This notice has been translated from the original Japanese text of the timely disclosure statement dated November 10, 2017 and is for reference purposes only. In the event of any discrepancy between the original Japanese and this translation, the Japanese text shall prevail.

CAUTIONS REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements, such as Unicharm Corporation's current plans, strategies, and future performance. These forward-looking statements are based on judgments obtained from currently available information. Please be advised that, for a variety of reasons, actual results may differ materially from those discussed in the forward-looking statements. Events that might affect actual results include, but are not limited to, economic circumstances in which Unicharm Corporation operates, competitive pressures, relevant regulations, changes in product development, and fluctuations in currency exchange rates.

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2017 (January 1, 2017 through September 30, 2017); Flash Report [IFRS]

November 10, 2017

Listed Company Name: **Unicharm Corporation**
Listing: **First Section, Tokyo Stock Exchange**
Code Number: **8113**
URL: **http://www.unicharm.co.jp/**
Company Representative: **Takahisa Takahara, President and Chief Executive Officer**
Contact Person: **Atsushi Iwata, Senior Executive Officer, General Manager of Accounting Control and Finance Division**
Telephone Number: **+81-3-3451-5111**

Planned Filing Date of Quarterly Securities Report: **November 14, 2017**
Planned Commencement Date of Dividend Payments: —
Preparation of Any Additional Explanatory Documents for Quarterly Financial Results: **Yes**
Holding of Any Briefing Session for Quarterly Financial Results: **No**

(Amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2017 (January 1, 2017 through September 30, 2017)

(1) Consolidated financial results (3Q cumulative)

(Figures in percentage represent increases or decreases from the same period last year)

	Net Sales		Profit Before Tax		Profit for the Period		Profit Attributable to Owners of Parent		Total Comprehensive Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
3Q of Fiscal Year Ending December 31, 2017	465,592	7.5	66,966	37.7	48,177	36.0	43,622	34.7	52,441	–
3Q of Fiscal Year Ended December 31, 2016	433,210	–	48,625	–	35,415	–	32,390	–	(17,077)	–

	Basic Earnings Per Share	Diluted Earnings Per Share
	Yen	Yen
3Q of Fiscal Year Ending December 31, 2017	74.21	71.89
3Q of Fiscal Year Ended December 31, 2016	54.43	52.76

(2) Consolidated financial position

	Total Assets	Total Equity	Equity Attributable to Owners of Parent	Ratio of Equity Attributable to Owners of Parent
	Millions of Yen	Millions of Yen	Millions of Yen	%
As of September 30, 2017	696,314	440,626	376,080	54.0
As of December 31, 2016	668,592	414,387	352,098	52.7

2. Cash Dividends

	Annual Dividends				
	1st Q-End	2nd Q-End	3rd Q-End	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year Ended December 31, 2016	–	8.00	–	8.00	16.00
Fiscal Year Ending December 31, 2017	–	9.00	–		
Fiscal Year Ending December 31, 2017 (projection)				9.00	18.00

(Note) Revision of dividend projections that have been disclosed lastly: None

3. Projected Consolidated Financial Results for the Fiscal Year Ending December 31, 2017 (January 1, 2017 through December 31, 2017)

(Figures in percentage represent increases or decreases from the previous fiscal year)

	Net Sales		Core Operating Income		Profit Before Tax		Profit Attributable to Owners of Parent		Basic Earnings Per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full Year	630,000	4.2	84,000	6.2	77,000	1.5	49,000	4.3	83.66

(Note) Revision of projected results that have been disclosed lastly: None

*** Notes**

(1) Changes in major subsidiaries during the period (or any change of specified subsidiaries accompanying a change in the scope of consolidation): None

(2) Changes in accounting policies or estimates

(i) Changes in accounting policies required by IFRS: None
(ii) Changes in accounting policies other than item (i) above: None
(iii) Changes in accounting estimates: None

(3) Number of issued and outstanding shares (common shares)

(i) Number of issued and outstanding shares (including treasury shares):
As of September 30, 2017: 620,834,319 shares
As of December 31, 2016: 620,834,319 shares
(ii) Number of treasury shares as of end of period:
As of September 30, 2017: 35,097,847 shares
As of December 31, 2016: 29,982,790 shares
(iii) Average number of shares during the period (accumulated total):
3Q of Fiscal Year Ending December 31, 2017: 587,798,053 shares
3Q of Fiscal Year Ended December 31, 2016: 595,086,880 shares

* The quarterly financial results summary is not part of the quarterly review.

* Explanation regarding proper use of the projections of financial results and other notes

(1) The Group adopted the International Financial Reporting Standards (IFRS) beginning with the first quarter of

the fiscal year ending in December 31, 2017.
The consolidated financial statements for the third quarter of the previous fiscal year and the full year are presented based on IFRS. Please refer to "2. Condensed Consolidated Financial Statements and Significant Notes Thereto, (5) Notes to the condensed consolidated financial statements, 5. First-time adoption" on page 13 for information on the differences between IFRS and Japanese accounting standards as they pertain to consolidated financial figures.

(2) While the core operating income disclosed by the Company is not an indicator defined in IFRS, the Company voluntarily discloses this as it is believed to be a valuable benchmark for measuring the Company's recurring business performance.

(3) Projections stated herein are based on the currently available information and the Company's assumptions that were judged to be valid as of the announcement date hereof, and are not intended to be a promise by the Company to achieve these projections. Therefore, actual results may differ for various factors. Please refer to "1. Qualitative Information on Financial Results, (3) Explanation of future estimate information such as consolidated financial results projections" section on page 5 for more information concerning the assumptions used for projections of financial results and other notes on proper use.

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1. Qualitative Information on Financial Results

(1) Explanation of operating results

In the third quarter of the fiscal year under review (January 1 to September 30, 2017), for overseas, the economies of our key target countries, including China, Indonesia, Thailand and India, showed signs of a recovery, but competition remained harsh. In this environment, the Group proactively carried out sales activities of personal care products tailored to consumer needs, with a view to expanding its sales and market share.

In Japan, the modest economic recovery continued, with signs of a recovery for inbound demand, and the Group continued to make proposals offering new value to stimulate demand for high value-added personal care products. These efforts resulted in stable growth.

In this environment and under the banner "we constantly provide the world's No. 1 and unprecedented products and services to everybody around the globe, and deliver comfort, impression, and satisfaction," the Company and its group companies continued to develop unique non-woven fabric processing and forming technology, and products that meet the needs of consumers while working to create a "Cohesive Society" in which people from all generations can live while not feeling burdened by one another and with mutual respect for each other as people.

As a result, the Company's net sales in the third quarter of the fiscal year under review reached ¥465,592 million (up 7.5% year on year). In addition, looking at profits, the Company had posted foreign exchange losses in the corresponding period of the previous fiscal year, but recorded foreign exchange gains for the third quarter of the fiscal year under review. As a result, profit before tax, profit for the period, and profit attributable to owners of parent in the third quarter of the fiscal year under review reached ¥66,966 million (up 37.7% year on year), ¥48,177 million (up 36.0% year on year), and ¥43,622 million (up 34.7% year on year), respectively.

