

**Consolidated Financial Results**  
**for the Nine Months Ended September 30, 2023 (Japanese GAAP)**

November 9, 2023

Company name: Earth Corporation  
Stock code: 4985

Listing Stock Exchange: Tokyo  
URL: <https://corp.earth.jp/en/index.html>

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Scheduled date for quarterly report submission: November 10, 2023  
Scheduled date for dividend payment: —  
Preparation of supplemental explanatory materials: Yes  
Results briefing to be held: Yes (for institutional investors and analysts)

**1. Consolidated Financial Results for the Nine Months Ended September 30, 2023**  
**(January 1, 2023 to September 30, 2023)**

(1) Consolidated operating results

(Percentages indicate YoY change)

	Sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended September 30, 2023	126,769	1.9	9,217	(23.3)	9,944	(22.9)	6,448	(25.3)
Nine months ended September 30, 2022	124,445	—	12,013	—	12,899	—	8,635	—

Note: Comprehensive income for the nine months ended September 30, 2023 was 8,006 million yen (-19.9%), and comprehensive income for the nine months ended September 30, 2022 was 9,994 million yen (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended September 30, 2023	291.76	—
Nine months ended September 30, 2022	391.57	—

Note: The Company adopted the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan, Statement No. 29) from the beginning of the fiscal year ended December 31, 2022. Figures for Q3 of the fiscal year ended December 31, 2022 are based on the new accounting standard, and no year-on-year comparatives have been provided.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Nine months ended September 30, 2023	140,236	73,475	48.6
Fiscal year ended December 31, 2022	124,489	68,018	50.4

Reference: Equity capital amounted to 68,168 million yen as of September 30, 2023 and 62,794 million yen as of December 31, 2022.

## 2. Dividends

	Dividend per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
Fiscal year ended December 31, 2022	Yen —	Yen 0.00	Yen —	Yen 118.00	Yen 118.00
Fiscal year ending December 31, 2023	—	0.00	—		
Fiscal year ending December 31, 2023 (forecast)				118.00	118.00

Note: No revisions have been made to the Company's most recently announced dividend forecast.

## 3. Consolidated Earnings Forecast for the Fiscal Year Ending December 31, 2023 (January 1, 2023 to December 31, 2023)

(Percentages indicate YoY change)

	Sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	157,500	3.4	5,000	(32.7)	5,500	(32.4)	3,000	(43.4)	135.73

Note: Revisions have been made to the Company's most recently announced consolidated earnings forecast.

\*Notes

(1) Changes in significant subsidiaries during the period under review: None  
(Transfers of specified subsidiaries associated with changes in the Company's scope of consolidation)

Newly subsidiaries added: None

Subsidiaries excluded: None

(2) Distinctive accounting methods applied when preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting estimates and retrospective restatements

1. Accounting policy changes due to accounting standard revisions, etc.: Yes

2. Other accounting policy changes: None

3. Changes in accounting estimates: None

4. Retrospective restatements: None

(4) Number of shares outstanding (common stock)

1. Shares outstanding (including treasury stock)	As of September 30, 2023	22,141,100	As of December 31, 2022	22,077,500
2. Treasury shares outstanding	As of September 30, 2023	14,086	As of December 31, 2022	13,782
3. Cumulative average number of shares	Nine months ended September 30, 2023	22,101,526	Nine months ended September 30, 2022	22,052,738

\*The financial information in this quarterly report is not subject to review by certified public accountants or auditing firms.

\*Appropriate use of earnings forecast and other special notes

The earnings forecasts and other forward-looking statements contained in this document are based on information currently available to the Company, and certain assumptions it considers reasonable, but are not intended to be a promise that the Company will achieve. Actual results may vary materially from forecasts due to a variety of factors. For more information regarding assumptions made when formulating earnings projections and matters to note when using these projections, please see "1. Qualitative Information on Quarterly Financial Performance (3) Explanation of Consolidated Earnings Forecasts and Other Projections" on page five of the accompanying materials.

(Method of obtaining earnings briefing materials and briefing details)

The Company plans to hold an earnings briefing on Thursday, November 9, 2023, for institutional investors and analysts. We will upload earnings briefing materials to be used during the briefing session to the TDnet and our official website on Thursday, November 9. Further, we will promptly post the details of the briefing on our website after it is held.

