

Consolidated Financial Results for the Six Months Ended June 30, 2024 (Japanese GAAP)

August 9, 2024

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: August 13, 2024
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 Six Months Ended June 30, 2024 (January 1, 2024 to June 30, 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	%
Six months ended June 30, 2024	97,095	7.5	10,758	8.4	11,339	8.8	7,643	8.6
Six months ended June 30, 2023	90,329	1.1	9,921	(16.9)	10,422	(18.0)	7,040	(18.0)

Note: Comprehensive income for the six months ended June 30, 2024 was 9,294 million yen (12.3%), and comprehensive income for the six months ended June 30, 2023 was 8,277 yen (-14.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended June 30, 2024	345.51	—
Six months ended June 30, 2023	318.75	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Six months ended June 30, 2024	154,870	77,667	46.6
Fiscal year ended December 31, 2023	132,407	72,000	50.3

Reference: Equity capital amounted to 72,157 million yen as of June 30, 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	—	0.00			
Fiscal year ending December 31, 2024 (forecast)			—	120.00	120.00

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, 2024 (January 1, 2024 to December 31, 2024)

(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	165,000	4.2	3,000	(52.9)	3,560	(47.6)	1,790	(56.4)	80.90

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

*Notes

(1) Changes in the scope of consolidation during the six-month period under review: None

New subsidiaries added: None

Subsidiaries excluded: None

(2) Distinctive accounting methods applied when preparing interim 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 June 30, 2024	22,209,900	As of December 31, 2023	22,141,100
2. Treasury shares outstanding	As of June 30, 2024	253,696	As of December 31, 2023	14,296
3. Cumulative average number of shares	Six months ended June 30, 2024	22,123,240	Six months ended June 30, 2023	22,088,569

*The financial information in this interim 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. Summary of Operating Results (3) Explanation of Consolidated Earnings Forecasts and Other Projections" on page five of the accompanying materials.

(How to obtain supplementary materials on financial results)

Earth Corporation will hold a financial results briefing for institutional investors and analysts on August 9 (Fri.) and 21 (Wed.), 2024. The supplemental explanatory materials to be used at the briefing will be posted on the Company's website on August 9 (Fri.) and on August 21 (Wed.).

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1. Summary of Operating Results

(1) Summary of Operating Results for the Six Months Ended June 30, 2024 (Interim Period)

During the six months ended June 30, 2024 (interim period), the economic outlook remained uncertain due to concerns about a slowing economy in Japan caused by the rapid depreciation of the yen and rising prices, in addition to geopolitical risks and interest rate hikes resulting from tighter monetary policies.

Under these circumstances, with the slogan of “Our Group Working Together Toward a Bright Tomorrow for EARTH,” the Earth Group managed its operations in line with the medium-term business plan through FY2026, dubbed “Act for SMILE COMPASS 2026.” Under the medium-term business plan, we have positioned profit and cash flow generation (profitability improvement) as our topmost priority, and to achieve this goal, we intend to bolster profitability by restructuring the domestic business and strengthening the brand power of our household products. At the same time, we aim to expand overseas sales, with the development of the Asian market through local subsidiaries and the export business to the Middle East as growth drivers.

In the six months ended June 30, 2024, sales amounted to 97,095 million yen (+7.5% year-on-year). The sales growth was attributed to strong shipments and sales of Insecticides and Repellents, supported by favorable weather conditions that have continued since the beginning of the year and into and after April, as well as the expansion of the overseas business and the General Environment and Sanitation Business, with growth in the latter owing to increased number of contracts and contract value. On the profit front, the increase in gross profit on sales growth more than offset a protracted rise in raw material prices caused in part by sharper-than-expected forex rate fluctuations and higher personnel and advertising expenses. As a result, operating income was 10,758 million yen (+8.4% year-on-year), ordinary income was 11,339 million yen (+8.8% year-on-year), and net income attributable to owners of parent was 7,643 million yen (+8.6% year-on-year).

Results by segment are as follows.

[Household Products Business]

In the Household Products Business, in order to reform our earnings structure based on the medium-term business plan, we worked to consolidate brands and SKUs with a focus on profitability and future earnings potential and reviewed initiatives aimed at strengthening our brands and expanding the market. Overseas, we directed efforts to actively expanding in the ASEAN region and China, and growing the export business.

