

Consolidated Financial Results
for the Three Months Ended March 31, 2024 (Japanese GAAP)

May 10, 2024

Company name: Earth Corporation
Stock code: 4985

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

Representative: Katsunori Kawabata, President and Representative Director, Chairman of the Board of Directors of each group company

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Scheduled date for quarterly report submission: May 13, 2024
Scheduled date for dividend payment: —
Preparation of supplemental explanatory materials: Yes
Results briefing to be held: Yes (For securities analysts and institutional investors)

1. Consolidated Financial Results for the Three Months Ended March 31, 2024
(January 1, 2024 to March 31, 2024)

(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 | % |
| Three months ended March 31, 2024 | 42,049 | 3.0 | 4,978 | (10.0) | 5,148 | (8.8) | 3,530 | (9.2) |
| Three months ended March 31, 2023 | 40,819 | 5.7 | 5,532 | 3.9 | 5,645 | (0.1) | 3,889 | 3.3 |

Note: Comprehensive income for the three months ended March 31, 2024 was 4,396 million yen (3.6%), and comprehensive income for the three months ended March 31, 2023 was 4,243 million yen (6.2%)

| | Net income per share | Diluted net income per share |
|-----------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Three months ended March 31, 2024 | 159.54 | — |
| Three months ended March 31, 2023 | 176.28 | — |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|-------------------------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| Three months ended March 31, 2024 | 144,986 | 73,591 | 47.1 |
| Fiscal year ended December 31, 2023 | 132,407 | 72,000 | 50.3 |

Reference: Equity capital amounted to 68,251 million yen as of March 31, 2024 and 66,546 million as of December 31, 2023.

2. Dividends

| | Dividend per share | | | | |
|---|--------------------|-------------|-----------|---------------|---------------|
| | End of Q1 | End of Q2 | End of Q3 | Year-end | Total |
| Fiscal year ended December 31, 2023 | Yen — | Yen 0.00 | Yen — | Yen 118.00 | Yen 118.00 |
| Fiscal year ending December 31, 2024 | — | | | | |
| Fiscal year ending December 31, 2024 (forecast) | | 0.00 | — | 118.00 | 118.00 |

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

Breakdown of year-end dividend for the fiscal year ending December 31, 2024: Ordinary dividend of 118.00 yen, commemorative dividend of 2.00 yen.

3. Consolidated Earnings Forecast for the Fiscal Year Ending December 31, 2024 (January 1, 2024 to December 31, 2024)

(Percentage indicates YoY change for full-year and quarters)

| | 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 |
| 1H | 94,700 | 4.8 | 7,900 | (20.4) | 8,200 | (21.3) | 5,450 | (22.6) | 246.31 |
| Full-year | 165,000 | 4.2 | 3,000 | (52.9) | 3,560 | (47.6) | 1,790 | (56.4) | 80.90 |

Notes: No 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.: None

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 March 31, 2024 | 22,141,100 | As of December 31, 2023 | 22,141,100 |
| 2. Treasury shares outstanding | As of March 31, 2024 | 14,346 | As of December 31, 2023 | 14,296 |
| 3. Cumulative average number of shares | Three months ended March 31, 2024 | 22,126,796 | Three months ended March 31, 2023 | 22,063,718 |

*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 four of the accompanying materials.

(How to obtain supplementary materials on quarterly financial results)

The Company plans to hold a financial results briefing session for analysts and institutional investors on Friday, May 10, 2024. Supplementary materials on financial results to be used at the briefing will be posted on the Company's website on the day of the briefing.

Accompanying Materials — Contents

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1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Operating Results

During the first quarter of the fiscal year ending December 31, 2024, the domestic and overseas economic outlooks remained clouded by inflation and sharp currency fluctuations in Japan and the impact of global monetary policy tightening. We are operating in line with our company motto, “Leveraging the Group’s strength for Earth’s future,” and our medium-term management plan through the year ending December 31, 2026, Act for SMILE–COMPASS 2026–. The plan positions profit and cash flow generation (improving profitability) as our topmost priority, and we will work to restructure the domestic business and enhance the brand power of our household products toward this end. We see development in Asian markets via local subsidiaries and exports to the Middle East and other regions as growth drivers, and aim to expand overseas sales.

In the first quarter of the fiscal year, Group sales amounted to 42,049 million yen (up 3.0% year-on-year) on the back of strong shipments of new household insecticides and repellents, aided by growth overseas and higher contract numbers and contract values in the General Environment and Sanitation Business. Gross profit rose on higher sales, but increased personnel and advertising expenses crimped profit at other lines. Operating income came to 4,978 million yen (-10.0% year-on-year), ordinary income to 5,148 million yen (-8.8% year-on-year), and net income attributable to owners of parent to 3,530 million yen (-9.2% year-on-year).

