

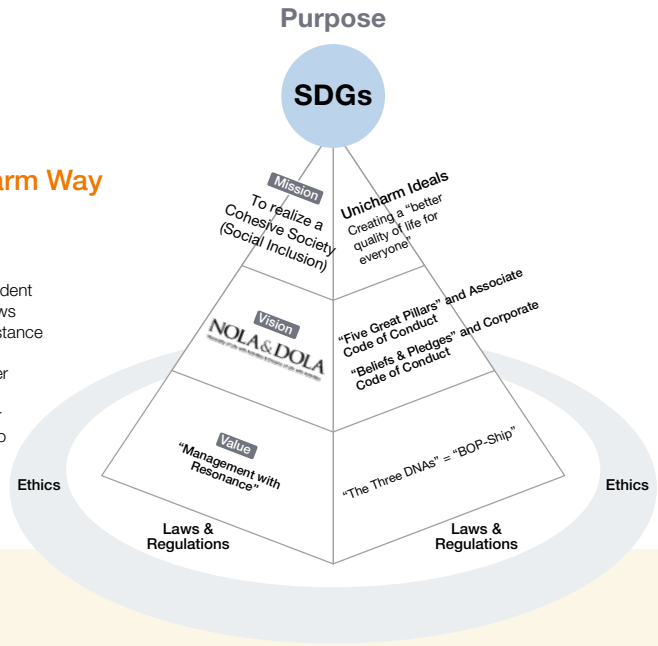
Unicharm Group Integrated Report 2021



Formulation of The Unicharm Way

Cohesive Society = Social Inclusion

It is a society in which each person is independent while supporting each other in a way that allows each person to have just the right sense of distance so that, in addition to vulnerable members of society, those who are at a disadvantage either temporarily or for an extended period due to aging, illness, childbirth, menstruation or other factors can spend their lives in the way they so wish regardless of the situation.



Our Purpose & Mission, Vision and Value

Unicharm believes that contributing to the achievement of SDGs is its “purpose” (significance of existence). This purpose is divided into three parts: “Mission,” “Vision,” and “Value” for being more specific. The “Mission” is described to be “what we want to accomplish” and, to be more specific, it is the “realization of cohesive society” as far as Unicharm is concerned. The “cohesive society” we aim for is a society in which all people can continue to spend their lives in their own way by becoming independent and helping each other. The “Vision” shows about “how we can realize a ‘cohesive society’.” Specifically, we make it happen by putting our philosophy, “NOLA & DOLA” (Necessity of Life with Activities & Dreams of Life with Activities), into action. “NOLA” means “providing people with gentle support both in their mind and body for freeing them from various burdens” while “DOLA” means “contributing to fulfill the dream of each and every person.” Our “Value” is the underlying “aspiration” and “sense of mission” that sustain “Mission” and “Vision” and, at Unicharm, it is to promote such common management model as “management with resonance” by all of our group employees around the world.

Unicharm Ideals (Established: 1974)

1. 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.
1. We strive to pursue proper corporate management principles which combine corporate growth, associate well-being and the fulfillment of our social responsibilities.
1. We bring forth the fruits of cooperation based on integrity and harmony, by respecting the independence of the individual and striving to promote the Five Great Pillars*.

*The Five Great Pillars

- (1) Founder’s spirit (2) Enterprising spirit (3) Spirit of simplicity and fortitude
- (4) Spirit of collaboration (5) Spirit of respecting people

Five Great Pillars and Associate Code of Conduct

(Established: 1999)

Creativity & Innovation

- We will respect the creation of new society values and maintain a spirit that always seeks out innovation.

Ownership

- We will follow in the footsteps of our founder and strive to identify and solve the issues from a company-wide perspective for achieving our management targets.

Challenger-ship

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

Leadership

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

Fair play

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

“Beliefs & Pledges” and Corporate Code of Conduct

(Established: 1999)

Pledge to our customers

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

Pledge to our shareholders

- We pledge to distribute industry-leading returns to shareholders.

Pledge to business partners

- We pledge to achieve mutual growth by maintaining a fair and equitable relationship.

Pledge to associates

- We pledge to achieve the happiness of associates and their family members by filling each of them with confidence and pride.

Pledge to society

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

“Three DNAs” = “Best Practice-ship, Ownership & Partnership”

Being a company with sustainable growth, Unicharm has nurtured a corporate culture and spirit called the “Three DNAs” that has seamlessly been passed down from its foundation. As our business activities were spread from Japan to Asia then to the Middle East, Europe and the United States, we have rephrased the Three DNAs as “Best Practice-ship, Ownership & Partnership (BOP-Ship)” for all employees around the world to better understand. The “Three DNAs” and “BOP-Ship” are the corporate values that sustain the foundation of our activities and these values are common to each and every member of the group from top management to the employee.

● Best Practice-ship (Changing values)

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

● Ownership (Find reason within ourselves)

This refers to recognizing everything as “our own matter” and thinking and acting on our own initiative as if we were paranoid for overcoming the difficulties.

● Partnership (Maintain our No. 1 position through continued and dedicated services)

Partnership entails always respecting collaboration with the peers with a mind of altruism. Collaboration creates the internal and external cross-organizational communication and its further development will lead to innovation.

Editorial policy

Unicharm Group is committed to synchronously helping solve environmental and social issues, contribute to consumers and communities, and achieve continuous growth. Our mid-to-long term ESG objectives, “Kyo-sei Life Vision 2030,” was created in October 2020 to lay a path forward for the Group’s ESG goals. Integrated Report 2021, which references the reporting framework developed by the International Integrated Reporting Council (IIRC), presents both financial information and non-financial information such as our purpose, business model, strategies, and environmental, social and governance information so that stockholders, investors, and other stakeholders can better understand the initiatives to achieve our goals.

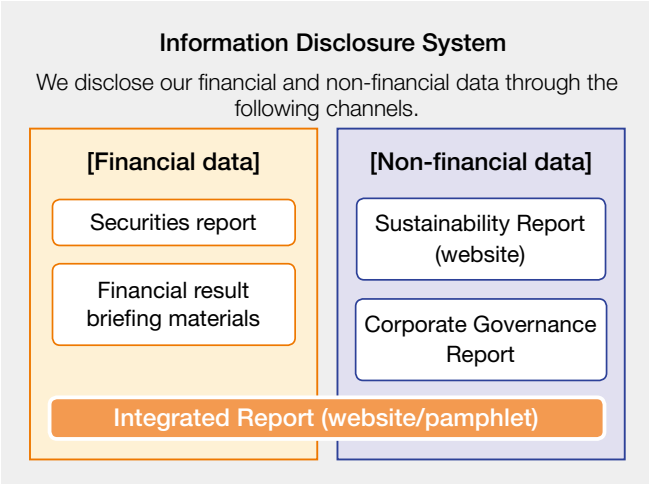
Period:

January 1 to December 31, 2020

(Some information also covers activities before and after this period, and future goals)

Areas Covered:

Unicharm Corporation and its domestic and overseas consolidated subsidiaries, as well as information about some non-consolidated subsidiaries and affiliated companies.



Explanation of the Cover

Our Vision is based on the NOLA & DOLA concept, which stands for “Necessity of Life with Activities & Dream of Life with Activities.” Unicharm aims to provide each and every consumer with products that offer physical and psychological support to bring about a cohesive society in which people of all ages can live life the way they want to. As one activity toward fulfilling this objective, we support the efforts of “Paralym Art” to facilitate social participation and financial independence, and we use works drawn by artists with disabilities. We have supported Paralym Art since 2016, and this marks our sixth year.



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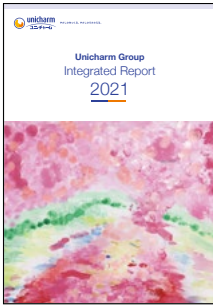
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Cover Title: Sakura hatsuka

I create acrylic and watercolor paintings based on the themes of the realm between fantasy and reality. My art emphasizes color in the hopes of conveying the image in my mind and the expressions of my heart. I would like to continue creating art so that I my works can soothe others’ hearts.

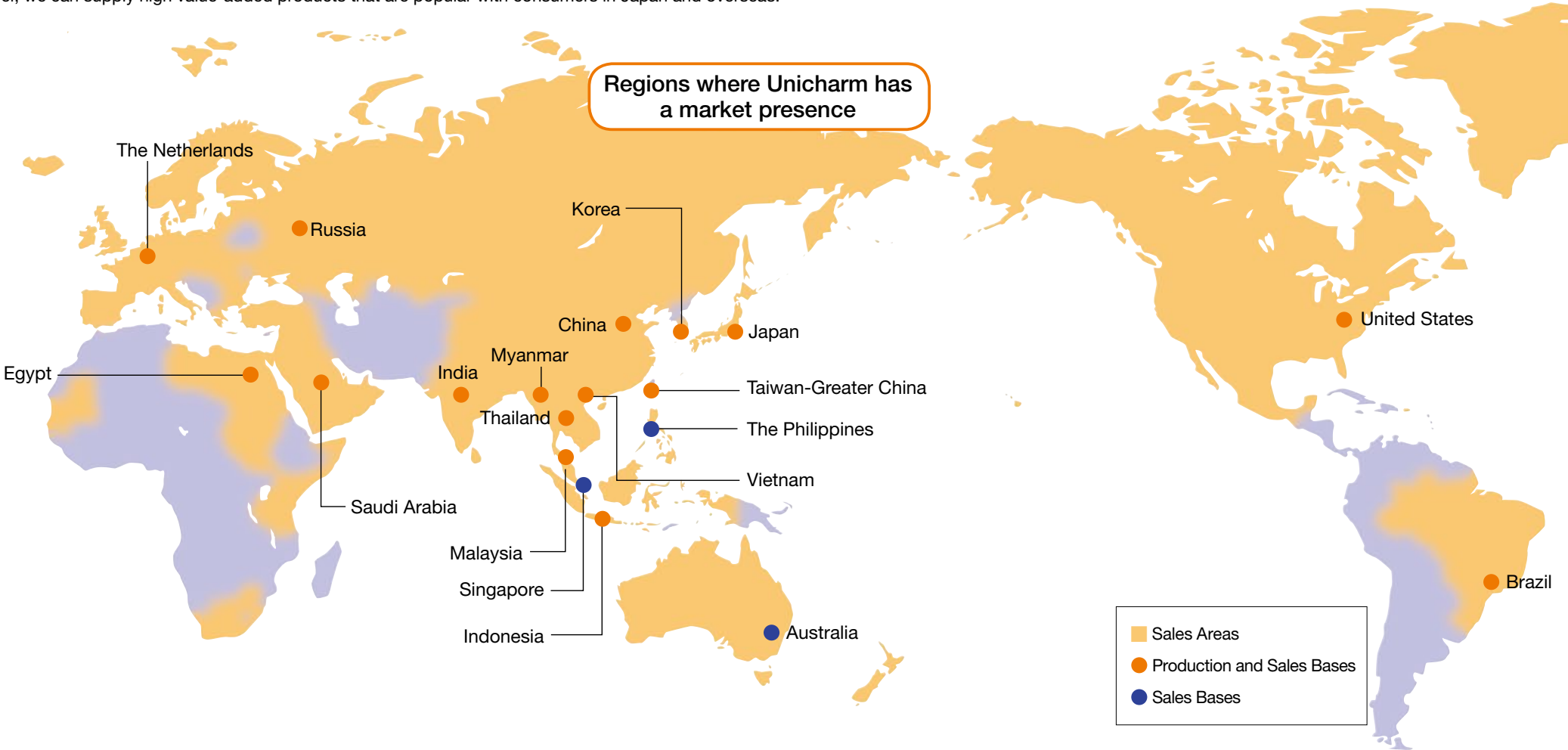
Thoughts about the work “Sakura”

There is a large cherry tree in full bloom and a path covered in cherry blossom petals, with the cherry blossoms cloaking everything in sight. It is my hope that we can live gracefully like these cherry blossoms.

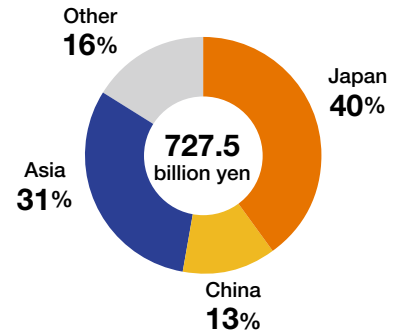


Unicharm's Business Expansion

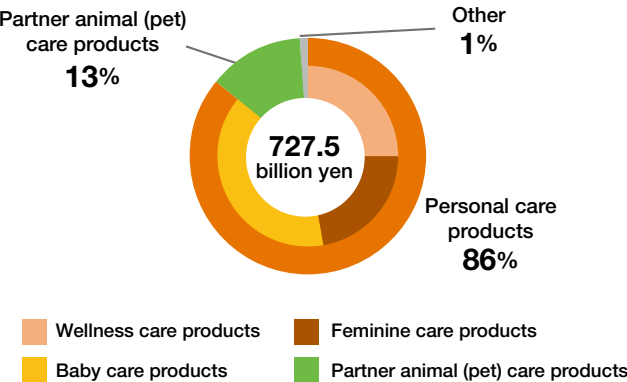
Unicharm operates businesses in roughly 80 countries and regions around the world. The types of products we sell are indispensable for hygienic and healthy lives, and demand for them is expanding in many regions worldwide. Thanks to our position as a specialist manufacturer, we can supply high value-added products that are popular with consumers in Japan and overseas.



Net sales by geographic area (Fiscal 2020)



Net sales by business segment (Fiscal 2020)



Wellness care products

Health Care Business

Major products

Adult incontinence care products and mask

Market share in key regions

Adult incontinence care products			Mask
Japan	Indonesia	Thailand	Japan
No.1	No.1	No.1	No.1
Taiwan-Greater China	Vietnam *		
No.1	No.1		

*6 major cities: Hanoi, Hai Phong, Da Nang, Nha Trang, Ho Chi Minh City and Can Tho

Clean & Fresh Business

Major products

Home care products

Market share in key regions

Wet tissue	Cosmetic puffs
Japan	Japan
No.1	No.1

Partner animal (pet) care products

Major products

Food and toilet care products

Market share in key regions

Toiletry	Food	Dog toiletry
Japan	Japan	U. S. A.
No.1	No.2	No.1

Feminine care products

Major products

Feminine care products

Market share in key regions

Japan	China	Indonesia	Thailand
No.1	No.2	No.1	No.1
Vietnam *	Taiwan-Greater China		
No.1	No.1		

*114 major cities

Baby and child care products

Major products

Disposable baby diapers

Market share in key regions

Japan	China	Indonesia	Thailand
No.1	No.4	No.1	No.1
Vietnam *	India	Saudi Arabia	
No.1	No.2	No.1	

*114 major cities

(Unicharm research, 2020)

Creating innovation that contributes to the realization of “Cohesive Society - Social Inclusion - ” aimed at sustainable growth by promoting the SDGs

Takahisa Takahara
President & CEO



In challenging the COVID-19 pandemic

I would like to express our sympathy for everyone who has been forced to live with a series of restrictions due to COVID-19 infection as well as all those who have been affected. I would also like to offer our heartfelt condolences for all those who have passed away. In addition, I would like to express our respect and deep gratitude for the healthcare professionals at the frontline of treatment and prevention aimed at controlling the spread of COVID-19.

The Unicharm Group has endeavored to continue its business while giving the greatest consideration to the safety and health of our employees and their families. We have maintained our company-wide efforts aimed at a constant supply of products and services that are essential for a hygienic life. To give you an example of our efforts, we have boosted the production capacity at our Shikoku Factory and worked to maintain operations around the clock in order to increase the supply of face masks as it was temporarily out of stock in the storefronts which became a social problem in Japan.

In addition, within the Company, we sent face masks from our in-house stockpile in Japan to our Chinese subsidiary for distribution to local employees at the end of January 2020. In February 2020, we took measures to prevent the spread of COVID-19 in Japan which included the introduction of working from home as a general rule. At the same time, we instructed the Presidents of our subsidiaries in each country and region to take flexible measures in accordance with the direction of governments based on the local infection status.

In recognition of such proactive measures, we were able to continue our business operations even in countries and regions where many companies were forced to suspend factory operations due to lockdowns and other restrictions.

Achieving sales and profit growth despite the challenging environment

The World Health Organization (WHO) officially announced the first case of COVID-19 infection on December 8, 2019. At the time, however, very few people foresaw that it would create such chaos. I believe COVID-19 is a powerful reminder that we are living in the age of the “new normal” which is a world where there are frequent major changes that overturn conventional notions and changes are unpredictable and constant, in other words, changes become the norm.

Despite such an unstable and challenging environment, in its consolidated business results for fiscal 2020, Unicharm recorded net sales of 727.5 billion yen, up 13.3 billion yen, or 1.9%, core operating income of 114.7 billion yen, up 24.9 billion yen, or 27.8%, and profit attributable to owners of parent company of 52.3 billion yen, up 6.2 billion yen, or 13.5%.

By region, Japan recorded sales and profit growth as the large downturn in demand from inbound tourism was offset by demand for face masks and wet wipes products. In overseas countries, primarily in Asia, sales were slightly up although the demand was shifted from high quality, high function, high-value added products to reasonably priced and standard products. This shift was partly attributable to the increase in time spent at home because of prohibitions and self-imposed restraint on going out due to COVID-19. In addition, there was a fire at the Ahmedabad Factory in India (Gujarat in western India) on June 24, 2020, which also had an impact in terms of reducing supply in India.

By product category, in addition to the strong performance of face masks and wet wipes related to COVID-19 preventive measures, the business of nursing care and partner animal (pet) care products remained solid. Furthermore, in the area of feminine napkins, the Sofy brand developed loyal users and achieved steady growth in Asian countries, China, in particular. The disposable baby diaper category has reached maturity in developed countries including Japan. However, the market is still growing in ASEAN countries, India, Brazil, etc. and Unicharm’s products which boast overwhelming quality in the high-quality pant-type disposable diaper category steadily won support from consumers and expanded the market share.

Implementing ESG-focused management through business to contribute to the SDGs

These days, it is not unusual that our stakeholders consider that ESG (Environment, Society, Governance) is important. Thus, we believe it is critical to not only set out our initiatives in the ESG area but also to instill ESG into the daily activities of each and every employee. Moreover, contributing to the “sustainable development goals (SDGs)” is a corporate responsibility and it is not possible to achieve the sustainable growth when and if shirking this responsibility. Based on this perspective, Unicharm engages in day-to-day business that embodies the concepts of “business is really ESG in itself” and “contributing to the SDGs through business activities.”

To give you an example of our activities in this area, Unicharm launched “MamyPoko Extra Dry Protect,” a disposable baby diaper with “Anti-Mos Capsule” that repels mosquitos which transmit dengue virus, in Malaysia and Singapore in September 2020. “Anti-Mos Capsules” are microcapsules filled with “lemongrass extract” which repels mosquitos. “Anti-Mos Capsules” are applied to the tape section of disposable diaper and, when the tape is put on and off, the capsules are crushed and lemongrass extract protects the baby’s skin from mosquitos. Natural ingredients are used for the lemongrass extract, therefore it is safe even if it comes into contact with the baby’s skin. The product has been supported by parents who want to protect their children from the threat of dengue fever and we believe that, in addition to expanding our business, it contributes to achieving “Goal 3: Ensure healthy lives and promote well-being for all people at all ages” out of the 17 SDGs.

We also launched the “#NoBagForMe” project in June 2019 to bring about the changes in conventional values around menstruation with the aim of achieving a society in which women can live in their own way and we have promoted activities aimed at achieving a “society where people can have the choice to talk about menstruation without feeling hesitant.” In 2020, we further expanded our activities, which included welcoming new members active in diverse fields, with the aim of “promoting improved knowledge and mutual understanding of menstruation.” As a part of our activities, we hosted “‘Education on Menstruation for Everyone’, a corporate training program,” at a number of companies and received a high satisfaction rating. In conjunction with this type of activity, we launched “Sofy #NoBagForMe limited-edition packaging design” products which are easily reachable in every retail store. We believe these activities contribute to “Goal 3: Ensure healthy lives and promote well-being for all people at all ages,” “Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all” and “Goal 5: Achieve gender equality and empower all women and girls” out of the 17 SDGs.

Steadily implementing “Kyo-sei Life Vision 2030” to contribute to the realization of a cohesive society

As I have outlined above, Unicharm is working to solve a variety of issues to contribute to the realization of a cohesive society. In order to promote these kinds of initiatives even more strongly, we formulated “Kyo-sei Life Vision 2030 - For a Diverse, Inclusive & Sustainable World - (‘Kyo-sei Life Vision 2030’),” our mid-to-long term ESG objectives which we unveiled on October 22, 2020. We clarified our “Desirable Future in 2030” that we envision and set a total of 20 key themes with indicators and targets.

There are 5 key themes in each of 4 areas i.e. “safeguarding the well-being of individuals,” “safeguarding the well-being of society,” “safeguarding the well-being of our planet” and “Unicharm Principles.” By steadily implementing the “Kyo-sei Life Vision 2030,” we aim to solve environmental problems and social issues and contribute to consumers and local communities at the same time as achieving the sustainable business growth.

We launched the “11th Med-Term Management Plan” for the three years from January 2021 until 2023. We prepared the Med-Term Management Plan by backcasting from our goals for 2030, achieving net sales of 1.4 trillion yen and core operating income rate of 17% and gaining the top share of global market in the categories in which we operate. Under the plan, we have set five core strategies i.e. “develop human resources,” “strengthen added-value to support consumers’ lifestyle,” “develop added-value that captures the hearts of consumers,” “create the ultimate frontlines” and “establish recycling-based value chain.” We have incorporated these strategies into the plans of each and every employee who works in the countries, regions and product categories in which we operate our business.

Sharing “purpose along with our mission, vision and values” and adapting to changes in the environment with agility

Establishing clear targets and plans such as those I outlined above is important. However, as I stated at the beginning, in today’s “new normal” where changes become the norm , there is a risk of leading to inflexibility. In order to respond in a flexible and agile manner to changes in the environment, it is important for each and every employee to “think, judge and act on their own.” However, doing this can lead to erratic responses. In order to avoid this kind of situation, we have established our “purpose along with our mission, vision and values” as follows and share it with all employees.

First, Unicharm considers achieving the SDGs as our “purpose.” In order to realize our purpose, we believed it is important for each and every employee to understand, believe in, sympathize with and act and have made our purpose more specific by dividing it into the three levels, “mission,” “vision” and “value.” Our “mission” is a clear statement of “what we want to do” which is, to be more specific, “the realization of a cohesive society.” The “cohesive society” Unicharm is aiming for is a society in which all people can live in their own way in individual independence and mutual assistance. Next, our “vision” indicates “how we will realize a cohesive society.” Specifically, it is by implementing “NOLA & DOLA,” our corporate philosophy, where “NOLA” means “gently supporting people in their minds and bodies and freeing them from various burdens” while “DOLA” means “contributing to fulfilling the dreams of each and every person.” Our “values” are the “aspirations” and “sense of mission” that underlie our “mission” and “vision” and, for Unicharm, that is to run such an integrated management model as “Management with Resonance” by all of our group employees worldwide.

We believe the most important thing for realizing the sustainable growth in today’s “new normal” is indeed developing human resources with the ability to always come up with the optimal solution to match the changing environment using our “purpose along with our mission, vision and values” outlined above as their “moral compass” and “basis for judgment.”



Aiming for a world that has realized a “cohesive society = social inclusion”

The “cohesive society” Unicharm is aiming for is nothing less than the realization of “social inclusion.” Unicharm’s idea of a social inclusion not only covers the so-called vulnerable but also extends to those people who are disadvantaged temporarily or for a certain period of time due to aging, illness, childbirth, menstruation or other. In this society, each of these people can live as they wish with

individual independence while providing mutual assistance in ways that each person can manage with a reasonable sense of distance. This is the kind of society which we at Unicharm want to help create. While “diversity” is about “separating to capitalize on diversity,” “social inclusion” takes the approach of “harmonizing to capitalize on diversity” and I think this is the big point of difference. I would like to introduce one of our most recent initiatives aimed at the concept of a “cohesive society = social inclusion.” Due to countermeasures to address the spread of COVID-19, it was no longer possible to remove face masks, so the masks became an obstacle to communication for people who used “lip reading” to help for hearing. Going forward, even if COVID-19 is contained, it is undeniable that new viral diseases may spread in today’s world where global travel has become the norm and we believe there is a high possibility that the wearing of face masks for prevention will become established. Given such a situation, we are developing a “face mask that will firmly contain droplets while not interfering with communication.” We will let you know about it as soon as development is completed.

Increasing the number of shareholders and investors who support the realization of a “cohesive society” through stable and continuous return of profit

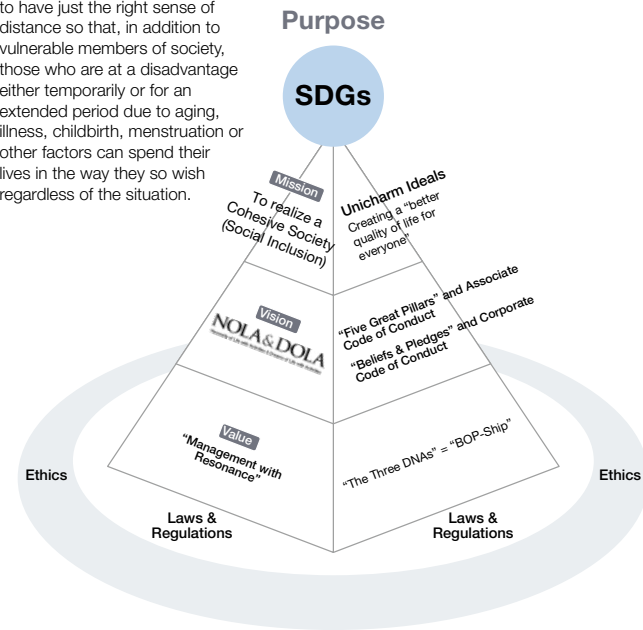
From the perspective of capital efficiency, we consider the appropriate return of profit to be one of our most important management policies. While strengthening our corporate structure to improve profitability and engaging in aggressive business investment aimed at growth, we adhere to a policy of stable and continuous returns. We believe that increasing the number of shareholders and investors who agree with this business investment and return policy is important for the realization of “cohesive society” Unicharm aims for.

Specifically, we increased the dividend for the fiscal year ended December 31, 2020 by 4 yen from the previous fiscal year to 32 yen per share as in our initial plans. As a result, we have increased the dividend for 19 fiscal years in a row. As for the return of profit to shareholders for the next fiscal year, while prioritizing business investment for achieving sustainable growth, we will aim to enhance shareholder returns with a target payout ratio of 50% by paying dividends on a consistent and continuous basis in accordance with medium-to-long term growth in the consolidated business results. We will also engage in flexible acquisitions of treasury stock as necessary. We plan to increase the annual dividend for the fiscal year ending December 31, 2021 by 4 yen to 36 yen per share. Going forward, by continuing to do our best while giving consideration to the feelings of consumers, we will make concerted efforts to provide products and services that support the realization of a “cohesive society” in which diverse generations live together in their own ways. We look forward to your continued support in the future.

Formulation of The Unicharm Way

Cohesive Society = Social Inclusion

It is a society in which each person is independent while supporting each other in a way that allows each person to have just the right sense of distance so that, in addition to vulnerable members of society, those who are at a disadvantage either temporarily or for an extended period due to aging, illness, childbirth, menstruation or other factors can spend their lives in the way they so wish regardless of the situation.



► See P.1 for a detailed explanation of the “Formulation of The Unicharm Way.”

March 2021
Takahisa Takahara
President & CEO

Unicharm Group’s COVID-19 Initiatives

Efforts for Ensuring Health and Safety

Provision of masks, disposable diapers and more at various locations

With COVID-19 spreading around the world since the beginning of 2020, we have taken various measures at our business locations around the world to ensure the health and safety of our stakeholders.

January 2020 onward	· In the United States, many animal shelters have closed due to the spread of COVID-19. During this time, we continued to provide various kinds of support including dog sheets to shelters in the United States and Canada
February 2020	· Donated masks to Beijing, Shenzhen, Chengdu and other locations in China where the infection continued to spread. · Provided rescue goods such as masks through trade groups to those returning from Wuhan, China and to passengers on the Diamond Princess cruise ship.
March 2020	· In response to the government's request to purchase masks in bulk based on the Act on Emergency Measures for Stabilizing Living Conditions of the Public, we supplied masks to the Hokkaido area where a declaration of state of emergency was issued in cooperation with trade groups. · Supplied masks to hospitals in areas throughout Japan other than the above. · Gave donations to the “Vietnam Motherland Battlefield Central Committee” in Vietnam to fund the purchase of medical equipment. In addition, from March to August, we donated products such as napkins to hospitals in Hanoi, Ho Chi Minh City and Da Nang to support measures for fighting the spread of COVID-19.
April 2020	· Donated incontinent adult diapers and feminine napkins to multiple hospitals in Jakarta and Karawang in Indonesia. · Supplied masks to the Gumi area in South Korea and donated mineral water to prevent the spread of COVID-19 throughout the country.
May 2020	· Donated sanitary products to households in Subang Jaya, Malaysia, in cooperation with local NGOs.
July 2020	· Donated masks developed in Indonesia (Nyaman Mask) to hospitals in Jakarta and Karawang.
August 2020	· Donated baby diapers through an international development NGO to socially disadvantaged people in South Korea living in poverty due to COVID-19.
October 2020	· Made donations to COVID-19 Quarantine Center in Yangon, Myanmar.



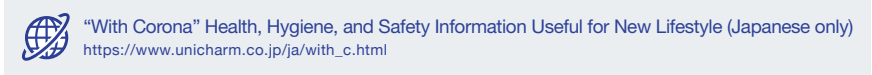
Curbside advertisements to show appreciation for donations in three Chinese cities



Donating masks, etc., in Indonesia

In June 2020, we held an “On-Line Moony-chan Class Room” through the official Moony Instagram account in which we invited midwives and other specialists as instructors so that people could casually discuss issues they wanted to know about such as childbirth, as well as concerns they had such as how to spend their time during pregnancy, how to choose and use diapers and so on. In the midst of the COVID-19 pandemic, a number of people participated in the event which supported pre-mamas and pre-papas with concerns about childbirth. Furthermore, in December 2020, we opened “With Corona Health, Hygiene & Security Information useful for new lifestyle” as a portal of useful information for daily life within our Japanese website. Previously, each division had posted its own information in the various different areas of Unicharm site, but all these information are now available in one spot with the start of “With Corona” subdivided into the categories of “Living with Babies”, “Comfortable Living for Women”, “Living with Family”, “Living with Partner Animals (Pets)” and “Living in Society”. By making it easier and convenient for users to have an access to the

information needed for their lifestyle “in the way they so wish”, Unicharm will help support healthy, hygienic and safe living under the current situation with Corona and also into the future.



Developing and producing products to ensure customer health and safety

The spread of COVID-19 has had a significant impact on the world economy as well. Economic activity shrank due to restrictions on movement and outdoor activities as well as store closures and more in various countries and regions. Lockdowns were also implemented in China, Saudi Arabia, India, Indonesia and other countries comprising the main markets where the Group has made inroads to prevent the spread of COVID-19 and the markets shrank due to people buying less with distribution stagnating as well. Under such circumstances, we obtained permits for priority business activity from the governments of each country based on the viewpoint that our products are indispensable for people to maintain their hygiene in their daily lives. We were one of the first to resume local production. Growing awareness of infection measure has led to a rapid increase in demand for masks and wet wipes in Japan as well, resulting in a temporary shortage of products at stores. To handle this, we enhanced our system of production and expanded our supply. Through the above overseas and domestic measures, we were able to achieve increased sales and profits in fiscal 2020 despite the COVID-19 pandemic, with net sales of 727.5 billion yen and a core operating income of 114.7 billion yen.



Strengthening our mask production system

Enhanced Crisis Management and “Autonomous Working Style”

We also used the spread of COVID-19 as an opportunity to strengthen our crisis management functions around the world. First, we formulated a business continuity plan (BCP) adapted to the current conditions surrounding the spread of COVID-19 and launched the “COVID-19 Crisis Management Team” in April 2020. We disseminated COVID-19 countermeasure guidelines (four times total), COVID-19 countermeasure regulations for production departments and COVID-19 response manuals in the event of an occurrence of infection throughout the entire company to focus on enhancing our internal control functions while maintaining and improving productivity. Moreover, to avoid the “three Cs” (closed spaces, crowds and close contact) in office work, we promoted remote work in which employees can choose where to work; partly reformed our “flextime system” which allows employees to select their working hours; and abolished “core time” (in the past, we established core work hours between 8:00 a.m. and 12:00 p.m. as the standard working period). Looking ahead to a state in which we will have to learn to live “with COVID-19,” we will improve employees’ motivation for working by achieving an “autonomous working style” in which each employee can decide his or her own working style. We would like to contribute to the growth of employees and the company as well as make further contributions to society.

Fostering improved individual productivity and peace of mind

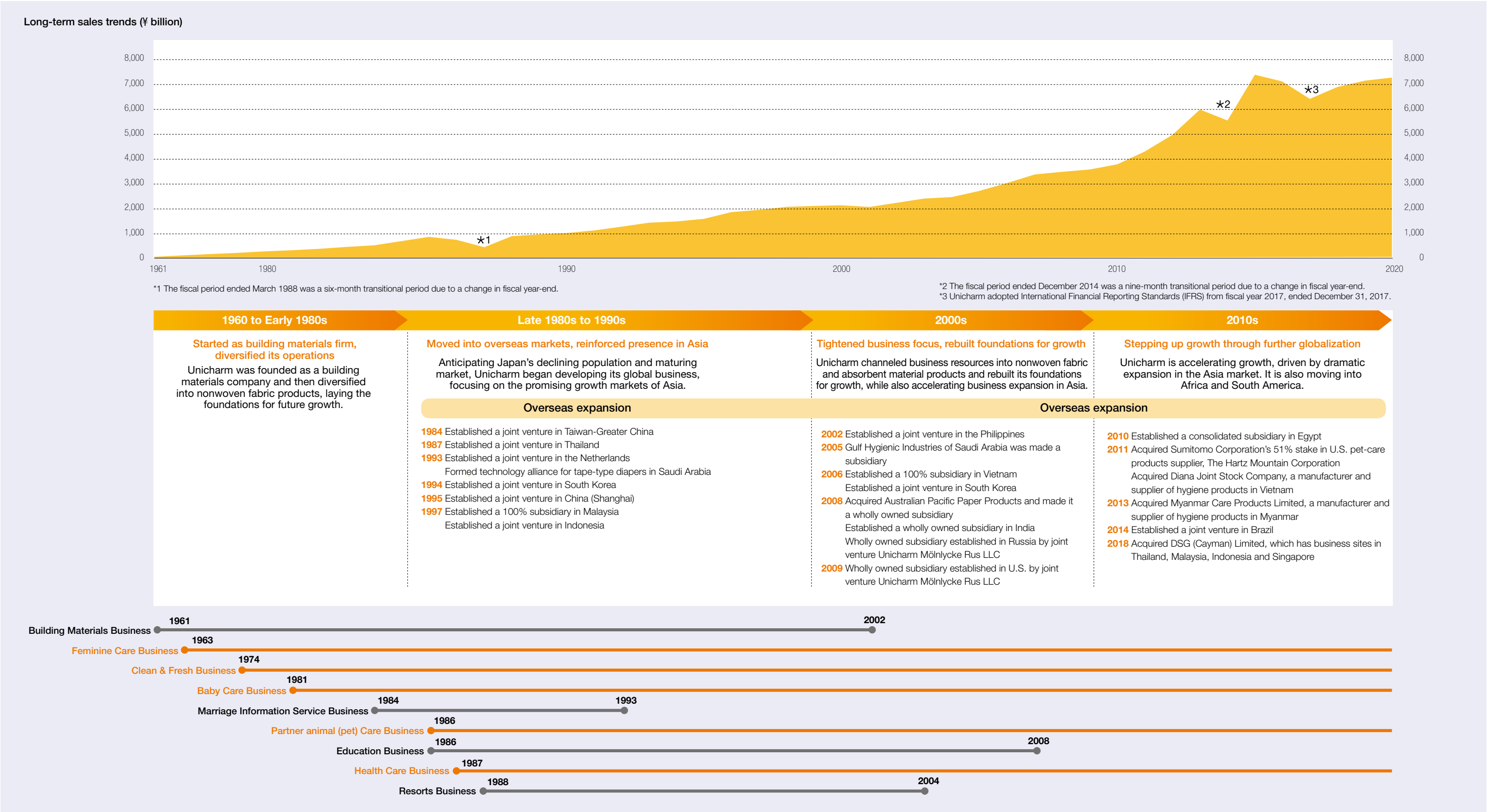


“Promoting remote work” that allows employees to choose “where they work” for avoiding “Three Cs” and “abolishing the core time” system so that employees can choose “when to work.”

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.

