OFFERING CIRCULAR

UNICHARM CORPORATION

(incorporated in Japan with limited liability under the laws of Japan)

¥50,000,000,000
Zero Coupon Convertible Bonds due 2020

The ¥50,000,000,000 Zero Coupon Convertible Bonds due 2020 (being bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (the "Bonds", which term shall, unless the context requires otherwise, include Stock Acquisition Rights (as defined below) incorporated in the Bonds) of Unicharm Corporation (the "Company") will be issued in registered form in the denomination of ¥10,000,000 each with a stock acquisition right (*shinkabu yoyakuken*) (the "Stock Acquisition Right", and collectively, the "Stock Acquisition Rights") exercisable on or after 9 October 2015 up to, and including, 11 September 2020 (unless the Bonds have been previously redeemed or purchased and cancelled or become due and repayable), and entitling the Bondholder (as defined in the terms and conditions of the Bonds (the "Conditions")) to acquire fully-paid and non-assessable shares of common stock of the Company (the "Shares") at an initial Conversion Price (as defined in the Conditions), subject to adjustment in certain events as set out herein, of ¥2,409 per Share. The closing price of the Shares as reported on the Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange") on 8 September 2015 was ¥2,189.5 per Share.

Unless previously redeemed or purchased and cancelled, or become due and repayable, the Bonds will be redeemed at 100 per cent. of their principal amount on 25 September 2020. On or after 25 September 2018, and prior to maturity, the Bonds may be redeemed in whole but not in part at 100 per cent. of their principal amount at the option of the Company as set out in the Conditions, provided that no such redemption may be made unless the Closing Price (as defined in the Conditions) of the Shares for each of the 30 consecutive Trading Days, the last of which occurs not more than 30 days prior to the day upon which the notice of redemption is first published, is at least 130 per cent. of the Conversion Price in respect of the Bonds in effect on each such Trading Day. Further, if, at any time prior to the date of the giving of the notice of redemption, the outstanding principal amount of the Bonds is less than 10 per cent. of the aggregate principal amount of the Bonds as at the date of issue thereof, the Bonds may be redeemed in whole but not in part at 100 per cent. of their principal amount, at the option of the Company as set out in the Conditions. The Bonds may also be redeemed by the Company in whole but not in part in certain other limited events (including Corporate Events (as defined in the Conditions)), at the percentage of their principal amount specified in the Conditions, as set out in the Conditions.

Payments of principal, premium (if any) and any other amount due in respect of the Bonds will be made without withholding or deduction for or on account of Japanese taxes to the extent set out herein (see "Taxation — Japan" and Condition 9). If Japanese withholding taxes are imposed on payments in respect of the Bonds, and certain requirements are satisfied, the Company may redeem all of the Bonds at 100 per cent. of their principal amount, save that each Bondholder may have the right to elect that its Bonds not be redeemed as set out in the Conditions.

OFFER PRICE FOR THE BONDS: 111.5 PER CENT.

The Bonds will be represented by a global certificate (the "Global Certificate") evidencing the Bonds in registered form, which is expected to be deposited with and registered in the name of, or a nominee for, a common depositary for each of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") on or about 25 September 2015 (the "Closing Date") for the accounts of their respective accountholders. The Manager (as defined in "Subscription and Sale") expects to deliver the Bonds through the facilities of Euroclear and Clearstream, Luxembourg on or about the Closing Date.

Approval in-principle has been received for the listing of the Bonds on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Admission of the Bonds to the official list of the SGX-ST is not to be taken as an indication of the merits of the Company or the Bonds.

This Offering Circular does not constitute an offer of, or the solicitation of an offer to buy or subscribe for the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S of the Securities Act ("Regulation S")). For a summary of certain restrictions on offers and sales of Bonds and Shares issuable upon exercise of the Stock Acquisition Rights, see "Subscription and Sale".

See "Investment Considerations" for a discussion of certain factors that should be considered in connection with an investment in the Bonds.

Sole Bookrunner and Sole Lead Manager

SMBC Nikko

The date of this offering circular is 8 September 2015.

The Company accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Company (the Company having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Company, having made all reasonable enquiries, confirms that this Offering Circular contains all information with respect to the Company, the Group (as defined below), the Bonds and the Shares which is material in the context of the issue and offering of the Bonds, the statements contained herein relating to the Company and the Group are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular with regard to the Company and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Company, the Group, the Bonds or the Shares the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements.

In this Offering Circular, unless otherwise specified or the context requires, references to the "Group" are to the Company and its consolidated subsidiaries and its affiliates accounted for by the equity method taken as a whole.

Unless otherwise stated or the context requires, the description of the Company's business and financial information relating to the Group contained herein are given on a consolidated basis.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company, the Manager or BNY Mellon Corporate Trustee Services Limited (the "Trustee") to subscribe for, or purchase, any of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights. The distribution of this Offering Circular and the offering of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and the Manager to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights and distribution of this Offering Circular, see "Subscription and Sale".

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not contained in this Offering Circular must not be relied upon as having been authorised by the Company or the Manager. Neither the delivery of this Offering Circular nor any sale made in connection herewith at any time implies that the information contained herein is correct as of any time subsequent to the date hereof, nor does it imply that there has been no change in the affairs or the financial position of the Group since the date hereof.

To the fullest extent permitted by law, none of the Trustee, the Principal Agent, the Custodian, the Registrar, the Custodian's Agent nor the Manager accept any responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made by the Manager or on its behalf in connection with the Company, the Group or the issue and offering of the Bonds. Each of the Manager, the Trustee, the Principal Agent, the Custodian, the Registrar and the Custodian's Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

The Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "FIEA"). The Manager has represented and agreed that it has not, directly or indirectly, offered or sold, and shall not offer or sell, any Bonds in Japan or to, or for the account or benefit of, any resident of Japan, except pursuant to an exemption available from the registration requirements of, and otherwise in compliance with, the FIEA and other applicable Japanese laws, regulations and governmental guidelines in Japan. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organised under the laws of Japan.

No action is being taken to permit a public offering of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights or the distribution of this Offering Circular (in preliminary or final form) in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the

Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights and the circulation of documents relating thereto, in jurisdictions including the United States, Japan, the European Economic Area (including the United Kingdom), Singapore, Hong Kong and to persons connected therewith. See "Subscription and Sale".

The Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights may not be offered, sold or delivered within the United States or to U.S. persons. See "Subscription and Sale".

There are restrictions on the offer and sale of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights in the United Kingdom. All applicable provisions of the Financial Services and Markets Act 2000 ("FSMA") with respect to anything done by any person in relation to the Bonds in, from or otherwise involving the United Kingdom must be complied with. See "Subscription and Sale".

Disclosure of Demand and Allocation

Each prospective purchaser who places an order for the Bonds consents to the disclosure by the Manager to the Company of the prospective purchaser's identity, the details of such order and the actual amount purchased, if any.

IN CONNECTION WITH THE ISSUE OF THE BONDS, SMBC NIKKO CAPITAL MARKETS LIMITED (THE "STABILISING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise stated, references in this Offering Circular to "U.S. dollars", "U.S.$" and "$" are to United States dollars and references to "yen" and "¥" are to Japanese yen.

In this Offering Circular, where financial information is presented in millions of yen, amounts of less than one million have been rounded to the nearest one million (with half a million being rounded up). Accordingly, the total of each column of figures may not be equal to the total of the individual items. All other figures and percentages, including operating data, have been rounded up or down (in the case of percentages, to the nearest 0.1 per cent. or to the nearest 0.01 per cent.), unless otherwise specified; however, certain percentages in tables may have been rounded otherwise than to the nearest 0.1 per cent. or 0.01 per cent., as the case may be, to make the total of the relevant column equal to 100 per cent.

The Company's consolidated financial statements are prepared in accordance with generally accepted accounting principles in Japan ("Japanese GAAP"), which differ in certain material respects from generally accepted accounting principles in certain other countries. Potential investors should consult their own professional advisers for an understanding of the difference between Japanese GAAP and International Financial Reporting Standards ("IFRS"), or generally accepted accounting principles in other jurisdictions and an understanding of how those differences might affect the financial information contained herein. See "Investment Considerations — Considerations Relating to the Group's Financial Statements — Differences in Generally Accepted Accounting Principles May Be Material".

This Offering Circular contains the audited consolidated financial statements of the Company, prepared and presented in accordance with Japanese GAAP, as at and for the fiscal year (12 months) ended 31 March 2013, and as at and for the fiscal year (12 months) ended 31 March 2014 and the nine months ended 31 December 2014 (see "— Change in Fiscal Year-End" below), as indicated in the audit reports with respect thereto included herein at pages F-3 and F-35.

This Offering Circular also contains the unaudited consolidated financial statements of the Company as at and for the six months ended 30 June 2015. The unaudited consolidated financial statements of the Company as at and for the six months ended 30 June 2015 have not been audited but reviewed by the Company's independent auditor, as stated in its review report included herein at page Q-3. Such unaudited quarterly consolidated financial statements have been prepared and presented in accordance with the accounting principles for quarterly consolidated financial statements generally accepted in Japan.

Change in Fiscal Year-End

Financial Reporting Periods

From 31 December 2014, the Company changed the last day of its fiscal year from 31 March to 31 December. Consolidated subsidiaries of the Company whose fiscal years ended on 31 March also changed their respective fiscal year-ends to 31 December. Accordingly, as the "fiscal year ended 31 December 2014" is a transitional period, the consolidated "fiscal year ended 31 December 2014" for Group companies (including the Company) whose fiscal year used to end on 31 March comprised the nine months from 1 April 2014 to 31 December 2014, while for Group companies whose fiscal year already ended on 31 December, the consolidated "fiscal year ended 31 December 2014" comprised the 12-months from 1 January 2014 to 31 December 2014. In this Offering Circular, such consolidated "fiscal year ended 31 December 2014" of the Group is referred to as the "nine months ended 31 December 2014". As the reporting of accounts for the nine months ended 31 December 2014 is irregular, the Group's results of operations, financial condition and cash flows as at and for the nine months ended 31 December 2014 are not comparable to the Group's results of operations, financial condition and cash flows as at and for the fiscal year (12 months) ended 31 March 2014, and as such, such comparisons have not been made in this Offering Circular.

Due to the change in fiscal year-end mentioned above, the Company's quarterly consolidated financial statements as at and for the six months ended 30 June 2015 are also not comparable with the Company's quarterly consolidated financial statements as at and for the three months ended 30 June 2014 (as the length of the periods covered by such financial statements are different); nor are they comparable with the Company's quarterly consolidated financial statements as at and for the six months ended 30 September 2014, as such quarterly consolidated financial statements as at and for the six months ended 30 September 2014 covered, in respect of Group companies whose fiscal year already ended on 31 December prior to the change in fiscal year-end, the period from 1 January 2014 to 30 September 2014 (whereas the consolidated financial statements as at and for the six months ended 30 June 2015 covered, in respect of all Group companies, the period from 1 January 2015 to 30 June 2015), and also as the periods in question contain, among other factors, seasonal differences between the two periods. As such, neither the Company's quarterly consolidated financial statements as at and for the three months ended 30 June 2014 nor the Company's quarterly consolidated financial statements as at and for the six months ended 30 September 2014 have been included in this Offering Circular, and comparisons of the Group's results of operations, financial condition and cash flows as at and for the six months ended 30 June 2015 to the Group's results of operations, financial condition and cash flows as at and for the three months ended 30 June 2014 or as at and for the six months ended 30 September 2014 have not been made in this Offering Circular.

Management Account Data for Comparison Purposes

This Offering Circular also contains the following unaudited management account data, which have been compiled by the Company purely for information purposes: (i) consolidated net sales and operating income data for the 12 months ended 31 December 2013, which comprise consolidated data compiled in respect of the Company and its consolidated subsidiaries (regardless of their respective fiscal year-ends) for the period from 1 January 2013 to 31 December 2013, (ii) consolidated net sales and operating income data for the 12 months ended 31 December 2014, which comprise consolidated data compiled in respect of the Company and its consolidated subsidiaries (regardless of their respective fiscal year-ends) for the period from 1 January 2014 to 31 December 2014, and (iii) consolidated net sales and operating income data for the six months ended 30 June 2014, which comprise consolidated data compiled in respect of the Company and its consolidated subsidiaries (regardless of their respective fiscal year-ends) for the period from 1 January 2014 to 30 June 2014. These unaudited management account data were compiled using accounting processes similar to those used for the preparation of annual or quarterly financial statements, except for certain processes (such as use of average rates of foreign exchange and adjustments, accruals, deferrals, eliminations and valuations normally only made at an annual or quarterly period end) which have been simplified. Such management account data have not been audited or reviewed by the Company's independent auditor, and are not wholly comparable with the data derived from the audited annual consolidated financial statements or the reviewed quarterly consolidated financial statements of the Company. Where such management account data are used in this Offering Circular, they have been distinguished from the data in respect of financial reporting periods as described in "— Financial Reporting Periods" above by the phrase "Adjusted Basis".

Construction of Certain References

Under the Companies Act of Japan (Act No. 86 of 2005, as amended) (the "Companies Act"), the Company may issue new Shares to a Bondholder and/or transfer Shares that it holds as treasury stock to a Bondholder, in each case upon exercise of a Stock Acquisition Right. Accordingly, unless otherwise specified or the context requires, references in this Offering Circular to the issuance of Shares shall be read as including both the issuance of new Shares and the transfer of Shares held by the Company as treasury stock and the words "issue", "issued", "issuance" and "issuable" shall be construed accordingly. In addition, references to the word "acquired" used in conjunction with the Shares shall be read as including both the words "issued" and "transferred", and the word "acquisition" shall be construed accordingly.

FORWARD-LOOKING STATEMENTS

Many of the statements included in this Offering Circular contain forward-looking statements and information identified by the use of terminology such as "may", "might", "will", "expect", "intend", "plan", "estimate", "anticipate", "project", "believe" or similar phrases. The Company bases these statements on beliefs as well as assumptions made using information currently available to the Company. As these statements reflect the Company's current views concerning future events, these statements involve risks, uncertainties and assumptions. The Company's or the Group's actual future performance could differ materially from these forward-looking statements. Important factors that could cause actual results to differ from the Company's expectations include those risks identified in "Investment Considerations" and the factors discussed in "Recent Business" and "Business", as well as other matters not yet known to the Company or not currently considered material to the Group by the Company. The Company does not undertake to review or revise this Offering Circular or any forward-looking statements contained in this Offering Circular to reflect future events or circumstances. The Company cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Company or persons acting on the Company's behalf are qualified in their entirety by these cautionary statements.

CONTENTS

SUMMARY INFORMATION

The following summary does not purport to be complete and is qualified in its entirety by, and is subject to, the more detailed information and financial statements and the notes thereto contained elsewhere in this Offering Circular. For a discussion of certain factors that should be considered by prospective investors in connection with an investment in the Bonds, see "Investment Considerations".

Unicharm Corporation

The Group is one of Japan's leading producers of baby diapers, feminine hygiene products and adult incontinence products and pet care products, with an increasing presence overseas, especially in Asian countries where the Group has attained a leading market share in some of its key markets. Utilising the advanced proprietary non-woven fabric and absorbent material technologies which are the basis for its success in these product categories, the Group manufactures and markets a variety of baby care, feminine care, health care, pet care, household and other products.

In addition to its operations in Japan, the Group conducts manufacturing and/or sales operations of personal care products in many Asian countries such as China, Indonesia, Thailand and India, as well as in other areas around the world such as Saudi Arabia, Egypt and Brazil, and currently provides diapers and feminine care products to customers in roughly 80 countries in the world. With regard to pet care products, the Group conducts manufacturing and sales operations in Japan and the United States.

The Group's personal care products include a number of brand names which have achieved a high degree of acceptance in Japan and increasingly in Asia and other international markets including the *Mamy Poko* and *moony* line of diapers and baby care products, the *Sofy* line of sanitary napkins and panty-liners, the *Center-in* line of sanitary napkins, the *Sofy Soft* line of tampons, the *Lifree* line of adult incontinence products and the *Charm Nap* line of specialised liners for adult incontinence care, as well as *Super 3D Masks* (three-dimensional face masks), *Super Comfortable Masks* (higher comfort face masks) and *Silcot* cosmetic puffs. The Group's pet care products, including the *Aiken Genki*, *Neko Genki*, *Gin no Spoon*, *Gin no Sara* and *Deo-Sheet* brands of products, have also received a high degree of recognition in Japan, while the *Hartz* brand (promoted by The Hartz Mountain Corporation, a consolidated subsidiary of the Company in the United States) is the leading U.S. pet care brand in a number of product categories.

The Group classifies its business activities into the following three reportable segments:

- *Personal care*: This segment is involved in the production and sale of baby care products (the Group's largest product category) such as disposable baby diapers and baby wipes, feminine care products such as sanitary napkins, panty liners, tampons and sanitary underwear, health care products such as disposable adult diapers and masks, and other hygiene and cleaning related products such as cotton puffs, wet tissues, sheet cleaners and kitchen paper towels in Japan and in many Asian countries as well as in other areas around the world, and currently provides baby diapers and feminine care products to customers in roughly 80 countries in the world. The Group also receives royalty income in respect of the licensing of its intellectual properties in this segment. In the nine months ended 31 December 2014, net sales to external customers from this segment comprised 88.0 per cent. of total consolidated net sales of the Group.

- *Pet care*: This segment is involved in the production and sale of pet food aimed at achieving an ideal nutritional balance for each pet in light of its age, physical attributes, physical condition and preferences, and of pet toiletries, with the philosophy of providing pets with a healthy, clean and comfortable life. This segment is also involved in the production and sale of pet care products in the United States under the *Hartz* brand, and is increasing its business to other overseas markets such as China and Taiwan. In the nine months ended 31 December 2014, net sales to external customers from this segment comprised 11.3 per cent. of total consolidated net sales of the Group.

- *Others*: This segment consists of the Group's other businesses, including the production and sale of industrial materials and food packaging products. In the nine months ended 31 December 2014, net sales to external customers from this segment comprised 0.7 per cent. of total consolidated net sales of the Group.

As at 30 June 2015, the Company had 47 consolidated subsidiaries and two affiliates accounted for by the equity method. For the nine months ended 31 December 2014 (see "Presentation of Financial and Other Information — Change in Fiscal Year-End — Financial Reporting Periods" for the period covered by this period), on a consolidated basis, the Group's net sales, operating income and net income amounted to ¥553,662 million, ¥61,347 million and ¥32,732 million, respectively. For the six months ended 30 June 2015, on a consolidated basis, the Group's net sales, operating income and net income amounted to ¥358,810 million, ¥34,700 million and ¥15,891 million, respectively.

The Company is incorporated under Japanese law with limited liability as a joint stock corporation (*kabushiki kaisha*). The Company's registered office is located at 182 Shimobun, Kinsei-cho, Shikokuchuo-shi, Ehime 799-0111, Japan. The Company's head office is located at Sumitomo Fudosan Mita Twin Building, West Wing, 5-27, Mita 3-chome, Minato-ku, Tokyo 108-8575, Japan.

The Shares are listed on the First Section of the Tokyo Stock Exchange. The market capitalisation of the Company based on the closing price of the Shares on the Tokyo Stock Exchange on 8 September 2015 was approximately ¥1,359,317 million.

The Offering

Issuer .... Unicharm Corporation.

Securities Offered .... ¥50,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2020 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*).

Issue Price .... 109.5 per cent.

Offer Price .... 111.5 per cent.

Upon announcement of the offering of the Bonds, the Company and the Manager agreed that the Manager would solicit from prospective investors indications of interest in acquiring the Bonds, with the final issue price and final offer price to be agreed between the Company and the Manager within certain indicative ranges taking into account such indications of interest (subject to the difference between the final issue price and the final offer price being no greater than 2.5 percentage points). The Issue Price and the Offer Price set out above have been agreed following the completion of such determination process.

Closing Date .... On or about 25 September 2015.

Use of Proceeds .... The net proceeds from the issue of the Bonds are estimated to amount to approximately ¥54.6 billion, and are expected to be used primarily as follows:

(i) ¥30 billion for the repayment (on 29 September 2015) of short-term borrowings from financial institutions borrowed to partially cover the cost of the acquisition by the Company in June 2015 of an additional 44 per cent. of the issued share capital of Unicharm Gulf Hygienic Industries Ltd. (located in Saudi Arabia, "UGHI") from one of UGHI's minority shareholders at a purchase price of approximately ¥50.7 billion; and

(ii) the balance as capital for investment by the end of December 2017 within India by Unicharm India Private Ltd. (located in India, "UC India") for planned capital expenditures relating to the building of new factories for manufacturing baby care and feminine care products, the expansion of production floor space and the increase in production equipments. Such capital expenditures will be funded through investment and loan from the Company to UC India.

Repurchase by the Company of the Shares.. The Company announced on 8 September 2015 that it intends to repurchase up to 6 million Shares (amounting to approximately 1.0 per cent. of the issued Shares (excluding treasury stock) as at 30 June 2015) at a maximum cost of ¥13 billion from the market in the period from and including 9 September 2015 to and including 30 November 2015 (the "Share Repurchase Period") as part of the Company's continued implementation of its stock repurchase programme. The Company has decided to repurchase such Shares with a view to further enhancing the return of profits to shareholders, as well as enabling the Company to implement flexible capital policies adapted to changes in the management environment. The Company intends to implement such share repurchase on the auction market of the Tokyo Stock Exchange from time to time during the Share Repurchase Period. As the amount which the Company is able to repurchase is completely dependent on the price and the number of Shares available for sale on the auction market at the relevant time, there can be no assurance that such share repurchase will be executed in full or at all. The Company intends to announce the results of such share repurchase as and when appropriate (such as at the completion of the repurchase, or at the end of the Share Repurchase Period, as the case may be).

Form .... In registered form, evidenced by a Global Certificate. Definitive Certificates will only be available in certain limited circumstances. See "Summary of Provisions Relating to the Bonds While in Global Form".

Delivery .... It is expected that the Global Certificate will be deposited with, and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg on or about the Closing Date.

Listing .... Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of ¥200,000 with a minimum of 100 lots to be traded in a single transaction for so long as such Bonds are listed on the SGX-ST.

Lock-up .... In connection with the issue and offering of the Bonds, the Company has agreed that it will not, and will procure that none of its directors or officers or any person acting on the direction of the Company will, for a period beginning on the date of the Subscription Agreement (as defined in "Subscription and Sale") and ending on the date 90 calendar days after the Closing Date:

(a) issue, offer, pledge, lend, sell, contract to sell, sell or grant any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant (including stock acquisition rights) to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, any Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for, or that constitutes the right to receive, Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for Shares;

(b) enter into a transaction (including a derivative transaction) that transfers, in whole or in part, directly or indirectly, ownership (or any economic consequences thereof) of Shares or any other capital stock of the Company, or that has an effect on the market in the Shares similar to that of a sale;

(c) deposit any Shares (or any securities convertible into or exercisable or exchangeable for Shares or any other capital stock of the Company or which carry rights to subscribe or purchase Shares or any other capital stock of the Company) in any depositary receipt facility; or

(d) publicly announce any intention to do any of the above,

without the prior written consent of the Manager, other than:

(i) the issue and sale by the Company of the Bonds or the issue or transfer of Shares upon exercise of the Stock Acquisition Rights;

(ii) the issue or transfer of any Shares by the Company upon exercise of any stock acquisition rights (including bonds with stock acquisition rights) issued and outstanding as of the date hereof and referred to in this Offering Circular;

(iii) the grant of stock options or stock acquisition rights to directors, corporate auditors, executive officers and employees of the Company and directors and employees of the Company's affiliates pursuant to its stock option plans;

(iv) the issue of Shares by the Company as a result of any stock split or the *pro rata* allocation of Shares or stock acquisition rights to holders of Shares without any consideration; and

(v) any other issue or sale of Shares required by the Japanese laws and regulations.

See "Subscription and Sale".

Selling Restrictions.................................... The Bonds are being offered and sold outside the United States in reliance on Regulation S. For a description of these and certain further restrictions on the offer and sale of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights, see "Subscription and Sale".

Trustee .... BNY Mellon Corporate Trustee Services Limited.

Principal Agent and Custodian .... Sumitomo Mitsui Finance Dublin Limited.

Registrar .... The Bank of New York Mellon (Luxembourg) S.A.

Custodian's Agent in Japan .... Sumitomo Mitsui Banking Corporation.

Principal Terms and Conditions of the Bonds

Form and Denomination	The Bonds are issued in registered form in the denomination of ¥10,000,000 each.
Coupon...	Zero.
Initial Conversion Price	¥2,409 per Share, subject to adjustment in certain events. See Condition 5.
Exercise of Stock Acquisition Rights.........	Subject to and upon compliance with the provisions of Condition 5, any holder of a Bond may exercise the Stock Acquisition Right, at any time on and after 9 October 2015 up to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 11 September 2020 (but in no event thereafter), to acquire fully-paid and non-assessable Shares. See Condition 5. The Conditions provide, among others, that the Stock Acquisition Right may not be exercised during such period whereby the relevant Stock Acquisition Date (as defined in Condition 5.9.4) (or, if the Stock Acquisition Date would not be a Tokyo Business Day (as defined in Condition 5.1.4), the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period (as defined in Condition 5.1.4).
Status	The obligations of the Company in respect of the Bonds constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 2) unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 and with the exception of obligations in respect of national and local taxes and certain other statutory exceptions, equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.
Negative Pledge..	So long as any of the Bonds remain outstanding, the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1) will, create or permit to subsist any mortgage, charge, pledge or other security interest for the benefit of the holders of any Relevant Debt (as defined in Condition 2) unless the same security or such other security or guarantee as provided in Condition 2 is accorded to the Bonds. See Condition 2.
Redemption at Maturity	Unless the Bonds have previously been redeemed or purchased and cancelled or become due and repayable, and unless the Stock Acquisition Rights incorporated therein have previously been exercised, the Company will redeem the Bonds at 100 per cent. of their principal amount on 25 September 2020.
Early Redemption — Redemption at the Option of the Company upon Increase in Share Price.........................	On or after 25 September 2018, the Company may, having given not less than 30 nor more than 60 days' prior irrevocable notice of redemption to the Bondholders in accordance with Condition 19, redeem all, but not some only, of the Bonds then outstanding at

100 per cent. of their principal amount, provided, however, that no such redemption may be made unless the Closing Price (as defined in Condition 3.1) of the Shares for each of the 30 consecutive Trading Days (as defined in Condition 3.1), the last of which occurs not more than 30 days prior to the date upon which the notice of such redemption is first given, is at least 130 per cent. of the Conversion Price in effect on each such Trading Day. See Condition 7.2.

Early Redemption — Redemption at the Option of the Company upon Reduced Outstanding Amounts............

The Company may, having given not less than 30 nor more than 60 days' prior irrevocable notice of redemption to the Bondholders in accordance with Condition 19, redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount if, at any time prior to the date of giving that notice, the outstanding principal amount of the Bonds is less than 10 per cent. of the aggregate principal amount of the Bonds as of the date of issue thereof. See Condition 7.3.

Early Redemption — Redemption for Taxation Reasons ....

If the Company satisfies the Trustee, immediately prior to giving the notice to the Bondholders, that (i) the Company has or will become obliged to pay any Additional Amounts (as defined in Condition 9) in accordance with Condition 9 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 8 September 2015, and (ii) the Company is unable to avoid such obligation by taking reasonable measures available to it, the Company may, but shall not be bound to, having given not less than 30 nor more than 60 days' prior irrevocable notice to the Bondholders in accordance with Condition 19, redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount.

If, however, the outstanding principal amount of the Bonds at the time of such notice of redemption is 10 per cent. or more of the aggregate principal amount of the Bonds as of the date of issue thereof, each holders of the Bonds will have the right to elect that its Bonds should not be redeemed and that, in respect of payments on the Bonds to be made after that date, payments will be made subject to the withholding of, or deduction for or on account of, Japanese taxes, duties, assessments and governmental charges. See Condition 7.4.

Early Redemption — Corporate Events..

In the case of a Corporate Event, the Company shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of such Corporate Event and the anticipated effective date of such transaction and the provisions set out in Condition 6 shall apply. See Condition 6.

Upon or following the occurrence of a Corporate Event, the Company shall give not less than 14 Tokyo Business Days' prior notice to the Bondholders in accordance with Condition 19 to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) determined by reference to the table set out in Condition 7.5 and in accordance with the provisions of Condition 7.5 on the Corporate Event Redemption Date (as defined in Condition 7.5) specified in such notice (such Corporate Event Redemption Date shall be a date falling on or prior to the relevant Corporate Event Effective Date (as defined in Condition 6.3) or, if such Corporate Event Effective Date occurs earlier than the 14th Tokyo Business Day from the date of occurrence of the Corporate Event, such Corporate Event Redemption Date shall be the 14th Tokyo Business Day from the date of the notice of such redemption, which notice shall be given as soon as practicable after the date of occurrence of the Corporate Event) if any of the following conditions is satisfied:

(i) it is not legally possible under the then applicable laws (taking into account the then official or judicial interpretation of such laws) to effect a scheme provided for by Condition 6.4.1; or

(ii) it is legally possible as aforesaid but, despite the Company using its best endeavours, the Company cannot effect such a scheme in compliance with Condition 6.4.1; or

(iii) despite the Company using its best endeavours pursuant to Condition 6.4.2, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25th day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing (as defined in Condition 6.4.2) has been obtained for the shares of common stock of the New Obligor (as defined in Condition 6.1) and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or

(iv) the Company has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a Representative Director or an Authorised Officer (as defined in Condition 3.1) stating that the Company does not currently anticipate that a Listing will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate.

See Condition 7.5.

Early Redemption — Delisting of the Shares..

In certain circumstances where a tender offer is made to holders of Shares of the Company by an Offeror (as defined in Condition 7.6.1) where, *inter alia*, the Company expresses its opinion to support such offer, the Company or the Offeror publicly announces or admits that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange (as defined in Condition 3.1), and the Offeror acquires any Shares pursuant to the offer, then the Company shall redeem all, but not some only, of the Bonds then outstanding at the redemption price

	each calculated in the same manner as referred to in Condition 7.5, subject to the provisions of Condition 7.6. See Condition 7.6.
Early Redemption — Squeezeout Event	Upon the occurrence of a Squeezeout Event (as defined in Condition 7.7.1), the Company shall redeem all, but not some only, of the Bonds then outstanding at the redemption price calculated in the same manner as referred to in Condition 7.5, subject to the provisions of Condition 7.7. See Condition 7.7.
Cross Default	The Bonds are subject to a cross default in respect of indebtedness for borrowed money or any guarantee and/or indemnity thereof of the Company or of any Principal Subsidiary in respect of amounts of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies). See Conditions 10.3 and 10.4.
Taxes	All payments by the Company in respect of the Bonds will be made without any deduction for withholding taxes of Japan, except to the extent described in Condition 9.
Governing Law	English law.
Jurisdiction	English courts.
International Securities Identification Number ("ISIN")	XS1280133775.
Common Code	128013377.

SUMMARY FINANCIAL AND OTHER DATA

The following summary financial and other data should be read in conjunction with the consolidated financial statements and other financial information of the Company appearing elsewhere in this Offering Circular. The following summary financial and other data are derived from (i) the audited consolidated financial statements of the Company and notes thereto as at, and for the fiscal year (12 months) ended, 31 March 2013, included elsewhere in this Offering Circular, (ii) the audited consolidated financial statements of the Company and notes thereto as at, and for the fiscal year (12 months) ended 31 March 2014 and the nine months ended 31 December 2014 (see "Presentation of Financial and Other Information — Change in Fiscal Year-End — Financial Reporting Periods" for the period covered by this period), included elsewhere in this Offering Circular, (iii) the unaudited quarterly consolidated financial statements of the Company and notes thereto as at, and for the six months ended, 30 June 2015, included elsewhere in this Offering Circular, (iv) unaudited consolidated management account information in respect of the 12 months ended 31 December 2013 and 2014 (see "Presentation of Financial and Other Information — Change in Fiscal Year-End — Management Account Data for Comparison Purposes"), and (v) unaudited consolidated management account information in respect of the six months ended 30 June 2014 (see "Presentation of Financial and Other Information — Change in Fiscal Year-End — Management Account Data for Comparison Purposes").

	Twelve months ended 31 March		Nine months ended 31 December	(Unaudited) Six months ended 30 June
	2013	**2014**	**2014[1]**	**2015**
	(millions of yen, except per Share data)			
Income Statement Data:				
Net sales	¥495,771	¥599,456	¥553,662	¥358,810
Cost of sales	268,743	331,808	308,422	199,905
Gross profit	227,028	267,648	245,240	158,905
Selling, general and administrative expenses	167,540	200,408	183,893	124,205
Operating income	59,488	67,240	61,347	34,700
Income before income taxes and minority interests	64,283	67,902	70,028	32,788
Net income	43,122	38,216	32,732	15,891
Per Share of Common Stock[2]:				
Net income	¥77.92	¥64.10	¥54.33	¥26.44
Diluted net income	69.85	62.40	54.25	26.43
Cash dividends applicable to the period	11.33	12.66	12.73	7.40

	As at 31 March		As at 31 December	(Unaudited) As at 30 June
	2013	**2014**	**2014**	**2015**
	(millions of yen, except per Share data)			
Balance Sheet Data:				
Total current assets	¥210,729	¥265,191	¥321,773	¥303,779
Total assets	535,055	620,420	699,109	689,553
Total current liabilities	121,547	148,904	190,184	208,684
Total long-term liabilities	84,307	39,364	16,081	16,547
Total net assets	329,201	432,152	492,844	464,322
Net assets per Share[2]	¥507.26	¥619.47	¥698.49	¥664.70

	(Unaudited) Twelve months ended 31 March		(Unaudited) Nine months ended 31 December	(Unaudited) Six months ended 30 June
	2013	**2014**	**2014[1]**	**2015**
	(per cent.)			
Selected Ratios:				
Equity ratio[3]	54.2%	60.3%	60.0%	57.9%
Return on assets[4]	8.6	6.6	5.0	—
Return on equity[5]	17.2	11.5	8.2	—

Notes:

(1) Figures for the nine months ended 31 December 2014 are not comparable with the figures for the fiscal years (12 months) ended 31 March 2013 and 2014. See "Presentation of Financial and Other Information — Change in Fiscal Year-End — Financial Reporting Periods".

(2) The Company carried out a stock split on 1 October 2014, at a ratio of three Shares per one Share. Accordingly, net income per Share, diluted net income per Share and cash dividends per Share for the fiscal years (12 months) ended 31 March 2013 and 2014 and the nine months ended 31 December 2014, and net assets per Share as at 31 March 2013 and 2014, have been calculated on the basis as if such stock split were carried out at the start of the relevant period. Figures of "Per Share of Common Stock" and "Net assets per Share" for 12 months ended and as of 31 March 2013 and "Cash dividends applicable to the period" under "Per Share of Common Stock" for all periods presented which reflect such stock split, are unaudited.

(3) Equity ratio has been calculated by dividing total net assets (less minority interests and stock acquisition rights) by total assets.

(4) Return on assets has been calculated by dividing the net income for the period by the average of the total assets as at the beginning and at the end of the period.

(5) Return on equity has been calculated by dividing the net income for the period by the average of total net assets (less minority interests and stock acquisition rights) as at the beginning and at the end of the period.

Certain Data on the Adjusted Basis (Unaudited) for 12 Months Ended 31 December 2013 and 2014 and for Six Months Ended 30 June 2014 and Unaudited Data for Six Months Ended 30 June 2015

	(Unaudited) (Adjusted) 12 months ended 31 December		**(Unaudited) Six months ended 30 June**	
	2013[(1)]	**2014[(1)]**	**(Adjusted) 2014[(1)]**	**2015[(2)]**
Income Statement Data:		**(millions of yen)**		
Net sales	¥579,015	¥666,258	¥308,624	¥358,810
Of which:				
Personal care	496,877	579,360	267,580	315,956
Pet care	76,744	81,377	38,329	40,278
Others	5,394	5,521	2,715	2,576
Operating income	62,823	76,227	33,137	34,700
Of which:				
Personal care	61,671	72,992	31,985	34,129
Pet care	737	2,885	1,017	441
Others	415	350	134	130

Notes:

(1) Figures in the above table for the 12 months ended 31 December 2013 and 2014 and for the six months ended 30 June 2014 are figures on the Adjusted Basis. See "Presentation of Financial and Other Information — Change in Fiscal Year-End — Management Account Data for Comparison Purposes".

(2) Figures in the above table for the six months ended 30 June 2015 are figures as reported in the unaudited consolidated financial statements of the Company for such period.

INVESTMENT CONSIDERATIONS

Prior to making an investment decision, prospective investors should carefully consider, along with other matters set out in this Offering Circular, the following factors. All of these factors are contingencies which may or may not occur and the Company is not in a position to express a view on the likelihood of any such contingency occurring.

Considerations Relating to the Group and its Business

The Group Faces Intense Competition

The Group currently competes in intensely competitive markets against well-known manufacturers and branded products as well as private label products, both in Japan and overseas. The Group anticipates both product and price competition to become increasingly severe in its core markets. Given the nature of consumer products, the Group's core products are constantly exposed to fierce price competition and successive new product releases by competitors. The selling environment is also heavily impacted by the Group's pricing of products, expenditure cuts and marketing efforts and activities as well as those of its competitors. With an increasing proportion of the Group's consolidated net sales consisting of overseas sales, the Group has been facing increased competition in overseas markets. Competition in such markets are intensifying both from global market players as well as large local manufacturers (especially in places such as China and Thailand), together with competitive pressures raised by e-commerce activities. Increasing competition may make it necessary for the Group to lower prices on its products and/or increase spending on sales promotions and advertising, which could adversely affect the Group's results of operations and financial condition.

The markets for the Group's products are characterised by the frequent introduction of new products, improvement of existing products and other innovations. The success of new or enhanced products is highly dependent on consumer and retail trade customer acceptance, the effectiveness of the Group's marketing efforts, technology, competitiveness and the actions of the Group's competitors. The Group incurs development costs in introducing innovative products and technologies, and the introduction of a new or improved consumer product often requires expenditures for advertising and marketing to gain recognition in the relevant market and/or to maintain its relative market position. Some of the Group's competitors are larger and have greater financial resources than the Group, and may be able to spend more aggressively on research, development, advertising and promotional activities, introduce competing products more quickly and respond more effectively to changing business and economic conditions than the Group. The ability of the Group to develop innovative or improved products which can successfully compete in the market is affected by whether it can anticipate consumer needs and preferences successfully and in a timely manner, develop and fund technological innovations, and receive and maintain necessary intellectual property protection. In addition, the Group's main products such as baby diapers, sanitary napkins, adult diapers and pet toiletry products rely on absorbent non-woven materials as their key component, and if the non-woven materials technology relied by the Group were to lose its competitive edge as a result of introduction of new technologies, this may materially adversely affect the Group's competitive position. There can be no assurance that the Group will always be successful in developing innovative or improved products and technologies necessary to compete successfully in the market or that the Group will be successful in advertising and marketing its products and/or launching them in a timely manner. If the Group is unable to successfully anticipate consumer demand and innovate effectively, the Group may not be able to compete successfully, which may materially adversely affect the Group's results of operations and financial condition.

The Group's Operations are Subject to Global Economic Conditions

Unfavourable economic conditions, including global or regional financial and/or credit crises, the impact of recessions and slow or stagnant economic growth, may adversely affect the Group's business, results of operations and financial condition. Adverse economic conditions may have a negative effect on the Group's product mix, including a shift in consumer preference to lower-cost, lower-margin products, as well as the overall consumer demand for the Group's products, including shifting consumer purchasing patterns to lower-cost products of competitors. Although the Group did not experience significant negative impacts in relation to the increase in Japan's consumption tax rate from 5 per cent. to 8 per cent. in April 2014, if the further increase of such rate to 10 per cent. expected to become effective in April 2017 were to have a negative effect on the Japanese economy in general (through factors such as reduced consumer spending), this may negatively affect overall demand for the Group's products and/or its product mix. Prolonged recessions, slow economic growth or adverse economic conditions could therefore materially adversely affect the Group's business, results of operations and financial condition.

The Group Faces Certain Risks in its Overseas Business Operations

The Group operates in many Asian countries, as well as in the United States, Europe, the Middle East, Africa and Australia, and currently provides diapers and feminine care products to customers in roughly 80 countries in the world, with net sales to external customers in overseas accounting for 64.1 per cent. of consolidated net sales in the nine months ended 31 December 2014. In particular, the Group currently undertakes product manufacturing in Thailand, Indonesia, Taiwan, South Korea, China, Vietnam, Myanmar, India, the Netherlands, Russia, Saudi Arabia, Egypt, the United States and Brazil.

The Group is subject to a number of risks inherent in overseas business operation and expansion. These include:

- changes in raw material prices and demand due to fluctuating exchange rates or other factors;
- changes in the economic and regulatory environments due to the acts of foreign governments;
- volatility in foreign exchange markets;
- changes in, or introduction of, legal and regulatory constraints, tariffs and other trade barriers;
- the possibilities of unfavourable taxation treatment, or impositions or increases of withholding and other taxes on remittance and other payments by subsidiaries and affiliates;
- relatively limited effective protection for intellectual property rights and other legal rights in some countries;
- difficulties in enforcing contractual rights;
- changes in the political and/or economic relationship between Japan and the countries in which the Group or its customers operate;
- acts of terrorism, war, natural disasters, adverse weather conditions and epidemics;
- unexpected events and accidents caused in particular by less developed infrastructure (such as power failures);
- labour disputes, industrial action, general strikes and significant increases in labour costs;
- inability to effectively tailor the Group's products to the differing demands in new overseas markets;
- political or social instability or turmoil, due to terrorism, war, natural disasters, adverse weather conditions, infectious diseases, epidemics or other factors; and
- difficulties associated with managing local personnel and operations, including supervision, monitoring and management control.

The Group's business, results of operations and financial condition may be affected by any or all of these factors, individually or in the aggregate. Further, since the Group is emphasising its overseas expansion strategy, with a particular focus on developing economies in the Asian region, the effect of these factors may become more material in the future.

The Implementation of the Group's Vision, Management Plan and Strategies May Affect the Group's Business and Growth

The Group is currently pursuing its Ninth Medium-Term Management Plan covering the period from April 2014 to December 2016 under its "G20" long-term vision. See "Business — Strategy". The attainment of the Group's long-term vision, and the success of implementation of the Group's management plan and the strategies thereunder, are subject to various internal and external factors, including but not limited to general economic, market and demographic conditions in which the Group, its customers and its suppliers operate, the level of competition, the level of consumer spending and demand for the Group's products, as well as other factors mentioned elsewhere in this Offering Circular. There can be no assurance that the Group's management plan and strategies will be implemented successfully, that the implementation of the management plan and strategies will have its intended effect, that targets (whether quantitative or qualitative) set in the management plan or the long-term vision will be met in time or at all, or that such targets, goals and aims will not be changed in the future by the Company's management. In particular, targets set out in the management plan and the long-term vision are aims and not commitments, and are forward-looking statements representing the management's operational goals and not projections of future performance by the Group. In addition, in preparing its long-term vision and management plan, and the targets set out therein, the Company's management has made various assumptions, including as to applicable foreign exchange rates and prices of raw materials and fuel. Prospective investors should not put undue reliance on targets, goals and aims set out in such long-term vision, management plan and strategies.

Further, the Group is emphasising its overseas expansion strategy, with a particular focus on developing economies in the Asian region, whose economies can be more volatile and susceptible to local or global social or economic changes and trends. Should the growth of those markets be substantially below what the Group expects in those regions, or should there be unforeseen disruptions to the markets in those regions due to economic, social or political changes or other factors, the Group may not be able to manage its growth strategies in those markets, and the Group's business may be materially adversely affected.

Changing Demographic Trends May Affect the Demand for the Group's Products

Net sales to external customers in Japan comprised 35.9 per cent. of the Group's consolidated net sales in the nine months ended 31 December 2014, and a significant proportion of such sales related to baby and child care and feminine care products. Changes in demographic trends in Japan may therefore materially affect the Group's business. Due to Japan's declining birth-rate and ageing population which has been continuing for an extended period of time, the percentage of babies and menstruating women in the domestic population has been continuing to decrease. Such decrease is also seen in some overseas countries in which the Company operates. Such continued decline in the customers for the Group's mainstay baby and child care and feminine care products may negatively affect demand for the Group's products, and may materially adversely affect the Group's business, results of operations and financial condition.

Reliability and Safety of the Group's Products Affect the Group's Business

As a manufacturer and purveyor of consumer products, the Group is susceptible to adverse publicity regarding the quality or safety of its products and the raw materials used in its products. In particular, the safety of pet food has recently been a general focus of attention, in the same manner as the focus on the safety of human food.

Product liability or other claims challenging the safety of the Group's products or those of its competitors, particularly in the personal care and pet care areas, may result in a sharp decline in sales for certain products of the Group, which may materially negatively affect the Group's business, results of operations and financial condition. This is true even if the claims themselves are ultimately settled for non-material amounts or are found to be without merit. The Group has set up a framework to promptly investigate claims regardless of its impact to ensure reliability of its products are not affected. However, there can be no assurance that any adverse publicity of this nature will not occur or that any significant claims will not be made in the future or as to their impact on the Group. Although the Group takes particular care to ensure that the quality of the products it manufactures is high through the implementation of rigorous internal safety and quality criteria, there can be no assurance that unexpected quality problems will not occur. If the Group's products are found not to have met certain safety and quality criteria, either set by relevant regulatory authorities (in the case of tampons and pet food) or customer expectations, the Group's reputation and its brand value may be materially damaged. If one of the Group's leading brands or the "Unicharm" brand itself were to suffer a substantial impediment to its reputation due to actual or perceived quality issues, the Group's business may be materially negatively affected.

Volatility in Raw Material Prices and Relationships with Suppliers May Affect the Group's Operating Results

As a manufacturer of consumer products, the Group is directly subject to fluctuating raw material prices. Although the Group believes that the supplies of raw materials needed to manufacture its products are currently adequate, global economic conditions, supplier capacity constraints and other factors (including actions taken to address climate change and related market responses) could affect the availability of, or prices for, those raw materials. In particular, a large proportion of the Group's products, including its personal care products, contain certain materials that are principally derived from petroleum. These materials are subject to price fluctuations based on changes in petroleum prices, availability, demand/supply balance and other factors. Further, certain materials such as pulp are currently experiencing an excess of demand over supply. Significant increases in prices for these materials could adversely affect the Group's profits if selling prices for its finished products are not adjusted or if adjustments occur later than the increases in prices for these materials.

The Group currently purchases raw materials from several outside suppliers and procures pulp and certain other raw materials predominantly from overseas sources. These transactions with overseas sources are generally conducted on a U.S. dollar basis. Despite the Group's efforts to minimise the effect of exchange rate fluctuations through payment netting and exchange hedging, there is a risk that the Group's raw materials-related costs could significantly increase. In addition, although the Group generally procures its raw materials from multiple suppliers, in certain businesses (in particular, the pet food business) the Group purchases its raw materials from a limited number of suppliers. The Group may face difficulties in purchasing raw materials if its relationship with certain suppliers deteriorates or if the suppliers themselves face financial and operational difficulties. The Group may also experience shortages or other material disruptions in the Group's supply of such raw materials due to natural disasters or other events beyond the Group's control. These factors may consequently materially adversely affect the Group's business, results of operations and financial condition.

Material Changes in the Group's Relationships with its Retail Trade Customers May Affect the Group's Business

The Group's success is dependent on its ability to successfully manage relationships with its retail trade customers. This includes the ability to offer trade terms that are acceptable to the Group's retail trade customers which are at the same time aligned with the Group's pricing and profitability targets. The Group's business could suffer if the Group is unable to reach agreement with major retail trade customers based on the Group's trade terms and principles. In addition, there is a continuing trend towards retail trade consolidation, and very large retailers may have a greater bargaining power than the Group, and may be in a position to demand higher trade discounts, leading to reduced profitability for the Group. The Group may also be negatively affected by changes in the policies of its major retail trade customers, such as inventory de-stocking, limitations on access to shelf space, or other conditions. Any of these factors may adversely affect the Group's business, results of operations and financial condition.

The Group Faces Certain Risks Relating to Intellectual Property Rights

Because of the emphasis on product innovation in the markets for the Group's products, many of which are subject to frequent technological innovations, patents and other intellectual property are important competitive factors. The Group relies on technology it has itself developed or developed in conjunction with third parties such as suppliers of raw materials, and seeks to protect such technology through a combination of patents, trademarks and other intellectual property rights. Although the Group does not consider any single patent or other such right owned by itself or suppliers of raw materials to be material, it does own what it considers to be a number of key technologies which are based on a combination of patent or other proprietary rights. Such technologies include technologies relating to the production of non-woven absorbent fibre, to the design of baby and adult diapers and certain other products, and to the manufacturing processes used in manufacturing such products. While the Group is not aware of any actual or potential significant impairment of, or adverse claim to, the Group's rights in such technologies, any interference in the Group's rights to use such technologies could make the Group vulnerable to increased competition in respect of the products that utilise the relevant technologies or could lead to a loss of expected revenue, which may have a material adverse effect on the Group's results of operations and financial condition. At the same time, there is also the possibility that the Group may be unknowingly infringing upon the intellectual property rights of a third party, which may lead to large compensation claims or limitations imposed on the Group's business. Any of these factors may negatively affect the Group's business, results of operations and financial condition.

Business Acquisitions, Tie-ups, Sales of Businesses, Divestitures, Integrations and Other Measures May Affect the Group's Business

The Group continuously aims to maximise corporate value through the effective use of management resources. Based on this goal, there is the possibility that in the course of its corporate activities, the Group will engage in business acquisitions and capital subscriptions, tie-ups with other companies, sale of interests in businesses or group companies to other companies, business divestitures and integrations, and/or rationalisations and spin-offs. In the event that the Group decides to implement any of the foregoing measures, the Company's future business structure and business performance may be affected. If the Group fails to achieve the expected synergies from such measures, or to successfully manage the merged or acquired businesses, the Group's business, results of operations and financial conditions may be adversely affected.

The Group has also entered into joint ventures with a number of overseas partners in respect of its overseas business. Such joint activities may form an important part of the Group's expansionary efforts. The Group expects to continue to adopt an active approach to leveraging these and new collaborative opportunities. If, however, the Group fails to achieve the goals of these joint activities due, for instance, to differences arising among the participants of these joint activities caused by managerial, financial or other reasons, the Group's business, results of operations and financial condition may be adversely affected.

Governmental Regulations May Affect the Group's Business and Operating Results

The Group's business and operations are subject to various forms of government regulation in countries in which the Group does business, including required business/investment approvals, as well as and export/import regulations such as tariffs. In addition, commercial, pharmaceutical, antitrust, patent, consumer, taxation, exchange control and environmental/recycling laws and regulations also apply. In particular, strict pharmaceutical regulations apply to the manufacturing of tampons in Japan, and pet food safety regulations apply to the Group's pet food business. For more details, see "Business — Regulation". In addition, new regulations relevant to the Group's business may be introduced or existing regulations may be amended to be more stringent. Compliance with those existing and any future regulations so introduced or amended could serve to limit the Group's activities or result in increased costs. Further, if the Group unintentionally fails to comply with these regulations, the Group may become subject to sanctions or penalties imposed by governmental authorities or courts. Accordingly, any regulatory developments relevant to the Group could adversely affect the Group's business, financial condition and results of operations.

The Group Faces Environmental Risks

As a product manufacturer, the Group is expected to abide by certain environmental standards both in Japan and overseas. These standards include the handling and disposal of air pollution, CO_2 emissions, effluent emissions and waste matter. Although the Group believes there is no significant negative impact on its business performance or financial position from current laws and regulations, there is the possibility that future legal or regulatory restrictions may affect its business performance. There can be no assurance that the Group will never cause any environmental damage at all, and if any such environmental damage is discovered, the Group may incur penalty, damage and compensation or remediation costs, which may adversely affect the Group's results of operations. Any such environmental issues may also lead to disputes or legal proceedings, or otherwise have a negative impact on the Group's reputation or its relationship with communities neighbouring those of the Group's manufacturing sites.

Leakage of Confidential Information and Knowhow May Adversely Affect the Group's Reputation and Business

The Group is in possession of a variety of information that includes not only data generated within the Group but personal and other information acquired through confidentiality agreements or with the consent of customers and clients. The Group also holds valuable technological information and knowhow gained through its business operations which it seeks to keep confidential as they are important assets for maintaining the Group's competitive edge. Accordingly, the Group has established an information security policy and stipulated corporate behavioural guidelines and other rules to ensure a secure information environment while striving for full compliance by thoroughly disseminating such rules to directors and employees. However, in the event of information leakage that calls into question the Group's legal responsibility with regard to information management, the Group may lose credibility and its business performance may be affected. In addition, the Group may suffer material damage to its business, competitiveness and reputation if it were to experience any leakage of technological information and knowhow, whether by accident or through deliberate misbehaviour by employees or ex-employees.

Natural Disasters and Uncontrollable Events May Impact the Group's Operations

Japan and certain other parts of the world in which the Group operates have historically experienced earthquakes and other natural disasters, including volcanic eruptions, typhoons, hurricanes, floods, tidal waves, other extreme weather conditions, fires, infectious diseases and epidemics. In addition, other events outside the control of the Group or its suppliers (such as power outage, deliberate acts of sabotage, or the spreading of a computer virus) or accidents (whether due to human or equipment error) could damage, cause operational interruptions or otherwise adversely affect any of the Group's operations, the manufacturing or other facilities of its suppliers or its own or its suppliers' distribution systems. Such events may lead to losses and expenses to repair or replace the Group's facilities, losses due to the disruption of the production process and distribution systems, delay in delivery of products to its customers, losses in inventory and losses of sales opportunities. The Group prepares against any natural calamity through its business contingency plan by coordinating between other manufacturing and distribution bases and by rapid recovery of information systems and administration functions to reduce the impacts thereof. Further, the Group has insurance to cover certain potential losses at its facilities, but such insurance policies do not cover earthquake risk and generally may not be adequate to cover all possible losses and expenses. Any of these factors may disrupt the Group's business and materially adversely affect the Group's business, results of operations and financial condition.

Foreign Exchange Fluctuations May Affect the Group's Business and Operating Results

In its overseas business, the Group sells products and purchases raw materials in U.S. dollars and various other foreign local currencies. Fluctuations in foreign exchange rates may result in lower revenues or higher cost in yen and thus affect the Group's financial results which are reported in yen. In addition, fluctuations in exchange rates may influence the prices of raw materials and the Group's pricing policy for its products, and this may adversely affect the Group's business, results of operations and financial condition.

Further, the Group has assets and liabilities that are denominated in foreign currencies (including the Company's foreign exchange-denominated lending to its subsidiaries), and foreign exchange rate fluctuations may have an effect on the amounts translated into yen in respect of such items that are not denominated in yen, and this may adversely affect the Group's results of operations and financial condition, even if the values of these items remain unchanged in terms of the original currency.

Impairment Loss May Adversely Affect the Group's Results of Operations and Financial Condition

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. In accordance with Japanese GAAP, an impairment loss would be recognised if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group, and measured at the difference between the carrying amount and the recoverable amount of the asset or asset group. The Group may in certain circumstances incur such impairment losses, especially in relation to goodwill. In particular, a substantial amount of goodwill has from time to time been recorded in the Group's consolidated balance sheet, principally in relation to the various mergers and acquisitions effected by the Company, and such goodwill recognised upon mergers and acquisitions will be amortised over the effective investment period, determined on an individual basis, using the straight-line method up to a maximum of 20 years in accordance with Japanese GAAP. The carrying value of goodwill may be re-valued to its fair value and an impairment loss may be recognised accordingly if the carrying value is higher than the fair value based on cash flows expected to be generated from the business related to such goodwill. Any such impairment loss may materially adversely affect the Group's results of operations and financial condition.

Considerations Relating to the Group's Financial Statements

Due to a Recent Change in Fiscal Year-End, Recent Financial Statements Are Not Comparable to Prior Fiscal Years' Financial Statements

From 31 December 2014, the Company changed the last day of its fiscal year from 31 March to 31 December, as did its consolidated subsidiaries whose fiscal year-ends had been at 31 March; as such, the consolidated "fiscal year ended 31 December 2014" for Group companies (including the Company) whose fiscal year used to end on 31 March comprised the nine months from 1 April 2014 to 31 December 2014, while for Group companies whose fiscal year had already ended on 31 December, the consolidated "fiscal year ended 31 December 2014" comprised the 12 months from 1 January 2014 to 31 December 2014. See "Presentation of Financial and Other Information — Change in Fiscal Year-End". As the reporting of accounts for the nine months ended 31 December 2014 is irregular, the Group's results of operations, financial condition and cash flows as at and for the nine months ended 31 December 2014 are not comparable to the Group's results of operations, financial condition and cash flows as at and for the fiscal year (12 months) ended 31 March 2014, and as such, such comparisons have not been made in this Offering Circular.

Due to the change in fiscal year-end mentioned above, the Company's quarterly consolidated financial statements as at and for the six months ended 30 June 2015 are also not comparable with the Company's quarterly consolidated financial statements as at and for the three months ended 30 June 2014 (as the length of the periods covered by such financial statements are different); nor are they comparable with the Company's quarterly consolidated financial statements as at and for the six months ended 30 September 2014, as such quarterly consolidated financial statements as at and for the six months ended 30 September 2014 covered, in respect of Group companies whose fiscal year already ended on 31 December prior to the change in fiscal year-end, the period from 1 January 2014 to 30 September 2014 (whereas the consolidated financial statements as at and for the six months ended 30 June 2015 covered, in respect of all Group companies, the period from 1 January 2015 to 30 June 2015), and also as the periods in question contain, among other factors, seasonal differences between the two periods. As such, neither the Company's quarterly consolidated financial statements as at and for the three months ended 30 June 2014 nor the Company's quarterly consolidated financial statements as at and for the six months ended 30 September 2014 have been included in this Offering Circular, and comparisons of the Group's results of operations, financial condition and cash flows as at and for the six months ended 30 June 2015 to the Group's results of operations, financial condition and cash flows as at and for the three months ended 30 June 2014 or as at and for the six months ended 30 September 2014 have not been made in this Offering Circular.

The lack of comparable consolidated financial statements mentioned above may make it more difficult for investors to analyse the Group's business trends, results of operations, financial condition and cash flows.