In the six months ended June 30, 2024, segment sales amounted to 88,730 million yen (+8.2% year-on-year). The increase in sales was attributed to contributions from new products in the Insecticides and Repellents category, materialization of price revision effects, and sales growth in the overseas business, primarily in Thailand and Vietnam, despite the persistently challenging business environment surrounding oral hygiene products and bath salts. In terms of profit, while raw material prices soared due in part to the sharper-than-expected depreciation of the yen and the cost-of-sales ratio rose due to changes in the sales mix, segment income (operating income) amounted to 9,897 million yen (+9.2% year-on-year) owed to higher gross profit accompanying sales growth.

(Household Products segment results)

(Millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024	YoY change (amount)	YoY change (percent)
Insecticides and Repellents	44,435	48,798	4,362	9.8%
Household products	32,612	33,735	1,123	3.4%
Oral hygiene products	3,992	3,919	(73)	(1.8%)
Bath salts	11,605	11,266	(338)	(2.9%)
Other household products	17,013	18,548	1,535	9.0%
Pet products and others	4,984	6,196	1,211	24.3%
Total sales	82,032	88,730	6,697	8.2%
Segment income (operating income)	9,061	9,897	836	9.2%

Note: Sales include internal sales and transfers made within and between segments, which amounted to 5,963 million yen during the six months ended June 30, 2023 and 7,448 million yen during the six months ended June 30, 2024.

Results by product category are as follows.

Insecticides and Repellents

In Japan, the market for insecticides and repellents expanded year-on-year, thanks to the continued favorable weather from the beginning of the year. Sales increased on the back of steady shipments of products for cockroaches, including *Gokishu!* launched in Spring this year, mite and other unpleasant pest control products, and insect repellents. Revised selling prices also contributed to sales growth.

Overseas, the ASEAN and the export business expanded. In Thailand in particular, the Company's increased share of Insecticides and Repellents contributed to sales growth.

As a result, sales for this category were 48,798 million yen (+9.8% year-on-year).

Household products

Sales of oral hygiene products were 3,919 million (-1.8% year-on-year), as the launch of products aimed at revitalizing the market amid an intensely competitive environment could not offset a sales decline caused by SKU rationalization.

For bath salts, while the market grew year-on-year, the competitive environment became even more challenging. Sales of individually packaged bath salts, such as *Nihon no Meitou*, were brisk, but sales of powered bath salts (e.g., *Bath Roman*) and granular bath salts (e.g., *Kikiyu*) continued to be lackluster. As a result, bath salt sales were 11,266 million yen (-2.9% year-on-year).

Sales of other household goods were 18,548 million yen (+9.0% year-on-year). The growth here was attributed to increased sales of cooling products, such as shirt mist and neck coolers, women's masks, air conditioner cleaning spray, and insect repellents for clothing. Also contributing to the sales growth was higher sales of household detergents in Vietnam.

Sales in this category amounted to 33,735 million yen (+3.4% year-on-year).

Pet products and others

The market for pet and other related products has remained robust, as spending per pet has been rising due to heightened awareness of pet health among pet owners and improved living conditions for pets. Under this environment, sales of care products such as cat litter, as well as functional food *Pet Sweat* and premium food products increased, resulting in sales of 6,196 million yen (+24.3% year-on-year) for the category.

[General Environment and Sanitation Business]

The core customers of the 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 by foreign substances. This has led to growing needs for Earth 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.

In the six months ended June 30, 2024, sales amounted to 15,880 million yen (+10.7% year-on-year), owing to steady growth in the number of contracts and contract value. Segment income (operating income) was 1,016 million yen (+31.4% year-on-year), as the increase in gross profit on sales growth offset the impact of higher cost-of-sales ratio for annual contracts, the main contract format for the Company, and for one-time contracts.

(Millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024	YoY change (amount)	YoY change (percent)
Sales	14,343	15,880	1,536	10.7%
Segment income (operating income)	773	1,016	242	31.4%

Note: Sales include internal sales and transfers made within and between segments, which amounted to 83 million yen in the six months ended June 30, 2023 and 65 million yen in the six months ended June 30, 2024.

