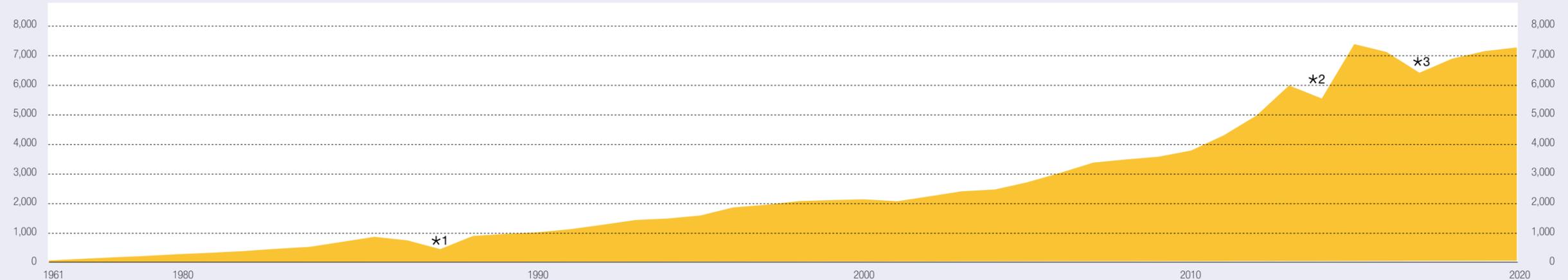


# Unicharm's Growth Story

Unicharm began operations in 1961 by manufacturing and selling “wood wool cement boards,” which are a type of building material. We subsequently began the manufacture and sale of sanitary napkins in 1963. Since then, we have developed a number of original technologies and products, and have continued to lead the industry as a pioneer in sanitary napkins. In the 1980s, we worked on diversifying our business operations and expanded into early childhood education, wedding services, resorts, and other areas.

The partner animal (pet) business we launched during this period has sustained our growth to this day. Since the 2000s, we have reorganized our business portfolio and sold several businesses, including our original building materials business. We are currently utilizing the processing and molding technology for nonwoven fabrics and absorbent materials that we cultivated in the field of sanitary napkins to expand into fields such as baby care products, healthcare products, and household products. Through these efforts, we have extended our range of activity as a company that supports the lives of those involved in childcare, nursing care, and housework. In anticipation of Japan's maturing market, we have been aggressively promoting globalization since the 1980s, and we are presently expanding our business in about 80 countries and regions around the world.

Long-term sales trends (¥ billion)

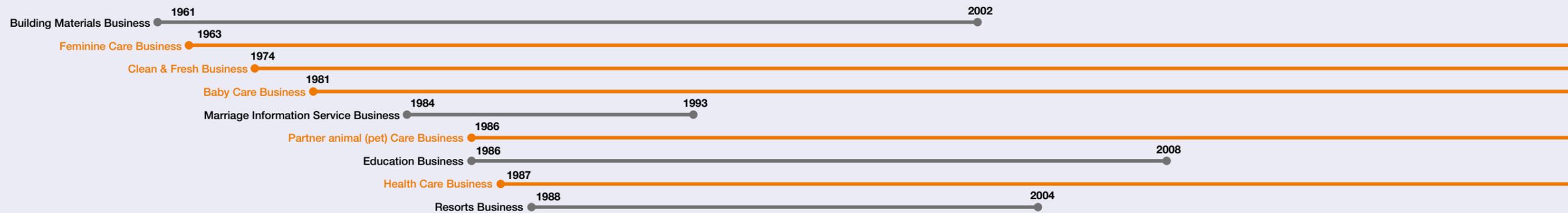


\*1 The fiscal period ended March 1988 was a six-month transitional period due to a change in fiscal year-end.

\*2 The fiscal period ended December 2014 was a nine-month transitional period due to a change in fiscal year-end.

\*3 Unicharm adopted International Financial Reporting Standards (IFRS) from fiscal year 2017, ended December 31, 2017.

