ISO 13485 Certifications
 Sustainability Report 2022 P71

Initiatives for appropriate product labeling

To ensure the complete accuracy of the information we provide to our customers, our product packaging and advertising materials are checked for compliance with applicable laws—such as the Pharmaceutical & Medical Device Act, the Premiums and Representations Act, and the Containers and Packaging Recycling Law—and for compliance with industry standards set out by the Japan Hygiene Products Industry Association and our own proprietary standards based on scientific evidence. Such content is also verified to prevent any misunderstanding or misuse on the part of customers. At the product design stage, we have established the Communication Assurance Meeting as a gate check on labeling based on scientific evidence. Members from the Customer Communication Center also participate in the meeting to lend a customer-focused perspective so that the company as a whole provides labeling that is optimal and accurate.

Supply Chain Management

Relevant Principal Kyo-sei Life Vision 2030 Targets

Safeguarding the well-being of society

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

Double by 2030
 (Compared with 2020)



Policy and Framework

In response to the growing expectations for global companies to promote sustainable initiatives and to prevent the occurrence of human rights, labor, and environmental issues throughout our supply chain, **the Basic Policy of Procurement** and **the Unicharm Group Sustainable Procurement Guidelines** were established in October 2017. In doing so, Unicharm declared its commitment to the prevention of child and forced labor, the prohibition of discrimination, the right to freedom of association, the right to collective bargaining, reductions in excessive working hours, minimum wages, health and safety standards, 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 employees' health and safety and labor standards along the supply chain, meetings are held regularly by the managers of the ESG Division, the Procurement Department of the Global Research & Development Division (in charge of managing the

material suppliers), and the Global Supply Chain Division of Unicharm Products Co., Ltd. (responsible for overseeing contract manufacturers) 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.

Moreover, our business activities, which center on the provision of consumables, are closely associated with the global environment in terms of the use of natural resources and the generation of waste. For that reason, we believe our role in and responsibilities for reducing environmental impact are significant and continue to increase each 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 in the importance of using certified sustainable materials. This led to the establishment of our **Forest-Derived Raw Materials Procurement Guidelines** in 2015.

The Basic Policy of Procurement, the Unicharm Group Sustainable Procurement Guidelines, and the Forest-Derived Raw Materials Procurement Guidelines
 Sustainability Report 2022 P89–91

Key Initiatives

Monitoring

We monitor the activities of suppliers using the information obtained through the results of SMETA audits* by means of the Sedex platform. In 2021, a SMETA audit was carried out in 50 different scenarios, serving as a source of information on 305 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 of and course of action toward improvement. In 2021, discussions were held with three suppliers in regard to seven cases of violations, as a result of which, we were able to confirm amendments to three such violations and the existence of an action plan for the remaining four violations.

* SMETA (Sedex Members Ethical Trade Audit) is 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 2022 P93

Ensuring traceability to place of origin

Recognizing the environmental issues associated with palm oil in recent years, Unicharm joined the Roundtable on Sustainable Palm Oil (RSPO) in 2017, and has been working to collect information and ensure traceability for sustainable procurement. For the palm oil used in our partner animal (pet) foods, we use Fuji Oil Holdings Inc.'s RSPO-certified palm oil. Fuji Oil is working to improve the traceability of palm oil to the oil mills and plantations of its suppliers.

Moreover, the absorbent parts of our disposable diapers and sanitary products are made of pulp sourced from conifers grown in FM (Forest Management)-certified forests in North and South America. It has been verified that the tissue covering these absorbent materials is made from timber felled in FM-certified forests in North America, China, and Indonesia.

Social Initiatives

Local Community

Relevant Principal Kyo-sei Life Vision 2030 Targets

Safeguarding the well-being of society

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

Double by 2030
(Compared with 2020)



Policy and Framework

Unicharm believes that its business activities are the Company's social contribution in themselves. In line with this basic idea, we are working to develop our businesses to bring comfort, excitement, and joy to people not only in Japan but also in Asia and other parts of the world. Each employee takes pride and joy in making such a social contribution through the Company's business activities. By providing products and services suited to the unique characteristics of each country and region in which it operates, Unicharm is contributing to addressing a

wide range of societal issues and creating employment opportunities. We will work to become a company that is welcomed and trusted by people in the places in which we run our businesses.

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 regional contributions.

Key Initiatives

Promoting the advancement of women (Saudi Arabia)

In the past, for cultural and religious reasons, women in Saudi Arabia were not permitted to be in the same room with, or speak to, men from outside their own family and there were many restrictions on women's activities including those in their workplace. In light of this situation, Unicharm established a women-only factory in Saudi Arabia in 2012 to provide women with employment opportunities while still respecting local cultural traditions.

In recent years, women have made rapid progress in their social advancement, as they are now not only working at factories but also working as product development staff, promoters, and field marketers who engage in product demonstrations at retailers.



Support for areas affected by natural disasters (Japan)

Our Matching Fund and Super Cool Biz and Warm Biz employee dress code activities were launched right after the 2011 Great East Japan Earthquake to provide ongoing support for disaster relief and to reduce the burden on the environment through electricity conservation and environmentally friendly activities that employees can undertake themselves, and reached their 11th year in 2021. The Matching Fund is an employee participation initiative that provides a matching donation equivalent to the amount paid by Unicharm employees for original Unicharm items of clothing, including polo shirts and jumpers that can be worn at work. The money raised is used to provide support for areas affected by natural disasters. Donations made through the

Matching Fund have been used to support the disaster areas of the Great East Japan Earthquake as well as to provide financial aid and emergency supplies to other areas affected by natural disasters. Since 2011, a total of 23,810 employees have participated in Super Cool Biz and Warm Biz efforts.

Pink Ribbon activities (worldwide)

Pink Ribbon activities help to raise awareness around the world about the importance of the early detection and proper treatment of breast cancer and Unicharm supports these activities on a global scale.

The year 2021 marked our 14th year as a proud supporter of Pink Ribbon activities. We set up a special website for supporting Pink Ribbon activities to provide basic information about breast cancer and self-examination methods for early detection. In addition, a portion of sales from products marked with a specially designed logo in support of Pink Ribbon activities was used to cosponsor symposiums and other Pink Ribbon activities.

Meanwhile, our subsidiary in Indonesia has teamed up with the Indonesian Breast Cancer Foundation to support local Pink Ribbon activities. The design of packages featuring illustrated self-examination instructions and the use of video streaming and other media platforms to communicate information on breast cancer have led to widespread awareness of the importance of early detection and proper treatment. In addition, we believe that our support of Pink Ribbon activities will contribute to the education, social activities, and human connection elements of our Indonesian subsidiary's corporate slogan, "Ethical Living for SDGs."

Corporate Governance Initiatives

Messages from Outside Directors

Challenging Ourselves to Scale New Heights to Realize Our Corporate Philosophy of "NOLA & DOLA"



Hiroko Wada

Outside Director
and Audit & Supervisory Committee Member

2022 marks my fourth year as one of Unicharm's outside directors. Under the leadership of President & CEO Takahara, the Company has developed a fundamental strategy for the medium to long term and incorporated it into the strategies and actions of each business and functional division. The systems put in place to drive Unicharm forward to achieve its goals are producing outstanding results. Unicharm has been challenging itself to expand its business and has been steadily achieving results while the Company's operations become increasingly globalized.

Enabling more people around the world to use its products will aid in the achievement of the goals set out in "NOLA & DOLA," Unicharm's corporate philosophy. While many of Unicharm's brands already lead in overseas markets, there is an opportunity to achieve higher sales and profits by driving further market growth.

Increasing the number of users of Unicharm's products and the services among consumers is the first step toward grasping such an opportunity. It is not possible to scale new heights simply by retracing previous successful experiences. At times, such experiences can be a hindrance as they obstruct new approaches and ideas. Those who command a leading position cannot achieve change without challenging themselves. Unicharm is currently advancing reforms to help it understand overseas consumers better than any of its competitors and to bring this understanding to bear in its product and marketing strategies. To ensure these reforms deliver positive results, I aim to monitor them closely while offering support as appropriate in my capacity as an outside director.



