

## Message from the President



Representative Director, President & CEO  
Earth Corporation

*Katsunori  
Kawabata*

We will flexibly address those customer concerns that arise from dramatic changes in society with the aim of becoming a global provider of solutions to problems, and in a way that enables safe and comfortable lives for people throughout the world.

In fact, we were the only company that was able to release a product that also worked against super bedbugs, which are resistant to existing insecticidal ingredients, in a timely manner specifically because we had continuously researched the area for so long. Despite everyone saying this success was only natural for Earth Corporation, in truth we were only able to develop this product because we had already prepared for years-on-end.

The stance we value as a company that aims to protect the world from infectious diseases involves ascertaining the issues faced by society from a long-term, global perspective, and providing products and services that lead to their solution. At the same time, we tirelessly engage in preparations for this purpose. In fact, we have always valued a long-term perspective without much focus on chasing short-term profits. After all, no one knows what the future will look like 50 years from now. Perhaps a time will come when people will talk about how Japan once enjoyed the four seasons of summer, fall, winter, and spring? Some people may say that we ought to welcome global warming because we

profit from insecticides as a company, but this could not be further from the truth. Conversely, we recognize warming as a global problem that will bring about abnormal weather events and rising sea levels, which is why we work to reduce CO<sub>2</sub> emissions and implement other warming countermeasures as a natural part of our corporate responsibilities. Aside from this, we must also predict problems that will arise from the perspectives of insects, ecosystems, and carbon neutrality, and engage in research to prepare for those potentialities that are likely to occur if a problem falls within the scope of our business purview. And because the knowledge we accumulate through our ongoing research also holds the potential to play a role in other areas of research, we do not see as wasteful the parts that would be eliminated if we took a more short-term perspective focused entirely on efficiency. Instead, we feel it is important to prepare for all contingencies, in other words, to allow for waste, which I believe Earth Corporation is capable of as a company.

### Addressing Dramatic Changes Helps Trigger Growth Opportunities

Including the dramatic progression of climate change, the world has experienced a range of short-term and long-term developments in recent years. While the issue of global warming has progressed somewhat moderately, I believe that it has accelerated in a way that has significantly changed our ecosystem over the past few years when compared with the adoption of the Kyoto Protocol, the world's first Framework Convention on Climate Change to focus on warming as an issue, in 1997. The spread of COVID-19 starting in 2020 also greatly altered our lifestyles and behavioral patterns. In today's world where major changes occur every few years, society has come to demand that companies address these developments in various respects, which we interpret as the perfect opportunity for growth.

Among these, changes in living conditions are the most closely

aligned to Earth Corporation's business. Taking the example of multiple dwelling houses in Japan, apartment blocks evolved from wooden row houses prior to the mid-19th century into concrete apartment complexes during the 1950s and 1960s, ultimately emerging in many cases as nearly air-tight, high-performance condominiums today. And because floor heating and air conditioners now keep homes at around 26°C throughout the year, an increasing number of households use humidifiers to offset the resulting dryness. In this way, living conditions have evolved such that even when it is cold outside and people wrap themselves in scarves, they change into t-shirts and shorts when they return home as if it were summer year-round. Yet this also means the environment now allows insects to survive the winter inside these homes.

### A Long-term Perspective Is Required to Become a Total Care Company for Infectious Diseases

Earth Corporation aims to become a total care company for infectious diseases through its various products and initiatives. In particular, this aspiration relies on insecticide research that takes a long-term perspective on countering insects that transmit infectious diseases.

Our research focuses on all manner of insects for this very reason. Over the past few decades, Earth Corporation has been

continuously involved in research into bedbugs, for example, even though they have only recently attracted attention in Japan. Our constant eye to the future, not just the present, is the reason why we have invested research and development expenditures in this area for so long. This approach allowed us to foresee the eventual arrival of bedbugs in Japan because we knew they existed as a problem globally, yet were not seen as much of a problem here.

