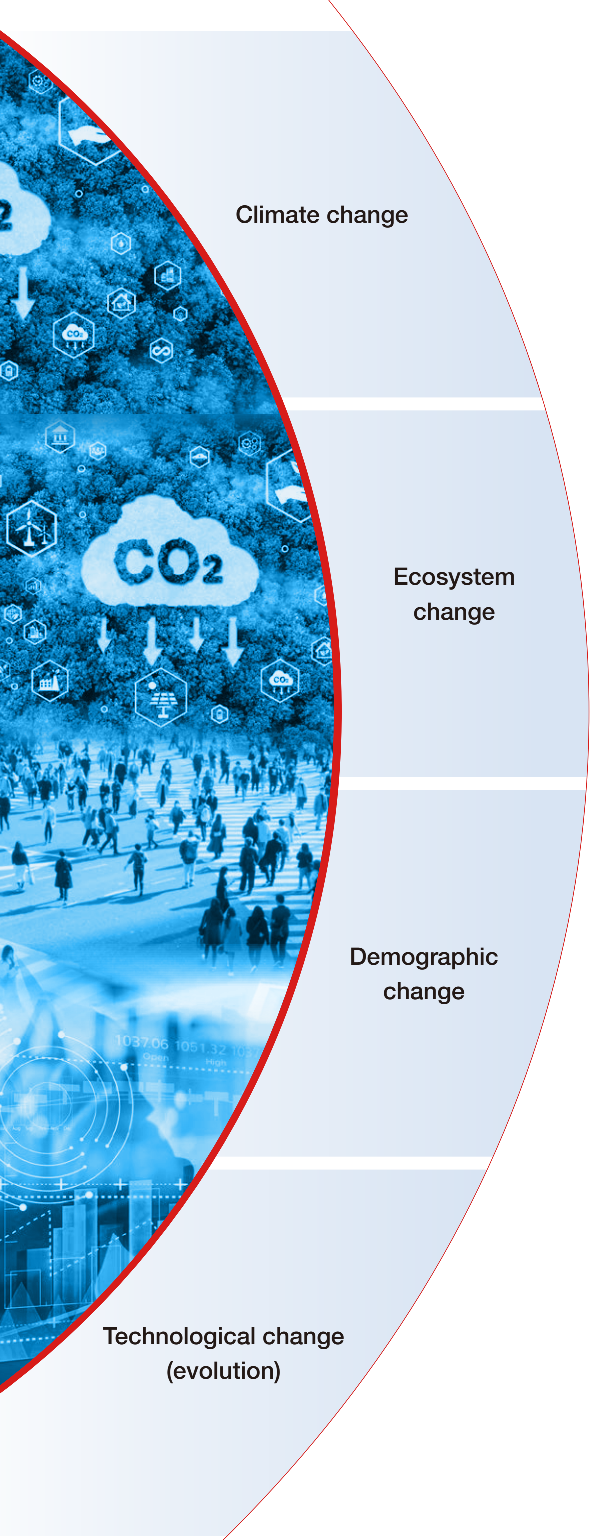
Risks and Opportunities

As a part of efforts to promote sustainability management, Earth Corporation works to identify the wide-ranging risks inherent in its activities and the business opportunities that can potentially emerge from those risks. In addressing these risks and opportunities, we aim to resolve materiality (key issues).

External factors that have a significant impact on management



●Risks ●Opportunities

Risks and Opportunities	Initiatives
Climate Change / Ecosystem	
● Impact on ecosystems attributable to climate change	• Manage and report on CO_2 emissions, waste, and chemical substance use • Ramp up research endeavors to address the impact on ecosystems attributable to invasive species and climate change • Strengthen the development and marketing of products that address climate change • Bolster the general environment and sanitation business in light of growing sanitation needs
● High business seasonality	• Strengthen business pillars and ensure stable earnings throughout the year
● Impact on business during a pandemic	• Strengthen BCPs / BCM
● Acclimation to a resource-circulating society	• Engage in development using recycled and environmentally friendly materials
● Research and product development in tune with changes in the external environment	• Formulate biodiversity policies and promote related initiatives • Undertake training to ensure proper expertise, including pest preventive measures • Expand product lines that match activity needs
Demographics	
● Securement of human resources on the back of a downturn in the working population	• Put in place a comfortable workplace environment • Support independent career development
● Diversity and inclusion	• Promote the active participation of diverse human resources
● Provision of a working environment	• Develop human rights and labor practice policies • Promote health management activities
● Global market expansion	• Broaden the trading zone to expand the profit foundation in Asia • Engage proactively in the recruitment and development of global human resources
Laws and Regulations	
● Compliance with various business-related laws and regulations in Japan and overseas	• Ensure compliance with the Pharmaceutical and Medical Devices Act, regulations on chemical substances and other relevant regulations • Gather information through participation in various consortiums
● Compliance with changes in information disclosure standards	• Engage in dialogue with investors, business partners, and other stakeholders
Supply Chain	
● Raw material availability	• Consider and develop multiple purchasing sources and promote the use of alternative materials
● Quality-related risks	• Conduct periodic audits of own and contracted manufacturer plants • Undertake quality-related training activities
● Sustainable procurement	• Revise the Supplier Code of Conduct
● Response to raw material price hikes	• Create cost synergies by strengthening group management
● Response to changes in the logistics environment	• Build efficient logistics networks
IT / Digitalization	
● Leakage of information and security threats	• Strengthen information security
● Creation of manufacturing innovation	• Promote collaboration between industry, academia and government, and between companies • Strengthen marketing to promote expanded use of Matching Transformation System (MA-T®) technology • Strengthen IP strategies
● Use of digital technology	• Engage in management through the standardization and visualization of operations • Develop and introduce a coordinated system to strengthen the production system • Introduce and utilize generative AI • Provide services that utilize IoT

Materiality

- Responding to climate change
- Attention to global environmental problems
- Promoting sustainable procurement
- Providing products and services that contribute to safe and comfortable living
- Creating workplaces that support activities by diverse individuals
- Strengthening the management base

Materiality

To meet the expectations of stakeholders and continually develop the Group over the long term, Earth Corporation recognizes the critical need to evaluate the impact of various social issues on corporate activities and to clarify issues that are important to management. Based on this understanding, we identified materiality (key issues) in 2021.

