

TRANSLATION FOR REFERENCE PURPOSES ONLY

This notice has been translated from the original Japanese text of the timely disclosure statement dated March 25, 2020 and is for reference purposes only. In the event of any discrepancy between the original Japanese and this translation, the Japanese text shall prevail.



March 25, 2020

To whom it may concern

Listed Company Name: Unicharm Corporation
Company Representative: Takahisa Takahara,
President and Chief Executive Officer
(Code Number: 8113; First Section, Tokyo Stock Exchange)
Contact Person: Hirotatsu Shimada,
Executive Officer, General Manager of
Accounting Control and Finance Division
Telephone Number: +81-3-3451-5111

Notice Concerning Disposal of Treasury Shares as Restricted Share-Based Remuneration

Unicharm Corporation (hereinafter the “Company”) hereby announces that, at its Board of Directors meeting held on March 25, 2020, it resolved to dispose of treasury shares (hereinafter the “Disposal of Treasury Shares” or the “Disposal”). The details are as follows.

1. Overview of the Disposal

(1) Disposal Date	April 24, 2020
(2) Class and Number of Shares to Be Disposed of	Common shares of the Company: 81,400 shares
(3) Disposal Amount	¥3,631 per share
(4) Total Disposal Amount	¥295,563,400
(5) Allottees, Number Thereof and Number of Shares to Be Disposed of	Directors of the Company (excluding outside Directors and Directors who are Audit and Supervisory Committee Members): 38,800 shares to be allotted to 3 persons Executive Officers not serving concurrently as Directors of the Company: 40,200 shares to be allotted to 20 persons Associate Officers of the Company: 2,400 shares to be allotted to 5 persons

2. Purposes and Reasons for Disposal

At the Board of Directors meeting held on February 21, 2020, the Company resolved to introduce a restricted share-based remuneration plan (hereinafter the “Plan”) as a new remuneration plan for Directors excluding outside Directors and Directors who are Audit and Supervisory Committee Members of the Company (hereinafter the “Eligible Directors”); Executive Officers not serving concurrently as Directors of the Company (hereinafter the “Eligible Executive Officers”); and Associate Officers of the Company (hereinafter the “Eligible Associate Officers” and together with the Eligible Directors and the Eligible Executive Officers, collectively, the “Eligible Directors, etc.”). The Plan is intended to provide an incentive to sustainably increase the Group’s corporate value and to share shareholder value, with the aim of maximizing its shareholder value. Also, at the 60th Ordinary General Meeting of Shareholders held on March 25, 2020, the Company received approval to provide monetary remuneration claims of 250 million yen or less per year to the Eligible Directors under the Plan as monetary remuneration to be used as property contributed in kind for acquisition of the restricted shares (hereinafter the “Restricted Share-based Remuneration”), and to set the transfer restriction period for restricted shares at three years from the day on which restricted shares are allotted.

The overview of the Plan is as follows.

[Overview of the Plan]

The Eligible Directors, etc. shall pay all monetary remuneration claims to be provided to them by the Company under the Plan, in the form of property contributed in kind, and shall, in return, receive common shares of the Company that shall be issued or disposed of by the Company. In addition, the total number of common shares to be issued or disposed of by the Company to the Eligible Directors under the Plan shall be 75,000 shares or less per year, and the amount to be paid in per share shall be determined by the Board of Directors based on the closing price of the Company’s common shares on the Tokyo Stock Exchange on the business day immediately before the date of each resolution by the Board of Directors (or the closing price on the closest preceding trading day if there is no closing price on such date) and as an amount within the extent that it will not be particularly advantageous to the Eligible Directors, etc. who subscribe to the Company’s common shares.

The issuance or disposal of common shares of the Company under the Plan shall be conditional that an agreement on the allotment of restricted shares shall be entered into between the Company and the Eligible Directors, etc. The agreement shall include such provisions as (i) the Eligible Directors, etc. shall be prohibited from transferring, creating security interest, or otherwise disposing of common shares of the Company to be allotted under the agreement for a certain time period; and (ii) in the event that certain circumstances arise, the Company shall acquire said common shares without contribution.

Considering the purpose of the Plan, the Company’s business conditions, the scope of responsibilities of each of the Eligible Directors, etc. and other various factors, the Company has decided to provide a total of 295,563,400 yen of monetary remuneration claims (hereinafter the “Monetary Remuneration Claims”) and 81,400 common shares of the Company, in order to further increase the motivation of each of the Eligible Directors, etc.

