Consolidated Financial Results
for the Three Months Ended March 31, 2022 (Japanese GAAP)

May 11, 2022

Company name:	Earth Corporation	Listing Stock Exchange: Tokyo
Stock code:	4985	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 13, 2022
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, 2022 (January 1, 2022 to March 31, 2022)

(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, 2022	38,603	—	5,323	—	5,648	—	3,766	—
Three months ended March 31, 2021	49,278	8.4	8,050	56.0	8,206	59.5	5,575	64.6

Note: Comprehensive income for the three months ended March 31, 2022 was 3,995 million yen (—%), and comprehensive income for the three months ended March 31, 2021 was 5,558 million yen (47.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended March 31, 2022	170.89	—
Three months ended March 31, 2021	252.83	—

Note: Due to the adoption of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), etc. from the beginning of the fiscal year ending December 2022, results for the first three months of the fiscal year under review are based on the new accounting standards and hence the rates of year-on-year changes are not provided.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Three months ended March 31, 2022	132,333	64,929	45.7
Fiscal year ended December 31, 2021	120,715	64,596	49.7

Reference: Equity capital amounted to 60,421 million yen as of March 31, 2022 and 59,958 million as of December 31, 2021.

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, 2021	－	0.00	－	118.00	118.00
Fiscal year ending December 31, 2022	－				
Fiscal year ending December 31, 2022 (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, 2022 (January 1, 2022 to December 31, 2022)

(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	91,500	－	13,300	－	13,400	－	9,280	－	421.04
Full-year	155,000	－	10,750	－	11,150	－	7,280	－	330.30

Notes: No revisions have been made to the Company's most recently announced consolidated earnings forecast.
From the beginning of the fiscal year ending December 31, 2022, the Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29). Therefore, the above consolidated forecasts were the amount after adopting these standards and YoY and QoQ changes are not listed.

*****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, 2022	22,077,500	As of December 31, 2021	22,077,500
2. Treasury shares outstanding	As of March 31, 2022	54,949	As of December 31, 2021	36,939
3. Cumulative average number of shares	Three months ended March 31, 2022	22,039,961	Three months ended March 31, 2021	22,052,434

*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

Effective from the beginning of the first three months (hereafter, "Q1") of the fiscal year ending December 31, 2022, the Company has adopted the Accounting Standard for Revenue Recognition (Accounting Standard Board of Japan [ASBJ] Statement No. 29; March 31, 2020), etc. As a result, revenue recognition standards applied to the results for Q1 of the fiscal year under review differ from those applied to those for the same period of the previous fiscal year, and hence, no year-on-year comparison figures (% changes) have been provided in the below explanation of operating results.

During Q1 of the fiscal year ending December 31, 2022, the Japanese economy appeared to temporarily recover from the impact of the COVID-19 pandemic. However, a rise in infections stemming from new variants (Omicron) resulted in more areas adopting measures to prevent the spread of the virus and ongoing reduced consumer spending and company activities. Further, there remain uncertainties about the future due to the sudden depreciation of the Japanese yen and concerns surrounding geopolitical risks as Russia invaded Ukraine in February.

In the Asia region, where the Group focuses expansion, there remain concerns about the ongoing COVID-19 pandemic, inflation in raw material and resource costs from delayed supply chains, and the impact of the Russian invasion of Ukraine. Therefore, the Group must continue to pay close attention to these developments.

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 strove to implement priority measures associated with these policies in Q1 of the fiscal year ending December 31, 2022.

During Q1 of the fiscal year ending December 31, 2022, customer demand in the Household Products Business continued as new lifestyles formed due to the COVID-19 pandemic. The General Environment and Sanitation Business also saw growth. As a result, sales were 38,603 million yen. On the profit front, foreign exchange effects and sales promotion expenses associated with improved management precision resulted in operating income of 5,323 million yen, ordinary income of 5,648 million yen, net income before income taxes of 5,617 million yen, and net income attributable to owners of parent reached 3,766 million yen.

Consolidated results for Q1 of the fiscal year ending December 31, 2022 (Millions of yen)

	Consolidated Q1 results for the fiscal year ended December 31, 2021	Consolidated Q1 results for the fiscal year ending December 31, 2022	(Ref.) Consolidated Q1 results, excl. the impact of accounting standard change	YoY change, excl. the impact of accounting standard change
Sales	49,278	38,603	51,472	4.5%
Operating income	8,050	5,323	7,194	(10.6%)
Ordinary income	8,206	5,648	7,518	(8.4%)
Net income before income taxes	8,201	5,617	7,488	(8.7%)

Note: Due to the adoption of the Accounting Standard for Revenue Recognition, etc. from the beginning of Q1of the fiscal year under review, sales were reduced by 12,869 million yen and all profit categories from the operating income line down were reduced by 1,870 million yen.