Financial results by segment are as described below.

1) Personal Care Business

● Baby Care Products

For overseas, the Company continued to strengthen its internet sales and worked to build name recognition for the *moony* series in China, where demand for high value-added imports from Japan, which meet the needs for safety, is high, as well as to promote pants-type disposable diapers. In addition, the Company refined the *Mamy Poko* series, manufactured in China, with the use of Japanese technology. In India, where the use of disposable diapers is still quite low even among emerging countries, the Company expanded its sales area and market share while promoting pants-type disposable diapers.

In Japan, the Company, in its pursuit for the ideal diaper for babies, improved the *moony* brand, which fits comfortably on the baby's skin while preventing leakage, by extending the length of the *moony man Air Fit L-size* diapers from the crotch to the abdomen in order to adapt to the rounded belly and active movement of infants and prevent leaks without any pressure. In addition, the Company supported the Nihon Kotsu's "Jintsu Taxi Project (Labor Pain Taxi Project)" to support pregnant women, and provided *moony* brand products as a maternity gift. The Company strengthened relations in the *Mamy Poko Pants* series, which has a charming Disney character design and superior absorbency, as well as sub-category products such as pants-type products for children with bed-wetting problems, with the introduction of a limited edition product with Halloween designs that the whole family can enjoy. The Company also developed an app, "Potty Training with moony" together with the Graduate School of Kyoto University from the *Natural moony* series, which is Japan's first[*1] disposable diaper that uses organic cotton for the top sheet. Together with this app, this series won the Eleventh Kids Design Award[*2] in the "Child Bearing and Rearing Design category," sponsored by the Kids Design Award Association[*3] (supported by the Ministry of Economy, Trade and Industry, the Consumer Affairs Agency and the Cabinet Office).

*1: Among the major domestic disposable baby diaper products (survey by Unicharm Corporation, in March 2016)

*2: An award that selects and recognizes impressive products, spaces, and services that support child-rearing.

*3: An NPO that brings together a wide range of companies and organizations in all industries to create a social environment that leads to the healthy growth and development of children for the next generation, based on its three design missions for kids design.

● Feminine Care Products

For overseas, in China the Company's high-quality products featuring charming designs remain highly popular with the younger generation. In addition, the Company has been endeavoring to expand its sales area and further increase its market share for products tailored to customer needs in emerging countries such as Indonesia, Thailand and Vietnam.

In Japan, the Company refined the *SOFY Ultra Sound Sleep Fit 340*, which gives users the ultimate comfort as it allows users to enjoy the happiness of sleep, by adopting the world's first[*1] "six pack flexibly absorbent pad[*2] to provide a new sense of comfort. With these products, the Company endeavored to free women from physical and emotional constraints while examining the structures of women's bodies and minds from a scientific perspective.

*1: Among menstrual napkins manufactured by major global brands (survey by Unicharm Corporation, in October 2015)
*2: A napkin with a flexible zone that can bend and stretch both vertically and horizontally is added to the absorbent section of the hip flap

● Health Care Products

In the domestic market, which continues to grow as Japan's population of the elderly grows, the Company has been working to educate the public about products that enable elderly people to continue with their current lifestyle as before. In the light incontinence care products line, the Company utilized its *Lifree Comfortable Pads* series of incontinence care products for men that are designed to prevent urine leakage and stains on trousers, and the *Charm Nap* brand, which brings happiness to daily life with its absorbent care, as part of its continuous efforts to remove resistance to using these products by conveying that everyone has light incontinence. In addition, as there are many people who experience light fecal incontinence which, as with light urinary incontinence, is caused by the weakening of sphincter muscles, the Company sought to create a new market with the launch of Japan's first[*2] pad specially designed for "slight bowel leaks[*1]," the *Lifree Comfortable Pads for Slight Leaks*, which are available through on-line stores in a limited release. The Company has also actively promoted its products through TV commercials, on its website, during over-the-counter consultations at shops, and by creating shelf space at retailers based on daily activities to take the lead in the market for excretion care products with the *Lifree* brand of adult disposable diapers and incontinence care products. In addition, the Company gave a lecture on the subject of light incontinence and (light) fecal incontinence to support elderly people, one of the seven sectors for the comprehensive partnership agreement on regional revitalization that the Company has formed with Kakegawa City in Shizuoka Prefecture. In this way, the Company worked together with local governments and related organizations to create a healthier society, while educating elderly people.

*1: "Slight bowel leaks" is defined as small fecal incontinence and a staining of the undergarment.
*2: Among major domestic manufacturers of pads to be placed in an undergarment to cover the anal area as a precaution against light fecal incontinence (survey by Unicharm Corporation, in March 2017)

● Clean and Fresh Products

In the domestic market for clean and fresh products, the Company developed products in line with the changes in living environments and lifestyle changes targeted at the increasing number of customers who wish to keep their living spaces always spick and span by cleaning their homes easily within the limited time they spend at home. The development includes the first major improvement[*1] in eight years of the *Silcot Wet Tissues* series, which is a box of wipes and enables users to clean quickly with just one hand, with the introduction of advanced airtightness and a sophisticated design that makes them easier to be pulled out. In addition, the Company found that approximately 79% of handy wiper users did not throw away the dirty sheet after their first cleaning, even though they felt that it was unsanitary, and addressed this by introducing antibacterial[*2] EX fibers for the first time in the sheet cleaner category[*3] into the *Wave* brand with its cleaning proposal that a single sheet of this product can clean the entire house. This helped revitalize the market. The Company also revitalized the diversifying cosmetic cotton market with products such as *Silcot Sponge Touch Moisturizing Cotton*, which makes skin amazingly moist with 50% less lotion[*4], and *Silcot Wiping Cotton Silky Cut*, made from Japan's first superfine filament[*5], which easily removes even microscopic dirt.

*1: Period from improvements to container in March 2009

*2: Inhibits the proliferation of bacteria on the surface of the antibacterial processed section, but does not prevent all bacteria
*3: Among major throw-away handy wipers (survey by Unicharm Corporation, in August 2017)
*4: Compared to the Company's conventional products
*5: The sheet covering the puff has a double-layered structure. The outer layer touching the skin consists of superfine filaments that are less than 10 μm in size and the inner part is made up of coarse cellulose fibers. The survey covered cosmetic cotton from major brands in Japan. (Survey by Unicharm Corporation, in October 2015)

As a result, net sales and segment profit (core operating income) for the personal care business for the fiscal period under review were ¥403,877 million (up 7.7% year on year) and ¥60,037 million (up 25.2% year on year), respectively.

2) Pet Care Business

The Company has been working to develop products ranging from sanitary goods to food and create markets to support the lives of pets in an integrated manner in order to help create a "Cohesive Society" in which humans and pets can live together in comfort for a long time and in good health.

