Chapter 2

How Value Is Created

Earth Corporation believes that value is created through responding to changes in the business environment and making strategic decisions.
In this chapter, we highlight the drivers of our growth through the perspectives of senior management, including how we identify risks and opportunities, as well as our materiality, Medium-Term Business Plan, and financial strategy.

Contents

Message from the President

Representative Director,
President & CEO Earth Corporation

Katsunori Kawabata

Toward the Next Stage of Growth Centered on "Comfort"
To Remain a Company Needed by Customers, Employees, and Society

The Medium-Term Business Plan Serves as a Banner Showing "What We Intend to Do"

I believe that the most important role of a medium-term business plan is to indicate our direction and the actions we will take next. It is about raising a banner that says, "This is what we intend to do," and turning that commitment into action.

This time, we formulated a three-year plan. As we move through the first, second, and third years, if progress does not go according to plan, we examine whether the cause lies in external factors or internal factors.

In fiscal 2025, the second year of the plan, we achieved our target figures one year ahead of schedule. However, this does not mean that the action processes themselves have advanced ahead of schedule. External factors also played a role, and in some respects the numbers simply improved before the underlying actions yielded full results. Organizational restructuring, infrastructure development, the integration of BATHCLIN, and the establishment of holding company functions are all progressing as planned. In other words, the action processes set out in the medium-term business plan are progressing largely as expected.

In fiscal 2026, the final year of the plan, we will monitor the post-merger integration (PMI) of BATHCLIN while establishing a group structure that will lead into the next medium-term business plan. At the same time, we will ensure that the transition to a holding company structure takes firm shape. The core elements of the plan are neither ahead of schedule nor behind schedule.

Looking only at the numbers, it may appear that everything is ahead of schedule, but that is not actually the case. Overall, however, progress has been generally steady. While challenges remain, we have already begun work on almost everything that needed to be addressed during this three-year period. We will continue to make proactive growth investments. Although we have revised our quantitative targets upward for fiscal 2026, I believe profits will follow from the forward-looking work we are undertaking. Even if results take a little longer to appear, the expected outcome will materialize as long as we continue doing what needs to be done.

Building Confidence for the "Jump"

I view our medium-term business plans as a process of "Hop, Step, and Jump." The current medium-term business plan is a period in which we advance structural reforms while building momentum toward the "Jump" stage. The results of those efforts have begun to appear in our performance earlier than expected. Those results are the outcome of repeated trial and error as we implemented price pass-through measures, reorganized our product lineup, and reduced SKUs*. In the current inflationary environment, where disposable income is not increasing, we have no choice but to pass on higher costs through pricing. We tested whether sales volumes would decline and whether pricing could compensate sufficiently to achieve our quantitative targets. As a result, we have been able to move forward with fewer setbacks than expected. In other words, we developed hypotheses, acted on them, and found that those hypotheses functioned largely as intended. That does not mean there were no setbacks at all. Sales volumes did not grow as much as anticipated, and pricing compensated for that shortfall. Accordingly, in the final year of the plan, we are also aiming to restore volume growth. We believe our products are priced in line with the value they provide. However, if customers perceive a price increase as nothing more than a manufacturer's self-interest, they will not purchase our products. If customers feel that "a price increase is understandable for this product," that is evidence that they recognize its value.

From a manufacturer's perspective, the current medium-term business plan is progressing better than expected, and we have gained sufficient confidence in the initiatives we are pursuing. If we continue on this path, I believe we will be able to generate profits under the next medium-term business plan as well.

*Please refer to the Glossary on P.74

The Value of "Comfort"

"Comfort" is a very broad and somewhat ambiguous concept, but I believe it is extremely important. It is also closely related to the connectivity between financial and non-financial value, including human capital.

We are not simply selling products; we are helping to solve the challenges people face in their daily lives through our products. Helping to ease those concerns and inconveniences is what creates "comfort." Our recent performance has reaffirmed our belief that addressing customers' concerns through our products is the right approach.

"Comfort" is important not only for our customers but also for our employees. Comfort for employees ultimately contributes to financial results. That is why we have always placed a high priority on our people and have included "Diversity," one of the Earth Values shared by all employees, as a core value. However, "comfort" is difficult to quantify, and it cannot be defined by a single standard shared by everyone. If there is one way to define it, I believe it is creating an environment in which employees can genuinely think, "I am glad I work for this company" and "This is a good company." If we can incorporate this as part of our human capital, it should also lead to higher productivity.

Work and personal life are not separate; they are closely connected. Before they are employees, each of our people is a member of society and an ordinary citizen. Things that make us think, "Something feels off" or "This is inconvenient" in our daily lives can often provide insights that prove valuable in our work. The reverse is also true. I often discover the seeds of new businesses in this way myself, and it is one of the perspectives through which I view the world. That is why I believe it is important to value employees' "comfort" as well and to continue making proactive investments in people, including a wide range of training and development programs.

