Consolidated Financial Results for the Fiscal Year Ended December 31, 2025; Flash Report [IFRS]

February 12, 2026

Listed Company Name: **Unicharm Corporation**
Listing: **Tokyo Stock Exchange**
Code Number: **8113**
URL: **https://www.unicharm.co.jp/**
Company Representative: **Takahisa Takahara, Representative Director, President and Chief Executive Officer**
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Telephone Number: **+81-3-3451-5111**

Scheduled Date of Ordinary General Meeting of Shareholders: **March 19, 2026**
Scheduled Date to Commence Dividend Payments: **March 3, 2026**
Scheduled Date to Submit Securities Report: **March 23, 2026**
Preparation of Supplementary Material on Full Year Financial Results: **Yes**
Holding of Full Year Financial Results Presentation Meeting: **Yes (Securities Analysts, Institutional Investors)**

(Amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2025 (January 1, 2025 through December 31, 2025)

(1) Consolidated financial results

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

	Net Sales		Core Operating Income		Profit Before Tax		Profit for the Period		Profit Attributable to Owners of Parent		Total Comprehensive Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal Year Ended December 31, 2025	945,268	(4.4)	108,884	(21.4)	105,386	(21.7)	70,858	(25.6)	65,212	(20.3)	78,264	(44.0)
Fiscal Year Ended December 31, 2024	988,981	5.0	138,463	8.2	134,537	1.7	95,227	(2.8)	81,842	(4.9)	139,749	1.1

	Basic Earnings Per Share	Diluted Earnings Per Share	Return on Equity Attributable to Owners of Parent	Ratio of Profit Before Tax to Total Assets	Ratio of Core Operating Income to Net Sales
	Yen	Yen	%	%	%
Fiscal Year Ended December 31, 2025	37.30	–	8.3	8.6	11.5
Fiscal Year Ended December 31, 2024	46.41	–	11.1	11.3	14.0

(Reference)
Share of profit of investments accounted for using equity method: Fiscal Year Ended December 31, 2025: ¥(906) million
Fiscal Year Ended December 31, 2024: ¥(987) million

(Notes) 1. Core operating income information is a valuable benchmark for measuring the Group's recurring business performance. It is calculated by deducting selling, general and administrative expenses from gross profit.
2. The Company conducted a 3-for-1 stock split of common stock effective January 1, 2025. Basic earnings per share is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total Assets	Total Equity	Equity Attributable to Owners of Parent	Ratio of Equity Attributable to Owners of Parent	Equity Attributable to Owners of Parent per Share
	Millions of Yen	Millions of Yen	Millions of Yen	%	Yen
As of December 31, 2025	1,223,176	891,259	794,705	65.0	456.75
As of December 31, 2024	1,239,973	873,711	773,062	62.3	439.46

(Note) The Company conducted a 3-for-1 stock split of common stock effective January 1, 2025. Equity attributable to owners of parent per share is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(3) Consolidated cash flows

	From Operating Activities	From Investing Activities	From Financing Activities	Cash and Cash Equivalents at End of Period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Fiscal Year Ended December 31, 2025	131,470	(58,712)	(83,865)	253,092
Fiscal Year Ended December 31, 2024	137,099	(73,838)	(66,794)	261,054

2. Cash Dividends

	Annual Dividends					Total Amount of Cash Dividends (annual)	Dividend Payout Ratio (consolidated)	Ratio of Dividends to Equity Attributable to Owners of Parent (consolidated)
	1st Q-End	2nd Q-End	3rd Q-End	Year-End	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Fiscal Year Ended December 31, 2024	–	22.00	–	22.00	44.00	25,801	31.6	3.5
Fiscal Year Ended December 31, 2025	–	9.00	–	9.00	18.00	31,408	48.3	4.0
Fiscal Year Ending December 31, 2026 (forecast)	–	11.00	–	11.00	22.00		44.3	

(Note) The Company conducted a 3-for-1 stock split of common stock effective January 1, 2025. The figures for the fiscal year ended December 31, 2024 are the actual amount of dividends paid before the stock split.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2026 (January 1, 2026 through December 31, 2026)

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

	Net Sales		Core Operating Income		Profit Before Tax		Profit Attributable to Owners of Parent		Basic Earnings Per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full Year	1,010,000	6.8	136,000	24.9	135,800	28.9	86,500	32.6	49.71

*** Notes**

(1) Significant changes in the scope of consolidation during the period: None

(2) Changes in accounting policies and accounting estimates

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

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

(i) Number of issued and outstanding shares as of end of period (including treasury shares):
As of December 31, 2025: 1,862,502,957 shares
As of December 31, 2024: 1,862,502,957 shares
(ii) Number of treasury shares as of end of period:
As of December 31, 2025: 122,577,638 shares
As of December 31, 2024: 103,393,746 shares
(iii) Average number of shares during the period (accumulated total):
Fiscal Year Ended December 31, 2025: 1,748,127,145 shares
Fiscal Year Ended December 31, 2024: 1,763,570,020 shares

(Note) The Company conducted a 3-for-1 stock split of common stock effective January 1, 2025. The number of issued and outstanding shares (common shares) is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(Reference) Summary of non-consolidated performance

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2025 (January 1, 2025 through December 31, 2025)

(1) Non-consolidated financial results

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

	Net Sales		Operating Income		Ordinary Income		Profit	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal Year Ended December 31, 2025	369,227	(0.1)	39,042	(18.5)	112,110	(22.1)	99,206	(16.3)
Fiscal Year Ended December 31, 2024	369,638	6.0	47,880	12.2	143,962	0.4	118,520	(0.7)

	Earnings Per Share	Diluted Earnings Per Share
	Yen	Yen
Fiscal Year Ended December 31, 2025	56.75	–
Fiscal Year Ended December 31, 2024	67.20	–

(Note) The Company conducted a 3-for-1 stock split of common stock effective January 1, 2025. Earnings per share is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total Assets	Net Assets	Ratio of Shareholders' Equity	Net Assets Per Share
	Millions of Yen	Millions of Yen	%	Yen
As of December 31, 2025	618,132	516,243	83.5	296.70
As of December 31, 2024	568,175	463,483	81.6	263.48

(Reference) Equity: As of December 31, 2025: ¥516,243 million
As of December 31, 2024: ¥463,483 million

(Notes) 1. Non-consolidated financial figures were prepared in accordance with accounting standards generally accepted in Japan.
2. The Company conducted a 3-for-1 stock split of common stock effective January 1, 2025. Net assets per share is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

2. Forecast of Non-consolidated Financial Results for the Fiscal Year Ending December 31, 2026 (January 1, 2026 through December 31, 2026)

Explanation regarding non-consolidated financial results is omitted since it is not considered to be material as investment information.