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. The Company strove to improve profitability and reduce manufacturing costs and costs for sales.

In Q1 of the fiscal year ending December 31, 2022, early sales of insecticides and repellents were sluggish due to lower temperatures compared to last year and ongoing inclement weather. On the other hand, the addition of high added value new products and changing customer demand due to the COVID-19 pandemic resulted in higher sales and a larger market size for bath salts. As a result, sales generated through the House Products Business amounted to 35,669 million yen. Meanwhile, segment operating profit was 4,960 million yen due to changes in cost to sales ratio resulting from changes in sales mix and the depreciation of the Japanese yen in overseas purchasing as well as booking sales promotion expenses to improve the accuracy of grasping the status of usage corresponding with sales.

Results in the Household Products Business (Millions of yen)

	Consolidated Q1 results for the fiscal year ended December 31, 2021	Consolidated Q1 results for the fiscal year ending December 31, 2022	(Ref.) Consolidated Q1 results, excl. the impact of accounting standard change	YoY change, excl. the impact of accounting standard change
Sales	46,354	35,669	48,568	4.8%
Segment income (operating income)	7,968	4,960	6,850	(14.0%)

Notes: 1. Sales include internal sales and transfers made within and between segments, which amounted to 3,377 million yen during Q1 of the fiscal year ended December 31, 2021 and 3,454 million yen during Q1 of the fiscal year ending December 31, 2022.
2. Due to the adoption of the Accounting Standard for Revenue Recognition, etc. from the beginning of Q1 of the fiscal year under review, sales decreased by 12,898 million yen and segment income decreased by 1,889 million yen.

Insecticides and repellents

In Japan, early sales were sluggish due to lower temperatures compared to the previous year and ongoing inclement weather. However, sales were boosted by adding high added value new products such as *MAMO ROOM* and *Iya na Mushi Zero de Night*. Overseas, sales were strong in Vietnam and Thailand, where recovery has been seen in some economic activities. As a results, sales for this segment were 17,684 million yen.

Household products

Shifts in customer demand in response to the COVID-19 pandemic saw the market for bath salts expand. Bath salt sales were 6,201 million yen due to continuing favorable performance from products such as *Onpo* tablets and packaged bath salts *Nihon no Meito* and *Iiyu Tabidachi*.

In the oral hygiene product area, the all-in-one mouthwash *Mondahmin Premium Care Sensitive* continued to perform well while *Mondahmin NEXT Gums Care* was sluggish, resulting in sales of 1,769 million yen.

Sales of the indoor virus and anti-bacteria product Areru Block were lower due to the backlash of higher stay-at-home demand last fiscal year. However, sales of other household products were 7,863 million yen, with the new Sukki-ri! Brand product Sukki-ri! CORK + STICK Puriture and Kuruma no Sukki-ri! contributing to sales.

Segment sales amounted to 15,834 million yen.

Pet products and others

Sales of pet products and other miscellaneous products rose to 2,150 million yen, driven primarily by an increase in customers who began to keep pets during the COVID-19 pandemic and growth in sales of cleaning towels and other pet care products, as well as pet food, that occurred as people spent more time at home and developed more deep communication with their pets.

[General Environment and Sanitation Business]

In the General Environment and Sanitation Business, the Company is enhancing its in-house hygiene management as relevant laws in Japan are revised and safety standards for food, pharmaceutical products, and medical care are adjusted on an international scale. Accordingly, the Company observed growth in demand among core customers (food, pharmaceutical, and packing material factories) for its high-quality hygiene management services, which leverage the Company's specialized knowledge, skills, and expertise.

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 6,414 million yen, while segment income (operating income) was 299 million yen due to increases in personnel expenses for more hiring.

Results in the General Environment and Sanitation Business (Millions of yen)

	Consolidated Q1 results for the fiscal year ended December 31, 2021	Consolidated Q1 results for the fiscal year ending December 31, 2022	(Ref.) Consolidated Q1 results, excl. the impact of accounting standard change	YoY change, excl. the impact of accounting standard change
Sales	6,334	6,414	6,385	0.8%
Segment income (operating income)	332	299	279	(15.9%)

Notes: 1. Sales include internal sales and transfers made within and between segments, which amounted to 33 million yen in Q1 of the fiscal year ended December 31, 2021 and 27 million yen in Q1 of the fiscal year ending December 31, 2022.