In the domestic pet toiletry business, with more families seeing their dog as a child or family member, the Company launched the *Deo Sheet Premium*, one rank higher-quality pet sheet that utilizes the four technologies granted patents from the *Deo Sheet* brand to provide an ultra-deodorizing effect and ultra-absorbency lasting 12 hours[*1]. This improves the excretion care environment so that owners can live together with their dog in a more pleasant environment. The Company also endeavored to revitalize the market with the launch of limited editions such as deodorizing sheets with a Halloween design in the *Deo Sheet Deodorizing Fragrance* series and a product that thoroughly eliminates the smell of dog excretion with a gentle and fresh candy rose fragrance.

In the domestic pet food market, more pet cats are being kept inside the house and are thus physically closer to their owners. This has raised the owners' demand in serving delicious pet food, which the Company has met with the launch of *Silver Spoon Three-Star Gourmet with Four Assorted Flavors- Fish and Chicken White Meat Recipe* and the *Silver Spoon Three-Star Gourmet with Four Assorted Flavors-Chicken White Meat Recipe*, an assortment[*2] that uses meat flavors as the main taste in the *Silver Spoon Three-Star Gourmet* series. In addition, the Company added the *Silver Spoon Three-Star Gourmet Pouches Luxury Ingredients* product, which contains plenty of the ingredients that pet cats love, to the *Silver Spoon Three-Star Gourmet Pouches* series. These products address the demand for specific preferences and the need to change flavors.

In the North American market, sales have remained steady in sheets for dogs with the use of Japanese technology and in wet-type snacks for cats, and preparations were made for future growth, including reinforcing Internet sales, which have grown significantly in recent years, and making overtures to pet specialty stores.

*1: Calculated based on the average urinary output of a small dog
*2: An assortment of products with different tastes

As a result, net sales and segment profit (core operating income) for the pet care business for the fiscal period under review were ¥57,048 million (up 5.8% year on year) and ¥6,681 million (up 43.1% year on year), respectively.

3) Other Businesses

In the category of business-use products utilizing its core non-woven fabric and absorber processing and forming technology, the Company focused on promoting the sales of industrial materials.

As a result, net sales and segment profit (core operating income) in other businesses for the fiscal period under review were ¥4,668 million (up 6.0% year on year) and a loss of ¥86 million (segment profit (core operating income) was ¥273 million in the third quarter of the previous fiscal year).

(2) Explanation of financial position

(Assets)

Total assets as of the end of the third quarter were ¥696,314 million (up 4.1% compared with the end of the previous fiscal year). The major increases were ¥16,479 million in other financial assets mainly due to time deposits with deposit terms exceeding three months and ¥9,647 million in inventories.

(Liabilities)
Liabilities as of the end of the third quarter were ¥255,688 million (up 0.6% compared with the end of the previous fiscal year). The major increases were ¥6,093 million in deferred tax liabilities and ¥697 million in other financial liabilities mainly due to derivative liabilities, and the major decreases were ¥2,737 million in bonds and borrowings, ¥2,531 million in income tax payables and ¥204 million in retirement benefit liabilities.

(Equity)
Total equity as of the end of the third quarter was ¥440,626 million (up 6.3% compared with the end of the previous fiscal year). The major increases were ¥43,622 million in profit attributable to owners of parent and ¥4,356 million in other components of equity, and the major decreases were a ¥14,000 million increase in treasury shares and ¥9,998 million in dividends paid to owners of parent.

(Ratio of equity attributable to owners of parent)
Ratio of equity attributable to owners of parent as of the end of the third quarter was 54.0%.

(3) Explanation of future estimate information such as consolidated financial results projections
Regarding full-year financials results projections, there were no changes from the announcement made on February 15, 2017.

2. Condensed Consolidated Financial Statements and Significant Notes Thereto

(1) Condensed consolidated statement of financial position

(Millions of Yen)

	Notes	Date of transition to IFRS (as of January 1, 2016)	Fiscal Year Ended December 31, 2016 (as of December 31, 2016)	3Q of Fiscal Year Ending December 31, 2017 (as of September 30, 2017)
Assets				
Current assets				
Cash and cash equivalents		101,966	138,043	136,447
Trade and other receivables		98,576	90,637	90,344
Inventories		64,029	57,403	67,049
Other current financial assets		36,589	38,938	52,051
Other current assets		13,509	14,615	19,694
Total current assets		314,669	339,637	365,585
Non-current assets				
Property, plant and equipment		239,692	236,629	235,768
Intangible assets		51,734	48,595	46,685
Deferred tax assets		13,067	8,955	8,599
Investments accounted for using equity method		204	705	738
Other non-current financial assets		25,615	25,388	28,754
Other non-current assets		11,218	8,684	10,183
Total non-current assets		341,531	328,955	330,728
Total assets		656,200	668,592	696,314

(Millions of Yen)

	Notes	Date of transition to IFRS (as of January 1, 2016)	Fiscal Year Ended December 31, 2016 (as of December 31, 2016)	3Q of Fiscal Year Ending December 31, 2017 (as of September 30, 2017)
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables		131,737	129,206	129,425
Bonds and borrowings		3,847	6,753	3,914
Income tax payables		7,668	9,337	6,807
Other current financial liabilities		174	65	750
Other current liabilities		26,199	31,600	31,521
Total current liabilities		169,624	176,962	172,416
Non-current liabilities				
Bonds and borrowings		59,623	61,190	61,292
Deferred tax liabilities		3,091	2,873	8,965
Retirement benefit liabilities		5,296	7,649	7,444
Other non-current financial liabilities		2,349	2,391	2,403
Other non-current liabilities		2,900	3,141	3,167
Total non-current liabilities		73,258	77,243	83,271
Total liabilities		242,883	254,205	255,688
Equity				
Equity attributable to owners of parent				
Capital stock		15,993	15,993	15,993
Share premium		–	–	59
Retained earnings		358,875	391,800	425,366
Treasury shares		(41,101)	(53,652)	(67,652)
Other components of equity		15,947	(2,042)	2,314
Total equity attributable to owners of parent		349,714	352,098	376,080
Non-controlling interests		63,604	62,289	64,546
Total equity		413,317	414,387	440,626
Total liabilities and equity		656,200	668,592	696,314

(2) Condensed consolidated statement of income

(Millions of Yen)

	Notes	3Q of Fiscal Year Ended December 31, 2016 (January 1, 2016 – September 30, 2016)	3Q of Fiscal Year Ending December 31, 2017 (January 1, 2017 – September 30, 2017)
Net sales	2	433,210	465,592
Cost of sales		(273,534)	(285,348)
Gross profit		159,676	180,245
Selling, general and administrative expenses	3	(106,798)	(113,612)
Other income		1,187	962
Other expenses		(898)	(1,394)
Financial income		5,257	2,735
Financial costs		(9,799)	(1,970)
Profit before tax		48,625	66,966
Income tax expenses		(13,210)	(18,790)
Profit for the period		35,415	48,177
Profit attributable to			
Owners of parent		32,390	43,622
Non-controlling interests		3,025	4,555
Profit for the period		35,415	48,177
Earnings per share attributable to owners of parent			
Basic earnings per share (Yen)		54.43	74.21
Diluted earnings per share (Yen)		52.76	71.89

Reconciliation of changes from gross profit to core operating income

(Millions of yen)

Gross profit	159,676	180,245
Selling, general and administrative expenses	(106,798)	(113,612)
Core operating income (*)	52,878	66,632

* Core operating income comprises gross profit less selling, general and administrative expenses. While it is not an indicator defined in IFRS, the Company voluntarily discloses this in the condensed consolidated statement of income and Note "2. Segment information" as the Company's Board of Directors evaluates the performance of business segments based on core operating income, and it is believed to be a valuable benchmark for measuring the Company's recurring business performance.