Management Account Information on the Adjusted Basis is Unaudited

Due to the recent change in fiscal year-end mentioned above, the Group has provided certain management account information in respect of the 12 months ended 31 December 2013 and 2014, as well as the six months ended 30 June 2014 in this Offering Circular. Such data, which are on the "Adjusted Basis", have not been audited or reviewed by the Company's independent auditor, and have been prepared by the Company purely for information purposes. Further, there are certain differences in the method of compilation of such 12-month or six-month data as compared to the data prepared for financial reporting purposes, and as such, such management account data on the Adjusted Basis are not wholly comparable with the data derived from the audited annual consolidated financial statements or the reviewed quarterly consolidated financial statements of the Company. See "Presentation of Financial and Other Information — Change in Fiscal Year-End — Management Account Data for Comparison Purposes".

Differences in Generally Accepted Accounting Principles May Be Material

The Company's consolidated financial statements are prepared and presented in accordance with Japanese GAAP, which differs in certain respects from IFRS and generally accepted accounting principles and financial reporting standards in other jurisdictions. The Company's financial statements may therefore differ from those prepared for companies outside Japan in those and other respects. This Offering Circular does not include a reconciliation of the Group's financial statements to IFRS or to any other generally accepted accounting principles or reporting standards. It is likely that such reconciliation would identify material quantitative differences between Japanese GAAP and IFRS or between Japanese GAAP and such other generally accepted accounting principles or reporting standards.

Unaudited Quarterly Financial Statements Are Not Fully Comparable

This Offering Circular contains unaudited quarterly consolidated financial statements in respect of the six months ended 30 June 2015, which are not required to be, and have not been, audited by the Company's independent auditor. The unaudited quarterly consolidated financial statements of the Company as at and for the six months ended 30 June 2015 contained in this Offering Circular, which are derived from the Japanese language unaudited quarterly consolidated financial statements prepared pursuant to the FIEA by the Company in accordance with the accounting principles for quarterly consolidated financial statements generally accepted in Japan, have been reviewed by the Company's independent auditor in accordance with the quarterly review standards generally accepted in Japan.

The quarterly consolidated financial statements contained in this Offering Circular are not wholly comparable with the annual consolidated financial statements contained in this Offering Circular and should not be so compared. Certain adjustments, accruals and deferrals which are made in the annual consolidated financial statements have been simplified or are not made in respect of such quarterly consolidated financial statements.

Considerations Relating to the Bonds and the Shares

There are Limitations on the Timing of Exercise of Stock Acquisition Rights

Since the coming into effect of the Act on Book-Entry Transfer of Company Bonds, Shares, Etc. of Japan (Act No. 75 of 2001, as amended) (including regulations promulgated thereunder, the "Book-Entry Act") in January 2009, under the current rules and practices of the Japan Securities Depository Center, Inc. ("JASDEC") it will take at least three business days for the delivery of the Shares to the Bondholders after the Stock Acquisition Date. In order to avoid any JASDEC system processing errors around the record date, the Stock Acquisition Rights have been designed under Condition 5.1.4 so that they may not be exercised during such period whereby the relevant Stock Acquisition Date (or, if the Stock Acquisition Date would not be a Tokyo Business Day, the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period. Bondholders should therefore note in particular that exercises of Stock Acquisition Rights are restricted in the period around any record date in respect of Shares set by the Company (under the Company's Articles of Incorporation as at the date of this Offering Circular, 30 June and 31 December in each year).

No Cash Amounts Will Be Paid in Respect of Non-unit Shares

Since the coming into effect of the Book-Entry Act, making it possible for listed shares of Japanese companies comprising less than one whole unit to be delivered through the JASDEC book-entry transfer system, JASDEC has given guidance to the effect that stock acquisition rights of Japanese companies issued since then should be structured so that exercising holders should have shares not constituting one whole unit delivered to their accounts, instead of automatically selling back such shares to the issuer of such stock acquisition rights and receiving cash amounts in respect of them. Bondholders exercising their Stock Acquisition Rights will therefore not be receiving cash amounts in respect of the Shares of less than one whole unit which would have been issuable upon such exercise, which had been paid, in the practice before the Book-Entry Act came into effect, but will be receiving those Shares themselves. Currently, the Company's Articles of Incorporation provide that one unit comprises of 100 Shares. Accordingly, the holders of Shares constituting less than one unit will need to request the Company to purchase them in accordance with the Companies Act, the rules of the JASDEC book-entry transfer system, the Company's Articles of Incorporation and the Company's Share Handling Regulations if they would like the Company to do so. The rights of holders of Shares not constituting one whole unit are limited under the Company's Articles of Incorporation, and may not be tradable on the stock exchanges on which they are listed. See "Description of the Shares and Certain Regulations — Unit Share System".

There are Limitations on Anti-dilution Protection for Bondholders

The Conversion Price at which the Stock Acquisition Rights may be exercised will be adjusted in certain events having a dilutive impact on the Shares, to the extent described in the Conditions. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may materially adversely affect the value of the Shares and, therefore, materially adversely affect the value of the Bonds.

Future Changes in Japanese Law May Affect the Provisions Relating to the Stock Acquisition Rights

Future changes to provisions relating to Stock Acquisition Rights may have mandatory effect under Japanese law. Condition 15.2 provides for amendments to be made to the Conditions relating to the Stock Acquisition Rights where those amendments are required in order to comply with mandatory provisions of Japanese law even if those amendments are materially prejudicial to the interests of Bondholders.

A Trading Market for the Bonds May Not Develop

Prior to the issue of the Bonds, there has been no trading market for the Bonds. Although approval in-principle has been received for the listing of the Bonds on the SGX-ST, there can be no assurance that an active trading market for the Bonds will develop. Furthermore, even if such a market does develop, it may not be liquid.

Rights of Shareholders are Governed by Japanese Law

The corporate affairs of the Company are governed by and in accordance with the Company's Articles of Incorporation, Regulations of the Board of Directors and Share Handling Regulations and other related regulations thereunder of the Company, as well as the Companies Act. Legal principles relating to such matters as the validity of corporate procedures, directors' and officers' fiduciary duties (including actions that may legitimately be taken by them in respect of unsolicited takeover attempts) and liabilities, and shareholders' rights under Japanese law may be different from those that apply to companies incorporated in other jurisdictions. Holders who acquire the Shares upon exercise of the Stock Acquisition Rights may have more difficulty in asserting their rights as a shareholder than they would as a shareholder of a corporation organised in other jurisdictions. In addition, Japanese courts may not be willing to enforce judgments of non-Japanese courts against the Company which are based on non-Japanese securities laws.

The Market Price of the Bonds May Fluctuate

The market price of the Bonds is expected to be affected by fluctuations in the market price of the Shares and it is impossible to predict whether the price of the Shares will rise or fall. Any decline in the price of the Shares will have an adverse effect on the market price of the Bonds. Trading prices of the Bonds and Shares will be influenced by, among other things, the financial position and results of operations of the Group, including the reporting of its financial results. In addition, the market price of the Bonds is expected to be affected by any downgrade or other events negatively affecting the Company's credit rating.

The Company has Certain Major Shareholders

Currently, Mr. Takahisa Takahara, Mr. Keiichiro Takahara and their families directly or indirectly own 100 per cent. of the issued shares of Unitec Corporation, being the largest shareholder of the Company (see "Information Concerning Shares — Principal Shareholders and Distribution of Shares" (according to the information in the register of the Company's shareholders as at 30 June 2015). As of 31 December 2014, Mr. Takahisa Takahara and Mr. Keiichiro Takahara directly held 0.59 per cent. and 0.29 per cent., respectively, of the total Shares in issue as at that date. Accordingly, the Takahara family is in a position to exercise a certain amount of control over matters requiring shareholder approval, including election of Directors and approval of significant corporation transactions.

Proposed Repurchase of Shares by the Company

The Company announced on 8 September 2015 that it intends to repurchase up to 6 million Shares (amounting to approximately 1.0 per cent. of the issued Shares (excluding treasury stock) as at 30 June 2015) at a maximum cost of ¥13 billion from the market in the Share Repurchase Period (from and including 9 September 2015 to and including 30 November 2015) as part of the Company's continued implementation of its stock repurchase programme. The Company has decided to repurchase such Shares with a view to further enhancing the return of profits to shareholders, as well as enabling the Company to implement flexible capital policies adapted to changes in the management environment. The Company intends to implement such share repurchase on the auction market of the Tokyo Stock Exchange from time to time during the Share Repurchase Period. As the amount which the Company is able to repurchase is completely dependent on the price and the number of Shares available for sale on the auction market at the relevant time, there can be no assurance that such share repurchase will be executed in full or at all. The Company intends to announce the results of such repurchase as and when appropriate (such as at the completion of the repurchase, or at the end of the Share Repurchase Period, as the case may be).

The Company does not undertake to review or revise this Offering Circular to reflect any repurchase of Shares (or lack thereof) as referred to above. See "Information Concerning the Shares — Proposed Share Repurchase by the Company".

Even if the Company is able to successfully repurchase its Shares as originally planned, it will result in decreased shareholders' equity and increased cash flows used in financing activities. Although the Company believes such changes will not materially affect its creditworthiness, there can be no assurance that rating agencies, banks, other financial institutions or investors will view any share repurchase similarly, which may have a negative impact on its credit rating, financing, share prices or investor relations.

Forward-looking Statements

Statements in this Offering Circular with respect to the Group's plans, strategies, projected financial figures and beliefs, as well as other statements that are not historical facts, are forward-looking statements involving risks and uncertainties. These statements are based on assumptions and beliefs derived from information currently available to the Group. The Group does not undertake to release the results of any revision of forward-looking statements which may be made to reflect future events or circumstances. The important factors that could cause actual results to differ materially from such statements include, but are not limited to: the Group's ability to develop and offer products that meet the needs and demands of the consumers in the relevant markets in a timely manner, and its ability to win acceptance for its products in highly competitive markets; demand for, and competitive pricing pressure on, the Group's products; the impact of general economic, social and demographic conditions in the markets where the Group operates; the Group's ability to supply reliable products in compliance with various regulations; and the Group's ability to implement its management plan and business strategies.

TERMS AND CONDITIONS OF THE BONDS

The following terms and conditions (the "Conditions") of the Bonds will, subject to completion and amendment, and, save for the paragraphs in italics, be endorsed on the Certificates (as defined herein):

The ¥50,000,000,000 Zero Coupon Convertible Bonds due 2020 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (the "Bonds", which term shall, unless the context requires otherwise, include Stock Acquisition Rights (as defined below) incorporated in the Bonds) issued by Unicharm Corporation (the "Company") are constituted by a trust deed (the "Trust Deed") dated 25 September 2015 made between the Company and BNY Mellon Corporate Trustee Services Limited (the "Trustee", which expression shall include all persons for the time being trustee or trustees appointed under the Trust Deed, as trustee for the holders of the Bonds). Each Bond is issued in the denomination of ¥10,000,000 each and a stock acquisition right (*shinkabu yoyakuken*) (the "Stock Acquisition Right"), entitling the Bondholder (as defined in Condition 1.2) to acquire fully paid and non-assessable shares of common stock of the Company (the "Shares") as described below, is incorporated in each Bond as an integral part thereof. Copies of the Trust Deed and of the agency agreement (the "Agency Agreement") dated 25 September 2015 relating to the Bonds between, *inter alios*, the Company, the Trustee, the principal agent (the "Principal Agent"), the registrar (the "Registrar") and the other agents referred to therein are available for inspection by prior written request during normal business hours at the registered office for the time being of the Trustee, being at the date of issue of the Bonds at One Canada Square, London E14 5AL, United Kingdom, and at the specified office(s) of each of the Principal Agent and the Agents (as defined below). References herein to the "Agents" shall, unless the context otherwise requires, include the Principal Agent and any other or further agent(s) appointed by the Company in connection with the Bonds for the purpose of making payments and transfers and acceptance of notices of the exercise of the Stock Acquisition Rights from time to time (but excluding the Registrar).

The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of all those provisions of the Agency Agreement applicable to them. The statements in these terms and conditions (the "Conditions") include summaries of, and are subject to, the detailed provisions of the Trust Deed. Any terms defined in the Trust Deed and not in these Conditions shall have the same meanings when used herein except where otherwise indicated.

1. Form, Denomination, Issue Price, Title, Status, Transfers of Bonds and Relationship between Bonds and Stock Acquisition Rights

1.1 *Form, Denomination and Issue Price*

The Bonds are issued in registered form in the denomination of ¥10,000,000 each and are not exchangeable for bonds with stock acquisition rights in bearer form. The issue price of the Bonds (excluding the Stock Acquisition Rights) (the "Issue Price") is 109.5 per cent. of the principal amount of the Bonds. The issue price of the Stock Acquisition Rights is zero.

A bond certificate (each, a "Certificate") will be issued in respect of each Bond. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register (the "Register") of holders of Bonds to be kept by the Registrar in accordance with Condition 1.4.1.

1.2 *Title*

Title to the Bonds will pass only by transfer and registration of title in the Register. The holder of any Bond will (except as otherwise declared by a court of competent jurisdiction or required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust, or any interest in it, or any writing on, or theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder.

In these Conditions, a "Bondholder" and (in relation to a Bond) a "holder" mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first name thereof).

Upon issue, the Bonds will be evidenced by a global certificate (the "Global Certificate") deposited with and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg.

The Conditions are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Trust Deed, owners of interests in the Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of the Bonds.

1.3 ***Status***

The Bonds are direct, unconditional, unsubordinated and (subject to the provisions of Condition 2) unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 and with the exception of obligations in respect of national and local taxes and certain other statutory exceptions, equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.

1.4 ***Transfers of Bonds***

1.4.1 *The Register*: The Company will cause to be kept at the specified office of the Registrar, and in accordance with the terms of the Agency Agreement, the Register on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers and redemptions of the Bonds and the exercises of Stock Acquisition Rights.

Each Bondholder shall be entitled to receive one Certificate in respect of each Bond held by such holder.

1.4.2 *Transfers*: A Bond may be transferred upon the surrender (at the specified office(s) of the Principal Agent, the Registrar or any other Agent) of the Certificate evidencing such Bond, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Company), duly completed and executed and any other evidence as the relevant Agent or the Registrar (as the case may be) may reasonably require. No transfer of a Bond will be valid unless and until entered on the Register. Upon such transfer, a new Certificate will be issued to the transferee in respect of the Bond so transferred. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of the Bonds scheduled to the Agency Agreement. The regulations may be changed by the Company, with the prior written approval of the Registrar, the Principal Agent and the Trustee. A copy of the current regulations will be made available during normal business hours by the Principal Agent or the Registrar to any Bondholder upon prior written request.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in "Summary of Provisions Relating to the Bonds While in Global Form".

1.4.3 *Delivery of New Certificates*: Each new Certificate to be issued pursuant to Condition 1.4.2 shall be available for delivery within five Transfer Business Days (as defined below) of receipt of the duly completed and signed form of transfer, and surrender of the original Certificate for exchange and any other evidence as the relevant Agent or the Registrar (as the case may be) may reasonably require. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or any of the Agents to whom delivery or surrender of such form of transfer and Certificate shall have been made, or if so requested in the form of transfer, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address so specified (at the Company's expense) unless such holder requests otherwise and pays in advance to the Registrar or the relevant Agent (as the case may be) the costs of such other method of delivery as agreed between such holder and the Registrar or the relevant Agent and/ or such insurance as it may specify. In these Conditions, "Transfer Business Day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the relevant Agent (as the case may be).

1.4.4 *Formalities Free of Charge*: Registration of a transfer of Bonds and issuance of new Certificates shall be effected without charge by or on behalf of the Company, the Registrar or the Agents, but subject to (i) payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Agent may require); (ii) the Registrar being satisfied in its absolute discretion with the documents of title and/or the identity of the person making the application; and (iii) the Company and the Registrar or the relevant Agent being satisfied that the regulations concerning transfer of Bonds having been satisfied.

1.4.5 *No Registration of Transfer*: No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) the date for redemption pursuant to Condition 7.1, 7.5, 7.6 or 7.7, (ii) after a Conversion Notice (as defined in Condition 3.1) has been given with respect to such Bond pursuant to Condition 5.9.1 (unless such Conversion Notice is withdrawn pursuant to Condition 5.9.4, in which event registration of transfer of such Bond may be made on or after the date on which such Conversion Notice is withdrawn), (iii) after a notice of redemption has been given pursuant to Condition 7.2, 7.3 or 7.4 (except for any Bond held by a Bondholder who has given notice to the Company pursuant to the second paragraph of Condition 7.4).

1.5 *Relationship between Bonds and Stock Acquisition Rights*

The obligations of the Company in respect of the Bonds and the Stock Acquisition Rights incorporated therein shall arise and shall be extinguished or cease to be exercisable simultaneously subject as provided herein.

The Bonds and the Stock Acquisition Rights incorporated therein may not be transferred or dealt with separately from each other.

2. Negative Pledge

So long as any of the Bonds remains outstanding (as defined in the Trust Deed), the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1) will, create or permit to subsist any mortgage, charge, pledge or other security interest for the benefit of the holders of any Relevant Debt (as defined below) upon the whole or any part of the Company's or such Principal Subsidiary's property or assets, present or future, to secure (i) payment of any sum due in respect of any Relevant Debt or (ii) any payment under any guarantee of any Relevant Debt or (iii) any payment under any indemnity or other like obligation in respect of any Relevant Debt, without in any such case at the same time according or procuring to be accorded to the Bonds, (x) to the satisfaction of the Trustee or as shall be approved by an Extraordinary Resolution (as defined in Condition 3.1), the same security as is granted to or subsists in respect of such Relevant Debt or such guarantee, indemnity or other like obligation or (y) such other security or guarantee as the Trustee may in its absolute discretion deem to be not materially less beneficial to the interests of the Bondholders or as shall be approved by an Extraordinary Resolution.

For the purposes of this Condition 2, "Relevant Debt" means any present or future indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other similar securities of any person with a stated maturity of more than one year from the creation thereof and which:

(a) either are by their terms payable, or confer a right to receive payment, in any currency other than yen, or are denominated in yen and more than 50 per cent. of the aggregate principal amount thereof is initially distributed outside Japan by or with the authorisation of the Company or the relevant Principal Subsidiary; and

(b) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market outside Japan.

3. Definitions and Construction of References

3.1 *Definitions*

In these Conditions (unless the context otherwise requires):

"Account Management Institution" means an account management institution (*koza-kanri-kikan*) which is an entity entitled under the Book-Entry Act to open and maintain an account for another person or entity;

“Additional Amounts” has the meaning provided in Condition 9;

“Additional Shares” has the meaning provided in Condition 5.3;

“Annual Fiscal Period” means a period commencing on 1 January and ending on 31 December of the same year; provided that, if the Company shall change its financial year so as to end on a date other than 31 December, “Annual Fiscal Period” shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Trustee in writing;

“Articles of Incorporation” means the articles of incorporation of the Company from time to time in effect;

“Asset Transfer Event” means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for the sale or transfer of all or substantially all of the assets of the Company to another entity (the “Asset Transferee”), pursuant to the terms of which the Company’s obligations under the Bonds are to be transferred to or assumed by the Asset Transferee;

“Asset Transferee” has the meaning provided in the definition of Asset Transfer Event;

“Auditors” means the independent auditors for the time being of the Company or, if there shall be joint independent auditors, any one or more of such independent auditors or, if they are unable or unwilling to carry out any action requested to them, such other auditors or firm of auditors as may be appointed by the Company and promptly notified in writing to the Trustee by the Company;

“Authorised Officer” means any one of the directors or officers of the Company or the New Obligor (as the case may be) or any other person whom the Company or the New Obligor (as the case may be) shall have identified to the Trustee by notice in writing as being duly authorised to sign any document or certificate on behalf of the Company or the New Obligor (as the case may be);

“Bankruptcy Act” means the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended);

“Base Dividend” has the meaning provided in Condition 5.2.4;

“Board of Directors”, in respect of any company, means the board of directors of such company;

“Bondholder” and “holder” have the meaning provided in Condition 1.2;

“Book-Entry Act” means the Act on Book-Entry Transfer of Corporate Bonds, Shares, Etc. of Japan (Act No. 75 of 2001, as amended);

“Business Day” has the meaning provided in Condition 8.3;

“Certificate” has the meaning provided in Condition 1.1;

“Civil Rehabilitation Act” means the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended);

“Clean-up Redemption Notice” has the meaning provided in Condition 7.3;

“Closed Period” has the meaning provided in Condition 7.10;

“Closing Date” means 25 September 2015;

“Closing Price” means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), for any Trading Day, the last reported selling price (regular way) of the Shares or the shares of common stock of the New Obligor (as the case may be) on the Relevant Stock Exchange on such Trading Day or, if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, the average of the closing bid and offered prices of the Shares or the shares of common stock of the New Obligor (as the case may be) for such Trading Day as furnished by any trading participant of the Relevant Stock Exchange selected from time to time by the Company or the New Obligor (as the case may be) and approved in writing by the Trustee for such purpose;

"Companies Act" means the Companies Act of Japan (Act No. 86 of 2005, as amended);

"Company's Territory" has the meaning provided in Condition 12.2;

"Consolidated Financial Statements" means, in relation to any Fiscal Period of the Company, the unaudited consolidated financial statements of the Company prepared in accordance with the Relevant GAAP or, if in respect of such Fiscal Period audited consolidated financial statements have been prepared, the audited consolidated financial statements of the Company prepared as aforesaid;

"Consolidated Subsidiary" means, in relation to a Fiscal Period of the Company, Subsidiaries consolidated in the relevant Consolidated Financial Statements;

"Conversion Notice" means the written notice required to accompany any Bonds deposited for the purposes of the exercise of the Stock Acquisition Rights, the current form of which is set out in the relevant schedule to the Agency Agreement;

"Conversion Price" has the meaning provided in Condition 5.1.3;

"Corporate Event" has the meaning provided in Condition 6.1;

"Corporate Event Effective Date" has the meaning provided in Condition 6.3;

"Corporate Event Redemption Date" has the meaning provided in Condition 7.5;

"Corporate Event Redemption Price" has the meaning provided in Condition 7.5;

"Corporate Reorganisation Act" means the Corporate Reorganisation Act of Japan (Act No. 154 of 2002, as amended);

"Corporate Split Counterparty" has the meaning provided in the definition of Corporate Split Event;

"Corporate Split Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for any corporate split (*shinsetsu bunkatsu* or *kyushu bunkatsu*) in which the Company's obligations under the Bonds are to be transferred to or assumed by the corporation which is the counterparty to such corporate split (the "Corporate Split Counterparty");

"Current Market Price per Share" has the meaning provided in Condition 5.2.9;

"Custodian" means Sumitomo Mitsui Finance Dublin Limited at its registered office at La Touche House, I.FS.C., Custom House Docks, Dublin 1, Ireland or such other custodian as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Company, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19 and shall, unless the context otherwise requires, include the nominee of the Custodian;

"Custodian's Agent" means Sumitomo Mitsui Banking Corporation at its specified office at 1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan or such other agent of the Custodian in Japan as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Custodian, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19;

"Delisting Redemption Date" has the meaning provided in Condition 7.6.1;

"Deposit Date" has the meaning provided in Condition 5.9.4;

“Due Date” has the meaning provided in Condition 9;

“Exercise Period” has the meaning provided in Condition 5.1.4;

“Extraordinary Dividend” has the meaning provided in Condition 5.2.4;

“Extraordinary Resolution” means a resolution passed at a meeting of the Bondholders duly convened (including the satisfaction of the quorum requirements set out in the Trust Deed) and held in accordance with the provisions contained in the Trust Deed by a majority consisting of not less than three-quarters of the votes cast thereon;

“FATCA withholding” has the meaning provided in Condition 9;

“Financial Instruments and Exchange Act” means the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended);

“Fiscal Period” means, as the context may require, (i) a period commencing on 1 January and ending on 31 December of the same year; or (ii) three month periods each commencing on 1 January, 1 April, 1 July and 1 October; provided that, if the Company shall change its financial year so as to end on a date other than 31 December, the provisions of items (i) and (ii) above shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Trustee in writing;

“Holding Company” has the meaning provided in the definition of Holding Company Event;

“Holding Company Event” means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for the Company to become a wholly-owned subsidiary of another corporation (the “Holding Company”) by way of share exchange (*kabushiki-kokan*) or share transfer (*kabushiki-iten*);

“Independent Financial Adviser” means an independent investment bank, securities company, accounting firm or consultancy firm of established repute appointed by the Company at its own expense and notified to the Trustee in writing or, if the Company fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee in its absolute discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such adviser, appointed by the Trustee in accordance with Condition 18 and notified to the Company;

“Issue Price” has the meaning provided in Condition 1.1;

“Listing” has the meaning provided in Condition 6.4.2;

“Merged Company” means the corporation formed by the relevant Merger Event or the corporation into which the Company shall have merged following a Merger Event;

“Merger Event” means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for any consolidation or amalgamation (*shinsetsu gappei*) of the Company with, or merger (*kyushu gappei*) of the Company into any other corporation (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation);

“New Obligor” has the meaning provided in Condition 6.1;

“New Obligor Current Market Price per Share” has the meaning provided in Condition 6.5.3;

“New Stock Acquisition Rights” has the meaning provided in Condition 12.2;

“New Territory” has the meaning provided in Condition 12.2;

“Non-unit Shares” has the meaning provided in Condition 5.1.2;

"Number of Deliverable Shares" has the meaning provided in Condition 6.5.3;

"Number of Held Shares" has the meaning provided in Condition 6.5.3;

"Offeror" has the meaning provided in Condition 7.6.1;

"Optional Redemption Date" has the meaning provided in Condition 7.2;

"Principal Subsidiary" means any Consolidated Subsidiary of the Company, (i) whose net sales as shown by the annual non-consolidated financial statements (or, where the Consolidated Subsidiary in question itself prepares consolidated financial statements, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent. or more of the net sales of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements or (ii) whose total assets as shown by the annual non-consolidated financial statements (or, as the case may be, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent. or more of the total assets of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements. A certificate signed by a Representative Director or an Authorised Officer of the Company that in the Company's opinion, a Consolidated Subsidiary is or is not or was or was not at a specified date a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"Proceedings" has the meaning provided in Condition 21.2;

"Record Date" means the date fixed by the Articles of Incorporation or otherwise specified by the Company for the purpose of determining entitlements to dividends or other distributions to, or rights of, holders of Shares; provided, however, that if the Company has fixed no such record date and the context so requires, the "Record Date" shall be construed as a reference to the date of any event in question coming into effect;

"Reference Parity" has the meanings provided in Conditions 7.5, 7.6 and 7.7;

"Register" has the meaning provided in Condition 1.1;

"Registered Account" has the meaning provided in Condition 8.1;

"Relevant Debt" has the meaning provided in Condition 2;

"Relevant GAAP" means the accounting principles which are adopted by the Company or the New Obligor (as the case may be) for the preparation of the Consolidated Financial Statements under the Financial Instruments and Exchange Act, being one of those generally accepted in Japan or the United States or International Financial Reporting Standards (as issued by the International Accounting Standards Board (or any successor thereto) or, if applicable, as adopted or endorsed by Japan including those modified by the Accounting Standards Board of Japan (or any successor thereto));

"Relevant Number of Shares" has the meaning provided in Condition 5.2.4;

"Relevant Securities" has the meaning provided in Condition 5.2.8;

"Relevant Stock Exchange" means the Tokyo Stock Exchange or, if at the relevant time the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed on the Tokyo Stock Exchange, the principal stock exchange or securities market in Japan on which the Shares or the shares of common stock of the New Obligor (as the case may be) are then listed or quoted or dealt in;

"Representative Director" means a director of the Company (or the New Obligor, as the case may be) who is for the time being a representative director within the meaning of the Companies Act or, where applicable, a representative statutory executive officer of the Company (or the New Obligor, as the case may be) within the meaning of the Companies Act;

"Retroactive Adjustment" has the meaning provided in Condition 5.3;

"Securities" includes, without limitation, Shares, other shares, options, warrants or other rights (including stock acquisition rights) to subscribe for or purchase or acquire Shares and securities convertible into or exchangeable for Shares;

"Shareholder Determination Date" has the meaning provided in Condition 5.1.4;

"Shareholder Determination Date Restriction Period" has the meaning provided in Condition 5.1.4;

"Special Controlling Shareholder" means a shareholder holding, directly or indirectly, 90 per cent. (or such other percentage more than 90 per cent. as provided in the Articles of Incorporation) or more of the Company's voting rights as calculated in accordance with the Companies Act;

"Squeezeout Effective Date" has the meaning provided in Condition 7.7.1;

"Squeezeout Event" has the meaning provided in Condition 7.7.1;

"Squeezeout Redemption Date" has the meaning provided in Condition 7.7.1;

"Stock Acquisition Date" has the meaning provided in Condition 5.9.4;

"Stock Split" means any kind of stock split in relation to the Shares, including a free share distribution to the holders of Shares, a stock dividend or a sub-division of Shares;

"Subsidiary" means a company, more than 50 per cent. of the outstanding shareholders' voting rights of which is at any given time owned by the Company, by one or more other Subsidiaries or by the Company and one or more other Subsidiaries, or any other company which is otherwise considered to be controlled by the Company under the Relevant GAAP (and, for this purpose, "voting rights" means the voting power attached to stocks or shares for the election of directors, officers or trustees of such company, other than voting powers attached to stocks or shares outstanding having such power by reason of the happening of a contingency);

"Tax Redemption Date" has the meaning provided in Condition 7.4;

"Tax Redemption Notice" has the meaning provided in Condition 7.4;

"Tokyo Business Day" has the meaning provided in Condition 5.1.4;

"Tokyo Stock Exchange" means Tokyo Stock Exchange, Inc. (or its successor);

"Trading Day" means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), a day on which the Relevant Stock Exchange is open for business, but does not include a day on which (a) no last selling price (regular way) for the Shares or the shares of common stock of the New Obligor (as the case may be) is reported by the Relevant Stock Exchange and (b) if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, no closing bid or offered price is furnished as provided in the definition of Closing Price;

"Transfer Business Day" has the meaning provided in Condition 1.4.3; and

"yen" and "¥" mean Japanese yen, the lawful currency of Japan.

3.2 ***Construction of Certain References***

References to any statute or provision of any statute shall be deemed to include a reference to any statute or the provision of any statute which amends, extends, consolidates or replaces the same, or which has been amended, extended, consolidated or replaced by the same, and shall include any ordinances, regulations, instruments or other subordinate legislation made under the relevant statute.

Except where the context requires otherwise, references to the "issue" of Shares shall include the transfer and/or delivery of Shares by the Company, whether newly issued or previously issued and held by or on behalf of the Company (and the words "issue", "issued" and "issuable" shall be construed accordingly), and references in these Conditions to the word "acquire" used in conjunction with the Shares shall be read as including both the words "issue" and "transfer", and the words "acquired" and "acquisition" shall be construed accordingly. References to "delivery" used in respect of the Shares shall be read as including the transfer of Shares by way of the book-entry transfer system operated by the Japan Securities Depository Center, Inc. The words "substitution" and "grant" used in relation to the exchange of the Company's obligations in respect of the Bonds for those of a New Obligor following a Corporate Event shall be read as including the necessary legal concepts for such exchange to occur under both Japanese law and English law.

The headings in these Conditions are for convenience only and shall be ignored in construing these Conditions.

4. **Default Interest**

The Bonds do not bear interest unless payment of any amount in respect of any Bond is improperly withheld or refused, in which case such unpaid amount will bear interest (both before and after judgment) from the date of default to the earlier of (i) the day on which all sums due in respect of such Bond up to but excluding that day are received by or on behalf of the relevant Bondholder, and (ii) the day seven days after the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to but excluding that seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Bondholders under these Conditions) at the rate of interest per annum determined by the Principal Agent as being equal to the offered rate quoted by a leading bank in the Euro-yen market selected by the Principal Agent for deposits in yen for the period of three months, as at 11:00 a.m. (London time) on the date of such default. If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

5. **Exercise of Stock Acquisition Rights**

5.1 ***Conversion Price, Exercise Period, Shares Issuable and Procedure***

5.1.1 *Exercise of Stock Acquisition Rights and the Contribution of the Bond*: Subject to and upon compliance with the provisions of this Condition 5, each Bondholder is entitled to exercise the Stock Acquisition Right incorporated in each Bond held by it in accordance with and subject to these Conditions. The Bond, the Certificate in respect of which has been deposited with an Agent for exercise of the relevant Stock Acquisition Right pursuant to Condition 5.9.1, shall be deemed to be acquired by the Company as a capital contribution in kind by such Bondholder at the price equal to the principal amount of the Bond as of the Stock Acquisition Date.

5.1.2 *Number of Shares*: The number of Shares to be acquired by a Bondholder exercising its Stock Acquisition Rights will be determined by dividing the aggregate principal amount of the Bonds deposited by such Bondholder at the same time upon exercise of the Stock Acquisition Rights by the Conversion Price applicable on the Stock Acquisition Date. Fractions of a Share will not be issued upon exercise of any Stock Acquisition Right and no adjustment or cash payment will be made in respect thereof. However, if two or more Stock Acquisition Rights are exercised at any one time by the same Bondholder, the number of Shares which shall be acquired upon exercise of such Stock Acquisition Rights shall be calculated on the basis of the aggregate principal amount of the Bonds in which the Stock Acquisition Rights so exercised are incorporated.

For the avoidance of doubt, if a Bondholder would receive a number of Shares ("Non-unit Shares") not constituting a unit (*tangen*) of Shares or integral multiples thereof upon exercise of the Stock Acquisition Right(s) or upon a Retroactive Adjustment, such Non-unit Shares shall be delivered to the relevant Bondholder in the same manner as the Shares constituting a whole unit of Shares, and no cash amounts shall be paid by the Company in respect of such Non-unit Shares.

As of the date of this Offering Circular, the Articles of Incorporation specify that one unit of Shares is comprised of 100 Shares.

5.1.3 *Conversion Price*: The price at which Shares shall be acquired upon exercise of the Stock Acquisition Rights (the "Conversion Price") shall initially be ¥2,409 per Share, subject to adjustment in the manner provided in Condition 5.2.

5.1.4 *Exercise Period*: Each Stock Acquisition Right may be exercised at any time during the period from, and including, 9 October 2015 to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 11 September 2020, or:

(i) if the relevant Bond shall have been called for redemption pursuant to Condition 7.2, 7.3 or 7.4, then up to the close of business (at the place as aforesaid) on the third Tokyo Business Day prior to the date fixed for redemption thereof (unless, in the case of such Bond being called for redemption pursuant to Condition 7.4, the relevant Bondholder has elected that such Bond shall not be redeemed); or

(ii) if the Bonds shall become due to be redeemed pursuant to Condition 7.5, 7.6 or 7.7, then up to the close of business (at the place as aforesaid) on the third Tokyo Business Day prior to the date fixed for redemption thereof; or

(iii) if the relevant Bond shall have been purchased by the Company or a Subsidiary and cancelled by the Company pursuant to Condition 7.8, then up to the time when such Bond is so cancelled; or

(iv) if the relevant Bond shall become due and repayable pursuant to Condition 10, then up to the time when such Bond becomes so due and repayable,

provided that:

(a) in no event shall the Stock Acquisition Rights be exercised after 11 September 2020;

(b) the Stock Acquisition Rights may not be exercised for such period as may be designated by the Company, which period may not exceed 30 days, and which period shall end on a date not later than 14 days after the Corporate Event Effective Date if the Company reasonably determines that such suspension is necessary in order to consummate the relevant transaction in compliance with these Conditions (including Conditions 6.4.1, 7.5 and 7.6); and

(c) the Stock Acquisition Rights may not be exercised during such period whereby the relevant Stock Acquisition Date (or, if the Stock Acquisition Date would not be a Tokyo Business Day, the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period; provided that if there is a change to the mandatory provisions of Japanese law and regulation or practice relating to the delivery of shares upon exercise of stock acquisition rights through book-entry transfer system established pursuant to the Book-Entry Act, then this Condition 5.1.4(c) and the definition of Shareholder Determination Date Restriction Period may be amended to the extent permitted by applicable law, regulation and practice by the Company to reflect such change in law, regulation or practice without the consent of the Trustee or the Bondholders and notice thereof shall be given promptly by the Company to the Bondholders in accordance with Condition 19 and to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing.

In these Conditions:

"Shareholder Determination Date" means (i) any Record Date, and (ii) any other date set for the purpose of determination of holders of Shares in connection with Paragraph 1 of Article 151 of the Book-Entry Act;

"Shareholder Determination Date Restriction Period" means the period from and including the second Tokyo Business Day falling immediately prior to any Shareholder Determination Date to and including such Shareholder Determination Date (provided that if such Shareholder

Determination Date falls on a date that is not a Tokyo Business Day, then the Shareholder Determination Date Restriction Period means the period from and including the third Tokyo Business Day falling immediately prior to such Shareholder Determination Date to and including the Tokyo Business Day immediately following such Shareholder Determination Date); and

"Tokyo Business Day" means any day (other than a Saturday, Sunday or a day which shall be a legal holiday in Tokyo or a day on which banking institutions in Tokyo are obliged or authorised by law or executive order to close) on which banks are open for business in Tokyo.

The Company shall give to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, a notice of the determination and period referred to in Condition 5.1.4(b) above (together with a description of the days included in such period) at least 30 days prior to the commencement of such period.

The Company shall give to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, a notice of the determination of any Shareholder Determination Date Restriction Period (together with a description of the days included in such Shareholder Determination Date Restriction Period) at least three Tokyo Business Days prior to the commencement of such Shareholder Determination Date Restriction Period, provided that no such notice is required where the Shareholder Determination Date Restriction Period in question relates to a Record Date that has been fixed by the Articles of Incorporation then in effect.

So long as the Bonds are evidenced by the Global Certificate, the Company will be required to give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, of the determination of any Shareholder Determination Date Restriction Period (together with a description of the days included in such Shareholder Determination Date Restriction Period) at least three business days prior to the commencement of such Shareholder Determination Date Restriction Period (provided that no such notice is required where the Shareholder Determination Date Restriction Period in question relates to a Record Date that has been fixed by the Articles of Incorporation then in effect); "business day" in this paragraph means any day on which banks are open for business in Tokyo, Brussels and Luxembourg.

As at the date of this Offering Circular, the Record Date fixed by the Articles of Incorporation is 31 December. By way of example, in respect of the Record Date falling on 31 December 2015, it is currently anticipated that the Stock Acquisition Rights will not be exercisable where the Stock Acquisition Date would fall on any day from (and including) 28 December 2015 to (and including) 4 January 2016.

The period during which the Stock Acquisition Rights are exercisable pursuant to this Condition 5.1.4 is hereinafter referred to as the "Exercise Period" (for the avoidance of doubt, the Exercise Period in respect of any Stock Acquisition Right may stop and restart from time to time). Upon final expiration of the Exercise Period, the Stock Acquisition Rights incorporated in the relevant Bonds will lapse and cease to be exercisable or valid for any purposes.

5.1.5 *Rights Attached to Shares Acquired upon Exercise of Stock Acquisition Rights*: Shares acquired upon exercise of the Stock Acquisition Rights shall have the same rights in all respects (including in relation to any distribution of dividends) as the Shares outstanding on the relevant Stock Acquisition Date (except for any right the Record Date for which precedes such Stock Acquisition Date and any other right excluded by mandatory provisions of applicable law).

5.2 ***Adjustments of the Conversion Price***

Upon the happening of any of the events described below, the Conversion Price shall be adjusted as follows:

5.2.1 *Stock Split and Consolidation of Shares*: if the Company shall (a) make a Stock Split, (b) consolidate its outstanding Shares into a smaller number of shares, or (c) re-classify any of its Shares into other securities of the Company, then the Conversion Price shall be appropriately adjusted so that the holder of any Bond, the Stock Acquisition Date in respect of which occurs after the coming into effect of the adjustment described in this Condition 5.2.1, shall be entitled to receive the number of Shares and/or other securities of the Company which it would have held or have been entitled to receive after the coming into effect of any of the events described above had the Stock Acquisition Right in respect of such Bond been exercised immediately prior to the coming into effect of such event (or, if the Company has fixed a prior Record Date for the determination of shareholders entitled to receive any such Shares or other securities issued upon any such Stock Split, consolidations or re-classification, immediately prior to such Record Date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the coming into effect of such event (or such Record Date) or any time thereafter. An adjustment made pursuant to this Condition 5.2.1 shall become effective immediately on the relevant event becoming effective or, if a prior Record Date is fixed therefor, immediately after the Record Date; provided that, in the case of a relevant transaction which must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally effective, and which is so approved after the Record Date fixed for the determination of shareholders entitled to receive such Shares or other securities, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date.

If the Company shall make a Stock Split and the Record Date therefor is also:

(i) the Record Date for the issue of any rights or warrants (including stock acquisition rights) which requires an adjustment of the Conversion Price pursuant to Condition 5.2.2 or 5.2.3, or

(ii) the last date (in the place of issue) of the period during which payment may be made for the issue of any securities convertible into or exchangeable for Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.5 or 5.2.8, or

(iii) the last date (in the place of issue) of the period during which payment may be made for the issue or transfer of any Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.6 or 5.2.8, or

(iv) the date of issue of any rights or warrants which requires an adjustment of the Conversion Price pursuant to Condition 5.2.7 or 5.2.8,

then (except where such Stock Split gives rise to a Retroactive Adjustment of the Conversion Price under this Condition 5.2.1) no adjustment of the Conversion Price in respect of such Stock Split shall be made under this Condition 5.2.1, but in lieu thereof an adjustment shall be made under Condition 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 or 5.2.8, as the case may be, by including in item "n" of the formula described therein the aggregate number of additional Shares to be delivered pursuant to such Stock Split;

5.2.2 *Issue to Shareholders of Rights or Warrants to Acquire Shares*: if the Company shall allot, grant, issue or offer to the holders of Shares, rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares:

(i) at a consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date, or

(ii) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration, then the Conversion Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration, but excluding the number of Shares, if any, contained in the definition of "n" immediately below, but only to the extent that such Shares are then issued and outstanding.

n = the number of Shares to be allotted, issued or acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with an allotment, grant, issue or offer to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares, any such rights and/or warrants which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are offered to and/or subscribed for, purchased or otherwise acquired by others (whether as placees or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription, purchase or acquisition;

5.2.3 *Issue to Shareholders of Rights or Warrants to Acquire Convertible/Exchangeable Securities*: if the Company shall grant, issue or offer to the holders of Shares rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire any securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights):

(i) at a consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date, or

(ii) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration, then the Conversion Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or ratio following the exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with a grant, issue or offer to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights), any such securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights) which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are offered to and/or subscribed for, purchased or otherwise acquired by others (whether as placees or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription, purchase or acquisition;

5.2.4 *Distribution to Shareholders of Assets (including Extraordinary Dividends)*: if the Company shall distribute to the holders of Shares (i) evidences of its indebtedness (such as bonds), (ii) shares of capital stock of the Company (other than Shares), (iii) cash or assets of the Company, or (iv) rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire shares (other than Shares) or securities of the Company (other than those rights and warrants referred to in Conditions 5.2.2 and 5.2.3), in each of the cases set out in (i) through (iv) above, excluding dividends (being "distribution of surplus" within the meaning of, and subject to the limitation on amounts prescribed by, the Companies Act) other than Extraordinary Dividends, then the Conversion Price in effect on the Record Date for the determination of shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{CMP - fmv}{CMP}$$

where:

NCP	=	the Conversion Price after such adjustment.
OCP	=	the Conversion Price before such adjustment.
CMP	=	the Current Market Price per Share on the Record Date for the determination of shareholders entitled to receive such distribution, including a distribution of an Extraordinary Dividend.
fmv	=	(i) in cases other than an Extraordinary Dividend, the fair market value ((a) as determined by the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account), or (b) if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or by an appraiser appointed by such court, and in each of the cases set out in (a) and (b) above, described in a certificate of the Company signed by a Representative Director or an Authorised Officer and delivered by the Company to the Trustee) of the portion of the evidences of indebtedness, shares, cash, assets, rights or warrants so distributed applicable to one Share or, (ii) in the case of an Extraordinary Dividend, the amount of such Extraordinary Dividend divided by the Relevant Number of Shares used in the calculation thereof.

Such adjustment shall become effective immediately after the Record Date for the determination of shareholders entitled to receive such distribution (including a distribution of an Extraordinary Dividend); provided, however, that (a) if such distribution must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally made, and if such distribution is so approved after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date and (b) if the fair market value of the evidences of indebtedness, shares, cash or assets, rights or warrants so distributed cannot be determined until after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such fair market value being determined, become effective retroactively to immediately after such Record Date.

"Extraordinary Dividend" means, in relation to an Annual Fiscal Period ending on or after the last day of the Annual Fiscal Period in which the Closing Date falls, the part of any dividend (such dividend being the historical dividend without making any retroactive adjustment resulting from Stock Splits or otherwise) in respect of any number of Shares amounting to the Relevant Number of Shares, the Record Date for which falls within such Annual Fiscal Period which, when aggregated with the amount of all other dividends the Record Date for which falls within such Annual Fiscal Period in respect of such number of Shares amounting to the Relevant Number of Shares, is in excess of the sum of (i) the amount obtained by multiplying the Base Dividend by the relevant percentage set out below and (ii) the amount, if any, previously determined to be an Extraordinary Dividend in respect of that Annual Fiscal Period:

Annual Fiscal Period ending on 31 December	**Percentage**
2015	100
2016	120
2017	144
2018	173
2019	207
2020	249

"Base Dividend" means ¥61,434.8.

The Base Dividend is the amount obtained by multiplying the Relevant Number of Shares (calculated at the initial Conversion Price) by ¥14.8.

"Relevant Number of Shares" means, such number of Shares (disregarding fractions of a Share) as Bondholders would be entitled to receive in respect of each Bond deposited (were it to be so deposited) for exercise of the Stock Acquisition Right incorporated therein at the Conversion Price in effect at the Record Date in respect of the relevant dividend.

5.2.5 *Issue to Non-shareholders of Convertible/Exchangeable Securities*: if the Company shall issue any securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights (other than the Bonds or in any of the circumstances described in Conditions 5.2.2 and 5.2.3), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the last day of the period during which payment may be made in respect of such convertible or exchangeable securities.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue) of the period during which payment may be made in respect of such convertible or exchangeable securities;

5.2.6 *Issue of Shares*: if the Company shall issue or transfer any Shares (other than Shares issued or transferred (i) on conversion or exchange of any convertible or exchangeable securities (including the Bonds) allotted, granted, issued or offered by the Company, (ii) on the exercise of any rights or warrants (including stock acquisition rights) allotted, granted, issued or offered by the Company, (iii) to the extent permitted by the Articles of Incorporation, to any holder of Non-unit Shares for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute a full one unit, (iv) in any of the circumstances described in Conditions 5.2.1, 5.2.2 and 5.2.3, (v) to shareholders of any corporation which merges into the Company upon such merger or which becomes a wholly-owned subsidiary of the Company by a share exchange (*kabushiki-kokan*), in proportion to their shareholding in such corporation immediately prior to such merger or such exchange or (vi) to any corporation or to shareholders of any corporation which transfers its business to the Company following the split of such corporation's business (*kyushu bunkatsu*)), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares, but excluding the number of Shares, if any, contained in the definition of "n" immediately below, but only to the extent that such Shares are then issued and outstanding.

n = the number of Shares being issued or transferred as aforesaid.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue) of the period during which payment may be made in respect of the issue or transfer of such Shares;

5.2.7 *Issue to Non-shareholders of Rights or Warrants to Acquire Shares or Convertible/ Exchangeable Securities*: if the Company shall issue any rights or warrants (including stock acquisition rights) entitling holders to subscribe for, purchase or otherwise acquire Shares or securities convertible into or exchangeable for Shares (other than the Stock Acquisition Rights or in any of the circumstances described in Conditions 5.2.2, 5.2.3, 5.2.4 and 5.2.5) and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the date of the issue of such rights or warrants shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the date of the issue of such rights or warrants.

n = the number of Shares to be acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price, or upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of all such rights or warrants.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the place of the issue of such rights or warrants;

5.2.8 *Combined Adjustment*: if the Company shall issue or transfer (as the case may be) securities of a type falling within Condition 5.2.5, 5.2.6 or 5.2.7 which otherwise require an adjustment to the Conversion Price pursuant thereto and the date of issue or transfer of such securities or, if applicable, the last day of the period during which payment may be made in respect thereof (in each case, referred to as the "relevant date") is also the relevant date in respect of securities of another type or types (including a different tranche or issue of a same type) falling within Conditions 5.2.5, 5.2.6 and/or 5.2.7 which otherwise require an adjustment to the Conversion Price pursuant thereto (all such securities being hereafter referred to as "Relevant Securities"), then any adjustment of the Conversion Price shall not be made separately under each such Condition but in one calculation in accordance with the following formula:

$$NCP = OCP \times \frac{N + v1 + v2 + v3}{N + n1 + n2 + n3}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the relevant date but excluding the number of Shares contained in the definition of "n2" below to the extent that such Shares are then issued and outstanding.

n1 = the number of Shares to be acquired upon conversion or exchange of any convertible or exchangeable securities (included within the Relevant Securities) at the initial conversion or exchange price or rate.

n2 = the number of any Shares (included within the Relevant Securities) being issued or transferred.

n3 = the number of Shares to be acquired on exercise of any rights or warrants (included within the Relevant Securities) at the initial subscription, purchase or acquisition price, or upon conversion or exchange of any convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of such rights or warrants.

v1 = the number of Shares which the aggregate consideration receivable by the Company for such convertible or exchangeable securities (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

v2 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of such Shares (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

v3 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of the total number of Shares to be acquired on exercise of such rights or warrants and (if applicable) upon conversion or exchange of such convertible or exchangeable securities (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

Any such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the relevant place of issue which is the relevant date.

5.2.9 *Current Market Price per Share*: for the purpose of these Conditions, "Current Market Price per Share" on any date shall be deemed to be the average of the daily Closing Prices of the Shares for the 30 consecutive Trading Days commencing 45 Trading Days before such date.

If, during the said 45 Trading Day period or any period thereafter up to but excluding the date as of which the adjustment of the Conversion Price in question shall be effected, any event (other than the event which requires the adjustment in question) shall occur which gives rise to a separate adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of this Condition 5.2, the Current Market Price per Share as determined above shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall deem to be appropriate and fair in order to compensate for the effect of such event;

5.2.10 *Consideration per Share*: for the purposes of any calculation of the consideration per Share receivable pursuant to Conditions 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, the following provisions shall be applicable:

(i) in the case of the issue or transfer of Shares for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any commissions or any expenses paid or incurred by or on behalf of the Company for any underwriting of the issue or transfer or otherwise in connection therewith;

(ii) in the case of the issue or transfer of Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by the Company in consultation with an Independent Financial Adviser or, if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof. Such determination shall be final and binding on the Company, the Trustee and the Bondholders;

(iii) (a) in the case of the issue by the Company of securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights, the aggregate consideration receivable by the Company shall be deemed to be the consideration for any such securities plus the additional consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange of such securities at the initial conversion or exchange price or rate, and (b) in the case of the grant, issue or offer of rights or warrants, including stock acquisition rights, to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Company shall be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise thereof at the initial subscription, purchase or acquisition price and (if applicable) upon the following conversion or exchange of such securities at the initial conversion or exchange price or rate. The consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such conversion or exchange at the initial conversion or exchange price or rate (if applicable) following the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above);

(iv) in the case of the grant, issue or offer of rights or warrants (including stock acquisition rights) entitling holders to subscribe for, purchase or otherwise acquire Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above), and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such exercise at the initial subscription, purchase or acquisition price; and

(v) if any consideration referred to in the foregoing provisions of this Condition 5.2.10 is receivable in a currency other than yen, such consideration shall, in any case where there is a fixed rate of exchange between yen and the relevant currency provided for the purposes of the issue of such Shares or the conversion or exchange of such securities or the exercise of such rights or warrants, be translated into yen for the purposes of this Condition 5.2.10 at such fixed rate of exchange and shall, in all other cases, be so translated at the mean of the exchange rate quotations (being quotations for the cross rate through U.S. dollars if no direct rate is quoted) by a leading bank in Japan for buying and selling spot units of the relevant currency by telegraphic transfer against yen on the date as at which such consideration is required to be calculated;

5.2.11 *Later Adjustments*: if, at the time of computing an adjustment (the "later adjustment") of the Conversion Price pursuant to any of Conditions 5.2.2 to 5.2.8 (both inclusive), the Conversion Price already incorporates an adjustment made (or taken into account pursuant to the proviso to Condition 5.6) to reflect the issue or transfer of such Shares, or the grant, issue or offer of rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire such Shares or other securities convertible into or exchangeable for such Shares, but such Shares are not outstanding at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such Shares shall be deemed to be outstanding for the purposes of making such computation to the extent that the number of the Shares so deemed to be outstanding exceeds the actual number of Shares in issue as a result thereof at the time of making such computation. For the purposes of determining the number of Shares outstanding in Conditions 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, the Shares held by the Company as treasury stock on the relevant date shall be deemed not to be outstanding;

5.2.12 *Meaning of "Fixed"*: any reference in this Condition 5.2 to the date on which the consideration is "fixed" shall be construed as a reference to the first day on which such consideration in a cash amount can be ascertained, where the consideration is originally expressed by reference to a formula and not then ascertainable in a cash amount;

5.2.13 *Other Events*: if the Company determines at its sole discretion that a downward adjustment should be made to the Conversion Price as a result of one or more events or circumstances not otherwise referred to in this Condition 5.2, the Company shall, at its own expense, request an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and, if the adjustment would result in a reduction in the Conversion Price, the date on which such adjustment should take effect and, upon such determination, such downward adjustment (if any) shall be made and shall take effect in accordance with such determination; and

5.2.14 *Modification to Operation of Adjustment Provisions*: notwithstanding the foregoing, where the circumstances giving rise to any adjustment pursuant to this Condition 5.2 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of other circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 5.2 as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result.

5.3 ***Retroactive Adjustments***

If the Stock Acquisition Date in relation to a Stock Acquisition Right shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to any of the provisions of Condition 5.2 and the relevant Stock Acquisition Date falls on a date before the relevant adjustment becomes effective under Condition 5.2 (such adjustment, a "Retroactive Adjustment"), the Company shall procure that the provisions of Condition 5.9.5 shall be applied, *mutatis mutandis*, to such number of Shares ("Additional Shares") as is equal to the excess of the number of Shares which would have been acquired upon exercise of such Stock Acquisition Right if the relevant Retroactive Adjustment had been given effect as of the said Stock Acquisition Date over the number of Shares previously acquired pursuant to such exercise, and in such event and in respect of such Additional Shares, references in Condition 5.9.5 to the Stock Acquisition Date shall be deemed to refer to the date upon which such Retroactive Adjustment is first reflected in the Conversion Price.

5.4 ***Limitation on Reduction of Conversion Price***

Notwithstanding the provisions of this Condition 5, the Conversion Price will not be reduced as a result of any adjustment made hereunder to such an extent that, under applicable law then in effect, the Stock Acquisition Rights may not be permitted to be exercised at such lower Conversion Price into legally issued, fully paid and non-assessable Shares.

5.5 ***Employee Share Schemes***

Notwithstanding the provisions of this Condition 5, no adjustment will be made to the Conversion Price where Shares or other Securities are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees, former employees, corporate auditors or directors (including directors holding or formerly holding executive office or the personal service company of any such person) of the Company or any of its Subsidiaries or affiliates, their spouses or relatives, or any associated companies of any such person, or to any trustee or trustees for the benefit of any such person, in any such case, pursuant to any employees' or executives' share or option scheme.

5.6 ***Minimum Adjustments***

No adjustment of the Conversion Price shall be required unless such adjustment would result in an increase or decrease in such Conversion Price of at least ¥1 provided that any adjustment which by reason of this Condition 5.6 is not required to be made shall be carried forward and taken into account (as if such adjustment were made at the time when it would be made but for the provisions of this Condition 5.6) in any subsequent adjustment.

5.7 ***Calculations***

All calculations (including, without limitation, calculations of the Conversion Price and the Current Market Price per Share) under this Condition 5 shall, unless otherwise expressly specified herein, be made to the nearest one-tenth of a yen with five one-hundredths or more of a yen to be considered a full tenth. None of the Trustee, the Registrar, the Principal Agent or the other Agents shall be under any duty to determine, calculate or verify the adjusted Conversion Price or to monitor or make enquiries as to whether any adjustment is required to be made and will not be responsible or liable in any respect to Bondholders for any loss arising from any failure by it to do so.

5.8 ***Notification of Adjustments***

Whenever the Conversion Price is adjusted as herein provided, the Company shall promptly notify the Trustee, the Principal Agent, the other Agents, the Custodian and the Custodian's Agent in writing setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment and the effective date thereof, and shall promptly give notice to the Bondholders in accordance with Condition 19 stating that the Conversion Price has been adjusted and setting forth the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

5.9 ***Procedure for Conversion***

5.9.1 *Conversion Notice*: To exercise a Stock Acquisition Right, the exercising Bondholder shall complete, sign and deposit at the specified office of an Agent at its own expense during normal business hours of the Agent with which the deposit is being made a Conversion Notice, in the form obtainable from any Agent, together with the Certificate evidencing the relevant Bond. No Stock Acquisition Right may be exercised in part only.

5.9.2 *Custodian and Custodian's Agent*: The initial Custodian and its initial specified office are set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time with at least 30 days' written notice to vary or terminate the appointment of the Custodian and to appoint another Custodian; provided that there shall always be a Custodian, being a non-resident of Japan and having a specified office outside Japan. Notice of any such termination or appointment and of any changes in the specified office of the Custodian will be given to the Bondholders in accordance with Condition 19. The Custodian has, pursuant to the Agency Agreement, initially appointed Sumitomo Mitsui Banking Corporation as the Custodian's Agent at its initial specified office set out at the end of these Conditions and may, with the prior written approval of the Trustee, alter such appointment at any time. The Company shall give notice to the Bondholders in accordance with Condition 19 of any change in the Custodian's Agent and/or its specified office. The Custodian shall have no liability to Bondholders for any loss suffered by them as a result of any failure on the part of the Custodian's Agent to perform its functions pursuant to these Conditions and the Agency Agreement, nor shall the Custodian have any obligation to perform those functions should the Custodian's Agent not do so.

The Custodian shall not be liable for monitoring or supervising the performance by the Custodian's Agent of such functions. The Contracts (Rights of Third Parties) Act 1999 applies to this Condition 5.9.2 for the benefit of the Custodian.

