

01

Unicharm's *Vision*

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

Message from the President & CEO



Takahisa Takahara
President & CEO

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

Unicharm's Vision for a Cohesive Society

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

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

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

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

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

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

Becoming the Best Company in the World by 2030

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

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

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

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

"NOLA & DOLA" [▶ Pages 8-9](#)

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

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

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

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

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

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

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

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

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

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

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

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

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

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



Message from the President & CEO

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

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

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

Kyo-sei Life Vision 2030 ▶ Pages 28–31

Consolidated business performance for fiscal 2022 ▶ Pages 34–35

Performance by region ▶ Pages 50–60

Specific results of the 11th Medium-Term Management Plan

▶ Pages 36–45

Instilling Management with Resonance

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

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

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

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

Developing Human Resources Through Management with Resonance

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

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

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

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

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

Developing Resonant Personnel ▶ Pages 22–26

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

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

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

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

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

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

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

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

Takahisa Takahara

President & CEO

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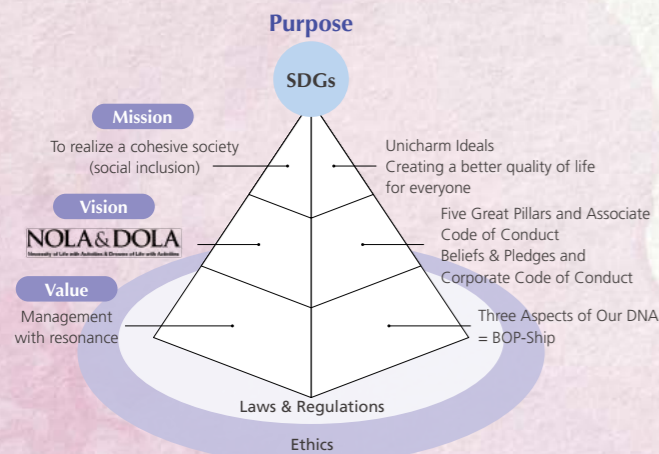
The Unicharm Way

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

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

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

Formulation of The Unicharm Way



Purpose
The reason for our existence
↓
Contributing to the achievement of the SDGs

Mission

What we seek to accomplish

To Realize a Cohesive Society (Social Inclusion)

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

Unicharm Ideals

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

(Established in 1974)

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

Vision

How we aim to accomplish our mission

Implementing "NOLA & DOLA"

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

NOLA

Necessity of Life with Activities

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

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

DOLA

Dreams of Life with Activities

Contributing to fulfilling the dreams of each and every person

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

Five Great Pillars and Associate Code of Conduct

Creativity and innovation

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

Ownership

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

Challenge

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

Leadership

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

Fair business practice

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

(Established in 1999)

Beliefs & Pledges and Corporate Code of Conduct

Pledge to our customers

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

Pledge to our shareholders

We pledge to distribute industry-leading returns to shareholders.

Pledge to our business partners

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

Pledge to our employees

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

Pledge to society

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

(Established in 1999)

Value

Our underlying aspiration

Promoting Management with Resonance

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

BOP-Ship and the Three Aspects of Our DNA

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

BOP-Ship

Best Practice-Ship

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

Ownership

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

Partnership

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

Three Aspects of Our DNA

Create value through personal transformation

Changing yourself and achieving personal growth to create new value

Find reason within ourselves

Growing through learning from failures

Maintain our No. 1 position through continued and dedicated services

Always providing our customers with the highest satisfaction

The Future We Envision

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

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

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

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

This is the kindness we have always valued.

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

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

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

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

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

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

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

