

TRANSLATION FOR REFERENCE PURPOSES ONLY

This notice has been translated from the original Japanese text of the timely disclosure statement dated November 30, 2022 and is for reference purposes only. In the event of any discrepancy between the original Japanese and this translation, the Japanese text shall prevail.



November 30, 2022

To whom it may concern

Listed Company Name: Unicharm Corporation
Company Representative: Takahisa Takahara,
Representative Director
President and Chief Executive Officer
(Code Number: 8113; Prime, Tokyo Stock Exchange)
Contact Person: Hirotatsu Shimada,
Managing Executive Officer,
General Manager of Accounting
Control and Finance Division
Telephone Number: +81-3-3451-5111

Notice Concerning the Capital and Business Alliance with Jiangsu Jijia Pet Products Co., Ltd.

Unicharm Corporation (the “Company”) hereby announces that the Company has decided that the Company’s wholly-owned consolidated subsidiary Unicharm (China) Co., Ltd. and Jiangsu Jijia Pet Products Co., Ltd. (hereinafter “JIA PETS”) will enter into a capital alliance (hereinafter the “Capital Alliance”) and that the Company’s consolidated subsidiary (a subsidiary of a subsidiary) Unicharm Consumer Products (China) Co., Ltd. and JIA PETS will enter into business alliance (hereinafter the “Business Alliance”), and that it has today executed a contract concerning the Business Alliance (hereinafter the “Business Alliance Contract”). The details are as follows.

In terms of the Capital Alliance, Unicharm (China) Co., Ltd. has entered into an investment contract for the purpose of investing in JIA PETS (hereinafter the “Investment Contract”) as well as entered into equity interest transfer contracts (hereinafter the “Equity Interest Transfer Contracts”) with JIA PETS’ existing investors for the purpose of acquiring the equity interest in JIA PETS held by such existing investors through bilateral transactions. As a result, Unicharm (China) Co., Ltd. holds 41.85% equity interest in JIA PETS. Consequently, it is intended that JIA PETS will become a Unicharm Corporation equity method affiliate.

1. Purpose of the Capital and Business Alliance

At present, China’s pet care market including pet food is estimated to be worth about US\$13.0 billion (retail sale base), an enormous market that surpasses Japan and is the second largest market in the world after North America. Even recently, growth has continued at an annual pace of about 15%, and we expect high growth levels to continue.

JIA PETS was founded in 2013 with its current head office located in Xuzhou City, Jiangsu Province, China. It rapidly expanded in China’s pet food market to become one of the largest Chinese pet food companies. The company has a production plant in Suzhou City, Anhui Province and is currently planning to construct a new plant in Xuzhou City, Jiangsu Province to improve quality and expand the products (It is intended that the

funds the Company will invest in JIA PETS under the Capital Alliance will be mainly allocated towards the funding of the construction of said plant). In addition, JIA PETS not only manufactures and sells its own products, but also sells other companies' products on the E-commerce comprehensive flagship store that it operates. It is strong in areas such as operating know-how of E-commerce stores and product development and sales strategies utilizing customer data acquired through sales.

On the other hand, the Company entered the pet care business in 1986, and has subsequently grown to become the No. 1 manufacturer in Japan's pet care market through differentiated product development strength and strong sales capabilities. In particular, it has secured its position as overwhelmingly No. 1 in the market for pet toiletry products such as toilet sheets for pets that utilize non-woven fabric and absorbent material technologies. The Company ranks the Pet Care Business as a core business after the Personal Care Business that handles items such as disposable diapers and feminine sanitary products, etc. In addition, the Company commenced business in Shanghai, China in September 2010 and has steadily explored business opportunities in the Chinese market.

The Company and JIA PETS are aiming for rapid expansion of the Company's and JIA PETS' pet care businesses in the Chinese market, which is the second largest market in the world after North America. This will be achieved through the Capital Alliance and the Business Alliance, by utilizing the swift product development strength that caters to the needs of the Chinese market, the Group's product technology and production control know-how endorsed by Japanese consumers, and JIA PETS' production facilities as well as sales capabilities in E-commerce channels.

2. Details of the Business and Capital Alliance, etc.

(1) Aim

In terms of the Business Alliance, the Company and JIA PETS will undertake a business alliance mainly for (i) joint research and development of pet food products, etc., (ii) the Company to commission JIA PETS to manufacture the Company-brand products at JIA PETS production facilities, and (iii) selling the Company-brand products into the Chinese market utilizing JIA PETS' sales channels.

First, (i) and (ii) will enable the Company to build local development and local production facilities which had been an issue for the Company in the expanding Chinese pet care business. A feature of China's pet care market is that most owners are of the young generation born since the 1990s, and there has been awareness of the need to develop products quickly to capture the preferences of young consumers in order to expand the business. By localizing the development structure and production facilities, we aim to develop products that capture the needs of Chinese consumers at a pace unmatched by other companies.