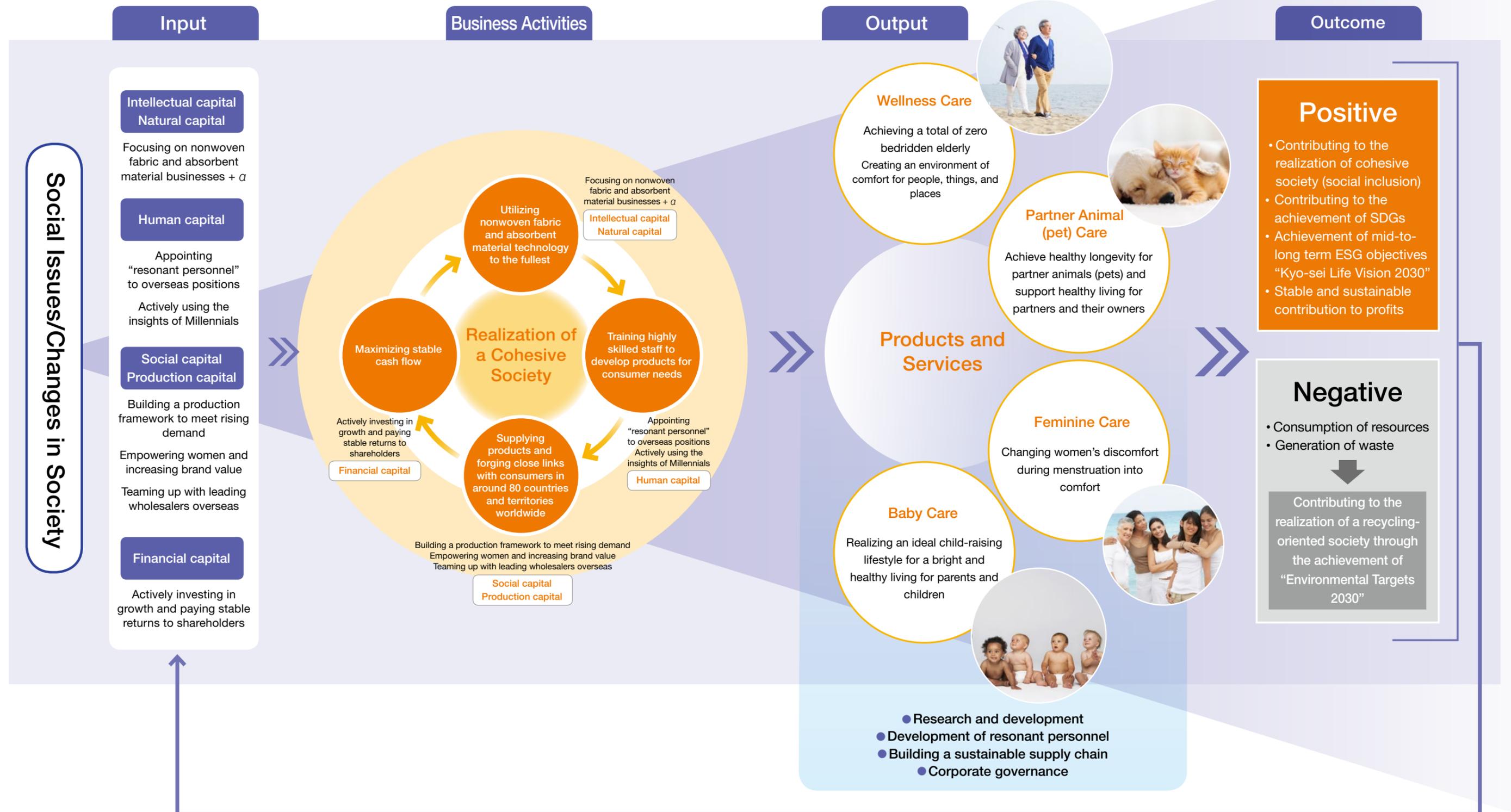
1960 to Early 1980s	Late 1980s to 1990s	2000s	2010s
<p><b>Started as building materials firm, diversified its operations</b></p> <p>Unicharm was founded as a building materials company and then diversified into nonwoven fabric products, laying the foundations for future growth.</p>	<p><b>Moved into overseas markets, reinforced presence in Asia</b></p> <p>Anticipating Japan's declining population and maturing market, Unicharm began developing its global business, focusing on the promising growth markets of Asia.</p> <p><b>Overseas expansion</b></p> <ul style="list-style-type: none"> <li>1984 Established a joint venture in Taiwan-Greater China</li> <li>1987 Established a joint venture in Thailand</li> <li>1993 Established a joint venture in the Netherlands</li> <li>Formed technology alliance for tape-type diapers in Saudi Arabia</li> <li>1994 Established a joint venture in South Korea</li> <li>1995 Established a joint venture in China (Shanghai)</li> <li>1997 Established a 100% subsidiary in Malaysia</li> <li>Established a joint venture in Indonesia</li> </ul>	<p><b>Tightened business focus, rebuilt foundations for growth</b></p> <p>Unicharm channeled business resources into nonwoven fabric and absorbent material products and rebuilt its foundations for growth, while also accelerating business expansion in Asia.