Materiality Identification Process

1	Identify issues	Identify issues, making reference to international frameworks and guidelines in the sustainability field
2	Identify materiality	The CSR & Sustainability Promotion Committee and heads of divisions evaluate the importance of issues in business based on the Company's directions, and create a draft of material issues
3	Prioritize materiality	Following interviews with top management and outside directors, approve material issues through reviews by the Board of Directors

Categories	Materiality (Key Issues)	Key topics and main measures	Targets and KPIs	Responses to SDGs	Short-term Targets (FY2023) and Results			
					Targets	Results	Evaluation*	Special Remarks
Environment	Responding to climate change	• Reduce CO_2 emissions	• Reduce CO_2 emissions: Compared to 2020 (Scope 1, 2) ・14% reduction (2023) ・28% reduction (2026) ・46% reduction (2030)		14% reduction of CO_2 emissions	29.8% reduction	○	–
		• Promote a transition to renewable energy for electric power	• Transition to renewable energy: ・Renewable energy at plants (renewable energy rate: 60%) (2023) ・Renewable energy at R&D Center (renewable energy rate: 90%) (2026) ・Renewable energy at offices* (renewable energy rate: 95%) (2030) *Excluding tenant offices		Complete the transition to renewable energy at plants (renewable energy rate: 60%)	Complete the transition to renewable energy at plants (renewable energy rate: 56.3%)	○ (△)	Reduced the use of renewable energy at plants (renewable energy rate below 60% owing to such factors as the suspension of operations at the Kakegawa Plant)
	Attention to global environmental problems	• Increase the efficiency of water usage in relation to production (from R&D to production)	• Increase water usage efficiency: Compared to 2020 ・3% increase (2023) ・6% increase (2026) ・10% increase (2030)		Increase water usage efficiency 3%	3.5% increase	○	–
		• Use resources effectively, striving for a recycling-oriented society	• Zero emission of industrial waste and other materials from plants and R&D Center: ・Investigate and review status at waste treatment subcontractors (2023) ・Zero emissions at plants and R&D Center (2026) ・Continue zero emissions at plants and R&D Center (2030)		Investigate and review status at waste treatment subcontractors	Ongoing review of disposal methods, the status of landfill disposal, etc. at waste treatment subcontractors	○	Final disposal rate: 1.1%
		• Stipulate Earth ECO Standards, and expand the scope of environment-friendly products	• Established Earth ECO Standards (2023) • Expand the scope of products compatible with Earth ECO standards and promote information disclosure (2026 and 2030)		Establish Earth ECO Standards	Achieved	○	Established in 2022
	Promoting sustainable procurement	• Promote procurement of environment-friendly packaging materials	• Forest certified paper usage rate (by weight): ・Usage rate: 10% or more (2023) ・Usage rate: 30% or more (2026) ・Usage rate: 70% or more (2030)		Forest certified paper usage rate 10% or more	11.45%	○	Forest certified paper 338 t / Container, paper products overall 2,951 t
Social	Providing products and services that contribute to safe and comfortable living	• Reduce the number of major quality incidents that negatively impact customer satisfaction and trust to zero by raising the periodic quality inspection implementation rate both at own plants and at contractors' factories	• Periodic quality inspection implementation rate: Maintain at 100% (2023, 2026, and 2030)		Quality inspection implementation rate 100%	100%	○	36 locations / 36 locations
		• Ensure compliance with relevant laws and reduce the incidence of major violations to zero by enhancing the implementation rate for the annual education and training plan.	• Education and training implementation rate: Maintain at 100% (2023, 2026, and 2030)		Education and training implementation rate 100%	100%	○	15 locations / 15 locations
	Creating workplaces that support activities by diverse individuals	• Encourage employees to take annual paid leave entitlements	• Paid leave usage rate: Maintain at a level of at least 70% (2023, 2026, and 2030)		Paid leave usage rate 70% or more	84.9%	○	Planned summer annual leave (expanded system of selection) Establish paid leave incentive days (5 days annually)
		• Support female empowerment by raising the share of women in management-level positions	• Female manager ratio: ・At least 10% (2023) ・At least 18% (2026) ・At least 30% (2030)		Female manager ratio 10% or more	11.4%	○	32 / 281
Governance	Strengthening the management base	–	–		–	–	–	–

* ○: In line with plans △: Presence of delay

Mid-term Business Plan

Looking Back at the Mid-term Business Plan “Act For SMILE COMPASS 2023” (2021-2023)

Earth Corporation carried out Act For SMILE COMPASS 2023, its Mid-term Business Plan, in a bid to sustainably raise its corporate value. Under the plan, we realized a foundation for growth, and with the goal of empowering a more flexible and lean structure, we endeavored to implement measures based on four focused policies.

The previous Mid-term Business Plan set forth policies focused on the following: “Reform Corporate Compass & Infrastructure,” “Expand Profit Foundation in Asia,” “ESG & Open Innovation,” and “Generate Cost Synergies” with a view to achieving higher profitability. Based on the funds raised through our equity initiatives in 2020, we have aggressively pursued growth-oriented measures, including such M&A activities as the acquisition of a local subsidiary in the Philippines and the transfer of BARTH, as well as capital investments in the expansion of production facilities for the bath additive “ONPO,” and a fundamental renewal of our core systems.

As far as the external environment is concerned, the market for insecticides and repellents, as well as bath salts expanded on the back of stay-at-home demand during the COVID-19 pandemic, but unexpected changes also arose, including the rapid depreciation of the yen and soaring raw material prices.

Against this backdrop, we were able to maintain profitability owing to the sale of high value-added insecticides and repellents and revisions to prices. In addition, we have promoted system investments and the introduction of management accounting to lay the groundwork for future reforms. However, profitability declined with bath salts and mouthwashes due to shifting demand and an increasingly competitive environment as competitors entered the market, as well as the diversification of household product categories. As a result of these factors, we were unable to achieve our stated profit targets, and recognize that profitability remains a challenge.

