

Consolidated Financial Results
for the Six Months Ended June 30, 2021 (Japanese GAAP)

August 6, 2021

Company name: Earth Corporation
Stock code: 4985

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

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Scheduled date for quarterly report submission: August 10, 2021
Scheduled date for dividend payment: —
Preparation of supplemental explanatory materials: Yes
Results briefing to be held: Yes (for institutional investors and analysts)

1. Consolidated Financial Results for the Six Months Ended June 30, 2021
(January 1 to June 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	%
Six months ended June 30, 2021	115,821	4.7	18,566	15.9	18,907	17.2	12,759	16.5
Six months ended June 30, 2020	110,634	6.3	16,024	116.5	16,138	114.1	10,949	135.4

Note: Comprehensive income for the six months ended June 30, 2021 was 12,460 million yen (-7.1% YoY), and comprehensive income for the six months ended June 30, 2020 was 13,417 yen (+92.6% YoY)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended June 30, 2021	578.41	—
Six months ended June 30, 2020	540.99	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Six months ended June 30, 2021	136,320	69,634	47.8
Fiscal year ended December 31, 2020	119,870	59,823	46.1

Reference: Equity capital amounted to 65,099 million yen as of June 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

(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.: None
 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 June 30, 2021	22,077,500	As of December 31, 2020	22,057,500
2. Treasury shares outstanding	As of June 30, 2021	6,815	As of December 31, 2020	5,065
3. Cumulative average number of shares	Six months ended June 30, 2021	22,059,386	Six months ended June 30, 2020	20,240,144

*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 six months ended June 30, 2021, the outlook for the Japanese economy remained extremely uncertain despite expansion in the number of vaccinations against the ongoing COVID-19 pandemic that reached Japan in the fiscal year ended December 31, 2020 and optimism regarding the future impact of various government policies. The primary causes of this uncertainty were intermittent state of emergency declarations issued by the Japanese government and semi-emergency measures adopted in certain regions of the nation. 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 six months ended June 30, 2021, the Group's financial results were boosted by conditions in both Household Products Business and General Environment and Sanitation Business. Conditions of consequential impact in the former business included continuously high customer demand stemming from lifestyle changes necessitated by the COVID-19 pandemic and the launch of new products while conditions in the latter business included sales growth that occurred due to expansion in contract count. As a result, the Company reported record-high performance for the six months ended June 30, 2021 with 115,821 million yen in sales (+4.7% YoY), 18,566 million yen in operating income (+15.9% YoY), 18,907 million yen in ordinary income (+17.2% YoY), and 12,759 million yen in net income (+16.5%).

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 six months ended June 30, 2021 amounted to 109,224 million yen, up 6.4% YoY thanks to strong growth from new insecticides and repellents launched in spring 2021 and sales of bath salts, whose market expanded due to changes in customer demand that occurred in response to the COVID-19 pandemic. Meanwhile, segment income (operating income) amounted to 17,870 million yen, up 18.0% YoY due to growth in gross profit stemming from higher sales and improvement in 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)

	Six months ended June 30, 2020	Six months ended June 30, 2021	Change	Rate of change
Insecticides and repellents	48,937	51,569	2,632	5.4%
Household products	49,002	52,587	3,584	7.3%
Oral hygiene products	20,852	21,549	697	3.3%
Bath salts	10,305	13,124	2,819	27.4%
Other household products	17,844	17,913	68	0.4%
Pet products and others	4,729	5,067	338	7.1%
Total sales	102,668	109,224	6,555	6.4%
Segment income (operating income)	15,144	17,870	2,725	18.0%

Note: Sales include internal sales and transfers made within and between segments, which amounted to 5,048 million yen during the six months ended June 30, 2020 and 6,880 million yen during the six months ended June 30, 2021.

Insecticides and repellents

Overall insecticide and repellent sales grew in Japan thanks in part to growth in sales of *Earth Mushiyoke Net EX* (insect repellent), *Kobae ga Hoi Hoi* (fruit fly traps), and other products stemming from ongoing lifestyle changes associated with the COVID-19 pandemic (recommendations suggesting the ventilation of living spaces, an increase in time spent at home, etc.). Further contributing to sales growth were new products including *Osu Dake Earth-Red Muen Push* (no-flame fumigation of cockroaches, mites, fleas). Performance overseas was also strong, particularly in Thailand.

Consequently, sales amounted to 51,569 million yen (+5.4% YoY).

Household products

Sales of oral hygiene products came to 21,549 million yen, up 3.3% 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).

Meanwhile, sales of bath salts were 13,124 million yen, up 27.4% YoY due in part to continuing favorable performance from products such as the granular form of *Kikiyu* (a carbonated bath agent) and packaged bath salts *Nihon no Meito* and *Ii Yu Tabidachi*. This strong performance coincided with market scale expansion stemming from changes in customer demand brought on by the COVID-19 pandemic.

Sales of other household products incurred residual downward impact because demand for *Kaiteki Guard* protective face masks fell back from the high levels temporarily seen throughout 2020. However, sales of these products rallied to 17,913 million yen, up 0.4% YoY thanks to growth in sales of the *Rakuhapi* series of cleaning products due to increasing shelter-in-place demand.