</p> <p><b>Overseas expansion</b></p> <ul style="list-style-type: none"> <li>2002 Established a joint venture in the Philippines</li> <li>2005 Gulf Hygienic Industries of Saudi Arabia was made a subsidiary</li> <li>2006 Established a 100% subsidiary in Vietnam</li> <li>Established a joint venture in South Korea</li> <li>2008 Acquired Australian Pacific Paper Products and made it a wholly owned subsidiary</li> <li>Established a wholly owned subsidiary in India</li> <li>Wholly owned subsidiary established in Russia by joint venture Unicharm Mölnlycke Rus LLC</li> <li>2009 Wholly owned subsidiary established in U.S. by joint venture Unicharm Mölnlycke Rus LLC</li> </ul>	<p><b>Stepping up growth through further globalization</b></p> <p>Unicharm is accelerating growth, driven by dramatic expansion in the Asia market. It is also moving into Africa and South America.</p> <p><b>Overseas expansion</b></p> <ul style="list-style-type: none"> <li>2010 Established a consolidated subsidiary in Egypt</li> <li>2011 Acquired Sumitomo Corporation's 51% stake in U.S. pet-care products supplier, The Hartz Mountain Corporation</li> <li>Acquired Diana Joint Stock Company, a manufacturer and supplier of hygiene products in Vietnam</li> <li>2013 Acquired Myanmar Care Products Limited, a manufacturer and supplier of hygiene products in Myanmar</li> <li>2014 Established a joint venture in Brazil</li> <li>2018 Acquired DSG (Cayman) Limited, which has business sites in Thailand, Malaysia, Indonesia and Singapore</li> </ul>



