

[Translation for Reference and Convenience Purposes Only]

## CORPORATE GOVERNANCE REPORT

UNICHARM CORPORATION

Last Update: March 29, 2021

Unicharm Corporation

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The corporate governance of Unicharm Corporation (“Unicharm” or the “Company”) is described below.

### I Basic Views on Corporate Governance, and Basic Information on Capital Structure, Corporate Attributes, and Other Matters

#### 1. Basic Views

The Unicharm Group strives to achieve “sound corporate management” through its commitment to Unicharm Ideals. We aim to achieve sustainable growth and create medium and long-term corporate value through appropriate collaboration with stakeholders and secure the esteem and trust of society.

In order to realize these objectives, we have established a basic policy of corporate governance that achieves transparent, fair, expeditious and decisive management by conducting honest and active dialogue to obtain support from various stakeholders and work to improve ESG and a corporate environment where management can make appropriate decisions at the right time.

#### Reasons for Non-implementation of the Principles of the Corporate Governance Code

[Supplementary Principle 2-5-1: Establishment of a Framework for Whistleblowing]

The Company has established the Compliance Hotline and the Ring-ring Employee Hotline, which are contacts for whistleblowing in the event that an employee notices any fact that caused or may cause significant damage to the Company, such as behavior that violates laws and regulations. In the event that an employee detects such a fact, he or she has a duty to immediately report it.

The Corporate Ethics Office, which is responsible for the Compliance Hotline and the Ring-ring Employee Hotline, periodically reports the status of whistleblowing to the board of directors via the Corporate Ethics Committee while taking into account the anonymity of whistleblowers.

Although the Company has not established a point of contact that is independent of management for investigation and assessment of facts concerning reported information and uncertainties, the Company strives to continue to improve its effectiveness based on the recognition that a whistleblowing system is one of the most effective method in the early discovery of risks and contributes to a self-cleansing effect and promotion of compliance management.

[Principle 4-11: Preconditions for Board and Audit and Supervisory Committee Effectiveness]

As the Company takes the board size into consideration, all the directors of the Company are Japanese citizens who have expertise in general management (including management of international business).

## **Disclosure Based on the Principles of the Corporate Governance Code**

[Principle 1-4: Cross-Shareholdings]

The Company may hold minimum necessary shares of other companies for the purpose of maintenance and strengthening of the relationships. In such case, the Company shall judge whether it should invest or not based on whether such investment would contribute to an increase in corporate value of the Company, taking into consideration dividends, benefits that can be obtained through maintaining and strengthening the relationships, risks, capital costs, and other factors.

The board of directors examines the rationality of each cross-shareholding on an annual basis, based on whether the purpose of the cross-shareholding has become insubstantial, and the benefit and the risk are proportionate to the capital cost. If cross-shareholdings are not reasonable, the Company sells the shares appropriately according to the overall judgement on market impact etc.

With respect to the exercise of voting rights, the Company shall exercise voting rights appropriately by carefully examining proposals and judging whether they contribute to the improvement of shareholder value. The Company shall not vote for any proposals that may damage shareholder value, regardless of whether they are proposed by the companies or their shareholders.

[Principle 1-7: Related Party Transactions]

When the Company engages in transactions (including indirect transactions) with its directors (including audit and supervisory committee members) or their close relatives, the Company shall secure approval of the board of directors in advance.

Regarding transactions among the Group companies, in the case of a material transaction, the Company shall make a decision based on thorough deliberation by the board of directors including several independent outside directors in addition to prior legal check of the appropriateness of the transaction conditions and the method of their determination.

[Principle 2-6: Roles of Corporate Pension Funds as Asset Owners]

The Company recognizes that the investment of corporate pension funds may affect employee's wealth and the Company's financial status. Therefore, the Company runs the corporate pension healthily by assigning persons who have proper experience and skills (e.g. person who has experience in Accounting Control and Finance Division), and seeking advice from external experts.

Asset managers are monitored through their periodical report on investment performance and investment stewardship.

Discretion to select individual investment target and to exercise voting rights are entrusted to asset managers to avoid conflicts of interests between the beneficiaries of the pension fund and the Company.

[Principle 3-1: Full Disclosure]

i) Company objectives (e.g., management principles), business strategies and business plans

The Unicharm Group has established a corporate philosophy, which is disclosed. For details, please refer to the Company's website.

<http://www.unicharm.co.jp/english/about/corporate-philosophy/index.html>

The Company's Medium-Term Management Plan is disclosed in the Integrated Report. For details, please refer to the Company's website.

<http://www.unicharm.co.jp/english/ir/report/highlight/index.html>

- ii) The Group's basic views and guidelines on corporate governance  
Refer to the "I. Basic Views on Corporate Governance, and Basic Information on Capital Structure, Corporate Attributes, and Other Matters" "1. Basic Views".
- iii) Policies and procedures of the Compensation Committee in determining the remuneration of directors and executive officers  
Refer to the "II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-Making, Execution of Business, and Supervision of Management" "2. Matters on Functions of Business Execution, Auditing and Oversight, Nomination, and Determination of Compensation (Overview of Current Corporate Governance System)".
- iv) Policies and procedures of the board of directors for the appointments and dismissals of executive officers and the nominations of director candidates and the dismissals of incumbent directors  
Refer to the "II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-Making, Execution of Business, and Supervision of Management" "2. Matters on Functions of Business Execution, Auditing and Oversight, Nomination, and Determination of Compensation (Overview of Current Corporate Governance System)".
- v) Explanations with respect to the individual appointments and dismissals of executive officers and the individual nominations of director candidates and the dismissals of incumbent directors based on iv).  
When proposing candidates for director (including a director serving as an audit and supervisory committee member) or dismissals of incumbent director to a general meeting of shareholders, the Company shall explain the reasons for nomination of such candidates or dismissal of such directors in the notice of convocation of the general meeting of shareholders.

[Supplementary Principle 4-1-1: Scope and Content of the Matters Delegated to the Management]

The Company emphasizes ensuring transparency of decision-making and does not delegate decision-making of important business execution to directors by stipulation in the articles of incorporation in accordance with Article 399-13 of the Companies Act. However, the Company delegates decision-making authorities to the representative director, president & CEO and other executive officers within the limit permitted by law to afford time for discussion on medium and long-term strategies and monitoring of execution.

Responsibilities of executive officers and the division of roles between the Company's executive officers and managers of domestic and overseas Group companies are clearly defined by the resolutions of the board of directors and internal rules.

[Principle 4-9: Standards for Independence and Qualification of Independent Directors]

Refer to the "II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-Making, Execution of Business, and Supervision of Management" "1. Organizational Composition and Operation" [Independent Directors].

[Supplementary Principle 4-11-1: View on the Balance between Knowledge, Experience and Skills of the Board of Directors as a Whole, and also on Diversity and Size of the Board of Directors]

In terms of its composition, the board of directors shall be well balanced with respect to knowledge, experience, and capabilities to effectively fulfill its roles and responsibilities, and it shall be constituted in such a manner as to accommodate diversity while keeping an appropriate size. Persons with appropriate experience and skills as well as necessary knowledge of finance, accounting, and the law shall be appointed to serve as audit and supervisory committee members. In particular, at least one person who has sufficient expertise on finance and accounting shall be appointed.

