



Consolidated Financial Results for the Nine Months Ended September 30, 2021 (Japanese GAAP)

November 8, 2021

Company name: Earth Corporation
Stock code: 4975

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

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Scheduled date for quarterly report submission:

Scheduled date for dividend payment: —

Preparation of supplemental explanatory materials: Yes

Results briefing to be held: No

1. Consolidated Financial Results for the Nine Months Ended September 30, 2021 (January 1 to September 30, 2021)

(1) Consolidated operating results

(Percentages indicate YoY change)

	Sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended September 30, 2021	165,167	4.4	20,353	13.3	20,815	15.0	13,838	15.5
Nine months ended September 30, 2020	158,247	3.6	17,957	103.3	18,093	100.2	11,977	119.1

Note: Comprehensive income for the nine months ended September 30, 2021 was 13,456 million yen (-2.5% YoY), and comprehensive income for the nine months ended September 30, 2020 was 13,797 yen (+136.5% YoY)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended September 30, 2021	627.20	—
Nine months ended September 30, 2020	587.52	587.11

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Nine months ended September 30, 2021	128,841	70,629	51.2
Fiscal year ended December 31, 2020	119,870	59,823	46.1

Reference: Equity capital amounted to 66,014 million yen as of September 30, 2021 and 55,299 million as of December 31, 2020.

2. Dividends

	Dividend per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
Fiscal year ended December 31, 2020	Yen —	Yen 0.00	Yen —	Yen 115.00	Yen 115.00
Fiscal year ending December 31, 2021	—	0.00	—		
Fiscal year ending December 31, 2021 (forecast)			—	115.00	115.00

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

3. Consolidated Earnings Forecast for the Fiscal Year Ending December 31, 2022 (January 1, 2021 to December 31, 2021)

(Percentages indicate YoY change)

	Sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	201,500	2.8	12,000	5.1	12,400	6.3	7,700	117.1	348.97

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

*Notes

(1) Changes in significant subsidiaries during the period under review: None
(Transfers of specified subsidiaries associated with changes in the Company's scope of consolidation)

Newly subsidiaries added: None

Subsidiaries excluded: None

Notes on changes in important subsidiaries during the period

(2) Distinctive accounting methods applied when preparing quarterly consolidated financial statements: None
Notes on application of distinctive accounting methods in the preparation of quarterly consolidated financial statements

(3) Changes in accounting policies and accounting estimates and retrospective restatements

1. Accounting policy changes due to accounting standard revisions, etc.: None

2. Other accounting policy changes: None

3. Changes in accounting estimates: None

4. Retrospective restatements: None

Notes on changes in accounting policies

(4) Number of shares outstanding (common stock)

1. Shares outstanding (including treasury stock)	As of September 30, 2021	22,077,500	As of December 31, 2020	22,057,500
2. Treasury shares outstanding	As of September 30, 2021	6,873	As of December 31, 2020	5,065
3. Cumulative average number of shares	Nine months ended September 30, 2021	22,063,184	Nine months ended September 30, 2020	20,387,246

Notes on number of shares outstanding

*The financial information in this quarterly report is not subject to review by certified public accountants or auditing firms.

*Appropriate use of earnings forecast and other special notes

The earnings forecasts and other forward-looking statements contained in this document are based on information currently available to the Company, and certain assumptions it considers reasonable, but are not intended to be a promise that the Company will achieve. Actual results may vary materially from forecasts due to a variety of factors. For more information regarding assumptions made when formulating earnings projections and matters to note when using these projections, please see "1. Qualitative Information on Quarterly Financial Performance (3) Explanation of Consolidated Earnings Forecasts and Other Projections" on page four of the accompanying materials.

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1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Operating Results

During the nine months ended September 30, 2021, the outlook remained extremely uncertain. Severe economic conditions continued in the Japanese economy due to the COVID-19 pandemic, despite growth in the number of vaccinations and optimism regarding the future impact of government policies. Some regions were subject to sporadic state of emergency declarations and measures to halt the spread of the disease. Meanwhile, conditions in Asian regions in which the Earth Corporation is conducting business development continue to require close attention despite current economic recovery in China thanks to the resumption of economic activities, which was made possible by early suppression of COVID-19's spread in the same country. These conditions still require monitoring because waves of COVID-19 infections continue to intermittently impact various nations in these Asian regions.