# Unicharm's Value Creation Model

-Aiming to Contribute to the Realization of Cohesive Society (Social Inclusion)-

The products and services offered by Unicharm are all essential to a hygienic and healthy life. Through business activities such as these that are closely intertwined with society, Unicharm aims to address environmental and social issues and contribute to the realization of cohesive society (social inclusion).

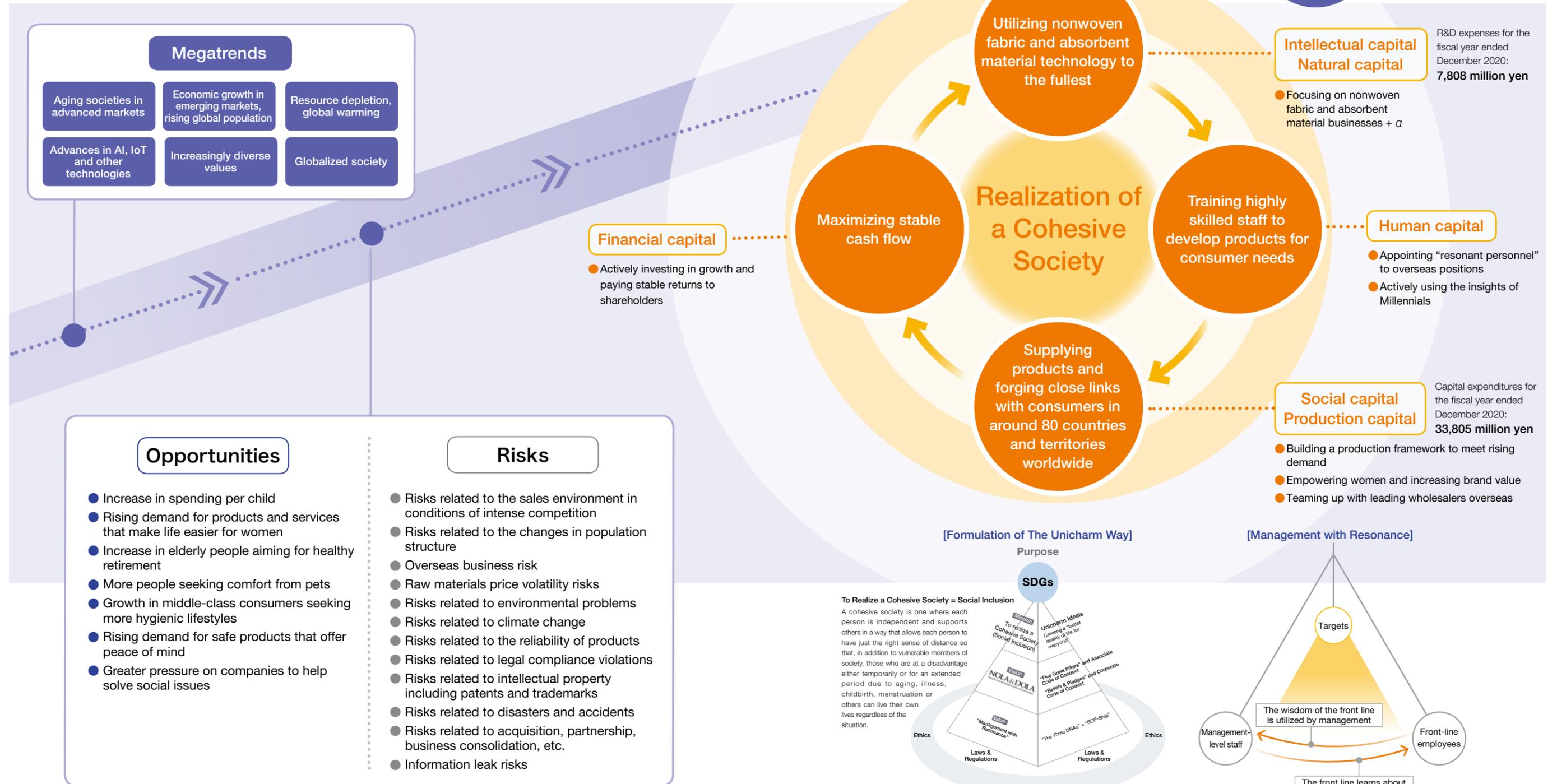


# Unicharm's Business Model

Overwhelming differentiation through nonwoven fabrics, absorbent material processing technology, and “resonant personnel”

Unicharm will focus on its nonwoven fabric and absorbent material processing technology, as well as the development of “resonant personnel” who proactively identify issues and formulate and execute strategies amidst the ever-changing environment that has become the new normal. In doing so, we will secure a high degree of competitiveness and profitability by investing management resources in growth markets and businesses. By reinvesting the cash generated through these activities in new growth markets and businesses, we will create a virtuous cycle and enable sustainable growth and high profits.

Achieving Our Mid-to-Long term Targets (Financial and ESG)



▶ See the “Business risks and other risks” of page 89

# Strengths that Support Unicharm's Sustained Growth

## Unicharm's Corporate Culture Inherited from Its Founding From "Three Types of DNA" to "BOP-ship"

Unicharm, which has maintained sustainable growth, has nurtured a corporate culture and spirit called the "Three Types of DNA" that has been passed down ever since its founding. In recent years, our business activities have spread from Japan to the rest of Asia, as well as to the Middle East, Europe, and the United States. Because the number of employees born overseas is increasing, we have begun rephrasing the "Three Types of DNA" as "BOP-ship" to make it easier for overseas employees to understand. The "Three Types of DNA" and "BOP-ship" are corporate values that support the basis of our activities, and are common values that each and every employee, including top management.