	Target*1	Fiscal 2023 Results	Evaluation
Consolidated sales	¥157.0 billion	¥158.344 billion	○
Operating income	¥14.0 billion-¥16.0 billion	¥6.370 billion	×
Net income	¥10 billion	¥4.102 billion	×
ROE	13.0% or more	6.3%	×

*1 At the time of formulation of the Mid-term Business Plan

■ Shifting toward a Lean Management Structure

We are working to raise profitability and improve return rates to ensure sustainable growth and a competitive advantage in the market.

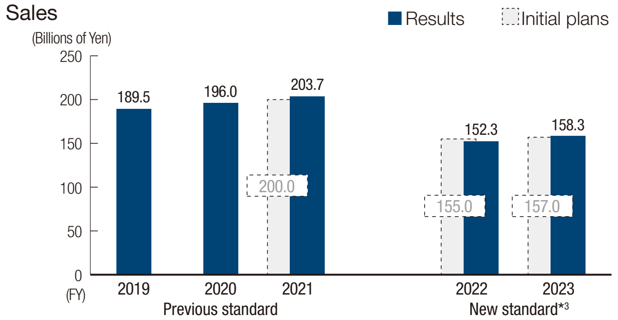
The domestic insecticides and repellents segment, a core source of revenue distinguished by its stability and high profitability, trends toward moderate sales growth, despite being in part impacted by weather conditions. Given the effects of soaring raw material prices, the Company, as Japan’s top maker in this area, implemented price revisions in a bid to ensure profitability. In addition, although the recent product return rate has improved to 6.2% (11.8% in 2013), an issue that has continued to attract attention, we recognize that there is room for further improvement.

Turning to household products in Japan, although we expanded the category in response to increased demand during the COVID-19 pandemic, brand investment was dispersed and resources were insufficiently allocated to bath additives and mouthwashes, the segment’s mainstay products. This was a factor behind the decline in market share. In the future, we will take into consideration the profitability and other factors of each product, and adopt a selection and concentration approach toward development categories and SKUs in order to enhance efficiency.

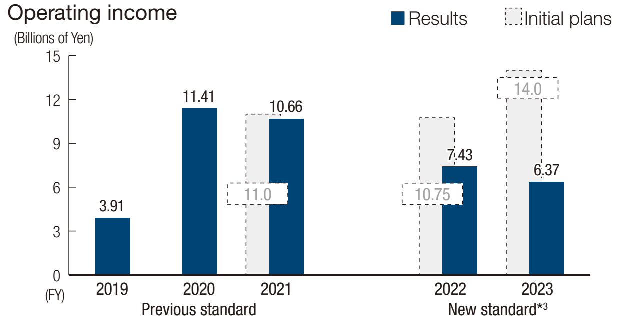
Overseas, our performance in China declined dramatically in 2023 due to market deceleration, against the backdrop of a downturn in the brisk Chinese growth and changes in the external environment. Despite these difficulties, we achieved sales growth in ASEAN countries as well as the export business. In Thailand, we captured the No. 2 share of the insecticides and repellents market, and are working to take the market’s top share. In Vietnam, household detergents are a mainstay product. Building on this solid foundation, we are aggressively marketing insecticides and repellents as well as mouthwashes. Vigorously growing our business, with a focus on ASEAN countries, overseas sales amounted to ¥17.5 billion*2, accounting for over 10% of overall sales. While sales are exhibiting an upward trend, each country continues to confront its own growth challenge. Under these circumstances, we will develop strategies tailor-made to the conditions in each country.

*2 On a management accounting basis.

Sales



Operating income



*3 Due to the application of the “Accounting Standard for Revenue Recognition,” sales have been reclassified from the previous standard.

Focused Policies of the Mid-term Business Plan and Evaluation

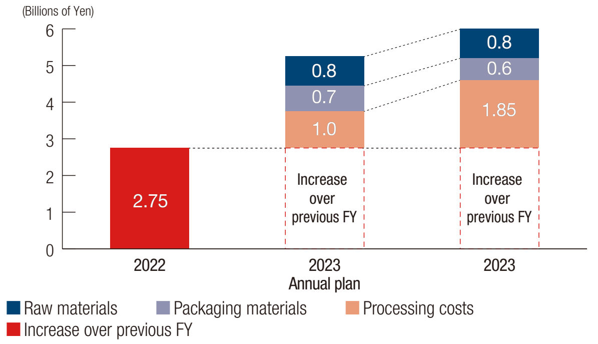
Focused policies of the Mid-term Business Plan (2021-2023)		Evaluation	
Expand Profit Foundation in Asia	• Acquire market share (consumer support) in each country where we operate • Expand into new areas	Expand sales and share in Thailand and Vietnam	○
		Explore new market areas (Malaysia and Philippines)	△
ESG & Open innovation	• Take up the challenge of resolving issues that contribute to the achievement of the SDGs • Realize open innovation through collaboration with outside parties	Address issues to contributing to the achievement of the SDGs / Real-world implementation of MA-T	△
		Reduce product disposals/returns	×
Generate Cost Synergies	• Carry out joint operations whenever logical to do so • Generate synergies and added value throughout the value chain	Generate cost synergies throughout the whole Earth Group	×
Reform Corporate Compass & Infrastructure		Improve the sophistication of strategic proposals through updates in management accounting	○
		Revamp core systems	○

○: Initiatives with results　△: Initiatives in progress　×: Initiatives not fully executed

■ Addressing the Soaring Cost of Raw Materials and Revising Prices

In the two years since 2022, the soaring cost of raw materials had a roughly ¥6 billion impact on the Company.
Beyond raw materials, packaging materials, and supplies, there was also a broad impact on outsource processing and other costs, an increasingly large monetary amount that significantly buffeted the Company’s performance. Furthermore, the nature of the Company’s business is seasonal. For that reason, we assume that the stockpiling and production of products will cause a time lag before the effects of raw material price hikes come to the surface, and that the effects will remain past 2024. In 2023, as a measure to mitigate the extent of impact, we worked on price revision measures and achieved a profit contribution of ¥2.1 billion, mainly from insecticides and repellents. From 2024 onwards, we will continue to revise prices, primarily on such products, and will endeavor to raise the brand value of household products.

