

04

Strengthening Our Foundations for Growth

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Environmental Initiatives

Our Basic Approach and Strategy

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

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

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

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

Unicharm Group Basic Environmental Policy

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

Basic Environmental Policy	Guidelines
<p>1. Development of Environmentally Friendly Products and Services We design and provide consumers with products and services that reduce environmental impact (energy and resource conservation and waste reduction) to the extent possible at each stage of the supply chain, including concept planning, raw materials procurement, manufacturing and processing, distribution and sales, product use, and disposal and recycling.</p>	<p>1. Development of Environmentally Friendly Products and Services</p> <ul style="list-style-type: none"> We strive to procure and use raw materials that are attuned to local production for local consumption. We will reduce the use of petroleum-derived plastic in our raw materials. We will establish recycling systems for used products and introduce this system in an increasing number of countries and regions.
<p>2. Response to Climate Change With the aim of realizing a zero-carbon society, we work to prevent global warming by visualizing, accurately assessing, and reducing the amount of greenhouse gases along the value chain.</p>	<p>2. Response to Climate Change</p> <ul style="list-style-type: none"> We will accurately assess the amount of greenhouse gas emissions along the value chain, develop a plan to reduce them, and steadily put this plan into action. We will make active use of renewable electricity.
<p>3. Reduction of Waste and Use of Energy and Resources In order to protect the global environment, we strive to develop technologies that are conducive to reducing waste and the use of energy and resources at the product development and design stages. We also make every effort to use resources and energy efficiently, reduce waste and emissions, and recycle in all of our activities along the value chain.</p>	<p>3. Reduction of Waste and Use of Energy and Resources</p> <ul style="list-style-type: none"> We will make effective use of energy and raw materials. We will strive to use fewer resources in our products (including packaging) and promote recycling. We will reduce waste from all activities along the value chain.
<p>4. Commitment to Local Communities and to Protecting the Natural Environment When using forest and water resources in our activities along the value chain, we pay due consideration to biodiversity, strive to protect local communities and ecosystems, actively work to prevent wastewater and other forms of pollution, and act responsibly to ensure that we do not adversely impact these communities and the natural environment. If we realize that our business activities are having a negative impact on the environment, we will take corrective measures right away with the utmost priority.</p>	<p>4. Commitment to Local Communities and to Protecting the Natural Environment</p> <ul style="list-style-type: none"> We strive to protect biodiversity and promote the development, use, and dissemination of technologies that contribute to sustainable use. We contribute to the protection and sustainable use of biodiversity at all stages of the value chain. We strive to use certified lumber and establish traceability to ensure that we do not contribute to forest destruction. We strive to monitor water risk and take appropriate measures when carrying out business activities in countries and regions with high water risk. We address water-related issues by making efficient use of water and preventing wastewater pollution.
<p>5. Compliance with Laws and Regulations We will comply with relevant laws, regulations, and ordinances at all stages of the product life cycle, from the procurement of raw materials to the disposal of used products, while establishing voluntary standards of conduct and striving to protect the global environment.</p>	<p>5. Compliance with Laws and Regulations</p> <ul style="list-style-type: none"> We comply with environmental laws, regulations, and ordinances that pertain to the Company. We establish and comply with voluntary standards as necessary. We assess compliance with laws, regulations, ordinances, and voluntary standards regularly and take corrective action in the event that compliance is inadequate.
<p>6. Strengthening of Communication with Society We will contribute to the realization of a sustainable society by continuing to develop partnerships with suppliers and our various other stakeholders and becoming a company trusted by society.</p>	<p>6. Strengthening of Communication with Society We will promote activities to protect the Earth's ecosystem together with suppliers, customers, local communities, external organizations, specialists, and all other stakeholders by engaging in sincere dialogue.</p>

Management Structure

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

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

Environmental Targets 2030

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

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

Environmental Targets 2030

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

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

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

*3 Programme for the Endorsement of Forest Certification

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

*5 Roundtable on Sustainable Palm Oil

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

2022 Results

Responding to the problem of plastic waste

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

Plastic Waste Reduction Measures
[▶ Sustainability Report 2023 Page 041](#)

Responding to climate change

- Reducing CO₂ emissions associated with raw materials procurement: We reduced the amount of CO₂ emissions from our procurement of raw materials by 12.6% (in Japan, per unit of sales), compared with 2016 standards, by promoting the development of lighter, slimmer products and thinner packaging.
- Reducing CO₂ emissions in manufacturing: We achieved our 2030 targets ahead of schedule by reducing CO₂ emissions by 35.2%

compared with 2016 standards by switching to renewable power sources.

