

## Message from the President & CEO

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

### ■ 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 mask 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



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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**

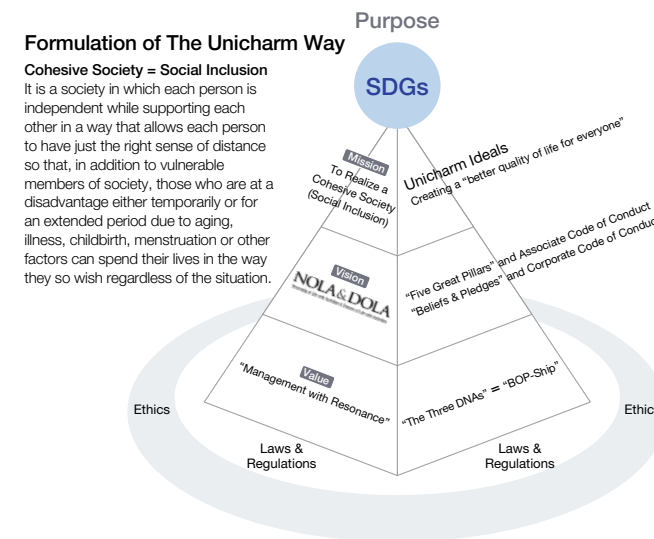
As I have outlined above, Unicharm is working to solve a variety of issues to contribute to the realization of a cohesive society. In order to promote these kinds of initiatives even more strongly, we formulated “Kyo-sei Life Vision 2030 - For a Diverse, Inclusive & Sustainable World - (‘Kyo-sei Life 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.



PDF See P.017 “Formulation of The Unicharm Way”

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.”

**NOLA&DOLA**  
Necessity of Life with Activities & Dreams of Life with Activities

### ■ 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.

March 2021

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President & CEO