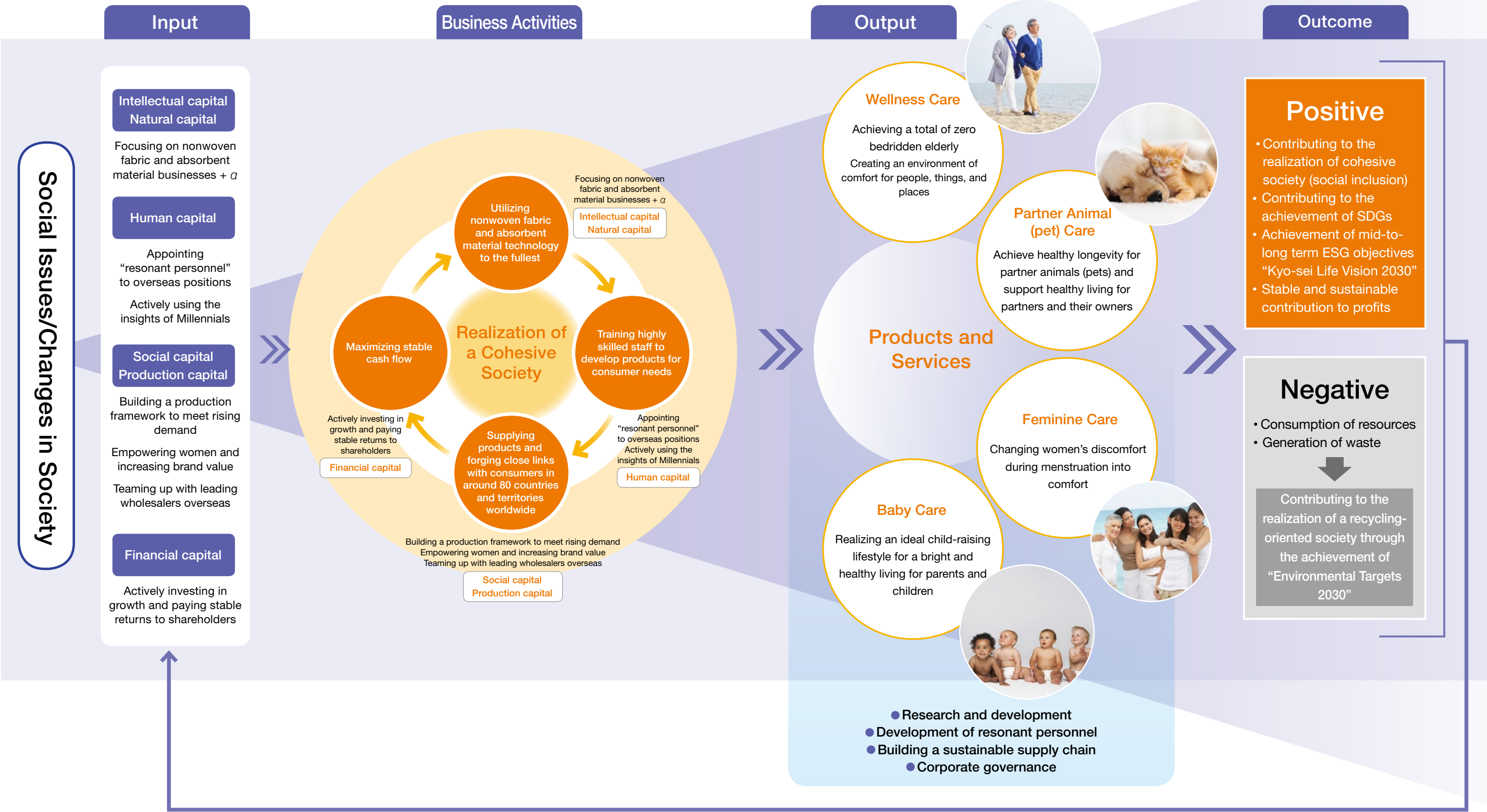
The partner animal (pet) business we launched during this period has sustained our growth to this day. Since the 2000s, we have reorganized our business portfolio and sold several businesses, including our original building materials business. We are currently utilizing the processing and molding technology 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.



Unicharm's Value Creation Model

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

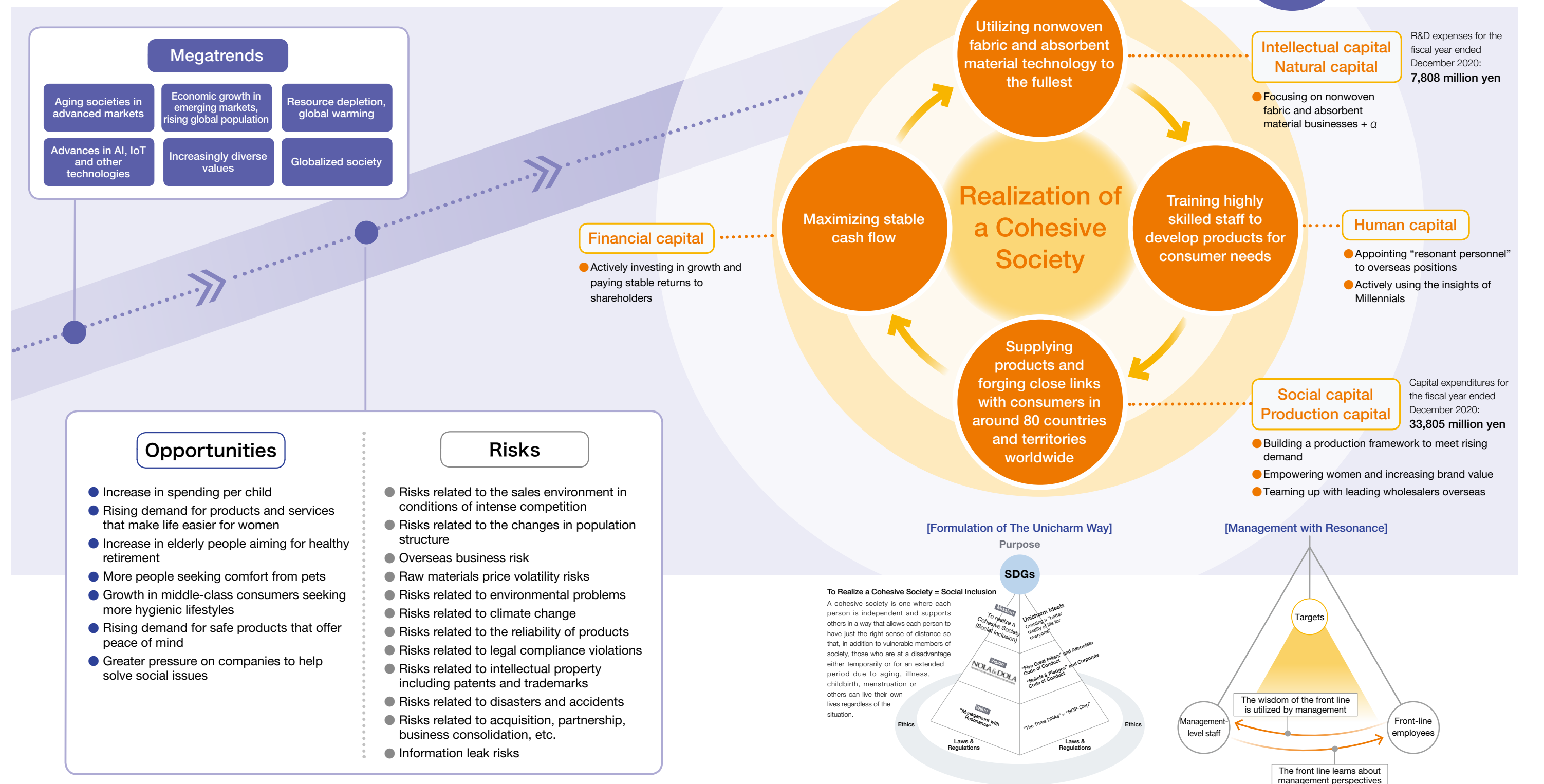
The products and services offered by Unicharm are all essential to a hygienic and healthy life. Through business activities such as these that are closely intertwined with society, Unicharm aims to address environmental and social issues and contribute to the realization of cohesive society (social inclusion).



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.



▶ 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)

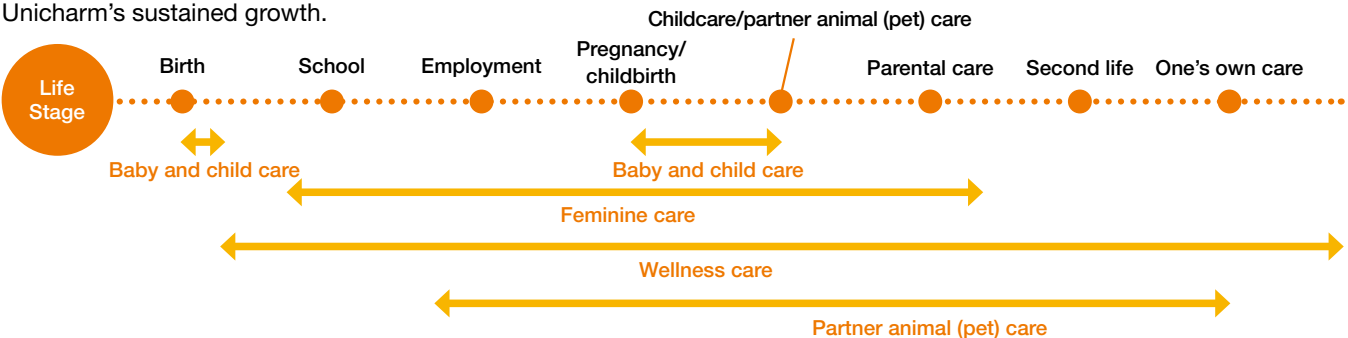
This refers to thinking of everything as your own responsibility and thinking and acting independently as if you are paranoid to overcome difficulties.

◆ 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.

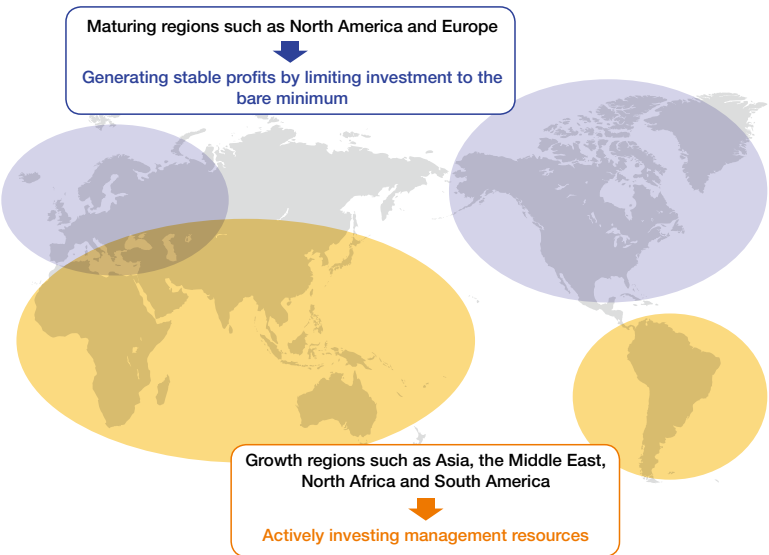
Supplying indispensable products to a wide range of customers in many regions worldwide

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.

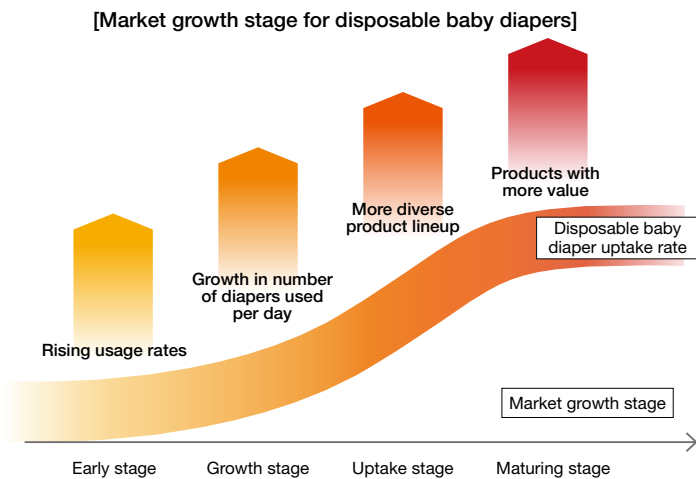
To remain competitive amid rapid advances in IT and globalization, we have to think and act faster. Using a dynamic cycle of trial and error, we will adjust our "winning patterns" to match changes in the operating environment and transfer them to overseas markets.



Strengths that Support Unicharm's Sustained Growth

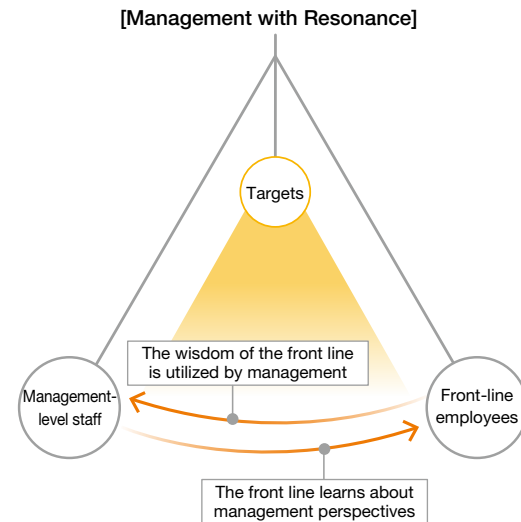
Implementing strategies for each phase of market growth

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.



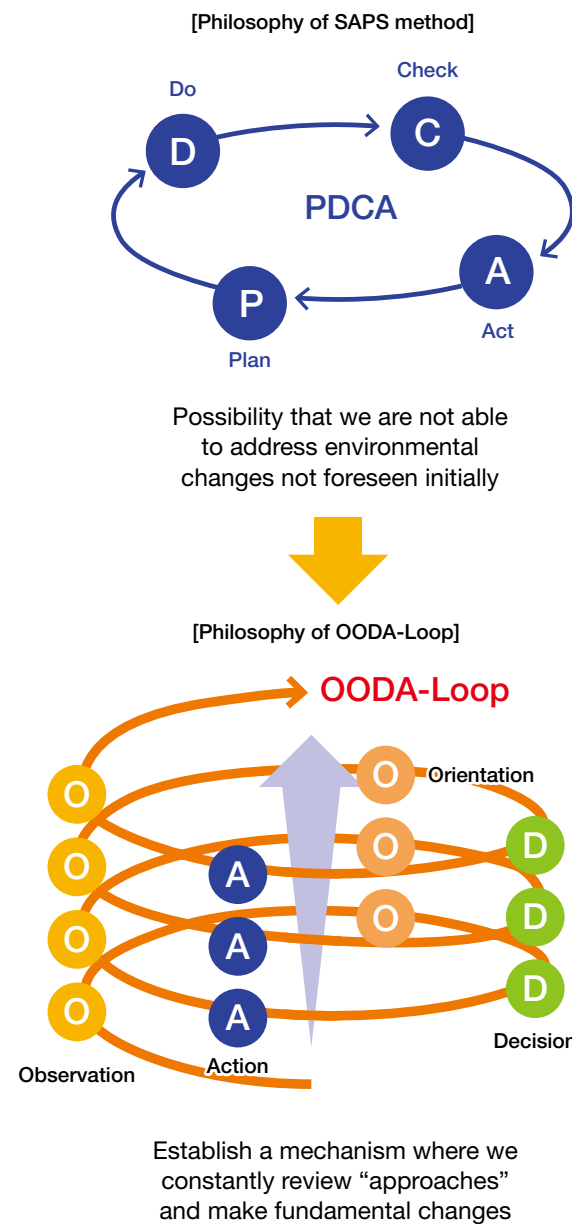
Implementing our strategies using “Management with Resonance” – close cooperation between management and frontline employees

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.

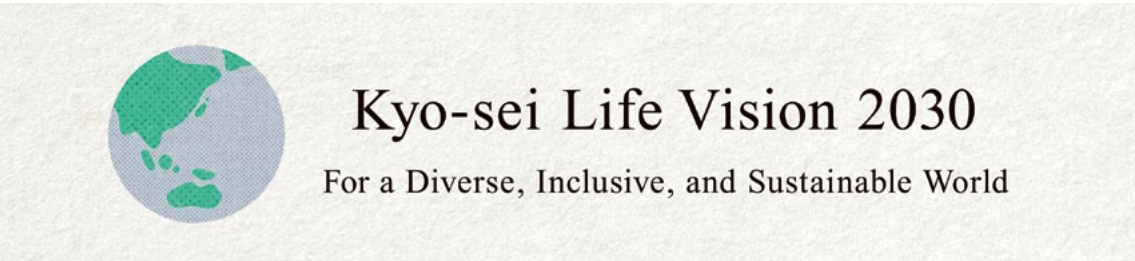


Introducing a new management approach to create an organization that “moves ahead while thinking”

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.



- “New normal where changes become the norm”
- O Observation: Observe situation using the five senses.
 - O Orientation: Determine the situation using information obtained along with past experiences and knowledge.
 - D Decision: Make the right decision from the options available.
 - A Action: Take action promptly. (Repeat loop)



At Unicharm, we are committed to helping solve environmental and social issues as we work together to realize a cohesive society. With that in mind, we have put forward Unicharm Group's mid-to-long term environmental, social, and corporate governance (ESG) goals in a document called “Kyo-sei Life Vision 2030 — For a Diverse, Inclusive, and Sustainable World.” In this declaration, we bring our vision for 2030 into sharper focus, explicating the key initiatives and targets that we believe will help us achieve our goals. Through the implementation of “Kyo-sei Life Vision 2030,” we are confident that we can satisfy the needs of consumers and communities, while continuing to grow our business.

Positioning of “Kyo-sei Life Vision 2030”

At Unicharm, we believe that our fundamental *raison d’être*, that is, our “Purpose”, is to help achieve the United Nation’s Sustainable Development Goals (SDGs). Because this “Purpose” is so basic to our essence as a company, we think that it is important that all of our employees understand, agree, and empathize with it. To better delineate the substance of that “Purpose”, and to further its accomplishment, we have broken it down into three key components: “Mission,” “Vision,” and “Value.” “Mission” clarifies what we want to do. More specifically, our mission is to realize a cohesive society, a society that must inherently be diverse, inclusive, and sustainable.

In this society, personal freedom will harmonize with social altruism, enabling people to be true to themselves and live lives of their own choosing, while at the same time helping others to achieve a better life.

Where “Purpose” is the goal, “Vision” is the means. “Vision” elucidates how we can realize a cohesive society. In practical terms, it is the application of our corporate philosophy, which we like to call “NOLA & DOLA” (Necessity of Life with Activities & Dreams of Live with Activities).

Through “NOLA,” we hope to provide powerful, yet discreet and unobtrusive support for the minds and bodies of our users, relieving them of some of the burdens of their lives and enabling them to better focus their efforts on making their dreams come true.

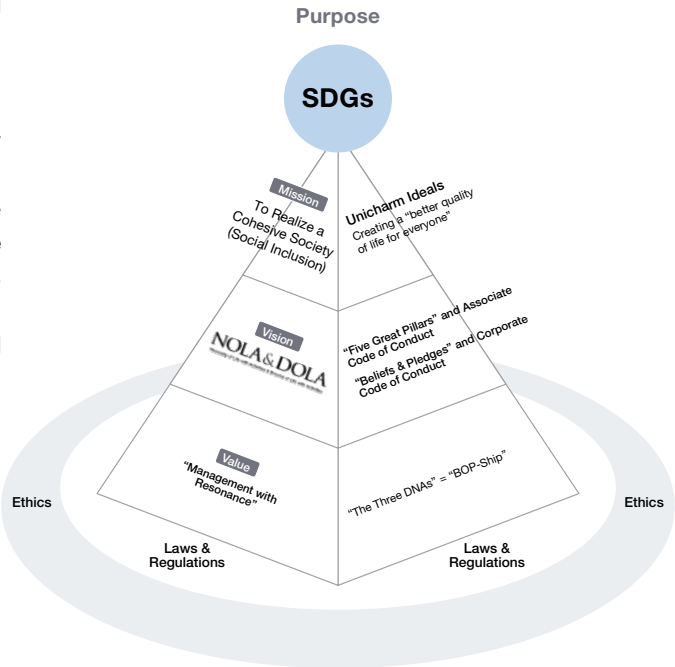
“Value” is the sense of duty and social responsibility that underlies our “Mission” and powers our “Vision,” bringing it all together to serve the common “Purpose.” All Unicharm employees around the world are now pushing forward our standardized management model called “Management with Resonance.”

To understand and promote our “Purpose”, and to clarify how our “Mission,” “Vision,” and “Value” work together to push forward that “Purpose,” this document explains in detail the world we have envisioned in 2030 and describes how we hope to get there, highlighting the key initiatives and targets that we believe will make “Kyo-sei Life Vision 2030” a reality.

We are committed to helping solve environmental and social issues, while providing new value to consumers and communities and assuring steady business growth.

Cohesive Society = Social Inclusion

It is a society in which each person is independent while supporting each other in a way that allows each person to have just the right sense of distance so that, in addition to vulnerable members of society, those who are at a disadvantage either temporarily or for an extended period due to aging, illness, childbirth, menstruation or other factors can spend their lives in the way they so wish regardless of the situation.



The Future We Envision

A society in which everyone can maximize individual potential and live life to its fullest.
A society in which we comfortably coexist,
helping each other while respecting mutual independence.

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

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

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

This is the “kindness” we at Unicharm have always valued.

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

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

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

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

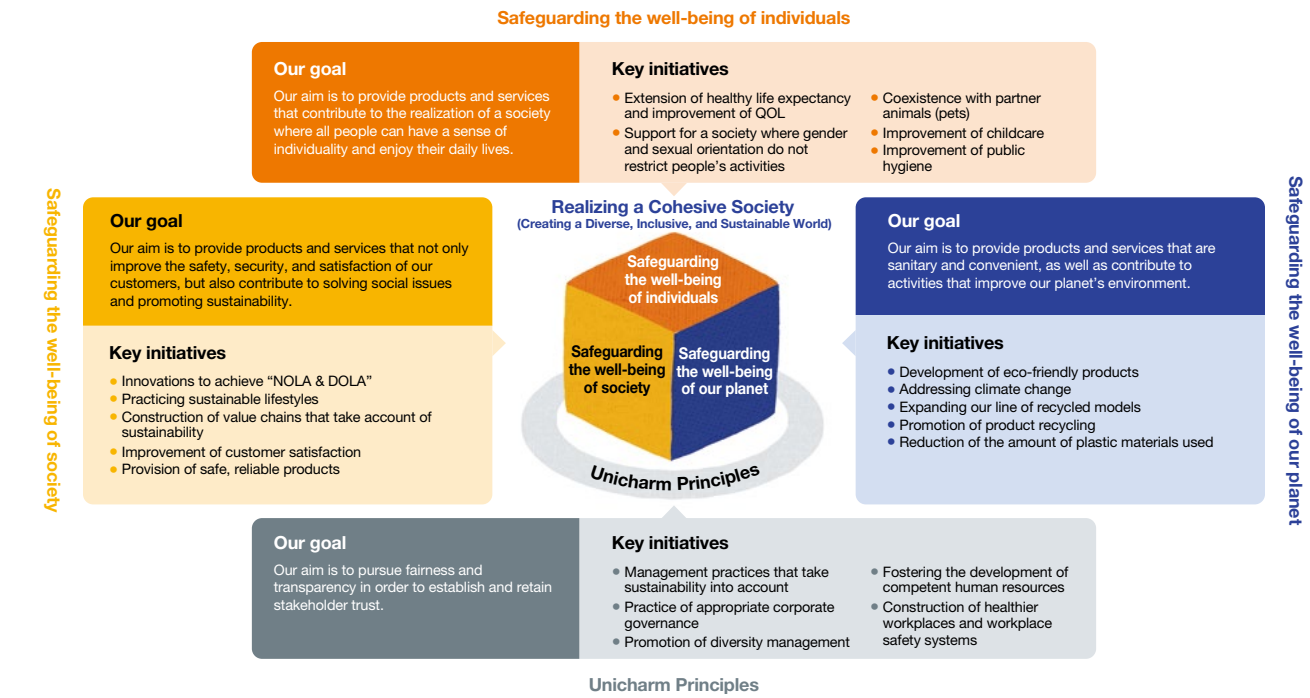
Unicharm continues to conduct business
while championing the freedom of individuals to pursue their own way of life,
based on our corporate philosophy of “NOLA & DOLA.”*

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

* “NOLA & DOLA”: Necessity of Life with Activities & Dreams of Life with Activities
Our corporate philosophy: From Newborn infants to the elderly,
Unicharm aims to provide people with products that offer physical and psychological support
through gentle care so that they may be free of their burdens to fulfill their dreams.

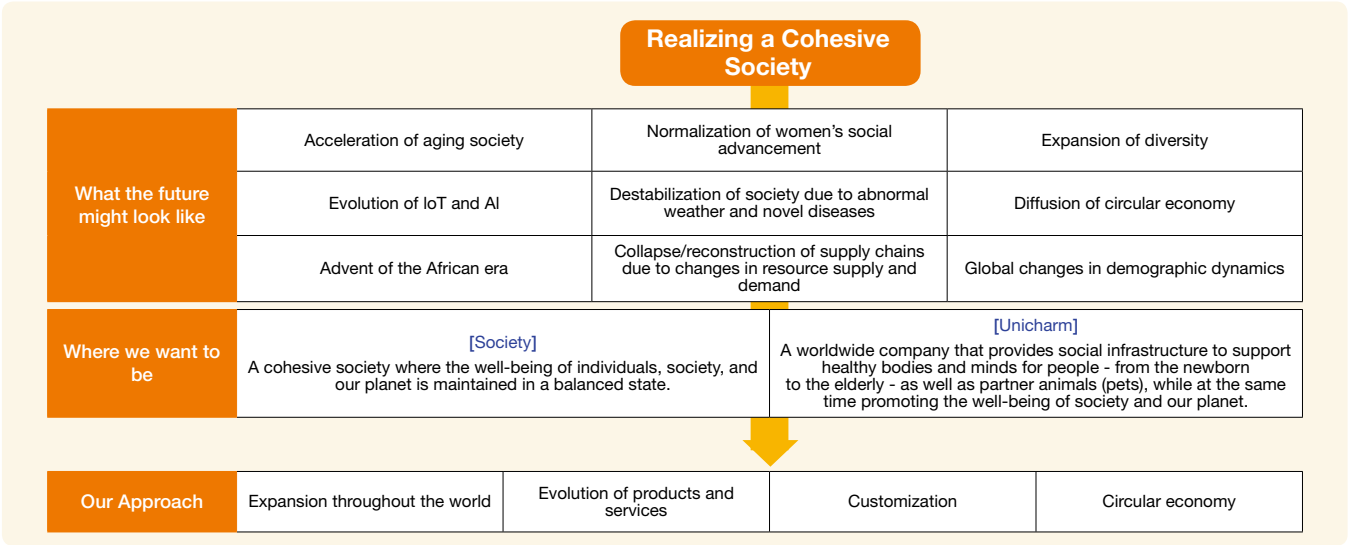
Kyo-sei Life Vision 2030 For a Diverse, Inclusive, and Sustainable World

In order to realize the world we envision, Unicharm upholds the following three commitments based on our corporate principle of fair and transparent management.

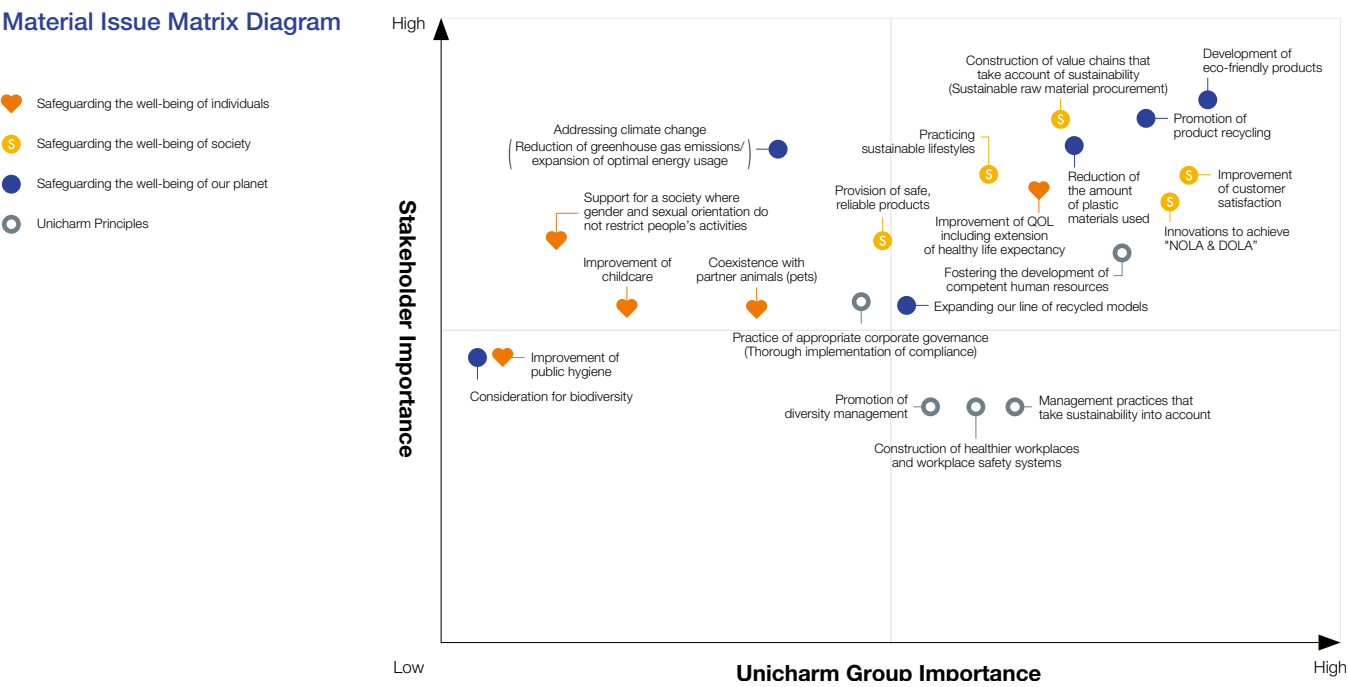
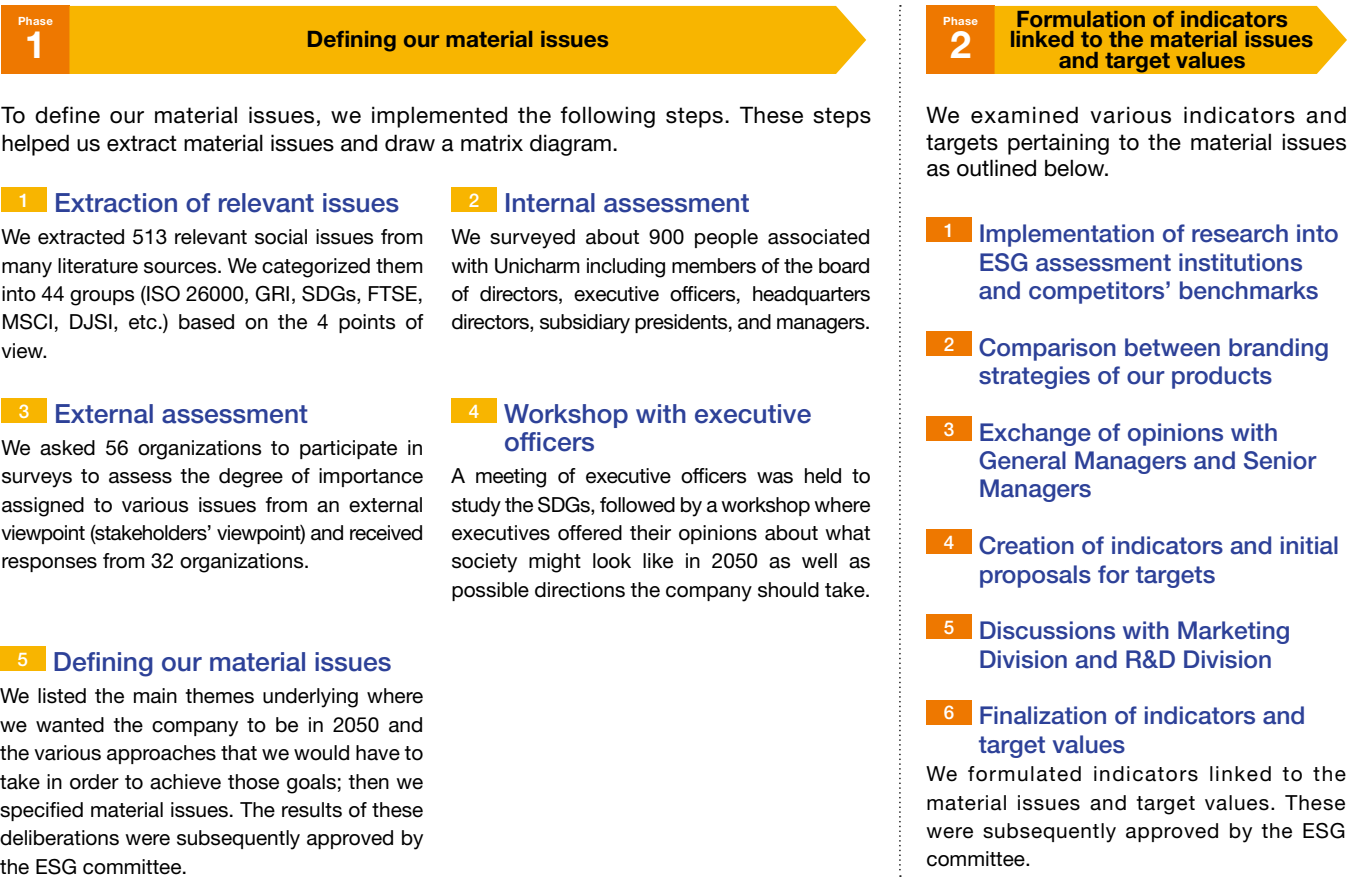


Our Approach to Realize a Cohesive Society by 2050

As described in "Positioning of 'Kyo-sei Life Vision 2030'," our mission is to realize a cohesive society. With the year 2050 set as the target date for bringing such a society into being, we have developed some specific ideas about what that the future could look like and where we as a company want to be at that time. To bridge the gap between where we are today and where we want to be in the future, we have conceived carefully focused approaches that will help us transition to the future.



