

**Consolidated Financial Results**  
**for the Three Months Ended March 31, 2023 (Japanese GAAP)**

May 11, 2023

Company name: Earth Corporation  
Stock code: 4985

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

Representative: Katsunori Kawabata, President and Representative Director, Chairman of the Board of Directors of each group company

Contact: Tsuyoshi Mitsuzuka, Senior Executive Officer, Director General, Group Management Headquarters  
Tel: +81-3-5207-7458

Scheduled date for quarterly report submission: May 12, 2023  
Scheduled date for dividend payment: —  
Preparation of supplemental explanatory materials: Yes  
Results briefing to be held: Yes (For securities analysts and institutional investors)

**1. Consolidated Financial Results for the Three Months Ended March 31, 2023**  
**(January 1, 2023 to March 31, 2023)**

(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	%
Three months ended March 31, 2023	40,819	5.7	5,532	3.9	5,645	(0.1)	3,889	3.3
Three months ended March 31, 2022	38,603	—	5,323	—	5,648	—	3,766	—

Note: Comprehensive income for the three months ended March 31, 2023 was 4,243 million yen (6.2%), and comprehensive income for the three months ended March 31, 2022 was 3,995 million yen (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended March 31, 2023	176.28	—
Three months ended March 31, 2022	170.89	—

Note: The Company adopted the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan, Statement No. 29) from the beginning of the fiscal year ended December 31, 2022. Figures for Q1 of the fiscal year ended December 31, 2022 are based on the new accounting standard, and no year-on-year comparatives have been provided.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Three months ended March 31, 2023	146,520	69,428	43.9
Fiscal year ended December 31, 2022	124,489	68,018	50.4

Reference: Equity capital amounted to 64,376 million yen as of March 31, 2023 and 62,794 million as of December 31, 2022.

## 2. Dividends

	Dividend per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2022	—	0.00	—	118.00	118.00
Fiscal year ending December 31, 2023	—				
Fiscal year ending December 31, 2023 (forecast)		0.00	—	118.00	118.00

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, 2023 (January 1, 2023 to December 31, 2023)

(Percentage indicates YoY change for full-year and quarters)

	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
1H	93,500	4.7	10,800	(9.6)	10,900	(14.3)	6,900	(19.7)	312.73
Full-year	160,000	5.0	8,000	7.6	8,300	2.0	5,400	1.8	244.75

Notes: 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

(2) Distinctive accounting methods applied when preparing quarterly consolidated financial statements: None

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

1. Accounting policy changes due to accounting standard revisions, etc.: Yes

2. Other accounting policy changes: None

3. Changes in accounting estimates: None

4. Retrospective restatements: None

(4) Number of shares outstanding (common stock)

1. Shares outstanding (including treasury stock)	As of March 31, 2023	22,077,500	As of December 31, 2022	22,077,500
2. Treasury shares outstanding	As of March 31, 2023	13,782	As of December 31, 2022	13,782
3. Cumulative average number of shares	Three months ended March 31, 2023	22,063,718	Three months ended March 31, 2022	22,039,961

\*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.

(How to obtain supplementary materials on quarterly financial results)

The Company plans to hold a financial results briefing session for analysts and institutional investors on Thursday, May 11, 2023. Supplementary materials on financial results to be used at the briefing will be posted on the Company's website on the day of the briefing.

Accompanying Materials — Contents

1. Qualitative Information on Quarterly Financial Performance.....	2
(1) Explanation of Operating Results.....	2
(2) Explanation of Financial Position .....	4
(3) Explanation of Consolidated Earnings Forecasts and Other Projections .....	4
2. Quarterly Consolidated Financial Statements and Primary Notes .....	5
(1) Consolidated Balance Sheet .....	5
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income.....	7
Consolidated Statement of Income .....	7
Consolidated Statement of Comprehensive Income.....	8
(3) Notes to Quarterly Financial Statements .....	9
(Notes to going concern assumptions) .....	9
(Notes in the event of significant changes in shareholders' equity) .....	9
(Changes to accounting policies) .....	9

## 1. Qualitative Information on Quarterly Financial Performance

### (1) Explanation of Operating Results

During the first quarter of the fiscal year ending December 31, 2023, the Japanese economy reopened fully as restrictions on activity to reduce the spread of COVID-19 were eased. However, inflation has affected consumer sentiment recently, resulting in an increasingly defensive lifestyle mindset. Furthermore, the downtrend in the Japanese yen continues, and despite signs that some raw material prices are starting to settle down, cost increases due to sharply higher energy prices are ongoing, and we expect the operating environment to remain challenging.