Looking Forward to Consistently Realizing New Value Creation for Society by Continuously Refining Our Management Capabilities

Hiroaki Sugita

Outside Director
and Audit & Supervisory Committee Member

Unicharm's first-class management is apparent in its commitment to contribute to society through its business activities, a stance it has long maintained. I believe this stance is becoming ever more deeply ingrained within the Group. Unicharm is continuing its earnest efforts to realize its purpose—contributing to the achievement of the Sustainable Development Goals (SDGs)—under the guidance of its corporate philosophy "NOLA & DOLA," a human-centered and future-oriented vision. The Company deserves praise for its management method of persistently fostering a sense of solidarity for sharing and implementing its purpose and vision with its approximately 16,000 employees working across the globe by instilling the values embodied in management with resonance.

However, significant external factors affecting management have been inundating companies at a pace beyond their expectations. These include major, unpredictable events on a global scale, such as the COVID-19 pandemic and Russia's invasion of Ukraine, as well as issues that stem from such events, including advancements in the utilization of digital technology, decoupling, and skyrocketing materials prices. A company's future prospects and its contributions to society will largely depend on its management ability, or lack thereof, to

adapt to an operating environment marked by volatility, uncertainty, complexity, and ambiguity, which will persist going forward.

I am certain that the values Unicharm has held dear will become increasingly important in the coming era. These include its first-class management capabilities to respond to change, its strong sense of ownership rooted in the quality of "finding reason within ourselves," and its cultivation of an attitude of not allowing past successes to make it complacent while maintaining at all times a willingness to challenge itself, as exemplified in the warning against The Four Diseases of the Mind.*

I have high expectations that Unicharm will continue to further refine its management capabilities and continuously realize new value creation for society.

* The Four Diseases of the Mind
1 Self-admiration: Overestimating yourself while being unaware of your lack of improvement and change and your geocentric theory
2 Conceit: Lack of awareness of the gap between the result and your own ability
3 Lack of strictness with yourself: Trying to blame others or find other excuses for not being able to carry out your own duties
4 Rut: Lack of intent to change your actions and habits, and lack of effort to improve your ability or heighten your motivation and sensitivity

Corporate Governance Initiatives

Directors and Executive Officers

Directors (as of March 25, 2022)



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.



Shinji Mori
Director, Vice President in Charge of Sales

Career summary

April	1979	Joined the Company
April	1994	Manager of the Hiroshima Branch, Sales Division
April	1998	Manager of the Osaka Branch, Sales Division
June	1999	Deputy Executive Officer
June	2000	Executive Officer
July	2003	Managing Executive Officer
July	2004	Managing Executive Officer
June	2005	Director, Managing Executive Officer
October	2005	Director, Managing Executive Officer, General Manager of Sales Division
April	2010	Director, Senior Managing Executive Officer
January	2014	Director, Senior Managing Executive Officer, President of Unicharm PetCare Company
October	2016	Director, Senior Managing Executive Officer, President of Unicharm PetCare Company, and General Manager of Japan Sales Head Office
January	2017	Director, Senior Managing Executive Officer, General Manager of Japan Sales Head Office
January	2018	Director, Vice President and Managing Executive Officer, General Manager of Japan Sales Head Office
January	2020	Director, Vice President in Charge of Sales (to present)

Reasons for Appointment

Drawing on his experience gained from restructuring Unicharm's Sales Divisions and developing its online sales channels, Shinji Mori conducts appropriate oversight of management by providing his opinion on matters related to global sales strategy. As such, Mr. Mori is deemed to be suitable to support sustained growth in the Company's corporate value.



Toshifumi Hikosaka
Director, Senior Managing Executive Officer in Charge of 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, in Charge of Standardization, 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

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 in ways 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.



Hiroko Wada
Director, Audit & Supervisory Committee Member (Outside Director)

Career summary

April	1977	Joined Procter & Gamble Sun Home Co., Ltd. (currently Procter & Gamble Company of Japan)
February	1995	General Manager responsible for Paper Products Division and new business development of Procter & Gamble Far East Inc. (currently Procter & Gamble Company of Japan)
January	1998	Vice President, Responsible for Corporate New Venture Asia of The Procter & Gamble Company
March	2001	Representative Director and President of Dyson KK
April	2004	President and Representative Director and Chief Operating Officer of Toys "R" Us - Japan, Ltd.
November	2004	Established Office WaDa, Representative
May	2009	Outside Director of Aderans Holdings Company Limited (currently Aderans Company Limited)
March	2019	Director, Audit & Supervisory Committee Member of the Company (to present)

Reasons for Appointment

Hiroko Wada has a diverse track record in international business and experience in marketing. Based on that experience, Ms. Wada is deemed to be suitable for providing appropriate insight regarding management strategy, finance, governance, and marketing to support the Unicharm Group's further global development.



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 & Managing Director of the Boston Consulting Group
November	2006	Supervisor of Japan Office of the Boston Consulting Group
May	2007	Senior Partner & 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 & Senior Partner of the Boston Consulting Group (to present)
March	2021	Director, Audit & Supervisory Committee Member of the Company (to present)

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.



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
March	2017	Director, Audit & Supervisory Committee Member
April	2019	Advisor, Audit & Supervisory Committee Member
March	2021	Director, Audit & Supervisory Committee Member of the Company (to present)

Reasons for Appointment

Shigeru Asada has continuously served in the Accounting Department at Panasonic Corporation and possesses great insight regarding 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, in addition to doing so as a director and Audit & Supervisory Committee member between 2017 and 2019. The Company has determined that he is suitable to supervise the management of the Company given his track record.

Executive Officers (As of March 25, 2022)

President & Chief Executive Officer	Takahisa Takahara
Senior Managing Executive Officer	Toshifumi Hikosaka
Senior Managing Executive Officer	Kenji Takaku
Senior Managing Executive Officer	Tetsuya Shite
Managing Executive Officer	Tadashi Nakai

Managing Executive Officer	Hirotsu Shimada
Senior Executive Officer	Shinobu Seki
Senior Executive Officer	Tetsuo Ukai
Senior Executive Officer	Satoru Kiuchi
Senior Executive Officer	Chikara Oka

Senior Executive Officer	Tsutomu Watanabe
Senior Executive Officer	Masanori Murakami
Executive Officer	Eijun Sato
Executive Officer	Hideo Kato
Executive Officer	Toru Morita

Executive Officer	Hiroe Inaba
Executive Officer	Takumi Terakawa
Executive Officer	Toru Fujita
Executive Officer	Masahiro Kashiwagi
Executive Officer	Takeshi Oda

Executive Officer	Shigeto Yamanaka
Executive Officer	Masanori Yano
Executive Officer	Tsutomu Kido
Executive Officer	Kenji Ueda
Executive Officer	Daisuke Iguchi

Executive Officer	Yuji Ishii
Executive Officer	Takahiro Okada
Executive Officer	Yoshinori Tanaka
Executive Officer	Kouichi Naoe

Corporate Governance Initiatives

Corporate Governance

Relevant Principal Kyo-sei Life Vision 2030 Targets

Unicharm Principles

Practice of appropriate corporate governance

Number of serious compliance violations | Zero occurrences every year



Our Basic Approach and Strategy

Unicharm believes that working toward sustainable growth, creating medium- to long-term corporate value through efforts to cooperate appropriately with stakeholders, and becoming a company supported and trusted by society lead to the promotion of sound corporate management. In order to achieve these targets, the basic policy toward corporate governance is to achieve transparent, fair, prompt, and bold management through frank and proactive engagement that will gain the support of various stakeholders, initiatives in response to

ESG issues, and the further development of an environment that enables appropriate decision-making by management without missing any opportunities.