(3) Condensed consolidated statement of comprehensive income

(Millions of Yen)

	Notes	3Q of Fiscal Year Ended December 31, 2016 (January 1, 2016 – September 30, 2016)	3Q of Fiscal Year Ending December 31, 2017 (January 1, 2017 – September 30, 2017)
Profit for the period		35,415	48,177
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Remeasurements related to net defined benefit liabilities (assets)		(91)	(44)
Subtotal		(91)	(44)
Items that may be reclassified to profit or loss			
Changes in fair value of available-for-sale financial assets		(3,951)	2,870
Changes in fair value of cash flow hedges		(42)	(68)
Exchange differences on translation in foreign operations		(48,409)	1,507
Subtotal		(52,401)	4,309
Total other comprehensive income, net of tax		(52,492)	4,265
Total comprehensive income		(17,077)	52,441
Total comprehensive income attributable to			
Owners of parent		(10,543)	47,722
Non-controlling interests		(6,534)	4,719
Total comprehensive income		(17,077)	52,441

(4) Condensed consolidated statement of changes in equity

Third Quarter of the Fiscal Year Ended December 31, 2016 (January 1, 2016 – September 30, 2016)

(Millions of yen)

	Notes	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at January 1, 2016		15,993	–	358,875	(41,101)	15,947	349,714	63,604	413,317
Profit for the period		–	–	32,390	–	–	32,390	3,025	35,415
Other comprehensive income		–	–	–	–	(42,933)	(42,933)	(9,559)	(52,492)
Total comprehensive income		–	–	32,390	–	(42,933)	(10,543)	(6,534)	(17,077)
Purchase of treasury shares		–	–	–	(14,000)	–	(14,000)	–	(14,000)
Disposal of treasury shares		–	(351)	–	1,449	(148)	950	–	950
Dividends		–	–	(9,175)	–	–	(9,175)	(2,375)	(11,550)
Equity transactions with non-controlling interests		–	(1,222)	–	–	–	(1,222)	293	(930)
Share-based payments		–	–	–	–	428	428	–	428
Transfer from other components of equity to retained earnings		–	–	(88)	–	88	–	–	–
Transfer from retained earnings to share premium		–	1,574	(1,574)	–	–	–	–	–
Total transactions with owners		–	–	(10,837)	(12,551)	369	(23,020)	(2,082)	(25,102)
Balance at September 30, 2016		15,993	–	380,428	(53,652)	(26,618)	316,151	54,988	371,139

Third Quarter of the Fiscal Year Ending December 31, 2017 (January 1, 2017 – September 30, 2017)

(Millions of yen)

	Notes	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at January 1, 2017		15,993	–	391,800	(53,652)	(2,042)	352,098	62,289	414,387
Profit for the period		–	–	43,622	–	–	43,622	4,555	48,177
Other comprehensive income		–	–	–	–	4,100	4,100	164	4,265
Total comprehensive income		–	–	43,622	–	4,100	47,722	4,719	52,441
Purchase of treasury shares		–	–	–	(14,000)	–	(14,000)	–	(14,000)
Dividends		–	–	(9,998)	–	–	(9,998)	(2,510)	(12,509)
Change of scope of consolidation		–	–	(34)	–	–	(34)	–	(34)
Equity transactions with non-controlling interests		–	59	–	–	–	59	49	108
Share-based payments		–	–	–	–	233	233	–	233
Transfer from other components of equity to retained earnings		–	–	(23)	–	23	–	–	–
Total transactions with owners		–	59	(10,055)	(14,000)	256	(23,740)	(2,462)	(26,202)
Balance at September 30, 2017		15,993	59	425,366	(67,652)	2,314	376,080	64,546	440,626

(5) Notes to the condensed consolidated financial statements

1. Notes regarding the Company's position as going concern

None.

2. Segment information

(1) Overview of reportable segments

The Group's reportable segments are part of its organizational units whose financial information is individually available, and are subject to regular review by its Board of Directors, the chief operating decision maker, for the purpose of deciding the allocation of its managerial resources and evaluating its business performance.

The Group is composed of three businesses, namely the personal care business, the pet care business and other businesses as its basic units, and has been engaged in its business activities by comprehensively developing domestic and overseas strategies by business unit.

Therefore, the "personal care business," the "pet care business," and "other businesses" constitute the Group's reporting segments.

The personal care segment comprises the four core businesses of baby care products, feminine care products, health care products, and clean and fresh products, but is reported collectively given the similarities in the nature of the products, manufacturing processes and shipping methods and similarities also of the market characteristics of their respective marketing areas. In the pet care business, the Group manufactures and sells pet food products and pet toiletry products. In other businesses, the Group manufactures and sells business-use products, etc.

The accounting policies for the reportable segments are the same as for the condensed financial statements. The segment profit is the core operating income (comprising gross profit less selling, general and administrative expenses), which is the key performance indictor based on which the Board of Directors evaluates the performance of business segments.

(2) Sales and results by reportable segment

Sales and results by reportable segment are as follows.

(Millions of Yen)

	3Q of Fiscal Year Ended December 31, 2016 (January 1, 2016 – September 30, 2016)					
	Reportable segment				Adjustments	Amounts reported in condensed consolidated statements
	Personal care	Pet care	Other	Total		
Sales to external customers	374,900	53,907	4,403	433,210	–	433,210
Sales across segments (Note)	–	–	25	25	(25)	–
Total segment sales	374,900	53,907	4,428	433,235	(25)	433,210
Segment profit (Core operating income)	47,937	4,668	273	52,878	–	52,878
Other income						1,187
Other expenses						(898)
Financial income						5,257
Financial costs						(9,799)
Profit before tax						48,625

(Millions of Yen)

	3Q of Fiscal Year Ending December 31, 2017 (January 1, 2017 – September 30, 2017)					
	Reportable segment				Adjustments	Amounts reported in condensed consolidated statements
	Personal care	Pet care	Other	Total		
Sales to external customers	403,877	57,048	4,668	465,592	–	465,592
Sales across segments (Note)	–	–	21	21	(21)	–
Total segment sales	403,877	57,048	4,689	465,613	(21)	465,592
Segment profit (Core operating income)	60,037	6,681	(86)	66,632	–	66,632
Other income						962
Other expenses						(1,394)
Financial income						2,735
Financial costs						(1,970)
Profit before tax						66,966

(Note) Sales across segments are based on prevailing market prices.

3. Selling, general and administrative expenses
The breakdown of selling, general and administrative expenses is as follows.