Price increases



Price Transfer effect

¥3.0 billion → **¥2.1** billion

Profit impact target　Profit impact

■ Progress in Diversifying Categories

Against the backdrop of changing consumer behavior during the COVID-19 pandemic, we worked to promote new categories, such as sanitizers, nursing care products, and household detergents. Bubloon, a household detergent, is a success story that has enjoyed considerable sales growth attracting considerable SNS and other media Interest. However, buffeted by numerous changes to market conditions, profitability is experiencing a decline. Moreover, and while having promoted category diversification, our brand investment has become increasingly dispersed. We recognize the existence of issues with regard to the selection and concentration of marketing resources, the strengthening of brands in priority categories, and building a so-called fan base.

Examples of product launches in new categories

Sanitizer products　Household detergents

■ Laying the Groundwork for Fundamental Reform

In response to new evaluation indicators (compass), such as the cost of capital and non-financial KPIs, we have fundamentally revamped our business infrastructure, including various internal programs and regulations, business processes, and systems. In particular, the revamping of our core system has enabled us to create a scheme that contributes to improved profitability by enhancing the accuracy of supply-demand planning, thereby streamlining supply chain management. We will work to improve the precision of our forecasting and actual results management by linking integrated management, from production to sales, with the visualization of earnings by category and business unit through the evolution of management accounting. We will reorganize our business portfolio based on this scheme.

On the other hand, due to the COVID-19 pandemic, we have not been able to create the cost synergies for the Group that we had envisioned, and this remains an issue for 2024 and beyond.

Medium-to-long-term concept of the Earth Group

To drive the long-term growth of the Earth Group, we will solidify the Group management foundation by building governance that supports international businesses and other growth fields, and restructuring organizational functions for generating synergies, thereby aiming to improve profit margins from 2027 onward.

New Mid-term Business Plan: Act For SMILE COMPASS 2026 (2024-2026)

Earth Corporation will welcome the centennial anniversary of its founding in 2025. Its Mid-term Business Plan, which starts in 2024, is positioned as a three-year period of preparation to move from individual optimization to overall Group optimization. We will take this 100th anniversary as an opportunity to create a framework for growth toward a refreshed Earth Group.

Goals of the new Mid-term Business Plan

- Work to further accelerate growth in the overseas business, which has high growth potential
- Nurture household products as a second revenue pillar while enhancing brand recognition
- Enhance overall Group governance and aim to execute restructuring toward the generation of synergies

Positioning of the New Mid-term Business Plan

Three-year period to build a revamped structure for the Earth Group

Mid-term Business Plan (2024-2026) main drivers

- Expand sales overseas
- Transform the earnings structure
- Enhance Group management

■ Expand Overseas Sales

Continuing on from the previous Mid-term Business Plan, we have positioned overseas markets with large growth potential as growth drivers for the Earth Group, and have identified reinforcement measures, including "implementing a growth strategy at each local organization," "building a supply chain in line with the Mid-term Business Plan in each area," and "expanding talent that supports growth."

We are accelerating regional strategies mainly in Thailand, China, Vietnam, the Philippines and Malaysia, where we have local offices. We are promoting the building of business foundations in Thailand and Vietnam, where we aim to expand revenue and market share in addition to sales, and in Malaysia and the Philippines, where we are working to expand sales channels. Particularly in Thailand, our focus is on insecticides and repellents, air fresheners, and oral hygiene products, and have established a solid brand position.

Among these, we will aggressively expand insecticides and repellents, with a view to achieving the No. 1 market share in Thailand in the near future. In addition, the Company will work to enhance the value of the "ARS" brand through the implementation of dengue fever prevention activities. In Vietnam, based on strong sales of mainstay household detergents, we are working to increase the number of homes to which we distribute insecticides and repellents, air fresheners, and mouthwashes.

In Malaysia, which we have defined as an area of expansion, we established a local subsidiary in 2019. Here, our performance has been lower than initially expected due to the COVID-19 pandemic. In order to rebuild our sales channels, we will undertake a review of our contracts with distributors, strengthen the introduction of Company products to our main retailers, and cultivate the development of new channels. Likewise, in the Philippines, another area of expansion, we started operations by means of an M&A in 2022, and are promoting the introduction of insecticides and repellents based on existing channels and products, as well as the development of new channels.

In China, we will review our business strategy in response to the rapidly changing environment and will strengthen sales to top retailers that are operating physical stores. Moreover, we will accelerate the development of our export business in the Middle East, primarily in Saudi Arabia, as well as in Taiwan and North America, while also accelerating the lateral spread of successful cases in each area.

Production and supply capacity needs to expand in tandem with rising sales. To establish a product supply system that operates smoothly and boosts profits, we will develop a supply chain system from the perspective of overall optimization in conjunction with the medium- and long-term plans of each area, while utilizing resources among the Group and areas. Furthermore, if necessary, we will also build a production system and logistics network through various measures, including M&As.

In addition, it will be essential to strengthen human resources in line with global shifts in order to achieve overseas sales and business expansion. We will actively promote the securing of human talent, including global human resources and local hires, which is an issue of the utmost importance, even among human resources materiality.

■ Transform the Earnings Structure

While maintaining a firm grasp of profit derived from insecticides and repellents, which are products that support the foundation of the Company, we will also work to increase revenue-generating categories of household products, which we aim to nurture as a second pillar of profit. In addition, we will move forward on the review of various costs that arise from the introduction of management accounting due to the implementation of the previous Mid-term Business Plan as well as the utilization of core system construction. We will work on "Selection and concentration" of brands/SKUs, Improving brand value and WTP*4, as well as Lowering return rates for insecticides and repellents. While we were able to elicit new possibilities by expanding our development categories against the backdrop of changing consumer behavior during the COVID-19 pandemic, there were categories of intense competition, which was one factor behind the deterioration of profitability. In light of these conditions, and in addition to again defining core categories, we aim to improve efficiency with the goal of reducing SKUs by 30%, taking profitability and future growth potential into consideration. Moreover, we will review the allocation of marketing investments and aggressively invest in the bath salts and oral hygiene categories, which are the mainstay of household products.