- Reducing CO₂ emissions associated with disposal of used products: We reduced the amount of CO₂ emissions from the disposal of used products by 11.6% (in Japan, per unit of sales), compared with 2016 standards, by promoting the development of lighter, slimmer products and thinner packaging, in the same manner as our raw materials procurement activities.

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

Helping prevent deforestation (response to procurement-related issues)

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

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

Environmental Initiatives

Climate Change (Disclosure Based on the TCFD Recommendations)

Governance

The president & CEO is responsible for evaluating risks and opportunities related to climate change and for setting and enforcing 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 environmental, social and governance (ESG)-related issues and forms the agenda for the ESG Committee meetings.

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

Strategy

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

Scenarios and Planning

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

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

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

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



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

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

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

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

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

Risk Management

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

*2 Intergovernmental Panel on Climate Change

*3 International Energy Agency

Benchmarks and Targets

To develop a specific action plan for mitigating climate change, Unicharm endorsed the international initiative SBTi in May 2017 and formulated a CO₂ reduction plan up to 2045 by conducting simulations. In June 2018, Unicharm became the 17th company in Japan to have its reduction plan certified for consistency with the 2°C target. Working toward these targets, we have set specific long-term CO₂ reduction targets for both Scope 1 (direct emissions: from our own factories, offices, vehicles, etc.) and Scope 2 (indirect energy-related emissions: energy consumed by Unicharm, such as electricity). Furthermore, we are looking to adopt the 1.5°C target announced at COP26 in place of the current 2°C target.



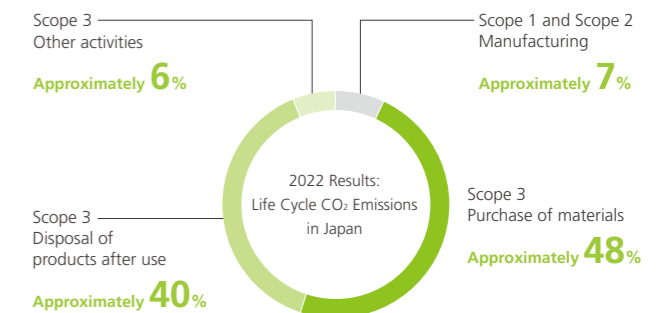
SBTi CO₂ Emissions Reduction Targets

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

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

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

Unicharm has established a medium- to long-term vision and targets for climate change in its 2050 Vision and Environmental Targets 2030. "Reducing CO₂ emissions associated with raw materials procurement" (Scope 3, Category 1*⁶), "reducing CO₂ emissions in manufacturing" (Scope 1 and Scope 2), and "reducing CO₂ emissions associated with disposal of used products" (Scope 3, Category 12*⁶), which account for a large proportion of CO₂ emissions over the product life cycle, have been set as our targets for climate change response. For Scope 1 and Scope 2, we run energy conservation activities for the workplace with promoters of environmental activities at each site four times a year and implement and monitor the progress of annual plans. For CO₂ emissions from purchased materials that form the bulk of our Scope 3 emissions, we perform life cycle assessments*⁷ (LCAs) 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.



*4 Direct emissions from Unicharm's factories, offices, vehicles, etc.

*5 Indirect emissions from the use of electricity and other energy sources by Unicharm

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

*7 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

Policy and Framework

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

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

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

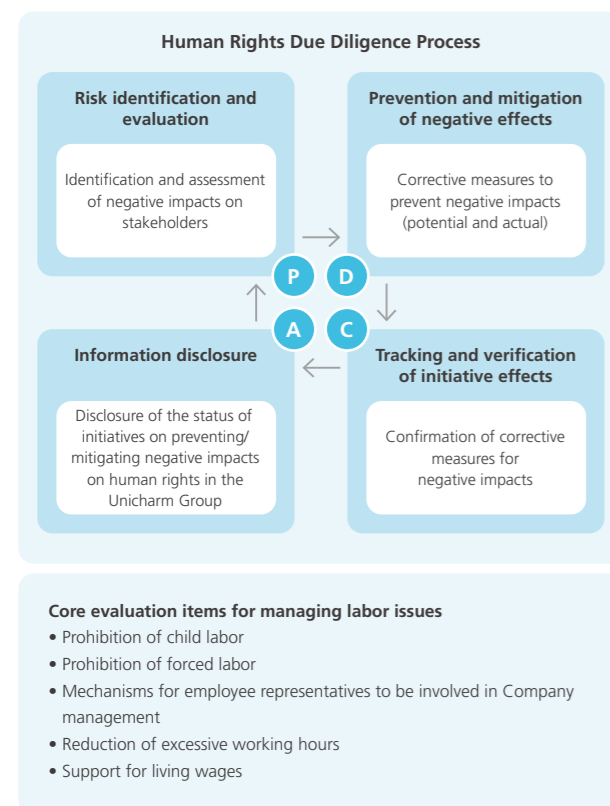
Since it is necessary to have a variety of departments involved in human rights, the Global Human Resources & Administration Division and the ESG Division take the lead, under the direction of the general manager of the Global Human Resources & Administration Division who is the executive-level officer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