(Millions of Yen)

	3Q of Fiscal Year Ended December 31, 2016 (January 1, 2016 – September 30, 2016)	3Q of Fiscal Year Ending December 31, 2017 (January 1, 2017 – September 30, 2017)
Freight-out expenses	27,135	30,111
Promotion expenses	13,867	14,575
Advertising expenses	14,580	15,363
Employee benefits expense	23,465	24,989
Depreciation and amortization expense	3,566	3,764
Research and development expense	4,439	4,798
Others	19,747	20,012
Total	106,798	113,612

4. Significant subsequent events
On October 24, 2017 (local time), a fire broke out at subsidiary Unicharm India Private Ltd.'s Neemrana Factory.

The losses resulting from the fire are currently being investigated, but the total carrying amount of the inventories, buildings, machinery, and equipment that were burnt down is estimated at approximately ¥11.6 billion (6,630 million Indian rupee). While the losses related to these burned assets and the recovery are expected to be covered by insurance, the actual financial impact is not confirmed at present.

The Company is addressing the impact on the product supply system by promptly shifting the production to our other factories and consolidated subsidiaries. At this stage, it is difficult to perform a reasonable estimation of the impact on earnings.

5. First-time adoption
These condensed consolidated financial statements are the Group's first set of condensed financial statements prepared in conformity with International Financial Reporting Standards. The most recent consolidated financial statements prepared in accordance with accounting standards generally accepted in Japan (hereafter "JGAAP") are for the fiscal year ended December 31, 2016. The date of transition to IFRS is January 1, 2016.

(1) Exemptions under IFRS 1
IFRS 1 requires that, in principle, an entity adopting IFRS for the first time must apply the procedures required by IFRS retrospectively. However, IFRS 1 also provides that first-time adopters may apply optional exemptions to certain procedures required by IFRS. Stated below are the exemptions under IFRS 1 that the Group has elected to apply in the transition from JGAAP.

(i) Business combinations
IFRS 1 allows IFRS 3 "Business Combinations" (hereafter "IFRS 3") provisions to be applied to previous business combinations from a certain date prior to the transition to IFRS to all later combinations. The Group has elected to apply IFRS 3 retrospectively to business combinations that occurred on or after September 1, 2010. IFRS 3 therefore is not applied to business combinations that occurred on or before August 31, 2010.

(ii) Cumulative exchange differences on translation in foreign operations
IFRS 1 allows cumulative exchange differences on translation in foreign operations to be reset to zero as of the date of transition to IFRS. The Group has elected to reset the cumulative exchange differences on translation in foreign operations to zero as of the date of transition to IFRS.

(iii) Leases
IFRS 1 allows first-time adopters to determine whether an arrangement contains a lease as of the date of transition to IFRS. The Group has elected to determine whether an arrangement contains a lease based on the facts and conditions that exist on the date of transition to IFRS.

(iv) Deemed cost

IFRS 1 allows first-time adopters to use the fair value of property, plant and equipment as of the date of transition to IFRS as a deemed cost. The Group uses the fair value as of the date of transition to IFRS as the deemed cost for certain items of property, plant and equipment.

(2) Reconciliation from JGAAP to IFRS

In preparing the consolidated financial statements in conformity with IFRS, the Group has made the necessary adjustments to amounts previously reported in its consolidated financial statements prepared in accordance with JGAAP. The effect of the transition from JGAAP to IFRS is presented in the following reconciliation charts.

(i) Reconciliation of equity as of the date of transition to IFRS (as of January 1, 2016)

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi-cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	138,503	(36,537)	–	101,966		Cash and cash equivalents
Notes and accounts receivable – trade	95,476	3,100	–	98,576		Trade and other receivables
Merchandise and finished goods	30,169	(30,169)	–	–		
Raw materials and supplies	32,499	(32,499)	–	–		
Work in process	1,360	(1,360)	–	–		
	–	64,029	–	64,029		Inventories
Deferred tax assets	17,024	(17,024)	–	–		
	–	36,589	–	36,589		Other current financial assets
Other	16,809	(3,300)	–	13,509		Other current assets
Allowance for doubtful accounts	(148)	148	–	–		
Total current assets	331,693	(17,024)	–	314,669		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	247,808	(5,670)	(2,446)	239,692	G	Property, plant and equipment
Intangible assets	89,828	–	(38,094)	51,734	A, J	Intangible assets
Investment securities	23,611	(23,611)	–	–		
Deferred tax assets	2,195	17,024	(6,153)	13,067	E	Deferred tax assets
Net defined benefit asset	2,160	(2,160)	–	–		
	–	204	–	204		Investments accounted for using equity method
	–	25,254	361	25,615	C	Other non-current financial assets
Other	5,393	5,893	(68)	11,218		Other non-current assets
Allowance for doubtful accounts	(91)	91	–	–		
Total non-current assets	370,907	17,024	(46,401)	341,531		Total non-current assets
Total assets	702,601	–	(46,401)	656,200		Total assets

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi-cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Liabilities and net assets						Liabilities and equity
Current liabilities						Current liabilities
Notes and accounts payable – trade	93,799	37,937	–	131,737		Trade and other payables
Short-term loans payable	3,846	–	–	3,847		Bonds and borrowings
Accounts payable – other	40,683	(40,683)	–	–		
Income taxes payable	7,667	–	–	7,668		Income tax payables
Provision for bonuses	5,514	(5,514)	–	–		
	–	174	–	174		Other current financial liabilities
Other	17,117	7,944	1,138	26,199	B	Other current liabilities
Total current liabilities	168,630	(144)	1,138	169,624		Total current liabilities
Non-current liabilities						Non-current liabilities
Convertible bond-type bonds with subscription rights to shares	54,421	(54,421)	–	–		
Long-term loans payable	10,757	54,421	(5,557)	59,623	I	Bonds and borrowings
Deferred tax liabilities	8,160	144	(5,214)	3,091	E	Deferred tax liabilities
Net defined benefit liability	5,295	–	–	5,296		Retirement benefit liabilities
	–	2,349	–	2,349		Other non-current financial liabilities
Other	4,243	(2,349)	1,006	2,900	B	Other non-current liabilities
Total non-current liabilities	82,878	144	(9,764)	73,258		Total non-current liabilities
Total liabilities	251,509	–	(8,627)	242,883		Total liabilities
Shareholders' equity						Equity attributable to owners of parent
Capital stock	15,992	–	–	15,993		Capital stock
Capital surplus	6,858	49,074	(55,933)	–	A	Share premium
Retained earnings	366,777	(49,074)	41,173	358,875	J	Retained earnings
Treasury shares	(41,101)	–	–	(41,101)		Treasury shares
Valuation difference on available-for-sale securities	11,164	(11,164)	–	–		
Deferred gains or losses on hedges	(6)	6	–	–		
Revaluation reserve for land	(157)	157	–	–		
Foreign currency translation adjustment	33,804	(33,804)	–	–		
Remeasurements of defined benefit plans	(6,136)	6,136	–	–		
Subscription rights to shares	276	(276)	–	–		
	–	38,945	(22,998)	15,947	C, D F, I	Other components of equity
	387,472	–	(37,759)	349,714		Total equity attributable to owners of parent
Non-controlling interests	63,619	–	(16)	63,604		Non-controlling interests
Total net assets	451,091	–	(37,775)	413,317		Total equity
Total liabilities and net assets	702,601	–	(46,401)	656,200		Total liabilities and equity