[Supplementary Principle 4-11-2: Securing Time and Effort of Directors]

Approval of the board of directors shall be required for directors to concurrently serve as directors, auditors or officers of other companies.

If an outside director concurrently serves as an officer of another company, it shall be determined in terms of whether time and effort required to properly perform the roles and responsibilities as a director of the Company can be secured. Status of concurrent services of directors shall be disclosed in the business report annually.

[Supplementary Principle 4-11-3: Analysis and Evaluation of Overall Effectiveness of the Board of Directors]

Each year, the Company shall collect questionnaires from all directors, and carry out discussions by all directors based on the results. The company makes self-evaluation about the overall effectiveness of the board of directors by this process, and tries to enhance effectiveness of the board of directors. The results of the analysis and evaluation for this year (2021) are outlined below.

1. At the Company's meetings of the board of directors, various opinions are expressed by the directors. Subject matters are duly deliberated through active discussion. In addition, improvement is achieved on issues pointed out at the analysis and evaluation of the previous year (2020) as set out below. Accordingly, we can evaluate that the board of directors of the Company functions effectively.
  - (1) Discussions on topics in basic strategies to accomplish the medium-term management plan are periodically made and matters that require attention etc. are deliberated.
  - (2) Explanations of proposals are simplified and/or deliberations are packaged when directors are able to understand proposals and spot issues by reading materials delivered in advance. More time is spent for discussions on important matters.
  - (3) Chances of exchanging opinions between outside directors and executive officers are arranged taking opportunities of discussions on the medium-term management plan etc., which enables outside directors who are members of nomination committee to provide training to and make assessment of successors of the board members more effectively. Restricted-share based remuneration is introduced for directors who are not audit and supervisory committee members and provides them with more incentives to achieve sustainable increase in corporate value together with shared sense of values with shareholders.
2. In order to further improve the effectiveness of the board of directors, we will consider promotion of the following initiatives.
  - (1) Develop more articulated process with medium-term management plans. e.g. picking up issues to discuss in an early stage of developing a plan, review and monitoring after pursuit of a published plan
  - (2) Seek more effective way to address issues in digital transformation so as we can create values for customers by delegating authorities to executives when appropriate and by strengthening monitoring when necessary etc..
  - (3) Deliberate how the board of directors can enhance "defensive governance" by facilitating audits and preventing scandals etc.

[Supplementary Principle 4-14-2: Training Policy for Directors]

When directors including outside directors newly assume their positions, the Company shall provide them with opportunities to acquire necessary knowledge about the Company's business, finance, organizations, etc. and sufficient understanding of roles and responsibilities (including legal responsibilities) of directors. The Company shall hold workshops for directors and executive officers during their terms of office. The Company shall also encourage them to vigorously participate in external seminars.

[Principle 5-1, Supplementary Principle 5-1-2: Policy for Constructive Dialogue with Shareholders]

The Company shall positively, and to the extent reasonable, respond to the requests from shareholders to engage in dialogue (management meetings) so as to support sustainable growth and increase corporate value over the medium to long-term. The board of directors shall establish and approve policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders.

□ Policies

i) Appointing an executive officer who is responsible for overseeing and ensuring that constructive dialogue takes place

The executive officer who is responsible for overseeing and ensuring that constructive dialogue takes place is the executive officer responsible for the Corporate Planning Division.

ii) Measures to ensure organic coordination between internal departments such as investor relations, corporate planning, general affairs, corporate finance, accounting and legal affairs

Departments in charge of IR, PR and general affairs periodically hold meetings about disclosure and briefing on financial closing and other matters. Departments in charge of corporate planning, accounting control and finance, the legal affairs and others participate in the meetings, as necessary, to ensure organic coordination.

iii) Measures to promote opportunities for dialogue aside from individual meetings

The Company implements measures to enable shareholders to deepen their understanding of the Company's management strategies and business environment, such as holding of investor meetings and meetings for presentation of the financial results and disclosure on the website, apart from individual meetings.

iv) Measures to appropriately and effectively relay shareholder views

Opinions of shareholders and analysts grasped by IR are reported to the board of directors at each IR, by Representative Director, President & CEO who conducts IR, which are actively utilized for management strategy reviews of the Company. In the notice of convocation of the general meeting of shareholders, questionnaires are published. Questionnaires are also distributed at explanation meetings for institutional investors. The board of directors receives the feedback on the responses.

v) Measures to control insider information

In principle, the Company prohibits communication of insider information to shareholders; and if insider information is communicated to shareholders, the insider information shall be published at the same time as that communication.

## 2. Capital Structure

Foreign Shareholding Ratio	30% or more
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### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned (Shares)	Percentage (%)
Unitec Corporation	154,956,780	24.87
The Master Trust Bank of Japan, Ltd. (Trust account)	39,082,400	6.52
Takahara Fund Ltd.	28,080,000	4.69
Custody Bank of Japan, Ltd. (Trust account)	22,261,100	3.72
The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust Account/The Hiroshima Bank Account)	17,287,200	2.89
The Iyo Bank, Ltd.	15,299,856	2.55
Nippon Life Insurance Company	12,188,718	2.03
The Bank of New York Mellon as Depositary Bank for Depositary Receipt Holders	11,360,505	1.90
BNYMSANV Re MIL Re First Sentier Investment ICVC-Stewart Investors Asia Pacific Leaders Sustainability Fund	10,395,200	1.74
Northern Trust Co. (AVFC) Sub A/C American Clients	9,721,883	1.62

Controlling Shareholders (excluding Parent Company)	—
Parent Company	None

Supplementary Explanation
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### 3. Corporate Attributes

Listed Stock Exchange and Market Section	Tokyo Stock Exchange, First Section
Fiscal Year-End	December
Type of Business	Chemical
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (consolidated) as of the End of the Previous Fiscal Year	¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	50 to less than 100

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholders

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### 5. Other Special Circumstances Which May Have Material Impact on Corporate Governance

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## II

# Business Management Organization and Other Corporate Governance Systems Regarding Decision-Making, Execution of Business, and Supervision of Management

## 1. Organizational Composition and Operation

Organizational Form	Company with Audit and Supervisory Committee
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### [Directors]

Maximum Number of Directors Stipulated in the Articles of Incorporation	18
Terms of Office of Directors Stipulated in the Articles of Incorporation	1 year
Chairperson of the Board of Directors	Representative Director, President & CEO
Number of Directors	6
Appointment of Outside Directors	Appointed
Number of Outside Directors	2
Number of Independent Directors	2

### Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Hiroko Wada	From other company											
Hiroaki Sugita	From other company								○			

※ Categories for “Relationship with the Company”

※ “○” When the category currently applies to or recently applied to the person

“△” When the category applied to the person in the past

※ “●” When the category currently applies to or recently applied to a close relative of the person

“▲” When the category applied to a close relative of the person in the past

a. Executive of the Company or its subsidiaries

b. Executive director or non-executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director

g. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which the Company’s outside directors/audit and supervisory committee members are mutually appointed (the director himself/herself only)



- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Relationship with the Company (2)
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Name	Audit and Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	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. Hiroko Wada has diverse management experience, including an officer at the headquarters of major overseas manufacturer Procter & Gamble and the president of Japanese subsidiaries of foreign-owned enterprises, and extensive knowledge regarding corporate management with a global perspective. Since March 2019, she has served as outside Director who is an audit and supervisory committee member and has actively made proposals, as a management specialist, regarding important management issues from the different angles including finance, governance, management strategy, and marketing at meetings of the board of directors. The Company thinks that she is the right person to enhance audit function in the management as the Company further expands its business globally.