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

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

Human Rights Due Diligence Process

Unicharm Group Policy on Human Rights



Assessing Human Rights Risks

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

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

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

Supply Chain Management

Policy and Framework

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

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

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

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

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

Key Initiatives

Medium- to Long-Term Policy Briefing Session for Suppliers

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

Supplier Monitoring

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

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

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

Supplier Audits: No. of Audits and Evaluations
[▶ Sustainability Report 2023 Page 105](#)

Country of Origin Traceability

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

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

Non-Financial Highlights > Traceability to Place of Origin [▶ Page 17](#)

Social Initiatives

Quality

Policy and Framework

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

Policy on Animal Testing

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

Policy on Management of Chemical Substances

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

Key Initiatives

Quality Management Initiatives in Manufacturing

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

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

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

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

Quality Management System

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

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

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

Measures to Ensure Appropriate Product Labeling

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

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

Community

Policy and Framework

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

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

Key Initiatives

Health **Pink Ribbon Activities**

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

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

Regional Contributions **Supporting the Financial Independence of Women (India)**

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

Policy on Social Contribution Activities

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

Key Areas of Social Contribution Activities

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

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



Shops established by female entrepreneurs

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

Support for Disaster-Affected Areas **Matching Fund**

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

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

Major Social Contribution Activities in Fiscal 2022
[▶ Sustainability Report 2023 Page 109](#)