(ii) Reconciliation of equity as of the end of the third quarter of the fiscal year ended December 31, 2016 (as of September 30, 2016)

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi-cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	130,544	(32,955)	–	97,589		Cash and cash equivalents
Notes and accounts receivable – trade	72,583	1,271	–	73,854		Trade and other receivables
Merchandise and finished goods	31,351	(31,351)	–	–		
Raw materials and supplies	25,045	(25,045)	–	–		
Work in process	814	(814)	–	–		
	–	57,212	–	57,212		Inventories
	–	33,551	–	33,551		Other current financial assets
Other	29,533	(17,062)	–	12,471		Other current assets
Allowance for doubtful accounts	(515)	515	–	–		
Total current assets	289,357	(14,681)	–	274,677		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	229,252	(4,718)	(2,446)	222,088	G	Property, plant and equipment
Intangible assets	79,747	–	(35,754)	43,993	A, J	Intangible assets
Investment securities	23,279	(23,279)	–	–		
Deferred tax assets	2,284	14,681	(5,091)	11,874	E	Deferred tax assets
Net defined benefit asset	3,192	(3,192)	–	–		
	–	218	–	218		Investments accounted for using equity method
	–	24,865	565	25,430	C	Other non-current financial assets
Other	5,001	6,014	(462)	10,553		Other non-current assets
Allowance for doubtful accounts	(92)	92	–	–		
Total non-current assets	342,663	14,681	(43,189)	314,156		Total non-current assets
Total assets	632,021	–	(43,189)	588,832		Total assets

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi-cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Liabilities and net assets						Liabilities and equity
Current liabilities						Current liabilities
Notes and accounts payable – trade	82,102	33,134	122	115,357		Trade and other payables
Short-term loans payable	5,791	–	–	5,792		Bonds and borrowings
Income taxes payable	3,284	–	–	3,284		Income tax payables
Provision for bonuses	3,661	(3,661)	–	–		
	–	735	–	735		Other current financial liabilities
Other	52,644	(30,343)	1,138	23,439	B	Other current liabilities
Total current liabilities	147,484	(136)	1,259	148,607		Total current liabilities
Non-current liabilities						Non-current liabilities
Convertible bond-type bonds with subscription rights to shares	53,686	(53,686)	–	–		
Long-term loans payable	6,969	53,686	(4,641)	56,015	I	Bonds and borrowings
Deferred tax liabilities	–	7,307	(4,882)	2,424	E	Deferred tax liabilities
Net defined benefit liability	5,493	–	(10)	5,483		Retirement benefit liabilities
	–	2,387	–	2,387		Other non-current financial liabilities
Other	11,327	(9,557)	1,006	2,777	B	Other non-current liabilities
Total non-current liabilities	77,477	136	(8,527)	69,086		Total non-current liabilities
Total liabilities	224,961	–	(7,268)	217,694		Total liabilities
Shareholders' equity						Equity attributable to owners of parent
Capital stock	15,992	–	–	15,993		Capital stock
Capital surplus	5,586	50,648	(56,235)	–	A	Share premium
Retained earnings	387,117	(50,648)	43,959	380,428	J	Retained earnings
Treasury shares	(53,652)	–	–	(53,652)		Treasury shares
Valuation difference on available-for-sale securities	7,064	(7,064)	–	–		
Deferred gains or losses on hedges	(24)	24	–	–		
Revaluation reserve for land	(157)	157	–	–		
Foreign currency translation adjustment	(4,837)	4,837	–	–		
Remeasurements of defined benefit plans	(5,363)	5,363	–	–		
Subscription rights to shares	235	(235)	–	–		
	–	(3,084)	(23,534)	(26,618)	C, D, F, I	Other components of equity
	351,961	–	(35,810)	316,151		Total equity attributable to owners of parent
Non-controlling interests	55,098	–	(111)	54,988		Non-controlling interests
Total net assets	407,059	–	(35,921)	371,139		Total equity
Total liabilities and net assets	632,021	–	(43,189)	588,832		Total liabilities and equity

(iii) Reconciliations of equity as of the end of the fiscal year ended December 31, 2016 (as of December 31, 2016)

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi-cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	175,742	(37,700)	–	138,043		Cash and cash equivalents
Notes and accounts receivable – trade	88,484	2,152	–	90,637		Trade and other receivables
Securities	29	(29)	–	–		
Merchandise and finished goods	30,792	(30,792)	–	–		
Raw materials and supplies	25,881	(25,881)	–	–		
Work in process	728	(728)	–	–		
	–	57,403	–	57,403		Inventories
Deferred tax assets	12,613	(12,613)	–	–		
	–	38,938	–	38,938		Other current financial assets
Other	18,651	(4,036)	–	14,615		Other current assets
Allowance for doubtful accounts	(674)	674	–	–		
Total current assets	352,250	(12,614)	–	339,637		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	244,325	(5,250)	(2,446)	236,629	G	Property, plant and equipment
Intangible assets	83,082	–	(34,487)	48,595	A, J	Intangible assets
Investment securities	23,675	(23,675)	–	–		
Deferred tax assets	2,843	12,614	(6,502)	8,955	E	Deferred tax assets
Net defined benefit asset	276	(276)	–	–		
	–	705	–	705		Investments accounted for using equity method
	–	24,847	540	25,388	C	Other non-current financial assets
Other	5,178	3,559	(54)	8,684		Other non-current assets
Allowance for doubtful accounts	(90)	90	–	–		
Total non-current assets	359,290	12,614	(42,949)	328,955		Total non-current assets
Total assets	711,541	–	(42,949)	668,592		Total assets