Consequently, sales amounted to 52,587 million yen (+7.3% YoY).

Pet products and others

Sales of pet products and other miscellaneous products came to 5,067 million yen, up 7.1% thanks to existing product updates and ongoing growth in sales of cleaning towels and other pet care products that was generated 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.

Consequently, sales in the General Environment and Sanitation Business amounted to 13,546 million yen (+3.6% YoY), while segment income (operating income) came to 898 million yen (+6.5% YoY).

Results in the General Environment and Sanitation Business

(Million yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021	Change	Rate of change
Sales	13,075	13,546	471	3.6%
Segment income (operating income)	844	898	54	6.5%

Note: Sales include internal sales and transfers made within and between segments, which amounted to 61 million yen during the six months ended June 30, 2020 and 68 million yen during the six months ended June 30, 2021.

(2) Explanation of Financial Position

(1) Assets, Liabilities and Net Assets

As of June 30, 2021, total assets amounted to 136,320 million yen, up 16,450 million yen from December 31, 2020 due primarily to increases in accounts receivable and investment securities.

Meanwhile, despite a downturn in accounts payable, total liabilities as of June 30, 2021 came to 66,686 million yen, up 6,640 million yen from December 31, 2020, mainly as a result of growth in accounts payable-trade and income taxes payable.

Net assets amounted to 69,634 million yen as of June 30, 2021, rising 9,810 million yen compared to December 31, 2020, mainly because of an increase in retained earnings.

Consequently, the Company's equity ratio was 47.8% as of June 30, 2021, up 1.7 points from December 31, 2020.

(2) Cash Flows

As of June 30, 2021, cash and cash equivalents (below, "cash") stood at 24,154 million yen, up 438 million yen compared to December 31, 2020.

In the six months ended June 30, 2021, net cash provided by operating activities amounted to 6,729 million yen (versus net cash of 15,556 million yen provided during the six months ended June 30, 2020). The primary sources of this net cash were 18,895 million yen in profit before income taxes (16,074 million yen during the six months ended June 30, 2020), an increase of 13,926 million yen in accounts receivable (increase of 14,906 million yen during the six months ended June 30, 2020), and growth of 3,987 million yen in inventories (versus a decline of 1,406 million yen during the six months ended June 30, 2020).

Net cash used in investing activities during the same period was 2,308 million yen (versus 1,313 million yen used during the six months ended June 30, 2020). This figure primarily consisted of 1,980 million yen in purchase of property, plant, and equipment (versus 1,210 million yen during the six months ended June 30, 2020).

Meanwhile, net cash used in financing activities was 4,175 million yen (versus 12,712 million yen used during the six months ended June 30, 2020). This amount primarily comprised 2,536 million yen in cash dividends paid (versus 2,023 million yen paid during the six months ended June 30, 2020).

(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)	Six months ended June 30, 2021 (as of June 30, 2021)
Assets		
Current assets		
Cash and deposits	23,716	24,154
Notes and accounts receivable - trade	22,746	36,693
Merchandise and finished goods	17,403	21,399
Work in process	789	641
Raw materials and supplies	3,986	4,245
Other	2,124	2,292
Allowance for doubtful accounts	(20)	(36)
Total current assets	70,747	89,391
Non-current assets		
Property, plant and equipment		
Buildings and structures	29,002	29,665
Accumulated depreciation and impairment	(14,982)	(15,537)
Buildings and structures, net	14,019	14,128
Machinery, equipment and vehicles	15,598	15,874
Accumulated depreciation and impairment	(11,357)	(11,833)
Machinery, equipment and vehicles, net	4,240	4,041
Land	7,875	7,875
Leased assets	115	154
Accumulated depreciation and impairment	(58)	(61)
Leased assets, net	56	93
Construction in progress	389	235
Other	8,616	8,985
Accumulated depreciation and impairment	(7,166)	(7,417)
Other, net	1,449	1,567
Total property, plant and equipment	28,030	27,940
Intangible assets		
Goodwill	2,260	1,306
Other	4,008	3,951
Total intangible assets	6,268	5,257
Investments and other assets		
Investment securities	8,001	6,682
Retirement benefit asset	4,343	4,499
Deferred tax assets	1,152	944
Other	1,333	1,612
Allowance for doubtful accounts	(7)	(7)
Total investments and other assets	14,823	13,731
Total non-current assets	49,122	46,929
Total assets	119,870	136,320

(Millions of yen)