2. Due to the adoption of the Accounting Standard for Revenue Recognition, etc. from the beginning of Q1 of the fiscal year under review, sales increased by 29 million yen and segment income increased by 19 million yen.

(2) Explanation of Financial Position

(1) Assets, Liabilities and Net Assets

As of March 31, 2022, total assets amounted to 132,333 million yen, up 11,618 million yen from December 31, 2021. This was primarily due to increases in trade receivables and inventories, which offset a decrease in cash and deposits.

Meanwhile, total liabilities as of March 31, 2022 came to 67,404 million yen, up 11,285 million yen from December 31, 2021. This was mainly due to increases in short-term borrowings and trade payables, which offset a decrease in deferred tax liabilities.

Net assets amounted to 64,929 million yen as of March 31, 2022, rising 332 million yen compared to December 31, 2021. This was mainly due to an increase in retained earnings resulting from the posting of net income attributable to owners of parent.

The Company’s equity ratio was 45.7% as of March 31, 2022, down 4.0 points from December 31, 2021.

(2) Cash Flows

The Company has not prepared a statement of cash flows for the period ended March 31, 2022, 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, 2022, which was announced on February 14, 2022.

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, 2021 (as of December 31, 2021)	Three months ended March 31, 2022 (as of March 31, 2022)
Assets		
Current assets		
Cash and deposits	21,027	16,221
Notes and accounts receivable - trade	21,210	31,543
Electronically recorded monetary claims - operating	1,730	1,905
Merchandise and finished goods	21,622	27,870
Work in process	1,315	1,157
Raw materials and supplies	4,564	4,820
Other	2,568	2,926
Allowance for doubtful accounts	(20)	(35)
Total current assets	74,018	86,409
Non-current assets		
Property, plant and equipment		
Buildings and structures	29,489	29,969
Accumulated depreciation and impairment	(15,884)	(16,404)
Buildings and structures, net	13,604	13,565
Machinery, equipment and vehicles	16,536	16,803
Accumulated depreciation and impairment	(12,426)	(12,737)
Machinery, equipment and vehicles, net	4,110	4,065
Land	7,873	7,906
Leased assets	255	267
Accumulated depreciation and impairment	(79)	(92)
Leased assets, net	176	175
Construction in progress	253	407
Other	9,198	9,421
Accumulated depreciation and impairment	(7,666)	(7,844)
Other, net	1,532	1,576
Total property, plant and equipment	27,551	27,698
Intangible assets		
Goodwill	423	—
Other	3,853	3,966
Total intangible assets	4,276	3,966
Investments and other assets		
Investment securities	6,025	5,338
Retirement benefit asset	6,114	6,203
Deferred tax assets	1,132	1,256
Other	1,612	1,479
Allowance for doubtful accounts	(16)	(17)
Total investments and other assets	14,868	14,260
Total non-current assets	46,696	45,924
Total assets	120,715	132,333

(Millions of yen)

	Fiscal year ended December 31, 2021 (as of December 31, 2021)	Three months ended March 31, 2022 (as of March 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,617	24,805
Electronically recorded obligations - operating	9,832	13,206
Short-term borrowings	1,480	9,593
Current portion of long-term borrowings	1,018	980
Accounts payable - other	10,721	4,795
Income taxes payable	1,520	2,278
Accrued consumption taxes	526	717
Provision for bonuses	255	1,470
Provision for sales returns	434	—
Refund liabilities	—	806
Other	3,892	5,818
Total current liabilities	52,300	64,474
Non-current liabilities		
Long-term borrowings	1,200	960
Deferred tax liabilities	1,178	551
Retirement benefit liability	382	371
Asset retirement obligations	516	517
Other	540	529
Total non-current liabilities	3,818	2,930
Total liabilities	56,118	67,404
Net assets		
Shareholders' equity		
Share capital	9,895	9,895
Capital surplus	9,928	9,928
Retained earnings	37,929	38,354
Treasury shares	(215)	(315)
Total shareholders' equity	57,537	57,862
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,297	927
Foreign currency translation adjustment	(22)	555
Remeasurements of defined benefit plans	1,146	1,076
Total accumulated other comprehensive income	2,421	2,558
Non-controlling interests	4,638	4,508
Total net assets	64,596	64,929
Total liabilities and net assets	120,715	132,333