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi-cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Liabilities and net assets						Liabilities and equity
Current liabilities						Current liabilities
Notes and accounts payable – trade	93,257	35,948	–	129,206		Trade and other payables
Short-term loans payable	6,753	–	–	6,753		Bonds and borrowings
Accounts payable – other	40,573	(40,573)	–	–		
Income taxes payable	9,337	–	–	9,337		Income tax payables
Provision for bonuses	6,090	(6,090)	–	–		
	–	65	–	65		Other current financial liabilities
Other	19,982	10,438	1,179	31,600	B	Other current liabilities
Total current liabilities	175,994	(213)	1,179	176,962		Total current liabilities
Non-current liabilities						Non-current liabilities
Convertible bond-type bonds with subscription rights to shares	53,441	(53,441)	–	–		
Long-term loans payable	12,084	53,441	(4,336)	61,190	I	Bonds and borrowings
Deferred tax liabilities	9,093	213	(6,433)	2,873	E	Deferred tax liabilities
Net defined benefit liability	7,648	–	–	7,649		Retirement benefit liabilities
	–	2,391	–	2,391		Other non-current financial liabilities
Other	3,304	(2,391)	2,227	3,141	B	Other non-current liabilities
Total non-current liabilities	85,572	213	(8,542)	77,243		Total non-current liabilities
Total liabilities	261,567	–	(7,362)	254,205		Total liabilities
Shareholders' equity						Equity attributable to owners of parent
Capital stock	15,992	–	–	15,993		Capital stock
Capital surplus	5,586	50,648	(56,235)	–	A	Share premium
Retained earnings	401,388	(50,648)	41,059	391,800	J	Retained earnings
Treasury shares	(53,652)	–	–	(53,652)		Treasury shares
Valuation difference on available-for-sale securities	7,047	(7,047)	–	–		
Deferred gains or losses on hedges	4	(4)	–	–		
Revaluation reserve for land	(157)	157	–	–		
Foreign currency translation adjustment	19,378	(19,378)	–	–		
Remeasurements of defined benefit plans	(8,286)	8,286	–	–		
Subscription rights to shares	345	(345)	–	–		
	–	18,333	(20,375)	(2,042)	C, D, F, I	Other components of equity
	387,648	–	(35,551)	352,098		Total equity attributable to owners of parent
Non-controlling interests	62,325	–	(36)	62,289		Non-controlling interests
Total net assets	449,974	–	(35,587)	414,387		Total equity
Total liabilities and net assets	711,541	–	(42,949)	668,592		Total liabilities and equity

(iv) Reconciliations of comprehensive income for the third quarter of the fiscal year ended December 31, 2016 (January 1, 2016 – September 30, 2016)

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi-cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Net sales	510,893	–	(77,684)	433,210	H	Net sales
Cost of sales	273,594	5	(66)	273,534	B, D	Cost of sales
Gross profit	237,299	(5)	(77,618)	159,676		Gross profit
Selling, general and administrative expenses	185,843	537	(79,582)	106,798	A, B, D, H	Selling, general and administrative expenses
	–	1,211	(24)	1,187		Other income
	–	2,187	(1,289)	898		Other expenses
	–	5,992	(735)	5,257		Financial income
	–	9,628	170	9,799		Financial costs
Non-operating income	3,406	(3,406)	–	–		
Non-operating expenses	11,925	(11,925)	–	–		
Extraordinary income	3,796	(3,796)	–	–		
Extraordinary losses	431	(431)	–	–		
Profit before income taxes	46,301	–	2,323	48,625		Profit before tax
Total income taxes	13,450	–	(240)	13,210	E	Income tax expenses
Profit	32,851	–	2,564	35,415		Profit for the period
						Profit attributable to
Profit attributable to non-controlling interests	3,335	–	(311)	3,025		Non-controlling interests
Profit attributable to owners of parent	29,515	–	2,875	32,390		Owners of parent

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi-cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Profit	32,851	–	2,564	35,415		Profit for the period
Other comprehensive income						Other comprehensive income, net of tax
Valuation difference on available-for-sale securities	(4,099)	–	149	(3,951)	C	Changes in fair value of available-for-sale financial assets
Deferred gains or losses on hedges	(41)	–	–	(42)		Changes in fair value of cash flow hedges
Foreign currency translation adjustment	(48,118)	–	(290)	(48,409)		Exchange differences on translation in foreign operations
Remeasurements of defined benefit plans, net of tax	800	–	(891)	(91)	D	Remeasurements related to net defined benefit liabilities (assets)
Total other comprehensive income	(51,460)	–	(1,032)	(52,492)		Total other comprehensive income, net of tax
Comprehensive income	(18,608)	–	1,532	(17,077)		Total comprehensive income

(v) Reconciliations of comprehensive income for the previous fiscal year (January 1, 2016 – December 31, 2016)

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi-cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Net sales	710,965	–	(106,313)	604,653	H	Net sales
Cost of sales	376,510	2	329	376,842	B, D	Cost of sales
Gross profit	334,455	(2)	(106,642)	227,811		Gross profit
Selling, general and administrative expenses	256,178	676	(108,160)	148,695	A, B, D, H	Selling, general and administrative expenses
	–	1,855	(24)	1,832		Other income
	–	6,011	(1,769)	4,242		Other expenses
	–	9,545	(980)	8,565		Financial income
	–	9,194	242	9,436		Financial costs
Non-operating income	6,176	(6,176)	–	–		
Non-operating expenses	12,605	(12,605)	–	–		
Extraordinary income	5,223	(5,223)	–	–		
Extraordinary losses	3,277	(3,277)	–	–		
Profit before income taxes	73,794	–	2,041	75,835		Profit before tax
Total income taxes	25,092	–	(515)	24,577	E	Income tax expenses
Profit	48,702	–	2,556	51,259		Profit for the year
						Profit attributable to
Profit attributable to non-controlling interests	4,568	–	(281)	4,288		Non-controlling interests
Profit attributable to owners of parent	44,134	–	2,837	46,971		Owners of parent

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi-cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Profit	48,702	–	2,556	51,259		Profit for the year
Other comprehensive income						Other comprehensive income, net of tax
Valuation difference on available-for-sale securities	(4,116)	–	142	(3,974)	C	Changes in fair value of available-for-sale financial assets
Deferred gains or losses on hedges	24	–	–	25		Changes in fair value of cash flow hedges
Foreign currency translation adjustment	(17,845)	–	(25)	(17,871)		Exchange differences on translation in foreign operations
Remeasurements of defined benefit plans, net of tax	(2,130)	–	(845)	(2,975)	D	Remeasurements related to net defined benefit liabilities (assets)
Total other comprehensive income	(24,068)	–	(727)	(24,795)		Total other comprehensive income, net of tax
Comprehensive income	24,634	–	1,829	26,463		Total comprehensive income

(vi) Notes on reconciliation of equity and comprehensive income

1) Reclassifications
Reclassifications are made to comply with IFRS provisions. The main reclassifications are as follows.

- Under JGAAP, time deposits with maturities over three months were presented as "Cash and deposits." Under IFRS, they are presented as "Other current financial assets."
- Under JGAAP, "Allowance for doubtful accounts" was presented as a separate component and accounts receivable-other was included in "Other (current assets)." Under IFRS, they are included in "Trade and other receivables."
- Under JGAAP, "Merchandise and finished goods," "Raw materials and supplies," and "Work in process" were presented as separate components. Under IFRS, they are all presented as "Inventories."
- Under JGAAP, "Deferred tax assets" and "Deferred tax liabilities" were classified as current items. Under IFRS, they are presented as non-current items.
- Under JGAAP, land was presented as "Property, plant and equipment." Under IFRS, a portion of land is presented as "Other non-current assets."
- Under JGAAP, "Accounts payable - other" was presented as a separate component. Under IFRS, this is presented as "Trade and other payables."
- Under JGAAP, "Convertible bond-type bonds with subscription rights to shares" and "Loans payable" were presented as separate components. Under IFRS, they are presented as "Bonds and borrowings."
- Under JGAAP, "Provision for bonuses" was presented as a separate component. Under IFRS, this is presented as "Other current liabilities."
- Under IFRS, "Other financial assets" and "Other financial liabilities" are presented as separate components.
- For items that were presented as "Non-operating income," "Non-operating expenses," "Extraordinary income" and "Extraordinary losses" under JGAAP, reclassification under IFRS entails finance related items to be presented as "Financial income" or "Financial costs," and all other items as "Other income" or "Other expenses."
- Adjustments to IFRS resulted in a negative balance in share premium, hence the transfer was made from "Retained earnings" to "Share premium."