Bath salts and oral hygiene products continue to experience challenging conditions, and their share of the market is in decline. Without causing damage to our products and brands, we will redefine brand value for our customers in order to make our brands long-loved by customers, and to heighten the effectiveness of our initiatives we will enhance the accuracy of measures by redesigning brand KPIs and strengthening the monitoring of communication measures.

In addition, with the goal of having zero returns of insecticides and repellents, we will work across the industry and take action to reduce returns, and contribute to lowering environmental impact.

*4 WTP: Willingness to Pay.

■ Enhance Group Management

Earth Corporation has promoted an aggressive level of M&A, and expanded business and product domains. On the other hand, despite our efforts up to the present to reform costs and create synergies across the Group, both in and outside of Japan, obtaining sufficient results has proven elusive. Given such an issue, under the new Mid-term Business Plan, our efforts will focus on creating cost synergies through reorganization, strategic M&A, and improving profitability on investment.

We have launched our reorganization project and are pushing forward with preparations to promote the reorganization and consolidation of functions from the perspective of overall Group optimization, and to create cost synergies.

In addition, we have positioned M&As as one of the means to resolve challenges at the Earth Group. To actively evaluate and build a promotion system, we will reorganize the M&A longlist/shortlist and revamp the PMI promotion system. At the same time, we will fully monitor post-investment conditions and strengthen the system to quickly identify challenges while discussing how to address them.

2026: Quantitative targets

		2026 Plan
Profitability	Consolidated sales	¥170 billion
	(Overseas sales*5) Sales ratio	¥25 billion 14.7%
	Operating income	¥7 billion
	Operating income margin	4.1%
	Net income	¥4.3 billion

		2026 Plan
Capital efficiency	ROE	7.2%
	ROIC	5.4%
	WACC	4.1%
Financial health	D/E ratio	0.3~0.4x
Shareholder returns	DOE	Maintain 4% level

*5 On a management accounting basis. Consolidated adjustments, e.g., internal eliminations not included.

Financial Strategies

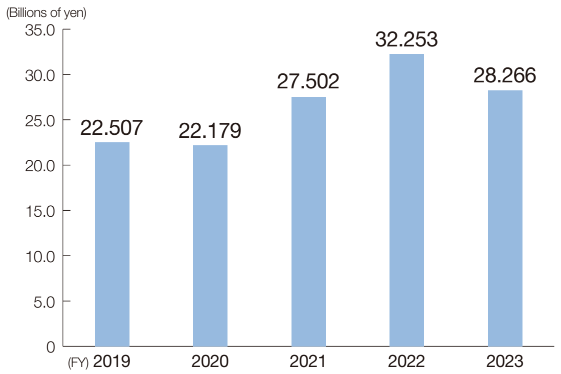
In light of significant forecast changes in the business environment going forward, finance will play a major role in honing our ability to adapt. In addition to successfully reforming the structure of the Group's earnings, a key theme under our medium-term management plan, Act For SMILE COMPASS 2026, we will endeavor to build a flexible yet robust financial base.

Improving asset efficiency through balance sheet management

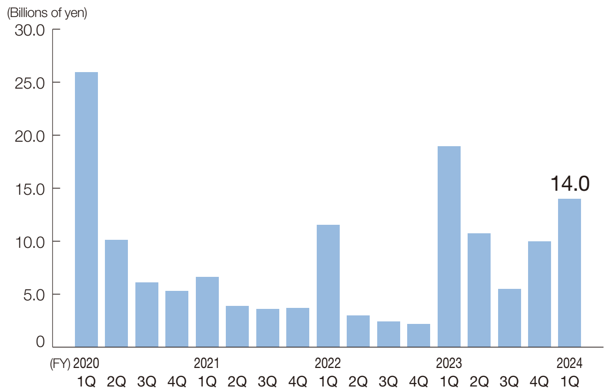
Targeting lean management underpinned by a robust financial base, we are working to improve cash flows by optimizing and minimizing inventory. Pushing forward inventory reduction initiatives, against the backdrop of strengthening supply, and demand adjustment functions through the renewal of our core systems and other initiatives, we were able to reduce inventory by ¥4 billion year on year as of the end of 2023. Buoyed by the subsequent reduction in our borrowings burden by ¥4 billion, positive steps have also been taken to secure a borrowing capacity geared toward growth.

There is still room for improvement in terms of inventory efficiency. Although closely related to the raft of measures adopted for the reform of our earnings structure, we are working to improve the number of inventory turnover days as a KPI.

Inventory assets



Borrowings by quarter

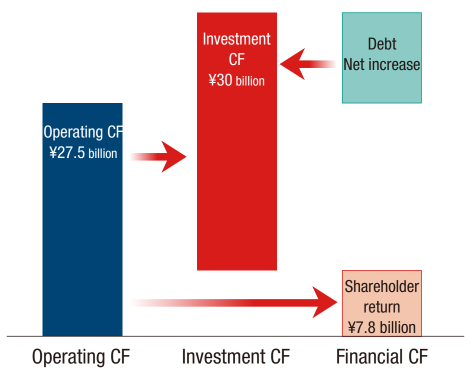


Cash allocation

Under the medium-term management plan, we will actively invest in growth. We are expecting to earn approximately ¥27.5 billion in cash flows from operating activities over the three-year period from 2024, while also planning investments around the ¥30 billion mark utilizing borrowings as a source of investment capital. In specific terms, besides investing in expanding our production facilities, in IT and digital technologies as well as in human resources, we are also preparing capital as standby funds for the structural reforms outlined in our medium-term management plan and future M&A.