◆ **Best Practice-ship (Changing values)**

This refers to frantically accumulating best practices, abandoning your past preferences, constantly making updates, and incorporating the best practices at the time with an emphasis on speed.

◆ **Ownership (Find reason within ourselves)**

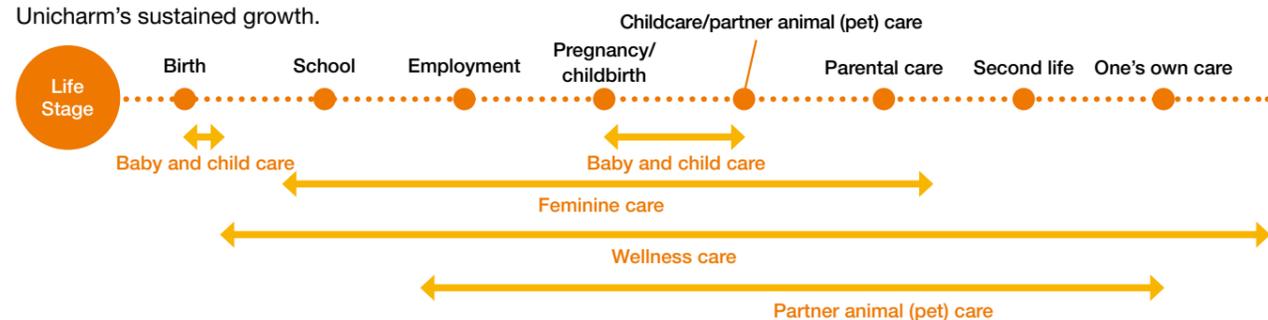
This refers to thinking of everything as your own responsibility and thinking and acting independently as if you are paranoid to overcome difficulties.

◆ **Partnership (Maintain our No. 1 position)**

Partnership entails always respecting collaboration with one's peers in an altruistic manner. Collaboration creates communication that transcends internal and external boundaries, and further cultivation of this dynamic leads to innovation.

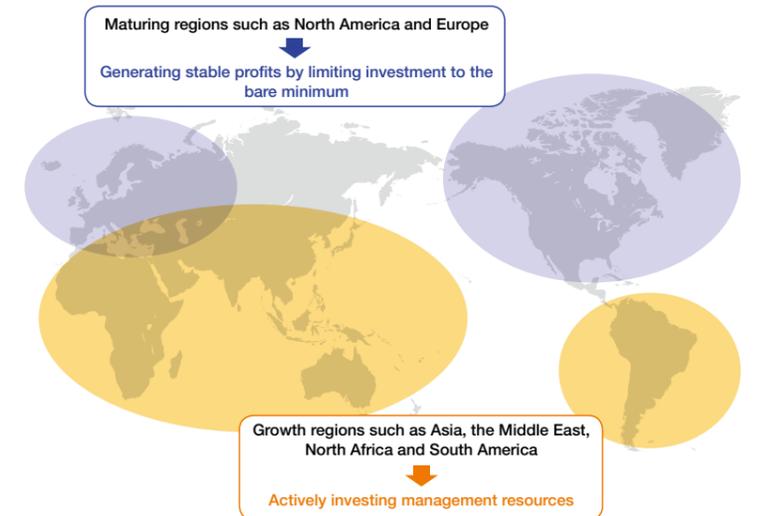
## Supplying indispensable products to a wide range of customers in many regions worldwide

Unicharm aims to address social issues by providing new value through the addition of various services to high value-added products that utilize our nonwoven fabric and absorbent material processing and molding technology. To do this, we channel management resources into our nonwoven fabric and absorbent material businesses, allowing us to launch products that accurately meet customer needs ahead of rivals, thanks to our position as a specialist manufacturer. Backed by powerful technical capabilities, we supply a balanced range of products for partner animal (pet) owners and people of all ages – from babies to the elderly – limiting our exposure to demographic changes and supporting Unicharm's sustained growth.