Under these economic conditions, the Company announced its medium-term management plan, "Act For SMILE—COMPASS 2023" in February 2021. In accordance with the Company's corporate philosophy, "We act to live in harmony with the Earth," the plan includes four fundamental policies: "Reform Corporate Compass & Infrastructure," "Expand Profit Foundation in Asia," "ESG/Open Innovation," and "Generate Cost Synergies." The Company is striving to implement priority measures associated with these policies during the fiscal year ending December 31, 2021, the first year of the plan.

During the nine months ended September 30, 2021, customer demand remained strong in the Household Products Business due to lifestyle changes driven by the COVID-19 pandemic and new product launches. Sales in the General Environment and Sanitation Business benefited from growth in contract numbers. As a result, the Company reported record-high performance for the nine months ended September 30, 2021, with 165,167 million yen in sales (+4.4% YoY), 20,353 million yen in operating income (+13.3% YoY), 20,815 million yen in ordinary income (+15.0% YoY), and 13,838 million yen in net income (+15.5%).

Results by segment were as follows.

Household Products Business

Through its Household Products Business, the Company endeavored to rejuvenate corresponding markets through advertising, the creation of appealing sales areas, and other means of communicating with customers while pursuing new customers with the launch of new products and updating existing products to improve their value. At the same time, it strove to lower manufacturing costs and selling costs as it targeted improvements in profitability.

Sales in the Household Products Business during the nine months ended September 30, 2021 amounted to 153,816 million yen, up 5.5% YoY, thanks to solid growth from new insecticides and repellents launched in spring 2021 and sales of bath salts, where shifts in customer demand in response to the COVID-19 pandemic saw the market expand. Meanwhile, segment income (operating income) amounted to 19,151 million yen, up 15.5% YoY, due to growth in gross profit on higher sales and a better cost-to-sales ratio driven by changes in product sales mix and efficient management of marketing costs that kept them within the Company's projected range.

Results in the Household Products Business

(Million yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Change	Rate of change
Insecticides and repellents	63,808	67,072	3,264	5.1%
Household products	74,920	79,368	4,447	5.9%
Oral hygiene products	32,264	33,587	1,323	4.1%
Bath salts	16,517	19,686	3,169	19.2%
Other household products	26,138	26,094	(44)	(0.2%)
Pet products and others	7,055	7,375	319	4.5%
Total sales	145,785	153,816	8,031	5.5%
Segment income (operating income)	16,574	19,151	2,576	15.5%

Note: Sales include internal sales and transfers made within and between segments, which amounted to 7,319 million yen during the nine months ended September 30, 2020 and 9,196 million yen during the nine months ended September 30, 2021.

Insecticides and repellents

In Japan, demand continues to grow due to lifestyle changes associated with the pandemic, including recommendations to ventilate living spaces and more time spent at home, but the market trended below elevated year-earlier levels amid lower temperatures from August. Sales of *Earth Mushiyoke Net EX* (insect repellent) and *Kobae ga Hoi Hoi* (fruit fly traps) grew. Market share expanded following the launch of new products such as *Osu Dake Earth-Red Muen Push* (no-flame fumigation of cockroaches, mites, fleas). Performance overseas was strong, particularly in Thailand.

Sales amounted to 67,072 million yen (+5.1% YoY).

Household products

Sales of oral hygiene products came to 33,587 million yen, up 4.1% YoY, thanks to contribution from *Mondahmin Premium Care Sensitive* (a mouthwash) and ongoing strong performance from *Shumitect* (a line of toothpastes formulated to prevent dentin hypersensitivity).

Shifts in customer demand in response to the COVID-19 pandemic saw the market for bath salts expand. Bath salt sales were 19,686 million yen, up 19.2% YoY, due to continuing favorable performance from products such as *Onpo* tablets, the granular form of *Kikiyu* (a carbonated bath agent), and packaged bath salts *Ii Yu Tabidachi*.

Sales of other household products came to 26,094 million yen, down 0.2% YoY. Sales of the *Rakuhapi* series of cleaning products grew as demand remained solid, but sales of dehumidifiers and refrigerants declined YoY due to a drop-off versus stay-at-home demand the previous year and cooler temperatures from August onward.

Segment sales amounted to 79,368 million yen (+5.9% YoY).

Pet products and others

Sales of pet products and other miscellaneous products came to 7,375 million yen, up 4.5%, thanks to existing product updates and ongoing growth in sales of cleaning towels and other pet care products driven by dynamic promotional measures.