2) Adjustments of recognition and measurement

A. Goodwill

Under JGAAP, goodwill was amortized over the periods in which the economic benefits of the goodwill were reasonably expected to be realized. Under IFRS, goodwill is not amortized and impairment assessments are performed periodically.

Under JGAAP, transaction costs related to business combinations that occurred prior to the early adoption, on December 31, 2015, of "Accounting Standards for Business Combinations" (Corporate Accounting Standards No. 21 of September 13, 2013; hereafter "Accounting Standards for Business Combination") were recorded as assets for any portion for which consideration was recognized.

As the Group elected to apply IFRS 3 retrospectively to business combinations that occurred on or after September 1, 2010, transaction costs directly attributable to such business combinations are expensed as incurred.

With respect to the additional acquisition of equity in subsidiaries, under JGAAP before early adoption of Accounting Standard for Business Combinations, the difference between additional investment and additional equity was recorded as goodwill. Under IFRS, the difference is recorded as share premium.

As a result, goodwill decreased by ¥43,635 million on the date of transfer to IFRS, by ¥39,829 million during the third quarter of the fiscal year ended December 31, 2016, and by ¥38,926 million in the fiscal year ended December 31, 2016. Selling, general and administrative expenses decreased

by ¥3,389 million during the third quarter of the fiscal year ended December 31, 2016, and by ¥4,519 million in the fiscal year ended December 31, 2016.

B. Liabilities related to compensated absences etc.
Under JGAAP, unused compensated absences and long-term employee benefits were not recognized. Under IFRS, estimated amounts of liabilities related to these items are recognized as other current liabilities or other non-current liabilities.

As a result, other current liabilities increased by ¥1,138 million on the date of transition to IFRS, by ¥1,138 million during the third quarter of the fiscal year ended December 31, 2016, and by ¥1,179 million in the fiscal year ended December 31, 2016, while other non-current liabilities increased by ¥1,006 million on the date of transition to IFRS, by ¥1,006 million during the third quarter of the fiscal year ended December 31, 2016, and by ¥2,227 million in the fiscal year ended December 31, 2016.

C. Evaluation of unlisted shares
Under JGAAP, unlisted shares were measured based on their historical costs and declare impairment as necessary. Under IFRS, these are measured at their fair values.

D. Defined benefit liabilities
Under JGAAP, actuarial gains and losses were recognized at the time of occurrence in other comprehensive income, amortized by the straight-line method over a period within the average remaining service years of employees and allocated proportionately, and recognized in profit or loss from the fiscal year following the respective fiscal year of occurrence. Under IFRS, these are immediately transferred to retained earnings through other comprehensive income.

Under JGAAP, past service cost was recognized in other comprehensive income when incurred, amortized by the straight-line method over a period within the average remaining service years of employees and allocated proportionately, and recognized in profit or loss from the fiscal year of occurrence. Under IFRS, these are recognized in profit or loss when incurred.

As a result, the cost of sales and selling, general and administrative expenses combined decreased by ¥918 million during the third quarter of the fiscal year ended December 31, 2016, and by ¥1,206 million in the fiscal year ended December 31, 2016.

E. Tax effects
Changes in deferred tax amounts reflecting tax effects show the impact of adjustments made to deferred tax amounts that were required in the transition to IFRS. Under JGAAP, tax effects on elimination of unrealized gains were calculated based on the effective tax rates of selling entities. Under IFRS, these are calculated based on the effective tax rates of acquiring entities. Furthermore, following a review of the recoverability of deferred income tax assets on the basis of IFRS, additional deferred tax assets are recognized.

F. Cumulative exchange differences on translation in foreign operations
By applying the exemptions as a first-time adopter of IFRS as mentioned above, the Group has transferred the total amount of cumulative exchange differences on translation in foreign operations (¥33,723 million) to retained earnings on the date of transition to IFRS.

G. Deemed cost
By applying the exemption as a first-time adopter of IFRS as mentioned above, the Group uses the fair values, as of the date of transition to IFRS, of a portion of property, plant and equipment (land) as deemed costs. The fair values are assessed based on appraisal valuations, etc., performed by third parties and evaluated using a method judged to be appropriate by the management. It is classified as Level 3.

The fair value of property, plant and equipment using deemed cost at the date of transition to IFRS is ¥2,870 million, while the carrying amount under JGAAP was ¥5,449 million.

H. Net sales
Under JGAAP, part of rebates, etc., were presented as selling, general and administrative expenses. Under IFRS, the amount is deducted from net sales.

As a result, net sales decreased by ¥77,684 million during the third quarter of the fiscal year ended December 31, 2016, and by ¥106,313 million in the fiscal year ended December 31, 2016.

I. Convertible bond-type bonds with subscription rights to shares
Under JGAAP, consideration was not separately recognized for corporate bonds and the subscription rights embedded in such bonds, which were recognized as a whole. Under IFRS, they are presented separately as compound financial instruments for the liability component and the equity component. Accordingly, of the amount that was recognized as liabilities under JGAAP, the amount related to the subscription rights is recognized in equity under IFRS.

As a result, bonds and borrowings decreased by ¥5,557 million on the date of transfer to IFRS, by ¥4,641 million during the third quarter of the fiscal year ended December 31 2016, and by ¥4,336 million in the fiscal year ended December 31, 2016.

J. Retained earnings
The effect on retained earnings arising from the transition to IFRS is as follows.

(Millions of Yen)

	Date of transition to IFRS (as of January 1, 2016)	End of the Previous 3Q (as of September 30, 2016)	End of the Previous Fiscal Year (as of December 31, 2016)
Adjustments related to amortization of goodwill (Refer to Note A)	18,854	22,242	23,373
Adjustments related to cumulative exchange differences on translation in foreign operations (Refer to Note F)	33,723	33,723	33,723
Adjustments related to unused compensated absences, etc. (Refer to Note B)	(2,144)	(2,143)	(3,407)
Adjustments related to tax effects on elimination of unrealized gains and losses (Refer to Note E)	(202)	(184)	(241)
Adjustments related to defined benefit liabilities (Refer to Note D)	(6,024)	(5,221)	(7,799)
Adjustments related to deemed cost of property, plant and equipment (Refer to Note G)	(2,578)	(2,578)	(2,578)
Transfer from retained earnings to share premium	(49,074)	(50,648)	(50,648)
Others	(455)	(1,879)	(2,011)
Total adjustments to retained earnings	(7,902)	(6,689)	(9,589)

The above adjustment items are based on the impact before the consideration of tax effects. The impact of tax effects is included in Others.