For the Disposal of Treasury Shares, 28 planned allottees, or the Eligible Directors, etc., shall pay all the

Monetary Remuneration Claims to the Company under the Plan, in the form of property contributed in kind, and shall, in return, receive common shares of the Company (hereinafter the “Allotted Shares”) that shall be disposed of by the Company. The agreement on the allotment of restricted shares to be entered between the Company and the Eligible Directors, etc. for the Disposal of Treasury Shares (hereinafter the “Allotment Agreement”) are outlined in Item 3 below.

In addition, the Allotment Agreement includes a clawback provision under which, in the event that a major accounting fraud is discovered or a large loss is reported by the Company, all of the restricted shares allotted to date on an accumulated basis will be returned to the Company without contribution, depending on the responsibilities borne by each of the Eligible Directors, etc.

3. Overview of the Allotment Agreement

<Eligible Directors>

(1) Restricted Period From April 24, 2020 to April 23, 2023

(2) Conditions for Lifting of Transfer Restriction

The Company shall lift the transfer restriction on all of the Allotted Shares upon expiration of the restricted period, on the condition that the Eligible Director has remained in the position of Director of the Company throughout the period from the Disposal date to a time immediately before the conclusion of the first Ordinary General Meeting of Shareholders to be held thereafter (hereinafter the “Service Period”).

(3) Treatment in the Event an Eligible Director Retires During the Restricted Period due to the Expiration of His/Her Term of Office, Attainment of Retirement Age or Any Other Justifiable Reason

(i) Timing for Lifting of Transfer Restriction

In the event where an Eligible Director retires from the position of the Director of the Company due to the expiration of the Service Period, attainment of retirement age or any other justifiable reason (except in case of retirement due to death), the Company shall, in principle, lift the transfer restriction either at immediately after the retirement of the Eligible Director or on April 1, 2021, whichever is the latest. In the event of retirement due to death, the transfer restriction shall be lifted at a time separately determined by the Board of Directors after the death of the Eligible Director.

Notwithstanding the provision above, in the event where an Eligible Director retires due to death by the time immediately before April 1, 2021, the Company shall automatically acquire without contribution all the Allotted Shares held by the Eligible Director at that time.

(ii) Number of Shares Subject to Lifting of Transfer Restriction

The number of shares subject to the lifting of the transfer restriction as specified in (i) shall be calculated by multiplying the number of the Allotted Shares held at the time immediately after the retirement (except in case of retirement due to death) by a fraction obtained by dividing the number of months of tenure of the Eligible Director during the Service Period by 12. (However, if the calculation results in a fraction of less than one unit, the fraction shall be rounded down.)

In the event where an Eligible Director retires due to death at a time on or after April 1, 2021, the number of shares subject to the lifting of the transfer restriction shall be the number of the Allotted Shares held at the time of death of the Eligible Director.

(4) Acquisition Without Contribution by the Company

The Company shall automatically acquire without contribution the Allotted Shares on which the transfer restriction has not been lifted as of the expiration of the restricted period or the lifting of the transfer restriction specified in (3) above.

(5) Treatment During Reorganization, etc.

In principle, if, during the restricted period, matters concerning a merger agreement in which the Company becomes the disappearing company, a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, or other reorganization, etc. are approved at the Company's General Meeting of Shareholders (or at a meeting of its Board of Directors in cases where the approval at the Company's General Meeting of Shareholders is not required for the reorganization, etc.), the Company shall, as at the time immediately before the business day prior to the date on which the reorganization, etc. becomes effective, lift the transfer restriction on all the Allotted Shares held at that time by resolution of the Board of Directors. In addition, the Company shall automatically acquire without contribution all the Allotted Shares on which the transfer restriction has not been lifted as of the time immediately after the transfer restriction is lifted.

Notwithstanding the provision above, if the time immediately before the business day prior to the effective date of reorganization, etc. falls before April 1, 2021, the Company shall automatically acquire without contribution all the Allotted Shares as at the time immediately before the business day prior to the date on which the reorganization, etc. becomes effective.