5.9.3 *Conditions Precedent*: As conditions precedent to the exercise of the Stock Acquisition Right, the Bondholder must pay to the relevant Agent pursuant to this Condition 5.9.3 (or make arrangements satisfactory to such Agent or its delegate for the payment of) all stamp, issue, registration or other similar taxes and duties (if any), together with any incidental expenses in connection therewith, arising on such exercise in the country in which the Stock Acquisition Right is to be exercised or payable in any jurisdiction consequent upon the issue or delivery of Shares to or to the order of a person other than the exercising Bondholder (if any) together with an amount sufficient to pay the expenses of delivery pursuant to Condition 5.9.5(ii). The Agent will not be bound to make any payments until the Agent has received the full amount of such taxes and duties due and payable in respect of the Bonds, the Stock Acquisition Rights in respect of which are being exercised, or other arrangements satisfactory to the Agent have been made. The Bondholder (and, if applicable, the person other than the Bondholder to whom the Shares are to be issued or transferred) must provide the relevant Agent with details of the relevant tax authorities to which such Agent must pay moneys received from the Bondholder for payment of taxes and duties. The payment of such moneys received from the Bondholders to the relevant tax authority will be made at the risk and expense of the Bondholder exercising the relevant Stock Acquisition Rights and such Bondholder will be required to submit any necessary duly completed and signed documents that may be required by the Agent in order to effect the payment of such moneys. The Agent shall be entitled to assume without duty to enquire and without liability that any information provided by the Bondholder exercising the relevant Stock Acquisition Rights in connection with any such amounts payable and as to the details of the relevant tax authorities to which the Agent must pay moneys received in settlement of the taxes and duties payable pursuant to this Condition 5.9.3 is true, accurate and complete. The Bondholders (and, if applicable, the person other than the Bondholders to whom the Shares are to be delivered) shall, upon exercising the relevant Stock Acquisition Rights, be deemed to have consented to the Agent disclosing otherwise confidential information for the purposes of the Agent's carrying out the duties herein. Such Agent is under no obligation to determine whether a Bondholder is liable to pay any taxes, stamp, issue, registration or similar taxes and duties or the amounts payable (if any) arising upon exercise of any Stock Acquisition Rights.

For the avoidance of doubt, the exercising Bondholder shall bear any costs and expenses which relate to the account at the Account Management Institution into which it receives the Shares acquired upon the exercise of the Stock Acquisition Right pursuant to Condition 5.9.5(i). Except as aforesaid, the Company will pay the expenses arising on the acquisition of Shares upon exercise of the Stock Acquisition Rights and all charges of the Agents in connection therewith (including all costs, charges and expenses incurred by any delegate).

5.9.4 *Deposit Date and Stock Acquisition Date*: The date on which the Certificate evidencing any Bond and the Conversion Notice relating thereto are deposited with an Agent, or on which all conditions precedent to the exercise of the relevant Stock Acquisition Right are fulfilled, whichever shall be later, is hereinafter referred to as the "Deposit Date" applicable to such Bond. The request for exercise of the Stock Acquisition Right shall be deemed to have been made, and accordingly the exercise of the Stock Acquisition Right and the delivery of the Certificate will become effective, at 23:59 hours (London time) on the Deposit Date applicable to the relevant Bond (and the next calendar day, being the calendar day in Japan on which such time in London falls, is herein referred to as the "Stock Acquisition Date" applicable to such Bond). A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Company.

If delivery of the Conversion Notice is made after the end of normal business hours or on a day which is not a business day in the place of the specified office of the Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day.

At any time when the relevant Bond(s) is/are evidenced by the Global Certificate, the exercising Bondholder must deposit the Conversion Notice in the manner aforesaid with any Agent, together with an authority to Euroclear to debit, or to procure Clearstream, Luxembourg to debit, the Bondholder's account pro tanto. With effect from the relevant Stock Acquisition Date, Euroclear or Clearstream, Luxembourg, as the case may be, shall debit the Bondholder's account with the number of the Bond(s) the Stock Acquisition Right(s) incorporated in which has/have been exercised and the Register shall be amended accordingly.

5.9.5 *Delivery of Shares*: The Company shall procure that the relevant Agent shall, with effect as of the Stock Acquisition Date, endorse the Conversion Notice on behalf of the Custodian. With effect from the Stock Acquisition Date (or as soon as practicable thereafter under Japanese law, regulation or practice relating to the delivery of shares and the register of shareholders), the Company shall deem the Custodian or its nominee to have become the holder of record of the number of Shares to be acquired upon such exercise of the Stock Acquisition Right (disregarding any fraction of a Share resulting from such exercise, and also disregarding any Retroactive Adjustment of the Conversion Price prior to the time when such Retroactive Adjustment is first reflected in the Conversion Price).

Thereafter, subject to any applicable limitations then imposed by Japanese law, regulation or practice, or the Articles of Incorporation:

(i) in accordance with the book-entry transfer system established pursuant to the Book-Entry Act, as soon as practicable and in any event within 14 days after the Stock Acquisition Date, the Company shall issue and deliver the relevant Shares to the Custodian or its nominee at the account maintained with the Custodian's Agent (as an Account Management Institution) and the Custodian's Agent shall transfer the relevant Shares to or to the order of the exercising Bondholder at such account maintained with an Account Management Institution in Japan as specified in the relevant Conversion Notice (unless the Company fails to make delivery thereof to the relevant account at the Custodian's Agent as aforesaid or such instruction given by the exercising Bondholder in the relevant Conversion Notice is inaccurate, incomplete or insufficient for the purpose of such transfer); and

(ii) as soon as practicable, the Company shall deliver to the Custodian's Agent, securities (other than the Shares), property or cash required to be delivered upon such exercise of the Stock Acquisition Rights, if any, and the Custodian's Agent shall, according to the request made in the relevant Conversion Notice, either:

(a) as soon as practicable, and in any event within 14 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid) deliver or cause to be delivered to the order of the person named for that purpose in the relevant Conversion Notice at the specified office in Japan for the time being of the Custodian's Agent, any such securities (other than the Shares), property or cash required to be delivered on exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof; or

(b) as soon as practicable, and in any event within 21 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid), despatch or cause to be despatched to, or to the order of the person named for that purpose in the relevant Conversion Notice and at the place in Japan (not being the specified office in Japan for the time being of the Custodian's Agent) and in the manner specified in the relevant Conversion Notice (the expense and risk of despatch at any such place being that of the exercising Bondholder), any such securities (other than the Shares), property or cash required to be delivered on exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof;

provided, however, that if such securities (other than Shares) are subject to the book-entry transfer system established pursuant to the Book-Entry Act, such delivery or despatch will be implemented in accordance therewith.

5.9.6 *Amount of Stated Capital and Additional Paid-in Capital*: With effect as of the Stock Acquisition Date, one-half of the "maximum capital and other increase amount", as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital.

6. Certain Corporate Events

6.1 *Corporate Events*

In the case of a proposal for:

(i) any Merger Event; or

(ii) any Asset Transfer Event; or

(iii) any Corporate Split Event; or

(iv) any Holding Company Event; or

(v) the passing of a resolution at a general meeting of shareholders of the Company (or, where such a resolution is not required, at a meeting of the Board of Directors of the Company) for any other corporate reorganisation procedure then provided for under Japanese law (the passing of any such resolution and any Merger Event, any Asset Transfer Event, any Corporate Split Event and any Holding Company Event being together referred to in these Conditions as a "Corporate Event") pursuant to which the obligations under the Bonds and/or the Stock Acquisition Rights are proposed to be transferred to or assumed by another entity (such other entity and any Merged Company, any Asset Transferee, any Corporate Split Counterparty and any Holding Company being together referred to as a "New Obligor"), the following provisions of this Condition 6 shall apply.

6.2 ***Notice of Proposal***

The Company shall give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 of a proposed Corporate Event at the same time as it gives notice to the holders of Shares (or, if no such notice is required, or if a public announcement of such proposed Corporate Event is made on a date earlier than the date of such notice, promptly after the first public announcement of such proposed Corporate Event) and, as soon as practicable thereafter, of its proposals in relation to the Bonds (including the Stock Acquisition Rights). Such notice shall specify the anticipated Corporate Event Effective Date. If those proposals and/or that date have not been determined, the notice shall state that fact.

6.3 ***Notice of Passing of Resolution***

Upon the occurrence of a Corporate Event, the Company shall forthwith give a further notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 of that fact, the Company's proposals in relation to the Bonds (including the Stock Acquisition Rights) and the anticipated effective date of the transaction, and, if such anticipated effective date or proposals are changed or fixed, a further notice to such effect shall be given in the same manner. The effective date of the transaction contemplated by the relevant Corporate Event is referred to herein as its "Corporate Event Effective Date".

6.4 ***Transfer of Obligations Following a Corporate Event***

6.4.1 *Transfer*: If a Corporate Event occurs and

(i) it is legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect substitution of the New Obligor for the Company and the grant of the New Stock Acquisition Rights in such a manner as set out in Conditions 6.5 and 12.2;

(ii) a practical structure for such substitution and grant has been or can be established; and

(iii) such substitution and grant can be consummated without the Company or the New Obligor incurring costs or expenses (including taxes) which are in the opinion of the Company unreasonable in the context of the entire transaction,

then the Company shall use its best endeavours to cause the New Obligor to be substituted as the principal obligor under the Bonds and the Trust Deed pursuant to Condition 12.2 and the Trust Deed and for the grant of the New Stock Acquisition Rights in relation to the Bonds in place of the Stock Acquisition Rights in the manner described in Condition 6.5. Such substitution and grant shall take effect on the relevant Corporate Event Effective Date, or, in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, as soon as practicable on or after, but in any event no later than 14 days after, the relevant Corporate Event Effective Date.

6.4.2 *Listing*: In connection with the substitution and grant described in Condition 6.4.1, the Company shall also use its best endeavours to ensure that the shares of common stock of the New Obligor will be listed on any stock exchange in Japan or be quoted or dealt in on any securities market in Japan (such listing, quotation and dealing being hereinafter collectively referred to as "Listing") on the relevant Corporate Event Effective Date.

6.4.3 *Condition*: The obligations of the Company pursuant to this Condition 6.4 shall not apply if the Company delivers a certificate to the Trustee pursuant to Condition 7.5(iv).

6.5 ***New Stock Acquisition Rights***

At the time of the substitution of (or assumption by) the New Obligor as principal obligor under Condition 12.2 and the Trust Deed, New Stock Acquisition Rights will be granted, in place of the Stock Acquisition Rights, to the Bondholders by the New Obligor, in accordance with the following terms:

6.5.1 *Number of the New Stock Acquisition Rights to be Granted*: The number of New Stock Acquisition Rights to be granted will be equal to the number of the Stock Acquisition Rights incorporated in the Bonds outstanding immediately prior to the relevant Corporate Event Effective Date;

6.5.2 *Class of Shares to be Issued or Transferred upon Exercise of the New Stock Acquisition Rights*: Upon exercise of the New Stock Acquisition Rights, shares of common stock of the New Obligor shall be issued or transferred;

6.5.3 *Number of Shares to be Issued or Transferred upon Exercise of the New Stock Acquisition Rights*: The number of shares of the New Obligor to be issued or transferred upon exercise of the New Stock Acquisition Rights shall be determined by reference to these Conditions taking into account the terms of the transaction contemplated under the relevant Corporate Event, and

(i) in the case of a Merger Event or a Holding Company Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right would upon its exercise immediately after the Corporate Event Effective Date receive the number of shares of common stock of the New Obligor (the "Number of Deliverable Shares") receivable upon the relevant Corporate Event by a holder of the number of Shares (such number being the "Number of Held Shares") which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately prior to the relevant Corporate Event Effective Date. If securities (other than shares of common stock of the New Obligor) or other property shall be delivered to such holder of the Number of Held Shares upon the taking effect of the Merger Event or the Holding Company Event (as the case may be), such number of shares of common stock of the New Obligor shall form part of the Number of Deliverable Shares as shall be calculated by dividing the fair market value of such securities or properties delivered to such holder of the Number of Held Shares by the New Obligor Current Market Price per Share, such fair market value to be determined by the Company, provided that in determining such fair market value, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of the Independent Financial Adviser; or

(ii) in the case of any other Corporate Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right shall upon its exercise immediately after the Corporate Event Effective Date receive an equivalent economic interest to be determined by the Company as having the number of Shares which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately before the relevant Corporate Event Effective Date, provided that, in determining such equivalent economic interest, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser.

For the purpose of this Condition 6, the "New Obligor Current Market Price per Share" means (i) the average of the daily Closing Prices of the shares of common stock of the New Obligor for the 30 consecutive Trading Days commencing 45 Trading Days immediately before the relevant Corporate Event Effective Date, or (ii) if such market price shall not be available, such price as is determined by the Company, provided that in determining such price, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser.

The conversion price for the New Stock Acquisition Rights shall be subject to adjustment which shall be as nearly equivalent as may be practicable to the adjustments provided in Condition 5.2;

6.5.4 *Description of the Asset to be Contributed upon Exercise of the New Stock Acquisition Rights and the Amount or the Calculation Method Thereof*: Upon exercise of each New Stock Acquisition Right, the relevant Bond shall be deemed to be acquired by the New Obligor as a capital contribution in kind by the relevant Bondholder at the price equal to the principal amount of the Bond;

6.5.5 *Exercise Period of the New Stock Acquisition Rights*: The New Stock Acquisition Rights may be exercised at any time during the period from, and including, the later of the relevant Corporate Event Effective Date or the date of implementation of the scheme described in Condition 6.4.1 up to, and including, the last day of the Exercise Period of the Stock Acquisition Rights;

6.5.6 *Other Conditions for the Exercise of the New Stock Acquisition Rights*: No New Stock Acquisition Right may be exercised in part;

6.5.7 *Amount of Stated Capital and Additional Paid-in Capital*: As of the date on which the exercise of a New Stock Acquisition Right becomes effective, one-half of the "maximum capital and other increase amount" as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital; and

6.5.8 *Others*: Fractions of a share of common stock of the New Obligor will not be issued upon exercise of the New Stock Acquisition Rights and no adjustment or cash payment will be made in respect thereof. The holder of each bond assumed (by way of substitution or otherwise only for the purposes of Japanese law), or bond provided, by the New Obligor may not transfer such bond separately from the New Stock Acquisition Rights. In cases where such restriction on transfer of the bond would not be effective under the then applicable law, a stock acquisition right incorporated in a bond equivalent to the Bond may be issued to the holder of each Bond outstanding immediately prior to the Corporate Event Effective Date in place of the Stock Acquisition Right and the Bond.

6.6 ***No Statutory Put Rights***

Each Bondholder by accepting or acquiring any Bond agrees that its remedies if a Corporate Event or a Squeezeout Event occurs shall not include any statutory rights provided by Japanese law to require the Company to repurchase such Bond at fair market value, such rights being waived to the fullest extent permitted by applicable law.

6.7 ***Subsequent Corporate Events***

The above provisions of this Condition 6 shall apply in the same way to any subsequent Corporate Events.

7. Redemption, Purchase and Cancellation

7.1 ***Final Maturity***

Unless the Bonds have previously been redeemed, or purchased and cancelled, or become due and repayable, and unless the Stock Acquisition Rights incorporated therein have previously been exercised (in each case as provided in these Conditions), the Company will redeem the Bonds at 100 per cent. of their principal amount on 25 September 2020. The Bonds may not be redeemed at the option of the Company other than in accordance with this Condition 7.

7.2 ***Redemption at the Option of the Company upon Increased Share Prices***

At any time on or after 25 September 2018, the Company may (subject to Condition 7.11), but shall not be bound to, having given not less than 30 nor more than 60 days' prior notice (the "Optional Redemption Notice") to the Trustee and (unless the Trustee is also the Principal Agent) the Principal

Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount on the date fixed for such redemption in the Optional Redemption Notice provided, however, that no such redemption may be made unless the Closing Price of the Shares for each of the 30 consecutive Trading Days, the last of which occurs not more than 30 days prior to the date upon which the Optional Redemption Notice is first given by the Company, is at least 130 per cent. of the Conversion Price in effect on each such Trading Day (taking into account any Retroactive Adjustment not then reflected in the Conversion Price).

7.3 ***Redemption at the Option of the Company upon Reduced Outstanding Amounts***

The Company may (subject to Condition 7.11), but shall not be bound to, having given not less than 30 nor more than 60 days' prior notice (the "Clean-up Redemption Notice") to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount on the date fixed for such redemption in the Clean-up Redemption Notice, if at any time prior to the date upon which the Clean-up Redemption Notice is given, the outstanding principal amount of the Bonds is less than 10 per cent. of the aggregate principal amount of the Bonds as of the date of issue thereof.

7.4 ***Redemption for Taxation Reasons***

The Company may (subject to Condition 7.11), but shall not be bound to, at any time, having given not less than 30 nor more than 60 days' prior notice (the "Tax Redemption Notice") to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount on the date fixed for redemption in the Tax Redemption Notice (the "Tax Redemption Date"), if the Company satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice (i) that it has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 8 September 2015, and (ii) that such obligation cannot be avoided by the Company taking reasonable measures available to it; provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due. Prior to the giving of any Tax Redemption Notice, the Company shall deliver to the Trustee a certificate signed by a Representative Director or an Authorised Officer, stating that the Company has or will become obliged to pay Additional Amounts as a result of such change or amendment and that the obligation referred to in (i) above cannot be avoided by the Company taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Bondholders and the Trustee shall not be responsible for any loss occasioned by acting on such certificate. Upon the giving of the Tax Redemption Notice to the Bondholders, the Company shall be bound to redeem the Bonds then outstanding at 100 per cent. of their principal amount on the Tax Redemption Date.

Notwithstanding the foregoing, if the Company shall have given a Tax Redemption Notice, and if the outstanding principal amount of the Bonds at the time when such Tax Redemption Notice is given is 10 per cent. or more of the aggregate principal amount of the Bonds as of the date of issue thereof, each holder of the Bonds will have the right to elect, and the Tax Redemption Notice shall state that such Bondholder will have the right to elect, that its Bonds should not be redeemed and that the provisions set forth in Condition 9 shall not apply in respect of payment of any amount to be made in respect of the Bonds which will fall after the Tax Redemption Date and payment of all amounts due on such Bonds thereafter shall be made subject to the withholding of, or deduction for or on account of, Japanese taxes, duties, assessments and governmental charges referred to in Condition 9. Such right of the Bondholder shall be exercised by the Bondholder giving notice to the Company in the form (for the time being current) obtainable from any Agent no later than 20 days prior to the Tax Redemption Date.

7.5 ***Corporate Event Redemption***

Upon or following the occurrence of a Corporate Event, the Company shall (subject to Condition 7.11) give not less than 14 Tokyo Business Days' prior notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) determined by reference to the table set out below and in accordance with the provisions of this Condition 7.5 (the "Corporate Event Redemption Price"), together with all Additional Amounts due on the Bonds (if any), on the date (the "Corporate Event Redemption Date") specified for redemption in such notice (such Corporate Event Redemption Date shall be a date falling on or prior to the relevant Corporate Event Effective Date or, if such Corporate Event Effective Date occurs earlier than the 14th Tokyo Business Day from the date of occurrence of the Corporate Event, such Corporate Event Redemption Date shall be the 14th Tokyo Business Day from the date of the notice of such redemption, which notice shall be given as soon as practicable after the date of occurrence of the Corporate Event) if any of the following conditions is satisfied:

(i) it is not legally possible under the then applicable laws (taking into account the then official or judicial interpretation of such laws) to effect a scheme provided for by Condition 6.4.1; or

(ii) it is legally possible as aforesaid but, despite the Company using its best endeavours, the Company cannot effect such a scheme in compliance with Condition 6.4.1; or

(iii) despite the Company using its best endeavours pursuant to Condition 6.4.2, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25th day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing has been obtained for the shares of common stock of the New Obligor, and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or

(iv) the Company has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a Representative Director or an Authorised Officer stating that the Company does not currently anticipate that a Listing will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate. The Trustee and the Bondholders shall be entitled to accept such certificate as sufficient and conclusive evidence of the satisfaction of the condition set out in this Condition 7.5 and the Trustee shall not be responsible for any loss occasioned by acting on such certificate.

Any notice of redemption given under this Condition 7.5 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice even if (in the case of Condition 7.5(iii) or 7.5(iv) above) a Listing for the shares of common stock of the New Obligor is subsequently obtained.

If the Corporate Event Redemption Date falls on or prior to 11 September 2020, the Corporate Event Redemption Price shall be determined by reference to the following table:

Corporate Event Redemption Date	Reference Parity (Percentage)															
	50.00	**60.00**	**70.00**	**80.00**	**90.00**	**100.00**	**110.00**	**120.00**	**130.00**	**140.00**	**150.00**	**160.00**	**170.00**	**180.00**	**190.00**	**200.00**
25 September 2015	99.17	100.88	103.49	107.04	111.51	116.84	122.95	129.75	137.15	145.07	153.44	162.19	171.26	180.61	190.21	200.02
25 September 2016	99.21	100.47	102.57	105.61	109.62	114.55	120.33	126.88	134.10	141.90	150.18	158.88	167.92	177.26	186.85	196.65
25 September 2017	99.31	100.18	101.85	104.49	108.16	112.86	118.52	125.05	132.37	140.37	148.92	157.94	167.32	176.99	186.82	196.65
25 September 2018	99.41	99.84	100.95	103.04	106.32	110.80	116.34	122.70	129.79	138.03	147.50	157.32	167.16	176.99	186.82	196.65
25 September 2019	99.64	99.70	100.06	101.19	103.65	107.76	113.52	120.64	128.77	137.79	147.49	157.32	167.16	176.99	186.82	196.65
11 September 2020	100.00	100.00	100.00	100.00	100.00	100.00	110.00	120.00	130.00	140.00	150.00	160.00	170.00	180.00	190.00	200.00

In the above table:

"Reference Parity" means:

(i) if the consideration payable to holders of the Shares in connection with the relevant Corporate Event consists of cash only, the amount of such cash per Share divided by the Conversion Price in effect on the date of occurrence of the relevant Corporate Event (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; and

(ii) in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days commencing on the Trading Day immediately following:

(a) the date on which the terms and conditions of the relevant Corporate Event (including the consideration payable or deliverable to holders of the Shares in connection therewith) are approved at a meeting of the Board of Directors of the Company, as required under the Companies Act; or

(b) (if the terms and conditions of the relevant Corporate Event are announced to the public later than that date) the date of such public announcement,

divided by the Conversion Price in effect on the last day of such five consecutive Trading Day period (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; provided that if, during the said five consecutive Trading Day period, any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of Condition 5.2, the Reference Parity so determined shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall determine to be appropriate and fair in order to compensate for the effect of such event.

If the Reference Parity or Corporate Event Redemption Date does not appear in the above table, and:

(x) if the Reference Parity falls between two numbers in the first row of the above table and/or the Corporate Event Redemption Date falls between two dates in the above table, then the Corporate Event Redemption Price shall be determined by straight-line interpolation between such two numbers and/or two dates, on the basis of a 365-day year, as the case may be, with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth;

(y) if the Reference Parity is higher than the number in the far right column in the first row of the above table, the Reference Parity shall be deemed to be equal to that number; and

(z) if the Reference Parity is less than the number set forth in the far left column in the first row of the above table, the Corporate Event Redemption Price shall be 100.00 per cent.

If the Corporate Event Redemption Price, as determined by reference to the above table and in accordance with the above provisions of this Condition 7.5, is less than 100.00 per cent., the Corporate Event Redemption Price shall be 100.00 per cent. Conversely, if the Corporate Event Redemption Price, as determined by reference to the above table and in accordance with the above provisions of this Condition 7.5, is more than 200.00 per cent., the Corporate Event Redemption Price shall be 200.00 per cent.

If the Corporate Event Redemption Date falls during the period from (and including) 12 September 2020 to (and including) 24 September 2020, the Corporate Event Redemption Price shall be 100.00 per cent.

7.6 ***Redemption on Delisting of the Shares***

7.6.1 *Offers and Redemption*: If:

(i) any offer is made by a party or parties (the "Offeror") other than the Company in accordance with the Financial Instruments and Exchange Act to all holders of Shares (or all such holders other than the Offeror and/or any company controlled by the Offeror and/or persons associated or acting in concert with the Offeror) to acquire all or a portion of the Shares;

(ii) the Company expresses its opinion to support such offer in accordance with the Financial Instruments and Exchange Act;

(iii) the Company or the Offeror states in the relevant tender offer registration statement or any amendment thereto, or otherwise publicly announces or admits, that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or may be disqualified from such listing, quotation or dealing, as a result of the acquisition of Shares pursuant to the offer (unless the Company or the Offeror publicly expresses its intention to use its best endeavours to continue such listing, quotation or dealing after such acquisition); and

(iv) the Offeror acquires any Shares pursuant to the offer,

then the Company shall (subject to Condition 7.11) give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the date of acquisition of those Shares pursuant to the offer, to redeem all, but not some only, of the Bonds then outstanding at the redemption price (expressed as a percentage of the principal amount of the Bonds) calculated in accordance with the provisions below, together with all Additional Amounts due on the Bonds (if any), on the date (the "Delisting Redemption Date") specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice). The Trustee may assume until it has received actual written notice from the Company to the contrary that the Offeror has not so acquired any Shares.

7.6.2 *Redemption Price*: The redemption price applicable to the redemption under this Condition 7.6 shall be calculated in the same manner as provided in Condition 7.5, except that references to the Corporate Event Redemption Date shall be replaced by the Delisting Redemption Date and the Reference Parity shall mean, if the offer price consists of cash only, the offer price in effect on the last day of the offer divided by the Conversion Price in effect on the same day (expressed as a percentage) and, in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days ending on the last day of the offer divided by the Conversion Price in effect on the last day of the offer (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; provided that if, during the said five consecutive Trading Day period, any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of Condition 5.2, the Reference Parity so determined shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall determine to be appropriate and fair in order to compensate for the effect of such event.

For the avoidance of doubt, the last paragraph of Condition 7.5 shall apply to the above redemption price without any adjustment.

7.6.3 *Offer Followed by Corporate Event*: Notwithstanding the above provisions of this Condition 7.6, if the Company or the Offeror states in the relevant tender offer registration statement or any amendment thereto, or otherwise publicly announces, that it intends to effect a Corporate Event after the date of acquisition of any Shares pursuant to the offer, then the Company's obligation to redeem the Bonds under this Condition 7.6 shall not apply (but, for the avoidance of doubt, the provisions of Condition 6 and Condition 7.5 shall be applicable to such Corporate Event) unless such Corporate Event does not occur within 60 days after the date of such acquisition, in which case the Company shall give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the last day of such 60-day period, to redeem all, but not some only, of the Bonds then outstanding at the redemption price set out in Condition 7.6.2 (for the avoidance of doubt, the Reference Parity applicable to such redemption being equal to the Reference Parity that would have been applicable had the Bonds been redeemed under Condition 7.6.1 without being subject to the provisions of this Condition 7.6.3), together with all Additional Amounts due on the Bonds (if any), on the date (for the avoidance of doubt, the Delisting Redemption Date applicable to such redemption being such date) specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice).

7.6.4 *Irrevocable Notice*: Any notice of redemption given under this Condition 7.6 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice.

7.6.5 *Notice to Bondholders*: Upon the occurrence of:

(a) any of the events set out in (i) through (iv) of Condition 7.6.1; or

(b) any of the events set out in Condition 7.6.3 which results in the cancellation or revival of the Company's obligation to redeem the Bonds,

the Company shall as soon as practicable give notice thereof to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19.

7.6.6 *Condition*: If the Company becomes obliged to redeem the Bonds pursuant to both this Condition 7.6 and Condition 7.5, the procedure pursuant to Condition 7.5 shall apply.

7.7 ***Squeezeout Redemption***

7.7.1 *Redemption*: Upon the occurrence of a Squeezeout Event, the Company shall (subject to Condition 7.11) give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the date on which the Squeezeout Event occurs, to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) calculated in accordance with the provisions below, together with all Additional Amounts due on the Bonds (if any), on the date (the "Squeezeout Redemption Date") specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice and in any event before the effective date (the "Squeezeout Effective Date") of the acquisition of the Shares with respect to the Squeezeout Event, provided, however, that if the Squeezeout Effective Date falls earlier than 14 Tokyo Business Days from the date of such notice, the Squeezeout Redemption Date shall be accelerated to the extent necessary to ensure that it shall fall on a date earlier than the Squeezeout Effective Date).

"Squeezeout Event" means either (i) the passing of a resolution at a general meeting of shareholders of the Company approving its acquisition of all of the outstanding Shares in exchange for a consideration, following the outstanding Shares being transformed into callable shares (*zenbushutokujoko tsuki shuruikabushiki*) by way of an amendment to the Articles of Incorporation, for the purpose of making the Company a wholly-owned subsidiary of another corporation, or (ii) the passing of a resolution by the Board of Directors of the Company approving a request by the Special Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Special Controlling Shareholder so determines, the Special Controlling Shareholder's wholly-owned subsidiaries) sell to the Special Controlling Shareholder all of the shares of the Company held by them (*kabushikitou uriwatashi seikyu*) under the Companies Act.

7.7.2 *Redemption Price*: The redemption price applicable to the redemption under this Condition 7.7 shall be calculated in the same manner as provided in Condition 7.5, except that references to the Corporate Event Redemption Date shall be replaced by the Squeezeout Redemption Date and the Reference Parity shall mean, if the assets to be delivered to the holders of Shares consist of cash only (or if the holders of Shares which are being squeezed out are to effectively receive cash only in respect of such Shares), the cash amount which the holder of a Share would receive in exchange for Shares to be transferred as a result of the Squeezeout Event divided by the Conversion Price in effect on the date of the Squeezeout Event (expressed as a percentage) and, in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days ending on the date of the Squeezeout Event divided by the Conversion Price in effect on the date of the Squeezeout Event (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; provided that if, during the said five consecutive Trading Day period, any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment becoming effective during such period, where the event requiring such Retroactive Adjustment takes place after such period) to the Conversion Price under the provisions of Condition 5.2, the Reference Parity so determined shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall determine to be appropriate and fair in order to compensate for the effect of such event.

For the avoidance of doubt, the last paragraph of Condition 7.5 shall apply to the above redemption price without any adjustment.

7.8 ***Purchase***

Subject to the requirements (if any) of any stock exchange on which the Bonds may be listed at the relevant time, the Company and/or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise. Such Bonds may, at the option of the Company or the relevant Subsidiary, be held or resold. The Bonds so purchased, while held by or on behalf of the Company or any of its Subsidiaries, shall not entitle the Bondholder to vote at any meeting of Bondholders and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders or for the purposes of these Conditions. Bonds that have been purchased by the Company may, at the option of the Company, be cancelled. Bonds that have been purchased by any Subsidiary may, at the option of such Subsidiary, be delivered to the Company for cancellation.

7.9 ***Cancellation***

All Bonds which are redeemed or with respect to which the Stock Acquisition Rights have been exercised shall forthwith be cancelled and such Bonds may not be reissued or resold. All Certificates in respect of Bonds so cancelled and Certificates in respect of Bonds purchased and cancelled pursuant to Condition 7.8 shall be forwarded to the Principal Agent for cancellation.

7.10 ***Notice of Redemption***

All notices to Bondholders given by or on behalf of the Company pursuant to this Condition 7 will specify the Conversion Price as of the date of the relevant notice, the Closing Price of the Shares as of the latest practicable date prior to the publication of the relevant notice, the applicable date fixed for redemption and the redemption price of the Bonds, the last day on which the Stock Acquisition Rights may be exercised and the aggregate principal amount of the Bonds outstanding as of the latest practicable date prior to the publication of the relevant notice. No notice of redemption given under Condition 7.2, 7.3 or 7.4 shall be effective if it specifies a date for redemption which falls during a period (a "Closed Period") in which Stock Acquisition Rights may not be exercised pursuant to Condition 5.1.4(b) or within 15 days following the last day of a Closed Period.

7.11 *Priorities Among Redemption Provisions*

If any notice of redemption is given by the Company pursuant to any of Condition 7.2, 7.3, 7.4, 7.5, 7.6 or 7.7, no other notice may be given (or as the case may be, is required to be given) pursuant to any other of those Conditions, subject as provided in Condition 7.6.3 and except for such Bonds so elected by the relevant Bondholder not to be redeemed pursuant to Condition 7.4.

If (a) the Company becomes obliged to give notice of redemption pursuant to Condition 7.5 or 7.7, or (b) the events set out in (i) to (iv) of Condition 7.6.1 occur, then a notice pursuant to Condition 7.2, 7.3 or 7.4 may not subsequently be given.

7.12 *Calculations*

The Trustee, the Registrar, the Principal Agent, the other Agents and the Custodian are not liable to determine or calculate the Reference Parity, any redemption amount or price under these Conditions (howsoever expressed or defined) or to make any other calculations required to be made under these Conditions other than in such cases as specifically stated herein (if any) and shall have no responsibility to verify or monitor such calculation.

8. **Payments**

8.1 *Method of Payment*

Payments in respect of principal, default interest (if any) and premium (if any) will be made against presentation and (if no further payments are due in respect of the Bonds evidenced by the relevant Certificates) surrender of the Certificates in respect of the relevant Bonds at any specified office outside Japan of the Registrar or any Agent. Such payments will be made by transfer to its Registered Account subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 9. Save as provided in Condition 9, payments will be subject in all cases to any other applicable fiscal or other laws and regulations in the place of payment and the Company will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements. If an amount which is due in respect of the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

"Registered Account" means a yen account maintained by the payee with a bank in Japan, details of which appear on the Register at the close of business on the sixth Transfer Business Day before the due date of payment.

8.2 *Agents*

The initial Principal Agent and the initial Registrar and their respective initial specified offices are set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time with at least 30 days' written notice to vary or terminate the appointment of the Principal Agent, the Registrar or any other Agent and to appoint other or further Agents or Registrar (as the case may be), provided that it will at all times maintain (i) a Principal Agent; (ii) a Registrar; (iii) an Agent having a specified office in Singapore, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so require; (iv) such other agents as may be required by the rules of any stock exchange on which the Bonds are listed; and (v) an Agent with a specified office in a European Union member state, if any, that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any such termination or appointment and of any changes in the specified offices of the Principal Agent, the Registrar or any other Agent will be given to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent (unless its appointment is so terminated) in writing and to the Bondholders in accordance with Condition 19.

8.3 *Payments on Business Days*

If the due date for payment of any amount in respect of any Bond is not a Business Day, then the holder of such Bond shall not be entitled to payment of the amount due until the next following Business Day and no other payment will be made as a consequence of the day on which the relevant Bond may be presented for payment under this Condition 8.3 falling after the due date. "Business Day" means any day on which banks are open for business in the place of the specified office of the Agent at which (where required) the Certificate is presented for payment and (in the case of payment by transfer to a Registered Account as referred to in Condition 8.1) on which dealings in foreign currency may be carried on both in Tokyo and in such place.

9. Taxation

All payments by the Company in respect of the Bonds, subject to Condition 7.4, will be made without withholding of, or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political subdivision or any authority thereof or therein having power to tax unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. If such withholding or deduction is so required, the Company will pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Bonds in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Bond:

(i) held by or on behalf of a Bondholder (a) who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation, or (b) who fails to comply with the Japanese tax law requirements in respect of the exemption from such withholding or deduction, or (c) who is otherwise subject to such taxes, duties, assessments or governmental charges by reason of its being connected with Japan (including carrying on a business or maintaining a permanent establishment in Japan) otherwise than by reason only of the holding of any Bond or enforcement of rights thereunder or the receipt of payment in respect of any Bond;

(ii) where the relevant Certificate is presented for payment more than 30 days after the Due Date except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting the Certificate in respect of such Bond for payment as of the expiry of such 30-day period;

(iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) held by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the Certificate in respect of such Bond to another Agent in a European Union member state.

If the Company becomes obliged to pay Additional Amounts in accordance with this Condition 9, then it will have the right to redeem the Bonds, subject to the right of the Bondholders to retain the Bonds without entitlement to such Additional Amounts in accordance with Condition 7.4.

In these Conditions, the "Due Date" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect shall have been duly given to the Bondholders in accordance with Condition 19.

Any reference in these Conditions and the Trust Deed to principal, premium (if any) or default interest in respect of the Bonds shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 9 or any undertakings or covenants given in addition thereto or in substitution therefor pursuant to the Trust Deed.

No additional amounts will be payable for or on account of any deduction or withholding from a payment on, or in respect of, any Bond where such deduction or withholding is imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, any regulation or agreement thereunder, any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions or any agreement with the U.S. Internal Revenue Service ("FATCA withholding"). Further, the Company will have no obligation to otherwise indemnify an investor for any such FATCA withholding deducted or withheld by the Company, the Agents or any other party that is not an agent of the Company.

10. Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction, give notice in writing to the Company that the Bonds are due and repayable on the occurrence of any of the following events:

10.1 *Non-payment*

The Company defaults in the payment of the principal of any of the Bonds under Condition 7.4 as and when the same shall become due and payable, and such default is not remedied within 14 days; or

10.2 *Breach of Obligations*

The Company defaults in the performance or observance of any covenant, condition or provision contained in the Trust Deed or in the Bonds and on its part to be performed or observed (other than the covenant to pay the principal of any of the Bonds), which default is, in the opinion of the Trustee, incapable of remedy, or if, in the opinion of the Trustee, capable of remedy, is not remedied within 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Company of notice requiring such default to be remedied; or

10.3 *Cross Default on Indebtedness*

The obligation to repay any indebtedness for money borrowed by the Company or any Principal Subsidiary and having an aggregate outstanding principal amount of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10) is accelerated or capable of being accelerated prior to its stated maturity as a result of a default in respect of the terms thereof, or any such indebtedness due (on demand or otherwise) having an aggregate outstanding principal amount of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10) is not paid when due (whether on demand (if applicable) or at the expiration of any grace period as originally provided (if applicable)); or

10.4 *Cross Default on Guarantee/Indemnity*

The Company or any Principal Subsidiary fails to pay or otherwise defaults in making any payment due under any guarantee and/or any indemnity given by it in respect of any obligation or indebtedness for money borrowed having an aggregate outstanding principal amount of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10); or

10.5 *Initiation of Insolvency Proceedings*

Proceedings shall have been initiated against the Company or any Principal Subsidiary seeking with respect to the Company or such Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction and such proceedings shall not have been discharged or stayed within a period of 60 days; or

10.6 *Decree of Insolvency/Dissolution*

A final decree or order is made or issued by a court of competent jurisdiction adjudicating the Company or any Principal Subsidiary bankrupt or insolvent, or approving a petition seeking with respect to the Company or any Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction or a final decree or order is made or issued by a court of competent jurisdiction for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or any Principal Subsidiary or of all or any material (in the opinion of the Trustee) part of the property of any of them, or for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary in its bankruptcy or insolvency; or

10.7 ***Resolution for Dissolution***

A resolution is passed for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary except:

10.7.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which:

(a) the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Trust Deed and the Bonds (and Condition 6.4 is satisfied); or

(b) the Bonds will be redeemed pursuant to Condition 7.5, 7.6 or 7.7 prior to the date or proposed date of such winding-up, dissolution or liquidation; or

10.7.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by (including upon a merger, consolidation, amalgamation, reorganisation or reconstruction), the Company or any other Subsidiary of the Company or the Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or Holding Company (as the case may be) in the relevant Principal Subsidiary; or

10.7.3 in any case, where the terms have previously been approved by the Trustee in writing or by an Extraordinary Resolution; or

10.8 ***Institution of Insolvency Proceedings***

The Company or any Principal Subsidiary institutes proceedings seeking with respect to itself adjudication of bankruptcy or seeking with respect to itself a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction, or consents to the institution of any such proceedings, or consents to, or acquiesces in, the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or any material (in the opinion of the Trustee) part of its property, or makes a general assignment for the benefit of its creditors; or

10.9 ***Stop Payment***

The Company or any Principal Subsidiary stops payment (within the meaning of the Bankruptcy Act or any applicable law of any other jurisdiction); or

10.10 ***Cessation of Business***

The Company or any Principal Subsidiary ceases, or through an official action of its Board of Directors threatens to cease to carry on business, except:

10.10.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which:

(a) the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Trust Deed and the Bonds (and Condition 6.4 is satisfied); or

(b) the Bonds will be redeemed pursuant to Condition 7.5, 7.6 or 7.7 prior to the date or proposed date of such cessation of business; or

10.10.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by (including upon a merger, consolidation, amalgamation, reorganisation or reconstruction), the Company or any other Subsidiary of the Company or the Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or Holding Company (as the case may be) in the relevant Principal Subsidiary; or

10.10.3 in any case, where the terms have previously been approved by the Trustee in writing or by an Extraordinary Resolution; or

10.11 ***Encumbrancer***

Any encumbrancer takes possession of the whole or any material (in the opinion of the Trustee) part of the assets or undertakings of the Company or any Principal Subsidiary or a distress, execution or other similar process is levied or enforced upon or sued out against the whole or any material (in the opinion of the Trustee) part of the assets of the Company or any Principal Subsidiary and is not removed, discharged or paid out within 60 days or such longer period as the Trustee may consider appropriate in relation to the jurisdiction concerned having taken appropriate legal advice upon which the Trustee shall be entitled to rely absolutely;

and, in the case of any of the events described in Conditions 10.2, 10.3, 10.4 and 10.11, and (if the events relate only to a Principal Subsidiary) Conditions 10.5, 10.6, 10.7, 10.8, 10.9 and 10.10, the Trustee shall have certified in writing to the Company that the event is, in its opinion, materially prejudicial to the interests of the Bondholders. The Trustee in forming such an opinion, or making any determination under this Condition 10, may exercise all or any of its rights, powers and discretions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining and relying on such directions from the Bondholders and/or expert advice as it considers appropriate and relying thereon without any responsibility for delay occasioned for so doing.

For the purposes of Conditions 10.3 and 10.4, any indebtedness which is in a currency other than Japanese yen may be translated into Japanese yen at the spot rate for the sale of relevant currency against the purchase of Japanese yen quoted by any leading bank selected by the Trustee at its absolute discretion on any day when the Trustee requests such a quotation for such purpose.

Upon any such notice being given to the Company, the Bonds shall immediately become due and repayable at 100 per cent. of their principal amount (together with Additional Amounts (if any), premium (if any) and default interest) as provided in the Trust Deed.

11. **Undertakings**

11.1 ***Undertakings with Respect to the Stock Acquisition Rights***

While any Stock Acquisition Rights are, or are capable of being, exercisable, the Company will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in the opinion of the Trustee, it is not materially prejudicial to the interests of the Bondholders to give such approval:

11.1.1 *Shares*: issue, register and deliver Shares upon exercise of Stock Acquisition Rights in accordance with these Conditions, and keep available free from pre-emptive or other rights for the purpose of effecting the exercise of the Stock Acquisition Rights such number of its Shares (whether authorised and unissued or in issue and held in treasury) as would be required to be acquired upon exercise of all of the Stock Acquisition Rights outstanding from time to time and will ensure that all Shares delivered upon exercise of the Stock Acquisition Rights pursuant to these Conditions will be duly and validly issued and fully-paid and non-assessable;

11.1.2 *Transfers*: not close its register of shareholders or take any action which prevents the transfer of its Shares generally unless, under Japanese law and the Articles of Incorporation as then in effect, the Stock Acquisition Rights may be exercised legally for Shares and the Shares issued upon exercise, may (subject to any limitation imposed by law) be transferred (as between transferor and transferee although not as against the Company) at all times while such action is effective, nor take any action which prevents exercise of the Stock Acquisition Rights or the issue or transfer of Shares in respect thereof, except as permitted under Condition 5.1.4;

11.1.3 *Financial Year and Record Date*: give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 as soon as practicable after it effects any change in its financial year or in the Record Date (including the setting of new Record Dates) for the payment of any cash dividend;

11.1.4 *Listing*: use its best endeavours to obtain and maintain the listing, quotation or dealing in on the Relevant Stock Exchange for the Shares or, if it is unable to do so having used such best endeavours, use its best endeavours to obtain and maintain the listing, quotation or dealing in of the Shares on such other stock exchange or securities market in Japan as the Company with the prior written approval of the Trustee (acting as instructed by an Extraordinary Resolution) may from time to time reasonably determine and give notice of the identity of such stock exchange or securities market to the Bondholders in accordance with Condition 19; provided that:

(i) so long as the Company is not in breach of its obligations under Condition 6 in the case of any Corporate Event where the obligations under the Bonds and/or Stock Acquisition Rights are proposed to be transferred to or assumed by a New Obligor, then the Shares may be delisted with effect from the date falling no earlier than 30 days prior to the relevant Corporate Event Effective Date or such earlier date as may be determined by the Relevant Stock Exchange and (unless shares of common stock of the New Obligor are then listed or quoted or dealt in on any stock exchange or securities market) the Company shall use its best endeavours to cause the obtaining of a listing, quotation or dealing in of the shares of common stock of the New Obligor on any stock exchange or securities market in Japan;

(ii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.5 or Condition 7.6 (for the avoidance of doubt, the provisions of this Condition 11.1.4 shall not prevent the Company from (x) delivering a certificate to the Trustee, as provided in Condition 7.5(iv), or (y) taking any action provided in items (ii) and (iii) of Condition 7.6.1); and

(iii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.7 (for the avoidance of doubt, the provisions of this Condition 11.1.4 shall not prevent the Company from, among other things, proposing an amendment to the Articles of Incorporation for transforming the Shares into callable shares (*zenbushutokujoko tsuki shuruikabushiki*), approving a request by the

Special Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Special Controlling Shareholder so determines, the Special Controlling Shareholder's wholly-owned subsidiaries) sell to the Special Controlling Shareholder all of the shares of the Company held by them (*kabushikitou uriwatashi seikyu*), or announcing or admitting that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or be disqualified from such listing, quotation or dealing as a result of the acquisition of Shares pursuant to the Squeezeout Event);

11.1.5 *Other Securities*: procure that no securities of the Company convertible into, or exchangeable for, by their terms, Shares are, without the prior written consent of the Trustee (and in compliance with the conditions attached to such consent, if any), converted into or exchanged for Shares and that no rights or warrants to subscribe for, purchase or otherwise acquire Shares are, without the prior written consent of the Trustee (and in compliance with the conditions attached to such consent, if any), exercised otherwise than, in each case, in accordance with the terms of issue thereof (for the avoidance of doubt, such terms may be amended as a result of any change in or bringing into force of Japanese law, including but not limited to certain tax qualification requirements relating to incentive stock options);

11.1.6 *Capital*: not create or issue any class of share capital other than Shares, without giving notice to the Trustee in writing and to the Bondholders in accordance with Condition 19, at least 14 days prior to the date of such creation or issue;

11.1.7 *Conversion Price Adjustments*: not take any action which would result in an adjustment of the Conversion Price if, after giving effect thereto, the Conversion Price would (but for the provisions of Condition 5.4) be decreased to such an extent that the Shares to be acquired on exercise of the Stock Acquisition Right could not, under any applicable law then in effect, be legally issued as fully-paid and non-assessable;

11.1.8 *Corporate Event*: if a Corporate Event occurs, use its best endeavours to obtain all consents which may be necessary or appropriate under Japanese law to enable the relevant company to give effect to the relevant arrangement, and to take all other action, as required by Condition 6 in a timely manner (unless, for the avoidance of doubt, the Bonds will be redeemed pursuant to Condition 7.5 or 7.6); and

11.1.9 *Consents*: obtain and maintain all consents, clearances, approvals, authorisations, orders, registrations or qualifications (if any) required to be obtained or maintained by the Company on exercise of the Stock Acquisition Rights.

The Trust Deed contains certain other undertakings in relation to the Bonds and the Stock Acquisition Rights.

11.2 ***Charges***

Except as otherwise provided in Condition 5.9, the Company will pay all charges of the Trustee, the Principal Agent, the other Agents, the Registrar, the Custodian and the Custodian's Agent (including the cost of SWIFT message, fax or telex notices by the Trustee or the Agents to the Principal Agent, the Registrar, the Company or the Custodian's Agent and by the Custodian to the Company or the Custodian's Agent) and all issue, transfer and other similar taxes payable with respect to the deposit of Bonds pursuant to Condition 5.9.3, and the issue and delivery of Shares and the delivery of any other securities, property or cash pursuant to Condition 5.9.5 following such deposit.

12. Substitution

12.1 ***Substitution other than under a Corporate Event***

The Trustee may, without the consent of the Bondholders, agree with the Company to the substitution in place of the Company (or any previous substitute under this Condition 12) as the principal obligor under the Bonds and the Trust Deed of any Subsidiary of the Company subject to, among other things, (i) the Bonds continuing to be convertible into Shares as provided in these Conditions, with such amendments as the Trustee shall consider appropriate, and (ii) the Trustee being satisfied that the interests of the

Bondholders will not be materially prejudiced by the substitution. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders, to a change of the law governing the Bonds and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders. Any such substitution shall be binding on the Bondholders and shall be notified promptly to the Bondholders in accordance with Condition 19. When determining, pursuant to this Condition 12.1, whether a circumstance is materially prejudicial to the interests of the Bondholders, the Trustee may exercise all or any of its rights, powers and discretions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining and relying on such directions from the Bondholders and/or expert advice as it considers appropriate and relying thereon without any responsibility for delay occasioned for so doing.

Further conditions to such substitution are set out in the Trust Deed.

12.2 ***Substitution under a Corporate Event***

Prior to a Corporate Event Effective Date the Trustee may, if so requested by the Company, agree with the Company, without the consent of Bondholders, to the substitution in place of the Company of the New Obligor subject to a trust deed supplemental to the Trust Deed (which shall include the provisions described below), providing that the Company's obligations under the Bonds and the Trust Deed shall be assumed by the New Obligor by way of substitution (which, for the purposes of Japanese law, may be deemed to be a transfer or assumption of such obligations to or by the New Obligor), and that the New Obligor shall grant stock acquisition rights (the "New Stock Acquisition Rights") to all holders of the Bonds then outstanding, in place of the Stock Acquisition Rights incorporated in the Bonds held by them, being executed on or prior to the relevant Corporate Event Effective Date or (in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date) within 14 days after the relevant Corporate Event Effective Date. The Trustee may enter into such supplemental trust deed without consent of Bondholders only if:

(i) under such supplemental trust deed, the New Obligor agrees, in form, manner and substance satisfactory to the Trustee, to be bound by the Trust Deed and the Bonds (with consequential amendments as the Trustee may deem appropriate in its absolute discretion) with effect (as specified in this Condition 12.2) as if the New Obligor had been named in the Trust Deed and the Bonds as the principal obligor in place of the Company and providing that the holders of the Bonds then outstanding shall be granted New Stock Acquisition Rights;

(ii) except in the case of a Merger Event, pursuant to such supplemental trust deed the Company guarantees, in a form and manner satisfactory to the Trustee, the payment obligations of the New Obligor under the Trust Deed and the Bonds with effect as specified in this Condition 12.2, provided that no such guarantee will be required if the Company determines and has delivered to the Trustee no later than 10 calendar days prior to the relevant Corporate Event Effective Date a certificate of the Company signed by a Representative Director or an Authorised Officer of the Company that, as of the Corporate Event Effective Date, any rating which would be assigned to the New Obligor's long-term, unsecured and unsubordinated debt is unlikely to be lower than the rating then currently assigned to the Company's long-term, unsecured and unsubordinated debt, in which case the Trustee shall be entitled to rely upon such certificate without incurring any liability to any person for doing so. In making this determination, the Company shall consult with an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser;

(iii) if the New Obligor is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "New Territory") other than the territory to the taxing jurisdiction of which (or to any such authority of or in which) the Company is subject generally (the "Company's Territory"), the New Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for, or addition to, in relation to the New Obligor, references in Condition 9 to the Company's Territory of references to the New Territory whereupon the Trust Deed and the Bonds will be read accordingly, and corresponding amendments shall be made to Condition 7.4 in relation to payment of Additional Amounts by the New Obligor (and/or the guarantor, if any);

(iv) a Representative Director or an Authorised Officer of the New Obligor certifies that it will be solvent immediately after such substitution, and the Trustee shall not have regard to the New Obligor's financial condition, profits or prospects or compare them with those of the Company;

(v) the Company shall have certified (by a certificate of a Representative Director or an Authorised Officer) to the Trustee that the New Stock Acquisition Rights satisfy the provisions of Condition 6.5;

(vi) the Company and the New Obligor comply with such other requirements as the Trustee may direct in the interests of the Bondholders; and

(vii) such substitution and grant of New Stock Acquisition Rights become effective on the Corporate Event Effective Date (or in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, within 14 days after the relevant Corporate Event Effective Date).

12.3 ***Release of Obligations***

An agreement by the Trustee pursuant to Condition 12.2 will (except in respect of any guarantee under Condition 12.2(ii)), if so expressed, release the Company (or a previous substitute) from any or all of its obligations under the Trust Deed and the Bonds.

12.4 ***Deemed Amendment***

On completion of the formalities set out in Condition 12.2, the New Obligor will be deemed to be named in the Trust Deed and the Bonds as the principal obligor in place of the Company (or of any previous substitute) and the Trust Deed and the Bonds will be deemed to be amended as necessary to give effect to the substitution. In particular and without limitation:

(i) the terms "Stock Acquisition Rights" and "Shares" shall, where the context so requires, include the New Stock Acquisition Rights and shares of common stock to be issued by the New Obligor; and

(ii) references to the Company in Condition 10, in the definition of Principal Subsidiary and in the Trust Deed shall also include any guarantor pursuant to Condition 12.2(ii) except where the context requires otherwise.

13. **Prescription**

Each Bond will become void unless presented for payment within the period of 10 years from the Due Date for the payment thereof.

14. **Replacement of Certificates**

Should any Certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the specified office of the Registrar or any Agent upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Company, the Registrar or an Agent may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. **Meetings of Bondholders; Modification and Waiver**

15.1 ***Meetings of Bondholders***

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of a modification of any provision of these Conditions or of the Trust Deed. The quorum for any such meeting convened to consider any matter requiring an Extraordinary Resolution shall be two or more persons holding or representing not less than 50 per cent. in principal amount of the Bonds for the time being outstanding, or for any adjourned meeting two or more persons being or representing Bondholders (whatever the principal amount of Bonds held or represented) except that at any meeting the business of which includes the modification of certain provisions of the Bonds or of the Trust Deed (including, *inter alia,* modifying the date of maturity of the Bonds, reducing or cancelling the principal amount of, or any premium payable in respect of, the Bonds, modifying the method or basis of calculating the rate or amount of default interest in respect of the Bonds, altering the currency of payment of the Bonds or (to the extent permitted by applicable law) abrogating or modifying any Stock Acquisition Right), the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 50 per cent., in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not.

Notwithstanding the above provisions, any resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effectual as an Extraordinary Resolution passed at a meeting of such Bondholders duly convened and held in accordance with the provisions contained in these Conditions and in the Trust Deed. Any resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Bondholders.

15.2 ***Modification and Waiver***

The Trustee may, without the consent of the Bondholders, agree to any modification (except as aforesaid and as set out in the Trust Deed) of the Trust Deed or the Bonds (including these Conditions) or to any waiver or authorisation of any breach or potential breach by the Company of the provisions of the Trust Deed or the Bonds which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Bondholders or to any modification of the Trust Deed or the Bonds (including these Conditions) which is, in the opinion of the Trustee, of a formal, minor or technical nature or which is made to correct a manifest error or is necessary in order to comply with mandatory provisions of Japanese law or pursuant to Condition 6 or 12. Any such modification, waiver or authorisation shall be binding on the Bondholders and shall (unless the Trustee agrees otherwise) be notified to the Bondholders in accordance with Condition 19 as soon as practicable thereafter.

If there is a change to the mandatory provisions of (i) Japanese law which in the reasonable opinion of the Company after obtaining advice from legal advisers (evidenced by (a) a certificate of a Representative Director or an Authorised Officer, and (b) an opinion addressed to the Company and the Trustee of legal advisers of recognised standing to the effect that such change has occurred) would make it necessary to amend and/or supplement the provisions of Conditions 1.1, 1.5, 5, 6, 7.5 and/or 7.7 or (ii) the Financial Instruments and Exchange Act which in the reasonable opinion of the Company (evidenced by (a) a certificate of a Representative Director or an Authorised Officer, and (b) an opinion addressed to the Company and the Trustee of legal advisers of recognised standing to the effect that such change has occurred) would make it necessary to amend and/or supplement the provisions of Condition 7.6, the relevant Conditions shall be amended and/or supplemented to reflect that change by means of a trust deed supplemental to the Trust Deed. The Trustee (unless in its sole opinion such supplemental trust deed imposes obligations, responsibilities or liabilities on it which are greater than those it has as Trustee under the Trust Deed) shall be obliged (subject to being indemnified and/or secured and/or prefunded by the Company to its satisfaction) to enter into such supplemental trust deed (in a form satisfactory to it) to effect such change (even if, in the opinion of the Trustee, that change may be materially prejudicial to the interests of the Bondholders) without the consent of the Bondholders, but the Trustee shall have no responsibility or liability to any person for so doing. The Trustee in forming any such opinion or making any determination may exercise all or any of its rights, powers and discretions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining such expert advice as it considers appropriate and relying thereon without any responsibility for any delay occasioned for doing so. The Company shall forthwith give notice to the Bondholders following the execution of any such supplemental trust deed in accordance with Condition 19.

15.3 ***Entitlement of the Trustee***

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in these Conditions), the Trustee shall have regard to the interests of the

Bondholders as a class and shall not have regard to the interests of individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

15.4 ***Authority to the Trustee***

To the fullest extent permitted by applicable law, by accepting the Bond, the Bondholder irrevocably authorises and instructs the Trustee (without its direction whether by Extraordinary Resolution or otherwise) to take any action before a Japanese court on behalf of and in the name of the Bondholder which the Trustee considers to be necessary or desirable in the interests of the Bondholders. The Trustee shall not be bound to take any such action unless (a) so directed by an Extraordinary Resolution or so requested in writing by holders of at least one-quarter in principal amount of Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction, and shall incur no liability in taking or refraining from taking such action. The Trustee shall not take any action on behalf of a Bondholder in respect of the statutory rights referred to in Condition 6.6, such rights having been irrevocably waived by the Bondholder to the fullest extent permitted by applicable law.