(2) Summary of Financial Position for the Six Months Ended June 30, 2024 (Interim Period)

(1) Assets, Liabilities and Net Assets

As of June 30, 2024, total assets amounted to 154,870 million yen, up 22,462 million yen from December 31, 2023. This was mainly due to increases in cash and deposits, trade receivables, inventories, software, investment securities, and deferred tax assets, offsetting a decline in other intangible assets. Due to the start of operations of the revamped core system, software in progress previously accounted for as other intangible assets was reclassified as software, resulting in adjustments to the respective items (decrease in other intangible assets and increase in software).

As of June 30, 2024, liabilities increased by 16,796 million yen from December 31, 2023 to 77,202 million yen. This was mainly due to increases in trade payables, income taxes payable, refund liabilities, and other current liabilities, despite decreases in short-term borrowings and accounts payable-other.

Net assets amounted to 77,667 million yen as of June 30, 2024, rising 5,666 million yen from December 31, 2023, mainly reflecting increases in foreign currency translation adjustment and retained earnings, the increase in the latter due to the recording of net income attributable to owners of parent, offsetting a decline caused by the purchase of treasury shares.

Consequently, the Company's equity ratio was 46.6% as of June 30, 2024, down 3.7 points from December 31, 2023.

(2) Cash Flows

As of June 30, 2024, cash and cash equivalents (below, "cash") stood at 23,602 million yen, up 6,096 million yen compared to December 31, 2023.

The status of each cash flow and contributing factors during the six months ended June 30, 2024 are as follows.

Net cash provided by operating activities amounted to 15,199 million yen (versus net cash of 4,336 million yen provided during the six months ended June 30, 2023). The primary sources of this net cash were 11,358 million yen in net income before income taxes (10,364 million yen in the same period of the previous fiscal year), 2,182 million yen in depreciation (1,934 million yen), and increases of 13,638 million yen in trade receivables (increase of 13,834 million yen), 766 million yen in inventories (increase of 917 million yen), 11,197 million yen in trade payables (increase of 2,646 million yen), and 4,043 million yen in other liabilities (increase of 2,980 million yen).

Net cash used in investing activities was 2,710 million yen (versus 6,415 million yen used during the six months ended June 30, 2023). This primarily reflected 2,274 million yen in the purchase of property, plant and equipment (2,290 million yen in the same period of the previous fiscal year) and 435 million yen in the purchase of intangible assets (645 million yen).

Net cash used in financing activities was 6,967 million yen (net cash provided of 5,651 million yen during the six months ended June 30, 2023). This was mainly due to a decrease of 3,000 million yen in short-term borrowings (increase of 9,000 million yen in the same period of the previous fiscal year), 1,120 million yen in the purchase of treasury shares (0 million yen), and 2,600 million yen in dividends paid (2,603 million yen).

(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.

2. Interim Consolidated Financial Statements and Primary Notes

(1) Interim Consolidated Balance Sheet

(Millions of yen)

	Fiscal year ended December 31, 2023 (as of December 31, 2023)	Six months ended June 30, 2024 (as of June 30, 2024)
Assets		
Current assets		
Cash and deposits	17,505	23,602
Notes and accounts receivable - trade	23,573	34,502
Electronically recorded monetary claims - operating	2,066	4,901
Merchandise and finished goods	21,313	23,337
Work in process	820	842
Raw materials and supplies	6,133	5,164
Other	2,859	2,893
Allowance for doubtful accounts	(100)	(117)
Total current assets	74,170	95,125
Non-current assets		
Property, plant and equipment		
Buildings and structures	32,977	33,323
Accumulated depreciation and impairment	(17,484)	(17,960)
Buildings and structures, net	15,492	15,363
Machinery, equipment and vehicles	18,798	19,593
Accumulated depreciation and impairment	(13,617)	(14,203)
Machinery, equipment and vehicles, net	5,181	5,390
Land	7,838	7,693
Leased assets	379	449
Accumulated depreciation and impairment	(188)	(219)
Leased assets, net	191	229
Construction in progress	926	898
Other	10,025	10,424
Accumulated depreciation and impairment	(8,272)	(8,543)
Other, net	1,753	1,881
Total property, plant and equipment	31,383	31,455
Intangible assets		
Trademark right	2,411	2,291
Software	1,399	3,413
Goodwill	1,261	1,222
Customer-related intangible assets	1,523	1,530
Other	2,178	315
Total intangible assets	8,774	8,772
Investments and other assets		
Investment securities	5,162	5,753
Retirement benefit asset	9,844	10,054
Deferred tax assets	753	1,520
Other	2,320	2,190
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	18,079	19,516
Total non-current assets	58,237	59,744
Total assets	132,407	154,870