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

Consolidated Statement of Income

(Millions of yen)

	Three months ended March 31, 2021 (from January 1, 2021 to March 31, 2021)	Three months ended March 31, 2022 (from January 1, 2022 to March 31, 2022)
Sales	49,278	38,603
Cost of sales	27,497	21,236
Gross profit	21,780	17,367
Selling, general and administrative expenses		
Transportation and storage costs	1,414	1,557
Advertising expenses	672	698
Promotion expenses	2,861	289
Provision of allowance for doubtful accounts	13	15
Salaries and allowances	3,109	3,325
Provision for bonuses	904	939
Travel and transportation expenses	217	251
Depreciation	309	346
Amortization of goodwill	477	423
Rent expenses on land and buildings	349	362
Research and development expenses	650	664
Other	2,750	3,169
Total selling, general and administrative expenses	13,729	12,043
Operating income	8,050	5,323
Non-operating income		
Interest income	18	33
Dividend income	47	3
Foreign exchange gains	68	248
Commission income	7	4
Rental income from buildings	11	11
Other	36	31
Total non-operating income	190	333
Non-operating expenses		
Interest expenses	5	7
Other	28	1
Total non-operating expenses	33	8
Ordinary income	8,206	5,648
Extraordinary income		
Gain on sale of non-current assets	—	0
Total extraordinary income	—	0
Extraordinary losses		
Loss on sale of non-current assets	1	3
Loss on retirement of non-current assets	2	26
Loss on valuation of investment securities	1	0
Total extraordinary losses	5	30
Net income before income taxes	8,201	5,617
Income taxes - current	2,235	2,087
Income taxes - deferred	289	(331)
Total income taxes	2,524	1,756
Net income	5,676	3,861
Net income attributable to non-controlling interests	101	94
Net income attributable to owners of parent	5,575	3,766

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended March 31, 2021 (from January 1, 2021 to March 31, 2021)	Three months ended March 31, 2022 (from January 1, 2022 to March 31, 2022)
Net income	5,676	3,861
Other comprehensive income		
Valuation difference on available-for-sale securities	(502)	(370)
Foreign currency translation adjustment	420	578
Remeasurements of defined benefit plans, net of tax	(35)	(73)
Total other comprehensive income	(118)	133
Comprehensive income	5,558	3,995
(Breakdown)		
Comprehensive income attributable to owners of parent	5,453	3,903
Comprehensive income attributable to non-controlling interests	104	91

(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)

(Adoption of the Accounting Standard for Revenue Recognition, etc.)

Effective from the beginning of Q1 of the fiscal year ending December 31, 2022, the Earth Group has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30; March 26, 2021). As a result, the Group now recognizes revenue at the time of transfer of control of promised goods or services to the customer, in the amount it expects to receive in exchange for said goods or services.

In light of this, the Group has made the following changes.

(1) Change in the timing of revenue recognition

In the Household Products Business, the Company (parent) and some of its consolidated subsidiaries previously recognized revenue for sales of products at the time the products were shipped. Under the new accounting standards, however, revenue is recognized when the products are shipped to the destination designated by the customer and handed over to the customer, as this is when control of the products is transferred to the customer.

Under the previous accounting standards, for some transactions in the General Sanitary Management Business, revenue was recognized over the period in which services promised in the contract were provided. Under the new accounting standards, however, the Group identifies services that are performance obligations as promised in the contract, and since the performance obligations are deemed satisfied when the services identified as such have been provided in full, the Group recognizes revenue at the time of the completion of the services.

(2) Considerations payable to customers

From the fiscal year under review, the Group deducts a portion of sales promotion expenses and other considerations payable to customers from revenue as it has identified performance obligations in contracts with customers. Under the previous accounting standards, some sales promotion expenses and other considerations payable to customers were recorded as SG&A expenses at the time the Group determined these payables were highly likely to occur. However, under the new accounting standards, the Group makes a reasonable estimate of the variable portion of the transaction price based on past records and only deducts from revenue the portion that is highly likely to not result in a substantial reduction in revenue.

(3) Products sales with rights of return

Under the previous accounting standards, the Group recorded provisions for product returns in the amount equivalent to anticipated losses resulting from the product returns based on the past rate of returns and gross profit margin. Under the new accounting standards, however, the Group deducts from revenue the estimated amount of refunds payable to customers as an obligation to refund the amount of consideration received for the products expected to be returned and recognizes refund liabilities for the products in questions. Further, the Group records return assets and makes corresponding adjustments (deductions) to the cost of sales for its right to recover products from customers when the refund liabilities are settled.