In addition, in regards to (iii), in light of the net sales ratio for the E-commerce channel in China's pet food market is relatively higher than that in Japan, we aim to expand the share of the Company's products in the Chinese market utilizing the sales capabilities of JIA PETS' E-commerce channels.

(2) Overview of the Capital Alliance

The Company's wholly-owned consolidated subsidiary Unicharm (China) Co., Ltd. acquires a 41.85% equity interest in JIA PETS.

(3) Other

The Company's consolidated subsidiary (a subsidiary of a subsidiary) Unicharm Consumer Products (China) Co., Ltd. intends to second three of JIA PETS' directors.

3. Overview of said companies

(1) Overview of Unicharm (China) Co., Ltd.

(1)	Name	Unicharm (China) Co., Ltd.
(2)	Location	Rooms A-308 and A-309, Building 4, 2801 Caoying Road, Qingpu District, Shanghai

(3)	Job title and name of representative	Takumi Terakawa, Chairman		
(4)	Description of business	Investment, support for investee companies, consulting services for parent company and affiliates, outsourcing services for parent company and affiliates		
(5)	Capital stock	CNY 1,771 million		
(6)	Date of establishment	August 29, 2011		
(7)	Equity interest ratio (As of September 30, 2022)	Unicharm Corporation 100%		
(8)	Relationship between Unicharm (China) Co., Ltd. and Jiangsu Jijia Pet Products Co., Ltd.	Capital relationship	None.	
		Personnel relationship	None.	
		Business relationship	None.	
		Related party relationship	None.	
(9)	Consolidated operating results and consolidated financial positions of said company for the last three years			
	As of / Fiscal year ended	December 31, 2019	December 31, 2020	December 31, 2021
	Consolidated net assets	CNY 6,730 million	CNY 7,424 million	CNY 7,572 million
	Consolidated total assets	CNY 8,612 million	CNY 9,357 million	CNY 9,462 million
	Consolidated net sales	CNY 5,911 million	CNY 6,486 million	CNY 6,833 million
	Consolidated operating profit	CNY 1,054 million	CNY 1,414 million	CNY 1,376 million
	Profit attributable to owners of parent	CNY 595 million	CNY 787 million	CNY 782 million

(2) Overview of Unicharm Consumer Products (China) Co., Ltd.

(1) Name	Unicharm Consumer Products (China) Co., Ltd.		
(2) Location	2801 Caoying Road, Qingpu District, Shanghai		
(3) Job title and name of representative	Takumi Terakawa, Chairman		
(4) Description of business	Research and development, manufacture and sales of products related to baby care, feminine care, wellness care, Kirei care and pet care, etc.		
(5) Capital stock	CNY 917 million		
(6) Date of establishment	November 13, 2001		
(7) Equity interest ratio (As of September 30, 2022)	Unicharm Corporation	75%	
	ITOCHU Corporation	25%	
(8) Relationship between Unicharm Consumer Products (China) Co., Ltd. and Jiangsu Jijia Pet Products Co., Ltd.	Capital relationship	None.	
	Personnel relationship	None.	
	Business relationship	None.	
	Related party relationship	None.	
(9) Operating results and financial positions of said company for the last three years			
As of / Fiscal year ended	December 31, 2019	December 31, 2020	December 31, 2021
Net assets	CNY 5,026 million	CNY 4,489 million	CNY 3,923 million
Total assets	CNY 6,772 million	CNY 6,285 million	CNY 5,613 million
Net sales	CNY 5,870 million	CNY 6,430 million	CNY 6,783 million
Operating profit	CNY 855 million	CNY 1,178 million	CNY 1,191 million
Profit	CNY 635 million	CNY 871 million	CNY 906 million

(3) Overview of Jiangsu Jijia Pet Products Co., Ltd.

(1) Name	Jiangsu Jijia Pet Products Co., Ltd.		
(2) Location	Rooms 526-530, Software Park, Xuzhou Economic and Technological Development Zone		
(3) Job title and name of representative	Jia Cui, Chairman		
(4) Description of business	Production and sales of pet food and pet goods, etc.		
(5) Capital stock	CNY 16 million		
(6) Date of establishment	April 18, 2013		
(7) Relationship between the Company and said company	Capital relationship	None.	
	Personnel relationship	None.	
	Business relationship	None.	
	Related party relationship	None.	

4. Timetable

(1)	Execution date of the Investment Contract	October 8, 2022
(2)	Execution date of the Equity Interest Transfer Contract	October 8, 2022
(3)	Execution date of the Business Alliance Contract	November 30, 2022
(4)	Completion date of investment	Early December, 2022 (plan)
(5)	Completion date of equity interest transfer	Early December, 2022 (plan)

5. Future outlook

The impact of the Capital Alliance and the Business Alliance on Unicharm Corporation's financial results in the current period is minor. We will promptly announce if it becomes evident that there is a material impact on Unicharm Corporation's financial results.

END