### Overview of the Previous Mid-term Business Plan and Ongoing Initiatives

Fiscal 2023 was the final year of the three-year Mid-term Business Plan, titled Act For SMILE—COMPASS 2023—. From the outset, we assumed that some challenges would remain unmet because mid-term business plans necessarily break up business activities into three- to five-year long intervals, despite business being an unceasing endeavor. The real problem, as we see it, are those remaining items that were planned but never initiated. The three years covered by the previous Mid-term Business Plan experienced the unexpected emergence of COVID-19, and therefore failed to progress entirely as we had initially expected. However, we will for example roll over our targets for the overseas strategies that we failed to achieve due to the impacts of the COVID-19 pandemic, and retain them as focused policies in the new Mid-term Business Plan, titled Act For SMILE COMPASS 2026, with a target of fiscal 2026. The reason we will maintain our original policy is because we recognize that the direction in which

we are heading is right for us. The challenge, however, is dealing with a medium-term timeframe of three to five years amid a significantly changing environment.

Just looking at the past few years, the environment encompassing our business has experienced a succession of major developments, including COVID-19, the conflict in Ukraine, skyrocketing material costs, and foreign currency exchange rate fluctuations. Under these conditions, as part of the previous Mid-term Business Plan, we ascertained our earnings structure in more detail by introducing management accounting, as well as updated mission-critical systems, thereby building the foundation on which fundamental transformation can stand. Under the new Mid-term Business Plan, we will take up the challenge of restructuring the Group in a way that generates further synergy, and grow stronger than ever by working together.

### Aspects to Be Changed and Left as Is When Expanding in Asia

In working toward the Earth Group's Corporate Philosophy which states "We act to live in harmony with the Earth," we are currently focused on overseas expansion, especially in Asia. However, we do not see Asia as a monolith, and will instead aim to capture the greatest market share of each country in the

category of insecticides and repellents and other areas in which we engage in business.

Entering global markets also involves aspects of risk decentralization. Whereas Japan is at high risk of typhoons, torrential rains, earthquakes, and other natural disasters, some countries in Asia

## Message from the President

face geopolitical risks, for example. Yet we cannot avoid entry into Asia with its remarkable growth potential as we aim for medium- to long-term business growth. We therefore intend to expand in a way that will also stabilize performance, for example, by having stronger regions compensate for those that exhibit a more sluggish performance.

In order to expand our share of overseas markets, we must understand the cultures, customs, people, and histories of each country. Yet there is no guarantee that other countries will accept products that are popular in Japan to the same degree. One of the strengths of Japanese companies is their ability to take a truly customer-oriented perspective, allowing them to develop products suited to the conditions of each country. Identifying common aspects of every country to create a unified product as a global standard necessarily leads at some point to a gridlock. For this reason, our first job is to understand the situation of each country, and consider which aspects of our fundamental technologies will be acceptable and can be applied to the customs of the specific country. Our approach to product development prioritizes field investigations in which researchers travel directly to the region of interest

and visit regular households. For example, we know from market research company data that the fear of mosquitoes that carry dengue fever is greater in Thailand than in Japan. But when we conducted a field investigation into the way insecticides were used against mosquitoes, we found that people in Thailand had a regular habit of first spraying their pets to check the safety of the products. Data alone fails to reveal this kind of daily habit. In this respect, our approach of advancing research and development starting with actual living conditions enables us to develop products that are helpful in a way that suits the culture of each country. We recognize this as a part of our product development culture that we must keep in place. On the other hand, there are also aspects that we must change. In response to the evolution in information devices and other changes, as we engage in the business of manufacturing, we must substitute what had been done manually until now with ChatGPT and other generative AI tools. Despite the difficulty of ascertaining the degree to which we should introduce them, we believe that we must continue to work in way that enables humans to ultimately travel to the site of interest and observe with their own eyes before making a judgement.