16. **Enforcement**

At any time after the Bonds shall have become due and repayable, the Trustee may, at its absolute discretion and without further notice, take such proceedings, actions or steps against the Company as it may think fit to enforce repayment of the Bonds, together with accrued default interest, if any, pursuant to Condition 4 and to enforce the provisions of the Trust Deed and the Bonds, but it shall not be bound to take any such proceedings, actions or steps unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder shall be entitled to proceed directly against the Company unless the Trustee, having become bound so to proceed, fails to do so within 30 days of such direction or request or provision of indemnity and/or security and/or prefunding (whichever is the latest) and such failure shall be continuing.

17. **Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings, actions or steps to enforce the provisions of the Trust Deed or the terms of the Bonds and to be paid its costs and expenses in priority to the claims of Bondholders. The Trustee is entitled to enter into business transactions with the Company or any person or body corporate associated with the Company without accounting for any profit resulting therefrom.

The Trustee may rely without liability to Bondholders or any other person on any certificate or report prepared by the Auditors or any Independent Financial Adviser or other expert pursuant to these Conditions and/or the Trust Deed, whether or not addressed to the Trustee and whether or not the liability of the Auditors, Independent Financial Adviser or such expert (as the case may be) in respect thereof is limited by a monetary (or any other) cap or otherwise, and shall be obliged to do so where the certificate or report is delivered pursuant to the obligation of the Company to procure such delivery under these Conditions and/or the Trust Deed and in the absence of manifest errors any such certificate or report shall be conclusive and binding on the Company, the Trustee, and the Bondholders.

18. **Independent Financial Adviser**

If any doubt shall arise as to the appropriate adjustment to the Conversion Price or in relation to any other matter which is reserved in these Conditions for a decision of an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect of such adjustment to the Conversion Price or other matter shall be conclusive and binding on the Company, the Trustee and the Bondholders in the absence of manifest error.

If the Company shall fail to appoint an Independent Financial Adviser when required to do so and such failure continues for a reasonable period (as determined by the Trustee in its absolute discretion) and the

Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such Independent Financial Adviser, the Trustee shall have the power, but shall not be obligated, to make such appointment in its absolute discretion.

19. Notices

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the Register and published in a leading newspaper having general circulation in London (which is expected to be the Financial Times). If publication in any of such newspapers is not (in the opinion of the Trustee) practicable, notices will be given in such other newspaper or newspapers as the Company, with the approval of the Trustee, shall determine. Such notices shall be deemed to have been given on the later of (i) the date of their publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required and (ii) the seventh day after being so mailed.

So long as the Bonds are evidenced by the Global Certificate and such Bonds are held on behalf of a clearing system, notices to Bondholders shall be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for mailing and publication required by the Conditions.

20. Contracts (Rights of Third Parties) Act 1999

Except as provided herein, no person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

21. Governing Law and Submission to Jurisdiction

21.1 *Governing Law*

The Trust Deed and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

21.2 *Jurisdiction*

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed and the Bonds (including any non-contractual obligation arising out of or in connection with the Trust Deed and the Bonds) and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds (including any non-contractual obligation arising out of or in connection with the Trust Deed and the Bonds) ("Proceedings") may be brought in such courts. The Company has in the Trust Deed submitted to the jurisdiction of such courts and has waived any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission has been made for the benefit of the Trustee and each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

21.3 *Agent for Service of Process*

The Company has irrevocably appointed TMF Corporate Services Limited, whose office is at present at 6 St. Andrew Street, 5th Floor, London EC4A 3AE, United Kingdom, as its agent in England to receive service of process in any Proceedings in England. If for any reason TMF Corporate Services Limited ceases to be able to act as such or no longer has an address in England, the Company irrevocably agrees to appoint a substitute process agent acceptable to the Trustee and shall immediately notify the Trustee of such appointment. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

Meetings

The registered holder (as defined in the Conditions) of the Bonds in respect of which the Global Certificate is issued shall (unless the Global Certificate evidences only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each Bond in respect of which the Global Certificate is issued. The Trustee may allow any accountholder (or the representative of such person) of a clearing system entitled to Bonds in respect of which the Global Certificate is issued to attend and speak (but not vote) at a meeting of Bondholders on appropriate proof of his identity.

Exercise of Stock Acquisition Rights

Subject to the requirements of Euroclear or Clearstream, Luxembourg or such other clearing system as shall have been approved in writing by the Trustee (an "Alternative Clearing System"), the Stock Acquisition Right incorporated in a Bond in respect of which the Global Certificate is issued may be exercised by the presentation to, or to the order of, any Agent of one or more Conversion Notices duly completed by, or on behalf of, an accountholder in such system with an entitlement to such Bonds. Deposit of the Global Certificate with an Agent together with the relevant Conversion Notice shall not be required. The exercise of the Stock Acquisition Right shall be notified by the Agent to the Registrar and the holder of the Global Certificate.

Payments

Payments in respect of Bonds evidenced by the Global Certificate shall be made against presentation of or, if no further payment falls to be made in respect of such Bonds, against presentation and surrender of, the Global Certificate to or to the order of the Principal Agent or such other Agent as shall have been notified to the Bondholders for this purpose.

All payments in respect of Bonds evidenced by the Global Certificate will be made to, or to the order of the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment. For the purposes of this paragraph, "Clearing System Business Day" means Monday to Friday inclusive, excluding 25 December and 1 January in each year.

For the purpose of any payments made in respect of the Global Certificate, the relevant place of presentation shall be disregarded in the definition of "Business Day" as set out in Condition 8.3.

Notices

So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg or any Alternative Clearing System, notices required to be given to the Bondholders shall be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System, for communication by it to entitled accountholders in substitution for publication and mailing as required by the Conditions. Such notices shall be deemed to have been given in accordance with the Conditions on the date of delivery to Euroclear, Clearstream, Luxembourg or such Alternative Clearing System.

So long as the Bonds are evidenced by the Global Certificate, the Company will be required to give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, of the determination of any Shareholder Determination Date Restriction Period (together with a description of the days included in such Shareholder Determination Date Restriction Period) in accordance with Condition 5.1.4 at least three business days prior to the commencement of such Shareholder Determination Date Restriction Period (provided that no such notice is required where the Shareholder Determination Date Restriction Period in question relates to a Record Date that has been fixed by the Company's Articles of Incorporation then in effect); "business day" in this paragraph means any day on which banks are open for business in Tokyo, Brussels and Luxembourg.

Transfers

Transfers of interests in the Bonds in respect of which the Global Certificate is issued shall be effected through the records of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System, as the case may be, and their respective direct and indirect participants.

Prescription

Claims against the Company for payment in respect of principal and premium (if any) in respect of the Bonds evidenced by the Global Certificate shall become void unless made within a period of 10 years from the appropriate Due Date (as defined in the Conditions).

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for any one or more of Euroclear, Clearstream, Luxembourg and an Alternative Clearing System, the Trustee may, to the extent it considers appropriate to do so in the circumstances, have regard to and rely upon any information made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements to the relevant Bonds evidenced by the Global Certificate, and may consider such interests as if such accountholders were the holder of the relevant Bonds.

Cancellation

Cancellation of any Bond evidenced by the Global Certificate which is required by the Conditions to be cancelled will be effected by reduction in the principal amount of the Bonds in the Register and the endorsement (for information only) of the Global Certificate by the Registrar.

Early Redemption by the Company

The options and obligations of the Company to redeem the Bonds prior to maturity provided for in Conditions 7.2, 7.3, 7.4, 7.5, 7.6 and 7.7 shall be exercised or performed by the Company giving notice (as applicable) to the Trustee, the Principal Agent and the Bondholders within the time limits relating thereto set out in and containing the information required of the Company in accordance with the relevant Condition in accordance with the paragraph entitled "Notices" above.

Election of Bondholders

The election option of the Bondholders provided for in Condition 7.4 may be exercised by the holder of the Bonds evidenced by the Global Certificate by giving notice to the Principal Agent within the time limits relating thereto set out in that Condition and otherwise in accordance with the procedures of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System (as the case may be) in the form acceptable thereto from time to time.

Enforcement

For purposes other than with respect to the payment of principal and premium (if any) on the Bonds in respect of which the Global Certificate is issued, each person who is for the time being shown in the records of Euroclear and Clearstream, Luxembourg or Alternative Clearing System as the holder of a particular principal amount of such Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or Alternative Clearing System as to the principal amount of Bonds in respect of which the Global Certificate is issued standing to the account of any person shall be conclusive and binding for all purposes) shall be recognised as the holder of such principal amount of Bonds.

RECENT BUSINESS

Overview

The Group is one of Japan's leading producers of baby diapers, feminine hygiene products and adult incontinence products and pet care products, with an increasing presence overseas, especially in Asian countries where the Group has attained a leading market share in some of its key markets. Utilising the advanced proprietary non-woven fabric and absorbent material technologies which are the basis for its success in these product categories, the Group manufactures and markets a variety of baby care, feminine care, health care, pet care, household and other products.

In addition to its operations in Japan, the Group conducts manufacturing and/or sales operations of personal care products in many Asian countries such as China, Indonesia, Thailand and India, as well as in other areas around the world such as Saudi Arabia, Egypt and Brazil, and currently provides diapers and feminine care products to customers in roughly 80 countries in the world. With regard to pet care products, the Group conducts manufacturing and sales operations in Japan and the United States.

The Group's personal care products include a number of brand names which have achieved a high degree of acceptance in Japan and increasingly in Asia and other international markets including the *Mamy Poko* and *moony* line of diapers and baby care products, the *Sofy* line of sanitary napkins and panty-liners, the *Center-in* line of sanitary napkins, the *Sofy Soft* line of tampons, the *Lifree* line of adult incontinence products and the *Charm Nap* line of specialised liners for adult incontinence care, as well as *Super 3D Masks* (three-dimensional face masks), *Super Comfortable Masks* (higher comfort face masks) and *Silcot* cosmetic puffs. The Group's pet care products, including the *Aiken Genki*, *Neko Genki*, *Gin no Spoon*, *Gin no Sara* and *Deo-Sheet* brands of products, have also received a high degree of recognition in Japan, while the *Hartz* brand (promoted by The Hartz Mountain Corporation, a consolidated subsidiary of the Company in the United States) is the leading U.S. pet care brand in a number of product categories.

The Group classifies its business activities into the following three reportable segments:

- *Personal care*: This segment is involved in the production and sale of baby care products (the Group's largest product category) such as disposable baby diapers and baby wipes, feminine care products such as sanitary napkins, panty liners, tampons and sanitary underwear, health care products such as disposable adult diapers and masks, and other hygiene and cleaning related products such as cotton puffs, wet tissues, sheet cleaners and kitchen paper towels in Japan and in many Asian countries and as well as in other areas around the world, and currently provides baby diapers and feminine care products to customers in roughly 80 countries in the world. The Group also receives royalty income in respect of the licensing of its intellectual properties in this segment.

- *Pet care*: This segment is involved in the production and sale of pet food aimed at achieving an ideal nutritional balance for each pet in light of its age, physical attributes, physical condition and preferences, and of pet toiletries, with the philosophy of providing pets with a healthy, clean and comfortable life. This segment is also involved in the production and sale of pet care products in the United States under the *Hartz* brand, and is increasing its business to other overseas markets such as China and Taiwan.

- *Others*: This segment consists of the Group's other businesses, including the production and sale of industrial materials and food packaging products.

As at 30 June 2015, the Company had 47 consolidated subsidiaries and two affiliates accounted for by the equity method.

Recent Developments

In June 2015, the Company acquired additional shares of UGHI from Al-Murjan Trading & Industries, which held 44 per cent. of the issued shares of UGHI, at a purchase price of approximately ¥50.7 billion. Following the purchase, the Company's holding of the issued shares of UGHI has increased from 51.0 per cent. to 95.0 per cent.

Change in Fiscal Year-End

From 31 December 2014, the Company changed the last day of its fiscal year from 31 March to 31 December. As the Group's results of operations, financial condition and cash flows as at and for the nine months ended 31 December 2014 are not comparable to the Group's results of operations, financial condition and cash flows as at and for the fiscal year (12 months) ended 31 March 2014, and as the Group's results of operations, financial condition and cash flows as at and for the six months ended 30 June 2015 are not comparable to the Group's results of operations, financial condition and cash flows as at and for the three months ended 30 June 2014 or as at and for the six months ended 30 September 2014, such comparisons have not been made in this Offering Circular. See "Presentation of Financial and Other Information — Change in Fiscal Year-End".

Changes in Accounting Policies, New Accounting Pronouncements and Other Changes

Accounting Standards for Business Combinations and Related Standards and Guidance

Effective from the first quarter of the fiscal ending 31 December 2015, the Company early adopted the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 21 issued on 13 September 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on 13 September 2013) and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issued on 13 September 2013 and others), except for the provision stipulated in Paragraph 39 of ASBJ Statement No. 22. In accordance with this application, the accounting method has been changed to recognise as capital surplus the difference arising from changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, and to recognise acquisition-related costs as expenses in the fiscal period such costs are incurred. In addition, for business combinations carried out on and after 1 January 2015, the accounting method has been changed to reflect adjustments to the amount allocated to acquisition costs arising from the finalisation of the provisional accounting treatment on the quarterly consolidated financial statements of the period in which the date of business combination falls.

In the application of the accounting standards for business combinations and others, the Company followed the transitional treatment stipulated in Paragraph 58-2(4) of ASBJ Statement No. 21, Paragraph 44-5(4) of ASBJ Statement No. 22 and Paragraph 57-4(4) of ASBJ Statement No. 7, effective from the fiscal years commencing 1 January 2015.

As a result, capital surplus as at 30 June 2015 decreased by ¥39,429 million.

In relation to the Company's acquisition of the shares of Unicharm Gulf Hygienic Industries Ltd. on 30 June 2015, the Company accounted for the transaction as a transaction with minority interests, one of the transactions under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on 13 September 2013) and "Guidance on Accounting Standards for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10 issued on 13 September 2013).

Other Changes and New Accounting Pronouncements

See also Notes 3r and 3s to the audited consolidated financial statements for the fiscal year (12 months) ended 31 March 2014 and the nine months ended 31 December 2014 included in this Offering Circular for other recent changes in accounting policies applied by the Company and new accounting pronouncements.

Adjustments of Deferred Tax Assets and Liabilities Due to a Change in the Corporate Income Tax Rates

In line with the promulgation of "Partial Amendments to Income Tax Act, etc." (Act No. 9 of 2015) and "Partial amendments to Local Tax Act, etc." (Act No. 2, 2015) on 31 March 2015, the corporate income tax rates have been reduced from the fiscal years commencing on and after 1 April 2015. As a result, the effective statutory tax rate for computing deferred tax assets and liabilities has been reduced from 35.64 per cent. to 33.06 per cent. for the temporary differences expected to be eliminated in the fiscal year beginning on 1 January 2016 and to 32.26 per cent. for those expected to be eliminated in the fiscal years beginning on and after 1 January 2017. The effect of this change was to decrease deferred tax assets, net of deferred tax liabilities, by ¥275 million and increase income taxes – deferred and net unrealised gains on available-for-sale securities by ¥836 million and ¥759 million, respectively. Remeasurements of defined benefit plans decreased by ¥198 million.

Financial Summary

The following table provides a summary of the results of operations, financial condition and cash flows of the Group for the periods indicated and are derived from the audited consolidated financial statements of the Company as at, and for the fiscal years (12 months) ended, 31 March 2013 and 2014 and as at, and for the nine months ended, 31 December 2014 (see "Presentation of Financial and Other Information — Change in Fiscal Year-End — Financial Reporting Periods" for the period covered by this period), and the unaudited quarterly consolidated financial statements of the Company as at, and for the six months ended, 30 June 2015:

	Twelve months ended/as at 31 March		Nine months ended/as at 31 December	(Unaudited) Six months ended/as at 30 June
	2013	2014	2014[1]	2015
	(millions of yen)			
Income Statement Data:				
Net sales	¥495,771	¥599,456	¥553,662	¥358,810
Cost of sales	268,743	331,808	308,422	199,905
Gross profit	227,028	267,648	245,240	158,905
Selling, general and administrative expenses	167,540	200,408	183,893	124,205
Operating income	59,488	67,240	61,347	34,700
Other income (expenses), net	4,795	662	8,681	(1,912)
Income before income taxes and minority interests	64,283	67,902	70,028	32,788
Income taxes	15,371	23,905	28,867	11,855
Minority interests in net income	5,790	5,781	8,429	5,042
Net income	43,122	38,216	32,732	15,891
Balance Sheet Data:				
Total current assets	210,729	265,191	321,773	303,779
Net property, plant and equipment	163,129	204,417	240,083	249,594
Total investments and other assets	161,197	150,812	137,253	136,180
Total assets	535,055	620,420	699,109	689,553
Total current liabilities	121,547	148,904	190,184	208,684
Total long-term liabilities	84,307	39,364	16,081	16,547
Total net assets	329,201	432,152	492,844	464,322
Cash Flows Data				
Net cash provided by operating activities	68,758	95,660	68,893	40,965
Net cash used in investing activities	(53,304)	(58,220)	(36,742)	(84,965)
Net cash provided by (used in) financing activities	(28,653)	(12,506)	(12,055)	20,610
Cash and cash equivalents, end of period	68,212	97,499	127,045	103,088

Note:

(1) Figures for the nine months ended 31 December 2014 are not comparable with the figures for the fiscal years (12 months) ended 31 March 2013 and 2014. See "Presentation of Financial and Other Information — Change in Fiscal Year-End — Financial Reporting Periods".

The following table provides a summary of the results of operations of the Group for the periods indicated and are derived from the Company's consolidated management accounts for the 12 months ended 31 December 2013 and 2014 and the six months ended 30 June 2014 (see "Presentation of Financial and Other Information — Change in Fiscal Year-End — Management Account Data for Comparison Purposes"), and the unaudited quarterly consolidated financial statements of the Company as at, and for the six months ended, 30 June 2015:

	(Unaudited) (Adjusted) 12 months ended 31 December		**(Unaudited) Six months ended 30 June**	
	2013[(1)]	**2014[(1)]**	**(Adjusted) 2014[(1)]**	**2015[(2)]**
	(millions of yen)			
Income Statement Data:				
Net sales	¥579,015	¥666,258	¥308,624	¥358,810
Of which:				
Personal care	496,877	579,360	267,580	315,956
Pet care	76,744	81,377	38,329	40,278
Others	5,394	5,521	2,715	2,576
Operating income	62,823	76,227	33,137	34,700
Of which:				
Personal care	61,671	72,992	31,985	34,129
Pet care	737	2,885	1,017	441
Others	415	350	134	130

Notes:

(1) Figures in the above table for the 12 months ended 31 December 2013 and 2014 and for the six months ended 30 June 2014 are figures on the Adjusted Basis. See "Presentation of Financial and Other Information — Change in Fiscal Year-End — Management Account Data for Comparison Purposes".

(2) Figures in the above table for the six months ended 30 June 2015 are figures as reported in the unaudited consolidated financial statements of the Company for such period.

Consolidated Results for the Six Months Ended 30 June 2015 and the Six Months Ended 30 June 2014 (Adjusted Basis)

Overview of the Overall Earnings in the Six Months Ended 30 June 2015

In respect of the management environment surrounding the Group during the six months ended 30 June 2015, there was a downturn in consumption in the major countries where the Group operates, due to factors such as stagnation in economy. Despite this, the Group succeeded in increasing its overall market share due to its proactive promotion of personal care products.

In Japan where the economy is turning around slowly, the Group's continuing efforts to promote high value added personal care products helped the Group with maintaining steady sales of its baby care products.

In this environment and under the basic philosophy "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 Group continued to develop products to meet the needs of consumers, using unique non-woven fabric technology while endeavouring to expand the industry.

Results

The Group's consolidated net sales for the six months ended 30 June 2015 amounted to ¥358,810 million, an increase of ¥50,186 million, or 16.3 per cent. from ¥308,624 million for the six months ended 30 June 2014 on the Adjusted Basis. This principally reflected increases in personal care and pet care business segments.

Cost of sales and selling, general and administrative expenses for the six months ended 30 June 2015 amounted to ¥199,905 million and ¥124,205 million, respectively. As a result, the Group's consolidated operating income for the six months ended 30 June 2015 amounted to ¥34,700 million, with an operating margin of 9.7 per cent. This principally reflected an increase in sales which led to an increase in operating income.

Other expenses (net) and income before income taxes and minority interests for the six months ended 30 June 2015 amounted to ¥1,912 million and ¥32,788 million, respectively. Income taxes and minority interests in net income for the six months ended 30 June 2015 amounted to ¥11,855 million and ¥5,042 million respectively, with the result that net income for the six months ended 30 June 2015 amounted to ¥15,891 million.

Results by Business Segment

Personal Care

Net sales to external customers for the personal care segment for the six months ended 30 June 2015 amounted to ¥315,956 million, an increase of ¥48,376 million, or 18.1 per cent. from ¥267,580 million for the six months ended 30 June 2014 on the Adjusted Basis and operating income (before inter-segment eliminations) for the six months ended 30 June 2015 amounted to ¥34,129 million, an increase of ¥2,144 million, or 6.7 per cent. from ¥31,985 million for the six months ended 30 June 2014 on the Adjusted Basis.

Baby Care Products

Overseas, the Group has been working on expanding sales and market share. The Group promoted Internet sales and made stronger efforts to boost sales at baby care specialty shops in China, which is a key market for the Group. Further, the Group actively promoted sales mainly in emerging countries for products with functions that meet the distinct characteristics of each region.

In Japan, the Group introduced its patented technology of "new stretchable fit gather" to the *moony air fit for newborns* small-size to prevent leakage from the back typical for newborns to differentiate its products from a functional aspect. Together with other products such as the *Mamy Poko* series with cute Disney character designs and good absorbent functions, and sub-category products such as pants for children with bed-wetting problems, the Group endeavoured to expand its product line-up and strengthen product relationships.

Feminine Care Products

Overseas, the Group's high-quality products featuring charming designs remain popular with the Chinese younger generation, which is a key market for the Group. In addition to this, sales are expanding in emerging countries as well, and business performance has remained steady.

In Japan, the Group has improved its *Sofy Hada Omoi* series of sanitary napkins that are gentle on sensitive skin during menstruation, and released summer-only products with excellent breathability to allow for comfort during the summer months and rainy season. In this way, the Group has been proposing new value to meet the diversifying needs of women, and is working to revitalise the market.

Health Care Products

In the continually growing domestic market for health care products and in line with the progression of Japan's ageing society, the Group has been actively promoting products that supports being one's usual self and continuing the current lifestyle. In its incontinence care product for men, the Group has been promoting *Lifree Comfortable Thin Pads for Men* devised to deal with preventing leakage and being inconspicuous to wear. Through adopting accessible designs to its *Lifree Freshening Pads* series, the Group has continued its efforts to remove resistance to using these products by conveying that many people have light incontinence, and has been leading the market in the growth for light incontinence and urine leakage care products.

In the nursing care products, the Group has introduced gathers around the waist to allow for easy wear in its *Lifree Rehabilitation Pants*. The Group has been actively promoting its products through TV commercials, its website, over-the-counter consultations at shops, and by creating shelf space at retailers based on daily activities.

Clean and Fresh Products

In the domestic market for clean and fresh products, as living environments and lifestyles change, an increasing number of customers want to clean their homes easily and within a limited time. The Group worked to expand sales and revitalise the market with a box-type wet tissue in the *Silcot Wet Tissues* series that enables users to clean quickly with just one hand, and the *Wave Handy Wiper* series, convenient wipes for cleaning the entire house.

Pet Care

Net sales to external customers for the pet care segment for the six months ended 30 June 2015 amounted to ¥40,278 million, an increase of ¥1,948 million, or 5.1 per cent. from ¥38,329 million for the six months ended 30 June 2014 on the Adjusted Basis and operating income (before inter-segment eliminations) for the six months ended 30 June 2015 amounted to ¥441 million, a decrease of ¥577 million, or 56.7 per cent. from ¥1,017 million for the six months ended 30 June 2014 on the Adjusted Basis.

With the change in the custom of keeping dogs and cats outside to within the living space inside, pets now live together within homes and the needs of consumers have changed to high-quality products. In creating initial markets and promoting the health and long life of both pets and their owners, the Group has been working on developing products and new segments, and has made efforts to expand in this industry.

In the domestic pet toiletry business, sales in *Manner Wear for Female Dogs* which launched in March 2015, and *Soft Scented Deodorising and Antibacterial Deo Toilet Replacement Sheets Eliminates Odor for One Week* for cats, increased steadily.

In the domestic pet food market, the Group launched super gourmet food for dogs that are designed to be warmed by microwave ovens, (*Gin no Sara Warm Kitchen Gourmet Mix*), the first of its kind in the world. In this way, the Group has been creating new markets.

In the North American market, the Group increased sales in its flea and tick pesticides, in addition to sheets for dogs and wet-type cat food.

Others

Net sales to external customers for the others segment for the six months ended 30 June 2015 amounted to ¥2,576 million, a decrease of ¥139 million, or 5.1 per cent. from ¥2,715 million for the six months ended 30 June 2014 on the Adjusted Basis and operating income (before inter-segment eliminations) amounted to ¥130 million for the six months ended 30 June 2015, a decrease of 4 million, or 3.0 per cent. from ¥134 million for the six months ended 30 June 2014 on the Adjusted Basis.

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

Results by Region

For the six months ended 30 June 2015, net sales to external customers in Japan, China and Other Regions (by location of the customers) amounted to ¥132,764 million, ¥172,216 million and ¥53,828 million, respectively, amounting to 37.0 per cent., 48.0 per cent. and 15.0 per cent. of consolidated net sales, respectively.

Consolidated Results for the Nine Months Ended 31 December 2014 (Audited) and the 12 Months Ended 31 December 2014 on the Adjusted Basis (Unaudited)

Overview of the Overall Earnings in the Nine Months Ended 31 December 2014

In respect of the management environment surrounding the Group overseas during the nine months ended 31 December 2014, political unrest in Thailand and some Middle East countries along with currency depreciation in emerging countries caused raw material prices to rise. However, despite this and other factors, sales remained steady backed by economic growth in Asia and the ever-increasing popularity of personal care products primarily in emerging countries.

Meanwhile in Japan, amid some lingering weakness in the economy despite it showing signs of recovery from the government's monetary easing measures, continuing proposals of high value-added personal care products were successful in keeping sales steady.

In this environment and under the basic philosophy "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 Group continued to develop products to meet the needs of consumers, using unique non-woven fabric technology while endeavouring to expand in the industry.

Results

The Group's consolidated net sales for the nine months ended 31 December 2014 amounted to ¥553,662 million. On the Adjusted Basis, the Group's consolidated net sales for the 12 months ended 31 December 2014 amounted to ¥666,258 million, an increase of ¥87,243 million, or 15.1 per cent., from ¥579,015 million for the 12 months ended 31 December 2013. This principally reflected increases in net sales in all business segments.

Cost of sales and selling, general and administrative expenses for the nine months ended 31 December 2014 amounted to ¥308,422 million and ¥183,893 million, respectively. As a result, the Group's consolidated operating income for the nine months ended 31 December 2014 amounted to ¥61,347 million, with an operating margin of 11.1 per cent. On the Adjusted Basis, the Group's consolidated operating income for the 12 months ended 31 December 2014 amounted to ¥76,227 million, an increase of ¥13,404 million, or 21.3 per cent., from ¥62,823 million for the 12 months ended 31 December 2013. This principally reflected an increase in sales of higher value-added baby care products and higher unit price pet care products in Japan, as well as the beneficial effects of a restructuring in the previous fiscal year overseas.

Other income (net) and income before income taxes and minority interests for the nine months ended 31 December 2014 amounted to ¥8,681 million and ¥70,028 million, respectively. Income taxes and minority interests in net income for the nine months ended 31 December 2014 amounted to ¥28,867 million and ¥8,429 million respectively, with the result that net income for the nine months ended 31 December 2014 amounted to ¥32,732 million.

Results by Business Segment

Personal Care

Net sales to external customers and operating income (before inter-segment eliminations) for the personal care segment for the nine months ended 31 December 2014 amounted to ¥486,960 million and ¥58,262 million, respectively. On the Adjusted Basis, the consolidated net sales of the segment for the 12 months ended 31 December 2014 amounted to ¥579,360 million, an increase of ¥82,483 million, or 16.6 per cent., from ¥496,877 million for the 12 months ended 31 December 2013. On the Adjusted Basis, the consolidated operating income of the segment for the 12 months ended 31 December 2014 amounted to ¥72,992 million, an increase of ¥11,321 million, or 18.4 per cent., from ¥61,671 million for the 12 months ended 31 December 2013.

Baby Care Products

Overseas, the Group has been working on expanding sales and market share, actively promoting sales in the main countries it is breaking into for products with functions that meet the distinct characteristics of each region, such as offering single-package baby diapers for ease of purchase in lower-income regions, and promoting pants-type diapers for newborns where the culture of the region prefers pants-type diapers to tape-type at all stages of the baby's growth. The trend of consumers in China, which is a key market for the Group, seeking high-quality products to ensure safety and peace of mind for their babies, prompted the Group's launch of a new premium-type series in the *Mamy Poko* series of baby diapers. As well as the launch of this new series, the Group promoted Internet sales and stronger efforts to boost sales at baby care specialty shops. Further, in India, where further popularisation is anticipated, the Group has been actively promoting sales of low-priced products, and working on expanding its sales areas and product usage.

In Japan, for low-birth-weight infants that are accounting for an increasing ratio of births, from the *moony air fit* series, which makes use of its unique non-woven fabric and absorbency processing as well as forming technology, the Group newly launched the *moony air fit for newborns* small-size (3S), 4S and 5S sizes based on the concept of a product that fits comfortably on the particular posture and delicate skin of such infants. With this new product, the *Mamy Poko* series and sub-category products such as pants for children with bed-wetting problems, the Group endeavoured to expand its product line-up and strengthen relationships.

Feminine Care Products

Overseas, the Group's high-quality products featuring charming designs remain popular with the Chinese younger generation that is a key market. In addition to this, sales are expanding in emerging countries as well, and business performance has remained steady.

In Japan, the Group has been actively promoting its *Sofy Hada Omoi* series of sanitary napkins that are gentle on sensitive skin during menstruation, the *Sofy Super Sound Sleep Ultra Fit Slim* series night-time sanitary napkin designed for ultimate fit and comfort, and the familiar *Center-in* series of napkins in a stylish pouch for fashionable women. In this way, the Group has been proposing new value to meet the diversifying lifestyles of women, and is working to revitalise the market.

Health Care Products

In the continually growing domestic market for health care products and in line with the progression of Japan's ageing society, the Group has been actively promoting its incontinence care product for men *Lifree Comfortable Pads for Men* and the *Charm Nap Funwari Hada* incontinence care product for women that feels less heavy on the skin, and has continued its efforts to remove resistance to using these products by conveying that everyone has light incontinence. In nursing care products, the Group revamped its *Thin and Light Pants* from the *Lifree* series and launched the *Lifree Easy Wear Thin and Light Pants* for providing even more support to the elderly in independently excreting as needed. Further, in response to growing requests for comfort and a good tape fit regarding tape-type diapers used often by people who are confined to their bed, the Group launched the *Lifree Stretch Fit Thin and Light Tape Type* nursing care product. In this way, the Group has been leading the market growth for light incontinence and urine leakage care products and actively promoting its products through TV commercials, its website, over-the-counter consultations at shops, and by creating shelf space at retailers based on daily activities.

Clean and Fresh Products

In the domestic market for clean and fresh products, as living environments and lifestyles change, an increasing numbers of customers want to clean their homes easily and within a limited time. The Group worked to expand sales and revitalise the market with a box-type wet tissue in the *Silcot Wet Tissues* series that enables users to clean quickly with just one hand, and the *Wave Handy Wiper* series, convenient wipes for cleaning the entire house.

Pet Care

Net sales to external customers and operating income (before inter-segment eliminations) for the pet care segment for the nine months ended 31 December 2014 amounted to ¥62,565 million and ¥2,810 million, respectively. On the Adjusted Basis, the consolidated net sales of the segment for the 12 months ended 31 December 2014 amounted to ¥81,377 million, an increase of ¥4,633 million, or 6.0 per cent., from ¥76,744 million for the 12 months ended 31 December 2013. On the Adjusted Basis, the consolidated operating income of the segment for the 12 months ended 31 December 2014 amounted to ¥2,885 million, an increase of ¥2,148 million, or 291.5 per cent., from ¥737 million for the 12 months ended 31 December 2013.

In striving towards realising a society where humans and pets can coexist productively, based on the two major themes of promoting the health and long life of both pets and their owners and facilitating segmentation, the Group has been working on developing products focused on consumer needs and cultivating new markets, and has made efforts to revitalise the market and promote sales.

In the domestic pet food market, the Group has prepared a comprehensive line-up of products to meet the physical changes of pets as they age, with a focus on promoting their long life. In the dog food market, which is seeing the progressive ageing of small dogs, the Group has enhanced the range of products to meet the needs of ageing dogs in the *Best Balance* series for each dog type and the *Dog Selection* series, and has also added food for dogs aged 13 years and over to the *Aiken Genki Grand Deli* series and the *Gin no Sara* series as well. Through this, the Group is striving to meet the increasingly specific needs and preferences of ageing dogs. In the cat food market, as the wet-type food market continues to enjoy strong growth, the Group has also added food for cats aged 13 and 15 years and over to the *Gin no Sara* series, and has also newly launched the *Neko Genki Easy-to-Eat Food for Cats* aged 15 years and over in the *Neko Genki* series as well. In this way, the Group has been meeting the needs of ageing pets.

In the domestic pet toiletry business, which has its core market as excretion care products to help create a clean and comfortable shared living environment for owners and their pets, the Company has achieved stable growth through its routine efforts to enhance the appeal of existing products. In excretion care for dogs, the Company has newly launched the *Manner Wear for Male Dogs*, which are special clothes for dogs designed to meet the growing need for excretion care while taking pets outside, and is creating a new market in this way. At the same time, the Group is striving to address the needs of pet owners by enhancing its non-scented deodorising sheet products in the *Deo Sheet* series. It has also expanded the line-up of excretion care products for cats by adding the *Soft Scented Deodorising and Antibacterial Deo Toilet Replacement Sheets Eliminates Odor for One Week* to the *Deo Toilet* series.

In the North American market, the Group has stepped up sales promotions for its flea and tick pesticides, while the ongoing expansion of market share of scented sheets for dogs featuring the Group's own technology and additions to the scented cat litter product line-up have contributed to stable growth.

Others

Net sales to external customers and operating income (before inter-segment eliminations) for the others segment for the nine months ended 31 December 2014 amounted to ¥4,137 million and ¥253 million, respectively. On the Adjusted Basis, the consolidated net sales of the segment for the 12 months ended 31 December 2014 amounted to ¥5,521 million, an increase of ¥127 million, or 2.4 per cent., from ¥5,394 million for the 12 months ended 31 December 2013. On the Adjusted Basis, the consolidated operating income of the segment for the 12 months ended 31 December 2014 amounted to ¥350 million, a decrease of ¥65 million, or 15.7 per cent., from ¥415 million for the 12 months ended 31 December 2013.

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

Results by Region

For the nine months ended 31 December 2014, net sales to external customers in Japan, China and Other Regions (by location of the customers) amounted to ¥198,746 million, ¥116,821 million and ¥238,095 million, respectively, amounting to 35.9 per cent., 21.1 per cent. and 43.0 per cent. of consolidated net sales, respectively.

Financial Condition

Consolidated Balance Sheet as at 30 June 2015 Compared to Consolidated Balance Sheet as at 31 December 2014

Total assets as at 30 June 2015 were ¥689,553 million, a decrease of ¥ 9,556 million, or 1.4 per cent., compared to ¥699,109 million as at 31 December 2014. This was mainly due to decreases of ¥23,957 million in cash and cash equivalents and ¥7,231 million in notes and accounts receivable – trade, while investment securities increased by ¥5,345 million.

Total liabilities as at 30 June 2015 were ¥225,231 million, an increase of ¥18,967 million, or 9.2 per cent., compared to ¥206,265 million as at 31 December 2014. This principally reflected increases of ¥25,183 million in short-term debt (including current portion of long-term debt), while other current liabilities decreased by ¥3,894 million and notes and accounts payable - trade decreased by ¥3,187 million.

Net assets as at 30 June 2015 were ¥464,322 million, a decrease of ¥28,522 million, or 5.8 per cent., compared to ¥492,844 million as at 31 December 2014, reflecting decrease of ¥39,476 million in capital surplus.

Equity ratio decreased from 60.0 per cent. as at 31 December 2014 to 57.9 per cent. as at 30 June 2015.

Consolidated Balance Sheet as at 31 December 2014 Compared to Consolidated Balance Sheet as at 31 March 2014

Total assets as at 31 December 2014 were ¥699,109 million, an increase of ¥78,689 million, or 12.7 per cent., compared to ¥620,420 million as at 31 March 2014. This was mainly due to increases of ¥32,560 million in cash and cash equivalents, of ¥24,606 million in machinery and equipment (net), and of ¥20,876 million in notes and accounts receivable - trade.

Total liabilities as at 31 December 2014 were ¥206,265 million, an increase of ¥17,997 million, or 9.6 per cent., compared to ¥188,268 million as at 31 March 2014. This principally reflected increases of ¥20,271 million in short-term debt and ¥13,153 million in notes and accounts payable - trade, while long-term debt decreased by ¥15,579 million.

Net assets as at 31 December 2014 were ¥492,844 million, an increase of ¥60,692 million, or 14.0 per cent., compared to ¥432,152 million as at 31 March 2014, reflecting increases of ¥32,732 million in net income and increase of ¥23,309 million in foreign currency translation adjustments.

Equity ratio decreased from 60.3 per cent. as at 31 March 2014 to 60.0 per cent. as at 31 December 2014.

Liquidity and Capital Resources

Cash Flows for the Six Months Ended 30 June 2015

Net cash provided by operating activities for the six months ended 30 June 2015 amounted to ¥40,965 million, principally reflecting ¥32,788 million in income before income taxes and minority interests and ¥13,359 million in depreciation, partially offset by ¥7,543 million in income taxes paid.

Net cash used in investing activities for the six months ended 30 June 2015 amounted to ¥84,965 million, principally reflecting ¥50,695 million in payment for purchase of investments in affiliates, ¥22,979 million in payment for acquisition of property, plant and equipment and ¥13,786 million in purchase of time deposits.

Net cash provided by financing activities for the six months ended 30 June 2015 amounted to ¥20,610 million, principally reflecting ¥26,501 million in increase in short-term bank loans, partially offset by ¥3,838 million in cash dividends paid, ¥1,204 million in cash dividends paid to minority interests and ¥1,000 million in repayments of long-term debt.

As a result, cash and cash equivalents at 30 June 2015 amounted to ¥103,088 million, a decrease of ¥23,957 million from 31 December 2014.

Cash Flows for the Nine Months Ended 31 December 2014

Net cash provided by operating activities for the nine months ended 31 December 2014 amounted to ¥68,893 million, principally reflecting ¥70,028 million in income before income taxes and minority interests, ¥20,394 million in depreciation, ¥14,685 million in income taxes paid and ¥13,584 million increase in notes and accounts receivable - trade.

Net cash used in investing activities for the nine months ended 31 December 2014 amounted to ¥36,742 million, principally reflecting ¥42,304 million in payment for acquisition of property, plant and equipment, ¥5,580 million in proceeds from withdrawal of time deposits and ¥3,791 million in proceeds from sales of investment securities.

Net cash used in financing activities for the nine months ended 31 December 2014 amounted to ¥12,055 million, principally reflecting ¥8,008 million in purchase of treasury stock, ¥7,835 million in cash dividends paid and ¥5,508 million in proceeds from long-term debt.

As a result, cash and cash equivalents at 31 December 2014 amounted to ¥127,045 million, an increase of ¥29,546 million from 31 March 2014.

Funding

The Group continues to adhere to a policy of maintaining appropriate liquidity by securing the funds necessary to conduct its operations and ensuring the soundness of its balance sheet.

The Group derives the funds it requires for its operations principally from cash flows from operations.

As at 31 December 2014, the Group's short-term debt (including current portion of long-term debt) and long-term debt amounted to ¥27,980 million and ¥5,421 million, respectively. As at 30 June 2015, the Group's short-term debt (including current portion of long-term debt) and long-term debt amounted to ¥53,162 million and ¥5,320 million, respectively. ¥30 billion of the short-term debt as at 30 June 2015 related to borrowings from financial institutions, borrowed to partially cover the costs of the acquisition by the Company in June 2015 of an additional 44 per cent. of the issued share capital of UGHI, which the Company intends to repay with a part of the proceeds of the issue of the Bonds (see "Use of Proceeds").

Capital Expenditures

The following table gives information with respect to the Group's capital expenditures (on an accrual basis) by business segment for the periods indicated:

	Twelve months ended 31 March		Nine months ended 31 December
	2013	2014	2014[(1)]
		(millions of yen)	
Personal care	¥50,920	¥49,788	¥40,110
Pet care	1,325	2,009	1,544
Others	95	111	103
Total consolidated capital expenditures	¥52,340	¥51,908	¥41,757

Note:

(1) Figures for the nine months ended 31 December 2014 are not comparable with the figures for the 12 months ended 31 March 2013 and 2014. See "Presentation of Financial and Other Information — Change in Fiscal Year-End — Financial Reporting Periods".

Capital expenditure for the fiscal years (12 months) ended 31 March 2013 and 2014 and the nine months ended 31 December 2014 was funded mainly through internally generated funds.

In the fiscal years (12 months) ended 31 March 2013 and 2014 and the nine months ended 31 December 2014, capital expenditure for the Group included those relating to increasing the manufacturing capabilities of the Group's baby and adult diaper and feminine care products and pet care products, as well as in making the Group's manufacturing machinery more efficient.

For the fiscal year ending 31 December 2015, the Group estimates that its capital expenditure will amount to around ¥53 billion. The Group expects to focus its capital expenditure for the fiscal year ending 31 December 2015 on generally increasing its manufacturing capabilities, in particular in the personal care segment, making further investment in plants and equipment in India. The Group's actual capital expenditure and its application may differ from the above plans and estimates.

Related Party Transactions

See Note 21 to the notes to the audited consolidated financial statements of the Company for the nine months ended 31 December 2014 in relation to certain related party transactions between the Company, its consolidated subsidiaries and the Company's related parties.

USE OF PROCEEDS

The net proceeds from the issue of the Bonds are estimated to amount to approximately ¥54.6 billion, and are expected to be used primarily as follows:

(i) ¥30 billion for the repayment (on 29 September 2015) of short-term borrowings from financial institutions borrowed to partially cover the costs of the acquisition by the Company in June 2015 of an additional 44 per cent. of the issued share capital of UGHI from one of UGHI's minority shareholders at a purchase price of approximately ¥50.7 billion; and

(ii) the balance as capital for investment by the end of December 2017 within India by UC India for planned capital expenditures relating to the building of new factories for manufacturing baby care and feminine care products, the expansion of production floor space and the increase in production equipments. Such capital expenditures will be funded through investment and loan from the Company to UC India.

CAPITALISATION AND INDEBTEDNESS

The following table sets out the Company's capitalisation and indebtedness as at 30 June 2015, which has been extracted without material adjustment from the Company's unaudited quarterly consolidated financial statements as at the same date, and as adjusted to give effect to the issue of the Bonds:

	As at 30 June 2015[1]	
	Actual	**As adjusted**
	(millions of yen)	
Short-term debt[2]:		
Short-term bank loans[3]	¥32,162	¥32,162
Current portion of long-term debt	21,000	21,000
Total short-term debt[3]	53,162	53,162
Long-term debt[4]:		
Long-term debt	5,320	5,320
The Bonds now being issued	—	50,000
Total long-term debt	5,320	55,320
Net Assets:		
Shareholders' equity:		
Common stock:		
Authorised: 827,779,092 Shares		
Issued: 620,834,319 Shares as at 30 June 2015[6]	15,993	15,993
Capital surplus	6,883	6,883
Retained earnings	346,604	346,604
Less: Treasury stock — at cost (19,756,747 Shares)	(28,266)	(28,266)
Total shareholders' equity	341,214	341,214
Accumulated other comprehensive income:		
Net unrealised gains on available-for-sale securities, net of tax	15,526	15,526
Net deferred losses on derivatives under hedge accounting, net of tax	47	47
Land revaluation surplus, net of tax	(157)	(157)
Foreign currency translation adjustments	47,014	47,014
Remeasurements of defined benefit plans, net of tax	(4,108)	(4,108)
Total accumulated other comprehensive income	58,322	58,322
Stock acquisition rights	210	210
Minority interests	64,576	64,576
Total net assets	464,322	464,322
Total capitalisation and indebtedness[7][8]	¥458,228	¥508,228

Notes:

(1) The above table should be read in conjunction with the unaudited quarterly consolidated financial statements of the Company as at and for the six months ended 30 June 2015 contained herein.

(2) As at 30 June 2015, ¥0 of the Company's consolidated short-term debt was secured and/or guaranteed.

(3) As mentioned in "Use of Proceeds", the Company intends to repay ¥30 billion of its short-term bank borrowings with the proceeds of the issue of the Bonds. Such repayment will have the effect of decreasing the amount of the Group's short-term bank loans and total capitalisation and indebtedness. Such potential changes are not reflected in the above table.

(4) As at 30 June 2015, ¥3,192 million of the Company's consolidated long-term debt was secured and/or guaranteed.

(5) As at 30 June 2015, the Group had ¥0 of contingent liabilities.

(6) All of the issued Shares are fully-paid and non-assessable.

(7) Total capitalisation and indebtedness is a total of total short-term debt, total long-term debt and total net assets, but excludes minority interests.

(8) On 26 August 2015, the Company borrowed ¥11,000 million from financial institutions.

(9) Other than as set out above, there has been no material change in the Company's consolidated capitalisation, indebtedness, contingent liabilities and guarantees since 30 June 2015.

INFORMATION CONCERNING THE SHARES

Changes in Issued Share Capital

The Company has an authorised share capital of 827,779,092 Shares, of which 620,834,319 Shares were in issue as at 30 June 2015. The following table shows the changes in the issued share capital of the Company as of the dates/periods indicated below:

Date	Type of issue	Number of Shares issued	Total number of Shares in issue
1 October 2010	Three-for-one stock split	137,963,182	206,944,773
1 October 2014	Three-for-one stock split	413,889,546	620,834,319

As at 30 June 2015, there has been no change in issued share capital of the Company since 1 October 2014.

Dividends

Under the Articles of Incorporation, a year-end dividend may be distributed to shareholders of record as at 31 December of each year (prior to the nine months ended 31 December 2014, as at 31 March of each year) and an interim dividend may be distributed to shareholders of record as at 30 June of each year (prior to the nine months ended 31 December 2014, as at 30 September of each year), both pursuant to a resolution of the Board of Directors. The Company may also make dividends other than those described above by a resolution of the Board of Directors subject to certain restrictions. See "Description of the Shares and Certain Regulations". The payment of dividends will also be subject to other factors including legal restrictions with respect to the payment of dividends. See "Description of the Shares and Certain Regulations — Distributions of Surplus".

The following table shows the cash dividends on the Shares paid by the Company to shareholders or pledgees appearing on the register of shareholders as at the dates indicated below:

Record date	Dividends per Share(1)
	(Yen)
31 March 2011	14.0
30 September 2011	16.0
31 March 2012	16.0
30 September 2012	17.0
31 March 2013	17.0
30 September 2013	18.0
31 March 2014	20.0
30 September 2014	19.0
31 December 2014	6.4
30 June 2015	7.4

Note:

(1) The amounts of dividends per Share set out in the above table are actual amounts paid per Share, unadjusted for the three-for-one stock split that took effect on 1 October 2014.

The Company considers the payment of dividends to shareholders to be an important management policy and therefore works to enhance corporate value through the generation of positive cash flows. In addition, the Company is aiming to achieve 15 per cent. or higher return on equity (see "Forward-Looking Statements" and "Investment Considerations — The Implementation of the Group's Vision, Management Plan and Strategies May Affect the Group's Business and Growth" for cautions with regard to such forward-looking statements) and to maintain its policy of increasing dividend payments in a stable and continuous manner in terms of both cash flows and profits, while making efforts to aggressively expand business investment for strengthening and growing corporate structure to improve profitability. The Company's current shareholder return policy is to make stable and ongoing dividend payments based on medium- and long-term consolidated earnings growth, while prioritising business investments to realise continual growth. The Company is targeting a total shareholder return (comprising of both cash dividends and repurchases of Shares by the Company) equivalent to 50 per cent. of consolidated net income, by flexibly acquiring treasury shares as required. The payment of dividends will also be subject to other factors including legal restrictions with respect to the payment of dividends.

Japanese Stock Market and Price Range of the Shares

The Shares are listed on the First Section of the Tokyo Stock Exchange. The following table shows the highs and lows of the reported sales prices of the Shares on the Tokyo Stock Exchange (adjusted for the three-for-one stock split that took effect on 1 October 2014, as if such stock split took effect on 1 January 2011) as well as the highs and lows of the closing Nikkei Stock Average and the closing level of the Tokyo Stock Price Index ("TOPIX"), for the periods indicated:

	Price per Share		Nikkei Stock Average		TOPIX	
Calendar Year	**High**	**Low**	**High**	**Low**	**High**	**Low**
	(yen)		(yen)		(points)	
2011[1]	¥1,273.33	¥896.67	¥10,857.53	¥8,160.01	974.63	706.08
2012[1]	1,548.33	1,248.33	10,395.18	8,295.63	872.42	695.51
2013[1]	2,230.00	1,500.00	16,291.31	10,486.99	1,302.29	871.88
2014:						
First quarter[1]	2,026.67	1,731.33	16,121.45	14,008.47	1,306.23	1,139.27
Second quarter[1]	2,149.67	1,803.67	15,376.24	13,910.16	1,269.04	1,132.76
Third quarter	2,500.50	2,017.00	16,374.14	14,778.37	1,346.43	1,228.26
Fourth quarter	3,010.00	2,358.50	17,935.64	14,532.51	1,447.58	1,177.22
2015:						
First quarter	3,398.00	2,850.00	19,754.36	16,795.96	1,592.25	1,357.98
Second quarter	3,265.00	2,590.00	20,868.03	19,034.84	1,679.89	1,528.99
Third quarter (up to 8 September)	3,145.00	2,186.00	20,841.97	17,427.08	1,691.29	1,416.71

Note:

(1) The prices per share for periods prior to (and including) 25 September 2014 (being the last trading day before the shares became ex-rights as regards the stock split) has been adjusted for the three-for-one stock split that took effect on 1 October 2014, as if such stock split took effect on 1 January 2011.

On 8 September 2015, the reported closing price of the Shares on the Tokyo Stock Exchange was ¥2,189.5 per Share. The closing Nikkei Stock Average and TOPIX on the same date were ¥17,427.08 and 1,416.71, respectively.

Principal Shareholders and Distribution of Shares

As at 31 December 2014, the Company had 36,297 shareholders of record.

The 10 largest shareholders of record, the number of Shares held by them and their shareholding percentages as at 30 June 2015 were as follows:

Shareholder	Number of Shares held	Percentage of total Shares in issue
	(thousands)	**(per cent.)**
Unitec Corporation[2]	154,957	24.96%
Takahara Kikin K.K.[3]	28,080	4.52
The Master Trust Bank of Japan, Ltd. (Trust Account)	18,466	2.97
The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust Account (The Hiroshima Bank, Ltd. Account))	17,287	2.78
Japan Trustee Services Bank, Ltd. (Trust Account)	15,511	2.50
The Iyo Bank. Ltd. (standing proxy: Trust & Custody Services Bank, Ltd.)	15,300	2.46
The Bank of New York Mellon as depositary bank for depositary receipt holders (standing proxy: Mizuho Bank, Ltd.)	12,811	2.06
Nippon Life Insurance Company	12,189	1.96
State Street Bank and Trust Company 5050411 (standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	8,927	1.44
HSBC Bank plc Account Saudi Arabian Monetary Agency Eleven (standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	7,692	1.24
Total	291,220	46.91%

Notes:

(1) The Company held treasury stock of 19,757 thousand Shares as at 30 June 2015 which are excluded from the above table.

(2) As of 31 December 2014, Unitec Corporation's voting rights are held as follows: Mr. Takahisa Takahara (Representative Director, President and Chief Executive Officer of the Company): 0.7 per cent. (direct holding); close relatives of Mr. Keiichiro Takahara (Director and Founder of the Company): 1.5 per cent. (direct holding) and 97.8 per cent. (indirect holding).

(3) Mr. Keiichiro Takahara is the President of Takahara Kikin K.K.

(4) The FIEA requires any person who has become, beneficially and solely or jointly, a holder of more than 5 per cent. of the total issued voting Shares to file a report concerning such shareholdings with the director general of a competent Local Finance Bureau, and also requires such person to file a similar report concerning one per cent. or more changes in such substantial shareholdings or any changes in material matters set out in the reports previously filed (see "Description of the Shares and Certain Regulations — Reporting of Substantial Shareholders").
As at 8 September 2015, the Company has not received any such reports in respect of holdings or changes in holdings of the Shares since 1 July 2015.

(5) Except as stated above, the Company is not aware of any change in the information provided above.

The ownership distribution of the Shares by category of shareholders of record of the Company as at 31 December 2014 was as follows:

Category	Number of Shareholders	Number of Shares held	Percentage of total Shares in issue
		(hundreds)	**(per cent.)**
Japanese financial institutions	83	1,385,899	22.33%
Japanese financial instruments business operators	60	36,625	0.59
Other Japanese corporations	289	2,007,386	32.34
Foreign corporations and others (including foreign individuals)	581	2,078,020	33.47
Japanese individuals and others[1]	35,284	699,504	11.27
Total	36,297	6,207,434	100.00%

Note:

(1) 20,036,933 Shares held as treasury stock by the Company are included (as 200,369 units of Shares) in Japanese individual investors and others.

As at 31 December 2014, the Company's Directors together directly held 5,817,300 Shares, representing 0.94 per cent. of total Shares in issue as at that date.

As at 31 December 2014, Mr. Takahisa Takahara (Representative Director, President and Chief Executive Officer of the Company) and Mr. Keiichiro Takahara (the Founder and Director of the Company; father of Mr. Takahisa Takahara) directly held 0.59 per cent. and 0.29 per cent., respectively, of the total Shares in issue as at that date. Further, Mr. Takahisa Takahara, Mr. Keiichiro Takahara and their families directly or indirectly own 100 per cent. of the issued shares of Unitec Corporation, being the largest shareholder of the Company (according to the information in the register of the Company's shareholders as at 30 June 2015). Accordingly, Mr. Takahisa Takahara, Mr. Keiichiro Takahara and their families are in a position to exercise a certain amount of control over matters requiring shareholder approval. Other than as set out above, the Company is not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

Stock Repurchase Programme

The Company is permitted to acquire Shares under certain circumstances; see "Description of the Shares and Certain Regulations — Acquisition of Shares by the Company". The Company repurchases Shares from the market on a continuing basis in order to provide returns to shareholders.

The following table sets forth the acquisition of Shares effected by the Company during the months indicated (excluding repurchases of Shares comprising less than one unit at the request of the holders thereof):

Period	Number of Shares Acquired	Aggregate Acquisition Cost
		(yen)
1 February 2011 to 28 February 2011	2,360,000	¥7,580,351,500
1 February 2012 to 23 March 2012	2,175,400	8,999,814,994
1 February 2013 to 22 March 2013	2,064,500	10,999,499,988
3 February 2014 to 24 March 2014	2,115,900	11,999,649,382
11 August 2014 to 10 October 2014	3,496,500[1]	7,999,344,999

Note:

(1) Adjusted to take into account the three-for-one stock split that took place on 1 October 2014, as if such stock split took place at the beginning of the period indicated.

See also "— Proposed Share Repurchase by the Company" below.

Proposed Share Repurchase by the Company

The Company announced on 8 September 2015 that it intends to repurchase up to 6 million Shares (amounting to approximately 1.0 per cent. of the issued Shares (excluding treasury stock) as at 30 June 2015) at a maximum cost of ¥13 billion from the market in the Share Repurchase Period (from and including 9 September 2015 to and including 30 November 2015) as part of the Company's continued implementation of its stock repurchase programme. The Company has decided to repurchase such Shares with a view to further enhancing the return of profits to shareholders, as well as enabling the Company to implement flexible capital policies adapted to changes in the management environment. The Company intends to implement such share repurchase on the auction market of the Tokyo Stock Exchange from time to time during the Share Repurchase Period. As the amount which the Company is able to repurchase is completely dependent on the price and the number of Shares available for sale on the auction market at the relevant time, there can be no assurance that such share repurchase will be executed in full or at all. The Company intends to announce the results of such share repurchase as and when appropriate (such as at the completion of the repurchase, or at the end of the Share Repurchase Period, as the case may be).

Stock Acquisition Rights

See "Management and Employees — Stock Option Plans".

BUSINESS

Overview and History

The Group is one of Japan's leading producers of baby diapers, feminine hygiene products and adult incontinence products and pet care products, with an increasing presence overseas, especially in Asian countries where the Group has attained a leading market share in some of its key markets. Utilising the advanced proprietary non-woven fabric and absorbent material technologies which are the basis for its success in these product categories, the Group manufactures and markets a variety of baby care, feminine care, health care, pet care, household and other products.

In addition to its operations in Japan, the Group conducts manufacturing and sales or sales operations of personal care products in many Asian countries such as China, Indonesia, Thailand and India, as well as in other areas of the world such as Saudi Arabia, Egypt and Brazil, and currently provides diapers and feminine hygiene products to customers in roughly 80 countries in the world. With regard to pet care products, the Group conducts manufacturing and sales operations in Japan and the United States, and has been working to increase its sales to other overseas markets such as China and Taiwan.

The Group's personal care products include a number of brand names which have achieved a high degree of acceptance in Japan and increasingly in Asia and other international markets including the *Mamy Poko* and *moony* line of diapers and baby care products, the *Sofy* line of sanitary napkins and panty-liners, the *Center-in* line of sanitary napkins, the *Sofy Soft* line of tampons, the *Lifree* line of adult incontinence products and the *Charm Nap* line of specialised liners for adult incontinence care, as well as *Super 3D Masks* (three-dimensional face masks), *Super Comfortable Masks* (higher comfort face masks) and *Silcot* cosmetic puffs. The Group's pet care products, including the *Aiken Genki*, *Neko Genki*, *Gin no Spoon*, *Gin no Sara* and *Deo-Sheet* brands of products, have also received a high degree of recognition in Japan, while the *Hartz* brand (promoted by The Hartz Mountain Corporation, a consolidated subsidiary of the Company in the United States) is the leading U.S. pet care brand in a number of product categories.