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

Management Structure

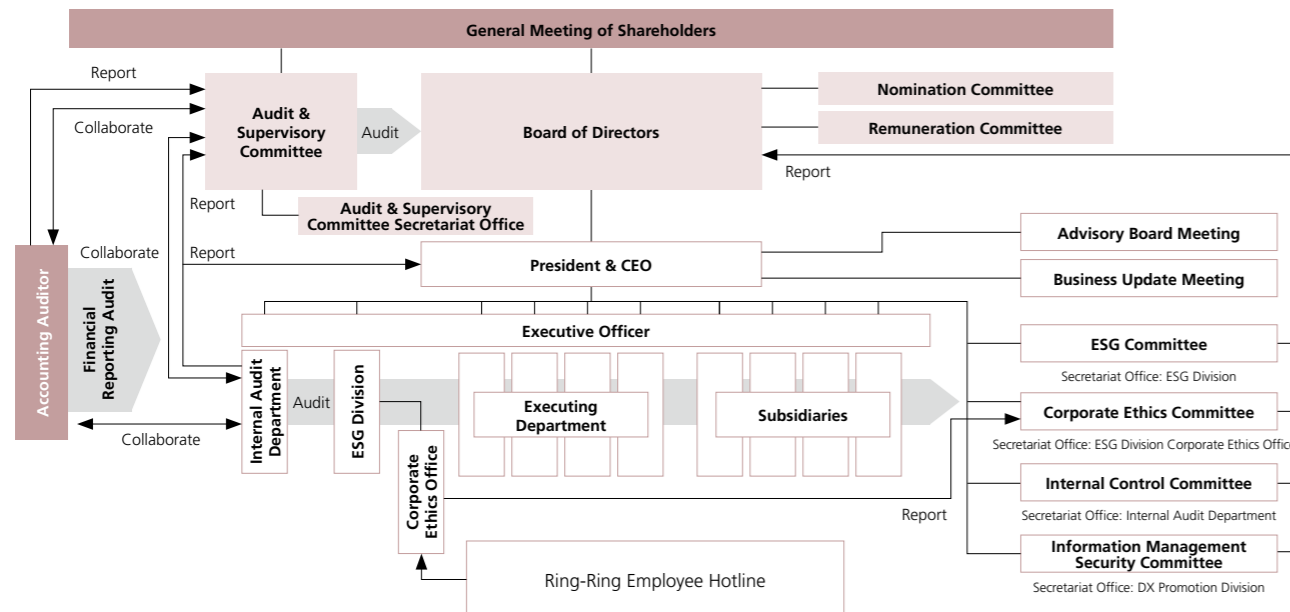
In May 2015, we became a company with an audit and supervisory committee governance structure to meet the expectations of all stakeholders, in Japan and overseas, from a global perspective. We achieved this by strengthening the oversight function of the Board of Directors in regard to management and 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, the discretionary Nomination and Remuneration committees were established in December 2015 to ensure transparency and objectivity in relation to decisions made on the nomination and remuneration of director and executive officer candidates.

Corporate Governance Structure

(as of March 25, 2022)



Board of Directors and Committees, etc.

Board of Directors	The Board of Directors comprises one representative director, three non-executive directors 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, which ensures a system is in place for management to make appropriate decisions without missing any opportunities.
Audit & Supervisory Committee	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 that of the Board of Directors and close collaboration with the internal auditing departments.
Nomination Committee	The Nomination Committee is a discretionary body established with 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 shareholders' meeting, (2) select and dismiss the representative director, and (3) submit proposals on the selection and dismissal of executive officers as well as the executive officers with line responsibility to the Board of Directors.
Remuneration Committee	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.
Advisory Board Meeting	The Advisory Board Meeting is chaired by the representative director and the president & CEO, and is attended by all directors—excluding outside directors—and executive officers, leaders of relevant business units, and the full-time Audit & Supervisory Committee members. Outside directors also attend the meeting as necessary. The meeting convenes to deliberate on how to achieve the strategies in each medium-term management plan as well as the business plans and strategies of Group companies.
Business Update Meeting	The Business Update Meeting is attended by all directors—excluding outside directors—as well as 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.
ESG Committee	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 each medium-term management plan and medium- to long-term ESG goals.
Corporate Ethics Committee	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.
Internal Control Committee	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.
Information Security Management Security Committee	The Information Security 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.
Accounting Auditor	The Audit & Supervisory Committee approves the accounting auditor based on its auditing system, independence and expertise.

Corporate Governance Initiatives

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

Policies and procedures for the nomination of director candidates as well as 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 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 on the opinions solicited from 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 a careful deliberation being conducted by the Board of Directors, including multiple independent outside directors, when conducting important transactions.

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

	Composition and Attendance at Meetings of the Board of Directors, Audit & Supervisory Committee, and Other Committees*1				Relevant Expertise of Directors										
	Board of Directors	Audit & Supervisory Committee	Nomination Committee	Remuneration Committee	Corporate Management	Finance and Accounting	Corporate Governance	Risk Management	Human Resource Development	Overseas Business	Marketing	Distribution Strategy	Development and Production	Quality	Digital Transformation
Takahisa Takahara President & CEO	○ 100% (9/9 times)	—	○ 100% (1/1 time)	○ 100% (1/1 time)	■	■	■	■	■	■	■				
Shinji Mori Director, Vice President	○ 88.9% (8/9 times)	—	—	—	■			■	■		■	■			
Toshifumi Hikosaka*2 Director, Senior Managing Executive Officer	○ —	—	—	—	■			■	■			■	■		
Hiroko Wada Director, Audit & Supervisory Committee Member Outside Independent	○ 100% (9/9 times)	○ 100% (11/11 times)	○ 100% (1/1 time)	○ 100% (1/1 time)	■	■	■	■	■	■	■				
Hiroaki Sugita*3 Director, Audit & Supervisory Committee Member Outside Independent	○ 100% (6/6 times)	○ 100% (9/9 times)	○ 100% (1/1 time)	○ —	■	■	■	■	■		■	■		■	
Shigeru Asada*3 Director, Audit & Supervisory Committee Member (Full-time)	○ 100% (6/6 times)	○ 100% (9/9 times)	○ 100% (1/1 time)	○ —	■	■	■	■	■	■					

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 2021

*2 Appointed on March 25, 2022

*3 Appointed on March 26, 2021. The Remuneration Committee did not convene upon their appointment in fiscal 2021. (The Remuneration Committee meeting held in fiscal 2021 was attended by the previous Audit & Supervisory Committee members).

Views on the Balance between the Knowledge, Experience, and Skills of the Board of Directors and the Diversity and Size Thereof

Sustainability Report 2022 P102-103

Corporate Governance Initiatives

Selection Standards for Independent Directors

The selection standards for independent directors are presented in 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 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.

Outside director and chair of the committee, Hiroko Wada, has considerable financial and accounting knowledge and extensive experience stemming from her roles, such as executive officer of Procter & Gamble, a major foreign company, and president of a Japanese subsidiary of a foreign company.

Outside director and member of the committee, Hiroaki Sugita, has considerable knowledge of finance and accounting and experience using his knowledge of corporate finance and accounting through his roles as the Japanese representative for Boston Consulting Group, a major foreign consulting company.

Full-time member of the Audit & Supervisory Committee, Shigeru Asada, has sufficient knowledge of finance and accounting with his experience serving 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 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.

Relevant Expertise, etc., of Directors" for meetings held in fiscal 2021. The average meeting time of the Audit & Supervisory Committee was approximately 60 minutes.

Main meeting agenda

The following resolutions and reports were made in fiscal 2021.