The Formulation of "Kyo-sei Life Vision 2030"



Unicharm Group Mid-to-Long Term ESG Objectives

Key initiatives, indicators, and target values

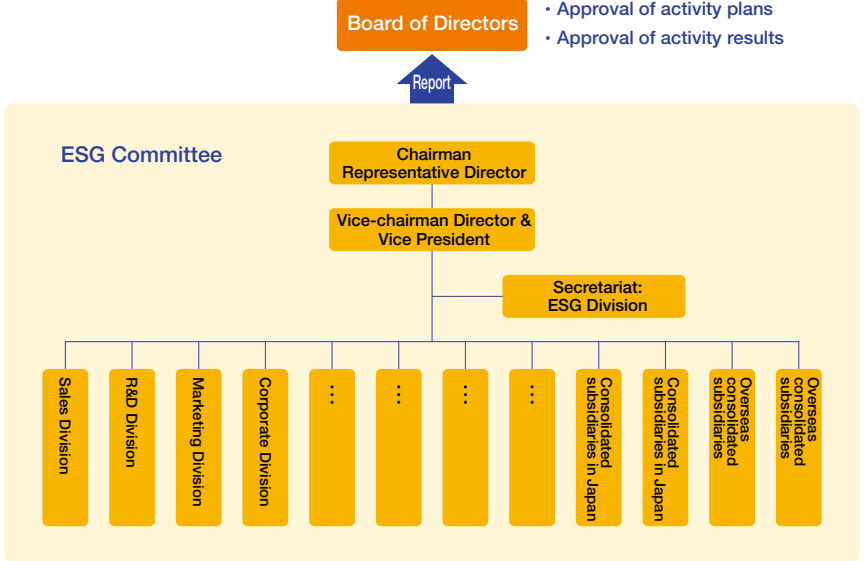
Key initiatives	Indicators	Target value	Target year
Safeguarding the well-being of individuals Our aim is to provide products and services that contribute to the realization of a society where all people can have a sense of individuality and enjoy their daily lives.			
Extension of healthy life expectancy and improvement of QOL	Percentage of products and services that contribute to the realization of a society where everyone can have a sense of individuality.	100%	2030
Support for a society where gender and sexual orientation do not restrict people's activities	Percentage of products and services that contribute to a society where people around the world are free from discrimination by gender or sexual orientation (including products and services that contribute to the elimination of sexual discrimination still present in certain countries and regions).	100%	2030
Coexistence with partner animals (pets)	Percentage of products and services that contribute to the realization of a society where partner animals (pets) are welcomed by family members and community residents.	100%	2030
Improvement of childcare	Percentage of products and services that contribute to the realization of a society where infants and their families can live healthily and happily.	100%	2030
Improvement of public hygiene	Percentage of products and services that contribute to activities which can reduce the spread of preventable infectious diseases (contact transmission or droplet transmission).	100%	2030
Safeguarding the well-being of society Our aim is to provide products and services that not only improve the safety, security, and satisfaction of our customers, but also contribute to solving social issues and promoting sustainability.			
Innovations to achieve "NOLA & DOLA"	Percentage of products and services that contribute to liberation from various burdens and finding enjoyment in life.	100%	2030
Practicing sustainable lifestyles	Percentage of products and services suitable for the "SDGs Theme Guideline," an internal guideline for contributing to sustainability.	50%	2030
Construction of value chains that take account of sustainability	Percentage of products and services that use raw materials procured from local production for local consumption, thereby contributing to local economies based on the perspectives of the environment, society, and human rights.	Double (Compared to 2020)	2030
Improvement of customer satisfaction	Percentage of products and services supported by consumers (No. 1 market share).	50%	2030
Provision of safe, reliable products	Percentage of products to which a new internal guideline for safety and quality has been set and certification has been granted.	100%	2030
Safeguarding the well-being of our planet Our aim is to provide products and services that are sanitary and convenient, as well as contribute to activities that improve our planet's environment.			
Development of eco-friendly products	Number of products and services that implement "3Rs + 2Rs" based on Unicharm's unique approach.	10 or more	2030
Addressing climate change	Percentage of renewable energy used for business operations in total.	100%	2030
Expanding our line of recycled models	Number of disposable paper diaper recycling facilities introduced.	10 or more	2030
Promotion of product recycling	Material recycling of non-woven products using recycling resources.	Start of commercial usage	2030
Reduction of the amount of plastic materials used	Percentage of virgin plastics to total plastics.	Reduced by half (Compared to 2020)	2030
Unicharm Principles Our aim is to pursue fairness and transparency in order to establish and retain stakeholder trust.			
Management practices that take sustainability into account	Maintain and improve ratings by external evaluation agencies.	Highest level	Every year starting from 2026
	Number of serious human rights violations in the value chain.	Zero occurrences	Every year
Practice of appropriate corporate governance	Number of serious compliance violations.	Zero occurrences	Every year
Promotion of diversity management	Percentage of female managers driven by the provision of various opportunities for women.	30% or more	2030
Fostering the development of competent human resources	Percentage of positive answers received for the "Growth through Work" employee awareness survey.	80% or more	2030
Construction of healthier workplaces and workplace safety systems	Reduction in the percentage of employees on leave for mental or physical health reasons by improving the workplace environment so that employees can work with peace of mind and maintain mental and physical health.	Reduced by half (Compared to 2020)	2030

Unicharm Group Mid-to-Long Term ESG Objectives Contributing to SDGs

Key initiatives	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Safeguarding the well-being of individuals																	
Extension of healthy life expectancy and improvement of QOL			●	●				●			●	●	●		●		
Support for a society where gender and sexual orientation do not restrict people's activities	●		●	●	●			●		●	●	●		●			
Coexistence with partner animals (pets)			●	●				●			●	●	●	●			●
Improvement of childcare			●	●	●			●			●	●	●		●		
Improvement of public hygiene			●	●		●					●	●	●		●		
Safeguarding the well-being of society																	
Innovations to achieve "NOLA & DOLA"	●		●						●				●	●	●		
Practicing sustainable lifestyles				●		●	●					●	●	●	●		
Construction of value chains that take account of sustainability	●			●		●	●	●	●	●	●	●	●	●	●		
Improvement of customer satisfaction			●	●								●					
Provision of safe, reliable products			●						●			●					
Safeguarding the well-being of our planet																	
Development of eco-friendly products						●	●		●			●	●	●	●		
Addressing climate change						●	●		●			●	●	●	●		
Expanding our line of recycled models						●	●		●			●	●	●	●		●
Promotion of product recycling						●	●		●			●	●	●	●		
Reduction of the amount of plastic materials used							●		●			●	●	●	●		
Unicharm Principles																	
Management practices that take sustainability into account	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Practice of appropriate corporate governance									●			●				●	
Promotion of diversity management	●			●	●				●		●						
Fostering the development of competent human resources	●		●	●	●				●		●						
Construction of healthier workplaces and workplace safety systems			●	●	●				●		●						

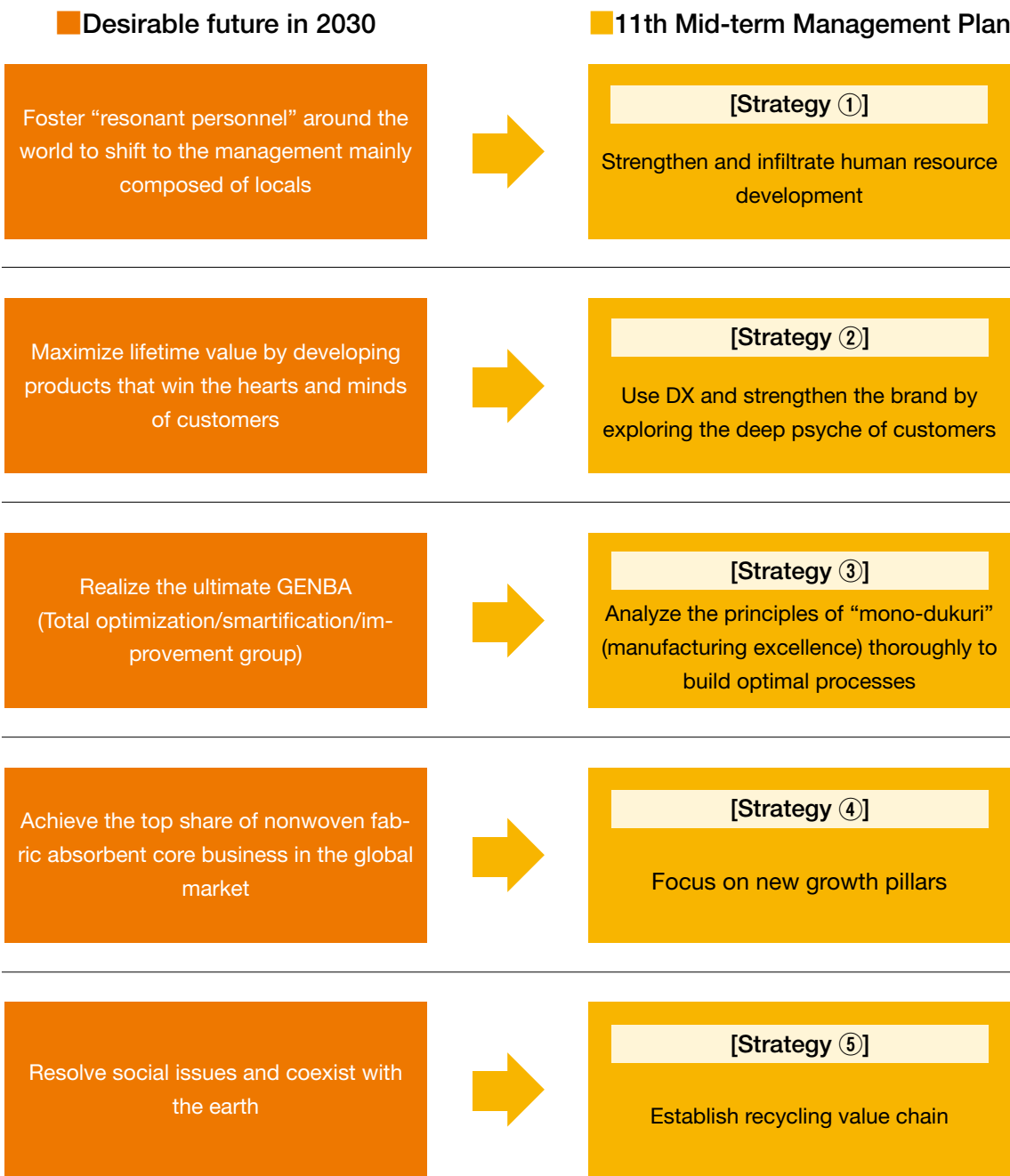
ESG Promotion Structure

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



11th Medium-term Management Plan

Unicharm aims to achieve a prosperous, cohesive society where people all over the world can live in equality and comfort, their unique traits are respected, they support one another with kindness, and everyone's hearts are as one. To this end, we formulated our 11th Medium-term Management Plan for the period from January 1, 2021 to December 31, 2023.



Medium-term Management Plan to support sustained growth

In our 11th Medium-term Management Plan, we have established five strategies that will lead to the realization of our SDGs, which embody Unicharm’s “Purpose.” When formulating our strategy, we came up with ideas for achieving our desirable future in 2030 by working backwards from our goal of earning the No. 1 market share in the world and becoming the non-woven fabric/absorbent material manufacturer that contributes the most globally.

- Strategy ①

Strengthen and infiltrate human resource development
We aim to enhance and spread personnel development around the world. To earn the No. 1 market share in the world and become the non-woven fabric/absorbent material manufacturer that contributes the most globally, the employees responsible for this must be the No. 1 personnel in the world. We also believe that it is important to promote the growth of each and every employee working in every country and region so that local personnel can take the lead in management.
- Strategy ②

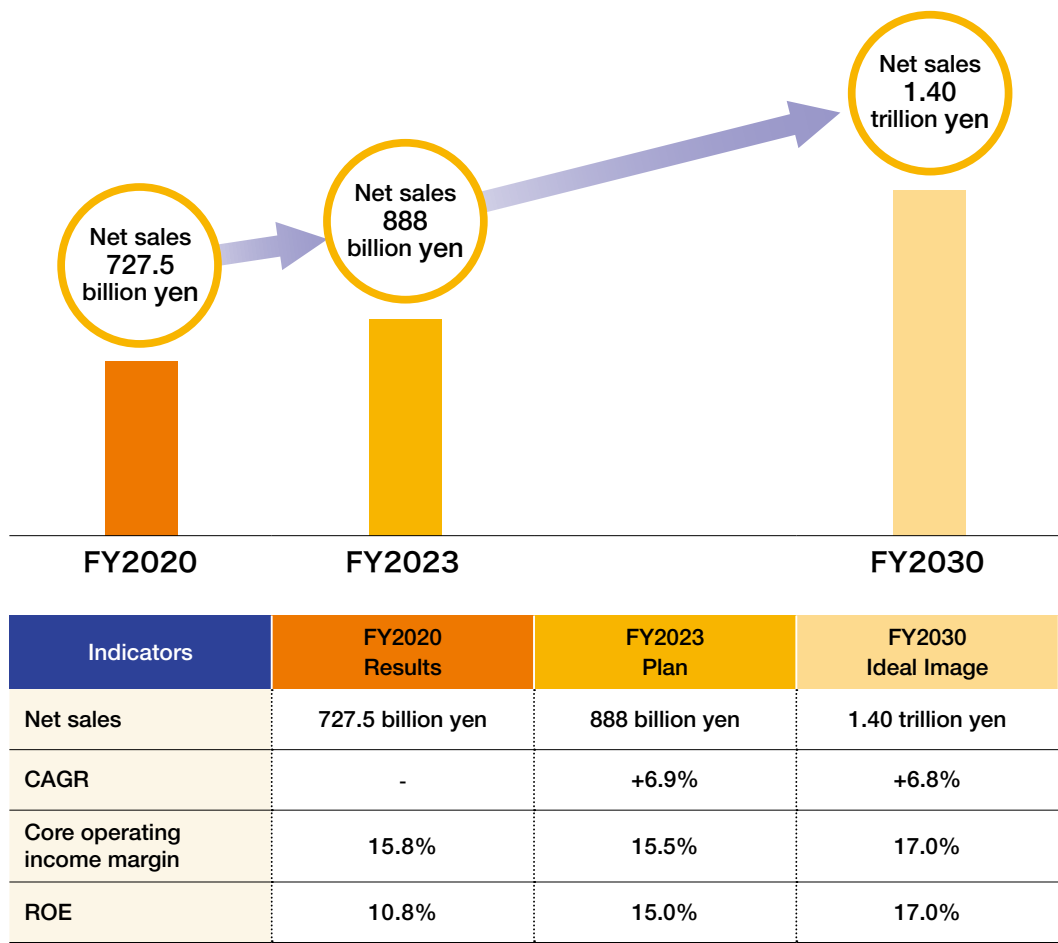
Use DX and strengthen the brand by exploring the deep psyche of customers
We will accelerate the development of products and services that lead to maximizing customer lifetime value. To do this, we will actively utilize digital technology in marketing and product development, which will lead to the development of products and services that reflect an understanding of our customers’ unconscious desires. We also aim to develop new methods of providing value and take the initiative in proposing them. In January 2021, we established the DX Promotion Headquarters to facilitate the rapid enhancement of our data analysis capabilities and develop digital infrastructure.
- Strategy ③

Analyze the principles of “mono-dukuri” (manufacturing excellence) thoroughly to build optimal processes
We will strive to transform our production processes globally and improve the efficiency of our assets. Until now, our supply network has been set up on a local subsidiary basis. We will revise this by building a supply system that puts company-wide optimization first, and we will improve the operation capacity of our equipment. In addition, we will promote the use of smart technology, such as through the automation of on-site work utilizing digital technology, which was preliminarily introduced at our Kyushu Factory.
- Strategy ④

Focus on new growth pillars
We intend to develop new areas such as the African market, which has high growth potential, and expand our wellness care-related products (adult incontinence care products) and animal partner (pet) care businesses in China and Southeast Asia. We will aggressively make upfront investments to accelerate the development of growing markets and segments.
- Strategy ⑤

Establish recycling value chain
With regard to business development, we are aiming for the thorough reduction of our impact on the environment. Last year (2020), we established “Three Zeroes” as our 2050 environmental vision. Specifically, these refer to zero waste plastic, zero CO₂ emissions, and zero deforestation. It is the responsibility of consumer goods manufacturers to promote the reduction of their environmental impact throughout their supply chain, from material procurement to manufacturing, transportation, and disposal after use. In particular, we will actively strengthen our activities toward commercializing the recycling of used disposable diapers.

Unicharm Group's Medium-term Financial Targets



In terms of medium- to long-term financial targets, we have set a sales target of 1,400 billion yen for FY2030. For FY2023, we set a sales target of 888 billion yen, a core operating income margin of 15.5%, and a ROE of 15%. We will lay the foundation for sustainable growth by implementing our five strategies.

We believe that sales growth will be the key to sustainable growth for Unicharm products, and that this in turn will lead to greater contributions to our customers. A CAGR (Compound Annual Growth Rate) of +6.9% is required for us to reach our FY2023 sales target. We are aiming for a CAGR of about +9% overseas and about +4% in Japan.

With regard to profitability, we consider the period covered by the current medium-term management plan as one in which upfront investment in areas such as DX, ESG, new development, growing segments, and more will be proactively promoted, so we will maintain our profitability.

Message from Outside Directors

I became an outside director in fiscal 2019. In order for Unicharm to grow in a sustainable manner by providing solutions to social challenges in realizing a cohesive society, I will continue to actively share my opinion at the Audit and Supervisor Committee and Board of Directors meetings based on my experience in marketing and corporate management.

There are still many opportunities for Unicharm products to become useful in the daily life of more consumers around the world. Since last year, the threat of COVID-19 has impacted previous values and significantly changed the business environment. It is essential that we recognize new challenges and find the solutions, delivering these solutions following the SDGs with a broader and higher perspective. It is excellent that we are already implementing these activities on a regular basis. From the perspective of investors and shareholders, it is gradually becoming a common practice for companies to prioritize their ESG investments. At the same time, the company must strengthen its corporate governance and follow legitimate steps in producing sustained results. Going forward, I will continue to serve my role as an outside director, providing diverse perspectives from an independent and fair position.



Hiroko Wada
Outside Director and Audit and Supervisory Committee Member

As the Managing Director and Senior Partner of Boston Consulting Group in Tokyo, I have engaged in a wide range of discussions with many businesses on topics such as management challenges, vision, strategy and governance.

I believe it is my role to provide advice on challenges essential to Unicharm with consideration for future risks and opportunities, as well as support important decision-making and perform checks from a multifaceted perspective utilizing my experience.

Unicharm has achieved high growth by taking on social challenges with NOLA & DOLA as its corporate philosophy. However, in the era of VUCA, the difficulty of guaranteeing appropriate decision-making and execution with the future in mind is increasing. Additionally, with the spread of social challenges and change in their essence, the roles and responsibilities expected of Unicharm have also significantly increased. I hope to invigorate discussions by the Board of Directors through input as an outside director from a different perspective, mindset, and line of thinking.

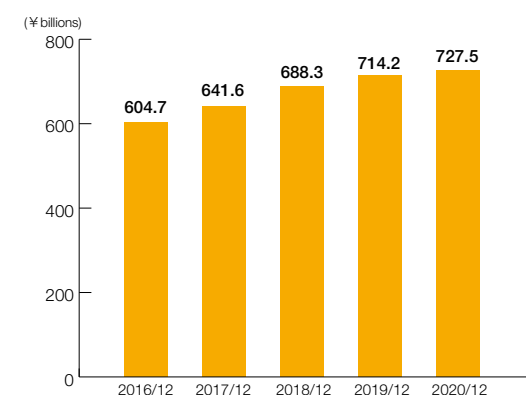
I am fully committed to supporting Unicharm in realizing a cohesive society as stated in its mission.



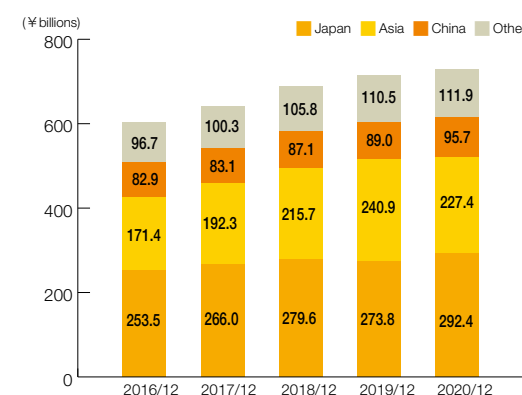
Hiroaki Sugita
Outside Director and Audit and Supervisory Committee Member

Financial Highlights

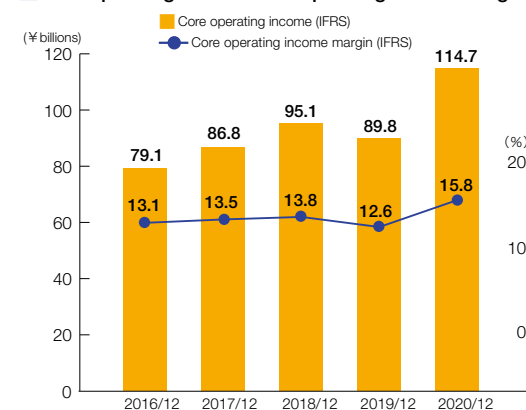
Net sales



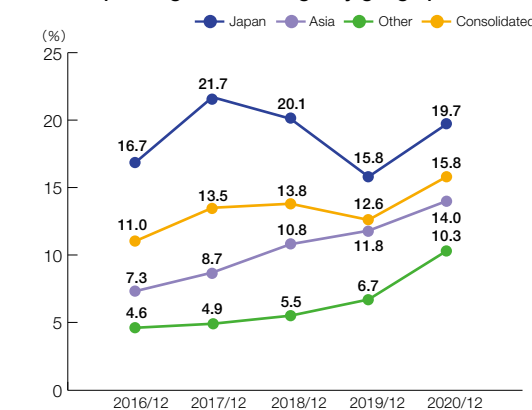
Net sales by geographic area



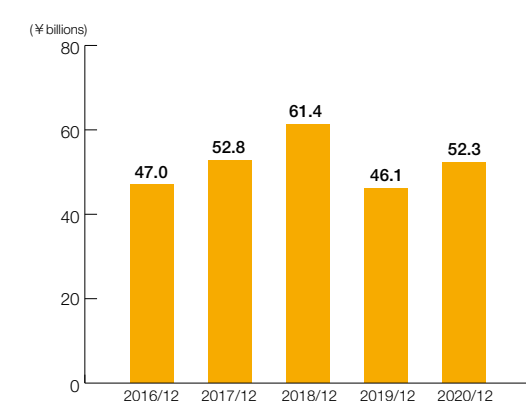
Core operating income/Core operating income margin



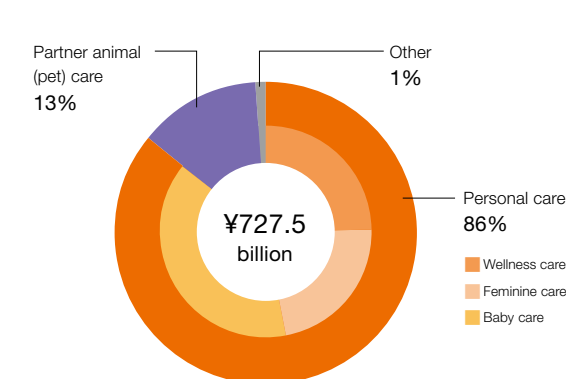
Core operating income margin by geographic area



Profit attributable to owners of parent



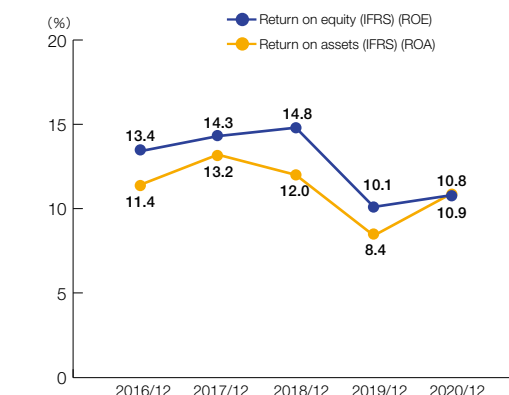
Net sales by business segment



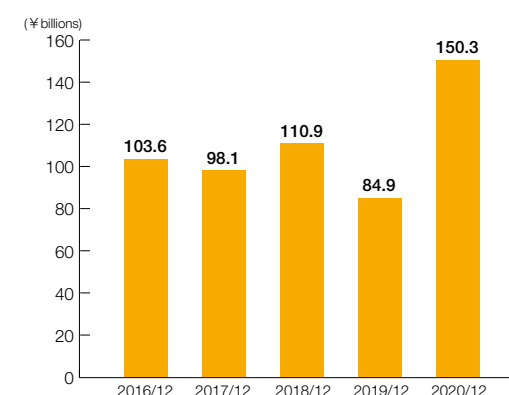
Notes:

1. We have been using International Financial Reporting Standards since fiscal 2017. The figures for fiscal 2016 were prepared based on IFRS as well.
2. Core operating income is gross profit after deducting selling, general and administrative expenses.

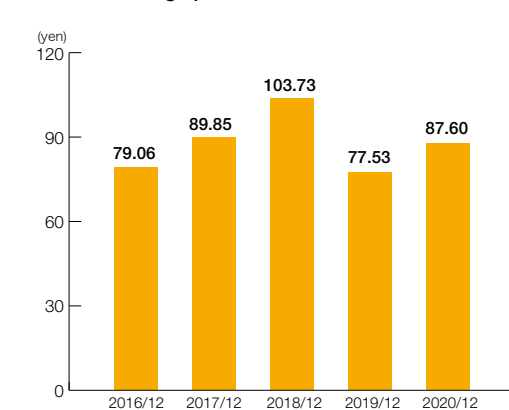
ROE, ROA



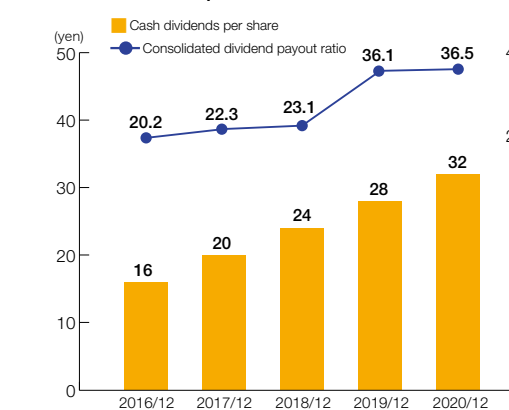
Cash flows from operating activities



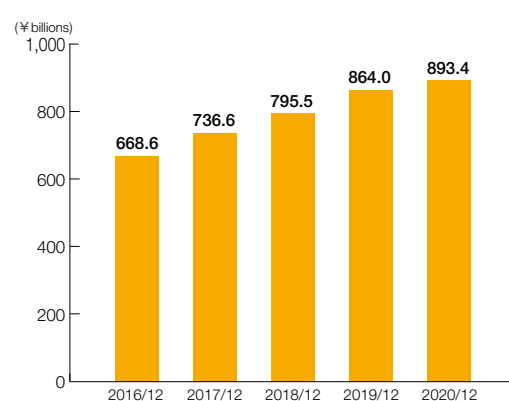
Basic earnings per share



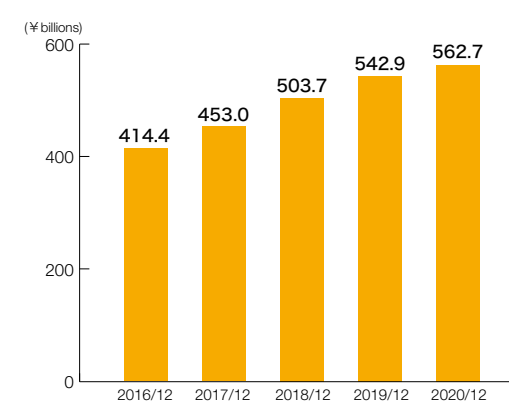
Cash dividends per share/Consolidated dividend payout ratio



Total assets



Shareholders' equity/Total equity



Management Results

In accordance with our basic policy of providing the world's top products and services that bring comfort, excitement, and joy to people around the world, we are committed to developing products that utilize our proprietary processing and molding technology for non-woven materials and capture consumer needs with the aim of realizing a cohesive society where people across generations can live in mutual respect without feeling burden from one another.

Looking back on the situation in fiscal 2020, many of the main overseas countries we operate in were impacted by COVID-19. While the economy in a few countries and regions, including China, recovered from the initial recession, challenging conditions persist in countries such as Indonesia, Thailand, and India. Nonetheless, as our products are daily necessities, we strived as a whole to provide a steady supply. As a result, total sales in our overseas business declined 1.2% but total profit increased 22.9%. Excluding exchange rate fluctuations, sales increased 1.8% and profits rose 25.4%. Moreover, a fire broke out at the Ahmedabad Factory of our subsidiary, Unicharm India Private Ltd., on June 24, 2020,

with a total of 15,929 million yen recorded in other expenses to cover the cost of damages.

In Japan, while the economic situation was difficult due to COVID-19, increased demand for infection control products such as masks and wet wipes led to a 6.8% increase in sales and 32.6% increase in profits.

In addition, core operating income also increased as a result of the falling prices mainly raw materials derived from petroleum source which had seen prices climb in fiscal 2019, and because we made efforts to improve production efficiency both internally and externally, which resulted in a reduced the cost of sales ratio, as well as efforts to rein in any increases in SG&A expenses.

As a result, in fiscal 2020 we recorded net sales of 727,475 million yen (up 1.9% year-on-year), core operating income of 114,744 million yen (up 27.8% year-on-year), income before taxes of 95,849 million yen (up 37.8% year-on-year), net income of 62,580 million yen (up 18.9% year-on-year), and net income attributable to owners of the parent of 52,344 million yen (up 13.5% year-on-year).

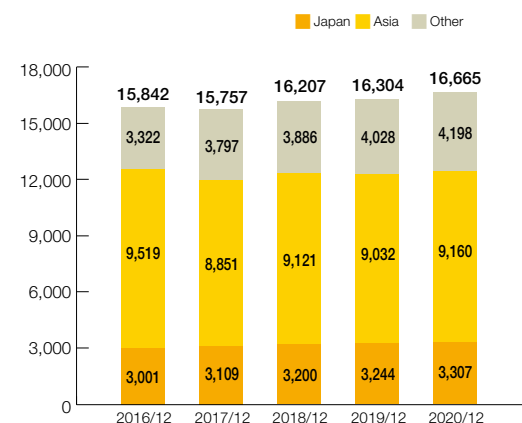
Financial Condition and Cash Flows

As for our financial condition at the end of fiscal 2020, total assets amounted to 893,413 million yen, an increase of 29,410 million yen from the end of the previous fiscal year. The main increase included 70,735 million yen in cash and cash equivalents, and 6,201 million yen in other financial assets such as time deposits with a period of over three months. The main decrease included 25,292 million yen in tangible fixed assets, 9,086 million yen in trade receivables and other receivables, 5,354 million yen in other current assets such as prepaid consumption tax, and 4,156 million yen in intangible assets. Total liabilities amounted to 330,760 million yen, an increase of 9,658 million yen from the end of the previous fiscal year. The main increase included 13419 million yen in other current liabilities such as accrued expenses, and 9,142 million yen in accrued corporate income tax. The main decrease included 4,691 million yen in trade and other payables, 4,689 million in corporate bonds and borrowings, and 3,990 million yen in other financial liabilities such as lease liabilities of 3,990 million yen. Total equity was 562,653 million yen, an increase of 19,752 million yen from the end of the previous fiscal year. The main increase was 52,344 million yen in net income attributable to owners of the parent,

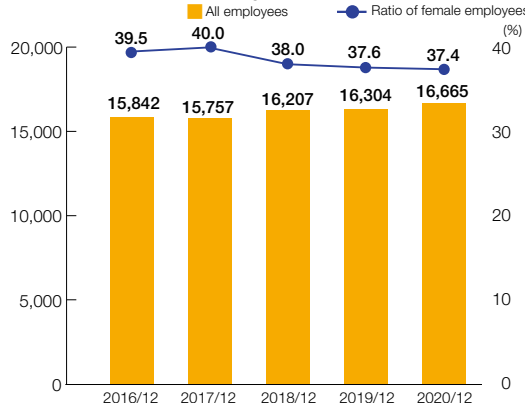
while the main decrease was 17,898 million yen in payment of dividends to the owners of the parent company and 16,709 million yen in other equity components such as foreign exchange conversion differences of overseas business activities. As a result, the equity ratio attributable to owners of the parent increased from 54.8% at the end of the previous fiscal year to 55.2%. In fiscal 2020, operating cash flow served as the main source of revenue, except for some overseas consolidated subsidiaries that obtained external borrowings with the aims of reducing foreign exchange risk. Cash flows from operating activities increased by 150,254 million yen (up 65,318 million yen from the previous year). Cash flows from investing activities decreased by 41,698 million yen due to expenditures for the acquisition of tangible fixed assets and intangible assets (up 27,537 million yen from the previous year). Cash flow from financing activities decreased by 35,239 million yen (down 12,177 million yen from the previous year) due to dividend payments to the owners of the parent. As a result, the year-end balance of cash and cash equivalents at the end of 2020 increased by 70,735 million yen from the end of the previous fiscal year to 199,522 million yen, with the impact of exchange rate fluctuations included.

Non-Financial Highlights

■ Number of employees by geographic area

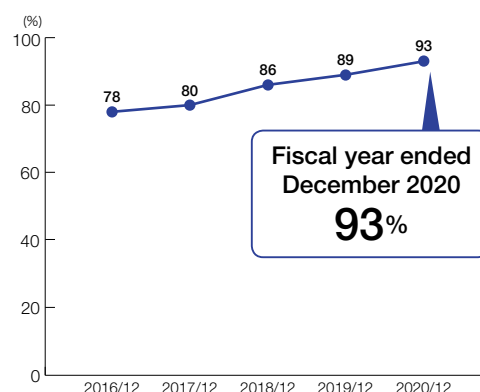


■ Total Unicharm Group employees / Ratio of female employees in Unicharm Group



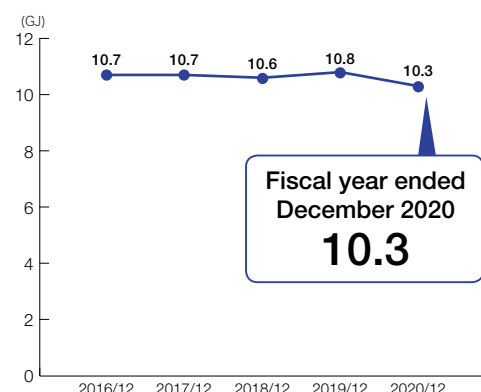
■ Percentage of environmental-friendly products

100% by December 2020



■ Energy consumption

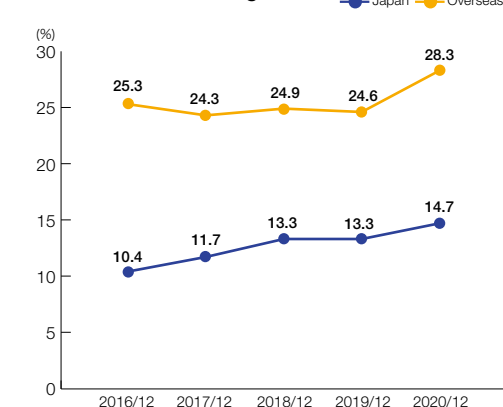
10.5 by December 2020



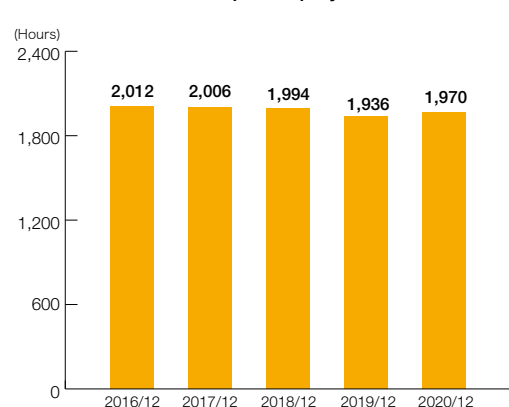
* Change of unit (energy consumption (GJ) / sales (¥ millions))

* We have been using International Financial Reporting Standards since fiscal 2017.
The figures for fiscal 2016 were prepared based on IFRS as well.

■ Ratio of female managers

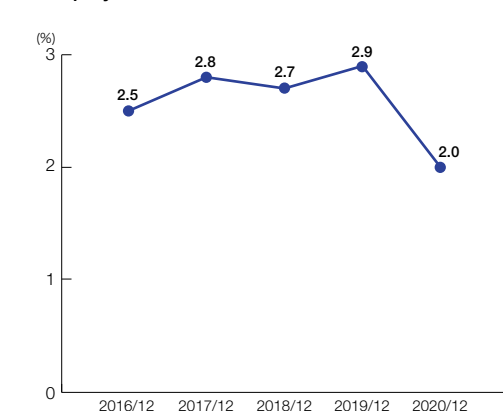


■ Total hours worked per employee



* Employees on the payroll of Unicharm Corp.

■ Employee turnover rate



* Employees turnover rate = Number of terminated employees (except for retirement at mandatory retirement age, death, promotion to board members or transfer within the group) / Number of employees at the end of each fiscal year

* Employees on payroll of Unicharm Corp.

■ Eco Plan 2020

	Implementation items	2015 results	2016 results	2017 results	2018 results	2019 results	2020 targets	2020 results	Judgment
(1) Reduction of waste	■ Recovery technologies for used disposable diapers (Japan)	Established technologies	Starting with local governments	Start testing	Cycle model establishment	Cycle model operation start	Full-scale operations	Installation of actual equipment completed	△
	■ Recycling of product loss (Overseas)	2,000 tons	2,600 tons	2,600 tons	4,300 tons	6,000 tons	4,000 tons	5,700 tons	○
(2) Procurement of sustainable materials	■ Third party certification of paper and pulp suppliers (Japan)	82%	80%	94%	95%	95%	100%	99%	△
	■ Third party certification of paper and pulp suppliers (Overseas)	—	84%	87%	90%	95%	100%	93%	×
	■ Third party certification of palm oil suppliers (Japan)	0%	Start of investigation	Ascertained	2%	31%	100%	86%	×
(3) Measures for climate change	■ Environmentally-Friendly Products (Japan)	72%	78%	80%	86%	89%	100%	93%	×
	■ Products with the Eco Charming label (Japan)	50%	56%	58%	66%	66%	60%	81%	○
	■ Products with the Eco Charming label (Overseas)	0%	Survey	Understanding Completion	Operation Start Delay	Operation Start	Operation Start	Review	—
	■ CO ₂ emissions base unit during manufacturing compared to 2015 (Japan)	Base year	-2.4%	-4%	-6%	-8%	-10%	-10%	○
	■ CO ₂ emissions base unit during manufacturing compared to 2015 (Overseas)	Base year	—	-3%	-6%	-8%	-10%	-10%	○
	■ Collection of overseas site data (compared to sales)	73%	77%	81%	83%	88%	80%	84%	○

(1) In the area of waste reduction, we have extended an additional year in which to fulfill our targets for installation of commercially operable facilities in Shibushi City and Osaki Town, due to the impacts of COVID-19. In this area, we have also been able to convert 5,700 tons/year of product loss generated during the manufacturing stage into cat continence care products. This achievement of our planned goals forms the basis of the evaluation above.

(2) In the area of procurement of sustainable materials, we increased the percentage of sustainable paper and pulp in operations in Japan as compared to 2019 but did not achieve 100%. Neither we managed to meet our goals overseas partly due to the introduction of new materials in certain areas. We vastly increased our sustainable palm oil as compared to last year, but did not achieve 100% resulting in the evaluation above.

(3) In the area of measures toward climate change, production of environmentally-friendly products has increased, yet some products remain limited in terms of the switch to environmentally-friendly specifications and our overall objectives have not yet been met. With regard to the percentage of Eco Charming products, our goal was achieved ahead of schedule within Japan, as of 2018, while we have had to review our systems overseas. The above evaluation is based on our achievement of our target of reducing CO₂ emissions intensity at the manufacturing stage and production locations that have received third-party certification now accounting for 84% of our total sales.

* Products with the Eco Charming label; the products that have been determined to be able to improve product value such as convenience and comfort while reducing the environmental impact, using Unicharm's own standards.

* From 2021 onward, we will advance our "Environmental Targets 2030" and "Kyo-sei Life Vision 2030."

Research & Development

Creating unprecedented “new value”

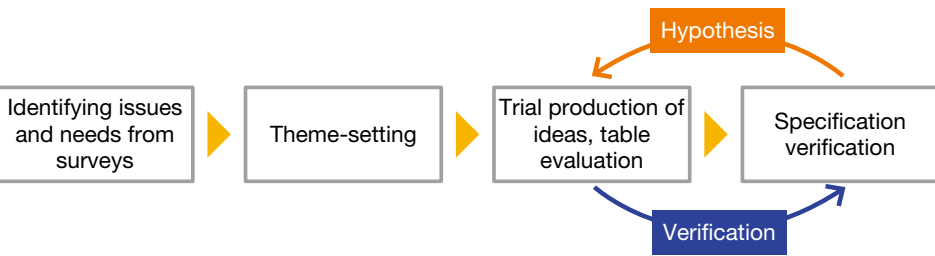
The Unicharm Group R&D activities are primarily carried out at our technical and engineering centers in Kanonji City, Kagawa Prefecture under a philosophy of “maintaining our number one position through continued and dedicated services.” Major overseas subsidiaries also have a “satellite office” with R&D capabilities which aims to meet the needs of each country/region and there is regular coordination with Japan and other satellite offices.

The R&D Division continuously develops and improves on research and processing technologies related to non-woven fabrics, special polymer absorbers and paper and pulp which are the strengths of Unicharm for its product development in order to be the number one choice of consumers in each product category. The division is also working to improve the efficiency by shortening the lead time from development to product launch.