In Asia, a focus region for the Earth Group's overseas operations, China ended its zero-COVID policy in January 2023, and there are clear signs of economic recovery, such as growing personal consumption. In the ASEAN region, despite concerns of slumping consumption in some countries due to inflation, economic growth remains strong following its post-COVID-19 recovery.

Under these economic conditions, the Company has been operating in line with the strategies set out in our medium-term management plan, Act For SMILE-COMPASS 2023-. In accordance with the Company's corporate philosophy, living 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. Due to the impact of significant changes in the external environment, we had flagged a review of the plan's numerical targets, but solid results from our initiatives are starting to flow through, so we intend to maintain our stated direction and strategies, and will continue with our efforts in the current fiscal year.

In the first quarter of the fiscal year, Group sales amounted to 40,819 million yen (up 5.7% year-on-year). Sales of household insecticides and repellents got off to a strong start in the New Year due to warm temperatures in Japan and the impact of price hikes, and higher contract numbers and contract values drove growth in the General Sanitary Management Business. Turning to profits, despite the impact of sharply higher raw material prices and increased logistics costs, operating income for the quarter came to 5,532 million yen (+3.9% year-on-year), ordinary income to 5,645 million yen (-0.1% year-on-year), and net income attributable to owners of parent to 3,889 million yen (+3.3% year-on-year).

Results by segment are as follows.

#### **[Household Products Business]**

In the Household Products Business, the Company tapped into underlying demand with the launch of high-value-added products and updated our existing product lineup to improve product value. We sold products at prices commensurate with their value and ran effective promotional campaigns, using social media, for example. We also worked to reduce product and selling costs to enhance profitability. Overseas, we made aggressive and effective allocations of business resources with a focus on countries such as Thailand and Vietnam in Southeast Asia, in a bid to improve profitability and expand in scale.

In Q1, the Household Products Business reported segment sales of 37,318 million yen (+4.6% year-on-year) due to higher sales of household insecticides and repellents since the start of the year amid favorable weather and contributions from new products. On the profit front, despite an increase in infrastructure costs accompanying ongoing rises in raw material prices from the previous fiscal year and higher energy prices, as well as increased logistics costs, segment income (operating income) was 5,276 million yen (+6.4% year-on-year) thanks to higher sales.

(Household Products segment results)

(Millions of yen)

	Consolidated Q1 results for the fiscal year ended December 31, 2022	Consolidated Q1 results for the fiscal year ending December 31, 2023	YoY change (amount)	YoY change (percent)
Household insecticides and repellents	17,684	19,503	1,819	10.3%
Household products	15,834	15,522	(311)	(2.0%)
Oral hygiene products	1,769	1,867	97	5.5%
Bath salts	6,201	6,174	(26)	(0.4%)
Other household products	7,863	7,480	(382)	(4.9%)
Pet products and others	2,150	2,291	140	6.5%
Total sales	35,669	37,318	1,648	4.6%
Segment income (operating income)	4,960	5,276	315	6.4%

Notes: Sales include internal sales and transfers made within and between segments, which amounted to 3,454 million yen during Q1 of the fiscal year ended December 31, 2022 and 3,049 million yen during Q1 of the fiscal year ending December 31, 2023.

Results by product category are as follows.

#### Insecticides and repellents

Temperatures have been high across Japan since the start of the year, driving growth in sales of products for flies, mosquitoes, and cockroaches. Also contributing to sales growth were selling products at appropriate prices (including impact of price revisions) and the launch of products with a preventative angle, such as *MAMO ROOM Essence* bug repellent sticks and the *Dani ga Hoi Hoi* series of mite trap sheets. Overseas, sales continued to grow, primarily in Thailand and Vietnam, and Earth Homecare Products (Philippines), Inc., which was made a subsidiary in the previous fiscal year, also contributed to sales.

As a result, sales for this category were 19,503 million yen (+10.3% year-on-year).

#### Household products

In oral hygiene products, sales of all-in-one mouthwash *Mondahmin Premium Care* increased amid improving awareness of oral health and the impact of the COVID-19 pandemic, resulting in sales of 1,867 million yen (+5.5% year-on-year).

The use of bath salts became further entrenched following the COVID-19 pandemic, with strong sales of *Nihon no Meito* (bubble bath). The *BARTH* brand of neutral bicarbonate bath salts acquired through business transfer also contributed to sales. However, the market remains below year-ago levels, and sales were 6,174 million yen (-0.4% year-on-year).

In other household goods, partly due to the impact of social media promotional campaigns, a new household cleaning product, *Kurukuru Baburun Ofuro Marugoto*, contributed to sales, and sales of products in the *Sukki-ri!* range remained strong. However, following changes to thoughts on wearing masks, sales of *Kaiteki Guard Pro* and *Be Style* household masks were sluggish, and sales came to 7,480 million yen (-4.9% year-on-year).