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

Reports: Prior confirmation of the Board of Directors' agenda items, reports on the audit plan, internal control and audit reports on the Internal Audit Department, reports on business restructuring of subsidiaries, financial status reports on domestic and overseas subsidiaries, and reports on the strategies and other matters of domestic and overseas subsidiaries

Attendance of Audit & Supervisory Committee members

See "Composition and Attendance at Meetings of the Board of Directors, Audit & Supervisory Committee, and Other Committees and

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 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 if 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 questionnaire of all directors every year and also hosts a discussion on the results of this survey with all directors in attendance. 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

- 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 2021, 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.
 - Matters concerning Groupwide strategy themes stipulated in each medium-term management plan are discussed on a regular basis and a system for rolling the plan forward is clearly in place. Measures have been taken to further improve discussions, such as facilitating the participation of outside directors at the Advisory Board Meeting.
 - Decisions on individual projects aimed at promoting digital transformation are, in principle, entrusted to the executing departments while the role of the Board of Directors is mainly to serve as a supervisor. Based on these assigned roles, discussions were held and approval was granted for the establishment of a system for delegating authority within certain boundaries to the president & CEO and for reporting results to the Board of Directors.

- More time has been set aside for discussions on the operational status of the internal whistleblowing system, the framework and results of internal control assessments, and other matters to be reported that may contribute to stronger governance, which has led to even more effective discussions.
- In order to further improve the effectiveness of the Board of Directors, the Company will consider promotion of the following initiatives:
 - Examine in closer detail whether the topics selected and the time allocated to their discussions reflect improvements in the effectiveness of the Board of Directors' meetings, and set meeting agendas on the basis of these findings.
 - Make the necessary preparations prior to the Board of Directors' meetings in such a way that the topics to be discussed are made even clearer to those in attendance, by refining the details of explanatory notes and condensing the number of points raised in meeting materials.
 - Improve the operational process of the Board of Directors' meetings through its secretariat and enable even more appropriate responses to follow-up matters.

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 issue reports 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 the Board meeting, 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.

Corporate Governance Initiatives

Director Remuneration

Method of determining the policy for decisions on individual remuneration of directors

According to the policy for decisions on 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 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.

Basic Policy	Basic Policy	Remuneration Policy
Remuneration for directors (excluding directors who are Audit & Supervisory Committee members) and executive officers of the Company and related policies are determined on the basis of 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 stated on the right.	<ul style="list-style-type: none"> 1 Contributes to the sustainable growth and medium- to long-term increase of corporate value 2 Remuneration structure that is linked closely with performance and motivates the fulfillment of management plans and the achievement of results 3 Remuneration level that can attract and retain human resources who can assume the role of management 4 Highly transparent and objective process for determining remuneration 	<ul style="list-style-type: none"> 1 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. 2 The target value of monetary compensation is set at top 25% and that of combined stock option compensation from a medium- to long-term perspective is set at top 10%.

Overview of the policy regarding decisions on individual remuneration of directors

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

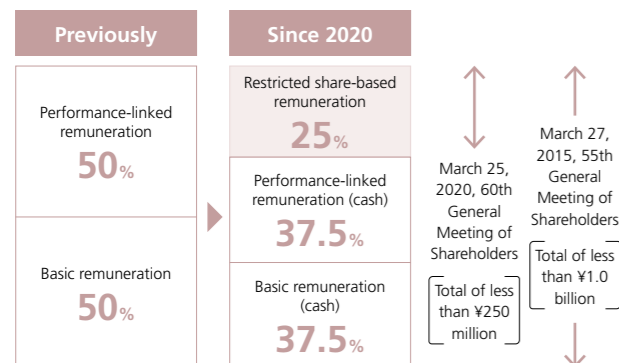
Overview of director remuneration system

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 excludes 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 shall be within the abovementioned ¥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 the next March 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 2021 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 2021 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 the Bloomberg Gender-Equality Index (GEI), 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 will be incorporated into their evaluation.

No.	Evaluation Criteria	Accountability	Assessment Weighting	Target	Result	Assessment
1	Group performance (business plan)	1-1 Consolidated net sales	20-50%	¥770 billion (up 1.3% YoY)	¥782.7 billion (up 7.6% YoY)	101.7%
		1-2 Consolidated core operating income		¥119 billion (up 19.0% YoY)	¥122.5 billion (up 6.7% YoY)	102.9%
		1-3 Profit attributable to owners of parent		¥75 billion (up 19.1% YoY)	¥72.7 billion (up 39.0% YoY)	97.0%
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)	—

Notes: View on key assessment indicators

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

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 will then be contributed to the Company and finally the Company disposes of treasury shares in exchange for their 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.

Moreover, the method for calculating the remuneration of directors and executive officers for their first year of tenure and their evaluation in the previous year were among the matters discussed at the Remuneration Committee meeting held on February 24, 2022, upon which proposals on the appointment of directors to be submitted to the general shareholders' meeting were approved at the Board of Directors' meeting held on the same day thereafter.

Reasons for the Board of Directors' decision to ensure that individual compensation of directors in fiscal 2021 is consistent with the policy regarding decisions on individual remuneration of directors

In regard to the individual remuneration of directors for fiscal 2021, the method for determining remuneration and the determined amounts of remuneration have been deemed consistent with the policy for determining remuneration approved by the Board of

Directors. In addition, a high degree of importance is placed on reports from the Remuneration Committee, which also corresponds to the said policy.

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)	474	195	134	145	3
Directors (Audit & Supervisory Committee members) (excluding outside directors)	11	11	—	—	2
Outside directors	20	20	—	—	3

Notes: 1. The amounts above include those for the remuneration of two directors who were Audit & Supervisory Committee members (one of whom was an outside director) who resigned as of the end of the 61st General Meeting of Shareholders held on March 26, 2021.
2. Total remuneration of directors (excluding Audit & Supervisory Committee members) includes amounts recorded as expenses of ¥145 million for restricted share-based remuneration of three directors (excluding Audit & Supervisory Committee members).
3. 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 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 purposes 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 dividends, the benefits that can be gained by maintaining and strengthening business relationships, 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 cost. Cross-shareholdings that are no longer deemed reasonable to hold are sold as appropriate, based on a comprehensive analysis of market impact and other factors.

With respect to the exercise 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.

Corporate Governance Initiatives

Compliance

Our Basic Approach and Strategy

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 formulated The Unicharm Way, which includes the Unicharm Group Charter of Actions and other important compliance documents. Having been approved by the Board of Directors, The Unicharm Way has been distributed to and shared with everyone working at Unicharm Group companies. It forms the basis of our compliance system and is designed to remind all directors and employees to hold themselves to the highest ethical standards and comply with all rules and regulations and the Articles of

Incorporation. In addition, Unicharm works holistically to prevent acts that would lead to fraud including bribery, excessive entertainment and gifts through corporate activities, improper political contributions, and insider trading, and to ensure compliance with labor standards and other rules and regulations. The president & CEO and executives continue to communicate the spirit set forth in The Unicharm Way to employees around the world in an effort to improve and instill an awareness of corporate ethics and ensure that all corporate activities are based on compliance.

Unicharm Ideals P1

Unicharm Group Charter of Actions / Action Guidelines for Practicing Our Beliefs & Pledges and Corporate Code of Conduct

Practicing Our Pledge to Society

Compliance with Laws and Regulations, Voluntary Industry Standards, and Internal Rules

1. We comply with not only the laws and regulations of the countries and regions in which we operate but also voluntary industry standards as well as the voluntary standards and rules and regulations of the Company. Therefore, we consistently ensure awareness of all the laws and regulations pertaining to our business activities.
2. We refrain from the use of terms or expressions that may be construed as forms of slander or social discrimination against other companies or individuals.

Respect for Rules and Cultures of International Society

1. We conduct business activities at a global level by complying with international rules and respecting the cultures and customs of each country and region.
2. We work to foster sound relationships with local communities and gain their trust.

Environmental Initiatives

1. We contribute to the realization of an environmentally friendly, recycling-oriented society by providing comfortable lifestyles for people everywhere and protecting the global environment.
2. We will consistently reduce the environmental impact of our business activities by adhering to the Environmental Management System Basic Regulations.

Political Contributions, Donations, and the Exchange of Entertainment and Gifts with Government Officials

1. We ensure that political contributions and donations to organizations are made in a transparent manner upon in-house approval.
2. We prohibit the exchange of entertainment and gifts with government officials or those equivalent thereto. We also forbid the use of facilitating payments for the purpose of expediting administrative processes.