General Environment and Sanitation Business

In the General Environment and Sanitation Business, outsourcing needs for hygiene management are on the rise due to rising consumer awareness regarding safety and security and difficulty in securing factory workers stemming mainly from a decrease in the size of Japan's working population. Accordingly, demand for the Group's high-quality hygiene management services have risen among the food and packing material factories that constitute the Group's core customer base.

Under these circumstances, we endeavored to maintain and expand our contracts by providing standout quality assurance services through the enhancement of our technological development capabilities. At the same time, we actively invested in the construction of an internal framework that facilitates the prompt fulfillment of customer needs associated primarily with software development aimed at improving operational efficiency and recruiting and training human resources. Along with these efforts, we intensified our initiatives in the pharmaceutical and regenerative medicine industries and efforts associated with auditing and consulting services related to food safety management.

Sales in the General Environment and Sanitation Business amounted to 20,650 million yen (+3.9% YoY), and segment income

(operating income) came to 1,237 million yen (-4.0% YoY) as personnel expenses rose along with payroll growth.

Results in the General Environment and Sanitation Business

(Million yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Change	Rate of change
Sales	19,877	20,650	772	3.9%
Segment income (operating income)	1,289	1,237	(51)	(4.0%)

Note: Sales include internal sales and transfers made within and between segments, which amounted to 96 million yen in the nine months ended September 30, 2020 and 102 million yen in the nine months ended September 30, 2021.

(2) Explanation of Financial Position

(1) Assets, Liabilities and Net Assets

As of September 30, 2021, total assets amounted to 128,841 million yen, up 8,971 million yen from December 31, 2020, due primarily to increases in cash, deposits, and accounts receivable.

Meanwhile, total liabilities as of September 30, 2021, came to 58,211 million yen, down 1,834 million yen from December 31, 2020, despite growth in accounts payable-trade, as other accounts payable declined.

Net assets amounted to 70,629 million yen as of September 30, 2021, rising 10,806 million yen compared to December 31, 2020, mainly because of an increase in retained earnings.

The Company's equity ratio was 51.2% as of September 30, 2021, up 5.1 points from December 31, 2020.

(2) Cash Flows

The Company has not prepared a statement of cash flows for the period ended September 30, 2021, so disclosure is omitted.

(3) Explanation of Consolidated Earnings Forecasts and Other Projections

The Company has made no changes to its full-year earnings forecast for the financial year ending December 31, 2021, which was announced on July 28, 2021.

This forecast is based on information available to the Company at the time of its formulation. Actual results may differ substantially from the projections included within due to potential changes affecting a variety of factors.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	Fiscal year ended December 31, 2020 (as of December 31, 2020)	Nine months ended September 30, 2021 (as of September 30, 2021)
Assets		
Current assets		
Cash and deposits	23,716	28,190
Notes and accounts receivable - trade	22,746	27,520
Merchandise and finished goods	17,403	19,813
Work in process	789	812
Raw materials and supplies	3,986	4,362
Other	2,124	2,419
Allowance for doubtful accounts	(20)	(25)
Total current assets	70,747	83,094
Non-current assets		
Property, plant and equipment		
Buildings and structures	29,002	29,740
Accumulated depreciation and impairment	(14,982)	(16,071)
Buildings and structures, net	14,019	13,668
Machinery, equipment and vehicles	15,598	16,043
Accumulated depreciation and impairment	(11,357)	(12,058)
Machinery, equipment and vehicles, net	4,240	3,985
Land	7,875	7,856
Leased assets	115	226
Accumulated depreciation and impairment	(58)	(67)
Leased assets, net	56	159
Construction in progress	389	387
Other	8,616	9,066
Accumulated depreciation and impairment	(7,166)	(7,538)
Other, net	1,449	1,527
Total property, plant and equipment	28,030	27,585
Intangible assets		
Goodwill	2,260	846
Other	4,008	3,841
Total intangible assets	6,268	4,688
Investments and other assets		
Investment securities	8,001	6,516
Retirement benefit asset	4,343	4,584
Deferred tax assets	1,152	764
Other	1,333	1,618
Allowance for doubtful accounts	(7)	(11)
Total investments and other assets	14,823	13,472
Total non-current assets	49,122	45,746
Total assets	119,870	128,841

(Millions of yen)