## A presence in roughly 80 countries and regions worldwide

Unicharm has expanded its business globally and now has a presence in around 80 countries and regions worldwide. We divide our markets into two main types based on the business model we use: direct market participation and technical support. We are investing heavily in regions with the potential for long-term growth, such as Asia, the Middle East, North Africa and South America. In those regions, we are setting up our own manufacturing and sales operations and transferring management authority to local subsidiaries, giving us the ability to respond rapidly to changes in local consumer needs. By contrast, in the large but maturing markets of North America and Europe, we are generating stable earnings by minimizing our investment outlay through technology licensing agreements with local partners. In addition, we are rapidly expanding our sales areas overseas by building strong networks with leading wholesalers in local markets and promoting early uptake of our products.



## Evolution of our "winning patterns"

The popularity of Unicharm products in many consumer markets around the world reflects our efforts to develop products tailored to the cultures and living environments of each country and region, backed by detailed research into local lifestyles and consumption habits. At the same time, we have been working to distribute our products to as many retailers as possible and communicating the value of our product range to the fullest by working with retailers to create shopper-focused sales areas using digital technology.

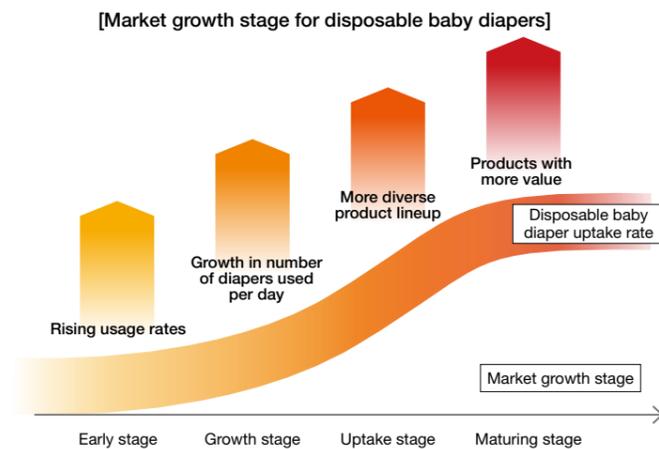
To remain competitive amid rapid advances in IT and globalization, we have to think and act faster. Using a dynamic cycle of trial and error, we will adjust our "winning patterns" to match changes in the operating environment and transfer them to overseas markets.



# Strengths that Support Unicharm's Sustained Growth

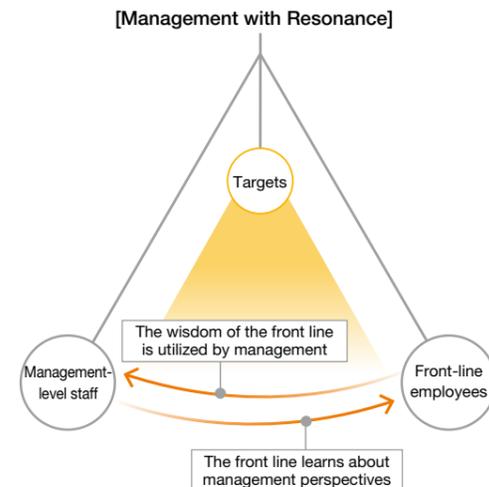
## Implementing strategies for each phase of market growth

Unicharm implements clear strategies tailored to each stage of market growth: early stage, growth stage, uptake stage and mature stage. Based on careful analysis of these growth phases, we work to boost market uptake and maximize profits by launching the right products at the right time in each market. There is a close correlation between market uptake rates for nonwoven fabric and absorbent material products and per capita GDP in each country. Our research shows that uptake rates for feminine care products and disposable baby diapers jump sharply when per capita GDP exceeds \$3,000. When per capita GDP rises to a high level, uptake for feminine care products and disposable baby diapers reaches a ceiling, but market uptake increases for disposable adult diapers and partner animal (pet) care products. Demand for feminine care products and disposable baby diapers is currently growing across many emerging markets in Asia, Africa and South America. Going forward, we also anticipate rising demand for disposable adult diapers and partner animal (pet) care products in Asia, as well as in advanced markets. In addition, in countries and regions where there is poor understanding about menstruation and a lack of social infrastructure, we are working with governments and local NGOs to help women play a greater role in society. Those efforts also help to increase recognition of the Unicharm name overseas and improve our brand image.