Name	Audit and Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Hiroaki Sugita	○	○	<p>Although Mr. Hiroaki Sugita is a Managing Director &amp; Senior Partner of the Boston Consulting Group, he is not involved in its project with the Company. Moreover, the amount of consulting fees paid to the Boston Consulting Group by Unicharm Group accounted for under 0.1% of consolidated net sales in the past three fiscal years. Thus, Mr. Sugita 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 he is unlikely to have a conflict of interest with general shareholders and has designated Mr. Sugita as an independent director.</p>	<p>Mr. Hiroaki Sugita has extensive knowledge gained through a wealth of assisting experience on finance, accounting and management strategies in corporate management, especially globalization strategy, corporate governance, group management, digitalization, and transformation, as well as serving as Japan Co-chair for the Boston Consulting Group, a leading foreign consulting firm. The Company thinks that he will provide appropriate advice on governance and management strategy as the Company further expands its business globally.</p>

**[Audit and Supervisory Committee]**

Composition of the Committee and Attributes of the Chairman

	Total Number of Committee Members	Number of Full-time Committee Members	Number of Internal Directors	Number of Outside Directors	Committee Chairman
Audit and Supervisory Committee	3	1	1	2	Outside director

Appointment of Directors and Employees Who Assist the Audit and Supervisory Committee with its Duties

Appointed

Matters relating to the Independence of Such Directors and Employees from Executive Directors

Refer to the “IV. Matters Related to the Internal Control System” “1. Basic Views on the Internal Control System and the Progress of System Development” “6. Employees Assigned to Assist the Audit and Supervisory Committee”.

Cooperation between Audit and Supervisory Committee, Accounting Auditor, and Internal Audit Department

The audit and supervisory committee works closely with the accounting auditor (PricewaterhouseCoopers Aarata LLC) to inspect operations and assets at the head office, main business sites, and domestic and overseas Group companies, and requests them to report on the statuses. In order to improve the reliability of financial statements, the audit and supervisory committee and the accounting auditor hold quarterly meetings and additional meetings as needed. At these meetings, they share information about their respective audit plans and audit results to increase the effectiveness and efficiency of audits.

The audit and supervisory committee and the Internal Audit Department hold periodic internal audit report meetings. At these meetings, the audit and supervisory committee receives reports on the results of internal audits of executive business divisions, examines the appropriateness of the internal control system from comprehensive and objective perspectives. It also provides recommendations for improvement concerning issues identified, recommendations for remediation, and follow-ups.

**[Voluntarily Establishment of Committees]**

Voluntary Establishment of Committees equivalent to Nomination Committee or Compensation Committee

Established

Voluntary Establishment of Committees, Composition of the Committee and Attributes of the Chairman

	Committee's Name	Total Number of Committee Members	Number of Full-Time Committee Members	Number of Internal Directors	Number of Outside Directors	Number of External Experts	Number of Others	Committee Chairman
Committees equivalent to Nomination Committee	Nomination Committee	4	0	2	2	0	0	Outside director
Committees equivalent to Compensation Committee	Compensation Committee	4	0	2	2	0	0	Outside director

#### Supplementary Explanation

Nomination Committee and Compensation Committee are comprised of Representative Director, President & CEO (1 person) and independent outside directors (2 persons) and other non-executive director (1 person).

#### [Independent Directors]

Number of Independent Directors	2
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#### Matters relating to Independent Directors

The Company established the “Standards for Appointment of Independent Directors.” For details, refer to the Company’s website (in Japanese only).

<http://www.unicharm.co.jp/company/about/corporate-governance/index.html>

The Company has appointed two independent outside directors with sufficient qualifications to fulfill the roles and responsibilities so as to contribute to sustainable growth and enhancement of corporate value of the Company over the medium and long-term. We will strive to nominate a person who can be expected to contribute to honest, active and constructive review at the board of directors as a candidate for independent outside director.

The Company has appointed all outside directors as independent directors, insofar as they meet the qualification.

#### [Incentives]

Incentive Policies for Directors	Performance-linked Remuneration, Stock Option System, Other
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#### Supplementary Explanation

##### ■ Outlines of the Incentive System for Directors

For outlines of the incentive system for directors of the Company, refer to the “II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-Making, Execution of Business, and Supervision of Management” “2. Matters on Functions of Business Execution, Auditing and Oversight, Nomination, and Determination of Compensation (Overview of Current Corporate Governance System)” “■ Remuneration”.

#### ■ Restricted-share Based Remuneration

The Company adopts restricted-share based remuneration where (1) eligible directors and executive officers receive monetary claims from the Company as remuneration, (2) eligible directors and executive officers contribute all of the monetary claims to the Company, and (3) the Company deposits treasury shares in exchange for the contribution. The Company and each of eligible directors and executive officers shall sign an agreement on the allotment of restricted shares.

<Major Conditions in the Agreement on the Allotment of Restricted Shares>

- (i) The eligible directors and executive officers shall be prohibited from transfers etc. of the allotted shares of the Company ("Allotted Shares") for three years from the date of the allotment ("Restriction Period").
- (ii) If an eligible director or executive officer resigns or retires from the position of director or executive officer of the Company etc. before Restriction Period expires, the Company shall automatically acquire such Allotted Shares without contribution unless there are justifiable reasons for the retirement from office, such as expiration of the term of his/her office.
- (iii) The eligible directors and executive officers shall return all or part of the Allotted Shares without contribution in the event of material accounting frauds or substantial losses, to take responsibility for such occurrences.

#### ■ Stock Option System

The Company, based on the resolution of the 55th general meeting of shareholders held on March 27, 2015, has granted share options to the directors (except for audit and supervisory committee members at that time) and employees of the Company and the Company's fully owned Japanese subsidiaries at that time.

<Major Conditions for Exercising Stock Options>

- (i) Closing stock price of the Company at Tokyo Stock Exchange must be equal to or higher than JPY 4,030 at least once on or before February 28, 2021. (\*)
- (ii) Holder of share option must be a director etc. of the Company at the time of exercise except for retirement from office by reason of expiration of the term of his/her office etc.
- (\*) On March 30, 2020, closing stock price of the Company at Tokyo Stock Exchange hits higher than JPY 4,030 and the condition is satisfied.