The Company was founded in 1961 in Ehime, Japan as a manufacturer of building materials. In 1963, the Company repositioned its product focus and started manufacturing feminine hygiene products, changed its name to Unicharm Corporation in 1974 and in 1978, it expanded its product line to include cosmetic puffs sold under the *Silcot* brand name, a brand which continues to enjoy popularity in Japan. In 1981, the Group expanded its operations into the baby diaper market with the introduction of *moony* brand anti-leak diapers. In 1987, the Group introduced adult diapers to its product line with the *Lifree* brand. A year previously in 1986, the Group entered into the pet care business.

In 1984, the Group commenced the expansion of its business into the overseas markets, establishing a consolidated subsidiary of the Company in Taiwan, followed by another consolidated subsidiary in Thailand in 1987, in each case in order to enter into joint ventures with local companies. This was followed by an alliance with Gulf Hygienic Industries in Saudi Arabia in 1993 (the Company later acquired the company in 2005). In the 1990s and 2000s, the Group continued its overseas expansion, establishing joint ventures or acquiring companies in South Korea, the Philippines and Australia, and establishing and growing its manufacturing capabilities in Indonesia, India and China.

In June 2010, the Company completed a tender offer for its then listed subsidiary, Unicharm PetCare Corporation, which was merged into the Company on 1 September 2010, and in December 2011, the Company acquired 51 per cent. of the issued shares of The Hartz Mountain Corporation, a major pet care product manufacturer in the United States. The Group continued its overseas expansion in the personal care business as well, establishing a manufacturing base in Brazil in May 2011, and in September 2011, the Company (through its Thai subsidiary) acquired 95.0 per cent. of the issued shares of Diana Joint Stock Company in Vietnam, a major manufacturer of feminine care and baby care products in the region. In April 2013, the Company acquired all of the issued shares of CFA International Paper Products Pte. Ltd., which then owned 88 per cent. of the issued shares of Myanmar Care Products Ltd., and in August of the same year acquired a further 10 per cent. of the issued shares of Myanmar Care Products Ltd. and renamed it as MYCARE Unicharm Co., Ltd. The Group continues to be active in its overseas expansion in line with its strategy of focusing on priority countries and region (see "— Strategy — Ninth Medium-Term Management Plan — Channelling resources into priority countries and regions").

The Company's Shares were first listed on the Second Section of the Tokyo Stock Exchange in 1976, and have been listed on the First Section of the Tokyo Stock Exchange since 1985.

The Company's registered office is located at 182 Shimobun, Kinsei-cho, Shikokuchuo-shi, Ehime 799-0111, Japan. The Company's head office is located at Sumitomo Fudosan Mita Twin Building, West Wing, 5-27, Mita 3-chome, Minato-ku, Tokyo 108-8575, Japan.

Strategy

The Group has established the management philosophy that it will contribute to creating a better quality of life for everyone by offering the finest products and services to the market and customers, both in Japan and abroad. The Group endeavours to be a leader in every market in which it competes. The Group's member companies operate under the corporate philosophy of "NOLA&DOLA" (Necessity of Life with Activities & Dreams of Life with Activities), aiming to make full use of the Group's processing and forming technologies of non-woven fabrics and absorbent materials which the Group has long developed since the Company's establishment.

G20 Long-Term Vision

The Group announced its long-term vision for 2020 (the "G20 plan") in April 2014. The long-term vision under the G20 plan is based on the concept of three 15 per cent. targets: delivering sales growth of 15 per cent. year on year while increasing profitability and capital efficiency to achieve an operating income to net sales ratio of 15 per cent. and return on equity of 15 per cent. (see "Forward-Looking Statements" and "Investment Considerations — The Implementation of the Group's Vision, Management Plan and Strategies May Affect the Group's Business and Growth" for cautions with regard to such forward-looking statements).

Ninth Medium-Term Management Plan

The Group is currently implementing its Ninth Medium-Term Management Plan covering the period from April 2014 to December 2016. The Group sees the potential for continued strong growth in target business fields worldwide in both advanced and emerging markets. Supported by these conditions, the Group is aiming to accelerate the globalisation of its business to drive rapid growth. This objective is incorporated into its Ninth Medium-Term Management Plan as well as the G20 plan long-term vision. The Group aims to continue to strengthen the implementation of its strategy in core business areas and regions in order to attain its management targets.

In this regard, the Group is currently pursuing the following major five strategies:

Channelling resources into priority countries and regions

Overseas

In line with the economic growth in Asia, the Group expects the usage of baby diapers and feminine hygiene products to continue to grow. The Group intends to channel its management resources actively into the Asian region, aiming at further growth. In the medium to long term, the Group has placed China and India as its greatest focal markets, and intends to attain further penetration of its baby diapers and feminine hygiene products while expanding the areas of its entry.

Further, the Group has been actively employing local women in Asia, in addition to supporting actions for improvement of hygiene, including programmes for educating women about menstruation to promote the spreading of proper knowledge of women's menstrual mechanism and female hygiene products. The Group believes that supporting the active life and social advancement of women in developing countries will lead to the development of such country and region, and as a result lead to an expansion in demand for essential commodities such as the Group's products, as well as a higher recognition of the Unicharm brand.

With certain regions in Asia experiencing a society ageing even faster than Japan, the Group believes that the demand for adult incontinence care products will increase. The Group is aiming to introduce in Asia the "care model" which it has established in Japan.

In China, as demand for disposable baby diapers and feminine hygiene products are increasing in urban areas (including inland cities) in line with increases in personal incomes, the Group has been expanding its sales reach into such inland markets. In recent years, in line with the growth in urban markets, demand for high unit price, high value added products has been increasing in China. In response, the Group has launched premium disposable baby diapers for the market to complement its existing range of standard and economy products. In particular, with the increase in personal incomes, there has been an increasing trend towards parents preferring to use high-quality disposable baby diapers, with a particular increase in demand for the pants-type diapers which are easy to put on active babies. As such, the Group is actively promoting sales of premium-type and pants-type baby diapers in the coastal urban areas where incomes are higher. In the standard-type market, China's largest disposable diaper market, the Group is offering new value propositions, such as different designs for boys and girls, thinner diapers and new products that offer significant improvements in absorbency. These new products are supporting steady sales in the standard baby diaper market. In terms of feminine hygiene products, the Group's products have been accepted by the younger generation in China through its high quality and attractiveness of design. The Group has been promoting its premium-type product marketing in inland cities, in addition to coastal areas, working towards further brand recognition and greater market share.

In Indonesia, the Group's sales has been increasing at an average annual rate of over 40 per cent. (on a local currency basis) since 2005. In the baby care business, the *Mamy Poco Standar* medium-range disposable baby diapers have proven popular, with the Group gaining further market share through product renewals and expansion of sales areas. In the feminine care business, the Group's products adapted for local preferences and kindness to the skin have been well received, gaining market share for the Group. In Indonesia, where it is said that there are around 3,000 inhabited islands, the Group believes that it would be essential to accelerate supply from the core Jakarta area to the regional cities to the East and the other islands. As such, the Group commenced operation of a third factory in Indonesia (in Surabaya, East Java) in 2013, creating a distribution system that can rapidly deliver products to East Java and North Sumatra. With other companies entering the market, while competition for baby diapers and feminine hygiene products is expected to intensify, the Group also believes that this will lead to further penetration of these products within the region. The Group intends to leverage on its strengths based on strong brand recognition in order to further strengthen the distribution network in regional areas, with a view to expanding its market share. The Group is also expanding its share in the adult diaper market in Indonesia, and is working to build its position by promoting its pants-type products, where the Group has its strengths.

The Group has a leading market share in both baby care and feminine care markets in Thailand. Having increased its product line-up, as well as expanding sales channels to outlets such as supermarkets and convenience stores, the Group's sales in Thailand has been increasing steadily on the local currency basis. In the baby care business, having introduced the *Mamy Poco Happy Pants*, which has been adapted to local needs for use daytime-only use, the usage of the Group's products has been greatly increasing. Through further expanding its product line-up, such as commencing sales of the standard-type baby diaper *Mamy Poco Pants Ultra Protect* in addition to the economy-type and premium-type diapers already in the market, the Group is working towards a further expansion of its market share in Thailand. In the feminine care business, the Group has been gaining market share through expanding sales of high value-added products. The Group is working to create markets through the promotion of further value-added proposals, through measures such as expanding the line-up of products that meet the local needs for skincare such as *Sofy Extra Dry*.

The Group has been seeing strong growth in India since it started full-scale sales of baby diaper products in 2009. With the promotion of sales of single-package economy-type pants-type baby diapers, the Group has been seeing growth in sales and market share. The Group believes that India, being an extremely large nation with a population of around 1.2 billion, but with a relatively low penetration rate of disposable baby diapers among emerging markets, is a market that has an even higher growth potential than China. The Group is aiming for further growth in the Indian market, by working to promote the market penetration of pants-type disposable baby diapers, one of the Group's product strengths. The Group is also strengthening its efforts to gain entry-level customers through the introduction of extra-small pants-type diapers, as well as setting accessible prices that meet the needs of the prevailing economic standards with a view to further promoting sales of pants-type products. Further, with the expansion of demand in view, the Group has constructed a second factory in India, in Sri City in southern India (which commenced operations in May 2015), thus strengthening its manufacturing capacity and preparing for supply of products throughout India.

Other markets of focus for the Group include Vietnam and Myanmar, where the Group holds a high market share in respect of both baby care and feminine care products since its acquisition of Diana Joint Stock Company in Vietnam in 2011 and of Myanmar Care Products Ltd. in 2013, respectively, and Brazil, where the Group commenced manufacturing operations from spring 2014.

Japan

In the Japanese baby care market, the Group has captured a high share of the market by leveraging the strengths of two brands: *moony*, the premium range, and *Mamy Poko*, the standard range offering a balance between quality and price. With the Japanese economy now moving out of deflation, the Group has stepped up efforts to promote the *moony* range of disposable diapers, which already have strong support from consumers because of their kindness on sensitive skin. The Group is also working to capture demand for diapers in hospitals with the launch of new products that address the rising numbers of babies with low birth weights.

In the Japanese feminine care market, as the domestic market for feminine care products has matured, the Group has been working to revitalise the market by offering new value propositions tailored to women's lifestyles and by leveraging the Group's non-woven fabric technology to launch high value-added products. The Group has worked to continue to create a steady stream of innovative products by carefully monitoring women's concerns and trends in their increasingly diverse lifestyles. This approach has helped the Group to secure a larger share of Japan's feminine care market and boost profitability in its feminine care business. Going forward, the Group plans to launch high value-added products in growth segments in order to further increase market share and lift profitability.

Since moving into the disposable adult diaper market in 1987, the Group has built leading market shares in Japan in both the moderate and light adult incontinence retail markets. The Group has also been the industry leader in promoting wider use of adult incontinence products for nursing care. With the ageing of the Japanese society, growth in the domestic health care market has gained momentum, overtaking the baby care market in size. The Group believes that the target market for incontinence care products is likely to expand further in Japan, and to tap into this growth, the Group aims to stand out in the market by offering a wider choice of products and new value propositions in order to further strengthen its market position and maintain growth in this business.

From product creation to value creation — Innovation and brands

Competition in the non-woven fabric and absorbent materials in Japan and overseas has been intensifying, and the consumers have been demanding innovative products that meet their needs. With a view to obtaining overwhelming support from consumers to continue to purchase its products, the Group is taking the following measures:

- *Targeting the real needs of the consumer*: The Group's staff conduct detailed research into local lifestyles in each market, helping it uncover what consumers really need from the Group's products. The Group also takes into account different regional cultures and lifestyles before developing products that are tailored to the needs of each market.

- *Product development tailored to local needs*: The Group leverages on the technologies it has gained in the non-woven fabric and absorbent materials market to further improve the functionalities (such as leak-proofness, gentleness on the skin, stay-dry qualities and comfortable fit) of its products. The Group intends to actively introduce the high quality products developed in Japan to overseas markets, with a view to differentiating itself from competitors in terms of quality. As consumers' needs change constantly, the Group works to stay ahead of the developments in consumer needs and to introduce innovative products continuously.

- *Actively communicating product value*: To encourage consumers to buy the Group's products, the Group needs to ensure they fully understand the value of its products so that they take an initial interest in them at retail stores. The Group works to first build a close understanding of the culture and customs in each market and region, using that information to develop communication strategies that strike a chord with local consumers; the Group then uses those strategies in in-store sales campaigns that are tied in with TV advertising. The Group is working to build an even larger base of customers who feel comfortable about consistently choosing the Group's products, through communicating the compelling value of its products to create a powerful brand that consumers can relate to.

- *Wide distribution of its products*: Disposable baby diapers and feminine care products are used in ever-growing numbers in emerging markets, but many countries and regions lack proper infrastructure for product distribution. To ensure faster market uptake, the Group believes that it will need to efficiently sell its products to the large number of small retail stores scattered across emerging markets, so that as many stores as possible stock as many of the Group's products as possible. To achieve this aim, the Group is building close relationships with leading wholesalers in each region and conducting regular training seminars to explain sales methods and product features. The Group has already made progress in creating strong networks with leading wholesalers, helping it create distribution systems that allow it to supply every corner of local markets.

Personal care business — Developing the Group's template for success

The Group is working to expand its sales area for disposable baby diapers and feminine care products, mainly in emerging markets, where demand for non-woven fabric and absorbent material products is rising. In order to continue delivering profitable growth in the face of intensifying competition worldwide, the Group is adapting its template for success in Japan flexibly to the different local needs and cultures of overseas markets. Going forward, the Group is aiming to secure strong market positions in promising growth markets by moving ahead of competitors to create new markets and build local production and sales networks.

The Group believes that there is a close correlation between market uptake rates for non-woven fabric and absorbent material products and per capita gross domestic product ("GDP") in each country. The Group believes that uptake rates for disposable baby diapers jump sharply when per capita GDP exceeds a certain threshold, but when it reaches a high level, uptake for disposable baby diapers hits a ceiling, but market uptake increases for adult diapers. The Group is working to implement clear strategies tailored to each stage of market growth: early phase, growth phase, uptake phase and maturing phase. Based on a careful analysis of these growth phases, the Group works to boost market uptake and increase profits by launching the right products at the right time in each market.

Pet care business — Building a stand-out business in Japan, U.S., China and Taiwan

The pet care market continues to expand worldwide. The Group believes that there will be growth not only in advanced economies, but also in emerging markets in South America and Asia, particularly China, where rising incomes and ageing societies are likely to drive market expansion.

In Japan, the Group has a leading share in all pet food and pet toiletry segments where it has a market presence, and it aims to expand the pet care business further by building on this strong position in Japan and accelerating expansion overseas. With the aim of achieving a symbiotic society where people and their pets can live long and rich lives, the Group is focusing on two key themes: extending the healthy life expectancy of pets and their owners, and product segmentation. Based on these themes, the Group is developing new products to address consumer needs and creating new markets in order to revitalise the market and boost sales. In the pet food market, the Group is aiming to revitalise the market by selling dog and cat food products that emphasise flavour and health; for example, it has expanded its *Aiken Genki Best Balance* range of high value-added dog food, leading to a sales growth generally ahead of the market average. The Group intends to continue revitalising the market by launching distinctive high value-added products and creating new market segments. In pet toiletry products, the Group is using the non-woven fabric and absorbent material processing and forming technologies to actively create new markets. Since launching its first disposable pet diapers in 2001, the Group has rolled out a number of new products in the segment, such as *Male Dog Diapers*, a toilet care product for dogs, in 2011, and *Manner Wear for Male Dogs*, special toilet etiquette products with clothing-type designs for dog walks, in October 2014. In Japan, many owners enjoy going out for walks with their dogs, but there are generally fewer places to take them compared with other advanced markets such as the US and Europe; the Group's goal is to promote a new type of lifestyle for dogs and their owners that puts more emphasis on responsible pet ownership, making it easier for large numbers of pets and owners to use the same spaces. The Group has also expanded its line-up of dog and cat deodorising products to address the growing number of owners who raise pets indoors and have pet toilets in living areas. Going forward, the Group intends to continue to use the non-woven fabric and absorbent material processing and forming technologies developed since the first days of the Company to develop new products with distinctive functionality.

In the U.S. pet care market, which accounts for roughly 40 per cent. of the global market, the Company acquired The Hartz Mountain Corporation in 2011. *Hartz* is a leading U.S. pet care brand in a number of product categories. The rationale behind this acquisition was to expand the Group's business in the U.S. The U.S. pet care market is the world's largest, estimated to be worth around U.S.$30 billion, with continued strong growth in the market expected annually. The Group is aiming to boost profitability and expand its pet care business in the

U.S. by combining its technological and product development capabilities in pet toiletry and pet food products with the brand power, marketing expertise and selling power of Hartz. The Group is currently focusing its resources on growth segments such as flea and tick drops and pet toiletry products. In flea and tick drops, the Group has relaunched *Hartz UltraGuard Pro Flea & Tick Drops* in 2012, helping to lift its market share and giving us a leading position in the segment.

Convert all subsidiaries to local management units ("LMUs"), and train personnel to support "management with resonance"

Aiming to become a more global company, the Company is transferring more authority to overseas subsidiaries as part of efforts to create an operating structure that supports faster strategy implementation.

Demand for non-woven fabric and absorbent material products is rising worldwide, but the Group also faces intensifying competition. In order to accelerate overseas business expansion under these conditions, the Group believes that it will need to integrate closely with local markets to rapidly identify changes in the operating environment and trends at its competitors, helping it make decisions about the best time to launch products and strengthen its manufacturing framework. As part of this approach, the Company is transferring responsibility for product development and marketing to local subsidiaries in markets where sales have been growing strongly.

In China and India, these functions have been transferred to local subsidiaries, which are now responsible for developing individual sales strategies for specific regions, with a view to ensuring that the Group can respond rapidly to changes in consumer needs in small sales areas. The Company is also planning to transfer more authority to local subsidiaries in Thailand, Indonesia and other markets.

The Group is also transferring and adapting its template for success in Japan to the cultures and needs of overseas markets. To do this, the Group needs people who have a deep understanding of its business base, corporate culture and business strategy. The Group is therefore actively sending it best people, often those who have over 20 years of experience working for the Group, to overseas business sites to ensure its corporate culture takes root. The Group is also cultivating the next generations of personnel to fill this role in the future.

Operations

General

The Group classifies its business activities into three reportable segments: (i) personal care, (ii) pet care, and (iii) others. The following table sets forth net sales to external customers of the Group and its percentage of consolidated net sales for the periods indicated, divided according to the reportable segment to which they relate:

	Twelve months ended 31 March		Nine months ended 31 December	(Unaudited) Six months ended 30 June
	2013	2014	2014[(1)]	2015
	(millions of yen) (per cent.)			
Personal care	¥417,187 (84.1%)	¥515,254 (86.0%)	¥486,960 (88.0%)	¥315,956 (88.1%)
Pet care	73,183 (14.8%)	78,672 (13.1%)	62,565 (11.3%)	40,278 (11.2%)
Others	5,401 (1.1%)	5,530 (0.9%)	4,137 (0.7%)	2,576 (0.7%)
Total consolidated net sales	¥495,771 (100.0%)	¥599,456 (100.0%)	¥553,662 (100.0%)	¥358,810 (100.0%)

Note:

(1) Figures for the nine months ended 31 December 2014 are not comparable with the figures for the fiscal years (12 months) ended 31 March 2013 and 2014. See "Presentation of Financial and Other Information — Change in Fiscal Year-End — Financial Reporting Periods".

The following table sets forth operating income of the Group for the periods indicated, divided according to the reportable segment to which they relate:

	Twelve months ended 31 March		Nine months ended 31 December	(Unaudited) Six months ended 30 June
	2013	2014	2014[(1)]	2015
	(millions of yen)			
Personal care	¥55,478	¥65,732	¥58,262	¥34,129
Pet care	3,618	1,131	2,810	441
Others	361	355	253	130
Eliminations or corporate	31	22	20	—
Total consolidated operating income	¥59,488	¥67,240	¥61,347	¥34,700

Note:

(1) Figures for the nine months ended 31 December 2014 are not comparable with the figures for the fiscal years (12 months) ended 31 March 2013 and 2014. See "Presentation of Financial and Other Information — Change in Fiscal Year-End — Financial Reporting Periods".

Personal Care Business

The principal businesses in this segment comprise the baby care business, the feminine care business, the health care business and the "clean & fresh" business. In addition to sales of its products, the Group also receives royalty income in respect of the licensing of its technologies in North America and Europe in this segment. In the nine months ended 31 December 2014, net sales to external customers from this segment comprised 88.0 per cent. of total consolidated net sales of the Group.

Baby Care

Baby care products are the Group's largest product category in terms of net sales, and principally comprise of baby diapers, baby wipes and other baby-related hygiene products.

Mamy Poko, moony, Baby Joy, Baby Love and Bobby Lines of Disposable Diapers

The Group manufactures and markets the *Mamy Poko* line of disposable diapers both in Japan and overseas, including China, South Korea, Taiwan, Indonesia, India, Malaysia, Philippines, Singapore, Thailand, Vietnam and Myanmar, as well as in Brazil. The *Mamy Poko* brand diapers are the Group's economy-category baby diapers, available as both tape-type diapers and pants-type diapers, the latter being marketed under the *Mamy Poko Pants* brand, in each case in varying sizes and with functions suited to different developmental stages of babies and children. *Mamy Poko* diapers are decorated with popular Disney characters in Japan to create enjoyment and facilitate communication between mother and baby at diaper change time.

moony line of diapers, the Group's premium-category baby diapers, are primarily marketed in Japan. The Group launched the *moony* brand of disposable diapers in 1981, employing a new super-absorbent polymer and a design which offered convenience, prevented leaks, were comfortable and did not cause rashes. The Group's continuing focus on technological innovation in this field has enabled it to develop a number of additional popular baby care products. The Group introduced the world's first underpants-style baby diaper, *moonyman* (now called *moony pants*), in 1992. Underpants-style diapers currently account for around 74 per cent. of the total baby diaper market in Japan, and the Group believes that the Group has retained a market leading position in this higher-margin product category by being the "first-to-market". The Group offers both the *moony* and the *moony pants* product lines with different designs catered to various stages of the baby's growth.

The Group also manufactures and sells its *Baby Joy* line of baby diapers in the Middle East and African regions and its *Baby Love* line of baby diapers in the Oceania region. The Group also markets the *Bobby* brand baby diapers in Vietnam.

In addition, the Company's Dutch subsidiary Unicharm Mölnlycke B.V. ("Unicharm Mölnlycke") (which is a joint venture with Svenska Cellulosa Aktiebolaget ("SCA"), an European disposable diaper manufacturer) manufactures and sells pants-type baby diapers in Europe through SCA's distribution network.

Trepanman and Oyasumiman Line of Diapers and Mizuasobi Pants

In addition to the *Mamy Poko* and *moony* brands, the Group has diversified its product offerings in Japan by launching the *Trepanman* line of diapers designed to facilitate toilet training and the *Oyasumiman* diapers for bed-wetters. It also has the *Mizuasobi* Pants line of underpants-style diapers which enables infants to play in the water without the diaper absorbing external water and expanding. The Group believes the introduction and continued availability of these products will extend the period during which parents purchase the Group's products for their young children.

Others

The Group's other baby care products include soft and absorbent baby wipes which employ the Group's non-woven fibre technology under the *moony* brand. The product line-up includes flush- disposal types targeting infants who are still toilet training, which is convenient and is also expected to lengthen the period during which families use the Group's baby wipe products. The Group also offers wet tissues, designed to be safe for wiping babies' hands and mouths, under its *moony* brand.

The Group has also been meeting the needs of breast-feeding mothers through the introduction of the *moony bonyu pad* product, which are soft, absorbent breast-pads for use during the breast-feeding period.

Feminine Care

Since commencing manufacturing and sales of sanitary napkins in Japan in 1963, the Group has steadily expanded its market presence with the introduction of a number of brands including a number of market leaders in Japan, such as its *Sofy* brand sanitary napkins. In line with the increasing trend for women to have active work and private lives, the Group scientifically studies mechanisms of women's bodies and minds and offers a wide range of feminine care products. The Group is the only company in Japan which manufactures and markets a full line of products in relation to feminine care, from sanitary napkins, panty liners and tampons to wet tissues and sanitary underwear.

Sanitary Napkins

The Group manufactures and sells the *Sofy* brand of sanitary napkins as its global standard brand, except in Indonesia where its feminine hygiene products are marketed under the *Charm* brand. There are sub-brands within the *Sofy* brand, divided principally by categories of use. The Group also manufactures and sells its *Centre-in* brand of sanitary napkins in Japan.

The *Sofy* brand of sanitary napkins provides a wide variety of choices to meet the diversified and sophisticated needs of women, with napkins varying in use, thickness, material and length. The Group was the first to adapt its products to differing needs of women at different stages of the day and at different stages of the menstruation period as a manufacturer of sanitary napkins in Japan. The Group offers a comprehensive line-up from slim and light napkins for comfortable use during periods when the menstruation is light, to longer napkins with side gathers for night use or when the menstruation is heavy.

The Group's sub-brands within the *Sofy* line of sanitary napkins marketed in Japan include the *Sofy Bodyfit* brand, the Group's principal brand in this product category offering a wide variety of products from the "slim and fitting" type to "super night guard" thicker and longer type, the *Sofy Hada Omoi* brand, targeted at women with especially sensitive skin, which utilises a third-generation sanitary napkin top-sheet surface material "FCL Sheet" which is different from conventional non-woven fabric and mesh-type surface materials, the *Sofy Super-Sound Sleep Guard* brand which incorporates highly functional side-gathers to prevent slipping which helps to dramatically cut leaks, and the *Sofy Synchro-Fit* brand which fits closely to the body, targeting active women whose work involves a lot of walking.

The Group also manufactures and markets the *Centre-in* brand of sanitary napkins in Japan, targeting women who demand a fashionable packaging in napkins and which incorporate both functionality and small size for easier carrying. The product is also sold under the *Miss Sofy* brand in China.

Panty Liners

The Group manufactures and sells a variety of panty liners in Japan and overseas, offering different types of products to meet the different preferences of women such as preferences for slimness, softness or for deodorising. While the menstruating population in Japan has decreased in recent years, there has been an increase in the number of users of panty liners, which eliminate discomfort from vaginal discharge and underwear discoloration. The Group's sub-brands within the *Sofy* brand of panty liners includes the *Sofy Kiyora* brand, offering fashionable packaging together with functionality, and the *Sofy Fuwagokochi* brand, with a particular focus on softness to the skin.

Tampons

Despite the limited degree of market acceptance of tampons in Japan, the Group continues to experience good demand for its *Sofy Soft* brand of sterilised tampons. The Group is the only manufacturer of tampons in Japan and is dominant in the market.

Others

The Group also offers a variety of sanitary underwear and wet tissues for feminine hygiene use under its *Sofy* brand.

Health Care

Adult Incontinence Care Products

The Group has been developing products that address the anticipated ageing of society since this trend first started to attract notice. Since launching the *Lifree* pants-type disposable diapers for adults in 1987, the Group has provided innovative products and services that caters for the needs of not only those receiving nursing care but also to the healthy ageing population under the broader concept of preserving human dignity. The *Lifree* brand offers a variety of products ranging from napkin-type incontinence pads to pants-type diapers, tape-type diapers, pants-type specialised urine pads and tape-type specialised urine pads, enabling those needing incontinence care to select and combine the products most suitable for their physical condition and daily routine. The Group continues to use its expertise in the manufacturing of absorbent non-woven fibre materials in this product category and has developed a range of adult incontinence products, both for the retail market and for the market targeted at hospitals and care facilities. The Group's *Lifree* adult diapers are also sold in Taiwan, Thailand, Indonesia and China.

In Europe, Unicharm Mölnlycke, the Group's joint venture with SCA, a leading manufacturer of adult incontinence products in Europe, manufactures underpants-type adult diapers which are sold by SCA through its European and North American distribution networks and by Unicharm Mölnlycke K.K., the Company's Japanese subsidiary, under the under the *TENA* brand.

Female incontinence can occur in women of a variety of ages as a result of ageing or childbirth. The Group offers its *Charm Nap* series of specialised products for female incontinence care to comfortably manage involuntary urination in the same way as sanitary products, from slim, panty liner-type products to napkin-type products.

The Group also offers wet wipes (similar to baby wipes) for adult use as well as absorbent disposable bed sheets under its *Lifree* brand.

The Group has also introduced the urine-suction robot *Humany*, an automatic continence-processing device which detects urination with a sensor built into its special urine suction pad, and sends urine to a tank. Those who require frequent diaper changes overnight or experience frequent urination is able to sleep through the night by using *Humany*. *Humany* is available not only for sale but also for rental with coverage under Japanese nursing care insurance.

Face Masks

Face mask usage is popular in Japan, where there is a culture to wear face masks when suffering from cold or influenza to stop germs and viruses from spreading through coughs and sneezes; in recent years, the usage has expanded from stopping the spreading of germs and viruses, to preventative use (for blocking germs and viruses in the atmosphere from being breathed in). Disposable face masks are in particular popular due to the ease of keeping the masks hygienic. The Group manufactures and sells three-dimensional disposable face masks under the brand name of *Super 3D Masks* and *Super Comfortable Masks*, leveraging on the Group's non-woven fibre technology to offer different functionalities such as masks for blocking germs and viruses, pollen and PM2.5, with different designs for men, women and children. The Group is also working to expand sales of face masks abroad, after obtaining relevant regulatory approvals where required.

Clean & Fresh

The Group provides products to make daily life more comfortable through utilising its non-woven fabric and absorbent material technologies. Based on the concept of "comfort, convenience and hygiene", the Group offers home care, personal care and kitchen care products.

The Group's *Wave* brand cleaning sheets collect dust and dirt from hard-to-clean spaces and grooves, and in response to the increasing amount of allergy sufferers in recent years, the Group now offers the *Aller-Care Wave* handy cleaners that trap ticks and pollen. The technology used by the *Wave* brand products to form three-dimensional shapes from a non-woven sheet has now been adopted in many countries around the world.

The *Silcot* brand of personal care products include the *Silcot* cosmetic puffs, a long-run product that has been well received in Japan and which has been in production for almost 30 years, *Silcot* wet tissues which are available in table-top, bottle and portable designs and *Silcot* "sweat care" portable face and body wipes.

The Group also offers the *Cook-up* brand of cooking paper.

Pet Care Business

The Group entered the market for pet supplies in 1986 when it began sales of moist-type dog food and cat food, and subsequently added dry and canned types to its line-up. In addition, the Group has used its non-woven fabric technology and macromolecular absorbent materials technology to develop powerful deodorant sheets for dogs and deodorant litter for cats. The Group believes that declining growth in the number of children as a result of falling birth rates in Japan is resulting in the increase in the number of households with pets. In the nine months ended 31 December 2014, net sales to external customers from this segment comprised 11.3 per cent. of total consolidated net sales of the Group.

The Group has been committed to the development of products and the creation of new markets reflecting consumer needs by releasing high-value added products and by adding product line-ups to accommodate four major trends among Japanese pet owners: caring for pets that are kept indoors, small sized dogs, ageing pets and overweight pets. The Group's offering of pet foods include the *Aiken Genki* (meaning "healthy loved dogs"), *Neko Genki* (meaning "healthy cats"), *Gaines Pakkun*, *Gin no Spoon* (meaning "silver spoon"), and *Gin no Sara* (meaning "silver plate") brands. These products aim to achieve a suitable nutritional balance for each pet in light of its age, physical attributes, physical condition, and preferences, at the same time as delivering good taste and ingredients to provide quality nutrition for pets. The Group continues to focus on the development and sales promotion of differentiated product categories with increasing customer needs, including pet foods especially catering for puppies and kittens to those for older dogs and cats.

Demand for pet toiletries continues to show a growing trend, with pets spending more time indoors and living longer. With the Group's philosophy of providing pets with a healthy, clean and comfortable life, the Group offers excrement clean-up sheets for dogs in its *Deo-Sheet* series as well as disposable diapers for dogs, and the *Deo-Sand* series and *Deo-Toilet* system products for cats. The Group focuses on satisfying the pet owners' needs for such products, such as "leak-proof", "wet-feet prevention" and "deodorant".

In the U.S. pet care market, which accounts for roughly 40 per cent. of the global market, the Company acquired a 51 per cent. stake in The Hartz Mountain Corporation in 2011 with a view to expanding the Group's pet care business in the U.S. *Hartz* is the leading U.S. pet care brand in a number of product categories with strengths in flea and tick drops and other pet toiletry products, pet snacks and pet toys. The U.S. pet care market is estimated to be the largest in the world, with some growth still expected. The Group is working to further expand its business and improve profitability in the U.S. by taking advantage of the Company's technological and product development capabilities in pet food and pet toiletry products, together with the brand recognition, marketing expertise and sales capabilities of The Hartz Mountain Corporation.

The Group has also moved into China's pet care market in 2010. Since then, its market share has risen steadily, supported by sales of dried dog and cat food, mainly in coastal cities where incomes are higher. In China and Taiwan, where an ageing society is expected to increase the number of pets owned, the Group is working to leverage on the sales networks which it has developed in relation to personal care products, with a view to expanding its sales area in respect of pet care products.

Other Business

The Other Business includes business-use products adopting the Group's non-woven fabric and absorbent technology. The Group offers food packaging products, such as those used for absorbing liquids from raw cut meat and fish, mainly targeting supermarkets.

In the nine months ended 31 December 2014, net sales to external customers from this segment comprised 0.7 per cent. of total consolidated net sales of the Group.

International Operations

The Group's overseas expansion has taken the form of the establishment of subsidiaries in appropriate regions as well as making of investments in, or entry into joint ventures with, appropriate local entities. The Group commenced its overseas operations in 1984 with the establishment of a joint venture in Taiwan. Consistent with its domestic manufacturing and distribution strategy, the Group believes that the development of local manufacturing and marketing capabilities in its principal overseas markets is important to its success in these markets.

The Group's international operations currently span Asia, Europe, the Middle East, North Africa and Latin America with 26 manufacturing plants and 35 sales operations overseas, and the Group's personal care products are sold in roughly 80 countries in the world.

The Group considers that international operations are important and will become increasingly so for the growth of the Group because of the developing international and global markets especially in Asia. See "— Strategy — Ninth Medium-Term Management Plan — Channelling resources into priority countries and regions".

The Group believes that its baby diaper and feminine care product lines have leading market shares in many of the overseas markets which it has entered, including countries such as Indonesia, Thailand and Taiwan, where the Group has been growing organically, as well as countries such as Vietnam and Myanmar where the Group has expanded its business through acquisitions of local players.

Competition

The markets for the principal products offered by the Group are highly competitive and characterised by the frequent introduction of new products, often accompanied by major advertising and promotional programmes. The Group competes primarily on the basis of product quality, price, product differentiation and brand name recognition supported by advertising and promotion. The Group's primary competitors in Japan are Kao Corporation, The Procter & Gamble Company ("P&G") and Daio Paper Corporation ("Daio Paper") in baby diapers market; in the feminine hygiene market, Kao Corporation, Daio Paper and P&G are the main competitors in Japan. The adult incontinence market can be divided into two markets; the retail market and the professional market (hospitals, nursing homes and other care facilities). The Group's primary competitors are Daio Paper and Kao Corporation in the retail market; in the professional market, competition is more fragmented. The Group is also subject to intensive competition in foreign markets, particularly in Asia, from large domestic companies in these markets such as Hengan International Group Limited as well as other players which have a strong presence in suburban areas where the Group is aiming to develop, and from larger international manufacturers that are global players such as P&G, Kimberly Clark Corporation and Johnson & Johnson (for the feminine hygiene market only).

In the Japanese pet care market, while there is some competition especially from global pet care manufacturers, the Group currently maintains a leading share of the market and is expanding its market share. In the U.S. pet care market, the Company's consolidated subsidiary The Hartz Mountain Corporation has a leading share in flea and tick drops and pet toiletries. The Group intends to expand its pet care business in the overseas markets, where it faces competition from many global pet care product manufacturers.

The Group strives to maintain its competitive edge by identifying the needs of customers, and developing and commercialising new technologies and products.

Research and Development

The Group has a staff of over 295 engineers and technicians who conduct core research and development ("R&D") activities at its Kagawa Technical Centre, the Engineering Centre and within each business division. The Group's R&D efforts have focused on continued creation of new demands and values from technology innovation. There is constant improvement to the Group's non-woven fabrics, super-absorbent polymers, paper and flat pulp, shortening the time required for product development to introduction to market.

The following table shows the amount of the Group's expenditure on R&D activities and its percentage of consolidated net sales for the periods indicated:

	Twelve months ended 31 March		Nine months ended 31 December	(Unaudited) Six months ended 30 June
	2013	**2014**	**2014(1)**	**2015**
		(millions of yen and per cent.)		
R&D expenses	¥5,098	¥5,265	¥4,249	¥2,967
Percentage of consolidated net sales	1.0%	0.9%	0.8%	0.8%

Note:

(1) Figures for the nine months ended 31 December 2014 are not comparable with the figures for the fiscal years (12 months) ended 31 March 2013 and 2014. See "Presentation of Financial and Other Information — Change in Fiscal Year-End — Financial Reporting Periods".

The following sets forth certain of the R&D focal points of the Group during the nine months ended 31 December 2014:

Personal Care

Baby Care

The Group continued to introduce baby diaper products with improved qualities and functionalities, including *moonyman air fit (S)* which fit closely to babies to avoid leakage through the use of new fabric and shaping technologies, and the *moony air fit* tape-type diapers specifically designed for low-birth-weight babies. The Group also improved and renewed the sales of *moonykids* wet wipes for toys and for the hand and mouth. Overseas, the Group's local staff obtain local customer needs to feed such requirements appropriately into development bases in Thailand, China and India for developing products for the Asian market. The Group has worked to further invigorate the disposable baby diaper market in China through introducing and improving higher quality and higher functionality products, and in Taiwan, the Group strived to further strengthen the *Mamy Poko* brand through introduction of new products utilising the "Air Fit" technology gained in Japan and the "Air Silky" low-irritation non-woven fabric. The Group also worked to introduce products with new functionalities and expand the product line-up in places such as Thailand, Indonesia and Brazil, with a view to invigorating the respective markets and strengthening the Group's brands.

Feminine Care

The Group introduced the new *Sofy Hada Omoi for Long Periods* line of sanitary napkins, which provide comfort without leakage even when the napkin cannot be changed for long periods of time. The Group also introduced a new series of *Center-in* compact and stylish-design napkins with fragrance, as well as further improving the functionality of its existing product line-up. In China, the Group introduced an extra slim range of *Sofy* sanitary napkins, a new line of *Sofy Super-Sound Sleep Guard* sanitary napkins and an improved range of *Miss Sofy* stylish sanitary napkins similar to the *Center-in* napkins sold in Japan. The Group also worked to introduce products with new functionalities and expand the product line-up in places such as Taiwan and South Korea, with a view to invigorating the respective markets and strengthening the Group's brands.

In the panty liner market, which is a growing market, the Group newly introduced *Sofy Hada Omoi Liners* in Japan, as well as expanding the fragrance line-up in the *Sofy Kiyora* line of panty liners. In Thailand, the Group worked to increase the fragrance line-up of panty liners as well as further improving quality and functionality, while the Group entered the Saudi Arabian panty liner market with the introduction of *Sofy Pantyliner Clean & Pure*.

Health Care

In the pants-type paper diaper category, the Group improved the functionalities of *Lifree* adult incontinence products to make them easier to wear, and also improved the functionalities and expanded the line-up of other categories of health care products such as tape-type diapers and light incontinence pads. The Group also introduced a new series of *Super Comfortable Masks for Women*, with improved design meeting the needs of customers. Overseas, the Group has been invigorating the pants-type adult diaper market in places such as India, Vietnam and Thailand, and also introduced a new line of *Lifree* tape-type diapers as well introducing the *Lifree Premium Protection* line of tape-type adult diapers in places such as Saudi Arabia, Yemen, Iraq and Morocco.

Clean & Fresh

The Group introduced an improved sweat absorbency pad under the *Silcot* brand, as well as limited colour editions of the *Wave Handy Wiper* cleaning wipes.

Results of R&D

In the nine months ended 31 December 2014, the Group published two results of joint R&D with various other institutions, namely “The Effects of Usage of Automatic Excrement Removal Equipment on Sleep” and “Can Automatic Excrement Removal Equipment Change Sleep?”, in relation to the *Humany* product. The Group also continued joint R&D with various medical institutions in relation to *Lifree* adult diaper products and published the results and academic and research gatherings.

Pet Care

R&D in the pet care business is carried out within the Group’s factory in Itami-shi, Hyogo for pet foods and in Kanonji-shi, Kagawa for pet toiletry products. R&D for pet foods focuses on characteristics linked to age, size and health of the pets in order to develop a balanced diet whereas R&D for pet toiletry products focuses on hygiene and lack of odour. The Group has developed pet food catered for the needs of pets that are enjoying greater longevity, as well as pet toiletries such as *Deo-Sheet* series of pet sheets with increased absorbency and odour removal, as well as disposable pet diapers catering for male dogs.

Sales and Marketing

The Group’s domestic sales force is comprised of over 382 full-time employees who are dispersed throughout Japan. In Japan, in addition to the Group’s regional sales branches, the Group centrally oversees sales to large national retailers, with individual sales and marketing teams assigned for specific retailers and/or distributors.

Overseas, the Group conducts sales and marketing activities principally through the Company’s foreign subsidiaries. The Group’s personal care products are sold in roughly 80 countries in the world. The following table sets forth the Group’s net sales in its overseas markets to external customers of the Group and its percentage of total consolidated net sales for the periods indicated, divided according to the location of the customer:

	Twelve months ended 31 March		Nine months ended 31 December	(Unaudited) Six months ended 30 June
	2013	**2014**	**2014[1]**	**2015**
	(millions of yen) (per cent.)			
Japan	¥236,993	¥255,768	¥198,746	¥132,764
	(47.8%)	(42.7%)	(35.9%)	(37.0%)
China	72,287	92,879	116,821	69,111
	(14.6%)	(15.5%)	(21.1%)	(19.3%)
Others[2]	186,491	250,809	238,095	156,935
	(37.6%)	(41.8%)	(43.0%)	(43.7%)
Total consolidated net sales	¥495,771	¥599,456	¥553,662	¥358,810
	(100.0%)	(100.0%)	(100.0%)	(100.0%)

Notes:

(1) Figures for the nine months ended 31 December 2014 are not comparable with the figures for the fiscal years (12 months) ended 31 March 2013 and 2014. See "Presentation of Financial and Other Information — Change in Fiscal Year-End — Financial Reporting Periods".

(2) Others include Indonesia and Thailand.

The Group relies on consumer studies, questionnaires, market research, group interviews and retail consumer feedback to help accelerate the rate at which its products and technologies are used in new product development, and this way seeks to take an active role in building and developing consumer demand in each product market. Institutional sales and marketing operations (targeted at hospitals and care facilities) for the adult incontinence products are conducted through a special division which employs professional caregivers and specialists with expertise in the field of elder care.

The Group's advertising programmes generally emphasise the particular brand name of each product rather than the corporate image or identity of the Company itself. The Group allocates what it considers to be an appropriate portion of its net sales to the advertising and promotion of its products, with expenditures for these purposes in the nine months ended 31 December 2014 totalling ¥17,907 million, representing 3.2 per cent. of consolidated net sales. Television is the principal advertising medium used by the Group.

The Group also engages in a variety of promotional campaigns and programmes to support its products, such as the provision of samples, or the offer of sales premiums and retailer refunds in connection with the sale of its products. For the nine months ended 31 December 2014, the Group's expenditures for such promotional activities (sales promotion expense) amounted to ¥82,971 million, representing 15.0 per cent. of consolidated net sales.

Distribution

The Group's products are distributed through wholesale distributors which in turn distribute the Group's products directly or through second tier distributors to chain or volume stores and other stores, including pharmacies, supermarkets, discount outlets and speciality stores. Price and volume discounts are typically negotiated with distributors who then negotiate price, terms and orders with retailers. In the case of certain major retail chains, the Group negotiates price and other terms directly with the retailer. In certain cases, the Group sells its products directly to its customers.

Overseas distribution consist primarily of products manufactured by the Company's foreign subsidiaries or joint venture affiliates, which are then distributed by local distributors. The Group also sells its products in certain cases directly to overseas customers.

Manufacturing

The Group manufactures substantially all of the products it sells. As at 30 June 2015, the Group had 16 manufacturing plants and one research centre in Japan and 26 manufacturing plants and four research centres overseas.

Most of the Group's manufacturing plants in Japan are facilities for production of personal care products, and are involved in the production of raw materials (paper, non-woven and other materials) for use in the Group's personal care products, as well as the production of the personal care products themselves. They are mostly located in the Shikoku region in Japan, with a few facilities elsewhere. The Group also has three manufacturing plants in Japan involved in the production of pet care products.

Overseas, all except one of the Group's manufacturing plants are facilities for production of personal care products, with most being involved in the production of both baby care and feminine care products. The Group's principal manufacturing plants overseas as regards personal care products are located in China, Indonesia, Thailand and India which service the increasing demand in those countries, with plants in other locations such as Vietnam, Myanmar, Saudi Arabia, Egypt and Brazil to service their respective regions. The Company's subsidiary The Hartz Mountain Corporation manufactures pet care products at its plant in the United States.

In addition, the Group manufactures baby and adult diapers in Europe under its joint venture with SCA, and such products are sold through SCA's distribution network.

See also "— Property and Equipment" below for further details in relation to some of the Group's principal manufacturing plants.

Property, Plant and Equipment

The following table sets out certain information relating to the principal property, plant and equipment of the Company by property as at 31 December 2014:

Name of Property	Location	Business Segment(s) to which the Property Relates	Description of the Property (Principal Use)	Book Value: Buildings and Structures	Book Value: Machinery and Equipment	Book Value: Land	Book Value: Others	Book Value: Total
				(millions of yen, except that bracketed numbers for land indicate areas in thousands of square metres)				
Technical Centre, Engineering Centre	Kagawa, Japan	Personal care, pet care	R&D facilities	¥1,063	¥1,740	¥285 (20)	¥102	¥3,190
Itami Factory	Hyogo, Japan	Pet care	Production of pet food products	273	450	1,105 (12)	10	1,838
Mie Factory	Mie, Japan	Pet care	Production of pet toiletry products	218	310	62 (16)	0	590
Saitama Factory	Saitama, Japan	Pet care	Production of pet food products	348	684	146 (8)	7	1,185

The following table sets out certain information relating to the principal property and equipment of the Company's domestic subsidiaries by property as at 31 December 2014:

Name of Subsidiary/ Property	Location	Business Segment to which the Property Relates	Description of the Property (Principal Use)	Book Value: Buildings and Structures	Book Value: Machinery and Equipment	Book Value: Land	Book Value: Others	Book Value: Total
				(millions of yen, except that bracketed numbers for land indicate areas in thousands of square metres)				
Unicharm Products Co., Ltd:								
Shikoku Factory(1)	Kagawa, Japan	Personal care	Production of baby care, feminine care and other products	2,857	5,397	1,541 (124)	111	9,906
Fukushima Factory	Fukushima, Japan	Personal care	Production of baby care, feminine care and other products	3,867	8,452	2,139 (128)	217	14,675
Shizuoka Factory(2)	Shizuoka, Japan	Personal care	Production of baby care, feminine care and other products	2,798	3,960	— (82)	37	6,795

Notes:
(1) Part of the land (2 thousand square metres) is leased.
(2) The land is leased.

The following table sets out certain information relating to the principal property and equipment of the Company's overseas subsidiaries by property as at 31 December 2014:

Name of Property	Location	Business Segment to which the Property Relates	Description of the Property (Principal Use)	Book Value: Buildings and Structures	Book Value: Machinery and Equipment	Book Value: Land	Book Value: Others	Book Value: Total
				(millions of yen, except that bracketed numbers for land indicate areas in thousands of square metres)				
Unicharm Consumer Products (China) Co., Ltd.[1]	Shanghai, China	Personal care	Production of baby care, feminine care and other products	6,839	19,756	997 (132)	1,625	29,217
PT Unicharm Indonesia	Karawang, Indonesia	Personal care	Production of baby care, feminine care and other products	10,692	14,906	1,509 (353)	1,327	28,434
Unicharm Consumer Products (Tianjin) Co., Ltd.[1]	Tianjin, China	Personal care	Production of baby care, feminine care and other products	7,578	9,801	927 (200)	5,400	23,706
Unicharm Gulf Hygienic Industries Ltd.	Riyadh, Saudi Arabia	Personal care	Production of baby care, feminine care and other products	2,311	12,846	209 (23)	1,025	16,391
Unicharm (Thailand) Co., Ltd.	Bangpakong, Thailand	Personal care	Production of baby care, feminine care and other products	6,449	5,126	1,262 (109)	133	12,970

Note:

(1) These companies hold rights to use land.

Raw Materials and Supplies

The major raw materials and supplies purchased by the Group in the manufacture of its products include synthetic fibres, resin-based plastics and other chemicals and certain natural materials such as flap pulp, all of which are normally readily available. While most raw materials are purchased from outside sources, the Group is not dependent on any single supplier in any of its operations for any material essential to its business or not otherwise commercially available to the Group. The Group has been able to obtain an adequate supply of raw materials, and no shortage of such materials or interruption of such supply is currently anticipated.

A wholly-owned subsidiary of the Company, Unicharm Kokko Non-woven Co., Ltd. also manufactures a significant part of the paper and non-woven fabrics used to for the production of the Group's diapers, sanitary napkins and other products. The Company also purchases polymer packaging from its wholly-owned subsidiary Cosmotec Corporation. The Group also procures components for its finished products, such as cardboard boxes and generic non-woven materials, from third party vendors, both domestically and abroad.

Intellectual Property

The Group's policy is to promptly apply for, and maintain, patents and other intellectual property rights in Japan and overseas. The Group has also entered into licence agreements with Japanese and foreign entities.

In the Group's Code of Conduct, employees are mandated to properly manage, use and protect the Group's tangible and intangible assets. The Group believes that its confidential information and other intellectual property are valuable assets, and that it should safeguard those assets. The Group also works not to improperly acquire confidential information and to respect the intellectual property of others.

Although the Group considers the various patents, registered design rights, trademarks, copyrights and licences important to the Group, the Group does not believe the Group's business, as a whole, is materially dependent on any particular patent, group of related patents, any registered design right, any trademark, any copyright or any licence.

Environment

As a company responsible for manufacturing disposable products, the Group is actively engaged in efforts that reduce burdens to the environment. Within each production process, the Group works to strengthen its responses to environmental issues and to achieve both environmental conservation and economic growth, with the aim of contributing to a sustainable society.

Many of the Group's products are consumer goods essential for a clean living. The Group's business is closely linked to the environment in terms of the usage of resources and the generation of waste material. As such, the Group continues to consider environmental issues from a global viewpoint, and to promote activities for lowering the environmental burden throughout its business processes, from the development of products to their sales. Considering environmental activities to be one of the most important quality assurance factors, the Group is promoting environmental activities through its Corporate Social Responsibility department.

The Group is implementing, among others, the following environmental initiatives:

- *Expanding the range of environmentally considerate products*: The Group has set, within its environmental targets, the ratio of environmentally considerate products which reduce waste compared to previous products as a proportion to its entire production, and promotes the development of environmentally friendly products. Within each stage of development, the Group checks the state of environmental consideration, and measures the environmental burden of the product's life cycle as a whole, and assesses whether such environmental burden is being lowered. With the level at 2005 as the base year, the Group worked towards attaining a 67 per cent. ratio of environmentally considerate products for the nine months ended 31 December 2014, and achieved this target.

- *"Eco Charming Mark" based upon the Group's standards*: The Group has developed its own eco-label "Eco Charming Mark" which is only shown on products which has met certain criteria relating to reducing its impact on the environment as well as improving product values. Commenced in 2008, there are currently 25 products bear the Eco Charming Mark, including *moony air fit* and *moony pants air fit* baby diapers, *Sofy Super Sound Sleep Ultra Fit* and *Sofy Synchro-Fit* lines of sanitary napkins, *Charm Nap Anshin Slim* line of napkin-type female incontinence care products and *Lifree* pants-type adult incontinence care products. With regard to the application of the Eco Charming Mark, the Group intends to make assessments in accordance with its own eco-label guidelines based on factor considerations (*i.e.*, an environmental indicator assessed through quantifying a product's environmental burden and its value (such as function) and comparing new products with old).

Regulation

The Group's activities, particularly in relation to its feminine care business and pet food business, are subject to various governmental regulations in Japan and the other countries in which it operates. These regulations include, among other things, the requirement to provide governmental approvals and to remain in compliance with certain safety standards in connection with manufacturing and selling the Group's products.

For example, in relation to the Group's manufacturing and selling of tampons in Japan, the Group is required to obtain approval from the government under the Pharmaceutical Affairs Act of Japan (Act No. 145 of 1960, as amended) (the "Pharmaceutical Affairs Act") since tampons are regulated as "general medical equipment" (as defined in Article 2, paragraph 7 of the Pharmaceutical Affairs Act). The Pharmaceutical Affairs Act also requires the Group to appoint a chief expert to appropriately manage the manufacturing and quality of tampons pursuant to the Ministry of Health, Labour and Welfare Ordinances.

Further, the Group is subject to the Act on Safety Assurance of Pet Food (Act No. 83 of 2008, as amended), under which the Group is required to make prior notification to the government before manufacturing or importing pet food in or into Japan. In addition, the Group is required to comply with the pet food standards set out by the Ministry of Agriculture, Forestry and Fisheries and the Ministry of the Environment.

The Group is also subject to additional corporate, commercial and other laws and regulations, including those relating to labour, health and safety, product liability, environment, corporate governance, and corrupt business practice.

Insurance

The Group maintains a range of insurance policies for all of its principal manufacturing plants and principal properties which the Group believes are comparable to other companies with similar operations. The Group insures all relevant premises for risks such as fire, natural disasters (other than earthquakes), theft and third party liability. The Group maintains product liability insurance with respect to most of its domestic and overseas operations.

Legal Proceedings

In the course of the Group's business, the Group faces risks of disputes or litigation both in Japan and overseas, whether with or without merit.

The Group is not involved in any litigation or other legal proceedings that it believes, if determined adversely to the Group, would individually or in the aggregate have a material adverse effect on the Group's business, financial condition or results of operations.

MANAGEMENT AND EMPLOYEES

Management

In March 2015, the Company's shareholders approved an amendment to the Company's articles of incorporation to adopt the current governance framework with a Board of Directors and Audit and Supervisory Committee (a "company with an audit and supervisory committee"), which became effective in May 2015. The Company had previously had a governance framework with a Board of Directors and a Board of Corporate Auditors (a "company with a board of corporate auditors"). The Companies Act permits three types of governance system for large companies such as the Company: (i) a company with an audit and supervisory committee, (ii) a company with a nominating committee, an audit committee and a compensation committee, and (iii) a company with a board of corporate auditors. The Company's previous governance framework was based on the third system, and the newly adopted governance system is based on the first system.

The Company's Board of Directors carries the ultimate responsibility for the management and administration of the affairs of the Company. The Company's Articles of Incorporation provide for that the number of the Company's directors shall be not more than 15 (excluding those who are the Audit and Supervisory Committee Members), and the number of the Company's directors appointed as the Audit and Supervisory Committee members shall be three or less. Majority of the directors appointed as the Audit and Supervisory Committee members shall be outside directors. Directors are elected at a general meeting of shareholders by distinguishing directors who are the Audit and Supervisory Committee Members and other directors. The normal term of office of any Director (excluding those who are the Audit and Supervisory Committee Members) expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within one year after the assumption of office, although they may serve any number of consecutive terms. The normal term of office of any Director appointed as an Audit and Supervisory Committee member expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within two years after the assumption of office, although they may serve any number of consecutive terms.

The Board of Directors elects from among its members one or more Representative Directors, who have the authority individually to represent the Company, among which the Board of Directors may elect a President and Chief Executive Officer. The Board of Directors may also elect an Honorary Chairman, a Chairman and a Vice Chairman of the Board from among its members.

The Audit and Supervisory Committee has the duty of supervising the administration by the Directors of the Company's affairs and of examining the financial statements and business reports of the Company to be submitted by the Representative Director to the general meetings of shareholders and of reporting their opinions thereon to the shareholders. The Audit and Supervisory Committee must prepare its audit report.

In addition, under the Securities Listing Regulations of the Tokyo Stock Exchange, listed companies in Japan, including the Company, are required to have at least one independent officer. Such independent officer is required to be an outside director or outside corporate auditor (as defined under the Companies Act) who is unlikely to have conflicts of interest with shareholders of the relevant company. The Securities Listing Regulations also require listed companies to make efforts to have at least one director or corporate auditor who meets the requirements for an independent officer (the "Independent Director"). Further, a recent amendment to the listing rules, which became effective as of 1 June 2015, includes certain changes related to corporate governance structure of listed companies. Following the effectiveness of the amendment, if a listed company does not have two or more Independent Directors, the listed company is required to publicly explain why it does not have two or more Independent Directors by way of describing the reason on its Corporate Governance Report. Currently, the Company has two Independent Directors

In addition to the Audit and Supervisory Committee Members, the Company must appoint an independent accounting auditor, who has the statutory duties of examining the financial statements to be submitted by the Representative Director to the general meetings of shareholders. An independent accounting auditor shall be either a certified public accountant or an auditing corporation. Currently, the Company's independent accounting auditor is PricewaterhouseCoopers Aarata.

The names of the Directors of the Company (including the Directors who are the Audit and Supervisory Committee Members) as at the date of this Offering Circular are as follows:

Name	Title
Keiichiro Takahara(1)	Founder and Director
Takahisa Takahara(1)	Representative Director, President and Chief Executive Officer
Gumpei Futagami	Director, Vice President and Managing Executive Officer
Eiji Ishikawa	Director and Managing Executive Officer
Shinji Mori	Director and Managing Executive Officer
Kennosuke Nakano	Director and Managing Executive Officer
Masakatsu Takai	Director and Senior Executive Officer
Yoshihiro Miyabayashi	Director and Senior Executive Officer
Shigeki Maruyama	Director and Full-time Audit and Supervisory Committee Member
Masahiko Hirata(2)(3)	Director and Audit and Supervisory Committee Member
Kimisuke Fujimoto(2)(3)	Director and Audit and Supervisory Committee Member

Notes:

(1) Mr. Takahisa Takahara is the son of Mr. Keiichiro Takahara.