### Aiming To Create Two Successive Impressions To Solve Problems

Our desire to solve the problems faced by our customers is what stands as the foundation of Earth Corporation's approach to product development. Changes in the environment and behavioral patterns are leading to new concerns. For example, the number of consumers using portable fans and neck coolers has increased dramatically over the past year or two as summer temperatures have risen. It is important to engage with these changes in behavioral patterns because we feel they may lead to new problems. I also believe this means that we must evolve, and not be obsessed with past successes.

I tell our employees that we should aim to create two successive impressions to solve the concerns of our customers. The first impression occurs during purchase. In other words, it is what leads a consumer to make a purchase when they find a product that suits their own needs. What is just as important, however, is the second impression. This impression emerges when a product

has resolved their problems, ultimately evolving into the desire to buy the product again, and leading to repeat purchases. In this respect, Earth Corporation is not just a manufacturer, but a provider of solutions to problems.

Since its name change in 2021, the Customer Service Department, under the direct control of the president, has received more than 90,000 inquiries a year. The majority of these inquiries are about the lifestyle problems faced by our customers, not about problems with products, which I see as a major feature of the Company. The role that our product lineup must therefore fulfill is to provide solutions to these customer concerns. For this reason, we enter the opinions we receive from our customers into a database, and share this information throughout the Company in an effort to provide better products and services by developing new ones and improving existing ones.

### Flexible Human Assets that Support Human Capital Management

I believe the driving force of corporate growth is our employees. We have defined "One Earth, Open communication, Diversity" as Earth Values and formulated our human resources materialities under the belief that employees are human assets. Based on our four human resources materialities which are "Create cost synergies by strengthening group management," "Build a work environment where well-being can be felt and foster internal culture," "Acquire and foster talent required for management and business strategies," and "Support self-motivated career development for diverse talent and create a framework," we have laid out initiative themes from short-, medium-, and long-term perspectives, and

are engaged in efforts to strengthen the respective capabilities of our employees so that our diverse range of human assets can exercise their full potential. It is therefore critical for the Group to employ a diverse range of human assets with different ways of thinking.

In fact, we do not present a specific type of human asset that we hope to join the Company. Conversely, I want us to function as a company that is chosen by candidates. For this reason, we must focus on more than net sales and profits, and instead engage in a wide range of corporate activities with which candidates empathize so that they want to join us. At the same time,

the Company must possess the flexibility to accept any kind of human asset. I do not believe the term "diversity" refers to issues resulting from differences between the male and female genders,

but to a situation in which distinct human assets with different ways of thinking come together, and exercise the flexibility to acknowledge and accept each other.

### Aspiring To Become a "Good Company" with Strong Support Together with Stakeholders

I often explain to others that I myself am committed to lacking obsessions. As far as management is concerned, for example, I simply play the role of president, and do not manage the company all by myself. In this way, I believe the prerequisite for a "good company" is that we have done away with our obsessions over roles, and instead function as a group in which everyone helps each other beyond just the jobs they are assigned. Moreover, every employee must believe that we are a "good company." Likewise, the basis of interactions between individuals is founded on the simple idea that we do for others what we would like others to do for us, and do not do to others what we would not like them to do to us. If the entire Company moves in this direction, I believe that our employees will naturally come to recognize us as a "good company."

We must also value the approach of a "good company" from a customer-oriented perspective. The prerequisite of a good company in this respect is neither net sales nor profits, but the support of consumers, which I believe is manifested through the market share. A market share, after all, represents the number of

consumers that use a product and receive the impression that it has resolved their concerns, which is why we will pursue the ability to contribute to solutions.

In 2025, Earth Corporation will celebrate the 100th anniversary of its founding. In order to continue protecting safe and comfortable lives for people throughout the world, we aspire to be a "good company" together with our stakeholders, and aim to achieve sustainable growth and greater corporate value. It is my hope that the publication of this Integrated Report, which we are issuing for the first time, will help to deepen the understanding of our wide-ranging business activities. I therefore humbly ask for your continued and further support. Thank you.