#### Grantees of Stock Options

Internal Directors, Employees, Directors of Subsidiaries, Employees of Subsidiaries

#### Supplementary Explanation

The stock option program allows directors and employees of the Company who do not serve as audit and supervisory committee members, and directors and employees of wholly owned subsidiaries in Japan to enjoy benefits linked with benefits of shareholders and other stakeholders when the target corporate value (market capitalization) is reached through realization of Unicharm Ideals. The Company has granted stock options with the aim of enhancing motivation of every individual involved in the Company's business activities, cultivating a sense of unity based on shared recognition that achieving plans leads to an increase in the value of the Group as a whole, further increasing the probability of success.

#### [Director's Compensation]

#### Disclosure of Individual Directors' Compensation

Selected Directors

#### Supplementary Explanation

Information on directors who receive compensation totaling ¥100 million or more is disclosed in the Company's securities report.

The securities report is posted on the Company's website (in Japanese only).

<http://www.unicharm.co.jp/ir/index.html>

Policy on Determining Compensation Amounts and Calculation Methods	Established
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#### Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

Refer to the “II.Business Management Organization and Other Corporate Governance Systems Regarding Decision-Making, Execution of Business, and Supervision of Management” “2. Matters on Functions of Business Execution, Auditing and Oversight, Nomination, and Determination of Compensation (Overview of Current Corporate Governance System)”.

#### [System for Supporting Outside Directors]

Secretaries provide outside directors with support. In addition, secretariat of the board of directors arrange board meetings and deliver meeting materials. Meeting materials are, in principle, delivered four days before the meeting to facilitate advance preparation. Information on the Company's strategies etc. is also provided regardless of whether it directly relates to items to be resolved to enable adequate decision making.

An employee is assigned to the Audit and Supervisory Committee Office to assist the two outside directors who are audit and supervisory committee members. Full-time audit and supervisory committee member provides prior explanations, etc., about the proposals to the board of directors and, if necessary, sets up a meeting with the relevant departments to support the outside directors.

#### [Status of Person who Resigned from Representative Director, President, etc.]

Nomination as Advisers and Consultants, etc., who are Former Representative Director, President, etc.

Name	Title/Position	Operations	Service form/Conditions (Full-time, part-time, with or without remuneration, etc.)	Date of resignation from President, etc.	Term
—	—	—	—	—	—

Total Number of Advisers and Consultants, etc. who are Former Representative Director, President, etc.	0 person
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Other Matters

There is no person who resigned from representative director, president, etc.

## 2. Matters on Functions of Business Execution, Auditing and Oversight, Nomination, and Determination of Compensation (Overview of Current Corporate Governance System)

☒ Governance Mechanism

☐ Board of Directors

Refer to the “II.Business Management Organization and Other Corporate Governance Systems Regarding

Decision-Making, Execution of Business, and Supervision of Management” “1. Organizational Composition and Operation” [Directors]

☐ Audit and Supervisory Committee

Refer to “II.Business Management Organization and Other Corporate Governance Systems Regarding Decision-Making, Execution of Business, and Supervision of Management” “1. Organizational Composition and Operation” [Audit and Supervisory Committee]

☐ Nomination Committee and Compensation Committee

Refer to “II.Business Management Organization and Other Corporate Governance Systems Regarding Decision-Making, Execution of Business, and Supervision of Management” “1. Organizational Composition and Operation” [Voluntarily Establishment of Committees]

☐ Advisory Board

All executive officers and responsible persons of relevant departments and full-time audit and supervisory committee member attend and Representative Director, President & CEO chairs. Outside directors attend as necessary. The Advisory Board deliberates on strategies listed in the medium-term management plan and the business plan and strategy of each Group company.

☐ Business Execution Council

All executive officers and responsible persons of relevant departments, etc., attend and Representative Director, President & CEO chairs. The Business Execution Council is generally held every month and report on the status of execution of business is made and discussions are made on important tasks for business execution selected by the chairman in order to resolve expeditiously.

☐ ESG Committee

Representative Director, President & CEO is the chairman and Director, Vice President is the vice chairman and ESG Division assumes a function of secretariat. The ESG Committee deliberates on the progress and issues regarding major topics in the medium-term management plan and medium-to long-term ESG objectives.

☐ Corporate Ethics Committee

Representative Director, President & CEO is the chairman, executive officer responsible for Corporate Ethics Office is the vice chairman and all audit and supervisory committee members are standing members. The Corporate Ethics Committee promotes the ethics and compliance system.

☐ Internal Control Committee

Representative Director, President & CEO is the chairman, executive officer responsible for Internal Audit Department is the vice chairman and Internal Audit Department assumes a function of secretariat. The Internal Control Committee promotes the matters concerning evaluation and audit of internal control over financial reports.

■ Business Execution

The Company adopts an executive officers system. Representative Director, President & CEO executes the business as the head of all execution divisions. Other executive officers, as the head of each execution division, are responsible for and execute the business in charge, which are determined by the board of directors and Representative Director, President & CEO.

■ Nomination

[Policy]

A candidate for director shall be nominated from among the persons who demonstrate excellent character, and knowledge in general management whether inside or outside of the Company, focusing on the quality of being

able to properly fulfill the duty of care of a good manager and fiduciary obligations and contribute to sustainable growth and enhance the corporate value of the Company. For internal directors, directors, the Nomination Committee, and the board of directors shall regularly confirm and supervise the status of development of successors and nominate based on the results.

Executive officers shall be appointed, focusing on the ability to practice “Five Great Pillars and Associate Principles of Action” which are principles of action for managers and other employees of the Company and properly execute business of the Company Group.

The Company improves transparency and objectivity by clearly setting out the standards of evaluation for each director and executive officer taking their responsibilities into account. The board of directors determines the dismissal or non-reappointment of a director or executive officer by an overall judgement after deliberation by the Nomination Committee if performance of the director or executive officer is below the standards in 2 consecutive years.

For the details of the KPI, please refer “■Remuneration” [KPI].

#### [Procedure]

Nomination of candidates for directors and appointment of executive officers shall be determined by the board of directors upon hearing the opinions of the Nomination Committee, which is comprised of Representative Director, President & CEO (1 person) and independent outside directors (2 persons) and other non-executive director (1 person), and chaired by an independent outside director, to improve transparency and objectivity. Nomination Committee shall also deliberate on the policy for nomination of candidates for directors and appointment of executive officers as necessary. For a candidate of director who is an audit and supervisory committee member, the Nomination Committee shall prepare the draft after deliberation based on the policy of the audit and supervisory committee and with the prior consent of the audit and supervisory committee, and it shall be determined by the board of directors.

#### [Succession Planning]

The Company trains and nominates successors as follows:

- (1) Each executive officers periodically conducts interviews with future director candidates and future executive officer candidates based on their career visions and career plans, and carries out human resource mapping.
- (2) Representative Director, President & CEO quarterly conducts interviews with executive officers; gives guidance and training by setting measurable goals and objectives for executive officers and their organizations, and evaluating their achievements.
- (3) These procedures and the status of undergone process are reported to the Nomination Committee and the Compensation Committee for deliberation.
- (4) The board of directors nominates candidates for directors and executive officers based on the opinion of the Nomination Committee.
- (5) The Company runs “Global 15 Project” (about 15 department managers participate in this program for each three year term, during which around 18 meetings are held to learn general knowledge by practical experience) and “Secretary for Strategy” (mid-grade employees in their thirties participate in this program; they are transferred to Business Planning Office and serve as secretaries of Representative Director, President & CEO to learn how he thinks and acts) which are human resource development program under direct supervision by Representative Director, President & CEO. Medium and long-term picking-up and training of future candidates of directors and executive officers are of the purposes of these programs.