Preparation for Disasters, Infectious Diseases, Antisocial Forces, Cyberattacks, and Other Risks

1. We respond appropriately in accordance with the designated Risk Management Manual in the event of disasters, infectious diseases, terrorism, or other risks.
2. We do not engage in relationships with antisocial forces or respond to the unreasonable demands thereof in any way whatsoever. Moreover, we will cooperate with the police and various organizations and take a resolute stance toward antisocial forces.
3. We will positively engage in the development of an advanced cybersecurity management system.

Promotion of Social Contribution Activities

We strive to enrich the lives of all people by working together with our many stakeholders and helping overcome a variety of social issues through our business activities.

Management Structure

The CSR Committee, established by Unicharm in 2005 for the purpose of monitoring all activities related to social responsibility centered around a framework of quality, safety, and the environment, has been restructured and renamed the ESG Committee as of January 2020. The ESG Committee ensures the legality, fairness, and soundness of corporate activities. 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 human relationship 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 and members of the Audit & Supervisory Committee convene the Corporate Ethics Committee to resolve the issue. 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, regulations, etc.,

and to provide advice as necessary, the Internal Audit Department, which is independent from each business execution division and directly supervised by the president & CEO, has been established and it conducts internal audits on all Group companies.

Compliance Promotion Structure



Specific Initiatives

Initiatives to raise compliance awareness

The Unicharm Group’s Action Guidelines, which constitute a part of The Unicharm Way, aim to enhance awareness of compliance with such issues as corruption prevention. Meanwhile, compliance-related questions are included in employee awareness surveys, which are held throughout the Group each year, to promote awareness of legal compliance and to prevent wrongful acts. Compliance-related courses are available in e-learning format and the status of participation in these courses is monitored to ensure participation and instill understanding of the importance of compliance. Furthermore, educational resources covering familiar legal and contractual cases are regularly posted on the Company intranet in an ongoing effort to raise compliance awareness throughout the Group. Moreover, compliance audits

are also conducted by the Internal Audit Department, which is independent of the departments being audited.

With regard to the prohibition of insider trading, an ESG executive responsible for legal affairs is specified as an insider information management administrator in the Insider Trading Prevention Regulations in an effort to prevent illegal acts. Transactions with a high level of risk that are similar to insider trading are prohibited. In addition, it is obligatory to submit a trade notice for Unicharm’s shares, etc., every time treasury shares are sold and cautionary information is released as appropriate that sets specific limits on trades of Unicharm’s shares in consideration of circumstances including the positions and departments of executives and employees.

Whistleblowing system

The Compliance Hotline has been established for Group employees, both within and outside Japan, including contract employees, as a consultation and whistleblowing contact point in anonymity for violation of laws and regulations, violation of internal regulations and acts of corruption such as the taking and receiving of bribes etc., or major corporate ethics violations. The Ring-Ring Employee Hotline has been established for problems in the workplace such as internal harassment and human relationship issues. Unicharm has also put in place a system that makes it easy for employees and their families to consult

with external organizations. The privacy of employees who use this system is respected while ensuring that whistleblowers are protected from harm. In addition, if it becomes necessary to involve a third party, the whistleblower’s consent to this will be sought.

Unicharm’s subsidiaries in China, Taiwan—Greater China, Thailand, Indonesia, India, Brazil, South Korea, and the United States have established and operate similar whistleblowing contact points for reporting violations of corporate ethics and human rights issues in the workplace.

Anti-corruption measures

To prevent all forms of corruption, including extortion and bribery, the Board of Directors has established policies that are being promoted together with related departments. For example, compliance-related courses have been incorporated into the training curriculum for both new employees and employees posted overseas, with the aim of enhancing awareness of legal compliance and helping to prevent compliance-related issues from occurring among all of our executives and employees. In addition, the Legal Department and the Accounting Control & Finance Division hold compliance workshops for directors

and executive officers multiple times throughout the year to enhance their compliance awareness and improve their awareness and understanding of legal compliance.

The Unicharm Group Sustainable Procurement Guidelines, which aim to maintain fair relationships and prevent acts of corruption in transactions with suppliers, demonstrate our commitment to complying with laws and social norms, along with fair trade, as well as to prohibiting bribery and kickbacks and ensuring the complete prevention of corruption in transactions.

The Unicharm Group Sustainable Procurement Guidelines Sustainability Report 2022 P90

Regular reviews of the effectiveness of the standard of conduct

The Company regularly reviews its standard of conduct on compliance. It confirms the effectiveness of this standard through monitoring using the employee awareness surveys and internal audits conducted

annually. The Company reviewed the Unicharm Group Action Guidelines and renamed them the Unicharm Group Charter of Actions on February 10, 2021.

Corporate Governance Initiatives

Risk Management

Our Basic Approach and Strategy

Gaining an appropriate understanding of the various risks that could affect the execution of business activities and the realization of these objectives, and preventing and minimizing the impact of such risks when they occur, represent a basic policy of management and are positioned as important management issues. The Company has established a risk management system for the entire Group that it has implemented while continuously reviewing and improving business risk management.

The 12 major business risks represent important business-related risks that could impact the Company's financial standing and management results. Thanks to the effects of various response measures, at present, none of these risks has emerged at a level where it will 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 other risks than the major risks 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.

Management Structure

While overseeing the code of conduct and code of ethics, the Board of Directors analyzes and evaluates major risks that are reported from 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. In addition, the ESG Committee has defined 12 major business risks that may impact the Company and is discussing these potential risks and taking the appropriate measures as necessary. Urgent risks that do not

fall under any of these 12 major business risks are discussed and addressed immediately by the ESG Committee. In the event of a serious business-related crisis, the Crisis Management Response Committee will be established and appropriate measures will be taken immediately to achieve a swift recovery based on the Crisis Communication Manual established as regulations for crisis management.

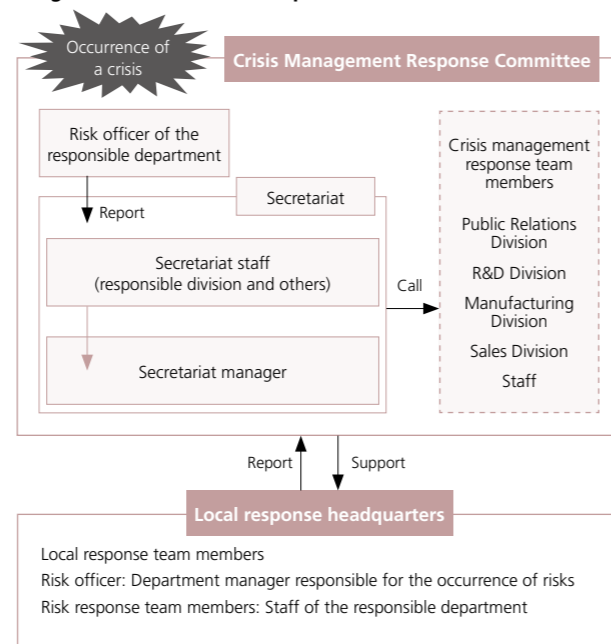
Response to Business Risks

An emergency in which the 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 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

- | | |
|---------------------------|-------------------------------------|
| ① Quality | ⑦ Top management/executives related |
| ② Environment | ⑧ Disaster |
| ③ Representation | ⑨ Information accidents |
| ④ Occupational safety | ⑩ Reputational damage |
| ⑤ Human rights | ⑪ Pandemics |
| ⑥ Supplier/vendor related | ⑫ Disputes/political changes |

Diagram of Structure in Response to Occurrence of a Crisis



Business Risks

Risks	Details of Risks and Impacts on the Company	The Company's Main Response
Intense competition in the sales environment	Competition for the Company's main products could become even more severe in Japan and overseas markets in terms of price and product line depending on the economic and market environments. 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.	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. Furthermore, the Company is working to decentralize authority to its overseas subsidiaries and create a system where it can respond swiftly to changes in the consumption behavior of customers.
Changes in population structure	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. 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.	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 and 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. 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 citizen workers and to promote the empowerment of women.
Overseas business	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, strength in the yen will have a negative impact on the Company's financial situation and management results.	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 material procurement along with the outstanding credits and liabilities. Also, to contribute to stable shareholder returns and the flow of internal funds, the Company actively implements 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.
Raw materials price volatility	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 US dollar transactions. 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.	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.
Environmental issues	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 sanitary pads, 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.	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 Safeguarding the well-being of our planet, a key initiative of Kyo-sei Life Vision 2030, the Company's medium- to long-term ESG goals 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 and Environmental Action Guidelines 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.