	Fiscal year ended December 31, 2020 (as of December 31, 2020)	Nine months ended September 30, 2021 (as of September 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	31,714	33,959
Short-term borrowings	1,756	1,132
Current portion of long-term borrowings	1,314	1,055
Accounts payable - other	10,017	6,276
Income taxes payable	3,640	4,267
Accrued consumption taxes	1,684	1,629
Provision for bonuses	312	1,621
Provision for sales returns	595	1,831
Other	3,848	2,785
Total current liabilities	54,884	54,557
Non-current liabilities		
Long-term borrowings	2,218	1,440
Deferred tax liabilities	1,329	731
Retirement benefit liability	454	390
Asset retirement obligations	505	517
Other	652	573
Total non-current liabilities	5,161	3,653
Total liabilities	60,046	58,211
Net assets		
Shareholders' equity		
Share capital	9,829	9,895
Capital surplus	9,859	9,928
Retained earnings	33,322	44,624
Treasury shares	(17)	(17)
Total shareholders' equity	52,994	64,430
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,723	1,640
Foreign currency translation adjustment	(789)	(325)
Remeasurements of defined benefit plans	371	269
Total accumulated other comprehensive income	2,304	1,584
Non-controlling interests	4,524	4,615
Total net assets	59,823	70,629
Total liabilities and net assets	119,870	128,841

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

Consolidated Statement of Income

(Millions of yen)

	Nine months ended September 30, 2020 (from January 1, 2020 to September 30, 2020)	Nine months ended September 30, 2021 (from January 1, 2021 to September 30, 2021)
Sales	158,247	165,167
Cost of sales	92,360	94,536
Gross profit	65,886	70,631
Selling, general and administrative expenses		
Transportation and storage costs	4,784	5,049
Advertising expenses	5,398	5,686
Promotion expenses	11,365	11,546
Provision of allowance for doubtful accounts	(0)	10
Salaries and allowances	10,707	11,334
Provision for bonuses	1,144	1,219
Travel and transportation expenses	796	784
Depreciation	824	936
Amortization of goodwill	1,836	1,413
Rent expenses on land and buildings	1,006	1,066
Research and development expenses	1,842	2,032
Other	8,222	9,197
Total selling, general and administrative expenses	47,929	50,278
Operating income	17,957	20,353
Non-operating income		
Interest income	31	54
Dividend income	64	107
Foreign exchange gains	—	32
Commission income	23	20
Rental income from buildings	65	34
Other	106	260
Total non-operating income	290	510
Non-operating expenses		
Interest expenses	42	12
Stock issuance expenses	40	—
Foreign exchange losses	50	—
Compensation for damage	—	27
Other	21	8
Total non-operating expenses	154	48
Ordinary income	18,093	20,815
Extraordinary income		
Gain on sale of non-current assets	7	115
Gain on sale of investment securities	—	32
Total extraordinary income	7	147
Extraordinary losses		
Loss on sale of non-current assets	10	6
Loss on retirement of non-current assets	57	12
Impairment losses	249	311
Loss on valuation of investment securities	41	—
Loss on valuation of golf club membership	0	—
Total extraordinary losses	358	329
Profit before income taxes	17,741	20,633
Income taxes - current	6,340	6,191
Income taxes - deferred	(852)	278
Total income taxes	5,488	6,469

(Millions of yen)

	Nine months ended September 30, 2020 (from January 1, 2020 to September 30, 2020)	Nine months ended September 30, 2021 (from January 1, 2021 to September 30, 2021)
Net income	12,253	14,164
Net income attributable to non-controlling interests	275	325
Net income attributable to owners of parent	11,977	13,838

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended September 30, 2020 (from January 1, 2020 to September 30, 2020)	Nine months ended September 30, 2021 (from January 1, 2021 to September 30, 2021)
Net income	12,253	14,164
Other comprehensive income		
Valuation difference on available-for-sale securities	1,956	(1,068)
Foreign currency translation adjustment	(354)	464
Remeasurements of defined benefit plans, net of tax	(57)	(104)
Total other comprehensive income	1,544	(707)
Comprehensive income	13,797	13,456
(Breakdown)		
Comprehensive income attributable to owners of parent	13,532	13,117
Comprehensive income attributable to non-controlling interests	265	338

(3) Notes to Quarterly Financial Statements

(Notes to going concern assumptions)

None to be reported.

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

None to be reported.