The Company arranges discussions between executive officers and directors (including outside directors) about key strategies of the Company etc. Outside directors can lead and train executive officers through these discussions. Further, deliberation at the Nomination Committee can be deepened as the committee members (outside directors) know the candidates well.

#### [Nomination and Dismissal of President & CEO]

The Company recognizes that, in addition to succession planning, the nomination and dismissal of



Representative Director, President & CEO is one of the most important strategic decision making. The company sets out clearly the standards of evaluation for Representative Director, President & CEO regarding the business results of the entire Company and the progress in important strategies. The board of directors determines the dismissal or non-reappointment of Representative Director, President & CEO by an overall judgement after deliberation by the Nomination Committee if performance of Representative Director, President & CEO is below the standards in 2 consecutive years.

For the details of the KPI, please refer “■ Remuneration” [KPI].

## ■ Remuneration

### [Policy]

Compensation, etc., for directors (excluding directors who are audit and supervisory committee members) and executive officers of the Company shall be determined, comprehensively considering the motivation for improvement of performance and corporate value and securing excellent human resources, etc., which shall be a level appropriate to their roles and responsibilities. Basic policies on compensation to promote growth-oriented management and to accomplish management strategy and fulfill management plan are as follows. Directors who are audit and supervisory committee members receive only fixed remuneration.

### ☐ Basic Principles

- (1) Remuneration contributable to the sustainable growth and medium to long-term increase of corporate value
- (2) Remuneration plan that is linked closely with performance and motivates the fulfilment of management plans and the achievement of results of the Company
- (3) Remuneration level which attracts and retains "talented personnel" who are capable of company management
- (4) Highly transparent and objective process for determining remuneration

### ☐ Remuneration Levels

In order to swiftly cope with the changes in external and market circumstances, remuneration levels are set based on a comparison with companies in the same industry and similar-sized companies and on the Company's financial condition.

### ☐ Composition of Remuneration

The remuneration for directors consists of (1) basic remuneration, (2) performance-linked remuneration and (3) restricted share-based remuneration.

- (1) Basic remuneration: Basic remuneration is fixed remuneration which is determined for each position in line with responsibilities and is paid in fixed amounts each month.
- (2) Performance-linked remuneration: As a short-term incentive, performance-linked remuneration is set in the range of 0% to 200% of the basic remuneration amount depending on performance results for one year (from January to December) and is paid in fixed amounts each month from April of the next year to March of the year after next.
- (3) Restricted share-based remuneration: As an incentive to increase corporate value over the medium to long term, the Company allocates restricted shares equivalent to 33% to 100% of the basic remuneration amount according to the performance results of one year (January to December) in April of the next year.

For restricted share-based remuneration and stock option system, please refer to the “II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-Making, Execution of Business, and Supervision of Management” “1. Organizational Composition and Operation” [Incentives], too.

### [KPI]

Indicators for determining performance-linked remuneration and restricted share-based remuneration are as follows.

Consolidated earnings: consolidated net sales, core operating income, profit for the period (weight: 20% - 50%)  
Division earnings: division sales, division profit (weight: 0% - 40%)  
Company strategy: priority strategy, ratings of ESG rating agencies (weight: 20% - 50%)  
Division strategy: division priority strategy (weight: 0% - 40%)

(Examples of KPI Weight)

<Directors>

Consolidated earnings: (50%)

Company strategy: (50%)

<Senior Executive Officers in Charge of Frontline Division>

Consolidated earnings: (20%)

Division earnings: (30%)

Company strategy: (20%)

Division strategy: (30%)

[Procedure]

Compensation, etc., for directors (except for directors who are audit and supervisory committee members) and executive officers and relating policies are determined following procedures set out below. Remunerations of directors who are audit and supervisory committee members are determined through discussion among directors who are audit and supervisory committee members.

☐ Procedure to Determine Remunerations of Individual Directors

Representative Director, President & CEO who has authority delegated from the board of directors determines remunerations of individual directors after hearing the opinion of Compensation Committee, which is comprised of Representative Director, President & CEO (1 person) and independent outside directors (2 persons) and other non-executive director (1 person), and chaired by an independent outside director.

☐ Procedure to Establish Policies on Remuneration

The board of directors establishes the policies after hearing the opinion of Compensation Committee, which is comprised of Representative Director, President & CEO (1 person) and independent outside directors (2 persons) and other non-executive director (1 person), and chaired by an independent outside director.

## ■ Audits and Supervision

☐ Audits and Supervision by the Audit and Supervisory Committee

The audit and supervisory committee determines the “Standards for the Audit, etc., of the Audit and Supervisory Committee” and the “Standards for Conducting Audits by Audit and Supervisory Committee related to the Internal Control System” and conducts audits in compliance thereof. The audit and supervisory committee also determines its opinions on appointment and compensation, etc., of directors (except for directors who are audit and supervisory committee members). For the opinions of the audit and supervisory committee on appointment and compensation, etc., of directors, please refer to the notice of convocation of the general meeting of shareholders.

<http://www.unicharm.co.jp/english/ir/convocation/index.html>

☐ Audits by Internal Audit Department

As an internal audit division, the Internal Audit Department is established directly under the supervision of Representative Director, President & CEO. Results of audits conducted by the Internal Audit Department are reported to Representative Director, President & CEO and the audit and supervisory committee. In case any deficiency is identified, corrective action plan is made and executed and the Internal Audit Department does the monitoring.

□ Audits by Accounting Auditor

The Company appointed PricewaterhouseCoopers Aarata LLC to its accounting auditor.

<Name and Years of Continued Service of the Certified Public Accountants Who Conducted Audits of the Company>

Tsuyoshi Saito (3 years)

Mamoru Honda (2 years)

Toshihiro Taniguchi (1 year)

<Composition of Accounting Audit Support Team>

Certified Public Accountants: 4 persons

Other: 18 persons

The audit and supervisory committee, the Internal Audit Department and the accounting auditor are periodically have meetings to exchange information and opinions, and try to make their audits more effective through mutual cooperation.

For the status of audits, refer to the “IV. Matters Related to the Internal Control System” “1. Basic Views on the Internal Control System and the Progress of System Development”

■ Agreement Limiting Liability

The Company has not executed an agreement limiting liability with the directors and accounting auditor.

### 3. Reasons for Adopting the Current Corporate Governance System

In May 2015, the Company adopted a “company with audit and supervisory committee” structure to meet expectations of stakeholders worldwide from a global perspective by strengthening oversight of the executive functions of the board of directors and increasing transparency and efficiency of processes through involvement of outside directors in management.

Independent audit and supervisory committee members have voting rights at meetings of the board of directors, and the audit and supervisory committee performs audits by proactively utilizing the internal control system. This will enable the Company not only to comply with the laws and regulations, but also to strengthen audit and supervisory functions of management monitored by the outside directors with aims to maintain appropriate collaborative relationships with stakeholders, and to foster organizational culture and climate that respects healthy and ethical business practices.