Sales in this category amounted to 15,522 million yen (-2.0% year-on-year).

#### Pet products and others

Sales of pet products and other miscellaneous products were 2,291 million yen (+6.5% year-on-year), on increased sales of pet products due to growing demand for items such as cat litter due to a rising number of pets.

### **[General Environment and Sanitation Business]**

The core customers of our General Environment and Sanitation Business (primarily companies involved in the food, pharmaceutical, and packaging material industries) face stringent hygiene management requirements to prevent food poisoning and contamination with foreign substances. They thus have growing needs for Earth Corporation's high-quality hygiene management services that leverage our specialized knowledge, technologies, and expertise.

In these circumstances, we stepped up our investment in building an internal framework that can serve customer needs by installing and developing systems geared toward human resources development and business process streamlining. At the same time, we worked to maintain and expand our contract numbers by providing hygiene management systems distinguished by strengthened technological capabilities, including through collaborative industry, academia, and public-sector research. We targeted the pharmaceutical and regenerative medicine industries in particular, and continued strengthening audit and consulting operations related to food safety management.

Sales in the General Environment and Sanitation Business came to 6,590 million yen (+2.7% year-on-year) in Q1, while segment income (operating income) was 262 million yen (-12.4% year-on-year) due to increased costs in annual contracts, which are the main format for the Company.

(Millions of yen)

	Consolidated Q1 results for the fiscal year ended December 31, 2022	Consolidated Q1 results for the fiscal year ending December 31, 2023	YoY change (amount)	YoY change (percent)
Sales	6,414	6,590	175	2.7%
Segment income (operating income)	299	262	(37)	(12.4%)

Notes: 1. Sales include internal sales and transfers made within and between segments, which amounted to 27 million yen in Q1 of the fiscal year ended December 31, 2022 and 38 million yen in Q1 of the fiscal year ending December 31, 2023.

## (2) Explanation of Financial Position

### (1) Assets, Liabilities and Net Assets

As of March 31, 2023, total assets amounted to 146,520 million yen, up 22,030 million yen from December 31, 2022. This was primarily due to increased cash and deposits, trade receivables, inventories, and intangible assets.

Meanwhile, total liabilities as of March 31, 2023 came to 77,092 million yen, up 20,621 million yen from December 31, 2022. This was mainly due to increases in accounts payable–trade and short-term borrowings, which offset decreases in accounts payable–other and deferred tax liabilities.

Net assets amounted to 69,428 million yen as of March 31, 2023, rising 1,409 million yen compared to December 31, 2022. This was mainly due to the booking of net income attributable to owners of parent, despite a decrease in retained earnings due to dividend payouts.

The Company's equity ratio was 43.9% as of March 31, 2023, down 6.5 points from December 31, 2022.

### (2) Cash Flows

The Company has not prepared a statement of cash flows for the period ended March 31, 2023, 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, 2023, which was announced on February 13, 2023.

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, 2022 (as of December 31, 2022)	Three months ended March 31, 2023 (as of March 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	14,772	15,765
Notes and accounts receivable - trade	22,321	32,933
Electronically recorded monetary claims - operating	1,842	2,160
Merchandise and finished goods	25,617	32,104
Work in process	1,435	1,382
Raw materials and supplies	5,200	5,142
Other	2,795	3,240
Allowance for doubtful accounts	(22)	(37)
<b>Total current assets</b>	<b>73,962</b>	<b>92,691</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	30,174	30,320
Accumulated depreciation and impairment	(16,336)	(16,645)
Buildings and structures, net	13,837	13,675
Machinery, equipment and vehicles	16,770	16,959
Accumulated depreciation and impairment	(12,785)	(13,093)
Machinery, equipment and vehicles, net	3,985	3,866
Land	7,787	7,801
Leased assets	320	346
Accumulated depreciation and impairment	(131)	(137)
Leased assets, net	188	208
Construction in progress	2,114	2,537
Other	9,499	9,597
Accumulated depreciation and impairment	(7,927)	(8,097)
Other, net	1,571	1,499
<b>Total property, plant and equipment</b>	<b>29,483</b>	<b>29,589</b>
Intangible assets		
Trademark right	1,233	1,202
Software	1,432	1,361
Goodwill	105	2,341
Customer-related intangible assets	1,643	1,627
Other	940	1,268
<b>Total intangible assets</b>	<b>5,355</b>	<b>7,802</b>
Investments and other assets		
Investment securities	5,261	5,160
Retirement benefit asset	7,336	7,425
Deferred tax assets	1,001	1,750
Other	2,105	2,119
Allowance for doubtful accounts	(16)	(18)
<b>Total investments and other assets</b>	<b>15,688</b>	<b>16,437</b>
<b>Total non-current assets</b>	<b>50,527</b>	<b>53,828</b>
<b>Total assets</b>	<b>124,489</b>	<b>146,520</b>