Results by segment are as follows.

[Household Products Business]

In the Household Products Business, we are taking a select and focus approach to brands and SKUs based on profitability and future prospects and are looking into measures to strengthen our brands and expand markets as part of our efforts to reform our earnings structure, in line with our medium-term plan. Overseas, we are actively rolling out businesses in the ASEAN region and China and expanding the export business.

In Q1, the segment reported sales of 38,807 million yen (+4.0% year-on-year) as the contribution from new household insecticides and repellents and higher sales in Thailand, Vietnam, and China offset slumping sales of oral hygiene products and bath salts amid a difficult competitive climate and changes in the external environment. On the profit front, segment income (operating income) was 4,778 million yen (-9.4% year-on-year) as the impact of higher raw material prices seen in the previous fiscal year continued and advertising expenses increased.

(Household Products segment results)

(Millions of yen)

| | Consolidated Q1 results for the fiscal year ended December 31, 2023 | Consolidated Q1 results for the fiscal year ending December 31, 2024 | YoY change (amount) | YoY change (percent) |
|---------------------------------------|---|--|------------------------|-------------------------|
| Household insecticides and repellents | 19,503 | 20,509 | 1,005 | 5.2% |
| Household products | 15,522 | 15,388 | (133) | (0.9%) |
| Oral hygiene products | 1,867 | 1,722 | (144) | (7.8%) |
| Bath salts | 6,174 | 5,772 | (402) | (6.5%) |
| Other household products | 7,480 | 7,893 | 413 | 5.5% |
| Pet products and others | 2,291 | 2,909 | 617 | 26.9% |
| Total sales | 37,318 | 38,807 | 1,489 | 4.0% |
| Segment income (operating income) | 5,276 | 4,778 | (497) | (9.4%) |

Notes: Sales include internal sales and transfers made within and between segments, which amounted to 3,049 million yen during Q1 of the fiscal year ended December 31, 2023 and 3,855 million yen during Q1 of the fiscal year ending December 31, 2024.

Results by product category are as follows.

Household insecticides and repellents

In Japan, the weather was favorable from the start of the year, driving solid shipments of products for insect pests. Sales of products for cockroaches also increased due to strong shipments of items with a preventative angle such as *MAMO ROOM for Cockroaches* (launched in the previous fall) and a new product, *Gokishu!*

Overseas, growth in the ASEAN region, primarily in Thailand and Vietnam, and expanding export business contributed to results.

As a result, sales for this category were 20,509 million yen (+5.2% year-on-year).

Household products

In oral hygiene products, we actively promoted *Jidode Detekuru Mondahmin*, a mouthwash that comes with a dispenser to encourage customers to get in the habit of using it. However, sales of the *Mondahmin* range slumped in a competitive climate that remained tough, for sales of 1,722 million yen (-7.8% year-on-year).

In bath salts, the market slump that had continued since the previous year levelled out as average prices climbed amid shifting trends and changes in the lifestyle environment, and the overall market recovered to be in line with year-earlier levels. However, shipments of our Group's products such as *Kikiyu* and *Onpo* were down year-on-year, and sales came to 5,772 million yen (-6.5% year-on-year).

In the other household products category, shipments of insect repellents for clothing were down year-on-year, but sales of women's masks, coolants, and air-conditioner cleaning agents increased, for sales of 7,893 million yen (+5.5% year-on-year).

Sales in this category amounted to 15,388 million yen (-0.9% year-on-year).

Pet products and others

In the pet products category, spending per pet is in an upswing due to heightened awareness of their health among owners and improvements in their living environments, sustaining a strong market for pet products. Sales of pet care products such as premium food and cat litter increased in this environment, for category sales of 2,909 million yen (+26.9% year-on-year).

[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 our Group'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.

Sales in the General Environment and Sanitation Business came to 7,125 million yen (+8.1% year-on-year) in Q1. Despite increased costs in annual contracts, the main format for the Company, higher gross profit accompanying sales growth increased segment income (operating income) to 290 million yen (+11.0% year-on-year).

| | Consolidated Q1 results for the fiscal year ended December 31, 2023 | Consolidated Q1 results for the fiscal year ending December 31, 2024 | YoY change (amount) | YoY change (percent) |
|-----------------------------------|---|--|------------------------|-------------------------|
| Sales | 6,590 | 7,125 | 535 | 8.1% |
| Segment income (operating income) | 262 | 290 | 28 | 11.0% |

Notes: 1. Sales include internal sales and transfers made within and between segments, which amounted to 38 million yen in Q1 of the fiscal year ended December 31, 2023 and 27 million yen in Q1 of the fiscal year ending December 31, 2024.