To achieve this, my ideal is to create a "comprehensive personnel system, like a legal code," that can flexibly address the concerns of each individual employee and accommodate a wide variety of circumstances. People are emotional beings, so it is only natural that every employee has his or her own concerns and challenges. For example, I would like to further promote ways of working that allow employees to value both their work and their personal lives, such as leaving early to care for family members or raise children. I would like to foster a culture in which employees support one another with the understanding that "we're all in the same boat." I also want to put into words—and build into our systems—a relationship in which, once those concerns have been resolved, employees feel ready to move forward and work hard together.

Growing companies are built on a foundation of employee unity and pride. By creating a workplace where employees can work comfortably, enhancing psychological safety, and increasing employee engagement and motivation, productivity will inevitably improve, which in turn should lead to stronger financial results.

What Matters Most Is Whether We Are Needed by Customers and Society

Creating Shared Value (CSV) lies at the foundation of Earth Corporation's businesses. Our General Environment and Sanitation Business and MA-T® business are businesses that are directly connected to "comfort" for the Earth, and we therefore intend to expand both their scale and quality under the next medium-term business plan. When determining the direction of these businesses, we take into consideration whether they are aligned with sustainability and the SDGs. Ultimately, however, the most important question is whether they are needed by customers and society—in other words, whether they have social significance.

Our original business was built around products related to insects. We have continued this business

1 Delivering "Comfort" to the World
2 How Value Is Created
3 How Future Growth Will Be Realized
4 Protecting "Comfort"
5 Governance
6 Data

Message from the President

because society needs it, and if insects were no longer a threat in the future, I would not mind if insect-related businesses became a thing of the past. By that time, the General Environment and Sanitation Business may account for 90% of our sales. Conversely, if insect populations increase and the threat of infectious diseases grows, people may say, “This is where Earth Corporation has a role to play.” Because our businesses have trade-off relationships with one another, we do not assume that all of them will perform strongly at the same time. If that were to happen, we would need to question what changes had occurred in the external environment and examine them carefully. I believe that assessing these shifts over the medium to long term is one of the most important responsibilities of management.

At present, the domestic market is mature, so we see overseas markets as our primary growth driver. Looking ahead to a time when overseas markets may also mature, we have a vision of further strengthening the MA-T® business. As President of Earth Corporation, I look at our businesses from a variety of perspectives to ensure that we are considering every possibility. Even so, no approach is ever perfect. I manage the Company with the belief that, at the very least, these efforts will prevent our growth from coming to a halt and ensure that our employees are never left without a path forward.

Listening to Diverse Voices in Search of the Next Business Opportunity

What I am focused on now is creating the seeds of our next business opportunities. To ensure that this does not become an exercise in self-satisfaction, I continue to take the next step while engaging in my own process of trial and error. As President, I would of course be pleased if all of our businesses generated high profits, but management is not that simple in reality. That is why I am constantly searching for the seeds of new businesses. I communicate this way of thinking to employees through every available internal communication channel, including this Integrated Report. I feel that this message is gradually taking root and that our employees are responding with great effort.

I am also working to create mechanisms that allow the voices of our employees to reach me directly. Through those voices, I keep a close watch on whether there are any issues in internal communication and intend to proactively implement organizational changes whenever necessary.

I also engage in active discussions with fellow directors at meetings of the Board of Directors. In particular, I frequently ask our Outside Directors for their views, telling them, “I only know this company, so I would like you to offer opinions based on comparisons with other companies.” This is because all of our Outside Directors also serve as executives at other companies and possess extensive knowledge of practices and examples from elsewhere. By adopting what should be adopted and clearly explaining why other ideas are not suitable for us, I believe we can further strengthen our governance.

Building the Next 100 Years Through Continuity and Change

The year 2025 marked the 100th anniversary of our founding. Having the opportunity to serve as President at such a significant milestone was deeply meaningful and gave me an opportunity to reflect once again on the history of Earth Corporation.

I view 2026, our 101st year, as a year in which we share new challenges for the future. While remaining true to the principles that have guided Earth Corporation throughout its history, we will continue to take on new challenges with the belief that steady efforts lead to lasting success, paving the way for the next 100 years.

As part of ensuring the Company’s sustainability, I am also thinking about succession planning for the next President. Former President Otsuka expanded the Company beyond its insecticides & repellents business into daily necessities in response to the needs of his era, while I have expanded our business into overseas markets, the General Environment and Sanitation Business, and MA-T®. I hope that the next President will likewise add his or her own unique perspective and contributions to the Company’s future development.

In recent years, I have often used the phrase “fueki ryuko”—continuity and change. It means valuing what should remain unchanged while embracing new change and moving forward. Guided by this philosophy, we will continue striving to achieve sustainable growth and enhance corporate value while protecting comfort for our customers, employees, and the Earth. I sincerely ask for the continued support of all our stakeholders as we move forward together.