(2) Outside Directors who fulfil the requirements as provided by Article 2, Item 15 of the Companies Act.

(3) Independent Director under the Securities Listing Regulations of the Tokyo Stock Exchange.

The current business address of each of the Directors is Sumitomo Fudosan Mita Twin Building, West Wing, 5-27, Mita 3-chome, Minato-ku, Tokyo 108-8575, Japan.

As at 31 December 2014, there were no outstanding loans granted by the Company to the Directors nor any guarantees provided by the Company for their benefit.

The aggregate remuneration (including bonuses) paid to the Company's Directors, corporate auditors (as then so called) and outside corporate auditors (as then so called) by the Company in their capacities as such was ¥480 million, ¥23 million and ¥12 million, respectively, for the nine months ended 31 December 2014.

The Company's Articles of Incorporation provide that the Company may enter into liability limitation contracts with any of its Outside Directors in order to limit the maximum amount of such damages to the total amount stipulated in Article 425, Paragraph 1, Item 1 and Item 2 of the Companies Act.

Employees

The Group had 13,901 full-time employees as at 31 December 2014. In the nine months ended 31 December 2014, the Group employed 7,164 part-time workers on average. The following table sets forth the total number of full-time employees of the Group by reportable segments as at the dates indicated:

	As at 31 March		As at 31 December
	2013	2014	2014
Personal care	9,612	11,663	12,773
Pet care	817	709	689
Others	336	330	320
Corporate(1)	90	93	119
Total	10,855	12,795	13,901

Note:

(1) "Corporate" signifies employees in administrative divisions which cannot be placed in any particular product line.

Labour Relations

Labour relations differ in each of the countries and regions in which the Group operates. In Japan, the Company operates a "union shop" scheme under which all employees (excluding certain employees in managerial positions) of the Company must become a member of its labour union. With respect to its global operations, the Company believes that its employee relations are generally good.

Directors'/Employees' Stock Option Plans

The Company has in place a stock option plans (comprising the issue of stock acquisition rights) that provides Directors of the Company, directors of the Company's subsidiaries, employees of the Company and employees of the Company's subsidiaries with options to acquire Shares from the Company. The following table sets out a summary of the Company's stock option plans as at 30 June 2015:

Date of Board Meeting	Exercise period	Exercise price per Share	Number of Shares to be issued upon exercise of options
16 September 2010...........	1 October 2012 to 30 September 2016	¥1,096	1,395,600[(1)]
16 April 2015....................	1 June 2017 to 31 May 2022	¥2,901	3,202,500[(2)]

Notes:

(1) Number of Shares to be issued upon exercise of options outstanding as at 31 December 2014.

(2) Number of Shares to be issued upon exercise of options outstanding as at 30 June 2015.

SUBSIDIARIES AND AFFILIATES

As at 30 June 2015, the Company had 47 consolidated subsidiaries and two affiliates accounted for by the equity method.

The following table sets out certain information as at 31 December 2014 with respect to the Company's principal subsidiaries:

Name of subsidiary/affiliate	**Location**	**Principal business**	**Issued share capital as at 31 December 2014**	**Percentage of voting rights owned, directly (indirectly), by the Company**
			(millions of yen, unless otherwise indicated)	**(per cent.)**
Consolidated Subsidiaries				
Japan				
Unicharm Product Co., Ltd.	Shikokuchuo-shi, Ehime	Production of baby care, feminine care and other products	¥2,606	100.0%
Unicharm Kokko Non-woven Co., Ltd.	Shikokuchuo-shi, Ehime	Production, processing and sales of paper, non-woven and other materials	40	100.0
Cosmotec Corporation	Zentsuji-shi, Kagawa	Printing out, processing and sales of photographic printing plates	30	100.0
Unicharm Mölnlycke K.K.	Minato-ku, Tokyo	Sales of adult incontinence care	150	51.0
Overseas				
United Charm Co., Ltd.	Taipei, Taiwan	Production and sales of baby care, feminine care and other products	TWD588,800 thousand	52.6
Unicharm (Thailand) Co., Ltd.	Bangpakong, Thailand	Production and sales of baby care, feminine care and other products	THB718,843 thousand	94.2
Unicharm Consumer Products (China) Co., Ltd.	Shanghai, China	Production and sales of baby care, feminine care and other products	U.S.$117,127 thousand	(75.0)
LG Unicharm Co., Ltd.	Gumi-si, South Korea	Production and sales of baby care, feminine care and other products	KRW30,000 million	51.0
PT Unicharm Indonesia	Jakarta, Indonesia	Production and sales of baby care, feminine care and other products	IDR332,526 million	74.0
Unicharm Mölnlycke B.V.	The Netherlands	Production and sales of baby care and adult incontinence care products	EUR8,100 thousand	60.0
Unicharm Gulf Hygienic Industries Ltd.(2)	Riyadh, Saudi Arabia	Production and sales of baby care, feminine care and other products	SAR250,000 thousand	51.0
Unicharm India Private Ltd.	State of Haryana, India	Production and sales of baby care products	INR7,693 million	100.0
Unicharm Australasia Pty Ltd.	State of Victoria, Australia	Sales of baby care, adult incontinence care and other products	A$60,000 thousand	100.0
The Hartz Mountain Corporation	State of New Jersey, U.S.A.	Production and sales of pet care products	U.S.$267,533 thousand	51.0
Affiliate				
Japan				
The Fan Co., Ltd.	Sakai-shi, Osaka	Data storage and processing services	¥200	25.0

Notes:

(1) In the above table, "TWD" stands for Taiwan dollar, "THB" stands for Thai baht, "KRW" stands for South Korean won, "IDR" stands for Indonesian Rupiah, "EUR stands for euro, "SAR" stands for Saudi Arabian Riyal, "INR" stands for Indian Rupee and "A$" stands for Australian dollar.

(2) The Company purchased a further 44.0 per cent. of the issued shares of Unicharm Gulf Hygienic Industries Ltd. from its joint venture partner in June 2015. See "Recent Business — Recent Developments".

DESCRIPTION OF THE SHARES AND CERTAIN REGULATIONS

Set out below is certain information concerning the Shares, including brief summaries of certain provisions of the Company's Articles of Incorporation and Share Handling Regulations and of the Companies Act relating to joint stock corporations (kabushiki kaisha), and certain related legislation, all as currently in effect at the date of this Offering Circular.

General

All issued Shares are fully-paid and non-assessable, and are in registered form. On 5 January 2009, a new central clearing system for shares of Japanese listed companies was established pursuant to the Book-Entry Act, and the shares of all Japanese companies listed on any Japanese stock exchange, including the Shares, became subject to this new system. On the same day, all existing share certificates for such shares became null and void. At present, JASDEC is the only institution that is designated by the relevant authorities as a clearing house which is permitted to engage in the clearing operations of shares of Japanese listed companies under the Book-Entry Act. Under the new clearing system, in order for any person to hold, sell or otherwise dispose of shares of Japanese listed companies, they must have an account at an account managing institution unless such person has an account at JASDEC. "Account managing institutions" are financial instruments traders (being securities firms), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-Entry Act, and only those financial institutions that meet further stringent requirements of the Book-Entry Act can open accounts directly at JASDEC. For the purpose of the description under this section, the Company assumes that the relevant person has no account at JASDEC.

Under the Book-Entry Act, any transfer of shares is effected through book entry, and the title to the shares passes to the transferee at the time when the transferred number of shares is recorded in the transferee's account at an account managing institution. The holder of an account at an account managing institution is presumed to be the legal owner of the shares held in such account.

Under the Companies Act, in order to assert shareholders' rights against the Company, a transferee must have his or her name and address registered in the Company's register of shareholders, except in limited circumstances. Under the new clearing system, such registration is generally made upon an all shareholders notice from JASDEC. For this purpose, shareholders are required to file their names and addresses with the Company's transfer agent through the account managing institution and JASDEC. See "— Record Date" below for more information.

Non-resident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Each such shareholder must give notice of his or her standing proxy or a mailing address to the relevant account managing institution. Such notice will be forwarded to the Company's transfer agent through JASDEC. Japanese securities firms and commercial banks customarily act as standing proxy and provide related services for standard fees.

The transfer agent of the Company is Mitsubishi UFJ Trust and Banking Corporation.

Distribution of Surplus

General

Under the Companies Act, distributions of cash or other assets by joint stock corporations to their shareholders, so called "dividends" are referred to as "distributions of surplus". The Company may make distributions of surplus to its shareholders any number of times per fiscal year, subject to certain limitations described in "— Restriction on Distributions of Surplus".

The Companies Act requires a distribution of surplus to be authorised in principle by a resolution of a general meeting of shareholders. However, a distribution of surplus may also be made pursuant to a resolution of the Board of Directors but only if all the requirements described in (a) to (d) below are met:

(a) the Company's Articles of Incorporation provide that the Board of Directors has the authority to decide to make distributions of surplus;

(b) the normal term of office of each Director of the Company terminates on or prior to the date of conclusion of the ordinary general meeting of shareholders relating to the last year ending within the period of one year from the election of such Director;

(c) the Company's non-consolidated annual financial statements and certain documents for the latest fiscal year present fairly its assets and profit or loss, as required by ordinances of the Ministry of Justice; and

(d) if the distributions of surplus are made in kind, shareholders are granted the right to require the Company to make such distributions in cash instead of in kind, upon approval of a resolution of the Board of Directors.

Under the Company's Articles of Incorporation, a year-end dividend may be distributed to shareholders of record as at 31 December of each year, and pursuant to a resolution of the Board of Directors, an interim dividend may be distributed to shareholders of record as at 30 June of each year. The Company is not obliged to pay any dividends in cash unclaimed for a period of three years after the date on which they first became payable.

Distributions of surplus may be made in cash or (except for distributions as an interim dividend and cases where shareholders are granted the right to require the Company to make such distributions in cash instead of in kind, upon approval of a general meeting of shareholders) in kind in proportion to the number of Shares held by each shareholder. A resolution of the Board of Directors or a general meeting of shareholders authorising a distribution of surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of surplus is to be made in kind, the Company may, pursuant to a resolution of the Board of Directors, grant a right to its shareholders to require the Company to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of surplus must be approved by a special resolution of a general meeting of shareholders (see "—Voting Rights" with respect to a "special resolution").

In Japan, the ex-dividend date and the record date for dividends precede the date of determination of the amount of the dividends to be paid. The price of the Shares goes ex-dividend generally on the second business day prior to the record date.

Restriction on Distributions of Surplus

When the Company makes a distribution of surplus, it must, until the sum of its additional paid-in capital and legal reserve reaches one-quarter of its stated capital, set aside in its additional paid-in capital and/or legal reserve the smaller of (i) an amount equal to one-tenth of the amount of surplus so distributed or (ii) an amount equal to one-quarter of its stated capital less the sum of its additional paid-in capital and legal reserve as at the date of such distribution in accordance with an ordinance of the Ministry of Justice.

The amount of surplus at any given time must be calculated in accordance with the following formula:

$$A + B + C + D - (E + F + G)$$

In the above formula:

"A" = the total amount of other capital surplus and other retained earnings, as each such amount appears on the Company's non-consolidated balance sheet as at the end of the last fiscal year;

"B" = (if the Company has disposed of its treasury stock after the end of the last fiscal year) the amount of the consideration for such treasury stock received by the Company less the book value thereof;

"C" = (if the Company has reduced its stated capital after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any);

"D" = (if the Company has reduced its additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any);

"E" = (if the Company has cancelled its treasury stock after the end of the last fiscal year) the book value of such treasury stock;

“F” = (if the Company has distributed surplus to its shareholders after the end of the last fiscal year) the total book value of the surplus so distributed; and

“G” = certain other amounts set forth in ordinances of the Ministry of Justice, including (if the Company has reduced surplus and increased its stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction and (if the Company has distributed surplus to its shareholders after the end of the last fiscal year) the amount set aside in its additional paid-in capital or legal reserve (if any) as required by ordinances of the Ministry of Justice.

The aggregate book value of surplus distributed by the Company may not exceed a prescribed distributable amount (the “Distributable Amount”), as calculated on the effective date of such distribution. The Distributable Amount shall, at any given time, be equal to the amount of surplus less the aggregate of the following:

(a) the book value of the Company’s treasury stock, as at the effective date of distributions;

(b) the amount of consideration for the Company’s treasury stock disposed of by it after the end of the last fiscal year; and

(c) certain other amounts set forth in ordinances of the Ministry of Justice, including (if the sum of one half of goodwill and the deferred assets exceeds the total of stated capital, additional paid-in capital and legal reserve, each such amount being that appearing on the non-consolidated balance sheet of the Company as at the end of the last fiscal year) all or certain part of such exceeding amount as calculated in accordance with the ordinances of the Ministry of Justice.

If the Company has, at its option, become a company with respect to which consolidated balance sheets should also be taken into consideration in the calculation of the Distributable Amount *(renketsu haito kisei tekiyo kaisha*), it will be required to further deduct from the amount of surplus the excess amount, if any, of (x) the total amount of shareholders’ equity appearing on its non-consolidated balance sheet as at the end of the last fiscal year and certain other amounts set forth by an ordinance of the Ministry of Justice over (y) the total amount of shareholders’ equity and certain other amounts set forth by an ordinance of the Ministry of Justice appearing on its consolidated balance sheet as at the end of the last fiscal year.

If the Company has prepared temporary financial statements (*rinji keisan shorui*) as described below, and if such temporary financial statements have been approved by the Board of Directors or (if so required by the Companies Act) by a general meeting of shareholders, then the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for the Company’s treasury stock disposed of by it, during the period in respect of which such temporary financial statements have been prepared. The Company may prepare non-consolidated temporary financial statements consisting of a balance sheet as at any date subsequent to the end of the last fiscal year and an income statement for the period from the first day of the current fiscal year to the date of such balance sheet. Temporary financial statements prepared by the Company must be reviewed by its Directors appointed as the Audit and Supervisory Committee Members and the independent auditor, and approved by the Board of Directors and a general meeting of shareholders, as required by the Companies Act and ordinances of the Ministry of Justice.

Capital and Reserves

When the Company issues new Shares, the entire amount of money or other assets paid or contributed by subscribers for such Shares is required to be accounted for as stated capital, although the Company may account for an amount not exceeding one-half of the amount of such subscription money or other assets as additional paid-in capital by a resolution of the Board of Directors.

The Company may reduce its additional paid-in capital or legal reserve generally by a resolution of a general meeting of shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as stated capital. On the other hand, the Company may reduce its stated capital generally by a special resolution of a general meeting of shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as additional paid-in capital. In addition, the Company may reduce its surplus and increase either (i) its stated capital or (ii) additional paid-in capital and/or legal reserve by the same amount, in either case, by a resolution of a general meeting of shareholders.

Stock Splits

The Company may at any time split the issued Shares into a greater number of Shares by a resolution of its Board of Directors. When a stock split is to be made, so long as the only type of the Company's outstanding stock is its common stock, it may increase the number of authorised shares to the extent that the ratio of such increase in authorised shares does not exceed the ratio of such stock split by amending its Articles of Incorporation, which amendment may be made without approval by shareholders.

Before a stock split, the Company must give public notice of the stock split, specifying the record date, the effective date, and the ratio of such stock split not less than two weeks prior to such record date. Under the rules relating to the new clearing system, the Company must also inform JASDEC of certain matters regarding a stock split promptly after a resolution of its Board of Directors determining such stock split. On the effective date of the stock split, the numbers of Shares recorded in all accounts held by holders of Shares at account managing institutions or JASDEC will be increased in accordance with the applicable ratio.

Unit Share System

The Company's Articles of Incorporation provide that 100 Shares constitute one "unit". Its Board of Directors is permitted to reduce the number of Shares that will constitute a unit or abolish the unit share system entirely by amending its Articles of Incorporation without approval by shareholders, while a special resolution of a general meeting of shareholders is required to increase the number of Shares that will constitute a unit. The number of Shares constituting a unit may not exceed the lesser of 1,000 or 0.5 per cent. of the total number of issued Shares.

Under the unit share system, a shareholder has one vote for each unit of Shares held by it, except as stated in "— Voting Rights". Shares constituting less than one unit will carry no voting rights and be excluded for the purposes of calculating the quorum for voting purposes. Moreover, holders of Shares constituting less than one unit will have no other shareholder rights if the Company's Articles of Incorporation so provide, except that such holders may not be deprived of certain rights specified in the Companies Act or an ordinance of the Ministry of Justice, including the right to receive distributions of surplus.

Holders of Shares constituting less than one unit may at any time request the Company to purchase Shares held by them. Such purchase or sale of Shares will be effected at the last trading price of the Shares on the relevant stock exchange on the day such request is made (or, if there is no trading in the Shares on the stock exchange or if the stock exchange is not open on such day, the price at which the Shares are first traded on such stock exchange thereafter). The request for such purchase or sale may not be withdrawn without the Company's consent.

General Meetings of Shareholders

The ordinary general meeting of shareholders of the Company is held in March each year under the Company's Articles of Incorporation. In addition, the Company may hold an extraordinary general meeting of shareholders whenever necessary. Notice of a general meeting of shareholders stating, among others, the place, time and purpose thereof must be given to each shareholder having voting rights (or, in the case of a non-resident shareholder, to its standing proxy or mailing address in Japan) at least two weeks prior to the date set for the meeting. The record date for an ordinary general meeting of shareholders is 31 December of each year.

Any shareholder holding at least 300 voting rights or 1 per cent. of the total number of voting rights for six months or longer may propose a matter to be considered at a general meeting of shareholders by submitting a request to a Representative Director at least eight weeks prior to the date of such meeting. If the Company's Articles of Incorporation so provide, any of the minimum percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened.

Voting Rights

A Holder of Shares constituting one or more units is, in principle, entitled to one voting right for each unit of Shares. However, in general, neither the Company nor any corporate or certain other entity, where one-quarter or more of the total voting rights are directly or indirectly held by the Company, has voting rights in respect of Shares held by the Company or such entity.

Except as otherwise provided by law or in the Company's Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by the holder of a majority of the total number of voting rights represented at the meeting. The Company's Articles of Incorporation provide that the quorum for election of its Directors is one-third of the total number of voting rights. The Company's shareholders are not entitled to cumulative voting in the election of its Directors. The shareholders may exercise their voting rights in writing or through proxies, provided that the proxies are, in general, also shareholders who have voting rights.

The Companies Act provides that certain important matters shall be approved by a "special resolution" of a general meeting of shareholders. Under the Company's Articles of Incorporation, the quorum for a special resolution is one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights represented at the meeting is required for adopting a special resolution. Such important matters include:

(i) purchase of Shares by the Company from a specific shareholder other than the Company's subsidiary;

(ii) consolidation of Shares;

(iii) issuance or transfer of new Shares or existing Shares held by the Company as treasury stock to persons other than the shareholders at a "specially favourable" price;

(iv) issuance of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) to persons other than the shareholders under "specially favourable" conditions;

(v) removal of any of Directors appointed as the Audit and Supervisory Committee Members of the Company;

(vi) exemption from a portion of liability of the Directors, or the independent auditor of the Company;

(vii) distribution of surplus in kind with respect to which shareholders are not granted the right to require the Company to make distribution in cash instead of in kind;

(viii) reduction of stated capital;

(ix) amendment to the Company's Articles of Incorporation;

(x) transfer of the whole or a substantial part of the Company's business;

(xi) taking over of the whole of the business of another company;

(xii) merger;

(xiii) corporate split;

(xiv) establishment of a parent and wholly-owned subsidiary relationship by way of a share transfer (*kabushiki-iten*) or share exchange (*kabushiki-kokan*);

(xv) consolidation; and

(xvi) dissolution.

However, under the Companies Act, no shareholder approval, whether by an ordinary resolution or a special resolution at a general meeting of shareholders, is required for any matter described in (viii) to (xiv) above, and such matter may be decided by the Board of Directors, if it satisfies certain criteria prescribed by the Companies Act.

Liquidation Rights

In the event of the liquidation of the Company, any assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among holders of Shares in proportion to the respective number of Shares that they hold.

Subscription Rights

Holders of Shares have no pre-emptive rights. Authorised but unissued Shares may be issued at such times and upon such terms as the Board of Directors determines, subject to the limitations as to the issuance of new Shares at a "specially favourable" price mentioned in "— Voting Rights". The Board of Directors may, however, determine that shareholders be given subscription rights to new Shares, in which case they must be given on uniform terms to all holders of Shares as at a record date of which not less than two weeks' prior public notice must be given. Each of the shareholders to whom such rights are given must also be given at least two weeks' prior notice of the date on which such rights expire.

Stock Acquisition Rights

The Company may issue stock acquisition rights (shinkabu yoyakuken). Holders of stock acquisition rights are entitled to acquire Shares from the Company, upon payment of the applicable exercise price, and subject to other terms and conditions thereof. The Company may also issue bonds with stock acquisition rights (shinkabu yoyakuken-tsuki shasai). The issuance of stock acquisition rights and bonds with stock acquisition rights may be authorised by the Board of Directors unless it is made under "specially favourable" conditions, as described in "— Voting Rights".

Reports to Shareholders

The Company furnishes to its shareholders notices of shareholders' meetings, annual business reports, including financial statements, and notices of resolutions adopted at the shareholders' meetings, all of which are in Japanese. The Company may, if it so chooses, send such notices and reports by an electronic method, such as e-mail, to those shareholders who have approved such method.

Pursuant to the Company's Articles of Incorporation, public notice given by the Company shall be published by an electronic method; provided, however, that such notice shall be given by publication in the Nihon Keizai Shimbun if the method of electronically publishing notices is not available due to any technical problems or other unavoidable circumstances.

Record Date

As mentioned above, 31 December is the record date for the payment of year-end dividends and the determination of shareholders entitled to vote at the ordinary general meeting of shareholders, and 30 June is the record date for the payment of interim dividends.

In addition, by a resolution of the Board of Directors and after giving at least two weeks' prior public notice, the Company may at any time set a record date for determining the shareholders entitled to certain rights pertaining to Shares.

Under the rules relating to the new clearing system, the Company is required to give notice of each record date to JASDEC promptly after the resolution of the Board of Directors of the Company determining such record date. JASDEC is required to promptly give the Company notice of the names and addresses of holders of Shares, the numbers of Shares held by them and other relevant information as at such record date.

Acquisition of Shares by the Company

The Company may acquire Shares (i) from a specific shareholder other than any of the Company's subsidiaries (pursuant to a special resolution of a general meeting of shareholders); (ii) from any of the Company's subsidiaries (pursuant to a resolution of the Board of Directors) or (iii) by way of purchase on any Japanese stock exchange on which the Shares are listed or by way of tender offer (in either case pursuant to an ordinary resolution of a general meeting of shareholders or a resolution of the Board of Directors). In the case of (i) above, any other shareholder may make a request to the Company that such other shareholder be included as a seller in the proposed purchase, provided that no such right will be available if the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the higher of (x) the last trading price of the Shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in (i) above was adopted (or, if there is no trading in the Shares on the stock exchange or if the stock exchange is not open on such day, the price at which the Shares are first traded on such stock exchange thereafter) or (y) if the Shares are subject to a tender offer on the day immediately preceding the date on which the resolution mentioned in (i) above was adopted, the price of the Shares under the agreement with respect to such tender offer on such day.

The total amount of the purchase price of Shares may not exceed the Distributable Amount, as described in "— Distributions of Surplus — Restriction on Distributions of Surplus".

The Company may hold the Shares acquired in compliance with the provisions of the Companies Act, and may generally dispose of or cancel such Shares by a resolution of the Board of Directors.

Disposal of Shares by the Company held by Shareholders whose Location is Unknown

The Company is not required to send notices to a shareholder if delivery of notices to such shareholder fails continuously for five years or more at his or her address registered in the Company's register of shareholders or otherwise notified to the Company.

In the above case, if the relevant shareholder to whom delivery of notices has failed also fails to receive distributions of surplus on the Shares continuously for five years or more at his or her address registered in the Company's register of shareholders or otherwise notified to the Company, then the Company may in general dispose of such Shares at their then market price and hold or deposit the proceeds of such disposition on behalf of the relevant shareholder.

Reporting of Substantial Shareholders

The FIEA and its related regulations require any person who has become, beneficially and solely or jointly, a holder of more than five per cent. of the total issued shares of capital stock of a company listed on any Japanese stock exchange to file a report concerning such shareholdings with the director of the relevant Local Finance Bureau of the Ministry of Finance of Japan within five business days. With certain exceptions, a similar report must also be filed in respect of any subsequent change of 1 per cent. or more in the holding or of any change in material matters set out in reports previously filed. For this purpose, shares issuable to such person upon his or her exchange of exchangeable securities, conversion of convertible securities or exercise of warrants or stock acquisition rights (including those incorporated in bonds with stock acquisition rights) are taken into account in determining both the number of shares held by such holder and the issuer's total issued share capital. Any report so filed will be made available for public inspection. Copies of each report must also be furnished to the issuer of the shares. Reports are required to be filed through the Electronic Disclosure for Investors' Network, known as the EDINET system.

TAXATION

Japan

The following is a summary of the principal Japanese tax consequences to Bondholders and owners of Shares, acquired upon the exercise of the Stock Acquisition Rights incorporated in the Bonds or delivered upon the acquisition of the Bonds by the Company as consideration therefor, who are non-resident individuals or non-Japanese corporations, in either case having no permanent establishment in Japan ("non-resident Holders").

The statements regarding Japanese tax laws set out below are based on the laws in force as at the date hereof and are subject to changes in the applicable Japanese laws or tax treaties, conventions or agreements or in the interpretation thereof after that date.

This summary is not exhaustive of all possible tax considerations which may apply to a particular investor and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of the Bonds and Shares acquired upon exercise of the Stock Acquisition Rights incorporated in the Bonds or delivered upon the acquisition of the Bonds by the Company as consideration therefor, including, specifically, the tax consequences under Japanese law, the laws of the jurisdiction of which they are resident, and any tax treaty between Japan and their country of residence, by consulting their own tax advisers.

Bonds

Receipts of premium (if any) upon redemption of the Bonds are subject to Japanese income tax (including corporate income tax) but are not subject to any withholding tax. If the recipient is a resident or a corporation of a country with which Japan has an income tax treaty, Japanese tax treatment may be modified by any applicable provisions of such income tax treaty. Bondholders are advised to consult with their legal, accounting or other professional advisers as to the applicable tax treatment.

Gains derived from the sale of Bonds, outside Japan by a non-resident Holder thereof, are, in general, not subject to Japanese income tax. Exercise of the Stock Acquisition Rights is not a taxable event in general.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual, who has acquired Bonds as legatee, heir or donee even if the individual is not a Japanese resident.

Shares

Generally, a non-resident Holder of Shares is subject to Japanese withholding tax on dividends paid by the Company.

The rate of Japanese withholding tax applicable to dividends paid by the Company to a non-resident Holder of Shares is 20.42 per cent. on or before 31 December 2037 and 20 per cent. thereafter, subject to any applicable income tax treaty. However, with respect to dividends paid by the Company to any non-resident Holders of Shares, except for any individual shareholder who holds 3 per cent. or more of the total issued Shares, the said 20.42 per cent. or 20 per cent. withholding tax rate is reduced to (i) 15.315 per cent. for dividends due and payable on or before 31 December 2037 and (ii) 15 per cent. for dividends due and payable thereafter.

Gains derived from the sale of Shares, outside Japan, by a non-resident Holder thereof, are, in general, not subject to Japanese income tax.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired Shares as legatee, heir or donee even if the individual is not a Japanese resident.

Other

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate. Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

SMBC Nikko Capital Markets Limited (the "Manager"), as sole bookrunner and sole lead manager, has entered into a subscription agreement in respect of the Bonds with the Company dated 8 September 2015 (the "Subscription Agreement") under which, subject to the satisfaction of certain conditions set out therein, the Manager has agreed to subscribe for ¥50,000,000,000 in aggregate principal amount of the Bonds at the issue price of 109.5 per cent. of the principal amount of the Bonds (the "Issue Price") and to offer the Bonds at the offer price in respect of the Bonds (the "Offer Price") of 111.5 per cent. of the principal amount of the Bonds.

No selling concession, management commission or underwriting commission will be payable by the Company with respect to the offering of the Bonds. The difference between the Offer Price and the Issue Price will be retained by the Manager. Upon announcement of the offering of the Bonds, the Company and the Manager agreed that the Manager would solicit from prospective investors indications of interest in acquiring the Bonds, with the final issue price and final offer price to be agreed between the Company and the Manager within certain indicative ranges taking into account such indications of interest (subject to the difference between the final issue price and the final offer price being no greater than 2.5 percentage points). The Issue Price and the Offer Price set out above have been agreed following the completion of such determination process.

The Company has agreed to pay certain costs in connection with the issue of the Bonds and to reimburse the Manager for certain of their expenses in connection with the issue of the Bonds in accordance with the Subscription Agreement.

The Manager is entitled to be released and discharged from its obligations under the Subscription Agreement or to terminate the Subscription Agreement in certain circumstances prior to payment being made to the Company as set out therein. The Company has agreed to indemnify the Manager against certain liabilities in connection with the offering of the Bonds.

Lock-up

In connection with the issue and offering of the Bonds, the Company has agreed that it will not, and will procure that none of its directors or officers or any person acting on the direction of the Company will, for a period beginning on the date of the Subscription Agreement (and ending on the date 90 calendar days after the Closing Date:

(a) issue, offer, pledge, lend, sell, contract to sell, sell or grant any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant (including stock acquisition rights) to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, any Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for, or that constitutes the right to receive, Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for Shares;

(b) enter into a transaction (including a derivative transaction) that transfers, in whole or in part, directly or indirectly, ownership (or any economic consequences thereof) of Shares or any other capital stock of the Company, or that has an effect on the market in the Shares similar to that of a sale;

(c) deposit any Shares (or any securities convertible into or exercisable or exchangeable for Shares or any other capital stock of the Company or which carry rights to subscribe or purchase Shares or any other capital stock of the Company) in any depositary receipt facility; or

(d) publicly announce any intention to do any of the above,

without the prior written consent of the Manager, other than:

(i) the issue and sale by the Company of the Bonds or the issue or transfer of Shares upon exercise of the Stock Acquisition Rights;

(ii) the issue or transfer of any Shares by the Company upon exercise of any stock acquisition rights (including bonds with stock acquisition rights) issued and outstanding as of the date hereof and referred to in this Offering Circular;

(iii) the grant of stock options or stock acquisition rights to directors, corporate auditors, executive officers and employees of the Company and directors and employees of the Company's affiliates pursuant to its stock option plans;

(iv) the issue of Shares by the Company as a result of any stock split or the pro rata allocation of Shares or stock acquisition rights to holders of Shares without any consideration; and

(v) any other issue or sale of Shares required by the Japanese laws and regulations.

Selling Restrictions

United States

Neither the Bonds nor the Shares issuable upon exercise of the Stock Acquisition Rights offered herein have been or will be registered under the Securities Act or may be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. The Manager has represented and agreed that it has not offered, sold or delivered and will not offer or sell the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights (i) as part of the distribution at any time or (ii) otherwise, until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, except in accordance with Rule 903 of Regulation S, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to whom it sells the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights, as the case may be, within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Japan

The Bonds have not been and will not be registered under the FIEA. Accordingly, the Manager has represented and agreed that, in connection with the initial offering of the Bonds, it has not, directly or indirectly, offered or sold and shall not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the account or benefit of, any resident of Japan, except pursuant to an exemption available from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines in Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), the Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Manager; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds shall require the Company or the Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Bonds to the public" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

The Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Bonds and the Shares to be issued upon exercise of the Stock Acquisition Rights in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

(b) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds or the Shares to be issued upon exercise of the Stock Acquisition Rights in, from or otherwise involving the United Kingdom.

Singapore

The Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore (the "SFA") and accordingly, the Bonds may not be offered or sold, nor may the Bonds be the subject of an invitation for subscription or purchase, nor may this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Bonds be circulated or distributed, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferrable within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than 200,000 Singapore dollars (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;

(2) where no consideration is given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Hong Kong

The Manager has represented and agreed that:

(i) the Bonds and the Shares to be issued upon exercise of the Stock Acquisition Rights may not be offered or sold by means of any document other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO") and any rules made under the SFO, or (b) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) (the "Companies Ordinance") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

(ii) no advertisement, invitation or document relating to the Bonds or the Shares to be issued upon exercise of the Stock Acquisition Rights may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Bonds and Shares to be issued upon exercise of the Stock Acquisition Rights which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made under the SFO.

General

Neither the Company nor the Manager represents that the Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating such sales.

Other Relationships

The Manager or its affiliates may purchase the Bonds and be allocated the Bonds for asset management and/or proprietary purposes but not with a view to distribution.

In connection with the offering, the Manager or its affiliates may purchase the Bonds for its or their own account and may for its or their own account enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps or other derivatives relating to the Bonds and/or the Shares and/or other securities of the Company or its subsidiaries or affiliates and/or components of such Bonds and/or Shares and/or other securities, at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). As a result of such transactions the Manager or its affiliates may hold long or short positions in the Bonds and/or the Shares and/or derivatives relating thereto. No disclosure will be made of any such positions.

In connection with the offering, the Manager or its affiliates may purchase the Bonds acting as an investor for its own account may take up Bonds and in that capacity may retain, purchase or sell for their own account any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering.

The Manager or its affiliates may in the past have provided, may currently be providing and may in the future provide, investment and commercial banking, underwriting, advisory and other services to the Company and its subsidiaries and affiliates for which they have received, expect to receive or may receive (as the case may be) customary compensation. In particular, Sumitomo Mitsui Banking Corporation is one of the principal bank lenders of the Company and is an affiliate of the Manager. Proceeds from the issuance of the Bonds will be used to repay a portion of the borrowings from Sumitomo Mitsui Banking Corporation.

GENERAL INFORMATION

1. The Bonds have been accepted for clearance through Euroclear and through Clearstream, Luxembourg. The International Security Identification Number (ISIN) is XS1280133775 and the Common Code is 128013377.

2. The Securities Identification Code for the Shares given by Securities Identification Code Committee of Japan is 8113.

3. Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of ¥200,000 with a minimum of 100 lots to be traded in a single transaction for so long as the Bonds are listed on the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for definitive Certificates. In addition, in the event that the Global Certificate is exchanged for definitive Certificates, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore.

4. The Company has obtained all necessary consents, approvals and authorisations in Japan, if any, in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by a resolution dated 8 September 2015 of the board of directors of the Company.

5. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Group and no material adverse change in the prospects of the Group since 31 December 2014.

6. Save as disclosed in this Offering Circular, neither the Company nor any of its subsidiaries is, or has been involved in, any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this Offering Circular, a significant effect on the financial position or the profitability of the Group nor is the Company aware that any such proceedings are pending or threatened.

7. Copies of the latest annual report of the Company including the audited consolidated annual financial statements in English, and the Company's latest unaudited consolidated annual and quarterly financial statements in English (being English translations of the Company's financial statements included in *Kessan tanshin* (results announcements)) may be obtained, and copies of the Trust Deed and the Agency Agreement will be available for inspection, at the specified offices of each of the Agents during normal business hours, so long as any of the Bonds is outstanding.

8. Except to the extent provided in Condition 6, the Conditions do not provide for participating rights in the event of a take-over of the Company.

9. The consolidated financial statements of the Company for the fiscal year (twelve months) ended 31 March 2013, and for the fiscal year (twelve months) ended 31 March 2014 and the nine months ended 31 December 2014, included in this Offering Circular, have been audited by PricewaterhouseCoopers Aarata, the Company's independent auditor, as stated in its audit reports appearing herein.

10. The consolidated quarterly financial statements of the Company for the six months ended 30 June 2015, included in this Offering Circular, have been reviewed by PricewaterhouseCoopers Aarata, the Company's independent auditor, as stated in its review report appearing herein.

11. The Trustee is entitled under the Trust Deed to rely on reports and certificates addressed and/or delivered to it by the independent auditor to the Company whether or not the same are subject to any limitation on the liability of the independent auditor to the Company and whether by reference to a monetary cap or otherwise.

INDEX TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditor's Report

To the Board of Directors
of Unicharm Corporation

We have audited the accompanying consolidated financial statements of Unicharm Corporation ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014 and December 31, 2014, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the year ended March 31, 2014 and the nine month period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2014 and December 31, 2014, and their financial performances and cash flows for the year ended March 31, 2014 and the nine month period ended December 31, 2014 in accordance with accounting principles generally accepted in Japan.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2014 is presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

/s/ PricewaterhouseCoopers Aarata
August 6, 2015

Consolidated Balance Sheet
Unicharm Corporation and Subsidiaries
December 31, 2014 and March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	December 31 2014	March 31 2014	December 31 2014
Current Assets:			
Cash and cash equivalents (Note 17)	¥ 127,045	¥ 94,485	$ 1,049,957
Marketable securities (Notes 4 and 17)	-	3,014	-
Notes and accounts receivable (Notes 9 and 17):			
Trade	88,564	67,688	731,933
Allowance for doubtful accounts	(121)	(90)	(1,003)
Inventories (Note 5)	62,434	51,629	515,982
Deferred tax assets (Note 13)	17,165	13,264	141,862
Other current assets	26,686	35,201	220,549
Total current assets	321,773	265,191	2,659,280
Property, Plant and Equipment:			
Land (Note 6)	20,074	19,125	165,905
Buildings and structures	116,986	99,647	966,828
Machinery and equipment	276,837	243,152	2,287,905
Furniture and fixtures	17,423	15,439	143,995
Leased assets	1,513	1,441	12,504
Construction in progress	16,150	20,834	133,469
Total	448,983	399,638	3,710,606
Accumulated depreciation	(208,900)	(195,221)	(1,726,452)
Net property, plant and equipment	240,083	204,417	1,984,154
Investments and Other Assets:			
Investment securities (Notes 4 and 17)	24,753	21,922	204,573
Investments in affiliates	189	184	1,560
Goodwill	72,148	73,464	596,268
Intangibles	24,031	22,021	198,599
Deferred tax assets (Note 13)	7,313	27,776	60,442
Net defined benefit asset (Note 8)	3,829	861	31,642
Other assets	5,082	4,683	41,997
Allowance for doubtful accounts	(92)	(99)	(755)
Total investments and other assets	137,253	150,812	1,134,326
Total	¥ 699,109	¥ 620,420	$ 5,777,760

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS	Millions of yen December 31 2014	Millions of yen March 31 2014	Thousands of U.S. dollars (Note 2) December 31 2014
Current Liabilities:			
Short-term bank loans (Notes 7 and 17)	¥ 5,980	¥ 5,709	$ 49,418
Current portion of long-term debt (Notes 7 and 17)	22,000	2,000	181,818
Notes and accounts payable (Notes 9 and 17):			
Trade	91,587	78,434	756,917
Others	41,583	35,532	343,662
Income taxes payable (Notes 13 and 17)	5,428	5,740	44,860
Accrued bonuses	5,028	4,763	41,552
Other current liabilities	18,578	16,726	153,541
Total current liabilities	190,184	148,904	1,571,768
Long-Term Liabilities:			
Long-term debt (Notes 7 and 17)	5,421	21,000	44,799
Net defined benefit liability (Note 8)	4,348	4,996	35,935
Deferred tax liabilities (Note 13)	2,082	1,461	17,210
Other long-term liabilities	4,230	11,907	34,957
Total long-term liabilities	16,081	39,364	132,901
NET ASSETS			
Shareholders' equity (Note 19):			
Common stock, authorized: 827,779,092 shares issued: 620,834,319 shares at December 31, 2014 and 206,944,773 shares at March 31, 2014	15,993	15,993	132,171
Capital surplus	46,359	46,386	383,129
Retained earnings	334,558	306,975	2,764,947
Treasury stock—at cost, shares held: 20,036,933 at December 31, 2014 and 5,623,977 shares at March 31, 2014	(28,667)	(21,111)	(236,918)
Accumulated other comprehensive income			
Net unrealized gains on available-for-sale securities, net of tax (Note 4)	11,329	9,059	93,629
Net deferred gains on derivatives under hedge accounting, net of tax	65	2	544
Land revaluation surplus, net of tax (Note 6)	(157)	(157)	(1,301)
Foreign currency translation adjustments	44,427	21,118	367,164
Remeasurements of defined benefit plans	(4,254)	(4,128)	(35,159)
Total	419,653	374,137	3,468,206
Stock acquisition rights (Note 10)	239	296	1,972
Minority interests	72,952	57,719	602,913
Total net assets	492,844	432,152	4,073,091
Total	¥ 699,109	¥ 620,420	$ 5,777,760

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Income
Unicharm Corporation and Subsidiaries
Nine months ended December 31, 2014 and twelve months ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	Nine months ended December 31, 2014	Twelve months ended March 31, 2014	Nine months ended December 31, 2014
Net Sales	¥ 553,662	¥ 599,456	$ 4,575,717
Cost of Sales	308,422	331,808	2,548,939
Gross profit	245,240	267,648	2,026,778
Selling, General and Administrative Expenses (Notes 11, 14 and 21)	183,893	200,408	1,519,774
Operating income	61,347	67,240	507,004
Other Income (Expenses):			
Interest and dividend income	1,643	1,665	13,582
Foreign exchange gain	4,016	2,129	33,188
Interest expense	(287)	(359)	(2,373)
Sales discount	(2,947)	(2,909)	(24,360)
Gain on sale of investment securities	-	788	-
Gain on sale of property, plant and equipment (Note 12)	28	42	232
Loss on disposal of property, plant and equipment (Note 12)	(537)	(867)	(4,436)
Gain on changes in equity interest	-	4,746	-
Gain on compensation for relocation	5,010	-	41,401
Amortization of goodwill	-	(4,557)	-
Other—net	1,755	(16)	14,506
Other income (expenses)—net	8,681	662	71,740
Income Before Income Taxes and Minority Interests	70,028	67,902	578,744
Income Taxes (Note 13):			
Current	14,263	13,075	117,874
Deferred	14,604	10,830	120,698
Total income taxes	28,867	23,905	238,572
Net Income Before Minority Interests	41,161	43,997	340,172
Minority Interests In Net Income	8,429	5,781	69,660
Net Income	¥ 32,732	¥ 38,216	$ 270,512

	Yen		U.S. dollars (Note 2)
	Nine months ended December 31, 2014	Twelve months ended March 31, 2014	Nine months ended December 31, 2014
Per Share of Common Stock (Note 19):			
Net income	¥ 54.33	¥ 64.10	$ 0.45
Diluted net income	54.25	62.40	0.45
Cash dividends applicable to the year	39.00	35.00	0.32

Note: The Company carried out a 3-for-1 stock split on October 1, 2014. Net income per share, diluted net income per share and cash dividends per share applicable to the year were computed assuming that the stock split was carried out on April 1, 2013.

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income
Unicharm Corporation and Subsidiaries
Nine months ended December 31, 2014 and twelve months ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	Nine months ended December 31, 2014	Twelve months ended March 31, 2014	Nine months ended December 31, 2014
Net Income Before Minority Interests	¥ 41,161	¥ 43,997	$ 340,172
Other Comprehensive Income (Note 16):			
Net unrealized gains on available-for-sale securities, net of tax	2,271	1,423	18,765
Net deferred gains on derivatives under hedge accounting, net of tax	118	30	975
Foreign currency translation adjustments	30,944	20,142	255,740
Remeasurements of defined benefit plans	(66)	-	(544)
Total other comprehensive income	33,267	21,595	274,936
Comprehensive Income	74,428	65,592	615,108
Total Comprehensive Income Attributable to:			
Shareholders of the Company	¥ 58,238	¥ 55,596	$ 481,303
Minority interests	16,190	9,996	133,805

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Net Assets
Unicharm Corporation and Subsidiaries
Nine months ended December 31, 2014 and twelve months ended March 31, 2014

	Thousands	Millions of yen												
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on available-for-sale securities, net of tax	Net deferred gains (losses) on derivatives under hedge accounting, net of tax	Land revaluation surplus	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Stock acquisition rights	Minority interests	Total net assets
Balance, April 1, 2013	190,413,111	¥15,993	¥29,782	¥275,610	¥(43,030)	¥7,636	¥(21)	¥(157)	¥3,955		¥289,768	¥677	¥38,756	¥329,201
Net income	-	-	-	38,216	-	-	-	-	-		38,216	-	-	38,216
Cash dividends, ¥35.00 per share	-	-	-	(6,851)	-	-	-	-	-		(6,851)	-	-	(6,851)
Purchase of treasury stock	(2,116,467)	-	-	-	(12,003)	-	-	-	-		(12,003)	-	-	(12,003)
Disposal of treasury stock	13,024,152	-	16,604	-	33,922	-	-	-	-		50,526	-	-	50,526
Net change in the year	-	-	-	-	-	1,423	23	-	17,163	(4,128)	14,481	(381)	18,963	33,063
Balance, March 31, 2014	201,320,796	¥15,993	¥46,386	¥306,975	¥(21,111)	¥9,059	¥2	¥(157)	¥21,118	¥(4,128)	¥374,137	¥296	¥57,719	¥432,152
Cumulative effect of accounting changes		-	-	2,682	-	-	-	-	-	-	2,682	-	10	2,692
Balance, April 1, 2014, as restated	201,320,796	15,993	46,386	309,657	(21,111)	9,059	2	(157)	21,118	(4,128)	376,819	296	57,729	434,844
Increase in number of shares due to stock split	413,889,546													
Net income	-	-	-	32,732	-	-	-	-	-		32,732	-	-	32,732
Cash dividends, ¥39.00 per share	-	-	-	(7,831)	-	-	-	-	-		(7,831)	-	-	(7,831)
Purchase of treasury stock	(1,168,876)	-	-	-	(8,008)	-	-	-	-		(8,008)	-	-	(8,008)
Increase in treasury stock due to stock split	(13,445,180)	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal of treasury stock	201,100	-	(27)	-	452	-	-	-	-		425	-	-	425
Net change in the year	-	-	-	-	-	2,270	63	-	23,309	(126)	25,516	(57)	15,223	40,682
Balance, December 31, 2014	600,797,386	¥15,993	¥46,359	¥334,558	¥(28,667)	¥11,329	¥65	¥(157)	¥44,427	¥(4,254)	¥419,653	¥239	¥72,952	¥492,844

	Thousands of U.S. dollars (Note 2)												
Balance, March 31, 2014	$132,171	$383,354	$2,536,982	$(174,467)	$74,864	$21	$(1,301)	$174,531	$(34,116)	$3,092,039	$2,446	$477,022	$3,571,507
Cumulative effect of accounting changes	-	-	22,169	-	-	-	-	-	-	22,169	-	81	22,169
Balance, April 1, 2014, as restated	$132,171	$383,354	$2,559,151	$(174,467)	$74,864	$21	$(1,301)	$174,531	$(34,116)	$3,114,208	$2,446	$477,103	$3,593,757
Net income	-	-	270,512	-	-	-	-	-		270,512	-	-	270,512
Cash dividends, $0.32 per share	-	-	(64,716)	-	-	-	-	-		(64,716)	-	-	(64,716)
Purchase of treasury stock	-	-	-	(66,184)	-	-	-	-		(66,184)	-	-	(66,184)
Increase in treasury stock due to stock split	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal of treasury stock	-	(225)	-	3,733	-	-	-	-		3,508	-	-	3,508
Net change in the year	-	-	-	-	18,765	523	-	192,633	(1,043)	210,878	(474)	125,810	336,214
Balance, December 31, 2014	$132,171	$383,129	$2,764,947	$(236,918)	$93,629	$544	$(1,301)	$367,164	$(35,159)	$3,468,206	$1,972	$602,913	$4,073,091

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows
Unicharm Corporation and Subsidiaries
Nine months ended December 31, 2014 and twelve months ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	Nine months ended December 31, 2014	Twelve months ended March 31, 2014	Nine months ended December 31, 2014
Operating Activities:			
Income before income taxes and minority interests	¥ 70,028	¥ 67,902	$ 578,744
Adjustments for:			
Income taxes—paid	(14,685)	(13,013)	(121,365)
Income taxes—refunded	719	267	5,947
Depreciation	20,394	22,102	168,545
Amortization of goodwill	3,769	9,203	31,151
Foreign exchange gain	(6,314)	(1,423)	(52,185)
Net loss on disposal and sales of property, plant and equipment	499	814	4,120
Gain on changes in equity interest	-	(4,746)	-
Increase in trade receivables	(13,584)	(3,543)	(112,266)
Increase in inventories	(5,569)	(3,018)	(46,023)
Increase in trade payables	8,350	21,872	69,006
Increase (decrease) in other current liabilities	2,928	(60)	24,200
Other—net	2,358	(697)	19,489
Total adjustments	(1,135)	27,758	(9,381)
Net cash provided by operating activities	68,893	95,660	569,363
Investing Activities:			
Proceeds from sale of property, plant and equipment	880	45	7,270
Payment for acquisition of a property, plant and equipment	(42,304)	(58,739)	(349,617)
Purchase of time deposits	(1,603)	(11,183)	(13,245)
Proceeds from withdrawal of deposits	5,580	14,268	46,113
Payment for purchase of investment securities	(2,723)	(169)	(22,500)
Proceeds from sale of investment securities	3,791	1,007	31,326
Increase in other assets	(363)	(3,449)	(2,999)
Net cash used in investing activities	(36,742)	(58,220)	(303,652)
Financing Activities:			
Increase in short-term bank loans	174	805	1,440
Payment for redemption of convertible bonds	-	(5,630)	-
Proceeds from long-term debt	5,508	-	45,521
Repayments of long-term debt	(1,000)	(2,224)	(8,264)
Cash dividends paid	(7,835)	(6,850)	(64,751)
Purchase of treasury stock	(8,008)	(12,003)	(66,184)
Cash dividends paid to minority shareholders	(1,552)	(1,182)	(12,829)
Paid-in capital from minority shareholders	525	12,385	4,339
Proceeds from execution of stock option	367	2,444	3,035
Others	(234)	(251)	(1,931)
Net cash used in financing activities	(12,055)	(12,506)	(99,624)
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	9,450	4,353	78,097
Net Increase in Cash and Cash Equivalents	29,546	29,287	244,184
Cash and Cash Equivalents, Beginning of Year	97,499	68,212	805,773
Cash and Cash Equivalents, End of Year	¥ 127,045	¥ 97,499	$ 1,049,957

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

Unicharm Corporation and Subsidiaries
Nine Months Ended December 31, 2014 and Twelve Months Ended March 31, 2014

1. CHANGE IN FISCAL YEAR

In accordance with the approval of the proposal concerning partial amendments to the Articles of Incorporation of the Company at the Ordinary General Meeting of Shareholders of Unicharm Corporation (the "Company") held on June 25, 2014, the Company's fiscal year end was changed from March 31 to December 31 of each year, effective April 1, 2014. Due to the change, the Company's consolidated accounting period beginning on April 1, 2014 was a transitional nine months fiscal period ended on December 31, 2014.

2. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the consolidated financial statements for the twelve months ended March 31, 2014 to conform to the classifications used in the consolidated financial statements for the nine months ended December 31, 2014.

The consolidated financial statements are expressed in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥121 to $1, the approximate rate of exchange at December 31, 2014. Such translations should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements include the accounts of the Company and 47 of its 48 subsidiaries (together, the "Group"). One subsidiary is excluded from the scope of consolidation for the nine months ended December 31, 2014 and the twelve months ended March 31, 2014 as described below.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over their operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

There was no change in the consolidation scope at December 31, 2014, compared with the scope applicable at March 31, 2014.

Hartz-B2E LLC is excluded from the scope of consolidation, because it is a small sized company and the effect on the accompanying consolidated financial statements would not be material in terms of total assets, net sales, or based on the Company's share of net income or retained earnings.

Investments in two affiliates are accounted for using the equity method.

In connection with the change of fiscal year end of the Company from March 31 to December 31, the fiscal year end of its consolidated subsidiaries was changed from March 31 to December 31, accordingly.

This change aims to drive further management efficiency through more closely integrated group operations and the timely disclosure of adequate financial information. Due to the change, the reporting period of the consolidated subsidiaries which had closed their accounts on March 31, 2014 was a transitional nine months accounting period from April 1 to December 31, 2014, and for consolidated subsidiaries which had closed their accounts on December 31, 2014, was a normal twelve months accounting period from January 1, 2014 to December 31, 2014.

Profit and loss attributable to the period from January 1, 2014 to March 31, 2014 of the consolidated subsidiaries which had closed their accounts on December 31, 2014 were adjusted through the consolidated statements of income. Total net sales, operating income and income before income taxes recorded in the non-consolidated financial statements for the first quarter from January 1, 2014 until March 31, 2014 were ¥50,607 million ($418,240 thousand), ¥4,586 million ($37,899 thousand) and ¥4,614 million ($38,129 thousand), respectively.

The difference between the cost of the Company's investments in subsidiaries and affiliates accounted for by the equity method and its equity in the net assets at the respective dates of acquisition, goodwill is amortized over the effective investment period, calculated on an individual basis, using the straight-line method up to a maximum of 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

All assets and liabilities of acquired consolidated subsidiaries are measured at fair value as of the acquisition date.

b. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risks of changes in value.

Cash equivalents include time deposits, certificates of deposit, commercial papers and bond funds, all of which mature or become due within three months of the date of acquisition.

c. Inventories

Inventories held for sale in the ordinary course of business are measured at the lower of cost determined mainly by the average method, or net selling value, which is defined as the selling price less estimated additional manufacturing costs and estimated direct selling expenses.

d. Allowance for Doubtful Accounts

The allowance for doubtful accounts is determined based on the historical experience of the Company and its subsidiaries, as well as the best estimate of the specific probable credit loss amounts included in the outstanding receivables book at period ends.

e. Accrued Bonuses

Accrued bonuses are stated at the estimated amount of bonuses to be paid to employees based on their services provided during the fiscal year.

f. Marketable and Investment Securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost, and (2) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of net assets.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are adjusted to net realizable value through income.

g. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its subsidiaries is computed using the straight-line method at rates based on the estimated useful lives of the assets.

The range of useful lives is from 2 to 53 years for buildings and structures and from 2 to 20 years for machinery and equipment.

h. Intangibles

Intangibles are carried at cost less accumulated depreciation, which is calculated using the straight-line method. The useful life is principally 5 years.

i. Impairment of Long-lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. Retirement and Pension Plans

The Company and certain consolidated subsidiaries have contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees. Certain overseas consolidated subsidiaries have defined contribution pension plans.

The Company and certain consolidated subsidiaries account for the provision for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

In determining the projected benefit obligations, the expected amount of benefits are attributed to periods on a benefit formula basis.

Unrecognized net actuarial gain (loss) is amortized using the straight-line method over a period of 10 years, which is less than the employees' average remaining service period, and commencing from the fiscal year immediately following the fiscal year in which the gain (loss) is incurred.

Unrecognized past service cost is amortized using the straight-line method over a period 5 years which is less than the employees' average remaining service period commencing in the fiscal year in which the cost is incurred.

k. Research and Development Costs

Research and development costs are charged to the statement of income as incurred.

l. Leased Assets

All finance leases are capitalized and related leased assets and lease obligations are recognized in the balance sheet.

Capitalized leased assets are depreciated over their respective contract periods using the straight-line method assuming no residual value.

m. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying tax rates specified in currently enacted tax laws to the temporary differences.

n. Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing as at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

o. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the exchange rates in effect as of the balance sheet date except for net assets, which is translated at the historical rate.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rates prevailing during the year.

Differences arising from such translation are presented as “Foreign currency translation adjustments” and “Minority interests” as separate components of net assets.

p. Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates. Foreign exchange forward contracts and currency options are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement of raw materials from import purchases. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting. Forward contracts applied for forecasted transactions are measured at fair value, and the unrealized gains (losses) are deferred until the underlying transactions are completed.

q. Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

The weighted-average number of common shares used in the computation was 602,509 thousand shares for the nine months ended December 31, 2014 and 596,201 thousand shares for the twelve months ended March 31, 2014.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock (including subsidiaries’ common stock). Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

r. Accounting Changes

Application of Accounting Standard for Retirement Benefits effective March 31, 2014, the Company applied Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, revised on May 17, 2012; hereinafter “Retirement Benefits Standard”) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, revised on May 17, 2012; hereinafter “Retirement Benefits Guidance”) (except for the provisions set forth in Clause 35 of Retirement Benefits Standard and Clause 67 of Retirement Benefits Guidance). In accordance with this application, the Company has changed its accounting method to post retirement benefit obligations less pension assets as net defined benefit liability and posts the unrecognized actuarial gain or loss and unrecognized prior service costs as net defined benefit liability.

Pursuant to the transitional treatment prescribed in Paragraph 37 of Retirement Benefits Standard, the Company added to or deducted from accumulated other comprehensive income (Remeasurement of defined benefit plans) as of March 31, 2014.

As a result, the balance of net defined benefit asset was ¥860 million ($7,107 thousand) and net defined benefit liability was ¥4,995 million ($41,281 thousand) accumulated other comprehensive income decreased by ¥4,128 million ($34,116 thousand) as of March 31, 2014. The impact of net asset per share decreased by ¥20.51.

Effective April 1, 2014, the Company applied the provisions stated in the purview of Paragraph 35 of Retirement Benefits Standard and the purview of Paragraph 67 of Retirement Benefits Guidance. In accordance with this application, the Company reviewed the calculation methods for retirement benefit obligations and service costs, changed the method of determining the portion of projected benefit obligations attributed to periods from a straight-line method to a benefit formula basis and the method of determining the discount rate from the method based on the remaining service period to the single-weighted average basis.

Pursuant to the transitional treatment prescribed in Paragraph 37 of Retirement Benefits Standard, the Company added the effects from the changes in the calculation methods for retirement benefit obligations and service costs to retained earnings at April 1, 2014.

As a result, net defined benefit asset increased by ¥2,988 million ($24,696 thousand), net defined benefit liability decreased by ¥1,194 million ($9,875 thousand) and retained earnings increased by ¥2,682 million ($22,169 thousand) as of April 1, 2014. The impact on net income for the nine months ended December 31, 2014 was immaterial.

The impact on net asset per share as of December 31, 2014 was immaterial.

s. Accounting Standards not yet applied

Accounting Standards for Business Combinations and Related Standards and Guidance

On September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, “Accounting Standard for Business

Combinations," No. 22, "Accounting Standard for Consolidated Financial Statements," No. 7, "Accounting Standard for Business Divestitures," and No. 2, "Accounting Standard for Earnings per Share" and revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures" and No. 4, "Guidance on Accounting Standard for Earnings per Share."