(Millions of yen)

	Fiscal year ended December 31, 2022 (as of December 31, 2022)	Three months ended March 31, 2023 (as of March 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	24,236	24,819
Electronically recorded obligations - operating	11,288	14,534
Short-term borrowings	1,000	18,000
Current portion of long-term borrowings	1,200	960
Accounts payable - other	7,477	4,897
Income taxes payable	426	2,329
Accrued consumption taxes	612	323
Provision for bonuses	240	1,477
Refund liabilities	1,010	897
Other	5,849	6,501
<b>Total current liabilities</b>	<b>53,341</b>	<b>74,741</b>
Non-current liabilities		
Deferred tax liabilities	1,815	1,046
Retirement benefit liability	314	304
Asset retirement obligations	479	480
Other	520	519
<b>Total non-current liabilities</b>	<b>3,129</b>	<b>2,350</b>
<b>Total liabilities</b>	<b>56,470</b>	<b>77,092</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	9,895	9,895
Capital surplus	9,917	9,918
Retained earnings	39,897	41,183
Treasury shares	(79)	(79)
<b>Total shareholders' equity</b>	<b>59,631</b>	<b>60,918</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,109	1,190
Foreign currency translation adjustment	698	964
Remeasurements of defined benefit plans	1,354	1,303
<b>Total accumulated other comprehensive income</b>	<b>3,163</b>	<b>3,457</b>
<b>Non-controlling interests</b>	<b>5,224</b>	<b>5,052</b>
<b>Total net assets</b>	<b>68,018</b>	<b>69,428</b>
<b>Total liabilities and net assets</b>	<b>124,489</b>	<b>146,520</b>

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

## Consolidated Statement of Income

(Millions of yen)

	Three months ended March 31, 2022 (from January 1, 2022 to March 31, 2022)	Three months ended March 31, 2023 (from January 1, 2023 to March 31, 2023)
Sales	38,603	40,819
Cost of sales	21,236	23,067
Gross profit	17,367	17,752
Selling, general and administrative expenses		
Transportation and storage costs	1,557	1,705
Advertising expenses	698	707
Promotion expenses	289	252
Provision of allowance for doubtful accounts	15	16
Salaries and allowances	3,325	3,509
Provision for bonuses	939	944
Travel and transportation expenses	251	314
Depreciation	346	394
Amortization of goodwill	423	21
Rent expenses on land and buildings	362	365
Research and development expenses	664	711
Other	3,169	3,276
Total selling, general and administrative expenses	12,043	12,220
Operating income	5,323	5,532
Non-operating income		
Interest income	33	26
Dividend income	3	3
Foreign exchange gains	248	31
Commission income	4	6
Rental income from buildings	11	11
Other	31	47
Total non-operating income	333	126
Non-operating expenses		
Interest expenses	7	9
Other	1	3
Total non-operating expenses	8	13
Ordinary income	5,648	5,645
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on sale of investment securities	—	3
Total extraordinary income	0	4
Extraordinary losses		
Loss on sale of non-current assets	3	0
Loss on retirement of non-current assets	26	5
Loss on sale of investment securities	—	7
Loss on valuation of investment securities	0	—
Total extraordinary losses	30	13
Net income before income taxes	5,617	5,636
Income taxes - current	2,087	2,232
Income taxes - deferred	(331)	(543)
Total income taxes	1,756	1,688
Net income	3,861	3,947
Net income attributable to non-controlling interests	94	58
Net income attributable to owners of parent	3,766	3,889

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended March 31, 2022 (from January 1, 2022 to March 31, 2022)	Three months ended March 31, 2023 (from January 1, 2023 to March 31, 2023)
Net income	3,861	3,947
Other comprehensive income		
Valuation difference on available-for-sale securities	(370)	82
Foreign currency translation adjustment	578	268
Remeasurements of defined benefit plans, net of tax	(73)	(55)
Total other comprehensive income	133	295
Comprehensive income	3,995	4,243
(Breakdown)		
Comprehensive income attributable to owners of parent	3,903	4,184
Comprehensive income attributable to non-controlling interests	91	59

### (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.

(Changes to accounting policies)

Effective from the beginning of the first quarter of the year ending December 31, 2023, the Group has adopted the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31; June 17, 2021). In accordance with the transitional treatment stipulated in Paragraph 27-2 of Implementation Guidance on Accounting Standard for Fair Value Measurement, the Group has decided to prospectively apply the new accounting policy prescribed in the Accounting Standard for Fair Value Measurement. Please note that this has no impact on the Group's quarterly consolidated financial statements.