(4) Revenue recognition for agent transactions

For the purchase and sales transactions involving denture-related products and toothpaste and toothbrush-related products with GlaxoSmithKline Consumer Healthcare Japan Co., Ltd. (hereafter "GSKCHJ"), the Company previously recorded the total amount of consideration it expected to receive from customers as revenue. However, under the new accounting standards, since the Company's role of providing these products to customers is classified as that of an agent, the Company records a net amount obtained by subtracting the amount it pays to GSKCHJ, the supplier, from the amount billed to the customer as revenue.

The Group has applied the Accounting Standard for Revenue Recognition, etc. in accordance with the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative amount of impact of retroactively applying the new accounting policy to periods prior to the beginning of Q1 of the fiscal year under review has been added to or subtracted from retained earnings at the beginning of said period, and the new accounting policy has been applied from the balance at the beginning of said period.

However, in accordance with the methods prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition, the Group has not retroactively applied the new accounting policy to contracts prior to Q1 of the fiscal year under review where nearly all revenue amounts were recorded based on the previous accounting standards.

As a result, in Q1 of the fiscal year under revenue, sales were reduced by 12,869 million yen, cost of sales by 8,047 million yen, and SG&A expenses by 2,951 million yen, and operating income, ordinary income, and net income before income taxes were each reduced by 1,870 million yen. Further, the balance of retained earnings at the beginning of the period under review was down by 608 million yen.

As a result of the application of the Accounting Standard for Revenue Recognition, etc., provisions for sales returns shown under the current liabilities section of the consolidated balance sheet for the fiscal year ended December 31, 2021 are shown as return assets included in other under the current assets section and as refund liabilities under the current liabilities section of the balance sheet for Q1 of the fiscal year under review. Note that in accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the Group has not reclassified the amounts reported in the previous fiscal year using the new representation method. Further, in accordance with the transitional treatment set forth in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12; March 31, 2020), the Group has not included the breakdown of revenue from contracts with customers in Q1 of the previous fiscal year.

(Application of Accounting Standard for Fair Value Measurement, etc.)

Effective from the beginning of Q1 of the fiscal year under review, the Group has adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30; July 4, 2019). In accordance with the transitional treatment stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10; July 4, 2019), the Group has decided to prospectively apply the new accounting policy prescribed in the Accounting Standard for Fair Value Measurement, etc. Please note that this has no impact on the Group’s quarterly consolidated financial results.

(Significant subsequent events)

Business combination through acquisition

(1) Overview of business combination

① Name and business of acquired company

Name of acquired company: Earth Homecare Products (Philippines), Inc.

Business: Sale of insecticides and repellents, household products, pet care products, etc.

② Main reasons for business combination

In the medium-term management plan, "Act For SMILE – COMPASS 2023 –," the Earth Group positioned the expansion of earnings base in Asia as one of its top priorities and to this end, has worked to expand its business in Southeast Asia. Of the Southeast Asian countries, the Group believes the Philippines in particular has potential for growth, as population increase and significant market growth are anticipated and demand for insecticides and repellents is increasing every year. Earth Homecare Products (Philippines), Inc. has secured a market share and sales channels in the sale of insecticides and repellents, household products, and pet care products among others in the Philippines, and by utilizing synergies generated through the introduction of the Group's products, Earth Homecare Products (Philippines) is expected to contribute to sales growth and business expansion in Southeast Asia.

③ Date of business combination

April 1, 2022 (share acquisition date)

June 30, 2022 (deemed acquisition date)

④ Legal framework of business combination

Share acquisition through cash payment

⑤ Name of company after business combination

No change

⑥ Percentage of voting rights acquired

66.7%

⑦ Grounds for determining acquiring company

The Company acquired 66.7% of voting rights through acquiring shares of Earth Home Products (Philippines) for cash

(2) Acquisition cost for the acquired company and breakdown of the cost

Not disclosed due to an agreement with the acquired party.

(3) Main items and amounts of acquisition-related expenses

Not confirmed as of the date of the release of this document.

(4) Amount of goodwill, reason for occurrence, amortization method, and amortization period

Not confirmed as of the date of the release of this document.

(5) Amounts of assets received and liabilities undertaken on the date of the business combination, and their breakdown

Not confirmed as of the date of the release of this document.