These accounting standards were revised principally concerning 1) treatment for changes in parent's ownership interest in a subsidiary that do not result in a loss of control following additional acquisitions of shares in a subsidiary, 2) accounting for acquisition-related costs, 3) presentation method of net income and the terminology from minority interests to non-controlling interests, and 4) provisional accounting treatments.

The Company expects to apply these standards and guidance from January 1, 2015, and provisional accounting treatments are expected to be applied from business combinations to be implemented on or after January 1, 2015.

The Company is currently in the process of measuring the effects of applying the revised accounting standard.

4. MARKETABLE AND INVESTMENT SECURITIES

The carrying amounts and aggregate fair values of marketable and investment securities at December 31, 2014 and March 31, 2014 were as follows:

	Millions of yen			
December 31, 2014	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale				
Marketable equity securities	¥ 7,061	¥ 17,460	¥ 20	¥ 24,501
Held-to-maturity				
Other	32	4	-	36
Total	¥ 7,093	¥ 17,464	¥ 20	¥ 24,537

	Millions of yen			
March 31, 2014	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale				
Marketable equity securities	¥ 4,337	¥ 13,534	¥ 19	¥ 17,852
Other	4,014	396	-	4,410
Held-to-maturity				
Corporate bonds	2,427	60	28	2,459
Other	29	3	-	32
Total	¥10,807	¥ 13,993	¥ 47	¥ 24,753

	Thousands of U.S. dollars			
December 31, 2014	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale				
Marketable equity securities	$58,352	$144,295	$159	$202,488
Held-to-maturity				
Other	268	34	-	302
Total	$58,620	$144,329	$159	$202,790

Unlisted equity securities are not included in the above table since fair value of the securities is not available or the fair value cannot be reliably measured. The carrying amounts of these unlisted equity securities were ¥217 million ($1,799 thousand) and ¥217 million at December 31, 2014 and March 31, 2014, respectively.

The Company recognized impairment loss on investment securities in an amount of ¥28 million, which was deducted from the cost in the above table for the year ended March 31, 2014.

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of December 31, 2014 and March 31, 2014 were as follows:

	Carrying Amount		
	Millions of yen		Thousands of U.S. dollars
	December 31, 2014	March 31, 2014	December 31, 2014
Available-for-sale			
Equity securities*	¥ 409	¥ 401	$3,377
Total	¥ 409	¥ 401	$3,377

* Equity securities include investments in affiliates amounting to ¥189 million ($1,560 thousand) and ¥184 million as of December 31, 2014 and March 31, 2014, respectively.

Proceeds from sales of held-to-maturity securities for the nine months ended December 31, 2014 were ¥2,449 million ($20,242 thousand) and gross realized gains on these sales, as determined by the moving-average cost, were ¥22 million ($180 thousand). There were no sales of held-to-maturity securities for the twelve months ended March 31, 2014.

Proceeds from sales of available-for-sale securities for the nine months ended December 31, 2014 and the twelve months ended March 31, 2014 were ¥1,341 million ($11,085 thousand) and ¥1,007 million, respectively. Gross realized gains on these sales, as determined by the moving-average cost, were ¥342 million ($2,824 thousand) and ¥789 million for the nine months ended December 31, 2014 and the twelve months ended March 31, 2014, respectively. No loss on sales of available-for-sale securities was recognized for the nine months ended December 31, 2014 and the twelve months ended March 31, 2014.

The carrying amounts of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at December 31, 2014 and March 31, 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars	
December 31, 2014	Available-for-sale	Held-to Maturity	Available-for-sale	Held-to Maturity
Due in one year or less	¥-	¥-	$-	$ -
Due after one year through five years	-	33	-	275
Due after five years through ten years	-	-	-	
Due after ten years	-	-	-	
Total	¥-	¥33	$-	$275

	Millions of yen	
March 31, 2014	Available-for-sale	Held-to Maturity
Due in one year or less	¥-	¥-
Due after one year through five years	-	458
Due after five years through ten years	-	1,000
Due after ten years	-	1,000
Total	¥-	¥2,458

5. INVENTORIES

Inventories at December 31, 2014 and March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	December 31, 2014	March 31, 2014	December 31, 2014
Merchandise and finished products	¥ 30,655	¥ 27,701	$253,346
Work in process	1,807	920	14,931
Raw materials and supplies	29,972	23,008	247,705
Total	¥ 62,434	¥ 51,629	$515,982

6. LAND REVALUATION

Under the "Act on Revaluation of Land," promulgated on March 31, 1998 and revised on March 31, 1999 and 2001, the Company elected a one-time revaluation of its own-use land to real estate appraisal value as of March 31, 2001.

The resulting "land revaluation difference" represents unrealized appreciation of land and is stated, net of income taxes, as a component of net assets. There is no effect on the consolidated statements of income.

As of December 31, 2014 and March 31, 2014, the carrying amount of the land, net of the above one-time revaluation exceeded the market value by ¥298 million ($2,460 thousand) and ¥297 million, respectively.

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at December 31, 2014 and March 31, 2014 consisted of notes to banks and bank overdrafts. Short-term loans were made under general security agreements with banks. Loans from banks and municipal corporations are due serially to 2015 with a weighted average annual interest rate of 3.13% in the nine months ended December 31, 2014 and 0.39% in the twelve months ended March 31, 2014, respectively.

Short-term bank loans and long-term debt at December 31, 2014 and March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	December 31, 2014	March 31, 2014	December 31, 2014
Short-term bank loans	¥5,980	¥5,709	$49,418
Loans from banks and municipal corporations, due in 2019 with annual average interest rate of 0.37% in 2015 and 3.13% on the average through 2019	¥27,421	¥23,000	$226,618
Obligations under finance leases	957	1,085	7,908
Total	28,378	24,085	234,526
Less current portion	(22,452)	(2,306)	(185,550)
Long-term debt, less current portion	¥5,926	¥21,779	$48,976

Annual maturities of long-term debt, excluding finance leases (see Note 15), at December 31, 2014 were as follows:

Years Ending December 31	Millions of yen	Thousands of U.S. dollars
2015	¥22,000	$181,818
2016	-	-
2017	-	-
2018	-	-
2019	5,421	44,799
Total	¥27,421	$226,617

8. RETIREMENT AND PENSION PLANS

The Company and subsidiaries have funded or unfunded defined benefit plans and defined contribution plans to provide for the employees' retirement and severance benefits.

Under the defined benefit corporate pension plans, lump-sum severance benefits or annuities are paid based on the rate of paid salaries at the time of termination and years of service. Under lump-sum benefit plans (unfunded plans, whereas some plans are funded types due to the establishment of retirement benefit trusts), lump-sum benefits are paid based on the rate of pay at the time of termination and years of service.

Some consolidated subsidiaries adopt a simplified method, under which the liability is determined at the amount that would be required if all the employees retired at the balance sheet date, in determining retirement benefit obligations.

1. Defined Benefit Plans

(1) The changes in defined benefit obligations for the nine months ended December 31, 2014 and the twelve months ended March 31, 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31, 2014	Twelve months ended March 31, 2014	Nine months ended December 31, 2014
Beginning balance of defined benefit obligations	¥ 39,485	¥37,892	$ 326,323
Cumulative effects of accounting changes	(4,183)	-	(34,571)
Beginning balance, restated	35,302	37,892	291,752
Service costs	1,502	1,819	12,410
Interest expenses	504	644	4,169
Actuarial gain or loss incurred	2,493	(617)	20,604
Past service costs incurred	-	5	-
Retirement benefits paid	(764)	(890)	(6,313)
Foreign exchange translation differences	157	946	1,294
Other	116	(314)	959
Ending balance of defined benefit obligations	¥ 39,310	¥39,485	$ 324,875

(2) The changes in plan assets for the nine months ended December 31, 2014 and the twelve months ended March 31, 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31, 2014	Twelve months ended March 31, 2014	Nine months ended December 31, 2014
Beginning balance of plan assets	¥36,322	¥31,983	$300,183
Expected return on plan assets	808	894	6,675
Actuarial gain or loss incurred	1,523	992	12,589
Contribution from employers	1,792	2,241	14,806
Retirement benefits paid	(490)	(491)	(4,053)
Foreign exchange translation differences	97	767	803
Other	112	(64)	928
Ending balance of plan assets	¥40,164	¥36,322	$331,931

(3) The changes in net defined benefit liability of plan assets to which the simplified method is applied were as follows:

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31, 2014	Twelve months ended March 31, 2014	Nine months ended December 31, 2014
Beginning balance of net defined benefit liability	¥972	¥911	$8,034
Retirement benefit expenses	298	284	2,464
Retirement benefits paid	(77)	(329)	(644)
Foreign exchange translation differences	181	106	1,498
Ending balance of net defined benefit liability	¥1,374	¥972	$11,352

(4) Reconciliations between the ending balances of defined benefit obligations and plan assets and net defined benefit liability recorded in the consolidated balance sheet are as follows:

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31, 2014	Twelve months ended March 31, 2014	Nine months ended December 31, 2014
Funded defined benefit obligations	¥36,509	¥35,950	$301,726
Plan assets	(40,164)	(36,322)	(331,931)
	(3,655)	(372)	(30,205)
Unfunded defined benefit obligations	4,174	4,507	34,502
Net liability (asset) recorded in the consolidated balance sheet	519	4,135	4,293
Net defined benefit liability	4,348	4,996	35,935
Net defined benefit asset	(3,829)	(861)	(31,642)
Net liability (asset) recorded in the consolidated balance sheet	¥519	¥4,135	$4,293

(5) The components of retirement benefit expenses for the nine months ended December 31, 2014 and the twelve months ended March 31, 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31, 2014	Twelve months ended March 31, 2014	Nine months ended December 31, 2014
Service costs	¥1,502	¥1,819	$12,410
Interest cost	504	644	4,169
Expected return on plan assets	(808)	(894)	(6,675)
Actuarial gain or loss amortized	846	1,413	6,989
Past service costs amortized	7	79	54
Retirement benefit expenses computed under the simplified method	298	285	2,464
Retirement benefit expenses on defined benefit plans	¥2,349	¥3,346	$19,411

(6) Remeasurements of defined benefit plans
The components of remeasurements of defined benefit plans (before tax effects) were as follows:

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31, 2014	Twelve months ended March 31, 2014	Nine months ended December 31, 2014
Unrecognized past service costs	¥9	¥15	$71
Unrecognized actuarial gain or loss	6,663	6,575	55,066
Total	¥6,672	¥6,590	$55,137

(7) Plan assets
a. Components of plan assets
Plan assets consisted of the following:

	Nine months ended December 31, 2014	Twelve months ended March 31, 2014
Debt securities	55%	55%
Equity securities	18%	16%
Cash and bank deposits	11%	13%
General account	9%	10%
Other	7%	6%
	100%	100%

(Notes) 1. Plan assets for the nine months ended December 31, 2014 include a retirement benefit trust established as part of the corporate pension plan which constitutes 11% of the total asset value.
2. Plan assets for the twelve months ended March 31, 2014 include a retirement benefit trust established as part of the corporate pension plan which constitutes 12% of the total asset value.

b. Method of determining the long-term expected rate of return on plan assets
The long-term expected rate of return on plan assets is determined considering the expected profile of plan assets both currently and in the future, and the long-term rates of return which are expected currently and in the future from the various components of those plan assets.

(8) Actuarial assumptions used
Actuarial assumptions at the end of period were as follows:

	Nine months ended December 31, 2014	Twelve months ended March 31, 2014
Discount rate	Mainly 1.4%	Mainly 1.4%
Long-term expected return on plan assets	Mainly 3.0%	Mainly 3.0%

2. Defined Contribution Plans
Nine months ended December 31, 2014
The required contribution to the defined contribution plans of the Company and its consolidated subsidiaries is ¥208 million ($1,717 thousand).

Twelve months ended March 31, 2014
The required contribution to the defined contribution plans of the Company and its consolidated subsidiaries is ¥268 million.

9. NOTES RECEIVABLE AND PAYABLE

December 31, 2014 fell on a bank holiday. The following notes receivable and payable which matured on that date were accounted for as if they were settled on that date:

	Millions of yen	Thousands of U.S. dollars
Notes receivable	¥152	$1,257
Notes payable	384	3,176

10. STOCK OPTIONS

The stock options at December 31, 2014 were as follows:

Unicharm Corporation

Meeting date	Persons Granted	Number of options granted	Date of Grant	Conditions for vesting	Service Period	Exercisable period
September 16, 2010 (2010 Stock Option)	9 company's directors 1 subsidiary's director 1,651 company's employees 1,397 subsidiaries' employees	Common stock 7,784,100 shares (*1)	November 1, 2010	(*2) (*3)	From November 1, 2010 to September 30, 2012	From October 1, 2012 to September 30, 2016

(*1) The number of stock options is converted into the number of shares, which represents the number of shares after the stock split carried out on October 1, 2014 (3 shares for 1 share).
(*2) Any person who has been allotted the stock acquisition rights may not exercise such rights unless the closing price of the Company's common stock at the Tokyo Stock Exchange is ¥4,800 per share or over on at least one occasion during the period from the allotment date through March 31, 2014, except in cases where it becomes necessary to adjust this value, the adjustment shall be conducted in a uniform and predetermined manner.
(*3) Any person who has been allotted the stock acquisition rights must be, even at the time of exercise of such rights, a director or an employee of the Company or the Company's subsidiary, except in cases where he or she has resigned from the position as director due to expiration of term of office or retired from employee due to reaching the mandatory retirement age.

Stock option activity during the nine months ended December 31, 2014 was as follows:

	Unicharm Corporation
	2010 Stock Option
	(Number of shares)
Non-vested:	
April 1, 2014—Outstanding	-
Granted	-
Increase due to stock split	-
Forfeited	-
Vested	-
December 31, 2014—Outstanding	-
Vested:	
April 1, 2014—Outstanding	576,900
Vested	-
Increase due to stock split	1,019,800
Exercised	201,100
Forfeited	-
December 31, 2014—Outstanding	1,395,600

(Note) The number of shares represents the number of shares after the 3 for 1 stock split of common stock carried out on October 1, 2014

	Unicharm Corporation
Date of resolution	September 16, 2010
Exercise price	¥1,096 ($9.06)
Average stock price at exercise	¥2,052 ($16.96)
Fair value price at grant date	¥171 ($1.41)

(Note) Above prices represent the prices after the 3 for 1 stock split of common stock carried out on October 1, 2014.

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the nine months ended December 31, 2014 and the twelve months ended March 31, 2014 primarily include the following:

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31, 2014	Twelve months ended March 31, 2014	Nine months ended December 31, 2014
Shipping and storage expenses	¥27,502	¥30,235	$227,293
Sales promotion	82,970	88,165	685,708
Advertising	17,906	18,033	147,991
Employees' salaries and bonuses	15,407	18,492	127,331
Accrued bonuses	1,758	1,740	14,536
Retirement benefit expenses	1,121	1,477	9,265
Depreciation and amortization	2,331	2,537	19,265

12. GAIN OR LOSS ON SALES AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Gain on sale of property, plant and equipment for the nine months ended December 31, 2014 and the twelve months ended March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31, 2014	Twelve months ended March 31, 2014	Nine months ended December 31, 2014
Gain on sale of property, plant and equipment			
Buildings and structures	¥0	¥–	$1
Machinery and equipment	19	42	160
Others	9	0	71
Total	¥28	¥42	$232

Loss on disposal and sale of property, plant and equipment for the nine months ended December 31, 2014 and the twelve months ended March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31, 2014	Twelve months ended March 31, 2014	Nine months ended December 31, 2014
Loss on disposal of property, plant and equipment			
Buildings and structures	¥10	¥9	$83
Machinery and equipment	420	738	3,474
Removal costs	53	27	435
Others	17	73	142
Loss on sale of property, plant and equipment			
Buildings and structures	23	1	194
Machinery and equipment	2	19	13
Others	12	0	95
Total	¥537	¥867	$4,436

Amortization of goodwill for the twelve months ended March 31, 2014 was recognized at the date of occurrence for impairment loss of subsidiaries' equity securities in accordance with the Provision set forth in Article 32 of the "Practical Guidance on Consolidation Procedures in the Consolidated Financial Statements" (JICPA Accounting System Committee Report No. 7).

13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a statutory income tax rate of approximately 35.6% and 38.0% for the nine months ended December 31, 2014 and the twelve months ended March 31, 2014, respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at December 31, 2014 and March 31, 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	December 31, 2014	March 31, 2014	December 31, 2014
Deferred tax assets:			
Accrued bonuses	¥ 1,225	¥ 1,191	$ 10,121
Accrued sales promotion expense	5,098	3,981	42,130
Net defined benefit liability	2,195	2,769	18,141
Asset adjustment account	2,417	9,666	19,971
Tax loss carryforwards	30,576	30,811	252,696
Other	4,388	4,151	36,266
Less valuation allowance	(2,404)	(975)	(19,864)
Total	43,495	51,594	359,461
Deferred tax liabilities:			
Net unrealized gain from fair value	1,993	1,584	16,472
Depreciation of overseas subsidiaries	2,498	1,998	20,643
Net defined benefit asset	1,397	-	11,542
Net unrealized gain on available-for-sale securities	6,111	4,853	50,506
Depreciation	1,634	-	13,508
Retained earnings	6,446	1,223	53,270
Other	1,171	2,472	9,679
Total	21,250	12,130	175,620
Deferred tax assets—current	¥17,165	¥13,264	$141,862
Deferred tax assets— non-current	¥ 7,313	¥27,776	$ 60,442
Deferred tax liabilities—current	¥ (152)	¥ (116)	$ (1,254)
Deferred tax liabilities—non-current	¥(2,082)	¥(1,461)	$(17,210)

Reconciliations between the effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the nine months ended December 31, 2014 and the twelve months ended March 31, 2014 were as follows:

	Nine months ended December 31, 2014	Twelve months ended March 31, 2014
Effective statutory tax rate	35.6%	38.0%
Amortization of goodwill	1.7	5.1
Lower income tax rates applicable to income in certain foreign countries	(8.4)	(9.2)
Dividends	0.6	0.0
Valuation allowance	3.7	1.3
Corporate income tax credit	0.8	1.4
Effects of corporate income tax rate changes	-	0.9
Capital increase by third party allotment	-	(2.7)
Tax effect on undistributed retained earnings	7.5	-
Other	(0.3)	0.4
Actual effective tax rate	41.2%	35.2%

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses were ¥4,249 million ($35,114 thousand) and ¥5,265 million for the nine months ended December 31, 2014 and the twelve months ended March 31, 2014, respectively.

15. LEASES

Obligations under non-cancellable leases accounted for as operating leases subsequent to December 31, 2014 and March 31, 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	December 31, 2014	March 31, 2014	December 31, 2014
Due within one year	¥ 734	¥ 730	$ 6,068
Due after one year	4,310	4,012	35,623
Total	¥5,044	¥4,742	$41,691

16. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the nine months ended December 31, 2014 and the twelve months ended March 31, 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31, 2014	Twelve months ended March 31, 2014	Nine months ended December 31, 2014
Net unrealized gains on available-for-sale securities:			
Gain arising during the year	¥3,924	¥2,690	$32,432
Reclassification adjustment to net income	(396)	(479)	(3,275)
Amount before income tax effect	3,528	2,211	29,157
Income tax effect	(1,257)	(788)	(10,392)
Net unrealized gains on available-for-sale securities	2,271	1,423	18,765
Net deferred gains (losses) on derivatives under hedge accounting:			
Gain arising during the year	318	212	2,627
Reclassification adjustment to net income	(157)	(218)	(1,299)
Amount before income tax effect	161	(6)	1,328
Income tax effect	(43)	36	(353)
Net deferred gains on derivatives under hedge accounting	118	30	975
Foreign currency translation adjustments:			
Gain arising during the year	30,944	21,662	255,740
Reclassification adjustment to net income	-	(1,520)	-
Amount before income tax effect	30,944	20,142	255,740
Foreign currency translation adjustments	30,944	20,142	255,740
Remeasurements of defined benefit plans:			
Gain (loss) arising during the year	(979)	-	(8,096)
Reclassification adjustment to net income	852	-	7,043
Amount before income tax effect	(127)	-	(1,053)
Income tax effect	61	-	509
Remeasurements of defined benefit plans	(66)	-	(544)
Total other comprehensive income	¥33,267	¥21,595	$274,936

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

1. Disclosure on Financial Instruments

(1) Policy for financial instruments

With respect to fund management, cash surpluses, if any, are invested in low risk financial assets. The Company determines which way to fund through reviewing financial conditions and market circumstances and, based on these, puts them into practice. Derivatives are used, not for speculative purposes, but to avoid the market risk of fluctuation in foreign exchange rates associated with receivables and payables denominated in foreign currencies.

(2) Nature and risk of financial instruments and risk management system

Receivables such as trade notes and trade accounts are exposed to customer credit risk. With regard to such risk the sales administration department monitors major customers periodically and controls the collection dues and outstanding balances per customer in order to identify doubtful receivables resulting from deterioration of customers' financial positions at an early stage.

Furthermore, trade receivables denominated in foreign currency due from overseas subsidiaries are exposed to currency risk. The Company hedges the position, net of payables, using foreign exchange forward contracts, if necessary.

Investment securities held by the Company and certain consolidated subsidiaries, which consist of equity securities held for the purpose of business or capital alliances and debt securities classified as available-for-sale securities, are exposed to the market risk due to fluctuation in market prices.

With regard to the equity securities held for the purpose of business alliance, fair values are periodically reported at the board meetings.

Payables—notes payable, accounts payable trade and accrued income taxes—mostly have payment terms less than one year. A portion of the trade payables denominated in foreign currencies that is associated with importing of raw materials is exposed to foreign currency exchange risk, while it is hedged through using forward foreign currency contracts when necessary. Long-term debt is used principally for the purpose of investment and facilitation of funds. Debt with variable interest rates is exposed to interest rate fluctuation risk. The Group manages its liquidity risk by holding adequate volumes of liquid assets in accordance with adequate financial planning made by Accounting Control & Finance Division based on reports from relevant departments.

Derivative contracts employed by the Company and certain consolidated subsidiaries are foreign exchange forward contracts for the purpose of hedging the market risk due to fluctuation in foreign exchange rates associated with the trade receivables and payables denominated in foreign currencies. The derivative transactions are executed and controlled in accordance with the internal rules and used for hedging actual transactions. For hedging instruments, hedged items, hedge method and effectiveness of hedge accounting; please see Note 18 "DERIVATIVES."

(3) Supplementary explanation about fair value of financial instruments

Where no market price information is available, management uses certain assumptions to determine the fair value of those financial instruments. Accordingly, the value of these instruments would vary if different assumptions were used. Note that contract amounts of derivatives presented in Note 18 "DERIVATIVES" do not represent volume of underlying market risk of the derivative transactions.

2. Fair Value of Financial Instruments

Carrying amounts and fair values of financial instruments and their net differences as of December 31, 2014 and March 31, 2014 were as follows:

Note that the following table does not include fair values for financial instruments for which the fair value is difficult to determine.

	Millions of yen		
December 31, 2014	Carrying amount	Fair value	Difference
Cash and cash equivalents	¥127,045	¥127,045	¥ –
Notes and accounts receivable	88,564		
Allowance for doubtful accounts (*1)	(121)		
	88,443	88,443	–
Investment securities	24,533	24,538	5
Total assets	¥240,021	¥240,026	¥5
Short-term bank loans	¥ 5,980	¥ 5,980	¥ –
Current portion of long-term debt	22,000	22,000	–
Notes and accounts payable:			
Trade	91,587	91,587	–
Others	41,583	41,583	–
Income taxes payable	5,428	5,428	–
Long-term debt	5,421	5,421	–
Total liabilities	¥171,999	¥171,999	¥ –
Derivative transactions (*2)			
Hedge accounting is not applied	¥ (3)	¥ (3)	¥ –
Hedge accounting is applied	187	187	–
Total derivative transactions	¥ 184	¥ 184	¥ –

	Millions of yen		
March 31, 2014	Carrying amount	Fair value	Difference
Cash and cash equivalents	¥94,485	¥94,485	¥ –
Notes and accounts receivable	67,688		
Allowance for doubtful accounts (*1)	(90)		
	67,598	67,598	–
Marketable and investment securities	24,719	24,754	35
Total assets	¥186,802	¥186,837	¥35
Short-term bank loans	¥ 5,709	¥ 5,709	¥ –
Current portion of long-term debt	2,000	2,000	–
Notes and accounts payable:			
Trade	78,434	78,434	–
Others	35,532	35,532	–
Income taxes payable	5,740	5,740	–
Long-term debt	21,000	21,000	–
Total liabilities	¥148,415	¥148,415	¥ –
Derivative transactions (*2)			
Hedge accounting is not applied	¥ (270)	¥ (270)	¥ –
Hedge accounting is applied	71	71	–
Total derivative transactions	¥ (199)	¥ (199)	¥ –

	Thousands of U.S. dollars		
December 31, 2014	Carrying amount	Fair value	Difference
Cash and cash equivalents	$1,049,957	$1,049,957	$ –
Notes and accounts receivable	731,933		
Allowance for doubtful accounts (*1)	(1,003)		
	730,930	730,930	–
Investment securities	202,756	202,790	34
Total assets	$1,983,643	$1,983,677	$34
Short-term bank loans	$49,418	$49,418	$ –
Current portion of long-term debt	181,818	181,818	–
Notes and accounts payable:			
Trade	756,917	756,917	–
Others	343,662	343,662	–
Income taxes payable	44,860	44,860	–
Long-term debt	44,799	44,799	–
Total liabilities	$1,421,474	$1,421,474	$
Derivative transactions (*2)			
Hedge accounting is not applied	$(22)	$(22)	$ –
Hedge accounting is applied	1,546	1,546	–
Total derivative transactions	$1,524	$1,524	$ –

(*1) Allowance for doubtful accounts corresponding to notes and accounts receivable is deducted.
(*2) Receivables and payables arising from derivative transactions are shown in net amount, and in parenthesis in case of net payables.

(Note 1) Calculation method of the fair value of financial instruments and securities and derivative transactions

Assets:

"Cash and cash equivalents" and "Notes and accounts receivable"

The carrying amount is presented as the fair value since these balances are routinely settled in the short term, and as such the fair value is considered to approximate the carrying value.

"Marketable and investment securities"

The fair values of equity securities are estimated based on quoted market prices for these instruments, and the fair values of debt securities are determined based on the prices obtained from the financial institutions with which they are transacted.

For further information about securities categorized by holding purposes, please see Note 4 "MARKETABLE AND INVESTMENT SECURITIES."

Liabilities:

"Short-term bank loans," "Notes and accounts payable" and "Income taxes payable"

The carrying amount is presented as the fair value since these balances are routinely settled in the short term, and as such the fair value is considered to approximate the carrying value.

"Long-term debt"

The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new loans were entered into. However, the fair value of long-term debt with variable rates is based on the book value, since the variable rates are renewed periodically and as the carrying amounts approximate the fair value.

Derivative transactions:
Please see Note 18 "DERIVATIVES."

(Note 2) Carrying amounts of financial instruments for which fair value cannot be reliably measured were as follows:

	Millions of yen		Thousands of U.S. dollars
	December 31, 2014	March 31, 2014	December 31, 2014
Unlisted equity securities	¥409	¥401	$3,377

These items are not included in above "Investment securities" since no market price is available and it is extremely difficult to determine the fair value.

(Note 3) Repayment schedule of monetary receivables and securities with contractual maturities is as follows:

	Millions of yen			
December 31, 2014	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥127,045	¥–	¥–	¥–
Notes and accounts receivable	88,564	–	–	–
Investment securities:				
Held-to-maturity debt securities:				
Debt securities	–	33	–	–
Total	¥215,609	¥33	¥–	¥–

	Millions of yen			
March 31, 2014	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥94,485	¥–	¥–	¥–
Notes and accounts receivable	67,688	–	–	–
Marketable and investment securities:				
Held-to-maturity debt securities:				
Debt securities	–	458	1,000	1,000
Total	¥162,173	¥458	¥1,000	¥1,000

	Thousands of U.S. dollars			
December 31, 2014	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	$1,049,957	$–	$–	$–
Notes and accounts receivable	731,933	–	–	–
Investment securities:				
Held-to-maturity debt securities:				
Debt securities	–	272		
Total	$1,781,890	$272	$	$

18. DERIVATIVES

The Group enters into foreign exchange forward contracts and currency options to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

Most derivative transactions are entered into to hedge foreign currency exposures associated with the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Group does not hold or issue derivatives for trading purposes.

It is also the Group's policy to use derivatives only for the purpose of mitigating market risks associated with investment securities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

Contract amounts, fair values, and gains and losses on derivative transactions were as follows:

a. Derivatives to which hedge accounting is not applied:

	Millions of yen			Thousands of U.S. dollars		
	December 31, 2014			December 31, 2014		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair Value	Unrealized gain (loss)
Foreign exchange forward contracts—						
(Exchange-traded)						
Selling USD	¥18,920	¥(48)	¥(48)	$156,368	$(392)	(392)
(Exchange-traded)						
Buying USD	1,501	46	46	12,407	381	381
(Exchange-traded)						
Buying EUR	18	0	0	145	(2)	(2)
(Exchange-traded)						
Buying DKK	93	(1)	(1)	768	(9)	(9)
(Exchange-traded)						
Buying JPY	-	-	-	-	-	-
Total	¥20,532	¥(3)	¥(3)	$169,688	$(22)	$(22)

	Millions of yen		
	March 31, 2014		
	Contract amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts—			
(Exchange-traded)			
Selling USD	¥506	¥(8)	¥(8)
(Exchange-traded)			
Buying USD	1,324	(6)	(6)
(Exchange-traded)			
Buying EUR	449	27	27
(Exchange-traded)			
Buying DKK	125	(1)	(1)
(Exchange-traded)			
Buying JPY	16,814	(282)	(282)
Total	¥19,218	¥(270)	¥(270)

The fair value is determined based on the prices presented from the financial institutions with which derivatives are transacted.

b. Derivatives to which hedge accounting is applied:

At December 31, 2014

		Millions of yen			
Hedge accounting method	Type of derivatives	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting method	Foreign exchange forward contracts: Buying USD	Accounts payable	¥1,380	¥ –	¥155
Deferred hedge accounting method	Foreign exchange forward contracts: Buying EUR	Accounts payable	876	–	58
Deferred hedge accounting method	Foreign exchange forward contracts: Buying JPY	Accounts payable	532	–	(26)
Total			¥2,788	¥ –	¥187

At March 31, 2014

		Millions of yen			
Hedge accounting method	Type of derivatives	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting method	Foreign exchange forward contracts: Selling CAD	Accounts payable	¥686	¥ –	¥27
Deferred hedge accounting method	Currency option contracts: Buying USD	Accounts payable	1,294	–	99
Deferred hedge accounting method	Foreign exchange forward contracts: Buying JPY	Accounts payable	517	–	(55)
Total			¥2,497	¥ –	¥71

At December 31, 2014

		Thousands of U.S. dollars			
Hedge accounting method	Type of derivatives	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting method	Foreign exchange forward contracts: Buying USD	Accounts payable	$11,408	¥ –	$1,281
Deferred hedge accounting method	Foreign exchange forward contracts: Buying EUR	Accounts payable	7,237	–	487
Deferred hedge accounting method	Foreign exchange forward contracts: Buying JPY	Accounts payable	4,396	–	(223)
Total			$23,041	$ –	$1,545

The fair value is determined based on the prices presented from the financial institutions with which derivatives are transacted.

19. PER SHARE INFORMATION

The Company carried out a 3-for-1 stock split on October 1, 2014. Net income per share, diluted net income per share and cash dividends per share applicable to the year were computed assuming that the stock split was carried out on April 1, 2013.

a. Basis for the computation of net asset per share at December 31, 2014 and March 31, 2014 was as follows:

	Millions of yen	Thousands of U.S. dollars	Thousands of shares	Yen	U.S. dollars
At December 31, 2014	Net asset		Number of shares of common stock	Asset per share	
Net asset	¥492,844	$4,073,091	600,797		
Stock acquisition rights	239	1,972	-		
Minority interest	72,952	602,913	-		
Net asset attributable to common stock	419,653	3,468,206	600,797	¥698.49	$5.77

	Millions of yen	Thousands of shares	Yen
At March 31, 2014	Net asset	Number of shares of common stock	Asset per share
Net asset	¥432,152	603,962	
Stock acquisition rights	296	-	
Minority interest	57,719	-	
Net asset attributable to common stock	374,137	603,962	¥619.47

b. A reconciliation of the differences between basic and diluted net income per share ("EPS") for the nine months ended December 31, 2014 and the twelve months ended March 31, 2014 was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
Nine months ended December 31, 2014	Net income	Weighted-average shares	EPS	
Basic EPS—Net income available to common shareholders	¥32,731	602,509	¥54.33	$ 0.45
Effect of dilutive securities—Adjustment of warrants of company	(-)	840	(0.08)	(0.00)
Diluted EPS—Net income for computation	¥32,731	603,349	¥54.25	$ 0.45

	Millions of yen	Thousands of shares	Yen
Twelve months ended March 31, 2014	Net income	Weighted-average Shares	EPS
Basic EPS—Net income available to common shareholders	¥38,216	596,201	¥64.10
Effect of dilutive securities—Adjustment of warrants of company	(1)	16,262	(1.70)
Diluted EPS—Net income for computation	¥38,215	612,463	¥62.40

20. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

The following appropriation of retained earnings at December 31, 2014 was approved at the Board of Directors of the Company meeting held on February 17, 2015:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥6.40 ($0.05) per share	¥3,845	$31,778

b. Stock Acquisition Rights

At the Company's 55th Ordinary General Meeting of Shareholders held on March 27, 2015, based on the resolution at the Board of Directors meeting of the Company held on February 17, 2015, it was resolved to grant stock acquisition rights to the directors (excluding members of the audit committee) and employees of the Company and directors and employees of the Company's subsidiaries.

1. Reason for issuing the stock acquisition rights
   The Company proposes to issue the stock acquisition rights in the form of stock options to directors and employees of the Company and the Company's subsidiaries, with the aim of further enhancing their motivation and morale for improvement of business performance and attracting talented personnel that would contribute to improvement in the corporate value across the Group.
2. Persons eligible to be granted
   Directors and employees of the Company and directors and employees of the Company's subsidiaries
3. Type and number of shares subject to the stock acquisition rights
   The type of shares subject to the stock acquisition rights is common stock of the Company and the number of shares to be granted shall not exceed 3,500,000.
4. Conditions to exercise the stock acquisition rights
   (i) Any person who has been allotted the stock acquisition rights may not exercise such rights unless the closing price of the Company's common stock at the Tokyo Stock Exchange is ¥4,030 ($33.31) per share or over on at least one occasion during the period from the allotment date through February 28, 2021.
   (ii) Any person who has been allotted the stock acquisition rights must be, even at the time of exercise of such rights, a director or an employee of the Company or the Company's subsidiary, except in cases where he or she has resigned from the position as director due to expiration of term of office.
   (iii) In case any person who has been allotted the stock acquisition rights deceases, his or her heir may exercise their stock acquisition rights.
5. Exercise period of the stock acquisition rights
   From June 1, 2017 to May 31, 2022

c. Acquisition of Additional Shares in a Consolidated Subsidiary

At the Board of Directors' meeting held on December 22, 2014, the Company made a resolution regarding acquisition of additional shares issued by Unicharm Gulf Hygienic Industries Ltd., which is a consolidated subsidiary of the Company, and completed the acquisition on June 30, 2015.

1. Purpose of acquisition of shares
   The Company acquired additional shares issued by Unicharm Gulf Hygienic Industries Ltd. in order to strengthen the alliance within the Company group and enhance corporate value and management efficiency of the whole group.
2. Name of the company acquired and its business
   Name: Unicharm Gulf Hygienic Industries Ltd.
   Business: Manufacturing and sales of feminine care products and baby diapers
3. Number of shares acquired, acquisition price and ownership ratio before and after acquisition

Number of shares acquired:	110,000 shares
Acquisition price:	$426 million
Ownership ratio before acquisition:	51%
Ownership ratio after acquisition:	95%

4. Financing method for payment
   Borrowing

21. RELATED PARTY TRANSACTIONS

(1) Transactions of the Company with related parties for the nine months ended December 31, 2014 and the twelve months ended March 31, 2014 were as follows:

a. Takahara Kosan K.K.

Takahara Kosan K.K. is directly 20.0% owned by Mr. Takahisa Takahara, President and Chief Executive Officer of the Company, 1.0% by Mr. Keiichiro Takahara, Founder & Director of the Board of the Company, directly 44.5% owned by their close relatives, and another 34.5% indirectly owned by their close relatives.

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31, 2014	Twelve months ended March 31, 2014	Nine months ended December 31, 2014
Insurance premium	¥41	¥34	$337
Prepaid expenses	10	14	79

b. Unitec Corporation

Unitec Corporation was directly 0.5% owned by Mr. Takahisa Takahara, 1.1% by Mr. Keiichiro Takahara's close relatives, and another 98.4% indirectly owned by Mr. Keiichiro Takahara's close relatives at December 31, 2014.

Unitec Corporation was directly 0.7% owned by Mr. Takahisa Takahara, 1.5% by Mr. Keiichiro Takahara's close relatives, and another 97.8% indirectly owned by Mr. Keiichiro Takahara's close relatives at March 31, 2014.

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31, 2014	Twelve months ended March 31, 2014	Nine months ended December 31, 2014
Rental expenses	¥8	¥11	$70

(2) Transactions of the consolidated subsidiaries of the Company with related parties for the nine months ended December 31, 2014 and the twelve months ended March 31, 2014 were as follows:

Takahara Kosan K.K.

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31, 2014	Twelve months ended March 31, 2014	Nine months ended December 31, 2014
Rental expenses	¥89	¥119	$738

22. SEGMENT INFORMATION

1. Overview of reportable segments

The Group's reportable segments are components for which separate financial information is available, and whose operating results are reviewed regularly by the Board of Directors in order to determine allocation of management resources and assess segment performance.

The Group's reportable segments consist of Personal care business, Pet care business, and Other business. Each business segment operates its own business with comprehensive strategies by segment, both for Japan and the overseas businesses.

Therefore, Personal care business, Pet care business and Other business constitute the Company's reportable segments.

The Personal care business manufactures and sells baby care products, feminine care products, health care products and clean-and-fresh products. The Pet care business manufactures and sells pet food products and pet toiletry products. The Other businesses manufacture and sell industrial materials.

2. Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies for the reportable segments are basically the same as policies described in "Summary of Significant Accounting Policies." Intersegment sales and transfer prices are mainly based on current market prices.

3. Information about sales, profit (loss), assets, liabilities and other items was as follows.

	Millions of yen					
	Nine months ended December 31, 2014					
	Reportable segment					
	Personal care	Pet care	Others	Total	Eliminations or Corporate	Consolidated
Sales to customers	¥486,960	¥62,565	¥4,137	¥553,662	¥-	¥553,662
Intersegment sales	-	-	12	12	(12)	-
Total sales	¥486,960	¥62,565	¥4,149	¥553,674	¥ (12)	¥553,662
Segment profit (Operating profit)	¥58,262	¥2,810	¥253	¥61,327	¥20	¥61,347
Segment assets	¥576,884	¥76,367	¥4,383	¥657,634	¥41,475	¥699,109
Other:						
Depreciation	¥18,340	¥1,987	¥67	¥20,394	¥-	¥20,394
Amortization of goodwill	1,687	2,082	-	3,769	-	3,769
Increase in tangible fixed assets and intangible fixed assets	40,109	1,544	103	41,756	-	41,756

	Millions of yen					
	Twelve months ended March 31, 2014					
	Reportable segment					
	Personal care	Pet care	Others	Total	Eliminations or Corporate	Consolidated
Sales to customers	¥515,254	¥78,672	¥5,530	¥599,456	¥-	¥599,456
Intersegment sales	-	-	29	29	(29)	-
Total sales	¥515,254	¥78,672	¥5,559	¥599,485	¥ (29)	¥599,456
Segment profit (Operating profit)	¥65,732	¥1,131	¥355	¥67,218	¥22	¥67,240
Segment assets	¥498,320	¥75,395	¥6,280	¥579,995	¥40,425	¥620,420
Other:						
Depreciation	¥19,388	¥2,631	¥83	¥22,102	¥-	¥22,102
Amortization of goodwill	1,617	7,586	-	9,203	-	9,203
Increase in tangible fixed assets and intangible fixed assets	49,788	2,009	111	51,908	-	51,908

	Thousands of U.S. Dollars					
	Nine months ended December 31, 2014					
	Reportable segment					
	Personal care	Pet care	Others	Total	Eliminations or Corporate	Consolidated
Sales to customers	$4,024,464	$517,064	$34,189	$4,575,717	$-	$4,575,717
Intersegment sales	-	-	104	104	(104)	-
Total sales	$4,024,464	$517,064	34,293	$4,575,821	$ (104)	$4,575,717
Segment profit (Operating profit)	$481,509	$23,231	$2,098	$506,838	$166	$507,004
Segment assets	$4,767,637	$631,128	$36,227	$5,434,992	$342,768	$5,777,760
Other:						
Depreciation	$151,574	$16,423	$548	$168,545	$-	$168,545
Amortization of goodwill	13,945	17,206	-	31,151	-	31,151
Increase in tangible fixed assets and intangible fixed assets	331,486	12,764	847	345,097	-	345,097

(Note 1) Corporate assets included in “Eliminations or Corporate” amount to ¥59,197 million ($489,228 thousand) and ¥58,841 million for the nine months ended December 31, 2014 and the twelve months ended March 31, 2014, respectively. Such assets consist of cash and cash equivalents, marketable securities and investment securities held by the Company.

(Note 2) “Amortization of goodwill” includes amortization of goodwill recorded under “Other Income (Expenses).”

(Related Information)

1. Information on Products and Services

Information on products and services is omitted, since the similar information is disclosed in the segment information note above.

2. Geographical Information

(1) Sales

Millions of yen			
Nine months ended December 31, 2014			
Japan	China	Others	Total
¥198,746	¥116,821	¥238,095	¥553,662

Millions of yen			
Twelve months ended March 31, 2014			
Japan	China	Others	Total
¥255,768	¥92,879	¥250,809	¥599,456

Thousands of U.S. dollars			
Nine months ended December 31, 2014			
Japan	China	Others	Total
$1,642,524	$965,463	$1,967,730	$4,575,717

Note: Sales are allocated to each country based on the customer’s location.

(2) Tangible fixed assets

Millions of yen				
December 31, 2014				
Japan	China	Indonesia	Others	Total
¥46,818	¥67,578	¥33,435	¥92,252	¥240,083

Millions of yen				
March 31, 2014				
Japan	China	Indonesia	Others	Total
¥48,082	¥59,964	¥22,114	74,257	¥204,417

Thousands of U.S. dollars				
December 31, 2014				
Japan	China	Indonesia	Others	Total
$386,923	$558,494	$276,327	$762,410	$1,984,154

3. Information about Major Customers

Information about major customers is omitted, since there is no particular customer to whom sales exceed 10% of the total sales recorded in the consolidated statement of income.

(Information about impairment loss on fixed assets by reportable segment)

There was no significant impairment loss to be reported for either the nine months ended December 31, 2014 or the twelve months ended March 31, 2014.

(Information about amortization and unamortized balance of goodwill by reportable segment)

	Millions of yen					
	Nine months ended December 31, 2014					
	Reportable segment					
	Personal care	Pet care	Others	Total	Eliminations or Corporate	Consolidated
Amortization	¥1,687	¥2,082	¥-	¥3,769	¥-	¥3,769
Unamortized balance at end of the year	29,091	43,057	-	72,148	-	72,148

	Millions of yen					
	Twelve months ended March 31, 2014					
	Reportable segment					
	Personal care	Pet care	Others	Total	Eliminations or Corporate	Consolidated
Amortization	¥1,617	¥7,586	¥-	¥9,203	¥-	¥9,203
Unamortized balance at end of the year	28,325	45,139	-	73,464	-	73,464

	Thousands of U.S. dollars					
	Nine months ended December 31, 2014					
	Reportable segment					
	Personal care	Pet care	Others	Total	Eliminations or Corporate	Consolidated
Amortization	$13,945	$17,206	$-	$31,151	$-	$31,151
Unamortized balance at end of the year	240,425	355,843	-	596,268	-	596,268

(Information about gain on negative goodwill by reportable segment)

There were no matters to be reported for either the nine months ended December 31, 2014 or the twelve months ended March 31, 2014.

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Independent Auditor's Report

To the Board of Directors
of Unicharm Corporation

We have audited the accompanying consolidated financial statements of Unicharm Corporation ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2013, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1. to the consolidated financial statements.

/s/ PricewaterhouseCoopers Aarata
September 30, 2013

Consolidated Balance Sheet
Unicharm Corporation and Subsidiaries
March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2013	2012	2013
Current Assets:			
Cash and cash equivalents (Note 17)	¥ 68,212	¥ 75,926	$ 725,658
Marketable securities (Notes 3 and 17)	-	3,400	-
Notes and accounts receivable (Notes 9 and 17):			
Trade	60,349	50,405	642,014
Allowance for doubtful accounts	(85)	(87)	(908)
Inventories (Note 4)	44,786	33,661	476,442
Deferred tax assets (Note 13)	13,918	12,751	148,063
Other current assets (Note 17)	23,549	14,582	250,526
Total current assets	210,729	190,638	2,241,795
Property, Plant and Equipment:			
Land (Note 5)	17,776	11,905	189,110
Buildings and structures	81,394	66,149	865,890
Machinery and equipment	207,017	174,334	2,202,313
Furniture and fixtures	14,164	10,350	150,682
Leased assets	753	482	8,011
Construction in progress	15,011	9,429	159,693
Total	336,115	272,649	3,575,699
Accumulated depreciation	(172,986)	(155,828)	(1,840,281)
Net property, plant and equipment	163,129	116,821	1,735,418
Investments and Other Assets:			
Investment securities (Notes 3 and 17)	19,494	14,143	207,380
Investments in affiliates	171	157	1,821
Goodwill	76,686	78,905	815,812
Intangibles	20,708	18,636	220,295
Deferred tax assets (Note 13)	36,617	45,147	389,542
Prepaid pension cost (Note 8)	5,616	5,747	59,742
Other assets	2,070	2,495	22,023
Allowance for doubtful accounts	(165)	(191)	(1,751)
Total investments and other assets	161,197	165,039	1,714,864
Total	¥ 535,055	¥ 472,498	$ 5,692,077

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
Current Liabilities:			
Short-term bank loans (Notes 6 and 17)	¥ 4,020	¥ 5,439	$ 42,762
Current portion of long-term debt (Notes 6 and 17)	2,209	2,828	23,503
Notes and accounts payable (Notes 9 and 17):			
Trade	53,186	45,779	565,808
Others	37,207	29,742	395,821
Income taxes payable (Notes 13 and 17)	3,235	4,348	34,412
Accrued expenses	19,473	16,779	207,157
Other current liabilities	2,217	1,447	23,592
Total current liabilities	121,547	106,362	1,293,055
Long-Term Liabilities:			
Convertible bonds (Notes 7 and 17)	53,333	80,585	567,373
Long-term debt (Notes 6 and 17)	23,000	35,220	244,681
Provision for retirement benefits (Note 8)	2,926	2,754	31,124
Deferred tax liabilities (Note 13)	1,576	1,365	16,768
Other long-term liabilities	3,472	3,005	36,937
Total long-term liabilities	84,307	122,929	896,883
Commitments (Note 15):			
NET ASSETS			
Shareholders' equity (Note 19):			
Common stock,			
authorized: 827,779,092 shares in 2013 and 2012			
issued: 206,944,773 shares in 2013 and 2012	15,993	15,993	170,135
Capital surplus	29,782	18,802	316,832
Retained earnings	275,610	238,568	2,932,018
Treasury stock—at cost, shares held:			
16,531,662 in 2013 and			
22,697,728 in 2012 and	(43,030)	(52,926)	(457,766)
Accumulated other comprehensive income			
Net unrealized gains on available-for-sale securities, net of tax			
(Notes 3 and 17)	7,636	4,180	81,232
Net deferred losses on derivatives under hedge accounting, net of tax	(21)	(14)	(220)
Land revaluation surplus, net of tax (Note 5)	(157)	(157)	(1,674)
Foreign currency translation adjustments	3,955	(11,372)	42,079
Total	289,768	213,074	3,082,636
Stock acquisition rights (Note 10)	677	959	7,205
Minority interests	38,756	29,174	412,298
Total net assets	329,201	243,207	3,502,139
Total	¥ 535,055	¥ 472,498	$ 5,692,077

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Income
Unicharm Corporation and Subsidiaries
Years Ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Net Sales	¥ 495,771	¥ 428,391	$ 5,274,163
Cost of Sales (Note 10)	268,743	233,936	2,858,969
Gross profit	227,028	194,455	2,415,194
Selling, General and Administrative Expenses (Notes 10, 11, 14 and 21)	167,540	142,554	1,782,337
Operating income	59,488	51,901	632,857
Other Income (Expenses):			
Interest and dividend income	1,211	1,014	12,888
Foreign exchange gain (loss)	7,631	(464)	81,176
Interest expense	(284)	(460)	(3,024)
Sales discount	(3,728)	(4,190)	(39,658)
Gain on sale of property, plant, and equipment (Note 12)	42	8	448
Loss on disposal of property, plant, and equipment (Note 12)	(617)	(1,335)	(6,561)
Loss on disaster	-	(554)	-
Business restructuring cost	(95)	(617)	(1,011)
Other—net	635	270	6,752
Other income (expenses)—net	4,795	(6,328)	51,010
Income Before Income Taxes and Minority Interests	64,283	45,573	683,867
Income Taxes (Note 13):			
Current	9,763	7,551	103,864
Deferred	5,608	7,324	59,660
Total income taxes	15,371	14,875	163,524
Net Income Before Minority Interests	48,912	30,698	520,343
Minority Interests In Net Income	5,790	3,716	61,602
Net Income	¥ 43,122	¥ 26,982	$ 458,741

	Yen		U.S. dollars (Note 1)
	2013	2012	2013
Per Share of Common Stock (Note 19):			
Net income	¥ 233.75	¥ 144.95	$ 2.49
Diluted net income	209.56	130.05	2.23
Cash dividends applicable to the year	34.00	32.00	0.36

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income
Unicharm Corporation and Subsidiaries
Years Ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Net Income Before Minority Interests	¥ 48,912	¥ 30,698	$ 520,343
Other Comprehensive Income (Note 16):			
Net unrealized gains on available-for-sale securities, net of tax	3,456	903	36,760
Net deferred gains (losses) on derivatives under hedge accounting, net of tax	11	(8)	126
Foreign currency translation adjustments	19,603	(2,056)	208,542
Total other comprehensive income	23,070	(1,161)	245,428
Comprehensive Income	71,982	29,537	765,771
Total Comprehensive Income Attributable to:			
Shareholders of the Company	¥ 61,898	¥ 25,734	$ 658,489
Minority interests	10,084	3,803	107,282

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Net Assets
Unicharm Corporation and Subsidiaries
Years Ended March 31, 2013 and 2012

	Thousands	Millions of yen											
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on available-for-sale securities, net of tax	Net deferred gains (losses) on derivatives under hedge accounting, net of tax	Land revaluation surplus	Foreign currency translation adjustments	Total	Stock acquisition rights	Minority interests	Total net assets
Balance, April 1, 2011	186,422,805	¥15,993	¥18,802	¥217,112	¥(43,925)	¥3,277	¥(13)	¥(90)	¥(9,221)	¥201,935	¥289	¥17,409	¥219,633
Net income	-	-	-	26,982	-	-	-	-	-	26,982	-	-	26,982
Cash dividends, ¥30.00 per share	-	-	-	(5,593)	-	-	-	-	-	(5,593)	-	-	(5,593)
Purchase of treasury stock	(2,175,760)	-	-	-	(9,001)	-	-	-	-	(9,001)	-	-	(9,001)
Land revaluation difference	-	-	-	67	-	-	-	-	-	67	-	-	67
Net change in the year	-	-	-	-	-	903	(1)	(67)	(2,151)	(1,316)	670	11,765	11,119
Balance, April 1, 2012	184,247,045	¥15,993	¥18,802	¥238,568	¥(52,926)	¥4,180	¥(14)	¥(157)	¥(11,372)	¥213,074	¥959	¥29,174	¥243,207
Net income	-	-	-	43,122	-	-	-	-	-	43,122	-	-	43,122
Cash dividends, ¥33.00 per share	-	-	-	(6,080)	-	-	-	-	-	(6,080)	-	-	(6,080)
Purchase of treasury stock	(2,064,916)	-	-	-	(11,001)	-	-	-	-	(11,001)	-	-	(11,001)
Disposal of treasury stock	8,230,982	-	10,980	-	20,897	-	-	-	-	31,877	-	-	31,877
Net change in the year	-	-	-	-	-	3,456	(7)	-	15,327	18,776	(282)	9,582	28,076
Balance, March 31, 2013	190,413,111	¥15,993	¥29,782	¥275,610	¥(43,030)	¥7,636	¥(21)	¥(157)	¥3,955	¥289,768	¥677	¥38,756	¥329,201

		Thousands of U.S. dollars (Note 1)										
Balance, April 1, 2012	$170,135	$200,024	$2,537,960	$(563,041)	$44,472	$(147)	$(1,674)	$(120,979)	$2,266,750	$10,195	$310,367	$2,587,312
Net income	-	-	458,741	-	-	-	-	-	458,741	-	-	458,741
Cash dividends, $0.35 per share	-	-	(64,683)	-	-	-	-	-	(64,683)	-	-	(64,683)
Purchase of treasury stock	-	-	-	(117,036)	-	-	-	-	(117,036)	-	-	(117,036)
Disposal of treasury stock	-	116,808	-	222,311	-	-	-	-	339,119	-	-	339,119
Net change in the year	-	-	-	-	36,760	(73)	-	163,058	199,745	(2,990)	101,931	298,686
Balance, March 31, 2013	$170,135	$316,832	$2,932,018	$(457,766)	$81,232	$(220)	$(1,674)	$42,079	$3,082,636	$7,205	$412,298	$3,502,139

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows
Unicharm Corporation and Subsidiaries
Years Ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Operating Activities:			
Income before income taxes and minority interests	¥ 64,283	¥ 45,573	$ 683,867
Adjustments for:			
Income taxes—paid	(11,871)	(7,322)	(126,290)
Income taxes—refunded	1,393	3,063	14,824
Depreciation	16,814	13,257	178,876
Amortization of goodwill	4,240	3,899	45,102
Foreign exchange gain	(6,117)	(16)	(65,079)
Net loss on disposal and sales of property, plant and equipment	566	1,327	6,026
Increase in trade receivables	(4,437)	(2,070)	(47,197)
Increase in inventories	(7,344)	(4,922)	(78,131)
Increase in trade payables	5,690	3,989	60,533
Increase in other current liabilities	3,152	6,520	33,531
Other—net	2,389	(3,727)	25,412
Total adjustments	4,475	13,998	47,607
Net cash provided by operating activities	68,758	59,571	731,474
Investing Activities:			
Proceeds from sale and redemption of marketable securities	10,199	10,084	108,498
Proceeds from sale of property, plant and equipment	170	866	1,809
Payment for purchase of marketable securities	(6,799)	(12,299)	(72,329)
Payment for acquisition of a property, plant and equipment	(47,875)	(26,137)	(509,312)
Purchase of time deposits	(20,543)	(6,300)	(218,545)
Proceeds from withdrawal deposits	12,361	4,312	131,496
Payment for purchase of investment securities	(11)	(1,041)	(119)
Payment for purchase of investments in affiliates	-	(28,345)	-
Increase in other assets	(806)	(2)	(8,567)
Net cash used in investing activities	(53,304)	(58,862)	(567,069)
Financing Activities:			
Decrease in short-term bank loans	(2,030)	(6,822)	(21,592)
Repayments of long-term debt	(12,875)	(13,831)	(136,963)
Cash dividends paid	(6,079)	(5,585)	(64,668)
Purchase of treasury stock	(11,001)	(9,001)	(117,036)
Cash dividends paid to minority shareholders	(1,078)	(1,148)	(11,470)
Paid-in capital from minority shareholders	520	-	5,531
Proceeds from execution of stock option	4,049	-	43,074
Others	(159)	(126)	(1,697)
Net cash used in financing activities	(28,653)	(36,513)	(304,821)
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	5,485	(1,278)	58,350
Net Decrease in Cash and Cash Equivalents	(7,714)	(37,082)	(82,066)
Cash and Cash Equivalents, Beginning of Year	75,926	113,008	807,724
Cash and Cash Equivalents, End of Year	¥ 68,212	¥ 75,926	$ 725,658

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

Unicharm Corporation and Subsidiaries
Years Ended March 31, 2013 and 2012

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2012 consolidated financial statements to conform to the classifications used in 2013.

The consolidated financial statements are expressed in Japanese yen, the currency of the country in which Unicharm Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥94 to $1, the approximate rate of exchange at March 29, 2013. Such translations should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements include the accounts of the Company and its 43 (40 in 2012) subsidiaries (together, the "Group"). A subsidiary is excluded from the scope of consolidation for the year ended March 31, 2013 as mentioned below.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The changes to the consolidation scope at March 31, 2013, compared with the scope applicable at March 31, 2012 are as follows:

Unicharm Nonwoven (Tianjin) Co., Ltd., Unicharm Packaging Material (Tianjin) Co., Ltd. and Unicharm Consumer Products (Jiangsu) Co., Ltd. were newly incorporated and included in the consolidation scope at March 31, 2013.

Hartz-B2E LLC is excluded from the scope of consolidation, because it is a small sized company and the effect on the accompanying consolidated financial statements would not be material in terms of total assets, net sales, or net income and retained earnings corresponding to the Company's share of the Company.

Investment in two affiliates is accounted for by the equity method.

The reporting period of other consolidated subsidiaries and equity method affiliates is the same as the Company's reporting period. However, twenty-two overseas subsidiaries and one domestic subsidiary close accounts on December 31 and one affiliate accounted for by the equity method close accounts on September 30. In the consolidated financial statements, therefore, the Company uses the financial statements of these subsidiaries as of December 31, and adjusts for material transactions that occurred during the three month period between December 31 and March 31. For UBS Corporation, which is an affiliate accounted for by the equity method, pro forma financial statements as of March 31 are used.