* Financial results report is exempt from audit by certified public accountants or an auditing firm.

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

Forecasts stated herein are based on the currently available information and the Company's assumptions that were judged to be valid as of the announcement date hereof, and are not intended to be a promise by the Company to achieve these forecasts. Therefore, actual results may differ for various factors. Please refer to "1. Overview of the Operating Results, Etc., (4) Outlook for the fiscal year ending December 31, 2026" section on page 8 for more information concerning the assumptions used for forecasts of financial results and other notes on proper use.

Contents of Exhibit

1. Overview of the Operating Results, Etc.

(1) Overview of the operating results for the fiscal year under review

Comparison with actual results for the previous fiscal year

	Fiscal Year Ended Dec. 31, 2024 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2025 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	988,981	945,268	(43,713)	(4.4)
Core operating income	138,463	108,884	(29,579)	(21.4)
Profit before tax	134,537	105,386	(29,150)	(21.7)
Profit attributable to owners of parent	81,842	65,212	(16,629)	(20.3)

Comparison with forecasts (Compared with forecast announced on February 6, 2026)

	Forecasts for Fiscal Year Ended Dec. 31, 2025 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2025 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	945,268	945,268	–	–
Core operating income	108,884	108,884	–	–
Profit before tax	105,386	105,386	–	–
Profit attributable to owners of parent	65,212	65,212	–	–

By region

	Net sales (Note)			Core operating income		
	Fiscal Year Ended Dec. 31, 2024 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2025 (Millions of Yen)	Difference (Millions of Yen)	Fiscal Year Ended Dec. 31, 2024 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2025 (Millions of Yen)	Difference (Millions of Yen)
Japan	339,922	342,504	2,582	67,980	67,350	(630)
China	107,324	78,024	(29,300)	12,166	(5,364)	(17,530)
Asia	335,790	311,269	(24,520)	30,739	16,748	(13,991)
Others	205,944	213,469	7,525	27,357	29,986	2,629

(Note) Net sales represent those to external customers.

1. Overview of the operating results for the fiscal year under review

During the fiscal year under review, the operating environment surrounding the Group experienced significant variation in economic sentiment and consumer trends between countries/regions, and the future outlook remains difficult to predict due to uncertainties such as additional tariff policies in the United States and delayed demand recovery in the Chinese market.

In this environment and under the basic policy of "we constantly provide the world's No. 1 and unprecedented products and services to everybody around the globe, and deliver comfort, impression, and satisfaction," the Company and its group companies have promoted initiatives towards realizing a "Cohesive Society (Social Inclusion)" under the banner of "Love Your Possibilities."

Overseas, due to a decreasing birth rate and economic sentiment, consumers' cost-consciousness has increased, leading to a continued trend of trading down for some baby care products.

In Asia, profitability was pressured by marketing investments in the emerging e-commerce market and the impact of intense price competition. Particularly in China, amid a situation where sales opportunities temporarily decreased due to reputational damage and recovery for the year is still underway, the Company has strengthened digital marketing initiatives and sales networks, showing signs of recovery in recent trends.

Meanwhile, in regions such as the Middle East and North America, where performance remained strong, we continued to maintain sales growth.

In Japan, demand has remained stable as the products the Company handles are daily necessities, and it has also addressed diverse consumer needs with a wide-ranged product lineup.

As a result, net sales, core operating income, profit before tax, profit for the period, and profit attributable to owners of parent in the fiscal year under review reached ¥945,268 million (down 4.4% year on year), ¥108,884 million (down 21.4% year on year), ¥105,386 million (down 21.7% year on year), ¥70,858 million (down 25.6% year on year), and ¥65,212 million (down 20.3% year on year), respectively.

In September 2025, a revision of the GST (Goods and Services Tax) system was implemented in India, and a valuation loss of ¥6,920 million was recognized in the fiscal year under review. Regarding this tax revision, apart from this matter, no other matters that could have a significant impact on performance have been identified at this point in time. For details, please refer to "3. Consolidated Financial Statements and Significant Notes Thereto, (5) Notes to the consolidated financial statements, 8. Other expenses."

2. Overview of the operation by main business segment

Financial results by segment are as described below.

1) Personal Care Business

	Fiscal Year Ended Dec. 31, 2024 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2025 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	826,100	774,428	(51,672)	(6.3)
Core operating income	110,883	83,197	(27,686)	(25.0)

(Note) Net sales represent those to external customers.

● Wellness Care Business
Looking at overseas markets, in countries in the Southeast Asian region such as Thailand, Indonesia, and Vietnam, where demand for adult excretion care products is rising, the Company continued to expand its product lineup and promote the Japanese care model by using both pad-type products and disposable underwear. Also, in China, the population is aging even faster than in Japan and there is a large target market. However, awareness of high-quality and high value-added specialized products is still low, and many people make do with alternatives such as using bed sheets. Considering these circumstances, the Company strengthened the product lineups that meet local needs and continued to actively invest in marketing, actively allocating management resources to achieve business growth.

In Japan, under the concept of "Increasing the things you can do, one at a time," we launched new products such as pants-type disposable diapers and paper pants pads. The Company achieved high sales growth as a result of developing a wide range of products in line with ADL[*1], focusing primarily on light to moderate incontinence products that help extend healthy life expectancy. Additionally, we continued to provide product information and knowledge for users and caregivers through services such as the AI chatbot *Charm-san*, which supports product selection tailored to users, and *Incontinent adult diaper counseling*. We also launched *Lifree Nobiru Fit® Thin Lightweight Tape-on RefF* which utilizes recycled pulp from used disposable diapers as part of its raw materials. By enhancing product functionality while considering the environment, we contributed to addressing social issues.

In the mask category, the Company revitalized the market by the various products lineup in both the *Cho-kaiteki* and *Cho-rittai* brands. The Company will continue to aim to expand its market share by continuously launching new products to meet consumer needs.

*1 An abbreviation for Activities of Daily Living, an indicator of the level of nursing care provided to those being cared for, which represents the basic activities necessary for daily living, such as excretion, eating, and bathing

● Feminine Care Business
Overseas, we responded to consumer needs with a unique and wide-ranging product lineup such as cooling sanitary napkins and shorts-shaped napkins.