March 2026
Representative Director,
President & CEO Earth Corporation
Katsunori Kawabata

External Factors, 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 with a significant impact on management

- Climate change
- Ecosystem change
- Demographic change
- Technological change (evolution)

External factors	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 • Strengthen the General Environment and Sanitation Business due to growing environment and sanitation management 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	• Promote awareness of and compliance with 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 • Expansion of the use of the MA-T System® • 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

● Risks ● Opportunities

Materiality

Materiality Identification Process

1	Identify issues	Identify issues, making reference to international frameworks and guidelines in the sustainability field
2	Identify materiality	The Sustainability 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

Materiality (key issues)	Key topics and main measures	Targets and KPIs	2023	2026	2030	Progress of targets and KPIs (FY2025 results): Results	Special remarks
Responding to climate change ►P.42	Reduce CO_2 emissions	Reduce CO_2 emissions (Scope 1, 2): Compared to 2020	14% reduction	28% reduction	46% reduction	31.7% reduction	–
	Promote a transition to renewable energy for electric power	Transition to renewable energy	Renewable energy at plants (renewable energy rate: 60%)	Renewable energy at R&D Center (renewable energy rate: 90%)	Renewable energy at offices* (renewable energy rate: 95%) * Excluding tenant offices	Renewable energy rate: 67.6%	–
Attention to global environmental problems ►P.43	Increase the efficiency of water usage in relation to production (from R&D to production)	Increase water usage efficiency: Compared to 2020	3% increase	6% increase	10% increase	1.7% increase	–
	Use resources effectively, striving for a recycling-oriented society	Zero emission of industrial waste and other materials from plants and R&D Center (final disposal rate:1% or less)	Investigate and review status at waste treatment subcontractors	Zero emissions at plants and R&D Center	Continue zero emissions at plants and R&D Center	Final disposal rate: 0.7%	–
	Stipulate Earth ECO Standard* and expand the scope of environment-friendly products	Earth ECO Standard	Established	Expand the scope of compatible products and promote information disclosure	Expand the scope of compatible products and promote information disclosure	A system for managing environmentally conscious products is currently under development. Detailed information disclosure will be possible from 2026 onward.	–
Promoting sustainable procurement ►P.50	Promote procurement of environment-friendly packaging materials	Forest certified paper usage rate (by weight)	Usage rate: 10% or more	Usage rate: 30% or more	Usage rate: 70% or more	38.2%	Forest certified paper 1,098 t / Container, paper products overall 2,871 t
Providing products and services that contribute to safe and comfortable living ►P.48	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%	Maintain at 100%	Maintain at 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%	Maintain at 100%	Maintain at 100%	100%	27 times / 27 times
Creating workplaces that support activities by diverse individuals ►P.38	Encourage employees to take annual paid leave entitlements	Paid leave usage rate	Maintain at a level of at least 70%	Maintain at a level of at least 70%	Maintain at a level of at least 70%	82.2%	–
	Support female empowerment by raising the share of women in management-level positions	Female manager ratio	At least 10%	At least 18%	At least 30%	12.6%	38 / 301
Strengthening the management structure ►P.58	–	–	–	–	–	–	–

* Please refer to the Glossary on P.74

Medium-Term Business Plan

Medium-Term Business Plan: Act For SMILE COMPASS 2026

Focused Policies, Initiatives, Challenges, and Evaluation of the Previous Medium-Term Business Plan

Reform Corporate Compass & Infrastructure

Focused policies	Initiatives	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 contribute to the achievement of the SDGs / Real-world implementation of MA-T®	△
		Insufficient progress in reducing product disposals/returns	×
Generate Cost Synergies	• Carry out joint operations whenever logical to do so • Generate synergies and added value throughout the value chain	Insufficient progress in generating cost synergies throughout the Earth Group	×
		Improve the sophistication of strategic proposals through updates in management accounting	○
		Revamp core systems	○

Challenges remaining from the previous medium-term business plan	What we aim to achieve in 2026
Overseas business is expanding, but growth challenges remain at each stage of business development in different countries.	Work to further accelerate growth in the overseas business, which has high growth potential
Insecticides & Repellents continue to generate stable earnings, while profitability in homecare products has declined due to insufficient price pass-through, and challenges remain in strengthening brands to develop a second earnings pillar.	Nurture household products as a second revenue pillar while enhancing brand recognition
Promoted system investments and the introduction of management accounting, creating the foundation for future fundamental reforms.	Enhance overall Group governance and aim to execute restructuring toward the generation of synergies

Targets under the Medium-Term Business

Drive sales — Overseas
- Grow market share
- Cultivate markets
- Review businesses

Drive revenue — Japan
- Shift the business portfolio
- Optimize resource allocation

Build a foundation — Group
- Enhance oversight of overseas/Group companies
- Enhance M&A capabilities
- Enhance investment profitability

A three-year preparation period for shifting from individual optimization to group-wide optimization

- Implement structural reforms to strengthen profitability
- Japan: profit-driven Overseas: revenue-driven
- Creating synergies Group reorganization Strengthening governance

►P.18

Business Portfolio Targets

Japan — Minimize seasonality effects to secure core profit for our business

- Maintain No.1 market share (Insecticides & Repellents, bath salts)
- Secure profits homecare products
  - ・Oral hygiene ・Air fresheners ・Masks for household use
- New growth categories
  - ・Gardening products ・Pet products