As far as strategic investments are concerned, it is vital that we apply a stringent approach to the decision-making process. For each and every one of these investment projects, we make thorough investment decisions based on hurdle rates that are set with an awareness of the cost of capital in conjunction with the appropriate monitoring of expected returns.

Cash Allocation (Outline of total amounts from 2024 to 2026)



Interest-bearing debt

- Agile approach to procuring debt when necessary
- D/E ratio: 0.3-0.4x – ensuring a sound financial foundation

Investment (Approx. ¥30 billion planned)

- Structural transformation capital: ¥5-6 billion
- Investment in infrastructure/IT digital: ¥15 billion (¥5 billion/year)
- Investment in human resources: ¥1 billion
- Capital for the future: ¥10 billion

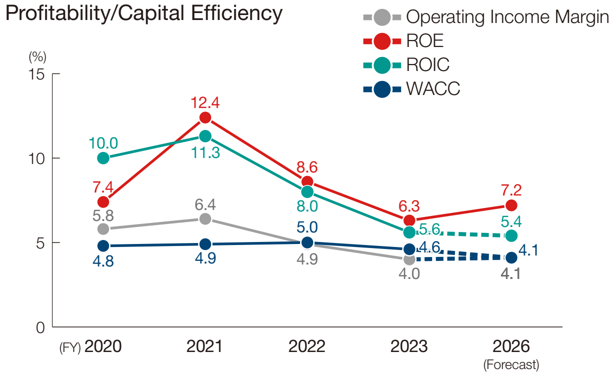
Shareholder returns policy

- Distribution of stable dividends aiming for a DOE target of 4%
- Consider flexible share buyback programs

Capital efficiency

Capital efficiency is essential when monitoring investments. Although our profitability has been on a declining trend since peaking in 2021, our WACC remains at around 5%. Carrying out the earnings structure reforms is naturally designed to improve profitability, but from the capital efficiency standpoint we will work to reduce WACC while ensuring financial soundness by effectively utilizing borrowings to expand investment opportunities. The thinking here is that the EVA spread will improve by 0.3 of a percentage point in 2026, the final year of our medium-term management plan.

Profitability/Capital Efficiency



Shareholder returns policy

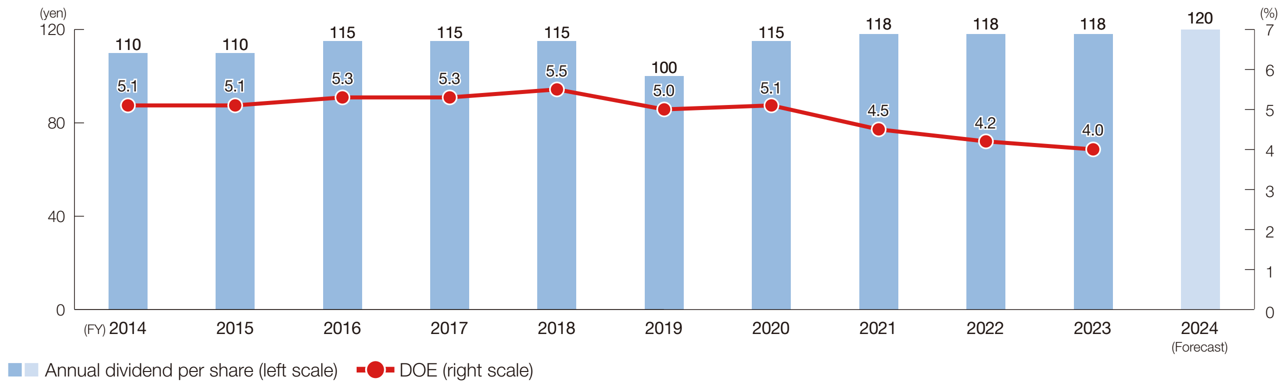
The return of benefits to shareholders is an important management issue. While securing internal reserves to maintain continuous growth and a robust management structure, we endeavor to continue stable dividends and a dividend on equity (DOE) target of around 4%.

The dividend for the fiscal year ended December 31, 2023, amounted to ¥118 per share, and the DOE was 4.0%. In addition to the regular full-year dividend of ¥118 per share for the fiscal year ending December 31, 2024, we will pay a commemorative dividend of ¥2 per share to express our gratitude to all parties involved for their long-term support and cooperation as we mark our 100th anniversary in 2025. Thus, the plan is for the full-year dividend to be ¥120 per share.

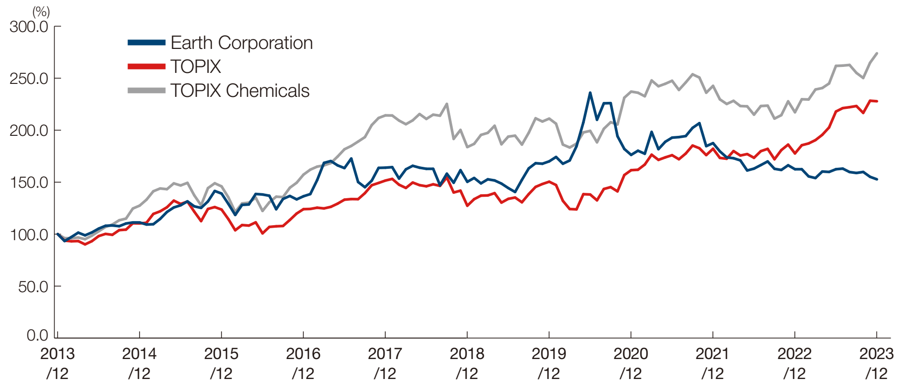
Earth Corporation continues to consider the flexible acquisition of own shares in line with cash flow conditions and share price trends. In 2024, we repurchased a total of ¥2 billion of treasury stock.

As outlined in our medium-term management plan, we are working to build a flexible yet robust financial base by transforming our earnings structure and improving our business portfolio.