In December 2015, the Company established Nomination Committee and Compensation Committee to improve transparency and objectivity regarding the nomination of candidates of directors and executive officers, and the determination of remunerations.

### III

## Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanation
Early Sending of Notice of Convocation of General Meeting of Shareholders	The notice of convocation is generally sent three weeks before the date designated for holding the general meeting of shareholders. It is also posted on the Company's website and TDnet about one week before sending the notice of convocation.
Holding of General Meeting of Shareholders of the Company, Avoiding Days on which Many General Meetings of Shareholders are Held	Date of the general meeting of shareholders is set by avoiding days on which many general meetings of shareholders are held as practicable as possible (On Friday, March 26 in 2021)
Exercise of Electronic Voting Rights	Voting rights can be exercised on the Internet (PC, smartphones or mobile phones).
Participation in the Electronic Voting Platform and any other Initiatives for Improvement of the Environment of Exercising Voting Rights by Institutional Investors.	The Company participates in the electronic voting platform for institutional investors, operated by ICJ, Inc.
Furnishing of Notice of Convocation in English (summary)	English translation (summary) of the notice of convocation is posted on the Company's website, TDnet and the electronic voting platform for institutional investors.
Other	The Company strives to transmit information to be easier to be understood by shareholders by using presentations with narration for explanation about reporting matters at the general meeting of shareholders. The results of resolutions are posted on the Company's website.

## 2. IR Activities

	Supplementary Explanation	Presentation by Representatives
Disclosure Policy	Unicharm Group Disclosure Policy is available at <a href="http://www.unicharm.co.jp/english/ir/policy/index.html">http://www.unicharm.co.jp/english/ir/policy/index.html</a> .	
Regular Briefings for Analysts and Institutional Investors	In order to fulfill accountability and enhance management transparency, the Company is emphasizing IR activities in addition to appropriate disclosure in accordance with laws and regulations. The Company holds explanation meetings for financial results twice a year at the announcement of the 2nd quarter and year-end closings for analysts and institutional investors, where Representative Director, President & CEO makes presentations on such management information as the financial information, status of business activities, future policies and strategies. In this regard, at the announcement of the 1st quarter and 3rd quarter closings, the Company holds online conferences, where Senior Executive Officer makes presentations.	Available
Regular Briefings for Overseas Investors	Every year, Representative Director, President & CEO visits or otherwise holds briefing sessions for institutional investors in Europe and the Americas etc. On and after 2020, most of the sessions are online conferences.	Available
Posting of IR Materials on the Website	On the Company's website, such IR materials as summary of financial results, materials for explanation meetings for financial results, the notice of convocation of the general meeting of shareholders, and integrated reports are disclosed together with English translations. <a href="http://www.unicharm.co.jp/english/ir/index.html">http://www.unicharm.co.jp/english/ir/index.html</a>	
Establishment of IR department (person in charge)	Investor Relations Office is established in the Corporate Planning Division.	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	In “Unicharm Group Charter of Action,” the Company established, “ ‘Beliefs & Pledges’ and Corporate Code of Conduct” documenting five commitments to each stakeholder, including customers, shareholders, business partners, employees and society, and the action guidelines to implement them and strive to make them thoroughly understood.
Implementation of Environmental Activities and CSR Activities, etc.	<p>The “Purpose” of the Company is to contribute to achieving SDGs. In May 2020, the Company set prioritized targets for 2030 addressing environmental issues such as plastic materials, climate change, and deforestation in supply chains. In October 2020, the Company published “Kyo-sei Life Vision 2030,” which describes the Company's vision for 2030 and declares Unicharm Group's medium to long term ESG objectives. The Company is trying to resolve environmental issues and social problems and to achieve 20 goals defined in “Kyo-sei Life Vision 2030” to safeguard the well-being of individuals, our planet, and the society based on fair and transparent corporate management principles called “Unicharm Principles.”</p> <p>The details of the objectives and the activities etc. are posted on the website of the Company, “sustainability.”  <a href="http://www.unicharm.co.jp/english/csr/index.html">http://www.unicharm.co.jp/english/csr/index.html</a></p>
Development of Policies on Information Provision to Stakeholders	In the “ ‘Beliefs & Pledges’ and Corporate Code of Conduct (Commitments to Shareholders)” of “Unicharm Group Charter of Action,” the Company set out its commitment that “Unicharm will actively make its information available to the public and strive to run trustworthy business.” Based on the above “Commitments to Shareholders,” the Company strives to realize expeditious and correct information disclosure for all stakeholders, including shareholders and investors and enhance transparency of management through wide-scale information disclosure.

	Supplementary Explanation
Other	<p>The Company shall not discriminate against employees by reason of nationality, race, religion, creed, sex, gender identity, sexual orientation, marriage and civil partnership, age, ancestry or disability, etc., and shall respect human rights and the character of every employee and strive to prepare and improve the workplace environment where every employee can exert their abilities. The Company has established Unicharm Group Policy on Human Rights, Basic Policy of Procurement, and Sustainable Procurement Guidelines in 2017, and is taking actions with all business partners in the globe to meet social responsibilities.</p> <p>&lt;Policy and Initiatives for Active Participation of Women&gt;</p> <p>Under the business philosophy, “NOLA &amp; DOLA,” the Company strives to support work-life balance as we desire workers to realize their dreams through work by removing burdens of lifestyle constraints and create opportunities to exert the ability of individuals to the maximum extent. The Company makes all women workers have women's health checkup and bears the cost for breast cancer screening and cervical cancer screening. Further in order to meet the needs and circumstances of workers, the Company has established a shorter working hour system for childcare and nursing care and leave of absence programs. The Company also promotes initiatives that will lead to workstyle reforms throughout the workplace, including a telework system and anniversary leave for all employees. In addition to the enrollment in the 30% Club Japan, the Company signed the Women’s Empowerment Principles in December 2020, Share of women managers (13% at present) is steadily increasing to the target (30% in 2030).</p>

## **IV Matters Related to the Internal Control System**

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### **1. Basic Views on the Internal Control System and the Progress of System Development**

#### **1. Compliance System**

##### **[Basic Policy]**

- In company policies and the charter of action, the policy for compliance shall be specified.
- Training shall be provided so that officers and employees can acquire necessary knowledge.
- Regular monitoring on compliance awareness shall be conducted.
- Audits by an internal audit department independent of the audited department shall be conducted.
- Whistleblowing contacts shall be established for problem recognition at an early stage.
- The Company shall cut off any relationships with anti-social forces. The Company shall also strive to prevent any forms of corruption, including extortion and bribery.