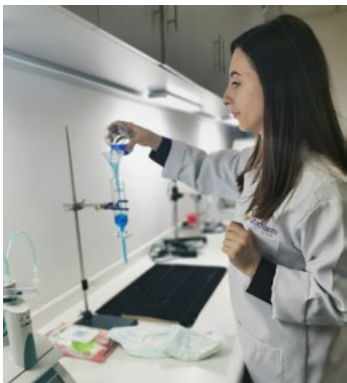
The basic development policy is to “continue creating new value through technology innovation.” Providing products and services such as diapers, sanitary napkins and partner animal (pet) food is by no means a flashy business. However, they are an indispensable part of everyday life for people of all ages from infants to the elderly and their partner animals (pets) worldwide which is why we believe it is necessary to create new “habits” and “common sense” and always provide more than what consumers expect. To this end, it is important that we thoroughly observe the actual conditions and consumption in consumers’ lives, determine the “true needs” that drive them and, not remaining content with the status quo or fearing failure, continue to take on new challenges in a swift way.

As a company that rolls out its business on a global scale, it is very important that we promote the product development based on the characteristics of each country and region. Taking disposable diaper as an example, there are countries such as Japan where diapers are widely used, while in other countries, they are still an upscale product or simply not commonly used. Unicharm aims to create unprecedented new value by developing products tailored to each specific country and region while also achieving both quality and price that all consumers will want to reach out for.

Product development (discovering customer needs and shaping ideas)



Technical Center



A product being developed

R&D that contributes to a sustainable society

In 2019, Unicharm conducted baby diaper research for an improved fitness using “origami (paper craft) engineering” in collaboration with Ichiro Hagiwara, professor emeritus at Meiji University. This research resulted in the development of an absorbent material that molds to the body shape of babies.

Unicharm also worked in collaboration with Akihito Sano, a professor at Nagoya Institute of Technology, to develop diapers that are not only soft against baby skin but are also pleasant to the touch for adults.

At the April 2020 “Society for Affective Science Conference,” we gave a poster presentation entitled “The effects of mother-child interactions during diaper changes on postpartum depression and daily emotions” which noted that a mother’s use of a diaper-changing song during diaper changes created positive feelings that possibly leads to improve postpartum depression. At the “25th Congress of the European Sleep Research Society” held remotely in September 2020, we presented our findings as “Sleep solutions for infants based on sleep-wake rhythms using a smartphone application” which suggested it is important to reduce variance in the timing of sleep for infants in their first two months of life, as they have yet to establish a circadian sleep-wake rhythm.

Based on the results of these R&D activities, we are launching a series of new products and, at the same time, improving and updating the current products.

In overseas markets as well, we are working to improve both quality and functionality, expand product lines and develop the products matched to the needs of each market for its revitalization. In 2020, we developed the world’s first anti-mosquito diaper for infants*1 in Malaysia and Singapore where spread of dengue fever was a concern. The diaper tapes are embedded with “Anti-Mos Microcapsules” that help keep mosquitoes away from babies.

Approximately fifty percent of women in China suffer from menstrual cramps. Of these, some 20 percent of young women in the 15 to 22 age bracket warm their bodies to help relieve menstrual cramps.*2 We therefore launched the “Sofy Hot Dan °C,” a sanitary napkin with a lengthened front and warming function that soundly covers the lower abdomen where menstrual pain most likely occurs.

Unicharm also engages in business activities that balance global environment protection and economic growth with the aim of contributing to a sustainable society. As part of these efforts, in 2015, we began a research project to recycle used disposable diapers. We constructed a system to separate pulp from used diapers then sterilize it by using a unique ozone treatment technology. The pulp is hygienic and can be reused for sanitary goods and, in fact, we used it successfully to manufacture prototypes such as diapers. In 2019, we established the “Recycling Business Preparatory Office” within the CSR Division (currently the ESG Division) and are strengthening the R&D activities with the aim of commercializing this project. Additionally, we are working to develop partner animal (pet) care products according to the characteristics of each animal such as age and physique in line with our basic philosophy of “supporting the healthy and happy lives of partner animals (pets) throughout their lives.” In 2020, we developed and launched the “Deo-Toilet Home Urine Check Kit” for cats, a home urine check device that allows owners to easily manage the physical condition of a cat susceptible to urinary diseases.

▶ See P.55 “Key Topics: Safeguarding the Well-being of Our Planet > Initiatives aimed at promoting the recycling of disposable diapers”

▶ See P.50 “Key Topics: Safeguarding the Well-being of Individuals > For coexistence with partner animals (pets)”



Thermal sensing shape



“Sofy Hot Dan °C”



“Deo-Toilet Home Urine Check Kit”

*1 A structure in which microcapsules containing fragrance are coated on the tape section, both crushed and non-crushed. Covering all disposable baby diapers offered by major global brands (Based on a February 2020 survey conducted by Unicharm)

*2 Based on Unicharm survey results.

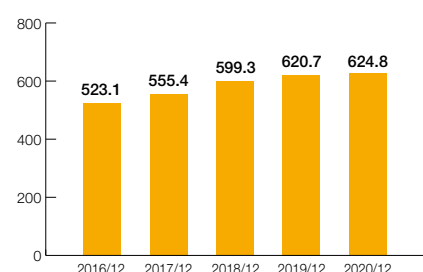
Personal Care Business

In Japan, due to the growing awareness about coronavirus (hereinafter COVID-19) infection measures, we have continued to achieve increased sales and profits primarily through high growth in our “Cho-kaiteki” and “Cho-rittai” mask brands and our super three-dimensional* brand masks and the “Silcot Wet Tissues” series.

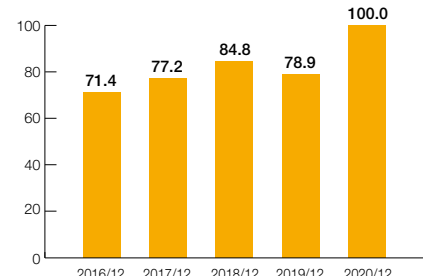
In Asia, sales decreased but profits increased due to the impact of COVID-19, which resulted in a market contraction due to lockdowns in India, Indonesia, Thailand, and other regions, as well as a supply shortage due to a factory fire in western India.

As a result, consolidated sales and profits increased, and the core operating profit for our personal care business improved by 3.3 points to 16.0% due to the increased weight of feminine care products in the Chinese market, where premium products continue a strong showing, and high-gross-profit products such as masks and wet wipes, as well as cost improvements.

■ Net sales (Unit: 100 million yen)



■ Core operating income (Unit: 100 million yen)



* We have been using International Financial Reporting Standards since FY2017. The figures for FY2016 were created based on IFRS standards as well.

■ SWOT Analysis

Strengths

- Leading position in Asia market
- Nonwoven fabric and absorbent material processing and molding technologies
- Product range targeting a wide range of users, from babies and the elderly to partner animal (pet) owners
- Product development capabilities that anticipate consumer needs
- Rapid strategy implementation
- Overseas business development capabilities
- Geographical risk hedging with operations in a broad range of regions, from emerging markets to developed economies
- Industry-leading patent application and registration rates

Weakness

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

Opportunities

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

Threats

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

Wellness care products

Since April 1, 2020, our health care-related products and clean & fresh-related products have been combined into the “wellness care-related products” category. As population aging accelerates, particularly in Japan and Asia, this is part of our effort to aim for the realization of a society oriented toward enriched and healthy lives (a cohesive society) not simply from the conventional perspective of the elderly, but also from the perspective of allowing people to lead happier and more fulfilling lives.

Basic business strategy

[Japan]

Backed by scientific research, we will provide products and services that empower women, allowing them to lead normal, comfortable lives without physical and mental barriers. Our goal is to help make everyday life more productive and comfortable by offering products in tune with changing living environments and lifestyles.

[Asia]

In Asia, where demand for adult incontinence care products is growing, we are introducing our Japanese care model to reduce the burden on people being cared for and their cares. Amid growing demand for home care products, spurred by rising incomes, we will move into new markets and help create more hygienic environments.

[Japan]

Expanding markets through products that extend healthy-life expectancy and support comfortable lives with peace of mind

While people are refraining from going out due to heightened awareness of COVID-19 infection measures, we have continued to achieve stable growth through an expansion of our product lineup. This includes launching products that feature a new concept suitable for ADL (Activities of Daily Living), with a focus on mild and moderate incontinence care products that lead to extended healthy life expectancy. Unicharm has been a leader in the adoption of adult incontinence-care products ever since making its full-scale entry into the adult disposable diaper market in 1987. Our efforts to develop products and create markets that meet consumer needs for both mild and moderate incontinence have resulted in a dominant in-store share of 60%.

In the mild incontinence category, we offer a range of products to dispel concerns about urinary incontinence, such as a new product that feels more natural and comfortable thanks to the use of natural organic cotton, as well as a wider selection of products for men that are specially designed to be discreet and prevent staining. To encourage even more widespread adoption of urinary incontinence products, we are working with retail stores to create sales areas that make it easier for shoppers to select the right products. We also offer advice about how best to use our products.

In the moderate to severe category, our aim is to help seniors maintain and regain their ability to perform daily tasks and control their incontinence. To accomplish this, we launched a pants-type incontinence product that utilizes patented technology on both sides to make the diaper easy to take off, as well as a product with a fit that supports the pelvis, which props up the trunk of the body, and makes it easier to walk, among other products. These types of products ease the burden on those receiving care as well as their caregivers and help to extend healthy life expectancy.

In addition, depending on the living environment and the wearer's physical condition, we have proposed combinations of outerwear (attached to the exterior; includes the pants-type and tape-type) and innerwear (pads attached to the interior of the outerwear, etc.) that are economical and reduce the burden on the environment.

Additionally, we are actively addressing the issue of handling used disposable diapers, which have proliferated due to the spread of adult disposable diapers and the increase in users due to the aging of the population. We are conducting demonstration trials for our own recycling equipment using ozone with Shibushi City and Osaki Town in Kagoshima Prefecture.

Through our “Cho-kaiteki” and “Cho-rittai” mask brands, which protect our health and support safe and comfortable lifestyles, as well as our “Silcot” brand of wet wipes known for the slogan “Open with one hand, immediately clean”, and our “Wave” brand of cleaning products based on the concept of “enough to clean your entire home on its own,” among others, we strive to make everyone's lives more comfortable.

In addition to the increased consciousness of infection measures due to the COVID-19 epidemic, we have worked to increase supplies of our “Cho-kaiteki” and “Cho-rittai” mask brands and our “Silcot” brand of wet wipes amid the rising demand for products made in Japan due to the safety and peace of mind they offer. In the future, it is expected that awareness of hygiene and infection measures will increase not only in Japan, but also around the world, so we will look to expand overseas and take other steps to meet this increasing demand.

Moreover, our “Silcot Sponge Touch Moisturizing Cotton (Uruuru Cotton),” which boasts impressive moisture using half the liquid^{*1}, won the @cosme “The Best Cosmetics Awards” for three consecutive years^{*2}, and it has been inducted into the Hall of Fame. Through

*1 Compared to existing products

*2 @cosme The Best Cosmetics Awards, Best Beauty Goods 2016 and 2017: 1st Place; inducted into the @cosme The Best Cosmetics Awards 2018 Hall of Fame



these and other efforts, we have worked to revitalize the diversifying cosmetic cotton market. We are also working to reduce fresh food loss through products such as our “CookUp” cooking paper, which can be used for a wide range of purposes from cooking preparation, cooking, and storage to cleaning, and “Fresh Master,” which absorbs only excess water and prevents discoloration and loss of freshness by allowing air to penetrate.

[China and Southeast Asia]

Accelerating business growth through proactive investment of management resources

In Asia, including China, where the population is aging faster than in Japan, large-scale demand for adult incontinence care products is expected, so we are making efforts to promote the spread of the care model established in Japan.

In China, which is a more promising growth market than Japan, we are working to drive uptake of adult incontinence care products by launching products designed to meet the needs of local consumers and by investing heavily in marketing. The high-growth markets of Thailand, Vietnam, Indonesia, Taiwan-Greater China and other countries in Southeast Asia are all facing the issue of an aging population, which is set to spur demand for adult incontinence care products.

In September 2018, with the aim of further accelerating our global reach and achieving dramatic growth, we acquired shares of DSG (Cayman) Limited (hereinafter “DSGCL”), which manufactures and sells baby diapers and adult diapers with bases in Thailand, Malaysia, Indonesia, and Singapore.

DSGCL owns the “Certainty” brand of adult incontinence care products and has a strong market share and high name recognition in Southeast Asia. In addition to accelerating the spread of the “Certainty” brand throughout Thailand and Malaysia, we are working to reduce costs by expanding its product lineup, strengthening its market position, and integrating operations, such as logistics functions. We aim to continue accelerating business growth by actively investing management resources in the growth markets of China and Southeast Asia.

In addition, due to the impact of COVID-19, consumers are becoming more conscious of infection measures, and demand for masks is becoming more apparent throughout Asia and the Middle East. We will quickly adapt to these changes and enhance manufacturing and sales to contribute to the achievement of healthy lives for our consumers.



Feminine care products

Basic business strategy

[Japan]

Backed by scientific research, we will provide products and services that empower women, allowing them to lead normal, comfortable lives without physical and mental barriers.

[Asia]

Demand for feminine care products is growing in Asia on the back of rising incomes. In response, we will launch products designed for local needs and provide information about periods to help women play a more active role in society and support the region's economic development.

◆Regions with low market uptake rates for feminine care products

We will launch feminine care products designed for local needs and expand sales areas, as well as provide ongoing education programs about first periods to help women secure job opportunities and take a more active role in society.

◆Regions with high market uptake rates for feminine care products

We will launch high value-added products designed for local needs and build sales channels to make our products more accessible, aiming to make periods easier for women.

[China]

Nurturing brands by developing innovative high-value-added products that target young people

We continue to receive robust support from young people because of the high quality and cute designs. We have the No. 2 market share, which is about 20%, and sales are continuing double-digit growth, which far exceeds the growth rate of the entire market. We achieve this high growth and play a leading role among Chinese businesses by cultivating key areas through the development of innovative products, such as shorts-type napkins and new products that focus on period pain; expanding the number of stores offering them; and strengthening sales through e-commerce channels. We aim to maintain our high growth and improve profitability by continuing to enhance the development of high-value-added products.



[Indonesia]

Increasing our market share through the continuous introduction of high-value-added products

While markets are expected to contract due to lockdowns implemented in some regions as a result of COVID-19, our market share is increasing due to the development of high-value-added products, such as cooling product segment and night-use napkins that meet consumer needs. Our share has risen to an all-time high of about 44% and remains in the No. 1 spot. In addition, the average unit price increased by about 7%. We will continue to develop high-value-added products with the goal of gaining market share and improving profitability.



[Thailand]

Maintaining our No. 1 market share by developing products that meet consumer needs

Markets have shrunk due to the effects of lockdowns in some regions as a result of COVID-19. Amid consumers' heightened consciousness of affordability, we have developed high-value-added products and maintained a dominant No. 1 market share of about 58%. We will continue to aim to maintain high profitability by developing products that meet consumer needs and making effective marketing investments.



[Vietnam]

Increased market share due to aggressive rollout of high-value-added products

As the recovery from the impact of COVID-19 becomes apparent, sales growth has exceeded the growth rate of the entire market through the aggressive rollout of cooling products that offer a refreshing sensation and revamped products with enhanced absorption functions. This has enabled us to maintain a dominant No. 1 market share, with an all-time high of about 54%. We will continue to pursue high growth and improved profits by continuing to develop high value-added products.

[India]

Opportunity loss occurs due to increased awareness rate of feminine care products

In India, we have been offering menarche education since 2013. Through this initiative, we have promoted an understanding of feminine care products and raised the awareness rate of our “Sofy” brand while providing accurate knowledge about the mechanisms of menstruation and feminine care products. Despite steady efforts such as this initiative, the impact of COVID-19 has caused lockdowns in some regions, resulting in shrinking markets and other effects. In addition, a supply shortage occurred due to a factory fire in the western part of India in June 2020. We are working to restart and promote these outreach activities supply by restarting the northern factory, which is scheduled to begin operations in the second half of 2021, importing from neighboring countries, and increasing production at existing factories.

[Japan]

Maintaining our No. 1 market share in products and services to free women from psychological restraints

While the market is maturing due to the decrease in the menstruation-aged population, our market share continues to remain No. 1 at approximately 49% due to the development of high-value-added products that are compatible with the diversifying lifestyles of women. We have maintained high profitability. While the number of products used has dropped due to the decrease in opportunities for consumers to go outside owing to COVID-19, in response to growing consciousness about health and safety, we have released a new product that is equipped with the latest fitting technology that makes use of organic cotton and original non-woven fabric technology. In addition, we have worked to provide information that addresses the psychological worries women have and improve our services through efforts such as Sofy’s “#NoBagForMe” project, which aims for a society where one can talk about menstruation and feminine care products without hesitation, and offering the menstruation-period management app “Sofy Girl”, which allows children who have had their first period to manage their menstrual days on their own while allowing mothers to grasp the menstrual cycle of their children, for free.



Baby care products

Basic business strategy

[Japan]

As Japan's diaper market matures and the birthrate declines, we will continue to offer innovative value proposals and raise awareness about hygiene and comfort issues, aiming to make childcare easier and more enjoyable.

[Asia]

Amid growing demand for disposable baby diapers, which is being spurred by rising incomes, we will play our part in creating healthy, hygienic environments for raising children by launching products tailored to local needs.

- ◆Regions with high market uptake rates for disposable diapers
We will roll out high value-added products already sold in Japan to help make life more comfortable and reduce the burden of raising children.
- ◆Regions with low market uptake rates for disposable diapers
We will expand our sales areas, mainly for economy-type products that offer a good balance between quality and price, aiming to improve hygiene conditions and reduce the burden of raising children.

[Japan]

Supporting childcare through innovative, high-value-added products and services that ease the burden of childcare

In the Japan market, which continues to mature and where opportunities to go outside have decreased due to COVID-19, Unicharm has maintained its No. 1 market share by striving to improve its brand value through a wide-ranging product lineup featuring high-value-added products that allows for a childcare experience filled with joy.

The “moony” and “Natural moony” brands, which strive for safety and comfort, apply “origami engineering” and mechanics to their design, which allows anyone to put them on well regardless of their experience with childcare, which helps to reduce the stress of caring for children.

In the “MamyPoko Pants” brand, which provides an excellent balance between price and functionality, uses the “Doraemon” character, which is very popular with children, in its illustrations to enhance the design variations.

Unicharm is also working to ease the burden of childcare for the increasing number of double-income households. The “moony-chan Toilet Training App” is offered for free through subcategory brands such as “Torepanman” and “Oyasumiman.” This app helps children form habits that make them want to use the bathroom. Through toilet training, it fosters children’s independence and confidence to take on various challenges and lends support during an important development periods for encouraging trusting relationships.

Additionally, our flat-rate disposable baby diaper service aimed at nursery schools is working to reduce the burden on parents and child-care workers and the risk of COVID-19 infection, as well as support parents-to-be. We are continuing to make new proposals that contribute to health and safety, such as holding an “(Online) moony-chan Class” on moony’s official Instagram.



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[Indonesia]

Market share recovered thanks to development of high-performance products

While COVID-19 caused the market to shrink due to lockdowns in some regions, our market share recovered to about 46% through the expansion of new sales channels with revamped products featuring enhanced product functions. We have maintained our No. 1 spot. We will continue to work toward further expanding our market share by developing products that support a wide range of customers, from economical products to standard and premium products.

[Thailand]

Maintaining our No. 1 market share by developing products that meet consumer needs

COVID-19 has exacerbated the trend toward bipolarization between high-value-added products and products that emphasize economical pricing. By taking advantage of our synergy with DSG (Cayman) Ltd., which we acquired in September 2018, and developing both the “MamyPoko” brand with high product strength and the affordable “Baby Love” brand, we responded to a broad range of consumer needs and increased our market share to about 90%. We have maintained our dominant No. 1 spot. Our goal is to maintain steady growth by offering new value proposals and harnessing our synergy with DSG.

[China]

Improving profitability by developing products that satisfy diversifying consumer needs

In China, where the number of births is declining, competition is intensifying due to the rise of local manufacturers, and demand for Japan-made products is declining, we are striving to stabilize our business performance by strengthening sales of the China-made “moony” brand, which offers high-value-added products, with a focus on e-commerce channels. We improved profitability by developing products that meet diversifying consumer needs, such as by launching the highest-ranked premium baby diapers in the history of the Younijia brand, which includes “sheets containing pearl essence” and “gold-plated stamps.” We will continue to pursue product development that takes into account signs of changes in customer values, with an eye toward stabilizing business performance.

[India]

Pants-type disposable baby diapers cause lost opportunities as sales area expands

Since entering the India market in 2008 with pants-type disposable baby diapers, one of Unicharm’s strengths, we have steadily expanded sales areas, which has supported double-digit growth and outpaced the growth potential of the market. However, the market has shrunk due to the effects of lockdowns in some regions on account of COVID-19. In addition, a supply shortage occurred due to a factory fire in the western part of India in June 2020. We are working on imports from neighboring countries and increasing production at existing factories. India has a low penetration rate of disposable diapers even among emerging countries, and the demand for pants-type diapers is high, so we will further increase the supply volume by opening our northern factory for production in the latter half of 2021. By promoting the spread of pant-type diapers, we aim to achieve stable high growth and improved profitability.



[Vietnam]

Expanding market share by developing high-performance products

As a result of our efforts to promote the spread of disposable pants-type baby diapers, which are one of our strengths, the weight of pants-type diapers in the market has risen to about 73%. With the recovery from COVID-19 gaining steam, our market share has increased to about 40% and continues to be No. 1 thanks to our revamped products featuring enhanced functionality.

We will continue to strengthen the development of value-added products that reflect a better understanding of local consumers and strive to grow our business while making efforts to differentiate our products from our competitors.

[Saudi Arabia]

Continued growth both in Japan and in exports to neighboring Middle Eastern countries, maintaining our No. 1 market share

In the Middle East, where there continues to be political instability, our sales in Saudi Arabia are strong, and our market share remains No. 1 at about 48%. Our local business is also increasing exports to neighboring countries. Cultural and religious factors mean women in Saudi Arabia face many restrictions, including in workplaces. Unicharm is helping local women to become more independent by offering job opportunities, while also respecting local cultural norms. Those efforts are also improving Unicharm’s brand image in Saudi Arabia, contributing to strong growth.

[Brazil]

Becoming profitable for the first time by promoting the spread of pants-type disposable baby diapers and expanding the sales area

In Brazil, where disposable diapers are used until a relatively late age, we have made active efforts to promote the functionality of our pants-type products, our company’s strength, and expand our sales area since our entry into the market in 2014. Sales have continued to grow at a high rate of over 20% due to efficient investments in sales promotions for pants-type diapers, and we have become profitable for the first time since the company’s founding.



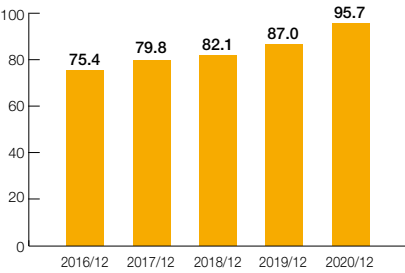
Partner Animal (Pet) Care Business

In Japan, the number of partner animals (pets) being raised and opportunities for interaction with partner animals (pets) have increased due to the impact of COVID-19. We have achieved high growth, particularly in the areas of cat food and cat toiletries, which has led to increases both in sales and profits.

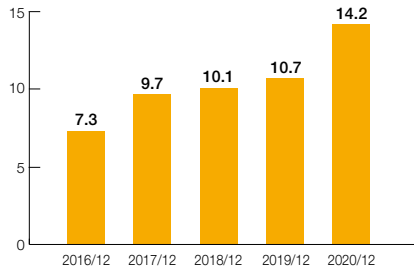
In North America, where the market was revitalized just like the Japanese market, the increase in the weight of high-gross-profit products, such as wet snacks for cats made with Japanese technology, resulted in higher sales and profits.

As a result, consolidated sales and profits increased, and the core operating income for our partner animal (pet) care business improved by 2.5 points to 14.8%.

■ Net sales (Unit: 100 million yen)



■ Core operating income (Unit: 100 million yen)



* We have been using International Financial Reporting Standards since FY2017. The figures for FY2016 were created based on IFRS standards as well.

■ SWOT Analysis

Strengths • Nonwoven fabric and absorbent material processing and molding technologies • Broad range of products from partner animal (pet) food to pet toiletries • Product development capabilities that anticipate consumer needs • Rapid strategy implementation • Overseas business development capabilities	Weakness • Responsibility for resource depletion (Disposable products) • High ratio of materials derived from crude oil • Lack of personnel skilled in digital technologies
Opportunities • Growth in number of partner animals (pets) due to rising income levels in emerging countries • Rising demand for safe products that offer peace of mind, and demand for high value-added products • More people seeking comfort from partner animals (pets) • Rising demand for pet toiletries due to growing trend of raising partner animals (pets) indoor	Threats • Overseas business risk and forex risk • Risks related to the reliability of products • Risks related to intellectual property including patents and trademarks • Risk related to environmental problems • Risk of market entrants from other sectors

share in the domestic partner animal (pet) food and toiletries market.

With regard to partner animal (pet) food, we launched a new cat food brand, “AllWell,” in response to growing health consciousness, and for dogs, we launched new products that are suitable for the physical characteristics and age of various breeds. Additionally, we have worked to propose a new style of communication called “Oyatsu exercINU (dog)” using the “Grande Deli” snack series, which addresses the lack of exercise and mood changes in pet dogs. Through these efforts, we have striven to improve consumer satisfaction and expand the market.

With regard to partner animal (pet) toiletry products, sales of dog seats and cat toilets such as “Deotoilet,” which harness the non-woven fabric and absorbent material processing and molding technologies we have developed since Unicharm’s earliest days, have remained steady. We have achieved steady growth by providing a hygienic environment where owners and partner animals (pets) can pass the time in a hygienic fashion anytime, anywhere, such as by launching a new cat diaper product under our “Manner Wear” partner animal (pet) disposable diaper brand.

Going forward, we will continue to use technologies developed since Unicharm’s earliest days to improve our products and services to allow customers to live happily with their partner animals (pets) and extend their healthy lives.

[North America]

Creating new markets and targeting business expansion with products incorporating Japanese technology

Since acquiring The Hartz Mountain Corporation in 2011, Unicharm has achieved stable growth in the U.S. by launching products that incorporate technologies developed since its earliest days. Due to our focus on sales of high-value-added products, we have seen rising sales of key products, such as flea & tick-exterminating medicine, toilet sheets for dogs that make use of Unicharm’s technology, and wet snacks for cats, a new concept in the U.S. market that utilize Japanese technology. In particular, due to the impact of COVID-19, the number of partner animals (pets) being raised and the number of opportunities for interaction with them have increased just like in Japan, so the weight of high-profit products such as wet snacks for cats has increased, which has also led to growth in profits. With regard to sales channels, we are strengthening our efforts in areas that include e-commerce channels, specialty partner animal (pet) stores, and dollar stores, which are unique to the U.S.

Going forward, we will continue to improve profitability and expand our partner animal (pet) care business in the US by combining our technical and product development capabilities in pet toiletry and partner animal (pet) food products with the brand power, marketing expertise and selling power of Hartz. Emerging markets

[Emerging markets]

Accelerating business growth through proactive investment of management resources

The partner animal (pet) care market continues to expand worldwide. Demand for partner animal (pet) care products is also gaining momentum in Asia, particularly China, as incomes rise and the population ages. By leveraging our leading position in the domestic food and toiletry markets, we are targeting further growth by offering products that help partner animal (pet) owners lead hygienic, comfortable lifestyles with their partner animals (pets), with a focus on urban markets.

We aim to accelerate business growth by actively investing management resources in the growth markets of China and Southeast Asia.



Basic business strategy

[Japan]

Aging is a growing issue for partner animals (pets), as well as people. To increase healthy life expectancy and create a cohesive society where partner animals (pets) and people can live long and rich lives together, we will work to create new markets and develop products that support all aspects of partner animals' lives.

[Overseas]

We supply a wide range of high value-added pet food and pet toiletry products incorporating Unicharm technologies from Japan, helping to improve health and hygiene for people living with partner animals (pets).

[Japan]

Revitalizing the market by reinforcing our brands and continuing to launch high value-added products

Our goal is to increase healthy life expectancy and create a cohesive society and a society with long healthy life expectancy where people and their partner animals (pets) can live long and rich lives. To realize this goal, we are working to create new markets and developing new products that provide support for all aspects of partner animals' lives, from hygiene through to food. We aggressively invested in marketing and continued to launch high value-added products, lifting sales roughly 9% year on year. Unicharm also retained the leading



Management structure

Unicharm is working to solve a variety of issues to contribute to the realization of a cohesive society. In order to promote these kinds of initiatives even more strongly, we formulated “Kyo-sei Life Vision 2030 ~For a Diverse, Inclusive & Sustainable World~ (‘Kyo-sei Life Vision 2030’),” our mid-to-long term ESG objectives which we unveiled on October 22, 2020. We clarified our “Desirable Future in 2030” that we envision and set a total of 20 key themes with indicators and targets. There are 5 key themes in each of 4 areas i.e. “Safeguarding our health,” “Safeguarding the well-being of society,” “Safeguarding the well-being of our planet” and “Unicharm Principles.” By steadily implementing the “Kyo-sei Life Vision 2030,” we aim to solve environmental problems and social issues and contribute to consumers and local communities at the same time as achieving the sustainable business growth.

ESG promotional structure

Unicharm has established a structure to implement and promote smooth ESG activities in order to meet our stakeholders’ expectations. Our “ESG Committee” is a cross-organizational structure chaired by the Representative Director for promoting ESG. The committee meets four times a year to discuss and share information about ESG activities which in turn is utilized in the management.

▶ See P.26 “ESG Promotional Structure”

Core themes and categories of ESG Committee initiatives

ISO26000 Core Subjects	Organizational governance, Human rights, Labor practices, The environment, Fair business practices, Consumer issues and Community involvement and development
Core themes	
E	● Climate change / Greenhouse gases, Energy use management and Climate change risk ● Water resources / Water use and Reduction of water use ● Pollution and resources / Waste disposal, resource usage and recycling ● Supply chain / Supplier policy, Environmental issues and Sustainable palm oil procurement ● Biodiversity ● Development of environmentally-friendly products
S	● Labor standards / Forbidding child labor, Forbidding forced labor, Anti-discrimination, Freedom of association, Collective bargaining rights, Minimum wage and Harassment ● Health and Safety ● Human rights / Due diligence, Children’s rights, Forbidding child labor, Community employment and Complaint handling ● Society / Community investment and Social contribution activities ● Responsibilities to customers / Responsible advertising and marketing and Customer satisfaction ● Supply chain / Forbidding child labor, Forbidding forced labor and Antidiscrimination, Freedom of association, Collective bargaining rights, Minimum wage, Health and Safety, Due diligence and Capacity building ● Product quality and Product safety
G	● Corruption prevention / Anti-bribery, Insider trading, Whistleblower hotline, Education and Risk assessment ● Corporate Governance ● Company-wide risk management (environment, society, corporate governance) ● Compliance ● Tax transparency

Kyo-sei Life Vision 2030

Safeguarding the Well-being of Individuals

Our basic approach and strategy

“NOLA & DOLA” (Necessities of Life with Activities & Dreams of Life with Activities), our corporate philosophy, is filled with our hope that “Unicharm aims to supply all people, from new-born infants to the elderly, with products and services that provide mental and physical support through gentle care so that they may be free of their burdens and can fulfill their dreams.” We aim to develop products and services that contribute to the realization of a society in which each and every people throughout the world can truly feel their “own uniqueness” at various stages of their lives and enjoy their day-to-day living.

Creating a society where women can shine



【 Background of Initiatives 】

Overcoming the challenges faced by various countries and regions and having women play an active role in society will not only lead to the achievement of gender equality, but also eliminate poverty and stimulate regional economic development. We promote awareness-raising activities while providing products and services tailored to the local peculiarities of each country and region by utilizing the know-how of our business activities that we have accumulated in the past so that we can help create a society where women throughout the world can shine.

【 Status of activities 】

Japan Sofy “#NoBagForMe” project



Let's talk and learn about menstruation.

The “#NoBagForMe” project was launched by feminine napkin brand Sofy in June 2019 with the slogan “Let’s talk and learn about menstruation!” for an objective of creating the new perspective of value for menstruation within the entire society. The project is engaged in a variety of educational activities, including the development and sale of new designs that are completely different from those of typical packaging based on the conventional concept of “It is indeed a sanitary napkin!” (2019) as well as “Education on menstruation for everyone” which was developed as a corporate training program and implemented at multiple companies (2020).

[Myanmar] Menarche and maternity education



In Myanmar, only around 50% of women use hygienic sanitary products*. In rural areas, it is not uncommon for women to use pieces of rag to absorb the flow of menstrual blood. Since 2017, in collaboration with the public institutions such as NGOs and local government agencies, Unicharm has been conducting menarche education activities, such as teaching students how to use sanitary napkins, at junior high schools in Myanmar. In 2020, we were able to conduct these educational activities at 21 schools.

We also hold seminars for pregnant women where we explain how to select and use disposable diapers according to the stage of their child’s growth as well as share knowledge about nutrition during pregnancy. In 2020, we visited 42 clinics. We will continue the similar activities going forward to contribute to improving the health of pregnant women and infants in Myanmar.

* Based on a survey conducted by Unicharm

[India] Progress on menarche and menstruation education



In 2013, in cooperation with the Japan International Cooperation Agency (JICA) and local NGOs, Unicharm began promoting an educational program for female students in India entitled “Managing Menstruation: My Pride” on the menstrual cycle mechanism and its appropriate care.

In 2020, it was held at 174 schools in 4 regions and about 12,500 people took part. In 2019, we started a session for teaching mothers and daughters and, in 2020, we held 79 sessions in Delhi and Jaipur with about 2,320 pairs of mothers and daughters participating.

In addition, we are rolling out the menstrual awareness activities in rural areas through “Sofy Sahayogi” which means ambassadors who have gone through our training program and acquired knowledge about sanitary products. In 2020, 12 sessions were held in 10 agricultural villages, such as Kolkata and Neemrana, and about 450 people participated.

For lengthening the healthy life expectancy

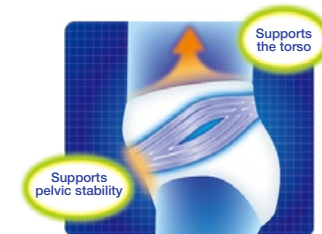


【Background of Initiatives】

Japan is the super aged society in the world. By 2025, it is estimated that 30% of the population will be aged 65 or older. Improvements in medicine have led to an increased average life expectancy and a growing focus on “healthy-life expectancy,” the length of time for which people are able to spend their lives without any restrictions due to health issues. Everyone wants to be able to maintain their own preferred lifestyle and a rich social life even as they get older. Unicharm’s mission is to contribute to an extension of healthy-life expectancy by providing care products that address various issues associated with aging and letting people far and wide know that they can live as actively as before through appropriate use of these products.

【Status of activities】

Japan “Lifree Walk Assist Pant” provides support for the torso and helps people walk independently



For smooth walking, it is very important for the pelvis to be strong enough to support the torso. Unicharm’s newly-developed “Lifree Walk Assist Pant” product is a special type of pant using technology which exerts pressure on the pelvic girdle to enhance abdominal muscle pressure, thereby providing support for the torso and helping the wearer maintain their balance which in turn makes the wearer feel less anxious about walking. The structure of the pant is designed so that it does not restrict the movement of the legs, enabling the wearer to take longer strides and making it easier to walk. The fabric used has been carefully designed to be thin, elastic, soft and breathable with a texture similar to that of ordinary cloth underwear so that users can wear it for everyday activities without feeling uncomfortable.

In addition, we investigated the changes in “daily activities” by focusing on the elderly people who have refrained from going out due to the impact of COVID-19 and the “enthusiasm toward their lifestyle” owing to the decrease in the frequency of going out. As a result, we found that more than half feel that their physical strength has decreased and decided to introduce walking exercises that people can do at home on our website. In order to easily maintain good health while living with their family at home, we proposed a combination of products and gymnastics that support walking, increase motion and motivation throughout their daily life and contribute to maintaining and enhancing an independent life.



Advice for excretion care/nursing care > Excretion rehabilitation care exercises (Japanese only)
<https://jp.lifree.com/ja/advice/rehabilitation.html>

For coexistence with partner animals (pets)



【Background of Initiatives】

One of our goals is to help make it possible for people and their partner animals (pets) to live together with happiness. Through food and hygiene products for dogs and cats, we are working to improve the environment where they are welcomed not only by their families but by the people living in the community as well. In recent years, the number of cats kept as pet has been increasing and, for many owners, cats have become like their family members. The more time they spend together, the deeper their relationships become. Through products and services that utilize the knowledge and technology that has supported the health of partner animals (pets) for 30 years, we will contribute to raising awareness about cat health and solutions to excretion problems.

【Status of activities】

Japan “Absorbent wear for cats” that solves their excretion issues



In March 2020, for cats kept indoors, we launched “Manner Wear for Cats (pet diapers for cats)” which are absorption pads for cats that handle excretion issues such as “spraying” to mark surfaces with their own odor and accidents that occur away from the toilet. This product is designed to accommodate the cat’s unique body shape and flexible movements and not induce much stress for the cat while it is wearing it. In addition, for owners who are using it for the first time, we have also released an easy-to-understand video that explains how to put it on properly and how to get the cat used to it.

Japan Supporting to keep your cat healthy in its daily life with food and urine checks



In response to the growing need for cat health management, we launched a new brand, “AllWell,” in March 2020. “AllWell” is a product that offers seven functions centered on reducing meal regurgitation, an issue peculiar to pet cats, and supports the pet cat’s health throughout its daily life. In the same period, we released the “Urine Home Testing Kit” that promotes the management of cats’ physical condition at home. The “Urine Home Testing Kit” utilizes the cat’s urine to check its physical condition based on the color, amount and protein content and support urine collection for transport to a veterinary clinic.