Annual dividend per share/DOE



TSR



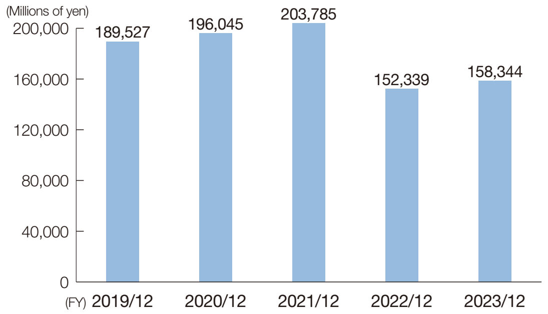
* Total Shareholder Return (TSR): Total shareholder yield. Total investment return combining capital gains and dividends.
* Earth Corporation calculates TSR based on cumulative dividends and share price fluctuations, while TOPIX calculations are based on a stock price index including dividends (Created by Earth Corporation using Bloomberg data, etc.).
* The graph values are calculated by indexing the TSR-based market value, the closing price data as of December 31, 2013, as 100 (holding period up to the end of December 2023).

Financial / Non-financial Highlights

Financial

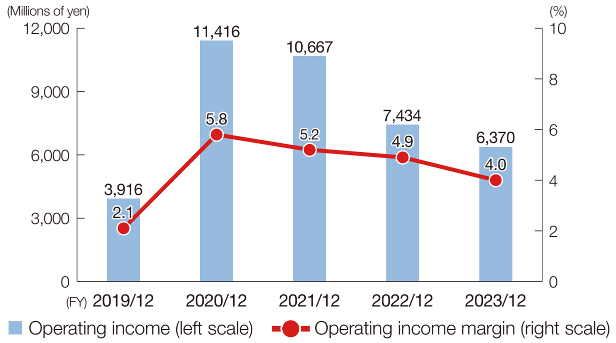
* The "Accounting Standard for Revenue Recognition" applied from fiscal 2022.

Consolidated sales



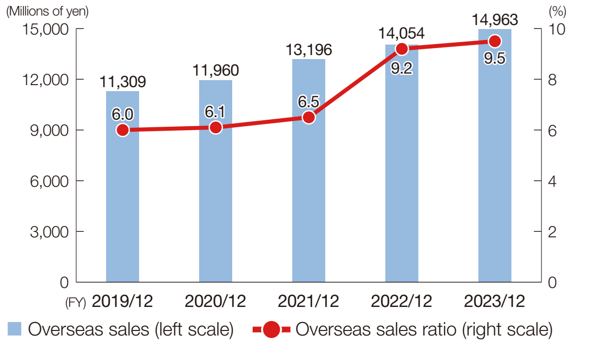
Sales increased 3.9% year on year to ¥158,344 million owing to a variety of factors, including increased sales of insecticides and repellents, a decrease in product returns, burgeoning sales in the ASEAN region, and sales growth in the General Environment and Sanitation Business.

Operating income / Operating income margin



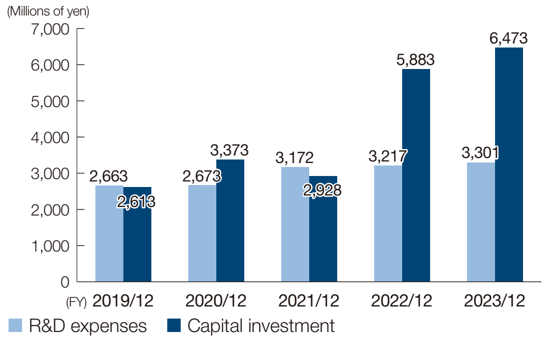
Operating income came to ¥6,370 million (down 14.3% year on year), on an operating income margin of 4.0% (down 0.9 of a percentage point year on year), due to such factors as an increase in the cost of sales ratio on the back of soaring raw material prices and an upswing in selling, general and administrative expenses.

Overseas sales / Overseas sales ratio



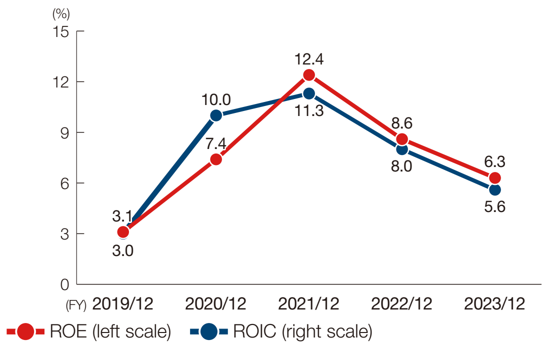
Sales of insecticides and repellents continued to grow, mainly in Thailand and Vietnam. Overseas sales increased 6.5% year on year to ¥14,963 million, with the overseas sales ratio reaching 9.5% (up 0.3 of a percentage point year on year).

R&D expenses / Capital investment



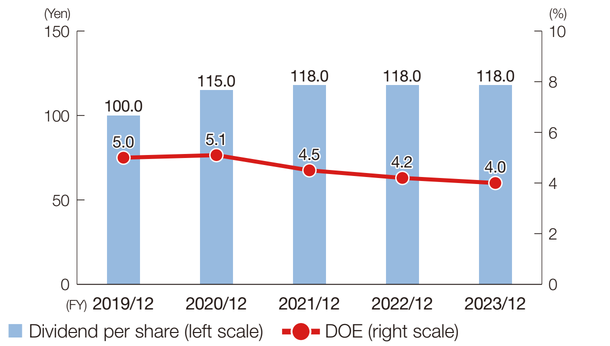
Research and development expenses amounted to ¥3,301 million. In the fiscal year under review, we worked to accelerate development in an effort to keep pace with the supply of products in response to rapidly changing domestic and international market environments and consumer trends. Capital investments totaled ¥6,473 million (on a construction basis). Investments were directed toward the renewal of core systems, the purchase of production equipment for various products, including the ONPO bath salts' production line, for molds, and research equipment.

ROE/ROIC



Due to a decline in earning power and profitability, ROE came in at 6.3% (down 2.3 percentage points year on year). ROIC came to 5.6% (down 2.4 percentage points year on year).