### Katsunori Kawabata

Representative Director, President & CEO  
Earth Corporation  
March 2024



# Earth Corporation's Value Creation Process

## Impact

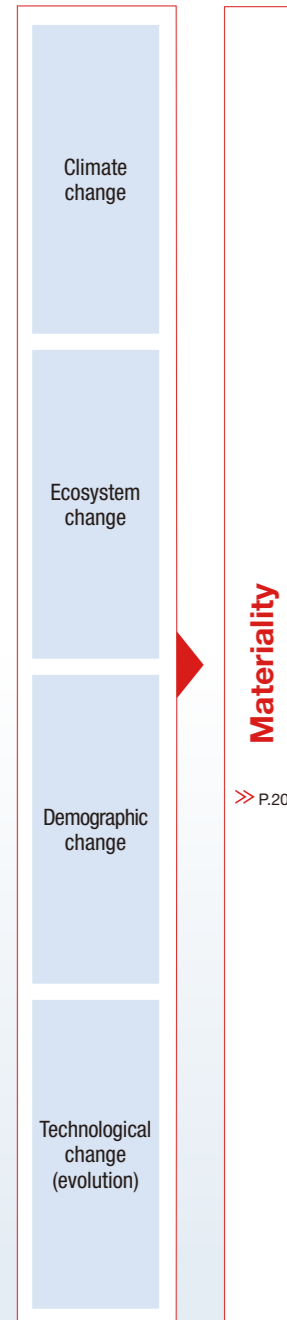
The joys of acting in harmony with the Earth and of enabling comfortable lifestyles

**Corporate Philosophy** We act to live in harmony with the Earth



### Our Understanding of the External Environment

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### Materiality

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### Inputs

>> P.4

**Financial capital**

- Equity capital ¥66.5 billion
- Interest-bearing debt ¥10.2 billion

**Human capital** (Figures for the fiscal year ended December 31, 2023)

- Number of employees (consolidated): 4,788
- Employees assigned to R&D Headquarters (consolidated): 318
- Ratio of female employees: 40.4%
- Number of career hires: 51
- Number of new graduate hires: 104
- Total training hours: 41,259

**Intellectual capital**

- Development of high value-added products
- Highly specialized human assets involved in R&D (Percentage of new graduate hires with master's degrees or higher 100%)
- Industry-academia collaboration, research with cooperating institutions
- Number of patents held: 302
- TACO system\*
- Environmental doctors with high technical skills and expertise: 429

**Manufacturing capital**

- Capital investment: ¥16.3 billion (Three-year total 2021-2023)
- Production bases: 12 locations (global)
- Production control system that contributes to improved productivity

**Social and relation ship capital**

- Supplier companies: 202
- Top share of insecticide and repellent market (56.9%)\*1
- Establishment of Japan MA-T Industrial Association\*
- Nationwide sales network approx. 103,000 members
- Partner companies providing hygiene management support services: 675