##### **[Operation Status]**

- The Company proclaims in “Unicharm Ideals,” “We strive to pursue proper corporate management principles which combine corporate growth, associate well-being and the fulfillment of our social responsibilities.” The Company also declares “We will carry out all business activities in compliance with laws and rules.” and “Unicharm will comply with the laws and regulations, above all, at any time and carry out the business activities with courage and intensity to perform the rightful things.” in “ ‘Five Great Pillars’ and Associate Code of Conduct” and “ ‘Beliefs & Pledges’ and Corporate Code of Conduct” consisting “Unicharm Group Charter of Action.” The Company further prepares action guidelines to implement these codes of conduct and makes them available to officers and employees of the Company and domestic and overseas Group companies at any time.
- Several times a year, topics relating to compliance is addressed in study sessions for managers. Under new employee training and training for employees dispatched overseas, etc., themes related to compliance are addressed. In addition, the Company provides e-learning for officers and employees under various themes of compliance.
- The Company sets out survey items for compliance awareness in its employee awareness surveys, which have been regularly conducted in the Company and domestic and overseas Group companies and conducts monitoring.
- The Internal Audit Department conducts internal audits of the Company and domestic and overseas Group companies. The results of audits are reported to Representative Director, President & CEO and the full-time audit and supervisory committee member after completion of audits, and to the audit and supervisory committee periodically.
- The “Compliance Hotline” was established as the contact of consultations and reporting of matters that violate ethics and laws and regulations and the “Ring-ring Employee Hotline” as the contact for consultations on acts of harassment and matters of distress. The status of consultations and reporting is regularly reported to the board of directors through the Corporate Ethics Committee, taking care to protect the persons who consulted and reported.
- Cutoff of relationships with anti-social forces and prevention of corruption are specified in the “Unicharm Group Charter of Action” and efforts are promoted.

#### **2. System of Retention and Management of Information**

##### **[Basic Policy]**

- Information about the execution of duties of directors shall be properly retained and managed, considering confidentiality, integrity and availability, and compliance with laws and regulations, if they are enacted.

##### **[Operation Status]**

- In such internal regulations as the “Information Security Policy,” “Information Management Security



Regulations” and “Document Retention Limit Table,” treatment of retention and management of information is determined and operated based on laws and regulations. Directors may access the information which is retained and managed at any time necessary.

### 3. Risk Management System

#### [Basic Policy]

- Roles and responsibilities related to risk management shall be clarified.
- Proper consideration shall be made for assumed risks in decision-making.
- Regarding the material risks of management, the Company shall construct a system to handle countermeasures across the entire company.
- The Company shall prepare organizations and systems and plan for corresponding risks.
- Audits of risk management process shall be conducted.

#### [Operation Status]

- Officers and employees of the Company and domestic and overseas Group companies are responsible for conducting risk management according to the authorities defined in the “Regulations for Division of Duties” and “Regulations for Limits of Authority.”
- In decision-making, including those made at the board of directors, the Company has prepared rules for the decision-making process and necessary materials, etc., so that appropriate consideration shall be given to assumed risks.
- For material risks of management of the Company and domestic and overseas Group companies, the system is established in which the Business Execution Council shall discuss the countermeasures and report to the board of directors as necessary.
- For responses to any crisis, in the “Crisis Communication Manual,” the rules for organizations responding during ordinary times and in emergencies, risk information monitoring and crisis reporting are established. The “Business Continuity Plan (BCP)” has been established and revisions to policies and plans are made to cope with changes in the business environment.
- The Internal Audit Department conducts audits of the Company and domestic and overseas Group companies. Audit results are reported to Representative Director, President & CEO and the full-time audit and supervisory committee member after completion of audits, and to the audit and supervisory committee periodically.

### 4. System to Ensure Efficiency of Execution and Performance

#### [Basic Policy]

- By clarifying the roles and responsibilities related to the execution and performance, duplication shall be eliminated and expeditious decision-making shall be realized.
- Management approaches ensuring efficiency of execution and performance shall be adopted and carried out.
- Consistent strategies and plans shall be developed at various levels from the entire group to field sites.
- Management strategies shall be flexibly reviewed, corresponding to changes in the business environment.
- Streamlining of business shall be vigorously promoted.

#### [Operation Status]

- The Company adopts the executive officer system to clarify the responsibilities for business execution. By establishing the “Regulations for Division of Duties” and “Regulations for Limits of Authority,” roles and responsibilities of officers and employees of the Company and domestic and overseas Group companies are clarified.
- The Company and domestic and overseas Group companies share and promulgate group-wide goals and targets through the “Management with Resonance Practical Meeting” (held by linking the Company and domestic and overseas Group companies by TV conference every week), etc.
- The Unicharm Group medium-term management plan is established by a resolution of the board of directors. In order to realize the plan, implementation of strategies listed in the plan and respective strategies of Group companies are deliberated at the Advisory Board. Based thereon, a management budget is formulated by a resolution of the board of directors.

- The progress of the overall plan is monitored by the monthly Business Execution Council. For any issues that arise, responses are determined at the meeting.
- For streamlining of business, IT is effectively used and the Company continues to handle business process reforms.

## 5. Group Management System

### [Basic Policy]

- It shall be the basic policy for domestic and overseas Group companies to carry out autonomous management at their own responsibility.
- Regarding the compliance system, risk management system, system to ensure the efficiency of execution and performance, the matters to be commonly applied to the domestic and overseas Group companies shall be clarified and such systems shall be constructed.
- Matters to be reported to the Company by domestic and overseas Group companies and to obtain approval of the Company shall be clearly specified.
- Transactions among the Group companies shall be made properly.
- Proper monitoring and supervision of the domestic and overseas Group companies shall be conducted.
- Effective audits of the domestic and overseas Group companies shall be conducted.

### [Operation Status]

- It is the basic policy for the domestic and overseas Group companies to carry out autonomous management at their own responsibility.
- Regarding the compliance system, risk management system, system to ensure the efficiency of execution and performance, for the matters to be commonly applied to the domestic and overseas Group companies, company rules to be applicable to Group companies are established and they are operated with approval of each Group company.
- In the “Regulations for Management of Associated Companies,” the matters to be reported to the Company by the domestic and overseas Group companies are specified. In the “Regulations for Limits of Authority,” the matters for the domestic and overseas Group companies to obtain approval of the Company are specified.
- Regarding the transactions among Group companies (including transactions between the Company and the domestic and overseas Group companies), conflict of interest is managed and if necessary, we respond by deliberation at the meeting of the board of directors where outside directors are present or by the officers concurrently holding offices abstaining from joining in deliberation and resolutions.
- Through exercise of voting rights at the general meeting of shareholders, officers concurrently holding positions in Group companies, reporting and deliberation at the board of directors, Advisory Board and Business Execution Council, monitoring and supervision of the domestic and overseas Group companies are conducted.
- In addition to audits of the domestic and overseas Group companies by the Internal Audit Department of the Company, major Group companies conduct audits by themselves. Audit results are reported, through Internal Audit Department to Representative Director, President & CEO and the full-time audit and supervisory committee member after completion of audits, and to the audit and supervisory committee periodically.

## 6. Employee Assigned to Assist the Audit and Supervisory Committee

### [Basic Policy]

- An employee or employees assisting the audit and supervisory committee shall be assigned to assist the duties of the audit and supervisory committee.
- Independence of the employee assisting the audit and supervisory committee from directors other than the audit and supervisory committee members shall be ensured.
- Effectiveness of instructions of the audit and supervisory committee on the employee assisting the audit and supervisory committee shall be ensured.