(6) Management of Shares

The Company shall have the Eligible Directors, etc. open dedicated accounts at Nomura Securities Co., Ltd. for the management of the Allotted Shares during the restricted period, so the Eligible Directors, etc. cannot transfer the shares, create security interests, or otherwise dispose of the shares during the restricted period. The Company has entered into an agreement with Nomura Securities Co., Ltd. in relation to the management of the accounts of the Allotted Shares held by each of the Eligible Directors, etc. in order to ensure the effectiveness of the transfer restriction on the Allotted Shares. In addition, the Eligible Directors, etc. shall agree to the details of the management of such accounts.

<Eligible Executive Officers>

(1) Restricted Period From April 24, 2020 to April 23, 2023

(2) Conditions for Lifting of Transfer Restriction

The Company shall lift the transfer restriction on all of the Allotted Shares upon expiration of the restricted period, on the condition that the Eligible Executive Officer has remained in the position of Director or Executive Officer not serving concurrently as Director of the Company throughout the term of delegation agreement during the fiscal year in which the Disposal date occurs (hereinafter the "Delegation Agreement Term").

(3) Treatment in the Event an Eligible Executive Officer Retires During the Restricted Period due to the Expiration of His/Her Term of Office, Attainment of Retirement Age or Any Other Justifiable Reason

(i) Timing for Lifting of Transfer Restriction

In the event where an Eligible Executive Officer retires from the position of the Director or Executive Officer not serving concurrently as Director of the Company due to the expiration of the tenure, attainment of retirement age or any other justifiable reason (except in case of retirement due to death), the Company shall, in principle, lift the transfer restriction either at immediately after the retirement of the Eligible Executive Officer or on April 1, 2021, whichever is the latest. In the event of retirement due to death, the transfer restriction shall be lifted at a time separately determined by the Board of Directors after the death of the Eligible Executive Officer.

Notwithstanding the provision above, in the event where an Eligible Executive Officer retires due to death by the time immediately before April 1, 2021, the Company shall automatically acquire without contribution all the Allotted Shares held by the Eligible Executive Officer at that time.

(ii) Number of Shares Subject to Lifting of Transfer Restriction

The number of shares subject to the lifting of the transfer restriction as specified in (i) shall be calculated by multiplying the number of the Allotted Shares held at the time immediately after the retirement (except in case of retirement due to death) by a fraction obtained by dividing the number of months of tenure of the Eligible Executive Officer during the Delegation Agreement Term by 12. (However, if the calculation results in a fraction of less than one unit, the fraction shall be rounded down.)

In the event where an Eligible Executive Officer retires due to death at a time on or after April 1, 2021, the number of shares subject to the lifting of the transfer restriction shall be the number of the Allotted Shares held at the time of death of the Eligible Executive Officer.

(4) Acquisition Without Contribution by the Company

The Company shall automatically acquire without contribution the Allotted Shares on which the transfer restriction has not been lifted as of the expiration of the restricted period or the lifting of the transfer restriction specified in (3) above.

(5) Treatment During Reorganization, etc.

In principle, if, during the restricted period, matters concerning a merger agreement in which the Company becomes the disappearing company, a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, or other reorganization, etc. are approved at the Company's General Meeting of Shareholders (or at a meeting of its Board of Directors in cases where the approval at the Company's General Meeting of Shareholders is not required for the reorganization, etc.), the Company shall, as at the time immediately before the business day prior to the date on which the reorganization, etc. becomes effective, lift the transfer restriction on all the Allotted Shares held at that time by resolution of the Board of Directors. In addition, the Company shall automatically acquire without contribution all the Allotted Shares on which the transfer restriction has not been lifted as of the time immediately after the transfer restriction is lifted.

Notwithstanding the provision above, if the time immediately before the business day prior to the effective date of reorganization, etc. falls before April 1, 2021, the Company shall automatically acquire without contribution all the Allotted Shares as at the time immediately before the business day prior to the date on which the reorganization, etc. becomes effective.

(6) Management of Shares

The Company shall have the Eligible Directors, etc. open dedicated accounts at Nomura Securities Co., Ltd. for the management of the Allotted Shares during the restricted period, so the Eligible Directors, etc. cannot transfer the shares, create security interests, or otherwise dispose of the shares during the restricted period. The Company has entered into an agreement with Nomura Securities Co., Ltd. in relation to the management of the accounts of the Allotted Shares held by each of the Eligible Directors, etc. in order to ensure the effectiveness of the transfer restriction on the Allotted Shares. In addition, the Eligible Directors, etc. shall agree to the details of the management of such accounts.