Achievements and challenges as of 2025
- **Achievements** Realized the benefits of price revisions and improved return rates for Insecticides & Repellents
- **Challenges** Tackle risk of lost sales opportunities at stores and cost burdens associated with product returns

Overseas — Overseas business as a growth driver with a special focus on ASEAN

- Achieve No.2 position in the global market for Insecticides & Repellents
- Expand operations with a focus on 24 countries
- Nurture global brands
  - ・Insecticides & Repellents ・Air fresheners ・Oral hygiene

Achievements and challenges as of 2025
- **Achievements** Expanded market share in Thailand and Malaysia
- **Challenges** Further expand market share in each country and reduce raw material costs and improve production efficiency

General Environment and Sanitation — Secure steady profits

- Put in place 3 pillars of technical expertise, training, and specialization
- Improve quality control support service through environmental doctors
- Expand services to new domains and build a business foundation for sustained growth

Achievements and challenges as of 2025
- **Achievements** Increased number of contracts and revenue per contract
- **Challenges** Strengthen audit services and hygiene management support services utilizing IoT, AI, and other technologies

MA-T® — Develop a new business immune to seasonality factors

- Secure stable profits in the liquid solutions business
- Build business model through license PF
- Real-world application of MA-T® as a technology capable of helping solve social issues

Achievements and challenges as of 2025
- **Achievements** Execute awareness-building measures to promote social implementation
- **Challenges** Develop and monetize new businesses unaffected by seasonality

* Please refer to the Glossary on P.74

Review of the Second Year of the Medium-Term Business Plan Act For SMILE COMPASS 2026

Achievements of the Current Medium-Term Business Plan —Earnings Targets Achieved One Year Ahead of Schedule—

In 2025, we achieved the targets of our medium-term management plan, Act For SMILE COMPASS 2026—net sales of ¥170 billion and operating profit of ¥7 billion—one year ahead of schedule. This achievement was supported by a diversified portfolio of earnings drivers—including Insecticides & Repellents, homecare products, gardening products, overseas operations, and the General Environment and Sanitation Business—which complement one another and have enabled us to build a resilient business foundation that is less susceptible to economic fluctuations and seasonality.

Meanwhile, in Japan, personal consumption remained sluggish due to slow growth in real wages amid rising prices, while overseas markets continued to face a challenging environment marked by geopolitical risks and uncertainty. Under these circumstances, the Earth Group, guided by the slogan "Our Group Working Together Toward a Bright Tomorrow for EARTH," has pursued structural reforms with the highest priority on strengthening earnings, enhanced the brand strength of homecare products, expanded operations in Asian markets, and increased exports to the Middle East.

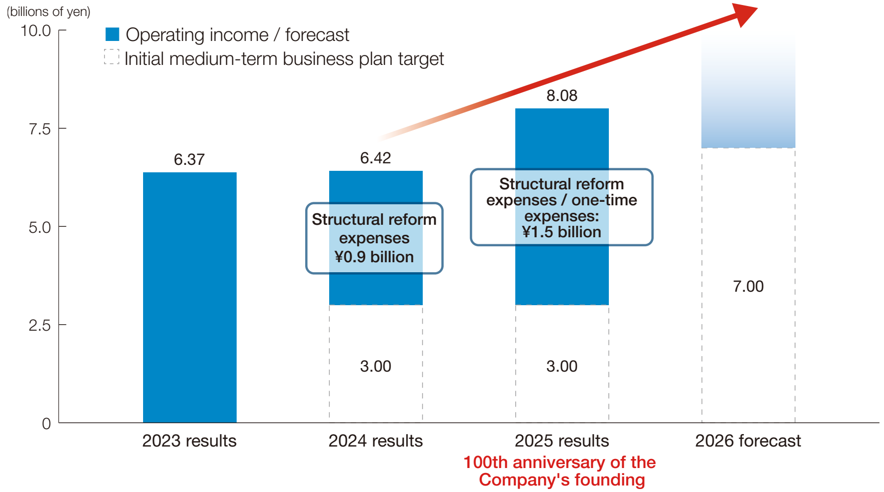
In the Household Products Business, sales remained strong following the renewal of the MONDAMIN oral hygiene product series. In the General Environment and Sanitation Business, the number of contracts increased against the backdrop of growing demand for hygiene management services. As a result, Group net sales increased 5.9% year on year to ¥179.18 billion, operating income rose 25.9% year on year to ¥8.08 billion supported by higher sales, and profit attributable to owners of parent increased 50.7% year on year to ¥5.23 billion.