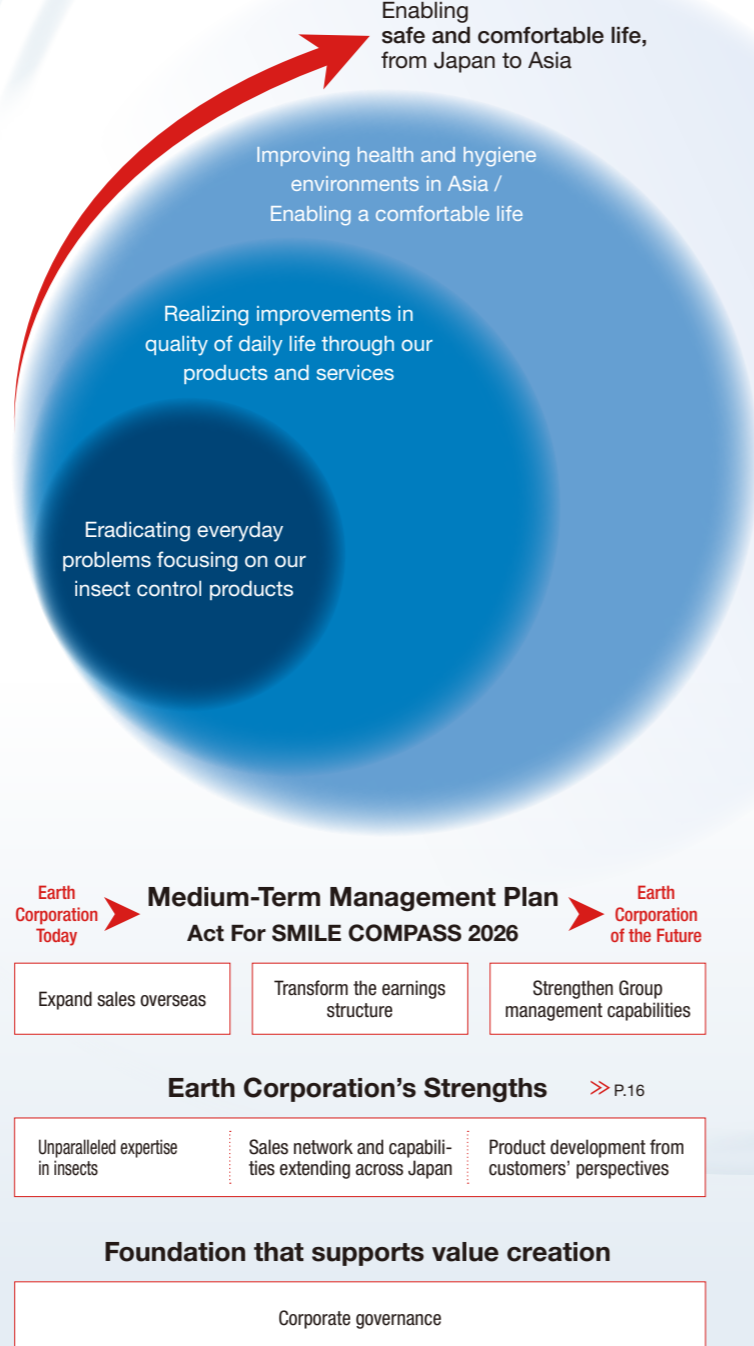
**Natural capital**

- Water usage (water discharge): 98,000 m<sup>3</sup>
- Energy usage: 115,510 GJ
- CO<sub>2</sub> emissions (Scope 1, 2): 3,825 t-CO<sub>2</sub>

\* See the Glossary of Terms on P.62  
\*1 Intage SRI+ Insecticide market (excluding gardening products)  
Nationwide total/All formats total  
January to December 2023 Cumulative sales amount

### Business Model

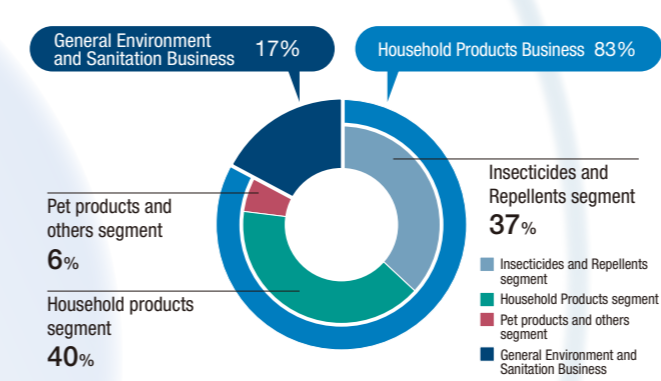
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### Outputs

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### Sales by Business Division