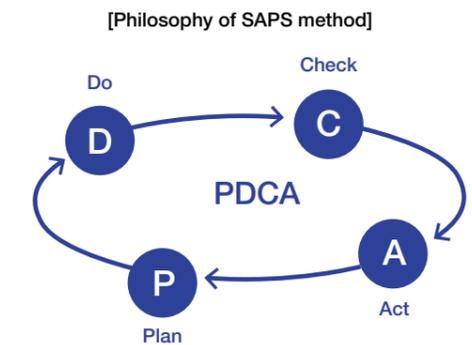
## Implementing our strategies using “Management with Resonance” – close cooperation between management and frontline employees

At Unicharm, management uses feedback from frontline operations to develop strategies that are carefully explained to employees, allowing our workforce to gain insights into management’s point of view and act accordingly. This balanced approach to communication significantly improves the capacity of the whole organization, helping management and frontline employees work together towards shared goals. We call this “Management with Resonance,” and it is a major factor behind the Unicharm’s growth. In addition, to ensure that our overseas expansion, which entails the introduction of winning patterns established in Japan in accordance with local culture and needs, has a greater chance of success, we are also nurturing internationally minded “resonant personnel” who have a deep understanding of Unicharm’s DNA, corporate culture and strategies, and actively sending them to positions overseas. Moreover, the number of millennials born between 1982 and 2000 has been increasing, and this generation will become the main consumers in the future. For this reason, we have been hiring employees in their 20s and 30s and reflecting their unique ideas in our management strategy.



## Introducing a new management approach to create an organization that “moves ahead while thinking”

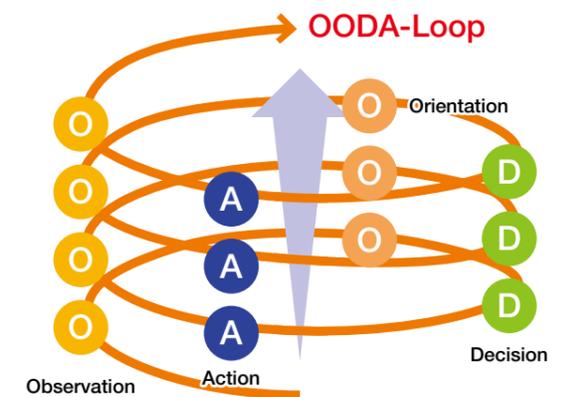
Change has become commonplace in recent years, and we are living in an age where major, unexpected change has become the “new normal.” To generate sustained growth under those conditions, we need an organization capable of radical shifts in direction. Specifically, we have to constantly adjust our approach – identifying signs of change and improvising in response to ongoing developments in the operating environment, without sticking too much to our original plans. To create that kind of organization, we have introduced a new management approach based on the observe-orient-decide-act (OODA) loop method, which is an evolution of our previous SAPS Model that emphasized the plan-do-check-act (PDCA) cycle. Our aim is to create an organization where employees use their initiative to make decisions and take actions themselves, with each frontline employee assessing the situation using first-hand information from the business frontline to understand specific situations, fine-tuning their senses and combining their intuition with business experience and expertise.



Possibility that we are not able to address environmental changes not foreseen initially



[Philosophy of OODA-Loop]



Establish a mechanism where we constantly review “approaches” and make fundamental changes

### “New normal where changes become the norm”

- Observation: Observe situation using the five senses.
- Orientation: Determine the situation using information obtained along with past experiences and knowledge.
- Decision: Make the right decision from the options available.
- Action: Take action promptly. (Repeat loop)