In China, amid continued uncertainty about the economic outlook and a tendency to prefer lower-priced products among young people, the Company worked to revitalize the market by launching products such as a new concept of a shorts-shaped napkin for daytime use with enhanced ease of change, as well as products featuring characters.

However, in response to the temporary decline in sales due to the impact of rumors reported in November 2024, March and October 2025 regarding the quality of sanitary products and waste management, the Company worked to enhance its brand value by strengthening digital marketing in e-commerce and thoroughly disseminating information to foster a brand image of safety, security, and trust.

In countries in the Asian region such as Thailand, Indonesia, and Vietnam, the Company continued to expand the offering of high value-added products, including cooling sanitary napkins and activated charcoal blended sanitary napkins.

In India, where the penetration rate of sanitary products is low, we introduced products based on the concept of antibacterial care, mainly in urban areas, along with more accessible options tailored to local usage and price sensitivity, such as flat-type products without individual packaging or folding. This initiative aimed to expand the number of stores selling our products. As a result, we achieved high sales growth and improved profitability.

In the Middle East, domestic sales in Saudi Arabia remained steady and exports to neighboring countries expanded thanks to aggressive investments in marketing, like the promotion of new products containing olive oil that have been tailored to local customs.

In Japan, despite a decrease in the target population, the Company maintains the No. 1 market share by rolling out high value-added products that cater to the growing emphasis on health and peace of mind, as well as by proposing in-store displays and pursuing the strategy of continuous communication via social media. Furthermore, we are strengthening our engagement with consumers in the digital domain. In addition to the menstrual and health management app *Sofy Be*, which focuses on hormonal changes, we have initiated a trial operation of a next-generation healthcare service called *Sofy FemScan* that utilizes menstrual blood as a new approach to incorporate its biological information into daily health management. As the environment and values surrounding women change and lifestyles become more diverse, we continue to aim to maximize the lifetime value of women by providing comprehensive support not only during their menstrual periods but throughout the entirety of their daily lives. This empowers each woman to understand and manage her physical and mental state, thereby contributing to the improvement of her health and quality of life.

● Baby Care Business

Overseas, we promoted the use of our products, particularly our pants-type disposable diapers, which are one of our strengths, as well as the deployment of unique products. In India, where the use of disposable diapers is still low, even compared to other target countries, the Company continued to expand the sales areas and engage in awareness activities. With the reopening of a third factory in February 2025, the supply system was strengthened, and our market share held a record-high level, thus sustaining a growth trend. On the other hand, although sales temporarily stagnated due to inventory adjustments by distributors against the backdrop of tax reductions following the revision of the GST (Goods and Services Tax) system in September, consumer demand on a real demand basis remained robust.

Markets in Southeast Asian regions such as Vietnam, Thailand, and Indonesia continued to see a trading down tendency for some products against a backdrop of a decreasing birth rate and sluggish economy. Amid the ongoing severe situation caused by intensifying price competition, the Company has promoted a two-brand strategy, catering to the needs of both premium-conscious and price-conscious consumers.

In Thailand, we implemented collaborations with popular characters to enhance brand awareness and public interest.

In Indonesia, as local companies strengthen their sales capabilities and price competitiveness, we launched the economy-type *MamyPoko GEMBUNG*, which offers long-lasting usability and remains thin even after absorption, as well as small packs that promote trial purchases by keeping the unit price low. In addition, we increased the number of sales employees to strengthen our proposal capabilities, among other sales measures, executing our strategy from both product and sales perspectives.

In the Middle East, where domestic sales in Saudi Arabia are strong and exports to neighboring countries are also steady, the Company achieved high net sales growth and market share expansion by continuing to invest aggressively in marketing including for new products that contain olive oil tailored to local customs.

In Japan, while the market is shrinking with lower birth rates, we have continued to address diverse needs through the two brands, *moony* and *MamyPoko*, based on our business philosophy of “giving parents more enjoyment as they raise their babies." As a result, we maintained the No. 1 market share and achieved improved profitability.

We also actively worked to improve consumer satisfaction and reduce environmental impact through both products and services. For example, nursery facilities that have introduced the *Tebura Toen® (Hands-Free Commute)*[*2] service developed in collaboration with BABY JOB Inc., we promoted the introduction of the nursery facility-exclusive product that uses recycled pulp extracted from used paper diapers.

As a result, net sales and segment profit (core operating income) for the personal care business for the fiscal year under review were ¥774,428 million (down 6.3% year on year) and ¥83,197 million (down 25.0% year on year), respectively.

*2 *Tebura Toen®* is a flat-rate subscription service for nursery facilities designed to reduce the burden on both parents and childcare workers, including the need for parents to prepare disposable diapers and wipes, carry bulky items to the facility, and for childcare workers to manage disposable diapers and wipes.

2) Pet Care Business

	Fiscal Year Ended Dec. 31, 2024 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2025 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	148,673	156,084	7,411	5.0
Core operating income	25,840	24,067	(1,773)	(6.9)

(Note) Net sales represent those to external customers.

Under the slogan "More together, forever together," which aims to create a "Cohesive Society" with pets, we are working to create a society where dogs and cats can live happy lives while staying connected to society. In the pet food business in Japan, we responded to the needs of consumers with a diverse lineup that addresses the growing demand among pet owners for their dogs and cats to enjoy a variety of textures and flavors, as well as increased health consciousness. For snacks for cats, we launched *Silver Spoon Snacks that Make Cats Happy Kari-kari Rich Complete & Balanced Food Treats* and *Silver Spoon Treats Fish-flavored Cream Donuts Hair Balls Control*[*3] as new snack types with added health benefits from the *Silver Spoon* brand. For dogs, we newly launched *Stew Style*, *Minestrone Style*, and *Steamed Egg Custard Style* as three new types of wet food from the *Gran Deli Side Dish Style Pouch* brand, which focuses on appearance and taste reminiscent of human meals, to respond to the diverse needs of consumers.

In the domestic pet toiletry business, for cats, we launched *Does Not Scatter*[*4] *Cat-shaped Chip* and *Easy to Get Used To Small Grain Type* made from natural wood, from the *Deo-Toilet Deodorizing and Antibacterial Chip* sand replacement line for system litter boxes. For dogs, we expanded our lineup by launching *Manner Wear Long Hours Comfortable Diapers Unisex M Size* absorbent wear designed for medium-sized dogs.

With the expansion of the pet market and the diversification of purchasing behavior influenced by information gathering through social media, in addition to our existing services, *DOQAT* and the AI-powered *Food Matching* service, we have newly launched the *Unicharm Pet Official Shop* on TikTok Shop. Through this initiative, the Company will further strengthen its engagement with consumers, enhance brand recognition, and achieve sustainable growth.