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## 1. Qualitative Information on Quarterly Financial Performance

### (1) Explanation of Operating Results

During the first nine months of the fiscal year ending December 31, 2023, the Japanese economy gradually recovered as various activity and travel restrictions were eased and inbound demand increased with the downgrading of COVID-19 to a Class 5 infectious disease. However, due to factors such as rising consumer prices caused by yen depreciation and soaring energy prices, the economic outlook remains uncertain.

Meanwhile, in the Asian region, where the Group is focusing on business expansion, the economic recovery in China has been slow due to a stagnation in the country's real estate market. In ASEAN, conditions vary among countries and regions due in part to concerns for an economic downturn amid uncertainties surrounding the prospects for the Chinese and the global economy, but the regional economy overall is holding firm, supported by robust domestic demand.

Under these economic conditions, the Company has been operating in line with the strategies set out in our medium-term management plan, Act For SMILE-COMPASS 2023-. In accordance with the Company's corporate philosophy, living in harmony with the Earth, the plan includes four fundamental policies: Reform Corporate Compass & Infrastructure, Expand Profit Foundation in Asia, ESG/Open Innovation, and Generate Cost Synergies. Due to the impact of significant changes in the external environment, we had flagged a review of the plan's numerical targets, but solid results from our initiatives are starting to flow through, so we intend to maintain our stated direction and strategies, and will continue with our efforts in the current fiscal year.

In the first nine months of the fiscal year under review, sales amounted to 126,769 million yen (+1.9% year-on-year). Sales of bath salts and masks declined due to changes in the market environment in the Household Products Business and sales were sluggish in China, but these negative factors were offset by higher sales of insecticides and repellents in Japan thanks to favorable weather conditions and robust performance in ASEAN and the General Environment and Sanitation Business. Profits were affected by a year-on-year increase in the cost of sales ratio driven by soaring raw material prices and higher distribution and personnel expenses, the latter stemming from personnel investment. As a result, operating income came to 9,217 million yen (-23.3% year-on-year), ordinary income to 9,944 million yen (-22.9% year-on-year), and net income attributable to owners of parent to 6,448 million yen (-25.3% year-on-year).

Results by segment are as follows.

#### **[Household Products Business]**

In the Household Products Business, the Company improved product value by updating existing products, launched high-value-added products, and carried out effective promotion using social media. The Company strove to improve profitability by revising selling prices and reducing product and sales costs in response to soaring raw material prices. Overseas, the Company actively and effectively invested management resources, mainly in the ASEAN region, including Thailand and Vietnam, and carried out initiatives to expand the scale of its operations.

In the first nine months of the fiscal year ending December 31, 2023, sales amounted to 112,628 million yen (-0.3% year-on-year). Sales of insecticides and repellents grew backed by the emerging effects of price revisions and favorable weather conditions, and those of pet products and others also increased due to strong sales of pet care and other products. In contrast, sales of bath salts and masks declined year-on-year due to changes in the market environment. On the profit front, segment income (operating income) was 7,586 million yen (-29.8% year-on-year), due to a year-on-year increase in the cost of sales ratio attributed to changes in the product mix and soaring raw material prices, a trend that has continued since the previous fiscal year, as well as increased logistics costs and higher personnel expenses, with the latter stemming from personnel investment.

(Household Products segment results)

(Millions of yen)

	Consolidated Q3 results for the fiscal year ended December 31, 2022	Consolidated Q3 results for the fiscal year ending December 31, 2023	YoY change (amount)	YoY change (percent)
Household insecticides and repellents	56,517	57,248	730	1.3%
Household products	49,730	47,965	(1,765)	(3.5%)
Oral hygiene products	5,910	5,799	(111)	(1.9%)
Bath salts	17,519	17,035	(484)	(2.8%)
Other household products	26,300	25,130	(1,169)	(4.4%)
Pet products and others	6,718	7,414	695	10.4%
Total sales	112,966	112,628	(338)	(0.3%)
Segment income (operating income)	10,802	7,586	(3,215)	(29.8%)

Notes: Sales include internal sales and transfers made within and between segments, which amounted to 9,540 million yen during Q3 of the fiscal year ended December 31, 2022 and 7,727 million yen during Q3 of the fiscal year ending December 31, 2023.