(2) Explanation of Financial Position

(1) Assets, Liabilities and Net Assets

As of March 31, 2024, total assets amounted to 144,986 million yen, up 12,579 million yen from December 31, 2023. This was primarily due to declines in cash and deposits and other intangible assets, and increases in trade receivables, inventories, software, and investments and other assets. Note: Accompanying the start of operations of the overhauled core system, some software in progress classified as other intangible assets was transferred to software, resulting in adjustments to the respective items.

Meanwhile, total liabilities as of March 31, 2024 came to 71,394 million yen, up 10,988 million yen from December 31, 2023. This was mainly due to a decline in accounts payable–other and increases in trade payables, short-term borrowings, and provision for bonuses.

Net assets amounted to 73,591 million yen as of March 31, 2024, rising 1,590 million yen compared to December 31, 2023. This was mainly due to increases in the foreign currency translation adjustment and retained earnings due to the booking of net income attributable to owners of parent.

The Company's equity ratio was 47.1% as of March 31, 2024, down 3.2 points from December 31, 2023.

(2) Cash Flows

The Company has not prepared a statement of cash flows for the period ended March 31, 2024, so disclosure is omitted.

(3) Explanation of Consolidated Earnings Forecasts and Other Projections

The Company has made no changes to its full-year earnings forecast for the financial year ending December 31, 2024, which was announced on February 13, 2024.

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.

In the fiscal year ending December 31, 2024, we plan to pay a commemorative dividend of 2.00 yen per share to mark the 100th anniversary of our founding in 2025. As a result, we now expect to pay a year-end dividend per share of 120.00 for the fiscal year. For details, please see the "Notice Concerning Revision of Consolidated Dividend Forecast for the FY2024." dated May 10, 2024.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

| | Fiscal year ended December 31, 2023 (as of December 31, 2023) | Three months ended March 31, 2024 (as of March 31, 2024) |
|---|---|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 17,505 | 14,604 |
| Notes and accounts receivable - trade | 23,573 | 32,628 |
| Electronically recorded monetary claims - operating | 2,066 | 2,242 |
| Merchandise and finished goods | 21,313 | 26,517 |
| Work in process | 820 | 971 |
| Raw materials and supplies | 6,133 | 6,047 |
| Other | 2,859 | 2,927 |
| Allowance for doubtful accounts | (100) | (123) |
| Total current assets | 74,170 | 85,816 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 32,977 | 33,425 |
| Accumulated depreciation and impairment | (17,484) | (17,853) |
| Buildings and structures, net | 15,492 | 15,572 |
| Machinery, equipment and vehicles | 18,798 | 19,048 |
| Accumulated depreciation and impairment | (13,617) | (13,921) |
| Machinery, equipment and vehicles, net | 5,181 | 5,127 |
| Land | 7,838 | 7,842 |
| Leased assets | 379 | 435 |
| Accumulated depreciation and impairment | (188) | (193) |
| Leased assets, net | 191 | 241 |
| Construction in progress | 926 | 884 |
| Other | 10,025 | 10,322 |
| Accumulated depreciation and impairment | (8,272) | (8,436) |
| Other, net | 1,753 | 1,886 |
| Total property, plant and equipment | 31,383 | 31,554 |
| Intangible assets | | |
| Trademark right | 2,411 | 2,361 |
| Software | 1,399 | 3,285 |
| Goodwill | 1,261 | 1,232 |
| Customer-related intangible assets | 1,523 | 1,543 |
| Other | 2,178 | 314 |
| Total intangible assets | 8,774 | 8,738 |
| Investments and other assets | | |
| Investment securities | 5,162 | 5,652 |
| Retirement benefit asset | 9,844 | 9,947 |
| Deferred tax assets | 753 | 883 |
| Other | 2,320 | 2,395 |
| Allowance for doubtful accounts | (1) | (1) |
| Total investments and other assets | 18,079 | 18,876 |
| Total non-current assets | 58,237 | 59,170 |
| Total assets | 132,407 | 144,986 |