In North America, as brisk sales of wet-type snacks for cats incorporating Japanese technology and new concepts continued, we also expanded our product lineup for the growing e-commerce market, achieving high net sales growth. In response to the tariff increase, the Company implemented measures such as advancing imports and passing on value. Additionally, the impact on sales remained minimal due to steady demand. We will continue to closely monitor developments in tariff policy and aim to respond flexibly and swiftly.

China, the second largest regional market after North America, is expected to continue growing. The Company entered into a capital and business alliance with Jiangsu Jijia Pet Products Co., Ltd. ("JIA PETS") through its local Chinese subsidiary in November 2022, and began manufacturing pet food incorporating its unique concepts and technologies. Since then, the Company has introduced new products to revitalize the market and meet a wide range of needs. By continuing to leverage combining manufacturing technology and know-how on production management, which have been cultivated in Japan, with JIA PETS' production and R&D capacities, as well as sales capabilities in its e-commerce the Company aims to achieve the No. 1 market share in the priority cities in China.

Also, in the Southeast Asia region, where future market growth is expected, the Company aims to achieve dramatic business growth by proactively investing management resources in both food and toiletries in the emerging pet care markets in Thailand, Indonesia, and Vietnam, etc.

As a result, net sales and segment profit (core operating income) for the pet care business for the fiscal year under review were ¥156,084 million (up 5.0% year on year) and ¥24,067 million (down 6.9% year on year), respectively.

*3 Helps promote natural elimination along with stool through the power of dietary fiber.

*4 Compared to *Deo-Sand Paper Sand that Deodorizes Urine with Fragrance*

3) Other Businesses

	Fiscal Year Ended Dec. 31, 2024 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2025 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales (Note)	14,208	14,755	547	3.9
Core operating income	1,740	1,620	(120)	(6.9)

(Note) Net sales represent those to external customers.

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

As a result, net sales and segment profit (core operating income) in other businesses for the fiscal year under review were ¥14,755 million (up 3.9% year on year) and ¥1,620 million (down 6.9% year on year), respectively.

(2) Overview of the financial position for the fiscal year under review

	As of Dec. 31, 2024 (Millions of Yen)	As of Dec. 31, 2025 (Millions of Yen)	Difference (Millions of Yen)
Total assets	1,239,973	1,223,176	(16,797)
Total liabilities	366,263	331,917	(34,346)
Total equity	873,711	891,259	17,548
Ratio of equity attributable to owners of parent (%)	62.3	65.0	–

Total assets as of the end of the fiscal year under review amounted to ¥1,223,176 million, down ¥16,797 million over the end of the previous fiscal year. The major decrease was ¥17,482 million in property, plant and equipment. Total liabilities were ¥331,917 million, down ¥34,346 million from the end of the previous fiscal year. The major decreases were ¥15,796 million in borrowings, ¥9,816 million in trade and other payables, and ¥6,752 million in income tax payables. Total equity amounted to ¥891,259 million, up ¥17,548 million over the end of the previous fiscal year. The major increases were ¥65,212 million in profit attributable to owners of parent, and the major decreases were ¥28,649 million in dividends paid to owners of parent and ¥21,016 million in increase in treasury shares.

Consequently, the ratio of equity attributable to owners of parent increased from 62.3% as of the end of the previous fiscal year to 65.0% as of the end of the fiscal year under review.

(3) Overview of the cash flows for the fiscal year under review

	Fiscal Year Ended Dec. 31, 2024 (Millions of Yen)	Fiscal Year Ended Dec. 31, 2025 (Millions of Yen)	Difference (Millions of Yen)
Cash flows from operating activities	137,099	131,470	(5,628)
Cash flows from investing activities	(73,838)	(58,712)	15,125
Cash flows from financing activities	(66,794)	(83,865)	(17,071)
Cash and cash equivalents at end of period	261,054	253,092	(7,962)

Cash and cash equivalents as of the end of the fiscal year under review were ¥253,092 million, a decrease of ¥7,962 million from the end of the previous fiscal year. The respective cash flow positions for the fiscal year under review were as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥131,470 million (¥137,099 million was provided in the previous fiscal year). The main inflow was due to profit before tax.

(Cash flows from investing activities)

Net cash used in investing activities was ¥58,712 million (¥73,838 million was used in the previous fiscal year). The main inflow was due to proceeds from sale and redemption of financial assets, and the main outflows were due to purchase of financial assets, and purchase of property, plant and equipment, and intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities was ¥83,865 million (¥66,794 million was used in the previous fiscal year). The main outflows were due to dividends paid to owners of parent, payments for purchase of treasury shares, dividends paid to non-controlling interests, and repayments of long-term borrowings.

(Reference) Changes in cash flow-related financial indicators

	Fiscal Year Ended Dec. 31, 2021	Fiscal Year Ended Dec. 31, 2022	Fiscal Year Ended Dec. 31, 2023	Fiscal Year Ended Dec. 31, 2024	Fiscal Year Ended Dec. 31, 2025
Ratio of equity attributable to owners of parent (%)	56.5	59.0	61.4	62.3	65.0
Ratio of equity attributable to owners of parent at market value (%)	301.8	286.6	265.4	184.8	127.3
Ratio of cash flows to interest-bearing debts (year)	0.7	0.6	0.4	0.4	0.3
Interest coverage ratio (times)	79.0	39.6	51.2	51.3	54.4

Ratio of equity attributable to owners of parent: Equity attributable to owners of parent/Total assets
Ratio of equity attributable to owners of parent at market value: Market capitalization/Total assets
Ratio of cash flows to interest-bearing debts: Interest-bearing debts/Cash flows
Interest coverage ratio: Cash flows/Payment of interest
Note 1: All the above indicators are calculated using consolidated financial figures.
Note 2: Market capitalization is calculated using the Company's total shares outstanding excluding treasury shares.
Note 3: Cash flows from operating activities are used for calculations.
Note 4: Interest-bearing debts cover all debts for which interest is paid among those that are included in the consolidated statement of financial position.