Quantitative targets for 2026 and actual results for 2024 and 2025

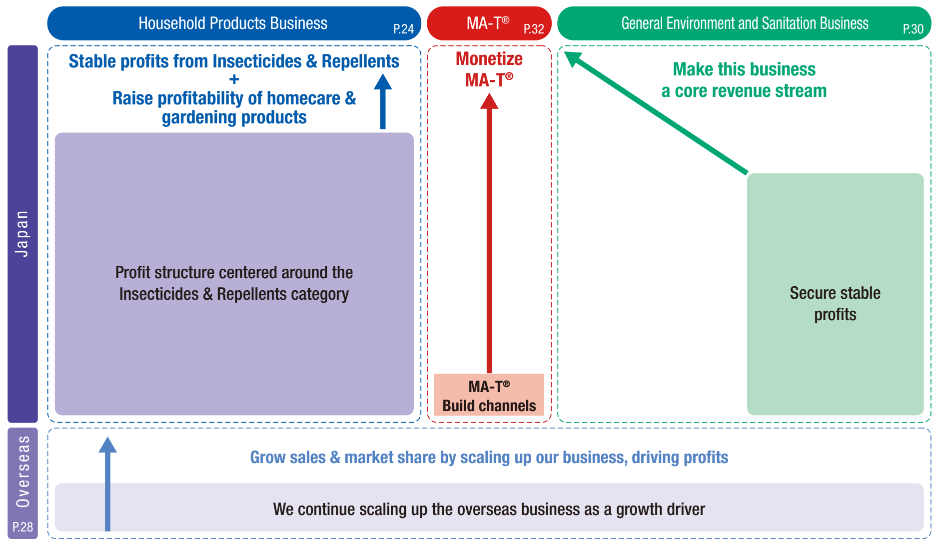
		2026 quantitative targets	2024 results	2025 results	
Profitability	Consolidated sales	¥170.0 billion	¥169.2 billion	¥179.1 billion	Achieved
	(Overseas sales[*1]) Sales ratio	¥25.0 billion 14.7%	¥21.8 billion 12.9%	¥23.0 billion 12.9%	
	Operating income	¥7.0 billion	¥6.42 billion	¥8.08 billion	Achieved
	Operating income margin	4.1%	3.8%	4.5%	Achieved
	Net income	¥4.30 billion	¥3.47 billion	¥5.23 billion	Achieved
Capital efficiency	ROE	7.2%	5.1%	7.3%	Achieved
	ROIC	5.4%	5.5%	6.8%	Achieved
	WACC[*2]	4.1%	4.7%	4.8%	
Financial health	D/E ratio	0.3-0.4x	0.07x	0.10x	Achieved
Shareholder returns	DOE	Maintain 4% level	3.9%	3.8%	

*1 On a management accounting basis. Consolidated adjustments, e.g., internal eliminations not included.
*2 Estimated by Earth Corporation.

Earnings outlook under the current medium-term business plan



Building a robust management foundation with multiple revenue streams



1 Delivering "Comfort" to the World
2 How Value Is Created
3 How Future Growth Will Be Realized
4 Protecting "Comfort"
5 Governance
6 Data

Progress and Challenges for Each of the Three Key Themes of Act For SMILE COMPASS 2026

Expand Overseas Sales

Our overseas business is steadily expanding as a growth driver for the Company. In ASEAN, Thailand and Vietnam are increasing market share as core earnings contributors, while Malaysia and the Philippines are expanding sales channels. In China, we are shifting our strategy from an online-centered approach to expansion into physical retail stores. Exports are also expanding to approximately 50 countries and regions, including the Middle East, Taiwan, and North America, and we are accelerating sales growth by leveraging successful initiatives across markets.

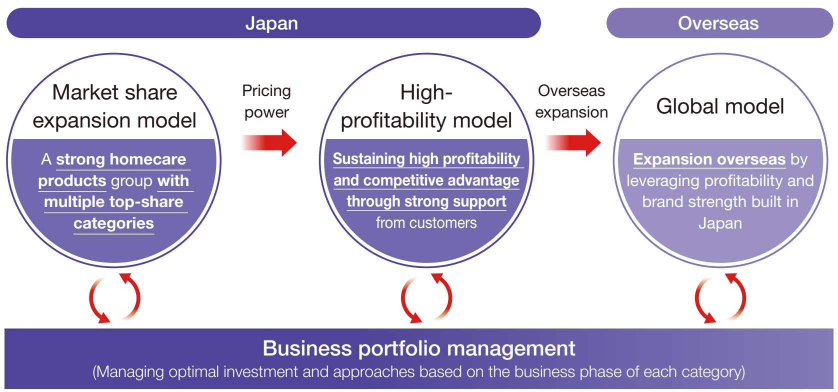
▶P.29 Household Products Business: Overseas