(Millions of yen)

	Fiscal year ended December 31, 2023 (as of December 31, 2023)	Six months ended June 30, 2024 (as of June 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,484	24,984
Electronically recorded obligations - operating	8,520	16,356
Short-term borrowings	10,000	7,000
Accounts payable - other	6,608	5,535
Income taxes payable	1,608	4,951
Accrued consumption taxes	713	1,688
Provision for bonuses	283	1,205
Refund liabilities	1,226	2,267
Other	7,047	10,699
Total current liabilities	57,493	74,687
Non-current liabilities		
Deferred tax liabilities	1,550	1,216
Retirement benefit liability	382	341
Asset retirement obligations	486	487
Other	494	468
Total non-current liabilities	2,912	2,514
Total liabilities	60,406	77,202
Net assets		
Shareholders' equity		
Share capital	10,043	10,192
Capital surplus	10,066	10,216
Retained earnings	41,385	46,417
Treasury shares	(79)	(1,200)
Total shareholders' equity	61,415	65,627
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,383	1,762
Foreign currency translation adjustment	1,363	2,459
Remeasurements of defined benefit plans	2,383	2,309
Total accumulated other comprehensive income	5,130	6,530
Non-controlling interests	5,453	5,509
Total net assets	72,000	77,667
Total liabilities and net assets	132,407	154,870

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

Interim Consolidated Statement of Income

(Millions of yen)

	Six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)	Six months ended June 30, 2024 (from January 1, 2024 to June 30, 2024)
Sales	90,329	97,095
Cost of sales	51,346	55,695
Gross profit	38,982	41,399
Selling, general and administrative expenses		
Transportation and storage costs	3,856	3,988
Advertising expenses	4,204	4,723
Promotion expenses	551	560
Provision of allowance for doubtful accounts	15	13
Salaries and allowances	8,899	8,595
Provision for bonuses	313	953
Travel and transportation expenses	723	748
Depreciation	796	981
Amortization of goodwill	83	75
Rent expenses on land and buildings	743	764
Research and development expenses	1,553	1,548
Other	7,319	7,687
Total selling, general and administrative expenses	29,060	30,641
Operating income	9,921	10,758
Non-operating income		
Interest income	85	100
Dividend income	41	48
Foreign exchange gains	213	257
Commission income	13	38
Rental income from buildings	22	20
Other	165	162
Total non-operating income	543	626
Non-operating expenses		
Interest expenses	22	22
Other	19	23
Total non-operating expenses	42	46
Ordinary income	10,422	11,339
Extraordinary income		
Gain on sale of non-current assets	1	38
Gain on sale of investment securities	3	4
Total extraordinary income	5	43
Extraordinary losses		
Loss on sale of non-current assets	0	0
Loss on retirement of non-current assets	56	7
Loss on sale of investment securities	7	—
Loss on valuation of investment securities	—	0
Loss on valuation of shares of subsidiaries and associates	—	15
Total extraordinary losses	64	24
Net income before income taxes	10,364	11,358
Income taxes - current	4,339	4,733
Income taxes - deferred	(1,203)	(1,268)
Total income taxes	3,136	3,464
Net income	7,227	7,893
Net income attributable to non-controlling interests	187	250

	(Millions of yen)	
	Six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)	Six months ended June 30, 2024 (from January 1, 2024 to June 30, 2024)
Net income attributable to owners of parent	7,040	7,643

Interim Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)	Six months ended June 30, 2024 (from January 1, 2024 to June 30, 2024)
Net income	7,227	7,893
Other comprehensive income		
Valuation difference on available-for-sale securities	299	379
Foreign currency translation adjustment	860	1,105
Remeasurements of defined benefit plans, net of tax	(110)	(83)
Total other comprehensive income	1,049	1,400
Comprehensive income	8,277	9,294
(Breakdown)		
Comprehensive income attributable to owners of parent	8,075	9,043
Comprehensive income attributable to non-controlling interests	201	250