Results by product category are as follows.

#### Insecticides and repellents

In Japan, the market expanded owing to many days of extreme heat nationwide and a longer period of lingering summer heat compared with the previous fiscal year. While sales of the *Earth No-mat* fly and mosquito repellent were sluggish, sales of products for cockroaches and other unpleasant insect pests, such as *Black Cap* and *Kobae Ga Hoi Hoi*, increased. Further, sales continued to grow, mainly in Thailand and Vietnam.

As a result, sales for this category were 57,248 million yen (+1.3% year-on-year).

#### Household products

In oral hygiene products, sales of *Mondahmin Habit Pro*, a mouthwash sold exclusively at dental clinics, increased along with the Group's progress in cultivating partner dental clinics, as did sales of all-in-one mouthwash *Mondahmin Premium Care*. Meanwhile, sales of *Mondahmin Peppermint* and other general-use products decreased year-on-year, resulting in overall oral hygiene product sales of 5,799 million yen (-1.9% year-on-year).

As for bath salts, while an increasing number of people are adopting the practice to use bath salts, the market continued to trail behind the year-ago levels, due to increased outing opportunities following the downgrading of COVID-19 to a Class 5 infectious disease and the extreme summer heat. Against this market backdrop, the Group's performance was also lackluster, with bath salts sales amounting to 17,035 million yen (-2.8% year-on-year).

In other household goods, sales of refrigerants and coolants as means to prevent heat stroke during the summer months were strong, and sales of the *Sukki-ri!* series of deodorizing air fresheners also held firm. Meanwhile, sales of masks for household use and insect repellents for clothing fell year-on-year, resulting in overall other household goods sales of 25,130 million yen (-4.4% year-on-year).

Sales in this category amounted to 47,965 million yen (-3.5% year-on-year).

#### Pet products and others

Pet products sales amounted to 7,414 million yen (+10.4% year-on-year), supported by higher sales of care products, such as cat litter, and premium foods.

### **[General Environment and Sanitation Business]**

The core customers of our General Environment and Sanitation Business (primarily companies involved in the food,

pharmaceutical, and packaging material industries) face stringent hygiene management requirements to prevent food poisoning and contamination with foreign substances. They thus have growing needs for Earth Corporation's high-quality hygiene management services that leverage our specialized knowledge, technologies, and expertise.

In these circumstances, we stepped up our investment in building an internal framework that can serve customer needs by installing and developing systems geared toward human resources development and business process streamlining. At the same time, we worked to maintain and expand our contract numbers by providing hygiene management systems distinguished by strengthened technological capabilities, including through collaborative industry, academia, and public-sector research. We targeted the pharmaceutical and regenerative medicine industries in particular, and continued strengthening audit and consulting operations related to food safety management.

In the first nine months of the fiscal year under review, sales in the General Environment and Sanitation Business came to 21,992 million yen (+4.0% year-on-year) and segment income (operating income) to 1,304 million yen (+8.0% year-on-year).

(Millions of yen)

	Consolidated Q3 results for the fiscal year ended December 31, 2022	Consolidated Q3 results for the fiscal year ending December 31, 2023	YoY change (amount)	YoY change (percent)
Sales	21,139	21,992	852	4.0%
Segment income (operating income)	1,208	1,304	96	8.0%

Notes: 1. Sales include internal sales and transfers made within and between segments, which amounted to 119 million yen in Q3 of the fiscal year ended December 31, 2022 and 123 million yen in Q3 of the fiscal year ending December 31, 2023.

## (2) Explanation of Financial Position

### (1) Assets, Liabilities and Net Assets

As of September 30, 2023, total assets amounted to 140,236 million yen, up 15,746 million yen from December 31, 2022. This was mainly due to increases in cash and deposits, trade receivables, buildings and structures, machinery, equipment and vehicles, trademark rights, goodwill, other intangible assets, and deferred tax assets, despite decreases in inventories and construction in progress.