To improve environmental hygiene (masks and wet wipes)



【Background of Initiatives】

Under the “Ultra-Comfort Mask” and “Ultra 3D-Shape Mask” brands which safeguard daily health and support safe and comfortable lifestyles, we have expanded the lineup according to the diversifying usage of masks and changes in needs and offer masks for use by everyone from children to adults that can be used comfortably throughout the year. In the area of wet wipes, we are developing products that adapt to changes in residential circumstances and lifestyles and contribute to the creation of effective and comfortable daily lives. In Asian countries in particular, the demand for wet wipes has increased as their income levels rise and we are contributing to improvements in the sanitary environment by rolling out our development activities more quickly.

【 Status of activities 】 Japan



In 2020, throughout the COVID-19 pandemic, we made various efforts to ensure the health and safety of our stakeholders such as donating masks at bases around the world (for more details, please see the special feature “Unicharm Group’s COVID-19 Initiatives”).

In November 2020, we unveiled the “Unicharm Ultra-Comfort Mask & Ultra 3D-Shape Mask Official Website” which focuses on inquiries regarding masks sent to the Customer Communication Center. This site tells visitors how to choose the best size for making the most effective use of the mask, how to wear it without leaving gaps and other useful information for wearing the mask with comfort. There are

also videos explaining how to wear masks so that they do not hurt their ears, among others.

For wet wipes which are an indispensable COVID-19 countermeasure, the website explains the correct way to pull them out to maintain hygiene at all times.

 The correct way to remove a wet tissue from its package (Japanese only)
https://www.unicharm.co.jp/ja/company/news/2020/1213844_13534.html

Improving health and sanitation for children



【 Background of Initiatives 】

Recently, the risk of dengue fever has increased in Malaysia and Singapore due to an increase in precipitation. To prevent dengue fever, it is important for the entire region to take two measures: “avoid being bitten by mosquitoes” and “not allow mosquitoes to propagate.” Unicharm wants to assist babies and parents throughout Malaysia and Singapore by providing information on infection control and mosquito-repellent disposable diapers.

【 Status of activities 】

Malaysia and Singapore Launched “MamyPoko Extra Dry Protect,” the first diaper in the world* to protect babies from dengue fever featuring Anti-Mos Capsules.



In September 2020, in Malaysia and Singapore, we launched “MamyPoko Extra Dry Protect,” a seasonal disposable diaper featuring “Anti-Mos Capsules” which repel the mosquitoes that transmit dengue virus. “Anti-Mos Capsules” are microcapsules filled with lemongrass which act as a mosquito repellent. Because these “Anti-Mos Capsules” are applied to the tape section of the disposable diaper, each capsule is crushed when the tape is attached and detached and the lemongrass protects the baby’s skin from mosquitoes. The lemongrass uses naturally derived materials, therefore, it is safe for the baby’s skin to touch.

In addition, as an initiative for preventing the spread of dengue fever, we have set up a dedicated website that shares the information of mothers who have experienced dengue fever as well as provides information on preventive measures. We also held a panel session with medical specialty practitioners in Kuala Lumpur on the dangers of dengue fever and preventative measures.

*A structure in which microcapsules containing fragrance are coated on the tape section, both crushed and non-crushed. Covering all disposable baby diapers offered by major global brands (Based on a February 2020 survey conducted by Unicharm)

Kyo-sei Life Vision 2030

Safeguarding the Well-being of Society

Our basic approach and strategy

Unicharm is constantly striving to improve customer safety, security and satisfaction through the products and services it provides. To that end, it is essential to share our philosophy with regard to safety and environment with our suppliers and build a cooperative relationship with them through close-knit collaboration via two-way communication. Throughout the value chain, we aim to solve social issues and, at the same time, contribute to sustainability.

For protecting biodiversity



【 Background of Initiatives 】

We have established the “Basic Environmental Policy” and “Environmental Action Guidelines” and caused all of our employees to promote the “2 Eco” initiatives for “reducing the burden on the environment” and “economy” with an eye toward achieving a sustainable society. We also recognize that the products and services we provide are closely intertwined with the environmental issues, such as consumption of resources and waste generation, and understand the importance of protecting biodiversity. In our “Environmental Targets 2030” released in May 2020 ^{*1}, we set goals to promote “sustainable forest resource procurement” for the next 10 to 30 years.

See P.63 “Environmental Targets 2030”

【 Status of activities 】

Thailand, Indonesia and Japan Paper and pulp



We strive for sustainable procurement and production when utilizing forest resources. For example, for materials made from wood such as pulp and the water-absorbent paper used in disposable diapers and feminine napkins, we procure those materials from well-managed forests, such as forest-certified materials, and also investigate the place of origin for our materials. In 2020, we acquired CoC certification (Chain of Custody: management certification for the fabricating and distribution processes) from the international forest certification system PEFC ^{*2} at our factories in Thailand, Indonesia and Japan and launched “BabyLove” brand in Australia with the PEFC logo mark on the package, first in Unicharm Group. BabyLove’s social media and website accounts explain the forest certification system and PEFC and state all pulp materials contained in “BabyLove” brand products are PEFC-certified and procured through a chain of CoC certification.

In addition, since 2019, we have been switching in turn the materials for product packages and cardboard boxes sold in Japan to FSC[®]-certified^{*3}.

^{*2} Programme for the Endorsement of Forest Certification Scheme. It is the world’s largest forest certification system, headquartered in Geneva, Switzerland, and is an independent non-profit NGO that aims to promote sustainable forest management through the implementation of strict third-party certification.

^{*3} Forest Stewardship Council[®]. It is an independent non-profit organization that operates an international forest certification system with the goal of expanding the responsible forest management around the world.

Japan Palm oil



In 2017, we joined RSPO (Roundtable on Sustainable Palm Oil) and began collecting information and establishing traceability for sustainable procurement. In 2020, we expanded the use of RSPO-certified oil using the mass-balance system*4 and actual usage was 131.6 tons (85.9% of total). Going forward, we will continue our sustainable procurement activities while confirming both quality and procurement routes and fully transit to RSPO-certified oil for all the palm oil we purchase.

*4 Mass-balance system: A certification model in which certified oil produced at certified farms is mixed with other uncertified oil during the distribution process. While the certified oil physically contains uncertified oil, the purchased farm certification and quantity of certified oil are both guaranteed.

For building a sustainable value chain



Background of Initiatives

In October 2017, we established the “Basic Policy of Procurement” to prevent human rights and labor problems throughout the supply chain. At the same time, the “Unicharm Group Sustainable Procurement Guidelines” were established as a subdivision of “Basic Policy of Procurement” to express our intentions towards the prevention of child and forced labor, prohibition of discrimination, right to the freedom of association, right to the collective bargaining, reductions in excessive working hours, minimum wages, health and safety standards and prevention of corruption. These policy and guidelines were created for the purpose of fair and impartial business activities with all business partners that conduct business with the Unicharm Group around the world as well as the fulfillment of our social responsibility.

Status of activities Japan



Starting in 2019, we began using the Sedex* platform as a B member (supplier member) at 19 factories located in Japan, China, Taiwan-Greater China, Thailand, Indonesia, India and Saudi Arabia and have worked toward respecting the human rights of employees and improving the working environment.

In addition, with the goal of building a sustainable value chain based on the “Unicharm Group Policy on Human Rights” and “Sustainable Procurement Guidelines,” we joined Sedex as an AB member (buyer/ supplier member) on July 1, 2020 and began registering and operating the Sedex platform for facilities with production bases, etc.

Going forward, as an AB member, we will make further use of the Sedex platform and cooperate with our suppliers to expand our sustainable value chain even more.

*Sedex is a global membership organization, leading in responsible sourcing practices. Sedex provides companies with technology and insights to build 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.

For supplying safe products



Background of Initiatives

We carry out all processes, from material procurement to product development, manufacturing, sales and disposal in accordance with the “Unicharm Management System Basic Regulations” so that the consumers can use our products that come into direct contact with their skin with peace of mind. For example, during the product development stage, a gate function is established by the Safety Assessment Committee, risk assessments are conducted while taking various usage conditions and disposal methods into account and Safety Assessment Confirmation Sheets are issued for products which safety was assured. In addition, we conduct actual-use test of products that use materials which have been confirmed to be safe.

Status of activities Japan



In December 2019, our “Natural Moony (Tape Type)” brand of baby diapers obtained “STANDARD100 by OEKOTEX®” certification. This certification offers proof of textile products that have been confirmed to have the highest level of safety in the world. This is the first time this certification has been obtained for disposable baby diapers in Japan*1.

STANDARD100 by OEKO-TEX® is an international safety certification for textile products given only to products that clear strict standards after analysis and testing for more than 350 types of harmful substances by authorized testing institutes*2 that belong to the international consortium called OEKO-TEX®. To use the STANDARD 100 label, a product has to clear the testing criteria for all of materials and chemical solutions it is made from. In addition, since it complies with the standards for hazardous substances in the countries around the world primarily in Europe, it is widely regarded as “proof” that the labeled products offer the highest level of safety in the world.

In December 2020, we obtained “OEKO-TEX®Standard 100” certification for “Natural MoonyMan (Pant Type)” and “MoonyAirfit (Tape Type)” and are working to expand the safe and secure products across the entire Moony brand.

*1 Based on a January 2020 survey conducted by Unicharm
*2 This product was certified by the Nissenken Quality Evaluation Center, the only OEKO-TEX®-authorized testing institute located outside of Europe, and OEKO-TEX® Business Center.

Safeguarding the Well-being of Our Planet

Our basic approach and strategy

Addressing global environmental issues is becoming extremely pressing and companies are playing an increasingly important role in reducing the burden on the environment and making a sustainable society a reality. Unicharm recognizes that safeguarding the well-being of our global environment is one of the company's most important issues. To contribute to activities that improve the global environment, we aim both to provide hygienic and convenient products and services such as the creation of a recycling model that covers the entire product life cycle through a recycling system for used disposable diapers and to introduce renewable power.

Initiatives aimed at promoting the recycling of disposable diapers



Background of Initiatives

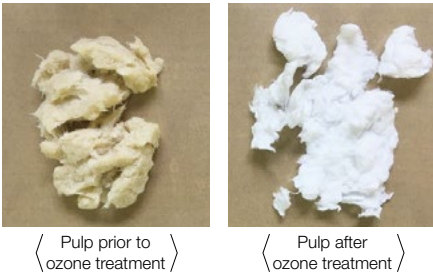
With the advent of a super-aged society, production of disposable incontinent adult diaper continues to increase and it accounts for around 1/8th of total household waste by volume. In addition, disposable diapers are made from paper pulp which uses wood as its raw material and rising pulp usage leads to the increased consumption of forest resources. We consider efforts to reduce waste incineration costs and CO₂ emissions and make effective use of resources the “responsibility of disposable diaper manufacturers,” therefore we began efforts to recycle used disposable diapers in 2015 and are working on technology development and demonstration experiments.

Status of activities

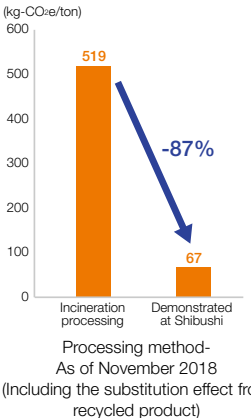
Japan Creating our own unique recycling system for used disposable diapers

In Unicharm’s used disposable diaper recycling project which began in 2015, we created a recycling system in which the used disposable diapers collected are washed and separated and the pulp taken out undergoes a unique ozonation process to kill the bacteria contained in the excrement, making it as hygienic and safe as virgin pulp.

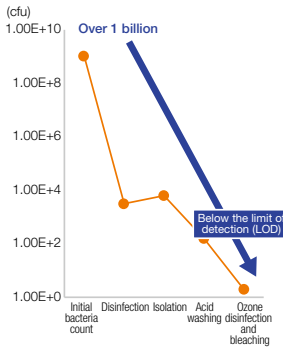
Comparison of pulp before/after ozonation of used disposable diapers



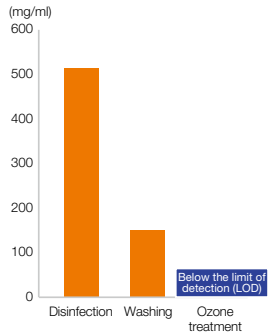
Greenhouse gas emission volume



Bacteria count in each process



Amount of residual proteins



Verifying environmental effects and hygienic safety



We examined the actual effects implementing the recycling system would have from a variety of perspectives. The results showed that the amount of greenhouse gases emitted could be reduced by 87% compared to incinerating used disposable diapers and producing new products from unused pulp. We were also able to confirm that recycled pulp maintained high safety and sanitation levels similar to those of unused pulp. If adult diapers from 100 people were to be recycled over a one-year period, this would reduce the waste generated by an amount nearly equivalent to the waste contained in 23 2-ton waste collection vehicles and would save 100 trees worth of wood.

*Based on a survey conducted by Unicharm

Collaboration with self-governing bodies

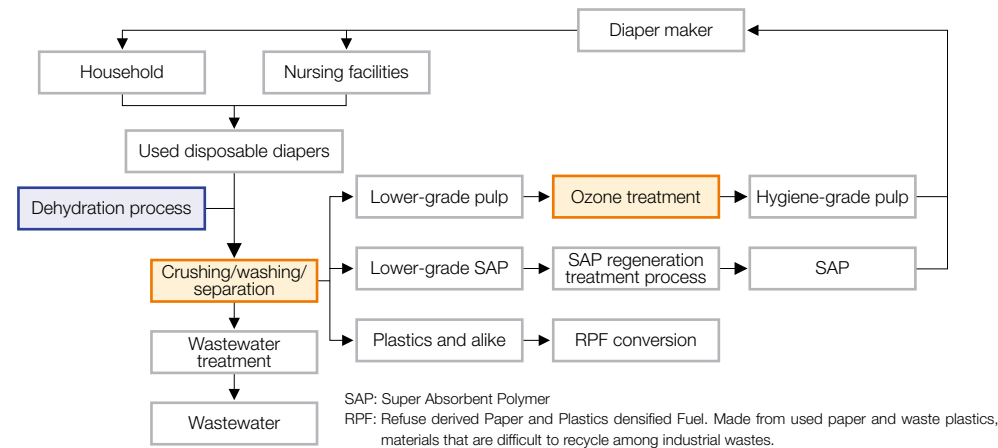
Since May 2016, we have taken part in the “Used Disposable Diaper Recycling Promotion Council” which consists of 18 groups and individuals primarily in Shibushi City, Kagoshima Prefecture. On November 1st of the same year, Shibushi City, along with the So Recycling Center, and our company signed an agreement on the collection and recycling of used disposable diapers (on April 2, 2018, we signed a four-party agreement that included Osaki Town). In order to make our used disposable diaper recycling business a reality, we are conducting a demonstration project of a recycling system and promoting collaboration with Shibushi City and Osaki Town. In 2020, we introduced large-scale mass production equipment at the So Recycling Center to replace the current small-scale equipment and are strengthening our efforts to establish a recycling system that can be widely used both in Japan and overseas.

In addition, on October 30, 2020, we concluded a “Regional Revitalization Comprehensive Partnership Agreement” with HigashiYamato City, Tokyo to support in seven areas such as disaster countermeasures, health promotion, child-rearing and others. With regard to one of these areas, “environmental measures,” it was decided that a “demonstration project for promoting the recycling of used disposable diapers” would be carried out by the Tokyo Metropolitan Government in 2020. Going forward, we will work on the demonstration project to promote technological development for the recycling of used disposable diapers in urban areas by collaborating with HigashiYamato City, elderly care facilities, nursery schools and companies involved with collection and transportation to solve problems related to segregating, collecting and transporting the used disposable diapers.

Formulation of “Guidelines for the Reuse of Used Disposable Diapers” (Ministry of the Environment)

In March 2020, the Ministry of the Environment formulated the “Guidelines for the Reuse of Used Disposable Diapers” as a reference for municipalities in their consideration of recycling used disposable diapers. These guidelines organize the series of considerations to be made when recycling used disposable diapers and others, examples of initiatives, relevant technologies and regulations, etc. In addition, one of the example cases introduces Unicharm’s ozone recycling method and the details of its demonstration project in Shibushi City.

Flow of “Pulp recovery process for horizontal recycling through water solubilization/separation/ozonation”



For reducing the amount of plastic use



【 Background of Initiatives 】

The quantity of “plastic waste in the oceans” has been increasing steadily and, because this type of waste takes a long time to decompose, it is forecast that, by 2050, the combined weight of all the plastic waste in the sea will exceed the combined weight of all the fish living in the oceans. As a manufacturer that uses plastic in its packaging materials, Unicharm feels that it has a responsibility in this regard. With the aim of helping to address the global problem of plastic waste in the oceans, Unicharm supports the “Plastics Smart” campaign organized by the Ministry of the Environment which is being implemented in collaboration with organizations in many different sectors, and is working to reduce plastic usage at every stage of product development from R&D onwards.

【 Status of activities 】

Japan Adopting environmentally-friendly packaging



To protect babies’ futures, “Natural Moony” is proactively engaged in sustainable activities to ensure that it is not only safe for the skin but gentle on the earth. As part of these activities, we have adopted environmentally-friendly packaging for our “Natural Moony New Born Baby Size with 5 Promotional Trial Samples” distributed at baby shops nationwide. The packaging uses recycled paper material and plant-derived bioplastics and it is designed to be discarded as paper waste. In addition, disposable diapers can be hygienically stored as a zipper is used for opening and closing the package.

Introducing renewable power *1



【 Background of Initiatives 】

With the effects of climate change increasing year after year, Unicharm recognizes that reducing carbon dioxide is a priority. Therefore, to contribute to achieving the 2°C scenario outlined in the Paris Agreement, in June 2018, we received certification for our CO₂ reduction plans up to 2045 under the Science-Based Targets (SBT) initiative. In addition, in our “Kyo-sei Life Vision 2030” revealed in October 2020, we set the goal of “using 100% renewable electricity for all of our business operations by 2030.”

【 Status of activities 】

Brazil

The Amazon River which flows through South America is the largest river in the world and the area of its basin is more than 18 times the size of Japan and comparable to the Australian continent. In Brazil, this rich source of hydropower is utilized to generate about 63% of the country’s electricity through hydroelectric power generation*2. At our local subsidiary factory in Brazil located in Jaguariuna, Sao Paulo, we are promoting the reduction of CO₂ emissions by using 100% renewable electricity such as hydroelectric power generation, wind power generation, and solar power generation.



Japan (Kyushu Factory)

Unicharm Products Co., Ltd. signed a contract with Tepco Customer Service Co., Ltd. regarding the transfer of the “Green Power Certificate”**3 issued by Japan Natural Energy Company Limited and operations began on September 1, 2020. This allows the company to make all of its annual power consumption (9.8 million kWh) of the Kyushu Factory, a state-of-the-art smart factory in Japan, derived from green energy and aim to reduce annual carbon dioxide emissions by about 5,000 tons*4.



Thailand

Our local subsidiary in Thailand signed “Power Purchase Agreement”**5 with Symbior Solar Limited and has been conducting commercial operation of solar power generation since November 2020. The solar panels placed on the roof of the factory and throughout the premises utilize the hours of sunlight which are about 1.4 times the amount of Japan to efficiently generate and supply electricity. As a result, about 11% (9 million kWh) of the electricity used at the factory will be converted to renewable electricity and we aim to reduce carbon dioxide emissions*6 from the factory by about 4,300 tons annually.



Vietnam

Our local subsidiary in Vietnam signed “Power Purchase Agreement” with a group of eight investors including TP Viet Nam Investment Limited and started solar power generation in December 2020. This resulted in approximately 22% (10.2 million kWh) of annual power consumption being converted to renewable power which will reduce carbon dioxide emissions by approximately 3,600 tons*7 per annum.



*1 Electricity generated from renewable and natural energy sources such as wind power, solar power, biomass and small-scale hydropower.

*2 International Energy Agency, “IEA World Energy Balances 2019”

*3 A certificate that turns the added environmental value of electricity obtained from renewable electricity into a tradeable certificate or a system that uses such certificates.

*4 The annual reduction of about 5,000 tons of carbon dioxide is equivalent to the amount of CO₂ emitted annually by about 1,400 households in Japan.

*5 Under “Power Purchase Agreement,” a solar power company installs power-generating equipment such as solar panels on the customer’s roofs or on their site to generate and manage electricity for an extended period of time.

*6 The annual reduction of about 4,300 tons of carbon dioxide is equivalent to the amount of CO₂ emitted annually by about 4,400 households in Thailand.

*7 The annual reduction of about 3,600 tons of carbon dioxide is equivalent to the amount of CO₂ emitted annually by about 5,100 households in Vietnam.

Unicharm Principles

Our basic approach and strategy

Unicharm will strive for appropriate collaboration with its stakeholders and aim to be a fair and highly transparent company that is well-regarded and trusted by society. We believe that doing so in an effort to achieve sustainable growth and creation of corporate value over the medium- to long-term will lead to “sound corporate management” through the “pursuit of proper management which collectively accomplishes corporate growth and development, associates’ well-being and fulfillment of social responsibilities” as stated in our corporate ideals. In addition, we aim to create an environment in which happiness for each employee can be made a reality through the promotion of diversity management and human resource development.

For promoting diversity management



Background of Initiatives

Overcoming these issues in each country and region so that women can participate more actively in society is important not only from the perspective of achieving a gender equal society but also of eliminating poverty and supporting regional economic development. Utilizing the know-how that we have accumulated in our business activities, we are pursuing various awareness-raising activities and the creation of working opportunities while expanding products and services suited to each country and region’s characteristics with the aim of helping women all over the world enjoy more fulfilling lives.

Status of activities

Saudi Arabia Expanding employment of women

In the past, for cultural and religious reasons, women in Saudi Arabia were not permitted to be in the same room with, or speak to, men from outside their own family and there were many restrictions on women’s activities including those in their workplace. Amid this situation, with the aim of providing women with employment opportunities while still respecting local cultural traditions, in May 2012, Unicharm established a women-only factory in Saudi Arabia. In recent years, women in Saudi Arabia have made rapid progress in their social advancement, but challenges still remain. Unicharm has sought to create an environment that is most desirable for women working there. The plant features a day-care center, cafeteria and rest area and there is also a production line optimized for people with disabilities. Opportunities for women to fulfill their full potential are currently making solid advancements outside the factory as well. Since 2018, we have been hiring women as promoters, field marketers and product development staff who engage in product explanations at retailers. On March 8, 2020, International Women’s Day, we were selected as one of the organizations in Saudi Arabia that actively advocates for and promotes the development of women’s roles and female employees being active were broadcasted in local media. The broadcast explained how the active participation of women in society can contribute not only to achieving goals for the women themselves and their families but also to the economic and social development of Saudi Arabia and that the country is rapidly changing into such a society.



Japan Further enhancing efforts to promote the active participation of women

In 1963, the third year after our founding, we began manufacturing and selling sanitary napkins out of a strong desire to “eliminate the anxiety and dissatisfaction that women feel in their lives”. Since then, as a company that comprehensively supports the lifestyle by utilizing the technology we cultivated in the sanitary napkin business, we expanded our business that turns “discomfort” into “comfort” at all life stages, from infancy to old age and even for partner animals (pets). We established a “child-care leave system” and “reduced work-hour system” for female employees before such systems were stipulated by law and we currently have implemented “flextime system in which employees can choose their work hours regardless of the core working hours” as well as a “remote-work system”. These systems help expand opportunities for female employees’ active participation in the workplace. In addition, we support the aim of the Women’s Empowerment Principles, sign statements to act on these principles, promote diversity initiatives and aim to increase the proportion of women among our corporate executives. Through our membership in “30% Club Japan,” we are enhancing our efforts to promote the active participation of women throughout the Group.

In support of

WOMEN’S EMPOWERMENT PRINCIPLES

Established by UN Women and the UN Global Compact Office



Developing resonant personnel ~ A development program based on “The Unicharm Way” ~



Background of Initiatives

For Unicharm whose businesses are really SDGs in themselves, it is important to provide employees with opportunities for growth through their daily business activities. We work to create an environment and system in which we respect the humanity of each employee, awaken their hidden potential and develop them to be the “resonant personnel” who can contribute to the “realization of cohesive society” through their daily activities. Currently, the approximately 16,700 employees working at our company are active in more than 80 countries and regions. The importance of sharing our unique “perspectives, way of thinking and way of acting” has increased while respecting the local culture and customs. In February 2021, we celebrated the 60th anniversary of our founding. The number of people who experienced what it was like at the start-up our business in each country and region, let alone the founding period of the company, is decreasing year by year. We believe it is necessary to evolve the style of HR development in a way that can gain a sympathetic attitude from the members in the millennial and Z generations who will be the torchbearers in the future while maintaining the spirits of simplicity & fortitude and freedom & generosity that we have had since our founding.

Status of activities

We are promoting the development of “resonant personnel” by practicing the unified management model, “Management with Resonance,” by all employees. The following three initiatives in particular have significant features.

(1) Objectives, Goals, Issues, Strategies, Measures, Action plan (OGISM (A)) table	A strategic framework consolidated into a single table is used to formulate a plan which consists of Targets to be achieved within the period (Objectives) → Numerical goals → Issues → Strategies → Judgment criteria (Measures) → Action Plan.
(2) Observe, Orienting, Decision, Action (OODA) Loop method	Consolidates the OGISM (A) table planning method into a list on a weekly rotation with the structure Observe → Orient → Decide → Act.
(3) The Unicharm Way	Includes 10 components such as “Unicharm Terminology” that summarizes our “perspectives, ways of thinking and ways of acting” and others. It has been translated into each country’s language and is used by all employees. It was turned into an app in February 2021.

We are striving to enhance our capabilities through high-quality and standardized OJT centered on the aforementioned three pillars.

In addition, as a human resources development program under the direct control of the president, we have implemented the “Strategy Secretary to CEO” system (which gives employees who have been with the company for about 10 years the opportunity to experience working as the president’s secretary for two months), “Global 15 Project” (an educational curriculum for department managers) and the “executive training camp” (a training camp in which medium-term management plan is discussed under the non-ordinary circumstances) among others.

“Unicharm-way Work-Style Reform” = “Reforming job satisfaction”



【Background of Initiatives】

We believe that development of human resources is indispensable to providing products and services that bring about a cohesive society in which all consumers, from newborn infants to the elderly, can spend their lives in the way they so wish forever and ever. We strive to create an environment where employees can feel rewarded by supporting their growth while staying by the side of each and every employee.

【Status of activities】

We believe that the development of each and every employee will lead to the development of the organization and company and contribute to society. We have put in place systems such as remote work, an “interval system” for periods between work, a side business system and annual leave by the hour so that the “way people pursue their life becomes their own work style” and allows them to develop “themselves” to the fullest and shine as a parent, partner, employee, supervisor, subordinate, child and member of the community and society. In 2020, with the aim of accelerating the independent “work style” and improving the “motivation” of employees as we “co-exist with COVID-19,” we have also decided to do away with the core time system to increase choice in working hours and locations while increasing the frequency of remote work. We will create an environment where employees can discover the environment in which they can grow best and most, and make use of their work time most valuably as a part of their lives.

▶ See P.9 “Unicharm Group’s COVID-19 Initiatives”
▶ See P.70 “Labor Standards”

Environmental Management

Our basic approach and strategy

The products 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 emission of waste. In order to provide better products to consumers around the world, we are expanding our operations globally while retaining a focus on Asia. As we do this, our role in and responsibility for reducing environmental impacts have also increased with each passing year. All of our employees are committed to environmental activities following the Basic Environmental Policy and the Environmental Action Guidelines developed based on our corporate philosophical framework (Unicharm Ideals, “‘Beliefs & Pledges’ and Corporate Code of Conduct”). We carefully monitor the impact our business activities have on the environment and are promoting initiatives to realize “Twin Eco Goals” by “reducing environmental impacts” and “improving economic efficiency” with the aim of achieving a sustainable society.

Basic Environmental Policy and Environmental Action Guidelines

Unicharm Group Basic Environmental Policy: As a company that engages in the manufacture and sale of disposable products, we recognize the extent of our responsibility to the global environment. Through our business activities, we strive to create environmentally friendly products so that we may in the future pass on a beautiful earth to the future generations. We are committed to providing goods and services that bring comfort, excitement and joy to people throughout the world and are determined to realize the sustainable development of a society that achieves a balance between environmental conservation and economic growth.	Unicharm Group Environmental Action Guidelines Abide by all laws and regulations! Eliminate waste! Enhance productivity! Reduce the use of natural resources! Make sound choices for the environment! Learn more about environmental issues! Share efforts for helping to improve the environment!
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Management structure

Our environmental activities are collectively managed and overseen by the ESG Committee which is chaired by the Representative Director and operated under the Board of Directors. The integrated implementation of ISO14001 and ISO9001, both closely related to our day-to-day operations, is pursued independently by each of our business locations and involves implementation of a 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 reports to the ESG Committee which meets four times a year. Information and discussion points arising in the ESG Committee are also reported to the Board of Directors. Unicharm’s “Eco Plan 2020,” formulated in 2016, functioned as our key environmental targets, was translated into targets for each individual division and involved more finely-tuned activities such as individual targets and weekly action plans linked to each division. With our “Eco Plan 2020” ended in 2020, Unicharm has established new targets in the form of “Environmental Targets 2030” and “Kyo-sei Life Vision 2030” which will function as the key medium-to-long term environmental targets for the entire Group from 2021. In addition, ESG evaluation was added to the group-wide core strategy which has been one of the metrics used to evaluate executive remuneration since 2020 and we are striving to accomplish the ESG strategies and targets under the leadership of directors and executive officers.

Environmental Management Structure



“Environmental Targets 2030”

In order to formulate our “Environmental Targets 2030,” we held an open discussion with WWF Japan in April 2019 with the aim of correctly identifying key environmental issues and using this knowledge effectively in our business activities. We used the ideas from this discussion as our themes for ESG Committee discussions and used them to formulate and plan group-wide promotion of “Environmental Targets 2030” in May 2020.

Environmental Targets 2030

Environmental issues	Implementation items	Baseline year	2030 targets	2050 vision
Responding to the problem of plastic waste	Reducing usage of packaging materials	2019*	Per unit of sales –30%	Realizing a new society with zero plastic waste
	Sale of products that contain no petroleum-derived plastic	—	10 stock-keeping units (SKU) or more sold	
	Raising awareness about proper disposal of used products	—	Rolled out at all local management units (LMU)	
	Eliminating the use of plastic in sales promotional items	—	In principle, reduced to zero at all local management units (LMU)	
Responding to climate change	Reducing CO ₂ emissions associated with raw materials procurement	2016	Per unit of sales –17%	Realizing a society with net zero CO ₂ emissions
	Reducing CO ₂ emissions in manufacturing	2016	Per unit of sales –34%	
	Reducing CO ₂ emissions associated with disposal of used products	2016	Per unit of sales –26%	
Not contributing to forest destruction (response to procurement-related issues)	Ensuring traceability to pulp and palm oil production locations (country/region)	—	Completed	Realizing a society with zero forest destruction related to the purchasing of timber
	Expanding the use of certified pulp (PEFC and CoC certified)	—	100%	
	Expanding the use of certified palm oil (RSPO certified)	—	100%	
	Promoting the recycling of disposable diapers	—	Rolled out in at least 10 municipalities	

* We have updated our baseline year for “reducing plastic usage in packaging materials” from 2016 to 2019 following a review in 2020.

Climate Change

Our basic approach and strategy

Background and approach of TCFD initiatives

The impact of climate change is increasing every year and gaining in severity. Under the Paris Agreement reached at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) in December 2015, signatories agreed to keep the increase in global average temperature to under 2°C above pre-industrial levels. The Task Force on Climate-related Financial Disclosures (TCFD) disclosed its final report in June 2017 as recommendations to encourage disclosure of climate-related financial information by corporations to allow investors to make appropriate investment decisions. The content of the report is globally recognized as an important framework for disclosure of information on climate change. Under TCFD, corporations need to consider the risks and opportunities of climate change and make disclosures in the areas of “Governance,” “Strategy,” “Risk Management” and “Metrics and Targets.” “Strategy” also requires disclosure of results of analysis including climate scenarios that keep the increase in temperature to below 2°C. Unicharm recognizes that climate change is an issue to be worked on as a priority. Therefore, in order to contribute to achieving the 2°C scenario in the Paris Agreement, we received certification in June 2018 under the Science-Based Targets (SBT) initiative for our CO₂ reduction plans up to 2045. We also expressed our endorsement of TCFD in May 2019 and will continue to report in accordance with the TCFD framework going forward.

To achieve the “Net Zero CO₂ Emissions Society by 2050” target set forth in our “Environmental Targets 2030,” our Representative Director will take the lead on setting targets and monitoring the progress and aim to achieve a switch to renewable electricity for 100% of the electricity used in the business development as set out in our group-wide “Kyo-sei Life Vision 2030.” To this end, we joined the Japan Climate Leaders’ Partnership (JCLP) in 2020. We will continue to strive to reduce CO₂ emissions associated with the various business activities within the group while also continuing to actively encourage all those involved in the supply chain to reduce their emissions throughout the product life cycle. We are also striving to pursue such activities in partnership with all of our stakeholders.



Management structure

Governance

Our Representative Director 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 Representative Director and staffed by directors and main executive officers meets four times a year (once in each quarter) to report and deliberate on overall environmental activities including those related to the climate (also including “Eco Plan 2020” progress updates), our response to social issues and important issues for governance. For these Committee meetings, the ESG Division which is responsible for response to the group-wide environmental issues collects and checks environmental data and information on our activities monthly for each site. This information is discussed with CQO and the ESG Senior Executive Officer and forms the agenda for the ESG Committee. The activities of the ESG Committee are then supervised by the Board of Directors who receive reports on Committee activities from the CQO and ESG Senior Executive Officer at least once a year. The ESG Committee and the Board of Directors perform checks and provide guidance and instructions on the activities in accordance with the progression of “Eco Plan 2020.” To allow Unicharm to achieve its goals, we also set the term (years) for return on investment, deliberate on investment decisions on a case-by-case basis, implement the necessary measures and aim to meet our targets. Following the recommendations of the TCFD, we publicly share information about specific plans based on our “Eco Plan 2020,” “Environmental Targets 2030” and “Kyo-sei Life Vision 2030” (the former until the end of 2020 and the latter two from 2021 onward).

ESG evaluation was also added to the metrics used to evaluate the executive remuneration in 2020 and we are making efforts toward achieving our targets, with not only climate change but also the SDGs forming part of our company purpose, in the aim of prompting sustainable growth and improving the medium-to-long term corporate value.

Strategy

A joint team of researchers from Stanford University and the University of California, both in the United States, commented in a report of their findings published in “MIT Technology Review” in 2017 that Asia will be the hardest hit region if measures to mitigate and adapt to climate change are not taken. Unicharm’s business activities are concentrated in Asia and we see the risks and opportunities associated with climate change as an important factor in our business strategy. Given this, in 2018, Unicharm independently estimated the financial impact of energy based on the “450 Scenario” of the International Energy Agency (IEA) and the operational impact due to physical risk based on the “RCP 2.6 Scenario” of the Intergovernmental Panel on Climate Change (IPCC). Unicharm considers risks and opportunities with reference to our situation year-by-year (the short-term), in alignment with management plan (the medium-term; 3–5 years) and international prospects (the long-term; 10–20 years, encompassing factors such as the SDGs and the Paris Agreement). We also use an ERM (enterprise risk management) approach to identify risks to the group as a whole and engage with climate change risks as one of them. In order to respond to the risks and opportunities identified in the table to the right, we are implementing the ideas listed below in conjunction with our financial plan.

Conforming to regulations and standards

In Japan, we are prioritizing capital expenditure that allows us to aim for the target of an annual 1% increase in energy efficiency, as stipulated in the “Japanese Act on Rationalizing Energy Use.”

Financial optimization calculations

For investment in energy conservation, we are expanding our criteria for assessing expected depreciation periods, facilitating assessment of return on investment.

Budget dedicated to research and development of low carbon products

We are investing in establishing a system that we can implement with our suppliers and use to exchange data relating to CO₂ emissions by weight of material, linked to each of the code we use to categorize the raw materials and are implementing database management to establish and execute a budget that will allow developers to more easily select low carbon materials.

Climate change risks and opportunities identified by Unicharm

	Category	Details
Risks	Procurement risks	Over 90% of the pulp used by Unicharm comes from North America and factors including the possibility of a global increase in the frequency of heavy rainfall and the increase seen in North America between the 1970s and 2010s of both the frequency of hurricanes and the damage they inflict lead us to believe that physical risks pose a threat of acute damages to production areas supplying timber for pulp, the main raw material for our products. Meanwhile, if we also consider Brazil, another production area, factors such as reported annual losses of two to five Mha of forest across every region of Brazil and North America in the ten-year period from 2008 to 2017 mean that it is becoming increasingly necessary to procure forest resources that take sustainability into account and lead us to believe that there is a risk of pulp procurement becoming restricted if deforestation accelerates.
	Regulatory risks	Once regulations arising from the Paris Agreement and relating to GHG emissions are applied not only to developed countries but also to developing nations, we can project that all Unicharm factories will come within their scope. Due to this strengthening of regulations in all countries going forward, we believe that there is a risk that further measures for energy conservation and purchasing of emissions credits will become necessary and that the adoption of carbon taxation and other schemes will increase costs for electric power companies, manufacturing sites and suppliers.
	Market risks	Large-scale disasters caused by major typhoons, cyclones and other abnormal weather attributable to climate change are occurring in approximately 80% of the countries, primarily in Asia, where we are focusing on and expanding and are beginning to elicit changes in consumers' psychology. Energy saving features are already an important factor influencing purchasing decisions for automobiles, home appliances and other durables and, as this awareness spreads to daily necessities for everyday use, we believe that there is a risk that products that do not take the global environment into account will lose consumer support.
Opportunities	Market opportunities (services)	In over 90% of the countries into which Unicharm is expanding (approximately 80 countries and regions as of December 2020), used diapers are either incinerated or disposed of in open dumps or landfill sites. Unicharm is therefore advancing an initiative to recycle used disposable diapers. If and when such recycling could be implemented, our trial calculations suggest that it could reduce production of GHGs, including the CO ₂ from incineration and methane from open-dump and landfill disposal. We therefore see possibilities for recognition of our commitment to used disposable diaper recycling and increasing support for our products utilizing recycled pulp.
	Market opportunities (management)	Unicharm is striving toward sustainable management and was chosen as a constituent of various indexes in December 2020, including the “FTSE-4Good Index Series,” “FTSE Blossom Japan Index,” “MSCI Japan ESG Select Leaders Index” and “S&P/JPX Carbon Efficient Index.” We hope to maintain and expand this position going forward. By pursuing sustainable initiatives centered around the SDGs, we believe that we will increase our chances of being recognized by corporate investors and other entities and attracting stable, long-term shareholders.
	Market opportunities (products)	A first in the category of daily commodities, Unicharm has granted certain products the “Eco Charming Mark” (a Type II ecolabel based on our own criteria) and rolled out environmentally-friendly products. We believe that the speed at which we have brought environmentally friendly products to the market will lead to Unicharm being viewed as quickly meeting customer expectations and put the company in an excellent position to secure a competitive edge for our products.