Transform the Earnings Structure

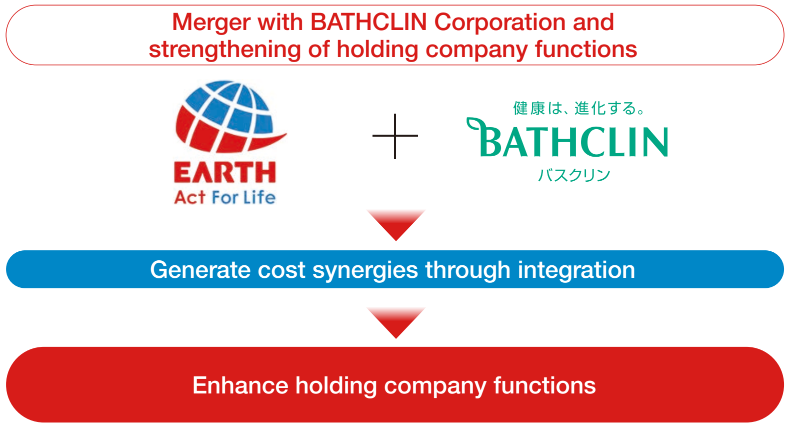
As a result of promoting the selection and concentration of brands and products based on profitability and future potential, as well as market expansion initiatives, gross profit margin has improved. In addition, growth in the bath salts and oral hygiene categories in the homecare products field, as well as an increase in contracts in the General Environment and Sanitation Business, contributed to higher operating income. Furthermore, to reduce product returns and disposals in Insecticides & Repellents, sales and supply chain functions worked together to strengthen demand and supply adjustment capabilities, improving inventory efficiency and cash flow.

▶P.19 Financial Strategies

Target state through structural reforms



Enhance Group Management



Organizational restructuring associated with the establishment of holding company functions	• Review functions and departments within the current Earth Group • Reorganize into holding company functions and organizations and business functions and organizations to maximize Group management efficiency
Control of resource allocation across the Group	• Promote business portfolio management • Establish category control functions across the Group • Strengthen and promote the governance framework

We have expanded our business and product portfolio through proactive M&A activities; however, our efforts to achieve Group-wide cost reforms and fully realize synergies are still underway. In response to these challenges, we are focusing on organizational restructuring, strategic M&A, and improving investment profitability. In 2025, PROTOLEAF, Inc. was newly consolidated in the gardening products business, contributing to higher sales and improved profitability. Furthermore, on January 1, 2026, we merged with BATHCLIN Corporation and have since been advancing initiatives to strengthen our holding company functions. BATHCLIN possesses extensive expertise and strong brand recognition in bath salts and related products, particularly in product development and marketing for the bath salts category. Through these initiatives, we will strengthen Group management by enhancing oversight of resource allocation and optimizing management across the Group.

Financial Strategies

Approach to Financial Strategies

Recognition of the External Environment

Our financial strategy is based on maintaining financial soundness while achieving both capital efficiency and growth investment in order to realize sustainable growth amid an uncertain external environment. In addition to sluggish personal consumption and rising prices in Japan, the prolonged Russia–Ukraine situation and U.S.-China tensions have made the future more difficult to predict. Against this backdrop, the D/E ratio for the fiscal year ended December 2025 was low at 0.10 times, and the low dependence on borrowings demonstrates a financial structure that is resilient to external shocks. The increase in total assets was achieved not through an increase in interest-bearing debt but through the accumulation of retained earnings and operating cash flow, maintaining a stable financial base even under a risk environment.

Toward Strengthening Long-Term Earning Power

Improving profitability is also a key pillar of our financial strategy. In the fiscal year ended December 2025, operating income increased by 25.9% year on year, driven by price revisions for Insecticides & Repellents, lower product returns, and the renewal of MONDAMIN, among other factors. As a result, ROE improved from 5.1% to 7.3%, ROA increased from 5.5% to 6.2%, and ROIC rose from 5.5% to 6.8%. Furthermore, structural reforms implemented during the current medium-term business plan period, including a 30% reduction in SKUs and the selective concentration of brand investment, have improved capital efficiency and strengthened long-term earning power.

Financial Foundation Supporting Investments

We also place importance on cash generation to support continued growth investments. Operating cash flow for the fiscal year ended December 2025 remained solid at ¥10.7 billion. While EBITDA increased, interest-bearing debt remained low, resulting in a Debt/EBITDA ratio of 0.6 times, indicating a sufficient level of financial soundness. Under the medium-term business plan, in addition to actively promoting IT and capital investments and investments in human capital, we have established a financial structure capable of supporting funds reserved for M&A, which is positioned as an important growth initiative. Even in an uncertain business environment, the foundation of our financial strategy is to steadily advance growth investments by leveraging stable cash generation and a strong financial base.

Cash Allocation

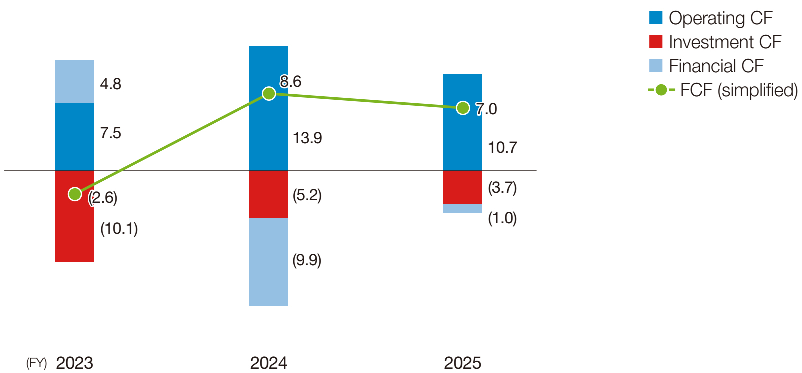
Basic Policy on Cash Allocation

Under the medium-term business plan, we are actively making investments for future growth. Operating cash flow generated over the three-year period beginning in 2024 has progressed steadily against the initial assumption of ¥27.5 billion, and is expected to exceed the initial assumption. In addition, we plan to utilize borrowings to achieve an optimal capital structure and reduce WACC, with the aim of executing investments totaling approximately ¥30.0 billion. Major uses of these investments include expanding production facilities, investing in IT and digital technologies, and pursuing M&A in a flexible manner to support structural reforms and the growth strategies set forth in the medium-term business plan.