(3) Interim Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)	Six months ended June 30, 2024 (from January 1, 2024 to June 30, 2024)
Cash flows from operating activities		
Net income before income taxes	10,364	11,358
Depreciation	1,934	2,182
Amortization of goodwill	83	75
Increase (decrease) in refund liabilities	1,091	1,027
Increase in retirement benefit assets (increase in retirement benefit liabilities)	(382)	(376)
Decrease (increase) in trade receivables	(13,834)	(13,638)
Decrease (increase) in inventories	(917)	(766)
Decrease (increase) in other assets	458	600
Increase (decrease) in trade payables	2,646	11,197
Increase (decrease) in other liabilities	2,980	4,043
Other	37	732
Subtotal	4,462	16,437
Interest and dividends received	127	148
Interest paid	(22)	(22)
Income taxes paid	(230)	(1,364)
Net cash provided by (used in) operating activities	4,336	15,199
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,290)	(2,274)
Purchase of intangible assets	(645)	(435)
Purchase of investment securities	(9)	(9)
Purchase of shares of subsidiaries and associates	—	(60)
Payments for acquisition of businesses	(3,500)	—
Other payments	(213)	(276)
Other proceeds	244	345
Net cash provided by (used in) investing activities	(6,415)	(2,710)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	9,000	(3,000)
Repayments of long-term borrowings	(480)	—
Purchase of treasury shares	(0)	(1,120)
Purchase of treasury shares of subsidiaries	(53)	(19)
Dividends paid	(2,603)	(2,610)
Dividends paid to non-controlling interests	(176)	(174)
Other	(33)	(41)
Net cash provided by (used in) financing activities	5,651	(6,967)
Effect of exchange rate change on cash and cash equivalents	378	574
Net increase (decrease) in cash and cash equivalents	3,951	6,096
Cash and cash equivalents at beginning of period	14,772	17,505
Cash and cash equivalents at end of period	18,724	23,602

(4) Notes to Interim Consolidated Financial Statements

(Notes to going concern assumptions)

None to be reported.

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

Based on the resolution of the Board of Directors at a meeting held on March 8, 2024, the Company repurchased 238,700 shares of the treasury stock. As a result, in the six months ended June 30, 2024, treasury shares increased by 1,120 million yen, including changes resulting from the purchase of shares constituting less than one stock unit, with the balance of treasury shares at 1,200 million yen as of June 30, 2024.

(Notes to segment information)

[Segment information]

I. Six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

Information on the amount of sales and income/loss by reportable segment

(Millions of yen)

	Reportable segments			Adjustments* ²	Amount recorded on the interim consolidated statement of income* ³
	Household Products Business	General Environment and Sanitation Business	Total		
Sales					
Sales generated through external customers	76,069	14,259	90,329	—	90,329
Intersegment sales and transfers* ¹	5,963	83	6,046	(6,046)	—
Total	82,032	14,343	96,376	(6,046)	90,329
Segment income	9,061	773	9,834	86	9,921

Notes: 1. Includes internal sales within and among segments

2. The 86 million yen adjustment to segment income comprises eliminations of intersegment transactions.

3. Segment income is adjusted according to the amount of operating income indicated on the interim consolidated statements of income.

II. Six months ended June 30, 2024 (from January 1, 2024 to June 30, 2024)

Information on the amount of sales and income/loss by reportable segment

(Millions of yen)

	Reportable segments			Adjustments* ²	Amount recorded on the interim consolidated statement of income* ³
	Household Products Business	General Environment and Sanitation Business	Total		
Sales					
Sales generated through external customers	81,281	15,814	97,095	—	97,095
Intersegment sales and transfers* ¹	7,448	65	7,514	(7,514)	—
Total	88,730	15,880	104,610	(7,514)	97,095
Segment income	9,897	1,016	10,914	(155)	10,758

Notes: 1. Includes internal sales within and among segments

2. The 155 million yen downward adjustment to segment income comprises eliminations of intersegment transactions.

3. Segment income is adjusted according to the amount of operating income indicated on the interim consolidated statements of income.