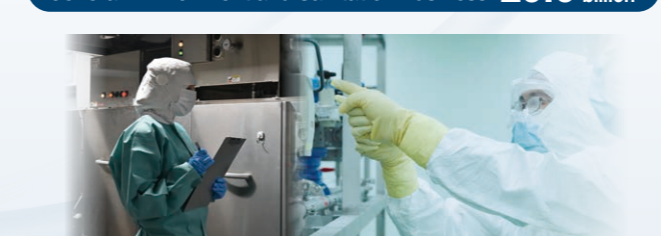


### Household Products Business ¥139.0 billion

- Insecticides and Repellents segment: ¥62.0 billion
- Household products segment: ¥67.1 billion
- Pet products and others segment: ¥9.7 billion



### General Environment and Sanitation Business 29.0 billion



### Discharges from business operations

- CO<sub>2</sub> emissions (Scope 1, 2): 3,825 t-CO<sub>2</sub>
- Industrial waste outputs: 3,883 t

### Outcomes / Outcomes for Future Value Creation

>> P.60

**Economic value**

- Dividends: ¥118
- Total return ratio: 63.6%
- TSR (10-year [cumulative]): 52.7%

**Social value**

- Human**
  - Employee satisfaction level: 3.38 (out of 5)
  - Paid leave usage rate: 84.9%
  - Female manager ratio: 11.4%
- Intellectual**
  - Number of inquiries handled by the Customer Service Department: Approx. 90,000 cases/year
  - Continuous product development leveraging unique intellectual property (TENEBENALTM, MA-T System®)
  - Number of patent registrations: 44
- Social capital**
  - Preventing the spread of insect-borne infectious diseases through the provision of products and educational activities: 23 institutions; 5,123 insects
  - Supplying research samples to public institutions and other organizations by means of high-quality insect breeding technologies
  - Contributing to communities through the development of products that assist in disaster preparedness (Phase Free\* Award 2023 winner)
  - Certified as a Health and Productivity Management Outstanding Organization 2024 (White 500) for the fourth consecutive year
  - Number of integrated environmental hygiene business contracts: 15,208

**Environmental value (Figures for 2030)**

- CO<sub>2</sub> emissions reduction
- Transition to renewable energy
- Enhancement of water usage efficiency 10%
- Reduction in the emission of industrial waste to zero

**Environmental value (Compared with FY2020)**

- CO<sub>2</sub> reduction rate: 29.8%
- Third-party verification of GHG emissions obtained
- Water usage efficiency: 3.5% improvement
- Final disposal rate of industrial waste: 1.1%

# Explanation of Earth Corporation's Value Creation Process

Since its founding in 1892, Earth Corporation has worked diligently to develop, manufacture and sell products to realize people's healthy and comfortable lifestyles. As lifestyles dramatically change across a wide range of fields, including awareness toward sanitary environments as well as safety and security, we will continue to challenge ourselves and expand our business areas through our two Household Products and General Environment and Sanitation businesses.