Policy for the Final Year of the Medium-Term Business Plan

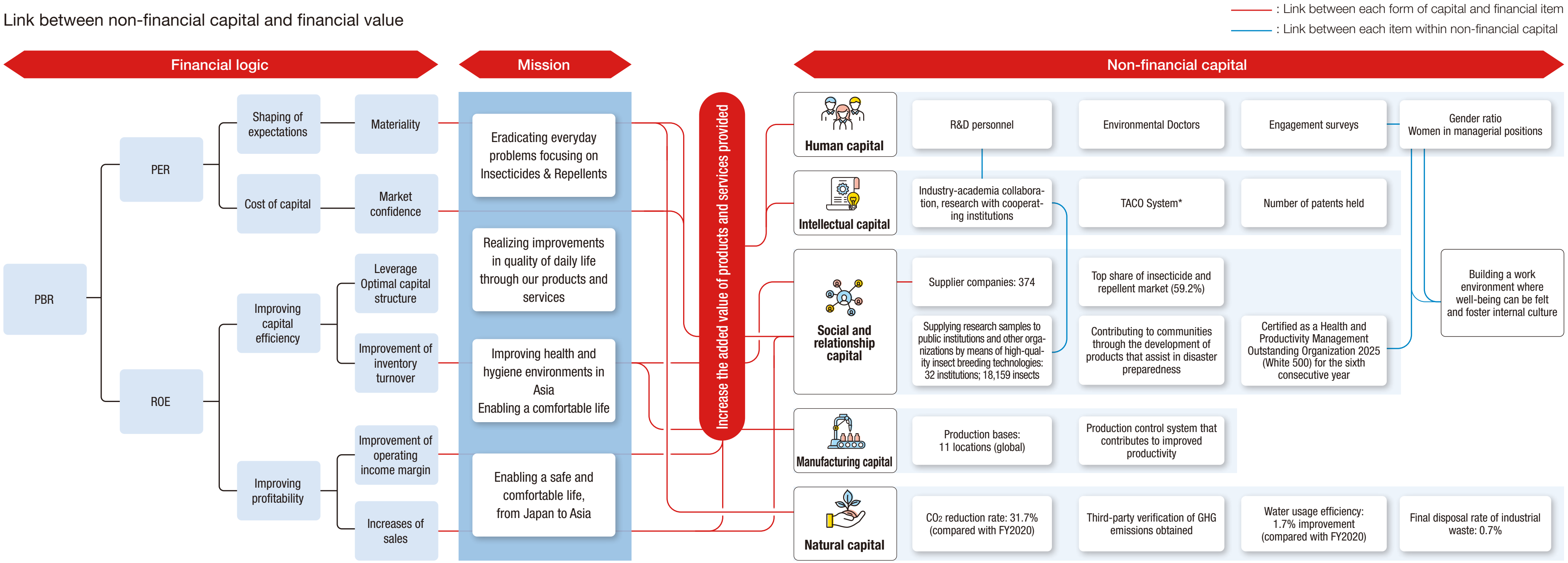
In 2025, we generated operating cash flow of ¥10.7 billion and secured both our financial base and investment capacity in line with the plan. For the first half of 2026, we expect a temporary decline in profit as we make proactive investments to improve productivity and drive growth. However, the effects of the strategic initiatives implemented in the first half are expected to materialize in the second half and beyond, and together with the streamlining of the cost structure, profits are expected to improve for the full year. Through these initiatives, we will achieve sustainable growth and enhance corporate value.

Trends in consolidated cash flows (billions of yen)



Financial Strategies

Link between non-financial capital and financial value



* Please refer to the Glossary on P.74

Non-Financial Capital Contributing to Corporate Value Enhancement

We believe that sustainable growth requires not only financial indicators but also investment in intangible assets that are less visible, such as human resources, knowledge, and relationships of trust. Accordingly, we have created a logic tree to organize and visualize how the five categories of non-financial capital defined by SASB—human capital, intellectual capital, social and relationship capital, manufacturing capital, and natural capital—lead to financial outcomes through our business activities. This clearly illustrates where intangible assets create value and how they contribute to corporate value. These forms of non-financial capital do not exist independently. Rather, they interact with one another to support the achievement of our mission and make a significant contribution to long-term value creation.

Going forward, in order to ensure that our non-financial capital initiatives lead to future corporate value, we will strengthen investment in four priority areas: human capital, research and development, overseas expansion, and MA-T®. We will also continue to communicate with our stakeholders from both financial and non-financial perspectives so that they can gain a deeper understanding of our value creation capabilities and future potential.