We believe that the most significant climate change-related impact on our business strategy will be our participation in the scientific approach to the COP21 Paris Agreement’s reduction targets aimed at keeping warming below 2°C. With our 2030 reduction targets having been endorsed by the SBT, environmental consciousness has been promoted as part of the company’s product development strategy within our operations and development divisions, while plans incorporating both short- and long-term perspectives, including energy conservation activities and adoption of renewable energy, are being instituted as part of our strategy within our manufacturing division.

Scenarios and planning

Unicharm uses the RCP scenario* as a basis from which to calculate estimated physical impacts. These include risks related to operating plants in coastal zones with rising sea levels, operating risks linked to supply chain disruption caused by cyclones and other disasters, the risk of falling GDP in equatorial regions due to heat waves and the impact of increased raw material costs due to reduced production capacity in terrestrial eco-systems. 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 the efforts in cooperation with various stakeholders. We believe that this situation in which global warming is becoming an increasingly urgent problem presents an opportunity to showcase Unicharm’s “used disposable diaper recycling technology.” By means of this technology, we will be contributing to efforts such as forest conservation and decarbonization.

* The RCP (Representative Concentration Pathway) scenarios are 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

Unicharm’s envisaged scenarios

	Details	Impact on Unicharm
RCP 2.6 Scenario	We use the IEA 450 ppm scenario as a basis from which to calculate the anticipated economic impact of Scope 1 (fuel usage) and Scope 2 (electricity usage). Specifically, we calculate financial impact using BAU energy costs and the estimated costs of a scenario in which we achieve SBT with regard to the predicted 2030 sales revenue. Our calculations also use anticipated carbon pricing costs of 90 dollars per ton in 2030 and assume governmental change. We create transition risk time lines based on these hypotheses which then form the basis of our scenario analysis. We have created multiple scenarios based on the IEA's transition risk time line and the IPCC's physical risk time line. While achieving RCP 2.6 would entail significant price volatility risks and increased risks associated with carbon pricing and changes in consumer tastes, we believe that it would present a strong possibility of sustainable economic development. In addition, if the scope of carbon pricing is extended to cover Scope 3, we will have increased the opportunities to utilize our used disposable diaper recycling technology.	If international agreements progress and reduction targets keeping warming under 2°C are met, sales in Asia will see an increase in CAGR (compound annual growth rate) from 7% to 9%, allowing the increase in related energy costs to be absorbed. We would continue to achieve sustainable growth after 2050 as well.
RCP 4.5 Scenario	Under RCP 4.5, the private green economy would continue to actively develop and transition risks would be limited to a reasonable economic level. Although physical risks would increase, economic development would accelerate and we believe that the consequent financial surplus available would bring an increase in opportunities to absorb the costs of used disposable diaper recycling technology. Further, we believe that a worldwide balancing of environment and economy would prompt consumers to reevaluate the value of products with a low impact on the environment and lead to the expanded possibilities for increasing added value and expanding sales.	If global warming is limited to approximately 2°C, we believe that proactive adoption of the private sector-led “WASI” (We Are Still In: an American non-state actor) declaration would keep physical risks to a minimum and increases in costs of raw materials at permissible levels. In addition, we could expect to maintain sufficient time and financial resources to preserve our corporate assets (responding to storm surges and rising temperatures, related insurance, etc.). In this scenario, we would expect over 15% ROE.
RCP 6.0 Scenario	In RCP 6.0, transition risk perception would be minimized and economic development would accelerate, but physical risks would increase and the supply of pulp, the main material used in our products, would become unstable leading to increased costs. Even in such circumstances, Unicharm could reduce materials costs as compared to other companies by making our sophisticated used disposable diaper recycling technology practicable, creating opportunities to expand sales. However, with Asia—where the majority of our key customers are located—being particularly in danger of physical damages due to climate change, there would be a heightened risk of being unable to maintain our market expansion.	If the focus of the SDGs shifted to the pursuit of economic development, with a consequent rise of more than 3°C in global temperature, sales in Asia would see an increase in CAGR from 7% to 10%. As the associated increase in energy costs would be lower than in the RCP 2.6 scenario, we would expect ROE to be over 15%. However, the impacts of global warming would render this growth unsustainable and we would face declining sales from 2050 onward.
RCP 8.5 Scenario	In RCP 8.5, there is a possibility that accelerated economic growth would, in the short term, create increased demand for products with a low impact on the environment and an increase in sales.	A focus on economic growth would result in an increase in CO ₂ emissions, but sales revenue would also increase in the short term. However, physical risks would increase, costs of raw materials would rise and corporate environmental protection costs would grow. As a result, it would become difficult to maintain a 15% ROE.

Risk Management

We use an ERM (enterprise risk management) approach to identify risks to the group as a whole and engage with climate change risks as one of them.

Group-level 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 (based on RCP 2.6, RCP 4.5, RCP 6.0 and RCP 8.5) of the period up to 2050, using information from sources such as the IPCC Climate Change Report and the IEA World Energy Outlook.

These four scenarios are then used, together with the estimated value of damages (calculated as part of site level risk assessment), to estimate the group-level total damage costs. The results of this evaluation are reported to the ESG Committee and the Board of Directors which then are used in the formulation of business strategy and business plan. In the event that the ESG Committee in which the Board of Directors and heads of departments participate judged that they would influence the aforementioned scenarios, a responsible department will be placed for developing an action plan with the ESG Division acting as a secretariat. This will then be approved at the next ESG Committee meeting and the responsible department will implement the plan. Further, the responsible department will provide progress reports on all action plans at ESG Committee meetings.

► See P.88 “Risk Management”

Risk assessment based on TCFD

Risk category	Details
Transition risks	Electricity prices in Japan are showing an upward trend due to carbon taxation and the cost structure for purchasing renewable energies. If carbon taxation is introduced in all of the overseas countries where Unicharm carries out manufacturing or the purchasing cost structure for renewable energies is not improved, operating costs may rise. In 2020, we took actions by switching to LED lighting, reviewing our air conditioning running practices and replacing the centrifugal chillers and transformers. These risks and countermeasures are evaluated and implemented at the discretion of the ESG Division and the ESG Committee.
Physical risks	The IPCC AR5 WG3 Report points to the possibility of an increase in the frequency of heavy rainfall on a global scale. Further, the news that hurricanes have been increasing in both frequency and scale of destruction in North America in the period from the 1970s to the 2010s carries the physical risk of sudden damage to forests being used for timber production. We believe that these factors may have an effect on pulp, the key raw material for Unicharm products. Accordingly, in order to avoid deforestation, we have set procurement guidelines for forest-derived raw materials and requested our suppliers to observe these guidelines. As part of our efforts to fully eliminate deforestation, we have been requiring our suppliers to supply wood products from areas that avoid High Conservation Value Forests (HCVF) and High Carbon Stock Forests (HCSF) since 2016. In 2020, we switched over 95% of our wood-derived materials by weight (not including recycled paper) to sustainable forest resources certified by the FSC, PEFC, SFI and other bodies. These risks and countermeasures are evaluated and implemented at the discretion of the ESG Division and the ESG Committee.
Regulatory risks	As a manufacturer, Unicharm's CO ₂ emissions are tied to our sales volume. Unless we devise countermeasures, an increase in sales will lead directly to a correspondent increase in CO ₂ emissions. If Japan's Global Warming Countermeasure Tax is set at European levels, this will entail a risk of increased operating costs. We are making preliminary calculations of the degree to which our operating profit may change, encompassing calculations of combined expenses from China's Shanghai ETS (Emissions Trading Scheme) and Japanese surcharges and calculations of expenses adjusted to the most expensive region according to our current expenditure. Consensus on an international framework to tackle climate change has been achieved in the Paris Agreement and regulations relating to GHG emissions will be applied not only to developed countries but also to developing nations. Electricity forms the bulk of the energy used in Unicharm factories. We estimate that this is equivalent to approximately 400,000 tons of annual CO ₂ emissions across the Unicharm Group as a whole. The OECD's Effective Carbon Rates: Pricing CO ₂ through Taxes and Emissions Trading Systems state that a minimum carbon price of 30 euros per ton of CO ₂ is necessary to achieve the 2°C target. As a result, we believe that there is a risk that development of energy saving measures and the purchase of emissions credits will become necessary and that costs will rise for electric power companies, manufacturing sites and suppliers.
Technology risks	Within the sector of the Unicharm Group's main product, the disposable paper diaper, there is a risk that our competitors will change the configuration of their products, develop technologies that increase efficiency in terms of quantity of materials required and manufacturing processes and lead the way in launching low-CO ₂ -emissions products that address climate change. Our strategic business unit is looking into patent information, conducting supplier surveys and performing evaluations and assessments of the risk of reduced sales.
Legal risks	We believe that there may be an increased risk of litigation throughout the supply chain, principally as a result of NPO or NGO investigations as well as whistle-blowing. In addition to the recent focus on human rights issues, there is also a risk of litigation linked to deforestation caused by the production of primary products such as palm oil or timber grown in plantations established through slash-and-burn agriculture. We believe that deforestation is intimately linked to climate change.
Market risks	Approximately 80% of our products are disposable products providing hygienic and convenient ways to create a more sanitary environment. We believe that radical changes in the market as a result of consumer movements for environmentally oriented products designed to mitigate climate change (such as the recent movement to stop the use of plastic straws in order to reduce marine pollution) could potentially lead to market contraction.
Reputational risks	Approximately 70% of Unicharm products contain pulp. As a company that uses pulp, we believe that we run the risk of developing a reputation as participants in deforestation. We are conducting risk evaluations and assessments into whether a judgment of Unicharm as unenthusiastic in our measures to counter deforestation could turn into a judgment that our company is also unenthusiastic in measures to address climate-related issues, adversely affecting our brand value.
Urgent physical risks	Unicharm procures materials on a global scale, principally using materials derived from conifers and petroleum. We believe that unexpected, large-scale cyclones and floods caused by climate change could result in the destruction of supply chains or insufficient supply as a consequence of damage to forest resources and lead to a reduced operating uptime rate of Unicharm.
Chronic physical risks	We project increased costs in energy for the air conditioning that will be necessary to maintain working conditions and product quality due to rising temperatures, increased damage insurance costs accompanying increased damage caused by heavy rain and depreciation of real-estate values. These will be negative factors for our profits and assets. We review these benchmarks for ISO14000 environmental impact evaluation once a year and use them to conduct risk assessments. Unicharm procures materials on a global scale, principally using materials derived from conifers and petroleum. We also have manufacturing bases in 16 countries and there is a risk that high temperatures or torrential rain caused by global warming could lead to reductions in operating uptime rate, shut-down of manufacturing plants and suspension of supply chains.

Benchmarks and targets

In terms of Unicharm's CO₂ emissions reduction targets, our plan for reductions by 2045 was certified by the SBT (Science-Based Targets) initiative in June 2018. 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).

SBT CO₂ emissions reduction targets

By 2030, Unicharm aims to achieve a reduction of 90% for Scope 1 (direct emissions: from our own factories, offices, vehicles, etc.) and of 30% for Scope 2 (indirect energy-related emissions: energy consumed by Unicharm, such as electricity), both as compared to 2016 level. These targets function as our management indicators.

Under the 2020 targets set in our “Eco Plan 2020” formulated in 2016, we realized an annual reduction of 2% for Scopes 1 and 2 and a reduction in environmental impacts throughout the life cycle as compared to baseline figures from 2005 for Scope 3 covering supply chains as well as pursuing activities aimed at bringing total products with improved environmental performance to 100%.

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

Contributions to life cycle CO₂ emissions are, from highest to lowest, approximately 50% for materials purchased within Scope 3 , approx. 38% for disposal of products after use and approx. 8% for the manufacturing stage under Scopes 1 and 2, with other transport and business activities accounting for the remaining 4% (all figures are for Japan).

For Scopes 1 and 2, we run energy conservation working activities with EMS activity promoters at each site four times a year, implement annual plans and monitor their progress. For CO₂ emissions from raw materials which form the bulk of our Scope 3 emissions, we perform LCA (life cycle assessments) 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.

Human Rights

Our basic approach and strategy

Since the founding of Unicharm, we have stated “respecting humanity & dignity” in our management policy and always believed in the mind-set of respecting human rights. In fact, spirit of respecting “human rights” and a mutually respectful human perspective are clearly stated in the “Unicharm Group Charter of Actions” and in the opening of Human Resource Philosophy. Various human rights issues exist throughout the world and because special attention must be paid to protecting human rights in global business based on “international human rights standards,” we uphold the Universal Declaration of Human Rights adopted in 1948 by the United Nations General Assembly and, in 2017, we enacted the “Unicharm Group Human Rights Policy” and demonstrate our continued efforts to fulfill our responsibility to respect human rights in all of our business activities. This human rights policy is also included in the “Unicharm Group Charter of Actions” which in turn is a part of “The Unicharm Way,” a statement of corporate ideals that is well-known and applied throughout the Group. Furthermore, Unicharm promotes management by local subsidiaries in the countries and regions in which we operate with priority given to contributing to the local economy, actively creating local employment in production and sales and manufacturing products by using locally-procured raw materials for a goal of “local production for local consumption.” In this context, the 2009 “Unicharm Group CSR Procurement Guidelines” (which was then upgraded to the “Basic Purchasing Policy” in October 2017) and the 2017 “Unicharm Group Sustainable Procurement Guidelines” were respectively formulated and implemented to maintain a fair and impartial relationship with all suppliers. We will respect children’s rights by eliminating forced and child labor and will never discriminate against people based on nationality, race, religion, gender, sexual preference, age, family background, disability or any other factors. We will also guarantee freedom of association and collective bargaining and pay attention to the reduction of excessive work hours and right to minimum wages.

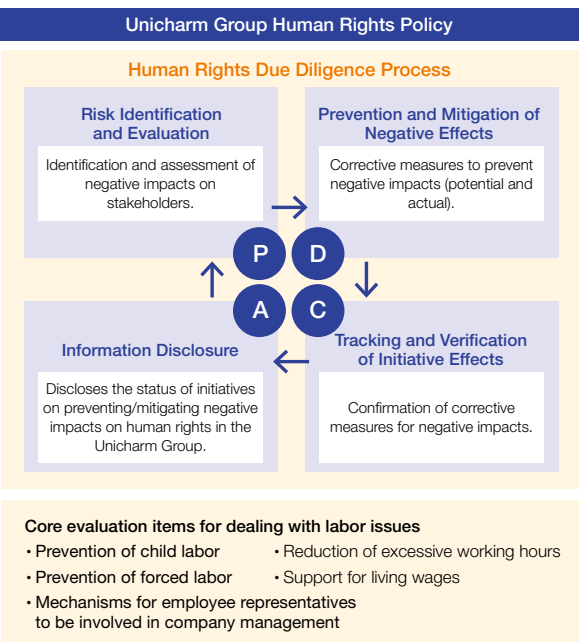
 [Unicharm Group Sustainability Report 2021 > Human Rights](https://www.unicharm.co.jp/content/dam/sites/www_unicharm_co_jp/pdf/csr-eco/report/en-ucsus2021_10.pdf)
https://www.unicharm.co.jp/content/dam/sites/www_unicharm_co_jp/pdf/csr-eco/report/en-ucsus2021_10.pdf

Management structure

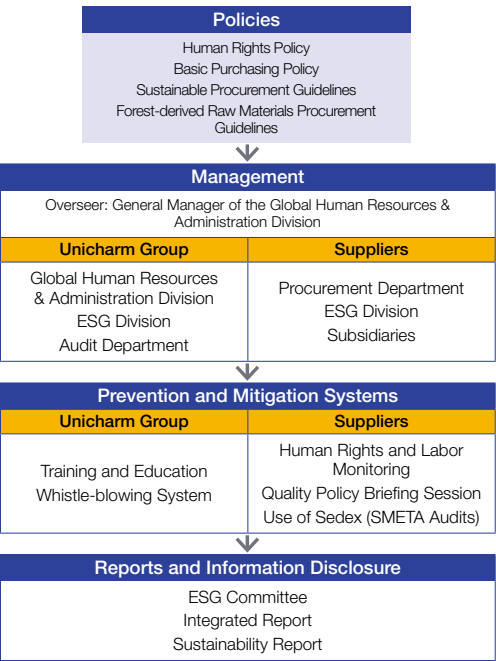
Since it is necessary to have a variety of departments involved in human rights, the Global Human Resources & Administration Division and the ESG Division take the lead, under the direction of General Manager of Global Human Resources & Administration Division who is the executive-level officer assigned a 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. Meanwhile, human rights initiatives at suppliers are headed by our Procurement Department, the contact point for suppliers, which encourages them to uphold human rights while the “Basic Purchasing Policy” and “Sustainable Purchasing Guidelines” which were enacted in 2017 are distributed and explained to our domestic suppliers. As a result of such internal and external efforts, there was no incidence of human rights abuses in 2020.

 [Unicharm Group Sustainability Report 2021 > Supply Chain \(Society\)](https://www.unicharm.co.jp/content/dam/sites/www_unicharm_co_jp/pdf/csr-eco/report/en-ucsus2021_17.pdf)
https://www.unicharm.co.jp/content/dam/sites/www_unicharm_co_jp/pdf/csr-eco/report/en-ucsus2021_17.pdf

Human Rights Due Diligence Process



Overview of Human Rights Initiatives



Labor Standards

View Concerning Human Resources

Unicharm will never discriminate based on nationality, race, religion, gender, sexual orientation, age, family background, disability or any other factors. We also will not tolerate child labor or forced labor and we support the right to solidarity, collective bargaining and other group actions by guaranteeing the right to assemble and freedom of association. We will hire and evaluate people in a fair and equitable manner, respect the human rights of each employee, create a workplace that makes the most of each person’s individuality and abilities and strive to achieve happiness for our employees and their families. In order to ensure legal compliance Group-wide and promote its understanding, we hold discussions with persons in charge of personnel matters at Group companies on revisions to labor laws and other topics on labor standards. In addition, as part of our work-style reforms, Unicharm encourages employees to take at least five days of paid vacation each year and monitors overtime work using a new attendance management system. In this manner, we are working toward changing the way our people think about work, promoting operational reforms and improving productivity. We will never discriminate based on nationality, race, religion, gender, sexual orientation, age, family background, disability or any other factors. We also will not tolerate child labor or forced labor and we support the right to solidarity, collective bargaining and other group actions by guaranteeing the right to assemble and freedom of association.

“Mission, Vision and Values” in the Unicharm Group’s Global Human Resources Philosophy

At Unicharm, we value the autonomy of each and every individual based on our “‘Beliefs & Pledges’ and Corporate Code of Conduct.” We endeavor to provide fair opportunities for our employees to find fulfillment in their work and to create a corporate culture that fosters the development of “confidence” and “pride.”

Unicharm Group’s Global Human Resources Philosophy

Mission Mission and purpose	We will seek to unify the growth of the company and individuals by creating resonant personnel who continually grow and strive to fulfill their life and career vision in order to support corporate management that aims to realize cohesive societies.
Vision Vision for the future	We will establish a “global common growth model” on a global basis by utilizing KYOSHIN ^{*1} and promoting skills development using the Unicharm Way for ensuring our employees can play an active and lively role.
Value Shared values of the organization and guidelines for action	We will promote management with resonance and work with employees in a fair and sound manner centered on the philosophy that “our people are the driving force behind corporate value” and, by pursuing the “wealth in three aspects” ^{**2} and providing a “rewarding workplace,” we will earn the trust of each and every employee.

^{*1}: A human resource system that promotes common skills development globally which is a digital tool for skills development by utilizing data on each employee’s career, evaluation feedback and e-learning.
^{**2}: The three aspects include (1) aspirational wealth, (2) economic wealth and (3) wealth of both mind and body.

Personnel Utilization and Training

Improvement of education and training programs

We have a skill-enhancing program for understanding our OGISM(A) process and “OODA Loop methodology” and improving practical skills in order to develop human resources who will practice Management with Resonance.

▶ See P.60 “Key Topics: Unicharm Principles > Developing resonant personnel”

Skills-enhancing and Career Planning Support Programs (2020)

By level	Required training		Professionalism enhancement program	Independence/self-learning training	Leadership development program	Career design program
	Training according to level (general employees)	Training according to role (management + instructor)				
L	1		Preparatory training program for employees posted overseas			Training for employees in their 50s
	2	How-to-teach training			G15*	
	3					
	4					
	5					
P	1	CR3 training	Department education program	One selected from: (1) Cross-industry training (2) Case-based learning for marketing (3) CCC training	Strategy Secretary to CEO	Training for employees in their 2nd year
	2					
	3	CR4 training				
	4					
	5	Newly hired employee training				
		How-to-learn training				

* Shorthand for the “Global 15 Project.” Participants are chosen from executive management candidates who will develop the direction of global strategy and establish a grand design.

Respect for Diversity

Our basic approach and strategy

Unicharm works to promote the active participation of diversified personnel in accordance with the principles of the “Unicharm Group Policy on Human Rights” and the “Unicharm Group Charter of Actions.” We are working to eliminate any types of discrimination based on nationality, race, religion, gender, sexual preference, age, family background, disability or any other factors and enhancing equal opportunity by advancing and expanding a workplace environment in which each employee can maximize their capabilities and exert their full potential.

Initiatives for respecting diversity

Promotion of women's empowerment

Unicharm is advancing an environment where personnel can exert their full potential regardless of gender. We are striving for a system that allows employees to continue working through various life events and have established and promote targets for the percentage of female managers and the number of female officers.

Percentage of female managers (Japan) and number of female officers

	2019 results	2020 targets	2020 results
Percentage of female managers (Japan)	13.3%	14%	14.7%
Number of female officers	Two	At least 2	Two

Hiring persons with disabilities

We aim to proactively employ personnel with disabilities who are well motivated and provide them with a workplace where they are also able to fully exercise their potential and promote their desire to grow. More than anything else, we expect proper outcomes from employees with disabilities by setting appropriate goals in accordance with their respective abilities and desires and promote a corporate cultural environment free of barriers in all respects for enjoying the feeling of accomplishment as a team. The employment rate of persons with disabilities in 2020 was 2.2 percent, short of the target 2.3 percent. We will continue to improve the work environment and promote employment in which employees with disabilities can firmly settle down in the workplace.

Rehiring system for and engagement of retirement-age employees

Unicharm has developed an environment where employees who have reached retirement age can make full use of their abilities in order to pass on their skills and know-how to the next generation. Employees who have reached the retirement age and still wish to continue working can be rehired as “senior experts.” The rehiring rate of retired employees in 2020 was 83.8 percent, short of the target rate of 93 percent (rehired rate of employees who wished to continue working was 100%). Hiring of senior experts has no impact on hiring of employees in younger generation.

Expansion of community employment

Unicharm is contributing to the expansion of community employment through its business activities. By providing employment opportunities while respecting the characteristics and culture of the country or region, we are uncovering potential community human resources. In Saudi Arabia, we provide opportunities for women to exert their potential at our all-female plant and others.

▶ See P.59 “Key Topics: Unicharm Principles > For promoting diversity management > [Saudi Arabia] Expanding employment of women”

Implementing Second Job System

The Second Job System was implemented from 2018 with the aim of promoting further growth of each employee by enabling them to acquire skills or specialization in a different environment than at the company and expand their horizon through opportunities to exert on their capabilities and broaden their network. As of the end of 2020, 34 employees have participated in the system while many reported having acquired tangible new skills.

Dialogue between labor and management

We place a great deal of value on mutual trust between labor and management and hold the regular monthly discussion between the company and labor union. Depending on the details of these discussions, we also hold an extraordinary meeting in addition to the monthly meetings. In 2020, we held talks about measures to prevent the spread of COVID-19, work-style reforms, reducing overtime work and employee benefit programs and health management measures, among other issues, and continued with efforts to foster workplaces that can motivate and fulfill employees.

Initiatives for balancing work and childcare

Aiming to create an environment that supports both childcare and work, our childcare leave program allows employees to take up to two years of childcare leave. Childcare leave taken before and after pregnancy is treated as paid vacation, while employees with accumulated paid vacation days at the start of their childcare leave can use up to 15 of these days to receive their normal pay and help reduce their burden from birth and childcare.

Moreover, “Moony Childcare Involvement Leave” was implemented in 2018 for all male employees that allows up to 5 days off to take care of their newborn babies within 8 weeks of their birth. This system is thoroughly promoted to every employee with individual information session provided for the employees and their supervisors. As a result, in 2020, the rate of employees utilizing Moony childcare involvement leave was 91.3%.

At present, the average days of leave taken is 3.5 days. Going forward, we aim to continue to promote the program to encourage leave of five days.

Health and Safety

Our basic approach and strategy

As an occupational health and safety initiative, Unicharm strives to ensure health and safety management in the workplace through the Unicharm Group’s “‘Beliefs and Pledges’ and Corporate Code of Conduct*” in order to realize our “Pledge to Associates” to prevent workplace accidents and to ensure that our employees can work safely and securely.

* We pledge to sincerely conduct our business activities in order to be a trusted partner to our customers, shareholders, business partners, employees and society and have established the code of conduct.

Basic Policy for Health Management

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

Being thorough with Workplace Safety and Industrial Health Management

To prevent workplace accident and ensure that employees can work safely and comfortably, we strictly implement safety and health management in the workplace toward a goal of zero accident. At the same time, we give top priority to ensuring safety at all times, not force employees into excessive labor or overtime and improve a work environment primarily by safety and health managers. Supervisors also confirm the mental and physical health of their subordinates and promptly respond when they find an issue.

Management structure

“The Iki-Iki Health Promotion Office” was opened in 2017 to assist employees with physical and mental health management. We have also implemented Occupational Safety & Health Management System (OSHMS) focused on manufacturing in order to continuously maintain and improve our health and safety activities and have specified PDCA (Plan, Do, Check, Act) process to promote ongoing health and safety management on an autonomous basis that assists in preventing workplace accidents, promotes worker health, creates a comfortable work environment and improves our activities for enhancing safety and health standards. OSHMS aims to ensure the health and safety of all members in the Group (executives, employees, contingent staff and part-timers) and at associate companies (contractors and outsourced companies working on our premises).

OSHMS operations ensure that all employees at manufacturing plants have set objectives for health and safety activities with clear roles and responsibilities. Along with regular checks by the plant manager who is responsible for overall health and safety management at the plant, this system allows the identification of latent risks for occupational injuries and diseases and revision of health and safety activities.

In Japan, the Ministry of Health, Labour and Welfare sets out OSHMS guidelines.

The International Labour Organization (ILO) has also sets out OSHMS guidelines as international standards. Japan’s guidelines conform to the ILO standards.

We also have third-party organizations monitor our manufacturing sites in and outside of Japan. This monitoring serves to identify issues with long working hours, occupational safety, wages and building safety so we can make improvements.

The manager responsible for overall health and safety is an executive officer appointed by the representative director who designates safety and industrial health manager at each location who then appoints safety manager, industrial health manager and fire prevention manager and sets up Health and Safety Committee in order to build a management system.

In order to create a safe and comfortable workplace, the Health and Safety Committee consisting of selected employees, labor union representatives and occupational physicians meets once per month on matters such as activities to improve the workplace environment, prevention of workplace accidents and elimination of vehicle accidents. Important actions from a PDCA perspective are reported to the directors through the Health and Safety Committee office. Actions related to safety that have been approved by the directors are implemented as activities in each department. Progress is reported to the directors in the Health and Safety Committee and periodic reports with their decisions on actions and instructions for improvements being issued to implement the PDCA cycle for safety activities.

Approach to materials procurement

Our basic approach and strategy

Unicharm has established and operated the “Unicharm Group CSR Procurement Guidelines” in 2009 for the purpose of maintaining fair and impartial relationships with all suppliers. The guidelines incorporate provisions relating to applicable laws, human rights, industrial relations, environment and product safety such as the “abolition of child labor”, “elimination of discrimination” and “promotion of measures against global warming” as stated in the U.N. Global Compact.

By working closely together through mutual communication with suppliers, we are sharing and establishing an understanding of Unicharm’s responsible procurement approach, philosophy, specific activities and requests for cooperation towards safety and the environment.

Regulations on safety and the environment at our overseas locations vary by country and region, as does local awareness. Therefore, simply rolling out best practices from Japan is not sufficiently effective. We also gather information from the local market and promote materials procurement closely in tune with local market conditions as well, aiming to build business relationships that fulfill the quality, functionality, safety, environmental and service requirements of product lines in overseas markets. In addition, we are promoting procurement activities with a particular emphasis on crisis management and, when starting new business transactions overseas, we conduct environmental and ethical risk assessments to establish a sound understanding and dissemination of Unicharm’s stance and approach toward procurement, including compliance with laws and social imperatives, and give due consideration to human rights and labor matters.

In October 2017, we established the “Basic Policy of Procurement” upgraded from the “Unicharm Group CSR Procurement Guidelines” in response to increased expectations towards the sustainability initiatives of global companies and to prevent human rights and labor problems throughout the supply chain. At the same time, the “Unicharm Group Sustainable Procurement Guidelines” were established as a subdivision of this Basic Policy of Procurement to express our intentions towards the prevention of child labor and forced labor, the prohibition of discrimination, right to the freedom of association, the right to collective bargaining, reductions in excessive working hours, minimum wages, health and safety standards and the prevention of corruption. Additionally, in terms of working hours in proper employment, we comply with the working hours stipulated by the local laws and regulations in each country and region and reduce overwork. 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 and we are working to ensure awareness, primarily through the ESG Promotion Group established at our production subsidiary, Unicharm Products Co., Ltd. We will continue promoting initiatives in order to fulfill our social responsibilities throughout the supply chain.

We will work towards safe and secure procurement based on legal compliance going forward so that suppliers can understand the intent of these policy and guidelines.



Unicharm Group Sustainability Report 2021 > Supply Chain (Society)

https://www.unicharm.co.jp/content/dam/sites/www_unicharm_co_jp/pdf/csr-eco/report/en-ucsus2021_17.pdf

Management Structure

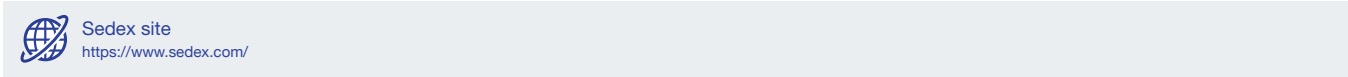
Although Unicharm avoids various risks by closely communicating with business partners, we also implement procurement activities with a focus on crisis management in addition to communication in supply chains throughout the world in response to dramatic changes in regulations relating to human rights and the environment. In addition, we conduct a supplier risk assessment when starting new business transactions overseas to determine in advance whether it is an appropriate business partner in accordance with our “Basic Policy of Procurement” and “Sustainable Procurement Guidelines”. While regularly monitoring the labor environment after business transactions commence, we have a system in place to establish a sound understanding and dissemination of Unicharm’s stance and approach toward procurement including compliance with laws and social imperatives and due consideration to human rights and labor and thus call for the cooperation of the partners in environmental and ethical areas.

Effective use of global platform

Since 2019, we have made effective use of our global platform as a B member (Supplier) under Sedex*1 at our factories in Japan, China, Taiwan-Greater China, Thailand, Indonesia, India and Saudi Arabia for initiatives that respect the human rights of our employees and improve the working environment. Based on these achievements, Unicharm became an AB member (Buyer/Supplier) on July 1, 2020, following deliberation and formal approval procedures at the advisory board meeting in order to strengthen its activities using the Sedex platform across the Group. Ahead of joining Sedex, we have implemented regular SMETA audits*2 at our own production sites and at some suppliers in efforts to respect the human rights of employees and improve the working environment.



*1 Sedex is a global membership organization, leading in responsible sourcing practices. Sedex provides companies with technology and insights to build 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 60,000 business members in 180 countries use Sedex solutions to manage supply chain risk, meet compliance requirements and demonstrate measurable impact.



*2 SMETA (Sedex Members Ethical Trade Audit) is a social auditing methodology developed by Sedex. It enables businesses to assess their sites and suppliers to understand working conditions in their supply chain across the areas of labor standards, health and safety, the environment and business ethics.

Supplier risk assessment

New suppliers

For new suppliers, we ask that they understand the “Unicharm Group Policy on Human Rights” and “Unicharm Group Sustainable Procurement Guidelines” and conduct a risk assessment for them using our independently developed comprehensive anti-corruption risk assessment table. In high risk regions, we also carry out advance monitoring of the labor environment together with the risk assessment.

Existing suppliers

For existing suppliers, we conduct a regular supplier assessment in accordance with the annual plan. Based on the results, we commend outstanding suppliers through our Unicharm Supplier Award. Explaining the assessment items and standards at the awards ceremony also boosts the awareness of improvements among all suppliers.

Risk assessment of associate companies (contractors, etc.) on our plant premises

Such associate companies (contractors, etc.) are given corruption prevention briefing sessions and are monitored.

Global communication with suppliers

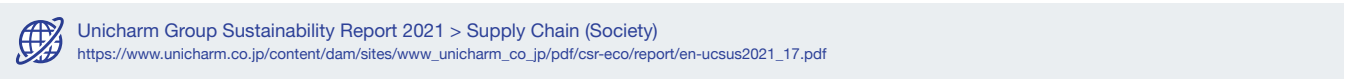
The “Sustainable Procurement Guidelines” are distributed to suppliers and their intent is explained in an aim to achieve a sustainable society throughout the supply chain. Since 2016, we have held briefing sessions on procurement at distribution warehouses and the factories of suppliers at 53 locations in seven countries to disseminate our “Sustainable Procurement Guidelines” and share information on health and safety in the workplace.

Education for internal personnel

In order to promote sustainable procurement, we believe it is essential that everyone involved understands our basic procurement policy and guidelines for building a sustainable supply chain. We therefore hold briefing sessions for persons in charge at our plants to educate them about the necessity of sustainable procurement initiatives and the importance of building a sustainable supply chain.

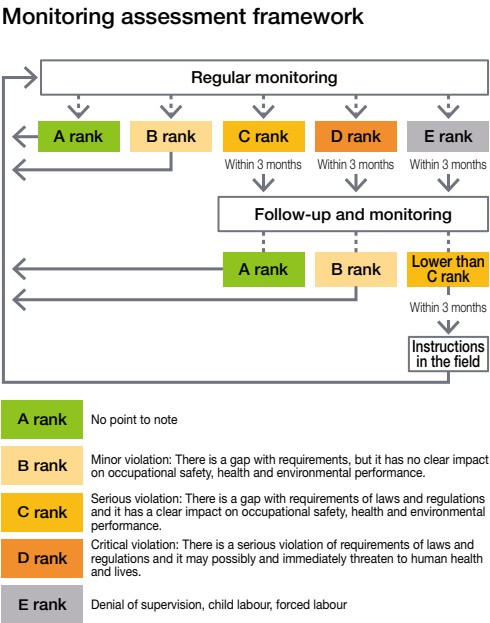
Labor environment monitoring initiatives

Unicharm conducts monitoring of the labor environment while cooperating with our own plants and supplier factories. Through this monitoring, it is possible to identify issues related to long working hours, occupational safety, wages and building safety and encourage efforts towards improvement. Addressing an issue of long working hours at factories, if its point to note is discovered, the details are verified and appropriate measures are taken in cooperation with factories. In particular, monitoring of the labor environment is essential for achieving improvements in productivity and quality in an environment where the human rights of employees are respected and safety of employees is protected. Unicharm works towards these goals through strong partnership with suppliers. Monitoring is regularly conducted by external organizations before and after the commencement of new transactions. This monitoring program was consolidated into SMETA audits from October 2017, under which monitoring is conducted based on global standards for effective risk management.



Regular monitoring

External auditors visit our own plants and supplier factories that Unicharm has a direct contract with and conduct monitoring. Monitoring starts with an opening meeting and includes observation of related facilities such as the factory, cafeteria and dormitory, interviews with factory employees and the employees of associate companies on the premises, meetings with management and checks on the required documents. Lastly, a closing meeting is held and points to note identified in the monitoring are explained to management. At a later date, management will be requested to prepare an improvement report as well as their commitment to carry it out. The monitoring results are scored on a 5-level ranking from A to E. If a point to note is confirmed to be rank B to E in monitoring, Unicharm will conduct an analysis on the root cause of the problem, cause to formulate an appropriate improvement plan and provide support for resolution of the problem. If improvements at the factory are not made within the prescribed deadline, a visit is made to the factory and instructions are provided so that a rank of B or above is achieved. If a point to note is identified in the monitoring, efforts are made to improve together with the factory.



Corporate Governance

Our basic approach and strategy

Unicharm believes that working towards sustainable growth and creation of medium-to-long term corporate value through efforts to cooperate appropriately with stakeholders and become a company supported and trusted by society lead to the “promotion of sound corporate management” through the Unicharm Ideals.