As of September 30, 2023, liabilities increased by 10,290 million yen from December 31, 2022 to 66,760 million yen. This was mainly due to increases in short-term borrowings, income taxes payable, refund liabilities, and other current liabilities, despite decreases in trade payables, accounts payable-other, and deferred tax liabilities.

Net assets amounted to 73,475 million yen as of September 30, 2023, rising 5,456 million yen from December 31, 2022, mainly because of the booking of net income attributable to owners of parent, despite a decrease in retained earnings due to dividend payouts.

Consequently, the Company's equity ratio was 48.6% as of September 30, 2023, down 1.8 points from December 31, 2022.

### (2) Cash Flows

The Company has not prepared a statement of cash flows for the period ended September 30, 2023, so disclosure is omitted.

## (3) Explanation of Consolidated Earnings Forecasts and Other Projections

In light of the most recent earnings performance, the Company revised the consolidated earnings forecast for the fiscal year ending December 31, 2023, released on February 13, 2023. For details, please see the "Notice of Revisions to the Consolidate Earnings Forecast for the Fiscal Year Ending December 31, 2023," dated today (November 9, 2023).

This forecast is based on information available to the Company at the time of its formulation. Actual results may differ substantially from the projections included within due to potential changes affecting a variety of factors.



## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Consolidated Balance Sheet

(Millions of yen)

	Fiscal year ended December 31, 2022 (as of December 31, 2022)	Nine months ended September 30, 2023 (as of September 30, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	14,772	18,969
Notes and accounts receivable - trade	22,321	26,743
Electronically recorded monetary claims - operating	1,842	3,380
Merchandise and finished goods	25,617	24,121
Work in process	1,435	1,324
Raw materials and supplies	5,200	4,631
Other	2,795	2,749
Allowance for doubtful accounts	(22)	(27)
<b>Total current assets</b>	<b>73,962</b>	<b>81,892</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	30,174	32,656
Accumulated depreciation and impairment	(16,336)	(17,258)
Buildings and structures, net	13,837	15,397
Machinery, equipment and vehicles	16,770	18,631
Accumulated depreciation and impairment	(12,785)	(13,526)
Machinery, equipment and vehicles, net	3,985	5,104
Land	7,787	7,825
Leased assets	320	368
Accumulated depreciation and impairment	(131)	(173)
Leased assets, net	188	195
Construction in progress	2,114	996
Other	9,499	10,055
Accumulated depreciation and impairment	(7,927)	(8,368)
Other, net	1,571	1,686
<b>Total property, plant and equipment</b>	<b>29,483</b>	<b>31,206</b>
Intangible assets		
Trademark right	1,233	2,543
Software	1,432	1,431
Goodwill	105	1,299
Customer-related intangible assets	1,643	1,649
Other	940	1,875
<b>Total intangible assets</b>	<b>5,355</b>	<b>8,798</b>
Investments and other assets		
Investment securities	5,261	5,772
Retirement benefit asset	7,336	7,627
Deferred tax assets	1,001	2,660
Other	2,105	2,303
Allowance for doubtful accounts	(16)	(25)
<b>Total investments and other assets</b>	<b>15,688</b>	<b>18,338</b>
<b>Total non-current assets</b>	<b>50,527</b>	<b>58,343</b>
<b>Total assets</b>	<b>124,489</b>	<b>140,236</b>

(Millions of yen)

	Fiscal year ended December 31, 2022 (as of December 31, 2022)	Nine months ended September 30, 2023 (as of September 30, 2023)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	24,236	20,870
Electronically recorded obligations - operating	11,288	12,052
Short-term borrowings	1,000	5,000
Current portion of long-term borrowings	1,200	480
Accounts payable - other	7,477	4,445
Income taxes payable	426	4,359
Accrued consumption taxes	612	1,494
Provision for bonuses	240	1,693
Refund liabilities	1,010	3,896
Other	5,849	10,177
<b>Total current liabilities</b>	<b>53,341</b>	<b>64,469</b>
Non-current liabilities		
Deferred tax liabilities	1,815	1,036
Retirement benefit liability	314	272
Asset retirement obligations	479	481
Other	520	500
<b>Total non-current liabilities</b>	<b>3,129</b>	<b>2,291</b>
<b>Total liabilities</b>	<b>56,470</b>	<b>66,760</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	9,895	10,043
Capital surplus	9,917	10,066
Retained earnings	39,897	43,731
Treasury shares	(79)	(79)
<b>Total shareholders' equity</b>	<b>59,631</b>	<b>63,761</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,109	1,498
Foreign currency translation adjustment	698	1,707
Remeasurements of defined benefit plans	1,354	1,199
<b>Total accumulated other comprehensive income</b>	<b>3,163</b>	<b>4,406</b>
Non-controlling interests	5,224	5,307
<b>Total net assets</b>	<b>68,018</b>	<b>73,475</b>
<b>Total liabilities and net assets</b>	<b>124,489</b>	<b>140,236</b>