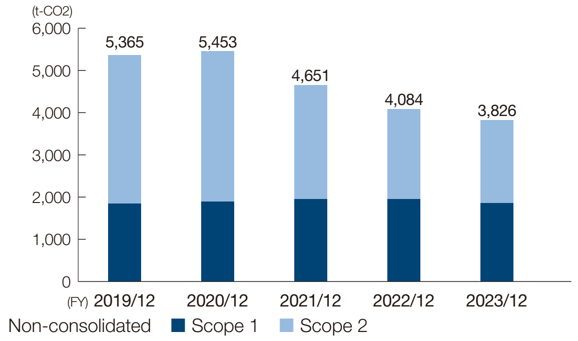
Dividend per share / DOE



Taking into account earnings performance for the fiscal year under review and the funds necessary for future growth, we set the dividend at ¥118 per share for a dividend on equity (DOE) ratio of 4.0%. Aiming to pay stable, continuous dividends, we will target a DOE ratio in the 4% range.

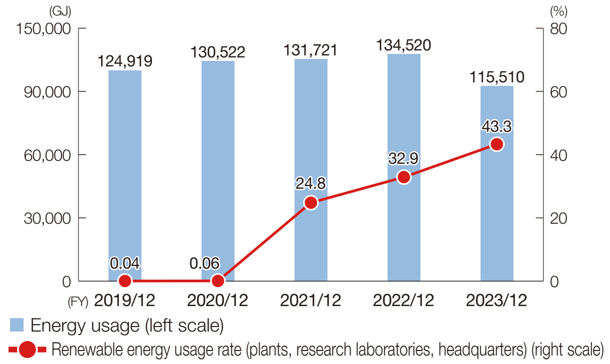
Non-financial

Greenhouse gas emissions (Scope 1+2)



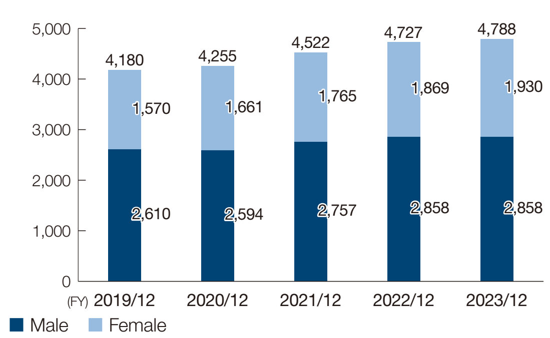
For the electricity used in the production building at our Sakoshi Plant, we switched to electricity derived from renewable energy sources in April 2023. As a result, greenhouse gas emissions came to 3,826t-CO_2 (a year-on-year decrease of 6.3%).

Energy usage / Renewable energy usage rate



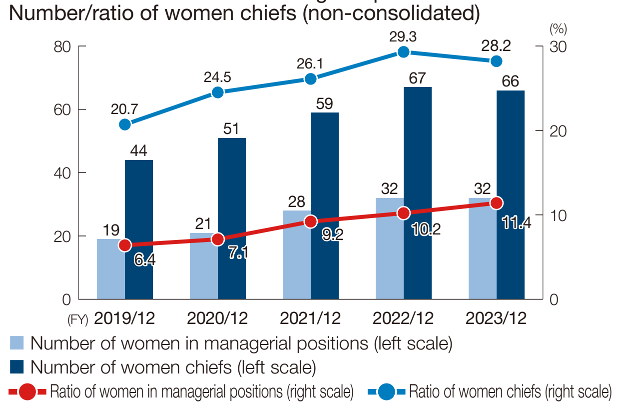
In terms of our use of energy, we are advancing efforts to combat climate change both through energy conservation and the use of renewable energy. Our plants completed the transition to renewable energy sources for electric power in 2023.

Number of employees (consolidated)



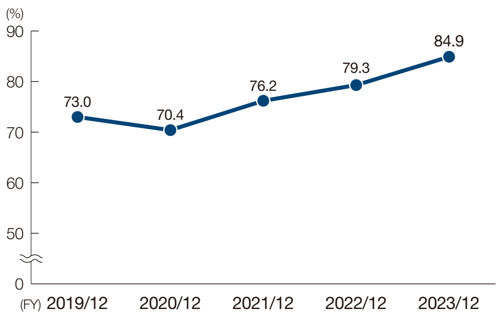
We engage in fair recruitment selection activities taking into account the aptitude and ability of each applicant. We will promote the creation of a human resource pool to expand our business through, for example, the planned recruitment and training of human resources and by fine-tuning our personnel planning.

Number/ratio of women in managerial positions / Number/ratio of women chiefs (non-consolidated)



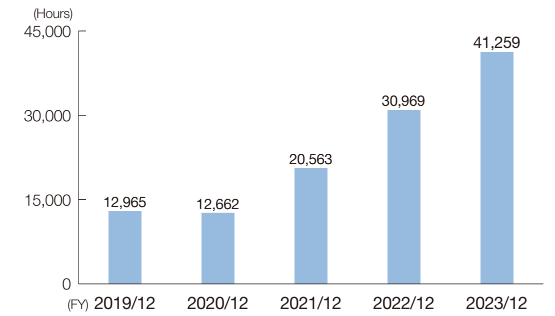
Recognizing that diversity is the driving force behind the Group's growth, we are continuing to implement measures to promote the active participation of female employees with the goal of achieving a 30% ratio of women in managerial positions in 2030. In fiscal 2023, the ratio of women in managerial positions was 11.4%, and the ratio of women chiefs was 28.2%.

Paid holiday usage rate (non-consolidated)



With the aim of creating workplaces that support the active participation of diverse human resources, we are working to introduce systems that allow for flexible workstyles and promote the use of paid holidays. In fiscal 2023, we implemented a variety of measures, including the planning of annual leave for summer vacations and setting up of days on which paid vacation is encouraged. Buoyed by these endeavors, the paid holiday usage rate rose to 84.9%.

Total training hours (non-consolidated)



We conduct systematic training by rank and purpose with the aim of autonomous human resource development. Since fiscal 2022, we have also conducted labor management training sessions for newly appointed managers and training for mid-career hires to support communication with other departments and the building of good interpersonal relationships.