Corporate Governance Initiatives

Risks	Details of Risks and Impacts on the Company	The Company's Main Response
Climate change	<p>The severity of impacts 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 and adaptive measures against 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 region of priority for Unicharm. In addition, should the Company's initiatives to reduce CO₂ 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 & 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 the medium- to long-term ESG goals, 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>
Product reliability	<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 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 the 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>
Legal compliance violations	<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 receive public penalties for making unreasonable demands during a transaction or engage in bribery to facilitate public 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 anti-corruption. 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>
Intellectual property including patents trademarks	<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>
Disasters and accidents	<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 the business continuity plan (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 inside India but also 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. Training exercises for (5) include evacuation drills using the example of an emergency situation based on 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>
Acquisitions, partnerships, business consolidation, etc.	<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>
Information leaks	<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>

Business Continuity Plan (BCP)*

Policy and framework

As part of an ongoing effort to strengthen risk management since 2005, Unicharm established a business continuity plan (BCP) in anticipation of an emergency such as a major earthquake occurring directly beneath the greater Tokyo metropolitan area and a large-scale interconnected earthquake along the Tokai, Tonankai, and Nankai areas of Japan. The BCP Manual outlines our course of action for recovering core operations, particularly head office functions, in order to ensure that our products, which are considered daily necessities, are delivered as early as possible to those in disaster-affected areas and other areas in need.

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

Specific measures

Ensuring business continuity through the securing of important bases

We launched the operation of the Kyushu Factory in March 2019. In so doing, we secured a comprehensive supply system that will help ensure business continuity in the event of a natural disaster. If production facilities were to shut down in the wake of a Nankai Trough mega earthquake, which will likely cause significant damage to the western Honshu and Chubu regions, the Kyushu Factory will function as an emergency backup location, particularly given the fact that our main production facilities in Japan are located in Fukushima, Shizuoka, and Shikoku prefectures, areas at risk of suffering serious damage from a disaster of this magnitude. Going forward, we will adopt new production technologies at our existing plants and utilize our new production system, which effectively diversifies risks, to assemble a successful BCP.

Information Security

Policy and framework

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 personal information provided by our customers, 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, which continues to establish measures, carry out employee education, and monitor information management security throughout the Group. One day of each month has been earmarked as an information management day when we highlight a different security topic to remind employees about the risks of specific information leaks.

Overview of the BCP

- (1) Basic requirements
 - Basic policy • Assumed risks • Impact assessment • Assumed damage
 - Main elements
- (2) Confirmation of safety and well-being of employees and their family members
 - Ensuring the safety of lives
- (3) Specific measures for business continuity
 - Organizational and command structures • Securing important bases
 - External information dissemination and information sharing • Backup
 - Provision of products and services
- (4) Important items that should be responded to along with business continuity
 - Cooperation with and contribution to the community
- (5) Measures necessary for implementing the BCP
 - Education and training • Inspections, corrective actions, and reviews

Risk management information website

In 2017, we launched the Risk Management Information Website on our corporate intranet to promote awareness of risks that have the potential to compromise the lives of our employees in Japan and overseas. Further, since 2020, we have continued to post travel restriction information and cautionary notes in regard to the COVID-19 pandemic to address the changes in our business environment affecting the safety of our employees and provide users with the most up-to-date information.

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

(Millions of Yen)

	FY2012 (JGAAP)	FY2013 (JGAAP)	FY2014 (JGAAP)*2	FY2015 (JGAAP)	FY2016 (JGAAP)	FY2016 (IFRS)*4	FY2017 (IFRS)*4	FY2018 (IFRS)*4	FY2019 (IFRS)*4	FY2020 (IFRS)*4	FY2021 (IFRS)*4
For the Fiscal Period:											
Net sales	495,771	599,455	553,661	738,707	710,965	604,653	641,647	688,290	714,233	727,475	782,723
Overseas sales to net sales ratio	52.6%	57.7%	64.4%	61.4%	57.7%	58.4%	58.9%	59.8%	62.1%	60.5%	62.9%
Cost of sales	268,743	331,807	308,421	406,521	376,510	376,842	393,101	423,005	447,495	434,866	469,078
Gross profit	227,028	267,648	245,240	332,186	334,455	227,811	248,546	265,285	266,738	292,609	313,645
Selling, general and administrative expenses	167,539	200,407	183,892	252,250	256,178	148,695	161,707	170,178	176,959	177,865	191,162
Operating income/Core operating income*5 (IFRS)	59,488	67,240	61,347	79,934	78,277	79,116	86,838	95,107	89,779	114,744	122,482
Current profit/Profit attributable to owners of parent (IFRS)	43,121	38,216	32,731	40,511	44,134	46,971	52,772	61,353	46,116	52,344	72,745
Earnings per share/Basic earnings per share*1 (IFRS) (Yen)	77.92	64.10	54.33	67.55	74.29	79.06	89.85	103.73	77.53	87.60	121.78
Annual cash dividends per share*1 (Yen)	11.33	12.67	12.73	14.80	16.00	16.00	20.00	24.00	28.00	32.00	36.00
Consolidated dividend payout ratio	14.5%	19.8%	23.4%	21.9%	21.5%	20.2%	22.3%	23.1%	36.1%	36.5%	29.6%
Cash flows from operating activities	68,758	95,659	68,892	85,009	103,604	103,604	98,086	110,867	84,936	150,254	105,253
Cash flows from investing activities	(53,304)	(58,220)	(36,741)	(68,166)	(42,612)	(42,612)	(38,778)	(113,400)	(69,235)	(41,698)	(79,837)
Free cash flow	15,454	37,439	32,151	16,843	60,992	60,992	59,308	(2,533)	15,701	108,556	25,416
Capital expenditures	52,340	51,908	41,756	47,993	39,436	39,437	33,397	73,688	56,022	39,632	36,552
Depreciation*3	16,814	22,101	20,393	27,343	26,750	27,598	29,345	30,353	38,676	36,165	37,926
Amortization of goodwill	4,239	9,203	3,769	4,640	4,519	—	—	—	—	—	—
Research and development expenses	5,098	5,265	4,248	5,993	6,070	6,071	6,554	6,621	7,584	7,808	8,184
Fiscal Year-End:											
Total assets/Total assets (IFRS)	535,055	620,419	699,108	702,601	711,541	668,592	736,644	795,483	864,003	893,413	987,655
Property, plant and equipment	163,129	204,417	240,082	247,808	244,325	236,629	228,521	240,628	284,105	258,814	271,689
Current portion of long-term debt/Corporate bonds and borrowings (IFRS)	23,000	21,000	5,420	10,757	12,084	61,190	58,000	21,428	27,601	24,202	4,432
Net assets/Total equity (IFRS)	329,201	432,152	492,844	451,091	449,974	414,387	453,029	503,670	542,900	562,653	635,438
Equity ratio/Ratio of equity attributable to owners of parent (IFRS)	54.2%	60.3%	60.0%	55.1%	54.4%	52.7%	52.6%	55.5%	54.8%	55.2%	56.5%
Number of employees (Persons)	10,855	12,795	13,901	15,500	15,843	15,843	15,757	16,207	16,304	16,665	16,308
Japan (Persons)	3,009	2,994	2,994	2,974	3,001	3,001	3,109	3,200	3,244	3,307	3,298
Overseas (Persons)	7,846	9,801	10,907	12,526	12,842	12,842	12,648	13,007	13,060	13,358	13,010
Performance Indicators:											
Operating profit margin/Core operating income ratio (IFRS)	12.0%	11.2%	11.1%	10.8%	11.0%	13.1%	13.5%	13.8%	12.6%	15.8%	15.6%
Profit margin/Profit attributable to owners of parent ratio (IFRS)	8.7%	6.4%	5.9%	5.5%	6.2%	7.8%	8.2%	8.9%	6.5%	7.2%	9.3%
Gross profit percentage	45.8%	44.6%	44.3%	45.0%	47.0%	37.7%	38.7%	38.5%	37.3%	40.2%	40.1%
SG&A ratio	33.8%	33.4%	33.2%	34.1%	36.0%	24.6%	25.2%	24.7%	24.8%	24.4%	24.4%
ROE: Return On equity/Return on equity attributable to owners of parent (IFRS)	17.2%	11.5%	8.2%	10.0%	11.4%	13.4%	14.3%	14.8%	10.1%	10.8%	13.8%
ROA: Return On assets/Total profit margin before tax on assets (IFRS)	12.9%	11.8%	9.9%	10.2%	10.2%	11.4%	13.2%	12.0%	8.4%	10.9%	13.0%
Business Segments:											
Personal Care Business	417,187	515,253	486,960	647,573	619,047	523,116	555,388	599,290	620,742	624,758	672,039
Partner Animal (Pet) Care Business	73,182	78,672	62,564	85,624	85,756	75,390	79,847	82,073	86,977	95,693	104,541
Other Businesses	5,401	5,530	4,136	5,508	6,161	6,147	6,412	6,927	6,514	7,024	6,143
Geographical Regions:											
Japan	236,993	255,767	198,745	287,135	302,851	253,544	266,010	279,589	273,773	292,380	294,853
Asia	189,172	256,253	272,904	341,240	305,099	254,372	275,311	302,866	329,934	323,147	363,719
Other regions	69,604	87,435	82,011	110,331	103,014	96,736	100,326	105,835	110,526	111,947	124,151
Non-Financial Indicators:											
CO ₂ emissions intensity*6 (tons per millions of yen)	0.59	0.70	0.69	0.94	0.97	0.97	0.86	0.82	0.84	0.81	0.72
Recycling rate of industrial waste at four main plants in Japan*7	99.1%	99.4%	99.5%	99.5%	99.5%	99.5%	99.5%	99.4%	99.3%	99.6%	99.5%
Ratio of traceable paper and pulp*8	—	—	—	82.0%	83.0%	83.0%	88.8%	91.3%	95.0%	94.5%	97.0%
Ratio of use of certified palm oil	—	—	—	—	—	—	—	2.0%	30.7%	85.9%	77.2%