## (2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

## Consolidated Statement of Income

(Millions of yen)

	Nine months ended September 30, 2022 (from January 1, 2022 to September 30, 2022)	Nine months ended September 30, 2023 (from January 1, 2023 to September 30, 2023)
Sales	124,445	126,769
Cost of sales	71,362	74,505
Gross profit	53,083	52,263
Selling, general and administrative expenses		
Transportation and storage costs	5,439	5,820
Advertising expenses	5,593	5,567
Promotion expenses	751	832
Provision of allowance for doubtful accounts	6	15
Salaries and allowances	12,121	12,644
Provision for bonuses	1,183	1,291
Travel and transportation expenses	953	1,103
Depreciation	1,089	1,299
Amortization of goodwill	439	84
Rent expenses on land and buildings	1,111	1,121
Research and development expenses	2,152	2,346
Other	10,227	10,918
Total selling, general and administrative expenses	41,069	43,046
Operating income	12,013	9,217
Non-operating income		
Interest income	88	136
Dividend income	42	47
Foreign exchange gains	535	289
Commission income	12	18
Rental income from buildings	35	32
Other	205	284
Total non-operating income	920	810
Non-operating expenses		
Interest expenses	23	28
Share of loss of entities accounted for using equity method	—	31
Other	9	23
Total non-operating expenses	33	83
Ordinary income	12,899	9,944
Extraordinary income		
Gain on sale of non-current assets	25	2
Gain on sale of investment securities	—	7
Total extraordinary income	25	10
Extraordinary losses		
Loss on sale of non-current assets	3	2
Loss on retirement of non-current assets	76	177
Loss on sale of investment securities	—	7
Loss on valuation of investment securities	0	—
Total extraordinary losses	80	186
Net income before income taxes	12,845	9,767
Income taxes - current	4,538	5,057
Income taxes - deferred	(636)	(2,038)
Total income taxes	3,901	3,018

(Millions of yen)

	Nine months ended September 30, 2022 (from January 1, 2022 to September 30, 2022)	Nine months ended September 30, 2023 (from January 1, 2023 to September 30, 2023)
Net income	8,944	6,749
Net income attributable to non-controlling interests	308	301
Net income attributable to owners of parent	8,635	6,448

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended September 30, 2022 (from January 1, 2022 to September 30, 2022)	Nine months ended September 30, 2023 (from January 1, 2023 to September 30, 2023)
Net income	8,944	6,749
Other comprehensive income		
Valuation difference on available-for-sale securities	(88)	401
Foreign currency translation adjustment	1,359	1,021
Remeasurements of defined benefit plans, net of tax	(220)	(166)
Total other comprehensive income	1,050	1,256
Comprehensive income	9,994	8,006
(Breakdown)		
Comprehensive income attributable to owners of parent	9,695	7,691
Comprehensive income attributable to non-controlling interests	298	314

### (3) Notes to Quarterly Financial Statements

(Notes to going concern assumptions)

None to be reported.

(Notes in the event of significant changes in shareholders' equity)

None to be reported.

(Changes to accounting policies)

Effective from the beginning of the first quarter of the year ending December 31, 2023, the Group has adopted the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31; June 17, 2021). In accordance with the transitional treatment stipulated in Paragraph 27-2 of Implementation Guidance on Accounting Standard for Fair Value Measurement, the Group has decided to prospectively apply the new accounting policy prescribed in the Accounting Standard for Fair Value Measurement. Please note that this has no impact on the Group's quarterly consolidated financial statements.