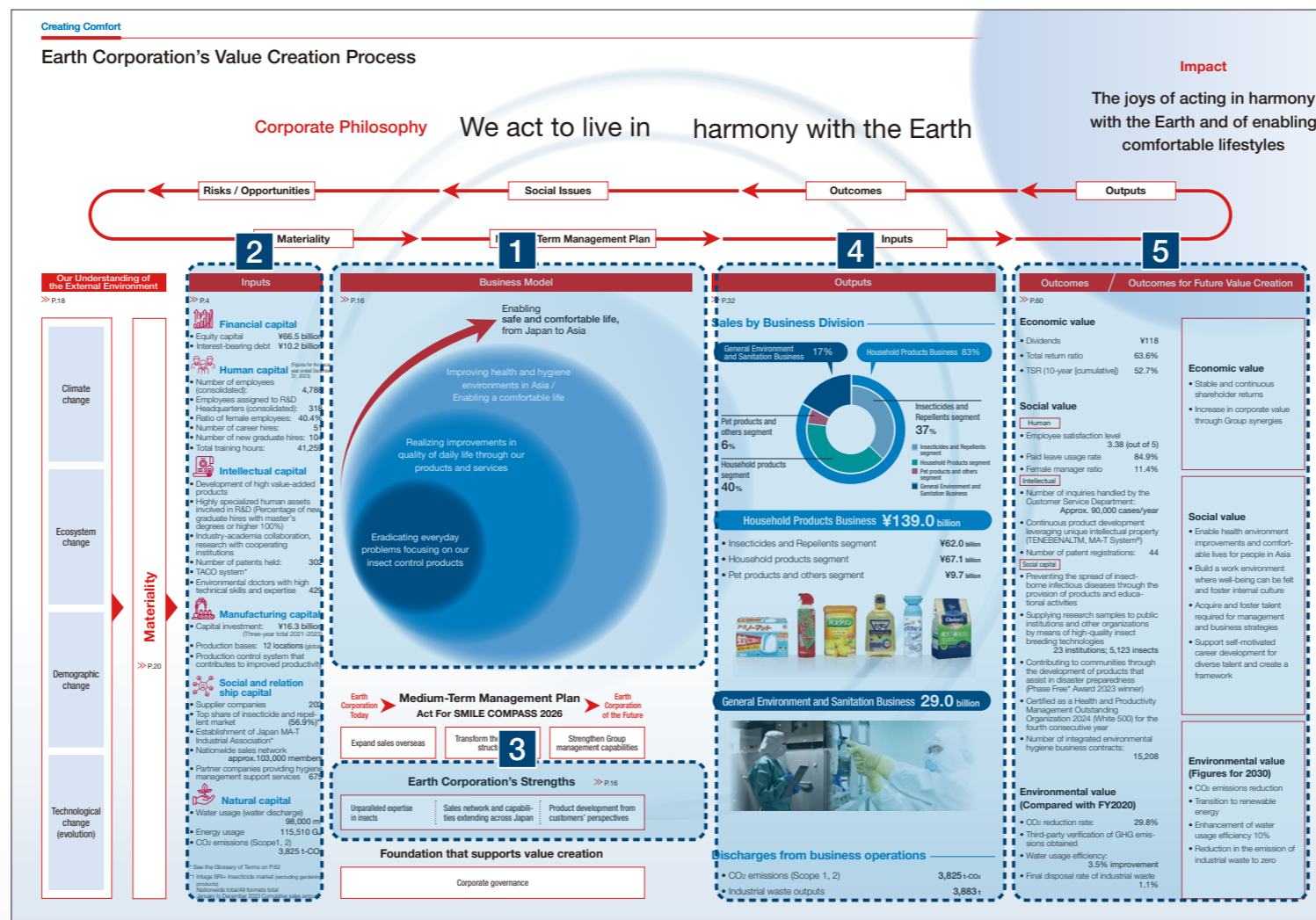
## 1 Business Model

Based on four functions—product development, production control, sales strategy, and global strategy—Earth Corporation's business model involves eradicating everyday problems centered on its Insecticides and Repellents. We are aiming to realize a safe and comfortable way of living all over the world in the future. Product development is the key to creating highly original products (▶P.40). Toward the reform of our corporate compass and infrastructure, the strategic framework outlined in our previous Medium-Term Management Plan, under product development we installed a new core system with the aim of realizing greater efficiency and sophistication in a wide range of business processes, including raw material procurement, outsourcing management, production management, cost management, and quality control. Having launched operations in 2024, looking ahead we will build a system that displays throughput in a visual form and enhances these processes, while aiming to further evolve our manufacturing in ways that contribute to improved earnings and cash flow. Undertaking the creation of unique sales areas by detailed market research based on our sales and global strategies—as well as from a customer-focused perspective that leverages the largest number of sales staff in the industry—we market our products both domestically and internationally.