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

*1 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.

*2 Fiscal 2014 was a nine-month transitional period due to a change in the accounting period.

*3 Depreciation includes amortization of goodwill.

*4 Unicharm adopted IFRS starting fiscal 2017 (ended December 31, 2017).

*5 Core operating income refers to gross profit after deducting sales, general and administrative expenses.

*6 CO₂ emissions intensity is calculated as CO₂ emissions (tons) per unit of sales (millions of yen).Beginning in Japan, the Company has steadily expanded the number of countries where it calculates CO₂ emissions.

(Thailand (Unicharm (Thailand) Co., Ltd.) in fiscal 2013; China and Indonesia in fiscal 2015; Vietnam in fiscal 2016; Taiwan-Greater China in fiscal 2017; India and the United States in fiscal 2018; South Korea, Saudi Arabia, Egypt, Myanmar, Brazil, Thailand (DSG International (Thailand) Public Co., Ltd.), and Malaysia in fiscal 2020)

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

*8 The ratio of traceable paper and pulp for fiscal 2016 is for Japan only.

Consolidated Statement of Financial Position

	(Millions of Yen)	
	Fiscal Year Ended December 31, 2020 <small>(as of December 31, 2020)</small>	Fiscal Year Ended December 31, 2021 <small>(as of December 31, 2021)</small>
Assets		
Current assets		
Cash and cash equivalents	199,522	187,547
Trade and other receivables	112,698	129,367
Inventories	61,617	89,811
Other current financial assets	97,588	119,752
Other current assets	19,536	21,266
Total current assets	490,962	547,743
Non-current assets		
Property, plant and equipment	258,814	271,689
Intangible assets	90,006	85,407
Deferred tax assets	13,078	13,911
Investments accounted for using equity method	1,262	1,029
Other non-current financial assets	37,372	65,789
Other non-current assets	1,920	2,086
Total non-current assets	402,451	439,912
Total assets	893,413	987,655
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	145,316	167,241
Borrowings	8,975	33,882
Income tax payables	16,183	13,639
Other current financial liabilities	5,765	5,455
Other current liabilities	56,976	54,233
Total current liabilities	233,215	274,450
Non-current liabilities		
Borrowings	24,202	4,432
Deferred tax liabilities	21,116	24,285
Retirement benefit liabilities	11,483	11,973
Other non-current financial liabilities	36,743	32,727
Other non-current liabilities	4,001	4,349
Total non-current liabilities	97,545	77,767
Total liabilities	330,760	352,217
Equity		
Equity attributable to owners of parent		
Capital stock	15,993	15,993
Share premium	13,208	14,801
Retained earnings	547,259	599,946
Treasury shares	(54,572)	(68,646)
Other components of equity	(28,886)	(4,454)
Total equity attributable to owners of parent	493,002	557,639
Non-controlling interests	69,651	77,799
Total equity	562,653	635,438
Total liabilities and equity	893,413	987,655

Consolidated Statement of Income

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

Consolidated Statement of Comprehensive Income

	(Millions of Yen)	
	Fiscal Year Ended December 31, 2020 <small>(January 1, 2020–December 31, 2020)</small>	Fiscal Year Ended December 31, 2021 <small>(January 1, 2021–December 31, 2021)</small>
Profit for the period	62,580	83,605
Other comprehensive income, net of tax		
Items that will not be reclassified to profit or loss		
Net changes in equity instruments measured at fair value through other comprehensive income	(310)	(4,108)
Remeasurements related to net defined benefit liabilities (assets)	(972)	316
Subtotal	(1,282)	(3,792)
Items that may be reclassified to profit or loss		
Net changes in debt instruments measured at fair value through other comprehensive income	(1)	(19)
Changes in fair value of cash flow hedges	(10)	25
Exchange differences on translation in foreign operations	(16,859)	35,729
Share of other comprehensive income of investments accounted for using equity method	(16)	13
Subtotal	(16,887)	35,748
Total other comprehensive income, net of tax	(18,169)	31,956
Total comprehensive income	44,411	115,560
Total comprehensive income attributable to		
Owners of parent	36,248	97,670
Non-controlling interests	8,163	17,890
Total comprehensive income	44,411	115,560

Consolidated Statement of Changes in Equity

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

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

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

Consolidated Statement of Cash Flows

(Millions of Yen)