(Millions of yen)

| | Fiscal year ended December 31, 2023 (as of December 31, 2023) | Three months ended March 31, 2024 (as of March 31, 2024) |
|---|---|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 21,484 | 25,761 |
| Electronically recorded obligations - operating | 8,520 | 11,938 |
| Short-term borrowings | 10,000 | 14,000 |
| Accounts payable - other | 6,608 | 4,812 |
| Income taxes payable | 1,608 | 2,098 |
| Accrued consumption taxes | 713 | 544 |
| Provision for bonuses | 283 | 1,563 |
| Refund liabilities | 1,226 | 896 |
| Other | 7,047 | 7,047 |
| Total current liabilities | 57,493 | 68,663 |
| Non-current liabilities | | |
| Deferred tax liabilities | 1,550 | 1,374 |
| Retirement benefit liability | 382 | 359 |
| Asset retirement obligations | 486 | 487 |
| Other | 494 | 510 |
| Total non-current liabilities | 2,912 | 2,731 |
| Total liabilities | 60,406 | 71,394 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 10,043 | 10,043 |
| Capital surplus | 10,066 | 10,067 |
| Retained earnings | 41,385 | 42,304 |
| Treasury shares | (79) | (79) |
| Total shareholders' equity | 61,415 | 62,335 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,383 | 1,724 |
| Foreign currency translation adjustment | 1,363 | 1,845 |
| Remeasurements of defined benefit plans | 2,383 | 2,346 |
| Total accumulated other comprehensive income | 5,130 | 5,916 |
| Non-controlling interests | 5,453 | 5,340 |
| Total net assets | 72,000 | 73,591 |
| Total liabilities and net assets | 132,407 | 144,986 |

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

Consolidated Statement of Income

(Millions of yen)

| | Three months ended March 31, 2023 (from January 1, 2023 to March 31, 2023) | Three months ended March 31, 2024 (from January 1, 2024 to March 31, 2024) |
|--|---|---|
| Sales | 40,819 | 42,049 |
| Cost of sales | 23,067 | 23,856 |
| Gross profit | 17,752 | 18,192 |
| Selling, general and administrative expenses | | |
| Transportation and storage costs | 1,705 | 1,717 |
| Advertising expenses | 707 | 988 |
| Promotion expenses | 252 | 171 |
| Provision of allowance for doubtful accounts | 16 | 22 |
| Salaries and allowances | 3,509 | 3,674 |
| Provision for bonuses | 944 | 1,030 |
| Travel and transportation expenses | 314 | 341 |
| Depreciation | 394 | 477 |
| Amortization of goodwill | 21 | 34 |
| Rent expenses on land and buildings | 365 | 379 |
| Research and development expenses | 711 | 722 |
| Other | 3,276 | 3,653 |
| Total selling, general and administrative expenses | 12,220 | 13,214 |
| Operating income | 5,532 | 4,978 |
| Non-operating income | | |
| Interest income | 26 | 48 |
| Dividend income | 3 | 1 |
| Foreign exchange gains | 31 | 46 |
| Commission income | 6 | 32 |
| Rental income from buildings | 11 | 10 |
| Other | 47 | 43 |
| Total non-operating income | 126 | 182 |
| Non-operating expenses | | |
| Interest expenses | 9 | 7 |
| Other | 3 | 4 |
| Total non-operating expenses | 13 | 12 |
| Ordinary income | 5,645 | 5,148 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 0 | 0 |
| Gain on sale of investment securities | 3 | 4 |
| Total extraordinary income | 4 | 4 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 0 | 0 |
| Loss on retirement of non-current assets | 5 | 3 |
| Loss on sale of investment securities | 7 | — |
| Loss on valuation of investment securities | — | 0 |
| Total extraordinary losses | 13 | 4 |
| Net income before income taxes | 5,636 | 5,149 |
| Income taxes - current | 2,232 | 2,009 |
| Income taxes - deferred | (543) | (465) |
| Total income taxes | 1,688 | 1,543 |
| Net income | 3,947 | 3,605 |
| Net income attributable to non-controlling interests | 58 | 75 |
| Net income attributable to owners of parent | 3,889 | 3,530 |

Consolidated Statement of Comprehensive Income

(Millions of yen)

| | Three months ended March 31, 2023 (from January 1, 2023 to March 31, 2023) | Three months ended March 31, 2024 (from January 1, 2024 to March 31, 2024) |
|--|---|---|
| Net income | 3,947 | 3,605 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 82 | 343 |
| Foreign currency translation adjustment | 268 | 488 |
| Remeasurements of defined benefit plans, net of tax | (55) | (41) |
| Total other comprehensive income | 295 | 790 |
| Comprehensive income | 4,243 | 4,396 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 4,184 | 4,315 |
| Comprehensive income attributable to non-controlling interests | 59 | 81 |

(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.