	Fiscal year ended December 31, 2020 (as of December 31, 2020)	Six months ended June 30, 2021 (as of June 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	31,714	39,852
Short-term borrowings	1,756	1,137
Current portion of long-term borrowings	1,314	1,086
Accounts payable - other	10,017	6,341
Income taxes payable	3,640	5,751
Accrued consumption taxes	1,684	1,472
Provision for bonuses	312	316
Provision for sales returns	595	1,159
Other	3,848	5,316
Total current liabilities	54,884	62,434
Non-current liabilities		
Long-term borrowings	2,218	1,690
Deferred tax liabilities	1,329	1,105
Retirement benefit liability	454	416
Asset retirement obligations	505	516
Other	652	523
Total non-current liabilities	5,161	4,252
Total liabilities	60,046	66,686
Net assets		
Shareholders' equity		
Share capital	9,829	9,895
Capital surplus	9,859	9,928
Retained earnings	33,322	43,545
Treasury shares	(17)	(17)
Total shareholders' equity	52,994	63,351
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,723	1,793
Foreign currency translation adjustment	(789)	(350)
Remeasurements of defined benefit plans	371	304
Total accumulated other comprehensive income	2,304	1,747
Non-controlling interests	4,524	4,534
Total net assets	59,823	69,634
Total liabilities and net assets	119,870	136,320

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

Consolidated Statement of Income

(Millions of yen)

	Six months ended June 30, 2020 (from January 1, 2020 to June 30, 2020)	Six months ended June 30, 2021 (from January 1, 2021 to June 30, 2021)
Sales	110,634	115,821
Cost of sales	62,856	64,218
Gross profit	47,777	51,603
Selling, general and administrative expenses		
Transportation and storage costs	3,179	3,375
Advertising expenses	4,133	4,201
Promotion expenses	6,981	7,161
Provision of allowance for doubtful accounts	17	17
Salaries and allowances	7,574	8,016
Provision for bonuses	213	228
Travel and transportation expenses	541	506
Depreciation	552	619
Amortization of goodwill	1,230	954
Rent expenses on land and buildings	670	707
Research and development expenses	1,200	1,346
Other	5,456	5,900
Total selling, general and administrative expenses	31,753	33,036
Operating income	16,024	18,566
Non-operating income		
Interest income	22	30
Dividend income	61	103
Foreign exchange gains	—	68
Commission income	15	14
Rental income from buildings	43	23
Other	83	145
Total non-operating income	227	385
Non-operating expenses		
Interest expenses	34	10
Foreign exchange losses	42	—
Compensation for damage	—	27
Other	36	6
Total non-operating expenses	113	45
Ordinary income	16,138	18,907
Extraordinary income		
Gain on sale of non-current assets	7	1
Total extraordinary income	7	1
Extraordinary losses		
Loss on sale of non-current assets	9	6
Loss on retirement of non-current assets	16	5
Loss on valuation of investment securities	45	1
Total extraordinary losses	71	13
Profit before income taxes	16,074	18,895
Income taxes - current	5,374	5,486
Income taxes - deferred	(451)	399
Total income taxes	4,923	5,885
Net income	11,151	13,009
Net income attributable to non-controlling interests	201	250
Net income attributable to owners of parent	10,949	12,759

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2020 (from January 1, 2020 to June 30, 2020)	Six months ended June 30, 2021 (from January 1, 2021 to June 30, 2021)
Net income	11,151	13,009
Other comprehensive income		
Valuation difference on available-for-sale securities	2,497	(920)
Foreign currency translation adjustment	(193)	439
Remeasurements of defined benefit plans, net of tax	(38)	(68)
Total other comprehensive income	2,266	(549)
Comprehensive income	13,417	12,460
(Breakdown)		
Comprehensive income attributable to owners of parent	13,224	12,202
Comprehensive income attributable to non-controlling interests	192	258

(3) Quarterly Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2021 (from January 1, 2020 to June 30, 2020)	Six months ended June 30, 2021 (from January 1, 2021 to June 30, 2021)
Cash flows from operating activities		
Profit before income taxes	16,074	18,895
Depreciation	1,595	1,687
Amortization of goodwill	1,230	954
Increase (decrease) in provision for sales returns	1,016	563
Increase in retirement benefit assets (increase in retirement benefit liabilities)	(210)	(298)
Decrease (increase) in trade receivables	(14,906)	(13,926)
Decrease (increase) in inventories	1,406	(3,987)
Increase (decrease) in trade payables	8,583	8,099
Other	2,318	(2,046)
Subtotal	17,109	9,940
Interest and dividends received	84	134
Interest paid	(34)	(10)
Income taxes paid	(1,602)	(3,334)
Net cash provided by (used in) operating activities	15,556	6,729
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,210)	(1,980)
Purchase of investment securities	(9)	(9)
Other payments	(306)	(345)
Other proceeds	212	27
Net cash provided by (used in) investing activities	(1,313)	(2,308)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(8,868)	(619)
Repayments of long-term borrowings	(1,641)	(757)
Purchase of treasury shares	(0)	(0)
Purchase of treasury shares of subsidiaries	—	(86)
Dividends paid	(2,023)	(2,536)
Dividends paid to non-controlling interests	(158)	(158)
Other	(20)	(17)
Net cash provided by (used in) financing activities	(12,712)	(4,175)
Effect of exchange rate change on cash and cash equivalents	(68)	192
Net increase (decrease) in cash and cash equivalents	1,462	438
Cash and cash equivalents at beginning of period	7,312	23,716
Cash and cash equivalents at end of period	8,774	24,154

(4) 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.