(4) Outlook for the fiscal year ending December 31, 2026

	Actual results for fiscal year ended Dec. 31, 2025 (Millions of Yen)	Forecasts for fiscal year ending Dec. 31, 2026 (Millions of Yen)	Difference (Millions of Yen)	Rate of difference (%)
Net sales	945,268	1,010,000	64,732	6.8
Core operating income	108,884	136,000	27,116	24.9
Profit before tax	105,386	135,800	30,414	28.9
Profit attributable to owners of parent	65,212	86,500	21,288	32.6
Basic earnings per share (Yen)	37.30	49.71	12.41	33.3

The fiscal year ending December 31, 2026, marks the first year of the 13th Mid-term Management Plan and represents an important start toward a new growth stage. Although the global economy is expected to remain uncertain, the surge in raw material prices is showing signs of stabilization, and cost reduction effects are anticipated to contribute positively. In this environment, the Company positions the “recovery of the Asian business” as a growth driver and aims to surpass the milestone of ¥1 trillion in sales company-wide, achieving steady revenue and profit growth.

In the overseas personal care business, improving profitability in the Asian region is the key. The Company will promote price strategies and product specification optimization in line with the intensifying competitive environment, as well as a fundamental review of the cost structure and strengthening of e-commerce across Asia. Under this policy, in China, as the impact of reputational damage subsides, the Company will establish new “winning patterns” through expansion into emerging platforms and strengthening digital marketing. In Indonesia, the Company will overcome the impact of shipment restraints due to strengthened credit management and reconstruct the sales network through a shift to healthy new business partners and a revamp of the sales structure. By steadily implementing these measures, the Company aims to achieve a V-shaped recovery of the entire Asian business. Meanwhile, in India, the Company will accelerate the speed of growth by expanding the penetration and adding value to baby care, feminine care, and wellness care, as well as entering the pet care market. The Company will also continue to invest in future growth markets such as Brazil and Africa. In the pet care business, in North America, the Company will continue stable growth with high profitability by expanding high-value-added snacks and toiletry products. In Asia, the Company will prioritize preemptive investment in markets that will become future pillars, solidifying a sustainable growth foundation globally.

In the domestic business, even under continuous inflation, the Company will maintain stable growth by evolving marketing through the use of digital transformation (DX) and proposing high-value-added products that capture consumer needs. In wellness care, the Company will promote the expansion of the light incontinence market and functional innovation of adult diapers, while in pet care, it will actively expand the premium market and create new markets to further improve profitability. Additionally, the Company will challenge itself to provide new value, such as exploring the Femtech market through the utilization of *Sofy Be*.

As a result of the aforementioned efforts, net sales, core operating income, profit before tax, and profit attributable to owners of parent for the fiscal year ending December 31, 2026 are forecast to be ¥1,010,000 million, ¥136,000 million, ¥135,800 million and ¥86,500 million, respectively, on a consolidated basis. Basic earnings per share will be ¥49.71. The Company’s assumptions on foreign exchange rates for the main currencies are JPY150.0 to one U.S. dollar and JPY21.5 to one Chinese yuan.

(5) Basic policy regarding profit distribution and dividends for the fiscal year ended December 31, 2025 and the fiscal year ending December 31, 2026

The Company recognizes that one of its most important management policies is to return profits to shareholders, and it is striving to increase corporate value by generating cash flows to achieve this goal. In the fiscal year under review, while prioritizing business investments to achieve sustainable growth, the Company has aimed to enhance profit returns by implementing stable and continuous dividends based on the medium- to long-term growth of consolidated performance. Additionally, the Company will flexibly acquire treasury shares as needed. With a target of achieving a total payout ratio of over 50%, the Company has been committed to enhancing shareholder returns.

The annual dividend for the fiscal year under review will be ¥18, comprising a year-end dividend of ¥9 per share, in addition to a ¥9 per share dividend for the end of the second quarter. This will be the 24th consecutive period of an increase in dividends, with a dividend on equity attributable to owners of parent (DOE) of 4.0%.

Also, based on the resolution for purchase of the treasury shares passed at the Board of Directors' meeting held on February 13, 2025, 20,019,800 shares were acquired, in the period from February 14 to August 22, 2025, by the purchase including off-auction own share repurchase trading system (ToSTNeT-3) on the Tokyo Stock Exchange for the total purchase amount of ¥22,000 million.

Regarding profit returns for the next fiscal year, under the 13th Mid-term Management Plan starting in 2026, the Company will promote both business growth and the restructuring (Rebirth) of capital policy to achieve a return on equity (ROE) of 17% attributable to owners of the parent by 2030. As a guideline during this period, the Company aims to increase the total payout ratio from 50% to 65% and enhance profit returns with a target dividend on equity (DOE) of 4.5% or more. Consequently, the annual dividend for the next fiscal year is planned to be ¥22 per share, with ¥11 per share scheduled for the end of the second quarter. The Company will also flexibly acquire treasury shares as needed.

2. Basic Stance on Selecting Accounting Standards

The Group has adopted the International Financial Reporting Standards (IFRS) from the fiscal year ended December 31, 2017, in order to improve the international comparability of financial information and the quality of business management.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated statement of financial position

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)	Fiscal Year Ended December 31, 2025 (as of December 31, 2025)
Assets			
Current assets			
Cash and cash equivalents		261,054	253,092
Trade and other receivables		168,631	154,762
Inventories		121,133	123,344
Other current financial assets		107,695	100,279
Other current assets		12,528	10,167
Total current assets		671,040	641,644
Non-current assets			
Property, plant and equipment		293,230	275,748
Intangible assets		101,091	97,059
Deferred tax assets		16,263	16,966
Investments accounted for using equity method		18,649	19,584
Other non-current financial assets		117,571	160,589
Other non-current assets		22,129	11,585
Total non-current assets		568,933	581,532
Total assets		1,239,973	1,223,176

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2024 (as of December 31, 2024)	Fiscal Year Ended December 31, 2025 (as of December 31, 2025)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables		231,399	221,583
Borrowings		20,994	3,488
Income tax payables		17,020	10,268
Other current financial liabilities		7,367	8,993
Other current liabilities		24,806	19,602
Total current liabilities		301,585	263,933
Non-current liabilities			
Borrowings		5,857	7,567
Deferred tax liabilities		14,051	15,312
Retirement benefit liabilities		13,490	15,942
Other non-current financial liabilities		25,765	23,368
Other non-current liabilities		5,514	5,795
Total non-current liabilities		64,678	67,984
Total liabilities		366,263	331,917
Equity			
Equity attributable to owners of parent			
Capital stock		15,993	15,993
Share premium		11,405	11,582
Retained earnings		766,342	801,367
Treasury shares		(119,412)	(140,428)
Other components of equity		98,734	106,191
Total equity attributable to owners of parent		773,062	794,705
Non-controlling interests		100,649	96,554
Total equity		873,711	891,259
Total liabilities and equity		1,239,973	1,223,176