### [Operation Status]

- In order to assist the audit and supervisory committee with its duties, the Audit and Supervisory Committee Office is established.

- Determination of such personnel affairs matters as appointment, assessment, relocation and disciplinary actions of the employee assisting the audit and supervisory committee needs prior consent of the audit and supervisory committee.

- The audit and supervisory committee may directly give instructions to the employee assisting the audit and supervisory committee and the employee assisting the audit and supervisory committee shall follow the instructions.

## 7. Systems of Reporting to the Audit and Supervisory Committee

### [Basic Policy]

- Systems in which the audit and supervisory committee can receive reports from the related persons and the audit and supervisory committee can obtain cooperation of the related persons when the audit and supervisory committee members investigate the status of business and assets, shall be established.

- Systems for reporting to the audit and supervisory committee of facts which might cause significant damage to the Company shall be established.

- Systems for reporting to the audit and supervisory committee by the full-time audit and supervisory committee member shall be established.

- Systems in which reporting to the audit and supervisory committee by an accounting auditor and internal audit department shall be established.

- Systems which ensure that the person reporting to the audit and supervisory committee shall not be unfairly treated shall be established.

### [Operation Status]

- If it is requested by the audit and supervisory committee or the audit and supervisory committee member, officers and employees of the Company and the domestic and overseas Group companies shall expeditiously give reports on the business or cooperate in an investigation of the status of the business or assets (except for cases with just cause not to do so for officers and employees of the domestic and overseas Group companies).

- If the officers of the Company discover facts which might cause significant damage to the Company, they shall immediately report to the audit and supervisory committee.

- Full-time audit and supervisory committee member collects information and report to the audit and supervisory committee by attending the Advisory Board, and Business Execution Council etc., and visiting audit.

- The accounting auditor and the Internal Audit Department regularly report to the audit and supervisory committee on the policies and plans of an audit. Audit results (including the results of an audit of the domestic and overseas Group companies and an audit which was independently conducted by the domestic and overseas Group companies) are reported to Representative Director, President & CEO and the full-time audit and supervisory committee member after completion of audits, and to the audit and supervisory committee periodically.

- It is prohibited to unfairly treat a person reporting to the audit and supervisory committee by reason of the report.

## 8. Other Systems to Ensure the Effectiveness of Audit by the Audit and Supervisory Committee

### [Basic Policy]

- Access to the internal information by the audit and supervisory committee members shall be ensured.

- Collaboration among an accounting auditor, internal audit department and auditors of Group companies shall be ensured.

- Exchanges of information and opinions with directors other than the audit and supervisory committee members shall be conducted.

- Expenses required for performance of duties of the audit and supervisory committee members shall be borne by the Company.

- Collaboration with external experts shall be made possible as necessary.

### [Operation Status]

- An environment is prepared, in which full-time audit and supervisory committee member can access the internal documents, including approval documents, etc., at any time.

- The audit and supervisory committee regularly holds meetings to exchange information and opinions with the

accounting auditor, the Internal Audit Department and auditors of Group companies and closely collaborates with each other.

- The audit and supervisory committee regularly holds meetings with the representative director and other directors to exchange information and opinions.
- If the audit and supervisory committee members request advance payment or payment, etc., of the expenses for performance of the duties, advance payment or payment, etc., shall be made, except when the expenses were proved to be unnecessary for performance of the duties of the audit and supervisory committee members. Expenses expected to be paid are recorded in the budget.
- The audit and supervisory committee may collaborate with such external experts as attorneys or certified public accountants at the expense of the Company if necessary.

## **2. Basic Views on Eliminating Anti-Social Forces and the Progress of System Development**

At “Action Guidelines to implement ‘Beliefs & Pledges’ and Corporate Code of Conduct” in “Unicharm Group Charter of Action,” the Company proclaims “Unicharm does not and will never have any relationship with anti-social forces and denies every demand from them by making a resolute response in collaboration with local police.” .

### **Progress of System Development for Eliminating Anti-Social Forces**

The Company believes that taking a firm stance in accordance with laws and regulations and corporate ethics is crucially important in eliminating the influence of anti-social forces. Based on this recognition, the Company ensures that directors and employees throughout the Group understand and observe the Group’s action guidelines. Moreover, the Company works closely with the police and other external specialist organizations to gather and manage information about anti-social forces. The Company is committed to improving and strengthening internal systems in order to exclude the influence of anti-social forces through ongoing education and awareness-raising of employees, and development of manuals.

## 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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### Supplementary Explanation

The Company recognizes that enhancing corporate value is an important task for the Company. Based on this recognition, the Company strives to establish a system that enables enhancement of international competitiveness and earnings power by enhancing product development capabilities and technology development capabilities and committing to profit-oriented operation.

The Company believes that enhanced earnings power and higher corporate value will lead to the benefit of shareholders, enable the Company to reach a wider range of investors, and bring about long-term stability of capital, and moreover, recognizes that they are the most effective anti-takeover measures.

## 2. Other Matters concerning Corporate Governance System

The Company's internal system for timely disclosure of corporate information is described below.

### (1) Timely Disclosure Policy

At "Action Guidelines to implement 'Beliefs & Pledges' and Corporate Code of Conduct (To Implement 'Commitment to Shareholders' )" in "Unicharm Group Charter of Action," the Company declares "Unicharm appropriately discloses the management information to its shareholders and investors on financial status, current business, future plans, strategies, etc. through IR activities.," and strives for timely disclosure of the corporate information as a listed company in order to perform and ensure accountability.

### (2) Timely Disclosure System

The Company has established a system by which important corporate information, including information concerning domestic and overseas Group companies, is concentrated at the Company's corporate functional divisions. Based on discussion by the persons responsible for such divisions and after securing approval of Representative Director, President & CEO, the information handling officer registered into the Tokyo Stock Exchange determines the content, timing, and method of disclosure of information subject to timely disclosure and instructs the division responsible for information handling and persons in charge of IR to register the information on TDnet, post the information, arrange a press conference, etc.

The system for integrated management of important corporate information is described below.

#### ● Matters that have been determined (including financial closing information)

The "Regulations for Limits of Authority" shared throughout the Company and domestic and overseas Group companies stipulates the decision-making body, the decision-maker, and persons to be consulted according to the nature of the determined matter and its materiality. By integrating internal control and information control, the Company has established a system by which important corporate information is concentrated at the Company's corporate functional divisions. In particular, regarding important matters to be determined by the board of directors, the division responsible for information handling or the secretariat of the board of directors is required to review the agenda in advance and judge whether it requires timely disclosure in light of laws and regulations, guidelines and case examples.

#### ● Matters that have occurred

In the event that any fact that has a material impact on the Company and domestic and overseas Group companies occurs, directors and employees of the Company and domestic and overseas Group companies are required to act in accordance with the “Crisis Communication Manual,” which stipulates rules for crisis management. The Company has established a system by which departments or domestic and overseas Group companies notify the Company’s corporate functional divisions about information on the matters that have occurred.

Indicated below is a diagram of the corporate governance system of the Company