Corporate Governance Initiatives

Corporate Governance

Our Basic Approach and Strategy

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

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

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

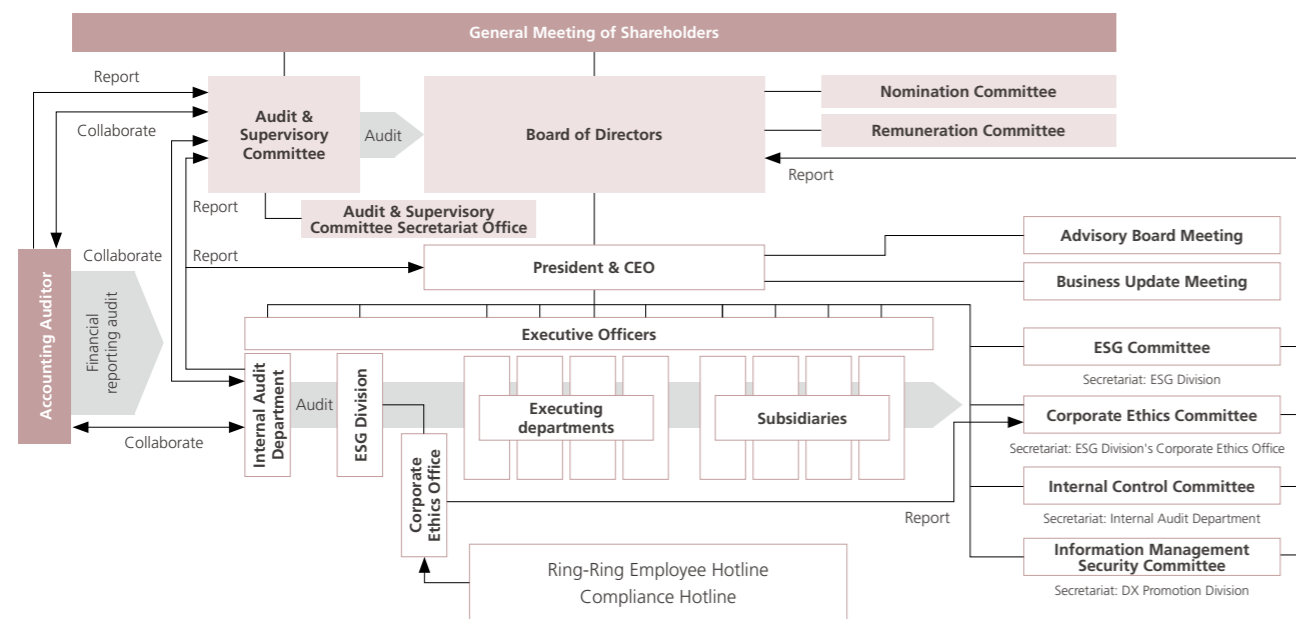
Management Structure

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

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

Corporate Governance Structure

(As of March 24, 2023)



Board of Directors and Committees

Board of Directors	The Board of Directors comprises one representative director, two executive directors, one non-executive director other than outside directors, and two outside directors. It has the authority to determine basic management policies, decide on the establishment of the internal control system, and execute other important duties. It also fulfills a supervisory role in monitoring the formulation and execution of the medium- to long-term direction, ensuring an environment that enables management to make appropriate decisions without missing out on opportunities.
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 those of the Board of Directors and close collaboration with the internal auditing departments.
Nomination Committee	The Nomination Committee is a discretionary body established for the purpose of nominating director candidates and ensuring the transparency and objectivity of the selection of executive officers. The Nomination Committee has the authority to (1) propose ideas on the appointment and dismissal of directors to submit to the general meeting of shareholders, (2) select and dismiss the representative director, and (3) discuss proposals on the selection and dismissal of executive officers as well as executive officers with line responsibility.
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. It is attended by all directors with the exception of outside directors, executive officers, and the leaders of relevant business units. Outside directors also attend the meeting as necessary. The meeting convenes to deliberate on how to achieve the strategies in the medium-term management plan as well as the business plans and strategies of Group companies.
Business Update Meeting	The Business Update Meeting is attended by all directors with the exception of outside directors, executive officers and the leaders of relevant business units. The president & CEO chairs this meeting. In principle, the meeting convenes monthly to provide reports on the execution of operations, and discussions are held on material issues in terms of business execution selected by the chair for prompt resolution.
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 the 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 Management Security Committee	The Information Management Security Committee is chaired by the executive officer in charge of the DX Promotion Division, which serves as its secretariat. The committee functions as a system for ensuring information security.
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 and the Appointment and Dismissal of Executive Officers

Policies

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

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

Procedures

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

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

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

Resolution Requirements for the Appointment of Directors

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

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

Avoiding Conflicts of Interest

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

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

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

(As of March 24, 2023)

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

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

Outside Outside director Independent Independent director

*1 Attendance at meetings in fiscal 2022

*2 Appointed on March 25, 2022

*3 Appointed on March 24, 2023

*4 The environment and quality

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

Corporate Governance Initiatives

Selection Standards for Independent Directors

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



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

Support System for Outside Directors

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

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

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

Audit Status of the Audit & Supervisory Committee

Organization and Personnel

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

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

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

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

Activity Status of the Audit & Supervisory Committee

Meeting frequency:

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

Main meeting agenda:

The following resolutions and reports were made in fiscal 2022.

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

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

Attendance of Audit & Supervisory Committee members:

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

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

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

Evaluation of the Effectiveness of the Board of Directors

Analysis and Evaluation Process

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

Analysis and Evaluation Results

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

Evaluating Audit & Supervisory Committee Effectiveness

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

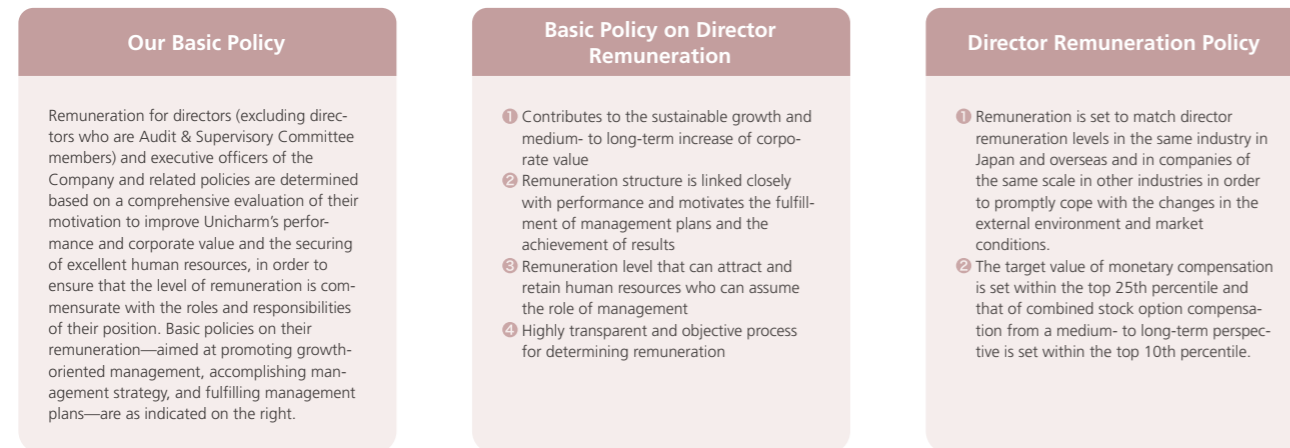
(as needed). In addition to the above, outside Audit & Supervisory Committee members receive reports on various issues obtained from audit reports prepared by the full-time Audit & Supervisory Committee member, exchange opinions and information, attend important meetings other than Board meetings, and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

Corporate Governance Initiatives

Director Remuneration

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

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



Overview of the Policy for Decisions on Individual Remuneration of Directors

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

Overview of Director Remuneration System

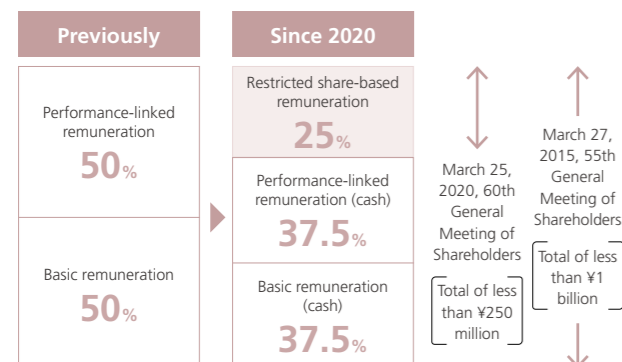
Remuneration for directors (excluding directors who are Audit & Supervisory Committee members) and executive directors consists of basic remuneration (cash) and performance-linked remuneration. Performance-linked remuneration consists of monetary compensation as a short-term incentive and restricted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

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

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

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

Composition of Remuneration



Basic remuneration (cash):

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

Performance-linked remuneration (cash):

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

Restricted share-based remuneration:

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

Evaluation Criteria for and Basic Policy on Executive

Remuneration and Fiscal 2022 Remuneration Targets and Results

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

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

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

Overview of key assessment indicators

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

Corporate Governance Initiatives

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

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

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

Method for Determining Individual Remuneration of Directors

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

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

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

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

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

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

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

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

Notes:

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

Development of an Internal Control System

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

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

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

Policy on Cross-Shareholdings

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

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

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

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

Corporate Governance Initiatives

Directors and Executive Officers

Directors (As of March 24, 2023)

**Takahisa Takahara**

President & CEO

Career Summary

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

Reasons for Appointment

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

**Hiroaki Sugita**Director, Audit & Supervisory
Committee Member (Outside Director)

Career Summary

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

Reasons for Appointment

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

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

Career Summary

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

Reasons for Appointment

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

**Noriko Rzonca**Director, Audit & Supervisory
Committee Member (Outside Director)

Career Summary

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

Reasons for Appointment

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

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

Career Summary

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

Reasons for Appointment

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

**Shigeru Asada**Director, Audit & Supervisory
Committee Member (full time)

Career Summary

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

Reasons for Appointment

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

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

President & CEO	Takahisa Takahara
Senior Managing Executive Officer	Kenji Takaku
Senior Managing Executive Officer	Tetsuya Shite
Senior Managing Executive Officer	Tadashi Nakai
Managing Executive Officer	Hirotsu Shimada

Managing Executive Officer	Tsutomu Watanabe
Senior Executive Officer	Tetsuo Ukai
Senior Executive Officer	Satoru Kiuchi
Senior Executive Officer	Chikara Oka
Senior Executive Officer	Shinobu Seki

Senior Executive Officer	Masanori Murakami
Senior Executive Officer	Takeshi Oda
Senior Executive Officer	Tsutomu Kido
Senior Executive Officer	Yuji Ishii
Executive Officer	Hiroe Inaba