(2) Consolidated statements of income and comprehensive income

(Consolidated statement of income)

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)	Fiscal Year Ended December 31, 2025 (January 1, 2025 – December 31, 2025)
Net sales	4	988,981	945,268
Cost of sales		(599,072)	(575,710)
Gross profit		389,909	369,558
Selling, general and administrative expenses	6	(251,446)	(260,674)
Other income	7	1,872	9,505
Other expenses	5, 8	(5,572)	(16,410)
Financial income		9,716	7,335
Financial costs		(9,942)	(3,928)
Profit before tax		134,537	105,386
Income tax expenses		(39,309)	(34,529)
Profit for the period		95,227	70,858
Profit attributable to			
Owners of parent		81,842	65,212
Non-controlling interests		13,386	5,645
Profit for the period		95,227	70,858
Earnings per share attributable to owners of parent			
Basic earnings per share (Yen)	9	46.41	37.30
Diluted earnings per share (Yen)	9	–	–

Reconciliation of changes from gross profit to core operating income

(Millions of Yen)

Gross profit	389,909	369,558
Selling, general and administrative expenses	(251,446)	(260,674)
Core operating income	138,463	108,884

(Consolidated statement of comprehensive income)

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)	Fiscal Year Ended December 31, 2025 (January 1, 2025 – December 31, 2025)
Profit for the period		95,227	70,858
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Net changes in equity instruments measured at fair value through other comprehensive income		2,191	4,307
Remeasurements related to net defined benefit liabilities (assets)		(1,806)	(1,917)
Subtotal		385	2,390
Items that may be reclassified to profit or loss			
Net changes in debt instruments measured at fair value through other comprehensive income		(131)	48
Changes in fair value of cash flow hedges		0	(7)
Exchange differences on translation in foreign operations		42,759	4,397
Share of other comprehensive income of investments accounted for using equity method		1,507	577
Subtotal		44,136	5,016
Total other comprehensive income, net of tax		44,521	7,406
Total comprehensive income		139,749	78,264
Total comprehensive income attributable to			
Owners of parent		119,743	72,582
Non-controlling interests		20,006	5,681
Total comprehensive income		139,749	78,264

(3) Consolidated statement of changes in equity

Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)

(Millions of Yen)

	Notes	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at January 1, 2024		15,993	10,259	710,792	(100,572)	59,246	695,719	92,531	788,250
Profit for the period		–	–	81,842	–	–	81,842	13,386	95,227
Other comprehensive income		–	–	–	–	37,901	37,901	6,620	44,521
Total comprehensive income		–	–	81,842	–	37,901	119,743	20,006	139,749
Purchase of treasury shares		–	–	–	(19,001)	–	(19,001)	–	(19,001)
Dividends		–	–	(24,705)	–	–	(24,705)	(12,000)	(36,706)
Equity transactions with non-controlling interests		–	37	–	–	–	37	112	149
Share-based payment transactions		–	1,109	–	160	–	1,269	–	1,269
Transfer from other components of equity to retained earnings		–	–	(1,587)	–	1,587	–	–	–
Total transactions with owners		–	1,146	(26,292)	(18,840)	1,587	(42,400)	(11,889)	(54,288)
Balance at December 31, 2024		15,993	11,405	766,342	(119,412)	98,734	773,062	100,649	873,711

Fiscal Year Ended December 31, 2025 (January 1, 2025 – December 31, 2025)

(Millions of Yen)

	Notes	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at January 1, 2025		15,993	11,405	766,342	(119,412)	98,734	773,062	100,649	873,711
Profit for the period		–	–	65,212	–	–	65,212	5,645	70,858
Other comprehensive income		–	–	–	–	7,370	7,370	36	7,406
Total comprehensive income		–	–	65,212	–	7,370	72,582	5,681	78,264
Purchase of treasury shares		–	(15)	–	(22,002)	–	(22,017)	–	(22,017)
Disposal of treasury shares		–	(752)	–	753	–	1	–	1
Dividends		–	–	(28,649)	–	–	(28,649)	(13,942)	(42,591)
Equity transactions with non-controlling interests		–	440	–	–	(1,452)	(1,012)	4,166	3,154
Share-based payment transactions		–	504	–	233	–	737	–	737
Transfer from other components of equity to retained earnings		–	–	(1,539)	–	1,539	–	–	–
Total transactions with owners		–	177	(30,188)	(21,016)	87	(50,939)	(9,776)	(60,715)
Balance at December 31, 2025		15,993	11,582	801,367	(140,428)	106,191	794,705	96,554	891,259

(4) Consolidated statement of cash flows

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)	Fiscal Year Ended December 31, 2025 (January 1, 2025 – December 31, 2025)
Cash flows from operating activities			
Profit before tax		134,537	105,386
Depreciation and amortization expenses		46,538	47,808
Impairment losses		912	6,015
Interest income		(8,768)	(5,714)
Dividend income		(948)	(1,018)
Interest expenses		2,864	2,282
Foreign exchange loss (gain)		2,394	(1,361)
Loss (gain) on sale and retirement of fixed assets		785	1,094
Decrease (increase) in trade and other receivables		(9,381)	13,566
Decrease (increase) in inventories		(12,127)	(1,915)
Increase (decrease) in trade and other payables		15,718	(8,671)
Other, net		5,225	10,221
Subtotal		177,749	167,693
Interest received		8,431	6,207
Dividends received		985	1,018
Interest paid		(2,673)	(2,416)
Income taxes refund		1,103	471
Income taxes paid		(48,496)	(41,503)
Net cash provided by (used in) operating activities		137,099	131,470
Cash flows from investing activities			
Payments into time deposits		(188,389)	(122,605)
Proceeds from withdrawal of time deposits		182,398	132,078
Purchase of property, plant and equipment, and intangible assets		(39,326)	(28,627)
Proceeds from sale of property, plant and equipment, and intangible assets		76	484
Long-term loan advances		(47)	(38)
Purchase of financial assets		(68,320)	(86,955)
Proceeds from sale and redemption of financial assets		39,484	47,064
Purchase of shares of subsidiaries and associates		–	(1,610)
Proceeds from sale of shares of subsidiaries and associates		–	483
Other, net		286	1,013
Net cash provided by (used in) investing activities		(73,838)	(58,712)

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)	Fiscal Year Ended December 31, 2025 (January 1, 2025 – December 31, 2025)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		(5,577)	(2,436)
Proceeds from long-term borrowings		2,901	1,813
Repayments of long-term borrowings		(1,213)	(13,892)
Repayments of lease liabilities		(7,194)	(7,535)
Payments for purchase of treasury shares		(19,001)	(22,002)
Dividends paid to owners of parent		(24,704)	(28,646)
Dividends paid to non-controlling interests		(12,006)	(13,942)
Proceeds from share issuance to non-controlling interests		–	2,773
Other, net		–	1
Net cash provided by (used in) financing activities		(66,794)	(83,865)
Effect of exchange rate changes on cash and cash equivalents		10,816	3,145
Net increase (decrease) in cash and cash equivalents		7,284	(7,962)
Cash and cash equivalents at beginning of period		253,770	261,054
Cash and cash equivalents at end of period		261,054	253,092

(5) Notes to the consolidated financial statements

1. Notes regarding going concern assumptions

   None.