In order to achieve these targets, the basic policy towards corporate governance is to achieve transparent, fair, prompt and bold management through frank and proactive engagement that will gain the support of various stakeholders, initiatives in response to ESG issues and the further development of an environment that enables appropriate decision-making by directors without missing an opportunity.

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

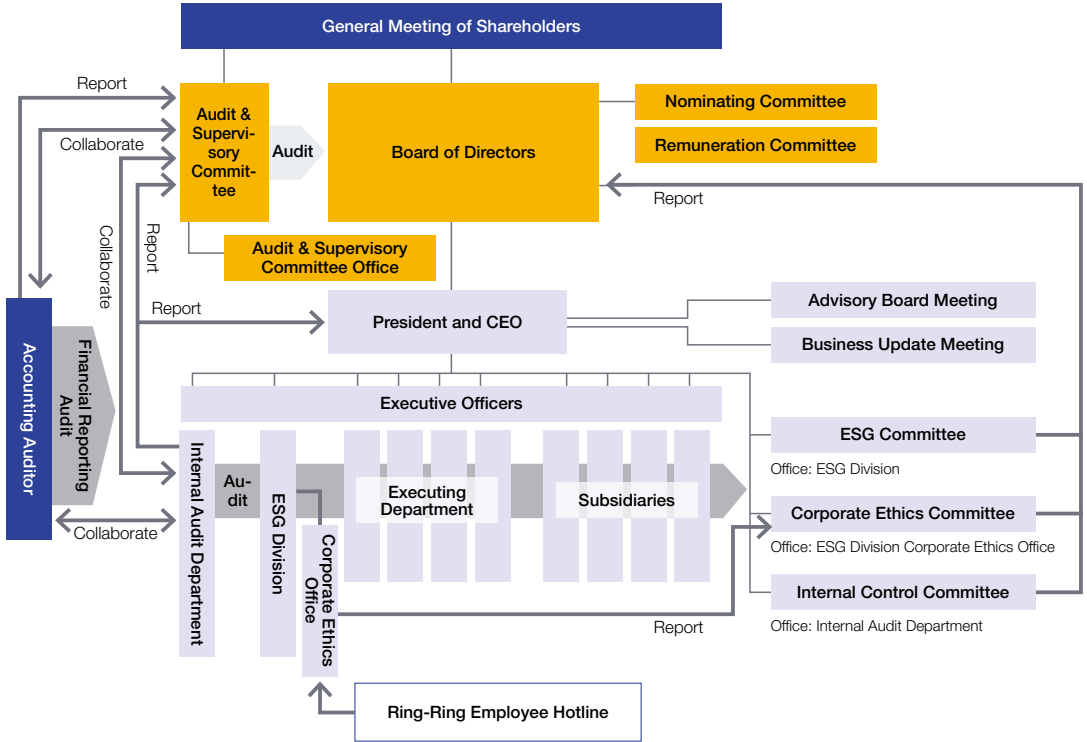
Management structure

In May 2015, we moved to a “company with audit and supervisory committee governance structure” to meet the expectations of all stakeholders in Japan and overseas from a global perspective by strengthening the oversight function of the Board of Directors toward management and bringing outside directors into the management process to increase transparency and efficiency. Members of the independent Audit and 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 helped to create a corporate culture and spirit based on compliance, appropriate collaborative relationships with stakeholders and sound business ethics.

Composition of the Board of Directors and Audit and Supervisory Committee ◎ denotes chair/chairperson and ○ denotes members

		Board of Directors	Audit and Supervisory Committee	Nominating Committee	Remuneration Committee
President & CEO	Takahisa Takahara	◎		○	○
Director & Vice President General Manager of Production/ Research & Development	Eiji Ishikawa	○			
Director & Vice President General Manager of Sales	Shinji Mori	○			
Director and Audit and Supervisory Committee Member (Outside Director) Outside & Independent	Hiroko Wada	○	◎	◎	◎
Director and Audit and Supervisory Committee Member (Outside Director) Outside & Independent	Hiroaki Sugita	○	○	○	○
Director and Audit and Supervisory Committee Member	Shigeru Asada	○	○	○	○

Corporate Governance Structure (as of March 31, 2021)



Board of Directors and Committees, etc.

Board of Directors	The board of directors is comprised of one representative director, three non-executive directors other than outside directors and two outside directors. As for the concurrent posting of directors as executive officers, only the representative director serves in a concurrent post as President & CEO. The board of directors has the authority to determine basic management policies and decide on the establishment of the internal control system and the execution of other important duties. It also fulfills a supervisory role in monitoring the formulation and execution of the medium-to-long term direction which ensures a system is in place for the management to make appropriate decisions without missing opportunities.
Audit and Supervisory Committee	The Audit and 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 and Supervisory Committee. The full-time member 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 gained during the course of attendance at important meetings other than the board of directors and close collaboration with the internal auditing departments.
Nominating Committee	The discretionary Nominating Committee was established with the purpose of nominating candidates for director and ensuring the transparency and objectivity of the selection of executive officers. The Nominating Committee has the authority to (1) propose ideas on the appointment and dismissal of directors to submit to the general shareholders' meeting, (2) select and dismiss the representative director and (3) submit proposals on the selection and dismissal of executive officers as well as the executive officers in office to the board of directors.
Remuneration Committee	Unicharm has established a discretionary Remuneration Committee with the purpose of securing the transparency and objectivity regarding the remuneration of directors (excluding directors who are Audit and Supervisory Committee members) and executive officers. The Remuneration Committee has the authority to (1) provide to the board of directors proposals concerning remuneration of directors, etc., to be submitted to the general meeting of shareholders, (2) provide proposals to the board of directors on remuneration, etc., of individual director (excluding directors who are Audit and Supervisory Committee members) and (3) determine the details of remuneration of individual executive officers.
Advisory Board Meetings	The Advisory Board Meeting is chaired by representative director, President & CEO, and attended by all executive officers, leaders of relevant business units and the full-time Audit and Supervisory Committee member. Outside directors also attend the meeting upon necessity. The meetings 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 executive officers and the leaders of relevant business units among others. The President & CEO chairs this meeting. In principle, the meeting is held monthly where reports are provided 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 with a vice president serving as deputy chair. The ESG Division serves as the committee's secretariat. The ESG Committee discusses and determines the major themes of the Medium-Term Management Plan, progress of activities related to mid-to-long term ESG objectives and countermeasures for the issues.
Corporate Ethics Committee	The Corporate Ethics Committee is chaired by the President & CEO with the executive officer in charge of the Corporate Ethics Office serving as deputy chair. All Audit and Supervisory Committee members serve as permanent members of this committee which promotes a system for ethics and legal compliance.
Internal Control Committee	The Internal Control Committee is chaired by the President & CEO with the executive officer in charge of the Internal Audit Department serving as deputy chair. The Internal Audit Department serves as the committee's secretariat. The committee promotes matters concerning the evaluation and auditing of the internal control system related to financial reporting.
Accounting Auditor	The Audit and Supervisory Committee approves the accounting auditor based on its auditing system, independence and expertise.

Policies and procedures for the nomination of director candidates as well as the appointment and dismissal of executive officers [Policies]

Candidates for both internal and outside directors are nominated among those possessing outstanding characteristics and comprehensive management knowledge with an emphasis on their capacity of appropriately fulfilling due care of a prudent manager and duty of loyalty and contributing to the company’s sustained growth and increased corporate value. Internal directors are appointed based on the periodic assessment on the cultivation of successors and implementation of supervision by the directors, Nomination Committee and the board of directors. Executive officers are appointed from those with outstanding characteristics who are familiar with the Company’s businesses and practice the “‘Five Great Pillars’ and Associate Code of Conduct” established as the Company’s charter of actions for both executives and employees with an emphasis on the ability to appropriately execute the businesses. To ensure objectivity and transparency, the evaluation criteria for directors and executive officers are clearly defined per role and disclosed. If and when receiving an evaluation below the 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 determination based on the advice and recommendations from the Committee. Please refer to “Director Remuneration” for specific evaluation criteria.

[Procedures]

The nomination of candidates for directors and appointment of executive officers are determined by the board of directors based on the opinion solicited from the “Nomination Committee”, chaired by an independent outside director and consisting 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 appointment of executive officers as necessary. Decision on candidates for directors who are Audit and Supervisory Committee members is made by the board of directors based on a draft formulated following deliberation by the Nomination Committee in accordance with the policy of the Auditor and Supervisory Committee, with prior consent from the same Committee.

Resolution requirements for the appointment of directors

The Articles of Incorporation stipulate that 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 members of the Audit and Supervisory Committee and those who are not. 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 prior approval of the board of directors when conducting either direct or indirect business with its directors (Audit and Supervisory Committee members included) or their relatives.

With regard to transactions between Group companies, a legal check is conducted in advance to verify the validity of transactional conditions and their method of determination, as well as a careful deliberation will be conducted by the board of directors including multiple independent outside directors, when conducting important transactions.

Selection Standards for Independent Directors

The selection standards for Independent Directors are presented below.



Selection Standards for Independent Directors (Japanese only)

https://www.unicharm.co.jp/content/dam/sites/www_unicharm_co_jp/pdf/company/about/dokuritsutorisimariyakusennnin.pdf

Reasons for appointment of outside directors

Name	Audit and Supervisory Committee Member	Independent Director	Supplementary explanation on appropriateness	Reasons for appointment
Hiroko Wada	○	○	Ms. Wada is qualified as an independent director in accordance with the independence standards provided in the “Guidelines concerning Listed Company Compliance, etc.” of the Tokyo Stock Exchange and the “Standards for Appointment of Independent Directors” of the Company. Therefore, the Company judges that she is unlikely to have a conflict of interest with general shareholders and has designated Ms. Wada as an independent director.	Ms. Wada served as Vice President of US Procter & Gamble and the president of other foreign companies in Japan. She has diverse management experience and extensive knowledge with global perspectives in various areas, including marketing, gained through her career. The Company believes that she will provide appropriate advice on management strategy, finance, governance and marketing as the Company further expands its business globally.
Hiroaki Sugita	○	○	Mr. Sugita currently serves as the Managing Director & Senior Partner of Boston Consulting Group, Inc. and is not involved in the Company’s consulting business. Moreover, the ratio of expense payment for consulting from Mr. Sugita comprises less than 0.1% of both group’s consolidated net sales for the most recent three fiscal years. Therefore, he is qualified as an independent director in accordance with the independence standards provided in the “Guidelines concerning Listed Company Compliance, etc.” of the Tokyo Stock Exchange and the “Standards for Appointment of Independent Directors of the Company” and the Company has determined it unlikely that he will have a conflict of interest with general shareholders.	With the background as the Japanese representative of major foreign capital consulting firm, Boston Consulting Group, Mr. Sugita possesses high levels of insight and is highly experienced in finance and accounting, as well as management strategies within business management, particularly in globalization strategy, corporate governance, group management, digitalization and transformation. The Company determined that he is qualified in further developing its global expansion and providing appropriate advice on both governance and management strategies.

Views on the balance of knowledge, experience and capabilities, diversity and size of the board of directors

The Board of Directors consists of members who are appointed to ensure an overall good balance of knowledge, experience and capabilities, as well as comprised of diversity and appropriate size in order to effectively fulfill the board’s roles and responsibilities. Audit and Supervisory Committee members are selected for their appropriate experience, ability and the essential expertise in finance, accounting and legal matters, plus one or more members with high level of expertise in finance and accounting are selected.

In terms of gender diversity, there is one female out of six directors.

Audit status

(1) Audit status of the Audit and Supervisory Committee

I. Organization and personnel

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

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

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

Full-time member of the Audit and Supervisory Committee, Mr. Shigeru Asada, has considerable knowledge of finance and accounting with the experience serving as the executive director and general manager of the Accounting Control and Finance Division of the Company.

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

II Activity status of the Audit and Supervisory Committee

1. Meeting frequency

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

2. Main meeting agenda

The following resolutions and reports were made in fiscal 2020.

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

Reports: prior confirmation of board of directors’ agenda items, report on audit plan, internal control and audit report on the Internal Audit Department, reports on special cases such as scandals, financial status report on domestic and overseas subsidiaries, etc.

3. Attendance of Audit and Supervisory Committee members

See “Implementation Status of Meetings of the Board of Directors and Committees” for attendance of the Audit and Supervisory Committee for meetings held in fiscal 2020.

The average meeting time of Audit and Supervisory Committee was approximately 60 minutes.

4. Activities of the full-time Audit and Supervisory Committee member

The full-time Audit and Supervisory Committee member shares information with part-time outside directors who are Audit and 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 the company management, 3) attending business update meetings held regularly and advisory meetings that deliberate on the company master plan and management plan of each subsidiary company in Japan and overseas, 4) auditing business report, 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 methods and results of the accounting auditor and confirming if an internal control system is in place through regular meetings with the accounting auditor.

(2) Status of internal audit

The Company has established the Internal Audit Department (5 members) as an internal auditing section that is under the direct control of the President & CEO. The Internal Audit Department conducts internal audits on executive departments and compiles internal audit reports which include points of critique and improvement recommendations. The reports are then shared with President & CEO as well as the Audit and Supervisory Committee and submitted to the department undergoing the audit. In case any deficiency is noted, the audited department will develop and implement an improvement plan while the Internal Audit Department will monitor the improvement results.

Regular meetings are held between the Internal Audit Department, Audit and Supervisory Committee and accounting auditor for sharing of information and opinions. Moreover, audits done by this assembly include the establishment and operational status of an internal control system developed by the internal control sections.

(3) Policy and reason for selection of audit firm

The selection of an accounting auditor is made upon considering the audit system, independence and expertise of the accounting auditor by the Company’s Audit and Supervisory Committee. Following this policy, the Company has determined it is appropriate to reappoint PricewaterhouseCoopers Arata LLC as its accounting auditor.

If an accounting auditor is found to fit the description of any item under Article 340, Paragraph 1 of the Companies Act, the accounting auditor will be terminated by the Audit and Supervisory Committee, given the agreement of all members of the Committee. The decision of reappointing an accounting auditor is determined every term with consideration of the accounting auditor’s suitability, independence and job performance. If the decision is made such that non-reappointment is appropriate, then the Audit and Supervisory Committee will determine the detail of the proposal of non-reappointment of the accounting auditor to be proposed at the General Meeting of Shareholders.

Development of internal control system

The Company formulated its “Basic Policy for Establishing an Internal Control System” in accordance with the Companies Act and established an “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 business processes requiring evaluation. At the same time, the committee works to improve the reliability of financial report by promoting the establishment and operation of an internal control system and effective assessments.

The Company is making ongoing improvements to this internal control system from a global perspective by taking into account regulatory developments in countries overseas where the Group operates.

Director’s remuneration

Policy on the amount and decisions on the calculation methods for remuneration of directors

[Basic policy]

Remuneration for directors (excluding directors who are Audit and Supervisory Committee members) and executive officers of the Company and related policies are determined comprehensively considering the motivation for improvement of performance and corporate value and securing excellent human resources and according to a level appropriate to their roles and responsibilities. Basic policies on their remuneration to promote growth-oriented management and to accomplish management strategy and fulfill management plan are as follows.

[Basic policy on remuneration of directors]

- (1) Contributes to the sustainable growth and medium-to-long-term increase of corporate value
- (2) Remuneration structure that is linked closely with performance and motivates the fulfillment of management plans and the achievement of results
- (3) Remuneration level which attracts and retains “human resources” valuable for the management
- (4) Highly transparent and objective process for determining remuneration

[Considerations for level of remuneration of directors]

- (1) The remuneration is set to match the director remuneration level of the same industry within Japan and overseas and companies of the same scale in other industries in order to promptly cope with the changes of the external environment and market condition.
- (2) The target value of monetary compensation is set at top 25% and that of combined stock option compensation from a medium-to-long-term perspective is set at top 10%.

[Remuneration for directors, decision making process of remuneration policy and activity status of 2020]

To ensure transparency and objectivity of the decision-making process, remuneration for directors is deliberated on by the “Remuneration Committee” which consists of the President & CEO (1 person), non-executive director (1 person) and independent outside directors (2 persons) with independent outside directors comprising half of the seats on the committees and the committee chaired by an independent outside director. The results are determined in consultation with the board of directors based on the deliberation. In 2020, the “Remuneration Committee Meeting” was held on February 21, 2020 to deliberate on the detailed design of share-based remuneration and other matters. The “Remuneration Committee Meeting” was held on February 22, 2021 to deliberate the following matters: (1) Fixed remuneration, performance-linked remuneration, share-based remuneration calculation method, (2) Percentage of the above items, (3) Timing of each remuneration and (4) Decision delegator and content. 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. In order to properly assess individual remuneration amount based on the contribution performance of each director, the evaluation results based on each key performance indicator 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.

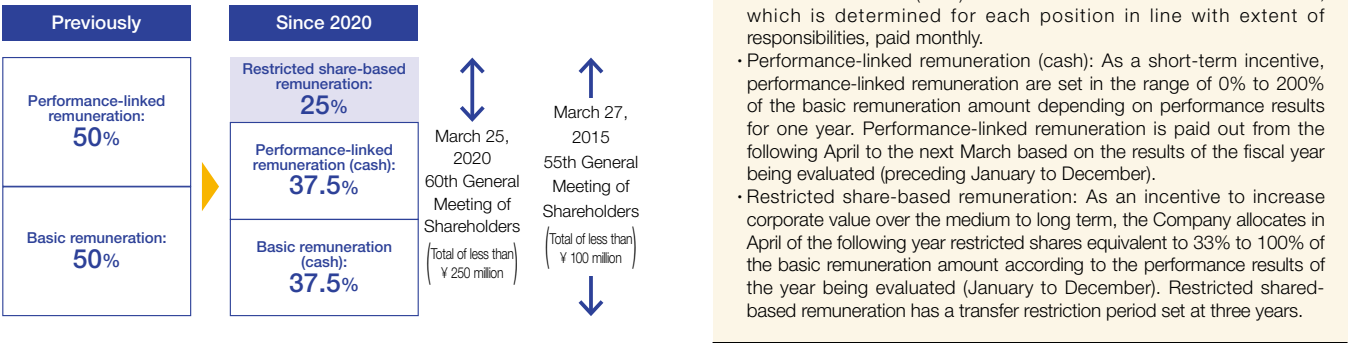
[Composition of remuneration for directors and key performance indicators]

Remuneration for directors (excluding directors who are Audit and 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, the basic remuneration is determined for each position based on the extent of job responsibility.

Independent outside directors, coming from a stance independent of business executives, and directors who are Audit and 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 amount of annual remuneration (total) was approved to be within 1 billion yen for directors (excluding those who are Audit and Supervisory Committee members) and within 100 million yen for directors who are Audit and Supervisory Committee members at the 55th General Meeting of Shareholders held on March 27, 2015. The annual amount of restricted share-based remuneration was approved to be within 250 million yen (which shall be within the above-mentioned 1 billion yen limit) at the 60th General Meeting of Shareholders held on March 25, 2020.

Composition of Remuneration



[Evaluation indicators and view to directors remuneration as well as targets and results]

Key performance indicators for determining the performance-linked remuneration (cash) and restricted share-based remuneration of directors (excluding directors who are Audit and Supervisory Committee members) and executive officers as well as the targets and results for 2020 are presented below. Furthermore, weightings for performance indicators are assigned to each position in line with the extent of responsibilities. For example, performance weightings for representative director are set at 50% for group performance and 50% for group key strategy. For executive officers responsible for line function departments, the weightings are 30% each for group and department performance and 20% each for group and department key strategy. In addition, ESG assessment which was added as a new key performance indicator from 2020 is assigned to each individual director and executive officer. Indicators such as “inclusion in the FTSE Blossom Japan Index” or “improvement of ESG score” are used in an effort to conduct quantitative assessments to every extent possible. Weighting linked to the key initiative themes of “Kyo-sei Life Vision 2030”, our mid-to-long term ESG objectives revealed in October 2020, is also assigned to each director and executive officer with the results and progress of such taken into account.

No.	Assessment indicator	Accountability	Assessment weighting	Target	Result	Assess-ment
1	Group performance (business plan)	1-1 Consolidated net sales	20-50%	¥760,000 million (106.4% YoY)	¥727,475 million (101.9% YoY)	95.7%
		1-2 Consolidated core operating income		¥100,000 million (111.4% YoY)	¥114,744 million (127.8% YoY)	114.7%
		1-3 Profit attributable to owners of parent		¥63,000 million (136.6% YoY)	¥52,344 million (113.5% YoY)	83.1%
2	Department performance	2-1 Sales in applicable business division	0-40%	(Each dept.)	(Each dept.)	—
		2-2 Profits in applicable business division		(Each dept.)	(Each dept.)	—
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 dept.)	(Each dept.)	—

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

[Conditions in the Agreement on the Allotment of Restricted Share-based Remuneration]

Restricted-share based remuneration is that eligible directors and executive officers receive monetary claims as their remuneration; next, eligible directors and executive officers contribute all of the monetary claims to the Company; and then, the Company disposes of treasury shares in exchange for the contribution. The Company and each of 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, etc.”) 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 continuously during 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.

Total remuneration for each director and executive officer, total for each type of remuneration and number of eligible directors and executive officers

Role	Total compensation (millions of yen)	Totals for each type of compensation (millions of yen)			Number of directors receiving compensation
		Basic pay	Performance-linked remuneration	Restricted share-based remuneration	
Directors (excluding audit committee members and outside directors)	431	194	132	106	3
Directors (audit committee members) (excluding outside directors)	26	26	—	—	1
Outside directors	21	21	—	—	2

(Notes) Following the enforcement of the Companies Act, the Company's shareholders approved a resolution to abolish the retirement benefit system for directors and executive officers at the 47th Annual General Meeting of Shareholders on June 26, 2007. Directors and executive officers now only receive annual compensation.

Implementation status of the Board of Directors and Committees

Number of board of directors and committee meetings, attendance and its rate (2020)

		Board of Directors	Audit and Supervisory Committee	Nomination Committee	Compensation Committee
President & CEO	Takahisa Takahara	100% (10/10 times)	—	100% (1/1 time)	100% (1/1 time)
Director and Vice President General Manager of Production and Research & Development	Eiji Ishikawa	100% (10/10 times)	—	—	—
Director and Vice President General Manager of Japan Sales	Shinji Mori	100% (10/10 times)	—	—	—
Director and Audit and Supervisory Committee Member (Outside Director)	Takashi Mitachi	100% (10/10 times)	100% (12/12 times)	100% (1/1 time)	100% (1/1 time)
Director and Audit and Supervisory Committee Member (Outside Director)	Hiroko Wada	100% (10/10 times)	100% (12/12 times)	100% (1/1 time)	100% (1/1 time)
Director and Audit and Supervisory Committee Member	Gumpei Futagami	100% (10/10 times)	100% (12/12 times)	100% (1/1 time)	100% (1/1 time)

Support System for Outside Directors

The secretary responsible supports outside directors while the board of directors’ secretariat coordinates between outside directors and the board of directors and hands out meeting documents in advance. Documents for board meetings are in principle handed out four business days prior to the meeting in an effort to ensure time for reviewing proposals in advance. Support is also provided to ensure that outside directors can make a correct judgement 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 and Supervisory Committee Office provide assistance to the two outside directors who are Audit and Supervisory Committee members. The Full-time Audit and Supervisory Committee members also support outside directors by providing preliminary explanations of agenda items for the board of directors and setting up meetings with relevant departments as necessary.

Analysis and Evaluation of Board Effectiveness

The Company conducts a questionnaire of all directors every year and also hosts a discussion on the results of this survey with all directors in attendance. Through this discussion, the Company seeks to improve board effectiveness by analyzing and evaluating the results of the overall effectiveness of the board of directors.

A summary of the analysis and evaluation results for 2021 is presented below.

1. At the Company's 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 2020, 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.
(1) Opportunities to discuss each theme of group-wide strategy within the Medium-Term Management Plan were made available on a regular basis and in-depth discussions were held on matters requiring attention with regard to the execution of this strategy.
(2) The board of directors has incorporated a system that shortens the explanation time or adopts bulk approval of agenda items where it is deemed possible to understand the points from referencing documents distributed in advance. As such, more time than before is dedicated to discussing important topics.
(3) Opportunities for discussion with executive officers and outside directors are now provided consciously, including discussions on group-strategy within the Medium-Term Management Plan. The effectiveness of developing and evaluating successor candidates has increased through the involvement of outside directors who are Nomination Committee members. In addition, a restricted share-based remuneration plan has been introduced which provides further incentive to eligible directors to strive toward the continual improvement of the corporate value and encourage the further sharing of value with shareholders.
2. In order to further improve the effectiveness of the board of directors, the Company will consider promotion of the following initiatives:
(1) Further increase the board of directors’ involvement in the Medium-Term Management Plan, including selection of topics to discuss from an early stage of its formulation process and reviews after the plan is being implement.
(2) Improve approaches to the board of directors’ involvement in using DX to grow customer value, including entrusting what needs to be entrusted to executing departments and increasing the board of directors’ involvement where needed.
(3) Further deepen discussions on the roles of the board of directors aimed at strengthening defensive governance such as strengthening audit functions or preventing misconduct.

Evaluating Audit and Supervisory Committee Effectiveness

The Company’s Audit and Supervisory Committee in principle meets monthly. During these meetings, the Audit and Supervisory Committee conducts preliminary confirmation of agenda items for board meetings and develops an understanding of issues through reviewing the audit plan summary and report from the accounting auditor, the audit report from Internal Audit Department (including internal control), performance projections and issue reports from Accounting Control & Finance Division and activity reports from each department (as needed). In addition to the above, outside Audit and Supervisory Committee members receive reports on various issues obtained from audit reports prepared by the full-time Audit and Supervisory Committee member, exchange opinions and information, attend important meetings other than the board and carry out close coordination with the internal auditing sections. Through these activities, the Company seeks to improve the effectiveness of audits performed by the Audit and Supervisory Committee.

Compliance

Basic approach and strategy

Attitude towards compliance

Our management policy is expressed in the Unicharm Ideals which state “we strive to pursue proper management principles which combine corporate growth, associate well-being and the fulfillment of our social responsibilities”. Unicharm has created a booklet called The Unicharm Way which includes the Group’s Charter of Actions and other important compliance documents. Having been approved by the Board of Directors, The Unicharm Way has been distributed to and shared with everyone working at Unicharm Group companies. It forms the basis of our compliance system and is designed to remind all directors and employees to hold themselves to the highest ethical standards and comply with all rules and regulations and the Articles of Incorporation. In addition, Unicharm works holistically to prevent acts that would lead to corruption including bribery, excessive entertainment and gifts through corporate activities, improper political contributions and insider trading and to ensure compliance with labor standards. The President & CEO and executives continue to communicate the spirit set forth in The Unicharm Way to employees around the world in an effort to improve and instill an awareness of corporate ethics and ensure that all corporate activities are based on compliance.

Management structure

The “CSR Committee”, established by Unicharm in 2005 for the purpose of monitoring all activities related to social responsibility centered around a framework of quality, safety and the environment, has been restructured and renamed the “ESG Committee” as of January 2020.

The “ESG Committee” ensures the legality, fairness and soundness of corporate activities. The “Compliance Hotline” has been established as a consultation and whistleblowing contact point for violations of laws and regulations, internal regulations and major corporate ethics while the “Ring-Ring Employee Hotline” has been established for problems in the workplace such as internal harassment acts and human relationship issues as part of efforts to develop and enhance the compliance structure. Corporate Ethics Office has been established within the ESG Division as the contact point for the management of these bodies and, when a serious problem occurs, the Representative Director who serves as the chairman convenes a “Corporate Ethics Committee” with the standing members of the deputy chairman (Director & Vice President) and members of the Audit and Supervisory Committee to resolve the issue. “Corporate Ethics Committee” reports annually to the Board of Directors on the action that it has taken and the Committee’s effectiveness is periodically assessed. In addition, in order to conduct audits on whether business execution in each division is being conducted appropriately in accordance with laws, regulations, etc. and to provide advice as necessary, an Internal Audit Department that is independent from each business execution division and directly supervised by the President & CEO has been established and it conducts internal audits on all Group companies.

Compliance Promotion Structure



Anti-corruption Policies

The Board of Directors has established policies to prevent all forms of corruption including demands and bribery and such efforts are also being conducted at related departments. In addition, the “Sustainable Procurement Guidelines” that aim to maintain fair relationships and prevent acts of corruption in transactions with suppliers 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.

Whistle-blowing System

The “Compliance Hotline” has been established for Group employees, both within and outside Japan, including contract employees, as a consultation and whistle-blowing contact point in anonymity for violation of laws and regulations, violation of internal regulations and acts of corruption such as the taking and receiving of bribes etc. or major corporate ethics violations. The “Ring-Ring Employee Hotline” has been established for problems in the workplace such as internal harassment and human relationship issues. Unicharm has also put in place a system that makes it easy for employees and their families to consult with external organizations. The privacy of employees who use this system is respected and every effort possible is made to ensure that whistle-blowers are protected from harm. In addition, if it becomes necessary to involve a third party, the whistle-blower’s consent to this will be sought. The same hotlines are established and operated overseas in the local subsidiaries of China, Thailand and Indonesia.

Number of consults (Japan)		Cases		
Number of consults (Japan)	Total	2018	2019	2020
		49	51	41
	Number of compliance violations	0	0	0
	Number of labor standards violations	0	0	0
	Number of human rights violations	0	0	0

Initiatives to Raise Compliance Awareness

“The Unicharm Group Charter of Actions” in “The Unicharm Way” which is utilized by all Group employees states the behaviors that should be kept in their mind in order to achieve our pledge to each stakeholder and aims to improve awareness of compliance in relation to issues such as corruption prevention. In addition, monitoring is conducted every year through an employee survey. Audits are also carried out by the Internal Audit Department which is independent from the departments being audited. Furthermore, an ESG executive responsible for legal affairs will be specified as an insider information management administrator in the Insider Trading Prevention Regulations in an effort to prevent illegal acts. Transactions with a high level of risk that are similar to insider trading are prohibited as a general rule. In addition, it is obligatory to submit a trade notice for Unicharm’s shares, etc. every time treasury shares are sold and cautionary information is released as appropriate that sets specific limits on trades of Unicharm’s shares in consideration of circumstances including the positions and departments of executives and employees.



Unicharm Group Sustainability Report 2021 > Labor Standards > View Concerning Human Resources > Employee Survey
https://www.unicharm.co.jp/content/dam/sites/www_unicharm_co_jp/pdf/csr-eco/report/en-ucsus2021_13.pdf

Regular Reviews of the Effectiveness of the Code of Conduct

The Company regularly reviews its code of conduct on compliance. It confirms the effectiveness of this code through monitoring using the employee survey and internal audits both conducted annually. Recently, the Company reviewed the “Unicharm Group Action Guidelines” and renamed it the “Unicharm Group Charter of Actions” on February 10, 2021.

Compliance Training and Education

In order to raise the awareness of executives and employees towards compliance with laws and regulations and prevent the occurrence of compliance problems, compliance themes are incorporated into the learning curriculum in training for new employees and employees posted overseas and the Legal Department and Accounting Control & Finance Division hold compliance study session for directors and executive officers several times a year. Amidst this, efforts are made to thoroughly instill awareness of legal compliance and all corruption prevention matters such as prohibitions on bribery and facilitating payments and the importance of compliance with antitrust laws. Additionally, efforts are made to increase awareness of legal compliance and anti-corruption through compliance related questions on the “employee survey” targeting all employees. Compliance-related courses are incorporated into e-learning and the status of participation in these courses is monitored in an effort to ensure participation and instill understanding. Furthermore, quizzes related to legal knowledge are regularly posted on the internal intranet in an effort to spread awareness to ensure that employees do not unintentionally violate the law by introducing cases that can lead to misunderstandings.

Risk Management

Basic approach and strategy

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”. With this in mind, the Company’s basic policy is to engage in business activities aiming to fulfill its social responsibilities and always striving toward new value creation for its stakeholders including customers, shareholders, business partners, employees and society. Gaining an appropriate understanding of the various risks that could affect the execution of business activities and realization of these objectives and preventing and minimizing the impact of such risks when they occur are positioned as important management issues. The Company has established a risk management system for the entire group that is implemented while continuously reviewing and improving business 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 from each unit leader in order to deliberate and decide on improvement measures. Audit and Supervisory Committee members fulfill their roles by implementing various audits during their statutory term of office. In addition, the ESG Committee has defined 12 major business risks that could impact the Company and is now discussing these risks and carrying out appropriate responses. Urgent risks that do not fall under these 12 major business risks are discussed and addressed by the ESG Committee promptly. The following 12 major risks represent important matters that could impact the Company’s financial standing and management results. Thanks to the effects of various response measures, at present, none of these risks have emerged to a level where they will have serious impacts on management. In addition, the timing and extent to which these risks could emerge in the future are unknown. Furthermore, other risks can be found outside of the major risks mentioned above. Risks that could impact the Company in the future are not necessarily restricted to those matters appearing here.

Basic policy

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

Business Risks

Risks	Details of risks and impacts on the Company	The Company's main response
Risks related to the sales environment in conditions of intense competition	Competition for the Company's main products could become even more severe in domestic and overseas markets in terms of price and product line depending on the economic and market environments. Given their consumer-oriented purpose, the Company's main products are always exposed to severe price competition and competitors are also releasing new products one after another. 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 overhead or enhance marketing. If the Company could not respond appropriately in response to such selling environment, its sales and profits could be adversely impacted.	The Company strives to thoroughly research the living conditions and consumption situation of individual country and region, develop products tailored to local culture and living environment and provide products that are not susceptible to economic impacts. The Company seeks to increase earnings in a stable manner by utilizing this research and market analysis methodology to expand its coverage area and countries. In addition, in terms of production, the Company is curtailing costs by lowering procurement costs and improving production efficiency while, in terms of sales and marketing, it strives to expand buyers of its products including through the online channel. The Company endeavors to maintain and improve competitiveness and reinforce its marketing capabilities by proposing to retailers ways of purchasing and selling products with a customer-oriented perspective utilizing digital technology. Furthermore, the Company is working to decentralize authority to its overseas subsidiaries and create a system where it can respond swiftly to changes in the consumption behavior of customers.
Risks related to the changes in population structure	In Japan, the number of births will continue to decline over a long period of time and the population of infants and menstruating women will decline, too. In addition, a similar trend is seen in some countries overseas where the Company engages in business. Through these changes in population dynamics, there is a possibility that demand for baby care and feminine hygiene related products, the core business of the Company, in these countries could decline. In addition, the Company believes it must strive to secure and develop talented human resources required for the execution of business. Meanwhile, the difficulty of securing human resources is rising due to the advancement of a declining birthrate and aging population. If it cannot secure or develop human resources as planned, the Company's business activities could be impacted.	Under its mission of contributing to the realization of "cohesive society", 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 region and country of the world contributing to the satisfaction found in the joy of life and where all consumers, from infants to seniors, and partner animals (pets) are liberated from various burdens and can 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 appealing the value of products. As one way to counter the declining working population, the Company is promoting the creation of workplace environments where diverse human resources, regardless of nationality, gender, age or presence of disability, can utilize 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 and conducting quarterly evaluations and offering rank-based training, with the aim of producing human resources who can identify and resolve challenges 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 time and increased the option to select where and when to work to achieve flexible work styles that elevate creativity and productivity. Furthermore, the Company is actively working to utilize senior citizen workers and to promote the empowerment of women.
Overseas business risk	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. In addition, the balance sheets of overseas consolidated subsidiaries denominated in the local currency are converted to Japanese yen when preparing the consolidated financial statements. As a result, strength in yen will have a negative impact on the Company's financial situation and management results.	In terms of international trading, the Company is working to secure a stable export & import transactions and earnings by changing shipment locations depending on the situation from the perspective of utilization of manufacturing bases and profitability due to exchange rates. In response to fluctuations in exchange rates, the Company strives to minimize risks by using hedging based on a comprehensive review of foreign currency denominated transactions including raw material procurement along with the outstanding credits and liabilities. Also, to contribute to stable shareholder returns and the flow of internal funds, the Company actively implements dividends from overseas consolidated subsidiaries that have cash in excess of planned investments and is building a mechanism to curtail negative impacts on overseas assets in case of yen strength.
Raw materials price volatility risks	As a manufacturer, the Company directly faces the risks of fluctuations in prices of raw materials. Currently, the Company purchases raw materials across borders from many different suppliers. In particular, raw materials such as pulp are procured from overseas suppliers using transactions that are typically denominated in US dollars. Depending on the volatility of exchange rates, the cost of raw materials could increase by a large amount. Also, fluctuations in market prices for commodities such as oil, naphtha, pulp among others could impact the prices of raw materials.	The Company analyzes trends in prices of major raw materials and forecasts future prices and uses adjustment of purchasing and regular revisions to 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 forex hedging mentioned in matters for overseas business risks. It also conducts research to reduce the amount of used raw materials and increase their functionality.