Priority Area: Human Capital

Under the corporate philosophy of "Diversity," we place importance on investment in human capital. We recruit and develop highly specialized human resources, including research and development personnel and Environmental Doctors, thereby enhancing the value of our products and services. Going forward, we will also focus on developing human resources capable of promoting DX. We are also working to create a workplace where employees can experience well-being and to foster our corporate culture through initiatives such as increasing the ratio of female managers, enhancing employee benefits, and improving employee engagement.

▶ P.38 Human Capital Management

Financial Strategies

Priority Area: Research & Development

For our Company, intellectual capital is an important form of capital that supports the foundation of manufacturing and service provision. Highly specialized research and development personnel work with academic institutions and partner organizations, accumulating advanced knowledge and expertise that lead to the acquisition of numerous patents. These contribute significantly to the differentiation of our products. In addition, we organize approximately 80,000 customer comments each year through the TACO System and use them as “customer insights” in product development, enabling us to provide value that meets both latent and explicit needs.

▶ P.34 Research and Development

Priority Area: Overseas Expansion

We position overseas expansion as an important area for growth investment and are investing in strategy execution centered on local subsidiaries, supply chain development, and the strengthening of human resources. In ASEAN, we are focusing on expanding market share in Thailand and Vietnam as core profit-generating markets, while promoting sales channel expansion and business foundation development in Malaysia and the Philippines. In Thailand, we are making proactive investments with the aim of achieving the No. 1 market share in insecticides and repellents. In China, we have shifted our investment policy toward expansion into physical retail stores in response to changes in the market environment. Along with expanding exports to 50 countries around the world, we continue to invest in strengthening production and supply capabilities and developing global human resources.

▶ P. 28 Household Products Business: Overseas

Priority Area: MA-T®

We position MA-T® technology as a new business that is not affected by seasonal factors and are making investments in it. We are currently in the stage of promoting the real-world implementation of this technology and are also strengthening initiatives to raise awareness. To support future growth, we will continue to make proactive investments in the dissemination of MA-T® technology and the establishment of its business foundation.

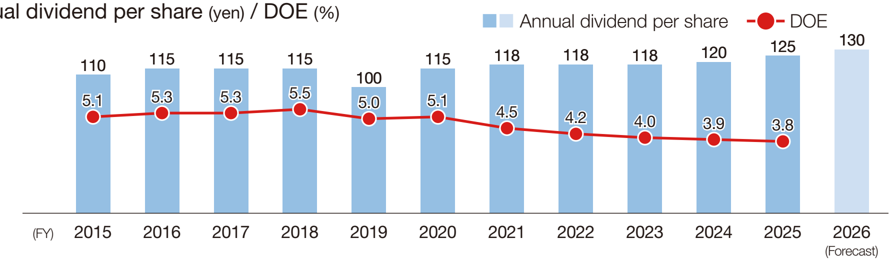
▶ P. 32 MA-T®

Shareholder Returns Policy

We recognize the return of profits to shareholders as an important management issue and strive to maintain stable dividends while securing retained earnings to support sustainable growth and a sound financial base. Retained earnings will be utilized, based on the priority themes set forth in the medium-term business plan, for strategic investments and M&A to expand overseas operations, research and development and human capital investments to enhance non-financial value, system renewal to improve operational efficiency, capital investments to improve production efficiency, and structural reform expenses to support sustainable growth. In addition, we will consider flexible share repurchases in light of cash flow conditions and share price trends.

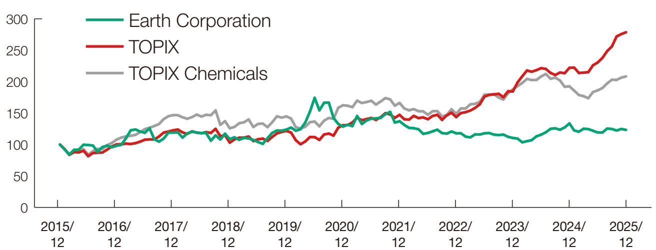
With respect to dividends from retained earnings, we place importance on stable and continuous payments and target shareholder returns at a dividend on equity (DOE) level in the 4% range. Under these policies, for fiscal 2025, taking into account business performance and funding needs for future growth, we set the annual dividend at ¥125 per share (DOE: 3.8%), consisting of an ordinary dividend of ¥120 and a special dividend of ¥5. The consolidated dividend payout ratio is 52.1%. Furthermore, for fiscal 2026, we plan to increase the annual dividend by ¥5 from the previous fiscal year to ¥130 per share.

Annual dividend per share (yen) / DOE (%)



Fiscal year		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Treasury shares	Amount acquired (millions of yen)	–	–	–	–	–	–	198	99	–	2,000	–
	Number of shares canceled (10,000 shares)	–	–	–	–	–	–	–	–	–	–	–

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, 2015, as 100 (holding period up to the end of December 2025).

1 Delivering “Comfort” to the World
2 How Value Is Created
3 How Future Growth Will Be Realized
4 Protecting “Comfort”
5 Governance
6 Data