2. Material accounting policies

   Material accounting policies adopted for these consolidated financial statements are the same as those adopted to the consolidated financial statements for the fiscal year ended December 31, 2024.

3. Changes in the presentation method

   (Consolidated statement of cash flows)

   “Increase (decrease) in other current liabilities” and “decrease (increase) in other non-current assets,” which were presented separately under cash flows from operating activities in the previous fiscal year have been combined and presented as “other, net” from the fiscal year under review in order to clarify the presentation. As a result, “increase (decrease) in other current liabilities” of ¥4,341 million, “decrease (increase) in other non-current assets” of ¥(128) million, and “other, net” of ¥1,012 million under cash flows from operating activities in the previous fiscal year have been restated as “other, net” of ¥5,225 million under cash flows from operating activities.

4. Segment information

(1) Overview of reportable segments

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

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

Therefore, the “personal care business,” the “pet care business,” and “other businesses” constitute the Group’s reportable segments.

In the personal care business, the Group manufactures and sells wellness care products, feminine care products, and baby care products. In the pet care business, the Group manufactures and sells pet food products and pet toiletry products. In other businesses, the Group manufactures and sells industrial materials related products, etc.

The accounting policies for the reportable segments are the same as for the consolidated financial statements.

(2) Sales and results by reportable segment

Sales and results by reportable segment are as follows.

(Millions of Yen)

	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)					
	Reportable segments				Adjustments	Amounts reported in consolidated financial statements
	Personal care	Pet care	Other	Total		
Sales to external customers	826,100	148,673	14,208	988,981	–	988,981
Sales across segments (Note)	–	–	114	114	(114)	–
Total segment sales	826,100	148,673	14,322	989,095	(114)	988,981
Segment profit (loss) (Core operating income)	110,883	25,840	1,740	138,463	–	138,463
Other income						1,872
Other expenses						(5,572)
Financial income						9,716
Financial costs						(9,942)
Profit before tax						134,537
Others						
Depreciation and amortization expenses	40,764	5,081	693	46,538	–	46,538
Impairment losses	734	178	–	912	–	912
Increase in property, plant and equipment and intangible assets	33,841	10,005	636	44,483	–	44,483

(Millions of Yen)

	Fiscal Year Ended December 31, 2025 (January 1, 2025 – December 31, 2025)					
	Reportable segments				Adjustments	Amounts reported in consolidated financial statements
	Personal care	Pet care	Other	Total		
Sales to external customers	774,428	156,084	14,755	945,268	–	945,268
Sales across segments (Note)	–	–	118	118	(118)	–
Total segment sales	774,428	156,084	14,873	945,386	(118)	945,268
Segment profit (loss) (Core operating income)	83,197	24,067	1,620	108,884	–	108,884
Other income						9,505
Other expenses						(16,410)
Financial income						7,335
Financial costs						(3,928)
Profit before tax						105,386
Others						
Depreciation and amortization expenses	41,000	5,988	819	47,808	–	47,808
Impairment losses	6,015	–	–	6,015	–	6,015
Increase in property, plant and equipment and intangible assets	27,919	5,113	378	33,410	–	33,410

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

5. Impairment of non-financial assets

The types and details of assets for which impairment losses were recognized are as follows.

Impairment losses by segment are indicated in “4. Segment information” of the Notes to the consolidated financial statements.

(Millions of Yen)

	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)	Fiscal Year Ended December 31, 2025 (January 1, 2025 – December 31, 2025)
Goodwill	682	1,780
Property, plant and equipment	205	4,119
Intangible assets (other than goodwill)	25	116
Total impairment losses	912	6,015

(1) Cash-generating unit

The Group categorizes cash-generating units into the smallest units that have individually identifiable cash flows, while idle assets are grouped by individual asset.

(2) Impairment losses

Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)

The main impairment losses occurred when, as the excess earnings power assumed at the time of the acquisition declined for the businesses belonging to the personal care segments of Uni-Charm Corporation Sdn. Bhd., DSG Malaysia Sdn. Bhd. and UNI-CHARM MALAYSIA TRADING SDN. BHD., etc., which are subsidiaries of the Company, as a result of reviewing their business plans used in the calculations of value in use in response to changes in the business environment, as in the fiscal year ended December 31, 2023, the carrying amount of “goodwill” related to the business in the country was reduced to the recoverable amount, and a reduction of ¥682 million was recorded as impairment losses in “other expenses.”

Impairment losses have been recorded in “other expenses” because they are considered to be an expense that is not associated with any function.

The recoverable amount of such asset group of ¥9,713 million is measured by the value in use. Value in use is obtained by discounting the future cash flows based on the business plan and growth rate approved by the management to the present value using the discount rate calculated based on the pre-tax weighted average cost of capital (12.6%). The growth rate is estimated as 2.0% by taking into account the assumed average growth rates in each market. There is the possibility of additional impairment loss in case the main assumptions used in the impairment test fluctuate, namely when the future cash flow decreases, or when the discount rate increases.

Fiscal Year Ended December 31, 2025 (January 1, 2025 – December 31, 2025)

In the businesses belonging to the personal care segments of Uni-Charm Corporation Sdn. Bhd., DSG Malaysia Sdn. Bhd. and UNI-CHARM MALAYSIA TRADING SDN. BHD., etc., which are subsidiaries of the Company, the business plans used in the calculation of value in use were reviewed in response to changes in the business environment, as in the fiscal year ended December 31, 2024. As a result, the carrying amounts of “goodwill” and “intangible assets” related to the business in the country were reduced to the recoverable amounts due to diminished excess earnings power assumed at the time of the acquisition, and reductions of ¥1,780 million in “goodwill” and ¥116 million in “intangible assets” were recorded as impairment losses in “other expenses.”

Impairment losses have been recorded in “other expenses” because they are considered to be an expense that is not associated with any function.