Risks	Details of risks and impacts on the Company	The Company's main response
Risks related to environmental problems	Environmental issues are growing on a worldwide scale including concerns over the depletion of resources, marine pollution caused by marine plastics and destruction of ecosystems. As a result, initiatives to conserve the environment and reduce environmental impacts 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, but if management of wastes is inappropriate and violates laws and regulations, it could receive legal punishment such as production restrictions and its social trust could be impacted.	As part of its recycling-oriented business model, the Company has implemented recycling projects for used disposable diapers since 2015. It has also successfully recycled pulp and super absorbent polymers (SAP) as well as created prototypes of disposable diapers made from recycled pulp. Furthermore, it has established "Environmental Targets 2030" to replace "Eco Plan 2020" ended in 2020 and set numerical targets for environmental issues in "Kyo-sei Life Vision 2030" revealed in October 2020. The Company is now formulating and implementing specific initiatives for achieving these targets. In addition, it is stepping up efforts toward environmental activities having established the "Basic Environmental Policy" and "Environmental Action Guidelines". The Company is now working to foster compliance with environmental laws and regulations by increasing employees' awareness toward the environment.
Risks related to climate change	The severity of impacts caused by climate change continues to increase with each passing year. The Paris Agreement represents an agreement to rein in increases in the worldwide average temperature. 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. If mitigation and adaptive measures against climate change such as reining in worldwide average temperature increases are not taken, it could cause soaring prices of forest-derived raw materials used as a main raw material for the Company's products, major fluctuations in energy prices and impact Asia the most, as pointed out by researchers where the Company is focusing its business operations. In addition, if the Company's initiatives to reduce CO ₂ resulting in the curbing of temperature increases and relevant disclosures are inadequate, its social trust could decline as a result.	To contribute to the Paris Agreement's 2 degrees Celsius scenario, in June 2018, the Company received certification for its reduction plan up to 2045 from the Science-Based Targets (SBT) initiative. Also, it has stated its endorsement of the TCFD's recommendations and is now reporting information following this framework. Aimed at realization of a "zero carbon society in 2050", the President & CEO is taking the lead in target setting and progress management and the Company aims to achieve 100% of electricity use from renewable sources used to power its operations 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 lifecycle.
Risks related to the reliability of products	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.	Many of the Company's products come into direct contact with the skin, so it strives toward proper labeling for conveying correct information and improving quality and safety so as to provide peace of mind to consumers. Also, the Company checks safety during all processes, from procurement of raw materials to development, manufacturing, sales and disposal, based not only on compliance with relevant laws and regulations but also its own in-house strict standards. If a complaint is made regarding one of the products, it has a system in place to swiftly identify and address the complaint to prevent a decline in the product's reliability, regardless of how big or small the complaint may be.
Risks related to legal compliance violations	If the Company or its employees violate laws or regulations overseas or in Japan, such as the Anti-monopoly Act, the Unfair Competition Prevention Act and tax laws and, for example, they receive public penalties for making unreasonable demands during a transaction or engage in bribery to facilitate public procedures, its performance or social trust could be impacted.	"The Unicharm Group Charter of Actions" contains the laws and regulations that should be taken into consideration by employees to fulfill the Company's pledge to all stakeholders as a way to improve awareness of compliance including anti-corruption matters. The Company conducts monitoring every year using an employee survey. In addition, compliance themes are covered in training for new employees and for employees assigned to work overseas with the purpose of raising awareness about legal compliance and preventing the occurrence of compliance violations. Furthermore, it organizes seminars on compliance as part of e-learning provided to all employees. In this manner, the Company thoroughly promotes compliance with laws and regulations.
Risks related to intellectual property including patents and trademarks	If the Company's intellectual property rights are infringed upon in some way or another by a third party, the Company could incur large damages 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.	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 Premiums and Misleading Representations Act to ensure the safeguarding and protection of intellectual properties of the Company and others.

Risks	Details of risks and impacts on the Company	The Company's main response
Risks related to disasters and accidents	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 enables collaboration between manufacturing and distribution points and the swift restoration of IT systems and management functions pursuant to the business continuity plan (BCP). Following a fire at its plant in India in June 2020, the BCP functioned to swiftly establish a supply system not only from other plants inside India but also plants in other countries, making it possible to minimize any downturn in sales due to the fire. However, the Company could 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.	The BCP comprises the following: (1) basic requirements (2) ensuring and confirming the safety of employees and their families (3) specific measures for sustaining operations (4) important matters to address together with business continuity and (5) measures required to implement the BCP. Training exercises for (5) include evacuation drill using the example of an emergency situation based on scenarios is conducted continuously. In addition, in Japan, the Kyushu plant was constructed and put into operation in 2019 to disperse risk and to be used as a substitute base.
Risks related to acquisition, partnership, business consolidation, etc.	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 be considering acquisitions of other businesses, investments in or partnerships with other companies, merger and elimination of businesses and streamlining and spin offs. After execution, however, market changes could occur or results of these measures could fall below expectations, causing the possibility of losses due to falling prices of risk assets from goodwill, etc.	When considering acquisitions, partnerships and business integrations, the Company decides through the board of directors after fully confirming at relevant departments even the smallest possibility of goodwill of assets booked or impairment of other fixed assets based on gathering of sufficient information and careful planning of future investment recovery plans. After execution, for target companies that fall short of the plan after confirming risks of impairment after judging impairment outlook in a timely manner, it analyzes these factors and reviews the business plan as needed, in an effort to ensure the recoverability of planned profits.
Information leak risks	The Company retains large amounts of information including personal information obtained pursuant to agreements with business partners including customers or 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 its trust could decline.	The Company has established Information Security Policy and Information Management Security Regulations. 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. As physical countermeasures to prevent information leak 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. As countermeasures against external cyberattacks on our websites, we work closely with the external experts to implement various security measures, including building the most appropriate servers, preventing phishing and viruses, ensuring proper password and ID management, as well as using and monitoring with security devices. In addition, we have included information in the group-wide crisis communication manual to ensure that we respond promptly to identify the situation and minimize impacts during an incident, such as information leak.

For the management of these risks, Unicharm uses the ISO framework that also incorporates quality and environmental risks as important business risks as a manufacturer. In addition, individual management is conducted for risks including business continuity at the time of disasters.

Primary reference frameworks

• COSO • ISO9001 • ISO14001 • ISO10002 • ISO13485 • ISO14971

Management structure

Chaired by Representative Director and Director & Vice President acting as deputy chair, “ESG Committee” is a cross-functional organization which considers sharing risk management issues and measures to be one of the important themes that need to be addressed. The themes deliberated by ESG Committee and their results are reported to Board of Directors by the head of ESG Division, while supervision of risk management is implemented by directors and members of Audit and Supervisory Committee.

In addition, the Unicharm Group Charter of Actions has been established as the guidelines for actions by employees in recognition of major risks including the prohibition of insider trading, compliance with antitrust laws, the elimination of child labor and forced labor and the protection of personal information. In order to respond comprehensively to risks of corruption that have a high probability of occurring in society including insider trading and bribery, efforts are made to prevent corruption that include the provision of cautionary information to employees on insider trading using the internal intranet, training for employees posted overseas and the provision of cautionary information through e-learning as strengthened compliance training for employees engaged in operations in regional business activities are conducted, as well as the implementation of internal audits. Following an audit, the results are reported to the President & CEO and full-time Audit and Supervisory Committee members as well as regular reports are made to the Audit and Supervisory Committee to verify the effectiveness.

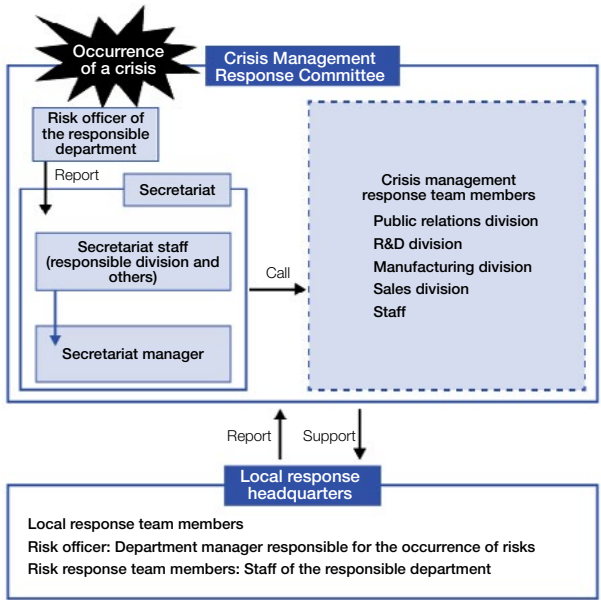
► See P.26 “ESG Promotional Structure”

Response to the occurrence of business risks

If a major crisis occurs, Crisis Management Response Committee will be established and endeavor to respond quickly and appropriately and achieve a prompt recovery based on the Crisis Communication Manual established as a regulation related to 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 accordance with the Crisis Communication Manual, working to prevent the expansion of 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 and a crisis has occurred.

Diagram of structure in response to occurrence of a crisis



Serious crises

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

Rigorous information security

To ensure rigorous information security, Unicharm has set out information security principles and procedures such as Information Security Policy and Information Management Security Rules. We also have Personal Information Protection Rules and Specific Personal Information Handling Rules in place to safeguard personal information provided by our customers and we strictly manage this information and take precautions to prevent information leaks. To ensure these rules are strictly observed and to prevent information leaks, Unicharm has established Information Management Security Committee which develops group-wide information management security initiatives and carries out employee education and ongoing monitoring. One day every month has been earmarked as an information management day when we highlight a different security topic each month to remind employees about the risk of specific information leaks. Meanwhile, as a physical measure to prevent information leaks in Japan through the loss or theft of devices, we completed the adoption of PCs that cannot store data, development of a cloud environment in which data and systems can only be used on a server and creation of an environment in which systems can be used anywhere, at any time, without needing to take office PCs out of company premises thereby making it possible to impose restrictions on taking office PCs out of the office.

Protecting intellectual property

Intellectual Property Division centralizes the management of the Unicharm Group's intellectual property assets and formulates and executes intellectual property strategies linked to its business and development strategies in an aim to put in practice an IP landscape in which intellectual property is useful for management decision making. Specifically, the Group focuses on the development of products, technology and services useful to realize the philosophy of NOLA & DOLA. Therefore, it strives to ensure its continued superiority in business through steadily applying and acquiring IP rights with collaboration between the development and marketing departments on IP based on these development activities. As a patent application strategy, we intend to protect and utilize business and development results, along with reinforcing overseas patent applications and strengthening our patent portfolio in line with the global development of business. As a result, we have captured a top-class share in the industry with the application rate for global patents at 84.4% (2017) and registration rate for Japanese patents at 91.5% (2019) (data taken from the “Patent Administration’s Annual Report 2020”). Meanwhile, Unicharm has applied for and secured trademarks that protect its brands in more than 160 countries around the world and we are also protecting our rights to proprietary packaging. As part of our efforts to build and strengthen our intellectual property portfolio in Japan and overseas, we actively use the Japan Patent Office’s “Patent Prosecution Highway Program” in order to raise the quality of our intellectual property rights as well as work on acquiring rights such as sound trademarks in Japan and overseas and promote acquisition of rights with accelerated review application. Unicharm also takes a firm stance on protecting its intellectual property rights including filing lawsuits against their infringements or unauthorized use. Its IP division closely cooperates with business and product development divisions as well as overseas subsidiaries and works with local governments to eliminate unauthorized and counterfeit products in Japan and overseas such as Asia, the Middle East and Africa and online in e-commerce. Unicharm is committed to cultivating a corporate culture that promotes the respect and protection of intellectual property rights of Unicharm and other companies as articulated in the Unicharm Action Guidelines by conducting employee training through a combination of on-the-job training, off-the job training and e-learning to ensure that employees in Japan and overseas are fully aware of compliance issues related to such things as patents, trademarks, misleading representations, etc. As part of our public activities, we seek to provide advice on and influence international policy with respect to intellectual property by actively exchanging opinions with the patent offices in Japan and Asia.

Business Continuity Plan (BCP*)

Unicharm has been strengthening risk management since 2005. We have formulated a business continuity plan (BCP) to help us prepare for a major emergency 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 have assumed the scenario of an earthquake (intensity of approximately upper 6) with an epicenter under the Tokyo metropolitan area in an area that includes the head office, adjacent plants and sales offices and prepared impact assessments and damage assumptions, etc., considered alternative measures and established organizational and backup structures to ensure the safety of employees and their families for business continuity if an actual emergency occurs and conducted ongoing evacuation drills assuming the occurrence of such an emergency based on this scenario. Our BCP Manual describes steps to ensure the delivery of Unicharm products that are necessities for daily living to people in disaster-affected areas as well as to those who require them as soon as possible and recover important operations of Unicharm, particularly head office functions.

* BCP: Plan for the continued operation and rapid recovery of core business activities after an emergency

Main overview of the business continuity plan (BCP)

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

We are working to further enhance workplace safety through various initiatives. Specifically, we conduct e-learning sessions for all employees to raise awareness and encourage proactive responses and we distribute a disaster response pocket manual for immediate reference during an emergency to all employees. We have put systems in place that allow us to contact employees using smartphones, which they must carry at all times, to help us confirm their safety and maintain business continuity during emergencies. In addition, we conduct disaster training drills at each business site, hold basic survival courses and provide training that is tailored to the function of each division and we carry out first response drills with an emphasis on confirming employee safety and the capabilities of disaster response headquarters including checking the safety of all Unicharm employees in Japan. We are conducting ongoing training and drills assuming the nighttime evacuation of production bases since 2017 and nighttime managers drill assembly since 2020. In February 2020, we launched the Crisis Management Team in response to the spread of COVID19, as well as compiled and implemented the “COVID19 Response Guideline” to ensure each employee will take appropriate measures. Going forward, we will develop systems for responding to all incidents that can be assumed by strengthening risk countermeasures on a global level that incorporate risks such as uprisings or terrorism overseas.

Smart factory in Kyushu that aims to effectively integrate people, knowhow and equipment

In March 2019, the Group's first smart factory, Kyushu Plant, began its operation.

The plant, designed to integrate “people, knowhow and equipment”, adopts Internet of Things (IoT) technology that permits communication of factory on-site data in a timely manner which is capable of enhanced levels of safety and productivity. In terms of environmental protection, the new plant features over 70 energy-saving machines that help to reduce carbon dioxide emissions. With regard to reducing water consumption, by switching over from water-cooled to air-cooled equipment for the plant's ancillary equipment, the plant has succeeded in reducing the amount of waste water discharged to zero. In addition, by adopting driverless transporter vehicles and robots, we have “autonomated”^{*} the movement of heavy items within the plant and related materials supply operations, thereby reducing the amount of work that workers need to exert and enhancing efficiency.

We have secured a supply system capable of functioning as an emergency location in addressing associated risks of operational shut down due to large scale disasters from a business continuity perspective as Unicharm's main production facilities in Japan are located in Fukushima, Shizuoka and Shikoku, which means that they are at risk of being damaged in the event of a major earthquake occurring in the Nankai Trough (it is anticipated that an earthquake of this type could cause serious damage in Western Honshu and in the Chubu region). In the future, we will roll out the adoption of smart technologies to our existing plants and realize effective business continuity plan (BCP) through our new production system which effectively diversifies risks.

^{*} “Autonomation” is a form of automation that aims to integrate the expert skills and knowhow that human workers possess with digital technology.

Risk management information website

In 2017, we added “Risk Management Information Website” to our corporate Intranet, focused on potential risks to the lives of Unicharm employees working within and outside Japan. The Unicharm Group Charter of Actions specifies clear guidelines and criteria for responding to natural disasters, pandemics, occupational accidents, large-scale equipment-related accidents (all of the above are defined as safety risks), kidnapping, intrusion into and damaging of company facilities, terrorist attacks, riots, coups d'état and civil war. Information provided by Ministry of Foreign Affairs of Japan and a risk management company that we have contracted is updated on a daily basis and, in 2018, we compiled “Overseas Risk Management Manual” with handling procedures condensed into proper nouns and time for each event. In 2019, we compiled “Domestic Natural Disaster Response Manual” and “Headquarters Special Organized Crime Response Manual” and added pages to the various manuals included in our corporate Intranet. In 2020, we made a new announcement section on the top page for current travel restriction information in response to the Covid-19 pandemic as we continue to strive to keep up with current environmental changes and information concerning safety.

Tax Compliance

Basic approach and policy

The Unicharm Group recognizes the appropriate payment of taxes in compliance with the tax laws of each country and region around the world as its basic policy. Based on this policy, the Group has established the “Unicharm Group Tax Regulations” which aims to establish a balanced, group-wide tax management system as well as maintain and enhance tax compliance with the following initiatives in place.

Compliance with tax laws

The Unicharm Group complies with applicable laws, files tax returns and pays taxes appropriately in the countries and regions where we conduct business. To ensure the appropriateness of subsequent tax management, decisions on important transactions inside and outside of Japan are made based on approval after consultation with the director in charge of accounting and finance following confirmation of treatment in tax law. Moreover, the Group has established, developed and appropriately implemented an internal control system that can ensure appropriate accounting treatment and financial reports. The effectiveness of this system is evaluated through audits by the accounting auditor and Audit and Supervisory Committee.

In addition, we use expert third-party tax advisors effectively and efficiently to maintain tax compliance. As well, regular employee training on taxation matters is conducted with the aim to raise awareness of tax compliance within the Company. During tax inquiries, the director in charge of accounting reports progress and results to President & CEO along with Audit & Supervisory Committee as needed, in an effort to enhance the entire Group's tax compliance.

Relationships with tax authorities

Tax information, etc. is provided in an appropriate and timely manner to tax authorities and efforts are made to improve transparency through advance queries on tax processing as necessary, create sincere and positive trust relationships with tax authorities and reduce tax risk. We also aim to provide top priority cooperation when it comes to tax inquiries through open and honest correspondence with inspectors in facilitating the process.

Support for the BEPS project

Recognizing the purpose of the Base Erosion and Profit Shifting (BEPS) Project by the Organization for Economic Cooperation and Development (OECD), the Unicharm Group pays special attention to ensure transactions are conducted for legitimate business purpose and real business activities and that appropriate taxes are paid in the appropriate region in order to prevent the transfer of tax sources to so-called tax havens (countries or regions with no or lower taxes) for the purpose of excess tax savings.

In addition, “transfer pricing regulations” have been established for the Unicharm Group in order to comply with the tax laws of each country and OECD Guidelines on transactions between the Group companies and, based on Arm's Length Principle, we work to achieve an appropriate allocation of global income in accordance with the contribution of each Group company while taking into consideration arm's length prices. Moreover, we apply, as necessary, for qualification for bilateral Advance Pricing Agreements in order to prevent dual taxation as a result of the transfer pricing regulation.

Directors (As of March 26, 2021)



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>
Mr. Takahara has steered Unicharm's global strategy since 2001, when he was appointed representative director. In that time, the Unicharm Group has seen dramatic growth in 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 a suitable person for supporting sustained growth in corporate value.

<2020 Board of Directors Meeting Attendance>
100% (Attended 10 out of 10 meetings)



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

<Career summary>

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

<Reasons for Appointment>
Ms. Wada has a diverse track record in international business and experience in marketing. Based on that experience, Ms. Wada is deemed to be a suitable person for providing appropriate insights about management strategy, finance, governance and marketing to support the Group's further global development.

<2020 Board of Directors Meeting Attendance>
100% (Attended 10 out of 10 meetings)

<2020 Audit and Supervisory Committee Meeting Attendance>
100% (Attended 12 out of 12 meetings)



Eiji Ishikawa
Director, Vice President in charge of Production, Research & Development

<Career summary>

February 1980 Joined the Company
October 1996 Department Manager of Production Planning Office, Production Division
April 1998 General Manager of Production Division
June 1999 Executive Officer
July 2003 Senior Executive Officer
July 2004 Senior Executive Officer
June 2005 Director, Senior Executive Officer
April 2010 Director, Managing Executive Officer, Chief Quality Officer, General Manager of Global Research & Development Division, Representative Director, President & CEO of Unicharm Products Co., Ltd.
January 2018 Director, Vice President and Managing Executive Officer, Chief Quality Officer, General Manager of Global Research & Development Division, Representative Director, President & CEO of Unicharm Products Co., Ltd.
January 2020 Director, Vice President in charge of Production, Research & Development (to present)

<Reasons for Appointment>
Drawing on his experience as the Director responsible for production departments, Mr. Ishikawa conducts appropriate oversight of management by providing his opinion on matters related to global supply chains and quality control. As such, Mr. Ishikawa is deemed to be a suitable person for supporting sustained growth in corporate value.

<2020 Board of Directors Meeting Attendance>
100% (Attended 10 out of 10 meetings)



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
January 2001 Partner & Managing Director
November 2006 Supervisor of Japan Office
May 2007 Senior Partner & Managing Director
January 2014 Asia Pacific Client Team Leader
January 2016 Japan Co-chair
January 2021 Managing Director & Senior Partner (to present)
March 2021 Director, Audit & Supervisory Committee Member of the Company (to present)

<Reasons for Appointment>
With the background as the Japanese representative of major foreign consulting firm, Mr. Sugita possesses high level of insight and is highly experienced in finance and accounting, as well as management strategies within business management, particularly in globalization strategy, digitalization, and transformation. The Company determined that he is qualified in further developing its global expansion and providing appropriate advice on both governance and management strategies.

<2020 Board of Directors Meeting Attendance>
Newly appointed in March 2021, and records not applicable

<2020 Audit and Supervisory Committee Meeting Attendance>
Newly appointed in March 2021, and records not applicable



Shinji Mori
Director, Vice President in charge of Sales

<Career summary>

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

<Reasons for Appointment>
Drawing on his experience gained from restructuring sales divisions and developing Unicharm's online sales channels, Mr. Mori conducts appropriate oversight of management by providing his opinion on matters related to global sales strategy. As such, Mr. Mori is deemed to be a suitable person for supporting sustained growth in corporate value.

<2020 Board of Directors Meeting Attendance>
100% (Attended 10 out of 10 meetings)



Shigeru Asada
Director, Audit & Supervisory Committee Member

<Career summary>

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

<Reasons for Appointment>
Mr. Asada has consistently served in the accounting department at Panasonic Corporation and possesses a great insight in accounting and financing within global management. He has demonstrated his business administration skills at the Company as Executive Officer General Manager of Accounting and Finance Division since 2013, and as a director and Audit and Supervisor Committee member between 2017 and 2019. The Company has determined that he is an appropriate person to supervise the management of the Company given his track record.

<2020 Board of Directors Meeting Attendance>
Newly appointed in March 2021, and records not applicable

<2020 Audit and Supervisory Committee Meeting Attendance>
Newly appointed in March 2021, and records not applicable

Executive Officers (As of January 1, 2021)

President and Chief Executive Officer	Takahisa Takahara
Managing Executive Officer	Kenji Takaku
Managing Executive Officer	Yukihiro Kimura
Managing Executive Officer	Toshifumi Hikosaka
Managing Executive Officer	Tadashi Nakai

Managing Executive Officer	Tetsuya Shite
Senior Executive Officer	Atsushi Iwata
Senior Executive Officer	Shinobu Seki
Senior Executive Officer	Tetsuo Ukai
Senior Executive Officer	Satoru Kiuchi

Senior Executive Officer	Chikara Oka
Senior Executive Officer	Tsutomu Watanabe
Senior Executive Officer	Hirotatsu Shimada
Executive Officer	Seiichi Motoi
Executive Officer	Takahiro Batou

Executive Officer	Eijun Sato
Executive Officer	Hideo Kato
Executive Officer	Toru Morita
Executive Officer	Hiroe Inaba
Executive Officer	Masanori Murakami

Executive Officer	Takumi Terakawa
Executive Officer	Toru Fujita
Executive Officer	Masahiro Kashiwagi
Executive Officer	Takeshi Oda
Executive Officer	Shigeto Yamanaka

Executive Officer	Masanori Yano
Executive Officer	Tsutomu Kido

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

	2012/3 (JGAAP)	2013/3 (JGAAP)	2014/3 (JGAAP)	2014/12 (JGAAP) *2	2015/12 (JGAAP)	2016/12 (JGAAP)	2016/12 (IFRS) *4	2017/12 (IFRS) ※ 4	2018/12 (IFRS) ※ 4	2019/12 (IFRS) ※ 4	2020/12 (IFRS) ※ 4
(Millions of Yen)											
For the Fiscal Period:											
Net sales	428,391	495,771	599,455	553,661	738,707	710,965	604,653	641,647	688,290	714,233	727,475
Overseas sales to net sales ratio	46.9%	52.6%	57.7%	64.4%	61.4%	57.7%	58.4%	58.9%	59.8%	62.1%	60.5%
Cost of sales	233,936	268,743	331,807	308,421	406,521	376,510	376,842	393,101	423,005	447,495	434,866
Gross profit	194,455	227,028	267,648	245,240	332,186	334,455	227,811	248,546	265,285	266,738	292,609
Selling, general and administrative expenses	142,554	167,539	200,407	183,892	252,250	256,178	148,695	161,707	170,178	176,959	177,865
Operating income/Core operating income*5 (IFRS)	51,900	59,488	67,240	61,347	79,934	78,277	79,116	86,838	95,107	89,779	114,744
Current profit/Profit attributable to owners of parent (IFRS)	26,981	43,121	38,216	32,731	40,511	44,134	46,971	52,772	61,353	46,116	52,344
Basic earnings per share*1 (Yen)	48.32	77.92	64.10	54.33	67.55	74.29	79.06	89.85	103.73	77.53	87.60
Annual cash dividends per share*1 (Yen)	10.67	11.33	12.67	12.73	14.80	16.00	16.00	20.00	24.00	28.00	32.00
Consolidated dividend payout ratio	22.1%	14.5%	19.8%	23.4%	21.9%	21.5%	20.2%	22.3%	23.1%	36.1%	36.5%
Cash flows from operating activities	59,570	68,758	95,659	68,892	85,009	103,604	103,604	98,086	110,867	84,936	150,254
Cash flows from investing activities	(58,861)	(53,304)	(58,220)	(36,741)	(68,166)	(42,612)	(42,612)	(38,778)	(113,400)	(69,235)	(41,698)
Free cash flows	709	15,454	37,439	32,151	16,843	60,992	60,992	59,308	(2,533)	15,701	108,556
Capital expenditures	69,498	52,340	51,908	41,756	47,993	39,436	39,437	33,397	73,688	56,022	39,632
Depreciation*3	13,257	16,814	22,101	20,393	27,343	26,750	27,598	29,345	30,353	38,676	36,165
Amortization of goodwill	3,899	4,239	9,203	3,769	4,640	4,519	—	—	—	—	—
Research and development expense	4,733	5,098	5,265	4,248	5,993	6,070	6,071	6,554	6,621	7,584	7,808
Fiscal Year-end:											
Total assets	472,497	535,055	620,419	699,108	702,601	711,541	668,592	736,644	795,483	864,003	893,413
Property, plant and equipment	116,821	163,129	204,417	240,082	247,808	244,325	236,629	228,521	240,628	284,105	258,814
Current portion of long-term debt/Corporate bonds and borrowings (IFRS)	35,219	23,000	21,000	5,420	10,757	12,084	61,190	58,000	21,428	27,601	24,202
Net assets/Total equity (IFRS)	243,207	329,201	432,152	492,844	451,091	449,974	414,387	453,029	503,670	542,900	562,653
Equity ratio /Ratio of equity attributable to owners of parent (IFRS)	45.1%	54.2%	60.3%	60.0%	55.1%	54.4%	52.7%	52.6%	55.5%	54.8%	55.2%
Number of employees	10,287	10,855	12,795	13,901	15,500	15,843	15,843	15,757	16,207	16,304	16,665
Japan	3,027	3,009	2,994	2,994	2,974	3,001	3,001	3,109	3,200	3,244	3,307
Overseas	7,260	7,846	9,801	10,907	12,526	12,842	12,842	12,648	13,007	13,060	13,358
Performance Indicators:											
Operating profit margin/Core operating income ratio (IFRS)	12.1%	12.0%	11.2%	11.1%	10.8%	11.0%	13.1%	13.5%	13.8%	12.6%	15.8%
Profit margin/Profit attributable to owners of parent ratio (IFRS)	6.3%	8.7%	6.4%	5.9%	5.5%	6.2%	7.8%	8.2%	8.9%	6.5%	7.2%
Gross profit percentage	45.4%	45.8%	44.6%	44.3%	45.0%	47.0%	37.7%	38.7%	38.5%	37.3%	40.2%
SG&A ratio	33.3%	33.8%	33.4%	33.2%	34.1%	36.0%	24.6%	25.2%	24.7%	24.8%	24.4%
ROE: Return On Equity/Return on equity attributable to owners of parent (IFRS)	13.0%	17.2%	11.5%	8.2%	10.0%	11.4%	13.4%	14.3%	14.8%	10.1%	10.8%
ROA: Return On Assets/Total profit margin before tax on assets (IFRS)	10.6%	12.9%	11.8%	9.9%	10.2%	10.2%	11.4%	13.2%	12.0%	8.4%	10.9%
Business Segments:											
Personal Care Business	362,885	417,187	515,253	486,960	647,573	619,047	523,116	555,388	599,290	620,742	624,758
Partner Animal (Pet) Care Business	59,557	73,182	78,672	62,564	85,624	85,756	75,390	79,847	82,073	86,977	95,693
Other Business	5,948	5,401	5,530	4,136	5,508	6,161	6,147	6,412	6,927	6,514	7,024
Geographical Regions:											
Japan	—	236,993	255,767	198,745	287,135	302,851	253,544	266,010	279,589	273,773	292,380
Asia	—	189,172	256,253	272,904	341,240	305,099	254,372	275,311	302,866	329,934	323,147
Other area	—	69,604	87,435	82,011	110,331	103,014	96,736	100,326	105,835	110,526	111,947
Non-financial Indicators:											
Energy consumption*6	11	10.8	11	10.5	10.3	9.5	10.7	10.7	10.6	10.8	10.3
Recycling rate in industrial waste at four main plants in Japan*7	99.2%	99.1%	99.4%	99.5%	99.5%	99.5%	99.5%	99.5%	99.4%	99.3%	99.6%
Percentage of environmental-friendly products	55%	56%	62%	67%	72%	78%	78%	80%	86%	89%	93%

(Note) JGAAP amounts and IFRS amounts have been rounded off.

*1 The Company conducted 1-for-3 stock splits on October 1, 2010 and on October 1, 2014. Per-share data have been adjusted retroactively to reflect the impact of the stock splits.

*2 Fiscal 2014, ended December 31, 2014, was a nine-month transitional period due to a change in the accounting period.

*3 Depreciation includes goodwill amortization costs.

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

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

*6 Unit (energy consumption (GJ) / sales (yen millions))

*7 Through fiscal 2018 (ended December 31, 2018), the recycling rate reflected the three main plants in Japan.

Consolidated statement of financial position

	(Millions of Yen)	
	Fiscal Year Ended December 31, 2019 (as of December 31, 2019)	Fiscal Year Ended December 31, 2020 (as of December 31, 2020)
[Assets]		
Current assets		
Cash and cash equivalents	128,787	199,522
Trade and other receivables	121,784	112,698
Inventories	65,240	61,617
Other current financial assets	86,418	97,588
Other current assets	24,891	19,536
Total current assets	427,120	490,962
Non-current assets		
Property, plant and equipment	284,105	258,814
Intangible assets	94,162	90,006
Deferred tax assets	13,141	13,078
Investments accounted for using equity method	939	1,262
Other non-current financial assets	42,342	37,372
Other non-current assets	2,193	1,920
Total non-current assets	436,882	402,451
Total assets	864,003	893,413
[Liabilities and equity]		
Liabilities		
Current liabilities		
Trade and other payables	150,007	145,316
Bonds and borrowings	10,264	8,975
Income tax payables	7,041	16,183
Other current financial liabilities	5,998	5,765
Other current liabilities	43,557	56,976
Total current liabilities	216,868	233,215
Non-current liabilities		
Bonds and borrowings	27,601	24,202
Deferred tax liabilities	20,682	21,116
Retirement benefit liabilities	10,173	11,483
Other non-current financial liabilities	40,500	36,743
Other non-current liabilities	5,279	4,001
Total non-current liabilities	104,234	97,545
Total liabilities	321,102	330,760
Equity		
Equity attributable to owners of parent		
Capital stock	15,993	15,993
Share premium	14,960	13,208
Retained earnings	513,066	547,259
Treasury shares	(58,769)	(54,572)
Other components of equity	(12,177)	(28,886)
Total equity attributable to owners of parent	473,073	493,002
Non-controlling interests	69,827	69,651
Total equity	542,900	562,653
Total liabilities and equity	864,003	893,413

Consolidated statement of income

	(Millions of Yen)	
	Fiscal Year Ended December 31, 2019 (January 1, 2019 - December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 - December 31, 2020)
Net sales	714,233	727,475
Cost of sales	(447,495)	(434,866)
Gross profit	266,738	292,609
Selling, general and administrative expenses	(176,959)	(177,865)
Other income	2,324	2,664
Other expenses	(22,358)	(21,818)
Financial income	3,385	4,152
Financial costs	(3,593)	(3,893)
Profit before tax	69,538	95,849
Income tax expenses	(16,900)	(33,268)
Profit for the period	52,638	62,580
Profit attributable to		
Owners of parent	46,116	52,344
Non-controlling interests	6,521	10,237
Profit for the period	52,638	62,580
Earnings per share attributable to owners of parent		
Basic earnings per share (Yen)	77.53	87.60
Diluted earnings per share (Yen)	77.05	87.46

Consolidated statement of comprehensive income

	(Millions of Yen)	
	Fiscal Year Ended December 31, 2019 (January 1, 2019 - December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 - December 31, 2020)
Profit for the period	52,638	62,580
Other comprehensive income, net of tax		
Items that will not be reclassified to profit or loss		
Net changes in equity instruments measured at fair value through other comprehensive income	766	(310)
Re-measurements related to net defined benefit liabilities (assets)	958	(972)
Subtotal	1,724	(1,282)
Items that may be reclassified to profit or loss		
Net changes in debt instruments measured at fair value through other comprehensive income	—	(1)
Changes in fair value of cash flow hedges	(15)	(10)
Exchange differences on translation in foreign operations	2,737	(16,859)
Share of other comprehensive income of investments accounted for using equity method	—	(16)
Subtotal	2,722	(16,887)
Total other comprehensive income, net of tax	4,446	(18,169)
Total comprehensive income	57,083	44,411
Total comprehensive income attributable to		
Owners of parent	52,458	36,248
Non-controlling interests	4,625	8,163
Total comprehensive income	57,083	44,411

Consolidated statement of changes in equity

Fiscal Year Ended December 31, 2019 (January 1, 2019 - December 31, 2019)

(Millions of Yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
Balance as of January 1, 2019	15,993	13,058	480,457	(52,776)	(15,276)	441,456	62,214	503,670
Cumulative effects of changes in accounting policies	—	—	(530)	—	—	(530)	(23)	(554)
Restated balance at January 1, 2019	15,993	13,058	479,927	(52,776)	(15,276)	440,926	62,190	503,116
Profit for the period	—	—	46,116	—	—	46,116	6,521	52,638
Other comprehensive income	—	—	—	—	6,341	6,341	(1,896)	4,446
Total comprehensive income	—	—	46,116	—	6,341	52,458	4,625	57,083
Purchase of treasury shares	—	—	—	(15,001)	—	(15,001)	—	(15,001)
Conversion of convertible bond-type bonds with share acquisition rights	—	867	—	9,008	(745)	9,130	—	9,130
Dividends	—	—	(15,475)	—	—	(15,475)	(2,211)	(17,686)
Equity transactions with non-controlling interests	—	1,036	—	—	—	1,036	5,222	6,257
Transfer from other components of equity to retained earnings	—	—	2,497	—	(2,497)	—	—	—
Total transactions with owners	—	1,902	(12,978)	(5,993)	(3,242)	(20,310)	3,011	(17,299)
Balance as of December 31, 2019	15,993	14,960	513,066	(58,769)	(12,177)	473,073	69,827	542,900

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

(Millions of Yen)

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

Consolidated statement of cash flows

(Millions of Yen)

	Fiscal Year Ended December 31, 2019 (January 1, 2019 - December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1, 2020 - December 31, 2020)
Cash flows from operating activities		
Profit before tax	69,538	95,849
Depreciation and amortization expenses	38,676	36,165
Impairment losses	19,654	—
Loss due to fire	—	15,929
Interest and dividend income	(3,380)	(3,836)
Interest expenses	2,296	1,330
Foreign exchange loss (gain)	265	849
Loss (gain) on sale and retirement of fixed assets	626	593
Decrease (increase) in trade and other receivables	(20,264)	5,395
Decrease (increase) inventories	6,700	(419)
Increase (decrease) in trade and other payables	(6,763)	(967)
Increase (decrease) in other current liabilities	50	16,959
Other, net	3,469	2,405
Subtotal	110,866	170,252
Interest and dividends received	3,489	3,470
Interest paid	(1,540)	(1,331)
Proceeds from insurance income	2,025	—
Income taxes refund	13	—
Income taxes paid	(29,919)	(22,136)
Net cash provided by (used in) operating activities	84,936	150,254
Cash flows from investing activities		
Payments into time deposits	(66,717)	(52,232)
Proceeds from withdrawal of time deposits	34,092	41,101
Purchase of property, plant and equipment, and intangible assets	(44,017)	(35,507)
Proceeds from sale of property, plant and equipment, and intangible assets	760	2,115
Purchase of financial assets measured at fair value through profit or loss	—	(6,100)
Purchase of equity instruments measured at fair value through other comprehensive income	(4,015)	(3,014)
Purchase of debt instruments measured at fair value through other comprehensive income	—	(401)
Proceeds from sale and redemption of financial assets measured at amortized cost	—	1,000
Proceeds from sale and redemption of financial assets measured at fair value through profit or loss	4,000	3,000
Proceeds from sale and redemption of equity instruments measured at fair value through other comprehensive income	6,850	8,019
Other, net	(188)	323
Cash flows from investing activities	(69,235)	(41,698)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(6,869)	25
Proceeds from long-term borrowings	23,000	725
Repayments of long-term borrowings	(9,503)	(1,341)
Repayments of lease liabilities	(5,933)	(5,149)
Payments for purchase of treasury shares	(15,001)	(7,193)
Dividends paid to owners of parent	(15,482)	(17,895)
Dividends paid to non-controlling interests	(2,179)	(8,822)
Proceeds from share issuance to non-controlling interests	8,904	30
Proceeds from exercise of employee share options	—	4,525
Other, net	—	(144)
Cash flows from financing activities	(23,062)	(35,239)
Effect of exchange rate changes on cash and cash equivalents	1,083	(2,583)
Net increase (decrease) in cash and cash equivalents	(6,278)	70,735
Cash and cash equivalents at beginning of period	135,065	128,787
Cash and cash equivalents at end of period	128,787	199,522