<Eligible Associate Officers>

(1) Restricted Period From April 24, 2020 to April 23, 2023

(2) Conditions for Lifting of Transfer Restriction

The Company shall lift the transfer restriction on all of the Allotted Shares upon expiration of the restricted period, on the condition that the Eligible Associate Officer has remained in the position of Associate Officer of the Company throughout the term of delegation agreement during the fiscal year in which the Disposal date occurs (hereinafter the “Delegation Agreement Term”).

(3) Treatment in the Event an Eligible Associate Officer Retires During the Restriction Period due to Attainment of Retirement Age or Any Other Justifiable Reason

(i) Timing for Lifting of Transfer Restriction

In the event where an Eligible Associate Officer retires from the position of the Associate Officer of the Company due to attainment of retirement age or any other justifiable reason (except in case of retirement due to death), the Company shall, in principle, lift the transfer restriction either at immediately after the retirement of the Eligible Associate Officer or on April 1, 2021, whichever is the latest. In the event of retirement due to death, the transfer restriction shall be lifted at a time separately determined by the Board of Directors after the death of the Eligible Associate Officer.

Notwithstanding the provision above, in the event where an Eligible Associate Officer retires due to death by the time immediately before April 1, 2021, the Company shall automatically acquire without contribution all the Allotted Shares held by the Eligible Associate Officer at that time.

(ii) Number of Shares Subject to Lifting of Transfer Restriction

The number of shares subject to the lifting of the transfer restriction as specified in (i) shall be calculated by multiplying the number of the Allotted Shares held at the time immediately after the retirement (except in case of retirement due to death) by a fraction obtained by dividing the number of months of tenure of the Eligible Associate Officer during the restricted period by 12. (However, if the calculation results in a fraction of less than one unit, the fraction shall be rounded down.)

In the event where an Eligible Associate Officer retires due to death at a time on or after April 1, 2021, the number of shares subject to the lifting of the transfer restriction shall be the number of the Allotted Shares held at the time of death of the Eligible Associate Officer.

(4) Acquisition Without Contribution by the Company

The Company shall automatically acquire without contribution the Allotted Shares on which the transfer

restriction has not been lifted as of the expiration of the restricted period or the lifting of the transfer restriction specified in (3) above.

(5) Treatment During Reorganization, etc.

In principle, if, during the restricted period, matters concerning a merger agreement in which the Company becomes the disappearing company, a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, or other reorganization, etc. are approved at the Company's General Meeting of Shareholders (or at a meeting of its Board of Directors in cases where the approval at the Company's General Meeting of Shareholders is not required for the reorganization, etc.), the Company shall, as at the time immediately before the business day prior to the date on which the reorganization, etc. becomes effective, lift the transfer restriction on all the Allotted Shares held at that time by resolution of the Board of Directors. In addition, the Company shall automatically acquire without contribution all the Allotted Shares on which the transfer restriction has not been lifted as of the time immediately after the transfer restriction is lifted.

Notwithstanding the provision above, if the time immediately before the business day prior to the effective date of reorganization, etc. falls before April 1, 2021, the Company shall automatically acquire without contribution all the Allotted Shares as at the time immediately before the business day prior to the date on which the reorganization, etc. becomes effective.

(6) Management of Shares

The Company shall have the Eligible Directors, etc. open dedicated accounts at Nomura Securities Co., Ltd. for the management of the Allotted Shares during the restricted period, so the Eligible Directors, etc. cannot transfer the shares, create security interests, or otherwise dispose of the shares during the restricted period. The Company has entered into an agreement with Nomura Securities Co., Ltd. in relation to the management of the accounts of the Allotted Shares held by each of the Eligible Directors, etc. in order to ensure the effectiveness of the transfer restriction on the Allotted Shares. In addition, the Eligible Directors, etc. shall agree to the details of the management of such accounts.

4. Basis of Calculation and Specific Details for the Amount to Be Paid In

The Disposal of Treasury Shares to the planned allottees shall be carried out using monetary remuneration claims, provided to the planned allottees as the Restricted Share-based Remuneration for the 61st fiscal year of the Company under the Plan, as property contribution to the Company. To eliminate arbitrariness in the disposal amount, the closing price of the Company's common shares on the First Section of the Tokyo Stock Exchange on March 24, 2020 (the business day prior to the date of resolution by the Board of Directors) of 3,631 yen shall be used as the disposal amount. The Company believes that this amount is reasonable and not particularly advantageous as it is the market share price on the day immediately preceding the date of the resolution of the Board of Directors.

END