The recoverable amount of such asset group of ¥6,277 million is measured by the value in use. Value in use is obtained by discounting the future cash flows based on the business plan and growth rate approved by the management to the present value using the discount rate calculated based on the pre-tax weighted average cost of capital (12.3%). The growth rate is estimated as 2.0% by taking into account the assumed average growth rates in each market. There is the possibility of additional impairment loss in case the main assumptions used in the impairment test fluctuate, namely when the future cash flow decreases, or when the discount rate increases.

In the businesses belonging to the personal care segments of the Company's Indonesian and Chinese subsidiaries, the carrying amounts of "property, plant and equipment" were reduced to their recoverable amounts as a result of diminished profitability due to intensifying competition with other companies and other such changes in the business environment. Accordingly, reductions of ¥2,741 million at the Indonesian subsidiary and ¥1,272 million at the Chinese subsidiaries were recorded as impairment losses in "other expenses." The recoverable amount is measured by the value in use.

Impairment losses have been recorded in "other expenses" because they are considered to be an expense that is not associated with any function.

(3) Impairment test for goodwill and intangible assets with indeterminable useful life

The breakdown of goodwill and intangible assets with indeterminable useful life by cash-generating unit (after recognizing impairment loss) are as follows. All of the assets below are allocated to the personal care business.

(Millions of Yen)

	Cash-generating unit or cash-generating unit group (personal care segment)	As of December 31, 2024		As of December 31, 2025	
		Goodwill	Intangible assets with indeterminable useful life	Goodwill	Intangible assets with indeterminable useful life
Thailand	Uni. Charm (Thailand) Co., Ltd. DSG International (Thailand) Public Co., Ltd.	27,436	–	29,387	–
Vietnam	Diana Unicharm Joint Stock Company	18,698	–	18,506	–
Australia	Unicharm Australasia Holding Pty Ltd.	352	1,687	352	1,795
Malaysia	Uni-Charm Corporation Sdn. Bhd. DSG Malaysia Sdn. Bhd. UNI-CHARM MALAYSIA TRADING SDN. BHD.	1,784	–	–	–
Others		1,846	–	2,254	–
Total		50,116	1,687	50,499	1,795

The recoverable amounts of goodwill and intangible assets with indeterminable useful life are calculated based on value in use. Value in use is obtained by discounting the future cash flows for the coming three years based on the business plan approved by the management to the present value using the discount rate calculated based on the pre-tax weighted average cost of capital (9.5-14.5% for the fiscal year ended December 31, 2024; 9.0-14.6% for the fiscal year ended December 31, 2025). The business plan is based on the management's evaluation of future predictions and past performance of each business while ensuring alignment with external and internal information.

Cash flows beyond the period of the business plan are estimated while taking into account the average growth rate predicted for each market (2.0-3.4% for the fiscal year ended December 31, 2024; 1.8-3.3% for the fiscal year ended December 31, 2025).

For the other cash-generating unit groups where impairment loss was not recognized for goodwill or intangible assets with indeterminable useful life, the Company has determined that the likelihood of the carrying amount exceeding the recoverable amount is low, even in the case the main assumptions used in the impairment test change within a rationally predictable range.

6. Selling, general and administrative expenses

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

(Millions of Yen)

	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)	Fiscal Year Ended December 31, 2025 (January 1, 2025 – December 31, 2025)
Freight-out expenses	67,884	67,564
Sales promotion expenses	33,408	36,374
Advertising expenses	36,300	36,505
Employee benefit expenses	53,852	53,585
Depreciation and amortization expenses	13,525	13,707
Research and development expenses	10,304	13,611
Others	36,175	39,327
Total	251,446	260,674

(Note) From the fiscal year under review, the Company has reviewed and revised the scope of depreciation expenses, labor costs, and other costs recorded as research and development expenses to more accurately reflect the actual state of our research and development framework in its business activities. The amounts impacted by this revision in each item for the previous fiscal year, based on the reclassification performed for the fiscal year under review, are as follows: employee benefit expenses of ¥1,235 million, depreciation and amortization expenses of ¥1,003 million, and others of ¥35 million.

7. Other income

“Other income” for the fiscal year under review includes fire insurance proceeds of ¥6,871 million in relation to a fire accident that took place on June 24, 2020, at Ahmedabad Factory of Unicharm India Private Ltd., a subsidiary of the Company.

8. Other expenses

“Other expenses” for the fiscal year under review include valuation losses recorded at the Company’s subsidiary, Unicharm India Private Ltd., due to the revision of the GST (Goods and Services Tax) system implemented in India in September 2025.

As a result of this revision, a reassessment of the recoverability was conducted for a portion of the prepaid GST that had been capitalized within “other non-current assets,” as it is no longer expected to be offset or refunded in the future. Consequently, a valuation loss of ¥6,920 million has been recorded as an expense.

9. Earnings per share

Basic earnings per share and the calculation basis therefor are as follows.

	Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)	Fiscal Year Ended December 31, 2025 (January 1, 2025 – December 31, 2025)
Profit attributable to owners of parent (Millions of Yen)	81,842	65,212
Profit not attributable to common shareholders of parent (Millions of Yen)	–	–
Profit used to calculate basic earnings per share (Millions of Yen)	81,842	65,212
Weighted-average number of common shares (Thousands of shares)	1,763,570	1,748,127
Basic earnings per share (Yen)	46.41	37.30

(Notes) 1. The Company conducted a 3-for-1 stock split of common stock effective January 1, 2025. Figures in basic earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

2. Information on diluted earnings per share is omitted due to an absence of potential shares with dilutive effects.

10. Significant subsequent events

(Purchase of treasury shares)

At the meeting of the Board of Directors of the Company held on February 12, 2026, the Company resolved to purchase treasury shares under the provision of the Company's Articles of Incorporation based upon Article 459 (I) (i) of the Companies Act as follows.

(1) Reason for conducting purchase of treasury shares

To deliver even more returns to shareholders and to enable a flexible capital policy in response to changes in the business environment.

(2) Details of the share acquisition

1. Type of shares to be acquired: Company's common shares
2. Total number of shares to be acquired: 30,000,000 shares (upper limit)
   (Ratio of total number of issued shares (excluding treasury shares): 1.72%)
3. Total share acquisition cost: ¥19,000 million (upper limit)
4. Acquisition period: February 13, 2026 – December 17, 2026
5. Acquisition method: Purchase including off-auction own share repurchase trading system (ToSTNeT-3) on the Tokyo Stock Exchange