## 2 Inputs

As of the end of fiscal 2023, equity capital amounted to ¥66.5 billion, the equity ratio was 50.3%, and interest-bearing debt ¥10.2 billion. We are therefore maintaining a healthy financial capital position that is capable of responding to any risks and opportunities associated with future changes in the environment. For Earth Corporation, which adopted Diversity as its core Earth Value, its human capital of 4,788 employees on a consolidated basis represents an indispensable management resource. Our competitive advantage is underpinned by the development of high value-added products as well as the 318 employees assigned to R&D Headquarters. Moreover, all new graduates hired for R&D have at least a master's degree (Earth Corporation non-consolidated). In terms of intellectual capital, we held 302 patents as of fiscal 2023. Also owning 12 manufacturing bases both in Japan and overseas, we have put in place a system that allows us to provide customers with high-quality products in a timely manner. Our strong relationships with 202 supplier companies and a nationwide sales network of approximately 103,000\* members represent important social capital for co-creating a variety of value. Furthermore, having taken into consideration the global environment as materiality, Earth Corporation is working to improve its corporate value through the effective use of resources and waste reduction.

\* Earth Corporation's estimate



## 3 Strengths

### ■ Unparalleled expertise in insects

The Biological Research Building at the Ako Research Institute is a unique pest research facility. Around 100 kinds of insect pests, including cockroaches (approximately one million) that inhabit both Japan and overseas as well as, for example, ants, flies, mosquitoes, and rats are bred there. Roughly 900,000 animals are used annually for experiments and research, which lead to product development. As a recent achievement, we have developed a new product that can eradicate resistant bedbugs that have built up an immunity to existing chemical agents. Through various measures, including presentations at academic conferences on the efficacy of our products, our advanced level of expertise continues to receive high acclaim from other researchers.

### ■ Sales network and capabilities extending across Japan

Earth Corporation sells its products through approximately 103,000 retail stores and distributors nationwide. Valuing communication with buyers and store staff, we offer proposal-based sales and seasonal proposals to increase sales not only of our own products but also of the entire product category at retail stores. At stores, which serve as points of contact with customers, we have put in place a system whereby around 210 specialists known as EMALs create sales floors that take into account seasonal and weather trends and support sales promotions.

### ■ Product development from customers' perspectives

The Customer Service Department receives approximately 90,000 notifications each year, which represent important information for improving quality. Customer feedback on issues in daily life is used to develop new products and improve existing products. We also take measures to ensure that our customers can use our products with peace of mind. This includes conducting tests that simulate the conditions under which they will actually be used.

## 4 Outputs

Through our two businesses, one covering household and the other general environment and sanitation products, we provide products and services that everyone needs, thereby helping to realize healthy and comfortable lives. The main products of the Household Products Business are insecticides and repellents, bath salts, and mouthwash, and the Company has earned the support of its customers, as evidenced by the fact that it holds the number one share of the domestic market for insecticides and repellents, bath salts\* and the second largest share of the insecticide market in Thailand. In the General Environment and Sanitation Business, our Earth Environmental Services subsidiary provides services to prevent contamination and maintain and improve optimal sanitary environments in a wide range of industries, including food, pharmaceutical products, medical, containers, packaging materials, logistics, and warehousing.

\* Earth Group's bath salts share of the market

## 5 Outcomes

Closely accompanying people's behaviors in their day-to-day lives, Earth Corporation supplies products and services that provide even richer comfort. Amid dramatic changes in people's awareness of hygiene and safety brought about by climate and ecosystem changes as well as technological advances, the Earth Group remains mindful of the global environment while creating value in the form of high-quality products and one-step-ahead comfort through manufacturing that places a premium on the customer's perspective. This in turn helps improve the health and lives of our customers. Realizing improvements in people's quality of life, we will provide value to all our stakeholders through various means, including contributing to the welfare of our customers, shareholders, business partners, employees, the environment, and local communities, through our businesses.