Executive Officer	Takumi Terakawa
Executive Officer	Takahiro Okada
Executive Officer	Kouichi Naoe
Executive Officer	Masahiro Kashiwagi
Executive Officer	Toru Fujita

Executive Officer	Shigeto Yamanaka
Executive Officer	Eijun Sato
Executive Officer	Masanori Yano
Executive Officer	Kenji Ueda
Executive Officer	Daisuke Iguchi

Executive Officer	Yoshinori Tanaka
Executive Officer	Hideo Kato
Executive Officer	Toru Morita

Corporate Governance Initiatives

Messages from Outside Directors



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

Hiroaki Sugita

Outside Director and Audit & Supervisory Committee Member

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

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

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

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

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

Noriko Rzonca

Outside Director and Audit & Supervisory Committee Member

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

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

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

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

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

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



Compliance

Strategy and Management Structure

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

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

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

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

Compliance Promotion Structure



Key Initiatives

Whistleblowing System


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

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

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

Anti-Corruption Measures

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

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

Unicharm Group Sustainable Procurement Guidelines
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Corporate Governance Initiatives

Risk Management

Strategy and Management Structure

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

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

Response to Business Risks

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

Business Continuity Plan

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

Rigorous Information Security

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

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

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

Basic Policy

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

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

Serious Crises and Framework in Response to the Occurrence of a Crisis

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

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

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

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

The 12 Business Risks That Could Impact the Company

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

Corporate Governance Initiatives

Risks	Details of Risks and Impacts on the Company	The Company's Main Response
Climate change	<p>The severity of impact caused by climate change continues to increase every year. The Paris Agreement represents an agreement to rein in increases in the worldwide average temperature, and, at the 26th Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26) held in November 2021, 1.5°C was set as the target for limiting global warming. The Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Services Board (FSB), has issued recommendations encouraging companies to disclose climate-related financial information. The need for information disclosure in Japan continues to increase as the shift to the Prime Market of the Tokyo Stock Exchange will call for disclosures that are in line with the recommendations of the TCFD.</p> <p>If mitigation of and adaptive measures for climate change such as reining in worldwide average temperature increases are not taken, we foresee such impacts as soaring prices of forest-derived raw materials, one of the main raw materials used in the Company's products, and major fluctuations in energy prices while significant consequences may be in store for Asia, a priority region for Unicharm. In addition, should the Company's initiatives to reduce 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 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 the procurement of raw materials to development, manufacturing, distribution, sales, and disposal after use, based not only on compliance with relevant laws and regulations but also our own in-house strict standards. If a complaint is made regarding one of its products, the Company has a system in place to swiftly identify the cause and address the matter to prevent a decline in the product's reliability, regardless of how big or small the complaint may be.</p>
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 are subject to formal sanctions for making unreasonable demands during a transaction or engaging in bribery to facilitate or expedite official procedures, the Company's performance or social trust could be impacted.</p>	<p>The Unicharm Group Charter of Actions contains the laws and regulations pertaining to the actions that should be taken into consideration by employees to fulfill the Company's pledge to all stakeholders as a way to improve awareness of compliance including the prevention of misconduct. The Company also conducts monitoring every year using an employee survey. An array of initiatives are also being carried out with the purpose of raising awareness about legal compliance and preventing the occurrence of compliance violations. These include training programs for new employees and employees assigned to work overseas based on a curriculum that covers compliance themes, compliance workshops tailored to directors and executive officers, and e-learning programs aimed at all employees featuring seminars on compliance-related topics. In this manner, the Company thoroughly promotes compliance with laws and regulations.</p>
Intellectual property including patents and 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 its BCP. Following a fire at a Company factory in India in June 2020, the BCP functioned to swiftly establish a supply system not only from other factories in India but also from factories in other countries, making it possible to minimize any downturn in sales due to the fire. The Company could, however, experience problems in sustaining manufacturing, securing raw materials, and providing a stable supply of products due to the occurrence of a disaster or accident that exceeds its predictions.</p>	<p>The BCP comprises the following: (1) basic requirements, (2) ensuring and confirming the safety of employees and their families, (3) specific measures for sustaining operations, (4) important matters to address together with business continuity, and (5) measures required to implement the BCP.</p> <p>Training exercises for (5) include evacuation drills using the example of an emergency situation based on various scenarios and are conducted regularly. In addition, in Japan, the Kyushu Factory was constructed and put into operation in 2019 in order to disperse risk and to be used as a substitute base.</p>
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>