	Fiscal Year Ended December 31, 2020 (January 1, 2020–December 31, 2020)	Fiscal Year Ended December 31, 2021 (January 1, 2021–December 31, 2021)
Cash flows from operating activities		
Profit before tax	95,849	121,977
Depreciation and amortization expenses	36,165	37,926
Impairment losses	—	4,757
Loss due to fire	15,929	—
Interest and dividend income	(3,836)	(3,592)
Interest expenses	1,330	1,276
Foreign exchange loss (gain)	849	1,154
Loss (gain) on sale and retirement of fixed assets	593	(18)
Decrease (increase) in trade and other receivables	5,395	(4,718)
Decrease (increase) in inventories	(419)	(23,153)
Increase (decrease) in trade and other payables	(967)	14,182
Increase (decrease) in other current liabilities	16,959	(5,374)
Other, net	2,405	(5,344)
Subtotal	170,252	139,073
Interest and dividends received	3,470	4,286
Interest paid	(1,331)	(1,332)
Income taxes refund	—	2,082
Income taxes paid	(22,136)	(38,856)
Net cash provided by (used in) operating activities	150,254	105,253
Cash flows from investing activities		
Payments into time deposits	(52,232)	(51,454)
Proceeds from withdrawal of time deposits	41,101	47,376
Purchase of property, plant and equipment, and intangible assets	(35,507)	(34,671)
Proceeds from sale of property, plant and equipment, and intangible assets	2,115	769
Purchase of financial assets measured at amortized cost	—	(8,330)
Purchase of financial assets measured at fair value through profit or loss	(6,100)	(13,000)
Purchase of equity instruments measured at fair value through other comprehensive income	(3,014)	(13,191)
Purchase of debt instruments measured at fair value through other comprehensive income	(401)	(12,673)
Proceeds from sale and redemption of financial assets measured at amortized cost	1,000	—
Proceeds from sale and redemption of financial assets measured at fair value through profit or loss	3,000	5,000
Proceeds from sale and redemption of equity instruments measured at fair value through other comprehensive income	8,019	37
Proceeds from sale and redemption of debt instruments measured at fair value through other comprehensive income	—	400
Purchase of shares of subsidiaries and associates	(106)	(318)
Proceeds from sale of shares of subsidiaries and associates	—	213
Other, net	429	5
Cash flows from investing activities	(41,698)	(79,837)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	25	7,115
Proceeds from long-term borrowings	725	—
Repayments of long-term borrowings	(1,341)	(3,000)
Repayments of lease liabilities	(5,149)	(5,235)
Payments for purchase of treasury shares	(7,193)	(16,001)
Dividends paid to owners of parent	(17,895)	(20,301)
Dividends paid to non-controlling interests	(8,822)	(9,659)
Proceeds from share issuance to non-controlling interests	30	—
Proceeds from exercise of employee share options	4,525	1,900
Other, net	(144)	—
Cash flows from financing activities	(35,239)	(45,180)
Effect of exchange rate changes on cash and cash equivalents	(2,583)	7,789
Net increase (decrease) in cash and cash equivalents	70,735	(11,975)
Cash and cash equivalents at beginning of period	128,787	199,522
Cash and cash equivalents at end of period	199,522	187,547

Overview of the Unicharm Group

Company Profile (as of December 31, 2021)

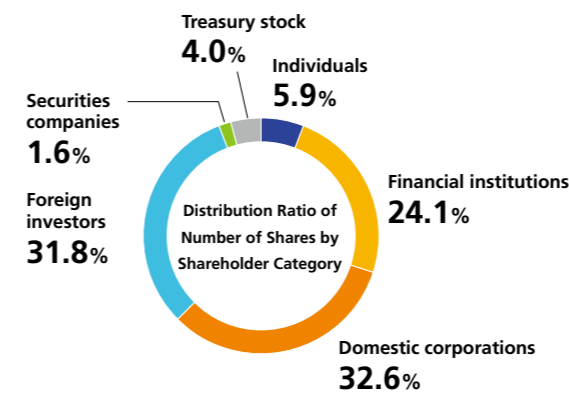
Corporate Name	Unicharm Corporation
Date of Establishment	February 10, 1961
Capital	¥15,993 million
Head Office	Sumitomo Fudosan Mita Twin Bldg. West Wing, 3-5-27, Mita, Minato-ku, Tokyo, Japan
Registered Company Office	182 Shimobun, Kinsei-cho, Shikokuchuo-City, Ehime, Japan
Number of Employees	16,308 (on a consolidated basis)
Major Business Lines	Wellness care products Partner animal (pet) care products Feminine care products Baby care and childcare products
URL	https://www.unicharm.co.jp/en/home.html

Primary Consolidated Subsidiaries and Affiliates (as of December 31, 2021)

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

Stock Information (as of December 31, 2021)

Listed Stock Exchange	Prime Market of the Tokyo Stock Exchange (as of April 4, 2022)
Securities code	8113
Total number of stocks authorized	827,779,092
Total number of stocks issued	620,834,319 (including 24,655,259 shares of treasury stock)
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Independent Auditor	PricewaterhouseCoopers Aarata LLC
Total number of shareholders	34,098 people



Major shareholders

Shareholder Name	Number of shares held (Thousands of shares)	Ratio of shareholding (%)
UNITEC CORPORATION	154,957	26.0
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	61,524	10.3
TAKAHARA FUND LTD.	28,080	4.7
CUSTODY BANK OF JAPAN LTD. (TRUST ACCOUNT)	20,076	3.4
THE MASTER TRUST BANK OF JAPAN, LTD. (RETIREMENT BENEFIT ACCOUNT TRUST / HIROSHIMA BANK ACCOUNT)	17,287	2.9
THE IYO BANK, LTD. (Standing Proxy: Custody Bank of Japan, Ltd.)	15,300	2.6
NIPPON LIFE INSURANCE COMPANY. (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	12,189	2.0
BNYMSANV RE MIL RE FIRST SENTIER INVESTORS ICVC-STEWART INVESTORS ASIA PACIFIC LEADERS SUSTAINABILITY FUND (Standing Proxy: MUFG Bank, Ltd.)	11,724	2.0
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS (Standing Proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	10,966	1.8
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS (Standing Proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch)	9,835	1.6

Notes:
1. Although the Company holds 24,655 thousand shares of treasury stock (a 4.0% ratio of shareholding), they are not included in the above list of major shareholders.
2. The shareholdings ratio was calculated by deducting treasury shares.

External Evaluations (as of March 31, 2022)

Unicharm is included in ESG indexes selected by Japan's Government Pension Investment Fund (GPIF) for Japanese stocks.

To continue to be included in major ESG indexes going forward, Unicharm will provide value to all stakeholders through the sound management of its businesses and strive for consistent improvements in corporate value through the communication of appropriate business information.

Inclusion in ESG Indexes and Evaluations

- FTSE4Good Index Series

- FTSE Blossom Japan Index

- FTSE Blossom Japan Sector Relative Index

- S&P/JPX Carbon Efficient Index

- SOMPO Sustainability Index

- Bloomberg Gender-Equality Index

- JPX-Nikkei Index 400 (August 31, 2021, to August 30, 2022)

- MSCI ESG Leaders indexes

- MSCI Japan ESG Select Leaders Index

- MSCI Japan Empowering Women Index (WIN)

- 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large Enterprise Category)

- Digital Transformation (DX) Stock Composite 2021 Selected by the Ministry of the Economy, Trade and Industry and the Tokyo Stock Exchange in Digital Transformation (DX) Stock Composite 2021

- CDP

- CDP 2021 Supplier Engagement Leader

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.

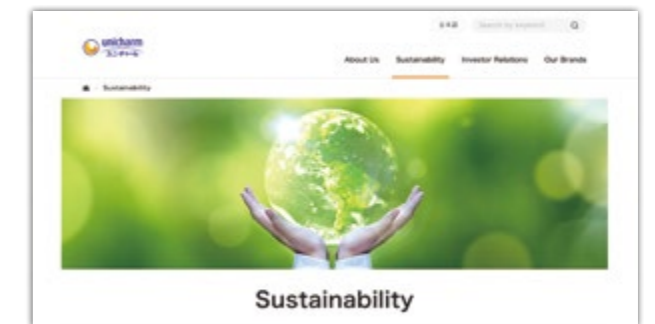
Information Disclosure



Investor Relations

In addition to featuring the latest investor relations (IR) documents, such as presentation materials for investors and information on matters discussed during and outcomes of the annual General Meeting of Shareholders, the IR Section of our website introduces the Unicharm Group's business results, IR-related news, and other matters.

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



Sustainability

The Sustainability Section of Unicharm's website discloses detailed information on the Company's approach to ESG-related issues as well as its system, achievements, and other information on these matters.

<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 Standard 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>

Climate Change (Disclosure Based on the TCFD Recommendations)

https://www.unicharm.co.jp/content/dam/sites/www_unicharm_co_jp/pdf/csr-eco/report/en-ucsus2022_08-02.pdf