The difference between the cost of the Company's investments in subsidiaries and affiliates accounted for by the equity method and its equity in the net assets at the respective dates of acquisition, goodwill or negative goodwill, is amortized over the effective investment period, calculated on an individual basis, using the straight-line method up to a maximum of 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

All assets and liabilities of the consolidated subsidiaries are measured at fair value as of the acquisition date.

b. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, commercial papers and bond funds, all of which mature or become due within three months of the date of acquisition.

c. Inventories

Inventories held for sale in the ordinary course of business are measured at the lower of cost determined mainly by the average method, or net selling value, which is defined as the selling price less additionally estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.

d. Allowance for Doubtful Accounts

The allowance for doubtful accounts is determined based on the historical experiences of the Company and its subsidiaries as well as our best estimate of the amount of probable credit losses in the outstanding receivables.

e. Marketable and Investment Securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost, and (2) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are adjusted to net realizable value through income.

f. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is computed by the straight-line at rates based on the estimated useful lives of the assets.

The range of useful lives is principally from 2 to 60 years for buildings and structures and from 2 to 40 years for machinery and equipment.

Capitalized lease assets are depreciated over their respective contract periods using the straight-line method assuming no residual value.

g. Software

Software is carried at cost less accumulated amortization, which is calculated using the straight-line method. The useful lives are principally 5 years.

h. Long-lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. Retirement and Pension Plans

The Company and certain consolidated subsidiaries have contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees. Certain overseas consolidated subsidiaries have defined contribution pension plans.

The Company and certain consolidated subsidiaries account for the provision for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

j. Research and Development Costs

Research and development costs are charged to income as incurred.

k. Leases

All finance leases are capitalized and related lease assets and lease obligations are recognized in the balance sheets.

l. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

m. Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated income statement to the extent that they are not hedged by forward exchange contracts.

n. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the exchange rates in effect as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation were presented as "Foreign currency translation adjustments" in a separate component of net assets.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rates prevailing during the year.

o. Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange. Foreign exchange forward contracts and currency options are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts and currency options are utilized to hedge foreign currency exposures in procurement of raw materials from import purchases. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting. Forward contracts applied for forecasted transactions are measured at fair value, and the unrealized gains/losses are deferred until the underlying transactions are completed.

p. Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

The weighted-average number of common shares used in the computation was 184,479,315 shares for 2013, and 186,144,881 shares for 2012.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock (including subsidiaries' common stock). Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

q. Provision for Bonuses

Provision for bonuses is stated at the estimated amount of the bonuses to be paid to employees based on their services provided for the fiscal year.

r. New Accounting Standard Not Yet Adopted

Accounting Standard for Retirement Benefits

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, which was amended from time to time through 2009.

To meet the objectives of improving on the quality of existing financial reporting disclosures and maintaining consistency with international convergence trends, those revisions are focused on 1) the accounting treatment of actuarial gains and losses and prior service costs, 2) the calculation method for the projected retirement obligation and service costs; and 3) improvement of the related disclosure.

The Company will apply the revised accounting standard from the end of the fiscal year 2014, except for the revision of the calculation method for retirement benefit obligations and service costs which will be adopted from the beginning of the fiscal year 2015.

The Company is currently in the process of measuring the effects of applying the revised accounting standard.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current:			
Government and corporate bonds	¥-	¥900	$-
Negotiable certificates of deposit	-	2,500	-
Non-current:			
Marketable equity securities	¥16,813	¥11,487	$178,859
Government and corporate bonds	2,452	2,428	26,083
Trust fund investments and other	230	228	2,446
Total	¥19,494	¥14,143	$207,380

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2013 and 2012 were as follows:

	Millions of yen			
March 31, 2013	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥4,383	¥11,294	¥54	¥15,623
Debt securities and other	12,212	191	-	12,403
Held-to-maturity	2,452	34	30	2,455
Total	¥19,046	¥11,519	¥84	¥30,481

	Millions of yen			
March 31, 2012	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥4,401	¥6,124	¥53	¥10,472
Debt securities and other	20,008	16	-	20,024
Held-to-maturity	3,327	-	183	3,144
Total	¥27,736	¥6,140	¥236	¥33,640

March 31, 2013	Cost (Thousands of U.S. dollars)	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	$46,622	$120,153	$573	$166,202
Debt securities and other	129,918	2,023	-	131,941
Held-to-maturity	26,074	362	317	26,119
Total	$202,614	$122,538	$890	$324,262

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2013 and 2012 were as follows:

	Carrying Amount		
	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Available-for-sale:			
Equity securities	¥401	¥385	$4,267
Held-to-maturity (Commercial paper)	-	400	-
Total	¥401	¥785	$4,267

Proceeds from sales of available-for-sale securities for the years ended March 31, 2013 and 2012 were ¥30 million ($316 thousand) and ¥38 million, respectively. Gross realized gains and losses on these sales, as determined by the moving-average cost, were ¥6 million ($64 thousand) and ¥8 million ($90 thousand) respectively for the year ended March 31, 2013. Gross realized gains and losses on these sales, as determined the moving average cost, were ¥9 million and ¥0 million, respectively, for the year ended March 31, 2012.

The carrying amounts of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars	
March 31, 2013	Available-for-sale	Held-to maturity	Available-for-sale	Held-to maturity
Due in one year or less	¥-	¥-	$-	$ -
Due after one year through five years	-	452	-	4,807
Due after five years through ten years	-	1,000	-	10,638
Due after ten years	-	1,000	-	10,638
Total	¥-	¥2,452	$-	$26,083

	Millions of yen	
March 31, 2012	Available-for-sale	Held-to maturity
Due in one year or less	¥-	¥900
Due after one year through five years	-	-
Due after five years through ten years	-	1,427
Due after ten years	-	1,000
Total	¥-	¥3,327

4. INVENTORIES

Inventories at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Merchandise and finished products	¥26,255	¥18,068	$279,306
Work in process	862	682	9,167
Raw materials and supplies	17,669	14,911	187,969
Total	¥44,786	¥33,661	$476,442

5. LAND REVALUATION

Under the "Act on Revaluation of Land," promulgated on March 31, 1998 and revised on March 31, 1999 and 2001, the Company elected a one-time revaluation of its own-use land to real estate appraisal value as of March 31, 2001.

The resulting "land revaluation difference" represents unrealized appreciation of land and is stated, net of income taxes, as a component of net assets. There is no effect on the consolidated statements of income.

As of March 31, 2013 and 2012, the carrying amount of the land, net of the above one-time revaluation exceeded the market value by ¥283 million ($3,010 thousand) and ¥267 million, respectively.

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2013 and 2012 consisted of notes to banks and bank overdrafts. Short-term loans were made under general security agreements with banks. Loans from banks and municipal corporations are due serially to 2015 with interest rates ranging from 0.26% to 2.0% in 2013 and 0.4% to 13.5% in 2012, respectively.

Long-term debt at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Loans from banks and municipal corporations, due serially to 2015	¥25,209	¥38,047	¥38,047
Obligations under finance leases	560	310	5,953
Total	25,769	38,357	274,137
Less current portion	(2,351)	(2,945)	(25,010)
Long-term debt, less current portion	¥23,418	¥35,412	$249,127

Annual maturities of long-term debt, excluding finance leases (see Note 15), at March 31, 2013 were as follows:

Years Ending March 31	Millions of yen	Thousands of U.S. dollars
2014	¥2,209	$23,503
2015	2,000	21,277
2016	21,000	223,404
Total	¥25,209	$268,184

7. CONVERTIBLE BONDS

The Company has issued the bonds as follows:

					Millions of yen		Thousands of U.S. dollars
	Issuance date	Interest rate	Security	Maturity date	2013	2012	2013
Convertible bonds due in 2013	September 24, 2010	-	Unsecured	September 10, 2013	¥16,233	¥34,585	$172,692
Convertible bonds due in 2015	September 24, 2010	-	Unsecured	September 10, 2015	37,100	46,000	394,681
Total		-	-	-	¥53,333	¥80,585	$567,373

(Note 1) The details of convertible bonds issued are as follows:

Bonds and notes	Convertible bonds due in 2013	Convertible bonds due in 2015
Type of stock	Common stock	Common stock
Issue price of acquisition rights	No cost	No cost
Issue price of stock	¥3,883.3	¥3,883.3
Number of stocks subject to acquisition rights	8,884,196	11,845,595
Total amount of issue	¥34,672,500,000	¥46,000,000,000
Total amount of stock acquisition rights exercised	-	-
Percentage of stock acquisition right granted	100.0	100.0
Exercisable period	October 8, 2010 – September 10, 2013 (at local time where the request for exercise will be received)	October 8, 2010 – September 10, 2015 (at local time where the request for exercise will be received)

* Exercise of a stock acquisition right causes the corresponding bond to be cancelled in lieu of a cash payment of purchase of shares, and the amount of the convertible bonds with stock acquisition rights is the same as the amount of issuance.

During the fiscal year ended March 31, 2013, stock acquisition rights were executed and the related convertible bonds were converted to common stock without any cash settlement. As a result, the convertible bond balance decreased by ¥27,196 million ($289,323 thousand), consisting of ¥17,928 million ($190,731 thousand) of disposal of treasury stock and ¥9,267 million ($98,592 thousand) of gain on disposal of treasury stock, which was recorded as capital surplus.

(Note 2)
Repayment schedule of convertible bond:

	Millions of yen				
March 31, 2013	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
	¥16,233	-	¥37,100	-	-

	Thousands of U.S. dollars				
March 31, 2013	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
	$172,692	-	$394,681	-	-

8. RETIREMENT AND PENSION PLANS

The Company and domestic subsidiaries have severance payment plans for employees, directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The provision for employees' retirement benefits at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Projected benefit obligation	¥38,803	¥35,340	$412,797
Fair value of plan assets	(31,983)	(27,288)	(340,242)
Unrecognized prior service cost	(131)	(155)	(1,390)
Unrecognized actuarial loss	(9,379)	(10,890)	(99,783)
Prepaid pension cost	5,616	5,747	59,742
Provision for retirement benefits	¥2,926	¥2,754	$31,124

The components of net periodic benefit cost for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost	¥1,800	¥1,633	$ 19,147
Interest cost	588	614	6,254
Expected return on plan assets	(779)	(600)	(8,286)
Amortization of prior service cost	50	21	534
Recognized actuarial loss	1,459	1,109	15,524
Net periodic benefit cost	¥3,118	¥2,777	$ 33,173

Assumptions used for the years ended March 31, 2013 and 2012 were set forth as follows:

	2013	2012
Discount rate	1.4%	1.4%
Expected rate of return on plan assets	3.0%	3.0%
Amortization period of prior service cost	5 years	5 years
Amortization period of actuarial gain/loss	10 years	10 years
Amortization method of projected benefit obligation	The straight-line method	The straight-line method

9. NOTES RECEIVABLE AND PAYABLE

March 31, 2013 and 2012 fall on bank holidays. The following notes receivable and payable matured on that date were accounted for as if they were settled on that date:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Notes receivable	¥156	¥214	$1,664
Notes payable	380	423	4,046

10. STOCK OPTIONS

The Company recognized and allocated share-based compensation costs for the years ended March 31, 2013 and 2012 as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cost of sales	¥105	¥217	$1,114
Selling, general and administrative expenses	235	424	2,500
Total	¥340	¥641	$3,614

The stock options at March 31, 2013 were as follows:

Unicharm Corporation

Meeting date	Persons granted	Number of options granted	Date of grant	Conditions for vesting	Service period	Exercisable period
September 16, 2010 (2010 Stock Option)	9 company's directors 1 subsidiaries' director 1,651 company's employees 1,397 subsidiaries' employees	Common stock 2,594,700 shares (*1)	November 1, 2010	(*2) (*3)	From November 1, 2010 to September 30, 2012	From October 1, 2012 to September 30, 2016

(*1) The number of stock options is converted into the number of shares.

(*2) The market price of the Company's common stock at the time of stock option exercise must be at least ¥4,800 (In the event that it becomes necessary to adjust this value, the adjustment shall be conducted in a uniform and predetermined manner).

(*3) A Stock option rights holder must, at the time of the stock option exercise, hold a position within Unicharm or its affiliates as a director or employee. However, Unicharm's Board of Directors may approve the exercise of stock options by directors who have resigned due to the expiration of one's term or employees who have retired due to reaching the mandatory retirement age.

The activities of the stock option during the year ended March 31, 2013 were as follows:

	Unicharm Corporation
	2010 Stock Option
	(Shares)
Non-vested:	
April 1, 2012—Outstanding	2,561,100
Granted	-
Forfeited	9,000
Vested	2,552,100
March 31, 2013—Outstanding	-
Vested:	
April 1, 2012—Outstanding	-
Vested	2,552,100
Exercised	1,231,800
Forfeited	-
March 31, 2013—Outstanding	1,320,300
Exercise price	¥3,287 ($35)
Average stock price at exercise	¥5,179 ($55)
Fair value price at grant date	¥513 ($5)

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Sales promotion	¥70,137	¥57,409	$746,143
Advertising	15,796	13,705	168,047
Shipping and storage expenses	24,337	21,468	258,900
Employees' salaries	16,536	13,807	175,912
Depreciation and amortization	2,050	1,464	21,814
Other	38,684	34,701	411,521
Total	¥167,540	¥142,554	$1,782,337

12. GAIN ON SALE OR LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Gain on sale of property, plant and equipment for the years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Gain on sale of property, plant and equipment			
Buildings and structures	¥21	¥–	$220
Machinery and equipments	13	8	144
Others	8	0	84
Total	¥42	¥8	$448

Loss on disposal and sale of property, plant and equipment for the years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Loss on disposal of property, plant and equipment			
Buildings and structures	¥24	¥64	$250
Machinery and equipments	530	753	5,644
Removal costs	2	43	17
Others	46	59	488
Loss on sale of property, plant and equipment			
Buildings and structures	3	30	34
Machinery and equipments	11	3	113
Others	1	383	15
Total	¥617	¥1,335	$6,561

13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 38.0% and 40.7% for the years ended March 31, 2013 and 2012, respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Accrued bonuses	¥1,296	¥1,288	$13,788
Valuation loss on inventory	339	345	3,612
Accrued sales promotion expense	2,499	1,947	26,588
Undeductible account payable	828	814	8,806
Devaluation of securities	373	388	3,965
Pension and severance costs	2,227	2,139	23,692
Tax-deductible goodwill	20,617	28,998	219,333
Tax loss carryforwards	31,369	35,166	333,711
Other	2,309	2,356	24,561
Less valuation allowance	(1,267)	(8,612)	(13,482)
Total	60,590	64,829	644,574
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	3,795	1,906	40,371
Undistributed earnings of subsidiaries	1,005	680	10,691
Prepaid pension cost	2,038	2,085	21,679
Valuation difference due to application of purchase method	1,483	1,310	15,780
Depreciation of overseas subsidiaries	1,753	1,446	18,655
Other	1,658	926	17,634
Total	11,732	8,353	124,810
Deferred tax assets—current	¥13,918	¥12,751	$148,063
Deferred tax assets—non-current	¥36,617	¥45,147	$389,542
Deferred tax liabilities—current	¥(101)	¥(57)	$(1,073)
Deferred tax liabilities—non-current	¥(1,576)	¥(1,365)	$(16,768)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2013 and 2012 was as follows:

	2013	2012
Normal effective statutory tax rate	38.0%	40.7%
Amortization of goodwill	2.0	2.7
Lower income tax rates applicable to income in certain foreign countries	(7.7)	(10.3)
Dividends	0.6	0.1
Valuation allowance	(10.8)	(14.8)
Income tax – refunded	(0.3)	(0.7)
Effects of the merger	-	-
Sale of investment in an affiliate	-	-
Corporate income tax credit	(0.6)	0.5
Effects of corporate income tax rate changes	3.0	12.7
Other	(0.2)	1.7
Actual effective tax rate	23.9%	32.6%

On December 2, 2011, the "Act for Partial Revision to the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011) were promulgated. Consequently, the corporate tax rate will be reduced and a special recovery tax will be imposed. In accordance with this tax reform, the effective statutory tax rate, which is used to measure deferred tax assets and deferred tax liabilities, has been reduced from 40.7% to 38.01% for temporary differences that are expected to be eliminated during the period from April 1, 2012 through March 31, 2015 and 35.64% for temporary differences that are expected to be eliminated on or after April 1, 2015.

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥5,098 million ($54,235 thousand) and ¥4,734 million for the years ended March 31, 2013 and 2012, respectively.

15. LEASES

Obligations under non-cancellable leases accounted for as operating leases subsequent to March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥874	¥524	$9,294
Due after one year	2,944	1,981	31,323
Total	¥3,818	¥2,505	$40,617

16. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net unrealized gains on available-for-sale securities:			
Gain arising during the year	¥5,369	¥1,477	$57,114
Reclassification adjustment to net income	0	(13)	2
Amount before income tax effect	5,369	1,464	57,116
Income tax effect	(1,913)	(561)	(20,356)
Net unrealized gains on available-for-sale securities	3,455	903	36,760
Net deferred gains (losses) on derivatives under hedge accounting:			
Gain (loss) arising during the year	103	(21)	1,091
Reclassification adjustment to net income	(2)	6	(15)
Amount before income tax effect	101	(15)	1,076
Income tax effect	(90)	7	(950)
Net deferred gains (losses) on derivatives under hedge accounting	12	(8)	126
Foreign currency translation adjustments:			
Gain (loss) arising during the year	19,603	(2,056)	208,542
Amount before income tax effect	19,603	(2,056)	208,542
Foreign currency translation adjustments	19,603	(2,056)	208,542
Total other comprehensive income (loss)	¥23,070	¥(1,161)	$245,428

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

1. Disclosure on Financial Instruments

(1) Policy for financial instruments

With respect to fund management, cash surpluses, if any, are invested in low risk financial assets. The Company determines which way to fund through reviewing financial conditions and market circumstances and, based on these, puts them into practice. Derivatives are used, not for speculative purposes, but to avoid the market risk of fluctuation in foreign exchange rates associated with forecast transactions in foreign currencies and receivables and payables denominated in foreign currencies.

(2) Nature and risk of financial instruments and risk management system

Receivables such as trade notes and trade accounts are exposed to customer credit risk. With regard to such risk the sales administration department monitors major customers periodically and controls the collection dues and outstanding balances per customer in order to identify doubtful receivables resulting from deterioration of customers' financial positions at an early stage.

Furthermore trade receivables denominated in foreign currency due from overseas subsidiaries are exposed to currency risk. The Company hedges the position, net of payables, using foreign exchange forward contracts, if necessary.

Investment securities held by the Company and certain consolidated subsidiaries, which consist of equity securities held for the purpose of business or capital alliances and debt securities classified as available-for-sale securities, are exposed to the market risk due to fluctuation in market prices.

With regard to the equity securities held for the purpose of business alliance, fair values are periodically reported at the board meetings. The Company limits the debt securities included in marketable and investment securities to the highly rated bonds in accordance with the Company's fund management policy; therefore, the credit risk associated with those securities is limited.

Payables—notes payable, accounts payable trade and accrued income taxes—mostly have payment due dates within one year. A portion of the trade payables denominated in foreign currencies that is stemmed from importing of raw materials is exposed to foreign currency exchange risk, while it is hedged through using forward foreign currency contracts when necessary. Long-term debt and Convertible bonds are taken out principally for the purpose of investment and facilitation of funds. Debt with variable interest rates is exposed to interest rate fluctuation risk. The Group manages its liquidity risk by holding adequate volumes of liquid assets along with adequate financial planning made by Accounting Control & Finance Division based on reports from relevant departments.

Derivative contracts employed by the Company and certain consolidated subsidiaries are foreign exchange forward contracts for the purpose of hedging the market risk due to fluctuation in foreign exchange rates associated with the trade receivables and payables denominated in foreign currencies. The derivative transactions are executed and controlled in accordance with the internal rule and used for hedging actual transactions. For hedging instruments, hedged items, hedge method and hedge effectiveness of hedge accounting, please see Note 18 "DERIVATIVES."

(3) Supplementary explanation about fair value of financial instruments

Where no market price information is available, management uses certain assumptions to determine the fair value of those financial instruments. Accordingly, the value of these instruments would vary if different assumptions were used. Note that contract amounts of derivatives presented in Note 18 "DERIVATIVES" do not represent volume of underlying market risk of the derivative transactions.

2. Fair Value of Financial Instruments

Carrying amounts and fair values of financial instruments and their net differences as of March 31, 2013 and 2012 were as follows:

Note that the following table does not include fair values for financial instruments for which the fair value is difficult to determine.

	Millions of yen		
March 31, 2013	Carrying amount	Fair value	Difference
Cash and cash equivalents	¥68,212	¥68,212	¥ –
Notes and accounts receivable	60,349		
Allowance for doubtful accounts (*1)	(85)		
	60,264	60,264	–
Deposit	17,322	17,322	–
Marketable and investment securities	19,264	19,268	4
Total assets	¥165,062	¥165,066	¥ 4
Short-term bank loans	¥4,020	¥4,020	¥ –
Current portion of long-term debt	2,209	2,209	–
Notes and accounts payable:			
Trade	53,186	53,186	–
Others	37,207	37,207	–
Income taxes payable	3,235	3,235	–
Convertible bonds	53,333	76,391	23,058
Long-term debt	23,000	23,000	–
Total liabilities	¥176,190	¥199,248	¥23,058
Derivative transactions			
Hedge accounting is not applied	¥3	¥3	¥ –
Hedge accounting is applied	80	80	–
Total derivative transactions	¥83	¥83	¥ –

	Millions of yen		
March 31, 2012	Carrying amount	Fair value	Difference
Cash and cash equivalents	¥75,926	¥75,926	¥ –
Notes and accounts receivable	50,405		
Allowance for doubtful accounts (*1)	(87)		
	50,318	50,318	–
Deposit	7,539	7,539	–
Marketable and investment securities	17,315	17,132	(183)
Total assets	¥151,098	¥150,915	¥(183)
Short-term bank loans	¥5,439	¥5,439	¥ –
Current portion of long-term debt	2,828	2,828	–
Notes and accounts payable:			
Trade	45,779	45,779	–
Others	29,742	29,742	–
Income taxes payable	4,348	4,348	–
Convertible bonds	80,585	95,666	(15,081)
Long-term debt	35,220	35,220	–
Total liabilities	¥203,941	¥219,022	¥(15,081)
Derivative transactions (*2)			
Hedge accounting is not applied	¥(2)	¥(2)	¥ –
Hedge accounting is applied	(19)	(19)	–
Total derivative transactions	¥(21)	¥(21)	¥ –

March 31, 2013	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
Cash and cash equivalents	$725,658	$725,658	$ –
Notes and accounts receivable	642,014		
Allowance for doubtful accounts (*1)	(908)		
	641,106	641,106	–
Deposit	184,279	184,279	–
Marketable and investment securities	204,933	204,978	45
Total assets	$1,755,976	$1,756,021	$45
Short-term bank loans	$42,762	$42,762	$ –
Current portion of long-term debt	23,503	23,503	–
Notes and accounts payable:			
Trade	565,808	565,808	–
Others	395,821	395,821	–
Income taxes payable	34,412	34,412	–
Convertible bonds	567,373	812,674	(245,301)
Long-term debt	244,681	244,681	–
Total liabilities	$1,874,360	$2,119,661	$(245,301)
Derivative transactions			
Hedge accounting is not applied	$37	$37	$ –
Hedge accounting is applied	851	851	–
Total derivative transactions	$888	$888	$ –

(*1) Allowance for doubtful accounts corresponding to notes and accounts receivable is deducted.
(*2) Receivables and payables arising from derivative transactions are shown in net amount.

(Note 1) Calculation method of the fair value of financial instruments and securities and derivative transactions

Asset:

"Cash and cash equivalents" and "Notes and accounts receivable"

The carrying amount is presented as the fair value since these balances are routinely settled in the short term, and as such the fair value is considered to approximate the carrying value.

"Marketable and investment securities"

The fair values of equity securities are estimated based on quoted market prices for these instruments, and the fair values of debt securities are determined based on the prices obtained from the financial institutions with which they are transacted.

For further information, please see Note 3 "MARKETABLE AND INVESTMENT SECURITIES."

Liabilities:

"Short-term bank loans," "Notes and accounts payable" and "Income taxes payable"

The carrying amount is presented as the fair value since these balances are routinely settled in the short term, and as such the fair value is considered to approximate the carrying value.

"Convertible bonds"

The fair value of bonds issued by the Company is measured at the quoted market price.

"Long-term debt"

The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new loans were entered into. However, the fair value of long-term debt with variable rates is based on the book value, since the variable rates are renewed periodically, so the carrying amounts approximate the fair value.

Derivative transactions:

Please see Note 18 "DERIVATIVES."

(Note 2) Carrying amounts of financial instruments for which fair value cannot be reliably measured were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unlisted equity securities	¥401	¥385	$4,267

These items are not included in above "Marketable and investment securities" since no market price is available and it is extremely difficult to identify the fair value.

(Note 3) Repayment schedule of monetary receivables and securities with contractual maturities is as follows:

	Millions of yen			
March 31, 2013	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥68,212	¥–	¥–	¥–
Notes and accounts receivable	60,349	–	–	–
Marketable and investment securities:				
Held-to-maturity debt securities:				
Debt securities	–	452	1,000	1,000
Total	¥128,561	¥452	¥1,000	¥1,000

	Millions of yen			
March 31, 2012	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥75,926	¥–	¥–	¥–
Notes and accounts receivable	50,405	–	–	–
Marketable and investment securities:				
Held-to-maturity debt securities:				
Commercial paper	400	–	–	–
Debt securities	500	–	1,427	1,000
Total	¥127,231	¥–	¥1,427	¥1,000

	Thousands of U.S. dollars			
March 31, 2013	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	$725,658	$–	$–	$–
Notes and accounts receivable	642,014	–	–	–
Marketable and investment securities:				
Held-to-maturity debt securities:				
Debt securities	–	4,807	10,638	10,638
Total	$1,367,672	$4,807	$10,638	$10,638

18. DERIVATIVES

The Group enters into foreign exchange forward contracts and currency options to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

Most derivative transactions are entered into to hedge foreign currency exposures incorporated with its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Group does not hold or issue derivatives for trading purposes.

It is also the Group’s policy to use derivatives only for the purpose of mitigating market risks associated with investment securities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

Contract amounts, fair values, and gains and losses on derivative transactions were as follows:

a. Derivatives to which hedge accounting is not applied:

	Millions of yen			Thousands of U.S. dollars		
	2013			2013		
	Contract amount	Fair value	Unrealized gain/loss	Contract amount	Fair Value	Unrealized gain
Foreign exchange forward contracts—						
(Exchange-traded) Selling USD	¥200	¥(3)	¥(3)	$2,126	$(30)	$(30)
(Exchange-traded) Buying USD	906	6	6	9,641	63	63
(Exchange-traded) Buying DKK	66	0	0	701	4	4
Total	¥1,172	¥3	¥3	$12,468	$37	$37

	Millions of yen		
	2012		
	Contract amount	Fair value	Unrealized gain/loss
Foreign exchange forward contracts—			
(Exchange-traded) Selling USD	¥150	¥0	¥0
(Exchange-traded) Buying USD	615	(2)	(2)
Total	¥765	¥(2)	¥(2)

The fair value is determined based on the prices presented from the financial institutions with which derivatives are transacted.

b. Derivatives to which hedge accounting is applied:

At March 31, 2013

		Millions of yen			
Hedge accounting method	Type of derivatives	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferred hedging accounting method	Foreign exchange forward contracts: Selling CAD	Accounts payable	¥585	¥ –	¥20
Deferred hedging accounting method	Currency option contracts: Buying USD	Accounts payable	763	–	67
Deferred hedging accounting method	Currency option contracts: Buying EUR	Accounts payable	1,105	–	134
Deferred hedging accounting method	Foreign exchange forward contracts: Buying Yen	Accounts payable	1,078	–	(141)
Total			¥3,531	¥ –	¥80

At March 31, 2012

Hedge accounting method	Type of derivatives	Major hedged item	Contract amount	Contract amount due after one year	Fair value
		Millions of yen			
Deferred hedging accounting method	Foreign exchange forward contracts: Selling CAD	Accounts payable	¥338	¥ –	¥4
Deferred hedging accounting method	Foreign exchange forward contracts: Buying Yen	Accounts payable	90	–	(1)
Deferred hedging accounting method	Currency option contracts: Buying USD	Accounts payable	263	–	4
Deferred hedging accounting method	Currency option contracts: Buying EUR	Accounts payable	990	–	(26)
Total			¥1,681	¥ –	¥(19)

At March 31, 2013

Hedge accounting method	Type of derivatives	Major hedged item	Contract amount	Contract amount due after one year	Fair value
		Thousands of U.S. dollars			
Deferred hedging accounting method	Foreign exchange forward contracts: Selling CAD	Accounts payable	$6,224	$ –	$218
Deferred hedging accounting method	Currency option contracts: Buying USD	Accounts payable	8,115	–	709
Deferred hedging accounting method	Currency option contracts: Buying EUR	Accounts payable	11,758	–	1,421
Deferred hedging accounting method	Foreign exchange forward contracts: Buying Yen	Accounts payable	11,466	–	(1,497)
Total			$37,563	$ –	$851

The fair value is determined based on the prices presented from the financial institutions with which derivatives are transacted.

19. PER SHARE INFORMATION

a. Basis for the computation of net asset per share at March 31, 2013 and 2012 was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
At March 31, 2013	Net asset	Number of shares of common stock	Asset per share	
Net asset	¥329,201	206,945		
Stock acquisition rights	677	-		
Minority interests	38,756	-		
Number of treasury stock	-	16,532		
Net asset attributable to common stock	289,768	190,413	¥1,522	$16.19

	Millions of yen	Thousands of shares	Yen
At March 31, 2012	Net asset	Number of shares of common stock	Asset per share
Net asset	¥243,207	206,945	
Stock acquisition rights	959	-	
Minority interests	29,174	-	
Number of treasury stock	-	22,698	
Net asset attributable to common stock	213,074	184,247	¥1,156

b. A reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2013 and 2012 was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
Year Ended March 31, 2013	Net income	Weighted-average shares	EPS	
Basic EPS—Net income available to common shareholders	¥43,122	184,479	¥233.75	$2.49
Effect of dilutive securities—Adjustment of warrants of company	(35)	21,128		
Diluted EPS—Net income for computation	¥43,087	205,607	¥209.56	$2.23

	Millions of yen	Thousands of shares	Yen
Year Ended March 31, 2012	Net income	Weighted-average shares	EPS
Basic EPS—Net income available to common shareholders	¥26,982	186,145	¥144.95
Effect of dilutive securities—Adjustment of warrants of company	(58)	20,884	
Diluted EPS—Net income for computation	¥26,924	207,029	¥130.05

20. SUBSEQUENT EVENTS

(1) Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2013 were approved at the Board of Directors of the Company meeting held on May 31, 2013:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥17 ($0.18) per share	¥3,237	$34,436

(2) Execution of stock acquisition rights

a. Convertible bonds due in 2013

On April 8, 2013, the Company executed 120% call options stipulated in the issue conditions of the convertible bonds with stock acquisition rights (the "Convertible Bonds") due in 2013 which were issued on September 24, 2010 and decided to make an advance-redemption of all the remaining Convertible Bonds by May 10, 2013.

The Convertible Bonds remaining at March 31, 2013 in the carrying amount of ¥16,233 million ($172,692 thousand) were fully converted into shares by May 7, 2013, which was the final due date for conversion and consequently 4,176,874 treasury stock shares were disposed of.

b. Convertible bonds due in 2015

On September 24, 2013, the Company executed 120% call options stipulated in the issue conditions of the convertible bonds with stock acquisition rights (the "Convertible Bonds") due in 2015 which were issued on September 24, 2010 and decided to make an advance-redemption of all the remaining Convertible Bonds by October 25, 2013.

21. RELATED PARTY TRANSACTIONS

(1) Transactions of the Company with related parties for the years ended March 31, 2013 and 2012 were as follows:

a. Takahara Kosan K.K.

Takahara Kosan K.K. is directly owned 20.0% share by Mr. Takahisa Takahara, President and Chief Executive Officer of the Company, 1.0% by Mr. Keiichiro Takahara, Founder &Director of the Board of the Company, 44.5% directly owned by their close relatives, and another 34.5% indirectly owned by their close relatives.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Insurance premium	¥46	¥40	$485
Prepaid expenses	1	0	12

b. Unitec Corporation

Unitec Corporation is directly owned 0.7% share by Mr. Takahisa Takahara, 1.5% by Mr. Keiichiro Takahara's close relatives, and another 97.8% indirectly owned by Mr. Keiichiro Takahara's close relatives.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Rental expenses	¥11	¥11	$120

(2) Transactions of the consolidated subsidiaries of the Company with related parties for the year ended March 31, 2013 and 2012 were as follows:

Takahara Kosan K.K.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Rental expenses	¥119	¥119	$1,266

22. SEGMENT INFORMATION

1. Overview of reportable segments

The Group's reportable segments are components for which separate financial information is available, and whose operating results are reviewed regularly by the Board of Directors in order to determine allocation of management resources and assess segment performance.

The Group's reportable segments consist of Personal care business, Pet care business, and Other business. Each business segment operates its own business with the comprehensive strategies including Japan and overseas business by segments.

Therefore, the Personal care business, the Pet care business and Other business constitute the Company's reportable segments.

The Personal care business manufactures and sells baby care products, feminine care products, health care products and clean-and-fresh products. The Pet care business manufactures and sells pet food products and pet toiletry products. The Other businesses manufacture and sell industrial materials.

2. Methods of measurement for the amounts of sales, profit (loss), assets, and other items for each reportable segment

The accounting policies for the reportable segments are basically the same as policies described in "Summary of Significant Accounting Policies." Intersegment sales and transfer prices are mainly based on current market price.

3. Information about sales, profit (loss), assets, liabilities and other items is as follows.

	Millions of yen					
	2013					
	Reportable segment					
	Personal care	Pet care	Others	Total	Eliminations or Corporate	Consolidated
Sales to customers	¥417,187	¥73,183	¥5,401	¥495,771	¥-	¥495,771
Intersegment sales	-	-	24	24	(24)	-
Total sales	¥417,187	¥73,183	¥5,425	¥495,795	¥(24)	¥495,771
Segment profit (Operating profit)	¥55,478	¥3,618	¥361	¥59,457	¥31	¥59,488
Segment assets	¥417,923	¥83,708	¥23,819	¥525,450	¥9,605	¥535,055
Other:						
Depreciation	¥14,453	¥2,183	¥178	¥16,814	¥-	¥16,814
Amortization of goodwill	1,370	2,870	-	4,240	-	4,240
Increase in tangible fixed assets and intangible fixed assets	50,920	1,325	95	52,340	-	52,340

	Millions of yen					
	2012					
	Reportable segment					
	Personal care	Pet care	Others	Total	Eliminations or Corporate	Consolidated
Sales to customers	¥362,885	¥59,558	¥5,948	¥428,391	¥-	¥428,391
Intersegment sales	-	-	21	21	(21)	-
Total sales	¥362,885	¥59,558	¥5,969	¥428,412	¥(21)	¥428,391
Segment profit (Operating profit)	¥48,215	¥3,173	¥487	¥51,875	¥26	¥51,901
Segment assets	¥332,205	¥96,878	¥25,147	¥454,230	¥18,268	¥472,498
Other:						
Depreciation	¥11,920	¥1,213	¥124	¥13,257	¥-	¥13,257
Amortization of goodwill	833	3,066	-	3,899	-	3,899
Increase in tangible fixed assets and intangible fixed assets	42,588	26,785	126	69,499	-	69,499

	Thousands of U.S. Dollars					
	2013					
	Reportable segment					
	Personal care	Pet care	Others	Total	Eliminations or Corporate	Consolidated
Sales to customers	$4,438,165	$778,539	$57,459	$5,274,163	$-	$5,274,163
Intersegment sales	-	-	253	253	(253)	-
Total sales	$4,438,165	$778,539	$57,712	$5,274,416	$(253)	$5,274,163
Segment profit (Operating profit)	$590,194	$38,493	$3,837	$632,524	$333	$632,857
Segment assets	$4,445,990	$890,512	$253,389	$5,589,891	$102,186	$5,692,077
Other:						
Depreciation	$153,759	$23,221	$1,896	$178,876	$-	$178,876
Amortization of goodwill	14,567	30,535	-	45,102	-	45,102
Increase in tangible fixed assets and intangible fixed assets	541,703	14,100	1,009	556,812	-	556,812

Note: Corporate assets included in “Eliminations or Corporate” amount to ¥47,272 million ($502,890 thousand) and ¥55,591 million for the years ended March 31, 2013 and 2012, respectively. Such assets consist of cash and cash equivalents, marketable securities and investment securities held by the Company.

(Related Information)

1. Information on Products and Services

Information on products and services is omitted since the similar information is disclosed in above segment information.

2. Geographical Information

(1) Sales

Millions of yen			
2013			
Japan	China	Others	Total
¥236,993	¥72,287	¥186,491	¥495,771

Millions of yen			
2012			
Japan	China	Others	Total
¥229,083	¥56,346	¥142,962	¥428,391

Thousands of U.S. dollars			
2013			
Japan	China	Others	Total
$2,521,207	$769,011	$1,983,945	$5,274,163

Note: Sales are divided to each country on areas based on the customer’s location.

(2) Tangible fixed assets

Millions of yen			
2013			
Japan	China	Others	Total
¥44,494	¥43,328	¥75,307	¥163,129

Millions of yen			
2012			
Japan	China	Others	Total
¥40,766	¥25,337	¥50,718	¥116,821

Thousands of U.S. dollars			
2013			
Japan	China	Others	Total
$473,343	$460,938	$801,137	$1,735,418

3. Information about Major Customers

Information about major customers is omitted, since there is no particular customer to whom sales exceeds 10% of the total sales recorded in the consolidated statements of income.

(Information about impairment loss on fixed assets by reportable segment)

There was no significant impairment loss to be reported for the years ended March 31, 2013 and 2012.

(Information about amortization and unamortized balance of goodwill by reportable segment)

	Millions of yen					
	2013					
	Reportable segment					
	Personal care	Pet care	Others	Total	Eliminations or Corporate	Consolidated
Amortization	¥1,370	¥2,870	¥-	¥4,240	¥-	¥4,240
Unamortized balance at end of the year	24,369	52,317	-	76,686	-	76,686

	Millions of yen					
	2012					
	Reportable segment					
	Personal care	Pet care	Others	Total	Eliminations or Corporate	Consolidated
Amortization	¥833	¥3,066	¥-	¥3,899	¥-	¥3,899
Unamortized balance at end of the year	24,274	54,631	-	78,905	-	78,905

	Thousands of U.S. dollars					
	2013					
	Reportable segment					
	Personal care	Pet care	Others	Total	Eliminations or Corporate	Consolidated
Amortization	$14,567	$30,535	$-	$45,102	$-	$45,102
Unamortized balance at end of the year	259,248	556,564	-	815,812	-	815,812

(Information about gain on negative goodwill by reportable segment)

There was no applicable matter for the years ended March 31, 2013 and 2012.

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INDEX TO THE UNAUDITED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditor's Quarterly Review Report

To the Board of Directors
of Unicharm Corporation

We have reviewed the accompanying quarterly consolidated financial statements of Unicharm Corporation ("the Company") and its consolidated subsidiaries, which comprise the quarterly consolidated balance sheet as of June 30, 2015, and the quarterly consolidated statement of income, the quarterly consolidated statement of comprehensive income, the quarterly consolidated statement of cash flows for the six month period ended June 30, 2015, and notes to quarterly consolidated financial statements. The quarterly consolidated financial statements have been prepared by management in accordance with the accounting policies described in note 1 to the quarterly consolidated financial statements.

Management's Responsibility for the Quarterly Consolidated Financial Statements

Management is responsible for the preparation of these quarterly consolidated financial statements in accordance with the accounting policies described in note 1 to the quarterly consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these quarterly consolidated financial statements based on our review. We conducted our review in accordance with quarterly review standards generally accepted in Japan. A review of quarterly financial statements consists of making inquiries, primarily of management and persons responsible for financial and accounting matters, and applying analytical and other quarterly review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis of our conclusion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying quarterly consolidated financial statements are not prepared, in all material respects, in accordance with the accounting policies described in note 1 to the quarterly consolidated financial statements.

Basis of accounting

Without modifying our conclusion, we draw attention to note 1 to the quarterly consolidated financial statements, which describes the basis of accounting. The quarterly consolidated financial statements are prepared to assist investors outside Japan to attain better understanding of the consolidated financial position of the Company and its consolidated subsidiaries as of June 30, 2015 and the consolidated results of their operations and their cash flows for the six month period ended June 30, 2015. As a result, the financial statements may not be suitable for another purpose.

Convenience translation

The U.S. dollar amounts in the accompanying quarterly consolidated financial statements with respect to the six month period ended June 30, 2015 is presented solely for convenience.

/s/ PricewaterhouseCoopers Aarata
August 19, 2015

Quarterly Consolidated Balance Sheet (Unaudited)
Unicharm Corporation and Subsidiaries
June 30, 2015

		Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS		June 30, 2015		
Current Assets:				
Cash and cash equivalents	¥	103,088	$	844,982
Notes and accounts receivable:				
Trade		81,333		666,661
Allowance for doubtful accounts		(131)		(1,074)
Inventories (Note 4)		64,157		525,879
Other current assets		55,332		453,541
Total current assets		303,779		2,489,989
Property, Plant and Equipment:				
Buildings and structures—net		76,745		629,060
Machinery and equipment—net		127,663		1,046,417
Others—net		45,186		370,380
Total Property, plant and equipment		249,594		2,045,857
Investments and Other Assets:				
Investment securities		30,098		246,704
Investments in affiliates		199		1,629
Goodwill		70,092		574,521
Intangibles		23,542		192,966
Deferred tax assets		2,296		18,821
Net defined benefit asset		4,500		36,884
Other assets		5,545		45,452
Allowance for doubtful accounts		(92)		(750)
Total investments and other assets		136,180		1,116,227
Total	¥	689,553	$	5,652,073

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS	Millions of yen	Thousands of U.S. dollars (Note 1)
	June 30, 2015	
Current Liabilities:		
Short-term bank loans	¥ 32,162	$ 263,623
Current portion of long-term debt	21,000	172,131
Notes and accounts payable:		
Trade	88,400	724,590
Others	40,505	332,011
Income taxes payable	5,328	43,670
Accrued bonuses	5,527	45,303
Other current liabilities	15,762	129,193
Total current liabilities	208,684	1,710,521
Long-Term Liabilities:		
Long-term debt	5,320	43,606
Net defined benefit liability	4,770	39,101
Other long-term liabilities	6,457	52,927
Total long-term liabilities	16,547	135,634
NET ASSETS		
Shareholders' equity (Note 6):		
Common stock, authorized: 827,779,092 shares issued: 620,834,319 shares at June 30, 2015	15,993	131,088
Capital surplus	6,883	56,416
Retained earnings	346,604	2,841,022
Treasury stock—at cost, shares held: 19,756,747 shares at June 30, 2015	(28,266)	(231,690)
Accumulated other comprehensive income		
Net unrealized gains on available-for-sale securities, net of tax	15,526	127,259
Net deferred gains on derivatives under hedge accounting, net of tax	47	388
Land revaluation surplus, net of tax	(157)	(1,290)
Foreign currency translation adjustments	47,014	385,362
Remeasurements of defined benefit plans	(4,108)	(33,669)
Total	399,536	3,274,886
Stock acquisition rights	210	1,721
Minority interests	64,576	529,311
Total net assets	464,322	3,805,918
Total	¥ 689,553	$ 5,652,073

The accompanying notes are an integral part of these financial statements.

Quarterly Consolidated Statement of Income (Unaudited)
Unicharm Corporation and Subsidiaries
Six months ended June 30, 2015

		Millions of yen		Thousands of U.S. dollars (Note 1)
		Six months ended June 30, 2015		
Net Sales	¥	358,810	$	2,941,066
Cost of Sales		199,905		1,638,565
Gross profit		158,905		1,302,501
Selling, General and Administrative Expenses (Note 5)		124,205		1,018,073
Operating income		34,700		284,428
Other Income (Expenses):				
Interest and dividend income		1,105		9,053
Foreign exchange loss		(2,915)		(23,891)
Interest expense		(309)		(2,530)
Sales discount		(1,919)		(15,730)
Subsidy income		714		5,850
Gain on exclusion of unpaid dividends		1,039		8,516
Gain on sale of property, plant and equipment		32		264
Loss on disposal of property, plant and equipment		(196)		(1,608)
Other—net		537		4,403
Other income (expenses)—net		(1,912)		(15,673)
Income Before Income Taxes and Minority Interests		32,788		268,755
Income Taxes				
Current		7,153		58,632
Deferred		4,702		38,536
Total income taxes		11,855		97,168
Net Income Before Minority Interests		20,933		171,587
Minority Interests In Net Income		5,042		41,331
Net Income	¥	15,891	$	130,256

The accompanying notes are an integral part of these financial statements.

Quarterly Consolidated Statement of Comprehensive Income (Unaudited)
Unicharm Corporation and Subsidiaries
Six months ended June 30, 2015

		Millions of yen		Thousands of U.S. dollars (Note 1)
	Six months ended June 30, 2015			
Net Income Before Minority Interests	¥	20,933	$	171,587
Other Comprehensive Income:				
Net unrealized gains on available-for-sale securities, net of tax		4,196		34,397
Net deferred losses on derivatives under hedge accounting, net of tax		(40)		(332)
Foreign currency translation adjustments, net of tax		3,226		26,444
Remeasurements of defined benefit plans, net of tax		153		1,255
Total other comprehensive income		7,535		61,764
Comprehensive Income		28,468		233,351
Total Comprehensive Income Attributable to:				
Shareholders of the Company	¥	22,803	$	186,911
Minority interests		5,665		46,440

The accompanying notes are an integral part of these financial statements.

Quarterly Consolidated Statement of Cash Flows (Unaudited)
Unicharm Corporation and Subsidiaries
Six months ended June 30, 2015

	Millions of yen	Thousands of U.S. dollars (Note 1)
	Six months ended June 30, 2015	
Operating Activities:		
Income before income taxes and minority interests	¥ 32,788	$ 268,755
Depreciation	13,359	109,498
Amortization of goodwill	2,317	18,995
Interest and dividends income	(1,104)	(9,053)
Interest expenses	309	2,530
Foreign exchange loss	2,642	21,658
Net loss on disposal and sales of property, plant and equipment	164	1,344
Decrease in trade receivables	6,570	53,856
Increase in inventories	(1,870)	(15,325)
Decrease in trade payables	(3,380)	(27,704)
Decrease in other current liabilities	(4,365)	(35,782)
Other-net	449	3,685
Sub-total	47,879	392,457
Interest and dividends received	1,062	8,706
Interest paid	(433)	(3,552)
Income taxes paid	(7,543)	(61,829)
Net cash provided by operating activities	40,965	335,782
Investing Activities:		
Proceeds from sale of property, plant and equipment	499	4,090
Payment for acquisition of property, plant and equipment	(22,979)	(188,356)
Purchase of time deposits	(13,786)	(113,000)
Proceeds from withdrawal of time deposits	2,000	16,393
Payment for purchase of investment securities	(5)	(38)
Payment for purchase of investments in affiliates	(50,695)	(415,532)
Other-net	1	4
Net cash used in investing activities	(84,965)	(696,439)
Financing Activities:		
Increase in short-term bank loans	26,501	217,225
Repayments of long-term debt	(1,000)	(8,197)
Cash dividends paid	(3,838)	(31,462)
Cash dividends paid to minority interests	(1,204)	(9,871)
Proceeds from execution of stock option	307	2,517
Others	(156)	(1,275)
Net cash provided by financing activities	20,610	168,937
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	(567)	(4,649)
Net decrease in Cash and Cash Equivalents	(23,957)	(196,369)
Cash and Cash Equivalents, Beginning of Year	127,045	1,041,351
Cash and Cash Equivalents, End of Period	¥ 103,088	$ 844,982

The accompanying notes are an integral part of these financial statements.

Notes to Quarterly Consolidated Financial Statements (Unaudited)

Unicharm Corporation and Subsidiaries
Six Months Ended June 30, 2015

1. BASIS OF PRESENTING QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

The accompanying quarterly consolidated financial statements as of June 30, 2015 and for the six months ended June 30, 2015 include the accounts of the Company and its consolidated subsidiaries. The accompanying quarterly consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual consolidated financial statements for the fiscal year ended December 31, 2014. The original quarterly consolidated financial statements in Japanese have been prepared in accordance with the provisions set forth in the "Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements" (2007 Cabinet Office Ordinance No. 64) and in conformity with accounting principles for quarterly consolidated financial statement generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing the accompanying quarterly consolidated financial statements, certain reclassifications have been made to the original quarterly consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. Further, comparative information on the previous fiscal year as at December 31, 2014 and the quarterly period for six months ended September 30, 2014 (the second quarter of the previous fiscal year) have not been included. In addition, certain financial information that is normally included in annual consolidated financial statements prepared in accordance with Japanese GAAP, but which is not required for quarterly reporting purposes, has been condensed or omitted.

The accompanying quarterly consolidated financial statements are expressed in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥122 to $1, the approximate rate of exchange at June 30, 2015. Such translations should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. ACCOUNTING CHANGES

Accounting Standards for Business Combinations and Related Standards and Guidance

Effective from the first quarter of the fiscal ending December 31, 2015, the Company early adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on September 13, 2013) and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issued on September 13, 2013 and others), except for the provision stipulated in Paragraph 39 of ASBJ Statement No. 22. In accordance with this application, the accounting method has been changed to recognize the difference arising from changes in a parent's ownership interest in a subsidiary that do not result in a loss of control as a capital surplus, and to recognize acquisition-related costs as expenses in the fiscal period the costs are incurred. In addition, for business combinations carried out on and after January 1, 2015, the accounting method has been changed to reflect adjustments to the amount allocated to acquisition costs arising from the finalization of the provisional accounting treatment on the quarterly consolidated financial statements of the period in which the business combination date falls.

In the application of the accounting standards for business combinations, etc., the Company followed the transitional treatment stipulated in Paragraph 58-2 (4) of ASBJ Statement No. 21, Paragraph 44-5 (4) of ASBJ Statement No. 22 and Paragraph 57-4 (4) of ASBJ Statement No. 7, effective from the fiscal years commencing January 1, 2015.

As a result, capital surplus as of June 30, 2015 decreased by ¥39,429 million ($323,195 thousand).

Additional Information:

Adjustments of deferred tax assets and liabilities due to a change in the corporate income tax rates:

In line with the promulgation of "Partial Amendments to Income Tax Act, etc." (Act No. 9 of 2015) and "Partial amendments to Local Tax Act, etc." (Act No. 2, 2015) on March 31, 2015, the corporate income tax rates have been reduced from the fiscal years commencing on and after April 1, 2015. As a result, the effective statutory tax rate for computing deferred tax assets and liabilities has been reduced from 35.64% to 33.06% for the temporary differences expected to be eliminated in the fiscal year beginning on January 1, 2016 and to 32.26% for those expected to be eliminated in the fiscal years beginning on and after January 1, 2017. The effect of this change was to decrease deferred tax assets, net of deferred tax liabilities, by ¥275 million ($2,255 thousand) and increase income taxes - deferred and net unrealized gains on available-for-sale securities by ¥836 million ($6,856 thousand) and ¥759 million ($6,229 thousand), respectively. Remeasurements of defined benefit plans decreased by ¥198 million ($1,629 thousand)

3. BUSINESS COMBINATION

Transactions under common control

Additional acquisition of shares in a subsidiary

1. Overview of the transaction
   (1) Name of the concerned company and its business
   Name: Unicharm Gulf Hygienic Industries Ltd.
   Business: Production and sales of feminine hygiene products and baby diapers
   (2) Date of business combination
   June 30, 2015
   (3) Legal form of business combination
   Acquisition of shares from minority interests
   (4) Name of the concerned company after business combination
   No change
   (5) Other transactions relating this matter
   The Company acquired additional shares issued by Unicharm Gulf Hygienic Industries Ltd. in order to strengthen the alliance within the group and enhance corporate value and management efficiency of the whole group.

2. Overview of accounting treatments implemented
   The Company accounted for the transaction as a transaction with minority interests, one of the transactions under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on September 13, 2013) and "Guidance on Accounting Standards for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10 issued on September 13, 2013).

3. Matters concerning additional acquisitions of shares in a subsidiary
   Acquisition costs of the acquiree and its components:
   Cash and cash equivalents: ¥50,694 million ($415,532 thousand)

4. INVENTORIES

Inventories at June 30, 2015 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	June 30, 2015	
Merchandise and finished products	¥ 32,952	$270,096
Work in process	1,332	10,919
Raw materials and supplies	29,873	244,864
Total	¥ 64,157	$525,879

5. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the six months ended June 30, 2015 primarily included the following:

	Millions of yen	Thousands of U.S. dollars
	Six months ended June 30, 2015	
Shipping and storage expenses	¥18,445	$151,188
Sales promotion	58,941	483,126
Advertising	10,307	84,485
Employees' salaries and bonuses	9,701	79,519
Accrued bonuses	1,915	15,700
Retirement benefit expenses	1,011	8,285
Depreciation and amortization	1,855	15,201

6. SHAREHOLDERS' EQUITY

1. Cash dividends paid during the six months ended June 30, 2015 were as follows:

Based on the resolution of board of Directors of the Company meeting held on February 17, 2015:

Class of shares	Total amount Millions of yen	Per share amount Yen	Dividend record date	Effective date	Source of dividends
Common stock	¥3,845 million	¥6.4	December 31, 2014	March 9, 2015	Retained earnings

Note: The Company carried out a 3-for-1 stock split on October 1, 2014.

Cash dividends for which the record date falls within the second quarter ended June 30, 2015, and the effective date falls after June 30, 2015:

Based on the resolution of board of Directors of the Company meeting held on August 7, 2015:

Class of shares	Total amount Millions of yen	Per share amount Yen	Dividend record date	Effective date	Source of dividends
Common stock	¥4,447 million	¥7.4	June 30, 2015	September 7, 2015	Retained earnings

Note: The Company carried out a 3-for-1 stock split on October 1, 2014.

2. Significant changes in shareholders' equity during the six months ended June 30, 2015

On June 30, 2015, the Company acquired additional shares in Unicharm Gulf Hygienic Industries Ltd., which is a consolidated subsidiary of the Company. As a result of the adoption of "Accounting Standard for Business Combinations ASBJ Statement No.21 issued on September 13, 2013," capital surplus at June 30, 2015 decreased by ¥39,429 million ($323,195 thousand).

7. SEGMENT INFORMATION

Information about sales and profit (loss) by each reportable segment was as follows.

	Millions of yen					
	Six months ended June 30, 2015					
	Reportable segment					
	Personal care	Pet care	Others	Total	Eliminations or Corporate	Consolidated
Sales to customers	¥315,956	¥40,278	¥2,576	¥358,810	¥-	¥358,810
Intersegment sales	-	-	10	10	(10)	-
Total sales	¥315,956	¥40,278	¥2,586	¥358,820	¥(10)	¥358,810
Segment profit (Operating profit)	¥34,129	¥441	¥130	¥34,700	¥-	¥34,700

	Thousands of U.S. Dollars					
	Six months ended June 30, 2015					
	Reportable segment					
	Personal care	Pet care	Others	Total	Eliminations or Corporate	Consolidated
Sales to customers	$2,589,806	$330,145	$21,115	$2,941,066	$-	$2,941,066
Intersegment sales	-	-	82	82	(82)	-
Total sales	$2,589,806	$330,145	$21,197	$2,941,148	$(82)	$2,941,066
Segment profit (Operating profit)	$279,747	$3,613	$1,068	$284,428	$-	$284,428

8. PER SHARE INFORMATION

Basis for the computation of basic and diluted net income per share ("EPS") for the six months ended June 30, 2015 was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
Six months ended June 30, 2015	Net income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥15,891	600,959	¥26.44	$0.22
Effect of dilutive securities—Adjustment of warrants of the company:				
Increase in number of common stock	-	399	(0.01)	(0.00)
Diluted EPS—Net income for computation	¥15,891	601,358	¥26.43	$0.22
Outline of potential common stock excluded from the calculation of diluted EPS due to its non-dilutive effect, of which significant changes have occurred since December 31, 2014		-		

THE COMPANY

Registered Office

182 Shimobun
Kinsei-cho, Shikokuchuo-shi
Ehime 799-0111
Japan

Head Office

Sumitomo Fudosan Twin Building
West Wing
5-27, Mita 3-chome
Minato-ku, Tokyo 108-8575
Japan

TRUSTEE

BNY Mellon Corporate Trustee Services Limited
One Canada Square
London E14 5AL
United Kingdom

PRINCIPAL AGENT AND CUSTODIAN

Sumitomo Mitsui Finance Dublin Limited
La Touche House
I.F.S.C.
Custom House Docks
Dublin 1, D01 R5P3
Ireland

REGISTRAR

The Bank of New York Mellon (Luxembourg) S.A.
2-4, rue Eugène Ruppert
Vertigo Building – Polaris
L-2453 Luxembourg
Luxembourg

CUSTODIAN'S AGENT IN JAPAN

Sumitomo Mitsui Banking Corporation
3-2, Marunouchi 1-chome
Chiyoda-ku, Tokyo 100-0005
Japan

LEGAL ADVISERS

To the Manager as to English law

Clifford Chance Law Office
(Gaikokuho Kyodo Jigyo)
Akasaka Tameike Tower, 7th Floor
17-7, Akasaka 2-chome
Minato-ku, Tokyo 107-0052
Japan

To the Company as to Japanese law

Mori Hamada & Matsumoto
Marunouchi Park Building
6-1, Marunouchi 2-chome
Chiyoda-ku, Tokyo 100-8222
Japan

To the Trustee as to English law

Clifford Chance Law Office
(Gaikokuho Kyodo Jigyo)
Akasaka Tameike Tower, 7th Floor
17-7, Akasaka 2-chome
Minato-ku, Tokyo 107-0052
Japan

INDEPENDENT AUDITOR

PricewaterhouseCoopers Aarata
Sumitomo Fudosan Shiodome Hamarikyu Building
21-1, Ginza 8-chome
Chuo-ku, Tokyo 104-0061
Japan

unicharm

NOLA & DOLA